

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2013

PREPARED BY:

FINANCE DEPARTMENT

Clara Thorne
Finance Director

Member GFOA of U.S. and Canada
Published June 25, 2014

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Page No.</u>
INTRODUCTORY SECTION	
Letter of Transmittal	9
Principal City Officials	14
Organizational Chart	15
GFOA Certificate of Achievement for Excellence in Financial Reporting	16
FINANCIAL SECTION	
Independent Auditor's Report	19
Management's Discussion and Analysis	23
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	37
Statement of Activities	38
Fund Financial Statements	
Governmental Funds	
Balance Sheet	44
Reconciliation of the Balance Sheet to the Statement of Net Position	47
Statement of Revenues, Expenditures and Changes in Fund Balances	48
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	50
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	51
Proprietary Funds	
Statements of Net Position	52
Statements of Revenues, Expenses and Changes in Net Position	54
Statements of Cash Flows	56
Fiduciary Funds	
Statement of Fiduciary Net Position	60
Notes to the Financial Statements	61
Required Supplementary Information	
Schedule of Funding Progress	103
Combining and Individual Fund Financial Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	107
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	108
Nonmajor Special Revenue Funds	
Combining Balance Sheet	112
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	114
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Library Fund	116
Bookmobile Fund	117
Library Endowment Fund	118
Community Development Block Grant Fund	119
Community Development Fund	120
Local Option Sales Tax Fund	121
Parkland Fund	122
Flood Control Fund	123
Contingency Fund	124

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Page No.</u>
Combining and Individual Fund Financial Statements and Schedules - Continued	
Nonmajor Capital Projects Funds	
Combining Balance Sheet	128
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	130
General Fund	
Comparative Balance Sheets	135
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	137
Debt Service Funds	
Combining Balance Sheet	146
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	150
Agency Funds	
Combining Statement of Fiduciary Net Position	158
Schedule of Changes in Assets and Liabilities	160
Discretely Presented Component Unit - Port Authority	
Combining Balance Sheet - Governmental Funds	166
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	170
Summary Financial Report	
Revenue and Expenditures for General Operations - Governmental Funds	176
 STATISTICAL SECTION (UNAUDITED)	 <u>TABLE</u>
Financial Trends	
Net Position by Component	1 180
Changes in Net Position	2 182
Governmental Activities Tax Revenues by Source	3 187
Fund Balances of Governmental Funds - Last Ten Fiscal Years	4 188
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	5 190
General Governmental Tax Revenues by Source - Last Ten Fiscal Years	6 193
Revenue Capacity	
Tax Capacity and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	7 194
Property Tax Rates Direct and Overlapping Governments - Last Ten Fiscal Years	8 197
Principal Property Taxpayers	9 198
Property Tax Levies and Collections - Last Ten Fiscal Years	10 201
Debt Capacity	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	11 202
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	12 204
Computation of Direct and Overlapping Debt	13 205
Legal Debt Margin Information - Last Ten Fiscal Years	14 206
Pledged-Revenue Coverage-Water, Sewer and Sanitation Bonds - Last Ten Fiscal Years	15 208
Demographic and Economic Information	
Demographic and Economic Statistics - Last Ten Fiscal Years	16 209
Principal Employers - Current Year and Nine Years Ago	17 211
Operating Information	
Full-Time Equivalent City Government Employees by Function - Last Ten Fiscal Years	18 212
Operating Indicators by Function - Last Ten Fiscal Years	19 214
Capital Asset Statistics by Function - Last Ten Fiscal Years	20 216

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

	<u>Page No.</u>
OTHER REQUIRED REPORTS	
Independent Auditor's Report on Minnesota Legal Compliance	221
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 <i>Government Auditing Standards</i>	222
Schedule of Findings and Responses	225

THIS PAGE IS LEFT BLANK
INTENTIONALLY

INTRODUCTORY SECTION

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

THIS PAGE IS LEFT BLANK
INTENTIONALLY



June 25, 2014

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, 2013.

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, 2013 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, 2013 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. Nestled along the bluffs at the bend of the Minnesota River in south-central Minnesota it is approximately 80 miles southwest of the Minneapolis / Saint Paul metropolitan area. Access is provided via U.S. Highways 14 and 169, State Highways 22, 60, 66 and 68, and Interstate I-35 and I-290 are located within 40 and 50 miles of the City, respectively. There are 28 truck lines servicing the City with six truck terminals in the City. The Dakota Minnesota and Eastern Railroad Co. and Union Pacific Railroad provide daily freight rail service to the City. The City is also serviced by the Mankato regional airport which can accommodate charter, commercial freight and jet planes with a 6,600-foot paved, lighted runway. The City currently occupies a land area of four square miles and has a population of 13,462. The City is empowered to levy a property tax on real property located within its corporate limits.

The City was incorporated in 1898 and has been a Statutory City since 1974. The City operates under the Optional Plan A form of government. 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 2010 U.S. Census designated the Mankato/North Mankato region as an urbanized area (metropolitan statistical area-MSA). Designation as an MSA is beneficial, positively having an impact on quality of life and the economy, including increased funding for transportation and economic development.

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. North Mankato features a number of City parks for recreational activities among which is Caswell Park, one of the premier softball complexes in the nation. This facility has a substantial pedigree of hosting community, state, regional and national tournaments and features the Miracle Field for special needs athletes.

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 unemployment rate is 4.1 percent which represents a decrease from the previous year rate of 4.4 percent, mostly due to the diverse economic base. 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 58,294, which is anticipated to grow at an annual rate of two percent. The City continues to experience residential growth with permits issued in 2013 for 58 new residential housing units at a total value of \$10,826,490. This represents an increase of 15.6 percent compared to fiscal year 2012 permits issued. The market value of all new residential, commercial and industrial permits in fiscal year 2013 was \$15,500,697; an increase of 24.2 percent compared to fiscal year 2012.

Long-Term Financial Planning

The preparation of the annual budget includes a Five-Year Operating Forecasts, a Five-Year Capital Improvement Plan, a yearly equipment replacement schedule and long-term projections of debt service requirements.

In 2013, 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, Water Utility fund and Sewer Utility fund. These loans totaled \$3,169,208 at the end of fiscal year 2012 and were reduced by \$396,584 by the end of fiscal year 2013 to an amount of \$2,772,624. The findings of the debt study were used to craft the 2014 budget which includes plan for repayment of interfund loans over the next eleven fiscal years adopted by the City Council. Repayment of these loans and stabilizing fund balances in both the General fund, Water Utility fund and Sewer Utility fund have been priorities of management in the budget process and take priority over capital projects lacking statutory dedicated funding streams.

New Developments

Marigold (TIF 8) – Phase II of the project is expected to proceed this year. The project consists of 19-unit three-level townhomes with an estimated value of construction to be \$4,000,000. Anticipated new tax increment revenue to support existing debt payments will increase from approximately \$22,000 in 2013 to \$90,000 in 2017 and \$115,000 in 2019, along with gradual increases in subsequent years. Phase II will support existing TIF debt obligations and repays approximately \$605,000 of interfund loans used to support past debt.

Five-Year Capital Improvement Plan

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 \$325,000 was spent on the soccer fields in 2013 using cash from the Local Option Sales Tax fund and an additional \$250,000 will be spent in 2014 on the project.

The Five-Year Capital Improvement Plan calls for the replacement of the main sanitary sewer lift station controls in 2014 at a cost of \$665,000 and replacement of the Roe Crest/Noretta/Old Belgrade Hill Sewer in 2014 at a cost of \$1,714,000. 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.

Equipment

The Five-Year Capital Improvement Plan calls for the replacement of \$1.8 million dollars of equipment to be funded with cash contributions from the city's General fund and utility funds.

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, 2012. This was the twenty-sixth 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, 2013

MAYOR: *Mark Dehen*

COUNCIL MEMBERS: *Diane Norland*
Kim Spears
Billy Steiner
Bob Freyberg

CITY ADMINISTRATOR: *John Harrenstein*

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*

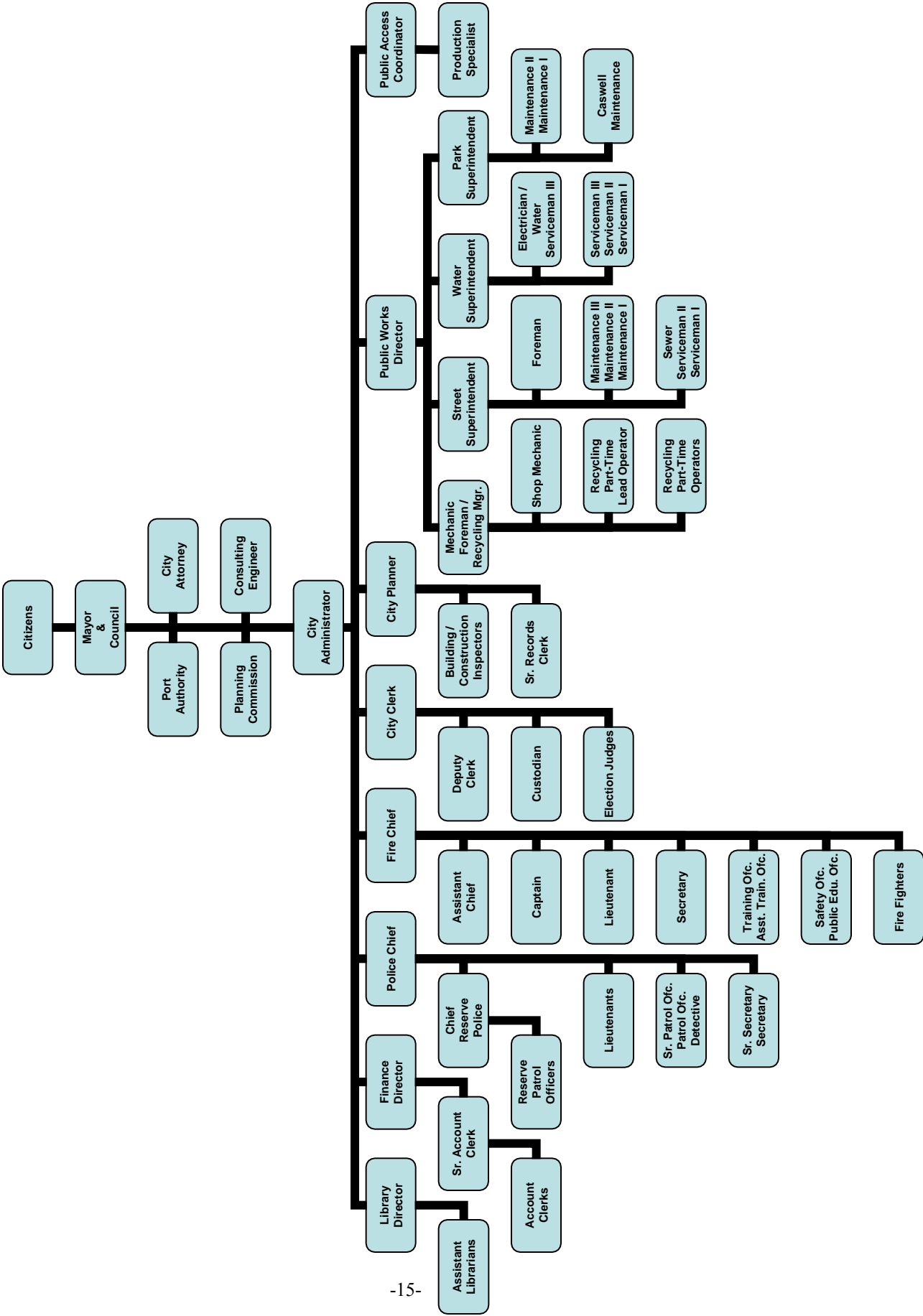
AUDITOR: *Abdo, Eick & Meyers, LLP*

BOND COUNSEL: *Kennedy & Graven, Chtd.*

FINANCIAL ADVISOR: *Northland Securities, Inc.*

PORT AUTHORITY BOND COUNSEL: *Briggs & Morgan*

City of North Mankato Organization Chart
2013





Government Finance Officers Association

**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, 2012

Executive Director/CEO

FINANCIAL SECTION

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

THIS PAGE IS LEFT BLANK
INTENTIONALLY

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of North Mankato

Report on the Financial Statements

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, 2013, 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 2012 financial statements and, in our report dated June 18, 2013 we express unmodified 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, 2013, 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.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

Other Matters

Required Supplementary Information

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

Other Information

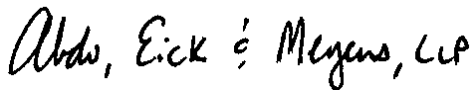
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections and combining and individual fund financial statements and schedules are presented for purposes of additional 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 combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections 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 25, 2014, 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.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 25, 2014

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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, 2013. 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 \$50,897,472 (*net position*). Of this amount, a balance of \$6,074,589 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 \$343,414 as compared to a decrease of \$1,799,828 in the previous year. A major factor in this decrease was a contribution to the City's Port Authority of \$432,202. There was an increase in capital grants and contributions of \$2,646,174, 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 \$950,856, 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 \$2,921,875 a decrease of \$1,170,462 in comparison with the prior year. Major factors in this decrease were a contribution to the City's Port Authority of \$432,202 and spending down the 2011 Construction fund balance. At the end of the current fiscal year, unassigned fund balance was \$1,875,175.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$2,702,101, or 44.9 percent of total General fund expenditures.
- The City's total debt decreased by \$3,378,972, or 10.6 percent during the current fiscal year, all of which was for the retirement of long-term debt.

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.

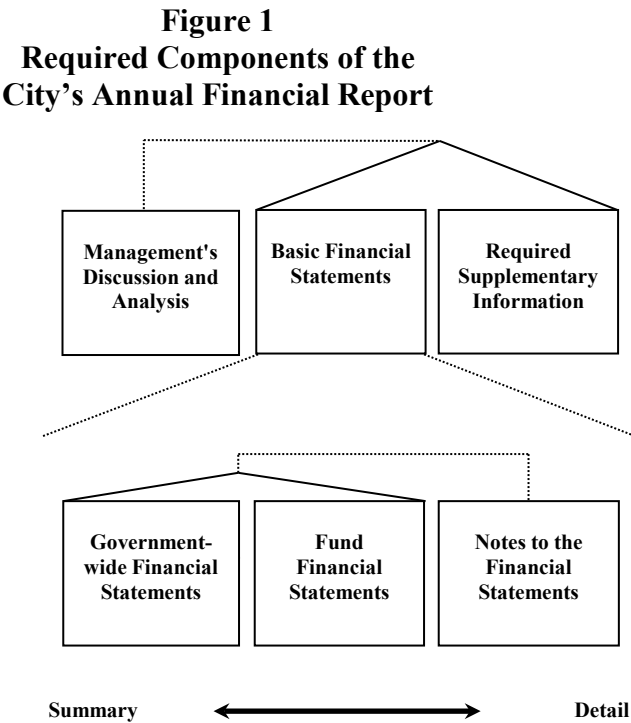


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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 financial 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 \$50,897,472 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (72.3 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		
	2013	(Restated) 2012	Increase (Decrease)	2013	(Restated) 2012	Increase (Decrease)
Current and other assets	\$ 15,202,165	\$ 13,658,223	\$ 1,543,942	\$ 4,645,738	\$ 4,488,548	\$ 157,190
Capital assets	38,744,297	43,294,109	(4,549,812)	24,148,093	23,851,089	297,004
Total assets	53,946,462	56,952,332	(3,005,870)	28,793,831	28,339,637	454,194
Long-term liabilities outstanding	21,547,141	24,213,418	(2,666,277)	8,059,674	8,672,168	(612,494)
Other liabilities	1,876,869	857,306	1,019,563	359,137	308,191	50,946
Total liabilities	23,424,010	25,070,724	(1,646,714)	8,418,811	8,980,359	(561,548)
Net position						
Net investment in capital assets	19,673,984	22,078,379	(2,404,395)	17,093,203	16,189,284	903,919
Restricted	8,055,696	7,064,989	990,707	-	-	-
Unrestricted	2,792,772	2,738,240	54,532	3,281,817	3,169,994	111,823
Total net position	\$ 30,522,452	\$ 31,881,608	\$ (1,359,156)	\$ 20,375,020	\$ 19,359,278	\$ 1,015,742

An additional portion of the City's net position (15.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (11.9 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position decreased by \$343,414 as compared to a decrease of \$1,799,828 in the previous year. A major factor in this decrease was a contribution to the City's Port Authority of \$432,202. There was an increase in capital grants and contributions of \$2,646,174, 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 \$950,856, 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.

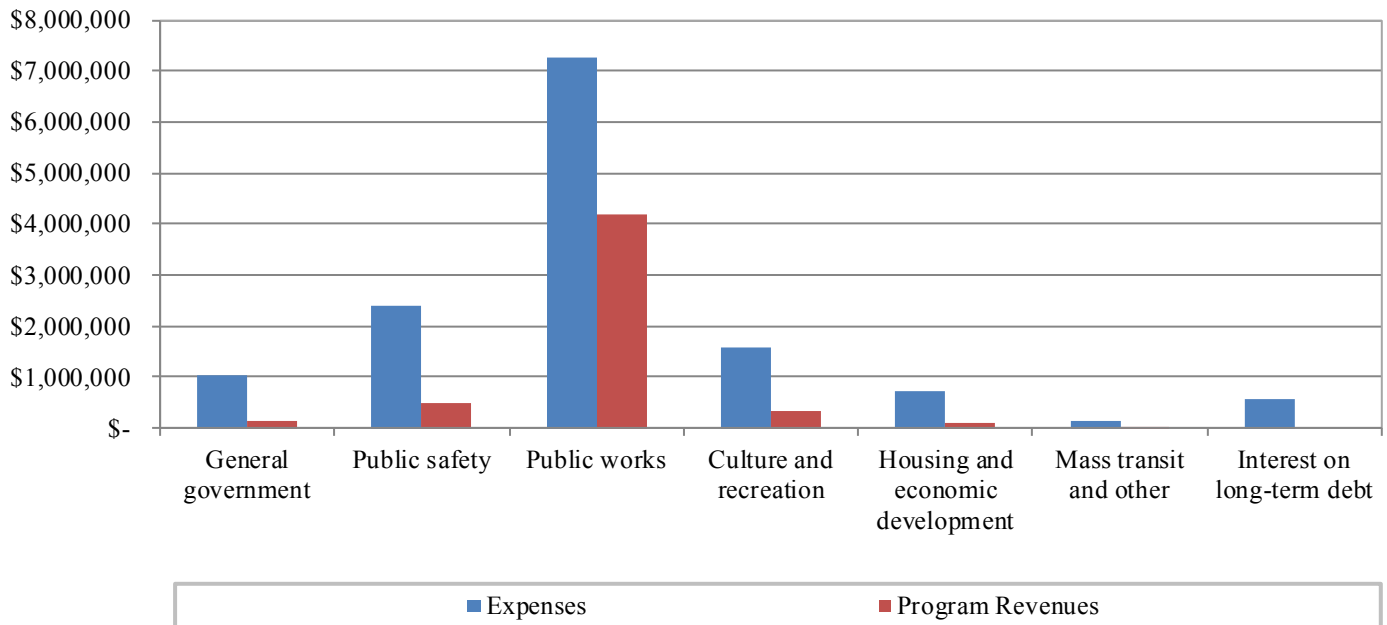
Governmental activities. Governmental activities decreased the City's net position by \$1,359,156. Key elements of this change are as follows:

City of North Mankato's Changes in Net Position

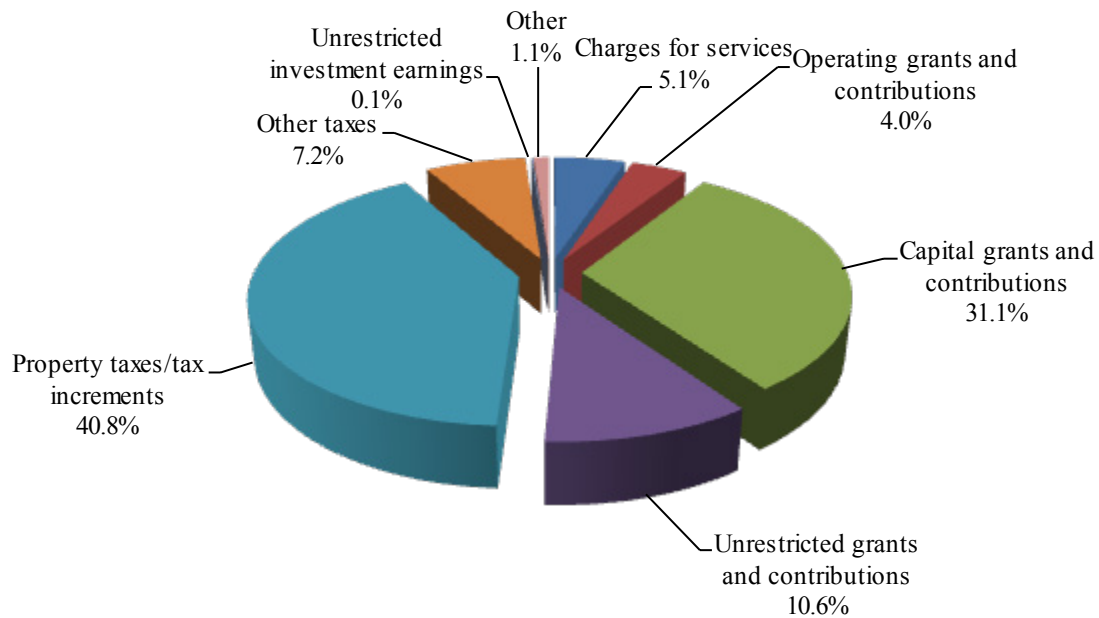
	Governmental Activities			Business-type Activities		
	2013	(Restated) 2012	Increase (Decrease)	2013	(Restated) 2012	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 669,766	\$ 892,067	\$ (222,301)	\$ 4,626,952	\$ 4,748,710	\$ (121,758)
Operating grants and contributions	526,043	502,163	23,880	-	-	-
Capital grants and contributions	4,057,677	1,412,189	2,645,488	4,354	3,668	686
General revenues						
Property taxes/ tax increments	5,326,322	5,026,073	300,249	-	50,000	(50,000)
Other taxes	944,171	945,317	(1,146)	1,067	1,079	(12)
Grants and contributions not restricted to specific programs	1,384,064	1,333,017	51,047	-	-	-
Unrestricted investment earnings	8,337	4,259	4,078	10,113	4,663	5,450
Other	84,632	104,107	(19,475)	-	-	-
Gain on sale of capital assets	52,813	11,052	41,761	-	-	-
Total revenues	13,053,825	10,230,244	2,823,581	4,642,486	4,808,120	(165,634)
Expenses						
General government	1,034,873	849,434	185,439	-	-	-
Public safety	2,392,220	2,372,795	19,425	-	-	-
Public works	7,258,318	6,307,462	950,856	-	-	-
Culture and recreation	1,597,289	1,787,372	(190,083)	-	-	-
Housing and economic development	706,987	223,016	483,971	-	-	-
Mass transit and other	128,897	208,994	(80,097)	-	-	-
Interest on long-term debt	570,917	671,015	(100,098)	-	-	-
Water	-	-	-	1,458,952	1,433,452	25,500
Wastewater	-	-	-	1,354,223	1,539,133	(184,910)
Sanitation	-	-	-	1,267,083	1,292,299	(25,216)
Storm water	-	-	-	269,966	153,220	116,746
Total expenses	13,689,501	12,420,088	1,269,413	4,350,224	4,418,104	(67,880)
Increase (decrease) in net position before transfers	(635,676)	(2,189,844)	1,554,168	292,262	390,016	(97,754)
Transfers	(723,480)	376,226	(1,099,706)	723,480	(376,226)	1,099,706
Change in net position	(1,359,156)	(1,813,618)	454,462	1,015,742	13,790	1,001,952
Net position - January 1 as restated	31,881,608	33,695,226	(1,813,618)	19,359,278	19,345,488	13,790
Net position - December 31 as restated	\$ 30,522,452	\$ 31,881,608	\$ (1,359,156)	\$ 20,375,020	\$ 19,359,278	\$ 1,015,742

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

Expenses and Program Revenues - Governmental Activities



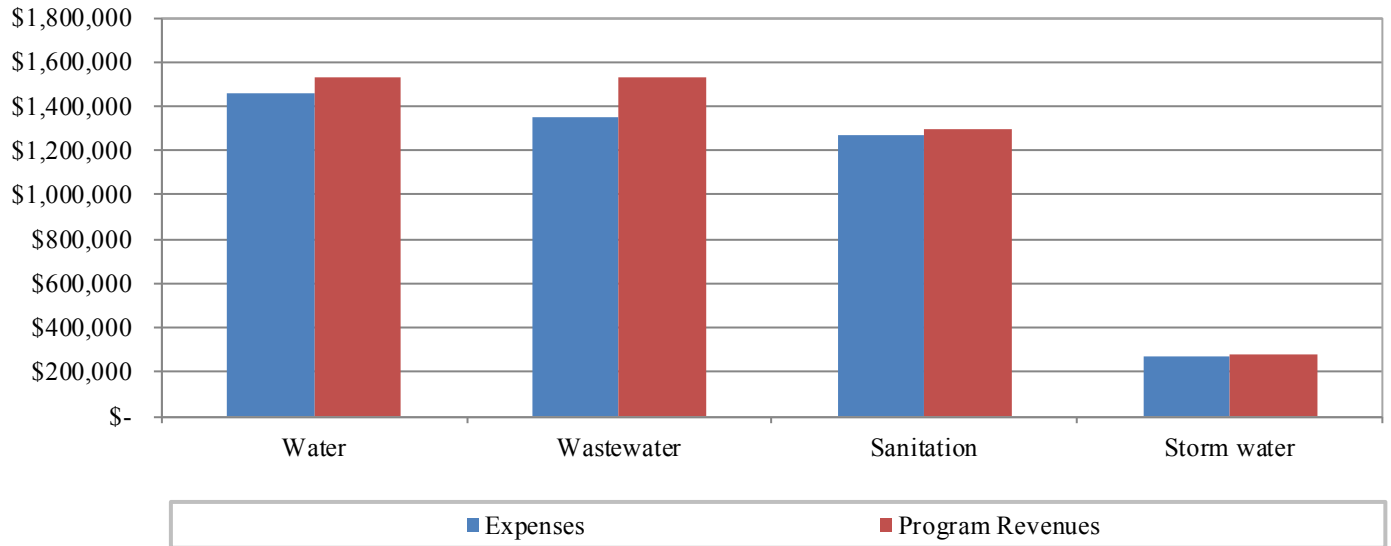
Revenues by Source - Governmental Activities



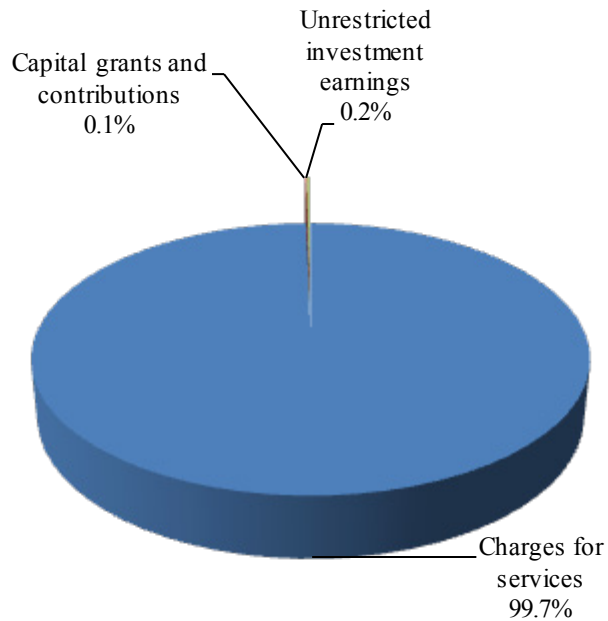
Business-type activities. Business-type activities increased the City’s net position by \$1,015,742. Key elements of this change are as follows:

- Capital contributions from governmental funds were \$1,044,059 for the prior year.
- Total operating income was \$557,974, a decrease of \$114,622 over the prior year.
- Total nonoperating expenses exceeded nonoperating revenues by \$270,066.
- Transfers out totaled \$321,149 for 2013.

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 \$2,921,875 a decrease of \$1,170,462 in comparison with the prior year. Major factors in this decrease were a contribution to the City's Port Authority of \$432,202 and spending down the 2011 Construction fund balance. At the end of the current fiscal year, unassigned fund balance was \$1,875,175.

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 \$2,789,011 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 44.9 percent of total General fund expenditures.

The *General fund* balance decreased by \$29,326 during the current year. The key factor of the decrease in the fund balance of the City's General fund was due to total revenues being \$78,598 over budget and expenditures being \$114,990 over budget. Intergovernmental and miscellaneous revenues were over budget by \$56,392 and \$51,447, respectively. Total capital outlay was \$236,617 over budget.

The *Debt Service fund* has a total fund balance deficit of \$800,519. There was an increase of \$415,989 in this deficit in the current year, mainly due to a contribution to the City's Port Authority of \$432,202.

The *2011 Construction fund* has a total fund balance deficit of \$7,755. This balance is mainly due to project expenditures exceeding State aid and other revenues.

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 \$3,281,817. The total increase in net position in the current year for these funds totaled \$1,015,742.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues were over budget by \$78,598 and expenditures came in over budget by \$114,990. Other financing sources (uses) had a positive variance of \$7,066. The net result was a decrease to the General fund balance of \$29,326.

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, 2013 amounts to \$62,892,390 (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 6.3 percent.

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

- A chip spreader was added for \$127,447.
- A tractor was purchased for \$80,061.
- Storm sewer improvements totaling \$578,173 were added to construction in progress for the 14/41 Interchange project, Caswell North soccer fields and CSAH 41-Carlson Drive-Howard Drive. The CSAH 41-Carlson Drive-Howard Drive project was completed in 2013.

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		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Land	\$ 3,420,428	\$ 3,420,428	\$ -	\$ 490,616	\$ 490,616	\$ -
Buildings and improvements	32,607,469	31,698,049	909,420	23,352,547	23,013,652	338,895
Machinery and equipment	1,232,484	1,105,004	127,480	304,930	346,821	(41,891)
Construction in progress	1,483,916	7,070,628	(5,586,712)	-	-	-
Total	<u>\$ 38,744,297</u>	<u>\$ 43,294,109</u>	<u>\$ (4,549,812)</u>	<u>\$ 24,148,093</u>	<u>\$ 23,851,089</u>	<u>\$ 297,004</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$25,157,426. Of this amount, \$2,269,000 comprises debt backed by the full faith and credit of the City and \$14,195,000 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 \$8,693,426.

City of North Mankato's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
General obligation bonds	\$ 2,269,000	\$ 2,597,000	\$ (328,000)	\$ -	\$ -	\$ -
G.O. improvement bonds	12,265,000	14,485,000	(2,220,000)	1,930,000	1,995,000	(65,000)
General obligation revenue bonds	2,670,000	2,860,000	(190,000)	6,023,426	6,586,268	(562,842)
Notes	3,215,000	3,215,000	-	-	-	-
Contracts	92,293	105,423	(13,130)	-	-	-
Total	<u>\$ 20,511,293</u>	<u>\$ 23,262,423</u>	<u>\$ (2,751,130)</u>	<u>\$ 7,953,426</u>	<u>\$ 8,581,268</u>	<u>\$ (627,842)</u>

The City's total debt decreased by \$3,378,972 (10.6 percent) during the current fiscal year, all of which was for the retirement of long-term debt.

The City maintained an "AA" rating from Standard and Poor's for their 2013 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 \$25,724,895, 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 2013 unemployment rate for the City was 4.1 percent, which is a decrease from a rate of 4.4 percent a year ago. This compares favorably to the State's average unemployment rate of 4.7 percent and the national average rate of 6.7 percent.
- Inflationary trends in the region compare favorably to national indices.
- Tax capacity valuation decreased in 2013 for taxes payable in 2013 by \$315,908 or 3.10 percent. Market value of property has increased an average of 1.5 percent per year for the past 10 years.

All of these factors were considered in preparing the City's budget for the 2014 fiscal year.

During the current fiscal year, fund balance in the General fund decreased by \$29,326 to \$2,789,011. 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.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Port Authority
ASSETS				
Cash and temporary investments	\$ 3,393,194	\$ 1,633,827	\$ 5,027,021	\$ 1,312,830
Restricted assets - cash with fiscal agent	1,585,367	881,470	2,466,837	-
Receivables				
Taxes	100,703	-	100,703	-
Accounts	106,783	403,412	510,195	-
Interest	22,566	-	22,566	-
Notes, mortgages and leases	147,944	-	147,944	4,553,722
Special assessments	7,749,105	35,134	7,784,239	-
Intergovernmental	2,828,468	175,162	3,003,630	-
Internal balances	(1,436,000)	1,436,000	-	-
Due from component unit	609,138	-	609,138	-
Inventories	-	56,173	56,173	-
Prepaid items	94,897	24,560	119,457	-
Capital assets				
Nondepreciable assets	4,904,344	490,616	5,394,960	1,819,986
Depreciable assets net of accumulated depreciation	33,839,953	23,657,477	57,497,430	-
TOTAL ASSETS	53,946,462	28,793,831	82,740,293	7,686,538
LIABILITIES				
Accounts payable	62,794	82,215	145,009	147
Contracts payable	1,432,164	-	1,432,164	-
Due to primary government	-	-	-	609,138
Due to other governments	70,050	133,549	203,599	158,883
Accrued interest payable	164,231	111,751	275,982	91,646
Accrued wages payable	146,330	31,622	177,952	-
Unearned revenue	1,300	-	1,300	-
Noncurrent liabilities:				
Due within one year	3,140,288	683,277	3,823,565	255,000
Due in more than one year	18,406,853	7,376,397	25,783,250	5,882,143
TOTAL LIABILITIES	23,424,010	8,418,811	31,842,821	6,996,957
NET POSITION				
Net investment in capital assets	19,673,984	17,093,203	36,767,187	1,117,843
Restricted for				
Debt service	7,772,033	-	7,772,033	-
Library programs	51,049	-	51,049	-
Park development	14,180	-	14,180	-
Park improvements	218,434	-	218,434	-
Economic development	-	-	-	2,021,850
Tax increment financing	-	-	-	57,968
Unrestricted	2,792,772	3,281,817	6,074,589	(2,508,080)
TOTAL NET POSITION	\$ 30,522,452	\$ 20,375,020	\$ 50,897,472	\$ 689,581

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, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 1,034,873	\$ 133,401	\$ -	\$ -
Public safety	2,392,220	311,979	164,308	32,000
Public works	7,258,318	6,318	158,888	4,025,677
Culture and recreation	1,597,289	192,688	129,947	-
Housing and economic development	706,987	25,361	72,900	-
Mass transit and other	128,897	19	-	-
Interest on long-term debt	570,917	-	-	-
Total governmental activities	13,689,501	669,766	526,043	4,057,677
Business-type activities				
Water	1,458,952	1,524,399	-	5,345
Sewer	1,354,223	1,535,142	-	(991)
Sanitation	1,267,083	1,292,386	-	-
Storm water	269,966	275,025	-	-
Total business-type activities	4,350,224	4,626,952	-	4,354
Total primary government	<u>\$ 18,039,725</u>	<u>\$ 5,296,718</u>	<u>\$ 526,043</u>	<u>\$ 4,062,031</u>
Component unit				
Port Authority	<u>\$ 1,311,664</u>	<u>\$ 95,664</u>	<u>\$ 432,202</u>	<u>\$ -</u>

General revenues
Property taxes, levied for general purposes
Property taxes, levied for debt service
Tax increments
Sales taxes
Hotel/motel taxes
Gambling taxes
Franchise taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Other revenues
Gain on sale of assets
Transfers
Total general revenues and transfers
Change in net 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
\$ (901,472)		\$ (901,472)	
(1,883,933)		(1,883,933)	
(3,067,435)		(3,067,435)	
(1,274,654)		(1,274,654)	
(608,726)		(608,726)	
(128,878)		(128,878)	
(570,917)		(570,917)	
<u>(8,436,015)</u>		<u>(8,436,015)</u>	
	\$ 70,792	70,792	
	179,928	179,928	
	25,303	25,303	
	<u>5,059</u>	<u>5,059</u>	
	281,082	281,082	
<u>(8,436,015)</u>	<u>281,082</u>	<u>(8,154,933)</u>	
			<u>\$ (783,798)</u>
3,802,650	-	3,802,650	74,479
1,523,672	-	1,523,672	-
-	-	-	304,726
536,417	1,067	537,484	-
46,550	-	46,550	-
16,443	-	16,443	-
344,761	-	344,761	-
1,384,064	-	1,384,064	-
8,337	10,113	18,450	63
84,632	-	84,632	-
52,813	-	52,813	492,907
<u>(723,480)</u>	<u>723,480</u>	<u>-</u>	<u>-</u>
<u>7,076,859</u>	<u>734,660</u>	<u>7,811,519</u>	<u>872,175</u>
<u>(1,359,156)</u>	<u>1,015,742</u>	<u>(343,414)</u>	<u>88,377</u>
<u>31,881,608</u>	<u>19,359,278</u>	<u>51,240,886</u>	<u>601,204</u>
<u>\$ 30,522,452</u>	<u>\$ 20,375,020</u>	<u>\$ 50,897,472</u>	<u>\$ 689,581</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

FUND FINANCIAL STATEMENTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

THIS PAGE IS LEFT BLANK
INTENTIONALLY

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	General	Debt Service	2011 Construction
ASSETS			
Cash and temporary investments	\$ 850,111	\$ 306,308	\$ 1,405,226
Restricted assets - cash with fiscal agent	-	1,585,367	-
Receivables			
Taxes	100,703	-	-
Accounts	31,660	-	-
Interest	-	22,566	-
Notes, mortgages and leases	147,393	-	-
Special assessments	51,955	7,697,150	-
Intergovernmental	46,771	2,682,864	-
Due from other funds	1,336,624	-	-
Due from component unit	609,138	-	-
Prepaid items	86,910	-	-
TOTAL ASSETS	<u><u>\$ 3,261,265</u></u>	<u><u>\$ 12,294,255</u></u>	<u><u>\$ 1,405,226</u></u>
LIABILITIES			
Accounts payable	\$ 34,802	\$ -	\$ 3,678
Contracts payable	-	-	1,409,303
Due to other funds	-	2,772,624	-
Due to other governments	66,095	-	-
Accrued wages payable	125,106	-	-
Unearned revenue	1,300	-	-
TOTAL LIABILITIES	<u>227,303</u>	<u>2,772,624</u>	<u>1,412,981</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	100,703	-	-
Unavailable revenue - special assessments	51,955	7,697,150	-
Unavailable revenue - due from other governments/notes	92,293	2,625,000	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>244,951</u>	<u>10,322,150</u>	<u>-</u>
FUND BALANCES			
Nonspendable	86,910	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	2,702,101	(800,519)	(7,755)
TOTAL FUND BALANCES	<u>2,789,011</u>	<u>(800,519)</u>	<u>(7,755)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 3,261,265</u></u>	<u><u>\$ 12,294,255</u></u>	<u><u>\$ 1,405,226</u></u>

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

Other Governmental Funds	Totals
\$ 831,549	\$ 3,393,194
-	1,585,367
-	100,703
75,123	106,783
-	22,566
-	147,393
-	7,749,105
98,833	2,828,468
-	1,336,624
-	609,138
7,987	94,897
<u>\$ 1,013,492</u>	<u>\$ 17,974,238</u>
\$ 24,314	\$ 62,794
22,861	1,432,164
-	2,772,624
3,955	70,050
21,224	146,330
-	1,300
<u>72,354</u>	<u>4,485,262</u>
-	100,703
-	7,749,105
-	2,717,293
<u>-</u>	<u>10,567,101</u>
7,987	94,897
283,663	283,663
196,439	196,439
471,701	471,701
(18,652)	1,875,175
<u>941,138</u>	<u>2,921,875</u>
<u>\$ 1,013,492</u>	<u>\$ 17,974,238</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

Total fund balances - governmental funds	\$ 2,921,875
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.	38,744,297
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	(664,871)
Other postemployment benefits obligation	(226,590)
Bonds payable	(20,419,000)
Contracts payable	(92,293)
Unamortized bond discounts, net of amortization	16,396
Unamortized bond premiums, net of amortization	(160,783)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	100,703
Special assessments receivable	7,749,105
Due from other governments/notes	2,717,293
Interest receivable	551
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(164,231)</u>
Total net position - governmental activities	<u><u>\$ 30,522,452</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, 2013

	General	Debt Service	2011 Construction
REVENUES			
Taxes	\$ 3,371,326	\$ 1,523,672	\$ -
Special assessments	13,755	1,238,848	-
Licenses and permits	388,769	-	-
Intergovernmental	1,703,588	271,163	846,720
Charges for services	166,102	-	-
Fines and forfeits	21,599	-	-
Investment earnings	1,367	6,970	-
Miscellaneous	113,096	-	-
TOTAL REVENUES	5,779,602	3,040,653	846,720
EXPENDITURES			
Current			
General government	992,041	-	-
Public safety	2,204,465	-	1,800
Public works	1,707,461	-	-
Culture and recreation	748,216	-	-
Housing and economic development	-	432,202	-
Mass transit and other	81,906	-	-
Capital outlay			
Public safety	28,853	-	-
Public works	152,899	-	1,528,702
Culture and recreation	89,865	-	-
Housing and economic development	-	-	-
Mass transit and other	-	-	-
Debt service			
Principal	13,130	2,123,000	-
Interest and other	4,788	615,582	-
TOTAL EXPENDITURES	6,023,624	3,170,784	1,530,502
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(244,022)	(130,131)	(683,782)
OTHER FINANCING SOURCES (USES)			
Sale of assets	36,313	-	-
Transfers in	200,026	329,712	-
Payment on refunded bonds	-	(615,000)	-
Transfers out	(21,643)	(570)	(337,728)
TOTAL OTHER FINANCING SOURCES (USES)	214,696	(285,858)	(337,728)
NET CHANGE IN FUND BALANCES	(29,326)	(415,989)	(1,021,510)
FUND BALANCES, JANUARY 1	2,818,337	(384,530)	1,013,755
FUND BALANCES, DECEMBER 31	\$ 2,789,011	\$ (800,519)	\$ (7,755)

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

Other Governmental Funds	Totals
\$ 1,369,478	\$ 6,264,476
-	1,252,603
-	388,769
128,014	2,949,485
-	166,102
-	21,599
-	8,337
153,054	266,150
<u>1,650,546</u>	<u>11,317,521</u>
-	992,041
3,709	2,209,974
-	1,707,461
578,998	1,327,214
273,425	705,627
34,732	116,638
-	28,853
261,848	1,943,449
355,134	444,999
1,360	1,360
12,259	12,259
-	2,136,130
-	620,370
<u>1,521,465</u>	<u>12,246,375</u>
<u>129,081</u>	<u>(928,854)</u>
16,500	52,813
1,305,348	1,835,086
-	(615,000)
(1,154,566)	(1,514,507)
<u>167,282</u>	<u>(241,608)</u>
296,363	(1,170,462)
<u>644,775</u>	<u>4,092,337</u>
<u>\$ 941,138</u>	<u>\$ 2,921,875</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, 2013

Net change in fund balances - governmental funds	\$ (1,170,462)
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	(1,412,471)
Depreciation expense	(2,125,282)
Net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to increase (decrease) net position.	
Capital contributions to business-type activities, net of related debt	(1,044,059)
Capital contributions	32,000
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	2,751,130
Discount on bonds issued, net of amortization expense	(4,248)
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.	43,350
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	6,017
Special assessments	1,838,604
Intergovernmental revenues	(180,000)
Loan repayments	(13,130)
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	(54,300)
Other postemployment benefits costs	(36,656)
Change in net position - governmental activities	<u><u>\$ (1,359,156)</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 -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 3,363,384	\$ 3,363,384	\$ 3,371,326	\$ 7,942
Special assessments	3,150	3,150	13,755	10,605
Licenses and permits	350,840	350,840	388,769	37,929
Intergovernmental	1,647,196	1,647,196	1,703,588	56,392
Charges for services	240,885	240,885	166,102	(74,783)
Fines and forfeits	28,900	28,900	21,599	(7,301)
Investment earnings	5,000	5,000	1,367	(3,633)
Miscellaneous	61,649	61,649	113,096	51,447
TOTAL REVENUES	5,701,004	5,701,004	5,779,602	78,598
EXPENDITURES				
Current				
General government	979,014	979,014	992,041	(13,027)
Public safety	2,210,868	2,210,868	2,204,465	6,403
Public works	1,748,222	1,748,222	1,707,461	40,761
Culture and recreation	833,095	833,095	748,216	84,879
Miscellaneous	102,435	102,435	81,906	20,529
Capital outlay				
General government	25,000	25,000	-	25,000
Public safety	-	-	28,853	(28,853)
Public works	-	-	152,899	(152,899)
Culture and recreation	10,000	10,000	89,865	(79,865)
Debt service				
Principal	-	-	13,130	(13,130)
Interest and other	-	-	4,788	(4,788)
TOTAL EXPENDITURES	5,908,634	5,908,634	6,023,624	(114,990)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(207,630)	(207,630)	(244,022)	(36,392)
OTHER FINANCING SOURCES (USES)				
Transfers in	207,630	207,630	200,026	(7,604)
Sale of assets	-	-	36,313	36,313
Transfers out	-	-	(21,643)	(21,643)
TOTAL OTHER FINANCING SOURCES (USES)	207,630	207,630	214,696	7,066
NET CHANGE IN FUND BALANCES	-	-	(29,326)	(29,326)
FUND BALANCES, JANUARY 1	2,818,337	2,818,337	2,818,337	-
FUND BALANCES, DECEMBER 31	\$ 2,818,337	\$ 2,818,337	\$ 2,789,011	\$ (29,326)

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, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2013	2012	2013	(Restated) 2012
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 1,021,323	\$ 1,049,285	\$ 405,228	\$ 366,028
Receivables				
Accounts	390,970	388,288	-	-
Special assessments	244	244	-	-
Intergovernmental	-	-	175,162	-
Due from other funds	1,083,000	1,083,000	353,000	353,000
Inventories	56,173	55,608	-	-
Prepaid items	9,016	11,977	11,559	9,711
TOTAL CURRENT ASSETS	2,560,726	2,588,402	944,949	728,739
NONCURRENT ASSETS				
Special assessments receivable - noncurrent	7,177	2,996	27,713	23,100
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	587,586	587,023
Less accumulated depreciation	(6,080,565)	(5,686,318)	(4,737,691)	(4,462,334)
TOTAL CAPITAL ASSETS	11,651,978	12,046,225	9,295,775	9,570,569
TOTAL NONCURRENT ASSETS	11,659,155	12,049,221	9,323,488	9,593,669
TOTAL ASSETS	14,219,881	14,637,623	10,268,437	10,322,408
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	12,021	11,225	8,006	3,598
Due to other governments	6,723	7,962	50,161	49,939
Accrued interest payable	58,897	62,091	22,263	22,223
Accrued wages payable	18,091	14,822	8,395	7,796
Compensated absences payable - current portion	35,491	26,126	4,716	3,684
Bonds payable - current portion	359,500	352,833	178,079	150,092
TOTAL CURRENT LIABILITIES	490,723	475,059	271,620	237,332
NONCURRENT LIABILITIES				
Compensated absences payable, net of current portion	2,142	9,174	4,131	3,734
Other postemployment benefits obligation	33,105	27,125	21,062	19,318
Bonds payable, net of current portion	3,756,411	4,115,565	1,264,321	1,466,871
TOTAL NONCURRENT LIABILITIES	3,791,658	4,151,864	1,289,514	1,489,923
TOTAL LIABILITIES	4,282,381	4,626,923	1,561,134	1,727,255
NET POSITION				
Net investment in capital assets	7,536,067	7,577,827	7,853,375	7,953,606
Unrestricted	2,401,433	2,432,873	853,928	641,547
TOTAL NET POSITION	\$ 9,937,500	\$ 10,010,700	\$ 8,707,303	\$ 8,595,153

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	
2013	2012	2013	2012	2013	(Restated) 2012
\$ 136,486	\$ 184,161	\$ 70,790	\$ 25,148	\$ 1,633,827	\$ 1,624,622
12,442	13,698	-	-	403,412	401,986
-	-	-	-	244	244
-	-	-	17,265	175,162	17,265
-	-	-	-	1,436,000	1,436,000
-	-	-	-	56,173	55,608
3,313	3,745	672	628	24,560	26,061
152,241	201,604	71,462	43,041	3,729,378	3,561,786
-	-	-	-	34,890	26,096
881,470	900,666	-	-	881,470	900,666
160,650	160,650	-	-	490,616	490,616
1,500,777	1,500,777	1,848,438	804,379	33,328,386	32,284,327
408,955	408,955	13,644	13,644	1,879,471	1,878,908
(620,437)	(564,178)	(111,687)	(89,932)	(11,550,380)	(10,802,762)
1,449,945	1,506,204	1,750,395	728,091	24,148,093	23,851,089
2,331,415	2,406,870	1,750,395	728,091	25,064,453	24,777,851
2,483,656	2,608,474	1,821,857	771,132	28,793,831	28,339,637
39,954	78,584	22,234	1,002	82,215	94,409
7,362	7,296	69,303	-	133,549	65,197
27,825	34,550	2,766	2,970	111,751	121,834
1,639	1,384	3,497	2,749	31,622	26,751
613	895	1,628	1,881	42,448	32,586
65,000	65,000	38,250	34,917	640,829	602,842
142,393	187,709	137,678	43,519	1,042,414	943,619
618	398	5,234	3,842	12,125	17,148
7,686	7,686	6,888	5,834	68,741	59,963
1,854,760	1,918,906	420,039	458,287	7,295,531	7,959,629
1,863,064	1,926,990	432,161	467,963	7,376,397	8,036,740
2,005,457	2,114,699	569,839	511,482	8,418,811	8,980,359
411,655	422,964	1,292,106	234,887	17,093,203	16,189,284
66,544	70,811	(40,088)	24,763	3,281,817	3,169,994
\$ 478,199	\$ 493,775	\$ 1,252,018	\$ 259,650	\$ 20,375,020	\$ 19,359,278

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2013	2012	2013	(Restated) 2012
OPERATING REVENUES				
Charges for services	\$ 1,464,475	\$ 1,572,915	\$ 1,535,142	\$ 1,525,340
Facility rental	-	-	-	-
Penalties	46,513	41,823	-	-
TOTAL OPERATING REVENUES	1,510,988	1,614,738	1,535,142	1,525,340
OPERATING EXPENSES				
Personal services	497,913	450,176	197,492	206,374
Supplies	135,117	138,816	88,990	45,735
Other services and charges	94,266	76,781	35,455	31,465
Contractual services	-	-	611,091	829,939
Insurance	13,755	21,642	20,156	16,206
Utilities	174,904	160,498	33,576	28,151
Depreciation	394,247	423,258	306,436	315,651
TOTAL OPERATING EXPENSES	1,310,202	1,271,171	1,293,196	1,473,521
OPERATING INCOME	200,786	343,567	241,946	51,819
NONOPERATING REVENUES (EXPENSES)				
Property taxes	-	-	-	-
Sales tax	1,067	1,079	-	-
Investment income	-	4,231	5,102	432
Other income	13,411	698	-	-
Interest expense	(148,404)	(161,935)	(60,498)	(64,376)
Bond issuance costs	-	-	-	-
Amortization expense	(346)	(346)	(529)	(1,236)
TOTAL NONOPERATING REVENUES (EXPENSES)	(134,272)	(156,273)	(55,925)	(65,180)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	66,514	187,294	186,021	(13,361)
CAPITAL CONTRIBUTIONS FROM (TO) OTHER FUNDS	-	-	-	-
CAPITAL GRANTS AND CONTRIBUTIONS	5,345	1,376	(991)	2,292
TRANSFERS IN	-	2,464	-	-
TRANSFERS OUT	(145,059)	(65,540)	(72,880)	(72,880)
CHANGE IN NET POSITION	(73,200)	125,594	112,150	(83,949)
NET POSITION, JANUARY 1	10,010,700	9,885,106	8,595,153	8,679,102
NET POSITION, DECEMBER 31	\$ 9,937,500	\$ 10,010,700	\$ 8,707,303	\$ 8,595,153

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	
2013	2012	2013	2012	2013	(Restated) 2012
\$ 1,146,590	\$ 1,172,443	\$ 275,025	\$ 274,823	\$ 4,421,232	\$ 4,545,521
145,796	160,668	-	-	145,796	160,668
-	-	-	-	46,513	41,823
<u>1,292,386</u>	<u>1,333,111</u>	<u>275,025</u>	<u>274,823</u>	<u>4,613,541</u>	<u>4,748,012</u>
205,900	198,495	70,581	67,279	971,886	922,324
20,168	32,618	1,096	6,969	245,371	224,138
45,972	25,722	145,107	29,920	320,800	163,888
848,167	858,398	-	-	1,459,258	1,688,337
5,643	7,078	-	-	39,554	44,926
17,578	17,493	13,943	11,639	240,001	217,781
56,259	56,311	21,755	18,802	778,697	814,022
<u>1,199,687</u>	<u>1,196,115</u>	<u>252,482</u>	<u>134,609</u>	<u>4,055,567</u>	<u>4,075,416</u>
<u>92,699</u>	<u>136,996</u>	<u>22,543</u>	<u>140,214</u>	<u>557,974</u>	<u>672,596</u>
-	50,000	-	-	-	50,000
-	-	-	-	1,067	1,079
5,011	-	-	-	10,113	4,663
-	-	-	-	13,411	698
(66,542)	(63,081)	(17,482)	(18,609)	(292,926)	(308,001)
-	(32,249)	-	-	-	(32,249)
<u>(854)</u>	<u>(854)</u>	<u>(2)</u>	<u>(2)</u>	<u>(1,731)</u>	<u>(2,438)</u>
<u>(62,385)</u>	<u>(46,184)</u>	<u>(17,484)</u>	<u>(18,611)</u>	<u>(270,066)</u>	<u>(286,248)</u>
30,314	90,812	5,059	121,603	287,908	386,348
-	(17,060)	1,044,059	-	1,044,059	(17,060)
-	-	-	-	4,354	3,668
570	-	-	-	570	2,464
<u>(46,460)</u>	<u>(46,460)</u>	<u>(56,750)</u>	<u>(176,750)</u>	<u>(321,149)</u>	<u>(361,630)</u>
(15,576)	27,292	992,368	(55,147)	1,015,742	13,790
<u>493,775</u>	<u>466,483</u>	<u>259,650</u>	<u>314,797</u>	<u>19,359,278</u>	<u>19,345,488</u>
<u>\$ 478,199</u>	<u>\$ 493,775</u>	<u>\$ 1,252,018</u>	<u>\$ 259,650</u>	<u>\$ 20,375,020</u>	<u>\$ 19,359,278</u>

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
			(Restated)	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,508,306	\$ 1,572,936	\$ 1,535,142	\$ 1,525,340
Payments to suppliers and vendors	(416,089)	(396,864)	(961,648)	(986,055)
Payments to and on behalf of employees	(486,331)	(477,374)	(193,720)	(200,728)
Other receipts	13,411	698	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>619,297</u>	<u>699,396</u>	<u>379,774</u>	<u>338,557</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property taxes	-	-	-	-
Sales tax	1,067	1,079	-	-
Transfers from other funds	-	2,464	-	-
Transfers to other funds	(145,059)	(65,540)	(72,880)	(72,880)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(143,992)</u>	<u>(61,997)</u>	<u>(72,880)</u>	<u>(72,880)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	(346)	(32,171)	(20,349)
Cash paid to refunding bond escrow agent	-	-	-	-
Cash received from refunding bond escrow agent	-	875,527	-	-
Bond proceeds	-	-	-	-
Principal paid on revenue bonds payable	(352,833)	(1,200,833)	(175,092)	(304,922)
Interest paid on revenue bonds payable	(151,598)	(180,115)	(59,929)	(67,512)
Bond issuance costs paid on bonds	-	-	-	-
Payment made on consent assessment	-	-	(5,604)	(11,585)
Payments received on assessments receivable	1,164	4,880	-	42
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(503,267)</u>	<u>(500,887)</u>	<u>(272,796)</u>	<u>(404,326)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on cash and investments	-	4,231	5,102	432
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(27,962)</u>	<u>140,743</u>	<u>39,200</u>	<u>(138,217)</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>1,049,285</u>	<u>908,542</u>	<u>366,028</u>	<u>504,245</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 1,021,323</u></u>	<u><u>\$ 1,049,285</u></u>	<u><u>\$ 405,228</u></u>	<u><u>\$ 366,028</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	
2013	2012	2013	2012	2013	(Restated) 2012
\$ 1,147,846	\$ 1,197,998	\$ 292,290	\$ 257,558	\$ 4,483,584	\$ 4,553,832
(975,660)	(943,733)	(69,655)	(80,919)	(2,423,052)	(2,407,571)
(205,707)	(197,640)	(67,640)	(63,747)	(953,398)	(939,489)
145,796	160,668	-	-	159,207	161,366
112,275	217,293	154,995	112,892	1,266,341	1,368,138
-	50,000	-	-	-	50,000
-	-	-	-	1,067	1,079
570	-	-	-	570	2,464
(46,460)	(46,460)	(56,750)	(176,750)	(321,149)	(361,630)
(45,890)	3,540	(56,750)	(176,750)	(319,512)	(308,087)
-	-	-	-	(32,171)	(20,695)
-	(900,666)	-	-	-	(900,666)
19,196	-	-	-	19,196	875,527
-	935,000	-	-	-	935,000
(65,000)	(60,000)	(34,917)	(34,167)	(627,842)	(1,599,922)
(73,267)	(50,146)	(17,686)	(18,801)	(302,480)	(316,574)
-	(32,249)	-	-	-	(32,249)
-	-	-	-	(5,604)	(11,585)
-	-	-	-	1,164	4,922
(119,071)	(108,061)	(52,603)	(52,968)	(947,737)	(1,066,242)
5,011	-	-	-	10,113	4,663
(47,675)	112,772	45,642	(116,826)	9,205	(1,528)
184,161	71,389	25,148	141,974	1,624,622	1,626,150
\$ 136,486	\$ 184,161	\$ 70,790	\$ 25,148	\$ 1,633,827	\$ 1,624,622

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2013	2012	2013	2012
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income	\$ 200,786	\$ 343,567	\$ 241,946	\$ 51,819
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Other income related to operations	13,411	698	-	-
Depreciation	394,247	423,258	306,436	315,651
(Increase) decrease in assets				
Accounts receivable	(2,682)	(41,802)	-	-
Intergovernmental	-	-	(175,162)	-
Inventories	(565)	(248)	-	-
Prepaid items	2,961	(275)	(1,848)	(269)
Increase (decrease) in liabilities				
Accounts payable	796	723	4,408	1,360
Due to other governments	(1,239)	673	222	(35,650)
Accrued wages payable	3,269	2,954	599	5,006
Compensated absences payable	2,333	(30,643)	1,429	386
Other postemployment benefits obligation	5,980	491	1,744	254
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 619,297</u>	<u>\$ 699,396</u>	<u>\$ 379,774</u>	<u>\$ 338,557</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets contributed by other funds	\$ -	\$ -	\$ -	\$ -
Amortization expense	346	346	529	1,236

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	
2013	2012	2013	2012	2013	2012
\$ 92,699	\$ 136,996	\$ 22,543	\$ 140,214	\$ 557,974	\$ 672,596
-	-	-	-	13,411	698
56,259	56,311	21,755	18,802	778,697	814,022
1,256	25,555	-	-	(1,426)	(16,247)
-	-	17,265	(17,265)	(157,897)	(17,265)
-	-	-	-	(565)	(248)
432	(273)	(44)	(68)	1,501	(885)
(38,630)	(1,494)	21,232	327	(12,194)	916
66	(657)	69,303	(32,650)	68,352	(68,284)
255	382	748	1,534	4,871	9,876
(62)	465	1,139	1,909	4,839	(27,883)
-	8	1,054	89	8,778	842
<u>\$ 112,275</u>	<u>\$ 217,293</u>	<u>\$ 154,995</u>	<u>\$ 112,892</u>	<u>\$ 1,266,341</u>	<u>\$ 1,368,138</u>
\$ -	\$ -	\$ 1,044,059	\$ -	\$ 1,044,059	\$ -
854	854	2	2	1,731	2,438

CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2013

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 544,825
Receivables	
Accounts	12,804
Intergovernmental	52,970
Other current assets	<u>315</u>
TOTAL ASSETS	<u><u>\$ 610,914</u></u>
LIABILITIES	
Accounts payable	\$ 8,275
Due to other governments	595,169
Accrued wages payable	<u>7,470</u>
TOTAL LIABILITIES	<u><u>\$ 610,914</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, 2013

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. 61, 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. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 financial statements. Fiduciary fund financial statements have no measurement focus and use the accrual basis of accounting. 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, 2013

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, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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/fund balance

Deposits and investments

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

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

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

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

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013 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 2013. 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, 2013

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."

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, 2013

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, 2013 is \$719,444. 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, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-term obligations

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

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.

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, 2013

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 2013.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

B. Excess of expenditures over appropriations

For the year ended December 31, 2013, expenditures exceeded appropriations for the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 5,908,634	\$ 6,023,624	\$ 114,990
Special revenue			
Library	455,838	480,891	25,053
Bookmobile	1,710	1,880	170
Parkland	25,000	25,795	795

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, 2013:

Fund	Amount
Major	
2011 Construction	\$ 7,755
Nonmajor	
Special Revenue	
Community Development Block Grant	3,178
Debt Service	
Bond Reserve	2,792,760
Capital Projects	
2013 Construction	15,474

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, 2013

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 \$6,882,936, including \$544,775 reported in fiduciary funds and the bank balance was \$7,372,363. Of the bank balance, \$500,000 was covered by federal depository insurance and \$5,495,618 was collateralized with securities held by the pledging financial institution's trust department in the City's name. However, per Minnesota statute section 118A.03, the City is required to have pledged collateral equal to 110 percent of deposits not covered by FDIC insurance. Consequently, the City had \$1,376,745 of uncollateralized deposits on December 31, 2013.

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, 2013

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.
- **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	\$ 501	N/A	less than 6 months
Non-pooled investments			
U.S. Government Securities	1,177,744	Aaa	less than 6 months
U.S. Government Securities	9,287	Aaa	6 months to 1 year
U.S. Government Securities	<u>1,279,305</u>	Aaa	1 to 3 years
Total non-pooled investments	<u>2,466,336</u>		
Total investments	<u><u>\$ 2,466,837</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, 2013

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	\$ 5,025,381	\$ 1,312,780	\$ 544,775	\$ 6,882,936
Investments	2,466,837	-	-	2,466,837
Cash on hand	1,640	50	50	1,740
Total	<u>\$ 7,493,858</u>	<u>\$ 1,312,830</u>	<u>\$ 544,825</u>	<u>\$ 9,351,513</u>
Cash and cash temporary investments	\$ 5,027,021	\$ 1,312,830	\$ 544,825	\$ 6,884,676
Restricted assets - cash with fiscal agent	2,466,837	-	-	2,466,837
Total	<u>\$ 7,493,858</u>	<u>\$ 1,312,830</u>	<u>\$ 544,825</u>	<u>\$ 9,351,513</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, 2013 is \$55,100. In addition, the General fund has 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, 2013 is \$92,293.

The Port Authority (Component Unit) has various low interest notes with local business through its Port Authority General fund, Federal Revolving Loan fund, Local Revolving Loan fund, and State Revolving Loan fund as well as a mortgage receivable through its Joint Economic Development fund. In 2013, the Port Authority entered into a contract for deed with Cemstone Products Company for the sale of land for \$300,000 with five quarterly payments of \$60,000. The balance at December 31, 2013 is \$120,000. 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, 2013 is \$802,086 net of allowance for doubtful accounts of \$50,471, \$198,155 and \$158,883, 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, 2013 is \$59,703. 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, 2013 is \$3,215,000.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

Capital asset activity for the primary government for the year ended December 31, 2013 was as follows:

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,420,428	\$ -	\$ -	\$ 3,420,428
Construction in progress	7,070,628	578,173	(6,164,885)	1,483,916
 Total capital assets not being depreciated	 10,491,056	 578,173	 (6,164,885)	 4,904,344
 Capital assets being depreciated				
Buildings and improvements	58,702,989	2,826,490	-	61,529,479
Machinery, equipment and vehicles	6,070,575	335,692	(217,453)	6,188,814
 Total capital assets being depreciated	 64,773,564	 3,162,182	 (217,453)	 67,718,293
 Less accumulated depreciation for				
Buildings and improvements	(27,004,940)	(1,917,070)	-	(28,922,010)
Machinery, equipment and vehicles	(4,965,571)	(208,212)	217,453	(4,956,330)
 Total accumulated depreciation	 (31,970,511)	 (2,125,282)	 217,453	 (33,878,340)
 Total capital assets being depreciated, net	 32,803,053	 1,036,900	 -	 33,839,953
 Governmental activities capital assets, net	 \$43,294,109	 \$ 1,615,073	 \$ (6,164,885)	 \$38,744,297

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 490,616	\$ -	\$ -	\$ 490,616
Capital assets being depreciated				
Buildings and improvements	32,284,327	1,044,059	-	33,328,386
Machinery, equipment and vehicles	1,878,908	31,642	(31,079)	1,879,471
Total capital assets being depreciated	34,163,235	1,075,701	(31,079)	35,207,857
Less accumulated depreciation for				
Buildings and improvements	(9,270,675)	(705,164)	-	(9,975,839)
Machinery, equipment and vehicles	(1,532,087)	(73,533)	31,079	(1,574,541)
Total accumulated depreciation	(10,802,762)	(778,697)	31,079	(11,550,380)
Total capital assets being depreciated, net	23,360,473	297,004	-	23,657,477
Business-type activities capital assets, net	\$23,851,089	\$ 297,004	\$ -	\$24,148,093

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

Governmental activities	
General government	\$ 31,117
Public safety	139,426
Public works, including depreciation of general infrastructure assets	1,754,958
Culture and recreation	199,781
Total depreciation expense - governmental activities	\$ 2,125,282
Business-type activities	
Water utility	\$ 394,247
Sewer utility	306,436
Sanitation collection	56,259
Storm water	21,755
Total depreciation expense - business-type activities	\$ 778,697

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Construction commitments

The City has active construction projects as of December 31, 2013. 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>
Caswell North Soccer Fields	\$ 733,072	\$ 794
Highway 14/41 Interchange	2,169,235	406,765
2013 Surface Improvements	<u>143,794</u>	<u>129,112</u>
Total	<u>\$ 3,046,101</u>	<u>\$ 536,671</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, 2013 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	<u>\$ 2,242,820</u>	<u>\$ -</u>	<u>\$ (422,834)</u>	<u>\$ 1,819,986</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund receivables, payables and transfers

The composition of interfund balances at December 31, 2013 is as follows:

Due to/from other funds

Primary government

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Debt Service	\$ 1,266,987
	Nonmajor governmental	69,637
Water Utility enterprise	Debt Service	1,083,000
Sewer Utility enterprise	Debt Service	<u>353,000</u>
Total		<u><u>\$ 2,772,624</u></u>

Due to/from component unit

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government	Component unit	
General	Marigold TIF #8	<u><u>\$ 609,138</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, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Interfund transfers

The following transfers were made for the year ended December 31, 2013:

Primary government

Fund	Transfer in				Total
	General	Debt Service	Nonmajor Governmental	Sanitary Collection Enterprise	
Transfer out					
General	\$ -	\$ -	\$ 21,643	\$ -	\$ 21,643
Debt Service	-	-	-	570	570
2011 Construction	-	-	337,728	-	337,728
Nonmajor governmental	3,396	284,712	866,458	-	1,154,566
Water Utility enterprise	65,540	-	79,519	-	145,059
Sewer Utility enterprise	72,880	-	-	-	72,880
Sanitary Collection enterprise	46,460	-	-	-	46,460
Storm Water enterprise	11,750	45,000	-	-	56,750
Total transfers out	<u>\$ 200,026</u>	<u>\$ 329,712</u>	<u>\$ 1,305,348</u>	<u>\$ 570</u>	<u>\$ 1,835,656</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 2013:

- \$21,643 from the General Fund to the Equipment Certificate fund for funding of capital equipment and facilities.
- \$570 from the 2005 G.O. Improvement Bonds to the Sanitary Collection fund to transfer excess bond reserve funds into remaining bond reserve.
- \$83,233 from the 2011 Construction fund to the 2012 Construction fund to fund cash deficit for construction costs.
- \$254,495 from the 2011 Construction fund to the 2013 Construction fund to fund cash deficit for construction costs.
- \$3,396 from the Community Development Block Grant fund to the General fund to administer the CDBG grant activity.
- \$284,712 from the Local Option Sales Tax fund to the 2009 G.O. Sales Tax Revenue Bonds fund for debt service payments.
- \$866,458 from the Local Option Sales Tax fund to close the Sales Tax Construction fund.
- \$65,540 from the Water Utility fund to the General fund for administrative services.
- \$40,000 from the Water Utility fund to the Capital Facilities fund for capital equipment and facilities.
- \$39,519 from the Water Utility fund to close the Equipment Certificates fund.
- \$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.
- \$45,000 from the Storm Water fund to the 2010A G.O. Improvement Bonds for debt service payments.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Discretely presented component unit

Fund	Transfer in			
	Marigold TIF #8	Webster Redevelopment TIF #14	Tax Increment Project	Joint Economic Development
Transfer out				
General	\$ 314,729	\$ -	\$ -	\$ 105,000
Tax Increment Project	22,037	49,031	-	-
Marigold TIF #8	-	-	-	-
Webster Redevelopment TIF #14	-	-	8,013	-
Webster Avenue TIF #2	-	-	-	-
LJP Enterprises TIF #18	-	-	-	-
Total transfers out	<u>\$ 336,766</u>	<u>\$ 49,031</u>	<u>\$ 8,013</u>	<u>\$ 105,000</u>

Fund	Transfer in			
	1993A Port Authority Revenue Bonds	2011B Port Authority GO Bonds	1988 G.O. Tax Increment Bonds	Total
Transfer out				
General	\$ -	\$ 32,007	\$ 3,503	\$ 455,239
Tax Increment Project	255,201	-	-	326,269
Marigold TIF #8	-	-	23,543	23,543
Webster Redevelopment TIF #14	-	-	3,189	11,202
Webster Avenue TIF #2	-	-	2,172	2,172
LJP Enterprises TIF #18	-	-	456	456
Total transfers out	<u>\$ 255,201</u>	<u>\$ 32,007</u>	<u>\$ 32,863</u>	<u>\$ 818,881</u>

- \$105,000 from Port Authority General Fund to Joint Economic Development to transfer RIST principal and interest payments.
- \$314,729 from Port Authority General Fund to Marigold TIF #8 to fund cash deficit.
- \$32,007 from Port Authority General Fund to 2011B Port Authority G.O. Bonds fund for debt service payments.
- \$3,503 from Port Authority General Fund to 2010D Port Authority G.O. Tax Increment Bonds fund for debt service payments.
- \$22,037 from the Port Authority Tax Increment Project fund to the Marigold TIF #8 to fund cash deficit.
- \$49,031 from the Port Authority Tax Increment Project fund to the Webster Redevelopment TIF #14 to fund cash deficit.
- \$255,201 from the Port Authority Tax Increment Project fund to the 1993A Port Authority Revenue Bonds fund to fund cash deficit.
- \$23,543 from the Marigold TIF #8 to the 2010D G.O. Tax Increment Bonds fund for debt service payments.
- \$8,013 from the Webster Redevelopment TIF #14 fund to the Port Authority Tax Increment Project fund to transfer tax increment into TIF project fund.
- \$3,189 from the Webster Redevelopment TIF #14 fund to the 2010D G.O. Tax Increment Bonds fund for debt service payments.
- \$2,172 from the Webster Avenue TIF #2 fund to the 2010D G.O. Tax Increment Bonds fund for debt service payments.
- \$456 from the LJP Enterprises TIF #18 fund to the 2010D G.O. Tax Increment Bonds fund for debt service payments.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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	\$ 550,000
G.O. Capital Improvement Plan Refunding Bonds of 2008C	2,145,000	2.50 - 3.60	05/01/08	02/01/19	1,225,000
G.O. Equipment Certificates of 2009A	306,000	2.50	05/12/09	12/01/14	64,000
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>\$ 2,269,000</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
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	310,000	13,041	323,041
2019 - 2020	320,000	5,897	325,897
Total	<u>\$ 2,269,000</u>	<u>\$ 188,483</u>	<u>\$ 2,457,483</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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	\$ 395,000
G.O. Improvement Bonds of 2006A	3,630,000	4.00	05/01/06	02/01/14	1,175,000
G.O. Improvement Bonds of 2006C	1,760,000	4.00	12/01/06	02/01/18	740,000
G.O. Improvement Bonds of 2007A	2,550,000	4.00 - 4.20	08/01/07	02/01/18	615,000
G.O. Improvement Bonds of 2008A	1,815,000	2.40 - 3.70	05/01/08	02/01/19	1,060,000
G.O. State Aid Street and Refunding Bonds of 2009D	3,120,000	2.00 - 4.00	12/22/09	04/01/25	2,625,000
G.O. Improvement Bonds of 2010A	2,305,000	2.00 - 4.00	12/30/10	12/01/27	2,230,000
G.O. Refunding Bonds of 2010C	3,455,000	.75 - 3.15	12/30/10	02/01/22	2,960,000
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					12,265,000
Business-type					
G.O. Capital Improvement Bonds of 2004B	1,445,000	3.25 - 5.00	06/01/04	02/01/15	995,000
G.O. Crossover Refunding Bonds of 2012A	935,000	1.00 - 2.70	04/01/12	02/01/25	935,000
Total G.O. Special Assessments Bonds - Business-type					1,930,000
Total G.O. Special Assessments Bonds					\$ 14,195,000

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

Year Ending December 31,	G.O. Special Assessment Bonds			G.O. Special Assessment Bonds		
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
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	885,000	208,933	1,093,933	90,000	15,953	105,953
2019 - 2023	4,325,000	577,778	4,902,778	465,000	53,658	518,658
2024 - 2027	1,255,000	95,598	1,350,598	205,000	5,501	210,501
Total	\$12,265,000	\$ 2,060,492	\$14,325,492	\$ 1,930,000	\$ 214,901	\$ 2,144,901

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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	\$ 357,426
Public Facilities Authority Loan of 1999B	442,988	3.14	12/31/99	08/20/19	166,000
G.O. Capital Project Bonds of 2005A	2,495,000	2.15 - 4.20	02/01/05	02/01/20	395,000
G.O. Utility Revenue Bonds of 2006B	2,495,000	2.15 - 4.20	02/01/05	02/01/20	1,070,000
G.O. Utility Revenue Bonds of 2007B	2,495,000	2.15 - 4.20	02/01/05	02/01/20	655,000
G.O. Water Utility Revenue Bonds of 2008B	2,295,000	2.50 - 4.20	05/01/08	02/01/29	2,115,000
G.O. Utility Revenue Bonds of 2009B	690,000	3.00 - 4.00	05/12/09	12/01/24	540,000
G.O. Refunding Bonds of 2010C	900,000	.75 - 3.15	12/30/10	02/01/22	725,000
Total G.O. Revenue Bonds - Business-type					<u>6,023,426</u>
Governmental					
G.O. Sales Tax Revenue Bonds of 2009C	2,560,000	2.00 - 4.00	05/12/09	12/01/24	2,020,000
G.O. Sales Tax Revenue Bonds of 2010B	750,000	1.00 - 4.00	12/30/10	12/01/25	650,000
Total G.O. Revenue Bonds - Governmental					<u>2,670,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 8,693,426</u></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
2014	\$ 195,000	\$ 95,000	\$ 290,000	\$ 575,829	\$ 206,671	\$ 782,500
2015	200,000	89,084	289,084	587,883	190,599	778,482
2016	200,000	82,767	282,767	611,008	173,232	784,240
2017	225,000	76,294	301,294	619,206	154,670	773,876
2018	230,000	68,915	298,915	507,480	136,169	643,649
2019 - 2023	1,275,000	217,030	1,492,030	1,902,020	421,967	2,323,987
2024 - 2028	345,000	16,199	361,199	1,005,000	149,008	1,154,008
2029	-	-	-	215,000	4,514	219,514
Total	<u>\$ 2,670,000</u>	<u>\$ 645,289</u>	<u>\$ 3,315,289</u>	<u>\$ 6,023,426</u>	<u>\$ 1,436,830</u>	<u>\$ 7,460,256</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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
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	135,000	87,806	222,806
2019 - 2023	720,000	391,181	1,111,181
2024 - 2028	805,000	281,131	1,086,131
2029 - 2033	950,000	129,159	1,079,159
2034	210,000	3,940	213,940
Total	<u>\$ 3,215,000</u>	<u>\$ 1,269,691</u>	<u>\$ 4,484,691</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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>\$ 92,293</u>

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

<u>December 31,</u>	Contracts Payable Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	16,395	1,523	17,918
2019	<u>17,140</u>	<u>778</u>	<u>17,918</u>
Total	<u>\$ 92,293</u>	<u>\$ 15,213</u>	<u>\$ 107,506</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 2,597,000	\$ -	\$ (328,000)	\$ 2,269,000	\$ 334,000
General obligation special assessment bonds	14,485,000	-	(2,220,000)	12,265,000	2,350,000
General obligation revenue bonds	2,860,000	-	(190,000)	2,670,000	195,000
Bond discounts	(20,644)	-	4,248	(16,396)	-
Bond premiums	171,134	-	(10,351)	160,783	-
Total bonds payable	20,092,490	-	(2,744,103)	17,348,387	2,879,000
Notes payable	3,215,000	-	-	3,215,000	-
Contracts payable	105,423	-	(13,130)	92,293	13,726
Compensated absences payable	610,571	386,120	(331,820)	664,871	247,562
Other postemployment benefits obligation	189,934	66,556	(29,900)	226,590	-
Governmental activity long-term liabilities	<u>\$ 24,213,418</u>	<u>\$ 452,676</u>	<u>\$ (3,118,953)</u>	<u>\$ 21,547,141</u>	<u>\$ 3,140,288</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 6,586,268	\$ -	\$ (562,842)	\$ 6,023,426	\$ 575,829
General obligation special assessment bonds	1,995,000	-	(65,000)	1,930,000	65,000
Bond discounts	(20,718)	-	1,891	(18,827)	-
Bond premiums	1,921	-	(160)	1,761	-
Total bonds payable	8,562,471	-	(626,111)	7,936,360	640,829
Compensated absences payable	49,734	66,966	(62,127)	54,573	42,448
Other postemployment benefits obligation	59,963	15,938	(7,160)	68,741	-
Business-type activity long-term liabilities	<u>\$ 8,672,168</u>	<u>\$ 82,904</u>	<u>\$ (695,398)</u>	<u>\$ 8,059,674</u>	<u>\$ 683,277</u>

On April 1, 2012, the City issued \$1,830,000 of G.O. Crossover Refunding Bonds, Series 2012A. The bonds were issued with a net interest cost of 2.0315771 percent with a net present value cash flow savings of \$73,040. The bonds have an average coupon rate of 1.9027688 percent and will mature on February 1, 2025. On February 1, 2015 the G.O. Crossover Refunding Bonds, Series 2012A will pay the remaining balance of \$480,000 on the 2004A G.O. Street Reconstruction Bonds and \$930,000 on the 2004B G.O. Improvement Bonds.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013, 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, 2013.
- \$8,560,000 Housing Revenue Loan Participation Note 2005A, (North Point-GEAC), with an outstanding balance of \$7,080,698 at December 31, 2013.
- \$300,000 Taxable Housing Revenue Loan Participation 2005B, (North Point-GEAC), with an outstanding balance of \$252,598 at December 31, 2013.
- \$500,000 Subordinate housing Revenue Notes 2005C, (North Point-GEAC Project), with an outstanding balance of \$275,000 at December 31, 2013.

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
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	135,000	87,806	222,806
2019 - 2023	720,000	391,181	1,111,181
2024 - 2028	805,000	281,131	1,086,131
2029 - 2033	950,000	129,159	1,079,159
2034	210,000	3,940	213,940
Total	<u>\$ 3,215,000</u>	<u>\$ 1,269,691</u>	<u>\$ 4,484,691</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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
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	70,000	49,940	119,940
2019 - 2023	550,000	187,586	737,586
2024 - 2028	225,000	87,886	312,886
2029 - 2033	170,000	49,384	219,384
2034 - 2037	<u>100,000</u>	<u>7,469</u>	<u>107,469</u>
Total	<u><u>\$ 1,265,000</u></u>	<u><u>\$ 599,924</u></u>	<u><u>\$ 1,864,924</u></u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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
G.O. Port Authority Taxable Refunding Bonds of 2009A	\$ 1,370,000	2.0 - 4.375 %	12/22/09	02/01/19	<u>\$ 955,000</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
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	170,000	11,226	181,226
2019	175,000	3,829	178,829
Total	<u>\$ 955,000</u>	<u>\$ 121,064</u>	<u>\$ 1,076,064</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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>\$ 700,000</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
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	100,000	10,000	110,000
2019	<u>200,000</u>	<u>4,000</u>	<u>204,000</u>
Total	<u>\$ 700,000</u>	<u>\$ 94,000</u>	<u>\$ 794,000</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2013 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	1,265,000	-	-	1,265,000	10,000
General obligation revenue bonds	1,325,000	-	(370,000)	955,000	145,000
Bond premiums (discounts)	<u>2,183</u>	<u>-</u>	<u>(40)</u>	<u>2,143</u>	<u>-</u>
Total bonds payable	5,807,183	-	(370,040)	5,437,143	155,000
Contracts payable	<u>800,000</u>	<u>-</u>	<u>(100,000)</u>	<u>700,000</u>	<u>100,000</u>
Component unit long-term liabilities	<u>\$ 6,607,183</u>	<u>\$ -</u>	<u>\$ (470,040)</u>	<u>\$ 6,137,143</u>	<u>\$ 255,000</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Components of fund balance

At December 31, 2013, 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	\$ 86,910	\$ -	\$ -	\$ 7,987	\$ 94,897
Restricted for					
Library programs	\$ -	\$ -	\$ -	\$ 51,049	\$ 51,049
Park development	-	-	-	14,180	14,180
Park improvements	-	-	-	218,434	218,434
Total restricted	\$ -	\$ -	\$ -	\$ 283,663	\$ 283,663
Committed for					
Parkland acquisition					
development and improvement	\$ -	\$ -	\$ -	\$ 27,545	\$ 27,545
Flood control facilities					
maintenance	-	-	-	10,692	10,692
Community development	-	-	-	158,202	158,202
Total committed	\$ -	\$ -	\$ -	\$ 196,439	\$ 196,439
Assigned for					
Community development	\$ -	\$ -	\$ -	\$ 157,663	\$ 157,663
Bookmobile operations	-	-	-	71,988	71,988
Library operations,					
maintenance and improvements	-	-	-	68,180	68,180
Parkland acquisition					
development and improvement	-	-	-	62,283	62,283
Flood control facilities					
maintenance	-	-	-	35,958	35,958
Development promotions	-	-	-	49,061	49,061
Total assigned	\$ -	\$ -	\$ -	\$ 471,701	\$ 471,701
Unassigned	\$ 2,702,101	\$ (800,519)	\$ (7,755)	\$ (18,652)	\$ 1,875,175

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013

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 2013. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2013. In 2013, 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, 2013, 2012 and 2011 were \$171,863, \$168,194, and \$182,750, respectively. The City's contributions to the PEPFF for the years ending December 31, 2013, 2012, and 2011 were \$135,747, \$125,759, and \$116,600, 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, 2013, 2012 and 2011 were \$1,300, \$1,300 and \$1,300, 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, 2013

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 2013 was \$67,575. 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	\$ 101,345
Contributions made	
City	33,770
State aid	67,575
Actuarial valuation date	12/31/13
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, 2013

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
12/31/13		\$ 101,345	100.0 %	\$	-
12/31/12		68,482	100.0		-
12/31/11		79,497	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
12/31/13	\$ 1,612,563	\$ 1,586,887	\$ 25,676	101.6 %	\$ 3,000
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

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 2013, the City contributed \$37,060 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, 2013

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	7,497
Adjustment to annual required contribution	<u>(9,106)</u>
Annual OPEB cost (expense)	82,494
Contributions made	<u>(37,060)</u>
Increase in net OPEB obligation	45,434
Net OPEB obligation- beginning of year	<u>249,897</u>
NET OPEB obligating - end of year	<u><u>\$ 295,331</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 2013 and previous two years are as follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/13	\$ 82,494	44.9 %	\$ 295,331
12/31/12	82,520	95.3	249,897
12/31/11	82,569	90.8	245,998

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, 2013

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, 2013 was 30 years.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 ventures

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.

Flood protection facilities

Flood protection facilities have been constructed to provide flood protection to the cities of Mankato and North Mankato. All costs associated with all labor, materials, equipment and other items necessary to perform the work will be distributed on the basis of contributing stormwater flow from drainage area acres per City within the total drainage district. The City of Mankato maintains all records and submits to the City of North Mankato an invoice each year for their pro-rated share of costs incurred. This agreement will continue as long as the flood protection facilities are deemed necessary by the parties involved.

All Seasons Arena

Since 1979 the All Seasons Arena owned by the cities of Mankato, North Mankato, Skyline and Blue Earth County, has been operated by the Mankato Area Public Schools Community Education and Recreation Department. The governmental units designated as owners provide \$40,000 in operating funds per operating year. The agreement is for a three year period and renewed by mutual agreement. The City of North Mankato has a 21.8 percent share of the facility. An asset has not been recorded by the City as this amount is considered immaterial to the financial statements as a whole.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 7: OTHER INFORMATION - CONTINUED

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) program. The amount received in 2013 was \$1,358,107. This accounted for 23 percent of General fund revenues.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 8: PRIOR PERIOD RESTATEMENT

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2011 balances to the December 31, 2013 financial statements:

Fund	December 31, 2012		
	Net Position December 31, 2011 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2012 as Restated
Governmental activities	\$ 33,480,226	\$ 215,000	\$ 33,695,226
Business-type activities	\$ 19,560,488	\$ (215,000)	\$ 19,345,488
Business-type activities Sewer Utility	\$ 8,894,102	\$ (215,000)	\$ 8,679,102

(1) To reclass 1998B Clean Water Revolving Loan to the Sewer Utility fund at December 31, 2011.

Fund	December 31, 2013		
	Net Position December 31, 2012 as Previously Reported	Prior Period Restatement (2)	Net Position January 1, 2013 as Restated
Governmental activities	\$ 31,659,856	\$ 221,752	\$ 31,881,608
Business-type activities	\$ 19,581,030	\$ (221,752)	\$ 19,359,278
Business-type activities Sewer Utility	\$ 8,816,905	\$ (221,752)	\$ 8,595,153

(2) To reclass 1998B Clean Water Revolving Loan to the Sewer Utility fund at December 31, 2012.

Note 9: CHANGE IN ACCOUNTING STANDARD

During fiscal year 2013, the City implemented accounting pronouncement Statement No. 61, “*The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*” issued by the Government Accounting Standards Board (GASB).

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2013

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

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2013

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 799,595	\$ 31,954	\$ 831,549
Receivables			
Accounts	75,123	-	75,123
Intergovernmental	98,833	-	98,833
Prepaid items	7,987	-	7,987
TOTAL ASSETS	<u><u>\$ 981,538</u></u>	<u><u>\$ 31,954</u></u>	<u><u>\$ 1,013,492</u></u>
LIABILITIES			
Accounts payable	\$ 17,749	\$ 6,565	\$ 24,314
Contracts payable	12,285	10,576	22,861
Due to other governments	3,955	-	3,955
Accrued wages payable	17,505	3,719	21,224
TOTAL LIABILITIES	<u>51,494</u>	<u>20,860</u>	<u>72,354</u>
FUND BALANCES			
Nonspendable	7,987	-	7,987
Restricted	283,663	-	283,663
Committed	196,439	-	196,439
Assigned	445,133	26,568	471,701
Unassigned	(3,178)	(15,474)	(18,652)
TOTAL FUND BALANCES	<u>930,044</u>	<u>11,094</u>	<u>941,138</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 981,538</u></u>	<u><u>\$ 31,954</u></u>	<u><u>\$ 1,013,492</u></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, 2013

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes			
Property taxes	\$ 556,749	\$ -	\$ 556,749
Sales taxes	534,953	844	535,797
Franchise taxes	230,382	-	230,382
Hotel taxes	46,550	-	46,550
Intergovernmental			
Federal	72,900	-	72,900
County	55,114	-	55,114
Miscellaneous			
Rents	33,266	-	33,266
Contributions and donations	74,852	-	74,852
Other	33,491	11,445	44,936
	<u>1,638,257</u>	<u>12,289</u>	<u>1,650,546</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Public safety			
Flood control	3,709	-	3,709
Culture and recreation			
Parks	17,421	-	17,421
Library	560,028	1,549	561,577
Housing and economic development	273,425	-	273,425
Mass transit and other			
Community promotion	34,732	-	34,732
Capital outlay			
Public works	-	261,848	261,848
Culture and recreation	24,416	330,718	355,134
Housing and economic development	1,360	-	1,360
Mass transit and other	-	12,259	12,259
	<u>915,091</u>	<u>606,374</u>	<u>1,521,465</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>723,166</u>	<u>(594,085)</u>	<u>129,081</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets	-	16,500	16,500
Transfers in	-	1,305,348	1,305,348
Transfers out	(1,154,566)	-	(1,154,566)
	<u>(1,154,566)</u>	<u>1,321,848</u>	<u>167,282</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(431,400)	727,763	296,363
FUND BALANCES, JANUARY 1	<u>1,361,444</u>	<u>(716,669)</u>	<u>644,775</u>
FUND BALANCES, DECEMBER 31	<u>\$ 930,044</u>	<u>\$ 11,094</u>	<u>\$ 941,138</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.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	211	212	213	215	220
	Library	Bookmobile	Library Endowment	Community Development Block Grant	Community Development
ASSETS					
Cash and temporary investments	\$ 81,798	\$ 45,337	\$ 51,049	\$ -	\$ 283,025
Receivables					
Accounts	-	30,500	-	-	44,623
Intergovernmental	327	-	-	-	-
Prepaid items	2,707	197	-	-	5,083
TOTAL ASSETS	\$ 84,832	\$ 76,034	\$ 51,049	\$ -	\$ 332,731
LIABILITIES					
Accounts payable	\$ 1,843	\$ 828	\$ -	\$ 3,178	\$ 9,382
Contracts payable	-	-	-	-	-
Due to other governments	19	-	-	-	-
Accrued wages payable	12,083	3,021	-	-	2,401
TOTAL LIABILITIES	13,945	3,849	-	3,178	11,783
FUND BALANCES					
Nonspendable	2,707	197	-	-	5,083
Restricted	-	-	51,049	-	-
Committed	-	-	-	-	158,202
Assigned	68,180	71,988	-	-	157,663
Unassigned	-	-	-	(3,178)	-
TOTAL FUND BALANCES	70,887	72,185	51,049	(3,178)	320,948
TOTAL LIABILITIES AND FUND BALANCES	\$ 84,832	\$ 76,034	\$ 51,049	\$ -	\$ 332,731

221	224	225	226	227	Total Nonmajor Special Revenue
Local Option Sales Tax	Park Development	Parkland	Flood Control	Contingency	
\$ 137,649	\$ 14,180	\$ 90,846	\$ 46,650	\$ 49,061	\$ 799,595
-	-	-	-	-	75,123
98,506	-	-	-	-	98,833
-	-	-	-	-	7,987
<u>\$ 236,155</u>	<u>\$ 14,180</u>	<u>\$ 90,846</u>	<u>\$ 46,650</u>	<u>\$ 49,061</u>	<u>\$ 981,538</u>
\$ 1,500	\$ -	\$ 1,018	\$ -	\$ -	\$ 17,749
12,285	-	-	-	-	12,285
3,936	-	-	-	-	3,955
-	-	-	-	-	17,505
<u>17,721</u>	<u>-</u>	<u>1,018</u>	<u>-</u>	<u>-</u>	<u>51,494</u>
-	-	-	-	-	7,987
218,434	14,180	-	-	-	283,663
-	-	27,545	10,692	-	196,439
-	-	62,283	35,958	49,061	445,133
-	-	-	-	-	(3,178)
<u>218,434</u>	<u>14,180</u>	<u>89,828</u>	<u>46,650</u>	<u>49,061</u>	<u>930,044</u>
<u>\$ 236,155</u>	<u>\$ 14,180</u>	<u>\$ 90,846</u>	<u>\$ 46,650</u>	<u>\$ 49,061</u>	<u>\$ 981,538</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, 2013

	211	212	213	215	220
	Library	Bookmobile	Library Endowment	Community Development Block Grant	Community Development
REVENUES					
Taxes					
Property taxes	\$ 444,353	\$ 42,109	\$ -	\$ -	\$ 3,282
Sales taxes	-	-	-	-	36
Franchise taxes	-	-	-	-	230,382
Hotel taxes	-	-	-	-	46,550
Intergovernmental					
Federal	-	-	-	72,900	-
County	44,921	10,193	-	-	-
Miscellaneous					
Rents	-	-	-	-	-
Contributions and donations	14,953	59,180	-	-	-
Other	8,130	-	-	-	25,361
TOTAL REVENUES	<u>512,357</u>	<u>111,482</u>	<u>-</u>	<u>72,900</u>	<u>305,611</u>
EXPENDITURES					
Current					
Public safety					
Flood control	-	-	-	-	-
Culture and recreation					
Parks	-	-	-	-	-
Library	480,891	79,137	-	-	-
Housing and economic development	-	-	-	72,682	200,743
Mass transit and other					
Community promotion	-	-	-	-	-
Capital outlay					
Culture and recreation	-	-	-	-	-
Housing and economic development	-	-	-	-	1,360
TOTAL EXPENDITURES	<u>480,891</u>	<u>79,137</u>	<u>-</u>	<u>72,682</u>	<u>202,103</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	31,466	32,345	-	218	103,508
OTHER FINANCING SOURCES (USES)					
Transfers out	-	-	-	(3,396)	-
NET CHANGE IN FUND BALANCES	31,466	32,345	-	(3,178)	103,508
FUND BALANCES, JANUARY 1	<u>39,421</u>	<u>39,840</u>	<u>51,049</u>	<u>-</u>	<u>217,440</u>
FUND BALANCES, DECEMBER 31	<u>\$ 70,887</u>	<u>\$ 72,185</u>	<u>\$ 51,049</u>	<u>\$ (3,178)</u>	<u>\$ 320,948</u>

221	224	225	226	227	Total Nonmajor Special Revenue
Local Option Sales Tax	Park Development	Parkland	Flood Control	Contingency	
\$ -	\$ -	\$ -	\$ 12,000	\$ 55,005	\$ 556,749
534,917	-	-	-	-	534,953
-	-	-	-	-	230,382
-	-	-	-	-	46,550
-	-	-	-	-	72,900
-	-	-	-	-	55,114
-	-	33,266	-	-	33,266
-	-	-	-	719	74,852
-	-	-	-	-	33,491
534,917	-	33,266	12,000	55,724	1,638,257
-	-	-	3,709	-	3,709
16,042	-	1,379	-	-	17,421
-	-	-	-	-	560,028
-	-	-	-	-	273,425
-	-	-	-	34,732	34,732
-	-	24,416	-	-	24,416
-	-	-	-	-	1,360
16,042	-	25,795	3,709	34,732	915,091
518,875	-	7,471	8,291	20,992	723,166
(1,151,170)	-	-	-	-	(1,154,566)
(632,295)	-	7,471	8,291	20,992	(431,400)
850,729	14,180	82,357	38,359	28,069	1,361,444
\$ 218,434	\$ 14,180	\$ 89,828	\$ 46,650	\$ 49,061	\$ 930,044

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, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013			2012
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 444,353	\$ 444,353	\$ -	\$ 419,405
Intergovernmental				
County	-	44,921	44,921	44,901
Miscellaneous				
Contributions and donations	4,000	14,953	10,953	13,674
Other	7,485	8,130	645	8,233
TOTAL REVENUES	455,838	512,357	56,519	486,213
EXPENDITURES				
Current				
Culture and recreation				
Library				
Personal services	288,532	301,309	(12,777)	314,095
Supplies	108,615	112,365	(3,750)	117,483
Other services and charges	58,691	67,217	(8,526)	65,797
TOTAL EXPENDITURES	455,838	480,891	(25,053)	497,375
NET CHANGE IN FUND BALANCES	-	31,466	31,466	(11,162)
FUND BALANCES, JANUARY 1	39,421	39,421	-	50,583
FUND BALANCES, DECEMBER 31	\$ 39,421	\$ 70,887	\$ 31,466	\$ 39,421

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, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013			2012
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 42,109	\$ 42,109	\$ -	\$ 39,831
Intergovernmental				
County	-	10,193	10,193	-
Miscellaneous				
Contributions and donations	-	59,180	59,180	100
Other	27,105	-	(27,105)	37,224
TOTAL REVENUES	69,214	111,482	42,268	77,155
EXPENDITURES				
Current				
Culture and recreation				
Library				
Personal services	46,517	53,877	(7,360)	52,397
Supplies	20,987	23,380	(2,393)	25,612
Other services and charges	1,710	1,880	(170)	1,769
TOTAL EXPENDITURES	69,214	79,137	(9,923)	79,778
NET CHANGE IN FUND BALANCES	-	32,345	32,345	(2,623)
FUND BALANCES, JANUARY 1	39,840	39,840	-	42,463
FUND BALANCES, DECEMBER 31	\$ 39,840	\$ 72,185	\$ 32,345	\$ 39,840

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, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013			2012
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment earnings	\$ 65	\$ -	\$ (65)	\$ 52
FUND BALANCES, JANUARY 1	51,049	51,049	-	50,997
FUND BALANCES, DECEMBER 31	<u>\$ 51,114</u>	<u>\$ 51,049</u>	<u>\$ (65)</u>	<u>\$ 51,049</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, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013			2012
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Intergovernmental				
Federal	\$ 80,000	\$ 72,900	\$ (7,100)	\$ 8,476
EXPENDITURES				
Current				
Housing and economic development				
Other services and charges	80,000	72,682	7,318	1,259
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	218	218	7,217
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	16,000
Transfers out	-	(3,396)	(3,396)	(10,116)
TOTAL OTHER FINANCING SOURCES (USES)	-	(3,396)	(3,396)	5,884
NET CHANGE IN FUND BALANCES	-	(3,178)	(3,178)	13,101
FUND BALANCES, JANUARY 1	-	-	-	(13,101)
FUND BALANCES, DECEMBER 31	\$ -	\$ (3,178)	\$ (3,178)	\$ -

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, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013			2012
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 3,282	\$ 3,282	\$ -	\$ 15,978
Franchise taxes	227,000	230,382	3,382	229,223
Hotel taxes	45,000	46,550	1,550	47,126
Sales tax	-	36	36	61
Miscellaneous				
Other	14,000	25,361	11,361	36,004
TOTAL REVENUES	289,282	305,611	16,329	328,392
EXPENDITURES				
Current				
Housing and economic development				
Personal services	93,559	81,902	11,657	79,787
Supplies	35,500	31,714	3,786	49,124
Other services and charges	149,223	87,127	62,096	92,846
Capital outlay				
Housing and economic development	-	1,360	(1,360)	33,267
TOTAL EXPENDITURES	278,282	202,103	76,179	255,024
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	11,000	103,508	92,508	73,368
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	6,569
Transfers out	(11,000)	-	11,000	(111,000)
TOTAL OTHER FINANCING SOURCES (USES)	(11,000)	-	11,000	(104,431)
NET CHANGE IN FUND BALANCES	-	103,508	103,508	(31,063)
FUND BALANCES, JANUARY 1	217,440	217,440	-	248,503
FUND BALANCES, DECEMBER 31	\$ 217,440	\$ 320,948	\$ 103,508	\$ 217,440

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, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013			2012
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Sales tax	\$ 500,000	\$ 534,917	\$ 34,917	\$ 544,443
Investment earnings	1,200	-	(1,200)	691
Miscellaneous				
Other	2,831	-	(2,831)	2,166
TOTAL REVENUES	504,031	534,917	30,886	547,300
EXPENDITURES				
Current				
Culture and recreation				
Library				
Supplies	10,000	-	10,000	-
Other services and charges	160,000	16,042	143,958	164,246
Capital outlay				
Culture and recreation	-	-	-	160,735
Debt service				
Principal	-	-	-	45,000
Interest and other	-	-	-	1,575
TOTAL EXPENDITURES	170,000	16,042	153,958	371,556
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	334,031	518,875	184,844	175,744
OTHER FINANCING SOURCES (USES)				
Debt issued	-	-	-	105,423
Transfers out	(284,712)	(1,151,170)	(866,458)	(371,363)
TOTAL OTHER FINANCING SOURCES (USES)	(284,712)	(1,151,170)	(866,458)	(265,940)
NET CHANGE IN FUND BALANCES	49,319	(632,295)	(681,614)	(90,196)
FUND BALANCES, JANUARY 1	850,729	850,729	-	940,925
FUND BALANCES, DECEMBER 31	\$ 900,048	\$ 218,434	\$ (681,614)	\$ 850,729

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, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013			2012
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Miscellaneous				
Rents	\$ 27,763	\$ 33,266	\$ 5,503	\$ 26,820
Contributions and donations	100	-	(100)	1,080
TOTAL REVENUES	<u>27,863</u>	<u>33,266</u>	<u>5,403</u>	<u>27,900</u>
EXPENDITURES				
Current				
Culture and recreation				
Parks				
Other services and charges	-	1,379	(1,379)	9,674
Capital outlay				
Culture and recreation				
Parks	25,000	24,416	584	1,148
TOTAL EXPENDITURES	<u>25,000</u>	<u>25,795</u>	<u>(795)</u>	<u>10,822</u>
NET CHANGE IN FUND BALANCES	2,863	7,471	4,608	17,078
FUND BALANCES, JANUARY 1	<u>82,357</u>	<u>82,357</u>	<u>-</u>	<u>65,279</u>
FUND BALANCES, DECEMBER 31	<u>\$ 85,220</u>	<u>\$ 89,828</u>	<u>\$ 4,608</u>	<u>\$ 82,357</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, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013			2012
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 12,000	\$ 12,000	\$ -	\$ 6,000
EXPENDITURES				
Current				
Public safety				
Flood control				
Other services and charges	12,000	3,709	8,291	4,800
NET CHANGE IN FUND BALANCES	-	8,291	8,291	1,200
FUND BALANCES, JANUARY 1	38,359	38,359	-	37,159
FUND BALANCES, DECEMBER 31	<u>\$ 38,359</u>	<u>\$ 46,650</u>	<u>\$ 8,291</u>	<u>\$ 38,359</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, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013			2012
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 55,005	\$ 55,005	\$ -	\$ 50,000
Charges for services				
Other	-	-	-	5
Miscellaneous				
Contributions and donations	625	719	94	1,070
TOTAL REVENUES	55,630	55,724	94	51,075
EXPENDITURES				
Current				
Mass transit and other				
Community promotion				
Other services and charges	55,630	34,732	20,898	33,451
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	20,992	20,992	17,624
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	-	(30,000)
NET CHANGE IN FUND BALANCES	-	20,992	20,992	(12,376)
FUND BALANCES, JANUARY 1	28,069	28,069	-	40,445
FUND BALANCES, DECEMBER 31	\$ 28,069	\$ 49,061	\$ 20,992	\$ 28,069

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.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	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	\$ -	\$ -	\$ 31,954
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 5,386
Contracts payable	-	-	-
Accrued wages payable	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	-	-	5,386
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES			
Assigned	-	-	26,568
Unassigned	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	-	-	26,568
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ -	\$ 31,954
	<u> </u>	<u> </u>	<u> </u>

432

433

2012 Construction	2013 Construction	Total Nonmajor
\$ -	\$ -	\$ 31,954
\$ -	\$ 1,179	\$ 6,565
-	10,576	10,576
-	3,719	3,719
-	15,474	20,860
-	-	26,568
-	(15,474)	(15,474)
-	(15,474)	11,094
\$ -	\$ -	\$ 31,954

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, 2013

	407	410	230 Capital Facilities and Equipment Replacement - General
	Equipment Certificates	Local Option Sales Tax	
REVENUES			
Taxes	\$ -	\$ -	\$ 844
Miscellaneous			
Other	-	-	11,445
	<u>-</u>	<u>-</u>	<u>11,445</u>
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>12,289</u>
EXPENDITURES			
Current			
Culture and recreation			
Library	-	1,549	-
Capital outlay			
Public works	-	-	-
Culture and recreation	-	298,694	32,024
Mass transit and other	-	2,062	10,197
	<u>-</u>	<u>302,305</u>	<u>42,221</u>
TOTAL EXPENDITURES	<u>-</u>	<u>302,305</u>	<u>42,221</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(302,305)</u>	<u>(29,932)</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets	-	-	16,500
Transfers in	61,162	866,458	40,000
	<u>61,162</u>	<u>866,458</u>	<u>56,500</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>61,162</u>	<u>866,458</u>	<u>56,500</u>
NET CHANGE IN FUND BALANCES	61,162	564,153	26,568
FUND BALANCES, JANUARY 1	<u>(61,162)</u>	<u>(564,153)</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,568</u>

432

433

2012 Construction	2013 Construction	Total Nonmajor
\$ -	\$ -	\$ 844
-	-	11,445
-	-	12,289
-	-	1,549
-	261,848	261,848
-	-	330,718
-	-	12,259
-	261,848	606,374
-	(261,848)	(594,085)
-	-	16,500
83,233	254,495	1,305,348
83,233	254,495	1,321,848
83,233	(7,353)	727,763
(83,233)	(8,121)	(716,669)
\$ -	\$ (15,474)	\$ 11,094

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and temporary investments	\$ 850,111	\$ 707,965
Receivables		
Taxes	100,703	94,686
Accounts	31,660	34,162
Notes, mortgages and leases	147,393	61,751
Special assessments		
Delinquent	2,065	22,162
Noncurrent	49,890	53,967
Intergovernmental	46,771	34,350
Due from other funds	1,336,624	1,802,844
Due from component unit	609,138	323,005
Prepaid items	<u>86,910</u>	<u>86,949</u>
 TOTAL ASSETS	 <u><u>\$ 3,261,265</u></u>	 <u><u>\$ 3,221,841</u></u>
 LIABILITIES		
Accounts payable	\$ 34,802	\$ 69,243
Accrued wages payable	125,106	108,910
Due to other governments	66,095	52,936
Unearned revenue	<u>1,300</u>	<u>1,600</u>
 TOTAL LIABILITIES	 <u>227,303</u>	 <u>232,689</u>
 DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	100,703	94,686
Unavailable revenue - special assessments	51,955	76,129
Unavailable revenue - notes	<u>92,293</u>	<u>-</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>244,951</u>	 <u>170,815</u>
 FUND BALANCES		
Nonspendable	86,910	86,949
Unassigned	<u>2,702,101</u>	<u>2,731,388</u>
 TOTAL FUND BALANCES	 <u>2,789,011</u>	 <u>2,818,337</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u><u>\$ 3,261,265</u></u>	 <u><u>\$ 3,221,841</u></u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 3,242,584	\$ 3,242,584	\$ 3,233,060	\$ (9,524)	\$ 3,116,549
Sales tax	800	800	620	(180)	653
Franchise taxes	105,000	105,000	114,379	9,379	107,384
Other taxes	15,000	15,000	23,267	8,267	19,627
Total taxes	3,363,384	3,363,384	3,371,326	7,942	3,244,213
Special assessments	3,150	3,150	13,755	10,605	49,776
Licenses and permits					
Business	88,450	88,450	98,630	10,180	113,715
Nonbusiness	262,390	262,390	290,139	27,749	413,037
Total licenses and permits	350,840	350,840	388,769	37,929	526,752
Intergovernmental					
Federal					
Other Federal aid	-	-	-	-	4,258
State					
Local government aid	1,358,107	1,358,107	1,358,107	-	1,358,107
Property tax credits	-	-	-	-	(3,122)
Street maintenance aid	152,000	152,000	157,716	5,716	152,888
Fire aid	46,715	46,715	67,575	20,860	45,742
Police aid	79,000	79,000	96,733	17,733	82,402
Other State aid	9,374	9,374	15,073	5,699	24,943
Total State	1,645,196	1,645,196	1,695,204	50,008	1,660,960
County					
Other County aid	2,000	2,000	8,384	6,384	5,086
Total intergovernmental	1,647,196	1,647,196	1,703,588	56,392	1,670,304
Charges for services					
General government	24,510	24,510	27,912	3,402	27,783
Public safety	77,750	77,750	7,100	(70,650)	4,500
Public works	2,000	2,000	2,905	905	4,600
Sanitation	500	500	(140)	(640)	908
Culture and recreation	136,125	136,125	128,325	(7,800)	126,536
Total charges for services	240,885	240,885	166,102	(74,783)	164,327
Fines and forfeits					
Court fines	28,000	28,000	21,179	(6,821)	26,797
Parking fines	900	900	420	(480)	375
Total fines and forfeits	28,900	28,900	21,599	(7,301)	27,172

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, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013			2012
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
REVENUES - CONTINUED				
Investment earnings	\$ 5,000	\$ 5,000	\$ 1,367	\$ (3,633)
Miscellaneous				
Contributions and donations	2,000	2,000	3,672	1,672
Rents	20,000	20,000	23,107	3,107
Other	39,649	39,649	86,317	46,668
Total miscellaneous	61,649	61,649	113,096	51,447
TOTAL REVENUES	5,701,004	5,701,004	5,779,602	78,598
EXPENDITURES				
Current				
General government				
Mayor and Council				
Personal services	34,350	34,350	33,992	358
Supplies	350	350	341	9
Other services and charges	33,060	33,060	29,752	3,308
Total Mayor and Council	67,760	67,760	64,085	3,675
Administration				
Personal services	327,993	327,993	316,007	11,986
Supplies	9,550	9,550	13,970	(4,420)
Other services and charges	13,800	13,800	32,320	(18,520)
Total administration	351,343	351,343	362,297	(10,954)
Finance director				
Personal services	222,535	222,535	237,016	(14,481)
Supplies	7,100	7,100	9,784	(2,684)
Other services and charges	23,500	23,500	35,597	(12,097)
Total finance director	253,135	253,135	282,397	(29,262)
City attorney				
Supplies	100	100	-	100
Other services and charges	97,200	97,200	105,943	(8,743)
Total city attorney	97,300	97,300	105,943	(8,643)

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, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
General government					
General government building					
Personal services	\$ 72,206	\$ 72,206	\$ 58,815	\$ 13,391	\$ 68,134
Supplies	40,550	40,550	37,661	2,889	24,369
Other services and charges	96,720	96,720	80,843	15,877	81,941
Total general government building	209,476	209,476	177,319	32,157	174,444
Total general government	979,014	979,014	992,041	(13,027)	927,260
Public safety					
Police protection					
Personal services	1,396,235	1,396,235	1,405,200	(8,965)	1,294,669
Supplies	93,742	93,742	94,160	(418)	105,235
Other services and charges	78,390	78,390	83,352	(4,962)	62,515
Total police protection	1,568,367	1,568,367	1,582,712	(14,345)	1,462,419
Fire protection					
Personal services	233,583	233,583	226,497	7,086	212,230
Supplies	46,300	46,300	48,845	(2,545)	54,192
Other services and charges	62,310	62,310	60,620	1,690	60,424
Total fire protection	342,193	342,193	335,962	6,231	326,846
Building inspection					
Personal services	225,898	225,898	224,035	1,863	217,240
Supplies	18,500	18,500	21,396	(2,896)	17,053
Other services and charges	29,620	29,620	22,068	7,552	22,428
Total building inspection	274,018	274,018	267,499	6,519	256,721
Civil defense					
Personal services	14,340	14,340	14,785	(445)	12,428
Supplies	9,000	9,000	2,017	6,983	545
Other services and charges	2,950	2,950	1,490	1,460	1,216
Total civil defense	26,290	26,290	18,292	7,998	14,189
Total public safety	2,210,868	2,210,868	2,204,465	6,403	2,060,175
Public works					
Street maintenance					
Personal services	569,498	569,498	541,821	27,677	548,932
Supplies	357,850	357,850	346,480	11,370	295,917
Other services and charges	73,540	73,540	73,774	(234)	74,171
Total street maintenance	1,000,888	1,000,888	962,075	38,813	919,020

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, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Public works					
Equipment maintenance					
Personal services	\$ 236,984	\$ 236,984	\$ 239,001	\$ (2,017)	\$ 229,188
Supplies	165,850	165,850	159,983	5,867	159,998
Other services and charges	35,680	35,680	31,221	4,459	37,629
Total equipment maintenance	438,514	438,514	430,205	8,309	426,815
Street lighting					
Personal services	8,620	8,620	8,489	131	8,581
Supplies	15,200	15,200	15,310	(110)	10,612
Other services and charges	285,000	285,000	291,382	(6,382)	278,238
Total street lighting	308,820	308,820	315,181	(6,361)	297,431
Total public works	1,748,222	1,748,222	1,707,461	40,761	1,643,266
Culture and recreation					
Swimming pool					
Personal services	2,657	2,657	803	1,854	1,566
Supplies	35,050	35,050	10,423	24,627	11,196
Other services and charges	58,250	58,250	55,428	2,822	56,679
Total swimming pool	95,957	95,957	66,654	29,303	69,441
Caswell Park concessions					
Personal services	73,008	73,008	57,433	15,575	67,378
Supplies	84,800	84,800	82,808	1,992	80,961
Other services and charges	16,355	16,355	18,376	(2,021)	16,217
Total Caswell Park concessions	174,163	174,163	158,617	15,546	164,556
Parks					
Personal services	348,270	348,270	324,482	23,788	357,243
Supplies	130,200	130,200	120,860	9,340	101,984
Other services and charges	84,505	84,505	77,603	6,902	78,613
Total parks	562,975	562,975	522,945	40,030	537,840
Total culture and recreation	833,095	833,095	748,216	84,879	771,837
Mass transit and other					
Mass transit					
Other services and charges	55,435	55,435	54,954	481	47,553
Other					
Other services and charges	27,500	27,500	7,452	20,048	9,623
Joint activities	19,500	19,500	19,500	-	19,500
Total other	47,000	47,000	26,952	20,048	29,123
Total mass transit and other	102,435	102,435	81,906	20,529	76,676
Total current	5,873,634	5,873,634	5,734,089	139,545	5,479,214

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, 2013
With Comparative Actual Amounts for the Year Ended December 31, 2012

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES- CONTINUED					
Capital outlay					
General government	\$ 25,000	\$ 25,000	\$ -	\$ 25,000	\$ 12,825
Public safety	-	-	28,853	(28,853)	-
Public works	-	-	152,899	(152,899)	27,478
Culture and recreation	10,000	10,000	89,865	(79,865)	-
Total capital outlay	35,000	35,000	271,617	(236,617)	40,303
Debt service					
Principal retirement	-	-	13,130	(13,130)	-
Interest and fiscal charges	-	-	4,788	(4,788)	-
Total debt service	-	-	17,918	(17,918)	-
TOTAL EXPENDITURES	5,908,634	5,908,634	6,023,624	(114,990)	5,519,517
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(207,630)	(207,630)	(244,022)	(36,392)	301,611
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	-	36,313	36,313	11,052
Transfers in	207,630	207,630	200,026	(7,604)	461,177
Transfers out	-	-	(21,643)	(21,643)	(117,388)
TOTAL OTHER FINANCING SOURCES (USES)	207,630	207,630	214,696	7,066	354,841
NET CHANGE IN FUND BALANCES	-	-	(29,326)	(29,326)	656,452
FUND BALANCES, JANUARY 1	2,818,337	2,818,337	2,818,337	-	2,161,885
FUND BALANCES, DECEMBER 31	<u>\$ 2,818,337</u>	<u>\$ 2,818,337</u>	<u>\$ 2,789,011</u>	<u>\$ (29,326)</u>	<u>\$ 2,818,337</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2013
With Comparative Totals for December 31, 2012

	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	\$ 2,282	\$ 30,752	\$ -	\$ -
Restricted assets - cash with fiscal agent	-	-	-	-
Receivables				
Interest	-	-	-	-
Special assessments				
Delinquent	-	20,386	-	-
Noncurrent	-	747,337	-	-
Intergovernmental	-	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS	<u><u>\$ 2,282</u></u>	<u><u>\$ 798,475</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
LIABILITIES				
Due to other funds	\$ -	\$ 2,823,512	\$ -	\$ -
Accrued interest payable	-	-	-	-
TOTAL LIABILITIES	<u><u>-</u></u>	<u><u>2,823,512</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	-	767,723	-	-
Unavailable revenue - due from other governments	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>-</u></u>	<u><u>767,723</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
FUND BALANCES				
Unassigned	<u><u>2,282</u></u>	<u><u>(2,792,760)</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 2,282</u></u>	<u><u>\$ 798,475</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

344 2004 G.O. Improvement Bonds	345 2005 G.O. Improvement Bonds	355 2005C G.O. Refunding 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
\$ - 416,397	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ 46,708 -
-	-	-	-	-	-	22,566
-	168,376	-	150,298	-	-	-
5,269	908,645	-	960,540	84,928	-	84,074
-	10,548	-	42,806	-	-	2,625,056
-	-	-	-	-	-	-
<u>\$ 421,666</u>	<u>\$ 1,087,569</u>	<u>\$ -</u>	<u>\$ 1,153,644</u>	<u>\$ 84,928</u>	<u>\$ -</u>	<u>\$ 2,778,404</u>
\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -	\$ - -
-	-	-	-	-	-	-
5,269	1,077,021	-	1,110,838	84,928	-	84,074
-	-	-	-	-	-	2,625,000
5,269	1,077,021	-	1,110,838	84,928	-	2,709,074
416,397	10,548	-	42,806	-	-	69,330
<u>\$ 421,666</u>	<u>\$ 1,087,569</u>	<u>\$ -</u>	<u>\$ 1,153,644</u>	<u>\$ 84,928</u>	<u>\$ -</u>	<u>\$ 2,778,404</u>

CITY OF NORTH MANKATO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2013
With Comparative Totals for December 31, 2012

	350 2010 G.O. Improvement Bonds	356 2010C G.O. Refunding Bonds	357 2012A G.O. Refunding Bonds
ASSETS			
Cash and temporary investments	\$ 226,566	\$ -	\$ -
Restricted assets - cash with fiscal agent	-	1,168,970	-
Receivables			
Interest	-	-	-
Special assessments			
Delinquent	-	42,716	-
Noncurrent	2,600,985	1,923,596	-
Intergovernmental	-	4,454	-
Due from other funds	50,888	-	-
TOTAL ASSETS	<u>\$ 2,878,439</u>	<u>\$ 3,139,736</u>	<u>\$ -</u>
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ -
Accrued interest payable	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments	2,600,985	1,966,312	-
Unavailable revenue - due from other governments	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,600,985</u>	<u>1,966,312</u>	<u>-</u>
FUND BALANCES			
Unassigned	277,454	1,173,424	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,878,439</u>	<u>\$ 3,139,736</u>	<u>\$ -</u>

Totals	
2013	2012
\$ 306,308	\$ 325,946
1,585,367	2,388,183
22,566	23,466
381,776	701,664
7,315,374	5,132,708
2,682,864	2,852,578
50,888	954,353
<u>\$ 12,345,143</u>	<u>\$ 12,378,898</u>
\$ 2,823,512	\$ 4,123,560
-	496
<u>2,823,512</u>	<u>4,124,056</u>
7,697,150	5,834,372
<u>2,625,000</u>	<u>2,805,000</u>
<u>10,322,150</u>	<u>8,639,372</u>
(800,519)	(384,530)
<u>\$ 12,345,143</u>	<u>\$ 12,378,898</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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	305 G.O. Equipment Debt	316 Bond Reserve	308 Capital Improvement Bonds of 2008	341 2001B G.O. Improvement Bonds
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	40,004	-	7,654
Intergovernmental				
State				
Street construction aid	-	-	-	-
Investment earnings	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>-</u>	<u>40,004</u>	<u>-</u>	<u>7,654</u>
EXPENDITURES				
Housing and economic development				
Other services and charges	-	432,202	-	-
Debt service				
Principal	63,000	-	200,000	-
Interest and other	3,175	-	44,335	-
Bond issuance costs	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>66,175</u>	<u>432,202</u>	<u>244,335</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(66,175)</u>	<u>(392,198)</u>	<u>(244,335)</u>	<u>7,654</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	283,682	-	-
Bonds issued	-	-	-	-
Payment of refunded bonds	-	-	-	-
Transfers out	-	(2,051,878)	(56,309)	(17,785)
	<u>-</u>	<u>(2,051,878)</u>	<u>(56,309)</u>	<u>(17,785)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(1,768,196)</u>	<u>(56,309)</u>	<u>(17,785)</u>
NET CHANGE IN FUND BALANCES	(66,175)	(2,160,394)	(300,644)	(10,131)
FUND BALANCES, JANUARY 1	<u>68,457</u>	<u>(632,366)</u>	<u>300,644</u>	<u>10,131</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,282</u>	<u>\$ (2,792,760)</u>	<u>\$ -</u>	<u>\$ -</u>

344 2004 G.O. Improvement Bonds	345 2005 G.O. Improvement Bonds	355 2005C G.O. Refunding 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
\$ - 2,670	\$ 340,512 151,662	\$ - -	\$ 165,688 177,726	\$ 340,279 19,890	\$ - -	\$ - 16,252
- 2,353	- 1,444	- -	- -	- -	- -	271,163 -
5,023	493,618	-	343,414	360,169	-	287,415
-	-	-	-	-	-	-
65,000 34,080 -	145,000 30,280 -	- - -	375,000 33,256 -	185,000 39,637 -	190,000 94,712 -	180,000 92,863 -
99,080	175,280	-	408,256	224,637	284,712	272,863
(94,057)	318,338	-	(64,842)	135,532	(284,712)	14,552
262 - - (209,588)	- - (615,000) (832)	341,916 - - -	- - - -	- - - -	284,712 - - -	- - - -
(209,326)	(615,832)	341,916	-	-	284,712	-
(303,383)	(297,494)	341,916	(64,842)	135,532	-	14,552
719,780	308,042	(341,916)	107,648	(135,532)	-	54,778
<u>\$ 416,397</u>	<u>\$ 10,548</u>	<u>\$ -</u>	<u>\$ 42,806</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,330</u>

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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	350 2010 G.O. Improvement Bonds	356 2010C G.O. Refunding Bonds	357 2012A G.O. Refunding Bonds
REVENUES			
Taxes			
Property taxes	\$ -	\$ 674,856	\$ 2,337
Special assessments	483,627	339,363	-
Intergovernmental			
State			
Street construction aid	-	-	-
Investment earnings	-	3,173	-
	<u>483,627</u>	<u>1,017,392</u>	<u>2,337</u>
TOTAL REVENUES			
EXPENDITURES			
Housing and economic development			
Other services and charges	-	-	-
Debt service			
Principal	75,000	645,000	-
Interest and other	75,750	165,157	2,337
Bond issuance costs	-	-	-
	<u>150,750</u>	<u>810,157</u>	<u>2,337</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>332,877</u>	<u>207,235</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	45,000	1,709,962	-
Bonds issued	-	-	-
Payment of refunded bonds	-	-	-
Transfers out	-	-	-
	<u>45,000</u>	<u>1,709,962</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	377,877	1,917,197	-
FUND BALANCES, JANUARY 1	<u>(100,423)</u>	<u>(743,773)</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 277,454</u>	<u>\$ 1,173,424</u>	<u>\$ -</u>

Totals	
2013	2012
\$ 1,523,672	\$ 1,380,015
1,238,848	878,393
271,163	269,737
6,970	149
3,040,653	2,528,294
432,202	-
2,123,000	2,371,000
615,582	680,310
-	16,348
3,170,784	3,067,658
(130,131)	(539,364)
2,665,534	821,813
-	895,000
(615,000)	-
(2,336,392)	(496,364)
(285,858)	1,220,449
(415,989)	681,085
(384,530)	(1,065,615)
\$ (800,519)	\$ (384,530)

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 DECEMBER 31, 2013
 With Comparative Totals for December 31, 2012

	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	\$ 409,933	\$ 126,117	\$ -
Receivables			
Accounts	12,804	-	-
Intergovernmental	52,970	-	-
Other current assets	<u>315</u>	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u><u>\$ 476,022</u></u>	 <u><u>\$ 126,117</u></u>	 <u><u>\$ -</u></u>
LIABILITIES			
Accounts payable	\$ 1,586	\$ 6,689	\$ -
Due to other governments	466,966	119,428	-
Accrued wages payable	<u>7,470</u>	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES	 <u><u>\$ 476,022</u></u>	 <u><u>\$ 126,117</u></u>	 <u><u>\$ -</u></u>

864 10% Gambling	865 Tactical Response Team	Totals	
		2013	2012
\$ 2,794	\$ 5,981	\$ 544,825	\$ 932,870
-	-	12,804	37,202
-	-	52,970	23,037
-	-	315	2,632
<u>\$ 2,794</u>	<u>\$ 5,981</u>	<u>\$ 610,914</u>	<u>\$ 995,741</u>
\$ -	\$ -	\$ 8,275	\$ 3,228
2,794	5,981	595,169	986,312
-	-	7,470	6,201
<u>\$ 2,794</u>	<u>\$ 5,981</u>	<u>\$ 610,914</u>	<u>\$ 995,741</u>

CITY OF NORTH MANKATO, MINNESOTA
 AGENCY FUNDS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2013

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
Public Access Authority (861)				
ASSETS				
Cash and temporary investments	\$ 454,744	\$ 158,950	\$ 203,761	\$ 409,933
Receivables				
Accounts	35,976	22,184	45,356	12,804
Intergovernmental	9,380	52,970	9,380	52,970
Other current assets	1,657	315	1,657	315
TOTAL ASSETS	<u>\$ 501,757</u>	<u>\$ 234,419</u>	<u>\$ 260,154</u>	<u>\$ 476,022</u>
LIABILITIES				
Accounts payable	\$ 3,228	\$ 56,843	\$ 58,485	\$ 1,586
Due to other governments	492,328	79,579	104,941	466,966
Accrued wages payable	6,201	97,997	96,728	7,470
TOTAL LIABILITIES	<u>\$ 501,757</u>	<u>\$ 234,419</u>	<u>\$ 260,154</u>	<u>\$ 476,022</u>
Public Access Equipment (862)				
ASSETS				
Cash and temporary investments	<u>\$ 148,423</u>	<u>\$ 28,989</u>	<u>\$ 51,295</u>	<u>\$ 126,117</u>
LIABILITIES				
Accounts payable	\$ -	\$ 28,989	\$ 22,300	\$ 6,689
Due to other governments	148,423	-	28,995	119,428
TOTAL LIABILITIES	<u>\$ 148,423</u>	<u>\$ 28,989</u>	<u>\$ 51,295</u>	<u>\$ 126,117</u>
Minnesota River Valley Task Force (863)				
ASSETS				
Cash and temporary investments	\$ 320,919	\$ 363,242	\$ 684,161	\$ -
Receivables				
Due from other governments	13,657	13,657	27,314	-
Other current assets	975	-	975	-
TOTAL ASSETS	<u>\$ 335,551</u>	<u>\$ 376,899</u>	<u>\$ 712,450</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ -	\$ 348,610	\$ 348,610	\$ -
Due to other governments	335,551	28,289	363,840	-
TOTAL LIABILITIES	<u>\$ 335,551</u>	<u>\$ 376,899</u>	<u>\$ 712,450</u>	<u>\$ -</u>

CITY OF NORTH MANKATO, MINNESOTA
AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013

	Balance January 1, 2013	Additions	Deletions	Balance December 31, 2013
10% Gambling (864)				
ASSETS				
Cash and temporary investments	\$ 2,925	\$ 16,169	\$ 16,300	\$ 2,794
Receivables				
Accounts	1,226	-	1,226	-
TOTAL ASSETS	\$ 4,151	\$ 16,169	\$ 17,526	\$ 2,794
LIABILITIES				
Due to other governments	\$ 4,151	\$ 16,169	\$ 17,526	\$ 2,794
Tactical Response Team (865)				
ASSETS				
Cash and temporary investments	\$ 5,859	\$ 2,809	\$ 2,687	\$ 5,981
LIABILITIES				
Due to other governments	\$ 5,859	\$ 2,809	\$ 2,687	\$ 5,981
TOTALS - ALL FUNDS				
ASSETS				
Cash and temporary investments	\$ 932,870	\$ 570,159	\$ 958,204	\$ 544,825
Receivables				
Accounts	37,202	22,184	46,582	12,804
Intergovernmental	23,037	66,627	36,694	52,970
Other current assets	2,632	315	2,632	315
TOTAL ASSETS	\$ 995,741	\$ 659,285	\$ 1,044,112	\$ 610,914
LIABILITIES				
Accounts payable	\$ 3,228	\$ 434,442	\$ 429,395	\$ 8,275
Due to other governments	986,312	126,846	517,989	595,169
Accrued wages payable	6,201	97,997	96,728	7,470
TOTAL LIABILITIES	\$ 995,741	\$ 659,285	\$ 1,044,112	\$ 610,914

THIS PAGE IS LEFT BLANK
INTENTIONALLY

**DISCRETELY PRESENTED COMPONENT UNIT -
PORT AUTHORITY**

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

THIS PAGE IS LEFT BLANK
INTENTIONALLY

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - PORT AUTHORITY
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2013
With Comparative Totals for December 31, 2012

	General 228	229 Federal Revolving Loan	Special Revenue 234 Local Revolving Loan	235 State Revolving Loan
	Port Authority			
ASSETS				
Cash and temporary investments	\$ 79,132	\$ 750,216	\$ 34,642	\$ 993
Receivables				
Accounts	-	-	-	-
Interest	-	-	-	-
Intergovernmental	-	-	-	-
Notes, mortgages and leases	120,000	802,086	198,050	158,883
Due from other funds	-	-	-	-
TOTAL ASSETS	<u>\$ 199,132</u>	<u>\$ 1,552,302</u>	<u>\$ 232,692</u>	<u>\$ 159,876</u>
LIABILITIES				
Accounts payable	\$ 147	\$ -	\$ -	\$ -
Accrued interest payable	-	-	-	-
Due to other funds	-	-	-	-
Due to primary government	-	-	-	-
Due to other governments	-	-	-	158,883
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	<u>147</u>	<u>-</u>	<u>-</u>	<u>158,883</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - notes	-	-	-	-
FUND BALANCES				
Restricted for				
Economic development	-	1,552,302	232,692	993
Tax increment financing	-	-	-	-
Debt service	-	-	-	-
Assigned for				
Economic development	198,985	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>198,985</u>	<u>1,552,302</u>	<u>232,692</u>	<u>993</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 199,132</u>	<u>\$ 1,552,302</u>	<u>\$ 232,692</u>	<u>\$ 159,876</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	257 Ziegler Caterpillar TIF #20	258 422 Belgrade TIF #19
\$ -	\$ 176,160	\$ -	\$ -	\$ 35,704	\$ -	\$ -	\$ -	\$ -	\$ 22,264
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	59,703	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 235,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,264</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	609,138	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	609,138	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	235,863	-	-	-	-	-	-	-	-
-	-	-	-	35,704	-	-	-	-	22,264
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	-	(609,138)	-	-	-	-	-	-	-
-	235,863	(609,138)	-	35,704	-	-	-	-	22,264
<u>\$ -</u>	<u>\$ 235,863</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,264</u>

CITY OF NORTH MANKATO, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - PORT AUTHORITY
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS - CONTINUED
DECEMBER 31, 2013
With Comparative Totals for December 31, 2012

	Special Revenue		Debt Service	
	259	260	368	370
	Lindsay TIF #22	Allstate Peterbuildt TIF #21	1993A Port Authority Revenue Bonds	2011A Port Authority G.O. Bonds
ASSETS				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ 73,090
Receivables				
Accounts	-	-	-	-
Interest	-	-	-	-
Intergovernmental	-	-	-	-
Notes, mortgages and leases	-	-	-	3,215,000
Due from other funds	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,288,090</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	-	\$ -
Accrued interest payable	-	-	-	-
Due to other funds	-	-	-	-
Due to primary government	-	-	-	-
Due to other governments	-	-	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	<u>-</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	-	-	-	73,090
Assigned for				
Economic development	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>73,090</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,288,090</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

Debt Service		Capital Projects			
371	379	448	Totals		
2011B Port Authority G.O. Bonds	2010D G.O. Tax Increment Bonds	Port Authority Construction	2013	2012	
\$ 32,408	\$ 91,191	\$ 17,030	\$ 1,312,830	\$ 921,436	
-	-	-	-	2,954	
-	-	-	-	7,050	
-	-	-	-	750	
-	-	-	4,553,722	4,666,227	
-	-	-	-	1,114,928	
<u>\$ 32,408</u>	<u>\$ 91,191</u>	<u>\$ 17,030</u>	<u>\$ 5,866,552</u>	<u>\$ 6,713,345</u>	
\$ -	-	\$ -	\$ 147	\$ 259	
-	-	-	-	3,920	
-	-	-	-	1,114,928	
-	-	-	609,138	323,005	
-	-	-	158,883	182,696	
-	-	-	-	15,000	
-	-	-	768,168	1,639,808	
-	-	-	3,215,000	3,224,160	
-	-	-	2,021,850	2,011,091	
-	-	-	57,968	619,305	
32,408	91,191	-	196,689	286,172	
-	-	17,030	216,015	207,942	
-	-	-	(609,138)	(1,275,133)	
<u>32,408</u>	<u>91,191</u>	<u>17,030</u>	<u>1,883,384</u>	<u>1,849,377</u>	
<u>\$ 32,408</u>	<u>\$ 91,191</u>	<u>\$ 17,030</u>	<u>\$ 5,866,552</u>	<u>\$ 6,713,345</u>	
			\$ 1,883,384	\$ 1,849,377	
			1,819,986	2,242,820	
			(6,135,000)	(6,605,000)	
			(2,143)	(2,183)	
			3,215,000	3,215,000	
			(91,646)	(98,810)	
			<u>\$ 689,581</u>	<u>\$ 601,204</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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	General	Special Revenue		
	228	229	234	235
	Port	Federal	Local	State
	Authority	Revolving	Revolving	Revolving
		Loan	Loan	Loan
REVENUES				
Taxes	\$ 74,479	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Investment earnings	-	63	-	-
Miscellaneous				
Rents	-	-	-	-
Contributions and donations	-	-	-	-
Other	9,226	40,392	7,837	5,155
TOTAL REVENUES	83,705	40,455	7,837	5,155
EXPENDITURES				
Current				
Economic development	536,134	-	-	13,461
Capital outlay				
Economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	5,155
TOTAL EXPENDITURES	536,134	-	-	18,616
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(452,429)	40,455	7,837	(13,461)
OTHER FINANCING SOURCES (USES)				
Sale of assets	915,741	-	-	-
Transfers in	-	-	-	-
Transfers out	(455,239)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	460,502	-	-	-
NET CHANGE IN FUND BALANCES	8,073	40,455	7,837	(13,461)
FUND BALANCES, JANUARY 1	190,912	1,511,847	224,855	14,454
FUND BALANCES, DECEMBER 31	\$ 198,985	\$ 1,552,302	\$ 232,692	\$ 993

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	257 Ziegler Caterpillar TIF #20	258 422 Belgrade TIF #19
\$ -	\$ -	\$ 21,743	\$ 12,904	\$ 23,251	\$ 14,895	\$ 6,003	\$ 85,434	\$ 96,821	\$ -
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	22,312	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
-	3,167	-	-	-	-	-	-	-	10,288
-	25,479	21,743	12,904	23,251	14,895	6,003	85,434	96,821	10,288
-	24,551	2,655	-	23,251	14,867	1,329	77,478	96,821	250,020
-	-	-	-	-	-	-	-	-	-
-	100,000	-	-	-	-	-	-	-	-
3,349	30,000	-	-	-	-	-	-	-	-
3,349	154,551	2,655	-	23,251	14,867	1,329	77,478	96,821	250,020
(3,349)	(129,072)	19,088	12,904	-	28	4,674	7,956	-	(239,732)
-	-	-	-	-	-	-	-	-	-
8,013	105,000	336,766	49,031	-	-	-	-	-	-
(326,269)	-	(23,543)	(11,202)	-	-	(2,172)	(456)	-	-
(318,256)	105,000	313,223	37,829	-	-	(2,172)	(456)	-	-
(321,605)	(24,072)	332,311	50,733	-	28	2,502	7,500	-	(239,732)
321,605	259,935	(941,449)	(50,733)	35,704	(28)	(2,502)	(7,500)	-	261,996
\$ -	\$ 235,863	\$ (609,138)	\$ -	\$ 35,704	\$ -	\$ -	\$ -	\$ -	\$ 22,264

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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Special Revenue		Debt Service	
	259	260	368	370
	Lindsay TIF #22	Allstate Peterbuildt TIF #21	1993A Port Authority Revenue Bonds	2011A Port Authority G.O. Bonds
REVENUES				
Taxes	\$ 16,658	\$ 27,017	\$ -	\$ -
Charges for services	-	-	3,150	-
Investment earnings	-	-	-	-
Miscellaneous				
Rents	-	-	-	-
Contributions and donations	-	-	432,202	-
Other	-	-	-	-
TOTAL REVENUES	16,658	27,017	435,352	-
EXPENDITURES				
Current				
Economic development	16,658	27,017	-	-
Capital outlay				
Economic development	-	-	-	-
Debt service				
Principal	-	-	370,000	-
Interest and other	-	-	47,632	97,581
TOTAL EXPENDITURES	16,658	27,017	417,632	97,581
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	17,720	(97,581)
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	-	-
Transfers in	-	-	255,201	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	255,201	-
NET CHANGE IN FUND BALANCES	-	-	272,921	(97,581)
FUND BALANCES, JANUARY 1	-	-	(272,921)	170,671
FUND BALANCES, DECEMBER 31	\$ -	\$ -	\$ -	\$ 73,090

Debt Service		Capital Projects	Totals	
371 2011B Port Authority G.O. Bonds	379 2010D G.O. Tax Increment Bonds	448 Port Authority Construction		
			2013	2012
\$ -	\$ -	\$ -	\$ 379,205	\$ 130,741
-	-	-	3,150	7,800
-	-	-	63	472
-	-	-	22,312	4,954
-	-	-	432,202	234,711
-	-	-	76,065	93,449
-	-	-	912,997	472,127
-	-	-	1,084,242	308,549
-	-	-	-	142,508
-	-	-	470,000	1,040,000
20,865	35,907	-	240,489	237,266
20,865	35,907	-	1,794,731	1,728,323
(20,865)	(35,907)	-	(881,734)	(1,256,196)
-	-	-	915,741	3,000
32,007	32,863	-	818,881	1,307,752
-	-	-	(818,881)	(1,307,752)
32,007	32,863	-	915,741	3,000
11,142	(3,044)	-	34,007	(1,253,196)
21,266	94,235	17,030	1,849,377	3,102,573
\$ 32,408	\$ 91,191	\$ 17,030	\$ 1,883,384	\$ 1,849,377

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Totals	
	2013	2012
Amounts reported for governmental activities in the statement of activities are different because		
Net change in fund balances - governmental funds	\$ 34,007	\$ (1,253,196)
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
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	(422,834)	(67,781)
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.		
Principal repayments	470,000	1,040,000
Discount/premium on bonds issued, net of amortization expense	40	38
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.		
	7,164	(18,963)
Change in net position - governmental activities	<u>\$ 88,377</u>	<u>\$ (164,340)</u>

CITY OF NORTH MANKATO, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Totals		Percent Increase (Decrease)
	2013	2012	
REVENUES			
Taxes	\$ 6,264,476	\$ 5,976,295	4.82 %
Special assessments	1,252,603	928,169	34.95
Licenses and permits	388,769	526,752	(26.20)
Intergovernmental	2,949,485	2,679,783	10.06
Charges for services	166,102	164,332	1.08
Fines and forfeits	21,599	27,172	(20.51)
Investment earnings	8,337	3,708	124.84
Miscellaneous	266,150	424,640	(37.32)
TOTAL REVENUES	<u>\$ 11,317,521</u>	<u>\$ 10,730,851</u>	5.47 %
Per Capita	<u>\$ 841</u>	<u>\$ 799</u>	5.18 %
EXPENDITURES			
Current			
General government	\$ 992,041	\$ 927,260	6.99 %
Public safety	2,209,974	2,171,535	1.77
Public works	1,707,461	1,776,726	(3.90)
Culture and recreation	1,327,214	1,522,910	(12.85)
Housing and economic development	705,627	223,016	216.40
Miscellaneous	116,638	110,127	5.91
Capital outlay			
General government	-	12,825	(100.00)
Public safety	28,853	12,388	132.91
Public works	1,943,449	4,112,922	(52.75)
Culture and recreation	444,999	924,174	(51.85)
Economic development	1,360	33,267	(95.91)
Miscellaneous	12,259	146,646	(91.64)
Debt service			
Principal	2,136,130	2,440,000	(12.45)
Interest and other charges	620,370	688,637	(9.91)
Bond issuance costs	-	16,348	(100.00)
TOTAL EXPENDITURES	<u>\$ 12,246,375</u>	<u>\$ 15,118,781</u>	(19.00) %
Per Capita	<u>\$ 910</u>	<u>\$ 1,126</u>	(19.22) %
Total Long-term Indebtedness	\$ 20,511,293	\$ 23,262,423	(11.83) %
Per Capita	1,524	1,733	(12.06)
General Fund Balance - December 31	\$ 2,789,011	\$ 2,818,337	(1.04) %
Per Capita	207	210	(1.31)

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.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year				
	2013	2012	2011	2010	2009
Governmental activities					
Net investment in capital assets	\$19,673,984	\$22,078,379	\$21,718,486	\$17,936,216	\$19,365,624
Restricted	8,055,696	7,064,989	9,836,509	9,430,699	9,176,578
Unrestricted	2,792,772	2,738,240	1,925,231	5,332,038	4,146,659
Total governmental activities net position	30,522,452	31,881,608	33,480,226	32,698,953	32,688,861
Business-type activities					
Net investment in capital assets	17,093,203	16,189,284	16,548,626	16,636,920	16,782,600
Unrestricted	3,281,817	3,169,994	3,011,862	3,002,540	2,906,271
Total business-type activities net position	20,375,020	19,359,278	19,560,488	19,639,460	19,688,871
Primary government					
Net investment in capital assets	36,767,187	38,267,663	38,267,112	34,573,136	36,148,224
Restricted	8,055,696	7,064,989	9,836,509	9,430,699	9,176,578
Unrestricted	6,074,589	5,908,234	4,937,093	8,334,578	7,052,930
Total primary government net position	<u>\$50,897,472</u>	<u>\$51,240,886</u>	<u>\$53,040,714</u>	<u>\$52,338,413</u>	<u>\$52,377,732</u>

Table 1

Fiscal Year				
2008	2007	2006	2005	2004
\$17,817,241	\$15,835,956	\$16,520,668	\$15,112,464	\$15,446,960
9,114,637	10,404,126	7,886,659	6,048,222	6,695,240
1,333,792	2,217,057	150,512	1,701,239	843,209
28,265,670	28,457,139	24,557,839	22,861,925	22,985,409
17,083,850	16,984,629	17,075,156	15,322,048	14,672,459
3,027,945	3,074,678	2,803,457	2,219,544	2,397,545
20,111,795	20,059,307	19,878,613	17,541,592	17,070,004
34,901,091	32,820,585	33,595,824	30,434,512	30,119,419
9,114,637	10,404,126	7,886,659	6,048,222	6,695,240
4,361,737	5,291,735	2,953,969	3,920,783	3,240,754
<u>\$48,377,465</u>	<u>\$48,516,446</u>	<u>\$44,436,452</u>	<u>\$40,403,517</u>	<u>\$40,055,413</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				
	2013	2012	2011	2010	2009
EXPENSES					
Governmental activities					
General government	\$ 1,034,873	\$ 849,434	\$ 952,893	\$ 959,723	\$ 930,604
Public safety	2,392,220	2,372,795	2,235,789	2,267,522	2,287,619
Public works	7,258,318	6,307,462	3,696,626	3,556,817	3,405,036
Culture and recreation	1,597,289	1,787,372	1,744,224	1,674,756	1,342,384
Housing and economic development	706,987	223,016	498,794	209,738	243,652
Mass transit and other	128,897	208,994	258,873	487,047	121,883
Interest on long-term debt	570,917	671,015	752,795	739,561	811,657
Total governmental activities expenses	<u>13,689,501</u>	<u>12,420,088</u>	<u>10,139,994</u>	<u>9,895,164</u>	<u>9,142,835</u>
Business-type activities					
Water	1,458,952	1,433,452	1,522,644	1,473,548	1,526,268
Sewer	1,354,223	1,539,133	1,498,908	1,544,390	1,607,815
Sanitation	1,267,083	1,292,299	1,263,485	1,252,643	1,231,517
Storm water	269,966	153,220	181,044	173,870	163,749
Total business-type activities expenses	<u>4,350,224</u>	<u>4,418,104</u>	<u>4,466,081</u>	<u>4,444,451</u>	<u>4,529,349</u>
Total primary government expenses	<u>\$ 18,039,725</u>	<u>\$ 16,838,192</u>	<u>\$ 14,606,075</u>	<u>\$ 14,339,615</u>	<u>\$ 13,672,184</u>
PROGRAM REVENUES					
Governmental activities					
Charges for services					
General government	\$ 133,401	\$ 145,142	\$ 112,111	\$ 106,238	\$ 103,099
Public safety	311,979	455,110	598,884	436,145	350,957
Public works	6,318	37,434	130,487	3,932	1,036
Culture and recreation	192,688	218,307	245,129	248,396	153,760
Housing and economic development	25,361	36,004	8,630	7,803	7,851
Miscellaneous	19	70	105	131	1,153
Operating grants and contributions	526,043	502,163	633,072	231,029	222,321
Capital grants and contributions	4,057,677	1,412,189	2,460,239	1,725,806	5,161,365
Total governmental activities program revenues	<u>5,253,486</u>	<u>2,806,419</u>	<u>4,188,657</u>	<u>2,759,480</u>	<u>6,001,542</u>
Business-type activities					
Charges for services					
Water	1,524,399	1,615,436	1,499,185	1,523,160	1,578,865
Sewer	1,535,142	1,525,340	1,510,772	1,490,287	1,506,070
Sanitation	1,292,386	1,333,111	1,394,977	1,335,497	1,261,556
Storm water	275,025	274,823	272,689	272,530	268,913
Operating grants and contributions	-	-	4,994	-	-
Capital grants and contributions	4,354	3,668	(6,230)	14,438	(5,735)
Total business-type activities program revenues	<u>4,631,306</u>	<u>4,752,378</u>	<u>4,676,387</u>	<u>4,635,912</u>	<u>4,609,669</u>
Total primary government program revenues	<u>\$ 9,884,792</u>	<u>\$ 7,558,797</u>	<u>\$ 8,865,044</u>	<u>\$ 7,395,392</u>	<u>\$ 10,611,211</u>

Table 2

Fiscal Year				
2008	2007	2006	2005	2004
\$ 1,008,554	\$ 833,703	\$ 1,007,853	\$ 842,424	\$ 879,540
2,216,393	2,201,035	2,108,473	1,840,246	1,711,875
3,260,898	3,609,200	2,607,992	2,548,825	2,224,281
1,228,603	908,793	1,252,630	1,070,003	1,048,355
141,947	25,662	-	-	-
449,855	388,607	222,391	346,831	139,507
961,301	1,001,100	889,943	772,631	1,040,182
<u>9,267,551</u>	<u>8,968,100</u>	<u>8,089,282</u>	<u>7,420,960</u>	<u>7,043,740</u>
1,378,921	1,307,569	1,169,608	1,093,982	1,011,557
1,429,251	1,522,923	1,163,489	1,296,764	1,146,541
1,304,752	1,265,362	1,159,853	1,134,816	1,002,355
152,949	169,727	83,364	94,814	45,187
<u>4,265,873</u>	<u>4,265,581</u>	<u>3,576,314</u>	<u>3,620,376</u>	<u>3,205,640</u>
<u>\$ 13,533,424</u>	<u>\$ 13,233,681</u>	<u>\$ 11,665,596</u>	<u>\$ 11,041,336</u>	<u>\$ 10,249,380</u>
\$ 102,951	\$ 83,618	\$ 64,342	\$ 83,377	\$ 90,453
400,619	417,051	391,500	344,393	336,004
1,197	4,592	6,313	4,385	5,866
166,278	137,303	125,746	114,689	113,609
-	-	-	-	-
66	15	391	28	78
201,368	203,661	306,991	235,872	196,146
1,281,966	5,542,281	4,318,797	1,220,050	1,436,949
<u>2,154,445</u>	<u>6,388,521</u>	<u>5,214,080</u>	<u>2,002,794</u>	<u>2,179,105</u>
1,611,559	1,530,615	1,378,301	1,045,253	1,042,587
1,561,157	1,584,169	1,565,478	1,546,009	1,520,364
1,306,662	1,281,663	1,228,712	1,037,672	972,206
263,539	214,888	179,178	136,953	97,662
-	-	-	-	6,964
9,509	17,185	1,053	900	3,200
<u>4,752,426</u>	<u>4,628,520</u>	<u>4,352,722</u>	<u>3,766,787</u>	<u>3,642,983</u>
<u>\$ 6,906,871</u>	<u>\$ 11,017,041</u>	<u>\$ 9,566,802</u>	<u>\$ 5,769,581</u>	<u>\$ 5,822,088</u>

CITY OF NORTH MANKATO, MINNESOTA
CHANGES IN NET POSITION - CONTINUED
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year				
	2013	2012	2011	2010	2009
PROGRAM REVENUES - CONTINUED					
Net (expense)/revenue					
Governmental activities	\$ (8,436,015)	\$ (9,613,669)	\$ (5,951,337)	\$ (7,135,684)	\$ (3,141,293)
Business-type activities	281,082	334,274	210,306	191,461	80,320
Total primary government net expense	<u>\$ 8,154,933</u>	<u>\$ 9,279,395</u>	<u>\$ 5,741,031</u>	<u>\$ 6,944,223</u>	<u>\$ 3,060,973</u>
GENERAL REVENUES AND OTHER					
CHANGES IN NET POSITION					
Governmental activities					
Taxes					
Property taxes, levied for general purposes	\$ 3,802,650	\$ 3,646,058	\$ 2,894,504	\$ 3,027,372	\$ 2,921,378
Property taxes, levied for debt service	1,523,672	1,380,015	1,475,843	1,413,987	1,318,208
Local option sales tax	536,417	545,157	462,223	440,566	377,859
Hotel-motel tax	46,550	47,126	40,685	42,106	39,255
Gambling tax	16,443	16,427	13,049	13,168	12,306
Franchise taxes	344,761	336,607	332,469	326,812	321,266
Grants and contributions not restricted to specific programs	1,384,064	1,333,017	1,456,390	1,452,797	1,931,894
Unrestricted investment earnings	8,337	4,259	33,678	13,917	26,143
Other revenues	84,632	104,107	67,840	121,274	64,246
Gain on sale of capital assets	52,813	11,052	-	-	(6,136)
Transfers	(723,480)	376,226	241,630	293,777	558,065
Total governmental activities	<u>7,076,859</u>	<u>7,800,051</u>	<u>7,018,311</u>	<u>7,145,776</u>	<u>7,564,484</u>
Business-type activities					
Taxes					
Property taxes, levied for debt service	-	50,000	50,000	50,000	50,000
Local option sales tax	1,067	1,079	965	949	956
Unrestricted investment earnings	10,113	4,663	1,564	1,956	3,865
Transfers	723,480	(376,226)	(241,630)	(293,777)	(558,065)
Total business-type activities	<u>734,660</u>	<u>(320,484)</u>	<u>(189,101)</u>	<u>(240,872)</u>	<u>(503,244)</u>
Total primary government	<u>\$ 7,811,519</u>	<u>\$ 7,479,567</u>	<u>\$ 6,829,210</u>	<u>\$ 6,904,904</u>	<u>\$ 7,061,240</u>
CHANGES IN NET POSITION					
Governmental activities	\$ (1,359,156)	\$ (1,813,618)	\$ 1,066,974	\$ 10,092	\$ 4,423,191
Business-type activities	1,015,742	13,790	21,205	(49,411)	(422,924)
Total primary government	<u>\$ (343,414)</u>	<u>\$ (1,799,828)</u>	<u>\$ 1,088,179</u>	<u>\$ (39,319)</u>	<u>\$ 4,000,267</u>

Table 2 (continued)

Fiscal Year				
2008	2007	2006	2005	2004
\$ (7,113,106)	\$ (2,579,579)	\$ (2,875,202)	\$ (5,418,166)	\$ (4,864,635)
486,553	362,939	776,408	146,411	437,343
<u>\$ 6,626,553</u>	<u>\$ 2,216,640</u>	<u>\$ 2,098,794</u>	<u>\$ 5,271,755</u>	<u>\$ 4,427,292</u>
\$ 2,900,598	\$ 2,644,377	\$ 2,336,353	\$ 2,278,610	\$ 1,938,391
1,268,421	1,189,615	1,198,015	1,220,186	1,058,294
82,619	-	-	-	-
46,418	53,030	50,925	46,914	44,700
11,092	13,082	14,650	15,261	14,765
166,928	43,707	41,531	48,408	37,793
1,827,286	1,946,778	2,164,316	1,781,049	1,912,490
63,312	153,821	180,730	40,832	29,800
39,388	107,962	58,409	112,621	48,184
-	-	-	-	31,481
515,575	(422,198)	(1,251,381)	(275,700)	42,277
<u>6,921,637</u>	<u>5,730,174</u>	<u>4,793,548</u>	<u>5,268,181</u>	<u>5,158,175</u>
50,000	50,000	50,000	50,000	50,000
193	-	-	-	-
31,317	94,262	36,800	25,978	13,791
(515,575)	422,198	1,251,381	275,700	(42,277)
<u>(434,065)</u>	<u>566,460</u>	<u>1,338,181</u>	<u>351,678</u>	<u>21,514</u>
<u>\$ 6,487,572</u>	<u>\$ 6,296,634</u>	<u>\$ 6,131,729</u>	<u>\$ 5,619,859</u>	<u>\$ 5,179,689</u>
\$ (191,469)	\$ 3,150,595	\$ 1,918,346	\$ (149,985)	\$ 293,540
52,488	929,399	2,114,589	498,089	458,857
<u>\$ (138,981)</u>	<u>\$ 4,079,994</u>	<u>\$ 4,032,935</u>	<u>\$ 348,104</u>	<u>\$ 752,397</u>

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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					
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
2013	3,802,650	1,523,672	536,417	46,550	16,443	344,761	6,270,493

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

	Fiscal Year				
	2004	2005	2006	2007	2008
General fund					
Reserved	\$ 57,235	\$ 56,392	\$ 64,385	\$ 66,586	\$ 73,864
Unreserved	1,599,939	1,650,279	1,687,453	1,790,838	1,855,865
Nonspendable	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General fund	<u>\$ 1,657,174</u>	<u>\$ 1,706,671</u>	<u>\$ 1,751,838</u>	<u>\$ 1,857,424</u>	<u>\$ 1,929,729</u>
All other governmental funds					
Reserved	\$ 1,428,740	\$ 2,758,377	\$ 2,248,425	\$ 2,517,949	\$ 2,878,350
Unreserved, reported in					
Special revenue funds	533,444	419,193	232,382	219,939	342,772
Capital projects funds	(1,048,107)	742,893	2,053,767	625,918	(722,371)
Debt Service funds	(814,743)	(1,153,150)	(890,602)	(1,846,138)	(2,715,778)
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 99,334</u>	<u>\$ 2,767,313</u>	<u>\$ 3,643,972</u>	<u>\$ 1,517,668</u>	<u>\$ (217,027)</u>

Table 4

Fiscal Year				
2009	2010	2011	2012	2013
\$ 171,481	\$ -	\$ -	\$ -	\$ -
1,938,446	-	-	-	-
-	79,792	76,564	86,949	86,910
-	2,238,480	2,085,321	2,731,388	2,702,101
<u>\$ 2,109,927</u>	<u>\$ 2,318,272</u>	<u>\$ 2,161,885</u>	<u>\$ 2,818,337</u>	<u>\$ 2,789,011</u>
\$ 2,511,919	\$ -	\$ -	\$ -	\$ -
1,798,112	-	-	-	-
2,303,119	-	-	-	-
(3,525,136)	-	-	-	-
-	5,556	2,896	3,109	7,987
-	3,207,722	3,705,717	915,958	283,663
-	525,157	206,264	105,848	196,439
-	1,431,631	2,099,560	1,350,284	471,701
-	-	(1,086,396)	(1,131,951)	(826,926)
<u>\$ 3,088,014</u>	<u>\$ 5,170,066</u>	<u>\$ 4,928,041</u>	<u>\$ 1,243,248</u>	<u>\$ 132,864</u>

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

	Fiscal Year				
	2004	2005	2006	2007	2008
REVENUES					
Taxes	\$ 3,083,901	\$ 3,558,372	\$ 3,632,564	\$ 3,935,312	\$ 4,451,394
Special assessments	964,040	1,631,543	2,237,837	1,634,954	1,563,332
Licenses and permits	297,575	312,421	305,370	356,710	359,611
Intergovernmental revenue	3,151,521	2,050,742	3,091,342	2,831,939	2,435,714
Charges for services	129,358	108,613	158,122	177,289	186,026
Fines and forfeits	65,658	69,614	65,543	48,558	48,334
Interest	30,299	43,192	180,730	153,821	63,312
Other revenues	153,413	301,266	311,818	178,433	168,361
TOTAL REVENUES	7,875,765	8,075,763	9,983,326	9,317,016	9,276,084
EXPENDITURES					
General government	831,482	854,168	939,346	952,073	948,751
Public safety	1,506,322	1,624,262	1,229,465	1,358,089	1,479,445
Public works	1,099,557	1,158,843	980,072	1,111,399	1,246,102
Culture and recreation	921,752	917,996	1,815,052	1,906,303	2,080,112
Housing and economic development	-	-	-	25,662	141,947
Miscellaneous	178,619	253,833	203,868	162,368	158,480
Capital outlay	5,000,916	3,472,988	7,887,293	5,562,047	5,680,942
Debt service					
Principal	2,499,000	2,624,000	3,840,000	3,091,000	5,390,604
Interest	852,643	837,680	787,417	953,323	784,997
Bond issuance costs	-	-	-	-	-
TOTAL EXPENDITURES	12,890,291	11,743,770	17,682,513	15,122,264	17,911,380
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(5,014,526)	(3,668,007)	(7,699,187)	(5,805,248)	(8,635,296)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	33,217	-	-	-	-
Transfers in	556,919	1,138,497	981,278	456,935	1,535,833
Bonds issued	2,480,000	5,965,000	8,380,000	3,440,000	6,255,000
Refunding bonds issued	1,805,000	-	-	-	-
Premium (discount) on bonds issued	(40,224)	(40,902)	7,970	(12,605)	(120,949)
Payments to refunded bond escrow agent	(3,085,000)	-	-	-	-
Transfers out	(113,569)	(677,112)	(525,803)	(99,800)	(696,978)
TOTAL OTHER FINANCING SOURCES (USES)	1,636,343	6,385,483	8,843,445	3,784,530	6,972,906
NET CHANGE IN FUND BALANCES	\$ (3,378,183)	\$ 2,717,476	\$ 1,144,258	\$ (2,020,718)	\$ (1,662,390)
 Debt service as a percentage of noncapital expenditures	 42%	 41%	 46%	 42%	 49%

Table 5

Fiscal Year				
2009	2010	2011	2012	2013
\$ 4,973,898	\$ 5,217,778	\$ 5,278,200	\$ 5,976,295	\$ 6,264,476
1,779,206	709,385	766,699	928,169	1,252,603
347,939	477,704	521,628	526,752	388,769
4,326,710	3,145,988	4,141,816	2,679,783	2,949,485
128,919	166,744	296,974	164,332	166,102
38,850	37,566	29,492	27,172	21,599
26,143	13,917	33,678	3,708	8,337
1,061,107	299,969	695,383	774,640	616,150
12,682,772	10,069,051	11,763,870	10,730,851	11,317,521
866,921	906,426	937,067	927,260	992,041
1,978,722	1,972,956	2,093,243	2,171,535	2,209,974
1,540,916	1,524,184	1,870,220	1,776,726	1,707,461
1,277,069	1,490,825	1,528,750	1,522,910	1,327,214
243,652	209,738	498,757	223,016	705,627
139,897	178,640	154,165	110,127	116,638
3,533,734	3,726,148	3,846,946	5,242,222	2,430,920
5,127,000	3,796,000	3,933,000	2,440,000	2,136,130
892,263	788,915	760,628	688,637	620,370
-	-	-	16,348	-
15,600,174	14,593,832	15,622,776	15,118,781	12,246,375
(2,917,402)	(4,524,781)	(3,858,906)	(4,387,930)	(928,854)
-	-	-	-	52,813
698,849	3,328,062	3,535,474	1,001,497	1,835,086
5,986,000	3,055,000	3,215,000	1,000,423	-
-	3,455,000	-	-	-
111,574	11,401	3,864	-	-
-	-	-	-	(615,000)
(393,782)	(3,034,285)	(3,293,844)	(642,331)	(1,514,507)
6,402,641	6,815,178	3,460,494	1,359,589	(241,608)
\$ 3,485,239	\$ 2,290,397	\$ (398,412)	\$ (3,028,341)	\$ (1,170,462)
46%	40%	39%	24%	20%

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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
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
2013	5,320,305	536,417	344,761	46,550	16,443	6,264,476

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
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
2013	7,058,140	2,870,300	175,764	242,538	9,861,666

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
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
54.566	934,541,100	1.08

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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	
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
2013	39.123	15.443	54.566	52.383	18.924	0.188	126.061

Source: Nicollet County Auditor

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

Taxpayer	Type of Business	2013		
		Taxable Tax Capacity	Rank	Percentage of Total Taxable Assessed Value
Taylor Corporation	Printing	\$ 345,174	1	3.5 %
Kato Engineering	Electric rotating equipment	116,580	2	1.2
Wis-Pak of Mankato	Bottling	100,960	3	1.0
Carlson Wedding Service	Specialty printing	97,108	4	1.0
Ziegler Mankato LLC	Sales and service of Cat equipment	86,090	5	0.9
Corporate Graphics	Printing	85,134	6	0.9
Carlson Craft Commercial	Specialty printing	80,476	7	0.8
Minnegasco, Inc.	Utility	79,659	8	0.8
LJP Enterprises	Sanitation	73,038	9	0.7
Coloplast Corporation	Skin care and hygiene products	62,320	10	0.6
Fine Impressions Envelope Printing	Specialty printing	-		-
Minnesota Automotive	Manufacturing	-		-
Total		<u>\$ 1,126,539</u>		<u>11.4 %</u>

Source: Blue Earth County Administrative Services.

Table 9

2004			
Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	
\$ 371,140	1	4.0	%
121,266	2	1.3	
110,632	3	1.2	
110,224	4	1.2	
-		-	
108,210	5	1.2	
82,666	7	0.9	
-		-	
-		-	
64,506	9	0.7	
101,318	6	1.1	
69,227	8	0.7	
<u>\$ 1,139,189</u>		<u>12.3</u>	%

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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
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	49,790	3,923,963	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	52,263	4,216,019	99.9
2008	4,603,569	4,540,079	98.6	60,767	4,600,846	99.9
2009	4,674,079	4,603,838	98.5	66,099	4,669,937	99.9
2010	4,814,154	4,734,214	98.3	73,537	4,807,751	99.9
2011	4,814,154	4,754,445	98.8	48,184	4,802,629	99.8
2012	5,152,123	5,105,667	99.1	31,456	5,137,123	99.7
2013	5,383,784	5,326,914	98.9	-	5,326,914	98.9

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
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	2,638,766	14,550,828	2,902,896	105,423	3,215,000
2013	2,311,338	12,327,748	2,709,301	92,293	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				
\$ 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
6,578,565	1,983,906	31,975,384	6.97		2,375
6,016,600	1,919,760	28,592,040	6.05		2,124

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

Table 12

Fiscal Year	General Obligation Bonds	Less: Amounts Restricted for Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2004	\$17,044,000	\$ 48,198	\$16,995,802	2.02 %	\$ 1,361
2005	19,125,000	15,868	19,109,132	2.08	1,519
2006	22,510,000	77,039	22,432,961	2.39	1,779
2007	23,039,000	410,177	22,628,823	2.22	1,761
2008	21,233,000	494,778	20,738,222	2.02	1,603
2009	22,732,000	542,661	22,189,339	2.31	1,701
2010	25,506,000	859,809	24,646,191	2.67	1,840
2011	21,633,000	858,650	20,774,350	2.38	1,551
2012	20,092,490	1,569,480	18,523,010	2.13	1,376
2013	17,348,387	1,992,241	15,356,146	1.64	1,141

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, 2013

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>\$ 20,655,680</u>	100.00 %	<u>\$ 20,655,680</u>
Overlapping debt			
Nicollet County	8,485,000	34.15	2,897,628
Blue Earth County	20,640,779	0.00	151
Independent School Dist. 77	<u>47,035,000</u>	18.49	<u>8,696,772</u>
Total overlapping debt	<u>76,160,779</u>		<u>11,594,551</u>
Total direct and overlapping debt	<u><u>\$ 96,816,459</u></u>		<u><u>\$ 32,250,231</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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit	\$16,336,858	\$17,051,200	\$17,039,185	\$16,049,306	\$24,497,850
Total net debt applicable to limit	<u>305,000</u>	<u>885,000</u>	<u>1,380,000</u>	<u>1,090,000</u>	<u>2,940,000</u>
Legal debt margin	<u>\$16,031,858</u>	<u>\$16,166,200</u>	<u>\$15,659,185</u>	<u>\$14,959,306</u>	<u>\$21,557,850</u>
Total net debt applicable to the limit as a percentage of debt limit	1.87%	5.19%	8.10%	6.79%	12.00%

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$27,804,603	\$27,714,156	\$26,222,790	\$26,120,184	\$ 28,036,233
<u>2,771,000</u>	<u>2,963,000</u>	<u>2,488,000</u>	<u>2,638,766</u>	<u>2,311,338</u>
<u>\$25,033,603</u>	<u>\$24,751,156</u>	<u>\$23,734,790</u>	<u>\$23,481,418</u>	<u>\$ 25,724,895</u>
9.97%	10.69%	9.49%	10.10%	8.24%
Total estimated market value				<u>\$934,541,100</u>
Debt limit (3% of total assessed value)				28,036,233
Debt applicable to limit:				
General obligation bonds				<u>2,311,338</u>
Legal debt margin				<u>\$ 25,724,895</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	
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	4,804,452	3,261,394	1,543,058	724,922 ⁽⁴⁾	316,574	1,041,496	1.48
2013	4,638,132	3,276,870	1,361,262	627,842	302,480	930,322	1.46

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>
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
2013	13,462	472,206,574	35,077	35.5	7,598	4.1

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.

THIS PAGE IS LEFT BLANK
INTENTIONALLY

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

Table 17

	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mayo Clinic Health System	2,250	1	4.1 %	1,500	3	2.9 %
Carlson Craft	1,100	4	2.0	2,100	1	4.0
Independent School District 77 (Mankato)	2,224	2	4.0	2,000	2	3.8
Minnesota State University Mankato	1,700	3	3.1	1,300	4	2.5
Mankato Clinic	748	5	1.4	720	5	1.4
Navitor	500	6	0.9	-	-	-
Bethany Lutheran College	429	7	0.8	431	6	0.8
Verizon Wireless	422	8	0.8	345	8	0.7
Kato Engineering	300	9	0.5	-	-	-
Precision Press	300	9	0.5	335	9	0.6
Hickory Tech	-	-	-	400	7	0.8
The Thro Company	-	-	-	330	10	0.6
Total	<u>9,973</u>		<u>18.1 %</u>	<u>9,461</u>		<u>18.1 %</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				
	2004	2005	2006	2007	2008
General government	10.5	10.5	10.5	12.0	11.5
Public safety					
Police					
Officers	12.0	12.0	12.0	12.0	12.0
Secretary	1.5	1.5	1.5	1.5	1.5
Inspections	3.0	3.0	4.0	5.0	5.0
Public works					
Maintenance	11.0	11.0	11.0	10.0	11.0
Culture and recreation					
Parks	7.0	7.0	6.0	6.0	6.0
Library	4.0	4.0	5.0	5.0	5.5
Water	4.0	4.0	6.0	8.0	8.0
Sewer	-	-	2.0	2.0	2.0
Sanitation	1.0	1.0	1.0	1.0	1.0
Total	<u>54.0</u>	<u>54.0</u>	<u>59.00</u>	<u>62.5</u>	<u>63.5</u>

Source: City Personnel Records

Table 18

Full-time Equivalent Employees as of December 31				
2009	2010	2011	2012	2013
11.5	11.5	11.5	11.5	10.5
12.0	12.0	12.0	13.0	13.0
1.5	1.5	1.5	1.5	1.5
5.0	5.0	5.0	4.0	4.0
11.0	11.0	10.0	10.0	10.0
6.0	6.0	7.0	5.0	5.0
6.0	6.5	6.5	6.5	6.5
7.0	6.0	6.0	6.0	6.0
2.0	2.0	2.0	2.0	2.0
1.5	1.5	1.5	1.5	1.5
63.5	63.0	63.0	61.0	60.0

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

Function	Fiscal Year				
	2004	2005	2006	2007	2008
Police					
Physical arrests	1,921	1,994	1,364	1,025	1,025
Accidents	159	145	125	173	134
Police reserve volunteer hours	3,536	3,452	880	968	1,242
Educational programs	25	22	22	18	13
Fire					
Number of calls answered	144	132	144	136	120
Public works					
Street seal coating (miles)	6.9	5.9	7.1	5.8	5.8
Sanitation					
Refuse collected (tons)	3,660	3,913	3,889	3,963	3,953
Culture and recreation					
Swim facility attendance	11,437	14,969	17,316	19,019	20,843
Library circulation (items checked out)	118,172	133,132	132,929	158,589	180,554
Bookmobile circulation	n/a	n/a	n/a	n/a	n/a
Water					
Total connections	5,455	5,658	5,907	6,083	6,196
Average daily consumption (thousands of gallons)	1,305	1,334	1,434	1,483	1,415

Sources: Various City departments.

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

Table 19

Fiscal Year				
2009	2010	2011	2012	2013
1,034	1,217	797	707	731
129	125	198	171	196
1,104	1,503	1,392	1,318	1,480
8	16	17	14	18
112	147	108	126	100
3.1	4.8	8.7	6.6	7.8
3,807	3,760	3,573	3,331	3,510
15,237	21,970	21,037	20,114	17,456
193,892	236,863	261,061	266,163	251,467
27,664	30,947	41,082	39,309	39,309
6,311	6,349	6,375	6,480	6,572
1,372	1,280	1,282	1,463	1,326

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

Function	Fiscal Year				
	2004	2005	2006	2007	2008
General government					
Planning and zoning					
Building permits issued	645	655	615	825	976
Public safety					
Police					
Stations	1	1	1	1	1
Fulltime paid police	12	12	12	12	12
Volunteer police reserves	20	18	16	18	17
Fire					
Stations	2	2	2	2	2
Volunteer fire fighters	36	36	33	35	38
I.S.O. Rating	5	5	5	5	5
Public works					
Street division					
Miles of street	61.01	62.67	64.05	66.09	66.09
Signalized intersections	6	6	6	6	6
Parks division					
Parks	20	20	20	20	20
Area in acres	233	233	245	250	250
Baseball diamonds	14	14	14	14	14
Basketball courts	7	7	8	8	8
Horseshoe courts	8	8	8	13	13
Trails	5	5	5	5	6
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	5,455	5,658	5,907	6,083	6,196
Average daily consumption (thousands of gallons)	1,305	1,334	1,434	1,483	1,415
Maximum daily consumption (thousands of gallons)	2,202	2,677	2,696	2,845	3,045

Source: City of North Mankato Financial Records.

Table 20

Fiscal Year				
2009	2010	2011	2012	2013
1,042	2,190	1,750	1,574	980
1	1	1	1	1
12	12	12	13	13
17	17	19	17	18
2	2	2	2	2
38	36	35	35	34
5	5	4	4	4
67.31	68.50	75.37	77.06	77.00
6	6	6	6	5
20	20	21	21	21
250	250	251	251	251
14	14	14	14	14
8	8	8	8	8
13	13	13	12	13
6	6	6	6	6
5	5	5	5	5
-	-	-	10	10
11	11	11	11	11
1	1	1	1	1
8	8	8	8	8
9	9	9	9	9
6,311	6,349	6,375	6,480	6,572
1,387	1,280	1,282	1,463	1,326
2,809	2,466	2,267	3,030	2,412

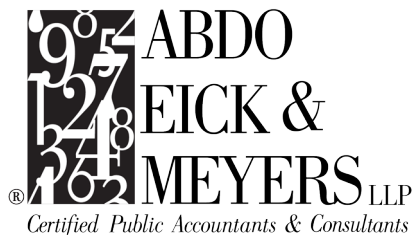
THIS PAGE IS LEFT BLANK
INTENTIONALLY

OTHER REQUIRED REPORTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

THIS PAGE IS LEFT BLANK
INTENTIONALLY



INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of North Mankato, Minnesota

We have audited, 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 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 (the City) as of and for the year ended December 31, 2013, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2014.

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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as described in the accompanying Schedule of Findings and Responses as finding 2013-002. However, our audit was not directed primarily toward procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 25, 2014

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, 2013, 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 25, 2014.

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 2013-001 that we consider to be a significant deficiency.

Compliance and Other Matters

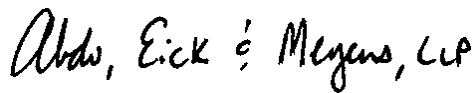
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 2013-002.

The City's Response to Finding

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

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.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 25, 2014

THIS PAGE IS LEFT BLANK
INTENTIONALLY

CITY OF NORTH MANKATO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2013

<u>Finding</u>	<u>Description</u>
----------------	--------------------

2013-001	Preparation of financial statements
-----------------	--

<i>Condition:</i>	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.
<i>Criteria:</i>	Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.
<i>Cause:</i>	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.
<i>Effect:</i>	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.
<i>Recommendation:</i>	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.

2013-002	Collateral coverage
-----------------	----------------------------

<i>Condition:</i>	The City had \$1,376,745 of deposits uncollateralized on December 31, 2013.
<i>Criteria:</i>	In accordance with Minnesota statute, section 118A.03, the City is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.
<i>Cause:</i>	The Finance Director was out on leave in December 2013.
<i>Effect:</i>	At year end, the City did not have sufficient collateral.
<i>Recommendation:</i>	The coverage should be monitored monthly to ensure compliance is met.

Management response:

The City was aware of the situation and the shortage was remedied in January 2014.