



COMPREHENSIVE
ANNUAL FINANCIAL REPORT
2013

Year Ended December 31, 2013
City of Lakeville, Minnesota

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of



Minnesota

For the Year Ended
December 31, 2013

*ISSUED BY THE FINANCE DEPARTMENT
Dennis Feller, Finance Director*

INTRODUCTORY SECTION

CITY OF LAKEVILLE, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2013
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CITY OF LAKEVILLE, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2013

ELECTED OFFICIALS

Term of Office Expires

| | | |
|-------------------------|-------------------------|-------------------|
| MAYOR | Matt Little | December 31, 2014 |
| COUNCIL MEMBERS: | Doug Anderson | December 31, 2016 |
| | Bart Davis | December 31, 2014 |
| | Colleen Ratzlaff LaBeau | December 31, 2014 |
| | Kerrin Swecker | December 31, 2016 |

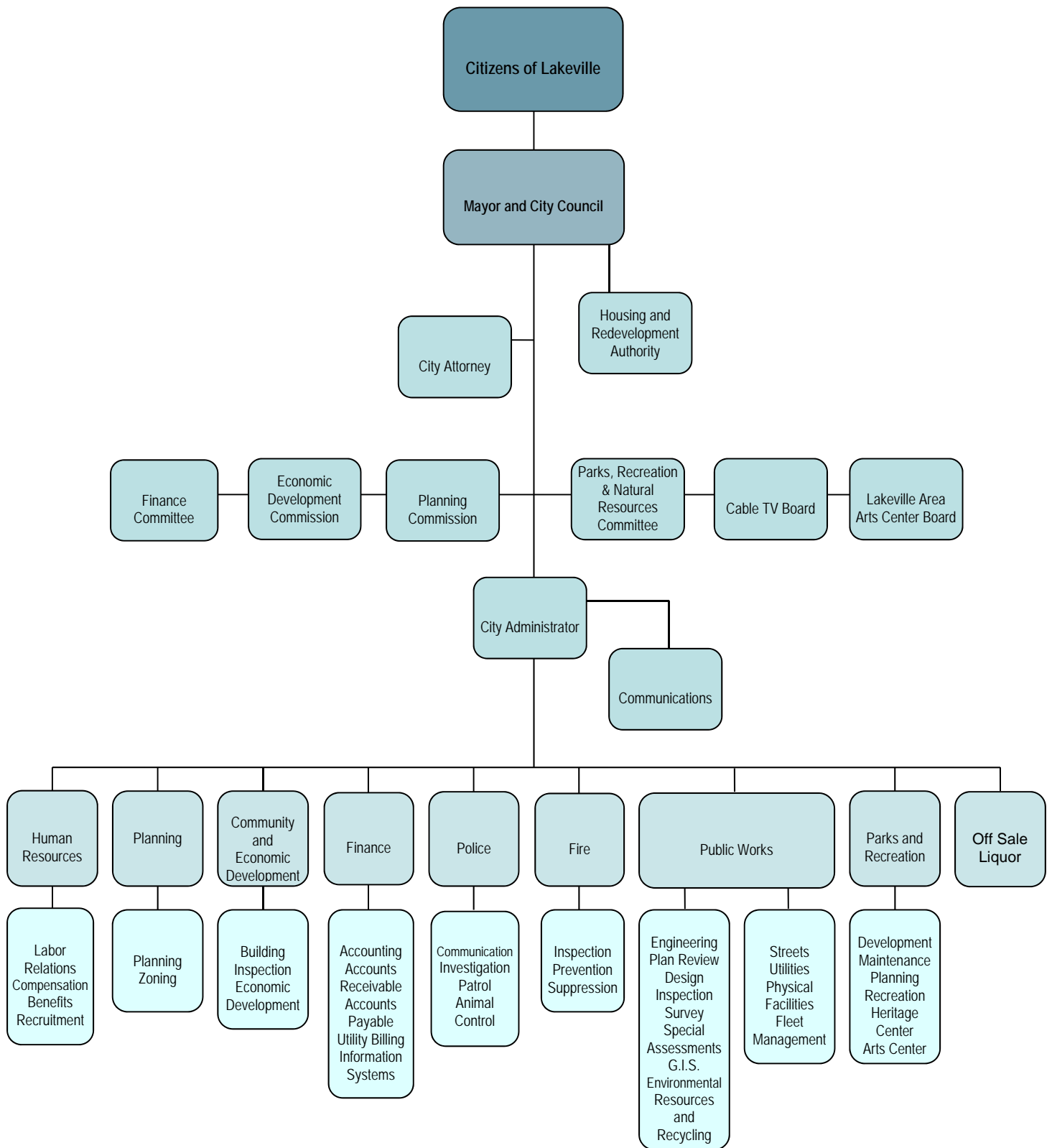
APPOINTED OFFICIALS

| | |
|----------------------------|-------------------|
| City Administrator | Steven C. Mielke |
| Finance Director/Treasurer | Dennis Feller |
| City Clerk | Charlene Friedges |

CITY OF LAKEVILLE, MINNESOTA

Organizational Structure

December 31, 2013





City of Lakeville
Positioned to Thrive

May 30, 2014

The Honorable Mayor and Council Members
20195 Holyoke Avenue
Lakeville, Minnesota 55044

Honorable Mayor, Members of the City Council and Citizens of the City of Lakeville

The Comprehensive Annual Financial Report is hereby presented for the purpose of providing you, the reader, with a thorough overview of the financial affairs of the City for the year ended December 31, 2013. The Report was prepared in accordance with Minnesota Statutes and Generally Accepted Accounting Principals (GAAP).

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

The City of Lakeville's financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a professional firm of certified public accountants. The independent auditors report is included in the Financial Section of this report. The auditors have given this report an unmodified ("clean") opinion, meaning that the financial statements fairly present the City's financial position at December 31, 2013 and the changes in financial position for the year then ended.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of Government

The City of Lakeville is a suburban community located 20 miles south of downtown Minneapolis in the southeast corner of the Twin Cities metropolitan area within Dakota County. Lakeville continues to be one of the fastest growing cities in Minnesota with a population that has grown from 43,128 in 2000 to 57,789 in 2013.

The City of Lakeville operates under the Mayor-Council form of organization. The governing City Council consists of the Mayor and four other Council members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing members to the various committees and commissions; and hiring the City Administrator, heads of various departments and City employees. The City Administrator is responsible for carrying out the policies, directions and ordinances of the City Council and for overseeing the day-to-day operations of the City. The City Council is elected on a non-partisan at large basis. The Mayor is elected to serve a two-year term, while Council members serve four-year staggered terms, with two Council Members elected every two years.

The City provides its residents and businesses with a full range of municipal services consisting of public safety (police and fire), public works, parks and recreation, and general government administration. The City also operates two enterprises: utilities (public water, sanitary sewer, street lights and environmental resources) and off-sale liquor stores. Sewage treatment and disposal is operated on a regional basis by the Metropolitan Council Environmental Services (MCES) and refuse collection and disposal are handled on a private basis through contractual arrangements by City residents with private haulers. Further information regarding city services can be obtained from the City's website at www.lakevillemn.gov

The City is financially accountable for the Housing and Redevelopment Authority (HRA), which is included in the City's financial statement. Additional information on the HRA can be found in Note 1A. – *Summary of Significant Accounting Policies* of the Notes to Basic Financial Statements.

The annual budget serves as the foundation for the City of Lakeville's financial planning and control. The budgetary process is outlined in the notes within the required supplementary information section of this report. The City applies budgetary controls to ensure compliance with legal provisions of the laws of Minnesota. Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted for the general fund and special revenue funds. Budget to actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been adopted. The general fund budgetary comparison schedules are presented within the required supplementary information section and the special revenue funds budgetary comparison schedules are presented in the nonmajor governmental funds subsection of this report.

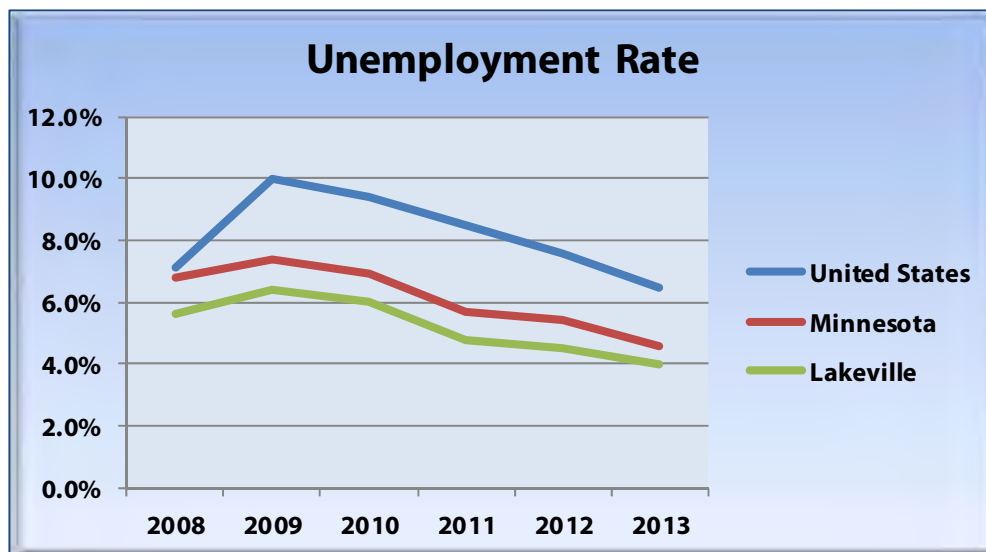
Factors Affecting Financial Condition

The City of Lakeville is committed to maintaining a strong financial condition, while continuing to provide quality public services to its residents and businesses. The City's financial position, as reflected in the financial statements presented in this report, is perhaps best understood when it is considered from the broader perspective of the environment within which the City operates.

Local Economy

Our community has persevered through the economic struggles of the past five years. The City responded in 2008 and 2009 to the economic challenges by downsizing its operations and reducing personnel. The City has grown by almost 2,000 new residents or approximately 3.6% since 2009, while the number of City employees has decreased by 2.6%.

According to the Bureau of Labor Statistics, Lakeville's unemployment rate is favorable compared to the State and National rates.



Source: www.positivelyminnesota.com

Building permit activity for single family homes and the number of newly platted lots or applications from developers for new residential lots is on the rise. Building permits for single family homes increased to 374 in 2013 compared to 280 permits for single family homes in 2012. The 2014 budget is premised on an assumed steady growth of new single family homes in the coming year.



■ Actual Residential Units
■ Estimated Residential Units
▲ Actual Single Family
▲ Estimated Single Family

The residential real estate markets have finally started to improve after four consecutive years of valuation declines. According to the Dakota County Assessor’s office, the median value home increased by 3.7% as of January 2013 (for taxes payable 2014). The trend of improving market values is expected to continue as the number of foreclosures and regional unemployment becomes more favorable. The improving housing market is also strengthen with the current low inflation and interest rate environment.

Major Initiatives

The City has, through it’s budget and financial management planning process, embraced the Positioned to Thrive theme. The 2013 goals and major initiatives were focused on long term community planning to prepare for the future, investments in technology to maximize efficiencies, developing effective partnerships to capitalize on opportunities and multi-agency resources, infrastructure improvements to promote economic and community development and service continuity through staffing enhancements to meet the expectations of community residents and businesses.



Community Planning. The City retained a consultant to facilitate a community visioning process. The City Council assembled a task force drawn from diverse perspectives from throughout the community. The task force was responsible for reviewing data and input from various sources and also considered current and future trends regarding housing, development, demographics, and various potential changes that could occur throughout the community over the next 25 years. With input from the community and with the help of the consultant the task force worked through this data and developed a unified community vision report called Envision Lakeville.

The community vision report presents a vision of the City Lakeville’s future, a set of community values, a list of strategic priorities for guiding the implementation of the key initiatives outlined in the report over the next 25 years.

Investment in Technology. The City endeavored to maximize service efficiencies with it’s the expanded application of technology for the Inspections Department field reporting system, Police computer forensics, Fire Department computers in frontline firefighting apparatus and automated employment application system.

Developing Partnerships. Enhanced economic development initiatives where achieved with the City participating in Metropolitan Consortium of Developers. The City along with the neighboring cities of Burnsville, Eagan and Apple Valley collaborated in the shared construction of a fire training center.

Infrastructure Improvements. The City is committed to maintaining its investment in the community’s infrastructure. The most significant 2013 projects included:

- Dodd Boulevard improvements from 183rd Street to Hayes Avenue

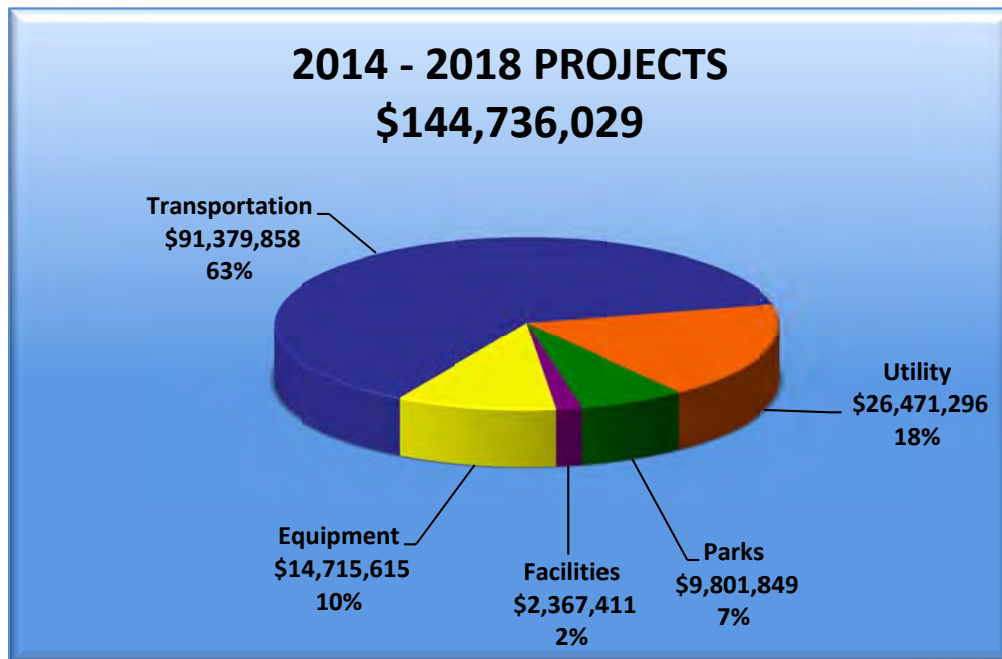
- Kenrick Avenue round-about at 205th Street
- Kenrick Avenue Trail from 187th to 205th Street
- Water Treatment Facility meeting room
- Arts Center irrigation system

Service Continuity. Meeting the expectations of residents was achieved with hiring for 15 fire fighters, Engineering Department interns, Heritage Center attendants, a new Administrative Services Director and expanded staff professional development.

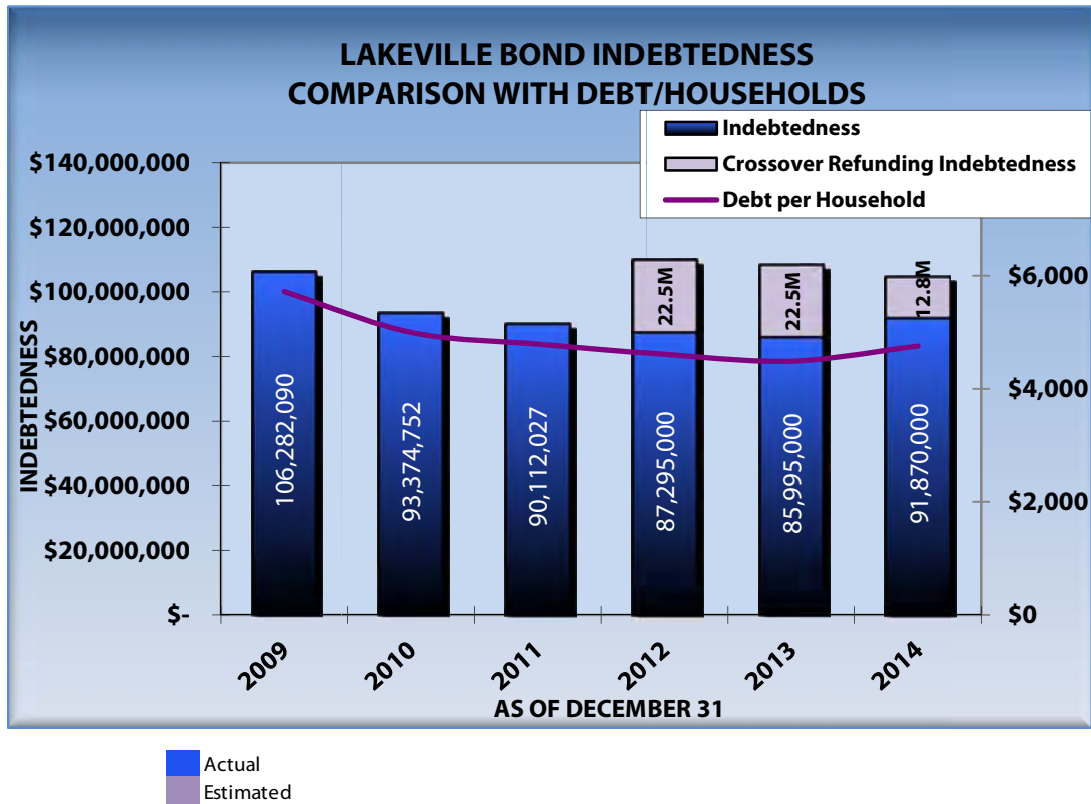
Long-term Financial Planning

There is an interrelationship between a community’s physical development and its long-term financial plan. A comprehensive plan provides the guidance for current and future land use and public infrastructure decisions to provide managed growth throughout the community. The City of Lakeville completed an update of its Comprehensive Plan in 2008.

A Capital Improvement Plan (CIP) has been approved by the City which is a flexible, five-year plan that identifies the City’s infrastructure, development objectives and allocation of financial resources. It provides policy makers and the community with a strategic (documented) approach to implementation and administration of improvement projects. The City will invest \$145 million in transportation, utility, equipment, facilities and Parks in course of the next five years to achieve program objectives.



As of December 31, 2013, the City of Lakeville had approximately \$108.445 million of debt outstanding including \$22.450 million of (cross-over) refunding debt in August 2012 to refinance the G.O. Street Reconstruction Bonds Series 2003 A and G.O. Capital Improvement Bonds series 2004 A. The City will issue approximately \$65 million general obligation improvement bonds in the coming years to finance street reconstruction projects.



Relevant Financial Policies

The City has a number of policies which are utilized in the management of its fiscal affairs. The primary policies include, but not limited to, operating budget policy, budget amendment process, revenue, debt, investment and fund balance.

- Operating Budgets.** The City’s operating budget policy sets forth guidance with respect to balanced operating budgets, with an overriding goal of achieving structural balance over a longer-term period, while recognizing that in certain periods, revenues and expenditures may not be equal. A balanced budget for the General Fund is defined as revenues and other sources equal to or exceeding operating expenditures and other uses. Other sources can include that portion of General Fund balance that is allowed to be budgeted for use per the City’s fund balance policy. The budget will provide for adequate maintenance of capital facilities and equipment and for their orderly replacement.

Balanced budgets for the proprietary enterprise funds are defined as providing sufficient revenues to support the operations of those funds, without subsidy from the General Fund or property taxes. Charges from the Proprietary Internal Service Funds shall be sufficient to support such activities, with no trend of operating deficits.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the department level for the General Fund and total expenditures level for Special Revenue Funds. The City Administrator has authorization to expend funds in excess of the appropriation for individual line items. Budgeted expenditure appropriations lapse at year-end. Supplementary appropriations can be carried forward to the following year if approved by the City Council.

- **Revenue Policies.** The City will project its annual revenues by a conservative objective and thorough analytical process. The City will endeavor to maintain a diversified and stable revenue system to shelter it from annual fluctuations in any one revenue source. All existing and potential revenue sources will be reexamined annually. New sources of non-property-tax revenue should be actively explored at all times. Where appropriate and not contrary to accepted public policy or statutes, emphasis will be directed toward full cost recovery through user fees. User fees and cost allocation formulas will be updated periodically (annually if needed). Ongoing, the City will review the full cost of activities supported by user fees to identify the impact of inflation and other factors. The fees along with the resulting net property tax costs will be reviewed with the City Council during the budget process. Sensitivity to market rates will also be considered in setting fees. Intergovernmental grant requests are subject to fiscal review before the application is submitted. This review is to ensure that the grants do not create an obligation for unfunded expenditures by the City relating to the grant's purpose and to provide an overall budgetary review of grant proposals.
- **Debt.** The City's debt policy provides guidance to ensure that long-term debt is utilized appropriately and in a fiscally prudent manner. Limiting long-term borrowing to capital improvements or other long-term projects which cannot, and appropriately should not, be financed from current revenues. Final maturity of bonds and notes should not exceed the expected useful life of the underlying project for which it is being issued. Where possible, the City will endeavor to pledge special assessments, State-aid or other non-tax revenues to debt service payments.
- **Investments.** The City's policy is to invest all available monies at competitive interest rates, coordinated with projections of the City's operating and program cash flow needs. Interest earnings will be distributed to the funds based on the average cash balances. Investments will take into consideration safety, liquidity and yield as well as complying with State regulations.
- **Fund Balance.** Fund balance or net position are terms used to define the difference between a fund's assets, deferred outflows of financial resources, liabilities and

deferred inflows of financial resources. Fund balance is used in governmental fund types and net position is used in proprietary fund types.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) of the United States awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakeville, Minnesota, for its comprehensive annual financial report for the fiscal year ended December 31, 2012. This is the twenty-fifth consecutive year that the City of Lakeville has received this prestigious award.

In order to be awarded a Certificate of Achievement for Excellence, a government must publish an easily readable and efficiently organized comprehensive annual financial report, and the contents must conform to the program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement for Excellence program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its fiscal year 2013 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in a number of categories, including a policy document, a financial plan, an operations guide, and a communications device. The City of Lakeville has received GFOA's Distinguished Budget Presentation Award for five consecutive years; the fiscal year 2014 annual budget document has been submitted for another award and is currently under review.

The preparation of this report could not have been accomplished without the professional, efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department, with special recognition to Senior Accountants David Lang, Tom Nesselth, and Julie Werner.

We would also like to express our sincere gratitude to the City Council for its sincere commitment and progressive leadership in the financial affairs of our community.

Respectfully submitted,



Steven Mielke
City Administrator



Dennis Feller
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lakeville
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

FINANCIAL SECTION



PRINCIPALS

Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Lakeville, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeville, 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. 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 from material misstatement.

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the budgetary comparison information for the General Fund, and the Other Post-Employment Benefits Plan – Schedule of Funding Progress, as listed in the table of contents, 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 section, combining and individual fund statements and schedules, supplemental information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules and supplemental information 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 statements and schedules and supplemental information 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.

(continued)

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 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, 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 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.

Malloy, Montague, Karnowski, Radosevich & Co., P. A.

Minneapolis, Minnesota
May 30, 2014

CITY OF LAKEVILLE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis presents an overview of the financial activities and financial position for the City of Lakeville (the "City") for the year ended December 31, 2013. Please read the information presented here in conjunction with our letter of transmittal.

Financial Highlights

- The assets of the City exceeded liabilities by \$268,841,525 at the close of the most recent fiscal year. Of this amount, \$16,216,216 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$10,317,012.
- The City's governmental funds reported combined ending fund balances of \$64,782,416. Of this total amount, \$25,939,736 or 40% is unrestricted and available for spending at the government's discretion.
- As of the end of the current fiscal year, the City's unrestricted fund balance for the general fund was \$9,495,546 or 44.6% of total general fund expenditures of \$21,312,688.

Overview of the Financial Statements

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

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, deferred outflows of resources, liabilities and deferred inflows of resources, 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, and parks and recreation. The business-type activities of the City include the enterprise activities of the liquor operation, and utility operation.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate housing and redevelopment authority (HRA) for which the City is considered to be financially accountable or for which the nature and significance of their relationship with the City is such that the exclusion would cause the City's financial statements to be misleading or incomplete. Financial information for this component unit is blended within the financial information presented for the primary government itself.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of 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 22 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, general obligation (debt service) fund, G.O. improvement (debt service) fund, building (capital projects) fund, and the improvement construction (capital projects) fund, all of which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements following the required supplementary information.

The City adopts annual appropriated budgets for its general fund and special revenue funds. A budgetary comparison schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget. Special revenue funds budgetary comparison schedules can be found in the nonmajor governmental funds subsection of the report after the capital projects funds.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions.

The City uses enterprise funds to account for its off-sale liquor, and utility (water, sanitary sewer, street light, and environmental resources) operations. The City uses internal service fund to account for its risk management insurance liability program. These services benefit the governmental and business-type functions; therefore, they have been included within governmental and business-type activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds, all of which are considered to be major funds of the City. The internal service fund is presented in a single aggregated presentation in the proprietary fund financial statements.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement 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.

Notes to basic 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.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.

This section includes a budgetary comparison schedule and related notes for the general fund, and a schedule of funding progress for the other post-employment benefits plan of the City. The combining statements referred to earlier in connection with nonmajor governmental and internal service funds are presented immediately following the required supplementary information.

Government-wide Financial Analysis

As presented on the following table, the City's governmental and business-type assets exceeded liabilities by \$268,841,525 at the close of the fiscal year ending December 31, 2013. By far the largest portion or 87.3% of net position is reflected in its net investment in capital assets (e.g. land, buildings and improvements, machinery and equipment, infrastructure, and construction in process) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in 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.

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|-------------------------|-----------------------|--------------------------|-----------------------|----------------------|-----------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Current and other assets | \$ 75,950,861 | \$ 72,353,175 | \$ 16,159,618 | \$ 18,153,265 | \$ 92,110,479 | \$ 90,506,440 |
| Capital assets | 190,143,507 | 185,030,218 | 108,310,808 | 105,426,488 | 298,454,315 | 290,456,706 |
| Total assets | <u>\$266,094,368</u> | <u>\$ 257,383,393</u> | <u>\$124,470,426</u> | <u>\$ 123,579,753</u> | <u>\$390,564,794</u> | <u>\$ 380,963,146</u> |
| Current and other liabilities | \$ 4,740,243 | \$ 4,175,645 | \$ 1,776,002 | \$ 1,810,188 | \$ 6,516,245 | \$ 5,985,833 |
| Long-term liabilities | 111,596,752 | 112,677,018 | 3,610,272 | 3,775,782 | 115,207,024 | 116,452,800 |
| Total liabilities | <u>116,336,995</u> | <u>116,852,663</u> | <u>5,386,274</u> | <u>5,585,970</u> | <u>121,723,269</u> | <u>122,438,633</u> |
| Net position: | | | | | | |
| Net investment in capital assets | 129,599,494 | 125,051,058 | 105,055,746 | 102,009,893 | 234,655,240 | 227,060,951 |
| Restricted | 17,645,944 | 17,403,167 | 324,125 | 325,750 | 17,970,069 | 17,728,917 |
| Unrestricted | 2,511,935 | (1,923,495) | 13,704,281 | 15,658,140 | 16,216,216 | 13,734,645 |
| Total net position | <u>149,757,373</u> | <u>140,530,730</u> | <u>119,084,152</u> | <u>117,993,783</u> | <u>268,841,525</u> | <u>258,524,513</u> |
| Total liabilities and net position | <u>\$266,094,368</u> | <u>\$ 257,383,393</u> | <u>\$124,470,426</u> | <u>\$ 123,579,753</u> | <u>\$390,564,794</u> | <u>\$ 380,963,146</u> |

The City's total restricted net position of \$17,970,069 comprises 6.7% of total net position at the close of the fiscal year ending December 31, 2013. These assets are subject to external restrictions on how they may be used.

The 2013 remaining balance of \$16,216,216 (6.0% of total net position), in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Certain balances within unrestricted net position have internally imposed commitments or limitations, which may further limit the purpose for which such net position may be used.

Change in net position. The City's 2013 total net position during the current fiscal year increased by \$10,317,012 as shown in the following table. This increase is primarily attributed to economic conditions and increase in community growth. Additional details that account for the change in net position are provided in the following analysis of the governmental and business-type activities.

| | <u>Governmental Activities</u> | | <u>Business-type Activities</u> | | <u>Total</u> | |
|---|--------------------------------|-----------------------|---------------------------------|-----------------------|-----------------------|-----------------------|
| | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 10,460,900 | \$ 9,126,942 | \$ 13,075,437 | \$ 13,382,007 | \$ 23,536,337 | \$ 22,508,949 |
| Operating grants and contributions | 2,317,530 | 2,236,183 | 73,730 | 107,287 | 2,391,260 | 2,343,470 |
| Capital grants and contributions | 7,843,284 | 6,051,234 | 3,414,738 | 2,903,043 | 11,258,022 | 8,954,277 |
| General revenues | | | | | | |
| Property taxes | 23,947,968 | 24,221,741 | - | - | 23,947,968 | 24,221,741 |
| Investment income (charges) | (28,949) | 176,409 | (42,114) | 78,611 | (71,063) | 255,020 |
| Gain on sale of capital assets | - | 214,004 | - | - | - | 214,004 |
| Total revenues | <u>44,540,733</u> | <u>42,026,513</u> | <u>16,521,791</u> | <u>16,470,948</u> | <u>61,062,524</u> | <u>58,497,461</u> |
| Expenses | | | | | | |
| General government | 5,363,354 | 5,258,319 | - | - | 5,363,354 | 5,258,319 |
| Public safety | 11,784,109 | 11,202,018 | - | - | 11,784,109 | 11,202,018 |
| Public works | 11,241,434 | 10,849,213 | - | - | 11,241,434 | 10,849,213 |
| Parks and recreation | 5,154,919 | 4,780,666 | - | - | 5,154,919 | 4,780,666 |
| Interest on long-term debt | 3,864,333 | 3,496,878 | - | - | 3,864,333 | 3,496,878 |
| Liquor | - | - | 2,473,738 | 2,392,945 | 2,473,738 | 2,392,945 |
| Utility | - | - | 10,863,625 | 10,365,651 | 10,863,625 | 10,365,651 |
| Total expenses | <u>37,408,149</u> | <u>35,587,094</u> | <u>13,337,363</u> | <u>12,758,596</u> | <u>50,745,512</u> | <u>48,345,690</u> |
| Change in net position before transfers | 7,132,584 | 6,439,419 | 3,184,428 | 3,712,352 | 10,317,012 | 10,151,771 |
| Transfers | 2,094,059 | 3,101,350 | (2,094,059) | (3,101,350) | - | - |
| Change in net position | <u>9,226,643</u> | <u>9,540,769</u> | <u>1,090,369</u> | <u>611,002</u> | <u>10,317,012</u> | <u>10,151,771</u> |
| Net position - beginning | <u>140,530,730</u> | <u>130,989,961</u> | <u>117,993,783</u> | <u>117,382,781</u> | <u>258,524,513</u> | <u>248,372,742</u> |
| Net position - ending | <u>\$ 149,757,373</u> | <u>\$ 140,530,730</u> | <u>\$ 119,084,152</u> | <u>\$ 117,993,783</u> | <u>\$ 268,841,525</u> | <u>\$ 258,524,513</u> |

Governmental activities. Governmental activities change in net position before transfers were an increase of \$7,132,584. As previously discussed, this increase is primarily due to community growth. The governmental revenue increase in charges for services is directly related to the increase in construction activity.

Revenues – The City’s 2013 total revenues for governmental activities increased by \$2,514,220. Charges for services increased a total of \$1,333,958 primarily due to recent growth in the community as evidenced by an increase in building permit fees, connection and area charges, and park dedication fees. A summary of the various increases are shown as follows:

| <u>Charges for services</u> | <u>2013</u> | <u>2012</u> | <u>Increase / (Decrease)</u> |
|-----------------------------------|----------------------|---------------------|----------------------------------|
| Licenses and building permit fees | \$ 2,727,494 | \$ 2,429,951 | \$ 297,543 |
| Connection and area charges | 3,244,126 | 2,474,810 | 769,316 |
| Park dedication fees | 1,201,812 | 970,360 | 231,452 |
| Other | <u>3,287,468</u> | <u>3,251,821</u> | <u>35,647</u> |
| Total charges for services | <u>\$ 10,460,900</u> | <u>\$ 9,126,942</u> | <u>\$ 1,333,958</u> |

Operating grants and contributions experienced an overall increase of \$81,347. The increase is composed of state-aid provided for street reconstruction bonds debt service payments. A summary of the various operating grants and contributions are shown as follows:

| <u>Operating grants and contributions</u> | <u>2013</u> | <u>2012</u> | <u>Increase / (Decrease)</u> |
|---|---------------------|---------------------|----------------------------------|
| State-aid for street maintenance | \$ 374,335 | \$ 374,335 | \$ - |
| State-aid for street revenue bonds | 847,628 | 770,762 | 76,866 |
| Federal street reconstruction bonds payment | 71,780 | 75,867 | (4,087) |
| Other grants, contributions and donations | <u>1,023,787</u> | <u>1,015,219</u> | <u>8,568</u> |
| Total operating grants and contributions | <u>\$ 2,317,530</u> | <u>\$ 2,236,183</u> | <u>\$ 81,347</u> |

Capital grants and contributions increased by \$1,792,050. Municipal state-aid increased by \$268,780 for the bridge replacement on 168th Street and Gannon Avenue. Special assessments decreased by (\$744,869) primarily due to a major street reconstruction project that was levied against the benefitting property owners in 2012. Contributed infrastructure from private land developers increased by \$1,292,609; the infrastructure consists of street, storm sewer, and park and trail capital assets. The summary of capital grants and contributions is shown as follows:

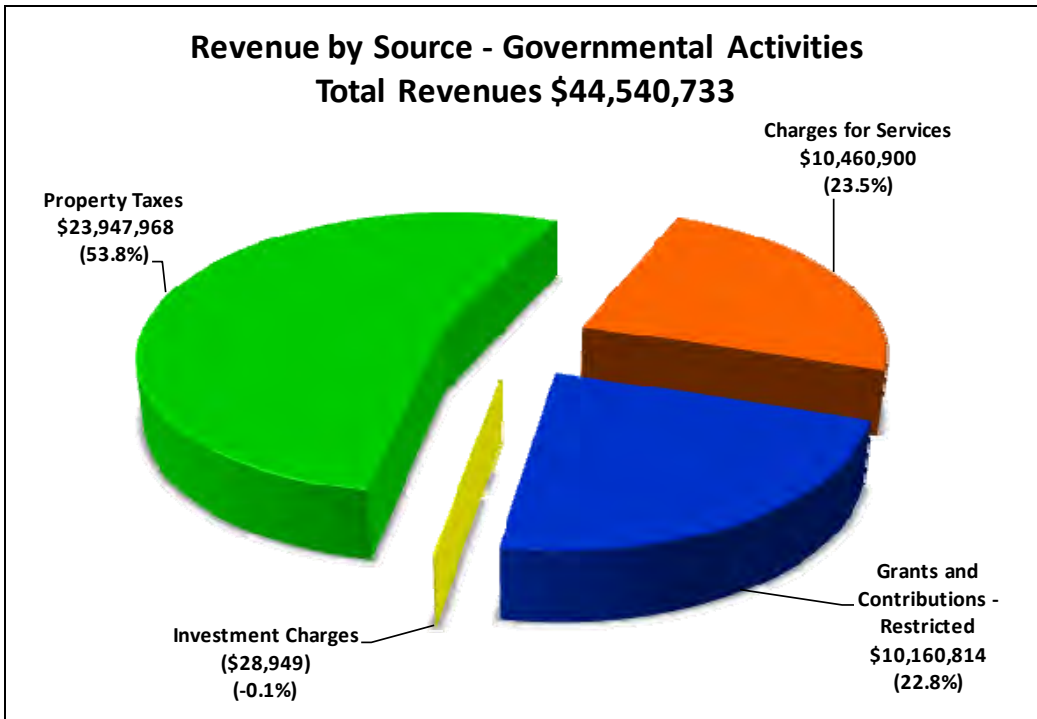
| <u>Capital grants and contributions</u> | <u>2013</u> | <u>2012</u> | <u>Increase / (Decrease)</u> |
|--|---------------------|---------------------|----------------------------------|
| Kenrick Trail grant | \$ 826,400 | \$ - | \$ 826,400 |
| Minnesota municipal state-aid | 268,780 | - | 268,780 |
| Safe Routes to School grant | - | 14,084 | (14,084) |
| Special assessments | 2,185,460 | 2,930,329 | (744,869) |
| Contributed infrastructure from developers | 4,138,329 | 2,845,720 | 1,292,609 |
| Other grants and contributions | <u>424,315</u> | <u>261,101</u> | <u>163,214</u> |
| Total capital grants and contributions | <u>\$ 7,843,284</u> | <u>\$ 6,051,234</u> | <u>\$ 1,792,050</u> |

The City experienced higher than normal property tax delinquencies in 2008 thru 2011. A significant amount of delinquent tax settlements were received in 2012. Delinquent tax settlements resumed at normal levels in 2013. Property tax revenue decreased \$273,773 or 1.1% primarily due to decrease in the overall tax levy and changes in delinquent tax collections.

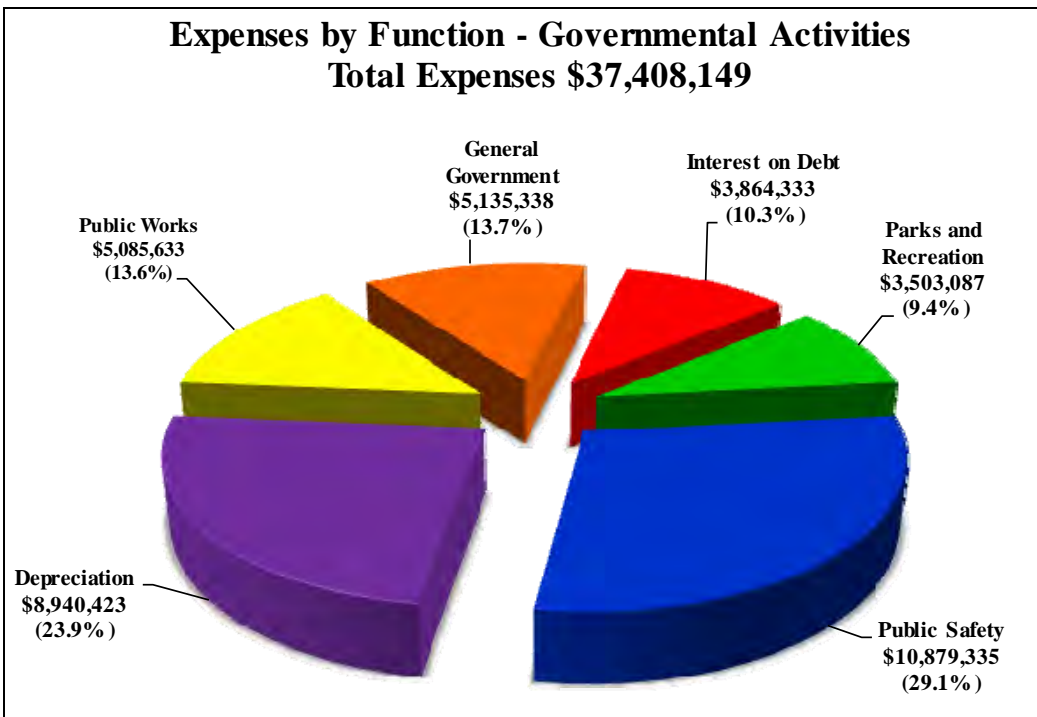
Investments are based on current market values. Market value changes are inversely related to the prevailing conditions; as yields rise, valuations decline. As of December 31, 2013, yields on benchmark 2 year treasury were 33% higher than the previous year. Investment income earnings decreased by (\$205,358) due to low yields consistent with prevailing market conditions. Gain on sale of capital assets is related to the sale of the former Senior Center in 2012.

| <u>General revenues</u> | <u>2013</u> | <u>2012</u> | <u>Increase / (Decrease)</u> |
|--------------------------------|---------------------|---------------------|----------------------------------|
| Property taxes | \$23,947,968 | \$24,221,741 | \$(273,773) |
| Investment income (charges) | (28,949) | 176,409 | (205,358) |
| Gain on sale of capital assets | <u>-</u> | <u>214,004</u> | <u>(214,004)</u> |
| Total general revenues | <u>\$23,919,019</u> | <u>\$24,398,150</u> | <u>\$(479,131)</u> |

A summary of 2013 revenues by source for governmental activities are shown as follows:



A summary of 2013 expenses by function for governmental activities are shown as follows:



Expenses – The City’s 2013 total governmental activities expenses (before depreciation on capital assets and interest on long-term debt) increased by \$1,303,896 or 5.6%. Total governmental activities expenses increased by \$1,821,055 or 5.1%, shown as follows:

| <u>Governmental activities expenses</u> | <u>2013</u> | <u>2012</u> | <u>Increase / (Decrease)</u> |
|---|----------------------|----------------------|----------------------------------|
| General government | \$ 5,135,338 | \$ 5,036,855 | \$ 98,483 |
| Public safety | 10,879,335 | 10,233,256 | 646,079 |
| Public works | 5,085,633 | 4,867,136 | 218,497 |
| Parks and recreation | <u>3,503,087</u> | <u>3,162,250</u> | <u>340,837</u> |
| Total before depreciation and interest | 24,603,393 | 23,299,497 | 1,303,896 |
| Depreciation on capital assets | 8,940,423 | 8,790,719 | 149,704 |
| Interest on long-term debt | <u>3,864,333</u> | <u>3,496,878</u> | <u>367,455</u> |
| Total governmental activities expenses | <u>\$ 37,408,149</u> | <u>\$ 35,587,094</u> | <u>\$ 1,821,055</u> |

Following are explanations of various increases and (decreases) in expenses by governmental function as shown above.

General government expenses increased by \$98,483 or 2.0%; which is primarily attributed to personnel services.

Public safety expenses increased by \$646,079 or 6.3%; which is comprised of several components that include the City share of construction cost for the joint Dakota County fire training center; and remodeling of the fire station.

Public works expenses increased by \$218,497 or 4.5%; primarily due to street reconstruction overall was higher than the prior year. The street department expenses in 2013 increased due to snow events at year end and associated increase in overtime, motor fuels and road de-icing chemicals.

Parks and recreation expenses increased 340,837 or 10.8%; primarily as a result of filling a vacant director position and increase in operating expenses for the Heritage Center’s first full year of operations.

Interest on long-term debt increased by \$367,455 or 10.5%; which primary due to new debt issuance.

Business-type activities. Business-type activities increased the City’s 2013 total net position by \$1,090,369. Key elements of the increase in net position along with a comparison of revenues, expenses, and changes in net position during fiscal years 2013 and 2012 are shown as follows:

| | <u>2013</u> | <u>2012</u> | <u>Increase / (Decrease)</u> |
|---|-----------------------|-----------------------|----------------------------------|
| Revenues | | | |
| Charges for services | | | |
| Liquor | \$ 3,948,599 | \$ 3,839,723 | \$ 108,876 |
| Utility | 9,126,838 | 9,542,284 | (415,446) |
| Operating grants and contributions | | | |
| Liquor | 3,762 | 3,762 | - |
| Utility | 69,968 | 103,525 | (33,557) |
| Capital contributions | | | |
| Utility | 3,414,738 | 2,903,043 | 511,695 |
| Investment earnings (charges) | (42,114) | 78,611 | (120,725) |
| Total revenues | <u>16,521,791</u> | <u>16,470,948</u> | <u>50,843</u> |
| Expenses | | | |
| Liquor | 2,473,738 | 2,392,945 | 80,793 |
| Utility | 10,863,625 | 10,365,651 | 497,974 |
| Total expenses | <u>13,337,363</u> | <u>12,758,596</u> | <u>578,767</u> |
| Change in net position before transfers | 3,184,428 | 3,712,352 | (527,924) |
| Transfers | (2,094,059) | (3,101,350) | 1,007,291 |
| Change in net position | <u>1,090,369</u> | <u>611,002</u> | <u>479,367</u> |
| Net position - beginning | <u>117,993,783</u> | <u>117,382,781</u> | <u>611,002</u> |
| Net position - ending | <u>\$ 119,084,152</u> | <u>\$ 117,993,783</u> | <u>\$ 1,090,369</u> |

The City’s 2013 business-type total revenues increased by \$50,843 or 0.3%; the various revenue components are discussed in detail in the following paragraphs.

- The liquor fund 2013 charges for services (sales less cost of goods sold) increased due to sales volume. The 2013 cost of goods sold as a percentage of sales were 74.3%, compared to 74.8% in 2012.
- The overall utility revenue charges for services decreased by \$415,446. This overall decrease is represented by a water revenue decrease of \$515,372, sanitary sewer revenue increase of \$57,203, street light revenue increase of \$24,773 and environmental resources revenue increase of \$17,950. The water decrease is due to customer consumption as a result of changes in weather patterns and increase in customers as a result of community growth. The sanitary sewer, street light and environmental resources increases are due to increase in customers.

- The utility fund experienced a total increase of \$511,695 in capital contributions. Majority of the increase is derived from water and sanitary sewer contributed from developer improvement projects. City improvement project infrastructure assets of \$94,958 were contributed to the utility fund which is within the net transfer amount of (\$2,094,059) on the Statement of Activities. The total amount of contributed infrastructure assets received by the utility fund varies yearly.
- Investment earnings decreased (\$120,725). The reduction is the result of changes in investment asset values which are inversely related to the changes in market rates. The decrease is consistent with prevailing market conditions.

The City's 2013 business-type total expenses increased by \$578,767 or 4.5% are as follows:

| <u>Business-type activities expenses</u> | Increase/(Decrease) From 2012 | | |
|--|-------------------------------|---------------------|-------------------|
| | <u>Liquor Fund</u> | <u>Utility Fund</u> | <u>Total</u> |
| Personnel services | \$ 7,208 | \$ 84,190 | \$ 91,398 |
| Commodities | (6,896) | (32,562) | (39,458) |
| Other charges and services | 91,786 | 260,181 | 351,967 |
| Sanitary sewage treatment and disposal | - | 141,595 | 141,595 |
| Depreciation on capital assets | (3,252) | 44,570 | 41,318 |
| Interest, fiscal charges, bond premium (net) | (8,053) | - | (8,053) |
| Total increase/(decrease) | <u>\$ 80,793</u> | <u>\$ 497,974</u> | <u>\$ 578,767</u> |

- The liquor fund other charges and services increase of \$91,786 is primarily the result of professional fees and credit card processing fees related to increase in sales volume.
- The utility fund other charges and services increase is attributed to several major maintenance projects compared to previous year on lift stations. Metropolitan Council Environmental Services (MCES), which is responsible for sewage treatment and disposal, increased sanitary sewer processing costs by approximately 4.8%.

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. Some funds are required statutorily while others are established internally to assist management in accounting for certain activities.

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, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$64,782,416. Of this amount, \$25,939,736 or 40% of this combined ending fund balance constitutes unrestricted fund balance that is available for spending at the government's discretion. Nonspendable fund balances of \$126,014 are amounts that are not in a spendable form, such as prepaid items, and inventory. The remaining fund balance is restricted for (a) debt service of \$32,825,580, (b) capital acquisition of \$5,849,027, and (c) other restricted purposes of \$42,059.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance was \$9,666,560 which surpassed the beginning 2014 budgeted fund balance of \$9,578,040, by \$88,520. The 2013 net change in fund balance of (\$1,825,215) surpassed the final 2013 adopted budget net change in fund balance of (\$3,022,332) by \$1,197,117.

The G.O. obligation (debt service) fund balance decreased by (\$640,055) due to reduced bond debt obligations. The G.O. improvement (debt service) fund balance increased by \$686,681. The City levies the required property taxes and special assessments levied against benefited property owners to meet the bonded debt service requirements in the following year. The change in fund balance is subject to principal and interest requirements of existing debt and that of new debt issuance.

The building (capital projects) fund expended \$965,165 for the city share of construction cost for the joint Dakota County fire training center, remodeling of the fire station #1, and major maintenance projects. Financing was provided by \$914,755 of revenues from the final payment of the sale of land from Lifetime Fitness, investment income, donations and other revenue sources. An additional \$1,238,360 of financing was provided from transfers from the liquor fund (enterprise).

The improvement construction (capital projects) fund accounts for major infrastructure reconstruction projects that require debt issuance for financing purposes. The activity in this fund may fluctuate from year to year depending on the scope of project. Large projects such as the interstate highway interchange and bridge reconstruction projects may take several years to complete. The fund balance decreased by (\$251,817) due to the preliminary engineering costs associated with the 2014 street reconstruction project. The 2014 street reconstruction project will be financed with bond issuance in 2014.

Other Post-Employment Benefits (OPEB)

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, an actuarial valuation was required to be computed and reported for the City's post-employment health insurance benefits provided to eligible employees through the City's Other Post-Employment Benefits Plan.

The net OPEB obligation and corresponding expense for governmental activities is reported within the government-wide financial statements. The net OPEB obligation liability and corresponding expense for enterprise funds are recorded within those funds. Refer to Note 14. – *Other Post-Employment Benefits (OPEB) Plan*, of the Notes to Basic Financial Statements for complete information concerning the City’s OPEB Plan.

General Fund Budgetary Highlights

With the exception of the streets, and arts center departments, all other general fund departments expended their 2013 budget appropriations at or below the final adopted budget. A schedule of revenues, expenditures and changes in fund balances – budgetary comparison is disclosed in the required supplemental information section of this report. A summary of general fund revenues, expenditures, other financing sources (uses), variance with final budget, and net change in fund balance is as follows:

| General Fund | | | | |
|--------------------------------|---|-----------------------|-----------------------|----------------------------------|
| | Budget As Originally <u>Adopted</u> | Final Budget | <u>Actual</u> | Variance With Final Budget |
| Revenues | | | | |
| Property taxes | \$ 15,920,497 | \$ 15,920,497 | \$ 15,961,759 | \$ 41,262 |
| Licenses and permits | 1,345,449 | 1,401,449 | 2,087,937 | 686,488 |
| Intergovernmental | 621,226 | 721,524 | 800,341 | 78,817 |
| Charges for services | 1,625,740 | 1,733,758 | 2,027,905 | 294,147 |
| Fines | 294,809 | 294,809 | 219,535 | (75,274) |
| Investment income (charges) | 32,735 | 32,735 | (27,206) | (59,941) |
| Donations | 15,454 | 39,047 | 44,260 | 5,213 |
| Miscellaneous | 54,971 | 54,971 | 59,252 | 4,281 |
| Total revenues | <u>19,910,881</u> | <u>20,198,790</u> | <u>21,173,783</u> | <u>974,993</u> |
| Expenditures | | | | |
| Personnel services | 15,301,446 | 15,462,789 | 15,186,343 | 276,446 |
| Commodities | 1,623,218 | 1,688,101 | 1,938,689 | (250,588) |
| Other charges and services | 4,194,086 | 4,347,639 | 4,150,267 | 197,372 |
| Capital outlay | 23,153 | 36,283 | 37,389 | (1,106) |
| Other | 105,000 | - | - | - |
| Total expenditures | <u>21,246,903</u> | <u>21,534,812</u> | <u>21,312,688</u> | <u>222,124</u> |
| Other financing sources (uses) | <u>715,297</u> | <u>(1,686,310)</u> | <u>(1,686,310)</u> | <u>-</u> |
| Net change in fund balance | <u>\$ (620,725)</u> | <u>\$ (3,022,332)</u> | <u>\$ (1,825,215)</u> | <u>\$ 1,197,117</u> |

The 2013 actual general fund revenues exceeded the final budget by \$974,993 and expenditures were under final adopted budget by \$222,124. Other financing sources (uses) were at the final budget. The general fund actual net change in fund balance surpassed final budget by \$1,197,117.

The following is a brief summary explanation of the various budgets to actual variances for revenues:

- Property taxes were greater than anticipated by \$41,262 due to higher than anticipated collection of current taxes.
- Licenses and permits exceeded estimates by \$686,488 due to greater than anticipated building permit fees. The number of residential building permits issued increased from 282 in 2012 to 374 units in 2013.
- Intergovernmental revenues exceeded estimates by \$78,817 due to federal grants for public safety highway safety initiatives.
- Charges for services exceeded estimates by \$294,147 which is primarily related to public works engineering fees derived from reconstruction projects.
- Fines were below estimates by (\$75,274) due to police officer vacancies in traffic control division.
- Investment income was below estimates by (\$59,941) due to prevailing market conditions. The City's Management employs prudent investment practices and cash management techniques to maximize investment income while protecting the City's treasury.
- Donations and miscellaneous revenues experienced variances of \$5,213 and \$4,281, respectively.

The following is a brief summary explanation of the various budgets to actual variances for expenditures:

- Personnel costs including benefits were below budget \$276,446 due to vacant positions as a result of retirements and resignations, lower than anticipated benefit costs and fire emergency calls.
- Commodities exceed budget by (\$250,588) due to a number of factors the most significant of which is the number and quantity of snow events which resulted in an increase in de-icing chemicals.
- Other charges and services were \$197,372 below budget which is attributed to several factors including, an energy reduction programs which resulted in overall lower cost of natural gas and electricity and no elections held in 2013.
- Capital outlay exceeded budget by a variance of (\$1,106).

Capital Asset and Debt Administration

Capital assets. The City's capital assets for governmental and business-type activities as of December 31, 2013 are \$298.5 million (net of accumulated depreciation). This amount represents an increase (including additions, deletions, and depreciation) of approximately \$8.0 million from 2012.

The net investment in capital assets including land, historical treasures, buildings, machinery and equipment, other improvements, infrastructure, and construction in process are shown as follows:

| | Governmental <u>Activities</u> | Business-type <u>Activities</u> | <u>Total</u> |
|----------------------------|-----------------------------------|------------------------------------|-----------------------|
| Land | \$ 22,717,752 | \$ 1,800,456 | \$ 24,518,208 |
| Historical treasures | 100,000 | - | 100,000 |
| Buildings and improvements | 42,885,111 | 18,541,192 | 61,426,303 |
| Machinery and equipment | 7,120,987 | 1,198,804 | 8,319,791 |
| Other improvements | 2,859,976 | - | 2,859,976 |
| Infrastructure | | | |
| Streets | 58,310,415 | - | 58,310,415 |
| Storm sewer | 40,826,861 | - | 40,826,861 |
| Parks | 7,789,912 | - | 7,789,912 |
| Water | | 48,242,739 | 48,242,739 |
| Sanitary sewer | | 36,090,632 | 36,090,632 |
| Construction in process | 7,532,493 | 2,436,985 | 9,969,478 |
| Total | <u>\$ 190,143,507</u> | <u>\$ 108,310,808</u> | <u>\$ 298,454,315</u> |

The City's 2014 adopted budget provides funding for \$36.7 million in infrastructure capital assets, public buildings improvements and upgrades, and equipment capital assets such as vehicle replacements for public safety and public works, and technology equipment. Refer to Note 3. - *Capital Assets*, of the Notes to Basic Financial Statements for additional information.

Debt administration. At the end of the current fiscal year, the City of Lakeville had total bonded debt outstanding of \$108.445 million, which is a decrease of (\$1.3 million) compared to the prior year. The decrease is due to the issuance of one new bond issue totaling \$4.685 million, and principal bond maturities of (\$5.985 million).

The City manages its debt structure by utilizing approaches that take full advantage of its financial position, revenue trends and conditions in municipal bond markets. During 2012, the City issued the General Obligation Refunding Bonds Series 2012 B to call the Street Reconstruction Bonds Series 2003 A and the Capital Improvement Plan Bonds Series 2004 A on February 1, 2014, and February 1, 2015, respectively. The refunding

transaction yielded a net savings to the City of \$2,768,474 with a present value economic gain of \$2,235,119. Refer to Note 5. – *Long-Term Liabilities*, of the Notes to Basic Financial Statements for additional information about the City’s governmental and business-type long-term debt activity.

The City’s outstanding bonded obligation debt as of December 31, 2013 is shown as follows:

| | Balance <u>January 1</u> | <u>Issued</u> | <u>Redeemed</u> | Balance <u>December 31</u> |
|----------------------------|-----------------------------|---------------------|---------------------|-------------------------------|
| <u>Governmental bonds</u> | | | | |
| General obligation bonds | | | | |
| Capital improvement | 39,730,000 | - | 715,000 | 39,015,000 |
| Street reconstruction | 30,715,000 | - | 1,135,000 | 29,580,000 |
| G.O. Improvement | 13,185,000 | 4,685,000 | 1,230,000 | 16,640,000 |
| State-aid street revenue | 5,280,000 | - | 690,000 | 4,590,000 |
| Water revenue | 3,760,000 | - | 895,000 | 2,865,000 |
| Tax increment | 2,755,000 | - | 420,000 | 2,335,000 |
| Park | 1,215,000 | - | 400,000 | 815,000 |
| Arena revenue | 1,175,000 | - | 130,000 | 1,045,000 |
| HRA lease revenue | 8,535,000 | - | 210,000 | 8,325,000 |
| Total governmental | <u>106,350,000</u> | <u>4,685,000</u> | <u>5,825,000</u> | <u>105,210,000</u> |
| <u>Business-type bonds</u> | | | | |
| Liquor revenue | <u>3,395,000</u> | <u>-</u> | <u>160,000</u> | <u>3,235,000</u> |
| Total bonds payable | <u>\$ 109,745,000</u> | <u>\$ 4,685,000</u> | <u>\$ 5,985,000</u> | <u>\$ 108,445,000</u> |

Credit Rating

Aa1

The City of Lakeville’s general obligation bond rating as of December 31, 2013 is “Aa1” as rated by Moody’s Investors Service. Moody’s Investor Service credit report stated the rating was “*The Aa1 underlying rating reflects the city’s history of excellent financial management and strong reserve levels; wealthy tax base located just south of the Twin Cities Metropolitan Area, and an above average debt burden.*”

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total assessor’s taxable market valuation. The City has \$37,758,698 of net bonded debt, which is subject to the \$143,024,260 current debt limitation, thereby resulting in a legal debt margin of \$105,265,562. Refer to the Statistical Section of this report for a detailed computation of the City’s legal debt margin.

Economic Conditions and Next Year's Budget

The City of Lakeville remains one of the top growth cities in the Minnesota twin city metro area. The number of residential building permits for new construction was up in 2013 (374 residential dwelling units compared to 282 residential dwelling units in 2012). In our opinion, the resurgence is due to a number of factors including but not limited to; near historical low interest rates, low regional unemployment rate 4%, improved personal income levels, reduced number of home foreclosures and increasing home values. The budget and five year capital improvement plan are premised on the assumption growth will continue at a subdued level for the foreseeable future.

The adopted 2014 budget reflects a continuation of the program and service levels established by the City Council over the past several years. No new programs or services were included in the adopted budget. The 2014 budget also focuses on City efforts to position the City to thrive through investments in community planning to prepare for the future, investments in technology to maximize efficiencies, developing effective partnerships to capitalize on opportunities and multi-agency resources, infrastructure improvements to promote economic and community development and service continuity through staffing enhancements to meet the expectations of community residents and businesses.

Requests for Information

This financial report is designed to provide a general overview of the City of Lakeville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the City of Lakeville Finance Department at 20195 Holyoke Avenue, Lakeville, Minnesota 55044, (952) 985-4400, or email request to dfeller@ci.lakeville.mn.us.

BASIC FINANCIAL STATEMENTS

CITY OF LAKEVILLE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

| | Governmental Activities | Business-type Activities | Total |
|---|------------------------------------|-------------------------------------|-----------------------|
| ASSETS: | | | |
| Cash and investments | \$ 41,735,486 | \$ 11,356,043 | \$ 53,091,529 |
| Receivables | 10,521,158 | 2,529,740 | 13,050,898 |
| Internal balances | (191,612) | 191,612 | - |
| Inventory | 100,632 | 1,721,888 | 1,822,520 |
| Prepaid items | 25,382 | 36,210 | 61,592 |
| Restricted assets (temporarily): | | | |
| Cash and investments | - | 324,125 | 324,125 |
| Investments held by trustee | 23,759,815 | - | 23,759,815 |
| Capital assets | | | |
| Non-depreciable | 30,350,245 | 4,237,441 | 34,587,686 |
| Depreciable, net | <u>159,793,262</u> | <u>104,073,367</u> | <u>263,866,629</u> |
| Total capital assets | <u>190,143,507</u> | <u>108,310,808</u> | <u>298,454,315</u> |
| Total assets | <u>266,094,368</u> | <u>124,470,426</u> | <u>390,564,794</u> |
| LIABILITIES: | | | |
| Salaries, accounts, contracts, interest, and deposits | 4,359,124 | 1,776,002 | 6,135,126 |
| Unearned revenue | 381,119 | - | 381,119 |
| Non-current liabilities | | | |
| Due within one year | 17,097,800 | 388,177 | 17,485,977 |
| Due in more than one year | <u>94,498,952</u> | <u>3,222,095</u> | <u>97,721,047</u> |
| Total liabilities | <u>116,336,995</u> | <u>5,386,274</u> | <u>121,723,269</u> |
| NET POSITION: | | | |
| Net investment in capital assets | 129,599,494 | 105,055,746 | 234,655,240 |
| Restricted for | | | |
| Special purposes | 42,759 | - | 42,759 |
| Debt service | 12,114,137 | 324,125 | 12,438,262 |
| Capital acquisition | 5,489,048 | - | 5,489,048 |
| Unrestricted | <u>2,511,935</u> | <u>13,704,281</u> | <u>16,216,216</u> |
| Total net position | <u>\$ 149,757,373</u> | <u>\$ 119,084,152</u> | <u>\$ 268,841,525</u> |

See accompanying notes to basic financial statements.

CITY OF LAKEVILLE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013

| Function/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | |
|--------------------------------------|----------------------|-----------------------------|---|---|--|---------------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental activities | | | | | | | |
| General government | \$ 5,363,354 | \$ 3,061,568 | \$ 60,076 | \$ 195,693 | \$ (2,046,017) | | \$ (2,046,017) |
| Public safety | 11,784,109 | 686,130 | 902,783 | - | (10,195,196) | | (10,195,196) |
| Public works | 11,241,434 | 4,481,445 | 1,295,018 | 6,350,827 | 885,856 | | 885,856 |
| Parks and recreation | 5,154,919 | 2,231,757 | 59,653 | 1,296,764 | (1,566,745) | | (1,566,745) |
| Interest on long-term debt | 3,864,333 | - | - | - | (3,864,333) | | (3,864,333) |
| Total governmental activities | <u>37,408,149</u> | <u>10,460,900</u> | <u>2,317,530</u> | <u>7,843,284</u> | <u>(16,786,435)</u> | | <u>(16,786,435)</u> |
| Business-type activities | | | | | | | |
| Liquor | 2,473,738 | 3,948,599 | 3,762 | - | | \$ 1,478,623 | 1,478,623 |
| Utility | <u>10,863,625</u> | <u>9,126,838</u> | <u>69,968</u> | <u>3,414,738</u> | | <u>1,747,919</u> | <u>1,747,919</u> |
| Total business-type activities | <u>13,337,363</u> | <u>13,075,437</u> | <u>73,730</u> | <u>3,414,738</u> | | <u>3,226,542</u> | <u>3,226,542</u> |
| Total primary government | <u>\$ 50,745,512</u> | <u>\$ 23,536,337</u> | <u>\$ 2,391,260</u> | <u>\$ 11,258,022</u> | <u>(16,786,435)</u> | <u>3,226,542</u> | <u>(13,559,893)</u> |
| General revenues | | | | | | | |
| Property taxes | | | | | 23,947,968 | - | 23,947,968 |
| Investment income (charges) | | | | | (28,949) | (42,114) | (71,063) |
| Transfers | | | | | 2,094,059 | (2,094,059) | - |
| Total general revenues and transfers | | | | | <u>26,013,078</u> | <u>(2,136,173)</u> | <u>23,876,905</u> |
| Change in net position | | | | | <u>9,226,643</u> | <u>1,090,369</u> | <u>10,317,012</u> |
| Net position - beginning | | | | | <u>140,530,730</u> | <u>117,993,783</u> | <u>258,524,513</u> |
| Net position - ending | | | | | <u>\$ 149,757,373</u> | <u>\$ 119,084,152</u> | <u>\$ 268,841,525</u> |

See accompanying notes to basic financial statements.

CITY OF LAKEVILLE, MINNESOTA
 BALANCE SHEET - GOVERNMENTAL FUNDS
 DECEMBER 31, 2013

| | <u>General</u> | <u>Debt Service</u> | | <u>Capital Projects</u> | | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|-------------------------------|-----------------------------|-------------------------|-------------------------------------|--|---|
| | | <u>General Obligation</u> | <u>G.O. Improvement</u> | <u>Building</u> | <u>Improvement Construction</u> | | |
| Assets | | | | | | | |
| Cash and investments | \$ 9,586,160 | \$ 3,893,147 | \$ 2,882,563 | \$ 1,607,736 | \$ 1,512,049 | \$ 21,504,305 | \$ 40,985,960 |
| Investments held by trustee | - | 23,064,497 | - | - | - | 695,318 | 23,759,815 |
| Interest receivable | 38,263 | 164,411 | 8,145 | 3,418 | 5,429 | 76,870 | 296,536 |
| Taxes receivable | 1,292,346 | 315,906 | 71,947 | - | - | 160,434 | 1,840,633 |
| Accounts receivable | 437,327 | - | - | 132,430 | 190,774 | 543,975 | 1,304,506 |
| Special assessments receivable | - | 705,698 | 5,827,548 | - | - | 513,567 | 7,046,813 |
| Inventory | 100,632 | - | - | - | - | - | 100,632 |
| Prepaid items | 25,382 | - | - | - | - | - | 25,382 |
| Total assets | \$ 11,480,110 | \$ 28,143,659 | \$ 8,790,203 | \$ 1,743,584 | \$ 1,708,252 | \$ 23,494,469 | \$ 75,360,277 |
| Liabilities | | | | | | | |
| Salaries payable | \$ 392,835 | \$ - | \$ - | \$ - | \$ - | \$ 7,631 | \$ 400,466 |
| Accounts payable | 797,474 | 3,210 | 3,317 | 17,551 | 166,104 | 276,441 | 1,264,097 |
| Contracts payable | - | - | - | 76,627 | 521,435 | 340,054 | 938,116 |
| Deposits payable | 13,959 | - | - | - | - | 88,335 | 102,294 |
| Unearned revenue | 381,119 | - | - | - | - | - | 381,119 |
| Total liabilities | 1,585,387 | 3,210 | 3,317 | 94,178 | 687,539 | 712,461 | 3,086,092 |
| Deferred inflows of resources | | | | | | | |
| Unavailable revenue - taxes | 228,163 | 63,092 | 13,472 | - | - | 32,477 | 337,204 |
| Unavailable revenue - special assessments | - | 705,698 | 5,806,129 | - | - | 509,608 | 7,021,435 |
| Unavailable revenue - other | - | - | - | 132,430 | - | 700 | 133,130 |
| Total deferred inflows of resources | 228,163 | 768,790 | 5,819,601 | 132,430 | - | 542,785 | 7,491,769 |
| Fund balances | | | | | | | |
| Nonspendable | 126,014 | - | - | - | - | - | 126,014 |
| Restricted | - | 27,371,659 | 2,967,285 | - | 1,030,007 | 7,347,715 | 38,716,666 |
| Committed | 45,000 | - | - | 1,516,976 | 212,336 | 14,891,508 | 16,665,820 |
| Unassigned | 9,495,546 | - | - | - | (221,630) | - | 9,273,916 |
| Total fund balances | 9,666,560 | 27,371,659 | 2,967,285 | 1,516,976 | 1,020,713 | 22,239,223 | 64,782,416 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 11,480,110 | \$ 28,143,659 | \$ 8,790,203 | \$ 1,743,584 | \$ 1,708,252 | \$ 23,494,469 | \$ 75,360,277 |

See accompanying notes to basic financial statements.

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

Fund balance - total governmental funds \$ 64,782,416

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

| | | | |
|----|---|----------------------|-----------------------|
| 1. | Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds. | | |
| | Governmental capital assets | \$ 311,296,089 | |
| | Less accumulated depreciation | <u>(121,152,582)</u> | 190,143,507 |
| 2. | Grant receivable that is applicable towards accrued bond interest payable is susceptible to full accrual on the government-wide statements. | | 30,933 |
| 3. | Long term liabilities are not payable with current financial resources and therefore are not reported in the governmental funds. | | |
| | Bonds | (105,210,000) | |
| | Accrued interest | (1,644,629) | |
| | Loan | (1,159,843) | |
| | Unamortized bond discount | 7,846 | |
| | Unamortized bond premium | <u>(2,566,425)</u> | (110,573,051) |
| 4. | Accrued compensated absences and net OPEB obligations are not Payable with current financial resources and therefore are not reported in the governmental funds. | | (2,668,330) |
| 5. | Deferred inflows of resources in governmental funds is susceptible to full accrual on the government-wide statements. | | 7,491,769 |
| 6. | The City uses an internal service fund to charge the cost of insurance activities to individual funds. A portion of the assets and liabilities of the municipal reserves fund are included in governmental activities in the statement of net position. | | <u>550,129</u> |
| | Net position of governmental activities | | <u>\$ 149,757,373</u> |

See accompanying notes to basic financial statements.

CITY OF LAKEVILLE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

| | Debt Service | | | Capital Projects | | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------|---------------------|---------------------|-----------------------------|-----------------------------------|--------------------------------|
| | General | General Obligation | G.O. Improvement | Building | Improvement Construction | | |
| Revenues | | | | | | | |
| Property taxes | \$ 15,961,759 | \$ 4,105,726 | \$ 960,014 | \$ - | \$ - | \$ 2,094,440 | \$ 23,121,939 |
| Tax increment | - | - | - | - | - | 859,436 | 859,436 |
| Licenses and permits | 2,087,937 | - | - | - | - | 639,557 | 2,727,494 |
| Intergovernmental | 800,341 | 71,780 | - | - | 268,780 | 2,393,611 | 3,534,512 |
| Charges for services | 2,027,905 | - | - | 20,458 | - | 4,877,504 | 6,925,867 |
| Special assessments | - | 82,716 | 1,008,314 | - | - | 52,319 | 1,143,349 |
| Fines | 219,535 | - | - | - | - | - | 219,535 |
| Investment income (charges) | (27,206) | 63,879 | (5,790) | (2,230) | (3,862) | (52,799) | (28,008) |
| Donations | 44,260 | - | - | 41,583 | 75,092 | 105,018 | 265,953 |
| Miscellaneous | 59,252 | - | - | 29,944 | - | 576,592 | 665,788 |
| Total revenues | <u>21,173,783</u> | <u>4,324,101</u> | <u>1,962,538</u> | <u>89,755</u> | <u>340,010</u> | <u>11,545,678</u> | <u>39,435,865</u> |
| Expenditures - current | | | | | | | |
| General government | 4,188,672 | | | | | 586,103 | 4,774,775 |
| Public safety | 10,113,958 | | | | | - | 10,113,958 |
| Public works | 3,766,665 | | | | | - | 3,766,665 |
| Parks and recreation | 3,206,004 | | | | | - | 3,206,004 |
| Total expenditures - current | <u>21,275,299</u> | | | | | <u>586,103</u> | <u>21,861,402</u> |
| Expenditures - capital outlay | | | | | | | |
| General government | 24,796 | | | 161,934 | 59,604 | 595,497 | 841,831 |
| Public safety | 4,124 | | | 652,188 | - | 797,693 | 1,454,005 |
| Public works | 282 | | | 89,666 | 5,251,396 | 2,274,349 | 7,615,693 |
| Parks and recreation | 8,187 | | | 61,377 | - | 2,542,010 | 2,611,574 |
| Total expenditures - capital outlay | <u>37,389</u> | | | <u>965,165</u> | <u>5,311,000</u> | <u>6,209,549</u> | <u>12,523,103</u> |
| Expenditures - debt service | | | | | | | |
| Principal maturities | | 2,250,000 | 1,230,000 | | | 2,345,000 | 5,825,000 |
| Interest on debt | | 2,808,907 | 318,189 | | | 821,644 | 3,948,740 |
| Fiscal charges | | 5,249 | 10,685 | | | 10,417 | 26,351 |
| Total expenditures - debt service | | <u>5,064,156</u> | <u>1,558,874</u> | | | <u>3,177,061</u> | <u>9,800,091</u> |
| Total expenditures | <u>21,312,688</u> | <u>5,064,156</u> | <u>1,558,874</u> | <u>965,165</u> | <u>5,311,000</u> | <u>9,972,713</u> | <u>44,184,596</u> |
| Excess (deficiency) of revenues over expenditures | <u>(138,905)</u> | <u>(740,055)</u> | <u>403,664</u> | <u>(875,410)</u> | <u>(4,970,990)</u> | <u>1,572,965</u> | <u>(4,748,731)</u> |
| Other financing sources and (uses) | | | | | | | |
| Transfers from other funds | 715,297 | 100,000 | 280,604 | 1,238,360 | - | 4,759,818 | 7,094,079 |
| Transfers to other funds | (2,401,607) | - | - | - | (41,701) | (2,414,613) | (4,857,921) |
| Issuance of debt | - | - | 2,413 | - | 4,682,587 | - | 4,685,000 |
| Premium on bonds issued | - | - | - | - | 78,287 | - | 78,287 |
| Sale of capital assets | - | - | - | 825,000 | - | - | 825,000 |
| Total other financing sources and (uses) | <u>(1,686,310)</u> | <u>100,000</u> | <u>283,017</u> | <u>2,063,360</u> | <u>4,719,173</u> | <u>2,345,205</u> | <u>7,824,445</u> |
| Net change in fund balance | <u>(1,825,215)</u> | <u>(640,055)</u> | <u>686,681</u> | <u>1,187,950</u> | <u>(251,817)</u> | <u>3,918,170</u> | <u>3,075,714</u> |
| Fund balance, January 1 | <u>11,491,775</u> | <u>28,011,714</u> | <u>2,280,604</u> | <u>329,026</u> | <u>1,272,530</u> | <u>18,321,053</u> | <u>61,706,702</u> |
| Fund balance, December 31 | <u>\$ 9,666,560</u> | <u>\$ 27,371,659</u> | <u>\$ 2,967,285</u> | <u>\$ 1,516,976</u> | <u>\$ 1,020,713</u> | <u>\$ 22,239,223</u> | <u>\$ 64,782,416</u> |

See accompanying notes to basic financial statements.

CITY OF LAKEVILLE, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2013

| | | |
|---|--------------------|---------------------|
| Net change in fund balances - total governmental funds | | \$ 3,075,714 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| 1. Governmental funds report capital outlays as expenditures while the government-wide statement of activities reports depreciation expense to allocate those expenditures over the life of the assets. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year. This is the amount by which depreciation expense exceeded capital outlay. | | |
| Capital outlay | \$ 9,973,154 | |
| Capital contributed by developer | 4,138,329 | |
| Depreciation expense | <u>(8,940,423)</u> | 5,171,060 |
| 2. In the government-wide statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed of. | | (57,771) |
| 3. Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. | | |
| Deferred inflows of resources - December 31, 2012 | (7,323,458) | |
| Deferred inflows of resources - December 31, 2013 | <u>7,491,769</u> | 168,311 |
| 4. Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the increase in fund balance. Bond, loan, and capital lease principal maturities are reported as expenditures in governmental funds thus reducing fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities while debt repayment reduces long-term liabilities thus affecting the statement of activities. | | |
| Bond proceeds | (4,685,000) | |
| Bond, loan, and capital lease principal maturities | <u>5,825,000</u> | 1,140,000 |
| 5. Interest and debt premium/discounts in the government-wide statement of activities differs from the amounts reported in governmental funds because accrued interest was calculated for long-term debt payable in addition to the amortizations of debt premiums/ discounts which are recognized respectively as expenditures and other financing sources and uses in the governmental fund statements. | | |
| Accrued interest payable | (111,576) | |
| Grant applicable towards accrued interest payable | (642) | |
| Premium on 2013 bonds issued | (78,287) | |
| Amortization of debt premiums/discounts | <u>222,334</u> | 31,829 |
| 6. Accrued compensated absences and net OPEB obligations are not payable with current financial resources and therefore are not reported in the governmental funds. | | |
| Net compensated absences increase - December 31, 2013 | (161,828) | |
| Net OPEB obligation increase - December 31, 2013 | <u>(41,953)</u> | (203,781) |
| 7. Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. This amount represents a portion of the change in net position of the internal service fund, which are reported in with governmental activities. | | <u>(98,719)</u> |
| Change in net position of governmental activities | | <u>\$ 9,226,643</u> |

See accompanying notes to basic financial statements.

CITY OF LAKEVILLE, MINNESOTA
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 DECEMBER 31, 2013

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|----------------------------------|--|-----------------------|---------------------|---|
| | Liquor | Utility | Total | |
| ASSETS | | | | |
| Current assets | | | | |
| Cash and investments | \$ 3,876,758 | \$ 7,479,285 | \$ 11,356,043 | \$ 749,526 |
| Interest receivable | 18,942 | 39,870 | 58,812 | 1,737 |
| Accounts receivable | 81 | 2,470,847 | 2,470,928 | - |
| Inventory | 1,679,469 | 42,419 | 1,721,888 | - |
| Prepaid expenses | 22,710 | 13,500 | 36,210 | - |
| Total current assets | <u>5,597,960</u> | <u>10,045,921</u> | <u>15,643,881</u> | <u>751,263</u> |
| Non-current assets | | | | |
| Restricted cash and investments | <u>324,125</u> | | <u>324,125</u> | |
| Capital assets | | | | |
| Land | 1,272,296 | 528,160 | 1,800,456 | |
| Buildings and improvements | 3,903,664 | 22,041,706 | 25,945,370 | |
| Machinery and equipment | 420,956 | 2,343,101 | 2,764,057 | |
| Infrastructure | - | 129,277,552 | 129,277,552 | |
| Construction in process | 30,714 | 2,406,271 | 2,436,985 | |
| Accumulated depreciation | <u>(1,324,144)</u> | <u>(52,589,468)</u> | <u>(53,913,612)</u> | |
| Net capital assets | <u>4,303,486</u> | <u>104,007,322</u> | <u>108,310,808</u> | |
| Total non-current assets | <u>4,627,611</u> | <u>104,007,322</u> | <u>108,634,933</u> | |
| Total assets | <u>10,225,571</u> | <u>114,053,243</u> | <u>124,278,814</u> | <u>751,263</u> |
| LIABILITIES | | | | |
| Current liabilities | | | | |
| Salaries payable | 32,223 | 49,408 | 81,631 | - |
| Accounts payable | 1,207,916 | 299,812 | 1,507,728 | 9,522 |
| Contracts payable | 4,228 | 100,682 | 104,910 | - |
| Accrued interest payable | 67,396 | - | 67,396 | - |
| Deposits payable | 8,937 | 5,400 | 14,337 | - |
| Accrued compensated absences | 92,550 | 130,627 | 223,177 | - |
| Long-term debt-current | <u>165,000</u> | <u>-</u> | <u>165,000</u> | <u>-</u> |
| Total current liabilities | <u>1,578,250</u> | <u>585,929</u> | <u>2,164,179</u> | <u>9,522</u> |
| Non-current liabilities | | | | |
| Accrued compensated absences | 10,760 | 82,327 | 93,087 | |
| Net OPEB obligation | 13,841 | 25,105 | 38,946 | |
| Long-term debt | <u>3,090,062</u> | <u>-</u> | <u>3,090,062</u> | |
| Total non-current liabilities | <u>3,114,663</u> | <u>107,432</u> | <u>3,222,095</u> | |
| Total liabilities | <u>4,692,913</u> | <u>693,361</u> | <u>5,386,274</u> | <u>9,522</u> |
| NET POSITION | | | | |
| Net investment in capital assets | 1,048,424 | 104,007,322 | 105,055,746 | |
| Restricted for debt service | 324,125 | - | 324,125 | |
| Unrestricted | <u>4,160,109</u> | <u>9,352,560</u> | <u>13,512,669</u> | <u>741,741</u> |
| Total net position | <u>\$ 5,532,658</u> | <u>\$ 113,359,882</u> | <u>118,892,540</u> | <u>\$ 741,741</u> |

Explanation of difference between proprietary funds statement of net position and the government-wide statement of net position:

The City uses an internal service fund to charge the cost of its insurance activities to individual funds. This amount consists of the necessary adjustment to reflect the consolidation of internal service fund activities:

Net position of business-type activities

191,612
\$ 119,084,152

See accompanying notes to basic financial statements.

CITY OF LAKEVILLE, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2013

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|--|--|-----------------------|-------------------|---|
| | Liquor | Utility | Total | |
| Sales and cost of sales | | | | |
| Sales | \$ 15,381,124 | | \$ 15,381,124 | |
| Cost of sales | 11,432,525 | | 11,432,525 | |
| Gross profit | <u>3,948,599</u> | | <u>3,948,599</u> | |
| Operating revenues | | | | |
| User charges | | \$ 8,966,298 | 8,966,298 | \$ 298,427 |
| Other | | 160,540 | 160,540 | 112,636 |
| Total operating revenues | | <u>9,126,838</u> | <u>9,126,838</u> | <u>411,063</u> |
| Gross profit and total operating revenues | <u>3,948,599</u> | <u>9,126,838</u> | <u>13,075,437</u> | <u>411,063</u> |
| Operating expenses | | | | |
| Personnel services | 1,282,013 | 1,796,122 | 3,078,135 | - |
| Commodities | 50,973 | 355,301 | 406,274 | - |
| Other charges and services | 833,997 | 2,339,848 | 3,173,845 | 478,310 |
| Disposal charges | - | 3,092,195 | 3,092,195 | - |
| Depreciation | 113,916 | 3,161,343 | 3,275,259 | - |
| Total operating expenses | <u>2,280,899</u> | <u>10,744,809</u> | <u>13,025,708</u> | <u>478,310</u> |
| Operating income (loss) | <u>1,667,700</u> | <u>(1,617,971)</u> | <u>49,729</u> | <u>(67,247)</u> |
| Non-operating revenue (expense) | | | | |
| Intergovernmental - grants | 3,762 | 179,828 | 183,590 | - |
| Investment income (charges) | (13,469) | (28,351) | (41,820) | (1,235) |
| Interest, fiscal charges, bond premium (net) | (161,309) | - | (161,309) | - |
| Disposal of capital assets | (27,516) | (106,220) | (133,736) | - |
| Total non-operating revenue (expense) | <u>(198,532)</u> | <u>45,257</u> | <u>(153,275)</u> | <u>(1,235)</u> |
| Income (loss) before contributions and transfers | <u>1,469,168</u> | <u>(1,572,714)</u> | <u>(103,546)</u> | <u>(68,482)</u> |
| Contributed capital from governmental activities | - | 94,958 | 94,958 | - |
| Contributed capital from developers | - | 3,304,878 | 3,304,878 | - |
| Transfers from other funds | - | 1,396 | 1,396 | - |
| Transfers to other funds | (1,749,982) | (440,431) | (2,190,413) | (47,141) |
| Total contributions and transfers (net) | <u>(1,749,982)</u> | <u>2,960,801</u> | <u>1,210,819</u> | <u>(47,141)</u> |
| Change in net position | <u>(280,814)</u> | <u>1,388,087</u> | <u>1,107,273</u> | <u>(115,623)</u> |
| Net position, January 1 | <u>5,813,472</u> | <u>111,971,795</u> | | <u>857,364</u> |
| Net position, December 31 | <u>\$ 5,532,658</u> | <u>\$ 113,359,882</u> | | <u>\$ 741,741</u> |

Explanation of difference between proprietary funds statement of revenue, expenses, and changes in fund net position and the statement of activities:

The City uses an internal service fund to charge the cost of its insurance activities to individual funds. This amount represents the income that has been allocated back to the business-type activities in the government-wide statement of activities that is attributable to the City's business-type activities:

| | |
|--|---------------------|
| | <u>(16,904)</u> |
| Change in net position of business-type activities | <u>\$ 1,090,369</u> |

See accompanying notes to basic financial statements.

CITY OF LAKEVILLE, MINNESOTA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|--|--|---------------------|----------------------|---|
| | Liquor | Utility | Total | |
| Cash flows from operating activities | | | | |
| Cash received from customers | \$ 15,382,045 | \$ 9,317,257 | \$ 24,699,302 | \$ - |
| Cash received from general service charges | - | - | - | 411,597 |
| Cash paid to suppliers | (12,527,013) | (5,917,725) | (18,444,738) | (472,732) |
| Cash paid to and for employees | (1,297,327) | (1,770,562) | (3,067,889) | - |
| Net cash flows from operating activities | <u>1,557,705</u> | <u>1,628,970</u> | <u>3,186,675</u> | <u>(61,135)</u> |
| Cash flows from noncapital financing activities | | | | |
| Intergovernmental - grant | 3,762 | 71,409 | 75,171 | - |
| Transfers from other funds | - | 1,396 | 1,396 | - |
| Transfers to other funds | (1,749,982) | (440,431) | (2,190,413) | (47,141) |
| Net cash flows from noncapital financing activities | <u>(1,746,220)</u> | <u>(367,626)</u> | <u>(2,113,846)</u> | <u>(47,141)</u> |
| Cash flows from capital and related financing activities | | | | |
| Acquisition of capital assets | (116,291) | (2,676,861) | (2,793,152) | - |
| Proceeds from sale of capital assets | 108 | 4,474 | 4,582 | - |
| Interest and fiscal charges | (166,175) | - | (166,175) | - |
| Principal maturities | (160,000) | - | (160,000) | - |
| Net cash flows from capital and related financing activities | <u>(442,358)</u> | <u>(2,672,387)</u> | <u>(3,114,745)</u> | <u>-</u> |
| Cash flows from investing activities | | | | |
| Investment income received | (6,807) | (18,212) | (25,019) | (355) |
| Net change in cash and cash equivalents | (637,680) | (1,429,255) | (2,066,935) | (108,631) |
| Cash and cash equivalents, January 1 | <u>4,838,563</u> | <u>8,908,539</u> | <u>13,747,102</u> | <u>858,157</u> |
| Change in Accounting Principle | - | - | - | - |
| Cash and cash equivalents, December 31 (including restricted cash account of \$324,125) | <u>\$ 4,200,883</u> | <u>\$ 7,479,284</u> | <u>\$ 11,680,167</u> | <u>\$ 749,526</u> |
| Reconciliation of operating income (loss) to net cash flows from operating activities | | | | |
| Operating income (loss) | \$ 1,667,700 | \$ (1,617,971) | \$ 49,729 | \$ (67,247) |
| Adjustments | | | | |
| Depreciation expense | 113,916 | 3,161,343 | 3,275,259 | - |
| (Increase) decrease in assets | | | | |
| Accounts receivable | 921 | 190,419 | 191,340 | 534 |
| Inventory | (275,968) | 87,271 | (188,697) | - |
| Prepaid expenses | (1,216) | - | (1,216) | - |
| Increase (decrease) in liabilities | | | | |
| Salaries payable | 5,196 | 9,027 | 14,223 | - |
| Accounts payable | 67,046 | (217,152) | (150,106) | 5,578 |
| Deposits payable | 620 | (500) | 120 | - |
| Accrued compensated absences | (22,976) | 11,599 | (11,377) | - |
| Net OPEB obligation | 2,466 | 4,934 | 7,400 | - |
| Total adjustments | <u>(109,995)</u> | <u>3,246,941</u> | <u>3,136,946</u> | <u>6,112</u> |
| Net cash flows from operating activities | <u>\$ 1,557,705</u> | <u>\$ 1,628,970</u> | <u>\$ 3,186,675</u> | <u>\$ (61,135)</u> |
| Supplemental schedule of non-cash financing activities: | | | | |
| The City assumes ownership of utility capital assets from governmental projects and land developers. Capital assets assumed were as follows: | | <u>\$ 3,399,836</u> | <u>\$ 3,399,836</u> | |

See accompanying notes to basic financial statements.

CITY OF LAKEVILLE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION -
AGENCY FUND
DECEMBER 31, 2013

| | Escrow Fund |
|----------------------|------------------------|
| Assets | |
| Cash and investments | <u>\$ 6,851,480</u> |
| Liabilities | |
| Deposits payable | <u>\$ 6,851,480</u> |

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Note 1 – Summary of Significant Accounting Policies

Note 2 – Cash and Investments

Note 3 – Capital Assets

Note 4 – Operating Leases

Note 5 – Long-Term Liabilities

Note 6 – Net Investment in Capital Assets

Note 7 – Net Position (Restricted)

Note 8 – Construction Commitments

Note 9 – Fund Balances

Note 10 – Contributed Capital Assets from Private Land Developers and City Government

Note 11 – Excess of Expenditures over Appropriations

Note 12 – Interfund Transfers

Note 13 – Joint Powers Debt Commitment

Note 14 – Other Post-Employment Benefits (OPEB) Plan

Note 15 – Risk Financing and Related Insurance Issues

Note 16 – Defined Benefit Pension Plans - Statewide

Note 17 – Defined Contribution Plan – Statewide

Note 18 – Lakeville Fire Relief Association

Note 19 – Deferred Compensation Plan

Note 20 – Litigation

Note 21 – Conduit Debt

Note 22 – GASB Standards Issued But Not Yet Implemented

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Summary of Significant Accounting Policies

The City of Lakeville operates under the “Optional Plan A” form of government, according to applicable State of Minnesota Statutes. The Statutes prescribe a Mayor-Council form of organization. The City provides the following services: public safety, highways and streets, water and sanitary sewer, public improvements, planning and zoning, culture-recreation, and general administration.

The basic financial statements of the City of Lakeville have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City’s more significant accounting policies are described below.

A. Financial Reporting Entity of the City

The City of Lakeville is a municipal corporation governed by an elected mayor and a four-member council. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*, these financial statements represent the City of Lakeville and its sole component unit. The City includes all funds, organizations, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City based on the nature and the significance of their operational or financial relationships with the City.

Blended Component Unit

The Housing and Redevelopment Authority (HRA) of Lakeville, Minnesota was created by the City to provide housing and redevelopment assistance to its citizens. The HRA provides this assistance through the administration of various programs. The HRA is governed by a five-member Board of Commissioners comprised of the City of Lakeville Council in accordance with Minnesota Statutes 469.003, Subdivision 6. Although it is legally separate from the City, the HRA is reported as if it were a part of the City (blended) because the City Council is also the HRA governing board. The Commissioners terms of office coincide with those of the City Council member. The City Administrator serves as the HRA Executive Director. The operational responsibility for the HRA rests with management of the City.

During fiscal year 2006, the HRA issued \$9,230,000 in Ice Arena Lease Revenue Bonds, Series 2006, to finance the construction of the single sheet Hasse ice arena facility. Debt service will be payable from equal lease payments to be made by the City pursuant to the lease agreement between the HRA and the City, and in conjunction with the joint powers agreement between the City and Independent School District No. 194.

These HRA bond obligations are combined and presented separately in the debt service funds as debt supported by HRA lease revenue.

The HRA has not issued separate financial statements for the period ending December 31, 2013. Information of a non-financial matter regarding the HRA can be obtained at the City’s Finance offices, located at 20195 Holyoke Avenue, Lakeville, Minnesota 55044.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements focus on the City as a whole (consolidation of the City, excluding fiduciary funds) while the fund financial statements focus on the major individual funds (reported as separate columns within the fund financial statements). Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the governmental-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross cost and the net cost per function category (general government, public safety, public works, and parks and recreation) which are otherwise being supported by both program and general revenues (charges for services, grants and contributions, property taxes, etc.). The Statement of Activities reduces gross expenses (including depreciation) by the related program revenues and operating/capital grants and contributions.

The program revenues must be directly associated with the function (general government, public safety, public works, and parks and recreation) or a business-type activity. Program revenues are derived directly from the program itself or from parties outside the City's taxpayers or citizenry, as a whole. The City does not allocate indirect expenses. The operating grants and contributions column include operating-specific and discretionary grants while the capital grants and contributions column includes capital specific grants and contributions.

The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statement's governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and the change in net position.

Both the City as a whole and the City's major funds, including both governmental and enterprise funds, as well as an agency fund, are presented utilizing the focus of the GASB Statement No. 34 reporting model. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Major governmental funds – The City reports the following major governmental funds:

- *General fund* – The general fund is the general operating fund of the City. It is used to account for all financial resources except for those required to be accounted for in another fund. This fund records revenues such as property taxes, licenses and permits, intergovernmental revenues, charges for services, fines, and investment income. Most of the current day-to-day operations of the City are financed from this fund.
- *Debt service general obligation fund* – This fund accounts for those bond issues that financed debt approved by voter referendum, equipment certificates of indebtedness, and capital improvement bonds. Revenues are provided primarily from property taxes.
- *Debt service G.O. Improvement fund* – This fund accounts for those bond issues that financed street, storm sewer, water, and sanitary sewer improvements. The special assessments levied against benefited property owners are pledged toward the repayment of the principal and interest on these bonds.
- *Capital projects building fund* – This fund accounts for the accumulation and disbursement of funds for the construction or improvement of public buildings.
- *Capital projects improvement construction fund* – This fund accounts for complex construction contracts that involve multiple financing resources from the City and other government entities. Construction projects usually extend over several years before completion.

Major proprietary funds – The City reports the following major proprietary funds:

- *Enterprise liquor fund* – This fund is used to account for the retail operations of three off-sale liquor stores.
- *Enterprise utility fund* – This fund is used to account for water, sanitary sewer service, street lighting, and environmental resources provided to City customers.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

Other funds – The City reports the following other funds:

- *Internal service fund* – The internal service fund accounts for the City’s risk management program relating to general liability, excess liability, property, and casualty insurance costs which are charged to other departments of the City.
- *Agency fund* – The agency fund is used to record the receipt and remittance of monies held by the City as an agent primarily for land developers and builders that will be refunded to the respective depositors when the conditions are satisfied in accordance with the respective agreements.

C. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Funds are classified into three categories: Governmental, Proprietary, and Fiduciary. To provide an accurate cost measurement of individual activities in the fund financial statement consolidation process, the City’s interfund activity relating to services provided by and used between functions has been removed from these statements; exceptions are for charges between the government’s liquor and utility function and other functions of the government.

Governmental Funds:

- *Measurement focus:* Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Reported fund balance is considered a measure of “available spendable resources.” Governmental fund operating statements represent increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.
- *Basis of accounting:* Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For this purpose the City generally considers revenues to be available if collected within 60 days of year end.
- *Revenues:* Major revenues that are susceptible to accrual include property taxes, excluding delinquent taxes received over 60 days after current fiscal year-end; special assessments, intergovernmental revenue, charges for services, investment income, and donations. Major revenues that are not susceptible to accrual (i.e., license and permit revenues, and miscellaneous revenues) are recorded when received because they are not measurable until collected.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Governmental Funds: (continued)

- *Expenditures:* Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on long-term debt, other post-employment benefits, and compensated absences which are recognized when due.

Proprietary and Fiduciary Funds:

- *Measurement focus:* Proprietary funds and fiduciary funds (with the exception of agency funds) are accounted for on a flow of economic resources measurement focus. This means that all assets, including capital assets, and all liabilities, including long-term liabilities, associated with fund activity are included on the Statement of Net Position. Proprietary fund types Statement of Revenues, Expenses and Changes in Net Position present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.
- *Basis of accounting:* Proprietary funds and fiduciary funds (including agency funds) are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded at the time the liabilities are incurred. Unbilled utility service receivables are recorded at current fiscal year-end.
- *Operating versus non-operating items:* Proprietary funds distinguish operating revenues and expenses from non-operating 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 revenue of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

1. Cash and investments, and interest receivable

Cash balances from all funds are combined and invested to the extent available in certificates of deposit, commercial paper, U.S. Government securities, and other securities authorized by State Statutes. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

2. Investments held by trustee

Cash and investments held by trustee represent in part the fair value of deposits that are required to be held in trust for various City obligations. These established escrow accounts will remain in effect until the terms and conditions of the obligations have been fulfilled.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

3. Taxes receivable

Property tax levies are set by the City Council in December each year and are certified to Dakota County for collection in the following year. Such taxes become a receivable of the City and become a lien on the respective property as of January 1. In Minnesota, most counties act as collection agents for all property taxes. Dakota County spreads the levies over all taxable property within the City of Lakeville. Real and personal property taxes are payable in equal installments by property owners to Dakota County on May 15 and October 15 of each year. Dakota County remits these and delinquent collections to the City twice a year, in January and July. Unpaid taxes on December 31 are classified in the fund financial statements as delinquent taxes receivable.

Taxes receivable include the following components:

Unremitted - amounts collected by Dakota County but not yet remitted to the City by December 31.

Delinquent - amounts billed to property owners but not paid.

4. Special assessments receivable

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with State Statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The City is obligated for the payment of special assessment debt not covered through the collection of special assessments from property owners. Any obligation by the City would be paid by property taxes. Special assessments are collectable over a term of years generally consistent with the term of years of the related bond issue. Collection of annual special assessment installments (including interest) is administered by Dakota County in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties. As of December 31, 2013 the special assessment delinquent receivable was \$44,255 in the governmental funds and \$36,644 in the proprietary enterprise utility fund. Special assessments receivable includes the following components:

Unremitted - amounts collected by Dakota County but not yet remitted to the City by December 31.

Delinquent - amounts billed to property owners but not paid.

Deferred - assessment installments that will be billed to property owners in future years.

Other - assessments for which payment has been delayed based on State Statutes or City Council action.

5. Inventory

The inventory in the general fund is stated at FIFO (first-in, first-out) cost and consists of expendable supplies held for consumption. Under FIFO, the cost is recognized as an expenditure at the time the inventory items are used (consumption method). The inventories of the proprietary funds are stated at the lower of FIFO cost or replacement market.

6. Prepaid items

Payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid items. Prepaid items are also accounted for using the consumption method.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

7. Unamortized bond premium and bond discount

In the governmental fund financial statements, bond premiums and discounts are recognized as other financing sources and uses, respectively in the current fiscal year. Bond discounts and bond premiums for the City's government-wide financial statements are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond premiums and discounts are included within the non-current liabilities due in more than one year of the City's government-wide statement of net position.

The enterprise liquor fund includes a non-current liability for unamortized bond premium associated with the issuance of the liquor revenue bonds of 2007. The bond premium is amortized over the term of the bonds using the straight-line method.

8. Restricted assets (temporarily)

The government-wide Statement of Net Position "restricted assets (temporarily)" represents cash and investments, and investments held by trustee that have imposed restrictions placed on them by parties outside the government. These restricted amounts are pledged by bond covenants to the repayment of City indebtedness. The assets are temporarily restricted until the terms and conditions of the obligations have been fulfilled.

9. Capital assets

Capital assets, which include land, historical treasures, construction in process, buildings and improvements, machinery and equipment, other improvements, and infrastructure, are reported in the applicable governmental or business-type activity columns of the government-wide Statement of Net Position. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair value on the date of donation. The City defines capital assets as those with an initial, individual cost of \$5,000 or more with an estimated useful life of not less than three years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital outlays are recorded as expenditures in the City's governmental fund financial statements, which use the modified accrual basis of accounting. Capital outlays that meet the City's capitalization criteria are reported in the government-wide Statement of Net Position and proprietary funds Statement of Net Position, both of which use the full accrual basis of accounting. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalization value of assets constructed.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

9. Capital assets (continued)

Depreciation on the capital assets is recorded on a government-wide basis. Land, historical treasures, and construction in process are not depreciated. Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

| | |
|----------------------------|-------------|
| Buildings and improvements | 50-75 years |
| Machinery and equipment | 3-15 years |
| Other improvements | 10-50 years |
| Infrastructure | 20-50 years |

10. Deferred inflows of resources

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from three sources: property taxes, special assessments, and other receivables not collected within 60 days of year-end. These amounts are deferred and recognized as an inflow of resources in the period the amounts became available.

11. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused leave benefits as either paid time off (PTO), or vacation and sick leave. Under the City's personnel policies and collective bargaining contracts, City employees are granted leave benefits in varying amounts based on length of services. PTO accruals vary from 18 to 30 days per year, vacation accruals vary from 10 to 20 days per year and sick leave accrues at a rate of 12 days per year.

As benefits accrue to employees, the accumulated PTO, vacation and vested sick leave is reported as an expense and liability in the government-wide and proprietary fund financial statements. Accrued PTO, vacation and a percentage of sick leave is paid to employees upon termination (severance) and is reported as an expenditure in the governmental fund that will pay for it. No liability is recorded for non-vesting accumulating rights to receive sick leave benefits.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

12. Net other post-employment benefits (OPEB) obligation

In accordance with the provisions of GASB Statement No. 45, *Accounting and financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, an actuarial valuation is required to be computed and reported for the City's post-employment health insurance benefits provided to eligible employees through the City's Other Post-Employment Benefits Plan. OPEB is reported as an expense on a pay-as-you-go basis and is accrued as it is earned. The net OPEB obligation liability and corresponding expense for governmental activities is reported within the government-wide financial statements. The net OPEB obligation liability and corresponding expense for enterprise funds are recorded within those funds.

13. Long-term obligations

Long-term obligations are recorded in the City's government-wide Statement of Net Position when they become a liability of the City. Long-term obligations are recognized as a liability of a governmental fund only when due or when payment is made to the paying agent.

14. Net Position Classifications

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources. Net position is displayed in three components:

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

15. Fund balance classifications

In the fund financial statements, governmental fund reports fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

16. Fund balance classifications (continued)

- **Committed** – Consists of amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. Pursuant to City resolution, the City Administrator and the Finance Director are authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in the other funds.

The City will endeavor to maintain an unrestricted (committed, assigned and unassigned) fund balance in the General fund of an amount not less than 40 and not greater than 50 percent of the next year’s budgeted expenditures of the General fund. This will assist in maintaining an adequate level of fund balance to provide for cash flow requirements and contingency needs. At December 31, 2013, the unrestricted fund balance of the General Fund was 43.0 percent of the subsequent year’s budgeted expenditures.

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

When committed, assigned or unassigned resources are available for use, it is the City’s policy to use resources in the following order; 1.) committed, 2.) assigned, and 3.) unassigned.

E. Revenue, Expenditures and Expenses

1. In the governmental fund financial statements property tax revenue is recognized when it becomes measurable and available to finance expenditures of the current fiscal year. All delinquent taxes receivable are fully offset by deferred inflow of resources in the governmental fund financial statements. Taxes due from Dakota County on December 31 are included in revenue since they are remitted to the City within 60 days after December 31. In the government-wide Statement of Activities property tax revenue is recognized when levied.
2. In the governmental fund financial statements special assessments principal and interest are recognized as revenue when they become measurable and available to finance expenditures of the current fiscal year. All delinquent and deferred assessments receivable are fully offset by deferred inflow of resources in the fund financial statements. Both the principal and interest on special assessments are payable in installments over a term of years that matches the scheduled payments for the bond issue which financed the project. In the government-wide Statement of Activities special assessments revenue is recognized when levied.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1 – Summary of Significant Accounting Policies (continued)

E. Revenue, Expenditures and Expenses (continued)

3. Investment income is recorded as revenue in the year earned. Elements of investment income include interest earned on investments and unrealized gains or (losses) on net increases or decreases in the fair value of investments.
4. Certain grants and aids received by the City require that eligible expenditures be made in order to earn the grant. Revenue for these grants is recorded in the period of which eligible expenditures are made.
5. Enterprise utility fund service charges are recognized when earned with no allowance for uncollectibles because delinquent accounts deemed uncollectible during the normal billing process are certified to Dakota County as a property tax lien. Quarterly utility service charges provided to customers but unbilled are included as receivables as of December 31.
6. Interfund service transactions are accounted for as expenditures or expenses. Service transaction payments to a fund are recorded as an expenditure or expense in the paying fund and conversely recorded as a reduction of expenditure or expense in the fund that is receiving payment. Interfund service transactions within the respective categories of governmental activities and business-type activities in the government-wide Statement of Activities are eliminated.

F. Cash Flows

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments with an original maturity from the time of purchase of three months or less to be cash equivalents. The proprietary funds equity in the government-wide cash and investments management pool is considered to be a cash equivalent.

G. Prior Year Comparative Information

Certain prior year information presented has been reclassified to conform to the current year presentation.

Note 2 – Cash and Investments

A. Components of Cash and Investments

The City's cash surpluses are pooled and invested in accordance with State Statute and City investment policy. Investment earnings and unrealized gains and losses are allocated to funds on the basis of average cash balances. Investments are stated at fair value, which is the amount that a financial instrument could be exchanged for in a current transaction between willing parties. The investments are not identified with specific funds. Investments held by trustee include balances held in segregated accounts for specific purposes. Interest earned on these trustee accounts is allocated directly to the responsible fund. The amounts represent funds held as required by the debt obligation covenants and other agreements.

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 2 – Cash and Investments (continued)

A. Components of Cash and Investments (continued)

The City’s cash and investments as of December 31, 2013 consist of the following:

| | | |
|----------------------------|----|-------------------|
| Cash on hand | \$ | 13,165 |
| Deposits | | 1,089,705 |
| Investments | | <u>82,924,079</u> |
| Total cash and investments | \$ | <u>84,026,949</u> |

The City’s cash and investments as of December 31, 2013 are presented in the financial statements as follows:

Statement of Net Position

| | | |
|--|----|------------|
| Cash and investments | \$ | 53,091,529 |
| Temporarily restricted cash and investments | | 324,125 |
| Temporarily restricted investments held by trustee | | 23,759,815 |

Statement of Fiduciary Net Position

| | | |
|----------------------------|----|-------------------|
| Cash and investments | | <u>6,851,480</u> |
| Total cash and investments | \$ | <u>84,026,949</u> |

B. Deposits

In accordance with applicable Minnesota Statutes, the City is permitted to maintain deposits at depository banks authorized by the City Council, including checking accounts, savings accounts, and non-negotiable certificates of deposits. The City’s deposit policy does not limit depository choices. The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the 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 City does not have a formal policy addressing this risk.

At year-end, the carrying amount of the City’s deposits was \$1,089,705 while the balance on the bank records was \$818,337. The City does not have any custodial credit risk for its deposits since all City deposits held in safekeeping by the City’s banks are fully protected by insurance and/or collateral as required by Minnesota Statutes and authorized by the City Council.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 2 – Cash and Investments (continued)

C. Investments

The City's investments as of December 31, 2013 are as follows:

| <u>Investment Type</u> | <u>Credit Risk</u> | | <u>Fair Value</u> | <u>Interest Risk - Maturity Duration in Years</u> | | |
|--------------------------|--------------------|---------------|----------------------|---|----------------------|---------------------|
| | <u>Rating</u> | <u>Agency</u> | | <u>Less Than 1</u> | <u>1 - 5</u> | <u>6 - 10</u> |
| Money market funds | | | | | | |
| Minnesota Municipal (4M) | N/R | N/A | \$ 6,576,189 | \$ - | \$ - | \$ - |
| Wells Fargo Advantage | AAAm | S&P | 1,067,748 | - | - | - |
| First American Treasury | | | | | | |
| Obligation | AAAm | S&P | 870 | - | - | - |
| Certificates of deposit | N/R | N/A | 14,884,183 | 6,155,000 | 8,729,183 | - |
| U.S. treasury securities | N/R | N/A | 5,006,954 | 4,312,506 | 694,448 | - |
| U.S. government agencies | AA+ | S&P | 45,693,335 | 24,620,229 | 16,397,416 | 4,675,690 |
| Municipal Bonds | AAA | S&P | 306,440 | - | 306,440 | - |
| Municipal Bonds | Aaa | Moody's | 101,252 | 101,252 | - | - |
| Municipal Bonds | Aa1 | Moody's | 1,283,665 | 1,000,771 | - | 282,894 |
| Municipal Bonds | AA+ | S&P | 601,020 | - | 497,335 | 103,685 |
| Municipal Bonds | Aa2 | Moody's | 1,171,159 | 708,687 | - | 462,472 |
| Municipal Bonds | AA | S&P | 1,623,843 | 153,086 | 1,362,892 | 107,865 |
| Municipal Bonds | Aa3 | Moody's | 1,113,112 | - | 1,113,112 | - |
| Municipal Bonds | AA- | S&P | 877,565 | - | 877,565 | - |
| Municipal Bonds | A1 | Moody's | 108,621 | - | - | 108,621 |
| Municipal Bonds | A2 | Moody's | 182,965 | - | 182,965 | - |
| Municipal Bonds | A | S&P | 567,177 | 567,177 | - | - |
| Municipal Bonds | A- | S&P | 1,757,981 | 500,000 | 1,257,981 | - |
| Total investments | | | <u>\$ 82,924,079</u> | <u>\$ 38,118,708</u> | <u>\$ 31,419,337</u> | <u>\$ 5,741,227</u> |

The 4M Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The City's investment in the 4M Fund is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. The City's investment policy does not place any further limitations beyond the state statute requirements for the risk categories described below. Investments are subject to various risks, the following of which are considered the most significant;

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have any custodial credit risk for its investments since all of the City's investments held in safekeeping by the City's brokerage firm in the City's name are insured and registered.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 2 – Cash and Investments (continued)

C. Investments (continued)

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State Statutes authorize investments in money market funds, certificates of deposit, commercial paper, U.S. treasury securities, U.S. government agencies, and other securities provided they meet the two highest quality ratings of nationally recognized rating organizations.

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investments (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds.

As of December 31, 2013, the City’s investment portfolio includes the following securities of single issuers exceeding 5 percent:

| | |
|--|-------|
| Federal National Mortgage Association | 34.2% |
| Federal Home Loan Bank | 10.4% |
| Federal Home Loan Mortgage Corporation | 8.5% |

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk).

D. Investment Policy

The City’s investment policy limits exposure to interest rate risk by investing in shorter term securities (maturing in one year or less) to meet current operating cash requirements. Longer term investments are to be purchased with the intent to match maturity periods with future funding needs for capital replacement and debt obligations. The City will not purchase investments that, at the time of investment, cannot be held to maturity. This does not mean that an investment cannot be sold prior to maturity.

Investment activity will focus upon protection of taxpayer dollars and investment income, consistent with statutory authorization and financial prudence. The City will conduct its investment transactions with several legal competing, reputable investment security dealers and qualifying banks. The City will invest only in the following instruments or those others that may subsequently be permitted by State Statute.

- United States Treasury obligations
- Federal Agency Securities
- Certificates of Deposit
- Commercial Paper
- Banker’s Acceptance
- Money Market Funds
- State and local securities

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3 – Capital Assets

A summary of changes in governmental capital assets during the year ended December 31, 2013 are as follows:

| Governmental Activities | Balance January 1 | Additions | Deletions | Transfers | Balance December 31 |
|--------------------------------|------------------------------|----------------------|-----------------------|------------------|--------------------------------|
| Depreciable | | | | | |
| Buildings and improvements | \$ 54,309,672 | \$ 155,617 | \$ - | \$ - | \$ 54,465,289 |
| Machinery and equipment | 18,349,529 | 1,885,194 | (867,152) | (5,933) | 19,361,638 |
| Other improvements | 4,927,165 | 137,736 | - | - | 5,064,901 |
| Infrastructure | | | | | |
| Streets | 120,842,064 | 7,542,197 | (1,474,910) | - | 126,909,351 |
| Storm sewer | 53,257,450 | 2,684,981 | (178,336) | - | 55,764,095 |
| Parks | 18,913,482 | 467,088 | - | - | 19,380,570 |
| Total depreciable at cost | <u>270,599,362</u> | <u>12,872,813</u> | <u>(2,520,398)</u> | <u>(5,933)</u> | <u>280,945,844</u> |
| Less accumulated depreciation | | | | | |
| Buildings and improvements | (10,426,245) | (1,153,933) | - | - | (11,580,178) |
| Machinery and equipment | (11,776,467) | (1,297,175) | 827,058 | 5,933 | (12,240,651) |
| Other improvements | (1,960,383) | (244,542) | - | - | (2,204,925) |
| Infrastructure | | | | | |
| Streets | (65,666,716) | (4,396,794) | 1,464,574 | - | (68,598,936) |
| Storm sewer | (14,025,981) | (1,084,493) | 173,240 | - | (14,937,234) |
| Parks | (10,827,172) | (763,486) | - | - | (11,590,658) |
| Total accumulated depreciation | <u>(114,682,964)</u> | <u>(8,940,423)</u> | <u>2,464,872</u> | <u>5,933</u> | <u>(121,152,582)</u> |
| Total depreciable, net | <u>\$ 155,916,398</u> | <u>\$ 3,932,390</u> | <u>\$ (55,526)</u> | <u>\$ -</u> | <u>\$ 159,793,262</u> |
| Non-depreciable | | | | | |
| Land | \$ 22,213,543 | \$ 506,454 | \$ (2,245) | \$ - | \$ 22,717,752 |
| Historical treasures | 100,000 | - | - | - | 100,000 |
| Construction in process | 6,800,277 | 7,058,464 | (6,326,248) | - | 7,532,493 |
| Total non-depreciable | 29,113,820 | 7,564,918 | (6,328,493) | - | 30,350,245 |
| Depreciable, net | <u>155,916,398</u> | <u>3,932,390</u> | <u>(55,526)</u> | <u>-</u> | <u>159,793,262</u> |
| Total capital assets, net | <u>\$ 185,030,218</u> | <u>\$ 11,497,308</u> | <u>\$ (6,384,019)</u> | <u>\$ -</u> | <u>\$ 190,143,507</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|----------------------------|---------------------|
| General government | \$ 228,016 |
| Public safety | 904,774 |
| Public works | 6,155,801 |
| Parks and recreation | <u>1,651,832</u> |
| Total depreciation expense | <u>\$ 8,940,423</u> |

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3 – Capital Assets (continued)

A summary of changes in business-type capital assets during the year ended December 31, 2013 are as follows:

| <u>Business-type Activities</u> | <u>Balance</u> <u>January 1</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Balance</u> <u>December 31</u> |
|--|--|-------------------------|-------------------------|-------------------------|--|
| Depreciable | | | | | |
| Buildings and improvements | \$ 25,908,596 | \$ 94,505 | \$ (57,731) | \$ - | \$ 25,945,370 |
| Machinery and equipment | 2,557,579 | 246,618 | (46,073) | 5,933 | 2,764,057 |
| Infrastructure | | | | | |
| Water | 70,690,169 | 2,901,780 | (288,394) | - | 73,303,555 |
| Sanitary sewer | 54,171,643 | 2,246,589 | (444,235) | - | 55,973,997 |
| Total depreciable at cost | <u>153,327,987</u> | <u>5,489,492</u> | <u>(836,433)</u> | <u>5,933</u> | <u>157,986,979</u> |
| Less accumulated depreciation | | | | | |
| Buildings and improvements | (6,888,499) | (545,786) | 30,107 | - | (7,404,178) |
| Machinery and equipment | (1,440,684) | (164,709) | 46,073 | (5,933) | (1,565,253) |
| Infrastructure | | | | | |
| Water | (23,831,032) | (1,474,685) | 244,901 | - | (25,060,816) |
| Sanitary sewer | (19,170,320) | (1,090,079) | 377,034 | - | (19,883,365) |
| Total accumulated depreciation | <u>(51,330,535)</u> | <u>(3,275,259)</u> | <u>698,115</u> | <u>(5,933)</u> | <u>(53,913,612)</u> |
| Total depreciable, net | <u>\$ 101,997,452</u> | <u>\$ 2,214,233</u> | <u>\$ (138,318)</u> | <u>\$ -</u> | <u>\$ 104,073,367</u> |
| Non-depreciable | | | | | |
| Land | \$ 1,800,456 | \$ - | \$ - | \$ - | \$ 1,800,456 |
| Construction in process | 1,628,580 | 2,436,985 | (1,628,580) | - | 2,436,985 |
| Total non-depreciable | 3,429,036 | 2,436,985 | (1,628,580) | - | 4,237,441 |
| Depreciable, net | <u>101,997,452</u> | <u>2,214,233</u> | <u>(138,318)</u> | <u>-</u> | <u>104,073,367</u> |
| Total capital assets, net | <u>\$ 105,426,488</u> | <u>\$ 4,651,218</u> | <u>\$ (1,766,898)</u> | <u>\$ -</u> | <u>\$ 108,310,808</u> |

Depreciation expense was charged to enterprise funds as follows:

| | |
|----------------------------|---------------------|
| Liquor fund | \$ 113,916 |
| Utility fund | <u>3,161,343</u> |
| Total depreciation expense | <u>\$ 3,275,259</u> |

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 4 – Operating Leases

Operating Lease (Ames Arena):

On December 1, 2006, the City (as lessor) entered into a joint powers agreement with the Lakeville Arenas (a Minnesota Joint Powers entity, as lessee), whereas the Lakeville Arenas is responsible for operations and maintenance of the Ames Arena. Lakeville Arenas shall pay all debt service requirements due on the Gross Revenue Recreation Facility Bonds of 1999 less payments received by Lakeville Hockey Association, Inc. (Boosters) towards debt service payments in accordance with the revised and restated gaming revenue agreement dated February 16, 1999. The agreement will remain in effect until August 1, 2019. The cost of the leased space is included in the total Ames ice arena cost of \$4,143,826, of which \$1,392,999 has been depreciated to date. These amounts are recorded in the City's capital assets. The 2013 lease revenue totaled \$88,626.

Operating Sublease (Hasse Arena):

On December 1, 2006, the City (as sublessor) entered into a joint powers agreement with the Lakeville Arenas (a Minnesota Joint Powers entity, as sublessee), whereas the Lakeville Arenas is responsible for operations and maintenance of the Hasse Arena. In addition, the joint powers agreement calls for Independent School District No. 194 to provide for one-half of all future ice arena lease payments to the City. Lease agreement payments coinciding with the bonded debt service schedule commencing February 1, 2007 will remain in effect until February 1, 2032. The 2013 lease revenue totaled \$284,070.

Operating Lease (Heritage Liquor Store):

The Heritage Liquor Store (located in Heritage Shopping Center) consists of 8,859 square feet of space at a monthly lease cost of \$14,600 plus a proportionate share of real estate taxes, property insurance, special assessments, common area maintenance, and management fees. The fiscal year 2013 lease expense totaled \$175,200. The lease has a term of fifteen years expiring on June 30, 2014. The City owns the land and buildings of its remaining two liquor stores.

Note 5 – Long-Term Liabilities

General Obligation Bonds

The City's general obligation bonds are supported primarily from revenues derived from property tax levies, special assessment levies, tax increment levies, state-aid street revenue, water connection revenue charges, ice arena operations, and contributions by an organization conducting lawful gaming at approved locations. These bonds are backed by the full-faith and credit of the City.

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 5 – Long-Term Liabilities (continued)

Revenue Bonds

The following revenue bonds are not general obligations of the City and accordingly are not backed by the full-faith and credit of the City.

Governmental Activities

The Gross Revenue Recreation Facility Bonds, Series 1999, are supported primarily from revenues derived from ice arena operations and contributions from gaming revenues. The HRA Ice Arena Lease Revenue Bonds, Series 2006, will be payable from equal lease payments to be made by the City pursuant to the lease agreement between the HRA of Lakeville, the City, and in conjunction with the joint powers agreement between the City and Independent School District No. 194. The City’s portion of the lease payments are supported by property tax levies. The Water Revenue Refunding Bonds, Series 2004, are payable solely from water connection revenues.

The lease, consisting of land, building and equipment of the Hasse Arena located at 8525 215th Street West, requires the City to provide lease payments sufficient to pay when due, the principal and interest on the HRA Ice Arena Lease Revenue Bonds, Series 2006 (\$9,230,000 original amount issued), of which the City paid \$591,675 in 2013. Title to the arena will transfer to the City upon completing the prescribed lease payments coinciding with the bonded debt service schedule commencing February 1, 2007 and maturing February 1, 2032. The cost of the leased space is included in the total Hasse ice arena cost of \$7,505,840, of which \$836,864 has been depreciated to date. These amounts are recorded in the HRA’s capital assets.

Business-type Activities

The Liquor Revenue Bonds, Series 2007, are payable solely from enterprise liquor fund revenues.

Future revenue pledged for the payment of long-term debt is as follows:

| Bond Issue | Use of Proceeds | Revenue Pledged | | Remaining Principal and Interest | Current Year | |
|--------------------------|-----------------------------|----------------------|----------------|--|--------------------------------|--------------------------------|
| | | Type | Term of Pledge | | Principal and Interest Paid | Pledged Revenue Received |
| Recreation Facility | Ice arena | Arena Revenues | 2014-2019 | \$ 1,223,773 | \$ 181,830 | \$ 183,626 |
| Ice Arena Lease Revenue | Additional ice arena | Lease Revenues | 2014-2032 | 12,550,534 | 591,675 | 284,070 |
| Liquor Revenue | Additional Liquor Store | Liquor Sales Revenue | 2014-2027 | 4,494,875 | 325,750 | 3,948,599 |
| Water Connection Revenue | Water system infrastructure | Water Connections | 2014-2016 | 3,041,900 | 1,027,500 | 5,009,567 |

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5 – Long-Term Liabilities (continued)

Metropolitan Council Loan Agreement 2006

On February 21, 2006, the City entered into a loan agreement with the Metropolitan Council for the purpose of acquiring property for a commuter vehicle park and pool lot located within a proposed state trunk highway right-of-way. The Metropolitan Council provided a loan to the City in the amount of \$1,466,300 to finance the acquisition of the property. In 2013, the City made no payments on this loan. As of December 31, 2013 the balance of the loan is \$1,159,843. The loan (free of interest charge) will be discharged by the Metropolitan Council upon the conveyance of the property to the highway authority at an undetermined future date.

General Obligation Refunding Bonds, Series 2012 B

On August 15, 2012, the City issued \$22,450,000 in General Obligation Refunding Bonds, Series 2012 B. The proceeds of this issue will be used to retire, in advance of their stated maturities, the 2015 through 2026 maturities of the Street Reconstruction Bonds, Series 2003 A (refunded principal of \$10,035,000) on their February 1, 2014 call date; and the 2016 through 2030 maturities of the Capital Improvement Plan Bonds, Series 2004 A (refunded principal \$12,460,000) on their February 1, 2015 call date.

The proceeds of the new bonds were placed in an escrow account (established by the City) whereby Open Market Securities were purchased by the trustee in adequate amounts sufficient to be responsible for the payment of the total called principal amount (\$22,495,000) in addition to the series 2012 B accrued interest payments of \$673,066 due August 1, 2013, \$350,150 due February 1, 2014, \$199,425 due August 1, 2014, and \$199,425 due on the crossover refunding date of February 1, 2015. The refunding transaction yielded a net savings to the City of \$2,768,474 with a present value economic gain of \$2,235,119.

General Obligation Improvement Bonds, Series 2013 A

On August 15, 2013, the City issued \$4,685,000 in General Obligation Improvement Bonds, Series 2013 A to finance various improvement projects in the City. The bonds mature February 1, 2034, with a provisional call date of February 1, 2023, bearing interest rates ranging from 2.0% to 4.0%. Debt service will be payable from property taxes and special assessments levied to benefiting properties.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5 – Long-Term Liabilities (continued)

The total long-term bonded debt outstanding as of December 31, 2013 (including amounts to be called 2/1/2014 of \$10,035,000 and 2/1/2015 of \$12,460,000) is summarized as follows:

| | <u>Maturities</u> | <u>Interest Rates</u> | <u>Amount</u> |
|---|-------------------|-----------------------|----------------------|
| <u>Governmental Activity Bonds</u> | | | |
| General obligation bonds | | | |
| Park bonds | 2015 | 0.50%-0.75% | \$ 815,000 |
| Capital improvement bonds | 2030, 2032 | 2.0%-5.0% | 39,015,000 |
| Street construction bonds | 2014-2030 | 2.00%-5.95% | 29,580,000 |
| G.O. Improvement bonds | 2016-2034 | 0.50%-4.125% | 16,640,000 |
| Tax increment bonds | 2014-2022 | 2.00%-5.10% | 2,335,000 |
| State-aid street revenue bonds | 2018-2021 | 0.5% - 4.0% | 4,590,000 |
| Water connection revenue bonds | 2016 | 4.00% | 2,865,000 |
| Arena revenue bonds | 2015-2019 | 2.7%-5.4% | <u>1,045,000</u> |
| Total general obligation bonds | | | 96,885,000 |
| | | | |
| HRA lease revenue bonds | 2032 | 4.25%-4.625% | <u>8,325,000</u> |
| Total governmental activity bonds | | | 105,210,000 |
| <u>Business-type Bonds</u> | | | |
| Liquor revenue bonds | 2027 | 5.00% | <u>3,235,000</u> |
| | | | |
| Total long-term bonded debt outstanding | | | <u>\$108,445,000</u> |

The City is in compliance with all significant bond covenants. The annual requirements to amortize all outstanding bonded debt as of December 31, including interest payments of \$28,084,917 are as follows:

| <u>Year Ending</u> <u>December 31,</u> | <u>Governmental</u> | | <u>Business-type</u> | | <u>Total</u> |
|---|----------------------------|------------------------|-----------------------------|------------------------|----------------------|
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> | |
| 2014 | \$ 16,030,000 | \$ 3,700,592 | \$ 165,000 | \$ 157,625 | \$ 20,053,217 |
| 2015 | 18,830,000 | 3,021,371 | 175,000 | 149,125 | 22,175,496 |
| 2016 | 6,275,000 | 2,542,819 | 180,000 | 140,250 | 9,138,069 |
| 2017 | 5,255,000 | 2,363,098 | 190,000 | 131,000 | 7,939,098 |
| 2018 | 5,445,000 | 2,184,204 | 200,000 | 121,250 | 7,950,454 |
| 2019-2023 | 23,670,000 | 8,118,371 | 1,165,000 | 441,375 | 33,394,746 |
| 2024-2028 | 18,875,000 | 4,048,486 | 1,160,000 | 119,250 | 24,202,736 |
| 2029-2033 | 10,725,000 | 844,001 | - | - | 11,569,001 |
| 2034 | <u>105,000</u> | <u>2,100</u> | <u>-</u> | <u>-</u> | <u>107,100</u> |
| Total | <u>\$ 105,210,000</u> | <u>\$ 26,825,042</u> | <u>\$ 3,235,000</u> | <u>\$ 1,259,875</u> | <u>\$136,529,917</u> |

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 5 – Long-Term Liabilities (continued)

Accrued Compensated Absences

Governmental Activities

The governmental funds accumulated liability for accrued PTO, vacation and vested sick pay (including applicable salary-related payments) as of December 31, 2013 is \$2,443,249. This amount is included in the non-current liabilities of the government-wide Statement of Net Position.

In the event of employee separation from City, the general fund and the responsible special revenue fund will pay the accumulated vacation portion, while the internal service compensation liability fund paid the PTO and vested sick pay portion. In future years the general fund and the responsible special revenue fund will pay the PTO and vested sick pay portion.

Business-type Activities

The accumulated liability for accrued PTO, vacation and vested sick pay for proprietary enterprise funds (including applicable salary-related payments) as of December 31, 2013 is \$316,264. In the event of employee separation from City, the responsible enterprise fund will pay the accumulated severance portion. These amounts are recorded as a liability and as an expense when earned in the responsible funds.

Unamortized Bond Premium and Discount

Unamortized bond premium and bond discount included within non-current liabilities are as follows:

| | <u>Governmental</u> | <u>Business-type</u> |
|---------------------------|---------------------|----------------------|
| Unamortized bond premium | \$ 2,566,425 | \$ 20,062 |
| Unamortized bond discount | <u>(7,846)</u> | <u>-</u> |
| Total unamortized (net) | <u>\$ 2,558,579</u> | <u>\$ 20,062</u> |

Net Other Post-Employment Benefit (OPEB) Obligation

Other post-employment benefit obligations in prior years have been liquidated primarily by the general fund for governmental activities and by the liquor fund and utility fund for business-type activities.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5 – Long-Term Liabilities (continued)

During the year ended December 31, 2013 the following changes occurred in non-current liabilities:

| | <u>Balance</u> <u>January 1</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>December 31</u> | <u>Due Within</u> <u>One Year</u> |
|--|------------------------------------|---------------------|-----------------------|--------------------------------------|--------------------------------------|
| <u>Governmental Activities</u> | | | | | |
| G.O. Improvement bonds | \$ 71,660,000 | \$ - | \$ (2,250,000) | \$ 69,410,000 | \$ 12,380,000 |
| Other bonds | 34,690,000 | 4,685,000 | (3,575,000) | 35,800,000 | 3,650,000 |
| Total bonds | 106,350,000 | 4,685,000 | (5,825,000) | 105,210,000 | 16,030,000 |
| Metropolitan Council loan | 1,159,843 | - | - | 1,159,843 | - |
| Total long-term debt | 107,509,843 | 4,685,000 | (5,825,000) | 106,369,843 | 16,030,000 |
| Accrued compensated absences | 2,281,421 | 1,229,628 | (1,067,800) | 2,443,249 | 1,067,800 |
| Unamortized bond premium/discount | 2,702,626 | 78,287 | (222,334) | 2,558,579 | - |
| Net OPEB obligation | 183,128 | 60,389 | (18,436) | 225,081 | - |
| Total governmental activities | <u>112,677,018</u> | <u>6,053,304</u> | <u>(7,133,570)</u> | <u>111,596,752</u> | <u>17,097,800</u> |
| <u>Business-type Activities</u> | | | | | |
| Liquor revenue bonds | 3,395,000 | - | (160,000) | 3,235,000 | 165,000 |
| Accrued compensated absences | 327,641 | 211,800 | (223,177) | 316,264 | 223,177 |
| Unamortized bond premium | 21,595 | - | (1,533) | 20,062 | - |
| Net OPEB obligation | 31,546 | 10,654 | (3,254) | 38,946 | - |
| Total business-type activities | <u>3,775,782</u> | <u>222,454</u> | <u>(387,964)</u> | <u>3,610,272</u> | <u>388,177</u> |
| Total governmental and business-type activities | <u>\$ 116,452,800</u> | <u>\$ 6,275,758</u> | <u>\$ (7,521,534)</u> | <u>\$ 115,207,024</u> | <u>\$ 17,485,977</u> |

Note 6 – Net Investment in Capital Assets

Net investment in capital assets as of December 31, 2013 is calculated as follows:

| | <u>Governmental</u> | <u>Business-type</u> | <u>Total</u> |
|---|-----------------------|-----------------------|-----------------------|
| Capital assets, net of depreciation | \$ 190,143,507 | \$ 108,310,808 | \$ 298,454,315 |
| Less applicable: | | | |
| Bonds payable | (59,305,000) | (3,235,000) | (62,540,000) |
| Loan payable | (1,159,843) | - | (1,159,843) |
| Unamortized bond premium/ discount (net) | (1,109,177) | (20,062) | (1,129,239) |
| Unspent bond proceeds | 1,030,007 | - | 1,030,007 |
| Invested in capital assets, net | <u>\$ 129,599,494</u> | <u>\$ 105,055,746</u> | <u>\$ 234,655,240</u> |

The City has \$45,905,000 in bonds and \$1,449,402 in bond premium/discount (net) that are unrelated in the calculation above.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 7 – Net Position (Restricted)

The government-wide Statement of Net Position reports restricted amounts in the net position section. These amounts represent assets (less any related liabilities) that have imposed restrictions placed on them by parties outside the City government. Net position restricted for debt service represents assets pledged by bond covenant to the repayment of City bond obligations. The government-wide restricted net position is as follows:

| | <u>Governmental</u> <u>Activities</u> | <u>Business-type</u> <u>Activities</u> | <u>Total</u> |
|---------------------------------------|--|---|----------------------|
| <u>Restricted Net Position</u> | | | |
| Cash and investments | \$ 14,445,875 | \$ - | \$ 14,445,875 |
| Temporarily restricted | | | |
| Cash and investments | - | 324,125 | 324,125 |
| Investments held by trustee | 23,759,815 | - | 23,759,815 |
| Receivables | 7,323,667 | - | 7,323,667 |
| Less related liabilities | <u>(27,883,413)</u> | <u>-</u> | <u>(27,883,413)</u> |
| Total restricted net position | <u>\$ 17,645,944</u> | <u>\$ 324,125</u> | <u>\$ 17,970,069</u> |

Note 8 – Construction Commitments

The City has outstanding construction and build projects as of December 31, 2013. These projects include a fuel system upgrade and other sanitary sewer projects. The City's commitments with contractors and other governmental entities are shown as follows:

| <u>Projects</u> | <u>Spent-to-Date</u> | <u>Remaining</u> <u>Commitment</u> |
|--|-----------------------------|---|
| <u>Governmental Activities</u> | | |
| Improvement Project 13-02 | \$ 4,936,917 | \$ 512,658 |
| Kenrick Avenue Trail | 1,172,545 | 298,611 |
| City of Lakeville/City of Apple Valley sanitary sewer interceptor | <u>53,591</u> | <u>55,614</u> |
| Total governmental | <u>\$ 6,163,053</u> | <u>\$ 866,883</u> |

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 9 – Fund Balances

At December 31, 2013, a summary of the governmental fund balance classification are as follows:

| | General Fund | Debt Service | | Capital Projects | | Nonmajor | Total |
|-----------------------------|---------------------|-----------------------|---------------------|---------------------|-----------------------------|---------------------|---------------------|
| | | General Obligation | G.O. Improvement | Building | Improvement Construction | | |
| Nonspendable | | | | | | | |
| Inventory | \$ 100,632 | \$ – | \$ – | \$ – | \$ – | \$ – | \$ 100,632 |
| Prepaid items | 25,382 | – | – | – | – | – | 25,382 |
| Total nonspendable | 126,014 | – | – | – | – | – | 126,014 |
| Restricted | | | | | | | |
| Debt Service | – | 27,371,659 | 2,967,285 | – | – | 2,486,636 | 32,825,580 |
| Public improvements | – | – | – | – | 1,030,007 | – | 1,030,007 |
| Street construction | – | – | – | – | – | 3,400,889 | 3,400,889 |
| Park development | – | – | – | – | – | 1,343,159 | 1,343,159 |
| Tax increment | – | – | – | – | – | 74,972 | 74,972 |
| Public communications | – | – | – | – | – | 27,403 | 27,403 |
| Special Service District | – | – | – | – | – | 14,656 | 14,656 |
| Total restricted | – | 27,371,659 | 2,967,285 | – | 1,030,007 | 7,347,715 | 38,716,666 |
| Committed | | | | | | | |
| Emerald Ash Borer | 45,000 | – | – | – | – | – | 45,000 |
| Public improvements | – | – | – | – | 212,336 | – | 212,336 |
| Public buildings | – | – | – | 1,516,976 | – | – | 1,516,976 |
| Pavement management | – | – | – | – | – | 1,500,060 | 1,500,060 |
| Storm sewer trunk system | – | – | – | – | – | 1,515,811 | 1,515,811 |
| Water trunk system | – | – | – | – | – | 2,303,521 | 2,303,521 |
| Sanitary sewer trunk system | – | – | – | – | – | 3,793,109 | 3,793,109 |
| Trail improvement | – | – | – | – | – | 925,648 | 925,648 |
| Capital acquisitions | – | – | – | – | – | 3,926,628 | 3,926,628 |
| Public communications | – | – | – | – | – | 866,873 | 866,873 |
| Economic development | – | – | – | – | – | 59,858 | 59,858 |
| Total committed | 45,000 | – | – | 1,516,976 | 212,336 | 14,891,508 | 16,665,820 |
| Unassigned | 9,495,546 | – | – | – | (221,630) | – | 9,273,916 |
| Total | \$ 9,666,560 | \$27,371,659 | \$ 2,967,285 | \$ 1,516,976 | \$ 1,020,713 | \$22,239,223 | \$64,782,416 |

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 10 – Contributed Capital Assets from Private Land Developers and City Government

The ownership of local streets, storm sewer, parks, water and sanitary sewer infrastructure capital assets that are constructed and completed during the year by private land developers becomes contributed property of the City. Storm sewer, water and sanitary sewer infrastructure assets constructed within Dakota County and State of Minnesota right-of-way boundaries also become City capital assets since they are serviced and maintained by the City. Roads and highways constructed within Dakota County and State of Minnesota right-of-way boundaries are excluded from City capital assets. The City assumed ownership of the following governmental and business-type capital assets contributed through private land developers during the current fiscal year as follows:

| <u>From Private Land Developers</u> | <u>Governmental</u> | <u>Enterprise Utility Fund</u> |
|-------------------------------------|---------------------|------------------------------------|
| Infrastructure | | |
| Streets | \$ 1,823,704 | \$ - |
| Storm sewer | 1,954,029 | - |
| Parks | 360,596 | - |
| Water | - | 1,767,490 |
| Sanitary sewer | - | 1,537,388 |
| Total | <u>\$ 4,138,329</u> | <u>\$ 3,304,878</u> |

The ownership of water and sanitary sewer infrastructure assets that are constructed and completed during the year by City governmental activities (through various funding sources at cost) becomes contributed property of the City’s enterprise utility fund. The City’s enterprise utility fund assumed ownership of the following capital assets contributed during the current fiscal year as follows:

| <u>From governmental activities</u> | <u>Utility Fund</u> |
|-------------------------------------|---------------------|
| Infrastructure | |
| Water | <u>\$ 94,958</u> |

Note 11 – Excess of Expenditures over Appropriations

For the year ended December 31, 2013, total expenditures (the legal level of budgetary control) in the special revenue downtown special service district fund exceeded appropriations. The expenditures exceeding budget of (\$9,603) were funded by available fund balance.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 12 – Interfund Transfers

The City provides financing for a variety of operations and capital projects utilizing resources from certain funds, interfund transfers used for these various activities during the current fiscal year are as follows:

| <u>Transfers From</u> | <u>Transfers To:</u> | | | | | | |
|--------------------------|----------------------|---------------------|-------------------|-------------------------|-------------------------------|---------------------------|---------------------|
| | <u>General Fund</u> | <u>Debt Service</u> | | <u>Capital Projects</u> | <u>Nonmajor Govntl. Funds</u> | <u>Enterprise Utility</u> | <u>Total</u> |
| | | <u>G.O.</u> | <u>Improve.</u> | <u>Bldg.</u> | | | |
| General fund | \$ - | \$ - | \$ - | \$ 590,000 | \$ 1,811,607 | \$ - | \$ 2,401,607 |
| Improve Const. Fund | - | - | 41,701 | - | - | - | 41,701 |
| Nonmajor govntl. funds | 65,237 | - | 238,903 | - | 2,110,473 | - | 2,414,613 |
| Total | 65,237 | - | 280,604 | 590,000 | 3,922,080 | - | 4,857,921 |
| Enterprise - Liquor | 162,488 | 100,000 | - | 648,360 | 837,738 | 1,396 | 1,749,982 |
| Enterprise - Utility | 440,431 | - | - | - | - | - | 440,431 |
| Internal service funds | 47,141 | - | - | - | - | - | 47,141 |
| Total | <u>\$ 715,297</u> | <u>\$ 100,000</u> | <u>\$ 280,604</u> | <u>\$ 1,238,360</u> | <u>\$ 4,759,818</u> | <u>\$ 1,396</u> | 7,095,475 |
| | (1) | (2) | (3) | (4) | (5)(6) | (7) | |
| Less: Utility fund | | | | | | (7) | (1,396) |
| Total governmental funds | | | | | | | <u>\$ 7,094,079</u> |

The following are explanations to interfund transfers sub-notes 1 through 9.

Abbreviation key:

(SR) special revenue fund, (DS) debt service fund, (CP) capital projects fund, (E) enterprise fund, (IS) internal service fund.

- (1) The transfers to general fund were provided mainly as overhead and maintenance costs from the following funds:

| <u>Fund</u> | <u>Amount</u> | <u>Description</u> |
|-------------------------|-------------------|---|
| Communications (SR) | \$ 65,237 | Public communications and city hall overhead costs. |
| Liquor (E) | 162,488 | Patrol, chemical awareness, and city hall overhead costs. |
| Utility (E) | 440,431 | City hall overhead costs. |
| Municipal reserves (IS) | 47,141 | City hall overhead costs. |
| Total | <u>\$ 715,297</u> | |

- (2) The total transfer to debt service general obligation fund was provided by the liquor fund (\$100,000) to be applied towards the debt service of the new station completed in 2008.
- (3) The total transfer to debt service G.O. improvement fund was provided by the improvement construction fund (\$41,701) to reduce the future special assessment fee requirements and provide adequate cash flow and by various capital projects funds (\$238,903) related to City improvement projects whereby user connection service charges are pledged towards the improvement bonds debt service requirements.

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 12 – Interfund Transfers (continued)

(4) The total transfer to capital projects building fund was provided by the general fund (\$590,000) to finance various future building maintenance, and by the enterprise liquor fund (\$640,000) to fund various building maintenance and (\$8,360) for fundraising revenues collected on behalf of the Heritage Center.

(5) The total transfer to nonmajor governmental funds (\$2,965,090) was provided from the following governmental funds:

| <u>From:</u> | <u>Amount</u> | <u>To:</u> |
|----------------------|-------------------------|---|
| General Fund | \$ 1,811,607 | Equipment (CP) for equipment acquisition |
| Tax increment (DS) | 125,500 | Storm sewer (CP) for DHY TIF district loan. |
| Park Dedication (CP) | 956,990 | Trail improvement (CP) for Kenrick Avenue Trail. |
| Water (CP) | <u>1,027,983</u> | Water revenue (DS) for debt service requirements. |
| Total other govntl. | <u><u>3,922,080</u></u> | |

(6) The total transfer to nonmajor governmental funds was provided by the enterprise liquor fund (\$837,738) to fund various equipment purchases.

(7) The total transfer to enterprise utility fund was provided by the enterprise liquor fund (\$1,396) for customer service billing overhead costs.

Included within the transfers to governmental activities from business-type activities of \$2,094,059 on the Statement of Activities is the City’s contributed capital from governmental activities to enterprise utility fund capital assets of (\$94,958).

Note 13 – Joint Powers Debt Commitment

On August 25, 2005 the City of Lakeville entered into a joint powers agreement with the Cities of Apple Valley, Burnsville, Eagan, Farmington, Hastings, Inver Grove Heights, Mendota Heights, Rosemount, South St. Paul, West St. Paul, Minnesota, and Dakota County Minnesota, to establish the Dakota Communications Center (DCC), a Minnesota nonprofit corporation. The purpose of the DCC is to engage in the operation and maintenance of a countywide public safety answering point and communications center for law enforcement, fire, emergency medical services, and other public safety services for the mutual benefit of residents residing in the above mentioned cities and county, (members). Pursuant to the joint powers agreement, members are required to provide DCC their pro rata share of cost of operations and maintenance, and capital projects.

On May 1, 2007, the DCC issued Public Safety Revenue Bonds, Series 2007 in the amount of \$7,315,000 to provide financing for the acquisition of equipment and reimbursement for conversion costs. The bonds are special obligations of the DCC, payable from revenues to be received from members. Pursuant to the joint powers agreement, members will levy taxes for the payment of their pro rata share of the principal and interest payments due on the bonds. The bonds maturing February 1, 2014, bear interest rates ranging from 4.5% - 5.0%. The debt will be re-paid with member assessments over a seven year amortization. All members reserve the right to prepay, in whole or in part on any date, its allocated share of principal and interest on the bonds. On February 19, 2013 the City paid off its allocated share in the amount of \$147,000.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 13 – Joint Powers Debt Commitment (continued)

Information regarding the Dakota Communications Center can be obtained at the website www.mn-dcc.org/stats.asp or by contacting Dennis Feller at the City of Lakeville, 20195 Holyoke Avenue, Lakeville, Minnesota 55044. Telephone 952-985-4481 or email address dfeller@lakevillemn.gov.

Note 14 – Other Post-Employment Benefits (OPEB) Plan

A. Plan Description

The City provides post-employment insurance benefits to certain eligible employees through the City's Other Post-Employment Benefits Plan, a single-employer defined benefit plan administered by the City. All post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. These benefits are summarized as follows:

Post-Employment Insurance Benefits - All retirees of the City have the option under state law to continue their medical insurance coverage through the City from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of all employee groups, the retiree must pay the full premium to continue coverage for medical and dental insurance.

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy."

This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the City.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the City, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 14 – Other Post-Employment Benefits (OPEB) Plan (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City’s net OPEB obligation to the plan:

| | |
|--|--------------------------|
| Annual required contribution | \$ 75,006 |
| Interest on net OPEB obligation | 8,587 |
| Adjustment to annual required contribution | <u>(12,550)</u> |
| Annual OPEB cost (expense) | 71,043 |
| Contributions made | <u>(21,690)</u> |
| Increase in net OPEB obligation | 49,353 |
| Net OPEB obligation - beginning of year | <u>214,674</u> |
| Net OPEB obligation - end of year | <u><u>\$ 264,027</u></u> |

The City’s annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the year are as follows:

| <u>Fiscal</u> <u>Year Ended</u> | <u>Annual</u> <u>OPEB Cost</u> | <u>Employer</u> <u>Contribution</u> | <u>Annual OPEB</u> <u>Cost Contributed</u> | <u>Net OPEB</u> <u>Obligation</u> |
|------------------------------------|-----------------------------------|--|---|--------------------------------------|
| December 31, 2011 | \$ 73,281 | \$ 11,356 | 15.5% | \$ 159,124 |
| December 31, 2012 | \$ 72,144 | \$ 16,594 | 23.0% | \$ 214,674 |
| December 31, 2013 | \$ 71,043 | \$ 21,690 | 30.5% | \$ 264,027 |

D. Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$588,458, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$588,458.

The covered payroll (annual payroll of active employees covered by the plan) was \$11,683,196, and the ratio of the UAAL to the covered payroll was 5.0 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability 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 ARC’s 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 immediately following the notes to the basic 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 LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 14 – Other Post-Employment Benefits (OPEB) Plan (continued)

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.0 percent investment rate of return (net of administrative expenses) based on the City's own investments; a 2011 annual healthcare cost trend rate of 8.0 percent, and reduced by decrements of .5 percent to an ultimate rate of 5.0 percent after six years for medical insurance. Both rates included a 2.5% inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at January 1, 2011 for the various amortization layers ranged from 27 to 30 years.

Note 15 – Risk Financing and Related Insurance Issues

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. The City purchased the following insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities: general liability, excess liability, workers compensation, property, automobile, marine, crime, employee dishonesty, boiler, petro fund, and open meeting law.

The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The LMCIT allows for the pool to make additional assessments to make the pool self-sustaining. Current state statutes (Minnesota statutes subd. 466.04) provide limits of liability for the City.

These limits are that the combination of defense expense and indemnification expense shall not exceed \$1,500,000 for any number of claims arising out of a single occurrence. The Minnesota statutory limit on claims is \$1,500,000 per occurrence. The City self-insures the risk of any potential judicial ruling in excess of the statutory maximum. The City has never had a claim in excess of the statutory maximum.

There have been no significant reductions in insurance coverage from the prior year and insurance settlements have not exceeded coverage in the past three years.

Workers compensation premiums for 2013 and 2012 were \$360,277 and \$368,868, respectively. The City is enrolled in the LMCIT workers compensation "regular" program. The LMCIT regular program provides a fixed premium based on payroll and provides no claim risk to the City as a result of high claims experience. The City's workers compensation premiums are accounted for directly in the responsible funds.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 16 – Defined Benefit Pension Plans - Statewide

A. Plan Description

All full-time and certain part-time employees of the City of Lakeville 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. The City does not have any members enrolled in the Basic Plan; therefore all new members must participate in the Coordinated Plan. All police officers are covered by 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 State Statute, and vest after five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 1.7 percent of average salary for each year of service.

For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service.

For all GERF and PEPFF 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 Coordinated Plan members hired prior to July 1, 1989.

Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan 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.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 16 – Defined Benefit Pension Plans – Statewide (continued)

A. Plan Description (continued)

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, or by writing to PERA at 60 Empire Drive #200, Saint Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

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 state statutes. GERF Coordinated Plan members were required to contribute 6.25% of their annual covered salary in 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. In 2013, the City of Lakeville was required to contribute the following percentages of annual covered payroll: 7.25% for Coordinated Plan members, and 14.4% for PEPFF members.

The City's contributions to the GERF Coordinated Plan for the years ending December 31, 2013, 2012, and 2011 were \$611,079, \$587,750, and \$596,142, respectively. The City's contributions to the PEPFF for the years ending December 31, 2013, 2012, and 2011 were \$693,976, \$679,673, and \$650,578, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Note 17 – Defined Contribution Plan – Statewide

A. Plan Description

Two Council members of the City of Lakeville 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.

B. Funding Policy

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including 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.

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 17 – Defined Contribution Plan – Statewide (continued)

B. Funding Policy (continued)

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 twenty-five hundredths of one percent of the assets in each member’s account annually. Total contributions made by the City of Lakeville for the year ending December 31, 2013 were as follows:

| <u>Contribution Amount</u> | | <u>Covered Payroll</u> | | <u>Required</u> |
|----------------------------|-----------------|------------------------|-----------------|-----------------|
| <u>Employee</u> | <u>Employer</u> | <u>Employee</u> | <u>Employer</u> | <u>Rates</u> |
| \$ 1,670 | \$ 1,670 | 5.0% | 5.0% | 5.0% |

Note 18 – Lakeville Fire Relief Association

A. Plan Description

Firefighters of the City of Lakeville Fire Department are members of the Lakeville Fire Relief Association. There are no covered salaries or related fringe benefits in connection with the Relief Association plan. Since members are volunteers, City of Lakeville contributions to the Lakeville Fire Relief Association are not based on payroll, but rather on years of active service.

The Association is the administrator of a single employer defined benefit pension plan available to firefighters that was established in 1972 and operates under the provisions of *Minnesota State Statutes* Chapter 424A. The plan is governed by a board of six members elected by the members of the Association for three year terms. One City Council member, Finance Director, and Fire Chief are ex officio, nonvoting members of the Board of Trustees.

Non-employer pension contributions include state-aid from the State of Minnesota and municipal contributions from the City of Lakeville. On-behalf state-aid payments from the State of Minnesota are received initially by the City of Lakeville and subsequently remitted to the Relief Association. These on-behalf state-aid payments in addition to the City’s municipal contribution payments to the Relief Association plan are recognized as revenues and expenditures in the City’s general fund during the period.

The Lakeville Fire Relief Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Lakeville Volunteer Firefighters’ Relief Association, 20195 Holyoke Avenue, Lakeville, Minnesota, 55044 or by calling (952) 985-4480.

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 18 – Lakeville Fire Relief Association (continued)

B. Current Plan Membership

At December 31, 2013, membership data related to the Association was as follows:

| | <u>Members</u> |
|---|-----------------------|
| Retired members entitled to benefits, but not yet receiving them | 25 |
| Active Plan Participants | |
| Vested | 5 |
| Partially vested | 33 |
| Non-vested | <u>41</u> |
| Total plan membership | <u><u>104</u></u> |

C. Benefit Provisions

Authority for payment of pension benefits is established in *Minnesota State Statute 69.77* and may be amended only by the Minnesota State Legislature.

Twenty-Year Service Pension - Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with the department before retirement and has been a member of the Association in good standing at least 7 years prior to retirement, shall be entitled to a lump sum service pension in the amount of \$6,513 (effective April 1, 2013) for each year of service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter. The Association’s benefit amount will increase to \$6,610 for calendar year 2014.

Any member who retires after 20 years of service and is under the age of 50 is placed on the deferred pension roll. In 2009, the Association amended their bylaws on March 30, 2009 which changed how interest is earned on a deferred member’s retirement account. All moneys deferred prior to the amendment shall earn interest at 5 percent compounded annually. All moneys deferred after the amendment will be placed in a separate investment account and will earn interest at the current market rate.

Seven-Year Service, but Less than Twenty-Year Service Pension - Each member who is at least 50 years of age; who has retired from the Fire Department; who has served at least 7 years of active service with the department before retirement, but has not served at least 20 years of active service; and, who has been a member of the Association in good standing at least 7 years prior to retirement, shall be entitled to a pro-rated lump sum service pension based on the percentages shown in the following table:

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 18– Lakeville Fire Relief Association (continued)

C. Benefit Provisions (continued)

| <u>For Duty of:</u> | | | | |
|---------------------|-------|------------------|-------|---------------------|
| <u>More Than</u> | | <u>Less Than</u> | | <u>% of Pension</u> |
| 7 | Years | 8 | Years | 48% |
| 8 | | 9 | | 52% |
| 9 | | 10 | | 56% |
| 10 | | 11 | | 60% |
| 11 | | 12 | | 64% |
| 12 | | 13 | | 68% |
| 13 | | 14 | | 72% |
| 14 | | 15 | | 76% |
| 15 | | 16 | | 80% |
| 16 | | 17 | | 84% |
| 17 | | 18 | | 88% |
| 18 | | 19 | | 92% |
| 19 | | 20 | | 96% |
| 20 | | - | | 100% |

The payment amount will be calculated by using the amount payable per year of service in effect at the time of such early retirement, multiplied by the number of accumulative years of service, multiplied by the appropriate percentage as defined above.

Death Benefit - Upon the death of any member who is in good standing, the Association will pay a death benefit equal to the full annual service pension amount for each year the member has served.

Disability Benefits - In the event of total permanent disability incurred in the line of duty, a member shall be eligible to collect a disability benefit in an amount equal to his/her full years of active service on the Fire Department multiplied by the base sum pension benefit. The benefit is payable immediately upon approval by the Association regardless of age. For total permanent disability not incurred in the line of duty, a member shall be paid in accordance with the seven-year partial vesting provision described above.

State Supplemental Benefits - Minnesota Statutes provide for the payment of a supplemental benefit equal to 10 percent of a regular lump sum distribution up to a maximum of \$1,000.

D. Contributions and Reserves

The Lakeville Fire Relief Association’s funding policy provides for contributions from the State of Minnesota and the City of Lakeville, in amounts sufficient to accumulate assets to pay benefits when due.

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 18 – Lakeville Fire Relief Association (continued)

D. Contributions and Reserves (continued)

The Volunteer Firefighters’ Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statutes 1980) specifies minimum contributions required on an annual basis. The minimum support rates from the municipality and state aid are determined in the amount required to meet the normal cost plus amortizing any existing prior year service costs over a closed 10-year period. The minimum contribution from the City of Lakeville and state aid is determined as follows:

Normal cost
 + Amortization payment on unfunded accrued liability prior to any change
 + Amortization contribution on unfunded accrued liability prior to any change
 = Total contribution required

Annual pension cost (APC) contributed from the State of Minnesota and the City of Lakeville for the last three years are as follows:

| <u>Year</u> | <u>State of Minnesota</u> | <u>City of Lakeville</u> | <u>Total Pension Contribution</u> | <u>APC</u> | <u>% of APC Contributed</u> | <u>Net Pension Obligation</u> |
|-------------|---------------------------|--------------------------|-----------------------------------|------------|-----------------------------|-------------------------------|
| 2013 | \$ 314,365 | \$ 60,000 | \$ 374,365 | \$ 374,365 | 100% | \$ - |
| 2012 | 221,958 | 44,804 | 266,762 | 266,762 | 100% | - |
| 2011 | 213,067 | 44,804 | 257,871 | 257,871 | 100% | - |

E. Funding Progress

| <u>Actuarial Valuation Date</u> | <u>Value of Assets</u> | <u>Actuarial Accrued Liability</u> | <u>(Unfunded) Overfunded</u> | <u>Funded Ratio</u> |
|---------------------------------|------------------------|------------------------------------|------------------------------|---------------------|
| December 31, 2013 | \$ 7,022,870 | \$ 5,674,075 | \$ 1,348,795 | 123.8% |
| 2012 | 5,852,995 | 5,485,211 | 367,784 | 106.7% |
| 2011 | 5,619,763 | 5,480,096 | 139,667 | 102.5% |

F. Additional Information:

Actuarial valuation date: August 1, 2013
 Actuarial valuation method: Fair Value
 Actuarial cost method: Entry age normal cost
 Actuarial assumptions rate of investment return: 5% per annum, compounded annually
 Annual covered payroll: None (all volunteer firefighters)
 Age and service retirement age: Assumed to occur at age 50. No turnover or early retirement
 Amortization method: Level Dollar Closed
 Amortization period: 10 Years
 Inflation rate: Not applicable

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 19 – Deferred Compensation Plan

The City offers its employees an optional deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan is available to all City employees, which permits them to tax defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Under provisions of Section 72(p) of the Internal Revenue Code, a plan may permit participant loans once 457 plan assets are held in a trust. As of the current fiscal year, the City's plan does not have a loan provision for its participants. All amounts of compensation deferred under the plan must be held in trust for the exclusive benefit of plan participants and/or beneficiaries. Investments are managed by the plan's trustee under various investment options or a combination thereof. The choice of investment options is made by the participant.

Note 20 – Litigation

There are several lawsuits pending in which the City is involved. The City Attorney has indicated that existing and pending lawsuit claims and other actions in which the City is a defendant are either covered by insurance, fully reserved for by the City, or the cases are in the early stages of discovery, and accordingly, the ultimate outcome cannot presently be determined. It is the opinion of City management that in each case the possibility of material loss, net of amounts reserved is remote.

Note 21 – Conduit Debt

On April 7, 2008, the Housing and Redevelopment Authority (HRA) of Lakeville approved the issuance of the Housing and Redevelopment Authority of Lakeville, Minnesota Education Facilities Revenue Note (All Saints School Project), Series 2008. The HRA acted as the conduit for a bank qualified tax-exempt refinancing of existing debt for All Saints School under the responsibility of All Saints Church of Lakeville, Dakota County, Minnesota, a religious corporation organized under the laws of the State of Minnesota and constituting a nonprofit corporation under the laws of the State of Minnesota. The note funds will provide non-religious portions of the renovation and equipping of, and construction of additions to, a school for grades kindergarten through 8th grade known as All Saints School, owned and operated by the All Saints Church, and located at 19795 Holyoke Avenue in Lakeville.

The HRA authorized the revenue note in the principal amount of \$2,000,000. The note provides needed financial assistance to a private-sector entity deemed to be in the public interest. Neither the HRA nor the City is obligated in any circumstance for repayment of this note, and accordingly the note is not reported as a liability in the accompanying financial statements. As of December 31, 2013, \$2,000,000 remains outstanding on this note.

Note 22 – GASB Standards Issued But Not Yet Implemented

GASB Statement No. 68 replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and Statement No. 50, "Pension Disclosures," as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit provisions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKEVILLE, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2013

| | <u>Budget As Originally Adopted</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|------------------------------------|---|-------------------------|-------------------|---|
| Revenues | | | | |
| Property taxes | | | | |
| General property taxes | | | | |
| Current | \$ 13,713,988 | \$ 13,713,988 | \$ 13,946,037 | \$ 232,049 |
| Delinquent | 289,208 | 289,208 | 160,755 | (128,453) |
| Fiscal disparities | 1,863,194 | 1,863,194 | 1,784,432 | (78,762) |
| Mobile home tax | 45,200 | 45,200 | 51,068 | 5,868 |
| Gravel tax | 8,907 | 8,907 | 19,467 | 10,560 |
| Total property taxes | <u>15,920,497</u> | <u>15,920,497</u> | <u>15,961,759</u> | <u>41,262</u> |
| Licenses and permits | <u>1,345,449</u> | <u>1,401,449</u> | <u>2,087,937</u> | <u>686,488</u> |
| Intergovernmental | | | | |
| Market value homestead credit | - | - | 2,969 | 2,969 |
| State-aid police | 342,585 | 342,585 | 378,812 | 36,227 |
| State-aid fire | 213,067 | 313,365 | 313,365 | - |
| State-aid PERA | 21,303 | 21,303 | 21,303 | - |
| State police and fire grants | 34,137 | 34,137 | 35,511 | 1,374 |
| State other grants | 8,034 | 8,034 | 662 | (7,372) |
| Federal other grants | 2,100 | 2,100 | 36,429 | 34,329 |
| County and other grants | - | - | 11,290 | 11,290 |
| Total intergovernmental | <u>621,226</u> | <u>721,524</u> | <u>800,341</u> | <u>78,817</u> |
| Charges for services | | | | |
| General government | 218,878 | 218,878 | 239,686 | 20,808 |
| Public safety | 329,189 | 399,574 | 403,240 | 3,666 |
| Public works | 522,929 | 532,529 | 814,317 | 281,788 |
| Parks and recreation | 554,744 | 582,777 | 570,662 | (12,115) |
| Total charges for services | <u>1,625,740</u> | <u>1,733,758</u> | <u>2,027,905</u> | <u>294,147</u> |
| Fines | <u>294,809</u> | <u>294,809</u> | <u>219,535</u> | <u>(75,274)</u> |
| Investment income (charges) | <u>32,735</u> | <u>32,735</u> | <u>(27,206)</u> | <u>(59,941)</u> |

(continued)

CITY OF LAKEVILLE, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2013

| | <u>Budget As Originally Adopted</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|-------------------------------|---|-------------------------|-------------------|---|
| Revenues (continued) | | | | |
| Donations | \$ 15,454 | \$ 39,047 | \$ 44,260 | \$ 5,213 |
| Miscellaneous | 54,971 | 54,971 | 59,252 | 4,281 |
| Total revenues | <u>19,910,881</u> | <u>20,198,790</u> | <u>21,173,783</u> | <u>974,993</u> |
| Expenditures | | | | |
| General government | | | | |
| Mayor and Council | | | | |
| Personnel services | 49,740 | 49,740 | 46,444 | 3,296 |
| Commodities | 50 | 50 | - | 50 |
| Other charges and services | <u>45,485</u> | <u>46,323</u> | <u>45,317</u> | <u>1,006</u> |
| Total Mayor and Council | <u>95,275</u> | <u>96,113</u> | <u>91,761</u> | <u>4,352</u> |
| Committees/Commissions | | | | |
| Personnel services | 63,001 | 63,001 | 46,370 | 16,631 |
| Commodities | 1,884 | 1,884 | 1,475 | 409 |
| Other charges and services | <u>17,387</u> | <u>17,387</u> | <u>8,761</u> | <u>8,626</u> |
| Total committees/commissions | <u>82,272</u> | <u>82,272</u> | <u>56,606</u> | <u>25,666</u> |
| City administration | | | | |
| Personnel services | 377,823 | 381,850 | 333,559 | 48,291 |
| Commodities | 1,125 | 1,125 | 540 | 585 |
| Other charges and services | 12,957 | 12,957 | 12,077 | 880 |
| Capital outlay | <u>1,064</u> | <u>1,064</u> | <u>1,104</u> | <u>(40)</u> |
| Total city administration | <u>392,969</u> | <u>396,996</u> | <u>347,280</u> | <u>49,716</u> |

(continued)

CITY OF LAKEVILLE, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2013

| | <u>Budget As Originally Adopted</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|---|-------------------------|----------------|---|
| Expenditures (continued) | | | | |
| General government (continued) | | | | |
| City Clerk | | | | |
| Personnel services | \$ 102,214 | \$ 102,214 | \$ 101,468 | \$ 746 |
| Commodities | 300 | 300 | 88 | 212 |
| Other charges and services | <u>12,450</u> | <u>12,450</u> | <u>12,748</u> | <u>(298)</u> |
| Total City Clerk | <u>114,964</u> | <u>114,964</u> | <u>114,304</u> | <u>660</u> |
| Legal counsel | | | | |
| Other charges and services | <u>65,132</u> | <u>79,952</u> | <u>72,033</u> | <u>7,919</u> |
| Planning | | | | |
| Personnel services | 375,280 | 385,164 | 347,116 | 38,048 |
| Commodities | 2,150 | 2,150 | 1,114 | 1,036 |
| Other charges and services | 15,404 | 15,404 | 12,334 | 3,070 |
| Capital outlay | <u>-</u> | <u>-</u> | <u>592</u> | <u>(592)</u> |
| Total planning | <u>392,834</u> | <u>402,718</u> | <u>361,156</u> | <u>41,562</u> |
| Community and economic development | | | | |
| Personnel services | 259,210 | 261,377 | 262,090 | (713) |
| Commodities | 205 | 205 | 232 | (27) |
| Other charges and services | <u>41,006</u> | <u>41,006</u> | <u>31,191</u> | <u>9,815</u> |
| Total community and economic development | <u>300,421</u> | <u>302,588</u> | <u>293,513</u> | <u>9,075</u> |
| Inspections | | | | |
| Personnel services | 646,267 | 650,880 | 645,754 | 5,126 |
| Commodities | 15,849 | 15,849 | 13,118 | 2,731 |
| Other charges and services | 111,749 | 167,749 | 159,290 | 8,459 |
| Capital outlay | <u>21,113</u> | <u>21,113</u> | <u>22,675</u> | <u>(1,562)</u> |
| Total inspections | <u>794,978</u> | <u>855,591</u> | <u>840,837</u> | <u>14,754</u> |

(continued)

CITY OF LAKEVILLE, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2013

| | <u>Budget As Originally Adopted</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---------------------------------------|---|-------------------------|------------------|---|
| Expenditures (continued) | | | | |
| General government (continued) | | | | |
| General government facilities | | | | |
| Personnel services | \$ 193,426 | \$ 193,426 | \$ 191,568 | \$ 1,858 |
| Commodities | 28,335 | 28,335 | 12,111 | 16,224 |
| Other charges and services | 221,046 | 221,046 | 196,920 | 24,126 |
| Capital outlay | - | - | 425 | (425) |
| | <u>442,807</u> | <u>442,807</u> | <u>401,024</u> | <u>41,783</u> |
| Total general government facilities | | | | |
| Finance | | | | |
| Personnel services | 541,266 | 550,642 | 547,910 | 2,732 |
| Commodities | 3,700 | 3,700 | 2,676 | 1,024 |
| Other charges and services | <u>65,168</u> | <u>65,168</u> | <u>62,317</u> | <u>2,851</u> |
| | <u>610,134</u> | <u>619,510</u> | <u>612,903</u> | <u>6,607</u> |
| Total finance | | | | |
| Information systems | | | | |
| Personnel services | 312,362 | 315,596 | 298,042 | 17,554 |
| Commodities | 6,098 | 6,098 | 6,047 | 51 |
| Other charges and services | <u>162,859</u> | <u>162,859</u> | <u>156,096</u> | <u>6,763</u> |
| | <u>481,319</u> | <u>484,553</u> | <u>460,185</u> | <u>24,368</u> |
| Total information systems | | | | |
| Human resources | | | | |
| Personnel services | 256,429 | 256,429 | 256,922 | (493) |
| Commodities | 1,828 | 1,828 | 1,379 | 449 |
| Other charges and services | <u>104,938</u> | <u>104,938</u> | <u>76,145</u> | <u>28,793</u> |
| | <u>363,195</u> | <u>363,195</u> | <u>334,446</u> | <u>28,749</u> |
| Total human resources | | | | |
| Insurance coverage | | | | |
| Other charges and services | <u>227,420</u> | <u>227,420</u> | <u>227,420</u> | <u>-</u> |
| | <u>4,363,720</u> | <u>4,468,679</u> | <u>4,213,468</u> | <u>255,211</u> |
| Total general government | | | | |

(continued)

CITY OF LAKEVILLE, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2013

| | <u>Budget As Originally Adopted</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---------------------------------|---|-------------------------|-------------------|---|
| Expenditures (continued) | | | | |
| Public safety | | | | |
| Police | | | | |
| Personnel services | \$ 6,701,950 | \$ 6,776,903 | \$ 6,687,966 | \$ 88,937 |
| Commodities | 362,209 | 362,209 | 352,933 | 9,276 |
| Other charges and services | 1,672,061 | 1,672,061 | 1,603,328 | 68,733 |
| Capital outlay | - | - | 4,124 | (4,124) |
| Total police | <u>8,736,220</u> | <u>8,811,173</u> | <u>8,648,351</u> | <u>162,822</u> |
| Fire protection | | | | |
| Personnel services | 1,018,520 | 1,118,818 | 1,091,666 | 27,152 |
| Commodities | 139,497 | 139,497 | 129,792 | 9,705 |
| Other charges and services | 286,515 | 286,515 | 248,273 | 38,242 |
| Total fire protection | <u>1,444,532</u> | <u>1,544,830</u> | <u>1,469,731</u> | <u>75,099</u> |
| Total public safety | <u>10,180,752</u> | <u>10,356,003</u> | <u>10,118,082</u> | <u>237,921</u> |
| Public works | | | | |
| Engineering | | | | |
| Personnel services | 617,554 | 568,554 | 545,865 | 22,689 |
| Commodities | 11,157 | 11,157 | 8,450 | 2,707 |
| Other charges and services | 64,643 | 113,643 | 111,775 | 1,868 |
| Total engineering | <u>693,354</u> | <u>693,354</u> | <u>666,090</u> | <u>27,264</u> |
| Street maintenance | | | | |
| Personnel services | 1,615,045 | 1,615,045 | 1,704,869 | (89,824) |
| Commodities | 746,444 | 805,726 | 1,107,228 | (301,502) |
| Other charges and services | 272,914 | 272,914 | 288,478 | (15,564) |
| Capital outlay | - | - | 282 | (282) |
| Total street maintenance | <u>2,634,403</u> | <u>2,693,685</u> | <u>3,100,857</u> | <u>(407,172)</u> |
| Total public works | <u>3,327,757</u> | <u>3,387,039</u> | <u>3,766,947</u> | <u>(379,908)</u> |

(continued)

CITY OF LAKEVILLE, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2013

| | <u>Budget As Originally Adopted</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|---|-------------------------|-------------------|---|
| Expenditures (continued) | | | | |
| Parks and recreation | | | | |
| Park maintenance | | | | |
| Personnel services | \$ 1,553,930 | \$ 1,555,721 | \$ 1,482,546 | \$ 73,175 |
| Commodities | 258,468 | 258,468 | 259,211 | (743) |
| Other charges and services | 390,146 | 413,739 | 392,754 | 20,985 |
| Capital outlay | <u>-</u> | <u>-</u> | <u>592</u> | <u>(592)</u> |
| Total park maintenance | <u>2,202,544</u> | <u>2,227,928</u> | <u>2,135,103</u> | <u>92,825</u> |
| Recreation | | | | |
| Personnel services | 333,475 | 333,475 | 330,903 | 2,572 |
| Commodities | 28,969 | 28,969 | 21,625 | 7,344 |
| Other charges and services | 215,057 | 215,057 | 208,911 | 6,146 |
| Capital outlay | <u>976</u> | <u>976</u> | <u>1,236</u> | <u>(260)</u> |
| Total recreation | <u>578,477</u> | <u>578,477</u> | <u>562,675</u> | <u>15,802</u> |
| Heritage Center | | | | |
| Personnel services | 32,923 | 32,923 | 28,307 | 4,616 |
| Commodities | 1,425 | 7,026 | 4,158 | 2,868 |
| Other charges and services | 38,257 | 47,559 | 51,595 | (4,036) |
| Capital outlay | <u>-</u> | <u>13,130</u> | <u>6,359</u> | <u>6,771</u> |
| Total heritage center | <u>72,605</u> | <u>100,638</u> | <u>90,419</u> | <u>10,219</u> |
| Arts Center | | | | |
| Personnel services | 251,031 | 251,031 | 236,978 | 14,053 |
| Commodities | 13,525 | 13,525 | 16,512 | (2,987) |
| Other charges and services | <u>151,492</u> | <u>151,492</u> | <u>172,504</u> | <u>(21,012)</u> |
| Total arts center | <u>416,048</u> | <u>416,048</u> | <u>425,994</u> | <u>(9,946)</u> |
| Total parks and recreation | <u>3,269,674</u> | <u>3,323,091</u> | <u>3,214,191</u> | <u>108,900</u> |
| Other | <u>105,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total expenditures | <u>21,246,903</u> | <u>21,534,812</u> | <u>21,312,688</u> | <u>222,124</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,336,022)</u> | <u>(1,336,022)</u> | <u>(138,905)</u> | <u>1,197,117</u> |

(continued)

CITY OF LAKEVILLE, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2013

| | <u>Budget As Originally Adopted</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|--|---|-------------------------|---------------------|---|
| (continued) | | | | |
| Other financing sources (uses) | | | | |
| Transfers from/(to) | | | | |
| Special Revenue - Communications Fund | \$ 65,237 | \$ 65,237 | \$ 65,237 | \$ - |
| Capital Projects - Building Fund | | (590,000) | (590,000) | - |
| Capital Projects - Equipment Fund | - | (1,811,607) | (1,811,607) | - |
| Enterprise - Liquor Fund | 162,488 | 162,488 | 162,488 | - |
| Enterprise - Utility Fund | 440,431 | 440,431 | 440,431 | - |
| Internal Service - Municipal Reserves Fund | <u>47,141</u> | <u>47,141</u> | <u>47,141</u> | <u>-</u> |
| Total other financing sources (uses) | <u>715,297</u> | <u>(1,686,310)</u> | <u>(1,686,310)</u> | <u>-</u> |
| Net change in fund balance | <u>\$ (620,725)</u> | <u>\$ (3,022,332)</u> | <u>(1,825,215)</u> | <u>\$1,197,117</u> |
| Fund balance, January 1 | | | <u>11,491,775</u> | |
| Fund balance, December 31 | | | <u>\$ 9,666,560</u> | |

CITY OF LAKEVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2013

A. Budgetary Information

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principals. Annual appropriated budgets are adopted for the General Fund and Special Revenue Funds. Budgeted amounts are as originally adopted or as amended by the City Council. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits a proposed operating budget to the City Council.
2. Public hearings are conducted to obtain taxpayer comments.
3. Upon Council approval the budget is legally adopted and employs formal budgetary integration during the year.
4. Expenditures may legally exceed budgeted appropriations at the fund level through City Council action.
5. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the department level for the General Fund and total expenditures for the Special Revenue Funds. The City Administrator has authorization to expend funds in excess of the appropriation for individual line items.
6. Budget appropriations of all funds lapse at year-end to the extent they were not encumbered. Encumbrances are re-appropriated in the following year's budget.

CITY OF LAKEVILLE, MINNESOTA

OTHER POST-EMPLOYMENT BENEFITS PLAN - SCHEDULE OF FUNDING PROGRESS

DECEMBER 31, 2013

| Actuarial Valuation Date | Actuarial Accrued Liability | Actuarial Value of Plan Assets | Unfunded Actuarial Accrued Liability | Funded Ratio | Covered Payroll | Unfunded Liability as a Percentage of Payroll |
|---|--|---|---|-------------------------|----------------------------|--|
| Janaury 1, 2008 | \$ 290,424 | \$ - | \$ 290,424 | - | \$ 11,365,890 | 2.6% |
| Janaury 1, 2011 | \$ 588,458 | \$ - | \$ 588,458 | - | \$ 11,683,196 | 5.0% |

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds - These funds are used to account for revenues and expenditures that have a legally restricted use for a specific purpose.

Communications Fund

This fund accounts for franchise fees from cable TV provider operations. Expenditures and other financing uses are used to finance the City's cable TV channels and public communications, including long-term replacement of equipment.

Economic Development Fund

This fund accounts for a \$125,000 Economic Recovery Grant received from the State of Minnesota Department of Trade and Economic Development in 1995. The grant purpose is to provide loans to businesses expanding in or locating to Lakeville. The fund also accounts for administrative fees received from the issuance of conduit debt.

Downtown Special Service District Fund

The Downtown Special Service District was created in 1998 pursuant to Minnesota Statute 428A. A service charge, payable with property taxes, is levied against the commercial properties in the Downtown Business District for the purpose of financing budgeted programs and activities within the District.

Debt Service Funds – These funds account for the accumulation of resources that are restricted to the payment of long-term debt principal and interest, but excluding debt issued for and serviced by an enterprise fund.

Tax Increment Fund

Debt issued to finance construction of public improvements in accordance with approved tax increment plans. Property tax increments received from designated tax increment financing districts are pledged to the payment of the bonds.

State-aid Revenue Fund

Debt issued to finance construction of State-aid street projects within the City. The primary revenue source is municipal state aid allotments from the State of Minnesota Department of Transportation.

Water Revenue Fund

Debt issued to finance the construction of wells, pump houses, towers, water main systems, and the City's water treatment facility. Water connection fees are pledged toward the repayment of the principal and interest on these bonds.

Arena Revenue Fund

Debt issued for the construction of the Lakeville Ames Ice Arena first and second sheet of ice, spectator seating and locker rooms. Revenue sources include donations from net operating ice arena revenues and other sources pledged to the payment of the bonds. The Ice Center Refunding Bonds, Series 2008 A and the 2005 Capital Dehumidification Lease-Purchase agreement are general obligations that are backed by the full-faith and credit of the City. The Gross Revenue Recreation Facility Bonds of 1999 are not general obligations and accordingly are not backed by the full-faith and credit of the City.

(continued)

NONMAJOR GOVERNMENTAL FUNDS

Debt Service Funds (continued)

HRA Revenue Fund

The HRA also issued the HRA Ice Arena Lease Revenue Bonds, Series 2006 for the Hasse single sheet ice arena facility. Debt service will be payable from property taxes and lease payments to be made to the City pursuant to the lease agreement between the Authority and Independent School District 194. These HRA bonds are not general obligations and accordingly are not backed by the full-faith and credit of the City.

Capital Projects Funds – These funds account for financial resources used in the acquisition of capital facilities, equipment, and infrastructure (except those financed by enterprise funds).

Municipal State-aid Fund

This fund accounts for an annual allotment from the State of Minnesota Municipal State-aid street construction account.

Pavement Management Fund

This fund accounts for pavement management activities relating to cracksealing, patching, seal coating and overlays. These major maintenance projects are financed with property taxes.

Storm Sewer Fund

This fund accounts for fees and area charges to land developers for construction of storm sewer systems.

Water Fund

This fund accounts for revenues derived primarily from connection charges collected at the time building permits are issued and antenna site leases with wireless communications companies. Funds are appropriated towards the construction costs of water supply lines, wells and water storage facilities, and provide the debt service to bonds issued to finance the construction of the City's water treatment facility and other trunk infrastructure improvements.

Sanitary Sewer Fund

This fund accounts for sewer connection and area fees charged to land developers for connecting to the City's sanitary sewer system, appropriations are applied to the construction of sanitary sewer trunk systems.

Park Dedication Fund

This fund accounts for park dedication fees received from land developers. The expenditures consist of acquiring and developing City parks and trails.

Trail Improvement Fund

This fund accounts for the long term maintenance, repairs and replacement of City trails.

Tax Increment Fund

This fund accounts for revenue received from tax increment property districts that does not require debt financing. The expenditures are for current and future development of tax increment property.

Equipment Fund

This fund accounts for the purchase of equipment for general government, public safety, public works, and park maintenance.

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

| | <u>Special Revenue Funds</u> | <u>Debt Service Funds</u> | <u>Capital Projects Funds</u> | <u>Total Nonmajor Governmental Funds</u> |
|--|--------------------------------------|-----------------------------------|---------------------------------------|--|
| Assets | | | | |
| Cash and investments | \$ 814,307 | \$ 1,727,298 | \$ 18,962,700 | \$ 21,504,305 |
| Investments held by trustee | - | 695,318 | - | 695,318 |
| Interest receivable | 3,623 | 4,427 | 68,820 | 76,870 |
| Taxes receivable | | | | |
| Unremitted | - | 15,392 | 112,565 | 127,957 |
| Delinquent | - | 4,487 | 27,990 | 32,477 |
| Accounts receivable | 169,076 | 47,500 | 327,399 | 543,975 |
| Special assessments | | | | |
| Unremitted | - | - | 3,959 | 3,959 |
| Delinquent | - | - | 1,022 | 1,022 |
| Deferred | - | - | 186,633 | 186,633 |
| Other | - | - | 321,953 | 321,953 |
| Total assets | <u>\$ 987,006</u> | <u>\$ 2,494,422</u> | <u>\$ 20,013,041</u> | <u>\$ 23,494,469</u> |
| Liabilities | | | | |
| Salaries payable | \$ 7,631 | \$ - | \$ - | \$ 7,631 |
| Accounts payable | 9,885 | 3,299 | 263,257 | 276,441 |
| Contracts payable | - | - | 340,054 | 340,054 |
| Deposits payable | - | - | 88,335 | 88,335 |
| Total liabilities | 17,516 | 3,299 | 691,646 | 712,461 |
| Deferred inflows of resources | | | | |
| Unavailable revenue - taxes | | 4,487 | 27,990 | 32,477 |
| Unavailable revenue - special assessments | | | 509,608 | 509,608 |
| Unavailable revenue - other | 700 | - | - | 700 |
| Total deferred inflows of resources | 700 | 4,487 | 537,598 | 542,785 |
| Fund balance | | | | |
| Restricted | 42,059 | 2,486,636 | 4,819,020 | 7,347,715 |
| Committed | 926,731 | - | 13,964,777 | 14,891,508 |
| Total fund balance | <u>968,790</u> | <u>2,486,636</u> | <u>18,783,797</u> | <u>22,239,223</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 987,006</u> | <u>\$ 2,494,422</u> | <u>\$ 20,013,041</u> | <u>\$ 23,494,469</u> |

CITY OF LAKEVILLE, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2013

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Total Nonmajor Governmental Funds |
|---|--------------------------------------|-----------------------------------|---------------------------------------|--|
| Revenues | | | | |
| Property taxes | \$ - | \$ 282,840 | \$ 1,811,600 | \$ 2,094,440 |
| Tax increment | - | 669,288 | 190,148 | 859,436 |
| Licenses and permits | 639,557 | - | - | 639,557 |
| Intergovernmental | 223,256 | 847,628 | 1,322,727 | 2,393,611 |
| Charges for services | 57,370 | 372,696 | 4,447,438 | 4,877,504 |
| Special assessments | - | - | 52,319 | 52,319 |
| Investment income (charges) | (2,576) | (1,288) | (48,935) | (52,799) |
| Donations | - | 95,000 | 10,018 | 105,018 |
| Miscellaneous | 6 | - | 576,586 | 576,592 |
| Total revenues | <u>917,613</u> | <u>2,266,164</u> | <u>8,361,901</u> | <u>11,545,678</u> |
| Expenditures - current | | | | |
| General government | <u>586,103</u> | | | <u>586,103</u> |
| Expenditures - capital outlay | | | | |
| General government | 172,972 | | 422,525 | 595,497 |
| Public safety | - | | 797,693 | 797,693 |
| Public works | - | | 2,274,349 | 2,274,349 |
| Parks and recreation | - | | 2,542,010 | 2,542,010 |
| Total expenditures - capital outlay | <u>172,972</u> | | <u>6,036,577</u> | <u>6,209,549</u> |
| Expenditures - debt service | | | | |
| Principal bond maturities | | 2,345,000 | | 2,345,000 |
| Interest on debt | | 821,644 | | 821,644 |
| Fiscal charges | | 10,417 | | 10,417 |
| Total expenditures - debt service | | <u>3,177,061</u> | | <u>3,177,061</u> |
| Total expenditures | <u>759,075</u> | <u>3,177,061</u> | <u>6,036,577</u> | <u>9,972,713</u> |
| Excess (deficiency) of revenues over expenditures | <u>158,538</u> | <u>(910,897)</u> | <u>2,325,324</u> | <u>1,572,965</u> |
| Other financing sources (uses) | | | | |
| Transfers from other funds | - | 1,027,983 | 3,731,835 | 4,759,818 |
| Transfers to other funds | <u>(65,237)</u> | <u>(125,500)</u> | <u>(2,223,876)</u> | <u>(2,414,613)</u> |
| Total other financing sources (uses) | <u>(65,237)</u> | <u>902,483</u> | <u>1,507,959</u> | <u>2,345,205</u> |
| Net change in fund balance | 93,301 | (8,414) | 3,833,283 | 3,918,170 |
| Fund balance, January 1 | <u>875,489</u> | <u>2,495,050</u> | <u>14,950,514</u> | <u>18,321,053</u> |
| Fund balance, December 31 | <u>\$ 968,790</u> | <u>\$ 2,486,636</u> | <u>\$ 18,783,797</u> | <u>\$ 22,239,223</u> |

CITY OF LAKEVILLE, MINNESOTA
SPECIAL REVENUE FUNDS (NONMAJOR)
COMBINING BALANCE SHEET
DECEMBER 31, 2013

| | <u>Communications</u> | <u>Economic Development</u> | <u>Downtown Special Service District</u> | <u>Total</u> |
|--|-----------------------|---------------------------------|--|-------------------|
| Assets | | | | |
| Cash and investments | \$ 740,113 | \$ 59,590 | \$ 14,604 | \$ 814,307 |
| Interest receivable | 3,355 | 268 | - | 3,623 |
| Accounts receivable | <u>168,324</u> | <u>-</u> | <u>752</u> | <u>169,076</u> |
| Total assets | <u>\$ 911,792</u> | <u>\$ 59,858</u> | <u>\$ 15,356</u> | <u>\$ 987,006</u> |
| Liabilities | | | | |
| Salaries payable | \$ 7,631 | \$ - | \$ - | \$ 7,631 |
| Accounts payable | <u>9,885</u> | <u>-</u> | <u>-</u> | <u>9,885</u> |
| Total liabilities | 17,516 | - | - | 17,516 |
| Deferred inflows of resources | | | | |
| Unavailable revenue - other | <u>-</u> | <u>-</u> | <u>700</u> | <u>700</u> |
| Fund balance | | | | |
| Restricted | 27,403 | - | 14,656 | 42,059 |
| Committed | <u>866,873</u> | <u>59,858</u> | <u>-</u> | <u>926,731</u> |
| Total fund balance | <u>894,276</u> | <u>59,858</u> | <u>14,656</u> | <u>968,790</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 911,792</u> | <u>\$ 59,858</u> | <u>\$ 15,356</u> | <u>\$ 987,006</u> |

CITY OF LAKEVILLE, MINNESOTA

SPECIAL REVENUE FUNDS (NONMAJOR)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2013

| | <u>Communications</u> | <u>Economic Development</u> | <u>Downtown Special Service District</u> | <u>Total</u> |
|---|-----------------------|---------------------------------|--|-------------------|
| Revenues | | | | |
| Licenses and permits | \$ 639,557 | \$ - | \$ - | \$ 639,557 |
| Intergovernmental | | | | |
| Federal grants | 54,450 | 143,675 | - | 198,125 |
| State-aid PERA | 516 | - | - | 516 |
| County and local grants | | 24,615 | | 24,615 |
| Charges for services | 27,403 | 2,500 | 27,467 | 57,370 |
| Investment income (charges) | (2,385) | (191) | - | (2,576) |
| Miscellaneous | 6 | - | - | 6 |
| Total revenues | <u>719,547</u> | <u>170,599</u> | <u>27,467</u> | <u>917,613</u> |
| Expenditures | | | | |
| Current | | | | |
| General government | 500,312 | 47,177 | 38,614 | 586,103 |
| Capital outlay | | | | |
| General government | 42,632 | 130,340 | - | 172,972 |
| Total expenditures | <u>542,944</u> | <u>177,517</u> | <u>38,614</u> | <u>759,075</u> |
| Excess (deficiency) of revenues over expenditures | <u>176,603</u> | <u>(6,918)</u> | <u>(11,147)</u> | <u>158,538</u> |
| Other financing uses | | | | |
| Transfer to | | | | |
| General Fund | <u>(65,237)</u> | <u>-</u> | <u>-</u> | <u>(65,237)</u> |
| Net change in fund balance | 111,366 | (6,918) | (11,147) | 93,301 |
| Fund balance, January 1 | <u>782,910</u> | <u>66,776</u> | <u>25,803</u> | <u>875,489</u> |
| Fund balance, December 31 | <u>\$ 894,276</u> | <u>\$ 59,858</u> | <u>\$ 14,656</u> | <u>\$ 968,790</u> |

CITY OF LAKEVILLE, MINNESOTA
DEBT SERVICE FUNDS (NONMAJOR)
COMBINING BALANCE SHEET
DECEMBER 31, 2013

| | Bonds | | | | | Total |
|--|--------------------------|------------------------------|--------------------------|--------------------------|------------------------|---------------------|
| | Tax Increment | State-aid Revenue | Water Revenue | Arena Revenue | HRA Revenue | |
| Assets | | | | | | |
| Cash and investments | \$ 1,154,992 | \$ 26,837 | \$ - | \$ 211,112 | \$ 334,357 | \$ 1,727,298 |
| Investments held by trustee | | | | | 695,318 | 695,318 |
| Interest receivable | 3,222 | 126 | - | 770 | 309 | 4,427 |
| Taxes receivable | | | | | | |
| Unremitted | (2,017) | - | - | - | 17,409 | 15,392 |
| Delinquent | 128 | - | - | - | 4,359 | 4,487 |
| Accounts receivable | - | - | - | 47,500 | - | 47,500 |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>47,500</u> | <u>-</u> | <u>47,500</u> |
| Total assets | <u>\$ 1,156,325</u> | <u>\$ 26,963</u> | <u>\$ -</u> | <u>\$ 259,382</u> | <u>\$ 1,051,752</u> | <u>\$ 2,494,422</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ 59 | \$ 490 | \$ - | \$ - | \$ 2,750 | \$ 3,299 |
| Deferred inflows of resources | | | | | | |
| Unavailable revenue - taxes | 128 | - | - | - | 4,359 | 4,487 |
| Fund balance | | | | | | |
| Restricted for debt service | <u>1,156,138</u> | <u>26,473</u> | <u>-</u> | <u>259,382</u> | <u>1,044,643</u> | <u>2,486,636</u> |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 1,156,325</u> | <u>\$ 26,963</u> | <u>\$ -</u> | <u>\$ 259,382</u> | <u>\$ 1,051,752</u> | <u>\$ 2,494,422</u> |

CITY OF LAKEVILLE, MINNESOTA

DEBT SERVICE FUNDS (NONMAJOR)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2013

| | Bonds | | | | | Total |
|--|--------------------------|------------------------------|--------------------------|--------------------------|------------------------|---------------------|
| | Tax Increment | State-aid Revenue | Water Revenue | Arena Revenue | HRA Revenue | |
| Revenues | | | | | | |
| Property taxes | | | | | | |
| Current and delinquent | \$ 247 | \$ - | \$ - | \$ - | \$ 250,667 | \$ 250,914 |
| Fiscal disparities | - | - | - | - | 31,926 | 31,926 |
| Total property taxes | 247 | - | - | - | 282,593 | 282,840 |
| Tax increment | 669,288 | - | - | - | - | 669,288 |
| Intergovernmental - State-aid | - | 847,628 | - | - | - | 847,628 |
| Charges for services | - | - | - | 88,626 | 284,070 | 372,696 |
| Investment income (charges) | (2,291) | (90) | - | (547) | 1,640 | (1,288) |
| Donations | - | - | - | 95,000 | - | 95,000 |
| Total revenues | <u>667,244</u> | <u>847,538</u> | <u>-</u> | <u>183,079</u> | <u>568,303</u> | <u>2,266,164</u> |
| Expenditures - debt service | | | | | | |
| Principal bond maturities | 420,000 | 690,000 | 895,000 | 130,000 | 210,000 | 2,345,000 |
| Interest on debt | 98,011 | 157,628 | 132,500 | 51,830 | 381,675 | 821,644 |
| Fiscal charges | 3,753 | 1,029 | 483 | 323 | 4,829 | 10,417 |
| Total expenditures - debt service | <u>521,764</u> | <u>848,657</u> | <u>1,027,983</u> | <u>182,153</u> | <u>596,504</u> | <u>3,177,061</u> |
| Excess (deficiency) of revenues over expenditures | <u>145,480</u> | <u>(1,119)</u> | <u>(1,027,983)</u> | <u>926</u> | <u>(28,201)</u> | <u>(910,897)</u> |
| Other financing sources (uses) | | | | | | |
| Transfer from/(to) | | | | | | |
| Capital Projects | | | | | | |
| Storm Sewer Fund | (125,500) | - | - | - | - | (125,500) |
| Water Fund | - | - | 1,027,983 | - | - | 1,027,983 |
| Total other financing sources (uses) | <u>(125,500)</u> | <u>-</u> | <u>1,027,983</u> | <u>-</u> | <u>-</u> | <u>902,483</u> |
| Net change in fund balance | 19,980 | (1,119) | - | 926 | (28,201) | (8,414) |
| Fund balance, January 1 | <u>1,136,158</u> | <u>27,592</u> | <u>-</u> | <u>258,456</u> | <u>1,072,844</u> | <u>2,495,050</u> |
| Fund balance, December 31 | <u>\$ 1,156,138</u> | <u>\$ 26,473</u> | <u>\$ -</u> | <u>\$ 259,382</u> | <u>\$ 1,044,643</u> | <u>\$ 2,486,636</u> |

CITY OF LAKEVILLE, MINNESOTA
CAPITAL PROJECTS FUNDS (NONMAJOR)
COMBINING BALANCE SHEET
DECEMBER 31, 2013

| | <u>Municipal</u> | <u>Pavement</u> | <u>Storm</u> | | <u>Sanitary</u> | <u>Park</u> | <u>Trail</u> | <u>Tax</u> | <u>Equipment</u> | <u>Total</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------|---------------------|----------------------|
| | <u>State-aid</u> | <u>Management</u> | <u>Sewer</u> | <u>Water</u> | <u>Sewer</u> | <u>Dedication</u> | <u>Improvement</u> | <u>Increment</u> | | |
| Assets | | | | | | | | | | |
| Cash and investments | \$ 3,386,150 | \$ 1,483,210 | \$ 1,510,229 | \$ 2,355,188 | \$ 3,801,972 | \$ 1,339,330 | \$ 1,009,347 | \$ 145,373 | \$ 3,931,901 | \$ 18,962,700 |
| Interest receivable | 14,739 | 5,588 | 5,237 | 6,347 | 15,437 | 8,520 | 3,821 | 314 | 8,817 | 68,820 |
| Taxes receivable | | | | | | | | | | |
| Unremitted | - | 75,235 | - | - | - | - | - | 1,253 | 36,077 | 112,565 |
| Delinquent | - | 18,633 | - | - | - | - | - | 632 | 8,725 | 27,990 |
| Accounts receivable | - | - | 345 | - | - | - | 327,054 | - | - | 327,399 |
| Special assessments | | | | | | | | | | |
| Unremitted | - | 2,131 | - | 2 | 1,826 | - | - | - | - | 3,959 |
| Delinquent | - | 1,022 | - | - | - | - | - | - | - | 1,022 |
| Deferred | - | 2,978 | 1,615 | 103,436 | 78,364 | 240 | - | - | - | 186,633 |
| Other | - | - | 59,530 | 44,967 | 217,456 | - | - | - | - | 321,953 |
| Total assets | \$ 3,400,889 | \$ 1,588,797 | \$ 1,576,956 | \$ 2,509,940 | \$ 4,115,055 | \$ 1,348,090 | \$ 1,340,222 | \$ 147,572 | \$ 3,985,520 | \$ 20,013,041 |
| Liabilities | | | | | | | | | | |
| Accounts payable | \$ - | \$ 66,104 | \$ - | \$ - | \$ - | \$ 498 | \$ 74,520 | \$ 71,968 | \$ 50,167 | \$ 263,257 |
| Contracts payable | - | - | - | - | - | - | 340,054 | - | - | 340,054 |
| Deposits payable | - | - | - | 58,016 | 26,126 | 4,193 | - | - | - | 88,335 |
| Total liabilities | - | 66,104 | - | 58,016 | 26,126 | 4,691 | 414,574 | 71,968 | 50,167 | 691,646 |
| Deferred inflows of resources | | | | | | | | | | |
| Unavailable revenue - taxes | - | 18,633 | - | - | - | - | - | 632 | 8,725 | 27,990 |
| Unavailable revenue - special assessments | - | 4,000 | 61,145 | 148,403 | 295,820 | 240 | - | - | - | 509,608 |
| Total deferred inflows of resources | - | 22,633 | 61,145 | 148,403 | 295,820 | 240 | - | 632 | 8,725 | 537,598 |
| Fund balance | | | | | | | | | | |
| Restricted | 3,400,889 | - | - | - | - | 1,343,159 | - | 74,972 | - | 4,819,020 |
| Committed | - | 1,500,060 | 1,515,811 | 2,303,521 | 3,793,109 | - | 925,648 | - | 3,926,628 | 13,964,777 |
| Total fund balance | 3,400,889 | 1,500,060 | 1,515,811 | 2,303,521 | 3,793,109 | 1,343,159 | 925,648 | 74,972 | 3,926,628 | 18,783,797 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 3,400,889 | \$ 1,588,797 | \$ 1,576,956 | \$ 2,509,940 | \$ 4,115,055 | \$ 1,348,090 | \$ 1,340,222 | \$ 147,572 | \$ 3,985,520 | \$ 20,013,041 |

CITY OF LAKEVILLE, MINNESOTA

CAPITAL PROJECTS FUNDS (NONMAJOR)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2013

| | <u>Municipal</u> | <u>Pavement</u> | <u>Storm</u> | | <u>Sanitary</u> | <u>Park</u> | <u>Trail</u> | <u>Tax</u> | <u>Equipment</u> | <u>Total</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|------------------|---------------------|----------------------|
| | <u>State-aid</u> | <u>Management</u> | <u>Sewer</u> | <u>Water</u> | <u>Sewer</u> | <u>Dedication</u> | <u>Improvement</u> | <u>Increment</u> | | |
| Revenues | | | | | | | | | | |
| Property taxes | | | | | | | | | | |
| Current | \$ - | \$ 1,084,906 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 521,898 | \$ 1,606,804 |
| Fiscal disparities | - | 138,236 | - | - | - | - | - | - | 66,560 | 204,796 |
| Total property taxes | - | 1,223,142 | - | - | - | - | - | - | 588,458 | 1,811,600 |
| Tax increment | - | - | - | - | - | - | - | 190,148 | - | 190,148 |
| Intergovernmental | | | | | | | | | | |
| Municipal state-aid | - | 374,335 | - | - | - | - | - | - | - | 374,335 |
| Federal grants | - | - | - | - | - | 4,701 | 826,400 | - | 31 | 831,132 |
| County and local grants | 35,662 | - | - | - | - | - | - | - | 81,598 | 117,260 |
| Charges for services | - | 1,500 | 1,062,856 | 1,703,952 | 477,318 | 1,201,812 | - | - | - | 4,447,438 |
| Special assessments | - | 10,735 | 254 | 21,204 | 20,059 | 67 | - | - | - | 52,319 |
| Investment income (charges) | (10,480) | (3,973) | (3,724) | (4,513) | (10,976) | (6,058) | (2,717) | (224) | (6,270) | (48,935) |
| Donations | - | - | - | - | - | 2,424 | 2,000 | - | 5,594 | 10,018 |
| Miscellaneous | - | - | 5,983 | 304,494 | - | 34,261 | - | - | 231,848 | 576,586 |
| Total revenues | <u>25,182</u> | <u>1,605,739</u> | <u>1,065,369</u> | <u>2,025,137</u> | <u>486,401</u> | <u>1,237,207</u> | <u>825,683</u> | <u>189,924</u> | <u>901,259</u> | <u>8,361,901</u> |
| Expenditures - capital outlay | | | | | | | | | | |
| General government | - | - | - | - | - | - | - | 149,270 | 273,255 | 422,525 |
| Public safety | - | - | - | - | - | - | - | - | 797,693 | 797,693 |
| Public works | 21,005 | 1,232,617 | 270,568 | 95,048 | 129 | - | - | - | 654,982 | 2,274,349 |
| Parks and recreation | - | - | - | - | - | 334,097 | 1,864,998 | - | 342,915 | 2,542,010 |
| Total expenditures - capital outlay | <u>21,005</u> | <u>1,232,617</u> | <u>270,568</u> | <u>95,048</u> | <u>129</u> | <u>334,097</u> | <u>1,864,998</u> | <u>149,270</u> | <u>2,068,845</u> | <u>6,036,577</u> |
| Excess (deficiency) of revenues over expenditures | <u>4,177</u> | <u>373,122</u> | <u>794,801</u> | <u>1,930,089</u> | <u>486,272</u> | <u>903,110</u> | <u>(1,039,315)</u> | <u>40,654</u> | <u>(1,167,586)</u> | <u>2,325,324</u> |
| Other financing sources (uses) | | | | | | | | | | |
| Transfer from/(to) | | | | | | | | | | |
| General Fund | - | - | - | - | - | - | - | - | 1,811,607 | 1,811,607 |
| Debt Service - G.O. Improvement Fund | - | - | (81,000) | (136,093) | - | - | - | (21,810) | - | (238,903) |
| Debt Service - Tax Increment Fund | - | - | 125,500 | - | - | - | - | - | - | 125,500 |
| Debt Service - Water Revenue Fund | - | - | - | (1,027,983) | - | - | - | - | - | (1,027,983) |
| Capital Projects - Park Dedication Fund | - | - | - | - | - | - | 956,990 | - | - | 956,990 |
| Capital Projects - Trail Improvement Fund | - | - | - | - | - | (956,990) | - | - | - | (956,990) |
| Enterprise - Liquor Fund | - | - | - | - | - | - | - | - | 837,738 | 837,738 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>44,500</u> | <u>(1,164,076)</u> | <u>-</u> | <u>(956,990)</u> | <u>956,990</u> | <u>(21,810)</u> | <u>2,649,345</u> | <u>1,507,959</u> |
| Net change in fund balance | 4,177 | 373,122 | 839,301 | 766,013 | 486,272 | (53,880) | (82,325) | 18,844 | 1,481,759 | 3,833,283 |
| Fund balance, January 1 | 3,396,712 | 1,126,938 | 676,510 | 1,537,508 | 3,306,837 | 1,397,039 | 1,007,973 | 56,128 | 2,444,869 | 14,950,514 |
| Fund balance, December 31 | <u>\$ 3,400,889</u> | <u>\$ 1,500,060</u> | <u>\$ 1,515,811</u> | <u>\$ 2,303,521</u> | <u>\$ 3,793,109</u> | <u>\$ 1,343,159</u> | <u>\$ 925,648</u> | <u>\$ 74,972</u> | <u>\$ 3,926,628</u> | <u>\$ 18,783,797</u> |

CITY OF LAKEVILLE, MINNESOTA
COMMUNICATIONS - SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2013

| | Budget As Originally Adopted | Final Budget | Actual | Variance With Final Budget |
|--|---|-------------------------|-------------------|---|
| Revenues | | | | |
| Licenses and permits | \$ 593,396 | \$ 593,396 | \$ 639,557 | \$ 46,161 |
| Intergovernmental | | | | |
| Federal grants | - | 58,950 | 54,450 | (4,500) |
| State-aid PERA | 516 | 516 | 516 | - |
| Charges for services | - | 27,250 | 27,403 | 153 |
| Investment income | 4,350 | 4,350 | (2,385) | (6,735) |
| Miscellaneous | - | - | 6 | 6 |
| | <u>598,262</u> | <u>684,462</u> | <u>719,547</u> | <u>35,085</u> |
| Total revenues | | | | |
| Expenditures - general government | | | | |
| Current | | | | |
| Personnel | 321,973 | 321,973 | 324,080 | (2,107) |
| Commodities | 6,386 | 6,386 | 2,983 | 3,403 |
| Other charges and services | 91,099 | 180,049 | 173,249 | 6,800 |
| Capital outlay | <u>90,238</u> | <u>90,238</u> | <u>42,632</u> | <u>47,606</u> |
| | | | | |
| Total expenditures - general government | <u>509,696</u> | <u>598,646</u> | <u>542,944</u> | <u>55,702</u> |
| Excess of revenues over expenditures | <u>88,566</u> | <u>85,816</u> | <u>176,603</u> | <u>90,787</u> |
| Other financing uses | | | | |
| Transfer to | | | | |
| General Fund | <u>(65,237)</u> | <u>(65,237)</u> | <u>(65,237)</u> | <u>-</u> |
| | | | | |
| Net change in fund balance | <u>\$ 23,329</u> | <u>\$ 20,579</u> | 111,366 | <u>\$ 90,787</u> |
| Fund balance, January 1 | | | <u>782,910</u> | |
| Fund balance, December 31 | | | <u>\$ 894,276</u> | |

CITY OF LAKEVILLE, MINNESOTA
 ECONOMIC DEVELOPMENT - SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED DECEMBER 31, 2013

| | Budget As Originally Adopted | Final Budget | Actual | Variance With Final Budget |
|---|---|-------------------------|-------------------|---|
| Revenues | | | | |
| Intergovernmental | | | | |
| Federal grants | \$ - | \$ 143,675 | \$ 143,675 | \$ - |
| County and local grants | | 24,615 | 24,615 | - |
| Charges for services | 2,500 | 2,500 | 2,500 | - |
| Investment income | <u>683</u> | <u>683</u> | <u>(191)</u> | <u>(874)</u> |
| Total revenues | <u>\$ 3,183</u> | <u>171,473</u> | <u>170,599</u> | <u>(874)</u> |
| Expenditures - General government | | | | |
| Current | | | | |
| Other charges and services | 7,500 | 46,026 | 47,177 | (1,151) |
| Capital outlay | <u>-</u> | <u>135,575</u> | <u>130,340</u> | <u>5,235</u> |
| Total expenditures - general government | <u>7,500</u> | <u>181,601</u> | <u>177,517</u> | <u>4,084</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ (4,317)</u> | <u>\$ (10,128)</u> | <u>\$ (6,918)</u> | <u>\$ (4,958)</u> |
| Fund balance, January 1 | | | <u>66,776</u> | |
| Fund balance, December 31 | | | <u>\$ 59,858</u> | |

CITY OF LAKEVILLE, MINNESOTA
DOWNTOWN SPECIAL SERVICE DISTRICT - SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2013

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance With Final Budget</u> |
|---|--------------------------------------|------------------|---|
| Revenues | | | |
| Charges for services | \$ 27,534 | \$ 27,467 | \$ (67) |
| Donations | <u>500</u> | <u>-</u> | <u>(500)</u> |
| Total revenues | <u>28,034</u> | <u>27,467</u> | <u>(567)</u> |
| Expenditures - general government | | | |
| Current | | | |
| Personnel | 11,300 | 10,632 | 668 |
| Commodities | 388 | 200 | 188 |
| Other charges and services | <u>17,323</u> | <u>27,782</u> | <u>(10,459)</u> |
| Total expenditures - general government | <u>29,011</u> | <u>38,614</u> | <u>(9,603)</u> |
| Excess (deficiency) of revenues over expenditures | <u>\$ (977)</u> | (11,147) | <u>\$ (10,170)</u> |
| Fund balance, January 1 | | <u>25,803</u> | |
| Fund balance, December 31 | | <u>\$ 14,656</u> | |

AGENCY FUND

Agency Fund – The Agency Fund is used to account for assets held by the City as an agent for other City funds, governments, and individuals.

Escrow Fund

This fund accounts for deposits paid by land developers, builders, and other individuals for future disbursements. The disbursements relating to these events will be made when specific terms and conditions have been satisfied.

CITY OF LAKEVILLE, MINNESOTA
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED DECEMBER 31, 2013

| <u>Escrow Fund</u> | <u>Balance January 1</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance December 31</u> |
|----------------------|------------------------------|---------------------|---------------------|--------------------------------|
| Assets | | | | |
| Cash and investments | <u>\$ 5,890,114</u> | <u>\$ 2,388,560</u> | <u>\$ 1,427,194</u> | <u>\$ 6,851,480</u> |
| Liabilities | | | | |
| Deposits payable | <u>\$ 5,890,114</u> | <u>\$ 2,388,560</u> | <u>\$ 1,427,194</u> | <u>\$ 6,851,480</u> |

S U P P L E M E N T A L I N F O R M A T I O N

CITY OF LAKEVILLE, MINNESOTA
SCHEDULE OF CHANGES IN BONDED INDEBTEDNESS
YEAR ENDED DECEMBER 31, 2013

| | <u>Outstanding</u> <u>January 1</u> | <u>Issued</u> | <u>Redeemed</u> | <u>Outstanding</u> <u>December 31</u> |
|---|--|----------------------|------------------------|--|
| <u>Governmental Activities:</u> | | | | |
| General obligation bonds | \$ 71,660,000 | \$ - | \$ 2,250,000 | \$ 69,410,000 |
| G.O. Improvement bonds | 13,185,000 | 4,685,000 | 1,230,000 | 16,640,000 |
| Tax increment bonds | 2,755,000 | - | 420,000 | 2,335,000 |
| State-aid street revenue bonds | 5,280,000 | - | 690,000 | 4,590,000 |
| Water connection revenue bonds | 3,760,000 | - | 895,000 | 2,865,000 |
| Arena revenue bonds | 1,175,000 | - | 130,000 | 1,045,000 |
| HRA lease revenue bonds | <u>8,535,000</u> | <u>-</u> | <u>210,000</u> | <u>8,325,000</u> |
| Total governmental activity bonds | <u>106,350,000</u> | <u>4,685,000</u> | <u>5,825,000</u> | <u>105,210,000</u> |
| <u>Business-type Activities:</u> | | | | |
| Liquor revenue bonds | <u>3,395,000</u> | <u>-</u> | <u>160,000</u> | <u>3,235,000</u> |
| Total bonded indebtedness | <u>\$ 109,745,000</u> | <u>\$ 4,685,000</u> | <u>\$ 5,985,000</u> | <u>\$ 108,445,000</u> |

CITY OF LAKEVILLE, MINNESOTA
 SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
 DECEMBER 31, 2013

| | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Principal Maturity Date</u> | <u>Amount</u> | <u>Annual Interest</u> |
|--|-------------------|----------------------|--------------------------------|-------------------|------------------------|
| General Obligation Bonds: | | | | | |
| Park Refunding Bonds of 2011 B | 12/1/11 | | | | |
| Principal and Interest | | 0.60 | 4/1/14 | \$ 405,000 | \$ 4,290 |
| Principal and Interest | | 0.75 | 4/1/15 | <u>410,000</u> | <u>1,538</u> |
| Total | | | | <u>815,000</u> | <u>5,828</u> |
| Capital Improvement Bonds of 2004 A | 11/1/04 | | | | |
| (Central Maintenance Facility) | | | | | |
| Principal and interest | | 4.00 | 2/1/14 | 320,000 | 586,506 |
| Principal and interest | | 4.00 | 2/1/15 | 360,000 | 290,053 |
| Principal (call 2/1/15) | | | | <u>12,460,000</u> | <u>-</u> |
| Total | | | | <u>13,140,000</u> | <u>876,559</u> |
| Capital Improvement Refunding Bonds of 2012 B | 8/15/12 | | | | |
| (Central Maintenance Facility) | | | | | |
| Interest | | 2.00 | 2/1/14 | - | 398,850 |
| Interest | | 2.00 | 2/1/15 | - | 398,850 |
| Principal and interest | | 2.00 | 2/1/16 | 505,000 | 393,800 |
| Principal and interest | | 2.00 | 2/1/17 | 530,000 | 383,450 |
| Principal and interest | | 4.00 | 2/1/18 | 570,000 | 366,750 |
| Principal and interest | | 4.00 | 2/1/19 | 635,000 | 342,650 |
| Principal and interest | | 4.00 | 2/1/20 | 670,000 | 316,550 |
| Principal and interest | | 4.00 | 2/1/21 | 750,000 | 288,150 |
| Principal and interest (call provision date) | | 3.00 | 2/1/22 | 770,000 | 261,600 |
| Principal and interest | | 3.00 | 2/1/23 | 810,000 | 237,900 |
| Principal and interest | | 3.00 | 2/1/24 | 865,000 | 212,775 |
| Principal and interest | | 3.00 | 2/1/25 | 930,000 | 185,850 |
| Principal and interest | | 3.00 | 2/1/26 | 1,040,000 | 156,300 |
| Principal and interest | | 3.00 | 2/1/27 | 1,070,000 | 124,650 |
| Principal and interest | | 3.00 | 2/1/28 | 1,125,000 | 91,725 |
| Principal and interest | | 3.00 | 2/1/29 | 1,200,000 | 56,850 |
| Principal and interest | | 3.00 | 2/1/30 | <u>1,295,000</u> | <u>19,425</u> |
| Total | | | | <u>12,765,000</u> | <u>4,236,125</u> |
| Capital Improvement Bonds of 2007 D | 8/1/07 | | | | |
| (Police Station) | | | | | |
| Principal and interest | | 5.00 | 2/1/14 | 450,000 | 630,113 |
| Principal and interest | | 5.00 | 2/1/15 | 470,000 | 607,113 |
| Principal and interest | | 5.00 | 2/1/16 | 490,000 | 583,113 |
| Principal and Interest (call provision date) | | 5.00 | 2/1/17 | 515,000 | 557,988 |
| Principal and interest | | 5.00 | 2/1/18 | 535,000 | 531,738 |
| Principal and interest | | 5.00 | 2/1/19 | 560,000 | 504,363 |
| Principal and interest | | 5.00 | 2/1/20 | 585,000 | 475,738 |
| Principal and interest | | 5.00 | 2/1/21 | 610,000 | 445,863 |
| Principal and interest | | 5.00 | 2/1/22 | 635,000 | 414,738 |
| Principal and interest | | 5.00 | 2/1/23 | 665,000 | 382,238 |
| Principal and interest | | 5.00 | 2/1/24 | 695,000 | 348,238 |

(continued)

CITY OF LAKEVILLE, MINNESOTA
SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
DECEMBER 31, 2013

| | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Principal Maturity Date</u> | <u>Amount</u> | <u>Annual Interest</u> |
|--|-------------------|----------------------|--------------------------------|-------------------|------------------------|
| General Obligation Bonds: (continued) | | | | | |
| Capital Improvement Bonds of 2007 D | | | | | |
| (Police Station, continued) | | | | | |
| Principal and interest | | 5.00 | 2/1/25 | \$ 730,000 | \$ 312,613 |
| Principal and interest | | 5.00 | 2/1/26 | 765,000 | 275,238 |
| Principal and interest | | 5.00 | 2/1/27 | 800,000 | 236,113 |
| Principal and interest | | 5.00 | 2/1/28 | 835,000 | 195,238 |
| Principal and interest | | 4.625 | 2/1/29 | 875,000 | 154,128 |
| Principal and interest | | 4.625 | 2/1/30 | 920,000 | 112,619 |
| Principal and interest | | 4.625 | 2/1/31 | 965,000 | 69,028 |
| Principal and interest | | 4.625 | 2/1/32 | 1,010,000 | 23,356 |
| Total | | | | <u>13,110,000</u> | <u>6,859,576</u> |
| Street Reconstruction Bonds of 2003 A | | | | | |
| | 3/15/03 | | | | |
| Principal and Interest | | 4.00 | 2/1/14 | 700,000 | 226,191 |
| Principal (call 2/1/14) | | | | 10,035,000 | - |
| Total | | | | <u>10,735,000</u> | <u>226,191</u> |
| Street Reconstruction Refunding Bonds of 2012 B | | | | | |
| | 8/15/12 | | | | |
| Interest | | 2.00 | 2/1/14 | - | 301,450 |
| Principal and interest | | 2.00 | 2/1/15 | 645,000 | 295,000 |
| Principal and interest | | 2.00 | 2/1/16 | 725,000 | 281,300 |
| Principal and interest | | 2.00 | 2/1/17 | 675,000 | 267,300 |
| Principal and interest | | 4.00 | 2/1/18 | 730,000 | 245,950 |
| Principal and interest | | 4.00 | 2/1/19 | 765,000 | 216,050 |
| Principal and interest | | 4.00 | 2/1/20 | 805,000 | 184,650 |
| Principal and interest | | 4.00 | 2/1/21 | 835,000 | 151,850 |
| Principal and interest (call provision date) | | 3.00 | 2/1/22 | 850,000 | 122,400 |
| Principal and interest | | 3.00 | 2/1/23 | 880,000 | 96,450 |
| Principal and interest | | 3.00 | 2/1/24 | 905,000 | 69,675 |
| Principal and interest | | 3.00 | 2/1/25 | 935,000 | 42,075 |
| Principal and interest | | 3.00 | 2/1/26 | 935,000 | 14,025 |
| Total | | | | <u>9,685,000</u> | <u>2,288,175</u> |
| Street Reconstruction Bonds of 2005 A | | | | | |
| | 12/1/05 | | | | |
| Principal and interest | | 3.85 | 2/1/14 | 145,000 | 92,719 |
| Principal and interest | | 3.75 | 2/1/15 | 150,000 | 87,115 |
| Principal and Interest (call provision date) | | 3.75 | 2/1/16 | 155,000 | 81,396 |
| Principal and interest | | 3.85 | 2/1/17 | 160,000 | 75,410 |
| Principal and interest | | 3.85 | 2/1/18 | 170,000 | 69,058 |
| Principal and interest | | 3.90 | 2/1/19 | 175,000 | 62,373 |
| Principal and interest | | 3.90 | 2/1/20 | 180,000 | 55,450 |
| Principal and interest | | 4.00 | 2/1/21 | 190,000 | 48,140 |
| Principal and interest | | 4.00 | 2/1/22 | 195,000 | 40,440 |
| Principal and interest | | 4.10 | 2/1/23 | 205,000 | 32,338 |
| Principal and interest | | 4.10 | 2/1/24 | 215,000 | 23,728 |
| Principal and interest | | 4.20 | 2/1/25 | 225,000 | 14,595 |

(continued)

CITY OF LAKEVILLE, MINNESOTA
 SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
 DECEMBER 31, 2013

| | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Principal Maturity Date</u> | <u>Amount</u> | <u>Annual Interest</u> |
|--|-------------------|----------------------|--------------------------------|----------------------|------------------------|
| General Obligation Bonds: (continued) | | | | | |
| Street Reconstruction Bonds of 2005 A (continued) | | | | | |
| Principal and interest | | 4.20 | 2/1/26 | \$ 235,000 | \$ 4,935 |
| Total | | | | <u>2,400,000</u> | <u>687,697</u> |
| Street Reconstruction Bonds of 2007 H 12/15/07 | | | | | |
| Principal and interest | | 3.50 | 2/1/14 | 120,000 | 97,545 |
| Principal and interest | | 4.00 | 2/1/15 | 125,000 | 92,945 |
| Principal and interest | | 4.00 | 2/1/16 | 125,000 | 87,945 |
| Principal and interest | | 4.00 | 2/1/17 | 130,000 | 82,845 |
| Principal and Interest (call provision date) | | 4.00 | 2/1/18 | 140,000 | 77,445 |
| Principal and interest | | 4.00 | 2/1/19 | 145,000 | 71,745 |
| Principal and interest | | 4.00 | 2/1/20 | 150,000 | 65,845 |
| Principal and interest | | 4.10 | 2/1/21 | 155,000 | 59,668 |
| Principal and interest | | 4.125 | 2/1/22 | 160,000 | 53,190 |
| Principal and interest | | 4.20 | 2/1/23 | 170,000 | 46,320 |
| Principal and interest | | 4.375 | 2/1/24 | 175,000 | 38,922 |
| Principal and interest | | 4.375 | 2/1/25 | 185,000 | 31,047 |
| Principal and interest | | 4.50 | 2/1/26 | 190,000 | 22,725 |
| Principal and interest | | 4.50 | 2/1/27 | 200,000 | 13,950 |
| Principal and interest | | 4.50 | 2/1/28 | 210,000 | 4,725 |
| Total | | | | <u>2,380,000</u> | <u>846,862</u> |
| Taxable Street Reconstruction Bonds of 2009 A | | | | | |
| (Build America Bonds) | 12/30/09 | | | | |
| Principal and interest | | 2.70 | 2/1/14 | 205,000 | 209,345 |
| Principal and interest | | 3.00 | 2/1/15 | 205,000 | 203,503 |
| Principal and interest | | 3.50 | 2/1/16 | 210,000 | 196,753 |
| Principal and interest | | 4.00 | 2/1/17 | 215,000 | 188,778 |
| Principal and interest | | 4.25 | 2/1/18 | 225,000 | 179,696 |
| Principal and interest | | 4.50 | 2/1/19 | 230,000 | 169,740 |
| Principal and Interest (call provision date) | | 4.65 | 2/1/20 | 235,000 | 159,101 |
| Principal and interest | | 4.75 | 2/1/21 | 245,000 | 147,819 |
| Principal and interest | | 4.90 | 2/1/22 | 250,000 | 135,875 |
| Principal and interest | | 5.00 | 2/1/23 | 260,000 | 123,250 |
| Principal and interest | | 5.20 | 2/1/24 | 270,000 | 109,730 |
| Principal and interest | | 5.30 | 2/1/25 | 280,000 | 95,290 |
| Principal and interest | | 5.40 | 2/1/26 | 290,000 | 80,040 |
| Principal and interest | | 5.50 | 2/1/27 | 300,000 | 63,960 |
| Principal and interest | | 5.65 | 2/1/28 | 310,000 | 46,953 |
| Principal and interest | | 5.80 | 2/1/29 | 320,000 | 28,915 |
| Principal and interest | | 5.95 | 2/1/30 | 330,000 | 9,818 |
| Total | | | | <u>4,380,000</u> | <u>2,148,566</u> |
| Total General Obligation Bonds | | | | \$ 69,410,000 | \$ 18,175,579 |

CITY OF LAKEVILLE, MINNESOTA
 SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
 DECEMBER 31, 2013

| | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Principal Maturity Date</u> | <u>Amount</u> | <u>Annual Interest</u> |
|--|-------------------|----------------------|--------------------------------|------------------|------------------------|
| <u>G.O. Improvement Bonds:</u> | | | | | |
| Improvement Refunding Bonds of 2007 B | | | | | |
| | 2/1/07 | | | | |
| Principal and interest | | 3.875 | 2/1/14 | \$ 95,000 | \$ 9,009 |
| Principal and interest | | 3.875 | 2/1/15 | 90,000 | 5,425 |
| Principal and interest | | 3.875 | 2/1/16 | 95,000 | 1,841 |
| Total | | | | <u>280,000</u> | <u>16,275</u> |
| Improvement Bonds of 2007 F | | | | | |
| | 8/1/07 | | | | |
| Principal and Interest (call provision date) | | 4.00 | 2/1/14 | 50,000 | 9,113 |
| Principal and interest | | 4.00 | 2/1/15 | 50,000 | 7,113 |
| Principal and interest | | 4.00 | 2/1/16 | 50,000 | 5,113 |
| Principal and interest | | 4.00 | 2/1/17 | 50,000 | 3,088 |
| Principal and interest | | 4.125 | 2/1/18 | 50,000 | 1,031 |
| Total | | | | <u>250,000</u> | <u>25,458</u> |
| Improvement Bonds of 2008 A | | | | | |
| | 10/1/08 | | | | |
| Principal and interest | | 3.10 | 2/1/14 | 30,000 | 5,940 |
| Principal and interest | | 3.25 | 2/1/15 | 30,000 | 4,988 |
| Principal and interest | | 3.75 | 2/1/16 | 30,000 | 3,938 |
| Principal and interest | | 3.75 | 2/1/17 | 30,000 | 2,813 |
| Principal and interest | | 3.75 | 2/1/18 | 30,000 | 1,688 |
| Principal and interest | | 3.75 | 2/1/19 | 30,000 | 563 |
| Total | | | | <u>180,000</u> | <u>19,930</u> |
| Improvement Refunding Bonds of 2009 B | | | | | |
| | 12/30/09 | | | | |
| Principal and interest | | 2.00 | 2/1/14 | 385,000 | 57,613 |
| Principal and interest | | 2.00 | 2/1/15 | 380,000 | 49,963 |
| Principal and interest | | 2.50 | 2/1/16 | 390,000 | 41,288 |
| Principal and interest | | 2.75 | 2/1/17 | 375,000 | 31,256 |
| Principal and interest | | 3.00 | 2/1/18 | 355,000 | 20,775 |
| Principal and interest | | 3.00 | 2/1/19 | 360,000 | 10,050 |
| Principal and interest | | 3.00 | 2/1/20 | 155,000 | 2,325 |
| Total | | | | <u>2,400,000</u> | <u>213,270</u> |
| Improvement Bonds of 2011 A | | | | | |
| | 12/1/11 | | | | |
| Principal and interest | | 0.700 | 2/1/14 | 190,000 | 38,455 |
| Principal and interest | | 0.950 | 2/1/15 | 195,000 | 36,864 |
| Principal and interest | | 1.200 | 2/1/16 | 190,000 | 34,798 |
| Principal and interest | | 1.400 | 2/1/17 | 190,000 | 32,328 |
| Principal and interest | | 1.700 | 2/1/18 | 190,000 | 29,383 |
| Principal and interest | | 1.900 | 2/1/19 | 190,000 | 25,963 |
| Principal and interest | | 2.100 | 2/1/20 | 190,000 | 22,163 |
| Principal and interest | | 2.250 | 2/1/21 | 195,000 | 17,974 |
| Principal and interest | | 2.600 | 2/1/22 | 50,000 | 15,130 |
| Principal and interest | | 2.600 | 2/1/23 | 50,000 | 13,830 |
| Principal and interest | | 3.100 | 2/1/24 | 50,000 | 12,530 |
| Principal and interest | | 3.100 | 2/1/25 | 45,000 | 11,183 |

(continued)

CITY OF LAKEVILLE, MINNESOTA
SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
DECEMBER 31, 2013

| | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Principal Maturity Date</u> | <u>Amount</u> | <u>Annual Interest</u> |
|---|-------------------|----------------------|--------------------------------|------------------|------------------------|
| G.O. Improvement Bonds: (continued) | | | | | |
| Improvement Bonds of 2011 A (continued) | | | | | |
| Principal and interest | | 3.100 | 2/1/26 | \$ 45,000 | \$ 9,788 |
| Principal and interest | | 3.100 | 2/1/27 | 45,000 | 8,393 |
| Principal and interest | | 3.500 | 2/1/28 | 45,000 | 6,998 |
| Principal and interest | | 3.500 | 2/1/29 | 45,000 | 5,513 |
| Principal and interest | | 3.500 | 2/1/30 | 45,000 | 3,938 |
| Principal and interest | | 3.500 | 2/1/31 | 45,000 | 2,363 |
| Principal and interest | | 3.500 | 2/1/32 | 45,000 | 788 |
| Total | | | | <u>2,040,000</u> | <u>328,382</u> |
| Improvement Bonds of 2012 A 8/15/12 | | | | | |
| Principal and interest | | 2.000 | 2/1/14 | 505,000 | 179,225 |
| Principal and interest | | 2.000 | 2/1/15 | 550,000 | 168,675 |
| Principal and interest | | 2.000 | 2/1/16 | 550,000 | 157,675 |
| Principal and interest | | 2.000 | 2/1/17 | 555,000 | 146,625 |
| Principal and interest | | 2.000 | 2/1/18 | 550,000 | 135,575 |
| Principal and interest | | 3.000 | 2/1/19 | 550,000 | 121,825 |
| Principal and interest | | 3.000 | 2/1/20 | 555,000 | 105,250 |
| Principal and interest | | 3.000 | 2/1/21 | 565,000 | 88,450 |
| Principal and interest (call provision date) | | 3.000 | 2/1/22 | 565,000 | 71,500 |
| Principal and interest | | 4.000 | 2/1/23 | 575,000 | 51,525 |
| Principal and interest | | 4.000 | 2/1/24 | 135,000 | 37,325 |
| Principal and interest | | 3.000 | 2/1/25 | 130,000 | 32,675 |
| Principal and interest | | 3.000 | 2/1/26 | 130,000 | 28,775 |
| Principal and interest | | 3.000 | 2/1/27 | 130,000 | 24,875 |
| Principal and interest | | 3.000 | 2/1/28 | 130,000 | 20,975 |
| Principal and interest | | 3.000 | 2/1/29 | 130,000 | 17,075 |
| Principal and interest | | 3.000 | 2/1/30 | 125,000 | 13,250 |
| Principal and interest | | 3.000 | 2/1/31 | 125,000 | 9,500 |
| Principal and interest | | 3.000 | 2/1/32 | 125,000 | 5,750 |
| Total | | 3.100 | 2/1/33 | <u>6,805,000</u> | <u>1,418,463</u> |
| Improvement Bonds of 2013 A 8/15/13 | | | | | |
| Principal and interest | | 2.000 | 2/1/14 | - | 115,862 |
| Principal and interest | | 2.000 | 2/1/15 | 295,000 | 117,600 |
| Principal and interest | | 2.000 | 2/1/16 | 360,000 | 111,050 |
| Principal and interest | | 2.000 | 2/1/17 | 360,000 | 103,850 |
| Principal and interest | | 2.000 | 2/1/18 | 365,000 | 96,600 |
| Principal and interest | | 2.000 | 2/1/19 | 370,000 | 89,250 |
| Principal and interest | | 2.000 | 2/1/20 | 375,000 | 81,800 |
| Principal and interest | | 2.250 | 2/1/21 | 380,000 | 73,775 |
| Principal and interest | | 2.500 | 2/1/22 | 380,000 | 64,750 |
| Principal and interest (call provision date) | | 2.750 | 2/1/23 | 385,000 | 54,706 |
| Principal and interest | | 2.750 | 2/1/24 | 395,000 | 43,981 |
| Principal and interest | | 3.500 | 2/1/25 | 100,000 | 36,800 |

(continued)

CITY OF LAKEVILLE, MINNESOTA
 SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
 DECEMBER 31, 2013

| | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Principal Maturity Date</u> | <u>Amount</u> | <u>Annual Interest</u> |
|---|-------------------|----------------------|--------------------------------|-----------------------------|----------------------------|
| <u>G.O. Improvement Bonds:</u> (continued) | | | | | |
| Improvement Bonds of 2013 A (continued) | | | | | |
| Principal and interest | | 3.500 | 2/1/26 | \$ 100,000 | \$ 33,300 |
| Principal and interest | | 3.500 | 2/1/27 | 100,000 | 29,800 |
| Principal and interest | | 3.750 | 2/1/28 | 100,000 | 26,175 |
| Principal and interest | | 3.750 | 2/1/29 | 100,000 | 22,425 |
| Principal and interest | | 3.750 | 2/1/30 | 100,000 | 18,675 |
| Principal and interest | | 4.000 | 2/1/31 | 105,000 | 14,700 |
| Principal and interest | | 4.000 | 2/1/32 | 105,000 | 10,500 |
| Principal and interest | | 4.000 | 2/1/33 | 105,000 | 6,300 |
| Principal and interest | | 4.000 | 2/1/34 | 105,000 | 2,100 |
| Total | | | | <u>4,685,000</u> | <u>1,153,999</u> |
| Total G.O. Improvement Bonds | | | | <u>\$ 16,640,000</u> | <u>\$ 3,175,777</u> |
| <u>Tax Increment Bonds:</u> | | | | | |
| Tax Increment Refunding 2/1/07 | | | | | |
| Bonds of 2007 A | | | | | |
| Principal and interest | | 4.00 | 2/1/14 | 70,000 | 78,161 |
| Principal and interest | | 4.00 | 2/1/15 | 210,000 | 72,561 |
| Principal and Interest (call provision date) | | 4.00 | 2/1/16 | 220,000 | 63,961 |
| Principal and interest | | 4.00 | 2/1/17 | 220,000 | 55,161 |
| Principal and interest | | 4.00 | 2/1/18 | 230,000 | 46,161 |
| Principal and interest | | 4.00 | 2/1/19 | 240,000 | 36,761 |
| Principal and interest | | 4.125 | 2/1/20 | 245,000 | 26,908 |
| Principal and interest | | 4.125 | 2/1/21 | 260,000 | 16,493 |
| Principal and interest | | 4.20 | 2/1/22 | 265,000 | 5,565 |
| Total | | | | <u>1,960,000</u> | <u>401,732</u> |
| Taxable Tax Increment Refunding 2/1/07 | | | | | |
| Bonds of 2007 C | | | | | |
| Principal and interest | | 5.10 | 2/1/14 | 135,000 | 3,443 |
| Total | | | | <u>135,000</u> | <u>3,443</u> |
| Tax Increment Refunding 12/30/09 | | | | | |
| Bonds of 2009 B | | | | | |
| Principal and interest | | 2.00 | 2/1/14 | 240,000 | 2,400 |
| Total | | | | <u>240,000</u> | <u>2,400</u> |
| Total Tax Increment Bonds | | | | <u>\$ 2,335,000</u> | <u>\$ 407,575</u> |
| <u>State-aid Street Revenue Bonds:</u> | | | | | |
| State-aid Street Bonds of 2007 G 12/15/07 | | | | | |
| Principal and interest | | 4.00 | 4/1/14 | 375,000 | 73,900 |
| (continued) | | | | | |

CITY OF LAKEVILLE, MINNESOTA
 SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
 DECEMBER 31, 2013

| | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Principal Maturity Date</u> | <u>Amount</u> | <u>Annual Interest</u> |
|---|-------------------|----------------------|--------------------------------|----------------------------|--------------------------|
| State-aid Street Revenue Bonds: (continued) | | | | | |
| State-aid Street Bonds of 2007 G (continued) | | | | | |
| Principal and interest | | 4.00 | 4/1/15 | \$ 390,000 | \$ 58,600 |
| Principal and Interest (call provision date) | | 4.00 | 4/1/16 | 405,000 | 42,700 |
| Principal and interest | | 4.00 | 4/1/17 | 425,000 | 26,100 |
| Principal and interest | | 4.00 | 4/1/18 | 440,000 | 8,800 |
| Total | | | | <u>2,035,000</u> | <u>210,100</u> |
| State-aid Street Refunding Bonds of 2010 A 1/1/10 | | | | | |
| Principal and interest | | 2.00 | 4/1/14 | 255,000 | 54,900 |
| Principal and interest | | 2.00 | 4/1/15 | 260,000 | 49,750 |
| Principal and interest | | 3.00 | 4/1/16 | 275,000 | 43,025 |
| Principal and interest | | 3.00 | 4/1/17 | 280,000 | 34,700 |
| Principal and interest | | 3.00 | 4/1/18 | 285,000 | 26,225 |
| Principal and interest | | 3.25 | 4/1/19 | 300,000 | 17,075 |
| Principal and interest | | 4.00 | 4/1/20 | 305,000 | 6,100 |
| Total | | | | <u>1,960,000</u> | <u>231,775</u> |
| State-aid Street Refunding Bonds of 2011 B 12/1/11 | | | | | |
| Principal and interest | | 0.60 | 4/1/14 | 70,000 | 8,543 |
| Principal and interest | | 0.75 | 4/1/15 | 75,000 | 8,051 |
| Principal and interest | | 1.25 | 4/1/16 | 70,000 | 7,333 |
| Principal and interest | | 1.25 | 4/1/17 | 75,000 | 6,426 |
| Principal and interest | | 1.75 | 4/1/18 | 75,000 | 5,301 |
| Principal and interest | | 1.75 | 4/1/19 | 75,000 | 3,989 |
| Principal and interest | | 2.15 | 4/1/20 | 75,000 | 2,526 |
| Principal and interest | | 2.15 | 4/1/21 | 80,000 | 860 |
| | | | | <u>595,000</u> | <u>43,029</u> |
| Total State-aid Street Revenue Bonds | | | | <u>\$ 4,590,000</u> | <u>\$ 484,904</u> |
| Water Connection Revenue Bonds: | | | | | |
| Water Revenue Refunding Bonds of 2004 B 11/1/04 | | | | | |
| Principal and Interest (call provision date) | | 4.00 | 2/1/14 | 890,000 | 96,800 |
| Principal and interest | | 4.00 | 2/1/15 | 960,000 | 59,800 |
| Principal and interest | | 4.00 | 2/1/16 | 1,015,000 | 20,300 |
| Total Water Connection Revenue Bonds | | | | <u>\$ 2,865,000</u> | <u>\$ 176,900</u> |

CITY OF LAKEVILLE, MINNESOTA
 SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
 DECEMBER 31, 2013

| | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Principal Maturity Date</u> | <u>Amount</u> | <u>Annual Interest</u> |
|---|-------------------|----------------------|--------------------------------|------------------------------|-----------------------------|
| <u>Arena Revenue Bonds:</u> | | | | | |
| Ice Center Refunding Bonds of 2008 A (Ames Ice Arena) | 10/1/08 | | | | |
| Principal and interest | | 3.10 | 2/1/14 | \$ 135,000 | \$ 6,643 |
| Principal and interest | | 3.25 | 2/1/15 | 140,000 | 2,275 |
| Total | | | | <u>275,000</u> | <u>8,918</u> |
| Gross Revenue Recreation Facility Bonds of 1999 (Ames Ice Arena) | 4/1/99 | | | | |
| Interest | | 5.30 | 2/1/14 & 8/1/14 | | 41,145 |
| Principal and interest | | 5.30 | 8/1/15 | 135,000 | 41,145 |
| Principal and interest | | 5.30 | 8/1/16 | 145,000 | 33,990 |
| Principal and interest | | 5.30 | 8/1/17 | 155,000 | 26,305 |
| Principal and interest | | 5.40 | 8/1/18 | 165,000 | 18,090 |
| Principal and interest | | 5.40 | 8/1/19 | 170,000 | 9,180 |
| Total | | | | <u>770,000</u> | <u>169,855</u> |
| Total Arena Revenue Bonds | | | | <u>\$ 1,045,000</u> | <u>\$ 178,773</u> |
| <u>HRA Lease Revenue Bonds:</u> | | | | | |
| HRA Ice Arena Lease Revenue Bonds of 2006 (Hasse Ice Arena) | 12/01/06 | | | | |
| Principal and interest | | 4.25 | 2/1/14 | 225,000 | 372,431 |
| Principal and interest | | 4.25 | 2/1/15 | 245,000 | 362,444 |
| Principal and interest | | 4.25 | 2/1/16 | 270,000 | 351,500 |
| Principal and Interest (call provision date) | | 4.50 | 2/1/17 | 315,000 | 338,675 |
| Principal and interest | | 4.50 | 2/1/18 | 340,000 | 323,938 |
| Principal and interest | | 4.50 | 2/1/19 | 355,000 | 308,300 |
| Principal and interest | | 4.50 | 2/1/20 | 370,000 | 291,988 |
| Principal and interest | | 4.50 | 2/1/21 | 390,000 | 274,888 |
| Principal and interest | | 4.50 | 2/1/22 | 415,000 | 256,775 |
| Principal and interest | | 4.50 | 2/1/23 | 435,000 | 237,650 |
| Principal and interest | | 4.50 | 2/1/24 | 450,000 | 217,738 |
| Principal and interest | | 4.50 | 2/1/25 | 470,000 | 197,038 |
| Principal and interest | | 4.50 | 2/1/26 | 495,000 | 175,325 |
| Principal and interest | | 4.625 | 2/1/27 | 520,000 | 152,163 |
| Principal and interest | | 4.625 | 2/1/28 | 545,000 | 127,534 |
| Principal and interest | | 4.625 | 2/1/29 | 575,000 | 101,634 |
| Principal and interest | | 4.625 | 2/1/30 | 605,000 | 74,347 |
| Principal and interest | | 4.625 | 2/1/31 | 635,000 | 45,672 |
| Principal and interest | | 4.625 | 2/1/32 | 670,000 | 15,494 |
| Total HRA Lease Revenue Bonds | | | | <u>\$ 8,325,000</u> | <u>\$ 4,225,534</u> |
| Total Governmental Activity Bonds | | | | <u>\$ 105,210,000</u> | <u>\$ 26,825,042</u> |

CITY OF LAKEVILLE, MINNESOTA
 SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
 DECEMBER 31, 2013

| | <u>Issue Date</u> | <u>Interest Rate</u> | <u>Principal Maturity Date</u> | <u>Amount</u> | <u>Annual Interest</u> |
|--|-------------------|----------------------|--------------------------------|------------------------------|-----------------------------|
| <u>Liquor Revenue Bonds:</u> | | | | | |
| Liquor Revenue Bonds of 2007 | 5/1/07 | | | | |
| Principal and interest | | 5.00 | 2/1/14 | \$ 165,000 | \$ 157,625 |
| Principal and interest | | 5.00 | 2/1/15 | 175,000 | 149,125 |
| Principal and interest | | 5.00 | 2/1/16 | 180,000 | 140,250 |
| Principal and Interest (call provision date) | | 5.00 | 2/1/17 | 190,000 | 131,000 |
| Principal and interest | | 5.00 | 2/1/18 | 200,000 | 121,250 |
| Principal and interest | | 5.00 | 2/1/19 | 210,000 | 111,000 |
| Principal and interest | | 5.00 | 2/1/20 | 220,000 | 100,250 |
| Principal and interest | | 5.00 | 2/1/21 | 235,000 | 88,875 |
| Principal and interest | | 5.00 | 2/1/22 | 245,000 | 76,875 |
| Principal and interest | | 5.00 | 2/1/23 | 255,000 | 64,375 |
| Principal and interest | | 5.00 | 2/1/24 | 270,000 | 51,250 |
| Principal and interest | | 5.00 | 2/1/25 | 285,000 | 37,375 |
| Principal and interest | | 5.00 | 2/1/26 | 295,000 | 22,875 |
| Principal and interest | | 5.00 | 2/1/27 | <u>310,000</u> | <u>7,750</u> |
| Total Business-type Activity Bonds | | | | \$ 3,235,000 | \$ 1,259,875 |
| Total Bonded Indebtedness and Annual Interest Payable | | | | <u>\$ 108,445,000</u> | <u>\$ 28,084,917</u> |

CITY OF LAKEVILLE, MINNESOTA
 COMBINED SCHEDULE OF BONDED INDEBTEDNESS
 DECEMBER 31, 2013

| | Interest Rates % | Issue Date | Call Date | Maturity Date | Bonds | | | | Due in 2014 | |
|--|------------------|------------|-----------|---------------|-----------------------|-----------------------|----------------------|-----------------------|----------------------|---------------------|
| | | | | | Authorized | Issued | Retired | Outstanding | Principal | Interest |
| Governmental Activities: | | | | | | | | | | |
| General Obligation Bonds: | | | | | | | | | | |
| Park Refunding Bonds of 2011 B | 0.50-0.75 | Dec-01-11 | n/a | Apr-01-15 | 1,215,000 | 1,215,000 | 400,000 | 815,000 | 405,000 | 4,290 |
| Capital Improvement Bonds of 2004 A | 3.50-4.75 | Nov-01-04 | Feb-01-15 | Feb-01-30 | 14,445,000 | 14,445,000 | 1,305,000 | 13,140,000 | 320,000 | 586,506 |
| Capital Improvement Refunding Bonds of 2012 B | 2.00-4.00 | Aug-15-12 | Feb-01-22 | Feb-01-30 | 12,765,000 | 12,765,000 | - | 12,765,000 | - | 398,850 |
| Capital Improvement Bonds of 2007 D | 4.625-5.00 | Aug-01-07 | Feb-01-17 | Feb-01-32 | 15,115,000 | 15,115,000 | 2,005,000 | 13,110,000 | 450,000 | 630,113 |
| Street Reconstruction Bonds of 2003 A | 3.50-4.50 | Mar-15-03 | Feb-01-14 | Feb-01-26 | 14,890,000 | 14,890,000 | 4,155,000 | 10,735,000 | 10,735,000 | 226,191 |
| Street Reconstruction Refunding Bonds of 2012 B | 2.00-4.00 | Aug-15-12 | Feb-01-22 | Feb-01-30 | 9,685,000 | 9,685,000 | - | 9,685,000 | - | 301,450 |
| Street Reconstruction Bonds of 2005 A | 3.85-4.20 | Dec-01-05 | Feb-01-16 | Feb-01-26 | 5,430,000 | 5,430,000 | 3,030,000 | 2,400,000 | 145,000 | 92,719 |
| Street Reconstruction Bonds of 2007 H | 3.50-4.50 | Dec-15-07 | Feb-01-18 | Feb-01-28 | 2,810,000 | 2,810,000 | 430,000 | 2,380,000 | 120,000 | 97,545 |
| Street Reconstruction Bonds of 2009 A (Taxable) | 1.55-5.95 | Dec-30-09 | Feb-01-20 | Feb-01-30 | 4,945,000 | 4,945,000 | 565,000 | 4,380,000 | 205,000 | 209,345 |
| Total General Obligation Bonds | | | | | <u>81,300,000</u> | <u>81,300,000</u> | <u>11,890,000</u> | <u>69,410,000</u> | <u>12,380,000</u> | <u>2,547,009</u> |
| G.O. Improvement Bonds: | | | | | | | | | | |
| Improvement Refunding Bonds of 2007 B | 3.875 | Feb-01-07 | n/a | Feb-01-16 | 3,165,000 | 3,165,000 | 2,885,000 | 280,000 | 95,000 | 9,009 |
| Improvement Bonds of 2007 F | 4.00-4.125 | Aug-01-07 | Feb-01-14 | Feb-01-18 | 1,310,000 | 1,310,000 | 1,060,000 | 250,000 | 50,000 | 9,113 |
| Improvement Bonds of 2008 A | 2.70-3.75 | Oct-01-08 | n/a | Feb-01-19 | 620,000 | 620,000 | 440,000 | 180,000 | 30,000 | 5,940 |
| Improvement Refunding Bonds of 2009 B | 2.00-3.00 | Dec-30-09 | n/a | Feb-01-20 | 4,250,000 | 4,250,000 | 1,850,000 | 2,400,000 | 385,000 | 57,613 |
| Improvement Refunding Bonds of 2011 A | 0.50-3.50 | Dec-01-11 | Feb-01-21 | Feb-01-32 | 2,385,000 | 2,385,000 | 345,000 | 2,040,000 | 190,000 | 38,455 |
| Improvement Refunding Bonds of 2012 A | 2.00-4.00 | Aug-15-12 | Feb-01-22 | Feb-01-33 | 6,805,000 | 6,805,000 | - | 6,805,000 | 505,000 | 179,225 |
| Improvement Refunding Bonds of 2013 A | 2.00-4.00 | Aug-15-13 | Feb-01-23 | Feb-01-34 | 4,685,000 | 4,685,000 | - | 4,685,000 | - | 115,862 |
| Total G.O. Improvement Bonds | | | | | <u>23,220,000</u> | <u>23,220,000</u> | <u>6,580,000</u> | <u>16,640,000</u> | <u>1,255,000</u> | <u>415,217</u> |
| Tax Increment Bonds: | | | | | | | | | | |
| Tax Increment Refunding Bonds of 2007 A | 4.00-4.20 | Feb-01-07 | Feb-01-16 | Feb-01-22 | 2,265,000 | 2,265,000 | 305,000 | 1,960,000 | 70,000 | 78,161 |
| Tax Increment Refunding Bonds of 2007 C (Taxable) | 5.10 | Feb-01-07 | n/a | Feb-01-14 | 820,000 | 820,000 | 685,000 | 135,000 | 135,000 | 3,443 |
| Tax Increment Refunding Bonds of 2009 B | 2.00 | Dec-30-09 | n/a | Feb-01-14 | 930,000 | 930,000 | 690,000 | 240,000 | 240,000 | 2,400 |
| Total Tax Increment Bonds | | | | | <u>4,015,000</u> | <u>4,015,000</u> | <u>1,680,000</u> | <u>2,335,000</u> | <u>445,000</u> | <u>84,004</u> |
| State-aid Street Revenue Bonds: | | | | | | | | | | |
| State-aid Street Bonds of 2007 G | 4.00 | Dec-15-07 | Apr-01-16 | Apr-01-18 | 3,675,000 | 3,675,000 | 1,640,000 | 2,035,000 | 375,000 | 73,900 |
| State-aid Street Refunding Bonds of 2010 A | 2.00-4.00 | Jan-01-10 | n/a | Apr-01-20 | 2,680,000 | 2,680,000 | 720,000 | 1,960,000 | 255,000 | 54,900 |
| State-aid Street Refunding Bonds of 2011 B | 0.50-2.15 | Dec-01-11 | n/a | Apr-01-21 | 665,000 | 665,000 | 70,000 | 595,000 | 70,000 | 8,543 |
| Total State-aid Street Revenue Bonds | | | | | <u>7,020,000</u> | <u>7,020,000</u> | <u>2,430,000</u> | <u>4,590,000</u> | <u>700,000</u> | <u>137,343</u> |
| Water Connection Revenue Refunding Bonds of 2004 B | 4.00 | Nov-01-04 | Feb-01-14 | Feb-01-16 | 9,735,000 | 9,735,000 | 6,870,000 | 2,865,000 | 890,000 | 96,800 |
| Arena Revenue Bonds: | | | | | | | | | | |
| Ice Center Refunding Bonds of 2008 A | 2.70-3.25 | Oct-01-08 | n/a | Feb-01-15 | 775,000 | 775,000 | 500,000 | 275,000 | 135,000 | 6,643 |
| Gross Revenue Recreation Facility Bonds of 1999 | 5.30-5.40 | Apr-01-99 | n/a | Aug-01-19 | 1,250,000 | 1,250,000 | 480,000 | 770,000 | - | 41,145 |
| Total Arena Revenue Bonds | | | | | <u>2,025,000</u> | <u>2,025,000</u> | <u>980,000</u> | <u>1,045,000</u> | <u>135,000</u> | <u>47,788</u> |
| HRA Lease Revenue Bonds: | | | | | | | | | | |
| HRA Ice Arena Lease Revenue Bonds of 2006 | 4.25-4.625 | Dec-01-06 | Feb-01-17 | Feb-01-32 | 9,230,000 | 9,230,000 | 905,000 | 8,325,000 | 225,000 | 372,431 |
| Total Governmental Activity Bonds | | | | | <u>136,545,000</u> | <u>136,545,000</u> | <u>31,335,000</u> | <u>105,210,000</u> | <u>16,030,000</u> | <u>3,700,592</u> |
| Business-type Activity: | | | | | | | | | | |
| Liquor Revenue Bonds of 2007 | 5.00 | May-01-07 | Feb-01-17 | Feb-01-27 | 3,955,000 | 3,955,000 | 720,000 | 3,235,000 | 165,000 | 157,625 |
| Total Bonded Indebtedness | | | | | <u>\$ 140,500,000</u> | <u>\$ 140,500,000</u> | <u>\$ 32,055,000</u> | <u>\$ 108,445,000</u> | <u>\$ 16,195,000</u> | <u>\$ 3,858,217</u> |

STATISTICAL SECTION

This part of the City of Lakeville's Comprehensive Annual Financial Report presents detailed information as a context for understanding the current year's financial statements, note disclosures, and required supplementary information about the government's overall financial health. This information has not been audited by the independent auditor.

Financial Trends

These schedules present trend information that may assist the reader in assessing the City's financial performance from a historical perspective.

- Net Position by Component - Government-wide
- Changes in Net Position - Governmental Activities
- Changes in Net Position - Business-type Activities
- Changes in Net Position - Total Governmental and Business-type Activities
- Fund Balances - Governmental Funds
- Changes in Fund Balances - Governmental Funds

Revenue Capacity

These schedules contain information that may assist the reader in assessing the City's most significant revenue source, the property tax.

- Tax Capacity Valuation and Assessor's Taxable Market Value of Taxable Property
- Property Tax Rates - Direct and Overlapping Governments
- Principal Property Taxpayers
- Property Tax Levy and Collections

Debt Capacity

These schedules provide information that may assist the reader in evaluating the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

- Ratio of Outstanding Debt by Type
- Ratio of Net Bonded Debt Outstanding
- Direct and Overlapping Governmental Debt
- Legal Debt Margin
- Pledged Revenue Coverage

Demographic and Economic Information

These schedules present demographic and economic indicators that are commonly used for financial analysis in understanding the City's ongoing and future financial status.

- Demographic and Economic Statistics
- Principal Employers
- Commercial and Industrial Building Permits Issued

Operating Information

These schedules contain service and infrastructure indicators that may assist the reader in understanding the information in the City's financial report as it relates to the services the City provides and the activities it performs.

- Employees by Function/Program (Full-Time Equivalent)
- Operating Indicators by Function
- Capital Assets Statistics by Function

Source:

Unless otherwise noted, the information contained within these schedules is derived from comprehensive annual financial reports for the relevant year.

CITY OF LAKEVILLE, MINNESOTA

Net Position by Component - Government-wide

Last Ten Fiscal Years

(accrual basis of accounting)

| Fiscal Year | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets (1) | \$ 13,712,628 | \$ 34,629,141 | \$ 47,013,052 | \$ 125,574,976 | \$ 120,954,521 | \$ 119,699,102 | \$ 119,249,751 | \$ 120,485,858 | \$ 125,051,058 | \$ 129,599,494 |
| Restricted | 7,079,763 | 7,728,450 | 7,200,932 | 9,727,357 | 9,037,087 | 10,542,926 | 10,027,737 | 16,474,815 | 17,403,167 | 17,645,944 |
| Unrestricted | 9,463,615 | 1,834,965 | 2,727,757 | 2,225,861 | 3,100,244 | 1,210,922 | 2,324,315 | (5,970,712) | (1,923,495) | 2,511,935 |
| Total governmental activities | <u>30,256,006</u> | <u>44,192,556</u> | <u>56,941,741</u> | <u>137,528,194</u> | <u>133,091,852</u> | <u>131,452,950</u> | <u>131,601,803</u> | <u>130,989,961</u> | <u>140,530,730</u> | <u>149,757,373</u> |
| Business-type Activities | | | | | | | | | | |
| Net investment in capital assets | 95,869,103 | 102,503,832 | 105,571,786 | 103,156,352 | 104,535,771 | 103,150,022 | 101,893,442 | 100,390,175 | 102,009,893 | 105,055,746 |
| Restricted | 72,000 | 59,000 | 45,500 | 326,133 | 311,133 | 295,133 | 295,133 | 325,750 | 325,750 | 324,125 |
| Unrestricted | 6,741,613 | 7,396,116 | 7,423,725 | 11,770,501 | 14,107,347 | 15,828,861 | 16,363,211 | 16,666,856 | 15,658,140 | 13,704,281 |
| Total business-type activities | <u>102,682,716</u> | <u>109,958,948</u> | <u>113,041,011</u> | <u>115,252,986</u> | <u>118,954,251</u> | <u>119,274,016</u> | <u>118,551,786</u> | <u>117,382,781</u> | <u>117,993,783</u> | <u>119,084,152</u> |
| Total Government-wide | | | | | | | | | | |
| Net investment in capital assets | 109,581,731 | 137,132,973 | 152,584,838 | 228,731,328 | 225,490,292 | 222,849,124 | 221,143,193 | 220,876,033 | 227,060,951 | 234,655,240 |
| Restricted | 7,151,763 | 7,787,450 | 7,246,432 | 10,053,490 | 9,348,220 | 10,838,059 | 10,322,870 | 16,800,565 | 17,728,917 | 17,970,069 |
| Unrestricted | 16,205,228 | 9,231,081 | 10,151,482 | 13,996,362 | 17,207,591 | 17,039,783 | 18,687,526 | 10,696,144 | 13,734,645 | 16,216,216 |
| Total government-wide | <u>\$ 132,938,722</u> | <u>\$ 154,151,504</u> | <u>\$ 169,982,752</u> | <u>\$ 252,781,180</u> | <u>\$ 252,046,103</u> | <u>\$ 250,726,966</u> | <u>\$ 250,153,589</u> | <u>\$ 248,372,742</u> | <u>\$ 258,524,513</u> | <u>\$ 268,841,525</u> |
| | | | | | | (2) | | (3) | | |

Notes:

(1) The net investment in capital assets amount for fiscal years 2004 through 2006 excludes infrastructure assets that were acquired prior to January 1, 2004. 2007 includes the addition of these infrastructure assets acquired (net of depreciation) for \$76,014,220.

(2) Includes a restatement of \$186,003 in Business-type activities.

(3) The City implemented GASB Statement No. 65 in 2012. Net position for 2011 was restated for the effects of implementing this standard. Net position for previous years has not been restated.

CITY OF LAKEVILLE, MINNESOTA

Changes in Net Position - Governmental Activities

Last Ten Fiscal Years

(accrual basis of accounting)

| <u>Fiscal Year</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|
| Expenses | | | | | | | | | | |
| General government | \$ 3,593,032 | \$ 3,733,657 | \$ 4,452,707 | \$ 4,712,995 | \$ 6,169,957 | \$ 5,916,590 | \$ 5,248,677 | \$ 5,134,169 | \$ 5,258,319 | \$ 5,363,354 |
| Public safety | 8,439,118 | 8,928,681 | 10,057,597 | 10,308,296 | 10,019,681 | 9,726,394 | 10,858,447 | 11,068,287 | 11,202,018 | 11,784,109 |
| Public works | 18,238,780 | 12,970,903 | 7,507,095 | 15,844,963 | 15,706,515 | 12,866,216 | 12,197,868 | 13,778,800 | 10,849,213 | 11,241,434 |
| Parks and recreation | 3,044,450 | 3,535,082 | 3,819,806 | 4,556,759 | 4,900,341 | 4,774,745 | 4,775,015 | 4,796,035 | 4,780,666 | 5,154,919 |
| Interest on long-term debt | 3,109,159 | 4,032,004 | 3,278,091 | 3,867,395 | 4,218,695 | 3,994,790 | 3,740,076 | 4,383,684 | 3,496,878 | 3,864,333 |
| Total expenses | <u>36,424,539</u> | <u>33,200,327</u> | <u>29,115,296</u> | <u>39,290,408</u> | <u>41,015,189</u> | <u>37,278,735</u> | <u>36,820,083</u> | <u>39,160,975</u> | <u>35,587,094</u> | <u>37,408,149</u> |
| Program Revenues | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| General government | 3,965,377 | 3,313,130 | 2,960,761 | 2,495,649 | 2,238,739 | 1,940,423 | 1,834,856 | 2,108,396 | 2,736,653 | 3,061,568 |
| Public safety | 674,034 | 691,070 | 850,033 | 659,989 | 581,930 | 643,174 | 654,226 | 746,207 | 714,587 | 686,130 |
| Public works | 7,618,764 | 9,123,403 | 6,064,174 | 4,985,965 | 4,239,190 | 2,817,604 | 1,967,309 | 2,313,334 | 3,588,062 | 4,481,445 |
| Parks and recreation | 1,924,946 | 2,598,033 | 1,556,284 | 1,437,308 | 1,937,523 | 984,206 | 1,555,560 | 1,299,364 | 2,087,640 | 2,231,757 |
| Operating grants and contributions | | | | | | | | | | |
| General government | 30,269 | 42,748 | 114,152 | 43,839 | 25,083 | 44,648 | 42,661 | 37,970 | 40,359 | 60,076 |
| Public safety | 636,132 | 683,047 | 741,342 | 698,926 | 639,173 | 1,048,160 | 846,553 | 649,253 | 698,949 | 902,783 |
| Public works | 152,216 | 105,659 | 106,871 | 6,604,149 | 783,843 | 1,142,494 | 1,399,661 | 1,451,359 | 1,396,560 | 1,295,018 |
| Parks and recreation | 12,658 | 15,906 | 33,575 | 13,456 | 46,058 | 20,294 | 30,144 | 160,852 | 100,315 | 59,653 |
| Capital grants and contributions | | | | | | | | | | |
| General government | - | - | 171,400 | - | - | - | - | - | 91,735 | 195,693 |
| Public safety | 4,651 | - | 326,143 | 5,000 | 50,000 | - | 21,576 | 26,325 | 19,530 | - |
| Public works | 9,872,250 | 13,320,961 | 6,169,357 | 3,384,857 | 1,420,813 | 2,783,528 | 3,025,905 | 2,906,106 | 5,569,732 | 6,350,827 |
| Parks and recreation | 806,770 | 1,595,022 | 2,272,358 | 550,757 | 871,266 | 187,699 | 267,360 | 297,245 | 370,237 | 1,296,764 |
| Total program revenues | <u>25,698,067</u> | <u>31,488,979</u> | <u>21,366,450</u> | <u>20,879,895</u> | <u>12,833,618</u> | <u>11,612,230</u> | <u>11,645,811</u> | <u>11,996,411</u> | <u>17,414,359</u> | <u>20,621,714</u> |
| Net (Expense) Revenue | | | | | | | | | | |
| General government | 402,614 | (377,779) | (1,206,394) | (2,173,507) | (3,906,135) | (3,931,519) | (3,371,160) | (2,987,803) | (2,389,572) | (2,046,017) |
| Public safety | (7,124,301) | (7,554,564) | (8,140,079) | (8,944,381) | (8,748,578) | (8,035,060) | (9,336,092) | (9,646,502) | (9,768,952) | (10,195,196) |
| Public works | (595,550) | 9,579,120 | 4,833,307 | (869,992) | (9,262,669) | (6,122,590) | (5,804,993) | (7,108,001) | (294,859) | 885,856 |
| Parks and recreation | (300,076) | 673,879 | 42,411 | (2,555,238) | (2,045,494) | (3,582,546) | (2,921,951) | (3,038,574) | (2,222,474) | (1,566,745) |
| Interest on long-term debt | (3,109,159) | (4,032,004) | (3,278,091) | (3,867,395) | (4,218,695) | (3,994,790) | (3,740,076) | (4,383,684) | (3,496,878) | (3,864,333) |
| Total net (expense) revenue | <u>(10,726,472)</u> | <u>(1,711,348)</u> | <u>(7,748,846)</u> | <u>(18,410,513)</u> | <u>(28,181,571)</u> | <u>(25,666,505)</u> | <u>(25,174,272)</u> | <u>(27,164,564)</u> | <u>(18,172,735)</u> | <u>(16,786,435)</u> |
| General Revenues and Other | | | | | | | | | | |
| Property taxes | 13,049,107 | 15,491,536 | 18,009,237 | 20,873,431 | 23,391,055 | 23,912,318 | 24,369,009 | 24,207,406 | 24,221,741 | 23,947,968 |
| Investment earnings (charges) | 794,732 | 1,023,616 | 1,505,062 | 1,977,519 | 1,383,236 | 463,092 | 340,336 | 280,364 | 176,409 | (28,949) |
| Gain on sale of capital assets | - | - | 1,434,692 | - | - | - | - | - | 214,004 | - |
| Transfers in (out) | 307,071 | (867,254) | (450,960) | 131,796 | (2,029,933) | (347,807) | 613,780 | 2,692,671 | 3,101,350 | 2,094,059 |
| Total general revenues and other (net) | <u>14,150,910</u> | <u>15,647,898</u> | <u>20,498,031</u> | <u>22,982,746</u> | <u>22,744,358</u> | <u>24,027,603</u> | <u>25,323,125</u> | <u>27,180,441</u> | <u>27,713,504</u> | <u>26,013,078</u> |
| Change in net position | <u>\$ 3,424,438</u> | <u>\$13,936,550</u> | <u>\$12,749,185</u> | <u>\$ 4,572,233</u> | <u>\$(5,437,213)</u> | <u>\$(1,638,902)</u> | <u>\$ 148,853</u> | <u>\$ 15,877</u> | <u>\$ 9,540,769</u> | <u>\$ 9,226,643</u> |

Note: The City implemented GASB Statement No. 65 in 2012. Change in net position for 2011 was restated for the effect of implementing this standard. Change in net position for previous years has not been restated.

CITY OF LAKEVILLE, MINNESOTA

Changes in Net Position - Business-type Activities
 Last Ten Fiscal Years
 (accrual basis of accounting)

| Fiscal Year | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|--------------------|---------------------|-----------------------|--------------------|---------------------|
| Expenses | | | | | | | | | | |
| Liquor | \$ 1,648,759 | \$ 1,791,612 | \$ 1,940,626 | \$ 2,164,440 | \$ 2,407,714 | \$ 2,437,654 | \$ 2,424,290 | \$ 2,439,261 | \$ 2,392,945 | \$ 2,473,738 |
| Utility | <u>6,699,466</u> | <u>7,020,440</u> | <u>7,925,809</u> | <u>8,029,064</u> | <u>8,319,303</u> | <u>9,086,172</u> | <u>9,903,296</u> | <u>10,401,650</u> | <u>10,365,651</u> | <u>10,863,625</u> |
| Total expenses | <u>8,348,225</u> | <u>8,812,052</u> | <u>9,866,435</u> | <u>10,193,504</u> | <u>10,727,017</u> | <u>11,523,826</u> | <u>12,327,586</u> | <u>12,840,911</u> | <u>12,758,596</u> | <u>13,337,363</u> |
| Program Revenues | | | | | | | | | | |
| Charges for services | | | | | | | | | | |
| Liquor | 2,590,308 | 2,911,820 | 3,080,692 | 3,314,721 | 3,603,240 | 3,611,777 | 3,612,321 | 3,546,877 | 3,839,723 | 3,948,599 |
| Utility | 5,105,936 | 5,263,274 | 5,855,346 | 6,553,811 | 7,355,207 | 7,491,674 | 7,432,391 | 8,866,345 | 9,542,284 | 9,126,838 |
| Operating grants and contributions | | | | | | | | | | |
| Liquor | 7,762 | 3,762 | 3,762 | 3,762 | 3,762 | 3,762 | 3,762 | 3,762 | 3,762 | 3,762 |
| Utility | 3,264 | 3,264 | 3,264 | 3,264 | 3,264 | 3,264 | 3,264 | 59,707 | 103,525 | 69,968 |
| Capital grants and contributions | | | | | | | | | | |
| Liquor | - | - | - | - | - | - | 17,050 | - | - | - |
| Utility | <u>3,114,733</u> | <u>6,911,241</u> | <u>3,239,467</u> | <u>1,394,810</u> | <u>975,410</u> | <u>158,252</u> | <u>999,716</u> | <u>1,129,764</u> | <u>2,903,043</u> | <u>3,414,738</u> |
| Total program revenues | <u>10,822,003</u> | <u>15,093,361</u> | <u>12,182,531</u> | <u>11,270,368</u> | <u>11,940,883</u> | <u>11,268,729</u> | <u>12,068,504</u> | <u>13,606,455</u> | <u>16,392,337</u> | <u>16,563,905</u> |
| Net (Expense) Revenue | | | | | | | | | | |
| Liquor | 949,311 | 1,123,970 | 1,143,828 | 1,154,043 | 1,199,288 | 1,177,885 | 1,208,843 | 1,111,378 | 1,450,540 | 1,478,623 |
| Utility | <u>1,524,467</u> | <u>5,157,339</u> | <u>1,172,268</u> | <u>(77,179)</u> | <u>14,578</u> | <u>(1,432,982)</u> | <u>(1,467,925)</u> | <u>(345,834)</u> | <u>2,183,201</u> | <u>1,747,919</u> |
| Total net (expense) revenue | <u>2,473,778</u> | <u>6,281,309</u> | <u>2,316,096</u> | <u>1,076,864</u> | <u>1,213,866</u> | <u>(255,097)</u> | <u>(259,082)</u> | <u>765,544</u> | <u>3,633,741</u> | <u>3,226,542</u> |
| General Revenues and Other | | | | | | | | | | |
| Investment income (charges) | 129,549 | 127,669 | 315,007 | 468,478 | 457,466 | 227,055 | 150,632 | 130,403 | 78,611 | (42,114) |
| Disposal of capital assets | - | - | - | 798,429 | - | - | - | - | - | - |
| Transfers in (out) | <u>(307,071)</u> | <u>867,254</u> | <u>450,960</u> | <u>(131,796)</u> | <u>2,029,933</u> | <u>347,807</u> | <u>(613,780)</u> | <u>(2,692,671)</u> | <u>(3,101,350)</u> | <u>(2,094,059)</u> |
| Total general revenues and other (net) | <u>(177,522)</u> | <u>994,923</u> | <u>765,967</u> | <u>1,135,111</u> | <u>2,487,399</u> | <u>574,862</u> | <u>(463,148)</u> | <u>(2,562,268)</u> | <u>(3,022,739)</u> | <u>(2,136,173)</u> |
| Change in net position | <u>\$ 2,296,256</u> | <u>\$ 7,276,232</u> | <u>\$ 3,082,063</u> | <u>\$ 2,211,975</u> | <u>\$ 3,701,265</u> | <u>\$ 319,765</u> | <u>\$ (722,230)</u> | <u>\$ (1,796,724)</u> | <u>\$ 611,002</u> | <u>\$ 1,090,369</u> |

(1)

Note: The City implemented GASB Statement No. 65 in 2012. Change in net position for 2011 was restated for the effect of implementing this standard. Change in net position for previous years has not been restated.

(1) Includes a restatement of \$186,003.

CITY OF LAKEVILLE, MINNESOTA

Changes in Net Position - Total Governmental and Business-type Activities

Last Ten Fiscal Years

(accrual basis of accounting)

| Fiscal Year | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|---------------------|----------------------|----------------------|---------------------|-----------------------|-----------------------|---------------------|-----------------------|----------------------|----------------------|
| Expenses | | | | | | | | | | |
| Governmental activities | \$ 36,424,539 | \$ 33,200,327 | \$ 29,115,296 | \$ 39,290,408 | \$ 41,015,189 | \$ 37,278,735 | \$ 36,820,083 | \$ 39,160,975 | \$ 35,587,094 | \$ 37,408,149 |
| Business-type activities | <u>8,348,225</u> | <u>8,812,052</u> | <u>9,866,435</u> | <u>10,193,504</u> | <u>10,727,017</u> | <u>11,523,826</u> | <u>12,327,586</u> | <u>12,840,911</u> | <u>12,758,596</u> | <u>13,337,363</u> |
| Total expenses | <u>44,772,764</u> | <u>42,012,379</u> | <u>38,981,731</u> | <u>49,483,912</u> | <u>51,742,206</u> | <u>48,802,561</u> | <u>49,147,669</u> | <u>52,001,886</u> | <u>48,345,690</u> | <u>50,745,512</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities | 25,698,067 | 31,488,979 | 21,366,450 | 20,879,895 | 12,833,618 | 11,612,230 | 11,645,811 | 11,996,411 | 17,414,359 | 20,621,714 |
| Business-type activities | <u>10,822,003</u> | <u>15,093,361</u> | <u>12,182,531</u> | <u>11,270,368</u> | <u>11,940,883</u> | <u>11,268,729</u> | <u>12,068,504</u> | <u>13,606,455</u> | <u>16,392,337</u> | <u>16,563,905</u> |
| Total program revenues | <u>36,520,070</u> | <u>46,582,340</u> | <u>33,548,981</u> | <u>32,150,263</u> | <u>24,774,501</u> | <u>22,880,959</u> | <u>23,714,315</u> | <u>25,602,866</u> | <u>33,806,696</u> | <u>37,185,619</u> |
| Net (Expense) Revenue | | | | | | | | | | |
| Governmental activities | (10,726,472) | (1,711,348) | (7,748,846) | (18,410,513) | (28,181,571) | (25,666,505) | (25,174,272) | (27,164,564) | (18,172,735) | (16,786,435) |
| Business-type activities | <u>2,473,778</u> | <u>6,281,309</u> | <u>2,316,096</u> | <u>1,076,864</u> | <u>1,213,866</u> | <u>(255,097)</u> | <u>(259,082)</u> | <u>765,544</u> | <u>3,633,741</u> | <u>3,226,542</u> |
| Total net (expense) revenue | <u>(8,252,694)</u> | <u>4,569,961</u> | <u>(5,432,750)</u> | <u>(17,333,649)</u> | <u>(26,967,705)</u> | <u>(25,921,602)</u> | <u>(25,433,354)</u> | <u>(26,399,020)</u> | <u>(14,538,994)</u> | <u>(13,559,893)</u> |
| General Revenues and Other | | | | | | | | | | |
| Governmental activities | 14,150,910 | 15,647,898 | 20,498,031 | 22,982,746 | 22,744,358 | 24,027,603 | 25,323,125 | 27,180,441 | 27,713,504 | 26,013,078 |
| Business-type activities | <u>(177,522)</u> | <u>994,923</u> | <u>765,967</u> | <u>1,135,111</u> | <u>2,487,399</u> | <u>574,862</u> | <u>(463,148)</u> | <u>(2,562,268)</u> | <u>(3,022,739)</u> | <u>(2,136,173)</u> |
| Total general revenues and other (net) | <u>13,973,388</u> | <u>16,642,821</u> | <u>21,263,998</u> | <u>24,117,857</u> | <u>25,231,757</u> | <u>24,602,465</u> | <u>24,859,977</u> | <u>24,618,173</u> | <u>24,690,765</u> | <u>23,876,905</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | 3,424,438 | 13,936,550 | 12,749,185 | 4,572,233 | (5,437,213) | (1,638,902) | 148,853 | 15,877 | 9,540,769 | 9,226,643 |
| Business-type activities | <u>2,296,256</u> | <u>7,276,232</u> | <u>3,082,063</u> | <u>2,211,975</u> | <u>3,701,265</u> | <u>319,765</u> | <u>(722,230)</u> | <u>(1,796,724)</u> | <u>611,002</u> | <u>1,090,369</u> |
| Total change in net position | <u>\$ 5,720,694</u> | <u>\$ 21,212,782</u> | <u>\$ 15,831,248</u> | <u>\$ 6,784,208</u> | <u>\$ (1,735,948)</u> | <u>\$ (1,319,137)</u> | <u>\$ (573,377)</u> | <u>\$ (1,780,847)</u> | <u>\$ 10,151,771</u> | <u>\$ 10,317,012</u> |

(1)

Note: The City implemented GASB Statement No. 65 in 2012. Change in net position for 2011 was restated for the effects of implementing this standard. Change in net position for previous years has not been restated.

(1) Includes a restatement of \$186,003.

CITY OF LAKEVILLE, MINNESOTA

Fund Balances - Governmental Funds
 Last Ten Fiscal Years
 (modified accrual basis of accounting)

| <u>Fiscal Year</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ - | \$ 10,322 | \$ 8,238 | \$ 8,483 | \$ 7,420 | \$ 9,899 | \$ 10,726 | \$ - | \$ - | \$ - |
| Unreserved | 9,089,470 | 10,012,455 | 11,010,426 | 11,698,291 | 11,238,093 | 11,196,826 | 9,385,202 | - | - | - |
| Nonspendable | - | - | - | - | - | - | - | 384,329 | 256,476 | 126,014 |
| Committed | - | - | - | - | - | - | - | - | - | 45,000 |
| Assigned | - | - | - | - | - | - | - | 519,146 | 620,725 | - |
| Unassigned | - | - | - | - | - | - | - | 9,644,863 | 10,614,574 | 9,495,546 |
| Total general fund | <u>9,089,470</u> | <u>10,022,777</u> | <u>11,018,664</u> | <u>11,706,774</u> | <u>11,245,513</u> | <u>11,206,725</u> | <u>9,395,928</u> | <u>10,548,338</u> | <u>11,491,775</u> | <u>9,666,560</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | 29,655,447 | 19,548,472 | 15,314,937 | 16,217,023 | 10,464,632 | 16,713,410 | 11,060,144 | - | - | - |
| Unreserved | | | | | | | | | | |
| Special revenue | 799,538 | 810,972 | 937,978 | 1,083,601 | 1,107,202 | 1,325,731 | 1,444,846 | - | - | - |
| Capital projects | 16,213,118 | 13,076,770 | 9,839,833 | 17,115,258 | 11,074,322 | 12,549,905 | 15,384,343 | - | - | - |
| Nonspendable | - | - | - | - | - | - | - | 75 | - | - |
| Restricted | - | - | - | - | - | - | - | 14,744,057 | 38,587,037 | 38,716,666 |
| Committed | - | - | - | - | - | - | - | 9,989,221 | 11,861,800 | 16,620,820 |
| Unassigned | - | - | - | - | - | - | - | (112,102) | (233,910) | (221,630) |
| Total all other governmental funds | <u>46,668,103</u> | <u>33,436,214</u> | <u>26,092,748</u> | <u>34,415,882</u> | <u>22,646,156</u> | <u>30,589,046</u> | <u>27,889,333</u> | <u>24,621,251</u> | <u>50,214,927</u> | <u>55,115,856</u> |
| Total Governmental Funds | | | | | | | | | | |
| Reserved | 29,655,447 | 19,558,794 | 15,323,175 | 16,225,506 | 10,472,052 | 16,723,309 | 11,070,870 | - | - | - |
| Unreserved | 26,102,126 | 23,900,197 | 21,788,237 | 29,897,150 | 23,419,617 | 25,072,462 | 26,214,391 | - | - | - |
| Nonspendable | - | - | - | - | - | - | - | 384,404 | 256,476 | 126,014 |
| Restricted | - | - | - | - | - | - | - | 14,744,057 | 38,587,037 | 38,716,666 |
| Committed | - | - | - | - | - | - | - | 9,989,221 | 11,861,800 | 16,665,820 |
| Assigned | - | - | - | - | - | - | - | 519,146 | 620,725 | - |
| Unassigned | - | - | - | - | - | - | - | 9,532,761 | 10,380,664 | 9,273,916 |
| Total governmental funds | <u>\$ 55,757,573</u> | <u>\$ 43,458,991</u> | <u>\$ 37,111,412</u> | <u>\$ 46,122,656</u> | <u>\$ 33,891,669</u> | <u>\$ 41,795,771</u> | <u>\$ 37,285,261</u> | <u>\$ 35,169,589</u> | <u>\$ 61,706,702</u> | <u>\$ 64,782,416</u> |
| All governmental funds percentage change | <u>30.3%</u> | <u>-22.1%</u> | <u>-14.6%</u> | <u>24.3%</u> | <u>-26.5%</u> | <u>23.3%</u> | <u>-10.8%</u> | <u>-5.7%</u> | <u>75.5%</u> | <u>5.0%</u> |

Note: The implementation of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions*, in fiscal year 2011 resulted in significant change in the City's fund balance classifications. Information prior to 2011 has not been restated.

CITY OF LAKEVILLE, MINNESOTA

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

| <u>Fiscal Year</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--|----------------------|------------------------|-----------------------|---------------------|------------------------|---------------------|-----------------------|---------------------|----------------------|---------------------|
| Revenues | | | | | | | | | | |
| Property taxes and tax increment | \$ 12,982,754 | \$ 15,398,468 | \$ 17,882,708 | \$ 20,171,031 | \$ 22,901,637 | \$ 23,785,468 | \$ 24,435,538 | \$ 24,057,622 | \$ 24,453,849 | \$ 23,981,375 |
| Licenses and permits | 3,674,865 | 2,984,753 | 2,651,382 | 2,182,252 | 1,936,532 | 1,603,909 | 1,565,028 | 1,820,408 | 2,429,951 | 2,727,494 |
| Intergovernmental | 5,716,864 | 1,305,587 | 2,400,581 | 8,420,985 | 2,250,332 | 3,158,128 | 4,242,195 | 2,622,487 | 2,291,376 | 3,534,512 |
| Charges for services | 10,310,238 | 12,460,552 | 8,207,104 | 7,105,600 | 6,713,370 | 4,145,717 | 4,002,246 | 3,938,204 | 5,833,776 | 6,925,867 |
| Special assessments | 1,247,294 | 931,771 | 709,126 | 826,453 | 777,153 | 769,624 | 573,301 | 622,799 | 1,132,126 | 1,143,349 |
| Investment income (charges) | 789,600 | 1,019,087 | 1,496,836 | 1,970,411 | 1,379,315 | 459,967 | 337,788 | 270,378 | 174,358 | (28,008) |
| Donations | 281,576 | 319,949 | 896,414 | 475,676 | 1,008,326 | 305,146 | 155,477 | 269,762 | 207,391 | 265,953 |
| Miscellaneous | 289,499 | 381,247 | 371,033 | 326,059 | 366,680 | 635,781 | 732,816 | 731,763 | 871,798 | 885,323 |
| Total revenues | <u>35,292,690</u> | <u>34,801,414</u> | <u>34,615,184</u> | <u>41,478,467</u> | <u>37,333,345</u> | <u>34,863,740</u> | <u>36,044,389</u> | <u>34,333,423</u> | <u>37,394,625</u> | <u>39,435,865</u> |
| Expenditures | | | | | | | | | | |
| General government | 3,233,316 | 3,199,306 | 3,582,410 | 3,939,573 | 5,172,645 | 4,850,726 | 4,687,662 | 4,493,368 | 4,572,777 | 4,774,775 |
| Public safety | 7,776,381 | 8,063,605 | 8,865,167 | 9,346,490 | 8,911,017 | 8,835,563 | 9,337,884 | 9,755,251 | 9,844,232 | 10,113,958 |
| Public works | 3,888,882 | 3,437,161 | 3,551,118 | 3,970,680 | 4,535,118 | 3,906,485 | 3,593,862 | 3,019,293 | 3,245,103 | 3,766,665 |
| Parks and recreation | 2,175,558 | 2,446,065 | 2,706,898 | 2,968,924 | 3,233,422 | 2,881,402 | 3,038,433 | 3,047,906 | 3,050,782 | 3,206,004 |
| Capital outlay | 23,770,126 | 29,290,726 | 15,745,297 | 29,913,271 | 18,133,199 | 7,140,715 | 4,611,659 | 10,345,908 | 12,413,360 | 12,523,103 |
| Debt service | | | | | | | | | | |
| Principal retirement | 3,783,000 | 4,016,900 | 4,097,026 | 7,021,291 | 5,301,622 | 6,436,971 | 7,337,338 | 7,689,182 | 7,642,027 | 5,825,000 |
| Interest on debt | 3,346,744 | 3,726,938 | 3,597,771 | 3,449,720 | 4,367,257 | 4,157,176 | 3,945,265 | 3,633,285 | 3,358,324 | 3,948,740 |
| Fiscal charges | 13,821 | 37,072 | 24,707 | 123,438 | 46,136 | 126,570 | 61,222 | 78,143 | 173,072 | 26,351 |
| Total expenditures | <u>47,987,828</u> | <u>54,217,773</u> | <u>42,170,394</u> | <u>60,733,387</u> | <u>49,700,416</u> | <u>38,335,608</u> | <u>36,613,325</u> | <u>42,062,336</u> | <u>44,299,677</u> | <u>44,184,596</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(12,695,138)</u> | <u>(19,416,359)</u> | <u>(7,555,210)</u> | <u>(19,254,920)</u> | <u>(12,367,071)</u> | <u>(3,471,868)</u> | <u>(568,936)</u> | <u>(7,728,913)</u> | <u>(6,905,052)</u> | <u>(4,748,731)</u> |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 3,361,954 | 4,343,025 | 5,634,822 | 4,327,025 | 7,688,315 | 5,156,485 | 5,740,982 | 5,324,043 | 6,699,447 | 7,094,079 |
| Transfers out | (2,138,784) | (2,775,293) | (4,997,410) | (3,600,158) | (6,857,231) | (4,386,727) | (5,046,945) | (2,524,276) | (2,839,332) | (4,857,921) |
| Bond, note, loan and lease proceeds | 24,180,000 | 5,564,000 | 12,281,300 | 30,850,000 | 2,280,000 | 10,125,000 | 2,680,000 | 4,265,000 | 29,255,000 | 4,685,000 |
| Payment on refunded bonds called | - | - | (12,825,000) | (3,945,000) | (2,975,000) | - | (7,955,000) | - | (1,830,000) | - |
| Premium on bonds issued | 346,672 | - | 68,479 | 610,404 | - | 116,016 | 99,322 | - | 1,957,050 | 78,287 |
| Discount on bonds issued | (81,216) | (13,955) | - | (3,242) | - | - | - | - | - | - |
| Sale of capital assets | - | - | 1,045,440 | 27,135 | - | 365,196 | 540,067 | - | 200,000 | 825,000 |
| Total other financing sources (uses) | <u>25,668,626</u> | <u>7,117,777</u> | <u>1,207,631</u> | <u>28,266,164</u> | <u>136,084</u> | <u>11,375,970</u> | <u>(3,941,574)</u> | <u>7,064,767</u> | <u>33,442,165</u> | <u>7,824,445</u> |
| Net change in fund balances | <u>\$ 12,973,488</u> | <u>\$ (12,298,582)</u> | <u>\$ (6,347,579)</u> | <u>\$ 9,011,244</u> | <u>\$ (12,230,987)</u> | <u>\$ 7,904,102</u> | <u>\$ (4,510,510)</u> | <u>\$ (664,146)</u> | <u>\$ 26,537,113</u> | <u>\$ 3,075,714</u> |
| Debt service as a % of noncapital expenditures (excl. fiscal charges) | <u>21.4%</u> | <u>33.7%</u> | <u>30.7%</u> | <u>29.2%</u> | <u>24.4%</u> | <u>30.7%</u> | <u>32.9%</u> | <u>31.6%</u> | <u>32.2%</u> | <u>28.6%</u> |

Note: The City has no other taxes than property taxes and tax increment.

CITY OF LAKEVILLE, MINNESOTA

Tax Capacity Valuation and Assessor's Taxable Market Value of Taxable Property
Last Ten Fiscal Years

| Fiscal Year | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| <u>Taxable Net Tax Capacity Valuation of Taxable Property</u> | | | | | | | | | | |
| Tax capacity value | \$ 41,253,071 | \$ 48,211,759 | \$ 55,521,140 | \$ 62,477,351 | \$ 66,208,936 | \$ 67,887,456 | \$ 65,235,789 | \$ 61,005,594 | \$ 57,583,990 | \$ 54,853,225 |
| Less: | | | | | | | | | | |
| Captured tax increment tax capacity | (1,684,734) | (1,821,312) | (1,935,093) | (2,129,445) | (2,173,426) | (2,127,819) | (1,998,923) | (904,389) | (862,243) | (863,946) |
| Contributions to fiscal disparities pool | (2,434,792) | (2,848,021) | (3,429,966) | (3,848,084) | (4,416,898) | (4,888,029) | (5,623,626) | (5,845,456) | (5,591,597) | (5,494,207) |
| Plus: | | | | | | | | | | |
| Distribution from fiscal disparities pool | 4,281,367 | 4,416,475 | 4,707,601 | 5,329,560 | 5,967,401 | 7,115,384 | 7,429,875 | 7,807,412 | 7,194,884 | 6,825,229 |
| Total taxable net tax capacity | <u>\$ 41,414,912</u> | <u>\$ 47,958,901</u> | <u>\$ 54,863,682</u> | <u>\$ 61,829,382</u> | <u>\$ 65,586,013</u> | <u>\$ 67,986,992</u> | <u>\$ 65,043,115</u> | <u>\$ 62,063,161</u> | <u>\$ 58,325,034</u> | <u>\$ 55,320,301</u> |
| <u>Taxable Net Tax Capacity Valuation by Class of Property</u> | | | | | | | | | | |
| Homestead residential | \$ 32,609,971 | \$ 37,990,902 | \$ 44,087,330 | \$ 49,458,056 | \$ 52,038,379 | \$ 51,916,328 | \$ 48,558,421 | \$ 44,951,025 | \$ 41,780,807 | \$ 38,983,401 |
| Commercial/industrial, public utility, and personal property | 7,466,958 | 8,512,830 | 9,178,530 | 10,660,273 | 11,801,273 | 14,325,341 | 14,626,593 | 15,226,802 | 14,711,893 | 14,351,101 |
| Non-homestead residential/apartments | 892,175 | 913,735 | 939,412 | 1,008,576 | 1,000,649 | 1,082,546 | 1,127,962 | 1,271,776 | 1,265,526 | 1,311,388 |
| Agriculture and seasonal/recreational | 445,808 | 541,434 | 658,410 | 702,477 | 745,712 | 662,777 | 730,139 | 613,558 | 566,808 | 674,411 |
| Total taxable net tax capacity | <u>\$ 41,414,912</u> | <u>\$ 47,958,901</u> | <u>\$ 54,863,682</u> | <u>\$ 61,829,382</u> | <u>\$ 65,586,013</u> | <u>\$ 67,986,992</u> | <u>\$ 65,043,115</u> | <u>\$ 62,063,161</u> | <u>\$ 58,325,034</u> | <u>\$ 55,320,301</u> |
| Assessor's taxable market valuation | <u>\$ 3,742,588,600</u> | <u>\$ 4,361,601,400</u> | <u>\$ 5,034,819,600</u> | <u>\$ 5,642,591,100</u> | <u>\$ 5,951,319,600</u> | <u>\$ 6,024,665,500</u> | <u>\$ 5,736,602,200</u> | <u>\$ 5,356,855,900</u> | <u>\$ 5,030,003,164</u> | <u>\$ 4,767,475,321</u> |
| Taxable net tax capacity as a percentage of assessor's taxable market value | <u>1.107%</u> | <u>1.100%</u> | <u>1.090%</u> | <u>1.096%</u> | <u>1.102%</u> | <u>1.128%</u> | <u>1.134%</u> | <u>1.159%</u> | <u>1.160%</u> | <u>1.160%</u> |
| Direct tax capacity rate | <u>30.050%</u> | <u>31.326%</u> | <u>31.610%</u> | <u>31.583%</u> | <u>34.195%</u> | <u>33.973%</u> | <u>36.624%</u> | <u>38.250%</u> | <u>39.051%</u> | <u>41.234%</u> |

Notes:

Taxes are determined by multiplying the taxable net tax capacity by the direct tax capacity rate as expressed as a percentage.

The foregoing direct tax capacity rates do not reflect reductions for state property tax credits.

Source: Dakota County Auditor and Treasurer's Office.

CITY OF LAKEVILLE, MINNESOTA

Property Tax Rates - Direct and Overlapping Governments
Last Ten Fiscal Years

| Fiscal Year | City of Lakeville Direct Rates | | | | Overlapping Rates | | | | | Total Direct and Overlapping Rates | | | | |
|-------------|-----------------------------------|--------------|---------|--------------------------------------|-----------------------------------|--------------------------------------|----------------------|-----------------------------------|--------------------------------------|---|----------------------|--------------------|----------|----------|
| | General Levy (Tax Capacity-based) | | | Referendum Levy (Market Value-based) | Dakota County (1) | | Ind. School District | School District (1) | | Special Districts Levy (Tax Capacity-based) (1) | Tax Capacity - based | Market Value-based | | |
| | Operating | Debt Service | Total | Debt Service | General Levy (Tax Capacity-based) | Referendum Levy (Market Value-based) | | General Levy (Tax Capacity-based) | Referendum Levy (Market Value-based) | | | | | |
| | | | | | | | 192 | | | 194 | 196 | | | |
| 2004 | 25.446% | 4.604% | 30.050% | 0.00729% | 30.300% | 0.00754% | 192 | 35.599% | 0.04003% | 3.518% | 99.467% | 0.05486% | | |
| | | | | | | | 194 | 26.901% | 0.20593% | | | | 90.769% | 0.22076% |
| | | | | | | | 196 | 26.740% | 0.13978% | | | | 90.608% | 0.15461% |
| 2005 | 25.475% | 5.851% | 31.326% | 0.00616% | 28.267% | 0.00666% | 192 | 36.540% | 0.04078% | 3.752% | 99.885% | 0.05360% | | |
| | | | | | | | 194 | 25.411% | 0.17349% | | | | 88.756% | 0.18631% |
| | | | | | | | 196 | 22.065% | 0.10862% | | | | 85.410% | 0.12144% |
| 2006 | 25.043% | 6.567% | 31.610% | 0.00830% | 26.318% | 0.00592% | 192 | 43.708% | 0.05599% | 3.780% | 105.416% | 0.07021% | | |
| | | | | | | | 194 | 25.670% | 0.17079% | | | | 87.378% | 0.18501% |
| | | | | | | | 196 | 27.554% | 0.22437% | | | | 89.262% | 0.23859% |
| 2007 | 23.319% | 8.264% | 31.583% | 0.00743% | 25.127% | 0.00516% | 192 | 44.190% | 0.05679% | 3.771% | 104.671% | 0.06938% | | |
| | | | | | | | 194 | 25.252% | 0.16868% | | | | 85.733% | 0.18127% |
| | | | | | | | 196 | 23.607% | 0.20824% | | | | 84.088% | 0.22083% |
| 2008 | 25.616% | 8.579% | 34.195% | 0.00714% | 25.184% | 0.00471% | 192 | 45.831% | 0.13781% | 3.749% | 108.959% | 0.14966% | | |
| | | | | | | | 194 | 26.272% | 0.17167% | | | | 89.400% | 0.18352% |
| | | | | | | | 196 | 21.136% | 0.21274% | | | | 84.264% | 0.22459% |
| 2009 | 25.450% | 8.523% | 33.973% | 0.00696% | 25.821% | 0.00471% | 192 | 49.238% | 0.13660% | 4.301% | 113.333% | 0.14827% | | |
| | | | | | | | 194 | 27.062% | 0.17413% | | | | 91.157% | 0.18580% |
| | | | | | | | 196 | 21.109% | 0.21032% | | | | 85.204% | 0.22199% |
| 2010 | 28.066% | 8.558% | 36.624% | 0.00738% | 27.269% | 0.00501% | 192 | 53.452% | 0.14742% | 4.987% | 122.332% | 0.15981% | | |
| | | | | | | | 194 | 27.714% | 0.18363% | | | | 96.594% | 0.19602% |
| | | | | | | | 196 | 25.391% | 0.22268% | | | | 94.271% | 0.23507% |
| 2011 | 30.904% | 7.346% | 38.250% | 0.00803% | 29.149% | 0.00537% | 192 | 52.157% | 0.14558% | 5.199% | 124.755% | 0.15898% | | |
| | | | | | | | 194 | 32.138% | 0.19241% | | | | 104.736% | 0.20581% |
| | | | | | | | 196 | 26.959% | 0.22601% | | | | 99.557% | 0.23941% |
| 2012 | 31.122% | 7.929% | 39.051% | 0.00784% | 31.426% | 0.00551% | 192 | 55.308% | 0.14005% | 5.562% | 131.347% | 0.15340% | | |
| | | | | | | | 194 | 32.061% | 0.18932% | | | | 108.100% | 0.20267% |
| | | | | | | | 196 | 28.440% | 0.22131% | | | | 104.479% | 0.23466% |
| 2013 | 32.206% | 9.028% | 41.234% | 0.00843% | 33.421% | - | 192 | 57.226% | 0.15065% | 5.884% | 137.765% | 0.15908% | | |
| | | | | | | | 194 | 33.535% | 0.19955% | | | | 114.074% | 0.20798% |
| | | | | | | | 196 | 27.956% | 0.23542% | | | | 108.495% | 0.24385% |

Notes:

Taxes are determined by multiplying the taxable net tax capacity by the tax capacity rate and market valued based rate expressed as a percentage. The foregoing tax capacity rates do not reflect reductions for state property tax credits credits.

Special Districts include: Metropolitan Mosquito Control, Metropolitan Council, Metropolitan Transit District, Dakota County Community Development Agency, Light Rail Authority, and Vermillion River Watershed District.

(1) The breakdown between operating and debt service tax rates were not available at the time of this report.

Source: Dakota County Auditor and Treasurer's Office.

CITY OF LAKEVILLE, MINNESOTA

Principal Property Taxpayers

Fiscal Year Ended December 31, 2013 and December 31, 2004

| <u>Principal Property Taxpayer</u> | <u>Type of Business</u> | <u>2013</u> | | | <u>2004</u> | | |
|-------------------------------------|---------------------------|-----------------------------------|-------------|---|-----------------------------------|-------------|---|
| | | <u>Taxable Tax Capacity Value</u> | <u>Rank</u> | <u>Percentage of Taxable Tax Capacity Value</u> | <u>Taxable Tax Capacity Value</u> | <u>Rank</u> | <u>Percentage of Taxable Tax Capacity Value</u> |
| Lakeville 2004 LLC | Commercial | \$ 326,426 | 1 | 0.6% | | | |
| Heritage Commons LLC | Retail | 318,046 | 2 | 0.6% | | | |
| Dakota Electric Association | Utility | 295,012 | 3 | 0.5% | \$ 267,199 | 1 | 0.6% |
| Target Corporation | Retail | 256,414 | 4 | 0.5% | \$ 259,978 | 2 | 0.6% |
| Argonne Investments LLC | Retail | 254,243 | 5 | 0.5% | | | |
| Walker Highview Hills LLC | Senior Housing | 246,873 | 6 | 0.5% | | | |
| LTF Real Estate Company Inc. | Real estate | 238,810 | 7 | 0.4% | | | |
| FR/CAL Interstate South LLC | Industrial | 229,026 | 8 | 0.4% | | | |
| CenterPoint Energy | Utility | 216,430 | 9 | 0.4% | | | |
| Minnegasco Inc | Utility | 207,624 | 10 | 0.4% | 135,617 | 9 | 0.3% |
| Southfork Apts. Ltd. Partnership | Apartments | | | | 192,938 | 3 | 0.5% |
| CRW Lakeville LLC | Retail | | | | 166,343 | 4 | 0.4% |
| Wausau Supply Company | Lumber supply distributor | | | | 159,330 | 5 | 0.4% |
| Muller Family Theatres of Lakeville | Commercial | | | | 155,800 | 6 | 0.4% |
| Xcel Energy | Utility | - | | - | 152,842 | 7 | 0.4% |
| International Home Food, Inc. | Food manufacturing | | | | 138,374 | 8 | 0.3% |
| Mills Property Inc. | Retail | - | | - | 130,394 | 10 | 0.3% |
| Total principal taxpayers | | 2,588,904 | | 4.7% | 1,758,815 | | 4.3% |
| All other taxpayers | | <u>52,264,321</u> | | <u>95.3%</u> | <u>39,494,256</u> | | <u>95.7%</u> |
| Total City of Lakeville taxpayers | | <u>\$ 54,853,225</u> | | <u>100.0%</u> | <u>\$ 41,253,071</u> | | <u>100.0%</u> |

Source: Dakota County Auditor and Treasurer's Office.

CITY OF LAKEVILLE, MINNESOTA

Property Tax Levy and Collections
Last Ten Fiscal Years

| Fiscal Year | Total Tax Levy for Fiscal Year (2) | Collection of Current Year's Levy | | Collection of Prior Year Levy (4) | Total Collections | Percentage of Total Collections To Tax Levy Certified |
|----------------|--|--------------------------------------|---------|---|----------------------|---|
| | | Amount (3) | Percent | | | |
| 2004 (1) | 12,838,429 | 12,068,753 | 94.00% | 116,556 | 12,185,309 | 94.91% |
| 2005 (1) | 15,232,317 | 14,460,888 | 94.94% | 98,266 | 14,559,154 | 95.58% |
| 2006 (1) | 17,741,065 | 16,943,054 | 95.50% | 162,281 | 17,105,335 | 96.42% |
| 2007 | 19,943,578 | 19,652,615 | 98.54% | 290,963 | 19,943,578 | 100.00% |
| 2008 (1) | 22,690,614 | 22,023,558 | 97.06% | 403,300 | 22,426,858 | 98.84% |
| 2009 (1) | 23,527,163 | 22,473,650 | 95.52% | 401,723 | 22,875,373 | 97.23% |
| 2010 (1) | 24,041,653 | 22,982,110 | 95.59% | 262,682 | 23,244,792 | 96.69% |
| 2011 (1) | 24,036,652 | 22,837,484 | 95.01% | 392,238 | 23,229,722 | 96.64% |
| 2012 | 23,126,960 | 23,050,840 | 99.67% | 46,667 | 23,097,507 | 99.87% |
| 2013 | 23,079,185 | 22,848,820 | 99.00% | - | 22,848,820 | 99.00% |

Notes (1) The State of Minnesota unallotted state aid for property tax relief - Market Value Homestead Credit (MVHC) in the fiscal years as follows:

| Fiscal Year | As a | |
|-------------|------------------------|--|
| | MVHC Loss Amount | Percentage of Tax Levy Certified |
| 2004 | 611,064 | 4.76% |
| 2005 | 607,574 | 3.99% |
| 2006 | 632,238 | 3.56% |
| 2007 | - | - |
| 2008 | 305,479 | 1.35% |
| 2009 | 630,561 | 2.68% |
| 2010 | 731,494 | 3.04% |
| 2011 | 835,005 | 3.47% |
| 2012 | - | - |
| 2013 | - | - |

(2) Total levy is net of current year cancellations and abatements.

(3) Total tax levy and current tax collections include state paid credits

(4) Includes county adjustments for prior year over collections, cancellations, and abatements.

CITY OF LAKEVILLE, MINNESOTA

Ratio of Outstanding Debt by Type

Last Ten Fiscal years

| Fiscal Year | Governmental Activities | | | Business-type Activity Revenue Bond | Total Outstanding Debt | Population (1) | % of Personal Income (2) | Total Outstanding Debt Per Capita | |
|----------------|--------------------------------|----------------|-------------------|--|------------------------------|-------------------|--------------------------------|--|---------------------------------------|
| | General Obligation Bonds | Other Bonds | Capital Leases | | | | | | General Obligation Capital Note |
| 2004 | 85,888,275 | 3,485,000 | 219,888 | 136,900 | 840,000 | 90,570,063 | 49,097 | 4.5 | 1,845 |
| 2005 | 87,740,266 | 3,355,000 | 210,142 | | 720,000 | 92,025,408 | 51,472 | 4.2 | 1,788 |
| 2006 | 72,557,465 | 12,493,799 | 183,697 | | 590,000 | 85,824,961 | 52,323 | 3.8 | 1,640 |
| 2007 | 93,176,053 | 12,346,854 | 152,037 | | 4,439,260 | 110,114,204 | 53,829 | 4.5 | 2,046 |
| 2008 | 87,305,937 | 12,144,909 | 119,061 | | 4,292,727 | 103,862,634 | 54,828 | 4.1 | 1,894 |
| 2009 | 91,331,837 | 11,847,964 | 112,090 | | 4,011,194 | 107,303,085 | 55,772 | 4.3 | 1,924 |
| 2010 | 79,746,332 | 10,821,019 | 104,752 | | 3,714,661 | 94,386,764 | 55,954 | 3.7 | 1,687 |
| 2011 | 76,815,712 | 10,539,074 | 97,027 | | 3,568,128 | 91,019,941 | 56,534 | 3.5 | 1,610 |
| 2012 | 100,480,497 | 8,572,129 | | | 3,416,595 | 112,469,221 | 57,048 | 4.0 | 1,971 |
| 2013 | 99,408,395 | 8,360,184 | | | 3,255,062 | 111,023,641 | 57,789 | N/A | 1,921 |

Source:

(1) Metropolitan Council as of April 1, (except for 2010 Federal Census).

(2) See Demographic and Economic Statistics page.

CITY OF LAKEVILLE, MINNESOTA

Ratio of Net Bonded Debt Outstanding
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Gross Bonded Debt</u> | <u>Debt Payable From Other Sources (1)</u> | <u>Debt Service Monies Available</u> | <u>Net Bonded Debt</u> | <u>Taxable Net Tax Capacity</u> | <u>Percentage of Net Bonded Debt to Taxable Net Tax Capacity</u> | <u>(2) Population</u> | <u>Net Bonded Debt Per Capita</u> |
|--------------------|--------------------------|--|--------------------------------------|------------------------|---------------------------------|--|-----------------------|-----------------------------------|
| 2004 | 85,888,275 | 50,536,900 | 4,340,477 | 31,010,898 | 41,414,912 | 74.88% | 49,097 | 632 |
| 2005 | 87,740,266 | 47,625,000 | 4,649,080 | 35,466,186 | 47,958,901 | 73.95% | 51,472 | 689 |
| 2006 | 72,557,465 | 34,855,000 | 4,894,911 | 32,807,554 | 54,863,682 | 59.80% | 52,323 | 627 |
| 2007 | 93,176,053 | 42,870,000 | 5,171,284 | 45,134,769 | 61,829,382 | 73.00% | 53,829 | 838 |
| 2008 | 87,305,937 | 38,030,000 | 5,925,387 | 43,350,550 | 65,586,013 | 66.10% | 54,828 | 791 |
| 2009 | 91,331,837 | 39,015,000 | 6,941,902 | 45,374,935 | 67,986,667 | 66.74% | 55,772 | 814 |
| 2010 | 79,746,332 | 29,460,000 | 6,527,316 | 43,759,016 | 65,043,115 | 67.28% | 55,954 | 782 |
| 2011 | 76,815,712 | 28,305,000 | 5,663,237 | 42,847,475 | 62,063,161 | 69.04% | 56,534 | 758 |
| 2012 | 100,480,497 | 29,550,000 | 29,084,558 | 41,845,939 | 58,325,034 | 71.75% | 57,048 | 734 |
| 2013 | 99,408,395 | 30,710,000 | 28,416,302 | 40,282,093 | 55,320,301 | 72.82% | 57,789 | 697 |

Source:

(1) G.O. Improvement bonds, tax increment bonds, State-aid street revenue bonds, water connection revenue bonds, arena revenue bonds, HRA public facility lease revenue bonds, and liquor revenue bonds.

(2) Metropolitan Council as of April 1, (except for 2010 Federal Census).

CITY OF LAKEVILLE, MINNESOTA

Direct and Overlapping Governmental Debt

As of December 31, 2013

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> (2) | <u>Debt Applicable to Taxable Net Tax Capacity in the City</u> | |
|--|-----------------------------|--|-----------------------|
| | | <u>Percentage</u> (2) | <u>Amount</u> |
| Overlapping Debt (1) | | | |
| <u>Independent School District</u> | | | |
| 194 (City of Lakeville) | \$ 181,335,000 | 87.80% | \$ 159,212,130 |
| 192 (City of Farmington) | 200,101,000 | 18.90% | 37,819,089 |
| 196 (Cities of Rosemount, Apple Valley, Eagan) | 91,499,247 | 5.40% | 4,940,959 |
| Dakota County | 46,485,000 | 12.40% | 5,764,140 |
| <u>Special District</u> | | | |
| Metropolitan Council | 344,190,000 | 2.08% | <u>7,144,415</u> |
| Total overlapping debt | | | 214,880,733 |
| Direct Debt | | | |
| City of Lakeville bonded debt | 99,408,395 | 100.00% | <u>99,408,395</u> |
| Total direct and overlapping debt | | | <u>\$ 314,289,128</u> |

Notes:

(1) Overlapping governments are those that coincide, at least in part, with the geographical 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 City of Lakeville. This process recognizes 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.

(2) Debt figures and applicable percentages for other than the City of Lakeville are supplied by the City's fiscal consultant Springsted.

CITY OF LAKEVILLE, MINNESOTA

Legal Debt Margin
Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Assessor's Taxable Market Valuation</u> | <u>Legal Debt Limit</u> | <u>Net Bonded Debt Applicable to Debt Limit</u> | <u>Legal Debt Margin</u> | <u>Net Bonded Debt Applicable to Debt Limit as a Percentage of Legal Debt Limit</u> |
|--------------------|--|-------------------------|---|--------------------------|---|
| 2004 | 3,742,588,600 | 74,851,772 | 35,144,523 | 39,707,249 | 46.95% |
| 2005 | 4,361,601,400 | 87,232,028 | 39,070,920 | 48,161,108 | 44.79% |
| 2006 | 5,034,819,600 | 100,696,392 | 45,395,089 | 55,301,303 | 45.08% |
| 2007 | 5,642,591,100 | 112,851,822 | 60,848,716 | 52,003,106 | 53.92% |
| 2008 | 5,951,319,600 | 178,539,588 | 58,799,613 | 119,739,975 | 32.93% |
| 2009 | 6,024,665,500 | 180,739,965 | 60,213,098 | 120,526,867 | 33.31% |
| 2010 | 5,736,602,200 | 172,098,066 | 57,282,684 | 114,815,382 | 33.28% |
| 2011 | 5,356,855,900 | 160,705,677 | 56,046,763 | 104,658,914 | 34.88% |
| 2012 | 5,030,003,164 | 150,900,095 | 39,180,442 | 111,719,653 | 25.96% |
| 2013 | 4,767,475,321 | 143,024,260 | 37,758,698 | 105,265,562 | 26.40% |

Legal Debt Margin Calculation:

Fiscal Year 2013

| | | |
|--|-------------------|-------------------------|
| Assessor's taxable market valuation | | <u>\$ 4,767,475,321</u> |
| Legal debt limit: | | |
| 3% of Assessor's taxable market valuation | | \$ 143,024,260 |
| Amount of debt applicable to legal debt limit: | | |
| Gross bonded debt | \$ 96,885,000 | |
| Less debt payable from sources other than taxes: | | |
| G.O. Improvement bonds | \$ 16,640,000 | |
| Tax increment bonds | 2,335,000 | |
| State-aid street revenue bonds | 4,590,000 | |
| Water connection revenue bonds | 2,865,000 | |
| Arena revenue bonds | 1,045,000 | |
| Liquor revenue bonds | <u>3,235,000</u> | <u>(30,710,000)</u> |
| Debt payable from taxes | | 66,175,000 |
| Less debt service monies available to pay principal and interest | | <u>(28,416,302)</u> |
| Net bonded debt applicable to debt limit | <u>37,758,698</u> | <u>37,758,698</u> |
| Legal debt margin | | <u>\$ 105,265,562</u> |

Note: Minnesota Statutes 475.53, Subdivision 1, No municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of two percent of the taxable market value of taxable property in the municipality for years 2007 and prior; three percent for years beginning in 2008.

Source: Dakota County Auditor and Treasurer's Office.

CITY OF LAKEVILLE, MINNESOTA

Pledged Revenue Coverage

Last Ten Fiscal Years

| <u>Fiscal Year</u> | <u>Gross (1) Revenues</u> | <u>Operating Expenses</u> | <u>Net Revenue Available For Debt Service</u> | <u>Requirements (2)</u> | | <u>Total</u> | <u>Times Coverage</u> |
|--------------------|---------------------------|---------------------------|---|-------------------------|-----------------|--------------|-----------------------|
| | | | | <u>Principal</u> | <u>Interest</u> | | |
| 2004 | 8,358,002 | 3,350,666 | 5,007,336 | 1,045,000 | 902,036 | 1,947,036 | 2.57 |
| 2005 | 9,048,259 | 3,587,604 | 5,460,655 | 1,095,000 | 848,550 | 1,943,550 | 2.81 |
| 2006 | 8,094,630 | 4,113,336 | 3,981,294 | 1,150,000 | 920,015 | 2,070,015 | 1.92 |
| 2007 | 8,731,414 | 3,945,627 | 4,785,787 | 1,335,000 | 1,011,204 | 2,346,204 | 2.04 |
| 2008 | 9,615,243 | 4,094,080 | 5,521,163 | 1,400,000 | 1,161,886 | 2,561,886 | 2.16 |
| 2009 | 8,507,945 | 4,485,946 | 4,021,999 | 1,575,000 | 1,066,238 | 2,641,238 | 1.52 |
| 2010 | 7,380,163 | 4,749,304 | 2,630,859 | 1,685,000 | 998,751 | 2,683,751 | 0.98 |
| 2011 | 8,146,497 | 4,307,467 | 3,839,030 | 1,635,000 | 937,952 | 2,572,952 | 1.49 |
| 2012 | 9,608,620 | 4,296,022 | 5,312,598 | 3,115,000 | 832,499 | 3,947,499 | 1.35 |
| 2013 | 8,763,816 | 4,549,736 | 4,214,080 | 1,395,000 | 731,755 | 2,126,755 | 1.98 |

Notes:

(1) The primary revenue source for debt service include water system connection charges, water system user fees, ice arena net operating revenue and contributions from one organization conducting lawful gambling at approved locations, and liquor fund gross profits.

(2) Revenue bonds include water connection revenue, arena revenue, and liquor revenue.

CITY OF LAKEVILLE, MINNESOTA

Demographic and Economic Statistics

Last Ten Fiscal Years

| <u>Year</u> | <u>(1)</u> <u>Population</u> | <u>Percentage</u> <u>Increase from</u> <u>Previous Year</u> | <u>Personal</u> <u>Income (2)</u> <u>(in thousands)</u> | <u>Per Capita</u> <u>Personal</u> <u>Income</u> | <u>Building Permits Issued</u> | | | <u>Housing units</u> <u>Valuation</u> |
|-------------|---------------------------------|---|---|---|--------------------------------|-----------------|--------------|--|
| | | | | | <u>Family Dwellings (3)</u> | | | |
| | | | | | <u>Single</u> | <u>Multiple</u> | <u>Total</u> | |
| 2004 | 49,097 | 3.31% | 2,021,323 | 41,170 | 382 | 524 | 906 | 160,871,000 |
| 2005 | 51,472 | 4.84% | 2,174,229 | 42,241 | 237 | 428 | 665 | 131,774,000 |
| 2006 | 52,323 | 1.65% | 2,287,875 | 43,726 | 221 | 223 | 444 | 101,474,955 |
| 2007 | 53,829 | 2.88% | 2,456,163 | 45,629 | 183 | 195 | 378 | 72,128,000 |
| 2008 | 54,828 | 1.86% | 2,541,333 | 46,351 | 137 | 279 | 416 | 71,062,000 |
| 2009 | 55,772 | 1.72% | 2,474,827 | 44,374 | 127 | 54 | 181 | 41,010,000 |
| 2010 | 55,954 | 0.33% | 2,519,161 | 45,022 | 138 | 2 | 140 | 38,718,000 |
| 2011 | 56,534 | 1.04% | 2,617,468 | 46,299 | 122 | 2 | 124 | 37,621,000 |
| 2012 | 57,048 | 0.91% | 2,843,672 | 49,847 | 280 | 2 | 282 | 84,444,000 |
| 2013 | 57,789 | 1.30% | N/A | N/A | 374 | - | 374 | 120,393,000 |

Annual percentage
increase average last
ten fiscal years 1.98%

Labor Force and Unemployment Rate (seasonally adjusted) (2)

| <u>Year</u> | <u>City of Lakeville</u> | | <u>Dakota County</u> | | <u>Rates</u> | |
|-------------|------------------------------|-------------------------------|------------------------------|-------------------------------|-------------------------------------|--------------------------------|
| | <u>Labor</u> <u>Force</u> | <u>Unempl.</u> <u>Rate</u> | <u>Labor</u> <u>Force</u> | <u>Unempl.</u> <u>Rate</u> | <u>State of</u> <u>Minnesota</u> | <u>United</u> <u>States</u> |
| 2004 | 27,950 | 3.1% | 229,734 | 4.2% | 5.0% | 5.4% |
| 2005 | 28,745 | 3.2% | 231,322 | 4.0% | 4.8% | 4.8% |
| 2006 | 29,677 | 3.9% | 230,427 | 4.1% | 4.9% | 4.5% |
| 2007 | 30,492 | 4.3% | 232,670 | 4.6% | 4.7% | 5.1% |
| 2008 | 30,471 | 5.6% | 229,716 | 6.1% | 6.8% | 7.1% |
| 2009 | 30,727 | 6.4% | 231,391 | 6.9% | 7.4% | 10.0% |
| 2010 | 30,782 | 6.0% | 230,247 | 6.6% | 6.9% | 9.4% |
| 2011 | 31,237 | 4.8% | 232,257 | 5.2% | 5.7% | 8.5% |
| *2012 | 31,221 | 4.5% | 231,902 | 4.9% | 5.4% | 7.6% |
| *2013 | 31,562 | 4.0% | 232,030 | 4.1% | 4.6% | 6.5% |

Source:

(1) Metropolitan Council as of April 1, (except for 2010 Federal Census).

(2) U.S. Department of Commerce Bureau of Economic Analysis as of December 31, 2013.

* Not seasonally adjusted, information is not available.

(3) City of Lakeville Inspections Department.

N/A - Not available.

CITY OF LAKEVILLE, MINNESOTA

Principal Employers

Fiscal Year Ended December 31, 2013 and December 31, 2004

| <u>Principal Employer</u> (1) | <u>Product/Service</u> | <u>2013</u> | | | <u>2004</u> | | |
|--|-----------------------------------|------------------|-------------|---------------|------------------|-------------|---------------|
| | | <u>Employees</u> | <u>Rank</u> | <u>%</u> | <u>Employees</u> | <u>Rank</u> | <u>%</u> |
| Independent School District 194 | Elementary & secondary schools | 1,273 | 1 | 4.0% | 1,400 | 1 | 5.0% |
| Hearthside Food Solutions | Food service contractors | 715 | 2 | 2.3% | 500 | 3 | 1.8% |
| ConAgra Store Brands | Breakfast cereal products | 515 | 3 | 1.6% | 504 | 2 | 1.8% |
| Target | Retail | 360 | 4 | 1.1% | | | |
| Imperial Plastics, Inc. | Plastics material & resin mfg. | 320 | 5 | 1.0% | | | |
| MOM Brands | Cereal production | 250 | 6 | 0.8% | | | |
| Life Time Fitness | Fitness clubs | 230 | 7 | 0.7% | | | |
| Menasha Corporation | Corrugated & solid fiber box mfg. | 221 | 8 | 0.7% | 200 | 5 | 0.7% |
| BTD Manufacturing | Metal manufacturing | 210 | 9 | 0.7% | | | |
| City of Lakeville (2) | City government | 195 | 10 | 0.6% | 203 | 4 | 0.7% |
| Hearth & Home Technologies, Inc. | Fireplaces/metal work | | | | 153 | 6 | 0.5% |
| Jeff Belzer's Chevy-Dodge-KIA | New & used auto dealership | | | | 150 | 7 | 0.5% |
| Carquest Distribution Center | General warehousing & storage | - | - | - | 140 | 8 | 0.5% |
| Despatch Industries, Inc. | Industrial furnace & oven mfg. | | | | 130 | 9 | 0.5% |
| National Polymers, Inc | Plastics material & resin mfg. | - | | 0.0% | 125 | 10 | 0.4% |
| Total principal employers | | 4,289 | | 13.6% | 3,505 | | 12.4% |
| All other employers | | <u>27,273</u> | | <u>86.4%</u> | <u>24,445</u> | | <u>87.6%</u> |
| Total City of Lakeville civilian labor force (3) | | <u>31,562</u> | | <u>100.0%</u> | <u>27,950</u> | | <u>100.0%</u> |

Source:

(1) Telephone survey of individual employers, May 2014.

(2) As of December 31, 2013 (full-time equivalent).

(3) U.S. Department of Commerce Bureau of Economic Analysis as of December 31, 2013.

CITY OF LAKEVILLE, MINNESOTA

Commercial and Industrial Building Permits Issued
Years 2013 and 2012

NEW BUILDING PERMITS 2013 AND 2012 (in excess of \$250,000)

| <u>BUSINESS</u> | <u>PRODUCT/SERVICE</u> | <u>VALUATION (1)</u> |
|--------------------------------|--------------------------|----------------------|
| Cosmopolitan Orthodontics | Medical | \$ 1,400,000 |
| McDonalds Corp (Kenyon Avenue) | Restaurant | 900,000 |
| McDonalds Corp (Cedar Avenue) | Restaurant | 800,000 |
| Ballet Royale | Dance Studio | 724,000 |
| Advanced Auto Parts | Retail | 500,000 |
| Sheila A. Lewis, Trust | Office/Warehouse/Storage | 474,000 |

EXPANSION OR REMODEL BUILDING PERMITS 2013 AND 2012 (in excess of \$250,000)

| <u>BUSINESS</u> | <u>PRODUCT/SERVICE</u> | <u>VALUATION (1)</u> |
|-------------------------------|---|----------------------|
| MOM Brands | Admin. Offices/technology center | \$ 4,758,000 |
| Jeff Belzer's Chevy-Dodge-KIA | New & used auto dealership | 2,420,000 |
| National Polymers | Plastic products | 2,094,000 |
| ConAgra Foods | Store brand/private label food products | 1,500,000 |
| QA-1 Precision Products | Motorsports products manufacturer | 761,000 |
| McDonalds Corp | Restaurant | 400,000 |

Notes:

(1) Valuation excludes land and personal property.

Source: City of Lakeville Inspections Department.

CITY OF LAKEVILLE, MINNESOTA

Employees by Function/Program (Full-Time Equivalent)
Last Ten Fiscal Years

| Function/Program | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General government | | | | | | | | | | |
| City administration | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 2.8 | 2.5 | 2.5 | 2.5 | 2.4 |
| Communications | 4.7 | 4.7 | 4.7 | 4.8 | 4.1 | 3.9 | 4.0 | 4.0 | 4.0 | 4.0 |
| City clerk | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 |
| Finance | 6.0 | 6.0 | 5.6 | 6.6 | 6.6 | 6.5 | 6.4 | 6.0 | 7.0 | 7.0 |
| Information systems | 2.6 | 3.0 | 3.9 | 4.0 | 4.0 | 3.3 | 3.0 | 3.0 | 3.0 | 2.9 |
| Human resources | 2.6 | 2.8 | 2.9 | 3.0 | 3.0 | 2.8 | 2.8 | 2.8 | 2.8 | 2.8 |
| Planning | 5.5 | 5.5 | 5.5 | 5.5 | 4.5 | 3.8 | 3.0 | 3.0 | 3.0 | 2.8 |
| Community and economic development | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| Protective inspection | 12.0 | 12.0 | 12.0 | 12.0 | 12.4 | 8.7 | 8.0 | 8.0 | 7.0 | 7.0 |
| General government buildings | 2.0 | 2.0 | 2.5 | 3.1 | 3.1 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 |
| Total general government | 41.9 | 42.5 | 43.6 | 45.5 | 44.2 | 38.3 | 36.2 | 35.8 | 35.8 | 35.4 |
| Public safety | | | | | | | | | | |
| Police officers (sworn) | 46.0 | 48.0 | 49.5 | 51.2 | 52.8 | 51.0 | 51.5 | 51.9 | 53.0 | 50.2 |
| Police dispatchers | 8.4 | 10.0 | 10.0 | - | - | - | - | - | - | - |
| Police administration | 12.0 | 11.4 | 11.4 | 12.9 | 12.4 | 11.1 | 10.8 | 11.3 | 12.2 | 11.5 |
| Fire (excluding volunteer firefighters) | 3.0 | 3.5 | 4.5 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 |
| Total public safety | 69.4 | 72.9 | 75.4 | 68.7 | 69.8 | 66.7 | 66.9 | 67.8 | 69.8 | 66.3 |
| Public works | | | | | | | | | | |
| Engineering | 13.0 | 13.0 | 14.0 | 14.0 | 12.3 | 9.3 | 9.0 | 6.8 | 7.0 | 6.0 |
| Street maintenance | 17.0 | 17.6 | 18.5 | 19.8 | 20.0 | 19.4 | 19.0 | 19.0 | 19.3 | 19.3 |
| Total public works | 30.0 | 30.6 | 32.5 | 33.8 | 32.3 | 28.7 | 28.0 | 25.8 | 26.3 | 25.3 |
| Parks and recreation | | | | | | | | | | |
| Park maintenance | 14.0 | 14.8 | 15.0 | 15.0 | 15.0 | 14.5 | 15.0 | 15.0 | 15.0 | 15.0 |
| Recreation | 4.7 | 4.7 | 4.7 | 5.3 | 5.3 | 4.9 | 4.7 | 4.7 | 4.7 | 4.7 |
| Arts center | 3.0 | 3.0 | 3.0 | 3.2 | 3.6 | 3.7 | 3.7 | 3.7 | 3.7 | 3.7 |
| Total parks and recreation | 21.7 | 22.5 | 22.7 | 23.5 | 23.9 | 23.1 | 23.4 | 23.4 | 23.4 | 23.4 |
| Total governmental activities | 163.0 | 168.5 | 174.2 | 171.5 | 170.2 | 156.8 | 154.5 | 152.8 | 155.3 | 150.4 |
| Liquor | 24.8 | 24.8 | 25.9 | 26.4 | 25.9 | 25.7 | 25.7 | 25.8 | 25.7 | 24.9 |
| Utility | 15.0 | 15.5 | 16.5 | 17.5 | 18.0 | 18.0 | 18.0 | 20.0 | 20.0 | 20.0 |
| Total business-type activities | 39.8 | 40.3 | 42.4 | 43.9 | 43.9 | 43.7 | 43.7 | 45.8 | 45.7 | 44.9 |
| Total employees | 202.8 | 208.8 | 216.6 | 215.4 | 214.1 | 200.5 | 198.2 | 198.6 | 201.0 | 195.3 |

Source: City of Lakeville Human Resources Department.

CITY OF LAKEVILLE, MINNESOTA

Operating Indicators by Function
Last Ten Fiscal Years

| Function | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General government | | | | | | | | | | |
| Number of registered voters | 26,834 | N/A | 30,072 | N/A | 31,024 | N/A | 32,617 | N/A | 32,200 | N/A |
| Number of final plats approved | 26 | 34 | 21 | 18 | 10 | 8 | 10 | 12 | 14 | 13 |
| Number of building permits issued | 2,623 | 2,179 | 3,970 | 3,487 | 1,878 | 1,428 | 1,421 | 1,467 | 2,349 | 1,647 |
| Valuation of building permits issued (in millions) | \$ 230 | \$ 187 | \$ 165 | \$ 126 | \$ 111 | \$ 62 | \$ 49 | \$ 77 | \$ 119 | \$ 142 |
| Public safety | | | | | | | | | | |
| Crimes against person reported | 201 | 194 | 141 | 155 | 158 | 151 | 151 | 142 | 133 | 141 |
| Crimes against property reported | 1,198 | 1,376 | 1,165 | 1,477 | 1,424 | 1,245 | 1,259 | 1,161 | 1,186 | 1,057 |
| Traffic citations issued | 4,418 | 5,935 | 6,348 | 6,773 | 6,229 | 6,499 | 5,497 | 5,241 | 4,400 | 3,370 |
| Number of volunteer firefighters | 75 | 88 | 80 | 80 | 90 | 78 | 74 | 83 | 77 | 79 |
| Number of annual fire calls | 852 | 1,048 | 1,078 | 1,149 | 1,230 | 1,343 | 1,189 | 1,262 | 1,208 | 1,062 |
| Public works | | | | | | | | | | |
| City street miles added | 5.8 | 9.8 | 3.5 | 2.1 | 1.0 | 0.5 | 2.3 | 2.2 | 1.4 | 2.6 |
| Parks and recreation | | | | | | | | | | |
| Park acres mowed | 442 | 453 | 465 | 465 | 171 | 471 | 471 | 473 | 473 | 474 |
| Park facility reservations taken | 363 | 312 | 400 | 432 | 479 | 559 | 661 | 655 | 717 | 888 |
| Program activity registrations taken | 6,627 | 5,396 | 6,749 | 6,836 | 7,994 | 8,201 | 8,369 | 9,051 | 9,850 | 9,310 |
| Liquor | | | | | | | | | | |
| Annual sales (in millions) | \$ 10.5 | \$ 11.5 | \$ 12.1 | \$ 13.0 | \$ 14.4 | \$ 14.6 | \$ 14.7 | \$ 14.4 | \$ 15.2 | \$ 15.4 |
| Utility (in millions of gallons) | | | | | | | | | | |
| Water (average daily consumption) | 5.7 | 5.6 | 6.0 | 6.5 | 6.3 | 6.1 | 4.8 | 5.7 | 6.7 | 5.9 |
| Sanitary sewer (1) (average daily treatment) | 4.2 | 4.1 | 3.9 | 3.9 | 4.0 | 3.3 | 3.3 | 3.3 | 3.4 | 3.4 |

Notes:

(1) Sewage is treated by the Metropolitan Council Environmental Services.

N/A Indicates information is not available for this period at the printing of this report.

Source: Various City of Lakeville Departments.

CITY OF LAKEVILLE, MINNESOTA

Capital Assets Statistics by Function

Last Ten Fiscal Years

| Function (1) | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public safety | | | | | | | | | | |
| Police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Fire stations | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| Public works | | | | | | | | | | |
| City streets (miles) | 241.8 | 251.6 | 255.1 | 257.2 | 258.2 | 258.7 | 261.0 | 263.2 | 264.6 | 267.2 |
| Parks and recreation | | | | | | | | | | |
| Acres of parks, conservation areas, and greenways | 1,314 | 1,325 | 1,610 | 1,610 | 1,623 | 1,636 | 1,663 | 1,671 | 1,712 | 1,776 |
| Parks | 53 | 53 | 53 | 55 | 56 | 59 | 59 | 59 | 59 | 59 |
| Conservation areas | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 18 | 20 | 20 |
| Trails and sidewalks - paved (miles) | 79 | 83 | 86 | 88 | 91 | 91 | 91 | 100 | 100 | 103 |
| Ice rinks - outdoor (fully boarded) | 11 | 11 | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Ice rinks - indoor | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Fields (softball, soccer, baseball, football, Lacrosse) | 122 | 125 | 125 | 135 | 136 | 136 | 136 | 150 | 150 | 150 |
| Courts (basketball, volleyball, tennis) | 26 | 27 | 27 | 36 | 39 | 39 | 39 | 38 | 38 | 38 |
| Playgrounds | 33 | 36 | 38 | 38 | 39 | 39 | 40 | 40 | 40 | 40 |
| Swimming beaches | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Liquor | | | | | | | | | | |
| Number of on-sale stores owned | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Number of on-sale stores leased | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Utility | | | | | | | | | | |
| Water | | | | | | | | | | |
| Water mains (miles) | 270 | 290 | 297 | 304 | 310 | 311 | 311 | 313 | 313 | 321 |
| Fire hydrants | 2,840 | 3,031 | 3,128 | 3,313 | 3,374 | 3,386 | 3,386 | 3,434 | 3,434 | 3,572 |
| Wells | 14 | 15 | 15 | 16 | 16 | 17 | 17 | 17 | 17 | 17 |
| Water Towers | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Sanitary sewer | | | | | | | | | | |
| Sanitary sewer mains (miles) | 221 | 230 | 238 | 253 | 255 | 256 | 259 | 261 | 261 | 261 |
| Sanitary sewer lift stations | 21 | 21 | 20 | 20 | 20 | 20 | 19 | 19 | 19 | 20 |

Notes:

(1) Indicators for general government functions are not available.

Source: Various City of Lakeville Departments.