

CITY OF MEDINA  
MEDINA, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2010

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF MEDINA, MINNESOTA  
 TABLE OF CONTENTS  
 DECEMBER 31, 2010

	<u>Page No.</u>
<b>INTRODUCTORY SECTION</b>	
Elected and Appointed Officials	5
<b>FINANCIAL SECTION</b>	
Independent Auditor’s Report	9
Management’s Discussion and Analysis	13
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Assets	27
Statement of Activities	28
Fund Financial Statements	
Governmental Funds	
Balance Sheet	32
Reconciliation of the Balance Sheet to the Statement of Net Assets	35
Statement of Revenues, Expenditures and Changes in Fund Balances	36
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	38
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	39
Proprietary Funds	
Statements of Net Assets	40
Statements of Revenues, Expenses and Changes in Fund Net Assets	44
Statements of Cash Flows	46
Fiduciary Funds	
Statement of Fiduciary Net Assets	50
Notes to the Financial Statements	51
<b>Required Supplementary Information</b>	
Schedule of Funding Progress for the Postemployment Benefit Plan	79
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	83
Nonmajor Special Revenue Funds	
Combining Balance Sheet	84
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	86
Nonmajor Capital Projects Funds	
Combining Balance Sheet	88
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)	90
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	92
Debt Service Funds	
Combining Balance Sheet	96
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Deficits)	98
<b>Supplementary Information (Unaudited)</b>	
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	103
<b>OTHER REPORTS</b>	
Report on Minnesota Legal Compliance	107

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**INTRODUCTORY SECTION**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2010

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF MEDINA, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
DECEMBER 31, 2010

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Crosby	Mayor	12/31/10
Carolyn Smith	Council Member	12/31/10
Dan Johnson	Council Member	12/31/10
Elizabeth Weir	Council Member	12/31/12
Mike Siitari	Council Member	12/31/12

**APPOINTED**

<u>Name</u>	<u>Title</u>
Chad Adams	City Administrator
Jeanne Day	Finance Director
Jodi Gallup	Deputy Clerk

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**FINANCIAL SECTION**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2010

THIS PAGE IS LEFT BLANK  
INTENTIONALLY



---

5201 Eden Avenue  
Suite 250  
Edina, MN 55436

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council  
City of Medina, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Medina, Minnesota (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2009 financial statements and, in our report dated April 29, 2010, we expressed unqualified opinions on the respective proprietary fund financial statements.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2010, and the respective changes in financial position and cash flows and the respective budgetary comparison for the General fund, where applicable thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 13 through 23 and the Schedule of Funding Progress for the Postemployment Benefit Plan on page 79 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.

THIS PAGE IS LEFT BLANK  
INTENTIONALLY



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

April 22, 2011  
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP  
*Certified Public Accountants*

THIS PAGE IS LEFT BLANK  
INTENTIONALLY



**CITY OFFICE**  
2052 County Road 24, Medina, MN 55340-9790

**ADMINISTRATION | PLANNING & ZONING | PUBLIC WORKS**

**p: 763-473-4643 f: 763-473-9359**

**e: city@ci.medina.mn.us**

**PUBLIC SAFETY**

**p: 763-473-9209 f: 763-473-8858**

April 22, 2011

## **Management's Discussion and Analysis**

As management of the City of Medina, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2010.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$27,803,905 (net assets). Of this amount, \$10,647,280 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$2,543,459.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,777,739, a decrease of \$144,675 in comparison with the prior year. The City has an excess of the combined ending fund balance of \$5,493,039 available for spending at their discretion, \$5,600,164 which has been designated for specific purposes and a deficit of \$107,125 which is not designated.
- At the end of the current fiscal year, unreserved fund balance for the General fund was \$2,014,669, or 59 percent of total General fund expenditures. While these funds are not legally reserved, they are designated for future purposes; \$15,304 is reserved for prepaid items and \$269,396 is reserved for debt service.
- The City's total debt decreased by \$703,522, or 6.5 percent during the current fiscal year. This was mainly the result of scheduled principal repayments.

### **Overview of the Financial Statements**

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

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

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

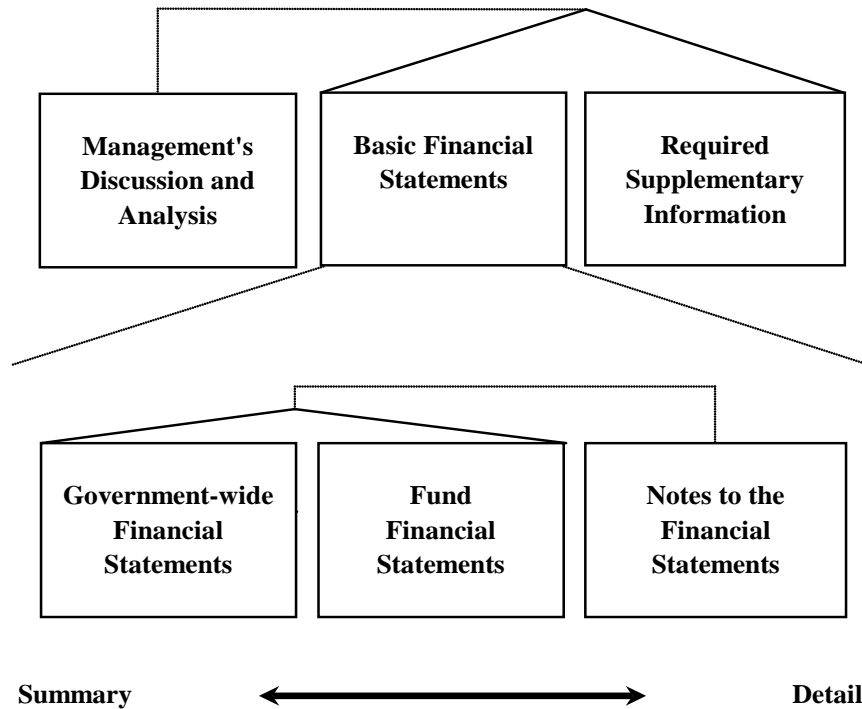


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities of the City that operates similar to private businesses, such as the water and sewer systems
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Assets</li> <li>• Statements of Revenues, Expenses and Changes in Fund Net Assets</li> <li>• Statements of Cash Flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, as well as short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, as well as short-term and long-term
Type of in flow/out flow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

**Government-wide Financial Statements**

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

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

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

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

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

## **Fund Financial Statements**

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

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

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

The City maintains twenty-three 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 and the Sewer Capital Improvement fund, which are considered to be major funds. Data from the other twenty-one governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 32 of this report.

**Proprietary funds.** The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sanitary sewer, and storm sewer.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 40 this report.

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

The basic fiduciary fund financial statements can be found on page 50 of this report.

## Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 51 of this report.

### Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to financial statements. Combining and individual fund statements and schedules start on page 82 of this report.

### Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$27,803,905 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (59 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### Summary of Net Assets

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 7,600,536	\$ 8,088,006	\$ (487,470)	\$ 4,946,475	\$ 5,299,750	\$ (353,275)
Capital assets	15,380,610	14,508,094	872,516	11,910,948	15,042,021	(3,131,073)
Total assets	<u>22,981,146</u>	<u>22,596,100</u>	<u>385,046</u>	<u>16,857,423</u>	<u>20,341,771</u>	<u>(3,484,348)</u>
<b>Liabilities</b>						
Noncurrent liabilities						
outstanding	3,749,367	3,950,905	(201,538)	7,402,514	7,904,498	(501,984)
Other liabilities	705,823	508,353	197,470	176,960	226,751	(49,791)
Total liabilities	<u>4,455,190</u>	<u>4,459,258</u>	<u>(4,068)</u>	<u>7,579,474</u>	<u>8,131,249</u>	<u>(551,775)</u>
<b>Net assets</b>						
Invested in capital assets, net of related debt	11,905,610	10,748,094	1,157,516	4,545,948	7,167,021	(2,621,073)
Restricted	705,067	1,155,988	(450,921)	-	-	-
Unrestricted	5,915,279	6,232,760	(317,481)	4,732,001	5,043,501	(311,500)
Total net assets	<u>\$ 18,525,956</u>	<u>\$ 18,136,842</u>	<u>\$ 389,114</u>	<u>\$ 9,277,949</u>	<u>\$ 12,210,522</u>	<u>\$ (2,932,573)</u>

An additional portion of the City's net assets (2.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$10,647,280) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

**Governmental activities:** Governmental activities increased the City's net assets by \$389,114.

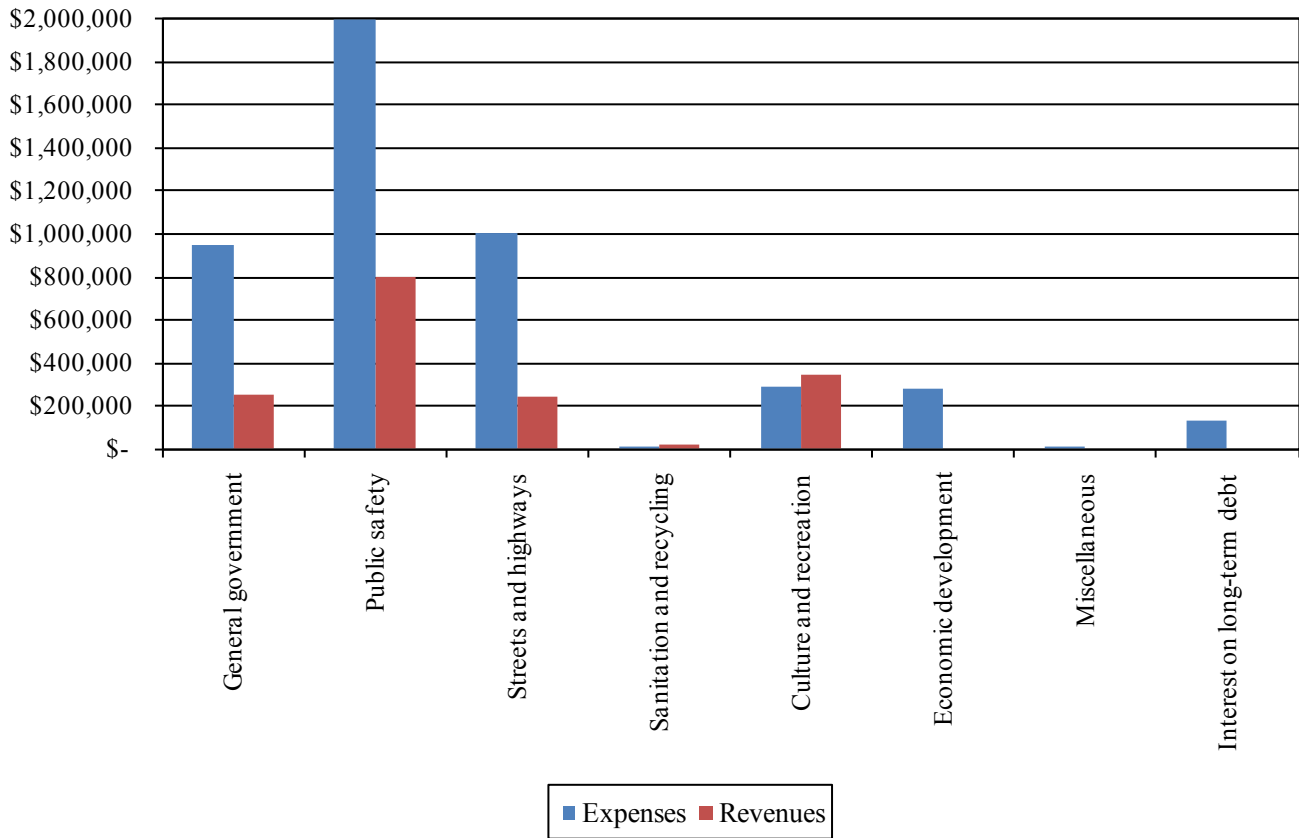
**Business-type activities:** There was a decrease of \$2,932,573 in net assets reported in connection with the City's business-type activities. Of this amount, \$2,712,209 or 92.5 was a prior period adjustment related to capital assets.

### Changes in Net Assets

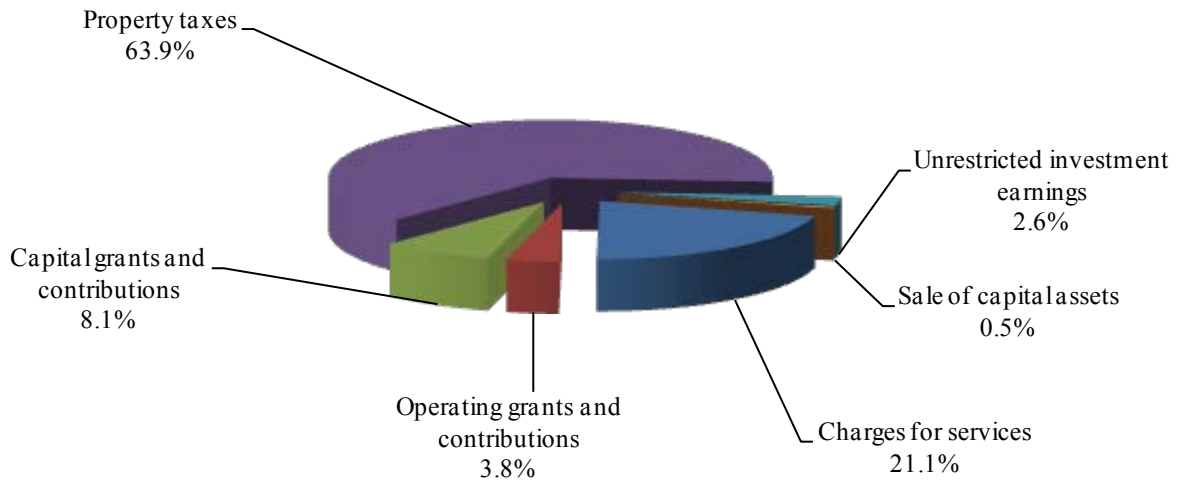
	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,058,032	\$ 649,629	\$ 408,403	\$ 1,332,787	\$ 1,518,520	\$ (185,733)
Operating grants and contributions	190,402	302,330	(111,928)	-	34,098	(34,098)
Capital grants and contributions	408,528	425,656	(17,128)	-	-	-
General revenues						
Property taxes/tax increments	3,210,869	3,106,340	104,529	-	-	-
Grants and contributions not restricted to specific programs	-	-	-	-	-	-
Unrestricted investment earnings	129,785	198,399	(68,614)	71,074	102,408	(31,334)
Gain on sale of capital assets	23,535	22,236	1,299	-	-	-
Miscellaneous	11,638	12,373	(735)	-	-	-
Total revenues	<u>5,032,789</u>	<u>4,716,963</u>	<u>315,826</u>	<u>1,403,861</u>	<u>1,655,026</u>	<u>(251,165)</u>
Expenses						
General government	946,393	1,050,655	(104,262)	-	-	-
Public safety	2,068,959	1,976,578	92,381	-	-	-
Streets and highways	1,008,181	975,451	32,730	-	-	-
Sanitation and recycling	11,905	12,002	(97)	-	-	-
Culture and recreation	292,044	143,705	148,339	-	-	-
Economic development	282,664	356,331	(73,667)	-	-	-
Miscellaneous	6,222	-	6,222	-	-	-
Interest on long-term debt	132,619	150,664	(18,045)	-	-	-
Water	-	-	-	961,606	993,080	(31,474)
Sanitary sewer	-	-	-	466,007	472,755	(6,748)
Storm water	-	-	-	91,300	41,516	49,784
Total expenses	<u>4,748,987</u>	<u>4,665,386</u>	<u>83,601</u>	<u>1,518,913</u>	<u>1,507,351</u>	<u>11,562</u>
Increase (decrease) in net assets before transfers	283,802	51,577	232,225	(115,052)	147,675	(262,727)
Transfers	<u>105,312</u>	<u>103,140</u>	<u>2,172</u>	<u>(105,312)</u>	<u>(103,140)</u>	<u>(2,172)</u>
Change in net assets	389,114	154,717	234,397	(220,364)	44,535	(264,899)
Net assets, January 1	18,136,842	17,982,125	154,717	12,210,522	12,165,987	44,535
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,712,209)</u>	<u>-</u>	<u>(2,712,209)</u>
Net assets, December 31	<u>\$ 18,525,956</u>	<u>\$ 18,136,842</u>	<u>\$ 389,114</u>	<u>\$ 9,277,949</u>	<u>\$ 12,210,522</u>	<u>\$ (2,932,573)</u>

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

### Expenses and Program Revenue - Governmental Activities

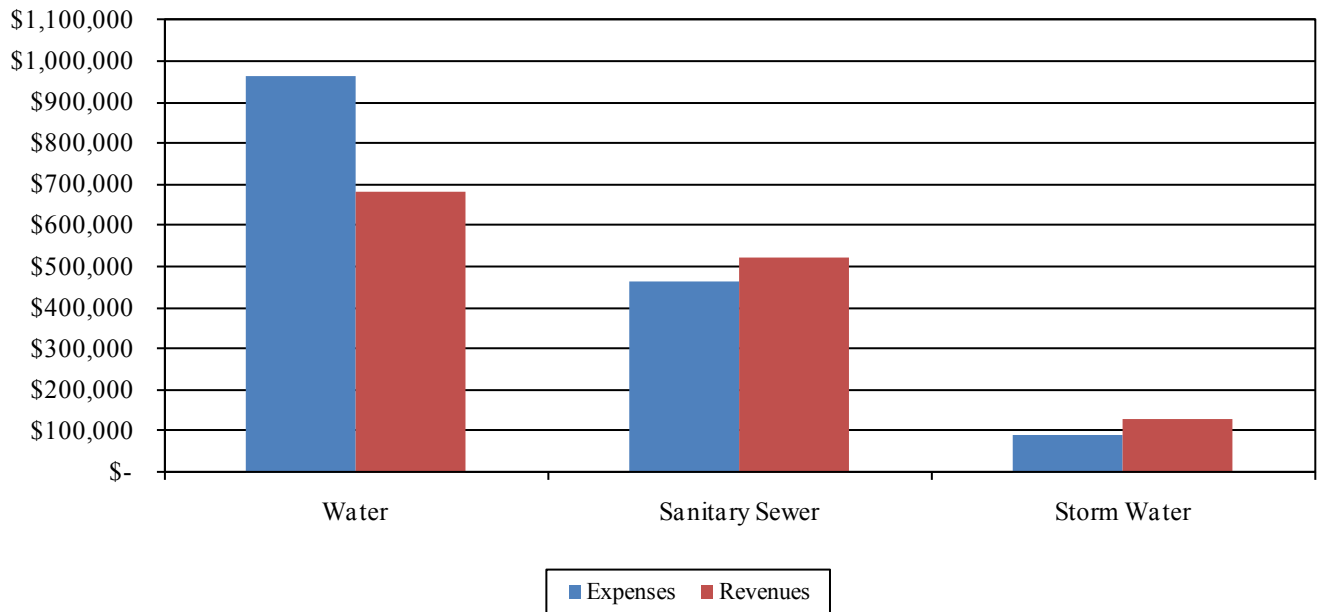


### Revenue by Source - Governmental Activities

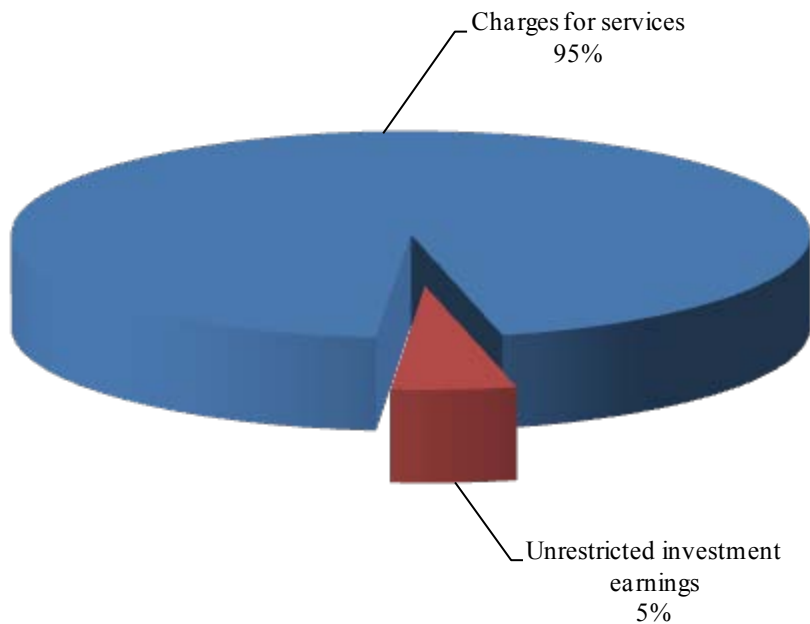


The following graph depicts various business-type activities and shows the revenue and expenses directly related to those activities.

### Expenses and Program - Revenue Business-type Activities Graph



### Revenue by Source – Business-type Activities



**Financial Analysis of the Government’s Funds**

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

**Governmental funds.** The focus of the City’s *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City’s financing requirements. In particular, *unreserved 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 \$5,777,739, a decrease of \$144,675 in comparison with the prior year. 95.1 percent of this total amount \$5,493,039 constitutes *unreserved fund balance*, which is available for spending at the City’s discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay prepaid items and debt service in the amounts of \$15,304, and \$269,396 respectively.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$2,029,973. As a measure of the General fund’s liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 59.2 percent of fund expenditures and transfers out.

<b>Major funds</b>	<b>Fund Balance December 31,</b>		<b>Increase (Decrease)</b>
	<b>2010</b>	<b>2009</b>	
<b>General</b>	\$ 2,029,973	\$ 1,623,745	\$ 406,228

The increase in the general fund was mainly due to expenditures being less then expected. The fund balance is strong relative to the following years budget (53.5 percent)

<b>Sewer Capital Improvements</b>	\$ 1,722,232	\$ 1,629,209	\$ 93,023
-----------------------------------	--------------	--------------	-----------

The increase in the sewer capital improvements fund will be used for future capital expenditures.

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

Unrestricted net assets of the utility funds at the end of the year amounted to \$4,732,001. The total decrease in net assets for the funds was \$2,932,573. Factors concerning the finances of this fund have already been addressed in the discussion of the City’s business-type activities.

**General Fund Budgetary Highlights**

The City’s General fund budget was not amended during the year and the budget called for no change in fund balance.

## Capital Asset and Debt Administration

**Capital Assets.** The City's investment in capital assets for its governmental and business type activities as of December 31, 2010, amounts to \$27,291,558 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, and roads.

### Capital Assets Net of Depreciation

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Land	\$ 300,778	\$ 44,864	\$ 255,914	\$ 56,393	\$ 56,393	\$ -
Buildings	1,411,686	1,039,444	372,242	6,568,093	6,778,438	(210,345)
Improvements	559,989	247,215	312,774	25,477	-	25,477
Machinery and equipment	671,941	669,752	2,189	1,375,861	1,467,318	(91,457)
Infrastructure	11,841,357	9,394,788	2,446,569	3,839,138	3,994,470	(155,332)
Construction in progress	594,859	3,112,031	(2,517,172)	45,986	33,193	12,793
<b>Total</b>	<b>\$ 15,380,610</b>	<b>\$ 14,508,094</b>	<b>\$ 872,516</b>	<b>\$ 11,910,948</b>	<b>\$ 12,329,812</b>	<b>\$ (418,864)</b>

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

- Completion of two road improvement projects.
- Acquisition of land for a park preserve
- Acquisition of land for overflow parking.
- New pieces of equipment for road projects.
- Completion of field house and irrigation system.
- Various park restoration and improvements remaining in CIP to be capitalized in 2011.

Additional information on the City's capital assets can be found in Note 3C starts on page 64 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$10,840,000. Of this amount, \$2,480,000 is G.O. Improvement Bond debt, \$855,000 is G.O. Tax Increment debt, \$140,000 is debt related to equipment certificates, and \$7,365,000 is G.O. Revenue debt. While all of the City’s bonds have revenue streams, they are all backed by the full faith and credit of the City.

### Outstanding Debt

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
General obligation bonds	\$ 2,480,000	\$ 2,565,000	\$ (85,000)	\$ -	\$ -	\$ -
G.O. tax increment bonds	855,000	920,000	(65,000)	-	-	-
General obligation revenue bonds	-	-	-	7,365,000	7,875,000	(510,000)
G.O. equipment certificates	140,000	275,000	(135,000)	-	-	-
Other postemployment benefits payable	65,491	35,222	30,269	9,864	5,442	4,422
Compensated absences	208,876	155,683	53,193	27,650	24,056	3,594
<b>Total</b>	<b>\$ 3,749,367</b>	<b>\$ 3,950,905</b>	<b>\$ (201,538)</b>	<b>\$ 7,402,514</b>	<b>\$ 7,904,498</b>	<b>\$ (501,984)</b>

The City’s total debt decreased by \$703,522 (6.5 percent) during the current fiscal year. This is primarily due to principal repayments. The City issued \$315,000 of G.O. Improvement Bonds in 2010.

The City maintains an “Aa3” rating from Moody’s for all of its outstanding bonded debt.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$44,385,810. The City currently has \$140,000 outstanding general obligation debt payable solely from ad valorem taxes.

Additional information on the City’s long-term debt can be found in Note 3E starts on page 67 of this report.

#### Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for Hennepin County is currently 6.1 percent, which is an increase from a rate of 6.8 percent a year ago. This compares favorably to the State’s seasonally adjusted average unemployment rate of 6.6 percent and the national seasonally adjusted average rate of 8.8 percent.
- Property valuations decreased 7.8 percent within the City.

All of these factors were considered in preparing the City’s budget for the 2011 fiscal year.

Property tax levy will increase in 2011 by 1.746 percent. The City’s share of property taxes is low when compared to similar sized cities throughout the State with a tax rate of only 18.977 percent. The tax increase will provide an additional \$36,483 for the City’s debt service obligations. The operations portion of the tax levy was reduced by \$5,646 and the overall operating budget was reduced by \$98,260 for our governmental services.

Water rates continue to have steady increases for several years. A rate increase of 5 percent was approved for the three individual water systems. Sanitary sewer utility rates increased 0 percent, and the storm water utility rates increased 5 percent.

#### Requests for Information

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Jeanne Day, Finance Director, City of Medina 2052 County Road 24 Medina, MN 55340-9790.

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**BASIC FINANCIAL STATEMENTS**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2010

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF MEDINA, MINNESOTA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2010

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and temporary investments	\$ 6,090,822	\$ 4,710,274	\$ 10,801,096
Property tax receivable	87,262	-	87,262
Accounts receivable	240,964	95,859	336,823
Due from other governments	83,626	1,565	85,191
Special assessments receivable:			
Delinquent	5,896	16,123	22,019
Deferred	1,039,472	17,011	1,056,483
Prepaid items	15,304	21,585	36,889
Deferred charges	37,190	84,058	121,248
Capital assets:			
Land and construction in progress	895,637	102,379	998,016
Depreciable assets (net of accumulated depreciation)	14,484,973	11,808,569	26,293,542
	<u>22,981,146</u>	<u>16,857,423</u>	<u>39,838,569</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable	217,335	39,061	256,396
Retainage payable	5,000	-	5,000
Due to other governments	36,567	7,648	44,215
Salaries payable	78,362	10,205	88,567
Accrued interest payable	52,846	114,479	167,325
Deposits payable	69,591	-	69,591
Unearned revenue	246,122	5,567	251,689
Noncurrent liabilities			
Due within one year			
Compensated absences payable	62,345	7,939	70,284
Bonds payable	325,000	530,000	855,000
Due in more than one year			
Other postemployment benefits payable	65,491	9,864	75,355
Compensated absences payable	146,531	19,711	166,242
Bonds payable	3,150,000	6,835,000	9,985,000
	<u>4,455,190</u>	<u>7,579,474</u>	<u>12,034,664</u>
<b>TOTAL LIABILITIES</b>			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,905,610	4,545,948	16,451,558
Restricted for			
Debt service	705,067	-	705,067
Unrestricted	5,915,279	4,732,001	10,647,280
	<u>\$ 18,525,956</u>	<u>\$ 9,277,949</u>	<u>\$ 27,803,905</u>
<b>TOTAL NET ASSETS</b>			

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

CITY OF MEDINA, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental activities</b>				
General government	\$ 946,393	\$ 202,039	\$ 11,770	\$ 36,914
Public safety	2,068,959	649,120	155,465	-
Streets and highways	1,008,181	136,212	-	106,614
Sanitation and recycling	11,905	3,850	13,179	-
Culture and recreation	292,044	66,811	9,988	265,000
Economic development	282,664	-	-	-
Miscellaneous	6,222	-	-	-
Interest on long-term debt	132,619	-	-	-
Total governmental activities	<u>4,748,987</u>	<u>1,058,032</u>	<u>190,402</u>	<u>408,528</u>
<b>Business-type activities</b>				
Water	961,606	682,872	-	-
Sanitary sewer	466,007	522,143	-	-
Storm water	91,300	127,772	-	-
Total business-type activities	<u>1,518,913</u>	<u>1,332,787</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,267,900</u>	<u>\$ 2,390,819</u>	<u>\$ 190,402</u>	<u>\$ 408,528</u>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Unrestricted investment earnings

Gain on sale of capital assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets, January 1

Prior period adjustment (note 7)

Net assets, December 31

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

Net (Expenses) Revenues and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
\$ (695,670)	\$ -	\$ (695,670)
(1,264,374)	-	(1,264,374)
(765,355)	-	(765,355)
5,124	-	5,124
49,755	-	49,755
(282,664)	-	(282,664)
(6,222)	-	(6,222)
(132,619)	-	(132,619)
<u>(3,092,025)</u>	<u>-</u>	<u>(3,092,025)</u>
-	(278,734)	(278,734)
-	56,136	56,136
-	36,472	36,472
<u>-</u>	<u>(186,126)</u>	<u>(186,126)</u>
<u>(3,092,025)</u>	<u>(186,126)</u>	<u>(3,278,151)</u>
2,611,292	-	2,611,292
143,848	-	143,848
455,729	-	455,729
129,785	71,074	200,859
23,535	-	23,535
11,638	-	11,638
105,312	(105,312)	-
<u>3,481,139</u>	<u>(34,238)</u>	<u>3,446,901</u>
389,114	(220,364)	168,750
18,136,842	12,210,522	30,347,364
<u>-</u>	<u>(2,712,209)</u>	<u>(2,712,209)</u>
<u>\$ 18,525,956</u>	<u>\$ 9,277,949</u>	<u>\$ 27,803,905</u>

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**FUND FINANCIAL STATEMENTS**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2010

CITY OF MEDINA, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010

	<b>101</b>	<b>403</b>
	<u>General</u>	<u>Sewer Capital Improvements</u>
<b>ASSETS</b>		
Cash and temporary investments	\$ 2,311,051	\$ 1,325,674
Receivables		
Property tax	87,262	-
Accounts	29,284	39,500
Special assessments	75,411	70,940
Due from other governments	41,782	-
Due from other funds	-	396,558
Prepaid items	15,304	-
	<u>15,304</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 2,560,094</u>	<u>\$ 1,832,672</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts payable	\$ 172,342	\$ -
Retainage payable	-	-
Due to other funds	-	-
Due to other governments	4,544	-
Salaries payable	78,362	-
Deposits payable	69,591	-
Deferred revenue	205,282	110,440
	<u>205,282</u>	<u>110,440</u>
TOTAL LIABILITIES	<u>530,121</u>	<u>110,440</u>
<b>FUND BALANCES</b>		
Reserved for		
Prepaid items	15,304	-
Debt service	-	-
Unreserved		
Designated for		
Working capital	2,014,669	-
Park expenditures	-	-
Police expenditures	-	-
Cemetery expenditures	-	-
Capital expenditures	-	1,722,232
Undesignated - reported in		
Special revenue funds	-	-
Capital project funds (deficits)	-	-
Debt Service funds (deficits)	-	-
	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>2,029,973</u>	<u>1,722,232</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,560,094</u>	<u>\$ 1,832,672</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 2,454,097	\$ 6,090,822
-	87,262
172,180	240,964
899,017	1,045,368
41,844	83,626
322,725	719,283
-	15,304
<u>\$ 3,889,863</u>	<u>\$ 8,282,629</u>

\$ 44,993	\$ 217,335
5,000	5,000
719,283	719,283
32,023	36,567
-	78,362
-	69,591
<u>1,063,030</u>	<u>1,378,752</u>
<u>1,864,329</u>	<u>2,504,890</u>

-	15,304
269,396	269,396
-	2,014,669
371,576	371,576
223,309	223,309
51,945	51,945
1,216,433	2,938,665
288,872	288,872
(386,437)	(386,437)
(9,560)	(9,560)
<u>2,025,534</u>	<u>5,777,739</u>
<u>\$ 3,889,863</u>	<u>\$ 8,282,629</u>

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF MEDINA, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2010

Total fund balances - governmental funds	\$ 5,777,739
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	18,047,458
Less: accumulated depreciation	(2,666,848)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of:	
Other postemployment benefits payable	(65,491)
Compensated absences payable	(208,876)
Bonds payable	(3,475,000)
Less deferred charges	37,190
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	
Property taxes	87,262
Special assessments	1,045,368
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(52,846)</u>
Total net assets - governmental activities	<u><u>\$ 18,525,956</u></u>

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

CITY OF MEDINA, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>101</b>	<b>403</b>
	<u>General</u>	<u>Sewer Capital Improvements</u>
REVENUES		
Taxes	\$ 2,611,292	\$ -
Licenses and permits	199,100	-
Intergovernmental	158,496	-
Charges for services	190,070	30,290
Fines and forfeitures	134,609	-
Special assessments	36,914	39,255
Interest on investments	63,950	23,478
Miscellaneous	132,995	-
TOTAL REVENUES	<u>3,527,426</u>	<u>93,023</u>
EXPENDITURES		
Current		
General government	891,432	-
Public safety	1,801,826	-
Streets and highways	514,904	-
Sanitation and recycling	11,905	-
Culture and recreation	115,655	-
Economic development	-	-
Miscellaneous	-	-
Capital outlay		
General government	4,711	-
Public safety	88,005	-
Streets and highways	-	-
Culture and recreation	-	-
Economic development	-	-
Debt service		
Principal	-	-
Interest and other	-	-
Bond issuance costs	-	-
TOTAL EXPENDITURES	<u>3,428,438</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>98,988</u>	<u>93,023</u>
OTHER FINANCING SOURCES (USES)		
Gain on the sale of capital assets	16,540	-
Transfers in	290,700	-
Bonds issued	-	-
Transfers out	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>307,240</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	406,228	93,023
FUND BALANCES, JANUARY 1	<u>1,623,745</u>	<u>1,629,209</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,029,973</u>	<u>\$ 1,722,232</u>

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

Other Governmental Funds	Total Governmental Funds
\$ 599,577	\$ 3,210,869
-	199,100
133,086	291,582
122,177	342,537
-	134,609
774,575	850,744
42,357	129,785
96,807	229,802
<u>1,768,579</u>	<u>5,389,028</u>
-	891,432
46,975	1,848,801
963	515,867
-	11,905
149,895	265,550
235,817	235,817
6,222	6,222
33,222	37,933
122,006	210,011
362,614	362,614
563,871	563,871
290,399	290,399
600,000	600,000
127,324	127,324
9,804	9,804
<u>2,549,112</u>	<u>5,977,550</u>
<u>(780,533)</u>	<u>(588,522)</u>
6,995	23,535
62,849	353,549
315,000	315,000
(248,237)	(248,237)
<u>136,607</u>	<u>443,847</u>
(643,926)	(144,675)
<u>2,669,460</u>	<u>5,922,414</u>
<u>\$ 2,025,534</u>	<u>\$ 5,777,739</u>

CITY OF MEDINA, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2010

Total net change in fund balances - governmental funds \$ (144,675)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	1,361,805
Depreciation expense	(654,288)

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

Bonds issued	(315,000)
Principal repayments	600,000
Amortization of deferred charges	(8,715)
Bond issuance costs	9,850

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

3,374

Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.

Property taxes	(13,124)
Special assessments	(531,650)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Other postemployment benefits payable	(30,270)
Compensated absences	(53,193)

Change in net assets - governmental activities \$ 389,114

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

CITY OF MEDINA, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,597,260	\$ 2,597,260	\$ 2,611,292	\$ 14,032
Licenses and permits	229,850	229,850	199,100	(30,750)
Intergovernmental	147,615	147,615	158,496	10,881
Charges for services	220,055	220,055	190,070	(29,985)
Fines and forfeitures	191,000	191,000	134,609	(56,391)
Special assessments	6,000	6,000	36,914	30,914
Interest on investments	87,880	87,880	63,950	(23,930)
Miscellaneous	112,325	112,325	132,995	20,670
<b>TOTAL REVENUES</b>	<u>3,591,985</u>	<u>3,591,985</u>	<u>3,527,426</u>	<u>(64,559)</u>
<b>EXPENDITURES</b>				
Current				
General government	1,016,775	1,016,775	891,432	125,343
Public safety				
Police	1,434,675	1,434,675	1,356,226	78,449
Building inspection	301,890	301,890	178,322	123,568
Fire	312,050	312,050	267,278	44,772
Streets and highways	543,500	543,500	514,904	28,596
Sanitation and recycling	12,000	12,000	11,905	95
Economic development	138,795	138,795	115,655	23,140
Capital outlay	130,000	130,000	92,716	37,284
<b>TOTAL EXPENDITURES</b>	<u>3,889,685</u>	<u>3,889,685</u>	<u>3,428,438</u>	<u>461,247</u>
<b>EXCESS (DEFICIENCY) OF REVENUES (OVER) UNDER EXPENDITURES</b>	<u>(297,700)</u>	<u>(297,700)</u>	<u>98,988</u>	<u>396,688</u>
<b>OTHER FINANCING SOURCES</b>				
Gain on the sale of capital assets	7,000	7,000	16,540	9,540
Transfers in	290,700	290,700	290,700	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>297,700</u>	<u>297,700</u>	<u>307,240</u>	<u>9,540</u>
<b>NET CHANGE IN FUND BALANCES</b>	-	-	406,228	406,228
<b>FUND BALANCES, JANUARY 1</b>	<u>1,623,745</u>	<u>1,623,745</u>	<u>1,623,745</u>	-
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 1,623,745</u>	<u>\$ 1,623,745</u>	<u>\$ 2,029,973</u>	<u>\$ 406,228</u>

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

CITY OF MEDINA, MINNESOTA  
 STATEMENTS OF NET ASSETS  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise funds			
	<b>601</b>		<b>602</b>	
	Water		Sanitary Sewer	
	2010	2009 Restated	2010	2009 Restated
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and temporary investments	\$ 3,080,931	\$ 3,478,114	\$ 1,497,419	\$ 1,407,217
Accounts receivable	43,566	39,151	46,531	44,983
Due from other governments	721	365	721	-
Special assessments receivable				
Delinquent	1,654	1,884	1,300	1,555
Deferred	5,379	6,256	6,553	7,404
Prepaid items	1,559	4,309	19,381	20,434
<b>TOTAL CURRENT ASSETS</b>	<b>3,133,810</b>	<b>3,530,079</b>	<b>1,571,905</b>	<b>1,481,593</b>
<b>NONCURRENT ASSETS</b>				
Deferred charges	84,058	91,866	-	-
Capital assets				
Land	7,393	7,393	49,000	49,000
Infrastructure	4,082,986	2,028,483	1,864,139	1,864,139
Buildings	8,414,236	8,284,627	192,000	192,000
Improvements	-	600,289	-	-
Machinery and equipment	1,097,113	2,670,188	2,842,695	2,842,695
Construction in progress	6,919	6,375	-	-
Less accumulated depreciation	(4,270,774)	(3,919,400)	(2,463,599)	(2,337,955)
Total capital assets (net of accumulated depreciation)	9,337,873	9,677,955	2,484,235	2,609,879
<b>TOTAL NONCURRENT ASSETS</b>	<b>9,421,931</b>	<b>9,769,821</b>	<b>2,484,235</b>	<b>2,609,879</b>
<b>TOTAL ASSETS</b>	<b>12,555,741</b>	<b>13,299,900</b>	<b>4,056,140</b>	<b>4,091,472</b>

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

Business-type Activities - Enterprise funds - Continued

**603**

Storm Water		Totals	
2010	2009	2010	2009
\$ 131,924	\$ 112,935	\$ 4,710,274	\$ 4,998,266
5,762	380	95,859	84,514
123	150	1,565	515
13,169	406	16,123	3,845
5,079	81,246	17,011	94,906
645	1,095	21,585	25,838
<u>156,702</u>	<u>196,212</u>	<u>4,862,417</u>	<u>5,207,884</u>
-	-	84,058	91,866
-	-	56,393	56,393
16,844	16,844	5,963,969	3,909,466
-	-	8,606,236	8,476,627
26,818	-	26,818	600,289
11,087	-	3,950,895	5,512,883
39,067	26,818	45,986	33,193
(4,976)	(1,684)	(6,739,349)	(6,259,039)
<u>88,840</u>	<u>41,978</u>	<u>11,910,948</u>	<u>12,329,812</u>
<u>88,840</u>	<u>41,978</u>	<u>11,995,006</u>	<u>12,421,678</u>
<u>245,542</u>	<u>238,190</u>	<u>16,857,423</u>	<u>17,629,562</u>

CITY OF MEDINA, MINNESOTA  
STATEMENTS OF NET ASSETS - CONTINUED  
PROPRIETARY FUNDS  
DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise funds - Continued			
	<b>601</b>		<b>602</b>	
	Water		Sanitary Sewer	
	2010	2009	2010	2009
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 21,574	\$ 48,589	\$ 2,714	\$ 38,587
Contracts payable	-	1,500	-	-
Accrued interest payable	114,479	121,794	-	-
Salaries payable	5,087	2,724	3,879	2,013
Deferred revenue	-	-	-	-
Due to other governments	5,711	3,254	1,832	859
Compensated absences payable - current	3,810	4,474	2,875	3,007
Bonds payable - current	530,000	510,000	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>680,661</b>	<b>692,335</b>	<b>11,300</b>	<b>44,466</b>
<b>NONCURRENT LIABILITIES</b>				
Other postemployment benefits payable	5,505	3,255	3,769	2,187
Compensated absences payable	9,687	9,914	7,020	6,661
Bonds payable	6,835,000	7,365,000	-	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>6,850,192</b>	<b>7,378,169</b>	<b>10,789</b>	<b>8,848</b>
<b>TOTAL LIABILITIES</b>	<b>7,530,853</b>	<b>8,070,504</b>	<b>22,089</b>	<b>53,314</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,972,873	1,802,955	2,484,235	2,609,879
Unrestricted	3,052,015	3,426,441	1,549,816	1,428,279
<b>TOTAL NET ASSETS</b>	<b>\$ 5,024,888</b>	<b>\$ 5,229,396</b>	<b>\$ 4,034,051</b>	<b>\$ 4,038,158</b>

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

Business-type Activities - Enterprise funds - Continued

<b>603</b>			
Storm Water		Totals	
2010	2009	2010	2009
\$ 14,773	\$ 6,920	\$ 39,061	\$ 94,096
-	-	-	1,500
-	-	114,479	121,794
1,239	511	10,205	5,248
5,567	-	5,567	-
105	-	7,648	4,113
1,254	-	7,939	7,481
-	-	530,000	510,000
<u>22,938</u>	<u>7,431</u>	<u>714,899</u>	<u>744,232</u>
590	-	9,864	5,442
3,004	-	19,711	16,575
-	-	6,835,000	7,365,000
<u>3,594</u>	<u>-</u>	<u>6,864,575</u>	<u>7,387,017</u>
<u>26,532</u>	<u>7,431</u>	<u>7,579,474</u>	<u>8,131,249</u>
88,840	41,978	4,545,948	4,454,812
130,170	188,781	4,732,001	5,043,501
<u>\$ 219,010</u>	<u>\$ 230,759</u>	<u>\$ 9,277,949</u>	<u>\$ 9,498,313</u>

CITY OF MEDINA, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise funds			
	<b>601</b>		<b>602</b>	
	Water		Sanitary Sewer	
	2010	2009 Restated	2010	2009 Restated
OPERATING REVENUES				
Charges for services	\$ 680,952	\$ 700,918	\$ 522,143	\$ 609,787
OPERATING EXPENSES				
Wages and salaries	135,087	140,858	100,446	104,733
Materials and supplies	55,259	130,152	3,514	8,362
Professional services	26,812	42,016	15,997	18,336
Repairs and maintenance	29,377	14,692	7,147	25,928
Insurance	6,982	17,543	2,360	3,046
Utilities	70,894	75,737	7,920	7,969
Depreciation	351,374	269,704	125,644	86,393
Sewer treatment charges	-	-	202,979	217,988
TOTAL OPERATING EXPENSES	675,785	690,702	466,007	472,755
OPERATING INCOME	5,167	10,216	56,136	137,032
NONOPERATING REVENUES (EXPENSES)				
Water connection fees	2,637	1,820	-	-
Investment income	46,388	72,164	22,557	28,592
Miscellaneous income (expense)	(717)	(2,502)	-	20,000
Interest expense	(285,821)	(302,378)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(237,513)	(230,896)	22,557	48,592
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(232,346)	(220,680)	78,693	185,624
TRANSFERS IN	165,388	165,528	-	-
TRANSFERS OUT	(137,550)	(136,318)	(82,800)	(85,350)
TOTAL TRANSFERS	27,838	29,210	(82,800)	(85,350)
CHANGE IN FUND NET ASSETS	(204,508)	(191,470)	(4,107)	100,274
FUND NET ASSETS, JANUARY 1	5,229,396	5,420,866	4,038,158	3,937,884
FUND NET ASSETS, DECEMBER 31	<u>\$ 5,024,888</u>	<u>\$ 5,229,396</u>	<u>\$ 4,034,051</u>	<u>\$ 4,038,158</u>

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

Business-type Activities - Enterprise funds - Continued

<b>603</b>			
Storm Water		Totals	
2010	2009	2010	2009
\$ 127,167	\$ 176,563	\$ 1,330,262	\$ 1,487,268
43,571	512	279,104	246,103
933	85	59,706	138,599
40,381	39,379	83,190	99,731
2,494	698	39,018	41,318
629	-	9,971	20,589
-	-	78,814	83,706
3,292	842	480,310	356,939
-	-	202,979	217,988
<u>91,300</u>	<u>41,516</u>	<u>1,233,092</u>	<u>1,204,973</u>
<u>35,867</u>	<u>135,047</u>	<u>97,170</u>	<u>282,295</u>
-	-	2,637	1,820
2,129	1,652	71,074	102,408
605	46,032	(112)	63,530
<u>-</u>	<u>-</u>	<u>(285,821)</u>	<u>(302,378)</u>
<u>2,734</u>	<u>47,684</u>	<u>(212,222)</u>	<u>(134,620)</u>
<u>38,601</u>	<u>182,731</u>	<u>(115,052)</u>	<u>147,675</u>
-	-	165,388	165,528
<u>(50,350)</u>	<u>(47,000)</u>	<u>(270,700)</u>	<u>(268,668)</u>
<u>(50,350)</u>	<u>(47,000)</u>	<u>(105,312)</u>	<u>(103,140)</u>
(11,749)	135,731	(220,364)	44,535
<u>230,759</u>	<u>95,028</u>	<u>9,498,313</u>	<u>9,453,778</u>
<u>\$ 219,010</u>	<u>\$ 230,759</u>	<u>\$ 9,277,949</u>	<u>\$ 9,498,313</u>

CITY OF MEDINA, MINNESOTA  
STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise funds			
	<b>601</b>		<b>602</b>	
	Water		Sanitary Sewer	
	2010	2009 Restated	2010	2009 Restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 679,208	\$ 698,637	\$ 520,980	\$ 600,095
Payments to suppliers	(174,282)	(281,576)	(234,964)	(286,565)
Payments to employees	(132,724)	(141,504)	(98,580)	(105,345)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>372,202</u>	<u>275,557</u>	<u>187,436</u>	<u>208,185</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	165,388	165,528	-	-
Transfers to other funds	(137,550)	(136,318)	(82,800)	(85,350)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<u>27,838</u>	<u>29,210</u>	<u>(82,800)</u>	<u>(85,350)</u>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Acquisition of property and equipment	(11,292)	(6,375)	-	-
Payment on short term account to finance capital asset acquisitions	(36,991)	(1,500)	(36,991)	-
Interest paid on bonds	(278,013)	(294,570)	-	-
Principal paid on bonds	(510,000)	(475,000)	-	-
<b>NET CASH USED BY CAPITAL FINANCING ACTIVITIES</b>	<u>(836,296)</u>	<u>(777,445)</u>	<u>(36,991)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on investments	39,073	65,338	22,557	28,592
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(397,183)	(407,340)	90,202	151,427
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>3,478,114</u>	<u>3,885,454</u>	<u>1,407,217</u>	<u>1,255,790</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u><u>\$ 3,080,931</u></u>	<u><u>\$ 3,478,114</u></u>	<u><u>\$ 1,497,419</u></u>	<u><u>\$ 1,407,217</u></u>

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

Business-type Activities - Enterprise funds - Continued

<b>603</b>			
Storm Water		Totals	
2010	2009	2010	2009
\$ 185,821	\$ 186,958	\$ 1,386,009	\$ 1,485,690
(36,701)	(39,500)	(445,947)	(607,641)
<u>(42,843)</u>	<u>(1)</u>	<u>(274,147)</u>	<u>(246,850)</u>
<u>106,277</u>	<u>147,457</u>	<u>665,915</u>	<u>631,199</u>
-	-	165,388	165,528
<u>(50,350)</u>	<u>(47,000)</u>	<u>(270,700)</u>	<u>(268,668)</u>
<u>(50,350)</u>	<u>(47,000)</u>	<u>(105,312)</u>	<u>(103,140)</u>
(39,067)	(26,818)	(50,359)	(33,193)
-	-	(73,982)	(1,500)
-	-	(278,013)	(294,570)
<u>-</u>	<u>-</u>	<u>(510,000)</u>	<u>(475,000)</u>
<u>(39,067)</u>	<u>(26,818)</u>	<u>(912,354)</u>	<u>(804,263)</u>
<u>2,129</u>	<u>1,652</u>	<u>63,759</u>	<u>95,582</u>
18,989	75,291	(287,992)	(180,622)
<u>112,935</u>	<u>37,644</u>	<u>4,998,266</u>	<u>5,178,888</u>
<u>\$ 131,924</u>	<u>\$ 112,935</u>	<u>\$ 4,710,274</u>	<u>\$ 4,998,266</u>

CITY OF MEDINA, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise funds - Continued			
	<b>601</b>		<b>602</b>	
	Water		Sanitary Sewer	
	2010	2009	2010	2009
<b>RECONCILIATION OF OPERATING INCOME TO</b>				
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating income	\$ 5,167	\$ 10,216	\$ 56,136	\$ 137,032
Adjustments to reconcile operating income to net cash provided by operating activities:				
Other items related to operations	1,920	(682)	-	-
Depreciation	351,374	269,704	125,644	86,393
(Increase) decrease in assets:				
Accounts receivable	(4,415)	(14,230)	(1,548)	(12,821)
Due from other governments	(356)	(21)	(721)	48
Special assessments receivable:				
Delinquent	230	(340)	255	(479)
Deferred	877	12,992	851	3,560
Prepaid items	2,750	(2,716)	1,053	(178)
Increase (decrease) in liabilities:				
Accounts payable	9,976	5,715	1,118	(3,309)
Contracts payable	(1,500)	1,500	-	-
Deferred revenue	-	-	-	-
Due to other governments	2,457	(8)	973	(15)
Salaries payable	2,363	(646)	1,866	(612)
Compensated absences payable	(891)	(9,182)	227	(3,621)
Other postemployment benefits payable	2,250	3,255	1,582	2,187
	<u>\$ 372,202</u>	<u>\$ 275,557</u>	<u>\$ 187,436</u>	<u>\$ 208,185</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
<b>SCHEDULE OF NONCASH</b>				
<b>CAPITAL FINANCING ACTIVITIES</b>				
Assets acquired on short-term account	<u>\$ -</u>	<u>\$ 36,991</u>	<u>\$ -</u>	<u>\$ 36,991</u>
Loans forgiven	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>
Amortization of deferred charges	<u>\$ 7,808</u>	<u>\$ 7,808</u>	<u>\$ -</u>	<u>\$ -</u>

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

Business-type Activities - Enterprise funds - Continued

<b>603</b>			
Storm Water		Totals	
2010	2009	2010	2009
\$ 35,867	\$ 135,047	\$ 97,170	\$ 282,295
605	46,032	2,525	45,350
3,292	842	480,310	356,939
(5,382)	41,467	(11,345)	14,416
27	(150)	(1,050)	(123)
(12,763)	(406)	(12,278)	(1,225)
76,167	(76,548)	77,895	(59,996)
450	(1,095)	4,253	(3,989)
(3,234)	1,757	7,860	4,163
-	-	(1,500)	1,500
5,567	-	5,567	-
105	-	3,535	(23)
728	511	4,957	(747)
4,258	-	3,594	(12,803)
590	-	4,422	5,442
<u>\$ 106,277</u>	<u>\$ 147,457</u>	<u>\$ 665,915</u>	<u>\$ 631,199</u>
<u>\$ 11,087</u>	<u>\$ -</u>	<u>\$ 11,087</u>	<u>\$ 73,982</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,000</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,808</u>	<u>\$ 7,808</u>

CITY OF MEDINA, MINNESOTA  
STATEMENT OF NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2010

	Agency
	<b>810</b>
	Escrow
<b>ASSETS</b>	
Cash and temporary investments	\$ 31,322
Receivables	
Special assessments	
Deferred	16,804
Delinquent	49,322
Accounts	8,650
Due from other governments	283
 TOTAL ASSETS	 \$ 106,381
<b>LIABILITIES</b>	
Accounts payable	\$ 104,381
Due to other governments	2,000
 TOTAL LIABILITIES	 \$ 106,381

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

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

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

The City has considered all potential units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government.

As a result of applying the definition of a component unit above, the City has no component units.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

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

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

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

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

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

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

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

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The City reports the following major governmental funds:

The *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The City reports the following major proprietary funds:

The *Water fund* accounts for the activities of the City's water distribution system, which are financed by the water utility fee, and insure that user charges are sufficient to pay for those costs.

The *Sanitary Sewer fund* accounts for the activities of the City's wastewater collection operations which are financed by the sanitary sewer utility fee, and insure that user charges are sufficient to pay for those costs.

The *Storm Water fund* accounts for the costs associated with the City's storm water system, which are financed by the storm water utility fee, and insure that user charges are sufficient to pay for those costs.

Additionally, the government reports the following fiduciary fund type:

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. Assets, liabilities and net assets or equity**

*Deposits and investments*

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

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

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

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

Investments of the City are reported at fair value. The Minnesota Municipal Money Market (4M) fund operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The Minnesota 4M Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. Financial statements of the 4M fund can be obtained by contacting Voyageur Asset Management at 100 South Fifth Street Suite 2300, Minneapolis, MN 55402-1240.

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Accounts receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2010. The City annually certifies delinquent water, sewer and storm water accounts to the County for collection in the following year. Within 2010, discussions have led to concern over collection from Pollution Control Administration's storm water utility fees. Contra accounts have been established for the current and prior year receivables in the Storm Water fund. The balances at December 31, 2010 are \$25,445 and \$38,217 related to accounts receivable and delinquent special assessments receivable, respectively.

***Property taxes***

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

Taxes payable on homestead property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the City by the State of Minnesota (the State) in lieu of taxes levied against the homestead property. The State remitted half of this in October. The remaining payment was unallotted in December.

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

***Special assessments***

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

***Interfund receivables and payables***

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

***Prepaid items***

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

CITY OF MEDINA, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Capital assets*

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all assets accounted for prospectively from the phase 3 GASB 34 implementation date. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

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

Assets	Useful Lives in Years
Buildings	20 to 40
Land Improvements	20
Building Improvements	20
Furniture and Equipment	5 to 10
Light Vehicles	3 to 5
Machinery and Equipment	5 to 10
Heavy Trucks	7 to 10
Infrastructure	25 to 40

*Compensated absences*

The City compensates employees who resign or retire in good standing for all unused vacation. Sick leave may be accumulated and banked to a maximum of 720 hours for full-time and regular part-time employees. For sick leave accumulated in excess of 720 hours, the employee may bank the hours in an account established by the City for retirement health insurance premiums. An employee who leaves employment voluntarily, with four or more years of service with the City and gives a 14 calendar day notice of termination of employment will be paid at the base rate of pay, one-third of accumulated sick leave hours. Any sick leave banked in excess of 720 hours will be forfeited. Two options are available in regards to accrued sick leave for an employee who voluntarily leaves after 20 or more years of service with the City. After giving at least a 14 day notice of termination of employment an employee may receive payment for one-half of all accrued sick leave at the employee's base rate of pay at the time of termination including sick leave banked in excess of 720 hours. A second option allows the employee to give the City at least 14 days' notice of termination of employment; which then allows the employee to place any accrued sick leave into the retirement health insurance account including sick leave banked in excess of 720 hours converted to a monetary value by using the employees base rate of pay for that year.

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Compensation time is also paid out upon termination. All hourly employees can earn compensation time for every hour of overtime they work. Each hour of overtime is accrued into 1.5 hours of compensation time. Also, a police employee who works any of the 11 holidays can accrue at a rate of 1.5 compensation hours per hour worked and be paid out for accruals over 80 hours.

Vacation, sick, and compensation time pay are considered expenditures in the year paid in the governmental fund statements. This differs from the proprietary and government-wide statements where vacation, sick, and compensation pay are expensed when earned.

The General fund is typically used to liquidate governmental compensated absences.

***Postemployment benefits other than pensions***

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at December 31, 2008.

***Long-term obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Beginning January 1, 2004, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method for governmental activities. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Net assets*

In the government-wide financial statements, net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

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

*Fund equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reservations of retained earnings are limited to outside third-party restrictions. Designations of fund balance represent tentative management plans that are subject to change.

*Comparative data/reclassifications*

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

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and all special revenue funds. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

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

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

**B. Deficit fund equity**

The following funds had fund balance deficits at December 31, 2010 that will be eliminated by future levies, collections of special assessments and operating transfers.

Fund	Amount
Capital projects	
Water Capital Improvement	\$ 96,557
Tax Increment 1-9	214,305
TH55 Intersection	75,575

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

*Deposits*

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

As of December 31, 2010 the City's carrying amount of deposits was \$275,812 and the bank balance was \$300,733. The entire bank balance was covered by federal depository insurance.

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Investments***

As of December 31, 2010, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name.

Investment Type	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled investments			
Broker money market	N/A	less than 6 months	\$ 2,370,519
Minnesota Municipal Money Market Fund	P-1	less than 6 months	<u>1,236</u>
Total pooled investments			<u>2,371,755</u>
Nonpooled investments			
U.S. Government Agencies	AAA	more than 3 years	<u>1,574,302</u>
Brokered Certificates of Deposit	N/A	less than 6 months	760,217
Brokered Certificates of Deposit	N/A	6 months to 1 year	2,534,374
Brokered Certificates of Deposit	N/A	1 year to 3 years	<u>3,315,758</u>
Total brokered CD's			<u>6,610,349</u>
Total non-pooled investments			<u>8,184,651</u>
Total			<u><u>\$ 10,556,406</u></u>

1. Ratings were provided by Moody's.
  2. Interest rate risk disclosed using the segmented time distribution method.
- N/A Indicate not applicable or available.

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

*Custodial Credit Risk - Deposits:* For deposits, this is the risk that in the event of bank failure the City's deposits may not be returned to it. The City has a policy in place to address custodial credit risk for deposits, stating all demand deposit accounts, including checking accounts and nonnegotiable certificates of deposit, in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits and *Minnesota Statutes 118A* will be required to be fully collateralized.

CITY OF MEDINA, MINNESOTA  
 NOTES TO FINANCIAL STATEMENTS  
 DECEMBER 31, 2010

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Interest Rate Risk:* This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City will minimize interest rate rise by structuring the portfolio so that securities mature to meet cash requirements for ongoing operations and investing operating funds primarily in shorter term securities, money market mutual funds or similar investment pools and limiting the average maturity of the portfolio. The policy states the City will not directly invest in securities maturing more than 10 years from the date of purchase or in accordance with the state and local statutes and ordinances unless matched to a specific cash flow. The policy also states the investments will be diversified by investing in securities with varying maturities, continuously investing at least 10 percent of the portfolio in readily available funds such as LGIPs, money market funds to ensure that appropriate liquidity is maintained and never investing more than 20 percent of the portfolio in securities with final maturities greater than five years.

*Credit Risk:* This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy states the instruments that the City will invest in will be consistent with the GFOA Policy Statement on the State and Local Laws Concerning Investment Practices and *Minnesota Statutes 118A*. It also states investments in derivatives shall not be allowed.

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

***Cash summary***

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

Carrying amount of deposits	\$ 275,812
Investments	10,556,406
Cash on hand	200
Total	\$ 10,832,418
Cash and temporary investments	
Government-wide	\$ 10,801,096
Agency	31,322
Total	\$ 10,832,418

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**B. Deferred revenue**

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

	Unavailable	Unearned
General		
Delinquent taxes	\$ 87,262	\$ -
Special assessments - deferred	70,636	-
Special assessments - delinquent	4,775	
Other	-	42,609
Sewer Capital Improvements		
Special assessments - deferred	70,940	-
Other	-	39,500
Nonmajor Governmental Funds		
Special assessments - deferred	897,896	-
Special assessments - delinquent	1,121	-
Other	-	164,013
	\$ 1,132,630	\$ 246,122
Total		

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**C. Capital assets**

Capital asset activity for the year ended December 31, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 44,864	\$ 255,914	\$ -	\$ 300,778
Construction in progress	<u>3,112,031</u>	<u>416,391</u>	<u>(2,933,563)</u>	<u>594,859</u>
Total capital assets, not being depreciated	<u>3,156,895</u>	<u>672,305</u>	<u>(2,933,563)</u>	<u>895,637</u>
Capital assets, being depreciated				
Infrastructure	10,418,769	2,872,671	-	13,291,440
Buildings	1,355,741	427,672	-	1,783,413
Improvements	282,907	344,126	-	627,033
Machinery and equipment	<u>1,415,730</u>	<u>143,593</u>	<u>(109,388)</u>	<u>1,449,935</u>
Total capital assets being depreciated	<u>13,473,147</u>	<u>3,788,062</u>	<u>(109,388)</u>	<u>17,151,821</u>
Less accumulated depreciation for				
Infrastructure	(1,023,981)	(426,102)	-	(1,450,083)
Buildings	(316,297)	(55,430)	-	(371,727)
Improvements	(35,692)	(31,352)	-	(67,044)
Machinery and equipment	<u>(745,978)</u>	<u>(141,404)</u>	<u>109,388</u>	<u>(777,994)</u>
Total accumulated depreciation	<u>(2,121,948)</u>	<u>(654,288)</u>	<u>109,388</u>	<u>(2,666,848)</u>
Total capital assets, being depreciated, net	<u>11,351,199</u>	<u>3,133,774</u>	<u>-</u>	<u>14,484,973</u>
Governmental activities capital assets, net	<u>\$ 14,508,094</u>	<u>\$ 3,806,079</u>	<u>\$ (2,933,563)</u>	<u>\$ 15,380,610</u>

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	Beginning Balance	Prior Period Adjustments	Increases	Decreases	Ending Balance
<b>Business-type activities</b>					
Capital assets, not being depreciated					
Land	\$ 56,393	\$ -	\$ -	\$ -	\$ 56,393
Construction in progress	33,193	-	39,611	(26,818)	45,986
Total capital assets, not being depreciated	<u>89,586</u>	<u>-</u>	<u>39,611</u>	<u>(26,818)</u>	<u>102,379</u>
Capital assets being depreciated					
Infrastructure	3,909,466	2,054,503	-	-	5,963,969
Buildings	8,476,627	129,609	-	-	8,606,236
Improvements	600,289	(600,289)	26,818	-	26,818
Machinery and equipment	5,512,883	(1,583,823)	21,835	-	3,950,895
Total capital assets being depreciated	<u>18,499,265</u>	<u>-</u>	<u>48,653</u>	<u>-</u>	<u>18,547,918</u>
Less accumulated depreciation for					
Infrastructure	(334,539)	(1,634,960)	(155,332)	-	(2,124,831)
Buildings	(1,287,663)	(540,135)	(210,345)	-	(2,038,143)
Improvements	(80,296)	80,296	(1,341)	-	(1,341)
Machinery and equipment	(1,844,332)	(617,410)	(113,292)	-	(2,575,034)
Total accumulated depreciation	<u>(3,546,830)</u>	<u>(2,712,209)</u>	<u>(480,310)</u>	<u>-</u>	<u>(6,739,349)</u>
Total capital assets, being depreciated, net	<u>14,952,435</u>	<u>(2,712,209)</u>	<u>(431,657)</u>	<u>-</u>	<u>11,808,569</u>
Business-type activities capital assets, net	<u>\$ 15,042,021</u>	<u>\$ (2,712,209)</u>	<u>\$ (392,046)</u>	<u>\$ (26,818)</u>	<u>\$ 11,910,948</u>

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

**Governmental activities**

General government	\$ 5,745
Public safety	51,257
Public works	510,572
Culture and recreation	74,352
Economic development	<u>12,362</u>
Total depreciation expense - governmental activities	<u>\$ 654,288</u>

**Business-type activities**

Water	\$ 351,374
Sanitary Sewer	125,644
Storm Water	<u>3,292</u>
Total depreciation expense - business-type activities	<u>\$ 480,310</u>

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**D. Interfund receivables, payables and transfers**

*Interfund balances*

Receivable Fund	Payable Fund	Purpose	Amount
Equipment Replacement Fund	Equipment Notes	Cash flow purposes	\$ 10,242
Road Improvement Fund	TH55 Intersections	Cash flow purposes	75,575
Sewer Capital Improvement Fund	Water Capital Improvement Fund	Cash flow purposes	96,558
Sewer Capital Improvement Fund	Uptown Hamel Street & Utility	Cash flow purposes	300,000
Uptown Hamel Street & Utility	TIF 1-9	Cash flow purposes	<u>236,908</u>
Total			<u><u>\$ 719,283</u></u>

*Interfund transfers*

Fund	Transfer in			Total
	General Fund	Nonmajor Governmental Funds	Water Enterprise	
Transfer out				
Nonmajor governmental	\$ 20,000	\$ 62,849	\$ 165,388	\$ 248,237
Water enterprise	137,550	-	-	137,550
Sanitary sewer enterprise	82,800	-	-	82,800
Storm water enterprise	<u>50,350</u>	<u>-</u>	<u>-</u>	<u>50,350</u>
Total transfers out	<u><u>\$ 290,700</u></u>	<u><u>\$ 62,849</u></u>	<u><u>\$ 165,388</u></u>	<u><u>\$ 518,937</u></u>

- The nonmajor governmental funds transferred \$20,000 to the General fund to support the drug task force.
- The Water, Sanitary Sewer, and Storm Water funds transferred \$270,700 to the General fund for their share of administrative costs.
- The nonmajor governmental funds transferred \$62,849 to other nonmajor governmental funds for debt service contributions.
- The nonmajor governmental funds transferred \$165,388 to the Water fund for debt service contributions.

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**E. Long-term debt**

*General obligation bonds*

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and infrastructure. General obligation bonds have been issued for general government activities.

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

*General obligation improvement bonds*

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds, Series 2010A	\$ 315,000	1.50 - 3.85 %	07/07/10	02/01/21	\$ 315,000
G.O. Improvement Bonds, Series 2008A	2,280,000	3.00 - 4.00	06/17/08	02/01/24	<u>2,165,000</u>
Total General Obligation Bonds					<u><u>\$ 2,480,000</u></u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 120,000	\$ 88,999	\$ 208,999
2012	155,000	84,354	239,354
2013	160,000	79,723	239,723
2014	165,000	74,678	239,678
2015	175,000	69,138	244,138
2016-2020	935,000	245,766	1,180,766
2021-2024	<u>770,000</u>	<u>61,176</u>	<u>831,176</u>
Total	<u><u>\$ 2,480,000</u></u>	<u><u>\$ 703,834</u></u>	<u><u>\$ 3,183,834</u></u>

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***General obligation tax increment bonds***

The following bond was issued for storm water mitigation and road work within phase 1 of the TIF district. The bonds will be repaid with future tax increment.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment Bonds, Series 2005C	\$ 1,040,000	3.25 - 3.95 %	10/13/05	02/01/21	<u>\$ 855,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 65,000	\$ 30,186	\$ 95,186
2012	65,000	28,074	93,074
2013	70,000	25,793	95,793
2014	70,000	23,342	93,342
2015	75,000	20,749	95,749
2016-2020	415,000	59,694	474,694
2021	95,000	1,876	96,876
Total	<u>\$ 855,000</u>	<u>\$ 189,714</u>	<u>\$ 1,044,714</u>

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS- CONTINUED**

***General obligation revenue bonds***

The following bonds were issued to finance capital improvements, and finance acquisition and construction of capital facilities. They will be retired from net revenue of the Water Fund and are backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Bonds, Series 2005A	\$ 4,760,000	3.63 - 4.00 %	05/17/05	02/01/20	\$ 3,405,000
G.O. Water Revenue Bonds, Series 2007A	4,395,000	3.30 - 4.00	12/20/07	02/01/23	<u>3,960,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 7,365,000</u></u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2011	\$ 530,000	\$ 265,534	\$ 795,534
2012	550,000	246,754	796,754
2013	570,000	227,154	797,154
2014	590,000	206,658	796,658
2015	610,000	185,249	795,249
2016-2020	3,420,000	558,584	3,978,584
2021-2023	<u>1,095,000</u>	<u>66,724</u>	<u>1,161,724</u>
Total	<u><u>\$ 7,365,000</u></u>	<u><u>\$ 1,756,657</u></u>	<u><u>\$ 9,121,657</u></u>

***Equipment certificates***

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment Certificates of 2008B	\$ 415,000	3.00 %	09/25/08	02/01/11	<u><u>\$ 140,000</u></u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2011	<u><u>\$ 140,000</u></u>	<u><u>\$ 2,100</u></u>	<u><u>\$ 142,100</u></u>

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

*Changes in Long-term Liabilities.* Long-term liability activity for the year ended December 31, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Bonds payable:					
General obligation bonds	\$ 2,565,000	\$ 315,000	\$ (400,000)	\$ 2,480,000	\$ 120,000
General obligation equipment certificates	275,000	-	(135,000)	140,000	140,000
General obligation tax increment bonds	<u>920,000</u>	<u>-</u>	<u>(65,000)</u>	<u>855,000</u>	<u>65,000</u>
Total bonds payable	3,760,000	315,000	(600,000)	3,475,000	325,000
Compensated absences payable	155,683	238,334	(185,141)	208,876	62,345
Other postemployment benefits payable	<u>35,222</u>	<u>30,269</u>	<u>-</u>	<u>65,491</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 3,950,905</u>	<u>\$ 583,603</u>	<u>\$ (785,141)</u>	<u>\$ 3,749,367</u>	<u>\$ 387,345</u>
<b>Business-type activities</b>					
Bonds payable					
General obligations revenue bonds	\$ 7,875,000	\$ -	\$ (510,000)	\$ 7,365,000	\$ 530,000
Compensated absences payable	24,056	30,738	(27,144)	27,650	7,939
Other postemployment benefits payable	<u>5,442</u>	<u>4,422</u>	<u>-</u>	<u>9,864</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 7,904,498</u>	<u>\$ 35,160</u>	<u>\$ (537,144)</u>	<u>\$ 7,402,514</u>	<u>\$ 537,939</u>

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**A. Plan Description**

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by Minnesota statute are covered by the PEPFF.

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

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

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088 or by calling 651-296-7460 or 1-800-652-9026.

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**B. Funding policy**

*Minnesota statutes*, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Basic Plan members and Coordinated Plan members are required to contribute 9.10 percent and 6.0 percent, respectively, of their annual covered salary in 2010. PEPFF members were required to contribute 9.40 percent of their annual covered salary in 2010. In 2010, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERP members, 7.00 percent for Coordinated Plan GERP members, and 14.1 percent for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 7.25 percent and 14.40 percent, respectively, effective January 1, 2011. The City's contributions to the GERP for the year ended December 31, 2010, 2009 and 2008 were \$50,648, \$53,727 and \$51,680, respectively. The City's contributions to the PEPFF for the years ending December 31, 2010, 2009 and 2008 were \$111,752, \$107,089 and \$97,682, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**A. Plan description**

The City's defined benefit healthcare plan ("the Retiree Health Plan") provides healthcare insurance for eligible retirees and their spouses. The Retiree Health Plan is affiliated with the healthcare plan administered through LOGIS, an agent multiple-employer postemployment healthcare plan. LOGIS is a consortium of Minnesota local government units controlled by its members. LOGIS' Board of Directors is composed of one representative from each agency. LOGIS issues a publicly available financial report that includes financial statements and required supplementary information for the health plan. That report may be obtained by writing to LOGIS, 5750 Duluth Street, Golden Valley, MN 55422, or by calling (763) 543-2600.

**B. Funding policy**

The contribution requirements of plan members and the City are established and may be amended by LOGIS' Board of Directors. The required contributions are based on projected pay-as-you-go financing requirements. The City did not contribute to the plan for the year ended December 31, 2010. At the present time, retiree benefits are provided for two participating employees. The City does not contribute any of the cost of current year premiums for eligible retired plan members and their spouses. For fiscal year 2010, the City contributed \$6,433 to the plan. Retired plan members receiving benefits contribute 100 percent of their premium costs.

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED**

**C. Annual other postemployment benefit cost and net other postemployment benefit obligation**

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 39,228
Interest on net OPEB obligation	1,896
Adjustment to annual required contribution	(1,467)
Adjustment for previous contribution differences	1,467
 Annual OPEB cost (expense)	 41,124
Contributions made	(6,433)
	34,691
 Increase in net OPEB obligation	 34,691
 Net OPEB obligation - beginning of year	 40,664
 Net OPEB obligation - end of year	 \$ 75,355

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2010 and 2009 follows:

Year Ending	Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/10	\$ 41,124	20.0 %	\$ 75,355
12/31/09	50,802	20.0	40,664

**D. Funded status and funding progress**

As of December 31, 2009, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$237,104, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,451,070, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 16.3 percent.

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

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED**

**E. Actuarial methods and assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2009 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments. The initial healthcare trend rate was 9.5 percent, reduced by decrements to an ultimate rate of 5 percent after ten years. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2010, was thirty years.

**Note 6: OTHER INFORMATION**

**A. Risk management**

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

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

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

**B. Legal debt margin**

The City's statutory debt limit is computed as 3 percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments or the net revenues of enterprise fund operations is excluded from the debt limit computation. The 2010 taxable market value of property was \$1,479,527,000 and the debt limit was \$44,385,810. There City has \$140,000 of debt applicable to this limit at year end.

**C. Tax increment districts**

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

CITY OF MEDINA, MINNESOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2010

**Note 7: PRIOR PERIOD ADJUSTMENT**

The business-type activities and Water and Sewer enterprise funds reported prior period adjustments in 2010 of (\$1,574,371) and (\$1,137,838), respectively, related to the revised capitalization policy regarding useful lives of various assets.

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**REQUIRED SUPPLEMENTARY  
INFORMATION**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2010

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF MEDINA, MINNESOTA  
 REQUIRED SUPPLEMENTAL INFORMATION  
 DECEMBER 31, 2010

Schedule of Funding Progress for the Postemployment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/09	\$ -	\$ 237,104	\$ 237,104	- %	\$ 1,451,070	16.3%
12/31/08	-	385,976	385,976	-	1,326,306	29.1%

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2010

CITY OF MEDINA, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2010

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and temporary investments	\$ 962,067	\$ 1,225,303	\$ 266,727	\$ 2,454,097
Receivables				
Accounts	46,013	126,167	-	172,180
Special assessments				
Delinquent	-	432	689	1,121
Deferred	-	410,069	487,827	897,896
Due from other funds	-	322,725	-	322,725
Due from other governments	13,592	24,900	3,352	41,844
	<u>\$ 1,021,672</u>	<u>\$ 2,109,596</u>	<u>\$ 758,595</u>	<u>\$ 3,889,863</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 4,300	\$ 40,693	\$ -	\$ 44,993
Retainage payable	5,000	-	-	5,000
Due to other funds	-	709,041	10,242	719,283
Due to other governments	30,657	1,366	-	32,023
Deferred revenue	46,013	528,500	488,517	1,063,030
	<u>85,970</u>	<u>1,279,600</u>	<u>498,759</u>	<u>1,864,329</u>
<b>FUND BALANCES</b>				
Reserved for debt service	-	-	269,396	269,396
Unreserved				
Designated for				
Park expenditures	371,576	-	-	371,576
Police expenditures	223,309	-	-	223,309
Cemetery expenditures	51,945	-	-	51,945
Capital expenditures	-	1,216,433	-	1,216,433
Undesignated (deficits)	288,872	(386,437)	(9,560)	(107,125)
	<u>935,702</u>	<u>829,996</u>	<u>259,836</u>	<u>2,025,534</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,021,672</u>	<u>\$ 2,109,596</u>	<u>\$ 758,595</u>	<u>\$ 3,889,863</u>

CITY OF MEDINA, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
General property taxes	\$ -	\$ -	\$ 143,848	\$ 143,848
Tax increments	-	455,729	-	455,729
Intergovernmental	133,086	-	-	133,086
Charges for services	35,487	86,690	-	122,177
Special assessments	185,817	105,866	482,892	774,575
Interest on investments	18,105	14,820	9,432	42,357
Miscellaneous	70,715	26,092	-	96,807
<b>TOTAL REVENUES</b>	<b>443,210</b>	<b>689,197</b>	<b>636,172</b>	<b>1,768,579</b>
<b>EXPENDITURES</b>				
Current				
Public safety	46,975	-	-	46,975
Streets and highways	-	963	-	963
Culture and recreation	149,895	-	-	149,895
Economic development	-	235,817	-	235,817
Miscellaneous	6,222	-	-	6,222
Capital outlay				
General government	-	33,222	-	33,222
Public safety	17,456	104,550	-	122,006
Streets and highways	-	362,614	-	362,614
Culture and recreation	563,871	-	-	563,871
Economic development	-	290,399	-	290,399
Debt service				
Principal	-	-	600,000	600,000
Interest and other	-	-	127,324	127,324
Bond issuance costs	-	9,804	-	9,804
<b>TOTAL EXPENDITURES</b>	<b>784,419</b>	<b>1,037,369</b>	<b>727,324</b>	<b>2,549,112</b>
<b>DEFICIENCY OF REVENUES UNDER EXPENDITURES</b>	<b>(341,209)</b>	<b>(348,172)</b>	<b>(91,152)</b>	<b>(780,533)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	6,995	-	-	6,995
Transfers in	-	-	62,849	62,849
Bonds issued	-	309,993	5,007	315,000
Transfers out	(20,000)	(228,237)	-	(248,237)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(13,005)</b>	<b>81,756</b>	<b>67,856</b>	<b>136,607</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(354,214)</b>	<b>(266,416)</b>	<b>(23,296)</b>	<b>(643,926)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>1,289,916</b>	<b>1,096,412</b>	<b>283,132</b>	<b>2,669,460</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 935,702</b>	<b>\$ 829,996</b>	<b>\$ 259,836</b>	<b>\$ 2,025,534</b>

CITY OF MEDINA, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2010

	<b>225</b> Park Dedication	<b>226</b> Municipal Park	<b>227</b> Field House	<b>235</b> Police Forfeiture
<b>ASSETS</b>				
Cash and temporary investments	\$ 303,202	\$ 50,962	\$ 26,019	\$ 209,561
Accounts receivable	46,013	-	-	-
Due from other governments	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 349,215</u>	<u>\$ 50,962</u>	<u>\$ 26,019</u>	<u>\$ 209,561</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 2,369	\$ 1,238	\$ -	\$ 693
Retainage payable	5,000	-	-	-
Due to other governments	-	-	-	39
Deferred revenue	46,013	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>53,382</u>	<u>1,238</u>	<u>-</u>	<u>732</u>
<b>FUND BALANCES</b>				
Unreserved				
Designated				
Park expenditures	295,833	49,724	26,019	-
Police expenditures	-	-	-	208,829
Cemetery expenditures	-	-	-	-
Undesignated	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCES	<u>295,833</u>	<u>49,724</u>	<u>26,019</u>	<u>208,829</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 349,215</u>	<u>\$ 50,962</u>	<u>\$ 26,019</u>	<u>\$ 209,561</u>

<b>236</b> Police Reserve Equipment	<b>237</b> Safe & Sober Grant	<b>238</b> German Liberal Cemetery	<b>240</b> Community Event	<b>204</b> Environmental	Total
\$ 14,480	\$ 17,026	\$ 51,945	\$ 1,042	\$ 287,830	\$ 962,067
-	-	-	-	-	46,013
-	13,592	-	-	-	13,592
<u>\$ 14,480</u>	<u>\$ 30,618</u>	<u>\$ 51,945</u>	<u>\$ 1,042</u>	<u>\$ 287,830</u>	<u>\$ 1,021,672</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,300
-	-	-	-	-	5,000
-	30,618	-	-	-	30,657
-	-	-	-	-	46,013
-	30,618	-	-	-	85,970
-	-	-	-	-	371,576
14,480	-	-	-	-	223,309
-	-	51,945	-	-	51,945
-	-	-	1,042	287,830	288,872
<u>14,480</u>	<u>-</u>	<u>51,945</u>	<u>1,042</u>	<u>287,830</u>	<u>935,702</u>
<u>\$ 14,480</u>	<u>\$ 30,618</u>	<u>\$ 51,945</u>	<u>\$ 1,042</u>	<u>\$ 287,830</u>	<u>\$ 1,021,672</u>

CITY OF MEDINA, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING SCHEDULE OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>225</u> Park Dedication	<u>226</u> Municipal Park	<u>227</u> Field House	<u>235</u> Police Forfeiture
REVENUES				
Charges for services	\$ 33,007	\$ -	\$ -	\$ -
Intergovernmental	-	100,000	-	-
Fines and forfeitures	-	-	-	185,817
Interest on investments	9,177	1,146	-	2,763
Miscellaneous				
Contributions and donations	-	2,595	-	-
Other	-	-	2,100	-
	<u>42,184</u>	<u>103,741</u>	<u>2,100</u>	<u>188,580</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	6,097
Culture and recreation	73,093	54,695	1,081	-
Miscellaneous	-	-	-	-
Capital outlay				
Public safety	-	-	-	15,999
Culture and recreation	463,416	100,455	-	-
	<u>536,509</u>	<u>155,150</u>	<u>1,081</u>	<u>22,096</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(494,325)</u>	<u>(51,409)</u>	<u>1,019</u>	<u>166,484</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	6,995
Transfers out	-	-	-	(20,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,005)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	(494,325)	(51,409)	1,019	153,479
FUND BALANCES, JANUARY 1	<u>790,158</u>	<u>101,133</u>	<u>25,000</u>	<u>55,350</u>
FUND BALANCES, DECEMBER 31	<u>\$ 295,833</u>	<u>\$ 49,724</u>	<u>\$ 26,019</u>	<u>\$ 208,829</u>

<b>236</b>	<b>237</b>	<b>238</b>	<b>240</b>	<b>204</b>	
Police Reserve Equipment	Safe & Sober Grant	German Liberal Cemetery	Community Event	Environmental	Total
\$ 165	\$ -	\$ 2,315	\$ -	\$ -	\$ 35,487
-	33,086	-	-	-	133,086
-	-	-	-	-	185,817
264	-	154	28	4,573	18,105
3,910	-	-	6,412	-	12,917
-	-	55,698	-	-	57,798
<u>4,339</u>	<u>33,086</u>	<u>58,167</u>	<u>6,440</u>	<u>4,573</u>	<u>443,210</u>
-	-	-	-	-	-
7,792	33,086	-	-	-	46,975
-	-	-	6,126	14,900	149,895
-	-	6,222	-	-	6,222
1,457	-	-	-	-	17,456
-	-	-	-	-	563,871
<u>9,249</u>	<u>33,086</u>	<u>6,222</u>	<u>6,126</u>	<u>14,900</u>	<u>784,419</u>
<u>(4,910)</u>	<u>-</u>	<u>51,945</u>	<u>314</u>	<u>(10,327)</u>	<u>(341,209)</u>
-	-	-	-	-	6,995
-	-	-	-	-	(20,000)
-	-	-	-	-	(13,005)
<u>(4,910)</u>	<u>-</u>	<u>51,945</u>	<u>314</u>	<u>(10,327)</u>	<u>(354,214)</u>
<u>19,390</u>	<u>-</u>	<u>-</u>	<u>728</u>	<u>298,157</u>	<u>1,289,916</u>
<u>\$ 14,480</u>	<u>\$ -</u>	<u>\$ 51,945</u>	<u>\$ 1,042</u>	<u>\$ 287,830</u>	<u>\$ 935,702</u>

CITY OF MEDINA, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2010

	<b>401</b>	<b>402</b>	<b>406</b>	<b>407</b>
	General Capital Improvement	Water Capital Improvement	Tax Increment 1-9	TH 55 Intersection
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash and temporary investments	\$ 205,698	\$ -	\$ -	\$ -
Receivables				
Accounts	-	118,000	-	-
Special assessments				
Deferred	-	40,410	-	-
Delinquent	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	24,819	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 205,698</u></u>	<u><u>\$ 158,410</u></u>	<u><u>\$ 24,819</u></u>	<u><u>\$ -</u></u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 4,502	\$ -	\$ 850	\$ -
Due to other funds	-	96,558	236,908	75,575
Due to other governments	-	-	1,366	-
Deferred revenue	-	158,409	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>4,502</u>	<u>254,967</u>	<u>239,124</u>	<u>75,575</u>
<b>FUND BALANCES (DEFICITS)</b>				
Unreserved				
Designated for capital expenditures	201,196	-	-	-
Undesignated	-	(96,557)	(214,305)	(75,575)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>201,196</u>	<u>(96,557)</u>	<u>(214,305)</u>	<u>(75,575)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u><u>\$ 205,698</u></u>	<u><u>\$ 158,410</u></u>	<u><u>\$ 24,819</u></u>	<u><u>\$ -</u></u>

<b>411</b>	<b>415</b>	<b>420</b>	
Equipment Replacement	Uptown Hamel Street and Utility	Road Improvement	Total
\$ 358,280	\$ 363,558	\$ 297,767	\$ 1,225,303
-	-	8,167	126,167
-	-	369,659	410,069
-	-	432	432
10,242	236,908	75,575	322,725
-	-	81	24,900
<u>\$ 368,522</u>	<u>\$ 600,466</u>	<u>\$ 751,681</u>	<u>\$ 2,109,596</u>
\$ 23,740	\$ -	\$ 11,601	\$ 40,693
-	300,000	-	709,041
-	-	-	1,366
-	-	370,091	528,500
<u>23,740</u>	<u>300,000</u>	<u>381,692</u>	<u>1,279,600</u>
344,782	300,466	369,989	1,216,433
-	-	-	(386,437)
<u>344,782</u>	<u>300,466</u>	<u>369,989</u>	<u>829,996</u>
<u>\$ 368,522</u>	<u>\$ 600,466</u>	<u>\$ 751,681</u>	<u>\$ 2,109,596</u>

CITY OF MEDINA, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (DEFICITS)  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>401</b>	<b>402</b>	<b>406</b>	<b>407</b>
	General Capital Improvement	Water Capital Improvement	Tax Increment 1-9	TH 55 Intersection
REVENUES				
Tax increments	\$ -	\$ -	\$ 455,729	\$ -
Special assessments	-	34,171	-	-
Charges for services	-	86,690	-	-
Interest on investments	3,346	-	923	-
Miscellaneous	-	-	-	-
<b>TOTAL REVENUES</b>	<b>3,346</b>	<b>120,861</b>	<b>456,652</b>	<b>-</b>
EXPENDITURES				
Current				
Streets and highways				
Public works	-	963	-	-
Economic development	-	-	235,817	-
Capital outlay				
General government	24,723	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	1,012
Economic development	-	-	290,399	-
Debt service				
Bond issuance costs	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>24,723</b>	<b>963</b>	<b>526,216</b>	<b>1,012</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(21,377)</u>	<u>119,898</u>	<u>(69,564)</u>	<u>(1,012)</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	-
Transfer out	-	(165,388)	(62,849)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(165,388)</b>	<b>(62,849)</b>	<b>-</b>
NET CHANGE IN FUND BALANCES	(21,377)	(45,490)	(132,413)	(1,012)
FUND BALANCES (DEFICITS), JANUARY 1	<u>222,573</u>	<u>(51,067)</u>	<u>(81,892)</u>	<u>(74,563)</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u><u>\$ 201,196</u></u>	<u><u>\$ (96,557)</u></u>	<u><u>\$ (214,305)</u></u>	<u><u>\$ (75,575)</u></u>

<b>411</b>	<b>415</b>	<b>420</b>	
Equipment Replacement	Uptown Hamel Street and Utility	Road Improvement	Total
\$ -	\$ -	\$ -	\$ 455,729
-	-	71,695	105,866
-	-	-	86,690
4,881	-	5,670	14,820
11,638	-	14,454	26,092
<u>16,519</u>	<u>-</u>	<u>91,819</u>	<u>689,197</u>
-	-	-	963
-	-	-	235,817
8,499	-	-	33,222
104,550	-	-	104,550
23,694	10,880	327,028	362,614
-	-	-	290,399
<u>-</u>	<u>-</u>	<u>9,804</u>	<u>9,804</u>
<u>136,743</u>	<u>10,880</u>	<u>336,832</u>	<u>1,037,369</u>
<u>(120,224)</u>	<u>(10,880)</u>	<u>(245,013)</u>	<u>(348,172)</u>
-	-	309,993	309,993
<u>-</u>	<u>-</u>	<u>-</u>	<u>(228,237)</u>
<u>-</u>	<u>-</u>	<u>309,993</u>	<u>81,756</u>
(120,224)	(10,880)	64,980	(266,416)
<u>465,006</u>	<u>311,346</u>	<u>305,009</u>	<u>1,096,412</u>
<u>\$ 344,782</u>	<u>\$ 300,466</u>	<u>\$ 369,989</u>	<u>\$ 829,996</u>

CITY OF MEDINA, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With comparative actual amounts for the year ended December 31, 2009)

	2010			Variance with Final Budget	2009
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Taxes					
Property taxes	\$ 2,597,260	\$ 2,597,260	\$ 2,611,292	\$ 14,032	\$ 2,535,687
Licenses and permits					
Business	229,850	229,850	199,100	(30,750)	146,450
Intergovernmental					
Federal	9,000	9,000	16,288	7,288	15,190
State					
Property tax credits	16,340	16,340	89	(16,251)	-
Police state aid	63,500	63,500	70,687	7,187	72,726
Fire state aid	32,000	32,000	28,994	(3,006)	31,917
PERA aid	1,775	1,775	1,773	(2)	1,773
Other	-	-	14,211	14,211	11,170
County					
Other	25,000	25,000	26,454	1,454	28,599
Total	147,615	147,615	158,496	10,881	161,375
Charges for services					
General government	25,300	25,300	32,776	7,476	20,086
Public safety	176,255	176,255	127,287	(48,968)	105,047
Public works	6,500	6,500	4,678	(1,822)	5,825
Culture and recreation	12,000	12,000	25,329	13,329	13,164
Total	220,055	220,055	190,070	(29,985)	144,122
Special assessments	6,000	6,000	36,914	30,914	90,162
Fines and forfeitures	191,000	191,000	134,609	(56,391)	150,713
Interest on investments	87,880	87,880	63,950	(23,930)	84,018
Miscellaneous					
Contributions and donations	20,000	20,000	1,040	(18,960)	24,425
Other	92,325	92,325	131,955	39,630	97,203
Total	112,325	112,325	132,995	20,670	121,628
TOTAL REVENUES	3,591,985	3,591,985	3,527,426	(64,559)	3,434,155

CITY OF MEDINA, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With comparative actual amounts for the year ended December 31, 2009)

	2010				2009
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 17,600	\$ 17,600	\$ 17,494	\$ 106	\$ 17,589
Other services and charges	12,375	12,375	10,279	2,096	14,929
Total	29,975	29,975	27,773	2,202	32,518
City administrator					
Personal services	458,150	458,150	440,577	17,573	423,498
Supplies	6,350	6,350	4,642	1,708	6,990
Other services and charges	85,525	85,525	87,643	(2,118)	76,434
Total	550,025	550,025	532,862	17,163	506,922
Elections					
Personal services	6,000	6,000	5,311	689	-
Supplies	2,000	2,000	706	1,294	227
Other services and charges	2,600	2,600	1,903	697	362
Total	10,600	10,600	7,920	2,680	589
Assessing					
Supplies	1,000	1,000	128	872	534
Other services and charges	77,725	77,725	75,182	2,543	74,550
Total	78,725	78,725	75,310	3,415	75,084
Planning and zoning					
Personal services	162,150	162,150	106,064	56,086	184,033
Supplies	900	900	1,043	(143)	952
Other services and charges	86,650	86,650	45,730	40,920	141,975
Total	249,700	249,700	152,837	96,863	326,960
Other general government					
Supplies	5,250	5,250	6,105	(855)	4,364
Other services and charges	92,500	92,500	88,625	3,875	80,147
Total	97,750	97,750	94,730	3,020	84,511
Total general government	1,016,775	1,016,775	891,432	125,343	1,026,584

CITY OF MEDINA, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With comparative actual amounts for the year ended December 31, 2009)

	2010			Variance with Final Budget	2009
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
<b>EXPENDITURES - CONTINUED</b>					
Current - continued					
Public safety					
Police					
Personal services	\$ 1,196,000	\$ 1,196,000	\$ 1,146,412	\$ 49,588	\$ 1,133,939
Supplies	73,500	73,500	64,380	9,120	49,045
Other services and charges	165,175	165,175	145,434	19,741	133,806
Total	<u>1,434,675</u>	<u>1,434,675</u>	<u>1,356,226</u>	<u>78,449</u>	<u>1,316,790</u>
Building inspection					
Personal services	92,265	92,265	86,468	5,797	30,538
Other services and charges	209,625	209,625	91,854	117,771	185,925
Total	<u>301,890</u>	<u>301,890</u>	<u>178,322</u>	<u>123,568</u>	<u>216,463</u>
Fire					
Other services and charges	312,050	312,050	267,278	44,772	289,576
Total public safety	<u>2,048,615</u>	<u>2,048,615</u>	<u>1,801,826</u>	<u>246,789</u>	<u>1,822,829</u>
Streets and highways					
Streets					
Personal services	182,850	182,850	154,687	28,163	204,226
Supplies	258,000	258,000	258,501	(501)	259,057
Other services and charges	102,650	102,650	101,716	934	83,065
Total	<u>543,500</u>	<u>543,500</u>	<u>514,904</u>	<u>28,596</u>	<u>546,348</u>
Total streets and highways	<u>543,500</u>	<u>543,500</u>	<u>514,904</u>	<u>28,596</u>	<u>546,348</u>
Sanitation and recycling					
Personal services	3,825	3,825	3,525	300	3,263
Supplies	2,000	2,000	1,641	359	5,228
Other services and charges	6,175	6,175	6,739	(564)	3,511
Total sanitation	<u>12,000</u>	<u>12,000</u>	<u>11,905</u>	<u>95</u>	<u>12,002</u>

CITY OF MEDINA, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2010  
(With comparative actual amounts for the year ended December 31, 2009)

	2010				2009
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Culture and recreation					
Personal services	\$ 43,170	\$ 43,170	\$ 40,238	\$ 2,932	\$ 42,216
Supplies	22,700	22,700	16,238	6,462	16,944
Other services and charges	72,925	72,925	59,179	13,746	54,986
Total culture and recreation	138,795	138,795	115,655	23,140	114,146
Total current expenditures	3,759,685	3,759,685	3,335,722	423,963	3,521,909
Capital outlay					
General government	-	-	4,711	(4,711)	-
Public safety	130,000	130,000	88,005	41,995	88,381
Streets and highways	-	-	-	-	1,624
Total capital outlay	130,000	130,000	92,716	37,284	90,005
TOTAL EXPENDITURES	3,889,685	3,889,685	3,428,438	461,247	3,611,914
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(297,700)	(297,700)	98,988	396,688	(177,759)
OTHER FINANCING SOURCES (USES)					
Gain on the sale of capital assets	7,000	7,000	16,540	9,540	34,846
Transfers in	290,700	290,700	290,700	-	288,668
Transfers out	-	-	-	-	(40,000)
TOTAL OTHER FINANCING SOURCES (USES)	297,700	297,700	307,240	9,540	283,514
NET CHANGE IN FUND BALANCES	-	-	406,228	406,228	105,755
FUND BALANCES, JANUARY 1	1,623,745	1,623,745	1,623,745	-	1,517,990
FUND BALANCES, DECEMBER 31	\$ 1,623,745	\$ 1,623,745	\$ 2,029,973	\$ 406,228	\$ 1,623,745

CITY OF MEDINA, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2010

	<b>306</b>	<b>311</b>	<b>312</b>
	G.O. Bonds 2008 Uptown Hamel	Equipment Notes	G.O. Improvement Bonds 2010A
	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>			
Cash and temporary investments	\$ 133,183	\$ -	\$ 5,007
Special assessments receivable			
Delinquent	689	-	-
Deferred	316,138	-	-
Due from other governments	1,149	682	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u>\$ 451,159</u>	<u>\$ 682</u>	<u>\$ 5,007</u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>			
<b>LIABILITIES</b>			
Due to other funds	\$ -	\$ 10,242	\$ -
Deferred revenue	316,827	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES	<u>316,827</u>	<u>10,242</u>	<u>-</u>
<b>FUND BALANCES (DEFICITS)</b>			
Reserved for debt service	134,332	-	5,007
Unreserved, undesignated	-	(9,560)	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL FUND BALANCE (DEFICITS)	<u>134,332</u>	<u>(9,560)</u>	<u>5,007</u>
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 451,159</u>	<u>\$ 682</u>	<u>\$ 5,007</u>

<b>315</b> G.O. Bonds 2005 Uptown Hamel	<b>317</b> G.O. Improvement Bonds 2005B	Total
\$ 104,841	\$ 23,696	\$ 266,727
-	-	689
171,689	-	487,827
1,521	-	3,352
<u>\$ 278,051</u>	<u>\$ 23,696</u>	<u>\$ 758,595</u>
\$ -	\$ -	\$ 10,242
171,690	-	488,517
<u>171,690</u>	<u>-</u>	<u>498,759</u>
106,361	23,696	269,396
-	-	(9,560)
<u>106,361</u>	<u>23,696</u>	<u>259,836</u>
<u>\$ 278,051</u>	<u>\$ 23,696</u>	<u>\$ 758,595</u>

CITY OF MEDINA, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (DEFICITS)  
FOR THE YEAR ENDED DECEMBER 31, 2010

	<b>306</b>	<b>311</b>	<b>312</b>
	G.O. Bonds 2008 Uptown Hamel	Equipment Notes	G.O. Improvement Bonds 2010A
	<u>          </u>	<u>          </u>	<u>          </u>
REVENUES			
General property taxes	\$ -	\$ 143,848	\$ -
Special assessments	89,251	-	-
Interest on investments	1,031	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL REVENUES	<u>90,282</u>	<u>143,848</u>	<u>-</u>
EXPENDITURES			
Debt service			
Principal	115,000	135,000	-
Interest and other	83,551	6,506	-
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL EXPENDITURES	<u>198,551</u>	<u>141,506</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(108,269)</u>	<u>2,342</u>	<u>-</u>
OTHER FINANCING SOURCES			
Transfer in	62,849	-	-
Bond issued	-	-	5,007
	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL OTHER FINANCING SOURCES	<u>62,849</u>	<u>-</u>	<u>5,007</u>
NET CHANGE IN FUND BALANCES	(45,420)	2,342	5,007
FUND BALANCES (DEFICITS), JANUARY 1	<u>179,752</u>	<u>(11,902)</u>	<u>-</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ 134,332</u>	<u>\$ (9,560)</u>	<u>\$ 5,007</u>

<b>315</b> G.O. Bonds 2005 Uptown Hamel	<b>317</b> G.O. Improvement Bonds 2005B	Total
\$ -	\$ -	\$ 143,848
69,568	324,073	482,892
8,401	-	9,432
<u>77,969</u>	<u>324,073</u>	<u>636,172</u>
65,000	285,000	600,000
32,849	4,418	127,324
<u>97,849</u>	<u>289,418</u>	<u>727,324</u>
<u>(19,880)</u>	<u>34,655</u>	<u>(91,152)</u>
-	-	62,849
-	-	5,007
<u>-</u>	<u>-</u>	<u>67,856</u>
(19,880)	34,655	(23,296)
<u>126,241</u>	<u>(10,959)</u>	<u>283,132</u>
<u>\$ 106,361</u>	<u>\$ 23,696</u>	<u>\$ 259,836</u>

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2010

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF MEDINA, MINNESOTA  
 SUPPLEMENTARY INFORMATION  
 SUMMARY FINANCIAL REPORT  
 REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
 GOVERNMENTAL FUNDS  
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Total		Percent Increase (Decrease)
	2010	2009	
<b>REVENUES</b>			
Taxes	\$ 3,210,869	\$ 3,106,340	3.37 %
Special assessments	850,744	697,375	21.99
Licenses and permits	199,100	146,450	35.95
Intergovernmental	291,582	187,623	55.41
Charges for services	342,537	204,508	67.49
Fines and forfeits	134,609	150,713	(10.69)
Interest on investments	129,785	198,399	(34.58)
Miscellaneous	229,802	241,588	(4.88)
<b>TOTAL REVENUES</b>	<b>\$ 5,389,028</b>	<b>\$ 4,932,996</b>	<b>9.24 %</b>
Per Capita	\$ 1,072	\$ 1,000	7.18 %
<b>EXPENDITURES</b>			
Current			
General government	\$ 891,432	\$ 1,026,406	(13.15) %
Public safety	1,848,801	1,829,694	1.04
Streets and highways	515,867	1,172,691	(56.01)
Sanitation and recycling	11,905	12,002	(0.81)
Culture and recreation	265,550	472,559	(43.81)
Economic development	235,817	317,635	(25.76)
Miscellaneous	6,222	-	100.00
Capital outlay			
General government	37,933	48,777	(22.23)
Public safety	210,011	88,381	137.62
Streets and highways	362,614	615,584	(41.09)
Culture and recreation	563,871	45,505	1,139.14
Economic development	290,399	26,335	1,002.71
Debt service			
Principal	600,000	470,000	27.66
Interest and other	127,324	151,962	(16.21)
Bond issuance costs	9,804	-	100.00
<b>TOTAL EXPENDITURES</b>	<b>\$ 5,977,550</b>	<b>\$ 6,277,531</b>	<b>(4.78) %</b>
Per Capita	\$ 1,189	\$ 1,273	(6.58) %
Total Long-term Indebtedness	\$ 3,749,367	\$ 3,950,905	(5.10) %
Per Capita	746	801	(6.90)
General Fund Balance - December 31	\$ 2,029,973	\$ 1,623,745	25.02 %
Per Capita	404	329	22.65

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

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**OTHER REPORTS**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2010

THIS PAGE IS LEFT BLANK  
INTENTIONALLY



5201 Eden Avenue  
Suite 250  
Edina, MN 55436

## REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and Council  
City of Medina, Minnesota

We have audited financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Medina, Minnesota (the City), as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 22, 2011.

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

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

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

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

ABDO, EICK & MEYERS, LLP  
*Certified Public Accountants*

April 22, 2011  
Minneapolis, Minnesota