

CITY OF EDINA, MINNESOTA

Comprehensive Annual Financial Report

Year ended December 31, 2002

Department of Finance

John Wallin--Treasurer and Finance Director

Peggy Gibbs--Assistant Finance Director

Paula Nelson—Accountant

CITY OF EDINA, MINNESOTA
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I. INTRODUCTORY SECTION



April 29, 2004

City of Edina

To the Honorable Mayor
and City Council
City of Edina
4801 West 50th Street
Edina, Minnesota 55424

Dear Honorable Mayor and Council Members:

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Edina for the fiscal year ended December 31, 2003.

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

The City of Edina's financial statements have been audited by KPMG LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Edina for the fiscal year ended December 31, 2003, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Edina's financial statements for the fiscal year ended December 31, 2003, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Edina was part of a broader, federally mandated “Single Audit” designed to meet the special needs of the federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City of Edina’s separately issued Single Audit Report.

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

Profile of the Government

The City of Edina, incorporated in 1888, is a fully developed first-ring suburb of Minneapolis. The City of Edina currently occupies a land area of 16 square miles and serves a population of 47,570. Currently, 98% of Edina is developed with 55.5% of the land attributed to residential uses, 13.1% to roadways and 11.8% supporting the park and open spaces. The remainder of the land is used for commercial, industrial and public/semi-public uses.

The City of Edina has operated under the council-manager form of government since 1955. Policy-making and legislative authority are vested in a city council consisting of the mayor and four other members. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the city manager. The city manager is responsible for carrying out the policies and ordinances of the council, for overseeing the day-to-day operations of the city government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with two council members elected every four years and the mayor and two council members elected in staggered four-year terms. The council and mayor are elected at large.

The City of Edina provides a full range of services, including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; water and sewer services and recreational activities and cultural events.

The annual budget serves as the foundation for the City of Edina’s financial planning and control. All departments and agencies of the City of Edina submit request for appropriation to the city manager in June of each year. The city manager uses these requests as the starting point for developing a proposed budget. The city manager then presents this proposed budget to the council for review prior to August 31. The council is required to hold public hearings

on the proposed budget and to adopt a final budget by no later than December 31, the close of the City of Edina's fiscal year.

The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g. police). The City Council may authorize transfers of budgeted amounts between departments. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 63 as part of the Required Supplementary Information. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which is on page 74.

Factors Affecting Financial Condition

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

Local economy. The City of Edina currently enjoys a favorable economic environment and local indicators point to continued stability. The region, while noted for a strong retail sector, enjoyed considerable re-development in recent years. The re-development consisted of varied manufacturing, medical and high-tech base that adds to the relative stability of the unemployment rate. Major industries with headquarters or divisions within the government's boundaries or in close proximity include medical services, retail operations and banking services. Edina is home to over 50,000 jobs which are expected to remain stable over the coming years.

The City of Edina has become known for its quality residential housing stock and attractive neighborhoods. To date, approximately 98% of the housing stock is in place. Although the emphasis has changed over the years from exclusively single family housing to a more balanced mix of housing types, the city's concern for overall quality in residential development remains a top priority.

The City of Edina enjoys a AAA bond rating and a Aaa bond rating from Standard and Poors and Moody's respectively.

Long-term financial planning. The city continues to focus on quality of life improvements throughout the city. These efforts cover a broad array of areas including protecting and improving the environment, revitalization of parks and public areas, expanding recreational opportunities, expanding city services, and increasing communication between city representatives and the public.

The city is working closely with state government, federal government and neighboring communities to improve the area's state and county transportation network, which includes upgraded highways and well-placed pathways. Funding for most of the transportation

improvements will need to come from state, county and federal sources, with some minor portion supported by the local taxpayers.

Cash management policies and practices. Cash temporarily idle during the year was invested in certificates of deposit and obligations of the US Treasury. The maturities of the investments range from 7 days to 12 years, with an average maturity of 36 months. The investment income return for 2003 on all investments was 2.1 percent.

Risk management. The City contracts the services of a risk consultant. The consultant continually reviews the City's exposure to losses, writes insurance specifications, negotiates placement and renewal of coverage and reviews programs to reduce costs and improve cash flow. Insurance costs continue to rise as the City experiences increases in the miles of road, payroll and expenditures.

Acknowledgements. The preparation of this report would not have been possible without the dedicated services of the Finance Department Staff. I would like to express my appreciation to all members of the department who assisted and contributed to the preparation of this report. Credit also must be given to the Mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Edina's finances.

Respectfully submitted,



John Wallin
Finance Director

CITY OF EDINA, MINNESOTA

ORGANIZATION

December 31, 2003

	<u>Term Expires</u>
Mayor: Dennis Maetzold	December 31, 2005
Council Members: James Hovland	December 31, 2007
Scot Housh	December 31, 2007
Michael Kelly	December 31, 2005
Linda Masica	December 31, 2005
City Manager: Gordon Hughes	Appointed
Finance Director/Treasurer: John Wallin	Appointed
City Clerk: Debra Mangel	Appointed

City of Edina



II. FINANCIAL SECTION



KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Independent Auditors' Report

The Honorable Mayor and Members of the City Council
City of Edina, 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 Edina, Minnesota (the City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the accompanying 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.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in note 1 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures*; and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, as of January 1, 2003.

The management's discussion and analysis on pages 9 through 19 and budgetary comparison information on page 63 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.





In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2004, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section, the data designated as supplementary financial information, and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

Minneapolis, Minnesota
April 29, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Edina, we offer readers of the City of Edina's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 4 of this report.

Certain comparative information between the current year and the prior year is required to be presented in the Management's Discussion and Analysis. However, since this is the first year of implementation of the new reporting model, contained in GASB Statement No. 34, and the Statement permits the omission of prior year data in the year of implementation, the City of Edina has elected not to prepare comparative data due to the cost of adjusting the prior year's financial statements to the new reporting model. A summary of comparative information will be included with the 2004 financial statements.

Financial Highlights

The assets of the City of Edina exceeded its liabilities at the close of the most recent fiscal year by \$105,315,759 (Net assets). Of this amount, \$47,221,257 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.

The City's total net assets increased by \$12,867,165.

As of the close of the current fiscal year, the City of Edina's governmental funds reported combined ending fund balances of \$34,754,678. Of this total amount, \$25,283,335, or 73% is designated or reserved through legal restrictions and City Council authorization.

At the end of the current fiscal year the general fund balance of \$10,374,065, included \$412,991 reserved and \$9,961,074 designated.

The City's total debt decreased by \$1,995,000 during the current fiscal year, from \$70,735,000 to \$68,740,000.

Overview of the Financial Statements

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

Management's Discussion and Analysis

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

The statement of net assets presents information on all of the City of Edina'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 of Edina 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 of Edina that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Edina include general government, public safety, public works and parks. The business-type activities of the City of Edina include utilities, liquor, aquatic center, golf course and community activity centers.

The government-wide financial statements can be found on pages 20 through 22 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 of Edina, 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 of Edina 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 financial 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

Management's Discussion and Analysis

the government-wide financial statement. By doing so, readers may better understand the long-term impact of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Edina maintains 5 individual major 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, debt service fund, construction fund, Housing and Redevelopment Authority fund and the revolving fund.

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds are provided in the form of combining statements elsewhere in this report.

The City of Edina adopts an annual appropriated budget for its general fund and one of its special revenue funds.

A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 23 through 27 of this report.

Proprietary funds. The City of Edina maintains four major enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City of Edina uses enterprise funds to account for its utility, liquor, aquatic center and golf course operations.

Data from the other proprietary funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major proprietary funds are provided in the form of combining statements elsewhere in this report.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 28 through 31 of this report.

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

Management's Discussion and Analysis

available to support the City of Edina's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 32 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33 through 62 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules can be found on pages 72 through 77 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 of Edina, assets exceeded liabilities by \$105,315,759 at the close of the most recent fiscal year.

The largest portion of the City of Edina's net assets (\$51,744,926 or 49.1 %) 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 of Edina uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Edina'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.

With the first year implementation of Governmental Accounting Standards Board Statement 34, the City is not presenting comparable columns in the various comparison's and analyses for the previous year. Comparative information will be provided in future years.

Management's Discussion and Analysis

CITY OF EDINA'S NET ASSETS

	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$41,326,412	\$17,427,523	\$58,753,935
Capital assets	80,485,636	44,276,094	124,761,730
Total assets	<u>\$121,812,048</u>	<u>\$61,703,617</u>	<u>\$183,515,665</u>
Long-term liabilities outstanding	\$52,245,749	\$11,793,473	\$64,039,222
Other liabilities	11,220,391	2,940,293	14,160,684
Total liabilities	<u>\$63,466,140</u>	<u>\$14,733,766</u>	<u>\$78,199,906</u>
Net assets:			
Invested in capital assets, net of related debt	\$21,792,377	\$29,952,549	\$51,744,926
Restricted	4,676,748	1,672,828	6,349,576
Unrestricted	31,876,783	15,344,474	47,221,257
Total net assets	<u>\$58,345,908</u>	<u>\$46,969,851</u>	<u>\$105,315,759</u>

A portion of the City of Edina's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$47,221,257) may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City's net assets increased by \$12,867,165 during the current fiscal year. About one half of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. The remainder of this growth largely reflects rate increases and increases in operating and capital grants.

Management's Discussion and Analysis

Governmental Activities

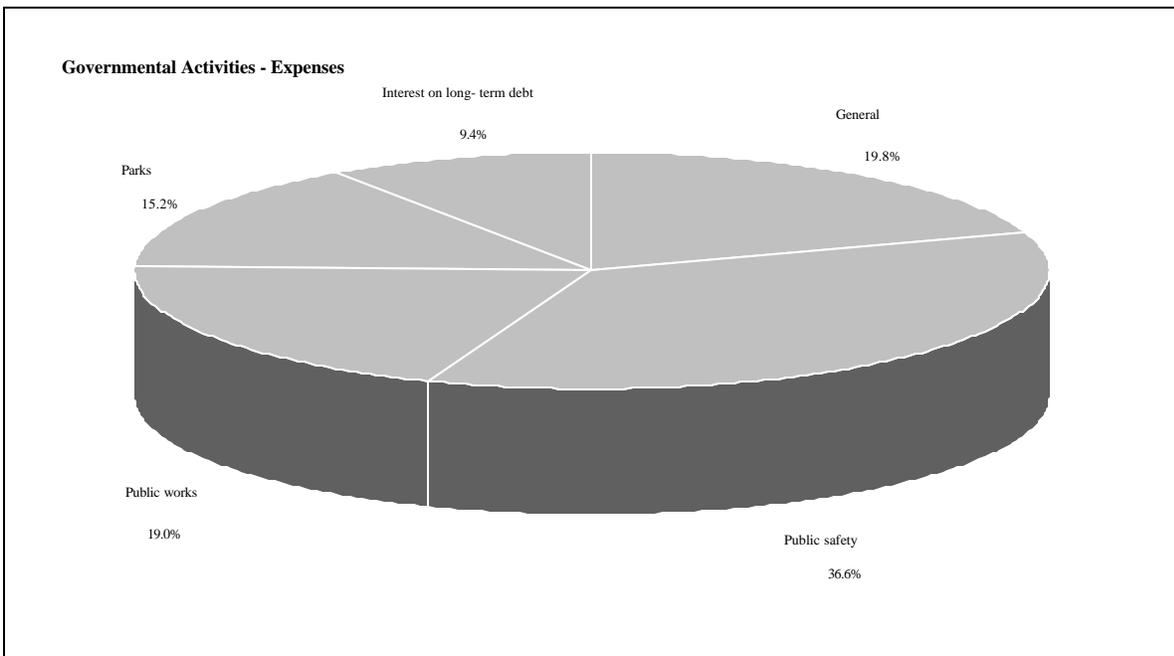
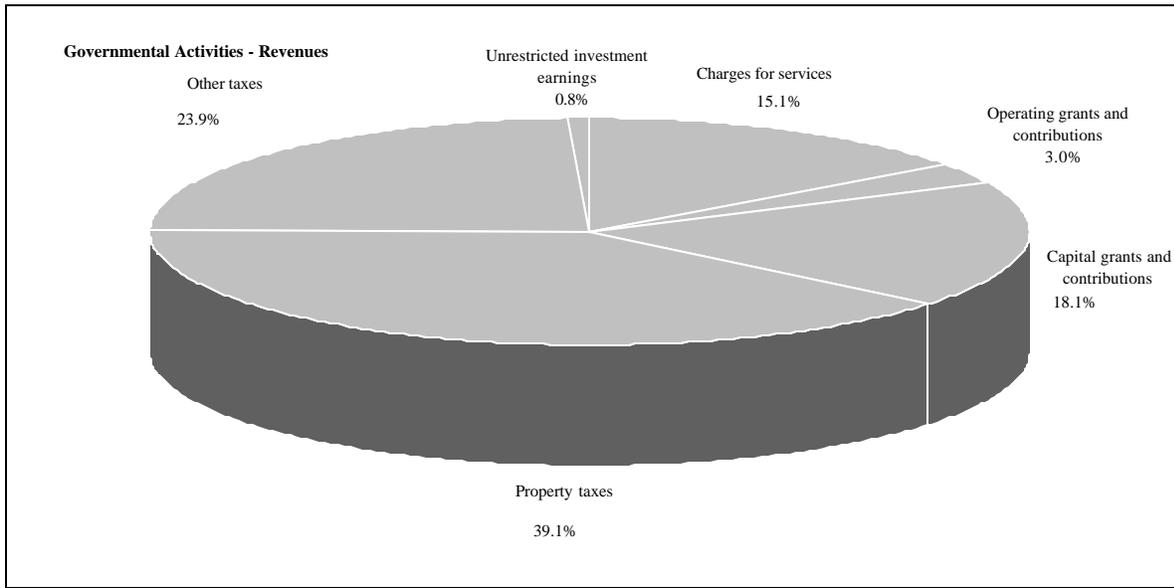
Governmental activities increased the City of Edina's net assets by \$6,398,414, accounting for 49.7% of the total growth in net assets. Key elements of this increase are as follows:

City of Edina's Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$6,041,613	\$26,866,762	\$32,908,375
Operating grants and contributions	1,215,745	132,031	1,347,776
Capital grants and contributions	7,214,393	-	7,214,393
General revenues:			
Property taxes	15,600,985	-	15,600,985
Other taxes	9,556,711	-	9,556,711
Gain on disposal of asset	26,669		26,669
Unrestricted investment earnings	286,209	387,117	673,326
Total revenues	<u>39,942,325</u>	<u>27,385,910</u>	<u>67,328,235</u>
Expenses:			
General government	5,839,893	-	5,839,893
Public safety	10,784,215	-	10,784,215
Public works	5,621,291	-	5,621,291
Parks	4,484,685	-	4,484,685
Interest on long-term debt	2,760,022	-	2,760,022
Loss on the sale of assets	-	177,051	177,051
Utilities	-	7,930,502	7,930,502
Liquor	-	8,764,081	8,764,081
Aquatic Center	-	711,061	711,061
Golf course	-	3,555,243	3,555,243
Community Activity Centers	-	3,833,026	3,833,026
Total expenses	<u>29,490,106</u>	<u>24,970,964</u>	<u>54,461,070</u>
Increase in net assets before transfers	10,452,219	2,414,946	12,867,165
Transfers	<u>(4,053,805)</u>	<u>4,053,805</u>	<u>-</u>
Increase in net assets	6,398,414	6,468,751	12,867,165
Net assets - January 1, 2003	<u>51,947,494</u>	<u>40,501,100</u>	<u>92,448,594</u>
Net assets - December 31, 2003	<u>\$58,345,908</u>	<u>\$46,969,851</u>	<u>\$105,315,759</u>

Management's Discussion and Analysis

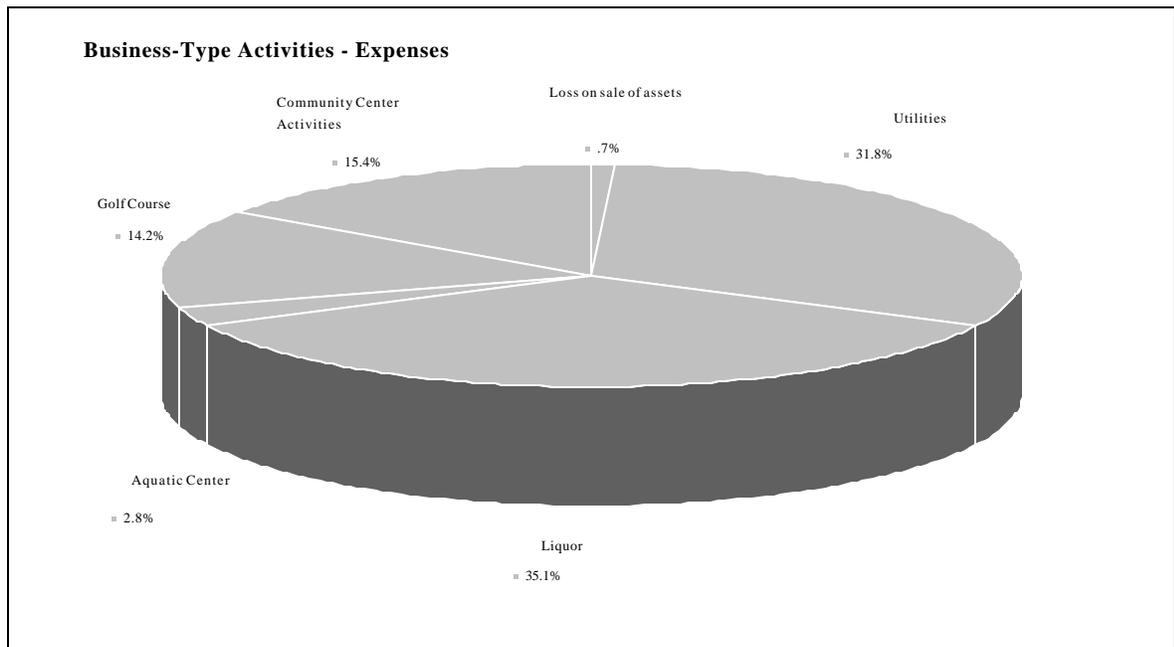
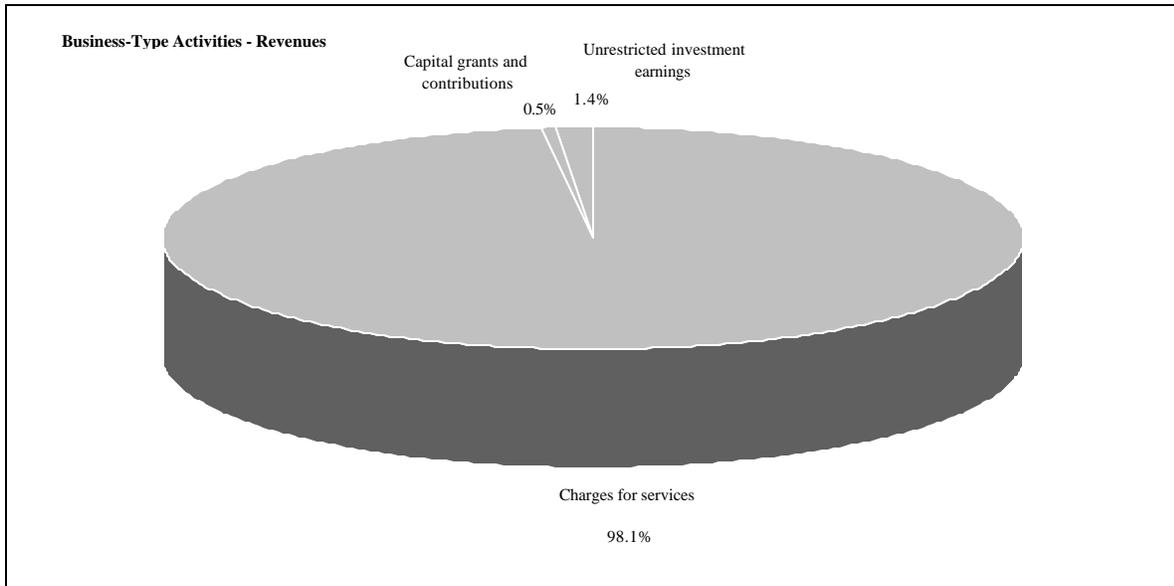
Below are specific graphs which provide comparisons of the governmental activities revenues and expenses:



Management's Discussion and Analysis

Business-Type Activities

Business-type activities increased net assets by \$6,468,751 accounting for 50.3% of the City of Edina's growth in net assets. Below are graphs showing the business-type activities revenue and expense comparisons:



Management's Discussion and Analysis

Financial Analysis of the Government's Funds

Governmental Funds. The focus of the City of Edina'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 of Edina'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.

At the end of the current fiscal year, the City of Edina's governmental funds reported combined ending fund balances of \$34,754,678. Approximately 87 percent of this total amount (\$30,256,700) constitutes unreserved fund balance. The remainder of the fund balance (\$4,497,978) is reserved because it has already been committed 1) to provide for prepaid items (\$412,991), 2) to pay committed contracts (\$735,086), 3) for special projects (\$1,173,172), 4) to pay debt service (\$2,176,729).

The general fund decreased by \$4,369,000 in 2003, which was due to a transfer of designated funds for Edinborough Park to the Edinborough Park fund and holding costs down to cover for the loss of Market Value Credit Aid.

The debt service fund increased by \$625,522 in 2003 as property tax collections and interest exceeded annual debt payment requirements.

The construction fund increased by \$628,887 in 2003 as municipal state aid payments exceeded construction costs.

The Housing and Redevelopment Authority fund decreased by \$995,869 in 2003 as several districts are rapidly paying down the debt that was issued. Two of the districts expire in 2009 and have the majority of the principal being paid over the next few years.

The revolving fund decreased by \$7,501,491 in 2003 due to construction costs of the new City Hall and Police facility.

The non major special revenue funds decreased by \$902,741 for 2003 due to a \$950,000 transfer to the revolving fund to cover the cost of communication equipment in the new City Hall and Police facility.

Proprietary funds. Business-type activities increased the City of Edina's net assets by \$6,468,751. Key elements of this increase are as follows.

- The utility fund increased net assets in 2003 by \$1,650,063 due to a rate increase to cover the costs of updating the water and sewer system.
- The non major funds increased net assets in 2003 by \$4,546,574 which is due to the \$4,645,868 transfer from the general fund as noted above.

Management's Discussion and Analysis

Budgetary Highlights

General Fund

There were no changes made to the original budget. During the year, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance.

Capital Asset and Debt Administration

Capital assets. The City of Edina's, investment in capital assets for its governmental and business type activities as of December 31, 2003, amounted to \$124,761,730 (net of accumulated depreciation). This investment in capital assets included land, land improvements, buildings, vehicles and equipment.

City of Edina's Capital Assets (Net of Depreciation)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land and land improvements	\$30,364,104	\$6,082,728	\$36,446,832
Buildings	12,316,836	8,443,149	20,759,985
Improvements other than buildings	6,266,281	26,057,775	32,324,056
Machinery and equipment	5,680,678	2,198,993	7,879,671
Construction in progress	<u>25,857,737</u>	<u>1,493,449</u>	<u>27,351,186</u>
Total	<u>\$80,485,636</u>	<u>\$44,276,094</u>	<u>\$124,761,730</u>

Additional information on the City of Edina's capital assets can be found in Note 4.

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

- Construction began on the new City Hall and Police facility; construction in progress as of the close of the year reached \$12,534,819.
- A variety of street construction, sidewalk and traffic signal projects began in 2003; construction in progress as of the close of the year reached \$11,157,532.
- Various water and sewer projects were completed in the Utilities fund at a cost of \$2,386,402.
- Major improvements began on the water and sewer system, specifically the SCADA project; construction in progress as of the close of the year reached \$1,216,646.

Management's Discussion and Analysis

Long-term debt. At the end of the current fiscal year, the City of Edina had total long-term debt outstanding of \$68,740,000, a decrease of \$1,995,000 from 2002. \$8,165,000 is for general obligation improvement debt that is supported by property tax levies. An additional \$35,900,000 of general obligation tax increment debt which financed the City's economic development program. Also outstanding is \$12,035,000 public project revenue bonds which financed the new City Hall and Police facility.

There is a total of \$12,640,000 in revenue bonds for improvements to the enterprise funds.

Additional long-term debt in the amount of \$3,534,516 for compensated absences and \$264,585 for capital leases.

City of Edina's Outstanding Debt

General Obligation Improvement Bonds and General Obligation Tax Increment Bonds.

	Governmental Activities	Business-Type Activities	Total
Tax increment bonds	\$35,900,000	-	\$35,900,000
General obligation bonds	8,165,000	-	8,165,000
Public project revenue bonds	12,035,000	-	12,035,000
Revenue bonds	-	12,640,000	12,640,000
Total	<u>\$56,100,000</u>	<u>\$12,640,000</u>	<u>\$68,740,000</u>

The City of Edina maintains a Aaa rating from Moody's and a AAA rating from Standard & Poor's.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 2% of total Estimated Market Value. The current debt limitation for the City of Edina is \$138,189,534. Only \$6,002,703 of the City's outstanding debt is counted within the statutory limitation.

Requests for information. This financial report is designed to provide a general overview of the City of Edina's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, 4801 West 50th Street, Edina, Minnesota 55424.

BASIC FINANCIAL STATEMENTS

CITY OF EDINA, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2003

Statement 1

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$205,346	\$11,965	\$217,311
Cash and investments with fiscal agents	-	3,915	3,915
Investments	34,540,455	9,148,573	43,689,028
Accrued interest	80,550	51,041	131,591
Accounts receivable	396,322	2,675,464	3,071,786
Special assessments receivable	2,916,910	130,453	3,047,363
Due from other governments	930,720	6,932	937,652
Prepaid items	412,991	-	412,991
Internal balances	(1,657,793)	1,657,793	-
Inventory	-	1,150,137	1,150,137
Deferred charges	169,403	37,740	207,143
Total current assets	37,994,904	14,874,013	52,868,917
Noncurrent assets:			
Restricted investments	3,331,508	2,553,510	5,885,018
Nondepreciable capital assets	37,707,211	2,582,414	40,289,625
Net capital assets	42,778,425	41,693,680	84,472,105
Total noncurrent assets	83,817,144	46,829,604	130,646,748
Total assets	121,812,048	61,703,617	183,515,665
Liabilities:			
Current liabilities:			
Accounts payable	1,093,737	510,946	1,604,683
Salaries payable	641,981	218,674	860,655
Contracts payable	471,725	56,312	528,037
Accrued interest payable	1,076,729	131,424	1,208,153
Due to other governments	145,735	157,008	302,743
Deposits payable	26,032	3,922	29,954
Taxes payable	60,333	-	60,333
Unearned revenue	274,722	82,125	356,847
Liabilities payable from restricted funds	831,489	880,682	1,712,171
Compensated absences payable	75,000	44,200	119,200
Lease payable	72,908	35,000	107,908
Bonds payable	6,450,000	820,000	7,270,000
Total current liabilities	11,220,391	2,940,293	14,160,684
Noncurrent liabilities:			
Compensated absences payable	2,744,820	670,496	3,415,316
Lease payable	156,677	-	156,677
Bonds payable, net	49,344,252	11,122,977	60,467,229
Total noncurrent liabilities	52,245,749	11,793,473	64,039,222
Total liabilities	63,466,140	14,733,766	78,199,906
Net assets:			
Invested in capital assets, net of related debt	21,792,377	29,952,549	51,744,926
Restricted for:			
Debt service	4,676,748	1,672,828	6,349,576
Unrestricted	31,876,783	15,344,474	47,221,257
Total net assets	\$58,345,908	\$46,969,851	\$105,315,759

The accompanying notes are an integral part of these financial statements.

CITY OF EDINA, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>
Primary government:		
Government activities:		
General government	\$5,839,893	\$930,391
Public safety	10,784,215	4,213,081
Public works	5,621,291	528,892
Parks	4,484,685	369,249
Interest on long-term debt	2,760,022	-
Total government activities	<u>29,490,106</u>	<u>6,041,613</u>
Business-type activities:		
Utilities	7,930,502	9,694,981
Liquor	8,764,081	9,659,631
Aquatic Center	711,061	861,340
Golf Course	3,555,243	3,684,079
Community Activity Centers	3,833,026	2,966,731
Total business-type activities	<u>24,793,913</u>	<u>26,866,762</u>
Total primary government	<u>\$54,284,019</u>	<u>\$32,908,375</u>

The accompanying notes are an integral part of these financial statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
		Governmental Activities	Business-Type Activities	Total
\$221,796	-	(\$4,687,706)	-	(\$4,687,706)
792,107	166,189	(5,612,838)	-	(5,612,838)
195,000	6,989,654	2,092,255	-	2,092,255
6,842	58,550	(4,050,044)	-	(4,050,044)
-	-	(2,760,022)	-	(2,760,022)
<u>1,215,745</u>	<u>7,214,393</u>	<u>(15,018,355)</u>	<u>-</u>	<u>(15,018,355)</u>
114,348	-	-	1,878,827	1,878,827
-	-	-	895,550	895,550
-	-	-	150,279	150,279
-	-	-	128,836	128,836
17,683	-	-	(848,612)	(848,612)
<u>132,031</u>	<u>-</u>	<u>-</u>	<u>2,204,880</u>	<u>2,204,880</u>
<u>\$1,347,776</u>	<u>\$7,214,393</u>	<u>(\$15,018,355)</u>	<u>\$2,204,880</u>	<u>(\$12,813,475)</u>
General revenues:				
Property taxes		\$15,600,985	-	\$15,600,985
Public service taxes		2,214,441	-	2,214,441
Tax increment collections		7,342,270	-	7,342,270
Unrestricted investment earnings		286,209	387,117	673,326
Gain (loss) on disposal of capital assets		26,669	(177,051)	(150,382)
Transfers		(4,053,805)	4,053,805	-
Total general revenues and transfers		<u>21,416,769</u>	<u>4,263,871</u>	<u>25,680,640</u>
Change in net assets		6,398,414	6,468,751	12,867,165
Net assets - beginning		<u>51,947,494</u>	<u>40,501,100</u>	<u>92,448,594</u>

CITY OF EDINA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2003

Assets	General	Debt Service	Construction	Housing & Redevelopment Authority
Cash and cash equivalents	\$3,300	\$184,840	-	\$17,206
Investments - unrestricted	7,313,452	999,141	-	13,752,497
Investments - restricted	3,331,508	-	-	-
Accounts receivable	184,309	-	-	93,591
Accrued interest	313	-	-	51,850
Special assessments receivable	-	-	-	-
Due from other funds	137,444	978,316	-	-
Due from other governments	297,089	14,432	333,550	128,263
Prepaid items	412,991	-	-	-
Total assets	<u>\$11,680,406</u>	<u>\$2,176,729</u>	<u>\$333,550</u>	<u>\$14,043,407</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$347,351	-	\$7,387	\$630,523
Salaries payable	635,370	-	-	-
Contracts payable	-	-	9,656	40,682
Due to other funds	282,777	-	4,049,694	137,444
Due to other governments	30,733	-	-	14,815
Deposits payable	10,000	-	16,032	-
Taxes payable	-	-	-	-
Deferred revenue	110	-	273,891	-
Total liabilities	<u>1,306,341</u>	<u>-</u>	<u>4,356,660</u>	<u>823,464</u>
Fund balance (deficit):				
Reserved for:				
Prepaid items	412,991	-	-	-
Encumbrances	-	-	412,267	-
Special projects	-	-	-	-
Debt service	-	2,176,729	-	-
Unreserved reported in:				
Designated:				
General Fund	9,961,074	-	-	-
Capital Project Funds	-	-	-	-
Undesignated:				
Special Revenue Funds	-	-	-	-
Capital Project Funds	-	-	(4,435,377)	13,219,943
Total fund balance (deficit)	<u>10,374,065</u>	<u>2,176,729</u>	<u>(4,023,110)</u>	<u>13,219,943</u>
Total liabilities and fund balances	<u>\$11,680,406</u>	<u>\$2,176,729</u>	<u>\$333,550</u>	<u>\$14,043,407</u>

Fund balance reported above

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 in the funds
- Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds
- Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Net assets of governmental activities

The accompanying notes are an integral part of these financial statements.

Statement 3

Revolving	Other Governmental Funds	Total Governmental Funds
-	-	\$205,346
11,880,630	594,735	34,540,455
-	-	3,331,508
13,750	104,672	396,322
23,066	5,321	80,550
2,916,910	-	2,916,910
1,730,542	18,843	2,865,145
3,153	154,233	930,720
-	-	412,991
<u>\$16,568,051</u>	<u>\$877,804</u>	<u>\$45,679,947</u>
\$874,147	\$33,189	\$1,892,597
2,568	4,043	641,981
454,016	-	504,354
-	53,023	4,522,938
135	100,052	145,735
-	-	26,032
60,333	-	60,333
2,856,578	720	3,131,299
<u>4,247,777</u>	<u>191,027</u>	<u>10,925,269</u>
-	-	412,991
322,819	-	735,086
1,173,172	-	1,173,172
-	-	2,176,729
-	-	9,961,074
10,824,283	-	10,824,283
-	686,777	686,777
-	-	8,784,566
<u>12,320,274</u>	<u>686,777</u>	<u>34,754,678</u>
<u>\$16,568,051</u>	<u>\$877,804</u>	<u>\$45,679,947</u>
		\$34,754,678
		80,485,636
		2,856,577
		<u>(59,750,983)</u>
		<u>\$58,345,908</u>

CITY OF EDINA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2003

	General	Debt Service	Construction	Housing & Redevelopment Authority	Revolving
Revenues:					
General property taxes	\$15,630,007	\$2,273,611	-	-	-
Tax increment collections	-	-	-	7,342,270	-
Special assessments	-	-	-	-	1,019,461
Franchise fees	-	-	-	-	-
License and permits	2,182,263	-	-	-	-
Intergovernmental	1,081,986	-	3,310,175	-	67,884
Charges for services	1,839,873	-	194,952	-	41,694
Fines and forfeitures	785,227	-	-	-	-
Investment income	(156,753)	11,097	-	211,982	203,310
Sale and rental of property	353,298	-	-	-	968
Other revenues	10,047	-	-	4,080	168,034
Total revenues	21,725,948	2,284,708	3,505,127	7,558,332	1,501,351
Expenditures:					
Current:					
General government	3,363,297	2,804	-	1,731,425	12,194
Public safety	10,271,030	-	-	-	81,786
Public works	3,964,858	-	-	-	177,810
Parks	2,752,502	-	-	-	221,662
Capital outlay:					
General government	-	-	-	-	10,139,960
Public safety	474,121	-	-	-	469,668
Public works	512,234	-	2,876,240	-	495,486
Parks	15,688	-	-	-	556,279
Debt service:					
Bond principal	-	5,700,000	-	-	-
Interest and fiscal charges	-	2,883,377	-	-	25,410
Total expenditures	21,353,730	8,586,181	2,876,240	1,731,425	12,180,255
Revenues over (under) expenditures	372,218	(6,301,473)	628,887	5,826,907	(10,678,904)
Other financing sources (uses):					
Transfers in	-	6,822,776	-	-	1,929,350
Transfers out	(4,741,218)	-	-	(6,822,776)	(291,937)
Proceeds from refunding bonds - principal	-	6,570,000	-	-	-
Proceeds from refunding bonds - premium	-	59,219	-	-	-
Payments for refunding bonds	-	(6,525,000)	-	-	-
Equipment certificates issued	-	-	-	-	1,540,000
Total other financing sources (uses)	(4,741,218)	6,926,995	-	(6,822,776)	3,177,413
Net increase (decrease) in fund balance	(4,369,000)	625,522	628,887	(995,869)	(7,501,491)
Fund balance (deficit) - January 1	14,743,065	1,551,207	(4,651,997)	14,215,812	19,821,765
Fund balance (deficit) - December 31	\$10,374,065	\$2,176,729	(\$4,023,110)	\$13,219,943	\$12,320,274

The accompanying notes are an integral part of these financial statements.

Statement 4

Other Governmental Funds	Total Governmental Funds
-	\$17,903,618
-	7,342,270
-	1,019,461
393,627	393,627
-	2,182,263
218,690	4,678,735
-	2,076,519
-	785,227
16,573	286,209
-	354,266
18,390	200,551
<u>647,280</u>	<u>37,222,746</u>
600,021	5,709,741
-	10,352,816
-	4,142,668
-	2,974,164
-	10,139,960
-	943,789
-	3,883,960
-	571,967
-	5,700,000
-	2,908,787
<u>600,021</u>	<u>47,327,852</u>
<u>47,259</u>	<u>(10,105,106)</u>
-	8,752,126
(950,000)	(12,805,931)
-	6,570,000
-	59,219
-	(6,525,000)
-	1,540,000
<u>(950,000)</u>	<u>(2,409,586)</u>
(902,741)	(12,514,692)
1,589,518	47,269,370
<u>\$686,777</u>	<u>\$34,754,678</u>

CITY OF EDINA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2003

Statement 5

Amounts reported for governmental activities in the statement of activities (page 21) are different because:

Net changes in fund balances - total governmental funds (page 26)	(\$12,514,692)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	12,132,792
The effect of disposals of capital assets is to decrease net assets	(34,655)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,768,385
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.	4,238,735
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.	<u>(192,151)</u>
Change in net assets of governmental activities (page 21)	<u><u>\$6,398,414</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF EDINA, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2003

Statement 6

Assets:	Utilities	Liquor	Aquatic Center	Golf Course	Other Enterprise	Total
Current assets:						
Cash and cash equivalents	-	\$4,440	-	\$4,400	\$3,125	\$11,965
Cash with fiscal agents	-	-	-	313	3,602	3,915
Investments	4,430,852	-	-	-	4,717,721	9,148,573
Accounts receivable:						
Accounts	-	1,500	-	7,373	133,769	142,642
Customers	2,532,822	-	-	-	-	2,532,822
Interest	8,832	-	-	-	42,209	51,041
Special assessments	130,453	-	-	-	-	130,453
Net accounts receivable	<u>2,672,107</u>	<u>1,500</u>	<u>-</u>	<u>7,373</u>	<u>175,978</u>	<u>2,856,958</u>
Due from other funds	454,490	692,955	583,785	-	1,291	1,732,521
Due from other governments	6,932	-	-	-	-	6,932
Inventory	66,463	1,048,782	-	17,030	17,862	1,150,137
Deferred charges	17,060	-	5,170	9,513	5,997	37,740
Total current assets	<u>7,647,904</u>	<u>1,747,677</u>	<u>588,955</u>	<u>38,629</u>	<u>4,925,576</u>	<u>14,948,741</u>
Noncurrent assets:						
Restricted investments	2,553,510	-	-	-	-	2,553,510
Net capital assets	<u>28,617,952</u>	<u>1,527,412</u>	<u>2,577,529</u>	<u>6,721,445</u>	<u>4,831,756</u>	<u>44,276,094</u>
Total noncurrent assets	<u>31,171,462</u>	<u>1,527,412</u>	<u>2,577,529</u>	<u>6,721,445</u>	<u>4,831,756</u>	<u>46,829,604</u>
Total assets	<u>38,819,366</u>	<u>3,275,089</u>	<u>3,166,484</u>	<u>6,760,074</u>	<u>9,757,332</u>	<u>61,778,345</u>
Liabilities:						
Current liabilities:						
Accounts payable	116,397	187,986	481	136,311	69,771	510,946
Salaries payable	49,350	51,174	-	45,533	72,617	218,674
Contracts payable	43,782	-	-	12,530	-	56,312
Accrued interest payable	-	-	29,376	85,578	16,470	131,424
Due to other funds	-	-	-	32,084	42,644	74,728
Due to other governments	37,270	107,884	92	5,223	6,539	157,008
Compensated absences payable	7,010	8,032	-	9,390	19,768	44,200
Deposits payable	-	-	-	3,922	-	3,922
Deferred revenue	-	2,226	-	13,961	65,938	82,125
Bonds payable - current	-	-	95,000	545,000	180,000	820,000
Capital lease payable - current	-	-	-	2,800	32,200	35,000
Total current liabilities	<u>253,809</u>	<u>357,302</u>	<u>124,949</u>	<u>892,332</u>	<u>505,947</u>	<u>2,134,339</u>
Current liabilities payable from restricted assets:						
Accounts payable	79,701	-	-	-	-	79,701
Deposits payable	94,035	-	-	-	-	94,035
Bonds payable	635,000	-	-	-	-	635,000
Accrued interest payable	71,946	-	-	-	-	71,946
Total current liabilities payable from restricted assets	<u>880,682</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>880,682</u>
Noncurrent liabilities:						
Bonds payable, net	4,833,090	-	1,387,013	3,868,105	1,034,769	11,122,977
Compensated absences payable	160,078	110,987	-	182,952	216,479	670,496
Total noncurrent liabilities	<u>4,993,168</u>	<u>110,987</u>	<u>1,387,013</u>	<u>4,051,057</u>	<u>1,251,248</u>	<u>11,793,473</u>
Total liabilities	<u>6,127,659</u>	<u>468,289</u>	<u>1,511,962</u>	<u>4,943,389</u>	<u>1,757,195</u>	<u>14,808,494</u>
Net assets:						
Invested in capital assets, net of related debt	21,459,974	1,527,412	1,090,346	2,296,027	3,578,790	29,952,549
Restricted for debt service	1,672,828	-	-	-	-	1,672,828
Unrestricted	9,558,905	1,279,388	564,176	(479,342)	4,421,347	15,344,474
Total net assets	<u>\$32,691,707</u>	<u>\$2,806,800</u>	<u>\$1,654,522</u>	<u>\$1,816,685</u>	<u>\$8,000,137</u>	<u>\$46,969,851</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EDINA, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For The Year Ended December 31, 2003

Statement 7

	Business-Type Activities - Enterprise Funds					Total
	Utilities	Liquor	Aquatic Center	Golf Course	Other Enterprise	
Operating revenues:						
Sales - liquor	-	\$9,659,631	-	-	-	\$9,659,631
Sales - retail	-	-	2,734	254,005	90,916	347,655
Sales - utilities	9,500,734	-	-	-	-	9,500,734
Sales - concessions	-	-	132,842	306,354	34,930	474,126
Memberships	-	-	450,636	126,877	62,626	640,139
Admissions	-	-	252,019	299,227	251,725	802,971
Building rental	-	-	22,780	81,477	1,287,165	1,391,422
Rental of equipment	-	-	-	357,078	73,798	430,876
Greens fees	-	-	-	1,847,595	171,059	2,018,654
Other fees	167,700	-	329	385,626	994,512	1,548,167
Total operating revenues	<u>9,668,434</u>	<u>9,659,631</u>	<u>861,340</u>	<u>3,658,239</u>	<u>2,966,731</u>	<u>26,814,375</u>
Operating expenses:						
Cost of sales and services	25,305	7,141,978	33,406	322,574	45,972	7,569,235
Personal services	1,184,868	1,040,145	228,276	1,657,236	1,729,262	5,839,787
Contractual services	4,632,247	320,390	79,517	463,252	1,110,178	6,605,584
Commodities	614,595	52,624	99,239	386,715	304,367	1,457,540
Central Services	277,324	136,235	26,420	78,287	134,897	653,163
Depreciation	1,029,858	72,709	183,742	468,382	468,769	2,223,460
Total operating expenses	<u>7,764,197</u>	<u>8,764,081</u>	<u>650,600</u>	<u>3,376,446</u>	<u>3,793,445</u>	<u>24,348,769</u>
Operating income (loss)	<u>1,904,237</u>	<u>895,550</u>	<u>210,740</u>	<u>281,793</u>	<u>(826,714)</u>	<u>2,465,606</u>
Nonoperating revenues (expenses):						
Intergovernmental	114,348	-	-	-	-	114,348
Investment income	48,287	-	-	449	338,381	387,117
Donations	-	-	-	-	17,683	17,683
Miscellaneous	26,546	-	-	25,840	-	52,386
Interest and fiscal charges	(160,691)	-	(59,356)	(172,954)	(33,292)	(426,293)
Interest on capital lease	-	-	-	(352)	(4,043)	(4,395)
Loss on sale of capital asset	(177,051)	-	-	-	-	(177,051)
Amortization of bond discount	(5,613)	-	(1,105)	(5,491)	(2,246)	(14,455)
Total nonoperating revenues (expenses)	<u>(154,174)</u>	<u>-</u>	<u>(60,461)</u>	<u>(152,508)</u>	<u>316,483</u>	<u>(50,660)</u>
Income (loss) before transfers	<u>1,750,063</u>	<u>895,550</u>	<u>150,279</u>	<u>129,285</u>	<u>(510,231)</u>	<u>2,414,946</u>
Transfers:						
Transfer from:						
General Fund	-	-	-	-	4,645,868	4,645,868
Enterprise Funds	-	-	-	-	119,000	119,000
Capital Projects Funds	-	-	-	-	291,937	291,937
Transfers to:						
Capital Project Funds	(100,000)	(784,000)	-	-	-	(884,000)
Enterprise Funds	-	(111,000)	-	(8,000)	-	(119,000)
Total transfers	<u>(100,000)</u>	<u>(895,000)</u>	<u>-</u>	<u>(8,000)</u>	<u>5,056,805</u>	<u>4,053,805</u>
Change in net assets	1,650,063	550	150,279	121,285	4,546,574	6,468,751
Net assets - January 1	<u>31,041,644</u>	<u>2,806,250</u>	<u>1,504,243</u>	<u>1,695,400</u>	<u>3,453,563</u>	<u>40,501,100</u>
Net assets - December 31	<u>\$32,691,707</u>	<u>\$2,806,800</u>	<u>\$1,654,522</u>	<u>\$1,816,685</u>	<u>\$8,000,137</u>	<u>\$46,969,851</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EDINA, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2003

Statement 8

	Utilities	Liquor	Aquatic Center	Golf Course	Other	Totals
Cash flows from operating activities:						
Receipts from customers and users	\$9,054,353	\$9,666,316	\$861,340	\$3,645,625	\$3,030,056	\$26,257,690
Payment to suppliers	(5,709,425)	(7,810,272)	(477,298)	(910,560)	(1,480,533)	(16,388,088)
Payment to employees	(1,165,502)	(1,031,461)	(228,276)	(1,668,498)	(1,695,312)	(5,789,049)
Miscellaneous revenue	-	-	-	25,840	-	25,840
Net cash provided by (used in) operating activities	<u>2,179,426</u>	<u>824,583</u>	<u>155,766</u>	<u>1,092,407</u>	<u>(145,789)</u>	<u>4,106,393</u>
Cash flows from noncapital financing activities:						
State grant	114,348	-	-	-	-	114,348
Transfer (to) from Enterprise Funds	-	(111,000)	-	(8,000)	119,000	-
Transfer (to) from Capital Project Funds	(100,000)	(784,000)	-	-	291,937	(592,063)
Transfer from General Fund	-	-	-	-	4,645,868	4,645,868
Donations	-	-	-	-	17,683	17,683
Net cash provided by (used in) noncapital financing activities	<u>14,348</u>	<u>(895,000)</u>	<u>-</u>	<u>(8,000)</u>	<u>5,074,488</u>	<u>4,185,836</u>
Cash flows from capital and related financing activities:						
Proceeds from bonds	3,174,028	-	-	-	-	3,174,028
Acquisition of capital assets	(2,490,506)	(5,244)	(15,268)	(484,105)	(291,936)	(3,287,059)
Sale of capital assets	26,546	-	-	-	-	26,546
Loss on sale of capital assets	(177,051)	-	-	-	-	(177,051)
Principal paid on bonds	(335,000)	-	(80,000)	(495,000)	(170,000)	(1,080,000)
Principal paid on capital lease	-	-	-	(4,800)	(55,200)	(60,000)
Interest paid on bonds	(131,992)	-	(60,498)	(179,795)	(35,185)	(407,470)
Interest paid on capital lease	-	-	-	(352)	(4,043)	(4,395)
Net cash provided by (used in) capital and related financing activities	<u>66,025</u>	<u>(5,244)</u>	<u>(155,766)</u>	<u>(1,164,052)</u>	<u>(556,364)</u>	<u>(1,815,401)</u>
Cash flows from investing activities:						
Proceeds from sales of investments	-	-	-	79,306	-	79,306
Purchase of investments	(2,508,992)	-	-	-	(4,643,982)	(7,152,974)
Investment income	80,598	-	-	449	273,114	354,161
Net cash flows provided by (used in) investing activities	<u>(2,428,394)</u>	<u>-</u>	<u>-</u>	<u>79,755</u>	<u>(4,370,868)</u>	<u>(6,719,507)</u>
Net increase (decrease) in cash and cash equivalents	(168,595)	(75,661)	-	110	1,467	(242,679)
Cash and cash equivalents - January 1	168,595	80,101	-	4,603	5,260	258,559
Cash and cash equivalents - December 31	<u>-</u>	<u>\$4,440</u>	<u>-</u>	<u>\$4,713</u>	<u>\$6,727</u>	<u>\$15,880</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EDINA, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For The Year Ended December 31, 2003

Statement 8

	Utilities	Liquor	Aquatic Center	Golf Course	Other	Totals
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$1,904,237	\$895,550	\$210,740	\$281,793	(\$826,714)	\$2,465,606
Adjustments to reconcile operating income (loss) to net cash flows provided by (used in) operating activities:						
Miscellaneous revenue	-	-	-	25,840	-	25,840
Depreciation	1,029,858	72,709	183,742	468,382	468,769	2,223,460
Changes in assets and liabilities:						
Decrease (increase) in receivables	(605,227)	5,099	-	(284)	(2,613)	(603,025)
Decrease (increase) in special assessments	(16,079)	-	-	-	-	(16,079)
Decrease (increase) in due from other funds	(114,422)	(26,704)	(119,781)	191,522	70,440	1,055
Decrease (increase) in due from governments	(4,755)	-	173	-	-	(4,582)
Decrease (increase) in prepaid expense	-	-	-	10,450	-	10,450
Decrease (increase) in inventory	6,249	41,348	-	-	(4,313)	43,284
Increase (decrease) in accounts payable	(48,707)	(175,897)	(119,195)	95,669	3,423	(244,707)
Increase (decrease) in salaries payable	6,162	2,435	-	4,343	10,146	23,086
Increase (decrease) in contracts payable	(13,233)	-	-	10,530	-	(2,703)
Increase (decrease) in due to other funds	-	-	-	32,084	42,644	74,728
Increase (decrease) in due to other governments	14,914	2,208	87	13	2,687	19,909
Increase (decrease) in compensated absences	13,204	6,249	-	(15,605)	23,804	27,652
Increase (decrease) in deposits	7,225	-	-	(7,389)	-	(164)
Increase (decrease) in deferred revenue	-	1,586	-	(4,941)	65,938	62,583
Total adjustments	275,189	(70,967)	(54,974)	810,614	680,925	1,640,787
Net cash provided by (used in) operating activities	\$2,179,426	\$824,583	\$155,766	\$1,092,407	(\$145,789)	\$4,106,393
Noncash investing, capital and financing activities:						
Increase in fair value of investments	\$9,617	-	-	-	\$73,739	\$83,356

The accompanying notes are an integral part of these financial statements.

CITY OF EDINA, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
December 31, 2003

Statement 9

	<u>Agency Funds</u>
Assets	
Cash	\$239,418
Investments	<u>325,000</u>
Total assets	<u><u>564,418</u></u>
Liabilities	
Accounts payable	\$8,325
Salaries payable	2,810
Contracts payable	166,400
Due to other governmental units	<u>386,883</u>
Total liabilities	<u><u>\$564,418</u></u>

The accompanying notes are an integral part of these financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Edina was incorporated in 1888 and operates under the State of Minnesota Statutory Plan B form of government. The governing body consists of a five-member City council elected by voters of the City.

The financial statements of the City of Edina have been prepared in conformity with generally accepted accounting principles as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of significant accounting policies.

A. FINANCIAL REPORTING ENTITY

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity" the City's financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government is financially accountable for the component unit if it appoints a voting majority of the component unit's governing body and is able to impose its will on the component unit or there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Edina (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

COMPONENT UNITS

In conformity with generally accepted accounting principles, the financial statements of the component unit has been included in the financial reporting entity as a blended component unit.

The Housing and Redevelopment Authority (HRA) is an entity legally separate from the City. However, for financial reporting purposes, the HRA is reported as if it were part of the City's operations because the members of the City Council serve as HRA board members and its activity is confined to the City of Edina. The activity of the HRA is reported in the Capital Projects Funds. Separate financial statements are not prepared for the HRA.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component unit. 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 business-type activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *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 business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

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

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 all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year 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 claims and judgments are recorded only when payment is due.

Property taxes, special assessments, intergovernmental revenues, charges for services 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 government.

The government 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 *debt service fund* accounts for the payment of principal and interest on the General Obligation Redevelopment, General Obligation Park Improvements and Tax Increment Bonds.

The *construction fund* accounts for the various special assessment and state aid projects throughout the City.

The *Housing and Redevelopment Authority of Edina fund* is used to account for revenues from several sources (property taxes, bond proceeds, investment earnings, etc.) that are designated for housing and redevelopment.

The *revolving fund* was established to provide financing for capital improvements as designated in the City's capital improvement budget.

The government reports the following major proprietary funds:

The *utility fund* accounts for the provision of water, sewer and recycling services to the City's residents.

The *liquor fund* accounts for the operation of the City's three liquor stores.

The *aquatic center fund* accounts for the operation of the City's aquatic center.

The *golf course fund* accounts for the operation of the City's three golf courses and a golf dome.

Additionally, the government reports the following fund types:

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Agency - the *police seizure and Public Safety Training Facility funds* account for fees collected for other government agencies.

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. 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 government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City of Edina. 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 contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utilities, liquor, aquatic center, golf course, arena, art center and Edinborough Park/Centennial Lake 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 an allowable use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. CASH AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand.

Cash balances from all funds are pooled together and invested to the maximum extent at favorable rates. This also allows certain funds to generate a temporary cash overdraft. Interest earned is allocated as determined by the Investment Advisory Committee.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

The City reports its investments at fair value based on quoted market prices. Changes in fair value of securities in the City's investment portfolio are recorded as a net increase in fair value of investments in the City's fund financial statements and within general revenues in the government-wide financial statements.

E. RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as “due to/from other funds.” All short-term interfund receivables and payables at December 31, 2003 are planned to be eliminated in 2004. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Property taxes and special assessments receivables have been reported net of estimated uncollectible accounts. Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables and have not been reported.

F. REVENUE RECOGNITION

1. PROPERTY TAX REVENUE RECOGNITION

The City Council annually adopts a tax levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City the following January) and taxes and credits not received at the year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January are fully offset by deferred revenue because they are not available to finance current expenditures.

2. SPECIAL ASSESSMENT REVENUE RECOGNITION

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments that are collected by the County by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funding are completely offset by deferred revenues.

G. INVENTORIES, PREP AID ITEMS AND DEFERRED CHARGES

Inventories of the Proprietary Funds are recorded as expenditures when consumed rather than when purchased.

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

Deferred charges represent deferred issuance costs.

H. CAPITAL ASSETS

Capital assets, which include property, plant, equipment and parks, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government 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. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment of the primary government, as well as the component unit, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	
Buildings and structures	20 - 40 years
Furniture and office equipment	5 - 10 years
Vehicles and equipment	3 - 20 years
Parks	5 - 100 years
Distribution system	50 years
Collection system	10 - 50 years
Storm sewers	50 years
Wells	7 - 30 years

I. COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of Statement of Governmental Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is vested as severance pay.

J. 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.

In the fund financial statements, governmental fund types recognize 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.

K. 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. Designations of fund balance represent tentative management plans that are subject to change.

L. INTERFUND TRANSACTIONS

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Interfund loans are reported as an interfund loan receivable or payable which offsets the movement of cash between funds. All other interfund transactions are reported as transfers.

M. RESTRICTED ASSETS

Certain assets in the enterprise and capital projects fund revenue bonds and the capital projects fund General Obligation Equipment Certificates are classified as restricted assets on the statement of net assets because their use is limited by applicable bond covenants.

N. USE OF ESTIMATES

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

O. JOINT VENTURES

The City's investment in joint venture is reported in the statement of net assets as governmental activities capital assets and is equal to the City's interest in the net assets of the joint venture. The City's interest is based on the allocation in the joint powers agreement.

P. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

1. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$59,750,983) difference are as follows:

Bonds payable	(\$56,100,000)
Plus: premium on issuance	(59,787)
Less: issuance discount	365,535
Less: deferred charge for issuance costs	169,403
Accrued interest payable	(1,076,729)
Capital lease payable	(229,585)
Compensated absences	<u>(2,819,820)</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	 <u><u>(\$59,750,983)</u></u>

2. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$12,132,792 difference are as follows:

Capital outlay	\$1,002,043
Construction/acquisition costs	13,942,449
Depreciation expense	<u>(2,811,700)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	 <u><u>\$12,132,792</u></u>

Another element of that reconciliation states that “The net effect of disposals of capital assets is to decrease net assets.” The details of this (\$34,655) difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold. (\$27,806)

The statement of activities reports losses arising from the trade-in or disposal of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets. (6,849)

Net adjustment to decrease net changes in fund
Balances - total governmental funds to arrive at
Changes in net assets of governmental activities. (\$34,655)

CITY OF EDINA, MINNESOTA
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Another element of that reconciliation states that “Revenues on the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$2,768,385 difference are as follows:

General property taxes deferred revenue	(\$88,192)
Special Assessment deferred revenue	2,856,577
Net adjustments to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$2,768,385

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$4,238,735 difference are as follows:

Debt issued or incurred:	
Issuance of equipment certificates	(\$1,540,000)
Issuance of general obligation bonds	(6,570,000)
Plus: discounts/premiums	(88,794)
Less: issuance costs	54,985
Principal repayments:	
General obligation debt	12,225,000
Leases payable	65,417
Interest repayments:	
General obligation debt	123,355
Deferred charges	(31,228)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$4,238,735

CITY OF EDINA, MINNESOTA
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Another element of that reconciliation states that “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.” The details of this (\$192,151) difference are as follows:

Compensated absences	(\$192,151)
	<hr/>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>(\$192,151)</u>

Q. CHANGE IN ACCOUNTING PRINCIPLES

For the year ended December 31, 2003, the City of Edina implemented Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, issued June 1999; GASB Statement No. 37, *Basic Financial Statement – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment to GASB Statements No. 21 and No. 34, issued in June 2001; GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, issued in 2001, and; Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, issued in March 2000. GASB Statement No. 34 creates new basic financial statements for reporting on the City’s financial activities. This report now includes government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type which has been the mode of presentation in previously issued reports.

The gross cost of capital assets, except for infrastructure assets, and accumulated depreciation balances at December 31, 2002 were restated to capitalize assets and record accumulated depreciation in accordance with the adoption of GASB No. 34. The gross cost balances were also restated to reflect the increase in the capitalization threshold from \$2,500 to \$5,000.

Note 2 DEPOSITS AND INVESTMENTS

DEPOSITS

In accordance with Minnesota Statutes, the City maintains deposits at various financial institutions. Deposits are carried at cost plus accrued interest. Minnesota Statutes require that all City deposits be protected by an insurance surety bond or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged). At December 31, 2003, the City had no deposits that were uninsured or uncollateralized. The deposits were insured or collateralized by securities held by the City’s agent in the City’s name.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged).

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

Balances at December 31, 2003, including Agency Funds of \$239,418, are as follows:

	Carrying Amount	Bank Balance
Checking accounts	\$204,425	1,704,407
Cash on hand	15,265	-
Cash with trustee	237,039	-
	\$456,729	\$1,704,407

INVESTMENTS

Minnesota Statutes authorize the City to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its ;
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above;
- c) General obligations of the State of Minnesota or any of its municipalities;
- d) Bankers acceptance of United States banks eligible for purchase by the Federal Reserve System;
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less;
- f) Guaranteed investment contracts issued or guaranteed by United States commercial banks or domestic branches of foreign banks or United States insurance companies or their subsidiaries;
- g) Repurchase or reverse repurchase agreements 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; and
- h) Futures contracts sold under authority of Minnesota Statutes 471.56, subdivision 5.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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The City's investments are categorized in the following manner:

Category 1 – includes investments that are insured or registered for which the securities are held by the City or its agent in the City's name.

Category 2 – includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name.

The investment balances, including Agency Funds of \$325,000, at December 31, 2003 were as follows:

Securities Type	Credit Risk Category		Fair Value
	Category 1	Category 2	
Commercial paper	\$11,480,685	\$9,984,701	\$21,465,386
Money Market investments	9,188	8,491,720	8,500,908
Government securities:			
United States Treasury Notes	229,941	1,295,634	1,525,575
Federal National Mortgage Association	1,823,095	4,161,915	5,985,010
Government National Mortgage Association	-	244,341	244,341
Federal Home Loan Mortgage Corporation	2,190,029	2,733,011	4,923,040
Federal Home Loan Bank	2,830,667	939,924	3,770,591
Federal Farm Credit	-	97,660	97,660
SBA Pool	191,272	936,806	1,128,078
Municipal Bonds	-	1,400,000	1,400,000
	<u>\$18,754,877</u>	<u>30,285,712</u>	<u>49,040,589</u>
Certificates of deposit			858,457
Cash and investments with fiscal agents			<u>3,915</u>
Total investments			<u>\$49,902,961</u>

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note 3 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 is as follows:

	Beginning Balance, <u>As Restated</u>	<u>Increases</u>	<u>Decrease</u>	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$11,849,474	-	-	\$11,849,474
Investment in joint venture	979,658	472,807	-	1,452,465
Construction in progress	<u>12,335,124</u>	<u>12,665,332</u>	<u>(595,184)</u>	<u>24,405,272</u>
Total capital assets, not being depreciated	<u>25,164,256</u>	<u>13,138,139</u>	<u>(595,184)</u>	<u>37,707,211</u>
Capital assets, being depreciated:				
Land improvements	28,394,775	17,301	-	28,412,076
Buildings and structures	19,008,698	22,268	-	19,030,966
Furniture and office equipment	588,433	34,852	(6,044)	617,241
Vehicles and equipment	9,158,357	1,699,476	(495,070)	10,362,763
Parks	<u>9,488,570</u>	<u>1,100,447</u>	<u>(16,190)</u>	<u>10,572,827</u>
Total capital assets, being depreciated	<u>66,638,833</u>	<u>2,874,344</u>	<u>(517,304)</u>	<u>68,995,873</u>
Less accumulated depreciation for:				
Land improvements	8,904,889	992,557	-	9,897,446
Buildings and structures	6,203,296	510,834	-	6,714,130
Furniture and office equipment	389,545	75,293	(6,044)	458,794
Vehicles and equipment	4,444,140	859,235	(462,843)	4,840,532
Parks	<u>3,946,528</u>	<u>373,781</u>	<u>(13,763)</u>	<u>4,306,546</u>
Total accumulated depreciation	<u>23,888,398</u>	<u>2,811,700</u>	<u>(482,650)</u>	<u>26,217,448</u>
Total capital assets being depreciated - net	<u>42,750,435</u>	<u>62,644</u>	<u>(34,654)</u>	<u>42,778,425</u>
Governmental activities capital assets - net	<u>\$67,914,691</u>	<u>\$13,200,783</u>	<u>(\$629,838)</u>	<u>\$80,485,636</u>

GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* permits a phase-in period for reporting major infrastructure assets retroactively through the City’s fiscal year ending December 31, 2006. The costs of certain infrastructure asset networks incurred prior to January 1, 2002, primarily streets, sidewalks, traffic signals and street lighting systems have not been capitalized. Estimated historical cost data for these networks has not yet been compiled; when this process has been finalized, the City will capitalize retroactively those costs

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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associated with each network categorized as major, before the end of the phase-in period. Capital assets as of January 1, 2003 have been restated in accordance with GASB 34.

	Beginning Balance	Increases	Decrease	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$1,088,965	-	-	\$1,088,965
Construction in progress	1,464,742	2,654,202	(2,625,495)	1,493,449
Total capital assets, not being depreciated	<u>2,553,707</u>	<u>2,654,202</u>	<u>(2,625,495)</u>	<u>2,582,414</u>
Capital assets, being depreciated:				
Golf course	4,602,724	12,583	-	4,615,307
Land improvements	2,890,289	359,482	-	3,249,771
Buildings and structures	15,107,970	172,627	-	15,280,597
Furniture & office equipment	79,197	-	-	79,197
Vehicles and equipment	3,910,749	619,865	(166,035)	4,364,579
Distribution system	17,710,700	386,910	-	18,097,610
Collection system	13,879,197	941,788	(393,961)	14,427,024
Storm sewers	12,114,449	414,493	-	12,528,942
Wells	1,409,279	554,712	-	1,963,991
Lease property capital lease	468,580	-	-	468,580
Total capital assets, being depreciated	<u>72,173,134</u>	<u>3,462,460</u>	<u>(559,996)</u>	<u>75,075,698</u>
Less accumulated depreciation for:				
Golf course	1,254,195	145,091	-	1,399,286
Land improvements	1,244,614	227,415	-	1,472,029
Buildings and structures	6,268,008	569,440	-	6,837,448
Furniture and office equipment	39,749	9,659	-	49,408
Vehicles and equipment	2,032,922	308,188	(145,735)	2,195,375
Distribution system	9,843,419	509,546	(151,583)	10,201,382
Collection system	4,484,406	135,479	(58,577)	4,561,308
Storm sewers	4,973,836	239,368	-	5,213,204
Wells	951,482	48,007	-	999,489
Lease property capital lease	421,722	31,267	-	452,989
Total accumulated depreciation	<u>31,514,353</u>	<u>2,223,460</u>	<u>(355,895)</u>	<u>33,381,918</u>
Total capital assets being depreciated - net	<u>40,658,781</u>	<u>1,239,000</u>	<u>(204,101)</u>	<u>41,693,680</u>
Business-type activities capital assets - net	<u>\$43,212,488</u>	<u>\$3,893,202</u>	<u>(\$2,829,596)</u>	<u>\$44,276,094</u>

CITY OF EDINA, MINNESOTA
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$73,427
Public safety	381,282
Public works	880,012
Parks	<u>1,476,979</u>
Total depreciation expense - governmental activities	<u><u>\$2,811,700</u></u>
Business-type activities:	
Art Center	\$30,633
Aquatic Center	183,742
Golf Course	\$468,382
Arena	\$324,802
Edinborough Park/Centennial Lakes	113,334
Liquor	72,709
Utility	<u>1,029,858</u>
Total depreciation expense - business-type activities	<u><u>\$2,223,460</u></u>

CONSTRUCTION COMMITMENTS

At December 31, 2003, the City had construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

<u>Project #</u>	<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Commitment</u>
03-1 ENG	Sidewalk Construction & Mill & Overlay	\$296,205	\$16,171
00-2 PW	Pamela Park Storm Sewer	458,078	22,565
03-6 ENG	Pond Dredging and Paving	329,960	314,960
03-10 PW	Water Treatment Plant 2 Upgrade	1,549,023	1,172,481
03-08 PW	SCADA Hardware	1,404,491	1,355,900
Various	City Hall Construction	12,443,799	1,173,172
	Total		<u><u>\$4,055,249</u></u>

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note 4 CAPITAL LEASE

The City has recorded a capital lease for equipment installed in the Arena, Golf Course and Edinborough Park Enterprise Funds.

The assets acquired through capital leases are as follows:

Asset	Golf Course	Arena	Edinborough Park
Machinery and equipment	\$37,966	341,698	88,916
Less: Accumulated depreciation	(36,703)	(330,329)	(85,958)
Total	<u>\$1,263</u>	<u>11,369</u>	<u>2,958</u>

The following is a schedule by years of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2003:

Year ending December 31:

2004	\$35,971
Total minimum lease payments	35,971
Less: Amount representing interest	(971)
Present value of net minimum lease payments	<u>\$35,000</u>

The City has recorded a capital lease for the purchase/construction of the Fire Station at 7335 York Avenue South. The terms of the lease agreement extend to the year 2006 and provide for an ownership transfer to the City at the termination of the lease.

The asset acquired through this capital lease is as follows:

Asset	Governmental Activities
Building	\$630,749
Less: Accumulated depreciation	(204,973)
Total	<u>\$425,776</u>

The following is a schedule by years of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2003:

Year ending December 31:

2004	\$83,761
2005	83,761
2006	83,761
Total minimum lease payments	251,282
Less: Amount representing interest	(21,697)
Present value of net minimum lease payments	<u>\$229,585</u>

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Note 5 LONG-TERM DEBT

The City has four types of bonded debt outstanding at December 31, 2003: tax increment bonds, general obligation bonds, public project revenue bonds and G.O. revenue bonds. The first type of bond is payable solely from tax increment monies with any deficiency to be provided for by general property taxes. The second type is payable solely from general property taxes. The third type is payable solely from annual appropriation lease payments received from the City of Edina pursuant to a lease between the Edina Housing and Redevelopment Authority and the City. The fourth type is payable primarily from enterprise revenue with any deficiency to be provided for by general property taxes. The reporting entity's long-term debt is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

As of December 31, 2003, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

	Interest Rates	Date	Final Maturity Date	Original Issue	Payable 12/31/03
Tax Increment Bonds:					
				\$11,250,00	
Tax Increment Refunding Taxable Bonds, Series 1996A	5.85 - 6.25	03/01/96	02/01/09		\$7,975,000
Tax Increment Bonds, Series 1997B	4.50 - 5.20	04/01/97	02/01/13	5,090,000	4,340,000
Tax Increment Bonds, Series 2000A	4.30 - 4.80	09/06/00	02/01/11	2,620,000	2,190,000
Tax Increment Bonds, Series 2000C	4.50 - 4.65	09/06/00	02/01/03	15,820,000	13,425,000
Tax Increment Bonds, Series 2002B	3.00%	08/05/02	02/01/09	1,400,000	1,400,000
Tax Increment Taxable Refunding Bonds of 2003B	1.128 - 1.749	03/01/03	02/01/06	<u>6,570,000</u>	<u>6,570,000</u>
Total Tax Increment Bonds				<u>42,750,000</u>	<u>35,900,000</u>
General Obligation Bonds:					
General Obligation - Park & Recreation, Series 1996B	4.25 - 5.75	08/01/96	02/01/17	8,090,000	6,625,000
General Obligation Equipment Certificates, Series 2003A	1.05 - 2.40	03/01/03	02/01/08	<u>1,540,000</u>	<u>1,540,000</u>
Total General Obligation Bonds				<u>9,630,000</u>	<u>8,165,000</u>
Public Project Revenue Bonds:					
Public Project Revenue, Series 2002	4.00 - 5.25	01/01/02	02/01/21	<u>12,410,000</u>	<u>12,035,000</u>
Total Public Project Revenue Bonds				<u>12,410,000</u>	<u>12,035,000</u>
				\$64,790,00	\$56,100,00
Total - Bonded indebtedness				<u><u>64,790,000</u></u>	<u><u>56,100,000</u></u>

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

BUSINESS-TYPE ACTIVITIES

	Interest Rates	Date	Final Maturity Date	Original Issue	Payable 12/31/03
Revenue Bonds:					
Recreational Facility Bonds, Series 1999B	3.70 - 4.45	05/03/99	01/01/13	\$3,270,000	\$3,050,000
Recreational Facility Bonds, Series 2001A	2.25 - 4.65	11/01/01	01/01/17	4,620,000	4,095,000
Utility Revenue Bonds, Series 1999A	3.20 - 4.20	05/03/99	02/01/09	3,600,000	2,295,000
Utility Revenue Bonds, Series 2003C	1.10 - 3.55	03/01/03	02/01/13	3,200,000	3,200,000
Total Revenue Bonds				<u>14,690,000</u>	<u>12,640,000</u>
				\$14,690,00	
Total - Bonded indebtedness					<u><u>\$12,640,000</u></u>

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

Year Ending December	Tax Increment		General Obligation Bonds		Public Project Revenue Bonds		Revenue Bonds	
	Governmental Activities		Governmental Activities		Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$5,140,000	\$1,520,376	\$870,000	\$380,575	\$440,000	\$577,636	\$1,455,000	\$418,527
2005	5,465,000	1,327,982	905,000	352,862	460,000	558,287	1,495,000	375,900
2006	4,990,000	1,124,578	520,000	327,549	480,000	537,337	1,545,000	328,867
2007	4,655,000	901,483	520,000	305,337	505,000	515,174	1,595,000	276,999
2008	5,585,000	638,940	550,000	281,737	525,000	491,999	1,560,000	221,821
2009 -								
2014 -	10,065,000	714,775	2,375,000	1,035,939	3,015,000	2,068,463	4,655,000	470,320
	-	-	2,425,000	287,495	3,815,000	1,234,380	335,000	31,377
2019 - 2021	-	-	-	-	2,795,000	224,541	-	-
					\$12,035,00		\$12,640,00	
	<u>\$35,900,000</u>	<u>\$6,228,134</u>	<u>\$8,165,000</u>	<u>\$2,971,494</u>	<u>\$6,207,817</u>		<u>\$2,123,811</u>	

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2003, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
Tax increment bonds	\$40,855,000	\$6,570,000	(\$11,525,000)	\$35,900,000	\$5,140,000
General obligation bonds	6,950,000	1,540,000	(325,000)	8,165,000	870,000
Public project revenue bonds	12,410,000	-	(375,000)	12,035,000	440,000
Less deferred amounts:					
Discount on bonds	(453,515)	-	87,980	(365,535)	-
Premiums	-	88,795	(29,008)	59,787	-
Total bonds payable	59,761,485	8,198,795	(12,166,028)	55,794,252	6,450,000
Capital lease	295,002	-	(65,417)	229,585	72,908
Compensated absences	2,627,669	192,151	-	2,819,820	75,000
Total government activity long-term liabilities	\$62,684,15	\$8,390,94	(\$12,231,445)	\$58,843,65	\$6,597,908
Business-type activities					
Revenue bonds	\$10,520,00	\$3,200,00	(\$1,080,000)	\$12,640,00	\$1,455,000
Less deferred amounts:					
Discount on bonds	(58,256)	(12,960)	9,193	(62,023)	-
Total bonds payable	10,461,744	3,187,040	(1,070,807)	12,577,977	1,455,000
Capital lease	95,000	-	(60,000)	35,000	35,000
Compensated absences	687,044	27,652	-	714,696	44,200
Total business-type activity long-term liabilities	\$11,243,78	\$3,214,69	(\$1,130,807)	\$13,327,67	\$1,534,200

During 2003, the City issued \$1,540,000 G.O. Equipment Certificates of Indebtedness, Series 2003A to fund various equipment purchases for the public works, parks and fire departments.

During 2003, the City issued \$6,570,000 G.O. Tax Increment Refunding Bonds, Series 2003B with a true interest rate of 1.53% to refund the 2004 through 2006 maturities aggregating \$6,525,000 in principal amount of the City's G.O. Tax Increment Series 19993A with a true interest rate of 5.33%, dated May 1,

Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statute*, Chapters 353 and 356.

PERF 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, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State 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 PERF'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% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For all PEPFF and PERF members fired 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 and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the web at mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651)296-7460 or 1-800-652-9026.

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. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.10%, respectively, of their annual covered salary. PEPFF members are required to contribute 6.20% of their annual covered salary. The City of Edina is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 5.53% for Coordinated Plan PERF members, and 9.30% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2003, 2002 and 2001 were \$850,338, \$1,050,598 and \$972,425, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2003, 2002 and 2001 were \$324,460, \$485,138 and \$455,461, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

C. PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) - DEFINED CONTRIBUTION

PLAN DESCRIPTION

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and four-tenths of one percent of the assets in each member's account annually.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Total contributions made by the City during fiscal year 2003 were:

	Amount		Percentage of Covered Payroll		Required Rates
	Employees	Employer	Employees	Employer	
PEDCP	\$510	\$510	5.00%	5.00%	5.00%

Note 8 INTERFUND RECEIVABLES/PAYABLES, AND TRANSFERS

Individual fund interfund receivable and payable balances at December 31, 2003 are as follows:

Fund	Receivable	Payable
General Fund	\$137,444	\$282,777
Community Development Block Grant	-	53,023
Communications Fund	18,843	-
General Debt Service	495,927	-
City Hall Debt Service	482,389	-
Construction Fund	-	4,049,694
HRA Fund	-	137,444
Revolving Fund	1,730,542	-
Utilities Fund	454,490	-
Liquor Fund	692,955	-
Aquatic Center Fund	583,785	-
Golf Course Fund	-	32,084
Arena Fund	790	-
Art Center Fund	501	-
Edinborough/Centennial Lake Fund	-	42,644
Totals	<u>\$4,597,666</u>	<u>\$4,597,666</u>

The City's interfund receivables and payables eliminate what would have been a negative cash balance.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

Interfund transfers;	Transfer In						
	Nonmajor business type					Total	
	Edinborough					Nonmajor	
	Debt Service	Revolving	Art Center	Arena	Centennial Lake	Funds	Total
Transfer out:							
Major funds							
General Fund	-	\$95,350	-	-	\$4,645,868	\$4,645,868	\$4,741,218
HRA Fund	6,822,776	-	-	-	-	-	6,822,776
Revolving Fund	-	-	8,587	6,149	277,201	291,937	291,937
Golf Course Fund	-	-	-	8,000	-	8,000	8,000
Liquor Fund	-	784,000	111,000	-	-	111,000	895,000
Utility Fund	-	100,000	-	-	-	-	100,000
Total major funds	6,822,776	979,350	119,587	14,149	4,923,069	5,056,805	12,858,931
Nonmajor governmental fund							
Communications Fund	-	950,000	-	-	-	-	950,000
Total transfers	\$6,822,776	\$1,929,350	\$119,587	\$14,149	\$4,923,069	\$5,056,805	\$13,808,931

Interfund transfers allow the City to allocate financial resources to the funds that receive benefit from services provided by another fund. Most of the City's interfund transfers fall under that category. Non-routine transfers include the following:

1. A one time transfer of \$4,645,868 from the General Fund to Edinborough/Centennial Lake was made to put the Designated Edinborough Trust into the fund the trust is intended to support.
2. Transfers of \$95,350, \$950,000 and \$684,000 were made from the General Fund, Communications Fund and the Liquor Fund respectively. These transfers were made to fund ongoing capital improvement projects.

Note 9 TAX INCREMENT DISTRICTS

The City of Edina is the administering authority for the following Tax Increment Districts:

Districts number 1200 (50th and France Commercial Area) is a redevelopment district established in 1974 pursuant to Minnesota Statutes with a termination date of 2009.

District number 1201 (Southeast Edina Redevelopment District – Edinborough) is a redevelopment district established in 1977 pursuant to Minnesota Statutes with a termination date of 2009.

District number 1202 (Grandview Commercial Area) is a redevelopment district established in 1984 pursuant to Minnesota Statutes with a termination date of 2010.

District number 1203 (Southeast Edina Redevelopment District – Centennial Lakes) is a redevelopment district established in 1988 pursuant to Minnesota Statutes with a termination date of 2016.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2003

District number 1207 (70th and Cahill Economic Development District) is an economic district established in 1990 pursuant to Minnesota Statutes with a decertification date of 2000. Increment previously collected is available for expenditures within the larger development district that includes the Wooddale – Valley View commercial area. Tax capacity and debt for this district is not included in the following schedule as county reports no longer indicate captured tax capacity for this district and no debt is outstanding.

The following table reflects values as of December 31, 2003:

	<u>TIF #1200</u>	<u>TIF #1201</u>	<u>TIF #1202</u>	<u>TIF #1203</u>	<u>Total</u>
Original tax capacity	\$112,826	\$101,328	\$166,603	\$229,691	\$610,448
Current tax capacity	<u>962,498</u>	<u>2,681,781</u>	<u>918,856</u>	<u>2,956,644</u>	<u>7,519,779</u>
Tax capacity change	849,672	2,580,453	752,253	2,726,953	8,130,227
Captured tax capacity value:					
Retained captured tax capacity	<u>\$849,672</u>	<u>\$2,580,453</u>	<u>\$752,253</u>	<u>\$2,726,953</u>	<u>\$8,130,227</u>
Total bonds issued (general obligation)	\$5,360,000	\$22,445,000	\$9,637,555	\$35,744,724	\$73,187,279
Amounts redeemed	<u>3,700,000</u>	<u>17,535,000</u>	<u>6,047,555</u>	<u>10,004,724</u>	<u>37,287,279</u>
Outstanding bonds at December 31, 2003	<u>\$1,660,000</u>	<u>\$4,910,000</u>	<u>\$3,590,000</u>	<u>\$25,740,000</u>	<u>\$35,900,000</u>

Note 10 DEFICIT FUND BALANCES

The City has a deficit fund balance at December 31, 2003 as follows:

<u>Major Fund</u>	<u>Amount</u>
Capital Project Funds:	
Construction	<u>\$4,023,110</u>

The Capital Projects construction fund deficit will be covered in future periods by special assessment collections, tax increments, operating revenues, or State and bond proceeds.

Note 11 CONTINGENCIES

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.

Workers compensation, automobile, liability and pollution coverage are provided through an insurance company. The City pays an annual premium for this coverage and all claims are paid from the plan up to the annual maximum of \$600,000 set by the State. The City is not subject to a deductible for workers compensation, automobile, liability and pollution coverage.

Property coverage is also provided by an insurance company. The City pays an annual premium for this coverage, and all claims are paid for by the plan. The City has a \$5,000 deductible per occurrence, with an annual maximum of \$76,571,404.

Police professional insurance coverage is provided by an insurance company. The City pays an annual premium for this coverage, and has a \$10,000 deductible per occurrence, with a \$500,000 annual maximum.

Inland Marine contractor's equipment insurance coverage is provided by an insurance company. The City pays an annual premium for this coverage, and has a \$1,000 deductible and \$100,000 maximum per occurrence, with a \$1,975,000 annual maximum.

Boiler and machinery insurance coverage is provided by an insurance company. The City pays an annual premium for this coverage, and has a \$2,500 deductible per occurrence, with a \$1,000,000 annual maximum.

Ambulance professional liability insurance coverage is provided by an insurance company. The City pays an annual premium for this coverage, and a \$500,000 annual maximum.

A public employee's blanket bond and a public official bond are provided by an insurance company. The City pays an annual premium for this coverage, and is subject to limits of \$500 to \$50,000 per individual for the public official bond, and a \$50,000 annual maximum for the public employee's blanket bond.

The City covers all losses above the per occurrence and annual deductibles through our insurance policies. The City has designated \$925,765 in the general fund to finance potential uninsured loss. Settlement claims have not exceeded insurance coverage for each of the past three years.

B. LITIGATION

The City attorney has indicated that existing and pending lawsuits, claims and other actions in which the City is a defendant are either covered by insurance; of an immaterial amount; or, in the judgment of the City attorney, remotely recoverable by plaintiffs.

C. FEDERAL AND STATE FUNDS

The City receives financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have

a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2003.

D. 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 is not aware of any instances of noncompliance which would have a material effect on the financial statements.

Note 12 CONDUIT DEBT OBLIGATION

As of December 31, 2003, the City of Edina had 3 series of Housing and Health Care Revenue Bonds, with an aggregate principal amount payable of \$30,375,000. The bonds are payable solely from revenues of the respective organizations and do not constitute an indebtedness of the City, and are not a charge against its general credit or taxing power. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Note 13 JOINT VENTURE

The City is a participant with the City of Bloomington, the City of Eden Prairie and the Metropolitan Airport Commission in a joint venture to construct and operate a facility to be used for the training of law enforcement officers and firefighters. The South Metro Public Safety Training Facility Association (PSTF) is governed by a Board consisting of one representative from each Member. On dissolution of the Association, the Facility shall revert to the City of Edina, and all remaining assets shall be divided among the members based on the Cost Sharing Formula. In accordance with the joint venture agreement, each member of the association will share in the cost of the construction and operation based on the Cost Sharing Formula. The City's net investment is reported in the governmental activities capital assets. The City's equity interest in the PSTF was \$1,452,465. Complete financial statements for PSTF can be obtained from the City of Edina, 4801 West 50th Street, Edina, MN 55424.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
General property taxes:				
Current	\$16,071,875	\$16,071,875	\$15,607,503	(\$464,372)
Penalties and interest	5,000	5,000	22,504	17,504
Total general property taxes	16,076,875	16,076,875	15,630,007	(446,868)
Licenses and permits:	2,005,925	2,005,925	2,182,263	176,338
Intergovernmental:				
Federal:	8,600	8,600	315,516	306,916
State:				
Municipal state aid	195,000	195,000	195,000	-
Other	-	-	214,766	214,766
State aid - police	300,000	300,000	320,482	20,482
County:				
Health programs	160,000	160,000	36,222	(123,778)
Total intergovernmental	663,600	663,600	1,081,986	418,386
Charges for services:				
Building Department	2,700	2,700	1,456	(1,244)
City Clerk	150	150	11,163	11,013
Fire Department	20,500	20,500	26,071	5,571
Ambulance fees	966,000	966,000	1,065,176	99,176
Police Department	161,300	161,300	145,914	(15,386)
Engineering	110,425	110,425	127,094	16,669
Health Department	6,000	6,000	5,325	(675)
Planning Department	24,000	24,000	29,235	5,235
Surcharge	-	-	2,641	2,641
Housing Foundation Contract	29,000	29,000	24,988	(4,012)
HRA Services	20,000	20,000	22,196	2,196
Assessing Searches	1,500	1,500	558	(942)
Park Registration	134,000	134,000	81,778	(52,222)
Senior Center	74,200	74,200	102,148	27,948
Other fees	8,500	8,500	4,686	(3,814)
50th & France Assessment	17,124	17,124	17,124	-
Charges to other funds	172,320	172,320	172,320	-
Total charges for services	1,747,719	1,747,719	1,839,873	92,154
Fines and forfeits	\$900,000	\$900,000	\$785,227	(\$114,773)
Miscellaneous:				
Sale and rental of property	173,000	173,000	353,298	180,298
Investment income	120,000	120,000	(156,753)	(276,753)
Donations	-	-	5,026	5,026
Other	8,000	8,000	5,021	(2,979)
Total miscellaneous	301,000	301,000	206,592	(94,408)
Total revenues	21,695,119	21,695,119	21,725,948	30,829

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2003

Statement 10
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	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures:				
General government:				
Mayor and Council:				
Current:				
Personal services	31,144	31,144	30,654	490
Contractual services	4,100	4,100	7,091	(2,991)
Commodities	1,000	1,000	189	811
Central services	39,168	39,168	39,083	85
Total mayor and council	<u>75,412</u>	<u>75,412</u>	<u>77,017</u>	<u>(1,605)</u>
Administration:				
Current:				
Personal services	707,853	707,853	697,422	10,431
Contractual services	142,300	142,300	127,620	14,680
Commodities	2,400	2,400	1,166	1,234
Central services	65,616	65,616	62,210	3,406
Total current	<u>918,169</u>	<u>918,169</u>	<u>888,418</u>	<u>29,751</u>
Capital outlay	<u>5,821</u>	<u>5,821</u>	<u>-</u>	<u>5,821</u>
Total administration	<u>923,990</u>	<u>923,990</u>	<u>888,418</u>	<u>35,572</u>
Planning:				
Current:				
Personal services	297,710	297,710	292,038	5,672
Contractual services	35,420	35,420	13,301	22,119
Commodities	1,215	1,215	876	339
Central services	33,300	33,300	31,450	1,850
Total current	<u>367,645</u>	<u>367,645</u>	<u>337,665</u>	<u>29,980</u>
Capital outlay	<u>5,035</u>	<u>5,035</u>	<u>-</u>	<u>5,035</u>
Total planning	<u>372,680</u>	<u>372,680</u>	<u>337,665</u>	<u>35,015</u>
Finance:				
Current:				
Personal services	398,780	398,780	409,555	(10,775)
Contractual services	101,700	101,700	92,164	9,536
Commodities	2,100	2,100	588	1,512
Central services	38,280	38,280	36,324	1,956
Total current	<u>540,860</u>	<u>540,860</u>	<u>538,631</u>	<u>2,229</u>
Capital outlay	<u>5,820</u>	<u>5,820</u>	<u>-</u>	<u>5,820</u>
Total finance	<u>546,680</u>	<u>546,680</u>	<u>538,631</u>	<u>8,049</u>
Election:				
Current:				
Personal services	81,241	81,241	24,082	57,159
Contractual services	12,470	12,470	-	12,470
Commodities	5,126	5,126	-	5,126
Central services	7,728	7,728	7,664	64
Total current	<u>106,565</u>	<u>106,565</u>	<u>31,746</u>	<u>74,819</u>
Capital outlay	<u>11,193</u>	<u>11,193</u>	<u>-</u>	<u>11,193</u>
Total election	<u>117,758</u>	<u>117,758</u>	<u>31,746</u>	<u>86,012</u>

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final		Final Budget - Positive (Negative)
Expenditures (continued):				
Assessing:				
Current:				
Personal services	\$525,707	\$525,707	\$421,840	\$103,867
Contractual services	107,046	107,046	82,994	24,052
Commodities	1,918	1,918	5,448	(3,530)
Central services	55,068	55,068	52,582	2,486
Total current	689,739	689,739	562,864	126,875
Capital outlay	15,305	15,305	-	15,305
Total assessing	705,044	705,044	562,864	142,180
Legal and court services:				
Current:				
Contractual services	408,500	408,500	305,215	103,285
Total legal and court services	408,500	408,500	305,215	103,285
Contingencies:				
Current:				
Personal services	-	-	133,110	(133,110)
Contractual services	95,000	95,000	105,735	(10,735)
Commodities	-	-	5,862	(5,862)
Total contingencies	95,000	95,000	244,707	(149,707)
Capital plan appropriation:				
Current:				
Contractual services	50,000	50,000	50,000	-
Total capital plan appropriation	50,000	50,000	50,000	-
City's share of special assessment:				
Current:				
Contractual services	42,000	42,000	28,188	13,812
Total City's share of special assessment	42,000	42,000	28,188	13,812
Human Rights Commission:				
Current:				
Contractual services	80,079	80,079	80,598	(519)
Total Human Rights Commission	80,079	80,079	80,598	(519)
Suburban Rate Authority:				
Current:				
Contractual services	3,000	3,000	3,000	-
Total Suburban Rate Authority	3,000	3,000	3,000	-
Familink				
Current:				
Contractual services	32,400	32,400	32,400	-
Total Familink	32,400	32,400	32,400	-
Regional Planning Commission:				
Current:				
Contractual services	22,074	22,074	-	22,074
Total Regional Planning Commission	22,074	22,074	-	22,074

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (continued):				
Records management:				
Current:				
Personal services	-	-	917	(917)
Contractual services	36,600	36,600	29,355	7,245
Total records management	36,600	36,600	30,272	6,328
Employee programs				
Current:				
Personal services	115,720	115,720	123,400	(7,680)
Contractual services	11,004	11,004	8,908	2,096
Total employee programs	126,724	126,724	132,308	(5,584)
Dial-a-Ride:				
Current:				
Personal services				
Contractual services	24,000	24,000	20,268	3,732
Total employee programs	24,000	24,000	20,268	3,732
Total general government	3,661,941	3,661,941	3,363,297	298,644
Public safety:				
Police protection:				
Current:				
Personal services	\$4,754,388	\$4,754,388	\$4,620,252	\$134,136
Contractual services	310,074	310,074	258,178	51,896
Commodities	68,622	68,622	84,056	(15,434)
Central services	676,176	676,176	601,575	74,601
Total current	5,809,260	5,809,260	5,564,061	245,199
Capital outlay	272,345	272,345	185,587	86,758
Total police protection	6,081,605	6,081,605	5,749,648	331,957
Fire protection:				
Current:				
Personal services	2,754,883	2,754,883	2,768,979	(14,096)
Contractual services	216,220	216,220	266,048	(49,828)
Commodities	130,050	130,050	221,821	(91,771)
Central services	277,176	277,176	211,474	65,702
Total current	3,378,329	3,378,329	3,468,322	(89,993)
Capital outlay	43,935	43,935	282,785	(238,850)
Total fire protection	3,422,264	3,422,264	3,751,107	(328,843)
Civil defense:				
Current:				
Personal services	25,939	25,939	26,700	(761)
Contractual services	8,776	8,776	5,360	3,416
Commodities	1,309	1,309	26	1,283
Central services	8,102	8,102	-	8,102
Total civil defense	44,126	44,126	32,086	12,040

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (continued):				
Animal Control:				
Current:				
Personal services	54,439	54,439	25,772	28,667
Contractual services	7,698	7,698	6,845	853
Commodities	3,745	3,745	175	3,570
Central services	8,112	8,112	7,791	321
Total current	73,994	73,994	40,583	33,411
Capital outlay	6,695	6,695	-	6,695
Total animal control	80,689	80,689	40,583	40,106
Public health				
Current:				
Personal services	232,110	232,110	222,515	9,595
Contractual services	212,828	212,828	173,675	39,153
Commodities	2,650	2,650	807	1,843
Central services	26,604	26,604	25,204	1,400
Total current	474,192	474,192	422,201	51,991
Capital outlay	11,629	11,629	-	11,629
Total public health	485,821	485,821	422,201	63,620
Inspections:				
Current:				
Personal services	508,853	508,853	502,360	6,493
Contractual services	70,979	70,979	90,039	(19,060)
Commodities	5,164	5,164	4,966	198
Central services	65,556	65,556	62,651	2,905
Total current	650,552	650,552	660,016	(9,464)
Capital outlay	15,002	15,002	5,750	9,252
Total inspections	665,554	665,554	665,766	(212)
Fire station debt service:				
Current:				
Contractual services	84,000	84,000	83,760	240
Total fire station debt service	84,000	84,000	83,760	240
Total public safety	10,864,059	10,864,059	10,745,151	118,908
Public works:				
Administration:				
Current:				
Personal services	139,800	139,800	135,866	3,934
Contractual services	5,900	5,900	4,252	1,648
Commodities	-	-	2	(2)
Central services	17,124	17,124	16,277	847
Total administration	162,824	162,824	156,397	6,427

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2003

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (continued):				
Engineering:				
Current:				
Personal services	437,301	437,301	420,340	16,961
Contractual services	71,850	71,850	57,129	14,721
Commodities	13,900	13,900	20,425	(6,525)
Central services	59,160	59,160	57,140	2,020
Total current	582,211	582,211	555,034	27,177
Capital outlay	51,250	51,250	53,833	(2,583)
Total engineering	633,461	633,461	608,867	24,594
Supervision and overhead:				
Current:				
Personal services	\$557,450	\$557,450	\$210,677	\$346,773
Contractual services	37,100	37,100	29,464	7,636
Commodities	1,000	1,000	594	406
Central services	210,852	210,852	213,215	(2,363)
Total supervision and overhead	806,402	806,402	453,950	352,452
Street maintenance:				
Current:				
Personal services	1,133,300	1,133,300	1,329,073	(195,773)
Contractual services	633,500	633,500	514,744	118,756
Commodities	626,750	626,750	528,776	97,974
Central services	511,392	511,392	511,392	-
Total current	2,904,942	2,904,942	2,883,985	20,957
Capital outlay	280,916	280,916	373,893	(92,977)
Total street maintenance	3,185,858	3,185,858	3,257,878	(72,020)
Total public works	4,788,545	4,788,545	4,477,092	311,453
Parks:				
Administration:				
Current:				
Personal services	540,729	540,729	523,695	17,034
Contractual services	29,482	29,482	25,362	4,120
Commodities	20,287	20,287	14,574	5,713
Central services	61,692	61,692	57,568	4,124
Total current	652,190	652,190	621,199	30,991
Capital outlay	4,614	4,614	-	4,614
Total administration	656,804	656,804	621,199	35,605
Recreation:				
Current:				
Personal services	125,731	125,731	155,187	(29,456)
Contractual services	132,757	132,757	107,800	24,957
Commodities	37,106	37,106	46,719	(9,613)
Total recreation	295,594	295,594	309,706	(14,112)

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2003

Statement 10
Page 7 of 7

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Expenditures (continued):				
Maintenance:				
Current:				
Personal services	1,191,343	1,191,343	1,138,878	52,465
Contractual services	304,017	304,017	270,891	33,126
Commodities	157,592	157,592	139,446	18,146
Central services	271,980	271,980	255,348	16,632
Total current	1,924,932	1,924,932	1,804,563	120,369
Capital outlay	31,644	31,644	15,688	15,956
Total maintenance	1,956,576	1,956,576	1,820,251	136,325
Fireworks:				
Current:				
Commodities	12,600	12,600	12,400	200
Total fireworks	12,600	12,600	12,400	200
Deer control:				
Current:				
Contractual services	9,000	9,000	4,634	4,366
Total deer control	9,000	9,000	4,634	4,366
Total parks	2,930,574	2,930,574	2,768,190	162,384
Total expenditures	22,245,119	22,245,119	21,353,730	891,389
Revenues over (under) expenditures	(550,000)	(550,000)	372,218	(860,560)
Other financing sources (uses):				
Transfer from Enterprise Funds	550,000	550,000	-	-
Transfer to Capital Projects Funds	-	-	(95,350)	-
Transfer to Enterprise Funds	-	-	(4,645,868)	(4,645,868)
Total financing sources (uses)	550,000	550,000	(4,741,218)	(4,645,868)
Net decrease in fund balance	-	-	(\$4,369,000)	(\$5,506,428)
Fund balance - January 1			14,743,065	
Fund balance - December 31			\$10,374,065	

Note A LEGAL COMPLIANCE – BUDGETS

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted by the passage of a resolution by the City Council.
4. Formal budgetary integration is employed as a management control device during the year.
5. Budgets for the General Fund and the Community Development Block Grant Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. The City Council may authorize transfers of budgeted amounts between departments.
7. Reported budget amounts are as originally adopted or as amended by Council-approved supplemental appropriations and budget transfers.
8. Expenditures may not legally exceed appropriations by department unless offset by increases in revenues. All unencumbered appropriations lapse at year end.

CITY OF EDINA, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2003

Note B EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund budget is legally adopted on a basis consistent with accounting principles generally accepted in the United States of America. The legal level of budgetary control is at the department level for the General Fund. The following is a listing of General Fund departments whose expenditures exceed budget appropriations.

	<u>Final Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Major Funds:			
General Fund:			
General Government:			
Mayor and Council	\$75,412	\$77,017	\$1,605
Contingencies	95,000	244,707	149,707
Human Rights Commission	80,079	80,598	519
Employee Programs	126,724	132,308	5,584
Public Safety:			
Fire protection	3,422,264	3,751,107	328,843
Inspections	665,554	665,766	212
Parks:			
Recreation	295,594	309,706	14,112

**COMBINING AND INDIVIDUAL NON MAJOR FINANCIAL
STATEMENTS AND SCHEDULES**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

A Special Revenue Fund is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Community Development Block Grant Fund - This fund was established to account for funds received under Title I of the Housing and Community Development Act of 1974.

Communications Fund - This fund was established to account for funds received from the franchise fee of the local cable television service.

CITY OF EDINA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2003

Statement 11

Assets	Community Development Block Grant	Communication	Total Nonmajor Special Revenue
Investments	-	\$594,735	\$594,735
Accounts receivable	-	104,672	104,672
Accrued interest receivable	-	5,321	5,321
Due from other funds	-	18,843	18,843
Due from other governments	154,233	-	154,233
Total assets	<u>\$154,233</u>	<u>\$723,571</u>	<u>\$877,804</u>
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$858	\$32,331	\$33,189
Salaries payable	332	3,711	4,043
Due to other funds	53,023	-	53,023
Due to other governments	100,020	32	100,052
Deferred revenue	-	720	720
Total liabilities	<u>154,233</u>	<u>36,794</u>	<u>191,027</u>
Fund balance:			
Unreserved:			
Undesignated	-	686,777	686,777
Total fund balance	<u>-</u>	<u>686,777</u>	<u>686,777</u>
Total liabilities and fund balance	<u>\$154,233</u>	<u>\$723,571</u>	<u>\$877,804</u>

CITY OF EDINA, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2003

Statement 12

	Community Development Block Grant	Communication	Total Nonmajor Special Revenue
Revenues:			
Franchise fees	\$ -	\$393,627	\$393,627
Intergovernmental	218,690	-	218,690
Investment income	-	16,573	16,573
Other	-	18,390	18,390
Total revenues	<u>218,690</u>	<u>428,590</u>	<u>647,280</u>
Expenditures:			
Current:			
General government	218,690	381,331	600,021
Total expenditures	<u>218,690</u>	<u>381,331</u>	<u>600,021</u>
Revenues over expenditures	<u>-</u>	<u>47,259</u>	<u>47,259</u>
Other financing uses:			
Transfer to Capital Project Funds	-	(950,000)	(950,000)
Total financing uses	<u>-</u>	<u>(950,000)</u>	<u>(950,000)</u>
Net decrease in fund balance	-	(902,741)	(902,741)
Fund balance - January 1	-	1,589,518	1,589,518
Fund balance - December 31	<u>-</u>	<u>\$686,777</u>	<u>\$686,777</u>

CITY OF EDINA, MINNESOTA
SPECIAL REVENUE FUND - COMMUNITY DEVELOPMENT BLOCK GRANT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2003

Statement 13

	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Intergovernmental	\$175,942	\$175,942	\$218,690
Total revenues	<u>175,942</u>	<u>175,942</u>	<u>218,690</u>
Expenditures:			
Current:			
General government	<u>175,942</u>	<u>175,942</u>	<u>218,690</u>
Net increase (decrease) in fund balance	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - January 1			<u>-</u>
Fund balance - December 31			<u>-</u>

NONMAJOR PROPRIETARY FUNDS

Enterprise Funds

Enterprise funds account for the financing of self-supporting activities of governmental units which render services to the general public on a user charge basis. The following are nonmajor Enterprise Funds:

Arena

Art Center

Edinburgh Park/Centennial Lake

CITY OF EDINA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR PROPRIETARY FUNDS
December 31, 2003

Statement 14

Assets	Arena	Art Center	Edinborough Park Centennial Lake	Total Nonmajor Proprietary Funds
Current assets:				
Cash and cash equivalents	\$700	\$725	\$1,700	\$3,125
Cash with fiscal agents	2,819	-	783	3,602
Investments	-	-	4,717,721	4,717,721
Accounts receivable:				
Accounts	120,845	-	12,924	133,769
Interest	-	-	42,209	42,209
Net accounts receivable	<u>120,845</u>	<u>-</u>	<u>55,133</u>	<u>175,978</u>
Due from other funds	790	501	-	1,291
Inventory	-	17,862	-	17,862
Deferred charges	5,997	-	-	5,997
Net current assets	<u>131,151</u>	<u>19,088</u>	<u>4,775,337</u>	<u>4,925,576</u>
Noncurrent assets:				
Net capital assets	3,789,010	336,330	706,416	4,831,756
Total noncurrent assets	<u>3,789,010</u>	<u>336,330</u>	<u>706,416</u>	<u>4,831,756</u>
Total assets	<u>3,920,161</u>	<u>355,418</u>	<u>5,481,753</u>	<u>9,757,332</u>
Liabilities:				
Current liabilities:				
Accounts payable	23,700	17,225	28,846	69,771
Salaries payable	26,634	10,335	35,648	72,617
Accrued interest payable	16,470	-	-	16,470
Due to other funds	-	-	42,644	42,644
Due to other governments	647	1,810	4,082	6,539
Compensated absences payable	7,537	4,430	7,801	19,768
Deferred revenue	-	1,450	64,488	65,938
Bonds payable	180,000	-	-	180,000
Capital lease payable	25,200	-	7,000	32,200
Total current liabilities	<u>280,188</u>	<u>35,250</u>	<u>190,509</u>	<u>505,947</u>
Noncurrent liabilities:				
Bonds payable, net	1,034,769	-	-	1,034,769
Compensated absences	83,513	39,264	93,702	216,479
Total noncurrent liabilities	<u>1,118,282</u>	<u>39,264</u>	<u>93,702</u>	<u>1,251,248</u>
Total liabilities	<u>1,398,470</u>	<u>74,514</u>	<u>284,211</u>	<u>1,757,195</u>
Net assets:				
Invested in capital assets, net of related debt	2,543,044	336,330	699,416	3,578,790
Unrestricted	(21,353)	(55,426)	4,498,126	4,421,347
Total net assets	<u>\$2,521,691</u>	<u>\$280,904</u>	<u>\$5,197,542</u>	<u>\$8,000,137</u>

CITY OF EDINA, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS
NONMAJOR PROPRIETARY FUNDS
For The Year Ended December 31, 2003

Statement 15

	Arena	Art Center	Edinborough Park Centennial Lake	Total Nonmajor Proprietary Funds
Operating revenues:				
Sales - retail	25,898	65,018	-	90,916
Sales - concessions	-	5,156	29,774	34,930
Memberships	3,812	30,780	28,034	62,626
Admissions	98,191	-	153,534	251,725
Building rental	1,094,365	-	192,800	1,287,165
Rental of equipment	3,640	-	70,158	73,798
Greens fees	-	-	171,059	171,059
Other fees	120,815	401,777	471,920	994,512
Total operating revenues	<u>1,346,721</u>	<u>502,731</u>	<u>1,117,279</u>	<u>2,966,731</u>
Operating expenses:				
Cost of sales and services	1,569	31,546	12,857	45,972
Personal services	577,707	277,029	874,526	1,729,262
Contractual services	465,487	249,369	395,322	1,110,178
Commodities	60,939	49,140	194,288	304,367
Central Services	45,338	25,510	64,049	134,897
Depreciation	324,802	30,633	113,334	468,769
Total operating expenses	<u>1,475,842</u>	<u>663,227</u>	<u>1,654,376</u>	<u>3,793,445</u>
Operating loss	<u>(129,121)</u>	<u>(160,496)</u>	<u>(537,097)</u>	<u>(826,714)</u>
Nonoperating revenues (expenses):				
Investment income	-	-	338,381	338,381
Donations	-	17,683	-	17,683
Interest and fiscal charges	(33,292)	-	-	(33,292)
Interest on capital lease	(3,164)	-	(879)	(4,043)
Amortization of bond discount	(2,246)	-	-	(2,246)
Total nonoperating revenues (expenses)	<u>(38,702)</u>	<u>17,683</u>	<u>337,502</u>	<u>316,483</u>
Loss before transfers	<u>(167,823)</u>	<u>(142,813)</u>	<u>(199,595)</u>	<u>(510,231)</u>
Transfers:				
Transfer from:				
General Fund	-	-	4,645,868	4,645,868
Enterprise Funds	8,000	111,000	-	119,000
Capital Project Funds	6,149	8,587	277,201	291,937
Total transfers	<u>14,149</u>	<u>119,587</u>	<u>4,923,069</u>	<u>5,056,805</u>
Change in net assets	(153,674)	(23,226)	4,723,474	4,546,574
Net assets - January 1	<u>2,675,365</u>	<u>304,130</u>	<u>474,068</u>	<u>3,453,563</u>
Net assets - December 31	<u><u>\$2,521,691</u></u>	<u><u>\$280,904</u></u>	<u><u>\$5,197,542</u></u>	<u><u>\$8,000,137</u></u>

CITY OF EDINA, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For The Year Ended December 31, 2003

Statement 16

	Arena	Art Center	Edinborough Park Centennial Lake	Totals
Cash flows from operating activities:				
Receipts from customers and users	\$1,350,510	\$504,181	\$1,175,365	\$3,030,056
Payment to suppliers	(542,154)	(361,708)	(576,671)	(1,480,533)
Payment to employees	(563,816)	(271,155)	(860,341)	(1,695,312)
Net cash provided by (used in) operating activities	<u>244,540</u>	<u>(128,682)</u>	<u>(261,647)</u>	<u>(145,789)</u>
Cash flows from noncapital financing activities:				
Transfer (to) from Enterprise Funds	8,000	111,000	-	119,000
Transfer (to) from Capital Project Funds	6,149	8,587	277,201	291,937
Transfer from General Fund	-	-	4,645,868	4,645,868
Donations	-	17,683	-	17,683
Net cash provided by noncapital financing activities	<u>14,149</u>	<u>137,270</u>	<u>4,923,069</u>	<u>5,074,488</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(6,148)	(8,588)	(277,200)	(291,936)
Principal paid on bonds	(170,000)	-	-	(170,000)
Principal paid on capital lease	(43,200)	-	(12,000)	(55,200)
Interest paid on bonds	(35,185)	-	-	(35,185)
Interest paid on capital lease	(3,164)	-	(879)	(4,043)
Net cash used in capital and related financing activities	<u>(257,697)</u>	<u>(8,588)</u>	<u>(290,079)</u>	<u>(556,364)</u>
Cash flows from investing activities:				
Purchase of investments	-	-	(4,643,982)	(4,643,982)
Investment income	-	-	273,114	273,114
Net cash flows used in investing activities	<u>-</u>	<u>-</u>	<u>(4,370,868)</u>	<u>(4,370,868)</u>
Net increase in cash and cash equivalents	992	-	475	1,467
Cash and cash equivalents - January 1	2,527	725	2,008	5,260
Cash and cash equivalents - December 31	<u>\$3,519</u>	<u>\$725</u>	<u>\$2,483</u>	<u>\$6,727</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	(\$129,121)	(\$160,496)	(\$537,097)	(\$826,714)
Adjustments to reconcile operating loss to net cash flows from operating activities:				
Depreciation	324,802	30,633	113,334	468,769
Changes in assets and liabilities:				
Decrease (increase) in receivables	3,789	-	(6,402)	(2,613)
Decrease (increase) in due from other funds	34,000	(435)	36,875	70,440
Decrease (increase) in inventory	-	(4,313)	-	(4,313)
Increase (decrease) in accounts payable	(2,979)	(2,245)	8,647	3,423
Increase (decrease) in salaries payable	5,438	1,363	3,345	10,146
Increase (decrease) in due to other funds	-	-	42,644	42,644
Increase (decrease) in due to other governments	158	850	1,679	2,687
Increase (decrease) in compensated absences	8,453	4,511	10,840	23,804
Increase (decrease) in deferred revenue	-	1,450	64,488	65,938
Total adjustments	<u>373,661</u>	<u>31,814</u>	<u>275,450</u>	<u>680,925</u>
Net cash provided by (used in) operating activities	<u>\$244,540</u>	<u>(\$128,682)</u>	<u>(\$261,647)</u>	<u>(\$145,789)</u>
Noncash investing, capital and financing activities:				
Increase in fair value of investments	-	-	\$73,739	\$73,739

SUPPLEMENTARY FINANCIAL INFORMATION

COMBINED SCHEDULE OF INDEBTEDNESS
 December 31, 2003

	Interest Rates	Date	Final Maturity Date
Tax Increment Bonds:			
Tax Increment Refunding Bonds, Series 1993A	4.25 - 5.10	04/13/93	02/01/06
Tax Increment Refunding Taxable Bonds, Series 1996A	5.85 - 6.25	03/01/96	02/01/09
Tax Increment Bonds, Series 1997B	4.50 - 5.20	04/01/97	02/01/13
Tax Increment Bonds, Series 2000A	4.30 - 4.80	09/06/00	02/01/11
Tax Increment Bonds, Series 2000C	4.50 - 4.65	09/06/00	02/01/03
Tax Increment Bonds, Series 2002B	3.00%	08/05/02	02/01/09
Tax Increment Taxable Refunding Bonds of 2003B	1.128 - 1.749	03/01/03	02/01/06
Total Tax Increment Bonds			
General Obligation Bonds:			
General Obligation - Park & Recreation, Series 1996B	4.25 - 5.75	08/01/96	02/01/17
General Obligation Equipment Certificates, Series 2003A	1.05 - 2.40	03/01/03	02/01/08
Total General Obligation Bonds			
Public Project Revenue Bonds:			
Public Project Revenue, Series 2002	4.00 - 5.25	01/01/02	02/01/21
Total Public Project Revenue Bonds			
Revenue Bonds:			
Recreational Facility Bonds, Series 1999B	3.70 - 4.45	05/03/99	01/01/13
Recreational Facility Bonds, Series 2001A	2.25 - 4.65	11/01/01	01/01/17
Utility Revenue Bonds, Series 1999A	3.20 - 4.20	05/03/99	02/01/09
Utility Revenue Bonds, Series 2003C	1.10 - 3.55	03/01/03	02/01/13
Total Revenue Bonds			
Total - Bonded indebtedness			
Capital lease - Fire Station 2	5.2	10/01/97	08/01/06
Capital lease - Honeywell	5.5	03/01/94	03/01/04
Compensated absences payable			
Total City indebtedness			

Exhibit 1

Prior Years		Outstanding 12/31/2002	2003		Payable 12/31/2003	Principal Due In 2004	Interest Due In 2004	Interest Payable to Maturity
Original Issue	Redeemed		Issued	Payments				
\$19,580,000	\$10,600,000	\$8,980,000	\$ -	\$8,980,000	\$ -	\$ -	\$ -	\$ -
11,250,000	2,475,000	8,775,000	-	800,000	7,975,000	900,000	463,963	1,734,668
5,090,000	550,000	4,540,000	-	200,000	4,340,000	225,000	223,099	1,318,469
2,620,000	210,000	2,410,000	-	220,000	2,190,000	230,000	95,572	434,274
15,820,000	1,070,000	14,750,000	-	1,325,000	13,425,000	1,460,000	579,217	2,178,686
1,400,000	-	1,400,000	-	-	1,400,000	-	42,000	357,000
-	-	-	6,570,000	-	6,570,000	2,325,000	116,525	205,037
<u>55,760,000</u>	<u>14,905,000</u>	<u>40,855,000</u>	<u>6,570,000</u>	<u>11,525,000</u>	<u>35,900,000</u>	<u>5,140,000</u>	<u>1,520,376</u>	<u>6,228,134</u>
8,090,000	1,140,000	6,950,000	-	325,000	6,625,000	325,000	354,625	2,915,794
-	-	-	1,540,000	-	1,540,000	545,000	25,950	55,700
<u>8,090,000</u>	<u>1,140,000</u>	<u>6,950,000</u>	<u>1,540,000</u>	<u>325,000</u>	<u>8,165,000</u>	<u>870,000</u>	<u>380,575</u>	<u>2,971,494</u>
12,410,000	-	12,410,000	-	375,000	12,035,000	440,000	557,636	6,207,817
<u>12,410,000</u>	<u>-</u>	<u>12,410,000</u>	<u>-</u>	<u>375,000</u>	<u>12,035,000</u>	<u>440,000</u>	<u>557,636</u>	<u>6,207,817</u>
3,270,000	-	3,270,000	-	220,000	3,050,000	255,000	123,505	701,140
4,620,000	-	4,620,000	-	525,000	4,095,000	565,000	129,807	625,344
3,600,000	970,000	2,630,000	-	335,000	2,295,000	345,000	85,260	291,187
-	-	-	3,200,000	-	3,200,000	290,000	79,955	506,140
<u>11,490,000</u>	<u>970,000</u>	<u>10,520,000</u>	<u>3,200,000</u>	<u>1,080,000</u>	<u>12,640,000</u>	<u>1,455,000</u>	<u>418,527</u>	<u>2,123,811</u>
87,750,000	17,015,000	70,735,000	11,310,000	13,305,000	68,740,000	7,905,000	2,877,114	17,531,256
650,000	354,385	295,002	-	65,417	229,585	72,946	10,845	20,775
510,000	415,000	95,000	-	60,000	35,000	35,000	971	971
					3,534,516			
<u>\$88,910,000</u>	<u>\$17,784,385</u>	<u>\$71,125,002</u>	<u>\$11,310,000</u>	<u>\$13,430,417</u>	<u>\$69,004,585</u>	<u>\$8,012,946</u>	<u>\$2,888,930</u>	<u>\$17,553,002</u>

CITY OF EDINA, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
TAX INCREMENT AND GENERAL OBLIGATION BONDS
December 31, 2003

	1996A Tax Increment Tax. Refndg Bonds	1997B Tax Increment Bonds	2000A Tax Increment Bonds	2000C Tax Increment Bonds
Bonds payable	\$7,975,000	\$4,340,000	\$2,190,000	\$13,425,000
Future interest payable	1,734,668	1,318,469	434,274	2,178,686
Totals	<u>\$9,709,668</u>	<u>\$5,658,469</u>	<u>\$2,624,274</u>	<u>\$15,603,686</u>
Payments to maturity:				
2004	\$1,363,963	\$448,099	\$325,573	\$2,039,217
2005	1,309,512	461,218	325,172	2,017,505
2006	1,351,563	599,578	329,095	2,096,405
2007	1,750,705	598,306	327,329	2,838,142
2008	1,974,550	595,792	329,860	3,281,738
2009	1,959,375	591,900	326,677	3,330,679
2010	-	591,593	327,768	-
2011	-	589,831	332,800	-
2012	-	591,340	-	-
2013	-	590,812	-	-
2014	-	-	-	-
2015	-	-	-	-
2016	-	-	-	-
2017	-	-	-	-
	<u>\$9,709,668</u>	<u>\$5,658,469</u>	<u>\$2,624,274</u>	<u>\$15,603,686</u>

Exhibit 2

2002B Tax Increment Bonds	2003B Tax Increment Refunding Bonds	Total	1996B Park & Rec Gen. Oblig.	2003A Equipment Certificates	Total	Grand Total
\$1,400,000	\$6,570,000	\$35,900,000	\$6,625,000	\$1,540,000	\$8,165,000	\$44,065,000
357,000	205,037	6,228,134	2,915,794	55,700	2,971,494	9,199,628
<u>\$1,757,000</u>	<u>\$6,775,037</u>	<u>\$42,128,134</u>	<u>\$9,540,794</u>	<u>\$1,595,700</u>	<u>\$11,136,494</u>	<u>\$53,264,628</u>
\$42,000	\$2,441,525	\$6,660,377	\$679,625	\$570,950	\$1,250,575	\$7,910,952
42,000	2,637,575	6,792,982	687,912	569,950	1,257,862	8,050,844
42,000	1,695,937	6,114,578	694,600	152,950	847,550	6,962,128
42,000	-	5,556,482	675,288	150,050	825,338	6,381,820
42,000	-	6,223,940	679,937	151,800	831,737	7,055,677
42,000	-	6,250,631	682,863	-	682,863	6,933,494
42,000	-	961,361	684,125	-	684,125	1,645,486
42,000	-	964,631	683,800	-	683,800	1,648,431
1,421,000	-	2,012,340	681,862	-	681,862	2,694,202
-	-	590,812	678,288	-	678,288	1,269,100
-	-	-	673,050	-	673,050	673,050
-	-	-	690,412	-	690,412	690,412
-	-	-	680,344	-	680,344	680,344
-	-	-	668,688	-	668,688	668,688
<u>\$1,757,000</u>	<u>\$6,775,037</u>	<u>\$42,128,134</u>	<u>\$9,540,794</u>	<u>\$1,595,700</u>	<u>\$11,136,494</u>	<u>\$53,264,628</u>

CITY OF EDINA, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
PUBLIC PROJECT REVENUE BONDS
December 31, 2003

Exhibit 3

	2002 Public Project Bonds
	<u> </u>
Bonds payable	\$12,035,000
Future interest payable	<u>6,207,817</u>
Totals	<u><u>\$18,242,817</u></u>
Payments to maturity:	
2004	\$1,017,636
2005	1,018,286
2006	1,017,336
2007	1,020,174
2008	1,016,999
2009	1,017,811
2010	1,017,499
2011	1,015,761
2012	1,016,841
2013	1,015,551
2014	1,012,132
2015	1,011,756
2016	1,009,156
2017	1,009,181
2018	1,007,156
2019	1,007,954
2020	1,005,863
2021	<u>1,005,725</u>
	<u><u>\$18,242,817</u></u>

CITY OF EDINA, MINNESOTA
DEBT SERVICE PAYMENTS TO MATURITY
REVENUE BONDS
December 31, 2003

Exhibit 4

	1999B Recreational Facility Bonds	2001A Recreational Facility Bonds	1999A Utility Revenue Bonds	2003C Utility Revenue Bonds	Total
Bonds payable	\$3,050,000	\$4,095,000	\$2,295,000	\$3,200,000	\$12,640,000
Future interest payable	701,140	625,344	291,187	506,140	2,123,811
Totals	<u>\$3,751,140</u>	<u>\$4,720,344</u>	<u>\$2,586,187</u>	<u>\$3,706,140</u>	<u>\$14,763,811</u>
Payments to maturity:					
2004	\$378,505	\$694,807	\$430,260	\$369,955	\$1,873,527
2005	378,492	699,126	431,775	361,507	1,870,900
2006	372,925	706,335	432,345	362,263	1,873,868
2007	381,580	691,579	432,045	366,795	1,871,999
2008	374,441	606,515	430,942	369,922	1,781,820
2009	376,580	586,578	428,820	371,565	1,763,543
2010	372,955	90,167	-	371,973	835,095
2011	373,709	92,568	-	376,247	842,524
2012	368,832	94,684	-	379,345	842,861
2013	373,121	91,609	-	376,568	841,298
2014	-	93,332	-	-	93,332
2015	-	89,833	-	-	89,833
2016	-	91,119	-	-	91,119
2017	-	92,092	-	-	92,092
	<u>\$3,751,140</u>	<u>\$4,720,344</u>	<u>\$2,586,187</u>	<u>\$3,706,140</u>	<u>\$14,763,811</u>

CITY OF EDINA, MINNESOTA
ASSESSED VALUATION, TAX LEVIES AND MILL RATES
(shown by year of tax collectibility)

Exhibit 5

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Assessed valuation/tax capacity	\$90,806,947	\$99,650,358	\$72,583,694	\$77,665,879	\$83,089,465
Increment valuation	(7,087,107)	(8,559,204)	(6,513,676)	(6,909,331)	(6,949,064)
Contribution to fiscal disparities pool	(9,014,784)	(10,127,351)	(6,893,865)	(7,587,409)	(7,945,664)
Received from fiscal disparities pool	<u>2,460,913</u>	<u>2,752,149</u>	<u>1,830,348</u>	<u>1,975,365</u>	<u>2,202,656</u>
Taxable valuation	<u><u>\$77,165,969</u></u>	<u><u>\$83,715,952</u></u>	<u><u>\$61,006,501</u></u>	<u><u>\$65,144,504</u></u>	<u><u>\$70,397,393</u></u>
Tax levies:					
General Fund	\$13,650,158	\$14,438,346	\$15,990,256	\$16,171,875	\$16,489,129
Public Project Revenue	-	-	1,000,000	1,026,437	1,028,837
Certificates of Indebtedness	<u>-</u>	<u>-</u>	<u>-</u>	<u>586,163</u>	<u>604,275</u>
Total tax levies	13,650,158	14,438,346	16,990,256	17,784,475	18,122,241
Tax Capacity Rate:					
General Fund	<u><u>\$17.669</u></u>	<u><u>\$17.233</u></u>	<u><u>\$27.806</u></u>	<u><u>\$27.139</u></u>	<u><u>\$25.565</u></u>

III. STATISTICAL SECTION (UNAUDITED)

CITY OF EDINA, MINNESOTA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
2003
(Unaudited)

<u>Fiscal Year*</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Parks</u>	<u>Interest on Long-Term Debt</u>
2003	\$5,839,893	\$10,784,215	\$5,621,291	\$4,484,685	\$2,760,022

*Government-wide expenses are not available for years prior to 2003

Table 1

<u>Utility</u>	<u>Liquor</u>	<u>Aquatic Center</u>	<u>Golf Course</u>	<u>Community Activity Centers</u>	<u>Loss on Disposal of Fixed Assets</u>	<u>Total</u>
\$7,930,502	\$8,764,081	\$711,061	\$3,555,243	\$3,833,026	\$150,382	\$54,434,401

CITY OF EDINA, MINNESOTA
GOVERNMENT-WIDE REVENUES
 2003
 (Unaudited)

Table 2

Fiscal Year*	Program Revenues			General Revenues				Total
	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Property Taxes	Public Service Taxes	Tax Increments	Unrestricted Investment Earnings	
2003	\$32,908,375	\$1,347,776	\$7,214,393	\$15,600,985	\$2,214,441	\$7,342,270	\$673,326	\$67,301,566

*Government-wide expenses are not available for years prior to 2003

CITY OF EDINA, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Fiscal Years
 (Unaudited)

Table 3

<u>Taxes Payable</u>	<u>Total Tax Levy</u>	<u>Current Tax Collection</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percent of Current Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Delinquent Taxes as Percent of Current Levy</u>
1994	\$10,927,551	\$10,691,572	97.84%	\$5,819	\$10,697,391	97.89%	\$154,482	1.41%
1995	11,390,898	11,198,647	98.31%	(67,047)	11,131,600	97.72%	88,399	0.78%
1996	12,178,440	12,026,177	98.75%	(262,279)	11,763,898	96.60%	36,198	0.30%
1997	12,531,244	12,381,729	98.81%	(244,913)	12,136,816	96.85%	39,107	0.31%
1998	13,099,140	13,003,882	99.27%	48,985	13,052,867	99.65%	54,226	0.41%
1999	13,284,962	13,147,288	98.96%	36,293	13,183,581	99.24%	99,202	0.75%
2000	13,650,158	13,554,044	99.30%	15,355	13,569,399	99.41%	116,362	0.85%
2001	14,438,346	14,331,078	99.26%	25,907	14,356,985	99.44%	121,548	0.84%
2002	16,990,256	16,874,198	99.32%	55,578	16,929,776	99.64%	132,443	0.78%
2003	17,784,475	17,088,979	96.09%	68,657	17,157,636	96.48%	80,841	0.45%

CITY OF EDINA, MINNESOTA

ASSESSED VALUE OR TAX CAPACITY AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY

Years 1994 through 2003

(Unaudited)

Table 4

<u>Assessment Year</u>	<u>Real Property</u>		<u>Ratio of Total Assessed Value/ Tax Capacity to Total Estimated Market Value</u>
	<u>Assessed Value/ Tax Capacity</u>	<u>Estimated Market Value</u>	
1994	\$82,244,215	\$3,733,888,400	2.20%
1995	84,055,819	3,849,796,600	2.18%
1996	85,775,887	4,071,654,134	2.11%
1997	91,586,990	4,074,713,634	2.25%
1998	87,726,810	4,267,758,501	2.06%
1999	85,963,836	4,535,761,900	1.90%
2000	90,055,752	4,861,730,000	1.85%
2001	72,133,594	5,821,566,500	1.24%
2002	77,665,879	6,328,581,300	1.23%
2003	83,089,465	6,909,476,700	1.20%

CITY OF EDINA, MINNESOTA
PROPERTY TAX RATES -
ALL OVERLAPPING GOVERNMENTS
 Years 1994 through 2003
 (Unaudited)

Table 5

Fiscal Year	Tax Rates (Per \$1,000 of Assessed Valuation)				Total
	City	School	County	Other	
1994	16.032	61.417	37.441	7.515	122.405
1995	15.577	57.975	37.454	6.851	117.857
1996	16.331	62.268	37.270	7.494	123.363
1997	15.626	57.213	35.515	6.659	115.013
1998	16.813	47.499	38.388	7.538	110.238
1999	17.810	50.766	40.994	8.553	118.123
2000	17.669	51.678	39.655	8.426	117.428
2001	17.233	46.839	37.624	8.126	109.822
2002	27.806	18.504	50.409	7.707	104.426
2003	27.139	23.312	50.607	7.757	108.815

CITY OF EDINA, MINNESOTA
SPECIAL ASSESSMENT COLLECTIONS
 Last Ten Fiscal Years
 (Unaudited)

Table 6

<u>Year</u>	<u>Total Levy</u>	<u>Collection of Current Year's Levy</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Collections</u>	<u>Total Collections</u>	<u>Percent of Total Collections to Total Levy</u>	<u>Total Outstanding Assessments</u>
1994	\$807,324	\$800,456	99.15%	\$5,622	\$806,078	99.85%	\$27,523
1995	786,480	779,517	99.11%	7,508	787,025	100.07%	26,223
1996	768,800	764,997	99.51%	16,636	781,633	101.67%	13,389
1997	590,048	576,513	97.71%	9,036	585,549	99.24%	17,889
1998	654,442	635,476	97.10%	3,798	639,274	97.68%	33,057
1999	773,251	753,251	97.41%	14,273	767,524	99.26%	38,784
2000	960,562	930,484	96.87%	5,586	936,070	97.45%	63,275
2001	1,003,856	975,921	97.22%	51,173	1,027,094	102.31%	40,038
2002	974,141	950,417	97.56%	23,756	974,173	100.00%	40,006
2003	978,278	964,440	98.59%	24,439	988,879	101.08%	29,404

CITY OF EDINA, MINNESOTA
RATIO OF NET BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
 Last Ten Fiscal Years
 (Unaudited)

Table 7

<u>Fiscal Year</u>	<u>Population (1)</u>	<u>Net Tax Capacity</u>	<u>Gross Bonded Debt (2)</u>	<u>Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Tax Capacity</u>	<u>Net Bonded Debt Per Capita</u>
1994	46,984	\$73,066,000	\$104,615,000	\$44,810,021	\$59,804,979	81.85%	1,272.88
1995	46,841	74,787,000	101,775,000	43,265,984	58,509,016	78.23%	1,249.10
1996	46,845	80,087,160	92,680,000	25,429,215	67,250,785	83.97%	1,435.60
1997	47,029	77,762,151	94,385,000	17,929,523	76,455,477	98.32%	1,625.71
1998	47,113	85,259,000	70,260,000	589,371	69,670,629	81.72%	1,478.80
1999	47,235	77,165,969	73,005,000	4,384,419	68,620,581	88.93%	1,452.75
2000	47,425	83,715,952	88,175,000	21,251,947	66,923,053	79.94%	1,411.13
2001	47,465	61,006,501	72,465,000	8,321,645	64,143,355	105.14%	1,351.38
2002	47,465	65,486,283	70,735,000	3,070,758	67,664,242	103.33%	1,425.56
2003	47,570	70,755,808	68,740,000	4,053,306	64,686,694	91.42%	1,359.82

(1) Population estimates provided from Metropolitan Council which reflect the federal census.

(2) Includes all long-term general obligation debt.

CITY OF EDINA, MINNESOTA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
INCLUDING DEBT RATIOS
 December 31, 2003
 (Unaudited)

Table 8

	Bonded Gross Debt Outstanding	Percentage Applicable In City	City Share of Debt
<u>Overlapping Debt:</u>			
Hennepin County	\$341,228,971	7.05%	\$24,056,642
Hennepin Suburban Park District	\$11,615,904	9.22%	1,070,986
Hennepin Regional RR Authority	\$48,112,294	7.05%	3,391,917
School Districts:			
ISD No. 273 (Edina)	24,592,360	98.04%	24,110,350
ISD No. 270 (Hopkins)	83,421,301	8.60%	7,174,232
ISD No. 271 (Bloomington)	134,630,000	0.01%	13,463
ISD No. 272 (Eden Prairie)	89,325,063	0.81%	723,533
ISD No. 280 (Richfield)	25,167,050	17.23%	4,336,283
ISD No. 283 (St. Louis Park)	49,139,426	0.01%	4,914
Metro Council	<u>128,486,881</u>	5.70%	<u>7,323,752</u>
Total Overlapping Debt	935,719,250		72,206,072
<u>Direct Debt:</u>			
City of Edina	<u>42,030,303</u>	100.00%	<u>42,030,303</u>
Total Overlapping and Direct Debt	<u><u>\$977,749,553</u></u>		<u><u>\$114,236,375</u></u>
<u>Debt Ratios:</u>			
Ratio of debt per capita (47,570 population)			\$2,401
Ratio of debt to estimated market valuation of \$6,909,476,700			1.65%

CITY OF EDINA, MINNESOTA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
 Last Ten Fiscal Years
 (Unaudited)

Table 9

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Other</u>	<u>Total Debt Service</u>	<u>Total General Expenditures</u>	<u>Percent of Debt Service Expenditures To General Expenditures</u>
1994	\$1,185,000	\$6,148,466	\$7,333,466	\$22,035,991	33.28%
1995	2,495,000	5,378,815	7,873,815	23,630,853	33.32%
1996	1,400,000	4,881,475	6,281,475	23,128,537	27.16%
1997	2,120,000	4,502,948	6,622,948	24,000,082	27.60%
1998	2,224,724	4,099,809	6,324,533	25,390,000	24.91%
1999	3,275,000	3,262,266	6,537,266	25,131,088	26.01%
2000	6,050,000	3,108,601	9,158,601	25,814,880	35.48%
2001	3,740,000	3,148,719	6,888,719	28,382,482	24.27%
2002	5,885,000	3,094,480	8,979,480	30,675,141	29.27%
2003	5,700,000	2,883,377	8,583,377	30,539,932	28.11%

Note: This table includes General, Special Revenue and Debt Service Funds.

CITY OF EDINA, MINNESOTA

REVENUE BOND COVERAGE

Last Ten Fiscal Years

(Unaudited)

Table 10

Fiscal Year	Gross Revenue	Direct* Operating expenses	Net revenue available for debt service	Debt service requirements			Coverage
				Principal	Interest	Total	
Utility Bond							
1994	\$7,011,288	\$6,602,736	\$408,552	\$2,165,000	\$155,573	\$2,320,573	\$18
1995	7,591,331	6,766,288	825,043	345,000	78,182	423,182	195
1996	7,753,016	7,007,293	745,723	370,000	52,019	422,019	177
1997	8,110,744	7,526,033	584,711	390,000	40,744	430,744	136
1998	8,108,612	7,226,648	881,964	400,000	22,184	422,184	209
1999	8,502,423	6,713,673	1,788,750	420,000	83,429	503,429	355
2000	8,793,386	7,205,934	1,587,452	335,000	127,525	462,525	343
2001	8,556,810	7,065,589	1,491,221	310,000	116,794	426,794	349
2002	8,561,287	7,399,773	1,161,514	325,000	105,205	430,205	270
2003	9,668,435	7,769,810	1,898,625	335,000	160,691	495,691	383
Recreational Facility Bonds							
1994	3,446,755	3,086,401	360,354	200,000	854,920	1,054,920	34
1995	3,824,627	3,262,948	561,679	-	839,244	839,244	67
1996	4,311,141	3,545,291	765,850	250,000	774,800	1,024,800	75
1997	4,440,202	3,945,975	494,227	295,000	762,411	1,057,411	47
1998	5,042,394	4,270,042	772,352	4,240,000	372,390	4,612,390	17
1999	5,141,606	4,332,932	808,674	430,000	522,050	952,050	85
2000	5,727,930	5,209,610	518,320	450,000	553,962	1,003,962	52
2001	5,430,507	5,231,143	199,364	470,000	531,176	1,001,176	20
2002	5,424,422	5,031,839	392,583	6,780,000	611,509	7,391,509	5
2003	5,866,300	5,511,730	354,570	745,000	265,602	1,010,602	35

CITY OF EDINA, MINNESOTA
PROPERTY AND CONSTRUCTION VALUES
 Years 1994 through 2003
 (Unaudited)

Table 11

Year	Commercial construction		Residential construction		Property value *	
	Number of Permits	Value	Number of Permits	Value	Commercial/Industrial	Residential/Apartments
1994	267	\$14,695,441	689	\$29,985,727	\$691,570,800	\$3,042,317,600
1995	274	14,349,143	564	28,064,106	668,098,800	3,181,697,800
1996	279	35,789,432	1,318	31,334,870	745,200,700	3,326,107,834
1997	407	37,074,290	1,780	32,387,315	824,767,100	3,438,309,200
1998	462	38,495,806	1,830	35,625,118	904,869,800	3,623,187,200
1999	323	36,708,942	3,478	27,637,742	980,837,900	3,924,031,400
2000	1,418	66,980,499	4,013	48,278,737	1,069,928,100	4,387,874,100
2001	838	86,488,859	4,975	57,658,783	1,173,397,300	5,056,797,500
2002	828	55,190,973	4,820	58,682,850	1,217,214,600	5,834,821,900
2003	831	46,442,783	4,794	69,680,672	1,202,162,900	6,286,945,800

* Assessor's estimated market value

CITY OF EDINA, MINNESOTA
PRINCIPAL TAXPAYERS
 2003
 (Unaudited)

Table 12

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003 Net Tax Capacity</u>
Southdale	Shopping center	\$2,414,156
Galleria	Shopping center	863,446
Southdale Office park	Office building	805,652
Centennial lakes Phase V	Office building	525,414
United HealthCare Corporation	Office building	512,124
Centennial Lakes Phase IV	Office building	511,854
7700 France	Office building	497,686
Southdale Medical Building	Office building	428,608
Centennial Lakes Phase III	Office building	310,402
Centennial Lakes Phase II	Office building	310,402

Source: City of Edina Assessing Office

CITY OF EDINA, MINNESOTA
MAJOR EMPLOYERS IN THE CITY
2003
(Unaudited)

Table 13

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Fairview Southdale Hospital	General Medical & Surgical Hospitals	2,400
Jerry's Enterprises Inc.	Grocery Stores	2,000
Golden Valley Microwave Foods	Grocery Stores	650
Health Risk Management Inc.	Insurance Carrier	552
Marshall Fields	Department Store	500
J.C. Penney	Department	400
Norwest Funding	Mortgage Bankers & Correspondents	358
Nash Finch Co.	Grocery Stores	350
International Dairy Queen Inc.	Full-Service Restaurants	300
Roach Organization Inc.	Electronics & Appliance Stores	140
Techpower Inc.	Employment Services	120

Source: City of Edina "Community Profile", Minnesota Department of Trade and Economic Development, 2003

CITY OF EDINA, MINNESOTA
LABOR FORCE DATA
 2003
 (Unaudited)

Table 14

	December 2003		December 2002	
	Civilian Labor Force	Unemployment Rate	Civilian Labor Force	Unemployment Rate
Hennepin County	687,345	4.10%	692,580	3.60%
Mpls.-St. Paul MSA	1,825,102	4.70%	1,820,503	3.80%
State of Minnesota	2,912,336	5.30%	2,888,066	4.00%

Source: Minnesota Workforce Center.

Date of incorporation	December 17, 1888
Form of government	Plan B
Date of adoption of Council-Manager Plan	January 1, 1955
Fiscal year begins	January 1
Area of city	16 square miles
Percent of City developed with buildings	97%
Municipal bond rating	Aaa
Miles of streets	224 miles
Miles of sanitary sewer	186.22 miles
Sewer connections	13,984
Fire protection:	
Number of stations	2
Number of employees (full time)	31
Police Protection:	
Number of stations	1
Number of employees (full time)	67
Park land:	
Present park acres and open space	1,600
Total improved park acres	1,007
Number of parks	40
Private golf courses	2
Public golf courses	3
Municipal water:	
Number of wells	18
Miles of watermain	198.81
Gallons of storage	7 million
Number of consumers	14,025

Population:	
1930 Census	3,138
1940 Census	5,855
1950 Census	9,744
1960 Census	28,501
1965 Special Census	35,302
1970 Census	44,046
1975 Metro Council estimate	49,736
1980 Census	46,073
1990 Census	46,070
1991 Metro Council estimate	46,070
1992 Metro Council estimate	46,079
1993 Metro Council estimate	46,916
1994 Metro Council estimate	46,984
1995 Metro Council estimate	46,841
1996 Metro Council estimate	46,845
1997 Metro Council estimate	47,029
1998 Metro Council estimate	47,113
1999 Metro Council estimate	47,235
2000 Census	47,425
2001 Metro Council estimate	47,465
2002 Metro Council estimate	47,465
2003 Metro Council estimate	47,570

CITY OF EDINA, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS

Table 16

FOR 50TH & FRANCE-NO. 1200, A TAX INCREMENT FINANCING DISTRICT

(Districts 1200, 1201, 1203 and 1204 are pooled)

December 31, 2003

(Unaudited)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Accounted for in prior years</u>	<u>Current year</u>	<u>Amount remaining</u>
Source of funds:					
Bond proceeds	\$2,200,000	\$5,280,000	\$5,251,998	-	\$28,002
Tax increments received	-	31,748,489	19,943,498	918,741	10,886,250
Real estate sales *	800,000	170,782	170,782	-	-
State aid	-	418,871	418,871	-	-
Special assessments	-	1,321,096	728,505	-	592,591
Parking permits	-	268,524	268,524	-	-
Community development	-	186,064	186,064	-	-
Interest on invested funds	-	2,000,000	2,521,869	89,501	(611,370)
Other	-	73,881	73,881	-	-
Total sources of funds:	<u>3,000,000</u>	<u>41,467,707</u>	<u>29,563,992</u>	<u>1,008,242</u>	<u>10,895,473</u>
Uses of funds:					
Land acquisition	-	873,061	873,061	-	-
Installation of public utilities and improvements	3,000,000	7,867,034	7,862,032	-	5,002
Bond payments:					
Principal	-	5,280,000	2,900,000	800,000	1,580,000
Interest	-	4,738,329	4,030,274	76,790	631,265
Administrative costs	-	1,230,000	1,205,451	-	24,549
Paid to other governments	-	21,000	10,696	1,670	8,634
Work orders	-	16,257	16,257	-	-
Contingencies	-	11,644	11,644	-	-
Interest	-	463,037	463,037	-	-
Miscellaneous	-	62,095	63,010	-	(915)
Transfer	-	10,000,000	8,157,223	1,842,777	-
Total uses of funds:	<u>3,000,000</u>	<u>30,562,457</u>	<u>25,592,685</u>	<u>2,721,237</u>	<u>2,248,535</u>
Funds remaining (deficit)	<u>-</u>	<u>10,905,250</u>	<u>3,971,307</u>	<u>(1,712,995)</u>	<u>8,646,938</u>

	Cost to authority	Price paid by developer
* Real estate sales		
Liquor store site	\$128,064	\$105,002
Union oil site	134,506	65,780
	<u>\$262,570</u>	<u>\$170,782</u>

CITY OF EDINA, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS

Table 17

FOR SOUTHEAST EDINA REDEVELOPMENT DISTRICT-NO. 1201, A TAX INCREMENT FINANCING DISTRICT

(Districts 1200, 1201, 1203 and 1204 are pooled)

December 31, 2003

(Unaudited)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Accounted for in prior years</u>	<u>Current year</u>	<u>Amount remaining</u>
Source of funds:					
Bond proceeds	\$6,165,177	\$21,470,000	\$20,219,852	-	\$1,250,148
Tax increments received	-	75,000,000	44,284,569	2,717,870	27,997,561
Real estate sales *	598,005	3,000,000	2,642,115	-	357,885
Loan proceeds	-	1,321,096	-	-	1,321,096
Community development	-	189,221	189,221	-	-
Interest on invested funds	-	3,500,000	2,574,481	41,012	884,507
Other	-	50,000	1,357	-	48,643
Total sources of funds:	<u>6,763,182</u>	<u>104,530,317</u>	<u>69,911,595</u>	<u>2,758,882</u>	<u>31,859,840</u>
Uses of funds:					
Land acquisition	6,682,998	12,200,000	6,894,303	-	5,305,697
Installation of public utilities and improvements	-	16,000,000	14,278,823	-	1,721,177
Site improvements or preparation costs	2,885,484	2,000,000	468,098	-	1,531,902
Bond payments:					
Principal	-	21,470,000	16,080,000	1,455,000	3,935,000
Interest	-	20,100,000	19,396,814	204,212	498,974
Administrative costs	194,700	1,800,000	1,674,344	(356)	126,012
Paid to other governments	-	110,000	49,533	8,684	51,783
Transfers out	-	17,000,000	6,606,312	1,438,465	8,955,223
Interest reduction	-	1,850,000	-	-	1,850,000
Parkland dedication fees	-	767,852	767,852	-	-
Total uses of funds:	<u>9,763,182</u>	<u>93,297,852</u>	<u>66,216,079</u>	<u>3,106,005</u>	<u>23,975,768</u>
Funds remaining (deficit)	<u>(3,000,000)</u>	<u>11,232,465</u>	<u>3,695,516</u>	<u>(347,123)</u>	<u>7,884,072</u>

	Cost to authority	Price paid by developer
* Real estate sales		
Retail site	\$8,350	\$11,899
Hotel site	192,915	192,915
Elderly site	453,740	346,534
Office site	1,027,277	784,563
Coventry Townhouses	1,318,103	1,318,103
	<u>\$3,000,385</u>	<u>\$2,654,014</u>

CITY OF EDINA, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS

Table 18

FOR GRANDVIEW AREA REDEVELOPMENT DISTRICT-NO. 1202, A TAX INCREMENT FINANCING DISTRICT

December 31, 2003

(Unaudited)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Accounted for in prior years</u>	<u>Current year</u>	<u>Amount remaining</u>
Source of funds:					
Bond proceeds	\$4,500,000	\$9,900,000	\$9,475,915	-	\$424,085
Tax increments received	-	29,737,107	9,083,581	826,409	19,827,117
Real estate sales *	-	4,700,000	5,402,344	-	(702,344)
Interest on invested funds	-	300,000	805,704	39,199	(544,903)
Other	-	-	59,868	-	(59,868)
Total sources of funds:	<u>4,500,000</u>	<u>44,637,107</u>	<u>24,827,412</u>	<u>865,608</u>	<u>18,944,087</u>
Uses of funds:					
Land acquisition	-	6,500,000	3,570,547	63,545	2,865,908
Installation of public utilities and improvements	4,310,000	17,127,000	9,738,845	90	7,388,065
Bond payments:					
Principal	-	9,900,000	5,627,555	420,000	3,852,445
Interest	-	9,190,000	2,401,617	152,014	6,636,369
Loan/note interest	-	-	786,325	550,941	(1,337,266)
Paid to other governments	-	-	189,293	1,229	(190,522)
Administrative costs	190,000	1,920,107	1,270,051	17,542	632,514
Total uses of funds:	<u>4,500,000</u>	<u>44,637,107</u>	<u>23,584,233</u>	<u>1,205,361</u>	<u>19,847,513</u>
Funds remaining (deficit)	<u>-</u>	<u>-</u>	<u>1,243,179</u>	<u>(339,753)</u>	<u>(903,426)</u>

	Cost to authority	Price paid by developer
* Real estate sales		
5229 Eden Ave.	\$1,822,319	
5220 Eden Circle	995,000	
5244 Eden Circle (condemnation deposit)	309,937	
5201 Eden Circle	506,836	2,070,119
Project area	-	4,005,694
	<u>\$3,634,092</u>	<u>\$6,075,813</u>

CITY OF EDINA, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS

Table 19

FOR SOUTHEAST EDINA REDEVELOPMENT DISTRICT-NO. 1203, A TAX INCREMENT FINANCING DISTRICT

(Districts 1200, 1201, 1203 and 1204 are pooled)

December 31, 2003

(Unaudited)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Accounted for in prior years</u>	<u>Current year</u>	<u>Amount remaining</u>
Source of funds:					
Bond proceeds	\$41,400,000	\$41,400,000	\$33,761,677	-	\$7,638,323
Tax increments received	80,000,000	90,000,000	21,329,394	2,879,250	65,791,356
Real estate sales *	5,000,000	11,637,070	11,637,070	-	-
Special assessment	-	1,321,096	-	-	1,321,096
Interest on invested funds	-	2,500,000	2,396,972	88,965	14,063
Transfer in	-	28,000,000	15,874,758	3,281,243	8,843,999
Sale of material	-	255,710	255,710	-	-
Developer payments	-	297,826	297,826	-	-
Other	-	20,000	17,719	4,080	(1,799)
Total sources of funds:	<u>126,400,000</u>	<u>175,431,702</u>	<u>85,571,126</u>	<u>6,253,538</u>	<u>83,607,038</u>
Uses of funds:					
Land acquisition	13,900,000	22,981,425	22,981,425	-	-
Installation of public utilities and improvements	26,677,000	25,871,230	16,594,753	-	9,276,477
Bond payments:					
Principal	41,400,000	41,400,000	7,679,724	2,325,000	31,395,276
Interest	38,000,000	38,000,000	28,619,326	1,389,760	7,990,914
Administrative costs	1,140,800	1,600,000	1,254,641	10,945	334,414
Paid to other governments	-	42,000	17,551	3,232	21,217
Loan/note interest	-	14,684,711	2,045,865	524,047	12,114,799
Parkland dedication fees	-	2,030,345	2,030,345	-	-
Total uses of funds:	<u>121,117,800</u>	<u>146,609,711</u>	<u>81,223,630</u>	<u>4,252,984</u>	<u>61,133,097</u>
Funds remaining (deficit)	<u>5,282,200</u>	<u>28,821,991</u>	<u>4,347,496</u>	<u>2,000,554</u>	<u>22,473,941</u>

	Cost to authority	Price paid by developer
* Real estate sales		
Retail and theater site	\$3,213,720	\$3,213,720
Medical office site	815,092	815,092
Office site	1,107,160	1,107,160
Office building #1	449,300	449,300
Office building #2	1,280,702	1,280,702
Office building #3	1,341,533	1,341,533
Office building #4	1,625,849	1,625,849
Office building #5	1,803,714	1,803,714
	<u>\$11,637,070</u>	<u>\$11,637,070</u>

CITY OF EDINA, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS

Table 20

FOR 70TH STREET AND CAHILL ROAD DISTRICT-NO. 1207, A TAX INCREMENT FINANCING DISTRICT

December 31, 2003

(Unaudited)

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Accounted for in prior years</u>	<u>Current year</u>	<u>Amount remaining</u>
Source of funds:					
Bond proceeds	\$1,911,000	\$1,911,000	-	-	\$1,911,000
Tax increments received	2,177,855	2,177,855	746,863	-	1,430,992
Interest on invested funds	-	-	159,841	15,635	(175,476)
Other	-	-	-	-	-
Total sources of funds:	<u>4,088,855</u>	<u>4,088,855</u>	<u>906,704</u>	<u>15,635</u>	<u>3,166,516</u>
Uses of funds:					
Land acquisition	529,400	529,400	11,215	4,575	513,610
Installation of public utilities and improvements	325,000	325,000	540,279	-	(215,279)
Demolition	150,000	150,000	-	-	150,000
Relocation	160,000	160,000	-	-	160,000
Capitalized interest	150,000	150,000	-	-	150,000
Debt service	2,178,455	2,178,455	-	-	2,178,455
Paid to other governments	-	-	2,730	-	(2,730)
Administrative costs	596,000	596,000	74,570	260	521,170
Total uses of funds:	<u>4,088,855</u>	<u>4,088,855</u>	<u>628,794</u>	<u>4,835</u>	<u>3,455,226</u>
Funds remaining (deficit)	<u>-</u>	<u>-</u>	<u>277,910</u>	<u>10,800</u>	<u>(288,710)</u>