

# CITY OF EDINA



## 2006 COMPREHENSIVE ANNUAL FINANCIAL REPORT



# **CITY OF EDINA, MINNESOTA**

Comprehensive Annual Financial Report  
For the fiscal year ended  
December 31, 2006

Prepared by:  
Department of Finance

John Wallin – Treasurer and Finance Director  
Eric Roggeman – Assistant Finance Director  
Paula Nelson – Accountant

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June 11, 2007

City of Edina

To the Honorable Mayor, City Council, and Citizens of the City of Edina (City):

Minnesota statutes require that every city publish within six months of the close of each fiscal year a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2006.

Management assumes full responsibility for the completeness and reliability of all of the information presented in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement.

Malloy, Montague, Karnowski, Radosevich, & Co. P.A., a firm of licensed certified public accountants, has issued an unqualified ("clean") opinion on the City's financial statements for the year ended December 31, 2006. The independent auditor's report is located at the front of the financial section of this report.

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

### **Profile of the City**

The City, incorporated in 1888, is a fully developed first-ring suburb of Minneapolis. The City currently occupies a land area of 16 square miles and serves a population of 47,448. Currently, 98% of the City 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 is empowered to levy a property tax on both real and personal property located within its boundaries.

The City has operated under the Council-Manager form of government since 1955. Policy-making and legislative authority are vested in a City Council (Council) consisting of the Mayor and four other members, all elected on a non-partisan basis. The 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. Council members serve four-year terms, with two Council members elected every two years. The Mayor also serves a four-year term. The Council and Mayor are elected at large.

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### **City Hall**

4801 WEST 50TH STREET  
EDINA, MINNESOTA, 55424-1394

The City 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 and cultural activities and events.

The Council is required to adopt a final budget by no later than the close of the fiscal year. The annual budget serves as the foundation for the City's financial planning and control. The budget is prepared by fund, function (e.g., public safety), and department (e.g. police). Department heads may use resources within a department as they see fit. The City Manager may authorize transfers of budgeted amounts between departments.

### **Local economy**

The City 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 that are expected to remain stable over the coming years.

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

### **Long-term financial planning**

The City has begun the process of updating its Comprehensive Plan, which guides development and redevelopment and addresses changes likely to occur due to various social and market forces. The Metropolitan Council requires all cities in the seven-county metropolitan area to have such a plan and State law requires cities to update their plans every 10 years. Edina's revised Comprehensive Plan is due in 2008.

The City continues to focus on quality of life improvements throughout Edina. These efforts cover a broad array of areas including protecting and improving the environment, revitalization of parks and public areas, expending 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.

### **Relevant financial policies**

The City recently adopted a set of financial management policies that focus on long-term financial planning. Policies cover areas such as cash and investments, the operating budget, revenue, fund balance, capital outlay, and debt management.

Designations for park dedication, investments, equipment replacement, compensated absences, and cash flow are all within the ranges specified in the policies. In addition, the City has \$1,194,745 unreserved, undesignated fund balance in the general fund.

### **Major initiatives**

The City is continually working to update our aging infrastructure. Our annually adopted five-year Capital Improvement Plan includes spending and financing projections for these projects.

### **Acknowledgements**

The preparation of this report would not have been possible without the dedicated services of the Finance Department staff. We would like to express our 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's finances.

Respectfully submitted,



John Wallin  
Finance Director



Eric Roggeman  
Assistant Finance Director

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**CITY OF EDINA, MINNESOTA**

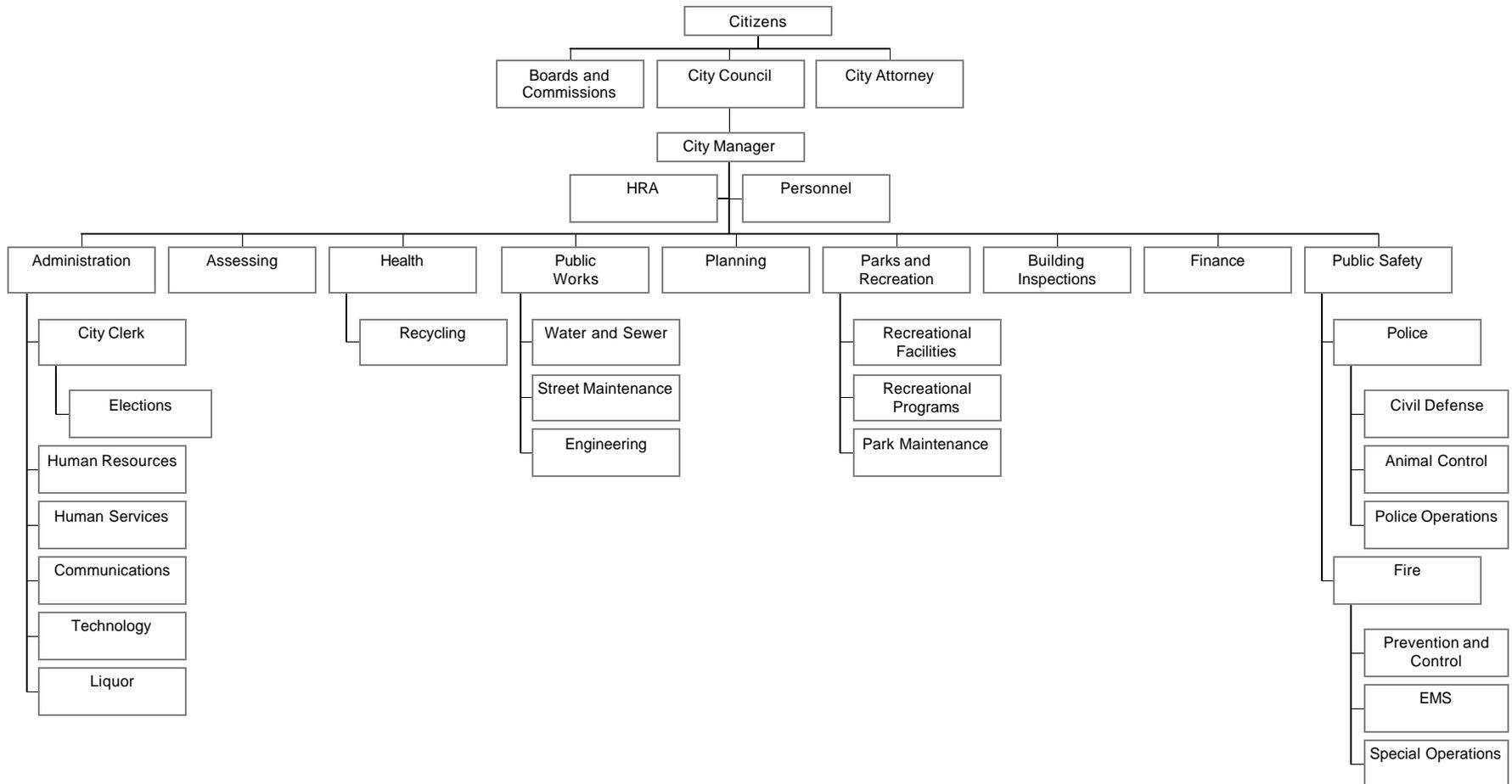
**ORGANIZATION**

December 31, 2006

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	<u>Term Expires</u>
Mayor: James Hovland	December 31, 2008
Council Members: Joni Bennett	December 31, 2010
Scot Housh	December 31, 2010
Linda Masica	December 31, 2008
Ann Swenson	December 31, 2008
City Manager: Gordon Hughes	Appointed
Finance Director/Treasurer: John Wallin	Appointed
City Clerk: Debra Mangan	Appointed

# City of Edina





PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the City Council and Residents  
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 (the City) as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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, business-type activities, each major fund, and the aggregate remaining fund information of the City at December 31, 2006, 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.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 11, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information, as listed in the table of contents, is not a required part of the basic financial statements, but is 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.

(continued)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, supplementary financial information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules and supplementary financial information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

June 11, 2007

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Edina (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which precedes this report.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$138,455,340 (net assets). Of this amount, \$21,659,573 (unrestricted net assets) may be used to meet the City'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 \$9,518,467.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$32,856,265. Of this total amount, \$30,137,178, or 92%, is available for spending at the City's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$13,797,189, or 54% of total general fund expenditures.
- The City's total bonded debt decreased by \$16,565,000 during the current fiscal year, from \$68,380,000 to \$51,815,000. The City issued no new debt during the year.

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

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise 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.

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

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

## Management's Discussion and Analysis (Continued)

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

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

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term 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 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 maintains 4 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, Housing and Redevelopment Authority fund, debt service fund and the construction fund.

## Management's Discussion and Analysis (Continued)

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 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 these budgets.

**Proprietary funds.** The City 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 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.

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

**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.

**Other information.** The combining statements referred to earlier in connection with non-major governmental and enterprise funds are presented immediately following the required supplementary information on budgetary comparisons.

### **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$138,455,340 at the close of the most recent fiscal year.

The largest portion of the City's net assets (\$116,795,767 or 84%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

## Management's Discussion and Analysis (Continued)

Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Edina's Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 41,259,640	\$ 50,732,285	\$ 9,491,418	\$ 13,162,400	\$ 50,751,058	\$ 63,894,685
Capital assets	<u>94,526,473</u>	<u>86,694,237</u>	<u>55,071,948</u>	<u>49,664,376</u>	<u>149,598,421</u>	<u>136,358,613</u>
Total assets	<u>\$ 135,786,113</u>	<u>\$ 137,426,522</u>	<u>\$ 64,563,366</u>	<u>\$ 62,826,776</u>	<u>\$ 200,349,479</u>	<u>\$ 200,253,298</u>
Long-term liabilities outstanding	\$ 39,182,228	\$ 46,150,081	\$ 7,067,320	\$ 8,855,261	\$ 46,249,548	\$ 55,005,342
Other liabilities	<u>11,509,815</u>	<u>19,308,677</u>	<u>4,134,776</u>	<u>2,805,626</u>	<u>15,644,591</u>	<u>22,114,303</u>
Total liabilities	<u>\$ 50,692,043</u>	<u>\$ 65,458,758</u>	<u>\$ 11,202,096</u>	<u>\$ 11,660,887</u>	<u>\$ 61,894,139</u>	<u>\$ 77,119,645</u>
Net assets:						
Invested in capital assets, net of related debt	\$ 69,814,012	\$ 36,092,020	\$ 46,981,755	\$ 40,044,169	\$ 116,795,767	\$ 76,136,189
Restricted	-	78,943	-	-	-	78,943
Unrestricted	<u>15,280,058</u>	<u>35,796,801</u>	<u>6,379,515</u>	<u>11,121,720</u>	<u>21,659,573</u>	<u>46,918,521</u>
Total net assets	<u>\$ 85,094,070</u>	<u>\$ 71,967,764</u>	<u>\$ 53,361,270</u>	<u>\$ 51,165,889</u>	<u>\$ 138,455,340</u>	<u>\$ 123,133,653</u>

The remaining balance of unrestricted net assets (\$21,659,573) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in both of the categories of net assets reported for the government as a whole.

## Management's Discussion and Analysis (Continued)

As shown below, the City's net assets increased by \$9,518,467 during the current fiscal year. Factors contributing to this change are discussed in the next two sections.

### City of Edina's Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2006	2005	2006	2005	2006	2005
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 7,671,523	\$ 6,864,089	\$ 30,302,318	\$ 28,577,344	\$ 37,973,841	\$ 35,441,433
Operating grants and contributions	1,423,302	1,512,366	122,358	131,408	1,545,660	1,643,774
Capital grants and contributions	4,013,617	2,252,491	-	-	4,013,617	2,252,491
<b>General revenues:</b>						
Property taxes	20,414,298	19,071,202	-	-	20,414,298	19,071,202
Other taxes	7,727,208	7,518,165	-	-	7,727,208	7,518,165
Gain on disposal of asset	8,418	63,674	25,210	22,538	33,628	86,212
Unrestricted investment earnings	1,230,264	977,956	283,771	236,654	1,514,035	1,214,610
<b>Total revenues</b>	<b>42,488,630</b>	<b>38,259,943</b>	<b>30,733,657</b>	<b>28,967,944</b>	<b>73,222,287</b>	<b>67,227,887</b>
<b>Expenses:</b>						
General government	6,493,340	4,967,008	-	-	6,493,340	4,967,008
Public safety	13,300,351	12,019,027	-	-	13,300,351	12,019,027
Public works	8,973,031	7,185,784	-	-	8,973,031	7,185,784
Parks	5,341,682	5,901,648	-	-	5,341,682	5,901,648
Interest on long-term debt	1,895,370	2,288,524	-	-	1,895,370	2,288,524
Utilities	-	-	9,234,651	8,254,409	9,234,651	8,254,409
Liquor	-	-	9,968,963	9,749,313	9,968,963	9,749,313
Aquatic center	-	-	795,614	725,936	795,614	725,936
Golf course	-	-	3,652,169	3,580,307	3,652,169	3,580,307
Community activity centers	-	-	4,048,649	3,825,562	4,048,649	3,825,562
<b>Total expenses</b>	<b>36,003,774</b>	<b>32,361,991</b>	<b>27,700,046</b>	<b>26,135,527</b>	<b>63,703,820</b>	<b>58,497,518</b>
<b>Increase in net assets</b>						
before transfers	6,484,856	5,897,952	3,033,611	2,832,417	9,518,467	8,730,369
Transfers	838,230	841,500	(838,230)	(841,500)	-	-
<b>Increase in net assets</b>	<b>7,323,086</b>	<b>6,739,452</b>	<b>2,195,381</b>	<b>1,990,917</b>	<b>9,518,467</b>	<b>8,730,369</b>
Net assets - January 1, previously reported	71,967,764	65,228,312	51,165,889	49,174,972	123,133,653	114,403,284
Infrastructure change (footnote 1P)	5,803,220	-	-	-	5,803,220	-
Net assets - January 1, as restated	77,770,984	65,228,312	51,165,889	49,174,972	128,936,873	114,403,284
<b>Net assets - December 31</b>	<b>\$ 85,094,070</b>	<b>\$ 71,967,764</b>	<b>\$ 53,361,270</b>	<b>\$ 51,165,889</b>	<b>\$ 138,455,340</b>	<b>\$ 123,133,653</b>

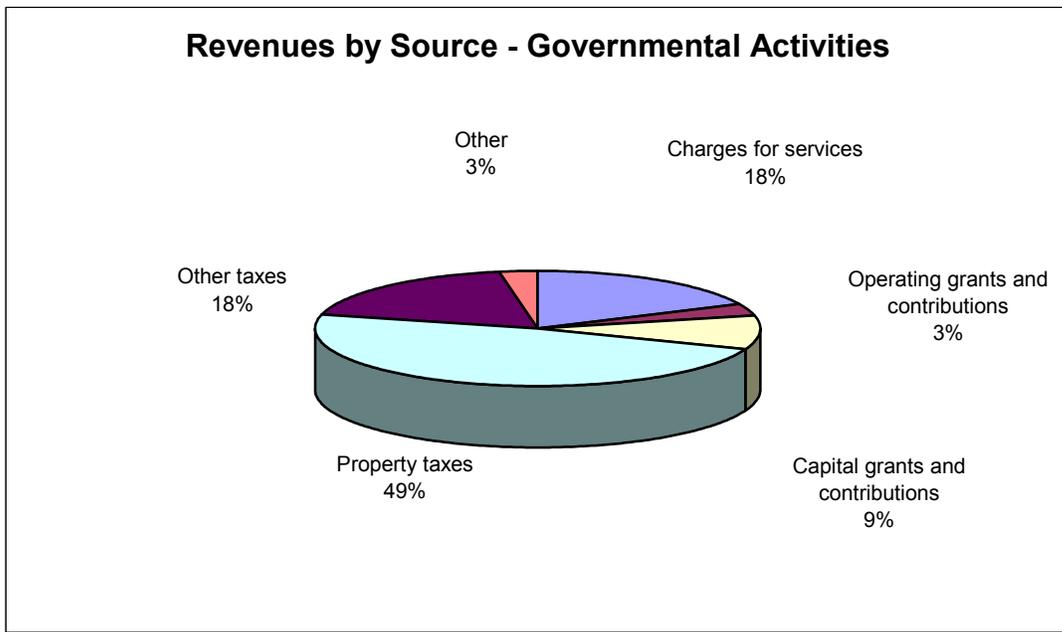
## Management's Discussion and Analysis (Continued)

### Governmental Activities

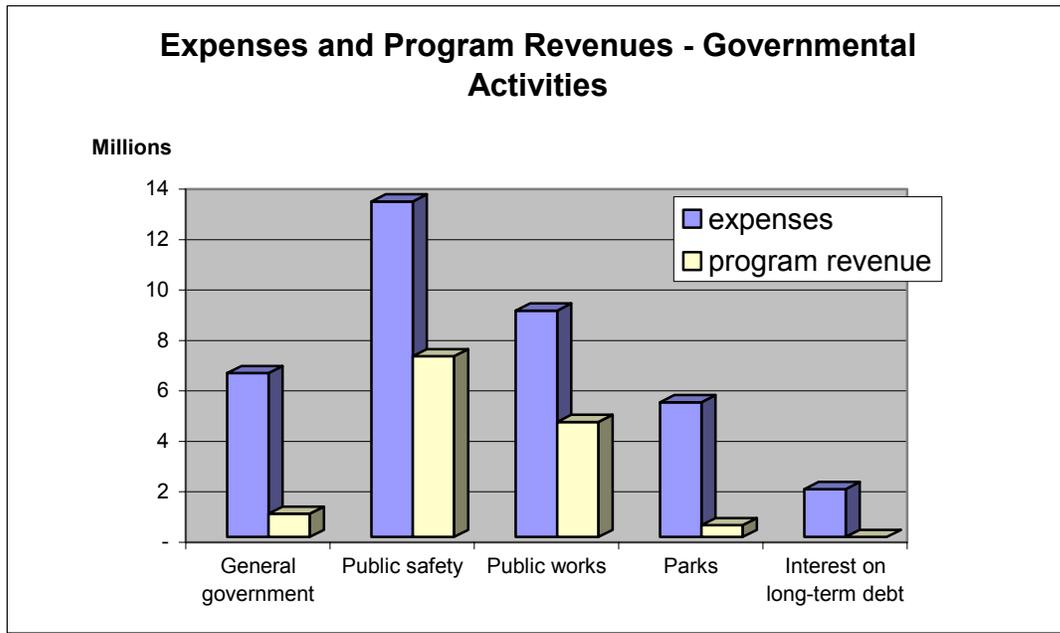
Governmental activities increased the City's net assets by \$7,323,086, accounting for 77% of the total growth in net assets. Key elements of this increase are as follows:

- Property tax revenues increased by \$1,343,096 (7%) during the year. Most of this increase is due to a new levy added in 2006 to pay for debt service on the City's two new gymnasiums.
- Charges for services increased by \$807,434 (12%) during the year due to increases in permit activity and court fines.
- Capital grants and contributions increased by \$1,761,126 (78%) during the year due to a large Minnesota State Aid (MSA) reimbursement that was applied for and received during the year.

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



## Management's Discussion and Analysis (Continued)

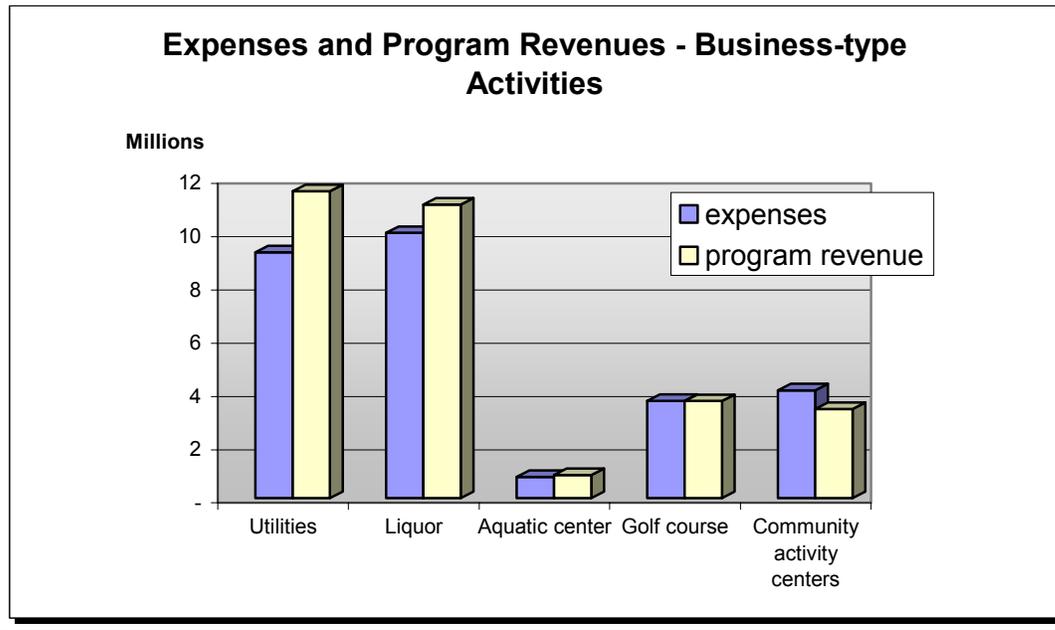
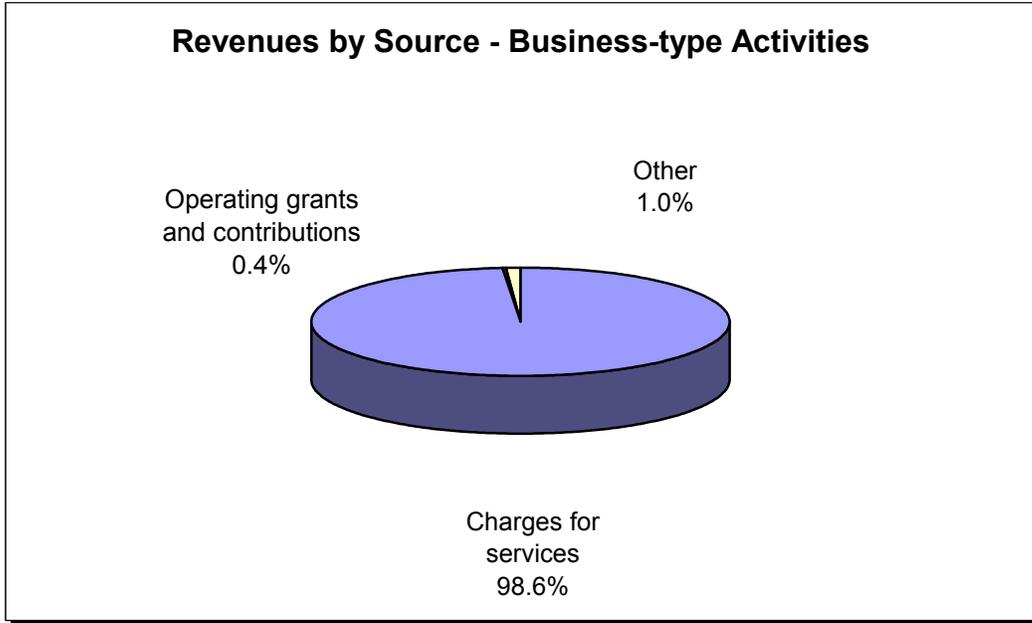


### Business-type Activities

Business-type activities increased net assets by \$2,195,381 accounting for 23% of the City's growth in net assets. Key elements of the current year increase are as follows:

- Charges for services for business-type activities increased 6% from 2005. The Utilities fund charges for services increased \$1,181,093 (11.5%) from the previous year due to increased rates and consumption.
- Business-type activities made net transfers of \$838,230 to governmental activities during 2006 to provide cash flow for operational and capital improvement needs.

**Management's Discussion and Analysis (Continued)**



**Financial Analysis of the City's Funds**

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

## Management's Discussion and Analysis (Continued)

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$32,856,265, a decrease of \$10,518,608 in comparison with the prior year. Approximately 92% of this total amount (\$30,137,178) constitutes unreserved fund balance. The remainder of the fund balance is reserved because it has already been committed 1) to provide for prepaid items (\$36,849), 2) to pay committed contracts (\$261,972), 3) for special projects (\$225,953), or 4) to pay debt service (\$2,194,313).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$13,797,189. As a measure of the general fund's liquidity, unreserved fund balance represents 54% of total general fund expenditures.

The fund balance of the City's general fund increased by \$2,015,254 during the current fiscal year. Key factors in this growth are as follows:

- Total general fund revenues increased by 6.7% in the current fiscal year. The largest increase was in the fines and forfeits category, which increased 38%.
- Total general fund expenditures increased 6.2% in the current fiscal year. Current expenditures increased in all four functional areas (general government, public safety, public works, and parks), and were very close to the increase planned for in our 2006 budget, which projected an expenditure increase of 5.7%.
- The liquor fund transferred \$700,230 of profits to the general fund.

The Housing and Redevelopment Authority fund balance increased by \$656,819 in the current fiscal year.

The debt service fund has a total fund balance of \$2,194,313, all of which is reserved for the payment of debt service.

The construction fund balance decreased by \$4,321,573 in 2006 due to construction costs for two new gymnasiums, which was financed with a bond issue in 2005 and ongoing street reconstruction costs to be financed with special assessments.

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

Operating revenues and expenses in the Utilities fund increased by 11.6% and 12.3%, respectively, in 2006, due to rate increases that are intended to help replace aging infrastructure. The City's continuing investments in infrastructure are reported as increases in net capital assets, which increased \$5,407,572 from 2005.

## **Management's Discussion and Analysis (Continued)**

The liquor fund made transfers totaling \$995,230 to other funds during 2006. The majority of this amount (\$700,230) was transferred to the general fund according to the budget. Smaller transfers were also made to the construction fund and to nonmajor proprietary funds.

Aquatic center revenues increased 2% in 2006 after a very good year in 2005.

Operating revenues for the golf course fund increased by 4.6% in 2006, but were offset by increased expenses. Combined with the effects of increasing expenses, the golf course fund lost \$5,549 in 2006.

### **Budgetary Highlights**

**General Fund.** There were no changes made to the original budget. During the year, revenues and expenditures exceeded budgetary estimates, and since increased revenues easily covered the increased expenditures, there was no need to draw upon existing fund balance.

Major variances from budget include revenues from licenses and permits that exceeded budget by \$1,201,590 due to high activity in the City's Inspections department. The City also exceeded budgeted revenues in several other categories, mostly due to increases in demand for City services, some of which we receive revenue for.

There were no major variances from budgeted expenditures, although there were many smaller variances mostly due to the erratic nature of spending for the replacement of the City's equipment.

### **Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of December 31, 2006, amounted to \$149,598,421 (net of accumulated depreciation). This investment in capital assets included land, land improvements, buildings, vehicles and equipment.

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

- Two new Gymnasiums were completed in 2006 after starting construction in 2005.
- A variety of street construction, sidewalk and traffic signal projects began in 2006; construction in progress as of the close of the year reached \$13,855,020.

## Management's Discussion and Analysis (Continued)

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

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Land and land improvements	\$ 27,634,036	\$ 28,392,856	\$ 5,437,869	\$ 5,553,727	\$ 33,071,905	\$ 33,946,583
Buildings and improvements	29,644,961	30,219,684	7,306,756	7,747,988	36,951,717	37,967,672
Machinery and equipment	8,573,184	8,859,303	2,297,256	2,296,740	10,870,440	11,156,043
Infrastructure	20,645,464	19,629,680	34,203,875	31,432,356	54,849,339	51,062,036
Construction in progress	8,028,828	5,395,934	5,826,192	2,633,565	13,855,020	8,029,499
Total	<u>\$ 94,526,473</u>	<u>\$ 92,497,457</u>	<u>\$ 55,071,948</u>	<u>\$ 49,664,376</u>	<u>\$ 149,598,421</u>	<u>\$ 142,161,833</u>

The City restated infrastructure assets as of January 1, 2006, to comply with GASB 34 and related statements and this chart reflects the adjusted balances. Additional information about this change can be found in Note 1P.

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

**Long-term debt.** At the end of the current fiscal year, the City had total bonded long-term debt outstanding of \$51,815,000, a decrease of \$16,565,000 from 2005.

\$5,670,000 is for general obligation improvement debt that is supported by property tax levies and special assessments. This amount decreased from 2005 due to the issuance of crossover refunding bonds in 2005 to refund general obligation bonds on their call date of February 1, 2006.

\$1,460,000 is for permanent improvement revolving (PIR) bonds, which finance the City's special assessment program.

An additional \$20,460,000 of general obligation tax increment debt financed the City's economic development program. This amount decreased in 2006 due to a crossover refunding initiated in 2005 in addition to regularly scheduled principal payments on other issues.

Also outstanding is \$16,080,000 public project revenue bonds which financed the City Hall and Police facility as well as two gymnasiums.

There is a total of \$8,145,000 in revenue bonds for improvements to the enterprise funds.

## Management's Discussion and Analysis (Continued)

### City of Edina's Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2006	2005	2006	2005	2006	2005
Tax increment bonds	\$ 20,460,000	\$ 28,905,000	\$ -	\$ -	\$ 20,460,000	\$ 28,905,000
General obligation bonds	5,670,000	11,765,000	-	-	5,670,000	11,765,000
Public improvement bonds	1,460,000	1,460,000	-	-	1,460,000	1,460,000
Public project revenue bonds	16,080,000	16,560,000	-	-	16,080,000	16,560,000
Revenue bonds	-	-	8,145,000	9,690,000	8,145,000	9,690,000
Total	<u>\$ 43,670,000</u>	<u>\$ 58,690,000</u>	<u>\$ 8,145,000</u>	<u>\$ 9,690,000</u>	<u>\$ 51,815,000</u>	<u>\$ 68,380,000</u>

The City maintains an Aaa rating from Moody's and an 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 is \$188,282,998. Only \$3,690,954 of the City's outstanding debt is counted within the statutory limitation.

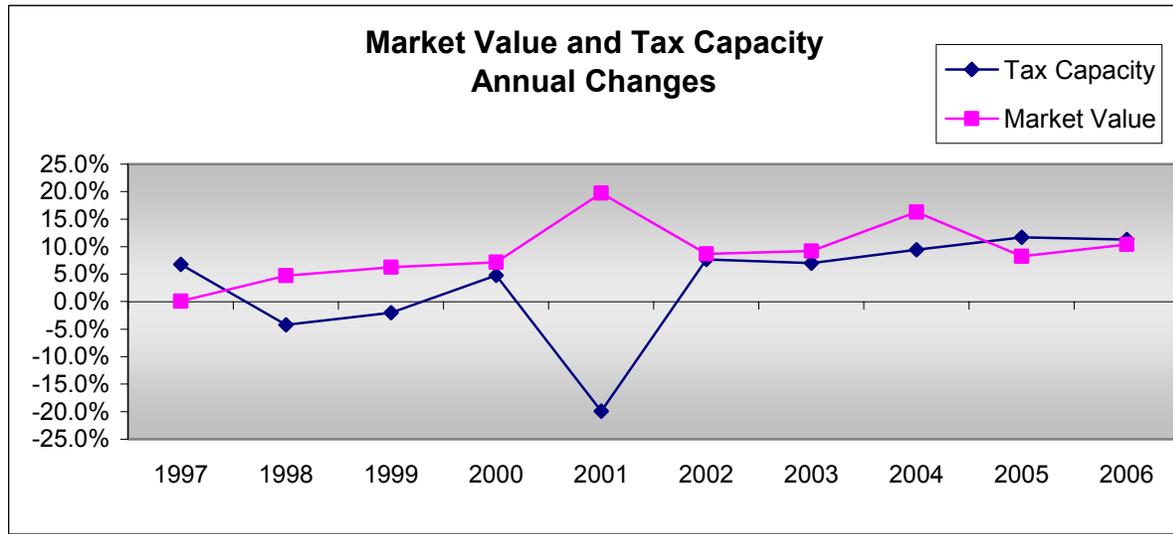
Additional information on the City's long-term debt can be found in Note 5.

### **Economic Factors and Next Year's Budget**

The City strives to provide an uncommonly high quality of life for our residents and businesses and the healthy local economy helps to make this goal a reality. The unemployment rate in Edina for February 2007 was 3.0%, well below the state and national levels. In fact, according to the State of Minnesota Department of Employment and Economic Development, the City's unemployment rate has been lower than the national rate every month since at least 1990. The City is home to Southdale Center, the nation's first fully enclosed climate-controlled regional shopping mall, Fairview Southdale hospital, as well as several corporate headquarters. In addition to its healthy economy, Edina is known for excellent public schools, as the Edina school system has been consistently selected as one of the best in the country. Ninety-seven percent of seniors go to college and eighty-six percent finish in five years.

Property values in Edina have been increasing at a rapid pace for several years. Estimated market value of all parcels increased over 10% for taxes payable in 2007 after a 8% increase the year before. The City Council is currently reviewing several redevelopment projects that would make this trend likely to continue.

## Management's Discussion and Analysis (Continued)



The City collects property taxes based on tax capacity, which roughly equals estimated market value multiplied by class rates for different types of parcels (commercial, residential, etc.). Class rates are set by state statute. Tax capacity increased over 11% for taxes payable in 2007, and has been increasing steadily ever since the state revised property tax law in 2001.

Due to the recent increases in market value and tax capacity, property tax rates have been decreasing since the property tax law changes mentioned earlier.

The City's adopted 2007 budget includes a property tax levy of \$19,427,890 for the general fund, an increase of 4.7% from the 2006 general fund levy.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the 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 50<sup>th</sup> Street, Edina, Minnesota 55424. The City's Comprehensive Annual Financial Report can also be found on the internet at [www.cityofedina.com](http://www.cityofedina.com).

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**CITY OF EDINA, MINNESOTA**  
**STATEMENT OF NET ASSETS**  
December 31, 2006

**Statement 1**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 80,364	\$ 102,798	\$ 183,162
Investments	35,169,247	4,672,647	39,841,894
Accrued interest	76,908	43,552	120,460
Accounts receivable, net	362,089	3,368,984	3,731,073
Special assessments receivable	4,772,621	168,274	4,940,895
Due from other governments	492,636	1,687	494,323
Prepaid items	36,849	-	36,849
Inventory	-	1,112,458	1,112,458
Total current assets	<u>40,990,714</u>	<u>9,470,400</u>	<u>50,461,114</u>
Noncurrent assets:			
Deferred charges	268,926	21,018	289,944
Nondepreciable capital assets	25,344,392	6,915,157	32,259,549
Depreciable capital assets (net)	69,182,081	48,156,791	117,338,872
Total noncurrent assets	<u>94,795,399</u>	<u>55,092,966</u>	<u>149,888,365</u>
Total assets	<u>135,786,113</u>	<u>64,563,366</u>	<u>200,349,479</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	2,502,378	1,002,505	3,504,883
Salaries payable	369,942	99,865	469,807
Accrued interest payable	655,841	141,161	797,002
Contracts payable	219,015	146,649	365,664
Pooled cash payable	175,000	550,000	725,000
Due to other governments	46,181	133,315	179,496
Deposits payable	70,925	19,464	90,389
Unearned revenue	2,520	79,411	81,931
Compensated absences payable	1,278,013	367,406	1,645,419
Bonds payable	6,190,000	1,595,000	7,785,000
Total current liabilities	<u>11,509,815</u>	<u>4,134,776</u>	<u>15,644,591</u>
Noncurrent liabilities:			
Compensated absences payable	1,917,020	551,109	2,468,129
Bonds payable, net of unamortized discount	37,265,208	6,516,211	43,781,419
Total noncurrent liabilities	<u>39,182,228</u>	<u>7,067,320</u>	<u>46,249,548</u>
Total liabilities	<u>50,692,043</u>	<u>11,202,096</u>	<u>61,894,139</u>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	69,814,012	46,981,755	116,795,767
Unrestricted	15,280,058	6,379,515	21,659,573
Total net assets	<u>\$ 85,094,070</u>	<u>\$ 53,361,270</u>	<u>\$ 138,455,340</u>

The accompanying notes are an integral part of these financial statements

**CITY OF EDINA, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
For The Year Ended December 31, 2006

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 6,493,340	\$ 731,613	\$ 187,674	\$ -
Public safety	13,300,351	6,146,114	1,017,531	-
Public works	8,973,031	352,354	195,000	4,013,617
Parks	5,341,682	441,442	23,097	-
Interest on long-term debt	1,895,370	-	-	-
Total government activities	<u>36,003,774</u>	<u>7,671,523</u>	<u>1,423,302</u>	<u>4,013,617</u>
Business-type activities:				
Utilities	9,234,651	11,421,474	109,348	-
Liquor	9,968,963	11,029,445	-	-
Aquatic center	795,614	867,626	-	-
Golf course	3,652,169	3,646,620	-	-
Community activity centers	4,048,649	3,337,153	13,010	-
Total business-type activities	<u>27,700,046</u>	<u>30,302,318</u>	<u>122,358</u>	<u>-</u>
Total primary government	<u>\$ 63,703,820</u>	<u>\$ 37,973,841</u>	<u>\$ 1,545,660</u>	<u>\$ 4,013,617</u>

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

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-type Activities	Total
	\$ (5,574,053)	\$ -	\$ (5,574,053)
	(6,136,706)	-	(6,136,706)
	(4,412,060)	-	(4,412,060)
	(4,877,143)	-	(4,877,143)
	(1,895,370)	-	(1,895,370)
	<u>(22,895,332)</u>	<u>-</u>	<u>(22,895,332)</u>
	-	2,296,171	2,296,171
	-	1,060,482	1,060,482
	-	72,012	72,012
	-	(5,549)	(5,549)
	-	(698,486)	(698,486)
	<u>-</u>	<u>2,724,630</u>	<u>2,724,630</u>
	<u>(22,895,332)</u>	<u>2,724,630</u>	<u>(20,170,702)</u>
General revenues:			
Property taxes	20,414,298	-	20,414,298
Tax increment collections	7,228,002	-	7,228,002
Franchise taxes	499,206	-	499,206
Unrestricted investment earnings	1,230,264	283,771	1,514,035
Gain on disposal of capital assets	8,418	25,210	33,628
Transfers	838,230	(838,230)	-
Total general revenues and transfers	<u>30,218,418</u>	<u>(529,249)</u>	<u>29,689,169</u>
Change in net assets	7,323,086	2,195,381	9,518,467
Net assets - beginning, as restated	<u>77,770,984</u>	<u>51,165,889</u>	<u>128,936,873</u>
Net assets - ending	<u>\$ 85,094,070</u>	<u>\$ 53,361,270</u>	<u>\$ 138,455,340</u>

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**CITY OF EDINA, MINNESOTA**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2006

**Statement 3**

	General	Housing & Redevelopment Authority	Debt Service	Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 55,054	\$ 9,058	\$ 5,449	\$ 8,568	\$ 2,235	\$ 80,364
Investments - unrestricted	13,425,777	12,990,459	1,798,597	6,333,325	621,089	35,169,247
Accrued interest	-	57,389	21	15,050	4,448	76,908
Accounts receivable	208,310	-	-	13,544	140,235	362,089
Special assessments receivable	-	-	1,384,170	3,388,451	-	4,772,621
Due from other funds	1,750,000	79,299	375,000	-	13,000	2,217,299
Due from other governments	421,490	33,237	15,741	9,972	12,196	492,636
Prepaid items	36,849	-	-	-	-	36,849
<b>Total assets</b>	<b>\$ 15,897,480</b>	<b>\$ 13,169,442</b>	<b>\$ 3,578,978</b>	<b>\$ 9,768,910</b>	<b>\$ 793,203</b>	<b>\$ 43,208,013</b>
<b>Liabilities and fund balances</b>						
<b>Liabilities:</b>						
Accounts payable	\$ 1,353,516	\$ 656,987	\$ 495	\$ 399,947	\$ 91,433	\$ 2,502,378
Salaries payable	365,482	-	-	562	3,898	369,942
Contracts payable	-	-	-	219,015	-	219,015
Pooled cash payable	-	-	-	175,000	-	175,000
Due to other funds	279,299	-	-	1,925,000	13,000	2,217,299
Due to other governments	7,145	14,903	-	24,133	-	46,181
Deposits payable	58,000	-	-	12,925	-	70,925
Unearned revenue	-	-	-	-	2,520	2,520
Deferred revenue	-	-	1,384,170	3,364,318	-	4,748,488
<b>Total liabilities</b>	<b>2,063,442</b>	<b>671,890</b>	<b>1,384,665</b>	<b>6,120,900</b>	<b>110,851</b>	<b>10,351,748</b>
<b>Fund balance:</b>						
<b>Reserved for:</b>						
Prepaid items	36,849	-	-	-	-	36,849
Encumbrances	-	-	-	261,972	-	261,972
Special projects	-	-	-	225,953	-	225,953
Debt service	-	-	2,194,313	-	-	2,194,313
<b>Unreserved:</b>						
<b>Designated, reported in:</b>						
General Fund	12,602,444	-	-	-	-	12,602,444
Capital Project Funds	-	-	-	3,160,085	-	3,160,085
<b>Undesignated, reported in:</b>						
General Fund	1,194,745	-	-	-	-	1,194,745
Special Revenue Funds	-	12,497,552	-	-	682,352	13,179,904
<b>Total fund balance</b>	<b>13,834,038</b>	<b>12,497,552</b>	<b>2,194,313</b>	<b>3,648,010</b>	<b>682,352</b>	<b>32,856,265</b>
<b>Total liabilities and fund balances</b>	<b>\$ 15,897,480</b>	<b>\$ 13,169,442</b>	<b>\$ 3,578,978</b>	<b>\$ 9,768,910</b>	<b>\$ 793,203</b>	<b>\$ 43,208,013</b>
Fund balance reported above						\$ 32,856,265
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						94,526,473
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds						4,748,488
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.						(47,037,156)
<b>Net assets of governmental activities</b>						<b>\$ 85,094,070</b>

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

**CITY OF EDINA, MINNESOTA**

STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For The Year Ended December 31, 2006

**Statement 4**

	General	Housing & Redevelopment Authority	Debt Service	Construction	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
General property taxes	\$ 18,166,020	\$ -	\$ 2,248,278	\$ -	\$ -	\$ 20,414,298
Tax increment collections	-	7,228,002	-	-	-	7,228,002
Special assessments	-	-	85,656	1,665,563	-	1,751,219
Franchise fees	-	-	-	-	499,206	499,206
License and permits	3,458,140	-	-	30,757	-	3,488,897
Intergovernmental	1,049,523	-	-	1,536,153	187,674	2,773,350
Charges for services	2,641,720	-	-	49,634	-	2,691,354
Fines and forfeitures	1,023,935	-	-	-	-	1,023,935
Investment income	298,299	422,015	57,641	427,156	25,153	1,230,264
Rental of property	308,535	-	-	1,610	-	310,145
Other revenues	112,418	-	-	90,513	43,866	246,797
Total revenues	<u>27,058,590</u>	<u>7,650,017</u>	<u>2,391,575</u>	<u>3,801,386</u>	<u>755,899</u>	<u>41,657,467</u>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	3,955,036	1,165,686	-	70,508	804,574	5,995,804
Public safety	12,273,940	-	-	157,174	-	12,431,114
Public works	5,021,311	-	-	212,596	-	5,233,907
Parks	3,185,088	-	-	115,287	-	3,300,375
<b>Capital outlay:</b>						
General government	2,501	-	-	77,462	-	79,963
Public safety	899,462	-	-	175,002	-	1,074,464
Public works	316,615	-	-	3,126,805	-	3,443,420
Parks	94,070	-	-	4,288,609	-	4,382,679
<b>Debt service:</b>						
Bond principal	-	-	5,985,000	-	-	5,985,000
Interest and fiscal charges	-	-	2,107,036	-	-	2,107,036
Total expenditures	<u>25,748,023</u>	<u>1,165,686</u>	<u>8,092,036</u>	<u>8,223,443</u>	<u>804,574</u>	<u>44,033,762</u>
Revenues over (under) expenditures	<u>1,310,567</u>	<u>6,484,331</u>	<u>(5,700,461)</u>	<u>(4,422,057)</u>	<u>(48,675)</u>	<u>(2,376,295)</u>
<b>Other financing sources (uses):</b>						
Transfers in	700,230	-	5,915,028	250,000	-	6,865,258
Transfers out	(50,000)	(5,827,512)	-	(149,516)	-	(6,027,028)
Sale of capital assets	54,457	-	-	-	-	54,457
Principal paid by escrow	-	-	(9,035,000)	-	-	(9,035,000)
Total other financing sources (uses)	<u>704,687</u>	<u>(5,827,512)</u>	<u>(3,119,972)</u>	<u>100,484</u>	<u>-</u>	<u>(8,142,313)</u>
Net increase (decrease) in fund balance	2,015,254	656,819	(8,820,433)	(4,321,573)	(48,675)	(10,518,608)
Fund balance - January 1	<u>11,818,784</u>	<u>11,840,733</u>	<u>11,014,746</u>	<u>7,969,583</u>	<u>731,027</u>	<u>43,374,873</u>
Fund balance - December 31	<u>\$ 13,834,038</u>	<u>\$ 12,497,552</u>	<u>\$ 2,194,313</u>	<u>\$ 3,648,010</u>	<u>\$ 682,352</u>	<u>\$ 32,856,265</u>

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

**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, 2006

**Statement 5**

Amounts reported for governmental activities in the  
statement of activities (page 24-25) are different because:

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Net changes in fund balances - total governmental funds (page 28)	\$ (10,518,608)
<p>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.</p>	2,103,511
<p>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 increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.</p>	(74,495)
<p>Revenues in the statement of activities that do not provide current financial resources (property tax and special assessment receivables) are not reported as revenues in the funds.</p>	822,745
<p>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. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	15,020,000
<p>Some expenses reported in the statement of activities do not require the use of current financial resources (accrued interest and amortization on debt and compensated absences payable) and, therefore, are not reported as expenditures in governmental funds.</p>	<u>(30,067)</u>
Change in net assets of governmental activities (page 25)	<u>\$ 7,323,086</u>

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

CITY OF EDINA, MINNESOTA  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
December 31, 2006

Statement 6

	Business-type Activities - Enterprise Funds					Total
	Utilities	Liquor	Aquatic Center	Golf Course	Nonmajor Enterprise Funds	
Assets:						
Current assets:						
Cash and cash equivalents	\$ 4,700	\$ 28,422	\$ 5,626	\$ 15,616	\$ 48,434	\$ 102,798
Investments	301,245	-	-	-	4,371,402	4,672,647
Interest receivable	12,245	-	-	-	31,307	43,552
Accounts receivable, net	3,153,268	-	510	1,039	214,167	3,368,984
Special assessments receivable	168,274	-	-	-	-	168,274
Due from other funds	-	1,025,000	800,000	-	-	1,825,000
Due from other governments	1,687	-	-	-	-	1,687
Inventory	5,339	1,039,845	-	51,409	15,865	1,112,458
Total current assets	<u>3,646,758</u>	<u>2,093,267</u>	<u>806,136</u>	<u>68,064</u>	<u>4,681,175</u>	<u>11,295,400</u>
Noncurrent assets:						
Deferred charges	11,428	-	2,398	4,411	2,781	21,018
Net capital assets	41,567,645	1,356,755	2,317,234	5,728,123	4,102,191	55,071,948
Total noncurrent assets	<u>41,579,073</u>	<u>1,356,755</u>	<u>2,319,632</u>	<u>5,732,534</u>	<u>4,104,972</u>	<u>55,092,966</u>
Total assets	<u>45,225,831</u>	<u>3,450,022</u>	<u>3,125,768</u>	<u>5,800,598</u>	<u>8,786,147</u>	<u>66,388,366</u>
Liabilities:						
Current liabilities:						
Accounts payable	511,816	241,055	445	64,518	184,671	1,002,505
Salaries payable	18,188	29,908	319	19,501	31,949	99,865
Accrued interest payable	49,881	-	24,578	57,379	9,323	141,161
Contracts payable	146,649	-	-	-	-	146,649
Pooled cash payable	-	-	-	550,000	-	550,000
Due to other funds	1,425,000	-	-	340,000	60,000	1,825,000
Due to other governments	1,614	120,335	526	5,479	5,361	133,315
Deposits payable	15,681	-	-	3,783	-	19,464
Unearned revenue	-	4,274	-	21,029	54,108	79,411
Compensated absences payable	83,684	74,723	-	98,225	110,774	367,406
Bonds payable - current	690,000	-	115,000	590,000	200,000	1,595,000
Total current liabilities	<u>2,942,513</u>	<u>470,295</u>	<u>140,868</u>	<u>1,749,914</u>	<u>656,186</u>	<u>5,959,776</u>
Noncurrent liabilities:						
Compensated absences payable	125,527	112,085	-	147,336	166,161	551,109
Bonds payable, net of unamortized discounts	2,845,889	-	1,072,556	2,154,476	443,290	6,516,211
Total noncurrent liabilities	<u>2,971,416</u>	<u>112,085</u>	<u>1,072,556</u>	<u>2,301,812</u>	<u>609,451</u>	<u>7,067,320</u>
Total liabilities	<u>5,913,929</u>	<u>582,380</u>	<u>1,213,424</u>	<u>4,051,726</u>	<u>1,265,637</u>	<u>13,027,096</u>
Net assets:						
Invested in capital assets, net of related debt	38,043,184	1,356,755	1,132,076	2,988,058	3,461,682	46,981,755
Unrestricted	1,268,718	1,510,887	780,268	(1,239,186)	4,058,828	6,379,515
Total net assets	<u>\$ 39,311,902</u>	<u>\$ 2,867,642</u>	<u>\$ 1,912,344</u>	<u>\$ 1,748,872</u>	<u>\$ 7,520,510</u>	<u>\$ 53,361,270</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, 2006

**Statement 7**

	Business-type Activities - Enterprise Funds					Total
	Utilities	Liquor	Aquatic Center	Golf Course	Nonmajor Enterprise Funds	
Operating revenues:						
Sales - liquor	\$ -	\$ 11,014,491	\$ -	\$ 108,898	\$ -	\$ 11,123,389
Sales - retail	-	-	4,173	284,204	77,048	365,425
Sales - utilities	11,178,314	-	-	-	-	11,178,314
Sales - concessions	-	-	113,066	238,162	28,765	379,993
Memberships	-	-	449,957	113,899	80,120	643,976
Admissions	-	-	278,150	319,653	521,686	1,119,489
Building rental	-	-	22,280	71,332	1,365,810	1,459,422
Rental of equipment	-	-	-	398,833	56,225	455,058
Greens fees	-	-	-	1,772,173	165,649	1,937,822
Other fees	238,047	-	-	336,649	1,041,850	1,616,546
Total operating revenues	<u>11,416,361</u>	<u>11,014,491</u>	<u>867,626</u>	<u>3,643,803</u>	<u>3,337,153</u>	<u>30,279,434</u>
Operating expenses:						
Cost of sales and services	38,847	8,111,021	32,477	378,055	41,555	8,601,955
Personal services	1,381,144	1,188,028	270,889	1,682,997	1,814,725	6,337,783
Contractual services	5,293,230	355,934	120,804	559,631	1,267,403	7,597,002
Commodities	671,100	63,039	98,375	356,662	309,595	1,498,771
Central Services	385,229	169,262	30,009	103,473	177,174	865,147
Depreciation	1,337,593	73,087	192,284	441,148	417,085	2,461,197
Total operating expenses	<u>9,107,143</u>	<u>9,960,371</u>	<u>744,838</u>	<u>3,521,966</u>	<u>4,027,537</u>	<u>27,361,855</u>
Operating income (loss)	<u>2,309,218</u>	<u>1,054,120</u>	<u>122,788</u>	<u>121,837</u>	<u>(690,384)</u>	<u>2,917,579</u>
Nonoperating revenues (expenses):						
Intergovernmental	109,348	-	-	-	-	109,348
Investment income	103,124	-	-	-	180,647	283,771
Donations	-	-	-	-	13,010	13,010
Miscellaneous	5,113	14,954	-	2,817	-	22,884
Interest and fiscal charges	(121,364)	-	(49,671)	(116,017)	(18,866)	(305,918)
Gain (loss) on sale of capital asset	16,059	(8,592)	-	(8,695)	9,151	7,923
Amortization of bond discount	(6,144)	-	(1,105)	(5,491)	(2,246)	(14,986)
Total nonoperating revenues (expenses)	<u>106,136</u>	<u>6,362</u>	<u>(50,776)</u>	<u>(127,386)</u>	<u>181,696</u>	<u>116,032</u>
Income (loss) before transfers	<u>2,415,354</u>	<u>1,060,482</u>	<u>72,012</u>	<u>(5,549)</u>	<u>(508,688)</u>	<u>3,033,611</u>
Transfers:						
Transfers in	-	-	-	-	257,000	257,000
Transfers out	(100,000)	(995,230)	-	-	-	(1,095,230)
Total transfers	<u>(100,000)</u>	<u>(995,230)</u>	<u>-</u>	<u>-</u>	<u>257,000</u>	<u>(838,230)</u>
Change in net assets	<u>2,315,354</u>	<u>65,252</u>	<u>72,012</u>	<u>(5,549)</u>	<u>(251,688)</u>	<u>2,195,381</u>
Net assets - January 1	<u>36,996,548</u>	<u>2,802,390</u>	<u>1,840,332</u>	<u>1,754,421</u>	<u>7,772,198</u>	<u>51,165,889</u>
Net assets - December 31	<u>\$ 39,311,902</u>	<u>\$ 2,867,642</u>	<u>\$ 1,912,344</u>	<u>\$ 1,748,872</u>	<u>\$ 7,520,510</u>	<u>\$ 53,361,270</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, 2006

**Statement 8**

	Business-type Activities - Enterprise Funds					Total
	Utilities	Liquor	Aquatic Center	Golf Course	Nonmajor Enterprise Funds	
<b>Cash flows from operating activities:</b>						
Receipts from customers and users	\$ 10,316,252	\$ 11,016,176	\$ 867,116	\$ 3,657,461	\$ 3,258,506	\$ 29,115,511
Payment to suppliers	(5,940,326)	(8,747,388)	(282,439)	(1,431,847)	(1,739,706)	(18,141,706)
Payment to employees	(1,357,826)	(1,150,274)	(270,922)	(1,663,346)	(1,786,183)	(6,228,551)
Donations	-	-	-	-	13,010	13,010
Miscellaneous revenue	5,113	14,954	-	2,817	-	22,884
Net cash provided by (used in) operating activities	<u>3,023,213</u>	<u>1,133,468</u>	<u>313,755</u>	<u>565,085</u>	<u>(254,373)</u>	<u>4,781,148</u>
<b>Cash flows from noncapital financing activities:</b>						
State grant	109,348	-	-	-	-	109,348
Transfer (to) from Enterprise Funds	-	(195,000)	-	-	195,000	-
Transfer (to) from General Fund	-	(700,230)	-	-	-	(700,230)
Transfer (to) from Capital Project Funds	(100,000)	(100,000)	-	-	62,000	(138,000)
Net interfund borrowing	1,145,000	(245,000)	(170,000)	260,000	60,000	1,050,000
Net cash provided by (used in) noncapital financing activities	<u>1,154,348</u>	<u>(1,240,230)</u>	<u>(170,000)</u>	<u>260,000</u>	<u>317,000</u>	<u>321,118</u>
<b>Cash flows from capital and related financing activities:</b>						
Acquisition of capital assets	(7,503,269)	(8,592)	(35,333)	(138,996)	(215,600)	(7,901,790)
Sale of capital assets	18,614	(8,592)	-	21,472	9,450	40,944
Principal paid on bonds	(665,000)	-	(105,000)	(575,000)	(200,000)	(1,545,000)
Interest paid on bonds	(129,607)	-	(51,461)	(125,865)	(21,935)	(328,868)
Net cash provided by (used in) capital and related financing activities	<u>(8,279,262)</u>	<u>(17,184)</u>	<u>(191,794)</u>	<u>(818,389)</u>	<u>(428,085)</u>	<u>(9,734,714)</u>
<b>Cash flows from investing activities:</b>						
Net changes in investments	3,999,137	-	-	-	153,902	4,153,039
Investment income	102,743	-	-	-	186,098	288,841
Net cash flows provided by (used in) investing activities	<u>4,101,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>340,000</u>	<u>4,441,880</u>
Net increase (decrease) in cash and cash equivalents	179	(123,946)	(48,039)	6,696	(25,458)	(190,568)
Cash and cash equivalents - January 1	<u>4,521</u>	<u>152,368</u>	<u>53,665</u>	<u>8,920</u>	<u>73,892</u>	<u>293,366</u>
Cash and cash equivalents - December 31	<u>\$ 4,700</u>	<u>\$ 28,422</u>	<u>\$ 5,626</u>	<u>\$ 15,616</u>	<u>\$ 48,434</u>	<u>\$ 102,798</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, 2006

Statement 8

	Business-type Activities - Enterprise Funds					Total
	Utilities	Liquor	Aquatic Center	Golf Course	Nonmajor Enterprise Funds	
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	\$ 2,309,218	\$ 1,054,120	\$ 122,788	\$ 121,837	\$ (690,384)	\$ 2,917,579
Adjustments to reconcile operating income (loss) to net cash flows provided by (used in) operating activities:						
Depreciation	1,337,593	73,087	192,284	441,148	417,085	2,461,197
Donations	-	-	-	-	13,010	13,010
Miscellaneous revenue	5,113	14,954	-	2,817	-	22,884
Changes in assets and liabilities:						
Decrease (increase) in receivables	(1,084,790)	-	(510)	51	(80,234)	(1,165,483)
Decrease (increase) in special assessments	(17,114)	-	-	-	-	(17,114)
Decrease (increase) in due from other governments	1,795	-	-	-	-	1,795
Decrease (increase) in inventory	18,812	15,269	-	(36,511)	(37)	(2,467)
Increase (decrease) in accounts payable	269,856	(61,343)	(221)	8,271	56,400	272,963
Increase (decrease) in salaries payable	4,096	12,596	(33)	2,533	8,704	27,896
Increase (decrease) in contracts payable	145,819	-	-	-	-	145,819
Increase (decrease) in due to other governments	(116)	(2,058)	(553)	28	(342)	(3,041)
Increase (decrease) in deposits	13,709	-	-	(5,814)	-	7,895
Increase (decrease) in unearned revenue	-	1,685	-	13,607	1,587	16,879
Increase (decrease) in compensated absences	19,222	25,158	-	17,118	19,838	81,336
Total adjustments	713,995	79,348	190,967	443,248	436,011	1,863,569
Net cash provided by (used in) operating activities	\$ 3,023,213	\$ 1,133,468	\$ 313,755	\$ 565,085	\$ (254,373)	\$ 4,781,148

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

**CITY OF EDINA, MINNESOTA**  
STATEMENT OF FIDUCIARY NET ASSETS  
AGENCY FUNDS  
December 31, 2006

**Statement 9**

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	<u>Agency Funds</u>
Assets	
Cash	\$ 542,839
Investments	<u>270,000</u>
Total assets	<u><u>\$ 812,839</u></u>
Liabilities	
Accounts payable	\$ 48,215
Salaries payable	1,607
Due to other governmental units	<u>763,017</u>
Total liabilities	<u><u>\$ 812,839</u></u>

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

**Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Edina (the City) 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 have been prepared in conformity with accounting principles generally accepted in the United States of America (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 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 have 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 Special Revenue 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 City. *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. Aggregated information for the remaining nonmajor governmental and enterprise funds is reported in a single column 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. The City's only fiduciary fund type, agency funds, are custodial in nature and do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, 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 City.

**CITY OF EDINA, MINNESOTA**  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2006

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The City reports the following major governmental funds:

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

The special revenue *Housing and Redevelopment Authority 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 *debt service fund* accounts for the payment of principal and interest on the Tax Increment, General Obligation, Permanent Improvement Revolving, and Public Project Revenue Bonds.

The capital projects *construction fund* accounts for the various special assessment and state aid projects throughout the City. This fund also provides financing for capital improvements as designated in the City's capital improvement budget.

The City 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 City reports the following fund type:

Agency - the *police seizure and Public Safety Training Facility funds* account for fees collected for other government agencies and the *payroll fund* accounts for payroll deductions withheld from employee paychecks but not yet sent to the appropriate party (includes federal and state taxes, health care deductions, etc).

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 City 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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

Depreciation expense is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

#### **D. CASH AND INVESTMENTS**

The City's cash and cash equivalents are considered to be deposits and cash on hand for purposes of the cash flow statement.

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 may at times show a temporary cash overdraft of all funds in the aggregate. When this happens, the overdraft will appear in the financial statements as pooled cash payable.

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 change 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, 2006 are planned to be eliminated in 2007. 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 funds are completely offset by deferred revenues.

## **G. INVENTORIES, PREPAID ITEMS AND DEFERRED CHARGES**

Inventories of the proprietary funds are stated at cost and 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 also reported in the proprietary fund financial statements but not in the governmental fund 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. Infrastructure assets include all of the City’s assets since inception.

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

<u>Assets</u>	<u>Life</u>
Golf course	10 - 35 years
Land improvements	20 – 50 years
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. According to City policy, vested sick leave benefits are liquidated into a health care savings plan upon separation.

**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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

**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. NET ASSETS**

Net assets represent the difference between assets and liabilities in the government-wide and proprietary fund financial statements. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

**N. USE OF ESTIMATES**

The preparation of financial statements in accordance with generally accepted accounting principles 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. CHANGES IN ACCOUNTING PRINCIPLE**

The Governmental Accounting Standards Board (GASB) issued 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*, and Statement No. 38, *Certain Financial Statement Note Disclosures*. These statements collectively comprise a change in financial reporting requirements for state and local governments. The City of Edina began implementation of these changes during fiscal year 2003, as required by the statements. In 2003, the City began prospective reporting of all general infrastructure assets in the Statement of Net Assets, but elected to delay retroactive reporting of roadway infrastructure assets until an accurate inventory could be completed. The City completed an inventory of roadway infrastructure assets in 2006.

As a result of changes in the City's infrastructure inventory, the previously reported governmental activities net assets as of December 31, 2005 reconcile to the governmental net assets, as restated in the current report, as follows:

Governmental activities net assets, previously reported	\$ 71,967,764
Historical cost of infrastructure added	43,230,246
Accumulated depreciation on added assets	<u>(37,427,026)</u>
Governmental activities net assets, as restated	<u><u>\$ 77,770,984</u></u>

**Note 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. 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 difference are as follows:

Bonds payable	\$ 43,670,000
Plus: issuance premium	61,498
Less: issuance discount	(276,290)
Less: deferred charge for issuance costs	(268,926)
Accrued interest payable	655,841
Compensated absences	<u>3,195,033</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	     <u>\$ 47,037,156</u>

**B. 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 difference are as follows:

Capital outlay	\$ 6,727,940
Depreciation expense	<u>(4,624,429)</u>
 Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental funds	     <u>\$ 2,103,511</u>

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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 difference are as follows:

Compensated absences	\$ (241,733)
Accrued interest	297,897
Amortization of issuance costs	(58,433)
Amortization of bond discounts	<u>(27,798)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (30,067)</u>

**Note 3 CASH AND INVESTMENTS**

**A. COMPONENTS OF CASH AND INVESTMENTS**

Cash and investments at year-end consist of the following:

Deposits	\$ (15,885)
Cash on hand	16,886
Investments	40,111,894
	<u>\$ 40,112,895</u>

Cash and investments are presented in the financial statements as follows:

Cash and cash equivalents - Statement of Net Assets	\$ 183,162
Investments - Statement of Net Assets	39,841,894
Pooled cash payable - Statement of Net Assets	(725,000)
Cash and investments - Statement of Fiduciary Net Assets	812,839
	<u>\$ 40,112,895</u>

**B. DEPOSITS**

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts, savings accounts and certificates of deposit.

The following is considered the most significant risk associated with deposits:

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

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City’s investment policy does not contain further restrictions on the types of collateral required.

At year-end, the carrying amount of the City’s deposits was (\$15,885) while the balance on the bank records was \$1,182,339. At December 31, 2006, all deposits were fully covered by federal depository insurance, surety bonds, or by collateral held by the City’s agent in the City’s name.

**CITY OF EDINA, MINNESOTA**  
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**C. INVESTMENTS**

The City has the following investments at year end:

Investment	Credit Risk		Interest Risk - Maturity Duration in Years				Total
	Rating	Agency	< 1	1 to 5	5 to 10	10 +	
U.S. Treasuries	N/A	N/A	\$ -	\$ 67,399	\$ 576,417	\$ 603,019	\$ 1,246,835
GNMA	N/A	N/A	-	-	-	63,181	63,181
SBA Pools	N/R	N/A	-	-	203,390	1,043,304	1,246,694
U.S. Agencies	AA-/Aa2	S&P/Mdy's	-	-	247,519	-	247,519
U.S. Agencies	AAA/Aaa	S&P/Mdy's	1,542,777	2,246,268	367,877	3,703,554	7,860,476
Municipals	A	S&P	-	14,856	-	-	14,856
Municipals	AA-/Aa2	S&P/Mdy's	19,869	29,125	-	-	48,994
Municipals	AAA/Aa1	S&P/Mdy's	30,283	127,777	76,937	10,247	245,244
Municipals	SP1/MIG1	S&P/Mdy's	10,000	-	-	-	10,000
Commercial Paper	A1/P1/ F1	S&P/Mdy's/ Fitch	24,286,427	-	-	-	24,286,427
Negotiable CD's	N/R	N/A	934,700	-	-	-	934,700
Interfund Debt	N/R	N/A	1,400,000	-	-	-	1,400,000
			<u>\$28,224,056</u>	<u>\$ 2,485,425</u>	<u>\$ 1,472,140</u>	<u>\$ 5,423,305</u>	<u>37,604,926</u>
Money Market*	AAA	S&P					2,484,060
Money Market*	N/R	N/A					22,908
Total investments							<u>\$40,111,894</u>

N/A - Not Applicable

N/R - Not Rated

\* - The City's money market investments don't have maturities

Investments are subject to various risks, the following of which are considered the most significant:

**Custodial credit risk** – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy specifically addresses custodial credit risk, requiring the City to limit its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

**Credit risk** – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less; general obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers. The City’s investment policies specifically address credit risk, further limiting the City’s exposure to credit risk by requiring that all state and local government obligations to be rated “AA” or better by a national rating agency.

**Concentration risk** – This is the risk associated with investing a significant portion of the City’s investment (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as Treasuries), investment pools, and mutual funds. The City’s investment policies specifically address the City’s desire to limit concentration risk, but do not set specific guidelines for measurement of this risk. At year-end, the City’s investments include 6.97%, 12.37%, and 12.35% in securities issued by FNMA, General Electric, and New Center, respectively.

**Interest rate risk** – This is the risk of potential variability in the fair value of fixed rate investment resulting in changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policies specifically address the City’s desire to limit interest rate risk, but do not set specific guidelines for measurement of this risk.

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**Note 4 CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 is as follows:

	Beginning Balance, <u>As Restated</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 15,783,410	\$ 79,689	\$ -	\$ 15,863,099
Investment in joint venture	1,452,465	-	-	1,452,465
Construction in progress	<u>5,395,934</u>	<u>8,150,950</u>	<u>(5,518,056)</u>	<u>8,028,828</u>
Total capital assets not being depreciated	<u>22,631,809</u>	<u>8,230,639</u>	<u>(5,518,056)</u>	<u>25,344,392</u>
Capital assets being depreciated:				
Land improvements	21,717,062	-	-	21,717,062
Buildings and structures	30,413,428	-	-	30,413,428
Furniture and office equipment	2,579,251	43,483	(42,255)	2,580,479
Vehicles and equipment	12,536,853	1,154,688	(693,894)	12,997,647
Infrastructure	60,618,207	2,309,526	-	62,927,733
Parks	<u>10,955,421</u>	<u>660,524</u>	<u>(53,402)</u>	<u>11,562,543</u>
Total capital assets being depreciated	<u>138,820,222</u>	<u>4,168,221</u>	<u>(789,551)</u>	<u>142,198,892</u>
Less accumulated depreciation for:				
Land improvements	(9,107,616)	(838,509)	-	(9,946,125)
Buildings and structures	(7,588,497)	(810,021)	-	(8,398,518)
Furniture and office equipment	(774,193)	(192,534)	50,208	(916,519)
Vehicles and equipment	(5,482,608)	(1,084,672)	478,857	(6,088,423)
Infrastructure	(40,988,527)	(1,293,742)	-	(42,282,269)
Parks	<u>(5,013,133)</u>	<u>(404,951)</u>	<u>33,127</u>	<u>(5,384,957)</u>
Total accumulated depreciation	<u>(68,954,574)</u>	<u>(4,624,429)</u>	<u>562,192</u>	<u>(73,016,811)</u>
Total capital assets being depreciated, net	<u>69,865,648</u>	<u>(456,208)</u>	<u>(227,359)</u>	<u>69,182,081</u>
Governmental activities capital assets, net	<u>\$ 92,497,457</u>	<u>\$ 7,774,431</u>	<u>\$ (5,745,415)</u>	<u>\$ 94,526,473</u>

Certain capital assets were reclassified to different categories during the year, and these reclassifications are reflected in the "Increases" and "Decreases" columns above.

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. As a result of implementing this statement using the phase-in period, the City has retroactively added historical costs for streets and right-of-way in this schedule as of January 1, 2006. The previously reported capital assets historical cost was increased by \$43,230,246 and accumulated depreciation was increased by \$37,427,026 for a net total of \$5,803,220 due to this change.

**CITY OF EDINA, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,088,965	\$ -	\$ -	\$ 1,088,965
Construction in progress	<u>2,633,565</u>	<u>6,767,629</u>	<u>(3,575,002)</u>	<u>5,826,192</u>
Total capital assets not being depreciated	<u>3,722,530</u>	<u>6,767,629</u>	<u>(3,575,002)</u>	<u>6,915,157</u>
Capital assets being depreciated:				
Land improvements & golf course	7,935,804	194,291	(9,616)	8,120,479
Buildings and structures	15,762,208	182,625	(37,800)	15,907,033
Furniture and office equipment	149,436	-	-	149,436
Vehicles and equipment	4,822,084	385,206	(322,812)	4,884,478
Utility infrastructure	54,476,004	3,947,041	(122,043)	58,301,002
Lease property capital lease	<u>468,580</u>	<u>-</u>	<u>-</u>	<u>468,580</u>
Total capital assets being depreciated	<u>83,614,116</u>	<u>4,709,163</u>	<u>(492,271)</u>	<u>87,831,008</u>
Less accumulated depreciation for:				
Land improvements & golf course	(3,471,042)	(310,149)	9,616	(3,771,575)
Buildings and structures	(8,014,220)	(623,557)	37,500	(8,600,277)
Furniture and office equipment	(86,003)	(21,157)	-	(107,160)
Vehicles and equipment	(2,588,777)	(330,812)	290,091	(2,629,498)
Utility infrastructure	(23,043,648)	(1,175,522)	122,043	(24,097,127)
Lease property capital lease	<u>(468,580)</u>	<u>-</u>	<u>-</u>	<u>(468,580)</u>
Total accumulated depreciation	<u>(37,672,270)</u>	<u>(2,461,197)</u>	<u>459,250</u>	<u>(39,674,217)</u>
Total capital assets being depreciated, net	<u>45,941,846</u>	<u>2,247,966</u>	<u>(33,021)</u>	<u>48,156,791</u>
Business-type activities capital assets, net	<u>\$ 49,664,376</u>	<u>\$ 9,015,595</u>	<u>\$ (3,608,023)</u>	<u>\$ 55,071,948</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	\$ 484,465
Public safety	606,850
Public works	2,017,622
Parks	1,515,492
Total depreciation expense - governmental activities	<u>\$ 4,624,429</u>
Business-type activities:	
Utilities	\$ 1,337,593
Liquor	73,087
Aquatic Center	192,284
Golf Course	441,148
Arena	298,916
Art Center	30,497
Edinborough Park/Centennial Lakes	87,672
Total depreciation expense - business-type activities	<u>\$ 2,461,197</u>

**CONSTRUCTION COMMITMENTS**

At December 31, 2006, 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 Description</u>	<u>Contract Amount</u>	<u>Remaining Commitment</u>
N/A	Gymnasiums	\$ 532,839	\$ 720
N/A	Courtney Field	788,123	256,287
05-6 Eng	Street/Sidewalk Reconstruction	48,706	4,965
05-3 PW	Watermain	107,450	6,280
06-1 PW	Backwash Recycling	2,711,763	52,613
06-8 Eng	Storm Sewer	189,476	16,807
			<u>\$ 337,672</u>

**Note 5 LONG-TERM DEBT**

The City has five types of bonded debt outstanding at December 31, 2006: tax increment bonds, general obligation bonds, public improvement revolving 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 from general property taxes. The third type is payable from special assessments. The fourth type is payable solely from annual appropriation lease payments received from the City of Edina pursuant to a lease between the Edina Housing and

**CITY OF EDINA, MINNESOTA**  
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Redevelopment Authority and the City. The fifth 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, 2006, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Original Issue</u>	<u>Payable 12/31/06</u>
<b>Tax Increment Bonds:</b>					
Tax Increment Bonds, Series 2000A	4.30-4.80	9/6/2000	2/1/2011	\$ 2,620,000	\$ 1,465,000
Tax Increment Bonds, Series 2002B	3.00%	8/5/2002	2/1/2009	1,400,000	1,400,000
Tax Increment Refunding Bonds, Series 2005B	3.00%	7/19/2005	2/1/2009	10,520,000	8,870,000
Tax Increment Taxable Refunding Bonds, Series 2005C	3.75-4.25	7/19/2005	2/1/2009	6,220,000	5,220,000
Tax Increment Refunding Bonds, Series 2005D	3.00-3.40	7/19/2005	2/1/2013	<u>3,505,000</u>	<u>3,505,000</u>
Total Tax Increment Bonds				<u>24,265,000</u>	<u>20,460,000</u>
<b>General Obligation Bonds:</b>					
General Obligation Equipment Certificates, Series 2003A	1.05-2.04	3/1/2003	2/1/2008	1,540,000	295,000
General Obligation - Park & Recreation Refunding, 2005A	3.50-4.00	7/19/2005	2/1/2017	<u>5,375,000</u>	<u>5,375,000</u>
Total General Obligation Bonds				<u>6,915,000</u>	<u>5,670,000</u>
<b>Permanent Improvement Revolving (PIR) Bonds:</b>					
Permanent Improvement Revolving, 2005E	3.00-3.75	9/13/2005	2/1/2016	<u>1,460,000</u>	<u>1,460,000</u>
Total PIR Bonds				<u>1,460,000</u>	<u>1,460,000</u>
<b>Public Project Revenue Bonds:</b>					
Public Project Revenue, Series 2002	4.00-5.25	1/1/2002	2/1/2021	12,410,000	10,655,000
Public Project Revenue, Series 2005	3.50-4.13	9/13/2005	5/1/2026	<u>5,425,000</u>	<u>5,425,000</u>
Total Public Project Revenue Bonds				<u>17,835,000</u>	<u>16,080,000</u>
Total bonded indebtedness - governmental activities				<u>\$50,475,000</u>	<u>\$43,670,000</u>

**CITY OF EDINA, MINNESOTA**  
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BUSINESS-TYPE ACTIVITIES

	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Payable 12/31/06
Revenue Bonds:					
Recreational Facility Bonds, Series 1999B	3.70-4.45	5/3/1999	1/1/2013	\$ 3,270,000	\$ 2,260,000
Recreational Facility Bonds, Series 2001A	2.25-4.65	11/1/2001	1/1/2017	4,620,000	2,335,000
Utility Revenue Bonds, Series 1999A	3.20-4.20	5/3/1999	2/1/2009	3,600,000	1,215,000
Utility Revenue Bonds, Series 2003C	1.10-3.55	3/1/2003	2/1/2013	<u>3,200,000</u>	<u>2,335,000</u>
Total Revenue Bonds				<u>14,690,000</u>	<u>8,145,000</u>
Total bonded indebtedness - business-type activities				<u>\$ 14,690,000</u>	<u>\$ 8,145,000</u>

Annual debt service requirements to maturity for the City's bonds are as follows:

Year Ending December 31	Governmental Activities					
	Tax Increment Bonds		General Obligation Bonds		Public Improvement Revolving Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2007	\$ 4,795,000	\$ 625,606	\$ 545,000	\$ 197,188	\$ 160,000	\$ 46,694
2008	5,650,000	445,694	570,000	179,587	155,000	41,969
2009	5,890,000	244,236	435,000	162,825	150,000	37,206
2010	805,000	125,820	455,000	147,250	150,000	32,331
2011	840,000	94,359	470,000	131,062	150,000	27,363
2012-2016	2,480,000	57,795	2,620,000	379,294	695,000	62,046
2017-2021	-	-	575,000	11,500	-	-
Total	<u>\$ 20,460,000</u>	<u>\$ 1,593,510</u>	<u>\$ 5,670,000</u>	<u>\$ 1,208,706</u>	<u>\$ 1,460,000</u>	<u>\$ 247,609</u>

Year Ending December 31	Governmental Activities		Business-type Activities	
	Public Project Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2007	\$ 690,000	\$ 725,855	\$ 1,595,000	\$ 276,999
2008	715,000	696,118	1,560,000	221,821
2009	745,000	665,192	1,600,000	163,542
2010	780,000	632,880	715,000	120,095
2011	810,000	598,880	750,000	92,524
2012-2016	4,645,000	2,383,255	1,835,000	123,442
2017-2021	5,890,000	1,121,597	90,000	2,092
2022-2026	1,805,000	192,535	-	-
Total	<u>\$ 16,080,000</u>	<u>\$ 7,016,312</u>	<u>\$ 8,145,000</u>	<u>\$ 1,000,515</u>

**CITY OF EDINA, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2006

CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
Tax increment	\$ 28,905,000	\$ -	\$ (8,445,000)	\$ 20,460,000	\$ 4,795,000
General obligation	11,765,000	-	(6,095,000)	5,670,000	545,000
PIR	1,460,000	-	-	1,460,000	160,000
Public project revenue	16,560,000	-	(480,000)	16,080,000	690,000
Less deferred amounts:					
Discount on bonds	(319,593)	-	43,303	(276,290)	-
Premiums	77,003	-	(15,505)	61,498	-
Total bonds payable	<u>58,447,410</u>	<u>-</u>	<u>(14,992,202)</u>	<u>43,455,208</u>	<u>6,190,000</u>
Compensated absences	<u>2,953,300</u>	<u>1,573,290</u>	<u>(1,331,557)</u>	<u>3,195,033</u>	<u>1,278,013</u>
Governmental activity Long-term liabilities	<u>\$ 61,400,710</u>	<u>\$ 1,573,290</u>	<u>\$(16,323,759)</u>	<u>\$ 46,650,241</u>	<u>\$ 7,468,013</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	9,690,000	-	(1,545,000)	8,145,000	1,595,000
Less deferred amounts:					
Discount on bonds	(43,201)	-	9,412	(33,789)	-
Total bonds payable	<u>9,646,799</u>	<u>-</u>	<u>(1,535,588)</u>	<u>8,111,211</u>	<u>1,595,000</u>
Compensated absences	<u>837,179</u>	<u>336,759</u>	<u>(255,423)</u>	<u>918,515</u>	<u>367,406</u>
Business-type activity Long-term liabilities	<u>\$ 10,483,978</u>	<u>\$ 336,759</u>	<u>\$ (1,791,011)</u>	<u>\$ 9,029,726</u>	<u>\$ 1,962,406</u>

For governmental activities, compensated absences are generally liquidated by the general fund.

The City issued \$5,375,000 of General Obligation Park & Recreation Refunding Bonds, Series 2005A to provide resources for a "crossover refunding" of the 2007 through 2017 maturities of the \$5,575,000 General Obligation Park & Recreation Bonds, Series 1996B. The proceeds of the 2005 issue were placed in an escrow account until the February 1, 2006 call date of the refunded issue. The crossover refunding included \$199,747 of City funds in addition to the refunding bond proceeds. The crossover refunding was undertaken to reduce total debt service payments by \$957,250 and resulted in an economic gain of \$565,887.

**CITY OF EDINA, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2006

The City issued \$3,505,000 of General Obligation Tax Increment Refunding Bonds, Series 2005D to provide resources for a “crossover refunding” of the 2007 through 2013 maturities of the \$3,460,000 General Obligation Tax Increment Bonds, Series 1997B. The proceeds of the 2005 issue were placed in an escrow account until the February 1, 2006 call date of the refunded issue. The crossover refunding was undertaken to reduce total debt service payments by \$263,373 and resulted in an economic gain of \$229,532.

**Note 6 LEGAL DEBT MARGIN**

The City is subject to a statutory limitation by the State of Minnesota for bonded indebtedness payable principally from property taxes. The City of Edina's legal debt margin for 2006 is computed as follows:

	<u>December 31, 2006</u>
Market Value (after fiscal disparities)	<u>\$ 9,598,697,600</u>
Debt Limit (2% of Market Value)	<u>\$ 191,973,952</u>
Amount of debt applicable to debt limit:	
Total bonded debt	\$ 51,815,000
Less:	
Tax increment bonds	(20,460,000)
Public improvement revolving bonds	(1,460,000)
Public project revenue bonds	(16,080,000)
Revenue bonds	(8,145,000)
Fund balance in related Debt Service Funds	<u>(1,979,046)</u>
Total debt applicable to debt limit	<u>\$ 3,690,954</u>
Legal debt margin	<u>\$ 188,282,998</u>

**Note 7 DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**A. PLAN DESCRIPTION**

All full-time and certain part-time employees of the City of Edina are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota 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 hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF 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 internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

**CITY OF EDINA, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2006

**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 were required to contribute 9.10% and 5.50%, respectively, of their covered salary in 2006. Contribution rates in the Coordinated Plan will increase in 2007 to 5.75%. PEPFF members were required to contribute 7.00% of their covered salary in 2006. That rate will increase to 7.8% in 2007. The City of Edina is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.0% for Coordinated Plan PERF members, and 10.5% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.25% and 11.7% respectively, effective January 1, 2007. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2006, 2005 and 2004 were \$696,014, \$619,212, and \$614,321, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2006, 2005 and 2004 were \$632,892, \$539,000, and \$537,552, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

**Note 8 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of internal balances as of December 31, 2006, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Construction	\$ 1,750,000
Debt Service	Construction	175,000
	General	200,000
HRA	General	79,299
Liquor	Utilities	1,025,000
Aquatic Center	Utilities	400,000
	Golf Course	340,000
	Edinburgh/Centennial Lakes	60,000
Communication	Community Development Block Grant	13,000
Total		<u>\$ 4,042,299</u>

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

**CITY OF EDINA, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2006

	Transfer In:				Total
	General	Debt Service	Construction	Nonmajor Business-type	
Transfer out:					
General Fund	\$ -	\$ -	\$ 50,000	\$ -	\$ 50,000
HRA Fund	-	5,827,512	-	-	5,827,512
Construction Fund	-	87,516	-	62,000	149,516
Utilities Fund	-	-	100,000	-	100,000
Liquor Fund	700,230	-	100,000	195,000	995,230
	<u>\$ 700,230</u>	<u>\$ 5,915,028</u>	<u>\$ 250,000</u>	<u>\$ 257,000</u>	<u>\$ 7,122,258</u>

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

1. The liquor fund transferred \$700,230, \$110,000, and \$85,000 to the general fund, art center, and arena funds, respectively, to subsidize operations.
2. The construction fund transferred \$37,000 and \$25,000 to the art center and arena funds, respectively to subsidize capital improvements to those facilities.
3. The general fund transferred \$50,000 to the construction fund to fund the capital improvement program.

**CITY OF EDINA, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2006

**Note 9 TAX INCREMENT DISTRICTS**

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

District number 1200 (50<sup>th</sup> 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.

District number 1207 (70<sup>th</sup> 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, 2006:

	<u>TIF #1200</u>	<u>TIF #1201</u>	<u>TIF #1202</u>	<u>TIF #1203</u>	<u>Total</u>
Original tax capacity	\$ 112,826	\$ 94,319	\$ 164,885	\$ 229,691	\$ 601,721
Current tax capacity	<u>1,129,577</u>	<u>2,944,638</u>	<u>1,274,613</u>	<u>3,232,962</u>	<u>8,581,790</u>
Tax capacity change	1,016,751	2,850,319	1,109,728	3,003,271	7,980,069
Captured tax capacity value:					
Retained captured tax capacity	<u>\$ 1,016,751</u>	<u>\$ 2,850,319</u>	<u>\$ 1,109,728</u>	<u>\$ 3,003,271</u>	<u>\$ 7,980,069</u>
Total bonds issued (general obligation)	\$ 5,360,000	\$ 22,445,000	\$ 9,637,555	\$ 35,894,724	\$ 73,337,279
Amounts redeemed	<u>5,360,000</u>	<u>22,445,000</u>	<u>6,772,555</u>	<u>18,299,724</u>	<u>52,877,279</u>
Outstanding bonds at December 31, 2006	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,865,000</u>	<u>\$ 17,595,000</u>	<u>\$ 20,460,000</u>

**Note 10 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.

Worker's compensation insurance is provided through the League of Minnesota Cities Insurance Trust (LMCIT). The City has a \$10,000 deductible per occurrence, with a \$500,000 annual maximum.

Automobile and general liability coverage is 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. The City is not subject to a deductible for automobile or general liability 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 \$2,500 - \$25,000 deductibles per occurrence depending on claim type, with an annual maximum of \$83,446,936.

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.

Settlement claims have not exceeded insurance coverage for each of the past three years. There were not significant reductions in insurance coverage during 2006.

**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, 2006.

**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 11 CONDUIT DEBT OBLIGATION**

As of December 31, 2006, the City of Edina had 3 series of Housing and Health Care Revenue Bonds, with an aggregate principal amount payable of \$29,850,000. 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 12 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 50<sup>th</sup> Street, Edina, MN 55424.

**Note 13 RELATED PARTY TRANSACTIONS**

The City pays an annual membership fee to the South Metro Public Safety Training Facility as part of the joint venture agreement. The membership fee is paid by the Police and Fire departments and is based on a Cost Sharing Formula. For the year ended December 31, 2006, the City paid a total of \$34,505 in membership fees to the PSTF.

**CITY OF EDINA, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2006

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**Note 14 DESIGNATIONS AND RESERVATIONS OF FUND BALANCE**

At December 31, 2006 the City had designated and reserved portions of its various fund balances through legal restriction and City Council authorization. A summary of such designations is as follows:

	<u>December 31, 2006</u>
General Fund:	
Reserved for prepaid items	\$ 36,849
Designated for park dedication	192,918
Designated for investments	51,481
Designated for equipment replacement	2,512,308
Designated for compensated absences	1,278,013
Designated for cash flow	8,567,724
Debt Service Fund:	
Reserved for debt service	2,194,313
Construction Fund:	
Reserved for encumbrances	261,972
Reserved for special projects	225,953
Designated for capital improvements	3,160,085
	<u>\$ 18,481,616</u>

**Note 15 SUBSEQUENT EVENTS**

On May 24, 2007, the City issued \$5,865,000 of General Obligation Capital Improvement Plan Bonds, Series 2007A to finance the demolition of Fire Station #1 and construction of a new Fire Station at the same site. The interest rate on the bonds ranges from 4.0 – 4.25 percent and the final maturity date is February 1, 2028.

On May 24, 2007, the City issued \$8,210,000 of General Obligation Utility Revenue Bonds, Series 2007B to finance various utility improvement projects. The interest rate on the bonds is 4.0 percent and the final maturity date is February 1, 2017.

On May 24, 2007, the City issued \$5,870,000 of General Obligation Permanent Improvement Revolving Fund Bonds, Series 2007C to finance various special assessment projects. The interest rate on the bonds ranges from 3.6 – 4.25 percent and the final maturity date is February 1, 2019.

**CITY OF EDINA, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
For The Year Ended December 31, 2006

**Statement 10**

	Budgeted Amounts		2006 Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>Revenues:</b>				
General property taxes:				
Current	\$ 18,087,487	\$ 18,087,487	\$ 18,153,570	\$ 66,083
Penalties and interest	15,000	15,000	12,450	(2,550)
Total general property taxes	<u>18,102,487</u>	<u>18,102,487</u>	<u>18,166,020</u>	<u>63,533</u>
Licenses and permits:	<u>2,256,550</u>	<u>2,256,550</u>	<u>3,458,140</u>	<u>1,201,590</u>
Intergovernmental:				
Federal:	35,000	35,000	197,308	162,308
State:				
Municipal state aid	195,000	195,000	195,000	-
Other	170,608	170,608	181,322	10,714
State aid - police	320,000	320,000	354,676	34,676
Health programs	-	-	121,217	121,217
Total intergovernmental	<u>720,608</u>	<u>720,608</u>	<u>1,049,523</u>	<u>328,915</u>
Charges for services:				
Building Department	1,800	1,800	6,730	4,930
City Clerk	-	-	10,473	10,473
Fire Department	33,000	33,000	29,710	(3,290)
Ambulance fees	1,237,300	1,237,300	1,452,299	214,999
Police Department	235,360	235,360	199,046	(36,314)
Engineering	117,000	117,000	227,757	110,757
Health Department	6,200	6,200	7,978	1,778
Planning Department	24,000	24,000	38,443	14,443
Housing Foundation Contract	31,700	31,700	23,655	(8,045)
HRA Services	20,000	20,000	22,604	2,604
Park Registration	78,800	78,800	93,218	14,418
Senior Center	104,300	104,300	104,419	119
Other fees	5,500	5,500	78,900	73,400
50th & France Assessment	69,000	69,000	69,000	-
Charges to other funds	271,413	271,413	277,488	6,075
Total charges for services	<u>2,235,373</u>	<u>2,235,373</u>	<u>2,641,720</u>	<u>406,347</u>
Fines and forfeits	<u>875,000</u>	<u>875,000</u>	<u>1,023,935</u>	<u>148,935</u>
Miscellaneous:				
Rental of property	285,000	285,000	308,535	23,535
Investment income	150,000	150,000	298,299	148,299
Donations	5,000	5,000	15,539	10,539
Other	5,000	5,000	96,879	91,879
Total miscellaneous	<u>445,000</u>	<u>445,000</u>	<u>719,252</u>	<u>274,252</u>
Total revenues	<u>24,635,018</u>	<u>24,635,018</u>	<u>27,058,590</u>	<u>2,423,572</u>

CITY OF EDINA, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)  
 For The Year Ended December 31, 2006

Statement 10

	Budgeted Amounts		2006 Actual Amounts	Variance with Final Budget - Under (Over)
	Original	Final		
Expenditures:				
General government:				
Mayor and Council:				
Current:				
Personal services	\$ 32,258	\$ 32,258	\$ 30,224	\$ 2,034
Contractual services	4,800	4,800	6,905	(2,105)
Commodities	1,100	1,100	558	542
Central services	28,548	28,548	31,063	(2,515)
Total mayor and council	<u>66,706</u>	<u>66,706</u>	<u>68,750</u>	<u>(2,044)</u>
Administration:				
Current:				
Personal services	799,481	799,481	722,525	76,956
Contractual services	144,000	144,000	120,989	23,011
Commodities	3,100	3,100	2,114	986
Central services	58,956	58,956	63,043	(4,087)
Total current	<u>1,005,537</u>	<u>1,005,537</u>	<u>908,671</u>	<u>96,866</u>
Capital outlay	<u>5,996</u>	<u>5,996</u>	<u>2,464</u>	<u>3,532</u>
Total administration	<u>1,011,533</u>	<u>1,011,533</u>	<u>911,135</u>	<u>100,398</u>
Planning:				
Current:				
Personal services	322,919	322,919	353,400	(30,481)
Contractual services	35,500	35,500	123,423	(87,923)
Commodities	1,650	1,650	1,456	194
Central services	41,844	41,844	44,828	(2,984)
Total current	<u>401,913</u>	<u>401,913</u>	<u>523,107</u>	<u>(121,194)</u>
Capital outlay	<u>1,800</u>	<u>1,800</u>	<u>37</u>	<u>1,763</u>
Total planning	<u>403,713</u>	<u>403,713</u>	<u>523,144</u>	<u>(119,431)</u>
Finance:				
Current:				
Personal services	453,064	453,064	448,212	4,852
Contractual services	97,600	97,600	91,893	5,707
Commodities	2,100	2,100	1,234	866
Central services	51,672	51,672	55,093	(3,421)
Total current	<u>604,436</u>	<u>604,436</u>	<u>596,432</u>	<u>8,004</u>
Capital outlay	<u>5,990</u>	<u>5,990</u>	<u>-</u>	<u>5,990</u>
Total finance	<u>610,426</u>	<u>610,426</u>	<u>596,432</u>	<u>13,994</u>
Election:				
Current:				
Personal services	127,344	127,344	178,242	(50,898)
Contractual services	19,745	19,745	6,769	12,976
Commodities	5,440	5,440	8,181	(2,741)
Central services	22,368	22,368	23,360	(992)
Total election	<u>174,897</u>	<u>174,897</u>	<u>216,552</u>	<u>(41,655)</u>

**CITY OF EDINA, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)**  
For The Year Ended December 31, 2006

**Statement 10**

	Budgeted Amounts		2006 Actual Amounts	Variance with Final Budget - Under (Over)
	Original	Final		
Assessing:				
Current:				
Personal services	\$ 594,826	\$ 594,826	\$ 582,281	\$ 12,545
Contractual services	102,610	102,610	79,403	23,207
Commodities	2,500	2,500	1,301	1,199
Central services	61,020	61,020	65,050	(4,030)
Total current	760,956	760,956	728,035	32,921
Capital outlay	12,695	12,695	-	12,695
Total assessing	773,651	773,651	728,035	45,616
Legal and court services:				
Current:				
Contractual services	430,000	430,000	355,906	74,094
Contingencies:				
Current:				
Contractual services	119,616	119,616	271,267	(151,651)
Commodities	-	-	268	(268)
Total contingencies	119,616	119,616	271,535	(151,919)
City's share of special assessment:				
Current:				
Contractual services	30,000	30,000	23,056	6,944
Human Rights Commission:				
Current:				
Contractual services	85,635	85,635	84,378	1,257
Suburban Rate Authority:				
Current:				
Contractual services	4,000	4,000	4,000	-
Edina Resource Center				
Current:				
Contractual services	34,040	34,040	34,040	-
Human Services Planning & Coordination				
Current:				
Contractual services	23,190	23,190	28,287	(5,097)
Records management:				
Current:				
Contractual services	27,000	27,000	-	27,000
Employee programs				
Current:				
Personal services	118,200	118,200	68,884	49,316
Contractual services	10,800	10,800	11,204	(404)
Total employee programs	129,000	129,000	80,088	48,912
Dial-a-Ride:				
Current:				
Contractual services	23,000	23,000	15,434	7,566
Public Artscape:				
Current:				
Contractual services	-	-	16,765	(16,765)
Total general government	3,946,407	3,946,407	3,957,537	(11,130)

CITY OF EDINA, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)  
 For The Year Ended December 31, 2006

Statement 10

	Budgeted Amounts		2006 Actual Amounts	Variance with Final Budget - Under (Over)
	Original	Final		
Public safety:				
Police protection:				
Current:				
Personal services	\$ 5,474,994	\$ 5,474,994	\$ 5,646,093	\$ (171,099)
Contractual services	333,081	333,081	325,614	7,467
Commodities	70,632	70,632	94,429	(23,797)
Central services	796,608	796,608	848,792	(52,184)
Total current	6,675,315	6,675,315	6,914,928	(239,613)
Capital outlay	250,290	250,290	658,888	(408,598)
Total police protection	6,925,605	6,925,605	7,573,816	(648,211)
Fire protection:				
Current:				
Personal services	3,217,342	3,217,342	3,212,805	4,537
Contractual services	275,019	275,019	338,817	(63,798)
Commodities	137,000	137,000	147,973	(10,973)
Central services	265,272	265,272	277,928	(12,656)
Total current	3,894,633	3,894,633	3,977,523	(82,890)
Capital outlay	189,695	189,695	239,952	(50,257)
Total fire protection	4,084,328	4,084,328	4,217,475	(133,147)
Civil defense:				
Current:				
Personal services	34,121	34,121	36,691	(2,570)
Contractual services	9,220	9,220	7,407	1,813
Commodities	1,375	1,375	15	1,360
Total current	44,716	44,716	44,113	603
Capital outlay	5,356	5,356	-	5,356
Total civil defense	50,072	50,072	44,113	5,959
Animal Control:				
Current:				
Personal services	54,517	54,517	58,428	(3,911)
Contractual services	8,088	8,088	7,572	516
Commodities	3,934	3,934	665	3,269
Central services	9,252	9,252	9,692	(440)
Total current	75,791	75,791	76,357	(566)
Capital outlay	7,102	7,102	-	7,102
Total animal control	82,893	82,893	76,357	6,536
Public health:				
Current:				
Personal services	253,416	253,416	227,741	25,675
Contractual services	178,985	178,985	174,807	4,178
Commodities	1,325	1,325	508	817
Central services	31,812	31,812	33,959	(2,147)
Total current	465,538	465,538	437,015	28,523
Capital outlay	5,355	5,355	-	5,355
Total public health	470,893	470,893	437,015	33,878

**CITY OF EDINA, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)**  
For The Year Ended December 31, 2006

**Statement 10**

	Budgeted Amounts		2006 Actual Amounts	Variance with Final Budget - Under (Over)
	Original	Final		
Inspections:				
Current:				
Personal services	\$ 619,507	\$ 619,507	\$ 659,171	\$ (39,664)
Contractual services	86,145	86,145	77,756	8,389
Commodities	6,100	6,100	7,530	(1,430)
Central services	74,496	74,496	79,547	(5,051)
Total current	<u>786,248</u>	<u>786,248</u>	<u>824,004</u>	<u>(37,756)</u>
Capital outlay	17,915	17,915	622	17,293
Total inspections	<u>804,163</u>	<u>804,163</u>	<u>824,626</u>	<u>(20,463)</u>
Total public safety	<u>12,417,954</u>	<u>12,417,954</u>	<u>13,173,402</u>	<u>(755,448)</u>
Public works:				
Administration:				
Current:				
Personal services	161,737	161,737	154,960	6,777
Contractual services	5,700	5,700	4,760	940
Commodities	1,000	1,000	-	1,000
Central services	24,492	24,492	26,086	(1,594)
Total administration	<u>192,929</u>	<u>192,929</u>	<u>185,806</u>	<u>7,123</u>
Engineering:				
Current:				
Personal services	576,959	576,959	555,356	21,603
Contractual services	94,842	94,842	123,288	(28,446)
Commodities	18,000	18,000	13,542	4,458
Central services	81,624	81,624	86,921	(5,297)
Total current	<u>771,425</u>	<u>771,425</u>	<u>779,107</u>	<u>(7,682)</u>
Capital outlay	48,152	48,152	70,992	(22,840)
Total engineering	<u>819,577</u>	<u>819,577</u>	<u>850,099</u>	<u>(30,522)</u>
Supervision and overhead:				
Current:				
Personal services	218,658	218,658	168,077	50,581
Contractual services	27,000	27,000	28,246	(1,246)
Commodities	500	500	-	500
Central services	167,436	167,436	174,127	(6,691)
Total supervision and overhead	<u>413,594</u>	<u>413,594</u>	<u>370,450</u>	<u>43,144</u>
Street maintenance:				
Current:				
Personal services	1,723,594	1,723,594	1,672,522	51,072
Contractual services	667,380	667,380	641,844	25,536
Commodities	730,490	730,490	810,183	(79,693)
Central services	535,908	535,908	561,399	(25,491)
Total current	<u>3,657,372</u>	<u>3,657,372</u>	<u>3,685,948</u>	<u>(28,576)</u>
Capital outlay	489,635	489,635	245,623	244,012
Total street maintenance	<u>4,147,007</u>	<u>4,147,007</u>	<u>3,931,571</u>	<u>215,436</u>
Total public works	<u>5,573,107</u>	<u>5,573,107</u>	<u>5,337,926</u>	<u>235,181</u>

**CITY OF EDINA, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)**  
For The Year Ended December 31, 2006

**Statement 10**

	Budgeted Amounts		2006 Actual Amounts	Variance with Final Budget - Under (Over)
	Original	Final		
Parks:				
Administration:				
Current:				
Personal services	\$ 570,499	\$ 570,499	\$ 561,471	\$ 9,028
Contractual services	50,102	50,102	74,738	(24,636)
Commodities	3,301	3,301	4,190	(889)
Central services	61,008	61,008	65,035	(4,027)
Total current	684,910	684,910	705,434	(20,524)
Capital outlay	6,682	6,682	2,278	4,404
Total administration	691,592	691,592	707,712	(16,120)
Recreation:				
Current:				
Personal services	185,811	185,811	129,501	56,310
Contractual services	152,482	152,482	157,445	(4,963)
Commodities	43,982	43,982	43,913	69
Total recreation	382,275	382,275	330,859	51,416
Maintenance:				
Current:				
Personal services	1,404,514	1,404,514	1,416,037	(11,523)
Contractual services	327,275	327,275	258,424	68,851
Commodities	182,680	182,680	167,945	14,735
Central services	280,452	280,452	293,311	(12,859)
Total current	2,194,921	2,194,921	2,135,717	59,204
Capital outlay	114,542	114,542	91,792	22,750
Total maintenance	2,309,463	2,309,463	2,227,509	81,954
Deer control:				
Current:				
Contractual services	9,450	9,450	13,078	(3,628)
Total deer control	9,450	9,450	13,078	(3,628)
Total parks	3,392,780	3,392,780	3,279,158	113,622
Total expenditures	25,330,248	25,330,248	25,748,023	(417,775)
Revenues over (under) expenditures	(695,230)	(695,230)	1,310,567	2,005,797
Other financing sources (uses):				
Transfer from other funds	700,230	700,230	700,230	-
Transfer to other funds	(50,000)	(50,000)	(50,000)	-
Sale of capital assets	45,000	45,000	54,457	9,457
Total financing sources (uses)	695,230	695,230	704,687	9,457
Net increase (decrease) in fund balance	\$ -	\$ -	2,015,254	\$ 2,015,254
Fund balance - January 1			11,818,784	
Fund balance - December 31			\$ 13,834,038	

**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 Manager 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, 2006

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**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>
General Government:			
Mayor and council	\$ 66,706	\$ 68,750	\$ 2,044
Planning	403,713	523,144	119,431
Elections	174,897	216,552	41,655
Contingencies	119,616	271,535	151,919
Human services planning	23,190	28,287	5,097
Public artscape	-	16,765	16,765
Public Safety:			
Police protection	6,925,605	7,573,816	648,211
Fire protection	4,084,328	4,217,475	133,147
Inspections	804,163	824,626	20,463
Public Works:			
Engineering	819,577	850,099	30,522
Parks:			
Administration	691,592	707,712	16,120
Deer control	9,450	13,078	3,628

Excess expenditures in the mayor and council, planning, elections, contingencies, human services planning and coordination, public artscapes, engineering, parks administration and deer control departments are funded by available general fund balance. Excess expenditures in the police protection department are by available general fund balance designated for our equipment replacement program. Excess expenditures in the fire protection and inspections department are funded by greater than anticipated charges for services and license and permit revenue.

Excess expenditures in the CDBG fund are due to timing differences between the grant period and the City's fiscal year. All CDBG expenditures are reimbursed by the County.

## 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.

The following are nonmajor special revenue funds:

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, 2006

**Statement 11**

	<u>Community Development Block Grant</u>	<u>Communication</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>Assets</b>			
Cash and cash equivalents	\$ 904	\$ 1,331	\$ 2,235
Investments	-	621,089	621,089
Accounts receivable	-	140,235	140,235
Accrued interest receivable	-	4,448	4,448
Due from other funds	-	13,000	13,000
Due from other governments	12,096	100	12,196
Total assets	<u>\$ 13,000</u>	<u>\$ 780,203</u>	<u>\$ 793,203</u>
<b>Liabilities and Fund Balance</b>			
<b>Liabilities:</b>			
Accounts payable	\$ -	\$ 91,433	\$ 91,433
Salaries payable	-	3,898	3,898
Due to other funds	13,000	-	13,000
Unearned revenue	-	2,520	2,520
Total liabilities	<u>13,000</u>	<u>97,851</u>	<u>110,851</u>
<b>Fund balance:</b>			
<b>Unreserved:</b>			
Undesignated	-	682,352	682,352
Total fund balance	<u>-</u>	<u>682,352</u>	<u>682,352</u>
Total liabilities and fund balance	<u>\$ 13,000</u>	<u>\$ 780,203</u>	<u>\$ 793,203</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, 2006

**Statement 12**

	Community Development Block Grant	Communication	Total Nonmajor Special Revenue Funds
Revenues:			
Franchise fees	\$ -	\$ 499,206	\$ 499,206
Intergovernmental	187,674	-	187,674
Investment income	-	25,153	25,153
Other	-	43,866	43,866
Total revenues	<u>187,674</u>	<u>568,225</u>	<u>755,899</u>
Expenditures:			
Current:			
General government	<u>187,674</u>	<u>616,900</u>	<u>804,574</u>
Total expenditures	<u>187,674</u>	<u>616,900</u>	<u>804,574</u>
Net increase (decrease) in fund balance	-	(48,675)	(48,675)
Fund balance - January 1	<u>-</u>	<u>731,027</u>	<u>731,027</u>
Fund balance - December 31	<u>\$ -</u>	<u>\$ 682,352</u>	<u>\$ 682,352</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, 2006

**Statement 13**

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	Budgeted Amounts		Actual Amounts
	Original	Final	
Revenues:			
Intergovernmental	\$ 167,594	\$ 167,594	\$ 187,674
Total revenues	<u>167,594</u>	<u>167,594</u>	<u>187,674</u>
Expenditures:			
Current:			
General government	<u>167,594</u>	<u>167,594</u>	<u>187,674</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 Fund - This fund accounts for activities related to the Braemar Ice Arena.

Art Center Fund - This fund accounts for activities related to the City's Art Center.

Edinburgh/Centennial Lakes Fund - This fund accounts for activities at two of the City's parks; Edinburgh Park and Centennial Lakes Park.

**CITY OF EDINA, MINNESOTA**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
December 31, 2006

**Statement 14**

	Arena	Art Center	Edinborough Park Centennial Lakes	Total Nonmajor Proprietary Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 30,466	\$ 12,533	\$ 5,435	\$ 48,434
Investments	-	-	4,371,402	4,371,402
Interest receivable	-	-	31,307	31,307
Accounts receivable	211,044	1,268	1,855	214,167
Inventory	-	15,865	-	15,865
Total current assets	<u>241,510</u>	<u>29,666</u>	<u>4,409,999</u>	<u>4,681,175</u>
Noncurrent assets:				
Deferred charges	2,781	-	-	2,781
Net capital assets	<u>2,975,558</u>	<u>322,138</u>	<u>804,495</u>	<u>4,102,191</u>
Total noncurrent assets	<u>2,978,339</u>	<u>322,138</u>	<u>804,495</u>	<u>4,104,972</u>
Total assets	<u>3,219,849</u>	<u>351,804</u>	<u>5,214,494</u>	<u>8,786,147</u>
<b>Liabilities:</b>				
Current liabilities:				
Accounts payable	37,630	26,380	120,661	184,671
Salaries payable	12,666	3,776	15,507	31,949
Accrued interest payable	9,323	-	-	9,323
Due to other funds	-	-	60,000	60,000
Due to other governments	293	1,103	3,965	5,361
Unearned revenue	-	4,529	49,579	54,108
Compensated absences payable	46,970	16,345	47,459	110,774
Bonds payable	200,000	-	-	200,000
Total current liabilities	<u>306,882</u>	<u>52,133</u>	<u>297,171</u>	<u>656,186</u>
Noncurrent liabilities:				
Compensated absences	70,455	24,518	71,188	166,161
Bonds payable, net	<u>443,290</u>	<u>-</u>	<u>-</u>	<u>443,290</u>
Total noncurrent liabilities	<u>513,745</u>	<u>24,518</u>	<u>71,188</u>	<u>609,451</u>
Total liabilities	<u>820,627</u>	<u>76,651</u>	<u>368,359</u>	<u>1,265,637</u>
<b>Net assets:</b>				
Invested in capital assets, net of related debt	2,335,049	322,138	804,495	3,461,682
Unrestricted	<u>64,173</u>	<u>(46,985)</u>	<u>4,041,640</u>	<u>4,058,828</u>
Total net assets	<u>\$ 2,399,222</u>	<u>\$ 275,153</u>	<u>\$ 4,846,135</u>	<u>\$ 7,520,510</u>

**CITY OF EDINA, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
For The Year Ended December 31, 2006

**Statement 15**

	Arena	Art Center	Edinborough Park Centennial Lakes	Total Nonmajor Proprietary Funds
<b>Operating revenues:</b>				
Sales - retail	\$ 9,902	\$ 67,146	\$ -	\$ 77,048
Sales - concessions	-	4,566	24,199	28,765
Memberships	5,601	27,965	46,554	80,120
Admissions	92,728	-	428,958	521,686
Building rental	1,143,211	-	222,599	1,365,810
Rental of equipment	4,218	-	52,007	56,225
Greens fees	-	-	165,649	165,649
Class registration & other fees	162,895	387,786	491,169	1,041,850
<b>Total operating revenues</b>	<b>1,418,555</b>	<b>487,463</b>	<b>1,431,135</b>	<b>3,337,153</b>
<b>Operating expenses:</b>				
Cost of sales and services	1,128	26,843	13,584	41,555
Personal services	580,849	250,249	983,627	1,814,725
Contractual services	563,845	236,046	467,512	1,267,403
Commodities	49,754	49,295	210,546	309,595
Central Services	47,606	41,057	88,511	177,174
Depreciation	298,916	30,497	87,672	417,085
<b>Total operating expenses</b>	<b>1,542,098</b>	<b>633,987</b>	<b>1,851,452</b>	<b>4,027,537</b>
<b>Operating loss</b>	<b>(123,543)</b>	<b>(146,524)</b>	<b>(420,317)</b>	<b>(690,384)</b>
<b>Nonoperating revenues (expenses):</b>				
Investment income	-	-	180,647	180,647
Donations	-	13,010	-	13,010
Interest and fiscal charges	(18,866)	-	-	(18,866)
Gain (loss) on sale of capital asset	-	-	9,151	9,151
Amortization of bond discount	(2,246)	-	-	(2,246)
<b>Total nonoperating     revenues (expenses)</b>	<b>(21,112)</b>	<b>13,010</b>	<b>189,798</b>	<b>181,696</b>
<b>Income (loss) before transfers</b>	<b>(144,655)</b>	<b>(133,514)</b>	<b>(230,519)</b>	<b>(508,688)</b>
<b>Transfers:</b>				
Transfers in	110,000	147,000	-	257,000
<b>Total transfers</b>	<b>110,000</b>	<b>147,000</b>	<b>-</b>	<b>257,000</b>
Change in net assets	(34,655)	13,486	(230,519)	(251,688)
Net assets - January 1	2,433,877	261,667	5,076,654	7,772,198
Net assets - December 31	<u>\$ 2,399,222</u>	<u>\$ 275,153</u>	<u>\$ 4,846,135</u>	<u>\$ 7,520,510</u>

**CITY OF EDINA, MINNESOTA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
For The Year Ended December 31, 2006

**Statement 16**

	Arena	Art Center	Edinborough Park Centennial Lakes	Total Nonmajor Proprietary Funds
<b>Cash flows from operating activities:</b>				
Receipts from customers and users	\$ 1,338,029	\$ 487,657	\$ 1,432,820	\$ 3,258,506
Payment to suppliers	(684,737)	(353,136)	(701,833)	(1,739,706)
Payment to employees	(566,022)	(249,802)	(970,359)	(1,786,183)
Donations	-	13,010	-	13,010
Net cash provided by (used in) operating activities	<u>87,270</u>	<u>(102,271)</u>	<u>(239,372)</u>	<u>(254,373)</u>
<b>Cash flows from noncapital financing activities:</b>				
Transfer (to) from Enterprise Funds	85,000	110,000	-	195,000
Transfer (to) from Capital Project Funds	25,000	37,000	-	62,000
Net interfund borrowing	25,000	-	35,000	60,000
Net cash provided by noncapital financing activities	<u>135,000</u>	<u>147,000</u>	<u>35,000</u>	<u>317,000</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition of capital assets	(32,153)	(41,772)	(141,675)	(215,600)
Sale of capital assets	-	-	9,450	9,450
Principal paid on bonds	(200,000)	-	-	(200,000)
Interest paid on bonds	(21,935)	-	-	(21,935)
Net cash used in capital and related financing activities	<u>(254,088)</u>	<u>(41,772)</u>	<u>(132,225)</u>	<u>(428,085)</u>
<b>Cash flows from investing activities:</b>				
Proceeds from sales of investments	-	-	153,902	153,902
Investment income	-	-	186,098	186,098
Net cash flows provided by (used in) investing activities	<u>-</u>	<u>-</u>	<u>340,000</u>	<u>340,000</u>
Net increase (decrease) in cash and cash equivalents	(31,818)	2,957	3,403	(25,458)
Cash and cash equivalents - January 1	62,284	9,576	2,032	73,892
Cash and cash equivalents - December 31	<u>\$ 30,466</u>	<u>\$ 12,533</u>	<u>\$ 5,435</u>	<u>\$ 48,434</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>				
Operating loss	\$ (123,543)	\$ (146,524)	\$ (420,317)	\$ (690,384)
<b>Adjustments to reconcile operating loss to net cash flows from operating activities:</b>				
Depreciation	298,916	30,497	87,672	417,085
Donations	-	13,010	-	13,010
<b>Changes in assets and liabilities:</b>				
Decrease (increase) in receivables	(80,526)	(1,268)	1,560	(80,234)
Decrease (increase) in inventory	-	(37)	-	(37)
Increase (decrease) in accounts payable	(22,034)	397	78,037	56,400
Increase (decrease) in salaries payable	4,772	398	3,534	8,704
Increase (decrease) in due to other governments	(370)	(255)	283	(342)
Increase (decrease) in unearned revenue	-	1,462	125	1,587
Increase (decrease) in compensated absences	10,055	49	9,734	19,838
Total adjustments	<u>210,813</u>	<u>44,253</u>	<u>180,945</u>	<u>436,011</u>
Net cash provided by (used in) operating activities	<u>\$ 87,270</u>	<u>\$ (102,271)</u>	<u>\$ (239,372)</u>	<u>\$ (254,373)</u>

## FIDUCIARY FUNDS

### Agency Funds

Agency funds are used to report resources held by the City in a purely custodial capacity. The following are agency funds:

Police Seizure Fund - This fund accounts for assets seized by the Police Department.

Public Safety Training Facility - This fund accounts for assets and liabilities of the South Metro Public Safety Training Facility, which is a joint venture that the City has fiduciary responsibilities for.

Payroll Fund - This fund accounts for assets withheld from employee paychecks that the City plans to remit to various third parties, including state & local governments, insurance providers, and others.

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**CITY OF EDINA, MINNESOTA**  
**COMBINING STATEMENT OF CHANGES IN**  
**ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
For The Year Ended December 31, 2006

**Statement 17**

	Balance January 1	Additions	Deductions	Balance December 31
<b>POLICE SEIZURE</b>				
Assets:				
Cash	\$ 300,673	\$ 60,580	\$ -	\$ 361,253
Liabilities:				
Due to other governmental units	\$ 300,673	\$ 60,580	\$ -	\$ 361,253
<b>PUBLIC SAFETY TRAINING FACILITY</b>				
Assets:				
Cash	\$ 9,083	\$ -	\$ 7,062	\$ 2,021
Investments	135,000	135,000	-	270,000
Total Assets	<u>\$ 144,083</u>	<u>\$ 135,000</u>	<u>\$ 7,062</u>	<u>\$ 272,021</u>
Liabilities:				
Accounts payable	\$ 10,966	\$ -	\$ 6,381	\$ 4,585
Salaries payable	951	656	-	1,607
Due to other governmental units	132,166	133,663	-	265,829
Total Liabilities	<u>\$ 144,083</u>	<u>\$ 134,319</u>	<u>\$ 6,381</u>	<u>\$ 272,021</u>
<b>PAYROLL</b>				
Assets:				
Cash	\$ 229,971	\$ -	\$ 50,406	\$ 179,565
Liabilities:				
Accounts payable	\$ 70,677	\$ -	\$ 27,047	\$ 43,630
Due to other governmental units	159,294	-	23,359	135,935
Total Liabilities	<u>\$ 229,971</u>	<u>\$ -</u>	<u>\$ 50,406</u>	<u>\$ 179,565</u>
<b>TOTALS - ALL AGENCY FUNDS</b>				
Assets:				
Cash	\$ 539,727	\$ 60,580	\$ 57,468	\$ 542,839
Investments	135,000	135,000	-	270,000
Total Assets	<u>\$ 674,727</u>	<u>\$ 195,580</u>	<u>\$ 57,468</u>	<u>\$ 812,839</u>
Liabilities:				
Accounts payable	\$ 81,643	\$ -	\$ 33,428	\$ 48,215
Salaries payable	951	656	-	1,607
Due to other governmental units	592,133	194,243	23,359	763,017
Total Liabilities	<u>\$ 674,727</u>	<u>\$ 194,899</u>	<u>\$ 56,787</u>	<u>\$ 812,839</u>

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**CITY OF EDINA, MINNESOTA**  
**COMBINED SCHEDULE OF BONDED INDEBTEDNESS**  
December 31, 2006

	Interest Rates	Date	Final Maturity Date	Prior Years	
				Original Issue	Redeemed
<b>Tax Increment Bonds:</b>					
Tax Increment Bonds, Series 1997B	4.50 - 5.20	04/01/97	02/01/13	\$ 5,090,000	\$ 1,225,000
Tax Increment Bonds, Series 2000A	4.30 - 4.80	09/06/00	02/01/11	2,620,000	900,000
Tax Increment Bonds, Series 2002B	3.00%	08/05/02	02/01/09	1,400,000	-
Tax Increment Taxable Refunding Bonds, Series 2003B	1.128 - 1.749	03/01/03	02/01/06	6,570,000	4,895,000
Tax Increment Refunding Bonds, Series 2005B	3.00%	07/19/05	02/01/09	10,520,000	-
Tax Increment Taxable Refunding Bonds, Series 2005C	3.75 - 4.25	07/19/05	02/01/09	6,220,000	-
Tax Increment Refunding Bonds, Series 2005D	3.00 - 3.40	07/19/05	02/01/13	3,505,000	-
<b>Total Tax Increment Bonds</b>				<b>35,925,000</b>	<b>7,020,000</b>
<b>General Obligation Bonds:</b>					
GO Park & Recreation, Series 1996B	4.25 - 5.75	08/01/96	02/01/17	8,090,000	2,140,000
GO Equipment Certificates, Series 2003A	1.05 - 2.40	03/01/03	02/01/08	1,540,000	1,100,000
GO Park & Recreation Refunding Bonds, Series 2005A	3.50 - 4.00	07/19/05	02/01/17	5,375,000	-
<b>Total General Obligation Bonds</b>				<b>15,005,000</b>	<b>3,240,000</b>
<b>Permanent Improvement Revolving (PIR) Bonds:</b>					
GO Permanent Improvement Revolving, Series 2005E	3.00 - 3.75	09/13/05	02/01/16	1,460,000	-
<b>Total PIR Bonds</b>				<b>1,460,000</b>	<b>-</b>
<b>Public Project Revenue Bonds:</b>					
Public Project Revenue, Series 2002	4.00 - 5.25	01/01/02	02/01/21	12,410,000	1,275,000
Public Project Revenue, Series 2005	3.00 - 4.13	09/13/05	05/01/26	5,425,000	-
<b>Total Public Project Revenue Bonds</b>				<b>17,835,000</b>	<b>1,275,000</b>
<b>Revenue Bonds:</b>					
Recreational Facility Bonds, Series 1999B	3.70 - 4.45	05/03/99	01/01/13	3,270,000	740,000
Recreational Facility Bonds, Series 2001A	2.25 - 4.65	11/01/01	01/01/17	4,620,000	1,675,000
Utility Revenue Bonds, Series 1999A	3.20 - 4.20	05/03/99	02/01/09	3,600,000	2,010,000
Utility Revenue Bonds, Series 2003C	1.10 - 3.55	03/01/03	02/01/13	3,200,000	575,000
<b>Total Public Project Revenue Bonds</b>				<b>14,690,000</b>	<b>5,000,000</b>
<b>Total - Bonded indebtedness</b>				<b>\$84,915,000</b>	<b>\$16,535,000</b>

Exhibit 1

Outstanding 12/31/2005	2006		Payable 12/31/2006	Principal Due In 2007	Interest Due In 2007	Interest Payable to Maturity
	Issued	Payments				
\$ 3,865,000	\$ -	\$ 3,865,000	\$ -	\$ -	\$ -	\$ -
1,720,000	-	255,000	1,465,000	265,000	62,329	179,434
1,400,000	-	-	1,400,000	-	42,000	231,000
1,675,000	-	1,675,000	-	-	-	-
10,520,000	-	1,650,000	8,870,000	2,550,000	227,850	419,700
6,220,000	-	1,000,000	5,220,000	1,520,000	187,650	346,387
3,505,000	-	-	3,505,000	460,000	105,777	416,989
<u>28,905,000</u>	<u>-</u>	<u>8,445,000</u>	<u>20,460,000</u>	<u>4,795,000</u>	<u>625,606</u>	<u>1,593,510</u>
5,950,000	-	5,950,000	-	-	-	-
440,000	-	145,000	295,000	145,000	5,050	6,850
5,375,000	-	-	5,375,000	400,000	192,138	1,201,856
<u>11,765,000</u>	<u>-</u>	<u>6,095,000</u>	<u>5,670,000</u>	<u>545,000</u>	<u>197,188</u>	<u>1,208,706</u>
1,460,000	-	-	1,460,000	160,000	46,694	247,609
<u>1,460,000</u>	<u>-</u>	<u>-</u>	<u>1,460,000</u>	<u>160,000</u>	<u>46,694</u>	<u>247,609</u>
11,135,000	-	480,000	10,655,000	505,000	515,174	4,534,558
5,425,000	-	-	5,425,000	185,000	210,681	2,481,754
<u>16,560,000</u>	<u>-</u>	<u>480,000</u>	<u>16,080,000</u>	<u>690,000</u>	<u>725,855</u>	<u>7,016,312</u>
2,530,000	-	270,000	2,260,000	290,000	91,580	361,218
2,945,000	-	610,000	2,335,000	615,000	76,579	285,075
1,590,000	-	375,000	1,215,000	390,000	42,045	76,807
2,625,000	-	290,000	2,335,000	300,000	66,795	277,415
<u>9,690,000</u>	<u>-</u>	<u>1,545,000</u>	<u>8,145,000</u>	<u>1,595,000</u>	<u>276,999</u>	<u>1,000,515</u>
<u>\$ 68,380,000</u>	<u>\$ -</u>	<u>\$ 16,565,000</u>	<u>\$ 51,815,000</u>	<u>\$ 7,785,000</u>	<u>\$ 1,872,342</u>	<u>\$ 11,066,652</u>

**CITY OF EDINA, MINNESOTA**  
**TAX CAPACITY, TAX LEVIES AND TAX CAPACITY RATES**  
(shown by year of tax collectibility)

**Exhibit 2**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Total tax capacity	\$77,665,879	\$83,447,880	\$91,309,672	\$ 101,947,912	\$ 113,428,895
Increment valuation	(6,909,331)	(6,949,064)	(7,330,826)	(7,980,069)	(8,771,951)
Contribution to fiscal disparities pool	<u>(7,587,409)</u>	<u>(7,945,664)</u>	<u>(7,635,854)</u>	<u>(7,107,862)</u>	<u>(8,486,997)</u>
Tax capacity used for rate calculation	<u>63,169,139</u>	<u>68,553,152</u>	<u>76,342,992</u>	<u>86,859,981</u>	<u>96,169,947</u>
Fiscal disparities distribution	<u>1,975,365</u>	<u>2,202,656</u>	<u>2,374,371</u>	<u>2,411,937</u>	<u>2,595,376</u>
Adjusted net tax capacity	<u><u>\$65,144,504</u></u>	<u><u>\$70,755,808</u></u>	<u><u>\$78,717,363</u></u>	<u><u>\$ 89,271,918</u></u>	<u><u>\$ 98,765,323</u></u>
Tax levies:					
General fund	\$16,171,875	\$16,489,129	\$17,772,350	\$ 18,560,151	\$ 19,427,890
Public project revenue	1,026,437	1,028,837	1,058,840	1,501,741	1,497,500
Certificates of indebtedness	<u>586,163</u>	<u>604,275</u>	<u>162,200</u>	<u>159,100</u>	<u>-</u>
Total certified tax levies	<u>17,784,475</u>	<u>18,122,241</u>	<u>18,993,390</u>	<u>20,220,992</u>	<u>20,925,390</u>
Referendum market value levy	<u>721,967</u>	<u>686,662</u>	<u>674,161</u>	<u>599,138</u>	<u>605,138</u>
Total levy	<u><u>\$18,506,442</u></u>	<u><u>\$18,808,903</u></u>	<u><u>\$19,667,551</u></u>	<u><u>\$ 20,820,130</u></u>	<u><u>\$ 21,530,528</u></u>
Tax capacity rate:					
General fund revenue	24.586	23.183	22.536	20.755	19.598
Bonds & interest	2.553	2.382	1.549	1.858	1.557
Total tax capacity rate	<u>27.139</u>	<u>25.565</u>	<u>24.085</u>	<u>22.613</u>	<u>21.155</u>
Market value rate	<u>0.011</u>	<u>0.010</u>	<u>0.00880</u>	<u>0.00703</u>	<u>0.00600</u>

**CITY OF EDINA, MINNESOTA**

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS

**Exhibit 3**

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

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

December 31, 2006

(Unaudited)

	Original Budget	Amended Budget	Accounted for in prior years	Current year	Amount remaining
Source of funds:					
Bond proceeds	\$ 2,200,000	\$ 5,280,000	\$ 5,251,998	\$ -	\$ 28,002
Tax increments received	-	31,748,489	22,591,144	917,923	8,239,422
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	2,730,770	14,573	(745,343)
Other	-	73,881	73,881	-	-
Total sources of funds:	<u>3,000,000</u>	<u>41,467,707</u>	<u>32,420,539</u>	<u>932,496</u>	<u>8,114,672</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	5,360,000	-	(80,000)
Interest	-	4,738,329	4,140,864	-	597,465
Administrative costs	-	1,230,000	1,205,451	-	24,549
Paid to other governments	-	21,000	15,642	1,650	3,708
Work orders	-	16,257	16,257	-	-
Contingencies	-	11,644	11,644	-	-
Interest	-	463,037	463,037	-	-
Miscellaneous	-	62,095	63,010	-	(915)
Transfer	-	15,000,000	12,350,000	975,000	1,675,000
Total uses of funds:	<u>3,000,000</u>	<u>35,562,457</u>	<u>32,360,998</u>	<u>976,650</u>	<u>2,224,809</u>
Funds remaining (deficit)	<u>\$ -</u>	<u>\$ 5,905,250</u>	<u>\$ 59,541</u>	<u>\$ (44,154)</u>	<u>\$ 5,889,863</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

**Exhibit 4**

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

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

December 31, 2006

(Unaudited)

	Original Budget	Amended Budget	Accounted for in prior years	Current year	Amount remaining
Source of funds:					
Bond proceeds	\$ 6,165,177	\$ 21,470,000	\$ 20,219,852	\$ -	\$ 1,250,148
Tax increments received	-	75,000,000	52,245,257	2,585,493	20,169,250
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	2,660,148	808	839,044
Other	-	50,000	1,357	-	48,643
Total sources of funds:	<u>6,763,182</u>	<u>104,530,317</u>	<u>77,957,950</u>	<u>2,586,301</u>	<u>23,986,066</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	20,770,000	1,675,000	(975,000)
Interest	-	20,100,000	19,751,326	20,938	327,736
Administrative costs	194,700	1,800,000	1,673,988	-	126,012
Paid to other governments	-	110,000	75,544	8,375	26,081
Transfers out	-	17,000,000	12,496,699	1,635,000	2,868,301
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>77,176,633</u>	<u>3,339,313</u>	<u>12,781,906</u>
Funds remaining (deficit)	<u>\$ (3,000,000)</u>	<u>\$ 11,232,465</u>	<u>\$ 781,317</u>	<u>\$ (753,012)</u>	<u>\$ 11,204,160</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**

**Exhibit 5**

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

December 31, 2006

(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	11,806,583	1,003,575	16,926,949
Real estate sales *	-	4,700,000	5,402,344	-	(702,344)
Interest on invested funds	-	300,000	901,494	33,335	(634,829)
Other	-	-	61,068	-	(61,068)
Total sources of funds:	<u>4,500,000</u>	<u>44,637,107</u>	<u>27,647,404</u>	<u>1,036,910</u>	<u>15,952,793</u>
Uses of funds:					
Land acquisition	-	6,500,000	3,749,499	86,620	2,663,881
Installation of public utilities and improvements	4,310,000	17,127,000	9,738,935	-	7,388,065
Bond payments:					
Principal	-	9,900,000	6,517,555	255,000	3,127,445
Interest	-	9,190,000	2,818,377	116,094	6,255,529
Loan/note interest	-	-	2,367,006	533,514	(2,900,520)
Paid to other governments	-	-	193,548	1,731	(195,279)
Administrative costs	190,000	1,920,107	1,318,699	13,131	588,277
Total uses of funds:	<u>4,500,000</u>	<u>44,637,107</u>	<u>26,703,619</u>	<u>1,006,090</u>	<u>16,927,398</u>
Funds remaining (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 943,785</u>	<u>\$ 30,820</u>	<u>\$ (974,605)</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	598,411	2,070,119
Project area	23,832	4,005,694
	<u>\$ 3,749,499</u>	<u>\$ 6,075,813</u>

**CITY OF EDINA, MINNESOTA**

**SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS**

**Exhibit 6**

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

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

December 31, 2006

(Unaudited)

	Original Budget	Amended Budget	Accounted for in prior years	Current year	Amount remaining
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	29,163,006	2,721,011	58,115,983
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	2,789,766	322,379	(612,145)
Transfer in	-	32,000,000	25,957,924	2,610,000	3,432,076
Sale of material	-	255,710	255,710	-	-
Developer payments	-	297,826	297,826	-	-
Other	-	20,000	21,799	-	(1,799)
Total sources of funds:	<u>126,400,000</u>	<u>179,431,702</u>	<u>103,884,778</u>	<u>5,653,390</u>	<u>69,893,534</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	41,197	9,235,280
Bond payments:					
Principal	41,400,000	41,400,000	15,244,724	3,055,000	23,100,276
Interest	38,000,000	38,000,000	32,408,600	705,479	4,885,921
Administrative costs	1,140,800	1,600,000	1,288,542	15,654	295,804
Paid to other governments	-	42,000	26,864	3,147	11,989
Loan/note interest	-	14,684,711	3,512,845	458,245	10,713,621
Parkland dedication fees	-	2,030,345	2,030,345	-	-
Total uses of funds:	<u>121,117,800</u>	<u>146,609,711</u>	<u>94,088,098</u>	<u>4,278,722</u>	<u>48,242,891</u>
Funds remaining (deficit)	<u>\$ 5,282,200</u>	<u>\$ 32,821,991</u>	<u>\$ 9,796,680</u>	<u>\$ 1,374,668</u>	<u>\$ 21,650,643</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

**Exhibit 7**

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

December 31, 2006

(Unaudited)

	Original Budget	Amended Budget	Accounted for in prior years	Current year	Amount remaining
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	-	-	198,332	12,333	(210,665)
Total sources of funds:	<u>4,088,855</u>	<u>4,088,855</u>	<u>945,195</u>	<u>12,333</u>	<u>3,131,327</u>
Uses of funds:					
Land acquisition	529,400	529,400	33,237	2,436	493,727
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	74,830	-	521,170
Total uses of funds:	<u>4,088,855</u>	<u>4,088,855</u>	<u>651,076</u>	<u>2,436</u>	<u>3,435,343</u>
Funds remaining (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 294,119</u>	<u>\$ 9,897</u>	<u>\$ (304,016)</u>

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# STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

<b>Contents</b>	<b>Page</b>
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	93
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	100
Debt Capacity <i>These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.</i>	104
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	109
Operating Information <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	111

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement 34 in 2003; schedules presenting government-wide information include information beginning in that year.

**CITY OF EDINA, MINNESOTA**  
**NET ASSETS BY COMPONENT**  
**LAST FOUR FISCAL YEARS**  
*(accrual basis of accounting)*

	<b>Fiscal Year</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 21,792,377	\$ 34,320,784	\$ 36,092,020	\$ 69,814,012
Restricted	4,676,748	2,145,488	78,943	-
Unrestricted	31,876,783	28,762,040	35,796,801	15,280,058
<b>Total governmental activities net assets</b>	<b>\$ 58,345,908</b>	<b>\$ 65,228,312</b>	<b>\$ 71,967,764</b>	<b>\$ 85,094,070</b>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 29,952,549	\$ 37,240,476	\$ 40,044,169	\$ 46,981,755
Restricted	1,672,828	-	-	-
Unrestricted	15,344,474	11,934,496	11,121,720	6,379,515
<b>Total business-type activities net assets</b>	<b>\$ 46,969,851</b>	<b>\$ 49,174,972</b>	<b>\$ 51,165,889</b>	<b>\$ 53,361,270</b>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 51,744,926	\$ 71,561,260	\$ 76,136,189	\$ 116,795,767
Restricted	6,349,576	2,145,488	78,943	-
Unrestricted	47,221,257	40,696,536	46,918,521	21,659,573
<b>Total primary government net assets</b>	<b>\$ 105,315,759</b>	<b>\$ 114,403,284</b>	<b>\$ 123,133,653</b>	<b>\$ 138,455,340</b>

**CITY OF EDINA, MINNESOTA**  
**CHANGES IN NET ASSETS**  
**LAST FOUR FISCAL YEARS**  
*(accrual basis of accounting)*

	<b>Fiscal Year</b>			
	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>Expenses</b>				
Governmental activities:				
General government	\$ 5,839,893	\$ 6,934,045	\$ 4,967,008	\$ 5,414,961
Public safety	10,784,215	11,063,767	12,019,027	13,300,351
Public works	5,621,291	5,834,490	7,185,784	8,973,031
Parks	4,484,685	4,248,060	5,901,648	5,341,682
Interest on long-term debt	2,760,022	2,399,682	2,288,524	2,973,749
Total governmental activities expenses	<u>29,490,106</u>	<u>30,480,044</u>	<u>32,361,991</u>	<u>36,003,774</u>
Business-type activities:				
Utilities	7,930,502	7,801,580	8,254,409	9,234,651
Liquor	8,764,081	9,110,888	9,749,313	9,968,963
Aquatic center	711,061	701,768	725,936	795,614
Golf course	3,555,243	3,508,741	3,580,307	3,652,169
Community activity centers	3,833,026	3,850,192	3,825,562	4,048,649
Total business-type activities expenses	<u>24,793,913</u>	<u>24,973,169</u>	<u>26,135,527</u>	<u>27,700,046</u>
Total primary government expenses	<u>\$ 54,284,019</u>	<u>\$ 55,453,213</u>	<u>\$ 58,497,518</u>	<u>\$ 63,703,820</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 930,391	\$ 454,603	\$ 619,526	\$ 731,613
Public safety	4,213,081	4,634,744	5,614,406	6,146,114
Other activities	898,141	748,398	630,157	793,796
Operating grants and contributions	1,215,745	1,154,808	1,512,366	1,423,302
Capital grants and contributions	7,214,393	4,192,947	2,252,491	4,013,617
Total governmental activities program revenues	<u>14,471,751</u>	<u>11,185,500</u>	<u>10,628,946</u>	<u>13,108,442</u>
Business-type activities:				
Utilities	9,694,981	9,875,078	10,240,381	11,421,474
Liquor	9,659,631	10,030,067	10,752,724	11,029,445
Aquatic center	861,340	764,134	849,380	867,626
Golf course	3,684,079	3,538,122	3,482,999	3,646,620
Community activity centers	2,966,731	3,254,012	3,251,860	3,337,153
Operating grants and contributions	132,031	138,447	131,408	122,358
Total business-type activities program revenues	<u>26,998,793</u>	<u>27,599,860</u>	<u>28,708,752</u>	<u>30,424,676</u>
Total primary government program revenues	<u>\$ 41,470,544</u>	<u>\$ 38,785,360</u>	<u>\$ 39,337,698</u>	<u>\$ 43,533,118</u>
<b>Net (Expense)/Revenue</b>				
Governmental activities	\$ (15,018,355)	\$ (19,294,544)	\$ (21,733,045)	\$ (22,895,332)
Business-type activities	2,204,880	2,626,691	2,573,225	2,724,630
Total primary government net expense	<u>\$ (12,813,475)</u>	<u>\$ (16,667,853)</u>	<u>\$ (19,159,820)</u>	<u>\$ (20,170,702)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Property taxes	\$ 17,815,426	\$ 17,865,757	\$ 19,071,202	\$ 20,414,298
Tax increment collections	7,342,270	6,761,934	7,060,744	7,228,002
Franchise taxes	-	450,956	457,421	499,206
Unrestricted investment earnings	286,209	443,074	977,956	1,230,264
Gain on disposal of capital assets	26,669	-	63,674	8,418
Transfers	(4,053,805)	655,227	841,500	838,230
Total governmental activities	<u>21,416,769</u>	<u>26,176,948</u>	<u>28,472,497</u>	<u>30,218,418</u>
Business-type activities:				
Unrestricted investment earnings	387,117	227,167	236,654	283,771
Gain on disposal of capital assets	(177,051)	6,490	22,538	25,210
Transfers	4,053,805	(655,227)	(841,500)	(838,230)
Total business-type activities	<u>4,263,871</u>	<u>(421,570)</u>	<u>(582,308)</u>	<u>(529,249)</u>
Total primary government	<u>\$ 25,680,640</u>	<u>\$ 25,755,378</u>	<u>\$ 27,890,189</u>	<u>\$ 29,689,169</u>
<b>Change in Net Assets</b>				
Governmental activities	\$ 6,398,414	\$ 6,882,404	\$ 6,739,452	\$ 7,323,086
Business-type activities	6,468,751	2,205,121	1,990,917	2,195,381
Total primary government	<u>\$ 12,867,165</u>	<u>\$ 9,087,525</u>	<u>\$ 8,730,369</u>	<u>\$ 9,518,467</u>

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

	<b>Fiscal Year</b>			
	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
General fund				
Reserved	\$ 1,642,733	\$ 1,379,739	\$ 2,407,155	\$ 141,939
Unreserved	8,301,559	9,540,670	10,051,978	13,755,160
Total general fund	<u>\$ 9,944,292</u>	<u>\$ 10,920,409</u>	<u>\$ 12,459,133</u>	<u>\$ 13,897,099</u>
All other governmental funds				
Reserved	\$ 19,646,068	\$ 1,171,943	\$ 496,581	\$ 16,729,995 <sup>a</sup>
Unreserved, reported in:				
Special revenue funds	882,504	948,079	942,791	1,147,917
Capital projects funds	16,370,743	16,096,645	18,216,440	22,454,859
Total all other governmental funds	<u>\$ 36,899,315</u>	<u>\$ 18,216,667</u>	<u>\$ 19,655,812</u>	<u>\$ 40,332,771</u>

<sup>a</sup> The substantial increase in reserved fund balance in 2000 is due to a crossover refunding bond issue that was outstanding as of December 31, 2000.

<sup>b</sup> The substantial decrease in unreserved fund balance in 2003 is due to the transfer of investment assets to the Edinborough Park/Centennial Lakes enterprise fund.

<sup>c</sup> The substantial increase in reserved fund balance in 2005 is due to two crossover refunding bond issues that were outstanding as of December 31, 2005.

<b>Fiscal Year</b>					
<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
\$ 15,872	\$ 417,093	\$ 412,991	\$ 390,771	\$ 223,351	\$ 36,849
<u>14,359,821</u>	<u>14,325,972</u>	<u>9,961,074</u> <sup>b</sup>	<u>10,226,055</u>	<u>11,595,433</u>	<u>13,797,189</u>
<u><u>\$ 14,375,693</u></u>	<u><u>\$ 14,743,065</u></u>	<u><u>\$ 10,374,065</u></u>	<u><u>\$ 10,616,826</u></u>	<u><u>\$ 11,818,784</u></u>	<u><u>\$ 13,834,038</u></u>
\$ 2,319,839	\$ 4,186,436	\$ 4,084,987	\$ 3,465,440	\$ 13,792,312 <sup>c</sup>	\$ 2,682,238
1,435,949	1,589,518	686,777	781,458	731,027	\$ 13,179,904
<u>22,869,578</u>	<u>26,750,351</u>	<u>19,608,849</u>	<u>16,651,788</u>	<u>17,032,750</u>	<u>3,160,085</u>
<u><u>\$ 26,625,366</u></u>	<u><u>\$ 32,526,305</u></u>	<u><u>\$ 24,380,613</u></u>	<u><u>\$ 20,898,686</u></u>	<u><u>\$ 31,556,089</u></u>	<u><u>\$ 19,022,227</u></u>

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

	<b>Fiscal Year</b>			
	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>
<b>Revenues</b>				
General property taxes	\$ 17,653,621	\$ 20,567,867	\$ 21,995,230	\$ 22,904,512
Tax increment collections	-	-	-	-
Special assessments	955,206	844,070	990,330	1,159,876
Franchise fees	331,527	296,427	297,866	336,678
License and permits	1,388,968	2,091,365	2,135,541	1,835,828
Intergovernmental	1,996,744	2,551,452	3,185,008	1,880,680
Charges for services	2,842,923	1,833,148	3,215,441	2,902,666
Fines and forfeitures	562,910	691,355	794,710	967,421
Investment income	2,238,101	1,396,852	415,114	2,376,137
Rental of property	152,398	86,639	284,085	1,156,526
Other revenues	194,679	604,099	478,788	96,932
<b>Total revenues</b>	<b>28,317,077</b>	<b>30,963,274</b>	<b>33,792,113</b>	<b>35,617,256</b>
<b>Expenditures</b>				
General government	4,185,297	3,967,091	3,899,660	4,558,424
Public safety	7,717,334	8,131,293	8,516,673	8,846,360
Public works	3,537,441	4,084,651	3,744,124	3,672,057
Parks	2,031,261	1,960,111	2,240,730	2,150,588
Capital outlay	16,796,824	7,530,051	6,117,215	8,352,494
Debt service				
Principal	2,120,000	2,224,724	3,275,000	6,050,000
Interest and other charges	4,502,948	4,099,809	3,262,266	3,108,601
<b>Total expenditures</b>	<b>40,891,105</b>	<b>31,997,730</b>	<b>31,055,668</b>	<b>36,738,524</b>
Revenues over (under) expenditures	(12,574,028)	(1,034,456)	2,736,445	(1,121,268)
<b>Other Financing Sources (Uses)</b>				
Transfers in	5,189,852	5,639,866	5,983,107	6,976,639
Transfers out	(6,789,852)	(5,711,866)	(6,006,107)	(6,165,639)
Parkland dedication	331,466	387,136	264,424	85,520
Sale of capital assets	-	-	-	-
Proceeds from borrowing	12,573,354	-	-	21,742,116
Premium on bonds issued	-	-	-	-
Discount on bonds issued	-	-	-	-
Proceeds from refunding	-	-	-	-
Payment to refunding escrow	(8,080,000)	(17,260,276)	-	-
Principal paid by escrow	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>3,224,820</b>	<b>(16,945,140)</b>	<b>241,424</b>	<b>22,638,636</b>
<b>Net change in fund balances</b>	<b>\$ (9,349,208)</b>	<b>\$ (17,979,596)</b>	<b>\$ 2,977,869</b>	<b>\$ 21,517,368</b>
Debt service as a percentage of noncapital expenditures	27.5%	25.8%	26.2%	32.3%

<b>Fiscal Year</b>						
<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	
\$ 24,409,785	\$ 24,735,336	\$ 17,903,618	\$ 17,865,757	\$ 19,071,202	\$ 20,414,298	
-	-	7,342,270	6,761,934	7,060,744	7,228,002	
1,086,093	998,908	1,019,461	966,879	1,354,264	1,751,219	
473,702	418,153	393,627	450,956	457,421	499,206	
2,239,611	1,939,207	2,182,263	2,247,759	3,240,622	3,488,897	
5,085,981	2,254,968	4,678,735	3,933,540	1,539,169	2,773,350	
1,962,172	2,096,806	2,076,519	2,279,302	2,466,663	2,691,354	
976,952	910,407	785,227	863,073	742,917	1,023,935	
1,357,701	1,178,211	286,209	443,074	977,956	1,230,264	
4,262,984	1,782,063	354,266	385,707	315,542	310,145	
184,466	180,081	200,551	294,136	227,446	246,797	
<u>42,039,447</u>	<u>36,494,140</u>	<u>37,222,746</u>	<u>36,492,117</u>	<u>37,453,946</u>	<u>41,657,467</u>	
5,353,002	5,372,431	5,709,741	5,213,469	5,477,308	5,995,804	
9,409,291	9,893,428	10,352,816	11,125,388	11,373,763	12,431,114	
4,313,065	4,161,373	4,142,668	4,386,669	4,882,811	5,233,907	
2,375,565	2,602,266	2,974,164	2,954,372	3,146,029	3,300,375	
11,193,155	11,059,757	15,539,676	7,772,321	8,227,191	8,980,526	
3,740,000	5,885,000	5,700,000	6,450,000	6,830,000	5,985,000	
3,148,719	3,094,480	2,908,787	2,484,291	2,543,639	2,107,036	
<u>39,532,797</u>	<u>42,068,735</u>	<u>47,327,852</u>	<u>40,386,510</u>	<u>42,480,741</u>	<u>44,033,762</u>	
2,506,650	(5,574,595)	(10,105,106)	(3,894,393)	(5,026,795)	(2,376,295)	
6,215,411	12,308,480	8,752,126	8,367,595	7,797,369	6,865,258	
(6,201,152)	(11,552,990)	(12,805,931)	(7,712,368)	(6,955,869)	(6,027,028)	
60,280	-	-	-	-	-	
-	-	-	-	135,045	54,457	
-	13,637,416	1,540,000	-	15,816,165	-	
-	-	59,219	-	-	-	
-	-	-	-	(36,275)	-	
-	-	6,570,000	-	16,764,721	-	
(15,810,000)	(2,550,000)	(6,525,000)	-	(16,635,000)	-	
-	-	-	-	-	(9,035,000)	
<u>(15,735,461)</u>	<u>11,842,906</u>	<u>(2,409,586)</u>	<u>655,227</u>	<u>16,886,156</u>	<u>(8,142,313)</u>	
<u>\$ (13,228,811)</u>	<u>\$ 6,268,311</u>	<u>\$ (12,514,692)</u>	<u>\$ (3,239,166)</u>	<u>\$ 11,859,361</u>	<u>\$ (10,518,608)</u>	
24.3%	29.0%	27.1%	27.4%	27.4%	23.1%	

**CITY OF EDINA, MINNESOTA**  
**ASSESSED VALUE, ACTUAL VALUE AND TAX CAPACITY OF TAXABLE PROPERTY**  
**LAST TEN FISCAL YEARS**

Fiscal Year	Market Value (In Thousands) <sup>a</sup>			Tax Capacity (In Thousands)			City Tax Capacity Rate	City Referendum Rate	Estimated Direct Rate <sup>b</sup>
	Estimated	Limited	Taxable	Total	Used for Rate	Adjusted Net			
1997	\$4,071,654	DNA	DNA	\$ 91,587	\$ 77,684	\$ 80,087	15.626%	0.01659%	\$ 3.074
1998	4,074,714	DNA	DNA	87,727	75,545	77,762	16.813%	0.01788%	3.209
1999	4,267,759	DNA	DNA	85,964	72,221	74,421	17.810%	0.01704%	3.106
2000	4,535,762	DNA	DNA	90,807	74,705	77,166	17.669%	0.01634%	3.006
2001	4,861,730	DNA	DNA	99,650	80,964	83,716	17.233%	0.01495%	2.967
2002	5,821,567	DNA	DNA	72,584 <sup>c</sup>	59,176 <sup>c</sup>	61,007 <sup>c</sup>	27.806% <sup>c</sup>	0.01200%	2.914
2003	6,328,581	DNA	DNA	77,666	63,169	65,145	27.139%	0.01100%	2.794
2004	6,909,477	DNA	DNA	83,448	68,553	70,756	25.565%	0.01000%	2.618
2005	8,052,704	\$7,674,983	\$7,668,117	91,310	76,343	78,717	24.085%	0.00880%	2.354
2006	8,713,166	8,541,954	8,536,086	101,948	86,860	89,272	22.613%	0.00703%	2.317

Source: Hennepin County Taxpayer Services. 1997-2004 estimated market values obtained from previous CAFRs and do not include personal property.  
DNA: Historical data is not available

<sup>a</sup> Property in the City is assessed annually. Assessed value is equal to market value, although taxable value may be different, as shown.

<sup>b</sup> This value is estimated by the City Finance Department by taking City taxes as a rate of estimated market value (rate per \$1,000 of assessed value). The property tax system in Minnesota uses a tax capacity system whereby each parcel is assigned a tax capacity based on taxable value and class. In Minnesota, local taxes are usually expressed as a percentage of this calculated tax capacity (see column titled "City Tax Capacity Rate"). Therefore, this rate is only theoretical and shown for comparative purposes only.

<sup>c</sup> The State of Minnesota passed property tax reform legislation that significantly reduced tax capacity in 2002.

**CITY OF EDINA, MINNESOTA**  
**DIRECT AND OVERLAPPING TAX CAPACITY RATES**  
**LAST TEN FISCAL YEARS**

Fiscal Year	City Rates				Overlapping Rates				Total Direct & Overlap
	Basic Rate	Debt Rate	Total Tax Capacity	RMV	Hennepin	ISD #273 Edina Tax Cap.	RMV	Other	
1997	DNA	DNA	15.626%	0.017%	35.515%	57.213%	DNA	6.659%	115.013%
1998	DNA	DNA	16.813%	0.018%	38.388%	47.499%	DNA	7.538%	110.238%
1999	DNA	DNA	17.810%	0.017%	40.994%	50.766%	DNA	8.553%	118.123%
2000	DNA	DNA	17.669%	0.016%	39.655%	51.678%	DNA	8.426%	117.428%
2001	DNA	DNA	17.233%	0.015%	37.624%	46.839%	DNA	8.126%	109.822%
2002	26.116%	1.690%	27.806% <sup>a</sup>	0.012%	50.409% <sup>a</sup>	18.504% <sup>a</sup>	DNA	9.847%	106.566%
2003	24.586%	2.553%	27.139%	0.011%	50.607%	23.312%	DNA	8.993%	110.051%
2004	23.183%	2.382%	25.565%	0.010%	47.324%	22.670%	DNA	8.256%	103.815%
2005	22.536%	1.549%	24.085%	0.009%	44.172%	19.694%	0.166%	8.547%	96.498%
2006	20.755%	1.858%	22.613%	0.007%	41.016%	19.226%	0.154%	8.104%	90.959%

Source: Hennepin County Taxpayer Services. Some 1997-2004 data obtained from previous CAFR's.

RMV: Referendum Market Value

DNA: Historical data is not available

Geographic boundaries for overlapping district are not identical to the City's boundaries. City boundaries contain six different school districts but only ISD #273 is shown here. Other districts include Mosquito Control, Met Council, Metro Transit, Hennepin Parks, Park Museum and Regional Railroad Authority. In addition, there are two watershed districts in the City, Nine Mile Creek and Minnehaha Creek, and rates for Nine Mile are included in Other. Total rates do not include RMV rates.

<sup>a</sup> The State of Minnesota passed property tax reform legislation that significantly reduced tax capacity in 2002. At the same time, the state took on greater responsibility for school district funding.

**CITY OF EDINA, MINNESOTA**  
**PRINCIPAL PROPERTY TAX PAYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

<b>Taxpayer</b>	<b>2006</b>			<b>1997</b>		
	<b>Tax Capacity</b>	<b>Rank</b>	<b>Percentage of Total Capacity</b>	<b>Tax Capacity</b>	<b>Rank</b>	<b>Percentage of Total Capacity</b>
Southdale Shopping Center	\$ 3,497,098	1	3.43%	\$ 6,333,776	1	6.92%
Galleria Shopping Center	1,525,906	2	1.50%	1,406,890	3	1.54%
Southdale Office Park	738,790	3	0.72%	1,384,050	4	1.51%
Centennial Lakes Phase V	581,944	4	0.57%	-		0.00%
Centennial Lakes Phase IV	570,650	5	0.56%	-		0.00%
May Department Stores	513,070	6	0.50%	-		0.00%
7700 France Office Bldg	461,750	7	0.45%	-		0.00%
Southdale Medical Bldg	361,116	8	0.35%	696,480	5	0.76%
Centennial Lakes Phase III	356,748	9	0.35%	-		0.00%
Centennial Lakes Phase II	344,800	10	0.34%	-		0.00%
Pentagon Office Park	-		0.00%	1,477,916	2	1.61%
United Healthcare Corporation	-		0.00%	875,345	6	0.96%
National Car	-		0.00%	573,480	7	0.63%
Centennial Lakes Retail	-		0.00%	560,218	8	0.61%
Cedars of Edina	-		0.00%	519,002	9	0.57%
Target	-		0.00%	425,842	10	0.46%
<b>Totals</b>	<b>\$ 8,951,872</b>		<b>8.78%</b>	<b>\$ 14,252,999</b>		<b>15.56%</b>

Source: City of Edina Assessing Office

**CITY OF EDINA, MINNESOTA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN FISCAL YEARS**

Taxes Payable	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1997	\$ 13,206,919	\$ 13,051,497	98.82%	\$ 65,549	\$ 13,117,046	99.32%
1998	13,827,840	13,728,640	99.28%	76,483	13,805,123	99.84%
1999	14,012,337	13,868,630	98.97%	81,173	13,949,803	99.55%
2000	14,391,078	14,290,698	99.30%	91,042	14,381,740	99.94%
2001	15,165,091	15,053,569	99.26%	100,594	15,154,163	99.93%
2002	17,728,603	16,985,098 <sup>a</sup>	95.81% <sup>a</sup>	80,839	17,065,937	96.26%
2003	18,506,442	17,808,469	96.23%	49,669	17,858,138	96.50%
2004	18,808,903	18,066,892	96.06%	89,192	18,156,084	96.53%
2005	19,667,551	19,090,016	97.06%	89,974	19,179,990	97.52%
2006	20,820,130	20,310,889	97.55%	-	20,310,889	97.55%

Source: Hennepin County Taxpayer Services.

<sup>a</sup> Beginning in 2002, the State of Minnesota quit reimbursing the City for the homestead market value credit (HMVC) program. The HMVC program reduces property taxes for certain residential properties and is phased out once a property reaches a certain assessed value. The program is designed so the State "pays" the amount property taxes were reduced by to local governments. When the State ended reimbursing the City for HMVC in 2002, tax collections as a percent of levy dropped, as shown in this table. Due to the phase out provision in the HMVC program, the City anticipates that the impact of this lost revenue will decrease over time as property values rise above the phase out level.

**CITY OF EDINA, MINNESOTA**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
**LAST TEN FISCAL YEARS**  
*(dollars in thousands, except per capita)*

Fiscal Year	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Debt	Public Project Revenue	Tax Increment Bonds	Permanent Improvement Revolving	Recreational Facility Bonds	Utility Revenue Bonds			
1997	\$ 8,090	\$ -	\$ 72,390	\$ 715	\$ 12,370	\$ 820	\$ 94,385	6.52%	\$ 2,007
1998	8,090	-	53,090	530	8,130	420	70,260	4.51%	1,491
1999	7,825	-	50,260	350	10,970	3,600	73,005	4.48%	1,546
2000	7,550	-	66,670	170	10,520	3,265	88,175	5.05%	1,859
2001	7,250	-	47,590	-	14,670	2,955	72,465	4.08%	1,527
2002	6,950	12,410	40,855	-	7,890	2,630	70,735	3.94%	1,490
2003	8,165	12,035	35,900	-	7,145	5,495	68,740	3.72%	1,445
2004	7,295	11,595	30,760	-	6,325	4,860	60,835	3.09%	1,263
2005	11,765	16,560	28,905	1,460	5,475	4,215	68,380	3.48%	1,423
2006	5,670	16,080	20,460	1,460	4,595	3,550	51,815	2.67%	1,092

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

**CITY OF EDINA, MINNESOTA**  
**RATIOS OF GENERAL BONDED DEBT OUTSTANDING**  
**LAST TEN FISCAL YEARS**  
*(dollars in thousands, except per capita)*

Fiscal Year	General Bonded Debt			Total	Percentage of Property Value <sup>a</sup>	Per Capita
	General Obligation Debt	Public Project Revenue	Tax Increment Bonds			
1997	\$ 8,090	\$ -	\$ 72,390	\$ 80,480	1.98%	\$ 1,711
1998	8,090	-	53,090	61,180	1.50%	1,299
1999	7,825	-	50,260	58,085	1.36%	1,230
2000	7,550	-	66,670	74,220	1.64%	1,565
2001	7,250	-	47,590	54,840	1.13%	1,155
2002	6,950	12,410	40,855	60,215	1.03%	1,269
2003	8,165	12,035	35,900	56,100	0.89%	1,179
2004	7,295	11,595	30,760	49,650	0.72%	1,031
2005	11,765	16,560	28,905	57,230	0.71%	1,191
2006	5,670	16,080	20,460	42,210	0.48%	890

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

<sup>a</sup> See statistical schedule titled "Assessed Value, Actual Value and Tax Capacity of Taxable Property" for estimated property value data.

**CITY OF EDINA, MINNESOTA**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**AS OF DECEMBER 31, 2006**

	<u>Net General Obligation Bonded Debt Outstanding<sup>a</sup></u>	<u>Percentage Applicable in City<sup>b</sup></u>	<u>City Share of Debt</u>
<b>Overlapping Debt:</b>			
Hennepin County	\$ 445,110,130	7.04%	\$ 31,335,753
Hennepin Suburban Park District	63,899,496	9.30%	5,942,653
Hennepin Regional Rail Authority	45,565,046	7.04%	3,207,779
School Districts:			
ISD No. 273 (Edina)	95,408,121	98.43%	93,910,214
ISD No. 270 (Hopkins)	109,872,926	8.70%	9,558,945
ISD No. 271 (Bloomington)	220,057,777	0.00%	-
ISD No. 272 (Eden Prairie)	113,715,767	0.93%	1,057,557
ISD No. 280 (Richfield)	19,072,456	16.35%	3,118,347
ISD No. 283 (St. Louis Park)	82,963,459	0.02%	16,593
Metro Council	<u>142,497,686</u>	3.16%	<u>4,502,927</u>
Total Overlapping Debt	1,338,162,864		152,650,768
<b>Direct Debt:</b>			
City of Edina	<u>24,396,122</u>	100.00%	<u>24,396,122</u>
Total Overlapping and Direct Debt	<u><u>\$ 1,362,558,986</u></u>		<u><u>\$ 177,046,890</u></u>

**Debt Ratios:**

Ratio of debt per capita (47,448 population)	\$ 3,731
Ratio of debt to estimated market valuation of \$8,713,166,000	2.03%

Source: Hennepin County Taxpayer Services

<sup>a</sup> Calculation excludes revenue and special assessment bonds as well as sinking fund balance, if any.

<sup>b</sup> The percentage of overlapping debt applicable is estimated using tax capacity. Applicable percentages were estimated by determining the portion of another governmental unit's tax capacity that is within the City's boundaries and dividing it by each unit's total tax capacity.

**CITY OF EDINA, MINNESOTA**  
**LEGAL DEBT MARGIN INFORMATION**  
**LAST TEN FISCAL YEARS**  
*(dollars in thousands)*

	<b>Fiscal Year</b>									
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit	\$ 81,494	\$ 85,355	\$ 90,715	\$ 97,235	\$116,431	\$138,279	\$138,190	\$160,674	\$173,867	\$191,974
Total net debt applicable to limit	8,090	8,090	7,825	7,550	7,250	6,950	8,165	7,295	11,765	3,691
Legal debt margin	<u>\$ 73,404</u>	<u>\$ 77,265</u>	<u>\$ 82,890</u>	<u>\$ 89,685</u>	<u>\$109,181</u>	<u>\$131,329</u>	<u>\$130,025</u>	<u>\$153,379</u>	<u>\$162,102</u>	<u>\$188,283</u>
Total net debt applicable to the limit as a percentage of debt limit	9.93%	9.48%	8.63%	7.76%	6.23%	5.03%	5.91%	4.54%	6.77%	1.92%

**Legal Debt Margin Calculation for Fiscal Year 2006**

Market value (after fiscal disparities)	\$ 9,598,698
Debt limit (2% of market value)	191,974
Debt applicable to limit:	
General obligation bonds	5,670
Less: Fund balance set aside for repayment of general obligation debt	<u>(1,979)</u>
Total debt applicable to limit	<u>3,691</u>
Legal debt margin	<u>\$ 188,283</u>

**CITY OF EDINA, MINNESOTA**  
**PLEDGED REVENUE COVERAGE**  
 Last Ten Fiscal Years

Fiscal Year	Revenue	Less: operating expenses	Net available revenue	Debt service requirements			Coverage
				Principal	Interest	Total	
<b>Public Project Revenue Bonds (Annual Appropriation Lease Revenue)</b>							
2003	1,026,437	-	1,026,437	375,000	15,000	390,000	2.63
2004	1,028,837	-	1,028,837	440,000	557,636	997,636	1.03
2005	1,058,840	-	1,058,840	460,000	558,486	1,018,486	1.04
2006	1,501,741	-	1,501,741	480,000	779,778	1,259,778	1.19
<b>Tax Increment Bonds</b>							
1997	4,881,825	-	4,881,825	5,015,000	4,000,869	9,015,869	0.54
1998	6,784,208	-	6,784,208	19,300,000	4,247,389	23,547,389	0.29
1999	8,084,657	-	8,084,657	2,830,000	2,797,897	5,627,897	1.44
2000	8,590,313	-	8,590,313	5,595,000	2,677,383	8,272,383	1.04
2001	9,309,360	-	9,309,360	3,270,000	3,205,971	6,475,971	1.44
2002	7,053,836	-	7,053,836	4,570,000	2,355,928	6,925,928	1.02
2003	7,342,270	-	7,342,270	5,000,000	1,889,329	6,889,329	1.07
2004	6,761,934	-	6,761,934	5,140,000	1,520,376	6,660,376	1.02
2005	7,060,744	-	7,060,744	5,465,000	1,327,983	6,792,983	1.04
2006	7,228,002	-	7,228,002	8,445,000	902,607	9,347,607	0.77
<b>Permanent Improvement Revolving Bonds (Special Assessment)</b>							
1997	840,238	-	840,238	185,000	39,425	224,425	3.74
1998	699,354	-	699,354	185,000	31,008	216,008	3.24
1999	855,137	-	855,137	180,000	22,250	202,250	4.23
2000	721,871	-	721,871	180,000	13,340	193,340	3.73
2001	684,660	-	684,660	170,000	4,420	174,420	3.93
2002	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-
2004	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-
2006	85,656	-	85,656	-	43,366	43,366	1.98
<b>Utility Bond</b>							
1997	8,110,744	7,526,033	584,711	390,000	40,744	430,744	1.36
1998	8,108,612	7,226,648	881,964	400,000	22,184	422,184	2.09
1999	8,502,423	6,713,673	1,788,750	420,000	83,429	503,429	3.55
2000	8,793,386	7,205,934	1,587,452	335,000	127,525	462,525	3.43
2001	8,556,810	7,065,589	1,491,221	310,000	116,794	426,794	3.49
2002	8,561,287	7,399,773	1,161,514	325,000	105,205	430,205	2.70
2003	9,668,434	7,769,810	1,898,624	335,000	160,691	495,691	3.83
2004	9,473,355	7,643,129	1,830,226	635,000	158,451	793,451	2.31
2005	10,225,975	8,107,039	2,118,936	645,000	141,226	786,226	2.70
2006	11,416,361	9,107,143	2,309,218	665,000	129,608	794,608	2.91
<b>Recreational Facility Bonds</b>							
1997	4,440,202	3,945,975	494,227	295,000	762,411	1,057,411	0.47
1998	5,042,394	4,270,042	772,352	4,240,000	372,390	4,612,390	0.17
1999	5,141,606	4,332,932	808,674	430,000	522,050	952,050	0.85
2000	5,727,930	5,209,610	518,320	450,000	553,962	1,003,962	0.52
2001	5,430,507	5,231,143	199,364	470,000	531,176	1,001,176	0.20
2002	5,424,422	5,031,839	392,583	6,780,000	611,509	7,391,509	0.05
2003	5,866,300	5,511,730	354,570	745,000	265,602	1,010,602	0.35
2004	5,621,743	5,492,510	129,233	820,000	241,387	1,061,387	0.12
2005	5,708,827	5,604,464	104,363	850,000	214,108	1,064,108	0.10
2006	5,929,984	5,808,902	121,082	880,000	199,260	1,079,260	0.11

**CITY OF EDINA, MINNESOTA**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
 Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>Population</b>	<b>Estimated Personal Income (In thousands)</b>	<b>Per Capita Personal Income</b>	<b>High School Graduation Rate</b>	<b>Unemployment Rate</b>
1997	47,029	\$ 1,446,612	\$ 30,760	88.2%	1.60%
1998	47,113	1,556,896	33,046	88.2%	1.50%
1999	47,235	1,628,002	34,466	88.2%	1.60%
2000	47,425	1,747,042	36,838	88.2%	2.40%
2001	47,465	1,774,194	37,379	91.5%	3.30%
2002	47,465	1,796,693	37,853	91.5%	4.00%
2003	47,570	1,847,429	38,836	91.5%	4.10%
2004	48,156	1,970,303	40,915	93.1%	3.90%
2005	48,050	1,965,966	40,915	93.1%	3.30%
2006	47,448	1,941,335	40,915	93.1%	3.00%

Sources:

Population data from U.S. Census Bureau/Metropolitan Council.

Personal income estimates based on U.S. Department of Commerce Bureau of Economic Analysis data for the entire seven-county metropolitan area.

Per-capita personal income data from U.S. Department of Commerce Bureau of Economic Analysis for the entire seven-county metropolitan area.

High school graduation rate data from U.S. Census Bureau for all of Hennepin County.

Unemployment rate data from State of Minnesota Department of Employment and Economic Development.

**CITY OF EDINA, MINNESOTA**  
**PRINCIPAL EMPLOYERS**  
**CURRENT YEAR AND NINE YEARS AGO**

<b>Employer</b>	<b>2006</b>			<b>1997</b>		
	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>	<b>Employees</b>	<b>Rank</b>	<b>Percentage of Total City Employment</b>
Jerry's Enterprises, Inc.	4,500	1	19.09%	2,000	2	7.87%
Fairview Southdale Hospital	2,500	2	10.61%	2,400	1	9.45%
Marshall Field's	1,200	3	5.09%	500	5	1.97%
Edina Public Schools ISD #273	1,172	4	4.97%	DNA		0.00%
Nash Finch Co.	350	5	1.48%	350	8	1.38%
International Dairy Queen Inc.	300	6	1.27%	300	9	1.18%
City of Edina	262	7	1.11%	261	10	1.03%
JC Penney Co.	250	8	1.06%	400	6	1.57%
Edina Realty	210	9	0.89%	DNA		0.00%
Con Agra Foods-Snack Food Gr.	196	10	0.83%	DNA		0.00%
Golden Valley Microwave Foods	-		0.00%	650	3	2.56%
Health Risk Management Inc.	-		0.00%	552	4	2.17%
Norwest Funding	-		0.00%	358	7	1.41%
<b>Totals</b>	<b>10,940</b>		<b>46.41%</b>	<b>7,771</b>		<b>30.59%</b>

Source: State of Minnesota Department of Employment and Economic Development (DEED).

DNA: Historical data is not available

**CITY OF EDINA, MINNESOTA**  
**FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Function	Budgeted Full-time Employees for Fiscal Year <sup>a</sup>									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>General Government</b>										
Administration	8.00	8.00	8.00	8.00	8.00	8.25	8.25	8.25	8.25	8.25
Planning	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Finance	5.40	5.40	5.40	5.50	5.75	5.50	5.50	5.50	5.50	5.50
Elections	0.50	0.50	0.50	0.50	0.50	1.00	1.00	1.00	1.00	1.00
Assessing	6.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
<b>Public Works</b>										
Administration	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Engineering	7.50	7.50	7.50	7.50	7.50	7.50	6.50	7.50	7.50	7.50
Supervision	2.00	2.00	2.00	2.00	2.50	2.50	2.50	2.50	2.50	2.50
Maintenance	28.00	28.00	28.00	28.00	27.00	28.00	28.00	28.00	28.00	28.00
<b>Public Safety</b>										
Police Protection	66.00	66.00	66.00	67.00	70.00	69.00	68.00	66.00	69.00	69.00
Animal Control	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Fire Protection	30.00	30.00	30.00	31.00	32.00	32.00	32.00	32.00	32.00	32.00
Public Health	2.58	3.58	3.08	3.08	3.08	3.75	2.75	2.75	2.75	2.75
Inspections	5.00	5.00	5.75	5.75	6.75	6.50	6.50	6.50	6.50	6.50
<b>Parks &amp; Recreation</b>										
Administration	7.00	7.00	7.00	7.00	7.00	7.00	7.00	6.80	6.80	6.80
Maintenance	16.00	16.00	16.00	16.00	17.00	17.00	16.00	16.50	16.40	16.40
<b>Central Services</b>										
General	1.00	1.00	1.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00
City Hall	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
Public Works Building	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90
Equipment Operation	7.00	7.00	7.00	7.00	6.50	6.50	6.50	6.50	6.50	6.50
<b>Utilities</b>	15.50	15.50	16.25	16.25	15.70	14.50	14.50	15.50	15.75	15.75
<b>Liquor</b>	10.00	10.00	10.00	10.00	9.30	9.75	9.75	9.75	9.75	9.75
<b>Aquatic Center</b>	-	-	-	-	-	-	-	0.20	0.55	0.55
<b>Golf Course</b>	14.00	14.00	14.00	14.00	14.00	15.00	15.00	13.00	13.00	13.00
<b>Arena</b>	4.00	4.00	4.00	5.00	5.00	5.00	6.00	6.00	6.00	6.00
<b>Art Center</b>	2.00	2.00	3.00	3.00	3.00	3.00	3.00	3.00	2.50	2.00
<b>Edinborough/Centennial</b>	13.00	13.00	13.00	12.00	13.00	12.00	12.00	12.00	12.00	11.00
<b>Other</b>	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
<b>Total</b>	260.73	261.73	264.73	266.83	272.83	273.00	270.00	268.50	271.50	270.00

Source: City of Edina Finance Department

<sup>a</sup> Employee counts do not include Council members, part-time, contract or seasonal employees.

**CITY OF EDINA, MINNESOTA**  
**OPERATING INDICATORS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>General Government</b>										
Total City employees	-	-	-	801	868	860	879	870	909	887
Votes cast <sup>a</sup>	3,190	27,246	3,099	30,483	10,008	28,156	10,721	31,730	1,367	26,270
<b>Public Works</b>										
Asphalt placed (tons)	-	-	-	-	-	-	-	-	-	9,000
Concrete (cu. yds.)	-	-	-	-	-	-	-	-	-	650
<b>Public Safety</b>										
Crimes reported	-	-	-	-	2,411	2,139	2,073	1,983	1,908	1,937
Fire calls	1,133	1,155	1,131	1,091	1,142	1,106	1,062	1,060	1,055	963
Medical calls	2,755	2,700	2,812	2,914	2,931	3,153	3,030	3,199	3,423	3,470
<b>Central Services</b>										
Vehicle fixes	-	-	-	-	-	-	-	-	-	2,398
<b>Utilities</b>										
Daily consumption <sup>b</sup>	-	-	-	-	-	-	-	-	-	7,209
Sewer cleaned (miles)	-	-	-	-	-	-	-	-	-	48
<b>Aquatic Center</b>										
Attendance	90,000	130,000	132,000	125,000	115,000	111,056	96,419	88,636	139,415	120,406
<b>Golf Course</b>										
Total rounds played	140,631	149,776	142,862	137,838	120,898	112,078	123,770	116,734	113,679	114,737

Source: Various City departments

Note: The City prepared this schedule for the first time in 2006, therefore, some historical data is not readily available.

<sup>a</sup> The City Elections department runs general elections in even-numbered years and school district elections in odd-numbered years. Number of votes cast tend to vary between even and odd-numbered years and based on presidential election cycles.

<sup>b</sup> Daily average of water pumped from city wells, measured in thousands of gallons.

**CITY OF EDINA, MINNESOTA**  
**CAPITAL ASSET STATISTICS BY FUNCTION**  
**LAST TEN FISCAL YEARS**

Function	Fiscal Year									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Public Works</b>										
Miles of streets	224	224	224	224	224	224	224	224	224	224
City parking ramps	4	4	4	4	4	4	4	4	4	4
<b>Public Safety</b>										
Fire stations	2	2	2	2	2	2	2	2	2	2
<b>Parks &amp; Recreation</b>										
City parks	39	39	39	39	39	39	40	40	40	40
Acreage of parks	1,552	1,552	1,552	1,552	1,552	1,552	1,553	1,553	1,553	1,553
Park buildings	26	26	26	26	26	27	27	27	27	27
<b>Utilities</b>										
Wells	18	18	18	18	18	18	18	18	18	18
Watermain miles	199	199	199	199	199	199	199	199	199	199
Sanitary sewer miles	186	186	186	186	186	186	186	186	186	186
Sewer connections	13,783	13,984	13,984	13,984	13,984	13,984	13,984	14,851	14,851	14,851
<b>Arena</b>										
Ice sheets	3	3	3	3	3	3	3	3	3	3

Source: Various City departments

Note: The City prepared this schedule for the first time in 2006, therefore, some historical data is not readily available.