



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED DEC. 31, 2012

City of Edina, Minnesota

e·di·na / ĭ-dī-nə / noun

1. The preeminent place for living,
learning, raising families & doing business

CITY OF EDINA, MINNESOTA

Comprehensive Annual Financial Report
For the fiscal year ended
December 31, 2012

Prepared by:
Department of Finance

John Wallin – Treasurer and Finance Director
Eric Roggeman – Assistant Finance Director
Kyle Sawyer – Accountant

CITY OF EDINA, MINNESOTA
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June 5, 2013

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, 2012.

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, 2012. 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. The 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 48,262. 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.

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.

CITY OF EDINA

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 available 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 Metropolitan Council requires all cities in the seven-county metropolitan area to have a Comprehensive Plan and State law requires cities to update their plans every 10 years. The Comprehensive Plan guides development and redevelopment and addresses changes likely to occur due to various social and market forces. The City updated our Comprehensive Plan and submitted it to the Metropolitan Council for review in 2008. A final version was adopted by the City Council in 2009.

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, expanding recreational opportunities, expanding City services, and increasing communication between City representatives and the public.

The City is working closely with state government, federal government and neighboring communities to improve the area's state and county transportation network, which includes upgraded highways and well-placed pathways. Funding for most of the transportation improvements will need to come from state, county and federal sources, with some minor portion supported by the local taxpayers.

Relevant financial policies

The City has 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.

Assignments for investments and compensated absences are all calculated as specified in the policies. In addition, the City has \$11,902,462 unassigned fund balance in the general fund. This amount is \$1,697,872 above the goal range identified in the policy.

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.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Edina for its comprehensive annual financial report for the fiscal year ended December 31, 2011. This was the sixth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

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 unflinching support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "John Wallin". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

John Wallin
Finance Director

A handwritten signature in black ink, appearing to read "Eric Roggeman". The signature is cursive and somewhat stylized, with a long horizontal stroke extending to the right.

Eric Roggeman
Assistant Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Edina
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Christopher P. Morill

President

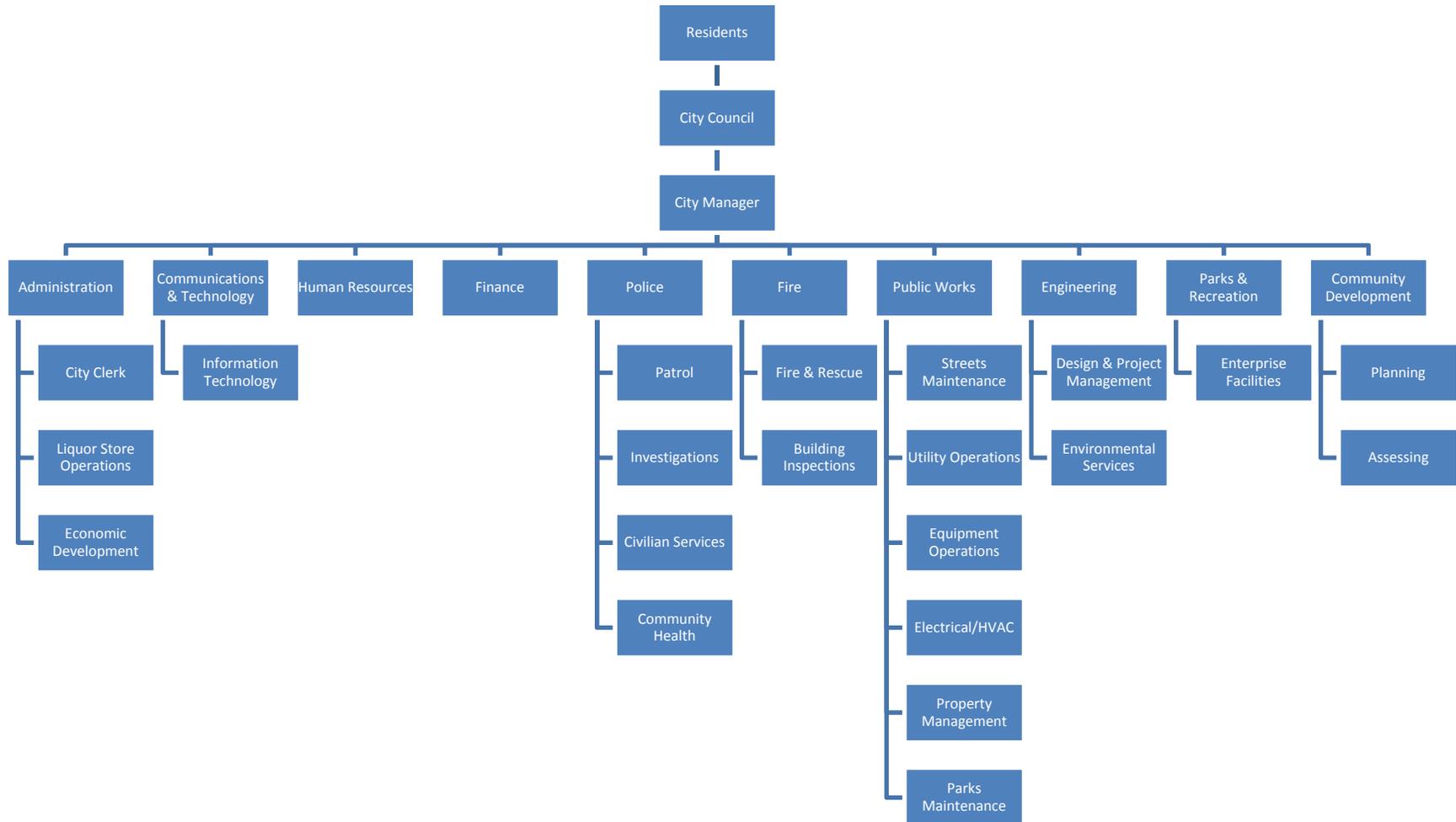
Jeffrey R. Emer

Executive Director

CITY OF EDINA, MINNESOTA
ORGANIZATION
December 31, 2012

	<u>Term Expires</u>
Mayor: James Hovland	December 31, 2016
Council Members: Mary Brindle	December 31, 2016
Ann Swenson	December 31, 2016
Joni Bennett	December 31, 2014
Josh Sprague	December 31, 2014
City Manager: Scott Neal	Appointed
Finance Director/Treasurer: John Wallin	Appointed
City Clerk: Debra Mangen	Appointed

CITY OF EDINA, MINNESOTA





PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management
City of Edina, Minnesota

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Edina, Minnesota (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Information, and the Schedule of Funding Progress for the Other Post-Employment Benefits Plan, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, supplementary financial information, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

(continued)

OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota
June 5, 2013

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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, 2012. 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 \$210,481,664 (net position). Of this amount, \$43,978,309 (unrestricted net position) 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 position increased by \$12,549,848. \$4,975,641 of this increase is due to special assessment revenues, which help support our road reconstruction program. Also, \$5,408,569 of the increase is due to Utility revenues over expenses, which are being reinvested in new or rebuilt infrastructure according to the City's Capital Improvement Plan (CIP) and Utility Rate Study.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$47,648,857, a decrease of \$1,257,882 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,902,462 or 40% of total general fund expenditures.
- The City's total bonded debt increased by \$4,253,720 during the current fiscal year, from \$95,450,000 to \$99,703,720. The City issued new debt during the year consisting of \$13,680,000 general obligation bonds to finance various street and utility infrastructure improvement projects, the arena remodel and refunding of old debt. The City also issued \$73,720 Edina emerald energy program revenue bonds to finance energy improvement projects for local businesses.

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

Management's Discussion and Analysis (Continued)

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

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

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, debt service fund, construction fund and all of its special revenue funds and proprietary funds. A budgetary comparison statement has been provided for the general fund, debt service fund, construction fund and all the special revenue funds to demonstrate compliance with these budgets.

Proprietary funds. The City maintains five 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, golf course and arena operations.

Management's Discussion and Analysis (Continued)

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 position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$210,481,664 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$142,410,536 or 68%) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Management's Discussion and Analysis (Continued)

City of Edina's Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 67,930,449	\$ 66,717,049	\$ 26,181,646	\$ 26,001,510	\$ 94,112,095	\$ 92,718,559
Capital assets	135,922,566	134,804,379	97,044,842	83,474,196	232,967,408	218,278,575
Total assets	<u>\$203,853,015</u>	<u>\$201,521,428</u>	<u>\$123,226,488</u>	<u>\$109,475,706</u>	<u>\$327,079,503</u>	<u>\$310,997,134</u>
Long-term liabilities outstanding	\$ 57,536,627	\$ 61,858,058	\$ 35,799,997	\$ 31,119,126	\$ 93,336,624	\$ 92,977,184
Other liabilities	14,868,386	12,158,427	8,392,829	7,929,707	23,261,215	20,088,134
Total liabilities	<u>\$ 72,405,013</u>	<u>\$ 74,016,485</u>	<u>\$ 44,192,826</u>	<u>\$ 39,048,833</u>	<u>\$116,597,839</u>	<u>\$113,065,318</u>
Net position:						
Net investment in capital assets	\$ 78,644,392	\$ 75,045,018	\$ 63,766,144	\$ 56,877,100	\$142,410,536	\$131,922,118
Restricted	23,215,910	22,915,776	876,909	623,099	24,092,819	23,538,875
Unrestricted	29,587,700	29,544,149	14,390,609	12,926,674	43,978,309	42,470,823
Total net position	<u>\$131,448,002</u>	<u>\$127,504,943</u>	<u>\$ 79,033,662</u>	<u>\$ 70,426,873</u>	<u>\$210,481,664</u>	<u>\$197,931,816</u>

An additional portion of the City's net position (\$24,092,819) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$43,978,309) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all of the categories of net position reported, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

There was also an increase of \$1,507,486 in unrestricted net position, largely due to positive operating results in the Utility fund and a large new assessment for the Minnehaha Woods neighborhood reconstruction project.

Management's Discussion and Analysis (Continued)

As shown below, the City's net position increased by \$12,549,848 during the current fiscal year. Factors contributing to this change are discussed in the next two sections.

City of Edina's Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$ 8,606,777	\$ 7,733,906	\$ 39,039,592	\$ 36,892,116	\$ 47,646,369	\$ 44,626,022
Operating grants and contributions	1,685,026	1,392,892	1,042,195	135,428	2,727,221	1,528,320
Capital grants and contributions	9,137,011	5,770,912	-	-	9,137,011	5,770,912
General revenues:						
Property taxes	25,884,662	25,040,871	-	-	25,884,662	25,040,871
Other taxes	4,352,465	4,805,505	-	-	4,352,465	4,805,505
Gain on disposal of assets	-	131,365	2,644,854	-	2,644,854	131,365
Unrestricted investment earnings	341,986	601,250	113,177	280,438	455,163	881,688
Total revenues	50,007,927	45,476,701	42,839,818	37,307,982	92,847,745	82,784,683
Expenses:						
General government	12,598,979	7,013,231	-	-	12,598,979	7,013,231
Public safety	16,598,423	16,024,575	-	-	16,598,423	16,024,575
Public works	9,437,285	9,193,336	-	-	9,437,285	9,193,336
Parks	5,904,724	5,540,585	-	-	5,904,724	5,540,585
Interest on long-term debt	2,222,392	2,339,370	-	-	2,222,392	2,339,370
Utilities	-	-	12,610,875	12,130,685	12,610,875	12,130,685
Liquor	-	-	11,740,744	11,727,106	11,740,744	11,727,106
Aquatic center	-	-	866,944	718,027	866,944	718,027
Golf course	-	-	3,293,192	3,390,949	3,293,192	3,390,949
Arena	-	-	2,182,200	1,773,456	2,182,200	1,773,456
Community activity centers	-	-	2,842,139	2,914,460	2,842,139	2,914,460
Total expenses	46,761,803	40,111,097	33,536,094	32,654,683	80,297,897	72,765,780
Increase in net position						
before transfers	3,246,124	5,365,604	9,303,724	4,653,299	12,549,848	10,018,903
Transfers	696,935	694,206	(696,935)	(694,206)	-	-
Increase in net position	3,943,059	6,059,810	8,606,789	3,959,093	12,549,848	10,018,903
Net position - January 1	127,504,943	121,445,133	70,426,873	66,467,780	197,931,816	187,912,913
Net position - December 31	<u>\$131,448,002</u>	<u>\$127,504,943</u>	<u>\$ 79,033,662</u>	<u>\$ 70,426,873</u>	<u>\$210,481,664</u>	<u>\$197,931,816</u>

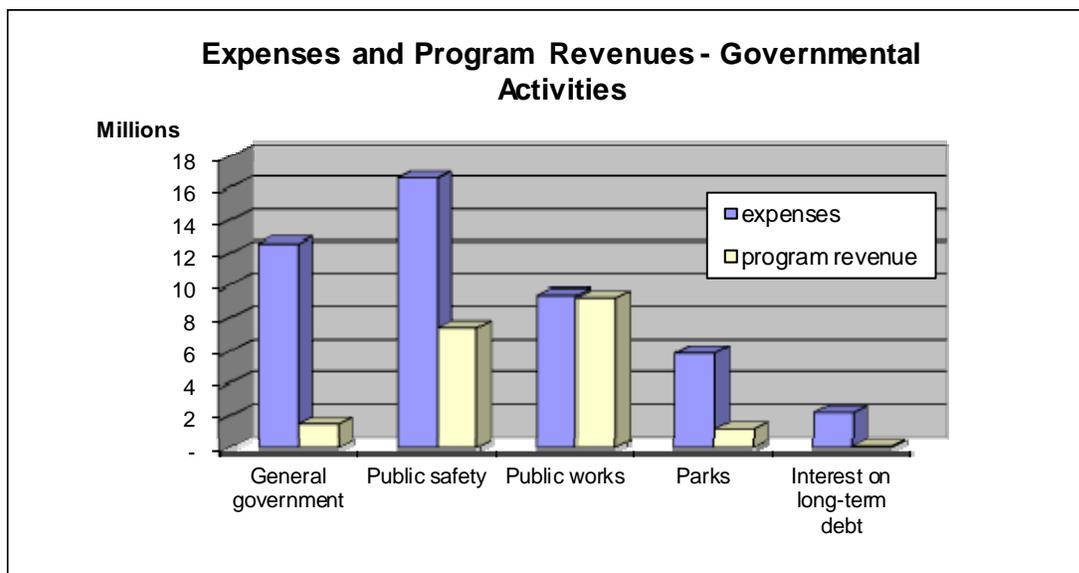
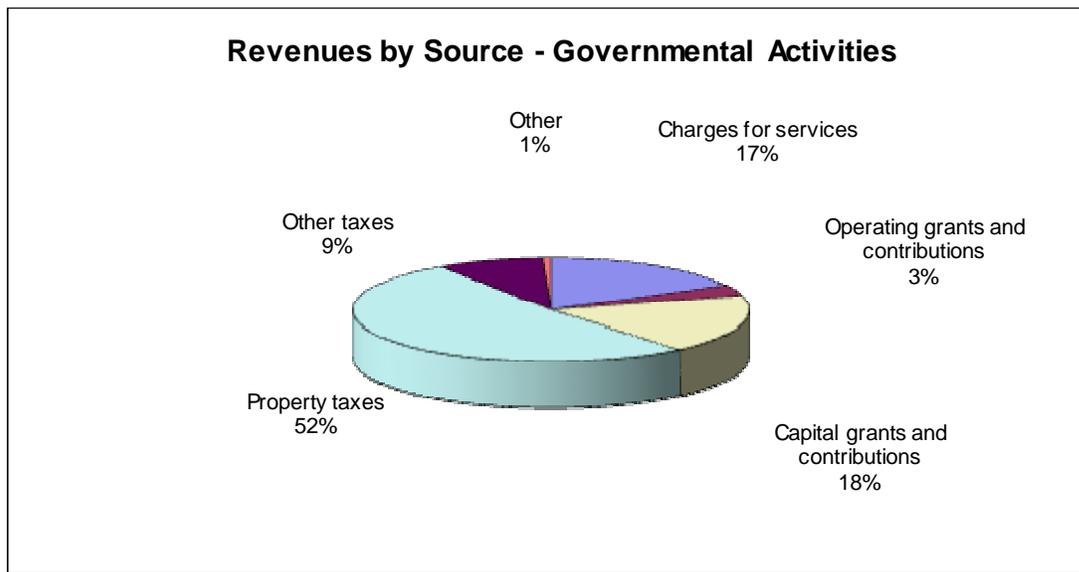
Management's Discussion and Analysis (Continued)

Governmental Activities

Governmental activities increased the City's net position by \$3,943,059, accounting for 31% of the total growth in net position. Key elements of this increase are as follows:

- Property tax revenues; including tax increments collected, increased by \$843,791 (3.4%) during the year, which is more than the property tax levy increase of 1.8% outlined in our 2012 budget due to improved collection rate.
- The City also collected \$3,536,935 in tax increments, which were used to pay principal and interest on tax increment debt. This increases net position because debt principal payments are not expensed on the Statement of Activities.
- The debt service fund paid a total of \$6,620,000 in principal payments during 2012, including the tax increment debt.

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

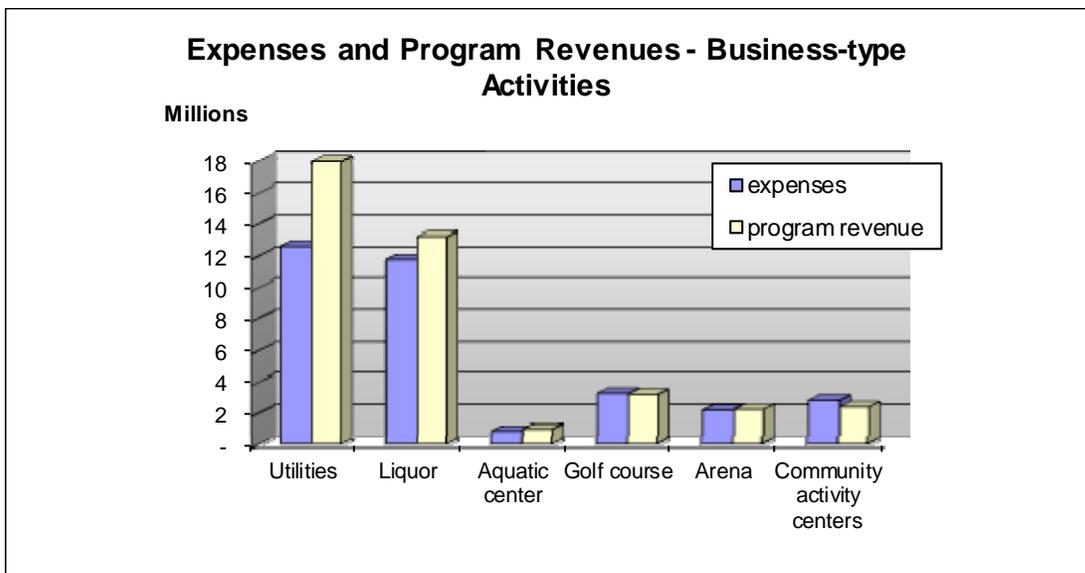
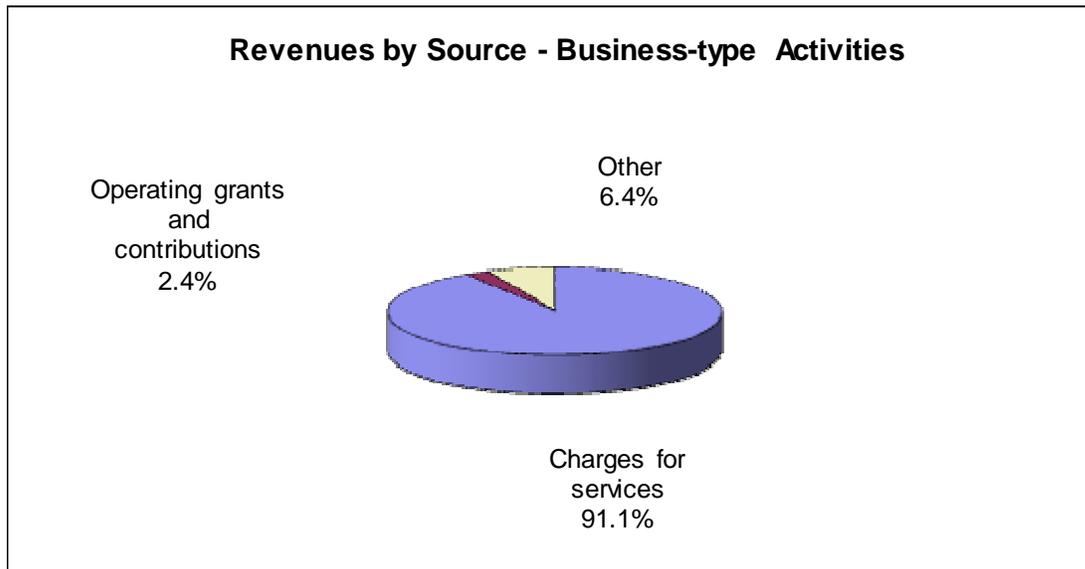


Management's Discussion and Analysis (Continued)

Business-type Activities

Business-type activities increased net position by \$8,606,789 accounting for 69% of the City's growth in net position. Key elements of the current year increase are as follows:

- The utility fund had income before transfers of \$5,408,569 for 2012. This additional revenue is used to invest in new and rebuilt utility infrastructure according to the City's CIP and utility rate study.
- Business-type activities made net transfers of \$696,935 to governmental activities during 2012 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.

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$47,648,857, a decrease of \$1,257,882 in comparison with the prior year. Approximately 25% of this total amount (\$11,902,462) constitutes unassigned fund balance. The remainder of the fund balance is 1) nonspendable due to prepaid items (\$413,200), 2) restricted by external creditors, grantors, laws or regulations (\$26,530,228), or 3) assigned by internal constraints (\$8,802,967).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$11,902,462. As a measure of the general fund's liquidity, unassigned fund balance represents 40% of total general fund expenditures.

The fund balance of the City's general fund increased by \$1,365,918 during the current fiscal year. Key factors in this increase are as follows:

- Total general fund revenues were \$1,989,583 over budget, including higher than expected building permit activity. General fund license and permit revenues increased by 16.3% in the current fiscal year after a 13% and 14.5% increase in 2011 and 2010, respectively.
- Total general fund expenditures were \$918,730 under budget. Much of this savings occurred in the street maintenance and police protection departments, which spent less than budgeted on salaries and benefits due to position openings.
- The liquor fund transferred \$765,100 of profits to the general fund, as planned in the 2012 budget.
- Transfers out of the general fund totaled \$1,542,395 for a variety of purposes planned as part of the 2012 budget process.

The Housing and Redevelopment Authority fund balance decreased by \$3,993,983 in the current fiscal year because there was a large amount spent on the Southdale 2 Tax Increment Financing District from tax increment funds during the year.

The debt service fund has a total fund balance of \$9,704,408, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was \$1,636,225. Fund balance increased during the year as a result of the issuance of \$1,990,000 in refunding bonds, which will be used to retire outstanding principal on 2007C bonds in 2013.

The construction fund balance decreased by \$267,130 in 2012 due to capital outlay related to various projects. Also, new debt was issued in 2012 to help finance various street improvement projects.

Management's Discussion and Analysis (Continued)

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

Unrestricted net position of the utility fund at the end of the year amounted to \$12,111,191. The total growth in net position was \$5,308,569. Operating revenues and expenses in the utilities fund increased by 11.7% and 3.3%, respectively, in 2012, due to rate increases and a very dry 2012 summer and fall that led to increased water sales for irrigation that are intended to help replace aging infrastructure. The City invested \$14,089,138 in utility fund capital assets during 2012.

Unrestricted net position of the liquor fund at the end of the year amounted to \$1,525,219. Total net position increased by \$170,097. The liquor fund continues to transfer profits back into other City funds, including the general, construction, golf course, arena and art center funds. The liquor fund made transfers totaling \$1,320,100 to other funds during 2012. The majority of this amount (\$765,100) was transferred to the general fund according to the budget.

Unrestricted net position of the aquatic center fund at the end of the year amounted to \$702,703. Aquatic center revenues increased by 9.7% from 2011 due to more favorable weather for the aquatic center in 2012. The aquatic center remains profitable.

Unrestricted net position of the golf course fund at the end of the year amounted to \$209,225, an increase of \$1,620,906 from the prior year. Unrestricted net position had been declining or essentially flat for a number of years in the golf course fund because cash flow is not sufficient to make principal and interest payments on outstanding debt and declining rounds played at the City's courses. The large increase in 2012 is the result of insurance proceeds received for the collapse of the golf dome which will be spent in 2013 to rebuild the structure.

Unrestricted net position of the arena fund at the end of the year amounted to a deficit of (\$2,749,659), a decrease of \$2,711,917 from the prior year. The large decrease in 2012 is the result of debt issued to fund the remodel of the arena and unexpected repairs for a chiller that malfunctioned causing the ice to melt late in the year.

General Fund Budgetary Highlights

During the year there was a \$1,542,395 increase in appropriations between the original and final amended budget. The increase was a transfer to the construction and arena funds of unassigned general fund balance according to the City's fund balance policy.

During the year, revenues were \$1,989,583 more than budget, as the improving economy affected our permits and charges for services revenues, which exceeded budget by \$624,941. There was also \$702,100 in parkland dedication revenue that was unbudgeted in 2012.

Many City departments were under budget for the year, particularly the street maintenance, engineering, and police protection departments, which were under staffed during the year because positions that came open were not immediately filled. The City also saved money by beginning the replacement of fluorescent light bulbs with light-emitting diode (LED) bulbs.

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, 2012, amounted to \$232,967,408 (net of accumulated depreciation). This investment in capital assets included land, land improvements, intangible assets such as easements, infrastructure assets (roads, bridges, sidewalks, and similar items), buildings, vehicles and equipment. The total increase in the City's investment in capital assets for the current fiscal year was 6.7 percent (a .8 percent increase for governmental activities and a 16.3 percent increase for business-type activities).

Management's Discussion and Analysis (Continued)

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

- The City completed construction on a new public works facility in 2012; total construction cost was \$22,304,549.
- A variety of street construction, sidewalk and traffic signal projects began in 2012.
- The City continued construction on new water treatment plant #6, construction in progress as of the close of the fiscal year has reached \$6,803,875.
- A variety of utility infrastructure improvements, including watermain, sanitary and storm sewer, construction in progress as of the close of the fiscal year reached \$15,738,896 which includes water treatment plant #6.
- The City completed construction on the flowrider at the aquatic center; total construction cost was \$1,293,377.
- Renovations started on the arena addition known as the "Hornet's Nest" in 2012, construction in progress as of the close of the fiscal year has reached \$3,837,046.

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

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land and land improvements	\$ 24,052,302	\$ 24,630,058	\$ 5,258,708	\$ 4,281,650	\$ 29,311,010	\$ 28,911,708
Easements	111,000	111,000	-	-	111,000	111,000
Buildings and improvements	56,786,838	36,293,919	7,365,467	7,757,607	64,152,305	44,051,526
Machinery and equipment	7,104,264	7,561,749	2,786,411	2,334,264	9,890,675	9,896,013
Infrastructure	42,197,555	32,901,599	61,707,121	54,318,904	103,904,676	87,220,503
Construction in progress	5,670,607	33,306,054	19,927,135	14,781,771	25,597,742	48,087,825
Total	<u>\$135,922,566</u>	<u>\$134,804,379</u>	<u>\$ 97,044,842</u>	<u>\$ 83,474,196</u>	<u>\$ 232,967,408</u>	<u>\$ 218,278,575</u>

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 \$99,703,720, an increase of \$4,253,720 from 2011. This increase resulted from the payment of previously scheduled principal payments offset by \$13,753,720 in new debt issued.

\$27,680,000 is for general obligation improvement debt that is supported by property tax levies and special assessments. This amount decreased from 2011 due to regularly scheduled principal payments made during the year.

\$21,550,000 is for permanent improvement revolving (PIR) bonds, which finance the City's special assessment program. This amount increased from 2011 due to a new debt issue to finance the cost of various improvement projects.

An additional \$550,000 of general obligation tax increment debt financed the City's economic development program. This amount decreased in 2012 due to regularly scheduled principal payments on outstanding issues.

Also outstanding is \$11,865,000 public project revenue bonds which financed two gymnasiums and the new public works facility. This amount decreased in 2012 due to regularly scheduled principal payments on outstanding issues.

There is a total of \$37,985,000 in revenue bonds for improvements to the enterprise funds. This amount increased \$6,135,000 during the year due to issuance of new bonds to finance the cost of various utility infrastructure improvements and the renovation of the arena.

Management's Discussion and Analysis (Continued)

City of Edina's Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Tax increment bonds	\$ 550,000	\$ 2,480,000	\$ -	\$ -	\$ 550,000	\$ 2,480,000
General obligation bonds	27,680,000	29,700,000	-	-	27,680,000	29,700,000
Public improvement bonds	21,550,000	18,260,000	-	-	21,550,000	18,260,000
Public project revenue bonds	11,865,000	13,160,000	-	-	11,865,000	13,160,000
Edina emerald energy program bonds	73,720	-	-	-	73,720	-
Revenue bonds	-	-	37,985,000	31,850,000	37,985,000	31,850,000
Total	\$ 61,718,720	\$ 63,600,000	\$ 37,985,000	\$ 31,850,000	\$ 99,703,720	\$ 95,450,000

The City maintains an Aaa rating from Moody's and an AAA rating from Standard & Poor's.

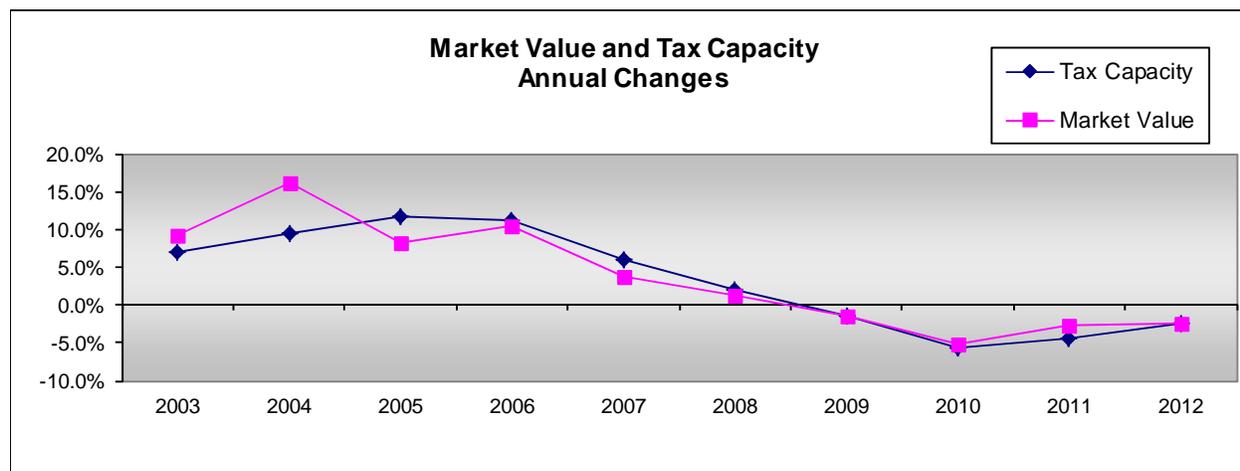
State statutes limit the amount of general obligation debt a Minnesota city may issue up to 3% of total Estimated Market Value. The current debt limitation for the City is \$270,766,953. Only \$39,545,000 of the City's outstanding debt is counted within the statutory limitation.

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 relatively healthy local economy helps to make this goal a reality. The unemployment rate in Edina for December 2012 was 4.56%, well below the state and national levels. 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-nine percent of students graduate, with ninety-four percent pursuing some sort of post-secondary education.

Property values in Edina increased at a rapid pace for several years through 2006, but values have declined since then. Estimated market value of real estate actually decreased 2.5% for taxes payable in 2012.



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 for real estate decreased 2.3% for taxes payable in 2012, but had been positive from 2002 through 2008.

Due to the increases in market value and tax capacity since 2002, property tax rates had been decreasing through 2007, although tax rates are rising slightly.

All of these factors above were considered in preparing the City's budget for the 2013 fiscal year. The City's adopted 2013 budget includes a property tax levy of \$26,747,384 for all funds, an increase of 1.9% from the 2012 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 50th Street, Edina, Minnesota 55424. The City's Comprehensive Annual Financial Report can also be found on the internet at www.cityofedina.com.

CITY OF EDINA, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2012

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets:			
Current assets:			
Cash and cash equivalents	\$ 363,726	\$ 172,814	\$ 536,540
Investments	43,961,063	11,890,173	55,851,236
Restricted investments	4,971,168	5,833,610	10,804,778
Accrued interest	159,830	54,576	214,406
Accounts receivable, net	655,503	5,944,577	6,600,080
Special assessments receivable	14,177,696	529,686	14,707,382
Internal balances	(236)	236	-
Due from other governments	792,265	3,685	795,950
Prepaid items	413,200	353,560	766,760
Inventory	-	1,169,003	1,169,003
Total current assets	<u>65,494,215</u>	<u>25,951,920</u>	<u>91,446,135</u>
Noncurrent assets:			
Deferred charges	851,769	229,726	1,081,495
Investment in joint powers agreement	1,584,465	-	1,584,465
Nondepreciable capital assets	21,762,971	21,016,100	42,779,071
Depreciable capital assets (net)	114,159,595	76,028,742	190,188,337
Total noncurrent assets	<u>138,358,800</u>	<u>97,274,568</u>	<u>235,633,368</u>
Total assets	<u>203,853,015</u>	<u>123,226,488</u>	<u>327,079,503</u>
Liabilities:			
Current liabilities:			
Accounts payable	1,513,555	922,495	2,436,050
Salaries payable	1,026,149	275,864	1,302,013
Accrued interest payable	861,224	389,961	1,251,185
Contracts payable	311,659	2,161,258	2,472,917
Due to other governments	635,479	180,236	815,715
Deposits payable	28,084	112,216	140,300
Unearned revenue	106,496	67,441	173,937
Compensated absences payable	1,600,740	333,358	1,934,098
Bonds payable	8,785,000	3,950,000	12,735,000
Total current liabilities	<u>14,868,386</u>	<u>8,392,829</u>	<u>23,261,215</u>
Noncurrent liabilities:			
Net OPEB obligation	1,124,113	137,652	1,261,765
Compensated absences payable	2,401,109	500,037	2,901,146
Bonds payable, net	54,011,405	35,162,308	89,173,713
Total noncurrent liabilities	<u>57,536,627</u>	<u>35,799,997</u>	<u>93,336,624</u>
Total liabilities	<u>72,405,013</u>	<u>44,192,826</u>	<u>116,597,839</u>
Net position:			
Net investment in capital assets	78,644,392	63,766,144	142,410,536
Restricted for tax increments	11,641,291	-	11,641,291
Restricted for debt service	9,704,408	876,909	10,581,317
Restricted for parkland dedication	880,395	-	880,395
Restricted for police special revenue	658,002	-	658,002
Restricted for braemar golf donations	331,814	-	331,814
Unrestricted	29,587,700	14,390,609	43,978,309
Total net position	<u>\$ 131,448,002</u>	<u>\$ 79,033,662</u>	<u>\$ 210,481,664</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, 2012

<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	\$ 12,598,979	\$ 1,142,984	\$ 348,314	\$ -
Public safety	16,598,423	6,549,929	831,692	-
Public works	9,437,285	461,708	387,318	8,427,800
Parks	5,904,724	452,156	16,153	709,211
Interest on long-term debt	2,222,392	-	101,549	-
Total government activities	<u>46,761,803</u>	<u>8,606,777</u>	<u>1,685,026</u>	<u>9,137,011</u>
Business-type activities:				
Utilities	12,610,875	17,729,589	236,644	-
Liquor	11,740,744	13,230,941	-	-
Aquatic center	866,944	1,001,946	-	-
Golf course	3,293,192	3,225,591	-	-
Arena	2,182,200	1,452,435	795,707	-
Community activity centers	2,842,139	2,399,090	9,844	-
Total business-type activities	<u>33,536,094</u>	<u>39,039,592</u>	<u>1,042,195</u>	<u>-</u>
Total primary government	<u>\$ 80,297,897</u>	<u>\$ 47,646,369</u>	<u>\$ 2,727,221</u>	<u>\$ 9,137,011</u>

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

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-type Activities	Total
	\$ (11,107,681)	\$ -	\$ (11,107,681)
	(9,216,802)	-	(9,216,802)
	(160,459)	-	(160,459)
	(4,727,204)	-	(4,727,204)
	(2,120,843)	-	(2,120,843)
	<u>(27,332,989)</u>	<u>-</u>	<u>(27,332,989)</u>
	-	5,355,358	5,355,358
	-	1,490,197	1,490,197
	-	135,002	135,002
	-	(67,601)	(67,601)
	-	65,942	65,942
	-	(433,205)	(433,205)
	<u>-</u>	<u>6,545,693</u>	<u>6,545,693</u>
	<u>(27,332,989)</u>	<u>6,545,693</u>	<u>(20,787,296)</u>
General revenues:			
Property taxes	25,884,662	-	25,884,662
Tax increment collections	3,536,935	-	3,536,935
Franchise taxes	815,530	-	815,530
Unrestricted investment earnings	341,986	113,177	455,163
Gain on disposal of capital assets	-	2,644,854	2,644,854
Transfers	696,935	(696,935)	-
Total general revenues and transfers	<u>31,276,048</u>	<u>2,061,096</u>	<u>33,337,144</u>
Change in net position	3,943,059	8,606,789	12,549,848
Net position - beginning	<u>127,504,943</u>	<u>70,426,873</u>	<u>197,931,816</u>
Net position - ending	<u>\$ 131,448,002</u>	<u>\$ 79,033,662</u>	<u>\$ 210,481,664</u>

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CITY OF EDINA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012

	General	Housing & Redevelopment Authority	Debt Service	Construction	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ -	\$ 38,674	\$ -	\$ -	\$ 325,052	\$ 363,726
Unrestricted investments	14,855,817	13,349,900	7,180,315	8,084,453	490,578	43,961,063
Restricted investments	-	-	2,211,705	2,759,463	-	4,971,168
Accrued interest	48,208	53,116	13,499	44,411	596	159,830
Accounts receivable	614,813	-	-	39,476	1,214	655,503
Special assessments receivable	-	-	13,274,971	902,725	-	14,177,696
Due from other funds	264,430	-	266,005	-	149,323	679,758
Due from other governments	427,408	11,179	62,561	267,563	23,554	792,265
Prepaid items	413,200	-	-	-	-	413,200
Total assets	\$ 16,623,876	\$ 13,452,869	\$ 23,009,056	\$ 12,098,091	\$ 990,317	\$ 66,174,209
Liabilities and fund balances						
Liabilities:						
Accounts payable	\$ 617,218	\$ 630,217	\$ 2,925	\$ 262,694	\$ 501	\$ 1,513,555
Salaries payable	1,017,429	4,623	-	4,097	-	1,026,149
Contracts payable	-	-	-	311,659	-	311,659
Due to other funds	-	-	-	679,994	-	679,994
Due to other governments	13,596	621,883	-	-	-	635,479
Deposits payable	15,159	-	-	12,925	-	28,084
Unearned revenue	106,496	-	-	-	-	106,496
Deferred revenue	14,844	-	13,301,723	907,369	-	14,223,936
Total liabilities	1,784,742	1,256,723	13,304,648	2,178,738	501	18,525,352
Fund balance:						
Nonspendable	413,200	-	-	-	-	413,200
Restricted	880,395	12,196,146	9,704,408	2,759,463	989,816	26,530,228
Assigned	1,643,077	-	-	7,159,890	-	8,802,967
Unassigned	11,902,462	-	-	-	-	11,902,462
Total fund balance	14,839,134	12,196,146	9,704,408	9,919,353	989,816	47,648,857
Total liabilities and fund balances	\$ 16,623,876	\$ 13,452,869	\$ 23,009,056	\$ 12,098,091	\$ 990,317	\$ 66,174,209
Fund balance reported above						\$ 47,648,857
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds						135,922,566
Investment in joint powers agreement are not available to pay for current-period expenditures, and therefore, are not reported in the funds						1,584,465
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds						14,223,936
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.						(67,931,822)
Net position of governmental activities						\$ 131,448,002

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, 2012

	General	Housing & Redevelopment Authority	Debt Service	Construction	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:						
General property taxes	\$ 21,269,249	\$ -	\$ 3,593,370	\$ 975,803	\$ -	\$ 25,838,422
Tax increment collections	-	3,536,935	-	-	-	3,536,935
Franchise taxes	771,293	-	-	44,237	-	815,530
Special assessments	-	-	2,521,001	2,454,640	-	4,975,641
License and permits	3,126,541	-	-	28,810	-	3,155,351
Intergovernmental	904,437	-	101,549	947,073	79,907	2,032,966
Charges for services	3,651,098	-	-	57,384	-	3,708,482
Fines and forfeitures	1,083,834	-	-	-	111,220	1,195,054
Investment income	17,659	160,098	23,894	136,986	3,349	341,986
Rental of property	506,276	-	-	-	-	506,276
Parkland dedication	702,100	-	-	-	-	702,100
Other revenues	40,162	-	-	197,746	2,933	240,841
Total revenues	32,072,649	3,697,033	6,239,814	4,842,679	197,409	47,049,584
Expenditures:						
Current:						
General government	5,369,348	708,838	-	529,844	16,543	6,624,573
Public safety	14,738,781	-	-	73,266	173,021	14,985,068
Public works	6,051,946	-	-	225,560	-	6,277,506
Parks	3,769,361	-	-	76,142	6,757	3,852,260
Capital outlay:						
General government	-	5,000,000	-	463,495	-	5,463,495
Public safety	-	-	-	738,957	-	738,957
Public works	-	-	-	6,987,231	-	6,987,231
Parks	-	3,733	-	429,027	-	432,760
Debt service:						
Bond principal	-	-	6,620,000	-	-	6,620,000
Interest and fiscal charges	-	-	2,292,394	-	-	2,292,394
Total expenditures	29,929,436	5,712,571	8,912,394	9,523,522	196,321	54,274,244
Revenues over (under) expenditures	2,143,213	(2,015,538)	(2,672,580)	(4,680,843)	1,088	(7,224,660)
Other financing sources (uses):						
Transfers in	765,100	-	1,978,445	1,752,395	-	4,495,940
Transfers out	(1,542,395)	(1,978,445)	-	(278,165)	-	(3,799,005)
Sale of capital assets	-	-	-	94,975	-	94,975
Bonds issued	-	-	109,001	2,639,719	-	2,748,720
Refunding bonds issued	-	-	1,990,000	-	-	1,990,000
Premium (discounts) on bonds issued	-	-	231,359	204,789	-	436,148
Total other financing sources (uses)	(777,295)	(1,978,445)	4,308,805	4,413,713	-	5,966,778
Net increase (decrease) in fund balance	1,365,918	(3,993,983)	1,636,225	(267,130)	1,088	(1,257,882)
Fund balance - January 1	13,473,216	16,190,129	8,068,183	10,186,483	988,728	48,906,739
Fund balance - December 31	\$ 14,839,134	\$ 12,196,146	\$ 9,704,408	\$ 9,919,353	\$ 989,816	\$ 47,648,857

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, 2012

Amounts reported for governmental activities in the statement of activities (page 22-23) are different because:

Net changes in fund balances - total governmental funds (page 26) \$ (1,257,882)

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. 1,326,762

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 position differs from the change in fund balance by the net book value of the capital assets sold. (208,575)

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. 2,958,343

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 position. 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. 1,468,651

Some expenses reported in the statement of activities do not require the use of current financial resources (OPEB obligations, accrued interest and amortization on debt and compensated absences payable) and, therefore, are not reported as expenditures in governmental funds. (344,240)

Change in net position of governmental activities (page 23) \$ 3,943,059

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

CITY OF EDINA, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2012

	Business-type Activities - Enterprise Funds						Total
	Utilities	Liquor	Aquatic Center	Golf Course	Arena	Nonmajor Enterprise Funds	
Assets:							
Current assets:							
Cash and cash equivalents	\$ 8,803	\$ -	\$ -	\$ -	\$ -	\$ 164,011	\$ 172,814
Unrestricted investments	9,155,391	-	-	-	-	2,734,782	11,890,173
Restricted investments	3,517,556	-	-	-	2,316,054	-	5,833,610
Interest receivable	43,256	-	-	-	-	11,320	54,576
Accounts receivable, net	3,884,494	-	-	1,917,285	135,238	7,560	5,944,577
Special assessments receivable	529,686	-	-	-	-	-	529,686
Due from other funds	-	1,308,584	-	546,509	-	33,268	1,888,361
Due from other governments	3,685	-	-	-	-	-	3,685
Prepaid expenses	353,560	-	-	-	-	-	353,560
Inventory	6,475	1,082,275	-	69,458	-	10,795	1,169,003
Total current assets	17,502,906	2,390,859	-	2,533,252	2,451,292	2,961,736	27,840,045
Noncurrent assets:							
Advances to other funds	-	-	1,000,000	-	-	-	1,000,000
Deferred charges	161,393	-	4,214	-	64,119	-	229,726
Net capital assets	79,100,133	1,425,155	2,465,104	4,215,716	8,006,282	1,832,452	97,044,842
Total noncurrent assets	79,261,526	1,425,155	3,469,318	4,215,716	8,070,401	1,832,452	98,274,568
Total assets	96,764,432	3,816,014	3,469,318	6,748,968	10,521,693	4,794,188	126,114,613
Liabilities:							
Current liabilities:							
Accounts payable	203,173	338,001	1,180	1,367	325,632	53,142	922,495
Salaries payable	60,236	68,851	423	40,990	40,618	64,746	275,864
Accrued interest payable	346,952	-	5,940	3,069	34,000	-	389,961
Contracts payable	1,129,677	13,233	-	72,178	884,770	61,400	2,161,258
Due to other funds	-	-	293,968	-	1,594,157	-	1,888,125
Due to other governments	9,369	153,044	-	1,577	5,031	11,215	180,236
Deposits payable	112,216	-	-	-	-	-	112,216
Unearned revenue	-	8,118	-	49,558	-	9,765	67,441
Compensated absences payable	53,715	104,146	-	97,975	19,931	57,591	333,358
Bonds payable - current	3,400,000	-	140,000	310,000	100,000	-	3,950,000
Total current liabilities	5,315,338	685,393	441,511	576,714	3,004,139	257,859	10,280,954
Noncurrent liabilities:							
Net OPEB obligation	39,642	24,027	-	33,442	14,981	25,560	137,652
Compensated absences payable	80,572	156,220	-	146,962	29,896	86,387	500,037
Bonds payable, net of unamortized discounts	29,760,119	-	322,160	-	5,080,029	-	35,162,308
Advances from other funds	-	-	-	1,000,000	-	-	1,000,000
Total noncurrent liabilities	29,880,333	180,247	322,160	1,180,404	5,124,906	111,947	36,799,997
Total liabilities	35,195,671	865,640	763,671	1,757,118	8,129,045	369,806	47,080,951
Net position:							
Net investment in capital assets	49,457,570	1,425,155	2,002,944	3,905,716	5,142,307	1,832,452	63,766,144
Restricted for debt service	-	-	-	876,909	-	-	876,909
Unrestricted	12,111,191	1,525,219	702,703	209,225	(2,749,659)	2,591,930	14,390,609
Total net position	\$61,568,761	\$ 2,950,374	\$ 2,705,647	\$ 4,991,850	\$ 2,392,648	\$ 4,424,382	\$79,033,662

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

CITY OF EDINA, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For The Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds						Total
	Utilities	Liquor	Aquatic Center	Golf Course	Arena	Nonmajor Enterprise Funds	
Operating revenues:							
Sales - liquor	\$ -	\$12,976,196	\$ -	\$ 161,040	\$ -	\$ -	\$ 13,137,236
Sales - retail	-	254,745	1,849	230,120	1,736	36,929	525,379
Sales - utilities	17,295,304	-	-	-	-	-	17,295,304
Sales - concessions	-	-	124,275	223,775	85,145	149,383	582,578
Memberships	-	-	472,166	88,555	3,926	78,089	642,736
Admissions	-	-	360,786	70,049	110,497	646,399	1,187,731
Building rental	-	-	42,870	74,215	1,130,057	279,098	1,526,240
Rental of equipment	-	-	-	359,484	2,468	126,684	488,636
Greens fees	-	-	-	1,661,982	-	183,873	1,845,855
Other fees	427,799	-	-	356,371	118,606	898,635	1,801,411
Total operating revenues	17,723,103	13,230,941	1,001,946	3,225,591	1,452,435	2,399,090	39,033,106
Operating expenses:							
Cost of sales and services	11,141	9,615,928	34,996	347,752	37,825	71,551	10,119,193
Personal services	1,536,352	1,343,780	324,705	1,574,394	676,340	1,577,361	7,032,932
Contractual services	6,139,662	443,705	217,171	489,372	854,957	543,182	8,688,049
Commodities	833,528	61,760	48,694	344,549	102,162	281,729	1,672,422
Central Services	622,573	205,216	18,347	134,496	40,710	141,805	1,163,147
Depreciation	2,668,212	70,015	210,424	395,953	387,375	226,511	3,958,490
Total operating expenses	11,811,468	11,740,404	854,337	3,286,516	2,099,369	2,842,139	32,634,233
Operating income (loss)	5,911,635	1,490,537	147,609	(60,925)	(646,934)	(443,049)	6,398,873
Nonoperating revenues (expenses):							
Intergovernmental	236,644	-	-	-	-	-	236,644
Investment income	46,984	-	-	-	139	66,054	113,177
Donations	-	-	-	-	795,707	9,844	805,551
Interest and fiscal charges	(841,890)	-	(12,014)	(6,229)	(81,767)	-	(941,900)
Amortization of bond deferred charges (discounts)	42,483	-	(593)	(447)	(1,064)	-	40,379
Gain (loss) on sale of capital asset, net of recoveries	6,227	-	-	2,623,627	15,000	-	2,644,854
Miscellaneous	6,486	(340)	-	-	-	-	6,146
Total nonoperating revenues (expenses)	(503,066)	(340)	(12,607)	2,616,951	728,015	75,898	2,904,851
Income (loss) before transfers	5,408,569	1,490,197	135,002	2,556,026	81,081	(367,151)	9,303,724
Transfers:							
Transfers in	-	-	-	100,000	289,903	333,262	723,165
Transfers out	(100,000)	(1,320,100)	-	-	-	-	(1,420,100)
Total transfers	(100,000)	(1,320,100)	-	100,000	289,903	333,262	(696,935)
Change in net position	5,308,569	170,097	135,002	2,656,026	370,984	(33,889)	8,606,789
Net position - January 1	56,260,192	2,780,277	2,570,645	2,335,824	2,021,664	4,458,271	70,426,873
Net position - December 31	\$61,568,761	\$ 2,950,374	\$ 2,705,647	\$ 4,991,850	\$ 2,392,648	\$ 4,424,382	\$ 79,033,662

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, 2012

	Business-type Activities - Enterprise Funds						Total
	Utilities	Liquor	Aquatic Center	Golf Course	Arena	Nonmajor Enterprise Funds	
Cash flows from operating activities:							
Receipts from customers and users	\$ 17,492,324	\$ 13,232,328	\$ 1,001,946	\$ 3,237,282	\$ 1,429,294	\$ 2,402,412	\$ 38,795,586
Payment to suppliers	(7,554,473)	(10,205,660)	(318,769)	(1,355,647)	(748,578)	(1,058,032)	(21,241,159)
Payment to employees	(1,550,826)	(1,322,226)	(324,282)	(1,569,513)	(704,648)	(1,544,818)	(7,016,313)
Donations received	-	-	-	-	795,707	9,844	805,551
Miscellaneous received	6,486	(340)	-	-	-	-	6,146
Net cash provided by (used in) operating activities	<u>8,393,511</u>	<u>1,704,102</u>	<u>358,895</u>	<u>312,122</u>	<u>771,775</u>	<u>(190,594)</u>	<u>11,349,811</u>
Cash flows from noncapital financing activities:							
State grant	236,644	-	-	-	-	-	236,644
Transfer from other funds	-	-	-	100,000	289,903	333,262	723,165
Transfer to other funds	(100,000)	(1,320,100)	-	-	-	-	(1,420,100)
Proceeds from interfund borrowing	-	1,208,710	655,330	-	1,615,025	136,434	3,615,499
Payment of interfund borrowing	(751,547)	(1,308,584)	-	(630,756)	-	(33,268)	(2,724,155)
Net cash provided by (used in) noncapital financing activities	<u>(614,903)</u>	<u>(1,419,974)</u>	<u>655,330</u>	<u>(530,756)</u>	<u>1,904,928</u>	<u>436,428</u>	<u>431,053</u>
Cash flows from capital and related financing activities:							
Proceeds from capital debt	6,782,354	-	-	-	2,908,350	-	9,690,704
Acquisition of capital assets	(14,089,138)	(284,128)	(865,874)	(233,670)	(3,077,180)	(106,862)	(18,656,852)
Proceeds from sale of capital assets	6,227	-	-	746,355	15,000	-	767,582
Principal paid on bonds	(2,360,000)	-	(135,000)	(285,000)	(100,000)	-	(2,880,000)
Interest and fiscal charges paid on bonds	(855,996)	-	(13,351)	(9,051)	(123,051)	-	(1,001,449)
Net cash provided by (used in) capital and related financing activities	<u>(10,516,553)</u>	<u>(284,128)</u>	<u>(1,014,225)</u>	<u>218,634</u>	<u>(376,881)</u>	<u>(106,862)</u>	<u>(12,080,015)</u>
Cash flows from investing activities:							
Proceeds from sale of investments	6,685,000	-	-	-	-	(67,700)	6,617,300
Purchase of investments	(3,953,921)	-	-	-	(2,316,054)	-	(6,269,975)
Interest received	15,669	-	-	-	139	67,700	83,508
Net cash flows provided by (used in) investing activities	<u>2,746,748</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,315,915)</u>	<u>-</u>	<u>430,833</u>
Net increase (decrease) in cash and cash equivalents	8,803	-	-	-	(16,093)	138,972	131,682
Cash and cash equivalents - January 1	-	-	-	-	16,093	25,039	41,132
Cash and cash equivalents - December 31	<u>\$ 8,803</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 164,011</u>	<u>\$ 172,814</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, 2012

	Business-type Activities - Enterprise Funds						Total
	Utilities	Liquor	Aquatic Center	Golf Course	Arena	Nonmajor Enterprise Funds	
Reconciliation of operating income to net cash provided (used) by operating activities:							
Operating income (loss)	\$ 5,911,635	\$ 1,490,537	\$ 147,609	\$ (60,925)	\$ (646,934)	\$ (443,049)	\$ 6,398,873
Adjustments to reconcile operating income (loss) to net cash flows provided by (used in) operating activities:							
Depreciation	2,668,212	70,015	210,424	395,953	387,375	226,511	3,958,490
Donations	-	-	-	-	795,707	9,844	805,551
Miscellaneous revenue (expense)	6,486	(340)	-	-	-	-	6,146
Changes in assets and liabilities:							
Decrease (increase) in receivables	(217,105)	-	-	-	(23,141)	1,692	(238,554)
Decrease (increase) in special assessments	(16,427)	-	-	-	-	-	(16,427)
Decrease (increase) in due from other governments	2,753	-	-	-	-	-	2,753
Decrease (increase) in inventory	12,250	(55,257)	-	11,034	-	1,530	(30,443)
Decrease (increase) in prepaid expenses	115	-	-	-	-	-	115
Increase (decrease) in accounts payable	40,340	77,764	442	(46,961)	285,290	(21,450)	335,425
Increase (decrease) in salaries payable	(2,167)	5,766	423	(8,979)	9,578	11,594	16,215
Increase (decrease) in due to other governments	(274)	98,442	(3)	(3,551)	1,786	155	96,555
Increase (decrease) in unearned revenue	-	1,387	-	11,691	-	1,630	14,708
Increase (decrease) in net OPEB obligation	4,634	3,433	-	4,616	2,680	2,509	17,872
Increase (decrease) in compensated absences	(16,941)	12,355	-	9,244	(40,566)	18,440	(17,468)
Total adjustments	<u>2,481,876</u>	<u>213,565</u>	<u>211,286</u>	<u>373,047</u>	<u>1,418,709</u>	<u>252,455</u>	<u>4,950,938</u>
Net cash provided by (used in) operating activities	\$ <u>8,393,511</u>	\$ <u>1,704,102</u>	\$ <u>358,895</u>	\$ <u>312,122</u>	\$ <u>771,775</u>	\$ <u>(190,594)</u>	\$ <u>11,349,811</u>
Noncash investing activities:							
Increase (decrease) in fair value of investments	675	-	-	-	-	(32,053)	(31,378)
Noncash capital and related financing activities:							
Acquisition of capital assets with contracts payable	1,856,376	(13,233)	262,908	(72,178)	(884,770)	(61,400)	1,087,703
Increase in accounts receivable related to insurance recoveries	-	-	-	1,917,285	-	-	1,917,285

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

CITY OF EDINA, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
December 31, 2012

	<u>Agency Funds</u>
Assets	
Cash	\$ 66,958
Investments	<u>250,000</u>
Total assets	<u>\$ 316,958</u>
Liabilities	
Accounts payable	\$ 45,646
Salaries payable	7,815
Due to other governmental units	<u>263,497</u>
Total liabilities	<u>\$ 316,958</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

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 position and the statement of activities) 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, 2012

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 restricted 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 restricted 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.

The *arena fund* accounts for the operation of the City's ice arena.

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).

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, edinborough park, and 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.

Investments are generally stated at fair value, except for investments in 2a7-like external investment pools, which are stated at amortized cost. 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, 2012 are planned to be eliminated in 2013. Interfund receivables and payables at December 31, 2012 that are not expected to be eliminated in 2013 are classified as “Advances to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

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. The following is a breakdown of special assessments receivable at December 31, 2012:

	<u>Governmental Funds</u>		<u>Enterprise Funds</u>
	<u>Debt</u>		
	<u>Service</u>	<u>Construction</u>	<u>Utilities</u>
Special assessments receivable			
Delinquent	\$34,927	\$2,295	\$322,904
Deferred	13,240,044	900,430	206,782
Total	<u>\$13,274,971</u>	<u>\$902,725</u>	<u>\$529,686</u>

G. INVENTORIES, PREPAID ITEMS AND DEFERRED CHARGES

Inventories of the proprietary funds are stated at cost and are recorded as expenses 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 and are recorded as expenses when consumed.

Deferred charges represent deferred issuance costs.

H. CAPITAL ASSETS

Capital assets, which include property, buildings, improvements, equipment, parks, infrastructure assets (roads, bridges, sidewalks, and similar items), and intangible assets such as easements, 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 \$10,000 (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 are 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	15 - 50 years
Buildings and structures	15 - 40 years
Furniture and office equipment	5 - 10 years
Vehicles and equipment	3 - 20 years
Parks	5 - 100 years
Utility infrastructure	20 - 50 years

Capital assets that are not depreciated include land, easements, and construction in progress.

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 generally accepted accounting principles 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 position. 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. 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.

L. FUND BALANCE CLASSIFICATION

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In the general fund, assigned amounts represent intended uses established by the City Council. In the fund balance policy, authority to assign amounts for specific purposes is limited to the City Council.
- **Unassigned** – The residual classification for the general fund which also reflects negative residual amounts in other funds.

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

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

M. NET POSITION

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

- **Net investment in capital assets** - 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.
- **Restricted net position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted net position** – All other net position that do not meet the definition of "restricted" or "net investment in capital assets."

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.

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 position 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 are allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 8,312,941
Depreciation expense	<u>(6,986,179)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental funds	<u>\$ 1,326,762</u>

Another element of that reconciliation states that “The issuance of long-term debt 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 position. 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.” The details of this difference are as follows:

Debt issued or incurred:	
Issuance of permanent improvement revolving bonds	\$ 4,665,000
Less deferred charges	(23,519)
Less discounts	(14,275)
Plus premiums	450,423
Issuance of Edina emerald energy program revenue bonds	73,720
Principal repayments:	
Tax increment debt	(1,930,000)
General obligation debt	(2,020,000)
Permanent improvement revolving debt	(1,375,000)
Public project revenue debt	<u>(1,295,000)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (1,468,651)</u>

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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:

OPEB obligation	\$ (216,548)
Compensated absences	(174,175)
Accrued interest	65,231
Amortization of deferred charges	(101,100)
Amortization of bond discounts and premiums	<u>82,352</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ <u><u>(344,240)</u></u>

Note 3 CASH AND INVESTMENTS

A. COMPONENTS OF CASH AND INVESTMENTS

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

Deposits	\$ 5,318,919
Cash on hand	19,535
Investments	<u>62,171,058</u>
	<u><u>\$ 67,509,512</u></u>

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

Cash and cash equivalents - Statement of Net Position	\$ 536,540
Investments - Statement of Net Position	55,851,236
Restricted investments - Statement of Net Position	10,804,778
Cash and investments - Statement of Fiduciary Net Position	<u>316,958</u>
	<u><u>\$ 67,509,512</u></u>

The City had restricted investments of \$10,804,778 as of December 31, 2012 that represent unspent bond proceeds to be used for construction projects and debt refunding.

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 \$5,318,919 while the balance on the bank records was \$5,352,902. At December 31, 2012, 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
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

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	6 to 10	> 10	
U.S. Treasuries	AA+/Aaa	S&P/Mdy's	\$ -	\$ 74,865	\$ 360,131	\$ 578,037	\$ 1,013,033
GNMA	AA+/Aaa	S&P/Mdy's	-	-	-	141,180	141,180
SBA Notes	AA+/Aaa	S&P/Mdy's	-	117,081	108,406	-	225,487
U.S. Agencies	AA+/Aaa	S&P/Mdy's	6,174,562	6,600,943	8,370,342	2,448,236	23,594,083
Bankers Acceptance	A1/F1	S&P/Mdy's	4,568,669	-	-	-	4,568,669
Municipals	AAA/Aaa	S&P/Mdy's	1,025,750	160,619	-	-	1,186,369
Municipals	AA/Aa3	S&P/Mdy's	2,000,640	-	-	-	2,000,640
Municipals	AA/Aa1	S&P/Mdy's	-	50,144	-	-	50,144
Municipals	AA+/Aa2	S&P/Mdy's	-	58,081	-	-	58,081
Municipals	AA+/Aa1	S&P/Mdy's	1,013,900	590,802	-	1,645,000	3,249,702
Municipals	Aa1	Mdy's	308,148	-	-	-	308,148
Municipals	Aa2	Mdy's	403,312	-	-	-	403,312
Municipals	Aa3	Mdy's	397,737	35,467	-	-	433,204
Municipals	AA/Aa2	S&P/Mdy's	-	1,063,505	-	-	1,063,505
Municipals	AA-/Aa3	S&P/Mdy's	-	520,333	-	-	520,333
Negotiable CD's	N/R	N/A	12,013,149	950,094	193,216	13,992	13,170,451
			<u>\$27,905,867</u>	<u>\$10,221,934</u>	<u>\$ 9,032,095</u>	<u>\$ 4,826,445</u>	51,986,341
Money Market*	AAA	S&P					3,463,547
4M Fund*	N/R	N/A					<u>6,721,170</u>
Total investments							<u>\$62,171,058</u>

N/A - Not Applicable

N/R - Not Rated

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

The Minnesota Municipal Money Market Fund (4M Fund) is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The City's investment in the 4M Fund is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

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 22% in securities issued by FNMA and 7.3% in Bankers Acceptances with U.S. Bank.

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.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 4 CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 15,981,364	\$ -	\$ -	\$ 15,981,364
Easements	111,000	-	-	111,000
Construction in progress	33,306,054	7,330,341	(34,965,788)	5,670,607
Total capital assets not being depreciated	<u>49,398,418</u>	<u>7,330,341</u>	<u>(34,965,788)</u>	<u>21,762,971</u>
Capital assets being depreciated:				
Land improvements	22,550,059	169,193	-	22,719,252
Buildings and structures	41,301,045	22,389,491	-	63,690,536
Furniture and office equipment	3,625,824	40,173	(24,725)	3,641,272
Vehicles and equipment	14,587,071	1,193,504	(837,767)	14,942,808
Infrastructure	80,605,965	11,902,070	(1,556,405)	90,951,630
Parks	15,386,889	253,957	(10,451)	15,630,395
Total capital assets being depreciated	<u>178,056,853</u>	<u>35,948,388</u>	<u>(2,429,348)</u>	<u>211,575,893</u>
Less accumulated depreciation for:				
Land improvements	(13,901,365)	(746,949)	-	(14,648,314)
Buildings and structures	(13,168,083)	(1,556,425)	-	(14,724,508)
Furniture and office equipment	(1,928,003)	(308,140)	24,725	(2,211,418)
Vehicles and equipment	(8,723,143)	(1,241,398)	696,143	(9,268,398)
Infrastructure	(47,704,366)	(2,539,163)	1,489,454	(48,754,075)
Parks	(7,225,932)	(594,104)	10,451	(7,809,585)
Total accumulated depreciation	<u>(92,650,892)</u>	<u>(6,986,179)</u>	<u>2,220,773</u>	<u>(97,416,298)</u>
Total capital assets being depreciated, net	<u>85,405,961</u>	<u>28,962,209</u>	<u>(208,575)</u>	<u>114,159,595</u>
Governmental activities capital assets, net	<u>\$ 134,804,379</u>	<u>\$ 36,292,550</u>	<u>\$ (35,174,363)</u>	<u>\$ 135,922,566</u>

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 1,088,965	\$ -	\$ -	\$ 1,088,965
Construction in progress	14,781,771	16,331,313	(11,185,949)	19,927,135
Total capital assets not being depreciated	<u>15,870,736</u>	<u>16,331,313</u>	<u>(11,185,949)</u>	<u>21,016,100</u>
Capital assets being depreciated:				
Land improvements & golf course	8,453,539	1,310,837	-	9,764,376
Buildings and structures	19,204,721	274,807	(623,698)	18,855,830
Furniture and office equipment	153,303	-	-	153,303
Vehicles and equipment	6,124,471	983,198	(384,844)	6,722,825
Utility infrastructure	86,236,160	9,854,943	-	96,091,103
Lease property capital lease	468,580	-	(37,966)	430,614
Total capital assets being depreciated	<u>120,640,774</u>	<u>12,423,785</u>	<u>(1,046,508)</u>	<u>132,018,051</u>
Less accumulated depreciation for:				
Land improvements & golf course	(5,260,854)	(333,779)	-	(5,594,633)
Buildings and structures	(11,447,114)	(663,460)	620,211	(11,490,363)
Furniture and office equipment	(126,492)	(5,128)	-	(131,620)
Vehicles and equipment	(3,817,018)	(489,397)	348,318	(3,958,097)
Utility infrastructure	(31,917,256)	(2,466,726)	-	(34,383,982)
Lease property capital lease	(468,580)	-	37,966	(430,614)
Total accumulated depreciation	<u>(53,037,314)</u>	<u>(3,958,490)</u>	<u>1,006,495</u>	<u>(55,989,309)</u>
Total capital assets being depreciated, net	<u>67,603,460</u>	<u>8,465,295</u>	<u>(40,013)</u>	<u>76,028,742</u>
Business-type activities capital assets, net	<u>\$ 83,474,196</u>	<u>\$ 24,796,608</u>	<u>\$ (11,225,962)</u>	<u>\$ 97,044,842</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	\$ 541,745
Public safety	1,031,459
Public works	3,551,283
Parks	1,861,692
Total depreciation expense - governmental activities	<u>\$ 6,986,179</u>
Business-type activities:	
Utilities	\$ 2,668,212
Liquor	70,015
Aquatic Center	210,424
Golf Course	395,953
Arena	387,375
Art Center	26,287
Edinborough Park	161,395
Centennial Lakes	38,829
Total depreciation expense - business-type activities	<u>\$ 3,958,490</u>

CONSTRUCTION COMMITMENTS

At December 31, 2012, the City had construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

Project #	Project Description	Contract Amount	Remaining Commitment
12-6 Eng	Transit Livable Communities	\$ 207,137	\$ 6,689
12-2 PK	Rosland Park Pathway	402,870	168,654
12-5 Eng	Tracy Avenue	1,346,473	8,705
Various	Golf Dome	372,000	308,365
Various	Braemar Arena	3,655,647	187,862
12-1 PW	Water Meter Replacement	3,618,864	1,768,216
			<u>\$ 2,448,491</u>

INSURANCE RECOVERY

The Braemar Golf Dome collapsed on February 10, 2012 as the result of a fire. The fire and collapse resulted in a total loss according to the City's insurance carrier. Based on estimates, the total amount to be paid by the insurance carrier for the Dome collapse is \$2,633,453. Of this amount, the City received \$716,168 in 2012 and recorded the remaining \$1,917,285 as a receivable at year end. At the time of the collapse the net book value of the Golf Dome was \$27,330. As a result, a \$2,606,123 gain on sale of capital asset, net of recoveries was recorded.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 5 LONG-TERM DEBT

The City has six types of bonded debt outstanding at December 31, 2012: tax increment bonds, general obligation bonds, permanent improvement revolving bonds, public project revenue bonds, Edina emerald energy program 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 solely from special assessments with any deficiency to be provided for by general property taxes. 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 Redevelopment Authority and the City. The fifth type is payable solely from special assessments. The sixth 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, 2012, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Payable 12/31/2012
Tax Increment Bonds:					
Tax Increment Refunding Bonds, Series 2005D	3.00-3.40%	7/19/2005	2/1/2013	3,505,000	550,000
Total Tax Increment Bonds				<u>3,505,000</u>	<u>550,000</u>
General Obligation Bonds:					
General Obligation - Park & Recreation Refunding, 2005A	3.50-4.00%	7/19/2005	2/1/2017	5,375,000	2,710,000
General Obligation - Capital Improvement Plan, 2007A	4.00-4.25%	5/24/2007	2/1/2028	5,865,000	5,035,000
General Obligation - Capital Improvement Plan, 2009A	3.00-4.40%	4/29/2009	2/1/2030	14,000,000	12,965,000
General Obligation - Capital Improvement Plan, 2010A	2.00-4.00%	11/18/2010	2/1/2021	8,285,000	6,895,000
General Obligation - Equipment Certificates, 2010B	2.00%	11/18/2010	2/1/2013	230,000	75,000
Total General Obligation Bonds				<u>33,755,000</u>	<u>27,680,000</u>
Permanent Improvement Revolving (PIR) Bonds:					
Permanent Improvement Revolving, 2005E	3.00-3.75%	9/13/2005	2/1/2016	1,460,000	550,000
Permanent Improvement Revolving, 2007C	3.60-4.00%	5/24/2007	2/1/2019	5,870,000	4,285,000
Permanent Improvement Revolving, 2008B	3.00-4.00%	8/28/2008	2/1/2020	7,755,000	6,425,000
Permanent Improvement Revolving, 2010B	2.00-3.00%	11/18/2010	2/1/2022	2,305,000	2,305,000
Permanent Improvement Revolving, 2011A	2.00-3.00%	10/27/2011	2/1/2023	3,320,000	3,320,000
Permanent Improvement Revolving, 2012A	3.00-4.00%	11/15/2012	2/1/2029	2,675,000	2,675,000
Permanent Improvement Revolving, 2012A - Refunding	3.00-4.00%	11/15/2012	2/1/2019	1,990,000	1,990,000
Total PIR Bonds				<u>25,375,000</u>	<u>21,550,000</u>
Public Project Revenue Bonds:					
Public Project Revenue, Series 2005	3.50-4.13%	9/13/2005	5/1/2026	5,425,000	4,220,000
Public Project Revenue, Series 2009A	2.10-4.55%	11/24/2009	2/1/2030	2,595,000	1,645,000
Public Project Revenue, Series 2009B	1.95-5.80%	11/24/2009	2/1/2030	6,125,000	6,000,000
Total Public Project Revenue Bonds				<u>14,145,000</u>	<u>11,865,000</u>
Edina Emerald Energy Program (EEEEP) Revenue Bonds:					
Edina Emerald Energy Program Bonds, 2012A	7.00%	2/25/2012	1/1/2023	33,690	33,690
Edina Emerald Energy Program Bonds, 2012B	5.50%	8/28/2012	1/1/2018	40,030	40,030
Total EEEEEP Bonds				<u>73,720</u>	<u>73,720</u>
Total bonded indebtedness - governmental activities				<u>\$ 76,853,720</u>	<u>\$ 61,718,720</u>

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

BUSINESS-TYPE ACTIVITIES

	Interest Rates	Issue Date	Final Maturity Date	Original Issue	Payable 12/31/2012
Revenue Bonds:					
Recreational Facility Bonds, Series 2009B	2.00-3.00%	4/29/2009	1/1/2013	\$ 2,010,000	\$ 770,000
Recreational Facility Bonds, Series 2009C	2.00-4.00%	12/10/2009	2/1/2030	2,440,000	2,260,000
Recreational Facility Bonds, Series 2012B	.45-1.60%	11/15/2012	2/1/2020	815,000	815,000
Recreational Facility Bonds, Series 2012C	2.00-3.00%	11/15/2012	2/1/2033	2,100,000	2,100,000
Utility Revenue Bonds, Series 2003C	1.10-3.55%	3/1/2003	2/1/2013	3,200,000	370,000
Utility Revenue Bonds, Series 2007B	4.00%	5/24/2007	2/1/2017	8,210,000	4,455,000
Utility Revenue Bonds, Series 2008A	3.00-4.25%	8/28/2008	2/1/2019	13,985,000	9,885,000
Utility Revenue Bonds, Series 2011A	2.00-3.00%	10/27/2011	2/1/2022	11,230,000	11,230,000
Utility Revenue Bonds, Series 2012A	3.00-4.00%	11/15/2012	2/1/2023	6,100,000	6,100,000
Total Revenue Bonds				<u>50,090,000</u>	<u>37,985,000</u>
Total bonded indebtedness - business-type activities				<u>\$ 50,090,000</u>	<u>\$ 37,985,000</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
2013	\$ 550,000	\$ 9,350	\$ 2,000,000	\$ 1,030,105	\$ 5,745,000	\$ 567,551
2014	-	-	1,985,000	957,899	1,555,000	487,494
2015	-	-	2,080,000	882,868	1,760,000	436,169
2016	-	-	2,145,000	804,168	1,820,000	379,044
2017	-	-	2,210,000	723,043	1,895,000	319,072
2018-2022	-	-	8,215,000	2,607,589	7,000,000	728,926
2023-2027	-	-	5,820,000	1,321,267	1,345,000	144,675
2028-2032	-	-	3,225,000	196,426	430,000	13,050
2033-2037	-	-	-	-	-	-
Total	<u>\$ 550,000</u>	<u>\$ 9,350</u>	<u>\$ 27,680,000</u>	<u>\$ 8,523,365</u>	<u>\$ 21,550,000</u>	<u>\$ 3,075,981</u>

Year Ending December 31	Governmental Activities				Business-type Activities	
	Edina Emerald Energy Program Revenue Bonds		Public Project Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ -	\$ 4,181	\$ 490,000	\$ 518,961	\$ 3,950,000	\$ 1,072,096
2014	11,375	4,222	505,000	502,999	3,960,000	1,032,009
2015	11,375	3,546	520,000	485,358	4,145,000	902,443
2016	11,375	2,870	535,000	466,054	4,285,000	763,255
2017	11,375	2,193	550,000	444,844	4,435,000	616,811
2018-2022	24,851	4,347	3,725,000	1,792,561	13,565,000	1,487,340
2023-2027	3,369	118	4,100,000	877,491	2,150,000	357,391
2028-2032	-	-	1,440,000	115,136	1,315,000	115,976
2033-2037	-	-	-	-	180,000	2,700
Total	<u>\$ 73,720</u>	<u>\$ 21,477</u>	<u>\$ 11,865,000</u>	<u>\$ 5,203,404</u>	<u>\$ 37,985,000</u>	<u>\$ 6,350,021</u>

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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CHANGE IN LONG-TERM LIABILITIES

Long-term liability activity for the year ended December 31, 2012, 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	\$ 2,480,000	\$ -	\$ (1,930,000)	\$ 550,000	\$ 550,000
General obligation	29,700,000	-	(2,020,000)	27,680,000	2,000,000
PIR	18,260,000	4,665,000	(1,375,000)	21,550,000	5,745,000
Public project revenue	13,160,000	-	(1,295,000)	11,865,000	490,000
EEEEP revenue	-	73,720	-	73,720	-
Less deferred amounts:					
Discount on bonds	(264,012)	(14,275)	28,211	(250,076)	-
Premiums	987,901	450,423	(110,563)	1,327,761	-
Total bonds payable	<u>64,323,889</u>	<u>5,174,868</u>	<u>(6,702,352)</u>	<u>62,796,405</u>	<u>8,785,000</u>
Compensated absences	<u>3,827,674</u>	<u>1,874,529</u>	<u>(1,700,354)</u>	<u>4,001,849</u>	<u>1,600,740</u>
Governmental activity					
Long-term liabilities	<u>\$ 68,151,563</u>	<u>\$ 7,049,397</u>	<u>\$ (8,402,706)</u>	<u>\$ 66,798,254</u>	<u>\$ 10,385,740</u>
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 31,850,000	\$ 9,015,000	\$ (2,880,000)	\$ 37,985,000	\$ 3,950,000
Less deferred amounts:					
Discount on bonds	(6,273)	(58,441)	4,046	(60,668)	-
Premiums	525,100	734,145	(71,269)	1,187,976	-
Total bonds payable	<u>32,368,827</u>	<u>9,690,704</u>	<u>(2,947,223)</u>	<u>39,112,308</u>	<u>3,950,000</u>
Compensated absences	<u>850,863</u>	<u>279,089</u>	<u>(296,557)</u>	<u>833,395</u>	<u>333,358</u>
Business-type activity					
Long-term liabilities	<u>\$ 33,219,690</u>	<u>\$ 9,969,793</u>	<u>\$ (3,243,780)</u>	<u>\$ 39,945,703</u>	<u>\$ 4,283,358</u>

For governmental activities, compensated absences and other postemployment benefit obligations are generally liquidated by the general fund.

The City issued \$10,765,000 of General Obligation bonds, Series 2012A to finance a current refunding of the 2014 through 2019 maturities of the City's \$5,870,000 General obligation bonds, Series 2007C and to finance various street and utility infrastructure improvement projects. Savings from the current proceeds were not placed in escrow and the General obligation bonds, Series 2007C are to be redeemed February 1, 2013. The current refunding was undertaken to reduce total debt service payments by \$441,749 and resulted in an economic gain of \$382,241. The City anticipates that utility revenues and special assessments to benefited properties will be sufficient to pay future debt service on this issue.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

REVENUE PLEDGED

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

Bond Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	% of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
2009B Recreational Facility Bonds	Pool improvement	Pool	100%	2009-2013	\$ 489,900	\$ 148,350	\$ 1,001,946
2009B Recreational Facility Bonds	Golf course improvement	Golf	100%	2009-2013	313,100	294,050	3,225,591
2009C Recreational Facility Bonds	Arena improvements	Arena	100%	2010-2030	3,124,000	182,600	1,452,435
2012B Recreational Facility Bonds	Arena improvements	Arena	100%	2013-2020	853,530	-	1,452,435
2012C Recreational Facility Bonds	Arena improvements	Arena	100%	2013-2033	2,879,139	-	1,452,435
2003C Utility Revenue Bonds	Utility infrastructure	Utility	100%	2003-2013	376,568	379,345	17,723,103
2007B Utility Revenue Bonds	Utility infrastructure	Utility	100%	2007-2017	4,914,900	989,100	17,723,103
2008A Utility Revenue Bonds	Utility infrastructure	Utility	100%	2008-2019	11,337,400	1,604,781	17,723,103
2011A Utility Revenue Bonds	Utility infrastructure	Utility	100%	2012-2022	12,710,275	198,764	17,723,103
2012A Utility Revenue Bonds	Utility infrastructure	Utility	100%	2013-2023	7,336,209	-	17,723,103

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 2012 is computed as follows:

	<u>December 31, 2012</u>
Market Value (after fiscal disparities)	<u>\$ 9,025,565,085</u>
Debt Limit (3% of Market Value)	<u>\$ 270,766,953</u>
Amount of debt applicable to debt limit:	
Total bonded debt	\$ 99,703,720
Less:	
Tax increment bonds	(550,000)
Public improvement revolving bonds	(21,550,000)
Revenue bonds	(37,985,000)
EEEE revenue bonds	<u>(73,720)</u>
Total debt applicable to debt limit	<u>\$ 39,545,000</u>
Legal debt margin	<u>\$ 231,221,953</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 General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statute*, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, 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 PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% 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 GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF 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 GERS and PEPFF. That report may be obtained on the internet at 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.

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. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their covered salary in 2012. PEPFF members were required to contribute 9.6% of their covered salary in 2012. The City of Edina is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 14.4% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2012, 2011, and 2010 were \$1,044,217, \$1,000,753, and \$951,791, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2012, 2011, and 2010 were \$1,020,720, \$1,024,566, and \$920,988, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Note 8 OTHER POST-EMPLOYMENT BENEFITS PLAN

A. Plan Description

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

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

CITY OF EDINA, MINNESOTA
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The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an “implicit rate subsidy.” This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City’s younger and statistically healthier active employees.

B. Funding Policy

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the City. Historically the City has chosen pay-as-you-go financing for OPEB, generally this liability is liquidated by all funds that employ full-time employees on a pro-rata basis.

C. Annual OPEB Cost and Net OPEB Obligation

The City’s annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the City, an amount determined on an actuarially determined basis in accordance with the parameters of codification Statement Nos. 43 and 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City’s net OPEB obligation to the plan:

Annual required contribution	\$ 301,537
Interest on net OPEB obligation	46,231
Adjustment to annual required contribution	<u>(39,648)</u>
Annual OPEB cost (expense)	308,120
Contributions made	<u>(73,700)</u>
Increase in net OPEB obligation	234,420
Net OPEB obligation - beginning of year	<u>1,027,345</u>
Net OPEB obligation - end of year	<u><u>\$ 1,261,765</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2010	\$ 325,401	\$ 92,987	28.6%	\$ 816,026
December 31, 2011	321,790	110,471	34.3%	1,027,345
December 31, 2012	308,120	73,700	23.9%	1,261,765

D. Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$2,959,876, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,959,876. The covered payroll (annual payroll of active employees covered by the plan) was \$18,220,189, and the ratio of the UAAL to the covered payroll was 16.2 percent.

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

E. Actuarial Methods and Assumptions

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

In the January 1, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 percent investment rate of return (net of administrative expenses) based on the City's own investments; a 3.0 percent general inflation rate, a payroll growth rate of 3.75 percent, and an annual healthcare cost trend rate of 9.0 percent initially, reduced by decrements to an ultimate rate of 5.0 percent after twelve years. The UAAL is being amortized as a level percentage of payroll. The remaining amortization period at January 1, 2012 was 30 years on an "open" basis.

CITY OF EDINA, MINNESOTA
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Note 9 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of due from other funds and due to other funds account balances as of December 31, 2012, is as follows:

Receivable Fund	Payable Fund	Amount
General	Construction	\$ 264,430
Debt Service	Construction	266,005
Police Special Revenue	Construction	149,323
Art Center	Construction	236
	Aquatic Center	33,032
Golf Course	Aquatic Center	260,936
	Arena	285,573
Liquor	Arena	1,308,584
Total		<u>\$2,568,119</u>

The composition of advances to other funds and advances from other funds account balances as of December 31, 2012, is as follows:

Receivable Fund	Payable Fund	Amount
Aquatic Center	Golf Course	<u>\$ 1,000,000</u>
Total		<u>\$ 1,000,000</u>

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

CITY OF EDINA, MINNESOTA
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	Transfer In:						Total
	General	Debt Service	Construction	Golf Course	Arena	Nonmajor Enterprise	
Transfer out:							
General Fund	\$ -	\$ -	\$ 1,502,395	\$ -	\$ 40,000	\$ -	\$ 1,542,395
HRA Fund	-	1,978,445	-	-	-	-	1,978,445
Construction Fund	-	-	-	-	109,903	168,262	278,165
Utilities Fund	-	-	100,000	-	-	-	100,000
Liquor Fund	765,100	-	150,000	100,000	140,000	165,000	1,320,100
	<u>\$ 765,100</u>	<u>\$ 1,978,445</u>	<u>\$ 1,752,395</u>	<u>\$ 100,000</u>	<u>\$ 289,903</u>	<u>\$ 333,262</u>	<u>\$ 5,219,105</u>

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

1. The liquor fund transferred \$765,100, \$100,000, \$165,000 and \$140,000 to the general fund, golf course fund, art center, and arena funds, respectively, to subsidize operations.
2. The construction fund transferred \$109,903, \$79,166 and \$86,096 to the arena, edinborough park, and centennial lakes funds, respectively, to subsidize capital improvements to those facilities.
3. The HRA fund transferred \$1,978,445 of tax increment revenues to the debt service fund to pay principal and interest on outstanding tax increment debt.
4. The utilities fund and liquor fund transferred \$100,000 and \$150,000, respectively, to the construction fund to fund the capital improvement program, as planned in the 2012 budget.
5. The general fund transferred \$1,542,395 of the 2011 unassigned fund balance to the construction and arena funds; \$1,362,395 to fund various projects within the construction fund, \$40,000 to fund the arena concessions remodel, and \$140,000 for human technology improvements.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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Note 10 TAX INCREMENT DISTRICTS

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

District number 1202 (Grandview Commercial Area) is a redevelopment district established in 1984 pursuant to Minnesota Statutes with a termination date of 2010. Although the main district is decertified, the City continued to receive increments from a sub-district until the outstanding debt was retired in 2012. Increment previously collected is available for expenditures within the district.

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 1208 (Southdale 2 Tax Increment Financing District) is an economic development district established in 2012 pursuant to Minnesota Statutes with a termination date of 2022.

The following table reflects values as of December 31, 2012:

	<u>TIF #1202</u>	<u>TIF #1203</u>	<u>TIF #1208</u>	<u>Total</u>
Original tax capacity	\$ 22,872	\$ 229,691	\$ 8,525,799	\$ 8,778,362
Current tax capacity	792,631	3,455,408	8,790,306	13,038,345
Tax capacity change	<u>769,759</u>	<u>3,225,717</u>	<u>264,507</u>	<u>4,259,983</u>
Captured tax capacity value:				
Retained captured tax capacity	<u>\$ 769,759</u>	<u>\$ 3,225,717</u>	<u>\$ 264,507</u>	<u>\$ 4,259,983</u>
Total bonds issued (general obligation)	\$ 9,637,555	\$ 35,894,724	\$ -	\$ 45,532,279
Amounts redeemed	<u>9,637,555</u>	<u>35,344,724</u>	<u>-</u>	<u>44,982,279</u>
Outstanding bonds at December 31, 2012	<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ -</u>	<u>\$ 550,000</u>

Note 11 CONTINGENCIES

A. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Worker's compensation insurance is provided through Travelers insurance, there is no deductible. The City has a \$492,136 deposit premium that is subject to adjustment based on the actual audited payroll.

Automobile and general liability coverage is provided through Travelers insurance. The City pays an annual premium for this coverage and all claims are paid from the plan up to the annual maximum of \$1,500,000 for automobile and \$1,500,000 for general liability. The City is not subject to a deductible for general liability coverage. The deductible for automobile insurance is \$1,000 for comprehensive and \$1,000 for collision.

Property coverage is also provided through Travelers insurance. The City pays an annual premium for this coverage, and all claims are paid for by the plan. The City has \$10,000 - \$50,000 deductibles per occurrence depending on claim type, with an annual maximum of \$139,570,482.

Police professional insurance coverage is provided through Travelers insurance. The City pays an annual premium for this coverage, and has a \$10,000 deductible per occurrence, with a \$1,500,000 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 2012.

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, 2012.

D. TAX INCREMENT DISTRICTS

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

Note 12 CONDUIT DEBT OBLIGATION

As of December 31, 2012, the City of Edina had 4 series of Housing and Health Care Revenue Bonds, with an aggregate principal amount payable of \$30,585,000. The bonds are payable solely from revenues of the respective organizations and do not constitute an indebtedness of the City, and are not a charge against its general credit or taxing power. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Note 13 JOINT VENTURE

The City is a participant with the City of Bloomington, the City of Eden Prairie and the Metropolitan Airport Commission in a joint venture to construct and operate a facility to be used for the training of law enforcement officers and firefighters. The South Metro Public Safety Training Facility Association (PSTF) is governed by a Board consisting of one representative from each Member. On dissolution of the Association, the Facility shall revert to the City of Edina, and all remaining assets shall be divided among the members based on the Cost Sharing Formula. In accordance with the joint venture agreement, each member of the association will share in the cost of the construction and operation based on the Cost Sharing Formula. The City's equity interest in the capital assets of the PSTF was \$1,584,465. Complete financial statements for PSTF can be obtained from the City of Edina, 4801 West 50th Street, Edina, MN 55424.

Note 14 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, 2012, the City paid a total of \$43,352 in membership fees to the PSTF.

The City also pays an annual membership fee to the I-494 Corridor Commission as part of the joint venture agreement. The membership fee is paid by the commissions and projects department and is based on a Cost Sharing Formula. For the year ended December 31, 2012, the City paid a total of \$11,026 in membership fees to the I-494 Corridor Commission.

CITY OF EDINA, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2012

Note 15 FUND BALANCES

A. Classifications

At December 31, 2012, a summary of the City's governmental fund balance classifications are as follows:

	General Fund	HRA Fund	Debt Service	Construction	Nonmajor Funds	Total
Nonspendable						
Prepaid items	\$ 413,200	\$ -	\$ -	\$ -	\$ -	\$ 413,200
Restricted						
Park dedication	880,395	-	-	-	-	880,395
Tax increments	-	12,196,146	-	-	-	12,196,146
Debt service	-	-	9,704,408	-	-	9,704,408
Unspent bond proceeds	-	-	-	2,759,463	-	2,759,463
Forfeitures	-	-	-	-	572,426	572,426
Grant funds	-	-	-	-	85,576	85,576
Donations	-	-	-	-	331,814	331,814
Assigned						
Unrealized investment gains	848	-	-	-	-	848
Compensated absences	1,642,229	-	-	-	-	1,642,229
Construction commitments	-	-	-	184,048	-	184,048
Special projects	-	-	-	487,451	-	487,451
Equipment	-	-	-	2,323,980	-	2,323,980
Construction	-	-	-	4,164,411	-	4,164,411
Unassigned	11,902,462	-	-	-	-	11,902,462
	<u>\$ 14,839,134</u>	<u>\$ 12,196,146</u>	<u>\$ 9,704,408</u>	<u>\$ 9,919,353</u>	<u>\$ 989,816</u>	<u>\$ 47,648,857</u>

B. Unassigned Fund Balance Policy

The City Council has formally adopted a fund balance policy regarding the desired range for unassigned fund balance for the general fund. The policy establishes a goal for unassigned general fund balance of 42%-47% of the subsequent year's budgeted property tax revenue. As of December 31, the City has \$11,902,462 of unassigned fund balance in the general fund, or 54.8% of 2013 budgeted property tax revenue. This amount is \$1,697,872 above the goal range identified in the policy.

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For The Year Ended December 31, 2012

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues:				
General property taxes:				
Current	\$ 21,482,402	\$ 21,482,402	\$ 21,239,901	\$ (242,501)
Penalties and interest	12,000	12,000	29,348	17,348
Total general property taxes	<u>21,494,402</u>	<u>21,494,402</u>	<u>21,269,249</u>	<u>(225,153)</u>
Franchise taxes:	<u>700,000</u>	<u>700,000</u>	<u>771,293</u>	<u>71,293</u>
Licenses and permits:	<u>2,501,600</u>	<u>2,501,600</u>	<u>3,126,541</u>	<u>624,941</u>
Intergovernmental:				
Federal:	36,000	36,000	108,280	72,280
State:				
Municipal state aid	195,000	195,000	195,000	-
Other	60,000	60,000	191,490	131,490
State aid - police	350,000	350,000	320,390	(29,610)
Health programs	119,000	119,000	89,277	(29,723)
Total intergovernmental	<u>760,000</u>	<u>760,000</u>	<u>904,437</u>	<u>144,437</u>
Charges for services:				
City Clerk	76,000	76,000	104,657	28,657
Planning Department	25,000	25,000	73,018	48,018
Housing Foundation Contract	27,000	27,000	19,855	(7,145)
HRA Services	22,000	22,000	18,917	(3,083)
Police Department	260,000	260,000	352,980	92,980
Fire Department	20,000	20,000	26,067	6,067
Ambulance fees	1,638,000	1,638,000	1,848,844	210,844
Health Department	7,700	7,700	13,063	5,363
Building Department	25,000	25,000	25,938	938
Engineering	180,000	180,000	354,636	174,636
Park Registration	100,000	100,000	99,336	(664)
Senior Center	98,000	98,000	83,791	(14,209)
Communications	70,000	70,000	83,028	13,028
Other fees	4,000	4,000	3,404	(596)
50th & France Assessment	69,000	69,000	69,000	-
Charges to other funds	474,564	474,564	474,564	-
Total charges for services	<u>3,096,264</u>	<u>3,096,264</u>	<u>3,651,098</u>	<u>554,834</u>
Fines and forfeits	<u>1,014,000</u>	<u>1,014,000</u>	<u>1,083,834</u>	<u>69,834</u>
Miscellaneous:				
Rental of property	370,000	370,000	506,276	136,276
Parkland dedication	-	-	702,100	702,100
Investment income	128,800	128,800	17,659	(111,141)
Donations	12,000	12,000	14,685	2,685
Other	6,000	6,000	25,477	19,477
Total miscellaneous	<u>516,800</u>	<u>516,800</u>	<u>1,266,197</u>	<u>749,397</u>
Total revenues	<u>30,083,066</u>	<u>30,083,066</u>	<u>32,072,649</u>	<u>1,989,583</u>

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)
For The Year Ended December 31, 2012

	Budgeted Amounts		2012	Variance with
	Original	Final	Actual Amounts	Final Budget
Expenditures:				
General government:				
Mayor and Council:				
Current:				
Personal services	\$ 48,569	\$ 48,569	\$ 45,821	\$ 2,748
Contractual services	13,700	13,700	2,983	10,717
Commodities	1,500	1,500	2,460	(960)
Central services	27,132	27,132	25,365	1,767
Total mayor and council	<u>90,901</u>	<u>90,901</u>	<u>76,629</u>	<u>14,272</u>
Administration:				
Current:				
Personal services	874,057	874,057	895,839	(21,782)
Contractual services	184,800	184,800	182,131	2,669
Commodities	3,000	3,000	4,892	(1,892)
Central services	71,232	71,232	66,912	4,320
Total administration	<u>1,133,089</u>	<u>1,133,089</u>	<u>1,149,774</u>	<u>(16,685)</u>
Communications:				
Current:				
Personal services	445,908	445,908	493,737	(47,829)
Contractual services	258,450	258,450	240,932	17,518
Commodities	35,300	35,300	22,938	12,362
Central services	56,124	56,124	52,609	3,515
Total communications	<u>795,782</u>	<u>795,782</u>	<u>810,216</u>	<u>(14,434)</u>
Planning:				
Current:				
Personal services	394,000	394,000	391,560	2,440
Contractual services	38,100	38,100	66,550	(28,450)
Commodities	6,000	6,000	2,527	3,473
Central services	44,280	44,280	41,528	2,752
Total planning	<u>482,380</u>	<u>482,380</u>	<u>502,165</u>	<u>(19,785)</u>
Finance:				
Current:				
Personal services	520,624	520,624	511,618	9,006
Contractual services	105,850	105,850	97,935	7,915
Commodities	3,400	3,400	4,554	(1,154)
Central services	62,076	62,076	58,361	3,715
Total finance	<u>691,950</u>	<u>691,950</u>	<u>672,468</u>	<u>19,482</u>
Election:				
Current:				
Personal services	206,538	206,538	204,352	2,186
Contractual services	36,515	36,515	11,934	24,581
Commodities	18,500	18,500	5,684	12,816
Central services	12,408	12,408	11,683	725
Total election	<u>273,961</u>	<u>273,961</u>	<u>233,653</u>	<u>40,308</u>

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)
For The Year Ended December 31, 2012

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget
	Original	Final		
Assessing:				
Current:				
Personal services	\$ 676,455	\$ 676,455	\$ 661,058	\$ 15,397
Contractual services	113,441	113,441	93,802	19,639
Commodities	2,900	2,900	1,283	1,617
Central services	65,616	65,616	61,820	3,796
Total assessing	<u>858,412</u>	<u>858,412</u>	<u>817,963</u>	<u>40,449</u>
Legal and court services:				
Current:				
Contractual services	388,500	388,500	403,973	(15,473)
Commissions and projects:				
Current:				
Personal services	200,000	200,000	264,751	(64,751)
Contractual services	596,066	596,066	410,728	185,338
Commodities	2,000	2,000	27,028	(25,028)
Total commissions and projects	<u>798,066</u>	<u>798,066</u>	<u>702,507</u>	<u>95,559</u>
Total general government	<u>5,513,041</u>	<u>5,513,041</u>	<u>5,369,348</u>	<u>143,693</u>
Public safety:				
Police protection:				
Current:				
Personal services	6,999,108	6,999,108	6,819,934	179,174
Contractual services	417,584	417,584	390,945	26,639
Commodities	78,244	78,244	66,562	11,682
Central services	1,012,152	1,012,152	967,936	44,216
Total police protection	<u>8,507,088</u>	<u>8,507,088</u>	<u>8,245,377</u>	<u>261,711</u>
Fire protection:				
Current:				
Personal services	3,830,180	3,830,180	3,805,395	24,785
Contractual services	359,110	359,110	411,212	(52,102)
Commodities	173,400	173,400	208,846	(35,446)
Central services	322,260	322,260	310,348	11,912
Total fire protection	<u>4,684,950</u>	<u>4,684,950</u>	<u>4,735,801</u>	<u>(50,851)</u>
Animal Control:				
Current:				
Personal services	73,090	73,090	75,325	(2,235)
Contractual services	8,592	8,592	4,802	3,790
Commodities	2,472	2,472	2,145	327
Central services	8,952	8,952	8,611	341
Total animal control	<u>93,106</u>	<u>93,106</u>	<u>90,883</u>	<u>2,223</u>

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)
For The Year Ended December 31, 2012

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget
	Original	Final		
Public health:				
Current:				
Personal services	\$ 288,178	\$ 288,178	\$ 274,254	\$ 13,924
Contractual services	203,027	203,027	185,959	17,068
Commodities	2,325	2,325	1,356	969
Central services	30,924	30,924	29,187	1,737
Total public health	<u>524,454</u>	<u>524,454</u>	<u>490,756</u>	<u>33,698</u>
Inspections:				
Current:				
Personal services	945,439	945,439	970,902	(25,463)
Contractual services	106,800	106,800	92,416	14,384
Commodities	9,270	9,270	12,354	(3,084)
Central services	105,864	105,864	100,292	5,572
Total inspections	<u>1,167,373</u>	<u>1,167,373</u>	<u>1,175,964</u>	<u>(8,591)</u>
Total public safety	<u>14,976,971</u>	<u>14,976,971</u>	<u>14,738,781</u>	<u>238,190</u>
Public works:				
Administration:				
Current:				
Personal services	203,436	203,436	167,665	35,771
Contractual services	6,800	6,800	5,410	1,390
Commodities	550	550	-	550
Central services	25,680	25,680	24,835	845
Total administration	<u>236,466</u>	<u>236,466</u>	<u>197,910</u>	<u>38,556</u>
Engineering:				
Current:				
Personal services	977,647	977,647	863,877	113,770
Contractual services	74,250	74,250	55,564	18,686
Commodities	16,400	16,400	15,852	548
Central services	127,476	127,476	126,540	936
Total engineering	<u>1,195,773</u>	<u>1,195,773</u>	<u>1,061,833</u>	<u>133,940</u>
Street maintenance:				
Current:				
Personal services	2,380,757	2,380,757	2,145,404	235,353
Contractual services	757,000	757,000	652,763	104,237
Commodities	1,012,250	1,012,250	1,057,808	(45,558)
Central services	908,640	908,640	936,228	(27,588)
Total street maintenance	<u>5,058,647</u>	<u>5,058,647</u>	<u>4,792,203</u>	<u>266,444</u>
Total public works	<u>6,490,886</u>	<u>6,490,886</u>	<u>6,051,946</u>	<u>438,940</u>

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND (CONTINUED)
For The Year Ended December 31, 2012

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget
	Original	Final		
Parks:				
Administration:				
Current:				
Personal services	\$ 680,063	\$ 680,063	\$ 705,638	\$ (25,575)
Contractual services	28,604	28,604	26,670	1,934
Commodities	3,075	3,075	3,727	(652)
Central services	84,252	84,252	79,138	5,114
Total administration	<u>795,994</u>	<u>795,994</u>	<u>815,173</u>	<u>(19,179)</u>
Recreation:				
Current:				
Personal services	190,943	190,943	170,788	20,155
Contractual services	180,887	180,887	108,249	72,638
Commodities	53,215	53,215	47,116	6,099
Total recreation	<u>425,045</u>	<u>425,045</u>	<u>326,153</u>	<u>98,892</u>
Maintenance:				
Current:				
Personal services	1,607,925	1,607,925	1,680,579	(72,654)
Contractual services	529,171	529,171	437,811	91,360
Commodities	205,641	205,641	200,744	4,897
Central services	303,492	303,492	308,901	(5,409)
Total maintenance	<u>2,646,229</u>	<u>2,646,229</u>	<u>2,628,035</u>	<u>18,194</u>
Total parks	<u>3,867,268</u>	<u>3,867,268</u>	<u>3,769,361</u>	<u>97,907</u>
Total expenditures	<u>30,848,166</u>	<u>30,848,166</u>	<u>29,929,436</u>	<u>918,730</u>
Revenues over (under) expenditures	<u>(765,100)</u>	<u>(765,100)</u>	<u>2,143,213</u>	<u>2,908,313</u>
Other financing sources (uses):				
Transfer from other funds	765,100	765,100	765,100	-
Transfer to other funds	-	(1,542,395)	(1,542,395)	-
Total financing sources (uses)	<u>765,100</u>	<u>(777,295)</u>	<u>(777,295)</u>	<u>-</u>
Net increase (decrease) in fund balance	<u>\$ -</u>	<u>\$ (1,542,395)</u>	<u>1,365,918</u>	<u>\$ 2,908,313</u>
Fund balance - January 1			<u>13,473,216</u>	
Fund balance - December 31			<u>\$ 14,839,134</u>	

CITY OF EDINA, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - HOUSING AND REDEVELOPMENT AUTHORITY (HRA) FUND

For The Year Ended December 31, 2012

	Budgeted Amounts		2012	Variance with
	Original	Final	Actual Amounts	Final budget
Revenues:				
Tax increment collections	\$ 3,980,000	\$ 3,980,000	\$ 3,536,935	\$ (443,065)
Investment income	118,000	118,000	160,098	42,098
Total revenues	<u>4,098,000</u>	<u>4,098,000</u>	<u>3,697,033</u>	<u>(400,967)</u>
Expenditures:				
Personal services	171,600	171,600	37,668	(133,932)
Contractual services	694,000	694,000	671,170	(22,830)
Capital outlay	<u>200,000</u>	<u>5,100,000</u>	<u>5,003,733</u>	<u>(96,267)</u>
Total expenditures	<u>1,065,600</u>	<u>5,965,600</u>	<u>5,712,571</u>	<u>(253,029)</u>
Revenues over (under) expenditures	<u>3,032,400</u>	<u>(1,867,600)</u>	<u>(2,015,538)</u>	<u>(147,938)</u>
Other financing uses:				
Transfers out	<u>(1,978,445)</u>	<u>(1,978,445)</u>	<u>(1,978,445)</u>	<u>-</u>
Net increase (decrease) in fund balance	<u>\$ 1,053,955</u>	<u>\$ (3,846,045)</u>	<u>(3,993,983)</u>	<u>\$ (147,938)</u>
Fund balance - January 1			<u>16,190,129</u>	
Fund balance - December 31			<u>\$ 12,196,146</u>	

CITY OF EDINA, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS PLAN
SCHEDULE OF FUNDING PROGRESS
For The Year Ended December 31, 2012

<u>Actuarial Valuation Date</u>	<u>Actuarial Accrued Liability</u>	<u>Actuarial Value of Plan Assets</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>Unfunded Liability as a Percentage of Payroll</u>
January 1, 2008	\$ 4,638,477	\$ -	\$ 4,638,477	0.0%	\$ 17,071,318	27.2%
January 1, 2010	\$ 2,966,250	\$ -	\$ 2,966,250	0.0%	\$ 17,786,616	16.7%
January 1, 2012	\$ 2,959,876	\$ -	\$ 2,959,876	0.0%	\$ 18,220,189	16.2%

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, HRA, debt service, construction, CDBG, police special revenue, and Braemar memorial funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. Reported budget amounts are as originally adopted or as amended by Council-approved supplemental appropriations and budget transfers.
7. Expenditures may not legally exceed appropriations by department in the General Fund unless offset by increases in revenues. All unencumbered appropriations lapse at year-end.

CITY OF EDINA, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2012

Note B EXCESS OF EXPENDITURES OVER APPROPRIATIONS

The General Fund 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 Fund			
General Government			
Administration	\$ 1,133,089	\$1,149,774	\$ 16,685
Communications	795,782	810,216	14,434
Planning	482,380	502,165	19,785
Legal and court services	388,500	403,973	15,473
Public Safety			
Fire protection	4,684,950	4,735,801	50,851
Inspections	1,167,373	1,175,964	8,591
Parks			
Administration	795,994	815,173	19,179

Excess expenditures in the General Fund administration department are due to the expansion of the department resulting in additional wages.

Excess expenditures in the communications department are due to a reallocation of employee time during the year and part time employees working more time than anticipated as a result of additional video production which is funded by additional video production revenue.

Excess expenditures in the planning department are due to higher than anticipated expenses related to traffic and parking studies during the year and are funded by additional revenue received from developers.

Excess expenditures in the legal and court services department are due to increased prisoner boarding expenses as a result of increased arrests and bookings.

Excess expenditures in the fire protection department are due to unexpected repairs related to a crash involving one of the fire engines and unbudgeted small equipment purchases.

Excess expenditures in the inspections department are due to higher than anticipated permit applications during the year and are funded by additional permit revenue received.

Excess expenditures in the parks administration department are due to increased wages as a result of reorganization of positions.

CITY OF EDINA, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 December 31, 2012

The HRA, debt service, construction, CDBG, police special revenue, and braemar memorial funds budgets are 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 fund level for these funds. The following is a listing of funds whose expenditures exceed budget appropriations.

	<u>Final Budget</u>	<u>Actual</u>	<u>Over Budget</u>
Debt Service Fund	\$ 7,844,476	\$8,912,394	\$ 1,067,918
Construction Fund	7,203,809	9,523,522	2,319,713

Excess expenditures in the debt service fund are due to an unbudgeted call of certain maturities related to Public project revenue bond, Series 2009A.

Excess expenditures in the construction fund are due to higher than anticipated expenditures related to infrastructure projects.

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.

Police Special Revenue Fund - This fund was established to account for funds received for specific purposes within the police department, including E-911 and forfeiture funds.

Braemar Memorial Fund - This fund was established to account for funds donated to the City for the purpose of enhancing the Braemar golf course with equipment and amenities that might not otherwise be affordable or viewed as a necessity to the golf course.

CITY OF EDINA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2012

	Community Development Block Grant	Police Special Revenue	Braemar Memorial	Total Nonmajor Special Revenue Funds
Assets				
Cash and cash equivalents	\$ -	\$ 239,017	\$ 86,035	\$ 325,052
Unrestricted investments	-	244,954	245,624	490,578
Accrued interest receivable	-	516	80	596
Accounts receivable	-	1,139	75	1,214
Due from other funds	-	149,323	-	149,323
Due from other governments	-	23,554	-	23,554
Total assets	\$ -	\$ 658,503	\$ 331,814	\$ 990,317
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$ -	\$ 501	\$ -	\$ 501
Total liabilities	-	501	-	501
Fund balance:				
Restricted	-	658,002	331,814	989,816
Total fund balance	-	658,002	331,814	989,816
Total liabilities and fund balance	\$ -	\$ 658,503	\$ 331,814	\$ 990,317

CITY OF EDINA, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2012

	Community Development Block Grant	Police Special Revenue	Braemar Memorial	Total Nonmajor Special Revenue Funds
Revenues:				
Intergovernmental	\$ 16,543	\$ 63,364	\$ -	\$ 79,907
Fines and forfeitures	-	111,220	-	111,220
Investment income	-	1,047	2,302	3,349
Other	-	-	2,933	2,933
Total revenues	<u>16,543</u>	<u>175,631</u>	<u>5,235</u>	<u>197,409</u>
Expenditures:				
Current:				
General government	16,543	-	-	16,543
Public safety	-	173,021	-	173,021
Parks	-	-	6,757	6,757
Total expenditures	<u>16,543</u>	<u>173,021</u>	<u>6,757</u>	<u>196,321</u>
Net increase (decrease) in fund balance	<u>-</u>	<u>2,610</u>	<u>(1,522)</u>	<u>1,088</u>
Fund balance - January 1	<u>-</u>	<u>655,392</u>	<u>333,336</u>	<u>988,728</u>
Fund balance - December 31	<u>\$ -</u>	<u>\$ 658,002</u>	<u>\$ 331,814</u>	<u>\$ 989,816</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, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 145,365	\$ 145,365	\$ 16,543	\$ (128,822)
Expenditures:				
Current:				
Contractual services	145,365	145,365	16,543	(128,822)
Net increase in fund balance	\$ -	\$ -	-	\$ -
Fund balance - January 1			-	
Fund balance - December 31			\$ -	

CITY OF EDINA, MINNESOTA**SPECIAL REVENUE FUND - POLICE SPECIAL REVENUE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2012**

	Budgeted Amounts		Actual Amounts	Variance with Final budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 104,760	\$ 104,760	\$ 63,364	\$ (41,396)
Fines and forfeiture	57,821	57,821	111,220	53,399
Investment income	600	600	1,047	447
Total revenues	<u>163,181</u>	<u>163,181</u>	<u>175,631</u>	<u>12,450</u>
Expenditures:				
Current:				
Contractual services	85,574	85,574	16,321	(69,253)
Commodities	18,655	18,655	156,700	138,045
Capital outlay	249,425	249,425	-	(249,425)
Total expenditures	<u>353,654</u>	<u>353,654</u>	<u>173,021</u>	<u>(180,633)</u>
Net increase in fund balance	<u>\$ (190,473)</u>	<u>\$ (190,473)</u>	<u>2,610</u>	<u>\$ 193,083</u>
Fund balance - January 1			<u>655,392</u>	
Fund balance - December 31			<u>\$ 658,002</u>	

CITY OF EDINA, MINNESOTA
SPECIAL REVENUE FUND - BRAEMAR MEMORIAL
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final budget
	Original	Final		
Revenues:				
Investment income	\$ 300	\$ 300	\$ 2,302	\$ 2,002
Donations	3,000	3,000	2,933	(67)
Total revenues	<u>3,300</u>	<u>3,300</u>	<u>5,235</u>	<u>1,935</u>
Expenditures:				
Current:				
Contractual services	<u>25,000</u>	<u>25,000</u>	<u>6,757</u>	<u>(18,243)</u>
Net increase (decrease) in fund balance	<u>\$ (21,700)</u>	<u>\$ (21,700)</u>	<u>(1,522)</u>	<u>\$ 20,178</u>
Fund balance - January 1			<u>333,336</u>	
Fund balance - December 31			<u>\$ 331,814</u>	

MAJOR GOVERNMENTAL FUNDS

Debt Service Fund - This fund was established to account for the payment of principal and interest on the Tax Increment, General Obligation, Permanent Improvement Revolving, and Public Project Revenue Bonds.

Construction Fund - This fund was established to account for 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.

CITY OF EDINA, MINNESOTA
GOVERNMENTAL FUND - DEBT SERVICE
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final budget
	Original	Final		
Revenues:				
General property taxes	\$ 3,651,752	\$ 3,651,752	\$ 3,593,370	(58,382)
Special assessments	1,871,169	1,871,169	2,521,001	649,832
Intergovernmental	-	-	101,549	101,549
Investment income	30,200	30,200	23,894	(6,306)
Total revenues	<u>5,553,121</u>	<u>5,553,121</u>	<u>6,239,814</u>	<u>686,693</u>
Expenditures:				
Debt Service	<u>7,844,476</u>	<u>7,844,476</u>	<u>8,912,394</u>	<u>1,067,918</u>
Revenues over (under) expenditures	<u>(2,291,355)</u>	<u>(2,291,355)</u>	<u>(2,672,580)</u>	<u>(381,225)</u>
Other financing sources (uses):				
Transfers in	1,978,445	1,978,445	1,978,445	-
Bonds issued	-	-	109,001	109,001
Refunding bonds issued	-	-	1,990,000	1,990,000
Premium (discount) on bonds issued	-	-	231,359	231,359
Total other financing sources (uses)	<u>1,978,445</u>	<u>1,978,445</u>	<u>4,308,805</u>	<u>2,330,360</u>
Net increase (decrease) in fund balance	<u>\$ (312,910)</u>	<u>\$ (312,910)</u>	<u>1,636,225</u>	<u>\$ 1,949,135</u>
Fund balance - January 1			<u>8,068,183</u>	
Fund balance - December 31			<u>\$ 9,704,408</u>	

CITY OF EDINA, MINNESOTA
GOVERNMENTAL FUND - CONSTRUCTION
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
For The Year Ended December 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final budget
	Original	Final		
Revenues:				
General property taxes	\$ 992,072	\$ 992,072	\$ 975,803	(16,269)
Franchise fees	-	-	44,237	44,237
Special assessments	1,329,343	1,329,343	2,454,640	1,125,297
License and permits	25,000	25,000	28,810	3,810
Intergovernmental	50,000	50,000	947,073	897,073
Charges for services	50,000	50,000	57,384	7,384
Investment income	151,600	151,600	136,986	(14,614)
Other revenues	-	-	197,746	197,746
Total revenues	<u>2,598,015</u>	<u>2,598,015</u>	<u>4,842,679</u>	<u>2,244,664</u>
Expenditures:				
Personal services	88,544	88,544	127,319	38,775
Contractual services	210,064	210,064	706,292	496,228
Commodities	25,000	25,000	69,890	44,890
Central services	1,392	1,392	1,311	(81)
Capital outlay	6,878,809	6,878,809	8,618,710	1,739,901
Total expenditures	<u>7,203,809</u>	<u>7,203,809</u>	<u>9,523,522</u>	<u>2,319,713</u>
Revenues over (under) expenditures	<u>(4,605,794)</u>	<u>(4,605,794)</u>	<u>(4,680,843)</u>	<u>(75,049)</u>
Other financing sources (uses):				
Transfers in	250,000	250,000	1,752,395	1,502,395
Transfers out	(690,000)	(690,000)	(278,165)	411,835
Sale of capital assets	-	-	94,975	94,975
Bonds issued	3,131,700	3,131,700	2,639,719	(491,981)
Premium on bonds issued	-	-	212,975	212,975
Discount on bonds issued	-	-	(8,186)	(8,186)
Total other financing sources (uses)	<u>2,691,700</u>	<u>2,691,700</u>	<u>4,413,713</u>	<u>1,722,013</u>
Net increase (decrease) in fund balance	<u>\$ (1,914,094)</u>	<u>\$ (1,914,094)</u>	<u>(267,130)</u>	<u>\$ 1,646,964</u>
Fund balance - January 1			<u>10,186,483</u>	
Fund balance - December 31			<u>\$ 9,919,353</u>	

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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:

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

Edinburgh Park Fund - This fund accounts for activities related to Edinburgh Park.

Centennial Lakes Fund - This fund accounts for activities related to Centennial Lakes Park.

CITY OF EDINA, MINNESOTA
COMBINING STATEMENT OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
December 31, 2012

	Art Center	Edinborough Park	Centennial Lakes	Total Nonmajor Proprietary Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 130,065	\$ 32,793	\$ 1,153	\$ 164,011
Unrestricted investments	-	1,452,146	1,282,636	2,734,782
Interest receivable	-	6,011	5,309	11,320
Accounts receivable	-	868	6,692	7,560
Due from other funds	33,268	-	-	33,268
Inventory	10,795	-	-	10,795
Total current assets	<u>174,128</u>	<u>1,491,818</u>	<u>1,295,790</u>	<u>2,961,736</u>
Noncurrent assets:				
Net capital assets	<u>196,401</u>	<u>1,327,424</u>	<u>308,627</u>	<u>1,832,452</u>
Total noncurrent assets	<u>196,401</u>	<u>1,327,424</u>	<u>308,627</u>	<u>1,832,452</u>
Total assets	<u>370,529</u>	<u>2,819,242</u>	<u>1,604,417</u>	<u>4,794,188</u>
Liabilities:				
Current liabilities:				
Accounts payable	7,348	33,158	12,636	53,142
Salaries payable	10,348	31,884	22,514	64,746
Contracts payable	-	42,080	19,320	61,400
Due to other governments	726	8,123	2,366	11,215
Unearned revenue	9,735	30	-	9,765
Compensated absences payable	4,320	20,918	32,353	57,591
Total current liabilities	<u>32,477</u>	<u>136,193</u>	<u>89,189</u>	<u>257,859</u>
Noncurrent liabilities:				
Net OPEB obligation	3,786	10,887	10,887	25,560
Compensated absences payable	6,480	31,377	48,530	86,387
Total noncurrent liabilities	<u>10,266</u>	<u>42,264</u>	<u>59,417</u>	<u>111,947</u>
Total liabilities	<u>42,743</u>	<u>178,457</u>	<u>148,606</u>	<u>369,806</u>
Net position:				
Net investment in capital assets	196,401	1,327,424	308,627	1,832,452
Unrestricted	131,385	1,313,361	1,147,184	2,591,930
Total net position	<u>\$ 327,786</u>	<u>\$ 2,640,785</u>	<u>\$ 1,455,811</u>	<u>\$ 4,424,382</u>

CITY OF EDINA, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
NONMAJOR PROPRIETARY FUNDS
For The Year Ended December 31, 2012

	Art Center	Edinborough Park	Centennial Lakes	Total Nonmajor Proprietary Funds
Operating revenues:				
Sales - retail	\$ 36,929	\$ -	\$ -	\$ 36,929
Sales - concessions	559	120,183	28,641	149,383
Memberships	27,741	50,348	-	78,089
Admissions	-	646,399	-	646,399
Building rental	-	166,342	112,756	279,098
Rental of equipment	-	14,142	112,542	126,684
Greens fees	-	-	183,873	183,873
Class registration & other fees	376,712	246,039	275,884	898,635
Total operating revenues	<u>441,941</u>	<u>1,243,453</u>	<u>713,696</u>	<u>2,399,090</u>
Operating expenses:				
Cost of sales and services	20,310	41,237	10,004	71,551
Personal services	395,106	654,628	527,627	1,577,361
Contractual services	98,836	302,340	142,006	543,182
Commodities	39,152	141,675	100,902	281,729
Central Services	37,886	54,010	49,909	141,805
Depreciation	26,287	161,395	38,829	226,511
Total operating expenses	<u>617,577</u>	<u>1,355,285</u>	<u>869,277</u>	<u>2,842,139</u>
Operating loss	<u>(175,636)</u>	<u>(111,832)</u>	<u>(155,581)</u>	<u>(443,049)</u>
Nonoperating revenues (expenses):				
Investment income	-	37,133	28,921	66,054
Donations	9,844	-	-	9,844
Total nonoperating revenues (expenses)	<u>9,844</u>	<u>37,133</u>	<u>28,921</u>	<u>75,898</u>
Income (loss) before transfers	<u>(165,792)</u>	<u>(74,699)</u>	<u>(126,660)</u>	<u>(367,151)</u>
Transfers:				
Transfers in	165,000	79,166	89,096	333,262
Total transfers	<u>165,000</u>	<u>79,166</u>	<u>89,096</u>	<u>333,262</u>
Change in net position	(792)	4,467	(37,564)	(33,889)
Net position - January 1	<u>328,578</u>	<u>2,636,318</u>	<u>1,493,375</u>	<u>4,458,271</u>
Net position - December 31	<u>\$ 327,786</u>	<u>\$ 2,640,785</u>	<u>\$ 1,455,811</u>	<u>\$ 4,424,382</u>

CITY OF EDINA, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
For The Year Ended December 31, 2012

	Art Center	Edinborough Park	Centennial Lakes	Total Nonmajor Proprietary Funds
Cash flows from operating activities:				
Receipts from customers and users	\$ 443,581	\$ 1,247,771	\$ 711,060	\$ 2,402,412
Payment to suppliers	(199,898)	(557,305)	(300,829)	(1,058,032)
Payment to employees	(384,925)	(635,324)	(524,569)	(1,544,818)
Donations received	9,844	-	-	9,844
Net cash provided by (used in) operating activities	<u>(131,398)</u>	<u>55,142</u>	<u>(114,338)</u>	<u>(190,594)</u>
Cash flows from noncapital financing activities:				
Transfer from other funds	165,000	79,166	89,096	333,262
Proceeds from interfund borrowing	129,731	-	6,703	136,434
Payment of interfund borrowing	(33,268)	-	-	(33,268)
Net cash provided by noncapital financing activities	<u>261,463</u>	<u>79,166</u>	<u>95,799</u>	<u>436,428</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	(37,086)	(69,776)	(106,862)
Net cash used in capital and related financing activities	<u>-</u>	<u>(37,086)</u>	<u>(69,776)</u>	<u>(106,862)</u>
Cash flows from investing activities:				
Proceeds from sales of investments	-	(118,605)	50,905	(67,700)
Interest received	-	37,605	30,095	67,700
Net cash flows provided by (used in) investing activities	<u>-</u>	<u>(81,000)</u>	<u>81,000</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	130,065	16,222	(7,315)	138,972
Cash and cash equivalents - January 1	-	16,571	8,468	25,039
Cash and cash equivalents - December 31	<u>\$ 130,065</u>	<u>\$ 32,793</u>	<u>\$ 1,153</u>	<u>\$ 164,011</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:				
Operating loss	\$ (175,636)	\$ (111,832)	\$ (155,581)	\$ (443,049)
Adjustments to reconcile operating loss to net cash flows from operating activities:				
Depreciation	26,287	161,395	38,829	226,511
Donations	9,844	-	-	9,844
Changes in assets and liabilities:				
Decrease (increase) in receivables	-	4,318	(2,626)	1,692
Decrease (increase) in inventory	1,530	-	-	1,530
Increase (decrease) in accounts payable	(5,230)	(16,857)	637	(21,450)
Increase (decrease) in salaries payable	3,292	8,836	(534)	11,594
Increase (decrease) in due to other governments	(14)	(1,186)	1,355	155
Increase (decrease) in unearned revenue	1,640	-	(10)	1,630
Increase (decrease) in OPEB payable	451	1,029	1,029	2,509
Increase (decrease) in compensated absences	6,438	9,439	2,563	18,440
Total adjustments	<u>44,238</u>	<u>166,974</u>	<u>41,243</u>	<u>252,455</u>
Net cash provided by (used in) operating activities	<u>\$ (131,398)</u>	<u>\$ 55,142</u>	<u>\$ (114,338)</u>	<u>\$ (190,594)</u>
Noncash investing activities:				
Increase (decrease) in fair value of investments	-	(19,782)	(12,271)	(32,053)

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, 2012

	Balance January 1	Additions	Deductions	Balance December 31
POLICE SEIZURE				
Assets:				
Cash	\$ 22,689	\$ 17	\$ -	\$ 22,706
Liabilities:				
Due to other governmental units	\$ 22,689	\$ 17	\$ -	\$ 22,706
PUBLIC SAFETY TRAINING FACILITY				
Assets:				
Cash	\$ 8,433	\$ 826,133	\$ 825,615	\$ 8,951
Investments	310,000	150,000	210,000	250,000
Total Assets	<u>\$ 318,433</u>	<u>\$ 976,133</u>	<u>\$ 1,035,615</u>	<u>\$ 258,951</u>
Liabilities:				
Accounts payable	\$ 5,338	\$ 322,778	\$ 317,771	\$ 10,345
Salaries payable	7,016	203,444	202,645	7,815
Due to other governmental units	306,079	449,911	515,199	240,791
Total Liabilities	<u>\$ 318,433</u>	<u>\$ 976,133</u>	<u>\$ 1,035,615</u>	<u>\$ 258,951</u>
PAYROLL				
Assets:				
Cash	\$ 26,916	\$ 16,008,293	\$ 15,999,908	\$ 35,301
Liabilities:				
Accounts payable	\$ 26,916	\$ 16,008,293	\$ 15,999,908	\$ 35,301
TOTALS - ALL AGENCY FUNDS				
Assets:				
Cash	\$ 58,038	\$ 16,834,443	\$ 16,825,523	\$ 66,958
Investments	310,000	150,000	210,000	250,000
Total Assets	<u>\$ 368,038</u>	<u>\$ 16,984,443</u>	<u>\$ 17,035,523</u>	<u>\$ 316,958</u>
Liabilities:				
Accounts payable	\$ 32,254	\$ 16,331,071	\$ 16,317,679	\$ 45,646
Salaries payable	7,016	203,444	202,645	7,815
Due to other governmental units	328,768	449,928	515,199	263,497
Total Liabilities	<u>\$ 368,038</u>	<u>\$ 16,984,443</u>	<u>\$ 17,035,523</u>	<u>\$ 316,958</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Total tax capacity	\$ 122,532,149	\$ 120,816,822	\$ 113,981,017	\$ 109,012,566	\$ 106,529,983
Increment valuation	(10,307,195)	(4,960,337)	(4,043,859)	(3,917,958)	(4,194,083)
Contribution to fiscal disparities pool	<u>(10,393,526)</u>	<u>(10,942,782)</u>	<u>(11,039,952)</u>	<u>(10,283,433)</u>	<u>(8,831,694)</u>
Tax capacity used for rate calculation	<u>101,831,428</u>	<u>104,913,703</u>	<u>98,897,206</u>	<u>94,811,175</u>	<u>93,504,206</u>
Fiscal disparities distribution	<u>3,298,549</u>	<u>3,537,906</u>	<u>3,421,345</u>	<u>3,068,256</u>	<u>2,615,313</u>
Adjusted net tax capacity	<u>\$ 105,129,977</u>	<u>\$ 108,451,609</u>	<u>\$ 102,318,551</u>	<u>\$ 97,879,431</u>	<u>\$ 96,119,519</u>
Tax levies:					
General fund	\$ 21,202,691	\$ 20,737,472	\$ 21,004,000	\$ 21,604,402	\$ 21,824,894
Equipment	-	940,484	992,072	992,072	992,072
Debt service	<u>2,351,030</u>	<u>3,212,757</u>	<u>3,174,308</u>	<u>3,040,890</u>	<u>3,314,581</u>
Total certified tax levies	<u>23,553,721</u>	<u>24,890,713</u>	<u>25,170,380</u>	<u>25,637,364</u>	<u>26,131,547</u>
Referendum market value levy	<u>600,212</u>	<u>602,250</u>	<u>615,837</u>	<u>610,862</u>	<u>615,837</u>
Total levy	<u>\$ 24,153,933</u>	<u>\$ 25,492,963</u>	<u>\$ 25,786,217</u>	<u>\$ 26,248,226</u>	<u>\$ 26,747,384</u>
Tax capacity rate:					
General fund revenue	20.204	20.004	21.548	23.131	23.762
Bonds & interest	<u>2.243</u>	<u>2.968</u>	<u>3.112</u>	<u>3.116</u>	<u>3.454</u>
Total tax capacity rate	<u>22.447</u>	<u>22.972</u>	<u>24.660</u>	<u>26.247</u>	<u>27.216</u>
Market value rate	<u>0.00597</u>	<u>0.00606</u>	<u>0.00654</u>	<u>0.00667</u>	<u>0.00690</u>

CITY OF EDINA, MINNESOTA
COMBINED SCHEDULE OF BONDED INDEBTEDNESS
December 31, 2012

	Interest Rates	Date	Final Maturity Date	Prior Years	
				Original Issue	Redeemed
Tax Increment Bonds:					
Tax Increment Bonds, Series 2002B	3.00%	08/05/02	02/01/12	\$ 1,400,000	\$ -
Tax Increment Refunding Bonds, Series 2005D	3.00 - 3.40	07/19/05	02/01/13	<u>3,505,000</u>	<u>2,425,000</u>
Total Tax Increment Bonds				<u>4,905,000</u>	<u>2,425,000</u>
General Obligation Bonds:					
GO Park & Recreation Refunding Bonds, Series 2005A	3.50 - 4.00	07/19/05	02/01/17	5,375,000	2,180,000
GO Capital Improvement Plan, Series 2007A	4.00 - 4.25	05/24/07	02/01/28	5,865,000	610,000
GO Capital Improvement Plan, Series 2009A	3.00 - 4.40	04/29/09	02/01/30	14,000,000	510,000
GO Equipment Certificates, Series 2009B	2.00 - 3.00	04/29/09	01/01/12	230,000	150,000
GO Capital Improvement Plan, Series 2010A	2.00 - 4.00	11/18/10	02/01/21	8,285,000	755,000
GO Equipment Certificates, Series 2010B	2.00	11/18/10	02/01/13	<u>230,000</u>	<u>80,000</u>
Total General Obligation Bonds				<u>33,985,000</u>	<u>4,285,000</u>
Permanent Improvement Revolving (PIR) Bonds:					
GO Permanent Improvement Revolving, Series 2005E	3.00 - 3.75	09/13/05	02/01/16	1,460,000	765,000
GO Permanent Improvement Revolving Series 2007C	3.60 - 4.25	05/24/07	02/01/19	5,870,000	1,030,000
GO Permanent Improvement Revolving Series 2008B	3.00 - 4.00	08/28/08	02/01/20	7,755,000	655,000
GO Permanent Improvement Revolving Series 2010B	2.00 - 3.00	11/18/10	02/01/22	2,305,000	-
GO Permanent Improvement Revolving Series 2011A	2.00 - 3.00	10/27/11	02/01/23	3,320,000	-
GO Permanent Improvement Revolving Series 2012A	3.00 - 4.00	11/15/12	02/01/29	-	-
GO Permanent Improvement Revolving Series 2012A - Refunding	3.00 - 4.00	11/15/12	02/01/19	<u>-</u>	<u>-</u>
Total PIR Bonds				<u>20,710,000</u>	<u>2,450,000</u>
Public Project Revenue Bonds:					
Public Project Revenue, Series 2005	3.00 - 4.13	09/13/05	05/01/26	5,425,000	985,000
Taxable Public Project Revenue, Series 2009A	2.10 - 4.55	11/24/09	02/01/30	2,595,000	-
Taxable Public Project Revenue, Series 2009B	1.95 - 5.80	11/24/09	02/01/30	<u>6,125,000</u>	<u>-</u>
Total Public Project Revenue Bonds				<u>14,145,000</u>	<u>985,000</u>
Edina Emerald Energy Program Revenue Bonds:					
Edina Emerald Energy Program Revenue, 2012A	7.00	02/25/12	01/01/23	-	-
Edina Emerald Energy Program Revenue, 2012B	5.50	08/28/12	01/01/18	<u>-</u>	<u>-</u>
Total Public Project Revenue Bonds				<u>-</u>	<u>-</u>
Revenue Bonds:					
Recreational Facility Bonds, Series 2009B	2.00 - 3.00	04/29/09	01/01/17	2,010,000	820,000
Recreational Facility Bonds, Series 2009C	2.00 - 4.00	12/10/09	02/01/30	2,440,000	80,000
Recreational Facility Bonds, Series 2012B	.45 - 1.60	11/15/12	02/01/20	-	-
Recreational Facility Bonds, Series 2012C	2.00 - 3.00	11/15/12	02/01/33	-	-
Utility Revenue Bonds, Series 2003C	1.10 - 3.55	03/01/03	02/01/13	3,200,000	2,470,000
Utility Revenue Bonds, Series 2007B	4.00	05/24/07	02/01/17	8,210,000	2,960,000
Utility Revenue Bonds, Series 2008A	3.00 - 4.00	08/28/08	02/01/19	13,985,000	2,895,000
Utility Revenue Bonds, Series 2011A	2.00 - 3.00	10/27/11	02/01/22	11,230,000	-
Utility Revenue Bonds, Series 2012A	3.00 - 4.00	11/15/12	02/01/23	<u>-</u>	<u>-</u>
Total Public Project Revenue Bonds				<u>41,075,000</u>	<u>9,225,000</u>
Total - Bonded indebtedness				<u>\$ 114,820,000</u>	<u>\$ 19,370,000</u>

Outstanding 12/31/2011	2012		Payable 12/31/2012	Principal Due In 2013	Interest Due In 2013	Interest Payable to Maturity
	Issued	Payments				
\$ 1,400,000	\$ -	\$ 1,400,000	\$ -	\$ -	\$ -	\$ -
1,080,000	-	530,000	550,000	550,000	9,350	9,350
2,480,000	-	1,930,000	550,000	550,000	9,350	9,350
3,195,000	-	485,000	2,710,000	500,000	96,487	276,445
5,255,000	-	220,000	5,035,000	230,000	201,144	1,838,616
13,490,000	-	525,000	12,965,000	540,000	469,024	5,093,854
80,000	-	80,000	-	-	-	-
7,530,000	-	635,000	6,895,000	655,000	262,700	1,313,700
150,000	-	75,000	75,000	75,000	750	750
29,700,000	-	2,020,000	27,680,000	2,000,000	1,030,105	8,523,365
695,000	-	145,000	550,000	550,000	9,878	9,879
4,840,000	-	555,000	4,285,000	4,285,000	82,675	82,675
7,100,000	-	675,000	6,425,000	700,000	223,394	1,034,722
2,305,000	-	-	2,305,000	210,000	52,000	303,625
3,320,000	-	-	3,320,000	-	80,600	539,300
-	2,675,000	-	2,675,000	-	62,400	818,375
-	1,990,000	-	1,990,000	-	56,604	287,405
18,260,000	4,665,000	1,375,000	21,550,000	5,745,000	567,551	3,075,981
4,440,000	-	220,000	4,220,000	225,000	166,144	1,321,029
2,595,000	-	950,000	1,645,000	-	66,810	741,048
6,125,000	-	125,000	6,000,000	265,000	286,007	3,141,327
13,160,000	-	1,295,000	11,865,000	490,000	518,961	5,203,404
-	33,690	-	33,690	-	2,358	14,150
-	40,030	-	40,030	-	1,823	7,327
-	73,720	-	73,720	-	4,181	21,477
1,190,000	-	420,000	770,000	450,000	13,700	33,000
2,360,000	-	100,000	2,260,000	100,000	80,600	864,000
-	815,000	-	815,000	-	5,573	38,530
-	2,100,000	-	2,100,000	-	38,253	779,139
730,000	-	360,000	370,000	370,000	6,568	6,568
5,250,000	-	795,000	4,455,000	820,000	161,800	459,900
11,090,000	-	1,205,000	9,885,000	1,245,000	359,969	1,452,400
11,230,000	-	-	11,230,000	965,000	251,500	1,480,275
-	6,100,000	-	6,100,000	-	154,133	1,236,209
31,850,000	9,015,000	2,880,000	37,985,000	3,950,000	1,072,096	6,350,021
\$ 95,450,000	\$ 13,753,720	\$ 9,500,000	\$ 99,703,720	\$ 12,735,000	\$ 3,202,244	\$ 23,183,598

CITY OF EDINA, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS

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

December 31, 2012

	Original Budget	Amended Budget	Accounted for in prior years	Current year	Amount remaining
Source of funds:					
Bond proceeds	\$ 4,500,000	\$ 9,900,000	\$ 9,475,915	\$ -	\$ 424,085
Tax increments received	-	29,737,107	18,662,106	277,772	10,797,229
Real estate sales *	-	4,700,000	5,402,344	-	(702,344)
Interest on invested funds	-	300,000	1,148,087	29,496	(877,583)
Other	-	-	61,068	-	(61,068)
Total sources of funds:	<u>4,500,000</u>	<u>44,637,107</u>	<u>34,749,520</u>	<u>307,268</u>	<u>9,580,319</u>
Uses of funds:					
Land acquisition	-	6,500,000	4,984,728	-	1,515,272
Installation of public utilities and improvements	4,310,000	17,127,000	9,738,935	-	7,388,065
Bond payments:					
Principal	-	9,900,000	8,237,555	1,400,000	262,445
Interest	-	9,190,000	3,323,904	21,000	5,845,096
Loan/note interest	-	-	5,150,288	-	(5,150,288)
Paid to other governments	-	-	205,928	2,235	(208,163)
Administrative costs	190,000	1,920,107	1,375,451	-	544,656
Total uses of funds:	<u>4,500,000</u>	<u>44,637,107</u>	<u>33,016,789</u>	<u>1,423,235</u>	<u>10,197,083</u>
Funds remaining (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,732,731</u>	<u>\$ (1,115,967)</u>	<u>\$ (616,764)</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	1,447,043	2,070,119
Project area	23,832	4,005,694
	<u>\$ 4,598,131</u>	<u>\$ 6,075,813</u>

CITY OF EDINA, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS

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

December 31, 2012

	Original Budget	Amended Budget	Accounted for in prior years	Current year	Amount remaining
Source of funds:					
Bond proceeds	\$ 41,400,000	\$ -	\$ 33,761,677	\$ -	\$(33,761,677)
Tax increments received	80,000,000	130,000,000	48,515,790	3,259,163	78,225,047
Real estate sales *	5,000,000	9,137,070	11,637,070	-	(2,500,000)
Special assessment	-	-	-	-	-
Interest on invested funds	-	5,000,000	4,512,226	137,089	350,685
Transfer in	-	-	38,646,971	-	(38,646,971)
Sale of material	-	-	255,710	-	(255,710)
Developer payments	-	-	297,826	-	(297,826)
Other	-	-	21,799	-	(21,799)
Total sources of funds:	126,400,000	144,137,070	137,649,069	3,396,252	3,091,749
Uses of funds:					
Land acquisition	13,900,000	30,000,000	22,981,425	-	7,018,575
Site improvements and preparation	26,677,000	15,000,000	14,492,602	1,951	505,447
Other qualifying improvements	-	50,337,070	6,718,758	-	43,618,312
Bond payments:					
Principal	41,400,000	-	34,814,724	530,000	(35,344,724)
Interest	38,000,000	47,000,000	34,260,361	27,445	12,712,194
Administrative costs	1,140,800	1,800,000	1,438,423	92,133	269,444
Paid to other governments	-	-	50,183	5,389	(55,572)
Loan/note interest	-	-	6,779,688	609,184	(7,388,872)
Parkland dedication fees	-	-	2,030,345	-	(2,030,345)
Total uses of funds:	121,117,800	144,137,070	123,566,509	1,266,102	19,304,459
Funds remaining (deficit)	\$ 5,282,200	\$ -	\$ 14,082,560	\$ 2,130,150	\$(16,212,710)

	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
	\$ 11,637,070	\$ 11,637,070

CITY OF EDINA, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS

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

December 31, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Accounted for in prior years</u>	<u>Current year</u>	<u>Amount remaining</u>
Source of funds:					
Bond proceeds	\$ 1,911,000	\$ 1,911,000	\$ -	\$ -	\$ 1,911,000
Tax increments received	2,177,855	2,177,855	746,863	-	1,430,992
Interest on invested funds	-	-	291,710	14,245	(305,955)
Total sources of funds:	<u>4,088,855</u>	<u>4,088,855</u>	<u>1,038,573</u>	<u>14,245</u>	<u>3,036,037</u>
Uses of funds:					
Land acquisition	529,400	529,400	45,799	1,781	481,820
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>663,638</u>	<u>1,781</u>	<u>3,423,436</u>
Funds remaining (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 374,935</u>	<u>\$ 12,464</u>	<u>\$ (387,399)</u>

CITY OF EDINA, MINNESOTA
SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
FOR SOUTHDALE 2-NO. 1208, A TAX INCREMENT FINANCING DISTRICT
December 31, 2012

	<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:					
Tax increments received	\$ 11,702,217	\$ 11,702,217	\$ -	\$ -	\$ 11,702,217
Interest on invested funds	250,000	250,000	-	-	250,000
Total sources of funds:	<u>11,952,217</u>	<u>11,952,217</u>	<u>-</u>	<u>-</u>	<u>11,952,217</u>
Uses of funds:					
Site improvements and preparation	2,274,296	2,274,296	-	-	2,274,296
Other qualifying improvements	5,000,000	5,000,000	-	5,000,000	-
Interest	3,577,921	3,577,921	-	-	3,577,921
Administrative costs	1,100,000	1,100,000	-	-	1,100,000
Total uses of funds:	<u>11,952,217</u>	<u>11,952,217</u>	<u>-</u>	<u>5,000,000</u>	<u>6,952,217</u>
Funds remaining (deficit)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,000,000)</u>	<u>\$ 5,000,000</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.

Contents	Page
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>	104
Revenue Capacity <i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	112
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>	116
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>	121
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>	123

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Net investment in capital assets	\$ 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
Total governmental activities net position	<u>\$ 58,345,908</u>	<u>\$ 65,228,312</u>	<u>\$ 71,967,764</u>	<u>\$ 85,094,070</u>
Business-type activities				
Net investment in capital assets	\$ 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
Total business-type activities net position	<u>\$ 46,969,851</u>	<u>\$ 49,174,972</u>	<u>\$ 51,165,889</u>	<u>\$ 53,361,270</u>
Primary government				
Net investment in capital assets	\$ 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
Total primary government net position	<u>\$ 105,315,759</u>	<u>\$ 114,403,284</u>	<u>\$ 123,133,653</u>	<u>\$ 138,455,340</u>

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 67,680,882	\$ 71,601,227	\$ 69,622,370	\$ 69,783,162	\$ 75,045,018	\$ 78,644,392
-	3,362,446	7,132,865	9,952,443	22,915,776	23,215,910
25,136,312	29,577,462	30,705,600	41,709,528	29,544,149	29,587,700
<u>\$ 92,817,194</u>	<u>\$ 104,541,135</u>	<u>\$ 107,460,835</u>	<u>\$ 121,445,133</u>	<u>\$ 127,504,943</u>	<u>\$ 131,448,002</u>
\$ 43,046,160	\$ 46,851,736	\$ 47,333,794	\$ 48,807,806	\$ 56,877,100	\$ 63,766,144
-	954,486	624,837	618,852	623,099	876,909
13,649,355	12,071,776	15,158,720	17,041,122	12,926,674	14,390,609
<u>\$ 56,695,515</u>	<u>\$ 59,877,998</u>	<u>\$ 63,117,351</u>	<u>\$ 66,467,780</u>	<u>\$ 70,426,873</u>	<u>\$ 79,033,662</u>
\$ 110,727,042	\$ 118,452,963	\$ 116,956,164	\$ 118,590,968	\$ 131,922,118	\$ 142,410,536
-	4,316,932	7,757,702	10,571,295	23,538,875	24,092,819
38,785,667	41,649,238	45,864,320	58,750,650	42,470,823	43,978,309
<u>\$ 149,512,709</u>	<u>\$ 164,419,133</u>	<u>\$ 170,578,186</u>	<u>\$ 187,912,913</u>	<u>\$ 197,931,816</u>	<u>\$ 210,481,664</u>

CITY OF EDINA, MINNESOTA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
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	<u>2,760,022</u>	<u>2,399,682</u>	<u>2,288,524</u>	<u>2,973,749</u>
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
Arena	1,475,842	1,492,461	1,497,431	1,542,098
Community activity centers	<u>2,357,184</u>	<u>2,357,731</u>	<u>2,328,131</u>	<u>2,506,551</u>
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>
Program Revenues				
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	<u>7,214,393</u>	<u>4,192,947</u>	<u>2,252,491</u>	<u>4,013,617</u>
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:				
Charges for services:				
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
Arena	1,346,721	1,319,987	1,376,607	1,418,555
Community activity centers	1,620,010	1,934,025	1,875,253	1,918,598
Operating grants and contributions	<u>132,031</u>	<u>138,447</u>	<u>131,408</u>	<u>122,358</u>
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>
Net (Expense)/Revenue				
Governmental activities	\$ (15,018,355)	\$ (19,294,544)	\$ (21,733,045)	\$ (22,895,332)
Business-type activities	<u>2,204,880</u>	<u>2,626,691</u>	<u>2,573,225</u>	<u>2,724,630</u>
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>
General Revenues and Other Changes in Net Position				
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	<u>(4,053,805)</u>	<u>655,227</u>	<u>841,500</u>	<u>838,230</u>
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:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Unrestricted investment earnings	387,117	227,167	236,654	283,771
Gain (loss) on disposal of capital assets	(177,051)	6,490	22,538	25,210
Transfers	<u>4,053,805</u>	<u>(655,227)</u>	<u>(841,500)</u>	<u>(838,230)</u>
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>
Change in Net Position				
Governmental activities	\$ 6,398,414	\$ 6,882,404	\$ 6,739,452	\$ 7,323,086
Business-type activities	<u>6,468,751</u>	<u>2,205,121</u>	<u>1,990,917</u>	<u>2,195,381</u>
Total primary government	<u>\$ 12,867,165</u>	<u>\$ 9,087,525</u>	<u>\$ 8,730,369</u>	<u>\$ 9,518,467</u>

Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 7,039,298	\$ 6,836,248	\$ 7,362,560	\$ 6,961,082	\$ 7,013,231	\$ 12,598,979	
13,743,194	14,833,647	14,751,479	15,543,594	16,024,575	16,598,423	
8,757,022	9,046,873	8,993,290	8,558,363	9,193,336	9,437,285	
5,025,560	5,971,565	7,732,777	5,608,758	5,540,585	5,904,724	
1,887,633	1,923,821	2,129,490	2,528,424	2,339,370	2,222,392	
<u>36,452,707</u>	<u>38,612,154</u>	<u>40,969,596</u>	<u>39,200,221</u>	<u>40,111,097</u>	<u>46,761,803</u>	
10,036,844	10,625,811	11,833,994	11,848,538	12,130,685	12,610,875	
10,361,998	11,049,223	11,449,194	11,594,643	11,727,106	11,740,744	
780,981	787,663	798,369	769,608	718,027	866,944	
3,621,977	3,612,482	3,588,831	3,561,573	3,390,949	3,293,192	
1,538,407	1,689,660	1,665,082	1,527,536	1,689,001	2,182,200	
2,630,127	2,813,189	2,971,293	2,965,243	2,998,915	2,842,139	
<u>28,970,334</u>	<u>30,578,028</u>	<u>32,306,763</u>	<u>32,267,141</u>	<u>32,654,683</u>	<u>33,536,094</u>	
<u>\$ 65,423,041</u>	<u>\$ 69,190,182</u>	<u>\$ 73,276,359</u>	<u>\$ 71,467,362</u>	<u>\$ 72,765,780</u>	<u>\$ 80,297,897</u>	
\$ 784,659	\$ 840,070	\$ 811,087	\$ 946,107	\$ 969,745	\$ 1,142,984	
5,632,642	5,839,683	5,081,563	5,448,505	5,988,485	6,549,929	
736,329	763,130	804,500	723,559	775,676	913,864	
1,384,024	1,170,183	1,377,785	1,162,411	1,392,892	1,685,026	
4,299,509	7,710,015	2,582,999	13,325,431	5,770,912	9,137,011	
<u>12,837,163</u>	<u>16,323,081</u>	<u>10,657,934</u>	<u>21,606,013</u>	<u>14,897,710</u>	<u>19,428,814</u>	
13,125,773	13,713,249	14,858,488	15,036,016	15,873,937	17,729,589	
11,436,175	12,122,599	12,655,777	12,857,064	13,172,484	13,230,941	
868,833	925,388	859,816	945,529	913,383	1,001,946	
3,630,538	3,680,584	3,660,466	3,443,204	3,285,741	3,225,591	
1,414,173	1,399,599	1,414,410	1,301,506	1,315,435	1,452,435	
2,102,938	2,117,619	2,192,274	2,194,476	2,331,136	2,399,090	
127,492	147,456	135,917	373,230	135,428	1,042,195	
<u>32,705,922</u>	<u>34,106,494</u>	<u>35,777,148</u>	<u>36,151,025</u>	<u>37,027,544</u>	<u>40,081,787</u>	
<u>\$ 45,543,085</u>	<u>\$ 50,429,575</u>	<u>\$ 46,435,082</u>	<u>\$ 57,757,038</u>	<u>\$ 51,925,254</u>	<u>\$ 59,510,601</u>	
\$ (23,615,544)	\$ (22,289,073)	\$ (30,311,662)	\$ (17,594,208)	\$ (25,213,387)	\$ (27,332,989)	
<u>3,735,588</u>	<u>3,528,466</u>	<u>3,470,385</u>	<u>3,883,884</u>	<u>4,372,861</u>	<u>6,545,693</u>	
<u>\$ (19,879,956)</u>	<u>\$ (18,760,607)</u>	<u>\$ (26,841,277)</u>	<u>\$ (13,710,324)</u>	<u>\$ (20,840,526)</u>	<u>\$ (20,787,296)</u>	
\$ 21,459,001	\$ 22,242,276	\$ 23,834,274	\$ 25,122,113	\$ 25,040,871	\$ 25,884,662	
7,793,577	8,578,434	7,587,386	4,488,073	4,083,345	3,536,935	
570,871	647,466	667,791	692,288	722,160	815,530	
1,581,702	1,185,899	387,177	474,444	601,250	341,986	
58,377	1,265	11,709	35,594	131,365	-	
919,625	967,800	743,025	765,994	694,206	696,935	
<u>32,383,153</u>	<u>33,623,140</u>	<u>33,231,362</u>	<u>31,578,506</u>	<u>31,273,197</u>	<u>31,276,048</u>	
\$ -	\$ -	\$ 300,372	\$ -	\$ -	\$ -	
510,678	607,312	209,371	205,965	280,438	113,177	
7,604	14,505	2,250	26,574	-	2,644,854	
(919,625)	(967,800)	(743,025)	(765,994)	(694,206)	(696,935)	
<u>(401,343)</u>	<u>(345,983)</u>	<u>(231,032)</u>	<u>(533,455)</u>	<u>(413,768)</u>	<u>2,061,096</u>	
<u>\$ 31,981,810</u>	<u>\$ 33,277,157</u>	<u>\$ 33,000,330</u>	<u>\$ 31,045,051</u>	<u>\$ 30,859,429</u>	<u>\$ 33,337,144</u>	
\$ 8,767,609	\$ 11,334,067	\$ 2,919,700	\$ 13,984,298	\$ 6,059,810	\$ 3,943,059	
3,334,245	3,182,483	3,239,353	3,350,429	3,959,093	8,606,789	
<u>\$ 12,101,854</u>	<u>\$ 14,516,550</u>	<u>\$ 6,159,053</u>	<u>\$ 17,334,727</u>	<u>\$ 10,018,903</u>	<u>\$ 12,549,848</u>	

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

	Fiscal Year			
	2003	2004	2005^a	2006
General fund				
Reserved	\$ 412,991	\$ 390,771	\$ 223,351	\$ 36,849
Unreserved	9,961,074	10,226,055	11,595,433	13,797,189
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 10,374,065</u>	<u>\$ 10,616,826</u>	<u>\$ 11,818,784</u>	<u>\$ 13,834,038</u>
All other governmental funds				
Reserved	\$ 4,084,987	\$ 3,465,440	\$ 13,792,312	\$ 2,682,238
Unreserved, reported in:				
Special revenue funds	686,777	781,458	731,027	13,179,904
Capital projects funds	19,608,849	16,651,788	17,032,750	3,160,085
Restricted, reported in:				
Special revenue funds	-	-	-	-
Debt service funds	-	-	-	-
Construction funds	-	-	-	-
Assigned, reported in:				
Capital projects funds	-	-	-	-
Total all other governmental funds	<u>\$ 24,380,613</u>	<u>\$ 20,898,686</u>	<u>\$ 31,556,089</u>	<u>\$ 19,022,227</u>

^a 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 The substantial decrease in general fund unreserved fund balance in 2009 is due to the transfer of the equipment replacement program to the construction fund.

The substantial increase in other governmental funds reserved fund balance in 2009 is due to unspent bond proceeds related to the new Public Works Facility, which is under construction.

^c The City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" in 2011. The City did not apply the statement retroactively.

Fiscal Year					
2007	2008	2009^b	2010	2011^c	2012
\$ 28,637	\$ 13,982	\$ 18,241	\$ 10,258	\$ -	\$ -
14,078,220	14,365,021	12,031,358	12,868,952	-	-
-	-	-	-	10,871	413,200
-	-	-	-	178,295	880,395
-	-	-	-	1,539,286	1,643,077
-	-	-	-	11,744,764	11,902,462
<u>\$ 14,106,857</u>	<u>\$ 14,379,003</u>	<u>\$ 12,049,599</u>	<u>\$ 12,879,210</u>	<u>\$ 13,473,216</u>	<u>\$ 14,839,134</u>
\$ 6,247,539	\$ 8,467,918	\$ 15,223,353	\$ 9,460,834	\$ -	\$ -
14,750,448	14,950,538	12,813,439	15,333,460	-	-
5,853,322	4,270,440	6,683,668	12,150,968	-	-
-	-	-	-	17,178,857	13,185,962
-	-	-	-	8,068,183	9,704,408
-	-	-	-	2,087,548	2,759,463
-	-	-	-	8,098,935	7,159,890
<u>\$ 26,851,309</u>	<u>\$ 27,688,896</u>	<u>\$ 34,720,460</u>	<u>\$ 36,945,262</u>	<u>\$ 35,433,523</u>	<u>\$ 32,809,723</u>

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
General property taxes	\$ 17,903,618	\$ 17,865,757	\$ 19,071,202	\$ 20,414,298
Tax increment collections	7,342,270	6,761,934	7,060,744	7,228,002
Special assessments	1,019,461	966,879	1,354,264	1,751,219
Franchise fees	393,627	450,956	457,421	499,206
License and permits	2,182,263	2,247,759	3,240,622	3,488,897
Intergovernmental	4,678,735	3,933,540	1,539,169	2,773,350
Charges for services	2,076,519	2,279,302	2,466,663	2,691,354
Fines and forfeitures	785,227	863,073	742,917	1,023,935
Investment income	286,209	443,074	977,956	1,230,264
Rental of property	354,266	385,707	315,542	310,145
Parkland dedication	-	-	-	-
Other revenues	200,551	294,136	227,446	246,797
Total revenues	<u>37,222,746</u>	<u>36,492,117</u>	<u>37,453,946</u>	<u>41,657,467</u>
Expenditures				
General government	5,709,741	5,213,469	5,477,308	5,995,804
Public safety	10,352,816	11,125,388	11,373,763	12,431,114
Public works	4,142,668	4,386,669	4,882,811	5,233,907
Parks	2,974,164	2,954,372	3,146,029	3,300,375
Capital outlay	15,539,676	7,772,321	8,227,191	8,980,526
Debt service				
Principal	5,700,000	6,450,000	6,830,000	5,985,000
Interest and other charges	2,908,787	2,484,291	2,543,639	2,107,036
Total expenditures	<u>47,327,852</u>	<u>40,386,510</u>	<u>42,480,741</u>	<u>44,033,762</u>
Revenues over (under) expenditures	(10,105,106)	(3,894,393)	(5,026,795)	(2,376,295)
Other Financing Sources (Uses)				
Transfers in	8,752,126	8,367,595	7,797,369	6,865,258
Transfers out	(12,805,931)	(7,712,368)	(6,955,869)	(6,027,028)
Sale of capital assets	-	-	135,045	54,457
Bonds issued	1,540,000	-	15,816,165	-
Premium on bonds issued	59,219	-	-	-
Discount on bonds issued	-	-	(36,275)	-
Refunding bonds issued	6,570,000	-	16,764,721	-
Payment to refunding escrow	(6,525,000)	-	(16,635,000)	-
Principal paid by escrow	-	-	-	(9,035,000)
Total other financing sources (uses)	<u>(2,409,586)</u>	<u>655,227</u>	<u>16,886,156</u>	<u>(8,142,313)</u>
Net change in fund balances	<u>\$ (12,514,692)</u>	<u>\$ (3,239,166)</u>	<u>\$ 11,859,361</u>	<u>\$ (10,518,608)</u>
Debt service as a percentage of noncapital expenditures	27.1%	27.4%	27.4%	23.1%

^a The substantial change in debt service as a percentage of noncapital expenditures in 2007 is due to a change in the way this ratio is calculated. The City did not recalculate previously reported ratios.

Fiscal Year					
2007^a	2008	2009	2010	2011	2012
\$ 21,459,001	\$ 22,242,276	\$ 23,834,274	\$ 25,122,113	\$ 24,972,166	\$ 25,838,422
7,793,577	8,578,434	7,587,386	4,488,073	4,083,345	3,536,935
1,750,444	2,442,490	2,703,833	6,746,186	4,502,112	4,975,641
570,871	647,466	667,791	692,288	722,160	815,530
2,909,521	2,915,455	2,104,967	2,410,314	2,724,763	3,155,351
3,699,006	3,005,883	1,507,170	3,726,849	3,059,964	2,032,966
2,748,709	3,093,941	2,905,410	3,014,894	3,181,961	3,708,482
971,486	1,073,174	1,224,983	1,203,767	1,243,426	1,195,054
1,581,702	1,185,899	387,177	474,444	601,250	341,986
355,734	255,607	343,616	426,517	539,091	506,276
-	-	-	-	-	702,100
225,839	126,723	160,035	413,400	156,231	240,841
<u>44,065,890</u>	<u>45,567,348</u>	<u>43,426,642</u>	<u>48,718,845</u>	<u>45,786,469</u>	<u>47,049,584</u>
6,544,307	6,235,352	6,895,329	6,523,398	5,739,481	6,624,573
12,985,215	13,788,797	13,692,686	14,177,387	14,668,772	14,985,068
5,787,619	6,189,594	5,911,758	5,898,023	6,000,539	6,277,506
3,455,789	3,693,595	3,688,063	3,524,950	3,633,922	3,852,260
11,991,122	14,666,907	22,997,065	13,505,827	14,235,496	13,622,443
6,190,000	7,090,000	7,415,000	2,975,000	4,480,000	6,620,000
1,677,770	1,967,021	1,841,342	2,584,006	2,278,068	2,292,394
<u>48,631,822</u>	<u>53,631,266</u>	<u>62,441,243</u>	<u>49,188,591</u>	<u>51,036,278</u>	<u>54,274,244</u>
(4,565,932)	(8,063,918)	(19,014,601)	(469,746)	(5,249,809)	(7,224,660)
7,290,391	7,983,585	11,347,773	2,903,762	5,615,669	4,495,940
(6,370,766)	(7,015,785)	(10,604,748)	(2,137,768)	(4,921,463)	(3,799,005)
66,845	96,825	34,592	134,329	209,773	94,975
11,735,000	7,755,000	22,950,000	2,535,000	3,320,000	2,748,720
-	-	64,765	898,658	108,097	436,148
(53,637)	(35,848)	(75,621)	-	-	-
-	-	-	8,285,000	-	1,990,000
-	-	-	(9,094,822)	-	-
-	-	-	-	-	-
<u>12,667,833</u>	<u>8,783,777</u>	<u>23,716,761</u>	<u>3,524,159</u>	<u>4,332,076</u>	<u>5,966,778</u>
<u>\$ 8,101,901</u>	<u>\$ 719,859</u>	<u>\$ 4,702,160</u>	<u>\$ 3,054,413</u>	<u>\$ (917,733)</u>	<u>\$ (1,257,882)</u>
20.9%	22.6%	21.7%	15.4%	17.8%	19.4%

CITY OF EDINA, MINNESOTA

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

Fiscal Year	Market Value (In Thousands) ^a			Tax Capacity (In Thousands)			City Tax Capacity Rate	City Referendum Rate	Estimated Direct Rate ^b
	Estimated	Limited	Taxable	Total	Used for Rate	Adjusted Net			
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
2007	9,619,356	9,456,650	9,451,668	113,429	96,170	98,765	21.150%	0.00641%	2.172
2008	9,986,738	9,933,166	9,928,907	120,084	100,954	103,850	21.197%	0.00601%	2.204
2009	10,112,498	10,091,005	10,079,499	122,532	101,831	105,130	22.447%	0.00597%	2.334
2010	9,960,341	9,960,341	9,949,807	120,817	104,914	108,452	22.972%	0.00606%	2.501
2011	9,441,688	9,441,688	9,431,941	113,981	98,897	102,319	24.660%	0.00654%	2.672
2012	9,179,305	9,179,305	9,025,565	109,013	94,811	97,879	26.247%	0.00667%	2.799

Source: Hennepin County Taxpayer Services. 2003-2004 estimated market values obtained from previous CAFRs and do not include personal property.

DNA: Historical data is not available

^a Property in the City is assessed annually. Assessed value is equal to market value, although taxable value may be different, as shown. The City receives reports from Hennepin County showing total market value, but not separated by property classification.

^b 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.

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		Other	
						Tax Cap.	RMV		
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%
2007	19.636%	1.514%	21.150%	0.006%	39.110%	18.244%	0.147%	8.417%	86.921%
2008	19.563%	1.634%	21.197%	0.006%	38.571%	16.951%	0.177%	8.546%	85.265%
2009	20.204%	2.243%	22.447%	0.006%	40.413%	17.766%	0.183%	8.413%	89.039%
2010	20.004%	2.968%	22.972%	0.006%	42.640%	18.746%	0.194%	9.431%	93.789%
2011	21.548%	3.112%	24.660%	0.007%	45.840%	21.786%	0.196%	10.489%	102.775%
2012	23.131%	3.116%	26.247%	0.007%	48.231%	27.565%	0.215%	10.911%	112.954%

Source: Hennepin County Taxpayer Services. Some 2003-2004 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.

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

Taxpayer	2012			2003		
	Tax Capacity	Rank	Percentage of Total Capacity	Tax Capacity	Rank	Percentage of Total Capacity
Southdale Shopping Center	\$ 2,373,048	1	2.18%	\$ 2,414,156	1	3.11%
Galleria Shopping Center	1,271,050	2	1.17%	863,446	2	1.11%
Southdale Office Park	686,102	3	0.63%	805,652	3	1.04%
Centennial Lakes Retail	670,848	4	0.62%	-		0.00%
Southdale Medical Building	620,285	5	0.57%	428,608	8	0.55%
Centennial Lakes Phase V	553,770	6	0.51%	525,414	4	0.68%
Centennial Lakes Phase IV	543,040	7	0.50%	511,854	6	0.66%
National Car	484,530	8	0.44%	-		0.00%
Target	439,250	9	0.40%	-		0.00%
Hellmuth & Johnson	358,912	10	0.33%	-		0.00%
United Healthcare Corporation	-		0.00%	512,124	5	0.66%
7700 France	-		0.00%	497,686	7	0.64%
Centennial Lakes Phase II	-		0.00%	310,402	9	0.40%
Centennial Lakes Phase III	-		0.00%	310,402	10	0.40%
Totals	\$ 8,000,835		7.34%	\$ 7,179,744		9.24%

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
2003	\$ 18,506,442	\$ 17,808,469	96.23%	\$ 50,633	\$ 17,859,102	96.50%
2004	18,808,903	18,066,892	96.06%	22,734	18,089,626	96.18%
2005	19,667,551	19,090,016	97.06%	82,177	19,172,193	97.48%
2006	20,820,130	20,310,889	97.55%	66,489	20,377,378	97.87%
2007	21,530,528	21,347,789 ^a	99.15% ^a	65,836	21,413,625	99.46%
2008	22,605,669	22,178,719 ^b	98.11% ^b	161,896	22,340,615	98.83%
2009	24,153,933	23,484,137 ^c	97.23% ^c	47,778	23,531,915	97.42%
2010	25,492,973	24,904,346	97.69%	(149,252)	24,755,094	97.11%
2011	25,786,217	25,067,625	97.21%	(62,102)	25,005,523	96.97%
2012	26,248,226	25,983,685	98.99%	-	25,983,685	98.99%

Source: Hennepin County Taxpayer Services.

^a In 2007 the State of Minnesota reimbursed the City for MVHC after five years of not making payments.

^b In 2008 the State of Minnesota reimbursed the City for only 50% of MVHC.

^c In 2009 the State of Minnesota once again quit reimbursing the City for MVHC.

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	EEEEP Revenue Bonds	Rec. Facility Bonds	Utility Revenue Bonds			
2003	\$ 8,165	\$ 12,035	\$ 35,900	\$ -	\$ -	\$ 7,145	\$ 5,495	\$ 68,740	2.97%	\$ 1,445
2004	7,295	11,595	30,760	-	-	6,325	4,860	60,835	2.58%	1,263
2005	11,765	16,560	28,905	1,460	-	5,475	4,215	68,380	2.92%	1,441
2006	5,670	16,080	20,460	1,460	-	4,595	3,550	51,815	2.19%	1,105
2007	10,990	15,390	15,665	7,170	-	3,690	11,070	63,975	2.39%	1,359
2008	10,420	14,675	10,015	14,770	-	2,845	23,570	76,295	3.00%	1,584
2009	24,020	22,650	4,125	14,620	-	4,450	21,525	91,390	3.54%	1,897
2010	31,800	13,370	3,320	16,270	-	4,035	19,340	88,135	3.36%	1,838
2011	29,700	13,160	2,480	18,260	-	3,550	28,300	95,450	3.64%	1,991
2012	27,680	11,865	550	21,550	74	5,945	32,040	99,704	3.67%	2,066

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 Obligation Debt	Percentage of Property Value ^a	Per Capita
2003	\$ 8,165	0.13%	\$ 172
2004	7,295	0.11%	151
2005	11,765	0.15%	248
2006	5,670	0.07%	121
2007	10,990	0.11%	233
2008	10,420	0.10%	216
2009	24,020	0.24%	499
2010	31,800	0.32%	663
2011	29,700	0.31%	615
2012	27,680	0.30%	574

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

^a 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, 2012

	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable in City^a</u>	<u>City Share of Debt</u>
Overlapping Debt:			
Hennepin County	\$ 673,838,501	7.60%	\$ 51,211,726
Hennepin Suburban Park District	72,840,200	10.29%	7,495,257
Hennepin Regional Rail Authority	38,770,299	7.60%	2,946,543
School Districts:			
ISD No. 273 (Edina)	61,869,760	98.52%	60,954,088
ISD No. 270 (Hopkins)	148,613,052	8.50%	12,632,109
ISD No. 272 (Eden Prairie)	73,478,156	1.07%	786,216
ISD No. 280 (Richfield)	22,179,142	22.91%	5,081,241
ISD No. 283 (St. Louis Park)	50,057,386	0.02%	10,011
Metro Council	<u>193,377,711</u>	3.46%	<u>6,690,869</u>
Total Overlapping Debt	1,335,024,207		147,808,060
Direct Debt:			
City of Edina	<u>62,796,405</u>	100.00%	<u>62,796,405</u>
Total Overlapping and Direct Debt	<u>\$ 1,397,820,612</u>		<u>\$ 210,604,465</u>

Debt Ratios:

Ratio of debt per capita (48,262 population)	\$ 4,364
Ratio of debt to estimated market valuation of \$9,179,305,300	2.29%

Source: Hennepin County Taxpayer Services

^a 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)

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008^a</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 138,190	\$ 160,674	\$ 173,867	\$ 191,974	\$ 199,775	\$ 302,385	\$ 301,369	\$ 298,494	\$ 282,958	\$ 270,767
Total net debt applicable to limit	<u>20,200</u>	<u>18,890</u>	<u>29,785</u>	<u>21,750</u>	<u>26,380</u>	<u>25,095</u>	<u>46,670</u>	<u>45,170</u>	<u>42,860</u>	<u>39,545</u>
Legal debt margin	\$ <u>117,990</u>	\$ <u>141,784</u>	\$ <u>144,082</u>	\$ <u>170,224</u>	\$ <u>173,395</u>	\$ <u>277,290</u>	\$ <u>254,699</u>	\$ <u>253,324</u>	\$ <u>240,098</u>	\$ <u>231,222</u>
Total net debt applicable to the limit as a percentage of debt limit	14.62%	11.76%	17.13%	11.33%	13.20%	8.30%	15.49%	15.13%	15.15%	14.60%

Legal Debt Margin Calculation for Fiscal Year 2012

Market value (after fiscal disparities)	\$ 9,025,565,085
Debt limit (3% of market value)	270,766,953
Debt applicable to limit:	
General obligation bonds	27,680,000
Public project revenue bonds	<u>11,865,000</u>
Total debt applicable to limit	<u>39,545,000</u>
Legal debt margin	<u>\$ 231,221,953</u>

^a The State of Minnesota changed the legal debt limit from 2% of taxable market value to 3% during 2008.

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	
Public Project Revenue Bonds (Annual Appropriation Lease Revenue)							
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
2007	1,497,500	-	1,497,500	690,000	725,855	1,415,855	1.06
2008	1,425,186	-	1,425,186	715,000	696,118	1,411,118	1.01
2009	1,424,405	-	1,424,405	745,000	665,193	1,410,193	1.01
2010	1,421,354	-	1,421,354	9,280,000	901,535	10,181,535	0.14
2011	1,346,294	-	1,346,294	210,000	574,681	784,681	1.72
2012	1,362,444	-	1,362,444	1,295,000	548,691	1,843,691	0.74
Tax Increment Bonds							
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
2007	7,793,577	-	7,793,577	4,795,000	625,606	5,420,606	1.44
2008	8,578,434	-	8,578,434	5,650,000	445,694	6,095,694	1.41
2009	7,587,386	-	7,587,386	5,890,000	244,236	6,134,236	1.24
2010	4,488,073	-	4,488,073	805,000	125,820	930,820	4.82
2011	4,083,345	-	4,083,345	840,000	94,359	934,359	4.37
2012	3,536,935	-	3,536,935	1,930,000	48,445	1,978,445	1.79
Permanent Improvement Revolving Bonds (Special Assessment)							
2006	85,656	-	85,656	-	43,366	43,366	1.98
2007	391,921	-	391,921	160,000	46,694	206,694	1.90
2008	564,534	-	564,534	155,000	306,759	461,759	1.22
2009	1,508,662	-	1,508,662	150,000	513,708	663,708	2.27
2010	1,339,350	-	1,339,350	655,000	520,278	1,175,278	1.14
2011	2,466,395	-	2,466,395	1,330,000	524,964	1,854,964	1.33
2012	2,520,862	-	2,520,862	1,375,000	557,514	1,932,514	1.30
Utility Bond							
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
2007	13,125,419	9,735,839	3,389,580	690,000	108,840	798,840	4.24
2008	13,544,728	10,076,422	3,468,306	1,485,000	459,983	1,944,983	1.78
2009	14,857,798	10,815,216	4,042,582	2,045,000	803,157	2,848,157	1.42
2010	15,034,881	11,119,053	3,915,828	2,185,000	768,160	2,953,160	1.33
2011	15,871,102	11,438,288	4,432,814	2,270,000	693,285	2,963,285	1.50
2012	17,723,103	11,811,468	5,911,635	2,360,000	613,226	2,973,226	1.99
Recreational Facility Bonds							
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
2007	5,870,485	5,798,005	72,480	905,000	168,159	1,073,159	0.07
2008	6,005,571	5,972,558	33,013	845,000	135,956	980,956	0.03
2009	5,932,900	5,977,793	(44,893)	860,000	92,128	952,128	(0.05)
2010	5,690,239	5,822,861	(132,622)	415,000	100,926	515,926	(0.26)
2011	5,510,043	5,760,947	(250,904)	485,000	115,050	600,050	(0.42)
2012	5,679,972	6,240,222	(560,250)	520,000	105,000	625,000	(0.90)

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

Fiscal Year	Population	Estimated Personal Income (In thousands)	Per Capita Personal Income	High School Graduation Rate	Unemployment Rate
2003	47,570	\$ 2,317,801	\$ 48,724	91.5%	4.10%
2004	48,156	2,356,369	48,932	93.3%	3.90%
2005	47,448	2,341,464	49,348	92.1%	3.30%
2006	46,896	2,365,434	50,440	92.0%	3.00%
2007	47,090	2,673,959	56,784	92.0%	3.45%
2008	48,169	2,547,369	52,884	92.0%	4.33%
2009	48,169	2,582,436	53,612	92.4%	6.38%
2010	47,941	2,622,564	54,704	91.6%	5.56%
2011	48,262	2,640,124	54,704	92.2%	5.25%
2012	48,262	2,717,923	56,316	97.4%	4.56%

Sources:

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

Personal income and per capita income estimates based on MN Department of Employment and Economic Development Quarterly Census of Employment and Wages. 2011 is the most recent.

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

Employer	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Fairview Southdale Hospital	1,000	1	4.39%	2,400	1	10.46%
Macy's (Marshall Field's or Dayton's)	1,000	2	4.39%	500	5	2.18%
BI Worldwide	1,000	3	4.39%	DNA	DNA	DNA
Universal Hospital Service Inc.	1,000	4	4.39%	DNA	DNA	DNA
Edina Public Schools ISD #273	600	5	2.64%	DNA	DNA	DNA
Promenade Salon Concepts	500	6	2.20%	DNA	DNA	DNA
Regis Salons Division	500	7	2.20%	DNA	DNA	DNA
Regis Franchise Division	500	8	2.20%	DNA	DNA	DNA
Master Cuts Division	500	9	2.20%	DNA	DNA	DNA
Smart Style Family Hair Care	500	10	2.20%	DNA	DNA	DNA
Jerry's Enterprises, Inc.	-		0.00%	2,000	2	8.71%
Golden Valley Microwave Foods	-		0.00%	650	3	2.83%
Health Risk Management Inc.	-		0.00%	552	4	2.41%
JC Penny Co.	-		0.00%	400	6	1.74%
Norwest Funding	-		0.00%	358	7	1.56%
Nash Finch Co.	-		0.00%	350	8	1.52%
International Dairy Queen Inc.	-		0.00%	300	9	1.31%
Roach Organization Inc.	-		0.00%	140	10	0.61%
Totals	7,100		31.20%	7,650		33.33%

Sources:

2012 data from www.mnprospector.com and ISD #273's 2011 annual report. For data obtained from www.mnprospector.com, low number in the range was used.
2003 data from previous CAFR.

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 ^a									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Administration	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.25	6.85
Communications	-	-	-	-	-	-	-	-	-	4.65
Planning	3.75	3.75	3.75	3.75	3.75	3.75	3.85	3.85	3.85	3.85
Finance	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.50	5.25	5.25
Elections	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Assessing	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Public Works										
Administration	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50	1.50
Engineering	6.50	7.50	7.50	7.50	8.50	8.50	8.50	8.50	8.50	10.50
Supervision	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.50	2.30	2.30
Maintenance	28.00	28.00	28.00	28.00	28.00	28.00	27.00	27.00	27.00	28.00
Public Safety										
Police Protection	68.00	66.00	69.00	69.00	70.00	70.00	71.00	70.00	67.50	68.00
Animal Control	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Fire Protection	32.00	32.00	32.00	32.00	33.00	33.00	33.00	33.00	32.00	32.00
Public Health	2.75	2.75	2.75	2.75	2.75	2.75	2.65	2.65	2.65	2.65
Inspections	6.50	6.50	6.50	6.50	7.50	7.50	7.50	7.50	7.50	7.75
Parks & Recreation										
Administration	7.00	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80	6.80
Maintenance	16.00	16.50	16.40	16.40	16.40	16.40	16.40	16.40	16.40	16.40
Central Services										
General	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00	5.00	5.00
City Hall	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.00
Public Works Bldg	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	0.90	1.00
Equipment Ops	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50	6.50
Utilities	14.50	15.50	15.75	15.75	15.25	15.75	18.75	18.75	17.20	16.70
Liquor	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75	9.75
Aquatic Center	-	0.20	0.55	0.55	0.55	0.55	0.55	0.55	0.55	0.55
Golf Course	15.00	13.00	13.00	13.00	13.00	13.00	13.00	13.00	11.00	12.00
Arena	6.00	6.00	6.00	6.00	6.00	6.00	5.00	5.00	5.00	5.00
Art Center	3.00	3.00	2.50	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Edinborough Park	7.00	7.00	7.00	6.00	7.00	7.00	7.00	7.00	7.00	7.00
Centennial Lakes	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Other	2.00	2.00	2.00	2.00	4.00	4.00	5.00	5.00	4.50	-
Total	270.00	268.50	271.50	270.00	277.50	278.00	281.00	280.00	274.00	277.00

Source: City of Edina Finance Department

^a 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Total City employees	879	870	909	887	890	918	885	869	892	989
Votes cast ^a	10,721	31,730	1,367	26,270	7,930	31,512	2,733	25,463	7,957	31,841
Public Works										
Asphalt placed (tons)	-	-	-	9,000	8,000	7,500	9,500	7,643	8,500	9,000
Concrete (cu. yds.)	-	-	-	650	850	480	640	503	558	667
Public Safety										
Crimes reported	2,073	1,983	1,908	1,937	2,010	2,025	1,985	1,890	1,590	NA
Fire calls	1,062	1,060	1,055	963	1,012	913	852	910	960	858
Medical calls	3,030	3,199	3,423	3,470	3,510	3,516	3,496	3,599	3,652	3,946
Central Services										
Vehicle fixes	-	-	-	2,398	2,460	2,967	2,539	2,431	2,331	2,546
Utilities										
Daily consumption ^b	-	-	-	7,209	7,372	7,376	7,596	6,790	6,909	7,613
Aquatic Center										
Attendance	96,419	88,636	139,415	120,406	114,173	110,000	64,836	86,654	77,696	139,909
Golf Course										
Total rounds played	123,770	116,734	113,679	114,737	112,821	112,663	117,819	101,314	95,771	96,496

Source: Various City departments

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

NA: Data not available when this report was compiled.

^a 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.

^b 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public Works										
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
Public Safety										
Fire stations	2	2	2	2	2	2	2	2	2	2
Parks & Recreation										
City parks	40	40	40	40	40	40	40	40	40	40
Acreage of parks	1,553	1,553	1,553	1,553	1,553	1,553	1,553	1,553	1,553	1,553
Park buildings	27	27	27	27	27	27	27	27	27	27
Utilities										
Wells	18	18	18	18	19	19	19	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	13,984	14,851	14,851	14,851	14,851	14,851	13,933	13,933	13,933	13,979
Arena										
Ice sheets	3	3	3	3	3	3	3	3	3	3

Source: Various City departments