



Financial Statements
December 31, 2011

City of Eagle Lake

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CITY COUNCIL

Tim Auringer	Mayor
Dennis Terrell	Council-member
Clete Frederick	Council-member
Tina Marie	Council-member
John Ries	Council-member

ADMINISTRATION

Sack Thongvanh	City Administrator
Rick Reinbold	Public Works Director
Phillip Wills	Police Chief
Alan Kleist	Fire Chief



Independent Auditor's Report

Honorable Mayor and City Council
City of Eagle Lake
Eagle Lake, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eagle Lake, Minnesota (the City), as of and for the year ended December 31, 2011, which collectively comprise the City of Eagle Lake's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Eagle Lake's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we do not express such an opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Eagle Lake as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the Financial Statements, as of December 31, 2011, the entity has adopted Governmental Accounting Standards Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definition*, in 2011.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 28 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eagle Lake's basic financial statements as a whole. The introductory section and combining fund statements and schedules for the year ended December 31, 2011, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund statements and schedules for the year ended December 31, 2011, have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Eide Bailly LLP

Mankato, Minnesota
April 25, 2012

City of Eagle Lake
Statement of Net Assets
December 31, 2011

	Primary Government		Totals
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 1,690,720	\$ 1,202,397	\$ 2,893,117
Receivables			
Taxes	43,673	-	43,673
Special assessments	381,900	21,713	403,613
Accounts	17,748	74,030	91,778
Interest	2,451	-	2,451
Notes	28,124	-	28,124
Due from other governments	-	22,948	22,948
Prepaid items	17,270	11,658	28,928
Deferred charges	81,729	12,074	93,803
Capital assets			
Land and construction in progress	300,668	12,000	312,668
Distribution and collection systems	-	1,715,497	1,715,497
Buildings and equipment	8,864,092	1,254,383	10,118,475
Less accumulated depreciation	(1,990,901)	(1,181,117)	(3,172,018)
Total assets	<u>9,437,474</u>	<u>3,145,583</u>	<u>12,583,057</u>
Liabilities			
Accounts payable	37,870	302	38,172
Due to other governments	28,124	-	28,124
Interest payable	61,974	5,004	66,978
Unearned revenue	-	5,646	5,646
Long-term liabilities:			
Compensated absences	6,593	3,618	10,211
Debt due within one year	205,000	35,000	240,000
Debt due in more than one year	3,736,563	260,000	3,996,563
Total liabilities	<u>4,076,124</u>	<u>309,570</u>	<u>4,385,694</u>
Net Assets			
Invested in capital assets, net of related debt	3,314,025	1,505,763	4,819,788
Restricted for:			
Debt service	364,690	-	364,690
Other purposes	118,893	-	118,893
Unrestricted	1,563,742	1,330,250	2,893,992
Total Net Assets	<u>\$ 5,361,350</u>	<u>\$ 2,836,013</u>	<u>\$ 8,197,363</u>

City of Eagle Lake
Statement of Activities
Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Totals
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
PRIMARY GOVERNMENT							
Governmental Activities							
General government	\$ 347,645	\$ 23,488	\$ -	\$ -	\$ (324,157)	\$ -	\$ (324,157)
Public safety	326,518	83,545	15,300	-	(227,673)	-	(227,673)
Streets and highways	194,174	-	-	-	(194,174)	-	(194,174)
Sanitation	119,257	150,936	-	-	31,679	-	31,679
Culture and recreation	82,178	1,137	1,137	-	(79,904)	-	(79,904)
Economic development	114,596	-	-	-	(114,596)	-	(114,596)
Interest and other charges on long-term debt	157,401	-	-	-	(157,401)	-	(157,401)
Total governmental activities	<u>1,341,769</u>	<u>259,106</u>	<u>16,437</u>	<u>-</u>	<u>(1,066,226)</u>	<u>-</u>	<u>(1,066,226)</u>
Business-Type Activities							
Water	166,324	260,707	-	-	-	94,383	94,383
Sewer	245,143	405,900	-	-	-	160,757	160,757
Total business-type activities	<u>411,467</u>	<u>666,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,140</u>	<u>255,140</u>
Total primary government	<u>\$ 1,753,236</u>	<u>\$ 925,713</u>	<u>\$ 16,437</u>	<u>\$ -</u>	<u>(1,066,226)</u>	<u>255,140</u>	<u>(811,086)</u>
GENERAL REVENUES							
					584,395	-	584,395
					524,409	-	524,409
					317,496	-	317,496
					5,328	1,459	6,787
					5,737	-	5,737
					100,000	(100,000)	-
					11,476	-	11,476
					62,932	-	62,932
					90,299	9,203	99,502
					<u>1,702,072</u>	<u>(89,338)</u>	<u>1,612,734</u>
					635,846	165,802	801,648
					<u>4,725,504</u>	<u>2,670,211</u>	<u>7,395,715</u>
					<u>\$ 5,361,350</u>	<u>\$ 2,836,013</u>	<u>\$ 8,197,363</u>

City of Eagle Lake
Balance Sheet – Governmental Funds
December 31, 2011

	General Fund	2008 Debt Service	2010 Debt Service	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 1,453,812	\$ 16,357	\$ 64,290	\$ 156,261	\$ 1,690,720
Receivables					
Taxes	38,200	1,813	1,338	2,322	43,673
Special assessments	81,963	-	294,616	5,321	381,900
Accounts	14,509	-	-	3,239	17,748
Interest	2,451	-	-	-	2,451
Notes	-	-	-	28,124	28,124
Prepaid items	17,270	-	-	-	17,270
	<u>1,608,205</u>	<u>18,170</u>	<u>360,244</u>	<u>195,267</u>	<u>2,181,886</u>
Total assets	<u>\$ 1,608,205</u>	<u>\$ 18,170</u>	<u>\$ 360,244</u>	<u>\$ 195,267</u>	<u>\$ 2,181,886</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 37,870	\$ -	\$ -	\$ -	\$ 37,870
Due to other governments	-	-	-	28,124	28,124
Deferred revenue	115,083	-	294,513	6,119	415,715
Total liabilities	<u>152,953</u>	<u>-</u>	<u>294,513</u>	<u>34,243</u>	<u>481,709</u>
Fund Balances					
Nonspendable	17,270	-	-	28,124	45,394
Restricted	-	18,170	65,731	147,431	231,332
Assigned	898,147	-	-	-	898,147
Unassigned	539,835	-	-	(14,531)	525,304
Total fund balances	<u>1,455,252</u>	<u>18,170</u>	<u>65,731</u>	<u>161,024</u>	<u>1,700,177</u>
Total Liabilities and Fund Balances	<u>\$ 1,608,205</u>	<u>\$ 18,170</u>	<u>\$ 360,244</u>	<u>\$ 195,267</u>	<u>\$ 2,181,886</u>

City of Eagle Lake
 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets
 December 31, 2011

Total Fund Balances for Governmental Funds:	\$ 1,700,177
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of these assets is \$9,164,760 and the accumulated depreciation is \$1,990,901.	7,173,859
Some of the City's receivables will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as deferred revenue in the funds.	415,715
Interest on long-term debt is not accrued in governmental funds, but rather, is recognized as an expenditure when due. Accrued interest for general obligation bonds is \$61,974.	(61,974)
Long-term liabilities that pertain to governmental funds, including bonds payable, are not due and payable in the current period, and therefore, are not reported as fund liabilities. All liabilities (both current and long-term) are reported in the statement of net assets. Balance at year-end is:	
Bonds payable	(3,941,563)
Compensated absences earned by employees are not accrued in governmental funds, but are recognized as an expenditure when due. Compensated absences accrued at year end are equal to \$6,593.	(6,593)
Expenses that were paid for the issuance of long-term debt, bond issuance costs and underwriter fees are amortized over the term of the debt. The total deferred charge assets are \$102,022 and the accumulated amortization is \$20,293.	<u>81,729</u>
Total Net Assets for Governmental Activities	<u><u>\$ 5,361,350</u></u>

City of Eagle Lake
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds
Year Ended December 31, 2011

	General Fund	2008 Debt Service	2010 Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 246,329	\$ 90,626	\$ 66,599	\$ 162,893	\$ 566,447
Franchise taxes	17,948	-	-	-	17,948
Special assessments	5,837	-	23,836	11,626	41,299
Fines and forfeits	11,476	-	-	-	11,476
Licenses and permits	62,932	-	-	-	62,932
Intergovernmental	512,829	-	-	28,017	540,846
Charges for services	259,106	-	-	-	259,106
Interest earnings	5,166	-	-	162	5,328
Miscellaneous	84,788	-	-	5,511	90,299
Total revenue	<u>1,206,411</u>	<u>90,626</u>	<u>90,435</u>	<u>208,209</u>	<u>1,595,681</u>
Expenditures					
Current					
General government	294,392	-	-	-	294,392
Public safety	483,303	-	-	-	483,303
Streets and highways	155,046	-	-	70,160	225,206
Sanitation	119,257	-	-	-	119,257
Culture and recreation	96,120	-	-	-	96,120
Economic development	-	-	-	114,596	114,596
Debt Services					
Principal	-	90,000	26,256	70,000	186,256
Interest and other charges	-	107,015	39,223	10,634	156,872
Total expenditures	<u>1,148,118</u>	<u>197,015</u>	<u>65,479</u>	<u>265,390</u>	<u>1,676,002</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,293</u>	<u>(106,389)</u>	<u>24,956</u>	<u>(57,181)</u>	<u>(80,321)</u>
Other Financing Sources (Uses)					
Sale of equipment	5,737	-	-	-	5,737
Transfers in	-	100,000	40,775	-	140,775
Transfers out	-	-	-	(40,775)	(40,775)
Total other financing sources (uses)	<u>5,737</u>	<u>100,000</u>	<u>40,775</u>	<u>(40,775)</u>	<u>105,737</u>
Net change in fund balances	64,030	(6,389)	65,731	(97,956)	25,416
Fund Balances - Beginning of Year	<u>1,391,222</u>	<u>24,559</u>	<u>-</u>	<u>258,980</u>	<u>1,674,761</u>
Fund Balances - End of Year	<u>\$ 1,455,252</u>	<u>\$ 18,170</u>	<u>\$ 65,731</u>	<u>\$ 161,024</u>	<u>\$ 1,700,177</u>

City of Eagle Lake

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
Year Ended December 31, 2011

Total Net Change in Fund Balances - Governmental Funds \$ 25,416

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$414,976) exceeds depreciation (\$263,513) in the current period. 151,463

Some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Deferred and delinquent special assessment receivables increased by \$279,343, delinquent property taxes decreased by \$8,449, and accounts receivable increased by \$5,303. 276,197

The governmental funds report repayment of bond principal as expenditures. In the statement of net assets, however, repayment of principal reduces the liability. 186,256

The governmental funds report compensated absence costs as expenditures when paid, (\$0 paid in current year) on the other hand, the statement of activities reports compensated absence costs as the employees earn the compensated absences. (\$874) was earned in the current year. In the statement of net assets, the payment of compensated absences results in a reduction of the liability. This amount is the net effect of these differences. (874)

Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. There was \$61,974 and \$61,445 of accrued interest at December 31, 2011 and 2010, respectively. (529)

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. The current year change was \$2,083. (2,083)

Change in Net Assets of Governmental Activities \$ 635,846

City of Eagle Lake
Statement of Net Assets – Proprietary Funds
December 31, 2011

	Water	Sanitary Sewer	Enterprise Fund Total
Assets			
Cash and cash equivalents	\$ 626,231	\$ 576,166	\$ 1,202,397
Receivables:			
Accounts	27,551	46,479	74,030
Special assessments	-	21,713	21,713
Due from other governments	-	22,948	22,948
Deferred charges	12,074	-	12,074
Prepaid items	6,191	5,467	11,658
Total current assets	<u>672,047</u>	<u>672,773</u>	<u>1,344,820</u>
Noncurrent assets:			
Capital assets			
Land	6,000	6,000	12,000
Distribution and collection systems	438,567	1,276,930	1,715,497
Buildings and equipment	718,643	535,740	1,254,383
Less accumulated depreciation	(441,828)	(739,289)	(1,181,117)
Total noncurrent assets	<u>721,382</u>	<u>1,079,381</u>	<u>1,800,763</u>
Total assets	<u>1,393,429</u>	<u>1,752,154</u>	<u>3,145,583</u>
Liabilities			
Current liabilities			
Current portion of bonds payable	35,000	-	35,000
Accounts payable	198	104	302
Interest payable	5,004	-	5,004
Unearned revenue	-	5,646	5,646
Total current liabilities	<u>40,202</u>	<u>5,750</u>	<u>45,952</u>
Non-current liabilities			
Compensated absences	1,809	1,809	3,618
Bonds payable, less current portion	260,000	-	260,000
Total liabilities	<u>302,011</u>	<u>7,559</u>	<u>309,570</u>
Net Assets			
Invested in capital assets, net of related debt	426,382	1,079,381	1,505,763
Unrestricted	665,036	665,214	1,330,250
Total Net Assets	<u>\$ 1,091,418</u>	<u>\$ 1,744,595</u>	<u>\$ 2,836,013</u>

City of Eagle Lake
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds
Year Ended December 31, 2011

	Water	Sanitary Sewer	Enterprise Fund Total
Operating Revenues			
Utility sales	\$ 260,707	\$ 405,900	\$ 666,607
Operating Expenses			
Distribution system	115,191	202,741	317,932
General and administrative	821	-	821
Depreciation	36,350	42,402	78,752
Amortization	1,725	-	1,725
Total operating expenses	<u>154,087</u>	<u>245,143</u>	<u>399,230</u>
Operating Income	<u>106,620</u>	<u>160,757</u>	<u>267,377</u>
Nonoperating Revenues (Expenses)			
Interest and investment revenue	760	699	1,459
Interest expense	(12,237)	-	(12,237)
Miscellaneous revenue	9,203	-	9,203
Total nonoperating revenues (expenses)	<u>(2,274)</u>	<u>699</u>	<u>(1,575)</u>
Net Income before transfers	104,346	161,456	265,802
Transfers Out	<u>(50,000)</u>	<u>(50,000)</u>	<u>(100,000)</u>
Change in Net Assets	54,346	111,456	165,802
Total Net Assets - Beginning of Year	<u>1,037,072</u>	<u>1,633,139</u>	<u>2,670,211</u>
Total Net Assets - End of Year	<u><u>\$ 1,091,418</u></u>	<u><u>\$ 1,744,595</u></u>	<u><u>\$ 2,836,013</u></u>

City of Eagle Lake
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2011

	Water	Sanitary Sewer	Enterprise Fund Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 256,888	\$ 406,087	\$ 662,975
Other receipts	9,203	-	9,203
Payments to employees	(51,231)	(48,693)	(99,924)
Payments to suppliers	(64,684)	(153,819)	(218,503)
Net cash provided by operating activities	<u>150,176</u>	<u>203,575</u>	<u>353,751</u>
Cash Flows used for Noncapital Financing Activity			
Transfers to governmental funds	<u>(50,000)</u>	<u>(50,000)</u>	<u>(100,000)</u>
Cash Flows from Capital and Related Financing Activities			
Principal paid on bonds	(35,000)	-	(35,000)
Interest paid on bonds	(12,815)	-	(12,815)
Net cash used by capital and related financing activities	<u>(47,815)</u>	<u>-</u>	<u>(47,815)</u>
Cash Flows from Investing Activity			
Earnings on investments and cash	<u>760</u>	<u>699</u>	<u>1,459</u>
Net Increase in Cash	53,121	154,274	207,395
Balances - Beginning of the Year	<u>573,110</u>	<u>421,892</u>	<u>995,002</u>
Balances - End of the Year	<u>\$ 626,231</u>	<u>\$ 576,166</u>	<u>\$ 1,202,397</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 106,620	\$ 160,757	\$ 267,377
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	36,350	42,402	78,752
Amortization	1,725	-	1,725
Miscellaneous revenue and expenses	9,203	-	9,203
Decrease (increase) in assets			
Accounts receivable	(3,819)	(13,306)	(17,125)
Due from other governments	-	11,357	11,357
Special assessments receivable	-	4,344	4,344
Prepaid items	(237)	(209)	(446)
Increase (decrease) in liabilities			
Accounts payable	(106)	(2)	(108)
Unearned revenue	-	(2,208)	(2,208)
Compensated absences	440	440	880
Net Cash Provided by Operating Activities	<u>\$ 150,176</u>	<u>\$ 203,575</u>	<u>\$ 353,751</u>

Note 1 - Summary of Significant Accounting Policies

The City of Eagle Lake (the City) is a municipal corporation governed by a mayor and a four member council elected by eligible 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 as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City applies all relevant GASB pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. The City has elected not to follow subsequent private-sector guidance. The significant City accounting policies are described below.

A. Financial Reporting Entity

GASB Statement No. 14 *The Financial Reporting Entity* and GASB Statement No. 39 *Determining Whether Certain Organizations are Component Units* established standards for defining and reporting on the financial reporting entity. The 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 primary government is not accountable, but 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 City is the basic level of government which has oversight responsibility and control over all activities related to the government in the City's area. The City receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the City is not included in any other governmental "reporting entity" as defined by the GASB's pronouncements, since mayor and council members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationships with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Blended component units, although legally separate entities, are in substance part of the government's operations and so data from these units are combined with data of the primary government. The Economic Development Authority is a blended component unit and is governed by a board appointed by the City Council. The rentals and loan authorizations are approved by the government's council and the legal liability for any debt remains with the government. The Economic Development Authority is reported in one Special Revenue Fund.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Continued

The government reports the following major governmental funds:

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

The *2008 debt service fund* is one of the government's debt service funds. It accounts for the sources of revenue for and the payment of the General Obligation CIP Bonds of 2008. The primary source of revenue for the fund is property taxes.

The *2010 debt service fund* is one of the government's debt service funds. It accounts for the sources of revenue for and the payment of the General Obligation Bonds of 2010 and the 2010 PFA loan. The primary source of revenue for the fund is property taxes and special assessments.

The government reports the following major proprietary funds:

The *water fund* accounts for the activities of the government's water distribution operations.

The *sanitary sewer fund* accounts for the activities of the government's sewage pumping stations and collection systems.

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

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 water and sanitary sewer enterprise funds are charges to customers for sales and services. The enterprise funds also recognizes as operating revenue recycling charges, refunds and reimbursements, and penalties. 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.

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents

Cash balances of the City's funds are combined (pooled) and invested to the extent available in various deposits and investments authorized by Minnesota State Statutes. Each fund shares in the earnings according to its average cash and investments balance. Cash and cash equivalents include amounts in demand deposits, certificates of deposit as well as amounts in the Minnesota 4M Plus Fund, an external investment pool in which funds are available on demand. For the purposes of the statement of cash flows, cash includes all of the above. There were no investing, capital, or financing activities that affect recognized assets or liabilities but do not result in cash receipts or payments for the year ended December 31, 2011. The Minnesota 4M Plus Fund is stated at cost which approximates fair value.

2. Receivables and Payables

Under the modified accrual basis of accounting, some revenues are susceptible to accrual while others are not. Major revenues treated as susceptible to accrual are: property taxes, special assessments, and state and federal aids. All receivables are reported at their gross value and, if appropriate, reduced by the estimated portion that is expected to be uncollectible. The City has reviewed receivables and determined that no allowance for uncollectible accounts is necessary.

Interest on investments and certain receivables are recorded as revenue in the year that the interest is earned and is available to pay liabilities of the current period.

On or before September 15th of each year, the City Council certifies to the county auditor the dates that it has selected for its public hearing and for the continuation of its hearing, if necessary. If not certified by this date, the county auditor will assign the hearing date. All cities must hold public hearings on their proposed property tax levies.

Beginning on November 29th and through December 20th of each year, the City is required by State Law to hold its public hearing on its proposed budgets and proposed property tax levies for the taxes payable in the following year. On or before five business days after December 20th, the City Council certifies its final adopted property taxes payable the following year to the county auditor. If the City has not certified its final property tax by this time, its property tax shall be the amount levied by it in the preceding year.

In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued and recognized in the year collectible, net of delinquencies. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Agricultural land taxes may be paid on November 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts three times a year, in January, June, and November.

3. Prepaid Items

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

4. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

	<u>Years</u>
Lift station	50
Sanitary sewer mains	40
Water mains	40
Storm sewer mains	40
Sump pump lines	40
Buildings	40
Concrete curb & gutter	30
Sidewalks	30
Wells & pump houses	25
Water, electric, meters	20
Office equipment	10
Machinery, equipment, radios, phones	10
Computer equipment & software	5
Vehicles	5
Land	Not Depreciated

5. Compensated Absences

Vacation leave may be accumulated to a total of not more than 80 hours. Vacation leave is paid 100 percent at the time of separation from employment with the City, given the employee has served at least twelve consecutive months prior to separation.

6. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported at face value, net of bond premiums and discounts with issuance costs reported as deferred charges.

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

7. Fund Equity and Net Assets

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

In the current year, the City implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. Under GASB Statement No. 54 the fund balances are classified as nonspendable, restricted, committed, assigned or unassigned.

- Nonspendable fund balance represents a portion of fund balance that includes amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact.
- Restricted fund balances represents a portion of fund balance that reflects constraints placed on the use of resources (other than nonspendable items) that are either: a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.
- Committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority which is the City Council through an ordinance or resolution.
- Assigned fund balance represents amounts constrained by the government's intent to be used for specific purposes, but neither restricted nor committed. The City Council has the authority to assign a fund balance.

7. Fund Equity and Net Assets - Continued

- Unassigned fund balance represents residual classification for the general fund. This classification represents fund balance not assigned to other funds and not restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it would be necessary to report a negative unassigned fund balance.

The City did not approve a specific amount to maintain as a minimum unassigned general fund balance. If resources from more than one fund balance classification could be spent, the City will strive to spend resources from fund balance classifications in the following order (first to last): restricted, committed, assigned, and unassigned.

E. Inter-fund Transactions

Quasi-external transactions are accounted for as revenues 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 as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

F. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at year end. The actual revenues, expenditures, and transfers for the year ended December 31, 2011, have been compared to the City's budget for the year where applicable. Variances which are in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Administration can authorize transfer of budgeted amounts within any fund per state statutes. Any revisions that alter total expenditures of any fund must be approved by the City Council.

On or before the last Tuesday in August of each year, all agencies of the government submit requests for appropriation to the government's manager so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

A. Budgetary Information - Continued

The government's council reviews the budget at their regular meeting in September and makes changes as they see fit. All changes are approved by an affirmative vote of a majority of the government's council.

Budgetary control is maintained at the object of expenditure category level within each activity, and in compliance with State requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated; (2) the expenditure is still necessary; and (3) funds are available. Budgeted amounts are as originally adopted or as amended by the City Council. Budgeted expenditure appropriations lapse at year end.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts or other commitments) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2011, expenditures exceeded appropriations in the following funds: \$6,911 – General Fund, \$14,816 – Tax Increment District 1-2, \$431 – 1995 G.O. Storm Sewer, and \$300 – Cate Street. The excess was eliminated by greater than anticipated revenues in the case of the General Fund and Cate Street and available fund balance in the case of Tax Increment District 1-1 and Tax Increment District 1-2. The excess in the 1995 G.O. Storm Sewer will be eliminated by future revenues or a transfer from other funds.

There was no budget established for the capital project funds or the 2010 Debt Service fund.

C. Deficit Fund Equity

The following fund has deficit fund equity at December 31, 2011:

Debt service funds:	
1995 G.O. Storm Sewer	\$ 14,531

The above deficit will be eliminated through future property tax levies or transfers from other funds.

Note 3 - Detailed Notes on All Funds

A. Cash and Cash Equivalents

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

The Minnesota 4M Plus Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The fair value of the position in the pool is the same as the value of the pools shares.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of December 31, 2011, none of the City's bank balances were exposed to custodial credit risk.

B. Receivables

Receivables as of the year end for the City are reported on the Statement of Net Assets. There are no estimates for allowances for uncollectible receivables.

The City issues promissory notes through the Economic Development Revolving Loan Fund programs to local businesses. One note is receivable in monthly installments of \$459 with a balloon payment in 2013 and an interest rate of 4.00%. The note is secured by one or a combination of a mortgage, a second mortgage, equipment and fixtures. The current outstanding balance is \$28,124 as of December 31, 2011.

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

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments not yet due (general fund)	\$ 24,239	\$ -
Delinquent special assessments (general fund)	57,723	-
Delinquent property taxes (general fund)	27,818	-
Accounts receivable (general fund)	5,303	-
Delinquent property taxes (special revenue fund)	798	-
Special assessments not yet due (debt service fund)	297,740	-
Special assessments not yet due (sewer fund)	-	5,646
Delinquent special assessments (debt service fund)	2,094	-
Total deferred/unearned revenue for governmental funds	\$ 415,715	\$ 5,646

The only receivables not expected to be collectible within one year are the following: General Fund: \$22,554 of special assessments; Debt Service Funds: 2004 G.O. Improvement Greenfield Overlay - \$473 of special assessments and 2010 Debt Service - \$279,341; Special Revenue: EDA Revolving - \$23,659 of notes receivable.

C. Capital Assets

Depreciation expense was charged to activities of the governmental activities as follows:

Governmental Activities:	
General government	\$ 53,789
Public safety	50,083
Highways and streets	136,623
Culture and recreation	<u>23,018</u>
Total depreciation expense – governmental activities	<u>\$ 263,513</u>

Capital asset activity for the year ended December 31, 2011, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated				
Land	\$ 282,749	\$ -	\$ -	\$ 282,749
Construction in progress	<u>1,321,863</u>	<u>17,919</u>	<u>1,321,863</u>	<u>17,919</u>
Total capital assets, not being depreciated	<u>1,604,612</u>	<u>17,919</u>	<u>1,321,863</u>	<u>300,668</u>
Capital assets, being depreciated				
Building	2,481,394	4,800	-	2,486,194
Road network	3,617,450	1,216,039	-	4,833,489
Equipment	520,741	58,739	-	579,480
Land improvements	170,275	229,481	-	399,756
Vehicles	355,312	209,861	-	565,173
Total capital assets, being depreciated	<u>7,145,172</u>	<u>1,718,920</u>	<u>-</u>	<u>8,864,092</u>
Less accumulated depreciation for:				
Building	198,137	84,094	-	282,231
Road network	985,399	94,260	-	1,079,659
Equipment	280,094	46,630	-	326,724
Land improvements	82,326	11,708	-	94,034
Vehicles	181,432	26,821	-	208,253
Total accumulated depreciation	<u>1,727,388</u>	<u>263,513</u>	<u>-</u>	<u>1,990,901</u>
Total capital assets, being depreciated, net	<u>5,417,784</u>	<u>1,455,407</u>	<u>-</u>	<u>6,873,191</u>
Governmental activities capital assets, net	<u>\$7,022,396</u>	<u>\$1,473,326</u>	<u>\$1,321,863</u>	<u>\$7,173,859</u>

C. Capital Assets - Continued

Depreciation expense was charged to business-type activities as follows:

Business-type activities:	
Water	\$ 36,350
Sewer	<u>42,402</u>
Total depreciation expense - business-type activities	<u><u>\$ 78,752</u></u>

	Beginning Balances	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated				
Land	\$ 12,000	\$ -	\$ -	\$ 12,000
Capital assets, being depreciated				
Distribution plant	2,421,542	-	-	2,421,542
Equipment	548,338	-	-	548,338
Total capital assets, being depreciated	2,969,880	-	-	2,969,880
Less accumulated depreciation for:				
Distribution plant	837,326	54,608	-	891,934
Equipment	265,039	24,144	-	289,183
Total accumulated depreciation	1,102,365	78,752	-	1,181,117
Total capital assets, being depreciated, net	1,867,515	(78,752)	-	1,788,763
Business-type activities capital assets, net	\$ 1,879,515	\$ (78,752)	\$ -	\$ 1,800,763

D. Long-Term Debt

General Obligation Bonds: The City issued general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

<u>Bond Issue and Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
G.O. Refunding bonds of 2004 of \$345,000. Due in annual installments of \$45,000 to \$50,000 through February 1, 2013	3.75% to 4.00%	\$ 95,000
G.O. Improvement bonds of 2004 of \$170,000. Due in annual installments of \$25,000 through February 1, 2012	4.30%	25,000
G.O. Improvement bonds of 2007 of \$50,000. Due in annual installments of \$5,000 through February 1, 2018	4.00% to 4.20%	35,000
G.O. Capital Improvement Plan Bonds of 2008 of \$2,500,000. Due in annual installments of \$90,000 to \$185,000 through February 1, 2029	3.50% to 4.90%	2,355,000
Minnesota Public Facilities Authority Loan of 2010 of \$502,819. Due in annual installments of \$25,000 to \$33,000 through August 20, 2030	1.643%	476,563
G.O. Bonds of 2010A of \$955,000. Due in annual installments of \$15,000 to \$70,000 through February 20, 2031	2.00% to 4.10%	955,000
		<u>\$ 3,941,563</u>

Revenue Bonds: The City issued general obligation revenue bonds where the government pledges income derived from the acquired or constructed assets to pay debt service requirements. Revenue Bonds currently outstanding are as follows.

<u>Bond Issue and Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
G.O. Water Revenue bonds of 2007 of \$395,000. Due in annual installments of \$40,000 to \$55,000 through February 1, 2018	4.00% to 4.20%	<u>\$ 295,000</u>

E. Long-Term Debt - continued

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

Year Ending December 31	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 205,000	\$ 152,822	\$ 35,000	\$ 11,415
2013	210,000	146,248	40,000	9,915
2014	166,000	139,418	40,000	8,295
2015	171,000	134,180	40,000	6,655
2016	177,000	128,317	45,000	4,912
2017-2021	960,000	538,629	95,000	4,095
2022-2026	1,141,000	331,034	-	-
2027-2031	911,563	789,973	-	-
Total	\$ 3,941,563	\$ 2,360,621	\$ 295,000	\$ 45,287

Changes in Long-Term Liabilities. During the year ended December 31, 2011, the following changes occurred in long-term debt:

	Balance January 1	Additions	Reductions	Balance December 31	Due Within One Year
Governmental Activities:					
Debt Payable:					
General obligation bonds	\$ 4,127,819	\$ -	\$ 186,256	\$ 3,941,563	\$ 205,000
Compensated absences	5,719	874	-	6,593	-
Governmental activity					
Long-term liabilities	<u>\$ 4,133,538</u>	<u>\$ 874</u>	<u>\$ 186,256</u>	<u>\$ 3,948,156</u>	<u>\$ 205,000</u>
Refunding Bonds Included in Governmental Activities	<u>\$ 135,000</u>	<u>\$ -</u>	<u>\$ 40,000</u>	<u>\$ 95,000</u>	<u>\$ 45,000</u>
Business-Type Activities:					
Revenue bonds	\$ 330,000	\$ -	\$ 35,000	\$ 295,000	\$ 35,000
Compensated absences	2,739	879	-	3,618	-
Business-type activity					
Long-term liabilities	<u>\$ 332,739</u>	<u>\$ 879</u>	<u>\$ 35,000</u>	<u>\$ 298,618</u>	<u>\$ 35,000</u>

Legal Debt Margin. The legal debt limitation based on market value of taxable property in the municipality is equal to \$4,159,149. The computed legal debt margin as of December 31, 2011, equals \$4,159,149.

F. Inter-fund Transfers

Inter-fund transfers for the year ended December 31, 2011, consisted of the following:

<u>Transferred From</u>	<u>Transferred To</u>			
	2010 Debt Service	2008 Debt Service	Other Governmental Funds	Total
Enterprise fund - water	\$ -	\$ 50,000	\$ -	\$ 50,000
Enterprise fund - sewer	-	50,000	-	50,000
Other governmental funds	40,775	-	-	40,775
Total	\$ 40,775	\$ 100,000	\$ -	\$ 140,775

Purpose for Inter-fund Transfers:

The water and sewer funds each transferred \$50,000 to the 2008 Debt Service Fund to pay principal and interest on debt.

The Linda Drive Extension, the North Second Street capital, and the Storm Sewer Improvements fund transferred to the 2010 Debt Service fund to close out those funds.

The EDA fund transferred to the EDA Revolving fund for future loan purposes.

G. Fund Balances

Balances in Assigned Fund Balances as of December 31, 2011:

	<u>General Fund</u>
Assigned for general government	\$ 286,372
Assigned for street (CRP)	143,495
Assigned for police (CRP)	64,691
Assigned for fire (CRP)	243,111
Assigned for fire equipment	57,717
Assigned for Park	20,508
Assigned for Park land	23,149
Assigned for sidewalks	20,000
Assigned for Eagle Height Trails	39,104
Total	\$ 898,147

Balances in Restricted Fund Balances as of December 31, 2011:

Restricted for Debt Service	\$ 141,361
Restricted for Special Revenue	89,971
Total	\$ 231,332

Restricted special revenue funds are comprised of the following balances: EDA - \$49,427; EDA Revolving - \$18,938; Tax Increment Financing - \$19,665; and Small Cities - \$1,941.

Note 4 - Pension Plans

A. Public Employees Retirement Association

1. Plan Description

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters, and peace officers who qualify for membership by 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 step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service.

For all PEPFF members and for GERF members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A 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.

1. Plan Description - Continued

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 web at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or (800)652-9026.

2. 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 9.10% and 6.25%, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.60% of their annual covered salary in 2011. The City of Eagle Lake is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 14.40% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2011, 2010, and 2009, were \$16,648, \$16,261, and \$15,817, respectively. The City's contributions to the Public Police and Fire Fund for the years ending December 31, 2011, 2010, and 2009 were \$17,823, \$18,044, and \$17,905, respectively. The City's contributions were equal to the contractually required contributions for each year as set by State Statute.

B. Fire Relief Association

1. Plan Description

All volunteer fire fighters of the City of Eagle Lake are covered by a single-employer pension plan administered by the Eagle Lake Fire Department Relief Association (ELFDRA). All members must participate in the pension plan. Bylaws of the ELFDRA are the authority under which benefit provisions are established. Minnesota Statute Ch. 69 authorizes pension benefits for fire relief associations. A member of the association who has completed 20 years or more of service on the fire department will, after age 50 at retirement, be entitled to the sum of \$1,700 for each year that he served as an active member of the Eagle Lake Fire Department. A member of the association who has completed 10 years of service on the fire department will, after age 50 at retirement, be entitled to 60% of the amount per year of service which would have been earned, had the member served for 20 years. For active duty of more than 11 years, but less than 20 years, 4% of the amount per year of service which would have been earned, had the member served for 20 years or more, is added to all years of service for each additional year of service between 11 and 20 years.

ELFDRA issues a publicly available financial report that includes financial statements and required supplementary information for the pension plan. That report may be obtained by contacting the City of Eagle Lake.

2. Pension Benefit Obligation

The “pension benefit obligation” is a standardized disclosure measure of the present value of pension benefits, estimated to be payable in the future as a result of member service to date. The measure, which is the present value of credited projected benefits, is intended to help users assess ELFDRA’s funding status on a going-concern basis and assess progress made in accumulating sufficient assets to pay benefits when due.

The pension benefit obligation as of December 31, 2010, is shown below:

	<u>ELFDRA</u>
Pension Benefit Obligation:	
Current benefit obligation	\$ 276,828
Early vested pensions	88,920
Total Pension Benefit Obligation	365,748
Net Assets Available for Benefits, at Market	292,068
 Pension Benefit Obligation in Excess of Assets	 \$ 73,680

3. Contributions Required and Contributions Made

Financial requirements of the relief association are determined at \$1,700 per year of service for all members based on their years as active fire department members. Normal cost is funded on a current basis. The City’s minimum obligation is the financial requirement for the year less anticipated contributions and state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The contribution requirement is not actuarially determined. Total required contributions to the relief association in 2011 amounted to \$24,794 from the City and \$1,000 from the State of Minnesota. The contributed amounts were determined as described above and were based on funding assumptions, benefit provision, and other significant factors used to determine pension contribution requirements in previous years.

4. Three-Year Historical Trend Information

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Net Pension Benefit Obligation	\$110,258	\$99,585	\$73,680
Annual Pension Cost	0	0	0
Percentage of Annual Pension Cost	N/A	N/A	N/A

Note 5 - Other Information

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In accordance with Section C50 of the 1995 “Codification of Governmental Accounting and Financial Reporting Standards” of the Governmental Accounting Standards Board, the City accounts for and reports risk management activities in the General Fund within the constraints of the modified accrual basis of accounting.

The City has joined together with other governmental entities in the State of Minnesota in the League of Minnesota Cities Insurance Trust Group Self-Insured Workers’ Compensation Plan, a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to this plan for its workers’ compensation coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of this plan believe assessment to participating Cities for future losses sustained is extremely remote.

The City has joined together with other governmental entities in the State of Minnesota in the League of Minnesota Cities Insurance Trust Group Self-Insured General Property and Casualty Insurance Plan, a public entity risk pool currently operating as a common risk management and insurance program for member cities. The City pays an annual premium to this plan for its general liability and property coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of this plan believe assessment to participating Cities for future losses sustained is extremely remote.

The City is self-insured for unemployment compensation. The State of Minnesota allows Cities to levy local taxpayers for estimated future unemployment claims. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

The City continues to carry commercial insurance for all other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingencies

The City participates in a number of federal and state programs that are either partially or fully funded by grants or aids received from these agencies or other governmental units. Such programs are subject to audit by the grantor agencies which could result in requests for reimbursement to the granting agency for expenditures that are disallowed under the terms of the grant.

C. Commitment

The City has an ongoing commitment for the renovation of the firehall. The total estimated project cost for the project totaled \$154,850 and is funded by the general fund. As of December 31, 2011, the City has expended \$7,283.



Required Supplementary Information
December 31, 2011

City of Eagle Lake

City of Eagle Lake

Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual – General Fund
Year Ended December 31, 2011

	Original	Final	Actual Amounts	Variance with Final Budget
Revenues:				
Taxes:				
Property	\$ 272,871	\$ 272,871	\$ 246,329	\$ (26,542)
Franchise tax	11,000	11,000	17,948	6,948
Special assessments	-	-	5,837	5,837
Licenses and permits	32,900	32,900	62,932	30,032
Intergovernmental revenue				
Local government aid	577,683	577,683	495,251	(82,432)
Residential market value credit	-	-	11,252	11,252
Other state aids and grants	826	826	6,326	5,500
Charges for services				
General government	2,875	2,875	24,625	21,750
Police and fire contracts	64,050	64,050	83,545	19,495
Garbage and recycling	135,271	135,271	150,936	15,665
Fines and forfeits	15,000	15,000	11,476	(3,524)
Interest earnings	9,000	9,000	5,166	(3,834)
Refunds and reimbursements	5,000	5,000	36,360	31,360
Miscellaneous revenue	100	100	48,428	48,328
Total revenues	<u>1,126,576</u>	<u>1,126,576</u>	<u>1,206,411</u>	<u>79,835</u>
Expenditures:				
General government				
Mayor and council	20,331	20,331	17,356	2,975
Administration and finance	119,889	119,889	102,671	17,218
Other general government	190,983	190,983	174,365	16,618
Capital outlay	65,566	65,566	-	65,566
Public safety				
Police				
Current expenditures	178,531	178,531	173,469	5,062
Capital outlay	20,000	20,000	2,455	17,545
Fire				
Current expenditures	95,689	95,689	113,111	(17,422)
Capital outlay	78,498	78,498	192,419	(113,921)
Other protection	3,725	3,725	1,849	1,876
Streets and highways				
Street maintenance	112,063	112,063	87,122	24,941
Street lighting	35,000	35,000	39,381	(4,381)
Street construction - capital outlay	29,400	29,400	28,543	857
Sanitation				
Garbage and other refuse collection	115,846	115,846	119,257	(3,411)
Culture and recreation				
Parks and recreation - current expenditures	69,686	69,686	53,712	15,974
Parks and recreation - capital outlay	6,000	6,000	42,408	(36,408)
Total expenditures	<u>1,141,207</u>	<u>1,141,207</u>	<u>1,148,118</u>	<u>(6,911)</u>

City of Eagle Lake
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budget and Actual –
General Fund (Continued)
Year Ended December 31, 2011

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
Excess (Deficiency) of Revenue over (Under) Expenditures	<u>(14,631)</u>	<u>(14,631)</u>	<u>58,293</u>	<u>72,924</u>
Other Financing Sources				
Sale of equipment	-	-	5,737	5,737
Net Change in Fund Balance	(14,631)	(14,631)	64,030	78,661
Fund Balance at Beginning of Year	<u>1,391,222</u>	<u>1,391,222</u>	<u>1,391,222</u>	<u>-</u>
Fund Balance at End of Year	<u>\$ 1,376,591</u>	<u>\$ 1,376,591</u>	<u>\$ 1,455,252</u>	<u>\$ 78,661</u>

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. All annual appropriations lapse at year end. The actual revenues, expenditures, and transfers for the year ended December 31, 2011, have been compared to the City's budget for the year where applicable. Variances which are in parentheses are unfavorable and indicate revenues are less than budget or expenditures are greater than budget. The budget is adopted through passage of a resolution. Administration can authorize transfer of budgeted amounts within any fund per state statutes. Any revisions that alter total expenditures of any fund must be approved by the City Council.

On or before the last Tuesday in August of each year, all agencies of the government submit requests for appropriation to the government's manager so that a budget may be prepared. The budget is prepared by fund, function, and activity and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The government's council reviews the budget at both of their regular meetings in September and makes changes as they see fit. All changes are approved by an affirmative vote of a majority of the government's council.

Budgetary control is maintained at the object of expenditure category level within each activity, and in compliance with State requirements. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that (1) adequate funds were appropriated; (2) the expenditure is still necessary; and (3) funds are available. Budgeted amounts are as originally adopted or as amended by the City Council. Budgeted expenditure appropriations lapse at year end.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts or other commitments) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2011, expenditures exceeded appropriations in the General Fund by \$6,911. This over expenditure was funded by greater than anticipated revenues.

City of Eagle Lake
Combining Balance Sheet – Nonmajor Governmental Funds
December 31, 2011

	Special Revenue Funds					
	EDA	EDA Revolving	Tax Increment District 1-1	Tax Increment District 1-2	Small Cities	Total Special Revenue Funds
Assets						
Cash and cash equivalents	\$ 49,068	\$ 47,062	\$ 6,889	\$ 9,537	\$ 1,941	\$ 114,497
Receivables						
Accounts	-	-	3,239	-	-	3,239
Notes	-	28,124	-	-	-	28,124
Taxes	1,157	-	-	-	-	1,157
Total Current Assets	<u>\$ 50,225</u>	<u>\$ 75,186</u>	<u>\$ 10,128</u>	<u>\$ 9,537</u>	<u>\$ 1,941</u>	<u>\$ 147,017</u>
Liabilities and Fund Balances						
Liabilities						
Due to other governments	\$ -	\$ 28,124	\$ -	\$ -	\$ -	\$ 28,124
Deferred revenue	798	-	-	-	-	798
Total liabilities	<u>798</u>	<u>28,124</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,922</u>
Fund balances						
Nonspendable	-	28,124	-	-	-	28,124
Restricted	49,427	18,938	10,128	9,537	1,941	89,971
Total fund balances	<u>49,427</u>	<u>47,062</u>	<u>10,128</u>	<u>9,537</u>	<u>1,941</u>	<u>118,095</u>
Total Liabilities and Fund Balances	<u>\$ 50,225</u>	<u>\$ 75,186</u>	<u>\$ 10,128</u>	<u>\$ 9,537</u>	<u>\$ 1,941</u>	<u>\$ 147,017</u>

City of Eagle Lake
Combining Balance Sheet – Nonmajor Governmental Funds - Continued
December 31, 2011

	Debt Service Funds			
	1995 G.O. Storm Sewer	2004 G.O. Improvement Greenfield Overlay	Cate Street	Total Debt Service Funds
Assets				
Cash and cash equivalents	\$ -	\$ 30,724	\$ 26,391	\$ 57,115
Receivables				
Taxes	820	259	86	1,165
Special assessments	-	5,321	-	5,321
Total Current Assets	<u>\$ 820</u>	<u>\$ 36,304</u>	<u>\$ 26,477</u>	<u>\$ 63,601</u>
Liabilities and Fund Balances				
Liabilities				
Checks in excess of cash on deposit	\$ 15,351	\$ -	\$ -	\$ 15,351
Deferred revenue	-	5,321	-	5,321
Total liabilities	<u>15,351</u>	<u>5,321</u>	<u>-</u>	<u>20,672</u>
Fund balances				
Restricted	-	30,983	26,477	57,460
Unassigned	(14,531)	-	-	(14,531)
Total fund balances	<u>(14,531)</u>	<u>30,983</u>	<u>26,477</u>	<u>42,929</u>
Total Liabilities and Fund Balances	<u>\$ 820</u>	<u>\$ 36,304</u>	<u>\$ 26,477</u>	<u>\$ 63,601</u>

City of Eagle Lake
Combining Balance Sheet – Nonmajor Governmental Funds - Continued
December 31, 2011

	Capital Project Funds			Total Capital Projects Funds	Total Nonmajor Governmental Funds
	North Second Street	Linda Drive Extension	Storm Sewer Improvements		
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 171,612
Receivables					
Accounts	-	-	-	-	3,239
Notes	-	-	-	-	28,124
Property taxes	-	-	-	-	2,322
Special assessments	-	-	-	-	5,321
Total Current Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,618</u>
Liabilities and Fund Balances					
Liabilities					
Checks in excess of cash on deposit	\$ -	\$ -	\$ -	\$ -	\$ 15,351
Due to other governments	-	-	-	-	28,124
Deferred revenue	-	-	-	-	6,119
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>49,594</u>
Fund balances					
Nonspendable	-	-	-	-	28,124
Restricted	-	-	-	-	147,431
Unassigned	-	-	-	-	(14,531)
Total fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>161,024</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 210,618</u>

City of Eagle Lake
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Major and Nonmajor
Governmental Funds
Year Ended December 31, 2011

	Special Revenue Funds					Total Special Revenue
	EDA	EDA Revolving	Tax Increment District 1-1	Tax Increment District 1-2	Small Cities	
Revenues						
Property taxes	\$ 15,100	\$ -	\$ 7,198	\$ 80,646	\$ -	\$ 102,944
Intergovernmental Revenue						
Other state grants and aids	-	-	-	-	28,017	28,017
Investment Earnings	50	112	-	-	-	162
Miscellaneous	-	5,511	-	-	-	5,511
Total revenues	<u>15,150</u>	<u>5,623</u>	<u>7,198</u>	<u>80,646</u>	<u>28,017</u>	<u>136,634</u>
Expenditures	<u>3,589</u>	<u>5,511</u>	<u>433</u>	<u>77,046</u>	<u>28,017</u>	<u>114,596</u>
Excess of revenues over expenditures	<u>11,561</u>	<u>112</u>	<u>6,765</u>	<u>3,600</u>	<u>-</u>	<u>22,038</u>
Other Financing Sources (Uses)						
Transfers in	-	3,570	-	-	-	3,570
Transfers out	<u>(3,570)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,570)</u>
Total Other Financing Sources (Uses)	<u>(3,570)</u>	<u>3,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	7,991	3,682	6,765	3,600	-	22,038
Fund Balance at Beginning of Year	<u>41,436</u>	<u>43,380</u>	<u>3,363</u>	<u>5,937</u>	<u>1,941</u>	<u>96,057</u>
Fund Balance at End of Year	<u>\$ 49,427</u>	<u>\$ 47,062</u>	<u>\$ 10,128</u>	<u>\$ 9,537</u>	<u>\$ 1,941</u>	<u>\$ 118,095</u>

City of Eagle Lake
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Major and Nonmajor
Governmental Funds - Continued
Year Ended December 31, 2011

	Debt Service Funds			Total Debt Service
	1995 G.O. Storm Sewer	2004 G.O. Improvement Greenfield Overlay	Cate Street	
Revenues				
Property taxes	\$ 40,509	\$ 13,204	\$ 6,236	\$ 59,949
Special assessments	-	3,880	7,746	11,626
Total revenues	<u>40,509</u>	<u>17,084</u>	<u>13,982</u>	<u>71,575</u>
Expenditures				
Debt Service				
Principal	40,000	25,000	5,000	70,000
Interest and other charges	5,519	1,606	1,535	8,660
Total expenditures	<u>45,519</u>	<u>26,606</u>	<u>6,535</u>	<u>78,660</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,010)</u>	<u>(9,522)</u>	<u>7,447</u>	<u>(7,085)</u>
Fund Balance at Beginning of Year	<u>(9,521)</u>	<u>40,505</u>	<u>19,030</u>	<u>50,014</u>
Fund Balance at End of Year	<u>\$ (14,531)</u>	<u>\$ 30,983</u>	<u>\$ 26,477</u>	<u>\$ 42,929</u>

City of Eagle Lake
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Major and Nonmajor
Governmental Funds - Continued
Year Ended December 31, 2011

	Capital Project Funds			
	North Second Street	Linda Drive Extension	Storm Sewer Improvements	Total Capital Projects
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Streets and Highways				
Street construction - capital outlay	19,921	37,985	12,254	70,160
Debt Service				
Interest and other charges	1,974	-	-	1,974
Total expenditures	<u>21,895</u>	<u>37,985</u>	<u>12,254</u>	<u>72,134</u>
Deficiency of revenues under expenditures	<u>(21,895)</u>	<u>(37,985)</u>	<u>(12,254)</u>	<u>(72,134)</u>
Other Financing Sources (Uses)				
Transfers in	-	488	-	488
Transfers out	<u>(27,782)</u>	<u>-</u>	<u>(13,481)</u>	<u>(41,263)</u>
Total other financing sources (uses)	<u>(27,782)</u>	<u>488</u>	<u>(13,481)</u>	<u>(40,775)</u>
Net Change in Fund Balances	(49,677)	(37,497)	(25,735)	(112,909)
Fund Balance at Beginning of Year	<u>49,677</u>	<u>37,497</u>	<u>25,735</u>	<u>112,909</u>
Fund Balance at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Eagle Lake
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Major and Nonmajor
Governmental Funds - Continued
Year Ended December 31, 2011

	Total Nonmajor Governmental Funds	Total Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Property	\$ 162,893	\$ 403,554	\$ 566,447
Franchise	-	17,948	17,948
Special assessments	11,626	29,673	41,299
Licenses and Permits	-	62,932	62,932
Intergovernmental Revenue:			
Local government aid	-	480,947	480,947
Residential market value credit	-	11,252	11,252
PERA aid	-	826	826
State police aid	-	13,304	13,304
State fire aid	-	1,000	1,000
Other state grants and aids	28,017	5,500	33,517
Charges for Services:			
Police and fire contracts	-	83,545	83,545
Garbage and recycling	-	150,936	150,936
Parks and recreation	-	1,137	1,137
Other service charges	-	23,488	23,488
Fines and Forfeits	-	11,476	11,476
Investment Earnings	162	5,166	5,328
Miscellaneous	5,511	84,788	90,299
Total revenues	<u>208,209</u>	<u>1,387,472</u>	<u>1,595,681</u>

City of Eagle Lake
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Major and Nonmajor
Governmental Funds - Continued
Year Ended December 31, 2011

	Total Nonmajor Governmental Funds	Total Major Governmental Funds	Total Governmental Funds
Expenditures			
General Government			
Mayor and council	-	17,355	17,355
Administration and finance	-	102,671	102,671
Other general government	-	174,366	174,366
Public Safety			
Police - current expenditures	-	173,469	173,469
Police - capital outlay	-	2,455	2,455
Fire - current expenditures	-	113,111	113,111
Fire - capital outlay	-	192,419	192,419
Other protection	-	1,849	1,849
Streets and Highways			
Street maintenance	-	87,122	87,122
Street lighting	-	39,381	39,381
Street construction - capital outlay	70,160	28,543	98,703
Sanitation			
Garbage and other refuse collection	-	119,257	119,257
Culture and Recreation			
Parks & Recreation - current expenditures	-	53,712	53,712
Parks & Recreation - capital outlay	-	42,408	42,408
Economic Development	114,596	-	114,596
Debt Service			
Principal	70,000	116,256	186,256
Interest and other charges	10,634	146,238	156,872
Total expenditures	<u>265,390</u>	<u>1,410,612</u>	<u>1,676,002</u>
Deficiency of revenues under expenditures	<u>(57,181)</u>	<u>(23,140)</u>	<u>(80,321)</u>
Other Financing Sources (Uses)			
Sale of equipment	-	5,737	5,737
Transfers in	4,058	140,775	144,833
Transfers out	(44,833)	-	(44,833)
Total Other Financing Sources (Uses)	<u>(40,775)</u>	<u>146,512</u>	<u>105,737</u>
Net Change in Fund Balances	(97,956)	123,372	25,416
Fund Balance at Beginning of Year	<u>258,980</u>	<u>1,415,781</u>	<u>1,674,761</u>
Fund Balance at End of Year	<u>\$ 161,024</u>	<u>\$ 1,539,153</u>	<u>\$ 1,700,177</u>



Independent Auditor's Report on Minnesota Legal Compliance

Honorable Mayor and City Council
City of Eagle Lake
Eagle Lake, Minnesota

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 Eagle Lake, as of and for the year ended December 31, 2011, and have issued our report thereon dated April 25, 2012.

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

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

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

This report is intended solely for the information and use of the City of Eagle Lake and is not intended to be, and should not be, used by anyone other than those specified parties.

Eide Bailly LLP

Mankato, Minnesota
April 25, 2012