City of
St. Francis

Minnesota

Comprehensive Annual Financial Report

for the year ended December 31, 2012

CITY OF ST. FRANCIS, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2012

MATTHEW L. HYLEN - CITY ADMINISTRATOR
DARCY MULVIHILL - FINANCE DIRECTOR

PREPARED BY THE
DEPARTMENT OF FINANCE

Member of the Government Finance Officers' Association
Of the United States and Canada

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF ST. FRANCIS
ST. FRANCIS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

City of St. Francis

23340 Cree Street NW
St. Francis, Minnesota 55070
763-753-2630
FAX 763-753-9881

April 23, 2013

To the Honorable Mayor, Members of the City Council, and Citizens of the City of St. Francis:

The comprehensive annual finance report (CAFR) of the City of St. Francis (the City) for the fiscal year ended December 31, 2012, is hereby submitted. Minnesota Statutes and the City Charter require the preparation of audited financial statements by the state auditor or a certified public accountant within 180 days after the close of the fiscal year. The accompanying financial statements have been audited by the firm of Abdo, Eick & Meyers, LLP, independent certified public accountants.

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

Abdo, Eick & Meyers, LLP have issued an unqualified (clean) opinion on the City of St. Francis'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. MD&A complement this letter of transmittal and should be read in conjunction with it.

Profile of the City

St. Francis was originally known as the "Village of Otona" and was established in 1855 along the Rum River with a dam, grist, and a saw mill. The town was formally established as St. Francis in 1857. The Post Office was the first commercial building constructed in 1866, and in that year the Creamery Association was also built. Two other buildings were constructed during this period and still exist today: the Rum River Inn and the H.G. Leathers House. Both of these buildings are also listed on the National Register of Historic Places.

During the late 1960's, St. Francis began to attract more residents and over the next few decades grew significantly. The community was incorporated in 1974, and with the assistance of a loan from the U.S. Department of Agriculture – Farmer's Home Administration, the City constructed and began operating a municipal sewer and water system. These systems attracted quality development into the area. By 1980, the population had grown from 897 to 1,184 and by 1990, the population had grown 117% to reach a total of 2,538 residents. Growth continued through the 1990s and has been particularly dramatic in the past years. Today, the population is approximately 7,404. Its small town character, its schools and accessible location has attracted and continues to attract new residents, particularly young families.

St. Francis is a home rule charter city. Minnesota has two basic types of cities – home rule and statutory – which influence cities' organization and powers. The difference is the type of enabling legislation from which the municipality gains its authority. Home rule charter cities obtain their powers from a locally enacted home rule charter which is essentially a city constitution. Statutory cities get their power from Chapter 412 of Minnesota Statutes. Home rule charter cities can exercise any powers in their locally adopted charters as long as there's no conflict with state law. Conversely, charter provisions can specifically restrict the powers of a city.

St. Francis operates under the Council/Administrator form of government. An elected City Council sets the policy and overall direction for St. Francis. Then city staff, under the direction of a city administrator, carries out council decisions and provides day-to-day city services. The city administrator is accountable to the City Council.

The City Council consists of a Mayor and four Council Members elected at-large. City elections are held in even numbered years, with the Mayor serving a two-year term and all Council Members serving four-year terms.

The City of St. Francis provides a full range of services. The general governmental functions include police and fire protection, street maintenance, engineering, planning and zoning, parks and recreation, economic and community development and general legislative and administrative services. The City also operates as enterprise funds the following services: water, sewer and a municipal liquor store.

One of the most important activities undertaken each year by the City is the budget process. The quality of decisions made in the budget process conveys the City's long-range plans and policies for current and future services and programs. The budget is a financial, planning, and policy document which reflects the allocation of limited revenue among competing uses and serves as a guide for the various departments in implementing their goals and objectives.

Department heads receive preliminary budget guidance from the City Administrator, with direction from the Mayor and Council. Each department is responsible for submitting the proposed budgets for their respective programs in June. The City Administrator and Finance Director meet individually with each department head to discuss the department's budget submittal, and changes are made, either increases or decreases, to accommodate the overall budget picture. Following the individual meetings, budget workshops are held with the City Council. The submittal of the Proposed Budget is followed by a series of public presentations to the City Council that are designed to give the Council and citizens an overview of the Budget, and to prepare the Council in making informed budget decisions. The final document is adopted in December following the required public hearings.

Local Economy

The City of St. Francis is located in the northernmost section of Anoka County, 12 miles north of Anoka and approximately 30 miles northwest of Minneapolis. The community can be accessed in a north southerly direction by State Trunk Highway 47 and County Road 24 in an east westerly direction. The City occupies approximately 24 square miles, has an estimated population of 7,255 and approximately 2,531 households.

St. Francis is served by Independent School District #15. They serve the communities of St. Francis, East Bethel, Bethel, Oak Grove, Andover, Athens, Nowthen and Stanford. The school district offices as well as the bus garage and several of the school buildings are located within the City limits.

Anoka County has an annual average unemployment rate for 2011 of 5.9%. This compares with unemployment rates of 5.6% for the State of Minnesota and 8.1% for the United States. During the past ten years, the unemployment rate rose from an initial low of 5.8% (2002) to a decade high of 9.6% (2010). The rate has remained stable over the first few months of 2013.

The majority of the tax base in St. Francis is residential property. The City has designated sites through its comprehensive plan and recently purchased property on the main highway through the City for development of commercial and industrial sites. The Council continues to discuss water and sewer growth areas north along State Trunk Highway 47.

During the past ten years, the government's expenses related to capital outlay and general government have increased not only in amount, but also as a percentage of total expenses. In the case of capital outlay, the increase reflects the construction of a new public works/police building. The growth in general government expenses reflects the addition of a City Administrator, Finance Director and funds set aside for future facility replacements and improvements.

During this same ten-year period, revenues generated by taxes and special assessments have increased the most not only in amount, but also as a percentage of total revenues. The revenue generated by taxes and assessments has risen from $1,493,921 in 2003 to $2,994,731 in 2012. Its percentage of total revenue in 2003 was 29% and in 2012 rose to 74%.

Long-term Financial Planning

Unreserved fund balance in the general fund (59% of total general fund expenditures) meets the state auditor recommended guidelines of 35%-50%. The goal of the City Council is to establish an unreserved fund balance in the General Fund that is equivalent to forty percent (40%) of general fund expenditures. The 2013 budget reflects current policy and is keeping the fund balance to 47.3% of expenditures.

Annually the City of St. Francis prepares a five year capital improvement plan in an attempt to anticipate major capital expenditures in advance of the year in which they are budgeted. The purpose of the CIP is to a) identify capital expenditures which are anticipated to be requested over a five-year period; b) determine a source of funding for the requests; and c) provide an opportunity for long term planning.

Relevant Financial Policies

The City has established a comprehensive set of financial polices for use as a guideline during the budget process. One of the policies deals with unpredictable revenues. The City uses a conservation approach in making ongoing revenue assumptions by utilizing growth patterns and knowledge of the developing areas. The City shall budget unpredictable revenues lower than the revenue assumption or anticipated collection. Because of this policy and the slowdown in the housing construction market, no revenue is budgeted for water and sewer access charges which are incurred with new development.

Major Initiatives for the Year

Major projects during 2012 included:

The construction of a new Police and Public Works Facility that has been in a planning stage/discussed for over a decade. The departments move into the new building at the end of 2012.

The city received state aid from the State of Minnesota to install a pedestrian crossing light project on Highway 47.

Building permits for the year included 7 new homes and 426 addition/alteration building permits for the year at a value of $873,242.

The City continued to conduct its semi-annual spring cleanup days in the spring and the fall.

The City held its annual Pioneer Days celebration in June.

Major Initiatives for the Future

The purchase of land for a future waste water treatment facility took place in 2007. The City will have to proceed with the facility when the economy improves and growth commences again.

The City created the St. Francis Economic Development Authority in 2011. Utilizing the power of this Authority will give the city another tool to encourage economic growth. Currently the City Administrator will fulfill this additional role until personnel can be hired. Due to the limited resources, an economic development director hire is not anticipated for the foreseeable future. Between the City Council and St. Francis Economic Development Authority, discussion will be held on the development of an industrial park.

The City continues its work on extending Bridge Street through to Highway 47. This is an extensive undertaking and requires cooperation of the State, County and School District. This will also require a significant budget allocation to plan, lobby and hopefully implement.

The City will be marketing the old City public works facility for redevelopment. This is a prime property along the Rum River on Bridge Street and should be attractive to a nice development.

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 St. Francis for its comprehensive annual financial report for the year ended December 31, 2011. This was the 1st year that the City has received 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 CAFR meets the program's requirements and we are submitting it to the Government Finance Officers Association to determine its eligibility.

The City received the GFOA Award for the Distinguished Budget Presentation for the City budget for the fiscal year beginning January 1, 2012. It was the 3rd consecutive year the City has received the award for the document.

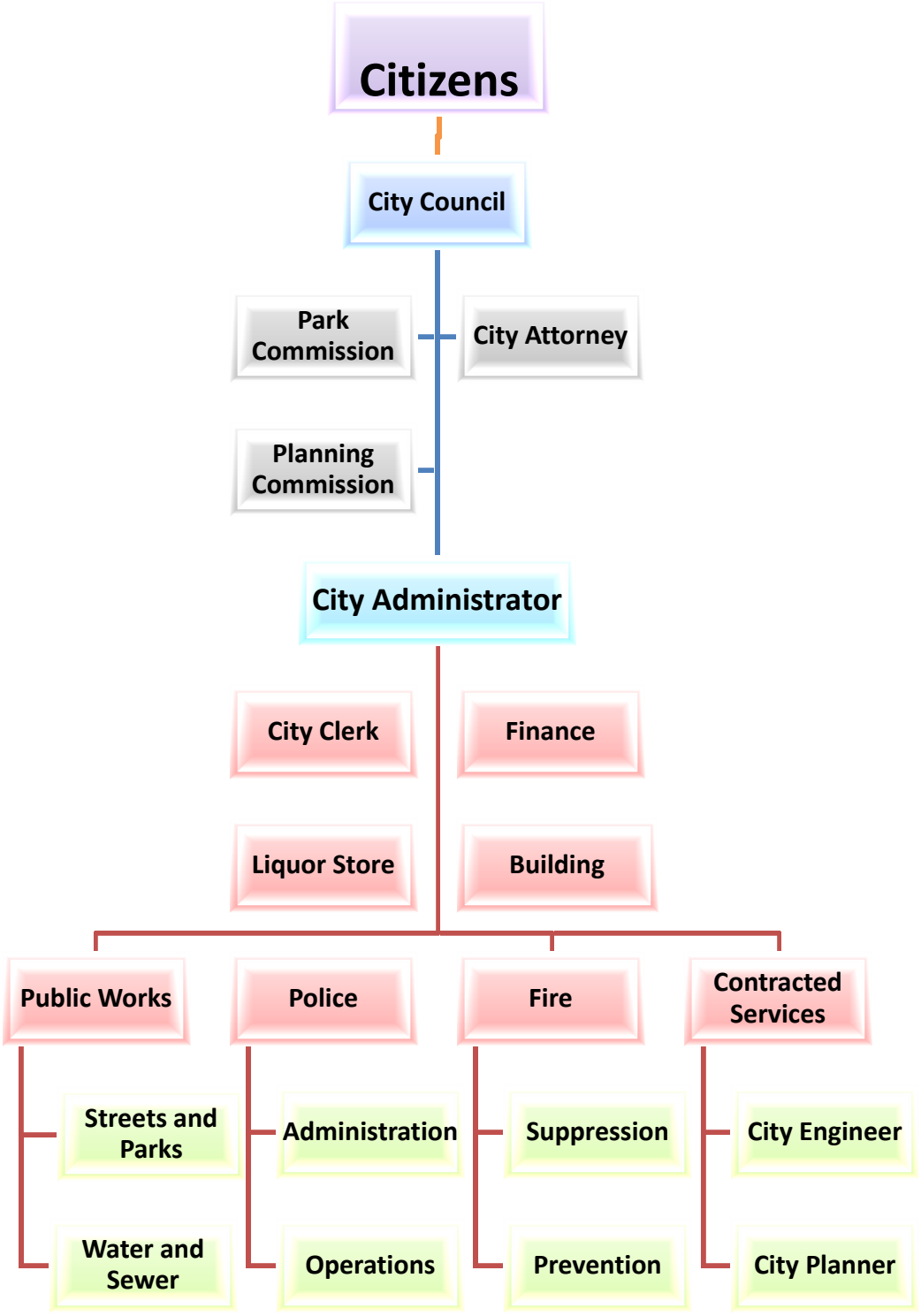
The preparation of this report would not have been possible without the efficient and dedicated service of the entire finance staff and cooperation of all city departments. We wish to express our appreciation to all city staff for their dedicated service and high level of professionalism. Credit also must be given to the Mayor and City Council Members for their continued support for maintaining the highest standards of professionalism in the management of the finances of the City of St. Francis.

Respectfully submitted,

Matthew L. Hylen
City Administrator

Darcy Mulvihill
Finance Director

ORGANIZATIONAL CHART



CITY OF ST. FRANCIS, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2012

ELECTED

Name	Title	Term Expires
Jerry Tveit	Mayor	12/31/14
Tim Brown	Council Member	12/31/16
Mike Haggard	Council Member	12/31/16
Amy Lazere	Council Member	12/31/14
Chris McClish	Council Member	12/31/14

APPOINTED

Name	Title
Matthew L. Hylen	City Administrator
Barbara Held	City Clerk
Darcy Muvihill	Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of St. Francis 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.

President

Executive Director

FINANCIAL SECTION

CITY OF ST. FRANCIS
ST. FRANCIS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

5201 Eden Avenue
Suite 250
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of St. Francis, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Francis, 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. The prior year comparative information has been derived from the City's 2011 financial statements and, in our report dated May 3, 2012 we express unqualified opinions on the respective proprietary fund financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 financial statement presentation.

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

Opinions

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

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Other Matters

Change in Accounting Standards

As described in the Note 6 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and* Statement No. 65, *Items Previously Reported as Assets and Liabilities,* for the year ended December 31, 2012. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 21 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.

Supplementary Information in Relation to the Financial Statements as a Whole

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, statistical sections, and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section and statistical sections 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Abdo Eick & Meyers, LLP

April 23, 2013
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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Management's Discussion and Analysis

As management of the City of St. Francis, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $24,449,971 (net position). Of this amount, $9,303,696 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased $237,727. Of the total, governmental activities decreased $103,051 and business-type activities increased $340,778.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $2,978,827. Approximately 35 percent of this total amount, $1,030,655 is available for spending at the City's discretion.

- At the end of the current fiscal year, unassigned fund balance for the General fund was $2,053,454, or 59 percent of total 2012 General fund expenditures.

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 supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements. Internal service funds statements are also included, reflecting balances prior to their elimination from the government-wide financial statements, to avoid "doubling-up" effect within the governmental and business-type activities columns of said statements.

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

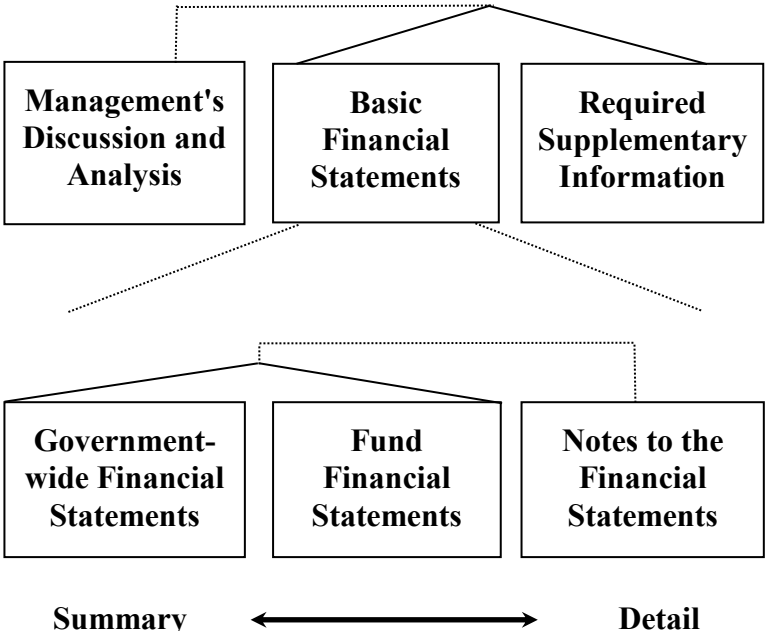


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

		Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

The *statement of net 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.

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 revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works (streets and highways), culture and recreation, community development, miscellaneous and interest on long-term debt. The business-type activities of the City include water, sewer, and a municipal liquor store.

The government-wide financial statements start on page 35 of this report.

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

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

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

The City maintains thirteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and Capital Projects fund, which are considered to be major funds. Data from the other eleven governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

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

Proprietary funds. *Proprietary funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and liquor store operations.

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

The basic proprietary fund financial statements start on page 46 of this report.

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

The basic fiduciary fund financial statements can be found on page 56 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 57 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds is presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 80 of this report.

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 $24,449,971 at the close of the most recent fiscal year.

The largest portion of the City's net position (58 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are 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.

City of St. Francis's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Assets						
Current and other assets	$ 4,261,254	$ 3,006,975	$ 1,254,279	$ 7,888,442	$ 7,749,413	$ 139,029
Capital assets	15,045,873	8,220,704	6,825,169	21,977,435	22,352,005	(374,570)
Total assets	19,307,127	11,227,679	8,079,448	29,865,877	30,101,418	(235,541)
Liabilities						
Noncurrent liabilities outstanding	9,312,720	1,185,368	8,127,352	14,230,670	14,935,604	(704,934)
Other liabilities	621,778	566,631	55,147	557,865	429,250	128,615
Total liabilities	9,934,498	1,751,999	8,182,499	14,788,535	15,364,854	(576,319)
Net position						
Net investment in capital assets	6,292,733	7,168,911	(876,178)	7,773,435	7,453,005	320,430
Restricted	1,080,107	571,078	509,029	-	-	-
Unrestricted	1,999,789	1,735,691	264,098	7,303,907	7,283,559	20,348
Total net position	$ 9,372,629	$ 9,475,680	$ (103,051)	$ 15,077,342	$ 14,736,564	$ 340,778

An additional portion of the City's net position ($1,080,107) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* ($9,303,696) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, for the City as a whole.

Governmental activities. Governmental activities decreased the City's net position by $103,051. Key elements to the changes in net position are as follows:

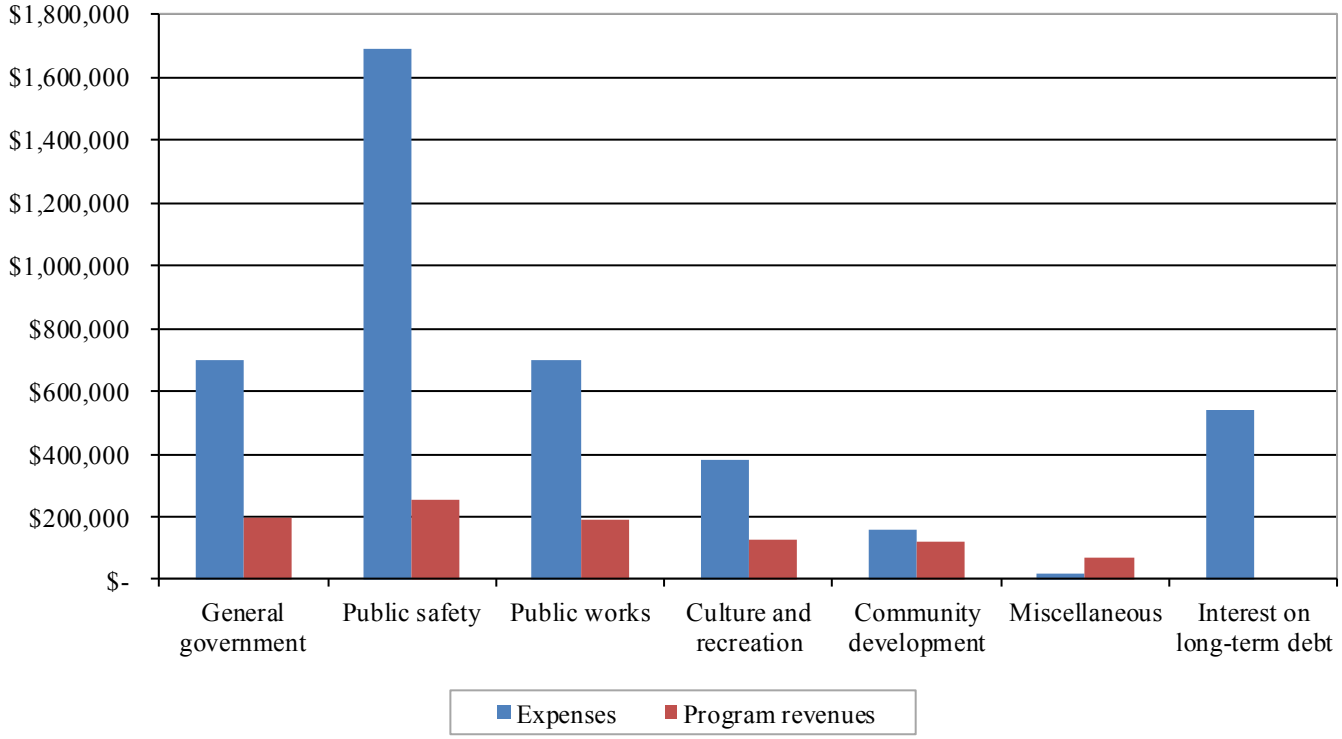
- The EDA Lease revenue bonds had interest payments become due of $190,178.
- Property taxes increased by $165,800 due to the change over from Market Value Credit (which the state was supposed to pay to the City, but didn't) to Market Value Exclusion (which shifted the amount from residential to commercial properties.)

City of St. Francis's Changes in Net Position

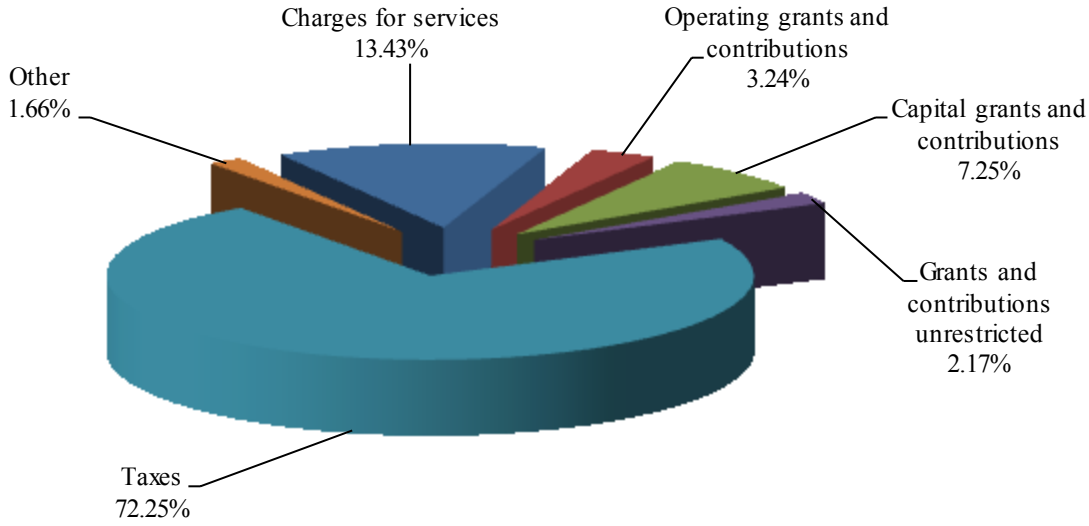
	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	$ 539,604	$ 543,812	$ (4,208)	$ 4,141,821	$ 4,001,559	$ 140,262
Operating grants and contributions	130,368	161,155	(30,787)	6,500	-	6,500
Capital grants and contributions	291,558	456,588	(165,030)	66,000	20,800	45,200
General revenues						
Taxes						
Property taxes	2,890,203	2,724,403	165,800	-	-	-
Tax increment	15,144	15,374	(230)	-	-	-
Grants and contributions not restricted to specific programs	87,294	149,366	(62,072)	-	-	-
Unrestricted investment earnings	61,301	26,971	34,330	64,903	120,322	(55,419)
Gain on sale of capital assets	5,529	2,644	2,885	-	15,532	(15,532)
Total revenues	4,021,001	4,080,313	(59,312)	4,279,224	4,158,213	121,011
Expenses						
General government	700,606	708,620	(8,014)	-	-	-
Public safety	1,689,773	1,607,064	82,709	-	-	-
Public works	699,037	1,033,276	(334,239)	-	-	-
Culture and recreation	378,696	366,321	12,375	-	-	-
Community development	155,770	119,378	36,392	-	-	-
Miscellaneous	18,494	3,309	15,185	-	-	
Interest on long-term debt	541,676	48,107	493,569	-	-	-
Water	-	-	-	1,136,619	1,111,881	24,738
Sewer	-	-	-	858,682	880,933	(22,251)
Liquor store	-	-	-	1,883,145	1,873,937	9,208
Total expenses	4,184,052	3,886,075	297,977	3,878,446	3,866,751	11,695
Increase in net position before transfers and contributions	(163,051)	194,238	(357,289)	400,778	291,462	109,316
Capital contributions from other funds	-	(192,320)	192,320	-	192,320	(192,320)
Transfers (net)	60,000	99,880	(39,880)	(60,000)	(99,880)	39,880
Change in net position	(103,051)	101,798	(204,849)	340,778	383,902	(43,124)
Net position as restated, January 1	9,475,680	9,373,882	101,798	14,736,564	14,352,662	383,902
Net position, December 31	$ 9,372,629	$ 9,475,680	$ (103,051)	$ 15,077,342	$ 14,736,564	$ 340,778

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

Expenses and Program Revenue - Governmental Activities



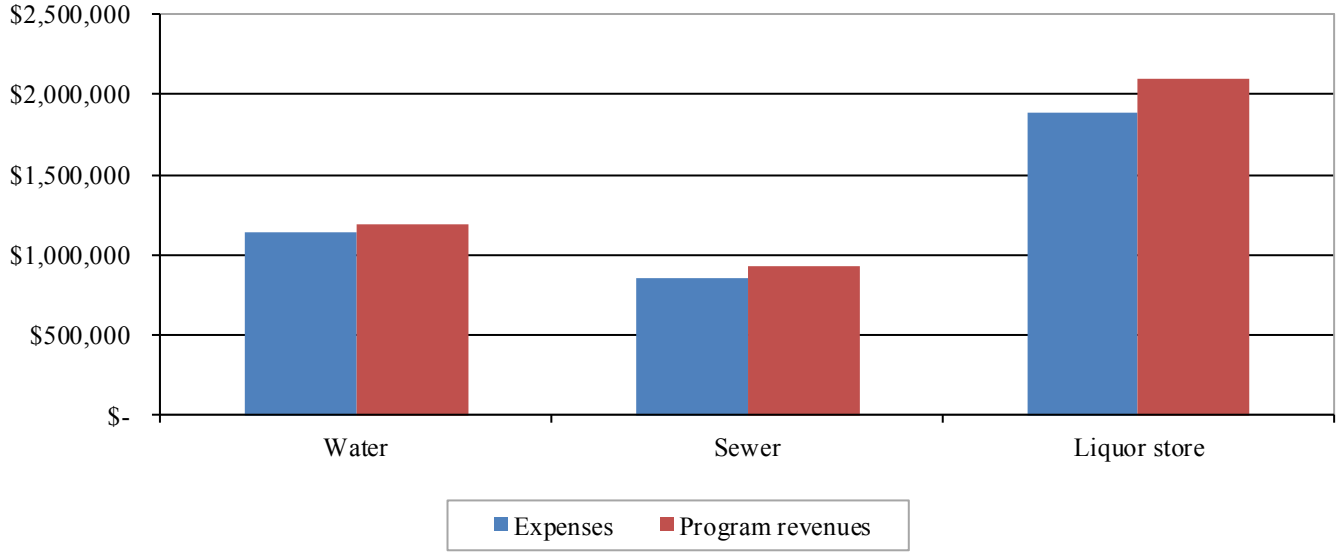
Revenue by Source - Governmental Activities



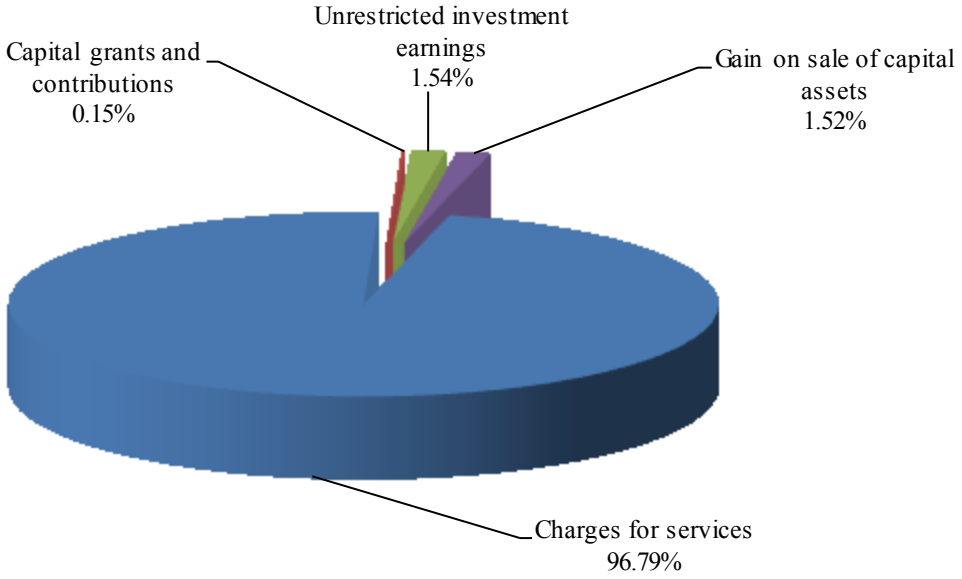
Business-type activities. Business-type activities increased the City's net position by $340,778, accounting for all of the City's growth in net position. Key elements of this increase are as follows:

- Revenues exceeded expenses by $334,778 with the biggest contribution coming from the Liquor fund.

Expenses and Program Revenues - Business-type Activities



Revenue by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $2,978,827. Approximately 35 percent of this total amount, $1,030,655, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The City also has nonspendable balance of $9,861, restricted balance of $1,448,156 and assigned balance of $490,155.

	Fund Balances December 31		
Major Fund	2011	2012	Increase (Decrease)
General	$ 2,070,013	$ 2,071,489	$ 1,476
Revenues exceeded expenditures by $281,435 during the year. Other activity included sale of assets of $30,041 and net transfers out of $310,000.			
Capital Equipment Fund	(201,548)	438,892	640,440
The increase in fund balance is due to unspent bond proceeds from the bond issued to fund the public works building.			

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 enterprise funds at the end of the year amounted to $7,303,907. The change in net position for the funds was an increase of $340,778. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. The budget called for a decrease in fund balance of $138,500. Actual net change to the General fund balance was an increase of $1,476. Actual revenues were $4,917 over budget due to a positive budget variance in miscellaneous and licenses and permits of $37,077 and $22,970. Expenditures in total were under budget by $71,818. All departments were under budget with the exception of public works and miscellaneous which were over budget by $174,608 and $12,394, respectively. The largest positive expenditure variances were in public safety and culture and recreation of $110,649 and $72,897, respectively.

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, amounts to $37,023,308 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways, and bridges.

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

- The City purchased a loader totaling $196,415. Other purchases were for a phone system, 2012 Bobcat, a Groomer, A Toolcat, a Sign Truck and one police car.
- Spent $6,550,955 on the construction of a new Police/Public Works building.
- Completed the Pederson Path project for $446,363.
- Started the Highway 47 Crossing project for $123,980.
- Started the replacement of the Woodhaven Trailer Park water meter.

Additional information on the City's capital assets can be found in Note 3B starting on page 69 of this report.

City of St. Francis' Capital Assets
(net of depreciation)

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Land	$ 1,427,736	$ 1,427,736	$ -	$ 2,359,188	$ 2,359,188	$ -
Construction in progress	7,931,367	1,699,603	6,231,764	1,819,776	1,614,899	204,877
Land improvements	104,675	113,414	(8,739)	-	-	-
Buildings	802,629	834,919	(32,290)	13,015,493	13,404,633	(389,140)
Infrastructure	3,804,560	3,518,948	285,612	4,592,937	4,793,884	(200,947)
Machinery and equipment	974,906	626,084	348,822	190,041	179,401	10,640
Total	$ 15,045,873	$ 8,220,704	$ 6,825,169	$ 21,977,435	$ 22,352,005	$ (374,570)

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $23,289,000. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of St. Francis' Outstanding Debt

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
General obligation revenue bonds	$ 9,085,000	$ 950,000	$ 8,135,000	$ 14,204,000	$ 14,899,000	$ (695,000)
Capital Leases	75,071	101,793	(26,722)	-	-	-
Compensated absences payable	152,649	133,575	19,074	26,670	36,604	(9,934)
Total	$ 9,312,720	$ 1,185,368	$ 8,127,352	$ 14,230,670	$ 14,935,604	$ (704,934)

The City's total debt increased $7,422,418 during the current fiscal year. The increase in outstanding debt can be attributed the issuance of Lease Revenue Bonds 2012A in the amount of $8,200,000.

Minnesota statutes limit the amount of net general obligation debt a City may issue to three percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The City currently has no outstanding general obligation debt payable solely from ad valorem taxes.

Additional information on the City's long-term debt can be found in Note 3E starting on page 72 of this report.

Economic Factors and Next Year's Budgets and Rates

The City is anticipating an increase in building activity as there were seven new home permits pulled in 2012.

The City's Adopted budget includes a property tax levy of $2,988,086 which is an increase of $114,926 (4 percent) over 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 City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of St. Francis, 23340 Cree Street NW, St. Francis, Minnesota 55070.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF ST. FRANCIS
ST. FRANCIS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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CITY OF ST. FRANCIS, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	$ 3,818,066	$ 6,153,880	$ 9,971,946
Restricted cash	551,795	-	551,795
Receivables			
Accrued interest	11,612	20,430	32,042
Delinquent taxes	99,136	-	99,136
Accounts	299,238	297,412	596,650
Special assessments	432,128	170,423	602,551
Due from other governments	58,172	12,749	70,921
Internal balances	(1,018,754)	1,018,754	-
Inventories	9,861	214,794	224,655
Capital assets			
Land and construction in progress	9,359,102	4,178,964	13,538,066
Depreciable assets (net of accumulated depreciation)	5,686,771	17,798,471	23,485,242
TOTAL ASSETS	19,307,127	29,865,877	49,173,004
LIABILITIES			
Accounts payable	203,065	114,155	317,220
Contracts payable	143,708	223,579	367,287
Accrued salaries payable	72,359	16,518	88,877
Due to other governments	4,141	20,149	24,290
Accrued interest payable	153,145	182,608	335,753
Deposits payable	1,225	-	1,225
Unearned revenue	44,135	856	44,991
Noncurrent liabilities			
Due within one year	381,844	983,412	1,365,256
Due in more than one year	8,930,876	13,247,258	22,178,134
TOTAL LIABILITIES	9,934,498	14,788,535	24,723,033
NET POSITION			
Net investment in capital assets	6,292,733	7,773,435	14,066,168
Restricted for			
Debt service	886,786	-	886,786
Park improvements	164,476	-	164,476
Police forfeitures	8,455	-	8,455
Tax increment financing	18,017	-	18,017
Capital purchases	2,373	-	2,373
Unrestricted	1,999,789	7,303,907	9,303,696
TOTAL NET POSITION	$ 9,372,629	$ 15,077,342	$ 24,449,971

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

CITY OF ST. FRANCIS, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions
Governmental activities				
General government	$ 700,606	$ 195,491	-	$ -
Public safety	1,689,773	147,531	109,496	-
Public works	699,037	3,767	20,872	165,078
Culture and recreation	378,696	1,955	-	126,480
Community development	155,770	120,685	-	-
Miscellaneous	18,494	70,175	-	-
Interest on long-term debt	541,676	-	-	-
Total governmental activities	4,184,052	539,604	130,368	291,558
Business-type activities				
Water	1,136,619	1,147,518	6,500	32,400
Sewer	858,682	898,292	-	33,600
Liquor store	1,883,145	2,096,011	-	-
Total business-type activities	3,878,446	4,141,821	6,500	66,000
Total	$ 8,062,498	$ 4,681,425	$ 136,868	$ 357,558

General revenues
Taxes
Property taxes, levied for general purposes
Property taxes, levied for debt service
Tax increments
State grants and contributions not restricted to specific programs
Unrestricted investment earnings
Gain on sale of capital assets
Transfers

Total general revenues and transfers

Change in net position

Net position as restated, January 1

Net position, December 31

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

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (505,115)	$ -	$ (505,115)
(1,432,746)	-	(1,432,746)
(509,320)	-	(509,320)
(250,261)	-	(250,261)
(35,085)	-	(35,085)
51,681	-	51,681
(541,676)	-	(541,676)
(3,222,522)	-	(3,222,522)
-	49,799	49,799
-	73,210	73,210
-	212,866	212,866
-	335,875	335,875
(3,222,522)	335,875	(2,886,647)
2,869,105	-	2,869,105
21,098	-	21,098
15,144	-	15,144
87,294	-	87,294
61,301	64,903	126,204
5,529	-	5,529
60,000	(60,000)	-
3,119,471	4,903	3,124,374
(103,051)	340,778	237,727
9,475,680	14,736,564	24,212,244
$ 9,372,629	$ 15,077,342	$ 24,449,971

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FUND FINANCIAL STATEMENTS

CITY OF ST. FRANCIS
ST. FRANCIS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

CITY OF ST. FRANCIS, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	101 General	**402** Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and temporary investments	$ 2,199,029	$ 630,265	$ 988,772	$ 3,818,066
Restricted cash	-	-	551,795	551,795
Receivables				
Accrued interest	6,327	1,737	3,548	11,612
Delinquent taxes	98,461	-	675	99,136
Accounts	7,169	7,291	284,778	299,238
Special assessments	19,411	-	412,717	432,128
Due from other governments	57,282	-	890	58,172
Inventories	9,861	-	-	9,861
TOTAL ASSETS	$ 2,397,540	$ 639,293	$ 2,243,175	$ 5,280,008
LIABILITIES				
Accounts payable	$ 130,454	$ 64,891	$ 7,720	$ 203,065
Contracts payable	-	135,510	8,198	143,708
Accrued salaries payable	72,359	-	-	72,359
Due to other governments	4,141	-	-	4,141
Deposits payable	1,225	-	-	1,225
Due to other funds	-	-	1,018,754	1,018,754
Unearned revenue	-	-	44,135	44,135
TOTAL LIABILITIES	208,179	200,401	1,078,807	1,487,387
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - taxes	98,461	-	675	99,136
Unavailable revenues - developer receivable	-	-	282,530	282,530
Unavailable revenues - special assessments	19,411	-	412,717	432,128
TOTAL DEFERRED INFLOWS OF RESOURCES	117,872	-	695,922	813,794
FUND BALANCES				
Nonspendable	9,861	-	-	9,861
Restricted	-	406,931	1,041,225	1,448,156
Assigned	8,174	31,961	450,020	490,155
Unassigned	2,053,454	-	(1,022,799)	1,030,655
TOTAL FUND BALANCES	2,071,489	438,892	468,446	2,978,827
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 2,397,540	$ 639,293	$ 2,243,175	$ 5,280,008

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

CITY OF ST. FRANCIS, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

Total fund balances - governmental	$ 2,978,827
Amounts reported for the 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 as assets in governmental funds.	
Cost of capital assets	17,937,718
Less: accumulated depreciation	(2,891,845)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of	
Bonds and leases payable	(9,160,071)
Compensated absences payable	(152,649)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Special assessments	432,128
Delinquent taxes	99,136
Developer receivable	282,530
Governmental funds do not report a liability for accrued interest until due and payable.	(153,145)
Total net position - governmental activities	$ 9,372,629

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

CITY OF ST. FRANCIS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	101 General	**402** Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	$ 2,893,540	$ -	$ 36,242	$ 2,929,782
Licenses and permits	89,300	-	-	89,300
Intergovernmental	310,344	-	123,980	434,324
Charges for services	297,083	-	5,648	302,731
Fines and forfeitures	35,166	-	-	35,166
Special assessments	-	-	64,949	64,949
Interest on investments	16,199	29,961	15,141	61,301
Miscellaneous	134,122	2,000	60	136,182
TOTAL REVENUES	3,775,754	31,961	246,020	4,053,735
EXPENDITURES				
Current				
General government	656,188	-	-	656,188
Public safety	1,483,566	-	2,728	1,486,294
Public works	504,988	-	-	504,988
Culture and recreation	277,255	-	-	277,255
Community development	141,593	-	14,177	155,770
Miscellaneous	18,494	-	-	18,494
Capital outlay				
General government	-	6,534	-	6,534
Public safety	32,735	97,825	-	130,560
Public works	265,560	6,763,168	129	7,028,857
Culture and recreation	80,818	-	127,225	208,043
Debt service				
Principal	26,723	-	65,000	91,723
Bond issuance costs	-	172,199	-	172,199
Interest and other charges	6,399	-	229,067	235,466
TOTAL EXPENDITURES	3,494,319	7,039,726	438,326	10,972,371
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	281,435	(7,007,765)	(192,306)	(6,918,636)
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	-	921,795	981,795
Sale of capital assets	30,041	-	-	30,041
Bonds issued	-	8,200,000	-	8,200,000
Transfers out	(370,000)	(551,795)	-	(921,795)
TOTAL OTHER FINANCING SOURCES (USES)	(279,959)	7,648,205	921,795	8,290,041
NET CHANGE IN FUND BALANCES	1,476	640,440	729,489	1,371,405
FUND BALANCES, JANUARY 1	2,070,013	(201,548)	(261,043)	1,607,422
FUND BALANCES, DECEMBER 31	$ 2,071,489	$ 438,892	$ 468,446	$ 2,978,827

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

CITY OF ST. FRANCIS, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Total net change in fund balances - governmental funds	$ 1,371,405
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlays	7,258,646
Depreciation expense	(408,965)
Gain (loss) on disposal of capital assets	(24,512)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Principal repayments	91,723
Debt issued	(8,200,000)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.	(134,011)
Certain revenues are recognized as soon as it is earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Special assessments	(13,828)
Property taxes	(24,435)
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.	
Compensated absences	(19,074)
Change in net position - governmental activities	$ (103,051)

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

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CITY OF ST. FRANCIS, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	$ 2,970,523	$ 2,970,523	$ 2,893,540	$ (76,983)
Licenses and permits	66,330	66,330	89,300	22,970
Intergovernmental	289,080	289,080	310,344	21,264
Charges for services	287,179	287,179	297,083	9,904
Fines and forfeitures	31,260	31,260	35,166	3,906
Interest on investments	29,420	29,420	16,199	(13,221)
Miscellaneous	97,045	97,045	134,122	37,077
TOTAL REVENUES	3,770,837	3,770,837	3,775,754	4,917
EXPENDITURES				
Current				
General government	717,685	717,685	656,188	61,497
Public safety	1,587,960	1,587,960	1,483,566	104,394
Public works	521,400	521,400	504,988	16,412
Culture and recreation	350,560	350,560	277,255	73,305
Community development	145,370	145,370	141,593	3,777
Miscellaneous	6,100	6,100	18,494	(12,394)
Capital outlay				
General government	10,000	10,000	-	10,000
Public safety	38,990	38,990	32,735	6,255
Public works	74,540	74,540	265,560	(191,020)
Culture and recreation	80,410	80,410	80,818	(408)
Debt service				
Principal	26,723	26,723	26,723	-
Interest and other charges	6,399	6,399	6,399	-
TOTAL EXPENDITURES	3,566,137	3,566,137	3,494,319	71,818
EXCESS OF REVENUES OVER EXPENDITURES	204,700	204,700	281,435	76,735
OTHER FINANCING SOURCES (USES)				
Transfers in	60,000	60,000	60,000	-
Sale of capital assets	26,800	26,800	30,041	3,241
Transfers out	(430,000)	(430,000)	(370,000)	60,000
TOTAL OTHER FINANCING SOURCES (USES)	(343,200)	(343,200)	(279,959)	63,241
NET CHANGE IN FUND BALANCES	(138,500)	(138,500)	1,476	139,976
FUND BALANCES, JANUARY 1	2,070,013	2,070,013	2,070,013	-
FUND BALANCES, DECEMBER 31	$ 1,931,513	$ 1,931,513	$ 2,071,489	$ 139,976

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

CITY OF ST. FRANCIS, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	601 Water		**602** Sewer	
	2012	Restated 2011	2012	Restated 2011
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	$ 2,854,079	$ 2,767,521	$ 2,039,434	$ 1,927,623
Receivables				
Accrued interest	10,931	48,913	5,774	22,213
Accounts	171,220	153,548	107,993	99,922
Special assessments	32,226	35,974	36,486	39,338
Due from other governments	12,749	3,775	-	-
Due from other funds	1,018,754	1,215,297	-	-
Inventory	-	-	-	-
TOTAL CURRENT ASSETS	4,099,959	4,225,028	2,189,687	2,089,096
NONCURRENT ASSETS				
Special assessments	-	-	101,711	107,954
Capital assets				
Land	18,115	18,115	2,337,838	2,337,839
Construction in progress	192,931	-	1,626,846	1,614,899
Buildings	8,994,235	8,994,235	7,256,415	7,256,415
Machinery and equipment	151,148	143,682	151,321	138,891
Infrastructure	4,811,973	4,811,973	1,348,387	1,348,387
Less accumulated depreciation	(2,249,318)	(1,936,894)	(3,048,991)	(2,787,337)
NET CAPITAL ASSETS	11,919,084	12,031,111	9,671,816	9,909,094
TOTAL NONCURRENT ASSETS	11,919,084	12,031,111	9,773,527	10,017,048
TOTAL ASSETS	16,019,043	16,256,139	11,963,214	12,106,144

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

Business-type Activities - Enterprise Funds			
609 Liquor Store		Totals	
2012	2011	2012	Restated 2011
$ 1,260,367	$ 1,085,442	$ 6,153,880	$ 5,780,586
3,725	13,072	20,430	84,198
18,199	25,040	297,412	278,510
		68,712	75,312
-	-	12,749	3,775
-	-	1,018,754	1,215,297
214,794	203,781	214,794	203,781
1,497,085	1,327,335	7,786,731	7,641,459
-	-	101,711	107,954
3,234	3,234	2,359,187	2,359,188
-	-	1,819,777	1,614,899
608,660	608,660	16,859,310	16,859,310
204,710	207,383	507,179	489,956
-	-	6,160,360	6,160,360
(430,069)	(407,477)	(5,728,378)	(5,131,708)
386,535	411,800	21,977,435	22,352,005
386,535	411,800	22,079,146	22,459,959
1,883,620	1,739,135	29,865,877	30,101,418

CITY OF ST. FRANCIS, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	601 Water		**602** Sewer	
	2012	Restated 2011	2012	Restated 2011
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	$ 19,847	$ 25,198	$ 25,707	$ 17,439
Contracts payable	157,975	1,000	65,604	65,604
Accrued salaries payable	4,365	5,161	4,374	5,002
Due to other governments	1,406	575	1,035	428
Accrued interest payable	120,051	125,718	62,557	65,883
Unearned revenue	856	1,835	-	-
Compensated absences payable - current	3,389	7,211	3,389	7,211
Bonds payable - current	575,250	461,500	392,750	233,500
TOTAL CURRENT LIABILITIES	883,139	628,198	555,416	395,067
NONCURRENT LIABILITIES				
Compensated absences payable	3,655	5,444	3,655	5,444
Bonds payable	9,435,250	10,010,500	3,800,750	4,193,500
TOTAL NONCURRENT LIABILITIES	9,438,905	10,015,944	3,804,405	4,198,944
TOTAL LIABILITIES	10,322,044	10,644,142	4,359,821	4,594,011
NET POSITION				
Net investment in capital assets	1,908,584	1,559,111	5,478,316	5,482,094
Unrestricted	3,788,415	4,052,886	2,125,077	2,030,039
TOTAL NET POSITION	$ 5,696,999	$ 5,611,997	$ 7,603,393	$ 7,512,133

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

Business-type Activities - Enterprise Funds			
609 Liquor Store		Totals	
2012	2011	2012	Restated 2011
$ 68,601	$ 89,516	$ 114,155	$ 132,153
-	-	223,579	66,604
7,779	7,906	16,518	18,069
17,708	17,985	20,149	18,988
-	-	182,608	191,601
-	-	856	1,835
8,634	8,713	15,412	23,135
-	-	968,000	695,000
102,722	124,120	1,541,277	1,147,385
3,948	2,581	11,258	13,469
-	-	13,236,000	14,204,000
3,948	2,581	13,247,258	14,217,469
106,670	126,701	14,788,535	15,364,854
386,535	411,800	7,773,435	7,453,005
1,390,415	1,200,634	7,303,907	7,283,559
$ 1,776,950	$ 1,612,434	$ 15,077,342	$ 14,736,564

CITY OF ST. FRANCIS, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	601 Water		**602** Sewer	
	2012	Restated 2011	2012	Restated 2011
OPERATING REVENUES				
Sales	$ -	$ -	$ -	$ -
Cost of sales	-	-	-	-
GROSS PROFIT	-	-	-	-
Charges for services	1,137,548	1,054,298	875,916	866,745
TOTAL OPERATING REVENUES	1,137,548	1,054,298	875,916	866,745
OPERATING EXPENSES				
Personal services	136,032	152,168	132,992	150,326
Supplies	136,146	78,320	35,387	46,240
Professional services	87,827	82,646	79,176	84,740
Communications	5,538	6,362	2,925	2,436
Insurance	13,680	15,409	8,768	8,537
Utilities	74,951	75,451	97,178	94,267
Repairs and maintenance	61,936	62,129	69,305	64,838
Depreciation	322,687	327,100	264,128	267,577
Other	4,595	5,622	17,363	17,614
TOTAL OPERATING EXPENSES	843,392	805,207	707,222	736,575
OPERATING INCOME	294,156	249,091	168,694	130,170
NONOPERATING REVENUES (EXPENSES)				
Miscellaneous grants	6,500	-	-	-
Interest income	35,203	68,498	18,050	31,956
Miscellaneous	9,970	9,859	22,376	33,448
Gain on sale of capital assets	-	7,766	-	7,766
Interest expense	(293,227)	(306,674)	(151,460)	(144,359)
TOTAL NONOPERATING REVENUES (EXPENSES)	(241,554)	(220,551)	(111,034)	(71,189)
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	52,602	28,540	57,660	58,981
TRANSFERS AND CONTRIBUTIONS				
Capital contributions - connection fees	32,400	8,600	33,600	12,200
Capital contributions from other funds	-	136,328	-	55,992
Transfers out	-	(18,580)	-	(21,300)
TOTAL TRANSFERS AND CONTRIBUTIONS	32,400	126,348	33,600	46,892
CHANGE IN NET POSITION	85,002	154,888	91,260	105,873
NET POSITION AS RESTATED, JANUARY 1	5,611,997	5,457,109	7,512,133	7,406,260
NET POSITION, DECEMBER 31	$ 5,696,999	$ 5,611,997	$ 7,603,393	$ 7,512,133

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

Business-type Activities - Enterprise Funds			
609 Liquor Store		Totals	
2012	2011	2012	Restated 2011
$ 2,094,876	$ 2,017,684	$ 2,094,876	$ 2,017,684
(1,511,868)	(1,504,114)	(1,511,868)	(1,504,114)
583,008	513,570	583,008	513,570
-	-	2,013,464	1,921,043
583,008	513,570	2,596,472	2,434,613
199,461	198,261	468,485	500,755
13,023	4,508	184,556	129,068
76,713	79,117	243,716	246,503
2,234	2,302	10,697	11,100
7,829	7,610	30,277	31,556
16,987	16,377	189,116	186,095
13,633	23,655	144,874	150,622
32,325	31,860	619,140	626,537
9,072	6,133	31,030	29,369
371,277	369,823	1,921,891	1,911,605
211,731	143,747	674,581	523,008
-	-	6,500	-
11,650	19,868	64,903	120,322
1,135	19,525	33,481	62,832
-	-	-	15,532
-	-	(444,687)	(451,033)
12,785	39,393	(339,803)	(252,347)
224,516	183,140	334,778	270,661
-	-	66,000	20,800
-	-	-	192,320
(60,000)	(60,000)	(60,000)	(99,880)
(60,000)	(60,000)	6,000	113,240
164,516	123,140	340,778	383,901
1,612,434	1,489,294	14,736,564	14,352,663
$ 1,776,950	$ 1,612,434	$ 15,077,342	$ 14,736,564

CITY OF ST. FRANCIS, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	601 Water		**602** Sewer	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 1,130,141	$ 1,062,609	$ 893,073	$ 924,475
Payments to suppliers	(390,193)	(317,094)	(301,227)	(347,164)
Payments to employees	(142,439)	(149,760)	(139,231)	(148,226)
NET CASH PROVIDED BY OPERATING ACTIVITIES	597,509	595,755	452,615	429,085
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
(Increase) decrease in due from other funds	196,543	(182,190)	-	-
Transfers to other funds	-	(18,580)	-	(21,300)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	196,543	(200,770)	-	(21,300)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Connection fees received	32,400	8,600	33,600	12,200
Special assessments received	-	-	6,243	6,003
Acquisition of capital assets	(52,685)	-	(26,850)	(379,489)
Proceeds from sale of capital assets	-	1,070	-	1,070
Interest paid on bonds	(298,894)	(312,027)	(154,786)	(158,372)
Principal paid on bonds	(461,500)	(441,000)	(233,500)	(187,000)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	(780,679)	(743,357)	(375,293)	(705,588)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	73,185	72,249	34,489	33,840
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	86,558	(276,123)	111,811	(263,963)
CASH AND CASH EQUIVALENTS, JANUARY 1	2,767,521	3,043,644	1,927,623	2,191,586
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 2,854,079	$ 2,767,521	$ 2,039,434	$ 1,927,623

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

Business-type Activities - Enterprise Funds			
609 Liquor Store		Totals	
2012	2011	2012	2011
$ 2,102,852	$ 2,033,164	$ 4,126,066	$ 4,020,248
(1,683,564)	(1,623,664)	(2,374,984)	(2,287,922)
(198,300)	(194,898)	(479,970)	(492,884)
220,988	214,602	1,271,112	1,239,442
-	-	196,543	(182,190)
(60,000)	(60,000)	(60,000)	(99,880)
(60,000)	(60,000)	136,543	(282,070)
-	-	66,000	20,800
-	-	6,243	6,003
(7,060)	-	(86,595)	(379,489)
-	-	-	2,140
-	-	(453,680)	(470,399)
-	-	(695,000)	(628,000)
(7,060)	-	(1,163,032)	(1,448,945)
20,997	18,650	128,671	124,739
174,925	173,252	373,294	(366,834)
1,085,442	912,190	5,780,586	6,147,420
$ 1,260,367	$ 1,085,442	$ 6,153,880	$ 5,780,586

CITY OF ST. FRANCIS, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	601 Water		**602** Sewer	
	2012	2011	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	$ 294,156	$ 249,091	$ 168,694	$ 130,170
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	322,687	327,100	264,128	267,577
Other income related to operations	16,470	9,859	22,376	33,448
(Increase) decrease in assets				
Receivables				
Accounts	(17,672)	(28,349)	(8,071)	1,547
Special assessments	3,748	22,601	2,852	16,563
Due from other governments	(8,974)	4,989	-	6,172
Inventories	-	-	-	-
Increase (decrease) in liabilities				
Accounts payable	(6,351)	9,354	8,268	(27,609)
Due to other governments	831	(509)	607	(883)
Accrued salaries payable	(796)	649	(628)	341
Unearned revenue	(979)	(789)	-	-
Compensated absences payable	(5,611)	1,759	(5,611)	1,759
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 597,509	$ 595,755	$ 452,615	$ 429,085
NONCASH CAPITAL FINANCING AND INVESTING ACTIVITIES				
Capital assets acquired on account	$ 157,975	$ -	$ 65,604	$ 65,604
Capital assets contributed from other funds	$ -	$ 136,328	$ -	$ 55,992
Net trade-in activity of capital assets	$ -	$ 6,696	$ -	$ 6,696

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

Business-type Activities - Enterprise Funds			
609 Liquor Store		Totals	
2012	2011	2012	2011
$ 211,731	$ 143,747	$ 674,581	$ 523,008
32,325	31,860	619,140	626,537
1,135	19,525	39,981	62,832
6,841	(4,045)	(18,902)	(30,847)
-	-	6,600	39,164
-	-	(8,974)	11,161
(11,013)	(27,305)	(11,013)	(27,305)
(20,915)	47,445	(18,998)	29,190
(277)	12	1,161	(1,380)
(127)	2,110	(1,551)	3,100
-	-	(979)	(789)
1,288	1,253	(9,934)	4,771
$ 220,988	$ 214,602	$ 1,271,112	$ 1,239,442
$ -	$ -	$ 223,579	$ 65,604
$ -	$ -	$ -	$ 192,320
$ -	$ -	$ -	$ 13,392

CITY OF ST. FRANCIS, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012

	Agency **853** Escrow
ASSETS	
Cash and temporary investments	$ 40,637
Special assessments receivable	46
TOTAL ASSETS	$ 40,683
LIABILITIES	
Accounts payable	$ 537
Deposits payable	40,146
TOTAL LIABILITIES	$ 40,683

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of St. Francis, Minnesota (the City) operates under its own "Home Rule Charter." Under this Charter, the government of the City is governed by the City Council composed of an elected Mayor and four elected City Council Members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the City. The City has the following component unit:

Blended component unit

The Economic Development Authority (EDA) of the City was created pursuant to Minnesota statutes 469.090 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. The five ember Board consists of two City Council members and three other City Council approved members. The EDA may not exercise any of its authorized powers without prior approval of the City Council. The only activity in the EDA was to issue Lease Revenue bonds for the funding of a new public works facility. The EDA provides services entirely to the City. Separate financial statements are not issued for this component unit.

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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the City is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and the fiduciary fund, 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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major governmental funds:

The *General fund* is the City'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 *Capital Project fund* is set up to account for financial resources for the future purchases of capital outlay.

The City reports the following major proprietary funds:

The *Water fund* accounts for costs associated with the City's water system and insure that user charges are sufficient to pay for those costs.

The *Sewer fund* accounts for the costs associated with the City's sewer system and insure that user charges are sufficient to pay for those costs.

The *Liquor Store fund* accounts for the costs associated with the City's liquor operations.

Additionally, the City reports the following fund types:

Fiduciary fund accounts for assets held by the City in a trustee capacity or as an agent on behalf of others.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting.

This fund is used to account for developer deposits. These deposits are used to pay for specific expenses related to development and planning. Once the development is complete, any remaining funds are returned to the original depositor.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. 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 water, sewer, and liquor enterprise funds are charges to customers for sales and services. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, liabilities and net position/fund balance

Deposits and investments

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

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

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments for the City are reported at fair value. Earnings on investments are allocated to the individual funds based upon the average cash and investment balances. The Minnesota Municipal Money Market Fund (4M) investment pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool share. Financial statements of the 4M fund can be obtained by contacting RBC Global Asset Management at 100 South 5th Street, Suite 23000, Minneapolis, MN 55402-1240.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

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

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

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2012. The City annually certifies delinquent water and sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Interfund receivables and payables

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

Prepaid items

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

Inventories

The inventories are stated at average cost, which approximates market using the first-in, first-out (FIFO) method.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 (amount not rounded) and an estimated useful life in excess of 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.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate.

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 City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Live in Years
Land improvements	15
Buildings and improvements	15 to 40
Infrastructure	20 to 50
Machinery and equipment	3 to 20

Compensated absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation, which is paid to the employee upon separation. A portion of unused sick leave may also be paid upon separation from City service. 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. The General fund is typically used to liquidate the governmental compensated absences liability.

Postemployment benefits other than pensions

In August 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for the City's fiscal year 2009. Statement No. 45 requires accrual-based measurement, recognition and disclosure of other postemployment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability, net of any plan assets. The City has no plans that would result in an OPEB liability and, therefore, the City anticipates it will not incur any future explicit or implicit OPEB costs for its employees and, therefore, no liability will be recorded.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

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.

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 45 percent of budgeted operating expenditures for cash-flow timing needs.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred inflows of resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, developer receivable and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

Net position

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

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consist of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets”.

Comparative data/reclassifications

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

Restricted assets

Certain resources set aside for the repayment of revenue bonds are classified as restricted assets because its use is limited by applicable bond resolutions. In accordance with these resolutions, reserve accounts have been established for the retirement of outstanding debt.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund, major Capital Projects fund, special revenue funds, G.O. Bonds 2007A Debt Service fund, Park Improvements, Fire Truck Replacement, Creekview Estate Street and Utility Improvement, and Ivywood and 230th Lane fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

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

The appropriated budget is prepared by fund, function and department. The City’s department heads, with the approval of the City Administrator, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is at the department level. The budget was not amended during 2012.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

B. Excess of expenditures over appropriations

For the year ended December 31, 2012 expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Capital Project	$ 38,990	$ 7,039,726	$ 7,000,736
Go Bonds 2007A	103,208	103,328	120
Park Development	-	127,786	127,786
Creekview Estates	-	54	54
Ivywood and 230th Lane	-	75	75

The excess expenditures were funded by revenues in excess of expectations and/or future revenue sources.

C. Deficit fund equity

The following funds had deficits at December 31, 2012:

Fund	Amount
Nonmajor governmental	
River's Edge Trunk Utility Improvement	$ 520,641
Watermain Looping	287,151
Creekview Estate Street and Utility Improvement	102,241
Ivywood and 230th Lane	112,766

- The deficit in the River's Edge Trunk Utility Improvement fund will be financed with future collections of trunk charges as housing development emerges.
- The deficit in the Watermain Looping fund will be eliminated with receipts from a developer.
- The deficit in the Creekview Estate Street and Utility Improvements fund will be eliminated through future collections of special assessments.
- The deficit in the Ivywood and 230th Lane fund will be eliminated with future special assessments.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was $638,436 and the bank balance was $860,643. The bank balance was covered by federal depository insurance totaling $250,000. The remaining balance was covered by collateral held by the City's agent in the City's name.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash and investments summary

A reconciliation of cash and temporary investments as shown on the financial statements for the City follows:

Carrying amount of deposits	$ 638,436
Investments	9,925,942
Total	$ 10,564,378
As reported on the financial statements	
Statement of net position	
Cash and temporary investments	$ 9,971,946
Restricted cash	551,795
Fiduciary statement of net position	40,637
Total	$ 10,564,378

Investments

As of December 31, 2012, the City had the following investments that are insured or registered, or securities held by the City's agent in the City's name:

Types of Investments	Credit Quality/ Rating (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Non Pooled investments			
Brokered Certificates of Deposit	N/A	less than 6 months	$ 443,000
Brokered Certificates of Deposit	N/A	6 months to 1 year	96,000
Brokered Certificates of Deposit	N/A	1 to 3 years	742,000
Brokered Certificates of Deposit	N/A	more than 3 years	1,882,195
State and Local Government Sec.	AA+	less than 6 months	160,344
State and Local Government Sec.	AA+	more than 3 years	54,267
US Government Securities	AAA	more than 3 years	305,351
Pooled investments			
Minnesota Municipal Money Market	N/A	less than 6 months	5,883,309
Broker Money Market	N/A	less than 6 months	359,476
Total investments			$ 9,925,942

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.
(2) Interest rate risk is disclosed using the segmented time distribution method.
N/A Indicates not applicable or available.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

- *Credit Risk.* Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes and the City's investment policy limit the City's investments to the list on page 60 of the notes. In accordance with its investment policy, the City will minimize credit risk by limiting investments to the safest types of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized

- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to the transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not address custodial credit risk.

- *Concentration of Credit risk*. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. In accordance with its investment policy, the investment portfolio should be diversified to eliminate the risk of loss resulting from over-concentration of assets in a specific issuer, maturity or class of securities. Extended maturities may be utilized to take advantage of higher yields; however, no more than 10 percent of the total investments should extend beyond five (5) years and in no circumstance should any extend beyond 10 years.

- *Interest Rate Risk*. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity and investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital Assets

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

	Beginning Balance	Increases	Decreases	Transfers/ Reclassifications	Ending Balance
Governmental activities					
Capital assets not being depreciated					
Land	$ 1,427,736	$ -	$ -	$ -	$ 1,427,736
Construction in progress	1,699,603	6,678,126	(446,363)	-	7,931,366
Total capital assets not being depreciated	3,127,339	6,678,126	(446,363)	-	9,359,102
Capital assets, being depreciated					
Land improvements	174,771	-	-	-	174,771
Buildings	1,124,789	-	-	-	1,124,789
Infrastructure	4,014,158	446,362	-	-	4,460,520
Machinery and equipment	2,400,398	580,521	(170,173)	7,790	2,818,536
Total capital assets being depreciated	7,714,116	1,026,883	(170,173)	7,790	8,578,616
Less accumulated depreciation for					
Land improvements	(61,357)	(8,739)	-	-	(70,096)
Buildings	(289,870)	(32,290)	-	-	(322,160)
Infrastructure	(495,210)	(160,750)	-	-	(655,960)
Machinery and equipment	(1,774,314)	(207,186)	145,661	(7,790)	(1,843,629)
Total accumulated depreciation	(2,620,751)	(408,965)	145,661	(7,790)	(2,891,845)
Total capital assets being depreciated, net	5,093,365	617,918	(24,512)	-	5,686,771
Governmental activities capital assets, net	$ 8,220,704	$ 7,296,044	$ (470,875)	$ -	$15,045,873

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Transfers/ Reclassifications	Ending Balance
Business-type activities					
Capital assets not being depreciated					
Land	$ 2,359,188	$ -	$ -	$ -	$ 2,359,188
Construction in progress	1,614,899	204,877	-	-	1,819,776
Total capital assets not being depreciated	3,974,087	204,877	-	-	4,178,964
Capital assets being depreciated					
Buildings	16,859,310	-	-	-	16,859,310
Infrastructure	6,160,360	-	-	-	6,160,360
Machinery and equipment	489,956	39,693	(14,679)	(7,790)	507,180
Total capital assets being depreciated	23,509,626	39,693	(14,679)	(7,790)	23,526,850
Less accumulated depreciation for					
Buildings	(3,454,677)	(389,140)	-	-	(3,843,817)
Infrastructure	(1,366,476)	(200,947)	-	-	(1,567,423)
Machinery and equipment	(310,555)	(29,053)	14,679	7,790	(317,139)
Total accumulated depreciation	(5,131,708)	(619,140)	14,679	7,790	(5,728,379)
Total capital assets being depreciated, net	18,377,918	(579,447)	-	-	17,798,471
Business-type activities capital assets, net	$22,352,005	$ (374,570)	$ -	$ -	$21,977,435

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

Governmental activities	
General government	$ 26,093
Public safety	87,363
Public works	203,657
Culture and recreation	91,852
Total depreciation expense - governmental activities	$ 408,965
Business-type activities	
Water	$ 322,687
Sewer	264,128
Liquor store	32,325
Total depreciation expense - business-type activities	$ 619,140

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Construction commitments

The City had the following outstanding construction commitments at December 31, 2012:

Project	Spent to date	Remaining Commitment
Ambassador Trunk Utilities	$ 1,354,722	$ 42,649
Highway 47 Crossing	73,671	62,548

D. Interfund Receivables, Payables and Transfers

The composition of interfund balances as of December 31, 2012 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount
Water	Other Governmental	To provide cash flows	$ 1,018,754

The City made transfers during the fiscal year 2012 as shown and described below:

	Transfer in		
Fund	General	Nonmajor Governmental	Total
Transfer out			
General	$ -	$ 370,000	$ 370,000
Nonmajor governmental	-	551,795	551,795
Liquor Store	60,000	-	60,000
Total	$ 60,000	$ 921,795	$ 981,795

The City made the following transfers during 2012:

- The General fund transferred $330,000 to the EDA Lease Revenue Bond fund for future debt service payments.
- The General fund transferred $40,000 to other governmental funds for the future purchase of a fire truck and equipment.
- The Capital Projects fund transferred $551,795 to the EDA Lease Revenue fund for future debt service payments.
- The Liquor fund transferred $60,000 to the General fund for its annual contribution in lieu of taxes and for its annual contribution to Pioneer Days.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for proprietary activities. These bonds are reported in the proprietary funds as they are expected to be repaid from proprietary fund revenues. In addition, bonds have been issued to refund general obligation bonds.

General obligation improvement bonds

The following bond was issued to finance various improvement projects throughout the City. It will be retired through a combination of transfers from enterprise funds, generated through utility revenues, future tax levies and special assessments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement and Utility Revenue Bonds, Series 2007A	$ 1,110,000	4.000 - 4.375 %	12/13/07	02/01/23	$ 885,000

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2013	$ 65,000	$ 35,182	$ 100,182
2014	70,000	32,483	102,483
2015	70,000	29,682	99,682
2016	75,000	26,783	101,783
2017	75,000	23,783	98,783
2018-2022	435,000	67,731	502,731
2023	95,000	2,053	97,053
Total	$ 885,000	$ 217,697	$ 1,102,697

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General obligation revenue bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water and Sewer Revenue Crossover Refunding Bonds, Series 2006	$ 2,840,000	3.300 - 4.000 %	02/27/06	02/01/16	$ 2,085,000
G.O. Improvement and Utility Revenue Bonds, Series 2007	3,115,000	4.000 - 4.375	12/13/07	02/01/28	2,685,000
MPFA - Water Revenue Bonds Series 2008	9,013,468	2.563	12/18/07	08/20/27	7,864,000
G.O. Sewer Revenue Bonds, Series 2010A	1,600,000	2.000 - 3.500	09/20/10	02/01/31	1,570,000
Total G.O. Revenue Bonds					$14,204,000

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2013	$ 968,000	$ 426,771	$ 1,394,771
2014	1,000,000	394,317	1,394,317
2015	1,043,000	359,272	1,402,272
2016	1,082,000	323,487	1,405,487
2017	737,000	297,739	1,034,739
2018-2022	4,018,000	1,159,617	5,177,617
2023-2027	4,676,000	651,476	5,327,476
2028-2031	680,000	37,638	717,638
Total	$ 14,204,000	$ 3,650,317	$ 17,854,317

Lease revenue bonds

The EDA has issued lease revenue bonds for financing building projects in accordance with Minnesota statutes. The agreements are supported by capital leases between the EDA and the City. The bonds will be paid back with future City property tax levies.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Public Project Lease Revenue Bonds	$ 8,200,000	1.0-5.0 %	01/01/12	02/01/37	$ 8,200,000

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Year Ending December 31,	Governmental Activities Principal	Interest	Total
2013	$ 195,000	$ 325,045	$ 520,045
2014	225,000	322,383	547,383
2015	230,000	318,395	548,395
2016	235,000	313,510	548,510
2017	240,000	308,045	548,045
2018-2022	1,295,000	1,435,834	2,730,834
2023-2027	1,530,000	1,192,010	2,722,010
2028-2032	1,870,000	825,850	2,695,850
2033-2037	2,380,000	309,231	2,689,231
Total	$ 8,200,000	$ 5,350,303	$ 13,550,303

Capital leases payable

The City has entered into capital leasing financing agreements for the following items.

Asset	Cost	Accumulated Depreciation	Net Book Value
Fire Truck	$ 310,000	$ (310,000)	$ -

The balances of capital leases as of December 31, 2012 are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Fire Truck Lease	$ 310,000	6.72 %	02/15/00	02/15/15	$ 75,070

Annual lease payment and accrued interest payments until maturity for capital leases are as follows:

Year Ending December 31,	Governmental Activities Principal	Interest	Total
2013	$ 28,549	$ 4,573	$ 33,122
2014	30,499	2,622	33,121
2015	16,022	538	16,560
Total	$ 75,070	$ 7,733	$ 82,803

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Noncurrent liability activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	$ 950,000	$ -	$ (65,000)	$ 885,000	$ 65,000
Lease revenue bonds	-	8,200,000	-	8,200,000	195,000
Other noncurrent debt					
Capital leases payable	101,793	-	(26,722)	75,071	28,549
Compensated absences payable	133,575	127,781	(108,707)	152,649	93,295
Governmental activity long-term liabilities	$ 1,185,368	$ 8,327,781	$ (200,429)	$ 9,312,720	$ 381,844
Business-type activities					
Bonds payable					
General obligations revenue bonds	$ 14,899,000	$ -	$ (695,000)	$ 14,204,000	$ 968,000
Compensated absences payable	36,604	60,678	(70,612)	26,670	15,412
Business-type activity long-term liabilities	$ 14,935,604	$ 60,678	$ (765,612)	$ 14,230,670	$ 983,412

F. Fund Balance Classification

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

	General	Capital Projects	Other Governmental Funds	Total
Nonspendable				
Inventory	$ 9,861	$ -	$ -	$ 9,861
Restricted for				
Debt service	$ -	$ -	$ 847,904	$ 847,904
Police forfeitures	-	-	8,455	8,455
Tax increment financing	-	-	18,017	18,017
Park improvements	-	-	164,476	164,476
Capital purchases	-	406,931	2,373	409,304
Total restricted	$ -	$ 406,931	$ 1,041,225	$ 1,448,156
Assigned to				
Fire truck replacement	$ -	$ -	$ 450,020	$ 450,020
Capital projects	-	31,961	-	31,961
Bicentennial	8,174	-	-	8,174
Total assigned	$ 8,174	$ 31,961	$ 450,020	$ 490,155

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers and fire-fighters 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 Minnesota statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of the 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 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 for each year of service.

For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For GERF and PEPFF 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 age 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 GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Street, #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

Note 4: DEFINED BENEFIT PENSION PLANS – STATEWIDE - CONTINUED

B. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2012. The City is required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members, 7.25 percent for Coordinated Plan GERF members and 14.40 percent for PEPFF members. The City's contributions to the GERF for the years ending December 31, 2012, 2011, and 2010 were $76,772, $71,048, and $71,348, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2012, 2011, and 2010 were $105,104, $103,649, and $99,269, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 5: OTHER INFORMATION

A. Legal debt margin

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. Net debt is payable solely from ad valorem taxes and therefore, excludes debt financed partially or entirely by special assessments, enterprise fund revenues or tax increments. The City has no debt subject to the limit.

B. Risk management

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

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

C. Tax increment financing districts

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

The City has entered into "pay as you go" Tax Increment Financing notes within its TIF districts. These notes are payable only to the extent of the increment received. As a result they are a commitment within the district but they have not met the criteria to be reported as a liability on the Statement of Net Position.

Note 6: ACCOUNTING CHANGE

During fiscal year 2012, the City implemented several new accounting pronouncements issued by the Government Accounting Standards Board (GASB), including Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"* and Statement No. 65, "*Items Previously Reported as Assets and Liabilities"*. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2012 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1.

Note 6: ACCOUNTING CHANGE - CONTINUED

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2010 balances to the December 31, 2012 financial statements:

Activities/Fund	Net Position December 31, 2010 as Previously Reported	(1) Restatement	Net Position January 1, 2011 as Restated
Governmental activities	$ 9,384,088	$ (10,206)	$ 9,373,882
Business-type activities	$ 14,461,096	$ (108,434)	$ 14,352,662
Proprietary funds			
Water	$ 5,488,245	$ (31,136)	$ 5,457,109
Sewer	7,483,557	(77,298)	7,406,259
Liquor	1,489,294	-	1,489,294
Total proprietary funds	$ 14,461,096	$ (108,434)	$ 14,352,662

(1) Write-off of unamortized bond issuance cost balances at December 31, 2010.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2011 balances to the December 31, 2012 financial statements:

Activities/Fund	Net Position December 31, 2011 as Previously Reported	(2) Restatement	Net Position January 1, 2012 as Restated
Governmental activities	$ 9,485,036	$ (9,356)	$ 9,475,680
Business-type activities	$ 14,836,135	$ (99,571)	$ 14,736,564
Proprietary funds			
Water	$ 5,639,970	$ (27,973)	$ 5,611,997
Sewer	7,583,731	(71,598)	7,512,133
Liquor	1,612,434	-	1,612,434
Total proprietary funds	$ 14,836,135	$ (99,571)	$ 14,736,564

(2) Write-off of unamortized bond issuance cost balances at December 31, 2011.

Note 7: SUBSEQUENT EVENT

On March 21, 2013 the City issued $2,730,000 General Obligation Crossover Refunding Bonds, Series 2013A. The bonds were issued to re-finance the previously issued General Obligation Bonds, Series 2007A. The interest rates are 1.0 percent to 2.3 percent with a maturity date of February 1, 2028.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

CITY OF ST. FRANCIS
ST. FRANCIS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

CITY OF ST. FRANCIS, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS				
Cash and temporary investments	$ 34,122	$ 293,142	$ 661,508	$ 988,772
Restricted cash	-	551,795	-	551,795
Receivables				
Accrued interest	70	2,353	1,125	3,548
Delinquent taxes	-	675	-	675
Accounts	-	-	284,778	284,778
Special assessments	-	191,352	221,365	412,717
Due from other governments	-	614	276	890
TOTAL ASSETS	$ 34,192	$ 1,039,931	$ 1,169,052	$ 2,243,175
LIABILITIES				
Accounts payable	$ 7,720	$ -	$ -	$ 7,720
Contracts payable	-	-	8,198	8,198
Due to other funds	-		1,018,754	1,018,754
Unearned revenue	-	-	44,135	44,135
TOTAL LIABILITIES	7,720	-	1,071,087	1,078,807
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - taxes	-	675	-	675
Unavailable revenues - developer receivable	-	-	282,530	282,530
Unavailable revenues - special assessments	-	191,352	221,365	412,717
TOTAL DEFERRED INFLOWS OF RESOURCES	-	192,027	503,895	695,922
FUND BALANCES				
Restricted	26,472	847,904	166,849	1,041,225
Assigned	-	-	450,020	450,020
Unassigned	-	-	(1,022,799)	(1,022,799)
TOTAL FUND BALANCES	26,472	847,904	(405,930)	468,446
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 34,192	$ 1,039,931	$ 1,169,052	$ 2,243,175

CITY OF ST. FRANCIS, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue	Debt Service	Capital Projects	Total
REVENUES				
Taxes	$ 15,144	$ 21,098	$ -	$ 36,242
Intergovernmental	-	-	123,980	123,980
Charges for services	-	-	5,648	5,648
Special assessments	-	32,359	32,590	64,949
Interest on investments	182	12,104	2,855	15,141
Miscellaneous	-	-	60	60
TOTAL REVENUES	15,326	65,561	165,133	246,020
EXPENDITURES				
Current				
Public safety	2,728	-	-	2,728
Community development	14,177	-	-	14,177
Capital outlay				
Public works	-	-	129	129
Culture and recreation	-	-	127,225	127,225
Debt Service				
Principal	-	65,000	-	65,000
Interest and other charges	-	228,506	561	229,067
TOTAL EXPENDITURES	16,905	293,506	127,915	438,326
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,579)	(227,945)	37,218	(192,306)
OTHER FINANCING SOURCES				
Transfers in	-	881,795	40,000	921,795
NET CHANGE IN FUND BALANCES	(1,579)	653,850	77,218	729,489
FUND BALANCES, JANUARY 1	28,051	194,054	(483,148)	(261,043)
FUND BALANCES, DECEMBER 31	$ 26,472	$ 847,904	$ (405,930)	$ 468,446

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NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for revenue derived from specific taxes or other earmarked revenue sources. They are usually required by Minnesota statute or local ordinances to finance particular functions or other activities of government.

Police Forfeiture - proceeds from the sale of forfeited vehicles which is legally restricted for the purchase of police equipment.

Turtle Ridge TIF - activity associated with the City's only Tax Increment Financing District established for the Turtle Ridge Townhome project.

CITY OF ST. FRANCIS, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012

	208 Police Forfeiture	**250** Turtle Ridge TIF	Total
ASSETS			
Cash and temporary investments	$ 9,363	$ 24,759	$ 34,122
Accrued interest receivable	-	70	70
TOTAL ASSETS	$ 9,363	$ 24,829	$ 34,192
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	$ 908	$ 6,812	$ 7,720
FUND BALANCES			
Restricted for			
Police forfeitures	8,455	-	8,455
Tax increment financing	-	18,017	18,017
TOTAL FUND BALANCES	8,455	18,017	26,472
TOTAL LIABILITIES AND FUND BALANCES	$ 9,363	$ 24,829	$ 34,192

CITY OF ST. FRANCIS, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	208 Police Forfeiture	**250** Turtle Ridge TIF	Total
REVENUES			
Tax increments	$ -	$ 15,144	$ 15,144
Interest on investments	-	182	182
TOTAL REVENUES	-	15,326	15,326
EXPENDITURES			
Current			
Public safety	2,728	-	2,728
Community development	-	14,177	14,177
TOTAL EXPENDITURES	2,728	14,177	16,905
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,728)	1,149	(1,579)
FUND BALANCES, JANUARY 1	11,183	16,868	28,051
FUND BALANCES, DECEMBER 31	$ 8,455	$ 18,017	$ 26,472

CITY OF ST. FRANCIS, MINNESOTA
POLICE FORFEITURE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budget Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Intergovernmental	$ -	$ -	$ -	$ -	$ 650
Charges for services	-	-	-	-	2,600
TOTAL REVENUES	-	-	-	-	3,250
EXPENDITURES					
Current					
Public safety	8,705	8,705	2,728	5,977	2,798
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,705)	(8,705)	(2,728)	5,977	452
FUND BALANCES, JANUARY 1	11,183	11,183	11,183	-	10,731
FUND BALANCES, DECEMBER 31	$ 2,478	$ 2,478	$ 8,455	$ 5,977	$ 11,183

CITY OF ST. FRANCIS, MINNESOTA
TAX INCREMENT TURTLE RIDGE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budget Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Tax increments	$ 15,380	$ 15,380	$ 15,144	$ (236)	$ 15,374
Interest on investments	-	-	182	182	263
TOTAL REVENUES	15,380	15,380	15,326	(54)	15,637
EXPENDITURES					
Current					
Community development	15,450	15,450	14,177	1,273	14,737
EXCESS OF REVENUES OVER EXPENDITURES	(70)	(70)	1,149	1,219	900
FUND BALANCES, JANUARY 1	16,868	16,868	16,868	-	15,968
FUND BALANCES, DECEMBER 31	$ 16,798	$ 16,798	$ 18,017	$ 1,219	$ 16,868

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NONMAJOR DEBT SERVICE FUNDS

The Debt Service funds are established to account for the collection of ad valorem taxes and special assessments, as well as the payment of principal and interest of general long-term debt.

G.O. Bonds 2007A - accounts for the taxes and special assessments related to G.O. Bond 2007A project, as well as the principal and interest payments related to the bond.

EDA Lease Revenue Bonds - accounts for financing activity related to the construction of the new public works/police building.

CITY OF ST. FRANCIS, MINNESOTA
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012

	311 G.O. Bonds 2007A	**330** EDA Lease Revenue Bond	Total
ASSETS			
Cash and temporary investments	$ 144,255	$ 148,887	$ 293,142
Restricted cash	-	551,795	551,795
Receivables			
Accrued interest	405	1,948	2,353
Delinquent taxes	675	-	675
Special assessments	191,352	-	191,352
Due from other governments	614	-	614
TOTAL ASSETS	$ 337,301	$ 702,630	$ 1,039,931
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues - taxes	$ 675	$ -	$ 675
Unavailable revenues - special assessments	191,352	-	191,352
TOTAL DEFERRED INFLOWS OF RESOURCES	192,027	-	192,027
FUND BALANCES			
Restricted for debt service	145,274	702,630	847,904
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 337,301	$ 702,630	$ 1,039,931

CITY OF ST. FRANCIS, MINNESOTA
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	311 G.O. Bonds 2007A	**330** EDA Lease Revenue Bond	Total
REVENUES			
Taxes	$ 21,098	$ -	$ 21,098
Special assessments	32,359	-	32,359
Interest on investments	1,091	11,013	12,104
TOTAL REVENUES	54,548	11,013	65,561
EXPENDITURES			
Debt Service			
Principal	65,000	-	65,000
Interest and other charges	38,328	190,178	228,506
TOTAL EXPENDITURES	103,328	190,178	293,506
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(48,780)	(179,165)	(227,945)
OTHER FINANCING SOURCES			
Transfers in	-	881,795	881,795
NET CHANGE IN FUND BALANCES	(48,780)	702,630	653,850
FUND BALANCES, JANUARY 1	194,054	-	194,054
FUND BALANCES, DECEMBER 31	$ 145,274	$ 702,630	$ 847,904

CITY OF ST. FRANCIS, MINNESOTA
DEBT SERVICE FUND GO BONDS 2007A
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budget Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Property taxes	$ 20,900	$ 20,900	$ 21,098	$ 198	$ 19,759
Special assessments	24,000	24,000	32,359	8,359	23,575
Investment earnings	2,500	2,500	1,091	(1,409)	1,550
TOTAL REVENUES	47,400	47,400	54,548	7,148	44,884
EXPENDITURES					
Debt service					
Principal	65,000	65,000	65,000	-	60,000
Interest and other charges	38,208	38,208	38,328	(120)	40,708
TOTAL EXPENDITURES	103,208	103,208	103,328	(120)	100,708
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(55,808)	(55,808)	(48,780)	7,028	(55,824)
OTHER FINANCING SOURCES					
Transfers in	-	-	-	-	39,880
NET CHANGE IN FUND BALANCES	(55,808)	(55,808)	(48,780)	7,028	(15,944)
FUND BALANCES, JANUARY 1	194,054	194,054	194,054	-	209,998
FUND BALANCES, DECEMBER 31	$ 138,246	$ 138,246	$ 145,274	$ 7,028	$ 194,054

NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by enterprise funds.

Charitable Gambling - accounts for accumulation of resources to finance future police and fire capital expenditures.

Park Improvements - for the development of new City parks and improvement of existing parks. Revenue is primarily from park development fees.

Fire Truck Replacement - funds set aside for future purchases of vehicles. Resources are currently provided by transfers from other funds.

River's Edge Trunk Utility Improvement - accounts for financial resources used to improve current city infrastructure and to finance construction of sanitary sewer and water mains to serve the new River's Edge development and Rum River Bluffs development.

Watermain Looping - accounts for the accumulation of resources to finance the extension of the City's water and sewer infrastructure.

Creekview Estate Street and Utility Improvement - accounts for the accumulation of resources to finance the 2006 street reconstruction project.

Ivywood and 230th Lane - accounts for financial resources used to finance a future street reconstruction project.

CITY OF ST. FRANCIS, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012

	210 Charitable Gambling	225 Park Improvements	403 Fire Truck Replacement	423 River's Edge Trunk Utility Improvement
ASSETS				
Cash and temporary investments	$ 125	$ 212,488	$ 448,895	$ -
Receivables				
Accrued interest	-	-	1,125	-
Accounts	2,248	-	-	-
Special assessments	-	-	-	-
Due from other governments		-	-	-
TOTAL ASSETS	$ 2,373	$ 212,488	$ 450,020	$ -
LIABILITIES	-			
Contracts payable	$ -	$ 3,877	$ -	$ 4,321
Due to other funds	-	-	-	516,320
Unearned revenue	-	44,135	-	-
TOTAL LIABILITIES	-	48,012	-	520,641
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - developer receivable	-	-	-	-
Unavailable revenues - special assessments	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Restricted for				
Park improvements	-	164,476	-	-
Capital purchases	2,373	-	-	-
Assigned for				
Fire truck replacement	-	-	450,020	-
Unassigned	-	-	-	(520,641)
TOTAL FUND BALANCES	2,373	164,476	450,020	(520,641)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 2,373	$ 212,488	$ 450,020	$ -

427 Watermain Looping	505 Creekview Estate Street and Utility Improvement	507 Ivywood and 230th Lane	Total
$ -	$ -	$ -	$ 661,508
-	-	-	1,125
282,530	-	-	284,778
-	101,574	119,791	221,365
-	276	-	276
$ 282,530	$ 101,850	$ 119,791	$ 1,169,052
$ -	$ -	$ -	$ 8,198
287,151	102,517	112,766	1,018,754
-	-	-	44,135
287,151	102,517	112,766	1,071,087
282,530	-	-	282,530
-	101,574	119,791	221,365
282,530	101,574	119,791	503,895
-	-	-	164,476
-	-	-	2,373
-	-	-	450,020
(287,151)	(102,241)	(112,766)	(1,022,799)
(287,151)	(102,241)	(112,766)	(405,930)
$ 282,530	$ 101,850	$ 119,791	$ 1,169,052

CITY OF ST. FRANCIS, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	210	225	403	423
	Charitable Gambling	Park Improvements	Fire Truck Replacement	River's Edge Trunk Utility Improvement
REVENUES				
Intergovernmental	$ -	$ 123,980	$ -	$ -
Charges for services	2,373	3,275	-	-
Special assessments	-	-	-	-
Interest on investments	-	989	3,837	(1,332)
Miscellaneous	-	-	-	-
TOTAL REVENUES	2,373	128,244	3,837	(1,332)
EXPENDITURES				
Capital outlay				
Public works	-	-	-	-
Culture and recreation	-	127,225	-	-
Debt service				
Interest and other	-	561	-	-
TOTAL EXPENDITURES	-	127,786	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,373	458	3,837	(1,332)
OTHER FINANCING SOURCES				
Transfers in	-	-	40,000	-
NET CHANGE IN FUND BALANCES	2,373	458	43,837	(1,332)
FUND BALANCES, JANUARY 1	-	164,018	406,183	(519,309)
FUND BALANCES, DECEMBER 31	$ 2,373	$ 164,476	$ 450,020	$ (520,641)

427 Watermain Looping	505 Creekview Estate Street and Utility Improvement	507 Ivywood and 230th Lane	Total
$ -	$ -	$ -	$ 123,980
-	-	-	5,648
-	14,457	18,133	32,590
-	(301)	(338)	2,855
-	-	60	60
-	14,156	17,855	165,133
-	54	75	129
-	-	-	127,225
-	-	-	561
-	54	75	127,915
-	14,102	17,780	37,218
-	-	-	40,000
-	14,102	17,780	77,218
(287,151)	(116,343)	(130,546)	(483,148)
$ (287,151)	$ (102,241)	$ (112,766)	$ (405,930)

CITY OF ST. FRANCIS, MINNESOTA
CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012			
	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Interest on investments	$ 16,000	$ 16,000	$ 29,961	$ 13,961
Miscellaneous	-	-	2,000	2,000
TOTAL REVENUES	16,000	16,000	31,961	15,961
EXPENDITURES				
Capital outlay				
General government	-	-	6,534	(6,534)
Public safety	38,990	38,990	97,825	(58,835)
Public works	-	-	6,763,168	(6,763,168)
Debt service				
Bond discounts	-	-	172,199	(172,199)
TOTAL EXPENDITURES	38,990	38,990	7,039,726	(7,000,736)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(22,990)	(22,990)	(7,007,765)	(6,984,775)
OTHER FINANCING SOURCES				
Transfers in	330,000	330,000	-	(330,000)
Bond proceeds	-	-	8,200,000	8,200,000
Transfers out	-	-	(551,795)	(551,795)
TOTAL OTHER FINANCING SOURCES	330,000	330,000	7,648,205	7,318,205
NET CHANGE IN FUND BALANCES	307,010	307,010	640,440	333,430
FUND BALANCES, JANUARY 1	(201,548)	(201,548)	(201,548)	-
FUND BALANCES, DECEMBER 31	$ 105,462	$ 105,462	$ 438,892	$ 333,430

CITY OF ST. FRANCIS, MINNESOTA
PARK IMPROVEMENTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budget Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Intergovernmental	$ -	$ -	$ 123,980	$ 123,980	$ 330,479
Charges for services	1,000	1,000	3,275	2,275	1,200
Interest on investments	1,000	1,000	989	(11)	218
Contributions and donations	500	500	-	(500)	5,436
TOTAL REVENUES	2,500	2,500	128,244	125,744	337,333
EXPENDITURES					
Capital outlay					
Culture and recreation	-	-	127,225	(127,225)	408,654
Debt service					
Interest and other	-	-	561	(561)	-
TOTAL EXPENDITURES	-	-	127,786	(127,786)	408,654
NET CHANGE IN FUND BALANCES	2,500	2,500	458	(2,042)	(71,321)
FUND BALANCES, JANUARY 1	164,018	164,018	164,018	-	235,339
FUND BALANCES, DECEMBER 31	$ 166,518	$ 166,518	$ 164,476	$ (2,042)	$ 164,018

CITY OF ST. FRANCIS, MINNESOTA
FIRE TRUCK REPLACEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budget Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Interest on investments	$ 5,000	$ 5,000	$ 3,837	$ (1,163)	$ 4,646
OTHER FINANCING SOURCES					
Transfers in	100,000	100,000	40,000	(60,000)	100,000
NET CHANGE IN FUND BALANCES	105,000	105,000	43,837	(61,163)	104,646
FUND BALANCES, JANUARY 1	406,183	406,183	406,183	-	301,537
FUND BALANCES, DECEMBER 31	$ 511,183	$ 511,183	$ 450,020	$ (61,163)	$ 406,183

CITY OF ST. FRANCIS, MINNESOTA
CREEKVIEW ESTATES FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budget Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Special assessments	$ 11,000	$ 11,000	$ 14,457	$ 3,457	$ 20,416
Interest on investments	(3,800)	(3,800)	(301)	3,499	(2,239)
TOTAL REVENUES	7,200	7,200	14,156	6,956	18,177
EXPENDITURES					
Capital outlay					
Public works	-	-	54	(54)	-
EXCESS OF REVENUES OVER EXPENDITURES	7,200	7,200	14,102	6,902	18,177
FUND BALANCES, JANUARY 1	(116,343)	(116,343)	(116,343)	-	(134,520)
FUND BALANCES, DECEMBER 31	$ (109,143)	$ (109,143)	$ (102,241)	$ 6,902	$ (116,343)

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CITY OF ST. FRANCIS, MINNESOTA
IVYWOOD AND 230TH LANE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budget Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Intergovernmental	$ 14,250	$ 14,250	$ 18,133	$ 3,883	$ 19,389
Interest on investments	(3,300)	(3,300)	(338)	2,962	(3,565)
Miscellaneous	-	-	60	60	-
TOTAL REVENUES	10,950	10,950	17,855	6,905	15,824
EXPENDITURES					
Capital outlay					
Public works	-	-	75	(75)	28,760
EXCESS OF REVENUES OVER EXPENDITURES	10,950	10,950	17,780	6,830	(12,936)
FUND BALANCES, JANUARY 1	(130,546)	(130,546)	(130,546)	-	(117,610)
FUND BALANCES, DECEMBER 31	$ (119,596)	$ (119,596)	$ (112,766)	$ 6,830	$ (130,546)

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CITY OF ST. FRANCIS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budget Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Property taxes	$ 2,970,523	$ 2,970,523	$ 2,893,540	$ (76,983)	$ 2,713,412
Licenses and permits					
Business	24,367	24,367	29,068	4,701	24,595
Nonbusiness	41,963	41,963	60,232	18,269	74,820
Total	66,330	66,330	89,300	22,970	99,415
Intergovernmental					
State					
Local government aid	80,929	80,929	80,929	-	80,929
Property tax credits	-	-	4,394	4,394	66,466
Police and fire aid	101,260	101,260	109,093	7,833	118,979
Municipal State Aid	104,920	104,920	113,957	9,037	99,660
Other	1,971	1,971	1,971	-	1,971
Total	289,080	289,080	310,344	21,264	368,005
Charges for services					
General government	160,549	160,549	180,951	20,402	172,685
Public safety	122,200	122,200	112,365	(9,835)	130,805
Public works	4,430	4,430	3,767	(663)	5,204
Total	287,179	287,179	297,083	9,904	308,694
Fines and forfeitures	31,260	31,260	35,166	3,906	30,414
Interest on investments	29,420	29,420	16,199	(13,221)	34,275
Miscellaneous					
Rents and leases	61,712	61,712	69,903	8,191	66,156
Recycling and landfill abatement	12,833	12,833	20,872	8,039	20,939
Donations and other	22,500	22,500	43,347	20,847	42,475
Total	97,045	97,045	134,122	37,077	129,570
TOTAL REVENUES	3,770,837	3,770,837	3,775,754	4,917	3,683,785

CITY OF ST. FRANCIS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budget Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES					
Current expenditures					
General government					
Mayor and Council					
Personal services	$ 27,290	$ 27,290	$ 23,169	$ 4,121	$ 22,411
Other services and charges	6,800	6,800	2,643	4,157	4,828
Total	34,090	34,090	25,812	8,278	27,239
City administration					
Personal services	300,400	300,400	300,714	(314)	284,577
Supplies	18,600	18,600	8,972	9,628	17,033
Other services and charges	32,320	32,320	32,919	(599)	45,662
Total	351,320	351,320	342,605	8,715	347,272
Elections					
Personal services	20	20	2,979	(2,959)	11
Supplies	100	100	748	(648)	-
Other services and charges	5,970	5,970	1,250	4,720	35
Total	6,090	6,090	4,977	1,113	46
Financial administration					
Personal services	116,500	116,500	104,659	11,841	99,894
Supplies	2,150	2,150	1,644	506	1,740
Other services and charges	2,400	2,400	2,146	254	1,740
Total	121,050	121,050	108,449	12,601	103,374
Assessor					
Other services and charges	39,930	39,930	39,266	664	39,465
Legal and accounting					
Other services and charges	138,110	138,110	109,852	28,258	106,174
Municipal building					
Supplies	3,700	3,700	1,931	1,769	1,619
Other services and charges	19,485	19,485	19,617	(132)	23,503
Rent for offices	3,910	3,910	3,679	231	3,241
Total	27,095	27,095	25,227	1,868	28,363
Total general government	717,685	717,685	656,188	61,497	651,933

CITY OF ST. FRANCIS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budget Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current expenditures - continued					
Public safety					
Police					
Personal services	$ 1,120,500	$ 1,120,500	$ 1,083,711	$ 36,789	$ 1,075,191
Supplies	119,000	119,000	75,146	43,854	77,492
Other services and charges	87,300	87,300	84,115	3,185	72,115
Total	1,326,800	1,326,800	1,242,972	83,828	1,224,798
Fire					
Personal services	149,470	149,470	121,473	27,997	129,811
Supplies	52,500	52,500	58,760	(6,260)	70,338
Other services and charges	51,950	51,950	54,134	(2,184)	44,979
Total	253,920	253,920	234,367	19,553	245,128
Animal control					
Other services and charges	7,240	7,240	6,227	1,013	7,368
Total public safety	1,587,960	1,587,960	1,483,566	104,394	1,477,294
Public works					
Streets and highways					
Personal services	198,880	198,880	197,001	1,879	183,793
Supplies	54,660	54,660	48,279	6,381	40,782
Other services and charges	219,550	219,550	221,224	(1,674)	387,518
Total	473,090	473,090	466,504	6,586	612,093
Recycling					
Personal services	28,260	28,260	22,252	6,008	22,517
Supplies	3,150	3,150	2,703	447	371
Other services and charges	16,900	16,900	13,529	3,371	15,304
Total	48,310	48,310	38,484	9,826	38,192
Total public works	521,400	521,400	504,988	16,412	650,285

CITY OF ST. FRANCIS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budget Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current expenditures - continued					
Culture and recreation					
Parks and recreation					
Personal services	$ 155,890	$ 155,890	$ 136,437	$ 19,453	$ 147,190
Supplies	38,410	38,410	40,041	(1,631)	36,028
Other services and charges	125,460	125,460	68,403	57,057	74,866
Total	319,760	319,760	244,881	74,879	258,084
Pioneer days					
Other services and charges	30,800	30,800	32,374	(1,574)	31,997
Total culture and recreation	350,560	350,560	277,255	73,305	290,081
Community development					-
Planning and zoning					
Personal services	1,000	1,000	5,635	(4,635)	585
Supplies	600	600	85	515	165
Other services and charges	93,200	93,200	77,694	15,506	70,375
Total	94,800	94,800	83,414	11,386	71,125
Building inspection					
Personal services	-	-	52,035	(52,035)	676
Supplies	500	500	2,946	(2,446)	47
Other services and charges	50,070	50,070	3,198	46,872	32,793
Total	50,570	50,570	58,179	(7,609)	33,516
Total community development	145,370	145,370	141,593	3,777	104,641
Unallocated					
Miscellaneous					
Other services and charges	6,100	6,100	18,494	(12,394)	3,309
Total current expenditures	3,329,075	3,329,075	3,082,084	246,991	3,177,543
Capital outlay					
General government	10,000	10,000	-	10,000	-
Public safety	38,990	38,990	32,735	6,255	59,560
Public works	74,540	74,540	265,560	(191,020)	-
Culture and recreation	80,410	80,410	80,818	(408)	27,236
Total capital outlay	203,940	203,940	379,113	(175,173)	86,796

CITY OF ST. FRANCIS, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012				2011
	Budget Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Debt service					
Principal	$ 26,723	$ 26,723	$ 26,723	$ -	$ 61,946
Interest and other charges	6,399	6,399	6,399	-	9,887
Total debt service	33,122	33,122	33,122	-	71,833
TOTAL EXPENDITURES	3,566,137	3,566,137	3,494,319	71,818	3,336,172
EXCESS OF REVENUES OVER EXPENDITURES	204,700	204,700	281,435	76,735	347,613
OTHER FINANCING SOURCES (USES)					
Transfers in	60,000	60,000	60,000	-	60,000
Sale of capital assets	26,800	26,800	30,041	3,241	27,043
Transfers out	(430,000)	(430,000)	(370,000)	60,000	(416,286)
TOTAL OTHER FINANCING SOURCES (USES)	(343,200)	(343,200)	(279,959)	63,241	(329,243)
NET CHANGE IN FUND BALANCES	(138,500)	(138,500)	1,476	139,976	18,370
FUND BALANCES, JANUARY 1	2,070,013	2,070,013	2,070,013	-	2,051,643
FUND BALANCES, DECEMBER 31	$ 1,931,513	$ 1,931,513	$ 2,071,489	$ 139,976	$ 2,070,013

CITY OF ST. FRANCIS, MINNESOTA
AGENCY FUNDS
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Balance January 1	Additions	Deductions	Balance December 31
Escrows				
ASSETS				
Cash and temporary investments	$ 52,845	$ 6,773	$ (18,981)	$ 40,637
Special assessments receivable	885	-	(839)	46
TOTAL ASSETS	$ 53,730	$ 6,773	$ (19,820)	$ 40,683
LIABILITIES				
Accounts payable	$ 110	$ 6,137	$ (5,710)	$ 537
Deposits payable	53,620	4,563	(18,037)	40,146
TOTAL LIABILITIES	$ 53,730	$ 10,700	$ (23,747)	$ 40,683

CITY OF ST. FRANCIS, MINNESOTA
SUMMARY FINANCIAL REPORT
GOVERNMENTAL FUNDS
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Total		Percent Increase
	2012	2011	(Decrease)
REVENUES			
Taxes	$ 2,929,782	$ 2,748,545	6.59 %
Licenses and permits	89,300	99,415	(10.17)
Intergovernmental	434,324	698,484	(37.82)
Charges for services	302,731	310,544	(2.52)
Fines and forfeits	35,166	30,414	15.62
Special assessments	64,949	63,380	2.48
Interest on investments	61,301	26,971	127.28
Miscellaneous	136,182	145,615	(6.48)
TOTAL REVENUES	$ 4,053,735	$ 4,123,368	(1.69) %
Per Capita	$ 559	$ 571	(2.19) %
EXPENDITURES			
Current			
General government	$ 656,188	$ 651,933	0.65 %
Public safety	1,486,294	1,480,092	0.42
Public works	504,988	650,285	(22.34)
Culture and recreation	277,255	290,081	(4.42)
Community development	155,770	119,378	30.48
Miscellaneous	18,494	3,309	458.90
Capital outlay			
General government	6,534	29,978	(78.20)
Public safety	130,560	80,873	61.44
Public works	7,028,857	1,301,477	440.07
Culture and recreation	208,043	435,890	(52.27)
Debt service			
Principal	91,723	271,946	(66.27)
Bond issuance costs	172,199	-	
Interest and other charges	235,466	50,595	365.39
TOTAL EXPENDITURES	$ 10,972,371	$ 5,365,837	104.49 %
Per Capita	$ 1,512	$ 743	103.44 %
Total Long-term Indebtedness	$ 9,160,071	$ 1,051,793	770.90 %
Per Capita	1,263	146	766.45
General Fund Balance - December 31	$ 2,071,489	$ 2,070,013	0.07 %
Per Capita	286	287	(0.44)

The purpose of this report is to provide a summary of financial information concerning the City of St. Francis to interested citizens. The complete financial statements may be examined at City Hall, 23340 Cree Street NW, St. Francis, MN 55070. Questions about this report should be directed to Darcy Mulvihill, Finance Director at (763) 753-2630.

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STATISTICAL SECTION (UNAUDITED)

CITY OF ST. FRANCIS
ST. FRANCIS, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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STATISTICAL SECTION (UNAUDITED)

This part of the City of St. Francis' 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 government's overall financial health.

Financial trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and economic information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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

CITY OF ST. FRANCIS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
NET POSITION BY COMPONENT
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	$ 1,467,161	$ 2,304,280	$ 3,661,148	$ 3,613,007
Restricted	791,252	827,320	-	461,673
Unrestricted	1,685,167	2,379,184	2,123,872	6,298,009
Total governmental activities net position	$ 3,943,580	$ 5,510,784	$ 5,785,020	$ 10,372,689
Business-type activities				
Net investment in capital assets	$ 3,067,781	$ 5,114,283	$ 5,197,719	$ 9,305,330
Restricted	-	-	3,082,159	-
Unrestricted	5,384,434	4,474,335	2,184,782	99,992
Total business-type activities net position	$ 8,452,215	$ 9,588,618	$ 10,464,660	$ 9,405,322
Primary government				
Net investment in capital assets	$ 4,534,942	$ 7,418,563	$ 8,858,867	$ 12,918,337
Restricted	791,252	827,320	3,082,159	461,673
Unrestricted	7,069,601	6,853,519	4,308,654	6,398,001
Total primary government net position	$ 12,395,795	$ 15,099,402	$ 16,249,680	$ 19,778,011

Note: The City implemented GASB Statement No. 34 in fiscal 2004. This information is not available for previous fiscal years.

Table 1

Fiscal Year				
2008	2009	2010	2011	2012
$ 5,221,614	$ 7,782,258	$ 5,903,447	$ 7,168,911	$ 6,292,733
477,193	437,786	404,530	571,078	1,080,107
4,855,454	3,579,646	3,076,111	1,745,047	1,999,789
$ 10,554,261	$ 11,799,690	$ 9,384,088	$ 9,485,036	$ 9,372,629
$ 7,015,882	$ 4,899,083	$ 6,899,701	$ 7,453,005	$ 7,773,435
-	-	-	-	-
3,952,097	6,433,382	7,561,395	7,383,130	7,303,907
$ 10,967,979	$ 11,332,465	$ 14,461,096	$ 14,836,135	$ 15,077,342
$ 12,237,496	$ 12,681,341	$ 12,803,148	$ 14,621,916	$ 14,066,168
477,193	437,786	404,530	571,078	1,080,107
8,807,551	10,013,028	10,637,506	9,128,177	9,303,696
$ 21,522,240	$ 23,132,155	$ 23,845,184	$ 24,321,171	$ 24,449,971

CITY OF ST. FRANCIS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
CHANGES IN NET POSITION - CONTINUED ON THE FOLLOWING PAGES
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
Expenses				
Governmental activities				
General government	$ 409,843	$ 466,252	$ 346,904	$ 565,314
Public safety	1,215,840	1,221,819	1,402,463	1,418,210
Public works	316,944	406,180	515,598	514,688
Culture and recreation	236,555	196,231	264,694	303,262
Community development	-	-	621,741	202,461
Miscellaneous	251,106	145,710	54,998	9,497
Interest on long-term debt	48,302	46,741	39,825	80,663
Total governmental activities expenses	2,478,590	2,482,933	3,246,223	3,094,095
Business-type activities				
Water	473,625	463,773	524,512	603,368
Sewer	625,872	583,882	675,494	498,250
Liquor store	1,407,147	1,570,007	1,720,606	1,845,597
Total business-type activities expenses	2,506,644	2,617,662	2,920,612	2,947,215
Total primary government expenses	$ 4,985,234	$ 5,100,595	$ 6,166,835	$ 6,041,310
Program revenues				
Governmental activities				
Charges for services				
General government	$ 29,372	$ 28,980	$ 27,574	$ 36,720
Public safety	555,748	557,993	274,357	306,085
Public works	-	3,323	46,133	502,741
Culture and recreation	8,740	1,170	1,260	875
Community development	-	-	261,130	243,422
Miscellaneous	4,359	30,281	24,454	47,819
Operating grants and contributions	155,005	223,827	206,244	245,515
Capital grants and contributions	645,139	703,543	245,003	1,057,637
Total governmental activities program revenues	1,398,363	1,549,117	1,086,155	2,440,814
Business-type activities				
Charges for services				
Water	759,065	896,638	925,509	1,108,117
Sewer	535,770	493,924	510,398	596,062
Liquor store	1,543,167	1,717,092	1,831,828	1,956,503
Operating grants and contributions	-	-	-	1,880
Capital grants and contributions	685,173	538,160	258,063	380,989
Total business-type activities program revenues	3,523,175	3,645,814	3,525,798	4,043,551
Total primary government program revenues	$ 4,921,538	$ 5,194,931	$ 4,611,953	$ 6,484,365

Table 2

Fiscal Year				
2008	2009	2010	2011	2012
$ 590,722	$ 663,068	$ 823,109	$ 708,620	$ 700,606
1,482,823	1,485,755	1,570,589	1,607,064	1,689,773
523,808	931,674	812,302	1,033,276	699,037
332,060	310,479	351,844	366,321	378,696
189,895	119,724	116,532	119,378	155,770
18,754	12,705	6,339	3,309	18,494
72,208	61,780	66,240	58,313	541,676
3,210,270	3,585,185	3,746,955	3,896,281	4,184,052
912,437	1,046,900	1,111,363	1,143,017	1,136,619
584,940	755,755	878,226	958,231	858,682
1,873,355	1,893,024	1,900,572	1,873,937	1,883,145
3,370,732	3,695,679	3,890,161	3,975,185	3,878,446
$ 6,581,002	$ 7,280,864	$ 7,637,116	$ 7,871,466	$ 8,062,498
$ 26,329	$ 156,448	$ 161,884	$ 162,613	$ 195,491
229,991	163,048	167,977	161,869	147,531
11,613	14,596	16,488	5,204	3,767
1,635	1,885	1,958	7,441	1,955
122,987	102,799	116,095	152,503	120,685
38,029	31,527	39,207	54,182	70,175
235,577	251,441	156,964	161,155	130,368
25,687	300,511	254,328	456,588	291,558
691,848	1,022,255	914,901	1,161,555	961,530
1,031,221	1,087,286	1,063,256	1,064,157	1,147,518
739,149	784,372	805,969	900,193	898,292
2,029,577	2,067,517	2,050,403	2,037,209	2,096,011
610	5,241	57,312	-	6,500
69,600	77,600	238,200	20,800	66,000
3,870,157	4,022,016	4,215,140	4,022,359	4,214,321
$ 4,562,005	$ 5,044,271	$ 5,130,041	$ 5,183,914	$ 5,175,851

CITY OF ST. FRANCIS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
CHANGES IN NET POSITION - CONTINUED
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
Net revenues (expenses)				
Governmental activities	$ (1,080,227)	$ (933,816)	$ (2,160,068)	$ (653,281)
Business-type activities	1,016,531	1,028,152	605,186	1,096,336
Total primary government net revenues (expenses)	$ (63,696)	$ 94,336	$ (1,554,882)	$ 443,055
General revenues and other changes in net position				
Governmental activities				
Taxes				
Property taxes	$ 1,450,874	$ 1,871,121	$ 2,048,870	$ 2,296,913
Tax increments	24,982	27,693	17,801	18,670
Grants and contributions not restricted to specific programs	357,812	339,144	366,495	363,439
Other general revenues	224,283	186,738	-	17,981
Unrestricted investment earnings	46,218	62,824	82,413	61,935
Transfers - capital assets	-	-	-	(2,047,914)
Transfers - debt	-	-	-	3,115,000
Transfers	13,500	13,500	(81,275)	257,780
Total governmental activities	2,117,669	2,501,020	2,434,304	4,083,804
Business-type activities				
Unrestricted investment earnings	121,691	121,751	189,581	321,338
Gain on sale of capital assets	-	-	-	5,000
Transfers - capital assets	-	-	-	2,047,914
Transfers - debt	-	-	-	(3,115,000)
Transfers	(13,500)	(13,500)	81,275	(257,780)
Total business-type activities	108,191	108,251	270,856	(998,528)
Total primary government	$ 2,225,860	$ 2,609,271	$ 2,705,160	$ 3,085,276
Change in net position				
Governmental activities	$ 1,037,442	$ 1,567,204	$ 274,236	$ 3,430,523
Business-type activities	1,124,722	1,136,403	876,042	97,808
Total primary government	$ 2,162,164	$ 2,703,607	$ 1,150,278	$ 3,528,331

Note: The City implemented GASB Statement No. 34 in fiscal 2004. This information is not available for previous fiscal years.

Table 2

Fiscal Year				
2008	2009	2010	2011	2012
$ (2,518,422)	$ (2,562,930)	$ (2,832,054)	$ (2,734,726)	$ (3,222,522)
499,425	326,337	324,979	47,174	335,875
$ (2,018,997)	$ (2,236,593)	$ (2,507,075)	$ (2,687,552)	$ (2,886,647)
$ 2,581,538	$ 2,612,273	$ 2,739,739	$ 2,724,403	$ 2,890,203
16,429	15,317	18,285	15,374	15,144
769,967	983,567	170,718	149,366	87,294
36,512	14,927	3,435	2,644	5,529
96,571	69,793	46,421	26,971	61,301
(741,564)	-	(2,144,660)	(192,320)	-
-	-	-	-	-
(59,459)	112,482	(427,693)	99,880	60,000
2,699,994	3,808,359	406,245	2,826,318	3,119,471
255,877	150,631	122,866	120,322	64,903
6,332	-	-	15,532	-
741,564	-	2,144,660	192,320	-
-	-	-	-	-
59,459	(112,482)	427,693	(99,880)	(60,000)
1,063,232	38,149	2,695,219	228,294	4,903
$ 3,763,226	$ 3,846,508	$ 3,101,464	$ 3,054,612	$ 3,124,374
$ 181,572	$ 1,245,429	$ (2,425,809)	$ 91,592	$ (103,051)
1,562,657	364,486	3,020,198	275,468	340,778
$ 1,744,229	$ 1,609,915	$ 594,389	$ 367,060	$ 237,727

CITY OF ST. FRANCIS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year			
	2003	2004	2005	2006
General fund				
Reserved	$ -	$ -	$ -	$ -
Unreserved	853,395	861,030	1,491,866	1,295,003
Nonspendable	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General fund	$ 853,395	$ 861,030	$ 1,491,866	$ 1,295,003
All other governmental funds				
Reserved	$ 3,584,364	$ 4,226,773	$ 3,484,047	$ 3,477,478
Unreserved, reported in				
Special revenue funds	548,902	795,496	822,527	77,698
Capital project funds	905,935	950,540	951,384	1,703,319
Restricted	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	$ 5,039,201	$ 5,972,809	$ 5,257,958	$ 5,258,495

Note: The implemented GASB 54 in fiscal year 2011, resulting in significant reclassification of the components of fund balance. Years prior to 2011 have not been restated.

Table 3

Fiscal Year					
2007	2008	2009	2010	2011	2012
$ -	$ -	$ -	$ 1,803	$ -	$ -
1,549,075	1,906,188	2,086,873	2,048,599	-	-
-	-	-	-	3,055	9,861
-	-	-	-	8,095	8,174
-	-	-	-	2,058,863	2,053,454
$ 1,549,075	$ 1,906,188	$ 2,086,873	$ 2,050,402	$ 2,070,013	$ 2,071,489
$ 2,642,776	$ 2,934,413	$ 850,341	$ 209,998	$ -	$ -
159,709	143,321	292,039	263,279	-	-
1,260,475	743,062	760,880	199,289	-	-
-	-	-	-	386,123	1,448,156
-	-	-	-	406,183	481,981
-	-	-	-	(1,254,897)	(1,022,799)
$ 4,062,960	$ 3,820,796	$ 1,903,260	$ 672,566	$ (462,591)	$ 907,338

CITY OF ST. FRANCIS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes				
General property tax	$ 1,429,330	$ 1,460,635	$ 1,842,144	$ 2,033,511
Tax increments	30,948	24,982	27,693	17,801
Special assessments	33,643	-	-	20,578
Licenses and permits	284,708	221,842	216,517	164,998
Intergovernmental	1,256,146	849,356	1,246,831	536,850
Charges for services	351,913	735,751	825,388	350,592
Fines and forfeitures	40,449	43,174	46,800	55,167
Interest on investments	227,348	152,506	135,974	204,822
Miscellaneous	1,566,408	1,219,698	712,908	137,688
Total revenues	5,220,893	4,707,944	5,054,255	3,522,007
Expenditures				
Current				
General government	352,143	403,306	621,147	559,985
Public safety	883,395	943,865	1,042,626	1,217,117
Public works	473,441	365,787	394,700	419,061
Culture and recreation	287,466	193,235	244,246	242,623
Community development	129,949	186,345	96,003	227,228
Miscellaneous	107,970	65,300	62,196	54,998
Capital outlay				
General government	30,844	303,503	9,051	114,946
Public safety	76,108	85,789	45,018	65,333
Public works	2,257,752	371,138	441,742	405,443
Culture and recreation	34,762	225,719	2,281	807,453
Community development	310,053	261,559	236,896	394,513
Debt service				
Principal	327,070	358,032	1,683,449	384,432
Interest and other charges	318,961	316,623	272,415	301,959
Total expenditures	5,589,914	4,080,201	5,151,770	5,195,091
Excess (deficiency) or revenues over (under) expenditures	(369,021)	627,743	(97,515)	(1,673,084)
Other financing sources (uses)				
Transfers in	1,984,061	606,413	346,995	1,202,595
Transfers out	(1,800,361)	(592,913)	(333,495)	(2,563,256)
Bond proceeds	189,946	300,000	-	2,828,248
Contract for deed issued	-	-	-	-
Sale of capital assets	-	-	-	9,171
Total other financing sources (uses)	373,646	313,500	13,500	1,476,758
Net change in fund balance	$ 4,625	$ 941,243	$ (84,015)	$ (196,326)
Debt service as a percentage of noncapital expenditures	28.91%	31.27%	79.48%	25.23%

Table 4

Fiscal Year					
2007	2008	2009	2010	2011	2012
$ 2,248,640	$ 2,541,791	$ 2,639,498	$ 2,744,495	$ 2,733,171	$ 2,914,638
18,670	16,429	15,317	18,285	15,374	15,144
100,578	116,915	94,319	54,438	63,380	64,949
173,379	87,735	66,207	78,242	99,415	89,300
941,278	961,515	1,217,007	380,977	698,484	434,324
901,866	340,973	295,362	313,878	310,544	302,731
58,461	46,213	38,555	30,537	30,414	35,166
252,714	196,947	69,793	46,421	26,971	61,301
238,562	110,832	106,392	135,789	145,615	136,182
4,934,148	4,419,350	4,542,450	3,803,062	4,123,368	4,053,735
536,924	662,716	627,997	646,947	651,933	656,188
1,296,240	1,344,164	1,363,710	1,457,092	1,480,092	1,486,294
483,993	446,179	631,200	700,257	650,285	504,988
230,783	261,044	273,802	282,548	290,081	277,255
249,961	189,895	119,724	116,532	119,378	155,770
9,497	18,754	12,705	6,339	3,309	18,494
518,430	-	330,823	226,787	29,978	6,534
103,323	30,335	46,768	32,849	80,873	130,560
5,501,287	1,000,855	661,224	466,039	1,301,477	7,028,857
130,397	185,125	76,376	72,477	435,890	208,043
-	-	-	-	-	-
951,325	394,048	132,911	113,095	271,946	91,723
360,058	387,068	62,825	56,871	50,595	407,665
10,372,218	4,920,183	4,340,065	4,177,833	5,365,837	10,972,371
(5,438,070)	(500,833)	202,385	(374,771)	(1,242,469)	(6,918,636)
740,487	759,291	865,643	794,826	516,166	981,795
(482,707)	(205,500)	(753,161)	(1,222,519)	(416,286)	(921,795)
4,200,715	-	-	-	-	8,200,000
-	-	-	150,000	-	-
38,112	61,991	49,403	29,965	27,043	30,041
4,496,607	615,782	161,885	(247,728)	126,923	8,290,041
$ (941,463)	$ 114,949	$ 364,270	$ (622,499)	$ (1,115,546)	$ 1,371,405
46.71%	26.73%	6.46%	4.84%	9.01%	13.45%

CITY OF ST. FRANCIS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
(Shown by year of tax collectability)

	2003	2004	2005	2006
Estimated market value				
Real property	not available	$334,855,700	$442,992,300	$472,611,300
Personal property	not available	5,096,400	5,517,300	5,592,900
Total estimated market value	$317,544,200	$339,952,100	$448,509,600	$478,204,200
Tax capacity				
Residential property	$ 2,387,712	$ 2,963,164	$ 3,627,898	$ 4,197,758
Commercial / industrial property	450,608	525,862	603,722	697,404
Other	225,444	253,761	280,188	289,383
Contribution to fiscal disparities pool	(137,754)	(211,771)	(253,164)	(277,760)
Receivable from fiscal disparities pool	582,810	678,747	747,178	744,058
Tax increment	(26,768)	(26,697)	(28,594)	(18,270)
Net tax capacity	$ 3,482,052	$ 4,183,066	$ 4,977,228	$ 5,632,573
Net tax capacity as a percentage of estimated market value	1.097 %	1.230 %	1.110 %	1.178 %
Gross tax levy	$ 1,554,373	$ 1,521,752	$ 1,979,977	$ 2,167,157
Tax capacity rate	44.260 %	34.850 %	40.650 %	38.150 %

Source: Anoka County Property Records and Taxation Department.
Note: Property in the County is reassessed annually.

Table 5

2007	2008	2009	2010	2011	2012
$524,038,800	$574,451,900	$568,978,400	$525,397,100	$464,184,500	$456,064,600
6,453,700	6,255,800	6,167,500	5,988,500	6,502,200	6,573,500
$530,492,500	$580,707,700	$575,145,900	$531,385,600	$470,686,700	$462,638,100
$ 4,654,748	$ 4,874,805	$ 4,844,770	$ 4,563,115	$ 4,055,812	$ 3,586,358
772,448	839,860	839,984	740,819	686,986	655,422
329,447	349,124	351,157	294,516	258,316	244,970
(315,838)	(353,194)	(378,126)	(377,468)	(341,228)	(323,392)
1,069,287	1,208,203	1,406,759	1,470,600	1,531,408	1,383,468
(19,434)	(16,615)	(16,078)	(16,833)	(12,820)	(12,628)
$ 6,490,658	$ 6,902,183	$ 7,048,466	$ 6,674,749	$ 6,178,474	$ 5,534,198
1.224 %	1.189 %	1.226 %	1.256 %	1.313 %	1.196 %
$ 2,402,157	$ 2,690,415	$ 2,724,202	$ 2,873,160	$ 2,873,160	$ 2,873,160
36.790 %	39.390 %	38.400 %	44.265 %	47.139 %	53.406 %

CITY OF ST. FRANCIS, MINNESOTA

Table 6

STATISTICAL SECTION (UNAUDITED)

PROPERTY TAX CAPACITY RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Year Taxes Payable	City			Overlapping Rates				Totals	
	General	Debt Service	Total	Anoka County	School District No. 15	School District No. 728	Special Districts	No. 15	No. 728
2003	44.260 %	0.000 %	44.260 %	38.469 %	28.662 %	41.352 %	4.637 %	116.028 %	128.718 %
2004	34.850	0.000	34.850	35.765	19.063	30.953	4.233	93.911	105.801
2005	40.650	0.000	40.650	33.581	18.524	32.848	4.443	97.198	111.522
2006	38.150	0.000	38.150	32.543	23.077	35.950	4.016	97.786	110.659
2007	36.790	0.000	36.790	31.094	24.625	33.208	3.912	96.421	105.004
2008	39.390	0.000	39.390	31.453	23.174	32.344	5.224	99.241	108.411
2009	38.161	0.239	38.400	32.445	20.965	36.136	3.797	95.607	110.778
2010	43.932	0.333	44.265	35.574	24.859	39.967	4.455	109.153	124.261
2011	46.800	0.339	47.139	40.376	28.793	43.489	4.478	120.786	135.482
2012	53.015	0.391	53.406	41.615	32.835	45.548	3.875	131.731	144.444

Source: Anoka County Property Records and Taxation Department.

Note: Overlapping rates are those of local and County governments that apply to property owners within the City. Not all overlapping rates apply to all City property owners (e.g. the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district).

CITY OF ST. FRANCIS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
PRINCIPAL PROPERTY TAXPAYERS
DECEMBER 31, 2012

Table 7

	2012			2005		
	Net Tax Capacity	Rank	Percent of Total Net Tax Capacity	Net Tax Capacity	Rank	Percent of Total Net Tax Capacity
Alliant Techsystems	$ 201,333	1	3.64 %	$ 199,220	1	4.00 %
St. Francis Realty LLC	103,484	2	1.87	113,279	2	2.28
ALS Properties Woodhaven LLC	101,571	3	1.84	92,235	3	1.85
Connexus Energy	71,136	4	1.29	80,778	4	1.62
King Exchange LLC	68,962	5	1.25	-	-	-
Minnegasco Inc.	50,594	6	0.91	36,370	5	0.73
Central Bank	34,864	7	0.63	-	-	-
Northern Capital Improvements	28,201	8	0.51			
Village Bank	26,786	9	0.48	30,211	7	0.61
Jensen Family LP	24,732	10	0.45	-	-	-
Abbey Field LP	-	-	-	33,628	6	0.68
Turtle Ridge Townhomes of St. Francis	-	-	-	28,798	8	0.58
Brama Brothers Enterprises, LLC	-	-	-	28,401	9	0.57
The Ponds Golf Course LLC	-	-	-	22,710	10	0.46
Total	$ 711,663		12.87 %	$ 665,630		13.38 %

Source: Anoka County Property Records and Taxation Department.

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CITY OF ST. FRANCIS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Table 8

Fiscal Year	Original Gross Levy	Net Levy	Collection of Current Year's Levy	Percentage of Levy Collected	Collection of Prior Years' Levy	Total Collections	Percentage of Total Collections to Levy
2003	$ 1,554,373	$ 1,419,640	$ 1,385,847	97.62 %	$ 33,793	$ 1,419,640	100.00 %
2004	1,521,752	1,381,744	1,358,373	98.31	23,369	1,381,742	100.00
2005	1,979,977	1,819,895	1,783,612	98.01	36,269	1,819,881	100.00
2006	2,167,157	2,020,659	1,969,696	97.48	50,825	2,020,521	99.99
2007	2,402,157	2,266,988	2,170,996	95.77	93,917	2,264,913	99.91
2008	2,690,415	2,550,066	2,448,984	96.04	96,239	2,545,223	99.81
2009	2,724,202	2,579,929	2,492,264	96.60	74,565	2,566,829	99.49
2010	2,873,160	2,856,338	2,770,029	96.98	54,252	2,824,281	98.88
2011	2,873,160	2,704,618	2,665,913	98.57	30,743	2,696,656	99.71
2012	2,873,160	2,873,160	2,847,168	99.10	-	2,847,168	99.10

CITY OF ST. FRANCIS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	Governmental Activities					
Fiscal Year	General Obligation Bonds	Lease Revenue Bonds	Equipment Certificates	Capital Leases	Contract for Deed	Promissory Notes
2003	$ -	$ -	$ 12,000	665,018	$ -	$ -
2004	-	-	-	609,823	-	273,175
2005	-	-	-	547,226	-	217,323
2006	-	-	-	481,034	-	159,083
2007	1,110,000	-	-	411,032	-	97,761
2008	1,110,000	-	-	276,317	-	33,428
2009	1,065,000	-	-	221,834	-	-
2010	1,010,000	-	-	163,739	150,000	-
2011	950,000	-	-	101,793	-	-
2012	885,000	8,200,000	-	75,070	-	-

Details regarding the City's outstanding debt can be found in the notes to the financial statements.
See the Demographic Statistics table on page 139 for personal income and population data.
* - Personal income and population data were not available for the current year, therefore these calculations were not possible.

Table 9

Business-type Activities				
General Obligation Revenue Bonds	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
$ 5,395,000	$ -	$ 6,072,018	3.00 %	$ 983
5,135,000	-	6,017,998	2.72	926
3,570,000	-	4,334,549	1.78	605
6,150,000	-	6,790,117	2.68	943
8,445,000	-	10,063,793	3.58	1,347
16,825,231	-	18,244,976	6.56	2,464
14,543,660	-	15,830,494	5.18	2,152
15,527,000	-	16,850,739	5.84	2,335
14,899,000	-	15,950,793	5.53	2,210
14,204,000	-	23,364,070	*	*

CITY OF ST. FRANCIS, MINNESOTA **Table 10**

STATISTICAL SECTION (UNAUDITED)

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Bonds	Less Amounts Available in Debt Service Funds	Net Bonded Debt	Percentage of Estimated Market Value of Taxable Property	Per Capita
2003	5,395,000	3,584,364	1,810,636	0.57 %	293
2004	5,135,000	4,226,773	908,227	0.27	140
2005	3,570,000	3,484,047	85,953	0.02	12
2006	6,150,000	3,477,478	2,672,522	0.56	371
2007	9,555,000	2,642,776	6,912,224	1.30	925
2008	17,935,231	2,934,413	15,000,818	2.58	2,026
2009	15,608,660	850,341	14,758,319	2.57	2,006
2010	16,537,000	209,998	16,327,002	3.07	2,262
2011	15,849,000	194,054	15,654,946	3.33	2,169
2012	15,089,000	145,274	14,943,726	3.17	2,060

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

See Assessed Value and Estimated Actual Value of Taxable Property on page 126-127 for property value data.

See the Demographic Statistics on page 139 for population data.

* - Population data was not available for the current year, therefore this calculation was not possible.

CITY OF ST. FRANCIS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2012

Table 11

	Net Debt	Percentage Applicable to City	Amount Applicable to City of St. Francis Share of Debt
Direct debt			
City of St. Francis	$ 8,312,166	100.00 %	$ 8,312,166
Overlapping debt			
Anoka County	$ 150,438,506	1.90 %	$ 2,858,332
Isanti County	$ 8,505,000	0.03	$ 2,552
School District 15	40,630,000	20.63	8,381,969
Metropolitan Council	618,674	0.20	1,237
Metro Transit	317,355,092	0.23	729,917
Total overlapping debt	$ 517,547,272		$ 11,974,006
Total direct and overlapping debt	$ 525,859,438		$ 20,286,172

Sources : Market value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment. Debt outstanding data provided by the county.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

* The percentage of overlapping debt applicable is estimated using taxable market property values. Applicable percentages were estimated by determining the portion of the county's taxable market value that is within the City's boundaries and dividing it by the county's total taxable market value.

CITY OF ST. FRANCIS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year			
	2003	2004	2005	2006
Estimated Market Value of Taxable Property	$317,544,200	$339,952,100	$448,509,600	$478,204,200
Statutory percentage	2.0%	2.0%	2.0%	2.0%
Statutory debt limit	6,350,884	6,799,042	8,970,192	9,564,084
Total net debt applicable to limit	-	-	-	-
Legal debt margin	$ 6,350,884	$ 6,799,042	$ 8,970,192	$ 9,564,084

Table 12

Fiscal Year					
2007	2008	2009	2010	2011	2012
$530,492,500	$580,707,700	$575,145,900	$531,385,600	$470,686,700	$462,638,100
2.0%	2.0%	2.0%	3.0%	3.0%	3.0%
10,609,850	11,614,154	11,502,918	15,941,568	14,120,601	13,879,143
-	-	-	-	-	-
$ 10,609,850	$ 11,614,154	$ 11,502,918	$ 15,941,568	$ 14,120,601	$ 13,879,143

Legal Debt Margin Calculation for Fiscal Year 2012

Estimated Market Value of Taxable Property	$462,638,100
Statutory percentage	3.0%
Statutory debt limit	$ 13,879,143
Total bonds outstanding	$ 23,289,000
Less: Special assessment bonds	(885,000)
Less: Utility revenue bonds	(14,204,000)
Less: Lease revenue bonds	(8,200,000)
Debt applicable to limit	-
Legal debt margin	$ 13,879,143

Table 13

CITY OF ST. FRANCIS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS

	G.O. Special Assessment Bonds						
Fiscal	Property	Special	Revenue	Debt Service			
Year	Taxes	Assessments	Available	Principal	Interest	Total	Coverage
2003	$ -	$ -	$ -	$ -	$ -	$ -	- %
2004	-	-	-	-	-	-	-
2005	-	-	-	-	-	-	-
2006	-	-	-	-	-	-	-
2007	-	80,204	80,204	-	-	-	-
2008	-	89,739	89,739	-	30,322	30,322	2.960
2009	12,394	50,958	63,352	45,000	45,008	90,008	0.704
2010	19,311	40,766	60,077	55,000	43,132	98,132	0.612
2011	19,759	23,575	43,334	60,000	40,708	100,708	0.430
2012	21,098	32,359	53,457	65,000	38,328	103,328	0.517

	G.O. Revenue Bonds						
Fiscal	Operating	Operating	Net	Debt Service			
Year	Revenue (1)	Expenses (2)	Revenue	Principal (3)	Interest	Total	Coverage
2003	833,015	472,790	360,225	290,000	283,129	573,129	62.852
2004	884,975	576,496	308,479	260,000	269,164	529,164	58.296
2005	955,277	599,749	355,528	320,000	223,468	543,468	65.418
2006	1,678,507	641,825	1,036,682	260,000	229,174	489,174	211.925
2007	2,063,779	608,211	1,455,568	820,000	252,600	1,072,600	135.705
2008	1,839,970	719,343	1,120,627	195,000	313,036	508,036	220.580
2009	1,950,118	829,000	1,121,118	569,808	499,607	1,069,415	104.835
2010	1,937,225	884,196	1,053,029	616,660	448,408	1,065,068	98.870
2011	1,941,843	947,105	994,738	628,000	470,399	1,098,399	90.563
2012	2,079,464	963,799	1,115,665	695,000	453,680	1,148,680	97.126

(1) Operating revenues includes connection fees.
(2) Excluding depreciation.
(3) Net of crossover refunding.

CITY OF ST. FRANCIS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Table 14

Year	(1) Population	(2) Personal Income	(3) Per Capita Personal Income	(4) Unemployment Rate
2003	6,177	$202,451,175	$ 32,775	4.5 %
2004	6,500	220,993,500	33,999	4.8
2005	7,163	243,556,326	34,002	4.5
2006	7,201	253,007,135	35,135	4.0
2007	7,473	280,797,975	37,575	4.0
2008	7,404	278,205,300	37,575	4.6
2009	7,356	305,605,020	41,545	5.5
2010	7,218	288,727,218	40,001	8.5
2011	7,218	288,618,948	39,986	5.9
2012	7,255	290,098,430	39,986	5.6

(1) Metropolitan Council
(2) Estimates by the City. Calculated by multiplying per capita personal income and the population.
(3) Anoka County
(4) Minnesota Department of Employment and Economic Development
* Information not available at time of publication

CITY OF ST. FRANCIS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO (1)

Table 15

	2012			2006		
	Employees	Rank	Percent of City Employment	Employees	Rank	Percent of City Employment
Independent School District #15 (includes Bus Garage)	832	1	55.47 %	455	1	41.36 %
County Market	85	2	5.67	90	2	8.18
Temperature Specialists, Inc.	57	3	3.80	33	7	3.00
McDonald's	54	4	3.60	58	3	5.27
Beef O'Bradys	40	5	2.67	-	-	-
Northland Screw Products	38	6	2.53	30	8	2.73
Commercial Drywall, Inc	35	7	2.33	-	-	-
City of St. Francis	33	8	2.20	36	5	3.27
The Ponds Golf Course & Restaurant	29	9	1.93	48	4	4.36
Kid's Country	26	10	1.73	27	9	2.45
Remer Brant Inn	25	11	1.67	-	-	-
St Francis Foods	23	12	1.53	-	-	-
Fine Design Concrete	20	13	1.33	-	-	-
Village Bank	13	14	0.87	-	-	-
Fairview Clinic	10	15	0.67	-	-	-
St. Francis Physical Therapy	8	16	0.53	-	-	-
Casey's General Store	-	-	-	12	10	1.09
Total	1,328		88.53 %	789		71.71 %

(1) Information was not available for 2003. The City used the next year available.

CITY OF ST. FRANCIS, MINNESOTA **Table 16**

STATISTICAL SECTION (UNAUDITED)

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION

LAST TEN FISCAL YEARS (1)

Function	2007	2008	2009	2010	2011	2012
General government	4	5	5	5	5	5
Public safety						
Police	12	12	12	12	12	12
Public works	3	3	3	3	3	3
Culture and recreation	3	2	3	3	3	3
Water	3	2	2	2	2	2
Sewer	3	2	2	2	2	2
Municipal Liquor Store	5	5	4	4	4	4
Total	33	31	31	31	31	31

Source: various city departments

(1) The City began tracking this information during 2007. This table will be updated on a go-forward basis.

CITY OF ST. FRANCIS, MINNESOTA **Table 17**

OPERATING INDICATORS BY FUNCTION

LAST TEN FISCAL YEARS (1)

Function	2007	2008	2009	2010	2011	2012
General government						
Ordinances & Resolutions adopted	93	42	51	54	61	66
Administration - Licenses processed	44	41	40	34	41	34
Finance - Payroll checks issued	1245	1217	1,229	1,240	1,259	1,245
Finance - Invoices paid	3871	5105	5,394	3,371	3,262	3,276
Police						
Chargeable offenses (Parts 1 & 2)	1402	1073	1,042	857	735	997
Miscellaneous offenses (Parts 3 & 4)	4686	4627	3,993	4,297	4,124	4,378
Public safety calls for service	7403	6776	5,995	5,154	4,859	5,375
Traffic citations issued	1315	1076	960	723	695	899
Fire						
Number of calls answered	394	371	462	397	393	415
Code enforcement						
Building permits issued	460	450	264	232	305	428
Highways and streets						
Asphalt Streets maintained	36	36	36	36	36	36
Gravel maintenance (miles)	11	11	11	12	12	12
Gravel usage (Tons)	N/A	3899	7,465	3,600	-	4,200
Sand/Salt usage (tons)	115	190	136	233	211	223
Water						
Water pumped (million gallons)	221	186	200	187	174	195
Water main breaks repaired	N/A	N/A	N/A	1	-	1
Wastewater						
Gallons of wastewater treated (millions)	107	105	120	102	132	116
Miles of sewer mains cleaned	N/A	5	4	3	3	4

Sources: Various government departments.

(1) The City began tracking this information during 2007. This table will be updated on a go-forward basis.

CITY OF ST. FRANCIS, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
MISCELLANEOUS STATISTICS
DECEMBER 31, 2012

Table 18

Year of incorporation	1974
Area of City	23.70 square miles
Miles of roadways	
City	47.0
State / County	26.9
Private	4.5
Water system	
Number of hydrants	
City	269
Private	68
Number of wells	3
Miles of water mains	
City	24.7
Private	7.4
Raw	0.6
Abandoned	0.2
Sewer system	
Lift stations	
City	12
Private	2
Miles of sewer mains	
City	20.6
Private	5.7
Number of manholes	
City	504
Private	142
Fire protection	
Number of stations	1
Number of employees	22
Police protection	
Number of stations	1
Number of employees	12
Parks	
Number	14
Acres	83.0
Elections	
Registered voters last election	4,743
Number of votes cast last election	3,673
Percentage of registered voters voting	77.44%

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CITY OF ST. FRANCIS, MINNESOTA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS (1)

Table 19

Function	2007	2008	2009	2010	2011	2012
Public Safety						
Police						
Stations	1	1	1	1	1	1
Patrol units	6	6	6	6	6	6
Fire stations						
Stations	1	1	1	1	1	1
Public Works						
Highways and streets						
Streets (miles)	47	47	47	47	47	47
Street lights					201	-
Traffic signals	1	1	1	1	1	1
Culture and recreation						
Parks division						
Parks	14	14	14	14	14	14
Parks acreage	83	83	83	83	83	83
Utilities						
Water						
Miles of water main	24.7	24.7	24.7	24.7	24.7	24.7
Consumers	4,347	4,790	4,393	4,475	4,475	4,380
Maximum daily capacity (gallons)	1,000,000	1,000,000	1,950,000	1,950,000	1,950,000	1,950,000
Sewer						
Miles of sanitary sewer	20.6	20.6	20.6	20.6	20.6	20.6
Lift stations	12	12	12	12	12	12
Maximum daily treatment capacity (gallons)	540,000	540,000	540,000	540,000	540,000	540,000
Storm sewer						
Miles of storm sewer					16.7	16.7

Source: City of St. Francis, Minnesota
Note: No capital asset indicators are available for the general government function.

(1) Information prior to 2007 was not maintained by the City. The table will be updated on a go-forward basis.