

CITY OF MAPLE PLAIN
MAPLE PLAIN, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2012

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CITY OF MAPLE PLAIN, MINNESOTA
ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

**CITY OF MAPLE PLAIN
MAPLE PLAIN, MINNESOTA**

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

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CITY OF MAPLE PLAIN, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2012

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Sweeney	Mayor	12/31/12
Jerry Young	Council Member	12/31/14
Roger Hackbarth	Council Member	12/31/14
Dave Eisinger	Council Member	12/31/12

APPOINTED

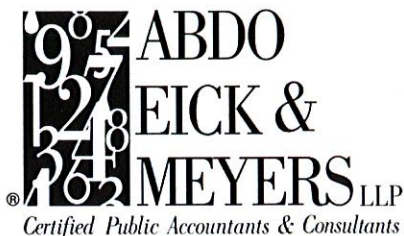
Justin McCoy	Council Member	12/31/12
Jason Ziemer	City Administrator	

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FINANCIAL SECTION
CITY OF MAPLE PLAIN
MAPLE PLAIN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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5201 Eden Avenue
Suite 250
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Maple Plain, Minnesota

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Plain, 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 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 March 27, 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, cash flows, where applicable, and the budgetary comparisons for the General and Fire Partnership funds thereof 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 8 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standard 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 13 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 an opinion on the basic financial statements that collectively comprise the City's financial statements as a whole. The introductory section, 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 financial statements. The 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 financial statements or to the 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 financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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.

March 8, 2013
Minneapolis, Minnesota

Abdo, Eick & Meyers, LLP
ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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Management's Discussion and Analysis

As management of the City of Maple Plain, 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$9,588,648 (*net position*). Of this amount, \$4,301,875 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$1,609,307 from 2011. The increase was supported primarily by general revenues, including property taxes, unrestricted grants and contributions, and interest earned on investments. Another reason for the increase was from operating income from the Water, Sewer, and Storm Water funds.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,029,471, an increase of \$659,099 in comparison with the prior year. Approximately 39 percent of this total amount, \$1,179,294, 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 \$1,179,294, or 87 percent of total 2012 General fund expenditures. The General fund balance increased \$26,566 over the prior year.
- The City's total outstanding debt increased by \$1,203,745 during the current fiscal year. This was due to the City issuing new debt during the year.

Overview of the Financial Statements

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

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

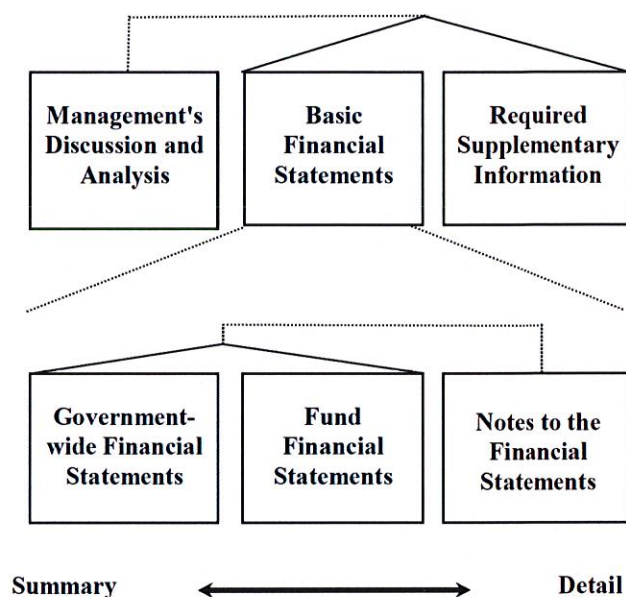


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

	Government-wide Statements	Fund Financial 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	<ul style="list-style-type: none"> • Statement of Net Positions • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Positions • Statements of Revenues, Expenses and Changes in Fund Net Positions • 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 deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference 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, culture and recreation, economic development and interest on long-term debt. The business-type activities of the City include water, sewer and storm water.

The government-wide financial statements start on page 29 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 governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following categories: governmental funds and proprietary 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 11 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, Fire Partnership fund, Capital Project fund, Park and Ride fund and Capital Improvement fund, which are considered to be major funds. Data from the other 6 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 and the Fire Partnership fund. A budgetary comparison statement has been provided for the both to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 34 of this report.

Proprietary funds. The City maintains one type of proprietary funds. *Enterprise 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 storm water 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.

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 55 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 76 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resource by \$9,588,648 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (54 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 Maple Plain's Summary of Net Positions

	Governmental Activities			Business-type Activities		
	2012	Restated 2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Assets						
Current and other assets	\$ 3,395,973	\$ 2,501,043	\$ 894,930	\$ 1,322,869	\$ 1,169,432	\$ 153,437
Capital assets	4,290,744	2,572,995	1,717,749	5,544,021	5,327,748	216,273
Total assets	7,686,717	5,074,038	2,612,679	6,866,890	6,497,180	369,710
Liabilities						
Noncurrent liabilities	1,776,200	375,865	1,400,335	2,850,727	3,047,317	(196,590)
Other liabilities	301,315	114,912	186,403	36,717	53,783	(17,066)
Total liabilities	2,077,515	490,777	1,586,738	2,887,444	3,101,100	(213,656)
Net position						
Net investment in capital assets	2,526,371	2,212,065	314,306	2,694,021	2,281,248	412,773
Restricted for						
Debt service	66,381	-	66,381	-	-	-
Unrestricted	3,016,450	2,371,196	645,254	1,285,425	1,114,832	170,593
Total net position	\$ 5,609,202	\$ 4,583,261	\$ 1,025,941	\$ 3,979,446	\$ 3,396,080	\$ 583,366

The remaining balance of *unrestricted* (\$4,301,875) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The City's net position increased \$1,609,307 during the current fiscal year. The governmental activities increased net position by \$1,025,941 and the business-type activities increased the net position by \$583,366.

Current and other assets above include cash/investments, receivables, due from other governments, inventories, and prepaid items. Non current liabilities include compensated absences, bonds payable and notes payable. Other liabilities include accounts payable, salaries payable, due to other governments, unearned revenue and accrued interest payable.

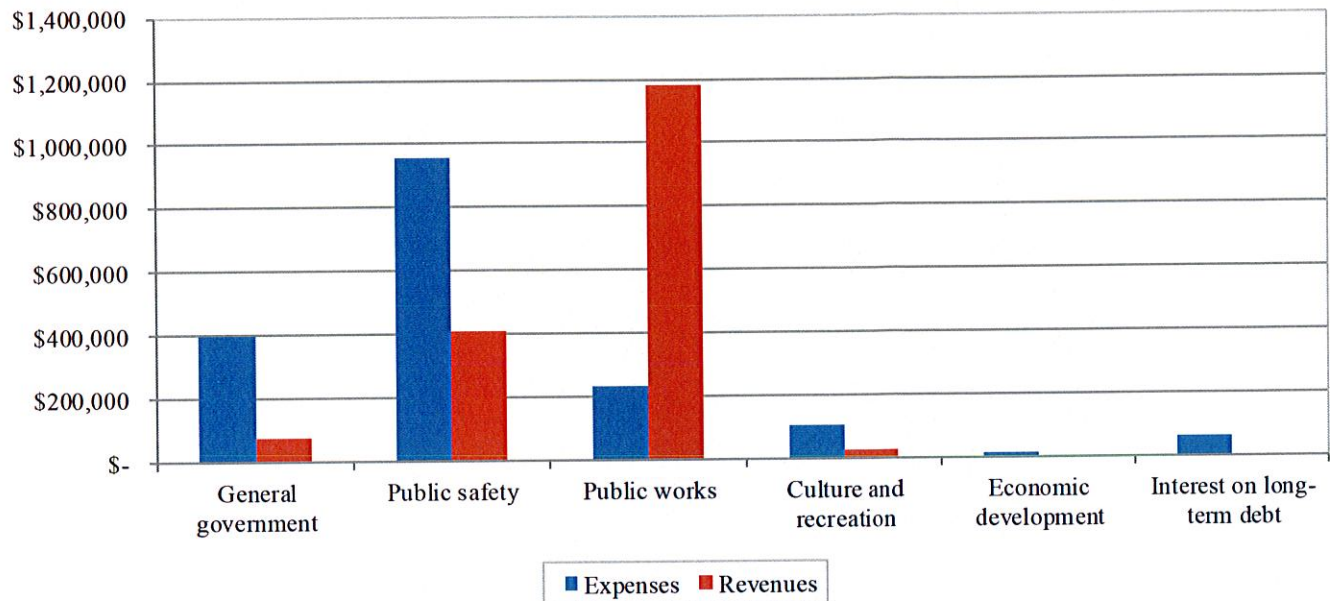
Governmental activities. Governmental activities increased the City's net position by \$1,025,941, thereby accounting for 63.8 percent of the total increase in net position. The statement of activities starts on page 30. Key elements of these changes are as follows:

City of Maple Plain's Changes in Net Positions

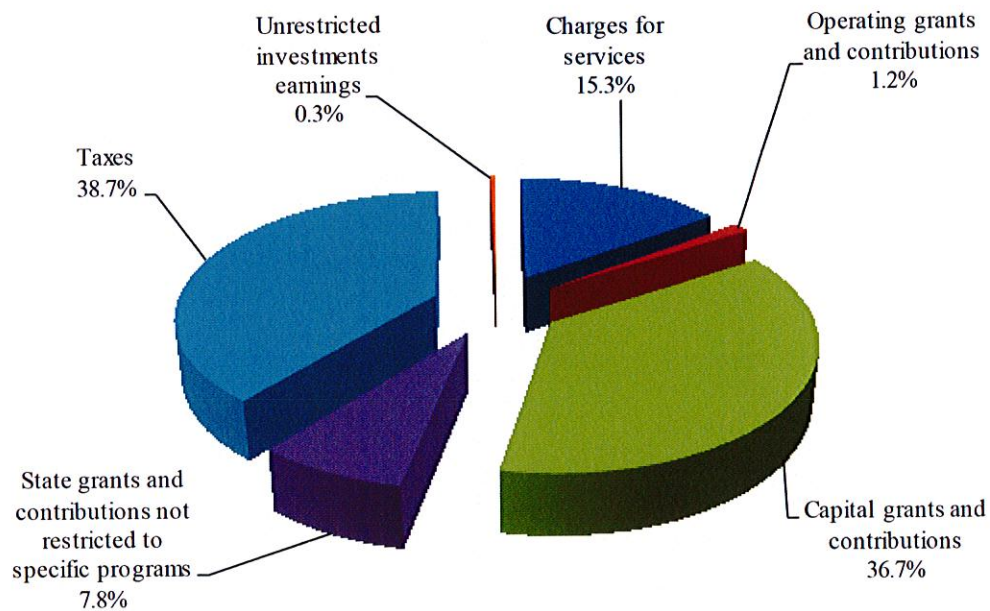
	Governmental Activities			Business-type Activities		
	2012	Restated 2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 486,244	\$ 489,330	\$ (3,086)	\$ 903,158	\$ 821,241	\$ 81,917
Operating grants and contributions	36,579	32,676	3,903	-	-	-
Capital grants and contributions	1,163,904	38,503	1,125,401	5,029	14,014	(8,985)
General revenues						
Taxes	1,226,885	1,141,801	85,084	-	-	-
State grants and contributions not restricted to specific programs	248,251	243,284	4,967	-	-	-
Unrestricted investment earnings	10,669	10,806	(137)	5,080	4,616	464
Sale of capital assets	1,500	-	1,500	-	-	-
Total revenues	<u>3,174,032</u>	<u>1,956,400</u>	<u>1,217,632</u>	<u>913,267</u>	<u>839,871</u>	<u>73,396</u>
Expenses						
General government	396,180	353,050	43,130	-	-	-
Public safety	955,406	921,749	33,657	-	-	-
Public works	229,332	264,602	(35,270)	-	-	-
Culture and recreation	103,862	44,792	59,070	-	-	-
Economic development	10,812	30,869	(20,057)	-	-	-
Interest on long-term debt	62,967	17,245	45,722	-	-	-
Water	-	-	-	316,404	363,087	(46,683)
Sewer	-	-	-	380,617	325,482	55,135
Storm sewer	-	-	-	22,412	65,775	(43,363)
Total expenses	<u>1,758,559</u>	<u>1,632,307</u>	<u>126,252</u>	<u>719,433</u>	<u>754,344</u>	<u>(34,911)</u>
Transfers	<u>(389,532)</u>	<u>(214,126)</u>	<u>(175,406)</u>	<u>389,532</u>	<u>214,126</u>	<u>175,406</u>
Change in net position	<u>1,025,941</u>	<u>109,967</u>	<u>915,974</u>	<u>583,366</u>	<u>299,653</u>	<u>283,713</u>
Net position, January 1 restated	<u>4,583,261</u>	<u>4,473,294</u>	<u>109,967</u>	<u>3,396,080</u>	<u>3,096,427</u>	<u>299,653</u>
Net position, December 31	<u>\$ 5,609,202</u>	<u>\$ 4,583,261</u>	<u>\$ 1,025,941</u>	<u>\$ 3,979,446</u>	<u>\$ 3,396,080</u>	<u>\$ 583,366</u>

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

Expenses and Program Revenues - Governmental Activities



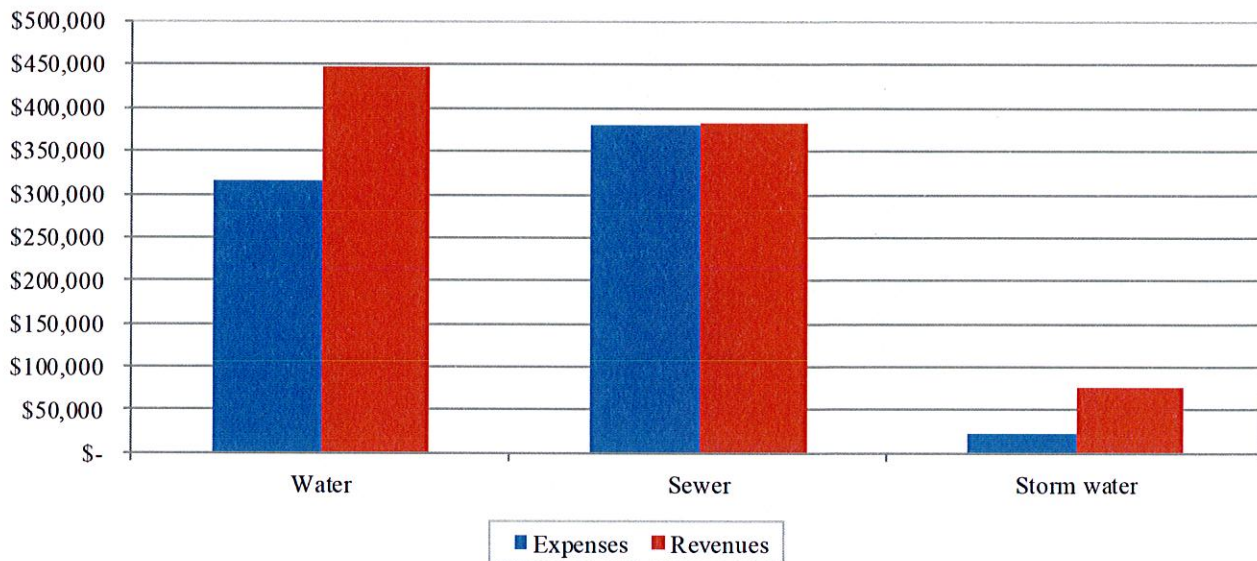
Revenues by Source - Governmental Activities



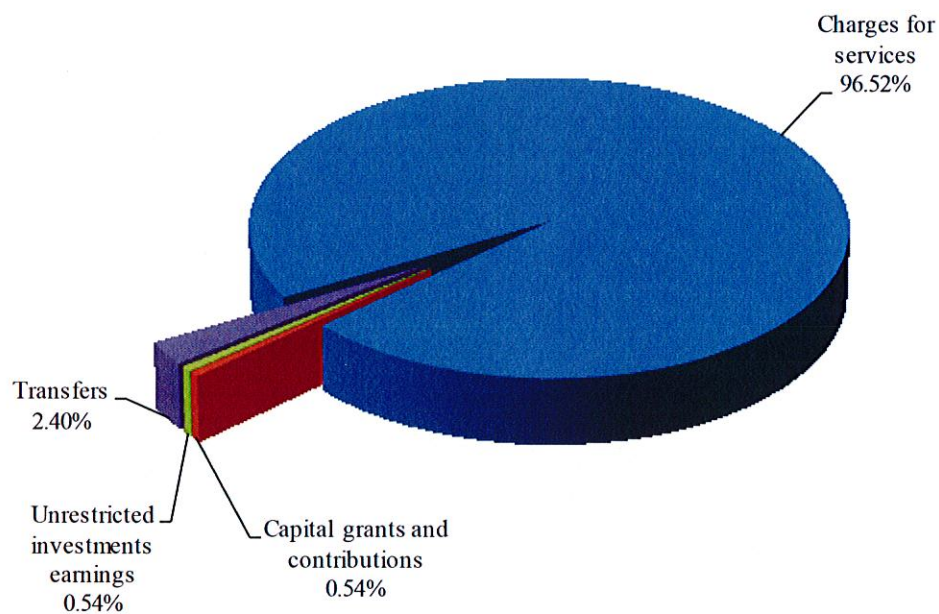
Business-type activities. Business-type activities increased the City’s net position by \$583,366, accounting for 36.2 percent of the total increase in the City’s net position. Key elements of this increase are as follows:

- The operations of the business-type activities were able to produce an operating margin of over \$247,000.

Expenses and Program Revenues - Business-type Activities



Revenues 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 \$3,029,471. The remainder of fund balance (\$1,850,177) is not available for new spending because it is either 1) restricted (\$17,236) 2) committed (\$501,849) or 3) assigned (\$1,331,092) for the purposes described in the notes to the financial statements.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$1,203,286. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to the following years' budgeted expenditures. Total fund balance represents 75 percent of that same amount.

The fund balance of the City's General fund increased \$26,566 during the current fiscal year. The key factor of this increase was that revenues were in excess of expenditures along with positive budget variances.

The Fire Partnership has a total fund balance of \$493,158, an increase of \$79,047 from the prior year. The key factor of this increase was that revenues were in excess of expenditures along with positive budget variances.

The Capital Project fund has a total fund balance of \$297,466, an increase of \$565,027 from the prior year. The key factor of this increase was the receipt of bond proceeds.

The Capital Improvement fund has a total fund balance of \$551,214, an increase of \$112,913 from the prior year. The key factor of this increase was transfers from other funds.

The Park and Ride fund has a zero fund balance at the end of the year and was supported by intergovernmental revenue.

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 \$1,285,425. The total increase in net position for the funds was \$583,366. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Fiscal Year 2012 continued the five year trend of a strong financial performance for the City of Maple Plain. The City's financial position earned it an AA bond rating from Standard and Poor's. The year-end 2012 General fund balance improved by \$26,566 from \$1,176,720 in 2011 to \$1,203,286. The fund balance increase pushed the City's reserve balance to 71.8 percent of the 2013 General fund budget. City caps the reserve balance at 60.0 percent, which will require the City Council to allocate the additional funding for other purposes. Total expenditures, including year-end transfers were \$1,602,248; total revenues were \$1,628,814. For the first time since 2008 Local Government Aid remained unchanged. From 2008 to 2011 the City had lost more than \$400,000 in LGA

As it has done in each of the previous five years, the City Council transferred funds to capital and project-specific funds to pay for future capital improvements, street maintenance, equipment replacement and other needs identified by the City Council. The money in each fund can be used to toward debt payments or as a cash withdrawal toward the purchase of equipment, for example. The decision to set funding aside enabled the City Council to move forward with several capital projects - two in 2011 and seven in 2012. Year end 2012 fund balances were:

- Street Maintenance (250): \$62,746
- Capital Improvement fund (400): \$551,214
- Park Improvement fund (401): \$0
- Building fund (402): \$111,817
- Equipment Replacement fund (501): \$283,857
- Water CIP fund (621): \$198,574
- Sewer CIP fund (622): \$48,099
- Storm Water CIP fund (623): \$100,495

The year will mostly be remembered for its community projects work. The seven capital improvement projects, included reconstructing Oak Street and Boundary Avenue and updating their infrastructure, resurfacing a Howard Avenue, replacing the tennis courts at Rainbow Park, renovating the water tower, upgrading the sanitary sewer lift station, and constructing the park and pool. In all, the total reinvestment in these community assets, including the two projects completed in 2011, totaled nearly \$2.5 million. To help fund these projects the City Council sold bonds totaling \$1,465,000 and will repay them back over 15 years. The City Council also invested \$25,000 into the City's Centennial Celebration in August.

Fire Partnership Budgetary Highlights

Despite minor increases in the Fiscal Year 2012 budget the Fire Commission was able to keep monthly service rates paid by each City the same as the previous year through the use of reserves. The Partnership saw the fund balance increase in the Fire fund grow by \$79,047 to \$493,158. During the year the Fire Commission created a Debt Service fund (803) and transferred funds (\$226,090) into it to cover remaining debt payments on the 2009 fire truck. Other fund balances are: \$169,626 (801: Operations) and \$107,523 (802: Capital). The Commission will be looking to replace the Fire Suburban and overhaul other fire service vehicles in 2013.

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 amount to \$9,834,765 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, and roads and other infrastructure.

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

- The City continued work on the Oak & Boundary improvement project in 2012. Total costs for the project totaled \$682,811. The project is still ongoing.
- The City started work on mill and overlay improvement for Howard Avenue. Total costs for the project totaled \$110,047. The project is still ongoing.
- The City also started work on Park and Ride lot project. Total costs for the project totaled \$687,040. The project is still ongoing.
- The City started and completed a water tower project in 2012. The total costs of this project were \$367,087.
- The City started and completed a tennis court for rainbow park. The total costs of this project were \$89,177.
- The City started work on the Highway 12 Lift Station generator project for \$49,088. The project is still ongoing.

Additional information on the City's capital assets can be found in Note 3B starting on page 65 of this report.

City of Maple Plain's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Land	\$ 1,511,172	\$ 1,511,172	\$ -	\$ -	\$ -	\$ -
Construction in progress	1,804,845	77,209	1,727,636	-	-	-
Buildings and structures	131,410	146,671	(15,261)	-	-	-
Improvements other than buildings	97,703	9,853	87,850	-	-	-
Infrastructure	-	-	-	5,522,022	5,304,409	217,613
Machinery and equipment	745,614	828,090	(82,476)	21,999	23,339	(1,340)
Total	<u>\$ 4,290,744</u>	<u>\$ 2,572,995</u>	<u>\$ 1,717,749</u>	<u>\$ 5,544,021</u>	<u>\$ 5,327,748</u>	<u>\$ 216,273</u>

Long-term debt. At the end of the current fiscal year, the City had outstanding a G.O. Revenue bonds in the amount of \$2,850,000 and outstanding General Obligation bonds in the amount of \$1,670,000. It also had outstanding capital leases payable totaling \$94,373.

Additional information on the City's long-term debt can be found in Note 3D starting on page 68 of this report.

City of Maple Plain's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Notes Payable	\$ 94,373	\$ 110,930	\$ (16,557)	\$ -	\$ -	\$ -
G.O. Bonds Payable	1,670,000	250,000	1,420,000	-	-	-
Revenue Bonds Payable	-	-	-	2,850,000	3,046,500	(196,500)
Compensated Absences Payable	11,827	14,935	(3,108)	727	817	(90)
Total	<u>\$ 1,776,200</u>	<u>\$ 375,865</u>	<u>\$ 1,400,335</u>	<u>\$ 2,850,727</u>	<u>\$ 3,047,317</u>	<u>\$ (196,590)</u>

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The City's applicable outstanding debt at year end is well below the statutory limit.

Economic Factors And Next Year's Budgets And Rates

The most impressive aspect of the City's consecutive financial performances is it has done so while weathering the storm of continual declines in property values and either stable or shrinking non-tax revenues. Shrinking property values equaled a greater impact from the Market Value Exclusion (MVE) program, introduced by the Minnesota Legislature in 2011. Declining values meant lower values properties received greater MVE benefit and likely increased the number of properties eligible to receive the benefit. The impact was a pronounced increase in the property tax rate, despite a minimal increase in the City's budget and levy for Fiscal Year 2013. The 2013 budget saw an increase of 1.9 percent, or \$31,194, primarily due to the hiring of additional police officers to replace retiring officers. The property tax levy also increased by \$31,194. According to the City's assessor property values for the community are expected to start climbing for the 2014 tax year.

Cuts to the City's state aid monies - more than \$400,000 - from 2008 to 2012 and an essential flattening of all other non-tax revenue sources shifted the City's revenue dependency toward property taxes - now nearly 85 percent of all annual revenues. Given the size of the City, and no interest by the Legislature to recognize the importance of LGA to communities like Maple Plain, it is likely the current revenue picture will become the new normal for the City. This will present an ongoing challenge for the City Council as it budgets for current years and prepares to address the future needs of the community.

Water and sanitary sewer rates were held constant for 2013. Fiscal 2013 will mark the third consecutive year water rates have held constant. Sanitary sewer rates were increased by 12.5 percent to \$74.03 (fixed) and \$6.10 (volume) in 2012 due to an unexpected cost in water treatment - an additional \$60,563 in treatment costs. The 2013 treatment charge is back down to what the community would view as a typical annual cost - \$170,842 - thanks in part to a dry winter. Operating revenues in the sewer fund slightly outgained expenditures for the first time since 2010. Keeping sewer rates the same for 2013 are expected to generate a profit and pull the sewer fund out of a three-year deficit. Water fund budgeted operational expenses and projected revenues continue to estimate the fund will break even for 2013 even though the fund's cash and temporary investment balance has grown each of the past three years. Despite the issuance of new debt in 2012 the City continues to make great headway on repayment of previous obligations in both the water and sewer operations.

Signs of the City's long-term redevelopment initiatives are underway. Construction on the park and pool project was finished in December 2012; bus service is still hoped to start by 2016. The City was awarded a \$895,766 Livable Communities grant from the Metropolitan Council to assist with the acquisition and demolition of the proposed downtown redevelopment project and reconstruction of the two adjacent streets. Conversations are also underway with North Memorial to open a clinic in the community; the clinic would be part of the development project. The resurfacing work on Highway 12 was also completed in 2012, which included a new pedestrian crossing location.

After completing nine community investment projects in the past two years, including seven projects in Summer 2012, Fiscal Year 2013 is likely to be quiet. The City sold \$1,465,000 in bonds to help pay for those projects. There are several smaller projects being considered for 2013, including the completion of the Halgren Road watermain and the lining of the Main Street West sanitary sewer main. The City will also look to complete the new Highway 12 pedestrian crossing by installing the red light pedestrian signals.

Projected Economic Factors:

- Uncertainty continues to surround the Local Government Aid (LGA) program. Governor Mark Dayton has proposed changes to the program formula, which over time could continue to erode away the City's annual allotment. Under the Governor's proposal, the City could see a slight bump in LGA for 2014, from \$240,047 to \$293,627. The current 2014 certified LGA amount for the City is \$228,007, or \$12,040 less than 2012. The City has lost more than \$400,000 in state aid monies since 2008. The amount paid to the City in 2012 was the same as 2011.
- As a fully developed community, the continuation of the Market Value Exclusion (MVE) program for residential properties, instituted by the State Legislature in 2011, will continue to affect the City's ability to make service costs more affordable. The MVE program reduces the taxable value of a property, which has a direct impact on the City's tax rate.
- The City Council levied back \$44,857 in lost 2011 LGA for Fiscal Year 2012 to maintain current operational levels and preserve funding for long-term capital projects. The City Council has discussed and should continue to discuss strategies to reduce dependency on state aids and how such reductions impact City operations, services and capital projects, and if said strategies include increasing the tax levy or reducing operation expenses and City services.
- City revenues are more dependent on property taxes today than five years ago. This is due to the loss of state aid monies. Unless more significant redevelopment begins the expected stagnation of non-tax revenues and/or declining revenues will require the City Council to seek out other funding sources that are unaffected by the Legislature, such as franchise fees. Tapping into other revenue sources will help the City's reduce its dependency on state aid and generate funds for future, large-scale capital improvement projects that are not dependent on the General fund or property taxes.

- Water consumption increased slightly for the first time since 2007. Neither water nor sanitary sewer rates were increased for 2013. It is the third consecutive year water rates were not increased. To analyze rates for Fiscal Year 2013 the City Council used water and sewer volumes from 2010-2011 to determine a more conservative revenue projection. The City Council should continue to be wary about water consumption as declining water consumption may result in the need to increase rates. Operational budgets have remained very tight over the past three years.
- The overall financial prognosis of the City is very strong. Should the existing capital transfer amounts remain the same as budgeted for in 2013 it is likely the City can continue to be proactive in reinvesting in the community's physical assets – streets, infrastructure and facilities. Current budgets do not take into account capital improvement costs associated with design and engineering and other project-specific work.
- The City no longer has any Tax Increment Financing (TIF) districts. While there continue to be discussions on the use of TIF with various projects, including the downtown redevelopment project, there are no proposed TIF plans awaiting approval. However, it is expected the success of projects, especially those involving redevelopment of blighted properties, will require the use of tax increment. Although TIF locks up new tax revenues for a period of time, new development and reinvestment in existing properties will help stabilize and enhance the City's tax base, providing new revenues and (hopefully) lowering property taxes.
- With the park and pool project complete, the City Council has taken a more proactive approach to triggering development within the Gateway Redevelopment District. The City Council/Economic Development Authority is partnering with property owners on a project that would complete some of the necessary pre-development work on four parcels. The goal is to hopefully attract a residential developer to construct either townhomes or a senior housing project.
- The City has seen an increase in local activity in the form of existing property owners looking to make improvements to their properties and an increased desire for more community functions. The success of the City's Centennial in August 2012 has resulted in the creation of an annual community celebration.
- A newly created and adopted Walking and Biking Plan for the City will improve the City's ability to re-connect neighborhoods, businesses and local and regional recreational areas both physically and socially. The key feature of this plan is the new Highway 12 pedestrian crossing that is expected to be installed in 2013.
- Based on reserve balances in the different capital project funds, and based on projected revenues for these funds – assuming the budgeted transfers remain at current levels – the City would be able to effectively plan for future capital projects, including streets, infrastructure and facilities, and replace equipment as needed and be able to meet ongoing debt obligations.

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 City Clerk-Treasurer, City of Maple Plain, 1620 Maple Avenue, Maple Plain, MN 55359.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MAPLE PLAIN
MAPLE PLAIN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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CITY OF MAPLE PLAIN, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 3,264,429	\$ 1,033,188	\$ 4,297,617
Receivables			
Delinquent taxes	29,906	-	29,906
Accounts	13,358	217,621	230,979
Special assessments	68,649	32,568	101,217
Due from other governments	19,631	-	19,631
Inventories	-	15,726	15,726
Prepaid items	-	23,766	23,766
Capital assets			
Nondepreciable	3,316,017	-	3,316,017
Depreciable, net of accumulated depreciation	974,727	5,544,021	6,518,748
TOTAL ASSETS	7,686,717	6,866,890	14,553,607
LIABILITIES			
Accounts payable	243,504	10,174	253,678
Due to other governments	17	27	44
Unearned Revenue	39,733	-	39,733
Accrued interest payable	18,061	26,516	44,577
Noncurrent liabilities			
Due within one year	76,747	201,082	277,829
Due in more than one year	1,699,453	2,649,645	4,349,098
TOTAL LIABILITIES	2,077,515	2,887,444	4,964,959
NET POSITION			
Net investment in capital assets	2,526,371	2,694,021	5,220,392
Restricted for			
Debt service	66,381	-	66,381
Unrestricted	3,016,450	1,285,425	4,301,875
TOTAL NET POSITION	\$ 5,609,202	\$ 3,979,446	\$ 9,588,648

*General
Debt*

*Water
sewer
storm*

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

CITY OF MAPLE PLAIN, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 396,180	\$ 56,413	\$ 14,658	\$ 1,747
Public safety	955,406	390,569	17,686	-
Public works	229,332	18,361	-	1,162,157
Culture and recreation	103,862	20,901	4,235	-
Economic development	10,812	-	-	-
Interest on long-term debt	62,967	-	-	-
Total governmental activities	<u>1,758,559</u>	<u>486,244</u>	<u>36,579</u>	<u>1,163,904</u>
Business-type activities				
Water	316,404	444,734	-	3,558
Sewer	380,617	381,855	-	1,471
Storm water	22,412	76,569	-	-
Total business-type activities	<u>719,433</u>	<u>903,158</u>	<u>-</u>	<u>5,029</u>
Total	<u>\$ 2,477,992</u>	<u>\$ 1,389,402</u>	<u>\$ 36,579</u>	<u>\$ 1,168,933</u>

General revenues

Taxes

 Property taxes, levied for general purposes

 Grants and contributions not restricted to specific programs

 Unrestricted investment earnings

 Gain on sale of capital assets

Transfers - capital assets

Transfers

Total general revenues

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 (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (323,362)	\$ -	\$ (323,362)
(547,151)	-	(547,151)
951,186	-	951,186
(78,726)	-	(78,726)
(10,812)	-	(10,812)
<u>(62,967)</u>	<u>-</u>	<u>(62,967)</u>
<u>(71,832)</u>	<u>-</u>	<u>(71,832)</u>
-	131,888	131,888
-	2,709	2,709
<u>-</u>	<u>54,157</u>	<u>54,157</u>
<u>-</u>	<u>188,754</u>	<u>188,754</u>
<u>(71,832)</u>	<u>188,754</u>	<u>116,922</u>
1,226,885	-	1,226,885
248,251	-	248,251
10,669	5,080	15,749
1,500	-	1,500
(367,088)	367,088	-
<u>(22,444)</u>	<u>22,444</u>	<u>-</u>
<u>1,097,773</u>	<u>394,612</u>	<u>1,492,385</u>
1,025,941	583,366	1,609,307
<u>4,583,261</u>	<u>3,396,080</u>	<u>7,979,341</u>
<u>\$ 5,609,202</u>	<u>\$ 3,979,446</u>	<u>\$ 9,588,648</u>

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FUND FINANCIAL STATEMENTS

CITY OF MAPLE PLAIN
MAPLE PLAIN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

CITY OF MAPLE PLAIN, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	101	801/802/803	451	400
	General	Fire Partnership	Capital Project Fund	Capital Improvement Fund
ASSETS				
Cash and temporary investments	\$ 1,206,502	\$ 503,239	\$ 350,508	\$ 551,214
Receivables				
Delinquent taxes	29,906	-	-	-
Accounts	5	-	-	-
Special assessments	1,443	-	-	-
Due from other funds	2,357	-	-	-
Due from other governments	1,653	-	17,978	-
TOTAL ASSETS	<u>\$ 1,241,866</u>	<u>\$ 503,239</u>	<u>\$ 368,486</u>	<u>\$ 551,214</u>
LIABILITIES				
Accounts payable	\$ 15,941	\$ 7,724	\$ 71,020	\$ -
Due to other funds		2,357	-	-
Due to other governments	17	-	-	-
Unearned revenue	6,580	-	-	-
TOTAL LIABILITIES	<u>22,538</u>	<u>10,081</u>	<u>71,020</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	14,599	-	-	-
Unavailable revenue - special assessments	1,443	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>16,042</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	-	-	-	-
Committed	-	493,158	-	-
Assigned	23,992	-	297,466	551,214
Unassigned	1,179,294	-	-	-
TOTAL FUND BALANCES	<u>1,203,286</u>	<u>493,158</u>	<u>297,466</u>	<u>551,214</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,241,866</u>	<u>\$ 503,239</u>	<u>\$ 368,486</u>	<u>\$ 551,214</u>

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

450 Park and Ride Fund	Other Governmental Funds	Total Governmental Funds
\$ 167,071	\$ 485,895	\$ 3,264,429
-	-	29,906
-	13,353	13,358
-	67,206	68,649
-	-	2,357
-	-	19,631
<u>\$ 167,071</u>	<u>\$ 566,454</u>	<u>\$ 3,398,330</u>
\$ 133,918	\$ 14,901	\$ 243,504
-	-	2,357
-	-	17
<u>33,153</u>	<u>-</u>	<u>39,733</u>
<u>167,071</u>	<u>14,901</u>	<u>285,611</u>
-	-	14,599
-	67,206	68,649
-	67,206	83,248
-	17,236	17,236
-	8,691	501,849
-	458,420	1,331,092
-	-	1,179,294
-	484,347	3,029,471
<u>\$ 167,071</u>	<u>\$ 566,454</u>	<u>\$ 3,398,330</u>

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CITY OF MAPLE PLAIN, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

Total fund balances - governmental	\$ 3,029,471
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 in the funds.	
Cost of capital assets	5,732,386
Less: accumulated depreciation	(1,441,642)
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	
Bond principal payable	(1,670,000)
Notes payable	(94,373)
Compensated absences payable	(11,827)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenues in the funds.	
Special assessments	68,649
Taxes	14,599
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(18,061)</u>
Total net position - governmental activities	<u><u>\$ 5,609,202</u></u>

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

CITY OF MAPLE PLAIN, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CONTINUED ON THE FOLLOWING PAGES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	101	801/802/803	451	400
	General	Fire Partnership	Capital Project Fund	Capital Improvement Fund
REVENUES				
Taxes	\$ 1,230,329	\$ -	\$ -	\$ -
Licenses and permits	35,462	-	-	-
Intergovernmental	247,736	16,786	437,448	-
Charges for services	32,254	338,469	-	-
Fines and forfeitures	21,234	-	-	-
Special assessments	1,747	-	-	-
Contributions and donations	-	900	-	-
Interest on investments	6,072	5	-	2,713
Miscellaneous	53,980	4	-	-
TOTAL REVENUES	1,628,814	356,164	437,448	2,713
EXPENDITURES				
Current				
General government	376,341	-	-	-
Public safety	640,027	204,117	-	-
Public works	210,972	3	-	-
Culture and recreation	79,249	-	-	-
Economic development	10,812	-	-	-
Capital outlay				
General government	443	-	-	-
Public safety	-	19,054	-	-
Public works	-	-	1,297,570	-
Culture and recreation	22,799	-	-	-
Debt service				
Principal	16,557	45,000	-	-
Bond issuance costs	-	-	56,542	-
Interest and other	4,881	8,943	-	-
TOTAL EXPENDITURES	1,362,081	277,117	1,354,112	-

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

450 Park and Ride Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 1,230,329
-	-	35,462
654,323	5,000	1,361,293
-	-	370,723
-	-	21,234
-	13,353	15,100
-	-	900
-	1,879	10,669
-	10,235	64,219
<u>654,323</u>	<u>30,467</u>	<u>3,109,929</u>
-	-	376,341
-	-	844,144
-	-	210,975
-	-	79,249
-	-	10,812
-	12,814	13,257
-	-	19,054
671,165	151,261	2,119,996
-	86,910	109,709
-	-	61,557
-	-	56,542
-	-	13,824
<u>671,165</u>	<u>250,985</u>	<u>3,915,460</u>

CITY OF MAPLE PLAIN, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - CONTINUED
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	101	801/802/803	451	400
	General	Fire Partnership	Capital Project Fund	Capital Improvement Fund
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	266,733	79,047	(916,664)	2,713
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	110,200
Bond proceeds	-	-	1,461,117	-
Premium on bonds	-	-	20,574	-
Sale of capital assets	-	-	-	-
Transfers out	(240,167)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(240,167)	-	1,481,691	110,200
NET CHANGE IN FUND BALANCES	26,566	79,047	565,027	112,913
FUND BALANCES, JANUARY 1	1,176,720	414,111	(267,561)	438,301
FUND BALANCES, DECEMBER 31	<u>\$ 1,203,286</u>	<u>\$ 493,158</u>	<u>\$ 297,466</u>	<u>\$ 551,214</u>

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

450 Park and Ride Fund	Other Governmental Funds	Total Governmental Funds
<u>(16,842)</u>	<u>(220,518)</u>	<u>(805,531)</u>
16,842	90,681	217,723
-	3,883	1,465,000
-	-	20,574
	1,500	1,500
<u>-</u>	<u>-</u>	<u>(240,167)</u>
<u>16,842</u>	<u>96,064</u>	<u>1,464,630</u>
-	(124,454)	659,099
<u>-</u>	<u>608,801</u>	<u>2,370,372</u>
<u>\$ -</u>	<u>\$ 484,347</u>	<u>\$ 3,029,471</u>

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CITY OF MAPLE PLAIN, 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

Net change in fund balances - governmental funds	\$ 659,099
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	2,211,668
Depreciation expense	(126,831)
Capital assets transferred to enterprise funds are not recorded in the governmental funds.	(367,088)
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	61,557
Debt issued or incurred	(1,465,000)
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.	(13,175)
Certain revenues are recognized as soon as they are 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	67,206
Property taxes	(3,444)
Charges for services	(1,159)
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	<u>3,108</u>
Change in net position - governmental activities	<u>\$ 1,025,941</u>

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

CITY OF MAPLE PLAIN, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND FIRE PARTNERSHIP FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,245,190	\$ 1,245,190	\$ 1,230,329	\$ (14,861)
Licenses and permits	38,835	38,835	35,462	(3,373)
Intergovernmental	244,592	244,592	247,736	3,144
Charges for services	19,845	19,845	32,254	12,409
Special assessments	-	-	1,747	1,747
Fines and forfeitures	13,200	13,200	21,234	8,034
Interest on investments	12,500	12,500	6,072	(6,428)
Contributions and donations	-	-	-	-
Miscellaneous	38,100	38,100	53,980	15,880
TOTAL REVENUES	1,612,262	1,612,262	1,628,814	16,552
EXPENDITURES				
Current				
General government	394,334	394,334	376,341	17,993
Public safety	655,108	655,108	640,027	15,081
Public works	258,102	258,102	210,972	47,130
Culture and recreation	30,724	30,724	79,249	(48,525)
Economic development	19,231	19,231	10,812	8,419
Capital outlay				
General government	-	-	443	(443)
Public safety	-	-	-	-
Culture and recreation	20,000	20,000	22,799	(2,799)
Debt service				
Principal	16,557	16,557	16,557	-
Interest	4,881	4,881	4,881	-
TOTAL EXPENDITURES	1,398,937	1,398,937	1,362,081	36,856
EXCESS OF REVENUES OVER EXPENDITURES	213,325	213,325	266,733	53,408
OTHER FINANCING USES				
Transfers out	(213,325)	(213,325)	(240,167)	(26,842)
NET CHANGE IN FUND BALANCES	-	-	26,566	26,566
FUND BALANCES, JANUARY 1	1,176,720	1,176,720	1,176,720	-
FUND BALANCES, DECEMBER 31	\$ 1,176,720	\$ 1,176,720	\$ 1,203,286	\$ 26,566

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

Fire Partnership

Budgeted Amounts		Actual	Variance with
Original	Final	Amounts	Final Budget
\$ -	\$ -	\$ -	\$ -
-	-	-	-
18,000	18,000	16,786	(1,214)
336,620	336,620	338,469	1,849
-	-	-	-
-	-	-	-
-	-	5	5
-	-	900	900
-	-	4	4
354,620	354,620	356,164	1,544
-	-	-	-
254,801	254,801	204,117	50,684
-	-	3	(3)
-	-	-	-
-	-	-	-
-	-	-	-
31,900	31,900	19,054	12,846
-	-	-	-
45,000	45,000	45,000	-
9,393	9,393	8,943	450
341,094	341,094	277,117	63,977
13,526	13,526	79,047	65,521
-	-	-	-
13,526	13,526	79,047	65,521
414,111	414,111	414,111	-
\$ 427,637	\$ 427,637	\$ 493,158	\$ 65,521

CITY OF MAPLE PLAIN, MINNESOTA
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012 AND 2011

	Business-type Activities			
	Enterprise Funds			
	Water		Sewer	
	2012	2011	2012	2011
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 864,014	\$ 801,037	\$ (8,705)	\$ (23,593)
Receivables				
Accounts	105,218	96,667	93,355	71,548
Special assessments	5,357	4,071	10,030	8,968
Due from other governments	-	1,425	-	1,424
Due from other funds	30,563	-	-	-
Prepaid items	-	-	14,237	20,004
Inventories	15,726	19,140	-	-
TOTAL CURRENT ASSETS	1,020,878	922,340	108,917	78,351
NONCURRENT ASSETS				
Special assessments receivable	-	-	15,326	19,587
Capital assets				
Equipment and machinery	-	-	38,595	38,595
Infrastructure	5,404,835	5,037,747	1,295,292	1,295,292
Less accumulated depreciation	(1,019,622)	(901,649)	(384,519)	(358,243)
NET CAPITAL ASSETS	4,385,213	4,136,098	949,368	975,644
TOTAL NONCURRENT ASSETS	4,385,213	4,136,098	964,694	995,231
TOTAL ASSETS	5,406,091	5,058,438	1,073,611	1,073,582
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	7,965	18,879	2,122	948
Accrued interest payable	24,403	25,881	2,113	2,625
Accrued salaries payable	-	2,347	-	546
Due to other funds	-	-	30,563	-
Due to other governments	-	-	27	27
Compensated absences payable - current	485	545	97	109
Bonds payable - current	169,000	165,000	31,500	31,500
TOTAL CURRENT LIABILITIES	201,853	212,652	66,422	35,755
NONCURRENT LIABILITIES				
Compensated absences payable	121	136	24	27
Bonds payable	2,555,000	2,724,000	94,500	126,000
TOTAL NONCURRENT LIABILITIES	2,555,121	2,724,136	94,524	126,027
TOTAL LIABILITIES	2,756,974	2,936,788	160,946	161,782
NET POSITION				
Net investment in capital assets	1,661,213	1,247,098	823,368	818,144
Unrestricted	987,904	874,552	89,297	93,656
TOTAL NET POSITION	\$ 2,649,117	\$ 2,121,650	\$ 912,665	\$ 911,800

Business-type Activities
Enterprise Funds

Storm Water		Totals	
2012	2011	2012	2011
\$ 177,879	\$ 120,311	\$ 1,033,188	\$ 897,755
19,048	20,360	217,621	188,575
1,855	1,018	17,242	14,057
-	-	-	2,849
-	-	30,563	-
9,529	7,465	23,766	27,469
-	-	15,726	19,140
208,311	149,154	1,338,106	1,149,845
-	-	15,326	19,587
-	-	38,595	38,595
238,654	238,654	6,938,781	6,571,693
(29,214)	(22,648)	(1,433,355)	(1,282,540)
209,440	216,006	5,544,021	5,327,748
209,440	216,006	5,559,347	5,347,335
417,751	365,160	6,897,453	6,497,180
87	2,530	10,174	22,357
-	-	26,516	28,506
-	-	-	2,893
-	-	30,563	-
-	-	27	27
-	-	582	654
-	-	200,500	196,500
87	2,530	268,362	250,937
-	-	145	163
-	-	2,649,500	2,850,000
-	-	2,649,645	2,850,163
87	2,530	2,918,007	3,101,100
209,440	216,006	2,694,021	2,281,248
208,224	146,624	1,285,425	1,114,832
\$ 417,664	\$ 362,630	\$ 3,979,446	\$ 3,396,080

CITY OF MAPLE PLAIN, 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			
	Water		Sewer	
	2012	2011	2012	2011
OPERATING REVENUES				
Charges for services	\$ 443,021	\$ 426,131	\$ 381,416	\$ 313,877
OPERATING EXPENSES				
Personal services	52,593	53,250	15,888	21,774
Supplies	14,258	22,096	792	1,019
Repairs and maintenance	3,977	28	100	666
Depreciation	117,973	117,973	26,276	22,443
Professional services	23,517	66,382	246,180	181,792
Contracted services	-	-	79,876	83,798
Insurance	5,302	5,049	61	57
Utilities	27,411	27,628	2,675	4,674
Other	10,738	6,527	3,595	2,858
TOTAL OPERATING EXPENSES	255,769	298,933	375,443	319,081
OPERATING INCOME (LOSS)	187,252	127,198	5,973	(5,204)
NONOPERATING REVENUES (EXPENSES)				
Interest income	3,966	3,893	237	132
Connection fees	5,271	10,885	-	-
Grants and other aid	-	1,425	-	1,425
Special assessments	-	-	1,471	1,764
Miscellaneous	-	32	439	-
Interest expense	(60,635)	(64,154)	(5,174)	(6,401)
TOTAL NONOPERATING REVENUES (EXPENSES)	(51,398)	(47,919)	(3,027)	(3,080)
INCOME BEFORE TRANSFERS	135,854	79,279	2,946	(8,284)
Contribution of capital assets	367,088	-	-	191,682
Transfers in	27,300	27,300	-	-
Transfers out	(2,775)	(2,775)	(2,081)	(2,081)
CHANGE IN NET POSITION	527,467	103,804	865	181,317
NET POSITION, JANUARY 1	2,121,650	2,017,846	911,800	730,483
NET POSITION, DECEMBER 31	\$ 2,649,117	\$ 2,121,650	\$ 912,665	\$ 911,800

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

Business-type Activities -
Enterprise Funds

Storm Water		Totals	
2012	2011	2012	2011
\$ 76,569	\$ 79,716	\$ 901,006	\$ 819,724
329	2,131	68,810	77,155
-	-	15,050	23,115
-	-	4,077	694
6,566	6,566	150,815	146,982
3,085	15,416	272,782	263,590
5,123	-	84,999	83,798
-	-	5,363	5,106
-	-	30,086	32,302
7,309	41,662	21,642	51,047
22,412	65,775	653,624	683,789
54,157	13,941	247,382	135,935
877	591	5,080	4,616
-	-	5,271	10,885
-	-	-	2,850
-	-	1,471	1,764
-	-	439	32
-	-	(65,809)	(70,555)
877	591	(53,548)	(50,408)
55,034	14,532	193,834	85,527
-	-	367,088	191,682
-	-	27,300	27,300
-	-	(4,856)	(4,856)
55,034	14,532	583,366	299,653
362,630	348,098	3,396,080	3,096,427
\$ 417,664	\$ 362,630	\$ 3,979,446	\$ 3,396,080

CITY OF MAPLE PLAIN, 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			
	Water		Sewer	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 433,184	\$ 424,707	\$ 358,349	\$ 315,972
Payments to suppliers	(123,266)	(138,831)	(295,775)	(284,700)
Payments to employees	(55,015)	(52,893)	(16,449)	(21,592)
NET CASH PROVIDED BY OPERATING ACTIVITIES	254,903	232,983	46,125	9,680
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	27,300	27,300	-	-
Transfer to other funds	(2,775)	(2,775)	(2,081)	(2,081)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	24,525	24,525	(2,081)	(2,081)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Connection fees	5,271	10,885	-	-
Principal payments on revenue bonds	(165,000)	(162,768)	(31,500)	(31,500)
Special assessments received	-	-	6,369	6,662
Interest paid on revenue bonds	(62,113)	(65,612)	(5,686)	(6,906)
Grants received	1,425	1,344	1,424	1,344
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(220,417)	(216,151)	(29,393)	(30,400)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	3,966	3,893	237	132
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	62,977	45,250	14,888	(22,669)
CASH AND CASH EQUIVALENTS, JANUARY 1	801,037	755,787	(23,593)	(924)
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 864,014	\$ 801,037	\$ (8,705)	\$ (23,593)

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

Business-type Activities -
Enterprise Funds

Storm Water		Totals	
2012	2011	2012	2011
\$ 74,980	\$ 78,300	\$ 866,513	\$ 818,979
(17,960)	(54,637)	(437,001)	(478,168)
(329)	(2,131)	(71,793)	(76,616)
56,691	21,532	357,719	264,195
-	-	27,300	27,300
-	-	(4,856)	(4,856)
-	-	22,444	22,444
-	-	5,271	10,885
-	-	(196,500)	(194,268)
-	-	6,369	6,662
-	-	(67,799)	(72,518)
-	-	2,849	2,688
-	-	(249,810)	(246,551)
877	591	5,080	4,616
57,568	22,123	135,433	44,704
120,311	98,188	897,755	853,051
<u>\$ 177,879</u>	<u>\$ 120,311</u>	<u>\$ 1,033,188</u>	<u>\$ 897,755</u>

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

	Business-type Activities - Enterprise Funds			
	Water		Sewer	
	2012	2011	2012	2011
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 187,252	\$ 127,198	\$ 5,973	\$ (5,204)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Depreciation	117,973	117,973	26,276	22,443
Miscellaneous revenues	-	32	439	-
(Increase) decrease in assets				
Accounts receivable	(8,551)	(1,741)	(21,807)	1,811
Special assessments receivable	(1,286)	285	(1,699)	284
Prepaid items	-	-	5,767	(5,047)
Inventory	3,414	-	-	-
Due from other funds	(30,563)	-		
Increase (decrease) in liabilities				
Accounts payable	(10,914)	(10,554)	1,174	(4,789)
Accrued wages payable	(2,347)	477	(546)	206
Compensated absences payable	(75)	(120)	(15)	(24)
Due to other funds			30,563	-
Due to other governments	-	(567)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 254,903</u>	<u>\$ 232,983</u>	<u>\$ 46,125</u>	<u>\$ 9,680</u>
Contribution of capital assets	<u>\$ 367,088</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,682</u>

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

Business-type Activities - Enterprise Funds			
Storm Water		Totals	
2012	2011	2012	2011
\$ 54,157	\$ 13,941	\$ 247,382	\$ 135,935
6,566	6,566	150,815	146,982
-	-	439	32
1,312	5,978	(29,046)	6,048
(837)	71	(3,822)	640
(2,064)	(7,465)	3,703	(12,512)
-	-	3,414	-
(2,443)	2,441	(12,183)	(12,902)
-	-	(2,893)	683
-	-	(90)	(144)
-	-	-	(567)
<u>\$ 56,691</u>	<u>\$ 21,532</u>	<u>\$ 357,719</u>	<u>\$ 264,195</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 367,088</u>	<u>\$ 191,682</u>

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CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Maple Plain (the City) operates under the "Optional Plan A" form of government as defined in Minnesota statutes. Under this plan, the government of the City is directed by a 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. The 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 in 2006 pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. It is comprised of the members of the City Council and two members at large with a December 31 year end. The EDA activities are blended and reported as a special revenue fund. 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 primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 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.

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major governmental funds:

The *General fund (101)* 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 *Fire Partnership fund (801/802/803)* is a special revenue fund which accounts for charges for service that are committed for activities of the fire partnership agreement with the City of Independence.

The *Capital Project fund (451)* accounts for the resources accumulated and payments made for purchases of capital projects.

The *Capital Improvement fund (400)* accounts for the resources accumulated and payments made for improvements projects.

The *Park and Ride fund (450)* accounts for the resources accumulated and payments made for construction of the park and ride project.

The City reports the following major proprietary funds:

The *Water fund (601/621)* account for costs associated with the City's water system and ensures that user charges are sufficient to pay for those costs.

The *Sewer fund (602/622)* account for the costs associated with the City's sewer system and ensures that user charges are sufficient to pay for those costs.

The *Storm Water fund (603/623)* account for the costs associated with the City's storm water system and ensures that user charges are sufficient to pay for those costs.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are 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 City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. 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.

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, liabilities, deferred outflows/inflows of resources 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.

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection 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 Treasurer 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, sewer and storm water 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 annually certified to the County or 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."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and prepaid items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, or as shown below; (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. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Assets	Amount
Land and land improvements	\$ 10,000
Other improvements	25,000
Buildings	25,000
Building improvements	25,000
Machinery and equipment	5,000
Vehicles	5,000
Infrastructure	100,000
Other assets	5,000

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. 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). As the City constructs or acquires additional 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. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

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

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

Assets	Useful Lives in Years
Land improvements	15 to 30
Other improvements	10 to 20
Buildings	20 to 40
Machinery and equipment	3 to 15
Infrastructure	20 to 60
Vehicles	3 to 15

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Limited amounts of vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In such an instance, the General fund would be used to liquidate the liability.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized 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 City Administrator.

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 60 percent of budgeted operating expenditures for cash-flow timing needs.

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. 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 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 that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statement 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 data have been reclassified in order to be consistent with the current year's presentation.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

In addition to liabilities, the statement of financial position 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 two types of items, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the items, unavailable revenues, are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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 and the Fire Partnership special revenue fund. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

On or before July 1 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 15, 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 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 the department level. There were no budget amendments made during 2012.

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 City.

At year end, the City's carrying amount of deposits was \$3,892,365 and the bank balance was \$3,957,767. Of the bank balance, \$1,661,679 was covered by federal depository insurance. The remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name.

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash and investments summary

A reconciliation of cash and investments as shown on the Statement of Net Position for the City follows:

	<u>Total</u>
Carrying amount of deposits	\$ 3,892,365
Investments	<u>405,252</u>
 Total	 <u><u>\$ 4,297,617</u></u>

Investments

The Minnesota Municipal Money Market Fund (the 4M Fund) is a customized cash management and investment program for Minnesota public funds. Sponsored and governed by the League of Minnesota Cities since 1987, the 4M Fund is a unique investment alternative designed to address the daily and long term investment needs of Minnesota cities and other municipal entities. Allowable under Minnesota statutes, the 4M Fund is comprised of top quality, rated investments.

The Minnesota Municipal Money Market Fund and broker money market investment pools operate in accordance with appropriate State laws and regulations. The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. 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 contracting RBC Global Asset Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

At year end, the City's investment balances were as follows:

<u>Types of Investments</u>	<u>Credit Quality/ Ratings</u>	<u>Segmented Time Distribution (1)</u>	<u>Fair Value and Carrying Amount</u>
Minnesota Municipal Money Market Fund	N/A	less than 6 months	<u>\$ 405,252</u>

Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicated not applicable or available.

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

- *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 limit the City's investments to the list on page 58 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a 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.
- *Concentration of Credit Risk.* Is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest Rate Risk.* Is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City does not currently have a formal investment policy that addresses the above mentioned risks.

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,511,172	\$ -	\$ -	\$ 1,511,172
Construction in progress	77,209	1,816,814	(89,178)	1,804,845
Total capital assets not being depreciated	1,588,381	1,816,814	(89,178)	3,316,017
Capital assets being depreciated				
Buildings	545,200	-	-	545,200
Improvements other than buildings	13,286	89,178	-	102,464
Machinery and equipment	1,740,939	27,766	-	1,768,705
Total capital assets being depreciated	2,299,425	116,944	-	2,416,369
Less accumulated depreciation				
Buildings	(398,529)	(15,261)	-	(413,790)
Improvements other than buildings	(3,433)	(1,328)	-	(4,761)
Machinery and equipment	(912,849)	(110,242)	-	(1,023,091)
Total accumulated depreciation	(1,314,811)	(126,831)	-	(1,441,642)
Total capital assets being depreciated, net	984,614	(9,887)	-	974,727
Governmental activities capital assets, net	\$ 2,572,995	\$ 1,806,927	\$ (89,178)	\$ 4,290,744

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets being depreciated				
Infrastructure	\$ 6,571,693	\$ 367,088	\$ -	\$ 6,938,781
Machinery and equipment	38,595	-	-	38,595
Total capital assets being depreciated	6,610,288	367,088	-	6,977,376
Less accumulated depreciation for				
Infrastructure	(1,267,284)	(149,475)	-	(1,416,759)
Machinery and equipment	(15,256)	(1,340)	-	(16,596)
Total accumulated depreciation	(1,282,540)	(150,815)	-	(1,433,355)
Business-type activities capital assets, net	<u>\$ 5,327,748</u>	<u>\$ 216,273</u>	<u>\$ -</u>	<u>\$ 5,544,021</u>

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

Governmental activities	
General government	\$ 8,236
Public safety	92,208
Public works	22,232
Culture and recreation	4,155
Total depreciation expense - governmental activities	<u>\$ 126,831</u>
Business-type activities	
Water	\$ 117,973
Sewer	26,276
Storm Water	6,566
Total depreciation expense - business-type activities	<u>\$ 150,815</u>

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Construction commitments

As of December 31, 2012, the City has a signed contract in place for the following construction projects. The following summarizes those commitments:

Project	Spent to date	Remaining Commitment
Oak & Boandry Utility and Street Improvements	\$ 682,811	\$ 130,739
Howard Ave mill and overlay improvements	110,047	15,622
Highway 12 Lift Station generator	49,088	2,602
Park & Ride Project	687,040	12,268
Total	<u>\$ 1,528,986</u>	<u>\$ 161,231</u>

C. Interfund transfers

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

Receivable Fund	Payable Fund	Amount
Water	Sewer	\$ 30,563
General	Fire partnership	2,357
Total due from other funds		<u>\$ 32,920</u>

The interfund balance between the Water and Sewer funds is for cash flow and is payable with interest at 3 percent.

Fund	Transfers in				Total
	Water Fund	Capital Improvement	Park and Ride Fund	Nonmajor governmental	
Transfers out					
General	\$ 27,300	\$ 110,200	\$ 16,842	\$ 85,825	\$ 240,167
Water	-	-	-	2,775	2,775
Sewer	-	-	-	2,081	2,081
Total	<u>\$ 27,300</u>	<u>\$ 110,200</u>	<u>\$ 16,842</u>	<u>\$ 90,681</u>	<u>\$ 245,023</u>

The transfers above were made to fund capital improvements and other projects.

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. 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 both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment Certificate of 2008	\$ 335,000	3.70 - 4.20 %	12/17/08	02/01/16	\$ 205,000
G.O. Improvement Bonds of 2012	1,465,000	2.00 - 2.60	07/24/12	02/01/28	<u>1,465,000</u>
Total G.O. Bonds					<u><u>\$ 1,670,000</u></u>

Annual requirement to maturity for general obligation bonds are as follows:

Year Ending December 31,	G.O. Bonds		
	Governmental Activities		
	Principal	Interest	Total
2013	\$ 50,000	\$ 40,133	\$ 90,133
2014	125,000	36,905	161,905
2015	125,000	33,430	158,430
2016	130,000	29,725	159,725
2017	85,000	26,970	111,970
2018 - 2022	490,000	106,847	596,847
2023 - 2027	545,000	49,923	594,923
2028	120,000	1,560	121,560
Total	<u><u>\$ 1,670,000</u></u>	<u><u>\$ 325,493</u></u>	<u><u>\$ 1,995,493</u></u>

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. 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. Sewer Revenue Bonds of 2006	\$ 315,000	3.90 - 4.10 %	03/16/06	02/01/16	\$ 126,000
G.O. Water Revenue Note of 2007	3,468,767	2.15	07/09/07	08/20/26	<u>2,724,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 2,850,000</u></u>

Annual requirement to maturity for G.O. revenue bonds are as follows:

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total
2013	\$ 200,500	\$ 63,015	\$ 263,515
2014	203,500	58,130	261,630
2015	207,500	53,164	260,664
2016	211,500	48,096	259,596
2017	184,000	43,581	227,581
2018 - 2022	980,000	156,842	1,136,842
2023 - 2026	<u>863,000</u>	<u>46,892</u>	<u>909,892</u>
Total	<u><u>\$ 2,850,000</u></u>	<u><u>\$ 469,720</u></u>	<u><u>\$ 3,319,720</u></u>

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Notes payable

The following notes payable were issued to purchase a lot and building for redevelopment purposes:

Description	Original Asset Amount	Interest Rate	Issue Date	Maturity Date	Balance at Year End
5220 Main Street	\$ 169,000	4.40 %	08/22/07	11/01/17	<u>\$ 94,373</u>

Annual requirement to maturity for notes payable is as follows:

Year Ending December 31,	Notes Payable Governmental Activities		
	Principal	Interest	Total
2013	\$ 17,285	\$ 4,153	\$ 21,438
2014	18,046	3,392	21,438
2015	18,840	2,598	21,438
2016	19,669	1,769	21,438
2017	20,533	903	21,436
Total	<u>\$ 94,373</u>	<u>\$ 12,815</u>	<u>\$ 107,188</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
G.O. bonds payable	\$ 250,000	\$ 1,465,000	\$ (45,000)	\$ 1,670,000	\$ 50,000
Notes payable	110,930	-	(16,557)	94,373	17,285
Compensated absences payable	14,935	15,555	(18,663)	11,827	9,462
Governmental activities long-term liabilities	<u>\$ 375,865</u>	<u>\$ 1,480,555</u>	<u>\$ (80,220)</u>	<u>\$ 1,776,200</u>	<u>\$ 76,747</u>
Business-type activities					
Bonds payable					
G.O. revenue bonds	\$ 3,046,500	\$ -	\$ (196,500)	\$ 2,850,000	\$ 200,500
Compensated absences payable	817	957	(1,047)	727	582
Business-type activities long-term liabilities	<u>\$ 3,047,317</u>	<u>\$ 957</u>	<u>\$ (197,547)</u>	<u>\$ 2,850,727</u>	<u>\$ 201,082</u>

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Fund balance classifications

The following is a summary of the components of fund balance:

	General	Fire Partnership	Capital Project Fund	Capital Improvement Fund	Other Governmental Funds	Total
Restricted						
Debt service	\$ -	\$ -	\$ -	\$ -	\$ 17,236	\$ 17,236
Committed						
Fire protection services	-	493,158	-	-	-	493,158
Economic development	-	-	-	-	8,691	8,691
Assigned						
Street improvements 250	-	-	-	-	62,746	62,746
Building capital 402	-	-	-	-	111,817	111,817
Equipment 501	-	-	-	-	283,857	283,857
Capital improvement 400	-	-	-	551,214	-	551,214
Capital projects 451	-	-	297,466	-	-	297,466
Community events 105	7,762	-	-	-	-	7,762
Special projects 110	6,230	-	-	-	-	6,230
Planning 115	10,000	-	-	-	-	10,000
Unassigned	1,179,294	-	-	-	-	1,179,294
Total	<u>\$ 1,203,286</u>	<u>\$ 493,158</u>	<u>\$ 297,466</u>	<u>\$ 551,214</u>	<u>\$ 484,347</u>	<u>\$ 3,029,471</u>

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 4: DEFINED BENEFIT PENSION PLAN - 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) which is a cost-sharing, multiple-employer retirement plan. The plan is 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.

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 step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon 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. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

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. In 2012, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members and 7.25 percent for Coordinated Plan GERF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2012, 2011 and 2010 were \$17,272, \$16,030, and \$16,018, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

C. Defined contribution plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota statutes, chapter 353D.03, specify the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

The City's contributions to the PEDCP for the years ended December 31, 2012, 2011 and 2010 were \$351, \$351, and \$351, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statutes.

Note 5: JOINT VENTURES

West Hennepin Public Safety Department

The City participates in a joint powers agreement with the City of Independence, which establishes the West Hennepin Public Safety Department (the Safety Department) for the purpose of providing police protection within the two communities. The agreement creates a Board of Commissioners (the Board), composed of representatives from each member city, consisting of four members. The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the Safety Department's activities. The Board must, on or before August 15th each year, prepare and submit a detailed budget of the Safety Department's needs for the next calendar year to the governing body of each city in the Safety Department with a statement of the proportion of the budget to be provided by each city. The governing body of each city in the Safety Department shall review and approve the budget by November 1st. Separate financial statements can be obtained by writing to PO Box 309 Maple Plain MN 55359-0309.

Note 6: OTHER INFORMATION

A. Risk management

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

CITY OF MAPLE PLAIN, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 6: OTHER INFORMATION - CONTINUED

B. Legal debt margin

The City's statutory debt limit is computed as 3 percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments or the net revenues of enterprise fund operations is excluded from the debt limit computation. The City's applicable debt does not exceed the limit.

C. Concentrations

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2012 was \$240,047. This accounted for 15 percent of General fund revenues.

Note 7: 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.

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		Net Position January 1, 2011 as Restated
		(1) Restatement	
Governmental activities	\$ 4,481,118	\$ (9,719)	\$ 4,471,399

(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		Net Position January 1, 2012 as Restated
		(2) Restatement	
Governmental activities	\$ 4,591,085	\$ (7,824)	\$ 4,583,261

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

**COMBINING AND INDIVIDUAL FUNDS
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF MAPLE PLAIN
MAPLE PLAIN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

CITY OF MAPLE PLAIN, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012

	Special Revenue			Total Nonmajor Governmental Funds
	Economic Development	Debt Service	Capital Projects	
ASSETS				
Cash and temporary investments	\$ 8,691	\$ 3,883	\$ 473,321	\$ 485,895
Receivables				-
Accounts	-	13,353	-	13,353
Special assessments	-	67,206	-	67,206
TOTAL ASSETS	<u>\$ 8,691</u>	<u>\$ 84,442</u>	<u>\$ 473,321</u>	<u>\$ 566,454</u>
LIABILITIES				
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,901</u>	<u>\$ 14,901</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments		67,206		67,206
FUND BALANCES				
Restricted	-	17,236	-	17,236
Committed	8,691		-	8,691
Assigned	-	-	458,420	458,420
TOTAL FUND BALANCES	<u>8,691</u>	<u>17,236</u>	<u>458,420</u>	<u>484,347</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 8,691</u>	<u>\$ 84,442</u>	<u>\$ 473,321</u>	<u>\$ 566,454</u>

CITY OF MAPLE PLAIN, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue Economic Development	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 5,000	\$ 5,000
Special assessments	-	13,353	-	13,353
Interest on investments	42	-	1,837	1,879
Miscellaneous	-	-	10,235	10,235
	<u>42</u>	<u>13,353</u>	<u>17,072</u>	<u>30,467</u>
TOTAL REVENUES				
EXPENDITURES				
Capital outlay				
General government	-	-	12,814	12,814
Public works	-	-	151,261	151,261
Culture and recreation	-	-	86,910	86,910
	<u>-</u>	<u>-</u>	<u>250,985</u>	<u>250,985</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>42</u>	<u>13,353</u>	<u>(233,913)</u>	<u>(220,518)</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	90,681	90,681
Bond proceeds	-	3,883	-	3,883
Sale of capital asset	-	-	1,500	1,500
	<u>-</u>	<u>3,883</u>	<u>92,181</u>	<u>96,064</u>
TOTAL OTHER FINANCING SOURCES				
NET CHANGE IN FUND BALANCES	42	17,236	(141,732)	(124,454)
FUND BALANCES, JANUARY 1	<u>8,649</u>	<u>-</u>	<u>600,152</u>	<u>608,801</u>
FUND BALANCES, DECEMBER 31	<u>\$ 8,691</u>	<u>\$ 17,236</u>	<u>\$ 458,420</u>	<u>\$ 484,347</u>

CITY OF MAPLE PLAIN, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012

	250 Street Improvement Fund	401 Park Capital Fund	402 Building Fund	501 Equipment Capital Fund	Total
ASSETS					
Cash and temporary investments	<u>\$ 68,379</u>	<u>\$ -</u>	<u>\$ 111,817</u>	<u>\$ 293,125</u>	<u>\$ 473,321</u>
LIABILITIES					
Accounts payable	<u>\$ 5,633</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,268</u>	<u>\$ 14,901</u>
FUND BALANCES					
Assigned for					
Street improvements	62,746	-	-	-	62,746
Building capital	-	-	111,817	-	111,817
Equipment	<u>-</u>	<u>-</u>	<u>-</u>	<u>283,857</u>	<u>283,857</u>
TOTAL FUND BALANCES	<u>62,746</u>	<u>-</u>	<u>111,817</u>	<u>283,857</u>	<u>458,420</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 68,379</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 111,817</u></u>	<u><u>\$ 293,125</u></u>	<u><u>\$ 473,321</u></u>

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

	250 Street Improvement Fund	401 Park Capital Fund	402 Building Fund	501 Equipment Capital Fund	Total
REVENUES					
Intergovernmental	\$ -	\$ -	\$ -	\$ 5,000	\$ 5,000
Interest on investments	336	-	58	1,443	1,837
Miscellaneous	-	3,750	-	6,485	10,235
	<u>-</u>	<u>3,750</u>	<u>-</u>	<u>6,485</u>	<u>10,235</u>
TOTAL REVENUES	<u>336</u>	<u>3,750</u>	<u>58</u>	<u>12,928</u>	<u>17,072</u>
EXPENDITURES					
Capital outlay					
General government	-	-	-	12,814	12,814
Public works	134,011	-	-	17,250	151,261
Culture and recreation	-	74,144	-	12,766	86,910
	<u>-</u>	<u>74,144</u>	<u>-</u>	<u>12,766</u>	<u>86,910</u>
TOTAL EXPENDITURES	<u>134,011</u>	<u>74,144</u>	<u>-</u>	<u>42,830</u>	<u>250,985</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(133,675)</u>	<u>(70,394)</u>	<u>58</u>	<u>(29,902)</u>	<u>(233,913)</u>
OTHER FINANCING SOURCES					
Transfers in	20,000	-	40,000	30,681	90,681
Sale of capital assets	-	-	-	1,500	1,500
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,500</u>	<u>1,500</u>
TOTAL OTHER FINANCING SOURCES	<u>20,000</u>	<u>-</u>	<u>40,000</u>	<u>32,181</u>	<u>92,181</u>
NET CHANGE IN FUND BALANCES	<u>(113,675)</u>	<u>(70,394)</u>	<u>40,058</u>	<u>2,279</u>	<u>(141,732)</u>
FUND BALANCES, JANUARY 1	<u>176,421</u>	<u>70,394</u>	<u>71,759</u>	<u>281,578</u>	<u>600,152</u>
FUND BALANCES, DECEMBER 31	<u>\$ 62,746</u>	<u>\$ -</u>	<u>\$ 111,817</u>	<u>\$ 283,857</u>	<u>\$ 458,420</u>

CITY OF MAPLE PLAIN, 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
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
REVENUES				
Taxes				
General property	\$ 1,245,190	\$ 1,245,190	\$ 1,230,329	\$ 1,146,497
Licenses and permits				
Business	12,820	12,820	12,885	13,004
Nonbusiness	26,015	26,015	22,577	30,535
Total	38,835	38,835	35,462	43,539
Intergovernmental				
State				
Local government aid	240,047	240,047	240,047	240,047
Market value credits	-	-	(294)	172
Other state grants	935	935	3,498	2,935
County				
Other county grants	3,610	3,610	4,485	9,547
Total	244,592	244,592	247,736	252,701
Charges for services				
General government	-	-	2,068	1,042
Public works	19,845	19,845	13,035	18,060
Culture and recreation	-	-	17,151	2,344
Total	19,845	19,845	32,254	21,446
Special assessments	-	-	1,747	-
Fines and forfeitures	13,200	13,200	21,234	18,467
Interest on investments	12,500	12,500	6,072	5,695
Miscellaneous				
Contributions and donations	-	-	4,235	6,268
Rents and royalties	31,700	31,700	27,599	32,764
Other	6,400	6,400	22,146	27,316
Total	38,100	38,100	53,980	66,348
TOTAL REVENUES	1,612,262	1,612,262	1,628,814	1,554,693

CITY OF MAPLE PLAIN, 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
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
EXPENDITURES				
Current				
General government				
Mayor and Council				
Personal services	\$ 28,169	\$ 28,169	\$ 24,743	\$ 25,848
Other services and charges	33,784	33,784	22,243	29,090
Total	61,953	61,953	46,986	54,938
Financial administration				
Personal services	159,039	159,039	169,863	150,233
Supplies	4,020	4,020	3,608	3,205
Other services and charges	56,872	56,872	50,825	52,516
Total	219,931	219,931	224,296	205,954
Elections				
Other services and charges	4,368	4,368	2,798	676
Recording and reporting				
Other services and charges	6,650	6,650	6,065	2,543
Assessing				
Other services and charges	14,698	14,698	14,684	14,657
Legal				
Other services and charges	30,000	30,000	28,288	24,501
Planning and zoning				
Other services and charges	21,600	21,600	32,889	23,268
General government buildings				
Supplies	1,000	1,000	816	989
Other services and charges	34,134	34,134	19,519	16,555
Total	35,134	35,134	20,335	17,544
Total general government	394,334	394,334	376,341	344,081

CITY OF MAPLE PLAIN, 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
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Public safety				
Police				
Other services and charges	\$ 446,894	\$ 446,894	\$ 446,067	\$ 436,909
Fire				
Other services and charges	187,459	187,459	187,459	192,624
Building inspection				
Other services and charges	20,000	20,000	5,463	11,444
Civil defense				
Other services and charges	505	505	953	478
Animal control				
Other services and charges	250	250	85	-
Total public safety	655,108	655,108	640,027	641,455
Public works				
Streets and alleys				
Personal services	84,485	84,485	79,418	78,468
Supplies	25,550	25,550	12,167	20,182
Other services and charges	93,148	93,148	72,593	54,015
Total	203,183	203,183	164,178	152,665
Street lighting				
Other services and charges	22,000	22,000	21,364	24,778
Snow and ice removal				
Personal services	9,049	9,049	7,562	7,581
Supplies	3,750	3,750	4,738	2,604
Total	12,799	12,799	12,300	10,185
Sanitation				
Other services and charges	20,120	20,120	13,130	19,336
Total public works	258,102	258,102	210,972	206,964

CITY OF MAPLE PLAIN, 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
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Culture and recreation					
Municipal parks					
Personal services	\$ 14,995	\$ 14,995	\$ 15,410	\$ (415)	\$ 9,915
Supplies	6,800	6,800	5,638	1,162	5,017
Other services and charges	8,929	8,929	28,087	(19,158)	20,124
Total	30,724	30,724	49,135	(18,411)	35,056
Community events					
Other services and charges	-	-	30,114	(30,114)	-
Total culture and recreation	30,724	30,724	79,249	(48,525)	35,056
Economic development					
Other services and charges	19,231	19,231	10,812	8,419	30,869
Total current expenditures	1,357,499	1,357,499	1,317,401	40,098	1,258,425
Capital outlay					
General government	-	-	443	(443)	-
Culture and recreation	20,000	20,000	22,799	(2,799)	3,396
Total capital outlay	20,000	20,000	23,242	(3,242)	3,396
Debt service					
Principal	16,557	16,557	16,557	-	15,859
Interest and other fiscal charges	4,881	4,881	4,881	-	5,579
Total debt service	21,438	21,438	21,438	-	21,438
TOTAL EXPENDITURES	1,398,937	1,398,937	1,362,081	36,856	1,283,259
EXCESS OF REVENUES OVER EXPENDITURES	213,325	213,325	266,733	53,408	271,434
OTHER FINANCING USES					
Transfers out	(213,325)	(213,325)	(240,167)	(26,842)	(255,825)
NET CHANGE IN FUND BALANCES	-	-	26,566	26,566	15,609
FUND BALANCES, JANUARY 1	1,176,720	1,176,720	1,176,720	-	1,161,111
FUND BALANCES, DECEMBER 31	\$ 1,176,720	\$ 1,176,720	\$ 1,203,286	\$ 26,566	\$ 1,176,720

CITY OF MAPLE PLAIN, MINNESOTA
SUPPLEMENTARY INFORMATION
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS -
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Totals		Percent Increase (Decrease)
	2012	2011	
REVENUES			
Taxes	\$ 1,230,329	\$ 1,146,497	7.31 %
Special assessments	15,100	-	100.00
Contributions and donations	900	-	100.00
Licenses and permits	35,462	43,539	(18.55)
Intergovernmental	1,361,293	306,826	343.67
Charges for services	370,723	362,907	2.15
Fines and forfeits	21,234	18,467	14.98
Interest on investments	10,669	10,806	(1.27)
Miscellaneous	64,219	70,541	(8.96)
TOTAL REVENUES	<u>\$ 3,109,929</u>	<u>\$ 1,959,583</u>	58.70 %
Per Capita	\$ 1,741	\$ 1,108	57.10 %
EXPENDITURES			
Current			
General government	\$ 376,341	\$ 344,081	9.38 %
Public safety	844,144	815,994	3.45
Public works	210,975	206,964	1.94
Culture and recreation	79,249	35,056	126.06
Economic development	10,812	30,869	(64.97)
Capital outlay			
General government	13,257	-	100.00
Public safety	19,054	13,547	40.65
Public works	2,119,996	304,825	595.48
Culture and recreation	109,709	5,556	1,874.60
Debt service			
Principal	61,557	60,859	1.15
Interest and other charges	70,366	16,029	338.99
TOTAL EXPENDITURES	<u>\$ 3,915,460</u>	<u>\$ 1,833,780</u>	113.52 %
Per Capita	\$ 2,192	\$ 1,037	111.37 %
Total Long-term Indebtedness	\$ 1,764,373	\$ 360,930	388.84 %
Per Capita	988	204	383.90
General Fund Balance - December 31	\$ 1,203,286	\$ 1,176,720	2.26 %
Per Capita	674	666	1.23

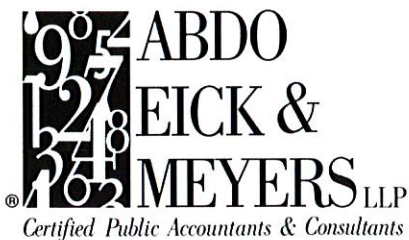
The purpose of this report is to provide a summary of financial information concerning the City of Maple Plain to interested citizens. The complete financial statements may be examined at City Hall, 1620 Maple Avenue, Maple Plain, MN 55359. Questions about this report should be directed to the City Clerk at (952) 479-0515.

OTHER REQUIRED REPORTS

CITY OF MAPLE PLAIN
MAPLE PLAIN, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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5201 Eden Avenue
Suite 250
Edina, MN 55436

AUDITOR'S REPORT ON LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Maple Plain, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information the City of Maple Plain, Minnesota (the City), as of and for the year ended December 31, 2012, which collectively comprise the basic financial statements and have issued our report thereon dated March 8, 2013.

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

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

The results of our tests indicate that for the items tested the City complied with the material terms and conditions of applicable legal provisions, except as described in the accompanying Schedule of Findings and Responses as findings 2012-4.

The City's response to the finding in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit the City's response and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, and the result of that testing, and not to provide an opinion on the City's compliance with those provisions. Accordingly, this report is not suitable for any other purpose.

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

March 8, 2013
Minneapolis, Minnesota

5201 Eden Avenue
Suite 250
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of Maple Plain, Minnesota

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Maple Plain, 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, and have issued our report thereon dated March 8, 2013.

Internal Control Over Financial Reporting

Management of City of Maple Plain, Minnesota, is responsible for establishing and maintain effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as finding 2012-3 to be material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as findings 2012-1 and 2012-2 to be significant deficiencies.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City in a separate letter dated March 8, 2013.

The City's responses to the findings in our audit are described in the accompanying Schedule of Findings and Responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

March 8, 2013
Minneapolis, Minnesota

Abdo, Eick & Meyers, LLP
ABDO, EICK & MEYERS, LLP
Certified Public Accountants

CITY OF MAPLE PLAIN, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Finding</u>	<u>Description</u>
2012-1	Limited segregation of duties
<i>Condition:</i>	During our audit, we reviewed procedures over cash disbursements and utility billing and found the City to have limited segregation of duties related to these procedures.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	During the year the deputy clerk had access to the check stock, prepared the checks, entered transactions into the accounting system, and had access to the City's automated check signing machine. The deputy clerk prepares and mails customer billing statements, receives and endorses checks/currency, prepares and takes the deposit slip to the bank, and maintains the utility billing register.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud.
<i>Recommendation:</i>	While we recognize staff is not large enough to eliminate these deficiencies, we believe the risk can be reduced with better monitoring. We recommend that the deputy clerk not have access to the automated check signing machine. We also recommend another person other than the City administrator or deputy clerk review bank statements for unusual activity before the City Administrator completes the reconciliations. For utility billing, we recommend that the City Administrator review the utility billing register after customer billing statements are generated.
<i>Management response:</i>	Management recognizes that it is not economically feasible to correct this finding, is aware of the deficiency and is relying on continued oversight by management and the City Council to monitor this deficiency. Ongoing consideration is given as to how this may be addressed.

CITY OF MAPLE PLAIN, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Finding</u>	<u>Description</u>
2012-2	Preparation of financial statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend a disclosure checklist is utilized to ensure all required disclosures are presented and the City should agree its financial software to the numbers reported in the financial statements.
<i>Management response:</i>	For now, the City's management accepts the degree of risk associated with this deficiency and thoroughly reviews a draft of the financial statements.

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CITY OF MAPLE PLAIN, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Finding</u>	<u>Description</u>
2012-3	Material audit adjustment
<i>Condition:</i>	During our audit, there were three audit adjustments there were considered material. An adjustment was needed to record account payables relating to retainage for construction in progress. An adjustment was needed to record unearned grant revenue and also to record grant receivables.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management
<i>Cause:</i>	City staff has not prepared a year end trial balance reflecting all necessary accounting entries.
<i>Effect:</i>	This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management response:</i>	<p>The City received advance of funds for the park and ride project and had recorded all of the funds as received; funds were to be recorded as expenses were incurred. A reimbursement of grant funds had been submitted for approval but had not been received; that entry had not been recorded prior to the audit commencing. Retainage for the Howard Avenue mill and overlay, park and ride and 2012 capital improvement projects had not been recoded prior to the audit. City staff reviewed the journal entries with the auditors during the audit process and agrees with the entries.</p>
2012-4	Minnesota legal compliance
<i>Condition:</i>	During our audit procedures, it came to our attention that the City had not made two payments within the timeframe set forth by State statutes.
<i>Criteria:</i>	Minnesota statute §471.425 requires that the City pay bills within 35 days from receipt. If the invoice is not paid within 35 days, interest at 1.50 percent per month is to be added to the amount due.
<i>Cause:</i>	For our testing, we selected a sample of 25 disbursements. While testing two of these disbursements, we noted that the payment was not made within the 35 days set forth in State statute.
<i>Effect:</i>	The City is out of compliance with Minnesota statute.
<i>Recommendation:</i>	We recommend that the accounts payable process consider the payment terms required by statute. Implementing this recommendation will not result in any additional cost to the City.
<i>Management response:</i>	City staff reviewed the two invoices with the auditors and concurred with the findings.

