

City of Blaine, Minnesota

Comprehensive Annual Financial Report

For the Year Ended December 31, 2012

Issued by the Finance Department



Comprehensive Annual Financial Report
for the year ended December 31, 2012

Finance Department

Joseph Huss

Finance Director

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I. INTRODUCTORY SECTION

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City of Blaine

Finance Department

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Blaine, Minnesota 55449-8101
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www.ci.blaine.mn.us

August 27, 2013

To the Honorable Mayor, Council Members, City Manager, and the Citizens of the City of Blaine:

Minnesota Statutes require that all cities issue an annual financial report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Blaine (the City) for the fiscal year ended December 31, 2012.

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

The City of Blaine's financial statements have been audited by HLB Tautges Redpath, Ltd., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2012 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor, based upon the audit, concluded that the City's financial statements for the fiscal year ended December 31, 2012, are fairly presented in conformity with GAAP, and rendered an unqualified opinion stating so. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Blaine's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1964, is a second-ring suburban community of the Minneapolis-St. Paul metropolitan area in the eastern part of Minnesota. This area is considered to be the major population and economic growth area in the state, and among the highly ranked economic growth areas in the country. In terms of population, Blaine itself is one of the fastest growing communities in the metropolitan area. The City occupies a land area of 34.5 square miles and serves a population of 60,199 according to the most recent estimate prepared by the Twin Cities Metropolitan Council, a regional planning agency serving the seven county metropolitan area of St. Paul and Minneapolis. The City is empowered to levy a property tax on both real and certain personal properties located within its boundaries. While it also is empowered by State Statute to extend its corporate limits by annexation, Blaine is bordered on all sides by other incorporated communities.

The City operates under the council-manager form of government. Policy-making and legislative authority are vested in a city council consisting of the mayor and six other members. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the city manager. The city manager is responsible for carrying out the policies and ordinances of the council, for overseeing the day-to-day operations of the city government, and for appointing heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three council members elected every two years. The mayor is elected to serve a four-year term. All council members are elected by ward, two from each of the three wards within the City. The mayor is elected at large.

The City provides a full range of services, including police protection; the construction and maintenance of highways, streets, and other infrastructure; water and sewer services; and recreational activities and cultural events. Certain economic development services are provided through a legally separate Economic Development Authority that functions, in essence, as a department of the City and therefore has been included as an integral part of the City's financial statements.

Fire protection services are provided under a joint powers agreement by the Spring Lake Park, Blaine, Mounds View Fire Department, a private nonprofit Internal Revenue Code Section 501(c)(3) organization. Information on this joint powers agreement can be found in Note 14 in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City submit requests for appropriation to the City Manager in June of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review by September 15. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 28.

The appropriated budget is prepared by fund, department (i.e., administration), division (i.e., city clerk), and activity (i.e., elections). The City Manager may make transfers between activities, divisions, or departments. Transfers between funds must be approved by the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 36-37 as part of the basic financial statements for the governmental funds.

Local economy

The City of Blaine is well positioned with a strong local economy. With a marketplace that has more than 3.5 million square feet of commercial development, the City serves as a regional retail center and is home to a variety of shopping malls. Northtown Mall, at nearly 1.1 million square feet, is the largest shopping mall in Anoka County and fifth largest in the Twin Cities metropolitan area. It is home to 110 stores and is 100% occupied.

Blaine also serves as the corporate headquarters for Aveda, a global plant-based cosmetic company and a subsidiary of Estee Lauder, a Fortune 500 company. Aveda, known worldwide as a strong supporter of the environment, resides on a 65-acre site that employs approximately 700 people. Overall, the City has an employed labor force of roughly 32,000.

Blaine is also home to the National Sports Center (NSC), one of the elite amateur sports complexes in the world. The facility has been the host of hundreds of events throughout its existence such as the U.S. Olympic Festival and the International Special Olympics, and attracts over four million visitors annually. Schwan's Super Rink at the NSC, with four NHL-sized ice sheets and four Olympic-sized ice sheets, is the largest indoor ice facility in the world, and is the permanent training home for the U.S. Women's National Hockey team. In 2011, the NSC completed construction of the Schwan Event Center, a 20,000 square-foot facility that provides indoor space for sports related uses such as soccer, baseball, and lacrosse, as well as space for special events such as community education and sports shows.

The Tournament Players Club (TPC) of the Twin Cities, located in Blaine, is one of 19 private golf courses owned and operated by the Professional Golf Association (PGA.) It is home to the annual 3M™ Championship which is part of the PGA Champions tour and annually attracts over 200,000 visitors to Blaine during its seven-day operation.

Blaine has emerged from the latest economic downturn into a period of moderate to high residential growth. The City continues to add households at a rate well above the average for the region. For the five years from 2008 through 2012 Blaine added 1,660 new housing units, ranking third in the Twin Cities metropolitan area, behind Minneapolis, and Woodbury. New growth is generally scattered among several planned areas in the City's "Lakes" neighborhood in the northeast area of Blaine. Annual housing growth is expected to continue at a pace of over 300 new housing units per year through 2018. Commercial and industrial development has also contributed to Blaine's tax base growth with over 900,000 square-feet of new commercial/industrial space added over the past five years.

Long-term financial planning

Fueled by an expanding population base and rapid development, the City Council has identified significant capital projects that will provide the necessary infrastructure that will allow the City to continue to provide a high level of service to its growing constituency.

Blaine continued progress on its 20-year water utility capital improvement program in 2012. The program, adopted in 2003, will provide over \$50 million in improvements to the City's water system. Funding for the program is through a combination of capital reserve funds on hand and revenue supported bonds. In addition to upgrading existing wells and treatment plants, the plan calls for the addition of six new wells, two treatment plants and one storage tower.

Work also continued in 2012 with the City's comprehensive Pavement Management Plan (PMP). The PMP, implemented in 2010, is designed to maintain and rehabilitate city streets in a cost-efficient manner. The PMP addresses both annual maintenance and regularly scheduled overlay and reconstruction of all city-maintained streets in Blaine. Initial efforts are concentrated on those streets that are most in need of improvements as rated by factors including condition of the pavement, maintenance costs and traffic volume. Based on these and other factors, a determination is made as to the type of improvement – pavement overlay, or complete reconstruction – that will be initiated. In 2012 Blaine completed roughly \$328,000 in overlay projects and \$1.7 million in reconstruction work under the PMP. Funding for the PMP will come from a combination of tax-levy supported debt and special assessments against improved property.

Relevant Financial Policies

Cash temporarily idle during the year was invested in money market instruments and US government agency obligations. Blaine's investment policy calls for the investment of public funds in a manner that will provide the highest investment return with minimum risk while meeting the daily cash flow demands of the City. For investments held at December 31, 2012, the time remaining until the investments' maturity ranged from 6 days to 14.5 years with an average of 42 months remaining until maturity. The yield on investments maturing, called, or sold in 2012 ranged from a high of 7% to a low of .08%. The City's average return on investments in 2012 was 2.29%

The City has actively worked to limit both its liability risk and insurance costs since 1993. The general liability of the City has been placed with the League of Minnesota Cities Insurance Trust. To limit its costs, the City has maintained a per-incident deductible of \$100,000 with an aggregate limit of \$200,000. These deductibles are funded from the Self-Insurance Internal Service Fund, which ended 2012 with a cash balance of nearly \$1,061,000. The funding for this insurance program is a combination of property taxes and insurance rebates. Workers' compensation includes the statutory requirements and is accounted for in those funds that have permanent positions, the General and Public Utilities Funds.

Major Initiatives

In 2012, Blaine provided conduit financing, in the form of a \$4.2 million Sports Facility Note, to refinance roughly \$1.3 million of outstanding debt and fund the construction of a 28,000 square-foot curling facility. The curling facility has six curling sheets, or "lanes", and is the only curling venue in North America that is open and operates year round. In addition to the curling lanes, the facility includes a full service bar and restaurant, a patio, men's and women's locker rooms, a game and vending area, and a lounge. The curling facility will complement established athletic venues such as the National Sports Center and the Tournament Players Club, and bolster Blaine's reputation as a sporting destination.

Also in 2012, the City purchased 38 acres of undeveloped land to be used for an athletic complex. The property, located in the City's Northeast quadrant, would serve as a regional facility and include two baseball fields, four multi-use fields for youth sports such as soccer, football and lacrosse, a basketball court, and a tennis court. The project is currently in the planning stage and is expected to be completed and put into use in spring of 2015. Total cost to acquire and develop the complex is estimated at \$4.9 million. Funding for the project will come from park dedication fees paid by developers.

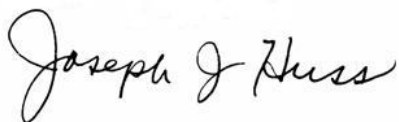
Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the year ended December 31, 2011. This was the twenty-ninth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

We wish to express our thanks to the Mayor and City Council for their leadership in conducting the operations of the City in a responsible and progressive manner. This appreciation is also extended to the City Manager and Department Heads for their continued interest and support in planning and conducting the financial operations of the City. Finally, we wish to express our thanks to the entire Finance Department staff for their efforts in assisting with this document. The preparation of this report would not have been possible without their efficient and dedicated services throughout the year.

Respectfully submitted,



Joe Huss
Finance Director

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Blaine
Minnesota

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

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



Christopher P. Moynell

President

Jeffrey R. Emer

Executive Director

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CITY OF BLAINE, MINNESOTA

PRINCIPAL OFFICIALS



Legislative	Term Expires
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MAYOR

Thomas Ryan	December 31, 2016
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COUNCIL MEMBERS

Wes Hovland	December 31, 2014
Dick Swanson	December 31, 2016
Dave Clark	December 31, 2014
Mike Bourke	December 31, 2016
Katherine Kolb	December 31, 2014
Russ Herbst	December 31, 2016

Administrative	Date of Hire
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CITY MANAGER

Clark Arneson	February 25, 2008
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FINANCE DIRECTOR

Joseph J. Huss	July 17, 2003
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SAFETY SERVICES MANAGER/POLICE CHIEF

Christopher E. Olson	April 24, 1990
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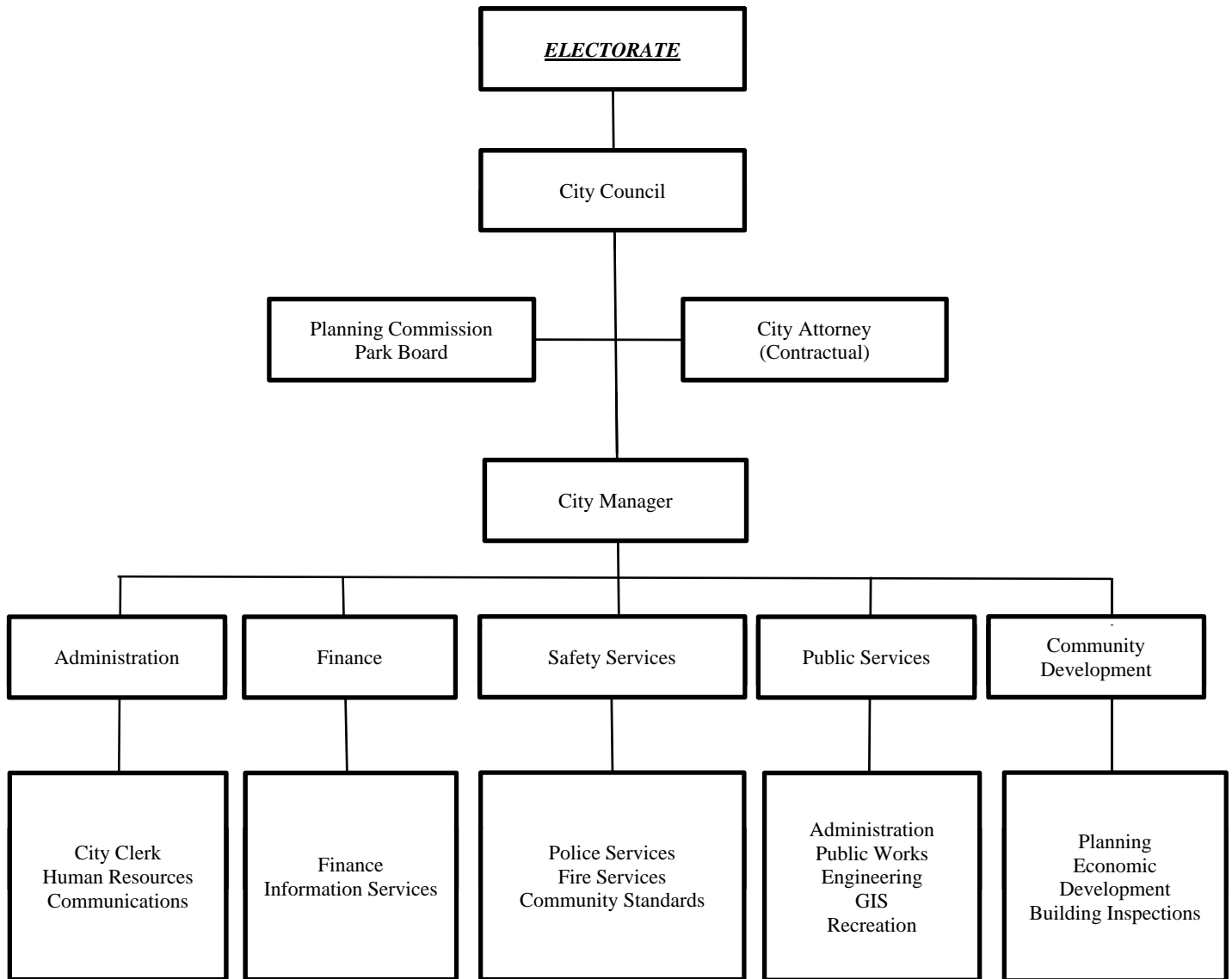
PUBLIC SERVICES MANAGER

Robert E. Therres	May 21, 2001
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COMMUNITY DEVELOPMENT DIRECTOR

Bryan K. Schafer	June 2, 1986
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ORGANIZATIONAL CHART



II. FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Blaine, Minnesota

Report on the 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 Blaine, Minnesota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Blaine, Minnesota's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Report on Summarized Comparative Information

We have previously audited the City of Blaine, Minnesota's 2011 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated June 26, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011 is consistent, in all material respects, with the audited financial statements from which they were derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 17 through 24 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 text. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2013, on our consideration of the City of Blaine, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Blaine, Minnesota's internal control over financial reporting and compliance.

HLB Tautges Redpath, Ltd.

HLB TAUTGES REDPATH, LTD.

August 27, 2013

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Management's Discussion and Analysis

As management of the City of Blaine (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-5 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$352,977,061 (net position). Of this amount, \$51,908,849 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$7,825,239.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$52,850,893 an increase of \$4,026,276 in comparison with the prior year. This increase is primarily due to the issuance of debt in the latter part of the year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,381,874, or 44 percent of the total general fund expenditures for 2012.
- The City's total long-term obligations increased by \$2,898,966 (approximately 7 percent) during the current year.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, sanitation, recreation, and community development. The business-type activities of the City include water, sanitary sewer, storm sewer, and solid waste and recycling collection utilities, and senior housing.

The government-wide financial statements include not only the City itself, but also the Blaine Economic Development Authority (EDA), a legally separate entity that functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 27-29 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 three categories: governmental funds, proprietary funds, and fiduciary funds.



Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the 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 of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains fifteen 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 balance for the general fund, debt service fund, general capital projects fund, city improvement project fund, tax increment financing (TIF) fund, and EDA capital projects fund all of which are considered major funds. Data from the nine other 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 elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 30-37 of this report.

Proprietary funds. The City maintains two different types 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 public utilities and senior housing operations. Internal service funds are an accounting device to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insurance program and for compensated absences. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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 the public utilities and senior housing operations, both of which are considered to be major funds of the City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 38-40 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs.

The basic fiduciary fund financial statement can be found on page 41 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 can be found on pages 43-74 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the basic financial statements. Combining and individual fund statements and schedules can be found on pages 78-93 of this report.



Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$352,977,061 at the close of the most recent fiscal year.

The largest portion of the City's net position (77 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not for future spending. Although the City's investment in 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 Blaine's Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$63,308,749	\$60,008,969	\$23,891,963	\$22,800,241	\$87,200,712	\$82,809,210
Capital assets	179,386,934	175,231,186	133,379,565	131,547,599	312,766,499	306,778,785
Total assets	<u>\$242,695,683</u>	<u>\$235,240,155</u>	<u>\$157,271,528</u>	<u>\$154,347,840</u>	<u>\$399,967,211</u>	<u>\$389,587,995</u>
Long-term liabilities outstanding	\$37,296,816	\$34,044,544	\$4,854,697	\$5,208,003	\$42,151,513	\$39,252,547
Other liabilities	3,871,339	4,467,788	967,298	715,838	4,838,637	5,183,626
Total liabilities	<u>\$41,168,155</u>	<u>\$38,512,332</u>	<u>\$5,821,995</u>	<u>\$5,923,841</u>	<u>\$46,990,150</u>	<u>\$44,436,173</u>
Net position:						
Net investment in capital assets	\$151,926,174	\$148,586,847	\$130,977,212	\$129,035,604	\$282,903,386	\$277,622,451
Restricted	18,041,663	17,300,198	123,163	122,317	18,164,826	17,422,515
Unrestricted	31,559,691	30,840,778	20,349,158	19,266,078	51,908,849	50,106,856
Total net position	<u>\$201,527,528</u>	<u>\$196,727,823</u>	<u>\$151,449,533</u>	<u>\$148,423,999</u>	<u>\$352,977,061</u>	<u>\$345,151,822</u>

A small portion of the City's net position (five percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$51,908,849) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's net position increased \$7,825,239 during 2012. Of this increase, 36%, or \$2,778,241, represents capital assets constructed by developers and donated to the City for maintaining.

Business-type activities. Business-type activities increased the City's net position by \$3,025,534. Key elements of this increase include positive performance in the City's water, sewer, and storm drainage utility operations, plus positive performance in senior housing operations.

Governmental activities. Governmental activities increased the City's net position by \$4,799,705 accounting for 61% of the growth in the government's net position. Key elements of this increase are on the following page:



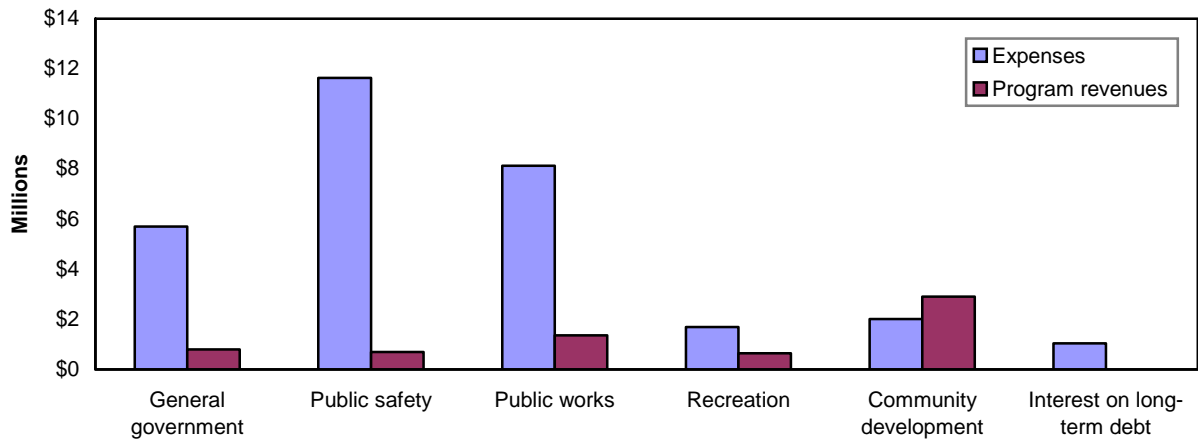
City's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	\$6,177,927	\$5,347,736	\$14,690,289	\$13,519,486	\$20,868,216	\$18,867,222
Operating grants and contributions	1,520,422	1,343,221	227,153	115,075	1,747,575	1,458,296
Capital grants and contributions	5,104,558	4,592,368	960,298	669,796	6,064,856	5,262,164
General revenues:						
Property taxes	20,973,390	21,219,152	-	-	20,973,390	21,219,152
Other taxes	598,512	581,524	-	-	598,512	581,524
Grants and contributions not restricted to specific programs	27,796	69,654	-	-	27,796	69,654
Other	831,588	2,004,986	399,413	812,773	1,231,001	2,817,759
Total revenues	35,234,193	35,158,641	16,277,153	15,117,130	51,511,346	50,275,771
Expenses:						
General government	5,702,507	5,215,357	-	-	5,702,507	5,215,357
Public safety	11,364,492	11,309,461	-	-	11,364,492	11,309,461
Public works	8,123,540	9,675,845	-	-	8,123,540	9,675,845
Recreation	1,703,196	1,565,590	-	-	1,703,196	1,565,590
Community development	2,016,411	2,157,671	-	-	2,016,411	2,157,671
Interest on long-term debt	1,041,327	1,153,658	-	-	1,041,327	1,153,658
Water	-	-	3,759,960	3,721,034	3,759,960	3,721,034
Sewer	-	-	4,729,733	4,819,697	4,729,733	4,819,697
Storm drainage	-	-	961,050	1,100,692	961,050	1,100,692
Sanitation	-	-	2,862,083	2,722,442	2,862,083	2,722,442
Senior housing	-	-	1,421,808	1,374,386	1,421,808	1,374,386
Total expenses	29,951,473	31,077,582	13,734,634	13,738,251	43,686,107	44,815,833
Increase in net position before transfers	5,282,720	4,081,059	2,542,519	1,378,879	7,825,239	5,459,938
Transfers	(483,015)	600,973	483,015	(600,973)	-	-
Increase in net position	4,799,705	4,682,032	3,025,534	777,906	7,825,239	5,459,938
Net position - 01/01	196,727,823	192,101,781	148,423,999	147,646,150	345,151,822	339,747,931
Prior period adjustment*	-	(55,990)	-	(57)	-	(56,047)
Net position - 12/31	\$201,527,528	\$196,727,823	\$151,449,533	\$148,423,999	\$352,977,061	\$345,151,822

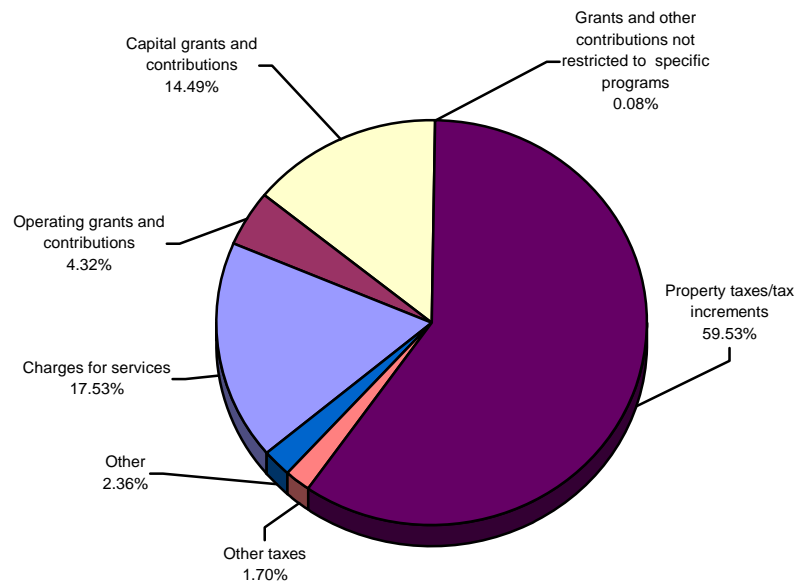
* See Note 16



Expenses and Program Revenues – Governmental Activities

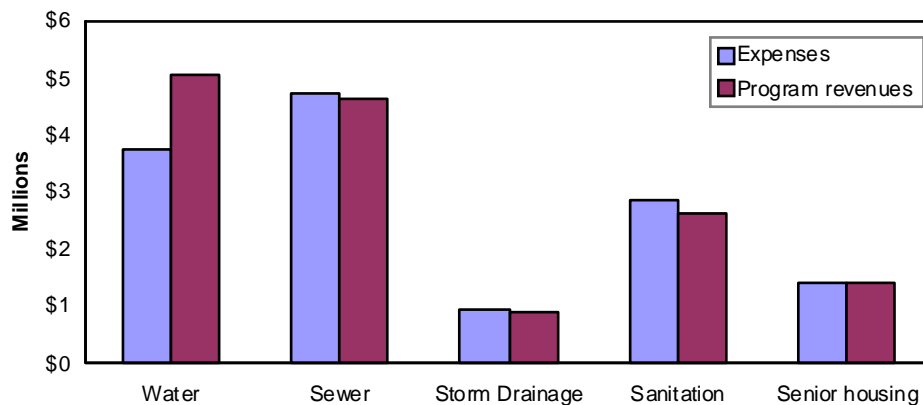


Revenues by Source – Governmental Activities

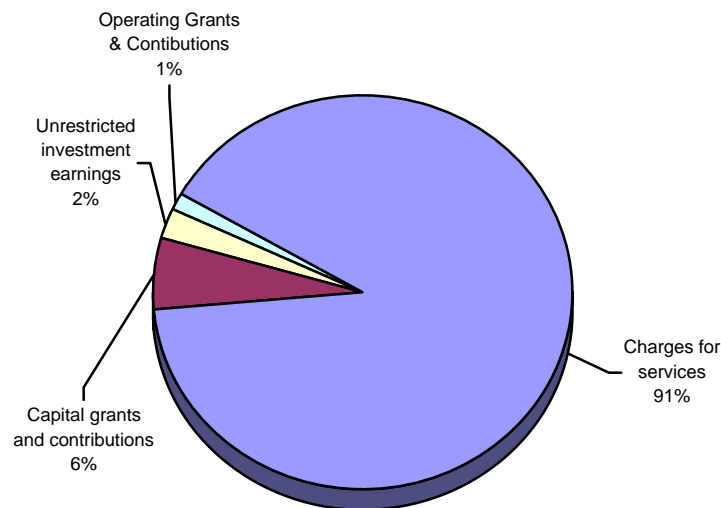




Expenses and Program Revenues – Business-type Activities



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, unreserved fund balance may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$52,850,893, an increase of \$4,026,276 in comparison with the prior year. Approximately 63 percent of this total amount, or \$33,100,046, constitutes unrestricted fund balance, which is available for spending at the government’s discretion. The remainder of the fund balance is classified as either non-spendable because it has already been committed to liquidate contracts and purchase orders of the prior year (\$189,125); or restricted for 1) payment of debt service (\$7,890,192); 2) funding of qualified tax increment projects (\$11,204,981); or 3) contractual obligations or grant requirements (\$466,549).



The general fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted, unassigned fund balance of the general fund was \$10,381,874 while total fund balance reached \$10,619,690. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 45 percent of the total general fund expenditures at the current fiscal year end.

The fund balance of the City's general fund decreased \$320,017 during the current fiscal year. The key factor responsible for this decrease was the planned transfer of unrestricted reserves from the general fund to general capital and city improvement projects funds.

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

The unrestricted portion of the public utilities fund's net position at the end of the year amounted to \$19,222,993 and that for the senior housing fund amounted to \$1,191,379. The growth in net position for the public utilities fund was \$3,090,228, due primarily to the acquisition of capital assets. The decrease in net position for the senior housing fund was \$69,787.

General Fund Budgetary Highlights

Actual total revenue exceeded final budgeted revenue by \$519,896 in the General Fund. Positive performances in the licenses and permits (\$346,634 greater than budgeted), intergovernmental (\$39,616), and charges for services (\$317,100) categories, and more than offset lagging performances in property taxes (\$99,550 below budget), fines and forfeits (\$56,536), and investment income (\$120,520). For expenditures, the key factor in bringing about a favorable budget variance was the transitional savings resulting from not filling vacant positions. Total expenditures in recreation exceeded the budgeted amount by \$144,489. This deficit was the result of greater participation in recreation programs than anticipated, but was more than offset by increased revenue associated with the increased participation. As a whole, expenditures and other financing uses exceeded actual revenues and other financing sources by \$320,017 for the year.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$312,766,499 per the Statement of Net Position (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, machinery and equipment, water distribution and sewage collection systems, infrastructure and construction in progress.

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

- Contributions totaling \$2,778,241 were received from developers in the form of streets, storm sewers, sanitary sewers, water mains, bridges, right-of-way, park land and out-lots to be left as open space.
- Parkland acquisition and improvements to parks and trails during the year totaled approximately \$1,535,563
- Equipment and vehicles of \$2,311,834 were purchased during the year.

City of Blaine's Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$99,699,668	\$95,468,441	\$3,409,994	\$3,167,025	\$103,109,662	\$98,635,466
Buildings and structures	32,330,245	33,390,875	12,745,014	12,993,981	45,075,259	46,384,856
Machinery and equipment	5,409,744	4,519,727	2,151,654	2,051,192	7,561,398	6,570,919
Distribution and collection system	-	-	94,355,687	92,569,972	94,355,687	92,569,972
Infrastructure	39,631,072	36,558,382	18,778,637	18,279,282	58,409,709	54,837,664
Construction in progress	2,316,205	5,293,761	1,938,579	2,486,147	4,254,784	7,779,908
Total	\$179,386,934	\$175,231,186	\$133,379,565	\$131,547,599	\$312,766,499	\$306,778,785

Additional information on the City's capital assets can be found in Note 6 on pages 59-60 of this report.



Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$37,470,000. Of this amount, \$11,515,000 was for general obligation improvement debt which has financed special assessment construction as part the continuing development within the City. An additional \$2,875,000 was general obligation tax increment financing debt that financed the City's economic development and redevelopment program. There is also \$4,820,000 in outstanding utility revenue bonds that were issued to finance utility improvements including the construction of a water tower. The remaining \$18,260,000 is general obligation debt issued for the construction of a new fire station, to purchase capital equipment, to acquire open space within the City, to expand the City's public works facility, and to add a garage at the City hall site to house fire trucks and apparatus.

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$18,260,000	\$19,330,000	\$ -	\$ -	\$18,260,000	\$19,330,000
General obligation improvement bonds	11,515,000	7,800,000	-	-	11,515,000	7,800,000
General obligation revenue bonds	-	-	4,820,000	5,170,000	4,820,000	5,170,000
General obligation tax increment increment financing bonds	2,875,000	3,550,000	-	-	2,875,000	3,550,000
Total	<u>\$32,650,000</u>	<u>\$30,680,000</u>	<u>\$4,820,000</u>	<u>\$5,170,000</u>	<u>\$37,470,000</u>	<u>\$35,850,000</u>

The City's total debt increased by a net amount of \$1,620,000 (5%) during the current fiscal year as a result of the issuance of \$4,945,000 in general obligation improvement bonds and a reduction of \$3,325,000 in principal from scheduled principal repayments

The City's bond rating for all of its general obligation debt was affirmed at Aa1 by Moody's Investor Service in April 2012.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3 percent of the total estimated market value of property within the city. The current debt limit for the City is \$127,874,724. Of the City's \$37,470,000 in outstanding debt at the current fiscal year end, \$21,135,000 is subject to the restrictions placed by State Statute.

Additional information on the City's long-term debt can be found in Note 8 on pages 62-67 of this report.

Economic Factors and Next Year's Budget and Rates

- The City's unemployment rate ended the year at 5.1 percent, which compares favorably with the state unemployment rate of 5.4 percent, and the national unemployment rate of 7.8 percent.
- While the number of City building permits issued in 2012 declined slightly, the valuation of those permits increased. A total of 3,266 permits with a total valuation of \$141,203,082 were issued in 2012. Activity in 2011 was at 3,294 permits with a valuation of \$105,952,149.

During the current fiscal year, unrestricted fund balance in the general fund decreased by \$418,402. This decrease is a result of the transfer of unrestricted reserves from the general fund to capital project funds in 2012.

Water fees in the public utilities fund were last increased in 2003 for the 2004 fiscal year and are expected to remain at that level in 2013. The amounts were based on a study completed in 2003 encompassing significant long-term improvements and additions to the water distribution and treatment systems that currently exist in the City. Two of those projects, the building of a new water storage tower and the construction of a fourth water treatment plant were completed in 2009.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, City of Blaine, 10801 Town Square Drive, Blaine, Minnesota 55449-8101.

BASIC FINANCIAL STATEMENTS

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CITY OF BLAINE, MINNESOTA

STATEMENT OF NET POSITION

Statement 1

December 31, 2012

With Comparative Totals For December 31, 2011

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
Assets:				
Cash, cash equivalents, and pooled investments	\$54,066,771	\$20,679,005	\$74,745,776	\$72,965,885
Cash and investments with escrow agent	2,923,319	-	2,923,319	-
Delinquent taxes receivable	572,419	-	572,419	726,190
Tax increment receivable	20,191	-	20,191	37,219
Accounts receivable	357,950	2,688,249	3,046,199	2,775,616
Special assessments receivable	2,834,566	136,782	2,971,348	3,519,778
Intergovernmental receivable	787,691	127,630	915,321	683,440
Internal balances	65,214	(65,214)	-	-
Prepaid items and other assets	227,174	260,734	487,908	369,493
Loans receivable	1,023,839	-	1,023,839	1,135,648
Lease receivable	25,917	-	25,917	28,339
Accrued interest receivable	157,913	64,777	222,690	350,496
Deferred charges	245,785	-	245,785	217,106
Capital assets (net of accumulated depreciation):				
Land	99,699,668	3,409,994	103,109,662	98,635,466
Building and structures	32,330,245	12,745,014	45,075,259	46,384,856
Machinery and equipment	5,409,744	2,151,654	7,561,398	6,570,919
Distribution and collection system	-	94,355,687	94,355,687	92,569,972
Infrastructure	39,631,072	18,778,637	58,409,709	54,837,664
Construction in progress	2,316,205	1,938,579	4,254,784	7,779,908
Total assets	<u>242,695,683</u>	<u>157,271,528</u>	<u>399,967,211</u>	<u>389,587,995</u>
Liabilities:				
Accounts payable	581,922	555,684	1,137,606	659,499
Accrued liabilities	674,197	36,887	711,084	633,945
Deposits payable	2,050,481	110,085	2,160,566	2,595,050
Contracts payable	28,382	19,599	47,981	506,952
Intergovernmental payable	537	84,983	85,520	70,688
Bond interest payable	416,534	77,744	494,278	538,538
Unearned revenue	119,286	82,316	201,602	178,954
Noncurrent liabilities:				
Due within one year	3,269,789	363,305	3,633,094	3,602,390
Due in more than one year	34,027,027	4,491,392	38,518,419	35,650,157
Total liabilities	<u>41,168,155</u>	<u>5,821,995</u>	<u>46,990,150</u>	<u>44,436,173</u>
Net position:				
Net investment in capital assets	151,926,174	130,977,212	282,903,386	277,622,451
Restricted for:				
Debt service	6,492,296	123,163	6,615,459	6,820,889
Tax increment purposes	11,225,172	-	11,225,172	10,081,439
Public safety programs	204,141	-	204,141	179,957
Charitable gambling	119,703	-	119,703	73,376
Energy Efficiency Block Grant	351	-	351	-
Unrestricted	31,559,691	20,349,158	51,908,849	50,373,710
Total net position	<u>\$201,527,528</u>	<u>\$151,449,533</u>	<u>\$352,977,061</u>	<u>\$345,151,822</u>

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

CITY OF BLAINE, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2012
With Comparative Totals For The Year Ended December 31, 2011

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Charges For Services</u>
Primary government:		
Governmental activities:		
General government	\$5,702,507	\$784,962
Public safety	11,364,492	696,370
Public works	8,123,540	1,139,632
Recreation	1,703,196	648,330
Community development	2,016,411	2,908,633
Interest on long-term debt	1,041,327	-
Total governmental activities	<u>29,951,473</u>	<u>6,177,927</u>
Business-type activities:		
Water	3,759,960	5,069,764
Sewer	4,729,733	4,649,702
Storm drainage	961,050	908,100
Sanitation	2,862,083	2,632,526
Senior housing	1,421,808	1,430,197
Total business-type activities	<u>13,734,634</u>	<u>14,690,289</u>
Total primary government	<u>\$43,686,107</u>	<u>\$20,868,216</u>

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

Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government			
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
				2012	2011
\$ -	\$ -	(\$4,917,545)	\$ -	(\$4,917,545)	(\$4,492,698)
890,946	25,000	(9,752,176)	-	(9,752,176)	(9,689,254)
440,632	4,789,074	(1,754,202)	-	(1,754,202)	(3,721,845)
188,844	-	(866,022)	-	(866,022)	(1,106,647)
-	290,438	1,182,660	-	1,182,660	307,524
-	46	(1,041,281)	-	(1,041,281)	(1,091,337)
<u>1,520,422</u>	<u>5,104,558</u>	<u>(17,148,566)</u>	<u>0</u>	<u>(17,148,566)</u>	<u>(19,794,257)</u>
5,900	308,904	-	1,624,608	1,624,608	693,923
-	328,442	-	248,411	248,411	(40,705)
-	220,011	-	167,061	167,061	(82,502)
121,696	-	-	(107,861)	(107,861)	(50,918)
99,557	102,941	-	210,887	210,887	46,308
<u>227,153</u>	<u>960,298</u>	<u>0</u>	<u>2,143,106</u>	<u>2,143,106</u>	<u>566,106</u>
<u>\$1,747,575</u>	<u>\$6,064,856</u>	<u>(17,148,566)</u>	<u>2,143,106</u>	<u>(15,005,460)</u>	<u>(19,228,151)</u>
General revenues:					
Property taxes		18,905,229	-	18,905,229	18,918,478
Tax increments		2,068,161	-	2,068,161	2,300,674
Franchise taxes		503,339	-	503,339	507,790
Lodging taxes		3,438	-	3,438	3,199
Gambling taxes		91,735	-	91,735	70,535
Gain on sale of assets		5,440	67,802	73,242	12,095
Grants and contributions not restricted to specific programs		27,796	-	27,796	69,654
Unrestricted investment earnings		826,148	331,611	1,157,759	2,805,664
Transfers		(483,015)	483,015	-	-
Total general revenues and transfers		<u>21,948,271</u>	<u>882,428</u>	<u>22,830,699</u>	<u>24,688,089</u>
Change in net position		<u>4,799,705</u>	<u>3,025,534</u>	<u>7,825,239</u>	<u>5,459,938</u>
Net position - January 1, as previously reported		196,727,823	148,423,999	345,151,822	339,747,931
Prior period adjustment		-	-	-	(56,047)
Net position - January 1, as restated		<u>196,727,823</u>	<u>148,423,999</u>	<u>345,151,822</u>	<u>339,691,884</u>
Net position - December 31		<u>\$201,527,528</u>	<u>\$151,449,533</u>	<u>\$352,977,061</u>	<u>\$345,151,822</u>

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

CITY OF BLAINE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2012
With Comparative Totals For December 31, 2011

	General Fund	Debt Service	General Capital Projects
Assets			
Cash and pooled investments	\$12,026,488	\$4,938,579	\$11,084,084
Cash and investments with escrow agent	-	2,923,319	-
Delinquent taxes receivable	483,189	70,056	-
Tax increments receivable	-	-	-
Accounts receivable	301,323	-	-
Due from other funds	297,222	-	-
Special assessments receivable	-	1,923,581	65,924
Intergovernmental receivable	189,684	18,407	-
Prepaid items and other assets	121,428	-	-
Inventory	67,697	-	-
Loans receivable	-	-	-
Lease receivable	-	-	-
Accrued interest receivable	26,246	12,388	38,126
Total assets	\$13,513,277	\$9,886,330	\$11,188,134
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$322,127	\$2,500	\$115,652
Accrued liabilities	656,664	-	-
Deposits payable	1,136,785	-	11,500
Contracts payable	-	-	-
Due to other governments	537	-	-
Due to other funds	-	-	-
Deferred revenue	777,474	1,993,638	65,925
Total liabilities	2,893,587	1,996,138	193,077
Fund balance:			
Nonspendable	189,125	-	-
Restricted	-	7,890,192	142,354
Committed	48,691	-	11,870
Assigned	-	-	10,840,833
Unassigned	10,381,874	-	-
Total fund balance	10,619,690	7,890,192	10,995,057
Total liabilities and fund balance	\$13,513,277	\$9,886,330	\$11,188,134

Fund balance reported above

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Internal service funds are used by management to charge the cost of insurance and compensated absences to individual funds.

The assets and liabilities of the internal service funds are included in the governmental statement of net position.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Net position of governmental activities

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

City Improvement Projects	Tax Increment Financing Projects	EDA Capital Projects	Other Governmental Funds	Total	
				2012	2011
\$5,788,909	\$11,149,234	\$332,491	\$5,903,252	\$51,223,037	\$50,765,660
-	-	-	-	2,923,319	-
19,174	-	-	-	572,419	726,190
-	20,191	-	-	20,191	37,219
-	-	-	46,340	347,663	146,646
-	-	-	-	297,222	13,497
818,681	-	-	26,380	2,834,566	3,379,339
258,884	(4,104)	-	324,820	787,691	562,812
-	-	-	-	121,428	31,190
-	-	-	-	67,697	59,550
-	-	-	1,023,839	1,023,839	1,135,648
-	25,917	-	-	25,917	28,339
19,868	33,934	2,439	16,970	149,971	244,837
<u>\$6,905,516</u>	<u>\$11,225,172</u>	<u>\$334,930</u>	<u>\$7,341,601</u>	<u>\$60,394,960</u>	<u>\$57,130,927</u>
\$24,338	\$ -	\$15,980	\$49,504	\$530,101	\$335,455
-	-	-	6,172	662,836	594,379
882,852	-	-	19,344	2,050,481	2,488,192
15,023	-	-	13,359	28,382	492,952
-	-	-	-	537	743
-	-	-	297,222	297,222	13,497
1,090,900	20,191	-	26,380	3,974,508	4,381,092
<u>2,013,113</u>	<u>20,191</u>	<u>15,980</u>	<u>411,981</u>	<u>\$7,544,067</u>	<u>\$8,306,310</u>
-	-	-	-	189,125	90,740
-	11,204,981	-	324,195	19,561,722	15,007,347
211,138	-	-	3,721,918	3,993,617	4,139,499
4,681,265	-	318,950	2,883,507	18,724,555	18,745,061
-	-	-	-	10,381,874	10,841,970
<u>4,892,403</u>	<u>11,204,981</u>	<u>318,950</u>	<u>6,929,620</u>	<u>\$52,850,893</u>	<u>\$48,824,617</u>
<u>\$6,905,516</u>	<u>\$11,225,172</u>	<u>\$334,930</u>	<u>\$7,341,601</u>	<u>\$60,394,960</u>	<u>\$57,130,927</u>
				\$52,850,893	\$48,824,617
				179,386,934	175,231,186
				3,855,222	4,284,454
				845,747	655,189
				<u>(35,411,268)</u>	<u>(32,267,623)</u>
				<u>\$201,527,528</u>	<u>\$196,727,823</u>

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

CITY OF BLAINE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2012
With Comparative Totals For The Year Ended December 31, 2011

	General Fund	Debt Service	General Capital Projects
Revenues:			
Property taxes	\$16,315,450	\$2,506,202	\$1
Tax increments	-	-	-
Franchise taxes	-	-	-
Lodging taxes	-	-	-
Gambling taxes	-	-	-
Special assessments	-	969,006	11,895
Licenses and permits	1,911,834	-	-
Intergovernmental	1,077,616	222,273	-
Charges for services	4,244,300	-	127,750
Fines and forfeits	240,464	-	-
Interest earnings	114,480	51,815	194,310
Miscellaneous	165,152	-	28,924
Total revenues	24,069,296	3,749,296	362,880
Expenditures:			
Current:			
General government	3,894,479	-	-
Public safety	10,279,295	-	-
Public works	6,633,722	-	44,470
Recreation	1,139,859	-	-
Community development	1,271,518	-	-
Unallocated	374,839	-	-
Capital outlay:			
General government	-	-	92,236
Public safety	4,230	-	632,603
Public works	6,371	-	91,536
Recreation	-	-	57,625
Community development	-	-	9,781
Debt service:			
Principal	-	3,100,000	-
Interest and fiscal charges	-	1,108,999	-
Total expenditures	23,604,313	4,208,999	928,251
Revenues over (under) expenditures	464,983	(459,703)	(565,371)
Other financing sources (uses):			
Transfers in	-	931,955	764,900
Transfers out	(785,000)	-	(950,000)
Redemption of refunded bonds	-	-	-
Issuance of bonds	-	2,975,000	-
Sale of capital assets	-	-	45,518
Total other financing sources (uses)	(785,000)	3,906,955	(139,582)
Net change in fund balance	(320,017)	3,447,252	(704,953)
Fund balance - January 1, as previously reported	10,939,707	4,442,940	11,700,010
Prior period adjustment	-	-	-
Fund balance - January 1, as restated	10,939,707	4,442,940	11,700,010
Fund balance - December 31	\$10,619,690	\$7,890,192	\$10,995,057

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

Statement 4

City Improvement Projects	Tax Increment Financing Projects	EDA Capital Projects	Other Governmental Funds	Total	
				2012	2011
\$237,342	\$ -	\$ -	\$4	\$19,058,999	\$19,011,932
-	2,085,188	-	-	2,085,188	2,302,251
-	-	-	503,339	503,339	507,790
-	-	-	3,438	3,438	3,199
-	-	-	91,735	91,735	70,535
314,287	-	-	1,302	1,296,490	1,139,678
-	-	-	-	1,911,834	1,629,284
321,594	-	-	1,201,002	2,822,485	2,932,339
1,966	-	1,736	318,302	4,694,054	4,391,274
-	-	-	72,465	312,929	347,040
102,517	182,088	11,838	128,735	785,783	1,992,891
56,432	-	-	226,425	476,933	1,084,446
<u>1,034,138</u>	<u>2,267,276</u>	<u>13,574</u>	<u>2,546,747</u>	<u>34,043,207</u>	<u>35,412,659</u>
-	-	-	513,646	4,408,125	4,140,915
-	-	-	230,070	10,509,365	10,355,594
228,832	-	-	-	6,907,024	6,702,153
-	-	-	-	1,139,859	1,033,033
-	-	-	749,922	2,021,440	2,031,014
-	-	-	-	374,839	373,953
-	-	-	6,805	99,041	132,765
-	-	-	19,644	656,477	1,801,180
3,068,771	-	-	-	3,166,678	4,644,619
-	-	-	1,339,040	1,396,665	371,055
-	237,875	176,048	281,541	705,245	719,276
-	-	-	-	3,100,000	3,460,000
33,683	-	-	-	1,142,682	1,251,342
<u>3,331,286</u>	<u>237,875</u>	<u>176,048</u>	<u>3,140,668</u>	<u>35,627,440</u>	<u>37,016,899</u>
<u>(2,297,148)</u>	<u>2,029,401</u>	<u>(162,474)</u>	<u>(593,921)</u>	<u>(1,584,233)</u>	<u>(1,604,240)</u>
1,385,055	-	232,327	1,489,539	4,803,776	3,874,883
(159,760)	(868,640)	(569,539)	(850,846)	(4,183,785)	(3,081,555)
-	-	-	-	-	(1,695,000)
1,970,000	-	-	-	4,945,000	1,555,000
-	-	-	-	45,518	73,990
<u>3,195,295</u>	<u>(868,640)</u>	<u>(337,212)</u>	<u>638,693</u>	<u>5,610,509</u>	<u>727,318</u>
<u>898,147</u>	<u>1,160,761</u>	<u>(499,686)</u>	<u>44,772</u>	<u>4,026,276</u>	<u>(876,922)</u>
<u>3,994,256</u>	<u>10,044,220</u>	<u>818,636</u>	<u>6,884,848</u>	<u>48,824,617</u>	<u>49,757,529</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,990)</u>
<u>3,994,256</u>	<u>10,044,220</u>	<u>818,636</u>	<u>6,884,848</u>	<u>48,824,617</u>	<u>49,701,539</u>
<u>\$4,892,403</u>	<u>\$11,204,981</u>	<u>\$318,950</u>	<u>\$6,929,620</u>	<u>\$52,850,893</u>	<u>\$48,824,617</u>

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

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CITY OF BLAINE, MINNESOTA**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS****Statement 5**

For The Year Ended December 31, 2012

With Comparative Amounts For The Year Ended December 31, 2011

	<u>2012</u>	<u>2011</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds (statement 4)	\$4,026,276	(\$876,922)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	25,611	1,000,426
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	2,730,137	896,984
Revenues in the statement of activities that do not provide current financial resources are reported as deferred revenues in the funds. This is the change in deferred revenue from the previous year.	(429,232)	38,984
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,783,181)	3,622,613
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.	39,536	75,071
Internal service funds are used by management to charge the costs of insurance and compensated absences to individual funds. This amount is the portion of net revenue attributable to governmental activities.	<u>190,558</u>	<u>(75,124)</u>
Change in net position of governmental activities (statement 2)	<u><u>\$4,799,705</u></u>	<u><u>\$4,682,032</u></u>

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

CITY OF BLAINE, MINNESOTA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

Statement 6

Page 1 of 2

For The Year Ended December 31, 2012

With Comparative Actual Amounts For The Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with	2011 Actual Amounts
	Original	Final		Final Budget -	
				Positive (Negative)	
Revenues:					
Property taxes	\$16,415,000	\$16,415,000	\$16,315,450	(\$99,550)	\$16,595,966
Licenses and permits	1,565,200	1,565,200	1,911,834	346,634	1,629,284
Intergovernmental	1,038,000	1,038,000	1,077,616	39,616	1,133,414
Charges for services	3,927,200	3,927,200	4,244,300	317,100	3,924,916
Fines and forfeits	297,000	297,000	240,464	(56,536)	294,829
Investment income	235,000	235,000	114,480	(120,520)	422,904
Miscellaneous	72,000	72,000	165,152	93,152	157,834
Total revenues	<u>23,549,400</u>	<u>23,549,400</u>	<u>24,069,296</u>	<u>519,896</u>	<u>24,159,147</u>
Expenditures:					
General government:					
Council	97,820	97,820	103,907	(6,087)	93,569
Commissions and committees	15,300	15,300	14,000	1,300	11,527
City manager	423,505	423,505	416,723	6,782	387,939
City clerk	304,075	304,075	308,537	(4,462)	193,187
Human resources	379,945	379,945	443,312	(63,367)	429,695
Finance	1,359,225	1,359,225	1,292,371	66,854	1,249,679
Legal services	394,350	394,350	384,408	9,942	359,012
Information services	801,590	801,590	803,437	(1,847)	777,520
Communications	122,850	122,850	127,784	(4,934)	161,668
Total general government	<u>3,898,660</u>	<u>3,898,660</u>	<u>3,894,479</u>	<u>4,181</u>	<u>3,663,796</u>
Public safety:					
Safety services administration	634,690	631,290	652,811	(21,521)	589,453
Police professional standards	275,010	275,010	265,639	9,371	270,268
Police patrol	4,876,590	4,879,990	4,751,172	128,818	4,807,838
Police investigation	1,394,456	1,394,456	1,426,206	(31,750)	1,164,392
Police records	435,630	435,630	432,960	2,670	417,993
Crime prevention	198,515	198,515	194,246	4,269	183,985
Fire department	1,413,242	1,413,242	1,413,149	93	1,389,315
Community service	381,230	381,230	291,047	90,183	353,127
Community standards	862,730	862,730	852,065	10,665	901,166
Capital outlay	-	-	4,230	(4,230)	-
Total public safety	<u>10,472,093</u>	<u>10,472,093</u>	<u>10,283,525</u>	<u>188,568</u>	<u>10,077,537</u>
Public works:					
Public services management	188,165	188,165	182,534	5,631	184,370
Public works	5,363,460	5,363,460	5,137,327	226,133	5,151,266
Engineering	1,135,235	1,135,235	1,114,091	21,144	1,094,834
GIS	197,565	197,565	199,770	(2,205)	192,102
Capital outlay	-	-	6,371	(6,371)	-
Total public works	<u>6,884,425</u>	<u>6,884,425</u>	<u>6,640,093</u>	<u>244,332</u>	<u>6,622,572</u>

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

CITY OF BLAINE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

For The Year Ended December 31, 2012

With Comparative Actual Amounts For The Year Ended December 31, 2011

Statement 6

Page 2 of 2

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
Recreation:					
Recreation	\$995,370	\$995,370	\$1,139,859	(\$144,489)	\$1,033,033
Community development:					
Planning	421,690	421,690	403,930	17,760	396,587
Economic development	121,595	121,595	97,740	23,855	122,254
Building inspections	754,575	754,575	769,848	(15,273)	737,177
Total community development	1,297,860	1,297,860	1,271,518	26,342	1,256,018
Unallocated:					
Unallocated	380,850	380,850	374,839	6,011	373,953
Total expenditures	23,929,258	23,929,258	23,604,313	324,945	23,026,909
Revenues over (under) expenditures	(379,858)	(379,858)	464,983	844,841	1,132,238
Other financing sources (uses):					
Transfers out	(785,000)	(785,000)	(785,000)	-	(777,410)
Net change in fund balance	<u>(\$1,164,858)</u>	<u>(\$1,164,858)</u>	<u>(320,017)</u>	<u>\$844,841</u>	<u>354,828</u>
Fund balance - January 1, as previously reported			10,939,707		10,639,869
Prior period adjustment			-		(54,990)
Fund balance - January 1, as restated			<u>10,939,707</u>		<u>10,584,879</u>
Fund balance - December 31			<u>\$10,619,690</u>		<u>\$10,939,707</u>

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

CITY OF BLAINE, MINNESOTA
 STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 December 31, 2012
 With Comparative Totals For December 31, 2011

Statement 7

	Business-Type Activities Enterprise Funds						Governmental
	Public Utilities		Senior Housing		Totals		Activities -
	2012	2011	2012	2011	2012	2011	Internal Service Funds
Assets:							
Current assets:							
Cash and cash equivalents	\$16,147,475	\$15,269,756	\$1,381,810	\$1,286,531	\$17,529,285	16,556,287	\$2,843,734
Restricted cash and cash equivalents for water revenue bond covenant accounts	3,149,720	3,093,899	-	-	3,149,720	3,093,899	-
Accounts receivable	2,688,249	2,055,262	-	-	2,688,249	2,055,262	10,287
Special assessments receivable	136,782	714,147	-	-	136,782	714,147	-
Intergovernmental receivable	127,630	120,628	-	-	127,630	120,628	-
Accrued interest receivable	60,752	88,725	4,025	5,137	64,777	93,862	7,942
Prepaid items	243,972	217,277	16,762	19,186	260,734	236,463	-
Other assets	-	-	-	-	-	-	38,049
Total current assets	22,554,580	21,559,694	1,402,597	1,310,854	23,957,177	22,870,548	2,900,012
Noncurrent assets:							
Capital assets:							
Land	2,473,498	2,230,529	936,496	936,496	3,409,994	3,167,025	-
Buildings and structures	9,021,772	9,021,772	10,062,071	9,949,478	19,083,843	18,971,250	-
Machinery and equipment	5,658,478	5,402,517	70,343	70,343	5,728,821	5,472,860	-
Distribution and collection system	130,761,934	127,237,962	-	-	130,761,934	127,237,962	-
Infrastructure - storm sewers	24,027,699	23,260,599	-	-	24,027,699	23,260,599	-
Construction in progress	1,938,579	2,486,147	-	-	1,938,579	2,486,147	-
Total capital assets	173,881,960	169,639,526	11,068,910	10,956,317	184,950,870	180,595,843	0
Less: Allowance for depreciation	(48,081,727)	(45,740,868)	(3,489,578)	(3,307,376)	(51,571,305)	(49,048,244)	-
Net capital assets	125,800,233	123,898,658	7,579,332	7,648,941	133,379,565	131,547,599	0
Total noncurrent assets	125,800,233	123,898,658	7,579,332	7,648,941	133,379,565	131,547,599	0
Total assets	148,354,813	145,458,352	8,981,929	8,959,795	157,336,742	154,418,147	2,900,012
Liabilities:							
Current liabilities:							
Accounts payable	442,624	298,819	113,060	21,866	555,684	320,685	51,821
Accrued liabilities	36,887	39,566	-	-	36,887	39,566	11,361
Deposits payable	11,927	9,427	98,158	97,431	110,085	106,858	-
Compensated absences payable	-	-	-	-	-	-	78,000
Claims and judgments payable	-	-	-	-	-	-	106,789
Contracts payable	19,599	14,000	-	-	19,599	14,000	-
Intergovernmental payable	84,983	69,945	-	-	84,983	69,945	-
Accrued bond interest	77,744	82,468	-	-	77,744	82,468	-
Deferred revenue	82,316	82,316	-	-	82,316	82,316	-
Current portion of general obligation revenue bonds payable (net of amortization)	363,305	353,305	-	-	363,305	353,305	-
Total current liabilities	1,119,385	949,846	211,218	119,297	1,330,603	1,069,143	247,971
Noncurrent liabilities:							
Compensated absences payable	-	-	-	-	-	-	1,675,268
Claims and judgments payable	-	-	-	-	-	-	196,240
General obligation revenue bonds payable (net of amortization)	4,491,392	4,854,698	-	-	4,491,392	4,854,698	-
Total noncurrent liabilities	4,491,392	4,854,698	0	0	4,491,392	4,854,698	1,871,508
Total liabilities	5,610,777	5,804,544	211,218	119,297	5,821,995	5,923,841	2,119,479
Net position:							
Net investments in capital assets	123,397,880	121,386,663	7,579,332	7,648,941	130,977,212	129,035,604	-
Restricted for debt service	123,163	122,317	-	-	123,163	122,317	-
Unrestricted	19,222,993	18,144,828	1,191,379	1,191,557	20,414,372	19,336,385	780,533
Total net position	\$142,744,036	\$139,653,808	\$8,770,711	\$8,840,498	151,514,747	\$148,494,306	\$780,533
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					(65,214)		
Net position business-type activities					\$151,449,533		

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

CITY OF BLAINE, MINNESOTA
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS

Statement 8

For The Year Ended December 31, 2012

With Comparative Totals For The Year Ended December 31, 2011

	Business-Type Activities Enterprise Funds						Governmental
	Public Utilities		Senior Housing		Totals		Internal
	2012	2011	2012	2011	2012	2011	Service Funds
Operating revenues:							
Water sales	\$4,184,233	\$3,506,613	\$ -	\$ -	\$4,184,233	\$3,506,613	\$ -
Sewer charges	4,521,938	4,400,834	-	-	4,521,938	4,400,834	-
Refuse revenue	2,565,696	2,489,110	-	-	2,565,696	2,489,110	-
Storm drainage utility revenue	894,875	849,643	-	-	894,875	849,643	-
Rental charges	-	-	1,423,479	1,413,296	1,423,479	1,413,296	-
Employee benefit charges	-	-	-	-	-	-	99,572
Insurance reimbursements	-	-	-	-	-	-	767,328
Penalties	249,023	242,156	-	-	249,023	242,156	-
Permits	22,674	13,968	-	-	22,674	13,968	-
Retained fees	16,051	6,266	-	-	16,051	6,266	-
Connection charges	789,778	569,460	-	-	789,778	569,460	-
Other	15,824	20,742	6,718	7,398	22,542	28,140	-
Total operating revenues	<u>13,260,092</u>	<u>12,098,792</u>	<u>1,430,197</u>	<u>1,420,694</u>	<u>14,690,289</u>	<u>13,519,486</u>	<u>866,900</u>
Operating expenses:							
MWCC charges	2,606,122	2,797,910	-	-	2,606,122	2,797,910	-
Administrative charges	1,496,800	1,481,400	26,400	26,400	1,523,200	1,507,800	-
Salaries and benefits	1,257,976	1,277,738	-	-	1,257,976	1,277,738	212,390
Contractual services	3,271,287	3,146,205	931,223	811,780	4,202,510	3,957,985	499,224
Supplies	391,876	499,619	455	-	392,331	499,619	-
Water meters	108,247	108,425	-	-	108,247	108,425	-
Utilities	515,467	466,636	74,043	95,190	589,510	561,826	-
Other services and charges	-	-	-	-	-	-	-
Taxes and assessments	-	-	207,484	190,242	207,484	190,242	-
Depreciation	2,484,660	2,381,943	182,203	250,774	2,666,863	2,632,717	-
Total operating expenses	<u>12,132,435</u>	<u>12,159,876</u>	<u>1,421,808</u>	<u>1,374,386</u>	<u>13,554,243</u>	<u>13,534,262</u>	<u>711,614</u>
Operating income (loss)	<u>1,127,657</u>	<u>(61,084)</u>	<u>8,389</u>	<u>46,308</u>	<u>1,136,046</u>	<u>(14,776)</u>	<u>155,286</u>
Nonoperating revenues (expenses):							
Intergovernmental	127,596	115,075	99,557	-	227,153	115,075	-
Interest earnings	310,293	766,159	21,318	46,614	331,611	812,773	40,365
Interest and fiscal charges	(185,484)	(198,418)	-	-	(185,484)	(198,418)	-
Gain on sale of capital assets	67,802	-	-	-	67,802	-	-
Total nonoperating revenues (expenses)	<u>320,207</u>	<u>682,816</u>	<u>120,875</u>	<u>46,614</u>	<u>441,082</u>	<u>729,430</u>	<u>40,365</u>
Income before transfers	<u>1,447,864</u>	<u>621,732</u>	<u>129,264</u>	<u>92,922</u>	<u>1,577,128</u>	<u>714,654</u>	<u>195,651</u>
Capital contributions - special assessments	8,642	12,489	-	-	8,642	12,489	-
Capital contributions - capital assets	1,951,721	843,162	-	6,500	1,951,721	849,662	-
Capital contributions - intergovernmental	-	-	102,941	-	102,941	-	-
Transfers in	79,860	-	-	-	79,860	-	-
Transfers out	(397,859)	(485,324)	(301,992)	(308,004)	(699,851)	(793,328)	-
Change in net position	<u>3,090,228</u>	<u>992,059</u>	<u>(69,787)</u>	<u>(208,582)</u>	<u>3,020,441</u>	<u>783,477</u>	<u>195,651</u>
Net position - January 1, as previously reported	139,653,808	138,661,806	8,840,498	9,049,080	148,494,306	147,710,886	584,882
Prior period adjustment	-	(57)	-	-	-	(57)	-
Net position - January 1, as restated	<u>139,653,808</u>	<u>138,661,749</u>	<u>8,840,498</u>	<u>9,049,080</u>	<u>148,494,306</u>	<u>147,710,829</u>	<u>584,882</u>
Net position - December 31	<u>\$142,744,036</u>	<u>\$139,653,808</u>	<u>\$8,770,711</u>	<u>\$8,840,498</u>			<u>\$780,533</u>
Adjustment to reflect the consolidation of internal service activities related to enterprise funds					<u>5,093</u>	<u>(5,571)</u>	
Change in net position of business-type activities (Statement 2)					<u>\$3,025,534</u>	<u>\$777,906</u>	

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

CITY OF BLAINE, MINNESOTA

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

For The Year Ended December 31, 2012

With Comparative Totals For The Year Ended December 31, 2011

Statement 9

	Business-Type Activities Enterprise Funds						Governmental
	Public Utilities		Senior Housing		Totals		Activities -
	2012	2011	2012	2011	2012	2011	Internal Service Funds
Cash flows from operating activities:							
Cash received from customers	\$12,635,141	\$11,967,402	\$1,430,197	\$1,421,271	\$14,065,338	\$13,388,673	\$856,613
Deposits	2,500	2,075	727	3,832	3,227	5,907	-
Cash paid to supplies for goods and services	(4,164,168)	(4,524,264)	(1,119,587)	(1,093,373)	(5,283,755)	(5,617,637)	(404,487)
Cash paid to employees for services	(1,260,655)	(1,258,933)	-	-	(1,260,655)	(1,258,933)	(202,651)
Other transmission and distribution	(2,606,122)	(2,797,910)	-	-	(2,606,122)	(2,797,910)	-
Administrative charges	(1,496,800)	(1,481,400)	(26,400)	(26,400)	(1,523,200)	(1,507,800)	-
Net cash flows from operating activities	<u>3,109,896</u>	<u>1,906,970</u>	<u>284,937</u>	<u>305,330</u>	<u>3,394,833</u>	<u>2,212,300</u>	<u>249,475</u>
Cash flows from noncapital financing activities:							
Transfers in	79,860	-	-	-	79,860	-	-
Transfers out	(397,859)	(485,324)	(301,992)	(308,004)	(699,851)	(793,328)	-
Intergovernmental revenue	127,596	115,075	99,557	-	227,153	115,075	-
Net cash flows from noncapital financing activities	<u>(190,403)</u>	<u>(370,249)</u>	<u>(202,435)</u>	<u>(308,004)</u>	<u>(392,838)</u>	<u>(678,253)</u>	<u>0</u>
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(2,434,514)	(3,322,529)	(112,594)	-	(2,547,108)	(3,322,529)	-
Principal paid on revenue bonds	(350,000)	(345,000)	-	-	(350,000)	(345,000)	-
Net interest and fiscal charges paid on bonds	(193,514)	(1,384)	-	-	(193,514)	(1,384)	-
Special assessments	586,007	12,489	-	-	586,007	12,489	-
Proceeds from sale of capital assets	67,802	-	-	-	67,802	-	-
Intergovernmental revenue	-	-	102,941	-	102,941	-	-
Net cash flows from capital and related financing activities	<u>(2,324,219)</u>	<u>(3,656,424)</u>	<u>(9,653)</u>	<u>0</u>	<u>(2,333,872)</u>	<u>(3,656,424)</u>	<u>0</u>
Cash flows from investing activities:							
Investment earnings	338,266	677,434	22,430	41,477	360,696	718,911	44,220
Net increase (decrease) in cash and cash equivalents	933,540	(1,442,269)	95,279	38,803	1,028,819	(1,403,466)	293,695
Cash and cash equivalents - January 1	18,363,655	19,805,924	1,286,531	1,247,728	19,650,186	21,053,652	2,550,039
Cash and cash equivalents - December 31	<u>\$19,297,195</u>	<u>\$18,363,655</u>	<u>\$1,381,810</u>	<u>\$1,286,531</u>	<u>\$20,679,005</u>	<u>\$19,650,186</u>	<u>\$2,843,734</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$1,127,657	(\$61,084)	\$8,389	\$46,308	\$1,136,046	(\$14,776)	\$155,286
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:							
Depreciation	2,484,660	2,381,943	182,203	250,774	2,666,863	2,632,717	-
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(632,987)	(83,995)	-	577	(632,987)	(83,418)	(10,287)
(Increase) decrease in intergovernmental	(7,002)	(54,225)	-	-	(7,002)	(54,225)	-
(Increase) decrease in other assets	(26,695)	16,582	2,424	339	(24,271)	16,921	4,241
Increase (decrease) in accounts payable	143,805	(12,028)	91,194	3,500	234,999	(8,528)	48,462
Increase (decrease) in accrued liabilities	(2,679)	18,805	-	-	(2,679)	18,805	11,361
Increase (decrease) in deposits payable	2,500	2,075	727	3,832	3,227	5,907	-
Increase (decrease) in contracts payable	5,599	(291,351)	-	-	5,599	(291,351)	-
Increase (decrease) in compensated absences	-	-	-	-	-	-	9,739
Increase (decrease) in claims and judgments	-	-	-	-	-	-	30,673
Increase (decrease) in intergovernmental	15,038	(6,722)	-	-	15,038	(6,722)	-
Increase (decrease) in deferred revenue	-	(3,030)	-	-	-	(3,030)	-
Total adjustments	<u>1,982,239</u>	<u>1,968,054</u>	<u>276,548</u>	<u>259,022</u>	<u>2,258,787</u>	<u>2,227,076</u>	<u>94,189</u>
Net cash provided by operating activities	<u>\$3,109,896</u>	<u>\$1,906,970</u>	<u>\$284,937</u>	<u>\$305,330</u>	<u>\$3,394,833</u>	<u>\$2,212,300</u>	<u>\$249,475</u>
Noncash investing, capital and financing activities:							
Capital contributions from developers	\$848,715	\$657,307	\$ -	\$ -	\$848,715	\$657,307	\$ -
Capital contributions from government	1,103,006	185,855	-	6,500	1,103,006	192,355	-

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

CITY OF BLAINE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS - AGENCY FUNDS
 December 31, 2012
 With Comparative Amounts For December 31, 2011

Statement 10

	<u>2012</u>	<u>2011</u>
Assets:		
Cash and pooled investments	<u>\$140,065</u>	<u>\$533,640</u>
Total assets	<u><u>\$140,065</u></u>	<u><u>\$533,640</u></u>
Liabilities:		
Due to Blaine Area Development Company	\$140,065	\$485,454
Due to other governments	<u>-</u>	<u>48,186</u>
Total liabilities	<u><u>\$140,065</u></u>	<u><u>\$533,640</u></u>

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

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Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Blaine (the City) was incorporated on November 3, 1964, with the adoption of a home rule charter. The City operates under a council-manager form of government and provides the following services: public safety (police, fire, emergency preparedness, and animal control), highways and streets, sanitation, parks and recreation, public improvements, planning and inspections, economic development, sanitary sewer and water, senior housing, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles, as applied to governmental units by the Governmental Accounting Standards Board (GASB). The City's significant accounting policies are described below.

A. REPORTING ENTITY

The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the City.

As a result of applying the component unit definition criteria above, certain organizations are presented in this report as follows:

BLENDED COMPONENT UNITS

Blended component units are reported as if they are part of the City. The only financial data requiring inclusion relates to the City of Blaine Economic Development Authority (EDA) and such data is included in this report. The governing board is the City Council, which reviews and approves tax levies and major economic development improvement activities. City general obligation tax increment financing bonds are issued to finance Economic Development Authority activities. Although the Economic Development Authority is legally separate from the City, the governing board is the City Council and its sole purpose is to carry out certain economic development projects, which provide direct benefits to the citizens of the City. The EDA activity is included in the Economic Development Authority Special Revenue Fund, the Debt Service Fund, the Tax Increment Financing Projects Fund, the Economic Development Capital Projects Fund, and the Senior Housing Fund.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City allocates indirect expenses to functions in the statement of activities. 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 as general revenues.

FUND FINANCIAL STATEMENTS

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which comprise its assets, liabilities, net position/fund equity, revenues, and expenditures or expenses, as appropriate.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- 1) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- 2) The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- 3) In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major governmental funds:

General Fund – accounts for the City’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt.

General Capital Projects Fund – accounts for general capital improvements, not related to infrastructure, economic development, or tax increment.

City Improvement Projects Capital Projects Fund – accounts for the construction of streets, water mains, sanitary sewers, storm sewers, and other improvements that benefit property owners.

Tax Increment Financing Projects – accounts for the activities of the City’s tax increment financing projects.

EDA Capital Projects Fund – accounts for EDA financed acquisitions of land for future development or redevelopment and infrastructure needs related to redevelopment.

The City reports the following major enterprise funds:

Public Utilities – accounts for the operations and maintenance of the City’s water distribution, sewer collection, refuse and recycling collection, and storm water management systems.

Senior Housing Fund – accounts for the operations and maintenance of the City-owned senior housing buildings, Blaine Courts and Cloverleaf Courts.

The City reports the following nonmajor governmental funds:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed to expenditures for specified purposes:

- Economic Development Authority
- Cable Television
- Charitable Gambling
- Police Grants
- Reimbursed Police Overtime
- Forfeited Property
- Energy Efficiency Block Grant

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities:

- Park Development Projects
- Street Improvement Projects

In addition, the City reports the following fund types:

Internal Service Funds - used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis:

- Compensated Absences Fund
- Self-Insurance Fund
- Workers Compensation Fund

Agency Funds - used to account for funds held by the City in a custodial role, where there is no formal trust agreement:

- Blaine Area Development Corporation Agency Fund
- Anoka County DWI Task Force

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. 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 are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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

FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred; exceptions to the general rule include principal and interest on general long-term debt which is recognized when due.

Property tax and tax increment revenue is recognized in compliance with GASB Interpretation No. 5, *Property Tax Revenue Recognition in Governmental Funds*, issued in November 1998. Property tax revenue is recorded when it becomes available. Available means when due or delinquent and receivable within the current period and collectible within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Soon enough thereafter shall not exceed 60 days.

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current period. In practice, current and delinquent special assessments collectible during the current period are recognized as revenue in the current period.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources, and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Franchise taxes, licenses and permits, charges for services, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Lodging taxes, gambling taxes, fines and forfeits, and investment earnings are recorded as earned since they are measurable and available.

The City reports deferred revenues on its governmental funds balance sheet. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting and do not have a measurement focus.

The 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 Public Utilities and Senior Housing Funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

D. COMPARATIVE TOTALS

The basic financial statements and combining and individual nonmajor fund financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2011, from which the summarized information was derived.

E. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

DEPOSITS AND INVESTMENTS

Cash and cash equivalents are identified only for the purpose of the statement of cash flows reporting by the proprietary funds. The proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less from the date of purchase to be cash equivalents.

The City is authorized by Minnesota Statutes Chapter 118A to invest in the following:

- a) Bonds, notes, bills, mortgages, and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by Congress.
- b) State and local securities that consist of the following:
 - any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating agency;
 - any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating agency; or
 - a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- c) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.



- d) Time deposits that are fully insured by the Federal Deposit Insurance Corporation.
- e) Banker's acceptances of United States banks.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in interest earnings. Investment income on commingled investments of municipal accounting funds is allocated based on average monthly balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. Note 4 contains details of the City's investment policy.

RECEIVABLES AND PAYABLES

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund payables/receivables" (i.e. the current portion of the interfund loan) or "advances to/advances 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."

All utility and property tax receivables are shown at a gross amount, since both taxes and utility receivables are assessable to the property and are collectible upon sale of the assessed property. The City expects to make full collection of its other receivables, so no allowance is considered necessary.

Property taxes are submitted to the County Auditor by December 28 of each year, to be levied on January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half due on May 15 and the second half due on October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

INVENTORIES AND PREPAID ITEMS

All inventories are valued at cost using the first in/first out (FIFO) method. Inventory balances of governmental funds are adjusted annually. Inventory balances at year end were \$67,697, consisting of fuel stored on site, road salt for winter road maintenance, and street maintenance materials.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. At year end these prepaid items totaled \$121,428 in the governmental funds, \$260,734 in the proprietary funds, and \$38,049 in the internal service funds. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.



CAPITAL ASSETS

Government-Wide Statements

In the government-wide financial statements, fixed assets and intangible assets such as easements and computer software are accounted for as capital assets. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (except for purchased permanent easements which is \$100,000) and an estimated useful life of more than one year. All capital assets are valued at historical cost, or estimated historical costs if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation. Infrastructure assets constructed by developers and donated to the City are recorded at historical cost (if provided by the developer) or the estimated cost to construct the assets would the City have constructed them.

Prior to January 2003, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. GASB 34 also requires retroactive reporting of all major general infrastructure assets. As of the year ended December 31, 2012, the City had included all infrastructure assets acquired by governmental funds from 1980 through 2012.

Property, plant, and equipment of the Public Utilities and Senior Housing Enterprise Funds are stated at historical cost or estimated market value on the date donated, less accumulated depreciation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed.

The City implemented GASB 51, *Accounting and Financial Reporting for Intangible Assets* effective January 1, 2010, which required the City to capitalize and amortize intangible assets. Pursuant to GASB Statement 51, in the case of initial capitalization of intangible assets, the City chose to include such items regardless of their acquisition date. The City had already accounted for computer software and temporary easements at historical cost and therefore retroactive reporting was not necessary. The City has elected not to report permanent easements acquired in years prior to 2010.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and structures	10 – 40 years
Machinery and equipment	2 – 20 years
Water distribution and sanitary sewer collection systems	10 – 100 years
Infrastructure assets	50 – 80 years

During 2011 the City changed the estimated useful life of its utilities infrastructure from 50 years to 80 years after an extensive inventory and video review of the system indicated less physical deterioration of the system than depreciation records indicated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

OTHER ASSETS

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

COMPENSATED ABSENCES

Accrued liabilities for unused vacation and vested sick leave are reflected in the Compensated Absences Internal Service Fund.

Per City policy, employees are allowed to accumulate sick leave benefits and unused vacation days and to redeem the same upon retirement. Up to 120 days of sick leave benefits and 25 days of vacation can be accumulated. The amount of the benefit is determined by multiplying the employee's hourly pay rate by 100% of the vacation hours plus 33 1/3% of the unused sick hours for employees terminating after five years, 40% after ten years, or 50% after fifteen years of service. Payments for compensated absences will be made at rates in effect at the time of payment. The compensated absences liability at December 31, 2012, is determined on the basis of current salary rate and includes salary related obligations of the City.

LONG-TERM LIABILITIES

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued 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 EQUITY

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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

The net position section includes an adjustment for capital assets owned by the business-type activities, but financed by debt of the governmental activities. The amount is a reduction of “net investment in capital assets,” and an increase in “unrestricted” net position, shown only in the total column.

Fund Financial Statements

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

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by State Statutory provisions.

Committed - consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City’s intended use. These constraints are established by the City Council and/or management. Pursuant to City Council Resolution, the City Manager and/or the Finance Director are authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

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



Note 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. Elements of that reconciliation are detailed as follows:

Capital assets (net of depreciation)		\$179,386,934
Addition of deferred revenues		3,855,222
Internal service funds		845,747
Liabilities:		
Bond interest payable		(416,534)
Loans payable		(2,454,000)
Notes payable		(125,000)
Gross bonds payable	(\$32,650,000)	
Less: deferred charge-issuance costs (amortized over life of debt)	245,785	
Less: issuance discount (to be amortized as interest expense)	(11,519)	
Net bonds payable		<u>(32,415,734)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities.		<u>\$148,676,635</u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures and changes in fund balance includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital assets transferred to business-type activities		(\$1,103,006)
Depreciation expense		(3,402,005)
Reported capital outlay expenditures	\$6,024,106	
Less: expenditures reported as capital outlay, but not capitalized	<u>(1,493,484)</u>	
Net capital outlay		<u>4,530,622</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental funds.		<u>\$25,611</u>



Another element of that reconciliation states that “the net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.” The details of this \$2,730,137 difference are as follows:

In the statement of activities, the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	(\$48,104)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>2,778,241</u>
Net adjustment to increase changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>\$2,730,137</u></u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation improvement refunding bonds	(\$2,975,000)
Issuance of general obligation improvement bonds	(1,970,000)
Add: premium (net of current year amortization)	33,140
Less: issuance costs (net of current year amortization)	28,679
Principal repayments:	
General obligation debt	<u>3,100,000</u>
Net adjustment to decrease changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>(\$1,783,181)</u></u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Accrued interest	<u>\$39,536</u>
Net adjustment to increase changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>\$39,536</u></u>

Note 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. Budgets are not legally required to be prepared, or adopted, for special revenue, debt service, or capital project funds, but are informally prepared in accordance with sound financial management policies. All annual appropriations lapse at fiscal year end.

During the month of June, all departments and divisions of the City submit requests for appropriations to the City Manager so that a budget may be prepared. Before September 15, the proposed budget is presented to the City Council for review and preliminary approval. By September 15, the preliminary budget and tax levy must be submitted to the county auditor. The Council holds public hearings and a final budget and tax levy must be prepared, adopted, and submitted to the county auditor, no later than December 28.

The appropriated budget is prepared by fund, department, division, and activity. The City Manager may make transfers between activities, divisions, or departments. Transfers between funds must be approved by the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the fund level.

B. DEFICIT FUND EQUITY

The General Capital Projects, Tax Increment Financing Projects, Economic Development Projects, and City Improvement Projects Capital Projects Funds have individual project accounts for the various general, tax increment, economic development, and special assessment improvements. Each account may have a temporary deficit due to the timing of the project and receipt of bond proceeds and other financing sources. The aggregate total of these accounts does not produce a fund deficit for the General Capital Projects, Tax Increment Financing Projects, Economic Development Projects, or City Improvement Projects at December 31, 2012.



Note 4 DEPOSITS AND INVESTMENTS

The City's cash and investments at December 31, 2012 were comprised of the following:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Associated Risks*</u>
Deposits	\$590,056	\$733,452	A
Cash with escrow agent	2,923,319	2,920,887	
Money market funds	42,088,066	42,088,066	A, D
Commercial paper	1,205,000	1,205,000	
Brokered certificates of deposit	5,458,615	5,458,615	A, D
Federal agency securities	15,030,650	15,030,650	A, B, C, D
Municipal bonds	10,513,455	10,513,455	A, D
Total cash and investments	<u>\$77,809,160</u>	<u>\$77,950,123</u>	
Reconciliation to financial statements:			
Per statement of net position	\$77,669,095		
Per statement of fiduciary net position	140,065		
Total cash and investments	<u>\$77,809,160</u>		

*See descriptions of associated risks listed below.

Deposits in each local and area bank and each of the brokered certificates of deposit are insured by the FDIC in the amount of \$250,000. The City maintains collateral agreements with all its banks, and as such all deposits are covered by perfected collateral. At December 31, 2012, the banks had pledged various government securities in the amount of \$1,165,278 to secure the City's deposits.

A. CUSTODIAL CREDIT RISK

Deposits – Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be recovered. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged).

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. As of December 31, 2012, the bank balance of the City's deposits was covered by federal depository insurance or perfected collateral provided by the financial institution and held in the City's name.

Investments – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that all investments, deposits and repurchase agreements be structured so that they are either:

- Insured or registered and held by the City or its agent in the City's name, or
- Uninsured, unregistered and held by the counterparty's trust department or agent in the City's name.



At December 31, 2012, the City's entire investment portfolio is in safekeeping in a custodial trust account at one institution.

B. CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy restricts investment instruments to those authorized by Minnesota Statutes 118A. This Statute requires investments in securities which are general obligations of any State or local government with taxing powers to be rated "A" or better by a nationally recognized bond rating organization. The municipal bonds purchased by the City were all rated "A" or better by Standard and Poor's or Moody's Investors Service. The City's investments in money market funds and federal agency securities were rated AA+ by Standard and Poor's and Aaa by Moody's Investors Service and the commercial paper is rated A1+ by Standard and Poor's and P1 by Moody's Investors Service.

C. CONCENTRATION OF CREDIT RISK

The City's investment policy requires diversification of investments to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities. At December 31, 2012, investments in any one issuer that represent 5% or more of the City's total investments were as follows:

Issuer	Investment Type	% of Portfolio
Federal Farm Credit Bank	Federal agency security	5%
Federal Home Loan Bank	Federal agency security	11%

D. INTEREST RATE RISK

The City's investment policy is to seek a market average rate of return throughout budgetary and economic cycles within the constraints of cash flow needs, stability of income and reasonable liquidity. The City manages its exposure to interest rate risk, i.e., the risk that changes in market interest rates will adversely affect the fair value of the City's investment portfolio by timing the maturity dates of securities to meet anticipated cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Additionally, the City purchases a combination of shorter term and longer term investments with diverse stated maturities and call features so that a portion of the portfolio is maturing evenly over time.



Information about the sensitivity of the fair value of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Fair Value	Remaining Maturity (in Years)			
		Less Than 1	1-5	6-10	Over 10
Federal Farm Credit Bank Notes*	\$4,013,000	\$ -	\$2,004,720	\$2,008,280	\$ -
Federal Home Loan Bank Notes*	8,010,040	-	-	2,001,030	6,009,010
Fed. National Mortgage Assoc. Notes*	3,007,610	-	3,007,610	-	-
US Treasury State and Local Government (SLGS)	2,923,319	25,122	2,898,197	-	-
Municipal Bonds	10,513,455	820,426	1,166,053	6,687,588	1,839,388
Brokered Certificates of Deposit	5,458,615	3,232,640	2,225,975	-	-
Commercial Paper	1,205,000	1,205,000	-	-	-
Money Market	42,088,066	42,088,066	-	-	-
Total	\$77,219,104	\$47,371,254	\$11,302,554	\$10,696,898	\$7,848,398

*These securities are subject to call dates occurring in the next 1 to 60 months. For the purposes of this disclosure, it is assumed that investments will be held until maturity.

Note 5 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2012 are as follows:

	Major Funds						Nonmajor and Other Funds	Total
	General	Debt Service	General Capital Projects	City Improvement Projects	TIF Projects	Public Utilities		
Accounts receivable	\$175,000	\$ -	\$ -	\$ -	\$ -	\$210,613	\$ -	\$385,613
Special assessments receivable	-	1,542,832	57,903	745,659	-	131,082	23,007	2,500,484
Delinquent property taxes	316,882	45,944	-	12,575	-	-	-	375,401
Tax increment receivable	-	-	-	-	20,191	-	-	20,191
Lease receivable	-	-	-	-	23,694	-	-	23,694
Loans receivable	-	-	-	-	-	-	949,390	949,390
Total receivables	\$491,882	\$1,588,776	\$57,903	\$758,234	\$43,885	\$341,695	\$972,397	\$4,254,773



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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Totals</u>
Delinquent taxes receivable:			
General Fund	\$483,188	\$ -	\$483,188
Debt Service Fund	70,056	-	70,056
City Improvement Projects Fund	19,174	-	19,174
Delinquent tax increments receivable	20,191	-	20,191
Delinquent special assessments:			
Debt Service Fund	78,130	-	78,130
City Improvement Projects Fund	3,805	-	3,805
Special assessments not yet due:			
Debt Service Fund	1,845,452	-	1,845,452
General Capital Projects Fund	65,925	-	65,925
City Improvement Projects Fund	814,877	-	814,877
Nonmajor funds	26,380	-	26,380
MSA receivables for money not yet received	253,044	-	253,044
Account receivable - General Fund	175,000	-	175,000
Payments for services and licenses not yet provided - General Fund	-	119,286	119,286
	<u>\$3,855,222</u>	<u>\$119,286</u>	<u>\$3,974,508</u>
Total deferred/unearned revenue for governmental funds	<u>\$3,855,222</u>	<u>\$119,286</u>	<u>\$3,974,508</u>

A. LOANS RECEIVABLE

The Economic Development Authority authorized a loan to Woodco Pre-Finishing in lieu of a business loan through the BADC. The loan has a term of 20 years with payments of principal and interest due monthly. At December 31, 2012, the receivable balance for this loan was \$62,813. This loan is reported in the Economic Development Authority nonmajor governmental fund.

Under the terms of the Home Improvement Loan Program, established in 1998, the Economic Development Authority, through a third party administrator, issues home improvement loans to homeowners within the City that qualify. These loans vary in length and amount, with the maximums being \$25,000 over 20 years. At December 31, 2012, the receivable balance for these loans was \$961,026. All of these loans are reported in the Economic Development Authority nonmajor governmental fund.

B. LEASE RECEIVABLE

The Economic Development Authority has leased a parcel of land to the Tournament Players Club of the Twin Cities, LLC (the TPC), for use in the construction and operation of a portion of a private membership eighteen-hole golf course. The TPC will make annual lease payments until the expiration of the lease on June 14, 2048. At that time, the TPC has the option to purchase the leased property for the purchase price stated in the lease agreement. This lease is reported in the Tax Increment Financing Projects Fund.



The principal amounts remaining to be collected are as follows:

<u>Year Due</u>	<u>TPC</u>
2013-2016	\$7,860
2017-2021	6,710
2022-2026	4,379
2027-2031	2,858
2032-2036	1,865
2037-2041	1,217
2042-2046	794
2047-2048	234
Total	<u><u>\$25,917</u></u>

Amounts due under the loans, note, and lease agreements have been recorded as receivables and as a reservation of fund balance in the funds indicated at December 31, 2012.

Note 6 CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Transfers of Assets to Business-Type Activities</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land and permanent easements	\$95,468,441	(\$242,969)	\$4,474,196	\$ -	\$99,699,668
Construction in progress	5,293,761	(860,037)	3,065,583	(5,183,102)	2,316,205
Total capital assets, not being depreciated	<u>100,762,202</u>	<u>(1,103,006)</u>	<u>7,539,779</u>	<u>(5,183,102)</u>	<u>102,015,873</u>
Capital assets, being depreciated:					
Buildings and structures	43,196,192	-	304,962	-	43,501,154
Machinery and equipment	17,242,849	-	1,934,275	(337,060)	18,840,064
Infrastructure	46,680,968	-	4,112,949	-	50,793,917
Total capital assets, being depreciated	<u>107,120,009</u>	<u>0</u>	<u>6,352,186</u>	<u>(337,060)</u>	<u>113,135,135</u>
Less accumulated depreciation for:					
Buildings and structures	(9,805,317)	-	(1,365,592)	-	(11,170,909)
Machinery and equipment	(12,723,122)	-	(996,154)	288,956	(13,430,320)
Infrastructure	(10,122,586)	-	(1,040,259)	-	(11,162,845)
Total accumulated depreciation	<u>(32,651,025)</u>	<u>0</u>	<u>(3,402,005)</u>	<u>288,956</u>	<u>(35,764,074)</u>
Total capital assets being depreciated - net	<u>74,468,984</u>	<u>0</u>	<u>2,950,181</u>	<u>(48,104)</u>	<u>77,371,061</u>
Governmental activities capital assets - net	<u><u>\$175,231,186</u></u>	<u><u>(\$1,103,006)</u></u>	<u><u>\$10,489,960</u></u>	<u><u>(\$5,231,206)</u></u>	<u><u>\$179,386,934</u></u>

CITY OF BLAINE, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012



	Beginning Balance	Transfers of Assets from Governmental Activities	Increases	Decreases	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$3,167,025	\$242,969	\$ -	\$ -	\$3,409,994
Construction in progress	2,486,147	-	1,994,409	(2,541,977)	1,938,579
Total capital assets, not being depreciated	<u>5,653,172</u>	<u>242,969</u>	<u>1,994,409</u>	<u>(2,541,977)</u>	<u>5,348,573</u>
Capital assets, being depreciated:					
Buildings	18,971,250	-	112,593	-	19,083,843
Machinery and equipment	5,472,860	-	445,703	(189,742)	5,728,821
Collection and distribution	150,498,560	860,037	3,431,037	-	154,789,634
Total capital assets, being depreciated	<u>174,942,670</u>	<u>860,037</u>	<u>3,989,333</u>	<u>(189,742)</u>	<u>179,602,298</u>
Less accumulated depreciation for:					
Buildings	(5,977,269)	-	(361,560)	-	(6,338,829)
Machinery and equipment	(3,421,668)	-	(299,299)	143,800	(3,577,167)
Collection and distribution	(39,649,306)	-	(2,006,004)	-	(41,655,310)
Total accumulated depreciation	<u>(49,048,243)</u>	<u>0</u>	<u>(2,666,863)</u>	<u>143,800</u>	<u>(51,571,306)</u>
Total capital assets being depreciated - net	<u>125,894,427</u>	<u>860,037</u>	<u>1,322,470</u>	<u>(45,942)</u>	<u>128,030,992</u>
Business-type activities capital assets - net	<u>\$131,547,599</u>	<u>\$1,103,006</u>	<u>\$3,316,879</u>	<u>(\$2,587,919)</u>	<u>\$133,379,565</u>
Governmental activities:					
General government				\$807,970	
Public safety				684,236	
Public works, including depreciation of infrastructure				1,414,834	
Recreation				487,224	
Community development				7,741	
Total depreciation expense - governmental activities				<u>\$3,402,005</u>	
Business-type activities:					
Water				\$1,230,798	
Sewer				942,594	
Storm drainage				311,268	
Senior housing				182,203	
Total depreciation expense - business-type activities				<u>\$2,666,863</u>	

As a result of additional maintenance and energy efficiency improvements made to the City's senior housing complexes, Blaine Courts and Cloverleaf Courts, those assets estimated useful lives have been adjusted an additional ten years from forty to fifty years for depreciation purposes. This change in estimate was effective beginning in 2012. The effect of this change in estimate reduced depreciation expense for the year ended December 31, 2012 by \$68,622.



Note 7 INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

Individual fund due to/from other funds balances at December 31, 2012 are as follows:

Fund	Due From	Due To
General Fund	\$297,222	\$ -
Energy Efficiency Block Grant	-	297,222
Total	<u>\$297,222</u>	<u>\$297,222</u>

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

Interfund payables/receivables (internal balances):

Receivable Fund	Payable Fund	
Governmental activities	Business-type activities	<u>\$65,214</u>
Total government-wide statement		<u>\$65,214</u>

Due to/from other funds are representative of lending/borrowing arrangements to cover deficit cash balances at the end of the fiscal year. For the statement of net position, interfund (internal) balances which are owed within the governmental activities or business-type activities are netted and eliminated.

Interfund transfers:

Transfers Out	Debt Service (6)	General Capital Projects (1)(3)	City Improvement Projects (1)(4)(5)(6)(7)	EDA Capital Projects (6)	Nonmajor Governmental Funds (2)(5)	Public Utilities (3)	Total
General	\$ -	\$685,000	\$100,000	\$ -	\$ -	\$ -	\$785,000
General Capital Projects	-	-	-	-	950,000	-	950,000
City Improvement Projects	-	79,900	-	-	-	79,860	159,760
Tax Increment Financing Projects	629,963	-	6,350	232,327	-	-	868,640
EDA Capital Projects	-	-	30,000	-	539,539	-	569,539
Nonmajor Governmental Funds	-	-	850,846	-	-	-	850,846
Public Utilities	-	-	397,859	-	-	-	397,859
Senior Housing	301,992	-	-	-	-	-	301,992
Total	<u>\$931,955</u>	<u>\$764,900</u>	<u>\$1,385,055</u>	<u>\$232,327</u>	<u>\$1,489,539</u>	<u>\$79,860</u>	<u>\$4,883,636</u>

Transfers were used for the following:

- (1) Adopted budget
- (2) Transfer For Lexington Complex & Aquatone Park Developments, RES 12-044
- (3) CIP Transfers for Utilities project 07-05, and GCIP project
- (4) Management to cover cost of projects MSA applicable portion - Also by council through project approval
- (5) Transfer EDA project monies to cover EDA operating and Gardenwood clean up
- (6) TIF DS transfer per bond payment schedule and TIF project costs
- (7) Per council project approvals

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) to provide revenues to satisfy a deficit in a project fund after the project has been completed, 3) to distribute excess revenues from a fund in which the project has been completed or the debt has been paid, 4) move general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.



Note 8 LONG-TERM OBLIGATIONS

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds payable:					
Capital improvement	\$8,980,000	\$ -	\$380,000	\$8,600,000	\$390,000
Fire improvement	6,590,000	-	330,000	6,260,000	345,000
Fire equipment certificates	1,555,000	-	-	1,555,000	300,000
Open space acquisition	1,720,000	-	275,000	1,445,000	275,000
Equipment certificates	485,000	-	85,000	400,000	95,000
Special assessment debt with government commitment	7,800,000	4,945,000	1,230,000	11,515,000	1,240,000
Tax increment financing	3,550,000	-	675,000	2,875,000	315,000
Add (subtract) deferred amounts for:					
(Discounts) premiums	44,659	-	33,140	11,519	-
Total bonds payable	<u>30,724,659</u>	<u>4,945,000</u>	<u>3,008,140</u>	<u>32,661,519</u>	<u>2,960,000</u>
Other liabilities:					
Compensated absences	1,743,529	108,110	98,371	1,753,268	78,000
Claims and judgments payable	272,356	568,125	537,452	303,029	106,789
ROW loan payable	1,054,000	-	-	1,054,000	-
KR Farm Land Holdings Land Purchase	-	1,400,000	-	1,400,000	-
CSM TIF revenue note	250,000	-	125,000	125,000	125,000
Total other liabilities	<u>3,319,885</u>	<u>2,076,235</u>	<u>760,823</u>	<u>4,635,297</u>	<u>309,789</u>
Total governmental activities long-term liabilities	<u>\$34,044,544</u>	<u>\$7,021,235</u>	<u>\$3,768,963</u>	<u>\$37,296,816</u>	<u>\$3,269,789</u>
Business-type activities:					
General obligation bonds payable:					
Water revenue bonds	\$5,170,000	\$ -	\$350,000	\$4,820,000	\$360,000
Add (subtract) deferred amounts for:					
(Discounts) premiums	38,003	-	3,306	\$34,697	3,305
Total business-type activities long-term liabilities	<u>\$5,208,003</u>	<u>\$0</u>	<u>\$353,306</u>	<u>\$4,854,697</u>	<u>\$363,305</u>



A. GENERAL OBLIGATION DEBT

The City issues general obligation bonds to provide for the acquisition of capital assets, the acquisition of open space within the City, the construction of infrastructure, and economic development and redevelopment. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years with amounts outstanding at year end was \$38,485,000. During the year, general obligation bonds totaling \$4,945,000 were issued.

At December 31, 2012, the City had the following general obligation bonds outstanding:

	Interest Rates	Date	Final Maturity Date	Original Issued	Payable 12/31/12
General Obligation Bonds:					
2007A GO Capital Improvement	3.75% - 4.0%	11/15/2007	2/1/2028	\$9,700,000	\$8,600,000
2005A GO Capital Improvement	3.75% - 4.0%	12/1/2005	2/1/2026	8,050,000	6,260,000
				<u>17,750,000</u>	<u>14,860,000</u>
General Obligation Refunding:					
2010 A GO Open Space Refunding Bonds	2% - 2.5%	8/1/2010	2/1/2017	1,720,000	1,445,000
				<u>1,720,000</u>	<u>1,445,000</u>
General Obligation Equipment Certificates:					
2011A GO Fire Equipment Certificates	.5% - 1.45%	11/1/2011	2/1/2017	1,555,000	1,555,000
2010 GO Equipment Certificates	2.15%	11/1/2010	2/1/2016	485,000	400,000
				<u>2,040,000</u>	<u>1,955,000</u>
General Obligation Special Assessment Debt with Government Commitment:					
2008B GO Improvement	3.375% - 4.0%	12/15/2008	2/1/2018	4,140,000	2,470,000
2004B GO Improvement	3.0% - 4.0%	12/1/2004	2/1/2020	7,675,000	4,100,000
2012A GO Improvement	0.4%-2.0%	5/30/2012	2/1/2023	1,970,000	1,970,000
2012B GO Improvement	0.5%-1.45%	5/30/2012	2/1/2020	2,975,000	2,975,000
				<u>16,760,000</u>	<u>11,515,000</u>
General Obligation Tax Increment Financing:					
2006A GO Tax Increment Refunding	3.7% - 3.75%	11/15/2006	2/1/2020	5,215,000	2,875,000
				<u>5,215,000</u>	<u>2,875,000</u>
Total governmental activities				<u>\$43,485,000</u>	<u>\$32,650,000</u>
Business-type activities:					
2008A GO Water Revenue	3.0%-4.0%	6/1/2008	2/1/2023	\$6,255,000	\$4,820,000



Years	Governmental Activities					
	General Obligation Debt		Special Assessment Debt with Government Commitment		General Obligation Tax Increment Financing Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$1,405,000	\$621,681	\$1,240,000	\$272,750	\$315,000	\$100,950
2014	1,455,000	582,950	4,260,000	173,128	325,000	89,110
2015	1,490,000	542,090	1,415,000	91,850	335,000	76,900
2016	1,545,000	498,971	1,405,000	71,185	350,000	64,228
2017	1,475,000	454,061	1,145,000	48,558	365,000	51,000
2018-2022	4,820,000	1,702,860	1,985,000	53,386	1,185,000	67,686
2023-2027	5,345,000	652,500	65,000	650	-	-
2028	725,000	14,500	-	-	-	-
Total	\$18,260,000	\$5,069,613	\$11,515,000	\$711,507	\$2,875,000	\$449,874

Years	Business-Type Activities	
	General Obligation Debt	
	Principal	Interest
2013	\$360,000	\$180,900
2014	375,000	168,037
2015	385,000	154,738
2016	400,000	140,000
2017	415,000	123,700
2018-2022	2,350,000	350,000
2023	535,000	10,700
Total	\$4,820,000	\$1,128,075

All general obligation bonds payable are backed by the full faith and credit of the City. Bonds in the governmental activities will be retired by future property tax levies, tax increments, or special assessments accumulated by the debt service fund. In the event that a deficiency exists because of unpaid or delinquent tax increments or special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received. Delinquent tax increments in the governmental funds at December 31, 2012, were \$20,191; delinquent special assessments in the governmental funds at December 31, 2012 were \$81,934, which is included in the special assessments receivable balance of \$2,834,566.

Compensated absences, unpaid vacation and sick leave, for both governmental and proprietary fund types, are accounted for in the Compensated Absences Internal Service Fund. Claims and judgments payable and accrued insurance claim deductibles, for governmental and proprietary fund types, are accounted for in the Self-Insurance Internal Service Fund.



In November 2006, the City entered into a non-interest bearing loan agreement with the Metropolitan Council for the purpose of acquisition of property within a proposed state trunk highway right-of-way. Under the terms of the loan agreement, the Metropolitan Council will loan the City up to a maximum of \$1,093,250 for the cost of the right-of-way parcel and related closing and acquisition costs. The loan agreement will remain in force until the loan has been discharged. The City acquired the designated right-of-way parcel on November 28, 2006, at a cost of \$1,054,000. The City shall hold the right-of-way parcel until such a time that the state trunk highway is reconstructed at which time the parcel will be sold to the authority authorized to construct the highway, at the same price for which the parcel was purchased. The City will then repay the Metropolitan Council.

On July 15, 2004 the City issued an eight-year, \$1,000,000 TIF Note to CSM Investors II, Inc. at a stated rate of 5%. Per the terms of the Note, CSM shall be required to provide the City with a Certificate of Completion with regard to certain tax increment eligible improvements, and the City shall remit payment to CSM on the specified payment dates, solely from pledged tax increment revenues. The repayment period would commence as of the date of the receipt of the Certificate of Completion. This certificate was received on March 14, 2005, at which time interest began to accrue. Principal payments of \$125,000 were made during 2012, and the balance outstanding on the note at December 21, 2012 was \$125,000.

In accordance with the provisions of the Municipal Industrial Development Act, the City authorized the issuance of Industrial Development Revenue Bonds/Notes to finance private development as approved by the State. Under terms of the issues authorized and the requirements of the Municipal Industrial Development Act, the City has no obligation for the payment of the principal and interest other than its share in the Industrial Development Projects. Accordingly, these liabilities have been excluded from these financial statements. A summary of this type of conduit debt is as follows:

	Original Issue	Payable December 31
Industrial Development Revenue/Revenue Refunding Bonds	\$10,665,000	\$6,980,000
Revenue Notes	7,030,000	9,718,412
Revenue Refunding Notes	4,200,000	1,356,098
Commercial Development Revenue Note	3,080,000	2,578,457
	<u>\$24,975,000</u>	<u>\$20,632,967</u>
Total outstanding December 31		

ADVANCED CROSSOVER REFUNDING

On May 30, 2012, the City issued \$2,975,000 in General Obligation Improvement Refunding Bonds, Series 2012B with an average interest rate of 1.05% to advance refund \$2,885,000 of outstanding 2004B Series Bonds with an average interest rate of 3.61%. The net proceeds of \$2,920,887 were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the interest on the refunding bonds before the crossover date and called principal on the refunded bonds on February 1, 2014.

The City advance refunded the 2004B General Obligation Improvement Refunding Bonds to reduce its total debt service payments of the last six years of the bond by \$161,773 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$154,306.



The City is responsible for the debt service of the refunded bonds and the debt service of the refunding bonds after the crossover date. The debt service of the refunding bonds before the crossover date is payable from the escrow account. Assets held with escrow agent total \$2,923,319 at December 31, 2012.

Payment Date	Refunded Bonds Total	Refunding Bonds Total	Debt Service	
			Commitment Escrow Account	City
2013	\$744,855	\$32,291	\$32,291	\$744,855
2014	3,559,634	27,613	2,898,806	688,441
2015	-	690,950	-	690,950
2016	-	681,977	-	681,977
2017	-	417,868	-	417,868
2018	-	423,813	-	423,813
2019	-	423,860	-	423,860
2020	-	428,081	-	428,081
Total	<u>\$4,304,489</u>	<u>\$3,126,453</u>	<u>\$2,931,097</u>	<u>\$4,499,845</u>



REVENUE PLEDGED

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

Bond Issue	Use of Proceeds	Revenue Pledged				Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Debt Service as a % of Net Revenues	Taxes Payable Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
2001C Improvement Bonds	Street Improvement Projects	Property Taxes Special Assessments	8% 92%	n/a	2003 - 2012 2003 - 2012	\$ -	\$71,453	\$4 \$38,340
2004A Tax Increment Refunding Bonds	Refund Original Debt used for Public Housing Improvements	Tax Increment	100%	n/a	2004 - 2012	\$ -	\$152,475	\$152,474
CSM Tax Increment Revenue Note	Site Improvements: Lexington Preserve Business Center Aveda	Tax Increment	100%	n/a	2006 - 2013	\$130,297	\$137,359	\$137,359
2004B Improvement Bonds	Public Improvements - West Central service road	Property Taxes Special Assessments	66% 34%	n/a	2005 - 2018	\$4,304,489	\$760,943	\$448,225 \$120,560
2005A Capital Improvement Bonds	Municipal Fire Building, Fire Equipment	Property Taxes	100%	n/a	2006 - 2025	\$8,155,539	\$581,683	\$544,297
2006A Tax Increment Refunding Bonds	Refund 1999A GOTI Bonds	Property Taxes	100%	n/a	2008 - 2020	\$3,324,874	\$641,490	\$642,121
2007A Capital Improvement Plan Bonds	Municipal Buildings	Property Taxes	100%	n/a	2008 - 2026	\$11,630,291	\$728,543	\$765,836
2008A Water Utility Revenue Bonds	Construction of Water Tower and Treatment Plant	Utility Revenue	100%	n/a	2005 - 2019	\$5,948,075	\$542,888	\$542,888
2008B Improvement Bonds	Public Improvements	Property Taxes Special Assessments	33% 67%	n/a	2010 - 2017	\$2,735,581	\$660,388	\$224,393 \$648,384
2010A Open Space Refunding Bonds	Refund 2001A Open Space Bonds	Property Taxes	100%	n/a	2012 - 2017	\$1,525,513	\$308,175	\$ -
2010A Equipment Certificates	Purchase Capital Equipment	Property Taxes	100%	n/a	2012 - 2016	\$417,523	\$94,514	\$94,961
2011A Fire Equipment Certificates	Purchase SBM Fire Capital Equipment	Property Taxes	100%	n/a	2013 - 2017	\$1,600,749	\$11,383	\$249,414
2012A GO Improvement Bonds	Crossover Refund 2004B Improv. Bonds	Property Taxes Special Assessments	51% 49%	n/a	2013 - 2017	\$2,059,984	\$ -	\$ -
2012B GO Improvement Bonds	Purchase SBM Fire Capital Equipment	Property Taxes Special Assessments	92% 8%	n/a	2015 - 2020	\$3,126,453	\$ -	\$ -



Note 9 FUND BALANCE

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2012. This standard changed fund balance classifications for governmental fund statements. Definitions for the new classifications are included in Note 1.

A. CLASSIFICATIONS

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

	General Fund	Debt Service	General Capital Projects	City Improvement Projects	Tax Increment Financing Projects	EDA Capital Projects	Other Governmental Funds	Total
Nonspendable:								
Prepaid items	\$121,428	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$121,428
Inventory	67,697	-	-	-	-	-	-	67,697
Total nonspendable	<u>189,125</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>189,125</u>
Restricted for:								
Tax increment	-	-	-	-	11,204,981	-	-	11,204,981
Capital projects	-	-	142,354	-	-	-	351	142,705
Public safety programs	-	-	-	-	-	-	204,141	204,141
Charitable gambling	-	-	-	-	-	-	119,703	119,703
Debt service	-	7,890,192	-	-	-	-	-	7,890,192
Total restricted	<u>0</u>	<u>7,890,192</u>	<u>142,354</u>	<u>0</u>	<u>11,204,981</u>	<u>0</u>	<u>324,195</u>	<u>19,561,722</u>
Committed to:								
Contractual commitments	48,691	-	11,870	211,138	-	-	52,409	324,108
Economic development	-	-	-	-	-	-	3,346,894	3,346,894
Cable TV	-	-	-	-	-	-	274,502	274,502
Billed police services	-	-	-	-	-	-	48,113	48,113
Total committed	<u>48,691</u>	<u>0</u>	<u>11,870</u>	<u>211,138</u>	<u>0</u>	<u>0</u>	<u>3,721,918</u>	<u>3,993,617</u>
Assigned to:								
General capital improvements	-	-	10,840,833	-	-	-	-	10,840,833
City improvement projects	-	-	-	4,681,265	-	-	-	4,681,265
Street improvements	-	-	-	-	-	-	1,941,929	1,941,929
Economic development	-	-	-	-	-	318,950	-	318,950
Park development	-	-	-	-	-	-	888,236	888,236
Public safety programs	-	-	-	-	-	-	53,342	53,342
Total assigned	<u>0</u>	<u>0</u>	<u>10,840,833</u>	<u>4,681,265</u>	<u>0</u>	<u>318,950</u>	<u>2,883,507</u>	<u>18,724,555</u>
Unassigned	<u>10,381,874</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,381,874</u>
Total	<u>\$10,619,690</u>	<u>\$7,890,192</u>	<u>\$10,995,057</u>	<u>\$4,892,403</u>	<u>\$11,204,981</u>	<u>\$318,950</u>	<u>\$6,929,620</u>	<u>\$52,850,893</u>

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The City's fund balance policy is made up of three parts as described below.

The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year in June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes. The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs of no less than 30% of the subsequent year's budgeted expenditures. At December 31, 2012, the unassigned fund balance of the General Fund for the subsequent year's budgeted expenditures was \$7,267,368.

As property taxes not paid in a timely manner could jeopardize the City's ability to fund and maintain established service levels, the City also will retain in the General Fund an amount equal to 5% of the current year's gross property tax levy as a safeguard for property tax delinquencies. At December 31, 2012, this amount was \$820,750.

The City also receives funding annually from the State of Minnesota for various public safety reimbursements. While the City currently expects to receive these payments now and in the future, they are not guaranteed under the State's Constitution and could be withheld from the City. As such, the City will also set aside an amount equal to the current year's reimbursements for these costs from the State. At December 31, 2012, this amount was \$398,798.

Overall, when combining all three components of the City's fund balance policy, the City had an unassigned fund balance in the General Fund that was 43% of the subsequent year's budgeted expenditures.

Note 10 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to protect against these risks of loss, the City purchases commercial insurance through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool. This pool currently operates as a common risk management and insurance pool for municipal entities. The City pays an annual premium to the LMCIT for its insurance coverage (the LMCIT is self-sustaining through commercial companies for excess claims). The City, covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies.

During the year ended December 31, 2012, there were no significant reductions in coverage compared to the prior year. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

The Self-Insurance Internal Service Fund was established to account for and finance the City's uninsured risks of loss. This fund provides coverage up to \$100,000 (\$200,000 aggregate) for each general liability and property damage claim. The City is a member of the LMCIT for claims in excess of coverage provided by the Self-Insurance Internal Service Fund and for all other risks of loss, including workers' compensation. The City's premium payments to the LMCIT include an estimate for incurred but not reported claims.

Insurance reimbursements to the Self-Insurance Internal Service Fund are charged back to the affected governmental and proprietary funds, in the form of an insurance charge, to fund future premiums to the LMCIT, estimated prior and current year claims, and a reserve for catastrophic losses. That reserve was \$746,822 at December 31, 2012.

The claims and judgments liability reported in the fund at December 31, 2012, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability for incurred, reported claims, \$106,789, is classified as a current liability and the amount estimated for incurred but not reported claims, \$196,240 is classified as a noncurrent liability within the Self-Insurance Internal Service Fund.



A summary of the claims and judgments liability amounts at December 31, 2012, and 2011, is as follows:

	<u>2012</u>	<u>2011</u>
Beginning balance	\$272,356	\$172,283
Incurred claims	568,125	142,421
Payment on claims	(169,327)	(81,576)
Reserve adjustments	<u>(368,125)</u>	<u>39,228</u>
Ending balance	<u>\$303,029</u>	<u>\$272,356</u>

Note 11 EMPLOYEE RETIREMENT SYSTEM

A. DEFINED BENEFIT PENSION PLAN

PLAN DESCRIPTION

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. At this time, the City does not have any members participating in the Basic Plan. All police officers, fire fighters, and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the internet at www.mnpera.org, by writing to PERA at 60 Empire Drive Suite 200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.



FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by State Statutes. GERF Coordinated Plan members are required to contribute 6.25% of their annual covered salary in 2012. PEPFF members are required to contribute 9.6% of their annual covered salary in 2012. The City was required to contribute the following percentages of annual covered payroll in 2012: 7.25% for Coordinated Plan GERF members and 14.4% for PEPFF members. Employer contribution rates for both the Coordinated Plan and for the PEPFF will not increase for 2013. The City's contributions to the GERF for the years ended December 31, 2012, 2011, and 2010 were as follows, equal to the contractually required contributions for each year as set by State Statute:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
GERF:			
Contributions by employee	\$487,753	\$486,540	\$481,925
Contributions by employer	565,794	582,401	561,428
PEPFF:			
Contributions by employee	531,564	531,024	500,795
Contributions by employer	<u>797,651</u>	<u>796,536</u>	<u>751,192</u>
Totals	<u>\$2,382,762</u>	<u>\$2,396,501</u>	<u>\$2,295,340</u>

Note 12 OTHER POST-EMPLOYMENT BENEFITS

In addition to providing the pension benefits described in Note 11, the City is obligated to provide post-employment health care benefits for police and firefighters disabled in the line of duty, as required by Minnesota Statute 299A.465. The City would continue to pay the employer's contribution toward health care coverage on behalf of the disabled employee. Dependent coverage is included if the dependents were covered at the time of the disability.

At December 31, 2012, the City had four police officers who have been disabled in the line of duty. The City has determined the liability relating to these benefits is not material and therefore is not included in these financial statements.

Note 13 COMMITMENTS AND CONTINGENCIES

The City, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. City management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial position of the City.

The City has active construction projects as of December 31, 2012. The projects include an addition of a cold storage building and police training facility, sewer and water infrastructure improvements, construction projects in the City's various parks, and street construction projects. The remaining amount on each of these contracts shows a commitment of fund balance in the governmental funds in the amount of \$324,108. There are also committed contracts of \$120,521 outstanding for various public utilities improvements at December 31, 2012.

The City issued bonds in excess of \$5 million in the years 1995, 1997, 1999, 2001, 2004, 2005, 2006, 2007, and 2008 and therefore is required to rebate excess income relating to these issues to the federal government as required under the Tax Reform Act of 1986. The extent of the City's liability for arbitrage rebates on the remaining issues is not determinable at this time. It is the opinion of City management that the arbitrage rebates on the remaining issues would not be material.

In 2007 the City issued a Taxable Tax Increment Revenue Bond as part of a development agreement. The amount of the obligation was \$3,750,000 and is payable to the developer solely from tax increments collected from the development in the Town Square Senior Housing District 1-17. Payments are scheduled on February 1st and August 1st of each year, and carry an interest rate of 5% per annum. The obligation does not constitute a charge upon any funds of the City. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the City. Since the amount of future payments is contingent on the collection of future tax increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at December 31, 2012 was \$3,750,000.

Note 14 JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which participants retain an ongoing financial interest or an ongoing financial responsibility.

The City is a member of the North Metro Telecommunications Commission (the Commission), which includes eight surrounding communities, that oversees the franchise agreement with Comcast, the local cable company. Legally separate, the City does not appoint a voting majority of the Board, and the Commission is fiscally independent of the City. During 2012, the City contributed \$363,250 to the Commission, which is included as expenditures in the Cable Television Special Revenue Fund.

The City has joined with the Cities of Mounds View and Spring Lake Park to cooperate in providing fire protection services to their residents. Fire protection services are furnished by the Spring Lake Park-Blaine-Mounds View Fire Department, a private nonprofit Internal Revenue Code (IRC) Section 501(c)(3) organization. The municipalities agreed upon several significant provisions pursuant to their agreement dated December 11, 1990:

- 1) The City issued \$4,450,000 General Obligation Fire Improvement Bonds on May 1, 1991, to defray the cost of new fire stations and equipment. Each city's share of the debt is calculated to be a percentage from year-to-year based on a formula described in the agreement. The Cities of Mounds View and Spring Lake Park agree to reimburse the City of Blaine for their share of the debt service upon request. This debt issue was paid in full on February 1, 2001 using the proceeds from the \$2,960,000 General Obligation Fire Improvement Refunding Bonds.

The City issued \$2,960,000 General Obligation Fire Improvement Refunding Bonds on October 1, 1997, to refund the 1991 issue. Each city's share of the debt will be calculated in the same manner as the 1991 issue. This debt issue was paid in full on February 1, 2011.

In January 2005, the three cities executed a supplement to their joint powers agreement. The supplement authorized the City to issue \$8,050,000 General Obligation Capital Improvement Bonds to finance the construction of a new fire station that will serve to consolidate the operations of two smaller stations that will be closed. The supplement obligates each of the cities to annually pay a portion of debt service on the bonds in an amount equal to each city's share of the debt as calculated on the formula described in the agreement. Mounds View and Spring Lake Park have pledged their full faith and credit and taxing powers to pay the applicable formula percentage of debt service on the bonds. The bonds were issued on December 1, 2005. The amount of the bond outstanding at December 31, 2012, is \$6,260,000.



In 2011, the three cities executed another supplement to their joint powers agreement. The supplement authorized the City to issue \$1,555,000 General Equipment Certificate Series 2011A to fund the purchase of new fire equipment. The supplement obligates each of the cities to annually pay a portion of debt service on the bonds in an amount equal to each city's share of the debt as calculated on the formula described in the agreement. Mounds View and Spring Lake Park have pledged their full faith and credit and taxing powers to pay the applicable formula percentage of debt service on the bonds. The bonds were issued on November 1, 2011. The amount of the bond outstanding at December 31, 2012, is \$1,555,000.

- 2) Operating and maintenance costs are to be shared by the cities as determined by the formula each year. The City contributed \$1,413,149 for its share during 2012, which is included as expenditures in the General Fund.
- 3) Property will be in the City of Blaine's name. Property and equipment with an original cost of \$14,922,551 was accounted for at December 31, 2012.

The current debt service and operating and maintenance costs share per the agreement for the Cities of Blaine, Mounds View, and Spring Lake Park is 75.56%, 15.12%, and 9.32%, respectively.

The City of Blaine provides accounting services to the Blaine Area Development Company (BADC). The BADC is a private, nonprofit IRC Section 501(c)(4) organization. The BADC is a separate legal entity which receives government grants designed for financing of small businesses in the Cities of Blaine and Spring Lake Park. The City does not appoint a voting majority of the Board and the BADC is not fiscally dependent on the City. The cash balance of \$140,065 associated with the BADC is reported in an agency fund.

Complete financial statements for the joint ventures and jointly governed organizations may be obtained as follows:

- 1) North Metro Telecommunications Commission
12520 Polk Street
Blaine, Minnesota 55434
- 2) Spring Lake Park-Blaine-Mounds View Fire Department
1710 Highway 10
Spring Lake Park, Minnesota 55432
- 3) Blaine Area Development Company
10801 Town Square Drive
Blaine, Minnesota 55449

Note 15 TERMINATION BENEFITS

In 2012, the City again offered an early retirement / voluntary separation incentive program. The program is intended to provide employees who may be considering retirement or separation with the City an incentive to retire early, or to end employment with the City. An employee deciding to participate in this program would not be replaced, thus saving money over the long term for the City by reducing future personnel costs. Employees are required to meet certain eligibility criteria in order to qualify for the program.

Contingent on City Manager approval, employees who choose to participate in the program will receive three months of base pay, three months of the employee's customary insurance benefits, and a \$10,000 contribution to the employee's Post Employment Health Care Savings Account. For employees not covered by a Post Employment Health Care Savings Plan the City will pay \$10,000 cash, in lieu of the \$10,000 contribution.

Three employees chose to participate in the program, and signed separation agreements in 2012. The total cost of the termination benefits provided under this program was \$101,192, of which \$30,192 was paid out in 2012. As of December 31, 2012 there was an outstanding termination benefit liability of \$71,000.

Note 16 PRIOR PERIOD ADJUSTMENT

In 2011, the beginning fund balance of the governmental activities on the government-wide statement of activities and the governmental funds statement of revenues, expenditures and changes in fund balances as previously reported decreased by \$55,990 to correct for an error in reported worker's compensation expenditures in the General Fund for the prior reporting period ended December 31, 2010.

In 2011, the beginning fund balance of the business-type activities on the government-wide statement of activities and the proprietary funds statement of revenues, expenditures and changes in fund balances as previously reported decreased by \$57 to correct for an error in reported worker's compensation expenditures in the Public Utilities Fund for the prior reporting period ended December 31, 2010.

Note 17 SUBSEQUENT EVENTS

The City sold \$4,900,000 of General Obligation Improvement Refunding Bonds, Series 2013A on May 30, 2013 to advance refund the City's General Obligation Improvement Bonds, Series 2005A. The refunding provides net present value savings of \$449,171 with a true interest cost of 1.424%.

Note 18 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Boards (GASB) recently approved the following statements which were not implemented for these financial statements, but may affect the City in future years:

Statement No. 61 *The Financial Reporting Entity Omnibus – An Amendment of GASB No. 14 and No. 34.* The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012.

Statement No. 65 *Items Previously Reported as Assets and Liabilities.* The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

Statement No. 66 *Technical Corrections – 2012.* The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012.

Statement No. 68 *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27.* The provisions of this statement are effective for financial statements for periods beginning after June 15, 2014.

Statement No. 69 *Government Combinations and Disposals of Government Operations.* The provisions of this statement are effective for financial statements for periods beginning after December 31, 2013.

Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* The provisions of this statement are effective for financial statements for periods beginning after June 15, 2013.

The effect these standards may have on future financial statements is not determinable at this time.

**COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL
STATEMENTS**

NONMAJOR GOVERNMENTAL FUNDS



SPECIAL REVENUE FUNDS

Special Revenue Funds account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute or local ordinance and/or resolution to finance particular functions, activities, or governments.

Economic Development Authority Fund – accounts for the administration of economic development related activities in the City.

Cable Television Fund – this fund was established to account for transactions associated with cable television in the City. Revenue includes franchise fees from Comcast Cable. Expenditures include the operation of the North Metro Telecommunications Commission and other costs relating to the cable television activity.

Charitable Gambling Fund – this fund was created pursuant to Minnesota Statute §349.12 for the collection of a 10% fee on net profits from lawful gambling within City boundaries. Disbursements by the City are for lawful purposes as defined by State Statute.

Police Grants Fund – this fund was established to account for transactions related to police grants received from the federal and state governments. Disbursements are regulated by the grant agreement with the grant agency.

Reimbursed Police Overtime – this fund accounts for additional special police overtime services that the City is reimbursed for.

Forfeited Property – this fund accounts for forfeited property unlawfully used or acquired in a criminal activity and diverted to law enforcement.

Energy Efficiency Block Grant – this fund accounts for the transactions associated with a U.S. Department of Energy Block Grant.

CAPITAL PROJECT FUNDS

Capital Project Funds are established to account for the resources expended to acquire assets of a permanent nature other than those financed by other governmental and proprietary funds.

Park Development Projects Fund – this fund is used to account for contributions from developers and federal and state grants for park development

Street Improvement Fund – this fund is used to account for the street pavement maintenance program. Financing includes certain Municipal State Aid monies and transfers from various sources.

CITY OF BLAINE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

Statement 11

December 31, 2012

With Comparative Totals For December 31, 2011

Assets	Special Revenue	Capital Project	Total	
			Nonmajor Governmental Funds	
			2012	2011
Cash and pooled investments	\$2,993,505	\$2,909,747	\$5,903,252	\$5,823,607
Accounts receivable	46,340	-	46,340	40,071
Special assessments receivable	26,380	-	26,380	4,200
Intergovernmental receivable	324,820	-	324,820	18,890
Loans receivable	1,023,839	-	1,023,839	1,135,648
Accrued interest receivable	8,413	8,557	16,970	28,228
Total assets	\$4,423,297	\$2,918,304	\$7,341,601	\$7,050,644
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$27,133	\$22,371	\$49,504	\$31,402
Accrued liabilities	6,172	-	6,172	3,984
Contracts payable	-	13,359	13,359	84,311
Deposits payable	19,344	-	19,344	28,402
Due to other funds	297,222	-	297,222	13,497
Deferred revenue	26,380	-	26,380	4,200
Total liabilities	376,251	35,730	411,981	165,796
Fund balance:				
Restricted	324,195	-	324,195	253,333
Committed	3,669,509	52,409	3,721,918	3,682,088
Assigned	53,342	2,830,165	2,883,507	2,956,424
Unassigned	-	-	-	(6,997)
Total fund balance	4,047,046	2,882,574	6,929,620	6,884,848
Total liabilities and fund balance	\$4,423,297	\$2,918,304	\$7,341,601	\$7,050,644

CITY OF BLAINE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
For The Year Ended December 31, 2012
With Comparative Totals For The Year Ended December 31, 2011

Statement 12

	Special Revenue	Capital Project	Totals	
			Nonmajor Governmental Funds	
			2012	2011
Revenues:				
Property taxes	\$4	\$ -	\$4	\$1
Franchise taxes	503,339	-	503,339	507,790
Lodging taxes	3,438	-	3,438	3,199
Gambling taxes	91,735	-	91,735	70,535
Special assessments	1,302	-	1,302	1,365
Intergovernmental	350,423	850,579	1,201,002	72,114
Charges for services	318,302	-	318,302	366,034
Fines and forfeits	72,465	-	72,465	52,211
Interest earnings	87,410	41,325	128,735	297,918
Miscellaneous	14,245	212,180	226,425	69,806
Total revenues	1,442,663	1,104,084	2,546,747	1,440,973
Expenditures:				
Current:				
General government	513,646	-	513,646	477,119
Public safety	230,070	-	230,070	278,057
Community development	749,922	-	749,922	774,996
Capital outlay:				
General government	6,805	-	6,805	41,114
Public safety	19,644	-	19,644	124,246
Public works	-	-	-	750
Recreation	-	1,339,040	1,339,040	370,184
Community development	281,541	-	281,541	-
Total expenditures	1,801,628	1,339,040	3,140,668	2,066,466
Revenues over (under) expenditures	(358,965)	(234,956)	(593,921)	(625,493)
Other financing sources (uses):				
Transfers in	539,539	950,000	1,489,539	556,487
Transfers out	-	(850,846)	(850,846)	(244,439)
Total other financing sources (uses)	539,539	99,154	638,693	312,048
Net change in fund balance	180,574	(135,802)	44,772	(313,445)
Fund balance - January 1, as previously reported	3,866,472	3,018,376	6,884,848	7,199,293
Prior period adjustment	-	-	-	(1,000)
Fund balance - January 1, as restated	3,866,472	3,018,376	6,884,848	7,198,293
Fund balance - December 31	\$4,047,046	\$2,882,574	\$6,929,620	\$6,884,848

CITY OF BLAINE, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2012
With Comparative Totals For December 31, 2011

	<u>Economic Development Authority</u>	<u>Cable Television</u>	<u>Charitable Gambling</u>
Assets			
Cash and pooled investments	\$2,322,093	\$275,121	\$98,067
Accounts receivable	16,906	-	21,430
Special assessments receivable	26,380	-	-
Intergovernmental receivable	-	-	-
Loans receivable	1,023,839	-	-
Accrued interest receivable	6,155	1,102	206
	<u>3,395,373</u>	<u>276,223</u>	<u>119,703</u>
Total assets			
Liabilities and Fund Balance			
Liabilities:			
Accounts payable	\$22,099	\$1,375	\$ -
Accrued liabilities	-	346	-
Deposits payable	-	-	-
Due to other funds	-	-	-
Deferred revenue	26,380	-	-
Total liabilities	<u>48,479</u>	<u>1,721</u>	<u>0</u>
Fund balance:			
Restricted	-	-	119,703
Committed	3,346,894	274,502	-
Assigned	-	-	-
Unassigned	-	-	-
Total fund balance	<u>3,346,894</u>	<u>274,502</u>	<u>119,703</u>
Total liabilities and fund balance	<u><u>\$3,395,373</u></u>	<u><u>\$276,223</u></u>	<u><u>\$119,703</u></u>

Police Grants	Reimbursed Police Overtime	Forfeited Property	Energy Efficiency Block Grant	Totals Nonmajor Special Revenue Funds	
				2012	2011
\$76,367	\$43,389	\$178,468	\$ -	\$2,993,505	\$2,729,913
-	8,004	-	-	46,340	40,071
-	-	-	-	26,380	4,200
26,958	-	-	297,862	324,820	18,890
-	-	-	-	1,023,839	1,135,648
249	110	591	-	8,413	13,356
<u>\$103,574</u>	<u>\$51,503</u>	<u>\$179,059</u>	<u>\$297,862</u>	<u>\$4,423,297</u>	<u>\$3,942,078</u>
\$ -	\$ -	\$3,370	\$289	\$27,133	\$25,523
2,436	3,390	-	-	6,172	3,984
-	-	19,344	-	19,344	28,402
-	-	-	297,222	297,222	13,497
-	-	-	-	26,380	4,200
<u>2,436</u>	<u>3,390</u>	<u>22,714</u>	<u>297,511</u>	<u>376,251</u>	<u>75,606</u>
87,929	-	116,212	351	324,195	253,333
-	48,113	-	-	3,669,509	3,570,842
13,209	-	40,133	-	53,342	49,294
-	-	-	-	-	(6,997)
<u>101,138</u>	<u>48,113</u>	<u>156,345</u>	<u>351</u>	<u>4,047,046</u>	<u>3,866,472</u>
<u>\$103,574</u>	<u>\$51,503</u>	<u>\$179,059</u>	<u>\$297,862</u>	<u>\$4,423,297</u>	<u>\$3,942,078</u>

CITY OF BLAINE, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2012
With Comparative Totals For The Year Ended December 31, 2011

	<u>Economic Development Authority</u>	<u>Cable Television</u>	<u>Charitable Gambling</u>
Revenues:			
Ad valorem taxes	\$4	\$ -	\$ -
Franchise taxes - cable television	-	503,339	-
Lodging taxes	3,438	-	-
Gambling taxes	-	-	91,735
Special assessments	1,302	-	-
Intergovernmental	-	-	-
Charges for services	177,054	-	-
Fines and forfeits	-	-	-
Interest earnings	77,552	6,092	1,092
Miscellaneous	8,069	-	-
Total revenues	<u>267,419</u>	<u>509,431</u>	<u>92,827</u>
Expenditures:			
Current:			
General government	-	467,146	46,500
Public safety	-	-	-
Community development	749,922	-	-
Capital outlay:			
General government	-	6,805	-
Public safety	-	-	-
Community development	-	-	-
Total expenditures	<u>749,922</u>	<u>473,951</u>	<u>46,500</u>
Revenues over (under) expenditures	(482,503)	35,480	46,327
Other financing sources:			
Transfers in	<u>539,539</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>57,036</u>	<u>35,480</u>	<u>46,327</u>
Fund balance - January 1, as previously reported	3,289,858	239,022	73,376
Prior period adjustment	-	-	-
Fund balance - January 1, as restated	<u>3,289,858</u>	<u>239,022</u>	<u>73,376</u>
Fund balance - December 31	<u><u>\$3,346,894</u></u>	<u><u>\$274,502</u></u>	<u><u>\$119,703</u></u>

Police Grants	Reimbursed Police Overtime	Forfeited Property	Energy Efficiency Block Grant	Totals Nonmajor Special Revenue Funds	
				2012	2011
\$ -	\$ -	\$ -	\$ -	\$4	\$1
-	-	-	-	503,339	507,790
-	-	-	-	3,438	3,199
-	-	-	-	91,735	70,535
-	-	-	-	1,302	1,365
59,985	-	-	290,438	350,423	72,114
-	141,248	-	-	318,302	366,034
-	-	72,465	-	72,465	52,211
995	526	3,053	(1,900)	87,410	161,830
-	-	5,825	351	14,245	15,824
<u>60,980</u>	<u>141,774</u>	<u>81,343</u>	<u>288,889</u>	<u>1,442,663</u>	<u>1,250,903</u>
-	-	-	-	513,646	477,119
49,992	135,623	44,455	-	230,070	278,057
-	-	-	-	749,922	774,996
-	-	-	-	6,805	41,114
-	-	19,644	-	19,644	124,246
-	-	-	281,541	281,541	-
<u>49,992</u>	<u>135,623</u>	<u>64,099</u>	<u>281,541</u>	<u>1,801,628</u>	<u>1,695,532</u>
10,988	6,151	17,244	7,348	(358,965)	(444,629)
-	-	-	-	539,539	556,487
<u>10,988</u>	<u>6,151</u>	<u>17,244</u>	<u>7,348</u>	<u>180,574</u>	<u>111,858</u>
90,150	41,962	139,101	(6,997)	3,866,472	3,755,614
-	-	-	-	-	(1,000)
<u>90,150</u>	<u>41,962</u>	<u>139,101</u>	<u>(6,997)</u>	<u>3,866,472</u>	<u>3,754,614</u>
<u>\$101,138</u>	<u>\$48,113</u>	<u>\$156,345</u>	<u>\$351</u>	<u>\$4,047,046</u>	<u>\$3,866,472</u>

CITY OF BLAINE, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS

Statement 15

December 31, 2012

With Comparative Totals For December 31, 2011

Assets	Park Development	Street	Totals Nonmajor Capital Project Funds	
	Projects	Improvement	2012	2011
Cash and pooled investments	\$974,049	\$1,935,698	\$2,909,747	\$3,093,694
Accrued interest receivable	2,326	6,231	8,557	14,872
Total assets	\$976,375	\$1,941,929	\$2,918,304	\$3,108,566
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	\$22,371	\$ -	\$22,371	\$5,879
Contracts payable	13,359	-	13,359	\$84,311
Total liabilities	35,730	0	35,730	90,190
Fund balance:				
Committed	52,409	-	52,409	111,246
Assigned	888,236	1,941,929	2,830,165	2,907,130
Total fund balance	940,645	1,941,929	2,882,574	3,018,376
Total liabilities and fund balance	\$976,375	\$1,941,929	\$2,918,304	\$3,108,566

CITY OF BLAINE, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECTS FUNDS
For The Year Ended December 31, 2012
With Comparative Totals For The Year Ended December 31, 2011

Statement 16

	Park	Street	Totals Nonmajor Capital Project	
	Development Projects	Improvement	Funds	
			2012	2011
Revenues:				
Interest earnings	\$9,542	\$31,783	\$41,325	\$136,088
Intergovernmental	-	850,579	850,579	-
Miscellaneous	212,180	-	212,180	53,982
Total revenues	<u>221,722</u>	<u>882,362</u>	<u>1,104,084</u>	<u>190,070</u>
Expenditures:				
Capital outlay:				
Public works	-	-	-	750
Recreation	1,339,040	-	1,339,040	370,184
Total expenditures	<u>1,339,040</u>	<u>0</u>	<u>1,339,040</u>	<u>370,934</u>
Revenues over (under) expenditures	<u>(1,117,318)</u>	<u>882,362</u>	<u>(234,956)</u>	<u>(180,864)</u>
Other financing sources (uses):				
Transfers in	950,000	-	950,000	-
Transfers out	-	(850,846)	(850,846)	(244,439)
Total other financing sources (uses)	<u>950,000</u>	<u>(850,846)</u>	<u>99,154</u>	<u>(244,439)</u>
Net change in fund balance	(167,318)	31,516	(135,802)	(425,303)
Fund balance - January 1	<u>1,107,963</u>	<u>1,910,413</u>	<u>3,018,376</u>	<u>3,443,679</u>
Fund balance (deficit) - December 31	<u><u>\$940,645</u></u>	<u><u>\$1,941,929</u></u>	<u><u>\$2,882,574</u></u>	<u><u>\$3,018,376</u></u>

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Internal service funds are used to account for the financing of goods and services provided by one department or activity to other departments or activities of the government on a cost reimbursement basis.

Compensated Absences – The City maintains this fund for the accrued liabilities related to vacation leave and vested sick leave of the various funds.

Self-Insurance – The City established this fund to account for insurance premiums and to provide for larger deductibles on its property and liability insurance coverages. Savings from the insurance premiums are charged to operating funds to finance future insurance deductibles on various claims.

Workers Compensation – The City uses this fund to account for workers compensation insurance coverage.

CITY OF BLAINE, MINNESOTA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2012
With Comparative Totals For December 31, 2011

Statement 17

	Compensated	Self-Insurance	Workers	Total	
	Absences		Compensation	2012	2011
Assets:					
Current assets:					
Cash and cash equivalents	\$1,558,888	\$1,061,028	\$223,818	\$2,843,734	\$2,550,039
Accounts receivable	-	-	10,287	10,287	-
Accrued interest receivable	5,347	2,595	-	7,942	11,797
Other assets	-	38,049	-	38,049	42,290
Total assets	<u>1,564,235</u>	<u>1,101,672</u>	<u>234,105</u>	<u>2,900,012</u>	<u>2,604,126</u>
Liabilities:					
Current liabilities:					
Accounts payable	-	51,821	-	51,821	3,359
Accrued liabilities	-	-	11,361	11,361	-
Compensated absences payable	78,000	-	-	78,000	75,000
Claims and judgments payable	-	106,789	-	106,789	74,085
Total current liabilities	<u>78,000</u>	<u>158,610</u>	<u>11,361</u>	<u>247,971</u>	<u>152,444</u>
Noncurrent liabilities:					
Compensated absences payable	1,675,268	-	-	1,675,268	1,668,529
Claims and judgments payable	-	196,240	-	196,240	198,271
Total noncurrent liabilities	<u>1,675,268</u>	<u>196,240</u>	<u>-</u>	<u>1,871,508</u>	<u>1,866,800</u>
Total liabilities	<u>1,753,268</u>	<u>354,850</u>	<u>11,361</u>	<u>2,119,479</u>	<u>2,019,244</u>
Net position:					
Unrestricted	(189,033)	746,822	222,744	780,533	584,882
Total net position	<u>(\$189,033)</u>	<u>\$746,822</u>	<u>\$222,744</u>	<u>\$780,533</u>	<u>\$584,882</u>

CITY OF BLAINE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For The Year Ended December 31, 2012
With Comparative Totals For The Year Ended December 31, 2011

Statement 18

	Compensated Absences	Self-Insurance	Workers Compensation	Total	
				2012	2011
Operating revenues:					
Employee benefit charges	\$99,572	\$ -	\$ -	\$99,572	\$98,705
Insurance reimbursements	-	544,584	222,744	767,328	563,465
Total operating revenues	<u>99,572</u>	<u>544,584</u>	<u>222,744</u>	<u>866,900</u>	<u>662,170</u>
Operating expenses:					
Salaries and benefits	212,390	-	-	212,390	268,321
Contractual services	-	499,224	-	499,224	571,189
Total operating expenses	<u>212,390</u>	<u>499,224</u>	<u>0</u>	<u>711,614</u>	<u>839,510</u>
Operating income (loss)	(112,818)	45,360	222,744	155,286	(177,340)
Nonoperating revenues:					
Interest earnings	<u>27,750</u>	<u>12,615</u>	<u>-</u>	<u>40,365</u>	<u>96,645</u>
Change in net position	(85,068)	57,975	222,744	195,651	(80,695)
Net position - January 1	<u>(103,965)</u>	<u>688,847</u>	<u>-</u>	<u>584,882</u>	<u>665,577</u>
Net position - December 31	<u><u>(\$189,033)</u></u>	<u><u>\$746,822</u></u>	<u><u>\$222,744</u></u>	<u><u>\$780,533</u></u>	<u><u>\$584,882</u></u>

CITY OF BLAINE, MINNESOTA

STATEMENT OF CASH FLOWS

INTERNAL SERVICE FUNDS

For The Year Ended December 31, 2012

With Comparative Totals For The Year Ended December 31, 2011

Statement 19

	Compensated	Self-Insurance	Workers	Total	
	Absences		Compensation	2012	2011
Cash flows from operating activities:					
Cash received from customers	\$99,572	\$544,584	\$212,457	\$856,613	\$662,170
Cash paid to supplies for goods and services	-	(415,848)	11,361	(404,487)	(467,397)
Cash paid to employees for services	(202,651)	-	-	(202,651)	(158,575)
Net cash flows from operating activities	<u>(103,079)</u>	<u>128,736</u>	<u>223,818</u>	<u>249,475</u>	<u>36,198</u>
Cash flows from investing activities:					
Investment earnings	<u>29,777</u>	<u>14,443</u>	<u>-</u>	<u>44,220</u>	<u>84,848</u>
Net increase (decrease) in cash and cash equivalents	(73,302)	143,179	223,818	293,695	121,046
Cash and cash equivalents - January 1	<u>1,632,190</u>	<u>917,849</u>	<u>-</u>	<u>2,550,039</u>	<u>2,428,993</u>
Cash and cash equivalents - December 31	<u>\$1,558,888</u>	<u>\$1,061,028</u>	<u>\$223,818</u>	<u>\$2,843,734</u>	<u>\$2,550,039</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	<u>(\$112,818)</u>	<u>\$45,360</u>	<u>\$222,744</u>	<u>\$155,286</u>	<u>(\$177,340)</u>
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Changes in assets and liabilities:					
(Increase) decrease in other assets	-	4,241	(10,287)	(6,046)	939
Increase (decrease) in accounts payable	-	48,462	-	48,462	2,780
Increase (decrease) in accrued liabilities	-	-	11,361	11,361	-
Increase (decrease) in compensated absences	9,739	-	-	9,739	109,746
Increase (decrease) in claims and judgments	-	30,673	-	30,673	100,073
Total adjustments	<u>9,739</u>	<u>83,376</u>	<u>1,074</u>	<u>94,189</u>	<u>213,538</u>
Net cash provided by operating activities	<u>(\$103,079)</u>	<u>\$128,736</u>	<u>\$223,818</u>	<u>\$249,475</u>	<u>\$36,198</u>



Blaine Area Development Company Fund – this fund accounts for the investments retained by the City for the Blaine Area Development Company. The Company is a non-profit organization operating under Section 501(c) of the Internal Revenue Code. It receives government grants designated for financing of small businesses in the Cities of Blaine and Spring Lake Park.

DWI Task Force – this fund accounts for the joint activities of the Anoka County DWI Task Force. This task force was created to manage grant monies received for impaired driving under the Minnesota NiteCap Grant, funded by the National Highway Traffic Safety Administration. The governmental agencies that make up the Anoka County DWI Task Force are: the Anoka County Sheriff's Office, the City of Anoka, the City of Blaine, the City of Coon Rapids, the Centennial Lakes Police Department, the City of Columbia Heights, the City of Fridley, the City of Ramsey, the City of Lino Lakes, the City of St. Francis, and the City of Spring Lake Park.

CITY OF BLAINE, MINNESOTA
COMBINING STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUNDS
 December 31, 2012
 With Comparative Totals For The Year Ended December 31, 2011

Statement 20

	Blaine Area Development Corp.	DWI Task Force	Totals	
			2012	2011
Assets:				
Cash and pooled investments	\$140,065	\$ -	\$140,065	\$533,640
Total assets	<u>\$140,065</u>	<u>\$0</u>	<u>\$140,065</u>	<u>\$533,640</u>
Liabilities:				
Due to Blaine Area Development Company	\$140,065	\$ -	\$140,065	\$485,454
Due to other governments	-	-	-	48,186
Total liabilities	<u>\$140,065</u>	<u>\$0</u>	<u>\$140,065</u>	<u>\$533,640</u>

CITY OF BLAINE, MINNESOTA
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended December 31, 2012

Statement 21

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
<u>Blaine Area Development Corp</u>				
Assets:				
Cash and pooled investments	\$485,454	\$114,879	\$460,268	\$140,065
Liabilities:				
Due to Blaine Area Development Company	\$485,454	\$114,879	\$460,268	\$140,065
<u>DWI Task Force</u>				
Assets:				
Cash and pooled investments	\$48,186	\$ -	\$48,186	\$ -
Liabilities:				
Due to other governments	\$48,186	\$ -	\$48,186	\$ -
<u>Totals</u>				
Assets:				
Cash and pooled investments	\$533,640	\$114,879	\$508,454	\$140,065
Total assets	\$533,640	\$114,879	\$508,454	\$140,065
Liabilities:				
Due to other governments	\$48,186	\$ -	\$48,186	\$ -
Due to Blaine Area Development Company	485,454	114,879	460,268	140,065
Total liabilities	\$533,640	\$114,879	\$508,454	\$140,065

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STATISTICAL SECTION - UNAUDITED

CITY OF BLAINE, MINNESOTA
NET POSITION BY COMPONENT UNIT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Amounts Expressed in Whole Dollars)

	Fiscal Year*			
	2003	2004	2005**	2006
Governmental activities:				
Net investment in capital assets	\$24,088,224	\$47,922,189	\$116,027,087	\$115,908,054
Restricted	3,109,363	10,415,770	10,719,234	12,201,893
Unrestricted	44,676,410	32,205,258	28,230,841	31,436,669
Total governmental activities net position	<u>\$71,873,997</u>	<u>\$90,543,217</u>	<u>\$154,977,162</u>	<u>\$159,546,616</u>
Business-type activities:				
Net investment in capital assets	\$75,032,259	\$81,759,763	\$89,965,316	\$116,663,389
Restricted	-	-	-	-
Unrestricted	23,809,857	26,423,677	21,908,894	20,833,245
Total business-type activities net position	<u>\$98,842,116</u>	<u>\$108,183,440</u>	<u>\$111,874,210</u>	<u>\$137,496,634</u>
Primary government:				
Net investment in capital assets	\$99,120,483	\$123,589,452	\$200,311,103	\$227,205,943
Restricted	3,109,363	10,415,770	10,719,234	12,201,893
Unrestricted	68,486,267	64,721,435	55,821,035	57,635,414
Total primary government net position	<u>\$170,716,113</u>	<u>\$198,726,657</u>	<u>\$266,851,372</u>	<u>\$297,043,250</u>

*Net position by component are shown for each year of reporting under GASB 34 which was implemented effective with the 2003 calendar year.

**In 2005 a prior period adjustment was made in accordance with GASB Statement No. 34, to include infrastructure assets acquired by the City from 1980 to 2002. The amount of this restatement increased net assets by \$44,609,887, which was in addition to the \$19,824,058 increase due to that year's operating results.

Table 1

Fiscal Year*					
2007	2008	2009	2010	2011	2012
\$128,495,244	\$132,783,540	\$141,264,210	\$144,076,941	\$148,586,847	\$151,926,174
13,628,434	14,051,544	15,605,370	17,724,184	17,033,344	18,041,663
35,562,127	36,249,047	30,459,605	30,300,656	31,107,632	31,559,691
<u>\$177,685,805</u>	<u>\$183,084,131</u>	<u>\$187,329,185</u>	<u>\$192,101,781</u>	<u>\$196,727,823</u>	<u>\$201,527,528</u>
\$126,948,993	\$125,548,492	\$128,034,695	\$127,267,681	\$129,035,604	\$130,977,212
-	120,766	120,766	120,766	122,317	123,163
18,668,853	21,052,555	18,546,602	20,257,703	19,266,078	20,349,158
<u>\$145,617,846</u>	<u>\$146,721,813</u>	<u>\$146,702,063</u>	<u>\$147,646,150</u>	<u>\$148,423,999</u>	<u>\$151,449,533</u>
\$250,588,337	\$252,120,332	\$269,298,905	\$271,344,622	\$277,622,451	\$282,903,386
13,628,434	14,172,310	15,726,136	17,844,950	17,155,661	18,164,826
59,086,880	63,513,302	49,006,207	50,558,359	50,373,710	51,908,849
<u>\$323,303,651</u>	<u>\$329,805,944</u>	<u>\$334,031,248</u>	<u>\$339,747,931</u>	<u>\$345,151,822</u>	<u>\$352,977,061</u>

CITY OF BLAINE, MINNESOTA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Amounts Expressed in Whole Dollars)

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental activities:			
General government	\$3,856,467	\$4,011,878	\$4,126,919
Public safety	6,890,980	7,497,763	7,983,630
Public works	4,676,694	5,327,720	6,809,384
Sanitation	2,288,954	1,916,655	1,998,737
Recreation	1,077,070	975,024	1,421,484
Community development	1,785,222	2,143,457	4,163,275
Interest on long-term debt	1,174,637	962,761	1,021,810
Total governmental activities expenses	<u>21,750,024</u>	<u>22,835,258</u>	<u>27,525,239</u>
Business-type activities:			
Water	2,525,285	2,456,739	5,977,547
Sewer	3,564,014	3,755,427	4,050,789
Storm drainage	-	-	-
Refuse / Sanitation	-	-	-
Senior housing	1,028,045	1,050,535	1,135,564
Total business-type activities expenses	<u>7,117,344</u>	<u>7,262,701</u>	<u>11,163,900</u>
Total primary government expenses	<u>\$28,867,368</u>	<u>\$30,097,959</u>	<u>\$38,689,139</u>
Program Revenues			
Governmental activities:			
Charges for services:			
General government	\$512,982	\$502,847	\$522,956
Public safety	560,864	539,827	513,333
Public works	2,582,354	3,909,356	1,253,276
Sanitation	2,230,229	2,177,158	2,273,127
Recreation	992,198	1,091,519	1,920,768
Community development	2,763,660	3,178,596	2,597,350
Operating grants and contributions	577,914	613,200	708,732
Capital grants and contributions	11,266,093	11,576,664	18,351,997
Total governmental activities program revenues	<u>21,486,294</u>	<u>23,589,167</u>	<u>28,141,539</u>

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$4,619,917	\$4,788,559	\$4,826,588	\$5,299,029	\$5,411,620	\$5,215,357	\$5,702,507
3,668,268	9,790,782	10,890,853	10,923,008	11,021,926	11,309,461	11,364,492
12,722,249	9,878,072	9,063,936	8,457,933	9,065,798	9,675,845	8,123,540
2,176,422	-	-	-	-	-	-
1,540,580	1,656,068	1,353,604	1,887,648	1,480,284	1,565,590	1,703,196
3,444,968	2,231,913	2,678,455	2,221,391	2,027,711	2,157,671	2,016,411
1,200,475	1,257,042	1,406,837	1,423,893	1,311,081	1,153,658	1,041,327
<u>29,372,879</u>	<u>29,602,436</u>	<u>30,220,273</u>	<u>30,212,902</u>	<u>30,318,420</u>	<u>31,077,582</u>	<u>29,951,473</u>
3,327,951	3,386,471	4,258,078	3,913,392	4,151,115	3,721,034	3,759,960
5,424,240	5,256,700	4,865,987	4,952,820	5,084,703	4,819,697	4,729,733
-	-	822,401	1,018,459	897,108	1,100,692	961,050
-	2,388,791	2,392,596	2,362,096	2,620,451	2,722,442	2,862,083
1,214,606	1,363,574	1,394,926	1,337,665	1,472,758	1,374,386	1,421,808
<u>9,966,797</u>	<u>12,395,536</u>	<u>13,733,988</u>	<u>13,584,432</u>	<u>14,226,135</u>	<u>13,738,251</u>	<u>13,734,634</u>
<u>\$39,339,676</u>	<u>\$41,997,972</u>	<u>\$43,954,261</u>	<u>\$43,797,334</u>	<u>\$44,544,555</u>	<u>\$44,815,833</u>	<u>\$43,686,107</u>
\$514,769	\$515,817	\$793,593	\$756,311	\$819,116	\$722,659	\$784,962
522,263	549,800	532,683	494,817	549,899	750,130	696,370
2,454,038	4,139,874	1,346,855	1,691,831	2,306,865	977,609	1,139,632
2,339,192	225,925	600	675	-	-	-
2,899,514	1,533,452	1,671,539	498,725	579,035	439,567	648,330
2,483,161	2,627,090	1,852,047	1,475,763	1,821,847	2,457,771	2,908,633
626,172	582,518	626,058	1,082,140	1,446,530	1,343,221	1,520,422
14,791,509	8,170,875	2,720,620	2,728,630	4,724,863	4,592,368	5,104,558
<u>26,630,618</u>	<u>18,345,351</u>	<u>9,543,995</u>	<u>8,728,892</u>	<u>12,248,155</u>	<u>11,283,325</u>	<u>12,802,907</u>

CITY OF BLAINE, MINNESOTA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Amounts Expressed in Whole Dollars)

	Fiscal Year		
	2003	2004	2005
Program Revenues (continued)			
Business-type activities:			
Charges for services:			
Water	\$3,633,905	\$5,016,901	\$4,525,733
Sewer	3,827,404	3,937,861	4,081,868
Storm drainage	-	-	-
Sanitation	-	-	-
Senior Housing	1,216,251	1,240,944	1,304,200
Operating grants and contributions	-	-	-
Capital grants and contributions	5,661,219	6,272,426	4,841,712
Total business-type activities program revenues	<u>14,338,779</u>	<u>16,468,132</u>	<u>14,753,514</u>
Total primary government program revenues	<u>\$35,825,073</u>	<u>\$40,057,299</u>	<u>\$42,895,053</u>
Net (expense) revenue			
Governmental activities	(\$263,730)	\$753,909	\$616,300
Business-type activities	7,221,435	9,205,431	3,589,614
Total primary government net expense	<u>\$6,957,705</u>	<u>\$9,959,340</u>	<u>\$4,205,914</u>
General Revenues and Other Changes in Net Position			
Governmental activities:			
Taxes			
Property taxes	\$11,254,054	\$12,346,823	\$13,631,483
Tax increments	1,970,138	2,126,981	2,307,928
Franchise taxes	263,754	279,209	319,025
Lodging taxes	47,489	20,490	22,725
Gambling taxes	58,260	65,690	75,559
Unrestricted grants and contributions	1,275,032	1,258,192	1,197,475
Investment earnings	846,110	749,760	1,219,875
Gain on sale of capital assets	189,063	880,389	72,735
Transfers	(246,004)	187,777	360,953
Total governmental activities	<u>15,657,896</u>	<u>17,915,311</u>	<u>19,207,758</u>
Business-type activities:			
Unrestricted grants and contributions	-	-	-
Investment earnings	340,926	323,670	462,108
Gain on sale of capital assets	-	-	-
Transfers	246,004	(187,777)	(360,953)
Total business-type activities	<u>586,930</u>	<u>135,893</u>	<u>101,155</u>
Total primary government	<u>\$16,244,826</u>	<u>\$18,051,204</u>	<u>\$19,308,913</u>
Change in Net Position			
Governmental activities	\$15,394,166	\$18,669,220	\$19,824,058
Business-type activities	7,808,365	9,341,324	3,690,769
Total primary government	<u>\$23,202,531</u>	<u>\$28,010,544</u>	<u>\$23,514,827</u>

Fiscal Year						
2006	2007	2008	2009	2010	2011	2012
\$4,885,381	\$4,887,689	\$4,270,471	\$4,758,957	\$4,237,701	\$4,159,805	\$5,069,764
4,702,049	4,498,649	4,367,401	4,366,857	4,489,413	4,515,577	4,649,702
-	-	931,946	852,746	856,808	866,961	908,100
-	2,566,383	2,437,250	2,475,211	2,515,843	2,556,449	2,632,526
1,301,680	1,330,023	1,322,144	1,308,687	1,387,090	1,420,694	1,430,197
-	94,870	102,235	42,245	98,863	115,075	227,153
8,802,452	7,387,135	521,520	485,583	1,257,072	669,796	960,298
<u>19,691,562</u>	<u>20,764,749</u>	<u>13,952,967</u>	<u>14,290,286</u>	<u>14,842,790</u>	<u>14,304,357</u>	<u>15,877,740</u>
<u>\$46,322,180</u>	<u>\$39,110,100</u>	<u>\$23,496,962</u>	<u>\$23,019,178</u>	<u>\$27,090,945</u>	<u>\$25,587,682</u>	<u>\$28,680,647</u>
(\$2,742,261)	(\$11,257,085)	(\$20,676,278)	(\$21,484,010)	(\$18,070,265)	(\$19,794,257)	(\$17,148,566)
9,724,765	8,369,213	218,979	705,854	616,655	566,106	2,143,106
<u>\$6,982,504</u>	<u>(\$2,887,872)</u>	<u>(\$20,457,299)</u>	<u>(\$20,778,156)</u>	<u>(\$17,453,610)</u>	<u>(\$19,228,151)</u>	<u>(\$15,005,460)</u>
\$15,544,982	\$17,274,088	\$18,382,970	\$19,323,676	\$19,066,659	\$18,918,478	\$18,905,229
2,704,120	3,013,151	3,171,003	3,261,896	2,493,979	2,300,674	2,068,161
372,358	406,267	452,102	489,868	494,157	507,790	503,339
24,448	52,473	3,232	2,626	2,853	3,199	3,438
67,630	54,689	42,328	34,160	41,349	70,535	91,735
1,305,055	2,020,573	1,104,547	317,950	72,315	69,654	27,796
2,254,469	3,111,161	2,839,469	1,222,800	712,480	1,992,891	826,148
73,997	2,212,369	2,524	-	-	12,095	5,440
(15,035,346)	1,251,502	76,430	1,076,088	(40,931)	600,973	(483,015)
<u>7,311,713</u>	<u>29,396,273</u>	<u>26,074,605</u>	<u>25,729,064</u>	<u>22,842,861</u>	<u>24,476,289</u>	<u>21,948,271</u>
20,000	-	-	-	-	-	-
842,313	1,003,501	961,417	350,484	286,501	812,773	331,611
-	-	-	-	-	-	67,802
15,035,346	(1,251,502)	(76,430)	(1,076,088)	40,931	(600,973)	483,015
<u>15,897,659</u>	<u>(248,001)</u>	<u>884,987</u>	<u>(725,604)</u>	<u>327,432</u>	<u>211,800</u>	<u>882,428</u>
<u>\$23,209,372</u>	<u>\$29,148,272</u>	<u>\$26,959,592</u>	<u>\$25,003,460</u>	<u>\$23,170,293</u>	<u>\$24,688,089</u>	<u>\$22,830,699</u>
\$4,569,452	\$18,139,188	\$5,398,327	\$4,245,054	\$4,772,596	\$4,682,032	\$4,799,705
25,622,424	8,121,212	1,103,966	(19,750)	944,087	777,906	3,025,534
<u>\$30,191,876</u>	<u>\$26,260,400</u>	<u>\$6,502,293</u>	<u>\$4,225,304</u>	<u>\$5,716,683</u>	<u>\$5,459,938</u>	<u>\$7,825,239</u>

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CITY OF BLAINE, MINNESOTA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
 (Accrual Basis of Accounting)
 (Amounts Expressed in Whole Dollars)

Table 3

Fiscal Year	Property Taxes	Utility Meter Taxes	Tax Increments	Cable Franchise Taxes	Lodging Taxes	Gambling Taxes	Total
2003	\$11,254,054	\$ -	\$1,970,138	\$263,754	\$20,482	\$58,260	\$13,566,688
2004	12,346,823	-	2,126,981	279,209	20,490	65,690	14,839,193
2005	13,631,483	-	2,307,928	319,025	22,725	75,559	16,356,720
2006	15,544,982	-	2,704,120	372,357	24,448	67,630	18,713,537
2007	17,274,088	-	3,013,151	406,267	52,473	54,689	20,800,668
2008	18,382,970	-	3,171,003	452,102	3,232	42,328	22,051,635
2009	19,323,676	-	3,261,896	489,868	2,626	34,160	23,112,226
2010	19,066,659	-	2,493,979	494,157	2,853	41,349	22,098,997
2011	18,918,478	-	2,300,674	507,790	3,199	70,535	21,800,676
2012	18,905,229	-	2,068,161	503,339	3,438	91,735	21,571,902

**In 2008 the City changed the way it accounted for the revenue received for lodging taxes levied on local hotels. Previously the total amount received for lodging taxes (3% on lodging within the City) was recorded as lodging tax revenue, although only 5% of that amount was actually retained by the City, and the rest (95%) went to the North Metro Convention and Visitor's Bureau to promote the City as a tourist and convention center. In 2008 the City changed its accounting to report only its 5% share as the amount actually collected as revenue from the lodging tax.

CITY OF BLAINE, MINNESOTA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 (Modified Accrual Basis of Accounting)
 (Amounts Expressed in Whole Dollars)

	Fiscal Year			
	2003	2004	2005	2006
General fund:				
Reserved	\$4,639	\$330,436	\$281,628	\$213,366
Unreserved	8,657,304	9,470,178	9,044,086	9,548,027
Nonspendable	-	-	-	-
Committed				
Unassigned	-	-	-	-
Total general fund	<u>\$8,661,943</u>	<u>\$9,800,614</u>	<u>\$9,325,714</u>	<u>\$9,761,393</u>
All other governmental funds:				
Reserved	\$6,637,280	\$5,124,447	\$8,335,467	\$5,429,771
Unreserved, reported in:				
Special revenue funds	13,329,654	11,897,817	10,252,719	2,886,802
Capital projects funds	15,624,729	23,910,443	23,533,493	25,298,652
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$35,591,663</u>	<u>\$40,932,707</u>	<u>\$42,121,679</u>	<u>\$33,615,225</u>

Note:

The City implemented GASB Statement No. 54 for the fiscal year ended December 31, 2011, resulting in significant reclassification of the components of fund balances.

Table 4

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$43,965	\$73,661	\$77,837	\$54,916	\$ -	\$ -
10,247,115	9,811,821	9,795,673	10,584,953	-	-
-	-	-	-	90,740	189,125
-	-	-	-	10,848,967	48,691
<u>\$10,291,080</u>	<u>\$9,885,482</u>	<u>\$9,873,510</u>	<u>\$10,639,869</u>	<u>\$10,939,707</u>	<u>10,381,874</u>
<u>\$10,291,080</u>	<u>\$9,885,482</u>	<u>\$9,873,510</u>	<u>\$10,639,869</u>	<u>\$10,939,707</u>	<u>\$10,619,690</u>
\$6,521,950	\$8,821,377	\$5,073,455	\$7,342,489	\$ -	\$ -
2,197,593	1,579,763	1,112,395	2,538,426	-	-
39,446,977	32,597,252	31,532,603	29,236,745	-	-
-	-	-	-	-	-
-	-	-	-	15,007,347	19,561,722
-	-	-	-	4,139,499	3,944,926
-	-	-	-	18,745,061	18,724,555
-	-	-	-	(6,997)	-
<u>\$48,166,520</u>	<u>\$42,998,392</u>	<u>\$37,718,453</u>	<u>\$39,117,660</u>	<u>\$37,884,910</u>	<u>\$42,231,203</u>
<u>\$48,166,520</u>	<u>\$42,998,392</u>	<u>\$37,718,453</u>	<u>\$39,117,660</u>	<u>\$37,884,910</u>	<u>\$42,231,203</u>

CITY OF BLAINE, MINNESOTA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 (Modified Accrual Basis of Accounting)
 (Amounts Expressed in Whole Dollars)

	Fiscal Year			
	2003	2004	2005	2006
Revenues:				
Taxes*	\$13,480,127	\$14,889,926	\$16,318,482	\$18,555,886
Special assessments	1,779,473	1,236,598	1,251,299	1,548,848
Licenses and permits	2,066,967	2,402,449	2,069,320	1,996,239
Intergovernmental	2,327,305	2,212,599	3,821,113	3,016,457
Charges for services	5,705,595	5,888,933	5,744,081	5,925,421
Fines	358,785	291,513	287,922	299,474
Investment earnings	846,109	749,760	1,219,875	2,254,468
Miscellaneous	1,270,683	1,135,850	737,434	2,860,672
Total revenues	<u>27,835,044</u>	<u>28,807,628</u>	<u>31,449,526</u>	<u>36,457,465</u>
Expenditures:				
General government	3,065,338	3,334,058	3,351,225	3,694,185
Public safety	6,261,636	6,741,829	7,306,857	7,803,310
Public works	4,323,045	4,668,743	5,350,718	5,777,782
Sanitation	2,532,623	2,150,855	2,224,137	2,401,822
Recreation	648,391	716,058	799,742	855,926
Community development	2,096,967	2,025,975	2,940,537	2,515,524
Unallocated expenditures	491,043	345,240	304,745	350,455
Capital outlay	4,341,681	6,140,620	12,699,097	18,103,299
Debt service:				
Principal	4,975,000	4,705,000	3,485,000	3,255,000
Interest and fiscal charges	1,280,682	1,098,203	1,015,235	1,295,012
Total expenditures	<u>30,016,406</u>	<u>31,926,581</u>	<u>39,477,293</u>	<u>46,052,315</u>
Excess of revenues over (under) expenditures	<u>(2,181,362)</u>	<u>(3,118,953)</u>	<u>(8,027,767)</u>	<u>(9,594,850)</u>
Other financing sources (uses):				
Transfers in	6,863,099	6,171,454	4,715,305	15,320,858
Transfers out	(6,440,316)	(5,834,190)	(4,356,729)	(14,969,825)
Sale of capital assets	1,264,707	1,554,221	386,771	73,997
Refunding bonds issued	-	-	-	-
Tax increment refunding bonds issued	-	1,555,000	-	5,215,000
Equipment certificates issued	1,275,000	-	-	-
General obligation bonds issued	-	-	-	-
Tax increment bonds issued	-	-	-	-
Improvement bonds issued	-	7,675,000	8,050,000	-

Table 5
Page 1 of 2

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$20,720,799	\$21,966,110	\$22,903,739	\$22,133,465	\$21,895,707	\$21,742,699
2,033,199	830,226	795,730	1,918,711	1,139,678	1,296,490
2,145,265	1,644,182	1,274,114	1,572,484	1,629,284	1,911,834
3,081,977	2,088,320	2,621,075	3,759,522	2,932,339	2,822,485
3,674,353	3,966,311	4,074,411	4,217,737	4,391,274	4,694,054
342,137	333,782	331,235	362,512	347,040	312,929
3,111,160	2,839,469	1,222,800	712,480	1,992,891	785,783
1,673,399	1,427,950	346,132	445,111	1,084,446	476,933
<u>36,782,289</u>	<u>35,096,350</u>	<u>33,569,236</u>	<u>35,122,022</u>	<u>35,412,659</u>	<u>34,043,207</u>
3,946,868	4,179,951	3,977,413	4,227,517	4,140,915	4,408,125
8,668,609	9,519,086	9,959,361	10,066,883	10,355,594	10,509,365
6,176,629	6,898,031	6,605,552	6,507,272	6,702,153	6,907,024
-	-	-	-	-	-
893,576	977,558	1,030,243	1,101,047	1,033,033	1,139,859
2,359,373	2,446,220	2,415,468	2,606,450	2,031,014	2,021,440
524,100	558,707	490,227	639,800	373,953	374,839
11,763,044	16,501,380	12,917,581	5,627,495	7,668,895	6,024,106
3,240,000	2,860,000	2,730,000	3,430,000	3,460,000	3,100,000
1,228,999	1,331,345	1,396,425	1,379,710	1,251,342	1,142,682
<u>38,801,198</u>	<u>45,272,278</u>	<u>41,522,270</u>	<u>35,586,174</u>	<u>37,016,899</u>	<u>35,627,440</u>
<u>(2,018,909)</u>	<u>(10,175,928)</u>	<u>(7,953,034)</u>	<u>(464,152)</u>	<u>(1,604,240)</u>	<u>(1,584,233)</u>
9,597,116	4,004,340	4,963,451	8,032,090	3,874,883	4,803,776
(4,964,339)	(3,657,029)	(2,478,842)	(7,729,699)	(3,081,555)	(4,183,785)
2,767,113	41,410	176,514	80,504	73,990	45,518
-	-	-	1,720,000	-	-
-	-	-	-	-	-
-	-	-	485,000	1,555,000	4,945,000
-	-	-	-	-	-
-	-	-	-	-	-
9,700,000	4,140,000	-	-	-	-

CITY OF BLAINE, MINNESOTA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 (Modified Accrual Basis of Accounting)
 (Amounts Expressed in Whole Dollars)

	Fiscal Year			
	2003	2004	2005	2006
Other financing sources (uses): (continued)				
Premium on bonds issued	\$10,028	\$15,205	\$ -	\$ -
Discount on bonds issued	-	(3,022)	(53,508)	(15,957)
Payments to refunded bond escrow agent	-	(1,535,000)	-	(5,154,001)
Loan proceeds	-	-	-	1,054,000
Total other financing sources (uses)	<u>2,974,521</u>	<u>9,600,672</u>	<u>8,743,844</u>	<u>1,526,078</u>
Net change in fund balances	<u>\$793,159</u>	<u>\$6,481,719</u>	<u>\$716,077</u>	<u>(\$8,068,772)</u>
Debt service as a percentage of noncapital expenditures	23.67%	21.30%	15.91%	15.19%

CITY OF BLAINE, MINNESOTA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)
 (Amounts Expressed in Whole Dollars)

Fiscal Year	Property Taxes	Utility Meter Taxes	Tax Increments
2003	\$11,174,719	\$ -	\$1,962,912
2004	12,399,910	-	2,124,627
2005	13,599,757	-	2,301,416
2006	15,452,172	-	2,639,278
2007	17,144,352	-	3,063,018
2008	18,305,645	-	3,162,803
2009	18,951,740	-	3,216,858
2010	19,075,739	-	2,553,835
2011	19,011,932	-	2,302,251
2012	19,058,999	-	2,085,188

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ -	\$73,482	\$ -	\$ -	\$ -	\$ -
-	-	-	41,823	-	-
-	-	-	-	(1,695,000)	-
-	-	-	-	-	-
<u>17,101,897</u>	<u>4,604,211</u>	<u>2,661,123</u>	<u>2,629,718</u>	<u>727,318</u>	<u>5,610,509</u>
<u>\$15,082,988</u>	<u>(\$5,571,717)</u>	<u>(\$5,291,911)</u>	<u>\$2,165,566</u>	<u>(\$876,922)</u>	<u>\$4,026,276</u>
14.33%	13.30%	13.18%	15.52%	14.52%	13.64%

Cable Franchise Taxes	Lodging Taxes	Gambling* Taxes	Total
\$263,754	\$20,482	\$58,260	\$13,480,127
279,209	20,490	65,690	14,889,926
319,025	22,725	75,559	16,318,482
372,358	24,448	67,630	18,555,886
406,267	52,473	54,689	20,720,799
452,102	3,232	42,328	21,966,110
489,868	2,626	34,160	22,695,252
494,157	2,853	41,349	22,167,933
507,790	3,199	70,535	21,895,707
503,339	3,438	91,735	21,742,699

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CITY OF BLAINE, MINNESOTA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Table 6

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

(Amounts Expressed in Whole Dollars)

Fiscal Year Ended December 31,	Real Property		Personal Property	Less: TIF & Net Fiscal Disparity Contribution	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value* as a Percentage of Actual Value
	Residential Property	Commercial Property						
2003	\$23,023,353	\$10,313,822	\$762,419	(\$5,321,326)	\$28,778,268	35.48%	\$3,030,371,500	1.13%
2004	27,066,032	11,766,984	796,615	(6,262,026)	33,367,605	33.35%	3,551,499,400	1.12%
2005	32,544,018	13,445,316	1,127,767	(7,118,826)	39,998,275	31.33%	4,053,920,900	1.16%
2006	38,119,839	15,366,111	966,913	(8,270,264)	46,182,599	31.23%	4,678,049,900	1.16%
2007	43,328,578	17,781,086	1,016,984	(9,097,352)	53,029,296	29.66%	5,312,083,700	1.17%
2008	46,390,710	20,372,605	1,080,614	(10,528,995)	57,314,934	29.14%	5,721,060,200	1.19%
2009	47,303,800	23,113,030	1,160,596	(11,669,948)	59,907,478	29.15%	5,959,525,500	1.20%
2010	45,063,531	23,548,326	1,217,277	(11,728,776)	58,100,358	29.51%	5,726,384,700	1.22%
2011	41,037,407	21,105,384	1,282,602	(11,465,413)	51,959,980	32.80%	5,213,097,700	1.22%
2012	33,275,945	17,804,470	1,283,299	(8,562,002)	43,801,712	33.56%	5,030,420,000	1.04%

Source: Anoka and Ramsey County Property Records Office

CITY OF BLAINE, MINNESOTA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	City of Blaine		
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate
2003	32.714	2.765	35.479
	32.714	2.765	35.479
	32.714	2.765	35.479
2004	30.228	3.125	33.353
	30.228	3.125	33.353
	30.228	3.125	33.353
2005	28.678	2.656	31.334
	28.678	2.656	31.334
	28.678	2.656	31.334
2006	28.007	3.227	31.234
	28.007	3.227	31.234
	28.007	3.227	31.234
2007	26.982	2.676	29.658
	26.982	2.676	29.658
	26.982	2.676	29.658
2008	27.033	2.102	29.135
	27.033	2.102	29.135
	27.033	2.102	29.135
2009	26.636	2.515	29.151
	26.636	2.515	29.151
	26.636	2.515	29.151
2010	26.505	3.005	29.510
	26.505	3.005	29.510
	26.505	3.005	29.510
2011	29.541	3.256	32.797
	29.541	3.256	32.797
	29.541	3.256	32.797
2012	29.536	4.027	33.563
	29.536	4.027	33.563
	29.536	4.027	33.563

*Overlapping rates are those of local and county governments that apply to property owners within the City of Blaine. Not all overlapping rates apply to all City of Blaine property owners. For example, the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district.

Source: Anoka County Assessor's Office

Table 7

Anoka County			Overlapping Rates*			Special Districts	Total Direct & Overlapping Rates
Operating Tax Rate	Debt Service Tax Rate	Total County Tax Rate	School Districts				
			Combined Operating/Debt Tax Rate				
			ISD #11	ISD #12	ISD #16		
34.283	3.431	37.714	26.941	-	-	7.517	107.651
34.283	3.431	37.714	-	37.467	-	8.317	118.977
34.283	3.431	37.714	-	-	22.152	8.317	103.662
32.080	3.141	35.221	21.050	-	-	7.190	96.814
32.080	3.141	35.221	-	36.649	-	8.010	113.233
32.080	3.141	35.221	-	-	21.504	8.010	98.088
29.793	3.287	33.080	21.492	-	-	7.436	93.342
29.793	3.287	33.080	-	37.486	-	8.319	110.219
29.793	3.287	33.080	-	-	16.118	8.319	88.851
28.644	3.452	32.096	20.046	-	-	6.707	90.083
28.644	3.452	32.096	-	40.253	-	7.894	111.477
28.644	3.452	32.096	-	-	17.437	7.894	88.661
28.626	2.070	30.696	19.353	-	-	7.224	86.931
28.626	2.070	30.696	-	38.090	-	7.224	105.668
28.626	2.070	30.696	-	-	25.779	5.909	92.042
26.555	4.523	31.078	16.983	-	-	8.514	85.710
26.555	4.523	31.078	-	35.258	-	8.514	103.985
26.555	4.523	31.078	-	-	26.213	8.514	94.940
27.057	5.021	32.078	18.263	-	-	11.565	91.057
27.057	5.021	32.078	-	34.593	-	12.581	108.403
27.057	5.021	32.078	-	-	27.155	14.388	102.772
28.703	6.486	35.189	19.939	-	-	6.419	91.057
28.703	6.486	35.189	-	37.285	-	6.419	108.403
28.703	6.486	35.189	-	-	31.654	6.419	102.772
32.723	7.229	72.749	23.999	-	-	7.274	104.022
32.723	7.229	72.749	-	43.695	-	7.274	123.718
32.723	7.229	72.749	-	-	34.028	7.274	114.051
33.890	6.486	73.939	23.325	-	-	7.952	105.216
33.890	6.486	73.939	-	40.010	-	9.320	123.269
33.890	6.486	73.939	-	-	39.443	9.320	122.702

CITY OF BLAINE, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Ten Years Ago
 (Amounts Expressed in Whole Dollars)

Table 8

Taxpayer	2012			2002		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Glimacher Northtown Venture, LLC	\$944,760	1	1.83%	\$1,069,658	1	2.94%
MEPT Blaine LLC	505,050	2	0.98%	-		-
Connexus Energy	405,772	3	0.79%	302,634	4	0.83%
CSM Equities LLC	297,709	4	0.58%	-		-
Mills Properties Inc.	292,108	5	0.57%	-		-
Blaine Partners LLC	273,882	6	0.53%	-		-
CenterPoint Energy	262,576	7	0.51%	-		-
Infinite Campus	259,460	8	0.50%	-		-
Target Corporation	244,686	9	0.47%	-		-
Menards Corporation	214,310	10	0.41%	222,254	8	0.61%
Village of Blaine	-		-	458,432	2	1.26%
Raymen Associates of Blaine	-		-	312,322	3	0.86%
Muir Northtown	-		-	280,730	5	0.77%
North Court RE Holdings, Inc.	-		-	254,874	6	0.70%
Home Depot USA	-		-	231,646	7	0.64%
Walmart	-		-	201,368	9	0.55%
Aveda Corporation	-		-	200,676	10	0.55%
Totals	<u>\$3,700,313</u>		<u>7.17%</u>	<u>\$3,534,594</u>		<u>9.70%</u>

Source: Anoka County Assessor's Office

CITY OF BLAINE, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
December 31, 2012
(Amounts Expressed in Whole Dollars)

Table 9

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$11,259,054	\$10,921,979	97.0%	\$110,693	\$11,032,672	98.0%
2004	12,150,711	12,109,118	99.7%	159,431	12,268,549	101.0%
2005	13,619,801	13,487,228	99.0%	103,430	13,590,658	99.8%
2006	15,473,058	15,285,746	98.8%	161,934	15,447,679	99.8%
2007	17,295,649	16,902,091	97.7%	223,841	17,125,932	99.0%
2008	18,679,232	17,998,584	96.4%	286,617	18,285,201	97.9%
2009	19,292,648	18,844,700	97.7%	271,016	19,115,716	99.1%
2010	19,921,967	18,565,639	93.2%	468,482	19,034,121	95.5%
2011	19,946,864	18,617,251	93.3%	358,661	18,975,912	95.1%
2012	19,045,086	18,771,456	98.6%	-	18,771,456	98.6%

CITY OF BLAINE, MINNESOTA

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

(Amounts Expressed in Whole Dollars), except for per capita amount)

Table 10

Fiscal Year	Governmental Activities		Business-Type	Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	Special Assessment Bonds	General Obligation Bonds			
2003	\$20,605,000	\$4,825,000	\$ -	\$25,430,000	1.48%	496
2004	17,970,000	10,450,000	-	28,420,000	1.53%	531
2005	23,275,000	9,710,000	-	32,985,000	1.66%	587
2006	20,720,000	9,150,000	-	29,870,000	1.42%	520
2007	28,195,000	8,260,000	-	36,455,000	1.63%	622
2008	26,345,000	11,515,000	6,255,000	44,115,000	1.98%	766
2009	24,625,000	10,630,000	5,850,000	41,105,000	1.84%	713
2010	24,955,000	9,200,000	5,515,000	39,670,000	1.84%	694
2011	22,880,000	7,800,000	5,170,000	35,850,000	1.88%	618
2012	21,135,000	11,515,000	4,820,000	37,470,000	1.61%	642

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

*See the Schedule of Demographic and Economic Statistics, Table 15, for personal income and population data.

CITY OF BLAINE, MINNESOTA**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS****Table 11**

(Amounts Expressed in Whole Dollars), except for per capita amount)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value* of Property</u>	<u>Per Capita**</u>
2003	\$25,430,000	\$5,441,272	\$19,988,728	0.66%	390
2004	28,420,000	3,127,524	25,292,476	0.71%	473
2005	32,985,000	2,778,118	30,206,882	0.75%	537
2006	29,870,000	3,497,945	26,372,055	0.56%	459
2007	36,455,000	4,471,655	31,983,345	0.60%	565
2008	44,115,000	4,107,911	40,007,089	0.70%	703
2009	41,105,000	3,654,927	37,450,073	0.63%	645
2010	39,670,000	4,303,172	35,366,828	0.62%	618
2011	35,850,000	4,356,809	31,493,191	0.60%	543
2012	37,470,000	7,861,898	29,608,102	0.59%	508

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

*See the schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 111 for property value data.

**Population data can be found in the schedule of Demographic and Economic Statistics on page 124.

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CITY OF BLAINE, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of December 31, 2012
(Amounts Expressed in Whole Thousands)

Table 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Direct debt:			
City	<u>\$32,650,000</u>	100.00%	<u>\$32,650,000</u>
Overlapping debt:			
Anoka County	142,074,654	19.00%	26,994,184
Ramsey County	168,100,000	0.10%	168,100
Ramsey County Library	19,285,000	0.20%	38,570
Independent School District #11-Anoka-Hennepin	92,056,540	13.80%	12,703,803
Independent School District #12-Centennial	52,555,000	22.10%	11,614,655
Independent School District #16-Spring Lake Park	116,261,855	66.90%	77,779,181
Independent School District #621-Mounds View	118,287,229	0.60%	709,723
Metropolitan Council	17,330,000	1.70%	294,610
Metropolitan Transit District	327,475,000	2.10%	6,876,975
Subtotal, overlapping debt	<u>1,053,425,278</u>		<u>137,179,801</u>
Total direct and overlapping debt	<u><u>\$1,086,075,278</u></u>		<u><u>\$169,829,801</u></u>

Source: Information obtained from taxing districts by financial consultant.

*The percentage of overlapping debt applicable is estimated using 2012 taxable net tax capacity values. Applicable percentages were estimated by determining the portion of the county's taxable net tax capacity value that is within the government's boundaries and dividing it by the county's total taxable net tax capacity values.

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

CITY OF BLAINE, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years
 (Amounts Expressed in Whole Dollars)

	Fiscal Year			
	2003	2004	2005	2006
Debt limit	\$60,607,430	\$71,029,988	\$81,078,418	\$93,560,998
Total net debt applicable to limit	<u>8,685,000</u>	<u>7,435,000</u>	<u>14,175,000</u>	<u>13,050,000</u>
Legal debt margin	<u>\$51,922,430</u>	<u>\$63,594,988</u>	<u>\$66,903,418</u>	<u>\$80,510,998</u>
Total net debt applicable to the limit as a percentage of debt limit	14.33%	10.47%	17.48%	13.95%

Note: Under current state finance law, the City's outstanding general obligation debt should not exceed 3 percent of the total estimated market value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds. Prior to 2008 the legal debt limit was 2 percent and was calculated on that basis for years 2003 to 2007.

Table 13

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$106,241,674	\$171,631,806	\$176,151,961	\$170,400,132	\$155,049,486	\$127,874,724
<u>21,745,000</u>	<u>26,905,000</u>	<u>19,800,000</u>	<u>14,665,676</u>	<u>19,330,000</u>	<u>18,260,000</u>
<u><u>\$84,496,674</u></u>	<u><u>\$144,726,806</u></u>	<u><u>\$156,351,961</u></u>	<u><u>\$155,734,456</u></u>	<u><u>\$135,719,486</u></u>	<u><u>\$109,614,724</u></u>
20.47%	15.68%	11.24%	8.61%	12.47%	14.28%

Legal Debt Margin Calculation for Fiscal Year 2012

Estimated market value	\$4,262,490,800
Add back: exempt real property	-
Total estimated market value	<u>4,262,490,800</u>
Debt limit (3% of total assessed value)	127,874,724
Debt applicable to limit:	
General obligation bonds	18,260,000
Less: Amount set aside for repayment of general obligation debt	- <u>(7,861,898)</u>
Total net debt applicable to limit	<u>10,398,102</u>
Legal debt margin	<u><u>\$117,476,622</u></u>

CITY OF BLAINE, MINNESOTA
PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years
 (Amounts Expressed in Whole Dollars)

Fiscal Year	Water Revenue Bonds		
	Gross Revenues	Less: Operating Expenses	Net Available Revenue
2003	\$7,776,780	\$4,365,822	\$3,410,958
2004	N/A	N/A	N/A
2005	N/A	N/A	N/A
2006	N/A	N/A	N/A
2007	N/A	N/A	N/A
2008	N/A	N/A	N/A
2009	4,444,150	2,449,528	1,994,622
2010	4,216,735	2,227,362	1,989,373
2011	4,159,804	3,225,686	934,118
2012	5,069,784	3,547,932	1,521,852

Note: Details regarding the City of Blaine's outstanding debt can be found in the notes to the financial statements. Sewer charges and other includes investment earnings but not tap fees. Operating expenses do not include interest or depreciation.

Table 14

Water Revenue Bonds			Special Assessment Bonds			
Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage
Principal	Interest			Principal	Interest	
\$125,000	\$2,813	26.69	\$1,429,981	\$1,490,000	\$207,036	0.84
-	-	N/A	713,645	2,050,000	179,349	0.32
-	-	N/A	521,130	740,000	288,190	0.51
-	-	N/A	842,228	560,000	348,874	0.93
-	-	N/A	920,466	890,000	320,990	0.76
-	-	N/A	432,753	885,000	289,191	0.37
405,000	264,577	2.98	327,810	885,000	256,391	0.29
335,000	214,813	3.62	415,019	1,430,000	223,447	0.25
345,000	204,181	1.70	1,027,724	1,400,000	311,704	0.60
350,000	192,887	2.80	1,515,187	1,230,000	262,783	1.02

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

Table 15

Fiscal Year	Population (1)	Total Estimated Personal Income (amounts expressed in thousands) (2)	Per Capita Personal Income (3)	Education Level in Years of			City of Blaine Unemployment Rate (7)	Anoka County Unemployment Rate (7)
				Median Age (4)	Formal Schooling (5)	School Enrollment (6)		
2003	\$51,236	\$1,722,810,500	\$33,625	34.5	13.2	*	4.4%	4.5%
2004	53,520	1,855,538,400	34,670	35.0	13.3	*	3.6%	4.0%
2005	56,208	1,985,828,640	35,330	35.0	13.4	*	3.5%	3.8%
2006	57,400	2,099,462,400	36,576	33.5	13.4	12,273	3.9%	4.2%
2007	56,575	2,159,015,150	38,162	33.5	13.4	12,283	4.4%	4.8%
2008	56,888	2,204,068,672	38,744	34.4	13.4	12,124	5.1%	5.3%
2009	58,020	2,247,926,880	38,744 **	33.7	13.4	12,163	7.4%	7.8%
2010	57,186	2,152,824,156	37,646	32.7	13.4	12,082	6.6%	7.1%
2011	58,020	1,905,608,880	32,844 **	35.6	13.4	12,082	5.5%	5.9%
2012	58,331	2,324,490,350	39,850 **	35.0	13.4	12,082	5.1%	5.8%

*Not available

**Estimated

Sources:

1 Population figures for 2010 are from census data. Population figures for all other years are based on estimates from the City's Economic Development Authority.

2 Estimated Personal Income is calculated by taking the Per Capita Personal Income and multiplying it by the City's population.

3 US Dept of Commerce, BEA for Anoka County

4 U.S. Census Bureau

5 U.S. Census Bureau (for persons age 25 years and over).

6 Minnesota Department of Education for Anoka County

7 Minnesota Department of Economic Security

CITY OF BLAINE, MINNESOTA
PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago

Table 16

Employer	2012			2002		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Aveda Corporation	700	1	2.17%	350	4	1.21%
Target Corporation	403	2	1.25%	-	-	0.00%
Cub Foods (three locations)	370	3	1.15%	600	1	2.08%
Infinite Campus	300	4	0.93%	-	-	0.00%
Carley Foundry, Inc.	290	5	0.90%	-	-	0.00%
PTC	274	6	0.85%	-	-	0.00%
Bermo, Inc.	260	7	0.80%	560.00	2.00	1.94%
National Sports Center	250	8	0.77%	-	-	0.00%
Walmart Stores, Inc	200	9	0.62%	-	-	0.00%
City of Blaine	190	10	0.59%	-	-	0.00%
CF Motorfreight	-	-	0.00%	500	3	1.73%
Rainbow Foods	-	-	0.00%	267	5	0.93%
Kohl's Department Store	-	-	0.00%	206	6	0.71%
Montgomery Ward	-	-	0.00%	180	7	0.62%
Mervyn's California	-	-	0.00%	160	8	0.56%
Dayton Rogers Manufacturing	-	-	0.00%	140	9	0.49%
Sunrise Packaging	-	-	0.00%	130	10	0.45%
Total	3,237		10.02%	3,093		10.73%

Sources: City of Blaine Official Bond Statement Bonds of 2008A and Bonds of 2008B

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CITY OF BLAINE, MINNESOTA
BUDGETED FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
 Last Ten Fiscal Years

Table 17

Function	Full-time Equivalent Employees as of December 31,									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government:										
Administration	10.00	8.00	9.50	9.50	10.00	10.00	10.00	9.00	8.00	8.00
Finance and information services	12.00	15.00	14.00	14.60	15.50	15.60	15.80	15.80	14.50	14.50
Public safety:										
Police:										
Officers	48.00	50.00	52.00	55.00	58.00	62.00	62.00	62.00	62.00	62.00
Civilians	15.25	15.25	16.00	16.20	16.20	16.20	16.20	16.20	15.20	14.00
Fire/community standards:										
Firefighters and officers	5.00	5.00	5.00	6.00	6.00	6.00	6.00	6.00	6.00	4.00
Civilians	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	6.00
Public services:										
Public works:										
Engineering	10.00	10.00	12.00	12.00	13.00	13.00	13.00	13.00	12.80	12.80
Maintenance	31.50	32.00	33.00	37.00	36.00	36.00	34.50	34.50	33.50	31.75
Water, sewer and storm sewer	11.00	14.00	17.00	18.00	19.00	19.00	18.00	17.00	17.00	16.25
Culture and recreation	6.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00	7.00
Community development:										
Planning	5.00	4.00	4.00	4.00	5.00	5.00	5.00	4.00	4.00	3.00
Economic development	2.00	1.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Building inspections	11.20	12.20	12.20	12.20	12.20	12.20	12.20	11.40	12.20	6.80
Total	<u>170.95</u>	<u>177.45</u>	<u>187.70</u>	<u>197.50</u>	<u>203.90</u>	<u>208.00</u>	<u>205.70</u>	<u>201.90</u>	<u>198.20</u>	<u>188.10</u>

Source: City of Blaine annual budget

CITY OF BLAINE, MINNESOTA
OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

Function	Fiscal Year			
	2003	2004	2005	2006
Police:				
Total arrests	1,772	2,051	2,435	2,807
Serious crimes	3,284	4,965	4,863	4,899
Total calls for service	30,405	32,487	33,972	33,203
Traffic violations	5,439	5,338	5,194	3,974
Fire:				
Number of calls answered	773	797	758	815
Inspections	2,020	2,452	2,468	2,359
Highways and streets:				
Street resurfacing (miles)	7.63	7.02	11.69	4.12
Sealcoating (miles)	7.84	21.55	19.92	13.65
Sanitation:				
Refuse collected (tons/day)	49.52	44.43	48.39	48.06
Recyclables collected (tons/day)	10.14	13.78	14.50	15.81
Culture and recreation:				
Youth activity participants	4,851	6,351	8,864	8,884
Adult activity participants	3,190	3,489	3,452	2,645
Senior activity participants	16,895	17,956	20,146	23,966
Facility usage permits	5,998	6,583	6,413	6,305
Economic development:				
Building permits issued	2,956	2,742	2,300	2,502
Number of inspections	15,219	18,091	15,711	14,333
Water:				
New connections	1,019	229	798	271
Water main breaks	2	2	6	5
Average daily consumption (thousands of gallons)	6,170,550	5,890,934	6,058,474	6,727,597
Sewer:				
Sewer pipes cleaned (linear feet)	150,000	115,000	145,000	209,000
Sewer pipes televised (linear feet)	*	*	*	210,000
Average daily sewage treatment (thousands of gallons)	4,627,397	4,416,438	4,542,466	5,041,096

Source: Statistics kept by City of Blaine departments

*Not available

Table 18

Fiscal Year						
2007	2008	2009	2010	2011	2012	
2,227	2,200	2,189	1,856	1,790	1,718	
4,565	4,753	4,263	5,595	5,461	5,554	
32,165	31,022	29,713	29,429	29,715	22,044	
4,718	5,661	5,894	5,900	5,397	4,693	
844	844	857	849	1,272	831	
2,256	2,031	1,766	1,617	1,557	-	
4.32	4.96	5.00	0.00	5.35	2.43	
15.65	8.54	9.00	5.71	7.29	7.44	
46.38	45.56	45.58	46.91	49.39	46.28	
13.44	12.56	12.57	13.65	12.26	14.34	
10,388	11,952	13,744	14,343	10,669	*	
3,758	4,742	5,975	6,466	7,440	*	
25,485	24,595	24,682	26,908	27,019	*	
6,329	6,854	7,402	12,920	12,033	*	
5,349	5,053	3,150	3,423	3,289	3,266	
10,667	14,998	12,023	10,080	13,557	*	
264	364	201	262	381	447	
10	7	6	10	4	8	
6,931,178	6,764,392	7,328,370	7,297,718	6,880,805	7,664,956	
119,790	109,300	280,000	120,000	102,000	250,500	
-	37,000	109,000	87,000	60,000	4,000	
5,178,082	4,906,849	5,186,301	5,375,342	5,175,342	6,257,534	

CITY OF BLAINE, MINNESOTA
CAPITAL ASSET STATISTICS BY FUNCTION
 Last Ten Fiscal Years

Function	Fiscal Year			
	2003	2004	2005	2006
Public safety:				
Police:				
Stations	1	1	1	1
Patrol Units	15	16	16	16
Fire stations	4	4	4	5
Highways and streets:				
Streets (miles)	257	263	270	279
Traffic signals (city owned)	5	5	5	5
Culture and recreation:				
Parks acreage	599	599	656	636
Parks	55	55	61	60
Miles of trails	*	*	*	54
Soccer fields	14	14	10	10
Lighted park shelters	2	2	3	3
Water:				
Number of connections	14,997	15,226	16,024	16,295
Water mains (miles)	244	237	245	258
Fire hydrants	2,567	2,634	2,715	2,869
Maximum daily capacity (thousands of gallons)	6,170,550	5,890,934	6,058,474	6,727,597
Sewer:				
Number of connections	14,624	15,209	15,919	16,250
Sanitary sewers (miles)	194	201	209	222
Storm sewer:				
Storm sewers (miles)	117	123	131	143

Source: Statistics kept by City of Blaine departments

*Information not available for these years.

Table 19

Fiscal Year						
2007	2008	2009	2010	2011	2012	
1	1	1	1	1	1	1
16	16	17	17	18	17	17
5	5	5	5	5	5	5
283	283	285	287	288	288	288
5	5	5	5	5	5	5
636	636	642	673	707	707	707
61	61	62	62	62	63	63
54	54	55	63	63	63	63
10	10	10	10	10	*	*
3	3	4	4	4	*	*
16,559	16,923	17,124	17,435	17,816	18,239	18,239
263	264	265	266	267	267	267
2,928	2,935	2,939	2,951	2,957	2,965	2,965
6,931,178	6,764,392	7,328,370	7,297,718	6,880,805	7,664,956	7,664,956
16,500	16,750	17,110	17,340	17,464	18,192	18,192
226	226	226	227	227	228	228
148	148	148	149	149	149	149

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