

**CITY OF STACY
STACY, MINNESOTA**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2012**

CITY OF STACY, MINNESOTA
CONTENTS

PAGE

SECTION I
INTRODUCTORY SECTION

Elected and Appointed Officials	1
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SECTION II
FINANCIAL SECTION

Independent Auditor's Report	2 - 4
Management's Discussion and Analysis	5 - 13
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Governmental Funds	
Balance Sheet	16
Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities	17
Statement of Revenues, Expenditures and Changes in Fund Balances	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	19
Proprietary Funds	
Statement of Net Position	20
Statement of Revenues, Expenses and Changes in Fund Net Position	21
Statement of Cash Flows	22 - 23
Notes to the Basic Financial Statements	24 - 39
Required Supplemental Information Section	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Budgetary Basis)	
General Fund	40 - 42

SECTION III
SUPPLEMENTAL SECTION

Combining Fund Statements	
Nonmajor Governmental Funds	
Combining Balance Sheet	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	44
Nonmajor Special Revenue Funds	
Combining Balance Sheet	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	46
Nonmajor Debt Service Funds	
Combining Balance Sheet	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	48
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	49

CITY OF STACY, MINNESOTA
CONTENTS

PAGE

SECTION IV
OTHER REQUIRED REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with Government Auditing Standards	50 - 51
Schedule of Findings and Responses	52
Auditor's Report on Minnesota Legal Compliance	53

SECTION I

INTRODUCTORY SECTION

CITY OF STACY
STACY, MINNESOTA
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

MAYOR	Mark Utecht
COUNCIL MEMBER	Cindy Bruss
COUNCIL MEMBER	Michael Carlson
COUNCIL MEMBER	Charles Lucia
COUNCIL MEMBER	Jim Ness
CITY CLERK	Sharon Payne
CITY ATTORNEY	Peter Grundhoefer

SECTION II

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Council
City of Stacy
Stacy, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, business-type activities, each major fund, and the aggregate remaining fund information of City of Stacy, Minnesota as of December 31, 2012, and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 13 and 40 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Stacy, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements 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 was derived from and relates 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 section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 9, 2013 on our consideration of City of Stacy, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.


Dennis E. Oberloh, Ltd.

July 9, 2013

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

FINANCIAL HIGHLIGHTS

As Management of the City of Stacy (hereinafter referred to as "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.

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$5,442,251 (net position). Of this amount \$2,035,036 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$133,579 compared to an increase of \$155,608 in the previous year. The governmental activities net position decreased during 2012 by \$193,182 and the business-type activities net position increased during 2012 by \$326,761.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$730,421, a decrease of \$164,207 in comparison with the previous year. Approximately 87.9 percent of this total amount, \$642,624, is available for spending at the City's discretion, but \$52,301 has been assigned for specific purposes.
- At the end of the current fiscal year, the fund balance of the general fund was \$678,135 which is 115.5% of total general fund expenditures.

USING THIS ANNUAL REPORT

This management 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 additional components: (1) required supplementary information, and (2) other supplementary information, in addition to the basic financial statements.

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 (on page 14) provides information on all 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 (on page 15) provides information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, and miscellaneous. The business-type activities of the City include municipal liquor, water, sewer and storm sewer.

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

USING THIS ANNUAL REPORT (Cont.)

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 two categories: governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet (on page 16) and the governmental fund statement of revenues, expenditures and changes in fund balances (on page 18) provide a reconciliation (on pages 17 and 19) to facilitate this comparison between governmental funds and governmental activities.

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

Proprietary Funds: The City maintains one type of proprietary fund. 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 municipal liquor, water, sewer and storm sewer.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the Municipal Liquor, Water, and Sewer; all of which are considered to be major funds of the City. The Storm Sewer fund is shown in a separate column as a nonmajor fund. The basic proprietary fund financial statements can be found on pages 20 through 23 of this report.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements. The notes to the financial statements can be found on pages 24 through 39 of this report.

Required Supplementary Information

This Management's Discussion and Analysis and the General Fund Budgetary Comparison Schedule (on pages 40 - 42) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes, referred to as the basic financial statements.

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

USING THIS ANNUAL REPORT (Cont.)

Other Supplementary Information

This part of the annual report (starting on page 43) includes optional financial information such as combining nonmajor governmental fund statements and component unit financial statements (which are added together and shown in the fund financial statements in a single column). This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

THE CITY AS A WHOLE

Looking at the net position and net expenses of the governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net position and changes in net position of the City's governmental and business-type activities.

Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Current and Other						
Assets	\$ 915,114	\$ 1,030,723	\$ 1,895,620	\$ 1,575,354	\$ 2,810,734	\$ 2,606,077
Capital Assets	<u>2,218,437</u>	<u>2,358,090</u>	<u>7,819,507</u>	<u>8,033,374</u>	<u>10,037,944</u>	<u>10,391,464</u>
Total Assets	<u>3,133,551</u>	<u>3,388,813</u>	<u>9,715,127</u>	<u>9,608,728</u>	<u>12,848,678</u>	<u>12,997,541</u>
Current Liabilities	246,139	123,219	743,288	642,650	989,427	765,869
Long-term Liabilities	<u>1,617,000</u>	<u>1,802,000</u>	<u>4,800,000</u>	<u>5,121,000</u>	<u>6,417,000</u>	<u>6,923,000</u>
Total Liabilities	<u>1,863,139</u>	<u>1,925,219</u>	<u>5,543,288</u>	<u>5,763,650</u>	<u>7,406,427</u>	<u>7,688,869</u>
Net Position						
Invested in Capital						
Assets, Net of						
Debt	618,911	492,090	2,700,507	2,539,852	3,319,418	3,031,942
Restricted	87,797	124,336	-	-	87,797	124,336
Unrestricted	<u>563,704</u>	<u>847,168</u>	<u>1,471,332</u>	<u>1,305,226</u>	<u>2,035,036</u>	<u>2,152,394</u>
Total Net Position	<u>\$ 1,270,412</u>	<u>\$ 1,463,594</u>	<u>\$ 4,171,839</u>	<u>\$ 3,845,078</u>	<u>\$ 5,442,251</u>	<u>\$ 5,308,672</u>

A large portion of the City's net position (60.9 percent) reflects its investment in capital assets (e.g., land, buildings and improvements, systems and infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (1.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (37.5 percent) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net position for both governmental and business-type activities.

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

THE CITY AS A WHOLE (Cont.)

Changes in Net Position

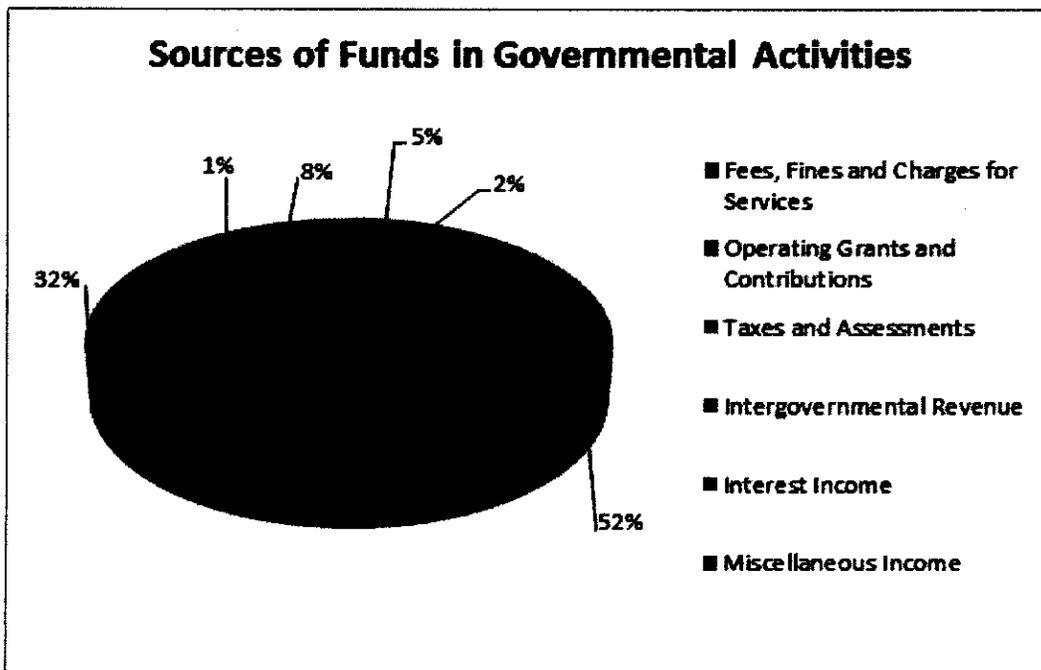
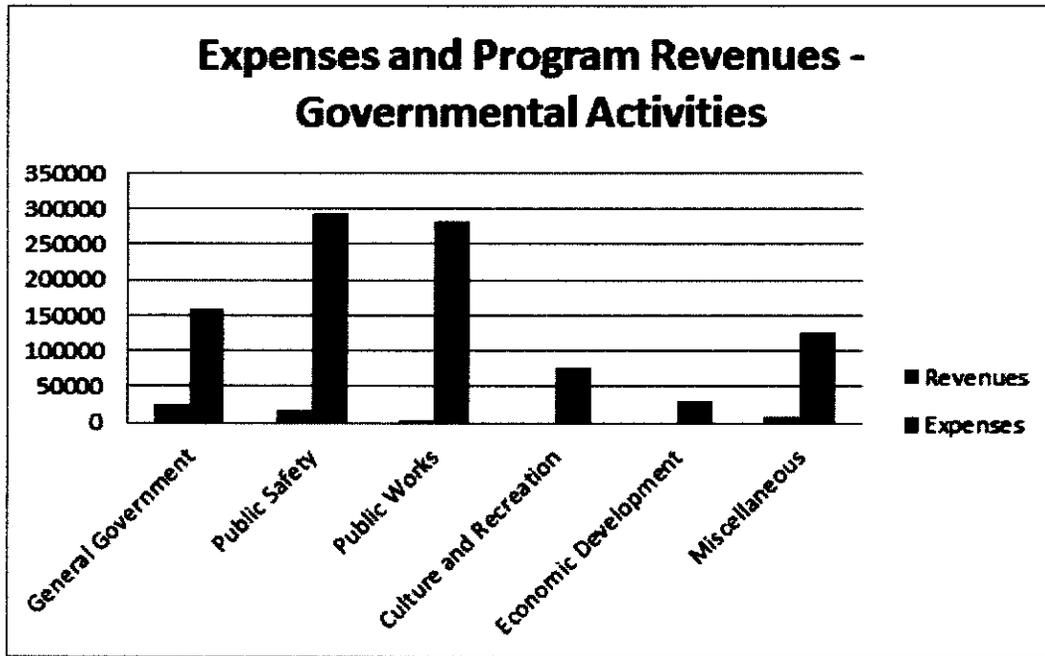
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
<u>Revenues</u>						
Program Revenues:						
Fees, Fines, and Charges for Services	\$ 34,649	\$ 41,697	\$ 558,956	\$ 555,587	\$ 593,605	\$ 597,284
Contributions	15,907	-	-	-	15,907	-
Sales	-	-	2,669,139	2,524,782	2,669,139	2,524,782
General Revenues:						
Taxes and Assessments	371,234	283,885	217,980	211,288	589,214	495,173
Intergovernmental Revenue	228,687	229,643	-	-	228,687	229,643
Interest Income	4,385	4,487	9,041	8,852	13,426	13,339
Miscellaneous Income	<u>60,884</u>	<u>98,008</u>	<u>33,412</u>	<u>33,613</u>	<u>94,296</u>	<u>131,621</u>
Total Revenues	<u>715,746</u>	<u>657,720</u>	<u>3,488,528</u>	<u>3,334,122</u>	<u>4,204,274</u>	<u>3,991,842</u>
<u>Expenses</u>						
General Government	160,522	154,833	-	-	160,522	154,833
Public Safety	293,944	120,221	-	-	293,944	120,221
Public Works	281,914	268,578	-	-	281,914	268,578
Culture and Recreation	76,732	49,722	-	-	76,732	49,722
Economic Development	30,293	-	-	-	30,293	-
Miscellaneous	125,523	269,697	-	-	125,523	269,697
Municipal Liquor Store	-	-	2,534,351	2,417,051	2,534,351	2,417,051
Water	-	-	233,654	167,328	233,654	167,328
Sewer	-	-	323,388	377,450	323,388	377,450
Storm Sewer	-	-	10,374	11,354	10,374	11,354
Total Expenses	<u>968,928</u>	<u>863,051</u>	<u>3,101,767</u>	<u>2,973,183</u>	<u>4,070,695</u>	<u>3,836,234</u>
Changes in Net Position						
Before Transfers	(253,182)	(205,331)	386,761	360,939	133,579	155,608
Transfers	<u>60,000</u>	<u>30,000</u>	<u>(60,000)</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>
Change in Net Position	(193,182)	(175,331)	326,761	330,939	133,579	155,608
Net Position Beginning	<u>1,463,594</u>	<u>1,638,925</u>	<u>3,845,078</u>	<u>3,514,139</u>	<u>5,308,672</u>	<u>5,153,064</u>
Net Position Ending	<u>\$ 1,270,412</u>	<u>\$ 1,463,594</u>	<u>\$ 4,171,839</u>	<u>\$ 3,845,078</u>	<u>\$ 5,442,251</u>	<u>\$ 5,308,672</u>

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

THE CITY AS A WHOLE (Cont.)

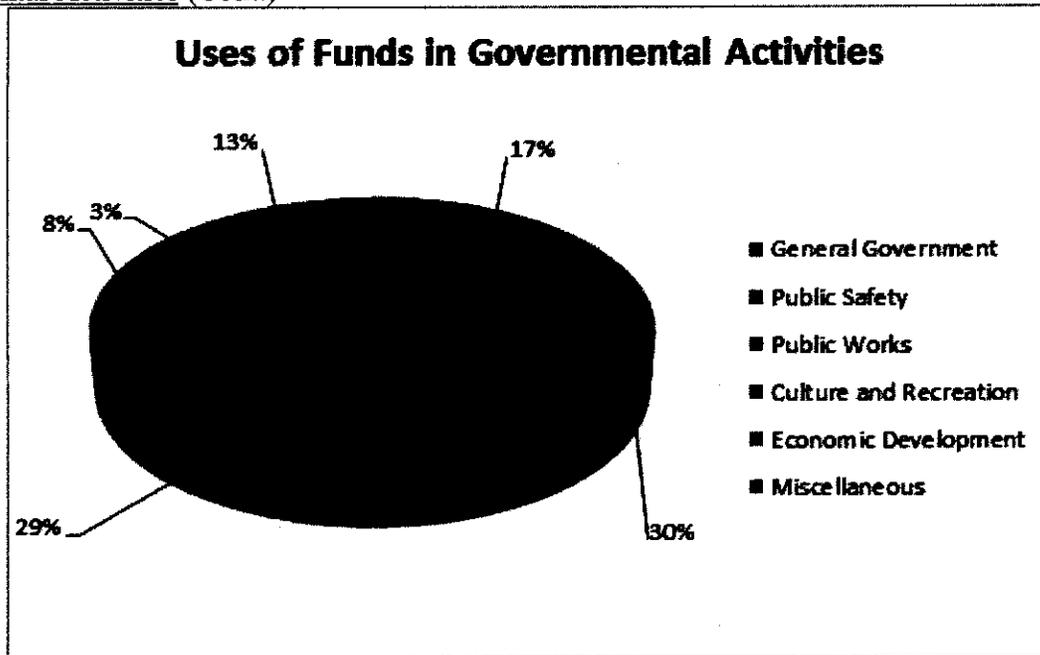
Governmental Activities

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.



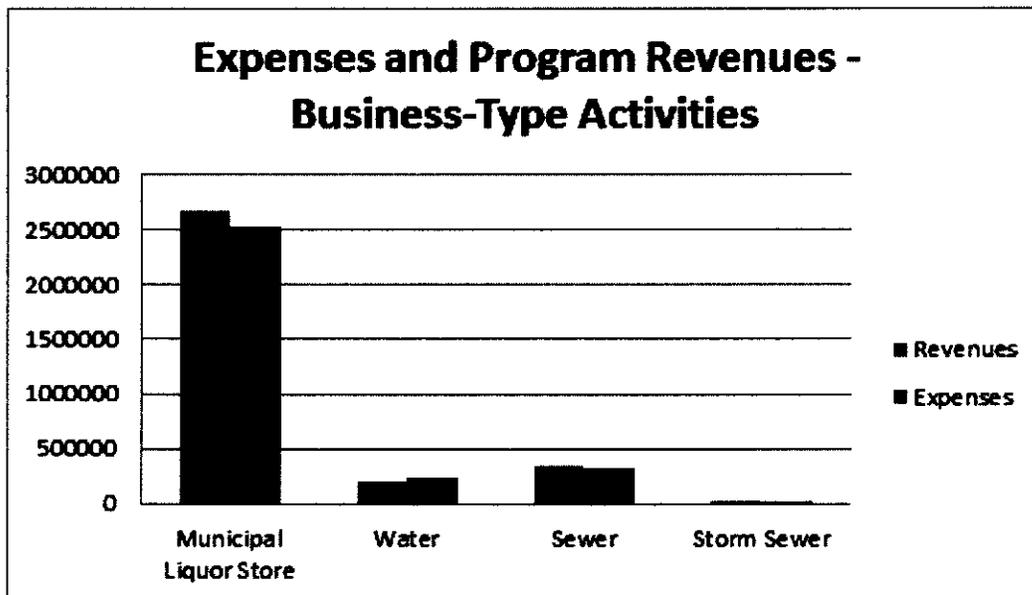
CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

THE CITY AS A WHOLE (Cont.)
Governmental Activities (Cont.)



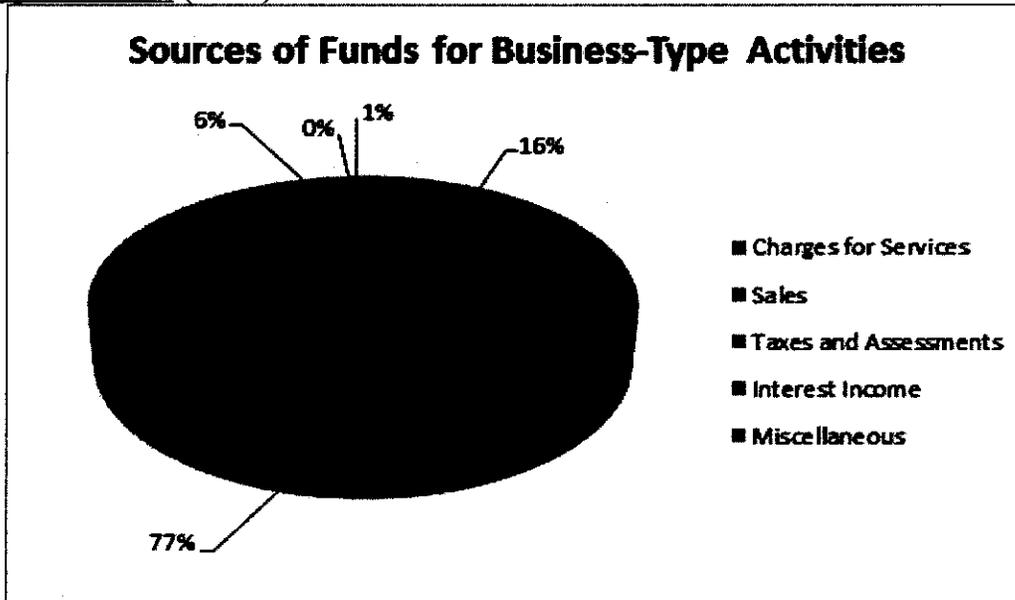
Business-Type Activities

The following graphs depict various business-type activities and show the revenue and expenses directly related to those activities.



CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

THE CITY AS A WHOLE (Cont.)
Business-Type Activities (Cont.)



A FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, 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 \$730,421, a decrease of \$164,207 in comparison with the prior year. Approximately 87.9% of this total amount, \$642,624, constitutes unrestricted fund balance, which is available for spending at the City's discretion, although \$52,031 has been assigned for specific purposes. The remainder of the fund balance is restricted to indicate that it is not available for new spending because it has already been restricted to pay debt service and capital improvements in the amount of \$87,797.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,471,332. The total increase in net position for the funds was \$326,761. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund budget was not amended during the year. The budget called for a break even year in 2012. Revenues exceeded expectations by \$94,345 and expenditures came in over budget by \$121,102 in 2012.

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

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 \$10,037,943 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 3.4 percent (an 5.9 percent decrease for governmental activities and a 2.7 percent decrease for business-type activities). The decrease was due to depreciation exceeding capital outlay.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land and Improvements	\$ 721,977	\$ 721,977	\$ -	\$ -	\$ 721,977	\$ 721,977
Construction in Progress	8,226	-	-	-	8,226	-
Building, Plant and Equipment	732,163	721,965	9,471,270	9,464,318	10,203,433	10,186,283
Infrastructure and Improvements	<u>2,753,416</u>	<u>2,753,416</u>	<u>-</u>	<u>-</u>	<u>2,753,416</u>	<u>2,753,416</u>
Subtotal	4,215,782	4,197,358	9,471,270	9,464,318	13,687,052	13,661,676
Less: Accumulated Depreciation	<u>1,997,345</u>	<u>1,839,268</u>	<u>1,651,764</u>	<u>1,430,944</u>	<u>3,649,109</u>	<u>3,270,212</u>
Total	<u>\$ 2,218,437</u>	<u>\$ 2,358,090</u>	<u>\$ 7,819,506</u>	<u>\$ 8,033,374</u>	<u>\$10,037,943</u>	<u>\$10,391,464</u>

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of \$6,893,000.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Tax Increment Bonds	\$ 450,000	\$ 495,000	\$ -	\$ -	\$ 450,000	\$ 495,000
G.O. Improvement Bonds	1,270,000	1,270,000	660,000	690,000	1,930,000	1,960,000
G.O. Revenue Bonds	-	-	30,000	40,000	30,000	40,000
Revenue Bonds	-	-	1,615,000	1,685,000	1,615,000	1,685,000
Revenue Notes	-	-	2,814,000	3,016,000	2,814,000	3,016,000
Other Long-Term Debt	<u>54,000</u>	<u>101,000</u>	<u>-</u>	<u>-</u>	<u>54,000</u>	<u>101,000</u>
Total	<u>\$1,774,000</u>	<u>\$1,866,000</u>	<u>\$5,119,000</u>	<u>\$5,431,000</u>	<u>\$6,893,000</u>	<u>\$7,297,000</u>

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2012

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During 2013 the City is expected to experience additional cuts in both Local Government Aid (LGA) and Market Value Credit (MVC) payments from the state. The City will continue to reduce the budget and hold spending as a means to offset the cuts from the state.

The City is planning for future street projects that will require bonding. In addition, the City transferred money from the Water Fund to the Sewer Fund during 2012 to meet sewer bond obligations and will continue to look at this as an option in future years.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens and other interested individuals with a general overview of the City's finances and to show the accountability for the monies it receives through property taxes, user fees, and local government aid. If you have any questions about this report or need additional financial information, contact the City Clerk's Office at City of Stacy, 30955 Forest Blvd, Stacy, MN 55079, phone 651-462-4486, email: cityclerk@stacymn.org.

CITY OF STACY, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Pooled Cash and Equivalents	\$ 485,581	\$ 951,506	\$ 1,437,087
Non Pooled Cash and Equivalents	2,814	517,110	519,924
Receivables:			
Accounts Receivable	72,200	168,894	241,094
Property Taxes Receivable	125,703	35,798	161,501
Prepaid Expense	-	17,659	17,659
Internal Balances	228,816	(228,816)	-
Inventory	-	371,471	371,471
Capital assets not being depreciated:			
Land and Improvements	721,977	-	721,977
Construction in Progress	8,226	-	8,226
Other capital assets:			
Building, Plant and Equipment	732,163	9,471,270	10,203,433
Infrastructure and Improvements	2,753,416	-	2,753,416
Accumulated Depreciation	(1,997,345)	(1,651,764)	(3,649,109)
Bond Issuance Costs, Net	-	42,744	42,744
Bond Discount, Net	-	19,255	19,255
TOTAL ASSETS	<u>3,133,551</u>	<u>9,715,127</u>	<u>12,848,678</u>
LIABILITIES			
Accounts Payable	20,813	150,346	171,159
Accrued Liabilities	17,645	70,882	88,527
Accrued Interest	28,891	54,750	83,641
Accrued Wages Payable	-	895	895
Due to Other Governmental Units	-	147,415	147,415
Deferred Revenue	21,790	-	21,790
Noncurrent liabilities:			
Due within one year	157,000	319,000	476,000
Due in more than one year	1,617,000	4,800,000	6,417,000
TOTAL LIABILITIES	<u>1,863,139</u>	<u>5,543,288</u>	<u>7,406,427</u>
NET POSITION			
Invested in Capital Assets, Net of Related Debt	618,911	2,700,507	3,319,418
Restricted	87,797	-	87,797
Unrestricted	563,704	1,471,332	2,035,036
TOTAL NET POSITION	<u>\$ 1,270,412</u>	<u>\$ 4,171,839</u>	<u>\$ 5,442,251</u>

The Notes to the Financial Statements are an integral part of this statement.

**CITY OF STACY, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012**

Functions/Programs Primary Government	Program Revenues				Net Sources (Uses) and Changes in Net Position		
	Primary Government				Primary Government		
	Expenses	Fees, Fines and Charges for Services	Operating Grants and Contributions	Sales	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 160,522	\$ 24,942	-	\$ -	\$ (135,580)	\$ -	\$ (135,580)
Public Safety	293,944	1,981	15,907	-	(276,056)	-	(276,056)
Public Works	281,914	225	-	-	(281,689)	-	(281,689)
Culture and Recreation	76,732	-	-	-	(76,732)	-	(76,732)
Economic Development	30,293	-	-	-	(30,293)	-	(30,293)
Miscellaneous	125,523	7,501	-	-	(118,022)	-	(118,022)
Total Governmental Activities	<u>968,928</u>	<u>34,649</u>	<u>15,907</u>	<u>-</u>	<u>(918,372)</u>	<u>-</u>	<u>(918,372)</u>
Business-Type Activities:							
Municipal Liquor Store	2,534,351	-	-	2,669,139	-	134,788	134,788
Water	233,654	199,910	-	-	-	(33,744)	(33,744)
Sewer	323,388	337,016	-	-	-	13,628	13,628
Storm Sewer	10,374	22,030	-	-	-	11,656	11,656
Total Business-Type Activities:	<u>3,101,767</u>	<u>558,956</u>	<u>-</u>	<u>2,669,139</u>	<u>-</u>	<u>126,328</u>	<u>126,328</u>
Total Primary Government	<u>\$ 4,070,695</u>	<u>\$ 593,605</u>	<u>\$ 15,907</u>	<u>\$ 2,669,139</u>	<u>(918,372)</u>	<u>126,328</u>	<u>(792,044)</u>
General Revenues:							
Taxes and Assessments				371,234		217,980	589,214
Intergovernmental Revenue				228,687		-	228,687
Interest Income				4,385		9,041	13,426
Miscellaneous				60,884		33,412	94,296
Transfers				60,000		(60,000)	-
Total General Revenues				<u>725,190</u>		<u>200,433</u>	<u>925,623</u>
Changes in Net Position				(193,182)		326,761	133,579
Net Position - January 1				<u>1,463,594</u>		<u>3,845,078</u>	<u>5,308,672</u>
Net Position - December 31				<u>\$ 1,270,412</u>		<u>\$ 4,171,839</u>	<u>\$ 5,442,251</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
ASSETS:			
Pooled Cash and Equivalents	\$ 371,842	\$ 113,739	\$ 485,581
Non Pooled Cash and Equivalents	45	2,769	2,814
Accounts Receivable	34,060	38,140	72,200
Property Taxes Receivable	39,171	86,532	125,703
Due from Other Funds	308,981	-	308,981
Total Assets	<u>\$ 754,099</u>	<u>\$ 241,180</u>	<u>\$ 995,279</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts Payable	\$ 20,032	\$ 781	\$ 20,813
Accrued Liabilities	17,645	-	17,645
Due to Other Funds	-	80,165	80,165
Deferred Revenue	38,287	107,948	146,235
Total Liabilities	<u>75,964</u>	<u>188,894</u>	<u>264,858</u>
FUND BALANCES:			
Restricted	-	87,797	87,797
Assigned	-	52,301	52,301
Unassigned (Deficit)	678,135	(87,812)	590,323
Total Fund Balances	<u>678,135</u>	<u>52,286</u>	<u>730,421</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 754,099</u>	<u>\$ 241,180</u>	<u>\$ 995,279</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

Total Governmental Fund Balances	\$ 730,421
<i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,218,437
Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	124,445
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,802,891)</u>
Net Position of Governmental Activities	<u>\$ 1,270,412</u>

The Notes to the Financial Statements are an integral part of this statement.

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

	General Fund	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 174,543	\$ 180,682	\$ 355,225
Licenses and Permits	19,697	-	19,697
Intergovernmental Revenue	244,594	-	244,594
Charges for Services	12,971	-	12,971
Fines and Forfeits	1,981	-	1,981
Interest Income	3,555	826	4,381
Miscellaneous	<u>42,934</u>	<u>17,950</u>	<u>60,884</u>
Total Revenues	<u>500,275</u>	<u>199,458</u>	<u>699,733</u>
EXPENDITURES			
Current Operations:			
General Government	156,696	-	156,696
Public Safety	293,944	-	293,944
Public Works	55,523	16,465	71,988
Culture and Recreation	57,559	2,500	60,059
Economic Development	-	30,293	30,293
Miscellaneous	12,978	112,545	125,523
Debt Service:			
Principal Payments	-	92,000	92,000
Interest Payments	-	74,879	74,879
Capital Outlay	<u>10,332</u>	<u>8,226</u>	<u>18,558</u>
Total Expenditures	<u>587,032</u>	<u>336,908</u>	<u>923,940</u>
EXCESS EXPENDITURES OVER REVENUES	(86,757)	(137,450)	(224,207)
OTHER FINANCING SOURCES (USES)			
Transfer In	60,000	10,125	70,125
Transfer Out	<u>-</u>	<u>(10,125)</u>	<u>(10,125)</u>
EXCESS EXPENDITURES AND OTHER USES OVER REVENUES AND OTHER SOURCES	(26,757)	(137,450)	(164,207)
FUND BALANCES - January 1	<u>704,892</u>	<u>189,736</u>	<u>894,628</u>
FUND BALANCES - December 31	<u>\$ 678,135</u>	<u>\$ 52,286</u>	<u>\$ 730,421</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2012

Net Change in Fund Balances - Total Governmental Funds	\$ (164,207)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
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 as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(139,651)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	16,009
Interest on long-term liabilities is expensed as paid in the funds, but accrued in the period due in the Statement of Net Position.	2,667
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	<u>92,000</u>
Change in Net Position of Governmental Activities	<u>\$ (193,182)</u>

CITY OF STACY, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	<u>Municipal</u>			<u>Nonmajor</u>	
	<u>Liquor</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Storm</u>	<u>Total</u>
	<u>Store</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
ASSETS					
CURRENT ASSETS					
Pooled Cash and Equivalents	\$ -	\$ 609,108	\$ 293,164	\$ 49,235	\$ 951,507
Non Pooled Cash and Equivalents	470,356	45,845	908	-	517,109
Accounts Receivable	30,814	65,609	71,702	769	168,894
Property Taxes Receivable	-	15,716	20,082	-	35,798
Prepaid Expense	17,659	-	-	-	17,659
Inventory	371,471	-	-	-	371,471
Total Current Assets	<u>890,300</u>	<u>736,278</u>	<u>385,856</u>	<u>50,004</u>	<u>2,062,438</u>
NONCURRENT ASSETS					
Capital Assets:					
Building, Plant and Equipment	2,372,347	1,439,740	5,141,741	517,442	9,471,270
Less: Accumulated Depreciation	<u>610,040</u>	<u>264,416</u>	<u>714,217</u>	<u>63,091</u>	<u>1,651,764</u>
Net Capital Assets	1,762,307	1,175,324	4,427,524	454,351	7,819,506
Bond Issuance Costs, Net	31,940	-	10,804	-	42,744
Bond Discount, Net	<u>15,975</u>	<u>-</u>	<u>3,280</u>	<u>-</u>	<u>19,255</u>
Total Noncurrent Assets	<u>1,810,222</u>	<u>1,175,324</u>	<u>4,441,608</u>	<u>454,351</u>	<u>7,881,505</u>
TOTAL ASSETS	<u>\$2,700,522</u>	<u>\$1,911,602</u>	<u>\$4,827,464</u>	<u>\$ 504,355</u>	<u>\$ 9,943,943</u>
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES					
Accounts Payable	\$ 109,777	\$ 27,187	\$ 13,254	\$ 128	\$ 150,346
Accrued Liabilities	48,930	21,057	895	-	70,882
Accrued Interest	31,662	11,193	11,462	433	54,750
Accrued Wages Payable	-	895	-	-	895
Due to Other Funds	228,816	-	-	-	228,816
Due to Other Governmental Units	-	-	147,415	-	147,415
Current Amount of Long-Term Debt	<u>70,000</u>	<u>30,000</u>	<u>204,000</u>	<u>15,000</u>	<u>319,000</u>
Total Current Liabilities	<u>489,185</u>	<u>90,332</u>	<u>377,026</u>	<u>15,561</u>	<u>972,104</u>
LONG-TERM LIABILITIES					
Bonds and Notes Payable	<u>1,545,000</u>	<u>630,000</u>	<u>2,610,000</u>	<u>15,000</u>	<u>4,800,000</u>
TOTAL LIABILITIES	<u>2,034,185</u>	<u>720,332</u>	<u>2,987,026</u>	<u>30,561</u>	<u>5,772,104</u>
NET POSITION					
Invested in Capital Assets, Net of Related Debt	147,307	515,324	1,613,524	424,352	2,700,507
Unrestricted	<u>519,030</u>	<u>675,946</u>	<u>226,914</u>	<u>49,442</u>	<u>1,471,332</u>
Total Net Position	<u>666,337</u>	<u>1,191,270</u>	<u>1,840,438</u>	<u>473,794</u>	<u>4,171,839</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$2,700,522</u>	<u>\$1,911,602</u>	<u>\$4,827,464</u>	<u>\$ 504,355</u>	<u>\$ 9,943,943</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Municipal	<u>Nonmajor</u>			
	Liquor			Storm	
	Store	Water Fund	Sewer Fund	Sewer Fund	Total
OPERATING REVENUES					
Sales	\$2,669,139	\$ -	\$ -	\$ -	\$ 2,669,139
Charges for Services	-	199,910	337,016	22,030	558,956
Total Operating Revenues	<u>2,669,139</u>	<u>199,910</u>	<u>337,016</u>	<u>22,030</u>	<u>3,228,095</u>
COST OF SALES	<u>1,751,415</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,751,415</u>
GROSS PROFIT	<u>917,724</u>	<u>199,910</u>	<u>337,016</u>	<u>22,030</u>	<u>1,476,680</u>
OPERATING EXPENSES					
Personnel Services and Benefits	374,811	47,139	107,723	-	529,673
Advertising	13,815	-	-	-	13,815
Depreciation	74,996	24,969	112,895	7,961	220,821
Bank Fees	45,163	-	-	-	45,163
Insurance	32,913	8,498	6,514	-	47,925
Rent	8,179	-	-	-	8,179
Professional Services	27,207	88,889	25,283	1,138	142,517
Repairs and Maintenance	23,216	1,299	1,298	-	25,813
Supplies and Chemicals	17,664	21,263	23,100	-	62,027
Telephone	6,123	2,363	2,363	-	10,849
Training and Travel	360	2,139	503	-	3,002
Utilities	45,566	6,527	1,298	-	53,391
Miscellaneous	1,691	2,818	11,588	-	16,097
Entertainment	26,534	-	-	-	26,534
Total Operating Expenses	<u>698,238</u>	<u>205,904</u>	<u>292,565</u>	<u>9,099</u>	<u>1,205,806</u>
NET OPERATING INCOME (LOSS)	<u>219,486</u>	<u>(5,994)</u>	<u>44,451</u>	<u>12,931</u>	<u>270,874</u>
NON OPERATING INCOME AND EXPENSE:					
Interest Income	753	6,114	1,783	391	9,041
Taxes and Special Assessments	-	85,653	132,327	-	217,980
Miscellaneous Income	28,555	4,857	-	-	33,412
Interest Expense	(83,990)	(27,750)	(30,823)	(1,275)	(143,838)
Bad Debt Expense	(708)	-	-	-	(708)
Net Non Operating Income and Expense	<u>(55,390)</u>	<u>68,874</u>	<u>103,287</u>	<u>(884)</u>	<u>115,887</u>
NET INCOME BEFORE TRANSFERS	164,096	62,880	147,738	12,047	386,761
Transfer In	-	-	100,000	-	100,000
Transfer Out	(60,000)	(100,000)	-	-	(160,000)
CHANGE IN NET POSITION	104,096	(37,120)	247,738	12,047	326,761
NET POSITION - January 1	<u>562,241</u>	<u>1,228,390</u>	<u>1,592,700</u>	<u>461,747</u>	<u>3,845,078</u>
NET POSITION - December 31	<u>\$ 666,337</u>	<u>\$ 1,191,270</u>	<u>\$ 1,840,438</u>	<u>\$ 473,794</u>	<u>\$ 4,171,839</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	<u>Municipal</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Storm Sewer Fund</u>	<u>Total</u>
CASH FLOWS FROM					
OPERATING ACTIVITIES:					
Receipts from Customers	\$ 2,668,471	\$ 197,288	\$ 343,562	\$ 23,023	\$ 3,232,344
Payments to Vendors	(1,966,468)	(108,367)	(71,625)	(2,482)	(2,148,942)
Payments to Employees	(374,811)	(46,244)	(107,723)	-	(528,778)
Other Receipts and Payments	<u>27,847</u>	<u>4,857</u>	<u>-</u>	<u>-</u>	<u>32,704</u>
Net Cash Provided By Operating Activities	<u>355,039</u>	<u>47,534</u>	<u>164,214</u>	<u>20,541</u>	<u>587,328</u>
CASH FLOWS FROM					
NONCAPITAL FINANCING					
ACTIVITIES:					
Transfer to Other Funds	(60,000)	(100,000)	-	-	(160,000)
Transfer from Other Funds	-	-	100,000	-	100,000
Advance to Other Funds	<u>2,377</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,377</u>
Net Cash Provided (Used) By Noncapital Financing Activities	<u>(57,623)</u>	<u>(100,000)</u>	<u>100,000</u>	<u>-</u>	<u>(57,623)</u>
CASH FLOWS FROM CAPITAL					
AND RELATED FINANCING					
ACTIVITIES:					
Purchase of Capital Assets	(6,952)	-	-	-	(6,952)
Property Taxes Collected	-	86,133	132,940	-	219,073
Principal Paid on Capital Debt	(70,000)	(30,000)	(202,000)	(10,000)	(312,000)
Interest Paid on Capital Debt	(78,416)	(28,222)	(33,592)	(1,602)	(141,832)
Due to Other Governments	<u>-</u>	<u>-</u>	<u>(12,960)</u>	<u>-</u>	<u>(12,960)</u>
Net Cash Provided (Used) By Capital and Related Financing Activities	<u>(155,368)</u>	<u>27,911</u>	<u>(115,612)</u>	<u>(11,602)</u>	<u>(254,671)</u>
CASH FLOWS FROM INVESTING					
ACTIVITIES:					
Interest Received	<u>753</u>	<u>6,114</u>	<u>1,783</u>	<u>391</u>	<u>9,041</u>
Net Cash Provided By Investing Activities	<u>753</u>	<u>6,114</u>	<u>1,783</u>	<u>391</u>	<u>9,041</u>
NET INCREASE (DECREASE) IN					
CASH					
	142,801	(18,441)	150,385	9,330	284,075
CASH AND CASH					
EQUIVALENTS - January 1					
	<u>327,555</u>	<u>673,394</u>	<u>143,687</u>	<u>39,904</u>	<u>1,184,540</u>
CASH AND CASH					
EQUIVALENTS - December 31					
	<u>\$ 470,356</u>	<u>\$ 654,953</u>	<u>\$ 294,072</u>	<u>\$ 49,234</u>	<u>\$ 1,468,615</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Municipal Liquor Store	Water Fund	Sewer Fund	Nonmajor Storm Sewer Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided By Operating Activities					
Operating Income (Loss)	\$ 219,486	\$ (5,994)	\$ 44,451	\$ 12,931	\$ 270,874
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By Operating Activities					
Depreciation	74,996	24,969	112,895	7,961	220,821
Changes in Assets and Liabilities					
Accounts Receivable	(668)	(2,622)	6,546	993	4,249
Inventory	(48,242)	-	-	-	(48,242)
Prepaid Items	(2,515)	-	-	-	(2,515)
Accounts Payable	78,767	21,979	(573)	(1,344)	98,829
Accrued Liabilities	5,368	3,450	895	-	9,713
Accrued Wages Payable	-	895	-	-	895
Other Revenues and Expenses	27,847	4,857	-	-	32,704
Net Cash Provided By Operating Activities	<u>\$ 355,039</u>	<u>\$ 47,534</u>	<u>\$ 164,214</u>	<u>\$ 20,541</u>	<u>\$ 587,328</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Stacy (the City) was established under the laws of the State of Minnesota. The City is governed by an elected Mayor and four-member Council. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City provides the following: public safety, public works, public health and welfare, culture, recreation, waterworks, and sanitary sewer services.

The financial statements of the City of Stacy, Minnesota are prepared in accordance with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant of these accounting policies are described below.

A. Reporting Entity

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on this criteria, the City of Stacy has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the non fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these financial statements. Governmental Activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Activities presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

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

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

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

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

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue in the fund financial statements.

The City reports the following major governmental funds:

- General Fund - This fund is the City's primary operating fund. It is used to account for all financial resources not required to be accounted for in another fund.

The City reports the following major proprietary funds:

- Municipal Liquor Fund - To account for the costs associated with the City's municipal liquor store and insures that sales are sufficient to pay for these costs.
- Water Fund - To account for the costs associated with the City's water system and insures that sales are sufficient to pay for these costs.
- Sewer Fund - To account for the costs associated with the City's sewer system and insures that sales are sufficient to pay for these costs.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) sales. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Use of Estimates

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

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

F. Deposits and Investments

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

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

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

G. Property Taxes

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

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

H. Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2012. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

I. Inventories

Inventories of the Municipal Liquor Store are based on an annual physical inventory count and priced at the lower of cost (first-in; first-out basis) or market. The cost of governmental fund type inventories are recorded as expenditures when purchased.

J. Interfund Receivables and Payables

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

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

K. Prepaid Items

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

L. Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

As the City constructs or acquires assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City has elected not to retroactively capitalize the infrastructure of its governmental activities acquired prior to January 1, 2004 as allowed by GASB Statement No. 34.

For financial statement purposes only, capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives: 7 to 20 years for improvements other than building; 7 to 40 years for buildings and improvements; and 3 to 20 years for machinery and equipment.

M. Compensated Absences

Compensated Absences are immaterial and not accounted for in these financial statements. The City has no post retirement benefits available to employees.

N. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. 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 recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

O. Fund Equity

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.

Unassigned - 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.

P. Net Position

Net position represent the difference between assets and liabilities. Net position are displayed in three components:

- (a) Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- (b) Restricted net position – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- (c) Unrestricted net position – All other assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Q. Comparative Data/Reclassifications

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

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont.)

A. Budgetary Information (Cont.)

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

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

B. Expenditures Over Appropriations

The following sub-functions of the general fund had expenditures in excess of appropriations for the year ended December 31, 2012.

<u>Function Area</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Public Safety	\$ 146,639	\$ 293,944	\$ (147,305)
Culture and Recreation	\$ 36,784	\$ 57,559	\$ (20,775)

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2012:

Stacy Ponds Business Park	(39,331)
Tax Abatement Woodsman 2004	(40,581)
2013A GO Refunding Bond	(7,900)

The above deficits will be eliminated through transfers from other funds, bonding and future tax and assessment collections.

3. DEPOSITS AND INVESTMENTS

A. Cash and Cash Investments

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

Minnesota Statutes require that all City deposits be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (140% in the case of mortgage notes pledged).

Authorized collateral includes the legal investments described by state statutes, as well as certain first mortgage notes, and certain other state and local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the City or in a financial institution other than that furnishing the collateral.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Cont.)

A. Cash and Cash Investments (Cont.)

At year end, the City's carrying amount of deposits was \$1,950,385 and the bank balance was \$1,889,746. Of the bank balance, \$250,000 was covered by federal depository insurance. Of the remaining balance, \$1,639,746 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

B. Investments

The City maintains no investment accounts.

C. Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$6,625.

D. Cash and Investments Summary

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

Total Deposits	\$	1,950,385
Total Cash on Hand		<u>6,625</u>
	\$	<u>1,957,010</u>
Statement of Net Position		
Pooled Cash and Equivalents	\$	1,437,086
Non Pooled Cash and Equivalents		<u>519,924</u>
	\$	<u>1,957,010</u>

4. DUE TO AND FROM OTHER FUNDS

Due to and from other funds at December 31, 2012, follows:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$ 308,981	\$ -
Municipal Liquor Fund	-	228,816
Nonmajor Governmental Funds	<u>-</u>	<u>80,165</u>
	<u>\$ 308,981</u>	<u>\$ 308,981</u>

Interfund receivables and payables are for cash flow purposes and are expected to be liquidated by cash transfers from available future cash balances.

5. DEFERRED REVENUE

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>
General Fund		
Delinquent taxes receivable	\$ 38,287	\$ -
Nonmajor Governmental Funds		
Delinquent taxes receivable	86,158	-
Advance on Refunding Bonds	<u>-</u>	<u>21,790</u>
Total	<u>\$ 124,445</u>	<u>\$ 21,790</u>

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

6. TRANSFERS

Transfers to and from other funds at December 31, 2012, follows:

	Transfers to <u>Other Funds</u>	Transfers from <u>Other Funds</u>
General Fund	\$ -	\$ 60,000
Nonmajor Governmental Funds	10,125	10,125
Water Fund	100,000	-
Sewer Fund	-	100,000
Municipal Liquor Store Fund	<u>60,000</u>	<u>-</u>
	<u>\$ 170,125</u>	<u>\$ 170,125</u>

- The Municipal Liquor Store Fund transferred \$60,000 to the General Fund for operating purposes.
- The Lions Club Park Fund transferred \$10,125 to the Doyle Lighting Project Fund to close the fund.
- The Water Fund transferred \$100,000 to the Sewer Fund for a portion of the debt service.

7. CHANGES IN CAPITAL ASSETS

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

	Balance <u>January 1</u>	<u>Additions</u>	<u>Transfers/ Retirements</u>	Balance <u>December 31</u>
Not Being Depreciated:				
Land	\$ 420,139	\$ -	\$ -	\$ 420,139
Construction in Progress	<u>-</u>	<u>8,226</u>	<u>-</u>	<u>8,226</u>
Subtotal	<u>420,139</u>	<u>8,226</u>	<u>-</u>	<u>428,365</u>
Other Capital Assets:				
Land Improvements	301,838	-	-	301,838
Equipment and Machinery	370,594	-	-	370,594
Building, Plant, Equipment Infrastructure and Improvements	351,359	10,198	-	361,557
Subtotal	<u>2,753,416</u>	<u>-</u>	<u>-</u>	<u>2,753,416</u>
Subtotal	<u>3,777,207</u>	<u>10,198</u>	<u>-</u>	<u>3,787,405</u>
Less: Accumulated Depreciation				
Land Improvements	76,539	14,412	-	90,951
Equipment and Machinery	135,931	7,560	-	143,491
Buildings, Plant, Equipment Infrastructure and Improvements	134,590	6,409	-	140,999
Subtotal	<u>1,492,208</u>	<u>129,696</u>	<u>-</u>	<u>1,621,904</u>
Subtotal	<u>1,839,268</u>	<u>158,077</u>	<u>-</u>	<u>1,997,345</u>
Net Other Capital Assets	<u>1,937,939</u>	<u>(147,879)</u>	<u>-</u>	<u>1,790,060</u>
Net Capital Assets	<u>\$ 2,358,078</u>	<u>\$ (139,653)</u>	<u>\$ -</u>	<u>\$ 2,218,425</u>

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

7. CHANGES IN CAPITAL ASSETS (Cont.)

Business-Type Activities - The following is a summary of business-type activities capital assets at December 31, 2012.

	Balance <u>January 1</u>	Additions	Transfers/ Retirements	Balance <u>December 31</u>
Other Capital Assets:				
Plant and Equipment	\$ 9,464,318	\$ 6,952	\$ -	\$ 9,471,270
Subtotal	<u>9,464,318</u>	<u>6,952</u>	<u>-</u>	<u>9,471,270</u>
Less: Accumulated Depreciation				
Plant and Equipment	<u>1,430,943</u>	<u>220,821</u>	<u>-</u>	<u>1,651,764</u>
Subtotal	<u>1,430,943</u>	<u>220,821</u>	<u>-</u>	<u>1,207,355</u>
Net Capital Assets	\$ <u>8,033,375</u>	\$ <u>(213,869)</u>	\$ <u>-</u>	\$ <u>8,288,972</u>

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

Governmental Activities:		
General Government	\$	1,400
Public Works		140,280
Culture and Recreation		16,397
Total Depreciation Expense - Governmental Activities	\$	<u>158,077</u>
Business-Type Activities:		
Municipal Liquor Store	\$	74,996
Water		24,969
Sewer		112,895
Storm Sewer		7,961
Total Depreciation Expense - Business-Type Activities	\$	<u>220,821</u>

8. FUND BALANCE

A. Classifications

	General Fund	Non Major Governmental Funds	Total
Restricted for:			
Special Revenue Park	\$ -	\$ 3,121	\$ 3,121
Tax Increment funds	-	22,637	22,637
Debt Service	-	62,039	62,039
Total Restricted	<u>-</u>	<u>87,797</u>	<u>87,797</u>
Assigned to:			
Economic Development	-	27,856	27,856
Park Projects	-	6,786	6,786
Hockey Arena	-	17,659	17,659
Total Assigned	<u>-</u>	<u>52,301</u>	<u>52,301</u>
Unassigned (Deficit)	<u>678,135</u>	<u>(87,812)</u>	<u>590,323</u>
Total	\$ <u>678,135</u>	\$ <u>52,286</u>	\$ <u>730,421</u>

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

8. FUND BALANCE (Cont.)

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 most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year - 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 in the range of 35-50% of the subsequent year's budgeted expenditures. At December 31, 2012, the unassigned fund balance of the General Fund was 151.7% of the subsequent year's budgeted expenditures

9. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2012.

	<u>Balance</u> <u>January 1</u>	<u>Debt</u> <u>Issued</u>	<u>Debt</u> <u>Retired</u>	<u>Balance</u> <u>December 31</u>	<u>Current</u> <u>Amount</u>
G.O. Improvement Bonds	\$ 1,960,000	\$ -	\$ 30,000	\$ 1,930,000	\$ 135,000
G.O. Revenue Notes	3,016,000	-	202,000	2,814,000	204,000
G.O. Equipment Bonds	40,000	-	40,000	-	-
G.O. Revenue Bonds	40,000	-	10,000	30,000	15,000
Refund Bonds					
Tax Abatement Portion	495,000	-	45,000	450,000	45,000
EDA Public Project Lease	1,280,000	-	40,000	1,240,000	40,000
Revenue Bonds	405,000	-	30,000	375,000	30,000
Property Financing	<u>61,000</u>	<u>-</u>	<u>7,000</u>	<u>54,000</u>	<u>7,000</u>
Totals	<u>\$ 7,297,000</u>	<u>\$ -</u>	<u>\$ 404,000</u>	<u>\$ 6,893,000</u>	<u>\$ 476,000</u>

General Obligation Revenue Bonds of \$30,000, General Obligation Improvement Bonds of \$660,000, General Obligation Revenue Notes of \$2,814,000, Revenue Bonds of \$375,000 and Public Project Lease Revenue Bonds of \$1,240,000 are reflected as long-term debt in the related enterprise fund.

Bonds outstanding at December 31, 2012 are comprised of the following issues:

Governmental Activities

\$1,270,000 General Obligation Improvement Bonds of 2006. Due in annual installments of \$105,000 to \$150,000 through February 1, 2022, plus interest at 3.8 - 4.2% due in semi-annual installments. \$ 1,270,000

\$440,000 General Obligation Tax Abatement Revenue Bonds of 2006, due in annual installments of \$25,000 to \$35,000 through February 1, 2011, plus interest at 3.5 - 4.375%, due in semi-annual installments. 290,000

\$220,000 General Obligation Tax Abatement Bonds of 2008, due in annual installments of \$20,000 to \$25,000 through February 1, 2019, plus interest at 3.75 - 4.5%, due in semi-annual installments. 160,000

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. CHANGES IN LONG-TERM DEBT (Cont.)

\$73,000 Property Lease Financing due in annual installments of \$6,000 to \$9,000 through February 1, 2019, plus interest at 4.25%, due in semi-annual installments.	<u>54,000</u>
Total Governmental Activities	<u>1,774,000</u>
 <u>Business-Type Activities</u>	
\$110,000 General Obligation Storm Sewer Revenue Bonds of 2003. Due in annual installments of \$10,000 to \$15,000 through February 1, 2014, plus interest at 2.65 - 4.65%, due in semi-annual installments.	30,000
\$805,000 General Obligation Improvement Bonds of 2006, due in annual installments of \$25,000 to \$195,000 through February 1, 2022, plus interest at 3.75 - 4.4%, due in semi-annual installments.	660,000
\$4,498,000 General Obligation Wastewater Revenue Notes, Series 2006A, due in annual installments of \$100,317 to \$243,000 through January 20, 2027, plus interest at 1%, due in semi-annual installments.	2,814,000
\$515,000 Liquor Store Revenue Bonds, Series 2006A, due in annual installments of \$25,000 to \$45,000 through February 1, 2022, plus interest at 4.1 - 4.75%, due in semi-annual installments.	375,000
\$1,460,000 Public Project Lease Revenue Bonds, due in annual installments of \$35,000 to \$100,000 through February 1, 2031, plus interest at 4.25 - 4.9%, due in semi-annual installments.	<u>1,240,000</u>
Total Business-Type Activities	<u>5,119,000</u>
Total Long-Term Debt	<u>\$ 6,893,000</u>

The annual requirements to maturity for long-term liabilities are as follows:

	G.O. Improvement Bonds Governmental Activities			G.O. Improvement Bonds Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 150,000	\$ 67,192	\$ 217,192	\$ 45,000	\$ 27,903	\$ 72,903
2014	160,000	61,275	221,275	50,000	25,969	75,969
2015	165,000	54,891	219,891	35,000	24,264	59,264
2016	170,000	48,183	218,183	35,000	22,890	57,890
2017	180,000	41,081	221,081	40,000	21,399	61,399
2018-2022	895,000	90,007	985,007	215,000	81,778	296,778
2023-2027	-	-	-	270,000	30,563	300,563
2028-2032	-	-	-	-	-	-
Total	<u>\$1,720,000</u>	<u>\$ 362,629</u>	<u>\$2,082,629</u>	<u>\$ 690,000</u>	<u>\$ 234,766</u>	<u>\$ 924,766</u>

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

9. CHANGES IN LONG-TERM DEBT (Cont.)

	G.O. Revenue Note			Revenue Bonds		
	Business-Type Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 204,000	\$ 28,140	\$ 232,140	\$ 70,000	\$ 74,466	\$ 144,466
2014	206,000	26,100	232,100	75,000	71,309	146,309
2015	208,000	24,040	232,040	80,000	67,934	147,934
2016	210,000	21,960	231,960	80,000	64,446	144,446
2017	212,000	19,860	231,860	85,000	60,746	145,746
2018-2022	1,092,000	67,090	1,159,090	495,000	238,601	733,601
2023-2027	682,000	13,690	695,690	360,000	136,260	496,260
2028-2032	-	-	-	370,000	37,486	407,486
Total	<u>\$2,814,000</u>	<u>\$ 200,880</u>	<u>\$3,014,880</u>	<u>\$1,615,000</u>	<u>\$ 751,248</u>	<u>\$2,366,248</u>

	Other Long-Term Debt		
	Governmental Activities		
	Principal	Interest	Total
2013	\$ 7,000	\$ 2,147	\$ 9,147
2014	7,000	1,849	8,849
2015	7,000	1,551	8,551
2016	8,000	1,232	9,232
2017	8,000	892	8,892
2018-2022	17,000	743	17,743
2023-2027	-	-	-
2028-2032	-	-	-
Total	<u>\$ 54,000</u>	<u>\$ 8,414</u>	<u>\$ 62,414</u>

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

Governmental Activities:	
General Government	\$ 2,290
Public Works	69,647
Culture and Recreation	276
Total Interest Expense - Governmental Activities	<u>\$ 72,213</u>
Business-Type Activities:	
Water Fund	\$ 27,750
Sewer Fund	30,823
Storm Sewer Fund	1,275
Municipal Liquor Store	83,990
Total Interest Expense - Business-Type Activities	<u>\$ 143,838</u>

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

All full-time and certain part-time employees of the City of Stacy, Minnesota 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. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

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

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

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

10. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

A. Plan Description (Cont.)

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 mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, MN, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by the state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2012. In 2012, the City of Stacy, Minnesota was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.25% for Coordinated Plan members.

The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2012, 2011 and 2010 were \$30,899, \$30,513 and \$32,963, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

11. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2012.

12. OTHER POST EMPLOYMENT BENEFITS

Any contingent liability for other post employment benefits is considered immaterial and not recognized in the financial statements.

13. COMMITMENTS AND CONTINGENCIES

A. Risk Management

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

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

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

13. COMMITMENTS AND CONTINGENCIES (Cont.)

B. Claims and Judgments

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

14. TAX INCREMENT FINANCING DISTRICT

The City of Stacy is the administrating authority for the following tax increment financing district:

	TIF 1-1 Minnesota Statute	TIF 1-2 Minnesota Statute
Authorizing Law	469.174	469.174
Type of District	Redevelopment	Economic Development
Year Established	2005	2007
Duration of District		
Tax Capacity		
Original	2,339	456
Current	25,762	49,458
Captured - retained	23,423	49,002

15. SUBSEQUENT EVENTS

Management evaluated all activity of City of Stacy through July 9, 2013 (the issue date of the financial statements) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF STACY, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012
 With Comparative Amounts for the year ended December 31, 2011

	<u>2012</u>			Variance	<u>2011</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>with Final</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
REVENUES:					
TAXES:					
General Property Taxes	\$ <u>158,839</u>	\$ <u>158,839</u>	\$ <u>174,543</u>	\$ <u>15,704</u>	\$ <u>158,400</u>
LICENSES AND PERMITS:					
Licenses and Permits	<u>8,680</u>	<u>8,680</u>	<u>19,697</u>	<u>11,017</u>	<u>14,039</u>
INTERGOVERNMENTAL					
REVENUE:					
Local Government Aid	227,714	227,714	227,643	(71)	229,256
Market Value Credit	-	-	271	271	-
PERA Rate Increase Aid	387	387	773	386	387
State Fire Aid	<u>-</u>	<u>-</u>	<u>15,907</u>	<u>15,907</u>	<u>-</u>
Total Intergovernmental Revenue	<u>228,101</u>	<u>228,101</u>	<u>244,594</u>	<u>16,493</u>	<u>229,643</u>
CHARGES FOR SERVICES:					
General Government	600	600	5,245	4,645	23,389
Public Works	-	-	225	225	-
Other Charges for Services	<u>1,510</u>	<u>1,510</u>	<u>7,501</u>	<u>5,991</u>	<u>2,352</u>
Total Charges for Services	<u>2,110</u>	<u>2,110</u>	<u>12,971</u>	<u>10,861</u>	<u>25,741</u>
FINES AND FORFEITS	<u>1,300</u>	<u>1,300</u>	<u>1,981</u>	<u>681</u>	<u>1,917</u>
INTEREST INCOME	<u>1,000</u>	<u>1,000</u>	<u>3,555</u>	<u>2,555</u>	<u>2,342</u>
MISCELLANEOUS:					
Miscellaneous Income	<u>5,900</u>	<u>5,900</u>	<u>42,934</u>	<u>37,034</u>	<u>15,509</u>
Total Miscellaneous	<u>5,900</u>	<u>5,900</u>	<u>42,934</u>	<u>37,034</u>	<u>15,509</u>
TOTAL REVENUES	<u>405,930</u>	<u>405,930</u>	<u>500,275</u>	<u>94,345</u>	<u>447,591</u>
OTHER FINANCING SOURCES					
Transfer In	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>58,971</u>
TOTAL REVENUES AND OTHER FINANCING SOURCES	<u>465,930</u>	<u>465,930</u>	<u>560,275</u>	<u>94,345</u>	<u>506,562</u>

CITY OF STACY, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012
 With Comparative Amounts for the year ended December 31, 2011

	<u>2012</u>			Variance	<u>2011</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	
EXPENDITURES:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Personnel Services	\$ 4,578	\$ 4,578	\$ 5,014	\$ (436)	\$ 4,169
Other Current Expenditures	3,425	3,425	4,999	(1,574)	2,871
Election:					
Current Expenditures	2,180	2,180	2,881	(701)	293
Administrative and Finance:					
Personnel Services	48,318	48,318	49,011	(693)	47,116
Other Current Expenditures	12,820	12,820	9,622	3,198	10,626
Other General Government:					
Personnel Services	31,172	31,172	22,479	8,693	30,038
Other Current Expenditures	48,635	48,635	30,026	18,609	33,775
Capital Outlay	5,000	5,000	10,332	(5,332)	36,893
Planning and Zoning:					
Personnel Services	750	750	1,031	(281)	473
Other Current Expenditures	4,700	4,700	7,134	(2,434)	3,257
Independent Auditing					
Current Expenditures	3,500	3,500	3,000	500	3,000
Legal					
Current Expenditures	<u>21,350</u>	<u>21,350</u>	<u>21,499</u>	<u>(149)</u>	<u>15,318</u>
Total General Government	<u>186,428</u>	<u>186,428</u>	<u>167,028</u>	<u>19,400</u>	<u>187,829</u>
PUBLIC SAFETY:					
Police Protection:					
Services and Charges	51,969	51,969	51,969	-	46,435
Building Inspection:					
Current Expenditures	6,050	6,050	17,313	(11,263)	23,308
Fire Protection:					
Services and Charges	<u>88,620</u>	<u>88,620</u>	<u>224,662</u>	<u>(136,042)</u>	<u>50,478</u>
Total Public Safety	<u>146,639</u>	<u>146,639</u>	<u>293,944</u>	<u>(147,305)</u>	<u>120,221</u>

CITY OF STACY, MINNESOTA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2012
 With Comparative Amounts for the year ended December 31, 2011

	<u>2012</u>			Variance	<u>2011</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	with Final	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>		<u>Budget</u>	
EXPENDITURES:					
PUBLIC WORKS:					
Highways and Streets:					
Personnel Services	\$ 4,595	\$ 4,595	\$ 17,854	\$ (13,259)	\$ 8,518
Other Current Expenditures	20,400	20,400	19,377	1,023	14,109
Capital Outlay	8,000	8,000	-	8,000	-
Ice and Snow Removal:					
Personnel Services	13,784	13,784	3,516	10,268	9,632
Other Current Expenditures	11,000	11,000	2,414	8,586	8,164
Street Lighting:					
Current Expenditures	<u>19,000</u>	<u>19,000</u>	<u>12,362</u>	<u>6,638</u>	<u>15,063</u>
Total Public Works	<u>76,779</u>	<u>76,779</u>	<u>55,523</u>	<u>21,256</u>	<u>55,486</u>
CULTURE AND RECREATION:					
Other Services and Charges:					
Current Expenditures	<u>36,784</u>	<u>36,784</u>	<u>57,559</u>	<u>(20,775)</u>	<u>24,133</u>
Total Culture and Recreation	<u>36,784</u>	<u>36,784</u>	<u>57,559</u>	<u>(20,775)</u>	<u>24,133</u>
MISCELLANEOUS:					
Insurance	18,800	18,800	12,978	5,822	13,097
Other Current Expenditures	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>	<u>28,971</u>
Total Miscellaneous	<u>19,300</u>	<u>19,300</u>	<u>12,978</u>	<u>6,322</u>	<u>42,068</u>
TOTAL EXPENDITURES	<u>465,930</u>	<u>465,930</u>	<u>587,032</u>	<u>(121,102)</u>	<u>429,737</u>
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	-	-	(26,757)	(26,757)	76,825
FUND BALANCES - January 1	<u>704,892</u>	<u>704,892</u>	<u>704,892</u>	<u>-</u>	<u>628,067</u>
FUND BALANCES - December 31	<u>\$ 704,892</u>	<u>\$ 704,892</u>	<u>\$ 678,135</u>	<u>\$ (26,757)</u>	<u>\$ 704,892</u>

SECTION III

SUPPLEMENTAL SECTION

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

	Special Revenue Funds	Debt Service Funds	Total
ASSETS:			
Pooled Cash and Equivalents	\$ 73,244	\$ 40,495	\$ 113,739
Non Pooled Cash and Equivalents	2,769	-	2,769
Accounts Receivable	2,490	35,650	38,140
Property Taxes Receivable	<u>75,078</u>	<u>11,454</u>	<u>86,532</u>
 TOTAL ASSETS	 <u>\$ 153,581</u>	 <u>\$ 87,599</u>	 <u>\$ 241,180</u>
 LIABILITIES AND FUND BALANCE			
LIABILITIES:			
Accounts Payable	\$ 461	\$ 320	\$ 781
Due to Other Funds	-	80,165	80,165
Deferred Revenue	<u>75,061</u>	<u>32,887</u>	<u>107,948</u>
 Total Liabilities	 <u>75,522</u>	 <u>113,372</u>	 <u>188,894</u>
 FUND BALANCES:			
Restricted	25,758	62,039	87,797
Assigned	52,301	-	52,301
Unassigned (Deficit)	<u>-</u>	<u>(87,812)</u>	<u>(87,812)</u>
Total Fund Balances (Deficit)	<u>78,059</u>	<u>(25,773)</u>	<u>52,286</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 153,581</u>	 <u>\$ 87,599</u>	 <u>\$ 241,180</u>

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

	Special Revenue Funds	Debt Service Funds	Total
REVENUES			
Taxes	\$ 78,265	\$ 102,417	\$ 180,682
Interest Income	152	674	826
Miscellaneous	10,450	7,500	17,950
Total Revenues	<u>88,867</u>	<u>110,591</u>	<u>199,458</u>
EXPENDITURES			
Public Works	-	16,465	16,465
Culture and Recreation	2,500	-	2,500
Economic Development	22,393	7,900	30,293
Miscellaneous	112,545	-	112,545
Principal Payments	-	92,000	92,000
Interest Payments	-	74,879	74,879
Capital Outlay	-	8,226	8,226
Total Expenditures	<u>137,438</u>	<u>199,470</u>	<u>336,908</u>
EXCESS EXPENDITURES OVER REVENUES	(48,571)	(88,879)	(137,450)
OTHER FINANCING SOURCES (USES)			
Transfer In	-	10,125	10,125
Transfer Out	<u>(10,125)</u>	<u>-</u>	<u>(10,125)</u>
EXCESS EXPENDITURES AND OTHER USES OVER REVENUES AND OTHER SOURCES	(58,696)	(78,754)	(137,450)
FUND BALANCES - January 1	<u>136,755</u>	<u>52,981</u>	<u>189,736</u>
FUND BALANCES (DEFICIT) - December 31	<u>\$ 78,059</u>	<u>\$ (25,773)</u>	<u>\$ 52,286</u>

CITY OF STACY, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2012

	Special Rev Park	Economic Development Authority	Hockey Arena Project	Lions Club Park Fund	Tax Increment 1-1	Tax Increment 1-2	Total
ASSETS							
Pooled Cash and Equivalents	\$ 3,121	\$ 25,810	\$ 14,890	\$ 6,786	\$ 7,337	\$ 15,300	\$ 73,244
Non Pooled Cash and Equivalents	-	-	2,769	-	-	-	2,769
Accounts Receivable	-	2,490	-	-	-	-	2,490
Property Taxes Receivable	-	873	-	-	24,488	49,717	75,078
	<u>\$ 3,121</u>	<u>\$ 29,173</u>	<u>\$ 17,659</u>	<u>\$ 6,786</u>	<u>\$ 31,825</u>	<u>\$ 65,017</u>	<u>\$ 153,581</u>
TOTAL ASSETS							
LIABILITIES							
Accounts Payable	\$ -	\$ 461	\$ -	\$ -	\$ -	\$ -	\$ 461
Deferred Revenue	-	856	-	-	24,488	49,717	75,061
	<u>-</u>	<u>1,317</u>	<u>-</u>	<u>-</u>	<u>24,488</u>	<u>49,717</u>	<u>75,522</u>
TOTAL LIABILITIES AND FUND BALANCES							
FUND BALANCES							
Restricted	3,121	-	-	-	7,337	15,300	25,758
Assigned	-	27,856	17,659	6,786	-	-	52,301
Total Fund Balances	<u>3,121</u>	<u>27,856</u>	<u>17,659</u>	<u>6,786</u>	<u>7,337</u>	<u>15,300</u>	<u>78,059</u>
	<u>\$ 3,121</u>	<u>\$ 29,173</u>	<u>\$ 17,659</u>	<u>\$ 6,786</u>	<u>\$ 31,825</u>	<u>\$ 65,017</u>	<u>\$ 153,581</u>

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

	Special Rev Park	Economic Development Authority	Hockey Arena Project	Lions Club Park Fund	Tax Increment 1-1	Tax Increment 1-2	Total
REVENUES							
Taxes	\$ -	\$ 2,781	\$ -	\$ -	\$ 24,673	\$ 50,811	\$ 78,265
Interest Income	31	32	17	74	(2)	-	152
Miscellaneous	-	250	-	10,200	-	-	10,450
Total Revenues	<u>31</u>	<u>3,063</u>	<u>17</u>	<u>10,274</u>	<u>24,671</u>	<u>50,811</u>	<u>88,867</u>
EXPENDITURES							
Culture and Recreation	-	-	-	2,500	-	-	2,500
Economic Development	-	-	-	-	22,393	-	22,393
Miscellaneous	-	1,122	66,399	-	17	45,007	112,545
Total Expenditures	<u>-</u>	<u>1,122</u>	<u>66,399</u>	<u>2,500</u>	<u>22,410</u>	<u>45,007</u>	<u>137,438</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	31	1,941	(66,382)	7,774	2,261	5,804	(48,571)
OTHER FINANCING SOURCES (USES)							
Transfer Out	-	-	-	(10,125)	-	-	(10,125)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	31	1,941	(66,382)	(2,351)	2,261	5,804	(58,696)
FUND BALANCES - January 1	<u>3,090</u>	<u>25,915</u>	<u>84,041</u>	<u>9,137</u>	<u>5,076</u>	<u>9,496</u>	<u>136,755</u>
FUND BALANCES - December 31	<u>\$ 3,121</u>	<u>\$ 27,856</u>	<u>\$ 17,659</u>	<u>\$ 6,786</u>	<u>\$ 7,337</u>	<u>\$ 15,300</u>	<u>\$ 78,059</u>

CITY OF STACY, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 DECEMBER 31, 2012

	Tax Abatement Woodsman 2004	Stacy Ponds Business Park	2013A GO Refunding Bonds	Doyle Lighting Project Bond	Road Improvement Project	2008 Lease Purchase	Total
ASSETS							
Pooled Cash and Equivalents	\$ -	\$ -	\$ 13,890	\$ -	\$ 24,550	\$ 2,056	\$ 40,496
Accounts Receivable	-	103	-	-	35,495	51	35,649
Property Taxes Receivable	<u>103</u>	<u>3,493</u>	-	-	<u>6,112</u>	<u>1,746</u>	<u>11,454</u>
TOTAL ASSETS	<u>\$ 103</u>	<u>\$ 3,596</u>	<u>\$ 13,890</u>	<u>\$ -</u>	<u>\$ 66,157</u>	<u>\$ 3,853</u>	<u>\$ 87,599</u>
LIABILITIES AND NET POSITION							
LIABILITIES							
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 320	\$ -	\$ 320
Due to Other Funds	40,626	39,539	-	-	-	-	80,165
Deferred Revenue	<u>58</u>	<u>3,388</u>	<u>21,790</u>	-	<u>5,956</u>	<u>1,695</u>	<u>32,887</u>
Total Liabilities	<u>40,684</u>	<u>42,927</u>	<u>21,790</u>	-	<u>6,276</u>	<u>1,695</u>	<u>113,372</u>
FUND BALANCES							
Restricted	-	-	-	-	59,881	2,158	62,039
Unassigned (Deficit)	<u>(40,581)</u>	<u>(39,331)</u>	<u>(7,900)</u>	-	-	-	<u>(87,812)</u>
Total Fund Balances (Deficit)	<u>(40,581)</u>	<u>(39,331)</u>	<u>(7,900)</u>	-	<u>59,881</u>	<u>2,158</u>	<u>(25,773)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 103</u>	<u>\$ 3,596</u>	<u>\$ 13,890</u>	<u>\$ -</u>	<u>\$ 66,157</u>	<u>\$ 3,853</u>	<u>\$ 87,599</u>

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

	Tax Abatement Woodsman 2004	Stacy Ponds Business Park	2013A GO Refunding Bonds	Doyle Lighting Project Bond	Road Improvement Project	2008 Lease Purchase	Total
REVENUES							
Taxes	\$ 43,434	\$ 19,585	\$ -	\$ -	\$ 29,777	\$ 9,621	\$ 102,417
Interest Income	(1)	-	-	13	662	-	674
Miscellaneous	-	-	-	7,500	-	-	7,500
Total Revenues	<u>43,433</u>	<u>19,585</u>	<u>-</u>	<u>7,513</u>	<u>30,439</u>	<u>9,621</u>	<u>110,591</u>
EXPENDITURES							
Public Works	-	-	-	-	16,465	-	16,465
Economic Development	-	-	7,900	-	-	-	7,900
Principal Payments	25,000	-	-	40,000	20,000	7,000	92,000
Interest Payments	13,091	51,145	-	901	7,263	2,479	74,879
Capital Outlay	-	-	-	-	8,226	-	8,226
Total Expenditures	<u>38,091</u>	<u>51,145</u>	<u>7,900</u>	<u>40,901</u>	<u>51,954</u>	<u>9,479</u>	<u>199,470</u>
EXCESS REVENUES OVER (UNDER) EXPENDITURES	5,342	(31,560)	(7,900)	(33,388)	(21,515)	142	(88,879)
OTHER FINANCING SOURCES (USES) Transfer In	-	-	-	10,125	-	-	10,125
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	5,342	(31,560)	(7,900)	(23,263)	(21,515)	142	(78,754)
FUND BALANCES (DEFICIT) - January 1	(45,923)	(7,771)	-	23,263	81,396	2,016	52,981
FUND BALANCES (DEFICIT) - December 31	<u>(40,581)</u>	<u>(39,331)</u>	<u>(7,900)</u>	<u>-</u>	<u>59,881</u>	<u>2,158</u>	<u>(25,773)</u>

CITY OF STACY, MINNESOTA
SUMMARY FINANCIAL REPORT

REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

The purpose of this report is to provide a summary of financial information concerning the City of Stacy to interested citizens. The complete financial statements may be examined at the City Hall, 30955 Forest Blvd Stacy, MN Questions about this report should be directed to Sharon Payne, City Clerk, at 651-462-4486

	<u>Total</u> 2012	<u>Total</u> 2011	Percent Increase (Decrease)
REVENUES:			
Taxes and Assessments	\$ 355,225	\$ 256,661	38.40 %
Licenses and Permits	19,697	14,039	40.30 %
Intergovernmental	244,594	229,643	6.51 %
Charges for Services	12,971	25,741	(49.61)%
Fines	1,981	1,917	3.34 %
Investment Earnings	4,388	4,485	(2.16)%
Miscellaneous	60,884	98,008	(37.88)%
Transfer In	<u>70,125</u>	<u>58,971</u>	<u>18.91 %</u>
Total Revenues	<u>\$ 769,865</u>	<u>\$ 689,465</u>	<u>11.66 %</u>
Per Capita	<u>557</u>	<u>499</u>	
EXPENDITURES:			
Current			
General Government	\$ 156,696	\$ 150,936	3.82 %
Public Safety	293,944	120,221	144.50 %
Public Works	71,988	55,486	29.74 %
Culture and Recreation	60,059	29,987	100.28 %
Economic Development	30,293	-	100.00 %
Miscellaneous	125,523	269,697	(53.46)%
Debt Service:			
Principal Payments	92,000	64,000	43.75 %
Interest Payments	74,879	77,673	(3.60)%
Capital Outlay	18,558	22,449	(17.33)%
Transfer Out	<u>10,125</u>	<u>28,971</u>	<u>(65.05)%</u>
Total Expenditures	<u>\$ 934,065</u>	<u>\$ 833,864</u>	<u>12.02 %</u>
Per Capita	<u>675</u>	<u>603</u>	
Long-term Indebtedness	<u>\$ 1,774,000</u>	<u>\$ 1,866,000</u>	<u>(4.93)%</u>
Per Capita	<u>1,283</u>	<u>1,349</u>	
General Fund Unreserved Fund Balance - December 31	<u>\$ 678,135</u>	<u>\$ 772,731</u>	<u>(12.24)%</u>
Per Capita	<u>490</u>	<u>559</u>	

SECTION IV

ADDITIONAL INFORMATION

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

Honorable Mayor and Members of the Council
City of Stacy
Stacy, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Stacy, Minnesota, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise City of Stacy, Minnesota's basic financial statements, and have issued our report thereon dated July 9, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Stacy, Minnesota's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Stacy, Minnesota's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Stacy, Minnesota's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements in a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies. Items 12-01 and 12-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Stacy, Minnesota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

City of Stacy, Minnesota's Response to Findings

City of Stacy, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Stacy, Minnesota's response and, accordingly, we express no opinion on it.

Purpose of this Report

This report is intended solely for the information and use of the governing body and management of City of Stacy, Minnesota, and for filing with the Office of the State Auditor, State of Minnesota and is not intended to be and should not be used by anyone other than these specified parties.


Dennis E. Oberloh, Ltd.

July 9, 2013

CITY OF STACY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2012

INTERNAL CONTROL FINDINGS

Audit Finding 12-01

Criteria: The City does not have the internal resources to identify all journal entries required to maintain a general ledger and to prepare the full-disclosure financial statements in conformity with generally accepted accounting principles.

Condition: The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Council. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by generally accepted accounting principles for external reporting. The City is aware of this significant deficiency, and obtains our assistance in the preparation of the City's annual financial statements.

Cause: The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect: The City's management is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and completed statements prior to distribution to the end users.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to prepare the financial statements and maintain a working knowledge of the required disclosures.

Audit Finding 12-02

Criteria: Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition: The City does not have adequate segregation of accounting duties.

Cause: There are a limited number of office employees.

Effect: The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal control that supports the adequate segregation of duties.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to maintain proper segregation of duties.

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AUDITOR'S REPORT ON LEGAL COMPLIANCE

Honorable Mayor and Members of the Council
City of Stacy
Stacy, Minnesota

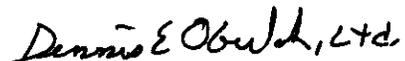
We have audited the basic financial statements of City of Stacy, Minnesota, as of and for the year ended December 31, 2012 and have issued our report thereon dated July 9, 2013.

We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

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

The results of our tests indicate that for the items tested, City of Stacy, Minnesota complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the governing body and management of City of Stacy, Minnesota, and for filing with the Office of the State Auditor, State of Minnesota and is not intended to be and should not be used by anyone other than these specified parties.


Dennis E. Oberloh, Ltd.

July 9, 2013