

**COMPREHENSIVE ANNUAL FINANCIAL
REPORT OF THE CITY COUNCIL OF
DEEPHAVEN, MINNESOTA**

For the Year Ended December 31, 2010

Dana Young, City Administrator

**PREPARED BY:
THE DEPARTMENT OF FINANCE**

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CITY OF DEEPHAVEN

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CITY OF DEEPHAVEN

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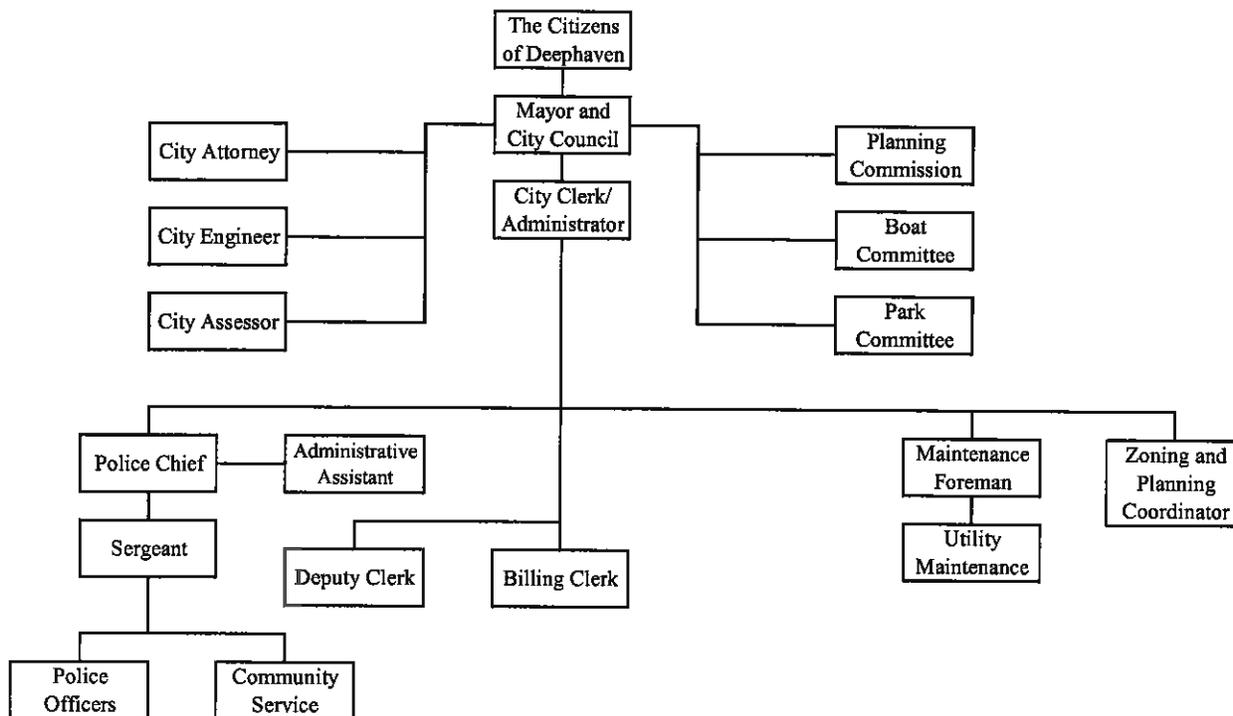
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INTRODUCTORY SECTION

CITY OF DEEPHAVEN
ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2010

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Paul Skrede	Mayor	December 31, 2010
Keith Kask	Council Member	December 31, 2012
John Wheaton	Council Member	December 31, 2012
Steve Adams	Council Member	December 31, 2010
Kim Crockett	Council Member	December 31, 2010
<u>Administration</u>		
Dana Young	City Administrator/Clerk/Treasurer	Appointed
Cory Johnson	Police Chief	Appointed
Jerry Hudlow	Maintenance Foreman	Appointed

CITY OF DEEPHAVEN
ORGANIZATION CHART
December 31, 2010



March 14, 2011

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

The comprehensive annual financial report of the City of Deephaven, Minnesota, for the year ended December 31, 2010, is hereby submitted for your review. The report was prepared in accordance with generally accepted accounting principles (GAAP) as established by the Governmental Accounting Standards Board and meets the requirements of the Minnesota State Auditor's Office.

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

Kern DeWenter Viere, a firm of licensed certified public accountants, has audited the City's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2010, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented on pages 9 & 10 of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found starting on page 11.

Government Profile

The City of Deephaven was incorporated in 1900. It is a western suburb of the Minneapolis/St. Paul area, located in Western Hennepin County. Deephaven covers an area of 2.3 square miles (or 1,440 acres) with an estimated population of 3,814. It is primarily a residential city, with a small commercial area that primarily serves the local community.

One of Deephaven's chief attractions is Lake Minnetonka with its three deep-cut bays bordering the city. The points and peninsulas overlooking the lake provide some of the City's most beautiful home sites, and the lake furnishes endless opportunities for year-round activities. Summer fun is provided at six public beaches and two city marinas, which service approximately 308 boats ranging in size from slender canoes to luxurious powerboats and sailboats. Deephaven's recreational areas include public parks, which contain tennis courts, baseball fields, playground equipment, basketball courts and walking trails. Hiking trails and bike paths connect many recreational areas. During the winter, the trails are utilized for cross-county skiing. Deephaven is truly a haven when it comes to peaceful living and active recreation.

Management of the City is responsible for establishing and maintaining budgetary control designed to ensure that the assets of the government are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund are included in the annual appropriated budget. Project length financial plans are adopted for the Capital Projects Funds. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriate amount) is established by function and activity within an individual fund.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Deephaven operates.

Local Economic Condition and Outlook

Despite the significant national economic decline beginning in 2008, which spurred a general slowdown in construction activity, total permits and residential housing construction value for the City of Deephaven stayed surprisingly consistent in recent years as shown in the following table:

	<u>Total Permits</u>	
	<u>Number</u>	<u>Value</u>
2010	541	\$ 13,268,023
2009	399	11,737,115
2008	524	16,664,812
2007	590	13,532,474
2006	622	14,338,000
2005	534	9,384,000
2004	560	10,975,766
2003	605	13,353,874

However, more reflective of the declining economy, the overall market value of the City of Deephaven has continued its overall decline after many years of consecutive growth. The City's overall market value decreased 0.2% in 2009 and another 2.4% in 2010 signaling the continued softening of the value of residential and commercial properties throughout Deephaven. In addition, this decline in market value is expected to continue at least through 2011 until the overall residential housing market begins to stabilize both regionally and locally.

The City has adopted land use plans, zoning ordinances and developed shoreland management plans to ensure orderly growth and quality redevelopment. In 2008, the City completed an update to the Comprehensive Plan, which extends to the year 2020.

All of Deephaven is part of Independent School District No. 276. Deephaven has one elementary school and one private school located within the city limits.

Commercial areas in Deephaven provide a limited range of commercial goods and services. The largest commercial area in the community is Chowen's Corner, which consists mainly of retail shops and offices. A smaller commercial area is located along Trunk Highway 7 and Vine Hill Road.

Long-Term Financial Planning

Each year, as part of its review of the long-term financial plan of the City, the City Council establishes five primary long-term financial objectives. They include:

1. Maintain property tax levy increases at the annual rate of inflation. This goal has been established partly to adhere to required levy limit requirements imposed by the State of Minnesota through 2011, but primarily to control the growth of government expenditures to a reasonable rate thereby providing its residents with some assurance that the property tax levy will not increase at a greater rate than wage increases. For the most part, this objective has been met with a 0% levy increase in 2008, a 5.7% increase in 2009, a 0% increase in 2010, and a 2% increase in 2011.
2. Limit payments for bonded debt and/or facility lease payments to the Excelsior Fire District to approximately \$170,000 per year until the final payment of the fire facility lease is made in 2023. This objective has been met with a facility lease payment averaging approximately \$151,000 per year through 2023 and with no immediate plans to issue future debt.
3. Establish an unreserved General Fund Balance that equals or exceeds 90% of current year expenditures. This objective has been met with an unreserved General Fund Balance of 100.7% in 2008, 105.1% in 2009 and 99.6% in 2010. Longer range projections through to 2015 show that the unreserved General Fund Balance will decline to around 90% of current year expenditures as General Fund expenditures increase at a greater rate than revenues.
4. Establish a Capital Improvement Fund reserve of \$350,000 to provide available funding for street, police, park and administrative equipment and to adequately fund future street improvement projects. This objective has been achieved in the short term with a Capital Improvement Fund reserve of \$401,117 in 2008, \$365,131 in 2009, and \$392,824 in 2010. Longer range projections show the Capital Improvement Fund reserve will decrease to a low of \$140,130 in 2015 unless the need for upcoming street reconstruction projects is less than anticipated.

5. Establish utility rates that ensure the ability to finance annual operating costs, the schedule of current and future capital utility projects, and establish utility fund reserves in the amount of \$150,000 in the Water Utility Fund, \$650,000 in the Sewer Utility Fund and \$150,000 in the Storm Water Utility Fund. Despite periodic fluctuations owing to capital projects, this objective will eventually be met in both the Water Utility Fund and the Storm Water Utility Fund as the current rate structure is adequate to fund all current and future operating costs and projected capital costs. However, the Sewer Utility Fund will present more of a challenge as projected increases in waste disposal fees and future capital improvements will cause reductions in the Sewer Utility Fund reserve. The City Council has already begun to take the necessary steps to ensure that adequate Sewer Utility Fund reserves are maintained well into the future by approving sewer rate increases in both 2009 and 2010.

Major Initiatives

The City of Deephaven prepares a comprehensive Budget annually and also updates its long range plans and forecasts of key financial indicators. The City reviews the following long-range plans prior to preparing its annual budget:

- Capital Improvement Plan
- Five Year Budget Forecast
- Five Year Park Plan
- Five Year Utility Forecast
- City Fiscal Policy

Deephaven, along with four other area municipalities, have established the Excelsior Fire District through a joint powers agreement that provides fire services and emergency medical response to all five communities. The joint powers agreement provides Deephaven with partial ownership of the Excelsior Fire District and the City anticipates an overall leveling of annual costs to support the District in future years.

The City has developed a web site, which can be assessed at www.cityofdeephaven.org.

Awards

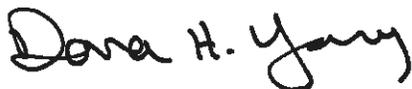
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Deephaven for its comprehensive annual financial report for the fiscal year ended December 31, 2009. This is the 15th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

Acknowledgments

We commend the finance department staff for their hard work and dedication. We want to recognize the firm of Kern, DeWenter, Viere, Ltd. for their professional assistance. As always, we thank Mayor Skrede and the members of the City Council for your continued interest and support in planning and conducting the financial operations of the City in a very progressive and informed manner.

Respectfully submitted,

A handwritten signature in black ink that reads "Dana H. Young". The signature is written in a cursive, flowing style.

Dana H. Young
City Clerk / Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Deephaven
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

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



President

Executive Director

FINANCIAL SECTION



Expert advice. When you need it.SM

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the City of Deephaven, Minnesota, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Deephaven, Minnesota, as of December 31, 2010, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, which follows this report letter, and the Schedule of Funding Progress for the Retiree Health Plan, 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 (GASB), 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 U.S. generally accepted auditing standards, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The accompanying supplementary information identified in the Table of Contents as well as the individual fund schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The supplementary information is the responsibility of management and was derived from and relate directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated, in all material respects in relation to the financial statements as a whole.

The information identified in the Table of Contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
March 14, 2011

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

As management of the City of Deephaven (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, 2010.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by \$ 11,332,332 (total net assets). Of this amount, \$ 3,364,236 (unrestricted total net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets in 2010 decreased by \$ 252,584 in comparison with the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 2,939,571, an increase of \$ 32,304 in comparison with the prior year. This total amount is designated or reserved through legal restrictions and City Council authorization.
- At the end of the current fiscal year, the unreserved General Fund balance was \$ 2,451,621, which included \$ 145,908 that has been designated for severance and other post employment benefits (OPEB) liability and \$ 2,305,713 for working capital. The total General Fund balance was 99.6% of total 2010 General Fund expenditures.
- The City's general government total long-term debt is \$ 145,908. This amount has been designated for accrued compensated absences and OPEB liability. In other words, \$ 120,645 has been designated to pay for one-third accrued sick leave that is paid to City employees upon their retirement with the City and \$ 25,263 has been designated towards the City's outstanding OPEB liability.
- The propriety funds have an ending cash balance of \$ 975,926. This represents an increase of \$ 34,084 over the prior year, primarily owing to a sewer rate increase implemented in 2010 and a more moderate schedule of capital improvement projects undertaken in 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the 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 sick leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include General Government, Public Safety, Public Works and Park and Recreation. The business-type activities of the City include Sewer, Water, Storm Water, Marina and Recycling Funds.

The government-wide financial statements can be found on pages 23 through 24 of this report.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts 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: government funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a city's near-term financial 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 statement. By doing so, readers may better understand the long-term impact of the City's near-term financial decisions. Both the governmental fund Balance Sheet and governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three individual major 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, Capital Improvement and the Park Improvement Funds.

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

FUND FINANCIAL STATEMENTS

Governmental Funds (Continued)

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided on pages 55 through 59 for this Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 25 through 29 of this report.

Proprietary Funds

The City maintains five major enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for water, sewer, storm sewer, marina and recycling operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 31 through 33 of this report.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 35 through 51 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a city's financial position. In the case of the City, assets exceeded liabilities by \$ 11,332,332 at the close of 2010.

The largest portion of the City's net assets (\$ 7,502,550, or 66%) reflects its investment in capital assets (e.g. land, buildings, machinery and equipment). 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 the City has no outstanding long-term debt that has been used to acquire these assets.

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

NET ASSETS
(In Thousands)

	Government Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
ASSETS:						
Current and Other Assets	\$ 3,056	\$ 3,027	\$ 1,162	\$ 1,107	\$ 4,218	\$ 4,134
Capital Assets	4,748	4,914	2,754	2,878	7,502	7,792
Total Assets	\$ 7,804	\$ 7,941	\$ 3,916	\$ 3,985	\$ 11,720	\$ 11,926
LIABILITIES:						
Other Liabilities	\$ 109	\$ 89	\$ 138	\$ 146	\$ 247	\$ 235
Noncurrent Liabilities	134	101	7	5	141	106
Total Liabilities	\$ 243	\$ 190	\$ 145	\$ 151	\$ 388	\$ 341
NET ASSETS:						
Invested in Capital Assets	\$ 4,748	\$ 4,914	\$ 2,754	\$ 2,878	\$ 7,502	\$ 7,792
Restricted	465	434	-	-	465	434
Unrestricted	2,348	2,403	1,017	956	3,365	3,359
Total Net Assets	\$ 7,561	\$ 7,751	\$ 3,771	\$ 3,834	\$ 11,332	\$ 11,585

A portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$ 3,364,236) may be used to meet the City's ongoing obligations to citizens and creditors. Restricted net assets of \$ 465,546 can only be used for the City's various capital projects.

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

The City's net assets decreased by \$ 252,584 during the current fiscal year, resulting from a \$ 189,077 decrease in governmental activities and a \$ 63,507 decrease in business-type activities. This is due, in large measure, to an overall decline in the amount invested in Capital Assets in both Governmental Activities and in Business-Type Activities and related depreciation charges.

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

GOVERNMENTAL ACTIVITIES

There was a decrease in governmental activities net assets in 2010 in the amount of \$ 189,077. Key elements of this decrease are as follows:

CHANGES IN NET ASSETS
(In Thousands)

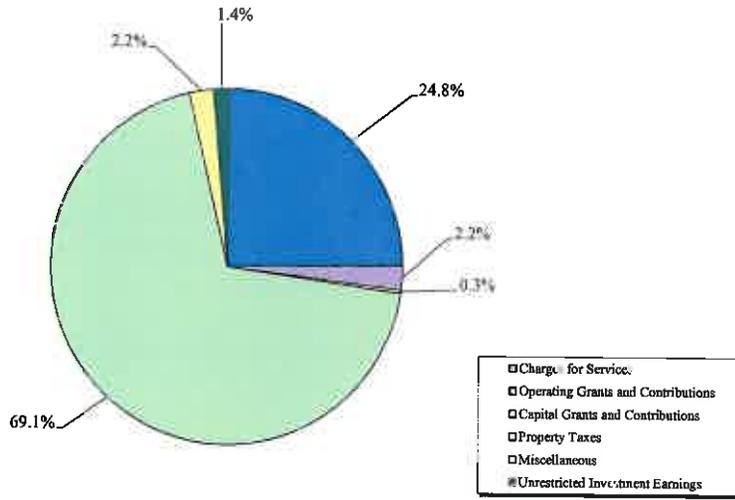
	Government Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
REVENUES:						
Charges for Services	\$ 675	\$ 608	\$ 779	\$ 728	\$ 1,454	\$ 1,336
Operating Grants and Contributions	59	65	12	12	71	77
Capital Grants and Contributions	8	47	-	16	8	63
Property Taxes	1,880	1,878	-	-	1,880	1,878
Miscellaneous	61	65	-	-	61	65
Unrestricted Investment Earnings	38	69	15	33	53	102
Total Revenues	2,721	2,732	806	789	3,527	3,521
EXPENSES:						
General Government	503	468	-	-	503	468
Public Safety	1,261	1,237	-	-	1,261	1,237
Public Works	1,037	874	-	-	1,037	874
Parks	130	144	-	-	130	144
Water	-	-	70	81	70	81
Sewer	-	-	602	619	602	619
Recycling	-	-	20	30	20	30
Stormwater	-	-	32	35	32	35
Marina	-	-	125	121	125	121
Total Expenses	2,931	2,723	849	886	3,780	3,609
Change in Net Assets Before Transfers	(210)	9	(43)	(97)	(253)	(88)
Transfers	20	(34)	(20)	34	-	-
Change in Net Assets	(190)	(25)	(63)	(63)	(253)	(88)
NET ASSETS:						
Beginning of Year	7,751	7,776	3,834	3,897	11,585	11,673
End of Year	<u>\$ 7,561</u>	<u>\$ 7,751</u>	<u>\$ 3,771</u>	<u>\$ 3,834</u>	<u>\$ 11,332</u>	<u>\$ 11,585</u>

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

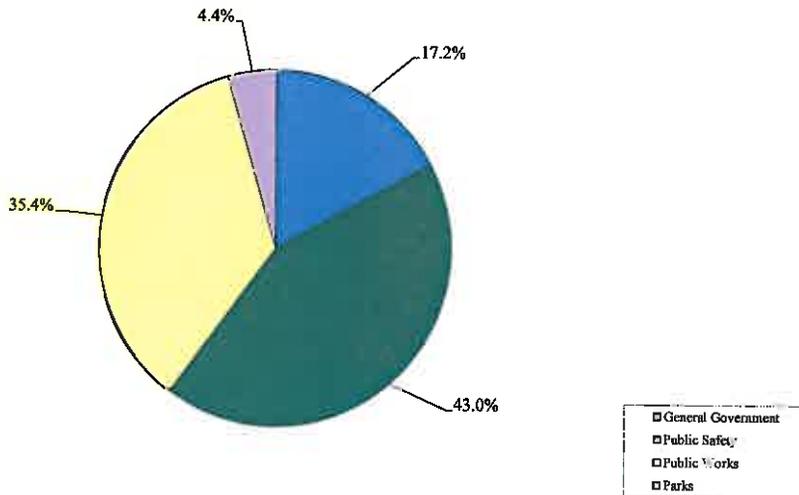
GOVERNMENTAL ACTIVITIES

Below are specific graphs that provide comparisons of the governmental activities revenues and expenses:

Governmental Activities - Revenues



Government Activities Expenses

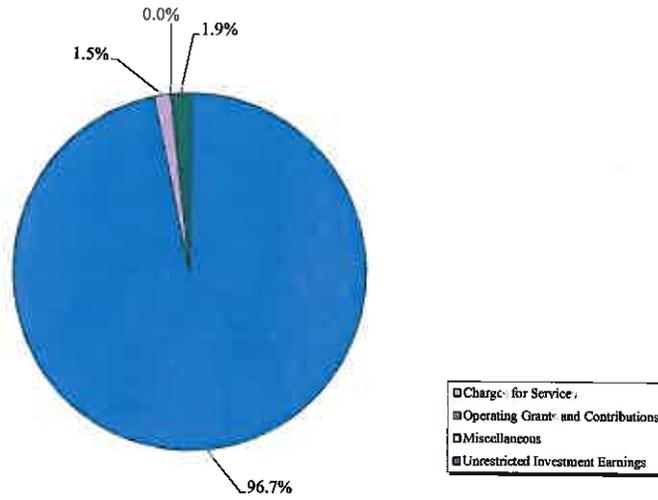


CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

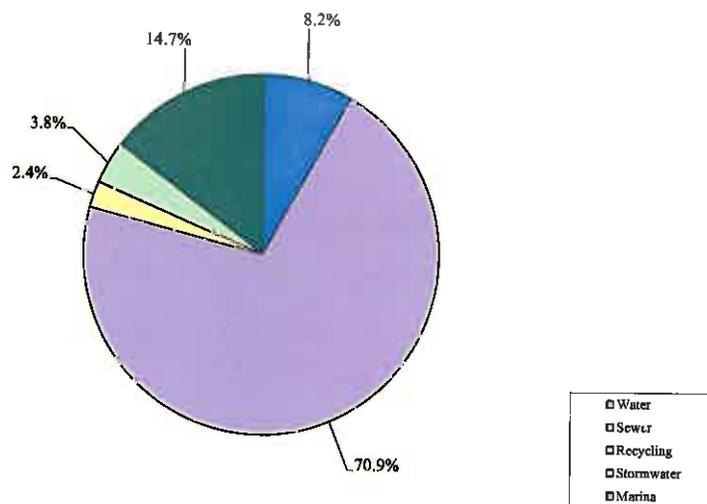
BUSINESS-TYPE ACTIVITIES

Business-type activities decreased net assets by \$ 63,507. Below are graphs showing the business-type activities revenue and expense comparisons:

Business-Type Activities - Revenues



Business-Type Activities - Expenses



CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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 balances may serve as a useful measure of a city's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 2,939,571. This entire amount is dedicated to:

- 1) Provide for ongoing operating costs (\$ 2,305,713)
- 2) Pay severance and OPEB liability (\$ 145,908)
- 3) Fund special capital and park projects (\$ 465,546)
- 4) Reserved funds for prepaid assets (\$ 22,404)

The General Fund increased \$ 528 despite lower than expected revenues in the following areas:

- 1) Investment income continues to be affected by lower than anticipated investment rates (\$ 53,455).
- 2) Building Permit revenue the City receives from the City of Greenwood was adversely effected by reduced construction activity (\$ 30,171).
- 3) Contract fees from the City of Greenwood for public works services were lower than expected (\$ 13,285) due to the decrease in public works projects within the City of Greenwood.

The overall reduction in revenues was offset by an even greater reduction in General Fund expenditures, thereby resulting in an overall General Fund increase of \$ 528. The following General Fund expenditures were substantially below 2010 budget estimates:

- 1) A substantial dividend from the League of Minnesota Cities Insurance Trust (LMCIT) greatly reduced 2010 property and liability insurance costs (\$ 12,394)
- 2) A reduction in a part-time position in the Police Department lead to an overall reduction in police salaries & benefits (\$ 10,706)
- 3) Gasoline prices for both police and public works departments was less than anticipated in 2010 (\$ 6,470)
- 4) Reduced construction activity lead to lower than expected building permit inspection and plan review contract fees (\$ 24,342)
- 5) Lower than expected legal fees and engineering fees (\$ 14,079)

The Capital Improvement Fund balance increased \$ 27,693 over the prior year due to the fact that the scheduled purchase of a public works snow blower attachment; police laptops, portable radios and a radar unit; new playground equipment at Thorpe Park and renovated tennis courts at Village Hall Park; and the seal coating of city streets cost less than the annual revenues received in the Fund.

The Park Improvement Fund balance increased \$ 4,083 due to the lack of scheduled capital park improvement projects.

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Propriety Funds

Business-type activities decreased the City's net assets by \$ 63,507, principally due to the decline in the capital assets of the Propriety Funds in general, and the Sewer Fund in particular.

In addition, the decline in net assets is also further due in part to the fact that the rates for the Sewer Fund are purposely set at a level to not fully recover the depreciated cost of the system. At this time, management does not expect current rate payers to pay for entire depreciated cost of the sanitary sewer system solely through rates.

From a cash position, business-type activities increased \$ 34,084 in 2010. Key elements of this increase were as follows:

- Water Fund – The cash position of the Water Fund increased \$ 8,737, which is an indication that the water rate increase enacted back in 2004 continues to be adequate to finance the costs of operating the water system.
- Sewer Fund – The cash position of the Sewer Fund decreased \$ 40,020 in 2010. This decrease was anticipated due to the fact that current sewer rates are not sufficient to cover current operating expenses within the Sewer Fund. In particular, increases in wastewater disposal fees by the Metropolitan Council Environmental Service has substantially increased operational costs and further necessitated the need to increase sewer fees. The City Council has partially addressed this issue by authorizing a sewer rate increase in both 2010 and 2011. The combined effect of these two rate increases will provide sufficient revenues starting in 2011 to fully fund annual operating costs and the ongoing schedule of capital projects within the Sewer Fund.
- Recycling Fund – The cash position of the Recycling Fund decreased \$ 2,891 in 2010. A reduction in the fund balance was anticipated following the reimbursement to Waste Management for conducting the 2009 Fall Cleanup Day.
- Storm Water Fund – The cash position of the Storm Water Fund increased \$ 43,814 in 2010. This increase was expected due to the lack of substantial storm water projects undertaken in 2010.
- Marina Fund – The cash position of the Marina Fund increased \$ 24,444 in 2010. This increase was expected due to the lack of marina capital projects undertaken in 2010 and the planned build up of cash reserves in expectation of the reconstruction of the Carson's Bay marina in 2012.

BUDGETARY HIGHLIGHTS

General Fund

There were no changes made to the original budget. During the year, actual revenues exceeded actual expenditures by \$ 528, thus eliminating the need to draw upon existing fund reserves.

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

BUDGETARY HIGHLIGHTS

General Fund Revenues – With budgeted General Fund revenues of \$ 2,475,919 versus actual General Fund Revenues of \$ 2,463,293, General Fund revenues came in \$ 12,626 less than anticipated in 2010. A review of General Fund revenues illustrates there were three primary reasons for the unexpected shortfall: 1) the continued downturn in residential construction activity; 2) lower than expected investment earnings; and, 3) to a decline in contracted public works services.

Residential construction activity has declined both nationally and locally, which has lead to an overall reduction in building permit applications and building permit fees. Somewhat surprisingly, building permit fees for the City continued to exceed expectations and came in over budget in 2010. However, while building permit fees that the City receives from the City of Woodland rebounded very nicely in 2010, the permit fees for the City of Greenwood continued to under perform in 2010. Building permit fees for the Cities of Greenwood were budgeted at \$ 36,000 in 2010 and actual building permit fees were only \$ 5,829, resulting in a shortfall of \$ 30,171 for the year.

Investment earnings continue to be adversely effected by the inability to find investment rates higher than the City's 1% money market rate. As a result, interest income continued to severely decline as investments with higher investment rates matured only to be replaced with lower earning investments.

The third major reason for the shortfall in General Fund revenues is due to a significant reduction in contracted public work services with the City of Greenwood. Public works services for the City of Greenwood had been budgeted at \$ 62,000 and actual revenue received was only \$ 48,715, resulting in a shortfall of \$ 13,285. This reduction is owing to a continuing effort by the City of Greenwood to reduce public work costs.

General Fund Expenditures – With budgeted General Fund expenditures of \$ 2,496,230 versus actual General Fund expenditures of \$ 2,483,941, General Fund expenditures were \$ 12,289 less than expected in 2010. While credit for reduced expenditures can be attributed across every department of the City, including General Government, Administration, Public Safety, Planning & Zoning, and Parks and Recreation, there are principally seven reasons for lower than expected General Fund expenditures in 2010.

1. A premium dividend from the LMCIT greatly reduced 2010 property and liability insurance costs (\$ 12,364).
2. A reduction in a part-time position in the Police Department lead to an overall reduction in police salaries & benefits (\$ 10,706)
3. 2010 gasoline prices for both the Police and Public Works Departments were less than anticipated in 2010 (\$ 6,470).
4. The reduction in building permit applications lead to a corresponding reduction in building permit inspection and plan review contract fees due to the City of Minnetonka (\$ 24,342).
5. Lower than anticipated utility costs in 2010 (\$ 11,342)
6. The City experienced lower than expected legal and engineering fees in 2010 (\$ 14,079).
7. The Deer Management Program, within the Wildlife Management Department, produced a lower than expected yield resulting in unexpected savings (\$ 3,920).

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

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, 2010, amounted to \$ 7,502,550 (net of accumulated depreciation). This investment in capital assets included land, land improvements, buildings, vehicles and equipment.

	2010 (In Thousands)		2010 Total	2009 Total
	Governmental Activities	Business-Type Activities		
Land	\$ 692	\$ -	\$ 692	\$ 692
Construction in Progress	-	-	-	-
Building	435	-	435	467
Mains, Lifts, Hydrants and Distribution Systems	-	2,542	2,542	2,648
Improvements Other than Buildings	3	36	39	46
Infrastructure	2,706	-	2,706	2,812
Vehicles and Equipment	912	176	1,088	1,127
Total	\$ 4,748	\$ 2,754	\$ 7,502	\$ 7,792

Additional information on the City's capital assets can be found in Note 5 of the section entitled Notes to the Financial Statements.

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

- Police Department Equipment (\$ 17,110)
- Snow Blower Attachment (\$ 6,725)
- Street Seal Coating (\$ 118,349)
- Thorpe Park Playground Equipment (\$ 58,752)
- Village Hall Tennis Court Improvements (\$ 35,073)
- Lift Station Pumps & Inventory (\$ 26,893)
- Water Street Storm Water Repair (\$ 14,398)

LONG-TERM DEBT

At the end of the current fiscal year, the City had total long-term debt totaling \$ 153,372 for accrued compensated absences and OPEB liability. Refer to Note 6 in the financial statements for further information.

ECONOMIC FACTORS AND FUTURE BUDGET PLANS

The City is a fully developed community that must adjust to relatively slow growth in the future market value of the City. With little "new" tax dollars entering the community, the City must grow increasingly careful with the development of future budgets to control future increases in the property tax levy.

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2010

ECONOMIC FACTORS AND FUTURE BUDGET PLANS

This places an increasing burden on the City to increase other revenue opportunities aside from the property tax levy to offset inflationary increases in supplies, employee salaries, health care and professional services.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to City Hall, 20225 Cottagewood Road, Deephaven, Minnesota 55331.

BASIC FINANCIAL STATEMENTS

CITY OF DEEPHAVEN

STATEMENT OF NET ASSETS

December 31, 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and Investments (Including Cash Equivalents)	\$ 2,935,020	\$ 975,926	\$ 3,910,946
Accounts Receivable	23,134	155,256	178,390
Interest Receivable	2,070	-	2,070
Property Taxes Receivable:			
Unremitted	20,144	-	20,144
Delinquent	17,163	-	17,163
Special Assessments Receivable:			
Unremitted	379	712	1,091
Delinquent	-	8,476	8,476
Deferred	2,468	17,926	20,394
Due from Other Governments	33,188	-	33,188
Prepaid Items	22,404	3,761	26,165
Capital Assets not being Depreciated:			
Land	692,177	-	692,177
Capital Assets Net of Accumulated Depreciation:			
Buildings	435,360	-	435,360
Mains, Lifts, Hydrants and Distribution Systems	-	2,542,188	2,542,188
Improvements Other than Buildings	2,922	36,329	39,251
Infrastructure	2,705,610	-	2,705,610
Vehicles and Equipment	912,316	175,648	1,087,964
	<u>\$ 7,804,355</u>	<u>\$ 3,916,222</u>	<u>\$ 11,720,577</u>
LIABILITIES AND NET ASSETS			
Liabilities			
Accounts and Contracts Payable	\$ 23,154	\$ 6,028	\$ 29,182
Salaries and Benefits Payable	43,576	3,104	46,680
Due to Other Governments	30,038	8,781	38,819
Unearned Revenue	-	120,192	120,192
Compensated Absences Payable:			
Payable Within One Year	12,065	449	12,514
Payable After One Year	108,580	4,043	112,623
Other Post Employment Benefits (OPEB) Obligation, Payable After One Year	25,263	2,972	28,235
Total Liabilities	<u>242,676</u>	<u>145,569</u>	<u>388,245</u>
Net Assets			
Invested in Capital Assets	4,748,385	2,754,165	7,502,550
Restricted for:			
Capital Projects	465,546	-	465,546
Unrestricted	2,347,748	1,016,488	3,364,236
Total Net Assets	<u>7,561,679</u>	<u>3,770,653</u>	<u>11,332,332</u>
	<u>\$ 7,804,355</u>	<u>\$ 3,916,222</u>	<u>\$ 11,720,577</u>

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

CITY OF DEEPHAVEN

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

Functions/Programs Governmental Activities:	Program Revenues			Net (Expense) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
General Government	\$ 502,985	\$ -	\$ -	\$ (388,543)	\$ -	\$ (388,543)
Public Safety	1,260,436	45,327	6,400	(1,009,474)	-	(1,009,474)
Public Works	1,037,303	8,466	1,879	(665,524)	-	(665,524)
Park and Recreation	129,720	5,580	-	(124,140)	-	(124,140)
Total Governmental Activities	2,930,444	59,373	8,279	(2,187,681)	-	(2,187,681)
Business-Type Activities:						
Water	69,953	-	-	-	(7,187)	(7,187)
Sewer	601,636	-	-	-	(110,780)	(110,780)
Recycling	20,008	12,370	-	-	4,324	4,324
Storm Water	32,512	-	-	-	52,308	52,308
Marina	124,629	-	-	-	3,500	3,500
Total Business-Type Activities	848,738	12,370	-	-	(57,835)	(57,835)
Total Governmental and Business-Type Activities	\$ 3,779,182	\$ 71,743	\$ 8,279	(2,187,681)	(57,835)	(2,245,516)
General Revenues:						
Property Taxes	1,879,440					1,879,440
Unrestricted State Aids	2,473					2,473
Unrestricted Investment Earnings	38,224				14,918	53,142
Other General Revenue	57,877				-	57,877
Transfers	20,590			(20,590)		-
Total General Revenues and Transfers	1,998,604			(5,672)		1,992,932
Change in Net Assets	(189,077)			(63,507)		(252,584)
Net Assets - Beginning	7,750,756			3,834,160		11,584,916
Net Assets - Ending	\$ 7,561,679			\$ 3,770,653		\$ 11,332,332

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

MAJOR GOVERNMENTAL FUNDS

CITY OF DEEPHAVEN

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2010

	<u>General Fund</u>	<u>Capital Projects</u>		<u>Total Governmental Funds</u>
		<u>Capital Improvement Fund</u>	<u>Park Improvement Fund</u>	
ASSETS				
Cash and Investments	\$ 2,494,129	\$ 368,169	\$ 72,722	\$ 2,935,020
Accounts Receivable	-	23,134	-	23,134
Interest Receivable	2,070	-	-	2,070
Property Taxes Receivable:				
Unremitted	18,623	1,521	-	20,144
Delinquent	17,163	-	-	17,163
Special Assessments Receivable:				
Unremitted	379	-	-	379
Deferred	2,468	-	-	2,468
Due from Other Governments	33,188	-	-	33,188
Prepaid Items	22,350	-	54	22,404
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 2,590,370</u>	<u>\$ 392,824</u>	<u>\$ 72,776</u>	<u>\$ 3,055,970</u>
 LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 23,154	\$ -	\$ -	\$ 23,154
Salaries and Benefits Payable	43,576	-	-	43,576
Due to Other Governments	30,038	-	-	30,038
Deferred Revenue	19,631	-	-	19,631
Total Liabilities	<u>116,399</u>	<u>-</u>	<u>-</u>	<u>116,399</u>
 Fund Balances				
Reserved for:				
Prepaid Items	22,350	-	54	22,404
Unreserved, Reported in:				
General Fund - Designated	2,451,621	-	-	2,451,621
Capital Projects - Designated	-	392,824	72,722	465,546
Total Fund Balances	<u>2,473,971</u>	<u>392,824</u>	<u>72,776</u>	<u>2,939,571</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 2,590,370</u>	<u>\$ 392,824</u>	<u>\$ 72,776</u>	<u>\$ 3,055,970</u>

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

CITY OF DEEPHAVEN

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
December 31, 2010**

Total Fund Balances - Governmental Funds	\$ 2,939,571
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of Capital Assets	7,659,427
Less Accumulated Depreciation	(2,911,042)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Compensated Absences Payable	(120,645)
Unfunded OPEB Liability	(25,263)
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Taxes	17,163
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Deferred Special Assessments	<u>2,468</u>
Total Net Assets - Governmental Activities	<u><u>\$ 7,561,679</u></u>

CITY OF DEEPHAVEN

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010**

	General Fund	Capital Projects		Total Governmental Funds
		Capital Improvement Fund	Park Improvement Fund	
REVENUES				
General Property Taxes and Fiscal Disparities	\$ 1,741,560	\$ 158,913	\$ -	\$ 1,900,473
Special Assessments	2,662	-	-	2,662
Licenses and Permits	198,040	-	-	198,040
Intergovernmental	58,673	-	-	58,673
Charges for Services	313,596	-	-	313,596
Fines	63,761	8,730	-	72,491
Miscellaneous:				
Investment Income	31,545	5,599	1,080	38,224
Contributions and Donations	102	-	-	102
Franchise Fees	-	91,977	-	91,977
Other	53,354	-	5,580	58,934
Total Revenues	<u>2,463,293</u>	<u>265,219</u>	<u>6,660</u>	<u>2,735,172</u>
EXPENDITURES				
Current				
General Government	486,622	-	-	486,622
Public Safety	1,184,430	-	-	1,184,430
Public Works	740,620	1,611	-	742,231
Parks and Recreation	72,269	-	598	72,867
Capital Outlay				
General Government	-	5,794	-	5,794
Public Safety	-	11,063	-	11,063
Public Works	-	125,074	-	125,074
Parks and Recreation	-	94,419	1,979	96,398
Total Expenditures	<u>2,483,941</u>	<u>237,961</u>	<u>2,577</u>	<u>2,724,479</u>
Excess of Revenues Over (Under) Expenditures	(20,648)	27,258	4,083	10,693
OTHER FINANCING SOURCES				
Proceeds from Sale of Capital Assets	586	435	-	1,021
Transfers In	20,590	-	-	20,590
Total Other Financing Sources	<u>21,176</u>	<u>435</u>	<u>-</u>	<u>21,611</u>
Net Change in Fund Balances	528	27,693	4,083	32,304
FUND BALANCES				
Beginning of Year	<u>2,473,443</u>	<u>365,131</u>	<u>68,693</u>	<u>2,907,267</u>
End of Year	<u>\$ 2,473,971</u>	<u>\$ 392,824</u>	<u>\$ 72,776</u>	<u>\$ 2,939,571</u>

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

CITY OF DEEPHAVEN

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2010**

Net Change in Fund Balances - Governmental Funds \$ 32,304

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

Capital outlay is reported in governmental funds as an expenditure. However,
in the Statement of Activities, the cost of those assets is allocated over the
estimated useful lives as depreciation expense.

Capital Outlay	120,988
Depreciation Expense	(288,064)
Book Value of Disposed Assets	(4,518)
Donated Assets	6,400

Compensated absences are recognized as paid in the governmental funds
but recognized as the expense is incurred in the Statement of Activities. (14,834)

OPEB costs are recognized as paid in the governmental funds but
recognized as the expense is incurred in the Statement of Activities. (19,537)

Certain receivables will be collected in subsequent years, but are not available
soon enough to pay for the current period's expenditures and, therefore, are
deferred in the funds.

Property Taxes Delinquent	(21,033)
Special Assessments Deferred	(783)

Change in Net Assets - Governmental Activities \$ (189,077)

CITY OF DEEPHAVEN

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2010**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
General Property Taxes and Fiscal Disparities	\$ 1,736,370	\$ 1,741,560	\$ 5,190
Special Assessments	2,109	2,662	553
Licenses and Permits	184,460	198,040	13,580
Intergovernmental	59,051	58,673	(378)
Charges for Services	326,113	313,596	(12,517)
Fines and Forfeitures	41,500	63,761	22,261
Miscellaneous Revenues:			
Investment Income	85,000	31,545	(53,455)
Contributions and Donations	100	102	2
Other	41,216	53,354	12,138
Total Revenues	<u>2,475,919</u>	<u>2,463,293</u>	<u>(12,626)</u>
EXPENDITURES			
Current			
General Government	489,728	486,622	(3,106)
Public Safety	1,202,985	1,184,430	(18,555)
Public Works	720,817	740,620	19,803
Park and Recreation	82,700	72,269	(10,431)
Total Expenditures	<u>2,496,230</u>	<u>2,483,941</u>	<u>(12,289)</u>
Excess of Revenues Under Expenditures	(20,311)	(20,648)	(337)
OTHER FINANCING SOURCES			
Proceeds from Sale of Capital Asset	200	586	386
Transfers In	20,590	20,590	-
Total Other Financing Sources	<u>20,790</u>	<u>21,176</u>	<u>386</u>
Net Change in Fund Balances	<u>\$ 479</u>	528	<u>\$ 49</u>
FUND BALANCES			
Beginning of Year		<u>2,473,443</u>	
End of Year		<u>\$ 2,473,971</u>	

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

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PROPRIETARY FUNDS

CITY OF DEEPAVEN

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
December 31, 2010**

	<u>Water</u>	<u>Sewer</u>	<u>Recycling</u>	<u>Storm Water</u>	<u>Marina</u>	<u>Total</u>
ASSETS						
Current Assets						
Cash and Investments	\$ 133,092	\$ 504,336	\$ 1,862	\$ 142,529	\$ 194,107	\$ 975,926
Accounts Receivable	13,705	119,659	-	21,892	-	155,256
Special Assessments Receivable:						
Delinquent	-	5,058	3,418	-	-	8,476
Deferred	439	17,487	-	-	-	17,926
Unremitted	-	393	319	-	-	712
Prepaid Items	50	2,776	-	107	828	3,761
Total Current Assets	<u>147,286</u>	<u>649,709</u>	<u>5,599</u>	<u>164,528</u>	<u>194,935</u>	<u>1,162,057</u>
Noncurrent Assets						
Capital Assets:						
Mains, Lifts, Hydrants and Distribution Systems	736,250	5,919,261	-	287,179	-	6,942,690
Improvements	-	-	-	-	107,801	107,801
Vehicles and Equipment	23,481	25,624	-	-	215,480	264,585
Total Capital Assets	759,731	5,944,885	-	287,179	323,281	7,315,076
Less Accumulated Depreciation	(365,334)	(4,051,232)	-	(16,059)	(128,286)	(4,560,911)
Net Capital Assets	<u>394,397</u>	<u>1,893,653</u>	<u>-</u>	<u>271,120</u>	<u>194,995</u>	<u>2,754,165</u>
Total Assets	<u>\$ 541,683</u>	<u>\$ 2,543,362</u>	<u>\$ 5,599</u>	<u>\$ 435,648</u>	<u>\$ 389,930</u>	<u>\$ 3,916,222</u>
LIABILITIES AND NET ASSETS						
Current Liabilities						
Accounts and Contracts Payable	\$ 1,452	\$ 979	\$ 319	\$ 1,157	\$ 2,121	\$ 6,028
Salaries and Benefits Payable	94	2,084	-	227	699	3,104
Due to Other Governments	8,781	-	-	-	-	8,781
Unearned Revenue	-	-	-	-	120,192	120,192
Long-Term Liabilities Due Within One Year	16	219	-	68	146	449
Total Current Liabilities	<u>10,343</u>	<u>3,282</u>	<u>319</u>	<u>1,452</u>	<u>123,158</u>	<u>138,554</u>
Noncurrent Liabilities						
Compensated Absences	157	2,194	-	679	1,462	4,492
Unfunded OPEB Liability	93	2,080	-	167	632	2,972
Less Amount Due Within One Year	(16)	(219)	-	(68)	(146)	(449)
Total Noncurrent Liabilities	<u>234</u>	<u>4,055</u>	<u>-</u>	<u>778</u>	<u>1,948</u>	<u>7,015</u>
Total Liabilities	<u>10,577</u>	<u>7,337</u>	<u>319</u>	<u>2,230</u>	<u>125,106</u>	<u>145,569</u>
Net Assets						
Investment in Capital Assets	394,397	1,893,653	-	271,120	194,995	2,754,165
Unrestricted	136,709	642,372	5,280	162,298	69,829	1,016,488
Total Net Assets	<u>531,106</u>	<u>2,536,025</u>	<u>5,280</u>	<u>433,418</u>	<u>264,824</u>	<u>3,770,653</u>
Total Liabilities and Net Assets	<u>\$ 541,683</u>	<u>\$ 2,543,362</u>	<u>\$ 5,599</u>	<u>\$ 435,648</u>	<u>\$ 389,930</u>	<u>\$ 3,916,222</u>

CITY OF DEEPHAVEN

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUNDS
For the Year Ended December 31, 2010**

	<u>Water</u>	<u>Sewer</u>	<u>Recycling</u>	<u>Storm Water</u>	<u>Marina</u>	<u>Total</u>
OPERATING REVENUES						
Charges for Services	\$ 62,666	\$ 486,303	\$ 10,942	\$ 84,820	\$ 128,129	\$ 772,860
Permits, Hookup Fees and Penalties	100	4,553	1,020	-	-	5,673
Total Operating Revenues	<u>62,766</u>	<u>490,856</u>	<u>11,962</u>	<u>84,820</u>	<u>128,129</u>	<u>778,533</u>
OPERATING EXPENSES						
Disposal Charges	-	332,956	-	-	-	332,956
Water Charges	41,384	-	-	-	-	41,384
Wages and Benefits	4,123	107,893	-	9,607	37,615	159,238
Repairs and Maintenance	4,015	5,160	-	-	1,548	10,723
Supplies	-	2,777	611	123	491	4,002
Utilities	-	6,753	-	-	405	7,158
Other	4,883	15,393	19,397	15,868	69,288	124,829
Depreciation	15,548	130,704	-	6,914	15,282	168,448
Total Operating Expenses	<u>69,953</u>	<u>601,636</u>	<u>20,008</u>	<u>32,512</u>	<u>124,629</u>	<u>848,738</u>
Operating Income (Loss)	(7,187)	(110,780)	(8,046)	52,308	3,500	(70,205)
NONOPERATING REVENUES						
Interest Income	2,035	8,392	35	2,058	2,398	14,918
Other Income	-	-	12,370	-	-	12,370
Total Nonoperating Revenues	<u>2,035</u>	<u>8,392</u>	<u>12,405</u>	<u>2,058</u>	<u>2,398</u>	<u>27,288</u>
Income (Loss) before Transfers	(5,152)	(102,388)	4,359	54,366	5,898	(42,917)
Transfers Out	-	(20,590)	-	-	-	(20,590)
Change in Net Assets	(5,152)	(122,978)	4,359	54,366	5,898	(63,507)
NET ASSETS						
Beginning of Year	<u>536,258</u>	<u>2,659,003</u>	<u>921</u>	<u>379,052</u>	<u>258,926</u>	<u>3,834,160</u>
End of Year	<u>\$ 531,106</u>	<u>\$ 2,536,025</u>	<u>\$ 5,280</u>	<u>\$ 433,418</u>	<u>\$ 264,824</u>	<u>\$ 3,770,653</u>

CITY OF DEEPHAVEN

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2010**

	<u>Water</u>	<u>Sewer</u>	<u>Recycling</u>	<u>Storm Water</u>	<u>Marina</u>	<u>Total</u>
CASH FLOWS - OPERATING ACTIVITIES						
Receipts from Customers and Users	\$ 60,435	\$ 471,752	\$ 12,731	\$ 84,863	\$ 128,872	\$ 758,653
Payments to Suppliers	(49,707)	(366,169)	(28,027)	(15,959)	(69,854)	(529,716)
Payments to Employees	(4,026)	(106,513)	-	(9,450)	(36,972)	(156,961)
Received from Other Sources	-	-	12,370	-	-	12,370
Net Cash Flows - Operating Activities	<u>6,702</u>	<u>(930)</u>	<u>(2,926)</u>	<u>59,454</u>	<u>22,046</u>	<u>84,346</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES						
Transfer Out	-	(20,590)	-	-	-	(20,590)
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of Capital Assets	-	(26,892)	-	(17,698)	-	(44,590)
CASH FLOWS - INVESTING ACTIVITIES						
Interest and Dividends Received	<u>2,035</u>	<u>8,392</u>	<u>35</u>	<u>2,058</u>	<u>2,398</u>	<u>14,918</u>
Net Change in Cash and Cash Equivalents	8,737	(40,020)	(2,891)	43,814	24,444	34,084
CASH AND CASH EQUIVALENTS						
Beginning of Year	<u>124,355</u>	<u>544,356</u>	<u>4,753</u>	<u>98,715</u>	<u>169,663</u>	<u>941,842</u>
End of Year	<u>\$ 133,092</u>	<u>\$ 504,336</u>	<u>\$ 1,862</u>	<u>\$ 142,529</u>	<u>\$ 194,107</u>	<u>\$ 975,926</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH - FLOWS -OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (7,187)	\$ (110,780)	\$ (8,046)	\$ 52,308	\$ 3,500	\$ (70,205)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:						
Depreciation Expense	15,548	130,704	-	6,914	15,282	168,448
Accounts Receivable	(1,892)	(15,898)	-	43	-	(17,747)
Special Assessments Receivable	(439)	(3,206)	769	-	-	(2,876)
Prepaid Items	(22)	(487)	-	(56)	(223)	(788)
Accounts and Contracts Payable	1,422	(2,643)	(8,019)	88	2,101	(7,051)
Salaries and Benefits Payable	12	(266)	-	20	80	(154)
Due to Other Governments	(825)	-	-	-	-	(825)
OPEB Obligation	72	1,608	-	129	489	2,298
Unearned Revenue	-	-	-	-	743	743
Compensated Absences Payable	13	38	-	8	74	133
Miscellaneous Revenue	-	-	12,370	-	-	12,370
Total Adjustments	<u>13,889</u>	<u>109,850</u>	<u>5,120</u>	<u>7,146</u>	<u>18,546</u>	<u>154,551</u>
Net Cash Flows - Operating Activities	<u>\$ 6,702</u>	<u>\$ (930)</u>	<u>\$ (2,926)</u>	<u>\$ 59,454</u>	<u>\$ 22,046</u>	<u>\$ 84,346</u>

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**NOTES TO BASIC
FINANCIAL STATEMENTS**

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Deephaven is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

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

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

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

Joint Ventures and Jointly Governed Organizations – The relationship of the City with the entity is disclosed.

For the category above, the specific entity is identified as follows:

1. Joint Venture

The City belongs to the Excelsior Fire District (the "District") which is made up of five member cities. The primary purpose of this organization is to provide fire protection services to the member cities. The City has no equity interest in the District as of December 31, 2010. In accordance with *Minnesota Statutes*, the City retains a commitment to fund a percentage of the unfunded pension liability of the District. The amount, if any, was not available at December 31, 2010.

In connection with the construction of the two fire safety facilities, the Shorewood Economic Development Authority (EDA) has issued three bonds totaling \$ 7,120,000 on behalf of the District and its member cities. All five member cities contribute annually towards the bonded debt payments and will do so until the bond payments end in the year 2023. Annual debt service payments are determined each year based on several factors, including tax capacity.

During the 2010 fiscal year, the City paid \$ 267,067 to the District for fire services provided and \$ 141,342 debt service payments. During 2007, these bonds were refinanced by a crossover refunding bond. To obtain a copy of the Shorewood Economic District contact the City.

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-Wide and Fund Financial Statements

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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, expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

CITY OF DEEPHAVEN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Description of Funds:

Major Governmental Funds:

General Fund – This Fund is the City’s primary operating fund. It accounts for all financial resources of the general City, except those required to be accounted for in another fund.

Capital Improvement Capital Project Fund – This Fund accounts for revenues and expenditures related to City capital improvements other than specific projects accounted for in other funds.

Park Improvement Capital Project Fund – This Fund accounts for the revenue and expenditures related to City park improvements.

Proprietary Funds:

Water Fund – This Fund accounts for the operations of the City’s water services.

Sewer Fund – This Fund accounts for the operations of the City’s sewer services.

Recycling Fund – This Fund accounts for the operations of the City’s recycling services.

Storm Water Fund – This Fund accounts for the operations of the City’s storm water services.

Marina Fund – This Fund accounts for the operations of the City’s marina on Lake Minnetonka.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City’s public utility funds 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.

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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. Assets, Liabilities and Net Assets or Equity

1. 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. Investments are stated at market value.

Minnesota Statutes require all deposits made by cities with financial institutions to be collateralized in an amount equal to 110% of deposits in excess of Federal Deposit Insurance Corporation (FDIC) insurance.

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, share of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

Custodial Credit Risk – Deposits: For deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's policy states all deposits must be fully insured and collateralized in the name of the City, subject to release by the City Administrator/Clerk/Treasurer.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City should manage its interest rates based on liquidity, safety and the overall return on the investment.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy lists the allowable investments as government securities, certificates of deposit, repurchase agreements, any general obligation security of the State of Minnesota or any of its municipalities, state-wide investment pool and money market mutual funds.

CITY OF DEEPHAVEN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets or Equity (Continued)

1. Deposits and Investments (Continued)

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy states the City will attempt to diversify its investments according to type and maturity. No more than 30% of the total investment should extend beyond 5 years and the City shall not invest in investments with a maturity exceeding 20 years.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states when a broker/dealer holds investments purchased by the City in safekeeping, the broker/dealer must provide asset protection of \$ 500,000 through the Securities Investor Protector Corporation (SIPC) and at least another \$ 2 million supplemental insurance protection.

2. Receivables and Payables

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Hennepin County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

3. Prepaid Items

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

CITY OF DEEPHAVEN

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets or Equity (Continued)

4. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$ 1,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Bridges	40
Mains and Lines	30 - 50
Buildings and Improvements	15 - 50
Streets	15 - 25
Vehicles and Equipment	3 - 25

5. Compensated Absences

Under terms of union contracts and personnel policies, the City's employees are granted vacation in varying amounts depending on length of service and union contract or employee classification. All full-time employees accumulate eight hours of sick leave per month of service. Upon termination, employees are paid for all unused vacation. Any employee who leaves the City under honorable condition is eligible for severance pay. Severance pay is one-third of unused accumulated sick leave.

6. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, the business-type activities or proprietary fund type Statement of Net Assets. Long-term liabilities consist of compensated absences and OPEB Obligations.

In the fund financial statements, governmental fund types recognize noncurrent liabilities to the extent they have matured or will be liquidated with expendable, available financial resources.

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Assets or Equity (Continued)

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets consists of capital assets, net of accumulated depreciation. Net assets are reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

9. Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City Council adopts an annual budget for all funds. The amounts shown in the financial statements for the General Fund as “budget” represent the original budgeted amount. The City follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The City Administrator/Clerk/Treasurer compiles the budget requests into an overall preliminary City budget.
2. The City Administrator/Clerk/Treasurer presents the proposed budget to the City Council. The budget resolution adopted by the City Council sets forth the budgets at the function level for all of the funds.
3. Formal budgetary integration is employed as a management control device during the year.

The budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. Annual appropriations lapse at year-end. The detailed budget schedule provided in the supplementary information is presented on the same basis. No revisions to the budgets were made during the year.

CITY OF DEEPHAVEN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information (Continued)

Encumbrances outstanding at year-end expire and outstanding purchase orders are canceled and not reported in the financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash balances of the City’s funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund’s portion of this pool is displayed in the financial statements as “cash and investments”. For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized below.

A. Deposits

Custodial Credit Risk – Deposits: As of December 31, 2010, the City’s bank balance was not exposed to custodial credit risk because it was fully insured through the FDIC as well as collateral pledged and a Federal Home Loan Bank standby letter of credit. The City’s deposits had a book balance as follows:

Checking and Money Market Savings	\$ 1,512,432
Certificates of Deposit	<u>1,894,424</u>
Total Deposits	<u><u>\$ 3,406,856</u></u>

B. Investments

As of December 31, 2010, the City had the following investments:

Investment Type	Fair Value	Investment Maturities		
		Less than One Year	1-5 Years	6-10 Years
Brokered Certificates of Deposit	\$ 498,030	\$ 200,701	\$ 297,329	\$ -
FHLMC Note	1,590	-	-	1,590
Brokered Money Market	<u>4,220</u>	<u>4,220</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 503,840</u></u>	<u><u>\$ 204,921</u></u>	<u><u>\$ 297,329</u></u>	<u><u>\$ 1,590</u></u>

Maturity	Maximum Investments
Less than One Year	41%
1-5 Years	59%
6-10 Years	0%

CITY OF DEEPHAVEN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 3 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Credit Risk: As of December 31, 2010, the City's investment in FHLMC note was rated AAA by Standard and Poor's (S&P), and Aaa by Moody's investors services. The remaining investments were unrated.

Concentration Credit Risk: As of December 31, 2010, the following investments of the City composed more than 5% of the City's portfolio: in the Compass Bank interest bearing certificates of deposit (20.0%), National City BK OH certificates of deposit (19.8%) held by Wells Fargo and Sallie Mae Bank – UT certificates of deposit (19.5%), Capmark Bank – UT certificates of deposit (19.7%) and M & I Marshall & Ilsley Bk – WI certificates of deposit (19.8%), held with Smith Barney. In following the City's investment policy, the City does not have more than 30% of its investments invested in securities with a maturity greater than 5 years and no maturities are greater than 10 years.

C. Balances

Summary of cash deposits and investments as of December 31, 2010 were as follows:

Deposits (Note 3.A.)	\$ 3,406,856
Investments	503,840
Petty Cash	<u>250</u>
Total Deposits and Investments	<u><u>\$ 3,910,946</u></u>

Deposits and investments are presented in the December 31, 2010 basic financial statements as follows:

Statement of Net Assets:	
Cash and Investments	
(Including Cash and Cash Equivalents)	<u><u>\$ 3,910,946</u></u>

NOTE 4 – INTERFUND TRANSFERS

The following is a summary of the City's transfers for the year ended December 31, 2010:

	<u>Transfer Out</u>
	<u>Sewer</u>
Transfer In:	
General	<u><u>\$ 20,590</u></u>

The above transfer was made for the purpose of payments in lieu of taxes.

CITY OF DEEPHAVEN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 5 – CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 692,177	\$ -	\$ -	\$ 692,177
Capital Assets being Depreciated:				
Buildings	1,224,077	-	-	1,224,077
Improvements Other than Buildings	5,484	-	-	5,484
Infrastructure	3,386,645	-	-	3,386,645
Vehicles and Equipment	2,254,827	127,388	31,171	2,351,044
Total Capital Assets being Depreciated	<u>6,871,033</u>	<u>127,388</u>	<u>31,171</u>	<u>6,967,250</u>
Less Accumulated Depreciation for:				
Buildings	757,509	31,208	-	788,717
Improvements Other than Buildings	2,196	366	-	2,562
Infrastructure	575,214	105,821	-	681,035
Vehicles and Equipment	1,314,712	150,669	26,653	1,438,728
Total Accumulated Depreciation	<u>2,649,631</u>	<u>288,064</u>	<u>26,653</u>	<u>2,911,042</u>
Total Capital Assets being Depreciated, Net	<u>4,221,402</u>	<u>(160,676)</u>	<u>4,518</u>	<u>4,056,208</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,913,579</u>	<u>\$ (160,676)</u>	<u>\$ 4,518</u>	<u>\$ 4,748,385</u>
Business-Type Activities:				
Capital Assets being Depreciated:				
Mains, Lifts, Hydrants and Distribution Systems	6,898,100	44,590	-	6,942,690
Improvements Other than Buildings	107,801	-	-	107,801
Vehicles and Equipment	264,585	-	-	264,585
Total Capital Assets being Depreciated	<u>7,270,486</u>	<u>44,590</u>	<u>-</u>	<u>7,315,076</u>
Less Accumulated Depreciation for:				
Mains, Lifts, Hydrants and Distribution Systems	4,250,109	150,393	-	4,400,502
Improvements Other than Buildings	65,035	6,437	-	71,472
Vehicles and Equipment	77,319	11,618	-	88,937
Total Accumulated Depreciation	<u>4,392,463</u>	<u>168,448</u>	<u>-</u>	<u>4,560,911</u>
Total Capital Assets being Depreciated, Net	<u>2,878,023</u>	<u>(123,858)</u>	<u>-</u>	<u>2,754,165</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,878,023</u>	<u>\$ (123,858)</u>	<u>\$ -</u>	<u>\$ 2,754,165</u>

CITY OF DEEPHAVEN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 5 – CAPITAL ASSETS

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

Governmental Activities:

General Government	\$ 14,531
Public Safety	47,420
Public Works	170,046
Park and Recreation	<u>56,067</u>

Total Depreciation Expense - Governmental Activities	<u><u>\$ 288,064</u></u>
--	--------------------------

Business-Type Activities:

Water	\$ 15,548
Sewer	130,704
Storm Water	6,914
Marina	<u>15,282</u>

Total Depreciation Expense - Business-Type Activities	<u><u>\$ 168,448</u></u>
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NOTE 6 – LONG-TERM DEBT

A. Conduit Debt Obligations

Conduit debt obligations are certain limited obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued revenue bonds to provide funding to private sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

As of December 31, 2010, the City's outstanding conduit debt balances consisted of the following:

\$ 2,555,000 Minnesota Education Facilities Revenue Note (Excelsior Covenant Preschool Project), Series 2007	\$ 2,096,959
\$ 3,525,000 Minnesota Revenue Note (Minnetonka Youth Hockey Association Project), Series 2008	<u>3,136,504</u>
Total	<u><u>\$ 5,233,463</u></u>

CITY OF DEEPHAVEN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 6 – LONG-TERM DEBT

B. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 105,811	\$ 101,240	\$ 86,406	\$ 120,645	\$ 12,065
OPEB Obligation	5,726	19,537	-	25,263	-
Total Governmental Activities	<u>111,537</u>	<u>120,777</u>	<u>86,406</u>	<u>145,908</u>	<u>12,065</u>
Business-Type Activities:					
Compensated Absences	4,359	6,057	5,924	4,492	449
OPEB Obligation	674	2,298	-	2,972	-
Total Business-Type Activities	<u>5,033</u>	<u>8,355</u>	<u>5,924</u>	<u>7,464</u>	<u>449</u>
Total Long-Term Liabilities	<u>\$ 116,570</u>	<u>\$ 129,132</u>	<u>\$ 92,330</u>	<u>\$ 153,372</u>	<u>\$ 12,514</u>

For governmental activities, the General Fund typically liquidates the liability related to compensated absences and OPEB Obligations.

NOTE 7 – RESERVED/DESIGNATED FUND BALANCE

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds. Reserved/designated fund balance is comprised of the following components:

	General Fund	Capital Projects		Total
		Capital Improvement Fund	Park Improvement Fund	
Reserved for:				
Prepaid Items	\$ 22,350	\$ -	\$ 54	\$ 22,404
Unreserved:				
Designated for:				
Severance	120,645	-	-	120,645
OPEB	25,263	-	-	25,263
Working Capital	2,305,713	-	-	2,305,713
Capital Projects	-	392,824	72,722	465,546
Total	<u>\$ 2,473,971</u>	<u>\$ 392,824</u>	<u>\$ 72,776</u>	<u>\$ 2,939,571</u>

CITY OF DEEPHAVEN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 8 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience, workers' compensation rates and salaries for the year are known. The final premium adjustment was recorded in the year the adjustment was made.

During the year ended December 31, 2010, there were no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded the City's commercial coverage in any of the past three years.

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association

A. Plan Description

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

GERF members belong to either the Coordinated or 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, firefighters 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.

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2010

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

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% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For all GERF and PEPFF members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to 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 yet receiving them are bound by the provisions in effect at the time they last terminated their public service.

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

CITY OF DEEPHAVEN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 9– DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees’ Retirement Association (Continued)

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These Statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2010. PEPFF members were required to contribute 9.4% of their annual covered salary in 2010. In 2010, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.0% for Coordinated Plan members and 14.1% for PEPFF members. The City’s contributions to the Public Employees’ Retirement Fund for the years ending December 31, 2010, 2009 and 2008 were \$ 40,485, \$ 36,674 and \$ 35,036, respectively. The City’s contributions to the PEPFF for the years ending December 31, 2010, 2009 and 2008 were \$ 64,117, \$ 61,464 and \$ 55,451, respectively. The City’s contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 10 – COMMITMENTS

A. Construction Commitment

The City entered into a bid for construction with Minnetonka Portable Dredging to construct a 40 foot ramp for \$ 18,250. As of December 31, 2010, no work had been started.

B. Legal Claims

The City had legal claims pending at year-end. Although the outcome of these lawsuits is not presently determinable, the City’s management believes the City will not incur any material monetary loss resulting from these claims. No loss has been recorded on the City’s financial statements relating to these claims.

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The City provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage. Medical coverage is administered by HealthPartners, Inc. It is the City’s policy to periodically review its medical coverage, and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees.

CITY OF DEEPHAVEN
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2010

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN

B. Funding Policy

Retirees and their spouses contribute to the health care plan at the same rate as City employees. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with HealthPartners, Inc. The required contributions are based on projected pay-as-you-go financing requirements. For fiscal year 2010, the City contributed \$ 7,786 to the plan. As of January 1, 2010, there were no retirees receiving health benefits from the City's health plan.

C. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost of the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the plan.

ARC	\$	29,075
Interest on Net OPEB Obligation		309
Adjustment to ARC		237
Annual OPEB Cost (Expense)		29,621
Contributions Made		(7,786)
Increase in Net OPEB Obligation		21,835
Net OPEB Obligation - Beginning of Year		6,400
 Net OPEB Obligation - End of Year	 \$	 28,235

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for 2009 and 2010 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/10	\$ 29,621	\$ 7,786	26%	\$ 28,235
12/31/09	27,808	21,408	77%	6,400

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS December 31, 2010

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN

D. Funded Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$ 173,758 and the actuarial value of assets was \$ 0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 173,758. The covered payroll (annual payroll of active employees covered by the plan) was \$ 973,662, and the ratio of the UAAL to the covered payroll was 17.8%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The Schedule of Funding Progress for the Retiree Health Plan, presented as required supplementary information following the Notes to the Financial Statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

At the January 1, 2010 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5% discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (about 7.0% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5.0%, shorter term, based on City's general assets). The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 10% initially, reduced incrementally to an ultimate rate of 5% after 10 years. Both rates included a 3% inflation assumption. The UAAL is being amortized on a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2010 was 30 years.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF DEEPHAVEN
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2010

Schedule of Funding Progress for Retiree Health Plan

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability</u>	<u>Funded Ratio</u>	<u>Estimated Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
1/1/08	\$ -	\$281,775	\$281,775	0.0%	\$ 1,017,814	27.7%
1/1/10	-	173,758	173,758	0.0%	973,662	17.8%

This Schedule was implemented in 2009 and, therefore, contains only two year of data. See Note 11 in the Notes to the Financial Statements for more detail on this Schedule.

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SUPPLEMENTARY INFORMATION

CITY OF DEEPHAVEN

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2010**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
General Property Taxes and Fiscal Disparities	\$ 1,736,370	\$ 1,741,560	\$ 5,190
Special Assessments	2,109	2,662	553
Licenses and Permits	184,460	198,040	13,580
Intergovernmental Revenue:			
Market Value Credit	-	(28)	(28)
PERA Aid	2,501	2,501	-
Post Board Reimbursement	2,450	2,509	59
Police Retirement Aid	45,000	45,225	225
Road and Other Aid	9,100	8,466	(634)
Total Intergovernmental Revenue	<u>59,051</u>	<u>58,673</u>	<u>(378)</u>
Charges for Services:			
General Government	22,500	20,650	(1,850)
Public Safety	22,879	27,013	4,134
Public Works	7,300	9,543	2,243
City of Greenwood	113,572	85,806	(27,766)
City of Woodland	159,862	170,584	10,722
Total Charges for Services	<u>326,113</u>	<u>313,596</u>	<u>(12,517)</u>
Fines and Forfeitures	41,500	63,761	22,261
Miscellaneous Revenues:			
Investment Income	85,000	31,545	(53,455)
Contributions and Donations	100	102	2
Other	41,216	53,354	12,138
Total Miscellaneous Revenues	<u>126,316</u>	<u>85,001</u>	<u>(41,315)</u>
Total Revenues	<u>2,475,919</u>	<u>2,463,293</u>	<u>(12,626)</u>
EXPENDITURES			
General Government			
Mayor and Council:			
Personnel Services	13,700	13,325	(375)
Benefits	1,050	1,019	(31)
Other Services and Charges	5,700	4,794	(906)
Total Mayor and Council	<u>20,450</u>	<u>19,138</u>	<u>(1,312)</u>

CITY OF DEEPHAVEN

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2010
(Continued)**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
EXPENDITURES			
General Government (Continued)			
Elections:			
Personnel Services	\$ 5,000	\$ 4,287	\$ (713)
Other Services and Charges	3,430	3,557	127
Total Elections	<u>8,430</u>	<u>7,844</u>	<u>(586)</u>
Administrative and Finance:			
Personnel Services	168,505	171,559	3,054
Benefits	24,685	24,876	191
Other Services and Charges	70,882	66,659	(4,223)
Total Administrative and Finance	<u>264,072</u>	<u>263,094</u>	<u>(978)</u>
Assessing	47,676	51,640	3,964
Auditing Services	18,000	18,000	-
Legal Services	4,000	8,742	4,742
Other General Government	127,100	118,164	(8,936)
Total General Government	<u>489,728</u>	<u>486,622</u>	<u>(3,106)</u>
Public Safety			
Police:			
Personnel Services	518,598	507,892	(10,706)
Benefits	79,364	87,704	8,340
Prosecution Services	37,600	36,090	(1,510)
Other Services and Charges	158,914	144,310	(14,604)
Total Police	<u>794,476</u>	<u>775,996</u>	<u>(18,480)</u>
Fire:			
Other Services and Charges	408,509	408,434	(75)
Total Public Safety	<u>1,202,985</u>	<u>1,184,430</u>	<u>(18,555)</u>
Public Works			
Engineering Fees	2,000	853	(1,147)
Administration:			
Personnel Services	257,634	274,324	16,690
Benefits	73,997	80,191	6,194
Other Services and Charges	57,350	81,195	23,845
Total Administration	<u>388,981</u>	<u>435,710</u>	<u>46,729</u>

CITY OF DEEPHAVEN

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2010
(Continued)**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
EXPENDITURES			
Public Works (Continued)			
Streets:			
Utility Services	\$ 26,400	\$ 21,139	\$ (5,261)
Street Repair and Maintenance	78,100	94,777	16,677
Total Streets	<u>104,500</u>	<u>115,916</u>	<u>11,416</u>
Planning and Zoning:			
Personnel Services	80,064	80,424	360
Benefits	25,542	25,147	(395)
Professional Services	103,000	78,658	(24,342)
Other Services and Charges	16,730	3,912	(12,818)
Total Planning and Zoning	<u>225,336</u>	<u>188,141</u>	<u>(37,195)</u>
Total Public Works	<u>720,817</u>	<u>740,620</u>	<u>19,803</u>
Parks and Recreation			
Wildlife Management	13,100	9,180	(3,920)
Professional Services	43,200	38,854	(4,346)
Other	26,400	24,235	(2,165)
Total Parks and Recreation	<u>82,700</u>	<u>72,269</u>	<u>(10,431)</u>
Total Expenditures	<u>2,496,230</u>	<u>2,483,941</u>	<u>(12,289)</u>
Excess of Revenues			
(Under) Expenditures	(20,311)	(20,648)	(337)
OTHER FINANCING SOURCES			
Proceeds from Sale of Capital Assets	200	586	386
Transfers In	20,590	20,590	-
Total Other Financing Sources	<u>20,790</u>	<u>21,176</u>	<u>386</u>
Net Change in Fund Balances	<u>\$ 479</u>	528	<u>\$ 49</u>
FUND BALANCES			
Beginning of Year		<u>2,473,443</u>	
End of Year		<u>\$ 2,473,971</u>	

CITY OF DEEPHAVEN

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CAPITAL IMPROVEMENT FUND
For the Year Ended December 31, 2010**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
General Property Taxes and Fiscal Disparities	\$ 160,000	\$ 158,913	\$ (1,087)
Fines and Forfeitures	-	8,730	8,730
Miscellaneous Revenues:			
Investment Income	9,500	5,599	(3,901)
Franchise Fees	92,000	91,977	(23)
Total Miscellaneous Revenues	<u>101,500</u>	<u>97,576</u>	<u>(3,924)</u>
Total Revenues	<u>261,500</u>	<u>265,219</u>	<u>3,719</u>
EXPENDITURES			
General Government			
Capital Outlay	6,200	5,794	(406)
Public Safety			
Police:			
Capital Outlay	21,900	11,063	(10,837)
Public Works			
Streets:			
Street Repair and Maintenance	-	1,611	1,611
Capital Outlay	147,000	125,074	(21,926)
Total Streets	<u>147,000</u>	<u>126,685</u>	<u>(20,315)</u>
Park and Recreation			
Capital Outlay	118,750	94,419	(24,331)
Total Expenditures	<u>293,850</u>	<u>237,961</u>	<u>(55,889)</u>
Excess of Revenues Over (Under) Expenditures	(32,350)	27,258	59,608
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	-	435	435
Net Change in Fund Balances	<u>\$ (32,350)</u>	27,693	<u>\$ 60,043</u>
FUND BALANCES:			
Beginning of Year		<u>365,131</u>	
End of Year		<u>\$ 392,824</u>	

CITY OF DEEPHAVEN

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - PARK IMPROVEMENT FUND
For the Year Ended December 31, 2010**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Miscellaneous Revenues			
Investment Income	\$ 3,000	\$ 1,080	\$ (1,920)
Other	9,000	5,580	(3,420)
Total Revenues	<u>12,000</u>	<u>6,660</u>	<u>(5,340)</u>
EXPENDITURES			
Park and Recreation			
Other	9,000	598	(8,402)
Capital Outlay	22,000	1,979	(20,021)
Total Expenditures	<u>31,000</u>	<u>2,577</u>	<u>(28,423)</u>
Net Change in Fund Balances	<u>\$ (19,000)</u>	4,083	<u>\$ 23,083</u>
FUND BALANCES			
Beginning of Year		<u>68,693</u>	
End of Year		<u>\$ 72,776</u>	

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STATISTICAL SECTION

**CITY OF DEEPHAVEN
Hennepin County, Minnesota**

**STATISTICAL SECTION
December 31, 2010**

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information say about the City's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors tax affecting the City's ability to generate its individual income sales.

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Report for the relevant year.

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CITY OF DEEPHAVEN

NET ASSETS BY COMPONENT
Last Five Fiscal Years
(Unaudited)

Table 1

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
Governmental Activities:							
Invested in Capital Assets	\$ 5,189,044	\$ 5,151,234	\$ 5,059,462	\$ 4,974,229	\$ 4,907,661	\$ 4,913,579	\$ 4,748,385
Restricted	-	-	-	-	536,821	433,824	465,546
Unrestricted	2,430,084	2,439,493	2,485,099	2,738,771	2,330,953	2,403,353	2,347,748
Total Governmental Activities							
Net Assets	<u>\$ 7,619,128</u>	<u>\$ 7,590,727</u>	<u>\$ 7,544,561</u>	<u>\$ 7,713,000</u>	<u>\$ 7,775,435</u>	<u>\$ 7,750,756</u>	<u>\$ 7,561,679</u>
Business-Type Activities:							
Invested in Capital Assets	\$ 2,931,008	\$ 2,799,872	\$ 2,790,472	\$ 2,669,863	\$ 2,671,641	\$ 2,878,023	\$ 2,754,165
Unrestricted	1,060,947	1,075,162	1,057,152	1,272,540	1,225,658	956,137	1,016,488
Total Business-Type Activities							
Net Assets	<u>\$ 3,991,955</u>	<u>\$ 3,875,034</u>	<u>\$ 3,847,624</u>	<u>\$ 3,942,403</u>	<u>\$ 3,897,299</u>	<u>\$ 3,834,160</u>	<u>\$ 3,770,653</u>
Primary Government:							
Invested in Capital Assets	\$ 8,120,052	\$ 7,951,106	\$ 7,849,934	\$ 7,644,092	\$ 7,579,302	\$ 7,791,602	\$ 7,502,550
Restricted	-	-	-	-	536,821	433,824	465,546
Unrestricted	3,491,031	3,514,655	3,542,251	4,011,311	3,556,611	3,359,490	3,364,236
Total Primary Government							
Net Assets	<u>\$ 11,611,083</u>	<u>\$ 11,465,761</u>	<u>\$ 11,392,185</u>	<u>\$ 11,655,403</u>	<u>\$ 11,672,734</u>	<u>\$ 11,584,916</u>	<u>\$ 11,332,332</u>

CITY OF DEEPAVEN

CHANGES IN NET ASSETS
Last Five Fiscal Years
(Unaudited)

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
EXPENSES							
Governmental Activities							
General Government	\$ 395,883	\$ 343,094	\$ 383,642	\$ 465,244	\$ 504,634	\$ 468,161	\$ 502,985
Public Safety	977,293	1,019,762	1,069,557	1,138,533	1,157,123	1,237,012	1,260,436
Public Works	678,002	781,727	928,776	836,628	851,220	873,465	1,037,303
Park and Recreation	107,325	124,667	135,130	137,179	136,025	144,238	129,720
Other	122,548	122,548	90,075	-	-	-	-
Total Governmental Activities Expenses	<u>2,281,051</u>	<u>2,391,798</u>	<u>2,607,180</u>	<u>2,577,584</u>	<u>2,649,002</u>	<u>2,722,876</u>	<u>2,930,444</u>
Business-Type Activities							
Sewer	420,715	535,990	619,992	526,404	586,727	619,056	601,636
Water	55,004	59,110	60,522	65,807	79,291	81,168	69,953
Storm Water	13,714	31,069	28,216	43,765	20,496	34,795	32,512
Marina	68,028	81,312	99,097	104,937	99,877	121,418	124,629
Recycling	-	-	22,457	20,262	22,533	29,607	20,008
Total Business-Type Activities Expenses	<u>557,461</u>	<u>707,481</u>	<u>830,284</u>	<u>761,175</u>	<u>808,924</u>	<u>886,044</u>	<u>848,738</u>
Total Primary Government Expenses	<u>\$ 2,838,512</u>	<u>\$ 3,099,279</u>	<u>\$ 3,437,464</u>	<u>\$ 3,338,759</u>	<u>\$ 3,457,926</u>	<u>\$ 3,608,920</u>	<u>\$ 3,779,182</u>
PROGRAM REVENUES							
Governmental Activities							
Charges for Service:							
General Government	\$ 60,914	\$ 467,161	\$ 475,768	\$ 108,290	\$ 100,468	\$ 96,938	\$ 114,442
Public Safety	430,695	85,679	66,790	155,222	169,689	178,783	199,235
Public Works	168,465	7,912	10,227	390,429	414,009	332,005	361,434
Parks and Recreation	-	-	-	127,053	-	-	-
Other	-	99,120	114,448	-	-	-	-
Operating Grants and Contributions	64,001	-	74,217	57,922	54,936	64,657	59,373
Capital Grants and Contributions	36,613	-	-	9,196	1,204	46,767	8,279
Total Governmental Activities Program Revenues	<u>760,688</u>	<u>659,872</u>	<u>741,450</u>	<u>848,112</u>	<u>740,306</u>	<u>719,150</u>	<u>742,763</u>
Business-Type Activities							
Charges for Service:							
Sewer	364,218	362,826	403,820	426,846	421,381	430,724	490,856
Water	48,997	51,483	58,152	65,807	68,563	67,777	62,766
Recycling	-	-	7,072	10,690	10,459	16,755	11,962
Storm Water	17,026	33,388	85,173	85,417	84,767	83,232	84,820
Marina	96,577	84,923	89,962	118,479	124,156	128,965	128,129
Operating Grants and Contributions	-	-	-	-	12,098	12,011	12,370
Capital Grants and Contributions	20,191	13,189	23,347	10,396	-	16,000	-
Total Business-Type Activities Program Revenues	<u>547,009</u>	<u>545,809</u>	<u>667,526</u>	<u>717,635</u>	<u>721,424</u>	<u>755,464</u>	<u>790,903</u>
Total Primary Government Revenues	<u>\$ 1,307,697</u>	<u>\$ 1,205,681</u>	<u>\$ 1,408,976</u>	<u>\$ 1,565,747</u>	<u>\$ 1,461,730</u>	<u>\$ 1,474,614</u>	<u>\$ 1,533,666</u>
NET EXPENSE							
Governmental Activities	\$ (1,520,363)	\$ (1,731,926)	\$ (1,865,730)	\$ (1,729,472)	\$ (1,908,696)	\$ (2,003,726)	\$ (2,187,681)
Business-Type Activities	(10,452)	(161,672)	(162,758)	(43,550)	(87,500)	(130,580)	(57,835)
Total Primary Government Net Expense	<u>\$ (1,530,815)</u>	<u>\$ (1,893,598)</u>	<u>\$ (2,028,488)</u>	<u>\$ (1,773,022)</u>	<u>\$ (1,996,196)</u>	<u>\$ (2,134,306)</u>	<u>\$ (2,245,516)</u>

CITY OF DEEPHAVEN

**CHANGES IN NET ASSETS
Last Five Fiscal Years
(Unaudited)**

Table 2

	Fiscal Year						
	2004	2005	2006	2007	2008	2009	2010
GENERAL REVENUES AND OTHER							
CHANGES IN NET ASSETS							
Governmental Activities							
Property Tax	\$ 1,387,934	\$ 1,569,335	\$ 1,658,764	\$ 1,784,869	\$ 1,780,490	\$ 1,878,584	\$ 1,879,440
Unrestricted State Aid	-	-	-	33,675	16,673	2,790	2,473
Unrestricted Investment Earnings	56,143	63,324	100,814	119,352	119,490	69,415	38,224
Other General Revenues	51,922	31,837	75,375	31,874	34,287	62,461	57,877
Transfers	166,569	15,775	(15,389)	18,141	20,191	(34,203)	20,590
Total Governmental Activities	<u>1,662,568</u>	<u>1,680,271</u>	<u>1,819,564</u>	<u>1,987,911</u>	<u>1,971,131</u>	<u>1,979,047</u>	<u>1,998,604</u>
Business-Type Activities							
Unrestricted Investment Earnings	25,795	28,976	46,439	59,692	58,163	33,238	14,918
Other General Revenues	4,170	-	73,520	6,778	4,424	-	-
Transfers	(166,569)	15,775	15,389	(18,141)	(20,191)	34,203	(20,590)
Total Business-Type Activities	<u>(136,604)</u>	<u>44,751</u>	<u>135,348</u>	<u>48,329</u>	<u>42,396</u>	<u>67,441</u>	<u>(5,672)</u>
Total Primary Government	<u>\$ 1,525,964</u>	<u>\$ 1,725,022</u>	<u>\$ 1,954,912</u>	<u>\$ 2,036,240</u>	<u>\$ 2,013,527</u>	<u>\$ 2,046,488</u>	<u>\$ 1,992,932</u>
CHANGES IN NET ASSETS							
Governmental Activities	\$ 142,205	\$ (51,655)	\$ (46,166)	\$ 258,439	\$ 62,435	\$ (24,679)	\$ (189,077)
Business-Type Activities	(147,056)	(116,921)	(27,410)	4,779	(45,104)	(63,139)	(63,507)
Total Primary Government	<u>\$ (4,851)</u>	<u>\$ (168,576)</u>	<u>\$ (73,576)</u>	<u>\$ 263,218</u>	<u>\$ 17,331</u>	<u>\$ (87,818)</u>	<u>\$ (252,584)</u>

The City implemented GASB Statement No. 34 in the year 2004.
Source: City of Deephaven financial records

CITY OF DEEPHAVEN

**FUND BALANCES OF GOVERNMENTAL FUNDS
Last 10 Fiscal Years
(Unaudited)**

	Fiscal Year				
	2001	2002	2003	2004	2005
GENERAL FUND					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	2,302,200	2,203,476	2,026,337	2,043,475	2,119,084
Total General Fund	<u>\$ 2,302,200</u>	<u>\$ 2,203,476</u>	<u>\$ 2,026,337</u>	<u>\$ 2,043,475</u>	<u>\$ 2,119,084</u>
ALL OTHER GOVERNMENTAL FUNDS					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, Reported in:					
Capital Projects Funds	1,410,580	552,599	602,243	471,167	416,409
Total All Other Governmental Funds	<u>\$ 1,410,580</u>	<u>\$ 552,599</u>	<u>\$ 602,243</u>	<u>\$ 471,167</u>	<u>\$ 416,409</u>

Table 3

Fiscal Year				
2006	2007	2008	2009	2010
\$ -	\$ 18,850	\$ 19,583	\$ 18,392	\$ 22,350
<u>2,213,499</u>	<u>2,350,611</u>	<u>2,383,853</u>	<u>2,455,051</u>	<u>2,451,621</u>
<u>\$ 2,213,499</u>	<u>\$ 2,369,461</u>	<u>\$ 2,403,436</u>	<u>\$ 2,473,443</u>	<u>\$ 2,473,971</u>
\$ -	\$ 37	\$ 41	\$ -	\$ 54
<u>392,600</u>	<u>478,295</u>	<u>536,821</u>	<u>433,824</u>	<u>465,546</u>
<u>\$ 392,600</u>	<u>\$ 478,332</u>	<u>\$ 536,862</u>	<u>\$ 433,824</u>	<u>\$ 465,600</u>

CITY OF DEEPHAVEN

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

Last 10 Fiscal Years

(Unaudited)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
REVENUES				
Taxes	\$ 965,671	\$ 1,200,018	\$ 1,316,725	\$ 1,393,045
Special Assessments	26,320	-	-	38,698
Licenses and Permits	239,017	258,634	245,957	213,415
Intergovernmental	287,678	76,733	76,428	75,087
Charges for Service	343,290	267,684	283,497	292,537
Fines and Penalties	118,768	80,626	84,714	62,870
Franchise Fees	-	-	-	91,252
Interest Income	240,661	-	-	56,143
Miscellaneous Revenues	38,902	1,725,351	225,095	54,198
Total Revenues	<u>2,260,307</u>	<u>3,609,046</u>	<u>2,232,416</u>	<u>2,277,245</u>
EXPENDITURES				
General Government	389,024	398,482	397,538	395,300
Public Safety	713,777	781,336	881,917	942,149
Public Works	942,970	551,980	564,785	605,582
Parks and Recreation	60,554	51,667	56,756	48,617
Fixed and Other	104,980	84,546	78,121	122,548
Capital Outlay	82,264	2,713,206	396,683	443,556
Total Expenditures	<u>2,293,569</u>	<u>4,581,217</u>	<u>2,375,800</u>	<u>2,557,752</u>
OTHER FINANCING SOURCES				
(USES)				
Proceeds from Sale of Capital Asset	-	-	-	-
Transfers In	832,311	335,466	315,889	234,402
Transfers Out	<u>(832,311)</u>	<u>(320,000)</u>	<u>(300,000)</u>	<u>(67,833)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>15,466</u>	<u>15,889</u>	<u>166,569</u>
Net Change in Fund Balances	<u>\$ (33,262)</u>	<u>\$ (956,705)</u>	<u>\$ (127,495)</u>	<u>\$ (113,938)</u>

Table 4

2005	2006	2007	2008	2009	2010
\$ 1,569,335	\$ 1,658,764	\$ 1,779,718	\$ 1,769,182	\$ 1,869,847	\$ 1,900,473
7,888	6,739	2,890	4,707	2,319	2,662
205,680	253,754	228,658	226,195	188,755	198,040
54,804	74,217	90,137	68,873	77,785	58,673
298,599	256,067	283,577	314,121	270,447	313,596
56,473	42,964	42,267	40,785	45,824	72,491
99,120	114,448	88,479	92,667	69,415	91,977
63,324	100,814	119,352	119,490	92,015	38,224
26,792	78,636	171,347	47,421	62,808	59,036
<u>2,382,015</u>	<u>2,586,403</u>	<u>2,806,425</u>	<u>2,683,441</u>	<u>2,679,215</u>	<u>2,735,172</u>
358,497	347,236	444,895	479,541	448,887	486,622
984,121	1,030,852	1,098,381	1,128,643	1,170,420	1,184,430
611,962	776,365	674,424	700,035	659,159	742,231
63,172	68,176	78,537	79,017	85,969	72,867
92,846	96,437	-	-	-	-
234,791	181,342	208,623	232,332	375,063	238,329
<u>2,345,389</u>	<u>2,500,408</u>	<u>2,504,860</u>	<u>2,619,568</u>	<u>2,739,498</u>	<u>2,724,479</u>
-	-	11,988	8,441	6,547	1,021
18,725	18,211	18,141	20,191	20,705	20,590
<u>(34,500)</u>	<u>(33,600)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(15,775)</u>	<u>(15,389)</u>	<u>30,129</u>	<u>28,632</u>	<u>27,252</u>	<u>21,611</u>
<u>\$ 20,851</u>	<u>\$ 70,606</u>	<u>\$ 331,694</u>	<u>\$ 92,505</u>	<u>\$ (33,031)</u>	<u>\$ 32,304</u>

CITY OF DEEPHAVEN

**TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last 10 Fiscal Years
(Unaudited)**

Levy Year	Collection Year	Real Property		Ratio of Tax Capacity to Total Estimated Actual Value	Total City Levy Amounts
		Tax Capacity	Estimated Market Value		
2000	2001	\$ 7,596,444	\$ 531,718,300	1.4%	\$ 952,043
2001	2002	5,871,354	546,574,900	1.1%	1,210,184
2002	2003	6,514,830	607,420,100	1.1%	1,310,407
2003	2004	7,430,513	686,899,600	1.1%	1,386,722
2004	2005	8,648,000	782,311,000	1.1%	1,583,878
2005	2006	9,892,113	939,884,600	1.1%	1,671,165
2006	2007	11,181,602	995,692,300	1.1%	1,784,344
2007	2008	12,494,365	1,103,467,700	1.1%	1,784,344
2008	2009	12,508,003	1,102,852,900	1.1%	1,885,370
2009	2010	12,067,361	1,064,980,400	1.1%	1,885,370

Table 5

<u>Tax Capacity Rates</u>					
<u>General</u> <u>Revenue</u>	<u>Bonds</u>	<u>Total</u> <u>City</u>	<u>Total</u> <u>School</u>	<u>Total</u> <u>County</u>	<u>Total</u>
<u>Tax Capacity Rate per \$ 1,000 of Assessed Value</u>					
12.534	0.000	12.534	47.148	37.679	97.361
20.605	0.000	20.605	20.868	50.789	92.262
20.114	0.000	20.114	24.215	50.607	94.936
18.663	0.000	18.663	23.125	47.324	89.112
18.310	0.000	18.310	21.989	44.172	84.471
16.874	0.000	16.874	22.952	48.801	88.627
15.936	0.000	15.936	24.793	39.129	79.858
14.263	0.000	14.263	17.980	38.571	70.814
15.091	0.000	15.091	17.186	40.413	72.690
15.603	0.000	15.603	18.657	42.640	76.900

CITY OF DEEPHAVEN

Table 6

PROPERTY TAX LEVIES AND COLLECTIONS ⁽¹⁾
 Last 10 Fiscal Years
 (Unaudited)

Year Ended December 31,	Total Levy	Collection of of Current Year's Levy (1)	Percentage of Levy Collected	Collection of Subsequent Year's Levy	Total Collections	Percentage of Total Collections to Levy
2001	\$ 1,194,995	\$ 1,182,295	98.94 %	\$ 12,700	\$ 1,194,995	100.00 %
2002	1,210,184	1,200,752	99.22	9,432	1,210,184	100.00
2003	1,282,253	1,271,974	99.20	10,279	1,282,253	100.00
2004	1,386,722	1,352,986	97.57	33,736	1,386,722	100.00
2005	1,583,878	1,555,261	98.19	28,617	1,583,878	100.00
2006	1,671,165	1,642,735	98.30	28,203	1,670,938	99.99
2007	1,784,344	1,767,370	99.05	16,974	1,784,344	100.00
2008	1,784,344	1,751,753	98.17	30,782	1,782,535	99.90
2009	1,885,370	1,855,373	98.41	25,903	1,881,276	99.78
2010	1,885,370	1,864,518	98.89		1,864,518	98.89

(1) Including Fiscal Disparities

CITY OF DEEPHAVEN

Table 7

PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago

Property ID No.	Type of Business	2010			2001		
		Net Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value	Net Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value
13-117-23-13-0002	Residential	\$ 84,013	1	0.70 %	\$ 54,775	3	0.72 %
13-117-23-43-0006	Residential	83,375	2	0.69	53,725	4	0.71
18-117-22-23-0017	Residential	74,425	3	0.62	67,500	1	0.89
13-117-23-42-0003	Residential	72,888	4	0.60	36,963	9	0.49
13-117-23-43-0004	Residential	60,588	5	0.50	36,438	10	0.48
13-117-23-13-0001	Residential	59,975	6	0.50	58,900	2	0.78
24-117-23-14-0002	Residential	57,850	7	0.48			
18-117-22-23-0023	Residential	56,550	8	0.47	49,188	5	0.65
23-117-23-41-0015	Residential	56,250	9	0.47	42,538	6	0.56
24-117-23-11-0029	Residential	53,288	10	0.44			
13-117-23-42-0010	Residential	47,838		0.40	41,875	7	0.55
13-117-23-42-0009	Residential	49,600		0.41	37,963	8	0.50
		<u>\$ 756,640</u>		6.27	<u>\$ 479,865</u>		6.32

CITY OF DEEPHAVEN

Table 8

**SPECIAL ASSESSMENTS LEVIES AND COLLECTIONS
Last 10 Fiscal Years
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Total Levied</u>	<u>Collections</u>	<u>Total Outstanding Assessments</u>
2001	\$ 18,867	\$ 20,271	\$ 10,029
2002	21,929	25,423	113,186
2003	48,276	48,778	84,189
2004	47,110	56,828	45,680
2005	41,160	32,479	10,000
2006	10,000	26,365	36,289
2007	17,010	22,744	30,249
2008	22,021	19,132	25,924
2009	20,109	25,500	22,061
2010	23,206	24,929	2,451

Collection includes Special Assessment principal and interest.

Source: Hennepin County Tax Settlement Reports

CITY OF DEEPHAVEN

Table 9

**DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
As of December 31, 2010
(Unaudited)**

GOVERNMENTAL UNIT	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable(1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Direct Debt			
City of Deephaven	\$ -	100.00 %	\$ -
Overlapping Debt			
Hennepin County (2)	683,934,500	0.83%	5,676,656
Independent School District No. 276, Minnetonka (3)	86,764,682	14.25%	12,251,173
Three Rivers Park District (2)	67,630,065	1.12%	757,457
Metropolitan Council (2)	181,078,903	0.37%	633,776
Hennepin Regional RR Authority (2)	<u>39,570,778</u>	0.83%	<u>328,437</u>
Total Direct and Overlapping Debt	<u><u>\$ 1,058,978,928</u></u>		<u><u>\$ 19,647,499</u></u>

(1) Based on Percentage of Tax Capacity to Total

(2) Source: Hennepin County

(3) Source: Independent School District No. 276, Minnetonka

CITY OF DEEPHAVEN

**LEGAL DEBT MARGIN INFORMATION
Last 10 Fiscal Years
(Unaudited)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Estimated Market Value (2)	<u>\$ 496,648,400</u>	<u>\$ 546,574,900</u>	<u>\$ 607,405,800</u>	<u>\$ 686,899,600</u>
Debt Limit - 2% of Market Value (1)	\$ 9,932,968	\$ 10,931,498	\$ 12,148,116	\$ 13,737,992
Amount of Debt Applicable to Debt Limit:				
Net Debt Applicable to Limit (3)	<u>-</u>	<u>1,481,250</u>	<u>1,779,289</u>	<u>1,779,289</u>
Legal Debt Margin	<u>\$ 9,932,968</u>	<u>\$ 9,450,248</u>	<u>\$ 10,368,827</u>	<u>\$ 11,958,703</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	0.00%	13.55%	14.65%	12.95%

(1) *Minnesota Statutes* Section 475.53, Limit on Net Debt. Subdivision 1. Generally, except as otherwise provided in Section 475.51 to 475.75, no municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of 2% of the market value.

Note: Although the annual lease payment to the five district is not considered as debt service, it does apply to the City's debt limit.

(2) Source: Hennepin County Taxpayer Services Department

(3) Source: City of Deephaven financial records

Table 10

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<u>\$ 782,311,000</u>	<u>\$ 939,884,600</u>	<u>\$ 995,692,300</u>	<u>\$ 1,103,467,700</u>	<u>\$ 1,102,852,900</u>	<u>\$ 1,064,980,400</u>
\$ 15,646,220	\$ 18,797,692	\$ 19,913,846	\$ 22,069,354	\$ 22,057,058	\$ 21,299,608
<u>1,726,809</u>	<u>1,649,338</u>	<u>1,730,089</u>	<u>1,653,621</u>	<u>1,645,027</u>	<u>1,502,020</u>
<u>\$ 13,919,411</u>	<u>\$ 17,148,354</u>	<u>\$ 18,183,757</u>	<u>\$ 20,415,733</u>	<u>\$ 20,412,031</u>	<u>\$ 19,797,588</u>
11.04%	8.77%	8.69%	7.49%	7.46%	7.05%

CITY OF DEEPHAVEN

Table 11

**DEMOGRAPHICS AND ECONOMIC STATISTICS
Last 10 Fiscal Years
(Unaudited)**

<u>Year</u>	<u>Population (1)</u>	<u>Public School Enrollment (2)</u>	<u>Unemployment Rate (3)</u>	<u>Per Capital Income</u>	<u>Total Personal Income</u>
2001	3,853	581	4.7%	(4)	(4)
2002	3,853	575	4.7%	(4)	(4)
2003	3,881	550	4.0%	(4)	(4)
2004	3,855	558	4.4%	(4)	(4)
2005	3,900	516	3.8%	(4)	(4)
2006	3,853	477	3.7%	(4)	(4)
2007	3,767	484	4.3%	(4)	(4)
2008	3,774	432	5.9%	(4)	(4)
2009	3,800	516	7.0%	(4)	(4)
2010	3,820	559	7.0%	(4)	(4)

(1) Source: Minnesota State Demographer

(2) Source: Minnetonka Public Schools: Estimated Enrollment of Deephaven Elementary School

(3) Figures are for Minneapolis - St. Paul SMSA

CITY OF DEEPHAVEN

Table 12

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)

Employer	Product/Service	2010			2001		
		Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Deephaven Elementary School	Public Education	89	1	36.6 %	72	1	27.9 %
St. Therese Church/School	Religious Church/School	60	2	24.7	63	2	24.4
Streeter & Associates	Building Contractor	32	3	13.2	35	3	13.6
City of Deephaven	City Government	19	4	7.8	20	5	7.8
Grace Luthern Church/School	Religious Church/School	13	5	5.3	23	4	8.9
Bagy Jo Incorporated	Custom Embroidery and Clothing	12	6	4.9	16	7	6.2
Kyle Hunt & Partners, Inc.	Building Contractor	10	7	4.1	12	8	4.7
Steiner & Koppleman	Building Contractor	8	8	3.3	17	6	6.6
		<u>243</u>		<u>100.0</u>	<u>258</u>		<u>100.0</u>

Note: The above includes the largest principal employers of the City. Further information is not available.
 Source: City of Deephaven Administrative Office

CITY OF DEEPHAVEN

FULL-TIME EQUIVALENTS BY PROGRAM
Last 10 Fiscal Years
(Unaudited)

FUNCTION/PROGRAM	Full-Time - Equivalent Employees as of December 31,			
	2001	2002	2003	2004
General Government	6	6	6	6
Public Safety	8	8	8	8
Public Works	6	5	5	5
Total	<u>20</u>	<u>19</u>	<u>19</u>	<u>19</u>

Notes: A full-time employee is scheduled to work 40 hours per week. Full-time equivalent employment is calculated by dividing total labor hours by 40.

Source: *City of Deephaven financial records*

Table 13

Full-Time - Equivalent Employees as of December 31,					
2005	2006	2007	2008	2009	2010
5.5	6	6	6	6	6
8	8	8	7	8	8
5	5	5	5	5	5
19	19	19	18	19	19

CITY OF DEEPHAVEN

**CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last 10 Fiscal Years
(Unaudited)**

FUNCTION/PROGRAM	Full-Time Equivalent Employees as of December 31,			
	2001	2002	2003	2004
Public Safety				
Police Stations	1	1	1	1
Police Patrol Units	4	4	4	4
Fire Stations	1	1	1	1
Fire Response Units	7	7	7	7
Public Works				
Streets (Miles)	32	32	32	32
Traffic Signals	-	-	-	-
Culture and Recreation				
Parks	6	6	6	6
Campgrounds	1	1	1	1
Beaches	6	6	6	6
Marina				
Dock Slips	92	92	92	92
Buoys	53	53	53	53
Slides	125	125	125	125
Canoe Racks	32	32	32	32
Utilities				
Sewer Lift Stations	9	9	9	9

Notes: No capital asset indicators are available for the general government function.
Source: Various City Departments

Table 14

Full-Time Equivalent Employees as of December 31,					
2005	2006	2007	2008	2009	2010
1	1	1	1	1	1
4	4	4	4	4	4
1	1	1	2	2	2
7	7	7	7	7	7
32	32	32	32	32	32
-	-	-	-	-	-
6	6	6	8	8	8
1	1	1	1	1	1
6	6	6	6	6	6
92	92	92	100	112	112
53	53	53	53	53	53
125	125	125	115	115	115
32	32	32	32	32	32
9	9	9	9	9	9

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CITY OF DEEPHAVEN

Table 15

SCHEDULE OF BUILDING PERMITS AND CONSTRUCTION
Last 10 Fiscal Years
(Unaudited)

<u>Year</u>	<u>Number</u>	<u>Value</u>
2001	669	\$ 14,067,249
2002	649	15,889,262
2003	605	13,353,874
2004	560	10,975,766
2005	534	9,384,000
2006	622	14,338,000
2007	590	13,532,474
2008	524	16,664,812
2009	399	11,737,115
2010	541	13,268,023

Note: Other operating information is not available.

Source: Deephaven Planning Department. Permits include building, plumbing, mechanical, electrical and demolition.

CITY OF DEEPHAVEN

**OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years
(Unaudited)**

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Public Safety				
Police:				
Physical Arrests	(1)	(1)	(1)	(1)
Parking Violations	(1)	(1)	(1)	(1)
Traffic Violations	(1)	(1)	(1)	(1)
Fire:				
Number of Calls Answered	(1)	(1)	(1)	(1)
Inspections	(1)	(1)	(1)	(1)
Public Works				
Street Maintenance:				
Miles of City Maintained	32	32	32	32
Planning:				
Number of Planning Applications Received	19	30	22	12
Number of Building Permits Reviewed	669	649	605	560
Park and Recreation				
Parks and Trails:				
Nuner of Parks Maintained	12	12	12	12
Miles of Trail and Sidewalk Maintained	2	2	2	2
Playgrounds	(1)	(1)	(1)	(1)
Ice Skating Rinks	(1)	(1)	(1)	(1)
Beaches	(1)	(1)	(1)	(1)
Municipal Sewer				
Number of Customers	1,427	1,429	1,434	1,437
New Connections	2	2	5	3
The City Sewage Disposal is Through the Metropolitan Waste Control Commission				
Municipal Water				
Number of Customers	(1)	(1)	(1)	(1)
The City Purchases Water from the Municipalities of Minnetonka and Shorewood				
Recycling				
Curbside Recycling Picked Up on City-Wide Clean Up Day (In Tons)	582	502	501	489
Marina				
Dock Slips	80	80	80	80
Shore Space	15	15	15	15
Buoys	53	53	53	53
Slides	125	125	125	125
Canoe Racks	32	32	32	32
Storm Water				
Number of Utility Customer Accounts	1,427	1,428	1,433	1,435

(1) Information not available

Note: Indicators are not available for the general government function.

Source: Various City departments

Table 16

2005	2006	2007	2008	2009	2010
(1)	(1)	(1)	59	106	225
(1)	(1)	(1)	224	172	211
(1)	(1)	(1)	443	741	2,204
811	786	751	733	657	732
(1)	(1)	(1)	460	524	707
32	32	32	32	32	32
25	15	18	16	13	10
534	622	590	524	399	541
12	12	12	12	13	13
2	2	2	2	2	2
(1)	(1)	(1)	5	5	5
(1)	(1)	(1)	4	4	4
(1)	(1)	(1)	6	6	6
1,439	1,436	1,460	1,461	1,468	1,468
2	0	24	1	7	0
(1)	(1)	(1)	144	144	145
498	577	557	544	508	474
80	80	80	90	93	93
15	15	15	15	15	15
53	53	53	53	53	53
125	125	125	115	115	115
32	32	32	32	32	32
1,436	1,435	1,461	1,463	1,470	1,470