

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



EST. 1900
Deephaven

For The Fiscal Year Ended December 31, 2013

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

*For the Year Ended
December 31, 2013*

Dana Young, City Administrator

**PREPARED BY:
THE DEPARTMENT OF FINANCE**

CITY OF DEEPHAVEN

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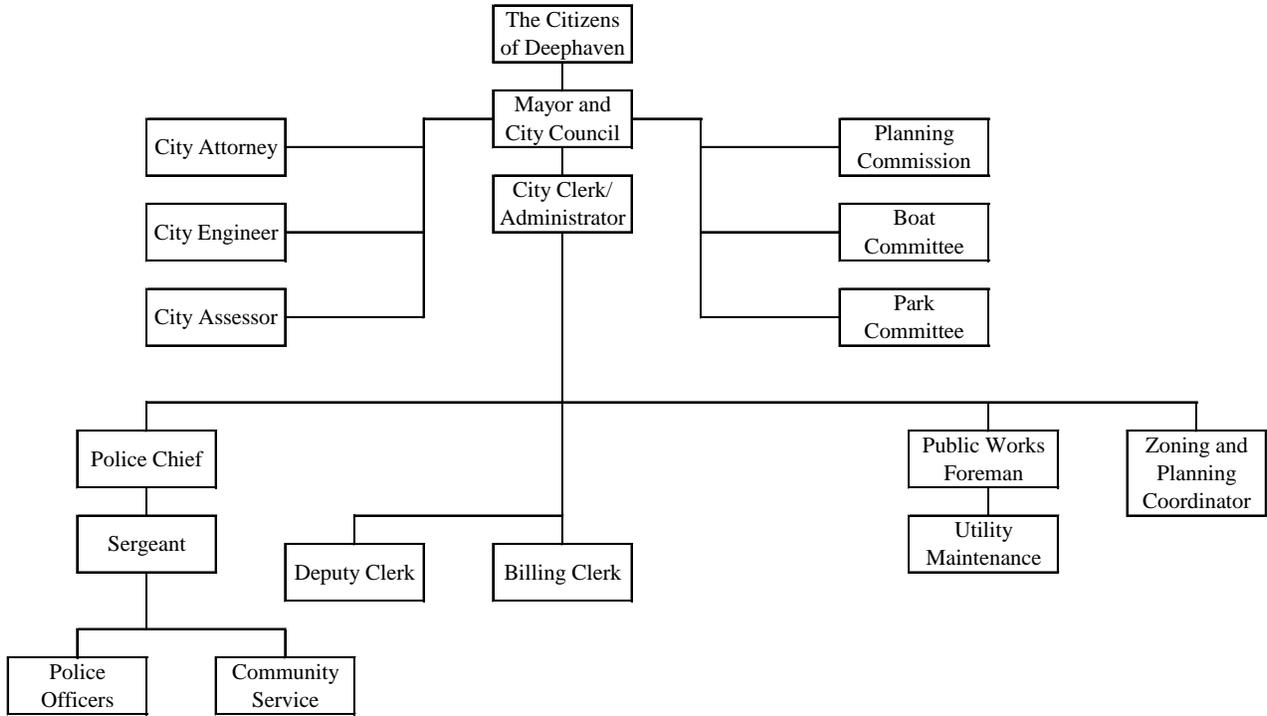
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INTRODUCTORY SECTION

CITY OF DEEPHAVEN
ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2013

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Paul Skrede	Mayor	December 31, 2014
Darel Gustafson	Council Member	December 31, 2014
Josh Hackney	Council Member	December 31, 2014
Steve Erickson	Council Member	December 31, 2016
Keith Kask	Council Member	December 31, 2016
<u>Administration</u>		
Dana Young	City Administrator/Clerk/Treasurer	Appointed
Cory Johnson	Police Chief	Appointed
John Menzel	Public Works Foreman	Appointed

CITY OF DEEPHAVEN
ORGANIZATION CHART
December 31, 2013





March 3, 2014

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, 2013, 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 year ended December 31, 2013, 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, 2013, are fairly presented in conformity with GAAP. The independent auditor's report is presented on pages 9-11 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 12.

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 3,690. It is essentially 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 recreational activities. Summer fun is provided at six public beaches and two city marinas, which accommodates approximately 312 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, platform courts, 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-country 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 controls 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, and the total building permit value for the City of Deephaven has remained surprisingly strong in recent years with the notable exception of 2011:

	<u>Total Permits Number</u>		<u>Value</u>
2013	572	\$	18,515,926
2012	506		14,447,728
2011	494		7,579,378
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

More reflective of declining economic conditions, the overall market value of the City of Deephaven has declined every year since 2008. However, after the final significant decline of 6.8% in 2011, the overall market value in Deephaven has shown recent signs of recovery. The market value only declined 1.9% in 2012 and 0.03% in 2013. The overall market value is expected to increase 10% in 2014 with all indications that the overall residential housing market has finally stabilized 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, one of the most highly regarded Districts throughout the entire state. Deephaven has one public elementary school and two private schools located within the city.

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. Two smaller commercial areas are located along Trunk Highway 7 / Vine Hill Road and Hwy 101.

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 levy limit requirements that have been periodically imposed by the State of Minnesota, 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% increase in 2010, a 2% increase in 2011, a 0% increase in both 2012 and 2013, and a 2.9% increase in 2014.
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 facility lease payments averaging approximately \$148,000 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 99.6% in 2010, 102.6% in 2011, 107.5% in 2012 and 115.1% in 2013. Longer range projections through 2018 show that the unreserved General Fund Balance will decline to around 101% 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 \$392,824 in 2010, \$360,395 in 2011, \$384,876 in 2012 and \$369,733 in 2013. Longer range projections show the Capital Improvement Fund reserve will decrease to a low of \$169,760 in 2018 due to the need to reconstruct Vine Hill Bridge in 2014 and the need to continue an aggressive schedule of street reconstruction projects.

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, \$600,000 in the Sewer Utility Fund and \$150,000 in the Storm Water Utility Fund.** The Water Utility Fund will continue to meet this objective as its current rate structure is adequate to fund all current and future operating costs and projected capital costs. In the short term, the Storm Water Utility Fund will have a greater difficulty in meeting this objective due to an aggressive slate of capital projects within the next five years. A rate increase has been implemented in the Storm Water Utility Fund in 2014 to assist with the funding of all current and future operating costs and projected capital costs. The Sewer Utility Fund will present more of a challenge as projected increases in waste disposal fees and future capital improvements could potentially cause an overall reduction 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. However, projections indicate that another rate increase will be needed in either 2018 or 2019.

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
Five Year Marina 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. After adjusting to the annual lease payments for the construction of the two new fire stations in 2003-2006, the City anticipates a continued moderation of annual support to the District in future years.

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

Awards

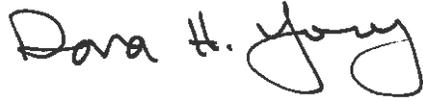
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Deephaven for its comprehensive annual financial report for the year ended December 31, 2012. This is the 18th consecutive year 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 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 style with a large, stylized "Y" at the end.

Dana H. Young
City Clerk / Administrator



Government Finance Officers Association

**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, 2012

Executive Director/CEO

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

Report on the Financial Statements

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, 2013, and the related Notes to the Financial Statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities and each major fund of the City of Deephaven, Minnesota, as of December 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Implementation of GASB 65

As discussed in Note 12 to the financial statements, the City has adopted the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion was not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Schedule of Funding Progress for Retiree Health Plan on page 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Deephaven's basic financial statements. The accompanying supplementary information as listed in the Table of Contents, introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Other Information (Continued)

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2014 on our consideration of the City of Deephaven's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Kern, DeWenter, Viere, Ltd.

KERN, DEWENTER, VIERE, LTD.
St. Cloud, Minnesota
March 6, 2014

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

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 year ended December 31, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of the most recent year by \$ 11,820,144 (total net position). Of this amount, \$ 4,001,357 (unrestricted total net position) 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 position in 2013 increased by \$ 420,728 in comparison with the prior year.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$ 3,541,434, an increase of \$ 420,918 in comparison with the prior year.
- At the end of the current year, the General Fund balance was \$ 3,029,743, which included \$ 13,870 that was nonspendable, \$ 173,874 committed for severance and other post employment benefits (OPEB) liability and \$ 2,841,999 for working capital. The total General Fund balance was 115% of total 2013 General Fund expenditures.
- The City's governmental activities long-term debt is \$ 173,874. This amount has been designated for accrued compensated absences and OPEB liability. In other words, \$ 99,894 has been designated to pay for one-third accrued sick leave that is paid to City employees upon their retirement with the City and \$ 73,980 has been designated towards the City's outstanding OPEB liability.
- The propriety funds have an ending cash balance of \$ 763,135. This represents a decrease of \$ 87,303 over the prior year due to an aggressive schedule of capital improvement projects undertaken in 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position presents information on all the City's assets and liabilities, with the difference between the two reported as net position. 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, 2013

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 Parks and Recreation Funds. 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: governmental funds and proprietary funds.

Governmental Funds

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

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided on pages 57 through 59 for this Fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 25 through 28 of this report.

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

FUND FINANCIAL STATEMENTS

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 54 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a city's financial position. In the case of the City, assets exceeded liabilities by \$ 11,820,144 at the close of 2013.

The largest portion of the City's net position (\$ 7,676,829, or 65%) 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.

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION
(In Thousands)

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
ASSETS:						
Current and Other Assets	\$ 3,644	\$ 3,183	\$ 967	\$ 1,064	\$ 4,611	\$ 4,247
Capital Assets	4,769	4,724	2,908	2,828	7,677	7,552
Total Assets	\$ 8,413	\$ 7,907	\$ 3,875	\$ 3,892	\$ 12,288	\$ 11,799
LIABILITIES:						
Other Liabilities	\$ 99	\$ 39	\$ 182	\$ 173	\$ 281	\$ 212
Noncurrent Liabilities	174	176	13	12	187	188
Total Liabilities	\$ 273	\$ 215	\$ 195	\$ 185	\$ 468	\$ 400
NET POSITION:						
Invested in Capital Assets	\$ 4,768	\$ 4,724	\$ 2,908	\$ 2,828	\$ 7,676	\$ 7,552
Restricted	142	440	-	-	142	440
Unrestricted	3,230	2,528	772	879	4,002	3,407
Total Net Position	\$ 8,140	\$ 7,692	\$ 3,680	\$ 3,707	\$ 11,820	\$ 11,399

A portion of the City's net position represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$ 4,001,357) may be used to meet the City's ongoing obligations to citizens and creditors. Restricted net position of \$ 141,958 can only be used for Park Dedication purposes.

The City's net position increased by \$ 420,728 during the current year; \$ 448,224 increase in governmental activities and a \$ 27,496 decrease in business-type activities. This is an indication that revenues outgained expenses in 2013 for government activities, particularly in the General Fund and Park Dedication Fund. Capital projects in the Storm Water Fund and Sewer Fund were responsible for the decrease in the net position of business-type activities in 2013.

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

GOVERNMENT-WIDE FINANCIAL ANALYSIS

There was an increase in governmental activities net position by \$ 448,224 and a decrease in business-type activities net position by \$ 27,496 in 2013. Key elements of this increase are as follows:

CHANGES IN NET POSITION
(In Thousands)

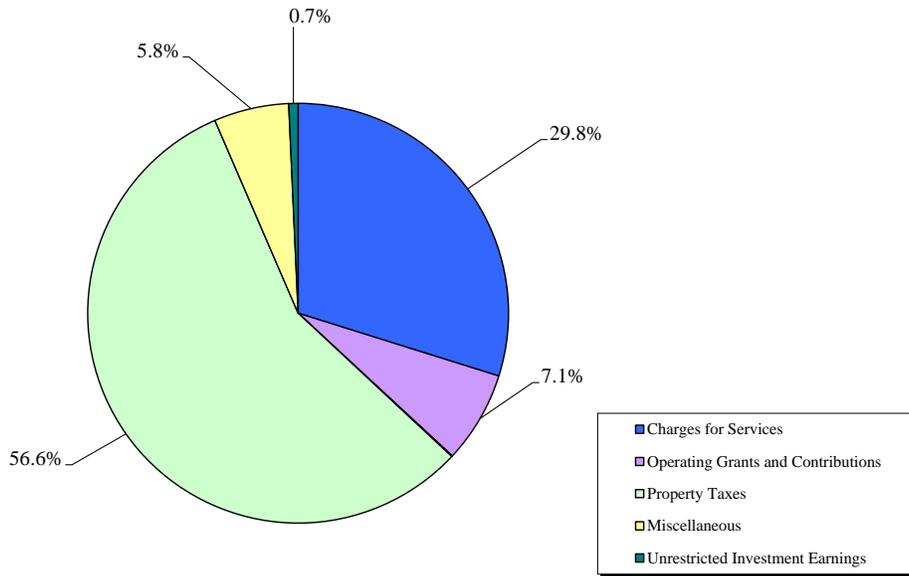
	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUES:						
Charges for Services	\$ 1,005	\$ 733	\$ 1,054	\$ 861	\$ 2,059	\$ 1,594
Operating Grants and Contributions	238	164	-	12	238	176
Capital Grants and Contributions	2	-	12	-	14	-
Property Taxes	1,905	1,922	-	-	1,905	1,922
Miscellaneous	194	44	-	-	194	44
Unrestricted Investment Earnings	24	52	7	17	31	69
Total Revenues	<u>3,368</u>	<u>2,915</u>	<u>1,073</u>	<u>890</u>	<u>4,441</u>	<u>3,805</u>
EXPENSES:						
General Government	470	479	-	-	470	479
Public Safety	1,504	1,431	-	-	1,504	1,431
Public Works	845	813	-	-	845	813
Parks and Recreation	128	144	-	-	128	144
Water	-	-	71	80	71	80
Sewer	-	-	750	659	750	659
Recycling	-	-	30	24	30	24
Storm Water	-	-	94	64	94	64
Marina	-	-	128	122	128	122
Total Expenses	<u>2,947</u>	<u>2,867</u>	<u>1,073</u>	<u>949</u>	<u>4,020</u>	<u>3,816</u>
Change in Net Position Before Transfers	421	48	-	(59)	421	(11)
Transfers	<u>27</u>	<u>24</u>	<u>(27)</u>	<u>(24)</u>	<u>-</u>	<u>-</u>
Change in Net Position	448	72	(27)	(83)	421	(11)
NET POSITION:						
Beginning of Year	<u>7,692</u>	<u>7,620</u>	<u>3,707</u>	<u>3,790</u>	<u>11,399</u>	<u>11,410</u>
End of Year	<u>\$ 8,140</u>	<u>\$ 7,692</u>	<u>\$ 3,680</u>	<u>\$ 3,707</u>	<u>\$ 11,820</u>	<u>\$ 11,399</u>

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

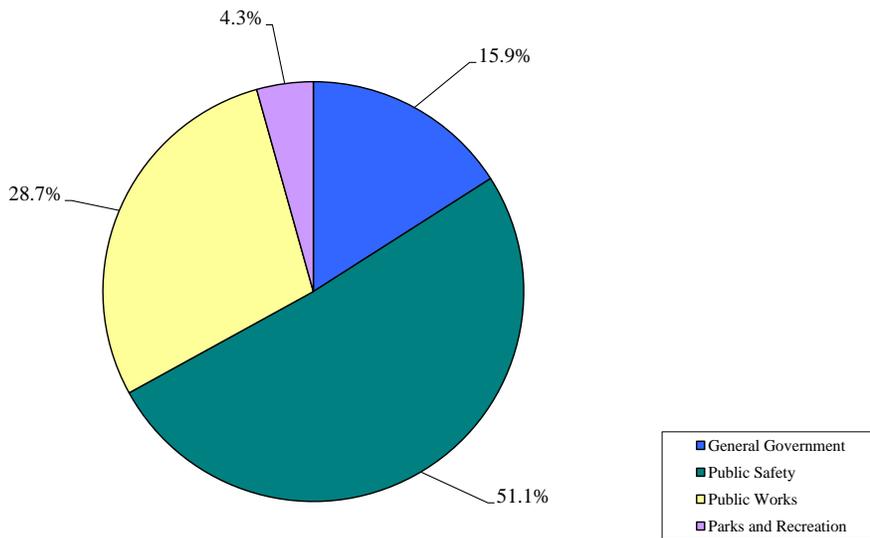
GOVERNMENTAL ACTIVITIES

Governmental activities increased its overall net position by \$ 448,224. Below are specific graphs that provide comparisons of the governmental activities revenues and expenses:

Governmental Activities - Revenues



Governmental Activities - Expenses

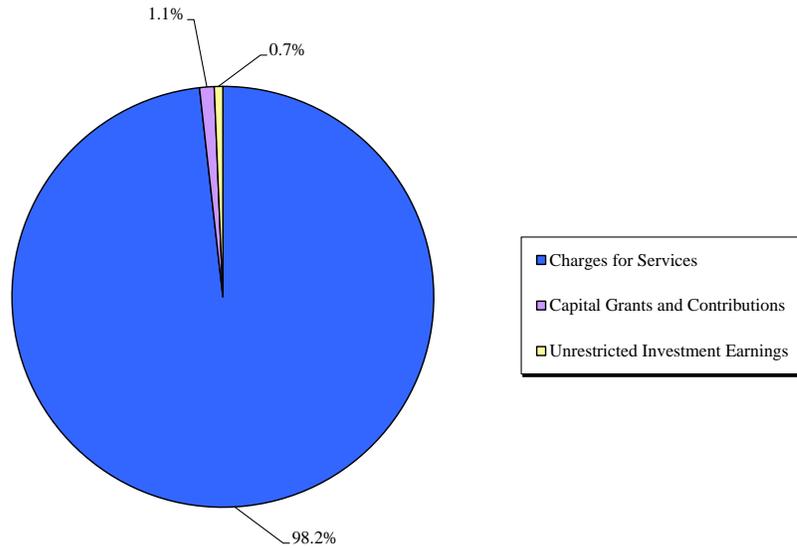


CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

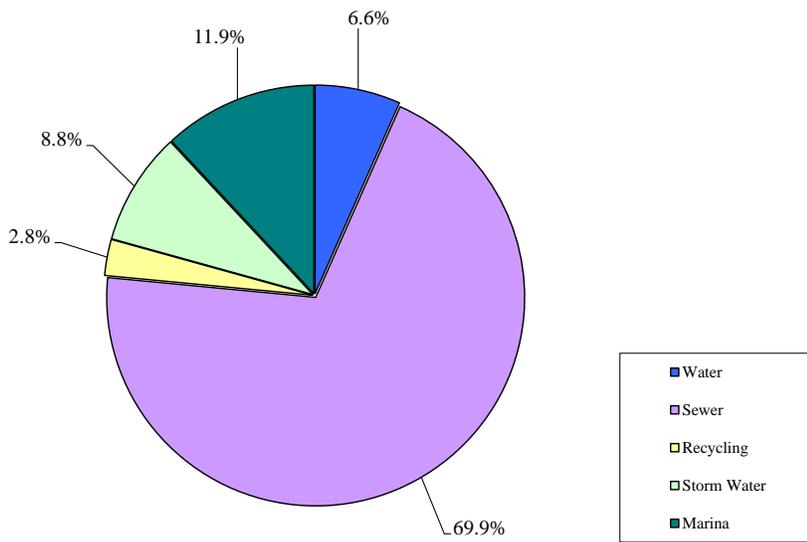
BUSINESS-TYPE ACTIVITIES

Business-type activities decreased its overall net position by \$ 27,496. 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, 2013

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 year, the City's governmental funds reported combined ending fund balances of \$ 3,541,434. Of this amount, \$ 13,870 represents amounts already expended for prepaid items and is classified as nonspendable. Other portions of the fund balances are dedicated as follows:

- 1) Restricted to fund park projects (\$ 141,958)
- 2) Committed to pay severance and OPEB liability (\$ 173,874)
- 3) Committed to fund special capital projects (\$ 369,733)

The remaining unassigned balance of \$ 2,841,999 provides for ongoing operating costs.

The General Fund increased \$ 348,975, resulting from higher than expected revenues in the following areas:

- 1) Licenses and Permits, principally due to construction activity, were \$ 141,954 higher than anticipated.
- 2) The unexpected receipt of storm-related Disaster Assistance in the amount of \$ 12,778.
- 3) Court Fine revenues were \$ 33,895 higher than budgeted.
- 4) The unexpected receipt of Tax Exempt Bond Issuance Fees in the amount of \$ 143,475.
- 5) Adjustments in the State Fire Aid formula by the State of Minnesota, increased the State Fire Aid payment by \$ 37,281.

Higher than expected costs in both the Public Safety Department and the Public Works Department resulted in actual General Fund expenditures exceeding budgeted expenditures in 2013. The following General Fund expenditures were the primary factors contributing to this overall increase in budgeted expenditures:

- 1) The reimbursement to the Fire Relief Association of their annual State Fire Aid payment was \$ 37,281 higher than anticipated due to an increase in the State Fire Aid payment.
- 2) The Police Department incurred higher than anticipated overtime costs (\$ 24,964) and an upgrade in computer and software technology resulted in higher than anticipated professional service costs (\$ 9,672).
- 3) Severance pay to a retiring employee and increases in overtime costs for snow removal and storm damage repairs resulted in higher than anticipated salary costs for the Public Works Department (\$ 19,667).

The Capital Improvement Fund balance decreased \$ 15,143 over the prior year due to the purchase of (2) pickup trucks for the Public Works Department, (2) Police squad cars, the installation of updated street lights at Chowen's Corner, and engineering costs relating to the 2014 construction of the Vine Hill Bridge. The Park Improvement Fund balance increased \$ 87,086 due to the receipt of a Park Dedication Fee.

CITY OF DEEPHAVEN

MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2013

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Propriety Funds

Business-type activities decreased the City's net assets by \$ 27,496, principally due to the fact that there were two significant capital projects undertaken in the Storm Water Fund and the Sewer Fund in 2013.

From a cash position, business-type activities decreased \$ 87,303 in 2013. A brief summary of each business-type activity is described below:

- Water Fund – The cash position of the Water Fund increased \$ 14,002 in 2013, 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 \$ 84,949 in 2013. This decrease is owing to the acquisition of capital assets (\$ 44,984) and a one-time interfund loan to the Storm Water Fund (\$ 200,000) in 2013.
- Recycling Fund – The cash position of the Recycling Fund increased \$ 211 in 2013. The Recycling Fund is designed to operate on a breakeven basis where the revenue from the Hennepin County Recycling Grant covers the costs of reimbursing Waste Management for conducting the 2013 Spring and Fall Cleanup Day.
- Storm Water Fund – The cash position of the Storm Water Fund decreased \$ 23,508 in 2013, owing to the undertaking of the second phase of a major storm water project in 2013.
- Marina Fund – The cash position of the Marina Fund increased \$ 6,941 in 2013. The lack of significant capital projects resulted in a positive increase in the cash position of the Fund.

BUDGETARY HIGHLIGHTS

General Fund

There were no changes made to the original General Fund Budget. During the year, actual revenues and other financing sources exceeded actual expenditures by \$ 348,975, thus eliminating the need to draw upon existing fund reserves.

General Fund Revenues – With budgeted General Fund revenues and other financing sources of \$ 2,599,510 versus actual General Fund revenues and other financing sources of \$ 2,985,085, General Fund revenues and other financing sources came in \$ 385,575 higher than anticipated in 2013. A review of General Fund revenues illustrates there were five primary reasons for the surplus of General Fund revenues: 1) License and Permit Fees, 2) Disaster Assistance, 3) Court Fines 4) Tax Exempt Bond Issuance Fees, and 5) an increase in State Fire Aid.

General Fund Expenditures – With budgeted General Fund expenditures of \$ 2,599,279 versus actual General Fund expenditures of \$ 2,636,110, General Fund expenditures were \$ 36,831 higher than expected in 2013. There are five primary reasons for General Fund expenditures exceeding 2013 budgeted expenditures: 1) The increase in State Fire Aid resulted in a larger reimbursement to the Excelsior Firefighter's Relief Association, 2) Police overtime costs, 3) Police Department technology

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

improvements, 4) a severance payment to a retired Public Works employee, and 5) Public Works overtime costs.

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, 2013 amounted to \$ 7,676,829 (net of accumulated depreciation). This investment in capital assets included land, land improvements, buildings, vehicles and equipment.

	2013 (In Thousands)		2013 Total	2012 Total
	Governmental Activities	Business-Type Activities		
Land	\$ 692	\$ -	\$ 692	\$ 692
Construction in Progress	141	-	141	-
Building	378	-	378	399
Mains, Lifts, Hydrants and Distribution Systems	-	2,586	2,586	2,526
Improvements Other than Buildings	2	21	23	28
Infrastructure	2,558	-	2,558	2,653
Vehicles and Equipment	998	301	1,299	1,255
Total	\$ 4,769	\$ 2,908	\$ 7,677	\$ 7,553

CITY OF DEEPHAVEN
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets (Continued)

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:

- Vine Hill Bridge Engineering (\$ 140,750)
- F350 Pickup Truck (\$ 59,147)
- F150 Pickup Truck (\$ 23,074)
- Honda Generator (\$ 2,437)
- Chowen's Corner Street Lighting Replacement (\$ 24,648)
- 2013 Dodge Durango Squad Car (\$ 33,355)
- 2013 Dodge Charger Squad Car (\$ 29,066)
- (2) Police Vehicle Video Cameras (\$ 9,740)
- (2) Portable Truck Weighing Scales (\$ 9,790)
- Park Equipment & Improvements (\$ 16,669)
- Rutledge Avenue Storm Sewer Rehabilitation (\$ 188,985)
- Portable Lift Station Generator (\$ 35,933)
- Sewer Main Cleaning & Televising (\$ 25,118)
- Pontoon Motor (\$ 2,244)

LONG-TERM DEBT

At the end of the current fiscal year, the City had total long-term debt totaling \$ 186,804 for accrued compensated absences and OPEB liability. Refer to Notes 6 and 11 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.

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 ACTIVITIES
For the Year Ended December 31, 2013**

	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Governmental Activities						
General Government	\$ 470,192	\$ -	\$ -	\$ (326,151)	\$ -	\$ (326,151)
Public Safety	1,504,104	203,661	2,156	(1,064,266)	-	(1,064,266)
Public Works	844,575	30,256	-	(282,408)	-	(282,408)
Park and Recreation	127,906	4,446	-	(28,960)	-	(28,960)
Total Governmental Activities	<u>2,946,777</u>	<u>238,363</u>	<u>2,156</u>	<u>(1,701,785)</u>	<u>-</u>	<u>(1,701,785)</u>
Business-Type Activities						
Water	70,759	-	-	-	(6,221)	(6,221)
Sewer	749,843	-	-	-	8,563	8,563
Recycling	30,536	-	12,119	-	3,219	3,219
Storm Water	93,825	-	-	-	(8,806)	(8,806)
Marina	128,004	-	-	-	(3,997)	(3,997)
Total Business-Type Activities	<u>1,072,967</u>	<u>-</u>	<u>12,119</u>	<u>-</u>	<u>(7,242)</u>	<u>(7,242)</u>
Total Governmental and Business-Type Activities	<u>\$ 4,019,744</u>	<u>\$ 238,363</u>	<u>\$ 14,275</u>	<u>(1,701,785)</u>	<u>(7,242)</u>	<u>(1,709,027)</u>
General Revenues						
Property Taxes				1,904,890	-	1,904,890
Unrestricted State Aids				2,501	-	2,501
Unrestricted Investment Earnings				23,784	7,200	30,984
Other General Revenue				179,843	-	179,843
Gain on Sale of Asset				11,537	-	11,537
Transfers						
				27,454	(27,454)	-
Total General Revenues and Transfers				<u>2,150,009</u>	<u>(20,254)</u>	<u>2,129,755</u>
Change in Net Position				<u>448,224</u>	<u>(27,496)</u>	<u>420,728</u>
Net Position - Beginning				<u>7,691,990</u>	<u>3,707,426</u>	<u>11,399,416</u>
Net Position - Ending				<u>\$ 8,140,214</u>	<u>\$ 3,679,930</u>	<u>\$ 11,820,144</u>

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, 2013**

		Capital Projects		
	General Fund	Capital Improvement Fund	Park Dedication Fund	Total Governmental Funds
ASSETS				
Cash and Investments	\$ 3,077,535	\$ 348,091	\$ 141,958	\$ 3,567,584
Accounts Receivable	-	23,303	-	23,303
Interest Receivable	11,715	-	-	11,715
Property Taxes Receivable:				
Unremitted	11,703	1,565	-	13,268
Delinquent	4,181	-	-	4,181
Due from Other Governments	10,245	-	-	10,245
Prepaid Items	13,870	-	-	13,870
	<u>\$ 3,129,249</u>	<u>\$ 372,959</u>	<u>\$ 141,958</u>	<u>\$ 3,644,166</u>
LIABILITIES				
Accounts Payable	\$ 18,850	\$ 3,226	\$ -	\$ 22,076
Salaries and Benefits Payable	44,756	-	-	44,756
Due to Other Governments	31,719	-	-	31,719
Total Liabilities	<u>95,325</u>	<u>3,226</u>	<u>-</u>	<u>98,551</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Tax	4,181	-	-	4,181
FUND BALANCES				
Nonspendable	13,870	-	-	13,870
Restricted	-	-	141,958	141,958
Committed	173,874	369,733	-	543,607
Unassigned	2,841,999	-	-	2,841,999
Total Fund Balances	<u>3,029,743</u>	<u>369,733</u>	<u>141,958</u>	<u>3,541,434</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 3,129,249</u>	<u>\$ 372,959</u>	<u>\$ 141,958</u>	<u>\$ 3,644,166</u>

CITY OF DEEPHAVEN

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
December 31, 2013**

Total Fund Balances - Governmental Funds \$ 3,541,434

Amounts reported for governmental activities in the Statement of Net Position 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	8,227,930
Less Accumulated Depreciation	(3,459,457)

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	(99,894)
Unfunded OPEB Liability	(73,980)

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	<u>4,181</u>
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Total Net Position - Governmental Activities \$ 8,140,214

CITY OF DEEPHAVEN

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013**

	<u>General Fund</u>	<u>Capital Projects</u>		<u>Total Governmental Funds</u>
		<u>Capital Improvement Fund</u>	<u>Park Dedication Fund</u>	
REVENUES				
General Property Taxes and Fiscal Disparities	\$ 1,705,888	\$ 217,501	\$ -	\$ 1,923,389
Special Assessments	775	-	-	775
Licenses and Permits	323,964	-	-	323,964
Intergovernmental	216,893	2,156	-	219,049
Charges for Services	390,457	-	-	390,457
Fines	88,895	3,200	-	92,095
Miscellaneous:				
Investment Income	20,517	2,294	973	23,784
Contributions and Donations	21,417	-	-	21,417
Franchise Fees	-	93,139	-	93,139
Other	188,692	-	98,946	287,638
Total Revenues	<u>2,957,498</u>	<u>318,290</u>	<u>99,919</u>	<u>3,375,707</u>
EXPENDITURES				
Current				
General Government	464,847	-	-	464,847
Public Safety	1,446,132	-	-	1,446,132
Public Works	659,164	-	-	659,164
Parks and Recreation	65,967	-	2,116	68,083
Capital Outlay				
Public Safety	-	81,951	-	81,951
Public Works	-	247,620	-	247,620
Parks and Recreation	-	16,669	10,717	27,386
Total Expenditures	<u>2,636,110</u>	<u>346,240</u>	<u>12,833</u>	<u>2,995,183</u>
Excess of Revenues Over (Under) Expenditures	321,388	(27,950)	87,086	380,524
OTHER FINANCING SOURCES				
Proceeds from Sale of Capital Assets	133	12,807	-	12,940
Transfers In	27,454	-	-	27,454
Total Other Financing Sources	<u>27,587</u>	<u>12,807</u>	<u>-</u>	<u>40,394</u>
Net Change in Fund Balances	348,975	(15,143)	87,086	420,918
FUND BALANCES				
Beginning of Year	<u>2,680,768</u>	<u>384,876</u>	<u>54,872</u>	<u>3,120,516</u>
End of Year	<u>\$ 3,029,743</u>	<u>\$ 369,733</u>	<u>\$ 141,958</u>	<u>\$ 3,541,434</u>

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, 2013

Net Change in Fund Balances - Governmental Funds \$ 420,918

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	353,494
Depreciation Expense	(307,722)
Book Value of Disposed Assets	(1,403)

Compensated absences are recognized as paid in the governmental funds
but recognized as the expense is incurred in the Statement of Activities. 17,396

OPEB costs are recognized as paid in the governmental funds but
recognized as the expense is incurred in the Statement of Activities. (14,762)

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	(18,499)
Special Assessments	(1,198)

Change in Net Position- Governmental Activities \$ 448,224

CITY OF DEEPHAVEN

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2013**

	<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	\$ 1,721,124	\$ 1,705,888	\$ (15,236)
Special Assessments	1,000	775	(225)
Licenses and Permits	182,010	323,964	141,954
Intergovernmental	164,451	216,893	52,442
Charges for Services	350,062	390,457	40,395
Fines and Forfeitures	55,000	88,895	33,895
Miscellaneous Revenues:			
Investment Income	30,000	20,517	(9,483)
Contributions and Donations	100	21,417	21,317
Other	68,209	188,692	120,483
Total Revenues	<u>2,571,956</u>	<u>2,957,498</u>	<u>385,542</u>
EXPENDITURES			
Current			
General Government	489,443	464,847	(24,596)
Public Safety	1,378,151	1,446,132	67,981
Public Works	649,985	659,164	9,179
Park and Recreation	81,700	65,967	(15,733)
Total Expenditures	<u>2,599,279</u>	<u>2,636,110</u>	<u>36,831</u>
Excess of Revenues Over (Under) Expenditures	(27,323)	321,388	348,711
OTHER FINANCING SOURCES			
Proceeds from Sale of Capital Asset	100	133	33
Transfers In	27,454	27,454	-
Total Other Financing Sources	<u>27,554</u>	<u>27,587</u>	<u>33</u>
Net Change in Fund Balances	<u>\$ 231</u>	348,975	<u>\$ 348,744</u>
FUND BALANCES			
Beginning of Year		<u>2,680,768</u>	
End of Year		<u>\$ 3,029,743</u>	

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

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PROPRIETARY FUNDS

CITY OF DEEPHAVEN

**STATEMENT OF NET POSITION - PROPRIETARY FUNDS
December 31, 2013**

	<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	\$ 168,082	\$ 425,278	\$ 16,696	\$ 44,905	\$ 108,174	\$ 763,135
Accounts Receivable	14,446	136,443	-	22,006	-	172,895
Special Assessments Receivable:						
Delinquent	325	4,424	2,961	-	-	7,710
Deferred	397	19,845	-	-	-	20,242
Advances to Other Funds	-	38,144	-	-	-	38,144
Prepaid Items	42	2,395	-	58	440	2,935
Total Current Assets	<u>183,292</u>	<u>626,529</u>	<u>19,657</u>	<u>66,969</u>	<u>108,614</u>	<u>1,005,061</u>
Noncurrent Assets						
Advances to Other Funds	-	161,856	-	-	-	161,856
Capital Assets:						
Mains, Lifts, Hydrants and Distribution Systems	736,250	6,019,796	-	692,027	-	7,448,073
Improvements	-	-	-	-	102,190	102,190
Vehicles and Equipment	23,481	61,557	-	-	334,075	419,113
Total Capital Assets	759,731	6,081,353	-	692,027	436,265	7,969,376
Less Accumulated Depreciation	(411,198)	(4,441,518)	-	(44,507)	(163,797)	(5,061,020)
Net Capital Assets	348,533	1,639,835	-	647,520	272,468	2,908,356
Total Noncurrent Assets	<u>348,533</u>	<u>1,801,691</u>	<u>-</u>	<u>647,520</u>	<u>272,468</u>	<u>3,070,212</u>
Total Assets	<u>\$ 531,825</u>	<u>\$ 2,428,220</u>	<u>\$ 19,657</u>	<u>\$ 714,489</u>	<u>\$ 381,082</u>	<u>\$ 4,075,273</u>
LIABILITIES AND NET POSITION						
Current Liabilities						
Accounts and Contracts Payable	\$ -	\$ 37,174	\$ -	\$ 19,827	\$ -	\$ 57,001
Salaries and Benefits Payable	24	677	-	62	184	947
Advances from Other Funds	-	-	-	38,144	-	38,144
Due to Other Governments	10,124	2,411	-	-	-	12,535
Unearned Revenue	-	-	-	-	111,930	111,930
Compensated Absences	8	258	-	84	121	471
Total Current Liabilities	<u>10,156</u>	<u>40,520</u>	<u>-</u>	<u>58,117</u>	<u>112,235</u>	<u>221,028</u>
Noncurrent Liabilities						
Advances from Other Funds	-	-	-	161,856	-	161,856
Compensated Absences	68	2,325	-	752	1,094	4,239
Unfunded OPEB Liability	257	5,754	-	462	1,747	8,220
Total Noncurrent Liabilities	<u>325</u>	<u>8,079</u>	<u>-</u>	<u>163,070</u>	<u>2,841</u>	<u>174,315</u>
Total Liabilities	<u>10,481</u>	<u>48,599</u>	<u>-</u>	<u>221,187</u>	<u>115,076</u>	<u>395,343</u>
Net Position						
Investment in Capital Assets	348,533	1,639,835	-	647,520	272,468	2,908,356
Unrestricted	172,811	739,786	19,657	(154,218)	(6,462)	771,574
Total Net Position	<u>521,344</u>	<u>2,379,621</u>	<u>19,657</u>	<u>493,302</u>	<u>266,006</u>	<u>3,679,930</u>
Total Liabilities and Net Position	<u>\$ 531,825</u>	<u>\$ 2,428,220</u>	<u>\$ 19,657</u>	<u>\$ 714,489</u>	<u>\$ 381,082</u>	<u>\$ 4,075,273</u>

CITY OF DEEPHAVEN

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2013**

	Water	Sewer	Recycling	Storm Water	Marina	Total
OPERATING REVENUES						
Charges for Services	\$ 64,438	\$ 554,865	\$ 21,476	\$ 85,019	\$ 123,447	\$ 849,245
Permits, Hook-up Fees and Penalties	100	101,271	160	-	-	101,531
Other Income	-	102,270	12,119	-	560	114,949
Total Operating Revenues	<u>64,538</u>	<u>758,406</u>	<u>33,755</u>	<u>85,019</u>	<u>124,007</u>	<u>1,065,725</u>
OPERATING EXPENSES						
Disposal Charges	-	321,310	-	-	-	321,310
Water Charges	47,949	-	-	-	-	47,949
Wages and Benefits	4,254	111,198	-	9,971	36,674	162,097
Repairs and Maintenance	1,555	46,231	-	-	3,175	50,961
Supplies	-	3,274	89	128	37	3,528
Utilities	-	7,527	-	-	1,029	8,556
Other	1,713	128,918	30,447	73,264	71,158	305,500
Depreciation	15,288	131,385	-	10,462	15,761	172,896
Total Operating Expenses	<u>70,759</u>	<u>749,843</u>	<u>30,536</u>	<u>93,825</u>	<u>127,834</u>	<u>1,072,797</u>
Operating Income (Loss)	(6,221)	8,563	3,219	(8,806)	(3,827)	(7,072)
NONOPERATING REVENUES/EXPENSES						
Loss on Disposal of Capital Asset	-	-	-	-	(170)	(170)
Interest Income	1,289	4,607	148	547	609	7,200
Total Nonoperating Revenues/Expenses	<u>1,289</u>	<u>4,607</u>	<u>148</u>	<u>547</u>	<u>439</u>	<u>7,030</u>
Income (Loss) before Transfers	(4,932)	13,170	3,367	(8,259)	(3,388)	(42)
Transfers Out	<u>-</u>	<u>(27,454)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(27,454)</u>
Change in Net Position	(4,932)	(14,284)	3,367	(8,259)	(3,388)	(27,496)
NET POSITION						
Beginning of Year	<u>526,276</u>	<u>2,393,905</u>	<u>16,290</u>	<u>501,561</u>	<u>269,394</u>	<u>3,707,426</u>
End of Year	<u>\$ 521,344</u>	<u>\$ 2,379,621</u>	<u>\$ 19,657</u>	<u>\$ 493,302</u>	<u>\$ 266,006</u>	<u>\$ 3,679,930</u>

CITY OF DEEPHAVEN

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2013**

	Water	Sewer	Recycling	Storm Water	Marina	Total
CASH FLOWS - OPERATING ACTIVITIES						
Receipts from Customers and Users	\$ 69,537	\$ 659,050	\$ 22,892	\$ 85,202	\$ 119,811	\$ 956,492
Payments to Suppliers	(52,584)	(468,338)	(34,948)	(93,492)	(75,332)	(724,694)
Payments to Employees	(4,240)	(110,100)	-	(9,828)	(36,463)	(160,631)
Received from Other Sources	-	102,270	12,119	-	560	114,949
Net Cash Flows - Operating Activities	<u>12,713</u>	<u>182,882</u>	<u>63</u>	<u>(18,118)</u>	<u>8,576</u>	<u>186,116</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES						
Interfund Loan	-	(200,000)	-	200,000	-	-
Transfer Out	-	(27,454)	-	-	-	(27,454)
Net Cash Flows - Noncapital Financing Activities	<u>-</u>	<u>(227,454)</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>(27,454)</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of Capital Assets	<u>-</u>	<u>(44,984)</u>	<u>-</u>	<u>(205,937)</u>	<u>(2,244)</u>	<u>(253,165)</u>
CASH FLOWS - INVESTING ACTIVITIES						
Interest and Dividends Received	<u>1,289</u>	<u>4,607</u>	<u>148</u>	<u>547</u>	<u>609</u>	<u>7,200</u>
Net Change in Cash and Cash Equivalents	14,002	(84,949)	211	(23,508)	6,941	(87,303)
CASH AND CASH EQUIVALENTS						
Beginning of Year	<u>154,080</u>	<u>510,227</u>	<u>16,485</u>	<u>68,413</u>	<u>101,233</u>	<u>850,438</u>
End of Year	<u>\$ 168,082</u>	<u>\$ 425,278</u>	<u>\$ 16,696</u>	<u>\$ 44,905</u>	<u>\$ 108,174</u>	<u>\$ 763,135</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH - FLOWS - OPERATING ACTIVITIES						
Operating Income (Loss)	\$ (6,221)	\$ 8,563	\$ 3,219	\$ (8,806)	\$ (3,827)	\$ (7,072)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows - Operating Activities:						
Depreciation Expense	15,288	131,385	-	10,462	15,761	172,896
Accounts Receivable	1,370	(378)	219	183	-	1,394
Special Assessments Receivable	3,629	3,292	1,037	-	-	7,958
Prepaid Items	4	174	-	16	67	261
Accounts and Contracts Payable	-	36,337	(4,412)	(20,116)	-	11,809
Salaries and Benefits Payable	12	355	-	31	94	492
Due to Other Governments	(1,371)	2,411	-	-	-	1,040
OPEB Obligation	26	572	-	46	174	818
Unearned Revenue	-	-	-	-	(3,636)	(3,636)
Compensated Absences Payable	(24)	171	-	66	(57)	156
Total Adjustments	<u>18,934</u>	<u>174,319</u>	<u>(3,156)</u>	<u>(9,312)</u>	<u>12,403</u>	<u>193,188</u>
Net Cash Flows - Operating Activities	<u>\$ 12,713</u>	<u>\$ 182,882</u>	<u>\$ 63</u>	<u>\$ (18,118)</u>	<u>\$ 8,576</u>	<u>\$ 186,116</u>

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**NOTES TO BASIC
FINANCIAL STATEMENTS**

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS December 31, 2013

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 Excelsior Fire District is disclosed as a joint venture because the City does not appoint a voting majority of the governing body.

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, 2013. In accordance with *Minnesota Statutes*, the City retains a commitment to fund a percentage of the unfunded pension liability of the District. The pension obligation was fully funded at December 31, 2013.

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 2013, the City paid \$ 264,198 to the District for fire services provided and \$ 149,657 of 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, 2013

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 Position 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 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 period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current 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, 2013

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 Dedication 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.

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.

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.

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position 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.

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.

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS December 31, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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. Prepaid items are recorded as an expenditure/expense at the time of consumption.

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.

CITY OF DEEPHAVEN

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4. Capital Assets (Continued)

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. Deferred Outflows/Inflows of Resources

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

6. 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.

7. 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 Position. 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, 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

8. Fund Equity

a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form.
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City Administrator/Clerk/Treasurer based on the City Council's direction.
- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

CITY OF DEEPHAVEN

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

8. Fund Equity (Continued)

a. Classification (Continued)

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The City considers restricted to be spent first when an expenditure is incurred where both restricted and unrestricted fund balance is available. In addition, expenditures are applied to fund balances based on this hierarchy: committed, assigned and unassigned. The amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

b. Minimum Fund Balance

The City's General Fund minimum fund balance is an amount equivalent to 80% of the following year's operating budget.

9. Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net position invested in capital assets consists of capital assets, net of accumulated depreciation. Net position is 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.

10. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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.

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

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 accounting principles generally accepted in the United States of America. 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.

B. Expenditures Exceeding Appropriations

Expenditures exceeded appropriations in the following fund for the year ended at December 31, 2013:

	<u>Expenditures</u>	<u>Appropriations</u>
General Fund	\$ 2,636,110	\$ 2,599,279
Park Dedication Fund	12,833	7,600

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 on the following page.

A. Deposits

Custodial Credit Risk – Deposits: As of December 31, 2013, 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 and was independently verified through audit procedures. The City’s deposits had a book balance as follows:

Checking and Money Market Savings	\$ 1,205,156
Certificates of Deposit	<u>1,425,000</u>
Total Deposits	<u>\$ 2,630,156</u>

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

NOTE 3 – DEPOSITS AND INVESTMENTS

B. Investments

As of December 31, 2013, the City had the following investments:

Investment Type	Fair Value	Investment Maturities	
		Less than One Year	1-5 Years
Brokered Certificates of Deposit	\$ 1,685,384	\$ 453,352	\$ 1,232,032
FHLMC Note	557	-	557
Brokered Money Market	14,372	14,372	-
Total	\$ 1,700,313	\$ 467,724	\$ 1,232,589

Maturity	Maximum Investments
Less than One Year	28%
1-5 Years	72%

Credit Risk: As of December 31, 2013, 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 federally insured by FDIC.

Concentration Credit Risk: As of December 31, 2013, the following investments, brokered CDs, of the City composed more than 5% of the City's portfolio:

FirstBank, PR	5.91%	\$ 100,540
American Express, UT	14.53%	247,004
Goldman Sachs, NY	12.23%	208,058
M & I Bank, WI	5.85%	99,420
GE Money Bank, UT	5.96%	101,269
OneWest Bank, CA	11.76%	200,002
Mutual Bank, IN	6.03%	102,491
GE Capital, UT	8.42%	143,084
BMW Bank, UT	13.18%	224,098
CIT, UT	11.66%	198,280

CITY OF DEEPHAVEN

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013**

NOTE 3 – DEPOSITS AND INVESTMENTS

C. Balances

Summary of cash deposits and investments as of December 31, 2013 were as follows:

Deposits (Note 3.A.)	\$ 2,630,156
Investments	1,700,313
Petty Cash	<u>250</u>
Total Deposits and Investments	<u>\$ 4,330,719</u>

Deposits and investments are presented in the December 31, 2013 basic financial statements as follows:

Statement of Net Position:

Cash and Investments (Including Cash and Cash Equivalents)	<u>\$ 4,330,719</u>
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NOTE 4 – INTERFUND ACTIVITY

During the year ended December 31, 2013, the City transferred \$ 27,454 from the Sewer Fund to the General Fund for the purpose of payments in lieu of taxes.

During 2013, the City advanced \$ 200,000 from the Sewer Fund to the Storm Water Fund to help finance the 2013 storm water project. The advance will be paid back over the course of five years, ending on September 15, 2018. Interest on the advance is set at 2.35%. At December 31, 2013 the outstanding balance was \$ 200,000.

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

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
Construction in Progress	-	140,750	-	140,750
Total Capital Assets not being Depreciated	<u>692,177</u>	<u>140,750</u>	<u>-</u>	<u>832,927</u>
Capital Assets being Depreciated:				
Buildings	1,230,102	-	-	1,230,102
Improvements Other than Buildings	5,484	-	-	5,484
Infrastructure	3,570,477	24,648	-	3,595,125
Vehicles and Equipment	2,507,068	188,096	130,872	2,564,292
Total Capital Assets being Depreciated	<u>7,313,131</u>	<u>212,744</u>	<u>130,872</u>	<u>7,395,003</u>
Less Accumulated Depreciation for:				
Buildings	831,348	20,704	-	852,052
Improvements Other than Buildings	3,294	366	-	3,660
Infrastructure	917,593	119,512	-	1,037,105
Vehicles and Equipment	1,528,969	167,140	129,469	1,566,640
Total Accumulated Depreciation	<u>3,281,204</u>	<u>307,722</u>	<u>129,469</u>	<u>3,459,457</u>
Total Capital Assets being Depreciated, Net	<u>4,031,927</u>	<u>(94,978)</u>	<u>1,403</u>	<u>3,935,546</u>
Governmental Activities Capital Assets, Net	<u>\$ 4,724,104</u>	<u>\$ 45,772</u>	<u>\$ 1,403</u>	<u>\$ 4,768,473</u>
Business-Type Activities:				
Capital Assets being Depreciated:				
Mains, Lifts, Hydrants and Distribution Systems	\$ 7,233,085	\$ 214,988	\$ -	\$ 7,448,073
Improvements Other than Buildings	102,190	-	-	102,190
Vehicles and Equipment	382,614	38,177	1,678	419,113
Total Capital Assets being Depreciated	<u>7,717,889</u>	<u>253,165</u>	<u>1,678</u>	<u>7,969,376</u>
Less Accumulated Depreciation for:				
Mains, Lifts, Hydrants and Distribution Systems	4,706,705	154,709	-	4,861,414
Improvements Other than Buildings	76,536	4,713	-	81,249
Vehicles and Equipment	106,391	13,474	1,508	118,357
Total Accumulated Depreciation	<u>4,889,632</u>	<u>172,896</u>	<u>1,508</u>	<u>5,061,020</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,828,257</u>	<u>\$ 80,269</u>	<u>\$ 170</u>	<u>\$ 2,908,356</u>

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 5 – CAPITAL ASSETS

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

Governmental Activities:	
General Government	\$ 4,742
Public Safety	54,216
Public Works	194,840
Parks and Recreation	<u>53,924</u>
 Total Depreciation Expense - Governmental Activities	 <u><u>\$ 307,722</u></u>
 Business-Type Activities:	
Water	\$ 15,288
Sewer	131,385
Storm Water	10,462
Marina	<u>15,761</u>
 Total Depreciation Expense - Business-Type Activities	 <u><u>\$ 172,896</u></u>

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.

CITY OF DEEPHAVEN

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013**

NOTE 6 – LONG-TERM DEBT

i. Conduit Debt Obligations (Continued)

As of December 31, 2013, the City’s outstanding conduit debt balances consisted of the following:

\$ 2,550,000 Minnesota Education Facilities Revenue Note (Excelsior Covenant Preschool Project), Series 2007	\$ 1,897,473
\$ 3,525,000 Minnesota Revenue Note (Minnetonka Youth Hockey Association Project), Series 2008	2,495,932
\$ 1,000,000 Minnesota Education Facilities Revenue Note (Benilde-St. Margaret School), Series 2011	915,625
\$ 19,450,000 Minnesota Housing and Healthcare Facilities Revenue Bond (St. Therese Senior Living Project), Series 2013	19,450,000
\$ 9,245,000 Taxable Lease Revenue Bond (Eagle Ridge Academy Project), Series 2013	<u>9,245,000</u>
Total	<u><u>\$ 34,004,030</u></u>

B. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 117,290	\$ 98,331	\$ 115,727	\$ 99,894	\$ 9,989
Business-Type Activities:					
Compensated Absences	4,553	6,661	6,504	4,710	471
Total Long-Term Liabilities	<u>\$ 121,843</u>	<u>\$ 104,992</u>	<u>\$ 122,231</u>	<u>\$ 104,604</u>	<u>\$ 10,460</u>

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

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

NOTE 7 – FUND BALANCE DETAIL

Fund equity balances are classified as follows to reflect the limitations and restrictions of the respective funds.

	General Fund	Capital Improvement Fund	Park Dedication Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Nonspendable:				
Prepays	\$ 13,870	\$ -	\$ -	\$ 13,870
Restricted:				
Park Dedication Fees	-	-	141,958	141,958
Committed:				
Compensated Absences	99,894	-	-	99,894
OPEB Obligation	73,980	-	-	73,980
Capital Projects	-	369,733	-	369,733
Total Committed	<u>173,874</u>	<u>369,733</u>	<u>-</u>	<u>543,607</u>
Unassigned	<u>2,841,999</u>	<u>-</u>	<u>-</u>	<u>2,841,999</u>
 Total	 <u><u>\$ 3,029,743</u></u>	 <u><u>\$ 369,733</u></u>	 <u><u>\$ 141,958</u></u>	 <u><u>\$ 3,541,434</u></u>

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, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2013 was estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2013, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS December 31, 2013

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 of Deephaven are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), the Public Employees Police and Fire Fund (PEPFF) and the Local Government Correctional Service Retirement Fund, called the Public Employees Correctional Fund (PECF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody and control of the county correctional institution and its inmates are covered by the PECF.

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 % 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. The annuity accrual rate is 1.9% for each year of service for PECF members. For all PEPFF members, PECF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS December 31, 2013

NOTE 9 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF, PEPFF and PECF. 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 1(800)652-9026.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. In 2013, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, 14.4% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2013, 2012 and 2011 were \$ 39,055, \$ 39,142 and \$ 38,472, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2013, 2012 and 2011 were \$ 75,722, \$ 75,336 and \$ 69,869, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 10 – COMMITMENTS

A. 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 Blue Cross Blue Shield. 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, 2013

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN

B. Funding Policy

Retirees and their spouses can participate in the health care plan at the same premium rate as City employees. Retirees and their spouses are responsible for 100% of these rates. This results in the retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with Blue Cross Blue Shield. The required contributions are based on projected pay-as-you-go financing requirements. For 2013, the City contributed \$ 14,893 to the plan. As of January 1, 2012, there were two 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	\$	30,296
Interest on Net OPEB Obligation		2,987
Adjustment to ARC		(2,810)
Annual OPEB Cost (Expense)		30,473
Contributions Made		(14,893)
Increase in Net OPEB Obligation		15,580
Net OPEB Obligation - Beginning of Year		66,620
Net OPEB Obligation - End of Year	\$	82,200

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the following three years:

Year Ended	Annual Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/13	\$ 30,473	\$ 14,893	49%	\$ 82,200
12/31/12	29,854	11,172	37%	66,620
12/31/11	30,383	10,680	35%	47,938

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2013

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN

D. Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the City had no assets deposited to fund the Plan. The actuarial accrued liability for benefits was \$ 196,767 and the actuarial value of assets was \$ 0, resulting in an unfunded actuarial accrued liability (UAAL) of \$ 196,767. The covered payroll (annual payroll of active employees covered by the plan) was \$ 954,784, and the ratio of the UAAL to the covered payroll was 21%.

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, 2012 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. The actuarial assumption for payroll growth was 3.75%. The post retirement benefit increase is the same as the insurance rate increase as liability is only implicit rate. 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 9% 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, 2012 was 30 years.

CITY OF DEEPHAVEN

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2013

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2013, the City implemented GASB Statement No. 65. The effect of the implementation reclassified certain liabilities to deferred inflows of resources.

NOTE 13 – CONSTRUCTION COMMITMENTS

In 2013, the City entered into a joint agreement with the Hennepin County Regional Railroad Authority for the construction of the Vine Hill Road bridge. The City is committed to paying \$ 301,702 for the construction of the bridge and \$ 121,665 in engineering costs. At December 31, 2013, \$ 140,750 of engineering costs paid were capitalized as construction in progress. At the completion of the project, the bridge will be transferred to the City for maintenance and operation.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF DEEPHAVEN

REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2013

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>
01/01/08	\$ -	\$ 281,775	\$ 281,775	0.0%	\$ 1,017,814	27.7%
01/01/10	-	173,758	173,758	0.0%	973,662	17.8%
01/01/12	-	196,767	196,767	0.0%	954,784	20.6%

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, 2013**

	<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	\$ 1,721,124	\$ 1,705,888	\$ (15,236)
Special Assessments	1,000	775	(225)
Licenses and Permits	182,010	323,964	141,954
Intergovernmental Revenues:			
Federal Grants	-	12,778	12,778
PERA Aid	2,501	2,501	-
Post Board Reimbursement	2,450	2,392	(58)
Fire Aid	95,000	132,281	37,281
Police Retirement Aid	46,000	49,463	3,463
Road and Other Aid	18,500	17,478	(1,022)
Total Intergovernmental Revenues	<u>164,451</u>	<u>216,893</u>	<u>52,442</u>
Charges for Services:			
General Government	19,000	25,300	6,300
Public Safety	24,847	27,516	2,669
Public Works	28,500	39,789	11,289
City of Greenwood	108,180	111,784	3,604
City of Woodland	169,535	186,068	16,533
Total Charges for Services	<u>350,062</u>	<u>390,457</u>	<u>40,395</u>
Fines and Forfeitures	55,000	88,895	33,895
Miscellaneous Revenues:			
Investment Income	30,000	20,517	(9,483)
Contributions and Donations	100	21,417	21,317
Other	68,209	188,692	120,483
Total Miscellaneous Revenues	<u>98,309</u>	<u>230,626</u>	<u>132,317</u>
Total Revenues	<u>2,571,956</u>	<u>2,957,498</u>	<u>385,542</u>

EXPENDITURES

General Government

Mayor and Council:

Personnel Services	13,200	13,200	-
Benefits	1,009	1,009	-
Other Services and Charges	5,550	10,920	5,370
Total Mayor and Council	<u>19,759</u>	<u>25,129</u>	<u>5,370</u>

CITY OF DEEPHAVEN

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2013**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
EXPENDITURES			
General Government (Continued)			
Elections:			
Other Services and Charges	\$ 1,225	\$ 1,177	\$ (48)
Administrative and Finance:			
Personnel Services	170,170	182,216	12,046
Benefits	25,356	26,357	1,001
Other Services and Charges	74,373	70,324	(4,049)
Total Administrative and Finance	<u>269,899</u>	<u>278,897</u>	<u>8,998</u>
Assessing	49,690	48,769	(921)
Auditing Services	16,170	15,675	(495)
Legal Services	4,000	(2,538)	(6,538)
Other General Government	128,700	97,738	(30,962)
Total General Government	<u>489,443</u>	<u>464,847</u>	<u>(24,596)</u>
Public Safety			
Police:			
Personnel Services	558,885	583,849	24,964
Benefits	98,037	101,545	3,508
Prosecution Services	43,320	41,818	(1,502)
Other Services and Charges	168,927	172,784	3,857
Total Police	<u>869,169</u>	<u>899,996</u>	<u>30,827</u>
Fire:			
Other Services and Charges	508,982	546,136	37,154
Total Public Safety	<u>1,378,151</u>	<u>1,446,132</u>	<u>67,981</u>
Public Works			
Engineering Fees	2,000	478	(1,522)
Administration:			
Personnel Services	203,146	220,266	17,120
Benefits	60,093	61,029	936
Other Services and Charges	68,000	70,300	2,300
Total Administration	<u>331,239</u>	<u>351,595</u>	<u>20,356</u>

CITY OF DEEPHAVEN

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2013**

	<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	\$ 24,062	\$ (2,338)
Street Repair and Maintenance	92,500	77,549	(14,951)
Total Streets	<u>118,900</u>	<u>101,611</u>	<u>(17,289)</u>
Planning and Zoning:			
Personnel Services	84,162	84,494	332
Benefits	26,744	26,224	(520)
Professional Services	76,000	94,845	18,845
Other Services and Charges	10,940	(83)	(11,023)
Total Planning and Zoning	<u>197,846</u>	<u>205,480</u>	<u>7,634</u>
Total Public Works	<u>649,985</u>	<u>659,164</u>	<u>9,179</u>
Parks and Recreation			
Wildlife Management	11,050	3,078	(7,972)
Professional Services	40,000	37,979	(2,021)
Other	30,650	24,910	(5,740)
Total Parks and Recreation	<u>81,700</u>	<u>65,967</u>	<u>(15,733)</u>
Total Expenditures	<u>2,599,279</u>	<u>2,636,110</u>	<u>36,831</u>
Excess of Revenues Over (Under) Expenditures	(27,323)	321,388	348,711
OTHER FINANCING SOURCES			
Proceeds from Sale of Capital Assets	100	133	33
Transfers In	27,454	27,454	-
Total Other Financing Sources	<u>27,554</u>	<u>27,587</u>	<u>33</u>
Net Change in Fund Balances	<u>\$ 231</u>	348,975	<u>\$ 348,744</u>
FUND BALANCES			
Beginning of Year		<u>2,680,768</u>	
End of Year		<u>\$ 3,029,743</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, 2013**

	<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	\$ 220,000	\$ 217,501	\$ (2,499)
Intergovernmental Revenue:			
Road and Other Aid	-	2,156	2,156
Fines and Forfeitures	4,000	3,200	(800)
Miscellaneous Revenues:			
Investment Income	3,500	2,294	(1,206)
Franchise Fees	92,000	93,139	1,139
Total Miscellaneous Revenues	<u>95,500</u>	<u>95,433</u>	<u>(67)</u>
Total Revenues	<u>319,500</u>	<u>318,290</u>	<u>(1,210)</u>
 EXPENDITURES			
General Government			
Capital Outlay	10,000	-	(10,000)
Public Safety			
Police:			
Capital Outlay	96,742	81,951	(14,791)
Public Works			
Streets:			
Capital Outlay	390,000	247,620	(142,380)
Park and Recreation			
Capital Outlay	50,400	16,669	(33,731)
Total Expenditures	<u>547,142</u>	<u>346,240</u>	<u>(200,902)</u>
 Excess of Revenues Over (Under) Expenditures	 (227,642)	 (27,950)	 199,692
 OTHER FINANCING SOURCES			
Proceeds from Sale of Capital Assets	14,000	12,807	(1,193)
 Net Change in Fund Balances	<u>\$ (213,642)</u>	<u>(15,143)</u>	<u>\$ 198,499</u>
 FUND BALANCES			
Beginning of Year		<u>384,876</u>	
 End of Year		<u>\$ 369,733</u>	

CITY OF DEEPHAVEN

**SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - PARK DEDICATION FUND
For the Year Ended December 31, 2013**

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Miscellaneous Revenues			
Investment Income	\$ 1,000	\$ 973	\$ (27)
Other	110,120	98,946	(11,174)
Total Revenues	<u>111,120</u>	<u>99,919</u>	<u>(11,201)</u>
 EXPENDITURES			
Park and Recreation			
Other	4,100	2,116	(1,984)
Capital Outlay	3,500	10,717	7,217
Total Expenditures	<u>7,600</u>	<u>12,833</u>	<u>5,233</u>
Net Change in Fund Balances	<u>\$ 103,520</u>	87,086	<u>\$ (16,434)</u>
 FUND BALANCES			
Beginning of Year		<u>54,872</u>	
End of Year		<u>\$ 141,958</u>	

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STATISTICAL SECTION

CITY OF DEEPHAVEN
STATISTICAL SECTION
December 31, 2013

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

Table 1

NET POSITION BY COMPONENT
Last Ten Years
(Unaudited)

	Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Net Investment in Capital Assets	\$ 5,189,044	\$ 5,151,234	\$ 5,059,462	\$ 4,974,229	\$ 4,907,661	\$ 4,913,579	\$ 4,748,385	\$ 4,751,436	\$ 4,724,104	\$ 4,768,473
Restricted	-	-	-	-	536,821	433,824	465,546	458,163	439,748	141,958
Unrestricted	2,430,084	2,439,493	2,485,099	2,738,771	2,330,953	2,403,353	2,347,748	2,410,373	2,528,138	3,229,783
Total Governmental Activities Net Position	\$ 7,619,128	\$ 7,590,727	\$ 7,544,561	\$ 7,713,000	\$ 7,775,435	\$ 7,750,756	\$ 7,561,679	\$ 7,619,972	\$ 7,691,990	\$ 8,140,214
Business-Type Activities										
Net Investment in Capital Assets	\$ 2,931,008	\$ 2,799,872	\$ 2,790,472	\$ 2,669,863	\$ 2,671,641	\$ 2,878,023	\$ 2,754,165	\$ 2,710,132	\$ 2,828,257	\$ 2,908,356
Unrestricted	1,060,947	1,075,162	1,057,152	1,272,540	1,225,658	956,137	1,016,488	1,080,239	879,169	771,574
Total Business-Type Activities Net Position	\$ 3,991,955	\$ 3,875,034	\$ 3,847,624	\$ 3,942,403	\$ 3,897,299	\$ 3,834,160	\$ 3,770,653	\$ 3,790,391	\$ 3,707,426	\$ 3,679,930
Primary Government										
Net Investment in Capital Assets	\$ 8,120,052	\$ 7,951,106	\$ 7,849,934	\$ 7,644,092	\$ 7,579,302	\$ 7,791,602	\$ 7,502,550	\$ 7,461,568	\$ 7,552,361	\$ 7,676,829
Restricted	-	-	-	-	536,821	433,824	465,546	458,163	439,748	141,958
Unrestricted	3,491,031	3,514,655	3,542,251	4,011,311	3,556,611	3,359,490	3,364,236	3,490,632	3,407,307	4,001,357
Total Primary Government Net Position	\$ 11,611,083	\$ 11,465,761	\$ 11,392,185	\$ 11,655,403	\$ 11,672,734	\$ 11,584,916	\$ 11,332,332	\$ 11,410,363	\$ 11,399,416	\$ 11,820,144

Source: City of Deephaven financial records

Table 2

CITY OF DEEPHAVEN
CHANGES IN NET POSITION
Last Ten Years
(Unaudited)

	Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EXPENSES										
Governmental Activities										
General Government	\$ 395,883	\$ 343,094	\$ 383,642	\$ 465,244	\$ 504,634	\$ 468,161	\$ 502,985	\$ 447,182	\$ 479,007	\$ 470,192
Public Safety	977,293	1,019,762	1,069,557	1,138,533	1,157,123	1,237,012	1,260,456	1,407,646	1,430,795	1,504,104
Public Works	678,002	781,727	928,776	836,628	851,220	873,465	1,037,303	841,784	813,505	844,575
Parks and Recreation	107,325	124,667	135,130	137,179	136,025	144,238	129,720	119,517	144,071	127,906
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>	<u>2,816,129</u>	<u>3,267,378</u>	<u>3,294,677</u>
Business-Type Activities										
Sewer	420,715	535,990	619,992	526,404	586,727	619,056	601,636	567,494	659,511	749,843
Water	55,004	59,110	60,522	65,807	79,291	81,168	69,953	68,183	80,160	70,759
Storm Water	13,714	31,069	28,216	43,765	20,496	34,795	32,512	43,011	63,532	93,825
Marina	68,028	81,312	99,097	104,937	99,877	121,418	124,629	125,785	122,383	128,004
Recycling	-	-	22,457	20,262	29,607	29,607	20,008	23,956	23,759	30,536
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>	<u>828,429</u>	<u>949,345</u>	<u>1,072,967</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>	<u>\$ 3,644,558</u>	<u>\$ 3,816,723</u>	<u>\$ 4,019,744</u>
PROGRAM REVENUES										
Governmental Activities										
Charges for Service:										
General Government	\$ 60,914	\$ 467,161	\$ 475,768	\$ 108,290	\$ 100,468	\$ 96,938	\$ 114,442	\$ 127,964	\$ 141,817	\$ 144,041
Public Safety	430,695	85,679	667,90	155,222	169,689	178,783	199,235	187,903	218,433	234,021
Public Works	1,68,465	7,912	10,227	390,429	414,009	332,005	361,434	326,000	372,847	531,911
Parks and Recreation	-	-	-	127,053	-	-	-	-	-	94,500
Other	-	99,120	114,448	-	-	-	-	-	-	-
Operating Grants and Contributions	64,001	-	74,217	57,922	54,936	64,657	59,373	152,695	163,283	238,363
Capital Grants and Contributions	36,613	-	9,196	-	1,204	46,767	8,279	1,085	168	2,156
Total Governmental Activities	<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>	<u>823,647</u>	<u>896,548</u>	<u>1,244,992</u>
Program Revenues										
Sewer	364,218	362,826	403,820	426,846	421,381	430,724	490,856	548,746	559,066	758,406
Water	48,997	51,483	58,152	65,807	68,563	67,777	62,766	64,395	74,676	64,538
Storm Water	17,026	33,388	85,173	85,417	84,767	83,232	84,820	84,993	84,865	85,019
Marina	96,577	84,923	89,962	118,479	124,156	128,965	128,129	124,542	124,141	124,007
Recycling	-	-	7,072	10,690	10,459	16,755	11,962	15,482	18,564	21,636
Operating Grants and Contributions	-	-	-	-	12,098	12,011	12,370	12,248	12,079	-
Capital Grants and Contributions	20,191	13,189	23,347	10,396	-	16,000	-	6,560	-	12,119
Total Business-Type Activities	<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>	<u>856,966</u>	<u>873,391</u>	<u>1,065,725</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>	<u>\$ 1,680,613</u>	<u>\$ 1,769,939</u>	<u>\$ 2,310,717</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)	\$ (1,992,482)	\$ (1,970,830)	\$ (1,701,785)
Business-Type Activities	(10,452)	(161,672)	(162,758)	(43,550)	(87,500)	(130,580)	(57,835)	28,537	(75,954)	(7,242)
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>	<u>\$ (1,963,945)</u>	<u>\$ (2,046,784)</u>	<u>\$ (1,709,027)</u>

Source: City of Deephaven financial records

Table 2

CITY OF DEEPHAVEN
CHANGES IN NET POSITION
 Last Ten Fiscal Years
 (Unaudited)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
GENERAL REVENUES AND OTHER										
CHANGES IN NET POSITION										
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	\$ 1,909,458	\$ 1,922,069	\$ 1,904,890
Unrestricted State Aid	-	-	-	33,675	16,673	2,790	2,473	2,515	2,569	2,501
Unrestricted Investment Earnings	56,143	63,324	100,814	119,352	119,490	69,415	38,224	30,363	52,231	23,784
Other General Revenues	51,922	31,837	75,375	31,874	34,287	62,461	57,877	86,903	41,664	179,843
Gain on Sale of Asset	-	-	-	-	-	-	-	-	-	-
Transfers	166,569	15,775	(15,389)	18,141	20,191	(34,203)	20,590	21,536	24,315	11,537
Total Governmental Activities	1,662,568	1,680,271	1,819,564	1,987,911	1,971,131	1,979,047	1,998,604	2,050,775	2,042,848	2,150,009
Business-Type Activities										
Unrestricted Investment Earnings	25,795	28,976	46,439	59,692	58,163	33,238	14,918	12,737	16,779	7,200
Other General Revenues	4,170	-	73,520	6,778	4,424	-	-	-	525	-
Transfers	(166,569)	15,775	15,389	(18,141)	(20,191)	34,203	(20,590)	(21,536)	(24,315)	(27,454)
Total Business-Type Activities	(136,604)	44,751	135,348	48,329	42,396	67,441	(5,672)	(8,799)	(7,011)	(20,254)
Total Primary Government	\$ 1,525,964	\$ 1,725,022	\$ 1,954,912	\$ 2,036,240	\$ 2,013,527	\$ 2,046,488	\$ 1,992,932	\$ 2,041,976	\$ 2,035,837	\$ 2,129,755
CHANGES IN NET POSITION										
Governmental Activities	\$ 142,205	\$ (51,655)	\$ (46,166)	\$ 258,439	\$ 62,435	\$ (24,679)	\$ (189,077)	\$ 58,293	\$ 72,018	\$ 448,224
Business-Type Activities	(147,056)	(116,921)	(27,410)	4,779	(45,104)	(63,139)	(63,507)	19,738	(82,965)	(27,496)
Total Primary Government	\$ (4,851)	\$ (168,576)	\$ (73,576)	\$ 263,218	\$ 17,331	\$ (87,818)	\$ (252,584)	\$ 78,031	\$ (10,947)	\$ 420,728

Source: City of Deephaven financial records

CITY OF DEEPHAVEN

**FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Years
(Unaudited)**

	Year				
	2004	2005	2006	2007	2008
GENERAL FUND					
Reserved	\$ -	\$ -	\$ -	\$ 18,850	\$ 19,583
Unreserved	2,043,475	2,119,084	2,213,499	2,350,611	2,383,853
Nonspendable	-	-	-	-	-
Committed	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General Fund	<u>\$ 2,043,475</u>	<u>\$ 2,119,084</u>	<u>\$ 2,213,499</u>	<u>\$ 2,369,461</u>	<u>\$ 2,403,436</u>
ALL OTHER GOVERNMENTAL FUNDS					
Reserved	\$ -	\$ -	\$ -	\$ 37	\$ 41
Unreserved, Reported in:					
Capital Projects Funds	471,167	416,409	392,600	478,295	536,821
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Total All Other Governmental Funds	<u>\$ 471,167</u>	<u>\$ 416,409</u>	<u>\$ 392,600</u>	<u>\$ 478,332</u>	<u>\$ 536,862</u>

Source: City of Deephaven financial records
Note: GASB 54 was implemented in 2011.

Table 3

	Year				
2009	2010	2011	2012	2013	
\$ 18,392	\$ 22,350	\$ -	\$ -	\$ -	
2,455,051	2,451,621	-	-	-	
-	-	22,348	16,472	13,870	
-	-	155,000	176,508	173,874	
-	-	2,383,144	2,487,788	2,841,999	
<u>\$ 2,473,443</u>	<u>\$ 2,473,971</u>	<u>\$ 2,560,492</u>	<u>\$ 2,680,768</u>	<u>\$ 3,029,743</u>	
\$ -	\$ 54	\$ -	\$ -	\$ -	
433,824	465,546	-	-	-	
-	-	97,768	54,872	141,958	
-	-	360,395	384,876	369,733	
<u>\$ 433,824</u>	<u>\$ 465,600</u>	<u>\$ 458,163</u>	<u>\$ 439,748</u>	<u>\$ 511,691</u>	

CITY OF DEEPHAVEN

**Changes in Fund Balances of Governmental Funds
Last Ten Years
(Unaudited)**

	2004	2005	2006	2007	2008
REVENUES					
Taxes	\$ 1,393,045	\$ 1,569,335	\$ 1,658,764	\$ 1,779,718	\$ 1,769,182
Special Assessments	38,698	7,888	6,739	2,890	4,707
Licenses and Permits	213,415	205,680	253,754	228,658	226,195
Intergovernmental	75,087	54,804	74,217	90,137	68,873
Charges for Services	292,537	298,599	256,067	283,577	314,121
Fines and Penalties	62,870	56,473	42,964	42,267	40,785
Franchise Fees	91,252	99,120	114,448	88,479	92,667
Interest Income	56,143	63,324	100,814	119,352	119,490
Miscellaneous Revenues	54,198	26,792	78,636	171,347	47,421
Total Revenues	<u>2,277,245</u>	<u>2,382,015</u>	<u>2,586,403</u>	<u>2,806,425</u>	<u>2,683,441</u>
EXPENDITURES					
General Government	395,300	358,497	347,236	444,895	479,541
Public Safety	942,149	984,121	1,030,852	1,098,381	1,128,643
Public Works	605,582	611,962	776,365	674,424	700,035
Parks and Recreation	48,617	63,172	68,176	78,537	79,017
Fixed and Other	122,548	92,846	96,437	-	-
Capital Outlay	443,556	234,791	181,342	208,623	232,332
Total Expenditures	<u>2,557,752</u>	<u>2,345,389</u>	<u>2,500,408</u>	<u>2,504,860</u>	<u>2,619,568</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Capital Asset	-	-	-	11,988	8,441
Transfers In	234,402	18,725	18,211	18,141	20,191
Transfers Out	<u>(67,833)</u>	<u>(34,500)</u>	<u>(33,600)</u>	-	-
Total Other Financing Sources (Uses)	<u>166,569</u>	<u>(15,775)</u>	<u>(15,389)</u>	<u>30,129</u>	<u>28,632</u>
 Net Change in Fund Balances	 <u>\$ (113,938)</u>	 <u>\$ 20,851</u>	 <u>\$ 70,606</u>	 <u>\$ 331,694</u>	 <u>\$ 92,505</u>

Table 4

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 1,869,847	\$ 1,900,473	\$ 1,916,148	\$1,909,862	\$1,923,389
2,319	2,662	1,743	780	775
188,755	198,040	151,989	211,812	323,964
77,785	58,673	162,439	144,836	219,049
270,447	313,596	330,612	343,713	390,457
45,824	72,491	58,016	80,076	92,095
92,015	91,977	92,953	92,673	93,139
69,415	38,224	30,363	52,231	23,784
62,808	59,036	107,682	67,503	309,055
<u>2,679,215</u>	<u>2,735,172</u>	<u>2,851,945</u>	<u>2,903,486</u>	<u>3,375,707</u>
448,887	486,622	445,153	464,716	464,847
1,170,420	1,184,430	1,336,875	1,369,465	1,446,132
659,159	742,231	660,783	634,389	799,914
85,969	72,867	65,952	87,713	68,083
-	-	-	-	-
<u>375,063</u>	<u>238,329</u>	<u>293,923</u>	<u>297,207</u>	<u>216,207</u>
<u>2,739,498</u>	<u>2,724,479</u>	<u>2,802,686</u>	<u>2,853,490</u>	<u>2,995,183</u>
6,547	1,021	8,289	27,550	12,940
20,705	20,590	21,536	24,315	27,454
-	-	-	-	-
<u>27,252</u>	<u>21,611</u>	<u>29,825</u>	<u>51,865</u>	<u>40,394</u>
<u>\$ (33,031)</u>	<u>\$ 32,304</u>	<u>\$ 79,084</u>	<u>\$ 101,861</u>	<u>\$ 420,918</u>

CITY OF DEEPHAVEN

**Tax Capacity and Estimated Actual Value of Taxable Property
Last Ten 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		
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
2010	2011	11,178,216	992,653,900	1.1%	1,922,124
2011	2012	10,838,330	973,857,600	1.1%	1,922,124
2012	2013	10,356,225	933,934,700	1.1%	1,922,124

Source: Hennepin County Taxpayer Services Department

Note - School District Tax Capacity Rate does not include levy referendum

Table 5

Tax Capacity Rates					
<u>General</u> <u>Revenue</u>	<u>Special</u>	<u>Total</u> <u>City</u>	<u>Total</u> <u>School</u>	<u>Total</u> <u>County</u>	<u>Total</u>
Tax Capacity per \$ 1,000 of Assessed Value					
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
17.222	0.000	17.222	21.269	45.840	84.331
17.776	0.000	17.776	23.014	48.777	89.567
18.624	0.000	18.624	24.458	49.349	92.431

CITY OF DEEPHAVEN

Table 6

**Property Tax Levies and Collections
Last Ten Years
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Total Levy</u>	<u>Collection of Current Year's Levy (1)</u>	<u>Percentage of Levy Collected</u>	<u>Collection of Prior Year's Levy</u>	<u>Total Collections</u>	<u>Percentage of Total Collections to Levy</u>
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	31,484	1,783,237	99.94%
2009	1,885,370	1,855,373	98.41	27,009	1,882,382	99.84%
2010	1,885,370	1,864,518	98.89	17,086	1,881,604	99.80%
2011	1,922,124	1,897,536	98.72	-	1,897,536	98.72%
2012	1,922,124	1,905,721	99.15	3,603	1,909,324	99.33%
2013	1,922,124	1,907,695	99.25	13,379	1,921,074	99.95%

(1) Including Fiscal Disparities

CITY OF DEEPHAVEN

Table 7

**PRINCIPAL TAXPAYERS
Current Year and Nine Years Ago
(Unaudited)**

Property ID No.	Type of Business	2013			2004		
		Net Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value	Net Tax Capacity Value	Rank	Percentage of Total Tax Capacity Value
13-117-23-43-0009	Residential	\$ 81,363	1	0.80%	\$ 26,950	12	0.36%
13-117-23-13-0002	Residential	73,600	2	0.72%	64,938	2	0.87%
18-117-22-23-0017	Residential	71,788	3	0.70%	73,125	1	0.98%
13-117-23-43-0006	Residential	68,038	4	0.67%	64,863	3	0.87%
13-117-23-42-0003	Residential	58,888	5	0.58%	46,938	8	0.63%
13-117-23-43-0004	Residential	54,463	6	0.53%	55,125	4	0.74%
13-117-23-13-0001	Residential	53,513	7	0.52%	54,725	5	0.74%
23-117-23-41-0004	Residential	51,650	8	0.51%	40,700	11	0.55%
24-117-23-14-0002	Residential	51,100	9	0.50%	47,088	7	0.63%
24-117-23-11-0029	Residential	50,075	10	0.49%	45,500	9	0.61%
23-117-23-41-0015	Residential	49,850	11	0.49%	45,000	10	0.61%
13-117-23-42-0010	Residential	<u>49,088</u>	12	0.48%	<u>50,525</u>	6	0.68%
		<u>\$ 713,416</u>		7.00%	<u>\$ 615,477</u>		8.28%

CITY OF DEEPHAVEN

Table 8

**SPECIAL ASSESSMENTS LEVIES AND COLLECTIONS
Last Ten Years
(Unaudited)**

<u>Year Ended December 31,</u>	<u>Total Levied</u>	<u>Total Collections</u>	<u>Total Outstanding Assessments</u>
2004	\$ 47,110	\$ 45,961	\$ 3,496
2005	41,160	32,320	3,279
2006	10,000	29,025	3,516
2007	17,010	25,416	3,752
2008	22,021	17,731	5,057
2009	20,109	25,451	4,971
2010	23,206	24,929	2,451
2011	31,847	33,016	1,602
2012	38,729	37,302	3,808
2013	38,511	38,381	7,710

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, 2013
(Unaudited)**

GOVERNMENTAL UNIT	<u>Net G.O. 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)	723,264,582	0.83%	6,003,096
Independent School District No. 276, Minnetonka (2)	87,293,950	14.23%	12,421,929
Three Rivers Park District (2)	54,166,123	1.12%	606,661
Metro Transit (2)	158,664,771	0.38%	602,926
Hennepin Regional RR Authority (2)	37,350,216	1.12%	418,322
Total Overlapping Debt	<u>1,060,739,642</u>		<u>20,052,934</u>
Total Direct and Overlapping Debt	<u>\$ 1,060,739,642</u>		<u>\$ 20,052,934</u>

(1) Based on Percentage of City Tax Capacity to Total Tax Capacity

(2) Source - Hennepin County

CITY OF DEEPHAVEN

LEGAL DEBT MARGIN INFORMATION
Last Ten Years
(Unaudited)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Estimated Market Value (2)	<u>\$ 686,899,600</u>	<u>\$ 782,311,000</u>	<u>\$ 939,884,600</u>	<u>\$ 995,692,300</u>	<u>\$ 1,103,467,700</u>
Debt Limit - 2% of Market Value (1)	\$ 13,737,992	\$ 15,646,220	\$ 18,797,692	\$ 19,913,846	\$ 22,069,354
Amount of Debt Applicable to Debt Limit					
Net Debt Applicable to Limit (3)	<u>1,779,289</u>	<u>1,726,809</u>	<u>1,649,338</u>	<u>1,730,089</u>	<u>1,653,621</u>
Legal Debt Margin	<u>\$ 11,958,703</u>	<u>\$ 13,919,411</u>	<u>\$ 17,148,354</u>	<u>\$ 18,183,757</u>	<u>\$ 20,415,733</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	12.95%	11.04%	8.77%	8.69%	7.49%

(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 fire 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<u>\$ 1,102,852,900</u>	<u>\$ 1,064,980,400</u>	<u>\$ 992,653,900</u>	<u>\$ 973,857,600</u>	<u>\$ 933,934,700</u>
\$ 22,057,058	\$ 21,299,608	\$ 19,853,078	\$ 19,477,152	\$ 18,678,694
<u>1,645,027</u>	<u>1,502,020</u>	<u>1,381,562</u>	<u>1,381,310</u>	<u>1,021,248</u>
<u>\$ 20,412,031</u>	<u>\$ 19,797,588</u>	<u>\$ 18,471,516</u>	<u>\$ 18,095,842</u>	<u>\$ 17,657,446</u>
7.46%	7.05%	6.96%	7.09%	5.47%

CITY OF DEEPHAVEN

Table 11

**DEMOGRAPHICS AND ECONOMIC STATISTICS
Last Ten Years
(Unaudited)**

<u>Year</u>	<u>Population (1)</u>	<u>Deephaven Public School Enrollment (2)</u>	<u>Minnesota Unemployment Rate (3)</u>	<u>Median Household Income (4)</u>	<u>Total Personal Income (4)</u>	<u>Per Capita Personal Income (4)</u>
2004	3,855	558	4.4%	(5)	(5)	(5)
2005	3,900	516	3.8%	(5)	(5)	(5)
2006	3,853	477	3.7%	(5)	(5)	(5)
2007	3,767	484	4.3%	(5)	(5)	(5)
2008	3,774	432	5.9%	(5)	(5)	(5)
2009	3,800	516	7.0%	(5)	(5)	(5)
2010	3,820	559	7.0%	\$124,200	\$ 281,534,000	\$ 73,700
2011	3,642	560	5.7%	\$128,600	\$ 281,890,800	\$ 77,400
2012	3,648	633	5.0%	(5)	(5)	(5)
2013	3,690	624	4.6%	(5)	(5)	(5)

(1) Source: Minnesota State Demographer

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

(3) Source: Bureau of Labor Statistics

(4) Source: Metropolitan Council

(5) Information is not available.

CITY OF DEEPHAVEN

Table 12

PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago
(Unaudited)

Employer	Product/Service	2013			2004		
		Number of Employees	Rank	Percentage of Total City Employment	Number of Employees	Rank	Percentage of Total City Employment
Deephaven Elementary School	Public Education	100	1	39.5 %	70	1	30.6 %
St. Therese Church/School	Religious Church/School	61	2	24.1	59	2	25.8
Streeter and Associates	Building Contractor	44	3	17.4	32	3	14.0
Grace Luthern Church/School	Religious Church/School	13	5	5.1	22	4	9.6
City of Deephaven	City Government	18	4	7.1	20	5	8.7
Steiner and Koppleman	Building Contractor	8	7	3.2	16	6	7.0
Kyle Hunt and Partners, Inc.	Building Contractor	9	6	3.6	10	7	4.4
		<u>253</u>		<u>100.0 %</u>	<u>229</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 Ten Years
(Unaudited)**

FUNCTION/PROGRAM	Full-Time - Equivalent Employees as of December 31,				
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Government	6	5.5	6	6	6
Public Safety	8	8	8	8	7
Public Works	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
Total	<u><u>19</u></u>	<u><u>18.5</u></u>	<u><u>19</u></u>	<u><u>19</u></u>	<u><u>18</u></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,				
<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
6	6	6	6	6
8	8	8	8	8
<u>5</u>	<u>5</u>	<u>4</u>	<u>4</u>	<u>4</u>
<u><u>19</u></u>	<u><u>19</u></u>	<u><u>18</u></u>	<u><u>18</u></u>	<u><u>18</u></u>

CITY OF DEEPHAVEN

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

FUNCTION/PROGRAM	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
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

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
1	1	1	1	1	1
4	4	4	4	4	4
2	2	2	2	2	2
7	7	7	7	7	7
32	32	32	32	32	32
-	-	-	-	-	-
8	8	8	8	8	8
1	1	1	1	1	1
6	6	6	6	6	6
100	112	112	112	112	112
53	53	53	53	53	53
115	115	115	115	113	113
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 Years
(Unaudited)**

<u>Year</u>	<u>Number</u>	<u>Value</u>
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
2011	494	7,579,378
2012	506	14,447,728
2013	572	18,515,926

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 Years
(Unaudited)**

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</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)	811	786	751
Inspections	(1)	(1)	(1)	(1)
Public Works				
Street Maintenance:				
Miles of City Maintained	32	32	32	32
Planning:				
Number of Planning Applications Received	12	25	15	18
Number of Building Permits Reviewed	560	534	622	590
Park and Recreation				
Parks and Trails:				
Number 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	1,437	1,439	1,436	1,460
New Connections	3	2	0	24
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)	489	498	577	557
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	1,435	1,436	1,435	1,461

(1) Information not available

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

Source: Various City departments

Table 16

2008	2009	2010	2011	2012	2013
59	106	225	220	299	304
224	172	211	190	236	271
443	741	2,204	2,971	3,050	3,386
733	657	732	651	639	677
460	524	707	664	601	574
32	32	32	32	32	32
16	13	10	12	21	26
524	399	541	494	506	572
12	13	13	13	13	13
2	2	2	2	2	2
5	5	5	5	5	5
4	4	4	4	4	4
6	6	6	6	6	6
1,461	1,468	1,468	1,468	1,474	1,474
1	7	0	0	6	0
144	144	145	144	144	145
544	508	474	405	393	592
90	93	93	95	95	95
15	15	15	17	17	17
53	53	53	53	53	53
115	115	115	115	113	113
32	32	32	32	32	32
1,463	1,470	1,470	1,469	1,472	1,472