

Appendix A

Scope of Report

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This report provides a summary of the financial operations of the 668 cities under 2,500 in population for the calendar year 1997. Information concerning Minnesota cities over 2,500 in population is contained in a separate report.

Sources of the data include the annual city financial reporting form, audits by public accountants, financial statements prepared by the city clerk or clerk-treasurer, county auditors' reports of indebtedness, and the Department of Revenue records for state shared tax distributions, grants, aids, taxable valuations, and tax levies.

In accordance with Minnesota Statutes § 471.698, cities must prepare and submit an annual detailed statement of the financial affairs of the city to the State Auditor. Of the 668 cities under 2,500 in population, 365 cities submitted an annual detailed statement of the financial affairs of the city using the cash basis of accounting.

The remaining 303 cities have elected to comply with Minnesota Statutes § 471.697. This statute requires cities to submit comprehensive annual financial reports and an audited financial statement prepared in accordance with Generally Accepted Accounting Principles (GAAP). The governmental funds are reported using the modified accrual basis of accounting, and the enterprise funds are reported using the accrual basis of accounting. Pursuant to Minnesota Statutes § 412.591, subdivision 2, cities operating under Option Plan "A" with the combined office of clerk-treasurer are also required to have an audit, although the audited financial statements may be on the cash basis of accounting.

Tables 2 and 3, which summarize the revenues and expenditures for the governmental functions (including expendable trust funds), are classified into five population types based on the 1997 population estimates from the Office of the State Demographer. These five types are:
This report includes the financial operations of the governmental funds for each city. These funds are

<u>TYPE</u>	<u>POPULATION</u>
1	2,000 - 2,500
2	1,500 - 2,000
3	1,000 - 1,500
4	500 - 1,000
5	UNDER 500

the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds. Further, all reported enterprise funds are separated from the city governmental funds. Cities in Minnesota operate many types of public service enterprises. The operations of nine major

enterprise funds common to most cities are summarized and presented separately. Major enterprise funds common to most cities are grouped together by type of enterprise fund such as Water Utilities, Sewer Utilities, Refuse Disposal, Electric, Nursing Homes, Liquor Stores, etc. Enterprise funds whose operations are exclusive to culture and recreational activities are combined together into "Culture and Recreation Enterprise Operations." All other enterprise funds are combined together as "Other City Enterprise Operations." In this report, electric utilities that operate generation and distribution systems are combined with those operating distribution systems only. When possible, the financial operations of these enterprises are presented on the accrual basis rather than the cash basis of accounting. The basis of accounting is accrual unless indicated otherwise by a footnote.

Table 19 summarizes the outstanding bonded indebtedness of cities by the type of bond issue. This table also provides a summary of the combined total of other types of long-term debt such as notes or loans.

Four cities failed to submit an annual reporting form and/or financial statement in time for this publication. They are Brookston, New London, Ronneby, and Spring Hill.