

The purpose of this report is to provide summary 2012 budget information concerning the City of Kimball to interested citizens. The budget is published in accordance with MN Stat. §471.6965. This budget is not a detailed budget. The detailed budget may be examined at the City Clerk/Treasurer's Office, 1 Main Street North, Kimball, MN. The City Council approved this budget December 13, 2011.

	REVENUES	PRIOR YEAR BUDGET	CURRENT YEAR BUDGET
1	PROPERTY TAXES (DO NOT INCLUDE MARKET VALUE CREDITS)	382,948	331,563
2	TAX INCREMENTS	8,000	0
3	ALL OTHER TAXES (FRANCHISE, HOTEL/MOTEL TAXES, ETC.)	2,000	2,200
4	SPECIAL ASSESSMENTS	0	1,219
5	LICENSES AND PERMITS	27,310	25,315
6	FEDERAL GRANTS	0	0
7	STATE GENERAL PURPOSE AID (MARKET VALUE CREDITS, ETC.)	117,942	117,942
8	STATE CATEGORICAL AID (STATE AID FOR STREETS, ETC.)	14,548	16,523
9	GRANTS FROM COUNTY AND OTHER LOCAL GOVERNMENTS	0	1,999
10	CHARGES FOR SERVICES	33,283	43,038
11	FINES AND FORFEITS	15,100	17,100
12	INTEREST ON INVESTMENTS	500	240
13	MISCELLANEOUS REVENUES	33,871	3,052
14	TOTAL REVENUES	635,502	560,191
15	PROCEEDS FROM BOND SALES	0	0
16	OTHER FINANCING SOURCES	0	26,875
17	TRANSFERS FROM OTHER FUNDS (INCL. ENTERPRISE FUNDS)	0	0
18	TOTAL REVENUES AND OTHER FINANCING SOURCES	635,502	587,066
	<b>EXPENDITURES</b>		
	<b>CURRENT EXPENDITURES (EXCLUDE CAPITAL OUTLAY)</b>		
19	GENERAL GOVERNMENT (BOARD, ADMINISTRATION, ETC.)	163,848	151,239
20	PUBLIC SAFETY	245,016	245,195
21	STREETS AND HIGHWAYS (EXCLUDING CONSTRUCTION)	121,867	126,651
22	SANITATION	3,500	0
23	HUMAN SERVICES	0	0
24	HEALTH	0	0
25	CULTURE AND RECREATION	26,300	21,105
26	CONSERVATION OF NATURAL RESOURCES	0	0
27	ECONOMIC DEVELOPMENT	12,000	16,000
28	MISCELLANEOUS CURRENT EXPENDITURES	0	0
29	TOTAL CURRENT EXPENDITURES	572,531	560,191
30	DEBT SERVICE - PRINCIPAL	54,970	55,732
31	INTEREST AND FISCAL CHARGES	28,039	0
32	STREETS AND HIGHWAYS CONSTRUCTION	0	0
33	CAPITAL OUTLAY	8,000	0
34	OTHER FINANCING USES	0	16,000
35	TRANSFERS TO OTHER FUNDS (INCLUDE ENTERPRISE FUNDS)	0	0
36	TOTAL EXPENDITURES AND OTHER FINANCING USES	663,540	631,923
	<b>FUND BALANCE</b>		
37	GENERAL FUND - BEGINNING BALANCE (JANUARY 1)	164,013	278,209
38	GENERAL FUND - ENDING BALANCE (DECEMBER 31)	146,736	278,209
39	INCREASE (DECREASE) IN FUND BALANCE - BUDGETED	(17,277)	0
	<b>OTHER ITEMS</b>		
40	TOTAL PROPERTY TAX LEVY - ALL FUNDS	382,948	387,295
41	NET UNREALIZED GAIN OR (LOSS)	0	0
	FROM INVESTMENTS FOR 2011		

Nicole J Pilarski  
Clerk/Treasurer

### Property Taxes in Brief

From time to time the City receives inquiries from residents who want to better understand how property values correlate with their property taxes.

### What Property Taxes Fund

First, it's important to know that not all property taxes go to the City. For each residential property tax dollar, the city receives about 43%. The remainder goes to the school district, Stearns County and other taxing jurisdictions. For each tax dollar commercial-industrial property owners pay, 34% goes to the City.

The City portion of your property taxes covers the cost of police and fire service, street maintenance, park upkeep, economic development, snowplowing and other local services. The City's portion also covers bond payments for projects such as street reconstruction and utility reconstruction.

How much the City will levy for taxes is based on the amount of money needed to pay for services and to make bonded debt payments.

### How Your City Taxes are Determined

Based on a formula devised by the State, the cost to provide City services is divided among property owners. Property values determine how the tax levy will be distributed and your share of the community's property tax bill. Because property taxes are an ad valorem tax, the higher your home value, the more taxes you will pay.

### How Your Taxes Change

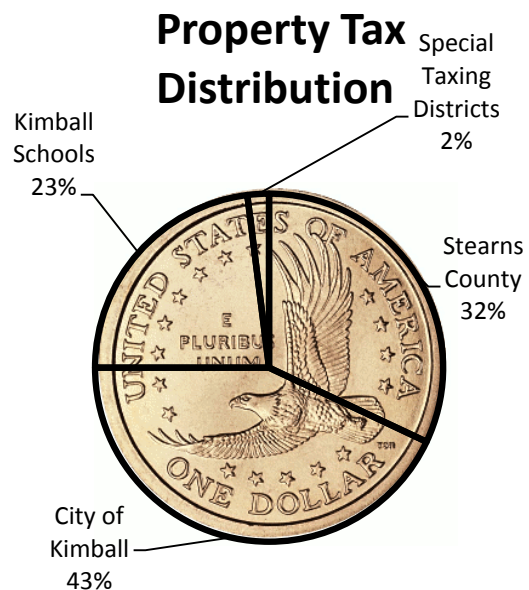
In broad terms, property taxes change due to four things.

- 1) Changes in your property value relative to other similar properties.
- 2) Shifts in the strength of the residential real estate market as compared to the commercial market.
- 3) The amount levied by the City, County, School District and other jurisdictions.
- 4) Changes enacted by state lawmakers.

**Values:** If your value increases more than the average value increase of other properties in Kimball due to home improvements or for another reason, you will assume a greater share of the tax bill. Likewise, if your value goes down compared to similar properties, your tax bill will decrease relative to similar properties.

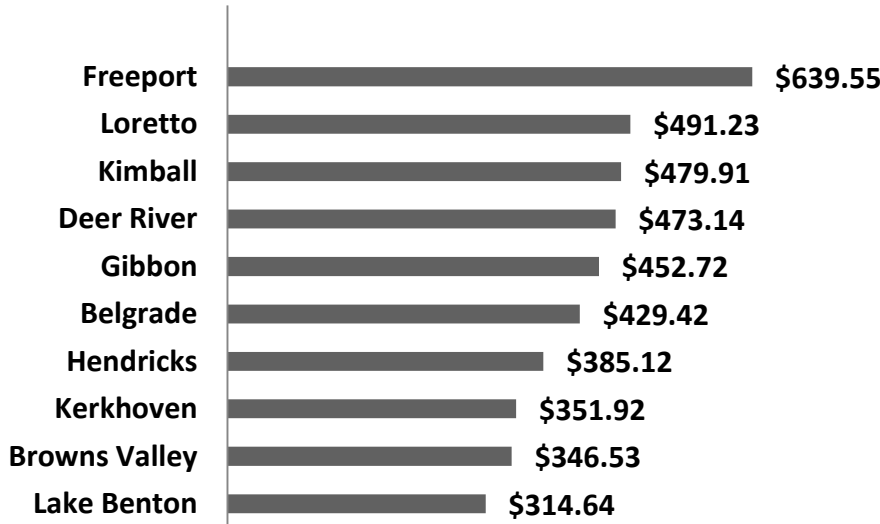
**Market:** Because both residential and commercial properties pay property taxes to fund City services, the property tax burden shifts, depending on each market's strength. For instance, if residential values are surging and commercial values are lagging, residential properties on the whole will pick up a greater share of the overall tax burden than commercial properties. The reverse is true when residential market values are declining, but commercial values are strong.

**State Law:** Changes to property classifications enacted by the state legislature can also affect your property taxes.



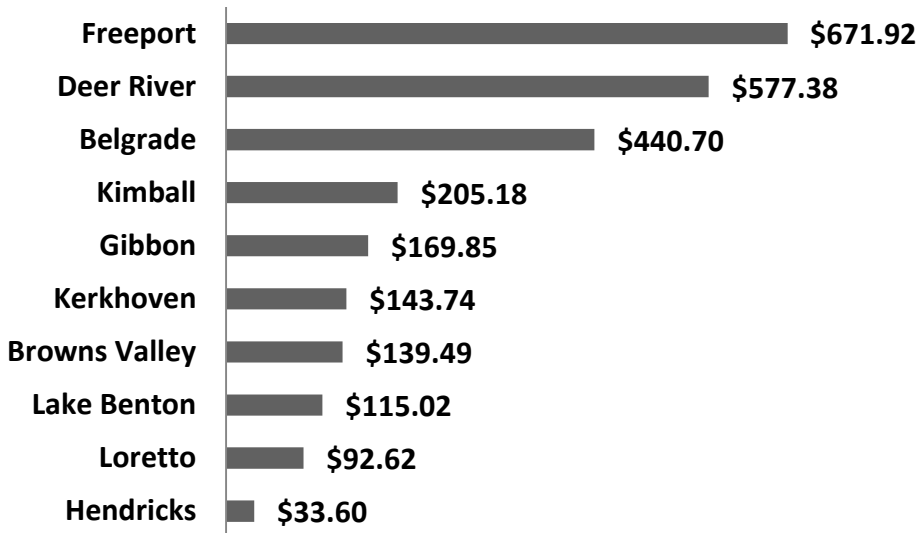
\*Based on 2011 Residential Property Tax Data

## How Kimball's Levy Compares per Capita to Cities of Similar Size



\* Based on 2009 Data Provided by the State Auditor's Office

## Debt per Capita



\* Based on 2009 Data Provided by the State Auditor's Office

### What are Reserve Funds?

The topic of City reserve funds are occasionally in the news as State lawmakers discuss state funding for Cities. Reserve funds play an important role in providing City services without interruption. Here's why:

Like an individual who tries to keep a minimum balance in a checkbook from one pay period to the next, the City of Kimball has a cash flow cycle that requires a minimum balance or savings account of sorts. This set aside money is called the fund balance; it helps the City pay bills and salaries until revenue begins to come in.

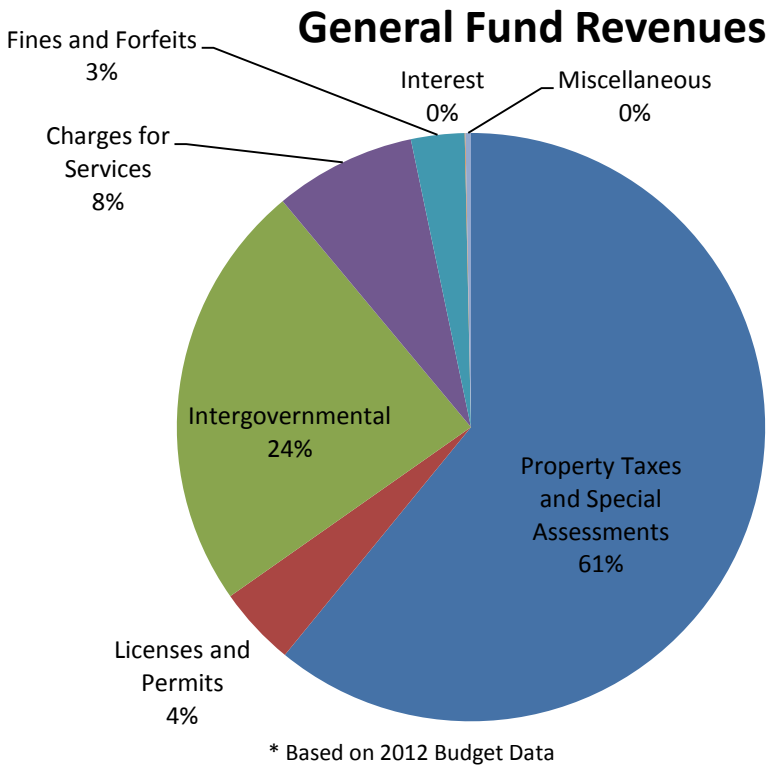
The City's general fund, the largest fund in the budget and main source of operating revenue for the City, is like the City's checkbook – it contains the fund balance. The general fund has two main sources of revenue – property taxes and intergovernmental revenue.

The City's general fund revenue is typically very light during the first six months of the year. While property owners send in property tax payments twice a year, in May and October, Stearns County typically does not send property taxes it has collected on the City's behalf to Kimball until 6 to 8 weeks later. That revenue usually arrives in the City's general fund in late June/early July and late November/early December.

Intergovernmental revenue, the City's second largest revenue source, consists of local government aid (LGA) and police state aid.

These State Paid Aids are not received until late July/December (LGA) and late September (police state aid). This leaves a period from February – June in which the City receives very little revenue.

To address these times between "pay periods," the City has put into place a fund balance policy that requires the City maintain a fund balance equal to 35-50% of the general fund operating expenditures. This allows the City to fund fire, police, street and park maintenance without interruption throughout the year.



**Operations That Run Like a Business –**  
 Some City operations are run like a business – water, sewer and refuse. The fees and service charges paid by the user cover all operating and capital costs, not taxes. These are called enterprise funds. When the City Council considers providing City services, it looks at whether user fees are a sensible, fair and feasible way to pay for all, some or none of the cost of providing the service. Sometimes fees work well; sometimes they don't. One thing is certain though, the City does not use fees to generate revenue in excess of what is needed to provide the service. Under state law, when a City charges a fee for a service, the fee may not exceed the cost to provide the service.

**General Government - \$151,239**

- 34% - City Clerk
- 22% - City Hall
- 12% - Council/Mayor
- 11% - Legal and Audit
- 9% - Planning
- 7% - Other
- 3% - Assessing
- 1% - Elections
- 1% - Printing

**Public Safety - \$245,195**

- 84% - Police
- 10% - Fire Department
- 4% - Building Inspection
- 1% - Animal Control
- 1% - Civil Defense

**Streets and Highways - \$126,651**

- 43% - Administration
- 23% - Repairs and Supplies
- 19% - Other
- 14% - Street Lighting
- 1% - Insurance

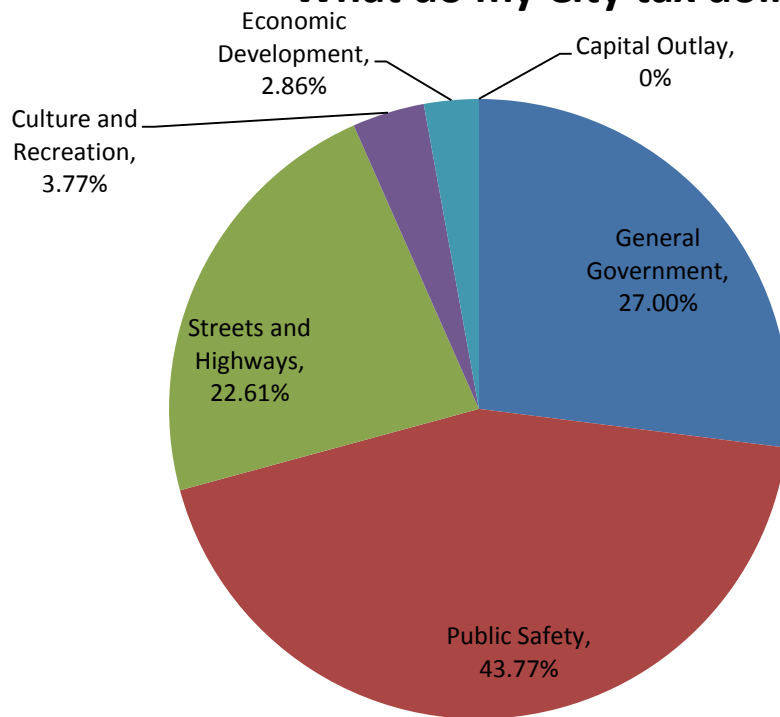
**Culture and Recreation - \$21,105**

- 96% - Park and Hockey
- 4% - Library

**Economic Development - \$16,000**

- 54% - Willow Creek Concrete
- 46% - A M Maus & Sons

### What do my City tax dollars buy?



\* Based on 2012 Budget Data