

CITY OF BAXTER, MINNESOTA
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2009

CITY OF BAXTER, MINNESOTA
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DECEMBER 31, 2009

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INTRODUCTORY SECTION

**CITY OF BAXTER, MINNESOTA
 PRINCIPAL CITY OFFICIALS
 DECEMBER 31, 2009**

POSITION	NAME	TERM EXPIRES*
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ELECTED

Mayor	Darrel Olson	2013
City Council	Mark Cross	2013
	Todd Holman	2013
	Jim Klein	2011
	Rob Moser	2011

APPOINTED

City Administrator	Gordon Heitke	
City Clerk	Beva L. Olson	
Community Development Director	William Deblon	
Finance Director	Jeremy S. Vacinek	
Police Chief	James Exsted	
Public Works Director	Trevor Walter	

*Terms expire on the first official business day in January.

City Attorney	J. Brad Person	
Auditor	LarsonAllen LLP	

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baxter, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Baxter's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baxter, Minnesota, as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 4 to 17, 58 to 61, and 62 respectively, are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and
Members of the City Council
City of Baxter

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baxter's basic financial statements. The combining and individual financial statements and schedules listed in the table of contents and included on pages 63 to 93 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual financial statements and schedules, have been subjected to auditing procedures applied in the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplementary information on pages 94 to 100 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Baxter. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.



LarsonAllen LLP

Baxter, Minnesota
June 1, 2010

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

This section of the City of Baxter's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on December 31, 2009. The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year, 2009, and the prior year, 2008, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2009 include the following:

- City-wide net assets increased 2.9% over the prior year, due to an increase in capital assets. While total revenues for the year declined \$1,088,269 from 2008, total expenses decreased \$1,693,374 from the prior year. The reduction in expenses is primarily due to fewer resources expended on public works and the Excelsior Trail Bridge in the culture and recreation category. The City is overseeing the construction of the bridge on behalf of the state and the bridge will become an assets of the State of Minnesota once it is completed.
- Governmental fund-level revenues totaled \$12,637,702 and were \$3,898,112 less than expenditures. The excess of expenditures over revenues is primarily a result of debt service expenditures exceeding revenues by approximately \$2.12 million before transfers and capital project expenditures exceeding revenues by \$5.10 million. Of the \$2.12 million, about \$476,000 is due to the \$740,000 early call of the 2002A General Obligation Improvement Bonds. The remainder of the debt service difference is the timing of when assessments and property taxes are collected versus when the debt service payments are made. Within the Capital Project Fund, the decrease is due to the construction costs associated with the City's share of the wastewater treatment plant. Those costs are financed with proceeds of the two notes to the City of Brainerd. Annual increases in the General, Economic Development, and Sales Tax Collection Funds temporarily offset a majority of the other funds' deficits.
- The General Fund's fund balance increased \$14,409 from the prior year. In April 2009, the City amended its budget in response to the anticipated governor's unallotment of market value homestead credit (MVHC). At the close of the budget year, strategic transfers were made to offset deficits in key capital project funds and a debt service fund.
- The Water Enterprise Fund net assets decreased \$893,658 from the prior year, the Sewer Enterprise Fund net assets decreased \$155,898 from the prior year, and the Storm Water Enterprise Fund net assets increased \$68,132 from the prior year. The decrease in the Water Enterprise Fund net assets is mainly attributable to the \$540,000 one-time funding for the 2005A Refunding bonds, debt service on the water treatment plant paid in part with existing water availability charges (WAC), and depreciation. Bonds were originally issued to finance the north water tower and other improvements with repayment from proceeds of the Water Fund and a property tax levy. The one-time payment will alleviate future contributions from the Water Fund. The decrease in the Sewer Enterprise Fund net assets is primarily a result of the \$553,225 of depreciation on the fund's assets.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of four parts – Independent Auditors' Report, required supplementary information which includes the management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

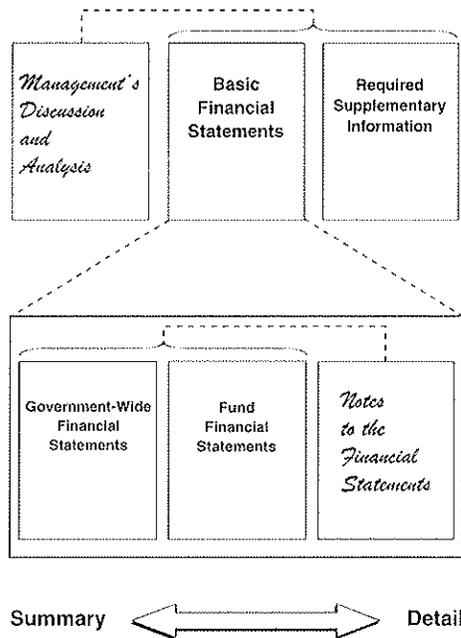
**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

- The first two statements are City-wide financial statements which provide both short-term and long-term information about the City's overall financial status.
- The remaining statements are fund financial statements which focus on individual parts of the City, reporting the City's operations in more detail than the City-wide statements.
 - The governmental funds statements tell how basic services such as general government, public safety, and public works were financed in the short-term as well as what remains for future spending.
 - The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

**Figure A-1
Annual Report Format**



**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Figure A-2. Major Features of the City's Government-Wide and Fund Financial Statements			
Type of Statements	Government-Wide	Governmental Funds	Proprietary Funds
Scope	Entire City's government.	The activities of the City that are not proprietary.	The activities of the City that operate similar to private businesses: water, sewer and storm water.
Required Financial Statements	Statement of net assets.	Balance sheet.	Statement of net assets.
	Statement of activities.	Statement of revenues, expenditures and changes in fund balances.	Statement of revenues, expenses and changes in net assets, and statement of cash flows.
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during the year, regardless of when cash is received or paid.

City-Wide Statements

The City-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the City's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two City-wide statements report the City's net assets and how they have changed. Net assets – the difference between the City's assets and liabilities – are one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional non-financial factors such as changes in the City's property tax base and the condition of City buildings, infrastructure and other facilities.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

City-Wide Statements (Continued)

In the City-wide financial statements the City's activities are shown in two categories:

- Governmental activities – The City's basic services are included here. Property taxes, special assessments and state aids finance most of these activities.
- Business-type activities – The City's enterprise fund operations (water, sewer, and storm water) are included here. Charges for services finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds – focusing on its most significant or "major" funds – not the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The City establishes other funds to control and manage money for particular purposes (e.g., repaying its long-term debts) or to show that it is properly using certain revenues (e.g., federal grants).

The City has two kinds of funds:

- Governmental Funds – The City's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for future operations. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the city-wide statements, we provide additional information after the governmental funds statements that explain the relationship (or differences) between them.
- Proprietary Funds – The City reports three proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and storm water utilities. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The City's overall net assets were \$83,553,436 on December 31, 2009 (see Table A-1).

**Table A-1
The City's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and Other Assets	\$ 32,326,821	\$ 32,964,620	\$ 8,667,773	\$ 9,058,379	\$ 40,994,594	\$ 42,022,999
Capital Assets	39,512,284	36,125,725	42,812,140	43,992,082	82,324,424	80,117,807
Total Assets	71,839,105	69,090,345	51,479,913	53,050,461	123,319,018	122,140,806
Current Liabilities	5,772,743	5,796,618	662,154	836,505	6,434,897	6,633,123
Long-Term Liabilities	25,091,819	25,621,032	8,238,866	8,653,639	33,330,685	34,274,671
Total Liabilities	30,864,562	31,417,650	8,901,020	9,490,144	39,765,582	40,907,794
Net Assets						
Invested in Capital Assets						
Net of Related Debt	9,755,015	6,355,520	34,178,791	34,958,321	43,933,806	41,313,841
Restricted	18,891,643	21,083,070	-	-	18,891,643	21,083,070
Unrestricted	12,327,885	10,234,105	8,400,102	8,601,996	20,727,987	18,836,101
Total Net Assets	\$ 40,974,543	\$ 37,672,695	\$ 42,578,893	\$ 43,560,317	\$ 83,553,436	\$ 81,233,012

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Assets

The City-wide total revenues were \$13,591,083 for the year ended December 31, 2009. Property taxes and special assessments (shown as capital grants and contributions) accounted for 48% of total revenue for the year (see Table A-2).

Table A-2
Change in Net Assets

	Governmental Activities			Business-Type Activities			Total		
	2009	2008	Total % Change	2009	2008	Total % Change	2009	2008	Total % Change
Revenues									
<u>Program Revenues</u>									
Charges for Services	\$ 996,345	\$ 913,675	9.0 %	\$ 2,908,620	\$ 2,784,334	4.5 %	\$ 3,904,965	\$ 3,698,009	5.6 %
Operating Grants and Contributions	205,647	210,626	(2.4)	2,246	36,862	(93.9)	207,893	247,488	(16.0)
Capital Grants and Contributions	1,037,841	2,061,332	(49.7)	2,500	41,700	(94.0)	1,040,341	2,103,032	(50.5)
<u>General Revenues</u>									
Property Taxes	5,453,694	5,039,645	8.2	-	-	-	5,453,694	5,039,645	8.2
Lodging Tax	251,007	282,654	(11.2)	-	-	-	251,007	282,654	(11.2)
Sales Tax	1,875,168	1,921,680	(2.4)	-	-	-	1,875,168	1,921,680	(2.4)
Tax Increment	371,551	389,568	(4.6)	-	-	-	371,551	389,568	(4.6)
Unrestricted State Aid	33,120	100,663	(67.1)	-	-	-	33,120	100,663	(67.1)
Investment Earnings	265,196	488,173	(45.7)	135,109	290,021	(53.4)	400,305	778,194	(48.6)
Other	53,039	118,419	(55.2)	-	-	-	53,039	118,419	(55.2)
Total Revenues	10,542,608	11,526,435	(8.5)	3,048,475	3,152,917	(3.3)	13,591,083	14,679,352	(7.4)
Expenses									
General Government	1,425,790	1,356,288	5.1	-	-	-	1,425,790	1,356,288	5.1
Public Safety	1,977,046	1,889,619	4.6	-	-	-	1,977,046	1,889,619	4.6
Public Works	2,233,639	2,683,004	(16.7)	-	-	-	2,233,639	2,683,004	(16.7)
Sanitation	36,090	34,670	4.1	-	-	-	36,090	34,670	4.1
Water	-	-	-	1,743,771	1,627,520	7.1	1,743,771	1,627,520	7.1
Sewer	-	-	-	1,319,966	1,353,043	(2.4)	1,319,966	1,353,043	(2.4)
Storm Water	-	-	-	236,948	234,470	1.1	236,948	234,470	1.1
Culture and Recreation	693,850	1,999,735	(65.3)	-	-	-	693,850	1,999,735	(65.3)
Economic & Community Development	578,480	672,902	(14.0)	-	-	-	578,480	672,902	(14.0)
Interest	1,025,079	1,112,782	(7.9)	-	-	-	1,025,079	1,112,782	(7.9)
Total Expenses	7,969,974	9,749,000	(18.2)	3,300,685	3,215,033	2.7	11,270,659	12,964,033	(13.1)
Increase in Net Assets Before Transfers	2,572,634	1,777,435	44.7	(252,210)	(62,116)	(306.0)	2,320,424	1,715,319	35.3
Transfers	729,214	(786,112)	(192.8)	(729,214)	786,112	(192.8)	-	-	-
Change in Net Assets	3,301,848	991,323	233.1	(981,424)	723,996	(235.6)	2,320,424	1,715,319	35.3
Net Assets - Beginning of Year	37,672,695	36,681,372	2.7	43,560,317	42,836,321	1.7	81,233,012	79,517,693	2.2
Net Assets - End of Year	\$ 40,974,543	\$ 37,672,695	8.8	\$ 42,578,893	\$ 43,560,317	(2.3)	\$ 83,553,436	\$ 81,233,012	2.9

Total revenues surpassed expenses, increasing net assets \$2,320,424 over last year.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Assets (Continued)

The City-wide cost of all activities this year was \$11,270,659. Governmental activities and business-type activities comprised of \$7,969,974 and \$3,300,685, respectively.

- \$3,904,965 of the cost was paid by the users of the City's programs, comprising of: \$996,345 for governmental activities and \$2,908,620 for business-type activities.
- Certain programs in the governmental activities received federal, state, and local support with operating grants and contributions of \$205,647. State assistance for police services, a grant for the Financial Crimes Task Force program, and a county grant for recycling comprised a majority of the revenue in this classification. Capital grants (special assessments and federal and state grants) accounted for \$1,037,841 of the revenues. Federal and state grants associated with the Excelsior Trail Bridge project comprised of \$138,439 of the amount and \$136,847 was attributable to municipal state aid for street construction. Current year special assessments comprised over \$800,000 of the amount.
- The City's governmental activities' program expenses exceeded program revenues by \$5,730,141 (see Table A-3). The majority of the remaining expenses were financed with general revenues such as property taxes, lodging taxes, sales taxes, tax increments, investment earnings and other miscellaneous revenues.

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**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Figure A-3 Sources of City's Revenues for Governmental Activities for Fiscal Year 2009

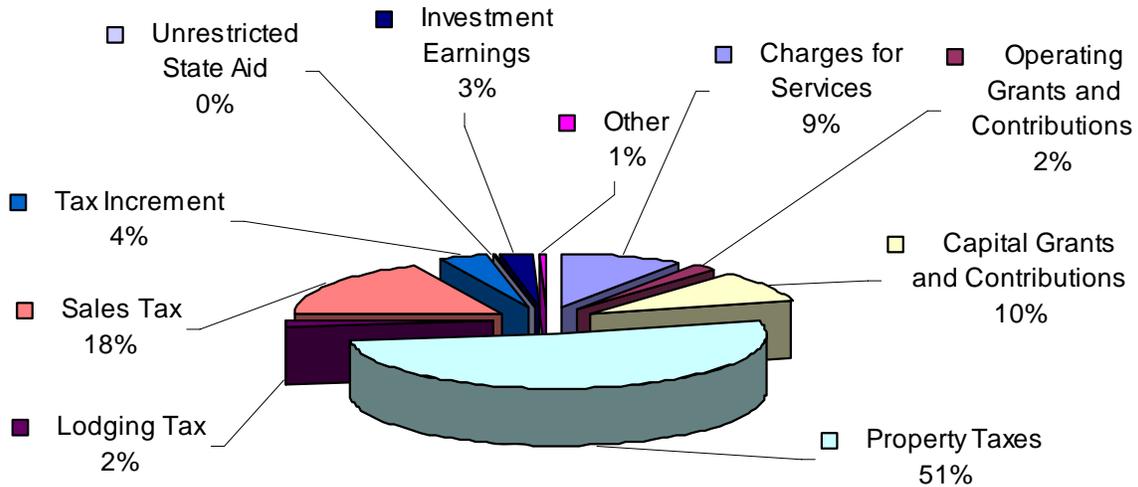
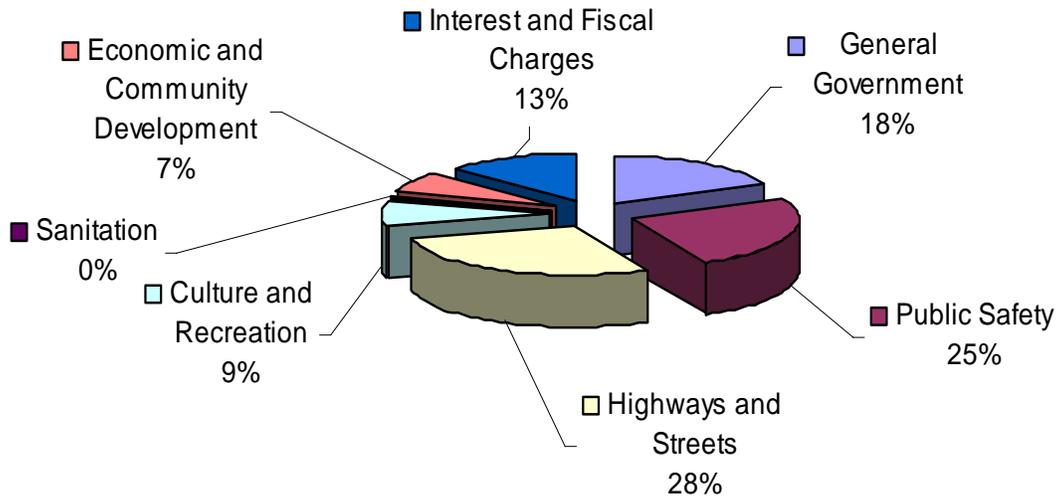


Figure A-4 City's Expenses for Governmental Activities for Fiscal Year 2009



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**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Assets (Continued)

Table A-3
Cost of Services Analysis

	Total Cost of Services		Percentage Change	Net Revenue from (Cost of) Services		Percentage Change
	2009	2008		2009	2008	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 1,425,790	\$ 1,356,288	5.1 %	\$ (943,459)	\$ (924,807)	2.0 %
Public Safety	1,977,046	1,889,619	4.6	(1,325,544)	(1,334,101)	(0.6)
Public Works	2,233,639	2,683,004	(16.7)	(1,366,655)	(1,841,034)	(25.8)
Sanitation	36,090	34,670	4.1	(3,503)	(2,011)	74.2
Culture and Recreation	693,850	1,999,735	(65.3)	(520,323)	(751,984)	(30.8)
Economic and Community Development	578,480	672,902	(14.0)	(545,578)	(596,648)	(8.6)
Interest	1,025,079	1,112,782	(7.9)	(1,025,079)	(1,112,782)	(7.9)
Total	<u>\$ 7,969,974</u>	<u>\$ 9,749,000</u>	(18.2)	<u>\$ (5,730,141)</u>	<u>\$ (6,563,367)</u>	(12.7)
BUSINESS-TYPE ACTIVITIES						
Water	\$ 1,743,771	\$ 1,627,520	7.1 %	\$ (312,434)	\$ (318,632)	(1.9)%
Sewer	1,319,966	1,353,043	(2.4)	(145,075)	(131,912)	10.0
Storm Water	236,948	234,470	1.1	70,190	98,407	(28.7)
Total	<u>\$ 3,300,685</u>	<u>\$ 3,215,033</u>	2.7	<u>\$ (387,319)</u>	<u>\$ (352,137)</u>	10.0

FINANCIAL ANALYSIS OF THE CITY AT THE FUND LEVEL

The financial performance of the City as a whole is reflected in its governmental funds as well. As the City completed the year, its governmental funds reported a combined fund balance of \$18,312,190.

Revenues for the City's governmental funds were \$12,637,702, while total expenditures were \$16,535,814. The excess of expenditures over revenues before other financing sources and uses is due primarily to the City's investment in its 1/3 share of the capacity of Brainerd Public Utilities new wastewater treatment plant. The initial construction expenses for the infrastructure are financed with the proceeds from the 2009A and 2009B revenue notes. The notes will be repaid in the future primarily with sales tax proceeds. Because of the timing between the collection of special assessments and property tax levies compared to the payment of the related debt service and the early call of the 2001A bond issue, a deficit is shown in the Debt Service Fund for the year. These excesses of expenditures over revenues are offset by increases to fund balances in the General, Economic Development, and Sales Tax Collection major funds.

GENERAL FUND

The General Fund includes the primary operations of the City in providing services to its residents. Fund balance in the General Fund increased by \$14,409 in 2009. The increase was largely due to a combination of higher than anticipated revenues and lower than anticipated expenditures. Other revenues were realized in the fees, charges for services, intergovernmental revenues, investment income, and fines categories. A reduction in the market value homestead credit from the state and decreased property tax revenue as a result of an increase in delinquent property taxes receivable offset a portion of the overall increase in revenues derived from public safety grants in the intergovernmental revenues category, charges for services and fines.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

GENERAL FUND (CONTINUED)

Expenditures were lower than budgeted particularly from savings realized by employee position vacancies and departmental operational costs that transpired throughout the year. While the contingency was not fully utilized in 2009, the resource assisted in funding preliminary expenditures of future infrastructure construction projects and eliminated the year-end deficit in the 2006A Debt Service Fund. With a year-end increase in fund balance, the Days Expenditures in Fund Balance for the general fund rose slightly from 247 days to 255 days assisted by the \$107,276 reduction in 2009 expenditures from 2008.

The following schedule presents a summary of General Fund Revenues:

**Table A-4
General Fund Revenues**

Fund	Year Ended		Change	
	December 31, 2009	December 31, 2008	Increase (Decrease)	Percent
Taxes and Special Assessments	\$ 4,110,929	\$ 3,876,847	\$ 234,082	6.0 %
Licenses and Permits	107,104	102,707	4,397	4.3
Intergovernmental	229,762	295,514	(65,752)	(22.3)
Charges for Services	488,341	452,392	35,949	7.9
Fines and Forfeits	121,575	115,739	5,836	5.0
Interest	39,861	89,432	(49,571)	(55.4)
Miscellaneous and Other	56,307	62,675	(6,368)	(10.2)
Total General Fund Revenue	<u>\$ 5,153,879</u>	<u>\$ 4,995,306</u>	<u>\$ 158,573</u>	3.2

Total General Fund revenue increased by \$158,573, or 3.2%, from the previous year. Property taxes and special assessments continue to be the significant source of funding in the general fund, comprising 79.8% of the total general fund revenues for 2009. The City is less reliant upon intergovernmental revenues which make up only 4.5% of general fund revenues for 2009. The 2009 decline in intergovernmental revenues is a result of the partial unallotment of the homestead market value credit from the state in 2009. Due to a declining interest rate environment, interest revenues for the General Fund were down \$49,571 or 55.4% from 2008.

The following schedule presents a summary of General Fund Expenditures:

**Table A-5
General Fund Expenditures**

	Year Ended		Change	
	December 31, 2009	December 31, 2008	Increase (Decrease)	Percent
General Government	\$ 1,314,630	\$ 1,267,846	\$ 46,784	3.7 %
Public Safety	1,672,404	1,599,089	73,315	4.6
Highways and Streets	446,014	461,755	(15,741)	(3.4)
Parks and Recreation	452,964	406,427	46,537	11.5
Capital Outlay	58,506	316,677	(258,171)	(81.5)
Debt Service	25,000	25,000	-	-
Total Expenditures	<u>\$ 3,969,518</u>	<u>\$ 4,076,794</u>	<u>\$ (107,276)</u>	(2.6)

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights

Over the course of the year, the City revised the annual operating budget when significant amendments were made by the City Council. Historically, the City has not had many budget amendments during the year.

- Actual revenues were \$221,779 more than expected; due primarily to conservative budget practices and higher than anticipated fines, fees, and charges for services. The City also realized intergovernmental revenues from Market Value Homestead Credit that was not fully unallotted during the year and intergovernmental revenues related to the school liaison program and financial crimes task force investigative program with the state. Investment income was lower than budgeted as the overall interest rate environment for investments continued at historical lows.
- Actual expenditures were \$166,682 less than budget, as a result of the contingency account not being fully utilized during the year, cost savings due to department position vacancies, and realized savings on other miscellaneous purchases or unspent encumbrances.

ECONOMIC DEVELOPMENT FUND

The Economic Development fund comprises of the activities of the City's Economic Development Authority (EDA). The EDA is responsible for marketing the City's industrial park lots and acting as a conduit for the resale of a few residential properties that were acquired as part of infrastructure projects. The EDA is also the owner and financier of the 2000 City Hall addition.

In 2009, the EDA's fund balance increased \$93,513 due to the collection of residual assessments and funding to reimburse the EDA for its previous land acquisition of several parcels acquired for future residential development in conjunction with the 2006 Clearwater Street and Utility Improvement project. The parcels are being held for resale in the future and/or an EDA development project.

SALES TAX COLLECTIONS FUND

The Sales Tax Collections fund year-end fund balance was \$4,434,381 with an increase in fund balance from the prior year of \$1,408,502. The increase is attributable to greater sales tax collections during the year compared to the transfers out for debt service on the 2007A General Obligation Water and Sales Tax Revenue Bonds and the new 2009A and 2009B General Obligation Sales Tax and Sewer Revenue Bonds. It is anticipated the sales tax proceeds will accumulate for future capital needs, including construction of the third water tower utilizing pay-as-you-go financing in the near future. Accumulated sales tax proceeds will also be utilized for future debt service payments on the previously mentioned bond issues.

CONSTRUCTION PROJECTS AND DEBT SERVICE

The Debt Service fund consists of the City's General Obligation Improvement bonds issued to finance street, utility, and trail improvements. The fund also includes the Capital Improvement bonds issued to finance projects approved as part of the City's five-year Capital Improvement Plan (CIP). A majority of the debt is financed with special assessments to the benefited property owners, with the CIP bonds funded with property tax levy over the next 17 years.

Two new debt service funds were created in 2009 with the issuance of the 2009A \$655,033 Taxable General Obligation Sales Tax Wastewater Revenue Note and the 2009B \$9,600,000 Taxable General Obligation Sales Tax Wastewater Revenue Note. Both notes were issued to the City of Brainerd for Baxter's share of wastewater capacity at the new plant currently under construction.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2009**

CONSTRUCTION PROJECTS AND DEBT SERVICE (CONTINUED)

Of the \$9,600,000 authorized with the 2009B Note, \$4,355,025 was spent at the end of 2009. Sales tax proceeds with finance \$9.9 million of the principal plus the associated interest of the \$10,255,033 combined issues. The remaining principal and interest will be paid with proceeds from the City's Sewer Enterprise Fund. The 2009B Note of \$9,600,000 represents the maximum amount of the City's share of the anticipated cost of the plant. Because the note is associated with the construction loan the City of Brainerd issue with the Minnesota Public Financing Authority (PFA) and Brainerd draws upon the loan as construction occurs, the value of Baxter's portion was \$4,355,025 at the end of 2009.

The City called the remaining outstanding \$345,000 in bonds for the 2001A series in February 2009, funded with existing fund balance. The bonds originally matured between 2011 and 2017. At the end of 2009, the City also prefunded a significant portion of the 2005A G.O. Refunding Bonds with a \$540,000 transfer from the City's Water Enterprise Fund.

Unlike prior years, 2009 did not have any major construction projects requiring G.O. bond financing. Preliminary engineering design continued on future projects with the costs internally financed. The Excelsior Bridge project, a project the City is managing on behalf of the Minnesota Department of Natural Resources for the Paul Bunyan state trail, is near completion and is anticipated to be completed in 2010.

PROPRIETARY FUNDS

Due to timing differences in the user fees and capital improvements in the proprietary funds, increases (or decreases) in net assets can occur from year to year. User charges in the proprietary funds increased 3.2% from 2008 due to increased use in water and sewer by utility customers and rate adjustments that occurred beginning with February usage. Rates are reviewed annually and will continue to be reviewed in the future. As a result of reduced residential and commercial construction during the year, water and sewer availability charge revenue continued to decline from the prior year, down \$85,999 or (32.07%) from 2008.

Water operating expenses increased 9.8%, sewer operating expenses decreased 2.6%, and storm water expenses increased 1.1%. The change in water expenses is due entirely to the increased depreciation from the new infrastructure. The overall decrease in the sewer fund operating expenses were due to higher depreciation expense associated with the additional infrastructure added to the sewer distribution system offsetting the decrease in the other services and charges for the fund.

The Storm Water fund was added in 2005 to address the need for funding storm water management and maintenance. The close of 2009 marked the third full year of operations and collection of fees. Operating revenues increased by \$13,439 from 2008 as a result of an increased number of developed parcels and commercial impervious surface added to the system. Storm water fund expenses increased by \$2,478, approximately equal to the increase in depreciation from 2008.

CAPITAL ASSETS

By the end of 2009, the City had invested approximately \$111,200,000 in a broad range of capital assets, including: buildings, improvements, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3.A.3 to the financial statements.) Total depreciation expense for the year was \$3,312,564 (including the enterprise funds).

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009**

CAPITAL ASSETS (CONTINUED)

Table A-6
The City's Capital Assets

	Governmental			Business-Type			Total		
	Activities		Percent	Activities		Percent			Percent
	2009	2008	Change	2009	2008	Change	2009	2008	Change
Land	\$ 5,428,412	\$ 5,428,412	- %	\$ 973,478	\$ 973,478	- %	\$ 6,401,890	\$ 6,401,890	- %
Construction in Progress	5,126,970	145,250	3429.8	-	-	-	5,126,970	145,250	3429.8
Infrastructure	42,997,118	42,997,118	-	41,004,430	41,004,430	-	84,001,548	84,001,548	-
Buildings	1,229,830	1,229,830	-	9,708,299	9,708,299	-	10,938,129	10,938,129	-
Improvements	1,289,454	1,263,495	2.1	539,771	539,771	-	1,829,225	1,803,266	1.4
Machinery, Equipment, and Vehicles	2,089,175	1,785,410	17.0	793,250	585,513	35.5	2,882,425	2,370,923	21.6
Less: Accumulated Depreciation	<u>(18,648,675)</u>	<u>(16,723,790)</u>	11.5	<u>(10,207,088)</u>	<u>(8,819,409)</u>	15.7	<u>(28,855,763)</u>	<u>(25,543,199)</u>	13.0
Total	<u>\$ 39,512,284</u>	<u>\$ 36,125,725</u>	9.4	<u>\$ 42,812,140</u>	<u>\$ 43,992,082</u>	(2.7)	<u>\$ 82,324,424</u>	<u>\$ 80,117,807</u>	2.8

LONG-TERM LIABILITIES

At year-end, the City had \$38,515,492 in long-term liabilities outstanding, including bond discounts and premiums.

- The City's governmental activities total long-term debt decreased \$55,273, due primarily to the rapid repayment of general obligation bonds offset by the issuance of revenue bonds.

Table A-7
The City's Long-Term Liabilities

	2009	2008	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds	\$ 24,597,211	\$ 29,600,324	(16.9)%
General Obligation Revenue Notes	4,890,692	-	100.0
Capital Leases Payable	150,000	175,000	(14.3)
Other Postemployment Benefits	6,124	-	100.0
Compensated Absences Payable	211,973	135,949	55.9
Total	<u>\$ 29,856,000</u>	<u>\$ 29,911,273</u>	(0.2)
BUSINESS-TYPE ACTIVITIES			
General Obligation Bonds	\$ 8,633,348	\$ 9,033,759	(4.4)
Compensated Absences Payable	26,144	20,954	24.8
Total	<u>\$ 8,659,492</u>	<u>\$ 9,054,713</u>	(4.4)

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009**

FACTORS BEARING ON THE CITY'S FUTURE

Levy limits were reintroduced at the end of the 2008 legislative session for 2009 through 2011. Through unallotment, the governor withheld all but \$31,110 of the City's 2009 Market Value Homestead Credit (MVHC). The City's entire market value credit for 2010 and anticipated 2011 MVHC of \$197,524 have been eliminated as part of the state's budget solution. The elimination of the MVHC was factored into the 2010 budget and will be included in the 2011 budget as it is developed. The City continues to incorporate a contingency plan in its budget to mitigate the lost revenue from the state and to cope with the current economic conditions.

The City continues to experience some growth, albeit more gradual, throughout the City. Services impacted by development will continue to be monitored. Related budgets have and will continue to be adjusted to reflect the levels of activity.

The City continues to collect the local option sales tax of one-half percent (0.50%) and a 0.50% motor vehicle excise tax, up to \$20 per vehicle, approved by the Baxter voters and granted by the State of Minnesota. In 2007, the City issued its first General Obligation Sales Tax Revenue Bonds for \$2.0 million. In 2009, two notes (2009A and 2009B), of which a total of \$9.9 million of sales tax was pledged toward principal payments, were issued to the City of Brainerd for Baxter's share of sewer treatment capacity at the wastewater treatment plant currently under construction. Over the next nine years, the City has authority to collect up to \$15.0 million to fund water and wastewater infrastructure and a fire substation. Plans are to issue up to \$3.1 million in pay-as-you-go debt to finance the construction of a third water tower in 2010 and 2011.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the city's finances and to demonstrate the city's accountability for the funds it receives. Contact Jeremy Vacinek, Finance Director, at (218) 454-5112 if you have questions about this report or would like to request additional financial information.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF BAXTER, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2009**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Pooled Investments	\$ 18,961,861	\$ 7,090,083	\$ 26,051,944
Delinquent Taxes Receivable	701,638	-	701,638
Accounts Receivable - Net	121,953	307,511	429,464
Accrued Interest Receivable	62,391	-	62,391
Internal Balances	(1,125,021)	1,125,021	-
Due from Other Governments	977,396	2,356	979,752
Land Held for Resale	1,755,154	-	1,755,154
Special Assessments Receivable			
Deferred	10,625,456	73,946	10,699,402
Prepaid Items	1,712	600	2,312
Deferred Debt Issue Costs	244,281	68,256	312,537
Non-Depreciable Capital Assets			
Land	5,428,412	973,478	6,401,890
Construction in Progress	5,126,970	-	5,126,970
Depreciable Capital Assets (Net)			
Buildings	773,656	9,344,238	10,117,894
Improvements Other Than Buildings	1,003,745	448,494	1,452,239
Machinery, Vehicles, Furniture and Equipment	739,076	531,867	1,270,943
Infrastructure	26,440,425	31,514,063	57,954,488
Total Assets	<u>71,839,105</u>	<u>51,479,913</u>	<u>123,319,018</u>
LIABILITIES			
Accounts Payable	307,762	86,239	394,001
Salaries Payable	32,402	3,209	35,611
Contracts Payable	7,168	4,206	11,374
Due to Other Governments	218,903	837	219,740
Accrued Interest Payable	375,078	143,603	518,681
Accrued Liabilities	43,315	3,434	46,749
Escrow Deposits	25,264	-	25,264
Compensated Absences Payable - Due Within One Year	15,316	626	15,942
General Obligation Bonds Payable - Due Within One Year	4,525,770	420,000	4,945,770
General Obligation Revenue Notes Payable - Due Within One Year	198,095	-	198,095
Capital Leases Payable - Due Within One Year	25,000	-	25,000
Compensated Absences Payable - Due in More Than One Year	196,657	25,518	222,175
Other Postemployment Benefits Payable - Due in More Than One Year	6,124	-	6,124
General Obligation Bonds Payable - Due in More Than One Year	20,071,441	8,213,348	28,284,789
General Obligation Revenue Notes Payable - Due in More Than One Year	4,692,597	-	4,692,597
Capital Leases Payable - Due in More Than One Year	125,000	-	125,000
Total Liabilities	<u>30,864,562</u>	<u>8,901,020</u>	<u>39,765,582</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	9,755,015	34,178,791	43,933,806
Restricted for			
General Government	22,577	-	22,577
Capital Projects	1,080,801	-	1,080,801
Debt Service	17,788,265	-	17,788,265
Unrestricted	12,327,885	8,400,102	20,727,987
Total Net Assets	<u>\$ 40,974,543</u>	<u>\$ 42,578,893</u>	<u>\$ 83,553,436</u>

See accompanying Notes to the Financial Statements.

**CITY OF BAXTER, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	Program Revenues		
		Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General Government	\$ 1,425,790	\$ 476,731	\$ -	\$ 5,600
Public Safety	1,977,046	477,155	173,347	1,000
Public Works	2,233,639	-	-	866,984
Sanitation	36,090	287	32,300	-
Culture and Recreation	693,850	27,785	-	145,742
Economic and Community Development	578,480	14,387	-	18,515
Interest	1,025,079	-	-	-
Total Governmental Activities	7,969,974	996,345	205,647	1,037,841
BUSINESS-TYPE ACTIVITIES				
Water	1,743,771	1,430,105	1,232	-
Sewer	1,319,966	1,174,023	868	-
Stormwater	236,948	304,492	146	2,500
Total Business-Type Activities	3,300,685	2,908,620	2,246	2,500
Total Primary Government	\$ 11,270,659	\$ 3,904,965	\$ 207,893	\$ 1,040,341

GENERAL REVENUES

Property Taxes
Lodging Tax
Sales Tax
Tax Increments
Grants and Contributions not Restricted for a Particular Purpose
Investment Earnings
Miscellaneous

TRANSFERS

Total General Revenues and Transfers

CHANGE IN NET ASSETS

Net Assets - Beginning of Year

NET ASSETS - END OF YEAR

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (943,459)	\$ -	\$ (943,459)
(1,325,544)	-	(1,325,544)
(1,366,655)	-	(1,366,655)
(3,503)	-	(3,503)
(520,323)	-	(520,323)
(545,578)	-	(545,578)
(1,025,079)	-	(1,025,079)
(5,730,141)	-	(5,730,141)
-	(312,434)	(312,434)
-	(145,075)	(145,075)
-	70,190	70,190
-	(387,319)	(387,319)
(5,730,141)	(387,319)	(6,117,460)
5,453,694	-	5,453,694
251,007	-	251,007
1,875,168	-	1,875,168
371,551	-	371,551
33,120	-	33,120
265,196	135,109	400,305
53,039	-	53,039
729,214	(729,214)	-
9,031,989	(594,105)	8,437,884
3,301,848	(981,424)	2,320,424
37,672,695	43,560,317	81,233,012
<u>\$ 40,974,543</u>	<u>\$ 42,578,893</u>	<u>\$ 83,553,436</u>

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FUND FINANCIAL STATEMENTS

**CITY OF BAXTER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	Major Funds		
	General Fund	Economic Development	Sales Tax Collections
ASSETS			
Cash and Pooled Investments	\$ 2,707,167	\$ 552,327	\$ 4,156,676
Taxes Receivable			
Delinquent	552,737	-	-
Special Assessments Receivable			
Deferred	-	-	-
Current	6,990	150,680	-
Accounts Receivable	69,315	-	9,883
Accrued Interest Receivable	62,391	-	-
Due From Other Governments	195,846	300	320,190
Prepaid Items	1,712	-	-
Land Held For Resale	-	1,755,154	-
Total Assets	<u>\$ 3,596,158</u>	<u>\$ 2,458,461</u>	<u>\$ 4,486,749</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 141,191	\$ -	\$ -
Salaries Payable	28,947	-	-
Accrued Liabilities	43,315	-	-
Contracts Payable	7,048	-	-
Due to Other Funds	-	-	-
Due to Other Governments	31,418	160	5,983
Deferred Revenue			
Taxes	552,737	-	-
Special Assessments	6,990	150,680	-
Other	6,561	-	46,385
Land Held For Resale	-	1,755,154	-
Escrow Deposits	-	-	-
Total Liabilities	818,207	1,905,994	52,368
FUND BALANCES			
Reserved for			
Construction	-	-	-
Perpetual Care	-	-	-
Debt Service	-	-	-
Unreserved, Undesignated	2,777,951	552,467	4,434,381
Unreserved, Undesignated Reported in Nonmajor Special Revenue Funds	-	-	-
Total Fund Balances	<u>2,777,951</u>	<u>552,467</u>	<u>4,434,381</u>
Total Liabilities and Fund Balances	<u>\$ 3,596,158</u>	<u>\$ 2,458,461</u>	<u>\$ 4,486,749</u>

See accompanying Notes to Financial Statements.

Major Funds		Other	Total
Debt Service Fund	Capital Project Fund	Governmental Funds	Governmental Funds
\$ 7,818,896	\$ 1,746,586	\$ 1,980,209	\$ 18,961,861
148,901	-	-	701,638
10,369,391	85,161	-	10,454,552
-	-	13,234	170,904
-	-	42,755	121,953
-	-	-	62,391
265,880	195,180	-	977,396
-	-	-	1,712
-	-	-	1,755,154
<u>\$ 18,603,068</u>	<u>\$ 2,026,927</u>	<u>\$ 2,036,198</u>	<u>\$ 33,207,561</u>
\$ -	\$ 78,353	\$ 88,218	\$ 307,762
-	-	3,455	32,402
-	-	-	43,315
-	76	44	7,168
400,000	725,021	-	1,125,021
39,066	136,751	5,525	218,903
148,901	-	-	701,638
10,369,391	-	13,234	10,540,295
-	85,161	342	138,449
-	-	-	1,755,154
-	-	25,264	25,264
10,957,358	1,025,362	136,082	14,895,371
-	1,001,565	2,487	1,004,052
-	-	22,577	22,577
7,645,710	-	-	7,645,710
-	-	-	7,764,799
-	-	1,875,052	1,875,052
<u>7,645,710</u>	<u>1,001,565</u>	<u>1,900,116</u>	<u>18,312,190</u>
<u>\$ 18,603,068</u>	<u>\$ 2,026,927</u>	<u>\$ 2,036,198</u>	<u>\$ 33,207,561</u>

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**CITY OF BAXTER, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS – GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 18,312,190

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 39,512,284

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 13,135,536

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.

General Obligation Bonds	\$ 24,597,211	
Revenue Notes	4,890,692	
Deferred Debt Issue Costs	(244,281)	
Compensated Absences	211,973	
Other Postemployment Benefits	6,124	
Capital Lease	150,000	
Accrued Interest Payable	<u>375,078</u>	<u>(29,986,797)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 40,973,213

CITY OF BAXTER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009

	Major Funds		
	General Fund	Economic Development	Sales Tax Collections
REVENUES			
Taxes	\$ 4,100,437	\$ -	\$ -
Lodging Tax	-	-	-
Sales Tax	-	-	1,836,111
Tax Increments	-	-	-
Special Assessments	10,492	88,943	-
Licenses, Permits, and Fees	107,104	-	-
Intergovernmental	229,762	-	-
Charges for Services	488,341	-	-
Fines and Forfeits	121,575	-	-
Gifts and Contributions	5,211	-	-
Interest on Investments	39,861	8,972	58,153
Miscellaneous	51,096	-	-
Revolving Loans	-	-	-
Total Revenues	5,153,879	97,915	1,894,264
EXPENDITURES			
CURRENT			
General Government	1,314,630	-	48,813
Public Safety	1,672,404	-	-
Highways and Streets	446,014	-	-
Sanitation	-	-	-
Culture and Recreation	452,964	-	-
Economic and Community Development	-	32,302	-
CAPITAL OUTLAY			
General Government	-	-	-
Public Safety	-	-	-
Highways and Streets	48,306	-	-
Culture and Recreation	10,200	-	-
DEBT SERVICE			
Principal	25,000	24,000	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	3,969,518	56,302	48,813
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,184,361	41,613	1,845,451
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Bonds	-	-	-
Transfers In	80,801	51,900	-
Transfers Out	(1,250,753)	-	(436,949)
Total Other Financing Sources (Uses)	(1,169,952)	51,900	(436,949)
NET CHANGE IN FUND BALANCES	14,409	93,513	1,408,502
Fund Balance - Beginning of Year	2,763,542	458,954	3,025,879
FUND BALANCE - END OF YEAR	\$ 2,777,951	\$ 552,467	\$ 4,434,381

See accompanying Notes to Financial Statements.

Major Funds		Other	Total
Debt Service	Capital Project	Governmental	Governmental
Fund	Fund	Funds	Funds
\$ 1,068,546	\$ 1,705	\$ -	\$ 5,170,688
-	-	251,007	251,007
-	-	-	1,836,111
-	-	371,551	371,551
2,853,857	-	26,543	2,979,835
-	-	192,342	299,446
-	275,286	32,300	537,348
-	-	122,937	611,278
-	-	8,620	130,195
-	-	-	5,211
103,081	22,977	32,152	265,196
-	1,000	98,413	150,509
-	-	29,327	29,327
<u>4,025,484</u>	<u>300,968</u>	<u>1,165,192</u>	<u>12,637,702</u>
-	-	5,546	1,368,989
-	20	253,387	1,925,811
-	137,925	-	583,939
-	-	36,090	36,090
-	25,137	30,499	508,600
-	-	560,358	592,660
-	825	-	825
-	76,402	-	76,402
-	5,150,452	-	5,198,758
-	11,856	25,959	48,015
5,089,184	-	-	5,138,184
1,057,336	205	-	1,057,541
<u>6,146,520</u>	<u>5,402,822</u>	<u>911,839</u>	<u>16,535,814</u>
(2,121,036)	(5,101,854)	253,353	(3,898,112)
-	5,010,058	-	5,010,058
1,069,117	1,052,399	261,800	2,516,017
-	(63,801)	(35,300)	(1,786,803)
<u>1,069,117</u>	<u>5,998,656</u>	<u>226,500</u>	<u>5,739,272</u>
(1,051,919)	896,802	479,853	1,841,160
<u>8,697,629</u>	<u>104,763</u>	<u>1,420,263</u>	<u>16,471,030</u>
<u>\$ 7,645,710</u>	<u>\$ 1,001,565</u>	<u>\$ 1,900,116</u>	<u>\$ 18,312,190</u>

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CITY OF BAXTER, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 1,841,160**

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

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Contributions of capital assets (infrastructure) by developers are not shown as income in the governmental funds because they do not provide current financial resources. Capital asset transfers from the governmental activities to the business-type activities are not reflected as expenditures in the governmental fund statements because they do not involve a transfer of current financial resources.

Expenditures for General Capital Assets, Infrastructure, and Other Related Capital Assets Adjustments	\$ 5,311,444	
Current Year Depreciation	<u>(1,924,885)</u>	3,386,559

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(2,005,640)
--	-------------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. The net proceeds for debt issuance are:	(5,010,058)
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Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal Repayments		
General Obligation Bonds	4,993,818	
Revenue Notes	119,366	
Capital Lease	<u>25,000</u>	5,138,184

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Accrued Interest Payable	49,166	
Amortization of Discounts, Premiums, and Deferred Issuance Charges	(16,705)	
Change in Compensated Absences	(76,024)	
Change in Postemployment Benefits	<u>(6,124)</u>	<u>(49,687)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 3,300,518</u></u>
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See accompanying Notes to Financial Statements.

**CITY OF BAXTER, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009**

	Water Fund	Sewer Fund	Storm Water Fund	Totals
ASSETS				
CURRENT ASSETS				
Cash and Investments	\$ 3,148,105	\$ 3,701,684	\$ 240,294	\$ 7,090,083
Receivables				
Accounts	124,887	141,782	40,842	307,511
Special Assessments	18,737	50,669	4,540	73,946
Due From Other Governments	1,329	870	157	2,356
Due From Other Funds	434,951	690,070	-	1,125,021
Deferred Debt Issue Costs	68,256	-	-	68,256
Prepaid Items	-	600	-	600
Total Current Assets	<u>3,796,265</u>	<u>4,585,675</u>	<u>285,833</u>	<u>8,667,773</u>
NONCURRENT ASSETS				
Non-Depreciable Capital Assets				
Land	232,598	62,598	678,282	973,478
Depreciable Capital Assets (Net)				
Buildings	9,344,238	-	-	9,344,238
Distribution and Collection Systems	12,998,226	15,863,970	2,651,867	31,514,063
Improvements Other than Buildings	-	-	448,494	448,494
Machinery, Vehicles, Furniture and Equipment	201,910	222,512	107,445	531,867
Total Noncurrent Assets	<u>22,776,972</u>	<u>16,149,080</u>	<u>3,886,088</u>	<u>42,812,140</u>
Total Assets	<u>26,573,237</u>	<u>20,734,755</u>	<u>4,171,921</u>	<u>51,479,913</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	52,783	33,091	365	86,239
Contracts Payable	2,891	1,076	239	4,206
Salaries and Wages Payable	1,572	1,637	-	3,209
Accrued Interest Payable	143,603	-	-	143,603
Accrued Liabilities	3,434	-	-	3,434
Compensated Absences Payable	313	313	-	626
General Obligation Bonds Payable	420,000	-	-	420,000
Due To Other Governments	586	251	-	837
Total Current Liabilities	<u>625,182</u>	<u>36,368</u>	<u>604</u>	<u>662,154</u>
NONCURRENT LIABILITIES				
Compensated Absences Payable	12,759	12,759	-	25,518
General Obligation Bonds Payable	8,213,348	-	-	8,213,348
Total Liabilities	<u>8,851,289</u>	<u>49,127</u>	<u>604</u>	<u>8,901,020</u>
NET ASSETS				
Invested in Capital Assets Net of Related Debt	14,143,623	16,149,080	3,886,088	34,178,791
Unrestricted	3,578,325	4,536,548	285,229	8,400,102
Total Net Assets	<u>\$ 17,721,948</u>	<u>\$ 20,685,628</u>	<u>\$ 4,171,317</u>	<u>\$ 42,578,893</u>

See accompanying Notes to Financial Statements.

CITY OF BAXTER, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2009

	Water Fund	Sewer Fund	Storm Water Fund	Totals
OPERATING REVENUES				
Charges For Services				
User Charges	\$ 1,046,339	\$ 1,022,692	\$ 298,739	\$ 2,367,770
Meter Sales	14,250	-	-	14,250
Non-User Sales	19,705	33,124	-	52,829
Penalties	21,618	22,471	4,323	48,412
Permits and Hookup Charges	890	765	-	1,655
Miscellaneous	146,941	721	1,430	149,092
Total Operating Revenues	1,249,743	1,079,773	304,492	2,634,008
OPERATING EXPENSES				
Personal Services	161,704	157,335	4,316	323,355
Supplies and Fees	96,615	24,602	4,399	125,616
Other Services and Charges	400,387	584,804	119,875	1,105,066
Depreciation	726,096	553,225	108,358	1,387,679
Total Operating Expenses	1,384,802	1,319,966	236,948	2,941,716
OPERATING INCOME (LOSS)	(135,059)	(240,193)	67,544	(307,708)
NONOPERATING REVENUES (EXPENSES)				
Special Assessments	1,232	868	146	2,246
Water Plant Fee	92,487	-	-	92,487
Availability Charges	87,875	94,250	-	182,125
Interest Income	59,494	72,411	3,204	135,109
Interest Expense	(358,969)	-	-	(358,969)
Total Nonoperating Revenues (Expenses)	(117,881)	167,529	3,350	52,998
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(252,940)	(72,664)	70,894	(254,710)
Capital Contributions from Governmental Activities	-	-	2,500	2,500
Transfers In	157,516	-	-	157,516
Transfers Out	(798,234)	(83,234)	(5,262)	(886,730)
CHANGE IN NET ASSETS	(893,658)	(155,898)	68,132	(981,424)
Net Assets - Beginning of Year	18,615,606	20,841,526	4,103,185	43,560,317
NET ASSETS - END OF YEAR	<u>\$ 17,721,948</u>	<u>\$ 20,685,628</u>	<u>\$ 4,171,317</u>	<u>\$ 42,578,893</u>

See accompanying Notes to Financial Statements.

**CITY OF BAXTER, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2009**

	Water Fund	Sewer Fund	Storm Water Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 1,271,996	\$ 1,085,673	\$ 307,311	\$ 2,664,980
Payments to Suppliers	(616,217)	(648,697)	(132,249)	(1,397,163)
Payments to Employees	(178,970)	(158,065)	(4,316)	(341,351)
Net Cash Provided (Used) by Operating Activities	476,809	278,911	170,746	926,466
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Cash Received from General Property Taxes	1,232	868	146	2,246
Change in Due from Other Funds	43,702	178,850	-	222,552
Transfers In	157,516	-	-	157,516
Transfers Out	(798,234)	(83,234)	(5,262)	(886,730)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(595,784)	96,484	(5,116)	(504,416)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest and Fiscal Charges Paid	(357,752)	-	-	(357,752)
Availability Charges	87,875	94,250	-	182,125
Water Plant Fee	92,487	-	-	92,487
Special Assessments	2,524	2,311	(825)	4,010
Payments on General Obligation Bonds	(401,781)	-	-	(401,781)
Purchases of Capital Assets	(80,888)	(116,886)	(7,463)	(205,237)
Net Cash Provided (Used) by Capital and Related Financing Activities	(657,535)	(20,325)	(8,288)	(686,148)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Earnings Received	59,494	72,411	3,204	135,109
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(717,016)	427,481	160,546	(128,989)
Cash and Cash Equivalents - Beginning of Year	3,865,121	3,274,203	79,748	7,219,072
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,148,105	\$ 3,701,684	\$ 240,294	\$ 7,090,083

See accompanying Notes to Financial Statements.

**CITY OF BAXTER, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2009**

	Water Fund	Sewer Fund	Storm Water Fund	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (135,059)	\$ (240,193)	\$ 67,544	\$ (307,708)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating: Activities				
Depreciation Expense	726,096	553,225	108,358	1,387,679
(Increase) Decrease in Assets:				
Accounts Receivable	23,409	7,218	2,850	33,477
Due from Other Governments	(1,156)	(718)	(31)	(1,905)
Prepaid Items	-	(600)	-	(600)
Increase (Decrease) in Liabilities:				
Accounts Payable	(30,125)	(39,942)	(8,214)	(78,281)
Contracts Payable	(88,764)	1,076	239	(87,449)
Salaries and Wages Payable	(3,622)	(3,325)	-	(6,947)
Other Current Liabilities	(16,239)	-	-	(16,239)
Compensated Absences Payable	2,595	2,595	-	5,190
Due to Other Governments	(326)	(425)	-	(751)
Total Adjustments	<u>611,868</u>	<u>519,104</u>	<u>103,202</u>	<u>1,234,174</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 476,809</u>	<u>\$ 278,911</u>	<u>\$ 170,746</u>	<u>\$ 926,466</u>
NONCASH TRANSACTIONS				
Capital Contributions from Governmental Activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,500</u>	<u>\$ 2,500</u>

See accompanying Notes to Financial Statements.

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**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Baxter was formed and operates pursuant to applicable Minnesota laws. The governing body consists of a four-member council and a mayor elected by voters of the City.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

The financial reporting entity consists of the City (primary government) and the component unit (legally separate organization) for which the primary government is financially accountable. There is financial accountability if the primary government appoints a voting majority of an organization's governing body and has the ability to impose its will on that governing body; or there is the potential for the organization to provide specific financial benefits or to impose specific financial burdens on the primary government. In conformity with generally accepted accounting principles, the financial statements of the City's component unit are included in the financial reporting entity as a blended component unit.

Blended Component Unit

The financial statements of the Economic Development Authority (EDA) of Baxter have been included in the financial reporting entity as a blended component unit since members of the board are appointed by the City Council. The members of the EDA board act as an advisory board to the Council which is the governing board of the EDA.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information about the primary government and its component unit. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. 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 to external parties for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and different business-type activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category—governmental and proprietary are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or incidental activities.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The City reports the following major governmental funds:

General Fund - The general fund is the general operating fund of the City. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

Economic Development Fund – The economic development special revenue fund is used to account for the financial activity of the City's Economic Development Authority.

Sales Tax Collections Fund – The sales tax collections special revenue fund is used to account for financial resources financed by sales tax collections.

Debt Service Fund – The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal, interest and related costs of governmental funds.

Capital Project Fund – The capital project fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The City reports the following major proprietary funds:

Water Fund – The water fund accounts for the activities of the City's water wells' operations.

Sewer Fund – The sewer fund accounts for the activities of the City's sewer system.

Storm Water Fund – The storm water fund accounts for the activities of the City's storm water infrastructure system.

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, and compensated absences, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes between the various 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 revenue of the City's enterprise funds are charges to customers for sales of goods 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.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments (Including Cash Equivalents)

Cash balances are invested to the extent available in various securities as authorized by *Minnesota Statutes*. Investment earnings are allocated to the respective funds not the basis of applicable cash balance participation by each fund. Investments are stated at fair value.

For the purposes of the statement of cash flows of the proprietary fund cash equivalents are considered to be short-term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months.

The City considers all cash and investments under the classifications current assets and restricted assets to be cash and cash equivalents, except those held with fiscal agents. Cash and cash equivalents consist of checking and saving certificate accounts, cash on hand, and money market savings accounts.

Designated cash balances in the enterprise fund consists of amounts received from water and sewer availability charges to be used for water and sewer improvements and principal and interest collection on special assessments to be used for debt retirement.

2. Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

3. Property Taxes

The City levies its general property tax for the subsequent year during the month of December and certifies its levy to Crow Wing County which acts as the collection agency for property taxes within the County. Taxes are recognized as receivables on January 1 of the current year when they are levied against individual properties by the County. They become a lien against the property against which they are levied on the levy date.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Property Taxes (Continued)

Current year property tax revenues represent the tax levy certified to the County Auditor in December of 2008 which was collected during the year ended December 31, 2009. Any adjustments or abatements to either the current, or any prior year, levy are adjusted through the current year general property tax revenues. Property taxes not collected by the County and remitted to the City within 60 days of year end are classified as delinquent and not considered measurable and available and are fully offset by deferred revenue in the governmental fund financial statements. Delinquent taxes receivable represent the past six years of uncollected tax years. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

4. Accounts Receivable

No substantial losses are anticipated from present receivable balances. Therefore, no allowance for uncollectible accounts is deemed necessary. Write-offs are done on a case-by-case basis.

5. Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of improvement projects in accordance with *Minnesota Statutes*. Assessments are collectible over a term of years at an interest rate established by the City Council upon adoption of each assessment roll. Any annual installments remaining unpaid as of November 30th of each year are certified to the County for collection with property taxes during the following year. Special assessments receivable represents the past six years of uncollected special assessments. Property owners are allowed to prepay future installments without interest or prepayment penalties.

In the governmental fund financial statements, special assessment levies are recorded as a receivable and as deferred revenue at the time of the levy. Deferred revenue is recognized as current revenue as the annual assessment installments become measurable and available. Interest on special assessments is also recognized when it becomes measurable and available.

6. Land Held for Resale

Land held for resale is carried at the lower of cost or net realizable value.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Prepaid Items

Payments made to vendors for services that will benefit future periods are recorded as prepaid items. That portion of the relevant funds' balances equal to the prepaid items is reserved if the amounts are considered to be material, and if sufficient fund balance exists.

8. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) is reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. In the case of the initial capitalization of infrastructure, the City retroactively implemented the reporting of this item when GASB #34 was implemented. Costs of infrastructure assets from 1980 to 2003, totaling \$24,829,566, have been estimated. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Infrastructure	10-40
Machinery, Furniture, and Equipment	3-20

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Compensated Absences

Compensated absences include accumulated vacation, vested sick leave and compensatory time. All full-time employees of the City are entitled to annual vacation and sick leave with pay. Employees are allowed vacations from 7 to 28 days per year, depending on length of service. Sick leave of one day per month may be accumulated up to a maximum of 120 days for City employees. Upon retirement the employee is paid for all accumulated vacation, compensatory time, and if eligibility requirements are met, 50% of their unused sick leave.

Sick leave payments are reported as expenditures for governmental fund types when the payments are made to employees. Appropriations lapse at year-end and accordingly, there are no available expendable financial resources. Because of this, the estimated commitment for sick leave (compensated absences) for governmental funds is reported in the statement of net assets.

In the City's proprietary funds and in the government-wide financial statements, amounts earned but unused for vacation leave and that portion of earned but unused sick leave estimated to be payable upon retirement are reflected under the accrual basis of accounting.

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

11. Fund Balance

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

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues, Expenditures, and Expenses

1. Revenues

In the fund financial statements, property taxes are recognized to the extent they are collected and received in the current period or within 60 days after year-end. Portions paid by the State in the form of market value credit aid and other state tax credits are included in intergovernmental revenues. Delinquent property taxes receivable which have not been recognized as revenue are equally offset in the financial statements by deferred revenues.

Licenses and permits, charges for services, fines, forfeits, and miscellaneous revenues are recorded as revenues measurable and available.

Special assessments principal and interest earnings are recorded as revenues in the same manner as property taxes.

Property Tax Collection Calendar

The City levies its property taxes for the subsequent year during the month of December. In Minnesota, the lien date and assessment date is January 2. The property tax is recorded as revenue when it becomes available. Crow Wing County is the collecting agency for the levy and then remits the collections to the City. All taxes not collected as of December 31 are shown as delinquent taxes receivable.

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

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

Property owners are required to pay one-half of their real estate taxes by May 15 and the balances by October 15.

Within 30 days after the May settlement, the County Treasurer is required to pay 70% of the estimated collections of taxes and special assessments to the City Treasurer. The County Treasurer must pay the balance to the City Treasurer within 60 days after the settlement, provided that after 45 days interest begins to accrue.

Within ten business days after November 15, the County Treasurer shall pay to each taxing district, except any school district, 100% of the estimated collections arising from taxes levied by and belonging to each taxing district from May 20 to November 20.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues, Expenditures, and Expenses (Continued)

2. Expenditures

Expenditure recognition for governmental fund types includes only amounts represented by current liabilities. Since noncurrent liabilities do not affect net current assets, they are not recognized as governmental fund expenditures or liabilities. They are reported as liabilities on the statement of net assets.

3. Expenses

Proprietary funds recognize expenses, including compensated absences, when they are incurred.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

Expenditures exceeded budgeted amounts in the following non major funds:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Special Revenue Fund			
Recreation Park Fund	\$ 6,324	\$ -	\$ 6,324
Community Development Fund	451,677	431,700	19,977

The excess was the result of unbudgeted expenditures and was funded with existing fund balance.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

As of December 31, 2009, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Balance</u>
Repurchase Agreements	\$ 4,018,856
Execusweep Repo Business Account	5,006,027
Negotiable Certificates of Deposit	13,971,993
4M Fund	17,911
Total	<u>\$ 23,014,787</u>

The repurchase agreement investments as of December 31, 2009 represent ongoing overnight repurchase agreement arrangements at applicable daily quoted rates. The average rate of the repurchase agreements at December 31, 2009 was 1.02%. Funds are redeposited to the City of Baxter's account at 8:00 AM on the ensuing business day and the agreement is collateralized by federal or federal agency securities.

The Minnesota Municipal Money Market (4M) Fund Trust is a common law trust organized in accordance with the Minnesota Joint Powers Act, which invests only in investment instruments allowable under *Minnesota Statutes* as described on the following page. Its investments are valued at amortized cost, which approximates fair value in accordance with Rule 2a-7 of the Investment Company Act of 1940. The amortized cost method of valuation values a security at its cost on the date of purchase and thereafter assumes a constant amortization to maturity of any discount or premium, regardless of the impact of fluctuating interest rates on the market value of instruments.

Interest Rate Risk

The purpose of this policy is to limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's policy states that maturity dates should vary in order to ensure that the City will have money available when it needs it. As of December 31, 2009, the City held no investments with fixed maturities.

Credit Risk

Minnesota Statutes restrict the types of investments in which the City may invest. The City's investment policy identifies eight different acceptable investment types and the minimum requirements of each one.

The Minnesota Municipal Money Market Trust Fund does not have its own credit rating. MBIA, Inc., who administers the Minnesota Municipal Money Market Fund Trust, holds an organization credit rating of AA by Standard & Poor's. The City also invests in repurchase agreements and negotiable certificates of deposit which do not have credit ratings.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Credit Risk (Continued)

Minnesota Statutes §§118A.04 and 118A.05 generally authorize the following types of investments as available to the City;

1. Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by *Minnesota Statute* §118A.04, subd. 6;
2. Mutual funds through shares of registered investment companies provided the mutual fund received certain ratings depending on the investments;
3. General obligations of the State of Minnesota and its municipalities and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
4. Bankers' Acceptances of United States Banks;
5. Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less;
6. With certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Concentration Credit Risk

The City places no official limit on the amount the City may invest in any one issuer, however its policy states that the investment portfolio must be diversified by individual issuer to reduce the exposure to risk of loss. The City invests 17.5% of the total investments in repurchase agreements at Bremer Bank, 21.8% in Execusweep Repo Business Account at Bremer Bank, and 60.7% in various negotiable certificates of deposit.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not specifically address this risk. The City is exposed to custodial credit risk because it has repurchase agreement investments of \$4,018,856 that are uninsured, unregistered and held by the City's primary bank which is also the counterparty for the repurchase agreement.

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy addresses collateralization and states that at no time will deposits exceed \$250,000 unless such excesses are protected by pledged securities.

Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledge must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, or bonds; issues of a U.S. government agency; general obligations of a state or local government rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issue by a Federal Home Loan Bank; and time deposits insured by a federal agency. *Minnesota Statutes* require securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

As of December 31, 2009, all City deposits were covered by insurance or collateral.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets

Capital asset activity for the City for the year ended December 31, 2009, is as follows:

GOVERNMENTAL ACTIVITIES	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 5,428,412	\$ -	\$ -	\$ 5,428,412
Construction in Progress	145,250	5,127,795	146,075	5,126,970
Total Capital Assets not being Depreciated	5,573,662	5,127,795	146,075	10,555,382
Capital Assets being Depreciated				
Buildings	1,229,830	-	-	1,229,830
Machinery, Vehicles, Furniture and Equipment	1,785,410	303,765	-	2,089,175
Land Improvements	1,263,495	25,959	-	1,289,454
Infrastructure	42,997,118	-	-	42,997,118
Total Capital Assets being Depreciated	47,275,853	329,724	-	47,605,577
Less: Accumulated Depreciation for				
Buildings	417,198	38,976	-	456,174
Machinery, Vehicles, Furniture and Equipment	1,140,505	209,594	-	1,350,099
Land Improvements	198,871	86,838	-	285,709
Infrastructure	14,967,216	1,589,477	-	16,556,693
Total Accumulated Depreciation	16,723,790	1,924,885	-	18,648,675
Total Capital Assets being Depreciated, Net	30,552,063	(1,595,161)	-	28,956,902
Governmental Activities Capital Assets, Net	\$ 36,125,725	\$ 3,532,634	\$ 146,075	\$ 39,512,284

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

The following is a summary of the proprietary fund capital assets at December 31, 2009:

BUSINESS-TYPE ACTIVITIES	Beginning Balance	Additions	Disposals	Ending Balance
Capital Assets not being Depreciated				
Land	\$ 973,478	\$ -	\$ -	\$ 973,478
Capital Assets being Depreciated				
Buildings	9,708,299	-	-	9,708,299
Distribution System	41,004,430	-	-	41,004,430
Land Improvements	539,771	-	-	539,771
Machinery, Vehicles, Furniture and Equipment	585,513	207,737	-	793,250
Total Capital Assets being Depreciated	51,838,013	207,737	-	52,045,750
Less: Accumulated Depreciation for				
Buildings	121,354	242,707	-	364,061
Distribution System	8,448,903	1,041,464	-	9,490,367
Land Improvements	72,909	18,368	-	91,277
Machinery, Vehicles, Furniture and Equipment	176,243	85,140	-	261,383
Total Accumulated Depreciation	8,819,409	1,387,679	-	10,207,088
Total Capital Assets being Depreciated, Net	43,018,604	(1,179,942)	-	41,838,662
Business-Type Activities Capital Assets, Net	<u>\$ 43,992,082</u>	<u>\$ (1,179,942)</u>	<u>\$ -</u>	<u>\$ 42,812,140</u>

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

Governmental Activities	
General Government	\$ 61,413
Public Safety	63,034
Public Works	1,646,213
Culture and Recreation	147,964
Economic and Community Development	6,261
Total Depreciation Expense - Governmental Activities	<u>\$ 1,924,885</u>
Business-Type Activities	
Water	\$ 726,096
Sewer	553,225
Storm Water	108,358
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,387,679</u>

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers

1. Due to/from Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
Water Fund	Capital Project Fund	\$ 134,951	Cash Deficit
	Debt Service Fund	300,000	Cash Deficit
Sewer Fund	Capital Project Fund	590,070	Cash Deficit
	Debt Service Fund	100,000	Cash Deficit
Total		<u>\$ 1,125,021</u>	

2. Interfund Transfers

	Amount	Purpose
Transfer to General Fund from		
Capital Projects Fund	\$ 63,801	Reallocate Baxter Town Center Admin Fees
Nonmajor Governmental Funds	17,000	Police Operations
Transfer to Economic Development Fund from		
General	51,900	EDA Fund Annual Appropriation
Transfer to Debt Service Fund from		
General	50,000	Annual Appropriation
Sales Tax Collections	154,117	Capital Parks Contribution
Water	790,000	Operations
Sewer	75,000	Operations
Transfer to Capital Project Fund from		
General	300,000	Cypress Appropriation
	25,000	Fairview Appropriation
	30,000	Trail Funds Annual Appropriation
	314,000	Collector Road Appropriation
	127,953	Vehicle Annual Appropriation
	30,100	IT Annual Appropriation
	60,000	Street Replacement Fund Appropriation
Sales Tax Collections	125,316	Sales Tax Proceeds for Water Tower
Nonmajor Governmental	11,000	Appropriate Funds for Squad Computer from Alcohol Funds
	7,300	IT Annual Appropriation
Water	6,934	Street/Utility Truck Allocation
	1,300	IT Annual Appropriation
Sewer	6,934	Street/Utility Truck Allocation
	1,300	IT annual Appropriation
Storm Water	3,962	Street/Utility Truck Allocation
	1,300	IT Annual Appropriation
Transfer to Nonmajor Governmental Funds from		
General	261,800	Operations
Transfer to Water Fund from		
Sales Tax Collections Fund	157,516	Sales Tax Proceeds for Water Plant
Total Transfers	<u>\$ 2,673,533</u>	

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities

1. Long-Term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities including infrastructure. General obligation bonds have been issued for both general government and proprietary activities. Bonds issued to provide funds for proprietary activities are reported in proprietary funds if they are expected to be repaid from proprietary revenues.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. Assets of the debt service fund, together with scheduled future ad valorem tax levies, tax increments and special assessments, are dedicated for the retirement of these bonds.

2. Components of Long-Term Debt

	Authorized and Issued	Redeemed	Outstanding	Due in 2010	
				Principal	Interest
GOVERNMENTAL ACTIVITIES					
<u>General Obligation Bonds</u>					
General Obligation Sewer and Water Revenue Note of 1991; 3.53%; Issued 07/30/1991; Final Maturity 02/20/2012.	\$ 875,607	\$ 735,268	\$ 140,339	\$ 56,770	\$ 4,457
General Obligation Improvement Bonds, Series 2001A; 3.25 to 4.75%; Issued 11/01/2001; Final Maturity 02/01/2017.	1,875,000	1,315,000	560,000	560,000	19,419
General Obligation Improvement Bonds, Series 2001; 0%; Issued 03/21/2001; Final Maturity 02/01/2012.	240,000	188,000	52,000	24,000	-
General Obligation Improvement Bonds, Series 2002A; 2.0 to 3.875%; Issued 10/01/2002; Final Maturity 02/01/2015.	4,435,000	4,055,000	380,000	380,000	32,090
General Obligation Improvement Bonds, Series 2003A; 2.5 to 3.8%; Issued 12/01/2003; Final Maturity 02/01/2016.	6,690,000	3,670,000	3,020,000	495,000	94,868
General Obligation Improvement Bonds, Series 2004; 3.0 to 3.5%; Issued 11/15/2004; Final Maturity 02/01/2017.	9,050,000	4,125,000	4,925,000	940,000	154,110
General Obligation Refunding Bonds, Series 2005A; 2.4 to 3.35%; Issued 3/15/2005; Final Maturity 02/01/2014.	1,805,000	760,000	1,045,000	225,000	29,035
General Obligation Improvement Bonds, Series 2005B; 3.5 to 4.0%; Issued 12/1/2005; Final Maturity 02/01/2018.	4,390,000	1,435,000	2,955,000	500,000	100,021
General Obligation Capital Improvement Bonds, Series 2006A; 4.00 to 4.25%; Issued 06/01/2006; Final Maturity 02/01/2026.	4,230,000	300,000	3,930,000	160,000	157,994

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

2. Components of Long-Term Debt (Continued)

	Authorized and Issued	Redeemed	Outstanding	Due in 2010	
				Principal	Interest
GOVERNMENTAL ACTIVITIES (CONTINUED)					
<u>General Obligation Bonds (Continued)</u>					
General Obligation Improvement Bonds, Series 2006B; 4.00%; Issued 11/15/2006; Final Maturity 02/01/2019.	\$ 5,770,000	\$ 1,530,000	\$ 4,240,000	\$ 780,000	\$ 154,000
General Obligation Improvement Bonds, Series 2007B; 4.00 to 4.15%; Issued 12/05/2007; Final Maturity 02/01/2022	3,425,000	165,000	3,260,000	405,000	123,310
Total General Obligation Bonds	42,785,607	18,278,268	24,507,339	4,525,770	869,304
Add: Unamortized Premium	-	-	125,316	-	-
Less: Unamortized Discount	-	-	(35,444)	-	-
Total General Obligation Bonds, Net	42,785,607	18,278,268	24,597,211	4,525,770	869,304
<u>General Obligation Revenue Notes</u>					
Taxable General Obligation Sales Tax Wastewater Revenue Note (to City of Brainerd), Series 2009A; 2.23%; Issued 02/27/2009; Final Maturity 08/15/2017.	655,033	119,366	535,667	62,000	11,945
Taxable General Obligation Sales Tax Wastewater Revenue Note (to City of Brainerd), Series 2009B; 3.233%; Issued 06/24/09; Final Maturity 08/20/2028.	4,355,025	-	4,355,025	136,095	48,849
Total General Obligation Revenue Notes	5,010,058	119,366	4,890,692	198,095	60,794
Total Governmental Activities Long-Term Debt	47,795,665	18,397,634	29,487,903	4,723,865	930,098
BUSINESS-TYPE ACTIVITIES					
<u>General Obligation Bonds</u>					
General Obligation Improvement Bonds, Series 2005C; 3.75 to 4.35%; Issued 12/1/2005; Final Maturity 02/01/2025.	3,805,000	430,000	3,375,000	155,000	132,874
General Obligation Water and Sales Tax Revenue Bonds, Series 2007A; 3.88% to 4.00%; Issued 2/6/2007; Final Maturity 02/01/2018.	6,500,000	1,250,000	5,250,000	265,000	210,000
Total General Obligation Bonds, Net	10,305,000	1,680,000	8,625,000	420,000	342,874
Add: Unamortized Premium	-	-	30,268	-	-
Less: Unamortized Discount	-	-	(21,920)	-	-
Total Business-Type Activities	10,305,000	1,680,000	8,633,348	420,000	342,874
Total Long-Term Debt	\$ 58,100,665	\$ 20,077,634	\$ 38,121,251	\$ 5,143,865	\$ 1,272,972

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Debt

	December 31, 2008	Additions	Retirements	December 31, 2009	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	\$ 29,501,157	\$ -	\$ 4,993,818	\$ 24,507,339	\$ 4,525,770
General Obligation Revenue Notes	-	5,010,058	119,366	4,890,692	198,095
Capital Lease	175,000	-	25,000	150,000	25,000
Total	<u>29,676,157</u>	<u>5,010,058</u>	<u>5,138,184</u>	<u>29,548,031</u>	<u>4,748,865</u>
Compensated Absences	135,949	252,225	176,201	211,973	15,316
Other Postemployment Benefits	-	8,165	2,041	6,124	-
Governmental Activity Long-Term Liabilities	<u>\$ 29,812,106</u>	<u>\$ 5,270,448</u>	<u>\$ 5,316,426</u>	<u>\$ 29,766,128</u>	<u>\$ 4,764,181</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds	\$ 9,025,000	\$ -	\$ 400,000	\$ 8,625,000	\$ 420,000
Compensated Absences	20,954	24,247	19,057	26,144	626
Business Activity Long-Term Liabilities	<u>\$ 9,045,954</u>	<u>\$ 24,247</u>	<u>\$ 419,057</u>	<u>\$ 8,651,144</u>	<u>\$ 420,626</u>

4. Minimum Debt Payments

Debt requirements to maturity are as follows:

Year Ending December 31,	Governmental Activities			Governmental Activities		
	General Obligation Bonds			General Obligation Revenue Notes		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 4,525,770	\$ 869,304	\$ 5,395,074	\$ 198,095	\$ 60,794	\$ 258,889
2011	2,962,792	737,393	3,700,185	239,802	140,039	379,841
2012	2,598,777	628,407	3,227,184	246,731	133,210	379,941
2013	2,375,000	533,213	2,908,213	253,962	126,181	380,143
2014	2,100,000	445,135	2,545,135	261,829	118,941	380,770
2015-2019	7,100,000	1,164,499	8,264,499	1,280,795	479,745	1,760,540
2020-2024	2,210,000	336,281	2,546,281	1,253,128	295,247	1,548,375
2025-2028	635,000	27,306	662,306	1,156,350	90,127	1,246,477
Total	<u>\$ 24,507,339</u>	<u>\$ 4,741,538</u>	<u>\$ 29,248,877</u>	<u>\$ 4,890,692</u>	<u>\$ 1,444,284</u>	<u>\$ 6,334,976</u>
Business-Type Activities						
Year Ending December 31,	General Obligation Bonds					
	Principal	Interest	Total			
2010	\$ 420,000	\$ 342,874	\$ 762,874			
2011	435,000	326,368	761,368			
2012	455,000	309,274	764,274			
2013	475,000	291,393	766,393			
2014	490,000	272,630	762,630			
2015-2019	2,655,000	1,052,080	3,707,080			
2020-2024	2,720,000	516,125	3,236,125			
2025-2028	975,000	47,928	1,022,928			
Total	<u>\$ 8,625,000</u>	<u>\$ 3,158,672</u>	<u>\$ 11,783,672</u>			

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. Capital Lease

During 2006, the City entered into a capital lease to purchase fiber optic infrastructure from Independent School District 181. The 10-year lease totals \$250,000 payable in ten \$25,000 annual installments commencing in 2006. The lease bears no interest. The historical cost of this asset is recorded at \$250,000 and the accumulated depreciation related to this asset, as of December 31, 2009, is \$46,250.

Remaining capital lease obligations are as follows:

capital lease note

<u>December 31,</u>		
2010	\$	25,000
2011		25,000
2012		25,000
2013		25,000
2014		25,000
2015		25,000
Total	\$	<u>150,000</u>

6. Risk Management

The City is exposed to various risks of loss related to: torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. The City has entered into a joint powers agreement with the League of Minnesota Cities Insurance Trust (LMCIT). The LMCIT is a public entity risk pool currently operating as common risk management and insurance program for Minnesota cities. The City also carries commercial insurance for certain other risks of loss, including employee health insurance.

The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member assessments and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The pool can make additional assessments to make the pool self-sustaining. The City has determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements. There were no significant reductions in insurance coverage from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

D. Fund Balance

Reserves and Designated Fund Balance

Reserves represent those portions of fund balance appropriated for expenditure or legally segregated for a specific use.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 EMPLOYMENT RETIREMENT SYSTEMS AND PENSION PLANS

A. Plan Description

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

City PERF members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

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

Two methods are used to compute benefits for PERA's Coordinated 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 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 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For all PEPFF members and PERF 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 BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (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 PERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 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. PERF Coordinated Plan members were required to contribute 6.0% of their annual covered salary in 2009. PEPFF members were required to contribute 9.4% of their annual covered salary in 2009. The City of Baxter is required to contribute the following percentages of annual covered payroll: 6.75% for Coordinated Plan PERF members and 14.1% for PEPFF members. The City's contributions to the Public Employees Retirement Fund and the Public Employees Police and Fire Fund for the years ending December 31, 2009, 2008, and 2007 were:

		Public Employees Retirement Fund		Public Employees Police and Fire Fund
	\$	<u> </u>	\$	<u> </u>
2009		100,700		120,291
2008		88,144		102,324
2007		84,300		88,057

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

C. Defined Contribution Plan

One elected official of the City is covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of 1 percent of the assets in each member's account annually.

The employer's contribution amounts for the years ending December 31, 2009, 2008, and 2007 were \$285, \$285, and \$285 respectively, equal to the contractually required contributions for each year as set by state statute.

D. Other Postemployment Benefit Disclosure

In 2009, the City implemented the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

The City provides health insurance benefits for certain retired employees under a single-employer fully-insured plan, financed and administered by the City of Baxter and the National Joint Powers Alliance. Health Partners, under contract with National Joint Powers Alliance, is the claims administrator. The City provides benefits for retirees as required by *Minnesota Statute* §471.61 subdivision 2b. Active employees who retire from the City when eligible to receive a retirement benefit from the Public Employees Retirement Association (PERA) of Minnesota (or similar plan) and do not participate in any other health benefits program providing coverage similar to that herein described, will be eligible to continue coverage with respect to both themselves and their eligible dependent(s) under the City's health benefits program. Pursuant to the provisions of the plan, retirees are required to pay 100 percent of the total premium cost. As of January 1, 2009, three retirees were receiving health benefits from the City's health plan.

As of year-end, the City has 66 eligible plan participants. The City finances the plan on a pay-as-you-go basis.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

D. Other Postemployment Benefit Disclosure (Continued)

1. Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs 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 for 2009, the amount contributed to the plan, and changes in the City's net OPEB obligation:

Annual Required Contribution (ARC):	\$ 8,165
Interest on Net OPEB Obligation	-
Adjustment to ARC	-
Annual OPEB Cost	8,165
Contributions during the year	(2,041)
Increase in Net OPEB Obligation	6,124
Net OPEB - Beginning of the Year	-
Net OPEB - End of the Year	\$ 6,124

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the year ended December 31, 2009 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2009	\$ 8,165	\$ 2,041	25.00%	\$ 6,124

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

D. Other Postemployment Benefit Disclosure (Continued)

2. Funding Status and Funding Progress

The City currently has no assets that have been deposited into an irrevocable trust for future health benefits. Therefore, the actuarial value of assets is zero. No separate stand-alone financial report is issued for this plan.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	\$ -	\$ 182,763	\$ 182,763	0.00%	\$ 2,376,701	7.69%

The schedule of funding progress, presented as required supplementary information following the notes to the basic financial statements presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

3. Actuarial Methods and Assumptions

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of the occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions 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 City used the alternative measurement method to determine its postemployment benefit liability.

Projections of benefits for financial reporting purposes are based on the substantive 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 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.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

E. OPEB Disclosure (Continued)

4. Actuarial Methods and Assumptions (Continued)

The following simplifying assumptions were made:

Retirement age for 41 active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the members would qualify for benefits.

Marital and dependency status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality – Life expectancies were based on mortality tables from the League of Minnesota Cities estimator worksheet provided on the website.

Turnover – Non-group specific, age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Cost trend rate – The annual healthcare cost trend rate is 2.23 percent based on age of current employees and expected retirement age.

Health insurance premiums – The benefit is fixed a \$397.86 per month. The actual health insurance premium has no bearing on the City's future cost.

Inflation rate – The inflation rate estimated is 4.17 percent which takes into account the turnover, discount, and trend factors.

In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009, was 30 years.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Contingencies

The City, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. The City Attorney estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial statements of the City.

B. Related Organization

On February 12, 2007, the City entered into a Joint Powers Agreement with Independent School District No. 181. The purpose of the agreement is to allow the City and School District to work jointly together to provide social and recreational services and activities, to work collaboratively to avoid the duplication of social and recreational services, to maximize the efficiency of City and School District personnel and to cooperate in the operation of integrated city and school recreation sites and facilities.

The Joint Powers Board is composed of six members: one member of the City Council, one member of the School Board, one member of the Park and Recreation Commission, the Director of Community Education for the School District, the City Administrator, and the Superintendent of Schools for the School District.

NOTE 6 SUBSEQUENT EVENT

On December 1, 2009, the City Council called for the early redemption of the \$1,875,000 G.O. Improvement Bonds, Series 2001A effective February 1, 2010. The remaining bond payments of \$560,000 are scheduled to be repaid February 1, 2010.

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
GENERAL PROPERTY TAXES	\$ 4,343,700	\$ 4,149,200	\$ 4,100,437	\$ (48,763)
SPECIAL ASSESSMENTS				
Principal	8,100	8,100	10,207	2,107
Interest	-	-	285	285
Total Special Assessments	8,100	8,100	10,492	2,392
LICENSES, PERMITS, AND FEES				
Business Licenses and Permits	34,500	34,500	38,304	3,804
Franchise Fees	54,000	54,000	67,870	13,870
Other Licenses and Permits	300	300	930	630
Total Licenses, Permits and Fees	88,800	88,800	107,104	18,304
INTERGOVERNMENTAL				
STATE AND LOCAL				
PERA Increase Aid	2,000	2,000	2,010	10
Market Value Credit	-	-	31,110	31,110
State Highway Aid	20,000	20,000	23,295	3,295
Public Safety Grants	84,000	84,000	165,199	81,199
Total State and Local	106,000	106,000	221,614	115,614
FEDERAL				
Safe and Sober	-	-	8,148	8,148
Total Intergovernmental	106,000	106,000	229,762	123,762
CHARGES FOR SERVICES	423,000	423,000	488,341	65,341
FINES AND FORFEITS	68,000	68,000	121,575	53,575
GIFTS AND CONTRIBUTIONS	-	2,500	5,211	2,711
INTEREST ON INVESTMENTS	57,000	57,000	39,861	(17,139)
MISCELLANEOUS				
Other Rents and Royalties	29,000	29,000	41,876	12,876
Other Miscellaneous Revenues	500	500	9,220	8,720
Total Miscellaneous	29,500	29,500	51,096	21,596
Total Revenues	5,124,100	4,932,100	5,153,879	221,779

See accompanying Notes to the Required Supplementary Information.

CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Other General Government	\$ 455,900	\$ 372,100	\$ 240,153	\$ 131,947
Council	36,500	36,500	33,074	3,426
Administration	209,400	208,400	197,781	10,619
Finance	366,900	344,500	323,852	20,648
Public Works Administration	340,900	339,000	361,681	(22,681)
Information Systems	112,500	112,500	104,716	7,784
Legal	53,000	53,000	53,373	(373)
Total General Government	1,575,100	1,466,000	1,314,630	151,370
PUBLIC SAFETY				
Police	1,388,300	1,378,100	1,389,117	(11,017)
Fire Protection	283,300	283,300	283,287	13
Total Public Safety	1,671,600	1,661,400	1,672,404	(11,004)
HIGHWAYS AND STREETS				
Streets	492,100	468,200	446,014	22,186
CULTURE AND RECREATION				
Parks	443,900	459,400	452,964	6,436
CAPITAL OUTLAY				
General Government	10,900	-	-	-
Highways and Streets	46,000	46,000	48,306	(2,306)
Culture and Recreation	10,200	10,200	10,200	-
Total Capital Outlay	67,100	56,200	58,506	(2,306)
DEBT SERVICE				
Principal	25,000	25,000	25,000	-
Total Expenditures	4,274,800	4,136,200	3,969,518	166,682
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	849,300	795,900	1,184,361	388,461
OTHER FINANCING SOURCES (USES)				
Transfers In	12,000	17,000	80,801	63,801
Transfers Out	(861,300)	(1,247,900)	(1,250,753)	(2,853)
Total Other Financing Sources (Uses)	(849,300)	(1,230,900)	(1,169,952)	60,948
NET CHANGE IN FUND BALANCE	\$ -	\$ (435,000)	14,409	\$ 449,409
Fund Balances - Beginning of Year			2,763,542	
FUND BALANCES - END OF YEAR			\$ 2,777,951	

See accompanying Notes to the Required Supplementary Information.

**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT AUTHORITY FUND
YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Special Assessments				
Principal	\$ 30,000	\$ 30,000	\$ 72,393	\$ 42,393
Interest	15,000	15,000	16,550	1,550
Interest on Investments	8,000	8,000	8,972	972
Total Revenues	<u>53,000</u>	<u>53,000</u>	<u>97,915</u>	<u>44,915</u>
EXPENDITURES				
CURRENT				
Economic and Community Development				
Economic Development	38,100	38,100	32,302	5,798
DEBT SERVICE				
Principal	24,000	24,000	24,000	-
Total Expenditures	<u>62,100</u>	<u>62,100</u>	<u>56,302</u>	<u>5,798</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,100)	(9,100)	41,613	50,713
OTHER FINANCING SOURCES				
Transfers In	51,900	51,900	51,900	-
NET CHANGE IN FUND BALANCE	<u>\$ 42,800</u>	<u>\$ 42,800</u>	93,513	<u>\$ 50,713</u>
Fund Balance - Beginning of Year			<u>458,954</u>	
FUND BALANCE - END OF YEAR			<u>\$ 552,467</u>	

See accompanying Notes to the Required Supplementary Information.

CITY OF BAXTER, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2009

I. BUDGETARY INFORMATION

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 15 of each year, the Finance Director submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. The City adopts the proposed budget as amended and adjusted by the Council and certifies the proposed property tax levy to the County Auditor according to *Minnesota Statutes*.
- b. Public hearings on the City's budget are conducted at the Council's Chambers at City Hall.
- c. On or before December 28, the final budget is legally enacted by Council resolution and the final property tax levy is certified to the County Auditor.
- d. Management is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Reported budget amounts are as originally adopted or amended by the City Council.
- e. The City has legally adopted budgets for the general fund and certain special revenue funds. The City also adopts budgets for the debt service funds, capital project funds, and enterprise funds. Expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, supplies, miscellaneous services and charges, and capital outlay) within each program. All amounts over budget have been approved by the City Council through the disbursement process. The City is not legally required to adopt an annual budget for the capital projects. Project-length financial plans are adopted for the capital projects funds.
- f. Budgets for the general, certain special revenue funds, and the debt service fund are adopted on a basis consistent with generally accepted accounting principals (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council. All annual appropriations lapse at fiscal year-end.

**CITY OF BAXTER, MINNESOTA
 SCHEDULE OF FUNDING PROGRESS
 OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
 DECEMBER 31, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2009	\$ -	\$ 182,763	\$ 182,763	0.00%	\$ 2,376,701	7.69%

COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS AND SCHEDULES

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

	Cemetery	Community Development	Capital Park
ASSETS			
Cash and Pooled Investments	\$ 40,654	\$ 169,138	\$ 328,944
Accounts Receivable	-	100	25,810
Special Assessment Receivable	-	13,234	-
Total Assets	\$ 40,654	\$ 182,472	\$ 354,754
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 203	\$ 4,129	\$ -
Salaries and Wages Payable	-	3,455	-
Contracts Payable	-	44	-
Due to Other Governments	-	4,801	-
Deferred Revenue			
Special Assessments	-	13,234	-
Other	-	-	-
Escrow Deposits	-	-	-
Total Liabilities	203	25,663	-
FUND BALANCES			
Reserved for			
Construction	2,487	-	-
Perpetual Care	22,577	-	-
Unreserved, Undesignated	15,387	156,809	354,754
Total Fund Balances	40,451	156,809	354,754
Total Liabilities and Fund Balances	\$ 40,654	\$ 182,472	\$ 354,754

Recreation	Project Development	Revolving Loan	Lodging Tax Administration	TIF Revenue Collection	TIF District 4 Industrial Park
\$ 2,573	\$ 91,390	\$ 395,839	\$ 9,205	\$ 587,545	\$ 196,354
-	-	-	16,503	-	-
-	-	-	-	-	-
<u>\$ 2,573</u>	<u>\$ 91,390</u>	<u>\$ 395,839</u>	<u>\$ 25,708</u>	<u>\$ 587,545</u>	<u>\$ 196,354</u>

\$ -	\$ 180	\$ -	\$ 25,708	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	25,264	-	-	-	-
-	25,444	-	25,708	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,573	65,946	395,839	-	587,545	196,354
2,573	65,946	395,839	-	587,545	196,354
<u>\$ 2,573</u>	<u>\$ 91,390</u>	<u>\$ 395,839</u>	<u>\$ 25,708</u>	<u>\$ 587,545</u>	<u>\$ 196,354</u>

**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2009**

	TIF District 5 Arbor Glenn	TIF District 6 Clearwater Estates	TIF District 7 Grand Oaks
ASSETS			
Cash and Pooled Investments	\$ 58,331	\$ 63,408	\$ 8,538
Accounts Receivable	-	-	-
Special Assessment Receivable	-	-	-
Total Assets	\$ 58,331	\$ 63,408	\$ 8,538
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 15,358	\$ 30,204	\$ 7,082
Salaries and Wages Payable	-	-	-
Contracts Payable	-	-	-
Due to Other Governments	-	-	-
Deferred Revenue			
Special Assessments	-	-	-
Other	-	-	-
Escrow Deposits	-	-	-
Total Liabilities	15,358	30,204	7,082
FUND BALANCES			
Reserved for			
Construction	-	-	-
Perpetual Care	-	-	-
Unreserved, Undesignated	42,973	33,204	1,456
Total Fund Balances	42,973	33,204	1,456
Total Liabilities and Fund Balances	\$ 58,331	\$ 63,408	\$ 8,538

TIF District 8 Arbor Glenn 2	Alcohol Seizure	Drug Seizure	Recycling	Combined Totals
\$ 2,689	\$ 4,594	\$ 1,700	\$ 19,307	\$ 1,980,209
-	-	342	-	42,755
-	-	-	-	13,234
<u>\$ 2,689</u>	<u>\$ 4,594</u>	<u>\$ 2,042</u>	<u>\$ 19,307</u>	<u>\$ 2,036,198</u>
\$ -	\$ -	\$ 1,160	\$ 4,194	\$ 88,218
-	-	-	-	3,455
-	-	-	-	44
-	600	124	-	5,525
-	-	-	-	13,234
-	-	342	-	342
-	-	-	-	25,264
-	600	1,626	4,194	136,082
-	-	-	-	2,487
-	-	-	-	22,577
2,689	3,994	416	15,113	1,875,052
<u>2,689</u>	<u>3,994</u>	<u>416</u>	<u>15,113</u>	<u>1,900,116</u>
<u>\$ 2,689</u>	<u>\$ 4,594</u>	<u>\$ 2,042</u>	<u>\$ 19,307</u>	<u>\$ 2,036,198</u>

**CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2009**

	Cemetery	Community Development	Capital Park
REVENUES			
Lodging Tax	\$ -	\$ -	\$ -
Tax Increments	-	-	-
Special Assessments	-	26,543	-
Licenses, Permits, and Fees	-	192,342	-
Intergovernmental	-	-	-
Charges for Services	-	121,581	-
Fines and Forfeits	-	-	-
Revolving Loan			
Principal	-	-	-
Interest	-	-	-
Interest on Investments	702	663	6,324
Miscellaneous	5,150	3,888	26,110
	<hr/>	<hr/>	<hr/>
Total Revenues	5,852	345,017	32,434
EXPENDITURES			
CURRENT			
General Government	5,546	-	-
Public Safety	-	253,045	-
Sanitation	-	-	-
Culture and Recreation	-	-	24,175
Economic and Community Development	-	198,632	-
CAPITAL OUTLAY			
Culture and Recreation	-	-	25,959
	<hr/>	<hr/>	<hr/>
Total Expenditures	5,546	451,677	50,134
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES			
	306	(106,660)	(17,700)
OTHER FINANCING SOURCES (USES)			
Transfers In	4,600	214,300	27,900
Transfers Out	-	(7,300)	-
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	4,600	207,000	27,900
NET CHANGE IN FUND BALANCES			
	4,906	100,340	10,200
Fund Balance (Deficit) - Beginning of Year	35,545	56,469	344,554
	<hr/>	<hr/>	<hr/>
FUND BALANCE - END OF YEAR	<u>\$ 40,451</u>	<u>\$ 156,809</u>	<u>\$ 354,754</u>

Recreation	Project Development	Revolving Loan	Lodging Tax Administration	TIF Revenue Collections	TIF District 4 Industrial Park
\$ -	\$ -	\$ -	\$ 251,007	\$ -	\$ -
-	-	-	-	145,935	77,244
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	28,868	-	-	-
-	-	459	-	-	-
30	1,907	7,176	713	8,913	2,603
63,265	-	-	-	-	-
63,295	1,907	36,503	251,720	154,848	79,847
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
6,324	-	-	-	-	-
-	180	-	251,720	937	1,457
-	-	-	-	-	-
6,324	180	-	251,720	937	1,457
56,971	1,727	36,503	-	153,911	78,390
15,000	-	-	-	-	-
-	-	-	-	-	-
15,000	-	-	-	-	-
71,971	1,727	36,503	-	153,911	78,390
(69,398)	64,219	359,336	-	433,634	117,964
\$ 2,573	\$ 65,946	\$ 395,839	\$ -	\$ 587,545	\$ 196,354

**CITY OF BAXTER, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2009**

	TIF District 5 Arbor Glenn	TIF District 6 Clearwater Estates	TIF District 7 Grand Oaks
REVENUES			
Lodging Tax	\$ -	\$ -	\$ -
Tax Increments	51,193	76,221	14,910
Special Assessments	-	-	-
Licenses, Permits, and Fees	-	-	-
Intergovernmental	-	-	-
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Revolving Loan	-	-	-
Principal	-	-	-
Interest	608	1,584	65
Interest on Investments	-	-	-
Miscellaneous	-	-	-
Total Revenues	<u>51,801</u>	<u>77,805</u>	<u>14,975</u>
EXPENDITURES			
CURRENT			
General Government	-	-	-
Public Safety	-	-	-
Sanitation	-	-	-
Culture and Recreation	-	-	-
Economic and Community Development	33,624	56,201	16,363
CAPITAL OUTLAY	-	-	-
Culture and Recreation	-	-	-
Total Expenditures	<u>33,624</u>	<u>56,201</u>	<u>16,363</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,177	21,604	(1,388)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	18,177	21,604	(1,388)
Fund Balance (Deficit) - Beginning of Year	<u>24,796</u>	<u>11,600</u>	<u>2,844</u>
FUND BALANCE - END OF YEAR	<u>\$ 42,973</u>	<u>\$ 33,204</u>	<u>\$ 1,456</u>

TIF District 8 Arbor Glenn 2	Alcohol Seizure	Drug Seizure	Recycling	Combined Totals
\$ -	\$ -	\$ -	\$ -	\$ 251,007
6,048	-	-	-	371,551
-	-	-	-	26,543
-	-	-	-	192,342
-	-	-	32,300	32,300
-	674	395	287	122,937
-	8,620	-	-	8,620
-	-	-	-	28,868
-	-	-	-	459
-	256	168	440	32,152
-	-	-	-	98,413
6,048	9,550	563	33,027	1,165,192
-	-	-	-	5,546
-	-	342	-	253,387
-	-	-	36,090	36,090
-	-	-	-	30,499
1,244	-	-	-	560,358
-	-	-	-	25,959
1,244	-	342	36,090	911,839
4,804	9,550	221	(3,063)	253,353
-	-	-	-	261,800
-	(17,000)	(11,000)	-	(35,300)
-	(17,000)	(11,000)	-	226,500
4,804	(7,450)	(10,779)	(3,063)	479,853
(2,115)	11,444	11,195	18,176	1,420,263
\$ 2,689	\$ 3,994	\$ 416	\$ 15,113	\$ 1,900,116

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**CITY OF BAXTER, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 CAPITAL PARK SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Gifts and Contributions	\$ 300,000	\$ 300,000	\$ -	\$ (300,000)
Interest on Investments	12,000	12,000	6,324	(5,676)
Miscellaneous	25,200	25,200	26,110	910
Total Revenues	<u>337,200</u>	<u>337,200</u>	<u>32,434</u>	<u>(304,766)</u>
EXPENDITURES				
CURRENT				
Culture and Recreation				
Capital Park	40,100	40,100	24,175	15,925
CAPITAL OUTLAY				
Culture and Recreation	350,000	350,000	25,959	324,041
Total Expenditures	<u>390,100</u>	<u>390,100</u>	<u>50,134</u>	<u>339,966</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(52,900)	(52,900)	(17,700)	35,200
OTHER FINANCING SOURCES (USES)				
Transfers In	27,900	27,900	27,900	-
Proceeds from Sale of Bonds	25,000	25,000	-	(25,000)
Total Other Financing Sources (Uses)	<u>52,900</u>	<u>52,900</u>	<u>27,900</u>	<u>(25,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	10,200	<u>\$ 10,200</u>
Fund Balance - Beginning of Year			<u>344,554</u>	
FUND BALANCE - END OF YEAR			<u>\$ 354,754</u>	

**CITY OF BAXTER, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 CEMETERY SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Interest on Investments	\$ 900	\$ 900	\$ 702	\$ (198)
Miscellaneous Revenues	2,500	2,500	5,150	2,650
Total Revenues	<u>3,400</u>	<u>3,400</u>	<u>5,852</u>	<u>2,452</u>
EXPENDITURES				
CURRENT				
General Government				
Cemetery	<u>9,500</u>	<u>9,500</u>	<u>5,546</u>	<u>3,954</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,100)	(6,100)	306	6,406
OTHER FINANCING SOURCES				
Transfers In	<u>6,100</u>	<u>6,100</u>	<u>4,600</u>	<u>(1,500)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	4,906	<u>\$ 4,906</u>
Fund Balance - Beginning of Year			<u>35,545</u>	
FUND BALANCE - END OF YEAR			<u>\$ 40,451</u>	

**CITY OF BAXTER, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 RECREATION SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Interest on Investments	\$ -	\$ -	\$ 30	\$ 30
Miscellaneous Revenues	-	-	63,265	63,265
Total Revenues	-	-	63,295	63,295
EXPENDITURES				
CURRENT				
Culture and Recreation Recreation	-	-	6,324	(6,324)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	56,971	56,971
OTHER FINANCING SOURCES				
Transfers In	15,000	15,000	15,000	-
NET CHANGE IN FUND BALANCE	<u>\$ 15,000</u>	<u>\$ 15,000</u>	71,971	<u>\$ 56,971</u>
Fund Balance (Deficit) - Beginning of Year			(69,398)	
FUND BALANCE - END OF YEAR			<u>\$ 2,573</u>	

**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Special Assessments	\$ -	\$ -	\$ 26,543	\$ 26,543
Licenses, Permits, and Fees	150,200	150,200	192,342	42,142
Charges for Services	72,100	72,100	121,581	49,481
Interest on Investments	2,000	2,000	663	(1,337)
Miscellaneous	400	400	3,888	3,488
Total Revenues	<u>224,700</u>	<u>224,700</u>	<u>345,017</u>	<u>120,317</u>
EXPENDITURES				
CURRENT				
Public Safety				
Building Inspection	235,100	235,100	253,045	(17,945)
Economic and Community Development				
Planning	196,600	196,600	198,632	(2,032)
Total Expenditures	<u>431,700</u>	<u>431,700</u>	<u>451,677</u>	<u>(19,977)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(207,000)	(207,000)	(106,660)	100,340
OTHER FINANCING SOURCES				
Transfers In	214,300	214,300	214,300	-
Transfers Out	(7,300)	(7,300)	(7,300)	-
Total Other Financing Sources (Uses)	<u>207,000</u>	<u>207,000</u>	<u>207,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	100,340	<u>\$ 100,340</u>
Fund Balance - Beginning of Year			<u>56,469</u>	
FUND BALANCE - END OF YEAR			<u>\$ 156,809</u>	

**CITY OF BAXTER, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 RECYCLING SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2009**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental - County	\$ 33,000	\$ 32,300	\$ 32,300	\$ -
Charges for Services	300	300	287	(13)
Interest on Investments	100	100	440	340
Total Revenues	<u>33,400</u>	<u>32,700</u>	<u>33,027</u>	<u>327</u>
EXPENDITURES				
CURRENT				
Sanitation	<u>37,900</u>	<u>37,200</u>	<u>36,090</u>	<u>1,110</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(4,500)	(4,500)	(3,063)	1,437
OTHER FINANCING SOURCES				
Transfers In	<u>4,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (4,500)</u>	<u>(3,063)</u>	<u>\$ 1,437</u>
Fund Balance - Beginning of Year			<u>18,176</u>	
FUND BALANCE - END OF YEAR			<u>\$ 15,113</u>	

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND – BY BOND ISSUE
DECEMBER 31, 2009**

	1991 Southdale Sewer \$97,000 G.O. and \$875,607 P.F.A.	2000 Road Projects	2001 Bond Issue	2002 Bond Issue	2003 Bond Issue
ASSETS					
Cash and Pooled Investments	\$ 116,610	\$ 25,114	\$ 759,274	\$ 310,914	\$ 1,349,867
Due From Other Governments	-	1,049	258	73,374	1,194
Delinquent Taxes Receivable	-	-	-	42,634	5,727
Special Assessments Receivable	22,816	144,047	297,304	1,168,548	1,623,028
Total Assets	\$ 139,426	\$ 170,210	\$ 1,056,836	\$ 1,595,470	\$ 2,979,816
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to Other Funds	\$ -	\$ 100,000	\$ -	\$ 300,000	\$ -
Due to Other Governments	-	598	3,784	360	16,100
Deferred Revenue - Unavailable	-	-	-	42,634	5,727
Deferred Special Assessments	22,816	144,047	297,304	1,168,548	1,623,028
Total Liabilities	22,816	244,645	301,088	1,511,542	1,644,855
FUND BALANCES					
Unreserved					
Designated for Debt Service	116,610	(74,435)	755,748	83,928	1,334,961
Total Liabilities and Fund Balances	\$ 139,426	\$ 170,210	\$ 1,056,836	\$ 1,595,470	\$ 2,979,816

2004A G.O. Bond Issue	2005A G.O. Refund Bonds 1997-1998	2005B G.O. Improve Bonds	2006A G.O. CIP Bonds	2006B G.O. Improve Bonds	2007B G.O. Improve Bonds	2009A G.O. Sales Tax Wastewater Note
\$ 1,653,504	\$ 995,000	\$ 706,405	\$ 15,787	\$ 1,394,031	\$ 492,367	\$ 9
39,293	1,183	112,801	4,504	7,345	24,879	-
24,180	3,818	11,454	21,635	22,272	17,181	-
2,071,487	44,539	1,591,717	-	1,981,413	1,424,492	-
<u>\$ 3,788,464</u>	<u>\$ 1,044,540</u>	<u>\$ 2,422,377</u>	<u>\$ 41,926</u>	<u>\$ 3,405,061</u>	<u>\$ 1,958,919</u>	<u>\$ 9</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4,509	722	742	-	12,251	-	-
24,180	3,818	11,454	21,635	22,272	17,181	-
2,071,487	44,539	1,591,717	-	1,981,413	1,424,492	-
<u>2,100,176</u>	<u>49,079</u>	<u>1,603,913</u>	<u>21,635</u>	<u>2,015,936</u>	<u>1,441,673</u>	<u>-</u>
1,688,288	995,461	818,464	20,291	1,389,125	517,246	9
<u>\$ 3,788,464</u>	<u>\$ 1,044,540</u>	<u>\$ 2,422,377</u>	<u>\$ 41,926</u>	<u>\$ 3,405,061</u>	<u>\$ 1,958,919</u>	<u>\$ 9</u>

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**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 DEBT SERVICE FUND – BY BOND ISSUE
 DECEMBER 31, 2009**

	2009B G.O. Sales Tax Wastewater Note		Combined Totals
ASSETS			
Cash and Pooled Investments	\$ 14	\$	7,818,896
Due From Other Governments	-		265,880
Delinquent Taxes Receivable	-		148,901
Special Assessments Receivable	-		10,369,391
Total Assets	\$ 14	\$	18,603,068
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to Other Funds	\$ -	\$	400,000
Due to Other Governments	-		39,066
Deferred Revenue - Unavailable	-		148,901
Deferred Special Assessments	-		10,369,391
Total Liabilities	-		10,957,358
FUND BALANCES			
Unreserved			
Designated for Debt Service	14		7,645,710
Total Liabilities and Fund Balances	\$ 14	\$	18,603,068

**CITY OF BAXTER, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 DEBT SERVICE FUND – BY BOND ISSUE
 YEAR ENDED DECEMBER 31, 2009**

	1991 Southdale Sewer \$97,000 G.O. and \$875,607 P.F.A.	2000 Road Projects	2001 Bond Issue	2002 Bond Issue	2003 Bond Issue
REVENUES					
General Property Taxes	\$ -	\$ 1,007	\$ -	\$ 302,344	\$ 41,222
Special Assessments					
Principal	8,501	83,244	100,917	314,080	365,327
Interest	1,454	11,991	16,344	77,663	102,994
Interest on Investments	2,463	592	12,923	-	20,259
Total Revenues	<u>12,418</u>	<u>96,834</u>	<u>130,184</u>	<u>694,087</u>	<u>529,802</u>
EXPENDITURES					
DEBT SERVICE					
Principal	54,818	-	210,000	1,130,000	770,000
Interest and Fiscal Charges	6,410	7,000	27,926	40,717	114,274
Total Expenditures	<u>61,228</u>	<u>7,000</u>	<u>237,926</u>	<u>1,170,717</u>	<u>884,274</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(48,810)	89,834	(107,742)	(476,630)	(354,472)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
NET CHANGE IN FUND BALANCES	(48,810)	89,834	(107,742)	(476,630)	(354,472)
Fund Balances (Deficit) - Beginning of Year	<u>165,420</u>	<u>(164,269)</u>	<u>863,490</u>	<u>560,558</u>	<u>1,689,433</u>
FUND BALANCES - END OF YEAR	<u>\$ 116,610</u>	<u>\$ (74,435)</u>	<u>\$ 755,748</u>	<u>\$ 83,928</u>	<u>\$ 1,334,961</u>

2004A G.O. Bond Issue	2005A G.O. Refund Bonds 1997-1998	2005B G.O. Improve Bonds	2006A G.O. CIP Bonds	2006B G.O. Improve Bonds	2007B G.O. Improve Bonds	2009A G.O. Sales Tax Wastewater Note
\$ 175,048	\$ 28,570	\$ 83,284	\$ 153,956	\$ 161,807	\$ 121,308	\$ -
449,764	45,341	365,109	-	339,289	167,532	-
102,675	7,074	84,501	-	119,531	90,526	-
23,774	7,188	9,026	-	19,594	7,239	9
<u>751,261</u>	<u>88,173</u>	<u>541,920</u>	<u>153,956</u>	<u>640,221</u>	<u>386,605</u>	<u>9</u>
940,000	260,000	505,000	155,000	780,000	165,000	119,366
183,916	36,155	118,012	167,403	185,631	135,141	25,370
<u>1,123,916</u>	<u>296,155</u>	<u>623,012</u>	<u>322,403</u>	<u>965,631</u>	<u>300,141</u>	<u>144,736</u>
(372,655)	(207,982)	(81,092)	(168,447)	(325,410)	86,464	(144,727)
-	715,000	-	200,000	-	-	144,736
(372,655)	507,018	(81,092)	31,553	(325,410)	86,464	9
<u>2,060,943</u>	<u>488,443</u>	<u>899,556</u>	<u>(11,262)</u>	<u>1,714,535</u>	<u>430,782</u>	<u>-</u>
<u>\$ 1,688,288</u>	<u>\$ 995,461</u>	<u>\$ 818,464</u>	<u>\$ 20,291</u>	<u>\$ 1,389,125</u>	<u>\$ 517,246</u>	<u>\$ 9</u>

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**CITY OF BAXTER, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (CONTINUED)
 DEBT SERVICE FUND – BY BOND ISSUE
 YEAR ENDED DECEMBER 31, 2009**

	2009B G.O. Sales Tax Wastewater Note		<u>Combined Totals</u>
REVENUES			
General Property Taxes	\$ -		\$ 1,068,546
Special Assessments			
Principal	-		2,239,104
Interest	-		614,753
Interest on Investments	14		103,081
Total Revenues	<u>14</u>		<u>4,025,484</u>
EXPENDITURES			
DEBT SERVICE			
Principal	-		5,089,184
Interest and Fiscal Charges	9,381		1,057,336
Total Expenditures	<u>9,381</u>		<u>6,146,520</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,367)		(2,121,036)
OTHER FINANCING SOURCES (USES)			
Transfers In	9,381		1,069,117
NET CHANGE IN FUND BALANCES	14		(1,051,919)
Fund Balances (Deficit) - Beginning of Year	-		8,697,629
FUND BALANCES - END OF YEAR	<u><u>\$ 14</u></u>		<u><u>\$ 7,645,710</u></u>

**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET
 CAPITAL PROJECT FUND – BY PROJECT
 DECEMBER 31, 2009**

	Collector Road	Street Replacement	Capital Equipment	Trails Construction Fund	1999 Mapleton Road
ASSETS					
Cash and Pooled Investments	\$ 604,798	\$ 60,000	\$ 420,628	\$ 229,720	\$ -
Due From Other Governments	136,847	-	-	-	-
Special Assessments Receivable	-	-	-	-	-
Total Assets	\$ 741,645	\$ 60,000	\$ 420,628	\$ 229,720	\$ -
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ 63,181	\$ -	\$ -
Contracts Payable	-	-	76	-	-
Due to Other Funds	-	-	-	-	11,126
Due to Other Governments	-	-	2	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	-	-	63,259	-	11,126
FUND BALANCES					
Reserved for Construction	741,645	60,000	357,369	229,720	(11,126)
Total Liabilities and Fund Balances	\$ 741,645	\$ 60,000	\$ 420,628	\$ 229,720	\$ -

<u>City Center Building</u>	<u>Foley</u>	<u>Cypress Drive</u>	<u>Universal Drive</u>	<u>Fairview Road</u>	<u>Wildflower Franklin</u>	<u>Dellwood Novotny Ext</u>
\$ 380,840	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 380,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 1,603	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	1,520	51,381	10,327	2,429	7,352	88,100
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,520	52,984	10,327	2,429	7,352	88,100
380,840	(1,520)	(52,984)	(10,327)	(2,429)	(7,352)	(88,100)
<u>\$ 380,840</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET (CONTINUED)
CAPITAL PROJECT FUND – BY PROJECT
DECEMBER 31, 2009**

	S Hastings Ext & Sewer Intercept	North Forestview Area	South Forestview Area	Ashley Road	North Lynwood Area
ASSETS					
Cash and Pooled Investments	\$ -	\$ -	\$ -	\$ -	\$ -
Due From Other Governments	-	-	-	-	-
Special Assessments Receivable	-	-	-	-	-
Total Assets	\$ -	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ 787
Contracts Payable	-	-	-	-	-
Due to Other Funds	12,468	11,576	8,425	6,616	85,813
Due to Other Governments	-	-	-	-	-
Deferred Revenue	-	-	-	-	-
Total Liabilities	12,468	11,576	8,425	6,616	86,600
FUND BALANCES					
Reserved for Construction	(12,468)	(11,576)	(8,425)	(6,616)	(86,600)
Total Liabilities and Fund Balances	\$ -	\$ -	\$ -	\$ -	\$ -

Camwood & Chestnut Area	Cypress Town Center	Fire Station	Eagle Drive Area	2008 Clearwater	Olivewood Drive	Excelsior Bridge	Wolda Road
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,600	\$ -
-	-	-	-	-	-	58,333	-
-	85,161	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 85,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,933</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 5,707	\$ -	\$ 7,075	\$ -
-	-	-	-	-	-	-	-
14,057	56,164	1,159	10,273	96,170	6,055	-	8,189
-	-	-	-	-	-	136,749	-
-	85,161	-	-	-	-	-	-
14,057	141,325	1,159	10,273	101,877	6,055	143,824	8,189
<u>(14,057)</u>	<u>(56,164)</u>	<u>(1,159)</u>	<u>(10,273)</u>	<u>(101,877)</u>	<u>(6,055)</u>	<u>(59,891)</u>	<u>(8,189)</u>
<u>\$ -</u>	<u>\$ 85,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,933</u>	<u>\$ -</u>

**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 CAPITAL PROJECT FUND – BY PROJECT
 DECEMBER 31, 2009**

	Cypress Dr - Hinckley to 48	Jadewood and Jewelwood	College and Douglas Fir Intersection	Potlatch Phase 2
ASSETS				
Cash and Pooled Investments	\$ -	\$ -	\$ -	\$ -
Due From Other Governments	-	-	-	-
Special Assessments Receivable	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Contracts Payable	-	-	-	-
Due to Other Funds	27,651	3,545	2,762	197,338
Due to Other Governments	-	-	-	-
Deferred Revenue	-	-	-	-
Total Liabilities	27,651	3,545	2,762	197,338
FUND BALANCES				
Reserved for Construction	<u>(27,651)</u>	<u>(3,545)</u>	<u>(2,762)</u>	<u>(197,338)</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Inglewood North Water Extension	South Isle Dr Extension	Fairview Extension 371 NW	Combined Totals
\$ -	\$ -	\$ 25,000	\$ 1,746,586
-	-	-	195,180
-	-	-	85,161
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 2,026,927</u>

\$ -	\$ -	\$ -	\$ 78,353
-	-	-	76
2,520	2,005	-	725,021
-	-	-	136,751
-	-	-	85,161
2,520	2,005	-	1,025,362
<u>(2,520)</u>	<u>(2,005)</u>	<u>25,000</u>	<u>1,001,565</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ 2,026,927</u>

**CITY OF BAXTER, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT FUND – BY PROJECT
 YEAR ENDED DECEMBER 31, 2009**

	Collector Road	Street Replacement	Capital Equipment	Trails Construction Fund	1999 Mapleton Road
REVENUES					
General Property Taxes	\$ -	\$ -	\$ 1,705	\$ -	\$ -
Intergovernmental	136,847	-	-	-	-
Interest on Investments	7,174	-	4,869	3,881	-
Miscellaneous	-	-	1,000	-	-
Total Revenues	<u>144,021</u>	<u>-</u>	<u>7,574</u>	<u>3,881</u>	<u>-</u>
EXPENDITURES					
CURRENT					
Public Safety	-	-	-	-	-
Highways and Streets	-	-	-	-	191
Culture and Recreation	-	-	-	1,082	-
DEBT SERVICE					
Interest and Fiscal Charges	-	-	-	-	-
CAPITAL OUTLAY					
General Government	-	-	825	-	-
Public Safety	-	-	76,402	-	-
Highways and Streets	-	-	22,782	-	-
Culture and Recreation	-	-	-	-	-
Total Expenditures	<u>-</u>	<u>-</u>	<u>100,009</u>	<u>1,082</u>	<u>191</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	144,021	-	(92,435)	2,799	(191)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Bonds	-	-	-	-	-
Transfers In	314,000	60,000	198,082	30,000	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>314,000</u>	<u>60,000</u>	<u>198,082</u>	<u>30,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	458,021	60,000	105,647	32,799	(191)
Fund Balances (Deficit) - Beginning of Year	<u>283,624</u>	<u>-</u>	<u>251,722</u>	<u>196,921</u>	<u>(10,935)</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 741,645</u>	<u>\$ 60,000</u>	<u>\$ 357,369</u>	<u>\$ 229,720</u>	<u>\$ (11,126)</u>

City Center Building	Foley	Cypress Drive	Universal Drive	Fairview Road	Wildflower Franklin	Dellwood Novotny Ext
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
7,053	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>7,053</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	26	43,346	177	41	126	10,165
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>26</u>	<u>43,346</u>	<u>177</u>	<u>41</u>	<u>126</u>	<u>10,165</u>
7,053	(26)	(43,346)	(177)	(41)	(126)	(10,165)
-	-	-	-	-	-	-
-	-	300,000	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
7,053	(26)	256,654	(177)	(41)	(126)	(10,165)
<u>373,787</u>	<u>(1,494)</u>	<u>(309,638)</u>	<u>(10,150)</u>	<u>(2,388)</u>	<u>(7,226)</u>	<u>(77,935)</u>
<u>\$ 380,840</u>	<u>\$ (1,520)</u>	<u>\$ (52,984)</u>	<u>\$ (10,327)</u>	<u>\$ (2,429)</u>	<u>\$ (7,352)</u>	<u>\$ (88,100)</u>

CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (CONTINUED)
CAPITAL PROJECT FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2009

	S Hastings Ext & Sewer Intercept	North Forestview Area	South Forestview Area	Ashley Road	North Lynwood Area
REVENUES					
General Property Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-	-
Interest on Investments	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
CURRENT					
Public Safety	-	-	-	-	-
Highways and Streets	213	198	145	113	7,807
Culture and Recreation	-	-	-	-	-
DEBT SERVICE					
Interest and Fiscal Charges	-	-	-	-	-
CAPITAL OUTLAY					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Highways and Streets	-	-	-	-	-
Culture and Recreation	-	-	-	-	-
Total Expenditures	<u>213</u>	<u>198</u>	<u>145</u>	<u>113</u>	<u>7,807</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(213)	(198)	(145)	(113)	(7,807)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Bonds	-	-	-	-	-
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(213)	(198)	(145)	(113)	(7,807)
Fund Balances (Deficit) - Beginning of Year	<u>(12,255)</u>	<u>(11,378)</u>	<u>(8,280)</u>	<u>(6,503)</u>	<u>(78,793)</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (12,468)</u>	<u>\$ (11,576)</u>	<u>\$ (8,425)</u>	<u>\$ (6,616)</u>	<u>\$ (86,600)</u>

Camwood & Chestnut Area	Cypress Town Center	Fire Station	Eagle Drive Area	2008 Clearwater	Olivewood Drive	Excelsior Bridge	Wolda Road
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	138,439	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	138,439	-
-	-	20	-	-	-	-	-
240	554	-	176	26,618	103	-	140
-	-	-	-	-	-	24,055	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	700	-	-	-
-	-	-	-	-	-	11,856	-
240	554	20	176	27,318	103	35,911	140
(240)	(554)	(20)	(176)	(27,318)	(103)	102,528	(140)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(63,801)	-	-	-	-	-	-
-	(63,801)	-	-	-	-	-	-
(240)	(64,355)	(20)	(176)	(27,318)	(103)	102,528	(140)
(13,817)	8,191	(1,139)	(10,097)	(74,559)	(5,952)	(162,419)	(8,049)
\$ (14,057)	\$ (56,164)	\$ (1,159)	\$ (10,273)	\$ (101,877)	\$ (6,055)	\$ (59,891)	\$ (8,189)

**CITY OF BAXTER, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE (CONTINUED)
 CAPITAL PROJECT FUND – BY PROJECT
 YEAR ENDED DECEMBER 31, 2009**

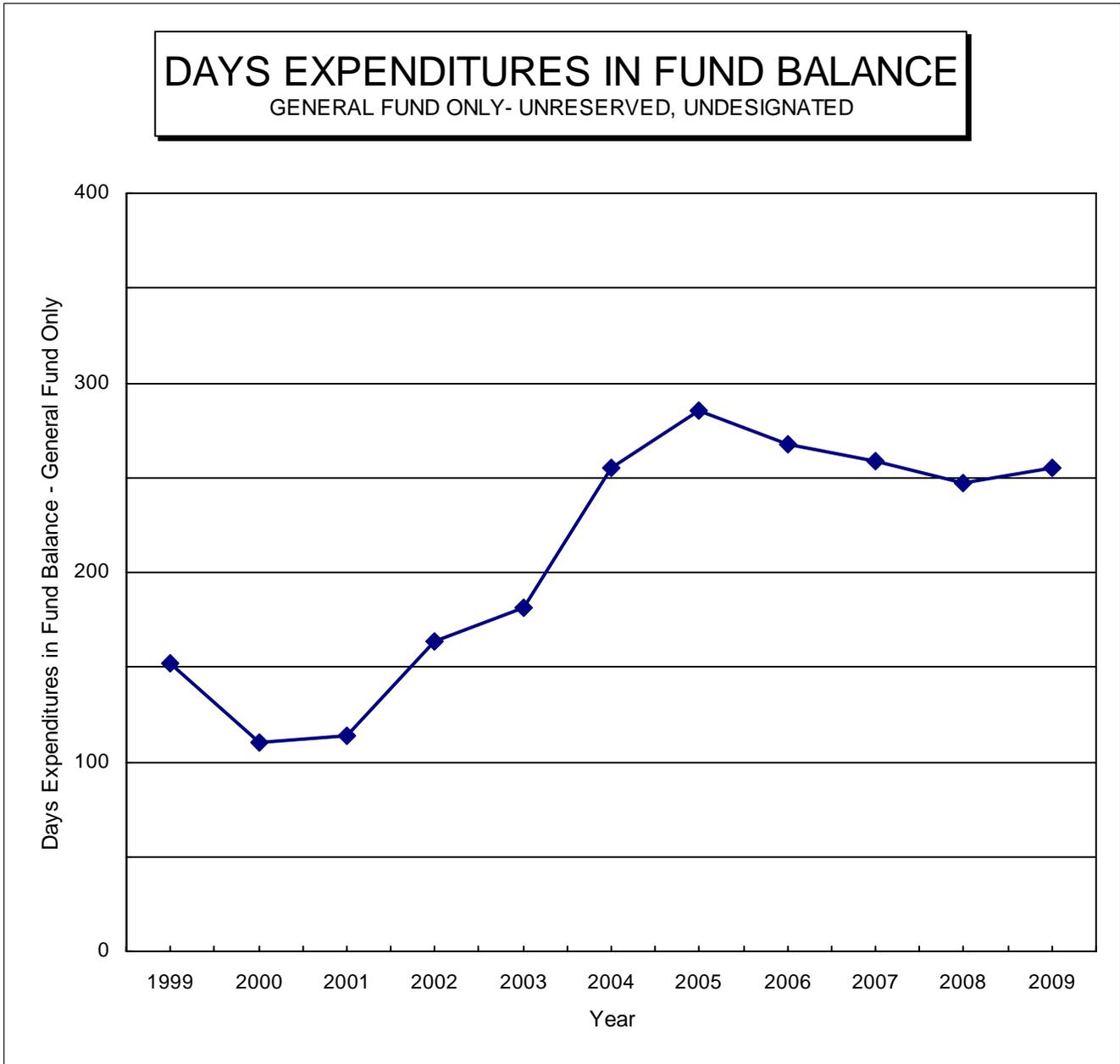
	Cypress Dr- Hinckley to 48	Jadewood and Jewelwood	College and Douglas Fir Intersection	Pottlatch Phase 2
REVENUES				
General Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Interest on Investments	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
CURRENT				
Public Safety	-	-	-	-
Highways and Streets	473	61	47	36,717
Culture and Recreation	-	-	-	-
DEBT SERVICE				
Interest and Fiscal Charges	-	-	-	-
CAPITAL OUTLAY				
General Government	-	-	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Culture and Recreation	-	-	-	-
Total Expenditures	473	61	47	36,717
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(473)	(61)	(47)	(36,717)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Bonds	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(473)	(61)	(47)	(36,717)
Fund Balances (Deficit) - Beginning of Year	(27,178)	(3,484)	(2,715)	(160,621)
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (27,651)	\$ (3,545)	\$ (2,762)	\$ (197,338)

Inglewood North Water Extension	Water Tower 3	South Isle Dr Extension	Fairview Extension 371 NW	Wastewater Plant Capacity	Combined Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,705
-	-	-	-	-	275,286
-	-	-	-	-	22,977
-	-	-	-	-	1,000
-	-	-	-	-	300,968
-	-	-	-	-	20
43	8,205	2,000	-	-	137,925
-	-	-	-	-	25,137
-	200	5	-	-	205
-	-	-	-	-	825
-	-	-	-	-	76,402
-	116,912	-	-	5,010,058	5,150,452
-	-	-	-	-	11,856
43	125,317	2,005	-	5,010,058	5,402,822
(43)	(125,317)	(2,005)	-	(5,010,058)	(5,101,854)
-	-	-	-	5,010,058	5,010,058
-	125,317	-	25,000	-	1,052,399
-	-	-	-	-	(63,801)
-	125,317	-	25,000	5,010,058	5,998,656
(43)	-	(2,005)	25,000	-	896,802
(2,477)	-	-	-	-	104,763
\$ (2,520)	\$ -	\$ (2,005)	\$ 25,000	\$ -	\$ 1,001,565

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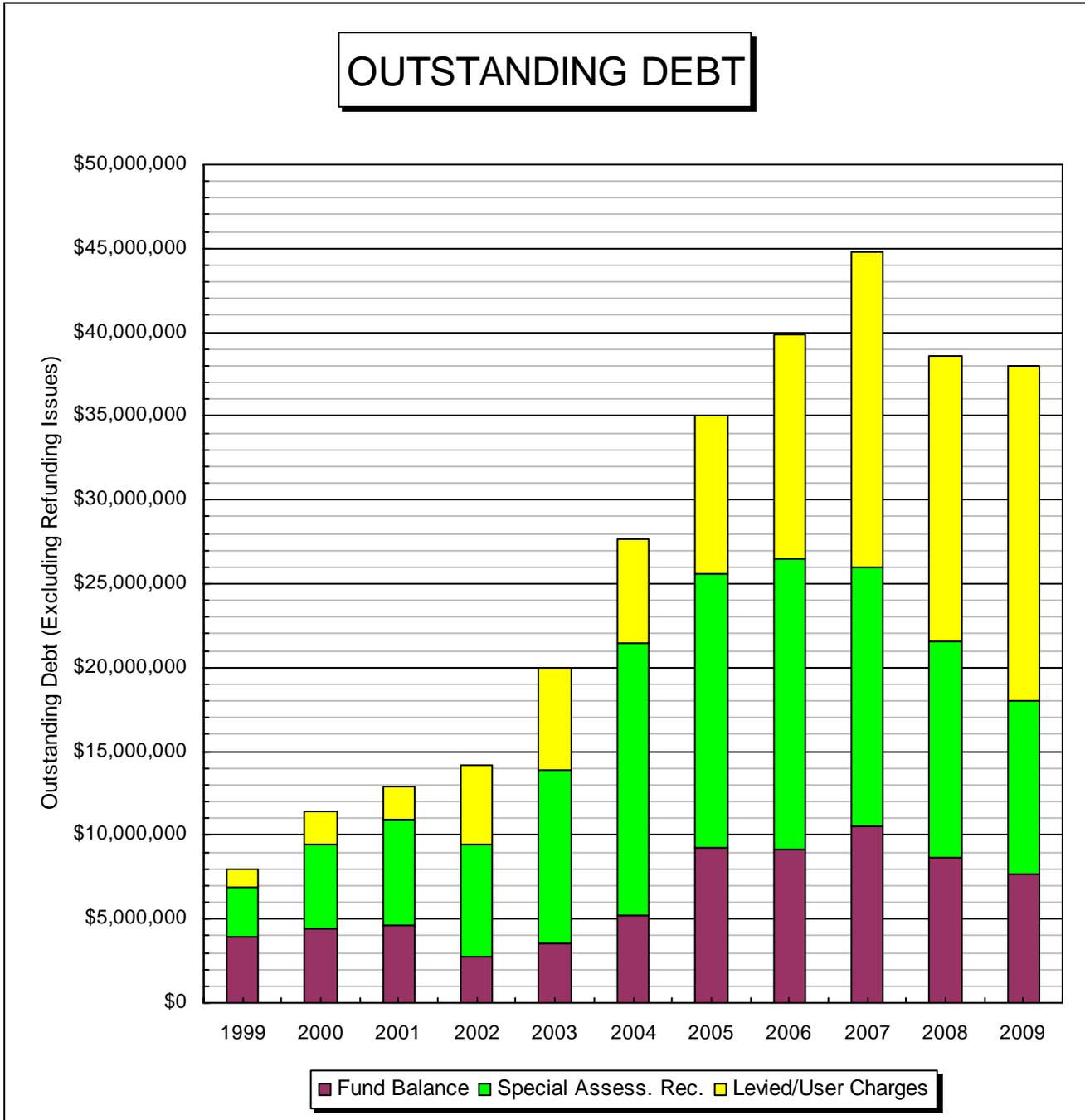
SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF BAXTER, MINNESOTA
GRAPH #1
DAYS EXPENDITURES IN FUND BALANCE – GENERAL FUND ONLY
DECEMBER 31
(UNAUDITED)



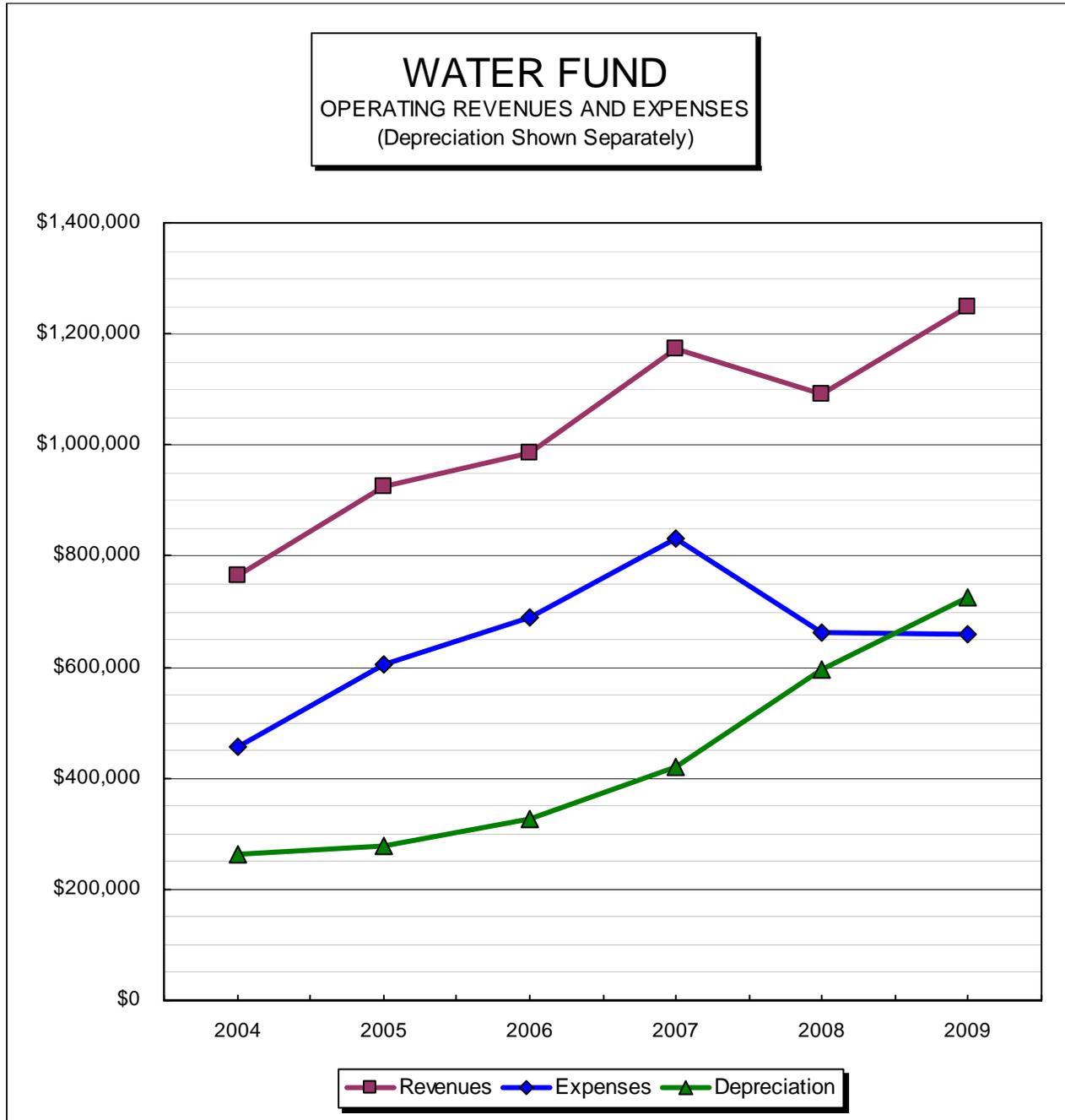
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**CITY OF BAXTER, MINNESOTA
 GRAPH #2
 OUTSTANDING DEBT
 DECEMBER 31, 2009
 (UNAUDITED)**



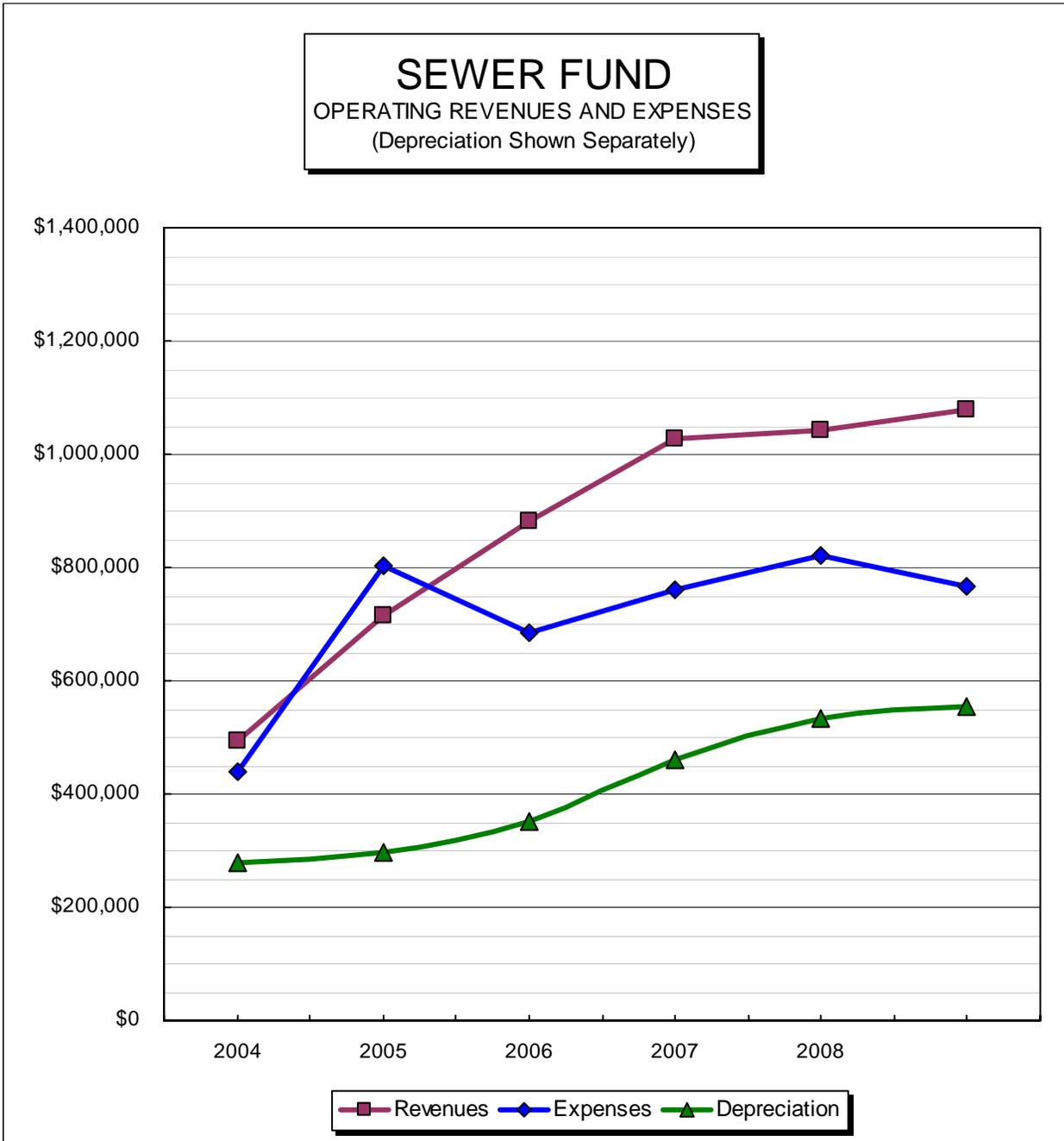
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CITY OF BAXTER, MINNESOTA
GRAPH #3A
WATER FUND REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31
(UNAUDITED)



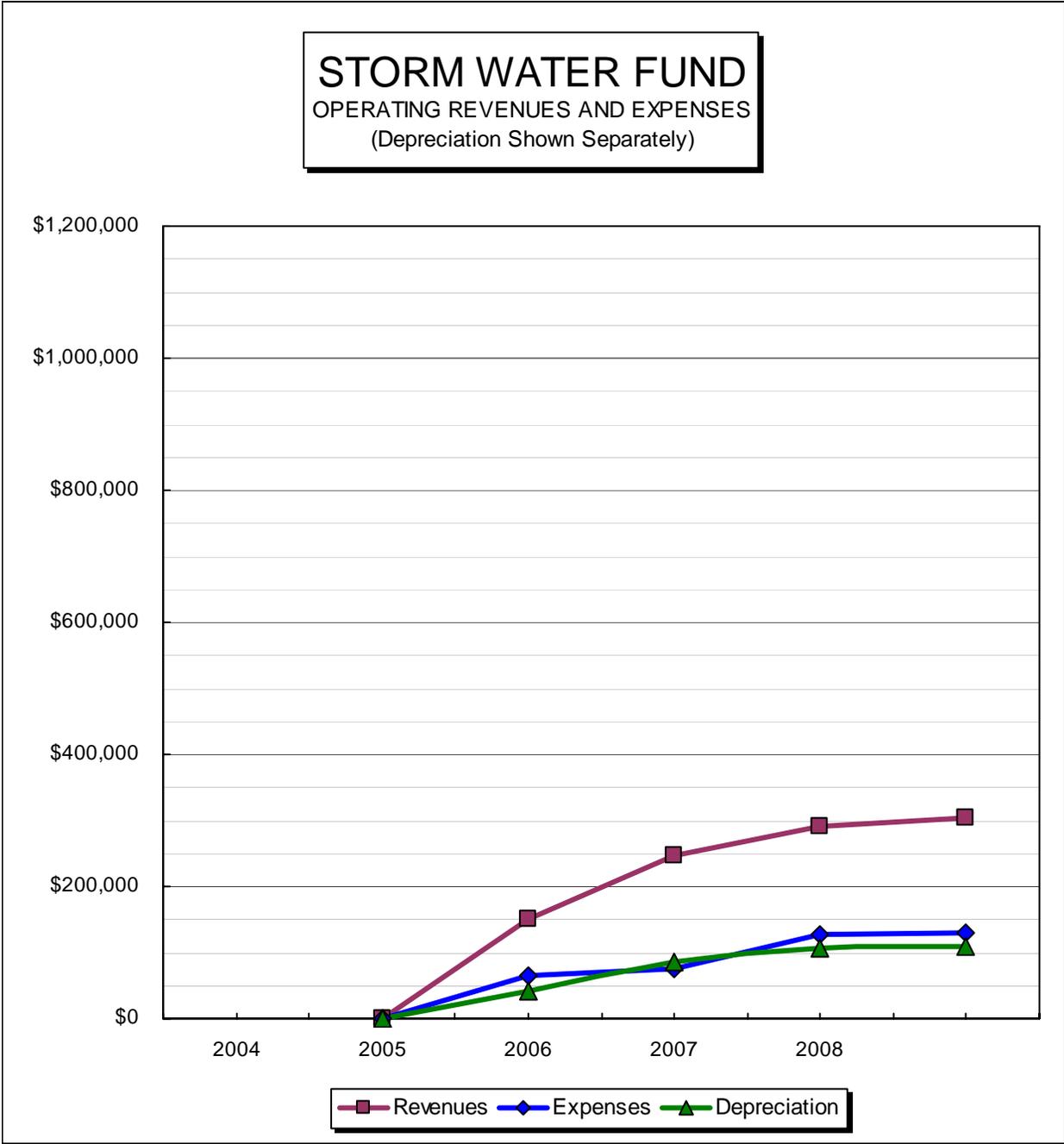
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**CITY OF BAXTER, MINNESOTA
 GRAPH #3B
 SEWER FUND REVENUES AND EXPENSES
 YEARS ENDED DECEMBER 31
 (UNAUDITED)**



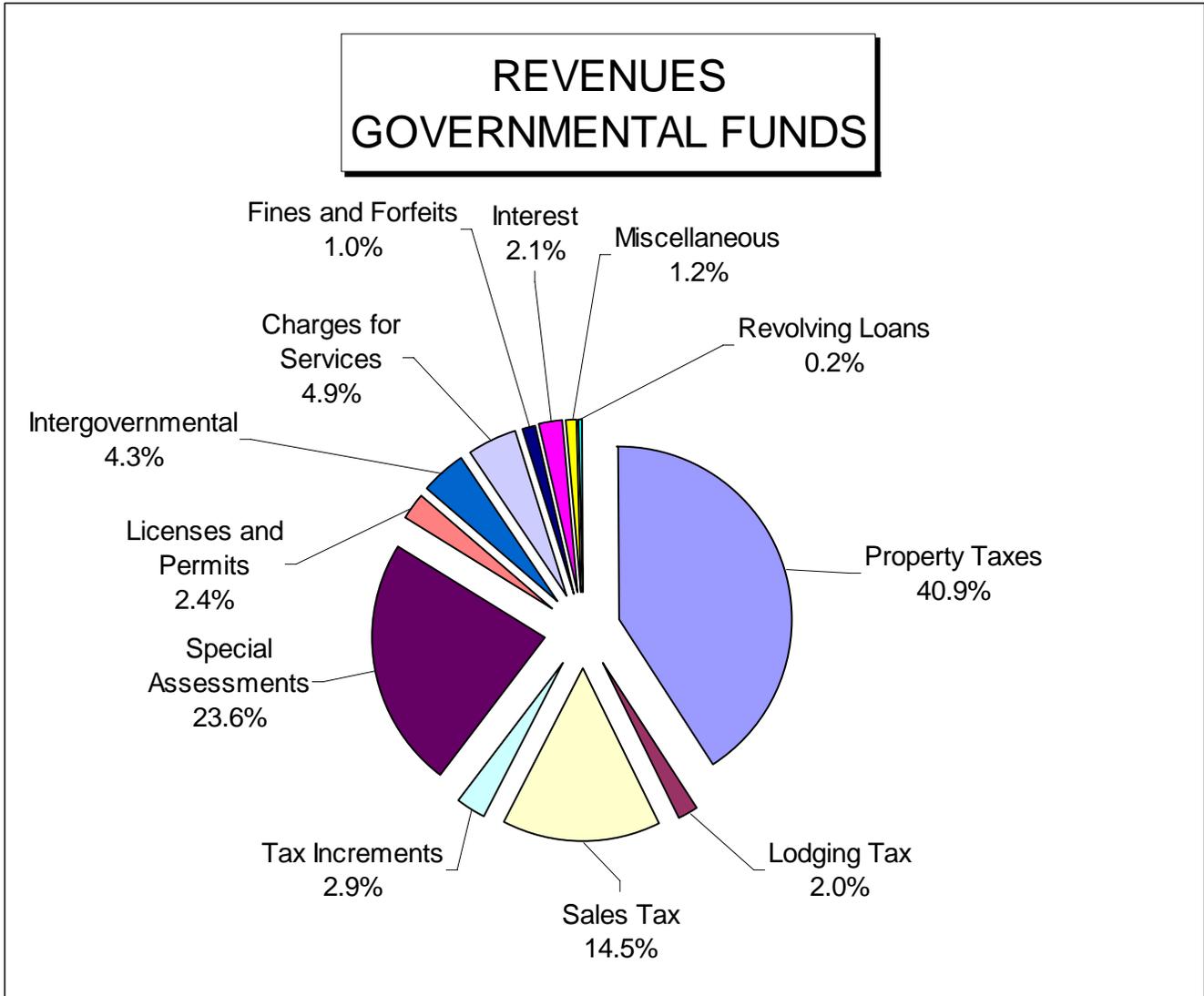
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CITY OF BAXTER, MINNESOTA
GRAPH #3C
STORM WATER FUND REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31
(UNAUDITED)



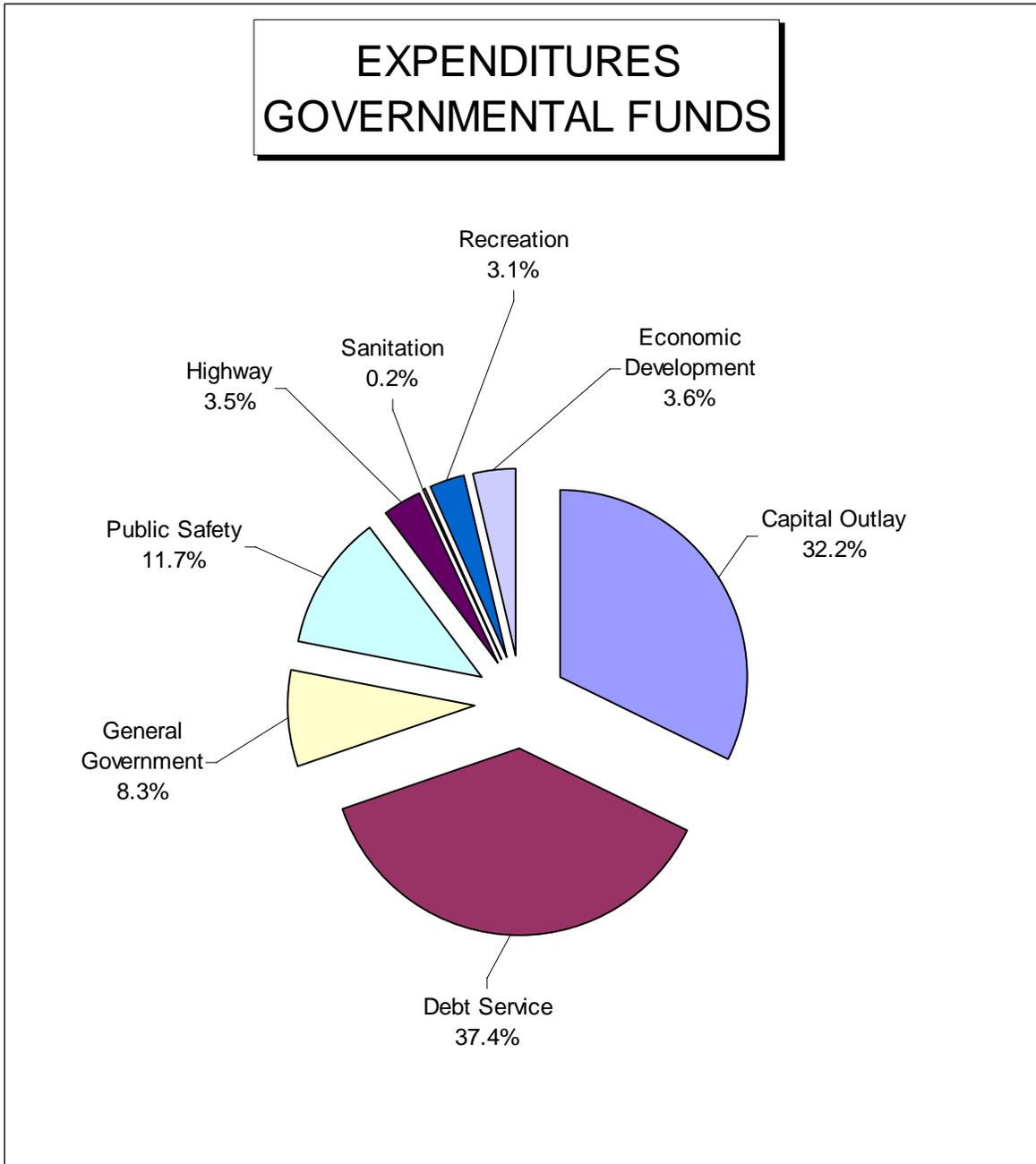
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CITY OF BAXTER, MINNESOTA
GRAPH #4
REVENUES – GENERAL, SPECIAL REVENUE, DEBT SERVICE AND CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)



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CITY OF BAXTER, MINNESOTA
GRAPH #5
EXPENDITURES – GENERAL, SPECIAL REVENUE, DEBT SERVICE AND CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2009
(UNAUDITED)



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