The background of the document is a photograph of a park. On the left, there is a tall, slender lamppost. In the center and right, there are several large, leafy green trees. In the lower right, a portion of a building with a light-colored, domed roof and a small cupola is visible. The overall scene is bright and clear, suggesting a sunny day.

CITY OF BAXTER, MINNESOTA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED DECEMBER 31, 2010

PREPARED BY:
Department of Finance

Finance Director
Jeremy S. Vacinek

Assistant Finance Director
Susannah Jensen, CPA

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INTRODUCTORY SECTION



June 17, 2011

Honorable Mayor and Members of the City Council
City of Baxter

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Baxter (City) for the fiscal year ended December 31, 2010. *Minnesota Statutes* require cities to issue an annual report on its financial position and activity prepared in accordance with Generally Accepted Accounting Principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. LarsonAllen LLP, a regional certified public accounting firm, performed the audit for the fiscal year ended December 31, 2010. The unqualified (“clean”) opinion has been included as the first component of the financial section of this CAFR.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE CITY

The City of Baxter, established in 1939, is located approximately 125 miles northwest of the Minneapolis-St. Paul metropolitan area in Crow Wing County. The City encompasses 20.3 square miles and serves a residential population of 7,921. The City is empowered to levy a property tax on both real and personal properties located within its boundaries.

The City operates under a Mayor-Council form of government. Policy making and legislative authority are vested in a city council consisting of the mayor and four other members. Council responsibilities include, among other things: passing ordinances, adopting the budget, appointing committees, and hiring a city administrator. The city administrator is responsible for carrying out council policies and ordinances and overseeing day-to-day operations. The council is elected on a non-partisan basis in four-year staggered terms.

The City provides a full range of municipal services including police, contracted fire, water, sewer, storm water, construction and maintenance of parks and streets, planning and economic development, recreation and cultural activities, and general administration.

This CAFR presents the financial status of the City and its component unit. Component units are separate legal entities included in this report due to significant operational or financial relationships with the City. The Economic Development Authority (EDA) of Baxter is reported on a blended basis as part of the primary government because their board is composed of all City council members and they provide services entirely to the City. The City does not report any discretely presented component units.

The annual budget is the foundation of the City's financial planning and control. With input from all departments, the Finance Department prepares proposed budgets for the general fund, most special revenue funds, debt service funds, and capital project funds. The proposed budget is then presented to the city council in August, who then hold work sessions and public hearings, and adopt the final budget prior to December 31st. The annual budget is prepared by fund, function, and department. Transfers between funds must be approved by the council. Budget-to-actual comparisons are provided in this report for the general fund and each individual special revenue fund for which an annual budget has been adopted. Major fund budget comparisons begin on page 56; nonmajor special revenue fund budgetary comparisons begin on page 68.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy

Baxter is the regional retail and service center of the beautiful central lakes area with over half of its tax base comprising of the commercial sector. The region is the home to the Whitefish Chain of Lakes, Gull Lake and 475 other lakes and has a permanent population of approximately 60,000. A significant source of employment and revenue in the area is related to primarily summer tourism, and the area is home to six world-class resort conference centers. With two significant state highways, 371 and 210, intersecting within the City, other significant area employers include major retailers, public school and college systems, health care providers, construction companies, and State agencies.

Baxter benefitted from significant housing and economic growth in the early to mid 2000's. However, as with most municipalities in the state, Baxter has been affected by the recent economic downturn with a softening in residential and commercial valuations. The average Crow Wing County unemployment rate for 2010 stood at 8.9%, an improvement over the average 2009 rate of 9.9%. Baxter is benefitting from recently renewed interest in retail development, the construction of a new health care clinic, and a few multi-family housing projects. The City is poised for growth as the economy recovers, but is taking a conservative approach in managing the City's resources.

Long-term Financial Planning and Major Initiatives

The City attempts to plan ahead for smaller capital equipment by building up equity in related capital project funds to relieve the burden incurred in the year of acquisition. For significant infrastructure projects, the City traditionally issues debt, using revenue from identified beneficiaries as the source of repayment. In recent years, the City has accumulated funding for anticipated future infrastructure projects. The City has achieved a Moody's credit rating of Aa3 by regularly repaying debt early; maintaining healthy fund balances; funding debt with special assessment, sales tax, water and wastewater alternative revenue sources; and prudent financial management.

The City has developed a 20 year CIP plan to address planned infrastructure development and maintenance needs. In addition to the 20 year CIP plan, the City has recently completed or is planning to complete the following projects:

- Wastewater Treatment Facility Upgrade – the neighboring City of Brainerd substantially completed the facility in 2010. The City funded one-third of this project and is thereby entitled to one-third of the facility's treatment capacity. This project is intended to benefit City utility customers and the debt will be repaid primarily with authorized local option sales tax proceeds and to a lesser extent with related utility revenues.

Cash Management

The City's primary cash management objective is to attain a market rate of return throughout budgetary and economic cycles while preserving and protecting capital in the overall portfolio. Cash temporarily idle during the year was invested in interest bearing checking accounts, repurchase agreements, government agencies, and certificates of deposit, as authorized under *Minnesota Statutes* §118.04 and §118.05. The average yield on investments at year-end was 2.0 percent and maturities ranged from 1 month to 15 years, with an average maturity of 26 months.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awards the prestigious Certificate of Achievement for Excellence in Financial Reporting (Certificate of Achievement) to recognize conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report, the contents of which must conform to program standards. Such a report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to the Certificate of Achievement program requirements, and for the first year, are submitting it to GFOA to determine its eligibility for a Certificate of Achievement.

The City of Baxter and the Finance Department take great pride in the preparation of this report. The professionalism, commitment and effort of each member of the Finance Department have made this presentation possible. We also wish to thank the City Administrator and those in other City departments who assisted and contributed to the preparation of this report. Finally, we thank the Mayor and City Council for their interest and continuing support in planning and conducting the City's financial operations in a responsible manner.

Respectfully submitted,

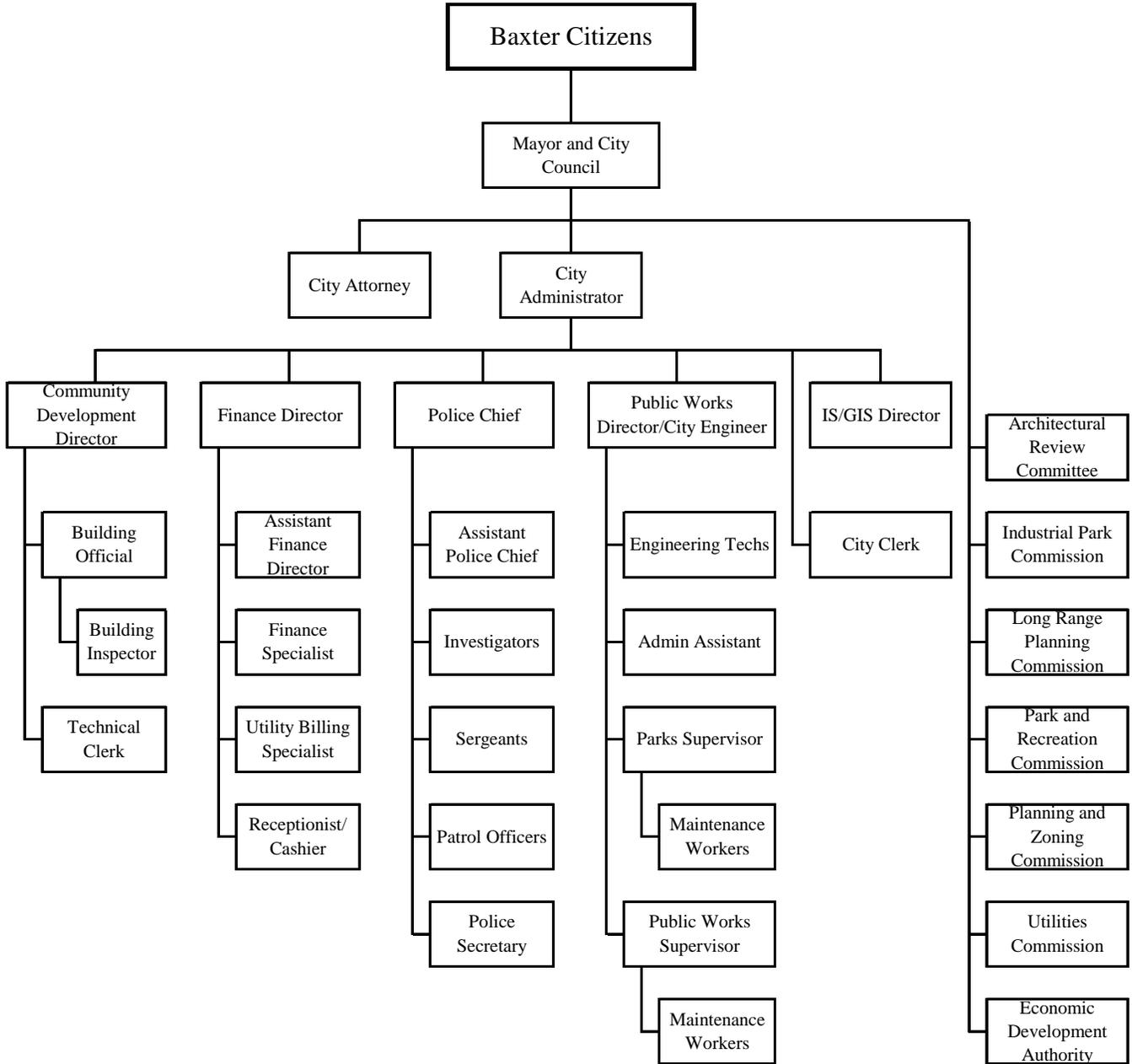


Jeremy S. Vacinek
Finance Director



Susannah Jensen, CPA
Assistant Finance Director

**CITY OF BAXTER, MINNESOTA
ORGANIZATIONAL CHART
DECEMBER 31, 2010**



**CITY OF BAXTER, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2010**

Office	Name	Elected Term Expires*
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	
Contractual		
City Attorney	J. Brad Person	
Auditor	LarsonAllen LLP	

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

**2010 Vice-Mayor

FINANCIAL SECTION

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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, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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 the 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, 2010, 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 3 through 14, 56 through 59 and 55 respectively, are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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.

As discussed in the notes to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* for the year ended December 31, 2010. Adoption of the provision of this statement results in significant changes to the classifications of the components of fund balances.



(1)

An independent member of Nexia International

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 introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical information section listed in the table of contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules, have been subjected to the auditing procedures applied in the audit of 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 introductory section and statistical information are presented for purposes of additional analysis and are not required parts 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

LarsonAllen LLP

Baxter, Minnesota
June 17, 2011



**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

This section of the City of Baxter's (City) comprehensive annual financial report presents a discussion and analysis of the City's financial performance during the fiscal year that ended on December 31, 2010. Please read it in conjunction with the transmittal letter at the front of this report and the basic financial statements following this section.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2010 include the following:

- City-wide net assets increased 4.5% over the prior year, due to an increase in capital assets. While total revenues for the year increased \$1,492,346 from 2009, total expenses increased \$74,560 from the prior year.
- Governmental fund-level revenues totaled \$14,614,304 and were \$2,510,349 less than expenditures.
- The General Fund's fund balance increased \$574,142 from the prior year.
- The Water Enterprise Fund net assets decreased \$432,037 from the prior year, the Sewer Enterprise Fund net assets decreased \$358,743 from the prior year, and the Storm Water Enterprise Fund net assets increased \$25,422 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, sanitation, culture and recreation, and economic and community development. The business-type activities of the City include water, sewer, and storm water.

The government-wide financial statements can be found on pages 15-17 of this report.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories:

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, two special revenue funds, debt service fund and capital project fund, all of which are considered to be major funds. Data from the other special revenue funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and some special revenue funds. A budgetary comparison has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 18-23 of this report.

- **Proprietary Funds** – The City reports three proprietary funds, all of which are considered to be major 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. The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-54 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide other postemployment health care benefits to its employees. Required supplementary information can be found on page 55 of this report.

Combining and individual fund statements and schedules can be found on pages 60-72 of this report.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The City's overall net assets were \$87,291,646 on December 31, 2010 (see Table A-1).

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

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and Other Assets	\$ 37,025,983	\$ 32,326,821	\$ 8,821,861	\$ 8,667,773	\$ 45,847,844	\$ 40,994,594
Capital Assets	43,632,985	39,512,284	41,503,360	42,812,140	85,136,345	82,324,424
Total Assets	<u>80,658,968</u>	<u>71,839,105</u>	<u>50,325,221</u>	<u>51,479,913</u>	<u>130,984,189</u>	<u>123,319,018</u>
Current Liabilities	4,875,396	5,772,743	705,930	662,154	5,581,326	6,434,897
Long-Term Liabilities	30,305,461	25,091,819	7,805,756	8,238,866	38,111,217	33,330,685
Total Liabilities	<u>35,180,857</u>	<u>30,864,562</u>	<u>8,511,686</u>	<u>8,901,020</u>	<u>43,692,543</u>	<u>39,765,582</u>
Net Assets						
Invested in Capital Assets						
Net of Related Debt	14,638,901	9,755,015	33,290,422	34,178,791	47,929,323	43,933,806
Restricted	24,228,347	18,891,643	-	-	24,228,347	18,891,643
Unrestricted	6,610,863	12,327,885	8,523,113	8,400,102	15,133,976	20,727,987
Total Net Assets	<u>\$ 45,478,111</u>	<u>\$ 40,974,543</u>	<u>\$ 41,813,535</u>	<u>\$ 42,578,893</u>	<u>\$ 87,291,646</u>	<u>\$ 83,553,436</u>

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Assets

The City-wide total revenues were \$15,083,429 for the year ended December 31, 2010. Property taxes and special assessments (shown as capital grants and contributions) accounted for 42% of total revenue for the year (see Table A-2).

**Table A-2
Change in Net Assets**

	Governmental Activities			Total % Change	Business-Type Activities			Total % Change	Total		Total % Change
	2010	2009			2010	2009			2010	2009	
Revenues											
<u>Program Revenues</u>											
Charges for Services	\$ 2,315,515	\$ 996,345	132.4	%	\$ 2,969,704	\$ 2,908,620	2.1	%	\$ 5,285,219	\$ 3,904,965	35.3
Operating Grants and Contributions	279,697	205,647	36.0		121,386	2,246	5,304.5		401,083	207,893	92.9
Capital Grants and Contributions	921,662	1,037,841	(11.2)		57,375	2,500	2,195.0		979,037	1,040,341	(5.9)
<u>General Revenues</u>											
Property Taxes	5,312,680	5,453,694	(2.6)		-	-	-		5,312,680	5,453,694	(2.6)
Lodging Tax	265,889	251,007	5.9		-	-	-		265,889	251,007	5.9
Sales Tax	1,917,505	1,875,168	2.3		-	-	-		1,917,505	1,875,168	2.3
Tax Increment	392,575	371,551	5.7		-	-	-		392,575	371,551	5.7
Unrestricted State Aid	2,957	33,120	(91.1)		-	-	-		2,957	33,120	(91.1)
Investment Earnings	301,744	265,196	13.8		150,776	135,109	11.6		452,520	400,305	13.0
Other	73,964	53,039	39.5		-	-	-		73,964	53,039	39.5
Total Revenues	11,784,188	10,542,608			3,299,241	3,048,475			15,083,429	13,591,083	
Expenses											
General Government	1,428,267	1,425,790	0.2		-	-	-		1,428,267	1,425,790	0.2
Public Safety	2,034,789	1,977,046	2.9		-	-	-		2,034,789	1,977,046	2.9
Public Works	2,111,757	2,233,639	(5.5)		-	-	-		2,111,757	2,233,639	(5.5)
Sanitation	34,669	36,090	(3.9)		-	-	-		34,669	36,090	(3.9)
Water	-	-	-		1,677,288	1,743,771	(3.8)		1,677,288	1,743,771	(3.8)
Sewer	-	-	-		1,332,248	1,319,966	0.9		1,332,248	1,319,966	0.9
Storm Water	-	-	-		248,377	236,948	4.8		248,377	236,948	4.8
Culture and Recreation	618,718	693,850	(10.8)		-	-	-		618,718	693,850	(10.8)
Economic & Community Development	779,170	578,480	34.7		-	-	-		779,170	578,480	34.7
Interest	1,079,936	1,025,079	5.4		-	-	-		1,079,936	1,025,079	5.4
Total Expenses	8,087,306	7,969,974			3,257,913	3,300,685			11,345,219	11,270,659	
Increase in Net Assets Before Transfers	3,696,882	2,572,634	43.7		41,328	(252,210)	(116.4)		3,738,210	2,320,424	61.1
Transfers	806,686	729,214	10.6		(806,686)	(729,214)	10.6		-	-	-
Change in Net Assets	4,503,568	3,301,848	36.4		(765,358)	(981,424)	(22.0)		3,738,210	2,320,424	61.1
Net Assets - Beginning 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
Net Assets - End of Year	\$ 45,478,111	\$ 40,974,543	11.0		\$ 41,813,535	\$ 42,578,893	(1.8)		\$ 87,291,646	\$ 83,553,436	4.5

Total revenues surpassed expenses, increasing net assets \$3,738,210 over last year.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

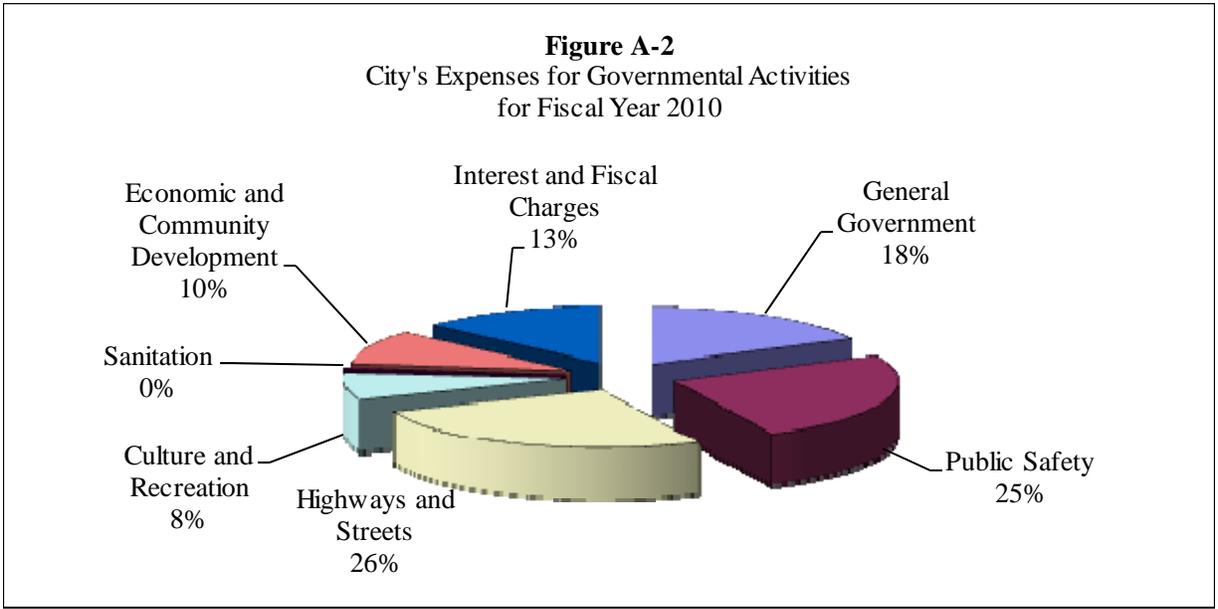
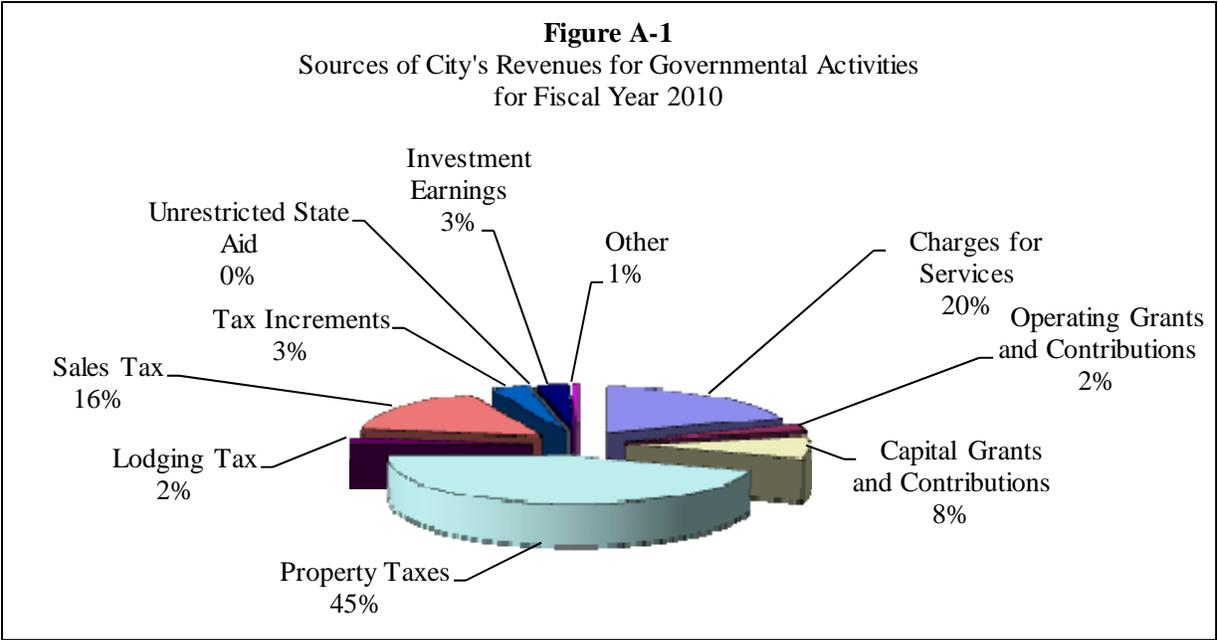
Changes in Net Assets (Continued)

The City-wide cost of all activities this year was \$11,345,219. Governmental activities and business-type activities comprised of \$8,087,306 and \$3,257,913, respectively.

- \$5,285,219 of the cost was paid by the users of the City's programs, comprising of: \$2,315,515 for governmental activities and \$2,969,705 for business-type activities.
- Certain programs in the governmental activities received federal, state, and local support with operating grants and contributions of \$279,697. 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 \$921,662 of the revenues. State grants associated with the Excelsior Trail Bridge and Potlatch Phase II projects comprised of \$313,095 of the amount. Current year special assessments comprised over \$575,000 of the amount.
- The City's governmental activities' program expenses exceeded program revenues by \$4,570,432 (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.

**CITY OF BAXTER, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED DECEMBER 31, 2010**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)



**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

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
	2010	2009		2010	2009	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 1,428,267	\$ 1,425,790	0.2 %	\$ (849,952)	\$ (943,459)	(9.9) %
Public Safety	2,034,789	1,977,046	2.9	(1,518,323)	(1,325,544)	14.5
Public Works	2,111,757	2,233,639	(5.5)	(364,941)	(1,366,655)	(73.3)
Sanitation	34,669	36,090	(3.9)	(1,964)	(3,503)	(43.9)
Culture and Recreation	618,718	693,850	(10.8)	(474,692)	(520,323)	(8.8)
Economic and Community Development	779,170	578,480	34.7	(337,379)	(545,578)	(38.2)
Interest	1,079,936	1,025,079	5.4	(1,023,181)	(1,025,079)	(0.2)
Total	<u>\$ 8,087,306</u>	<u>\$ 7,969,974</u>	1.5	<u>\$ (4,570,432)</u>	<u>\$ (5,730,141)</u>	(20.2)
BUSINESS-TYPE ACTIVITIES						
Water	\$ 1,677,288	\$ 1,743,771	(3.8) %	\$ (193,240)	\$ (312,434)	(38.2) %
Sewer	1,332,248	1,319,966	0.9	21,776	(145,075)	(115.0)
Storm Water	248,377	236,948	4.8	62,016	70,190	(11.6)
Total	<u>\$ 3,257,913</u>	<u>\$ 3,300,685</u>	(1.3)	<u>\$ (109,448)</u>	<u>\$ (387,319)</u>	(71.7)

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 \$25,365,241.

Revenues for the City's governmental funds were \$14,614,304, while total expenditures were \$17,124,653. The excess of expenditures over revenues before other financing sources and uses is due primarily to the City's investment in its one-third 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 with the remainder to be paid with sales tax proceeds on a pay-as-you-go basis. 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, the Debt Service Fund showed a deficiency of revenues under expenditures 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 \$574,142 in 2010. 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, public safety grants, investment income, and fines categories.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

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. With a year-end increase in fund balance, the Days Expenditures in Unassigned Fund Balance for the general fund fell from 255 days to 254 days due to an increase in assigned fund balance.

The following schedule presents a summary of General Fund Revenues:

**Table A-4
General Fund Revenues**

Fund	Year Ended		Change	
	December 31, 2010	December 31, 2009	Increase (Decrease)	Percent
Taxes and Special Assessments	\$ 4,375,522	\$ 4,110,929	\$ 264,593	6.4 %
Licenses and Permits	70,377	107,104	(36,727)	(34.3)
Intergovernmental	220,802	229,762	(8,960)	(3.9)
Charges for Services	459,240	488,341	(29,101)	(6.0)
Fines and Forfeits	106,839	121,575	(14,736)	(12.1)
Interest	45,391	39,861	5,530	13.9
Miscellaneous and Other	50,991	56,307	(5,316)	(9.4)
Total General Fund Revenue	<u>\$ 5,329,162</u>	<u>\$ 5,153,879</u>	<u>\$ 175,283</u>	3.4

Total General Fund revenue increased by \$175,283, or 3.4%, from the previous year. Property taxes and special assessments continue to be the significant source of funding in the general fund, comprising 82.1% of the total general fund revenues for 2010. The 2010 increase in property taxes and special assessments is the result of increased collection of general property taxes. The City is less reliant upon intergovernmental revenues which make up only 3.9% of general fund revenues for 2010.

The following schedule presents a summary of General Fund Expenditures:

**Table A-5
General Fund Expenditures**

	Year Ended		Change	
	December 31, 2010	December 31, 2009	Increase (Decrease)	Percent
General Government	\$ 1,332,346	\$ 1,314,630	\$ 17,716	1.3 %
Public Safety	1,740,644	1,672,404	68,240	4.1
Highways and Streets	442,842	446,014	(3,172)	(0.7)
Culture and Recreation	444,322	452,964	(8,642)	(1.9)
Capital Outlay	6,020	58,506	(52,486)	(89.7)
Debt Service	25,000	25,000	-	-
Total Expenditures	<u>\$ 3,991,174</u>	<u>\$ 3,969,518</u>	<u>\$ 21,656</u>	0.5

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

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.

- Actual revenues were \$238,462 more than expected; due primarily to conservative budget practices and higher than anticipated property tax collection, fines, fees, investment income, and charges for services. The City also realized intergovernmental revenues from the school liaison program and financial crimes task force investigative program with the state.
- Actual expenditures were \$346,626 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 2010, the EDA's fund balance increased \$288,762 due to the transfer of residual debt service funds and the collection of residual assessments 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 \$5,865,238 with an increase in fund balance from the prior year of \$1,430,857. 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 16 years.

A new debt service fund was created in 2010 with the issuance of the \$4,465,000 2010 General Obligation Refunding Bonds. The bonds will refund the outstanding debt related to the 2004 General Obligation Bonds and 2005B General Obligation Improvement Bonds.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2010**

CONSTRUCTION PROJECTS AND DEBT SERVICE (CONTINUED)

In 2009, \$9,600,000 was authorized to be issued with the 2009B General Obligation Sales Tax Wastewater Revenue Note to the City of Brainerd for the City's wastewater treatment facility capacity. \$4,355,025 was spent at the end of 2009. An additional \$4,300,571 was spent in 2010, resulting in a total of \$8,655,596 issued for the note. Any additional costs related to the facility will be funded by alternate sources, including sales tax revenues on hand. The note is associated with the construction loan the City of Brainerd issued with the Minnesota Public Financing Authority (PFA) and Brainerd, up until the end of 2010, drew upon the loan as construction occurred. The value of Baxter's portion was \$8,655,596 at the end of 2010.

No major construction projects requiring G.O. bond financing occurred in 2010. Preliminary engineering design continued on future infrastructure projects with the costs internally financed.

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 revenue in the proprietary funds increased 3.7% from 2009 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 increased residential and commercial construction during the year, water and sewer availability charge revenue increased \$66,025 or 36.3% from the prior year.

Water operating expenses decreased 3.4%, sewer operating expenses increased 1.0%, and storm water expenses decreased 2.7% from 2009. The change in water expenses is due to decreased costs for supplies, fees, and other services and charges. The overall increase in the sewer fund operating expenses were due to higher costs related to services and charges received, primarily related to lift station rehabilitation.

The Storm Water fund was added in 2005 to address the need for funding storm water management and maintenance. The close of 2010 marked the fourth full year of operations and collection of fees. Operating revenues remained stable, decreasing by \$651 from 2009. Storm water fund expenses decreased by \$6,563 due to decreased costs related to other services and charges.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

CAPITAL ASSETS

By the end of 2010, the City had invested approximately \$117,200,000 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 \$3,357,937 (including the enterprise funds).

**Table A-6
The City's Capital Assets**

	Governmental Activities		Percentage Change	Business-Type Activities		Percentage Change	Total		Percentage Change
	2010	2009		2010	2009		2010	2009	
Land	\$ 5,428,412	\$ 5,428,412	- %	\$ 900,563	\$ 973,478	- %	\$ 6,328,975	\$ 6,401,890	(1.1) %
Construction in Progress	11,091,468	5,126,970	116.3	41,573	-	-	11,133,041	5,126,970	117.1
Infrastructure	42,997,118	42,997,118	-	41,120,605	41,004,430	0.3	84,117,723	84,001,548	0.1
Buildings	1,229,830	1,229,830	-	9,708,299	9,708,299	-	10,938,129	10,938,129	-
Improvements	1,307,494	1,289,454	1.4	539,771	539,771	-	1,847,265	1,829,225	1.0
Machinery, Vehicles, Furniture and Equipment	2,085,614	2,089,175	(0.2)	778,364	793,250	(1.9)	2,863,978	2,882,425	(0.6)
Less: Accumulated Depreciation	<u>(20,506,951)</u>	<u>(18,648,675)</u>	10.0	<u>(11,585,815)</u>	<u>(10,207,088)</u>	13.5	<u>(32,092,766)</u>	<u>(28,855,763)</u>	11.2
Total	<u>\$ 43,632,985</u>	<u>\$ 39,512,284</u>	10.4	<u>\$ 41,503,360</u>	<u>\$ 42,812,140</u>	(3.1)	<u>\$ 85,136,345</u>	<u>\$ 82,324,424</u>	3.4

LONG-TERM LIABILITIES

At year-end, the City had \$41,960,617 in long-term liabilities outstanding, including bond discounts and premiums. (More detailed information about long-term debt can be found in Note 3.C.1 to the financial statements.)

- The City's governmental activities total long-term debt increased \$3,863,199, due primarily to the issuance of 2010 General Obligation Refunding Bonds and 2009B Taxable General Obligation Sales Tax Wastewater Revenue Notes, offset by repayment of existing debt.

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

	2010	2009	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds	\$ 24,446,569	\$ 24,507,339	(0.2) %
General Obligation Revenue Notes	8,829,263	4,890,692	80.5
Capital Leases Payable	125,000	150,000	(16.7)
Other Postemployment Benefits	12,248	6,124	100.0
Compensated Absences Payable	<u>247,868</u>	<u>211,973</u>	16.9
Total	<u>\$ 33,660,948</u>	<u>\$ 29,766,128</u>	13.1
BUSINESS-TYPE ACTIVITIES			
General Obligation Bonds	\$ 8,212,938	\$ 8,633,348	(4.9)
Compensated Absences Payable	<u>28,480</u>	<u>26,144</u>	8.9
Total	<u>\$ 8,241,418</u>	<u>\$ 8,659,492</u>	(4.8)

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2010**

FACTORS BEARING ON THE CITY'S FUTURE

Levy limits were reintroduced at the end of the 2009 legislative session for 2010 through 2011. Through unallotment, the governor withheld all of the City's 2010 Market Value Homestead Credit (MVHC). The City anticipates the entire 2011 market value credit will also be eliminated as part of the state's budget solution and did not incorporate any of the intergovernmental revenue in its 2011 budget. 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.

Similar to other cities, the City has experienced limited growth in the midst of the latest recession. While new residential home construction permits have dropped substantially, recent commercial inquiries have suggested some potential for new growth. 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 and 2010, two notes (2009A and 2009B), were issued to the City of Brainerd for Baxter's share of sewer treatment capacity at the wastewater treatment plant currently under construction. The plant is anticipated to be completed in 2011 with the remaining construction costs paid with sales tax revenues on a pay-as-you-go basis. 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. The City acquired land for a third water tower and construction is anticipated to commence in 2011. The water tower will be financed with sales tax revenues on hand.

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, 2010

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Cash and Pooled Investments	\$ 20,565,178	\$ 6,697,234	\$ 27,262,412
Cash with Escrow Agent	4,403,053	-	4,403,053
Delinquent Taxes Receivable	515,555	-	515,555
Accounts Receivable - Net	1,361,770	388,396	1,750,166
Accrued Interest Receivable	29,962	-	29,962
Internal Balances	(1,470,172)	1,470,172	-
Due from Other Governments	1,721,215	15,995	1,737,210
Land Held for Resale	1,755,154	-	1,755,154
Special Assessments Receivable	7,784,970	185,715	7,970,685
Loan Receivable - Net	100,000	-	100,000
Prepaid Items	5,091	176	5,267
Deferred Debt Issue Costs	254,207	64,173	318,380
Non-Depreciable Capital Assets			
Land	5,428,412	900,563	6,328,975
Construction in Progress	11,091,468	41,573	11,133,041
Depreciable Capital Assets (Net)			
Buildings	734,680	9,101,531	9,836,211
Improvements Other Than Buildings	933,546	430,126	1,363,672
Machinery, Vehicles, Furniture and Equipment	652,244	431,893	1,084,137
Infrastructure	24,792,635	30,597,674	55,390,309
Total Assets	80,658,968	50,325,221	130,984,189
LIABILITIES			
Accounts Payable	299,133	69,452	368,585
Salaries Payable	60,221	4,406	64,627
Contracts Payable	462,026	53,236	515,262
Due to Other Governments	119,171	848	120,019
Accrued Interest Payable	412,186	136,322	548,508
Deferred Revenue-Unearned	2,858	176	3,034
Accrued Liabilities	65,233	5,828	71,061
Escrow Deposits	40,830	-	40,830
Long-term Liabilities:			
Due Within One Year			
Compensated Absences Payable	13,017	662	13,679
General Obligation Bonds Payable	2,962,792	435,000	3,397,792
General Obligation Revenue Notes Payable	412,929	-	412,929
Capital Leases Payable	25,000	-	25,000
Due In More than One Year			
Compensated Absences Payable	234,851	27,818	262,669
Other Postemployment Benefits Payable	12,248	-	12,248
General Obligation Bonds Payable	21,542,028	7,777,938	29,319,966
General Obligation Revenue Notes Payable	8,416,334	-	8,416,334
Capital Leases Payable	100,000	-	100,000
Total Liabilities	35,180,857	8,511,686	43,692,543
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	14,638,901	33,290,422	47,929,323
Restricted for			
Debt Service	13,977,284	-	13,977,284
Economic Development	2,939,435	-	2,939,435
Sales Tax	5,890,212	-	5,890,212
Revolving Loans	402,556	-	402,556
Tax Increment Financing	999,858	-	999,858
Police Activity	19,002	-	19,002
Unrestricted	6,610,863	8,523,113	15,133,976
Total Net Assets	\$ 45,478,111	\$ 41,813,535	\$ 87,291,646

See accompanying Notes to Financial Statements.

**CITY OF BAXTER, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2010**

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General Government	\$ 1,428,267	\$ 575,102	\$ -	\$ 3,213
Public Safety	2,034,789	325,824	190,642	-
Public Works	2,111,757	1,221,493	-	525,323
Sanitation	34,669	405	32,300	-
Culture and Recreation	618,718	72,155	-	71,871
Economic and Community Development	779,170	120,536	-	321,255
Interest	1,079,936	-	56,755	-
Total Governmental Activities	8,087,306	2,315,515	279,697	921,662
BUSINESS-TYPE ACTIVITIES				
Water	1,677,288	1,458,913	1,028	24,107
Sewer	1,332,248	1,206,950	119,996	27,078
Storm Water	248,377	303,841	362	6,190
Total Business-Type Activities	3,257,913	2,969,704	121,386	57,375
Total Primary Government	\$ 11,345,219	\$ 5,285,219	\$ 401,083	\$ 979,037

GENERAL REVENUES

Property Taxes
Lodging Tax
Sales Tax
Tax Increments
Grants and Contributions not Restricted for a Particular Purpose
Investment Earnings
Miscellaneous
Gain on Sale of Capital Assets

TRANSFERS

Total General Revenues and Transfers

CHANGE IN NET ASSETS

Net Assets - Beginning of Year

NET ASSETS - END OF YEAR

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (849,952)	\$ -	\$ (849,952)
(1,518,323)	-	(1,518,323)
(364,941)	-	(364,941)
(1,964)	-	(1,964)
(474,692)	-	(474,692)
(337,379)	-	(337,379)
(1,023,181)	-	(1,023,181)
(4,570,432)	-	(4,570,432)
-	(193,240)	(193,240)
-	21,776	21,776
-	62,016	62,016
-	(109,448)	(109,448)
(4,570,432)	(109,448)	(4,679,880)
5,312,680	-	5,312,680
265,889	-	265,889
1,917,505	-	1,917,505
392,575	-	392,575
2,957	-	2,957
301,744	150,776	452,520
56,613	-	56,613
17,351	-	17,351
806,686	(806,686)	-
9,074,000	(655,910)	8,418,090
4,503,568	(765,358)	3,738,210
40,974,543	42,578,893	83,553,436
<u>\$ 45,478,111</u>	<u>\$ 41,813,535</u>	<u>\$ 87,291,646</u>

FUND FINANCIAL STATEMENTS

**CITY OF BAXTER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	Major Funds		
	General Fund	Economic Development	Sales Tax Collections
ASSETS			
Cash and Pooled Investments	\$ 3,543,825	\$ 836,833	\$ 5,516,021
Cash with Escrow Agent	-	-	-
Delinquent Taxes Receivable	409,791	-	-
Special Assessments Receivable	6,866	343,052	-
Accounts Receivable	109,899	-	7,730
Accrued Interest Receivable	29,962	-	-
Loan Receivable	-	-	-
Due from Other Funds	10,966	-	-
Due From Other Governments	99,531	5,983	372,183
Prepaid Items	4,149	-	-
Land Held For Resale	-	1,755,154	-
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 4,214,989</u>	<u>\$ 2,941,022</u>	<u>\$ 5,895,934</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 124,699	\$ -	\$ -
Salaries Payable	55,530	-	-
Accrued Liabilities	65,233	-	-
Contracts Payable	49	-	-
Due to Other Funds	-	-	-
Due to Other Governments	43,056	1,587	5,722
Deferred Revenue			
Taxes	409,791	-	-
Special Assessments	6,866	343,052	-
Other	154,814	-	24,974
Land Held For Resale	-	1,755,154	-
Unearned	2,858	-	-
Escrow Deposits	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	862,896	2,099,793	30,696
FUND BALANCES			
Nonspendable	4,149	-	-
Restricted	-	841,229	5,865,238
Committed	-	-	-
Assigned	565,400	-	-
Unassigned	2,782,544	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>3,352,093</u>	<u>841,229</u>	<u>5,865,238</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 4,214,989</u>	<u>\$ 2,941,022</u>	<u>\$ 5,895,934</u>

See accompanying Notes to Financial Statements.

Major Funds		Other	Total
Debt Service Fund	Capital Project Fund	Governmental Funds	Governmental Funds
\$ 6,057,030	2,422,692	\$ 2,188,777	\$ 20,565,178
4,403,053	-	-	4,403,053
105,764	-	-	515,555
7,315,250	106,568	13,234	7,784,970
-	1,221,493	22,648	1,361,770
-	-	-	29,962
-	-	100,000	100,000
-	-	-	10,966
1,005,494	238,024	-	1,721,215
-	-	942	5,091
-	-	-	1,755,154
<u>\$ 18,886,591</u>	<u>3,988,777</u>	<u>\$ 2,325,601</u>	<u>\$ 38,252,914</u>

\$ 425	\$ 24,861	\$ 149,148	\$ 299,133
-	-	4,691	60,221
-	-	-	65,233
-	457,227	4,750	462,026
-	1,470,172	10,966	1,481,138
31,696	-	37,110	119,171
105,764	-	-	515,555
7,315,250	106,568	13,234	7,784,970
-	21,493	100,103	301,384
-	-	-	1,755,154
-	-	-	2,858
-	-	40,830	40,830
7,453,135	2,080,321	360,832	12,887,673
-	-	942	5,091
11,433,456	-	1,321,416	19,461,339
-	-	638,971	638,971
-	1,908,456	14,406	2,488,262
-	-	(10,966)	2,771,578
<u>11,433,456</u>	<u>1,908,456</u>	<u>1,964,769</u>	<u>25,365,241</u>
<u>\$ 18,886,591</u>	<u>\$ 3,988,777</u>	<u>\$ 2,325,601</u>	<u>\$ 38,252,914</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, 2010

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 25,365,241

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. 43,632,985

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 10,357,063

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	\$ 24,504,820	
Revenue Bonds	8,829,263	
Deferred Debt Issue Costs	(254,207)	
Compensated Absences	247,868	
Other Postemployment Benefits	12,248	
Capital Lease	125,000	
Accrued Interest Payable	412,186	<u>(33,877,178)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 45,478,111

CITY OF BAXTER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2010

	Major Funds		
	General Fund	Economic Development	Sales Tax Collections
REVENUES			
Taxes	\$ 4,362,210	\$ -	\$ -
Lodging Tax	-	-	-
Sales Tax	-	-	1,938,915
Tax Increments	-	-	-
Special Assessments	13,312	128,883	-
Licenses, Permits, and Fees	70,377	-	-
Intergovernmental	220,802	-	-
Charges for Services	459,240	-	-
Fines and Forfeits	106,839	-	-
Gifts and Contributions	3,100	-	-
Interest on Investments	45,391	12,189	88,864
Miscellaneous	47,891	-	-
Total Revenues	5,329,162	141,072	2,027,779
EXPENDITURES			
CURRENT			
General Government	1,332,346	-	50,943
Public Safety	1,740,644	-	-
Highways and Streets	442,842	-	-
Sanitation	-	-	-
Culture and Recreation	444,322	-	-
Economic and Community Development	-	64,956	-
CAPITAL OUTLAY			
General Government	-	-	-
Public Safety	6,020	-	-
Highways and Streets	-	-	-
Culture and Recreation	-	-	-
Economic and Community Development	-	-	-
DEBT SERVICE			
Principal	25,000	24,000	-
Interest and Fiscal Charges	-	-	-
Bond Issue Costs	-	-	-
Total Expenditures	3,991,174	88,956	50,943
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,337,988	52,116	1,976,836
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	2,585	-	-
Proceeds from Sale of Bonds	-	-	-
Proceeds from Sale of Refunding Bonds	-	-	-
Discount on Refunding Bonds Issued	-	-	-
Transfers In	48,636	236,646	-
Transfers Out	(815,067)	-	(545,979)
Total Other Financing Sources (Uses)	(763,846)	236,646	(545,979)
NET CHANGE IN FUND BALANCES	574,142	288,762	1,430,857
Fund Balance - Beginning of Year	2,777,951	552,467	4,434,381
FUND BALANCE - END OF YEAR	\$ 3,352,093	\$ 841,229	\$ 5,865,238

See accompanying Notes to Financial Statements.

Major Funds		Other	Total
Debt Service	Capital Project	Governmental	Governmental
Fund	Fund	Funds	Funds
\$ 1,135,706	\$ 847	\$ -	\$ 5,498,763
-	-	265,889	265,889
-	-	-	1,938,915
-	-	392,575	392,575
3,273,723	2,800	-	3,418,718
-	-	113,385	183,762
57,876	313,095	32,300	624,073
-	1,200,000	70,906	1,730,146
-	-	18,740	125,579
-	-	-	3,100
83,926	35,801	35,568	301,739
-	8,802	74,352	131,045
<u>4,551,231</u>	<u>1,561,345</u>	<u>1,003,715</u>	<u>14,614,304</u>
-	-	5,546	1,388,835
-	11	232,812	1,973,467
-	161,167	-	604,009
-	-	34,669	34,669
-	7,834	18,849	471,005
-	-	725,927	790,883
-	7,819	-	7,819
-	34,509	-	40,529
-	5,666,156	-	5,666,156
-	54,139	11,000	65,139
-	-	107,322	107,322
4,863,770	-	-	4,912,770
1,026,125	-	-	1,026,125
35,925	-	-	35,925
<u>5,925,820</u>	<u>5,931,635</u>	<u>1,136,125</u>	<u>17,124,653</u>
(1,374,589)	(4,370,290)	(132,410)	(2,510,349)
-	8,700	2,183	13,468
-	4,300,571	-	4,300,571
4,465,000	-	-	4,465,000
(22,325)	-	-	(22,325)
905,606	1,010,526	207,400	2,408,814
(185,946)	(42,616)	(12,520)	(1,602,128)
<u>5,162,335</u>	<u>5,277,181</u>	<u>197,063</u>	<u>9,563,400</u>
3,787,746	906,891	64,653	7,053,051
<u>7,645,710</u>	<u>1,001,565</u>	<u>1,900,116</u>	<u>18,312,190</u>
<u>\$ 11,433,456</u>	<u>\$ 1,908,456</u>	<u>\$ 1,964,769</u>	<u>\$ 25,365,241</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
FOR THE YEAR ENDING DECEMBER 31, 2010

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 7,053,051

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	\$ 6,077,985	
Capital Contributions from Developers	7,040	
Current Year Depreciation	(1,964,324)	
Gain on Sale of Asset	<u>3,883</u>	4,124,584

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (2,783,686)

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: (8,765,571)

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	4,525,770	
Revenue Bonds	362,000	
Capital Lease	<u>25,000</u>	4,912,770

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	(37,108)	
Amortization of Discounts, Premiums, and Deferred Issuance Charges	31,621	
Change in Deferred Debt Issue Costs	9,926	
Change in Compensated Absences	(35,895)	
Change in Postemployment Benefits	<u>(6,124)</u>	<u>(37,580)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 4,503,568

CITY OF BAXTER, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010

ASSETS	Water	Sewer	Storm Water	Total
CURRENT ASSETS				
Cash and Investments	\$ 3,110,774	\$ 3,145,409	\$ 441,051	\$ 6,697,234
Receivables				
Accounts	178,487	166,568	43,341	388,396
Due From Other Funds	201,031	1,269,141	-	1,470,172
Due From Other Governments	15,876	105	14	15,995
Special Assessments	16,618	163,598	5,499	185,715
Prepaid Items	88	88	-	176
Deferred Debt Issue Costs	64,173	-	-	64,173
Total Current Assets	<u>3,587,047</u>	<u>4,744,909</u>	<u>489,905</u>	<u>8,821,861</u>
NONCURRENT ASSETS				
Non-Depreciable Capital Assets				
Land	232,598	62,598	605,367	900,563
Construction in Progress	35,803	5,770	-	41,573
Depreciable Capital Assets (Net)				
Buildings	9,101,531	-	-	9,101,531
Improvements Other than Buildings	-	-	430,126	430,126
Machinery, Vehicles, Furniture and Equipment	168,123	175,251	88,519	431,893
Distribution and Collection Systems	12,569,361	15,442,109	2,586,204	30,597,674
Total Noncurrent Assets	<u>22,107,416</u>	<u>15,685,728</u>	<u>3,710,216</u>	<u>41,503,360</u>
Total Assets	25,694,463	20,430,637	4,200,121	50,325,221
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	32,753	33,670	3,029	69,452
Salaries Payable	2,215	2,191	-	4,406
Contracts Payable	89	53,147	-	53,236
Due To Other Governments	533	315	-	848
Accrued Interest Payable	136,322	-	-	136,322
Deferred Revenue-Unearned	-	-	176	176
Accrued Liabilities	5,462	189	177	5,828
Compensated Absences Payable	331	331	-	662
General Obligation Bonds Payable	435,000	-	-	435,000
Total Current Liabilities	<u>612,705</u>	<u>89,843</u>	<u>3,382</u>	<u>705,930</u>
NONCURRENT LIABILITIES				
Compensated Absences Payable	13,909	13,909	-	27,818
General Obligation Bonds Payable	7,777,938	-	-	7,777,938
Total Liabilities	<u>8,404,552</u>	<u>103,752</u>	<u>3,382</u>	<u>8,511,686</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	13,894,478	15,685,728	3,710,216	33,290,422
Unrestricted	3,395,433	4,641,157	486,523	8,523,113
Total Net Assets	<u>\$ 17,289,911</u>	<u>\$ 20,326,885</u>	<u>\$ 4,196,739</u>	<u>\$ 41,813,535</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, 2010

	Water	Sewer	Storm Water	Total
OPERATING REVENUES				
Charges For Services				
User Charges	\$ 1,084,385	\$ 1,071,929	\$ 299,205	\$ 2,455,519
Meter Sales	11,873	-	-	11,873
Non-User Sales	19,349	32,455	-	51,804
Penalties	20,795	22,489	4,633	47,917
Permits and Hookup Charges	1,378	1,083	-	2,461
Miscellaneous	15,472	1,219	3	16,694
Total Operating Revenues	1,153,252	1,129,175	303,841	2,586,268
OPERATING EXPENSES				
Personnel Services	159,213	159,300	6,075	324,588
Supplies and Fees	68,850	18,136	8,534	95,520
Other Services and Charges	380,569	600,719	106,706	1,087,994
Depreciation	729,465	555,001	109,147	1,393,613
Total Operating Expenses	1,338,097	1,333,156	230,462	2,901,715
OPERATING INCOME (LOSS)	(184,845)	(203,981)	73,379	(315,447)
NONOPERATING REVENUES (EXPENSES)				
Special Assessments	1,028	119,996	362	121,386
Water Plant Fee	135,286	-	-	135,286
Availability Charges	170,375	77,775	-	248,150
Interest Income	64,073	80,297	6,406	150,776
Interest Expense	(340,099)	-	-	(340,099)
Total Nonoperating Revenues (Expenses)	30,663	278,068	6,768	315,499
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS				
	(154,182)	74,087	80,147	52
Gain/(Loss) on Sale of Capital Assets	908	908	(17,915)	(16,099)
Capital Contributions from Developers	24,107	27,078	6,190	57,375
Transfers In	129,030	-	-	129,030
Transfers Out	(431,900)	(460,816)	(43,000)	(935,716)
CHANGE IN NET ASSETS	(432,037)	(358,743)	25,422	(765,358)
Net Assets - Beginning of Year	17,721,948	20,685,628	4,171,317	42,578,893
NET ASSETS - END OF YEAR	<u>\$ 17,289,911</u>	<u>\$ 20,326,885</u>	<u>\$ 4,196,739</u>	<u>\$ 41,813,535</u>

See accompanying Notes to Financial Statements.

**CITY OF BAXTER, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2010**

	Water	Sewer	Storm Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 1,085,105	\$ 1,105,154	\$ 301,661	\$ 2,491,920
Payments to Suppliers	(472,392)	(565,629)	(112,815)	(1,150,836)
Payments to Employees	(155,374)	(157,389)	(5,898)	(318,661)
Net Cash Provided (Used) by Operating Activities	457,339	382,136	182,948	1,022,423
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Change in Due from Other Funds	233,920	(579,071)	-	(345,151)
Transfers In	129,030	-	-	129,030
Transfers Out	(431,900)	(460,816)	(43,000)	(935,716)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(68,950)	(1,039,887)	(43,000)	(1,151,837)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest and Fiscal Charges Paid	(343,708)	-	-	(343,708)
Availability Charges	170,375	77,775	-	248,150
Water Plant Fee	135,286	-	-	135,286
Special Assessments	3,147	7,067	(597)	9,617
Payments on General Obligation Bonds	(419,999)	-	-	(419,999)
Purchases of Capital Assets	(35,802)	(64,571)	-	(100,373)
Proceeds from the Sale of Capital Assets	908	908	55,000	56,816
Net Cash Provided (Used) by Capital and Related Financing Activities	(489,793)	21,179	54,403	(414,211)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Earnings Received	64,073	80,297	6,406	150,776
Net Cash Provided by Investing Activities	64,073	80,297	6,406	150,776
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(37,331)	(556,275)	200,757	(392,849)
Cash and Cash Equivalents - Beginning of Year	3,148,105	3,701,684	240,294	7,090,083
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,110,774	\$ 3,145,409	\$ 441,051	\$ 6,697,234

See accompanying Notes to Financial Statements.

CITY OF BAXTER, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2010

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY				
OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (184,845)	\$ (203,981)	\$ 73,379	\$ (315,447)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	729,465	555,001	109,147	1,393,613
(Increase) Decrease in Assets:				
Accounts Receivable	(53,600)	(24,786)	(2,499)	(80,885)
Due from Other Governments	(14,547)	765	143	(13,639)
Prepaid Items	(88)	512	-	424
Increase (Decrease) in Liabilities:				
Accounts Payable	(20,030)	579	2,664	(16,787)
Contracts Payable	(2,802)	52,071	(239)	49,030
Salaries and Wages Payable	643	554	-	1,197
Accrued Liabilities	2,028	189	177	2,394
Deferred Revenue - Unearned	-	-	176	176
Compensated Absences Payable	1,168	1,168	-	2,336
Due to Other Governments	(53)	64	-	11
Total Adjustments	<u>642,184</u>	<u>586,117</u>	<u>109,569</u>	<u>1,337,870</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 457,339</u>	<u>\$ 382,136</u>	<u>\$ 182,948</u>	<u>\$ 1,022,423</u>
NONCASH TRANSACTIONS				
Capital Contributions from Developers	<u>\$ 24,107</u>	<u>\$ 27,078</u>	<u>\$ 6,190</u>	<u>\$ 57,375</u>

See accompanying Notes to Financial Statements.

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CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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.

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.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

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.

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.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

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.

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.

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.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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.

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 on 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.

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.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

Current year property tax revenues represent the tax levy certified to the County Auditor in December of 2009 which was collected during the year ended December 31, 2010. 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.

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.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Capital and Intangible Assets

Capital assets, which include property, plant, equipment, temporary easements, internally developed software, 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 and intangible assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	20-40
Infrastructure	10-40
Machinery, Furniture, and Equipment	3-20
Temporary Easements	Length of Term or 5 Years
Internally Developed Software	3

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 30 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.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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/Net Assets

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for the year ended December 31, 2010. This standard changed fund balance classifications within the fund level statements.

Net assets represent the difference between assets and liabilities in the government-wide financial statements. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net assets are reported as restricted in government-wide financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance represents amounts not available for appropriation. Restricted fund balance represents amounts available for appropriation but intended for a specific use and legally restricted by outside parties. Committed fund balance represents constraints on spending that the Council imposes upon itself by Council action. Assigned fund balance represents resources intended for spending for purposes set by the Council or authorized management. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

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. When any combination of committed, assigned, and unassigned resources are available for use, it is the City's policy to use committed resources first, then assigned, then unassigned resources as they are needed.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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. The County Treasurer must pay the balance to the City 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, 2010**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues, Expenditures, and Expenses (Continued)

1. 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.

2. 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 nonmajor funds:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Nonmajor Special Revenue Fund			
Community Development Fund	\$ 412,237	\$ 407,800	\$ 4,437
Recreation Park Fund	5,101	-	5,101

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

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

As of December 31, 2010, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Balance</u>
Negotiable Certificates of Deposit	\$ 14,999,413
Federal National Mortgage Association	1,097,605
Execusweep Repo Business Account	8,174,696
4M Fund	17,919
Total	<u>\$ 24,289,633</u>

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.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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, 2010, the City held no investments with fixed maturities.

Investment Type	< 6 months	6 - 12 months	1 - 5 years	> 5 years	Fair Value
Negotiable Certificates of Deposit	\$ 4,417,269	\$ 2,693,000	\$ 7,578,144	\$ 311,000	\$ 14,999,413
Federal National Mortgage Association	-	-	-	1,097,605	1,097,605
Execusweep Repo Business Account	8,174,696	-	-	-	8,174,696
4M Fund	17,919	-	-	-	17,919
Total	<u>\$ 12,609,884</u>	<u>\$ 2,693,000</u>	<u>\$ 7,578,144</u>	<u>\$ 1,408,605</u>	<u>\$ 24,289,633</u>

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, and Federal National Mortgage Association securities, which hold a credit rating of AAA by Standard & Poor's.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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.

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 \$2,113 in negotiable certificates of deposits with values in excess of collateral and FDIC insurance.

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.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk – Deposits (Continued)

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, 2010, all City deposits were covered by insurance or collateral.

2. Loans Receivable

The City had the following loan receivable as of December 31, 2010:

Loan Receivable	Amount
Silent Power, Inc; 36 monthly payments of \$3,053.53; including interest at 6.25% interest commencing January 7, 2011; maturing December 7, 2013; secured by equipment.	\$ 100,000

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the City for the year ended December 31, 2010, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets not being Depreciated				
Land	\$ 5,428,412	\$ -	\$ -	\$ 5,428,412
Construction in Progress	5,126,970	5,964,498	-	11,091,468
Total Capital Assets not being Depreciated	10,555,382	5,964,498	-	16,519,880
Capital Assets being Depreciated				
Buildings	1,229,830	-	-	1,229,830
Machinery, Vehicles, Furniture and Equipment	2,089,175	102,487	106,048	2,085,614
Land Improvements	1,289,454	18,040	-	1,307,494
Infrastructure	42,997,118	-	-	42,997,118
Total Capital Assets being Depreciated	47,605,577	120,527	106,048	47,620,056
Less: Accumulated Depreciation for				
Buildings	456,174	38,976	-	495,150
Machinery, Vehicles, Furniture and Equipment	1,350,099	189,319	106,048	1,433,370
Land Improvements	285,709	88,239	-	373,948
Infrastructure	16,556,693	1,647,790	-	18,204,483
Total Accumulated Depreciation	18,648,675	1,964,324	106,048	20,506,951
Total Capital Assets being Depreciated, Net	28,956,902	(1,843,797)	-	27,113,105
Governmental Activities Capital Assets, Net	<u>\$ 39,512,284</u>	<u>\$ 4,120,701</u>	<u>\$ -</u>	<u>\$ 43,632,985</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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, 2010:

	Beginning Balance	Additions	Disposals	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets not being Depreciated				
Land	\$ 973,478	\$ -	\$ 72,915	\$ 900,563
Construction in Progress	-	41,573	-	41,573
Total Capital Assets not being Depreciated	<u>973,478</u>	<u>41,573</u>	<u>72,915</u>	<u>942,136</u>
Capital Assets being Depreciated				
Buildings	9,708,299	-	-	9,708,299
Distribution System	41,004,430	116,175	-	41,120,605
Land Improvements	539,771	-	-	539,771
Machinery, Vehicles, Furniture and Equipment	793,250	-	14,886	778,364
Total Capital Assets being Depreciated	<u>52,045,750</u>	<u>116,175</u>	<u>14,886</u>	<u>52,147,039</u>
Less: Accumulated Depreciation for				
Buildings	364,061	242,707	-	606,768
Distribution System	9,490,367	1,032,564	-	10,522,931
Land Improvements	91,277	18,368	-	109,645
Machinery, Vehicles, Furniture and Equipment	261,383	99,974	14,886	346,471
Total Accumulated Depreciation	<u>10,207,088</u>	<u>1,393,613</u>	<u>14,886</u>	<u>11,585,815</u>
Total Capital Assets being Depreciated, Net	<u>41,838,662</u>	<u>(1,277,438)</u>	<u>-</u>	<u>40,561,224</u>
Business-Type Activities Capital Assets, Net	<u>\$ 42,812,140</u>	<u>\$ (1,235,865)</u>	<u>\$ 72,915</u>	<u>\$ 41,503,360</u>

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

Governmental Activities	
General Government	\$ 60,575
Public Safety	59,337
Public Works	1,691,674
Culture and Recreation	148,449
Economic and Community Development	4,289
Total Depreciation Expense - Governmental Activities	<u>\$ 1,964,324</u>
Business-Type Activities	
Water	\$ 729,465
Sewer	555,001
Storm Water	109,147
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,393,613</u>

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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
General Fund	Nonmajor Governmental Funds	\$ 10,966	Cash Deficit
Water Fund	Capital Project Fund	201,031	Cash Deficit
Sewer Fund	Capital Project Fund	1,269,141	Cash Deficit
Total		<u>\$ 1,481,138</u>	

2. Interfund Transfers

	Amount	Purpose
Transfer to General Fund from		
Capital Projects Fund	\$ 42,616	Reallocate Potlatch Phase II admin fees
Nonmajor Governmental Funds	6,020	Appropriate Funds for Squad Camera from Alcohol Seizure Funds
Transfer to Economic Development Fund from		
General	50,700	EDA Fund Annual Appropriation
Debt Service Fund	185,946	Close the 2001 bond issue
Transfer to Debt Service Fund from		
Sales Tax Collections	73,945	Annual Appropriation
Sales Tax Collections	229,145	Annual Appropriation
Water	350,000	Operations
Sewer	252,516	Operations
Transfer to Capital Project Fund from		
General	337,000	Collector Street Appropriation
	30,000	Trail Funds Annual Appropriation
	29,600	IT Annual Appropriation
	121,500	Vehicle Annual Appropriation
	11,227	99 Mapleton Road appropriation
	1,534	Foley appropriation
	2,873	Fairview Road appropriation
	1,170	Fire Station 03 appropriation
	2,787	College-Douglas Fir Intersect appropriation
	19,276	Potlatch Phase II appropriation
Sales Tax Collections	113,859	Sales Tax Proceeds for Wastewater Plant Capacity and Water Tower
Nonmajor Governmental	6,500	IT Annual Appropriation
Water	1,400	IT Annual Appropriation
	5,800	Street/Utility Truck Allocation
	38,547	North Lynwood appropriation
	36,153	Clearwater appropriation
Sewer	1,400	IT Annual Appropriation
	5,800	Street/Utility Truck Allocation
	27,514	North Lynwood appropriation
	173,586	Clearwater appropriation
Storm Water	36,200	Inglewood/Fairview/Foley Project Appropriation
	1,400	IT Annual Appropriation
	5,400	Street/Utility Truck Allocation
Transfer to Nonmajor Governmental Funds from		
General	207,400	Operations
Transfer to Water Fund from		
Sales Tax Collections Fund	129,030	Sales Tax Proceeds for Water Plant
Total Transfers	<u>\$ 2,537,844</u>	

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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, sales tax revenues, and special assessments, are dedicated for the retirement of these bonds.

2. Components of Long-Term Debt

	Authorized and Issued	Redeemed	Outstanding	Due in 2011	
				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	\$ 792,038	\$ 83,569	\$ 58,792	\$ 2,436
2001; 0%; Issued 03/21/2001; Final Maturity 02/01/2012.	240,000	212,000	28,000	24,000	-
General Obligation Improvement Bonds, Series 2003A; 2.5 to 3.8%; Issued 12/01/2003; Final Maturity 02/01/2016.	6,690,000	4,165,000	2,525,000	505,000	79,615
General Obligation Improvement Bonds, Series 2004; 3.0 to 3.5%; Issued 11/15/2004; Final Maturity 02/01/2017.	9,050,000	5,065,000	3,985,000	640,000	127,955
General Obligation Refunding Bonds, Series 2005A; 2.4 to 3.35%; Issued 3/15/2005; Final Maturity 02/01/2014.	1,805,000	985,000	820,000	220,000	22,585
General Obligation Improvement Bonds, Series 2005B; 3.5 to 4.0%; Issued 12/1/2005; Final Maturity 02/01/2018.	4,390,000	1,935,000	2,455,000	490,000	82,696
General Obligation Capital Improvement Bonds, Series 2006A; 4.00 to 4.25%; Issued 06/01/2006; Final Maturity 02/01/2026.	4,230,000	460,000	3,770,000	165,000	151,494

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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 2011	
				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	2,310,000	\$ 3,460,000	\$ 675,000	\$ 124,900
General Obligation Improvement Bonds, Series 2007B; 4.00 to 4.15%; Issued 12/05/2007; Final Maturity 02/01/2022	3,425,000	570,000	2,855,000	185,000	111,510
General Obligation Refunding Bonds, Series 2010; 1.00 to 2.15%; Issued 11/29/2010; Final Maturity 02/01/2018	4,465,000	-	4,465,000	-	-
Total General Obligation Bonds	40,940,607	16,494,038	24,446,569	2,962,792	703,191
Add: Unamortized Premium	-	-	112,084	-	-
Less: Unamortized Discount	-	-	(53,833)	-	-
Total General Obligation Bonds, Net	40,940,607	16,494,038	24,504,820	2,962,792	703,191
<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	181,366	473,667	63,333	10,563
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.	8,655,596	300,000	8,355,596	349,596	263,045
Total General Obligation Revenue Notes	9,310,629	481,366	8,829,263	412,929	273,608
Total Governmental Activities Long-Term Debt	50,251,236	16,975,404	33,334,083	3,375,721	976,799
BUSINESS-TYPE ACTIVITIES					
<u>General Obligation Bonds</u>					
General Obligation Water Revenue Bonds, Series 2005C; 3.75 to 4.35%; Issued 12/1/2005; Final Maturity 02/01/2025.	3,805,000	585,000	3,220,000	160,000	126,968
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	1,515,000	4,985,000	275,000	199,400
Total General Obligation Bonds, Net	10,305,000	2,100,000	8,205,000	435,000	326,368
Add: Unamortized Premium	-	-	28,488	-	-
Less: Unamortized Discount	-	-	(20,550)	-	-
Total Business-Type Activities	10,305,000	2,100,000	8,212,938	435,000	326,368
Total Long-Term Debt	\$ 60,556,236	\$ 19,075,404	\$ 41,547,021	\$ 3,810,721	\$ 1,303,167

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Debt

	December 31, 2009	Additions	Retirements	December 31, 2010	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	\$ 24,507,339	\$ 4,465,000	\$ 4,525,770	\$ 24,446,569	\$ 2,962,792
General Obligation Revenue Notes	4,890,692	4,300,571	362,000	8,829,263	412,929
Capital Lease	150,000	-	25,000	125,000	25,000
Total Bonds and Notes	<u>29,548,031</u>	<u>8,765,571</u>	<u>4,912,770</u>	<u>33,400,832</u>	<u>3,400,721</u>
Compensated Absences	211,973	278,271	242,376	247,868	13,017
Other Postemployment Benefits	6,124	8,165	2,041	12,248	-
Governmental Activity Long-Term Liabilities	<u>\$ 29,766,128</u>	<u>\$ 9,052,007</u>	<u>\$ 5,157,187</u>	<u>\$ 33,660,948</u>	<u>\$ 3,413,738</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds	\$ 8,625,000	\$ -	\$ 420,000	\$ 8,205,000	\$ 435,000
Compensated Absences	26,144	27,538	25,202	28,480	662
Business Activity Long-Term Liabilities	<u>\$ 8,651,144</u>	<u>\$ 27,538</u>	<u>\$ 445,202</u>	<u>\$ 8,233,480</u>	<u>\$ 435,662</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
2011	\$ 2,962,792	\$ 703,191	\$ 3,665,983	\$ 412,929	\$ 273,608	\$ 686,537
2012	6,938,777	557,110	7,495,887	425,334	267,984	693,318
2013	2,435,000	432,012	2,867,012	438,333	254,882	693,215
2014	2,140,000	370,866	2,510,866	452,000	241,373	693,373
2015	1,930,000	313,750	2,243,750	465,667	227,439	693,106
2016-2020	5,715,000	873,138	6,588,138	2,328,333	917,424	3,245,757
2021-2025	2,000,000	248,567	2,248,567	2,562,333	535,762	3,098,095
2026-2028	325,000	6,905	331,905	1,744,334	113,984	1,858,318
Total	<u>\$ 24,446,569</u>	<u>\$ 3,505,539</u>	<u>\$ 27,952,108</u>	<u>\$ 8,829,263</u>	<u>\$ 2,832,456</u>	<u>\$ 11,661,719</u>
Business-Type Activities						
Year Ending December 31,	General Obligation Bonds					
	Principal	Interest	Total			
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	510,000	253,248	763,248			
2016-2020	2,645,000	944,933	3,589,933			
2021-2025	2,840,000	403,750	3,243,750			
2026	355,000	14,200	369,200			
Total	<u>\$ 8,205,000</u>	<u>\$ 2,815,796</u>	<u>\$ 11,020,796</u>			

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. Advanced Crossover Refunding

On November 29, 2010, the City issued General Obligation Refunding Bonds, Series 2010, in the amount of \$4,465,000 with interest rates of 1.00 to 2.15 percent to advance crossover refund the following debt issues:

General Obligation Improvement Bonds, Series 2004 – final maturity of 02/01/2017. The balance of outstanding maturities to be refunded is \$2,705,000 with an interest rate of 3.50 percent.

General Obligation Improvement Bonds, Series 2005B – final maturity of 02/01/2018. The balance of outstanding maturities to be refunded is \$1,635,000 with interest rates of 3.625 to 4.00 percent.

The General Obligation Refunding Bonds, Series 2010 were issued at a discount of \$22,325, and, after paying debt issuance costs of \$35,925, the net proceeds were \$4,406,750. The City deposited \$3,697 of excess proceeds in the debt service fund for future debt payments. The remaining \$4,403,053 of bond proceeds were placed with an escrow agent in an irrevocable trust from which U.S. Treasury Securities were purchased.

The City is responsible for the principal and interest on the 2004 and 2005B bonds through February 1, 2012. The refunded bonds will be called and paid by the escrow agent on February 1, 2012. The escrow agent will pay the interest due on the 2010 issue through February 1, 2012; thereafter, the City will be responsible for the payment of debt service. The principal balance of both the original issue and the refunding issue will be shown on the balance sheet until the call date of the refunded bonds, at which time the 2004 and 2005B Series bonds will be paid and the liability for those bonds will be removed.

As a result of the advanced crossover refunding, the City reduced its total debt service requirements by \$147,594, which resulted in an economic gain of \$143,111.

6. 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, 2010, is \$58,750.

Remaining capital lease obligations are as follows:

<u>December 31,</u>	
2011	\$ 25,000
2012	25,000
2013	25,000
2014	25,000
2015	25,000
Total	<u>\$ 125,000</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

7. 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.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Fund Balance

Portions of the City's fund balance are nonspendable, restricted due to legal restrictions, committed by Council action, assigned by City management, or unassigned. The following is a summary of fund balance components at December 31, 2010:

	General Fund	Economic Development	Sales Tax Collections	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable							
Prepaid Items	\$ 4,149	\$ -	\$ -	\$ -	\$ -	\$ 942	\$ 5,091
Restricted							
Debt Service	-	-	-	11,433,456	-	-	11,433,456
Economic Development	-	841,229	-	-	-	-	841,229
Sales Tax	-	-	5,865,238	-	-	-	5,865,238
Revolving Loans	-	-	-	-	-	302,556	302,556
Tax Increment Financing	-	-	-	-	-	999,858	999,858
Police Activity	-	-	-	-	-	19,002	19,002
Total Restricted	-	841,229	5,865,238	11,433,456	-	1,321,416	19,461,339
Committed							
Cemetery Care	-	-	-	-	-	26,414	26,414
Culture and Recreation	-	-	-	-	-	419,699	419,699
Economic and Community Development	-	-	-	-	-	179,277	179,277
Recycling	-	-	-	-	-	13,581	13,581
Total Committed	-	-	-	-	-	638,971	638,971
Assigned							
Employee Severance	62,000	-	-	-	-	-	62,000
Planning and Zoning	80,000	-	-	-	-	-	80,000
Street Reconstruction	246,400	-	-	-	-	-	246,400
Collector Street	177,000	-	-	-	-	-	177,000
Fund Operations	-	-	-	-	1,908,456	14,406	1,922,862
Total Assigned	565,400	-	-	-	1,908,456	14,406	2,488,262
Unassigned	2,782,544	-	-	-	-	(10,966)	2,771,578
Total Fund Balance	<u>\$3,352,093</u>	<u>\$ 841,229</u>	<u>\$5,865,238</u>	<u>\$11,433,456</u>	<u>\$1,908,456</u>	<u>\$ 1,964,769</u>	<u>\$ 25,365,241</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

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). PERA administers the General Employees Retirement Fund (GERF) 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 GERF 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 GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF 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.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF 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.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

B. Funding Policy

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERP Coordinated Plan members were required to contribute 6.0% of their annual covered salary in 2010. PEPFF members were required to contribute 9.4% of their annual covered salary in 2010. In 2010, the City was required to contribute the following percentages of annual covered payroll: 7% for Coordinated Plan 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, 2010, 2009, and 2008 were:

	General Employees Retirement Fund	Public Employees Police and Fire Fund
2010	\$ 104,497	\$ 126,395
2009	100,700	120,291
2008	88,144	102,324

The City's contributions were equal to the contractually required contributions for each year as set by state statute.

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, 2010, 2009, and 2008 were \$285, \$285, and \$285 respectively, equal to the contractually required contributions for each year as set by state statute.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

D. Other Postemployment Benefit Disclosure

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, 2010, three retirees were receiving health benefits from the City's health plan.

As of year-end, the City has 45 eligible plan participants. The City finances the plan on a pay-as-you-go basis.

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 2010, the amount contributed to the plan, and changes in the City's net OPEB obligation:

Annual Required Contribution (ARC):	\$ 8,005
Interest on Net OPEB Obligation	160
Adjustment to ARC	-
Annual OPEB Cost	<u>8,165</u>
Contributions during the year	<u>(2,041)</u>
Increase in Net OPEB Obligation	6,124
Net OPEB - Beginning of the Year	6,124
Net OPEB - End of the Year	<u><u>\$ 12,248</u></u>

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

D. Other Postemployment Benefit Disclosure (Continued)

1. Annual OPEB Cost and Net OPEB Obligation (Continued)

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, 2010 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed
December 31, 2010	\$ 8,165	\$ 2,041	25.00%
December 31, 2009	8,165	2,041	25.00%

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)
1/1/2009	\$ -	\$ 182,763	\$ 182,763	0.00%	\$ 2,376,701

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.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

D. Other Postemployment Benefit Disclosure (Continued)

3. Actuarial Methods and Assumptions (Continued)

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.

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, 2010, was 29 years.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Contingencies/Commitments

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.

At December 31, 2010, the City was committed to approximately \$330,000 to Brainerd Public Utilities relating to the wastewater treatment plant expenditures that are on a pay-as-you-go basis until the plant is finalized.

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.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BAXTER, MINNESOTA
 SCHEDULE OF FUNDING PROGRESS
 OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
 DECEMBER 31, 2010**

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%

**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2010**

	<u>Budgeted</u> <u>Original</u>	<u>Amounts</u> <u>Final</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u>
REVENUES				
GENERAL PROPERTY TAXES	\$ 4,263,200	\$ 4,263,200	\$ 4,362,210	\$ 99,010
SPECIAL ASSESSMENTS				
Principal	8,100	8,100	12,971	4,871
Interest	-	-	341	341
Total Special Assessments	<u>8,100</u>	<u>8,100</u>	<u>13,312</u>	<u>5,212</u>
LICENSES, PERMITS, AND FEES				
Business Licenses and Permits	34,100	34,100	37,777	3,677
Franchise Fees	58,000	58,000	20,544	(37,456)
Other Licenses, Permits, and Fees	400	400	12,056	11,656
Total Licenses, Permits and Fees	<u>92,500</u>	<u>92,500</u>	<u>70,377</u>	<u>(22,123)</u>
INTERGOVERNMENTAL				
STATE AND LOCAL				
PERA Increase Aid	2,000	2,000	2,010	10
Market Value Credit	-	-	(174)	(174)
State Highway Aid	22,000	22,000	23,295	1,295
Public Safety Grants	105,000	105,000	164,763	59,763
Total State and Local	<u>129,000</u>	<u>129,000</u>	<u>189,894</u>	<u>60,894</u>
FEDERAL				
Public Safety Grants	-	1,800	30,908	29,108
Total Intergovernmental	<u>129,000</u>	<u>130,800</u>	<u>220,802</u>	<u>90,002</u>
CHARGES FOR SERVICES	448,800	448,800	459,240	10,440
FINES AND FORFEITS	80,000	80,000	106,839	26,839
GIFTS AND CONTRIBUTIONS	-	-	3,100	3,100
INTEREST ON INVESTMENTS	30,000	30,000	45,391	15,391
MISCELLANEOUS				
Other Rents and Royalties	37,000	37,000	44,056	7,056
Other Miscellaneous Revenues	300	300	3,835	3,535
Total Miscellaneous	<u>37,300</u>	<u>37,300</u>	<u>47,891</u>	<u>10,591</u>
Total Revenues	5,088,900	5,090,700	5,329,162	238,462

See accompanying Notes to the Required Supplementary Information.

CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Other General Government	\$ 394,500	\$ 394,500	\$ 270,994	\$ 123,506
Council	36,500	36,500	32,813	3,687
Administration	243,800	243,800	234,937	8,863
Finance	352,900	352,900	312,405	40,495
Public Works Administration	369,600	369,600	324,217	45,383
Information Systems	117,400	117,400	109,461	7,939
Legal	57,000	57,000	47,519	9,481
Total General Government	1,571,700	1,571,700	1,332,346	239,354
PUBLIC SAFETY				
Police	1,453,100	1,455,700	1,458,104	(2,404)
Fire Protection	282,600	282,600	282,540	60
Total Public Safety	1,735,700	1,738,300	1,740,644	(2,344)
HIGHWAYS AND STREETS				
Streets	505,200	505,200	442,842	62,358
CULTURE AND RECREATION				
Parks	469,900	469,900	444,322	25,578
CAPITAL OUTLAY				
Public Safety	-	5,700	6,020	(320)
DEBT SERVICE				
Principal	25,000	25,000	25,000	-
Total Expenditures	4,307,500	4,315,800	3,991,174	324,626
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	781,400	774,900	1,337,988	563,088
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	1,300	2,585	1,285
Transfers In	-	5,700	48,636	42,936
Transfers Out	(781,400)	(781,900)	(815,067)	(33,167)
Total Other Financing Sources (Uses)	(781,400)	(774,900)	(763,846)	11,054
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	574,142	<u>\$ 574,142</u>
Fund Balances - Beginning of Year			2,777,951	
FUND BALANCES - END OF YEAR			<u>\$ 3,352,093</u>	

**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT AUTHORITY FUND
YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Special Assessments				
Principal	\$ 55,000	\$ 55,000	\$ 104,932	\$ 49,932
Interest	16,000	16,000	23,951	7,951
Interest on Investments	5,000	5,000	12,189	7,189
Total Revenues	<u>76,000</u>	<u>76,000</u>	<u>141,072</u>	<u>65,072</u>
EXPENDITURES				
CURRENT				
Economic and Community Development				
Economic Development	71,700	71,700	64,956	6,744
DEBT SERVICE				
Principal	24,000	24,000	24,000	-
Total Expenditures	<u>95,700</u>	<u>95,700</u>	<u>88,956</u>	<u>6,744</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(19,700)	(19,700)	52,116	71,816
OTHER FINANCING SOURCES				
Transfers In	50,700	50,700	236,646	185,946
NET CHANGE IN FUND BALANCE	<u>\$ 31,000</u>	<u>\$ 31,000</u>	288,762	<u>\$ 257,762</u>
Fund Balance - Beginning of Year			<u>552,467</u>	
FUND BALANCE - END OF YEAR			<u>\$ 841,229</u>	

See accompanying Notes to the Required Supplementary Information.

CITY OF BAXTER, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2010

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. However no budget is adopted for the sales tax fund. 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.

**COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS
AND SCHEDULES**

OTHER GOVERNMENTAL FUNDS

Other governmental funds are nonmajor special revenue funds reported in the other governmental funds column of the governmental funds financial statements. Special revenue funds are used to account for specific revenues that are legally restricted for particular purposes.

Cemetery Fund - This fund is used to account for the financial activities of the City owned and operated Baxter Cemetery.

Community Development Fund - This fund is used to account for funds committed to the operation of the City's Community Development department. Operations include building inspection and community planning.

Capital Park Fund - This fund is used to account for donations, developer fees, and other revenues legally restricted or committed for capital expenditures related to the City's parks.

Recreation Fund - This fund is used to account for local government aid and charges for services committed for the operation of City parks and recreation activities.

Project Development Fund - This fund is used to account for developer fees committed for specified economic development projects.

Revolving Loan Fund - This fund is used to account for grant and loan repayment funds restricted for the issuance of revolving economic development loans.

Lodging Tax Administration Fund - This fund is used to account for the collection of lodging tax revenues and the promotion of tourism for the City.

TIF Revenue Collection Fund - This fund is used to account for tax increment revenues generated from the Westport Mall and used for economic development projects.

TIF District 4 Industrial Park Fund - This fund is used to account for tax increment revenues restricted for expenditures related to the Industrial Park tax increment project.

TIF District 5 Arbor Glenn Fund - This fund is used to account for tax increment revenues restricted for expenditures related to the Arbor Glenn tax increment project.

TIF District 6 Clearwater Estates Fund - This fund is used to account for tax increment revenues restricted for expenditures related to the Clearwater Estates tax increment project.

TIF District 7 Grand Oaks Fund - This fund is used to account for tax increment revenues restricted for expenditures related to the Grand Oaks tax increment project.

TIF District 8 Arbor Glenn 2 Fund - This fund is used to account for tax increment revenues restricted for expenditures related to the Arbor Glenn 2 tax increment project.

TIF District 9 Grand Oaks Court Fund - This fund is used to account for tax increment revenues restricted for expenditures related to the Grand Oaks Court tax increment project.

TIF District 10 Isle Drive Fund - This fund is used to account for tax increment revenues restricted for expenditures related to Isle Drive tax increment project.

Alcohol Seizure Fund - This fund is used to account for the proceeds from the sale of DUI forfeited property restricted by State statute for expenditures related to DUI enforcement and education.

Drug Seizure Fund - This fund is used to account for the proceeds from the sale of drug offense forfeited property restricted by State statute for expenditures related to drug enforcement and education.

Recycling Fund - This fund is used to account for SCORE grant revenues committed to the City's recycling program.

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	Cemetery	Community Development	Capital Park
ASSETS			
Cash and Pooled Investments	\$ 40,900	\$ 126,866	\$ 417,168
Special Assessments Receivable	-	13,234	-
Accounts Receivable	-	951	-
Loan Receivable	-	-	-
Prepaid Items	-	942	-
Total Assets	\$ 40,900	\$ 141,993	\$ 417,168
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 80	\$ 7,633	\$ -
Salaries Payable	-	4,691	-
Contracts Payable	-	-	-
Due to Other Funds	-	-	-
Due to Other Governments	-	1,711	-
Deferred Revenue			
Special Assessments	-	13,234	-
Other	-	-	-
Escrow Deposits	-	1,500	-
Total Liabilities	80	28,769	-
FUND BALANCES			
Nonspendable	-	942	-
Restricted	-	-	-
Committed	26,414	112,282	417,168
Assigned	14,406	-	-
Unassigned	-	-	-
Total Fund Balances	40,820	113,224	417,168
Total Liabilities and Fund Balances	\$ 40,900	\$ 141,993	\$ 417,168

<u>Recreation</u>	<u>Project Development</u>	<u>Revolving Loan</u>	<u>Lodging Tax Administration</u>	<u>TIF Revenue Collection</u>	<u>TIF District 4 Industrial Park</u>
\$ 7,531	\$ 105,746	\$ 302,556	\$ 11,422	\$ 632,108	\$ 272,324
-	-	-	-	-	-
-	-	-	16,283	-	-
-	-	100,000	-	-	-
-	-	-	-	-	-
<u>\$ 7,531</u>	<u>\$ 105,746</u>	<u>\$ 402,556</u>	<u>\$ 27,705</u>	<u>\$ 632,108</u>	<u>\$ 272,324</u>
\$ 5,000	\$ 221	\$ -	\$ 27,705	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	35,324	-
-	-	-	-	-	-
-	-	100,000	-	-	-
-	38,530	-	-	800	-
<u>5,000</u>	<u>38,751</u>	<u>100,000</u>	<u>27,705</u>	<u>36,124</u>	<u>-</u>
-	-	-	-	-	-
-	-	302,556	-	595,984	272,324
2,531	66,995	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,531</u>	<u>66,995</u>	<u>302,556</u>	<u>-</u>	<u>595,984</u>	<u>272,324</u>
<u>\$ 7,531</u>	<u>\$ 105,746</u>	<u>\$ 402,556</u>	<u>\$ 27,705</u>	<u>\$ 632,108</u>	<u>\$ 272,324</u>

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET (CONTINUED)
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

	TIF District 5 Arbor Glenn	TIF District 6 Clearwater Estates	TIF District 7 Grand Oaks
ASSETS			
Cash and Pooled Investments	\$ 79,895	\$ 92,192	\$ 8,206
Special Assessments Receivable	-	-	-
Accounts Receivable	-	-	-
Loan Receivable	-	-	-
Prepaid Items	-	-	-
	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 79,895</u>	<u>\$ 92,192</u>	<u>\$ 8,206</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 16,148	\$ 32,550	\$ 7,447
Salaries Payable	-	-	-
Contracts Payable	-	-	-
Due to Other Funds	-	-	-
Due to Other Governments	-	-	-
Deferred Revenue			
Special Assessments	-	-	-
Other	-	-	-
Escrow Deposits	-	-	-
	<hr/>	<hr/>	<hr/>
Total Liabilities	16,148	32,550	7,447
FUND BALANCES			
Nonspendable	-	-	-
Restricted	63,747	59,642	759
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
	<hr/>	<hr/>	<hr/>
Total Fund Balances	63,747	59,642	759
	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ 79,895</u>	<u>\$ 92,192</u>	<u>\$ 8,206</u>

TIF District 8 Arbor Glenn 2	TIF District 9 Grand Oaks Court	TIF District 10 Isle Drive	Alcohol Seizure	Drug Seizure	Recycling	Combined Totals
\$ 54,996	\$ -	\$ 4,750	\$ 8,215	\$ 7,051	\$ 16,851	\$ 2,188,777
-	-	-	-	-	-	13,234
-	-	-	5,240	174	-	22,648
-	-	-	-	-	-	100,000
-	-	-	-	-	-	942
<u>\$ 54,996</u>	<u>\$ -</u>	<u>\$ 4,750</u>	<u>\$ 13,455</u>	<u>\$ 7,225</u>	<u>\$ 16,851</u>	<u>\$ 2,325,601</u>
\$ 47,594	\$ -	\$ -	\$ 1,500	\$ -	\$ 3,270	\$ 149,148
-	-	-	-	-	-	4,691
-	-	4,750	-	-	-	4,750
-	191	10,775	-	-	-	10,966
-	-	-	-	75	-	37,110
-	-	-	-	-	-	13,234
-	-	-	-	103	-	100,103
-	-	-	-	-	-	40,830
47,594	191	15,525	1,500	178	3,270	360,832
-	-	-	-	-	-	942
7,402	-	-	11,955	7,047	-	1,321,416
-	-	-	-	-	13,581	638,971
-	-	-	-	-	-	14,406
-	(191)	(10,775)	-	-	-	(10,966)
<u>7,402</u>	<u>(191)</u>	<u>(10,775)</u>	<u>11,955</u>	<u>7,047</u>	<u>13,581</u>	<u>1,964,769</u>
<u>\$ 54,996</u>	<u>\$ -</u>	<u>\$ 4,750</u>	<u>\$ 13,455</u>	<u>\$ 7,225</u>	<u>\$ 16,851</u>	<u>\$ 2,325,601</u>

**CITY OF BAXTER, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE
 OTHER GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2010**

	Cemetery	Community Development	Capital Park
REVENUES			
Lodging Tax	\$ -	\$ -	\$ -
Tax Increments	-	-	-
Licenses, Permits, and Fees	-	113,385	-
Intergovernmental	-	-	-
Charges for Services	-	64,084	-
Fines and Forfeits	-	5,150	-
Interest on Investments	715	1,726	6,797
Miscellaneous	1,500	24	70,265
Total Revenues	2,215	184,369	77,062
EXPENDITURES			
CURRENT			
General Government	5,546	-	-
Public Safety	-	232,812	-
Sanitation	-	-	-
Culture and Recreation	-	-	13,748
Economic and Community Development	-	179,425	-
CAPITAL OUTLAY			
Culture and Recreation	-	-	11,000
Economic and Community Development	-	-	-
Total Expenditures	5,546	412,237	24,748
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,331)	(227,868)	52,314
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	-	2,183	-
Transfers In	3,700	188,600	10,100
Transfers Out	-	(6,500)	-
Total Other Financing Sources (Uses)	3,700	184,283	10,100
NET CHANGE IN FUND BALANCES	369	(43,585)	62,414
Fund Balance - Beginning of Year	40,451	156,809	354,754
FUND BALANCE - END OF YEAR	\$ 40,820	\$ 113,224	\$ 417,168

Recreation	Project Development	Revolving Loan	Lodging Tax Administration	TIF Revenue Collection	TIF District 4 Industrial Park
\$ -	\$ -	\$ -	\$ 265,889	\$ -	\$ -
-	-	-	-	104,236	72,951
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
59	1,745	6,717	634	10,099	4,000
-	-	-	-	2,200	-
59	1,745	6,717	266,523	116,535	76,951
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
5,101	-	-	-	-	-
-	696	100,000	266,523	774	981
-	-	-	-	-	-
-	-	-	-	107,322	-
5,101	696	100,000	266,523	108,096	981
(5,042)	1,049	(93,283)	-	8,439	75,970
-	-	-	-	-	-
5,000	-	-	-	-	-
-	-	-	-	-	-
5,000	-	-	-	-	-
(42)	1,049	(93,283)	-	8,439	75,970
2,573	65,946	395,839	-	587,545	196,354
\$ 2,531	\$ 66,995	\$ 302,556	\$ -	\$ 595,984	\$ 272,324

CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (CONTINUED)
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2010

	TIF District 5 Arbor Glenn	TIF District 6 Clearwater Estates	TIF District 7 Grand Oaks
REVENUES			
Lodging Tax	\$ -	\$ -	\$ -
Tax Increments	53,828	93,001	15,677
Licenses, Permits, and Fees	-	-	-
Intergovernmental	-	-	-
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Interest on Investments	985	939	52
Miscellaneous	-	-	-
Total Revenues	<u>54,813</u>	<u>93,940</u>	<u>15,729</u>
EXPENDITURES			
CURRENT			
General Government	-	-	-
Public Safety	-	-	-
Sanitation	-	-	-
Culture and Recreation	-	-	-
Economic and Community Development	34,039	67,502	16,426
CAPITAL OUTLAY			
Culture and Recreation	-	-	-
Economic and Community Development	-	-	-
Total Expenditures	<u>34,039</u>	<u>67,502</u>	<u>16,426</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	20,774	26,438	(697)
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	-	-	-
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	20,774	26,438	(697)
Fund Balance - Beginning of Year	<u>42,973</u>	<u>33,204</u>	<u>1,456</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 63,747</u></u>	<u><u>\$ 59,642</u></u>	<u><u>\$ 759</u></u>

TIF District 8 Arbor Glenn 2	TIF District 9 Grand Oaks Court	TIF District 10 Isle Drive	Alcohol Seizure	Drug Seizure	Recycling	Combined Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 265,889
52,882	-	-	-	-	-	392,575
-	-	-	-	-	-	113,385
-	-	-	-	-	32,300	32,300
-	-	-	239	6,178	405	70,906
-	-	-	13,590	-	-	18,740
426	-	-	152	90	432	35,568
-	-	-	-	363	-	74,352
53,308	-	-	13,981	6,631	33,137	1,003,715
-	-	-	-	-	-	5,546
-	-	-	-	-	-	232,812
-	-	-	-	-	34,669	34,669
-	-	-	-	-	-	18,849
48,595	191	10,775	-	-	-	725,927
-	-	-	-	-	-	11,000
-	-	-	-	-	-	107,322
48,595	191	10,775	-	-	34,669	1,136,125
4,713	(191)	(10,775)	13,981	6,631	(1,532)	(132,410)
-	-	-	-	-	-	2,183
-	-	-	-	-	-	207,400
-	-	-	(6,020)	-	-	(12,520)
-	-	-	(6,020)	-	-	197,063
4,713	(191)	(10,775)	7,961	6,631	(1,532)	64,653
2,689	-	-	3,994	416	15,113	1,900,116
\$ 7,402	\$ (191)	\$ (10,775)	\$ 11,955	\$ 7,047	\$ 13,581	\$ 1,964,769

**CITY OF BAXTER, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CEMETERY SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Interest on Investments	\$ 400	\$ 400	\$ 715	\$ 315
Miscellaneous				
Other Miscellaneous Revenues	3,000	3,000	1,500	(1,500)
Total Revenues	<u>3,400</u>	<u>3,400</u>	<u>2,215</u>	<u>(1,185)</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)	(3,331)	2,769
OTHER FINANCING SOURCES				
Transfers In	<u>6,100</u>	<u>6,100</u>	<u>3,700</u>	<u>(2,400)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	369	<u>\$ 369</u>
Fund Balance - Beginning of Year			<u>40,451</u>	
FUND BALANCE - END OF YEAR			<u>\$ 40,820</u>	

**CITY OF BAXTER, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Licenses, Permits, and Fees	\$ 122,500	\$ 122,500	\$ 113,385	\$ (9,115)
Charges for Services	73,200	73,200	64,084	(9,116)
Fines and Forfeits	-	-	5,150	5,150
Interest on Investments	1,000	1,000	1,726	726
Miscellaneous				
Other Miscellaneous Revenues	-	-	24	24
Total Revenues	<u>196,700</u>	<u>196,700</u>	<u>184,369</u>	<u>(12,331)</u>
EXPENDITURES				
CURRENT				
Public Safety				
Building Inspection	213,100	213,100	232,812	(19,712)
Economic and Community Development				
Planning	194,700	194,700	179,425	15,275
Total Expenditures	<u>407,800</u>	<u>407,800</u>	<u>412,237</u>	<u>(4,437)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(211,100)	(211,100)	(227,868)	(16,768)
OTHER FINANCING SOURCES				
Proceeds from Sale of Capital Assets	-	-	2,183	2,183
Transfers In	188,600	188,600	188,600	-
Transfers Out	(6,500)	(6,500)	(6,500)	-
Total Other Financing Sources (Uses)	<u>182,100</u>	<u>182,100</u>	<u>184,283</u>	<u>2,183</u>
NET CHANGE IN FUND BALANCE	<u>\$ (29,000)</u>	<u>\$ (29,000)</u>	(43,585)	<u>\$ (14,585)</u>
Fund Balance - Beginning of Year			<u>156,809</u>	
FUND BALANCE - END OF YEAR			<u>\$ 113,224</u>	

**CITY OF BAXTER, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CAPITAL PARK SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Gifts and Contributions	\$ 300,000	\$ 300,000	\$ -	\$ (300,000)
Interest on Investments	4,100	4,100	6,797	2,697
Miscellaneous				
Other Miscellaneous Revenues	9,000	9,000	70,265	61,265
Total Revenues	<u>313,100</u>	<u>313,100</u>	<u>77,062</u>	<u>(236,038)</u>
EXPENDITURES				
CURRENT				
Culture and Recreation				
Capital Park	15,800	15,800	13,748	2,052
CAPITAL OUTLAY				
Culture and Recreation	312,200	312,200	11,000	301,200
Total Expenditures	<u>328,000</u>	<u>328,000</u>	<u>24,748</u>	<u>303,252</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(14,900)	(14,900)	52,314	67,214
OTHER FINANCING SOURCES				
Transfers In	14,900	14,900	10,100	(4,800)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	62,414	<u>\$ 62,414</u>
Fund Balance - Beginning of Year			<u>354,754</u>	
FUND BALANCE - END OF YEAR			<u>\$ 417,168</u>	

**CITY OF BAXTER, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
RECREATION SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Interest on Investments	\$ -	\$ -	\$ 59	\$ 59
EXPENDITURES				
CURRENT				
Culture and Recreation				
Recreation	-	-	5,101	(5,101)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	(5,042)	(5,042)
OTHER FINANCING SOURCES				
Transfers In	-	-	5,000	5,000
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(42)	<u>\$ (42)</u>
Fund Balance - Beginning of Year			<u>2,573</u>	
FUND BALANCE - END OF YEAR			<u>\$ 2,531</u>	

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**CITY OF BAXTER, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
RECYCLING SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2010**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental				
State and Local	\$ 32,300	\$ 32,300	\$ 32,300	\$ -
Charges for Services	200	200	405	205
Interest on Investments	100	100	432	332
Total Revenues	<u>32,600</u>	<u>32,600</u>	<u>33,137</u>	<u>537</u>
EXPENDITURES				
CURRENT				
Sanitation	<u>36,100</u>	<u>36,100</u>	<u>34,669</u>	<u>1,431</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,500)	(3,500)	(1,532)	1,968
OTHER FINANCING SOURCES				
Transfers In	<u>3,500</u>	<u>3,500</u>	<u>-</u>	<u>(3,500)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(1,532)</u>	<u>\$ (1,532)</u>
Fund Balance - Beginning of Year			<u>15,113</u>	
FUND BALANCE - END OF YEAR			<u>\$ 13,581</u>	

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND – BY BOND ISSUE
DECEMBER 31, 2010**

	1991 Southdale Sewer G.O. and P.F.A Note	2000 Road Projects	2001 Bond Issue	2002 Bond Issue
ASSETS				
Cash and Pooled Investments	\$ 65,837	\$ -	\$ -	\$ -
Cash with Escrow Agent	-	-	-	-
Delinquent Taxes Receivable	-	-	-	-
Special Assessments Receivable	14,298	-	-	-
Due From Other Governments	312	-	-	-
	<u>80,447</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 80,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Due to Other Governments	-	-	-	-
Deferred Revenue				
Taxes	-	-	-	-
Special Assessments	14,298	-	-	-
	<u>14,298</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	14,298	-	-	-
FUND BALANCES				
Restricted	<u>66,149</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>66,149</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 80,447</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

<u>2003 Bond Issue</u>	<u>2004 G.O. Bond Issue</u>	<u>2005A G.O. Refunding Bonds 1997-1998</u>	<u>2005B G.O. Improvement Bonds</u>	<u>2006A G.O. CIP Bonds</u>	<u>2006B G.O. Improvement Bonds</u>	<u>2007B G.O. Improvement Bonds</u>
\$ 1,657,388	\$ 1,132,547	\$ 819,343	\$ 628,242	\$ 339,734	\$ 1,067,706	\$ 342,228
-	-	-	-	-	-	-
29,811	18,358	2,168	9,780	17,156	16,955	11,536
1,177,580	1,799,737	-	1,360,826	-	1,650,906	1,311,903
978,350	18,964	49	4,944	-	937	1,938
<u>\$ 3,843,129</u>	<u>\$ 2,969,606</u>	<u>\$ 821,560</u>	<u>\$ 2,003,792</u>	<u>\$ 356,890</u>	<u>\$ 2,736,504</u>	<u>\$ 1,667,605</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
16,173	2,103	149	742	158	12,371	-
29,811	18,358	2,168	9,780	17,156	16,955	11,536
1,177,580	1,799,737	-	1,360,826	-	1,650,906	1,311,903
1,223,564	1,820,198	2,317	1,371,348	17,314	1,680,232	1,323,439
2,619,565	1,149,408	819,243	632,444	339,576	1,056,272	344,166
2,619,565	1,149,408	819,243	632,444	339,576	1,056,272	344,166
<u>\$ 3,843,129</u>	<u>\$ 2,969,606</u>	<u>\$ 821,560</u>	<u>\$ 2,003,792</u>	<u>\$ 356,890</u>	<u>\$ 2,736,504</u>	<u>\$ 1,667,605</u>

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CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET (CONTINUED)
DEBT SERVICE FUND – BY BOND ISSUE
DECEMBER 31, 2010

	2009A G.O Sales Tax Wastewater Note	2009B G.O Sales Tax Wastewater Note	2010 G.O. Refunding Bonds 2004 & 2005B	Combined Totals
ASSETS				
Cash and Pooled Investments	\$ 147	\$ 25	\$ 3,833	\$ 6,057,030
Cash with Escrow Agent	-	-	4,403,053	4,403,053
Delinquent Taxes Receivable	-	-	-	105,764
Special Assessments Receivable	-	-	-	7,315,250
Due From Other Governments	-	-	-	1,005,494
	<u>147</u>	<u>25</u>	<u>4,406,886</u>	<u>18,886,591</u>
Total Assets	<u>\$ 147</u>	<u>\$ 25</u>	<u>\$ 4,406,886</u>	<u>\$ 18,886,591</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 425	\$ 425
Due to Other Governments	-	-	-	31,696
Deferred Revenue				
Taxes	-	-	-	105,764
Special Assessments	-	-	-	7,315,250
	<u>-</u>	<u>-</u>	<u>425</u>	<u>7,453,135</u>
Total Liabilities	-	-	425	7,453,135
FUND BALANCES				
Restricted	<u>147</u>	<u>25</u>	<u>4,406,461</u>	<u>11,433,456</u>
Total Fund Balances	<u>147</u>	<u>25</u>	<u>4,406,461</u>	<u>11,433,456</u>
Total Liabilities and Fund Balances	<u>\$ 147</u>	<u>\$ 25</u>	<u>\$ 4,406,886</u>	<u>\$ 18,886,591</u>

CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUND – BY BOND ISSUE
YEAR ENDED DECEMBER 31, 2010

	1991 Southdale Sewer G.O. and P.F.A Note	2000 Road Projects	2001 Bond Issue	2002 Bond Issue
REVENUES				
Taxes	\$ -	\$ 442	\$ -	\$ 187,019
Special Assessments	9,462	110,280	-	457,542
Intergovernmental	-	-	-	1,121
Interest on Investments	1,306	380	1,976	1,681
Total Revenues	10,768	111,102	1,976	647,363
EXPENDITURES				
DEBT SERVICE				
Principal	56,770	-	560,000	380,000
Interest and Fiscal Charges	4,459	4,000	11,778	13,011
Bond Issue Costs	-	-	-	-
Total Expenditures	61,229	4,000	571,778	393,011
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(50,461)	107,102	(569,802)	254,352
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Refunding Bonds	-	-	-	-
Discount on Refunding Bonds Issued	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	(32,667)	(185,946)	(338,280)
Total Other Financing Sources (Uses)	-	(32,667)	(185,946)	(338,280)
NET CHANGE IN FUND BALANCES				
	(50,461)	74,435	(755,748)	(83,928)
Fund Balance - Beginning of Year	116,610	(74,435)	755,748	83,928
FUND BALANCE - END OF YEAR	\$ 66,149	\$ -	\$ -	\$ -

2003 Bond Issue	2004 G.O. Bond Issue	2005A G.O. Refunding Bonds 1997-1998	2005B G.O. Improvement Bonds	2006A G.O. CIP Bonds	2006B G.O. Improvement Bonds	2007B G.O. Improvement Bonds
\$ 127,099	\$ 187,193	\$ 6,448	\$ 104,816	\$ 212,261	\$ 168,378	\$ 142,050
1,356,562	352,483	57,762	301,362	-	418,135	210,135
-	-	-	-	-	-	-
20,295	16,405	14,066	8,226	762	15,067	3,475
1,503,956	556,081	78,276	414,404	213,023	601,580	355,660
495,000	940,000	225,000	500,000	160,000	780,000	405,000
95,299	154,961	29,494	100,424	158,738	154,433	123,740
-	-	-	-	-	-	-
590,299	1,094,961	254,494	600,424	318,738	934,433	528,740
913,657	(538,880)	(176,218)	(186,020)	(105,715)	(332,853)	(173,080)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
370,947	-	-	-	425,000	-	-
-	-	-	-	-	-	-
370,947	-	-	-	425,000	-	-
1,284,604	(538,880)	(176,218)	(186,020)	319,285	(332,853)	(173,080)
1,334,961	1,688,288	995,461	818,464	20,291	1,389,125	517,246
\$ 2,619,565	\$ 1,149,408	\$ 819,243	\$ 632,444	\$ 339,576	\$ 1,056,272	\$ 344,166

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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, 2010

	2009A G.O Sales Tax Wastewater Note	2009B G.O Sales Tax Wastewater Note	2010 G.O. Refunding Bonds 2004 & 2005B	Internal Eliminations	Combined Totals
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,135,706
Special Assessments	-	-	-	-	3,273,723
Intergovernmental	-	56,755	-	-	57,876
Interest on Investments	138	12	137	-	83,926
Total Revenues	138	56,767	137	-	4,551,231
EXPENDITURES					
DEBT SERVICE					
Principal	62,000	300,000	-	-	4,863,770
Interest and Fiscal Charges	11,945	163,417	426	-	1,026,125
Bond Issue Costs	-	-	35,925	-	35,925
Total Expenditures	73,945	463,417	36,351	-	5,925,820
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(73,807)	(406,650)	(36,214)	-	(1,374,589)
OTHER FINANCING SOURCES (USES)					
Proceeds from Sale of Refunding Bonds	-	-	4,465,000	-	4,465,000
Discount on Refunding Bonds Issued	-	-	(22,325)	-	(22,325)
Transfers In	73,945	406,661	-	(370,947)	905,606
Transfers Out	-	-	-	370,947	(185,946)
Total Other Financing Sources (Uses)	73,945	406,661	4,442,675	-	5,162,335
NET CHANGE IN FUND BALANCES	138	11	4,406,461	-	3,787,746
Fund Balance - Beginning of Year	9	14	-	-	7,645,710
FUND BALANCE - END OF YEAR	\$ 147	\$ 25	\$ 4,406,461	\$ -	\$ 11,433,456

**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET
 CAPITAL PROJECT FUND – BY PROJECT
 DECEMBER 31, 2010**

	<u>Collector Street</u>	<u>Street Replacement</u>	<u>Capital Equipment</u>	<u>Trails Construction</u>
ASSETS				
Cash and Pooled Investments	\$ 1,105,637	\$ 61,062	\$ 455,192	\$ 260,070
Special Assessments Receivable	21,407	-	-	-
Accounts Receivable	-	-	-	-
Due From Other Governments	-	-	-	-
	<u>1,127,044</u>	<u>61,062</u>	<u>455,192</u>	<u>260,070</u>
Total Assets	<u>\$ 1,127,044</u>	<u>\$ 61,062</u>	<u>\$ 455,192</u>	<u>\$ 260,070</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Contracts Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Deferred Revenue				
Special Assessments	21,407	-	-	-
Other	-	-	-	-
	<u>21,407</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	21,407	-	-	-
FUND BALANCES				
Assigned	<u>1,105,637</u>	<u>61,062</u>	<u>455,192</u>	<u>260,070</u>
Total Fund Balances	<u>1,105,637</u>	<u>61,062</u>	<u>455,192</u>	<u>260,070</u>
Total Liabilities and Fund Balances	<u>\$ 1,127,044</u>	<u>\$ 61,062</u>	<u>\$ 455,192</u>	<u>\$ 260,070</u>

1999 Mapleton Road	City Center Building	Foley	Cypress Drive	Universal Drive	Fairview Road	Wildflower Franklin
\$ -	\$ 387,575	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 387,575</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ 4,734	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	129,187	10,510	-	7,482
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	133,921	10,510	-	7,482
-	387,575	-	(133,921)	(10,510)	-	(7,482)
-	387,575	-	(133,921)	(10,510)	-	(7,482)
<u>\$ -</u>	<u>\$ 387,575</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, 2010**

	Dellwood Novotny Ext	S Hastings Ext & Sewer Intercept	North Forestview Area	South Forestview Area
ASSETS				
Cash and Pooled Investments	\$ -	\$ -	\$ -	\$ -
Special Assessments Receivable	-	-	-	-
Accounts Receivable	-	-	-	-
Due From Other Governments	-	-	-	-
Total Assets	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Contracts Payable	-	-	-	-
Due to Other Funds	89,715	12,689	11,781	8,574
Deferred Revenue				
Special Assessments	-	-	-	-
Other	-	-	-	-
Total Liabilities	89,715	12,689	11,781	8,574
FUND BALANCES				
Assigned	(89,715)	(12,689)	(11,781)	(8,574)
Total Fund Balances	(89,715)	(12,689)	(11,781)	(8,574)
Total Liabilities and Fund Balances	\$ -	\$ -	\$ -	\$ -

Ashley Road	North Lynwood Area	Camwood & Chestnut Area	Cypress Town Center	Fire Station	Eagle Drive Area	2008 Clearwater
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 64,107
-	-	-	85,161	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,107</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,399
-	-	-	-	-	-	-
6,734	22,220	14,306	57,158	-	10,455	-
-	-	-	85,161	-	-	-
-	-	-	-	-	-	-
<u>6,734</u>	<u>22,220</u>	<u>14,306</u>	<u>142,319</u>	<u>-</u>	<u>10,455</u>	<u>3,399</u>
<u>(6,734)</u>	<u>(22,220)</u>	<u>(14,306)</u>	<u>(57,158)</u>	<u>-</u>	<u>(10,455)</u>	<u>60,708</u>
<u>(6,734)</u>	<u>(22,220)</u>	<u>(14,306)</u>	<u>(57,158)</u>	<u>-</u>	<u>(10,455)</u>	<u>60,708</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,161</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,107</u>

**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 CAPITAL PROJECT FUND – BY PROJECT
 DECEMBER 31, 2010**

	Olivewood Drive	Excelsior Bridge	Woida Road	Cypress Dr - Hinckley to 48
ASSETS				
Cash and Pooled Investments	\$ -	\$ -	\$ -	\$ -
Special Assessments Receivable	-	-	-	-
Accounts Receivable	-	-	-	-
Due From Other Governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Contracts Payable	-	-	-	-
Due to Other Funds	6,162	-	8,334	28,140
Deferred Revenue				
Special Assessments	-	-	-	-
Other	-	-	-	-
	<u>6,162</u>	<u>-</u>	<u>8,334</u>	<u>28,140</u>
Total Liabilities	6,162	-	8,334	28,140
FUND BALANCES				
Assigned	<u>(6,162)</u>	<u>-</u>	<u>(8,334)</u>	<u>(28,140)</u>
Total Fund Balances	<u>(6,162)</u>	<u>-</u>	<u>(8,334)</u>	<u>(28,140)</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Jadewood and Jewelwood	College and Douglas Fir Intersection	Potlatch Phase 2	Inglewood North Water Extension	Water Tower 3	South Isle Dr Extension	Fairview Extension 371 NW
\$ -	\$ -	\$ -	\$ -	\$ 9,285	\$ -	\$ 5,398
-	-	-	-	-	-	-
-	-	1,221,493	-	-	-	-
-	-	238,024	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,459,517</u>	<u>\$ -</u>	<u>\$ 9,285</u>	<u>\$ -</u>	<u>\$ 5,398</u>
\$ -	\$ -	\$ 7,877	\$ -	\$ 8,851	\$ -	\$ -
-	-	419,368	-	-	-	-
3,607	-	1,036,377	2,564	-	4,177	-
-	-	-	-	-	-	-
-	-	21,493	-	-	-	-
<u>3,607</u>	<u>-</u>	<u>1,485,115</u>	<u>2,564</u>	<u>8,851</u>	<u>4,177</u>	<u>-</u>
<u>(3,607)</u>	<u>-</u>	<u>(25,598)</u>	<u>(2,564)</u>	<u>434</u>	<u>(4,177)</u>	<u>5,398</u>
<u>(3,607)</u>	<u>-</u>	<u>(25,598)</u>	<u>(2,564)</u>	<u>434</u>	<u>(4,177)</u>	<u>5,398</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,459,517</u>	<u>\$ -</u>	<u>\$ 9,285</u>	<u>\$ -</u>	<u>\$ 5,398</u>

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**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 CAPITAL PROJECT FUND – BY PROJECT
 DECEMBER 31, 2010**

	Wastewater Plant Capacity	Inglewood/ Fairview/ Foley	Combined Totals
ASSETS			
Cash and Pooled Investments	\$ 37,859	\$ 36,507	\$ 2,422,692
Special Assessments Receivable	-	-	106,568
Accounts Receivable	-	-	1,221,493
Due From Other Governments	-	-	238,024
	<u>37,859</u>	<u>36,507</u>	<u>2,988,777</u>
Total Assets	<u>\$ 37,859</u>	<u>\$ 36,507</u>	<u>\$ 3,988,777</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 24,861
Contracts Payable	37,859	-	457,227
Due to Other Funds	-	-	1,470,172
Deferred Revenue			
Special Assessments	-	-	106,568
Other	-	-	21,493
	<u>37,859</u>	<u>-</u>	<u>2,080,321</u>
Total Liabilities	37,859	-	2,080,321
FUND BALANCES			
Assigned	<u>-</u>	<u>36,507</u>	<u>1,908,456</u>
Total Fund Balances	<u>-</u>	<u>36,507</u>	<u>1,908,456</u>
Total Liabilities and Fund Balances	<u>\$ 37,859</u>	<u>\$ 36,507</u>	<u>\$ 3,988,777</u>

CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECT FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2010

	Collector Street	Street Replacement	Capital Equipment	Trails Construction
REVENUES				
Taxes	\$ -	\$ -	\$ 847	\$ -
Special Assessments	2,800	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Interest on Investments	15,390	1,062	7,524	4,243
Miscellaneous	8,802	-	-	-
Total Revenues	26,992	1,062	8,371	4,243
EXPENDITURES				
CURRENT				
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Culture and Recreation	-	-	1,581	3,893
CAPITAL OUTLAY				
General Government	-	-	7,819	-
Public Safety	-	-	34,509	-
Highways and Streets	-	-	-	-
Culture and Recreation	-	-	54,139	-
Total Expenditures	-	-	98,048	3,893
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	26,992	1,062	(89,677)	350
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	-	8,700	-
Proceeds from Sale of Bonds	-	-	-	-
Transfers In	337,000	-	178,800	30,000
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	337,000	-	187,500	30,000
NET CHANGE IN FUND BALANCES				
	363,992	1,062	97,823	30,350
Fund Balance - Beginning of Year	741,645	60,000	357,369	229,720
FUND BALANCE - END OF YEAR	\$ 1,105,637	\$ 61,062	\$ 455,192	\$ 260,070

1999 Mapleton Road	City Center Building	Foley	Cypress Drive	Universal Drive	Fairview Road	Wildflower Franklin
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	6,735	-	-	-	-	-
-	-	-	-	-	-	-
-	6,735	-	-	-	-	-
-	-	-	-	-	-	-
101	-	14	80,937	183	444	130
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
101	-	14	80,937	183	444	130
(101)	6,735	(14)	(80,937)	(183)	(444)	(130)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
11,227	-	1,534	-	-	2,873	-
-	-	-	-	-	-	-
11,227	-	1,534	-	-	2,873	-
11,126	6,735	1,520	(80,937)	(183)	2,429	(130)
(11,126)	380,840	(1,520)	(52,984)	(10,327)	(2,429)	(7,352)
\$ -	\$ 387,575	\$ -	\$ (133,921)	\$ (10,510)	\$ -	\$ (7,482)

CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
CAPITAL PROJECT FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2010

	Dellwood Novotny Ext	S Hastings Ext & Sewer Intercept	North Forestview Area	South Forestview Area
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Interest on Investments	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
CURRENT				
Public Safety	-	-	-	-
Highways and Streets	1,615	221	205	149
Culture and Recreation	-	-	-	-
CAPITAL OUTLAY				
General Government	-	-	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Culture and Recreation	-	-	-	-
Total Expenditures	1,615	221	205	149
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,615)	(221)	(205)	(149)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	-	-	-
Proceeds from Sale of Bonds	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(1,615)	(221)	(205)	(149)
Fund Balance - Beginning of Year	(88,100)	(12,468)	(11,576)	(8,425)
FUND BALANCE - END OF YEAR	<u>\$ (89,715)</u>	<u>\$ (12,689)</u>	<u>\$ (11,781)</u>	<u>\$ (8,574)</u>

Ashley Road	North Lynwood Area	Camwood & Chestnut Area	Cypress Town Center	Fire Station	Eagle Drive Area	2008 Clearwater
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
118	1,681	249	994	11	182	23,572
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	23,582
-	-	-	-	-	-	-
118	1,681	249	994	11	182	47,154
(118)	(1,681)	(249)	(994)	(11)	(182)	(47,154)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	66,061	-	-	1,170	-	209,739
-	-	-	-	-	-	-
-	66,061	-	-	1,170	-	209,739
(118)	64,380	(249)	(994)	1,159	(182)	162,585
(6,616)	(86,600)	(14,057)	(56,164)	(1,159)	(10,273)	(101,877)
\$ (6,734)	\$ (22,220)	\$ (14,306)	\$ (57,158)	\$ -	\$ (10,455)	\$ 60,708

CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (CONTINUED)
CAPITAL PROJECT FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2010

	Olivewood Drive	Excelsior Bridge	Woida Road	Cypress Dr - Hinckley to 48
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-
Intergovernmental	-	61,895	-	-
Charges for Services	-	-	-	-
Interest on Investments	-	356	-	-
Miscellaneous	-	-	-	-
Total Revenues	-	62,251	-	-
EXPENDITURES				
CURRENT				
Public Safety	-	-	-	-
Highways and Streets	107	-	145	489
Culture and Recreation	-	2,360	-	-
CAPITAL OUTLAY				
General Government	-	-	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Culture and Recreation	-	-	-	-
Total Expenditures	107	2,360	145	489
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(107)	59,891	(145)	(489)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	-	-	-
Proceeds from Sale of Bonds	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
NET CHANGE IN FUND BALANCES	(107)	59,891	(145)	(489)
Fund Balance - Beginning of Year	(6,055)	(59,891)	(8,189)	(27,651)
FUND BALANCE - END OF YEAR	\$ (6,162)	\$ -	\$ (8,334)	\$ (28,140)

Jadewood and Jewelwood	College and Douglas Fir Intersection	Potlatch Phase 2	Inglewood North Water Extension	Water Tower 3	South Isle Dr Extension	Fairview Extension 371 NW
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	251,200	-	-	-	-
-	-	1,200,000	-	-	-	-
-	-	-	-	-	-	184
-	-	-	-	-	-	-
-	-	1,451,200	-	-	-	184
-	-	-	-	-	-	-
62	25	27,542	44	-	2,172	19,786
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,228,578	-	75,566	-	-
-	-	-	-	-	-	-
62	25	1,256,120	44	75,566	2,172	19,786
(62)	(25)	195,080	(44)	(75,566)	(2,172)	(19,602)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	2,787	19,276	-	76,000	-	-
-	-	(42,616)	-	-	-	-
-	2,787	(23,340)	-	76,000	-	-
(62)	2,762	171,740	(44)	434	(2,172)	(19,602)
(3,545)	(2,762)	(197,338)	(2,520)	-	(2,005)	25,000
\$ (3,607)	\$ -	\$ (25,598)	\$ (2,564)	\$ 434	\$ (4,177)	\$ 5,398

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CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (CONTINUED)
CAPITAL PROJECT FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2010

	Wastewater Plant Capacity	Inglewood/ Fairview/ Foley	Combined Totals
REVENUES			
Taxes	\$ -	\$ -	\$ 847
Special Assessments	-	-	2,800
Intergovernmental	-	-	313,095
Charges for Services	-	-	1,200,000
Interest on Investments	-	307	35,801
Miscellaneous	-	-	8,802
Total Revenues	-	307	1,561,345
EXPENDITURES			
CURRENT			
Public Safety	-	-	11
Highways and Streets	-	-	161,167
Culture and Recreation	-	-	7,834
CAPITAL OUTLAY			
General Government	-	-	7,819
Public Safety	-	-	34,509
Highways and Streets	4,338,430	-	5,666,156
Culture and Recreation	-	-	54,139
Total Expenditures	4,338,430	-	5,931,635
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,338,430)	307	(4,370,290)
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	-	-	8,700
Proceeds from Sale of Bonds	4,300,571	-	4,300,571
Transfers In	37,859	36,200	1,010,526
Transfers Out	-	-	(42,616)
Total Other Financing Sources (Uses)	4,338,430	36,200	5,277,181
NET CHANGE IN FUND BALANCES	-	36,507	906,891
Fund Balance - Beginning of Year	-	-	1,001,565
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 36,507</u>	<u>\$ 1,908,456</u>

STATISTICAL SECTION (UNAUDITED)

STATISTICAL SECTION (UNAUDITED)

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, not disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends Information – These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity Information – These schedules contain trend information to help the reader understand the City's most significant local revenue source, property taxes.

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

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

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

Source: Unless otherwise noted, the information in these tables is derived from the annual financial report or comprehensive annual financial report for the relevant year.

**CITY OF BAXTER, MINNESOTA
NET ASSETS BY COMPONENT
LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year		
	2004	2005	2006
Governmental Activities			
Invested in Capital Assets, Net of Related Debt	\$ 2,604,014	\$ (190,816)	\$ 357,452
Restricted for:			
General Government	-	-	-
Capital Projects	-	-	-
Debt Service	20,890,408	6,565,824	9,149,905
Economic Development	-	-	-
Sales Tax	-	-	-
Revolving Loans	-	-	-
Tax Increment Financing	-	-	-
Police Activity	-	-	-
Unrestricted	<u>7,286,102</u>	<u>25,073,995</u>	<u>24,273,132</u>
Total Governmental Activities Net Assets	<u><u>\$ 30,780,524</u></u>	<u><u>\$ 31,449,003</u></u>	<u><u>\$ 33,780,489</u></u>
Business-Type Activities			
Invested in Capital Assets, Net of Related Debt	\$ 18,580,658	\$ 22,701,367	\$ 33,643,933
Unrestricted	<u>4,194,563</u>	<u>9,001,630</u>	<u>3,362,203</u>
Total Business-Type Activities Net Assets	<u><u>\$ 22,775,221</u></u>	<u><u>\$ 31,702,997</u></u>	<u><u>\$ 37,006,136</u></u>
Primary Government			
Invested in Capital Assets, Net of Related Debt	\$ 21,184,672	\$ 22,510,551	\$ 34,001,385
Restricted for:			
General Government	-	-	-
Capital Projects	-	-	-
Debt Service	20,890,408	6,565,824	9,149,905
Economic Development	-	-	-
Sales Tax	-	-	-
Revolving Loans	-	-	-
Tax Increment Financing	-	-	-
Police Activity	-	-	-
Unrestricted	<u>11,480,665</u>	<u>34,075,625</u>	<u>27,635,335</u>
Total Primary Government Net Assets	<u><u>\$ 53,555,745</u></u>	<u><u>\$ 63,152,000</u></u>	<u><u>\$ 70,786,625</u></u>

Note:

The City implemented GASB 34 for the period ended December 31, 2004. Information prior to the implementation is not available.

Fiscal Year			
2007	2008	2009	2010
\$ 2,262,489	\$ 6,355,520	\$ 9,755,015	\$ 14,638,901
17,602	20,002	22,577	-
1,379,922	105,963	1,080,801	-
25,283,411	20,957,105	17,788,265	13,977,284
-	-	-	2,939,435
-	-	-	5,890,212
-	-	-	402,556
-	-	-	999,858
-	-	-	19,002
7,737,948	10,234,105	12,327,885	6,610,863
<u>\$ 36,681,372</u>	<u>\$ 37,672,695</u>	<u>\$ 40,974,543</u>	<u>\$ 45,478,111</u>
\$ 34,692,230	\$ 34,958,321	\$ 34,178,791	\$ 33,290,422
8,144,091	8,601,996	8,400,102	8,523,113
<u>\$ 42,836,321</u>	<u>\$ 43,560,317</u>	<u>\$ 42,578,893</u>	<u>\$ 41,813,535</u>
\$ 36,954,719	\$ 41,313,841	\$ 43,933,806	\$ 47,929,323
17,602	20,002	22,577	-
1,379,922	105,963	1,080,801	-
25,283,411	20,957,105	17,788,265	13,977,284
-	-	-	2,939,435
-	-	-	5,890,212
-	-	-	402,556
-	-	-	999,858
-	-	-	19,002
15,882,039	18,836,101	20,727,987	15,133,976
<u>\$ 79,517,693</u>	<u>\$ 81,233,012</u>	<u>\$ 83,553,436</u>	<u>\$ 87,291,646</u>

**CITY OF BAXTER, MINNESOTA
CHANGE IN NET ASSETS
LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year		
	2004	2005	2006
Expenses			
Governmental Activities			
General Government	\$ 1,017,823	\$ 1,786,312	\$ 1,216,795
Public Safety	1,271,986	1,652,861	1,757,316
Public Works	971,247	1,006,311	2,718,121
Sanitation	36,952	27,735	29,924
Culture and Recreation	371,504	475,297	553,874
Economic and Community Development	251,505	350,402	760,719
Interest	551,225	841,247	1,031,227
Total Governmental Activities Expenses	<u>\$ 4,472,242</u>	<u>\$ 6,140,165</u>	<u>\$ 8,067,976</u>
Business-Type Activities			
Water	\$ 1,195,256	\$ 978,775	\$ 1,089,586
Sewer	719,174	1,100,888	1,036,331
Storm Water	-	40	109,418
Total Business-Type Activities Expenses	<u>1,914,430</u>	<u>2,079,703</u>	<u>2,235,335</u>
Total Primary Government Expenses	<u>\$ 6,386,672</u>	<u>\$ 8,219,868</u>	<u>\$ 10,303,311</u>
Program Revenues			
Governmental Activities			
Charges for Services			
General Government	\$ 497,118	\$ 572,746	\$ 659,115
Public Safety	460,018	419,500	373,082
Public Works	-	-	-
Sanitation	313	362	498
Culture and Recreation	474,403	349,385	254,170
Economic and Community Development	323,437	304,030	251,719
Operating Grants and Contributions	234,291	124,995	858,607
Capital Grants and Contributions	11,444,029	8,501,391	6,540,288
Total Governmental Activities Program Revenues	<u>\$ 13,433,609</u>	<u>\$ 10,272,409</u>	<u>\$ 8,937,479</u>
Business-Type Activities			
Charges for Services			
Water	\$ 1,198,022	\$ 1,687,807	\$ 1,440,594
Sewer	916,279	1,486,967	1,273,067
Storm Water	-	-	149,782
Operating Grants and Contributions	77,008	100,299	-
Capital Grants and Contributions	31,494	115,679	349,068
Total Business-Type Activities Program Revenues	<u>2,222,803</u>	<u>3,390,752</u>	<u>3,212,511</u>
Total Primary Government Program Revenues	<u>\$ 15,656,412</u>	<u>\$ 13,663,161</u>	<u>\$ 12,149,990</u>

Fiscal Year

2007	2008	2009	2010
\$ 1,378,865	\$ 1,356,288	\$ 1,425,790	\$ 1,428,267
1,798,739	1,889,619	1,977,046	2,034,789
2,354,018	2,683,004	2,233,639	2,111,757
28,739	34,670	36,090	34,669
582,079	1,999,735	693,850	618,718
772,561	672,902	578,480	779,170
1,193,519	1,112,782	1,025,079	1,079,936
<u>\$ 8,108,520</u>	<u>\$ 9,749,000</u>	<u>\$ 7,969,974</u>	<u>\$ 8,087,306</u>

\$ 1,606,679	\$ 1,627,520	\$ 1,743,771	\$ 1,677,288
1,221,479	1,353,043	1,319,966	1,332,248
160,464	234,470	236,948	248,377
<u>2,988,622</u>	<u>3,215,033</u>	<u>3,300,685</u>	<u>3,257,913</u>
<u>\$ 11,097,142</u>	<u>\$ 12,964,033</u>	<u>\$ 11,270,659</u>	<u>\$ 11,345,219</u>

\$ 535,496	\$ 427,129	\$ 476,731	\$ 575,102
289,655	382,192	477,155	325,824
57,000	-	-	1,221,493
463	359	287	405
48,034	51,136	27,785	72,155
225,233	52,859	14,387	120,536
343,110	210,626	205,647	279,697
3,571,220	2,061,332	1,037,841	921,662
<u>\$ 5,070,211</u>	<u>\$ 3,185,633</u>	<u>\$ 2,239,833</u>	<u>\$ 3,516,874</u>

\$ 1,709,478	\$ 1,308,318	\$ 1,430,105	\$ 1,458,913
1,518,970	1,184,963	1,174,023	1,206,950
245,956	291,053	304,492	303,841
8,900	36,862	2,246	121,386
2,596,900	41,700	2,500	57,375
<u>6,080,204</u>	<u>2,862,896</u>	<u>2,913,366</u>	<u>3,148,465</u>
<u>\$ 11,150,415</u>	<u>\$ 6,048,529</u>	<u>\$ 5,153,199</u>	<u>\$ 6,665,339</u>

**CITY OF BAXTER, MINNESOTA
CHANGE IN NET ASSETS (CONTINUED)
LAST SEVEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year		
	2004	2005	2006
Net (Expense)/Revenue			
Governmental Activities	\$ 8,961,367	\$ 4,132,244	\$ 869,503
Business-Type Activities	308,373	1,311,049	977,176
Total Primary Government Net (Expense)/Revenue	<u>\$ 9,269,740</u>	<u>\$ 5,443,293</u>	<u>\$ 1,846,679</u>
General Revenues and Other Changes in Net Assets			
Governmental Activities			
Property Taxes	\$ 2,847,680	\$ 3,238,935	\$ 3,873,216
Lodging Tax	-	-	263,573
Sales Tax	-	-	471,158
Tax Increments	555,084	349,382	288,162
Grants and Contributions not Restricted for a Particular Purpose	78,738	70,308	84,130
Investment Earnings	61,573	292,384	681,212
Miscellaneous	922,011	201,953	118,395
Gain on Sale of Capital Assets	-	-	8,100
Transfers	(6,119,894)	(7,616,727)	(4,325,963)
Total Governmental Activities	<u>\$ (1,654,808)</u>	<u>\$ (3,463,765)</u>	<u>\$ 1,461,983</u>
Business-Type Activities			
Investment Earnings	\$ -	\$ -	\$ -
Transfers	6,119,894	7,616,727	4,325,963
Total Business-Type Activities Program Revenues	<u>6,119,894</u>	<u>7,616,727</u>	<u>4,325,963</u>
Total Primary Government Program Revenues	<u>\$ 4,465,086</u>	<u>\$ 4,152,962</u>	<u>\$ 5,787,946</u>
Change in Net Assets	\$ 13,734,826	\$ 9,596,255	\$ 7,634,625
Net Assets -- Beginning of Year	39,820,919	53,555,745	63,152,000
Net Assets -- End of Year	<u>\$ 53,555,745</u>	<u>\$ 63,152,000</u>	<u>\$ 70,786,625</u>

Notes:

- (1) The City implemented GASB 34 for the period ended December 31, 2004. Information prior to the implementation is not available.
- (2) The City began providing Storm Water services during the period ended December 31, 2006.

Fiscal Year

2007	2008	2009	2010
\$ (3,038,309)	\$ (6,563,367)	\$ (5,730,141)	\$ (4,570,432)
3,091,582	(352,137)	(387,319)	(109,448)
<u>\$ 53,273</u>	<u>\$ (6,915,504)</u>	<u>\$ (6,117,460)</u>	<u>\$ (4,679,880)</u>

\$ 4,653,175	\$ 5,039,645	\$ 5,453,694	\$ 5,312,680
287,486	282,654	251,007	265,889
2,032,718	1,921,680	1,875,168	1,917,505
382,414	389,568	371,551	392,575
190,051	100,663	33,120	2,957
693,913	488,173	265,196	301,744
63,324	118,419	53,039	56,613
3,902	-	-	17,351
<u>(2,367,791)</u>	<u>(786,112)</u>	<u>729,214</u>	<u>806,686</u>
<u>\$ 5,939,192</u>	<u>\$ 7,554,690</u>	<u>\$ 9,031,989</u>	<u>\$ 9,074,000</u>

\$ 370,812	\$ 290,021	\$ 135,109	\$ 150,776
<u>2,367,791</u>	<u>786,112</u>	<u>(729,214)</u>	<u>(806,686)</u>
<u>2,738,603</u>	<u>1,076,133</u>	<u>(594,105)</u>	<u>(655,910)</u>
<u>\$ 8,677,795</u>	<u>\$ 8,630,823</u>	<u>\$ 8,437,884</u>	<u>\$ 8,418,090</u>

\$ 8,731,068	\$ 1,715,319	\$ 2,320,424	\$ 3,738,210
<u>70,786,625</u>	<u>79,517,693</u>	<u>81,233,012</u>	<u>83,553,436</u>
<u>\$ 79,517,693</u>	<u>\$ 81,233,012</u>	<u>\$ 83,553,436</u>	<u>\$ 87,291,646</u>

CITY OF BAXTER, MINNESOTA
FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2001	2002	2003	2004
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Assigned (Designated 2000-2009)	700,469	1,109,463	1,428,438	200,000
Unassigned (Unrestricted, Undesignated)				1,807,153
Total General Fund	\$ 700,469	\$ 1,109,463	\$ 1,428,438	\$ 2,007,153
All Other Governmental Funds				
Nonspendable				
Special Revenue Funds	\$ -	\$ -	\$ -	\$ -
Restricted				
Special Revenue Funds	-	-	-	-
Debt Service Fund	-	-	-	-
Committed				
Special Revenue Funds	-	-	-	-
Reserved (2000-2009 only)				
Special Revenue Funds	-	-	-	-
Debt Service Fund	-	-	-	-
Capital Project Fund	-	-	2,061,576	1,085,531
Assigned (Designated 2000-2009)				
Special Revenue Funds	-	489,732	357,206	294,594
Debt Service Fund	4,664,428	2,725,096	3,507,013	5,225,501
Capital Project Fund	-	-	-	-
Unassigned (Unrestricted, Undesignated)				
Special Revenue Funds	990,624	852,394	1,692,628	2,837,817
Capital Project Fund	(275,769)	2,083,746	(86,278)	(6,687)
Total All Other Governmental Funds	\$ 5,379,283	\$ 6,150,968	\$ 7,532,145	\$ 9,436,756

Note:

The City implemented GASB 54 in fiscal year 2010, resulting in significant reclassification of the components of fund balance. Years prior to 2010 have not been restated.

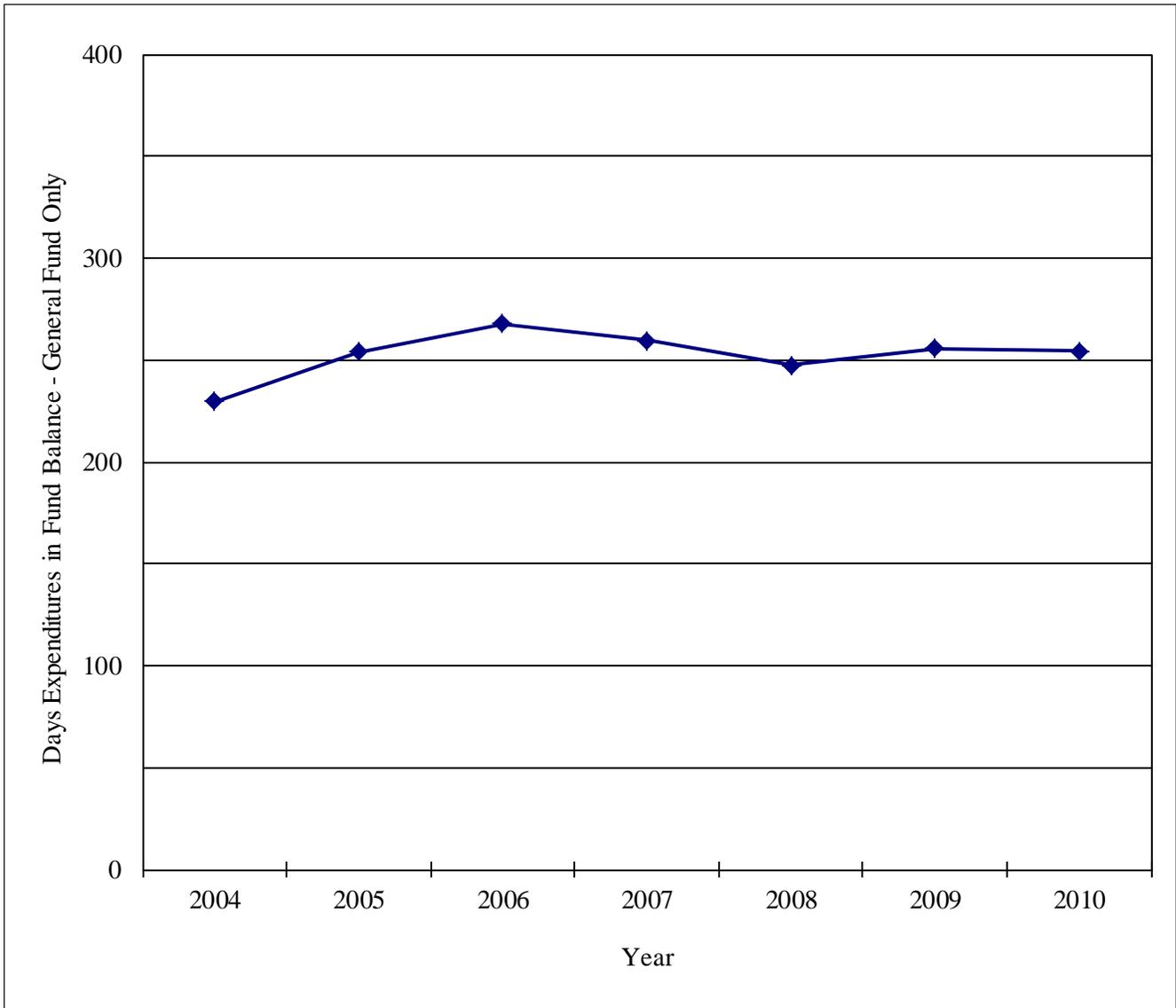
Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,149
275,000	-	-	-	-	565,400
2,221,045	2,670,101	2,685,029	2,763,542	2,777,951	2,782,544
<u>\$ 2,496,045</u>	<u>\$ 2,670,101</u>	<u>\$ 2,685,029</u>	<u>\$ 2,763,542</u>	<u>\$ 2,777,951</u>	<u>\$ 3,352,093</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 942
-	-	-	-	-	8,027,883
-	-	-	-	-	11,433,456
-	-	-	-	-	638,971
-	-	128,088	21,202	25,064	-
-	-	10,536,564	8,697,629	7,645,710	-
27,244	989,602	1,246,291	104,763	1,001,565	-
283,882	278,793	-	-	-	14,406
9,266,713	9,149,905	-	-	-	-
-	-	-	-	-	1,908,456
2,852,903	2,181,093	3,151,887	4,883,894	6,861,900	(10,966)
<u>\$ 12,430,742</u>	<u>\$ 12,599,393</u>	<u>\$ 15,062,830</u>	<u>\$ 13,707,488</u>	<u>\$ 15,534,239</u>	<u>\$ 22,013,148</u>

CITY OF BAXTER, MINNESOTA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2001	2002	2003	2004
Revenues				
Taxes	\$ 1,632,025	\$ 2,020,379	\$ 2,432,851	\$ 2,840,143
Lodging Tax	-	-	-	-
Sales Tax	-	-	-	-
Tax Increments	146,115	7	-	555,084
Special Assessments	1,852,333	1,980,202	1,952,972	3,306,021
Licenses, Permits, and Fees	369,779	446,549	536,234	742,731
Intergovernmental	1,429,851	1,265,693	669,988	2,099,972
Charges for Services	11,871	159,531	167,104	364,194
Fines and Forfeits	33,395	37,448	41,060	53,744
Gifts and Contributions	-	-	-	89,128
Interest on Investments	240,087	56,022	60,589	42,713
Miscellaneous	644,602	436,387	562,993	875,604
Revolving Loans	-	21,063	50,552	54,556
Total Revenues	6,360,058	6,423,281	6,474,343	11,023,890
Expenditures				
Current				
General Government	721,201	886,228	839,023	1,036,163
Public Safety	797,648	877,903	1,004,837	1,299,888
Highways and Streets	279,756	303,828	238,040	356,367
Sanitation	-	-	-	-
Culture and Recreation	283,648	336,289	318,289	359,307
Economic and Community Development	304,832	721,065	458,771	388,374
Capital Outlay	4,563,800	3,405,657	7,347,568	12,180,260
Debt Service				
Principal	472,091	3,511,024	1,089,068	1,358,311
Interest and Fiscal Charges	433,849	377,176	411,782	489,171
Bond Issue Costs	-	-	-	57,191
Total Expenditures	7,856,825	10,419,170	11,707,378	17,525,032
Excess (Deficiency) of Revenues				
Over Expenditures	(1,496,767)	(3,995,889)	(5,233,035)	(6,501,142)
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	-	43,097	-	-
Proceeds from Sale of Bonds	2,094,196	4,435,000	6,756,827	9,050,000
Proceeds from Sale of Equipment Certificates	-	498,695	378,420	-
Premium on Bonds/Notes Issued	-	-	-	109,298
Discount on Bonds/Notes Issued	-	-	-	-
Proceeds from Capital Lease	-	-	-	-
Transfers In	625,391	609,465	1,668,693	1,319,278
Transfers Out	(525,064)	(409,689)	(1,870,753)	(1,494,108)
Total Other Financing Sources (Uses)	2,194,523	5,176,568	6,933,187	8,984,468
Net Change in Fund Balances	\$ 697,756	\$ 1,180,679	\$ 1,700,152	\$ 2,483,326
Debt Service as a Percentage of				
Noncapital Expenditures	27.5%	55.4%	34.4%	35.6%

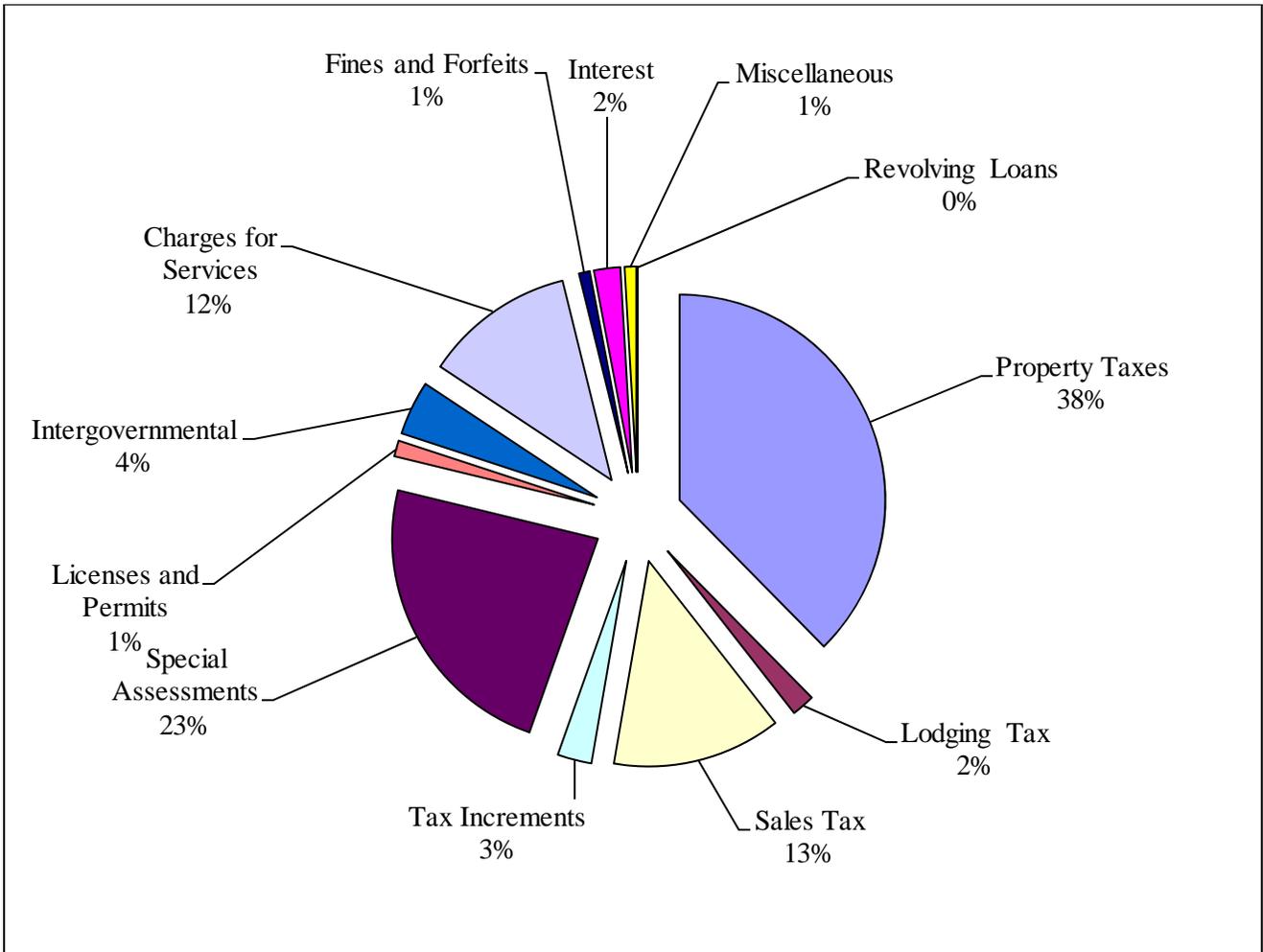
		Fiscal Year									
		2005	2006	2007	2008	2009	2010				
\$	3,236,858	\$	3,857,157	\$	4,520,077	\$	4,828,170	\$	5,170,688	\$	5,498,763
	-		263,573		287,486		282,654		251,007		265,889
	-		471,158		2,032,718		1,914,352		1,836,111		1,938,915
	349,382		288,162		382,414		389,568		371,551		392,575
	4,545,479		4,467,960		4,483,790		3,340,550		2,979,835		3,418,718
	790,646		707,898		417,220		264,616		299,446		183,762
	187,997		1,661,592		1,112,761		1,696,669		537,348		624,073
	708,931		694,640		733,708		544,356		611,278		1,730,146
	84,982		74,582		104,511		132,048		130,195		125,579
	8,822		47,686		1,250		24,512		5,211		3,100
	292,384		681,212		693,913		488,173		265,196		301,739
	255,308		170,181		154,439		225,400		150,509		131,045
	46,086		53,035		50,275		50,275		29,327		-
	10,506,875		13,438,836		14,974,562		14,181,343		12,637,702		14,614,304
	1,004,458		1,154,061		1,369,883		1,333,983		1,368,989		1,388,835
	1,628,735		1,712,108		1,808,239		1,877,751		1,925,811		1,973,467
	450,389		847,037		871,334		971,514		583,939		604,009
	-		-		28,739		34,670		36,090		34,669
	432,061		482,854		454,263		674,652		508,600		471,005
	350,402		949,525		1,070,651		714,819		592,660		790,883
	6,145,195		12,818,079		4,374,199		2,865,591		5,324,000		5,886,965
	2,177,489		3,349,829		4,130,113		5,806,933		5,138,184		4,912,770
	788,329		878,191		1,188,664		1,161,914		1,057,541		1,026,125
	116,838		106,949		57,349		-		-		35,925
	13,093,896		22,298,633		15,353,434		15,441,827		16,535,814		17,124,653
	(2,587,021)		(8,859,797)		(378,872)		(1,260,484)		(3,898,112)		(2,510,349)
	-		-		3,902		2,902		-		13,468
	6,195,000		10,000,000		3,425,000		-		5,010,058		8,765,571
	-		-		-		-		-		-
	3,352		68,143		26,940		-		-		-
	(37,253)		(10,078)		-		-		-		(22,325)
	-		250,000		-		-		-		-
	1,100,415		2,842,890		2,173,114		1,798,792		2,516,017		2,408,814
	(1,191,615)		(3,948,451)		(2,771,719)		(1,818,039)		(1,786,803)		(1,602,128)
	6,069,899		9,202,504		2,857,237		(16,345)		5,739,272		9,563,400
\$	3,482,878	\$	342,707	\$	2,478,365	\$	(1,276,829)	\$	1,841,160	\$	7,053,051
	44.4%		45.7%		49.0%		55.4%		55.3%		53.2%

CITY OF BAXTER, MINNESOTA
DAYS EXPENDITURES IN UNASSIGNED FUND BALANCE – GENERAL FUND
LAST SEVEN FISCAL YEARS

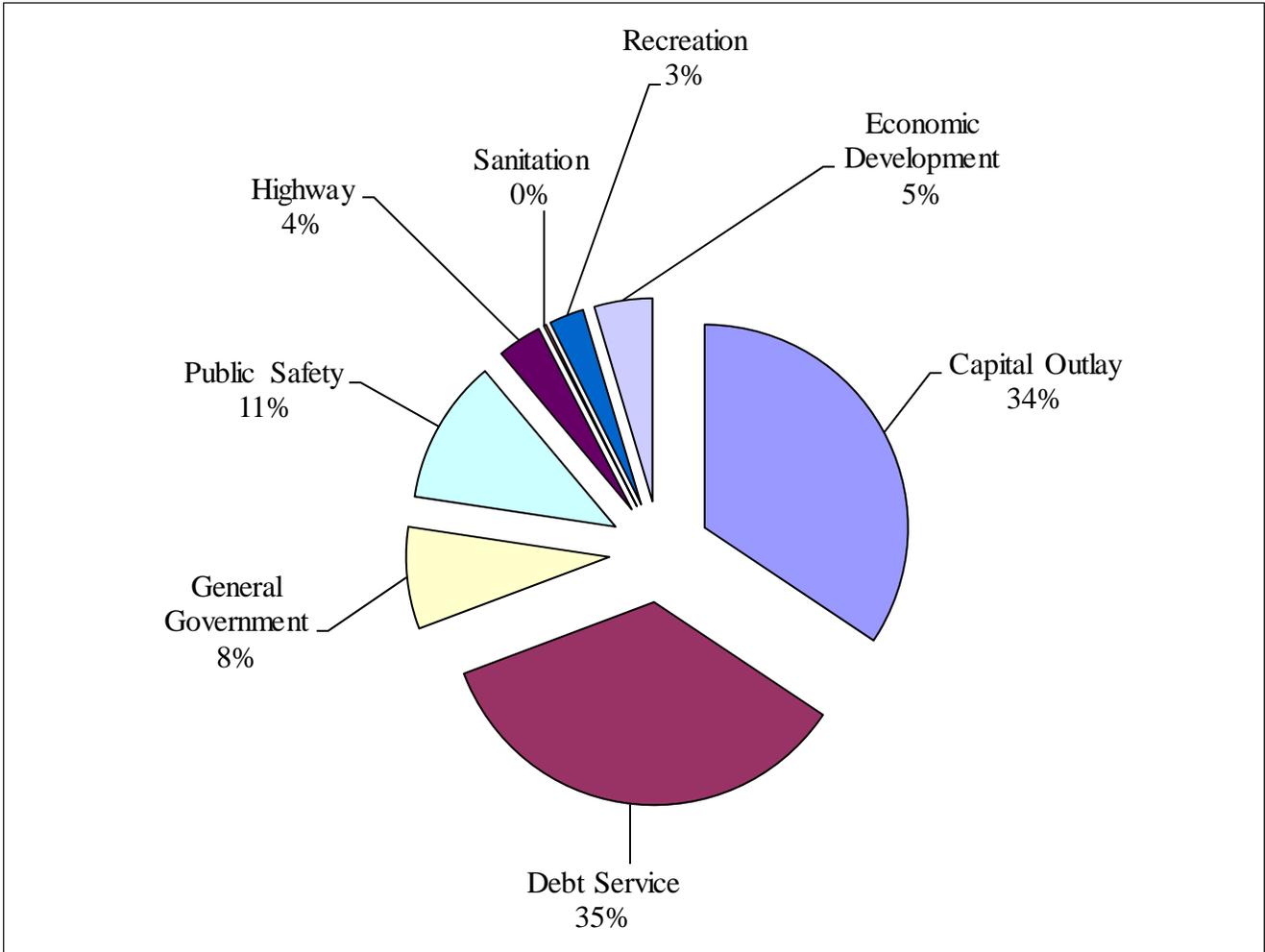


* Unreserved, undesignated fund balance prior to 2010.

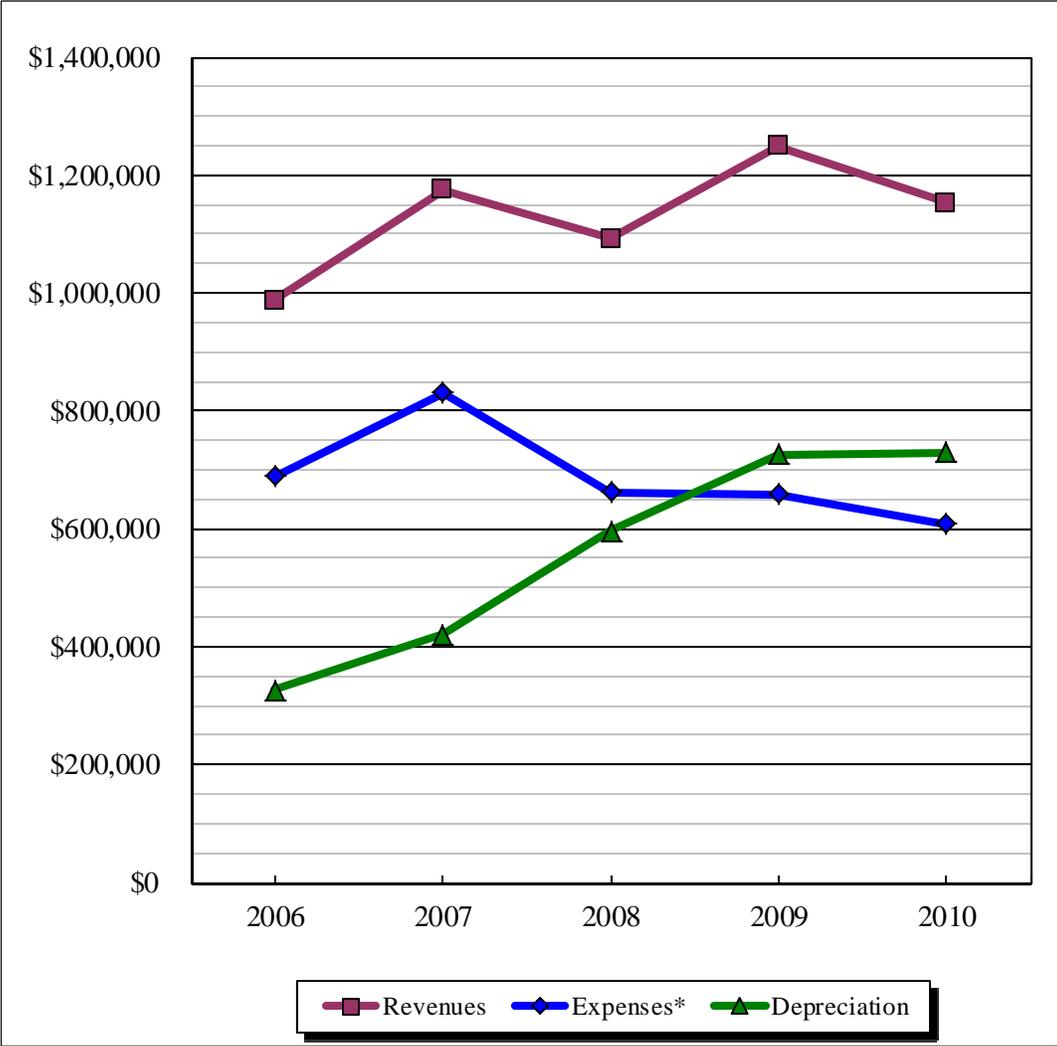
**CITY OF BAXTER, MINNESOTA
REVENUES – GOVERNMENTAL FUNDS
DECEMBER 31, 2010**



**CITY OF BAXTER, MINNESOTA
EXPENDITURES – GOVERNMENTAL FUNDS
DECEMBER 31, 2010**

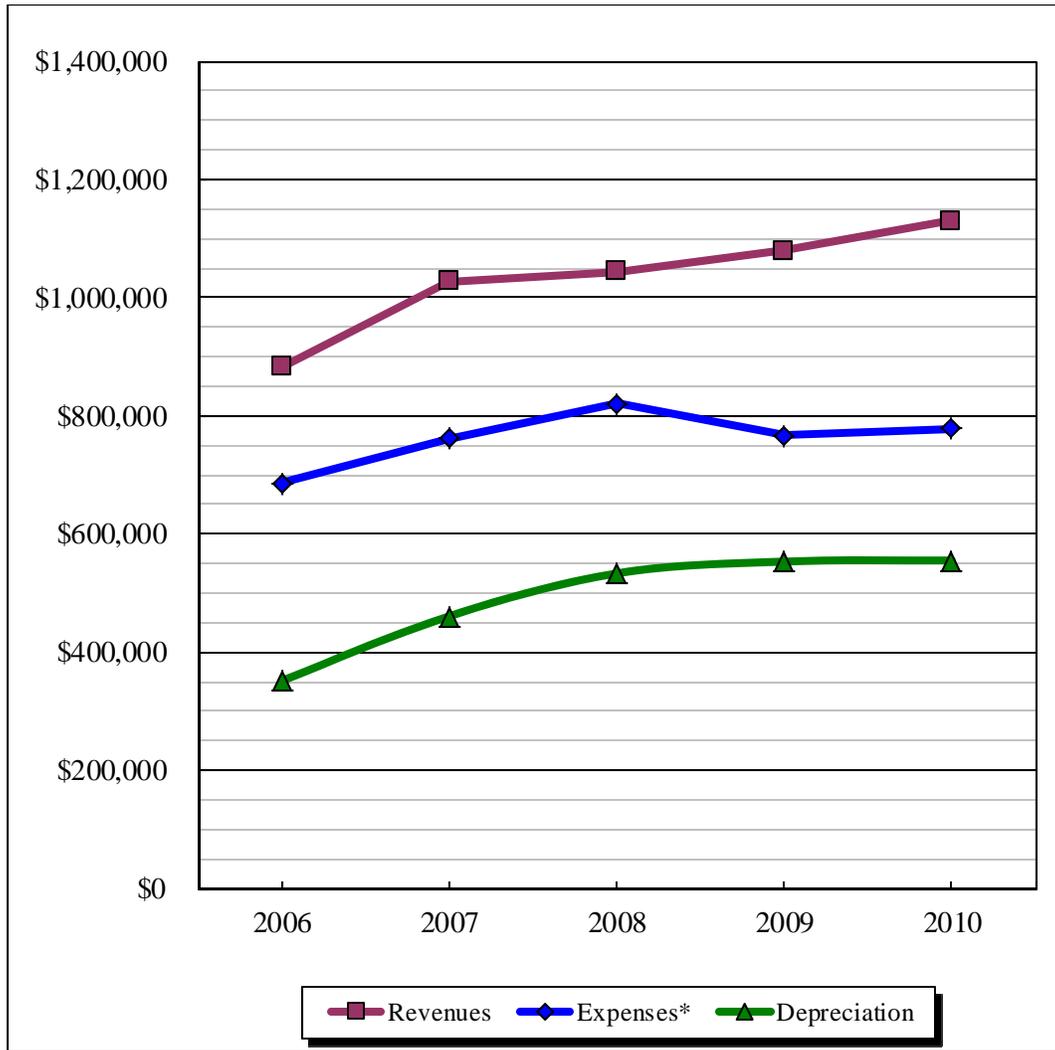


**CITY OF BAXTER, MINNESOTA
REVENUES AND EXPENSES – WATER FUND
LAST FIVE FISCAL YEARS**



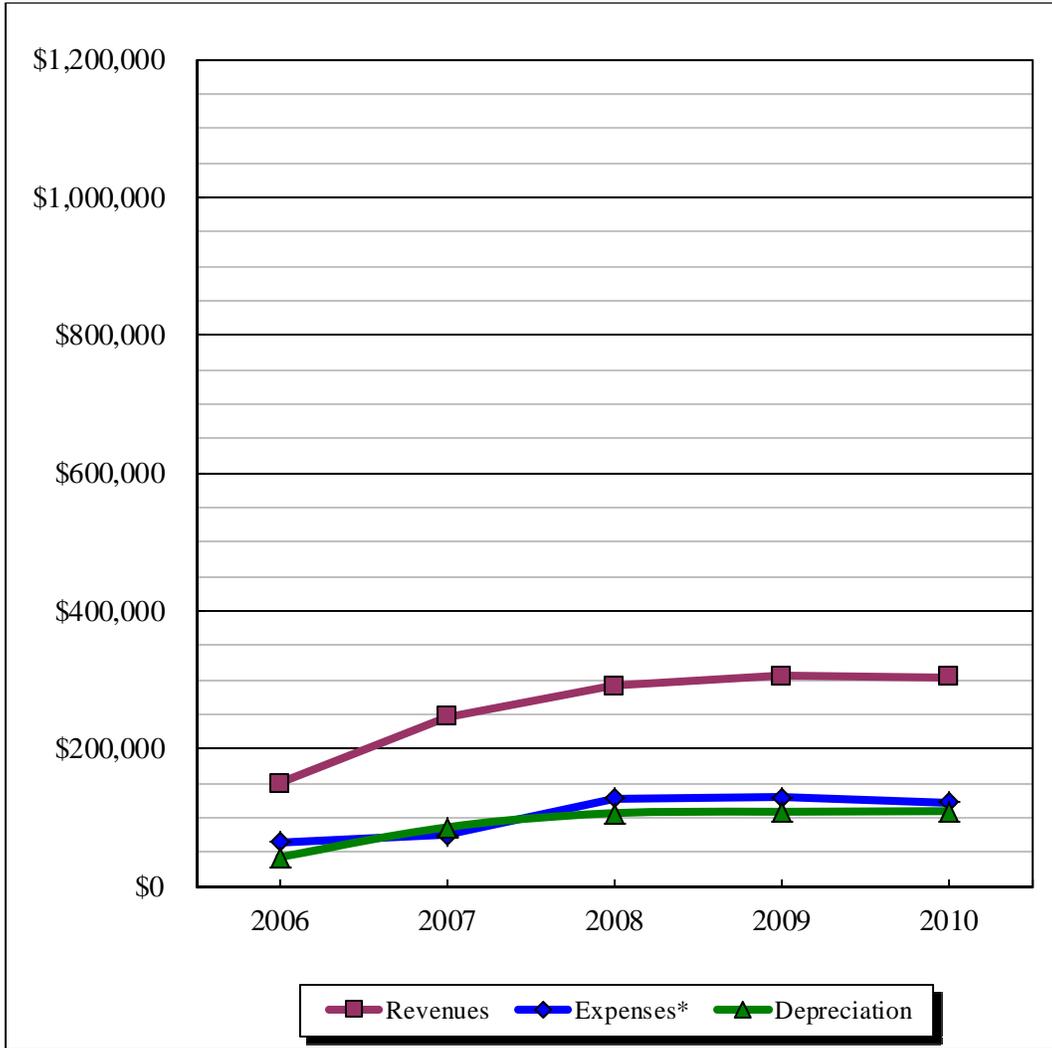
* Expenses excluding depreciation.

**CITY OF BAXTER, MINNESOTA
REVENUES AND EXPENSES – SEWER FUND
LAST FIVE FISCAL YEARS**



* Expenses excluding depreciation.

**CITY OF BAXTER, MINNESOTA
REVENUES AND EXPENSES – STORM WATER FUND
LAST FIVE FISCAL YEARS**



* Expenses excluding depreciation.

**CITY OF BAXTER, MINNESOTA
NET TAX CAPACITY AND ESTIMATED MARKET VALUE OF PROPERTY
LAST TEN FISCAL YEARS**

Payable Year	Residential Property	Commercial/ Industrial Property	Other	Personal Property	Less: Captured Tax Increment
2001	\$ 2,633,607	\$ 4,486,888	\$ 42,946	\$ 83,188	\$ 147,871
2002	2,525,889	3,424,250	40,007	50,216	117,761
2003	2,927,587	4,097,629	67,786	51,073	179,719
2004	3,380,163	4,537,506	80,994	56,720	244,029
2005	4,007,882	4,902,001	105,897	62,462	339,288
2006	4,435,925	5,744,785	115,975	72,475	346,293
2007	5,127,854	6,803,975	101,570	75,501	424,959
2008	5,542,039	7,456,405	112,832	76,674	459,189
2009	5,663,990	7,667,695	127,262	78,088	432,701
2010	5,797,270	7,324,801	143,883	78,828	468,523

Source:

Bond Issue Official Statements and Crow Wing County.

Net Tax Capacity	Total Direct Tax Rate	Assessor's Estimated Market Value	Assessed Value as a Percentage of Actual Value
7,098,758	24.8 %	\$ 441,520,024	1.61 %
5,922,601	41.1	536,481,660	1.10
6,964,356	37.7	658,310,758	1.06
7,811,354	39.0	635,583,613	1.23
8,738,954	40.3	812,913,188	1.08
10,022,867	40.6	928,410,997	1.08
11,683,941	41.2	1,071,110,719	1.09
12,728,761	41.0	1,028,962,949	1.24
13,104,334	42.2	1,033,390,159	1.27
12,876,259	44.0	974,029,129	1.32

**CITY OF BAXTER, MINNESOTA
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 LAST TEN FISCAL YEARS**

Fiscal Year	City Direct Rate		
	Basic Rate	General Obligation Debt Service	Total Direct
2001	24.8 %	- %	24.8 %
2002	34.7	6.4	41.1
2003	32.6	5.1	37.7
2004	31.3	7.7	39.0
2005	34.4	5.9	40.3
2006	35.5	5.1	40.6
2007	32.8	8.4	41.2
2008	32.8	8.2	41.0
2009	33.2	9.0	42.2
2010	34.7	9.3	44.0

Source:
 Crow Wing County.

Overlapping Rates

School District 181	Crow Wing County	Other	Total Overlapping	Total Direct and Overlapping Tax Rate
46.0 %	29.7 %	0.3 %	76.0 %	100.8 %
22.7	39.2	0.3	62.3	103.3
26.5	35.9	0.3	62.7	100.3
24.3	33.3	0.3	57.9	96.9
24.3	38.6	0.2	63.2	103.5
23.2	37.2	0.2	60.6	101.2
22.1	33.9	0.2	56.2	97.4
17.9	30.5	0.2	48.5	89.5
17.7	28.5	0.1	46.3	88.5
21.0	28.0	0.1	49.1	93.1

**CITY OF BAXTER, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

Fiscal Year	Taxes Levied for the Fiscal Year			Collected within the Fiscal Year of the Levy	
	Operating Tax Levy	Debt Tax Levy	Total Tax Levy (1)	Amount	Percentage of Levy
2001	\$ 2,628,078	\$ -	\$ 2,628,078	\$ 1,731,577	65.9 %
2002	2,056,435	375,000	2,431,435	2,206,389	90.7
2003	2,272,564	350,000	2,622,564	2,422,797	92.4
2004	2,444,834	604,900	3,049,734	2,829,393	92.8
2005	3,010,532	511,600	3,522,132	3,300,907	93.7
2006	3,559,700	505,000	4,064,700	3,797,116	93.4
2007	3,827,000	979,000	4,806,000	4,455,552	92.7
2008	4,164,300	1,047,000	5,211,300	4,759,069	91.3
2009	4,343,700	1,170,000	5,513,700	4,925,630	89.3
2010	4,463,000	1,187,000	5,650,000	5,403,813	95.6

Note:

(1) Total tax levy and current tax collections include property tax apportionments from Crow Wing County and homestead, disparity reduction credits and equalization aid from the State of Minnesota.

Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes	Percentage of Levy Outstanding
	Amount	Percentage of Levy		
\$ 14,947	\$ 1,746,524	66.5 %	\$ 881,554	33.5 %
21,180	2,227,569	91.6	203,866	8.4
9,713	2,432,510	92.8	190,054	7.2
14,366	2,843,759	93.2	205,975	6.8
13,054	3,313,961	94.1	208,171	5.9
20,341	3,817,457	93.9	247,243	6.1
33,799	4,489,351	93.4	316,649	6.6
11,999	4,771,068	91.6	440,232	8.4
125,012	5,050,642	91.6	463,058	8.4
-	5,403,813	95.6	246,187	4.4

**CITY OF BAXTER, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**

Taxpayer	2010			2001		
	Net Tax Capacity (1)	Rank	Percentage of Total City Net Tax Capacity	Net Tax Capacity (1)	Rank	Percentage of Total City Net Tax Capacity
Mills Properties Inc.	\$ 833,946	1	6.48 %	\$ 737,874	1	12.45 %
Wal-Mart Stores, Inc. (1)	258,077	2	2.00	75,241	6	1.27
Menards, Inc.	203,108	3	1.58			
Developers Diversified (Westgate Mall)	168,524	4	1.31	168,638	2	2.85
JC Penney Properties, Inc.	164,114	5	1.27			
Michael Holdings of Baxter, LLC.	132,210	6	1.03			
Home Depot USA, Inc.	128,990	7	1.00	119,752	4	2.02
Dayton Hudson Corporation (Target)	126,016	8	0.98	124,896	3	2.11
Individual	116,976	9	0.91			
Navillus Land, Co.	110,659	10	0.86			
Individual				96,430	5	1.63
Individual				62,858	7	1.06
Bridgeview Ltd. Partnership				66,953	8	1.13
Rapid River Lodge				64,664	9	1.09
Westport Development				64,962	10	1.10
Total	\$ 2,242,620		17.42%	\$ 1,582,268		26.70%

Source:
Crow Wing County.

Notes:
(1) Formerly known as Golf Crest Ltd. Partnership.

**CITY OF BAXTER, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities				Business-Type Activities		Percentage of Personal Income	Per Capita
	General Obligation Bonds	Revenue Bonds	Equipment Certificates	Capital Leases	General Obligation Bonds	Total Primary Government		
2001	\$ 9,849,583	\$ 329,342	\$ -	\$ -	\$ 2,755,000	\$ 12,933,925	9.2 %	\$ 2,224
2002	10,816,673	286,227	495,000	-	2,575,000	14,172,900	9.4	2,314
2003	16,463,236	240,596	875,000	-	2,385,000	19,963,832	11.7	3,041
2004	24,318,217	192,304	760,000	-	2,185,000	27,455,521	14.9	3,987
2005	28,631,558	141,474	515,000	-	5,785,000	35,073,032	18.0	4,858
2006	35,658,203	-	305,000	225,000	3,805,000	39,993,203	18.6	5,266
2007	35,193,090	-	90,000	200,000	9,415,000	44,898,090	19.2	5,787
2008	29,501,157	-	-	175,000	9,025,000	38,701,157	16.2	4,945
2009	24,507,339	4,890,692	-	150,000	8,625,000	38,173,031	15.4	4,819
2010	24,446,569	8,829,263	-	125,000	8,205,000	41,605,832	17.4	5,467

CITY OF BAXTER, MINNESOTA
RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION DEBT PER CAPITA
LAST SEVEN FISCAL YEARS

Fiscal Year	Total Gross General Obligation Bonds (1)	Amounts Restricted for Principal Repayments	Total Net General Obligation Bonds	Percentage of Estimated Market Value of Property	Net Bonded Debt per Capita
2004	\$ 396,217	\$ 311,491	\$ 84,726	- %	\$ 12
2005	348,559	274,120	74,439	-	10
2006	4,529,203	248,400	4,280,803	0.5	564
2007	4,478,090	273,285	4,204,805	0.4	542
2008	4,280,157	154,158	4,125,999	0.4	527
2009	4,070,339	136,901	3,933,438	0.4	497
2010	3,853,569	405,725	3,447,844	0.4	453

Note:

The City began to report accrual information when it implemented GASB 34 in fiscal year 2004.

(1) Amount does not include debt to be paid from special assessments, tax increments, water utility revenues, or other revenues.

CITY OF BAXTER, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2010

	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping			
Crow Wing County	\$ 46,075,000	9.95 %	\$ 458,446,250
Brainerd I.S.D. No. 181	80,615,000	19.96	16,090,754
Total Overlapping			474,537,004
City of Baxter Direct Debt	24,446,569	100.00	24,446,569
Total Direct and Overlapping Debt			\$ 498,983,573

Source:

Municipal Securities Rule Making Board and the respective governmental units.

Note:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Baxter. This schedule estimates the portion of outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

**CITY OF BAXTER, MINNESOTA
LEGAL DEBT MARGIN
LAST TEN FISCAL YEARS**

	Fiscal Year				
	2001	2002	2003	2004	2005
Debt Limit	\$ 13,245,601	\$ 16,094,450	\$ 19,749,323	\$ 19,067,508	\$ 24,387,396
Total Net Debt Applicable to Limit	-	495,000	662,635	760,000	515,000
Legal Debt Margin	<u>\$ 13,245,601</u>	<u>\$ 15,599,450</u>	<u>\$ 19,086,688</u>	<u>\$ 18,307,508</u>	<u>\$ 23,872,396</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	0.00%	3.08%	3.36%	3.99%	2.11%

Source:
Bond Issue Official Statements and Crow Wing County.

Fiscal Year				
2006	2007	2008	2009	2010
\$ 27,852,330	\$ 32,133,322	\$ 30,868,888	\$ 31,001,705	\$ 29,220,874
4,535,000	4,320,000	4,085,000	3,930,000	3,770,000
<u>\$ 23,317,330</u>	<u>\$ 27,813,322</u>	<u>\$ 26,783,888</u>	<u>\$ 27,071,705</u>	<u>\$ 25,450,874</u>
16.28%	13.44%	13.23%	12.68%	12.90%

Legal Debt Margin Calculation for Fiscal Year 2010

Estimated Market Value	\$ 974,029,129
Debt Limit (3% of Estimated Market Value)	29,220,874
Debt Applicable to Limit	<u>3,770,000</u>
Legal Debt Margin	<u>\$ 25,450,874</u>

**CITY OF BAXTER, MINNESOTA
PLEGGED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Special Assessment Bonds						
Fiscal Year	Revenue	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2001	\$ 1,157,218	\$ (992)	\$ 1,156,226	\$ 338,860	\$ 400,963	156.3 %
2002	1,924,964	(566)	1,924,398	2,117,595	366,038	77.5
2003	1,931,148	(28,493)	1,902,655	1,085,000	390,829	128.9
2004	3,070,742	(3,026)	3,067,716	1,240,000	498,053	176.5
2005	4,887,950	(6,278)	4,881,672	1,930,000	725,213	183.9
2006	4,878,060	(6,209)	4,871,851	3,923,000	840,526	102.3
2007	5,387,830	(7,106)	5,380,724	3,570,000	725,213	125.3
2008	4,127,170	(2,713)	4,124,457	5,215,000	932,061	67.1
2009	3,770,914	(2,559)	3,768,355	4,500,000	810,058	71.0
2010	4,192,259	(2,974)	4,189,285	4,060,000	655,098	88.8

Water Utility Revenue Bonds						
Fiscal Year	Revenue	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006	\$ -	\$ -	\$ -	\$ -	\$ 101,270	- %
2007	587,127	-	587,127	140,000	-	419.4
2008	545,940	-	545,940	145,000	143,936	188.9
2009	624,872	-	624,872	145,000	138,499	220.4
2010	576,626	-	576,626	155,000	132,874	200.3

Sales Tax Bonds						
Fiscal Year	Revenue	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2008	\$ -	\$ -	\$ -	\$ 58,699	\$ 5,843	- %
2009	9	-	9	119,366	25,370	-
2010	537,511	(1,261)	536,250	362,000	174,101	100.0

Economic Development Authority Bonds						
Fiscal Year	Revenue	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2001	\$ 52,365	\$ (361,441)	\$ (309,076)	\$ 20,658	\$ 10,063	(9.9) %
2002	65,532	(418,760)	(353,228)	63,115	9,468	(20.5)
2003	174,297	(203,189)	(28,892)	69,631	15,811	(295.7)
2004	134,439	(244,632)	(110,193)	72,278	13,150	(77.5)
2005	124,970	(166,202)	(41,232)	75,093	10,334	(207.2)
2006	162,286	(238,755)	(76,469)	165,474	4,628	(222.4)
2007	108,605	(265,213)	(156,608)	24,000	10,334	(21.9)
2008	107,339	(35,953)	71,386	24,000	-	33.6
2009	88,943	(32,302)	56,641	24,000	-	42.4
2010	128,883	(64,956)	63,927	24,000	-	37.5

Special Assessment/Water Revenue Bonds

Fiscal Year	Revenue	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2001	\$ 574,230	\$ (536)	\$ 573,694	\$ 110,000	\$ 110,090	260.7 %
2002	545,505	-	545,505	1,115,000	82,486	45.6
2003	933,190	-	933,190	80,000	51,230	711.1
2004	661,378	-	661,378	85,000	47,558	498.9
2005	786,596	-	786,596	85,000	114,082	395.1
2006	1,344,986	(460)	1,344,526	840,000	91,080	144.4
2007	347,137	(460)	346,677	245,000	114,082	96.5
2008	344,641	(20,483)	324,158	255,000	22,393	116.9
2009	803,173	(460)	802,713	260,000	35,695	271.5
2010	78,276	(459)	77,817	225,000	29,035	30.6

Water Utility/Local Option Sales Tax Revenue Bonds

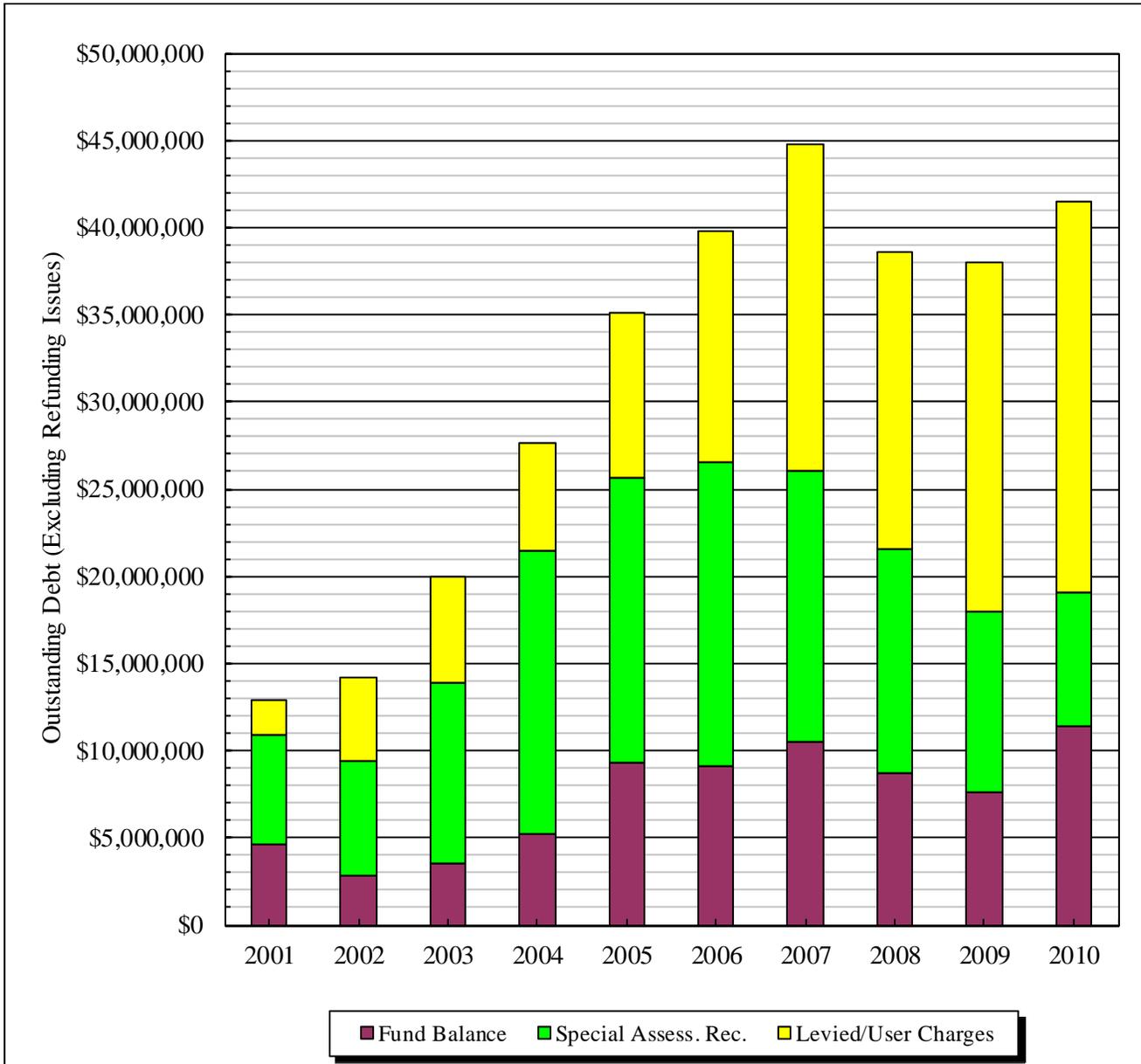
Fiscal Year	Revenue	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2007	\$ 1,524,632	\$ -	\$ 1,524,632	\$ 750,000	\$ -	203.3 %
2008	884,950	-	884,950	245,000	229,694	186.4
2009	782,388	-	782,388	255,000	220,200	164.6
2010	705,656	-	705,656	265,000	210,000	148.6

Tax Increment Bonds

Fiscal Year	Revenue	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2001	\$ 20,959	\$ -	\$ 20,959	\$ 20,000	\$ 3,555	89.0 %
2002	1,020	(944)	76	35,000	1,383	0.2

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**CITY OF BAXTER, MINNESOTA
OUTSTANDING DEBT BY PAYMENT SOURCE
LAST TEN FISCAL YEARS**



**CITY OF BAXTER, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS**

Fiscal Year	Population (1)	Personal Income (<i>thousands of dollars</i>) (2)	Per Capita Personal Income (3)	School Enrollment (4)	Unemployment Rate (5)
2001	5,815	\$ 140,706	\$ 24,197	7,359	4.5 %
2002	6,126	150,975	24,645	7,395	5.3
2003	6,564	170,047	25,906	7,270	5.8
2004	6,887	184,055	26,725	7,301	5.4
2005	7,219	194,834	26,989	7,245	5.1
2006	7,594	215,297	28,351	7,096	5.0
2007	7,758	234,144	30,181	7,116	5.7
2008	7,827	239,467	30,595	6,805	7.0
2009	7,921	248,315	31,349	6,819	10.0
2010	7,610	238,566	31,349 *	6,819 *	8.9

Notes:

(1) Minnesota Department of Administration, Office of Geographic and Demographic Analysis and U.S. Census Bureau.

(2) Calculated as (1) x (3) / \$1,000

(3) Minnesota Department of Administration, Office of Geographic and Demographic Analysis; data provided is for Crow Wing County, in which the City is located.

(4) Brainerd Public School District #181, Preschool - Grade 12.

(5) Minnesota Department of Employment and Economic Development; data provided is for Crow Wing County.

* Most recent available data.

**CITY OF BAXTER, MINNESOTA
PRINCIPAL EMPLOYERS
CURRENT AND SIX YEARS AGO**

Taxpayer	2010			2004 (1)		
	Employees	Rank	Percentage of Total Population	Employees	Rank	Percentage of Total Population
Wal-Mart	533	1	7.0 %	300	2	4.4 %
Ascensus (2)	500	2	6.6	200	3	2.9
Mills Fleet Farm	226	3	3.0	309	1	4.5
Menards	175	4	2.3	136	8	2.0
Nor-Son Inc	170	5	2.2	177	4	2.6
Kuepers Construction	160	6	2.1			
MN Department of Transportation	160	7	2.1	175	5	2.5
Target	150	8	2.0	147	7	2.1
Reichert Enterprises, Inc.	145	9	1.9			
Good Neighbor Home Health Care	140	10	1.8	150	6	2.2
The Home Depot				125	9	1.8
Cub Foods				120	10	1.7
Total	2,359		31.0 %	1,839		26.7 %

Source:

Minnesota Department of Trade and Economic Development.

Notes:

(1) Most recent available data.

(2) Ascensus was formally known as Bisys and moved to an adjacent city during 2010.

CITY OF BAXTER, MINNESOTA
FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN YEARS

	Full-Time Equivalent Employees as of December 31,			
	2001	2002	2003	2004
General Government				
Administration	3.03	3.00	2.50	1.00
Finance	1.75	1.77	3.00	3.00
Information Systems	-	-	1.00	1.00
Public Works Admin	2.25	2.00	2.50	3.00
Cemetery	-	-	-	-
Public Safety				
Police	12.32	12.39	13.53	12.37
Building Inspections	2.00	3.50	3.50	3.00
Highways and Streets				
Streets Maintenance	2.00	1.50	1.50	1.58
Culture and Recreation				
Park Maintenance	4.76	5.51	5.16	5.27
Recreation	2.93	3.22	2.63	2.70
Economic and Community Development				
Planning	2.99	2.72	1.51	2.00
Water, Sewer, and Storm Water				
Water	2.25	2.25	1.75	1.33
Sewer	1.25	1.25	1.75	1.33
Storm Water	-	-	-	0.08

Source:
City Finance Department.

Note:
Full-time equivalency for temporary and part-time employees is calculated as follows:

2009 - 2010 - budgeted hours divided by 2,080.

Full-Time Equivalent Employees as of December 31,

2005	2006	2007	2008	2009	2010
2.00	2.00	2.00	2.00	2.00	2.00
3.50	4.00	4.00	5.00	5.00	5.00
1.00	1.00	1.00	1.04	1.00	1.00
3.00	5.00	5.25	5.14	4.00	4.00
-	-	-	-	0.24	0.24
15.44	14.19	17.00	16.10	16.25	16.25
4.00	4.00	3.00	3.00	2.00	2.00
1.77	1.82	1.85	1.92	2.39	2.39
5.38	5.68	6.87	7.00	6.97	6.74
2.62	2.24	0.60	0.75	0.70	0.64
3.00	3.00	3.00	3.00	2.00	2.00
2.22	2.27	2.30	2.37	2.84	2.84
2.22	2.27	2.30	2.37	2.84	2.84
0.07	0.12	0.15	0.22	0.25	0.25

**CITY OF BAXTER, MINNESOTA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year			
	2001	2002	2003	2004
General Government				
Elections				
Primary	-	1	-	1
General	-	1	-	1
Registered voters				
Primary	-	3,577	-	3,729
General	-	3,978	-	4,448
Number of votes cast				
Primary	-	636	-	208
General	-	3,040	-	3,928
Voter participation (registered)				
Primary	-	18%	-	6%
General	-	76%	-	88%
Cemetery				
Burials	11	14	12	3
Police				
All Police Calls	4,528	5,201	5,572	5,935
Arrests	*	*	489	382
Arrest Charges				
Burglaries	*	*	42	20
Drug Arrests	*	*	21	30
DUI	*	*	44	49
Forgeries	*	*	61	66
Fraud	*	*	51	322
Larcenies/Thefts	*	*	423	332
Building Inspection				
Building permits	413	426	453	477
Planning				
Zoning applications	*	*	*	*
Building permits for new construction	*	*	*	*
Architectural review projects	*	*	*	*
Code enforcement cases	*	*	*	*
Streets Maintenance				
Road constructed (miles)	-	1	2	4
Parks				
Program participants	522	538	671	747
Water				
Number of accounts	*	1,458	1,605	1,784
Amount distributed (millions of gallons)	194	192	225	251
Sewer				
Number of accounts	*	1,290	1,409	1,557
Amount processed (millions of gallons)	122	146	154	166
Storm Water				
Residential accounts	*	*	*	*
Commercial accounts	*	*	*	*
Commercial square footage	*	*	*	*

Source:

City of Baxter, various departments. Police information obtained from MN Department of Public Safety website.

* Information is not available.

Fiscal Year						
2005	2006	2007	2008	2009	2010	
-	1	-	1	-	1	
-	1	-	1	-	1	
-	4,008	-	4,456	-	4,761	
-	4,468	-	5,279	-	5,100	
-	1,402	-	446	-	1,249	
-	3,386	-	4,375	-	3,520	
-	35%	-	10%	-	26%	
-	76%	-	83%	-	69%	
3	8	6	7	9	6	
5,992	5,657	6,536	5,935	6,065	*	
510	422	490	567	644	*	
27	20	7	21	8	*	
97	62	49	54	55	*	
78	76	79	91	96	*	
52	43	29	20	3	*	
234	127	130	123	90	*	
336	293	274	276	334	*	
644	1,039	925	912	638	622	
*	90	55	28	28	36	
*	90	20	25	13	9	
*	*	13	7	7	8	
*	*	*	63	63	28	
5	2	1	2	-	-	
704	*	*	*	*	*	
2,010	2,232	2,409	2,454	2,510	2,570	
272	326	332	298	288	281	
1,760	1,964	2,122	2,168	2,222	2,270	
183	198	201	194	186	190	
*	2,417	2,479	2,503	2,503	2,535	
*	298	312	331	333	340	
*	15,218,681	16,187,896	22,340,761	22,742,345	22,885,837	

**CITY OF BAXTER, MINNESOTA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

Function/Program	Fiscal Year			
	2001	2002	2003	2004
Police				
Stations	1	1	1	1
Patrol Units	*	*	*	*
Highways and Streets/Public Works				
Buildings	1	1	1	1
Trucks	4	4	5	6
Other Vehicles	1	1	3	3
Miles of streets	69	70	72	76
Street Lights	160	177	219	292
Culture and Recreation				
Number of parks	4	4	5	5
Acres of developed parks	54.5	54.5	58.5	58.5
Park structures	*	*	*	*
Playgrounds	*	*	*	*
Baseball fields	*	*	*	*
Hockey fields	*	*	*	*
Tennis courts	*	*	*	*
Basketball courts	*	*	*	*
Soccer fields	*	*	*	*
Skating rinks	*	*	*	*
Fishing pier	*	*	*	*
Utilities				
Watermain (miles)	*	*	*	*
Fire hydrants	*	*	*	*
Water towers	2	2	2	2
Water treatment plants	1	1	1	1
Interconnect buildings	1	1	1	1
Sanitary sewer (miles)	*	*	*	*
Manholes	*	*	*	*
Lift stations	13	13	15	17

* Information is not available.

Fiscal Year					
2005	2006	2007	2008	2009	2010
1	1	1	1	1	1
7	8	9	9	9	9
1	1	1	1	1	1
7	7	8	8	10	9
3	4	4	5	5	5
81	79	80	82	82	82
311	339	367	404	405	406
5	5	5	5	5	5
58.5	58.5	58.5	58.5	58.5	58.5
*	*	*	*	4	4
*	*	*	*	4	4
*	*	*	*	6	6
*	*	*	*	1	1
*	*	*	*	1	1
*	*	*	*	1	1
*	*	*	*	2	2
*	*	*	*	2	2
*	*	*	*	1	1
*	*	*	85	85	85
*	*	*	800	800	800
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
*	*	*	71	71	71
*	*	*	1,300	1,300	1,300
18	20	21	22	22	22