

CITY OF BAXTER, MINNESOTA
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2011



PREPARED BY:
Department of Finance

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INTRODUCTORY SECTION



May 8, 2012

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, 2011. *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. CliftonLarsonAllen LLP, a national certified public accounting firm, performed the audit for the fiscal year ended December 31, 2011. 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 select 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 are approved by the council. Budget-to-actual comparisons are provided in this report for the general fund, debt service fund and each individual special revenue fund for which an annual budget has been adopted. Major fund budget comparisons begin on page 55; nonmajor special revenue fund budgetary comparisons begin on page 69.

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 of Minnesota 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 and 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 2011 stood at 8.4%, an improvement over the average 2010 rate of 8.9%. 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 the purchase of 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 is refining its CIP plan to address planned infrastructure development and maintenance needs. In addition to the CIP plan, the City has recently completed or is planning to complete the following projects:

- Wastewater Treatment Facility Upgrade – Brainerd Public Utilities, located in the neighboring City of Brainerd, substantially completed the facility in 2010, with the facility going online in 2011. Completion of the project is anticipated in 2012. 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. Remaining costs incurred that are required to finalize the facility will be funded on a pay-as-you-go basis using local option sales tax proceeds.

- Water Tower – Construction of a third water tower for the City began in 2011 and the tower is scheduled to go online in 2012. The structure will benefit current and future City utility customers. No debt will be issued for the project as the tower will be funded with existing local option sales tax proceeds.
- Lift Station Rehabilitation – In 2011, the City completed the rehabilitation of two sewer lift stations. In 2012, two additional stations are scheduled to be rehabilitated. As existing infrastructure is aging, the City has scheduled rehabilitations in order to maximize the useful life and avoid service delivery problems. The rehabilitation of the lift stations will be paid 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 1.2 percent and maturities ranged from 1 month to 11 years, with an average maturity of 25 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.

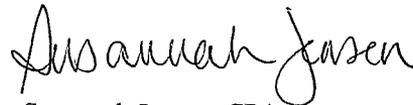
A Certificate of Achievement is valid for a period of one year only. We believe our current report conforms to the Certificate of Achievement program requirements, and we are submitting it to GFOA to determine its eligibility for a Certificate of Achievement.

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,

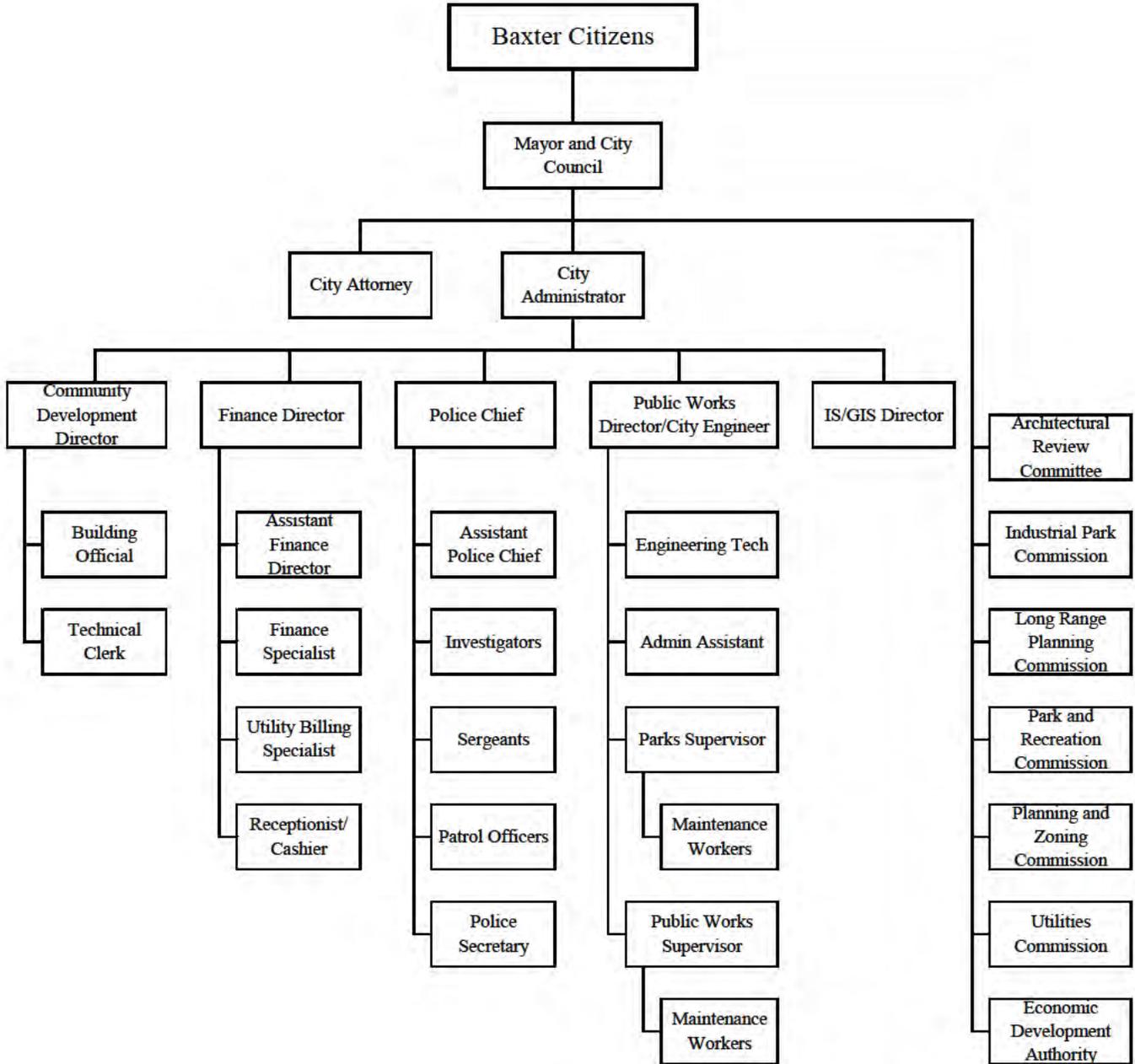


Jeremy S. Vacinek
Finance Director



Susannah Jensen, CPA
Assistant Finance Director

**CITY OF BAXTER, MINNESOTA
ORGANIZATIONAL CHART
DECEMBER 31, 2011**



**CITY OF BAXTER, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2011**

Office	Name	Elected Term Expires*
Elected		
Mayor	Darrel Olson	2013
City Council	Mark Cross	2013
	Todd Holman**	2013
	Jim Klein	2015
	Rob Moser	2015
Appointed		
City Administrator	Gordon Heitke	
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	CliftonLarsonAllen LLP	

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

**2011 Vice-Mayor

FINANCIAL SECTION



CliftonLarsonAllen

CliftonLarsonAllen LLP
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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, 2011, 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.

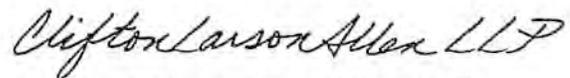
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baxter, Minnesota, as of December 31, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding progress on pages 3 through 14, 55 through 60 and 54, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Honorable Mayor and
Members of the City Council
City of Baxter

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baxter's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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.



CliftonLarsonAllen LLP

Baxter, Minnesota
May 8, 2012

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

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, 2011. 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 2011 include the following:

- City-wide net assets increased 2.0% over the prior year, due to a decrease in long-term debt. While total revenues for the year decreased \$1,434,218 from 2010, total expenses increased \$536,062 from the prior year.
- Governmental fund-level revenues totaled \$12,296,535 and were \$2,200,513 less than expenditures.
- Governmental funds' fund balance decreased \$1,613,730 from 2010.
- The Water Enterprise Fund net assets decreased \$222,494 from the prior year, the Sewer Enterprise Fund net assets increased \$9,290,457 from the prior year, and the Storm Water Enterprise Fund net assets increased \$98,795 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, 2011**

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, debt service fund, some special revenue funds, and some capital project subfunds. 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 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 28-53 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 54 of this report.

Combining and individual fund statements and schedules can be found on pages 61-73 of this report.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The City's overall net assets were \$89,059,576 on December 31, 2011 (see Table A-1).

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	\$ 33,453,392	\$ 37,025,983	\$ 8,821,105	\$ 8,821,861	\$ 42,274,497	\$ 45,847,844
Capital Assets	34,238,964	43,632,985	50,300,770	41,503,360	84,539,734	85,136,345
Total Assets	67,692,356	80,658,968	59,121,875	50,325,221	126,814,231	130,984,189
Current Liabilities	8,195,662	4,875,396	788,867	705,930	8,984,529	5,581,326
Long-Term Liabilities	21,417,411	30,305,461	7,352,715	7,805,756	28,770,126	38,111,217
Total Liabilities	29,613,073	35,180,857	8,141,582	8,511,686	37,754,655	43,692,543
Net Assets						
Invested in Capital Assets						
Net of Related Debt	19,093,683	14,638,901	42,523,243	33,290,422	53,175,816	47,929,323
Restricted	18,838,499	24,228,347	-	-	18,838,499	24,228,347
Unrestricted	147,101	6,610,863	8,457,050	8,523,113	17,045,261	15,133,976
Total Net Assets	\$ 38,079,283	\$ 45,478,111	\$ 50,980,293	\$ 41,813,535	\$ 89,059,576	\$ 87,291,646

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Assets

The City-wide total revenues were \$13,649,211 for the year ended December 31, 2011. Property taxes and special assessments (shown as capital grants and contributions) accounted for 47.4% of total revenue for the year; sales tax accounted for 14.2% of total revenue for the year. Governmental activities charges for services decreased \$1,452,028 primarily due to the 2010 one-time reimbursement of \$1,200,000 for the construction of Timberwood Drive and Independence Road infrastructure (see Table A-2).

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

	Governmental Activities			Business-Type Activities			Total		
	2011	2010	Total % Change	2011	2010	Total % Change	2011	2010	Total % Change
Revenues									
<u>Program Revenues</u>									
Charges for Services	\$ 863,487	\$ 2,315,515	(62.7) %	\$ 2,982,435	\$ 2,969,704	0.4 %	\$ 3,845,922	\$ 5,285,219	(27.2) %
Operating Grants and Contributions	360,152	279,697	28.8	18,177	121,386	(85.0)	378,329	401,083	(5.7)
Capital Grants and Contributions	687,075	921,662	(25.5)	111,272	57,375	93.9	798,347	979,037	(18.5)
<u>General Revenues</u>									
Property Taxes	5,667,151	5,312,680	6.7	-	-	-	5,667,151	5,312,680	6.7
Lodging Tax	287,419	265,889	8.1	-	-	-	287,419	265,889	8.1
Sales Tax	1,936,851	1,917,505	1.0	-	-	-	1,936,851	1,917,505	1.0
Tax Increment	333,922	392,575	(14.9)	-	-	-	333,922	392,575	(14.9)
Unrestricted State Aid	2,433	2,957	(17.7)	-	-	-	2,433	2,957	(17.7)
Investment Earnings	220,984	301,744	(26.8)	106,917	150,776	(29.1)	327,901	452,520	(27.5)
Other	70,936	73,964	(4.1)	-	-	-	70,936	73,964	(4.1)
Total Revenues	10,430,410	11,784,188		3,218,801	3,299,241		13,649,211	15,083,429	
Expenses									
General Government	1,416,819	1,428,267	(0.8)	-	-	-	1,416,819	1,428,267	(0.8)
Public Safety	1,939,880	2,034,789	(4.7)	-	-	-	1,939,880	2,034,789	(4.7)
Public Works	2,380,427	2,111,757	12.7	-	-	-	2,380,427	2,111,757	12.7
Sanitation	38,338	34,669	10.6	-	-	-	38,338	34,669	10.6
Water	-	-	-	1,652,130	1,677,288	(1.5)	1,652,130	1,677,288	(1.5)
Sewer	-	-	-	1,451,130	1,332,248	8.9	1,451,130	1,332,248	8.9
Storm Water	-	-	-	259,517	248,377	4.5	259,517	248,377	4.5
Culture and Recreation	687,545	618,718	11.1	-	-	-	687,545	618,718	11.1
Economic & Community Development	1,115,103	779,170	43.1	-	-	-	1,115,103	779,170	43.1
Interest	940,392	1,079,936	(12.9)	-	-	-	940,392	1,079,936	(12.9)
Total Expenses	8,518,504	8,087,306		3,362,777	3,257,913		11,881,281	11,345,219	
Increase in Net Assets Before Transfers	1,911,906	3,696,882	(48.3)	(143,976)	41,328	(448.4)	1,767,930	3,738,210	(52.7)
Transfers	(9,310,734)	806,686	(1,254.2)	9,310,734	(806,686)	(1,254.2)	-	-	-
Change in Net Assets	(7,398,828)	4,503,568	(264.3)	9,166,758	(765,358)	(1,297.7)	1,767,930	3,738,210	(52.7)
Net Assets - Beginning 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
Net Assets - End of Year	\$ 38,079,283	\$ 45,478,111	(16.3)	\$ 50,980,293	\$ 41,813,535	21.9	\$ 89,059,576	\$ 87,291,646	2.0

Total revenues surpassed expenses, increasing net assets \$1,767,930 over last year.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

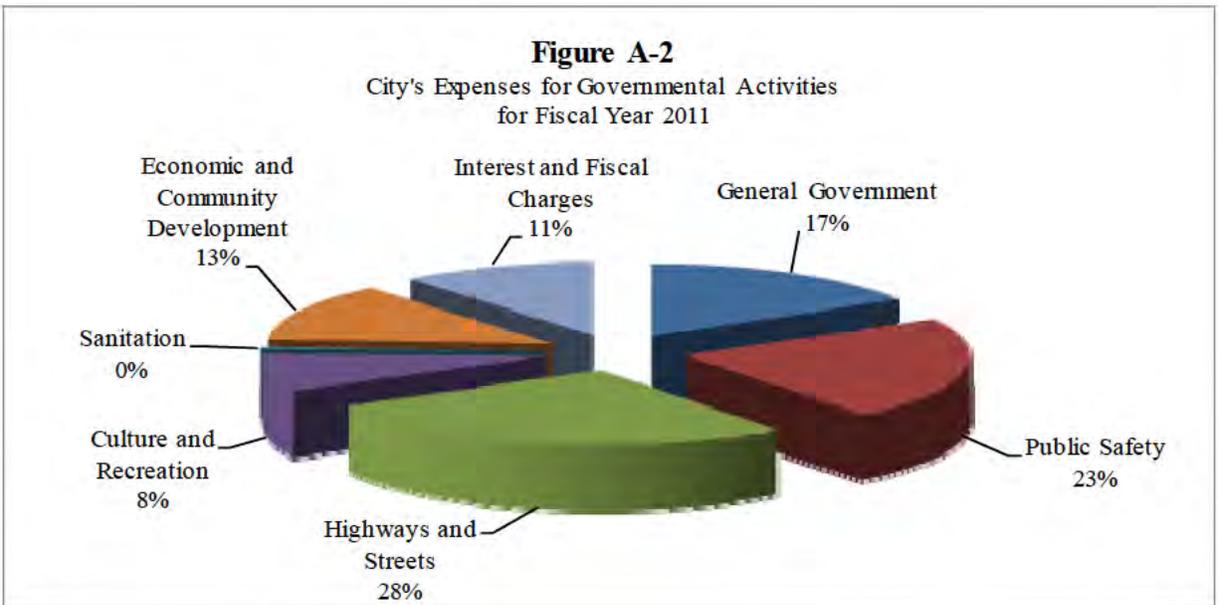
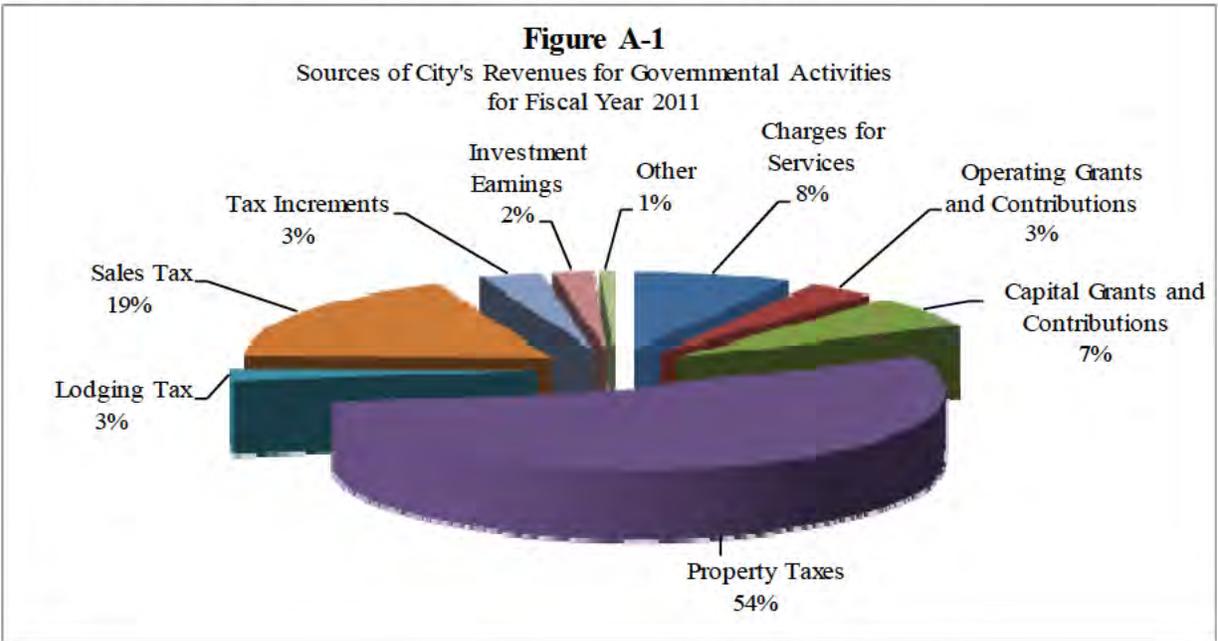
Changes in Net Assets (Continued)

The City-wide cost of all activities this year was \$11,881,281. Governmental activities and business-type activities comprised of \$8,518,504 and \$3,362,777, respectively.

- \$3,845,922 of the cost was paid by the users of the City's programs, comprising of: \$863,487 for governmental activities and \$2,982,435 for business-type activities.
- Certain programs in the governmental activities received federal, state, and local support with operating grants and contributions of \$360,152. State assistance for police services, a grant for the Financial Crimes Task Force program, a county grant for recycling, and an interest rebate for Build America Bonds comprised a majority of the revenue in this classification. Capital grants (special assessments, federal and state grants, and capital contributed from developers) accounted for \$687,075 of the revenues. Current year special assessments comprised over \$592,000 of the amount and developers contributed approximately \$64,000 of road infrastructure.
- The City's governmental activities' program expenses exceeded program revenues by \$6,607,790 (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, 2011**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)



**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

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
	2011	2010		2011	2010	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 1,416,819	\$ 1,428,267	(0.8) %	\$ (912,503)	\$ (849,952)	7.4 %
Public Safety	1,939,880	2,034,789	(4.7)	(1,440,221)	(1,518,323)	(5.1)
Public Works	2,380,427	2,111,757	12.7	(1,868,296)	(364,941)	411.9
Sanitation	38,338	34,669	10.6	(5,659)	(1,964)	188.1
Culture and Recreation	687,545	618,718	11.1	(609,346)	(474,692)	28.4
Economic and Community Development	1,115,103	779,170	43.1	(923,439)	(337,379)	173.7
Interest	940,392	1,079,936	(12.9)	(848,326)	(1,023,181)	(17.1)
Total	<u>\$ 8,518,504</u>	<u>\$ 8,087,306</u>	5.3	<u>\$ (6,607,790)</u>	<u>\$ (4,570,432)</u>	44.6
BUSINESS-TYPE ACTIVITIES						
Water	\$ 1,652,130	\$ 1,677,288	(1.5) %	\$ (183,407)	\$ (193,240)	(5.1) %
Sewer	1,451,130	1,332,248	8.9	(137,571)	21,776	(731.8)
Storm Water	259,517	248,377	4.5	70,085	62,016	13.0
Total	<u>\$ 3,362,777</u>	<u>\$ 3,257,913</u>	3.2	<u>\$ (250,893)</u>	<u>\$ (109,448)</u>	129.2

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 \$23,751,511.

Revenues for the City's governmental funds were \$12,296,535, while total expenditures were \$14,497,048. 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' (BPU) new wastewater treatment plant (approximately \$480,000) and construction of the new water tower (approximately \$1,390,000). While initial construction expenses for the BPU wastewater treatment plant were financed with the proceeds from the 2009A and 2009B revenue notes, current year expenditures and the new water tower are funded 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 2003 bond issue, the Debt Service Fund showed a deficiency of revenues under expenditures for the year.

GENERAL FUND

The General Fund includes the primary operations of the City in providing services to its residents. Fund balance in the General Fund did not change in 2011 due to one-time appropriations to the Collector Street Capital Project Subfund and the Debt Service Fund.

Expenditures were lower than budgeted particularly from savings realized by employee position vacancies and departmental operational costs that transpired throughout the year. Days Expenditures in Unassigned Fund Balance for the General Fund fell slightly from 255 days to 250 days due to a small increase in expenditures compared to 2010, primarily in the Highways and Streets and Culture and Recreation functions.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

GENERAL FUND (CONTINUED)

The following schedule presents a summary of General Fund Revenues:

**Table A-4
General Fund Revenues**

Fund	Year Ended		Change	
	December 31, 2011	December 31, 2010	Increase (Decrease)	Percent
Taxes and Special Assessments	\$ 4,572,762	\$ 4,375,522	\$ 197,240	4.5 %
Licenses and Permits	232,259	70,377	161,882	230.0
Intergovernmental	186,972	220,802	(33,830)	(15.3)
Charges for Services	515,601	459,240	56,361	12.3
Fines and Forfeits	87,373	106,839	(19,466)	(18.2)
Interest	44,697	45,391	(694)	(1.5)
Miscellaneous and Other	73,164	50,991	22,173	43.5
Total General Fund Revenue	<u>\$ 5,712,828</u>	<u>\$ 5,329,162</u>	<u>\$ 383,666</u>	7.2

Total General Fund revenue increased by \$383,666, or 7.2%, from the previous year. Property taxes and special assessments continue to be the significant source of funding in the general fund, comprising 80.0% of the total general fund revenues for 2011. The 2011 increase in property taxes and special assessments is the result of increased collection of general property taxes; actual collection exceeded budgeted collection by \$301,462. The City is less reliant upon intergovernmental revenues which make up only 3.3% of general fund revenues for 2011.

The following schedule presents a summary of General Fund Expenditures:

**Table A-5
General Fund Expenditures**

	Year Ended		Change	
	December 31, 2011	December 31, 2010	Increase (Decrease)	Percent
General Government	\$ 1,288,677	\$ 1,332,346	\$ (43,669)	(3.3) %
Public Safety	1,731,835	1,740,644	(8,809)	(0.5)
Highways and Streets	510,053	442,842	67,211	15.2
Culture and Recreation	499,648	444,322	55,326	12.5
Capital Outlay	15,096	6,020	9,076	150.8
Debt Service	25,000	25,000	-	-
Total Expenditures	<u>\$ 4,070,309</u>	<u>\$ 3,991,174</u>	<u>\$ 79,135</u>	2.0

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 \$557,428 more than expected due primarily to conservative budget practices; higher than anticipated property tax collections, charges for services, interest, and rent revenues; and timing of franchise fee receipts. The City also realized intergovernmental revenues from the school liaison program and financial crimes task force investigative program with the State.
- Actual expenditures were \$266,291 less than budgeted as a result of the contingency account not being fully utilized during the year, cost savings due to decreases in personnel, and realized savings on other miscellaneous purchases or unspent encumbrances.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2011**

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 2011, the EDA's fund balance decreased \$40,707 due to the restructuring of a special assessment, the cost of which will be recovered with future special assessment collections.

SALES TAX COLLECTIONS FUND

The Sales Tax Collections fund year-end fund balance was \$5,300,638, a decrease from the prior year by \$564,600. The planned decrease is attributable to the construction of a new water tower, the City's portion of BPU's wastewater treatment facility, and debt service payments for the 2007A General Obligation Water and Sales Tax Revenue Bonds and the 2009A and 2009B General Obligation Sales Tax and Sewer Revenue Bonds. It is anticipated that sales tax proceeds will accumulate for future capital needs, including the completion of the City's third water tower. 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 Plan 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 15 years.

No major construction projects requiring G.O. bond financing occurred in 2011. Preliminary engineering design continued on future infrastructure projects with the costs internally financed.

In February 2011, the City called its 2003A G.O. Improvement Bonds. By calling the 2003A bonds four years early, the City saved approximately \$213,000 in future interest expenditures.

Because the City issued no new debt, paid its regularly scheduled debt payments, and called the 2003A G.O. Improvement Bonds, fund balance for the Debt Service Fund decreased \$2,857,319 in 2011.

The Capital Project Fund accounts for the majority of the City's construction projects and acquisition of capital assets. Fund balance increased \$2,171,804 because major construction projects, including the water tower and wastewater treatment capacity, were funded on a pay-as-you-go basis through transfers from the Sales Tax Collections Fund. Other, previously considered projects were closed through funding from the General, Water, and Sewer Funds. The Collector Street and Capital Equipment subfunds accumulated funds in order to pay for future projects and capital asset acquisitions.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

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. Operating revenues in the proprietary funds increased 0.8% from 2010 due to increased rates in March 2010. Rates are reviewed annually and will continue to be reviewed in the future. As a result of decreased residential and commercial construction during the year, water and sewer availability charge revenue decreased \$118,441 or 32.4% from the prior year. Availability charges include those certified through special assessment agreements with Crow Wing County.

Water operating expenses decreased 0.7%, sewer operating expenses increased 8.8%, and storm water expenses increased 12.6% from 2010. The overall increase in the sewer fund operating expenses was due primarily to increased depreciation related to first-year capitalization of the wastewater treatment facility capacity and higher wastewater treatment costs from BPU.

The Storm Water fund was added in 2005 to address the need for funding storm water management and maintenance. In 2011, operating revenues remained stable, increasing by \$764 from 2010. Storm water fund expenses increased by \$29,055 due to increased maintenance of the storm water system.

CAPITAL ASSETS

By the end of 2011, the City had invested approximately \$120,100,000 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 \$3,512,329 (including the enterprise funds).

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

	Governmental Activities		Percentage Change	Business-Type Activities		Percentage Change	Total		Percentage Change
	2011	2010		2011	2010		2011	2010	
Land	\$ 5,887,543	\$ 5,428,412	8.5 %	\$ 907,111	\$ 900,563	0.7 %	\$ 6,794,654	\$ 6,328,975	7.4 %
Construction in Progress	1,614,531	11,091,468	(85.4)	-	41,573	(100.0)	1,614,531	11,133,041	(85.5)
Intangible	-	-	-	9,829,525	-	100.0	9,829,525	-	100.0
Infrastructure	44,398,031	42,997,118	3.3	41,644,508	41,120,605	1.3	86,042,539	84,117,723	2.3
Buildings	1,229,830	1,229,830	-	9,708,299	9,708,299	-	10,938,129	10,938,129	-
Improvements	1,453,861	1,307,494	11.2	539,771	539,771	-	1,993,632	1,847,265	7.9
Machinery, Vehicles, Furniture and Equipment	2,110,637	2,085,614	1.2	790,898	778,364	1.6	2,901,535	2,863,978	1.3
Less: Accumulated Depreciation	(22,455,469)	(20,506,951)	9.5	(13,119,342)	(11,585,815)	13.2	(35,574,811)	(32,092,766)	10.8
Total	\$ 34,238,964	\$ 43,632,985	(21.5)	\$ 50,300,770	\$ 41,503,360	21.2	\$ 84,539,734	\$ 85,136,345	(0.7)

In 2011, \$9,829,525 for the wastewater treatment plant capacity was contributed to the Sewer Fund by governmental activities of the City.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

LONG-TERM LIABILITIES

At year-end, the City had \$36,103,974 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 decreased \$5,423,062, due to the repayment of existing debt, including the calling of 2003A G.O. Improvement Bonds. The City's business-type activities long-term debt decreased \$433,581, also primarily due to the repayment of existing debt. No new debt was issued in 2011.

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

	2011	2010	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds	\$ 19,515,921	\$ 24,504,820	(20.4) %
General Obligation Revenue Notes	8,416,334	8,829,263	(4.7)
Capital Leases Payable	100,000	125,000	(20.0)
Other Postemployment Benefits	18,336	12,248	49.7
Compensated Absences Payable	245,546	247,868	(0.9)
Total	<u>\$ 28,296,137</u>	<u>\$ 33,719,199</u>	(16.1)
BUSINESS-TYPE ACTIVITIES			
General Obligation Bonds	\$ 7,777,527	\$ 8,212,938	(5.3)
Compensated Absences Payable	30,310	28,480	6.4
Total	<u>\$ 7,807,837</u>	<u>\$ 8,241,418</u>	(5.3)

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2011**

FACTORS BEARING ON THE CITY'S FUTURE

During the 2011 legislative session, the Market Value Homestead Credit (MVHC) was replaced with the Homestead Market Value Exclusion (HMVE), effective with property taxes to be paid in 2012. The MVHC provided property tax credits to homeowners with lower market value homes, which in turn, was supposed to be paid to the City by the State. The new HMVE program eliminates the credit and, instead, excludes a portion of certain homeowners' taxable market value from taxes. The tax related to the excluded market value is then redistributed across the property tax base.

Initially through unallotment and later approved by the Legislature, the State withheld all of the City's 2010 and 2011 MVHC. For 2012, the City lowered its property tax levy by approximately \$200,000 to help to mitigate the effect of the HMVE change. From the City's perspective, the property tax collected should remain relatively unchanged because of the unfunded MVHC in 2011.

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 activities 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 to fund a portion of the water treatment plant. In 2009, 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. Costs for the plant that were incurred after 2010 were and will be paid with sales tax revenues on a pay-as-you-go basis. The plant is now in-service and is anticipated to be fully completed in 2012.

In 2011, the City began construction of a third water tower, with expected completion in 2012. The water tower is being financed with sales tax revenues on hand.

Over the next approximately seven years, the City has authority to collect sales tax receipts to fund \$15 million of water and wastewater infrastructure.

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, 2011

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 19,682,035	\$ 7,824,715	\$ 27,506,750
Cash with Escrow Agent	4,366,921	-	4,366,921
Delinquent Taxes Receivable	310,852	-	310,852
Accounts Receivable - Net	129,755	332,576	462,331
Accrued Interest Receivable	27,496	-	27,496
Internal Balances	(304,572)	304,572	-
Due from Other Governments	876,249	3,537	879,786
Land Held for Resale	1,755,154	-	1,755,154
Special Assessments Receivable	6,313,800	295,014	6,608,814
Loan Receivable - Net	68,659	-	68,659
Prepaid Items	3,967	600	4,567
Deferred Debt Issue Costs	223,076	60,091	283,167
Non-Depreciable Capital Assets			
Land	5,887,543	907,111	6,794,654
Construction in Progress	1,614,531	-	1,614,531
Depreciable Capital Assets (Net)			
Intangible	-	9,706,656	9,706,656
Buildings	695,704	8,858,823	9,554,527
Improvements Other Than Buildings	984,823	411,757	1,396,580
Machinery, Vehicles, Furniture and Equipment	533,600	345,086	878,686
Infrastructure	24,522,763	30,071,337	54,594,100
Total Assets	67,692,356	59,121,875	126,814,231
LIABILITIES			
Accounts Payable	476,601	193,417	670,018
Salaries Payable	70,585	4,470	75,055
Contracts Payable	261,072	-	261,072
Due to Other Governments	70,541	1,713	72,254
Accrued Interest Payable	339,990	129,285	469,275
Deferred Revenue-Unearned	3,041	-	3,041
Accrued Liabilities	44,442	4,860	49,302
Escrow Deposits	50,664	-	50,664
Long-term Liabilities:			
Due Within One Year			
Compensated Absences Payable	10,929	122	11,051
Other Postemployment Benefits Payable	3,687	-	3,687
General Obligation Bonds Payable	6,413,776	455,000	6,868,776
General Obligation Revenue Notes Payable	425,334	-	425,334
Capital Leases Payable	25,000	-	25,000
Due In More than One Year			
Compensated Absences Payable	234,617	30,188	264,805
Other Postemployment Benefits Payable	14,649	-	14,649
General Obligation Bonds Payable	13,102,145	7,322,527	20,424,672
General Obligation Revenue Notes Payable	7,991,000	-	7,991,000
Capital Leases Payable	75,000	-	75,000
Total Liabilities	29,613,073	8,141,582	37,754,655
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	19,093,683	42,523,243	53,175,816
Restricted for			
Debt Service	9,634,569	-	9,634,569
Economic Development	2,939,925	-	2,939,925
Sales Tax	5,311,147	-	5,311,147
Revolving Loans	411,558	-	411,558
Tax Increment Financing	521,192	-	521,192
Police Activity	20,108	-	20,108
Unrestricted	147,101	8,457,050	17,045,261
Total Net Assets	\$ 38,079,283	\$ 50,980,293	\$ 89,059,576

See accompanying Notes to Financial Statements.

**CITY OF BAXTER, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Fees, Charges, Fines, and Other</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General Government	\$ 1,416,819	\$ 497,891	\$ -	\$ 6,425
Public Safety	1,939,880	322,447	177,212	-
Public Works	2,380,427	-	-	512,131
Sanitation	38,338	379	32,300	-
Culture and Recreation	687,545	7,373	58,574	12,252
Economic and Community Development	1,115,103	35,397	-	156,267
Interest	940,392	-	92,066	-
Total Governmental Activities	<u>8,518,504</u>	<u>863,487</u>	<u>360,152</u>	<u>687,075</u>
BUSINESS-TYPE ACTIVITIES				
Water	1,652,130	1,406,582	933	61,208
Sewer	1,451,130	1,271,248	16,836	25,475
Storm Water	259,517	304,605	408	24,589
Total Business-Type Activities	<u>3,362,777</u>	<u>2,982,435</u>	<u>18,177</u>	<u>111,272</u>
Total Primary Government	<u>\$ 11,881,281</u>	<u>\$ 3,845,922</u>	<u>\$ 378,329</u>	<u>\$ 798,347</u>

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
\$ (912,503)	\$ -	\$ (912,503)
(1,440,221)	-	(1,440,221)
(1,868,296)	-	(1,868,296)
(5,659)	-	(5,659)
(609,346)	-	(609,346)
(923,439)	-	(923,439)
(848,326)	-	(848,326)
(6,607,790)	-	(6,607,790)
-	(183,407)	(183,407)
-	(137,571)	(137,571)
-	70,085	70,085
-	(250,893)	(250,893)
(6,607,790)	(250,893)	(6,858,683)
5,667,151	-	5,667,151
287,419	-	287,419
1,936,851	-	1,936,851
333,922	-	333,922
2,433	-	2,433
220,984	106,917	327,901
69,536	-	69,536
1,400	-	1,400
(9,310,734)	9,310,734	-
(791,038)	9,417,651	8,626,613
(7,398,828)	9,166,758	1,767,930
45,478,111	41,813,535	87,291,646
<u>\$ 38,079,283</u>	<u>\$ 50,980,293</u>	<u>\$ 89,059,576</u>

FUND FINANCIAL STATEMENTS

**CITY OF BAXTER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	Major Funds		
	General Fund	Economic Development	Sales Tax Collections
ASSETS			
Cash and Pooled Investments	\$ 3,352,517	\$ 799,061	\$ 4,942,106
Cash with Escrow Agent	-	-	-
Delinquent Taxes Receivable	246,885	-	-
Special Assessments Receivable	3,630	384,249	-
Accounts Receivable	81,550	-	8,180
Accrued Interest Receivable	27,496	-	-
Loan Receivable	-	-	-
Due from Other Funds	11,548	-	-
Due From Other Governments	148,164	2,748	366,720
Prepaid Items	3,802	-	-
Land Held For Resale	-	1,755,154	-
	<u>3,875,592</u>	<u>2,941,212</u>	<u>5,317,006</u>
Total Assets	<u>\$ 3,875,592</u>	<u>\$ 2,941,212</u>	<u>\$ 5,317,006</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 80,916	\$ 13	\$ -
Salaries Payable	67,623	-	-
Accrued Liabilities	44,442	-	-
Contracts Payable	9,212	-	-
Due to Other Funds	-	-	-
Due to Other Governments	46,358	1,274	5,859
Deferred Revenue			
Taxes	246,885	-	-
Special Assessments	3,630	384,249	-
Other	21,392	-	10,509
Land Held For Resale	-	1,755,154	-
Unearned	3,041	-	-
Escrow Deposits	-	-	-
	<u>523,499</u>	<u>2,140,690</u>	<u>16,368</u>
Total Liabilities	<u>523,499</u>	<u>2,140,690</u>	<u>16,368</u>
FUND BALANCES			
Nonspendable	3,802	-	-
Restricted	-	800,522	5,300,638
Committed	-	-	-
Assigned	565,400	-	-
Unassigned	2,782,891	-	-
	<u>3,352,093</u>	<u>800,522</u>	<u>5,300,638</u>
Total Fund Balances	<u>3,352,093</u>	<u>800,522</u>	<u>5,300,638</u>
Total Liabilities and Fund Balances	<u>\$ 3,875,592</u>	<u>\$ 2,941,212</u>	<u>\$ 5,317,006</u>

See accompanying Notes to Financial Statements.

Major Funds		Other	Total
Debt Service Fund	Capital Project Fund	Governmental Funds	Governmental Funds
\$ 4,054,679	4,733,192	\$ 1,800,480	\$ 19,682,035
4,366,921	-	-	4,366,921
63,326	641	-	310,852
5,800,096	112,591	13,234	6,313,800
-	21,493	18,532	129,755
-	-	-	27,496
-	-	68,659	68,659
-	-	-	11,548
159,114	149,001	50,502	876,249
-	-	165	3,967
-	-	-	1,755,154
<u>\$ 14,444,136</u>	<u>5,016,918</u>	<u>\$ 1,951,572</u>	<u>\$ 33,546,436</u>

\$ -	\$ 245,501	\$ 150,171	\$ 476,601
-	-	2,962	70,585
-	-	-	44,442
-	251,860	-	261,072
-	304,572	11,548	316,120
4,577	-	12,473	70,541
63,326	641	-	310,852
5,800,096	112,591	13,234	6,313,800
-	21,493	68,659	122,053
-	-	-	1,755,154
-	-	-	3,041
-	-	50,664	50,664
5,867,999	936,658	309,711	9,794,925
-	-	165	3,967
8,576,137	-	884,199	15,561,496
-	-	753,473	753,473
-	4,080,260	15,191	4,660,851
-	-	(11,167)	2,771,724
<u>8,576,137</u>	<u>4,080,260</u>	<u>1,641,861</u>	<u>23,751,511</u>
<u>\$ 14,444,136</u>	<u>\$ 5,016,918</u>	<u>\$ 1,951,572</u>	<u>\$ 33,546,436</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, 2011

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS		\$ 23,751,511
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.		34,238,964
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		8,501,859
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	\$ (19,515,921)	
Revenue Bonds	(8,416,334)	
Deferred Debt Issue Costs	223,076	
Compensated Absences	(245,546)	
Other Postemployment Benefits	(18,336)	
Capital Lease	(100,000)	
Accrued Interest Payable	<u>(339,990)</u>	<u>(28,413,051)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 38,079,283</u></u>

See accompanying Notes to Financial Statements.

CITY OF BAXTER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011

	Major Funds		
	General Fund	Economic Development	Sales Tax Collections
REVENUES			
Taxes	\$ 4,558,237	\$ -	\$ -
Lodging Tax	-	-	-
Sales Tax	-	-	1,951,316
Tax Increments	-	-	-
Special Assessments	14,525	115,070	-
Licenses, Permits, and Fees	232,259	-	-
Intergovernmental	186,972	-	-
Charges for Services	515,601	1,531	-
Fines and Forfeits	87,373	-	-
Gifts and Contributions	3,940	-	-
Interest on Investments	44,697	8,986	69,228
Miscellaneous	69,224	-	-
Revolving Loans	-	-	-
Total Revenues	5,712,828	125,587	2,020,544
EXPENDITURES			
CURRENT			
General Government	1,288,677	-	50,824
Public Safety	1,731,835	-	-
Highways and Streets	510,053	-	-
Sanitation	-	-	-
Culture and Recreation	499,648	-	-
Economic and Community Development	-	193,494	-
CAPITAL OUTLAY			
General Government	6,128	-	-
Public Safety	5,979	-	-
Highways and Streets	1,495	-	-
Culture and Recreation	1,494	-	-
DEBT SERVICE			
Principal	25,000	24,000	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	4,070,309	217,494	50,824
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,642,519	(91,907)	1,969,720
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	1,839	-	-
Transfers In	17,273	51,200	-
Transfers Out	(1,661,631)	-	(2,534,320)
Total Other Financing Sources (Uses)	(1,642,519)	51,200	(2,534,320)
NET CHANGE IN FUND BALANCES	-	(40,707)	(564,600)
Fund Balance - Beginning of Year	3,352,093	841,229	5,865,238
FUND BALANCE - END OF YEAR	<u>\$ 3,352,093</u>	<u>\$ 800,522</u>	<u>\$ 5,300,638</u>

See accompanying Notes to Financial Statements.

Major Funds		Other	Total
Debt Service	Capital Project	Governmental	Governmental
Fund	Fund	Funds	Funds
\$ 1,181,627	\$ 131,990	\$ -	\$ 5,871,854
-	-	287,419	287,419
-	-	-	1,951,316
-	-	333,922	333,922
1,865,786	68,388	-	2,063,769
-	-	132,396	364,655
92,066	65,942	32,300	377,280
-	-	90,641	607,773
-	-	477	87,850
-	20	-	3,960
46,586	30,634	20,858	220,989
-	-	19,882	89,106
-	-	36,642	36,642
<u>3,186,065</u>	<u>296,974</u>	<u>954,537</u>	<u>12,296,535</u>
-	36,741	5,955	1,382,197
-	13,188	180,208	1,925,231
-	157,368	-	667,421
-	-	38,338	38,338
-	12,222	14,061	525,931
-	-	939,485	1,132,979
-	25,968	-	32,096
-	-	-	5,979
-	2,009,550	351,809	2,362,854
-	14,243	-	15,737
5,371,721	-	-	5,420,721
987,564	-	-	987,564
<u>6,359,285</u>	<u>2,269,280</u>	<u>1,529,856</u>	<u>14,497,048</u>
(3,173,220)	(1,972,306)	(575,319)	(2,200,513)
-	-	-	1,839
1,101,066	4,151,794	267,800	5,589,133
<u>(785,165)</u>	<u>(7,684)</u>	<u>(15,389)</u>	<u>(5,004,189)</u>
<u>315,901</u>	<u>4,144,110</u>	<u>252,411</u>	<u>586,783</u>
(2,857,319)	2,171,804	(322,908)	(1,613,730)
<u>11,433,456</u>	<u>1,908,456</u>	<u>1,964,769</u>	<u>25,365,241</u>
<u>\$ 8,576,137</u>	<u>\$ 4,080,260</u>	<u>\$ 1,641,861</u>	<u>\$ 23,751,511</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, 2011

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (1,613,730)

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	\$ 2,416,666	
Capital Contributions to Enterprise Funds	(9,895,678)	
Capital Contributions from Developers	63,793	
Current Year Depreciation	<u>(1,978,802)</u>	(9,394,021)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (1,855,204)

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	4,982,793	
Revenue Bonds	412,929	
Capital Lease	<u>25,000</u>	5,420,722

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	72,196	
Amortization of Discounts, Premiums, and Deferred Issuance Charges	6,106	
Change in Deferred Debt Issue Costs	(31,131)	
Change in Compensated Absences	2,322	
Change in Postemployment Benefits	<u>(6,088)</u>	<u>43,405</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (7,398,828)

CITY OF BAXTER, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

ASSETS	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
CURRENT ASSETS				
Cash and Investments	\$ 3,158,050	\$ 4,096,343	\$ 570,322	\$ 7,824,715
Receivables				
Accounts	145,320	150,026	37,230	332,576
Due From Other Funds	153,110	151,462	-	304,572
Due From Other Governments	404	2,786	347	3,537
Special Assessments	34,837	255,948	4,229	295,014
Prepaid Items	-	600	-	600
Deferred Debt Issue Costs	60,091	-	-	60,091
Total Current Assets	<u>3,551,812</u>	<u>4,657,165</u>	<u>612,128</u>	<u>8,821,105</u>
NONCURRENT ASSETS				
Non-Depreciable Capital Assets				
Land	232,598	62,598	611,915	907,111
Depreciable Capital Assets (Net)				
Intangible	-	9,706,656	-	9,706,656
Buildings	8,858,823	-	-	8,858,823
Improvements Other than Buildings	-	-	411,757	411,757
Machinery, Vehicles, Furniture and Equipment	136,471	137,636	70,979	345,086
Distribution and Collection Systems	12,255,485	15,218,389	2,597,463	30,071,337
Total Noncurrent Assets	<u>21,483,377</u>	<u>25,125,279</u>	<u>3,692,114</u>	<u>50,300,770</u>
Total Assets	25,035,189	29,782,444	4,304,242	59,121,875
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	37,700	147,143	8,574	193,417
Salaries Payable	2,235	2,235	-	4,470
Due To Other Governments	1,285	428	-	1,713
Accrued Interest Payable	129,285	-	-	129,285
Accrued Liabilities	4,585	141	134	4,860
Compensated Absences Payable	61	61	-	122
General Obligation Bonds Payable	455,000	-	-	455,000
Total Current Liabilities	<u>630,151</u>	<u>150,008</u>	<u>8,708</u>	<u>788,867</u>
NONCURRENT LIABILITIES				
Compensated Absences Payable	15,094	15,094	-	30,188
General Obligation Bonds Payable	7,322,527	-	-	7,322,527
Total Liabilities	<u>7,967,772</u>	<u>165,102</u>	<u>8,708</u>	<u>8,141,582</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	13,705,850	25,125,279	3,692,114	42,523,243
Unrestricted	3,361,567	4,492,063	603,420	8,457,050
Total Net Assets	<u>\$ 17,067,417</u>	<u>\$ 29,617,342</u>	<u>\$ 4,295,534</u>	<u>\$ 50,980,293</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, 2011

	Water	Sewer	Storm Water	Total
OPERATING REVENUES				
Charges For Services				
User Charges	\$ 1,097,493	\$ 1,089,519	\$ 300,079	\$ 2,487,091
Meter Sales	8,165	-	-	8,165
Non-User Sales	20,364	31,312	-	51,676
Penalties	21,617	24,621	4,525	50,763
Permits and Hookup Charges	1,025	850	-	1,875
Miscellaneous	6,808	446	1	7,255
Total Operating Revenues	1,155,472	1,146,748	304,605	2,606,825
OPERATING EXPENSES				
Personnel Services	163,542	164,957	6,639	335,138
Supplies and Fees	58,281	19,704	7,745	85,730
Other Services and Charges	375,946	573,808	134,747	1,084,501
Depreciation	730,480	692,661	110,386	1,533,527
Total Operating Expenses	1,328,249	1,451,130	259,517	3,038,896
OPERATING INCOME (LOSS)	(172,777)	(304,382)	45,088	(432,071)
NONOPERATING REVENUES (EXPENSES)				
Special Assessments	933	16,836	408	18,177
Water Plant Fee	135,160	-	-	135,160
Availability Charges	115,950	124,500	-	240,450
Interest Income	40,339	59,821	6,757	106,917
Interest Expense	(323,881)	-	-	(323,881)
Total Nonoperating Revenues (Expenses)	(31,499)	201,157	7,165	176,823
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(204,276)	(103,225)	52,253	(255,248)
Capital Contributions from Developers	61,208	25,475	24,589	111,272
Capital Contributions from Governmental Activities	-	9,829,525	66,153	9,895,678
Transfers In	130,044	-	-	130,044
Transfers Out	(209,470)	(461,318)	(44,200)	(714,988)
CHANGE IN NET ASSETS	(222,494)	9,290,457	98,795	9,166,758
Net Assets - Beginning of Year	17,289,911	20,326,885	4,196,739	41,813,535
NET ASSETS - END OF YEAR	<u>\$ 17,067,417</u>	<u>\$ 29,617,342</u>	<u>\$ 4,295,534</u>	<u>\$ 50,980,293</u>

See accompanying Notes to Financial Statements.

**CITY OF BAXTER, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2011**

	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 1,204,111	\$ 1,160,609	\$ 310,207	\$ 2,674,927
Payments to Suppliers	(428,529)	(533,585)	(136,947)	(1,099,061)
Payments to Employees	(163,484)	(164,046)	(6,682)	(334,212)
Net Cash Provided (Used) by Operating Activities	612,098	462,978	166,578	1,241,654
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Change in Due from Other Funds	47,921	1,117,679	-	1,165,600
Transfers In	130,044	-	-	130,044
Transfers Out	(209,470)	(461,318)	(44,200)	(714,988)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(31,505)	656,361	(44,200)	580,656
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest and Fiscal Charges Paid	(326,836)	-	-	(326,836)
Availability Charges	115,950	124,500	-	240,450
Water Plant Fee	135,160	-	-	135,160
Special Assessments	(17,286)	(75,514)	1,678	(91,122)
Payments on General Obligation Bonds	(435,411)	-	-	(435,411)
Purchases of Capital Assets	(45,233)	(277,212)	(1,542)	(323,987)
Net Cash Provided (Used) by Capital and Related Financing Activities	(573,656)	(228,226)	136	(801,746)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Earnings Received	40,339	59,821	6,757	106,917
Net Cash Provided by Investing Activities	40,339	59,821	6,757	106,917
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	47,276	950,934	129,271	1,127,481
Cash and Cash Equivalents - Beginning of Year	3,110,774	3,145,409	441,051	6,697,234
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,158,050	\$ 4,096,343	\$ 570,322	\$ 7,824,715

See accompanying Notes to Financial Statements.

CITY OF BAXTER, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2011

	<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)	\$ (172,777)	\$ (304,382)	\$ 45,088	\$ (432,071)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	730,480	692,661	110,386	1,533,527
(Increase) Decrease in Assets:				
Accounts Receivable	33,167	16,542	6,111	55,820
Due from Other Governments	15,472	(2,681)	(333)	12,458
Prepaid Items	88	(512)	-	(424)
Increase (Decrease) in Liabilities:				
Accounts Payable	4,947	113,473	5,545	123,965
Contracts Payable	(89)	(53,147)	-	(53,236)
Salaries and Wages Payable	20	44	-	64
Accrued Liabilities	(877)	(48)	(43)	(968)
Deferred Revenue - Unearned	-	-	(176)	(176)
Compensated Absences Payable	915	915	-	1,830
Due to Other Governments	752	113	-	865
Total Adjustments	<u>784,875</u>	<u>767,360</u>	<u>121,490</u>	<u>1,673,725</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 612,098</u>	<u>\$ 462,978</u>	<u>\$ 166,578</u>	<u>\$ 1,241,654</u>
NONCASH TRANSACTIONS				
Capital Contributions from Developers	\$ 61,208	\$ 25,475	\$ 24,589	\$ 111,272
Capital Contributions from Governmental Activities	-	9,829,525	66,153	9,895,678
Total Noncash Transactions	<u>\$ 61,208</u>	<u>\$ 9,855,000</u>	<u>\$ 90,742</u>	<u>\$ 10,006,950</u>

See accompanying Notes to Financial Statements.

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CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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.

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.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

1. Government-Wide Statements (Continued)

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 (EDA). Special assessments and charges for services are restricted for use within this blended component unit.

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

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

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

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The City reports the following major proprietary funds:

Water Fund – The water fund accounts for the activities of the City’s water wells, treatment and distribution.

Sewer Fund – The sewer fund accounts for the activities of the City’s sanitary 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.

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.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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.

3. Property Taxes

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

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Property Taxes (Continued)

Current year property tax revenues represent the tax levy certified to the County Auditor-Treasurer in December of 2010 which was collected during the year ended December 31, 2011. 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, 2011

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, 2011

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. A reclassification of \$8,441,110 was made between this net asset class and unrestricted net assets in the total column on the Statement of Net Assets to recognize the portion of debt attributable to capital assets contributed from governmental activities to business-type activities. 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. The Council has authorized the Finance Director and his designee to assign fund balance. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Fund Balance/Net Assets (Continued)

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.

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-Treasurer 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-Treasurer also collects all special assessments, except for certain payments paid directly to the City.

The County Auditor-Treasurer provides a list of taxes and special assessments to be collected on each parcel of property to the County Auditor-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 Auditor-Treasurer is required to pay 70% of the estimated collections of taxes and special assessments to the City. The County Auditor-Treasurer must pay the balance to the City within 60 days after the settlement, provided that after 45 days interest begins to accrue.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues, Expenditures, and Expenses (Continued)

1. Revenues (Continued)

Within ten business days after November 15, the County Auditor-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.

2. Expenditures

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

3. Expenses

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

Expenditures exceeded budgeted amounts in the following funds:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Sales Tax Collections Fund	\$ 50,824	\$ 50,500	\$ 324
Nonmajor Special Revenue Fund			
Lodging Tax Administration Fund	287,842	256,000	31,842
Recycling Fund	38,338	37,800	538

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

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

As of December 31, 2011, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Balance</u>
Negotiable Certificates of Deposit	\$ 14,931,964
Federal National Mortgage Association	2,338,352
Execusweep Repo Business Account	6,817,502
4M Fund	17,919
Total	<u>\$ 24,105,737</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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

Interest Rate Risk

The purpose of this policy is to limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's policy states that maturity dates should vary in order to ensure that the City will have money available when it needs it. As of December 31, 2011, 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	\$ 1,210,591	\$ 1,865,080	\$ 10,906,765	\$ 949,528	\$ 14,931,964
Federal National Mortgage Association	-	-	-	2,338,352	2,338,352
Execusweep Repo Business Account	6,817,502	-	-	-	6,817,502
4M Fund	17,919	-	-	-	17,919
Total	<u>\$ 8,046,012</u>	<u>\$ 1,865,080</u>	<u>\$ 10,906,765</u>	<u>\$ 3,287,880</u>	<u>\$ 24,105,737</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 AA+ by Standard & Poor's.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Credit Risk (Continued)

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

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

Concentration Credit Risk

The City places no official limit on the amount the City may invest in any one issuer, however its policy states that the investment portfolio must be diversified by individual issuer to reduce the exposure to risk of loss. The City invested 9.7% and 28.3% of its investment portfolio in Federal National Mortgage Association strips and bonds and Execusweep Repo Agreements, respectively.

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 \$2,359 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, 2011**

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, 2011, all City deposits were covered by insurance or collateral.

	Balance
Deposits	\$ 7,767,934
Investments	24,105,737
Total Cash & Investments	\$ 31,873,671

	Balance
Cash & Investments - Governmental Funds	\$ 24,048,956
Cash & Investments - Proprietary Funds	7,824,715
Total Cash & Investments	\$ 31,873,671

2. Loans Receivable

The City had the following loan receivable as of December 31, 2011:

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.	\$ 68,659
	\$ 68,659

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity of the City for the year ended December 31, 2011, is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets not being Depreciated					
Land	\$ 5,428,412	\$ 459,131	\$ -	\$ -	\$ 5,887,543
Construction in Progress	11,091,468	2,009,550	1,590,809	(9,895,678)	1,614,531
Total Capital Assets not being Depreciated	<u>16,519,880</u>	<u>2,468,681</u>	<u>1,590,809</u>	<u>(9,895,678)</u>	<u>7,502,074</u>
Capital Assets being Depreciated					
Buildings	1,229,830	-	-	-	1,229,830
Machinery, Vehicles, Furniture and Equipment	2,085,614	55,307	30,284	-	2,110,637
Land Improvements	1,307,494	146,367	-	-	1,453,861
Infrastructure	42,997,118	1,400,913	-	-	44,398,031
Total Capital Assets being Depreciated	<u>47,620,056</u>	<u>1,602,587</u>	<u>30,284</u>	<u>-</u>	<u>49,192,359</u>
Less: Accumulated Depreciation for					
Buildings	495,150	38,976	-	-	534,126
Machinery, Vehicles, Furniture and Equipment	1,433,370	173,951	30,284	-	1,577,037
Land Improvements	373,948	95,090	-	-	469,038
Infrastructure	18,204,483	1,670,785	-	-	19,875,268
Total Accumulated Depreciation	<u>20,506,951</u>	<u>1,978,802</u>	<u>30,284</u>	<u>-</u>	<u>22,455,469</u>
Total Capital Assets being Depreciated, Net	<u>27,113,105</u>	<u>(376,215)</u>	<u>-</u>	<u>-</u>	<u>26,736,890</u>
Governmental Activities Capital Assets, Net	<u>\$ 43,632,985</u>	<u>\$ 2,092,466</u>	<u>\$ 1,590,809</u>	<u>\$ (9,895,678)</u>	<u>\$ 34,238,964</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2011:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
BUSINESS-TYPE ACTIVITIES					
Capital Assets not being Depreciated					
Land	\$ 900,563	\$ 6,548	\$ -	\$ -	\$ 907,111
Construction in Progress	41,573	160,095	201,668	-	-
Total Capital Assets not being Depreciated	942,136	166,643	201,668	-	907,111
Capital Assets being Depreciated					
Intangible	-	-	-	9,829,525	9,829,525
Buildings	9,708,299	-	-	-	9,708,299
Distribution System	41,120,605	457,750	-	66,153	41,644,508
Land Improvements	539,771	-	-	-	539,771
Machinery, Vehicles, Furniture and Equipment	778,364	12,534	-	-	790,898
Total Capital Assets being Depreciated	52,147,039	470,284	-	9,895,678	62,513,001
Less: Accumulated Depreciation for					
Intangible	-	122,869	-	-	122,869
Buildings	606,768	242,708	-	-	849,476
Distribution System	10,522,931	1,050,240	-	-	11,573,171
Land Improvements	109,645	18,369	-	-	128,014
Machinery, Vehicles, Furniture and Equipment	346,471	99,341	-	-	445,812
Total Accumulated Depreciation	11,585,815	1,533,527	-	-	13,119,342
Total Capital Assets being Depreciated, Net	40,561,224	(1,063,243)	-	9,895,678	49,393,659
Business-Type Activities Capital Assets, Net	<u>\$ 41,503,360</u>	<u>\$ (896,600)</u>	<u>\$ 201,668</u>	<u>\$ 9,895,678</u>	<u>\$ 50,300,770</u>

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

Governmental Activities	
General Government	\$ 60,942
Public Safety	41,746
Public Works	1,713,530
Culture and Recreation	158,295
Economic and Community Development	4,289
Total Depreciation Expense - Governmental Activities	<u>\$ 1,978,802</u>
Business-Type Activities	
Water	\$ 730,480
Sewer	692,661
Storm Water	110,386
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,533,527</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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	\$ 11,548	Cash Deficit
Water Fund	Capital Project Fund	153,110	Cash Deficit
Sewer Fund	Capital Project Fund	151,462	Cash Deficit
Total		<u>\$ 316,120</u>	

2. Interfund Transfers

	Amount	Purpose
Transfer to General Fund from		
Capital Projects Fund	\$ 7,684	Allocate Clearwater project admin fees
Nonmajor Governmental Funds	7,058	Funds for police equipment from Alcohol and Drug Seizure Funds
	2,531	Move the recreation program to the General Fund
Transfer to Economic Development Fund from		
General	51,200	EDA Fund Annual Appropriation
Transfer to Debt Service Fund from		
General	431,594	2011 year-end appropriation
Sales Tax Collections	416,955	Annual appropriation
Sewer	252,517	Operations
Transfer to Capital Project Fund from		
General	337,000	Collector Street appropriation
	200,000	2011 year-end appropriation
	30,000	Trail Construction annual appropriation
	205,200	IT, vehicle and equipment annual appropriations
	40,165	Appropriations for fund deficits
	98,672	Appropriation for 2008 Clearwater overlay
Sales Tax Collections	1,987,321	Sales Tax Proceeds for Wastewater Plant Capacity and Water Tower
Debt Service Fund	785,165	Closeout 2002 Bond Issue
Nonmajor Governmental	5,800	IT Annual Appropriation
Water	7,500	IT, vehicle and equipment annual appropriations
	201,970	Appropriations for fund deficits
Sewer	7,500	IT, vehicle and equipment annual appropriations
	201,301	Appropriations for fund deficits
Storm Water	33,700	Inglewood/Fairview/Foley project appropriation
	10,500	IT, vehicle and equipment annual appropriations
Transfer to Nonmajor Governmental Funds from		
General	175,000	Operations
	80,000	Comprehensive plan funding
	12,800	Appropriation for transfers and sales of vehicles
Transfer to Water Fund from		
Sales Tax Collections Fund	130,044	Sales Tax Proceeds for Water Plant
Total Transfers	<u>\$ 5,719,177</u>	

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 2012	
				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	\$ 850,831	\$ 24,776	\$ 24,776	\$ 437
General Obligation Improvement Bonds, Series 2001; 0%; Issued 03/21/2001; Final Maturity 02/01/2012.	240,000	236,000	4,000	4,000	-
General Obligation Improvement Bonds, Series 2004; 3.0 to 3.5%; Issued 11/15/2004; Final Maturity 02/01/2017.	9,050,000	5,705,000	3,345,000	3,345,000	58,538
General Obligation Refunding Bonds, Series 2005A; 2.4 to 3.35%; Issued 3/15/2005; Final Maturity 02/01/2014.	1,805,000	1,205,000	600,000	230,000	15,720
General Obligation Improvement Bonds, Series 2005B; 3.5 to 4.0%; Issued 12/1/2005; Final Maturity 02/01/2018.	4,390,000	2,425,000	1,965,000	1,965,000	37,061
General Obligation Capital Improvement Bonds, Series 2006A; 4.00 to 4.25%; Issued 06/01/2006; Final Maturity 02/01/2026.	4,230,000	625,000	3,605,000	175,000	144,694

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 2012	
				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	\$ 2,985,000	\$ 2,785,000	\$ 475,000	\$ 101,900
General Obligation Improvement Bonds, Series 2007B; 4.00 to 4.15%; Issued 12/05/2007; Final Maturity 02/01/2022	3,425,000	755,000	2,670,000	195,000	103,910
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	-	63,450
Total General Obligation Bonds	40,940,607	21,476,831	19,463,776	6,413,776	525,710
Add: Unamortized Premium	-	-	98,853	-	-
Less: Unamortized Discount	-	-	(46,708)	-	-
Total General Obligation Bonds, Net	40,940,607	21,476,831	19,515,921	6,413,776	525,710
<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	244,699	410,334	64,667	9,150
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	649,596	8,006,000	360,667	258,834
Total General Obligation Revenue Notes	9,310,629	894,295	8,416,334	425,334	267,984
Total Governmental Activities Long-Term Debt	50,251,236	22,371,126	27,932,255	6,839,110	793,694
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	745,000	3,060,000	165,000	120,874
General Obligation Water and Sales Tax Revenue Bonds, Series 2007A; 3.88% to 4.00%; Issued 2/6/2007; Final Maturity 02/01/2018.	6,500,000	1,790,000	4,710,000	290,000	188,400
Total General Obligation Bonds, Net	10,305,000	2,535,000	7,770,000	455,000	309,274
Add: Unamortized Premium	-	-	26,707	-	-
Less: Unamortized Discount	-	-	(19,180)	-	-
Total Business-Type Activities	10,305,000	2,535,000	7,777,527	455,000	309,274
Total Long-Term Debt	\$ 60,556,236	\$ 24,906,126	\$ 35,709,782	\$ 7,294,110	\$ 1,102,968

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Debt

	December 31, 2010	Additions	Retirements	December 31, 2011	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	\$ 24,446,569	\$ -	\$ 4,982,793	\$ 19,463,776	\$ 6,413,776
Deferred Amounts - Issuance Premium (Discount)	58,251	-	6,106	52,145	-
Total General Obligation Bonds Payable	<u>24,504,820</u>	<u>-</u>	<u>4,988,899</u>	<u>19,515,921</u>	<u>6,413,776</u>
General Obligation Revenue Notes	8,829,263	-	412,929	8,416,334	425,334
Capital Lease	125,000	-	25,000	100,000	25,000
Compensated Absences	247,868	250,493	252,815	245,546	10,929
Other Postemployment Benefits	12,248	22,570	16,482	18,336	3,687
Governmental Activity Long-Term Liabilities	<u>\$ 33,719,199</u>	<u>\$ 273,063</u>	<u>\$ 5,696,125</u>	<u>\$ 28,296,137</u>	<u>\$ 6,878,726</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds	\$ 8,205,000	\$ -	\$ 435,000	\$ 7,770,000	\$ 455,000
Deferred Amounts - Issuance Premium (Discount)	7,938	-	411	7,527	-
Total General Obligation Bonds Payable	<u>8,212,938</u>	<u>-</u>	<u>435,411</u>	<u>7,777,527</u>	<u>455,000</u>
Compensated Absences	28,480	27,983	26,153	30,310	122
Business Activity Long-Term Liabilities	<u>\$ 8,241,418</u>	<u>\$ 27,983</u>	<u>\$ 461,564</u>	<u>\$ 7,807,837</u>	<u>\$ 455,122</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
2012	\$ 6,413,776	\$ 525,710	\$ 6,939,486	\$ 425,334	\$ 267,984	\$ 693,318
2013	2,080,000	383,584	2,463,584	438,333	254,882	693,215
2014	1,775,000	335,135	2,110,135	452,000	241,373	693,373
2015	1,550,000	291,710	1,841,710	465,667	227,439	693,106
2016	1,505,000	250,177	1,755,177	480,334	213,075	693,409
2017-2021	4,360,000	701,673	5,061,673	2,328,333	843,583	3,171,916
2022-2026	1,780,000	169,255	1,949,255	2,645,000	452,922	3,097,922
2027-2028	-	-	-	1,181,333	57,591	1,238,924
Total	<u>\$ 19,463,776</u>	<u>\$ 2,657,244</u>	<u>\$ 22,121,020</u>	<u>\$ 8,416,334</u>	<u>\$ 2,558,849</u>	<u>\$ 10,975,183</u>
Business-Type Activities						
Year Ending December 31,	General Obligation Bonds					
	Principal	Interest	Total			
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	535,000	232,838	767,838			
2017-2021	2,630,000	837,700	3,467,700			
2022-2026	2,675,000	292,346	2,967,346			
Total	<u>\$ 7,770,000</u>	<u>\$ 2,489,429</u>	<u>\$ 10,259,429</u>			

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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 of the original issues 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.

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, 2011, is \$71,250.

Remaining capital lease obligations are as follows:

<u>December 31.</u>	
2012	\$ 25,000
2013	25,000
2014	25,000
2015	25,000
Total	<u>\$ 100,000</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2011

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, 2011:

	General Fund	Economic Development	Sales Tax Collections	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable							
Prepaid Items	\$ 3,802	\$ -	\$ -	\$ -	\$ -	\$ 165	\$ 3,967
Restricted							
Debt Service	-	-	-	8,576,137	-	-	8,576,137
Economic Development	-	800,522	-	-	-	-	800,522
Sales Tax	-	-	5,300,638	-	-	-	5,300,638
Revolving Loans	-	-	-	-	-	342,899	342,899
Tax Increment Financing	-	-	-	-	-	521,192	521,192
Police Activity	-	-	-	-	-	20,108	20,108
Total Restricted	-	800,522	5,300,638	8,576,137	-	884,199	15,561,496
Committed							
Cemetery Care	-	-	-	-	-	32,264	32,264
Culture and Recreation	-	-	-	-	-	420,938	420,938
Economic and Community Development	-	-	-	-	-	287,199	287,199
Recycling	-	-	-	-	-	13,072	13,072
Total Committed	-	-	-	-	-	753,473	753,473
Assigned							
Employee Severance	18,600	-	-	-	-	-	18,600
Capital Replacement	20,000	-	-	-	-	-	20,000
Collector Street	526,800	-	-	-	-	-	526,800
Cemetery	-	-	-	-	-	15,191	15,191
Capital Projects	-	-	-	-	4,080,260	-	4,080,260
Total Assigned	565,400	-	-	-	4,080,260	15,191	4,660,851
Unassigned	2,782,891	-	-	-	-	(11,167)	2,771,724
Total Fund Balance	<u>\$3,352,093</u>	<u>\$ 800,522</u>	<u>\$5,300,638</u>	<u>\$ 8,576,137</u>	<u>\$4,080,260</u>	<u>\$ 1,641,861</u>	<u>\$ 23,751,511</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011

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, 2011**

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 6.25% of their annual covered salary in 2011. PEPFF members were required to contribute 9.6% of their annual covered salary in 2011. In 2011, the City was required to contribute the following percentages of annual covered payroll: 7.25% for Coordinated Plan members and 14.4% 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, 2011, 2010, and 2009 were:

	General Employees Retirement Fund	Public Employees Police and Fire Fund
2011	\$ 104,339	\$ 141,232
2010	104,497	126,395
2009	100,700	120,291

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, 2011, 2010, and 2009 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, 2011**

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, 2011, three retirees were receiving health benefits from the City's health plan.

As of year-end, the City has 38 eligible plan participants. The City finances the plan on a pay-as-you-go basis.

1. Annual OPEB Cost and Net OPEB Obligation

As of January 1, 2011, the City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 25. 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 2011, the amount contributed to the plan, and changes in the City's net OPEB obligation:

Annual Required Contribution (ARC):	\$ 22,755
Interest on Net OPEB Obligation	551
Adjustment to ARC	<u>(736)</u>
Annual OPEB Cost	22,570
Contributions during the year	<u>(16,482)</u>
Increase in Net OPEB Obligation	6,088
Net OPEB - Beginning of the Year	<u>12,248</u>
Net OPEB - End of the Year	<u><u>\$ 18,336</u></u>

Prior to 2011, the City had 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.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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, 2011 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2011	\$ 22,570	\$ 16,482	73.0%	\$ 18,336
December 31, 2010	8,165	2,041	25.0%	12,248
December 31, 2009	8,165	2,041	25.0%	6,124

2. Funding Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2011	\$ -	\$251,469	\$ 251,469	0.00%	\$ 2,314,405	10.9%
1/1/2009	\$ -	\$182,763	\$ 182,763	0.00%	\$ 2,376,701	7.7%

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

Actuarial valuations involve 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.

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. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS (CONTINUED)

D. Other Postemployment Benefit Disclosure (Continued)

3. Actuarial Methods and Assumptions (Continued)

In the January 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.50% discount rate, which is based on the estimated long-term investment yield of the City and is net of investment expenses. The annual medical trend rate is 8.00% initially, grading to 5.00% over 6 years. The unfunded actuarial accrued liability is being amortized over thirty years on a closed basis.

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, 2011, the City was committed to approximately \$56,800 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.

Also during 2011, the City entered into a contract for the construction of a new water tower for \$2,038,000. As of December 31, 2011, \$685,120 is outstanding on this contract. Associated with the new water tower, the City entered into a contract for Hastings Road utility and roadway improvements for \$430,000, with the entire balance outstanding as of December 31.

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, 2011**

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)
1/1/2011	\$ -	\$251,469	\$ 251,469	0.00%	\$ 2,314,405	10.9%
1/1/2009	\$ -	\$182,763	\$ 182,763	0.00%	\$ 2,376,701	7.7%

**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
GENERAL PROPERTY TAXES	\$ 4,263,200	\$ 4,263,200	\$ 4,558,237	\$ 295,037
SPECIAL ASSESSMENTS				
Principal	8,100	8,100	14,105	6,005
Interest	-	-	420	420
Total Special Assessments	<u>8,100</u>	<u>8,100</u>	<u>14,525</u>	<u>6,425</u>
LICENSES, PERMITS, AND FEES				
Business Licenses and Permits	34,800	34,800	35,026	226
Franchise Fees	60,000	60,000	132,058	72,058
Other Licenses, Permits, and Fees	9,500	56,400	65,175	8,775
Total Licenses, Permits and Fees	<u>104,300</u>	<u>151,200</u>	<u>232,259</u>	<u>81,059</u>
INTERGOVERNMENTAL				
STATE AND LOCAL				
PERA Increase Aid	2,000	2,000	2,010	10
Market Value Credit	-	-	423	423
State Highway Aid	22,000	22,000	23,295	1,295
Public Safety Grants	115,000	115,000	141,816	26,816
Total State and Local	<u>139,000</u>	<u>139,000</u>	<u>167,544</u>	<u>28,544</u>
FEDERAL				
Public Safety Grants	3,000	3,000	19,428	16,428
Total Intergovernmental	142,000	142,000	186,972	44,972
CHARGES FOR SERVICES	440,500	423,700	515,601	91,901
FINES AND FORFEITS	95,000	95,000	87,373	(7,627)
GIFTS AND CONTRIBUTIONS	-	-	3,940	3,940
INTEREST ON INVESTMENTS	28,000	28,000	44,697	16,697
MISCELLANEOUS				
Other Rents and Royalties	44,000	44,000	59,285	15,285
Other Miscellaneous Revenues	200	200	9,939	9,739
Total Miscellaneous	<u>44,200</u>	<u>44,200</u>	<u>69,224</u>	<u>25,024</u>
Total Revenues	5,125,300	5,155,400	5,712,828	557,428

See accompanying Notes to the Required Supplementary Information.

CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Other General Government	\$ 358,400	\$ 370,800	\$ 233,678	\$ 137,122
Council	36,000	36,000	32,742	3,258
Administration	246,000	247,600	235,516	12,084
Finance	357,700	357,700	337,166	20,534
Public Works Administration	356,400	322,900	295,494	27,406
Information Systems	114,100	114,100	112,977	1,123
Legal	57,000	57,000	41,104	15,896
Total General Government	1,525,600	1,506,100	1,288,677	217,423
PUBLIC SAFETY				
Police	1,518,000	1,525,000	1,463,399	61,601
Fire Protection	268,500	268,500	268,436	64
Total Public Safety	1,786,500	1,793,500	1,731,835	61,665
HIGHWAYS AND STREETS				
Streets	519,900	519,900	510,053	9,847
CULTURE AND RECREATION				
Parks Maintenance	470,900	470,900	484,497	(13,597)
Recreation Program	-	15,000	15,151	(151)
Total Culture and Recreation	470,900	485,900	499,648	(13,748)
CAPITAL OUTLAY				
General Government	-	6,200	6,128	72
Public Safety	-	-	5,979	(5,979)
Highways and Streets	-	-	1,495	(1,495)
Culture and Recreation	-	-	1,494	(1,494)
Total Capital Outlay	-	6,200	15,096	(8,896)
DEBT SERVICE				
Principal	25,000	25,000	25,000	-
Total Expenditures	4,327,900	4,336,600	4,070,309	266,291
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	797,400	818,800	1,642,519	823,719
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	3,500	4,900	1,839	(3,061)
Transfers In	-	7,000	17,273	10,273
Transfers Out	(800,900)	(1,030,100)	(1,661,631)	(631,531)
Total Other Financing Sources (Uses)	(797,400)	(1,018,200)	(1,642,519)	(624,319)
NET CHANGE IN FUND BALANCE	\$ -	\$ (199,400)	-	\$ 199,400
Fund Balances - Beginning of Year			3,352,093	
FUND BALANCES - END OF YEAR			\$ 3,352,093	

**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT AUTHORITY FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Special Assessments				
Principal	\$ 55,000	\$ 55,000	\$ 95,215	\$ 40,215
Interest	16,000	16,000	19,855	3,855
Charges for Services	-	-	1,531	1,531
Interest on Investments	5,000	5,000	8,986	3,986
Total Revenues	<u>76,000</u>	<u>76,000</u>	<u>125,587</u>	<u>49,587</u>
EXPENDITURES				
CURRENT				
Economic and Community Development				
Economic Development	70,500	201,100	193,494	7,606
DEBT SERVICE				
Principal	24,000	24,000	24,000	-
Total Expenditures	<u>94,500</u>	<u>225,100</u>	<u>217,494</u>	<u>7,606</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(18,500)	(149,100)	(91,907)	57,193
OTHER FINANCING SOURCES				
Transfers In	49,800	51,200	51,200	-
NET CHANGE IN FUND BALANCE	<u>\$ 31,300</u>	<u>\$ (97,900)</u>	(40,707)	<u>\$ 57,193</u>
Fund Balance - Beginning of Year			<u>841,229</u>	
FUND BALANCE - END OF YEAR			<u>\$ 800,522</u>	

See accompanying Notes to the Required Supplementary Information.

**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SALES TAX COLLECTIONS FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Sales Tax	\$ 1,833,000	\$ 1,833,000	\$ 1,951,316	\$ 118,316
Interest on Investments	30,000	30,000	69,228	39,228
Total Revenues	<u>1,863,000</u>	<u>1,863,000</u>	<u>2,020,544</u>	<u>157,544</u>
EXPENDITURES				
CURRENT				
General Government	<u>50,500</u>	<u>50,500</u>	<u>50,824</u>	<u>(324)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,812,500	1,812,500	1,969,720	157,220
OTHER FINANCING SOURCES				
Transfers Out	<u>(3,433,800)</u>	<u>(2,537,000)</u>	<u>(2,534,320)</u>	<u>2,680</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,621,300)</u>	<u>\$ (724,500)</u>	(564,600)	<u>\$ 159,900</u>
Fund Balance - Beginning of Year			<u>5,865,238</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,300,638</u>	

See accompanying Notes to the Required Supplementary Information.

CITY OF BAXTER, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2011

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-Treasurer according to *Minnesota Statutes*.
- b. Public hearings and work sessions on the City's budget are conducted in the Council 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-Treasurer.
- d. Management is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund are 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; economic development fund; sales tax collections fund; debt service fund; and cemetery, community development, capital park, lodging tax administration, and recycling nonmajor special revenue funds. Expenditures may not legally exceed budgeted appropriations at the total fund level. Monitoring of budgets is maintained at the expenditure category level (i.e., personnel 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 project fund or subfunds. Project-length financial plans are adopted for the capital projects subfunds.
- f. Budgets for the general fund, applicable special revenue funds, and debt service fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the City Council. All annual appropriations lapse at fiscal year-end.

**OTHER MAJOR GOVERNMENTAL FUNDS --
BUDGET AND ACTUAL**

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**CITY OF BAXTER, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
General Property Taxes	\$ 1,187,000	\$ 1,187,000	\$ 1,181,627	\$ (5,373)
Special Assessments				
Principal	1,417,000	1,417,000	1,519,391	102,391
Interest	366,600	366,600	346,395	(20,205)
Intergovernmental				
Federal	90,000	90,000	92,066	2,066
Interest on Investments	33,000	33,000	46,586	13,586
Total Revenues	<u>3,093,600</u>	<u>3,093,600</u>	<u>3,186,065</u>	<u>92,465</u>
EXPENDITURES				
DEBT SERVICE				
Principal	5,411,200	5,411,200	5,371,721	39,479
Interest	990,800	990,800	987,564	3,236
Total Expenditures	<u>6,402,000</u>	<u>6,402,000</u>	<u>6,359,285</u>	<u>42,715</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,308,400)	(3,308,400)	(3,173,220)	135,180
OTHER FINANCING SOURCES				
Transfers In	731,400	731,400	1,101,066	369,666
Transfers Out	-	-	(785,165)	(785,165)
Total Other Financing Sources (Uses)	<u>731,400</u>	<u>731,400</u>	<u>315,901</u>	<u>(415,499)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,577,000)</u>	<u>\$ (2,577,000)</u>	(2,857,319)	<u>\$ (280,319)</u>
Fund Balance - Beginning of Year			<u>11,433,456</u>	
FUND BALANCE - END OF YEAR			<u>\$ 8,576,137</u>	

**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 activities of the City owned and operated Baxter Cemetery. A portion of plot sales are committed for capital outlay and perpetual care of the 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, 2011**

	Cemetery	Community Development	Capital Park
ASSETS			
Cash and Pooled Investments	\$ 47,655	\$ 235,544	\$ 421,920
Special Assessments Receivable	-	13,234	-
Accounts Receivable	-	663	-
Loan Receivable	-	-	-
Due From Other Governments	-	-	-
Prepaid Items	-	165	-
Total Assets	\$ 47,655	\$ 249,606	\$ 421,920
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 200	\$ 2,521	\$ 982
Salaries Payable	-	2,962	-
Due to Other Funds	-	-	-
Due to Other Governments	-	9,029	-
Deferred Revenue			
Special Assessments	-	13,234	-
Other	-	-	-
Escrow Deposits	-	3,000	-
Total Liabilities	200	30,746	982
FUND BALANCES			
Nonspendable	-	165	-
Restricted	-	-	-
Committed	32,264	218,695	420,938
Assigned	15,191	-	-
Unassigned	-	-	-
Total Fund Balances	47,455	218,860	420,938
Total Liabilities and Fund Balances	\$ 47,655	\$ 249,606	\$ 421,920

<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>
\$ -	\$ 121,658	\$ 342,899	\$ 12,734	\$ 330,540	\$ -
-	-	-	-	-	-
-	-	-	17,869	-	-
-	-	68,659	-	-	-
-	-	-	-	46,884	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 121,658</u>	<u>\$ 411,558</u>	<u>\$ 30,603</u>	<u>\$ 377,424</u>	<u>\$ -</u>
\$ -	\$ 6,340	\$ -	\$ 30,603	\$ 3,269	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	68,659	-	-	-
-	46,814	-	-	850	-
-	53,154	68,659	30,603	4,119	-
-	-	-	-	-	-
-	-	342,899	-	373,305	-
-	68,504	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	68,504	342,899	-	373,305	-
<u>\$ -</u>	<u>\$ 121,658</u>	<u>\$ 411,558</u>	<u>\$ 30,603</u>	<u>\$ 377,424</u>	<u>\$ -</u>

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET (CONTINUED)
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

	TIF District 5 Arbor Glenn	TIF District 6 Clearwater Estates	TIF District 7 Grand Oaks
ASSETS			
Cash and Pooled Investments	\$ 86,679	\$ 97,052	\$ 7,354
Special Assessments Receivable	-	-	-
Accounts Receivable	-	-	-
Loan Receivable	-	-	-
Due From Other Governments	-	-	-
Prepaid Items	-	-	-
	<u>86,679</u>	<u>97,052</u>	<u>7,354</u>
Total Assets	<u>\$ 86,679</u>	<u>\$ 97,052</u>	<u>\$ 7,354</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 15,610	\$ 30,218	\$ 6,973
Salaries Payable	-	-	-
Due to Other Funds	-	-	500
Due to Other Governments	-	-	-
Deferred Revenue			
Special Assessments	-	-	-
Other	-	-	-
Escrow Deposits	-	-	-
	<u>15,610</u>	<u>30,218</u>	<u>7,473</u>
Total Liabilities	15,610	30,218	7,473
FUND BALANCES			
Nonspendable	-	-	-
Restricted	71,069	66,834	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	(119)
	<u>71,069</u>	<u>66,834</u>	<u>(119)</u>
Total Fund Balances	<u>71,069</u>	<u>66,834</u>	<u>(119)</u>
Total Liabilities and Fund Balances	<u>\$ 86,679</u>	<u>\$ 97,052</u>	<u>\$ 7,354</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
\$ 58,434	\$ 1,371	\$ -	\$ 10,039	\$ 9,895	\$ 16,706	\$ 1,800,480
-	-	-	-	-	-	13,234
-	-	-	-	-	-	18,532
-	-	-	-	-	-	68,659
-	-	-	3,618	-	-	50,502
-	-	-	-	-	-	165
<u>\$ 58,434</u>	<u>\$ 1,371</u>	<u>\$ -</u>	<u>\$ 13,657</u>	<u>\$ 9,895</u>	<u>\$ 16,706</u>	<u>\$ 1,951,572</u>
\$ 49,821	\$ -	\$ -	\$ -	\$ -	\$ 3,634	\$ 150,171
-	-	-	-	-	-	2,962
-	-	11,048	-	-	-	11,548
-	-	-	3,353	91	-	12,473
-	-	-	-	-	-	13,234
-	-	-	-	-	-	68,659
-	-	-	-	-	-	50,664
49,821	-	11,048	3,353	91	3,634	309,711
-	-	-	-	-	-	165
8,613	1,371	-	10,304	9,804	-	884,199
-	-	-	-	-	13,072	753,473
-	-	-	-	-	-	15,191
-	-	(11,048)	-	-	-	(11,167)
<u>8,613</u>	<u>1,371</u>	<u>(11,048)</u>	<u>10,304</u>	<u>9,804</u>	<u>13,072</u>	<u>1,641,861</u>
<u>\$ 58,434</u>	<u>\$ 1,371</u>	<u>\$ -</u>	<u>\$ 13,657</u>	<u>\$ 9,895</u>	<u>\$ 16,706</u>	<u>\$ 1,951,572</u>

**CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011**

	Cemetery	Community Development	Capital Park
REVENUES			
Lodging Tax	\$ -	\$ -	\$ -
Tax Increments	-	-	-
Licenses, Permits, and Fees	-	132,396	-
Intergovernmental	-	-	-
Charges for Services	-	80,923	-
Fines and Forfeits	-	39	-
Interest on Investments	540	781	4,998
Miscellaneous	8,050	26	5,333
Revolving Loans	-	-	-
Total Revenues	8,590	214,165	10,331
EXPENDITURES			
CURRENT			
General Government	5,955	-	-
Public Safety	-	178,212	-
Sanitation	-	-	-
Culture and Recreation	-	-	14,061
Economic and Community Development	-	175,917	-
CAPITAL OUTLAY			
Highways and Streets	-	-	-
Total Expenditures	5,955	354,129	14,061
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,635	(139,964)	(3,730)
OTHER FINANCING SOURCES (USES)			
Transfers In	4,000	251,400	7,500
Transfers Out	-	(5,800)	-
Total Other Financing Sources (Uses)	4,000	245,600	7,500
NET CHANGE IN FUND BALANCES	6,635	105,636	3,770
Fund Balance - Beginning of Year	40,820	113,224	417,168
FUND BALANCE - END OF YEAR	\$ 47,455	\$ 218,860	\$ 420,938

Recreation	Project Development	Revolving Loan	Lodging Tax Administration	TIF Revenue Collection	TIF District 4 Industrial Park
\$ -	\$ -	\$ -	\$ 287,419	\$ -	\$ -
-	-	-	-	121,311	-
-	-	-	-	-	-
-	-	-	-	-	-
-	74	-	-	-	-
-	-	-	-	-	-
-	1,475	4,021	423	4,868	1,088
-	-	-	-	6,251	-
-	-	36,642	-	-	-
-	1,549	40,663	287,842	132,430	1,088
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	40	320	287,842	3,300	273,412
-	-	-	-	351,809	-
-	40	320	287,842	355,109	273,412
-	1,509	40,343	-	(222,679)	(272,324)
-	-	-	-	-	-
(2,531)	-	-	-	-	-
(2,531)	-	-	-	-	-
(2,531)	1,509	40,343	-	(222,679)	(272,324)
2,531	66,995	302,556	-	595,984	272,324
\$ -	\$ 68,504	\$ 342,899	\$ -	\$ 373,305	\$ -

CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (CONTINUED)
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011

	TIF District 5 Arbor Glenn	TIF District 6 Clearwater Estates	TIF District 7 Grand Oaks
REVENUES			
Lodging Tax	\$ -	\$ -	\$ -
Tax Increments	52,033	86,338	14,680
Licenses, Permits, and Fees	-	-	-
Intergovernmental	-	-	-
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Interest on Investments	863	859	22
Miscellaneous	-	-	-
Revolving Loans	-	-	-
Total Revenues	<u>52,896</u>	<u>87,197</u>	<u>14,702</u>
EXPENDITURES			
CURRENT			
General Government	-	-	-
Public Safety	-	-	-
Sanitation	-	-	-
Culture and Recreation	-	-	-
Economic and Community Development	45,574	80,005	15,580
CAPITAL OUTLAY			
Highways and Streets	-	-	-
Total Expenditures	<u>45,574</u>	<u>80,005</u>	<u>15,580</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,322	7,192	(878)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	7,322	7,192	(878)
Fund Balance - Beginning of Year	<u>63,747</u>	<u>59,642</u>	<u>759</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 71,069</u></u>	<u><u>\$ 66,834</u></u>	<u><u>\$ (119)</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 287,419
55,356	4,204	-	-	-	-	333,922
-	-	-	-	-	-	132,396
-	-	-	-	-	32,300	32,300
-	-	-	2,171	7,094	379	90,641
-	-	-	438	-	-	477
432	3	-	118	117	250	20,858
-	-	-	222	-	-	19,882
-	-	-	-	-	-	36,642
<u>55,788</u>	<u>4,207</u>	<u>-</u>	<u>2,949</u>	<u>7,211</u>	<u>32,929</u>	<u>954,537</u>
-	-	-	-	-	-	5,955
-	-	-	1,800	196	-	180,208
-	-	-	-	-	38,338	38,338
-	-	-	-	-	-	14,061
54,577	2,645	273	-	-	-	939,485
-	-	-	-	-	-	351,809
<u>54,577</u>	<u>2,645</u>	<u>273</u>	<u>1,800</u>	<u>196</u>	<u>38,338</u>	<u>1,529,856</u>
1,211	1,562	(273)	1,149	7,015	(5,409)	(575,319)
-	-	-	-	-	4,900	267,800
-	-	-	(2,800)	(4,258)	-	(15,389)
-	-	-	(2,800)	(4,258)	4,900	252,411
1,211	1,562	(273)	(1,651)	2,757	(509)	(322,908)
<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>\$ 8,613</u>	<u>\$ 1,371</u>	<u>\$ (11,048)</u>	<u>\$ 10,304</u>	<u>\$ 9,804</u>	<u>\$ 13,072</u>	<u>\$ 1,641,861</u>

**CITY OF BAXTER, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CEMETERY SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Interest on Investments	\$ 400	\$ 400	\$ 540	\$ 140
Miscellaneous				
Other Miscellaneous Revenues	3,000	3,000	8,050	5,050
Total Revenues	<u>3,400</u>	<u>3,400</u>	<u>8,590</u>	<u>5,190</u>
EXPENDITURES				
CURRENT				
General Government				
Cemetery	9,400	9,400	5,955	3,445
	<u>9,400</u>	<u>9,400</u>	<u>5,955</u>	<u>3,445</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,000)	(6,000)	2,635	8,635
OTHER FINANCING SOURCES				
Transfers In	6,000	4,000	4,000	-
	<u>6,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (2,000)</u>	6,635	<u>\$ 8,635</u>
Fund Balance - Beginning of Year			<u>40,820</u>	
FUND BALANCE - END OF YEAR			<u>\$ 47,455</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, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Licenses, Permits, and Fees	\$ 90,000	\$ 90,000	\$ 132,396	\$ 42,396
Charges for Services	39,400	39,400	80,923	41,523
Fines and Forfeits	-	-	39	39
Interest on Investments	400	400	781	381
Miscellaneous				
Other Miscellaneous Revenues	-	-	26	26
Total Revenues	<u>129,800</u>	<u>129,800</u>	<u>214,165</u>	<u>84,365</u>
EXPENDITURES				
CURRENT				
Public Safety				
Building Inspection	219,600	190,500	178,212	12,288
Economic and Community Development				
Planning	195,500	195,500	175,917	19,583
Total Expenditures	<u>415,100</u>	<u>386,000</u>	<u>354,129</u>	<u>31,871</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(285,300)	(256,200)	(139,964)	116,236
OTHER FINANCING SOURCES				
Transfers In	188,600	251,400	251,400	-
Transfers Out	(5,800)	(5,800)	(5,800)	-
Total Other Financing Sources (Uses)	<u>182,800</u>	<u>245,600</u>	<u>245,600</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (102,500)</u>	<u>\$ (10,600)</u>	105,636	<u>\$ 116,236</u>
Fund Balance - Beginning of Year			<u>113,224</u>	
FUND BALANCE - END OF YEAR			<u>\$ 218,860</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, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Interest on Investments	\$ 2,000	\$ 2,000	\$ 4,998	\$ 2,998
Miscellaneous				
Other Miscellaneous Revenues	-	-	5,333	5,333
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>10,331</u>	<u>8,331</u>
EXPENDITURES				
CURRENT				
Culture and Recreation				
Capital Park	<u>14,900</u>	<u>14,900</u>	<u>14,061</u>	<u>839</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,900)	(12,900)	(3,730)	9,170
OTHER FINANCING SOURCES				
Transfers In	<u>12,900</u>	<u>7,500</u>	<u>7,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (5,400)</u>	3,770	<u>\$ 9,170</u>
Fund Balance - Beginning of Year			<u>417,168</u>	
FUND BALANCE - END OF YEAR			<u>\$ 420,938</u>	

**CITY OF BAXTER, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
LODGING TAX ADMINISTRATION SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Lodging Tax	\$ 256,000	\$ 256,000	\$ 287,419	\$ 31,419
Interest on Investments	-	-	423	423
Total Revenues	<u>256,000</u>	<u>256,000</u>	<u>287,842</u>	<u>31,842</u>
EXPENDITURES				
CURRENT				
Economic and Community Development	<u>256,000</u>	<u>256,000</u>	<u>287,842</u>	<u>(31,842)</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u>-</u>	<u><u>\$ -</u></u>
Fund Balance - Beginning of Year			<u>-</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ -</u></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, 2011**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental				
State and Local	\$ 32,300	\$ 32,300	\$ 32,300	\$ -
Charges for Services	400	400	379	(21)
Interest on Investments	200	200	250	50
Total Revenues	<u>32,900</u>	<u>32,900</u>	<u>32,929</u>	<u>29</u>
EXPENDITURES				
CURRENT				
Sanitation	<u>36,400</u>	<u>37,800</u>	<u>38,338</u>	<u>(538)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,500)	(4,900)	(5,409)	(509)
OTHER FINANCING SOURCES				
Transfers In	<u>3,500</u>	<u>4,900</u>	<u>4,900</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(509)	<u>\$ (509)</u>
Fund Balance - Beginning of Year			<u>13,581</u>	
FUND BALANCE - END OF YEAR			<u>\$ 13,072</u>	

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND – BY BOND ISSUE
DECEMBER 31, 2011**

	1991 Southdale Sewer G.O. and PFA Note	2003 Bond Issue	2004 G.O. Bond Issue	2005A G.O. Refunding Bonds 1997-1998
ASSETS				
Cash and Pooled Investments	\$ 29,338	\$ -	\$ 1,066,094	\$ 594,939
Cash with Escrow Agent	-	-	-	-
Delinquent Taxes Receivable	94	-	11,625	1,274
Special Assessments Receivable	2,620	-	1,374,203	-
Due From Other Governments	97	-	67,454	277
	<u>32,149</u>	<u>-</u>	<u>2,519,376</u>	<u>596,490</u>
Total Assets	<u>\$ 32,149</u>	<u>\$ -</u>	<u>\$ 2,519,376</u>	<u>\$ 596,490</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to Other Governments	\$ 2	\$ -	\$ 3,060	\$ -
Deferred Revenue				
Taxes	94	-	11,625	1,274
Special Assessments	2,620	-	1,374,203	-
	<u>2,716</u>	<u>-</u>	<u>1,388,888</u>	<u>1,274</u>
Total Liabilities	<u>2,716</u>	<u>-</u>	<u>1,388,888</u>	<u>1,274</u>
FUND BALANCES				
Restricted	<u>29,433</u>	<u>-</u>	<u>1,130,488</u>	<u>595,216</u>
Total Liabilities and Fund Balances	<u>\$ 32,149</u>	<u>\$ -</u>	<u>\$ 2,519,376</u>	<u>\$ 596,490</u>

2005B G.O. Improvement Bonds	2006A G.O. CIP Bonds	2006B G.O. Improvement Bonds	2007B G.O. Improvement Bonds	2009A G.O. Sales Tax Wastewater Note	2009B G.O. Sales Tax Wastewater Note
\$ 370,602	\$ 340,704	\$ 1,228,659	\$ 420,693	\$ 147	\$ 479
-	-	-	-	-	-
6,249	10,970	25,817	7,297	-	-
1,200,098	-	2,050,254	1,172,921	-	-
13,279	5,938	52,161	19,908	-	-
<u>\$ 1,590,228</u>	<u>\$ 357,612</u>	<u>\$ 3,356,891</u>	<u>\$ 1,620,819</u>	<u>\$ 147</u>	<u>\$ 479</u>
\$ 368	\$ -	\$ 1,147	\$ -	\$ -	\$ -
6,249	10,970	25,817	7,297	-	-
1,200,098	-	2,050,254	1,172,921	-	-
1,206,715	10,970	2,077,218	1,180,218	-	-
383,513	346,642	1,279,673	440,601	147	479
<u>\$ 1,590,228</u>	<u>\$ 357,612</u>	<u>\$ 3,356,891</u>	<u>\$ 1,620,819</u>	<u>\$ 147</u>	<u>\$ 479</u>

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**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 DEBT SERVICE FUND – BY BOND ISSUE
 DECEMBER 31, 2011**

	2010 G.O. Refunding Bonds 2004 & 2005B	Combined Totals	
ASSETS			
Cash and Pooled Investments	\$ 3,024	\$ 4,054,679	
Cash with Escrow Agent	4,366,921	4,366,921	
Delinquent Taxes Receivable	-	63,326	
Special Assessments Receivable	-	5,800,096	
Due From Other Governments	-	159,114	
	<u>4,369,945</u>	<u>14,444,136</u>	
Total Assets	<u>\$ 4,369,945</u>	<u>\$ 14,444,136</u>	
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to Other Governments	\$ -	\$ 4,577	
Deferred Revenue			
Taxes	-	63,326	
Special Assessments	-	5,800,096	
	<u>-</u>	<u>5,867,999</u>	
Total Liabilities	-	5,867,999	
FUND BALANCES			
Restricted	<u>4,369,945</u>	<u>8,576,137</u>	
Total Liabilities and Fund Balances	<u>\$ 4,369,945</u>	<u>\$ 14,444,136</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, 2011

	1991 Southdale Sewer G.O. and PFA Note	2003 Bond Issue	2004 G.O. Bond Issue	2005A G.O. Refunding Bonds 1997-1998
REVENUES				
Taxes	\$ 4,725	\$ 246,114	\$ 222,615	\$ 10,543
Special Assessments	19,432	521,321	517,699	1,329
Intergovernmental	-	-	-	-
Interest on Investments	354	6,197	9,874	7,145
Total Revenues	<u>24,511</u>	<u>773,632</u>	<u>750,188</u>	<u>19,017</u>
EXPENDITURES				
DEBT SERVICE				
Principal	58,792	2,525,000	640,000	220,000
Interest and Fiscal Charges	2,435	43,992	129,108	23,044
Total Expenditures	<u>61,227</u>	<u>2,568,992</u>	<u>769,108</u>	<u>243,044</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(36,716)	(1,795,360)	(18,920)	(224,027)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	(824,205)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(824,205)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(36,716)	(2,619,565)	(18,920)	(224,027)
Fund Balance - Beginning of Year	<u>66,149</u>	<u>2,619,565</u>	<u>1,149,408</u>	<u>819,243</u>
FUND BALANCE - END OF YEAR	<u>\$ 29,433</u>	<u>\$ -</u>	<u>\$ 1,130,488</u>	<u>\$ 595,216</u>

2005B G.O. Improvement Bonds	2006A G.O. CIP Bonds	2006B G.O. Improvement Bonds	2007B G.O. Improvement Bonds	2009A G.O. Sales Tax Wastewater Note	2009B G.O. Sales Tax Wastewater Note
\$ 123,525	\$ 246,072	\$ 160,625	\$ 167,408	\$ -	\$ -
197,823	-	385,536	222,646	-	-
-	-	-	-	-	92,066
2,820	2,921	6,937	3,322	-	454
<u>324,168</u>	<u>248,993</u>	<u>553,098</u>	<u>393,376</u>	-	<u>92,520</u>
490,000	165,000	675,000	185,000	63,333	349,596
83,099	151,927	125,331	111,941	10,563	263,046
<u>573,099</u>	<u>316,927</u>	<u>800,331</u>	<u>296,941</u>	<u>73,896</u>	<u>612,642</u>
(248,931)	(67,934)	(247,233)	96,435	(73,896)	(520,122)
-	75,000	470,634	-	73,896	520,576
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	75,000	470,634	-	73,896	520,576
(248,931)	7,066	223,401	96,435	-	454
632,444	339,576	1,056,272	344,166	147	25
<u>\$ 383,513</u>	<u>\$ 346,642</u>	<u>\$ 1,279,673</u>	<u>\$ 440,601</u>	<u>\$ 147</u>	<u>\$ 479</u>

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CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
DEBT SERVICE FUND – BY BOND ISSUE
YEAR ENDED DECEMBER 31, 2011

	2010 G.O. Refunding Bonds 2004 & 2005B	Internal Eliminations	Combined Totals
REVENUES			
Taxes	\$ -	\$ -	\$ 1,181,627
Special Assessments	-	-	1,865,786
Intergovernmental	-	-	92,066
Interest on Investments	6,562	-	46,586
Total Revenues	6,562	-	3,186,065
EXPENDITURES			
DEBT SERVICE			
Principal	-	-	5,371,721
Interest and Fiscal Charges	43,078	-	987,564
Total Expenditures	43,078	-	6,359,285
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	(36,516)	-	(3,173,220)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	(39,040)	1,101,066
Transfers Out	-	39,040	(785,165)
Total Other Financing Sources (Uses)	-	-	315,901
NET CHANGE IN FUND BALANCES			
	(36,516)	-	(2,857,319)
Fund Balance - Beginning of Year	4,406,461	-	11,433,456
FUND BALANCE - END OF YEAR	\$ 4,369,945	\$ -	\$ 8,576,137

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET
CAPITAL PROJECT FUND – BY PROJECT
DECEMBER 31, 2011**

	<u>Collector Street</u>	<u>Street Replacement</u>	<u>Capital Equipment</u>	<u>Trails Construction</u>
ASSETS				
Cash and Pooled Investments	\$ 2,458,807	\$ 61,804	\$ 603,504	\$ 286,039
Delinquent Taxes Receivable	-	-	641	-
Special Assessments Receivable	5,655	52,429	-	-
Accounts Receivable	-	-	-	-
Due From Other Governments	139,001	-	-	10,000
Total Assets	<u>\$ 2,603,463</u>	<u>\$ 114,233</u>	<u>\$ 604,145</u>	<u>\$ 296,039</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ 10,000
Contracts Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Deferred Revenue				
Taxes	-	-	641	-
Special Assessments	5,655	52,429	-	-
Other	-	-	-	-
Total Liabilities	<u>5,655</u>	<u>52,429</u>	<u>641</u>	<u>10,000</u>
FUND BALANCES				
Assigned	2,597,808	61,804	603,504	286,039
Unassigned	-	-	-	-
Total Fund Balances	<u>2,597,808</u>	<u>61,804</u>	<u>603,504</u>	<u>286,039</u>
Total Liabilities and Fund Balances	<u>\$ 2,603,463</u>	<u>\$ 114,233</u>	<u>\$ 604,145</u>	<u>\$ 296,039</u>

<u>City Center Building</u>	<u>Cypress Drive</u>	<u>Universal Drive</u>	<u>Wildflower Franklin</u>	<u>Dellwood Novotny Ext</u>	<u>S Hastings Ext & Sewer Intercept</u>	<u>North Forestview Area</u>
\$ 392,283	\$ -	\$ -	\$ 199,000	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 392,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 349	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	132,950	-	-	90,805	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	133,299	-	-	90,805	-	-
392,283	-	-	199,000	-	-	-
-	(133,299)	-	-	(90,805)	-	-
<u>392,283</u>	<u>(133,299)</u>	<u>-</u>	<u>199,000</u>	<u>(90,805)</u>	<u>-</u>	<u>-</u>
<u>\$ 392,283</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 CAPITAL PROJECT FUND – BY PROJECT
 DECEMBER 31, 2011**

	South Forestview Area	Ashley Road	North Lynndale Area	Camwood & Chestnut Area
ASSETS				
Cash and Pooled Investments	\$ -	\$ -	\$ -	\$ -
Delinquent Taxes Receivable	-	-	-	-
Special Assessments Receivable	-	-	-	-
Accounts Receivable	-	-	-	-
Due From Other Governments	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Contracts Payable	-	-	-	-
Due to Other Funds	-	-	-	-
Deferred Revenue				
Taxes	-	-	-	-
Special Assessments	-	-	-	-
Other	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	-	-	-	-
FUND BALANCES				
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Cypress Town Center	Eagle Drive Area	2008 Clearwater	Olivewood Drive	Woida Road	Cypress Dr - Hinckley to 48	Jadewood and Jewelwood
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
54,507	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 54,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
15,934	-	-	-	-	28,482	-
-	-	-	-	-	-	-
54,507	-	-	-	-	-	-
-	-	-	-	-	-	-
70,441	-	-	-	-	28,482	-
-	-	-	-	-	-	-
(15,934)	-	-	-	-	(28,482)	-
(15,934)	-	-	-	-	(28,482)	-
<u>\$ 54,507</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET (CONTINUED)
CAPITAL PROJECT FUND – BY PROJECT
DECEMBER 31, 2011**

	Potlatch Phase 2	Inglewood North Water Extension	Water Tower 3	South Isle Dr Extension
ASSETS				
Cash and Pooled Investments	\$ 53,377	\$ -	\$ 513,609	\$ -
Delinquent Taxes Receivable	-	-	-	-
Special Assessments Receivable	-	-	-	-
Accounts Receivable	21,493	-	-	-
Due From Other Governments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 74,870</u>	<u>\$ -</u>	<u>\$ 513,609</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 223,353	\$ -
Contracts Payable	78,349	-	173,511	-
Due to Other Funds	-	-	-	4,227
Deferred Revenue				
Taxes	-	-	-	-
Special Assessments	-	-	-	-
Other	21,493	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	99,842	-	396,864	4,227
FUND BALANCES				
Assigned	-	-	116,745	-
Unassigned	(24,972)	-	-	(4,227)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	(24,972)	-	116,745	(4,227)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ 74,870</u>	<u>\$ -</u>	<u>\$ 513,609</u>	<u>\$ -</u>

Fairview Extension 371 NW	Wastewater Plant Capacity	Inglewood/ Fairview/ Foley	Cypress Phase 1 RR to 210	Hastings - Evergreen to Water Tower 3	Combined Totals
\$ 5,463	\$ 11,640	\$ 70,725	\$ 76,941	\$ -	\$ 4,733,192
-	-	-	-	-	641
-	-	-	-	-	112,591
-	-	-	-	-	21,493
-	-	-	-	-	149,001
<u>\$ 5,463</u>	<u>\$ 11,640</u>	<u>\$ 70,725</u>	<u>\$ 76,941</u>	<u>\$ -</u>	<u>\$ 5,016,918</u>
\$ -	\$ 11,640	\$ -	\$ 159	\$ -	\$ 245,501
-	-	-	-	-	251,860
-	-	-	-	32,174	304,572
-	-	-	-	-	641
-	-	-	-	-	112,591
-	-	-	-	-	21,493
-	11,640	-	159	32,174	936,658
5,463	-	70,725	76,782	-	4,410,153
-	-	-	-	(32,174)	(329,893)
<u>5,463</u>	<u>-</u>	<u>70,725</u>	<u>76,782</u>	<u>(32,174)</u>	<u>4,080,260</u>
<u>\$ 5,463</u>	<u>\$ 11,640</u>	<u>\$ 70,725</u>	<u>\$ 76,941</u>	<u>\$ -</u>	<u>\$ 5,016,918</u>

**CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECT FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2011**

	Collector Street	Street Replacement	Capital Equipment	Trails Construction
REVENUES				
Taxes	\$ 131,633	\$ -	\$ 357	\$ -
Special Assessments	16,796	-	-	-
Intergovernmental	7,368	-	-	-
Gifts and Contributions	-	-	-	20
Interest on Investments	14,209	742	6,586	3,180
Total Revenues	170,006	742	6,943	3,200
EXPENDITURES				
CURRENT				
General Government	-	-	36,741	-
Public Safety	-	-	13,188	-
Highways and Streets	-	-	-	-
Culture and Recreation	-	-	4,991	7,231
CAPITAL OUTLAY				
General Government	-	-	25,968	-
Highways and Streets	-	-	-	-
Culture and Recreation	-	-	14,243	-
Total Expenditures	-	-	95,131	7,231
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	170,006	742	(88,188)	(4,031)
OTHER FINANCING SOURCES (USES)				
Transfers In	1,322,165	-	236,500	30,000
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	1,322,165	-	236,500	30,000
NET CHANGE IN FUND BALANCES				
	1,492,171	742	148,312	25,969
Fund Balance - Beginning of Year	1,105,637	61,062	455,192	260,070
FUND BALANCE - END OF YEAR	\$ 2,597,808	\$ 61,804	\$ 603,504	\$ 286,039

City Center Building	Cypress Drive	Universal Drive	Wildflower Franklin	Dellwood Novotny Ext	S Hastings Ext & Sewer Intercept	North Forestview Area
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,708	-	-	-	-	-	-
<u>4,708</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	39,206	35	1,326	1,090	42	39
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>39,206</u>	<u>35</u>	<u>1,326</u>	<u>1,090</u>	<u>42</u>	<u>39</u>
4,708	(39,206)	(35)	(1,326)	(1,090)	(42)	(39)
-	39,828	10,545	207,808	-	12,731	11,820
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>39,828</u>	<u>10,545</u>	<u>207,808</u>	<u>-</u>	<u>12,731</u>	<u>11,820</u>
4,708	622	10,510	206,482	(1,090)	12,689	11,781
<u>387,575</u>	<u>(133,921)</u>	<u>(10,510)</u>	<u>(7,482)</u>	<u>(89,715)</u>	<u>(12,689)</u>	<u>(11,781)</u>
<u>\$ 392,283</u>	<u>\$ (133,299)</u>	<u>\$ -</u>	<u>\$ 199,000</u>	<u>\$ (90,805)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
CAPITAL PROJECT FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2011

	South Forestview Area	Ashley Road	North Lynndale Area	Camwood & Chestnut Area
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-
Intergovernmental	-	-	-	-
Gifts and Contributions	-	-	-	-
Interest on Investments	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
CURRENT				
General Government	-	-	-	-
Public Safety	-	-	-	-
Highways and Streets	28	22	74	48
Culture and Recreation	-	-	-	-
CAPITAL OUTLAY				
General Government	-	-	-	-
Highways and Streets	-	-	-	-
Culture and Recreation	-	-	-	-
Total Expenditures	28	22	74	48
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(28)	(22)	(74)	(48)
OTHER FINANCING SOURCES (USES)				
Transfers In	8,602	6,756	22,294	14,354
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	8,602	6,756	22,294	14,354
NET CHANGE IN FUND BALANCES	8,574	6,734	22,220	14,306
Fund Balance - Beginning of Year	(8,574)	(6,734)	(22,220)	(14,306)
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ -	\$ -

Cypress Town Center	Eagle Drive Area	2008 Clearwater	Olivewood Drive	Woida Road	Cypress Dr - Hinckley to 48	Jadewood and Jewelwood
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
41,540	-	10,052	-	-	-	-
-	-	58,574	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
41,540	-	68,626	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
316	34	113,862	21	28	342	12
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	106,460	-	-	-	-
-	-	-	-	-	-	-
316	34	220,322	21	28	342	12
41,224	(34)	(151,696)	(21)	(28)	(342)	(12)
-	10,489	98,672	6,183	8,362	-	3,619
-	-	(7,684)	-	-	-	-
-	10,489	90,988	6,183	8,362	-	3,619
41,224	10,455	(60,708)	6,162	8,334	(342)	3,607
(57,158)	(10,455)	60,708	(6,162)	(8,334)	(28,140)	(3,607)
\$ (15,934)	\$ -	\$ -	\$ -	\$ -	\$ (28,482)	\$ -

CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (CONTINUED)
CAPITAL PROJECT FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2011

	Potlatch Phase 2	Inglewood North Water Extension	Water Tower 3	South Isle Dr Extension
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-
Intergovernmental	-	-	-	-
Gifts and Contributions	-	-	-	-
Interest on Investments	626	-	-	-
Total Revenues	626	-	-	-
EXPENDITURES				
CURRENT				
General Government	-	-	-	-
Public Safety	-	-	-	-
Highways and Streets	-	9	-	50
Culture and Recreation	-	-	-	-
CAPITAL OUTLAY				
General Government	-	-	-	-
Highways and Streets	-	-	1,389,973	-
Culture and Recreation	-	-	-	-
Total Expenditures	-	9	1,389,973	50
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	626	(9)	(1,389,973)	(50)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	2,573	1,506,284	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	-	2,573	1,506,284	-
NET CHANGE IN FUND BALANCES				
	626	2,564	116,311	(50)
Fund Balance - Beginning of Year	(25,598)	(2,564)	434	(4,177)
FUND BALANCE - END OF YEAR	\$ (24,972)	\$ -	\$ 116,745	\$ (4,227)

Fairview Extension 371 NW	Wastewater Plant Capacity	Inglewood/ Fairview/ Foley	Cypress Phase 1 RR to 210	Hastings - Evergreen to Water Tower 3	Internal Eliminations	Combined Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 131,990
-	-	-	-	-	-	68,388
-	-	-	-	-	-	65,942
-	-	-	-	-	-	20
65	-	518	-	-	-	30,634
<u>65</u>	<u>-</u>	<u>518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,974</u>
-	-	-	-	-	-	36,741
-	-	-	-	-	-	13,188
-	-	-	690	94	-	157,368
-	-	-	-	-	-	12,222
-	-	-	-	-	-	25,968
-	481,037	-	-	32,080	-	2,009,550
-	-	-	-	-	-	14,243
<u>-</u>	<u>481,037</u>	<u>-</u>	<u>690</u>	<u>32,174</u>	<u>-</u>	<u>2,269,280</u>
65	(481,037)	518	(690)	(32,174)	-	(1,972,306)
-	481,037	33,700	117,300	-	(39,828)	4,151,794
-	-	-	(39,828)	-	39,828	(7,684)
<u>-</u>	<u>481,037</u>	<u>33,700</u>	<u>77,472</u>	<u>-</u>	<u>-</u>	<u>4,144,110</u>
65	-	34,218	76,782	(32,174)	-	2,171,804
5,398	-	36,507	-	-	-	1,908,456
<u>\$ 5,463</u>	<u>\$ -</u>	<u>\$ 70,725</u>	<u>\$ 76,782</u>	<u>\$ (32,174)</u>	<u>\$ -</u>	<u>\$ 4,080,260</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 EIGHT 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	7,286,102	25,073,995	24,273,132
Total Governmental Activities Net Assets	\$ 30,780,524	\$ 31,449,003	\$ 33,780,489
Business-Type Activities			
Invested in Capital Assets, Net of Related Debt	\$ 18,580,658	\$ 22,701,367	\$ 33,643,933
Unrestricted	4,194,563	9,001,630	3,362,203
Total Business-Type Activities Net Assets	\$ 22,775,221	\$ 31,702,997	\$ 37,006,136
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	11,480,665	34,075,625	27,635,335
Total Primary Government Net Assets	\$ 53,555,745	\$ 63,152,000	\$ 70,786,625

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	2011
\$ 2,262,489	\$ 6,355,520	\$ 9,755,015	\$ 14,638,901	\$ 19,093,683
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	9,634,569
-	-	-	2,939,435	2,939,925
-	-	-	5,890,212	5,311,147
-	-	-	402,556	411,558
-	-	-	999,858	521,192
-	-	-	19,002	20,108
7,737,948	10,234,105	12,327,885	6,610,863	147,101
<u>\$ 36,681,372</u>	<u>\$ 37,672,695</u>	<u>\$ 40,974,543</u>	<u>\$ 45,478,111</u>	<u>\$ 38,079,283</u>
\$ 34,692,230	\$ 34,958,321	\$ 34,178,791	\$ 33,290,422	\$ 42,523,243
8,144,091	8,601,996	8,400,102	8,523,113	8,457,050
<u>\$ 42,836,321</u>	<u>\$ 43,560,317</u>	<u>\$ 42,578,893</u>	<u>\$ 41,813,535</u>	<u>\$ 50,980,293</u>
\$ 36,954,719	\$ 41,313,841	\$ 43,933,806	\$ 47,929,323	\$ 53,175,816
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	9,634,569
-	-	-	2,939,435	2,939,925
-	-	-	5,890,212	5,311,147
-	-	-	402,556	411,558
-	-	-	999,858	521,192
-	-	-	19,002	20,108
15,882,039	18,836,101	20,727,987	15,133,976	17,045,261
<u>\$ 79,517,693</u>	<u>\$ 81,233,012</u>	<u>\$ 83,553,436</u>	<u>\$ 87,291,646</u>	<u>\$ 89,059,576</u>

CITY OF BAXTER, MINNESOTA
CHANGE IN NET ASSETS
LAST EIGHT 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	\$ 4,472,242	\$ 6,140,165	\$ 8,067,976
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	1,914,430	2,079,703	2,235,335
Total Primary Government Expenses	\$ 6,386,672	\$ 8,219,868	\$ 10,303,311
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	\$ 13,433,609	\$ 10,272,409	\$ 8,937,479
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	2,222,803	3,390,752	3,212,511
Total Primary Government Program Revenues	\$ 15,656,412	\$ 13,663,161	\$ 12,149,990

Fiscal Year				
2007	2008	2009	2010	2011
\$ 1,378,865	\$ 1,356,288	\$ 1,425,790	\$ 1,428,267	\$ 1,416,819
1,798,739	1,889,619	1,977,046	2,034,789	1,939,880
2,354,018	2,683,004	2,233,639	2,111,757	2,380,427
28,739	34,670	36,090	34,669	38,338
582,079	1,999,735	693,850	618,718	687,545
772,561	672,902	578,480	779,170	1,115,103
1,193,519	1,112,782	1,025,079	1,079,936	940,392
<u>\$ 8,108,520</u>	<u>\$ 9,749,000</u>	<u>\$ 7,969,974</u>	<u>\$ 8,087,306</u>	<u>\$ 8,518,504</u>
\$ 1,606,679	\$ 1,627,520	\$ 1,743,771	\$ 1,677,288	\$ 1,652,130
1,221,479	1,353,043	1,319,966	1,332,248	1,451,130
160,464	234,470	236,948	248,377	259,517
<u>2,988,622</u>	<u>3,215,033</u>	<u>3,300,685</u>	<u>3,257,913</u>	<u>3,362,777</u>
<u>\$ 11,097,142</u>	<u>\$ 12,964,033</u>	<u>\$ 11,270,659</u>	<u>\$ 11,345,219</u>	<u>\$ 11,881,281</u>
\$ 535,496	\$ 427,129	\$ 476,731	\$ 575,102	\$ 497,891
289,655	382,192	477,155	325,824	322,447
57,000	-	-	1,221,493	-
463	359	287	405	379
48,034	51,136	27,785	72,155	7,373
225,233	52,859	14,387	120,536	35,397
343,110	210,626	205,647	279,697	360,152
3,571,220	2,061,332	1,037,841	921,662	687,075
<u>\$ 5,070,211</u>	<u>\$ 3,185,633</u>	<u>\$ 2,239,833</u>	<u>\$ 3,516,874</u>	<u>\$ 1,910,714</u>
\$ 1,709,478	\$ 1,308,318	\$ 1,430,105	\$ 1,458,913	\$ 1,406,582
1,518,970	1,184,963	1,174,023	1,206,950	1,271,248
245,956	291,053	304,492	303,841	304,605
8,900	36,862	2,246	121,386	18,177
2,596,900	41,700	2,500	57,375	111,272
<u>6,080,204</u>	<u>2,862,896</u>	<u>2,913,366</u>	<u>3,148,465</u>	<u>3,111,884</u>
<u>\$ 11,150,415</u>	<u>\$ 6,048,529</u>	<u>\$ 5,153,199</u>	<u>\$ 6,665,339</u>	<u>\$ 5,022,598</u>

CITY OF BAXTER, MINNESOTA
CHANGE IN NET ASSETS (CONTINUED)
LAST EIGHT 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	2011
\$ (3,038,309)	\$ (6,563,367)	\$ (5,730,141)	\$ (4,570,432)	\$ (6,607,790)
3,091,582	(352,137)	(387,319)	(109,448)	(250,893)
<u>\$ 53,273</u>	<u>\$ (6,915,504)</u>	<u>\$ (6,117,460)</u>	<u>\$ (4,679,880)</u>	<u>\$ (6,858,683)</u>
\$ 4,653,175	\$ 5,039,645	\$ 5,453,694	\$ 5,312,680	\$ 5,667,151
287,486	282,654	251,007	265,889	287,419
2,032,718	1,921,680	1,875,168	1,917,505	1,936,851
382,414	389,568	371,551	392,575	333,922
190,051	100,663	33,120	2,957	2,433
693,913	488,173	265,196	301,744	220,984
63,324	118,419	53,039	56,613	69,536
3,902	-	-	17,351	1,400
(2,367,791)	(786,112)	729,214	806,686	(9,310,734)
<u>\$ 5,939,192</u>	<u>\$ 7,554,690</u>	<u>\$ 9,031,989</u>	<u>\$ 9,074,000</u>	<u>\$ (791,038)</u>
\$ 370,812	\$ 290,021	\$ 135,109	\$ 150,776	\$ 106,917
2,367,791	786,112	(729,214)	(806,686)	9,310,734
<u>2,738,603</u>	<u>1,076,133</u>	<u>(594,105)</u>	<u>(655,910)</u>	<u>9,417,651</u>
<u>\$ 8,677,795</u>	<u>\$ 8,630,823</u>	<u>\$ 8,437,884</u>	<u>\$ 8,418,090</u>	<u>\$ 8,626,613</u>
\$ 8,731,068	\$ 1,715,319	\$ 2,320,424	\$ 3,738,210	\$ 1,767,930
70,786,625	79,517,693	81,233,012	83,553,436	87,291,646
<u>\$ 79,517,693</u>	<u>\$ 81,233,012</u>	<u>\$ 83,553,436</u>	<u>\$ 87,291,646</u>	<u>\$ 89,059,576</u>

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

	Fiscal Year			
	2002	2003	2004	2005
General Fund				
Nondisposable	\$ -	\$ -	\$ -	\$ -
Assigned (Designated 2002-2009)	1,109,463	1,428,438	200,000	275,000
Unassigned (Unrestricted, Undesignated)			1,807,153	2,221,045
Total General Fund	\$ 1,109,463	\$ 1,428,438	\$ 2,007,153	\$ 2,496,045
All Other Governmental Funds				
Nondisposable				
Special Revenue Funds	\$ -	\$ -	\$ -	\$ -
Restricted				
Special Revenue Funds	-	-	-	-
Debt Service Fund	-	-	-	-
Committed				
Special Revenue Funds	-	-	-	-
Reserved (2002-2009 only)				
Special Revenue Funds	-	-	-	-
Debt Service Fund	-	-	-	-
Capital Project Fund	-	2,061,576	1,085,531	27,244
Assigned (Designated 2002-2009)				
Special Revenue Funds	489,732	357,206	294,594	283,882
Debt Service Fund	2,725,096	3,507,013	5,225,501	9,266,713
Capital Project Fund	-	-	-	-
Unassigned (Unrestricted, Undesignated)				
Special Revenue Funds	852,394	1,692,628	2,837,817	2,852,903
Capital Project Fund	2,083,746	(86,278)	(6,687)	-
Total All Other Governmental Funds	\$ 6,150,968	\$ 7,532,145	\$ 9,436,756	\$ 12,430,742

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					
2006	2007	2008	2009	2010	2011
\$ -	\$ -	\$ -	\$ -	\$ 4,149	\$ 3,802
-	-	-	-	565,400	565,400
2,670,101	2,685,029	2,763,542	2,777,951	2,782,544	2,782,891
<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>	<u>\$ 3,352,093</u>
\$ -	\$ -	\$ -	\$ -	\$ 942	\$ 165
-	-	-	-	8,027,883	6,985,359
-	-	-	-	11,433,456	8,576,137
-	-	-	-	638,971	753,473
-	128,088	21,202	25,064	-	-
-	10,536,564	8,697,629	7,645,710	-	-
989,602	1,246,291	104,763	1,001,565	-	-
278,793	-	-	-	14,406	15,191
9,149,905	-	-	-	-	-
-	-	-	-	1,908,456	4,080,260
2,181,093	3,151,887	4,883,894	6,861,900	(10,966)	(11,167)
-	-	-	-	-	-
<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>	<u>\$ 20,399,418</u>

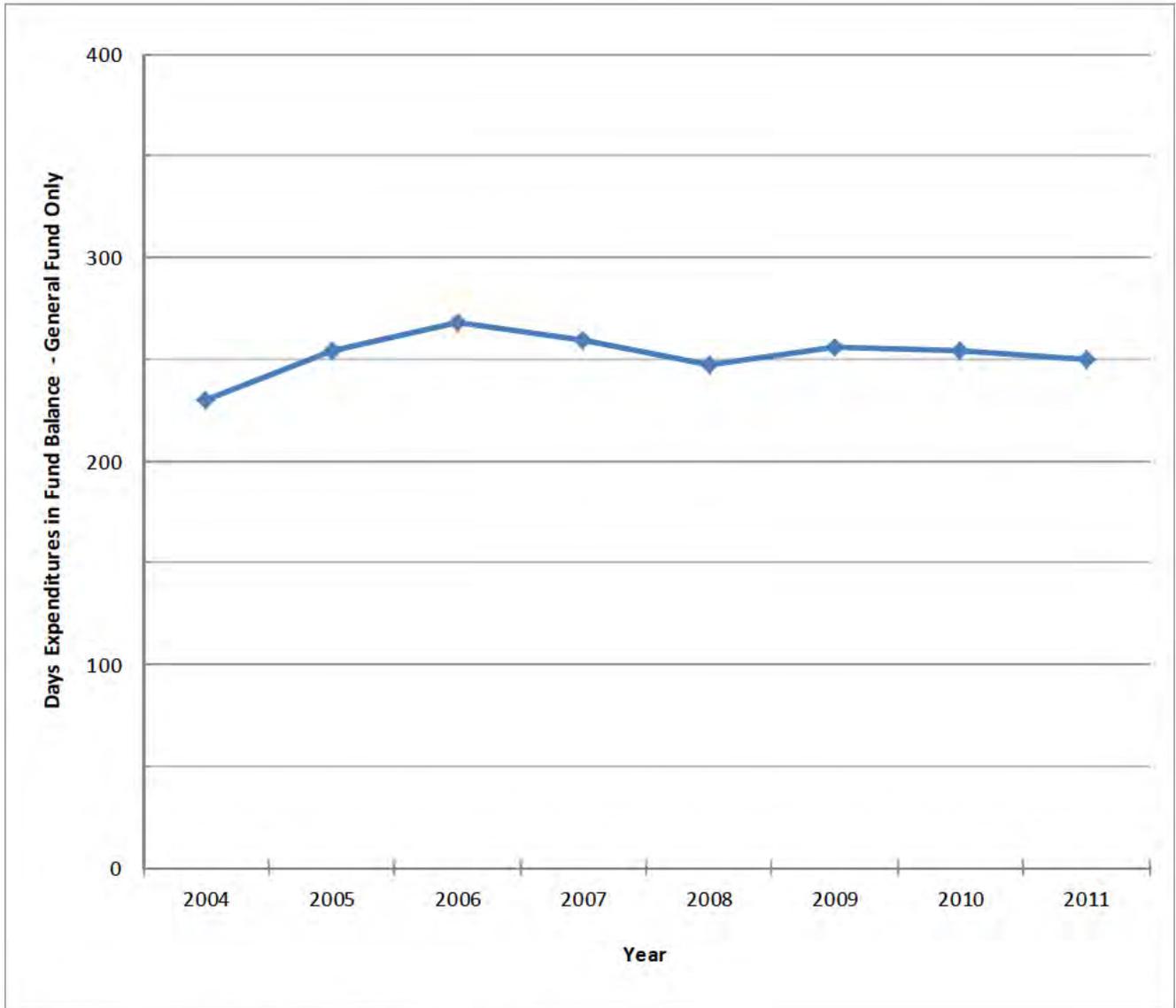
CITY OF BAXTER, MINNESOTA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2002	2003	2004	2005
Revenues				
Taxes	\$ 2,020,379	\$ 2,432,851	\$ 2,840,143	\$ 3,236,858
Lodging Tax	-	-	-	-
Sales Tax	-	-	-	-
Tax Increments	7	-	555,084	349,382
Special Assessments	1,980,202	1,952,972	3,306,021	4,545,479
Licenses, Permits, and Fees	446,549	536,234	742,731	790,646
Intergovernmental	1,265,693	669,988	2,099,972	187,997
Charges for Services	159,531	167,104	364,194	708,931
Fines and Forfeits	37,448	41,060	53,744	84,982
Gifts and Contributions	-	-	89,128	8,822
Interest on Investments	56,022	60,589	42,713	292,384
Miscellaneous	436,387	562,993	875,604	255,308
Revolving Loans	21,063	50,552	54,556	46,086
Total Revenues	6,423,281	6,474,343	11,023,890	10,506,875
Expenditures				
Current				
General Government	886,228	839,023	1,036,163	1,004,458
Public Safety	877,903	1,004,837	1,299,888	1,628,735
Highways and Streets	303,828	238,040	356,367	450,389
Sanitation	-	-	-	-
Culture and Recreation	336,289	318,289	359,307	432,061
Economic and Community Development	721,065	458,771	388,374	350,402
Capital Outlay	3,405,657	7,347,568	12,180,260	6,145,195
Debt Service				
Principal	3,511,024	1,089,068	1,358,311	2,177,489
Interest and Fiscal Charges	377,176	411,782	489,171	788,329
Bond Issue Costs	-	-	57,191	116,838
Total Expenditures	10,419,170	11,707,378	17,525,032	13,093,896
Excess (Deficiency) of Revenues Over Expenditures	(3,995,889)	(5,233,035)	(6,501,142)	(2,587,021)
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	43,097	-	-	-
Proceeds from Sale of Bonds	4,435,000	6,756,827	9,050,000	6,195,000
Proceeds from Sale of Equipment Certificates	498,695	378,420	-	-
Premium on Bonds/Notes Issued	-	-	109,298	3,352
Discount on Bonds/Notes Issued	-	-	-	(37,253)
Proceeds from Capital Lease	-	-	-	-
Transfers In	609,465	1,668,693	1,319,278	1,100,415
Transfers Out	(409,689)	(1,870,753)	(1,494,108)	(1,191,615)
Total Other Financing Sources (Uses)	5,176,568	6,933,187	8,984,468	6,069,899
Net Change in Fund Balances	\$ 1,180,679	\$ 1,700,152	\$ 2,483,326	\$ 3,482,878
Debt Service as a Percentage of Noncapital Expenditures*	55.4%	34.4%	16.5%	29.5%

*Revised for fiscal years 2004-2010.

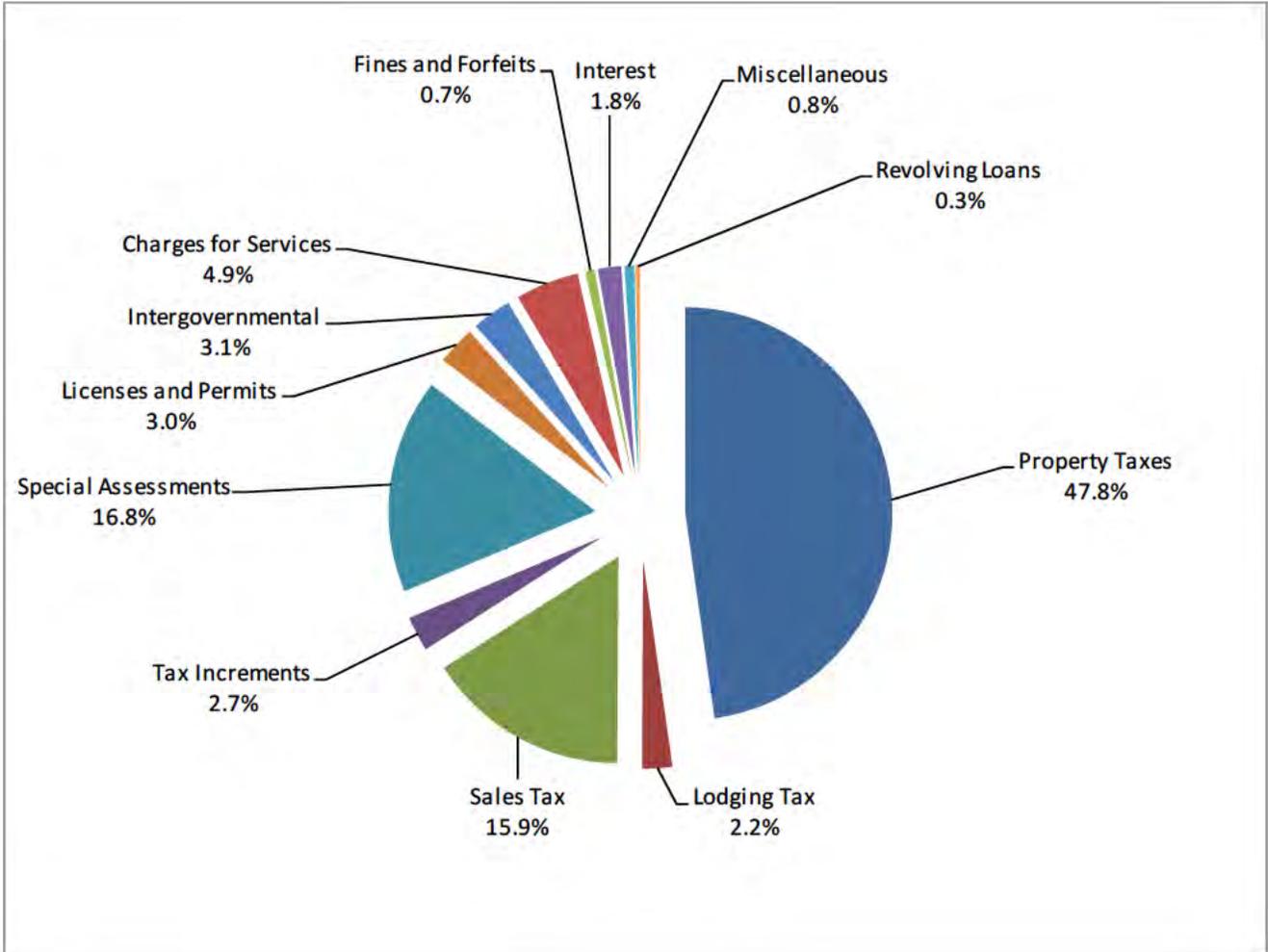
Fiscal Year						
2006	2007	2008	2009	2010	2011	
\$ 3,857,157	\$ 4,520,077	\$ 4,828,170	\$ 5,170,688	\$ 5,498,763	\$ 5,871,854	
263,573	287,486	282,654	251,007	265,889	287,419	
471,158	2,032,718	1,914,352	1,836,111	1,938,915	1,951,316	
288,162	382,414	389,568	371,551	392,575	333,922	
4,467,960	4,483,790	3,340,550	2,979,835	3,418,718	2,063,769	
707,898	417,220	264,616	299,446	183,762	364,655	
1,661,592	1,112,761	1,696,669	537,348	624,073	377,280	
694,640	733,708	544,356	611,278	1,730,146	607,773	
74,582	104,511	132,048	130,195	125,579	87,850	
47,686	1,250	24,512	5,211	3,100	3,960	
681,212	693,913	488,173	265,196	301,739	220,989	
170,181	154,439	225,400	150,509	131,045	89,106	
53,035	50,275	50,275	29,327	-	36,642	
13,438,836	14,974,562	14,181,343	12,637,702	14,614,304	12,296,535	
1,154,061	1,369,883	1,333,983	1,368,989	1,388,835	1,382,197	
1,712,108	1,808,239	1,877,751	1,925,811	1,973,467	1,925,231	
847,037	871,334	971,514	583,939	604,009	667,421	
-	28,739	34,670	36,090	34,669	38,338	
482,854	454,263	674,652	508,600	471,005	525,931	
949,525	1,070,651	714,819	592,660	790,883	1,132,979	
12,818,079	4,374,199	2,865,591	5,324,000	5,886,965	2,416,666	
3,349,829	4,130,113	5,806,933	5,138,184	4,912,770	5,420,721	
878,191	1,188,664	1,161,914	1,057,541	1,026,125	987,564	
106,949	57,349	-	-	35,925	-	
22,298,633	15,353,434	15,441,827	16,535,814	17,124,653	14,497,048	
(8,859,797)	(378,872)	(1,260,484)	(3,898,112)	(2,510,349)	(2,200,513)	
-	3,902	2,902	-	13,468	1,839	
10,000,000	3,425,000	-	5,010,058	8,765,571	-	
-	-	-	-	-	-	
68,143	26,940	-	-	-	-	
(10,078)	-	-	-	(22,325)	-	
250,000	-	-	-	-	-	
2,842,890	2,173,114	1,798,792	2,516,017	2,408,814	5,589,133	
(3,948,451)	(2,771,719)	(1,818,039)	(1,786,803)	(1,602,128)	(5,004,189)	
9,202,504	2,857,237	(16,345)	5,739,272	9,563,400	586,783	
\$ 342,707	\$ 2,478,365	\$ (1,276,829)	\$ 1,841,160	\$ 7,053,051	\$ (1,613,730)	
51.7%	48.4%	50.4%	55.2%	53.8%	53.0%	

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

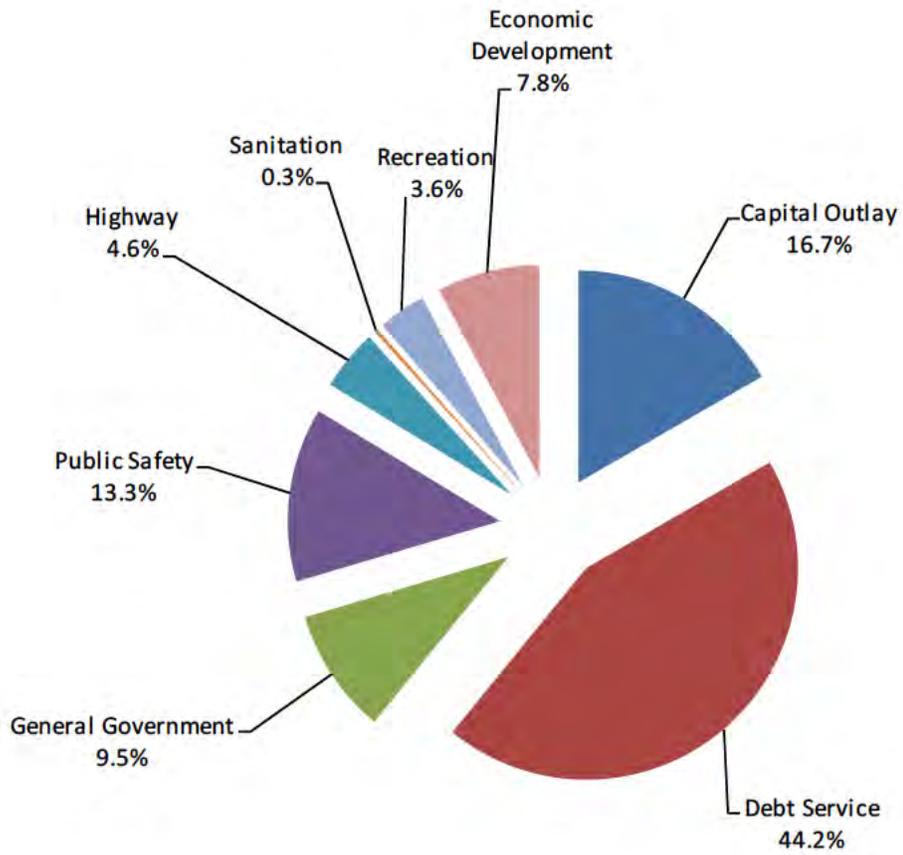


* Unreserved, undesignated fund balance prior to 2010.

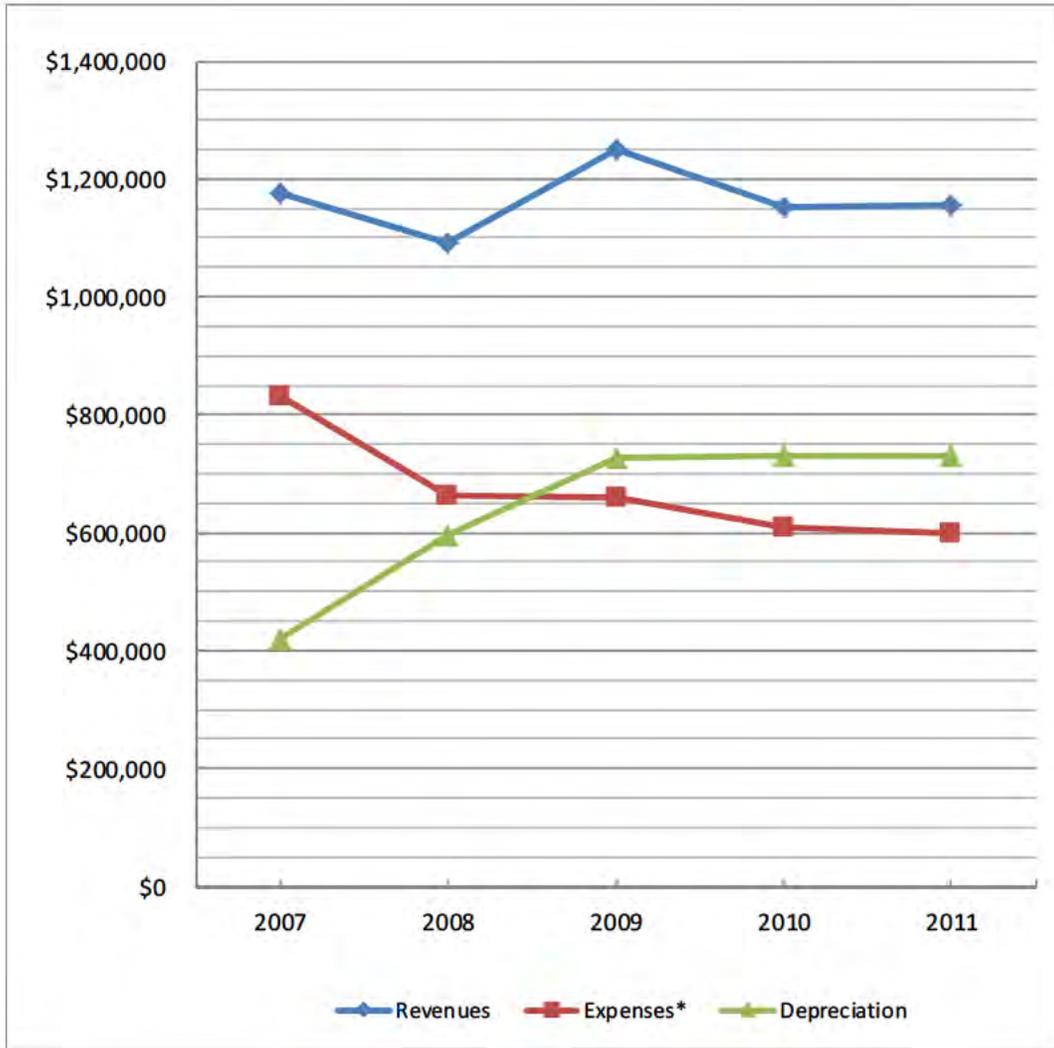
**CITY OF BAXTER, MINNESOTA
REVENUES – GOVERNMENTAL FUNDS
DECEMBER 31, 2011**



**CITY OF BAXTER, MINNESOTA
EXPENDITURES – GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

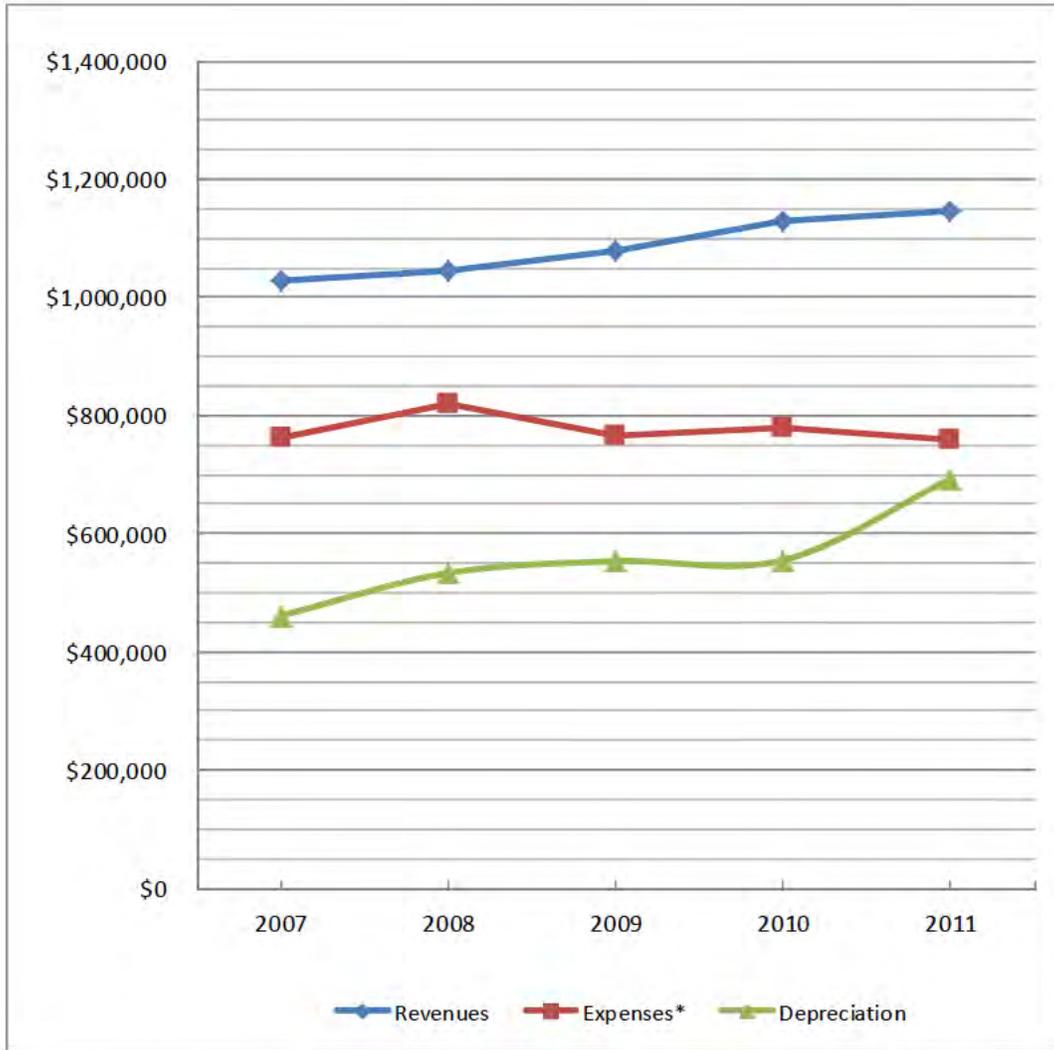


**CITY OF BAXTER, MINNESOTA
REVENUES AND EXPENSES – WATER FUND
LAST FIVE FISCAL YEARS**



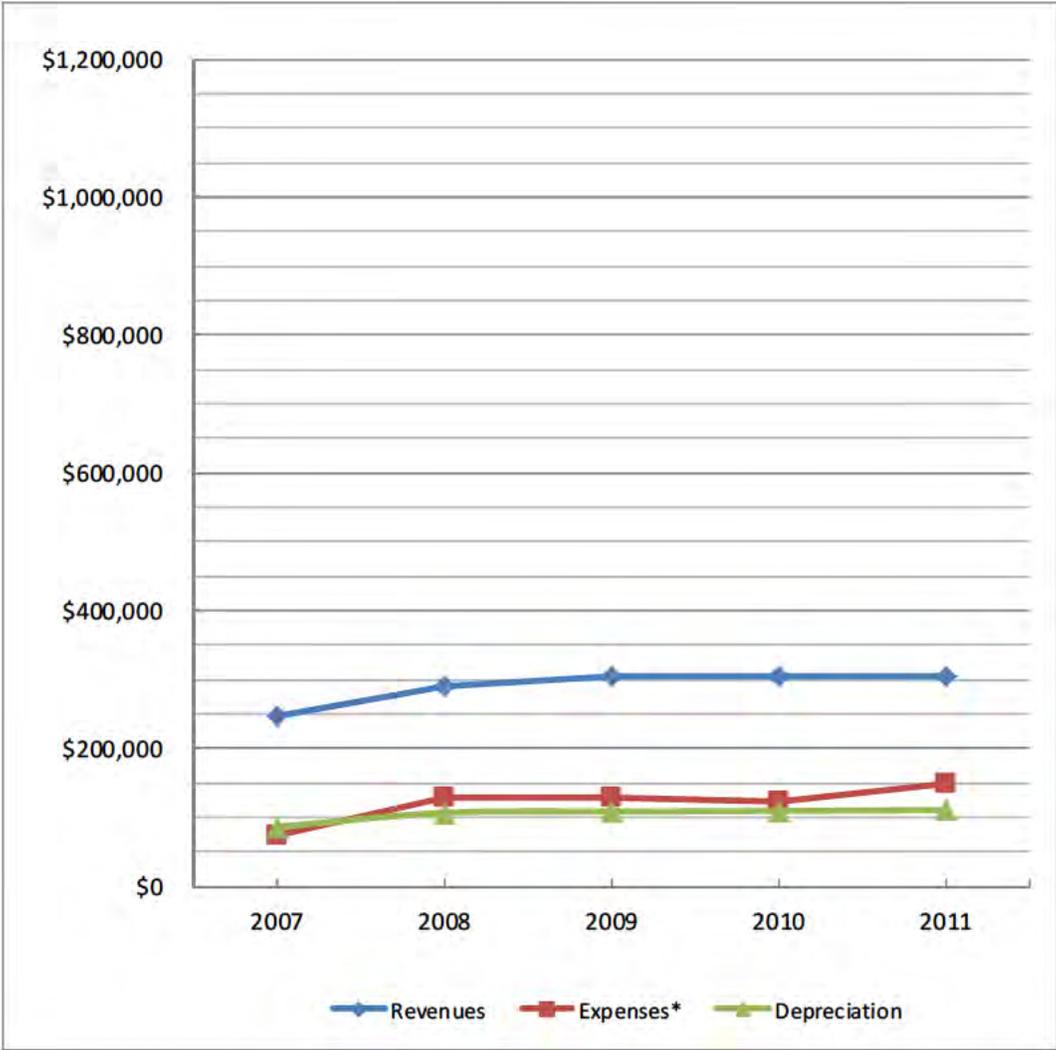
* Expenses excluding depreciation.

**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
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
2011	5,257,783	6,549,615	130,801	85,988	336,978

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
\$ 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
11,687,209	48.4	871,405,300	1.34

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

City Direct Rate			
Fiscal Year	Basic Rate	General Obligation Debt Service	Total Direct
2002	34.7 %	6.4 %	41.1 %
2003	32.6	5.1	37.7
2004	33.6	5.4	39.0
2005	36.6	3.7	40.3
2006	37.7	2.9	40.6
2007	34.8	6.4	41.2
2008	34.4	6.6	41.0
2009	34.8	7.4	42.2
2010	36.1	7.9	44.0
2011	39.9	8.5	48.4

Source:
Crow Wing County.

Overlapping Rates

School District 181	Crow Wing County	Other	Total Overlapping	Total Direct and Overlapping Tax Rate
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
21.8	29.8	0.2	51.7	100.2

**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	Adjustments (1)	Total Tax Levy	Amount	Percentage of Levy
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	(209,812)	2,839,922	2,829,393	99.6
2005	3,010,532	511,600	(206,618)	3,315,514	3,300,907	99.6
2006	3,559,700	505,000	(232,134)	3,832,566	3,797,116	99.1
2007	3,827,000	979,000	(270,316)	4,535,684	4,455,552	98.2
2008	4,164,300	1,047,000	(245,314)	4,965,986	4,759,069	95.8
2009	4,343,700	1,170,000	(245,437)	5,268,263	4,925,630	93.5
2010	4,463,000	1,187,000	(208,084)	5,441,916	5,150,513	94.6
2011	4,463,000	1,187,000	(228,718)	5,421,282	5,315,869	98.1

Source:
Crow Wing County Auditor-Treasurer's Office

Note:
(1) 2004 and later Total Tax Levy figures are adjusted to reflect property tax abatements and homestead, disparity reduction credits and equalization aid from the State of Minnesota. Figures prior to 2004 are not available.

Collections in Subsequent Years	Total Collections to Date		Outstanding Delinquent Taxes (2)	Percentage of Levy Outstanding
	Amount	Percentage of Levy		
\$ 21,180	\$ 2,227,569	91.6 %	\$ 203,866	8.4 %
9,713	2,432,510	92.8	190,054	7.2
9,626	2,839,019	100.0	903	-
12,615	3,313,522	99.9	1,992	0.1
31,371	3,828,487	99.9	4,078	0.1
69,752	4,525,304	99.8	10,380	0.2
168,009	4,927,078	99.2	38,908	0.8
291,925	5,217,555	99.0	50,708	1.0
192,029	5,342,542	98.2	99,375	1.8
-	5,315,869	98.1	105,413	1.9

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

Taxpayer	2011			2002		
	Net Tax Capacity	Rank	Percentage of Total City Net Tax Capacity	Net Tax Capacity	Rank	Percentage of Total City Net Tax Capacity
Mills Properties Inc.	\$ 767,376	1	6.57 %	\$ 487,874	1	7.01 %
Wal-Mart Stores, Inc. (1)	232,417	2	1.99	79,971	9	1.15
Lindar Corp	222,420	3	1.90			
Menards, Inc.	194,926	4	1.67	146,440	4	2.10
JC Penney Properties, Inc.	146,700	5	1.26			
Home Depot USA, Inc.	119,950	6	1.03	132,738	5	1.91
Dayton Hudson Corporation (Target)	116,588	7	1.00	126,904	6	1.82
JRMINN LLC	116,324	8	1.00			
Individual	111,138	9	0.95	103,788	7	1.49
Westport Mall LLC	99,826	10	0.85			
Mills Holding Co. of Minnesota				260,412	2	3.74
Developers Diversified Realty				168,638	3	2.42
Rapid River Lodge				85,274	8	1.22
Bridgeview Ltd. Partnership				71,161	10	1.02
Total	\$ 2,127,665		18.21 %	\$ 1,663,200		23.88 %

Source:

Crow Wing County.

Notes:

(1) Formerly known as Golf Crest Ltd. Partnership and Bridgeview Ltd Partnership.

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

Fiscal Year	Governmental Activities				Business-Type Activities
	General Obligation Bonds	Revenue Bonds	Equipment Certificates	Capital Leases	General Obligation Bonds
2002	\$ 10,816,673	\$ 286,227	\$ 495,000	\$ -	\$ 2,575,000
2003	16,463,236	240,596	875,000	-	2,385,000
2004	24,318,217	192,304	760,000	-	2,185,000
2005	28,631,558	141,474	515,000	-	5,785,000
2006	35,658,203	-	305,000	225,000	3,805,000
2007	35,193,090	-	90,000	200,000	9,415,000
2008	29,501,157	-	-	175,000	9,025,000
2009	24,507,339	4,890,692	-	150,000	8,625,000
2010	24,446,569	8,829,263	-	125,000	8,205,000
2011	19,463,776	8,416,334	-	100,000	7,770,000

Total Primary Government	Percentage of Personal Income	Per Capita
\$ 14,172,900	9.4 %	\$ 2,314
19,963,832	11.7	3,041
27,455,521	14.9	3,987
35,073,032	18.0	4,858
39,993,203	18.6	5,266
44,898,090	19.2	5,787
38,701,157	16.2	4,945
38,173,031	15.4	4,819
41,605,832	17.4	5,467
35,750,110	14.4	4,513

CITY OF BAXTER, MINNESOTA
RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION DEBT PER CAPITA
LAST EIGHT 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
2011	3,629,776	376,075	3,253,701	0.4	411

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, sales tax, or other revenues.

CITY OF BAXTER, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2011

	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping			
Crow Wing County	\$ 42,520,000	9.73 %	\$ 413,688,880
Brainerd I.S.D. No. 181	78,105,000	19.16	14,964,585
Total Overlapping			428,653,465
City of Baxter Direct Debt	27,980,110	100.00	27,980,110
Total Direct and Overlapping Debt			\$ 456,633,575

Source:
Crow Wing County and I.S.D 181.

Notes:
(1) Calculated as the portion of Net Tax Capacity attributable to Baxter residents versus the overall Net Tax Capacity for the County and I.S.D. 181, respectively.
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				
	2002	2003	2004	2005	2006
Debt Limit	\$ 16,094,450	\$ 19,749,323	\$ 19,067,508	\$ 24,387,396	\$ 27,852,330
Total Net Debt Applicable to Limit	<u>495,000</u>	<u>662,635</u>	<u>760,000</u>	<u>515,000</u>	<u>4,535,000</u>
Legal Debt Margin	<u>\$ 15,599,450</u>	<u>\$ 19,086,688</u>	<u>\$ 18,307,508</u>	<u>\$ 23,872,396</u>	<u>\$ 23,317,330</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	3.08%	3.36%	3.99%	2.11%	16.28%

Source:
Bond Issue Official Statements and Crow Wing County.

Fiscal Year				
2007	2008	2009	2010	2011
\$ 32,133,322	\$ 30,868,888	\$ 31,001,705	\$ 29,220,874	\$ 26,142,159
4,320,000	4,085,000	3,930,000	3,770,000	3,605,000
<u>\$ 27,813,322</u>	<u>\$ 26,783,888</u>	<u>\$ 27,071,705</u>	<u>\$ 25,450,874</u>	<u>\$ 22,537,159</u>
13.44%	13.23%	12.68%	12.90%	13.79%

Legal Debt Margin Calculation for Fiscal Year 2011

Estimated Market Value	\$ 871,405,300
Debt Limit (3% of Estimated Market Value)	26,142,159
Debt Applicable to Limit	<u>3,605,000</u>
Legal Debt Margin	<u>\$ 22,537,159</u>

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

Special Assessment Bonds						
Fiscal Year	Revenue	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2011	2,840,064	(3,114)	2,836,950	4,515,000	533,435	56.2

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
2011	577,736	(425)	577,312	160,000	126,968	201.2

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
2011	686,992	-	686,992	412,929	273,609	100.1

Economic Development Authority Bonds						
Fiscal Year	Revenue	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2011	115,070	(193,494)	(78,424)	24,000	-	(30.6)

Special Assessment/Water Revenue Bonds

Fiscal Year	Revenue	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2011	19,017	(459)	18,558	220,000	22,585	7.7

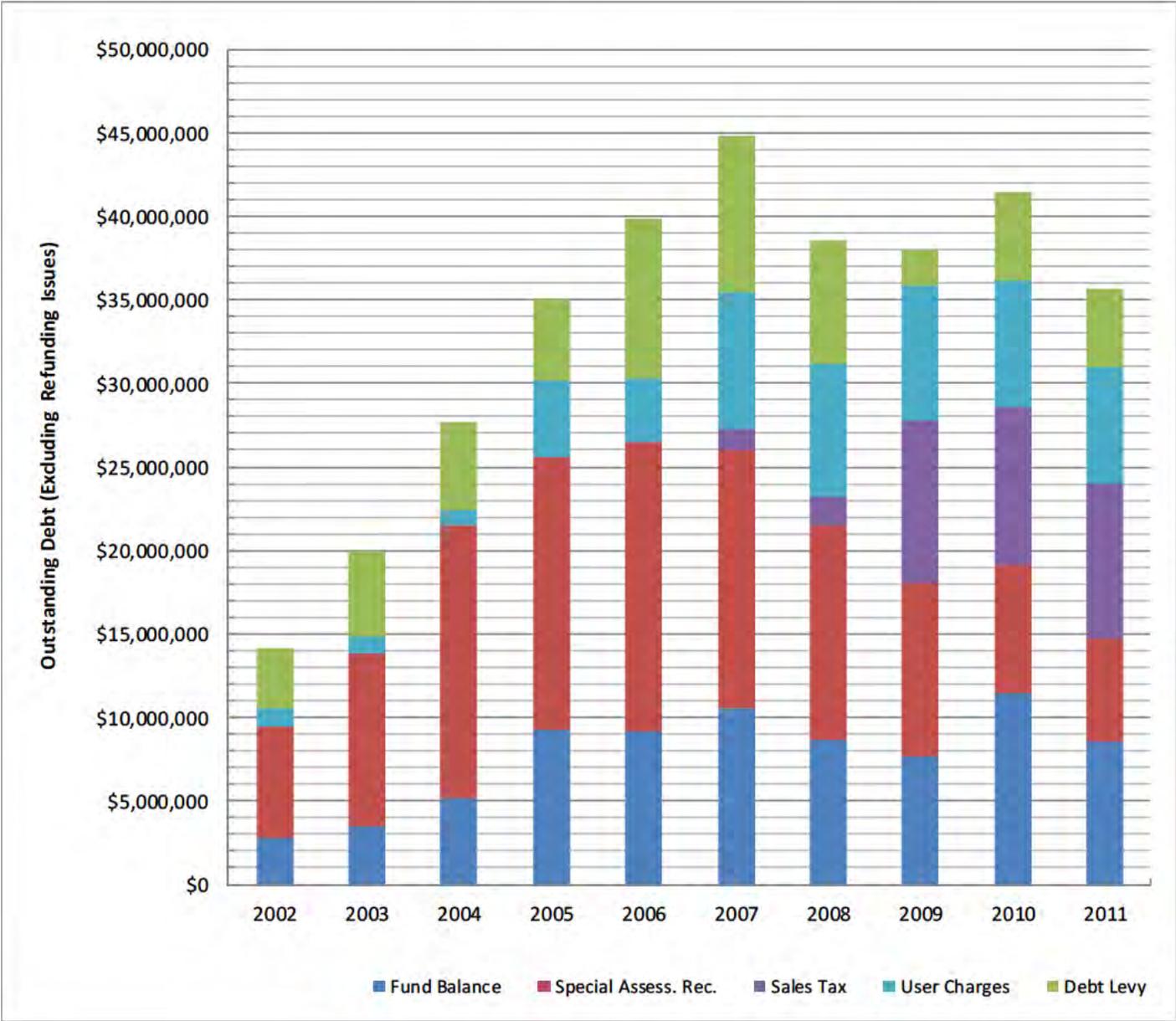
Water Utility/Local Option Sales Tax Revenue Bonds

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
2011	707,780	(453)	707,327	275,000	199,400	149.1

Tax Increment Bonds

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

**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)
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 *	6,707	8.9
2011	7,921	248,315 *	31,349 *	6,631	8.4

Notes:

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

(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, as of October 1st

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

* Most recent available data.

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

Taxpayer	2011 (1)			2004 (2)		
	Employees	Rank	Percentage of Total Population	Employees	Rank	Percentage of Total Population
Wal-Mart	533	1	6.7 %	300	2	4.4 %
Ascensus (3)	500	2	6.3	200	3	2.9
Mills Fleet Farm	226	3	2.9	309	1	4.5
Menards	175	4	2.2	136	8	2.0
Nor-Son Inc	170	5	2.1	177	4	2.6
Kuepers Construction	160	6	2.0			
MN Department of Transportation	160	7	2.0	175	5	2.5
Target	150	8	1.9	147	7	2.1
Reichert Enterprises, Inc.	145	9	1.8			
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		29.8 %	1,839		26.7 %

Source:

Minnesota Department of Trade and Economic Development.

Notes:

(1) Most recent available data.

(2) Closest information to 2002 available.

(3) 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,			
	2002	2003	2004	2005
General Government				
Administration	3.00	2.50	1.00	2.00
Finance	1.77	3.00	3.00	3.50
Information Systems	-	1.00	1.00	1.00
Public Works Admin	2.00	2.50	3.00	3.00
Cemetery	-	-	-	-
Public Safety				
Police	12.39	13.53	12.37	15.44
Building Inspections	3.50	3.50	3.00	4.00
Highways and Streets				
Streets Maintenance	1.50	1.50	1.58	1.77
Culture and Recreation				
Park Maintenance	5.51	5.16	5.27	5.38
Recreation	3.22	2.63	2.70	2.62
Economic and Community Development				
Planning	2.72	1.51	2.00	3.00
Water, Sewer, and Storm Water				
Water	2.25	1.75	1.33	2.22
Sewer	1.25	1.75	1.33	2.22
Storm Water	-	-	0.08	0.07

Source:
City Finance Department.

Note:
Full-time equivalency for temporary and part-time employees is calculated as budgeted hours / 2080.

Full-Time Equivalent Employees as of December 31,

2006	2007	2008	2009	2010	2011
2.00	2.00	2.00	2.00	2.00	1.54
4.00	4.00	5.00	5.00	5.00	5.00
1.00	1.00	1.04	1.00	1.00	1.00
5.00	5.25	5.14	4.00	4.00	3.46
-	-	-	0.24	0.24	0.24
14.19	17.00	16.10	16.25	16.25	15.80
4.00	3.00	3.00	2.00	2.00	1.52
1.82	1.85	1.92	2.39	2.39	2.39
5.68	6.87	7.00	6.97	6.74	6.32
2.24	0.60	0.75	0.70	0.64	0.66
3.00	3.00	3.00	2.00	2.00	2.00
2.27	2.30	2.37	2.84	2.84	2.34
2.27	2.30	2.37	2.84	2.84	2.34
0.12	0.15	0.22	0.25	0.25	0.26

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

Function/Program	Fiscal Year			
	2002	2003	2004	2005
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	14	12	3	3
Police				
All Police Calls	5,201	5,572	5,935	5,992
Arrests	*	489	382	510
Arrest Charges				
Burglaries	*	42	20	27
Drug Arrests	*	21	30	97
DUI	*	44	49	78
Forgeries	*	61	66	52
Fraud	*	51	322	234
Larcenies/Thefts	*	423	332	336
Building Inspection				
Building permits	426	453	477	644
Planning				
Zoning applications	*	*	*	*
Building permits for new construction	*	*	*	*
Architectural review projects	*	*	*	*
Code enforcement cases	*	*	*	*
Streets Maintenance				
Road constructed (miles)	1	2	4	5
Parks				
Program participants	538	671	747	704
Water				
Number of accounts	1,458	1,605	1,784	2,010
Amount distributed (millions of gallons)	192	225	251	272
Sewer				
Number of accounts	1,290	1,409	1,557	1,760
Amount processed (millions of gallons)	146	154	166	183
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						
2006	2007	2008	2009	2010	2011	
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%	-	
8	6	7	9	6	12	
5,657	6,536	5,935	6,065	6,230	6,424	
422	490	567	644	462	*	
20	7	21	8	9	*	
62	49	54	55	65	*	
76	79	91	96	48	*	
43	29	20	3	1	*	
127	130	123	90	68	*	
293	274	276	334	285	*	
1,039	925	912	638	622	576	
90	55	28	28	36	34	
90	20	25	13	9	11	
*	13	7	7	8	15	
*	*	63	63	28	59	
2	1	2	-	-	-	
*	*	*	*	*	1,072	
2,232	2,409	2,454	2,510	2,570	2,562	
326	332	298	288	281	254	
1,964	2,122	2,168	2,222	2,270	2,292	
198	201	194	186	190	186	
2,417	2,479	2,503	2,503	2,535	2,543	
298	312	331	333	340	341	
15,218,681	16,187,896	22,340,761	22,742,345	22,885,837	22,950,822	

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

Function/Program	Fiscal Year			
	2002	2003	2004	2005
Police				
Stations	1	1	1	1
Patrol Units	*	*	*	7
Highways and Streets/Public Works				
Buildings	1	1	1	1
Trucks	4	5	6	7
Other Vehicles	1	3	3	3
Miles of streets	70	72	76	81
Street Lights	177	219	292	311
Culture and Recreation				
Number of parks	4	5	5	5
Acres of developed parks	54.5	58.5	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	15	17	18

* Information is not available.

Fiscal Year					
2006	2007	2008	2009	2010	2011
1	1	1	1	1	1
8	9	9	9	9	9
1	1	1	1	1	1
7	8	8	10	9	8
4	4	5	5	7	7
79	80	82	82	82	82
339	367	404	405	406	406
5	5	5	5	5	5
58.5	58.5	58.5	58.5	58.5	58.5
*	*	*	4	4	4
*	*	*	4	4	4
*	*	*	6	6	6
*	*	*	1	1	1
*	*	*	1	1	1
*	*	*	1	1	1
*	*	*	2	2	2
*	*	*	2	2	2
*	*	*	1	1	1
*	*	85	85	85	87
*	*	800	800	800	819
2	2	2	2	2	2
1	1	1	1	1	1
1	1	1	1	1	1
*	*	71	71	71	72
*	*	1,300	1,300	1,300	1,329
20	21	22	22	22	22