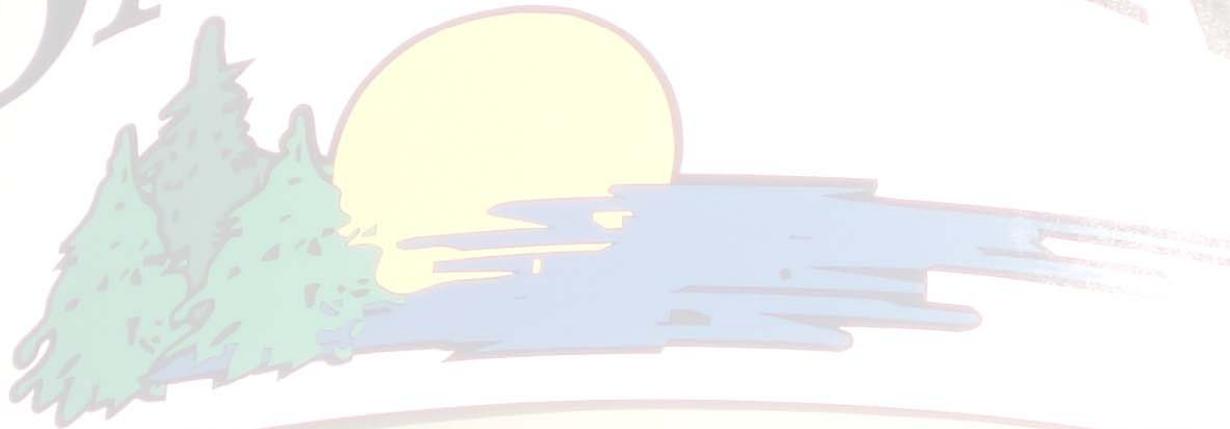


CITY OF BAXTER, MINNESOTA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED DECEMBER 31, 2012

BAXTER



PREPARED BY:
Department of Finance

Finance Director
Jeremy S. Vacinek

Assistant Finance Director
Susannah Jensen, CPA

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INTRODUCTORY SECTION



March 29, 2013

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, 2012. *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. CliftonLarsonAllen LLP, a national certified public accounting firm, performed the audit for the fiscal year ended December 31, 2012. 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 7,620. 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 fund, and select capital project funds. The proposed budgeted 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 56; nonmajor special revenue fund budgetary comparisons begin on page 70.

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 2012 stood at 7.3%, an improvement over the average 2011 rate of 8.4%. Baxter is benefitting from recently renewed interest in retail and restaurant development, the construction of new health care facilities, and a few multi-family housing projects. The City is poised for growth as the economy recovers, but is continuing to take a conservative approach in managing the City's resources.

Relevant Financial Policies and Long-term Financial Planning

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 has maintained approximately 250 days expenditures in unassigned fund balance in its General Fund for the last seven years. This has enabled the City to maintain adequate cash reserves to operate without short-term borrowing until property tax revenues are received in late June, July, and December.

Major Initiatives

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, serving Baxter and the neighboring City of Brainerd's wastewater needs, placed the facility online in 2011 with completion of the project in 2012. The City of Baxter funded one-third of this project and is thereby entitled to one-third of the facility's treatment capacity. Baxter's portion of the project was funded through \$9.3 million in bonds and \$0.6 million in existing local option sales tax proceeds. 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.

- Water Tower – Construction of a third water tower for the City began in 2011. The tower was completed and went online in 2012. The structure will benefit current and future City utility customers. No debt was issued for the project and was funded with existing local option sales tax proceeds.
- Hastings Road – In conjunction with the completion of the new water tower, the City expanded infrastructure to the nearby area. No debt was issued for the project and was funded with existing local option sales tax proceeds and future special assessments to the benefiting properties.
- Lift Station Rehabilitation – In 2012, the City completed the rehabilitation of two sewer lift stations. In 2013, another station is scheduled to be rehabilitated. As existing infrastructure begins to age, 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.
- College Rd/CSAH 48 – In 2012, in a cooperative project with the City of Brainerd and Crow Wing County, Brainerd began street and infrastructure improvements to an area beginning with and primarily located within Brainerd and ending in Baxter at the College Road intersection with County Road 48. The main purpose of the project was to improve traffic flow within the increasingly busy corridor that serves the local community college. Construction is scheduled to be completed in 2013. Baxter's portion of the project is funded with proceeds from its Municipal State Aid (MSA) account; appropriations from the City's General, Water, and Sewer Funds; and a federal grant through Brainerd.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a *Certificate of Achievement for Excellence in Financial Reporting* to the City of Baxter for its comprehensive annual financial report for the fiscal year ended December 31, 2011. This was the first year that the City has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This 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 that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the 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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Baxter Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



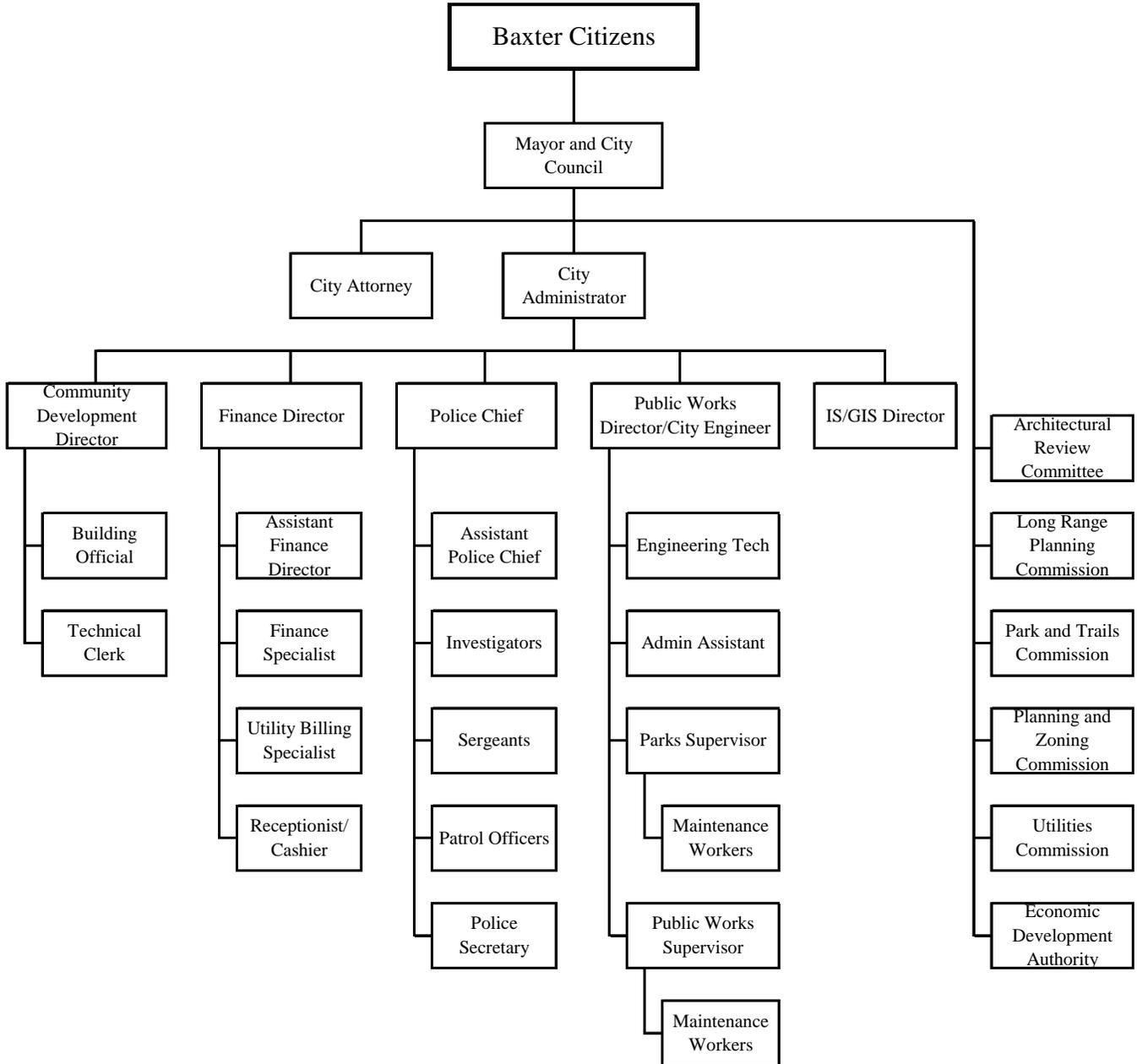
Christopher P. Moirice

President

Jeffrey R. Emer

Executive Director

**CITY OF BAXTER, MINNESOTA
ORGANIZATIONAL CHART
DECEMBER 31, 2012**



**CITY OF BAXTER, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2012**

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.

**2012 Vice-Mayor

FINANCIAL SECTION



CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



An independent member of Nexia International

Honorable Mayor and
Members of the City Council
City of Baxter

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 as of December 31, 2012, and the respective changes in financial position and, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of funding progress, and budgetary comparison information on pages 4 through 13, 55, and 56 through 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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.

Other Information

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 other major governmental funds – budget and actual, combining and individual nonmajor fund financial statements and related budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other major governmental funds – budget and actual, combining and individual nonmajor fund financial statements and related budgetary comparison schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other major governmental funds – budget and actual, combining and individual nonmajor fund financial statements and related budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Honorable Mayor and
Members of the City Council
City of Baxter

Other Matters (Continued)

Other Information (Continued)

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baxter, Minnesota
April 16, 2013

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

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, 2012. 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 2012 include the following:

- City-wide net position increased 4.8% over the prior year due to a decrease in long-term debt.
- Total revenues for the year increased \$1,946,228 from 2011; total expenses decreased \$599,205 from the prior year.
- Governmental fund-level revenues totaled \$12,151,613 and were \$2,078,079 more than expenditures.
- Governmental funds' fund balance decreased \$2,306,769 from 2011.
- The Water Enterprise Fund net position increased \$3,170,917 from the prior year, the Sewer Enterprise Fund net position increased \$509,413 from the prior year, and the Storm Water Enterprise Fund net position increased \$145,675 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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 14-16 of this report.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

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 17-22 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 23-26 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 27-54 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide other postemployment health care benefits to its employees. Required supplementary information can be found on pages 55-60 of this report.

Combining and individual fund statements and schedules can be found on pages 62-86 of this report.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's overall net position was \$93,372,939 on December 31, 2012 (see Table A-1).

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 29,879,633	\$ 33,453,392	\$ 10,035,137	\$ 8,821,105	\$ 39,914,770	\$ 42,274,497
Capital Assets	31,398,846	34,238,964	52,389,086	50,300,770	83,787,932	84,539,734
Total Assets	61,278,479	67,692,356	62,424,223	59,121,875	123,702,702	126,814,231
Current Liabilities	3,814,342	8,195,662	738,850	788,867	4,553,192	8,984,529
Long-Term Liabilities	18,897,496	21,417,411	6,879,075	7,352,715	25,776,571	28,770,126
Total Liabilities	22,711,838	29,613,073	7,617,925	8,141,582	30,329,763	37,754,655
Net Position						
Net Invested in Capital Assets	22,675,313	19,093,683	45,066,969	42,523,243	53,175,816	61,616,926
Restricted	18,462,766	18,838,499	-	-	18,462,766	18,838,499
Unrestricted	(2,571,438)	147,101	9,739,329	8,457,050	21,734,357	8,604,151
Total Net Position	\$ 38,566,641	\$ 38,079,283	\$ 54,806,298	\$ 50,980,293	\$ 93,372,939	\$ 89,059,576

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position

The City-wide total revenues were \$15,595,439 for the year ended December 31, 2012. Property taxes and special assessments (shown as capital grants and contributions) accounted for 39.5% of total revenue for the year; sales tax accounted for 13.6% of total revenue for the year. Governmental activities fees, charges, fines, and other revenues increased \$489,059 primarily due to an increase of approximately \$200,000 in park dedication fees, \$140,000 in building permits, \$85,000 in plan review fees, and \$13,000 in alcohol and drug seizures (see Table A-2).

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

	Governmental Activities			Business-Type Activities			Total		Total % Change
	2012	2011	Total % Change	2012	2011	Total % Change	2012	2011	
Revenues									
<u>Program Revenues</u>									
Fees, Charges, Fines, and Other	\$ 1,352,546	\$ 863,487	56.6 %	\$ 3,704,287	\$ 2,982,435	24.2 %	\$ 5,056,833	\$ 3,845,922	31.5 %
Operating Grants and Contributions	276,068	360,152	(23.3)	20,690	18,177	13.8	296,758	378,329	(21.6)
Capital Grants and Contributions	956,669	687,075	39.2	755,526	111,272	579.0	1,712,195	798,347	114.5
<u>General Revenues</u>									
Property Taxes	5,405,829	5,667,151	(4.6)	-	-	-	5,405,829	5,667,151	(4.6)
Lodging Tax	297,361	287,419	3.5	-	-	-	297,361	287,419	3.5
Sales Tax	2,124,950	1,936,851	9.7	-	-	-	2,124,950	1,936,851	9.7
Tax Increment	228,037	333,922	(31.7)	-	-	-	228,037	333,922	(31.7)
Unrestricted State Aid	2,493	2,433	2.5	-	-	-	2,493	2,433	2.5
Investment Earnings	256,429	220,984	16.0	116,834	106,917	9.3	373,263	327,901	13.8
Other	97,720	70,936	37.8	-	-	-	97,720	70,936	37.8
Total Revenues	10,998,102	10,430,410		4,597,337	3,218,801		15,595,439	13,649,211	
Expenses									
General Government	1,212,361	1,416,819	(14.4)	-	-	-	1,212,361	1,416,819	(14.4)
Public Safety	1,874,740	1,939,880	(3.4)	-	-	-	1,874,740	1,939,880	(3.4)
Public Works	2,267,214	2,380,427	(4.8)	-	-	-	2,267,214	2,380,427	(4.8)
Sanitation	35,476	38,338	(7.5)	-	-	-	35,476	38,338	(7.5)
Water	-	-	-	1,674,473	1,652,130	1.4	1,674,473	1,652,130	1.4
Sewer	-	-	-	1,623,673	1,451,130	11.9	1,623,673	1,451,130	11.9
Storm Water	-	-	-	282,810	259,517	9.0	282,810	259,517	9.0
Culture and Recreation	670,426	687,545	(2.5)	-	-	-	670,426	687,545	(2.5)
Economic & Community Development	818,460	1,115,103	(26.6)	-	-	-	818,460	1,115,103	(26.6)
Interest	822,443	940,392	(12.5)	-	-	-	822,443	940,392	(12.5)
Total Expenses	7,701,120	8,518,504		3,580,956	3,362,777		11,282,076	11,881,281	
Increase in Net Position Before Transfers	3,296,982	1,911,906	72.4	1,016,381	(143,976)	805.9	4,313,363	1,767,930	144.0
Transfers	(2,809,624)	(9,310,734)	(69.8)	2,809,624	9,310,734	(69.8)	-	-	-
Change in Net Position	487,358	(7,398,828)	(106.6)	3,826,005	9,166,758	(58.3)	4,313,363	1,767,930	144.0
Net Position - Beginning 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
Net Position - End of Year	<u>\$ 38,566,641</u>	<u>\$ 38,079,283</u>	1.3	<u>\$ 54,806,298</u>	<u>\$ 50,980,293</u>	7.5	<u>\$ 93,372,939</u>	<u>\$ 89,059,576</u>	4.8

Total revenues surpassed expenses, increasing net position \$4,313,363 over last year.

The City-wide cost of all activities this year was \$11,282,076. Governmental activities and business-type activities comprised of \$7,701,120 and \$3,580,956, respectively.

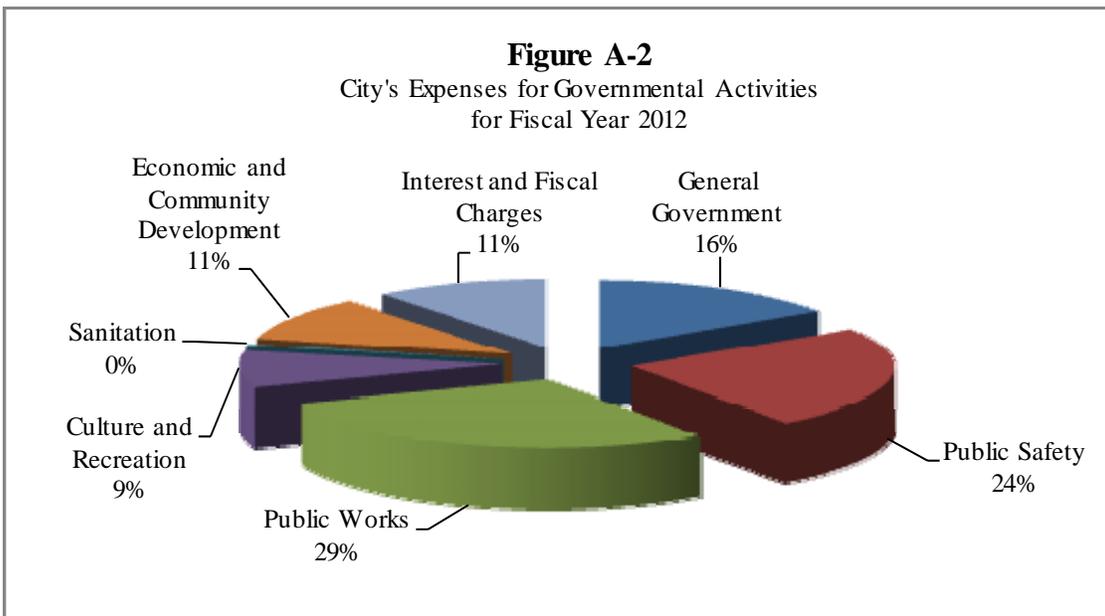
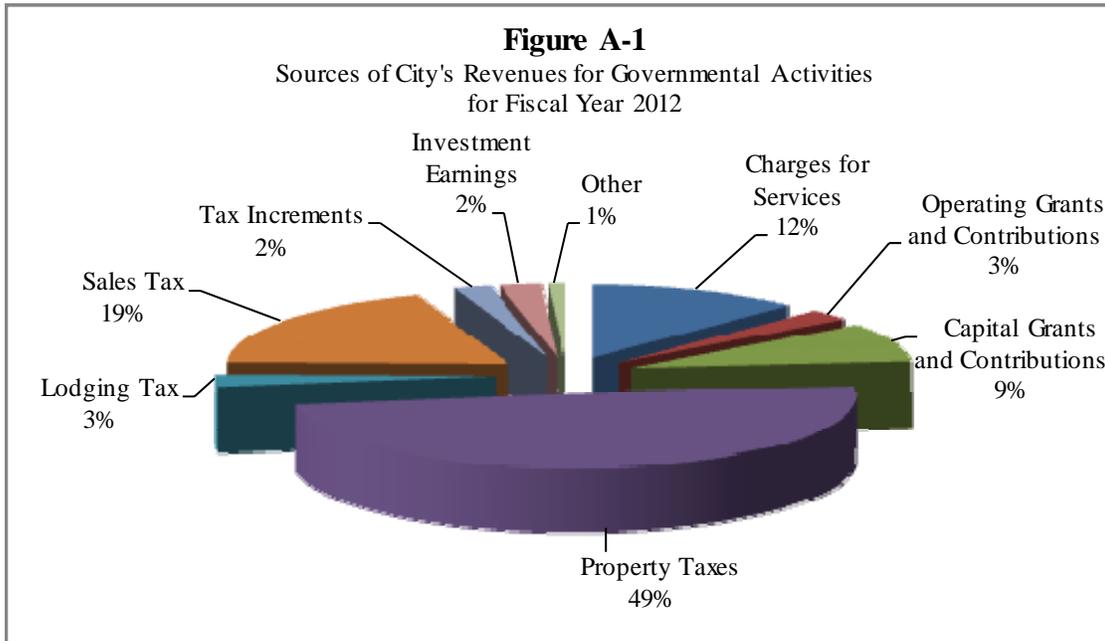
- \$5,056,833 of the cost was paid by the users of the City's programs, comprising of: \$1,352,546 for governmental activities and \$3,704,287 for business-type activities.
- Certain programs in the governmental activities received federal, state, and local support with operating grants and contributions of \$276,068. 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 \$956,669 of the revenues. Current year special assessments comprised over \$756,000 of the amount and developers contributed approximately \$170,000 of street and trails infrastructure.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

- The City's governmental activities' program expenses exceeded program revenues by \$5,115,837 (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, 2012**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

**Table A-3
Cost of Services Analysis**

	Total Cost of Services		Percentage Change	Net Revenue from (Cost of) Services		Percentage Change
	2012	2011		2012	2011	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 1,212,361	\$ 1,416,819	(14.4) %	\$ (686,111)	\$ (912,503)	24.8 %
Public Safety	1,874,740	1,939,880	(3.4)	(1,165,796)	(1,440,221)	19.1
Public Works	2,267,214	2,380,427	(4.8)	(1,353,604)	(1,868,296)	27.5
Sanitation	35,476	38,338	(7.5)	(2,785)	(5,659)	50.8
Culture and Recreation	670,426	687,545	(2.5)	(426,612)	(609,346)	30.0
Economic and Community Development	818,460	1,115,103	(26.6)	(749,078)	(923,439)	18.9
Interest	822,443	940,392	(12.5)	(731,851)	(848,326)	13.7
Total	<u>\$ 7,701,120</u>	<u>\$ 8,518,504</u>	(9.6)	<u>\$ (5,115,837)</u>	<u>\$ (6,607,790)</u>	22.6
BUSINESS-TYPE ACTIVITIES						
Water	\$ 1,674,473	\$ 1,652,130	1.4 %	\$ 453,656	\$ (183,407)	347.3 %
Sewer	1,623,673	1,451,130	11.9	370,088	(137,571)	369.0
Storm Water	282,810	259,517	9.0	75,803	70,085	8.2
Total	<u>\$ 3,580,956</u>	<u>\$ 3,362,777</u>	6.5	<u>\$ 899,547</u>	<u>\$ (250,893)</u>	458.5

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 \$21,444,742.

Revenues for the City's governmental funds were \$12,151,613, while total expenditures were \$10,073,534. The excess of revenues over expenditures before other financing sources and uses is due primarily to lower than budgeted expenditures in the general fund of \$449,874; higher than budgeted special assessment collections in the debt service fund of \$334,398; one-time development-related increases in building permits, plan review fees, and park dedication fees of approximately \$415,000 over 2011 and \$491,335 more than budgeted 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 increased \$143,343 over 2011 primarily due to lower than budgeted expenditures and higher than budgeted revenues from property tax collections.

Expenditures were lower than budgeted particularly from an unfilled position and an unused contingency fund. Days Expenditures in Unassigned Fund Balance for the General Fund remained stable at 250 days.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

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, 2012	December 31, 2011	Increase (Decrease)	Percent
Taxes and Special Assessments	\$ 4,382,769	\$ 4,572,762	\$ (189,993)	(4.2) %
Licenses and Permits	131,883	232,259	(100,376)	(43.2)
Intergovernmental	193,937	186,972	6,965	3.7
Charges for Services	463,422	515,601	(52,179)	(10.1)
Fines and Forfeits	85,474	87,373	(1,899)	(2.2)
Interest	43,053	44,697	(1,644)	(3.7)
Miscellaneous and Other	110,374	73,164	37,210	50.9
Total General Fund Revenue	<u>\$ 5,410,912</u>	<u>\$ 5,712,828</u>	<u>\$ (301,916)</u>	<u>(5.3)</u>

Total General Fund revenue decreased by \$301,916, or 5.3%, from the previous year. Property taxes and special assessments continue to be the significant source of funding in the general fund, comprising 81.0% of the total general fund revenues for 2012. The 2012 decrease in property taxes and special assessments is the result of an unusually high collection of general property taxes in 2011; actual collection exceeded budgeted collection by \$301,462 in 2011 and \$47,297 in 2012. The City is less reliant upon intergovernmental revenues which make up only 3.6% of general fund revenues for 2012.

The following schedule presents a summary of General Fund Expenditures:

**Table A-5
General Fund Expenditures**

	Year Ended		Change	
	December 31, 2012	December 31, 2011	Increase (Decrease)	Percent
General Government	\$ 1,178,525	\$ 1,288,677	\$ (110,152)	(8.5) %
Public Safety	1,683,303	1,731,835	(48,532)	(2.8)
Public Works	495,357	510,053	(14,696)	(2.9)
Culture and Recreation	487,746	499,648	(11,902)	(2.4)
Capital Outlay	42,995	15,096	27,899	184.8
Debt Service	25,000	25,000	-	-
Total Expenditures	<u>\$ 3,912,926</u>	<u>\$ 4,070,309</u>	<u>\$ (157,383)</u>	<u>(3.9)</u>

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 \$129,112 more than expected due primarily to conservative budget practices; higher than anticipated property tax collections, franchise fees, interest, rent revenues, and other miscellaneous revenues. The City also realized intergovernmental revenues from the financial crimes task force investigative program with the State.
- Actual expenditures were \$449,874 less than budgeted as a result of the contingency account not being fully utilized during the year and cost savings due to unfilled personnel positions.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

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 2012, the EDA's fund balance increased \$153,549 due to increased special assessment collections.

SALES TAX COLLECTIONS FUND

The Sales Tax Collections fund year-end fund balance was \$5,777,461, an increase from the prior year by \$476,823. The increase is attributable to the timing of collections over funding of budgeted projects for the year. Sales tax funded the following projects in 2012: construction of a new water tower and related Hastings Road project, the City's portion of wastewater capacity at 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. 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 14 years.

No major construction projects requiring General Obligation bond financing occurred in 2012. Preliminary engineering design continued on future infrastructure projects with the costs internally financed.

In 2012, the City refunded General Obligation Improvement Bonds, Series 2004 (\$2,705,000) and General Obligation Improvement Bonds, Series 2005B (\$1,635,000) with General Obligation Refunding Bonds, Series 2010. This transaction was completed through an advanced crossover refunding, meaning that all three debt issuances were liabilities of the City for the years ended December 31, 2010 and 2011.

In 2012, the City also completed final regularly scheduled payments on G.O. Sewer and Water Revenue Note of 1991 and G.O. Improvements Bonds, Series 2001. Because the City issued no new debt, paid its regularly scheduled debt payments, and completed the aforementioned refunding of \$4,340,000, fund balance for the Debt Service Fund decreased \$4,052,625.

The Capital Project Fund accounts for the majority of the City's construction projects and acquisition of capital assets. Fund balance increased \$520,700 because the Collector Street, Street Replacement, Capital Equipment, and Trails Construction subfunds accumulated funds in order to pay for future projects and capital asset acquisitions. Construction was completed on the new water tower, related Hastings Road infrastructure, and wastewater plant capacity. Current year funding for the water tower, Hastings Road, and final costs of the wastewater plant capacity projects were funded on a pay-as-you-go basis through transfers from the Sales Tax Collection Fund.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

PROPRIETARY FUNDS

Due to timing differences in the user fees and capital improvements in the proprietary funds, increases (or decreases) in net position can occur from year to year. Net position for the Water, Sewer, and Storm Water Funds increased \$3,170,917, \$509,413, and \$145,675, respectively primarily due to significant contributions from governmental activities and developers including the new water tower, Hastings Road infrastructure, and infrastructure related to new commercial development.

Operating revenues in the proprietary funds increased 4.5% primarily due to increases in water usage. Utility user rates were not increased in 2012. Rates are reviewed annually and will continue to be reviewed in the future. As a result of increased residential and commercial construction during the year, water and sewer availability charge revenue increased \$600,400 or 249.7% from the prior year. Availability charges include those certified through special assessment agreements with Crow Wing County.

Water operating expenses increased 3.0%, sewer operating expenses increased 11.9%, and storm water expenses increased 7.5% from 2011. The overall increase in the Water and Sewer Fund operating expenses was due primarily to increased depreciation related to first-year capitalization of the new contributed capital. The increase in Storm Water Fund operating expenses was due to increased maintenance of the storm water system.

CAPITAL ASSETS

By the end of 2012, the City had invested approximately \$123,000,000 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 \$3,720,671 (including the enterprise funds).

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

	Governmental Activities		Percentage Change	Business-Type Activities		Percentage Change	Total		Percentage Change
	2012	2011		2012	2011		2012	2011	
Land	\$ 5,887,543	\$ 5,887,543	- %	\$ 1,027,445	\$ 907,111	13.3 %	\$ 6,914,988	\$ 6,794,654	1.8 %
Construction in Progress	217,498	1,614,531	(86.5)	-	-	-	217,498	1,614,531	(86.5)
Intangible	6,960	-	100.0	9,888,177	9,829,525	0.6	9,895,137	9,829,525	0.7
Buildings	1,235,170	1,229,830	0.4	9,708,299	9,708,299	-	10,943,469	10,938,129	0.0
Infrastructure and Distribution System	44,763,234	44,398,031	0.8	45,204,659	41,644,508	8.5	89,967,893	86,042,539	4.6
Land Improvements	1,501,986	1,453,861	3.3	539,771	539,771	-	2,041,757	1,993,632	2.4
Machinery, Vehicles, Furniture and Equipment	2,189,375	2,110,637	3.7	850,373	790,898	7.5	3,039,748	2,901,535	4.8
Less: Accumulated Depreciation	(24,402,920)	(22,455,469)	8.7	(14,829,638)	(13,119,342)	13.0	(39,232,558)	(35,574,811)	10.3
Total	\$ 31,398,846	\$ 34,238,964	(8.3)	\$ 52,389,086	\$ 50,300,770	4.2	\$ 83,787,932	\$ 84,539,734	(0.9)

In 2012, \$2,756,768 was contributed to proprietary funds by governmental activities of the City for the new water tower, Hastings Road infrastructure, and additional wastewater treatment capacity.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2012**

LONG-TERM LIABILITIES

At year-end, the City had \$28,819,901 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 \$6,831,097, due to the repayment of existing debt and refunding of the previously mentioned General Obligation Improvement Bonds, Series 2004 and General Obligation Improvement Bonds, Series 2005B. The City's business-type activities long-term debt decreased \$452,976, also primarily due to the repayment of existing debt. No new debt was issued in 2012.

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

	2012	2011	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds	\$ 13,097,587	\$ 19,515,921	(32.9) %
General Obligation Revenue Notes	7,991,000	8,416,334	(5.1)
Capital Leases Payable	75,000	100,000	(25.0)
Other Postemployment Benefits	22,956	18,336	25.2
Compensated Absences Payable	278,497	245,546	13.4
	<u>\$ 21,465,040</u>	<u>\$ 28,296,137</u>	(24.1)
BUSINESS-TYPE ACTIVITIES			
General Obligation Bonds	\$ 7,322,117	\$ 7,777,527	(5.9)
Compensated Absences Payable	32,744	30,310	8.0
	<u>\$ 7,354,861</u>	<u>\$ 7,807,837</u>	(5.8)

FACTORS BEARING ON THE CITY'S FUTURE

In 2012, the City experienced renewed commercial growth. Residential construction has also begun to improve. While this new construction and a decrease in unemployment are positive signs of growth, the City will continue to plan future activities cautiously and monitor the activity of City services. 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. Over the next approximately six 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 POSITION
DECEMBER 31, 2012

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 21,899,490	\$ 9,075,082	\$ 30,974,572
Delinquent Taxes Receivable	219,413	-	219,413
Accounts Receivable - Net	128,242	335,938	464,180
Accrued Interest Receivable	33,612	-	33,612
Internal Balances	(269,245)	269,245	-
Due from Other Governments	674,487	16,305	690,792
Land Held for Resale	1,755,154	-	1,755,154
Special Assessments Receivable	5,209,063	278,095	5,487,158
Deferred			
Loan Receivable - Net	35,357	-	35,357
Prepaid Items	2,115	4,464	6,579
Deferred Debt Issue Costs	191,945	56,008	247,953
Non-Depreciable Capital Assets			
Land	5,887,543	1,027,445	6,914,988
Construction in Progress	217,498	-	217,498
Depreciable Capital Assets (Net)			
Intangible	6,264	9,518,104	9,524,368
Buildings	662,002	8,616,115	9,278,117
Infrastructure and Distribution System	23,187,689	32,526,428	55,714,117
Land Improvements	929,753	393,389	1,323,142
Machinery, Vehicles, Furniture and Equipment	508,097	307,605	815,702
Total Assets	61,278,479	62,424,223	123,702,702
LIABILITIES			
Accounts Payable	298,546	133,281	431,827
Salaries Payable	82,637	5,252	87,889
Contracts Payable	378,053	841	378,894
Due to Other Governments	63,481	1,025	64,506
Accrued Interest Payable	264,948	121,923	386,871
Deferred Revenue-Unearned	13,790	-	13,790
Accrued Liabilities	43,677	742	44,419
Escrow Deposits	101,666	-	101,666
Long-term Liabilities:			
Due Within One Year			
Compensated Absences Payable	24,211	786	24,997
General Obligation Bonds Payable	2,080,000	475,000	2,555,000
General Obligation Revenue Notes Payable	438,333	-	438,333
Capital Leases Payable	25,000	-	25,000
Due In More than One Year			
Compensated Absences Payable	254,286	31,958	286,244
Other Postemployment Benefits Payable	22,956	-	22,956
General Obligation Bonds Payable	11,017,587	6,847,117	17,864,704
General Obligation Revenue Notes Payable	7,552,667	-	7,552,667
Capital Leases Payable	50,000	-	50,000
Total Liabilities	22,711,838	7,617,925	30,329,763
NET POSITION			
Net Invested in Capital Assets	22,675,313	45,066,969	59,751,282
Restricted for			
Debt Service	8,805,956	-	8,805,956
Economic Development	2,964,012	-	2,964,012
Sales Tax	5,785,750	-	5,785,750
Revolving Loans	419,549	-	419,549
Tax Increment Financing	462,417	-	462,417
Police Activity	25,082	-	25,082
Unrestricted	(2,571,438)	9,739,329	15,158,891
Total Net Position	\$ 38,566,641	\$ 54,806,298	\$ 93,372,939

See accompanying Notes to Financial Statements.

**CITY OF BAXTER, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2012**

<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	\$ 1,212,361	\$ 518,048	\$ -	\$ 8,202
Public Safety	1,874,740	555,768	153,176	-
Public Works	2,267,214	23,434	-	890,176
Sanitation	35,476	391	32,300	-
Culture and Recreation	670,426	211,123	-	32,691
Economic and Community Development	818,460	43,782	-	25,600
Interest and Fiscal Charges	822,443	-	90,592	-
Total Governmental Activities	7,701,120	1,352,546	276,068	956,669
BUSINESS-TYPE ACTIVITIES				
Water	1,674,473	1,785,969	1,044	341,116
Sewer	1,623,673	1,606,991	19,310	367,460
Storm Water	282,810	311,327	336	46,950
Total Business-Type Activities	3,580,956	3,704,287	20,690	755,526
Total Primary Government	<u>\$ 11,282,076</u>	<u>\$ 5,056,833</u>	<u>\$ 296,758</u>	<u>\$ 1,712,195</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 POSITION

Net Position - Beginning of Year

NET POSITION - END OF YEAR

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (686,111)	\$ -	\$ (686,111)
(1,165,796)	-	(1,165,796)
(1,353,604)	-	(1,353,604)
(2,785)	-	(2,785)
(426,612)	-	(426,612)
(749,078)	-	(749,078)
(731,851)	-	(731,851)
(5,115,837)	-	(5,115,837)
-	453,656	453,656
-	370,088	370,088
-	75,803	75,803
-	899,547	899,547
(5,115,837)	899,547	(4,216,290)
5,405,829	-	5,405,829
297,361	-	297,361
2,124,950	-	2,124,950
228,037	-	228,037
2,493	-	2,493
256,429	116,834	373,263
79,518	-	79,518
18,202	-	18,202
(2,809,624)	2,809,624	-
5,603,195	2,926,458	8,529,653
487,358	3,826,005	4,313,363
38,079,283	50,980,293	89,059,576
<u>\$ 38,566,641</u>	<u>\$ 54,806,298</u>	<u>\$ 93,372,939</u>

FUND FINANCIAL STATEMENTS

**CITY OF BAXTER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	Major Funds		
	General Fund	Economic Development	Sales Tax Collections
ASSETS			
Cash and Pooled Investments	\$ 3,551,679	\$ 896,014	\$ 5,402,992
Delinquent Taxes Receivable	185,598	-	-
Special Assessments Receivable	3,368	254,787	-
Accounts Receivable	82,126	-	7,398
Accrued Interest Receivable	33,612	-	-
Loan Receivable	-	-	-
Due from Other Funds	12,456	-	-
Due From Other Governments	121,294	59,612	381,558
Prepaid Items	2,115	-	-
Land Held For Resale	-	1,755,154	-
	<u>3,992,248</u>	<u>2,965,567</u>	<u>5,791,948</u>
Total Assets	<u>\$ 3,992,248</u>	<u>\$ 2,965,567</u>	<u>\$ 5,791,948</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 116,677	\$ 13	\$ -
Salaries Payable	78,139	-	-
Accrued Liabilities	43,677	-	-
Contracts Payable	2,366	-	-
Due to Other Funds	-	-	-
Due to Other Governments	45,551	1,542	6,198
Deferred Revenue			
Taxes	185,598	-	-
Special Assessments	3,368	254,787	-
Other	12,011	-	8,289
Land Held For Resale	-	1,755,154	-
Unearned	9,425	-	-
Escrow Deposits	-	-	-
	<u>496,812</u>	<u>2,011,496</u>	<u>14,487</u>
Total Liabilities	<u>496,812</u>	<u>2,011,496</u>	<u>14,487</u>
FUND BALANCES			
Nonspendable	2,115	-	-
Restricted	-	954,071	5,777,461
Committed	-	-	-
Assigned	813,100	-	-
Unassigned	2,680,221	-	-
	<u>3,495,436</u>	<u>954,071</u>	<u>5,777,461</u>
Total Fund Balances	<u>3,495,436</u>	<u>954,071</u>	<u>5,777,461</u>
Total Liabilities and Fund Balances	<u>\$ 3,992,248</u>	<u>\$ 2,965,567</u>	<u>\$ 5,791,948</u>

See accompanying Notes to Financial Statements.

Major Funds		Other	Total
Debt Service Fund	Capital Project Fund	Governmental Funds	Governmental Funds
\$ 4,431,669	5,254,926	\$ 2,362,210	\$ 21,899,490
33,207	608	-	219,413
4,514,185	423,489	13,234	5,209,063
-	21,493	17,225	128,242
-	-	-	33,612
-	-	35,357	35,357
-	-	-	12,456
101,869	10,154	-	674,487
-	-	-	2,115
-	-	-	1,755,154
<u>\$ 9,080,930</u>	<u>5,710,670</u>	<u>\$ 2,428,026</u>	<u>\$ 29,969,389</u>

\$ -	\$ 19,188	\$ 162,668	\$ 298,546
-	-	4,498	82,637
-	-	-	43,677
-	375,687	-	378,053
-	269,245	12,456	281,701
10,026	-	164	63,481
33,207	608	-	219,413
4,514,185	423,489	13,234	5,209,063
-	21,493	35,673	77,466
-	-	-	1,755,154
-	-	4,365	13,790
-	-	101,666	101,666
4,557,418	1,109,710	334,724	8,524,647
-	-	-	2,115
4,523,512	-	870,841	12,125,885
-	-	1,218,392	1,218,392
-	4,600,960	16,059	5,430,119
-	-	(11,990)	2,668,231
<u>4,523,512</u>	<u>4,600,960</u>	<u>2,093,302</u>	<u>21,444,742</u>
<u>\$ 9,080,930</u>	<u>\$ 5,710,670</u>	<u>\$ 2,428,026</u>	<u>\$ 29,969,389</u>

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CITY OF BAXTER, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2012

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 21,444,742

Amounts reported for governmental activities in the statement of net position 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. 31,398,846

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds. 7,261,096

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	\$ (13,097,587)	
Revenue Bonds	(7,991,000)	
Deferred Debt Issue Costs	191,945	
Compensated Absences	(278,497)	
Other Postemployment Benefits	(22,956)	
Capital Lease	(75,000)	
Accrued Interest Payable	(264,948)	<u>(21,538,043)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 38,566,641

CITY OF BAXTER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

	Major Funds		
	General Fund	Economic Development	Sales Tax Collections
REVENUES			
Taxes	\$ 4,371,497	\$ -	\$ -
Lodging Tax	-	-	-
Sales Tax	-	-	2,127,170
Tax Increments	-	-	-
Special Assessments	11,272	155,062	-
Licenses, Permits, and Fees	131,883	-	-
Intergovernmental	193,937	-	-
Charges for Services	463,422	1,035	-
Fines and Forfeits	85,474	-	-
Gifts and Contributions	1,910	-	-
Interest on Investments	43,053	10,889	73,320
Miscellaneous	108,464	1,796	-
Revolving Loans	-	-	-
Total Revenues	5,410,912	168,782	2,200,490
EXPENDITURES			
CURRENT			
General Government	1,178,525	-	51,676
Public Safety	1,683,303	-	-
Public Works	495,357	-	-
Sanitation	-	-	-
Culture and Recreation	487,746	-	-
Economic and Community Development	-	55,233	-
CAPITAL OUTLAY			
General Government	8,174	-	-
Public Safety	33,821	-	-
Public Works	1,000	-	-
Culture and Recreation	-	-	-
DEBT SERVICE			
Principal	25,000	4,000	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	3,912,926	59,233	51,676
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,497,986	109,549	2,148,814
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	2,195	-	-
Principal Payment on Refunded Bonds	-	-	-
Transfers In	17,837	44,000	-
Transfers Out	(1,374,675)	-	(1,671,991)
Total Other Financing Sources (Uses)	(1,354,643)	44,000	(1,671,991)
NET CHANGE IN FUND BALANCES	143,343	153,549	476,823
Fund Balance - Beginning of Year	3,352,093	800,522	5,300,638
FUND BALANCE - END OF YEAR	\$ 3,495,436	\$ 954,071	\$ 5,777,461

See accompanying Notes to Financial Statements.

Major Funds		Other	Total
Debt Service Fund	Capital Project Fund	Governmental Funds	Governmental Funds
\$ 1,125,737	\$ 33	\$ -	\$ 5,497,267
-	-	297,361	297,361
-	-	-	2,127,170
-	-	228,037	228,037
1,659,498	35,625	-	1,861,457
-	-	273,265	405,148
90,592	-	32,300	316,829
-	23,434	172,219	660,110
-	-	23,136	108,610
-	-	-	1,910
43,992	57,276	27,891	256,421
-	25,111	219,280	354,651
-	-	36,642	36,642
2,919,819	141,479	1,310,131	12,151,613
-	8,141	6,326	1,244,668
-	4,622	151,283	1,839,208
-	25,088	-	520,445
-	-	35,476	35,476
-	8,763	6,348	502,857
-	-	784,453	839,686
-	36,554	-	44,728
-	73,241	12,443	119,505
-	1,550,841	-	1,551,841
-	30,679	24,461	55,140
2,495,110	-	-	2,524,110
795,870	-	-	795,870
3,290,980	1,737,929	1,020,790	10,073,534
(371,161)	(1,596,450)	289,341	2,078,079
-	5,813	-	8,008
(4,340,000)	-	-	(4,340,000)
658,536	2,152,894	167,000	3,040,267
-	(41,557)	(4,900)	(3,093,123)
(3,681,464)	2,117,150	162,100	(4,384,848)
(4,052,625)	520,700	451,441	(2,306,769)
8,576,137	4,080,260	1,641,861	23,751,511
\$ 4,523,512	\$ 4,600,960	\$ 2,093,302	\$ 21,444,742

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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, 2012

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ (2,306,769)

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	\$ 1,771,214	
Capital Contributions to Enterprise Funds	(2,756,768)	
Capital Contributions from Developers	170,433	
Current Year Depreciation	(2,006,104)	
Assets Sold	(18,893)	(2,840,118)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (1,240,763)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal Repayments		
General Obligation Bonds	6,413,776	
Revenue Bonds	425,334	
Capital Lease	25,000	6,864,110

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	75,042	
Amortization of Discounts, Premiums, and Deferred Issuance Charges	4,558	
Change in Deferred Debt Issue Costs	(31,131)	
Change in Compensated Absences	(32,951)	
Change in Postemployment Benefits	(4,620)	10,898

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES **\$ 487,358**

CITY OF BAXTER, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

ASSETS	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>	<u>Total</u>
CURRENT ASSETS				
Cash and Investments	\$ 3,745,087	\$ 4,624,673	\$ 705,322	\$ 9,075,082
Receivables				
Accounts	136,222	156,613	43,103	335,938
Due From Other Funds	141,262	127,983	-	269,245
Due From Other Governments	11,700	4,555	50	16,305
Special Assessments	34,650	240,238	3,207	278,095
Prepaid Items	3,864	600	-	4,464
Deferred Debt Issue Costs	56,008	-	-	56,008
Total Current Assets	<u>4,128,793</u>	<u>5,154,662</u>	<u>751,682</u>	<u>10,035,137</u>
NONCURRENT ASSETS				
Non-Depreciable Capital Assets				
Land	352,932	62,598	611,915	1,027,445
Depreciable Capital Assets (Net)				
Intangible	-	9,518,104	-	9,518,104
Buildings	8,616,115	-	-	8,616,115
Distribution System	14,540,789	15,351,671	2,633,968	32,526,428
Land Improvements	-	-	393,389	393,389
Machinery, Vehicles, Furniture and Equipment	110,215	135,592	61,798	307,605
Total Noncurrent Assets	<u>23,620,051</u>	<u>25,067,965</u>	<u>3,701,070</u>	<u>52,389,086</u>
Total Assets	27,748,844	30,222,627	4,452,752	62,424,223
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	45,315	76,478	11,488	133,281
Salaries Payable	2,670	2,582	-	5,252
Contracts Payable	841	-	-	841
Due To Other Governments	640	385	-	1,025
Accrued Interest Payable	121,923	-	-	121,923
Accrued Liabilities	632	55	55	742
Compensated Absences Payable	393	393	-	786
General Obligation Bonds Payable	475,000	-	-	475,000
Total Current Liabilities	<u>647,414</u>	<u>79,893</u>	<u>11,543</u>	<u>738,850</u>
NONCURRENT LIABILITIES				
Compensated Absences Payable	15,979	15,979	-	31,958
General Obligation Bonds Payable	6,847,117	-	-	6,847,117
Total Liabilities	<u>7,510,510</u>	<u>95,872</u>	<u>11,543</u>	<u>7,617,925</u>
NET POSITION				
Net Invested in Capital Assets	16,297,934	25,067,965	3,701,070	45,066,969
Unrestricted	3,940,400	5,058,790	740,139	9,739,329
Total Net Position	<u>\$ 20,238,334</u>	<u>\$ 30,126,755</u>	<u>\$ 4,441,209</u>	<u>\$ 54,806,298</u>

See accompanying Notes to Financial Statements.

CITY OF BAXTER, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2012

	Water	Sewer	Storm Water	Total
OPERATING REVENUES				
Charges For Services				
User Charges	\$ 1,186,447	\$ 1,119,446	\$ 304,978	\$ 2,610,871
Meter Sales	19,405	-	-	19,405
Non-User Sales	16,777	24,499	-	41,276
Penalties	18,872	20,776	3,554	43,202
Permits and Hookup Charges	1,360	1,870	-	3,230
Miscellaneous	2,729	-	2,795	5,524
Total Operating Revenues	1,245,590	1,166,591	311,327	2,723,508
OPERATING EXPENSES				
Personnel Services	143,264	139,696	6,944	289,904
Supplies and Fees	81,716	27,120	7,235	116,071
Other Services and Charges	375,715	623,214	151,172	1,150,101
Depreciation	767,360	833,643	113,564	1,714,567
Total Operating Expenses	1,368,055	1,623,673	278,915	3,270,643
OPERATING INCOME (LOSS)	(122,465)	(457,082)	32,412	(547,135)
NONOPERATING REVENUES (EXPENSES)				
Special Assessments	1,044	19,310	336	20,690
Water Plant Fee	139,929	-	-	139,929
Availability Charges	400,450	440,400	-	840,850
Interest Income	47,350	60,772	8,712	116,834
Interest Expense	(306,418)	-	-	(306,418)
Gain/(Loss) on Sale of Capital Assets	-	-	(3,895)	(3,895)
Total Nonoperating Revenues (Expenses)	282,355	520,482	5,153	807,990
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS				
	159,890	63,400	37,565	260,855
Capital Contributions from Developers	341,116	367,460	46,950	755,526
Capital Contributions from Governmental Activities	2,555,198	136,580	64,990	2,756,768
Transfers In	137,573	5,970	5,970	149,513
Transfers Out	(22,860)	(63,997)	(9,800)	(96,657)
CHANGE IN NET POSITION	3,170,917	509,413	145,675	3,826,005
Net Position - Beginning of Year	17,067,417	29,617,342	4,295,534	50,980,293
NET POSITION - END OF YEAR	<u>\$ 20,238,334</u>	<u>\$ 30,126,755</u>	<u>\$ 4,441,209</u>	<u>\$ 54,806,298</u>

See accompanying Notes to Financial Statements.

CITY OF BAXTER, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2012

	Water	Sewer	Storm Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 1,243,392	\$ 1,158,235	\$ 305,751	\$ 2,707,378
Payments to Suppliers	(453,484)	(721,042)	(155,493)	(1,330,019)
Payments to Employees	(145,565)	(138,218)	(7,023)	(290,806)
Net Cash Provided (Used) by Operating Activities	644,343	298,975	143,235	1,086,553
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Change in Due from Other Funds	11,848	23,479	-	35,327
Transfers In	137,573	5,970	5,970	149,513
Transfers Out	(22,860)	(63,997)	(9,800)	(96,657)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	126,561	(34,548)	(3,830)	88,183
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest and Fiscal Charges Paid	(309,697)	-	-	(309,697)
Availability Charges	400,450	440,400	-	840,850
Water Plant Fee	139,929	-	-	139,929
Special Assessments	1,231	35,020	1,358	37,609
Payments on General Obligation Bonds	(455,410)	-	-	(455,410)
Purchases of Capital Assets	(7,720)	(272,289)	(10,580)	(290,589)
Proceeds from the Sale of Capital Assets	-	-	(3,895)	(3,895)
Net Cash Provided (Used) by Capital and Related Financing Activities	(231,217)	203,131	(13,117)	(41,203)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Earnings Received	47,350	60,772	8,712	116,834
Net Cash Provided by Investing Activities	47,350	60,772	8,712	116,834
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	587,037	528,330	135,000	1,250,367
Cash and Cash Equivalents - Beginning of Year	3,158,050	4,096,343	570,322	7,824,715
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,745,087	\$ 4,624,673	\$ 705,322	\$ 9,075,082

See accompanying Notes to Financial Statements.

CITY OF BAXTER, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2012

	<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)	\$ (122,465)	\$ (457,082)	\$ 32,412	\$ (547,135)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	767,360	833,643	113,564	1,714,567
(Increase) Decrease in Assets:				
Accounts Receivable	9,098	(6,587)	(5,873)	(3,362)
Due from Other Governments	(11,296)	(1,769)	297	(12,768)
Prepaid Items	(3,864)	-	-	(3,864)
Increase (Decrease) in Liabilities:				
Accounts Payable	7,615	(70,665)	2,914	(60,136)
Contracts Payable	841	-	-	841
Salaries and Wages Payable	435	347	-	782
Accrued Liabilities	(3,953)	(86)	(79)	(4,118)
Compensated Absences Payable	1,217	1,217	-	2,434
Due to Other Governments	(645)	(43)	-	(688)
Total Adjustments	<u>766,808</u>	<u>756,057</u>	<u>110,823</u>	<u>1,633,688</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 644,343</u>	<u>\$ 298,975</u>	<u>\$ 143,235</u>	<u>\$ 1,086,553</u>
NONCASH TRANSACTIONS				
Capital Contributions from Developers	\$ 341,116	\$ 367,460	\$ 46,950	\$ 755,526
Capital Contributions from Governmental Activities	<u>2,555,198</u>	<u>136,580</u>	<u>64,990</u>	<u>2,756,768</u>
Total Noncash Transactions	<u>\$ 2,896,314</u>	<u>\$ 504,040</u>	<u>\$ 111,940</u>	<u>\$ 3,512,294</u>

See accompanying Notes to Financial Statements.

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CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 of Baxter's (the City) 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). 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 position 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 position, 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 position are reported in three parts: (1) net invested in capital assets; (2) restricted net position; and (3) unrestricted net position.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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. These revenues are legally restricted for the funding of infrastructure projects.

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, 2012

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.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes between the various functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds are charges to customers for sales of goods and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Position 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, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position 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 2011 which was collected during the year ended December 31, 2012. 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 in full 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, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Position 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
Land Improvements	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. Actual payments are made from the fund(s) to which the employee is assigned at the time of retirement. In addition to the General Fund, the following funds are involved in paying compensated absences: the Community Development Special Revenue Fund, Water Fund, Sewer Fund, and Storm Water Fund.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Compensated Absences (Continued)

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 position.

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

10. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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 Position

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net invested in capital assets 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 \$7,991,000 was made between this net position class and unrestricted net position in the total column on the Statement of Net Position to recognize the portion of debt attributable to capital assets contributed from governmental activities to business-type activities. Net position is 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.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

11. Fund Balance/Net Position (Continued)

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 resolution. 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.

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.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Revenues, Expenditures, and Expenses (Continued)

1. Revenues (Continued)

Property Tax Collection Calendar

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.

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 position.

3. Expenses

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

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

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>
Debt Service Fund	\$ 3,290,980	\$ 3,261,200	\$ 29,780
Nonmajor Special Revenue Fund			
Lodging Tax Administration Fund	297,361	280,000	17,361

The Debt Service Fund excess was the result of principal payments on refunded bonds that were paid through an external escrow account. The Lodging Tax Administration Fund excess was the result of unbudgeted expenditures and was funded with related excess revenues.

TIF District 7 Grand Oaks and TIF District 10 Isle Drive nonmajor special revenue funds had fund balances deficits of \$534 and \$11,456, respectively, as of December 31, 2012. The deficits are due to the timing of receipts versus expenditures and the City expects that deficits will be eliminated with future revenues.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

As of December 31, 2012, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Balance</u>
Negotiable Certificates of Deposit	\$ 18,358,923
Federal Home Loan Mortgage Corporation	626,156
Federal National Mortgage Association	1,542,900
Execusweep Repo Business Account	2,500,324
Local Government Bonds	3,737,159
4M Fund	17,926
Total	<u>\$ 26,783,388</u>

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

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Interest Rate Risk

The purpose of this policy is to limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's policy states that maturity dates should vary in order to ensure that the City will have money available when it needs it. As of December 31, 2012, the City held no investments with fixed maturities.

Investment Type	< 6 months	6 - 12 months	1 - 5 years	> 5 years	Fair Value
Negotiable Certificates of Deposit	\$ 4,125,280	\$ 4,582,806	\$ 9,172,878	\$ 477,959	\$ 18,358,923
Federal Home Loan Mortgage Corporation	-	-	-	626,156	626,156
Federal National Mortgage Association	-	-	1,075,915	466,985	1,542,900
Execusweep Repo Business Account	2,500,324	-	-	-	2,500,324
Local Government Bonds	-	-	1,642,604	2,094,555	3,737,159
4M Fund	17,926	-	-	-	17,926
Total	<u>\$ 6,643,530</u>	<u>\$ 4,582,806</u>	<u>\$ 11,891,397</u>	<u>\$ 3,665,655</u>	<u>\$ 26,783,388</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 and Federal Home Loan Mortgage Corporation securities, which hold a credit rating of AA+ by Standard & Poor's.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 5.8% and 9.3% 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.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk - Deposits

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

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

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

As of December 31, 2012, all City deposits were covered by insurance or collateral.

	<u>Balance</u>
Deposits	\$ 4,191,184
Investments	26,783,388
Total Cash & Investments	\$ 30,974,572
	<u>Balance</u>
Cash & Investments - Governmental Funds	\$ 21,899,490
Cash & Investments - Proprietary Funds	9,075,082
Total Cash & Investments	\$ 30,974,572

2. Loans Receivable

The City had the following loan receivable as of December 31, 2012:

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.	\$ 35,357

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012, is as follows:

	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
GOVERNMENTAL ACTIVITIES					
Capital Assets not being Depreciated					
Land	\$ 5,887,543	\$ -	\$ -	\$ -	\$ 5,887,543
Construction in Progress	1,614,531	1,607,970	248,235	(2,756,768)	217,498
Total Capital Assets not being Depreciated	<u>7,502,074</u>	<u>1,607,970</u>	<u>248,235</u>	<u>(2,756,768)</u>	<u>6,105,041</u>
Capital Assets being Depreciated					
Intangible	-	6,960	-	-	6,960
Buildings	1,229,830	5,340	-	-	1,235,170
Infrastructure	44,398,031	365,203	-	-	44,763,234
Land Improvements	1,453,861	48,125	-	-	1,501,986
Machinery, Vehicles, Furniture and Equipment	<u>2,110,637</u>	<u>156,284</u>	<u>77,546</u>	<u>-</u>	<u>2,189,375</u>
Total Capital Assets being Depreciated	<u>49,192,359</u>	<u>581,912</u>	<u>77,546</u>	<u>-</u>	<u>49,696,725</u>
Less: Accumulated Depreciation for					
Intangible	-	696	-	-	696
Buildings	534,126	39,042	-	-	573,168
Infrastructure	19,875,268	1,700,277	-	-	21,575,545
Land Improvements	469,038	103,195	-	-	572,233
Machinery, Vehicles, Furniture and Equipment	<u>1,577,037</u>	<u>162,894</u>	<u>58,653</u>	<u>-</u>	<u>1,681,278</u>
Total Accumulated Depreciation	<u>22,455,469</u>	<u>2,006,104</u>	<u>58,653</u>	<u>-</u>	<u>24,402,920</u>
Total Capital Assets being Depreciated, Net	<u>26,736,890</u>	<u>(1,424,192)</u>	<u>18,893</u>	<u>-</u>	<u>25,293,805</u>
Governmental Activities Capital Assets, Net	<u>\$ 34,238,964</u>	<u>\$ 183,778</u>	<u>\$ 267,128</u>	<u>\$ (2,756,768)</u>	<u>\$ 31,398,846</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012:

BUSINESS-TYPE ACTIVITIES	Beginning Balance	Additions	Disposals	Transfers	Ending Balance
Capital Assets not being Depreciated					
Land	\$ 907,111	\$ -	\$ -	\$ 120,334	\$ 1,027,445
Capital Assets being Depreciated					
Intangible	9,829,525	-	-	58,652	9,888,177
Buildings	9,708,299	-	-	-	9,708,299
Distribution System	41,644,508	982,369	-	2,577,782	45,204,659
Land Improvements	539,771	-	-	-	539,771
Machinery, Vehicles, Furniture and Equipment	790,898	69,441	9,966	-	850,373
Total Capital Assets being Depreciated	62,513,001	1,051,810	9,966	2,636,434	66,191,279
Less: Accumulated Depreciation for					
Intangible	122,869	247,204	-	-	370,073
Buildings	849,476	242,708	-	-	1,092,184
Distribution System	11,573,171	1,105,060	-	-	12,678,231
Land Improvements	128,014	18,368	-	-	146,382
Machinery, Vehicles, Furniture and Equipment	445,812	101,227	4,271	-	542,768
Total Accumulated Depreciation	13,119,342	1,714,567	4,271	-	14,829,638
Total Capital Assets being Depreciated, Net	49,393,659	(662,757)	5,695	2,636,434	51,361,641
Business-Type Activities Capital Assets, Net	<u>\$ 50,300,770</u>	<u>\$ (662,757)</u>	<u>\$ 5,695</u>	<u>\$ 2,756,768</u>	<u>\$ 52,389,086</u>

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

Governmental Activities	
General Government	\$ 59,798
Public Safety	37,603
Public Works	1,743,547
Culture and Recreation	165,156
Total Depreciation Expense - Governmental Activities	<u>\$ 2,006,104</u>
Business-Type Activities	
Water	\$ 767,360
Sewer	833,643
Storm Water	113,564
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,714,567</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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	\$ 12,456	Cash Deficit
Water Fund	Capital Project Fund	141,262	Cash Deficit
Sewer Fund	Capital Project Fund	127,983	Cash Deficit
Total		<u>\$ 281,701</u>	

2. Interfund Transfers

	Amount	Purpose
Transfer to General Fund from		
Capital Project Fund	\$ 17,837	Allocate Hastings project admin fees
Transfer to Economic Development Fund from		
General	44,000	EDA Fund Annual Appropriation
Transfer to Debt Service Fund from		
Sales Tax Collections	602,726	Annual appropriation
Capital Project Fund	5,810	Transfer of special assessment receivable
Sewer	50,000	Operations
Transfer to Capital Project Fund from		
General	337,000	Collector Street appropriation
	96,900	Street Replacement appropriation
	30,000	Trail Construction annual appropriation
	194,137	IT, vehicle and equipment annual appropriations
	505,638	Appropriations for capital projects
Sales Tax Collections	937,662	Sales Tax Proceeds for Wastewater Plant Capacity, Water Tower, and Hastings projects
Nonmajor Governmental	4,900	IT Annual Appropriation
Water	13,000	IT, vehicle and equipment annual appropriations
	9,860	Appropriation for College Rd/CSAH 48 Interesection project
Sewer	9,900	IT, vehicle and equipment annual appropriations
	4,097	Appropriation for College Rd/CSAH 48 Interesection project
Storm Water	9,800	IT, vehicle and equipment annual appropriations
Transfer to Nonmajor Governmental Funds from		
General	163,000	Operations
	4,000	Supplement purchase of police capital equipment
Transfer to Water Fund from		
Sales Tax Collections Fund	131,603	Sales Tax Proceeds for Water Plant
Capital Project Fund	5,970	IT and vehicle annual appropriations
Transfer to Sewer Fund from		
Capital Project Fund	5,970	IT and vehicle annual appropriations
Transfer to Stormwater Fund from		
Capital Project Fund	5,970	IT and vehicle annual appropriations
Total Transfers	<u>\$ 3,189,780</u>	

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 2013	
				Principal	Interest
GOVERNMENTAL ACTIVITIES					
<u>General Obligation Bonds</u>					
General Obligation Refunding Bonds, Series 2005A; 2.4 to 3.35%; Issued 3/15/2005; Final Maturity 02/01/2014.	\$ 1,805,000	\$ 1,435,000	\$ 370,000	\$ 240,000	\$ 8,255
General Obligation Capital Improvement Bonds, Series 2006A; 4.00 to 4.25%; Issued 06/01/2006; Final Maturity 02/01/2026.	4,230,000	800,000	3,430,000	180,000	137,594
General Obligation Improvement Bonds, Series 2006B; 4.00%; Issued 11/15/2006; Final Maturity 02/01/2019.	5,770,000	3,460,000	2,310,000	450,000	83,400
General Obligation Improvement Bonds, Series 2007B; 4.00 to 4.15%; Issued 12/05/2007; Final Maturity 02/01/2022	3,425,000	950,000	2,475,000	205,000	95,910
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	1,005,000	58,425
Total General Obligation Bonds	19,695,000	6,645,000	13,050,000	2,080,000	383,584
Add: Unamortized Premium	-	-	85,621	-	-
Less: Unamortized Discount	-	-	(38,034)	-	-
Total General Obligation Bonds, Net	19,695,000	6,645,000	13,097,587	2,080,000	383,584

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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 2013	
				Principal	Interest
General Obligation Revenue Notes					
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	\$ 309,366	\$ 345,667	\$ 66,000	\$ 7,708
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	1,010,263	7,645,333	372,333	247,174
Total General Obligation Revenue Notes	9,310,629	1,319,629	7,991,000	438,333	254,882
Total Governmental Activities Long-Term Debt	29,005,629	7,964,629	21,088,587	2,518,333	638,466
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds					
General Obligation Water Revenue Bonds, Series 2005C; 3.75 to 4.35%; Issued 12/1/2005; Final Maturity 02/01/2025.	3,805,000	910,000	2,895,000	170,000	114,593
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	2,080,000	4,420,000	305,000	176,800
Total General Obligation Bonds, Net	10,305,000	2,990,000	7,315,000	475,000	291,393
Add: Unamortized Premium	-	-	24,927	-	-
Less: Unamortized Discount	-	-	(17,810)	-	-
Total Business-Type Activities	10,305,000	2,990,000	7,322,117	475,000	291,393
Total Long-Term Debt	\$ 39,310,629	\$ 10,954,629	\$ 28,410,704	\$ 2,993,333	\$ 929,859

3. Changes in Long-Term Debt

	December 31, 2011	Additions	Retirements	December 31, 2012	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	\$ 19,463,776	\$ -	\$ 6,413,776	\$ 13,050,000	\$ 2,080,000
Deferred Amounts - Issuance Premium (Discount)	52,145	-	4,558	47,587	-
Total General Obligation Bonds Payable	19,515,921	-	6,418,334	13,097,587	2,080,000
General Obligation Revenue Notes	8,416,334	-	425,334	7,991,000	438,333
Capital Lease	100,000	-	25,000	75,000	25,000
Compensated Absences	245,546	260,736	227,785	278,497	24,211
Other Postemployment Benefits	18,336	22,467	17,847	22,956	-
Governmental Activity Long-Term Liabilities	\$ 28,296,137	\$ 283,203	\$ 7,114,300	\$ 21,465,040	\$ 2,567,544
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds	\$ 7,770,000	\$ -	\$ 455,000	\$ 7,315,000	\$ 475,000
Deferred Amounts - Issuance Premium (Discount)	7,527	-	411	7,117	-
Total General Obligation Bonds Payable	7,777,527	-	455,411	7,322,117	475,000
Compensated Absences	30,310	25,119	22,685	32,744	786
Business Activity Long-Term Liabilities	\$ 7,807,837	\$ 25,119	\$ 478,096	\$ 7,354,861	\$ 475,786

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

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
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	693,105
2016	1,505,000	250,177	1,755,177	480,334	213,075	693,409
2017	1,520,000	206,979	1,726,979	495,333	198,254	693,587
2018-2022	3,410,000	557,913	3,967,913	2,329,000	769,034	3,098,034
2023-2027	1,210,000	106,036	1,316,036	2,730,333	367,409	3,097,742
2028	-	-	-	600,000	19,398	619,398
Total	<u>\$ 13,050,000</u>	<u>\$ 2,131,534</u>	<u>\$ 15,181,534</u>	<u>\$ 7,991,000</u>	<u>\$ 2,290,863</u>	<u>\$ 10,281,863</u>

Year Ending December 31,	Business-Type Activities		
	General Obligation Bonds		
	Principal	Interest	Total
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	555,000	211,435	766,435
2018-2022	2,620,000	730,503	3,350,503
2023-2026	2,130,000	188,108	2,318,108
Total	<u>\$ 7,315,000</u>	<u>\$ 2,180,155</u>	<u>\$ 9,495,155</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. Advanced Crossover Refunding (Continued)

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 was responsible for the principal and interest on the 2004 and 2005B bonds through February 1, 2012. The refunded bonds were called and paid by the escrow agent on February 1, 2012. The escrow agent paid the interest due on the 2010 issue through February 1, 2012; thereafter, the City is be responsible for the payment of debt service. The principal balance of both of the original issues and the refunding issue was shown on the balance sheet until the call date of the refunded bonds, at which time the 2004 and 2005B Series bonds were paid and the liability for those bonds 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, 2012, is \$83,750.

Remaining capital lease obligations are as follows:

<u>December 31,</u>	
2013	\$ 25,000
2014	25,000
2015	25,000
Total	<u>\$ 75,000</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012

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, 2012:

	General Fund	Economic Development	Sales Tax Collections	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable							
Prepaid Items	\$ 2,115	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,115
Restricted							
Debt Service	-	-	-	4,523,512	-	-	4,523,512
Economic Development	-	954,071	-	-	-	-	954,071
Infrastructure	-	-	5,777,461	-	-	-	5,777,461
Revolving Loans	-	-	-	-	-	384,192	384,192
Tax Increment Financing	-	-	-	-	-	461,567	461,567
Police Activity	-	-	-	-	-	25,082	25,082
Total Restricted	-	954,071	5,777,461	4,523,512	-	870,841	12,125,885
Committed							
Cemetery Care	-	-	-	-	-	34,514	34,514
Culture and Recreation	-	-	-	-	-	607,636	607,636
Economic and Community Development	-	-	-	-	-	563,229	563,229
Recycling	-	-	-	-	-	13,013	13,013
Total Committed	-	-	-	-	-	1,218,392	1,218,392
Assigned							
Employee Severance	18,600	-	-	-	-	-	18,600
Capital Replacement	32,700	-	-	-	-	-	32,700
Collector Street	761,800	-	-	-	-	-	761,800
Cemetery	-	-	-	-	-	16,059	16,059
Capital Projects	-	-	-	-	4,600,960	-	4,600,960
Total Assigned	813,100	-	-	-	4,600,960	16,059	5,430,119
Unassigned	2,680,221	-	-	-	-	(11,990)	2,668,231
Total Fund Balance	<u>\$3,495,436</u>	<u>\$ 954,071</u>	<u>\$5,777,461</u>	<u>\$ 4,523,512</u>	<u>\$4,600,960</u>	<u>\$ 2,093,302</u>	<u>\$ 21,444,742</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012

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. GERF Coordinated Plan members were required to contribute 6.25% of their annual covered salary in 2012. PEPFF members were required to contribute 9.6% of their annual covered salary in 2012. In 2012, 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, 2012, 2011, and 2010 were:

	General Employees Retirement Fund	Public Employees Police and Fire Fund
	<u> </u>	<u> </u>
2012	\$ 98,267	\$ 124,799
2011	104,339	141,232
2010	104,497	126,395

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. 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, 2012, 2011, and 2010 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, 2012**

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 37 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 2012, 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		825
Adjustment to ARC		<u>(1,113)</u>
Annual OPEB Cost		22,467
Contributions during the year		<u>(17,847)</u>
Increase in Net OPEB Obligation		4,620
Net OPEB - Beginning of the Year		<u>18,336</u>
Net OPEB - End of the Year	\$	<u><u>22,956</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.

For the governmental activities, other postemployment benefits are generally liquidated through the General Fund.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

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, 2012 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2012	\$ 22,467	\$ 17,847	79.4%	\$ 22,956
December 31, 2011	22,570	16,482	73.0%	18,336
December 31, 2010	8,165	2,041	25.0%	12,248

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	0.0%	\$ 2,314,405	10.9%

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, 2012

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 inflation rate is 2.5%. The annual medical trend rate is 8.00% initially, grading to 5.00% over 6 years. Projected salary increases and post-retirement benefit increases are not applicable. 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.

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 Trails Commission, the Director of Community Education for the School District, the City Administrator, and the Superintendent of Schools for the School District.

NOTE 6 SUBSEQUENT EVENTS

On March 5, 2013, the City issued General Obligation Refunding Bonds, Series 2013A, in the amount of \$9,995,000 with a 2.0% interest rate to advance crossover refund the following debt issues:

General Obligation Water Revenue Bonds, Series 2005C – final maturity of 02/01/2025. The balance of outstanding maturities to be refunded is \$2,545,000 with an interest rate of 3.75 to 4.30 percent.

General Obligation Capital Improvement Plan Bonds, Series 2006A – final maturity of 02/01/2026. The balance of outstanding maturities to be refunded is \$2,865,000 with interest rates of 4.00 to 4.25 percent.

General Obligation Improvement Bonds, Series 2006B – final maturity of 02/01/2019. The balance of outstanding maturities to be refunded is \$1,110,000 with an interest rate of 4.00 percent.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

NOTE 6 SUBSEQUENT EVENTS (CONTINUED)

General Obligation Water and Sales Tax Revenue Bonds, Series 2007A – final maturity of 08/01/2026. The balance of outstanding maturities to be refunded is \$3,480,000 with an interest rate of 4.00 percent.

The General Obligation Refunding Bonds, Series 2013A sources of funds include \$9,995,000 par value, \$320,795 reoffering premium, and \$170,000 cash funded through local sales tax on-hand. After an underwriter's discount of \$66,049, debt issuance costs of \$50,000, and excess proceeds of \$5,526 deposited in the debt service fund for future debt payments, the remaining \$10,364,220 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 2005C bonds through February 1, 2014, the 2006A and 2006B bonds through February 1, 2015, and the 2007A bond through August 1, 2015. Future principal on the refunded bonds will be called and paid by the escrow agent on their respective call dates. The escrow agent will pay the interest due on the 2013A issue in the amounts of \$81,070.56 due on August 1, 2013, \$99,950 due on February 1, 2014, \$74,550 due on August 1, 2014, \$74,550 due February 1, 2015 and \$34,100 due on August 1, 2015. The City is responsible for the difference between the total payment of debt service and the amounts paid by the escrow agent. Beginning in 2013, the principal balance of both of the original issues and the refunding issue was shown on the balance sheet until the call dates of the refunded bonds, at which time the respective bonds were paid and the liability for those bonds removed.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN THE MD&A**

CITY OF BAXTER, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
DECEMBER 31, 2012

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	0.0%	\$ 2,314,405	10.9%
1/1/2009	-	182,763	182,763	0.0%	2,376,701	7.7%

CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
GENERAL PROPERTY TAXES	\$ 4,324,200	\$ 4,324,200	\$ 4,371,497	\$ 47,297
SPECIAL ASSESSMENTS				
Principal	8,100	8,100	11,066	2,966
Interest	-	-	206	206
Total Special Assessments	<u>8,100</u>	<u>8,100</u>	<u>11,272</u>	<u>3,172</u>
LICENSES, PERMITS, AND FEES				
Business Licenses and Permits	33,900	33,900	32,830	(1,070)
Franchise Fees	66,000	66,000	78,684	12,684
Other Licenses, Permits, and Fees	11,900	11,900	20,369	8,469
Total Licenses, Permits and Fees	<u>111,800</u>	<u>111,800</u>	<u>131,883</u>	<u>20,083</u>
INTERGOVERNMENTAL				
STATE AND LOCAL				
PERA Increase Aid	2,000	2,000	2,010	10
Market Value Credit	-	-	483	483
State Highway Aid	22,500	22,500	24,225	1,725
Public Safety Grants	123,500	149,700	153,902	4,202
Total State and Local	<u>148,000</u>	<u>174,200</u>	<u>180,620</u>	<u>6,420</u>
FEDERAL				
General Government	-	5,300	5,293	(7)
Public Safety Grants	3,000	8,000	8,024	24
Total Federal	<u>3,000</u>	<u>13,300</u>	<u>13,317</u>	<u>17</u>
Total Intergovernmental	151,000	187,500	193,937	6,437
CHARGES FOR SERVICES	416,300	451,900	463,422	11,522
FINES AND FORFEITS	96,000	96,000	85,474	(10,526)
GIFTS AND CONTRIBUTIONS	-	-	1,910	1,910
INTEREST ON INVESTMENTS	24,000	24,000	43,053	19,053
MISCELLANEOUS				
Other Rents and Royalties	47,100	47,100	65,296	18,196
Other Miscellaneous Revenues	200	31,200	43,168	11,968
Total Miscellaneous	<u>47,300</u>	<u>78,300</u>	<u>108,464</u>	<u>30,164</u>
Total Revenues	5,178,700	5,281,800	5,410,912	129,112

See accompanying Notes to the Required Supplementary Information.

CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Other General Government	\$ 441,200	\$ 441,200	\$ 223,960	\$ 217,240
Council	36,000	36,000	34,205	1,795
Administration	250,700	250,700	160,620	90,080
Finance	368,900	368,900	351,680	17,220
Public Works Administration	277,800	277,800	260,979	16,821
Information Systems	119,700	119,700	110,152	9,548
Legal	57,000	57,000	36,929	20,071
Total General Government	1,551,300	1,551,300	1,178,525	372,775
PUBLIC SAFETY				
Police	1,442,000	1,440,500	1,444,035	(3,535)
Fire Protection	239,300	239,300	239,268	32
Total Public Safety	1,681,300	1,679,800	1,683,303	(3,503)
PUBLIC WORKS				
Streets	534,400	534,400	495,357	39,043
CULTURE AND RECREATION				
Parks Maintenance	517,800	517,800	465,531	52,269
Recreation Program	5,000	22,000	22,215	(215)
Total Culture and Recreation	522,800	539,800	487,746	52,054
CAPITAL OUTLAY				
General Government	-	-	8,174	(8,174)
Public Safety	-	32,500	33,821	(1,321)
Public Works	-	-	1,000	(1,000)
Total Capital Outlay	-	32,500	42,995	(10,495)
DEBT SERVICE				
Principal	25,000	25,000	25,000	-
Total Expenditures	4,314,800	4,362,800	3,912,926	449,874
EXCESS OF REVENUES OVER (UNDER)				
EXPENDITURES	863,900	919,000	1,497,986	578,986
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	1,000	1,000	2,195	1,195
Transfers In	-	17,800	17,837	37
Transfers Out	(864,900)	(1,370,600)	(1,374,675)	(4,075)
Total Other Financing Sources (Uses)	(863,900)	(1,351,800)	(1,354,643)	(2,843)
NET CHANGE IN FUND BALANCE	\$ -	\$ (432,800)	143,343	\$ 576,143
Fund Balances - Beginning of Year			3,352,093	
FUND BALANCES - END OF YEAR			\$ 3,495,436	

**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT AUTHORITY FUND
YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Special Assessments				
Principal	\$ 73,700	\$ 73,700	\$ 129,461	\$ 55,761
Interest	18,500	18,500	25,601	7,101
Charges for Services	900	900	1,035	135
Interest on Investments	3,000	3,000	10,889	7,889
Miscellaneous				
Other Miscellaneous Revenues	-	-	1,796	1,796
Total Revenues	<u>96,100</u>	<u>96,100</u>	<u>168,782</u>	<u>72,682</u>
EXPENDITURES				
CURRENT				
Economic and Community Development				
Economic Development	68,100	68,100	55,233	12,867
DEBT SERVICE				
Principal	4,000	4,000	4,000	-
Total Expenditures	<u>72,100</u>	<u>72,100</u>	<u>59,233</u>	<u>12,867</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	24,000	24,000	109,549	85,549
OTHER FINANCING SOURCES				
Transfers In	44,000	44,000	44,000	-
NET CHANGE IN FUND BALANCE	<u>\$ 68,000</u>	<u>\$ 68,000</u>	153,549	<u>\$ 85,549</u>
Fund Balance - Beginning of Year			<u>800,522</u>	
FUND BALANCE - END OF YEAR			<u>\$ 954,071</u>	

See accompanying Notes to the Required Supplementary Information.

**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SALES TAX COLLECTIONS FUND
YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Sales Tax	\$ 1,879,000	\$ 1,879,000	\$ 2,127,170	\$ 248,170
Interest on Investments	30,000	30,000	73,320	43,320
Total Revenues	<u>1,909,000</u>	<u>1,909,000</u>	<u>2,200,490</u>	<u>291,490</u>
EXPENDITURES				
CURRENT				
General Government	<u>54,000</u>	<u>54,000</u>	<u>51,676</u>	<u>2,324</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,855,000	1,855,000	2,148,814	293,814
OTHER FINANCING SOURCES				
Transfers Out	<u>(2,381,700)</u>	<u>(2,381,700)</u>	<u>(1,671,991)</u>	<u>709,709</u>
NET CHANGE IN FUND BALANCE	<u>\$ (526,700)</u>	<u>\$ (526,700)</u>	476,823	<u>\$ 1,003,523</u>
Fund Balance - Beginning of Year			<u>5,300,638</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,777,461</u>	

See accompanying Notes to the Required Supplementary Information.

CITY OF BAXTER, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2012

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, 2012**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
General Property Taxes	\$ 1,126,000	\$ 1,126,000	\$ 1,125,737	\$ (263)
Special Assessments				
Principal	1,114,900	1,114,900	1,398,293	283,393
Interest	210,200	210,200	261,205	51,005
Intergovernmental				
Federal	90,600	90,600	90,592	(8)
Interest on Investments	10,100	10,100	43,992	33,892
Total Revenues	<u>2,551,800</u>	<u>2,551,800</u>	<u>2,919,819</u>	<u>368,019</u>
EXPENDITURES				
DEBT SERVICE				
Principal	2,495,200	2,495,200	2,495,110	90
Interest	766,000	766,000	795,870	(29,870)
Total Expenditures	<u>3,261,200</u>	<u>3,261,200</u>	<u>3,290,980</u>	<u>(29,780)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(709,400)	(709,400)	(371,161)	338,239
OTHER FINANCING SOURCES				
Principal Payment on Refunded Bonds	-	-	(4,340,000)	(4,340,000)
Transfers In	731,400	731,400	658,536	(72,864)
Total Other Financing Sources (Uses)	<u>731,400</u>	<u>731,400</u>	<u>(3,681,464)</u>	<u>(4,412,864)</u>
NET CHANGE IN FUND BALANCE				
	<u>\$ 22,000</u>	<u>\$ 22,000</u>	(4,052,625)	<u>\$ (4,074,625)</u>
Fund Balance - Beginning of Year			<u>8,576,137</u>	
FUND BALANCE - END OF YEAR			<u>\$ 4,523,512</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.

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 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, 2012**

	Cemetery	Community Development	Capital Park
ASSETS			
Cash and Pooled Investments	\$ 50,637	\$ 508,453	\$ 611,141
Special Assessments Receivable	-	13,234	-
Accounts Receivable	-	316	-
Loan Receivable	-	-	-
Total Assets	\$ 50,637	\$ 522,003	\$ 611,141
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 64	\$ 10,520	\$ -
Salaries Payable	-	4,498	-
Due to Other Funds	-	-	-
Due to Other Governments	-	159	-
Deferred Revenue			
Special Assessments	-	13,234	-
Other	-	316	-
Unearned	-	860	3,505
Escrow Deposits	-	-	-
Total Liabilities	64	29,587	3,505
FUND BALANCES			
Restricted	-	-	-
Committed	34,514	492,416	607,636
Assigned	16,059	-	-
Unassigned	-	-	-
Total Fund Balances	50,573	492,416	607,636
Total Liabilities and Fund Balances	\$ 50,637	\$ 522,003	\$ 611,141

<u>Project Development</u>	<u>Revolving Loan</u>	<u>Lodging Tax Administration</u>	<u>TIF Revenue Collection</u>	<u>TIF District 5 Arbor Glenn</u>	<u>TIF District 6 Clearwater Estates</u>	<u>TIF District 7 Grand Oaks</u>
\$ 170,240	\$ 384,192	\$ 11,786	\$ 385,985	\$ 46,747	\$ 62,004	\$ 7,299
-	-	-	-	-	-	-
-	-	16,909	-	-	-	-
-	35,357	-	-	-	-	-
<u>\$ 170,240</u>	<u>\$ 419,549</u>	<u>\$ 28,695</u>	<u>\$ 385,985</u>	<u>\$ 46,747</u>	<u>\$ 62,004</u>	<u>\$ 7,299</u>
\$ 2,555	\$ -	\$ 28,695	\$ -	\$ 15,992	\$ 30,683	\$ 6,833
-	-	-	-	-	-	-
-	-	-	-	-	-	1,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	35,357	-	-	-	-	-
-	-	-	-	-	-	-
96,872	-	-	850	-	-	-
<u>99,427</u>	<u>35,357</u>	<u>28,695</u>	<u>850</u>	<u>15,992</u>	<u>30,683</u>	<u>7,833</u>
-	384,192	-	385,135	30,755	31,321	-
70,813	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	(534)
<u>70,813</u>	<u>384,192</u>	<u>-</u>	<u>385,135</u>	<u>30,755</u>	<u>31,321</u>	<u>(534)</u>
<u>\$ 170,240</u>	<u>\$ 419,549</u>	<u>\$ 28,695</u>	<u>\$ 385,985</u>	<u>\$ 46,747</u>	<u>\$ 62,004</u>	<u>\$ 7,299</u>

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET (CONTINUED)
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2012**

	TIF District 8 Arbor Glenn 2	TIF District 9 Grand Oaks Court	TIF District 10 Isle Drive	Alcohol Seizure
ASSETS				
Cash and Pooled Investments	\$ 62,989	\$ 8,983	\$ -	\$ 21,802
Special Assessments Receivable	-	-	-	-
Accounts Receivable	-	-	-	-
Loan Receivable	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 62,989</u>	<u>\$ 8,983</u>	<u>\$ -</u>	<u>\$ 21,802</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 49,821	\$ 7,795	\$ -	\$ -
Salaries Payable	-	-	-	-
Due to Other Funds	-	-	11,456	-
Due to Other Governments	-	-	-	-
Deferred Revenue				
Special Assessments	-	-	-	-
Other	-	-	-	-
Unearned	-	-	-	-
Escrow Deposits	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	49,821	7,795	11,456	-
FUND BALANCES				
Restricted	13,168	1,188	-	21,802
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	(11,456)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>13,168</u>	<u>1,188</u>	<u>(11,456)</u>	<u>21,802</u>
Total Liabilities and Fund Balances	<u>\$ 62,989</u>	<u>\$ 8,983</u>	<u>\$ -</u>	<u>\$ 21,802</u>

Drug Seizure	Recycling	Combined Totals
\$ 14,255	\$ 15,697	\$ 2,362,210
-	-	13,234
-	-	17,225
-	-	35,357
\$ 14,255	\$ 15,697	\$ 2,428,026

\$ 7,026	\$ 2,684	\$ 162,668
-	-	4,498
-	-	12,456
5	-	164
-	-	13,234
-	-	35,673
-	-	4,365
3,944	-	101,666
10,975	2,684	334,724
3,280	-	870,841
-	13,013	1,218,392
-	-	16,059
-	-	(11,990)
3,280	13,013	2,093,302
\$ 14,255	\$ 15,697	\$ 2,428,026

**CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012**

	Cemetery	Community Development	Capital Park
REVENUES			
Lodging Tax	\$ -	\$ -	\$ -
Tax Increments	-	-	-
Licenses, Permits, and Fees	-	273,265	-
Intergovernmental	-	-	-
Charges for Services	-	169,102	-
Fines and Forfeits	-	766	-
Interest on Investments	644	4,547	7,239
Miscellaneous	3,000	12	208,468
Revolving Loans	-	-	-
Total Revenues	3,644	447,692	215,707
EXPENDITURES			
CURRENT			
General Government	6,326	-	-
Public Safety	-	140,759	-
Sanitation	-	-	-
Culture and Recreation	-	-	6,348
Economic and Community Development	-	181,477	-
CAPITAL OUTLAY			
Public Safety	-	-	-
Culture and Recreation	-	-	24,461
Total Expenditures	6,326	322,236	30,809
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,682)	125,456	184,898
OTHER FINANCING SOURCES (USES)			
Transfers In	5,800	153,000	1,800
Transfers Out	-	(4,900)	-
Total Other Financing Sources (Uses)	5,800	148,100	1,800
NET CHANGE IN FUND BALANCES	3,118	273,556	186,698
Fund Balance - Beginning of Year	47,455	218,860	420,938
FUND BALANCE - END OF YEAR	\$ 50,573	\$ 492,416	\$ 607,636

<u>Project Development</u>	<u>Revolving Loan</u>	<u>Lodging Tax Administration</u>	<u>TIF Revenue Collection</u>	<u>TIF District 5 Arbor Glenn</u>	<u>TIF District 6 Clearwater Estates</u>	<u>TIF District 7 Grand Oaks</u>
\$ -	\$ -	\$ 297,361	\$ -	\$ -	\$ -	\$ -
-	-	-	-	53,308	87,665	14,385
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,642	-	-	-	-	-	-
-	-	-	-	-	-	-
2,109	4,913	-	5,134	1,021	1,032	27
-	-	-	7,800	-	-	-
-	36,642	-	-	-	-	-
<u>3,751</u>	<u>41,555</u>	<u>297,361</u>	<u>12,934</u>	<u>54,329</u>	<u>88,697</u>	<u>14,412</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1,442	262	297,361	1,104	94,643	124,210	14,827
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>1,442</u>	<u>262</u>	<u>297,361</u>	<u>1,104</u>	<u>94,643</u>	<u>124,210</u>	<u>14,827</u>
2,309	41,293	-	11,830	(40,314)	(35,513)	(415)
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>2,309</u>	<u>41,293</u>	<u>-</u>	<u>11,830</u>	<u>(40,314)</u>	<u>(35,513)</u>	<u>(415)</u>
<u>68,504</u>	<u>342,899</u>	<u>-</u>	<u>373,305</u>	<u>71,069</u>	<u>66,834</u>	<u>(119)</u>
<u>\$ 70,813</u>	<u>\$ 384,192</u>	<u>\$ -</u>	<u>\$ 385,135</u>	<u>\$ 30,755</u>	<u>\$ 31,321</u>	<u>\$ (534)</u>

CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (CONTINUED)
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2012

	TIF District 8 Arbor Glenn 2	TIF District 9 Grand Oaks Court	TIF District 10 Isle Drive	Alcohol Seizure
REVENUES				
Lodging Tax	\$ -	\$ -	\$ -	\$ -
Tax Increments	55,356	17,323	-	-
Licenses, Permits, and Fees	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	-	-
Fines and Forfeits	-	-	-	14,184
Interest on Investments	381	31	-	274
Miscellaneous	-	-	-	-
Revolving Loans	-	-	-	-
Total Revenues	<u>55,737</u>	<u>17,354</u>	<u>-</u>	<u>14,458</u>
EXPENDITURES				
CURRENT				
General Government	-	-	-	-
Public Safety	-	-	-	-
Sanitation	-	-	-	-
Culture and Recreation	-	-	-	-
Economic and Community Development	51,182	17,537	408	-
CAPITAL OUTLAY				
Public Safety	-	-	-	6,960
Culture and Recreation	-	-	-	-
Total Expenditures	<u>51,182</u>	<u>17,537</u>	<u>408</u>	<u>6,960</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,555	(183)	(408)	7,498
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	4,000
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,000</u>
NET CHANGE IN FUND BALANCES	4,555	(183)	(408)	11,498
Fund Balance - Beginning of Year	<u>8,613</u>	<u>1,371</u>	<u>(11,048)</u>	<u>10,304</u>
FUND BALANCE - END OF YEAR	<u>\$ 13,168</u>	<u>\$ 1,188</u>	<u>\$ (11,456)</u>	<u>\$ 21,802</u>

Drug Seizure	Recycling	Combined Totals
\$ -	\$ -	\$ 297,361
-	-	228,037
-	-	273,265
-	32,300	32,300
1,084	391	172,219
8,186	-	23,136
213	326	27,891
-	-	219,280
-	-	36,642
9,483	33,017	1,310,131
-	-	6,326
10,524	-	151,283
-	35,476	35,476
-	-	6,348
-	-	784,453
5,483	-	12,443
-	-	24,461
16,007	35,476	1,020,790
(6,524)	(2,459)	289,341
-	2,400	167,000
-	-	(4,900)
-	2,400	162,100
(6,524)	(59)	451,441
9,804	13,072	1,641,861
\$ 3,280	\$ 13,013	\$ 2,093,302

**CITY OF BAXTER, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CEMETERY SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2012**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Interest on Investments	\$ 200	\$ 200	\$ 644	\$ 444
Miscellaneous				
Other Miscellaneous Revenues	3,000	3,000	3,000	-
Total Revenues	<u>3,200</u>	<u>3,200</u>	<u>3,644</u>	<u>444</u>
EXPENDITURES				
CURRENT				
General Government				
Cemetery	9,000	9,000	6,326	2,674
	<u>9,000</u>	<u>9,000</u>	<u>6,326</u>	<u>2,674</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(5,800)	(5,800)	(2,682)	3,118
OTHER FINANCING SOURCES				
Transfers In	5,800	5,800	5,800	-
	<u>5,800</u>	<u>5,800</u>	<u>5,800</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	3,118	<u>\$ 3,118</u>
Fund Balance - Beginning of Year			<u>47,455</u>	
FUND BALANCE - END OF YEAR			<u>\$ 50,573</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, 2012**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Licenses, Permits, and Fees	\$ 95,300	\$ 95,300	\$ 273,265	\$ 177,965
Charges for Services	55,400	55,400	169,102	113,702
Fines and Forfeits	-	-	766	766
Interest on Investments	300	300	4,547	4,247
Miscellaneous				
Other Miscellaneous Revenues	-	-	12	12
Total Revenues	<u>151,000</u>	<u>151,000</u>	<u>447,692</u>	<u>296,692</u>
EXPENDITURES				
CURRENT				
Public Safety				
Building Inspection	139,600	139,600	140,759	(1,159)
Economic and Community Development				
Planning	274,200	274,200	181,477	92,723
Total Expenditures	<u>413,800</u>	<u>413,800</u>	<u>322,236</u>	<u>91,564</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(262,800)	(262,800)	125,456	388,256
OTHER FINANCING SOURCES				
Transfers In	187,700	153,000	153,000	-
Transfers Out	(4,900)	(4,900)	(4,900)	-
Total Other Financing Sources (Uses)	<u>182,800</u>	<u>148,100</u>	<u>148,100</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (80,000)</u>	<u>\$ (114,700)</u>	273,556	<u>\$ 388,256</u>
Fund Balance - Beginning of Year			<u>218,860</u>	
FUND BALANCE - END OF YEAR			<u>\$ 492,416</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, 2012**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Interest on Investments	\$ 2,000	\$ 2,000	\$ 7,239	\$ 5,239
Miscellaneous				
Other Miscellaneous Revenues	-	8,800	208,468	199,668
Total Revenues	<u>2,000</u>	<u>10,800</u>	<u>215,707</u>	<u>204,907</u>
EXPENDITURES				
CURRENT				
Culture and Recreation				
Capital Park	3,800	7,900	6,348	1,552
CAPITAL OUTLAY				
Culture and Recreation	22,800	23,600	24,461	(861)
Total Expenditures	<u>26,600</u>	<u>31,500</u>	<u>30,809</u>	<u>691</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(24,600)	(20,700)	184,898	205,598
OTHER FINANCING SOURCES				
Transfers In	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (22,800)</u>	<u>\$ (18,900)</u>	186,698	<u>\$ 205,598</u>
Fund Balance - Beginning of Year			<u>420,938</u>	
FUND BALANCE - END OF YEAR			<u>\$ 607,636</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Lodging Tax	\$ 280,000	\$ 280,000	\$ 297,361	\$ 17,361
EXPENDITURES				
CURRENT				
Economic and Community Development	<u>280,000</u>	<u>280,000</u>	<u>297,361</u>	<u>(17,361)</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, 2012**

	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	391	(9)
Interest on Investments	200	200	326	126
Total Revenues	<u>32,900</u>	<u>32,900</u>	<u>33,017</u>	<u>117</u>
EXPENDITURES				
CURRENT				
Sanitation	<u>36,500</u>	<u>36,500</u>	<u>35,476</u>	<u>1,024</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(3,600)	(3,600)	(2,459)	1,141
OTHER FINANCING SOURCES				
Transfers In	<u>3,600</u>	<u>2,400</u>	<u>2,400</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (1,200)</u>	(59)	<u>\$ 1,141</u>
Fund Balance - Beginning of Year			<u>13,072</u>	
FUND BALANCE - END OF YEAR			<u>\$ 13,013</u>	

**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET
 DEBT SERVICE FUND – BY BOND ISSUE
 DECEMBER 31, 2012**

	1991 Southdale Sewer G.O. and PFA Note	2004 G.O. Bond Issue	2005A G.O. Refunding Bonds 1997-1998	2005B G.O. Improvement Bonds
ASSETS				
Cash and Pooled Investments	\$ -	\$ -	\$ 419,422	\$ -
Delinquent Taxes Receivable	-	-	1,739	-
Special Assessments Receivable	-	-	-	-
Due From Other Governments	-	-	837	-
	<u>-</u>	<u>-</u>	<u>837</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 421,998</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Due to Other Governments	\$ -	\$ -	-	-
Deferred Revenue				
Taxes	-	-	1,739	-
Special Assessments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	-	-	1,739	-
FUND BALANCES				
Restricted	-	-	420,259	-
	<u>-</u>	<u>-</u>	<u>420,259</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 421,998</u>	<u>\$ -</u>

<u>2006A G.O. CIP Bonds</u>	<u>2006B G.O. Improvement Bonds</u>	<u>2007B G.O. Improvement Bonds</u>	<u>2009A G.O. Sales Tax Wastewater Note</u>	<u>2009B G.O. Sales Tax Wastewater Note</u>	<u>2010 G.O. Refunding Bonds 2004 & 2005B</u>	<u>Combined Totals</u>
\$ 419,848	\$ 1,677,117	\$ 560,687	\$ 149	\$ 793	\$ 1,353,653	\$ 4,431,669
9,321	16,355	5,792	-	-	-	33,207
-	1,463,950	1,023,500	-	-	2,026,735	4,514,185
6,052	17,504	5,127	-	-	72,349	101,869
<u>\$ 435,221</u>	<u>\$ 3,174,926</u>	<u>\$ 1,595,106</u>	<u>\$ 149</u>	<u>\$ 793</u>	<u>\$ 3,452,737</u>	<u>\$ 9,080,930</u>
\$ -	\$ 4,239	\$ -	\$ -	\$ -	\$ 5,787	\$ 10,026
9,321	16,355	5,792	-	-	-	33,207
-	1,463,950	1,023,500	-	-	2,026,735	4,514,185
9,321	1,484,544	1,029,292	-	-	2,032,522	4,557,418
425,900	1,690,382	565,814	149	793	1,420,215	4,523,512
<u>\$ 435,221</u>	<u>\$ 3,174,926</u>	<u>\$ 1,595,106</u>	<u>\$ 149</u>	<u>\$ 793</u>	<u>\$ 3,452,737</u>	<u>\$ 9,080,930</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, 2012

	1991 Southdale Sewer G.O. and PFA Note	2004 G.O. Bond Issue	2005A G.O. Refunding Bonds 1997-1998	2005B G.O. Improvement Bonds
REVENUES				
Taxes	\$ 4,834	\$ -	\$ 54,071	\$ -
Special Assessments	2,686	5,149	-	-
Intergovernmental	-	-	-	-
Interest on Investments	-	-	5,413	-
Total Revenues	7,520	5,149	59,484	-
EXPENDITURES				
DEBT SERVICE				
Principal	24,776	640,000	230,000	330,000
Interest and Fiscal Charges	438	58,537	16,180	37,060
Total Expenditures	25,214	698,537	246,180	367,060
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(17,694)	(693,388)	(186,696)	(367,060)
OTHER FINANCING SOURCES (USES)				
Principal Payment on Refunded Bonds	-	(2,705,000)	-	(1,635,000)
Transfers In	-	2,705,000	11,739	1,635,000
Transfers Out	(11,739)	(437,100)	-	(16,453)
Total Other Financing Sources (Uses)	(11,739)	(437,100)	11,739	(16,453)
NET CHANGE IN FUND BALANCES				
	(29,433)	(1,130,488)	(174,957)	(383,513)
Fund Balance - Beginning of Year	29,433	1,130,488	595,216	383,513
FUND BALANCE - END OF YEAR	\$ -	\$ -	\$ 420,259	\$ -

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	2010 G.O. Refunding Bonds 2004 & 2005B	Internal Eliminations	Combined Totals
\$ 346,364	\$ 181,931	\$ 202,257	\$ -	\$ -	\$ 336,280	\$ -	\$ 1,125,737
-	791,691	217,669	-	-	642,303	-	1,659,498
-	-	-	-	90,592	-	-	90,592
3,019	14,418	4,628	2	313	16,199	-	43,992
349,383	988,040	424,554	2	90,905	994,782	-	2,919,819
175,000	475,000	195,000	64,667	360,667	-	-	2,495,110
145,125	102,331	104,341	9,150	258,833	63,875	-	795,870
320,125	577,331	299,341	73,817	619,500	63,875	-	3,290,980
29,258	410,709	125,213	(73,815)	(528,595)	930,907	-	(371,161)
-	-	-	-	-	-	-	(4,340,000)
50,000	-	-	73,817	528,909	459,363	(4,805,292)	658,536
-	-	-	-	-	(4,340,000)	4,805,292	-
50,000	-	-	73,817	528,909	(3,880,637)	-	(3,681,464)
79,258	410,709	125,213	2	314	(2,949,730)	-	(4,052,625)
346,642	1,279,673	440,601	147	479	4,369,945	-	8,576,137
\$ 425,900	\$ 1,690,382	\$ 565,814	\$ 149	\$ 793	\$ 1,420,215	\$ -	\$ 4,523,512

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET
CAPITAL PROJECT FUND – BY PROJECT
DECEMBER 31, 2012**

	<u>Collector Street</u>	<u>Street Replacement</u>	<u>Capital Equipment</u>	<u>Trails Construction</u>
ASSETS				
Cash and Pooled Investments	\$ 2,972,945	\$ 171,858	\$ 698,876	\$ 303,564
Delinquent Taxes Receivable	-	-	608	-
Special Assessments Receivable	342,987	42,950	-	-
Accounts Receivable	-	-	-	-
Due From Other Governments	-	153	1	10,000
	<u>-\$ 3,315,932</u>	<u>\$ 214,961</u>	<u>\$ 699,485</u>	<u>\$ 313,564</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ -	\$ -
Contracts Payable	-	-	28,454	-
Due to Other Funds	-	-	-	-
Deferred Revenue				
Taxes	-	-	608	-
Special Assessments	342,987	42,950	-	-
Other	-	-	-	-
	<u>342,987</u>	<u>42,950</u>	<u>29,062</u>	<u>-</u>
Total Liabilities	342,987	42,950	29,062	-
FUND BALANCES				
Assigned	2,972,945	172,011	670,423	313,564
Unassigned	-	-	-	-
	<u>2,972,945</u>	<u>172,011</u>	<u>670,423</u>	<u>313,564</u>
Total Fund Balances	<u>2,972,945</u>	<u>172,011</u>	<u>670,423</u>	<u>313,564</u>
Total Liabilities and Fund Balances	<u>\$ 3,315,932</u>	<u>\$ 214,961</u>	<u>\$ 699,485</u>	<u>\$ 313,564</u>

City Center Building	Cypress Drive	Wildflower Franklin	Dellwood Novotny Ext	Cypress Town Center	Cypress Dr - Hinckley to 48	Potlatch Phase 2
\$ 418,453	\$ -	\$ 195,530	\$ -	\$ 4,703	\$ -	\$ 41,023
-	-	-	-	-	-	-
-	-	-	-	37,552	-	-
-	-	-	-	-	-	21,493
-	-	-	-	-	-	-
<u>\$ 418,453</u>	<u>\$ -</u>	<u>\$ 195,530</u>	<u>\$ -</u>	<u>\$ 42,255</u>	<u>\$ -</u>	<u>\$ 62,516</u>
\$ -	\$ -	\$ -	\$ 606	\$ -	\$ -	\$ -
-	-	-	-	-	-	65,317
-	135,104	-	92,035	-	35,948	-
-	-	-	-	-	-	-
-	-	-	-	37,552	-	-
-	-	-	-	-	-	21,493
-	135,104	-	92,641	37,552	35,948	86,810
418,453	-	195,530	-	-	-	-
-	(135,104)	-	(92,641)	4,703	(35,948)	(24,294)
<u>418,453</u>	<u>(135,104)</u>	<u>195,530</u>	<u>(92,641)</u>	<u>4,703</u>	<u>(35,948)</u>	<u>(24,294)</u>
<u>\$ 418,453</u>	<u>\$ -</u>	<u>\$ 195,530</u>	<u>\$ -</u>	<u>\$ 42,255</u>	<u>\$ -</u>	<u>\$ 62,516</u>

**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 CAPITAL PROJECT FUND – BY PROJECT
 DECEMBER 31, 2012**

	Water Tower 3	South Isle Dr Extension	Fairview Extension 371 NW	Wastewater Plant Capacity
ASSETS				
Cash and Pooled Investments	\$ 112,915	\$ -	\$ 5,537	\$ -
Delinquent Taxes Receivable	-	-	-	-
Special Assessments Receivable	-	-	-	-
Accounts Receivable	-	-	-	-
Due From Other Governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 112,915</u>	<u>\$ -</u>	<u>\$ 5,537</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 11,015	\$ 1,755	\$ -	\$ -
Contracts Payable	101,900	-	-	-
Due to Other Funds	-	6,158	-	-
Deferred Revenue				
Taxes	-	-	-	-
Special Assessments	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	112,915	7,913	-	-
FUND BALANCES				
Assigned	-	-	5,537	-
Unassigned	-	(7,913)	-	-
	<u>-</u>	<u>(7,913)</u>	<u>5,537</u>	<u>-</u>
Total Fund Balances	<u>-</u>	<u>(7,913)</u>	<u>5,537</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 112,915</u>	<u>\$ -</u>	<u>\$ 5,537</u>	<u>\$ -</u>

<u>Inglewood/ Fairview/ Foley</u>	<u>Cypress Phase 1 RR to 210</u>	<u>Hastings - Evergreen to Water Tower 3</u>	<u>South Sewer Interceptor</u>	<u>College/48 Intersection</u>	<u>Combined Totals</u>
\$ 71,683	\$ 77,823	\$ -	\$ -	\$ 180,016	\$ 5,254,926
-	-	-	-	-	608
-	-	-	-	-	423,489
-	-	-	-	-	21,493
-	-	-	-	-	10,154
<u>\$ 71,683</u>	<u>\$ 77,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,016</u>	<u>\$ 5,710,670</u>
\$ -	\$ -	\$ -	\$ 5,812	\$ -	\$ 19,188
-	-	-	-	180,016	375,687
-	-	-	-	-	269,245
-	-	-	-	-	608
-	-	-	-	-	423,489
-	-	-	-	-	21,493
-	-	-	5,812	180,016	1,109,710
71,683	77,823	-	-	-	4,897,969
-	-	-	(5,812)	-	(297,009)
<u>71,683</u>	<u>77,823</u>	<u>-</u>	<u>(5,812)</u>	<u>-</u>	<u>4,600,960</u>
<u>\$ 71,683</u>	<u>\$ 77,823</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,016</u>	<u>\$ 5,710,670</u>

CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECT FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2012

	Collector Street	Street Replacement	Capital Equipment	Trails Construction
REVENUES				
Taxes	\$ -	\$ -	\$ 33	\$ -
Special Assessments	2,559	12,297	-	-
Charges for Services	-	-	-	-
Interest on Investments	35,578	1,010	8,844	3,728
Miscellaneous	-	-	1,197	-
Total Revenues	38,137	13,307	10,074	3,728
EXPENDITURES				
CURRENT				
General Government	-	-	5,032	-
Public Safety	-	-	4,622	-
Public Works	-	-	881	-
Culture and Recreation	-	-	2,560	6,203
CAPITAL OUTLAY				
General Government	-	-	36,554	-
Public Safety	-	-	73,241	-
Public Works	-	-	9,226	-
Culture and Recreation	-	-	30,679	-
Total Expenditures	-	-	162,795	6,203
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	38,137	13,307	(152,721)	(2,475)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	-	5,813	-
Transfers In	337,000	96,900	231,737	30,000
Transfers Out	-	-	(17,910)	-
Total Other Financing Sources (Uses)	337,000	96,900	219,640	30,000
NET CHANGE IN FUND BALANCES	375,137	110,207	66,919	27,525
Fund Balance - Beginning of Year	2,597,808	61,804	603,504	286,039
FUND BALANCE - END OF YEAR	\$ 2,972,945	\$ 172,011	\$ 670,423	\$ 313,564

City Center Building	Cypress Drive	Wildflower Franklin	Dellwood Novotny Ext	Cypress Town Center	Cypress Dr - Hinckley to 48	Potlatch Phase 2
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	20,769	-	-
-	-	-	-	-	-	-
5,365	-	-	-	-	-	678
23,914	-	-	-	-	-	-
<u>29,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,769</u>	<u>-</u>	<u>678</u>
3,109	-	-	-	-	-	-
-	-	-	-	-	-	-
-	1,805	3,470	1,836	132	7,466	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>3,109</u>	<u>1,805</u>	<u>3,470</u>	<u>1,836</u>	<u>132</u>	<u>7,466</u>	<u>-</u>
26,170	(1,805)	(3,470)	(1,836)	20,637	(7,466)	678
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
26,170	(1,805)	(3,470)	(1,836)	20,637	(7,466)	678
<u>392,283</u>	<u>(133,299)</u>	<u>199,000</u>	<u>(90,805)</u>	<u>(15,934)</u>	<u>(28,482)</u>	<u>(24,972)</u>
<u>\$ 418,453</u>	<u>\$ (135,104)</u>	<u>\$ 195,530</u>	<u>\$ (92,641)</u>	<u>\$ 4,703</u>	<u>\$ (35,948)</u>	<u>\$ (24,294)</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, 2012

	Water Tower 3	South Isle Dr Extension	Fairview Extension 371 NW	Wastewater Plant Capacity
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-
Charges for Services	-	-	-	-
Interest on Investments	-	-	74	-
Miscellaneous	-	-	-	-
Total Revenues	-	-	74	-
EXPENDITURES				
CURRENT				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	3,686	-	-
Culture and Recreation	-	-	-	-
CAPITAL OUTLAY				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	809,601	-	-	58,652
Culture and Recreation	-	-	-	-
Total Expenditures	809,601	3,686	-	58,652
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(809,601)	(3,686)	74	(58,652)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	-	-	-
Transfers In	692,856	-	-	58,652
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	692,856	-	-	58,652
NET CHANGE IN FUND BALANCES				
	(116,745)	(3,686)	74	-
Fund Balance - Beginning of Year	116,745	(4,227)	5,463	-
FUND BALANCE - END OF YEAR				
	\$ -	\$ (7,913)	\$ 5,537	\$ -

Inglewood/ Fairview/ Foley	Cypress Phase 1 RR to 210	Hastings - Evergreen to Water Tower 3	South Sewer Interceptor	College/48 Intersection	Combined Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 33
-	-	-	-	-	35,625
-	-	23,434	-	-	23,434
958	1,041	-	-	-	57,276
-	-	-	-	-	25,111
958	1,041	23,434	-	-	141,479
-	-	-	-	-	8,141
-	-	-	-	-	4,622
-	-	-	5,812	-	25,088
-	-	-	-	-	8,763
-	-	-	-	-	36,554
-	-	-	-	-	73,241
-	-	493,346	-	180,016	1,550,841
-	-	-	-	-	30,679
-	-	493,346	5,812	180,016	1,737,929
958	1,041	(469,912)	(5,812)	(180,016)	(1,596,450)
-	-	-	-	-	5,813
-	-	525,733	-	180,016	2,152,894
-	-	(23,647)	-	-	(41,557)
-	-	502,086	-	180,016	2,117,150
958	1,041	32,174	(5,812)	-	520,700
70,725	76,782	(32,174)	-	-	4,080,260
\$ 71,683	\$ 77,823	\$ -	\$ (5,812)	\$ -	\$ 4,600,960

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, note 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 POSITION BY COMPONENT
LAST NINE FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year		
	2004	2005	2006
Governmental Activities			
Net Invested in Capital Assets	\$ 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 Position	<u>\$ 30,780,524</u>	<u>\$ 31,449,003</u>	<u>\$ 33,780,489</u>
Business-Type Activities			
Net Invested in Capital Assets	\$ 18,580,658	\$ 22,701,367	\$ 33,643,933
Unrestricted	4,194,563	9,001,630	3,362,203
Total Business-Type Activities Net Position	<u>\$ 22,775,221</u>	<u>\$ 31,702,997</u>	<u>\$ 37,006,136</u>
Primary Government			
Net Invested in Capital Assets	\$ 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 Position	<u>\$ 53,555,745</u>	<u>\$ 63,152,000</u>	<u>\$ 70,786,625</u>

Note:

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

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 2,262,489	\$ 6,355,520	\$ 9,755,015	\$ 14,638,901	\$ 19,093,683	\$ 22,675,313
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	8,805,956
-	-	-	2,939,435	2,939,925	2,964,012
-	-	-	5,890,212	5,311,147	5,785,750
-	-	-	402,556	411,558	419,549
-	-	-	999,858	521,192	462,417
-	-	-	19,002	20,108	25,082
7,737,948	10,234,105	12,327,885	6,610,863	147,101	(2,571,438)
<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>	<u>\$ 38,566,641</u>
\$ 34,692,230	\$ 34,958,321	\$ 34,178,791	\$ 33,290,422	\$ 42,523,243	\$ 45,066,969
8,144,091	8,601,996	8,400,102	8,523,113	8,457,050	9,739,329
<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>	<u>\$ 54,806,298</u>
\$ 36,954,719	\$ 41,313,841	\$ 43,933,806	\$ 47,929,323	\$ 53,175,816	\$ 59,751,282
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	8,805,956
-	-	-	2,939,435	2,939,925	2,964,012
-	-	-	5,890,212	5,311,147	5,785,750
-	-	-	402,556	411,558	419,549
-	-	-	999,858	521,192	462,417
-	-	-	19,002	20,108	25,082
15,882,039	18,836,101	20,727,987	15,133,976	17,045,261	15,158,891
<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>	<u>\$ 93,372,939</u>

**CITY OF BAXTER, MINNESOTA
CHANGE IN NET POSITION
LAST NINE 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			
Fees, Charges, Fines, and Other			
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			
Fees, Charges, Fines, and Other			
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	2012
\$	1,378,865	\$ 1,356,288	\$ 1,425,790	\$ 1,428,267	\$ 1,416,819	\$ 1,212,361
	1,798,739	1,889,619	1,977,046	2,034,789	1,939,880	1,874,740
	2,354,018	2,683,004	2,233,639	2,111,757	2,380,427	2,267,214
	28,739	34,670	36,090	34,669	38,338	35,476
	582,079	1,999,735	693,850	618,718	687,545	670,426
	772,561	672,902	578,480	779,170	1,115,103	818,460
	1,193,519	1,112,782	1,025,079	1,079,936	940,392	822,443
\$	<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>	<u>\$ 7,701,120</u>
\$	1,606,679	\$ 1,627,520	\$ 1,743,771	\$ 1,677,288	\$ 1,652,130	\$ 1,674,473
	1,221,479	1,353,043	1,319,966	1,332,248	1,451,130	1,623,673
	160,464	234,470	236,948	248,377	259,517	282,810
	2,988,622	3,215,033	3,300,685	3,257,913	3,362,777	3,580,956
\$	<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>	<u>\$ 11,282,076</u>
\$	535,496	\$ 427,129	\$ 476,731	\$ 575,102	\$ 497,891	\$ 518,048
	289,655	382,192	477,155	325,824	322,447	555,768
	57,000	-	-	1,221,493	-	23,434
	463	359	287	405	379	391
	48,034	51,136	27,785	72,155	7,373	211,123
	225,233	52,859	14,387	120,536	35,397	43,782
	343,110	210,626	205,647	279,697	360,152	276,068
	3,571,220	2,061,332	1,037,841	921,662	687,075	956,669
\$	<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>	<u>\$ 2,585,283</u>
\$	1,709,478	\$ 1,308,318	\$ 1,430,105	\$ 1,458,913	\$ 1,406,582	\$ 1,785,969
	1,518,970	1,184,963	1,174,023	1,206,950	1,271,248	1,606,991
	245,956	291,053	304,492	303,841	304,605	311,327
	8,900	36,862	2,246	121,386	18,177	20,690
	2,596,900	41,700	2,500	57,375	111,272	755,526
	6,080,204	2,862,896	2,913,366	3,148,465	3,111,884	4,480,503
\$	<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>	<u>\$ 7,065,786</u>

CITY OF BAXTER, MINNESOTA
CHANGE IN NET POSITION (CONTINUED)
LAST NINE 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 Position			
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 Position	\$ 13,734,826	\$ 9,596,255	\$ 7,634,625
Net Position -- Beginning of Year	39,820,919	53,555,745	63,152,000
Net Position -- 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	2012
\$ (3,038,309)	\$ (6,563,367)	\$ (5,730,141)	\$ (4,570,432)	\$ (6,607,790)	\$ (5,115,837)
3,091,582	(352,137)	(387,319)	(109,448)	(250,893)	899,547
<u>\$ 53,273</u>	<u>\$ (6,915,504)</u>	<u>\$ (6,117,460)</u>	<u>\$ (4,679,880)</u>	<u>\$ (6,858,683)</u>	<u>\$ (4,216,290)</u>
\$ 4,653,175	\$ 5,039,645	\$ 5,453,694	\$ 5,312,680	\$ 5,667,151	\$ 5,405,829
287,486	282,654	251,007	265,889	287,419	297,361
2,032,718	1,921,680	1,875,168	1,917,505	1,936,851	2,124,950
382,414	389,568	371,551	392,575	333,922	228,037
190,051	100,663	33,120	2,957	2,433	2,493
693,913	488,173	265,196	301,744	220,984	256,429
63,324	118,419	53,039	56,613	69,536	79,518
3,902	-	-	17,351	1,400	18,202
(2,367,791)	(786,112)	729,214	806,686	(9,310,734)	(2,809,624)
<u>\$ 5,939,192</u>	<u>\$ 7,554,690</u>	<u>\$ 9,031,989</u>	<u>\$ 9,074,000</u>	<u>\$ (791,038)</u>	<u>\$ 5,603,195</u>
\$ 370,812	\$ 290,021	\$ 135,109	\$ 150,776	\$ 106,917	\$ 116,834
2,367,791	786,112	(729,214)	(806,686)	9,310,734	2,809,624
<u>2,738,603</u>	<u>1,076,133</u>	<u>(594,105)</u>	<u>(655,910)</u>	<u>9,417,651</u>	<u>2,926,458</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>	<u>\$ 8,529,653</u>
\$ 8,731,068	\$ 1,715,319	\$ 2,320,424	\$ 3,738,210	\$ 1,767,930	\$ 4,313,363
70,786,625	79,517,693	81,233,012	83,553,436	87,291,646	89,059,576
<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>	<u>\$ 93,372,939</u>

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

	Fiscal Year			
	2003	2004	2005	2006
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Assigned (Designated 2002-2009)	1,428,438	200,000	275,000	-
Unassigned (Unrestricted, Undesignated)		1,807,153	2,221,045	2,670,101
Total General Fund	\$ 1,428,438	\$ 2,007,153	\$ 2,496,045	\$ 2,670,101
All Other Governmental Funds				
Nonspendable				
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	989,602
Assigned (Designated 2002-2009)				
Special Revenue Funds	357,206	294,594	283,882	278,793
Debt Service Fund	3,507,013	5,225,501	9,266,713	9,149,905
Capital Project Fund	-	-	-	-
Unassigned (Unrestricted, Undesignated)				
Special Revenue Funds	1,692,628	2,837,817	2,852,903	2,181,093
Capital Project Fund	(86,278)	(6,687)	-	-
Total All Other Governmental Funds	\$ 7,532,145	\$ 9,436,756	\$ 12,430,742	\$ 12,599,393

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					
2007	2008	2009	2010	2011	2012
\$ -	\$ -	\$ -	\$ 4,149	\$ 3,802	\$ 2,115
-	-	-	565,400	565,400	813,100
2,685,029	2,763,542	2,777,951	2,782,544	2,782,891	2,680,221
<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>	<u>\$ 3,495,436</u>
\$ -	\$ -	\$ -	\$ 942	\$ 165	\$ -
-	-	-	8,027,883	6,985,359	7,602,373
-	-	-	11,433,456	8,576,137	4,523,512
-	-	-	638,971	753,473	1,218,392
128,088	21,202	25,064	-	-	-
10,536,564	8,697,629	7,645,710	-	-	-
1,246,291	104,763	1,001,565	-	-	-
-	-	-	14,406	15,191	16,059
-	-	-	-	-	-
-	-	-	1,908,456	4,080,260	4,600,960
3,151,887	4,883,894	6,861,900	(10,966)	(11,167)	(11,990)
-	-	-	-	-	-
<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>	<u>\$ 17,949,306</u>

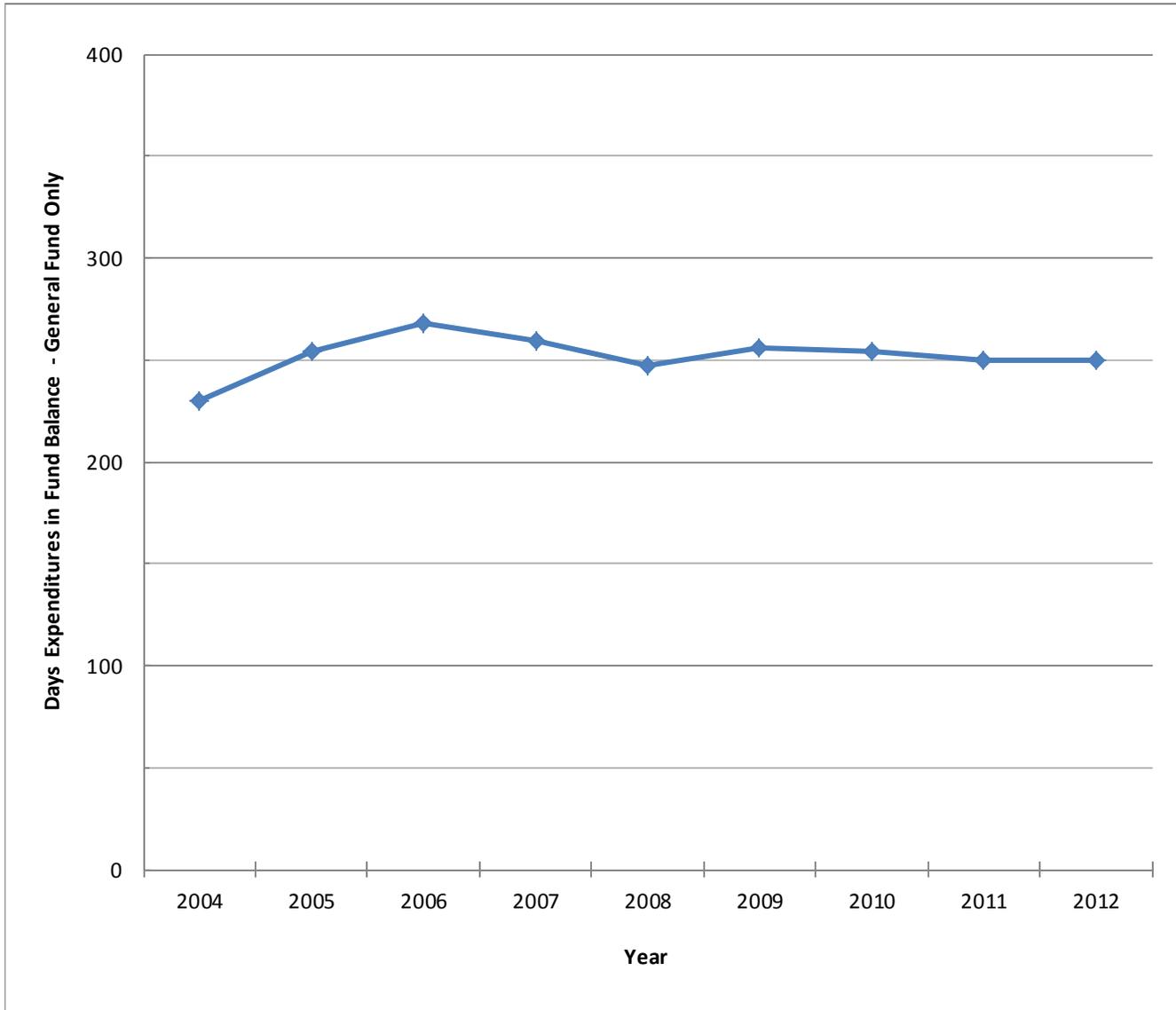
CITY OF BAXTER, MINNESOTA
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 2,432,851	\$ 2,840,143	\$ 3,236,858	\$ 3,857,157
Lodging Tax	-	-	-	263,573
Sales Tax	-	-	-	471,158
Tax Increments	-	555,084	349,382	288,162
Special Assessments	1,952,972	3,306,021	4,545,479	4,467,960
Licenses, Permits, and Fees	536,234	742,731	790,646	707,898
Intergovernmental	669,988	2,099,972	187,997	1,661,592
Charges for Services	167,104	364,194	708,931	694,640
Fines and Forfeits	41,060	53,744	84,982	74,582
Gifts and Contributions	-	89,128	8,822	47,686
Interest on Investments	60,589	42,713	292,384	681,212
Miscellaneous	562,993	875,604	255,308	170,181
Revolving Loans	50,552	54,556	46,086	53,035
Total Revenues	6,474,343	11,023,890	10,506,875	13,438,836
Expenditures				
Current				
General Government	839,023	1,036,163	1,004,458	1,154,061
Public Safety	1,004,837	1,299,888	1,628,735	1,712,108
Public Works	238,040	356,367	450,389	847,037
Sanitation	-	-	-	-
Culture and Recreation	318,289	359,307	432,061	482,854
Economic and Community Development	458,771	388,374	350,402	949,525
Capital Outlay	7,347,568	12,180,260	6,145,195	12,818,079
Debt Service				
Principal	1,089,068	1,358,311	2,177,489	3,349,829
Interest and Fiscal Charges	411,782	489,171	788,329	878,191
Bond Issue Costs	-	57,191	116,838	106,949
Total Expenditures	11,707,378	17,525,032	13,093,896	22,298,633
Excess (Deficiency) of Revenues Over Expenditures	(5,233,035)	(6,501,142)	(2,587,021)	(8,859,797)
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	-	-	-	-
Proceeds from Sale of Bonds	6,756,827	9,050,000	6,195,000	10,000,000
Proceeds from Sale of Equipment Certificates	378,420	-	-	-
Premium on Bonds/Notes Issued	-	109,298	3,352	68,143
Discount on Bonds/Notes Issued	-	-	(37,253)	(10,078)
Proceeds from Capital Lease	-	-	-	250,000
Principal Payment on Refunded Bonds	-	-	-	-
Transfers In	1,668,693	1,319,278	1,100,415	2,842,890
Transfers Out	(1,870,753)	(1,494,108)	(1,191,615)	(3,948,451)
Total Other Financing Sources (Uses)	6,933,187	8,984,468	6,069,899	9,202,504
Net Change in Fund Balances	\$ 1,700,152	\$ 2,483,326	\$ 3,482,878	\$ 342,707
Debt Service as a Percentage of Noncapital Expenditures*	34.4%	16.5%	29.5%	51.7%

*Revised for fiscal years 2004-2010.

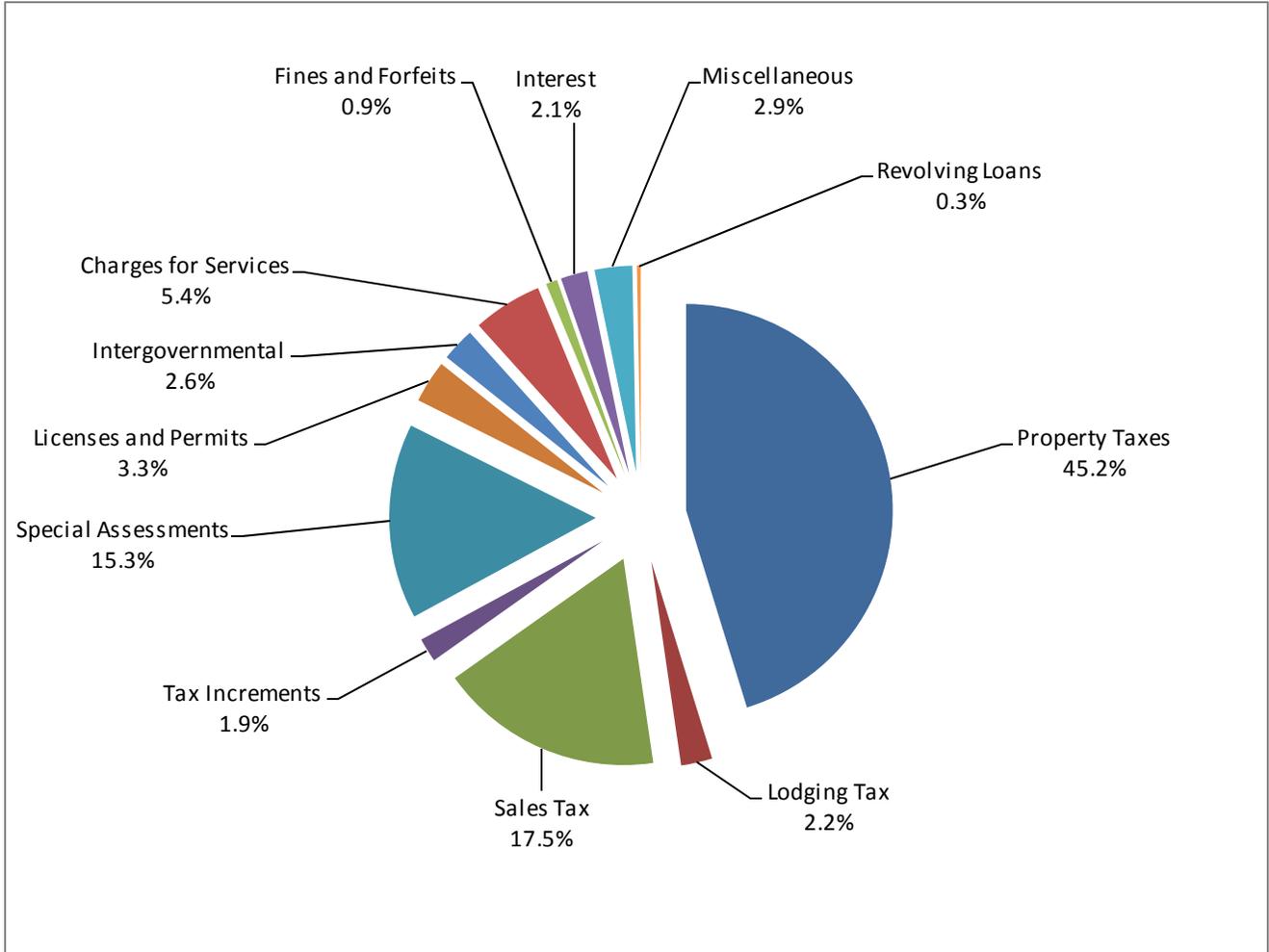
Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 4,520,077	\$ 4,828,170	\$ 5,170,688	\$ 5,498,763	\$ 5,871,854	\$ 5,497,267	
287,486	282,654	251,007	265,889	287,419	297,361	
2,032,718	1,914,352	1,836,111	1,938,915	1,951,316	2,127,170	
382,414	389,568	371,551	392,575	333,922	228,037	
4,483,790	3,340,550	2,979,835	3,418,718	2,063,769	1,861,457	
417,220	264,616	299,446	183,762	364,655	405,148	
1,112,761	1,696,669	537,348	624,073	377,280	316,829	
733,708	544,356	611,278	1,730,146	607,773	660,110	
104,511	132,048	130,195	125,579	87,850	108,610	
1,250	24,512	5,211	3,100	3,960	1,910	
693,913	488,173	265,196	301,739	220,989	256,421	
154,439	225,400	150,509	131,045	89,106	354,651	
50,275	50,275	29,327	-	36,642	36,642	
14,974,562	14,181,343	12,637,702	14,614,304	12,296,535	12,151,613	
1,369,883	1,333,983	1,368,989	1,388,835	1,382,197	1,244,668	
1,808,239	1,877,751	1,925,811	1,973,467	1,925,231	1,839,208	
871,334	971,514	583,939	604,009	667,421	520,445	
28,739	34,670	36,090	34,669	38,338	35,476	
454,263	674,652	508,600	471,005	525,931	502,857	
1,070,651	714,819	592,660	790,883	1,132,979	839,686	
4,374,199	2,865,591	5,324,000	5,886,965	2,416,666	1,771,214	
4,130,113	5,806,933	5,138,184	4,912,770	5,420,721	2,524,110	
1,188,664	1,161,914	1,057,541	1,026,125	987,564	795,870	
57,349	-	-	35,925	-	-	
15,353,434	15,441,827	16,535,814	17,124,653	14,497,048	10,073,534	
(378,872)	(1,260,484)	(3,898,112)	(2,510,349)	(2,200,513)	2,078,079	
3,902	2,902	-	13,468	1,839	8,008	
3,425,000	-	5,010,058	8,765,571	-	-	
-	-	-	-	-	-	
26,940	-	-	-	-	-	
-	-	-	(22,325)	-	-	
-	-	-	-	-	-	
-	-	-	-	-	(4,340,000)	
2,173,114	1,798,792	2,516,017	2,408,814	5,589,133	3,040,267	
(2,771,719)	(1,818,039)	(1,786,803)	(1,602,128)	(5,004,189)	(3,093,123)	
2,857,237	(16,345)	5,739,272	9,563,400	586,783	(4,384,848)	
\$ 2,478,365	\$ (1,276,829)	\$ 1,841,160	\$ 7,053,051	\$ (1,613,730)	\$ (2,306,769)	
48.4%	50.4%	55.2%	53.8%	53.0%	40.0%	

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



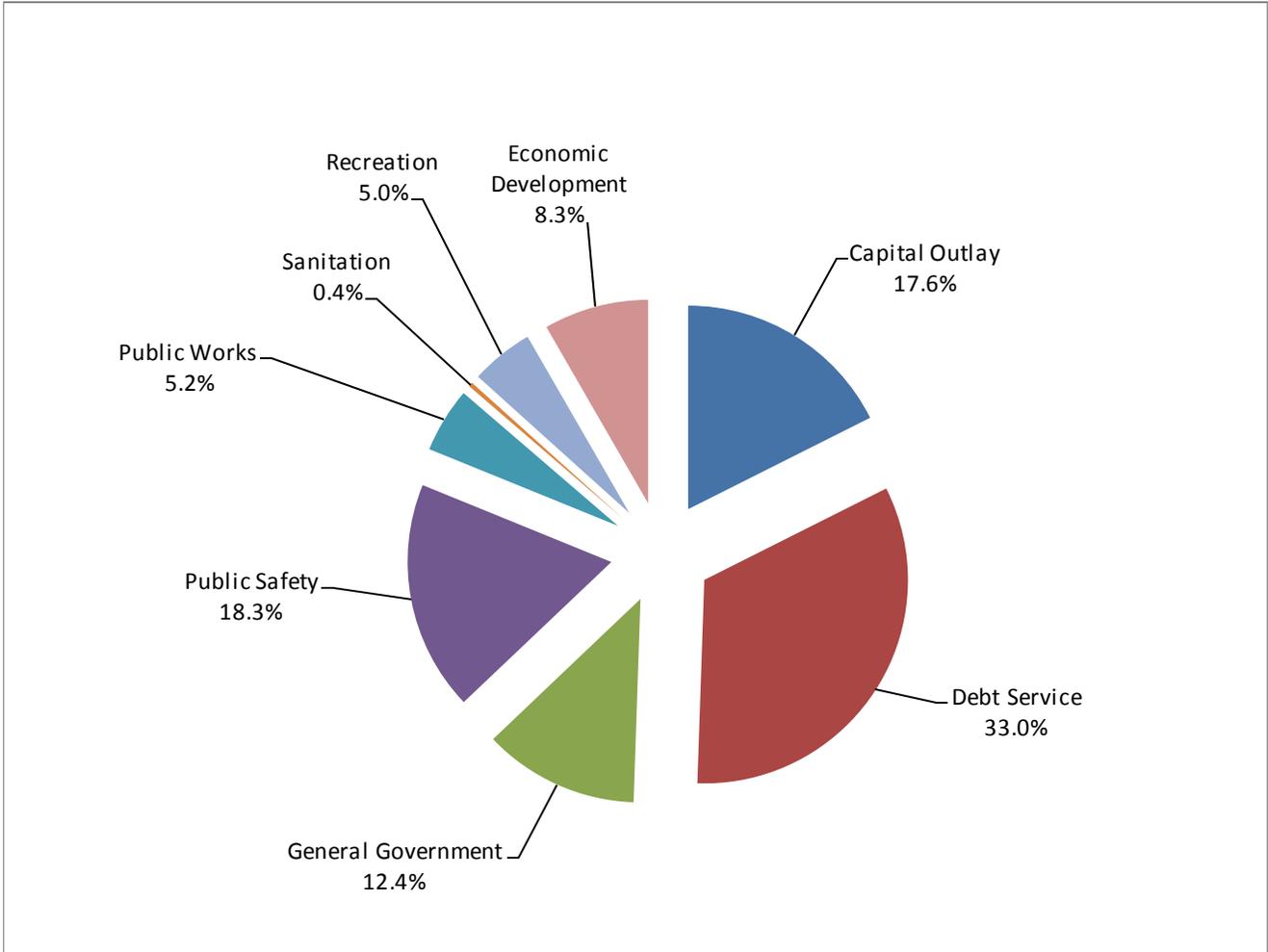
* Unreserved, undesignated fund balance prior to 2010.

**CITY OF BAXTER, MINNESOTA
REVENUES – GOVERNMENTAL FUNDS
DECEMBER 31, 2012**



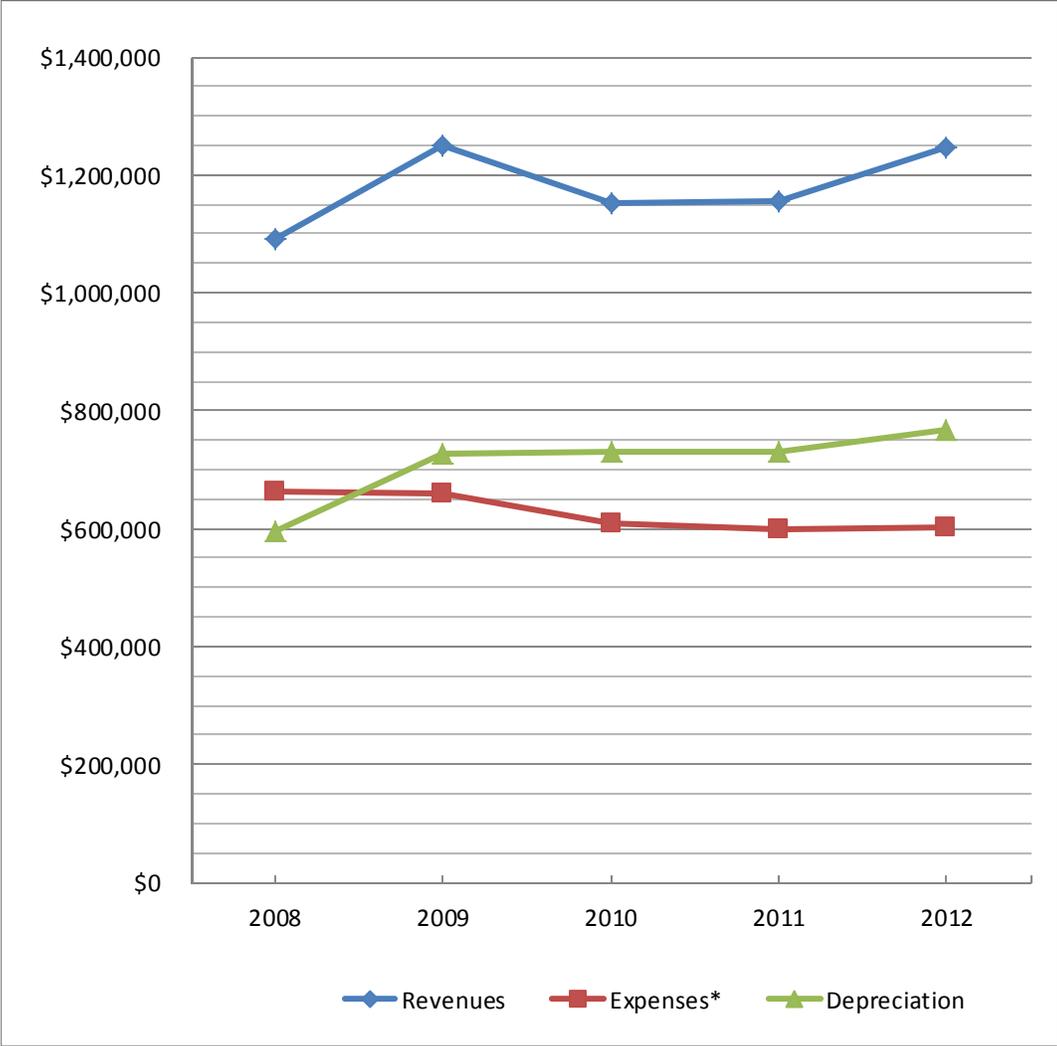
* Percentages may not foot to 100% due to rounding.

**CITY OF BAXTER, MINNESOTA
EXPENDITURES – GOVERNMENTAL FUNDS
DECEMBER 31, 2012**



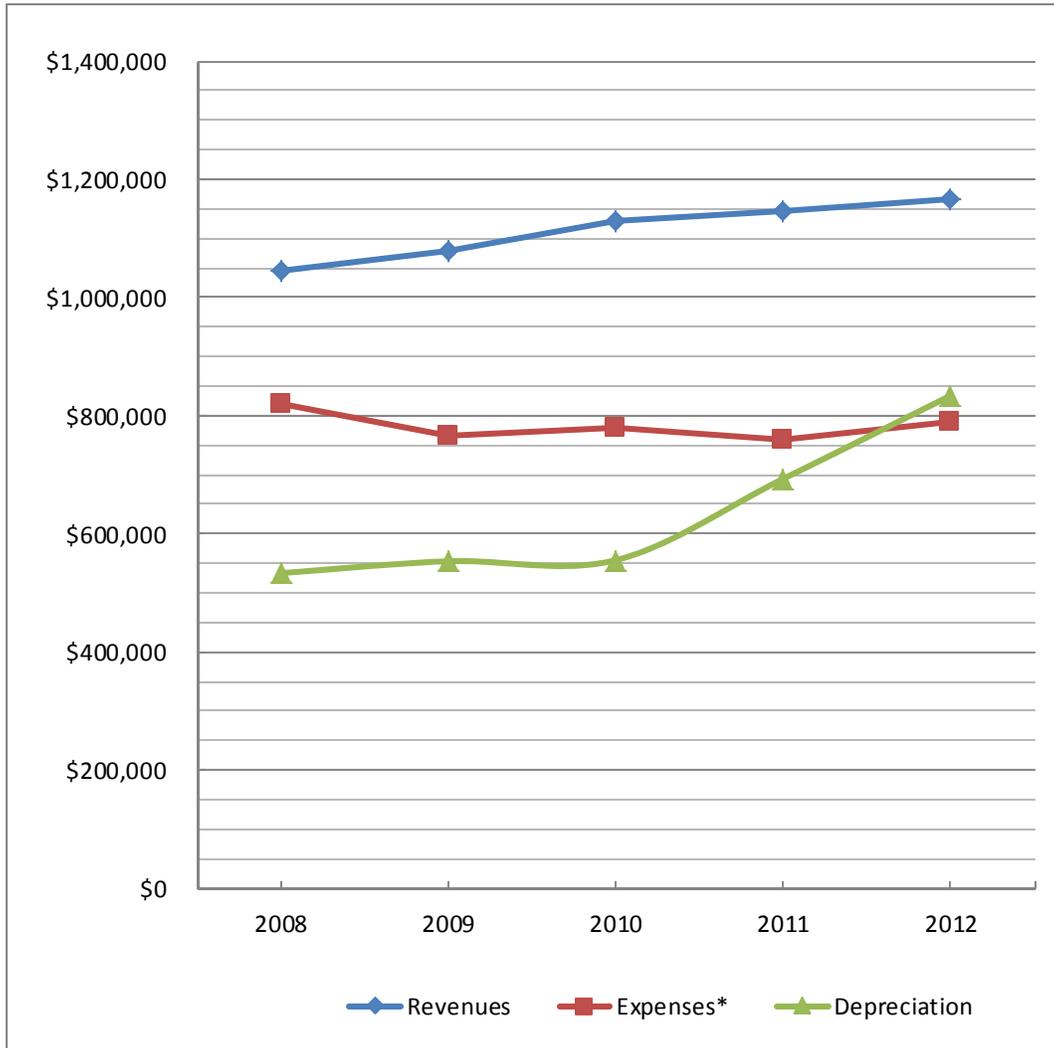
* Percentages may not foot to 100% due to rounding.

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



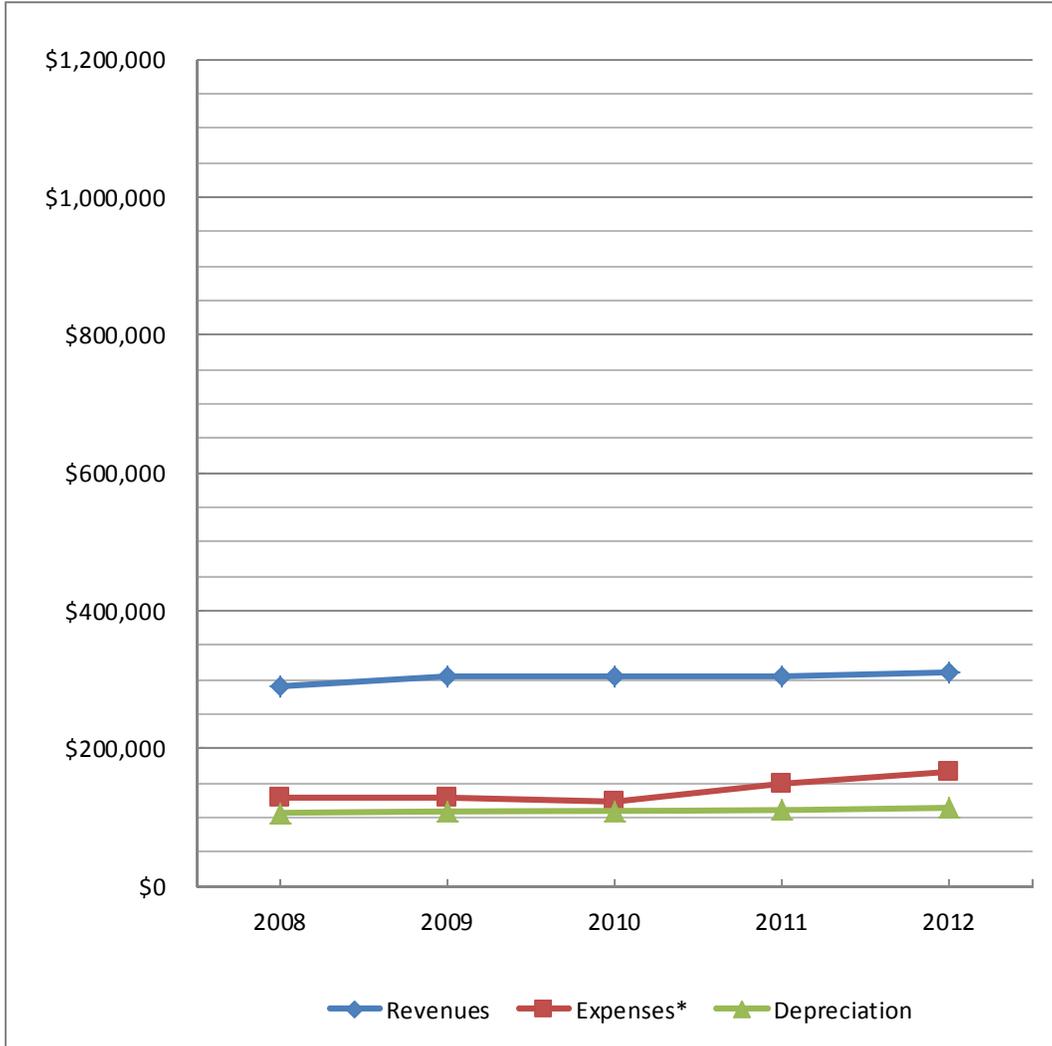
* Expenses excluding depreciation.

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



* Expenses excluding depreciation.

**CITY OF BAXTER, MINNESOTA
OPERATING 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
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
2012	4,611,126	6,023,851	111,254	88,468	227,529

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
\$ 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
10,607,170	51.5	833,843,900	1.27

**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
2003	32.6 %	5.1 %	37.7 %
2004	31.3	7.7	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	40.1	8.3	48.4
2012	40.9	10.6	51.5

Source:
Crow Wing County.

Overlapping Rates

School District 181	Crow Wing County	Other	Total Overlapping	Total Direct and Overlapping Tax Rate
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
23.6	32.4	0.2	56.2	107.7

**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
2003	\$ 2,272,564	\$ 350,000	\$ -	\$ 2,622,564	\$ 2,422,797	92.4 %
2004	2,444,834	604,900	-	3,049,734	2,829,393	92.8
2005	3,010,532	511,600	(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	(215,692)	5,434,308	5,150,513	94.8
2011	4,463,000	1,187,000	(259,806)	5,390,194	5,315,869	98.6
2012	4,324,200	1,126,000	(27,059)	5,423,141	5,308,097	97.9

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	Percentage of Levy Outstanding
	Amount	Percentage of Levy		
\$ 9,713	\$ 2,432,510	92.8 %	\$ 190,054	7.2 %
9,626	2,839,019	93.1	210,715	7
12,615	3,313,522	99.9	1,992	0.1
31,371	3,828,487	99.9	4,078	0.1
69,912	4,525,464	99.8	10,220	0.2
170,719	4,929,788	99.3	36,198	0.7
309,949	5,235,579	99.4	32,684	0.6
211,434	5,361,947	98.7	72,361	1.3
32,395	5,348,264	99.2	41,930	0.8
-	5,308,097	97.9	115,044	2.1

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

Taxpayer	2012			2003		
	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.	\$ 756,958	1	7.14 %	\$ 487,874	1	7.01 %
Lindar Corp	218,124	2	2.06			
Wal-Mart Stores, Inc. (1)	205,795	3	1.94			
Menards, Inc.	190,122	4	1.79	146,440	4	2.10
Crow Wing Coop Power & Light	124,588	5	1.17			
Home Depot USA, Inc.	119,950	6	1.13	132,738	5	1.91
JC Penney Properties, Inc.	118,408	7	1.12			
Dayton Hudson Corporation (Target)	108,180	8	1.02	126,904	6	1.82
Brainerd Lakes Lodge LLC	99,250	9	0.94			
Individual	99,000	10	0.93	103,788	7	1.49
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
Golf Crest Ltd. Partnership				79,971	9	1.15
Bridgeview Ltd. Partnership				71,161	10	1.02
Total	\$ 2,040,375		19.24 %	\$ 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
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
2012	13,050,000	7,991,000	-	75,000	7,315,000

Total Primary Government	Percentage of Personal Income	Per Capita
\$ 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	17.0	5,467
35,750,110	13.9	4,692
28,431,000	11.1	3,731

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

Fiscal Year	Total Gross General Obligation Bonds	Amounts Restricted for Principal Repayments	Total Net General Obligation Bonds	Percentage of Estimated Market Value of Property	Net Bonded Debt per Capita
2004	\$ 26,503,217	\$ 4,733,771	\$ 21,769,446	3.4 %	\$ 3,161
2005	34,416,558	9,266,713	25,149,845	3.1	3,484
2006	39,463,203	9,149,905	30,313,298	3.3	3,992
2007	44,608,090	10,536,119	34,071,971	3.2	4,392
2008	38,526,157	8,861,898	29,664,259	2.9	3,790
2009	33,132,339	14,520,122	18,612,217	1.8	2,350
2010	32,651,569	11,433,284	21,218,285	2.2	2,788
2011	27,233,776	8,575,511	18,658,265	2.1	2,449
2012	20,365,000	4,522,570	15,842,430	1.9	2,079

Note:

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

CITY OF BAXTER, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2012

	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping			
Crow Wing County	\$ 38,730,000	9.84 %	\$ 3,811,032
Brainerd I.S.D. No. 181	76,765,000	19.11	14,669,792
Total Overlapping			18,480,824
City of Baxter Direct Debt	21,116,000	100.00	21,116,000
Total Direct and Overlapping Debt			\$ 39,596,824

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				
	2003	2004	2005	2006	2007
Debt Limit	\$ 19,749,323	\$ 19,067,508	\$ 24,387,396	\$ 27,852,330	\$ 32,133,322
Total Net Debt Applicable to Limit	<u>662,635</u>	<u>760,000</u>	<u>515,000</u>	<u>4,535,000</u>	<u>4,320,000</u>
Legal Debt Margin	<u>\$ 19,086,688</u>	<u>\$ 18,307,508</u>	<u>\$ 23,872,396</u>	<u>\$ 23,317,330</u>	<u>\$ 27,813,322</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	3.36%	3.99%	2.11%	16.28%	13.44%

Source:
Bond Issue Official Statements and Crow Wing County.

Fiscal Year				
2008	2009	2010	2011	2012
\$ 30,868,888	\$ 31,001,705	\$ 29,220,874	\$ 26,142,159	\$ 25,015,317
4,085,000	3,930,000	3,770,000	3,605,000	3,495,000
<u>\$ 26,783,888</u>	<u>\$ 27,071,705</u>	<u>\$ 25,450,874</u>	<u>\$ 22,537,159</u>	<u>\$ 21,520,317</u>
13.23%	12.68%	12.90%	13.79%	13.97%

Legal Debt Margin Calculation for Fiscal Year 2012

Estimated Market Value	833,843,900
Debt Limit (3% of Estimated Market Value)	25,015,317
Debt Applicable to Limit	3,495,000
Legal Debt Margin	<u>\$ 21,520,317</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	
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
2012	2,412,525	(1,287)	2,411,238	5,980,000	364,857	38.0

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
2012	622,795	(403)	622,393	165,000	120,874	217.7

Sewer Utility/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
2012	693,633	-	693,633	425,334	267,983	100.0

Economic Development Authority Bonds						
Fiscal Year	Revenue	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2003	\$ 174,297	\$ (203,189)	\$ (28,892)	\$ 69,631	\$ 15,811	(33.8) %
2004	134,439	(244,632)	(110,193)	72,278	13,150	(129.0)
2005	124,970	(166,202)	(41,232)	75,093	10,334	(48.3)
2006	162,286	(238,755)	(76,469)	165,474	4,628	(45.0)
2007	108,605	(265,213)	(156,608)	24,000	10,334	(456.1)
2008	107,339	(35,953)	71,386	24,000	-	297.4
2009	88,943	(32,302)	56,641	24,000	-	236.0
2010	128,883	(64,956)	63,927	24,000	-	266.4
2011	115,070	(193,494)	(78,424)	24,000	-	(326.8)
2012	155,062	(55,233)	99,829	4,000	-	2,495.7

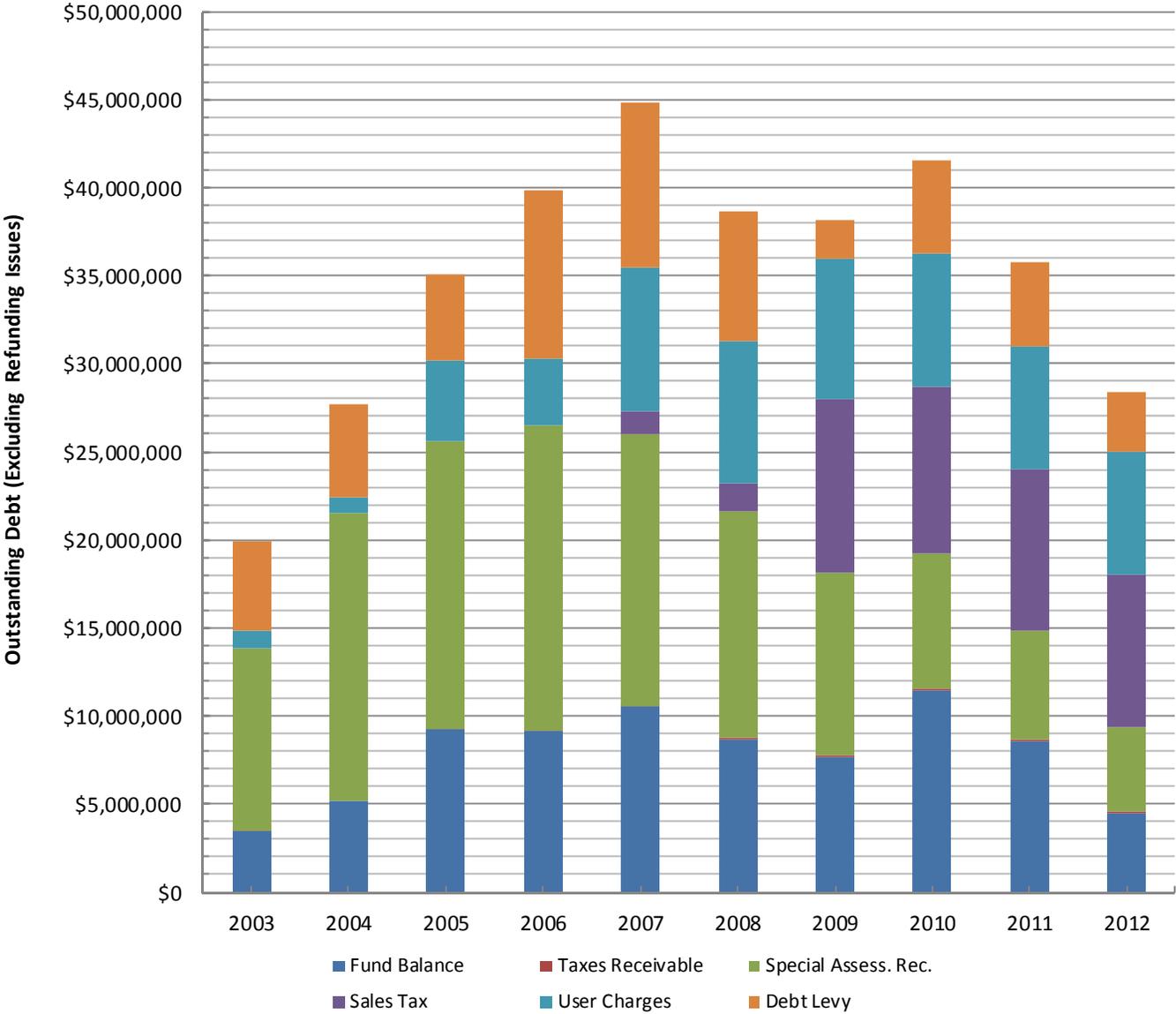
Special Assessment/Water Revenue Bonds

Fiscal Year	Revenue	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2012	59,484	(460)	59,024	230,000	15,720	24.0

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
2012	760,368	(431)	759,937	290,000	188,400	158.8

**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)
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	245,263	32,229	6,707	8.9
2011	7,620	256,337	33,640	6,631	8.4
2012	7,620 *	256,337 *	33,640 *	6,549	7.3

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) 2003-2009 Minnesota Department of Administration, Office of Geographic and Demographic Analysis; data provided is for Crow Wing County, in which the City is located. 2010-2011 U.S. Department of Commerce, Bureau of Economic Analysis

(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 EIGHT YEARS AGO**

Taxpayer	2012			2004 (1)		
	Employees	Rank	Percentage of Total Population	Employees	Rank	Percentage of Total Population
Wal-Mart	500	1	6.6 %	300	2	4.4 %
Costco	200	2	2.6			
MN Department of Transportation	200	3	2.6	175	5	2.5
Target	140	4	1.8	147	7	2.1
The Home Depot	130	5	1.7	125	9	1.8
Reichert Enterprises, Inc.	130	6	1.7			
Good Neighbor Home Health Care	120	7	1.6	150	6	2.2
Mills Fleet Farm	120	8	1.6	309	1	4.5
Minnesota Home Care	120	9	1.6			
Olive Garden	120	10	1.6			
Ascensus (2)				200	3	2.9
Menards				136	8	2.0
Nor-Son Inc				177	4	2.6
Cub Foods				120	10	1.7
Total	1,780		23.4 %	1,839		26.7 %

Source:

Minnesota Department of Trade and Economic Development.

Notes:

(1) Closest information to 2003 available.

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

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

	Full-Time Equivalent Employees as of December 31,				
	2003	2004	2005	2006	2007
General Government					
Administration	2.50	1.00	2.00	2.00	2.00
Finance	3.00	3.00	3.50	4.00	4.00
Information Systems	1.00	1.00	1.00	1.00	1.00
Public Works Admin	2.50	3.00	3.00	5.00	5.25
Cemetery	-	-	-	-	-
Public Safety					
Police	13.53	12.37	15.44	14.19	17.00
Building Inspections	3.50	3.00	4.00	4.00	3.00
Public Works					
Streets Maintenance	1.50	1.58	1.77	1.82	1.85
Culture and Recreation					
Park Maintenance	5.16	5.27	5.38	5.68	6.87
Recreation	2.63	2.70	2.62	2.24	0.60
Economic and Community Development					
Planning	1.51	2.00	3.00	3.00	3.00
Water, Sewer, and Storm Water					
Water	1.75	1.33	2.22	2.27	2.30
Sewer	1.75	1.33	2.22	2.27	2.30
Storm Water	-	0.08	0.07	0.12	0.15

Source:
City Finance Department.

Note:
Full-time equivalency for temporary and part-time employees is calculated as budgeted hours / 2080.
FTE is adjusted for budgeted, but vacated/unfilled positions.

Full-Time Equivalent Employees as of December 31,

2008	2009	2010	2011	2012
2.00	2.00	2.00	1.54	1.00
5.00	5.00	5.00	5.00	5.00
1.04	1.00	1.00	1.00	1.00
5.14	4.00	4.00	3.46	3.00
-	0.24	0.24	0.24	0.18
16.10	16.25	16.25	15.80	14.83
3.00	2.00	2.00	1.52	1.00
1.92	2.39	2.39	2.39	2.02
7.00	6.97	6.74	6.32	4.60
0.75	0.70	0.64	0.66	-
3.00	2.00	2.00	2.00	2.00
2.37	2.84	2.84	2.34	2.52
2.37	2.84	2.84	2.34	2.52
0.22	0.25	0.25	0.26	0.31

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

Function/Program	Fiscal Year			
	2003	2004	2005	2006
General Government				
Elections				
Primary	-	1	-	1
General	-	1	-	1
Registered voters				
Primary	-	3,729	-	4,008
General	-	4,448	-	4,468
Number of votes cast				
Primary	-	208	-	1,402
General	-	3,928	-	3,386
Voter participation (registered)				
Primary	-	6%	-	35%
General	-	88%	-	76%
Cemetery				
Burials	12	3	3	8
Police				
All Police Calls	5,572	5,935	5,992	5,657
Arrests	489	382	510	422
Arrest Charges				
Burglaries	42	20	27	20
Drug Arrests	21	30	97	62
DUI	44	49	78	76
Forgeries	61	66	52	43
Fraud	51	322	234	127
Larcenies/Thefts	423	332	336	293
Building Inspection				
Building permits	453	477	644	1,039
Planning				
Zoning applications	*	*	*	90
Building permits for new construction	*	*	*	90
Architectural review projects	*	*	*	*
Code enforcement cases	*	*	*	*
Streets Maintenance				
Road constructed (miles)	2	4	5	2
Parks				
Program participants	671	747	704	*
Water				
Number of accounts	1,605	1,784	2,010	2,232
Amount distributed (millions of gallons)	225	251	272	326
Sewer				
Number of accounts	1,409	1,557	1,760	1,964
Amount processed (millions of gallons)	154	166	183	198
Storm Water				
Residential accounts	*	*	*	2,417
Commercial accounts	*	*	*	298
Commercial square footage	*	*	*	15,218,681

Source:

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

* Information is not available.

Fiscal Year

2007	2008	2009	2010	2011	2012
-	1	-	1	-	1
-	1	-	1	-	1
-	4,456	-	4,761	-	4,793
-	5,279	-	5,100	-	5,505
-	446	-	1,249	-	540
-	4,375	-	3,520	-	4,511
-	10%	-	26%	-	11%
-	83%	-	69%	-	82%
6	7	9	6	12	8
6,536	5,935	6,065	6,230	6,424	7,026
490	567	644	462	503	*
7	21	8	9	4	*
49	54	55	65	47	*
79	91	96	48	56	*
29	20	3	1	3	*
130	123	90	68	55	*
274	276	334	285	380	*
925	912	638	622	576	696
55	28	28	36	34	48
20	25	13	9	11	17
13	7	7	8	15	12
*	63	63	28	59	70
1	2	-	-	-	-
*	*	*	*	1,072	1,015
2,409	2,454	2,510	2,570	2,562	2,606
332	298	288	281	254	290
2,122	2,168	2,222	2,270	2,292	2,322
201	194	186	190	186	194
2,479	2,503	2,503	2,535	2,543	2,555
312	331	333	340	341	346
16,187,896	22,340,761	22,742,345	22,885,837	22,950,822	23,984,568

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

Function/Program	Fiscal Year			
	2003	2004	2005	2006
Police				
Stations	1	1	1	1
Patrol Units	*	*	7	8
Public Works				
Buildings	1	1	1	1
Trucks	5	6	7	7
Other Vehicles	3	3	3	4
Miles of streets	72	76	81	79
Street Lights	219	292	311	339
Culture and Recreation				
Number of parks	5	5	5	5
Acres of developed parks	58.5	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	15	17	18	20

* Information is not available.

Fiscal Year					
2007	2008	2009	2010	2011	2012
1	1	1	1	1	1
9	9	9	9	9	9
1	1	1	1	1	1
8	8	10	9	8	8
4	5	5	7	7	7
80	82	82	82	82	82
367	404	405	406	406	488
5	5	5	5	5	6
58.5	58.5	58.5	58.5	58.5	61.5
*	*	5	5	5	5
*	*	5	5	5	5
*	*	6	6	6	6
*	*	2	2	2	2
*	*	4	4	4	4
*	*	4	4	4	4
*	*	2	2	2	2
*	*	2	2	2	2
*	*	1	1	1	1
*	85	85	85	87	87
*	800	800	800	819	832
2	2	2	2	2	3
1	1	1	1	1	1
1	1	1	1	1	1
*	71	71	71	72	72
*	1,300	1,300	1,300	1,329	1,349
21	22	22	22	22	22