

CITY OF BAXTER, MINNESOTA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

YEAR ENDED DECEMBER 31, 2013

PREPARED BY:
Department of Finance

Finance Director
Jeremy S. Vacinek

Assistant Finance Director
Susannah Jensen, CPA

View from Riverview Park

CITY OF BAXTER, MINNESOTA
TABLE OF CONTENTS
DECEMBER 31, 2013

<i>INTRODUCTORY SECTION</i>	<i>PAGE</i>
Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	v
Organizational Chart	vi
Principal City Officials	vii
<i>FINANCIAL SECTION</i>	
Independent Auditors' Report	1
Required Supplementary Information	
Management's Discussion and Analysis	4
<i>BASIC FINANCIAL STATEMENTS</i>	
Government-Wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15
Fund Financial Statements	
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the	
Government-Wide Statement of Net Position – Governmental Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	20
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the	
Government-Wide Statement of Activities – Governmental Activities	22
Statement of Net Position – Proprietary Funds	23
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	24
Statement of Cash Flows – Proprietary Funds	25
Notes to Financial Statements	27
<i>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN THE MD&A</i>	
Schedule of Funding Progress – Other Postemployment Health Care Benefits	55
Budgetary Comparison Schedule – General Fund	56
Budgetary Comparison Schedule – Economic Development Authority Fund	58
Budgetary Comparison Schedule – Sales Tax Collections Fund	59
Notes to the Required Supplementary Information	60
<i>OTHER MAJOR GOVERNMENTAL FUNDS – BUDGET AND ACTUAL</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual – Debt Service Fund	61
<i>COMBINING AND INDIVIDUAL FUND SCHEDULES</i>	
Other Governmental Funds	
Combining Balance Sheet – Other Governmental Funds	62
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Other Governmental Funds	66
Schedule of Revenues, Expenditures and Changes in Fund Balance –	
Budget and Actual – Cemetery Special Revenue Fund	70

**CITY OF BAXTER, MINNESOTA
TABLE OF CONTENTS (CONTINUED)
DECEMBER 31, 2013**

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Community Development Special Revenue Fund	71
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Capital Park Special Revenue Fund	72
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Lodging Tax Administration Special Revenue Fund	73
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Recycling Special Revenue Fund	74
Debt Service Fund – By Bond Issue	
Combining Balance Sheet – Debt Service Fund – By Bond Issue	75
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Debt Service Fund – By Bond Issue	77
Capital Project Fund – By Project	
Combining Balance Sheet – Capital Project Fund – By Project	79
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Capital Project Fund – By Project	83
 <i>STATISTICAL SECTION (UNAUDITED)</i>	
Net Position by Component – Last Ten Fiscal Years	87
Change in Net Position – Last Ten Fiscal Years	89
Fund Balances – Governmental Funds – Last Ten Fiscal Years	93
Changes in Fund Balances – Governmental Funds – Last Ten Fiscal Years	95
Days Expenditures in Unassigned Fund Balance – General Fund – Last Ten Fiscal Years	97
Revenues – Governmental Funds – December 31, 2013	98
Expenditures – Governmental Funds – December 31, 2013	99
Operating Revenues and Expenses – Water Fund – Last Five Fiscal Years	100
Operating Revenues and Expenses – Sewer Fund – Last Five Fiscal Years	101
Operating Revenues and Expenses – Storm Water Fund – Last Five Fiscal Years	102
Net Tax Capacity and Estimated Market Value of Property – Last Ten Fiscal Years	103
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	105
Property Tax Levies and Collections – Last Ten Fiscal Year	107
Principal Property Taxpayers – Current and Nine Years Ago	109
Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	110
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Debt per Capita – Last Ten Fiscal Years	112
Direct and Overlapping Governmental Activities Debt – December 31, 2013	113
Legal Debt Margin – Last Ten Fiscal Years	114
Pledged Revenue Coverage – Last Ten Fiscal Years	116
Outstanding Debt by Payment Source – Last Ten Fiscal Years	118
Demographic and Economic Statistics – Last Ten Years	119
Principal Employers – Current and Nine Years Ago	120
Full-Time Equivalent Employees by Function/Program – Last Ten Years	121
Operating Indicators by Function/Program – Last Ten Fiscal Years	123
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	125

INTRODUCTORY SECTION



May 17, 2014

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, 2013. *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, 2013. The unmodified (“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 auditors’ report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements 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 7,747. 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 budget is then presented to the city council in August, who then hold work sessions and public hearings, and adopt the final budget prior to December 31st. The annual budget is prepared by fund, function, and department. Transfers between funds are approved by the council. Budget-to-actual comparisons are provided in this report for the general fund, debt service fund and each individual special revenue fund for which an annual budget has been adopted. Major fund budget comparisons begin on page 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 the interregional corridors of 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 commercial growth in the early to mid-2000's. Similar to most municipalities in the state, the economic downturn impacted the city with a softening in residential and commercial valuations. The City responded by delaying new infrastructure development and reducing related operating expenditures. Over the last two years, Baxter has benefitted 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 responding by revisiting infrastructure development plans, including implementing a pavement management plan to better preserve existing infrastructure.

Relevant Financial Policies and Long-term Financial Planning

The City attempts to program the future purchase of smaller capital equipment by building 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 begun to set aside 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 sewer alternative revenue sources; and sound 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 Capital Improvement Plan (CIP) to address planned infrastructure development and maintenance needs. In addition to the CIP, the City has recently completed or is planning to complete the following projects:

- Pavement Management Program – In 2013, the City evaluated existing street infrastructure and has developed a plan to maintain City streets in a manner that will best preserve City and citizen resources.
- Lift Station Rehabilitation – In 2013, the City completed the rehabilitation of another sewer lift station. In 2014, an additional lift 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 sewer utility revenues.

- College Rd/CSAH 48 – In 2013, in a cooperative project with the City of Brainerd and Crow Wing County, Brainerd completed 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. 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.
- Woida/Wildflower/Franklin Improvements – In 2013, the City began planning water, sewer, storm water, street, and pedestrian trail infrastructure improvements for Woida Road and street and utility improvements for the adjacent Wildflower Drive and Franklin Drive residential neighborhoods. Reconstructing Woida Road and paving Wildflower Drive and Franklin Drive is anticipated to reduce annual street maintenance operating costs. The project is expected to be funded through a combination of special assessments, municipal state aid, and appropriations from the City’s General, Water, Sewer, and Storm Water Funds. Construction is expected to commence in 2014.
- Isle Drive Extension Project – The City has begun planning for the extension of Isle Drive from its current terminus south to CSAH 48. The area has seen significant private investment; particularly in medical field with three facilities constructed and two more planned for 2014. Completion of the street will create a city frontage road paralleling the interregional corridor of Highway 371. Construction of a segment of a water main connecting the city’s water treatment plant to the new water tower is also proposed within the project’s corridor. In addition to special assessments to benefiting property, the city created a tax increment financing district to aid in the financing of this project, including a roundabout at the intersection of Isle Drive and Highland Scenic Road. To further assist with the financing of the Isle Drive and Falcon Drive public infrastructure, a second tax increment financing district is being considered in 2014 for the redevelopment of a site in the vicinity.
- Falcon Drive Project – Within the same area as the Isle Drive Extension Project, construction of a segment of Falcon Drive is proposed for 2014. The street and storm water improvements will benefit two medical facilities currently in the development approval stages with construction planned for 2014. A majority of the project costs will be financed with special assessments to the adjacent properties with the city portion funded through various sources.
- Park Pavilions – In 2014, the City plans to construct park pavilions at Whipple Beach and Berrywood Park. These projects, included in the 2014 Budget, will be funded with existing funds from the park dedication fees paid by development.

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, 2012. This was the second consecutive 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



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

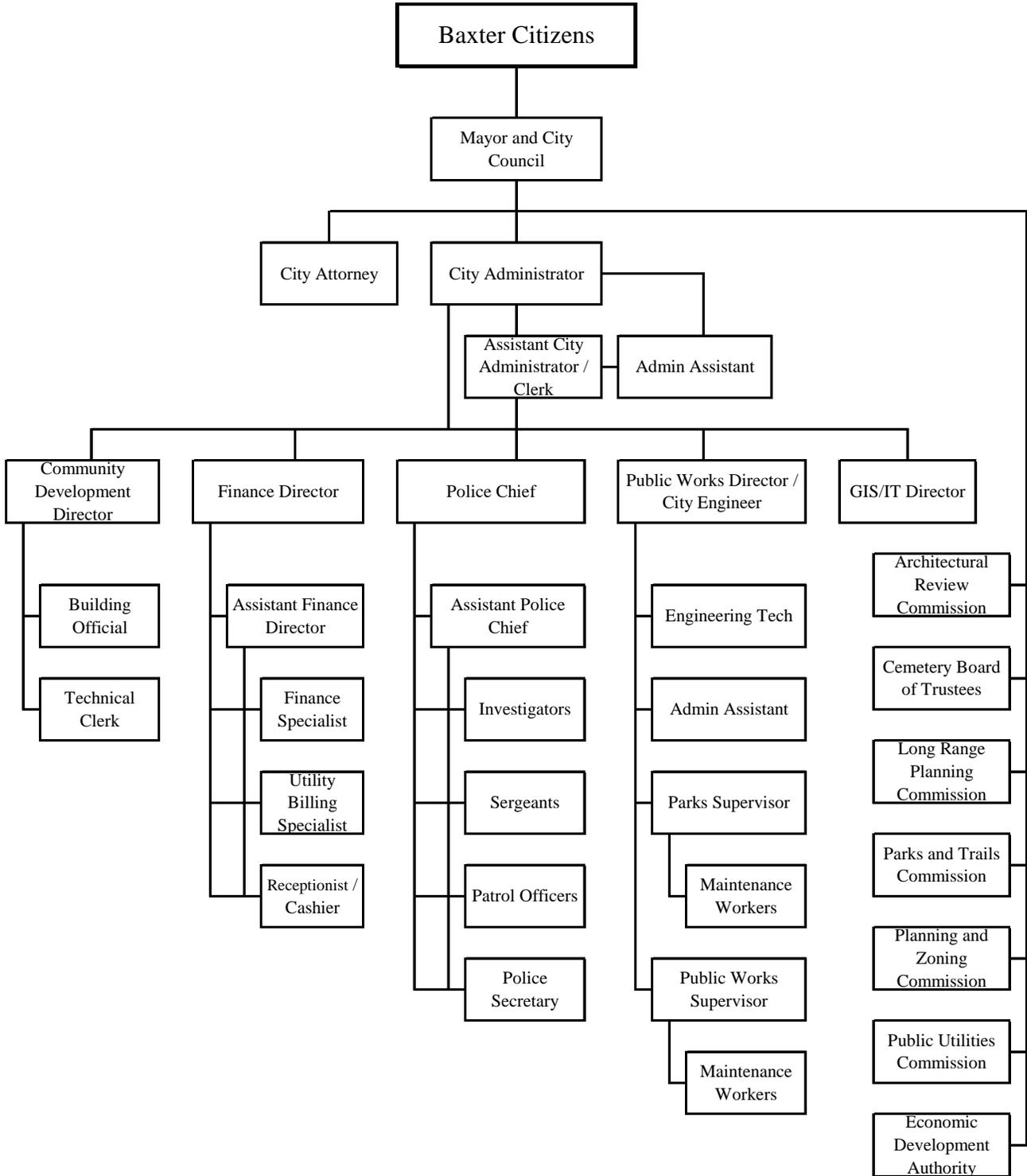
City of Baxter
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2012

Executive Director/CEO

**CITY OF BAXTER, MINNESOTA
ORGANIZATIONAL CHART
DECEMBER 31, 2013**



**CITY OF BAXTER, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2013**

Office	Name	Elected Term Expires*
Elected		
Mayor	Darrel Olson	2017
City Council	Mark Cross	2017
	Todd Holman**	2017
	Jim Klein	2015
	Rob Moser	2015
Appointed		
City Administrator	Gordon Heitke	
Assistant City Administrator/Clerk	Kelly Steele	
Community Development Director	Joshua Doty	
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.

**2013 Vice-Mayor

FINANCIAL SECTION



CliftonLarsonAllen LLP
CLAconnect.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 (the City), as of and for the year ended December 31, 2013, 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 City'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.

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, 2013, 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.

Emphasis of a Matter

As discussed in Note 6 to the basic financial statements, fund balance in the Economic Development Fund has been restated to properly reflect land held for resale within restricted fund balance instead of within the liabilities. The auditor's opinion was not modified with regards to the restatement.

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 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 schedules, the related budgetary comparison schedules, the introductory and statistical sections 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 schedules 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 schedules 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
May 16, 2014

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

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, 2013. 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 2013 include the following:

- City-wide net position increased 2.5% over the prior year due to the timing of sales tax receipts versus outlays and the scheduled repayment of long-term debt.
- Total revenues for the year decreased \$1,167,111 from 2012; total expenses increased \$826,401 from the prior year.
- Governmental fund-level revenues totaled \$11,391,153 and were \$2,645,074 more than expenditures.
- Governmental funds' fund balance increased \$6,662,339 from 2012.
- The Water Enterprise Fund net position increased \$236,439 from the prior year; the Sewer Enterprise Fund net position decreased \$55,635 from the prior year; the Storm Water Enterprise Fund net position increased \$13,673 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, 2013**

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, and some special revenue funds. A budgetary comparison has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 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 schedules can be found on pages 61-86 of this report.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Position

The City's overall net position was \$95,692,790 on December 31, 2013 (see Table A-1).

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 35,246,799	\$ 29,879,633	\$ 17,384,523	\$ 10,035,137	\$ 52,631,322	\$ 39,914,770
Capital Assets	29,628,283	31,398,846	50,867,919	52,389,086	80,496,202	83,787,932
Total Assets	<u>64,875,082</u>	<u>61,278,479</u>	<u>68,252,442</u>	<u>62,424,223</u>	<u>133,127,524</u>	<u>123,702,702</u>
Current Liabilities	3,324,577	3,814,342	722,387	738,850	4,046,964	4,553,192
Long-Term Liabilities	20,858,490	18,897,496	12,529,280	6,879,075	33,387,770	25,776,571
Total Liabilities	<u>24,183,067</u>	<u>22,711,838</u>	<u>13,251,667</u>	<u>7,617,925</u>	<u>37,434,734</u>	<u>30,329,763</u>
Net Position						
Net Investment in Capital Assets	18,567,059	22,675,313	44,021,212	45,066,969	54,714,808	67,742,282
Restricted	18,972,735	18,462,766	-	-	18,972,735	18,462,766
Unrestricted	3,152,221	(2,571,438)	10,979,563	9,739,329	22,005,247	7,167,891
Total Net Position	<u>\$ 40,692,015</u>	<u>\$ 38,566,641</u>	<u>\$ 55,000,775</u>	<u>\$ 54,806,298</u>	<u>\$ 95,692,790</u>	<u>\$ 93,372,939</u>

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position

The City-wide total revenues were \$14,428,328 for the year ended December 31, 2013. Property taxes and special assessments (shown as capital grants and contributions) accounted for 42.2% of total revenue for the year; sales tax accounted for 15.4% of total revenue for the year. Governmental activities fees, charges, fines, and other revenues decreased \$148,806 primarily due to a decrease of approximately \$72,000 in building permits, \$54,000 in plan review fees, and \$15,000 in court fines (see Table A-2).

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

	Governmental Activities			Business-Type Activities			Total		
	2013	2012	Total % Change	2013	2012	Total % Change	2013	2012	Total % Change
Revenues									
<u>Program Revenues</u>									
Fees, Charges, Fines, and Other	\$ 1,203,740	\$ 1,352,546	(11.0) %	\$ 3,847,894	\$ 3,704,287	3.9 %	\$ 5,051,634	\$ 5,056,833	(0.1) %
Operating Grants and Contributions	235,669	276,068	(14.6)	84,294	20,690	307.4	319,963	296,758	7.8
Capital Grants and Contributions	509,946	956,669	(46.7)	95,020	755,526	(87.4)	604,966	1,712,195	(64.7)
<u>General Revenues</u>									
Property Taxes	5,479,108	5,405,829	1.4	-	-	-	5,479,108	5,405,829	1.4
Lodging Tax	291,331	297,361	(2.0)	-	-	-	291,331	297,361	(2.0)
Sales Tax	2,216,167	2,124,950	4.3	-	-	-	2,216,167	2,124,950	4.3
Tax Increment	354,610	228,037	55.5	-	-	-	354,610	228,037	55.5
Unrestricted State Aid	2,556	2,493	2.5	-	-	-	2,556	2,493	2.5
Investment Earnings	136,094	256,429	(46.9)	73,895	116,834	(36.8)	209,989	373,263	(43.7)
Change in Fair Value of Investments	(153,737)	*	-	(75,267)	*	-	(229,004)	*	-
Other	127,008	97,720	30.0	-	-	-	127,008	97,720	30.0
Total Revenues	10,402,492	10,998,102		4,025,836	4,597,337		14,428,328	15,595,439	
Expenses									
General Government	1,373,321	1,212,361	13.3	-	-	-	1,373,321	1,212,361	13.3
Public Safety	1,894,095	1,874,740	1.0	-	-	-	1,894,095	1,874,740	1.0
Public Works	2,352,349	2,267,214	3.8	-	-	-	2,352,349	2,267,214	3.8
Sanitation	34,944	35,476	(1.5)	-	-	-	34,944	35,476	(1.5)
Water	-	-	-	1,968,324	1,674,473	17.5	1,968,324	1,674,473	17.5
Sewer	-	-	-	1,731,740	1,623,673	6.7	1,731,740	1,623,673	6.7
Storm Water	-	-	-	322,326	282,810	14.0	322,326	282,810	14.0
Culture and Recreation	723,667	670,426	7.9	-	-	-	723,667	670,426	7.9
Economic & Community Development	827,988	818,460	1.2	-	-	-	827,988	818,460	1.2
Investment Earnings	879,723	822,443	7.0	-	-	-	879,723	822,443	7.0
Total Expenses	8,086,087	7,701,120		4,022,390	3,580,956		12,108,477	11,282,076	
Increase in Net Position Before Transfers	2,316,405	3,296,982	(29.7)	3,446	1,016,381	(99.7)	2,319,851	4,313,363	(46.2)
Transfers	(191,031)	(2,809,624)	(93.2)	191,031	2,809,624	(93.2)	-	-	-
Change in Net Position	2,125,374	487,358	336.1	194,477	3,826,005	(94.9)	2,319,851	4,313,363	(46.2)
Net Position - Beginning of Year	38,566,641	38,079,283	1.3	54,806,298	50,980,293	7.5	93,372,939	89,059,576	4.8
Net Position - End of Year	\$ 40,692,015	\$ 38,566,641	5.5	\$ 55,000,775	\$ 54,806,298	0.4	\$ 95,692,790	\$ 93,372,939	2.5

* Aggregated with Investment Earnings prior to 2013.

Total revenues surpassed expenses, increasing net position \$2,319,851 over last year.

The City-wide cost of all activities this year was \$12,108,477. Governmental activities and business-type activities comprised of \$8,086,087 and \$4,022,390, respectively.

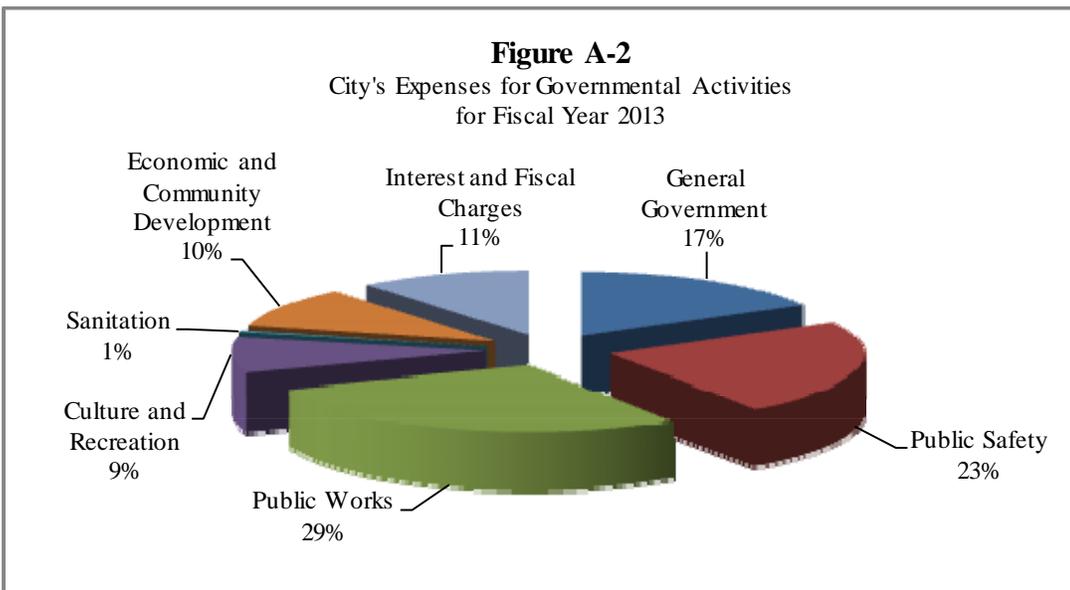
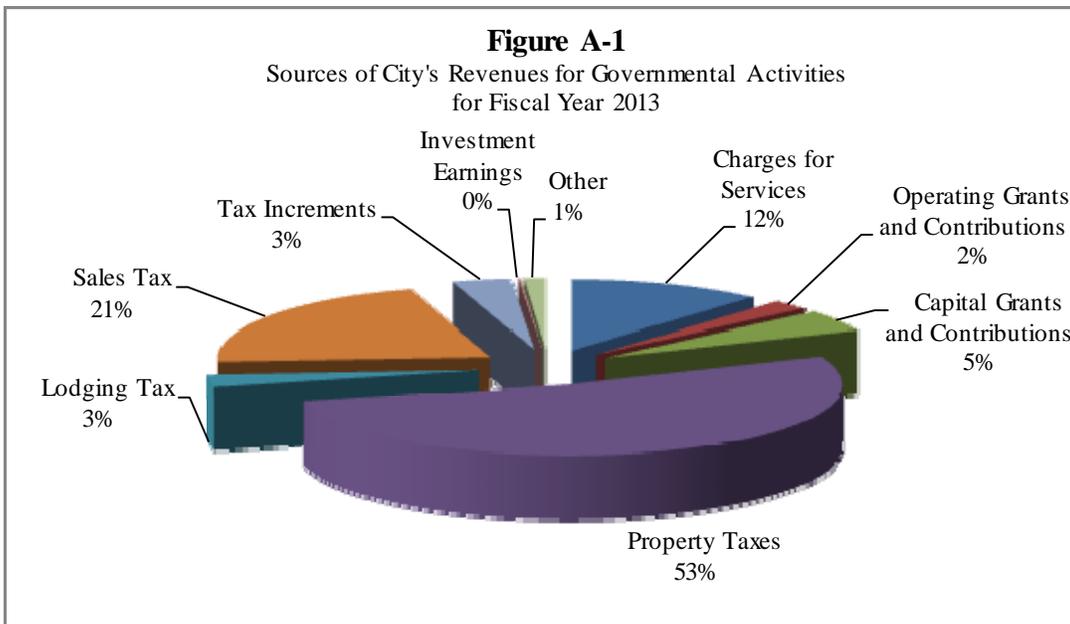
- \$5,051,634 of the cost was paid by the users of the City's programs, comprising of: \$1,203,740 for governmental activities and \$3,847,894 for business-type activities.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Position (Continued)

- Certain programs in the governmental activities received federal, state, and local support with operating grants and contributions of \$235,669. State assistance for police services, 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 \$509,946 of the revenues. Current year special assessments comprised over \$400,000 of the amount and state construction aid comprised over \$85,000.
- The City's governmental activities' program expenses exceeded program revenues by \$6,136,732 (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, 2013**

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
	2013	2012		2013	2012	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 1,373,321	\$ 1,212,361	13.3 %	\$ (895,976)	\$ (686,111)	(30.6) %
Public Safety	1,894,095	1,874,740	1.0	(1,357,449)	(1,165,796)	(16.4)
Public Works	2,352,349	2,267,214	3.8	(1,866,726)	(1,353,604)	(37.9)
Sanitation	34,944	35,476	(1.5)	(2,400)	(2,785)	13.8
Culture and Recreation	723,667	670,426	7.9	(446,105)	(426,612)	(4.6)
Economic and Community Development	827,988	818,460	1.2	(771,100)	(749,078)	(2.9)
Interest	879,723	822,443	7.0	(796,976)	(731,851)	(8.9)
Total	<u>\$ 8,086,087</u>	<u>\$ 7,701,120</u>	5.0	<u>\$ (6,136,732)</u>	<u>\$ (5,115,837)</u>	(20.0)
BUSINESS-TYPE ACTIVITIES						
Water	\$ 1,968,324	\$ 1,674,473	17.5 %	\$ (45,369)	\$ 453,656	110.0 %
Sewer	1,731,740	1,623,673	6.7	25,379	370,088	93.1
Storm Water	322,326	282,810	14.0	24,808	75,803	67.3
Total	<u>\$ 4,022,390</u>	<u>\$ 3,580,956</u>	12.3	<u>\$ 4,818</u>	<u>\$ 899,547</u>	99.5

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 \$29,862,235.

Revenues for the City's governmental funds were \$11,391,153, while total expenditures were \$8,746,079. The excess of revenues over expenditures before other financing sources and uses is due primarily to the timing of sales tax receipts and tax increment versus expenditures; lower than budgeted expenditures in the general fund of \$288,709; and the receipt of park dedication fees that are being accumulated for large projects, including two park pavilions in 2014.

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 \$12,028 over 2012 due to higher than budgeted revenues and lower than budgeted expenditures. Days Expenditures in Unassigned Fund Balance for the General Fund remained stable at 247 days.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

GENERAL FUND

The following schedule presents a summary of General Fund Revenues:

**Table A-4
General Fund Revenues**

Fund	Year Ended		Change	
	December 31, 2013	December 31, 2012	Increase (Decrease)	Percent
Taxes and Special Assessments	\$ 4,334,706	\$ 4,382,769	\$ (48,063)	(1.1) %
Licenses and Permits	143,501	131,883	11,618	8.8
Intergovernmental	156,153	193,937	(37,784)	(19.5)
Charges for Services	443,813	463,422	(19,609)	(4.2)
Fines and Forfeits	71,462	85,474	(14,012)	(16.4)
Investment Earnings	20,755	43,053	(22,298)	(51.8)
Change in Fair Value of Investments	(23,316)	*	(23,316)	-
Miscellaneous and Other	101,757	110,374	(8,617)	(7.8)
Total General Fund Revenue	<u>\$ 5,248,831</u>	<u>\$ 5,410,912</u>	<u>\$ (162,081)</u>	<u>(3.0)</u>

* Aggregated with Investment Earnings prior to 2013.

Total General Fund revenue decreased by \$162,081, or 3.0%, from the previous year. Property taxes and special assessments continue to be the significant source of funding in the general fund, comprising 82.6% of the total general fund revenues for 2013. The 2013 decrease in property taxes and special assessments is the result of lower than expected property tax collection; actual collection exceeded budgeted collection by \$50,469 in 2012 and was \$27,594 less than expected in 2013. The City is less reliant upon intergovernmental revenues which make up only 3.0% of general fund revenues for 2013.

The following schedule presents a summary of General Fund Expenditures:

**Table A-5
General Fund Expenditures**

	Year Ended		Change	
	December 31, 2013	December 31, 2012	Increase (Decrease)	Percent
General Government	\$ 1,243,767	\$ 1,178,525	\$ 65,242	5.5 %
Public Safety	1,702,519	1,683,303	19,216	1.1
Public Works	524,917	495,357	29,560	6.0
Culture and Recreation	527,088	487,746	39,342	8.1
Capital Outlay	-	42,995	(42,995)	(100.0)
Debt Service	25,000	25,000	-	-
Total Expenditures	<u>\$ 4,023,291</u>	<u>\$ 3,912,926</u>	<u>\$ 110,365</u>	<u>2.8</u>

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights

Over the course of the year, the City revised the annual operating budget when significant amendments were made by the City Council.

- Actual revenues were \$40,731 more than expected due primarily to conservative budget practices and higher than anticipated franchise fees, public safety grants, charges for services, and other miscellaneous revenues.
- Actual expenditures were \$288,709 less than budgeted primarily due to a position that was unfilled for most of the year, unused contingency funds, and lower than expected insurance costs.

ECONOMIC DEVELOPMENT FUND

The Economic Development fund comprises 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 2013, the EDA's fund balance increased \$107,475 due to increased special assessment collections. Beginning fund balance was restated to record restricted fund balance related to land held for resale. In the prior year, the amount has been recorded as unavailable revenue.

SALES TAX COLLECTIONS FUND

The Sales Tax Collections fund year-end fund balance was \$7,047,478, an increase from the prior year by \$1,270,017. The increase is attributable to the timing of collections over funding of budgeted projects and debt payments for the year. Sales tax funded 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 and 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 13 years.

In 2013, the City issued General Obligation Refunding Bonds, Series 2013A (\$9,995,000). This advance crossover refunding issuance will extinguish 2005C, 2006A, 2006B, and 2007A bonds in 2014 and 2015. Due to the nature of the 2013A bonds, all five debt issuances were liabilities of the City for the year ended December 31, 2013. The 2005C and 2007A bonds and the associated portion of the refunding bonds are recorded in the Water Fund; the 2006A and 2006B and the associated portion of the refunding bonds are recorded in the Debt Service Fund.

Primarily because of the new debt issued, fund balance for the Debt Service Fund increased \$3,950,827.

The Capital Project Fund accounts for the majority of the City's construction projects and acquisition of capital assets. Fund balance increased \$853,214 because the Collector Street, Street Replacement, Capital Equipment, Trails Construction, and Cypress Drive subfunds accumulated funds in order to pay for future projects and capital asset acquisitions.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

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 and Storm Water Funds increased \$236,439 and \$13,673, respectively, primarily due to water availability charges, the issuance of 2013A General Obligation Refunding Bonds, and contributions from developers for new commercial development. Net position in the Sewer Fund decreased \$55,635 primarily due to the return of refunded sales tax proceeds related to the wastewater treatment plant project and one-time costs related to private sewer connections assistance that will be recovered through special assessments to the benefiting residential properties.

Operating revenues in the proprietary funds remained relatively stable, increasing \$21,450 or 0.8% from 2012. Utility user rates were not increased in 2013. Rates are reviewed annually and will continue to be reviewed in the future. As a result of increased residential utility connections and steady commercial construction during the year, water and sewer availability charge revenue increased \$121,088 or 14.4% from the prior year. Availability charges include those certified through special assessment agreements for collection with Crow Wing County.

Water operating expenses increased 10.4%, sewer operating expenses increased 6.7%, and storm water expenses increased 15.6% from 2012. The overall increase in the Water and Sewer Fund operating expenses was due primarily to increased depreciation as large assets had full-year depreciation for the first time, increased engineering, and increased treatment and processing costs. In addition, increases in operating expenses in the water fund related to the maintenance of several wells and the removal of the obsolete water treatment plant. The increase in Storm Water Fund operating expenses was due to a planned increase in the allocation of personnel costs to better reflect actual activity.

CAPITAL ASSETS

By the end of 2013, 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.2 to the financial statements.) Total depreciation expense for the year was \$3,736,526 (including the enterprise funds).

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

	Governmental Activities		Percentage Change	Business-Type Activities		Percentage Change	Total		Percentage Change
	2013	2012		2013	2012		2013	2012	
Land	\$ 5,905,283	\$ 5,887,543	0.3 %	\$ 1,027,445	\$ 1,027,445	- %	\$ 6,932,728	\$ 6,914,988	0.3 %
Construction in Progress	7,848	217,498	(96.4)	30,698	-	100.0	38,546	217,498	(82.3)
Intangible	6,960	6,960	-	9,867,725	9,888,177	(0.2)	9,874,685	9,895,137	(0.2)
Buildings	1,235,170	1,235,170	-	9,708,299	9,708,299	-	10,943,469	10,943,469	-
Infrastructure and Distribution System	44,943,250	44,763,234	0.4	45,408,108	45,204,659	0.5	90,351,358	89,967,893	0.4
Land Improvements	1,525,176	1,501,986	1.5	559,134	539,771	3.6	2,084,310	2,041,757	2.1
Machinery, Vehicles, Furniture and Equipment	2,197,904	2,189,375	0.4	866,759	850,373	1.9	3,064,663	3,039,748	0.8
Less: Accumulated Depreciation	(26,193,308)	(24,402,920)	7.3	(16,600,249)	(14,829,638)	11.9	(42,793,557)	(39,232,558)	9.1
Total	\$ 29,628,283	\$ 31,398,846	(5.6)	\$ 50,867,919	\$ 52,389,086	(2.9)	\$ 80,496,202	\$ 83,787,932	(3.9)

In 2013, no capital was contributed to proprietary funds by the governmental activities of the City.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2013**

LONG-TERM LIABILITIES

At year-end, the City had \$36,141,959 in long-term liabilities outstanding, including bond discounts and premiums. The City issued advanced crossover General Obligation Refunding Bonds, Series 2013A, allocating the liability to governmental activities and the Water Fund based on the debt it will refund. (More detailed information about long-term debt can be found in Note 3.C.1 to the financial statements.)

- The City's long-term debt increased \$1,656,859 and \$5,665,199 for governmental and business-type activities, respectively, due to the repayment of existing debt and the issuance of the 2013A bonds.

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

	2013	2012	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds	\$ 15,191,857	\$ 13,097,587	16.0 %
General Obligation Revenue Notes	7,552,667	7,991,000	(5.5)
Capital Leases Payable	50,000	75,000	(33.3)
Other Postemployment Benefits	25,652	22,956	11.7
Compensated Absences Payable	301,723	278,497	8.3
	<u>\$ 23,121,899</u>	<u>\$ 21,465,040</u>	7.7
BUSINESS-TYPE ACTIVITIES			
General Obligation Bonds	\$ 12,981,869	\$ 7,322,117	77.3
Compensated Absences Payable	38,191	32,744	16.6
	<u>\$ 13,020,060</u>	<u>\$ 7,354,861</u>	77.0

FACTORS BEARING ON THE CITY'S FUTURE

In 2013, the City continued to experience renewed commercial growth. Residential construction has also shown signs of improvement. The City will continue to plan future activities cautiously and monitor the activity of City services, but has planned increases in infrastructure maintenance and construction projects. 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. The current authorization allows the City to collect sales tax receipts until September 30, 2018 or when \$15 Million in water and wastewater infrastructure projects plus financing costs are collected, whichever occurs first. In 2014, the City sought and was granted Legislative approval to extend the existing local option sales tax through 2037 for an additional \$40 Million of infrastructure related projects. The authorization is subject to voter approval with the City intending to place the referendum question of extending the existing sales tax on the ballot at the November 4, 2014 general election.

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, 2013

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 24,153,174	\$ 10,278,400	\$ 34,431,574
Cash and Investments with Escrow Agent	4,083,009	6,161,549	10,244,558
Internal Balances	(175,219)	175,219	-
Accrued Interest Receivable	101,131	-	101,131
Accounts Receivable - Net	143,846	399,085	542,931
Due from Other Governments	636,988	7,188	644,176
Prepaid Items	21,409	-	21,409
Delinquent Taxes Receivable	212,325	-	212,325
Special Assessments Receivable	4,314,982	363,082	4,678,064
Land Held for Resale	1,755,154	-	1,755,154
Non-Depreciable Capital Assets			
Land	5,905,283	1,027,445	6,932,728
Construction in Progress	7,848	30,698	38,546
Depreciable Capital Assets (Net)			
Intangible	4,872	9,250,959	9,255,831
Buildings	622,893	8,373,408	8,996,301
Infrastructure and Distribution System	21,714,982	31,567,314	53,282,296
Land Improvements	846,777	393,900	1,240,677
Machinery, Vehicles, Furniture and Equipment	525,628	224,195	749,823
Total Assets	<u>64,875,082</u>	<u>68,252,442</u>	<u>133,127,524</u>
LIABILITIES			
Accounts Payable	422,394	95,824	518,218
Due to Other Governments	67,478	1,197	68,675
Salaries Payable	102,773	6,529	109,302
Accrued Liabilities	47,267	3,148	50,415
Contracts Payable	83,050	10,674	93,724
Accrued Interest Payable	238,670	114,235	352,905
Unearned Revenue	12,017	-	12,017
Escrow Deposits	87,519	-	87,519
Long-term Liabilities:			
Due Within One Year			
Compensated Absences Payable	11,409	780	12,189
General Obligation Bonds Payable	1,775,000	490,000	2,265,000
General Obligation Revenue Notes Payable	452,000	-	452,000
Capital Leases Payable	25,000	-	25,000
Due In More than One Year			
Compensated Absences Payable	290,314	37,411	327,725
Other Postemployment Benefits Payable	25,652	-	25,652
General Obligation Bonds Payable	13,416,857	12,491,869	25,908,726
General Obligation Revenue Notes Payable	7,100,667	-	7,100,667
Capital Leases Payable	25,000	-	25,000
Total Liabilities	<u>24,183,067</u>	<u>13,251,667</u>	<u>37,434,734</u>
NET POSITION			
Net Investment in Capital Assets	18,567,059	44,021,212	54,714,808
Restricted for			
Debt Service	7,868,180	-	7,868,180
Economic Development	2,977,504	-	2,977,504
Sales Tax	7,057,415	-	7,057,415
Revolving Loans	420,061	-	420,061
Tax Increment Financing	616,906	-	616,906
Police Activity	32,669	-	32,669
Unrestricted	<u>3,152,221</u>	<u>10,979,563</u>	<u>22,005,247</u>
Total Net Position	<u>\$ 40,692,015</u>	<u>\$ 55,000,775</u>	<u>\$ 95,692,790</u>

See accompanying Notes to Financial Statements.

**CITY OF BAXTER, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2013**

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Fees, Charges, Fines, and Other	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
GOVERNMENTAL ACTIVITIES				
General Government	\$ 1,373,321	\$ 477,130	\$ -	\$ 215
Public Safety	1,894,095	416,024	120,622	-
Public Works	2,352,349	7,875	-	477,748
Sanitation	34,944	244	32,300	-
Culture and Recreation	723,667	269,462	-	8,100
Economic and Community Development	827,988	33,005	-	23,883
Interest and Fiscal Charges	879,723	-	82,747	-
Total Governmental Activities	8,086,087	1,203,740	235,669	509,946
BUSINESS-TYPE ACTIVITIES				
Water	1,968,324	1,861,747	3,513	57,695
Sewer	1,731,740	1,669,945	79,864	7,310
Storm Water	322,326	316,202	917	30,015
Total Business-Type Activities	4,022,390	3,847,894	84,294	95,020
Total Primary Government	\$ 12,108,477	\$ 5,051,634	\$ 319,963	\$ 604,966

GENERAL REVENUES

Property Taxes
Lodging Tax
Sales Tax
Tax Increments
Grants and Contributions not Restricted for a Particular Purpose
Investment Earnings
Change in Fair Value of Investments
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
\$ (895,976)	\$ -	\$ (895,976)
(1,357,449)	-	(1,357,449)
(1,866,726)	-	(1,866,726)
(2,400)	-	(2,400)
(446,105)	-	(446,105)
(771,100)	-	(771,100)
(796,976)	-	(796,976)
(6,136,732)	-	(6,136,732)
-	(45,369)	(45,369)
-	25,379	25,379
-	24,808	24,808
-	4,818	4,818
(6,136,732)	4,818	(6,131,914)
5,479,108	-	5,479,108
291,331	-	291,331
2,216,167	-	2,216,167
354,610	-	354,610
2,556	-	2,556
136,094	73,895	209,989
(153,737)	(75,267)	(229,004)
99,345	-	99,345
27,663	-	27,663
(191,031)	191,031	-
8,262,106	189,659	8,451,765
2,125,374	194,477	2,319,851
38,566,641	54,806,298	93,372,939
<u>\$ 40,692,015</u>	<u>\$ 55,000,775</u>	<u>\$ 95,692,790</u>

FUND FINANCIAL STATEMENTS

**CITY OF BAXTER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	Major Funds		
	General Fund	Economic Development	Sales Tax Collections
ASSETS			
Cash and Pooled Investments	\$ 3,598,516	\$ 1,077,346	\$ 6,655,513
Cash and Investments with Escrow Agent	-	-	-
Due from Other Funds	300	-	-
Accrued Interest Receivable	101,131	-	-
Accounts Receivable	93,837	-	8,564
Due From Other Governments	57,522	4,053	399,371
Prepaid Items	20,085	-	-
Delinquent Taxes Receivable	169,016	-	-
Special Assessments Receivable	568	160,804	-
Advances to Other Funds	1,400	-	-
Land Held For Resale	-	1,755,154	-
	<u>\$ 4,042,375</u>	<u>\$ 2,997,357</u>	<u>\$ 7,063,448</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 163,679	\$ 18,514	\$ -
Due to Other Governments	51,392	1,339	6,033
Salaries Payable	97,470	-	-
Accrued Liabilities	47,267	-	-
Due to Other Funds	-	-	-
Contracts Payable	608	-	-
Unearned Revenues	1,582	-	-
Advances from Other Funds	-	-	-
Escrow Deposits	-	-	-
	<u>361,998</u>	<u>19,853</u>	<u>6,033</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue			
Taxes	169,016	-	-
Special Assessments	568	160,804	-
Other	3,329	-	9,937
	<u>172,913</u>	<u>160,804</u>	<u>9,937</u>
FUND BALANCES			
Nonspendable	21,485	-	-
Restricted	-	2,816,700	7,047,478
Committed	-	-	-
Assigned	766,300	-	-
Unassigned	2,719,679	-	-
	<u>3,507,464</u>	<u>2,816,700</u>	<u>7,047,478</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,042,375</u>	<u>\$ 2,997,357</u>	<u>\$ 7,063,448</u>

See accompanying Notes to Financial Statements.

Major Funds		Other	Total
Debt Service	Capital Project	Governmental	Governmental
Fund	Fund	Funds	Funds
\$ 4,306,822	5,685,617	\$ 2,829,360	\$ 24,153,174
4,083,009	-	-	4,083,009
-	-	-	300
-	-	-	101,131
-	21,493	19,952	143,846
90,654	85,388	-	636,988
-	-	1,324	21,409
42,732	577	-	212,325
3,770,412	369,828	13,370	4,314,982
-	-	-	1,400
-	-	-	1,755,154
<u>\$ 12,293,629</u>	<u>6,162,903</u>	<u>\$ 2,864,006</u>	<u>\$ 35,423,718</u>

\$ -	\$ 58,870	\$ 181,331	\$ 422,394
6,146	-	2,568	67,478
-	-	5,303	102,773
-	-	-	47,267
-	175,519	-	175,519
-	82,442	-	83,050
-	-	10,435	12,017
-	-	1,400	1,400
-	-	87,519	87,519
6,146	316,831	288,556	999,417

42,732	577	-	212,325
3,770,412	369,828	13,370	4,314,982
-	21,493	-	34,759

3,813,144	391,898	13,370	4,562,066
-----------	---------	--------	-----------

-	-	1,324	22,809
8,474,339	-	1,069,636	19,408,153
-	-	1,475,553	1,475,553
-	5,454,174	16,491	6,236,965
-	-	(924)	2,718,755

<u>8,474,339</u>	<u>5,454,174</u>	<u>2,562,080</u>	<u>29,862,235</u>
------------------	------------------	------------------	-------------------

<u>\$ 12,293,629</u>	<u>\$ 6,162,903</u>	<u>\$ 2,864,006</u>	<u>\$ 35,423,718</u>
----------------------	---------------------	---------------------	----------------------

This Page Has Been Left Blank Intentionally.

CITY OF BAXTER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

	Major Funds		
	General Fund	Economic Development	Sales Tax Collections
REVENUES			
Taxes	\$ 4,323,592	\$ 15	\$ -
Lodging Tax	-	-	-
Sales Tax	-	-	2,214,519
Tax Increments	-	-	-
Special Assessments	11,114	117,866	-
Licenses, Permits, and Fees	143,501	-	-
Intergovernmental	156,153	-	-
Charges for Services	443,813	1,172	-
Fines and Forfeits	71,462	-	-
Gifts and Contributions	2,792	-	-
Investment Earnings	20,755	6,217	39,338
Change in Fair Value of Investments	(23,316)	(7,431)	(45,901)
Miscellaneous	98,965	61	-
Revolving Loans	-	-	-
Total Revenues	5,248,831	117,900	2,207,956
EXPENDITURES			
CURRENT			
General Government	1,243,767	-	52,540
Public Safety	1,702,519	-	-
Public Works	524,917	-	-
Sanitation	-	-	-
Culture and Recreation	527,088	-	-
Economic and Community Development	-	54,425	-
CAPITAL OUTLAY			
General Government	-	-	-
Public Safety	-	-	-
Public Works	-	-	-
Culture and Recreation	-	-	-
Economic and Community Development	-	-	-
DEBT SERVICE			
Principal	25,000	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	4,023,291	54,425	52,540
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,225,540	63,475	2,155,416
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	-	-	-
Proceeds from Sale of Refunding Bonds	-	-	-
Premium on Refunding Bonds Issued	-	-	-
Transfers In	-	44,000	20,451
Transfers Out	(1,213,512)	-	(905,850)
Total Other Financing Sources (Uses)	(1,213,512)	44,000	(885,399)
NET CHANGE IN FUND BALANCES	12,028	107,475	1,270,017
Fund Balance - Beginning of Year	3,495,436	954,071	5,777,461
Prior Period Restatement (see Note 6)	-	1,755,154	-
Fund Balance - Beginning of Year, As Restated	3,495,436	2,709,225	5,777,461
FUND BALANCE - END OF YEAR	\$ 3,507,464	\$ 2,816,700	\$ 7,047,478

See accompanying Notes to Financial Statements.

Major Funds		Other	Total
Debt Service Fund	Capital Project Fund	Governmental Funds	Governmental Funds
\$ 1,162,557	\$ 32	\$ -	\$ 5,486,196
-	-	291,331	291,331
-	-	-	2,214,519
-	-	354,610	354,610
1,103,127	62,720	-	1,294,827
-	-	200,943	344,444
82,747	85,111	32,300	356,311
-	-	118,789	563,774
-	-	6,837	78,299
-	-	-	2,792
23,161	31,281	15,350	136,102
(23,614)	(35,129)	(18,346)	(153,737)
-	-	286,017	385,043
-	-	36,642	36,642
<u>2,347,978</u>	<u>144,015</u>	<u>1,324,473</u>	<u>11,391,153</u>
-	24,031	4,853	1,325,191
-	8,354	152,985	1,863,858
-	130,183	-	655,100
-	-	34,944	34,944
-	6,425	20,197	553,710
-	-	798,819	853,244
-	26,987	-	26,987
-	75,395	-	75,395
-	22,921	-	22,921
-	45,120	24,976	70,096
-	-	881	881
2,518,333	-	-	2,543,333
720,419	-	-	720,419
<u>3,238,752</u>	<u>339,416</u>	<u>1,037,655</u>	<u>8,746,079</u>
(890,774)	(195,401)	286,818	2,645,074
-	27,663	-	27,663
4,045,000	-	-	4,045,000
135,633	-	-	135,633
660,968	1,020,952	204,600	1,950,971
-	-	(22,640)	(2,142,002)
<u>4,841,601</u>	<u>1,048,615</u>	<u>181,960</u>	<u>4,017,265</u>
3,950,827	853,214	468,778	6,662,339
4,523,512	4,600,960	2,093,302	21,444,742
-	-	-	1,755,154
<u>4,523,512</u>	<u>4,600,960</u>	<u>2,093,302</u>	<u>23,199,896</u>
<u>\$ 8,474,339</u>	<u>\$ 5,454,174</u>	<u>\$ 2,562,080</u>	<u>\$ 29,862,235</u>

This Page Has Been Left Blank Intentionally.

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, 2013

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ 6,662,339**

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	\$ 195,352	
Current Year Depreciation	<u>(1,965,915)</u>	(1,770,563)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		(943,876)
--	--	-----------

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. The net proceeds for debt issuance are:		(4,045,000)
--	--	-------------

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	2,080,000	
Revenue Bonds	438,333	
Capital Lease	<u>25,000</u>	2,543,333

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.

Bond Premium	(135,633)	
Change in Accrued Interest Payable	26,278	
Amortization of Discounts and Premiums	6,363	
Write-off of Debt Issue Costs	(191,945)	
Change in Compensated Absences	(23,226)	
Change in Postemployment Benefits	<u>(2,696)</u>	<u>(320,859)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 2,125,374</u></u>
--	--	----------------------------

CITY OF BAXTER, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013

	Water	Sewer	Storm Water	Total
ASSETS				
Current Assets:				
Cash and Investments	\$ 4,314,168	\$ 5,191,184	\$ 773,048	\$ 10,278,400
Cash and Investments with Escrow Agent	6,161,549	-	-	6,161,549
Receivables				
Due From Other Funds	74,447	100,772	-	175,219
Accounts	175,521	178,184	45,380	399,085
Due From Other Governments	1,805	4,804	579	7,188
Special Assessments	27,492	334,501	1,089	363,082
Total Current Assets	<u>10,754,982</u>	<u>5,809,445</u>	<u>820,096</u>	<u>17,384,523</u>
Noncurrent Assets:				
Non-Depreciable Capital Assets				
Land	352,932	62,598	611,915	1,027,445
Construction in Progress	-	-	30,698	30,698
Depreciable Capital Assets (Net)				
Intangible	-	9,250,959	-	9,250,959
Buildings	8,373,408	-	-	8,373,408
Distribution System	14,069,218	14,930,445	2,567,651	31,567,314
Land Improvements	-	-	393,900	393,900
Machinery, Vehicles, Furniture and Equipment	83,883	95,166	45,146	224,195
Total Noncurrent Assets	<u>22,879,441</u>	<u>24,339,168</u>	<u>3,649,310</u>	<u>50,867,919</u>
Total Assets	<u>33,634,423</u>	<u>30,148,613</u>	<u>4,469,406</u>	<u>68,252,442</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	35,336	47,845	12,643	95,824
Due To Other Governments	695	442	60	1,197
Salaries Payable	3,103	3,027	399	6,529
Accrued Liabilities	3,134	7	7	3,148
Contracts Payable	2,890	7,784	-	10,674
Accrued Interest Payable	114,235	-	-	114,235
Compensated Absences Payable	383	383	14	780
General Obligation Bonds Payable	490,000	-	-	490,000
Total Current Liabilities	<u>649,776</u>	<u>59,488</u>	<u>13,123</u>	<u>722,387</u>
Noncurrent Liabilities:				
Compensated Absences Payable	18,005	18,005	1,401	37,411
General Obligation Bonds Payable	12,491,869	-	-	12,491,869
Total Liabilities	<u>13,159,650</u>	<u>77,493</u>	<u>14,524</u>	<u>13,251,667</u>
NET POSITION				
Net Investment in Capital Assets	16,032,734	24,339,168	3,649,310	44,021,212
Unrestricted	4,442,039	5,731,952	805,572	10,979,563
Total Net Position	<u>\$ 20,474,773</u>	<u>\$ 30,071,120</u>	<u>\$ 4,454,882</u>	<u>\$ 55,000,775</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, 2013

	Water	Sewer	Storm Water	Total
OPERATING REVENUES				
Charges For Services				
User Charges	\$ 1,202,850	\$ 1,133,148	\$ 312,462	\$ 2,648,460
Meter Sales	24,030	-	-	24,030
Non-User Sales	9,453	12,850	-	22,303
Penalties	18,573	20,252	3,740	42,565
Permits and Hookup Charges	2,040	2,295	-	4,335
Miscellaneous	3,265	-	-	3,265
Total Operating Revenues	1,260,211	1,168,545	316,202	2,744,958
OPERATING EXPENSES				
Personnel Services	162,711	161,900	30,220	354,831
Supplies and Fees	87,447	21,943	13,954	123,344
Other Services and Charges	457,061	693,382	165,681	1,316,124
Depreciation	803,625	854,515	112,471	1,770,611
Total Operating Expenses	1,510,844	1,731,740	322,326	3,564,910
OPERATING INCOME (LOSS)	(250,633)	(563,195)	(6,124)	(819,952)
NONOPERATING REVENUES (EXPENSES)				
Special Assessments	3,513	79,864	917	84,294
Water Plant Fee	140,998	-	-	140,998
Availability Charges	460,538	501,400	-	961,938
Intergovernmental	2,875	-	-	2,875
Investment Earnings	31,458	37,643	4,794	73,895
Change in Fair Value of Investments	(31,632)	(37,906)	(5,729)	(75,267)
Interest Expense and Fiscal Charges	(457,480)	-	-	(457,480)
Total Nonoperating Revenues (Expenses)	150,270	581,001	(18)	731,253
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(100,363)	17,806	(6,142)	(88,699)
Capital Contributions from Developers	54,820	7,310	30,015	92,145
Transfers In	295,382	-	-	295,382
Transfers Out	(13,400)	(80,751)	(10,200)	(104,351)
CHANGE IN NET POSITION	236,439	(55,635)	13,673	194,477
Net Position - Beginning of Year	20,238,334	30,126,755	4,441,209	54,806,298
NET POSITION - END OF YEAR	<u>\$ 20,474,773</u>	<u>\$ 30,071,120</u>	<u>\$ 4,454,882</u>	<u>\$ 55,000,775</u>

See accompanying Notes to Financial Statements.

**CITY OF BAXTER, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013**

	Water	Sewer	Storm Water	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 1,230,807	\$ 1,146,725	\$ 313,396	\$ 2,690,928
Payments to Suppliers	(548,519)	(735,517)	(178,420)	(1,462,456)
Payments to Employees	(157,760)	(159,487)	(28,454)	(345,701)
Net Cash Provided (Used) by Operating Activities	524,528	251,721	106,522	882,771
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Change in Due from Other Funds	66,815	27,211	-	94,026
Transfers In	125,382	-	-	125,382
Transfers Out	(13,400)	(80,751)	(10,200)	(104,351)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	178,797	(53,540)	(10,200)	115,057
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest and Fiscal Charges Paid	(409,160)	-	-	(409,160)
Transfer In	170,000	-	-	170,000
Availability Charges	460,538	501,400	-	961,938
Grants Received	2,875	-	-	2,875
Water Plant Fee	140,998	-	-	140,998
Special Assessments	10,671	(14,399)	3,035	(693)
Payments on General Obligation Bonds	(475,411)	-	-	(475,411)
Refunding General Obligation Bonds Issued	6,135,163	-	-	6,135,163
Purchases of Capital Assets	(8,195)	(118,408)	(30,696)	(157,299)
Net Cash Provided (Used) by Capital and Related Financing Activities	6,027,479	368,593	(27,661)	6,368,411
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Investments	9,775,011	2,620,904	390,293	12,786,208
Sale of Investments	(14,016,873)	(3,419,511)	(496,794)	(17,933,178)
Investment Earnings Received	31,458	37,643	4,794	73,895
Net Cash (Used) by Investing Activities	(4,210,404)	(760,964)	(101,707)	(5,073,075)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	2,520,400	(194,190)	(33,046)	2,293,164
Cash and Cash Equivalents - Beginning of Year	929,336	1,147,604	175,024	2,251,964
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 3,449,736	\$ 953,414	\$ 141,978	\$ 4,545,128

See accompanying Notes to Financial Statements.

CITY OF BAXTER, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2013

	<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)	\$ (250,633)	\$ (563,195)	\$ (6,124)	\$ (819,952)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	803,625	854,515	112,471	1,770,611
(Increase) Decrease in Assets:				
Accounts Receivable	(39,299)	(21,571)	(2,277)	(63,147)
Due from Other Governments	9,895	(249)	(529)	9,117
Prepaid Items	3,864	600	-	4,464
Increase (Decrease) in Liabilities:				
Accounts Payable	(9,979)	(28,633)	1,155	(37,457)
Contracts Payable	2,049	7,784	-	9,833
Salaries and Wages Payable	433	445	399	1,277
Accrued Liabilities	2,502	(48)	(48)	2,406
Compensated Absences Payable	2,016	2,016	1,415	5,447
Due to Other Governments	55	57	60	172
Total Adjustments	<u>775,161</u>	<u>814,916</u>	<u>112,646</u>	<u>1,702,723</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 524,528</u>	<u>\$ 251,721</u>	<u>\$ 106,522</u>	<u>\$ 882,771</u>
NONCASH CAPITAL AND RELATED				
FINANCING ACTIVITIES				
Capital Contributions from Developers	\$ 54,820	\$ 7,310	\$ 30,015	\$ 92,145
NONCASH INVESTING ACTIVITIES				
Increase (Decline) in Fair Value of Investments	<u>(31,632)</u>	<u>(37,906)</u>	<u>(5,729)</u>	<u>(75,267)</u>
Total Noncash Transactions	<u>\$ 23,188</u>	<u>\$ (30,596)</u>	<u>\$ 24,286</u>	<u>\$ 16,878</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS				
TO THE STATEMENT OF NET POSITION				
Cash and Investments	\$ 4,314,168	\$ 5,191,184	\$ 773,048	\$ 10,278,400
Cash and Investments with Escrow Agent	6,161,549	-	-	6,161,549
Less: Investments not Meeting the Definition of Cash Equivalents	<u>(7,025,981)</u>	<u>(4,237,770)</u>	<u>(631,070)</u>	<u>(11,894,821)</u>
Total Cash and Cash Equivalents	<u>\$ 3,449,736</u>	<u>\$ 953,414</u>	<u>\$ 141,978</u>	<u>\$ 4,545,128</u>

See accompanying Notes to Financial Statements.

This Page Has Been Left Blank Intentionally.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 (1) 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 (2) 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 is reported in three parts: (1) net investment in capital assets, (2) restricted net position, and (3) unrestricted net position.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 activities 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 funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues 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 availability charges 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 infrastructure, improvements, and equipment.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013

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, Deferred Inflows of Resources, 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 funds, 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. Interfund Receivables/Payables

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

3. 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.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

4. 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 nonspendable if the amounts are considered to be material, and if sufficient fund balance exists.

5. Property Taxes

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

Current year property tax revenues represent the tax levy certified to the County Auditor-Treasurer in December of 2012 which was collected during the year ended December 31, 2013. 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 inflows of resources 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.

6. 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 unavailable revenue at the time of the levy. Unavailable revenue is recognized as current revenue when the annual assessment installments become measurable and available. Interest on special assessments is also recognized when it becomes measurable and available.

7. Land Held for Resale

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

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, 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, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, 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 are 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 expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

11. Deferred Inflows of Resources

The City's governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in fund balance that applies to a future period. The City will not recognize the related revenue until a future event occurs. The deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected no later than 60 days after the end of the City's year) under the modified accrual basis of accounting. The City does not have deferred inflows of resources to report in its proprietary fund financial statements in the current year.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

12. Fund Balance/Net Position

Net position represents the difference between assets and liabilities in the government-wide financial statements. Net investment 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 \$7,873,463 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.

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 at management's discretion to reflect current and expected operations, consistent with the City's fund balance policy. 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 inflows of resources.

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

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

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues, Expenditures, and Expenses (Continued)

1. Revenues (Continued)

Property Tax Collection Calendar

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

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

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

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

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

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, 2013**

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	\$ 3,238,752	\$ 3,159,700	\$ 79,052
Nonmajor Special Revenue Fund			
Lodging Tax Administration Fund	291,331	290,000	1,331

The Debt Service Fund excess was the result of the issuance and interest 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.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

As of December 31, 2013, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Balance</u>
Money Market Funds	\$ 1,003,019
Negotiable Certificates of Deposit	18,027,061
Federal Agricultural Mortgage Corporation	492,352
Federal Home Loan Mortgage Corporation	501,471
Federal National Mortgage Association	2,601,839
Execusweep Repo Business Account	2,780,843
Local Government Bonds	7,961,019
4M Fund	17,930
Treasury Securities – State and Local	
Government Series Bonds	10,244,558
Total	<u>\$ 43,630,092</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, 2013

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.

Investment Type	< 6 months	6 - 12 months	1 - 5 years	> 5 years	Fair Value
Money Market Funds	\$ 1,003,019	\$ -	\$ -	\$ -	\$ 1,003,019
Negotiable Certificates of Deposit	4,869,171	2,798,312	9,545,977	813,601	18,027,061
Federal Agricultural Mortgage Corporation	-	-	-	492,352	492,352
Federal Home Loan Mortgage Corporation	-	-	501,471	-	501,471
Federal National Mortgage Association	-	-	2,141,689	460,150	2,601,839
Execusweep Repo Business Account	2,780,843	-	-	-	2,780,843
Local Government Bonds	433,398	486,110	4,649,093	2,392,418	7,961,019
4M Fund	17,930	-	-	-	17,930
Treasury Securities – State and Local					
Government Series Bonds	2,631,901	64,381	7,548,276	-	10,244,558
Total	<u>\$ 11,736,262</u>	<u>\$ 3,348,803</u>	<u>\$ 24,386,506</u>	<u>\$ 4,158,521</u>	<u>\$ 43,630,092</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 Agricultural Mortgage Corporation, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation securities, which hold a credit rating of AA+ by Standard & Poor's. Local government bonds hold a credit rating of A or better. Cash held with escrow agent is invested in Treasury Securities – State and Local Government Series bonds, which hold a credit rating of AA+ by Standard & Poor's.

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 8.0% and 8.6% of its investment portfolio in Federal National Mortgage Association securities and Execusweep Repo Agreements, respectively, excluding cash with escrow agent.

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, 2013**

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, 2013, all City deposits were covered by insurance or collateral.

	<u>Balance</u>
Deposits	1,046,040
Investments	43,630,092
Total Cash & Investments	<u>\$ 44,676,132</u>
	<u>Balance</u>
Cash & Investments	
Governmental Funds	\$ 24,153,174
Proprietary Funds	10,278,400
Cash with Escrow Agent	
Governmental Funds	4,083,009
Proprietary Funds	6,161,549
Total Cash & Investments	<u>\$ 44,676,132</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets

Capital asset activity of the City for the year ended December 31, 2013, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets not being Depreciated				
Land	\$ 5,887,543	\$ 17,740	\$ -	\$ 5,905,283
Construction in Progress	217,498	19,445	229,095	7,848
Total Capital Assets not being Depreciated	<u>6,105,041</u>	<u>37,185</u>	<u>229,095</u>	<u>5,913,131</u>
Capital Assets being Depreciated				
Intangible	6,960	-	-	6,960
Buildings	1,235,170	-	-	1,235,170
Infrastructure	44,763,234	180,016	-	44,943,250
Land Improvements	1,501,986	23,190	-	1,525,176
Machinery, Vehicles, Furniture and Equipment	<u>2,189,375</u>	<u>184,056</u>	<u>175,527</u>	<u>2,197,904</u>
Total Capital Assets being Depreciated	<u>49,696,725</u>	<u>387,262</u>	<u>175,527</u>	<u>49,908,460</u>
Less: Accumulated Depreciation for				
Intangible	696	1,392	-	2,088
Buildings	573,168	39,109	-	612,277
Infrastructure	21,575,545	1,652,723	-	23,228,268
Land Improvements	572,233	106,166	-	678,399
Machinery, Vehicles, Furniture and Equipment	<u>1,681,278</u>	<u>166,525</u>	<u>175,527</u>	<u>1,672,276</u>
Total Accumulated Depreciation	<u>24,402,920</u>	<u>1,965,915</u>	<u>175,527</u>	<u>26,193,308</u>
Total Capital Assets being Depreciated, Net	<u>25,293,805</u>	<u>(1,578,653)</u>	<u>-</u>	<u>23,715,152</u>
Governmental Activities Capital Assets, Net	<u>\$ 31,398,846</u>	<u>\$ (1,541,468)</u>	<u>\$ 229,095</u>	<u>\$ 29,628,283</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Capital Assets (Continued)

The following is a summary of the proprietary fund capital assets at December 31, 2013:

	Beginning Balance	Additions	Disposals	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets not being Depreciated				
Land	\$ 1,027,445	\$ -	\$ -	\$ 1,027,445
Construction in Progress	-	30,698	-	30,698
Total Capital Assets not being Depreciated	1,027,445	30,698	-	1,058,143
Capital Assets being Depreciated				
Intangible	9,888,177	-	20,452	9,867,725
Buildings	9,708,299	-	-	9,708,299
Distribution System	45,204,659	203,449	-	45,408,108
Land Improvements	539,771	19,363	-	559,134
Machinery, Vehicles, Furniture and Equipment	850,373	16,386	-	866,759
Total Capital Assets being Depreciated	66,191,279	239,198	20,452	66,410,025
Less: Accumulated Depreciation for				
Intangible	370,073	246,693	-	616,766
Buildings	1,092,184	242,707	-	1,334,891
Distribution System	12,678,231	1,162,563	-	13,840,794
Land Improvements	146,382	18,852	-	165,234
Machinery, Vehicles, Furniture and Equipment	542,768	99,796	-	642,564
Total Accumulated Depreciation	14,829,638	1,770,611	-	16,600,249
Total Capital Assets being Depreciated, Net	51,361,641	(1,531,413)	20,452	49,809,776
Business-Type Activities Capital Assets, Net	<u>\$ 52,389,086</u>	<u>\$ (1,500,715)</u>	<u>\$ 20,452</u>	<u>\$ 50,867,919</u>

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

Governmental Activities	
General Government	\$ 59,874
Public Safety	46,920
Public Works	1,696,190
Culture and Recreation	162,931
Total Depreciation Expense - Governmental Activities	<u>\$ 1,965,915</u>
Business-Type Activities	
Water	\$ 803,625
Sewer	854,515
Storm Water	112,471
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,770,611</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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	Capital Project Fund	\$ 300	Cash Deficit
Water Fund	Capital Project Fund	74,447	Cash Deficit
Sewer Fund	Capital Project Fund	100,772	Cash Deficit
Total		<u>\$ 175,519</u>	

2. Advances from/to Other Funds

Receivable Fund	Payable Fund	Amount	Purpose
General Fund	Nonmajor Governmental Funds	\$ 1,400	Cover delayed receipts
		<u>\$ 1,400</u>	

3. Interfund Transfers

	Amount	Purpose
Transfer to Economic Development Fund from		
General	\$ 44,000	EDA Fund Annual Appropriation
Transfer to Sales Tax Collections Fund from		
Sewer Fund	20,451	Returned sales tax proceeds
Transfer to Debt Service Fund from		
General	500	Reimbursement of project costs
Sales Tax Collections	610,468	Annual appropriation
Sewer	50,000	Operations
Transfer to Capital Project Fund from		
General	511,000	Collector Street appropriation
	80,200	Street Replacement appropriation
	30,000	Trail Construction annual appropriation
	196,900	IT, vehicle and equipment annual appropriations
	146,312	Appropriations for capital projects
Nonmajor Governmental	4,900	IT Annual Appropriation
	17,740	Cypress Phase I - RR to 210 project appropriation
Water	13,400	IT, vehicle and equipment annual appropriations
Sewer	10,300	IT, vehicle and equipment annual appropriations
Storm Water	10,200	IT, vehicle and equipment annual appropriations
Transfer to Nonmajor Governmental Funds from		
General	204,600	Operations
Transfer to Water Fund from		
Sales Tax Collections Fund	295,382	Sales Tax Proceeds for Water Plant
Total Transfers	<u>\$ 2,246,353</u>	

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 2014	
				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	\$ 1,675,000	\$ 130,000	\$ 130,000	\$ 2,178
General Obligation Capital Improvement Bonds, Series 2006A; 4.00 to 4.25%; Issued 06/01/2006; Final Maturity 02/01/2026.	4,230,000	980,000	3,250,000	190,000	130,194
General Obligation Improvement Bonds, Series 2006B; 4.00%; Issued 11/15/2006; Final Maturity 02/01/2019.	5,770,000	3,910,000	1,860,000	400,000	66,400
General Obligation Improvement Bonds, Series 2007B; 4.00 to 4.15%; Issued 12/05/2007; Final Maturity 02/01/2022	3,425,000	1,155,000	2,270,000	210,000	87,610
General Obligation Refunding Bonds, Series 2010; 1.00 to 2.15%; Issued 11/29/2010; Final Maturity 02/01/2018	4,465,000	1,005,000	3,460,000	845,000	48,753
General Obligation Refunding Bonds, Series 2013A; 2.00%; Issued 03/05/2013; Final Maturity 08/01/2026	4,045,000	-	4,045,000	-	80,900
Total General Obligation Bonds	23,740,000	8,725,000	15,015,000	1,775,000	416,035
Add: Unamortized Premium	-	-	208,023	-	-
Less: Unamortized Discount	-	-	(31,166)	-	-
Total General Obligation Bonds, Net	23,740,000	8,725,000	15,191,857	1,775,000	416,035

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 2014	
				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	\$ 375,366	\$ 279,667	\$ 67,667	\$ 6,236
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	1,382,596	7,273,000	384,333	235,136
Total General Obligation Revenue Notes	9,310,629	1,757,962	7,552,667	452,000	241,372
Total Governmental Activities Long-Term Debt	33,050,629	10,482,962	22,744,524	2,227,000	657,407

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	1,080,000	2,725,000	180,000	108,030
General Obligation Water and Sales Tax Revenue Bonds, Series 2007A; 3.88% to 4.00%; Issued 2/6/2007; Final Maturity 08/01/2026.	6,500,000	2,385,000	4,115,000	310,000	164,600
General Obligation Refunding Bonds, Series 2013A; 2.00%; Issued 03/05/2013; Final Maturity 08/01/2026	5,950,000	-	5,950,000	-	119,000
Total General Obligation Bonds, Net	16,255,000	3,465,000	12,790,000	490,000	391,630
Add: Unamortized Premium	-	-	208,309	-	-
Less: Unamortized Discount	-	-	(16,440)	-	-
Total Business-Type Activities	16,255,000	3,465,000	12,981,869	490,000	391,630
Total Long-Term Debt	\$ 49,305,629	\$ 13,947,962	\$ 35,726,393	\$ 2,717,000	\$ 1,049,037

3. Changes in Long-Term Debt

	December 31, 2012	Additions	Retirements	December 31, 2013	Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Bonds	\$ 13,050,000	\$ 4,045,000	\$ 2,080,000	\$ 15,015,000	\$ 1,775,000
Issuance Premium (Discount)	47,587	135,633	6,363	176,857	-
Total General Obligation Bonds Payable	13,097,587	4,180,633	2,086,363	15,191,857	1,775,000
General Obligation Revenue Notes	7,991,000	-	438,333	7,552,667	452,000
Capital Lease	75,000	-	25,000	50,000	25,000
Compensated Absences	278,497	262,613	239,387	301,723	11,409
Other Postemployment Benefits	22,956	22,378	19,682	25,652	-
Governmental Activity Long-Term Liabilities	\$ 21,465,040	\$ 4,465,624	\$ 2,808,765	\$ 23,121,899	\$ 2,263,409
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds	\$ 7,315,000	\$ 5,950,000	\$ 475,000	\$ 12,790,000	\$ 490,000
Issuance Premium (Discount)	7,117	185,163	411	191,869	-
Total General Obligation Bonds Payable	7,322,117	6,135,163	475,411	12,981,869	490,000
Compensated Absences	32,744	25,797	20,350	38,191	780
Business Activity Long-Term Liabilities	\$ 7,354,861	\$ 6,160,960	\$ 495,761	\$ 13,020,060	\$ 490,780

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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
2014	\$ 1,775,000	\$ 416,035	\$ 2,191,035	\$ 452,000	\$ 241,372	\$ 693,372
2015	1,550,000	372,610	1,922,610	465,667	227,440	693,107
2016	2,040,000	325,727	2,365,727	480,334	213,075	693,409
2017	2,055,000	271,829	2,326,829	495,333	198,254	693,587
2018	1,555,000	220,910	1,775,910	436,667	182,966	619,633
2019-2023	4,230,000	594,628	4,824,628	2,404,333	693,737	3,098,070
2024-2028	1,810,000	87,262	1,897,262	2,818,333	279,137	3,097,470
Total	<u>\$ 15,015,000</u>	<u>\$ 2,289,001</u>	<u>\$ 17,304,001</u>	<u>\$ 7,552,667</u>	<u>\$ 2,035,981</u>	<u>\$ 9,588,648</u>

Year Ending December 31,	Business-Type Activities		
	General Obligation Bonds		
	Principal	Interest	Total
2014	\$ 490,000	\$ 391,630	\$ 881,630
2015	715,000	370,198	1,085,198
2016	1,115,000	345,588	1,460,588
2017	1,145,000	312,585	1,457,585
2018	1,180,000	278,335	1,458,335
2019-2023	5,155,000	909,308	6,064,308
2024-2025	2,990,000	153,620	3,143,620
Total	<u>\$ 12,790,000</u>	<u>\$ 2,761,264</u>	<u>\$ 15,551,264</u>

5. Advanced Crossover Refunding

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.

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.

**CITY OF BAXTER, MINNESOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2013**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. Advanced Crossover Refunding (Continued)

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 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 refunding resulted in a net present value savings of \$973,098 for the City.

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 paid the interest due on the 2013A issue in the amounts of \$81,071 due on August 1, 2013 and will pay \$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 is 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. The portion of the 2013A bonds that will refund the 2006A and 2006B bonds are recorded in the Debt Service Fund and governmental activities; the portion that will refund the 2005C and 2007A bonds are recorded in the Water Fund.

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, 2013, is \$93,750.

Remaining capital lease obligations are as follows:

<u>December 31,</u>		
2014	\$	25,000
2015		<u>25,000</u>
Total	\$	<u><u>50,000</u></u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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, 2013

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, 2013:

	General Fund	Economic Development	Sales Tax Collections	Debt Service Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable							
Prepaid Items	\$ 20,085	\$ -	\$ -	\$ -	\$ -	\$ 1,324	\$ 21,409
Advances to Other Funds	1,400	-	-	-	-	-	1,400
Total Nonspendable	<u>21,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,324</u>	<u>22,809</u>
Restricted							
Debt Service	-	-	-	8,474,339	-	-	8,474,339
Economic Development	-	2,816,700	-	-	-	-	2,816,700
Sales Tax	-	-	7,047,478	-	-	-	7,047,478
Revolving Loans	-	-	-	-	-	420,061	420,061
Tax Increment Financing	-	-	-	-	-	616,906	616,906
Police Activity	-	-	-	-	-	32,669	32,669
Total Restricted	<u>-</u>	<u>2,816,700</u>	<u>7,047,478</u>	<u>8,474,339</u>	<u>-</u>	<u>1,069,636</u>	<u>19,408,153</u>
Committed							
Cemetery Care	-	-	-	-	-	38,564	38,564
Culture and Recreation	-	-	-	-	-	836,257	836,257
Economic and Community Development	-	-	-	-	-	587,749	587,749
Recycling	-	-	-	-	-	12,983	12,983
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,475,553</u>	<u>1,475,553</u>
Assigned							
Capital Replacement	85,000	-	-	-	-	-	85,000
Collector Street	681,300	-	-	-	-	-	681,300
Cemetery	-	-	-	-	-	16,491	16,491
Capital Projects	-	-	-	-	5,454,174	-	5,454,174
Total Assigned	<u>766,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,454,174</u>	<u>16,491</u>	<u>6,236,965</u>
Unassigned							
	<u>2,719,679</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(924)</u>	<u>2,718,755</u>
Total Fund Balance	<u>\$3,507,464</u>	<u>\$ 2,816,700</u>	<u>\$7,047,478</u>	<u>\$ 8,474,339</u>	<u>\$5,454,174</u>	<u>\$ 2,562,080</u>	<u>\$ 29,862,235</u>

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 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 five 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, 2013

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 2013. PEPFF members were required to contribute 9.6% of their annual covered salary in 2013. In 2013, 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 General Employees Retirement Fund and the Public Employees Police and Fire Fund for the years ending December 31, 2013, 2012, and 2011 were:

		General Employees Retirement Fund		Public Employees Police and Fire Fund
2013	\$	101,062	\$	124,723
2012		98,267		124,799
2011		104,339		141,232

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, 2013, 2012, and 2011 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, 2013**

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 39 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 2013, 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		1,033
Adjustment to ARC		(1,410)
Annual OPEB Cost		22,378
Contributions during the year		(19,682)
Increase in Net OPEB Obligation		2,696
Net OPEB - Beginning of the Year		22,956
Net OPEB - End of the Year	\$	25,652

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, 2013**

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 years ended December 31, 2013, 2012, and 2011 were as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation
December 31, 2013	\$ 22,378	\$ 19,682	88.0%	\$ 25,652
December 31, 2012	22,467	17,847	79.4%	27,576
December 31, 2011	22,570	16,482	73.0%	18,336

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, 2013

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.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013**

NOTE 6 RESTATEMENT OF BEGINNING FUND BALANCE

In accordance with GASB Statement No. 54, beginning fund balance in the Economic Development Fund has been restated to record restricted fund balance related to land held for resale. In the prior year, \$1,755,154 had been recorded as deferred revenue instead of restricted fund balance. This prior period restatement has no effect on government-wide net position.

	Economic Development Fund
Fund Balance - Beginning of Year	\$ 954,071
Prior Period Restatement	<u>1,755,154</u>
Fund Balance - Beginning of Year, as Restated	<u><u>\$2,709,225</u></u>

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

CITY OF BAXTER, MINNESOTA
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT HEALTH CARE BENEFITS
DECEMBER 31, 2013

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, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
GENERAL PROPERTY TAXES	\$ 4,354,200	\$ 4,354,200	\$ 4,323,592	\$ (30,608)
SPECIAL ASSESSMENTS				
Principal	8,100	8,100	10,900	2,800
Interest	-	-	214	214
Total Special Assessments	<u>8,100</u>	<u>8,100</u>	<u>11,114</u>	<u>3,014</u>
LICENSES, PERMITS, AND FEES				
Business Licenses and Permits	31,900	31,900	39,973	8,073
Franchise Fees	75,000	75,000	85,975	10,975
Other Licenses, Permits, and Fees	16,500	16,500	17,553	1,053
Total Licenses, Permits and Fees	<u>123,400</u>	<u>123,400</u>	<u>143,501</u>	<u>20,101</u>
INTERGOVERNMENTAL				
STATE AND LOCAL				
PERA Increase Aid	2,000	2,000	2,010	10
Market Value Credit	-	-	399	399
State Highway Aid	24,000	24,000	24,225	225
Public Safety Grants	109,000	109,000	123,945	14,945
Other	-	-	147	147
Total State and Local	<u>135,000</u>	<u>135,000</u>	<u>150,726</u>	<u>15,726</u>
FEDERAL				
Public Safety Grants	-	-	5,427	5,427
Total Intergovernmental	<u>135,000</u>	<u>135,000</u>	<u>156,153</u>	<u>21,153</u>
CHARGES FOR SERVICES	405,900	405,900	443,813	37,913
FINES AND FORFEITS	90,000	90,000	71,462	(18,538)
GIFTS AND CONTRIBUTIONS	-	-	2,792	2,792
INVESTMENT EARNINGS	24,000	24,000	20,755	(3,245)
CHANGE IN FAIR VALUE OF INVESTMENTS	-	-	(23,316)	(23,316)
MISCELLANEOUS				
Other Rents and Royalties	67,300	67,300	75,559	8,259
Other Miscellaneous Revenues	200	200	23,406	23,206
Total Miscellaneous	<u>67,500</u>	<u>67,500</u>	<u>98,965</u>	<u>31,465</u>
Total Revenues	<u>5,208,100</u>	<u>5,208,100</u>	<u>5,248,831</u>	<u>40,731</u>

See accompanying Notes to the Required Supplementary Information.

CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Other General Government	\$ 345,100	\$ 345,100	\$ 230,225	\$ 114,875
Council	36,000	36,000	34,868	1,132
Administration	272,800	272,800	199,770	73,030
Finance	372,900	372,900	358,412	14,488
Public Works Administration	283,000	283,000	271,118	11,882
Information Systems	120,200	120,200	114,990	5,210
Legal	56,000	56,000	34,384	21,616
Total General Government	<u>1,486,000</u>	<u>1,486,000</u>	<u>1,243,767</u>	<u>242,233</u>
PUBLIC SAFETY				
Police	1,487,900	1,487,900	1,441,426	46,474
Fire Protection	244,800	244,800	261,093	(16,293)
Total Public Safety	<u>1,732,700</u>	<u>1,732,700</u>	<u>1,702,519</u>	<u>30,181</u>
PUBLIC WORKS				
Streets	525,300	521,300	524,917	(3,617)
CULTURE AND RECREATION				
Parks Maintenance	524,800	524,800	504,452	20,348
Recreation Program	22,200	22,200	22,636	(436)
Total Culture and Recreation	<u>547,000</u>	<u>547,000</u>	<u>527,088</u>	<u>19,912</u>
DEBT SERVICE				
Principal	25,000	25,000	25,000	-
Total Expenditures	<u>4,316,000</u>	<u>4,312,000</u>	<u>4,023,291</u>	<u>288,709</u>
EXCESS OF REVENUES OVER EXPENDITURES				
	892,100	896,100	1,225,540	329,440
OTHER FINANCING SOURCES (USES)				
Transfers Out	(892,100)	(1,216,400)	(1,213,512)	2,888
NET CHANGE IN FUND BALANCE				
	<u>\$ -</u>	<u>\$ (320,300)</u>	12,028	<u>\$ 332,328</u>
Fund Balances - Beginning of Year			<u>3,495,436</u>	
FUND BALANCES - END OF YEAR			<u>\$ 3,507,464</u>	

**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT AUTHORITY FUND
YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
General Property Taxes	\$ -	\$ -	\$ 15	\$ 15
Special Assessments				
Principal	65,300	65,300	93,983	28,683
Interest	17,800	17,800	23,883	6,083
Charges for Services	1,000	1,000	1,172	172
Investment Earnings	4,000	4,000	6,217	2,217
Change in Fair Value of Investments	-	-	(7,431)	(7,431)
Miscellaneous				
Other Miscellaneous Revenues	-	-	61	61
Total Revenues	88,100	88,100	117,900	29,800
EXPENDITURES				
CURRENT				
Economic and Community Development				
Economic Development	68,500	68,500	54,425	14,075
EXCESS OF REVENUES OVER EXPENDITURES				
	19,600	19,600	63,475	43,875
OTHER FINANCING SOURCES				
Transfers In	44,000	44,000	44,000	-
NET CHANGE IN FUND BALANCE				
	\$ 63,600	\$ 63,600	107,475	\$ 43,875
Fund Balance - Beginning of Year			954,071	
Prior Period Restatement (see Note 6)			1,755,154	
Fund Balance - Beginning of Year, as Restated			2,709,225	
FUND BALANCE - END OF YEAR			\$ 2,816,700	

See accompanying Notes to the Required Supplementary Information.

**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
SALES TAX COLLECTIONS FUND
YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Sales Tax	\$ 1,983,000	\$ 1,983,000	\$ 2,214,519	\$ 231,519
Investment Earnings	30,000	30,000	39,338	9,338
Change in Fair Value of Investments	-	-	(45,901)	(45,901)
Total Revenues	2,013,000	2,013,000	2,207,956	194,956
EXPENDITURES				
CURRENT				
General Government	54,900	54,900	52,540	2,360
EXCESS OF REVENUES OVER EXPENDITURES				
	1,958,100	1,958,100	2,155,416	197,316
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	20,451	20,451
Transfers Out	(739,500)	(909,500)	(905,850)	3,650
Total Other Financing Sources (Uses)	(739,500)	(909,500)	(885,399)	24,101
NET CHANGE IN FUND BALANCE	<u>\$ 1,218,600</u>	<u>\$ 1,048,600</u>	1,270,017	<u>\$ 221,417</u>
Fund Balance - Beginning of Year			<u>5,777,461</u>	
FUND BALANCE - END OF YEAR			<u>\$ 7,047,478</u>	

See accompanying Notes to the Required Supplementary Information.

CITY OF BAXTER, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2013

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. Within five business days of December 20th, 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, supplies, 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.

Expenditures exceeded budgeted amounts in the following funds:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Debt Service Fund	\$ 3,238,752	\$ 3,159,700	\$ 79,052
Nonmajor Special Revenue Fund			
Lodging Tax Administration Fund	291,331	290,000	1,331

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

This Page Has Been Left Blank Intentionally.

CITY OF BAXTER, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND
YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
General Property Taxes	\$ 1,126,000	\$ 1,126,000	\$ 1,162,557	\$ 36,557
Special Assessments				
Principal	727,400	727,400	883,978	156,578
Interest	164,700	164,700	219,149	54,449
Intergovernmental				
Federal	86,500	86,500	82,747	(3,753)
Investment Earnings	15,800	15,800	23,161	7,361
Change in Fair Value of Investments	-	-	(23,614)	(23,614)
Total Revenues	2,120,400	2,120,400	2,347,978	227,578
EXPENDITURES				
DEBT SERVICE				
Principal	2,518,400	2,518,400	2,518,333	67
Interest and Fiscal Charges	641,300	641,300	720,419	(79,119)
Total Expenditures	3,159,700	3,159,700	3,238,752	(79,052)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	(1,039,300)	(1,039,300)	(890,774)	148,526
OTHER FINANCING SOURCES				
Proceeds from Sale of Refunding Bonds	-	-	4,045,000	4,045,000
Premium on Refunding Bonds Issued	-	-	135,633	135,633
Transfers In	657,900	657,900	660,968	3,068
Total Other Financing Sources	657,900	657,900	4,841,601	4,183,701
NET CHANGE IN FUND BALANCE				
	\$ (381,400)	\$ (381,400)	3,950,827	\$ 4,332,227
Fund Balance - Beginning of Year			4,523,512	
FUND BALANCE - END OF YEAR				
			\$ 8,474,339	

COMBINING AND INDIVIDUAL FINANCIAL 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, 2013**

	<u>Cemetery</u>	<u>Community Development</u>	<u>Capital Park</u>	<u>Project Development</u>
ASSETS				
Cash and Pooled Investments	\$ 55,055	\$ 569,441	\$ 839,762	\$ 145,520
Accounts Receivable	-	14	-	-
Prepaid Items	-	1,324	-	-
Special Assessments Receivable	-	13,370	-	-
	<u>\$ 55,055</u>	<u>\$ 584,149</u>	<u>\$ 839,762</u>	<u>\$ 145,520</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ 34,016	\$ -	\$ 1,468
Due to Other Governments	-	2,563	-	-
Salaries Payable	-	5,303	-	-
Unearned Revenues	-	6,930	3,505	-
Advances from Other Funds	-	-	-	-
Escrow Deposits	-	4,500	-	72,446
	<u>-</u>	<u>53,312</u>	<u>3,505</u>	<u>73,914</u>
Total Liabilities	-	53,312	3,505	73,914
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue				
Special Assessments	-	13,370	-	-
	<u>-</u>	<u>13,370</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	-	13,370	-	-
FUND BALANCES				
Nonspendable	-	1,324	-	-
Restricted	-	-	-	-
Committed	38,564	516,143	836,257	71,606
Assigned	16,491	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>55,055</u>	<u>517,467</u>	<u>836,257</u>	<u>71,606</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 55,055</u>	<u>\$ 584,149</u>	<u>\$ 839,762</u>	<u>\$ 145,520</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>	<u>TIF District 8 Arbor Glenn 2</u>
\$ 420,061	\$ 14,480	\$ 375,069	\$ 63,700	\$ 82,739	\$ 6,880	\$ 66,984
-	19,938	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 420,061</u>	<u>\$ 34,418</u>	<u>\$ 375,069</u>	<u>\$ 63,700</u>	<u>\$ 82,739</u>	<u>\$ 6,880</u>	<u>\$ 66,984</u>
\$ -	\$ 34,418	\$ 881	\$ 15,101	\$ 29,246	\$ 6,404	\$ 49,821
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	1,400	-
-	-	850	-	-	-	-
-	34,418	1,731	15,101	29,246	7,804	49,821
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
420,061	-	373,338	48,599	53,493	-	17,163
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	(924)	-
<u>420,061</u>	<u>-</u>	<u>373,338</u>	<u>48,599</u>	<u>53,493</u>	<u>(924)</u>	<u>17,163</u>
<u>\$ 420,061</u>	<u>\$ 34,418</u>	<u>\$ 375,069</u>	<u>\$ 63,700</u>	<u>\$ 82,739</u>	<u>\$ 6,880</u>	<u>\$ 66,984</u>

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET (CONTINUED)
OTHER GOVERNMENTAL FUNDS
DECEMBER 31, 2013**

	TIF District 9 Grand Oaks Court	TIF District 10 Isle Drive	Alcohol Seizure	Drug Seizure
ASSETS				
Cash and Pooled Investments	\$ 8,993	\$ 122,623	\$ 23,396	\$ 19,001
Accounts Receivable	-	-	-	-
Prepaid Items	-	-	-	-
Special Assessments Receivable	-	-	-	-
Total Assets	<u>\$ 8,993</u>	<u>\$ 122,623</u>	<u>\$ 23,396</u>	<u>\$ 19,001</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 7,303	\$ -	\$ -	\$ -
Due to Other Governments	-	-	-	5
Salaries Payable	-	-	-	-
Unearned Revenues	-	-	-	-
Advances from Other Funds	-	-	-	-
Escrow Deposits	-	-	-	9,723
Total Liabilities	7,303	-	-	9,728
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue				
Special Assessments	-	-	-	-
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	1,690	122,623	23,396	9,273
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	<u>1,690</u>	<u>122,623</u>	<u>23,396</u>	<u>9,273</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 8,993</u>	<u>\$ 122,623</u>	<u>\$ 23,396</u>	<u>\$ 19,001</u>

<u>Recycling</u>	<u>Combined Totals</u>
\$ 15,656	\$ 2,829,360
-	19,952
-	1,324
-	13,370
\$ 15,656	\$ 2,864,006

\$ 2,673	\$ 181,331
-	2,568
-	5,303
-	10,435
-	1,400
-	87,519
2,673	288,556

-	13,370
---	--------

-	13,370
---	--------

-	1,324
-	1,069,636
12,983	1,475,553
-	16,491
-	(924)

12,983	2,562,080
--------	-----------

\$ 15,656	\$ 2,864,006
-----------	--------------

**CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013**

	Cemetery	Community Development	Capital Park	Project Development
REVENUES				
Lodging Tax	\$ -	\$ -	\$ -	\$ -
Tax Increments	-	-	-	-
Licenses, Permits, and Fees	-	200,943	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	110,567	-	536
Fines and Forfeits	-	31	-	-
Investment Earnings	332	2,998	4,520	1,097
Change in Fair Value of Investments	(397)	(3,583)	(5,402)	(1,312)
Miscellaneous	5,400	32	267,476	804
Revolving Loans	-	-	-	-
Total Revenues	5,335	310,988	266,594	1,125
EXPENDITURES				
CURRENT				
General Government	4,853	-	-	-
Public Safety	-	141,868	-	-
Sanitation	-	-	-	-
Culture and Recreation	-	-	20,197	-
Economic and Community Development	-	330,169	-	332
CAPITAL OUTLAY				
Culture and Recreation	-	-	24,976	-
Economic and Community Development	-	-	-	-
Total Expenditures	4,853	472,037	45,173	332
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	482	(161,049)	221,421	793
OTHER FINANCING SOURCES (USES)				
Transfers In	4,000	191,000	7,200	-
Transfers Out	-	(4,900)	-	-
Total Other Financing Sources (Uses)	4,000	186,100	7,200	-
NET CHANGE IN FUND BALANCES	4,482	25,051	228,621	793
Fund Balance - Beginning of Year	50,573	492,416	607,636	70,813
FUND BALANCE - END OF YEAR	<u>\$ 55,055</u>	<u>\$ 517,467</u>	<u>\$ 836,257</u>	<u>\$ 71,606</u>

Revolving Loan	Lodging Tax Administration	TIF Revenue Collection	TIF District 5 Arbor Glenn	TIF District 6 Clearwater Estates	TIF District 7 Grand Oaks	TIF District 8 Arbor Glenn 2
\$ -	\$ 291,331	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	50,335	83,560	13,482	55,356
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
2,550	-	2,460	247	296	12	206
(3,048)	-	(2,940)	(295)	(354)	(14)	(246)
-	-	7,800	-	-	-	-
36,642	-	-	-	-	-	-
36,144	291,331	7,320	50,287	83,502	13,480	55,316
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
275	291,331	496	32,443	61,330	13,870	51,321
-	-	-	-	-	-	-
-	-	881	-	-	-	-
275	291,331	1,377	32,443	61,330	13,870	51,321
35,869	-	5,943	17,844	22,172	(390)	3,995
-	-	-	-	-	-	-
-	-	(17,740)	-	-	-	-
-	-	(17,740)	-	-	-	-
35,869	-	(11,797)	17,844	22,172	(390)	3,995
384,192	-	385,135	30,755	31,321	(534)	13,168
\$ 420,061	\$ -	\$ 373,338	\$ 48,599	\$ 53,493	\$ (924)	\$ 17,163

CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (CONTINUED)
OTHER GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2013

	TIF District 9 Grand Oaks Court	TIF District 10 Isle Drive	Alcohol Seizure	Drug Seizure
REVENUES				
Lodging Tax	\$ -	\$ -	\$ -	\$ -
Tax Increments	16,228	135,649	-	-
Licenses, Permits, and Fees	-	-	-	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	2,605	4,837
Fines and Forfeits	-	-	2,800	4,006
Investment Earnings	18	209	156	97
Change in Fair Value of Investments	(21)	(250)	(186)	(116)
Miscellaneous	-	-	4,505	-
Revolving Loans	-	-	-	-
Total Revenues	<u>16,225</u>	<u>135,608</u>	<u>9,880</u>	<u>8,824</u>
EXPENDITURES				
CURRENT				
General Government	-	-	-	-
Public Safety	-	-	8,286	2,831
Sanitation	-	-	-	-
Culture and Recreation	-	-	-	-
Economic and Community Development	15,723	1,529	-	-
CAPITAL OUTLAY				
Culture and Recreation	-	-	-	-
Economic and Community Development	-	-	-	-
Total Expenditures	<u>15,723</u>	<u>1,529</u>	<u>8,286</u>	<u>2,831</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	502	134,079	1,594	5,993
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	502	134,079	1,594	5,993
Fund Balance - Beginning of Year	<u>1,188</u>	<u>(11,456)</u>	<u>21,802</u>	<u>3,280</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,690</u>	<u>\$ 122,623</u>	<u>\$ 23,396</u>	<u>\$ 9,273</u>

<u>Recycling</u>	<u>Combined Totals</u>
\$ -	\$ 291,331
-	354,610
-	200,943
32,300	32,300
244	118,789
-	6,837
152	15,350
(182)	(18,346)
-	286,017
-	36,642
32,514	1,324,473
-	4,853
-	152,985
34,944	34,944
-	20,197
-	798,819
-	24,976
-	881
34,944	1,037,655
(2,430)	286,818
2,400	204,600
-	(22,640)
2,400	181,960
(30)	468,778
13,013	2,093,302
\$ 12,983	\$ 2,562,080

**CITY OF BAXTER, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
CEMETERY SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Investment Earnings	\$ 200	\$ 200	\$ 332	\$ 132
Change in Fair Value of Investments	-	-	(397)	(397)
Miscellaneous				
Other Miscellaneous Revenues	2,400	2,400	5,400	3,000
Total Revenues	2,600	2,600	5,335	2,735
EXPENDITURES				
CURRENT				
General Government				
Cemetery	8,200	8,200	4,853	3,347
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(5,600)	(5,600)	482	6,082
OTHER FINANCING SOURCES				
Transfers In	5,600	5,600	4,000	(1,600)
NET CHANGE IN FUND BALANCE				
	\$ -	\$ -	4,482	\$ 4,482
Fund Balance - Beginning of Year			50,573	
FUND BALANCE - END OF YEAR			\$ 55,055	

**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, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Licenses, Permits, and Fees	\$ 95,500	\$ 95,500	\$ 200,943	\$ 105,443
Charges for Services	56,000	56,000	110,567	54,567
Fines and Forfeits	-	-	31	31
Investment Earnings	500	500	2,998	2,498
Change in Fair Value of Investments	-	-	(3,583)	(3,583)
Miscellaneous				
Other Miscellaneous Revenues	-	-	32	32
Total Revenues	152,000	152,000	310,988	158,988
EXPENDITURES				
CURRENT				
Public Safety				
Building Inspection	142,000	142,000	141,868	132
Economic and Community Development				
Planning	196,100	334,900	330,169	4,731
Total Expenditures	338,100	476,900	472,037	4,863
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(186,100)	(324,900)	(161,049)	163,851
OTHER FINANCING SOURCES (USES)				
Transfers In	191,000	191,000	191,000	-
Transfers Out	(4,900)	(4,900)	(4,900)	-
Total Other Financing Sources (Uses)	186,100	186,100	186,100	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (138,800)</u>	25,051	<u>\$ 163,851</u>
Fund Balance - Beginning of Year			492,416	
FUND BALANCE - END OF YEAR			<u>\$ 517,467</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, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Investment Earnings	\$ 2,900	\$ 2,900	\$ 4,520	\$ 1,620
Change in Fair Value of Investments	-	-	(5,402)	(5,402)
Miscellaneous				
Other Miscellaneous Revenues	-	-	267,476	267,476
Total Revenues	2,900	2,900	266,594	263,694
EXPENDITURES				
CURRENT				
Culture and Recreation				
Capital Park	28,200	28,200	20,197	8,003
CAPITAL OUTLAY				
Culture and Recreation	12,500	17,300	24,976	(7,676)
Total Expenditures	40,700	45,500	45,173	327
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(37,800)	(42,600)	221,421	264,021
OTHER FINANCING SOURCES				
Transfers In	7,200	7,200	7,200	-
NET CHANGE IN FUND BALANCE	<u>\$ (30,600)</u>	<u>\$ (35,400)</u>	228,621	<u>\$ 264,021</u>
Fund Balance - Beginning of Year			<u>607,636</u>	
FUND BALANCE - END OF YEAR			<u>\$ 836,257</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, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Lodging Tax	\$ 290,000	\$ 290,000	\$ 291,331	\$ 1,331
EXPENDITURES				
CURRENT				
Economic and Community Development	290,000	290,000	291,331	(1,331)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
Fund Balance - Beginning of Year			-	
FUND BALANCE - END OF YEAR			<u>\$ -</u>	

This Page Has Been Left Blank Intentionally.

**CITY OF BAXTER, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
RECYCLING SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2013**

	Budgeted Amounts		Actual Amounts	Variance With Final Budget
	Original	Final		
REVENUES				
Intergovernmental				
State and Local	\$ 32,300	\$ 32,300	\$ 32,300	\$ -
Charges for Services	300	300	244	(56)
Investment Earnings	100	100	152	52
Change in Fair Value of Investments	-	-	(182)	(182)
Total Revenues	32,700	32,700	32,514	(186)
EXPENDITURES				
CURRENT				
Sanitation	36,900	36,900	34,944	1,956
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(4,200)	(4,200)	(2,430)	1,770
OTHER FINANCING SOURCES				
Transfers In	4,200	4,200	2,400	(1,800)
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(30)	<u>\$ (30)</u>
Fund Balance - Beginning of Year			<u>13,013</u>	
FUND BALANCE - END OF YEAR			<u><u>\$ 12,983</u></u>	

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND – BY BOND ISSUE
DECEMBER 31, 2013**

	2005A G.O. Refunding Bonds 1997 & 1998	2006A G.O. CIP Bonds	2006B G.O. Improvement Bonds	2007B G.O. Improvement Bonds
ASSETS				
Cash and Pooled Investments	\$ 172,075	\$ 576,806	\$ 1,636,896	\$ 643,178
Cash and Investments with Escrow Agent	-	-	-	-
Due From Other Governments	25	11,070	15,767	18,135
Delinquent Taxes Receivable	890	9,773	13,871	5,506
Special Assessments Receivable	-	-	1,213,164	895,571
	<u>\$ 172,990</u>	<u>\$ 597,649</u>	<u>\$ 2,879,698</u>	<u>\$ 1,562,390</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Due to Other Governments	\$ -	\$ -	\$ 2,607	\$ -
	<u>-</u>	<u>-</u>	<u>2,607</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue				
Taxes	890	9,773	13,871	5,506
Special Assessments	-	-	1,213,164	895,571
	<u>890</u>	<u>9,773</u>	<u>1,227,035</u>	<u>901,077</u>
FUND BALANCES				
Restricted	172,100	587,876	1,650,056	661,313
	<u>172,100</u>	<u>587,876</u>	<u>1,650,056</u>	<u>661,313</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 172,990</u>	<u>\$ 597,649</u>	<u>\$ 2,879,698</u>	<u>\$ 1,562,390</u>

2009A G.O. Sales Tax Wastewater Note	2009B G.O. Sales Tax Wastewater Note	2010 G.O. Refunding Bonds '04 & '05B	2013A G.O. Refunding Bonds '06A & '06B	Combined Totals
\$ 149	\$ 765	\$ 1,255,723	\$ 21,230	\$ 4,306,822
-	-	-	4,083,009	4,083,009
-	-	45,657	-	90,654
-	-	12,692	-	42,732
-	-	1,661,677	-	3,770,412
<u>\$ 149</u>	<u>\$ 765</u>	<u>\$ 2,975,749</u>	<u>\$ 4,104,239</u>	<u>\$ 12,293,629</u>
\$ -	\$ -	\$ 3,539	\$ -	\$ 6,146
-	-	3,539	-	6,146
-	-	12,692	-	42,732
-	-	1,661,677	-	3,770,412
-	-	1,674,369	-	3,813,144
<u>149</u>	<u>765</u>	<u>1,297,841</u>	<u>4,104,239</u>	<u>8,474,339</u>
<u>149</u>	<u>765</u>	<u>1,297,841</u>	<u>4,104,239</u>	<u>8,474,339</u>
<u>\$ 149</u>	<u>\$ 765</u>	<u>\$ 2,975,749</u>	<u>\$ 4,104,239</u>	<u>\$ 12,293,629</u>

**CITY OF BAXTER, MINNESOTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DEBT SERVICE FUND – BY BOND ISSUE
YEAR ENDED DECEMBER 31, 2013**

	2005A G.O. Refunding Bonds 1997 & 1998	2006A G.O. CIP Bonds	2006B G.O. Improvement Bonds	2007B G.O. Improvement Bonds
REVENUES				
Taxes	\$ 794	\$ 430,403	\$ 180,378	\$ 203,403
Special Assessments	-	-	314,819	193,485
Intergovernmental	-	-	-	-
Investment Earnings	1,223	2,061	8,666	2,807
Change in Fair Value of Investments	(1,462)	(2,463)	(10,358)	(3,355)
Total Revenues	555	430,001	493,505	396,340
EXPENDITURES				
DEBT SERVICE				
Principal	240,000	180,000	450,000	205,000
Interest and Fiscal Charges	8,714	138,025	83,831	96,341
Total Expenditures	248,714	318,025	533,831	301,341
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(248,159)	111,976	(40,326)	94,999
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Refunding Bonds	-	-	-	-
Premium on Refunding Bonds Issued	-	-	-	-
Transfers In	-	50,000	-	500
Total Other Financing Sources (Uses)	-	50,000	-	500
NET CHANGE IN FUND BALANCES	(248,159)	161,976	(40,326)	95,499
Fund Balance - Beginning of Year	420,259	425,900	1,690,382	565,814
FUND BALANCE - END OF YEAR	\$ 172,100	\$ 587,876	\$ 1,650,056	\$ 661,313

2009A G.O. Sales Tax Wastewater Note	2009B G.O. Sales Tax Wastewater Note	2010 G.O. Refunding Bonds '04 & '05B	2013A G.O. Refunding Bonds '06A & '06B	Combined Totals
\$ -	\$ -	\$ 347,579	\$ -	\$ 1,162,557
-	-	594,823	-	1,103,127
-	82,747	-	-	82,747
1	142	4,746	3,515	23,161
(1)	(169)	(5,672)	(134)	(23,614)
-	82,720	941,476	3,381	2,347,978
66,000	372,333	1,005,000	-	2,518,333
7,708	247,175	58,850	79,775	720,419
73,708	619,508	1,063,850	79,775	3,238,752
(73,708)	(536,788)	(122,374)	(76,394)	(890,774)
-	-	-	4,045,000	4,045,000
-	-	-	135,633	135,633
73,708	536,760	-	-	660,968
73,708	536,760	-	4,180,633	4,841,601
-	(28)	(122,374)	4,104,239	3,950,827
149	793	1,420,215	-	4,523,512
\$ 149	\$ 765	\$ 1,297,841	\$ 4,104,239	\$ 8,474,339

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET
CAPITAL PROJECT FUND – BY PROJECT
DECEMBER 31, 2013**

	<u>Collector Street</u>	<u>Street Replacement</u>	<u>Capital Equipment</u>	<u>Trails Construction</u>
ASSETS				
Cash and Pooled Investments	\$ 3,486,270	\$ 235,059	\$ 762,048	\$ 336,739
Accounts Receivable	-	-	-	-
Due From Other Governments	85,111	277	-	-
Delinquent Taxes Receivable	-	-	577	-
Special Assessments Receivable	338,149	31,679	-	-
	<u>338,149</u>	<u>31,679</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 3,909,530</u>	<u>\$ 267,015</u>	<u>\$ 762,625</u>	<u>\$ 336,739</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ 1,850	\$ 2,853	\$ -
Due to Other Funds	-	-	-	-
Contracts Payable	-	-	5,483	-
	<u>-</u>	<u>-</u>	<u>5,483</u>	<u>-</u>
Total Liabilities	-	1,850	8,336	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue				
Taxes	-	-	577	-
Special Assessments	338,149	31,679	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	338,149	31,679	577	-
FUND BALANCES				
Assigned	3,571,381	233,486	753,712	336,739
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>3,571,381</u>	<u>233,486</u>	<u>753,712</u>	<u>336,739</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,909,530</u>	<u>\$ 267,015</u>	<u>\$ 762,625</u>	<u>\$ 336,739</u>

City Center Building	Cypress Drive	Woida Wildflower	Dellwood Novotny Ext	Cypress Town Center	Cypress Dr - Hinckley to 48	Potlatch Phase 2
\$ 415,270	\$ 8,527	\$ 188,004	\$ -	\$ 46,227	\$ -	\$ 40,732
-	-	-	-	-	-	21,493
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 415,270</u>	<u>\$ 8,527</u>	<u>\$ 188,004</u>	<u>\$ -</u>	<u>\$ 46,227</u>	<u>\$ -</u>	<u>\$ 62,225</u>
\$ -	\$ 8,832	\$ 45,030	\$ -	\$ -	\$ -	\$ -
-	-	-	94,967	-	35,904	-
-	-	-	-	-	-	65,077
-	8,832	45,030	94,967	-	35,904	65,077
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	21,493
-	-	-	-	-	-	21,493
415,270	-	142,974	-	46,227	-	-
-	(305)	-	(94,967)	-	(35,904)	(24,345)
<u>415,270</u>	<u>(305)</u>	<u>142,974</u>	<u>(94,967)</u>	<u>46,227</u>	<u>(35,904)</u>	<u>(24,345)</u>
<u>\$ 415,270</u>	<u>\$ 8,527</u>	<u>\$ 188,004</u>	<u>\$ -</u>	<u>\$ 46,227</u>	<u>\$ -</u>	<u>\$ 62,225</u>

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET (CONTINUED)
CAPITAL PROJECT FUND – BY PROJECT
DECEMBER 31, 2013**

	South Isle Dr Extension	Fairview Extension 371 NW	Inglewood/ Fairview/ Foley	Cypress Phase 1 RR to 210
ASSETS				
Cash and Pooled Investments	\$ -	\$ 5,531	\$ 71,594	\$ 77,734
Accounts Receivable	-	-	-	-
Due From Other Governments	-	-	-	-
Delinquent Taxes Receivable	-	-	-	-
Special Assessments Receivable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ -</u>	<u>\$ 5,531</u>	<u>\$ 71,594</u>	<u>\$ 77,734</u>
LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 305	\$ -	\$ -	\$ -
Due to Other Funds	28,348	-	-	-
Contracts Payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	28,653	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue				
Taxes	-	-	-	-
Special Assessments	-	-	-	-
Other	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Deferred Inflows of Resources	-	-	-	-
FUND BALANCES				
Assigned	-	5,531	71,594	77,734
Unassigned	(28,653)	-	-	-
	<u>(28,653)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>(28,653)</u>	<u>5,531</u>	<u>71,594</u>	<u>77,734</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ -</u>	<u>\$ 5,531</u>	<u>\$ 71,594</u>	<u>\$ 77,734</u>

South Sewer Interceptor	Isle/ CSAH 48 Intersection	College/48 Intersection	Inglewood- Fairview to Excelsior	Falcon Drive	Combined Totals
\$ -	\$ -	\$ 11,882	\$ -	\$ -	\$ 5,685,617
-	-	-	-	-	21,493
-	-	-	-	-	85,388
-	-	-	-	-	577
-	-	-	-	-	369,828
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,162,903</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,870
5,805	9,715	-	300	480	175,519
-	-	11,882	-	-	82,442
<u>5,805</u>	<u>9,715</u>	<u>11,882</u>	<u>300</u>	<u>480</u>	<u>316,831</u>
-	-	-	-	-	577
-	-	-	-	-	369,828
-	-	-	-	-	21,493
-	-	-	-	-	391,898
-	-	-	-	-	5,654,648
<u>(5,805)</u>	<u>(9,715)</u>	<u>-</u>	<u>(300)</u>	<u>(480)</u>	<u>(200,474)</u>
<u>(5,805)</u>	<u>(9,715)</u>	<u>-</u>	<u>(300)</u>	<u>(480)</u>	<u>5,454,174</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,882</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,162,903</u>

**CITY OF BAXTER, MINNESOTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
CAPITAL PROJECT FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2013**

	Collector Street	Street Replacement	Capital Equipment	Trails Construction
REVENUES				
Taxes	\$ -	\$ -	\$ 32	\$ -
Special Assessments	7,864	13,317	-	-
Intergovernmental	85,111	-	-	-
Investment Earnings	19,667	1,225	4,428	2,048
Change in Fair Value of Investments	(23,506)	(1,464)	(5,292)	(2,448)
Total Revenues	89,136	13,078	(832)	(400)
EXPENDITURES				
CURRENT				
General Government	-	-	21,362	-
Public Safety	-	-	8,354	-
Public Works	-	31,803	2,024	-
Culture and Recreation	-	-	-	6,425
CAPITAL OUTLAY				
General Government	-	-	26,987	-
Public Safety	-	-	75,395	-
Public Works	1,700	-	-	-
Culture and Recreation	-	-	45,120	-
Total Expenditures	1,700	31,803	179,242	6,425
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	87,436	(18,725)	(180,074)	(6,825)
OTHER FINANCING SOURCES				
Proceeds from Sale of Capital Assets	-	-	27,663	-
Transfers In	511,000	80,200	235,700	30,000
Total Other Financing Sources	511,000	80,200	263,363	30,000
NET CHANGE IN FUND BALANCES				
	598,436	61,475	83,289	23,175
Fund Balance - Beginning of Year	2,972,945	172,011	670,423	313,564
FUND BALANCE - END OF YEAR				
	<u>\$ 3,571,381</u>	<u>\$ 233,486</u>	<u>\$ 753,712</u>	<u>\$ 336,739</u>

City Center Building	Cypress Drive	Woida Wildflower	Dellwood Novotny Ext	Cypress Town Center	Cypress Dr - Hinckley to 48	Potlatch Phase 2
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	41,539	-	-
-	-	-	-	-	-	-
2,635	-	-	-	79	-	257
(3,149)	1,028	-	711	(94)	271	(308)
(514)	1,028	-	711	41,524	271	(51)
2,669	-	-	-	-	-	-
-	-	-	-	-	-	-
-	12,541	49,075	3,037	-	227	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	3,481	-	-	-	-
-	-	-	-	-	-	-
2,669	12,541	52,556	3,037	-	227	-
(3,183)	(11,513)	(52,556)	(2,326)	41,524	44	(51)
-	-	-	-	-	-	-
-	146,312	-	-	-	-	-
-	146,312	-	-	-	-	-
(3,183)	134,799	(52,556)	(2,326)	41,524	44	(51)
418,453	(135,104)	195,530	(92,641)	4,703	(35,948)	(24,294)
\$ 415,270	\$ (305)	\$ 142,974	\$ (94,967)	\$ 46,227	\$ (35,904)	\$ (24,345)

CITY OF BAXTER, MINNESOTA
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
CAPITAL PROJECT FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2013

	South Isle Dr Extension	Fairview Extension 371 NW	Inglewood/ Fairview/ Foley	Cypress Phase 1 RR to 210
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-
Intergovernmental	-	-	-	-
Investment Earnings	-	36	452	454
Change in Fair Value of Investments	144	(42)	(541)	(543)
Total Revenues	144	(6)	(89)	(89)
EXPENDITURES				
CURRENT				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	20,884	-	-	-
Culture and Recreation	-	-	-	-
CAPITAL OUTLAY				
General Government	-	-	-	-
Public Safety	-	-	-	-
Public Works	-	-	-	17,740
Culture and Recreation	-	-	-	-
Total Expenditures	20,884	-	-	17,740
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(20,740)	(6)	(89)	(17,829)
OTHER FINANCING SOURCES				
Proceeds from Sale of Capital Assets	-	-	-	-
Transfers In	-	-	-	17,740
Total Other Financing Sources	-	-	-	17,740
NET CHANGE IN FUND BALANCES				
	(20,740)	(6)	(89)	(89)
Fund Balance - Beginning of Year	(7,913)	5,537	71,683	77,823
FUND BALANCE - END OF YEAR				
	\$ (28,653)	\$ 5,531	\$ 71,594	\$ 77,734

South Sewer Interceptor	Isle/ CSAH 48 Intersection	College/48 Intersection	Inglewood- Fairview to Excelsior	Falcon Drive	Combined Totals
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32
-	-	-	-	-	62,720
-	-	-	-	-	85,111
-	-	-	-	-	31,281
44	58	-	1	1	(35,129)
<u>44</u>	<u>58</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>144,015</u>
-	-	-	-	-	24,031
-	-	-	-	-	8,354
37	9,773	-	301	481	130,183
-	-	-	-	-	6,425
-	-	-	-	-	26,987
-	-	-	-	-	75,395
-	-	-	-	-	22,921
-	-	-	-	-	45,120
<u>37</u>	<u>9,773</u>	<u>-</u>	<u>301</u>	<u>481</u>	<u>339,416</u>
7	(9,715)	-	(300)	(480)	(195,401)
-	-	-	-	-	27,663
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,020,952</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,048,615</u>
7	(9,715)	-	(300)	(480)	853,214
(5,812)	-	-	-	-	4,600,960
<u>\$ (5,805)</u>	<u>\$ (9,715)</u>	<u>\$ -</u>	<u>\$ (300)</u>	<u>\$ (480)</u>	<u>\$ 5,454,174</u>

STATISTICAL SECTION (UNAUDITED)

STATISTICAL SECTION (UNAUDITED)

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, 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 TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year		
	2004	2005	2006
Governmental Activities			
Net Investment 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	<u>7,286,102</u>	<u>25,073,995</u>	<u>24,273,132</u>
Total Governmental Activities Net Position	<u>\$ 30,780,524</u>	<u>\$ 31,449,003</u>	<u>\$ 33,780,489</u>
Business-Type Activities			
Net Investment in Capital Assets	\$ 18,580,658	\$ 22,701,367	\$ 33,643,933
Unrestricted	<u>4,194,563</u>	<u>9,001,630</u>	<u>3,362,203</u>
Total Business-Type Activities Net Position	<u>\$ 22,775,221</u>	<u>\$ 31,702,997</u>	<u>\$ 37,006,136</u>
Primary Government			
Net Investment 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	<u>11,480,665</u>	<u>34,075,625</u>	<u>27,635,335</u>
Total Primary Government Net Position	<u>\$ 53,555,745</u>	<u>\$ 63,152,000</u>	<u>\$ 70,786,625</u>

							Fiscal Year
2007	2008	2009	2010	2011	2012	2013	
\$ 2,262,489	\$ 6,355,520	\$ 9,755,015	\$ 14,638,901	\$ 19,093,683	\$ 22,675,313	\$ 18,567,059	
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	7,868,180	
-	-	-	2,939,435	2,939,925	2,964,012	2,977,504	
-	-	-	5,890,212	5,311,147	5,785,750	7,057,415	
-	-	-	402,556	411,558	419,549	420,061	
-	-	-	999,858	521,192	462,417	616,906	
-	-	-	19,002	20,108	25,082	32,669	
7,737,948	10,234,105	12,327,885	6,610,863	147,101	(2,571,438)	3,152,221	
<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>	<u>\$ 40,692,015</u>	
\$ 34,692,230	\$ 34,958,321	\$ 34,178,791	\$ 33,290,422	\$ 42,523,243	\$ 45,066,969	\$ 44,021,212	
8,144,091	8,601,996	8,400,102	8,523,113	8,457,050	9,739,329	10,979,563	
<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>	<u>\$ 55,000,775</u>	
\$ 36,954,719	\$ 41,313,841	\$ 43,933,806	\$ 47,929,323	\$ 53,175,816	\$ 59,751,282	\$ 54,714,808	
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	7,868,180	
-	-	-	2,939,435	2,939,925	2,964,012	2,977,504	
-	-	-	5,890,212	5,311,147	5,785,750	7,057,415	
-	-	-	402,556	411,558	419,549	420,061	
-	-	-	999,858	521,192	462,417	616,906	
-	-	-	19,002	20,108	25,082	32,669	
15,882,039	18,836,101	20,727,987	15,133,976	17,045,261	15,158,891	22,005,247	
<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>	<u>\$ 95,692,790</u>	

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

	Fiscal Year		
	2004	2005	2006
Expenses			
Governmental Activities			
General Government	\$ 1,017,823	\$ 1,786,312	\$ 1,216,795
Public Safety	1,271,986	1,652,861	1,757,316
Public Works	971,247	1,006,311	2,718,121
Sanitation	36,952	27,735	29,924
Culture and Recreation	371,504	475,297	553,874
Economic and Community Development	251,505	350,402	760,719
Interest	551,225	841,247	1,031,227
Total Governmental Activities Expenses	<u>\$ 4,472,242</u>	<u>\$ 6,140,165</u>	<u>\$ 8,067,976</u>
Business-Type Activities			
Water	\$ 1,195,256	\$ 978,775	\$ 1,089,586
Sewer	719,174	1,100,888	1,036,331
Storm Water	-	40	109,418
Total Business-Type Activities Expenses	<u>1,914,430</u>	<u>2,079,703</u>	<u>2,235,335</u>
Total Primary Government Expenses	<u>\$ 6,386,672</u>	<u>\$ 8,219,868</u>	<u>\$ 10,303,311</u>
Program Revenues			
Governmental Activities			
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	<u>\$ 13,433,609</u>	<u>\$ 10,272,409</u>	<u>\$ 8,937,479</u>
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	<u>2,222,803</u>	<u>3,390,752</u>	<u>3,212,511</u>
Total Primary Government Program Revenues	<u>\$ 15,656,412</u>	<u>\$ 13,663,161</u>	<u>\$ 12,149,990</u>

Fiscal Year						
2007	2008	2009	2010	2011	2012	2013
\$ 1,378,865	\$ 1,356,288	\$ 1,425,790	\$ 1,428,267	\$ 1,416,819	\$ 1,212,361	\$ 1,373,321
1,798,739	1,889,619	1,977,046	2,034,789	1,939,880	1,874,740	1,894,095
2,354,018	2,683,004	2,233,639	2,111,757	2,380,427	2,267,214	2,352,349
28,739	34,670	36,090	34,669	38,338	35,476	34,944
582,079	1,999,735	693,850	618,718	687,545	670,426	723,667
772,561	672,902	578,480	779,170	1,115,103	818,460	827,988
1,193,519	1,112,782	1,025,079	1,079,936	940,392	822,443	879,723
<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>	<u>\$ 8,086,087</u>
\$ 1,606,679	\$ 1,627,520	\$ 1,743,771	\$ 1,677,288	\$ 1,652,130	\$ 1,674,473	\$ 1,968,324
1,221,479	1,353,043	1,319,966	1,332,248	1,451,130	1,623,673	1,731,740
160,464	234,470	236,948	248,377	259,517	282,810	322,326
2,988,622	3,215,033	3,300,685	3,257,913	3,362,777	3,580,956	4,022,390
<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>	<u>\$ 12,108,477</u>
\$ 535,496	\$ 427,129	\$ 476,731	\$ 575,102	\$ 497,891	\$ 518,048	\$ 477,130
289,655	382,192	477,155	325,824	322,447	555,768	416,024
57,000	-	-	1,221,493	-	23,434	7,875
463	359	287	405	379	391	244
48,034	51,136	27,785	72,155	7,373	211,123	269,462
225,233	52,859	14,387	120,536	35,397	43,782	33,005
343,110	210,626	205,647	279,697	360,152	276,068	235,669
3,571,220	2,061,332	1,037,841	921,662	687,075	956,669	509,946
<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>	<u>\$ 1,949,355</u>
\$ 1,709,478	\$ 1,308,318	\$ 1,430,105	\$ 1,458,913	\$ 1,406,582	\$ 1,785,969	\$ 1,861,747
1,518,970	1,184,963	1,174,023	1,206,950	1,271,248	1,606,991	1,669,945
245,956	291,053	304,492	303,841	304,605	311,327	316,202
8,900	36,862	2,246	121,386	18,177	20,690	84,294
2,596,900	41,700	2,500	57,375	111,272	755,526	95,020
6,080,204	2,862,896	2,913,366	3,148,465	3,111,884	4,480,503	4,027,208
<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>	<u>\$ 5,976,563</u>

CITY OF BAXTER, MINNESOTA
CHANGE IN NET POSITION (CONTINUED)
LAST TEN 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
Change in Fair Value of Investments	-	-	-
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	\$ -	\$ -	\$ -
Change in Fair Value of Investments	-	-	-
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 began providing Storm Water services during the period ended December 31, 2006.
- (2) The City began to separately present the Change in Fair Value of Investments from Investment Earnings in 2013.

Fiscal Year						
2007	2008	2009	2010	2011	2012	2013
\$ (3,038,309)	\$ (6,563,367)	\$ (5,730,141)	\$ (4,570,432)	\$ (6,607,790)	\$ (5,115,837)	\$ (6,136,732)
3,091,582	(352,137)	(387,319)	(109,448)	(250,893)	899,547	4,818
<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>	<u>\$ (6,131,914)</u>
\$ 4,653,175	\$ 5,039,645	\$ 5,453,694	\$ 5,312,680	\$ 5,667,151	\$ 5,405,829	\$ 5,479,108
287,486	282,654	251,007	265,889	287,419	297,361	291,331
2,032,718	1,921,680	1,875,168	1,917,505	1,936,851	2,124,950	2,216,167
382,414	389,568	371,551	392,575	333,922	228,037	354,610
190,051	100,663	33,120	2,957	2,433	2,493	2,556
693,913	488,173	265,196	301,744	220,984	256,429	136,094
-	-	-	-	-	-	(153,737)
63,324	118,419	53,039	56,613	69,536	79,518	99,345
3,902	-	-	17,351	1,400	18,202	27,663
<u>(2,367,791)</u>	<u>(786,112)</u>	<u>729,214</u>	<u>806,686</u>	<u>(9,310,734)</u>	<u>(2,809,624)</u>	<u>(191,031)</u>
<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>	<u>\$ 8,262,106</u>
\$ 370,812	\$ 290,021	\$ 135,109	\$ 150,776	\$ 106,917	\$ 116,834	\$ 73,895
-	-	-	-	-	-	(75,267)
<u>2,367,791</u>	<u>786,112</u>	<u>(729,214)</u>	<u>(806,686)</u>	<u>9,310,734</u>	<u>2,809,624</u>	<u>191,031</u>
<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>189,659</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>	<u>\$ 8,451,765</u>
\$ 8,731,068	\$ 1,715,319	\$ 2,320,424	\$ 3,738,210	\$ 1,767,930	\$ 4,313,363	\$ 2,319,851
70,786,625	79,517,693	81,233,012	83,553,436	87,291,646	89,059,576	93,372,939
<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>	<u>\$ 95,692,790</u>

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

	Fiscal Year			
	2004	2005	2006	2007
General Fund				
Nondisposable	\$ -	\$ -	\$ -	\$ -
Assigned (Designated 2002-2009)	200,000	275,000	-	-
Unassigned (Unrestricted, Undesignated)	1,807,153	2,221,045	2,670,101	2,685,029
Total General Fund	\$ 2,007,153	\$ 2,496,045	\$ 2,670,101	\$ 2,685,029
All Other Governmental Funds				
Nondisposable				
Special Revenue Funds	\$ -	\$ -	\$ -	\$ -
Restricted				
Special Revenue Funds	-	-	-	-
Debt Service Fund	-	-	-	-
Committed				
Special Revenue Funds	-	-	-	-
Reserved (2002-2009 only)				
Special Revenue Funds	-	-	-	128,088
Debt Service Fund	-	-	-	10,536,564
Capital Project Fund	1,085,531	27,244	989,602	1,246,291
Assigned (Designated 2002-2009)				
Special Revenue Funds	294,594	283,882	278,793	-
Debt Service Fund	5,225,501	9,266,713	9,149,905	-
Capital Project Fund	-	-	-	-
Unassigned (Unrestricted, Undesignated)				
Special Revenue Funds	2,837,817	2,852,903	2,181,093	3,151,887
Capital Project Fund	(6,687)	-	-	-
Total All Other Governmental Funds	\$ 9,436,756	\$ 12,430,742	\$ 12,599,393	\$ 15,062,830

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					
2008	2009	2010	2011	2012	2013
\$ -	\$ -	\$ 4,149	\$ 3,802	\$ 2,115	\$ 21,485
-	-	565,400	565,400	813,100	766,300
2,763,542	2,777,951	2,782,544	2,782,891	2,680,221	2,719,679
<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>	<u>\$ 3,507,464</u>
\$ -	\$ -	\$ 942	\$ 165	\$ -	\$ 1,324
-	-	8,027,883	6,985,359	9,357,527	10,933,814
-	-	11,433,456	8,576,137	4,523,512	8,474,339
-	-	638,971	753,473	1,218,392	1,475,553
21,202	25,064	-	-	-	-
8,697,629	7,645,710	-	-	-	-
104,763	1,001,565	-	-	-	-
-	-	14,406	15,191	16,059	16,491
-	-	-	-	-	-
-	-	1,908,456	4,080,260	4,600,960	5,454,174
4,883,894	6,861,900	(10,966)	(11,167)	(11,990)	(924)
-	-	-	-	-	-
<u>\$ 13,707,488</u>	<u>\$ 15,534,239</u>	<u>\$ 22,013,148</u>	<u>\$ 20,399,418</u>	<u>\$ 19,704,460</u>	<u>\$ 26,354,771</u>

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

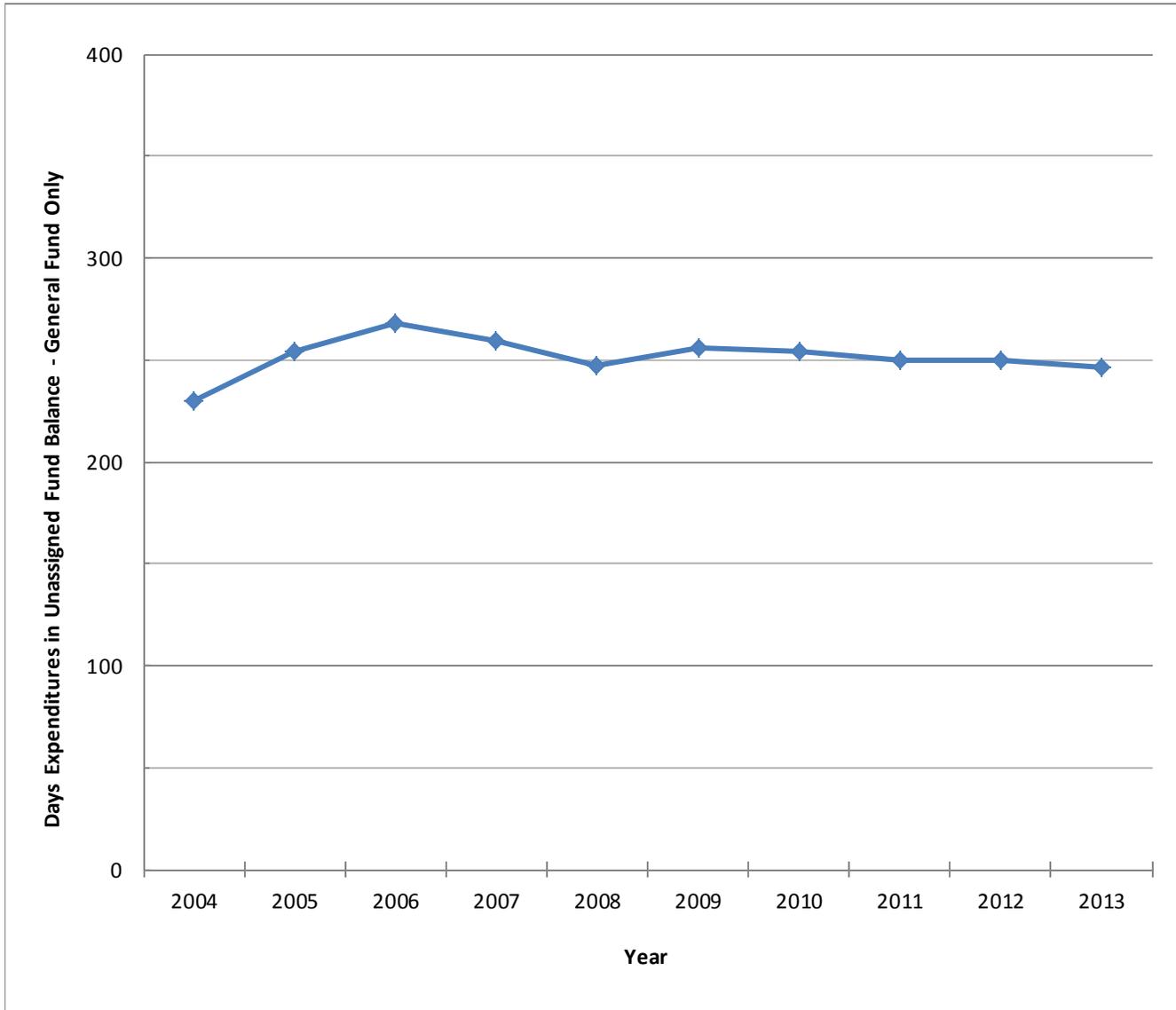
	Fiscal Year			
	2004	2005	2006	2007
Revenues				
Taxes	\$ 2,840,143	\$ 3,236,858	\$ 3,857,157	\$ 4,520,077
Lodging Tax	-	-	263,573	287,486
Sales Tax	-	-	471,158	2,032,718
Tax Increments	555,084	349,382	288,162	382,414
Special Assessments	3,306,021	4,545,479	4,467,960	4,483,790
Licenses, Permits, and Fees	742,731	790,646	707,898	417,220
Intergovernmental	2,099,972	187,997	1,661,592	1,112,761
Charges for Services	364,194	708,931	694,640	733,708
Fines and Forfeits	53,744	84,982	74,582	104,511
Gifts and Contributions	89,128	8,822	47,686	1,250
Investment Earnings	42,713	292,384	681,212	693,913
Change in Fair Value of Investments**	-	-	-	-
Miscellaneous	875,604	255,308	170,181	154,439
Revolving Loans	54,556	46,086	53,035	50,275
Total Revenues	11,023,890	10,506,875	13,438,836	14,974,562
Expenditures				
Current				
General Government	1,036,163	1,004,458	1,154,061	1,369,883
Public Safety	1,299,888	1,628,735	1,712,108	1,808,239
Public Works	356,367	450,389	847,037	871,334
Sanitation	-	-	-	28,739
Culture and Recreation	359,307	432,061	482,854	454,263
Economic and Community Development	388,374	350,402	949,525	1,070,651
Capital Outlay	12,180,260	6,145,195	12,818,079	4,374,199
Debt Service				
Principal	1,358,311	2,177,489	3,349,829	4,130,113
Interest and Fiscal Charges	489,171	788,329	878,191	1,188,664
Bond Issue Costs	57,191	116,838	106,949	57,349
Total Expenditures	17,525,032	13,093,896	22,298,633	15,353,434
Excess (Deficiency) of Revenues Over Expenditures	(6,501,142)	(2,587,021)	(8,859,797)	(378,872)
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	-	-	-	3,902
Proceeds from Sale of Bonds	9,050,000	6,195,000	10,000,000	3,425,000
Premium on Bonds/Notes Issued	109,298	3,352	68,143	26,940
Discount on Bonds/Notes Issued	-	(37,253)	(10,078)	-
Proceeds from Capital Lease	-	-	250,000	-
Principal Payment on Refunded Bonds	-	-	-	-
Transfers In	1,319,278	1,100,415	2,842,890	2,173,114
Transfers Out	(1,494,108)	(1,191,615)	(3,948,451)	(2,771,719)
Total Other Financing Sources (Uses)	8,984,468	6,069,899	9,202,504	2,857,237
Net Change in Fund Balances	\$ 2,483,326	\$ 3,482,878	\$ 342,707	\$ 2,478,365
Debt Service as a Percentage of Noncapital Expenditures*	16.5%	29.5%	51.7%	48.4%

*Revised for fiscal years 2004-2010.

** Aggregated with Investment Earnings prior to 2013.

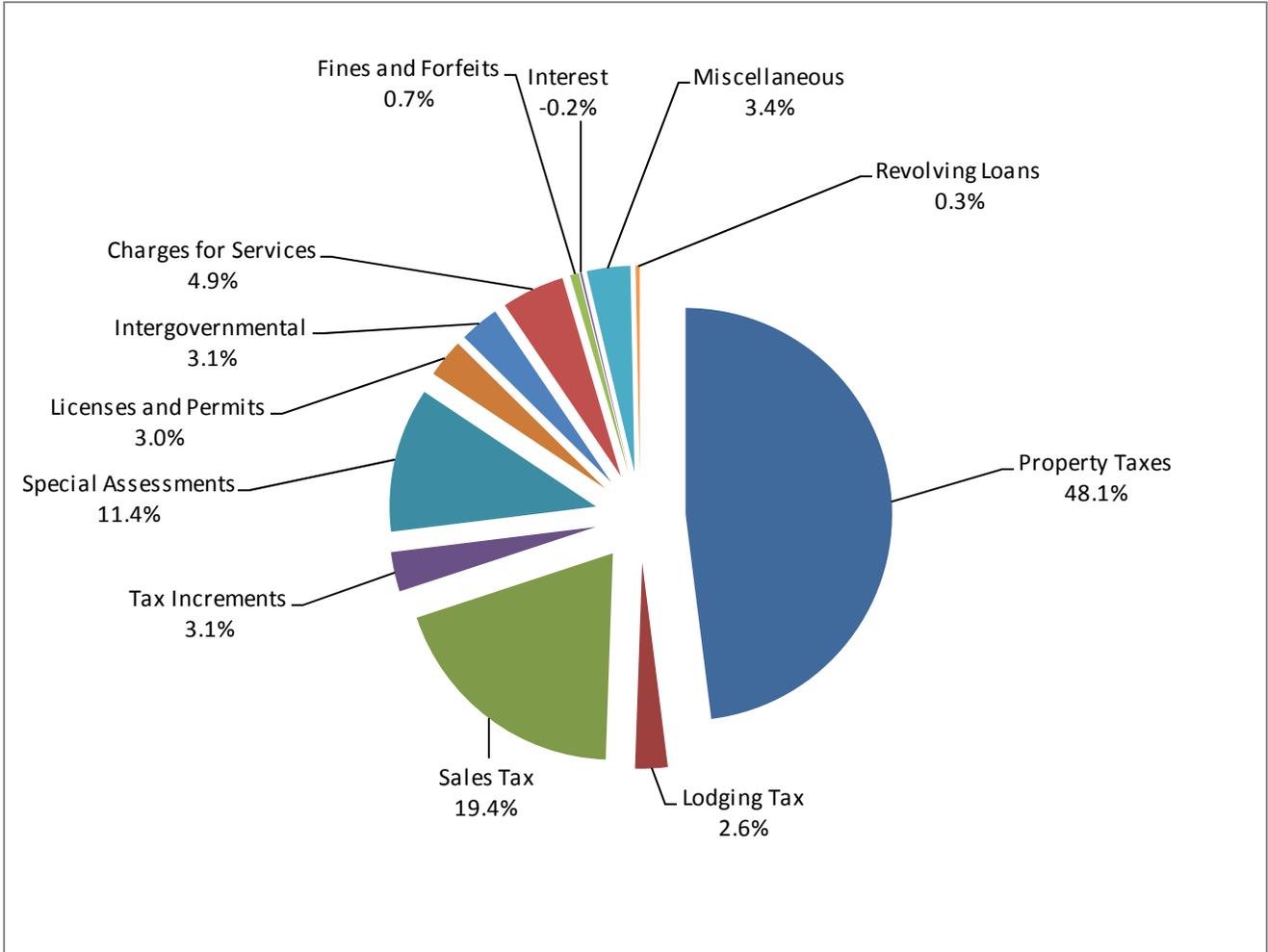
Fiscal Year						
2008	2009	2010	2011	2012	2013	
\$ 4,828,170	\$ 5,170,688	\$ 5,498,763	\$ 5,871,854	\$ 5,497,267	\$ 5,486,196	
282,654	251,007	265,889	287,419	297,361	291,331	
1,914,352	1,836,111	1,938,915	1,951,316	2,127,170	2,214,519	
389,568	371,551	392,575	333,922	228,037	354,610	
3,340,550	2,979,835	3,418,718	2,063,769	1,861,457	1,294,827	
264,616	299,446	183,762	364,655	405,148	344,444	
1,696,669	537,348	624,073	377,280	316,829	356,311	
544,356	611,278	1,730,146	607,773	660,110	563,774	
132,048	130,195	125,579	87,850	108,610	78,299	
24,512	5,211	3,100	3,960	1,910	2,792	
488,173	265,196	301,739	220,989	256,421	136,102	
-	-	-	-	-	(153,737)	
225,400	150,509	131,045	89,106	2,109,805	385,043	
50,275	29,327	-	36,642	36,642	36,642	
<u>14,181,343</u>	<u>12,637,702</u>	<u>14,614,304</u>	<u>12,296,535</u>	<u>13,906,767</u>	<u>11,391,153</u>	
1,333,983	1,368,989	1,388,835	1,382,197	1,244,668	1,325,191	
1,877,751	1,925,811	1,973,467	1,925,231	1,839,208	1,863,858	
971,514	583,939	604,009	667,421	520,445	655,100	
34,670	36,090	34,669	38,338	35,476	34,944	
674,652	508,600	471,005	525,931	502,857	553,710	
714,819	592,660	790,883	1,132,979	839,686	853,244	
2,865,591	5,324,000	5,886,965	2,416,666	1,771,214	196,280	
5,806,933	5,138,184	4,912,770	5,420,721	2,524,110	2,543,333	
1,161,914	1,057,541	1,026,125	987,564	795,870	673,454	
-	-	35,925	-	-	46,965	
<u>15,441,827</u>	<u>16,535,814</u>	<u>17,124,653</u>	<u>14,497,048</u>	<u>10,073,534</u>	<u>8,746,079</u>	
(1,260,484)	(3,898,112)	(2,510,349)	(2,200,513)	3,833,233	2,645,074	
2,902	-	13,468	1,839	8,008	27,663	
-	5,010,058	8,765,571	-	-	4,045,000	
-	-	-	-	-	135,633	
-	-	(22,325)	-	-	-	
-	-	-	-	-	-	
-	-	-	-	(4,340,000)	-	
1,798,792	2,516,017	2,408,814	5,589,133	3,040,267	1,950,971	
(1,818,039)	(1,786,803)	(1,602,128)	(5,004,189)	(3,093,123)	(2,142,002)	
<u>(16,345)</u>	<u>5,739,272</u>	<u>9,563,400</u>	<u>586,783</u>	<u>(4,384,848)</u>	<u>4,017,265</u>	
<u>\$ (1,276,829)</u>	<u>\$ 1,841,160</u>	<u>\$ 7,053,051</u>	<u>\$ (1,613,730)</u>	<u>\$ (551,615)</u>	<u>\$ 6,662,339</u>	
50.4%	55.2%	53.8%	53.0%	40.0%	46.1%	

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



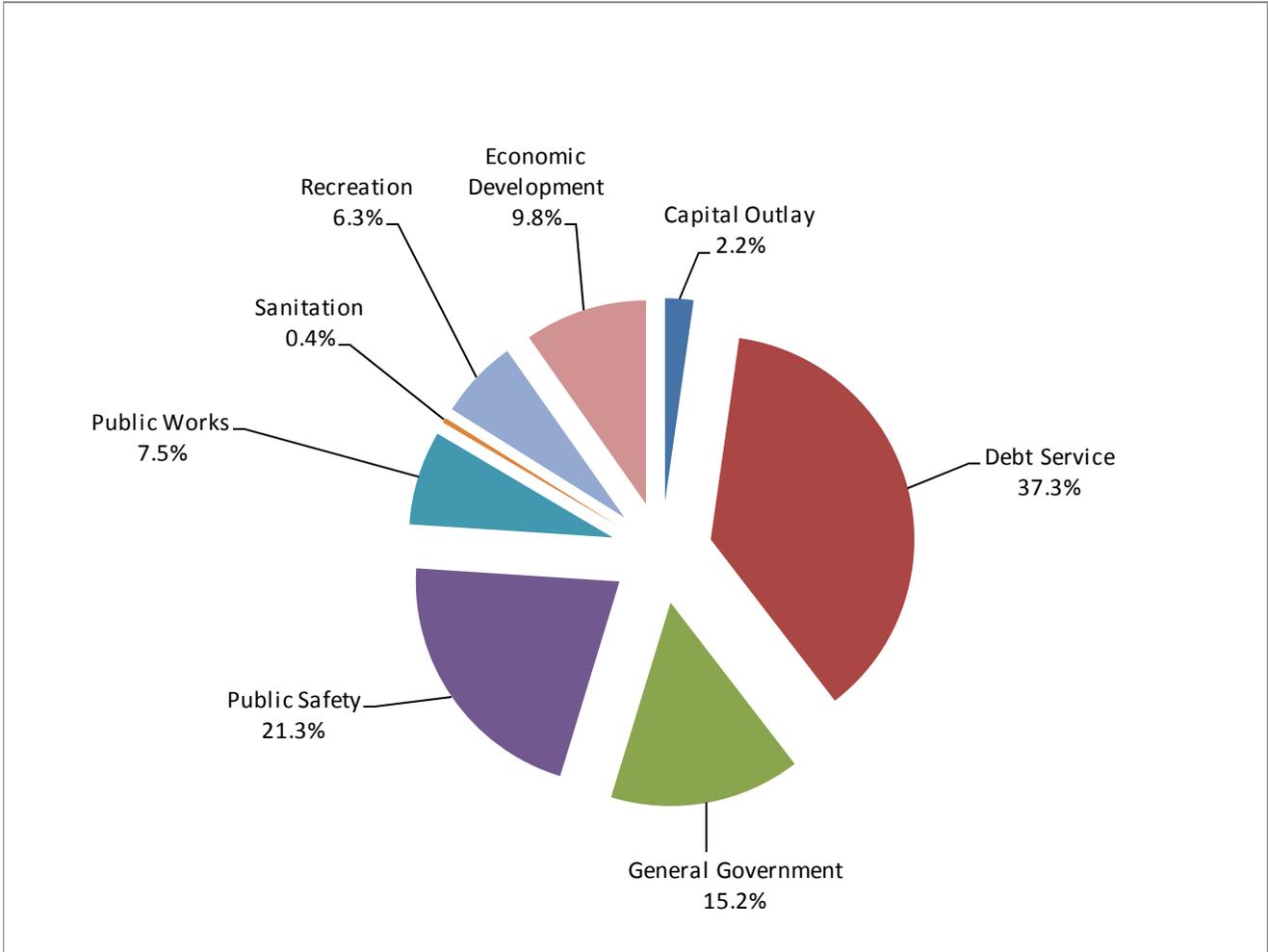
* Unreserved, undesignated fund balance prior to 2010.

**CITY OF BAXTER, MINNESOTA
REVENUES – GOVERNMENTAL FUNDS
DECEMBER 31, 2013**



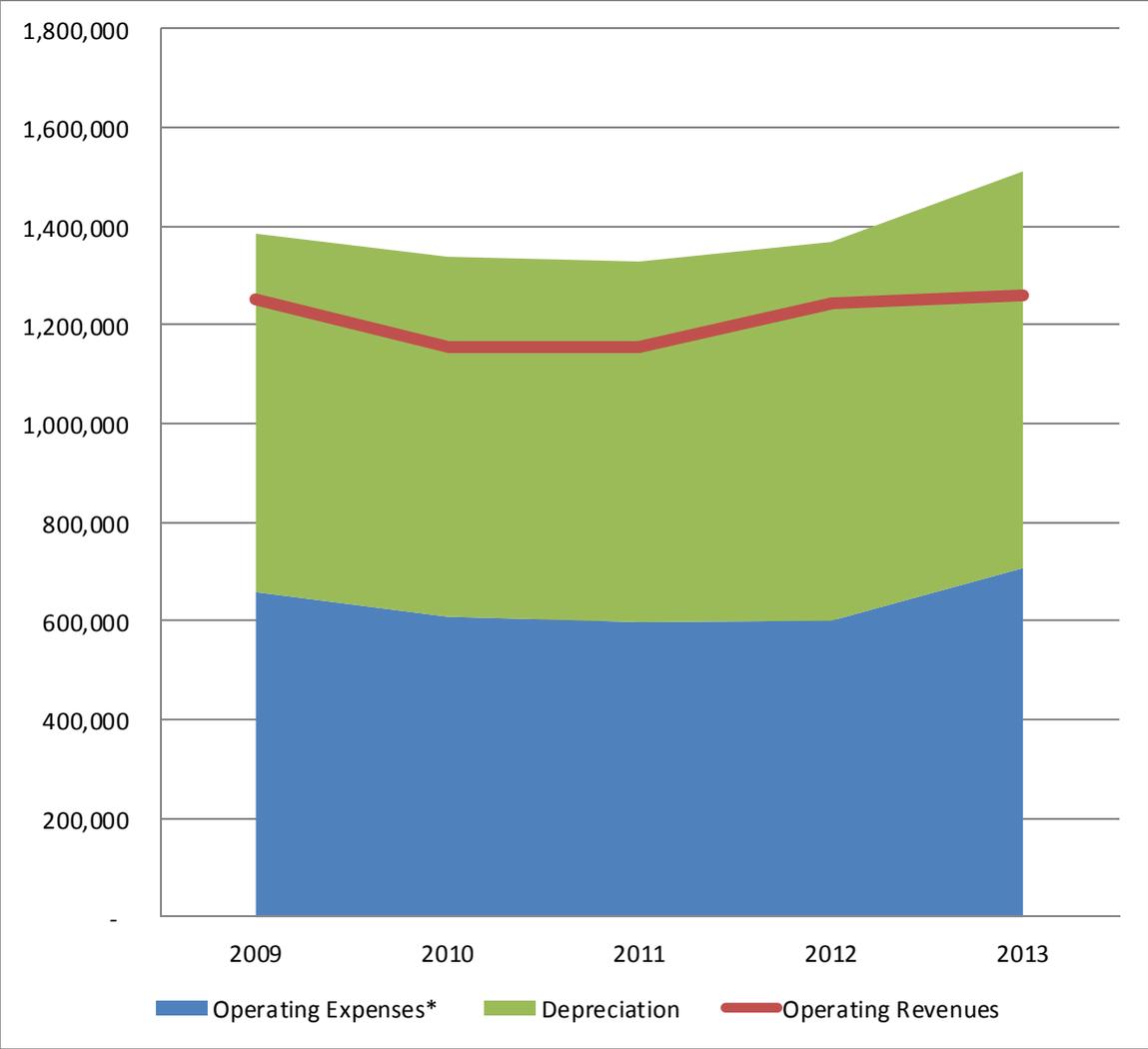
* Percentages may not foot to 100% due to rounding.

**CITY OF BAXTER, MINNESOTA
EXPENDITURES – GOVERNMENTAL FUNDS
DECEMBER 31, 2013**



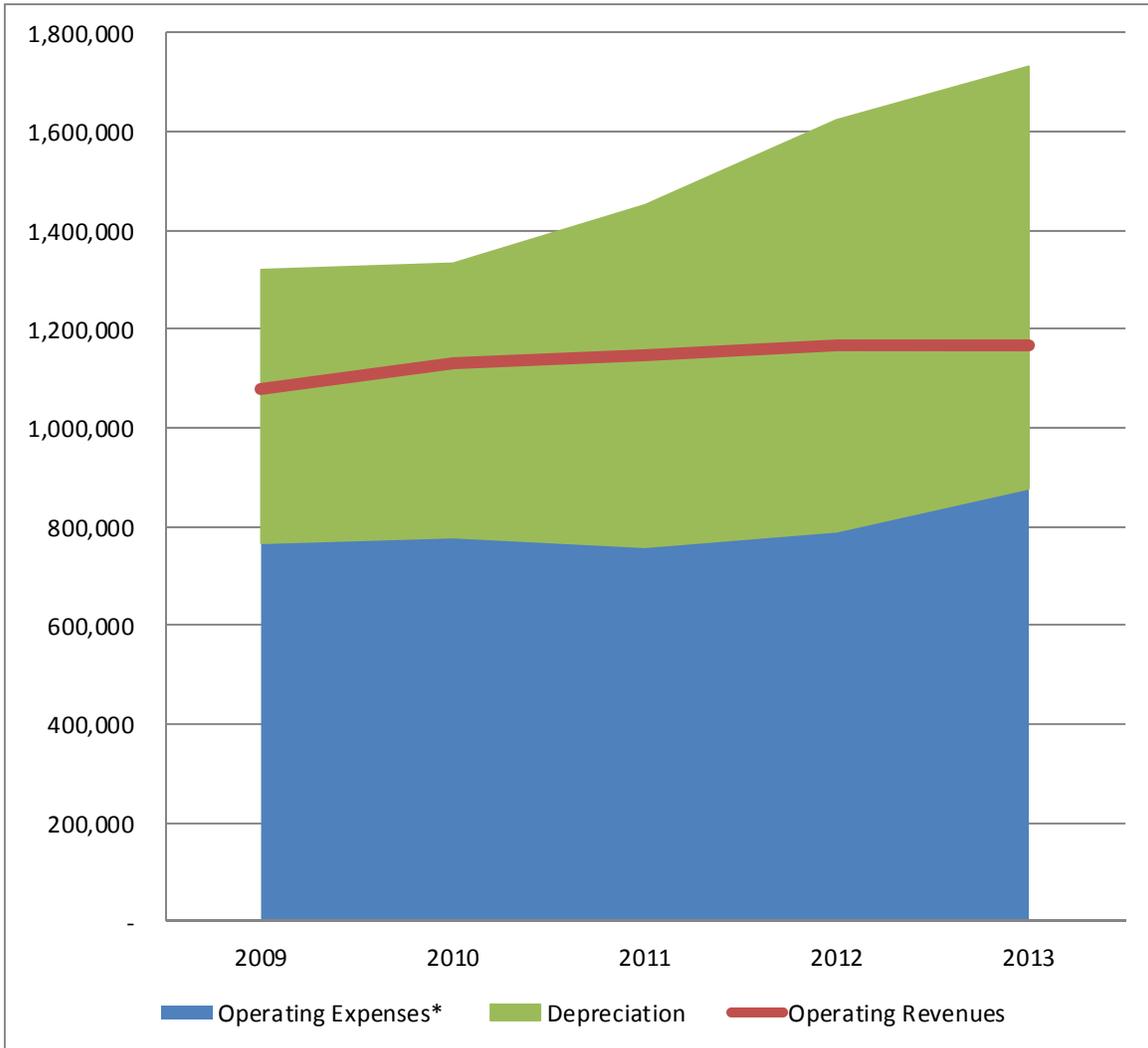
* Percentages may not foot to 100% due to rounding.

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



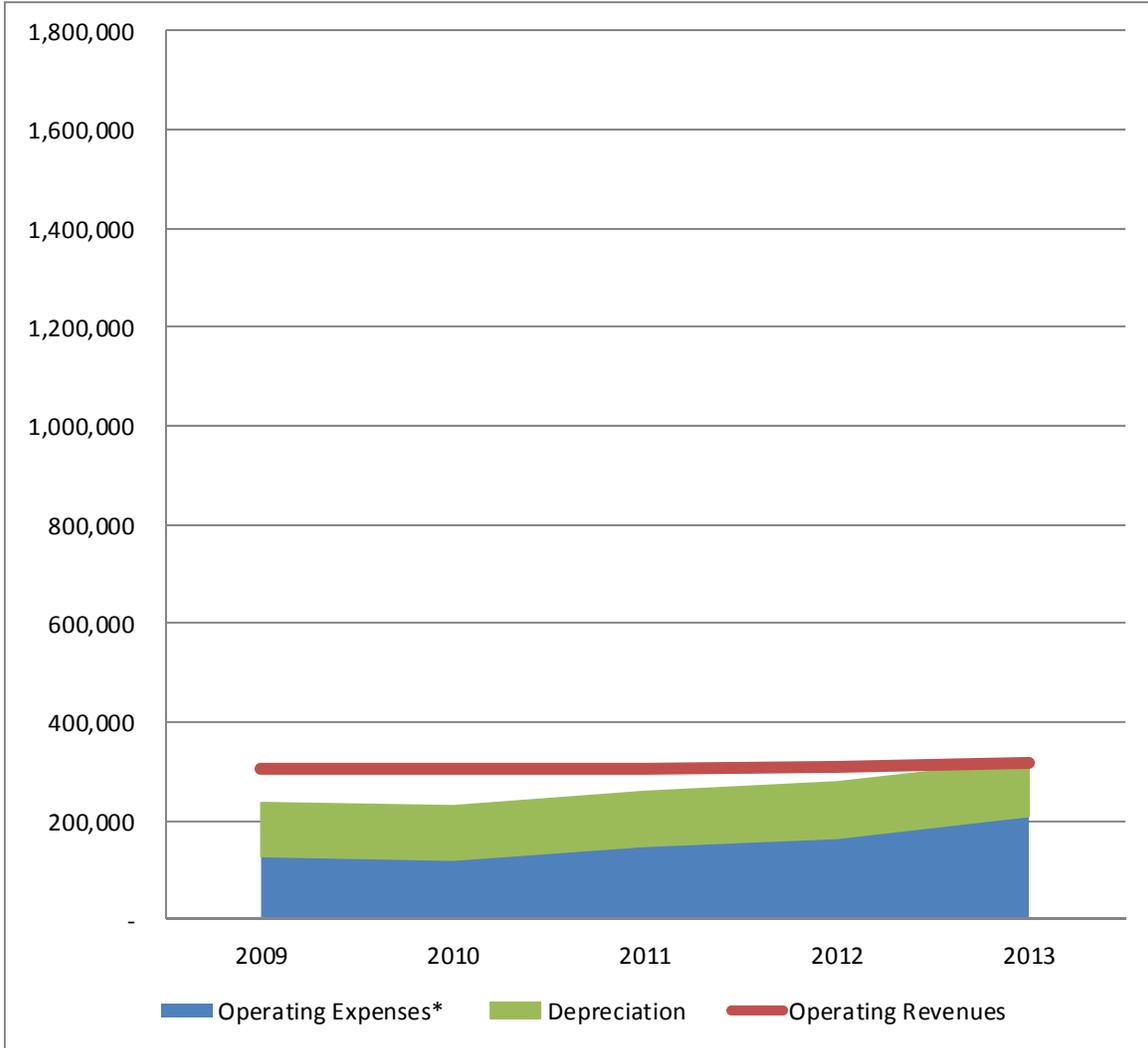
* Operating expenses excluding depreciation.

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



* Operating expenses excluding depreciation.

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



* Operating 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
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
2013	4,312,599	6,042,856	87,196	87,005	344,987

Source:
Bond Issue Official Statements and Crow Wing County.

Net Tax Capacity	Total Direct Tax Rate	Assessor's Estimated Market Value	Assessed Value as a Percentage of Actual Value
\$ 7,811,354	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
10,184,669	53.6	804,972,400	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
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
2013	42.6	11.0	53.6

Source:
Crow Wing County.

Overlapping Rates

School District 181	Crow Wing County	Other	Total Overlapping	Total Direct and Overlapping Tax Rate
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
24.4	34.3	0.2	58.9	112.5

**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
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
2013	4,324,200	1,126,000	(28,808)	5,421,392	5,328,249	98.3

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		
\$ 9,626	\$ 2,839,019	93.1 %	\$ 210,715	6.9 %
12,615	3,313,522	99.9	1,992	0.1
31,371	3,828,487	99.9	4,078	0.1
71,492	4,527,044	99.8	8,640	0.2
172,053	4,931,122	99.3	34,864	0.7
318,518	5,244,148	99.5	24,115	0.5
222,419	5,372,931	98.9	61,376	1.1
36,440	5,352,309	99.3	37,885	0.7
62,128	5,370,225	97.9	52,916	2.1
-	5,328,249	98.3	93,143	1.7

This Page Has Been Left Blank Intentionally.

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

Taxpayer	2013			2004		
	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.	\$ 731,168	1	7.18 %	\$ 746,214	1&2	9.33 %
Wal-Mart Stores, Inc.	198,876	2	1.95			
Menards, Inc.	187,656	3	1.84	196,348	3	2.45
Brainerd Lakes Integrated	137,620	4	1.35			
Home Depot USA, Inc.	113,706	5	1.12	136,896	5	1.71
Dayton Hudson Corporation (Target)	112,716	6	1.11	132,356	6	1.65
JC Penney Properties, Inc.	107,250	7	1.05			
USH Brainerd Ventures LLLP	97,718	8	0.96			
Kohl's Illinois Inc	89,912	9	0.88			
Walsler Real Estate IV LLC	85,790	10	0.84			
Developers Diversified Realty				189,862	4	2.37
Individual				113,656	7	1.42
Rapid River Lodge				85,067	8	1.06
Roger Dondelinger				81,308	9	1.02
Miners, Inc				80,664	10	1.01
Total	\$ 1,862,412		18.29 %	\$ 1,762,371		22%

Source:
Crow Wing County.

**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
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
2013	15,015,000	7,552,667	-	50,000	12,790,000

Total Primary Government	Percentage of Personal Income	Per Capita
\$ 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
35,407,667	13.1	4,571

CITY OF BAXTER, MINNESOTA
RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET GENERAL OBLIGATION DEBT PER CAPITA
LAST TEN 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
2013	27,805,000	14,667,117	13,137,883	1.6	1,715

CITY OF BAXTER, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
DECEMBER 31, 2013

	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Overlapping			
Crow Wing County	\$ 30,257,500	10.63 %	\$ 3,215,796
Brainerd I.S.D. No. 181	74,740,000	24.00	17,935,270
Total Overlapping			21,151,066
City of Baxter Direct Debt	22,617,667	100.00	22,617,667
Total Direct and Overlapping Debt			\$ 43,768,733

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				
	2004	2005	2006	2007	2008
Debt Limit	\$ 19,067,508	\$ 24,387,396	\$ 27,852,330	\$ 32,133,322	\$ 30,868,888
Total Net Debt Applicable to Limit	<u>760,000</u>	<u>515,000</u>	<u>4,535,000</u>	<u>4,320,000</u>	<u>4,085,000</u>
Legal Debt Margin	<u>\$ 18,307,508</u>	<u>\$ 23,872,396</u>	<u>\$ 23,317,330</u>	<u>\$ 27,813,322</u>	<u>\$ 26,783,888</u>
Total Net Debt Applicable to Limit as a Percentage of Debt Limit	3.99%	2.11%	16.28%	13.44%	13.23%

Source:
Bond Issue Official Statements and Crow Wing County.

Fiscal Year				
2009	2010	2011	2012	2013
\$ 31,001,705	\$ 29,220,874	\$ 26,142,159	\$ 25,015,317	\$ 24,149,172
3,930,000	3,770,000	3,605,000	3,495,000	3,315,000
<u>\$ 27,071,705</u>	<u>\$ 25,450,874</u>	<u>\$ 22,537,159</u>	<u>\$ 21,520,317</u>	<u>\$ 20,834,172</u>

12.68% 12.90% 13.79% 13.97% 13.73%

Legal Debt Margin Calculation for Fiscal Year 2013

Estimated Market Value	804,972,400
Debt Limit (3% of Estimated Market Value)	24,149,172
Debt Applicable to Limit	3,315,000
Legal Debt Margin	<u>\$ 20,834,172</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	
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
2013	891,271	21,018	912,289	1,660,000	246,779	47.8

Water Utility Revenue Bonds						
Fiscal Year	Revenue	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2006	\$ -	\$ -	\$ -	\$ -	\$ 101,270	- %
2007	587,127	-	587,127	140,000	-	419.4
2008	545,940	-	545,940	145,000	143,936	188.9
2009	624,872	-	624,872	145,000	138,499	220.4
2010	576,626	-	576,626	155,000	132,874	200.3
2011	577,736	(425)	577,312	160,000	126,968	201.2
2012	622,795	(403)	622,393	165,000	120,874	217.7
2013	632,228	49,764	681,992	170,000	145,943	215.9

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
2013	693,187	-	693,187	438,333	254,882	100.0

Economic Development Authority Bonds						
Fiscal Year	Revenue	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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

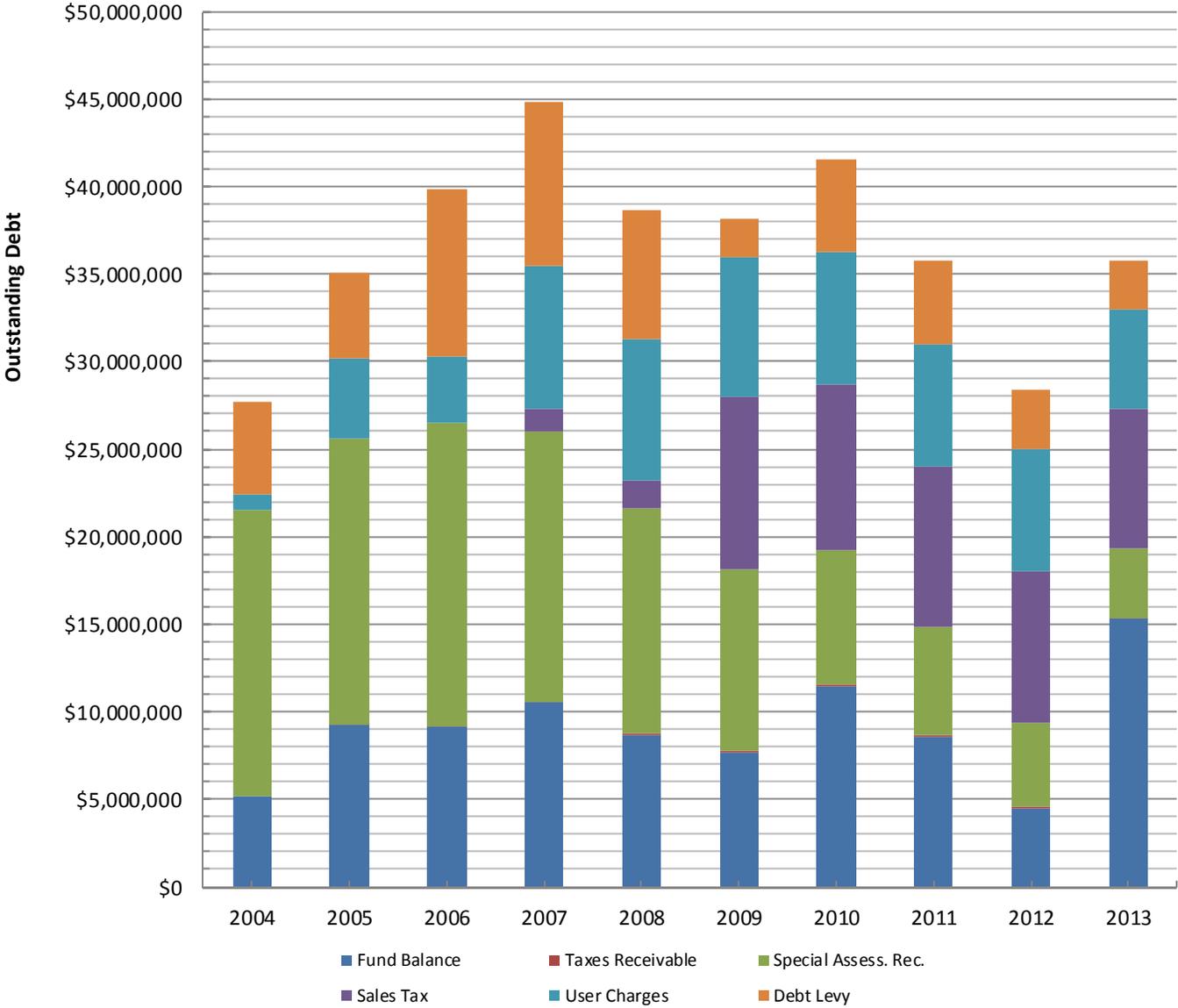
Special Assessment/Water Revenue Bonds

Fiscal Year	Revenue	Less: Operating Expense	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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
2013	555	(459)	96	240,000	8,255	0.0

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
2013	928,390	68,166	996,556	305,000	241,620	182.3

**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)
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	7,661	257,716	33,640	6,549	7.3
2013	7,747	270,161	34,873	6,663	7.6

Notes:

(1) Minnesota State Demographic Center, 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

2013: Bureau of Economic Analysis (BEA), U.S. Dept of Commerce

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

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

This Page Has Been Left Blank Intentionally.

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

Taxpayer	2013			2004		
	Employees	Rank	Percentage of Total Population	Employees	Rank	Percentage of Total Population
Wal-Mart	500	1	6.5 %	300	2	4.4 %
Essentia Health-Women's Clinic	265	2	3.5			
Costco	200	3	2.6			
Kohl's Department Store	110	4	1.4			
Mills Fleet Farm	120	5	1.6	309	1	4.5
Olive Garden	120	6	1.6			
MN Department of Transportation	200	7	2.6	175	5	2.5
Target	140	8	1.8	147	7	2.1
The Home Depot	130	9	1.7	125	9	1.8
Reichert Enterprises, Inc.	130	10	1.7			
Ascensus (2)				200	3	2.9
Nor-Son Inc				177	4	2.6
Good Neighbor Home Health Care				150	6	2.2
Menards				136	8	2.0
Cub Foods				120	10	1.7
Total	1,915		25.1 %	1,839		26.7 %

Sources:

2013-ReferenceUSA and 2013A GO Refunding Bonds official statement.

2004-Minnesota Department of Trade and Economic Development.

Notes:

(1) Specific number of employees was unavailable

(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,				
	2004	2005	2006	2007	2008
General Government					
Administration	1.00	2.00	2.00	2.00	2.00
Finance	3.00	3.50	4.00	4.00	5.00
Information Systems	1.00	1.00	1.00	1.00	1.04
Public Works Admin	3.00	3.00	5.00	5.25	5.14
Cemetery	-	-	-	-	-
Public Safety					
Police	12.37	15.44	14.19	17.00	16.10
Building Inspections	3.00	4.00	4.00	3.00	3.00
Public Works					
Streets Maintenance	1.58	1.77	1.82	1.85	1.92
Culture and Recreation					
Park Maintenance	5.27	5.38	5.68	6.87	7.00
Recreation	2.70	2.62	2.24	0.60	0.75
Economic and Community Development					
Planning	2.00	3.00	3.00	3.00	3.00
Water, Sewer, and Storm Water					
Water	1.33	2.22	2.27	2.30	2.37
Sewer	1.33	2.22	2.27	2.30	2.37
Storm Water	0.08	0.07	0.12	0.15	0.22

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,

2009	2010	2011	2012	2013
2.00	2.00	1.54	1.00	1.33
5.00	5.00	5.00	5.00	5.00
1.00	1.00	1.00	1.00	1.00
4.00	4.00	3.46	3.00	3.00
0.24	0.24	0.24	0.18	0.14
16.25	16.25	15.80	14.83	14.75
2.00	2.00	1.52	1.00	1.00
2.39	2.39	2.39	2.02	1.85
6.97	6.74	6.32	5.89	5.73
0.70	0.64	0.66	0.64	1.01
2.00	2.00	2.00	2.00	1.42
2.84	2.84	2.34	2.52	1.75
2.84	2.84	2.34	2.52	1.75
0.25	0.25	0.26	0.31	0.41

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

Function/Program	Fiscal Year			
	2004	2005	2006	2007
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	5,935	5,992	5,657	6,536
Arrests	382	510	422	490
Arrest Charges				
Burglaries	20	27	20	7
Drug Arrests	30	97	62	49
DUI	49	78	76	79
Forgeries	66	52	43	29
Fraud	322	234	127	130
Larcenies/Thefts	332	336	293	274
Building Inspection				
Building permits	477	644	1,039	925
Planning				
Zoning applications	*	*	90	55
Building permits for new construction	*	*	90	20
Architectural review projects	*	*	*	13
Code enforcement cases	*	*	*	*
Public Works Streets Maintenance				
Road constructed (miles)	4	5	2	1
Parks				
Program participants	747	704	*	*
Water				
Number of accounts	1,784	2,010	2,232	2,409
Amount distributed (millions of gallons)	251	272	326	332
Sewer				
Number of accounts	1,557	1,760	1,964	2,122
Amount processed (millions of gallons)	166	183	198	201
Storm Water				
Residential accounts	*	*	2,417	2,479
Commercial accounts	*	*	298	312
Commercial square footage	*	*	15,218,681	16,187,896

Source:

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

* Information is not available.

Fiscal Year						
2008	2009	2010	2011	2012	2013	
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	12	
5,935	6,065	6,230	6,424	7,026	7,016	
567	644	462	503	671	*	
					*	
21	8	9	4	8	*	
54	55	65	47	70	*	
91	96	48	56	40	*	
20	3	1	3	5	*	
123	90	68	55	81	*	
276	334	285	380	493	*	
912	638	622	576	696	684	
28	28	36	34	48	44	
25	13	9	11	17	18	
7	7	8	15	12	8	
63	63	28	59	70	50	
2	-	-	-	-	-	
*	*	*	1,072	1,015	925	
2,454	2,510	2,570	2,562	2,606	2,619	
298	288	281	254	290	291	
2,168	2,222	2,270	2,292	2,322	2,363	
194	186	190	186	194	194	
2,503	2,503	2,535	2,543	2,555	2,552	
331	333	340	341	346	336	
22,340,761	22,742,345	22,885,837	22,950,822	23,984,568	24,264,116	

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

Function/Program	Fiscal Year			
	2004	2005	2006	2007
Police				
Stations	1	1	1	1
Patrol Units	*	7	8	9
Public Works				
Buildings	1	1	1	1
Trucks	6	7	7	8
Other Vehicles	3	3	4	4
Miles of streets	76	81	79	80
Street Lights	292	311	339	367
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	17	18	20	21

* Information is not available.

Fiscal Year					
2008	2009	2010	2011	2012	2013
1	1	1	1	1	1
9	9	9	9	9	8
1	1	1	1	1	1
8	10	9	8	8	7
5	5	7	7	7	7
82	82	82	82	82	82
404	405	406	406	488	503
5	5	5	5	6	7
58.5	58.5	58.5	58.5	61.5	64
*	5	5	5	5	5
*	5	5	5	5	5
*	6	6	6	6	6
*	2	2	2	2	2
*	4	4	4	4	4
*	4	4	4	4	4
*	2	2	2	2	2
*	2	2	2	2	2
*	1	1	1	1	1
85.0	85	85	87	87	87
800.0	800	800	819	832	847
2	2	2	2	3	3
1	1	1	1	1	1
1	1	1	1	1	1
71.0	71	71	72	72	72
1,300.0	1,300	1,300	1,329	1,349	1,367
22	22	22	22	22	22