

CITY OF BAXTER, MINNESOTA
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2008

CITY OF BAXTER, MINNESOTA
TABLE OF CONTENTS
DECEMBER 31, 2008

INTRODUCTORY SECTION	
PRINCIPAL CITY OFFICIALS	1
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT	2
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET ASSETS	18
STATEMENT OF ACTIVITIES	19
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	21
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS – GOVERNMENT ACTIVITIES	23
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	24
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE GOVERNMENT-WIDE STATEMENT OF ACTIVITY – GOVERNMENTAL ACTIVITIES	26
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS	27
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS	28
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS	29
NOTES TO THE FINANCIAL STATEMENTS	31
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A	
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND	55
BUDGETARY COMPARISON SCHEDULE – ECONOMIC DEVELOPMENT AUTHORITY FUND	57
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION	58

CITY OF BAXTER, MINNESOTA
TABLE OF CONTENTS (CONTINUED)
DECEMBER 31, 2008

FINANCIAL SECTION (CONTINUED)

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES	
COMBINING BALANCE SHEET – NONMAJOR GOVERNMENTAL FUNDS	59
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – NONMAJOR GOVERNMENTAL FUNDS	63
BUDGETARY COMPARISON SCHEDULE – CAPITAL PARK SPECIAL REVENUE FUND	67
BUDGETARY COMPARISON SCHEDULE – CEMETERY SPECIAL REVENUE FUND	68
BUDGETARY COMPARISON SCHEDULE – RECREATION SPECIAL REVENUE FUND	69
BUDGETARY COMPARISON SCHEDULE – COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND	70
BUDGETARY COMPARISON SCHEDULE – RECYCLING SPECIAL REVENUE FUND	71
COMBINING BALANCE SHEET – DEBT SERVICE FUND – BY BOND ISSUE	72
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – DEBT SERVICE FUND – BY BOND ISSUE	74
COMBINING BALANCE SHEET – CAPITAL PROJECT FUND – BY PROJECT	76
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – CAPITAL PROJECT FUND – BY PROJECT	83
SUPPLEMENTARY INFORMATION (UNAUDITED)	
GRAPH #1 – DAYS EXPENDITURES IN FUND BALANCE- GENERAL FUND ONLY	90
GRAPH #2 – OUTSTANDING DEBT	91
GRAPH #3A – WATER FUND REVENUES AND EXPENSES	92
GRAPH #3B – SEWER FUND REVENUES AND EXPENSES	93
GRAPH #3C – STORM WATER FUND REVENUES AND EXPENSES	94
GRAPH #4 – REVENUES – GENERAL, SPECIAL REVENUE, DEBT SERVICE FUNDS AND CAPITAL PROJECT FUNDS	95
GRAPH #5 – EXPENDITURES – GENERAL, SPECIAL REVENUE, DEBT SERVICE FUNDS AND CAPITAL PROJECT FUNDS	96

INTRODUCTORY SECTION

**CITY OF BAXTER, MINNESOTA
PRINCIPAL CITY OFFICIALS
DECEMBER 31, 2008**

POSITION	NAME	TERM EXPIRES*
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ELECTED

Mayor	Darrel Olson	2009
City Council	Gary Muehlhausen	2009
	Todd Holman	2009
	Jim Klein	2011
	Rob Moser	2011

APPOINTED

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

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

Contracted City Engineer	Widseth, Smith, Nolting & Associates	
City Attorney	J. Brad Person	
Auditor	LarsonAllen LLP	

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baxter, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Baxter's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Baxter, Minnesota, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2009, on our consideration of the City of Baxter's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Honorable Mayor and
Members of the City Council
City of Baxter

The management's discussion and analysis and budgetary comparison information on pages 4 to 17 and 55 to 58, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Baxter's basic financial statements. The combining and individual financial statements and schedules listed in the table of contents and included on pages 59 to 89 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual financial statements and schedules, have been subjected to auditing procedures applied in the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplementary information on pages 90 to 96 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the City of Baxter. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we express no opinion on it.



LarsonAllen LLP

Baxter, Minnesota
May 29, 2009

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

This section of the City of Baxter's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year that ended on December 31, 2008. The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Governmental Accounting Standard Board's (GASB) Statement No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* issued in June 1999. Certain comparative information between the current year, 2008, and the prior year, 2007, is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2008 include the following:

- City-wide net assets increased 2% over the prior year, due primarily to a decrease in long-term liabilities. With the rapid repayment of outstanding debt, the more than \$5.8 million reduction in the long-term liability class more than offset the reduction in total assets from 2007.
- Governmental fund-level revenues totaled \$14,181,343 and were \$1,260,484 less than expenditures. The excess of expenditures over revenues is primarily a result of debt service expenditures exceeding revenues by approximately \$2.45 million and capital project expenditures exceeding revenues by \$1.67 million. Of the \$2.45 million, about \$1.35 is due to the \$1,150,000 early call of the 2000A General Obligation Improvement Bonds. Within the capital project fund, the decrease is due to expending prior year bond proceeds for the completion of capital projects, including the Cedar Scenic 2008 and South Perch Lake projects. Annual increases in the General, Economic Development, and Sales Tax Collection Funds offset a majority of the other funds' deficits.
- The General Fund's fund balance increased \$78,513 from the prior year despite the year-end reduction in the market value homestead credit (MVHC). Strategic land acquisitions for future capital projects and the MVHC reduction were offset in part by a few staff vacancies throughout the year.
- The Water Enterprise Fund net assets increased \$275,436 from the prior year, the Sewer Enterprise Fund net assets increased \$349,865 from the prior year, and the Storm Water Enterprise Fund net assets increased \$98,695 from the prior year. These increases are mainly attributable to capital asset contributions from developers and the City's governmental funds (water, sewer, and storm water infrastructure constructed as part of the various street projects, but now belonging to the water, sewer, and storm water funds).

OVERVIEW OF THE FINANCIAL STATEMENTS

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

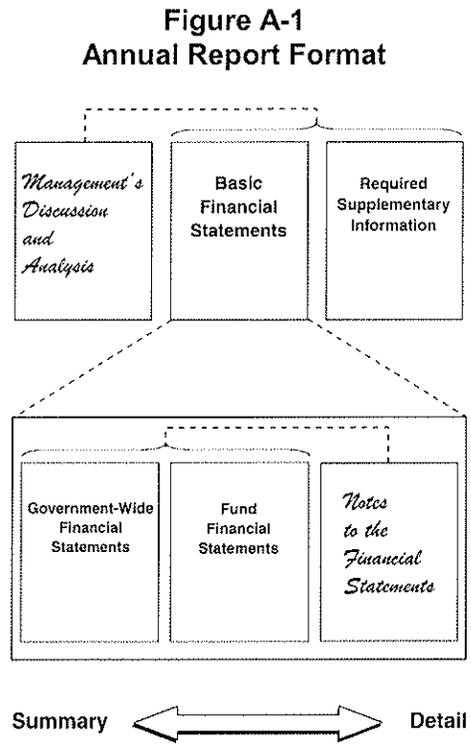
- The first two statements are City-wide financial statements which provide both short-term and long-term information about the City's overall financial status.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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



**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

City-Wide Statements

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

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

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

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

City-Wide Statements (Continued)

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

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

Fund Financial Statements

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

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

The City has two kinds of funds:

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

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

The City's overall net assets were \$81,233,012 on December 31, 2008 (see Table A-1).

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 32,964,620	\$ 36,790,152	\$ 9,058,379	\$ 8,873,913	\$ 42,022,999	\$ 45,664,065
Capital Assets	36,125,725	37,189,022	43,992,082	44,116,399	80,117,807	81,305,421
Total Assets	69,090,345	73,979,174	53,050,461	52,990,312	122,140,806	126,969,486
Current Liabilities	5,796,618	6,232,378	836,505	1,098,234	6,633,123	7,330,612
Long-Term Liabilities	25,621,032	31,065,424	8,653,639	9,055,757	34,274,671	40,121,181
Total Liabilities	31,417,650	37,297,802	9,490,144	10,153,991	40,907,794	47,451,793
Net Assets						
Invested in Capital Assets						
Net of Related Debt	6,355,520	2,262,489	34,958,321	34,692,230	41,313,841	36,954,719
Restricted	21,083,070	26,680,935	-	-	21,083,070	26,680,935
Unrestricted	10,234,105	7,737,948	8,601,996	8,144,091	18,836,101	15,882,039
Total Net Assets	\$ 37,672,695	\$ 36,681,372	\$ 43,560,317	\$ 42,836,321	\$ 81,233,012	\$ 79,517,693

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Assets

The City-wide total revenues were \$14,679,352 for the year ended December 31, 2008. Property taxes and special assessments (shown as capital grants and contributions) accounted for 49% of total revenue for the year (see Table A-2).

Table A-2
Change in Net Assets

	Governmental Activities			Business-Type Activities			Total		
	2008	2007	Total % Change	2008	2007	Total % Change	2008	2007	Total % Change
Revenues									
<u>Program Revenues</u>									
Charges for Services	\$ 913,675	\$ 1,155,881	(21.0)%	\$ 2,784,334	\$ 3,474,404	(19.9)%	\$ 3,698,009	\$ 4,630,285	(20.1)%
Operating Grants and Contributions	210,626	343,110	(38.6)	36,862	8,900	314.2	247,488	352,010	(29.7)
Capital Grants and Contributions	2,061,332	3,571,220	(42.3)	41,700	2,596,900	(98.4)	2,103,032	6,168,120	(65.9)
<u>General Revenues</u>									
Property Taxes	5,039,645	4,653,175	8.3	-	-	-	5,039,645	4,653,175	8.3
Lodging Tax	282,654	287,486	(1.7)	-	-	-	282,654	287,486	(1.7)
Sales Tax	1,921,680	2,032,718	(5.5)	-	-	-	1,921,680	2,032,718	(5.5)
Tax Increment	389,568	382,414	1.9	-	-	-	389,568	382,414	1.9
Unrestricted State Aid	100,663	190,051	(47.0)	-	-	-	100,663	190,051	(47.0)
Investment Earnings	488,173	693,913	(29.6)	290,021	370,812	(21.8)	778,194	1,064,725	(26.9)
Other	118,419	67,226	76.2	-	-	-	118,419	67,226	76.2
Total Revenues	11,526,435	13,377,194	(13.8)	3,152,917	6,451,016	(51.1)	14,679,352	19,828,210	(26.0)
Expenses									
General Government	1,356,288	1,378,865	(1.6)	-	-	-	1,356,288	1,378,865	(1.6)
Public Safety	1,889,619	1,798,739	5.1	-	-	-	1,889,619	1,798,739	5.1
Public Works	2,683,004	2,354,018	14.0	-	-	-	2,683,004	2,354,018	14.0
Sanitation	34,670	28,739	20.6	-	-	-	34,670	28,739	20.6
Water	-	-	-	1,627,520	1,606,679	1.3	1,627,520	1,606,679	1.3
Sewer	-	-	-	1,353,043	1,221,479	10.8	1,353,043	1,221,479	10.8
Storm Water	-	-	-	234,470	160,464	46.1	234,470	160,464	46.1
Culture and Recreation	1,999,735	582,079	243.6	-	-	-	1,999,735	582,079	243.6
Economic & Community Development	672,902	772,561	(12.9)	-	-	-	672,902	772,561	(12.9)
Interest	1,112,782	1,193,519	(6.8)	-	-	-	1,112,782	1,193,519	(6.8)
Total Expenses	9,749,000	8,108,520	20.2	3,215,033	2,988,622	7.6	12,964,033	11,097,142	16.8
Increase in Net Assets Before Transfers	1,777,435	5,268,674	(66.3)	(62,116)	3,462,394	(101.8)	1,715,319	8,731,068	(80.4)
Transfers	(786,112)	(2,367,791)	(66.8)	786,112	2,367,791	(66.8)	-	-	-
Change in Net Assets	991,323	2,900,883	(65.8)	723,996	5,830,185	(87.6)	1,715,319	8,731,068	(80.4)
Net Assets - Beginning of Year	36,681,372	33,780,489	8.6	42,836,321	37,006,136	15.8	79,517,693	70,786,625	12.3
Net Assets - End of Year	\$ 37,672,695	\$ 36,681,372	2.7	\$ 43,560,317	\$ 42,836,321	1.7	\$ 81,233,012	\$ 79,517,693	2.2

Total revenues surpassed expenses, increasing net assets \$1,715,319 over last year.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Assets (Continued)

The City-wide cost of all activities this year was \$12,964,033. Governmental activities and business-type activities comprised of \$9,749,000 and \$3,215,033, respectively.

- \$3,698,009 of the cost was paid by the users of the City's programs, comprising of: \$913,675 for governmental activities and \$2,784,334 for business-type activities.
- Certain programs in the governmental activities received federal, state, and local support with operating grants and contributions of \$210,626. State assistance for police services, a grant for the Financial Crimes Task Force program, and a county grant for recycling comprised a majority of the revenue in this classification. Capital grants (special assessments and federal and state grants for the Excelsior Trail Bridge) accounted for \$2,061,332 of the revenues with special assessments comprising over \$800,000 of the amount.
- The City's governmental activities' program expenses exceeded revenues by \$6,563,367 (see Table A-3). Additional revenues will be received in future years as a result of future collections of special assessments.

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**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Figure A-3 Sources of City's Revenues for Governmental Activities for Fiscal Year 2008

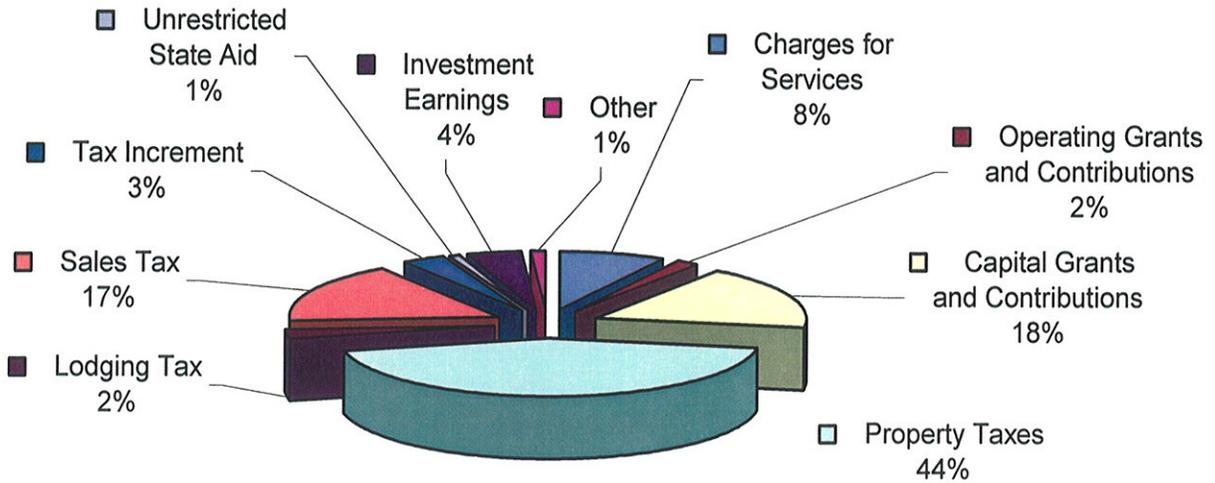
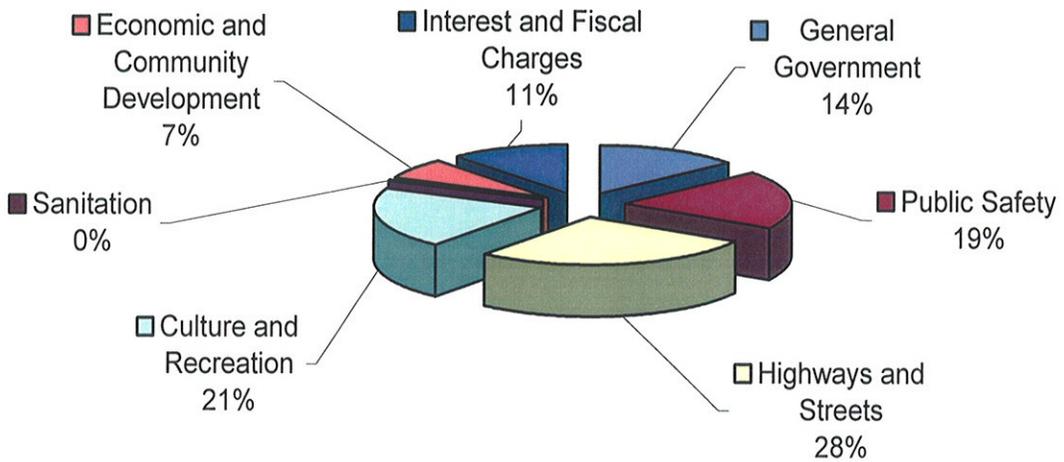


Figure A-4 City's Expenses for Governmental Activities for Fiscal Year 2008



**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (CONTINUED)

Changes in Net Assets (Continued)

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

	Total Cost of Services		Percentage Change	Net Revenue from (Cost of) Services		Percentage Change
	2008	2007		2008	2007	
GOVERNMENTAL ACTIVITIES						
General Government	\$ 1,356,288	\$ 1,378,865	(1.6)%	\$ (924,807)	\$ (843,369)	9.7 %
Public Safety	1,889,619	1,798,739	5.1	(1,334,101)	(1,419,346)	(6.0)
Public Works	2,683,004	2,354,018	14.0	(1,841,034)	1,237,969	(248.7)
Sanitation	34,670	28,739	20.6	(2,011)	2,724	(173.8)
Culture and Recreation	1,999,735	582,079	243.6	(751,984)	(384,045)	95.8
Economic and Community Development	672,902	772,561	(12.9)	(596,648)	(438,723)	36.0
Interest	1,112,782	1,193,519	(6.8)	(1,112,782)	(1,193,519)	(6.8)
Total	<u>\$ 9,749,000</u>	<u>\$ 8,108,520</u>	20.2	<u>\$ (6,563,367)</u>	<u>\$ (3,038,309)</u>	116.0
BUSINESS-TYPE ACTIVITIES						
Water	\$ 1,627,520	\$ 1,606,679	1.3 %	\$ (318,632)	\$ 913,199	(134.9)%
Sewer	1,353,043	1,221,479	10.8	(131,912)	1,474,391	(108.9)
Storm Water	234,470	160,464	46.1	98,407	703,992	(86.0)
Total	<u>\$ 3,215,033</u>	<u>\$ 2,988,622</u>	7.6	<u>\$ (352,137)</u>	<u>\$ 3,091,582</u>	(111.4)

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 \$16,471,030.

Revenues for the City's governmental funds were \$14,181,343, while total expenditures were \$15,441,827. The excess of expenditures over revenues before other financing sources and uses is due to the City's investment in preliminary planning for future infrastructure in the Capital Project fund, closing out existing capital projects financed in prior years, and the early bond call of the 2000A series in the Debt Service fund. Once the infrastructure is constructed, the collection of future assessments is projected to finance a majority of the improvements. An increase in the Sales Tax Collections special revenue fund for the year offsets a portion of the other funds' excess of expenditures over revenues.

GENERAL FUND

The General Fund includes the primary operations of the City in providing services to its residents. Fund balance in the General Fund increased by \$78,513 in 2008. The increase was largely due to a combination of higher than anticipated revenues and lower than anticipated expenditures, along with providing resources to close out select capital project funds at year end. Additional revenues were realized in the fees, charges for services, investment income, and fines categories. Elimination of the second-half market value homestead credit from the state and decreased property tax revenue as a result of an increase in delinquent property taxes receivable offset a portion of the overall increase in revenues.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

GENERAL FUND (CONTINUED)

Expenditures were lower than budgeted particularly from savings realized by employee position vacancies that transpired throughout the year. While the contingency was not fully utilized in 2008, the resource assisted with the cost of acquiring needed right-of-way of a future project on a pay-as-you-go basis and also supported the closing out capital project funds with residual deficits. Even with a year-end increase in fund balance, the days expenditures in fund balance for the General fund fell slightly from 259 days to 247 days as a result of the \$298,100 increase in expenditures in 2008 over 2007.

The following schedule presents a summary of General Fund Revenues:

**Table A-4
General Fund Revenues**

Fund	Year Ended		Change	
	December 31, 2008	December 31, 2007	Increase (Decrease)	Percent
Taxes and Special Assessments	\$ 3,876,847	\$ 3,612,541	\$ 264,306	7.3 %
Licenses and Permits	102,707	94,785	7,922	8.4
Intergovernmental	295,514	345,914	(50,400)	(14.6)
Charges for Services	452,392	512,357	(59,965)	(11.7)
Fines and Forfeits	115,739	92,374	23,365	25.3
Interest	89,432	120,666	(31,234)	(25.9)
Miscellaneous and Other	62,675	87,544	(24,869)	(28.4)
Total General Fund Revenue	\$ 4,995,306	\$ 4,866,181	\$ 129,125	2.7

Total General Fund revenue increased by \$129,125, or 2.7%, from the previous year. Property taxes continue to be the significant source of funding in the general fund, comprising 77.6% of the total general fund revenues for 2008. The City is less reliant upon intergovernmental revenues which make up only 5.9% of general fund revenues for 2008. The 2008 decrease in intergovernmental revenues is primarily due to the second-half un-allotment of the homestead market value credit from the state for 2008. Due to a declining interest rate environment, interest revenues for the General Fund were down 25.9% from 2007.

The following schedule presents a summary of General Fund Expenditures:

**Table A-5
General Fund Expenditures**

	Year Ended		Change	
	December 31, 2008	December 31, 2007	Increase (Decrease)	Percent
General Government	\$ 1,267,846	\$ 1,233,746	\$ 34,100	2.8 %
Public Safety	1,599,089	1,502,247	96,842	6.4
Highways and Streets	461,755	479,687	(17,932)	(3.7)
Parks and Recreation	406,427	372,119	34,308	9.2
Capital Outlay	316,677	165,895	150,782	90.9
Debt Service	25,000	25,000	-	-
Total Expenditures	\$ 4,076,794	\$ 3,778,694	\$ 298,100	7.9

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

GENERAL FUND (CONTINUED)

General Fund Budgetary Highlights

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

- Actual revenues were \$57,206 more than expected; due primarily to conservative budget practices and higher than anticipated fines, fees, investment income, and charges for services. While the City realized higher than budgeted investment income, the overall interest rate environment for investments deteriorated from the previous year.
- Actual expenditures were \$419,706 less than budget, as a result of the contingency account not being fully utilized during the year, cost savings due to department position vacancies, and realized savings on other miscellaneous purchases or unspent encumbrances.

ECONOMIC DEVELOPMENT FUND

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

In 2008, the EDA's fund balance increased \$144,542 due to the collection of residual assessments and funding to reimburse the EDA for its previous land acquisition of several parcels acquired for future residential development in conjunction with the 2006 Clearwater Street and Utility Improvement projects.

The parcels are being held for resale in the future and/or an EDA development project.

SALES TAX COLLECTIONS FUND

The Sales Tax Collections fund year-end fund balance was \$3,025,879 with an increase in fund balance from the prior year of \$1,584,598. The increase is attributable to greater sales tax collections during the year compared to a smaller transfer out for debt service on the 2007A General Obligation Water and Sales Tax Revenue Bonds. It is anticipated that these funds will accumulate for future capital needs.

CONSTRUCTION PROJECTS AND DEBT SERVICE

The Debt Service fund consists of the City's General Obligation Improvement bonds issued to finance street, utility, and trail improvements. The fund also includes the Capital Improvement bonds issued to finance projects approved as part of the City's five-year Capital Improvement Plan (CIP). A majority of the debt is financed with special assessments to the benefited property owners, with the CIP bonds funded with property tax levy over the next 18 years. The City called the remaining outstanding \$1,150,000 in bonds for the 2000A series in February 2008, three years earlier than their maturity, funded with existing fund balance and a \$175,000 interfund sanitary sewer enterprise fund loan.

Unlike prior years, 2008 did not have any major construction projects requiring G.O. bond financing. Preliminary engineering design continued on future projects with the costs internally financed. Multiple capital project funds, including: Highway 371 North Frontage Road Phase II, Cedar Scenic 2008, South Perch Lake, 2006 Clearwater/Lynndale, Public Works Facility/City Center Land, and 2006 Trails Construction were closed out during the year.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2008**

PROPRIETARY FUNDS

Due to timing differences in the user fees and capital improvements in the proprietary funds, increases (or decreases) in net assets can occur from year to year. Charges for services revenues in the proprietary funds decreased 0.9% from 2007 due primarily to a decreased use in water and sewer by utility customers. To finance the capital outlay of the water and sewer proprietary funds, water and sewer availability charges rates were increased in 2008; however, overall availability charges revenue declined 71.3% from 2007 as a result of reduced residential and commercial construction during the year. Rates are reviewed annually, were increased in 2008, and will continue to be reviewed in the future.

Water expenses increased 0.5%, sewer expenses increased 10.8%, and storm water expenses increased 46.5%. A relatively flat change in water expenses is due to the increased depreciation from the new water treatment plan and water distribution system offsetting a majority of the decrease in Other Services and Charges relating to the water purchase agreement with Brainerd. Increase in the sewer fund operating expenses was primarily due to a higher depreciation expense associated with the additional infrastructure added to the sewer distribution system in 2008.

The Storm Water fund was added in 2005 to address the need for funding storm water management and maintenance with 2008 marking the second full year of operations and collection of fees. Operating revenues increased by \$45,097 from 2007 as a result of a small rate increase and an increased number of developed parcels added to the system. Storm water fund expenses increased by \$74,392, principally due to additional street sweeping, repairs to storm water structures, and depreciation.

CAPITAL ASSETS

By the end of 2008, the City had invested approximately \$105,700,000 in a broad range of capital assets, including: buildings, improvements, equipment, and infrastructure (see Table A-6). (More detailed information about capital assets can be found in Note 3.A.3 to the financial statements.) Total depreciation expense for the year was \$3,151,244 (including the enterprise funds).

Table A-6
The City's Capital Assets

	Governmental			Business-Type			Total		
	Activities		Percent	Activities		Percent			Percent
	2008	2007	Change	2008	2007	Change	2008	2007	Change
Land	\$ 5,428,412	\$ 4,982,346	9.0 %	\$ 973,478	\$ 973,478	- %	\$ 6,401,890	\$ 5,955,824	7.5 %
Construction in Progress	145,250	3,737,176	(96.1)	-	10,797,643	(100.0)	145,250	14,534,819	(99.0)
Infrastructure	42,997,118	39,395,153	9.1	41,004,430	38,866,882	5.5	84,001,548	78,262,035	7.3
Buildings	1,229,830	1,229,830	-	9,708,299	-	-	10,938,129	1,229,830	789.4
Improvements	1,263,495	1,193,876	5.8	539,771	539,771	-	1,803,266	1,733,647	4.0
Machinery, Equipment, and Vehicles	1,785,410	1,521,374	17.4	585,513	541,334	8.2	2,370,923	2,062,708	14.9
Less: Accumulated Depreciation	(16,723,790)	(14,870,733)	12.5	(8,819,409)	(7,602,709)	16.0	(25,543,199)	(22,473,442)	13.7
Total	\$ 36,125,725	\$ 37,189,022	(2.9)	\$ 43,992,082	\$ 44,116,399	(0.3)	\$ 80,117,807	\$ 81,305,421	(1.5)

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008**

LONG-TERM LIABILITIES

At year-end, the City had \$38,965,986 in long-term liabilities outstanding.

- The City's governmental activities total long-term debt decreased \$6,217,019, due primarily to the rapid repayment of general obligation bonds.

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

	2008	2007	Percentage Change
GOVERNMENTAL ACTIVITIES			
General Obligation Bonds	\$ 29,600,324	\$ 35,301,553	(16.2)%
Capital Leases Payable	175,000	200,000	(12.5)
Equipment Certificates	-	90,000	(100.0)
Compensated Absences Payable	135,949	145,157	(6.3)
Total	<u>\$ 29,911,273</u>	<u>\$ 35,736,710</u>	(16.3)
BUSINESS-TYPE ACTIVITIES			
General Obligation Bonds	9,033,759	9,424,169	(4.1)
Compensated Absences Payable	20,954	22,126	(5.3)
Total	<u>\$ 9,054,713</u>	<u>\$ 9,446,295</u>	(4.1)

FACTORS BEARING ON THE CITY'S FUTURE

Levy limits were reintroduced at the end of the 2008 legislative session for 2009 through 2011. Through unallotment, the governor withheld the City's 2008 second-half market value homestead credit. With the state's continued budget crisis and no resolution at the end of the 2009 legislative session, it is probable the governor will unallot the City's entire market value credit of \$194,464 for both 2009 and 2010. In anticipation of the reductions and to offset a portion of the loss, the City has already made midyear budget adjustments in 2009. The City continues to incorporate a contingency plan in its budget to mitigate the lost revenue from the state and to cope with the current economic conditions.

The City continues to experience growth, albeit more gradual, throughout the City. The new public works facility and water treatment plant were opened in 2008. The City negotiated an amendment to the existing contract with the City of Brainerd and its Public Utilities Commission (BPU) for additional interim wastewater treatment capacity at the existing plant until the new plant is completed. In addition, the City negotiated and entered into a new contract with Brainerd for 2.0 million gallons per day of capacity at a new plant. Construction of the new plant began in the spring of 2009 with the plant estimated to come online in late fall 2010.

**CITY OF BAXTER, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2008**

FACTORS BEARING ON THE CITY'S FUTURE (CONTINUED)

The plant will be financed with two loans from the Minnesota Public Facilities Authority (PFA) to the City of Brainerd. The first loan issued to finance preliminary engineering costs with the City of Baxter entering into a General Obligation pledge to the City of Brainerd for \$655,033, its one-third share of the costs. The 2009A note matures in 2017, carries an interest rate of 2.23%, and will be repaid with sales tax proceeds. The second PFA loan is being sold with the Build America Bonds program. Baxter's 2009B Note matures in 2028, carries a net interest rate of about 2.10% after applying the rebate and will be repaid primarily with sales tax proceeds and to a lesser extent wastewater revenues.

The City continues to explore its long-term administrative space requirements. A space needs study was completed to determine the City's need for a new or expanded City Hall. The City Council has determined that future efforts for the City's long-term needs should be focused on newly acquired City Center property near the Public Works Facility and Water Treatment Plant. Design and funding circumstances will play an important role of when the project is scheduled in the City's Capital Improvement Plan.

The City continues to collect the local option sales tax of one-half percent (0.50%) and a motor vehicles excise tax of 0.50%, up to \$20 per vehicle, approved by the Baxter voters and granted by the State of Minnesota. In 2007, the City issued its first General Obligation Sales Tax Revenue Bonds for \$2.0 million. Over the next eleven years, the City has authority to collect up to \$15.0 million to fund water and wastewater infrastructure and a fire substation. Plans are to issue up to \$3.1 million in pay-as-you-go debt to finance the construction of a third water tower in 2009 and 2010. The remaining \$9.9 million will be allocated to the 2009A and 2009B Notes for the wastewater treatment plant capacity expansion.

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.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BAXTER, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Pooled Investments	\$ 17,815,833	\$ 7,219,072	\$ 25,034,905
Delinquent Taxes Receivable	418,632	-	418,632
Accounts Receivable - Net	274,883	340,988	615,871
Accrued Interest Receivable	146,434	-	146,434
Internal Balances	(1,347,573)	1,347,573	-
Due from Other Governments	701,578	451	702,029
Land Held for Resale	1,755,154	-	1,755,154
Special Assessments Receivable			
Deferred	12,868,361	77,956	12,946,317
Loan Receivable - Net	28,868	-	28,868
Prepaid Items	32,170	-	32,170
Deferred Debt Issue Costs	270,280	72,339	342,619
Non-Depreciable Capital Assets			
Land	5,428,412	973,478	6,401,890
Construction in Progress	145,250	-	145,250
Depreciable Capital Assets (Net)			
Buildings	812,632	9,586,945	10,399,577
Improvements Other Than Buildings	1,064,624	466,862	1,531,486
Machinery, Vehicles, Furniture and Equipment	644,905	409,270	1,054,175
Infrastructure	28,029,902	32,555,527	60,585,429
Total Assets	69,090,345	53,050,461	122,140,806
LIABILITIES			
Accounts Payable	392,454	164,520	556,974
Salaries Payable	93,798	10,156	103,954
Contracts Payable	399,835	91,655	491,490
Due to Other Governments	126,848	1,588	128,436
Accrued Interest Payable	424,244	147,839	572,083
Deferred Revenue-Unearned	4,190	-	4,190
Accrued Liabilities	39,262	19,673	58,935
Escrow Deposits	25,746	-	25,746
Compensated Absences Payable - Due Within One Year	11,423	1,074	12,497
General Obligation Bonds Payable - Due Within One Year	4,253,818	400,000	4,653,818
Capital Leases Payable - Due Within One Year	25,000	-	25,000
Compensated Absences Payable - Due in More Than One Year	124,526	19,880	144,406
General Obligation Bonds Payable - Due in More Than One Year	25,346,506	8,633,759	33,980,265
Capital Leases Payable - Due in More Than One Year	150,000	-	150,000
Total Liabilities	31,417,650	9,490,144	40,907,794
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,355,520	34,958,321	41,313,841
Restricted for			
General Government	20,002	-	20,002
Capital Projects	105,963	-	105,963
Debt Service	20,957,105	-	20,957,105
Unrestricted	10,234,105	8,601,996	18,836,101
Total Net Assets	\$ 37,672,695	\$ 43,560,317	\$ 81,233,012

See accompanying Notes to the Financial Statements.

**CITY OF BAXTER, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008**

<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	\$ 1,356,288	\$ 427,129	\$ -	\$ 4,352
Public Safety	1,889,619	382,192	173,326	-
Public Works	2,683,004	-	-	841,970
Sanitation	34,670	359	32,300	-
Culture and Recreation	1,999,735	51,136	5,000	1,191,615
Economic and Community Development	672,902	52,859	-	23,395
Interest	1,112,782	-	-	-
Total Governmental Activities	9,749,000	913,675	210,626	2,061,332
BUSINESS-TYPE ACTIVITIES				
Water	1,627,520	1,308,318	570	-
Sewer	1,353,043	1,184,963	36,168	-
Stormwater	234,470	291,053	124	41,700
Total Business-Type Activities	3,215,033	2,784,334	36,862	41,700
Total Primary Government	\$ 12,964,033	\$ 3,698,009	\$ 247,488	\$ 2,103,032

GENERAL REVENUES

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

TRANSFERS

Total General Revenues and Transfers

CHANGE IN NET ASSETS

Net Assets - Beginning of Year

NET ASSETS - END OF YEAR

See accompanying Notes to Financial Statements.

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (924,807)	\$ -	\$ (924,807)
(1,334,101)	-	(1,334,101)
(1,841,034)	-	(1,841,034)
(2,011)	-	(2,011)
(751,984)	-	(751,984)
(596,648)	-	(596,648)
(1,112,782)	-	(1,112,782)
(6,563,367)	-	(6,563,367)
-	(318,632)	(318,632)
-	(131,912)	(131,912)
-	98,407	98,407
-	(352,137)	(352,137)
(6,563,367)	(352,137)	(6,915,504)
5,039,645	-	5,039,645
282,654	-	282,654
1,921,680	-	1,921,680
389,568	-	389,568
100,663	-	100,663
488,173	290,021	778,194
118,419	-	118,419
(786,112)	786,112	-
7,554,690	1,076,133	8,630,823
991,323	723,996	1,715,319
36,681,372	42,836,321	79,517,693
<u>\$ 37,672,695</u>	<u>\$ 43,560,317</u>	<u>\$ 81,233,012</u>

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FUND FINANCIAL STATEMENTS

**CITY OF BAXTER, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	Major Funds		
	General	Economic Development	Sales Tax Collections
ASSETS			
Cash and Pooled Investments	\$ 2,713,118	\$ 458,336	\$ 2,710,164
Land Held For Resale	-	1,755,154	-
Taxes Receivable			
Delinquent	337,809	-	-
Special Assessments Receivable			
Deferred	-	-	-
Current	4,579	223,074	-
Accounts Receivable	69,088	-	-
Accrued Interest Receivable	146,434	-	-
Loan Receivable	-	-	-
Due from Other Funds	22,983	-	-
Due From Other Governments	67,085	1,018	332,317
Prepaid Items	32,170	-	-
	<u>\$ 3,393,266</u>	<u>\$ 2,437,582</u>	<u>\$ 3,042,481</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 114,342	\$ 250	\$ -
Salaries Payable	81,302	-	-
Accrued Liabilities	39,262	-	-
Contracts Payable	-	-	-
Due to Other Funds	-	-	-
Due to Other Governments	51,830	150	9,274
Deferred Revenue			
Taxes	337,809	-	-
Special Assessments	4,579	223,074	-
Other	600	-	7,328
Land Held For Resale	-	1,755,154	-
Unearned	-	-	-
Escrow Deposits	-	-	-
	<u>629,724</u>	<u>1,978,628</u>	<u>16,602</u>
FUND BALANCES			
Reserved for			
Construction	-	-	-
Perpetual Care	-	-	-
Debt Service	-	-	-
Unreserved, Undesignated	2,763,542	458,954	3,025,879
Unreserved, Undesignated Reported in Nonmajor Special Revenue Funds	-	-	-
	<u>2,763,542</u>	<u>458,954</u>	<u>3,025,879</u>
Total Fund Balances	<u>\$ 3,393,266</u>	<u>\$ 2,437,582</u>	<u>\$ 3,042,481</u>
Total Liabilities and Fund Balances	<u>\$ 3,393,266</u>	<u>\$ 2,437,582</u>	<u>\$ 3,042,481</u>

See accompanying Notes to Financial Statements.

Major Funds		Other	Total
Debt Service Fund	Capital Project Fund	Governmental Funds	Governmental Funds
\$ 8,811,439	\$ 1,426,083	\$ 1,696,692	\$ 17,815,832
-	-	-	1,755,154
80,823	-	-	418,632
12,602,897	-	-	12,602,897
-	-	37,811	265,464
341	123,899	81,555	274,883
-	-	-	146,434
-	-	28,868	28,868
-	-	-	22,983
119,296	181,862	-	701,578
-	-	-	32,170
<u>\$ 21,614,796</u>	<u>\$ 1,731,844</u>	<u>\$ 1,844,926</u>	<u>\$ 34,064,895</u>
\$ 220	\$ 58,553	\$ 219,089	\$ 392,454
-	-	12,496	93,798
-	-	-	39,262
-	395,955	3,880	399,835
187,086	1,172,573	10,897	1,370,556
46,141	-	19,453	126,848
80,823	-	-	418,632
12,602,897	-	37,811	12,868,361
-	-	91,101	99,029
-	-	-	1,755,154
-	-	4,190	4,190
-	-	25,746	25,746
<u>12,917,167</u>	<u>1,627,081</u>	<u>424,663</u>	<u>17,593,865</u>
-	104,763	1,200	105,963
-	-	20,002	20,002
8,697,629	-	-	8,697,629
-	-	-	6,248,375
-	-	1,399,061	1,399,061
<u>8,697,629</u>	<u>104,763</u>	<u>1,420,263</u>	<u>16,471,030</u>
<u>\$ 21,614,796</u>	<u>\$ 1,731,844</u>	<u>\$ 1,844,926</u>	<u>\$ 34,064,895</u>

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**CITY OF BAXTER, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET ASSETS – GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008**

FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 16,471,030

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. 36,125,726

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. 15,141,176

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

General Obligation Bonds	\$ 29,600,324	
Deferred Debt Issue Costs	(270,280)	
Compensated Absences	135,949	
Capital Lease	175,000	
Accrued Interest Payable	424,244	(30,065,237)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 37,672,695

CITY OF BAXTER, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008

	Major Funds		
	General Fund	Economic Development	Sales Tax Collections
REVENUES			
Taxes	\$ 3,867,536	\$ -	\$ -
Lodging Tax	-	-	-
Sales Tax	-	-	1,914,352
Tax Increments	-	-	-
Special Assessments	9,311	107,339	-
Licenses, Permits, and Fees	102,707	-	-
Intergovernmental	295,514	-	-
Charges for Services	452,392	-	-
Fines and Forfeits	115,739	-	-
Gifts and Contributions	13,512	-	-
Interest on Investments	89,432	11,456	68,814
Miscellaneous	49,163	30,800	-
Revolving Loans	-	-	-
Total Revenues	4,995,306	149,595	1,983,166
EXPENDITURES			
CURRENT			
General Government	1,267,846	-	59,558
Public Safety	1,599,089	-	-
Highways and Streets	461,755	-	-
Sanitation	-	-	-
Culture and Recreation	406,427	-	-
Economic and Community Development	-	35,953	-
CAPITAL OUTLAY			
General Government	136,225	-	-
Public Safety	5,862	-	-
Highways and Streets	174,590	-	-
Culture and Recreation	-	-	-
DEBT SERVICE			
Principal	25,000	24,000	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	4,076,794	59,953	59,558
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	918,512	89,642	1,923,608
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	2,902	-	-
Transfers In	125,051	54,900	-
Transfers Out	(967,952)	-	(339,010)
Total Other Financing Sources (Uses)	(839,999)	54,900	(339,010)
NET CHANGE IN FUND BALANCES	78,513	144,542	1,584,598
Fund Balance - Beginning of Year	2,685,029	314,412	1,441,281
FUND BALANCE - END OF YEAR	\$ 2,763,542	\$ 458,954	\$ 3,025,879

See accompanying Notes to Financial Statements.

Major Funds		Other	Total
Debt Service	Capital Project	Governmental	Governmental
Fund	Fund	Funds	Funds
\$ 906,748	\$ -	\$ 53,886	\$ 4,828,170
-	-	282,654	282,654
-	-	-	1,914,352
-	-	389,568	389,568
3,223,900	-	-	3,340,550
-	-	161,909	264,616
-	1,368,855	32,300	1,696,669
-	-	91,964	544,356
-	-	16,309	132,048
-	6,000	5,000	24,512
243,154	26,301	49,016	488,173
-	91,844	53,593	225,400
-	-	50,275	50,275
<u>4,373,802</u>	<u>1,493,000</u>	<u>1,186,474</u>	<u>14,181,343</u>
-	750	5,829	1,333,983
-	36	278,626	1,877,751
-	509,759	-	971,514
-	-	34,670	34,670
-	176,213	92,012	674,652
-	-	678,866	714,819
-	41,714	-	177,939
-	67,749	-	73,611
-	1,175,535	-	1,350,125
-	1,187,265	76,651	1,263,916
5,667,933	-	90,000	5,806,933
1,160,834	-	1,080	1,161,914
<u>6,828,767</u>	<u>3,159,021</u>	<u>1,257,734</u>	<u>15,441,827</u>
(2,454,965)	(1,666,021)	(71,260)	(1,260,484)
-	-	-	2,902
616,030	909,811	93,000	1,798,792
-	(385,318)	(125,759)	(1,818,039)
<u>616,030</u>	<u>524,493</u>	<u>(32,759)</u>	<u>(16,345)</u>
(1,838,935)	(1,141,528)	(104,019)	(1,276,829)
10,536,564	1,246,291	1,524,282	17,747,859
<u>\$ 8,697,629</u>	<u>\$ 104,763</u>	<u>\$ 1,420,263</u>	<u>\$ 16,471,030</u>

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CITY OF BAXTER, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES - GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2008

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS **\$ (1,276,829)**

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

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

Expenditures for General Capital Assets, Infrastructure, and Other Related Capital Assets Adjustments	\$ 1,622,886	
Capital Asset Disposals and Transfers	(766,865)	
Current Year Depreciation	<u>(1,915,633)</u>	(1,059,612)

In the statement of activities, only the gain or loss on the disposal of capital assets are reported whereas in the governmental funds, the proceeds from the disposal increase financial resources. Therefore, the change in net assets differs from the change in fund balance by the cost of the capital assets disposed of. (3,684)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. (2,533,825)

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

Principal Repayments		
General Obligation Bonds	5,691,933	
Equipment Certificates	90,000	
Capital Lease	<u>25,000</u>	5,806,933

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

Change in Accrued Interest Payable	65,835	
Amortization of Discounts, Premiums, and Deferred Issuance Charges	(16,703)	
Change in Compensated Absences	<u>9,208</u>	<u>58,340</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 991,323**

See accompanying Notes to Financial Statements.

**CITY OF BAXTER, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2008**

	WATER FUND	SEWER FUND	STORM WATER FUND	TOTALS
ASSETS				
CURRENT ASSETS				
Cash and Investments	\$ 3,865,121	\$ 3,274,203	\$ 79,748	\$ 7,219,072
Receivables				
Accounts	148,296	149,000	43,692	340,988
Special Assessments	21,261	52,980	3,715	77,956
Due From Other Governments	173	152	126	451
Due From Other Funds	478,653	868,920	-	1,347,573
Deferred Debt Issue Costs	72,339	-	-	72,339
Total Current Assets	<u>4,585,843</u>	<u>4,345,255</u>	<u>127,281</u>	<u>9,058,379</u>
NONCURRENT ASSETS				
Non-Depreciable Capital Assets				
Land	232,598	62,598	678,282	973,478
Depreciable Capital Assets (Net)				
Buildings	9,586,945	-	-	9,586,945
Distribution System	13,451,933	16,379,951	2,723,643	32,555,527
Improvements Other than Buildings	-	-	466,862	466,862
Machinery, Vehicles, Furniture and Equipment	150,704	142,870	115,696	409,270
Total Noncurrent Assets	<u>23,422,180</u>	<u>16,585,419</u>	<u>3,984,483</u>	<u>43,992,082</u>
Total Assets	<u>28,008,023</u>	<u>20,930,674</u>	<u>4,111,764</u>	<u>53,050,461</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts Payable	82,908	73,033	8,579	164,520
Contracts Payable	91,655	-	-	91,655
Salaries and Wages Payable	5,194	4,962	-	10,156
Accrued Interest Payable	147,839	-	-	147,839
Accrued Liabilities	19,673	-	-	19,673
Compensated Absences Payable	537	537	-	1,074
General Obligation Bonds Payable	400,000	-	-	400,000
Due To Other Governments	912	676	-	1,588
Total Current Liabilities	<u>748,718</u>	<u>79,208</u>	<u>8,579</u>	<u>836,505</u>
NONCURRENT LIABILITIES				
Compensated Absences Payable	9,940	9,940	-	19,880
General Obligation Bonds Payable	8,633,759	-	-	8,633,759
Total Liabilities	<u>9,392,417</u>	<u>89,148</u>	<u>8,579</u>	<u>9,490,144</u>
NET ASSETS				
Invested in Capital Assets Net of Related Debt	14,388,420	16,585,420	3,984,481	34,958,321
Unrestricted	4,227,186	4,256,106	118,704	8,601,996
Total Net Assets	<u>\$ 18,615,606</u>	<u>\$ 20,841,526</u>	<u>\$ 4,103,185</u>	<u>\$ 43,560,317</u>

See accompanying Notes to Financial Statements.

CITY OF BAXTER, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2008

	WATER FUND	SEWER FUND	STORM WATER FUND	TOTALS
OPERATING REVENUES				
Charges For Services				
User Charges	\$ 1,016,879	\$ 989,152	\$ 287,311	\$ 2,293,342
Meter Sales	26,262	-	-	26,262
Non-User Sales	17,582	30,019	-	47,601
Penalties	19,741	21,920	3,742	45,403
Permits and Hookup Charges	2,750	2,835	-	5,585
Miscellaneous	8,666	-	-	8,666
Total Operating Revenues	<u>1,091,880</u>	<u>1,043,926</u>	<u>291,053</u>	<u>2,426,859</u>
OPERATING EXPENSES				
Personal Services	160,075	146,727	7,107	313,909
Supplies and Fees	91,270	22,735	4,875	118,880
Other Services and Charges	410,838	650,460	116,172	1,177,470
Depreciation	596,174	533,121	106,316	1,235,611
Total Operating Expenses	<u>1,258,357</u>	<u>1,353,043</u>	<u>234,470</u>	<u>2,845,870</u>
OPERATING INCOME (LOSS)	(166,477)	(309,117)	56,583	(419,011)
NONOPERATING REVENUES (EXPENSES)				
Special Assessments	570	36,168	124	36,862
Water Plant Fee	89,351	-	-	89,351
Availability Charges	127,087	141,037	-	268,124
Interest Income	154,809	134,924	288	290,021
Interest Expense	(369,163)	-	-	(369,163)
Total Nonoperating Revenues (Expenses)	<u>2,654</u>	<u>312,129</u>	<u>412</u>	<u>315,195</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(163,823)	3,012	56,995	(103,816)
Capital Contributions from Developers	-	-	41,700	41,700
Capital Contributions from Governmental Activities	355,012	411,853	-	766,865
Transfers In	349,247	-	-	349,247
Transfers Out	(265,000)	(65,000)	-	(330,000)
CHANGE IN NET ASSETS	275,436	349,865	98,695	723,996
Net Assets - Beginning of Year	<u>18,340,170</u>	<u>20,491,661</u>	<u>4,004,490</u>	<u>42,836,321</u>
NET ASSETS - END OF YEAR	<u>\$ 18,615,606</u>	<u>\$ 20,841,526</u>	<u>\$ 4,103,185</u>	<u>\$ 43,560,317</u>

See accompanying Notes to Financial Statements.

**CITY OF BAXTER, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2008**

	WATER FUND	SEWER FUND	STORM WATER FUND	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 1,078,784	\$ 1,052,488	\$ 282,162	\$ 2,413,434
Payments to Suppliers	(807,313)	(648,507)	(182,902)	(1,638,722)
Payments to Employees	(146,963)	(146,570)	(7,107)	(300,640)
Net Cash Provided (Used) by Operating Activities	124,508	257,411	92,153	474,072
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES				
Cash Received from General Property Taxes	570	36,168	124	36,862
Change in Due from Other Funds	(152,946)	(511,610)	-	(664,556)
Transfers In	349,247	-	-	349,247
Transfers Out	(265,000)	(65,000)	-	(330,000)
Net Cash Provided (Used) by Noncapital and Related Financing Activities	(68,129)	(540,442)	124	(608,447)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Interest and Fiscal Charges Paid	(372,683)	-	-	(372,683)
Availability Charges	127,087	141,037	-	268,124
Water Plant Fee	89,351	-	-	89,351
Special Assessments	(7,140)	(33,114)	(1,498)	(41,752)
Payments on General Obligation Bonds	(391,780)	-	-	(391,780)
Purchases of Capital Assets	(249,550)	(41,860)	(11,319)	(302,729)
Net Cash Provided (Used) by Capital and Related Financing Activities	(804,715)	66,063	(12,817)	(751,469)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Earnings Received	154,809	134,924	288	290,021
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
	(593,527)	(82,044)	79,748	(595,823)
Cash and Cash Equivalents - Beginning of Year	4,458,648	3,356,247	-	7,814,895
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,865,121</u>	<u>\$ 3,274,203</u>	<u>\$ 79,748</u>	<u>\$ 7,219,072</u>

See accompanying Notes to Financial Statements.

**CITY OF BAXTER, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2008**

	WATER FUND	SEWER FUND	STORM WATER FUND	TOTAL
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ (166,477)	\$ (309,117)	\$ 56,583	\$ (419,011)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating: Activities				
Depreciation Expense	596,174	533,121	106,316	1,235,611
(Increase) Decrease in Assets:				
Accounts Receivable	(13,727)	6,741	(8,826)	(15,812)
Due from Other Governments	571	1,821	(65)	2,327
Other Current Assets	60	-	-	60
Increase (Decrease) in Liabilities:				
Accounts Payable	49,566	24,574	2,784	76,924
Contracts Payable	(352,427)	-	-	(352,427)
Salaries and Wages Payable	736	743	-	1,479
Other Current Liabilities	12,962	-	-	12,962
Due to Other Funds	-	-	(64,639)	(64,639)
Compensated Absences Payable	(586)	(586)	-	(1,172)
Due to Other Governments	(2,344)	114	-	(2,230)
Total Adjustments	<u>290,985</u>	<u>566,528</u>	<u>35,570</u>	<u>893,083</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 124,508</u>	<u>\$ 257,411</u>	<u>\$ 92,153</u>	<u>\$ 474,072</u>
NONCASH TRANSACTIONS				
Capital Contributions from Developers	\$ -	\$ -	\$ 41,700	\$ 41,700
Capital Contributions from Governmental Activities	355,012	411,853	-	766,865
Total Noncash Transactions	<u>\$ 355,012</u>	<u>\$ 411,853</u>	<u>\$ 41,700</u>	<u>\$ 808,565</u>

See accompanying Notes to Financial Statements.

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**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Financial Reporting Entity

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

Blended Component Unit

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

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information about the Primary Government and its component unit. These statements include the financial activities of the overall City government. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support. Likewise, the Primary Government is reported separately from certain legally separate component units for which the Primary Government is financially accountable.

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

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

2. Fund Financial Statements

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

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

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basic Financial Statements (Continued)

2. Fund Financial Statements (Continued)

The City reports the following major governmental funds:

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

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

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

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

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

The City reports the following major proprietary funds:

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

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

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

C. Measurement Focus and Basis of Accounting

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues to be available if they are collected within 60 days after the end of the current period. Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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

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

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

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Investments (Including Cash Equivalents)

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

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

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

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

2. Short-Term Interfund Receivables/Payables

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

3. Property Taxes

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

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

3. Property Taxes (Continued)

Current year property tax revenues represent the tax levy certified to the County Auditor in December of 2007 which was collected during the year ended December 31, 2008. Any adjustments or abatements to either the current, or any prior year, levy are adjusted through the current year general property tax revenues. Property taxes not collected by the County and remitted to the City within 60 days of year end are classified as delinquent and not considered measurable and available and are fully offset by deferred revenue in the governmental fund financial statements. Delinquent taxes receivable represent the past six years of uncollected tax years. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

4. Accounts Receivable

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

5. Special Assessments

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

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

6. Loans Receivable

Loans receivable represents the unpaid principal portions of loans made by the City through its revolving loan fund. Principal and interest received by the City on these loans are recognized in the period in which they are collected; accordingly, the unpaid principal portions are also reflected in deferred revenue in the fund financial statements.

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, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

8. Prepaid Items

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

9. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) is reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Costs of Infrastructure assets from 1980 to 2003, totaling \$24,829,566, have been estimated. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

10. Compensated Absences

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

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

In the City's proprietary funds, 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.

11. Long-Term Obligations

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

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

12. Fund Balance

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

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues, Expenditures, and Expenses

1. Revenues

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

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

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

Property Tax Collection Calendar

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

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

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

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

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

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

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues, Expenditures, and Expenses (Continued)

2. Expenditures

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

3. Expenses

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

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Excess of Expenditures over Appropriations

Expenditures exceeded budgeted amounts in the following non major fund:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Special Revenue Fund			
Recreation Park Fund	\$ 56,674	\$ -	\$ 56,674

The excess was the result of unbudgeted recreation expenditures.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

As of December 31, 2008, the City's investment balances were as follows:

<u>Investment Type</u>	<u>Balance</u>
Repurchase Agreements	\$ 14,200,996
Negotiable Certificates of Deposit	7,638,797
4M Fund	17,861
Total	<u>\$ 21,857,654</u>

The repurchase agreement investments as of December 31, 2008 represent ongoing overnight repurchase agreement arrangements at applicable daily quoted rates. The average rate of the repurchase agreements at December 31, 2008 was 2.49%. Funds are redeposited to the City of Baxter's account at 8:00 AM on the ensuing business day and the agreement is collateralized by federal or federal agency securities.

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

Interest Rate Risk

The purpose of this policy is to limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's policy states that maturity dates should vary in order to ensure that the City will have money available when it needs it. As of December 31, 2008, the City held no investments with fixed maturities.

Credit Risk

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

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

CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Credit Risk (Continued)

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

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

Concentration Credit Risk

The City places no official limit on the amount the City may invest in any one issuer, however its policy states that the investment portfolio must be diversified by individual issuer to reduce the exposure to risk of loss. The City invests 65.0% of the total investments in repurchase agreement at Bremer Bank.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City's investment policy does not specifically address this risk. The City is exposed to custodial credit risk because it has repurchase agreement investments of \$14,200,996 that are uninsured, unregistered and held by the City's primary bank which is also the counterparty for the repurchase agreement.

Custodial Credit Risk - Deposits

In the case of deposits, custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy addresses collateralization and states that at no time will deposits exceed \$100,000 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, 2008, all City deposits were covered by insurance or collateral.

2. Loan Receivable

The City had the following loan receivable as of December 31, 2008:

<u>Loan Receivable</u>	<u>Amount</u>
Team Industries of Baxter, Inc.; 84 Monthly Payments of \$4,889 Including Interest at 4.75% Commencing August 1, 2002, Maturing on July 1, 2009; Secured by Equipment.	\$ 28,868

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the City for the year ended December 31, 2008, is as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets not being Depreciated				
Land	\$ 4,982,346	\$ 446,066	\$ -	\$ 5,428,412
Construction in Progress	3,737,176	105,553	3,697,479	145,250
Total Capital Assets not being Depreciated	8,719,522	551,619	3,697,479	5,573,662
Capital Assets being Depreciated				
Buildings	1,229,830	-	-	1,229,830
Machinery, Vehicles, Furniture and Equipment	1,521,374	330,296	66,260	1,785,410
Land Improvements	1,193,876	69,619	-	1,263,495
Infrastructure	39,395,153	3,601,965	-	42,997,118
Total Capital Assets being Depreciated	43,340,233	4,001,880	66,260	47,275,853
Less: Accumulated Depreciation for				
Buildings	376,573	40,625	-	417,198
Machinery, Vehicles, Furniture and Equipment	1,008,252	194,829	62,576	1,140,505
Land Improvements	115,032	83,839	-	198,871
Infrastructure	13,370,876	1,596,340	-	14,967,216
Total Accumulated Depreciation	14,870,733	1,915,633	62,576	16,723,790
Total Capital Assets being Depreciated, Net	28,469,500	2,086,247	3,684	30,552,063
Governmental Activities Capital Assets, Net	<u>\$ 37,189,022</u>	<u>\$ 2,637,866</u>	<u>\$ 3,701,163</u>	<u>\$ 36,125,725</u>

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets (Continued)

The following is a summary of the proprietary fund capital assets at December 31, 2008:

	Beginning Balance	Additions	Disposals	Ending Balance
BUSINESS-TYPE ACTIVITIES				
Capital Assets not being Depreciated				
Construction in Progress	\$ 10,797,643	\$ 1,006,503	\$ 11,804,146	\$ -
Land	973,478	-	-	973,478
Total Capital Assets not being Depreciated	11,771,121	1,006,503	11,804,146	973,478
Capital Assets being Depreciated				
Buildings	-	9,708,299	-	9,708,299
Distribution System	38,866,883	2,137,547	-	41,004,430
Land Improvements	539,771	-	-	539,771
Machinery, Vehicles, Furniture and Equipment	541,334	63,090	18,911	585,513
Total Capital Assets being Depreciated	39,947,988	11,908,936	18,911	51,838,013
Less: Accumulated Depreciation for				
Buildings	-	121,354	-	121,354
Distribution System	7,415,842	1,033,061	-	8,448,903
Land Improvements	54,541	18,368	-	72,909
Machinery, Vehicles, Furniture and Equipment	132,326	62,828	18,911	176,243
Total Accumulated Depreciation	7,602,709	1,235,611	18,911	8,819,409
Total Capital Assets being Depreciated, Net	32,345,278	10,673,325	-	43,018,604
Business-Type Activities Capital Assets, Net	\$ 44,116,399	\$ 11,679,828	\$ 11,804,146	\$ 43,992,082

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

Governmental Activities	
General Government	\$ 59,534
Public Safety	54,596
Public Works	1,656,687
Culture and Recreation	137,795
Economic and Community Development	7,021
Total Depreciation Expense - Governmental Activities	<u>\$ 1,915,633</u>
Business-Type Activities	
Water	\$ 596,174
Sewer	533,121
Storm Water	106,316
Total Depreciation Expense - Business-Type Activities	<u>\$ 1,235,611</u>

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers

1. Due to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Nonmajor Governmental Funds	\$ 10,897	Cash Deficit
	Debt Service Fund	12,086	Cash Deficit
Water Fund	Capital Project Fund	478,653	Cash Deficit
Sewer Fund	Capital Project Fund	693,920	Cash Deficit
	Debt Service Fund	175,000	Cash Deficit
Total		<u>\$ 1,370,556</u>	

2. Interfund Transfers

	<u>Amount</u>	<u>Purpose</u>
Transfer to General Fund from		
Capital Projects Fund	\$ 119,051	Reallocate bond proceeds to 1001 City Hall Parking Lot expenditures
Nonmajor Governmental Funds	6,000	Police operations
Transfer to Economic Development Fund from		
General	54,900	EDA Fund annual appropriation
Transfer to Debt Service Fund from		
Capital Projects	256,030	Transfer residual bond proceeds
Nonmajor Governmental	30,000	Capital parks contribution
Water	265,000	Operations
Sewer	65,000	Operations
Transfer to Capital Project Fund from		
General	165,000	Vehicle annual appropriation
	31,500	Trail Funds appropriation
	149,308	Roberts Land acquisition
	305,600	Collector Road appropriation
	47,000	City Center appropriation
	91,323	Proceeds to closeout CPF 4038
	30,321	Appropriate Funds for City's portion of land
Nonmajor Governmental	73,292	Transfer residual Certificate of Indebtedness proceeds
	14,247	To close out Fund
	2,220	Appropriate Funds for Squad computer from Alcohol Funds
Transfer to Nonmajor Governmental Funds from		
General	93,000	Operations
Transfer to Water Fund from		
Capital Projects Fund	10,237	WAC Fees
Sales Tax Collections Fund	339,010	Sales Tax proceeds for Water Plant
Total Transfers	<u>\$ 2,148,039</u>	

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers (Continued)

2. Interfund Transfers (Continued)

For the year ended December 31, 2008, Governmental Activities of the City transferred \$355,012 and \$411,853 of capital assets to the Water and Sewer Funds, respectively.

C. Liabilities

1. Long-Term Debt

General Obligation Bonds

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

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

2. Components of Long-Term Debt

	Authorized and Issued	Redeemed	Outstanding	Due in 2009	
				Principal	Interest
GOVERNMENTAL ACTIVITIES					
<u>General Obligation Bonds</u>					
General Obligation Sewer and Water Revenue Note of 1991; 3.53%, Issued 07/30/1991; Final Maturity 02/20/2012.	\$ 875,607	\$ 680,450	\$ 195,157	\$ 54,818	\$ 6,410
General Obligation Improvement Bonds, Series 2001A; 3.25 to 4.75% Issued 11/01/2001; Final Maturity 02/01/2017.	1,875,000	1,105,000	770,000	210,000	27,495
General Obligation Improvement Bonds, Series 2001; 0% Issued 03/21/2001; Final Maturity 02/01/2012.	240,000	164,000	76,000	24,000	-
General Obligation Improvement Bonds, Series 2002A; 2.0 to 3.875% Issued 10/01/2002; Final Maturity 02/01/2015.	4,435,000	2,925,000	1,510,000	390,000	44,020

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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 2009	
				Principal	Interest
GOVERNMENTAL ACTIVITIES (CONTINUED)					
<u>General Obligation Bonds (Continued)</u>					
General Obligation Improvement Bonds, Series 2003A; 2.5 to 3.8% Issued 12/01/2003; Final Maturity 02/01/2016.	\$ 6,690,000	\$ 2,900,000	\$ 3,790,000	\$ 770,000	\$ 113,843
General Obligation Improvement Bonds, Series 2004; 3.0 to 3.5% Issued 11/15/2004; Final Maturity 02/01/2017.	9,050,000	3,185,000	5,865,000	940,000	183,485
General Obligation Refunding Bonds, Series 2005A; 2.4 to 3.35% Issued 3/15/2005; Final Maturity 02/01/2014.	1,805,000	500,000	1,305,000	260,000	35,695
General Obligation Improvement Bonds, Series 2005B; 3.5 to 4.0% Issued 12/1/2005; Final Maturity 02/01/2018.	4,390,000	930,000	3,460,000	505,000	117,609
General Obligation Capital Improvement Bonds, Series 2006A; 4.00 to 4.25% Issued 06/01/2006; Final Maturity 02/01/2026.	4,230,000	145,000	4,085,000	155,000	164,294
General Obligation Improvement Bonds, Series 2006B; 4.00% Issued 11/15/2006; Final Maturity 02/01/2019.	5,770,000	750,000	5,020,000	780,000	185,200
General Obligation Improvement Bonds, Series 2007B; 4.00 to 4.15% Issued 12/05/2007; Final Maturity 02/01/2022	3,425,000	-	3,425,000	165,000	134,710
Total General Obligation Bonds	42,785,607	13,284,450	29,501,157	4,253,818	1,012,761
Add: Unamortized Premium	-	-	138,548	-	-
Less: Unamortized Discount	-	-	(39,381)	-	-
Total General Obligation Bonds, Net	42,785,607	13,284,450	29,600,324	4,253,818	1,012,761
Total Governmental Activities Long-Term Debt	42,785,607	13,284,450	29,600,324	4,253,818	1,012,761
BUSINESS-TYPE ACTIVITIES					
<u>General Obligation Bonds</u>					
General Obligation Improvement Bonds, Series 2005C; 3.75 to 4.35%; issued 12/1/2005; Final Maturity 02/01/2025.	3,805,000	285,000	3,520,000	145,000	138,499
General Obligation Water and Sales Tax Revenue Bonds, Series 2007A; 3.88% to 4.00%; Issued 2/6/2007; Final Maturity 02/01/2018	6,500,000	995,000	5,505,000	255,000	220,200
Total General Obligation Bonds, Net	10,305,000	1,280,000	9,025,000	400,000	358,699
Add: Unamortized Premium	-	-	32,049	-	-
Less: Unamortized Discount	-	-	(23,290)	-	-
Total Business-Type Activities	10,305,000	1,280,000	9,033,759	400,000	358,699
Total Long-Term Debt	\$ 53,090,607	\$ 14,564,450	\$ 38,634,083	\$ 4,653,818	\$ 1,371,460

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

3. Changes in Long-Term Debt

	December 31, 2007	Additions	Retirements	December 31, 2008	Due Within One Year
GOVERNMENTAL ACTIVITIES					
Equipment Certificates	\$ 90,000	\$ -	\$ 90,000	\$ -	\$ -
General Obligation Bonds	35,193,090	-	5,691,933	29,501,157	4,253,818
Capital Lease	200,000	-	25,000	175,000	25,000
Total	35,483,090	-	5,806,933	29,676,157	4,278,818
Compensated Absences	145,157	179,680	188,888	135,949	11,423
Governmental Activity Long-Term Liabilities	<u>\$35,628,247</u>	<u>\$ 179,680</u>	<u>\$ 5,995,821</u>	<u>\$29,812,106</u>	<u>\$4,290,241</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Bonds	\$ 9,415,000	\$ -	\$ 390,000	\$ 9,025,000	\$ 400,000
Compensated Absences	22,126	20,098	21,270	20,954	1,074
Business Activity Long-Term Liabilities	<u>\$ 9,437,126</u>	<u>\$ 20,098</u>	<u>\$ 411,270</u>	<u>\$ 9,045,954</u>	<u>\$ 401,074</u>

4. Minimum Debt Payments

Debt requirements to maturity are as follows:

Governmental Activities

Year Ending December 31,	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>General Obligation Bonds</u>			<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 4,253,818	\$ 1,012,761	\$ 5,266,579	\$ 400,000	\$ 358,699	\$ 758,699
2010	4,180,770	869,304	5,050,074	420,000	342,874	762,874
2011	3,382,792	737,393	4,120,185	435,000	326,368	761,368
2012	2,738,777	628,407	3,367,184	455,000	309,274	764,274
2013	2,510,000	533,213	3,043,213	475,000	291,393	766,393
2014-2018	8,845,000	1,475,930	10,320,930	2,670,000	1,159,185	3,829,185
2019-2023	2,660,000	436,728	3,096,728	2,605,000	623,258	3,228,258
2024-2026	930,000	60,563	990,563	1,565,000	106,320	1,671,320
Total	<u>\$ 29,501,157</u>	<u>\$ 5,754,299</u>	<u>\$ 35,255,456</u>	<u>\$ 9,025,000</u>	<u>\$ 3,517,371</u>	<u>\$ 12,542,371</u>

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Liabilities (Continued)

5. Capital Lease

During 2006, the City entered into a capital lease to purchase fiber optic infrastructure from Independent School District 181. The 10-year lease totals \$250,000 payable in ten \$25,000 annual installments commencing in 2006. The lease bears no interest. The historical cost of this asset is recorded at \$250,000 and the accumulated depreciation related to this asset, as of December 31, 2008, is \$31,250.

Remaining capital lease obligations are as follows:

<u>December 31,</u>	
2009	\$ 25,000
2010	25,000
2011	25,000
2012	25,000
2013	25,000
2014-2015	<u>50,000</u>
Total	<u><u>\$ 175,000</u></u>

6. Risk Management

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

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

D. Fund Balance

Reserves and Designated Fund Balance

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

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 4 PENSION PLANS

A. Plan Description

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

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan 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 Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. 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 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service. For all PEPFF members and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 4 PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding Policy

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2008. PEPFF members were required to contribute 8.6% of their annual covered salary in 2008. That rate will increase to 9.4% in 2009. The City of Baxter is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.5% for Coordinated Plan PERF members and 12.9% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.1%, respectively, effective January 1, 2009. The City's contributions to the Public Employees Retirement Fund and the Public Employees Police and Fire Fund for the years ending December 31, 2008, 2007, and 2006 were:

		Public Employees Retirement Fund		Public Employees Police and Fire Fund
	\$	88,144	\$	102,324
2008		84,300		88,057
2007		76,121		70,399
2006				

**CITY OF BAXTER, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

NOTE 4 PENSION PLANS (CONTINUED)

C. Defined Contribution Plan

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

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

The employer's contribution amounts for the years ending December 31, 2008, 2007, and 2006 were \$285, \$285, and \$-0- 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, 2008**

NOTE 5 SUMMARY OF SIGNIFICANT CONTINGENCIES AND OTHER ITEMS

A. Construction Commitments

At year-end, the City had approximately \$122,352 of outstanding construction commitments related to design and construction services for the Excelsior Bridge project.

B. Contingencies

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

C. Related Organization

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

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

NOTE 6 SUBSEQUENT EVENT

On December 16, 2008, the City Council called for the \$740,000 partial redemption of G.O. Improvement Bonds, Series 2002A effective February 1, 2009. The remaining bond obligation of \$380,000 is scheduled to be repaid February 1, 2010.

On February 17, 2009, the City Council authorized the issuance of a \$655,033 taxable G.O. Sales Tax Waste Water Revenue Note, Series 2009A.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008**

	<u>BUDGETED</u> <u>ORIGINAL</u>	<u>AMOUNTS</u> <u>FINAL</u>	<u>ACTUAL</u> <u>AMOUNTS</u>	<u>VARIANCE WITH</u> <u>FINAL BUDGET</u>
REVENUES				
GENERAL PROPERTY TAXES	\$ 4,164,300	\$ 3,967,300	\$ 3,867,536	\$ (99,764)
SPECIAL ASSESSMENTS				
Principal	8,100	8,100	9,162	1,062
Interest	-	-	149	149
Total Special Assessments	<u>8,100</u>	<u>8,100</u>	<u>9,311</u>	<u>1,211</u>
LICENSES, PERMITS, AND FEES				
Business Licenses and Permits	34,200	34,200	38,396	4,196
Franchise Fees	48,000	48,000	63,664	15,664
Other Licenses and Permits	300	300	647	347
Total Licenses, Permits and Fees	<u>82,500</u>	<u>82,500</u>	<u>102,707</u>	<u>20,207</u>
INTERGOVERNMENTAL				
STATE AND LOCAL				
PERA Increase Aid	2,000	2,000	2,010	10
Market Value Credit	-	197,000	98,653	(98,347)
State Highway Aid	19,000	19,000	21,525	2,525
Public Safety Grants	84,800	84,800	163,931	79,131
Total State and Local	<u>105,800</u>	<u>302,800</u>	<u>286,119</u>	<u>(16,681)</u>
FEDERAL				
Safe and Sober	-	-	9,395	9,395
Total Intergovernmental	105,800	302,800	295,514	(7,286)
CHARGES FOR SERVICES	432,900	432,900	452,392	19,492
FINES AND FORFEITS	59,000	59,000	115,739	56,739
GIFTS AND CONTRIBUTIONS	-	-	13,512	13,512
INTEREST ON INVESTMENTS	57,000	57,000	89,432	32,432
MISCELLANEOUS				
Other Rents and Royalties	28,000	28,000	37,887	9,887
Other Miscellaneous Revenues	500	500	11,276	10,776
Total Miscellaneous	<u>28,500</u>	<u>28,500</u>	<u>49,163</u>	<u>20,663</u>
Total Revenues	<u>4,938,100</u>	<u>4,938,100</u>	<u>4,995,306</u>	<u>57,206</u>

See accompanying Notes to the Required Supplementary Information.

**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2008**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT				
Other General Government	\$ 450,900	\$ 450,900	\$ 295,433	\$ 155,467
Council	36,300	36,300	33,463	2,837
Administration	190,700	190,700	164,454	26,246
Finance	411,000	411,000	292,273	118,727
Public Works Administration	406,800	406,800	328,159	78,641
Information Systems	122,000	122,000	108,132	13,868
Legal	42,100	42,100	45,932	(3,832)
Total General Government	1,659,800	1,659,800	1,267,846	391,954
PUBLIC SAFETY				
Police	1,350,700	1,350,700	1,336,970	13,730
Fire Protection	262,200	262,200	262,119	81
Total Public Safety	1,612,900	1,612,900	1,599,089	13,811
HIGHWAYS AND STREETS				
Streets	474,500	474,500	461,755	12,745
CULTURE AND RECREATION				
Parks	405,700	405,700	406,427	(727)
CAPITAL OUTLAY				
General Government	14,500	134,500	136,225	(1,725)
Public Safety	5,000	5,000	5,862	(862)
Highways and Streets	36,700	179,100	174,590	4,510
Total Capital Outlay	56,200	318,600	316,677	1,923
DEBT SERVICE				
Principal	25,000	25,000	25,000	-
Total Expenditures	4,234,100	4,496,500	4,076,794	419,706
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES				
	704,000	441,600	918,512	476,912
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	-	-	2,902	2,902
Transfers In	6,000	126,000	125,051	(949)
Transfers Out	(710,000)	(710,000)	(967,952)	(257,952)
Total Other Financing Sources (Uses)	(704,000)	(584,000)	(839,999)	(255,999)
NET CHANGE IN FUND BALANCE	\$ -	\$ (142,400)	78,513	\$ 220,913
Fund Balances - Beginning of Year			2,685,029	
FUND BALANCES - END OF YEAR			\$ 2,763,542	

See accompanying Notes to the Required Supplementary Information.

**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
ECONOMIC DEVELOPMENT AUTHORITY FUND
YEAR ENDED DECEMBER 31, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Special Assessments				
Principal	\$ 35,000	\$ 35,000	\$ 83,944	\$ 48,944
Interest	20,000	20,000	23,395	3,395
Interest on Investments	7,000	7,000	11,456	4,456
Miscellaneous				
Other Rents and Royalties	30,800	30,800	30,800	-
Total Revenues	<u>92,800</u>	<u>92,800</u>	<u>149,595</u>	<u>56,795</u>
EXPENDITURES				
CURRENT				
Economic and Community Development				
Economic Development	41,100	41,100	35,953	5,147
DEBT SERVICE				
Principal	24,000	24,000	24,000	-
Total Expenditures	<u>65,100</u>	<u>65,100</u>	<u>59,953</u>	<u>5,147</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,700	27,700	89,642	61,942
OTHER FINANCING SOURCES				
Transfers In	54,900	54,900	54,900	-
NET CHANGE IN FUND BALANCE	<u>\$ 82,600</u>	<u>\$ 82,600</u>	144,542	<u>\$ 61,942</u>
Fund Balance - Beginning of Year			<u>314,412</u>	
FUND BALANCE - END OF YEAR			<u>\$ 458,954</u>	

See accompanying Notes to the Required Supplementary Information.

CITY OF BAXTER, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2008

I. BUDGETARY INFORMATION

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

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

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COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS AND SCHEDULES

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008**

	<u>EQUIPMENT CERTIFICATES</u>	<u>CEMETERY</u>	<u>COMMUNITY DEVELOPMENT</u>	<u>CAPITAL PARK</u>
ASSETS				
Cash and Pooled Investments	\$ -	\$ 35,545	\$ 81,656	\$ 348,230
Accounts Receivable	-	-	470	-
Special Assessment Receivable	-	-	37,811	-
Loan Receivable	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ -</u>	<u>\$ 35,545</u>	<u>\$ 119,937</u>	<u>\$ 348,230</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 6,666	\$ 3,676
Salaries and Wages Payable	-	-	12,496	-
Contracts Payable	-	-	3,880	-
Due to Other Funds	-	-	-	-
Due to Other Governments	-	-	2,615	-
Deferred Revenue	-	-	-	-
Special Assessments	-	-	37,811	-
Other	-	-	-	-
Unearned	-	-	-	-
Escrow Deposits	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities	-	-	63,468	3,676
FUND BALANCES				
Reserved for	-	-	-	-
Construction	-	1,200	-	-
Perpetual Care	-	20,002	-	-
Unreserved, Undesignated	-	14,343	56,469	344,554
	<hr/>	<hr/>	<hr/>	<hr/>
Total Fund Balances	-	35,545	56,469	344,554
	<hr/>	<hr/>	<hr/>	<hr/>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 35,545</u>	<u>\$ 119,937</u>	<u>\$ 348,230</u>

<u>RECREATION</u>	<u>PROJECT DEVELOPMENT</u>	<u>REVOLVING LOAN</u>	<u>LODGING TAX ADMINISTRATION</u>	<u>TIF REVENUE COLLECTIONS</u>	<u>TIF DISTRICT 4 INDUSTRIAL PARK</u>
\$ -	\$ 89,785	\$ 363,526	\$ 10,099	\$ 433,634	\$ 117,964
62,233	180	-	16,406	-	-
-	-	-	-	-	-
-	-	28,868	-	-	-
<u>\$ 62,233</u>	<u>\$ 89,965</u>	<u>\$ 392,394</u>	<u>\$ 26,505</u>	<u>\$ 433,634</u>	<u>\$ 117,964</u>

\$ 60,616	\$ -	\$ -	\$ 26,505	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
8,782	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
62,233	-	28,868	-	-	-
-	-	4,190	-	-	-
-	25,746	-	-	-	-
131,631	25,746	33,058	26,505	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(69,398)	64,219	359,336	-	433,634	117,964
(69,398)	64,219	359,336	-	433,634	117,964
<u>\$ 62,233</u>	<u>\$ 89,965</u>	<u>\$ 392,394</u>	<u>\$ 26,505</u>	<u>\$ 433,634</u>	<u>\$ 117,964</u>

**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2008**

	TIF DISTRICT 5 ARBOR GLENN	TIF DISTRICT 6 CLEARWATER ESTATES	TIF DISTRICT 7 GRAND OAKS
ASSETS			
Cash and Pooled Investments	\$ 40,043	\$ 122,191	\$ 10,008
Accounts Receivable	-	-	-
Special Assessment Receivable	-	-	-
Loan Receivable	-	-	-
Total Assets	\$ 40,043	\$ 122,191	\$ 10,008
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 15,247	\$ 94,620	\$ 7,164
Salaries and Wages Payable	-	-	-
Contracts Payable	-	-	-
Due to Other Funds	-	-	-
Due to Other Governments	-	15,971	-
Deferred Revenue			
Special Assessments	-	-	-
Other	-	-	-
Unearned	-	-	-
Escrow Deposits	-	-	-
Total Liabilities	15,247	110,591	7,164
FUND BALANCES			
Reserved for			
Construction	-	-	-
Perpetual Care	-	-	-
Unreserved, Undesignated	24,796	11,600	2,844
Total Fund Balances	24,796	11,600	2,844
Total Liabilities and Fund Balances	\$ 40,043	\$ 122,191	\$ 10,008

TIF DISTRICT 8 ARBOR GLENN 2	ALCOHOL SEIZURE	DRUG SEIZURE	RECYCLING	COMBINED TOTALS
\$ -	\$ 10,840	\$ 10,628	\$ 22,543	\$ 1,696,692
-	1,125	1,141	-	81,555
-	-	-	-	37,811
-	-	-	-	28,868
<u>\$ -</u>	<u>\$ 11,965</u>	<u>\$ 11,769</u>	<u>\$ 22,543</u>	<u>\$ 1,844,926</u>

\$ -	\$ -	\$ 228	\$ 4,367	\$ 219,089
-	-	-	-	12,496
-	-	-	-	3,880
2,115	-	-	-	10,897
-	521	346	-	19,453
-	-	-	-	37,811
-	-	-	-	91,101
-	-	-	-	4,190
-	-	-	-	25,746
2,115	521	574	4,367	424,663
-	-	-	-	1,200
-	-	-	-	20,002
(2,115)	11,444	11,195	18,176	1,399,061
(2,115)	11,444	11,195	18,176	1,420,263
<u>\$ -</u>	<u>\$ 11,965</u>	<u>\$ 11,769</u>	<u>\$ 22,543</u>	<u>\$ 1,844,926</u>

**CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008**

	EQUIPMENT CERTIFICATES	CEMETERY	COMMUNITY DEVELOPMENT	CAPITAL PARK
REVENUES				
General Property Taxes	\$ 53,886	\$ -	\$ -	\$ -
Lodging Tax	-	-	-	-
Tax Increments	-	-	-	-
Licenses, Permits, and Fees	-	-	161,909	-
Intergovernmental	-	-	-	-
Charges for Services	-	-	83,072	-
Fines and Forfeits	-	-	511	-
Gifts and Contributions	-	-	-	5,000
Revolving Loan				
Principal	-	-	-	-
Interest	-	-	-	-
Interest on Investments	-	1,007	6,585	9,452
Miscellaneous	-	4,800	357	48,436
Total Revenues	53,886	5,807	252,434	62,888
EXPENDITURES				
CURRENT				
General Government	-	5,829	-	-
Public Safety	-	-	273,626	-
Sanitation	-	-	-	-
Culture and Recreation	-	-	-	35,338
Economic and Community Development	-	-	241,095	-
CAPITAL OUTLAY				
Culture and Recreation	-	-	-	76,651
DEBT SERVICE				
Principal	90,000	-	-	-
Interest and Fiscal Charges	1,080	-	-	-
Total Expenditures	91,080	5,829	514,721	111,989
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(37,194)	(22)	(262,287)	(49,101)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	6,100	-	68,900
Transfers Out	(73,292)	-	-	(44,247)
Total Other Financing Sources (Uses)	(73,292)	6,100	-	24,653
NET CHANGE IN FUND BALANCES	(110,486)	6,078	(262,287)	(24,448)
Fund Balance - Beginning of Year	110,486	29,467	318,756	369,002
FUND BALANCE - END OF YEAR	\$ -	\$ 35,545	\$ 56,469	\$ 344,554

RECREATION	PROJECT DEVELOPMENT	REVOLVING LOAN	LODGING TAX ADMINISTRATION	TIF REVENUE COLLECTIONS	TIF DISTRICT 4 INDUSTRIAL PARK
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	282,654	-	-
-	-	-	-	149,966	77,802
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	47,668	-	-	-
-	-	2,607	-	-	-
-	2,850	10,526	714	10,190	2,028
-	-	-	-	-	-
-	2,850	60,801	283,368	160,156	79,830
-	-	-	-	-	-
-	-	-	-	-	-
56,674	-	-	-	-	-
-	350	-	283,368	820	1,339
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
56,674	350	-	283,368	820	1,339
(56,674)	2,500	60,801	-	159,336	78,491
15,000	-	-	-	-	-
-	-	-	-	-	-
15,000	-	-	-	-	-
(41,674)	2,500	60,801	-	159,336	78,491
(27,724)	61,719	298,535	-	274,298	39,473
\$ (69,398)	\$ 64,219	\$ 359,336	\$ -	\$ 433,634	\$ 117,964

**CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2008**

	TIF DISTRICT 5 ARBOR GLENN	TIF DISTRICT 6 CLEARWATER ESTATES	TIF DISTRICT 7 GRAND OAKS
REVENUES			
General Property Taxes	\$ -	\$ -	\$ -
Lodging Tax	-	-	-
Tax Increments	50,825	95,489	15,083
Licenses, Permits, and Fees	-	-	-
Intergovernmental	-	-	-
Charges for Services	-	-	-
Fines and Forfeits	-	-	-
Gifts and Contributions	-	-	-
Revolving Loan			
Principal	-	-	-
Interest	-	-	-
Interest on Investments	518	3,507	157
Miscellaneous	-	-	-
	<u>51,343</u>	<u>98,996</u>	<u>15,240</u>
Total Revenues			
EXPENDITURES			
CURRENT			
General Government	-	-	-
Public Safety	-	-	-
Sanitation	-	-	-
Culture and Recreation	-	-	-
Economic and Community Development	33,120	100,780	16,340
CAPITAL OUTLAY			
Culture and Recreation	-	-	-
DEBT SERVICE			
Principal	-	-	-
Interest and Fiscal Charges	-	-	-
	<u>33,120</u>	<u>100,780</u>	<u>16,340</u>
Total Expenditures			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,223	(1,784)	(1,100)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	-	-
Transfers Out	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES	18,223	(1,784)	(1,100)
Fund Balance - Beginning of Year	<u>6,573</u>	<u>13,384</u>	<u>3,944</u>
FUND BALANCE - END OF YEAR	<u>\$ 24,796</u>	<u>\$ 11,600</u>	<u>\$ 2,844</u>

TIF DISTRICT 8 ARBOR GLENN 2	ALCOHOL SEIZURE	DRUG SEIZURE	RECYCLING	COMBINED TOTALS
\$ -	\$ -	\$ -	\$ -	\$ 53,886
-	-	-	-	282,654
403	-	-	-	389,568
-	-	-	-	161,909
-	-	-	32,300	32,300
-	1,783	6,750	359	91,964
-	15,798	-	-	16,309
-	-	-	-	5,000
-	-	-	-	47,668
-	-	-	-	2,607
-	323	270	889	49,016
-	-	-	-	53,593
403	17,904	7,020	33,548	1,186,474
-	-	-	-	5,829
-	5,000	-	-	278,626
-	-	-	34,670	34,670
-	-	-	-	92,012
1,654	-	-	-	678,866
-	-	-	-	76,651
-	-	-	-	90,000
-	-	-	-	1,080
1,654	5,000	-	34,670	1,257,734
(1,251)	12,904	7,020	(1,122)	(71,260)
-	-	-	3,000	93,000
-	(6,000)	(2,220)	-	(125,759)
-	(6,000)	(2,220)	3,000	(32,759)
(1,251)	6,904	4,800	1,878	(104,019)
(864)	4,540	6,395	16,298	1,524,282
\$ (2,115)	\$ 11,444	\$ 11,195	\$ 18,176	\$ 1,420,263

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**CITY OF BAXTER, MINNESOTA
BUDGETARY COMPARISON SCHEDULE
CAPITAL PARK SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2008**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Gifts and Contributions	\$ 300,000	\$ 300,000	\$ 5,000	\$ (295,000)
Interest on Investments	12,000	12,000	9,452	(2,548)
Miscellaneous	50,400	50,400	48,436	(1,964)
Total Revenues	<u>362,400</u>	<u>362,400</u>	<u>62,888</u>	<u>(299,512)</u>
EXPENDITURES				
CURRENT				
Culture and Recreation				
Capital Park	42,900	42,900	35,338	7,562
CAPITAL OUTLAY				
Culture and Recreation	358,400	381,400	76,651	304,749
Total Expenditures	<u>401,300</u>	<u>424,300</u>	<u>111,989</u>	<u>312,311</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(38,900)	(61,900)	(49,101)	12,799
OTHER FINANCING SOURCES (USES)				
Transfers In	68,900	68,900	68,900	-
Transfers Out	(30,000)	(44,300)	(44,247)	53
Total Other Financing Sources (Uses)	<u>38,900</u>	<u>24,600</u>	<u>24,653</u>	<u>53</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (37,300)</u>	<u>(24,448)</u>	<u>\$ 12,852</u>
Fund Balance - Beginning of Year			<u>369,002</u>	
FUND BALANCE - END OF YEAR			<u>\$ 344,554</u>	

**CITY OF BAXTER, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 CEMETERY SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Interest on Investments	\$ 800	\$ 800	\$ 1,007	\$ 207
Miscellaneous Revenues	2,500	2,500	4,800	2,300
Total Revenues	<u>3,300</u>	<u>3,300</u>	<u>5,807</u>	<u>2,507</u>
EXPENDITURES				
CURRENT				
General Government Cemetery	9,400	9,400	5,829	3,571
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,100)	(6,100)	(22)	6,078
OTHER FINANCING SOURCES				
Transfers In	6,100	6,100	6,100	-
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	6,078	<u>\$ 6,078</u>
Fund Balance - Beginning of Year			<u>29,467</u>	
FUND BALANCE - END OF YEAR			<u>\$ 35,545</u>	

**CITY OF BAXTER, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 RECREATION SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
EXPENDITURES				
CURRENT				
Culture and Recreation				
Recreation	\$ -	\$ -	\$ 56,674	\$ (56,674)
OTHER FINANCING SOURCES				
Transfers In	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 15,000</u>	<u>\$ 15,000</u>	(41,674)	<u>\$ (56,674)</u>
Fund Balance - Beginning of Year			<u>(27,724)</u>	
FUND BALANCE - END OF YEAR			<u>\$ (69,398)</u>	

**CITY OF BAXTER, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008**

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
REVENUES				
Licenses, Permits, and Fees	\$ 230,400	\$ 230,400	\$ 161,909	\$ (68,491)
Charges for Services	163,900	163,900	83,072	(80,828)
Fines and Forfeits	-	-	511	511
Interest on Investments	9,000	9,000	6,585	(2,415)
Miscellaneous	500	500	357	(143)
Total Revenues	<u>403,800</u>	<u>403,800</u>	<u>252,434</u>	<u>(151,366)</u>
EXPENDITURES				
CURRENT				
Public Safety				
Building Inspection	272,700	272,700	273,626	(926)
Economic and Community Development				
Planning	262,200	262,200	241,095	21,105
Total Expenditures	<u>534,900</u>	<u>534,900</u>	<u>514,721</u>	<u>20,179</u>
NET CHANGE IN FUND BALANCE	<u>\$ (131,100)</u>	<u>\$ (131,100)</u>	(262,287)	<u>\$ (131,187)</u>
Fund Balance - Beginning of Year			<u>318,756</u>	
FUND BALANCE - END OF YEAR			<u>\$ 56,469</u>	

**CITY OF BAXTER, MINNESOTA
 BUDGETARY COMPARISON SCHEDULE
 RECYCLING SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008**

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL AMOUNTS</u>	<u>VARIANCE WITH FINAL BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
REVENUES				
Intergovernmental - County	\$ 32,300	\$ 32,300	\$ 32,300	\$ -
Charges for Services	300	300	359	59
Interest on Investments	-	-	889	889
Total Revenues	<u>32,600</u>	<u>32,600</u>	<u>33,548</u>	<u>948</u>
EXPENDITURES				
CURRENT				
Sanitation	<u>38,600</u>	<u>38,600</u>	<u>34,670</u>	<u>3,930</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(6,000)	(6,000)	(1,122)	4,878
OTHER FINANCING SOURCES				
Transfers In	<u>6,000</u>	<u>6,000</u>	<u>3,000</u>	<u>(3,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	1,878	<u>\$ 1,878</u>
Fund Balance - Beginning of Year			<u>16,298</u>	
FUND BALANCE - END OF YEAR			<u>\$ 18,176</u>	

**CITY OF BAXTER, MINNESOTA
COMBINING BALANCE SHEET
DEBT SERVICE FUND – BY BOND ISSUE
DECEMBER 31, 2008**

	1991 SOUTHDALE SEWER \$97,000 G.O. AND \$875,607 P.F.A.	2000 ROAD PROJECTS	2001 BOND ISSUE	2002 BOND ISSUE	2003 BOND ISSUE
ASSETS					
Cash and Pooled Investments	\$ 165,420	\$ 9,143	\$ 866,209	\$ 562,726	\$ 1,670,399
Accounts Receivable	-	-	-	-	-
Due From Other Governments	-	2,231	494	3,622	38,224
Delinquent Taxes Receivable	-	2,457	-	10,236	3,685
Special Assessments Receivable	31,317	227,291	398,221	1,482,628	1,988,354
Total Assets	<u>\$ 196,737</u>	<u>\$ 241,122</u>	<u>\$ 1,264,924</u>	<u>\$ 2,059,212</u>	<u>\$ 3,700,662</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Due to Other Funds	\$ -	\$ 175,000	\$ -	\$ -	\$ -
Due to Other Governments	-	621	3,191	5,768	19,168
Accounts Payable	-	22	22	22	22
Deferred Revenue - Unavailable	-	2,457	-	10,236	3,685
Deferred Special Assessments	31,317	227,291	398,221	1,482,628	1,988,354
Total Liabilities	<u>31,317</u>	<u>405,391</u>	<u>401,434</u>	<u>1,498,654</u>	<u>2,011,229</u>
FUND BALANCES					
Unreserved					
Designated for Debt Service	165,420	(164,269)	863,490	560,558	1,689,433
Total Liabilities and Fund Balances	<u>\$ 196,737</u>	<u>\$ 241,122</u>	<u>\$ 1,264,924</u>	<u>\$ 2,059,212</u>	<u>\$ 3,700,662</u>

2004A G.O. BOND ISSUE	2005A G.O. REFUND BONDS 1997-1998	2005B G.O. IMPROVE BONDS	2006A G.O. CIP BONDS	2006B G.O. IMPROVE BONDS	2007B G.O. IMPROVE BONDS	COMBINED TOTALS
\$ 2,028,893	\$ 484,883	\$ 875,969	\$ -	\$ 1,718,664	\$ 429,133	\$ 8,811,439
341	-	-	-	-	-	341
33,683	3,708	25,736	846	9,081	1,671	119,296
18,015	6,142	9,826	7,779	19,817	2,866	80,823
2,521,252	89,880	1,956,824	-	2,315,106	1,592,024	12,602,897
<u>\$ 4,602,184</u>	<u>\$ 584,613</u>	<u>\$ 2,868,355</u>	<u>\$ 8,625</u>	<u>\$ 4,062,668</u>	<u>\$ 2,025,694</u>	<u>\$ 21,614,796</u>
\$ -	\$ -	\$ -	\$ 12,086	\$ -	\$ -	\$ 187,086
1,952	126	2,127	-	13,188	-	46,141
22	22	22	22	22	22	220
18,015	6,142	9,826	7,779	19,817	2,866	80,823
2,521,252	89,880	1,956,824	-	2,315,106	1,592,024	12,602,897
2,541,241	96,170	1,968,799	19,887	2,348,133	1,594,912	12,917,167
<u>2,060,943</u>	<u>488,443</u>	<u>899,556</u>	<u>(11,262)</u>	<u>1,714,535</u>	<u>430,782</u>	<u>8,697,629</u>
<u>\$ 4,602,184</u>	<u>\$ 584,613</u>	<u>\$ 2,868,355</u>	<u>\$ 8,625</u>	<u>\$ 4,062,668</u>	<u>\$ 2,025,694</u>	<u>\$ 21,614,796</u>

CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUND – BY BOND ISSUE
YEAR ENDED DECEMBER 31, 2008

	1991 SOUTHDALÉ SEWER \$97,000 G.O. AND \$875,607 P.F.A.	2000 ROAD PROJECTS	2001 BOND ISSUE	2002 BOND ISSUE	2003 BOND ISSUE
REVENUES					
General Property Taxes	\$ -	\$ 28,178	\$ -	\$ 114,657	\$ 41,102
Special Assessments					
Principal	7,266	151,692	146,573	266,354	475,000
Interest	1,890	28,148	33,015	64,313	127,009
Interest on Investments	5,724	6,176	24,543	10,224	44,097
Total Revenues	<u>14,880</u>	<u>214,194</u>	<u>204,131</u>	<u>455,548</u>	<u>687,208</u>
EXPENDITURES					
DEBT SERVICE					
Principal	52,933	1,515,000	205,000	550,000	755,000
Interest and Fiscal Charges	8,295	50,578	35,576	57,886	136,227
Total Expenditures	<u>61,228</u>	<u>1,565,578</u>	<u>240,576</u>	<u>607,886</u>	<u>891,227</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(46,348)	(1,351,384)	(36,445)	(152,338)	(204,019)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	256,030	-
NET CHANGE IN FUND BALANCES	(46,348)	(1,351,384)	(36,445)	103,692	(204,019)
Fund Balances - Beginning of Year	<u>211,768</u>	<u>1,187,115</u>	<u>899,935</u>	<u>456,866</u>	<u>1,893,452</u>
FUND BALANCES - END OF YEAR	<u>\$ 165,420</u>	<u>\$ (164,269)</u>	<u>\$ 863,490</u>	<u>\$ 560,558</u>	<u>\$ 1,689,433</u>

2004A G.O. BOND ISSUE	2005A GO REFUND BONDS 1997-1998	2005B GO IMPROVE BONDS	2006A GO CIP BONDS	2006B GO IMPROVE BONDS	2007B G.O. IMPROVE BONDS	COMBINED TOTALS
\$ 201,693	\$ 69,042	\$ 110,547	\$ 87,111	\$ 222,441	\$ 31,977	\$ 906,748
486,891	55,194	407,231	-	287,397	195,426	2,479,024
131,733	12,185	110,060	-	130,600	105,923	744,876
53,495	8,220	17,783	-	47,070	25,822	243,154
<u>873,812</u>	<u>144,641</u>	<u>645,621</u>	<u>87,111</u>	<u>687,508</u>	<u>359,148</u>	<u>4,373,802</u>
940,000	255,000	500,000	145,000	750,000	-	5,667,933
212,138	42,875	135,621	174,890	216,253	90,495	1,160,834
<u>1,152,138</u>	<u>297,875</u>	<u>635,621</u>	<u>319,890</u>	<u>966,253</u>	<u>90,495</u>	<u>6,828,767</u>
(278,326)	(153,234)	10,000	(232,779)	(278,745)	268,653	(2,454,965)
-	200,000	-	160,000	-	-	616,030
(278,326)	46,766	10,000	(72,779)	(278,745)	268,653	(1,838,935)
<u>2,339,269</u>	<u>441,677</u>	<u>889,556</u>	<u>61,517</u>	<u>1,993,280</u>	<u>162,129</u>	<u>10,536,564</u>
<u>\$ 2,060,943</u>	<u>\$ 488,443</u>	<u>\$ 899,556</u>	<u>\$ (11,262)</u>	<u>\$ 1,714,535</u>	<u>\$ 430,782</u>	<u>\$ 8,697,629</u>

**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET
 CAPITAL PROJECT FUND – BY PROJECT
 DECEMBER 31, 2008**

	COLLECTOR ROAD	CAPITAL EQUIPMENT	TRAILS CONSTRUCTION FUND	1999 MAPLETON ROAD
ASSETS				
Cash and Pooled Investments	\$ 283,624	\$ 251,644	\$ 196,921	\$ -
Accounts Receivable	-	-	-	-
Due From Other Governments	-	577	-	-
Total Assets	\$ 283,624	\$ 252,221	\$ 196,921	\$ -
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ 499	\$ -	\$ -
Contracts Payable	-	-	-	-
Due to Other Funds	-	-	-	10,935
Total Liabilities	-	499	-	10,935
FUND BALANCES				
Unreserved				
Undesignated	283,624	251,722	196,921	(10,935)
Total Fund Balances	283,624	251,722	196,921	(10,935)
Total Liabilities and Fund Balances	\$ 283,624	\$ 252,221	\$ 196,921	\$ -

CITY CENTER BUILDING	HIGHWAY 371 NORTH FRONTAGE ROAD PHASE II	FOLEY	CYPRESS DRIVE	UNIVERSAL DRIVE	FAIRVIEW ROAD	CEDAR SCENIC 2008
\$ 373,787	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 227,697
-	-	-	123,899	-	-	-
-	-	-	-	-	-	-
<u>\$ 373,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,697</u>
\$ -	\$ -	\$ -	\$ 1,937	\$ -	\$ -	\$ 3,044
-	-	-	-	-	-	224,653
-	-	1,494	431,600	10,150	2,388	-
-	-	1,494	433,537	10,150	2,388	227,697
373,787	-	(1,494)	(309,638)	(10,150)	(2,388)	-
<u>373,787</u>	<u>-</u>	<u>(1,494)</u>	<u>(309,638)</u>	<u>(10,150)</u>	<u>(2,388)</u>	<u>-</u>
<u>\$ 373,787</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,899</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,697</u>

**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 CAPITAL PROJECT FUND – BY PROJECT
 DECEMBER 31, 2008**

	2006 CLEARWATER LYNNDALE	WILDFLOWER FRANKLIN	DELLWOOD NOVOTNY EXT	S HASTINGS EXT & SEWER INTERCEPT
ASSETS				
Cash and Pooled Investments	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	-	-	-	-
Due From Other Governments	-	-	-	-
Total Assets	\$ -	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 2,954	\$ -
Contracts Payable	-	-	-	-
Due to Other Funds	-	7,226	74,981	12,255
Total Liabilities	-	7,226	77,935	12,255
FUND BALANCES				
Unreserved				
Undesignated	-	(7,226)	(77,935)	(12,255)
Total Fund Balances	-	(7,226)	(77,935)	(12,255)
Total Liabilities and Fund Balances	\$ -	\$ -	\$ -	\$ -

<u>NORTH FORESTVIEW AREA</u>	<u>SOUTH FORESTVIEW AREA</u>	<u>ASHLEY ROAD</u>	<u>NORTH LYNWOOD AREA</u>	<u>CAMWOOD & CHESTNUT AREA</u>	<u>CYPRESS TOWN CENTER</u>	<u>FIRE STATION</u>	<u>PUBLIC WORKS FACILITY/CITY CENTER LAND</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,321	\$ -	\$ 1,113
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,321</u>	<u>\$ -</u>	<u>\$ 1,113</u>
\$ -	\$ -	\$ -	\$ 14,346	\$ -	\$ -	\$ -	\$ 601
-	-	-	-	-	46	-	512
<u>11,378</u>	<u>8,280</u>	<u>6,503</u>	<u>64,447</u>	<u>13,817</u>	<u>22,084</u>	<u>1,139</u>	<u>-</u>
11,378	8,280	6,503	78,793	13,817	22,130	1,139	1,113
<u>(11,378)</u>	<u>(8,280)</u>	<u>(6,503)</u>	<u>(78,793)</u>	<u>(13,817)</u>	<u>8,191</u>	<u>(1,139)</u>	<u>-</u>
<u>(11,378)</u>	<u>(8,280)</u>	<u>(6,503)</u>	<u>(78,793)</u>	<u>(13,817)</u>	<u>8,191</u>	<u>(1,139)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,321</u>	<u>\$ -</u>	<u>\$ 1,113</u>

**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 CAPITAL PROJECT FUND – BY PROJECT
 DECEMBER 31, 2008**

	EAGLE DRIVE AREA	2006 TRAILS CONSTRUCTION	2008 CLEARWATER	OLIVEWOOD DRIVE	EXCELSIOR BRIDGE
ASSETS					
Cash and Pooled Investments	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Receivable	-	-	-	-	-
Due From Other Governments	-	-	-	-	181,285
Total Assets	\$ -	\$ -	\$ -	\$ -	\$ 181,285
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ 15,420	\$ -	\$ 6,950
Contracts Payable	-	-	-	-	116,456
Due to Other Funds	10,097	-	59,139	5,952	220,298
Total Liabilities	10,097	-	74,559	5,952	343,704
FUND BALANCES					
Unreserved Undesignated	(10,097)	-	(74,559)	(5,952)	(162,419)
Total Fund Balances	(10,097)	-	(74,559)	(5,952)	(162,419)
Total Liabilities and Fund Balances	\$ -	\$ -	\$ -	\$ -	\$ 181,285

<u>WOIDA ROAD</u>	<u>CYPRESS DR- HINCKLEY TO 48</u>	<u>SOUTH PERCH LAKE</u>	<u>JADEWOOD AND JEWELWOOD</u>	<u>COLLEGE AND DOUGLAS FIR INTERSECTION</u>	<u>POTLATCH PHASE 2</u>
\$ -	\$ -	\$ 60,976	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,976</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 6,688	\$ -	\$ -	\$ 6,114
-	-	54,288	-	-	-
<u>8,049</u>	<u>27,178</u>	<u>-</u>	<u>3,484</u>	<u>2,715</u>	<u>154,507</u>
8,049	27,178	60,976	3,484	2,715	160,621
<u>(8,049)</u>	<u>(27,178)</u>	<u>-</u>	<u>(3,484)</u>	<u>(2,715)</u>	<u>(160,621)</u>
<u>(8,049)</u>	<u>(27,178)</u>	<u>-</u>	<u>(3,484)</u>	<u>(2,715)</u>	<u>(160,621)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,976</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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**CITY OF BAXTER, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 CAPITAL PROJECT FUND – BY PROJECT
 DECEMBER 31, 2008**

	<u>INGLEWOOD NORTH WATER EXTENSION</u>	<u>INTRAFUND ACTIVITY</u>	<u>COMBINED TOTALS</u>
ASSETS			
Cash and Pooled Investments	\$ -	\$ -	\$ 1,426,083
Accounts Receivable	-	-	123,899
Due From Other Governments	-	-	181,862
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,731,844</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ -	\$ -	\$ 58,553
Contracts Payable	-	-	395,955
Due to Other Funds	2,477	-	1,172,573
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	2,477	-	1,627,081
FUND BALANCES			
Unreserved			
Undesignated	(2,477)	-	104,763
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	(2,477)	-	104,763
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,731,844</u>

**CITY OF BAXTER, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 CAPITAL PROJECT FUND – BY PROJECT
 YEAR ENDED DECEMBER 31, 2008**

	COLLECTOR ROAD	CAPITAL EQUIPMENT	TRAILS CONSTRUCTION FUND	1999 MAPLETON ROAD
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Special Assessments				
Principal	-	-	-	-
Gifts and Contributions	5,000	-	1,000	-
Interest on Investments	2,192	7,408	5,983	-
Miscellaneous	-	-	-	-
Total Revenues	<u>7,192</u>	<u>7,408</u>	<u>6,983</u>	<u>-</u>
EXPENDITURES				
CURRENT				
General Government	-	750	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	343
Culture and Recreation	-	-	26,079	-
CAPITAL OUTLAY				
General Government	-	41,714	-	-
Public Safety	-	67,749	-	-
Highways and Streets	-	155,424	-	-
Culture and Recreation	-	22,706	-	-
Total Expenditures	<u>-</u>	<u>288,343</u>	<u>26,079</u>	<u>343</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,192	(280,935)	(19,096)	(343)
OTHER FINANCING SOURCES (USES)				
Transfers In	305,600	240,512	31,500	-
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>305,600</u>	<u>240,512</u>	<u>31,500</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	312,792	(40,423)	12,404	(343)
Fund Balances - Beginning of Year	<u>(29,168)</u>	<u>292,145</u>	<u>184,517</u>	<u>(10,592)</u>
FUND BALANCE - END OF YEAR	<u>\$ 283,624</u>	<u>\$ 251,722</u>	<u>\$ 196,921</u>	<u>\$ (10,935)</u>

CITY CENTER BUILDING	HIGHWAY 371 NORTH FRONTAGE ROAD PHASE II	FOLEY	CYPRESS DRIVE	UNIVERSAL DRIVE	FAIRVIEW ROAD	CEDAR SCENIC 2008
\$ -	\$ 120,000	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
10,718	-	-	-	-	-	-
-	1	-	-	-	-	-
<u>10,718</u>	<u>120,001</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	47	24,421	319	75	58,183
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	149,547	-	-	183,512
-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>47</u>	<u>173,968</u>	<u>319</u>	<u>75</u>	<u>241,695</u>
10,718	120,001	(47)	(173,968)	(319)	(75)	(241,695)
47,000	-	-	149,308	-	-	141,190
-	(256,030)	-	-	-	-	-
<u>47,000</u>	<u>(256,030)</u>	<u>-</u>	<u>149,308</u>	<u>-</u>	<u>-</u>	<u>141,190</u>
57,718	(136,029)	(47)	(24,660)	(319)	(75)	(100,505)
<u>316,069</u>	<u>136,029</u>	<u>(1,447)</u>	<u>(284,978)</u>	<u>(9,831)</u>	<u>(2,313)</u>	<u>100,505</u>
<u>\$ 373,787</u>	<u>\$ -</u>	<u>\$ (1,494)</u>	<u>\$ (309,638)</u>	<u>\$ (10,150)</u>	<u>\$ (2,388)</u>	<u>\$ -</u>

CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (CONTINUED)
CAPITAL PROJECT FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2008

	2006 CLEARWATER LYNNDALE	WILDFLOWER FRANKLIN	DELLWOOD NOVOTNY EXT	S HASTINGS EXT & SEWER INTERCEPT
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Special Assessments				
Principal	-	-	-	-
Gifts and Contributions	-	-	-	-
Interest on Investments	-	-	-	-
Miscellaneous	5,718	-	-	-
Total Revenues	<u>5,718</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
CURRENT				
General Government	-	-	-	-
Public Safety	-	-	-	-
Highways and Streets	1,853	227	24,011	385
Culture and Recreation	-	-	-	-
CAPITAL OUTLAY				
General Government	-	-	-	-
Public Safety	-	-	-	-
Highways and Streets	-	-	-	-
Culture and Recreation	-	-	-	-
Total Expenditures	<u>1,853</u>	<u>227</u>	<u>24,011</u>	<u>385</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,865	(227)	(24,011)	(385)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	(28,956)	-	-	-
Total Other Financing Sources (Uses)	<u>(28,956)</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(25,091)	(227)	(24,011)	(385)
Fund Balances - Beginning of Year	<u>25,091</u>	<u>(6,999)</u>	<u>(53,924)</u>	<u>(11,870)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ (7,226)</u>	<u>\$ (77,935)</u>	<u>\$ (12,255)</u>

NORTH FORESTVIEW AREA	SOUTH FORESTVIEW AREA	ASHLEY ROAD	NORTH LYNWOOD AREA	CAMWOOD & CHESTNUT AREA	CYPRESS TOWN CENTER	FIRE STATION	PUBLIC WORKS FACILITY/CITY CENTER LAND
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	86,125	-	-
-	-	-	-	-	86,125	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	36	-
358	259	204	75,163	434	2,573	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	81,334	-	9,573
-	-	-	-	-	-	-	-
358	259	204	75,163	434	83,907	36	9,573
(358)	(259)	(204)	(75,163)	(434)	2,218	(36)	(9,573)
-	-	-	-	-	30,321	-	-
-	-	-	-	-	-	-	(129,288)
-	-	-	-	-	30,321	-	(129,288)
(358)	(259)	(204)	(75,163)	(434)	32,539	(36)	(138,861)
(11,020)	(8,021)	(6,299)	(3,630)	(13,383)	(24,348)	(1,103)	138,861
\$ (11,378)	\$ (8,280)	\$ (6,503)	\$ (78,793)	\$ (13,817)	\$ 8,191	\$ (1,139)	\$ -

**CITY OF BAXTER, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCE (CONTINUED)
 CAPITAL PROJECT FUND – BY PROJECT
 YEAR ENDED DECEMBER 31, 2008**

	EAGLE DRIVE AREA	2006 TRAILS CONSTRUCTION	2008 CLEARWATER	OLIVEWOOD DRIVE	EXCELSIOR BRIDGE
REVENUES					
Intergovernmental	\$ -	\$ 65,440	\$ -	\$ -	\$ 1,183,415
Special Assessments					
Principal	-	-	-	-	-
Gifts and Contributions	-	-	-	-	-
Interest on Investments	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	<u>-</u>	<u>65,440</u>	<u>-</u>	<u>-</u>	<u>1,183,415</u>
EXPENDITURES					
CURRENT					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Highways and Streets	317	-	49,970	187	-
Culture and Recreation	-	-	-	-	150,134
CAPITAL OUTLAY					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Highways and Streets	-	-	7,560	-	-
Culture and Recreation	-	-	-	-	1,164,559
Total Expenditures	<u>317</u>	<u>-</u>	<u>57,530</u>	<u>187</u>	<u>1,314,693</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(317)	65,440	(57,530)	(187)	(131,278)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	14,247	-	-	-
Transfers Out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>14,247</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(317)	79,687	(57,530)	(187)	(131,278)
Fund Balances - Beginning of Year	<u>(9,780)</u>	<u>(79,687)</u>	<u>(17,029)</u>	<u>(5,765)</u>	<u>(31,141)</u>
FUND BALANCE - END OF YEAR	<u>\$ (10,097)</u>	<u>\$ -</u>	<u>\$ (74,559)</u>	<u>\$ (5,952)</u>	<u>\$ (162,419)</u>

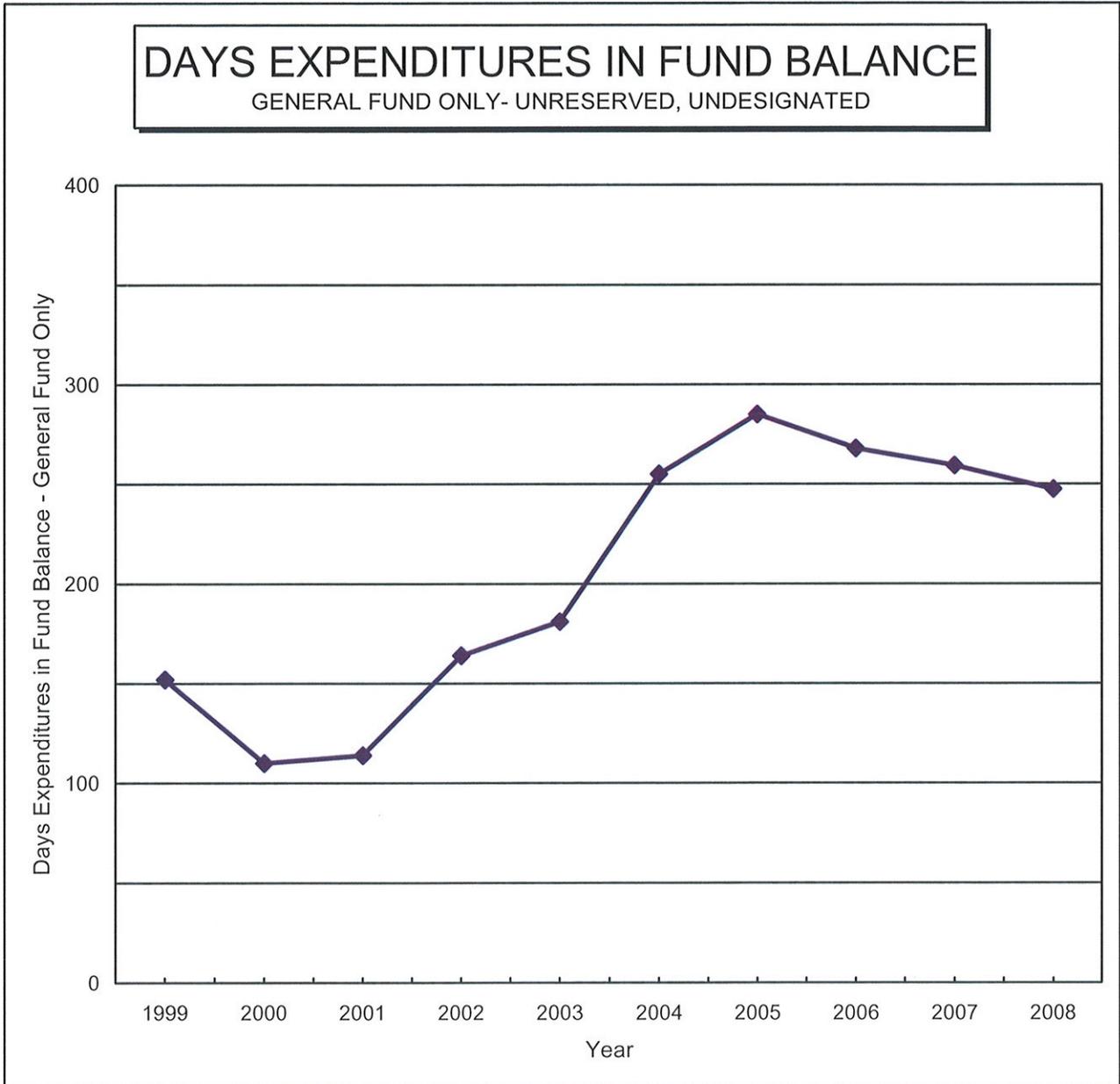
WOIDA ROAD	CYPRESS DR-HINCKLEY TO 48	SOUTH PERCH LAKE	JADEWOOD AND JEWELWOOD	COLLEGE AND DOUGLAS FIR INTERSECTION	POTLATCH PHASE 2
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
7,219	2,294	114,031	109	85	144,215
-	-	-	-	-	-
-	-	-	-	-	-
-	-	588,585	-	-	-
-	-	-	-	-	-
7,219	2,294	702,616	109	85	144,215
(7,219)	(2,294)	(702,616)	(109)	(85)	(144,215)
-	-	-	-	-	-
-	-	(20,911)	-	-	-
-	-	(20,911)	-	-	-
(7,219)	(2,294)	(723,527)	(109)	(85)	(144,215)
(830)	(24,884)	723,527	(3,375)	(2,630)	(16,406)
\$ (8,049)	\$ (27,178)	\$ -	\$ (3,484)	\$ (2,715)	\$ (160,621)

**CITY OF BAXTER, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE (CONTINUED)
CAPITAL PROJECT FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2008**

	INGLEWOOD NORTH WATER EXTENSION	INTRAFUND ELIMINATIONS	COMBINED TOTALS
REVENUES			
Intergovernmental	\$ -	\$ -	\$ 1,368,855
Special Assessments			
Principal	-	-	-
Gifts and Contributions	-	-	6,000
Interest on Investments	-	-	26,301
Miscellaneous	-	-	91,844
Total Revenues	<u>-</u>	<u>-</u>	<u>1,493,000</u>
EXPENDITURES			
CURRENT			
General Government	-	-	750
Public Safety	-	-	36
Highways and Streets	2,477	-	509,759
Culture and Recreation	-	-	176,213
CAPITAL OUTLAY			
General Government	-	-	41,714
Public Safety	-	-	67,749
Highways and Streets	-	-	1,175,535
Culture and Recreation	-	-	1,187,265
Total Expenditures	<u>2,477</u>	<u>-</u>	<u>3,159,021</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,477)	-	(1,666,021)
OTHER FINANCING SOURCES (USES)			
Transfers In	-	(49,867)	909,811
Transfers Out	-	49,867	(385,318)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>524,493</u>
NET CHANGE IN FUND BALANCES	(2,477)	-	(1,141,528)
Fund Balances - Beginning of Year	<u>-</u>	<u>-</u>	<u>1,246,291</u>
FUND BALANCE - END OF YEAR	<u>\$ (2,477)</u>	<u>\$ -</u>	<u>\$ 104,763</u>

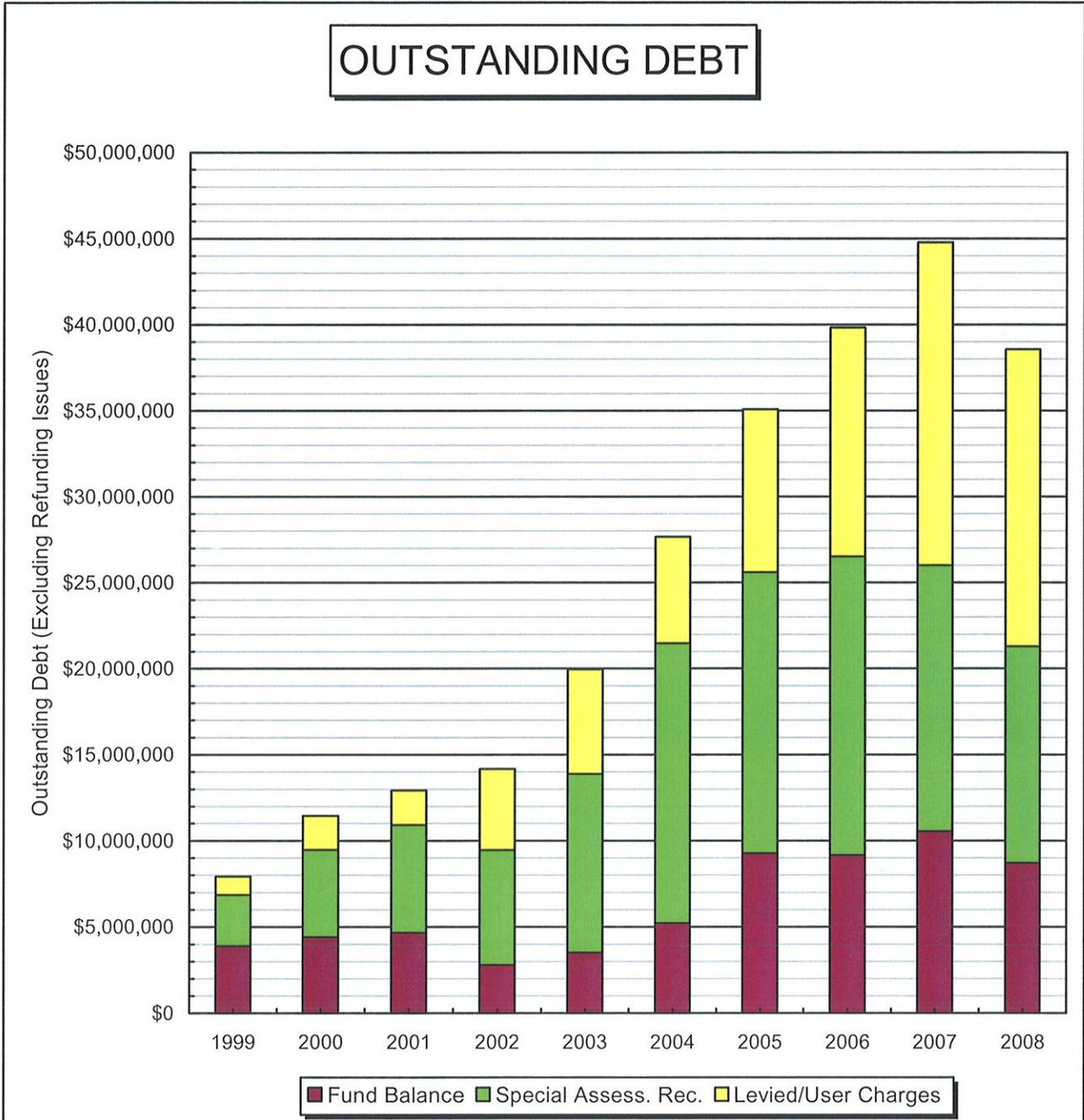
SUPPLEMENTARY INFORMATION (UNAUDITED)

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



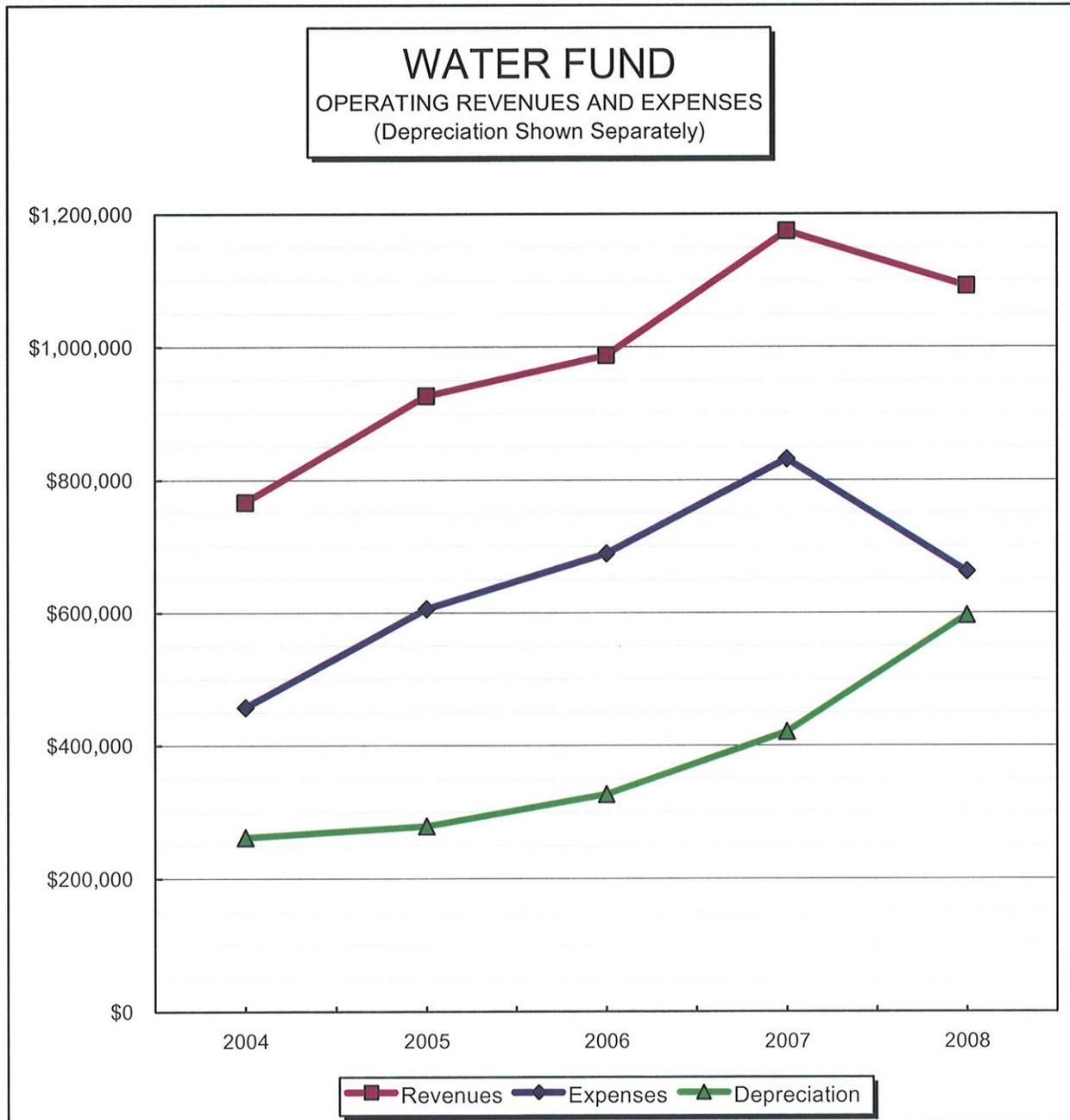
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CITY OF BAXTER, MINNESOTA
 GRAPH #2
 OUTSTANDING DEBT
 DECEMBER 31, 2008
 (UNAUDITED)



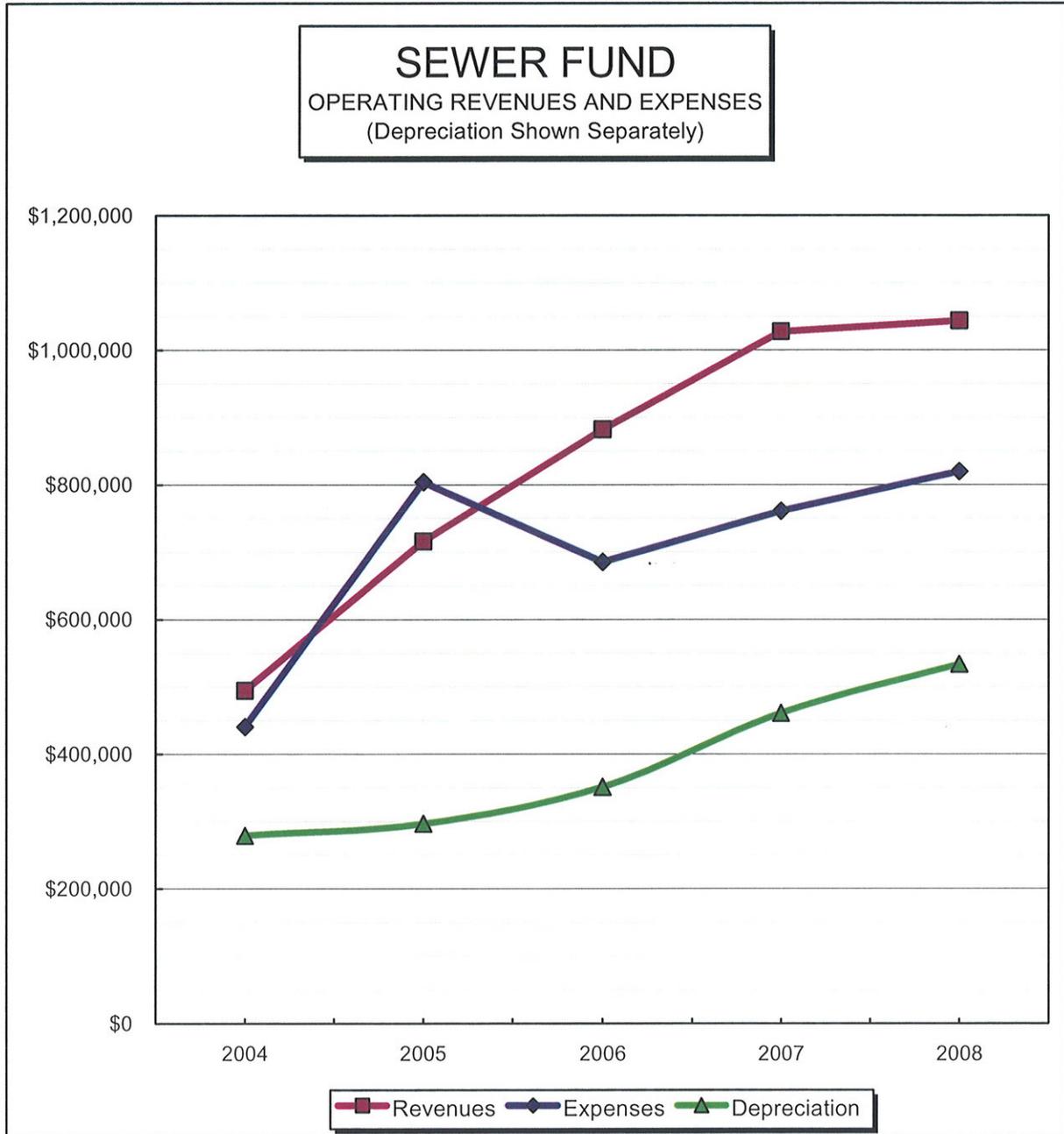
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CITY OF BAXTER, MINNESOTA
GRAPH #3A
WATER FUND REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31
(UNAUDITED)



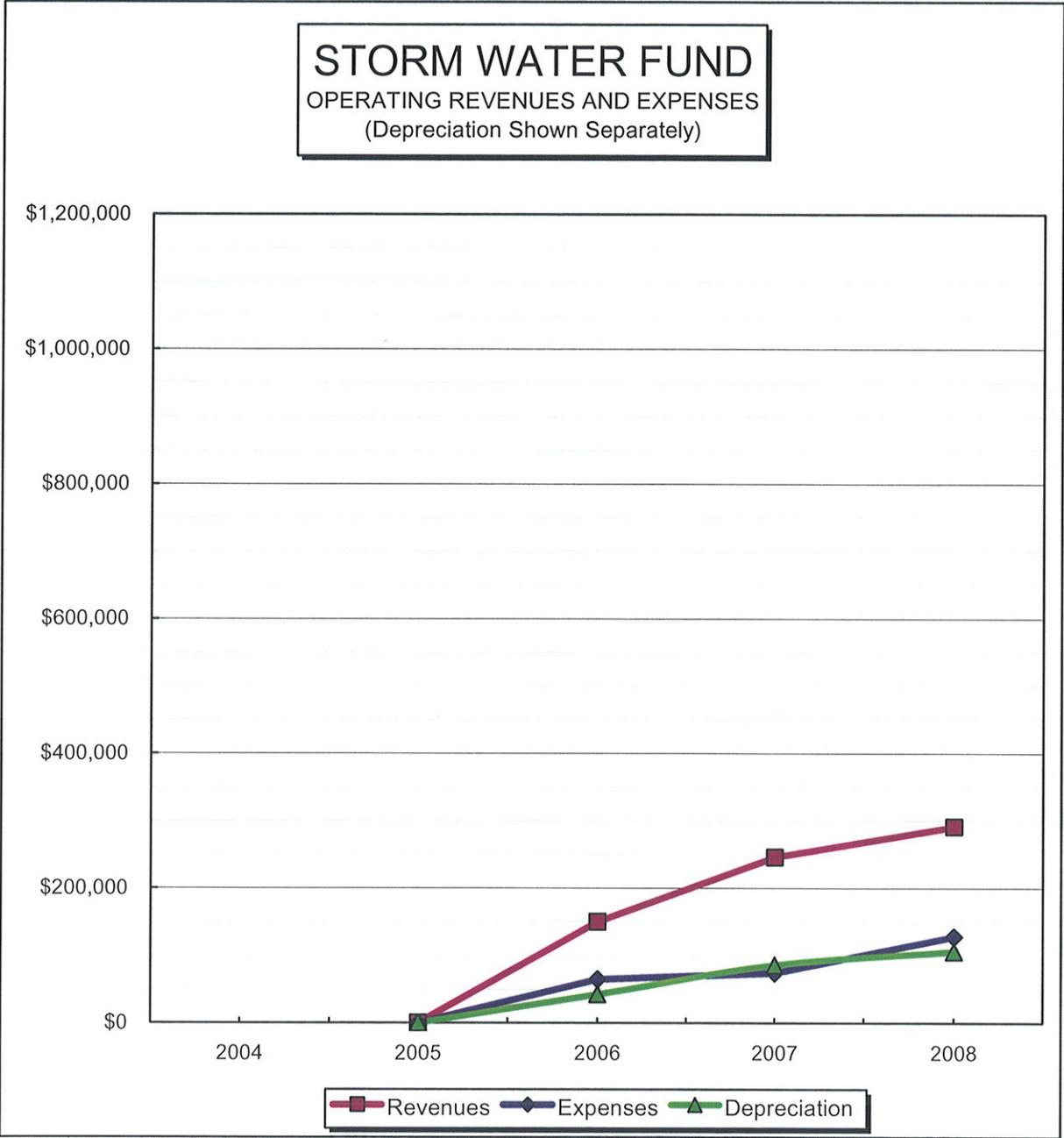
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CITY OF BAXTER, MINNESOTA
GRAPH #3B
SEWER FUND REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31
(UNAUDITED)



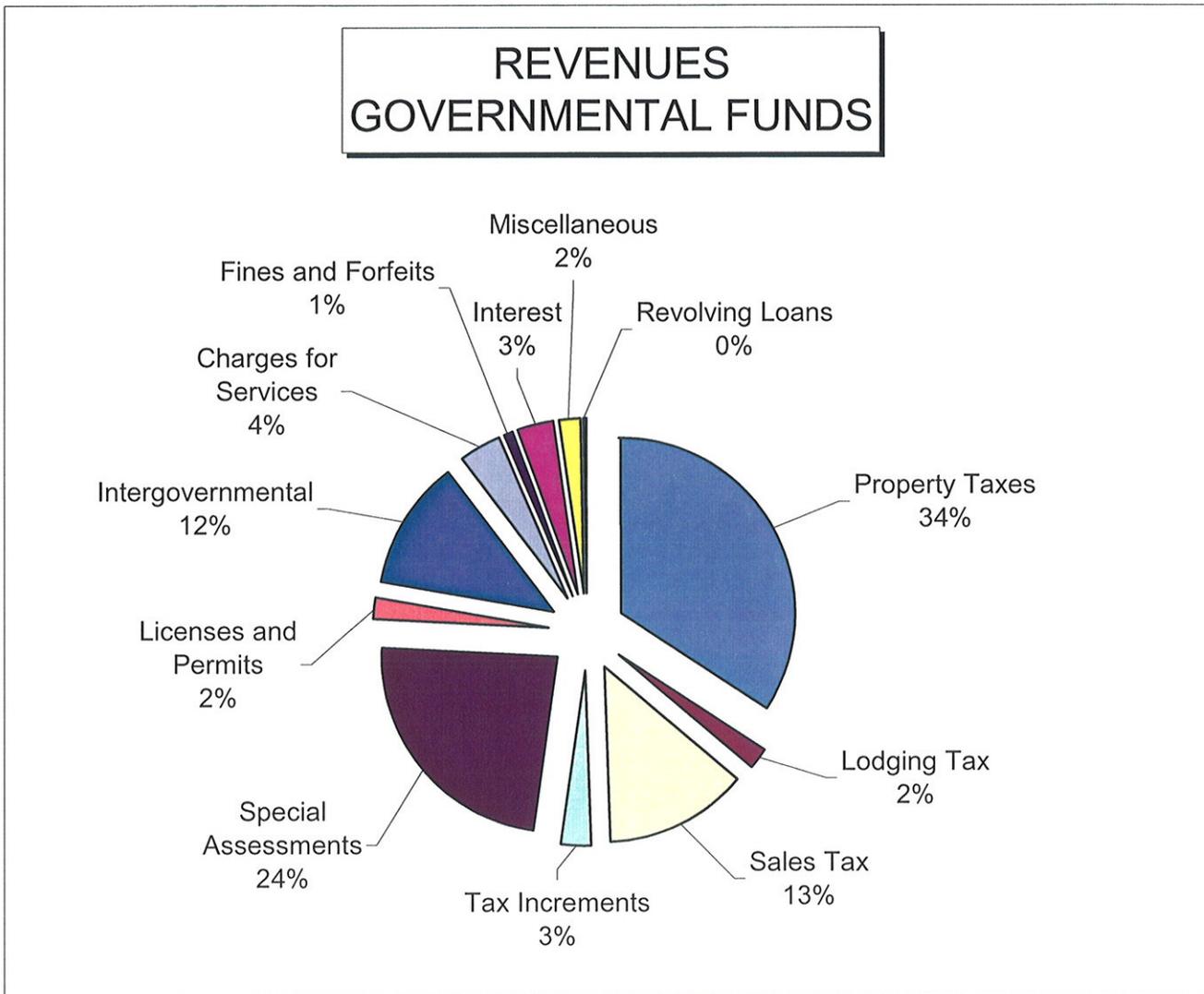
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CITY OF BAXTER, MINNESOTA
GRAPH #3C
STORM WATER FUND REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31
(UNAUDITED)



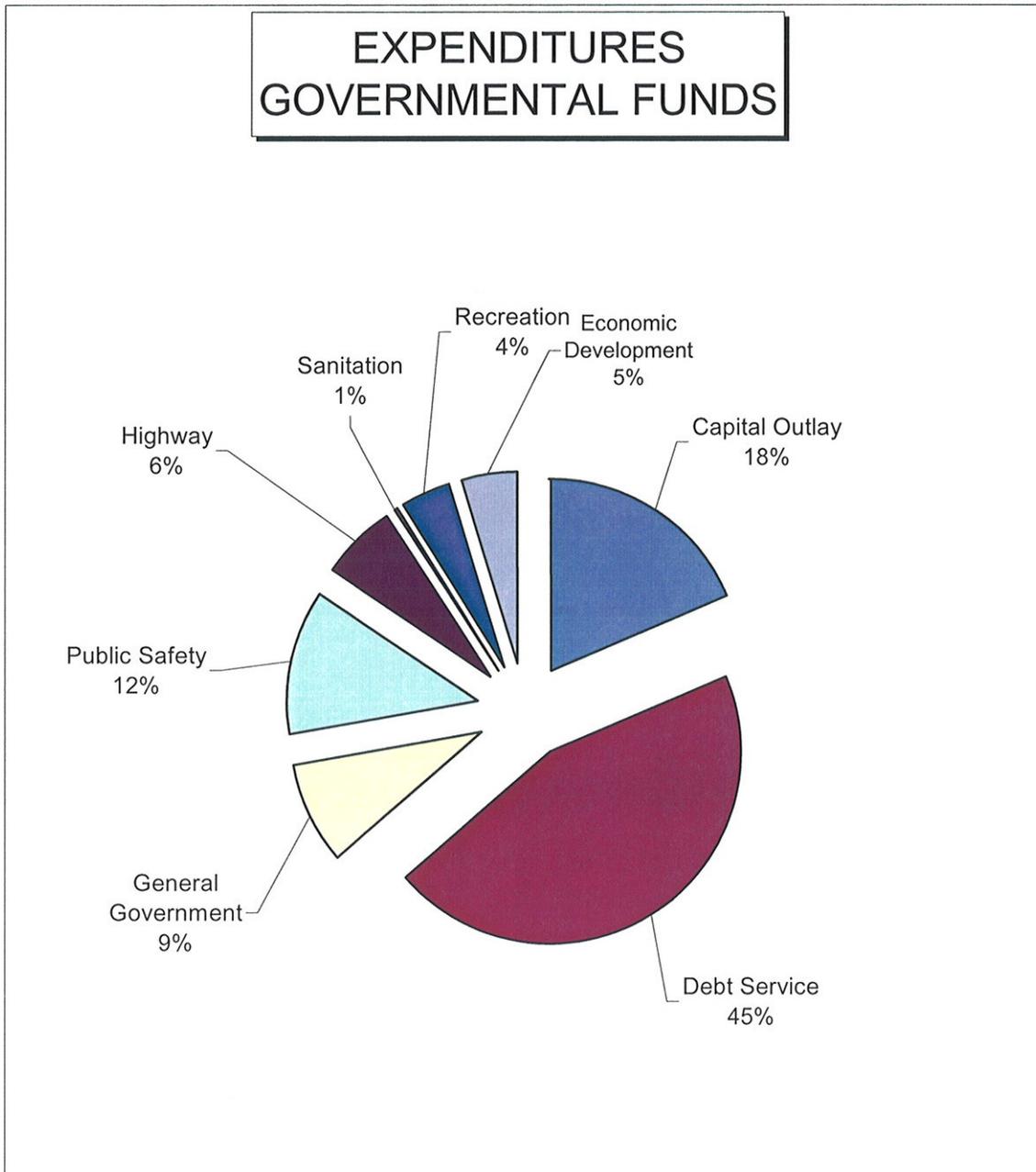
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CITY OF BAXTER, MINNESOTA
GRAPH #4
REVENUES – GENERAL, SPECIAL REVENUE, DEBT SERVICE AND CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)



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CITY OF BAXTER, MINNESOTA
GRAPH #5
EXPENDITURES – GENERAL, SPECIAL REVENUE, DEBT SERVICE AND CAPITAL PROJECT FUNDS
YEAR ENDED DECEMBER 31, 2008
(UNAUDITED)



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