



CITY OF
Saint Peter
WHERE HISTORY & PROGRESS MEET

**ANNUAL
FINANCIAL
REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2007

CITY OF SAINT PETER, MINNESOTA

CITY OF ST. PETER
NICOLLET COUNTY, MINNESOTA

Annual Financial Report
for the Year Ended
December 31, 2007

Prepared by
Finance Department

Paula O'Connell
Director of Finance

Brenda Isley
Accountant

CITY OF ST. PETER
NICOLLET COUNTY, MINNESOTA

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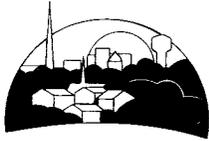
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CITY OF ST. PETER
NICOLLET COUNTY, MINNESOTA

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INTRODUCTORY SECTION



To the Honorable Mayor, Members of the City Council, and Citizens of the City of St. Peter, Minnesota

The annual financial report (the Report) of the City of St. Peter, Minnesota (the City) for the fiscal year ended December 31, 2007, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate, in all material respects, and is reported in a manner designed to present fairly, the financial position and results of operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Report is presented in three sections: introductory, financial, and supplemental information. The introductory section includes this letter of transmittal and a list of principal officials. The financial section includes the independent auditor's report, management's discussion and analysis (MD&A), the basic financial statements, required supplementary information, and the combining and individual fund statements and schedules. The supplemental information section includes supplemental schedules of statistical data.

The preparation of the Report is a requirement of state law. The organization, form, and contents of this report were prepared in accordance with the standards prescribed by the Governmental Accounting Standards Board, the Government Finance Officers' Association of the United States and Canada, the American Institute of Certified Public Accountants, and the Minnesota State Auditor.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

THE REPORTING ENTITY AND ITS SERVICES

In addition to the functions over which the City Council exerts direct financial control, the Report includes all agencies and entities for which the City is considered to be financially accountable. These agencies and entities are considered component units of the City and include the Community Hospital and the Housing and Redevelopment Authority (HRA). These are separate entities and are discretely presented in the basic financial statements. The Economic Development Authority is also considered a component unit of the City. This entity's activities have been blended with that of the City.

The City provides its residents and businesses with a full range of municipal services, including public safety (police and fire), public works, community planning and development, parks and recreation, library, community center, and general administrative services. The City also operates eight enterprise funds: Electric, Water, Wastewater, Environmental Services, Storm Water, Telecommunications Conduit, Heartland Transit, and the Long-Term Care Facility Funds.

RECENT DEVELOPMENTS AND ECONOMIC OUTLOOK

The City continues to pursue, and is dedicated to the improvement and enhancement of city services. Cooperation exists between many governmental bodies which work in concert to increase the quality of life in the City. New public buildings, businesses, residences, and recreational facilities serve to enhance the high quality of life available in the City.

The City continues to undergo significant changes. In the last few years, the City permitted over \$23 million in new construction activity. Currently, the City and the Saint Peter Community Development Corporation are working with a local contractor to cause the construction of a 35,000 square foot manufacturing facility which would be leased to an existing industry of the City. An option has been negotiated on a 9 acre parcel in the North Industrial Park to accommodate the proposed construction. Downtown occupancy rates are at historic highs.

The City successfully completed the Nicollet Meadows subdivision creating 76 owner-occupied, single-family housing units and 64 rental townhouse units. Recognizing a continued need, the City developed the Washington Terrace neighborhood. There are 6 of the 87 single-family lots remaining to be developed along with a parcel that may provide multiple-family housing.

In addition to the municipal developments, private interests have financed and constructed new neighborhoods within Rock Ridge #2, Windsor Pond, WELCO West, Standard Lumber #5, Orchard Ridge, Apple Tree Village, and Country View Ridge.

In 2003, the City issued bonds and caused the development of North Industrial Park. The cornerstone of the business park is the Community Hospital, occupied in 2004. Additionally, the City constructed the long-term care facility which is leased to Benedictine Health Systems and operated as a nursing home. Negotiations and planning continues on the construction of a new clinic facility to be potentially located on the 28-acre hospital campus.

Private interests have financed the construction of a psychiatric clinic designed to provide temporary care for those suffering from the debilitating effects of mental illness. The same developer constructed a 36-bed chemical dependency treatment clinic that opened in early 2007. Both facilities are leased from the developer by the state of Minnesota.

The City has actively participated in the Job Opportunity Building Zone (JOBZ) program implemented by the Minnesota Department of Employment and Economic Development (DEED). MS & GS Enterprises (Exceed Packaging) and IHN III (E.I. Microcircuits) have both been provided the considerable tax exemptions and credits of the JOBZ program. Each participant has successfully created in excess of 24 jobs within the first two years of the program.

The electric and water utilities are currently in the process of evaluating and developing master plans. These plans will give us the ability to identify our resources which will make changes for reliability, safety, and sustainability. Construction was completed on the City's water tower within North Industrial Park. A 500,000 gallon facility was added to supplement the existing 500,000 gallon tank and the Greenhill reservoir tank that serves the entire community. The new tower should meet the water needs of the community for the next 15–20 years.

FINANCIAL INFORMATION AND INTERNAL CONTROLS

City staff is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse, and to ensure that adequate accounting data is compiled to allow for the presentation of financial statements in accordance with accounting principles generally accepted in the United States of America. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgements by management.

The accounting for all activities of the City is divided into various funds as required by state statutes, debt agreements, and good accounting practices. Financial statements are presented on the accrual or modified accrual basis of accounting as appropriate. All funds are in conformity with accounting principles generally accepted in the United States of America applicable to governmental entities.

Accounting and bookkeeping functions for all city activities are centralized under the finance department. Responsibility for development and maintenance of financial records, maintenance of internal controls, and preparation of financial reports is delegated to this department. A new financial package and utility billing software was installed in 2006. Utility services continue to stretch out across our community, which brings additional customer service as well as payments to process for the installation of the utility. Internal controls and segregation of duties are reviewed daily to improve our operations.

As a recipient of federal and state financial assistance, the City is also responsible for ensuring that adequate internal controls are in place to ensure compliance with applicable laws and regulations related to those programs. Internal controls are subject to periodic evaluation by city staff, and an annual audit using prescribed parameters.

BUDGETING CONTROLS

In addition to internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund and special revenue funds are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the department level within the General Fund, and the fund level for the special revenue funds.

As demonstrated by the financial statements and schedules included in the financial section of this report, the City continues to set realistic goals and has demonstrated the ability to meet these goals through sound financial management.

CASH MANAGEMENT

The City pools its available cash from all the City's funds and invests these funds in certificates of deposit, savings accounts, and other investments allowed under Minnesota Statute §118A. The interest on these accounts is allocated based on the average cash balance for each of the funds. In 2007, the City (excluding component units) earned \$625,888 in investment income. Based on an average month-end cash balance of \$15,791,793, this represents a yield of 3.96 percent, up from the 2006 yield of 3.94 percent.

RISK MANAGEMENT

The City's workers' compensation insurance and its general property and liability coverage are provided through the League of Minnesota Cities Insurance Trust (LMCIT).

The LMCIT workers' compensation program is a joint self-insurance plan, designed to lower and stabilize cities' workers' compensation costs and to assure that cities have a source of coverage available.

Each participating city deposits its workers' compensation deposit premium for its policy year with LMCIT. This deposit premium is calculated using standard rates with the applicable volume discounts and experience modification. From these deposits, LMCIT purchases reinsurance to protect the program from catastrophic and abnormal claims, to pay for administrative and loss control services, and claims. The balance of the deposits and reserves are invested, with the earnings accruing to the benefit of the participants. LMCIT's reserves and rates are reviewed annually by an actuary to help assure that the program remains financially strong.

Additional information on the City's risk management activity can be found in the notes to basic financial statements.

PENSION BENEFITS

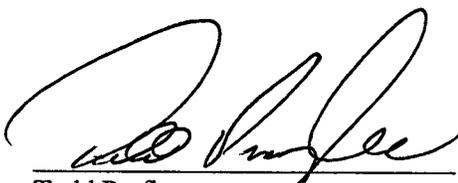
All full-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer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

Additional information of the City's pension arrangements and post-employment benefits can be found in the notes to basic financial statements.

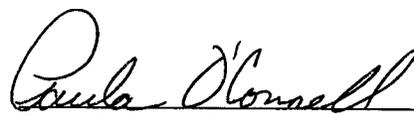
INDEPENDENT AUDIT

Minnesota Statutes require an annual audit by independent certified public accountants. The auditor's report on the basic financial statements is included in the financial section of this report. The auditor's reports related specifically to internal controls and compliance with Minnesota laws and regulations are included in a separate document.

Respectfully submitted,



Todd Prafke
City Administrator



Paula O'Connell
Director of Finance

CITY OF ST. PETER
NICOLLET COUNTY, MINNESOTA

City Council and Other Officials
Year Ended December 31, 2007

CITY COUNCIL

		<u>Term Expires December 31,</u>
Timothy Strand	Mayor	2007
Kendric Douglas	Councilmember	2007
Ken Eichmann	Councilmember	2009
John Kvamme	Councilmember	2007
Jerry Pfeifer	Councilmember	2009
Kimberly Schultz	Councilmember	2007
Victoria Vogel	Councilmember	2009

OFFICIALS

Todd Prafke	City Administrator/City Clerk	Appointed
Paula O'Connell	Director of Finance/Treasurer	Appointed
Russ Wille	Director of Economic Development	Appointed
Lewis Giesking	Director of Public Works	Appointed
Matt Peters	Chief of Police	Appointed
Jane Timmerman	Director of Recreation and Leisure Services	Appointed
Dean Busse	Director of Building and Planning	Appointed
James Brandt	City Attorney	Appointed

FINANCIAL SECTION



PRINCIPALS

Kenneth W. Malloy, CPA
Thomas M. Montague, CPA
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

City Council and Residents
City of St. Peter, 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 St. Peter, Minnesota (the City) as of and for the year ended December 31, 2007, 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's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's financial statements for the year ended December 31, 2006 and, in our report dated June 5, 2007, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

We did not audit the discretely presented component units' financial statements. These include the financial statements of the Community Hospital, whose statements reflect total assets and expenses of \$30,243,220 and \$13,060,101, respectively, as of and for the year ended December 31, 2007. They also include the financial statements of the Housing and Redevelopment Authority (HRA), whose statement reflects total assets and expenses of \$1,323,520 and \$355,923, respectively, as of and for the year ended March 31, 2007. Those statements were audited by other auditors whose reports have been furnished to us. Our opinion on the basic financial statements, insofar as it relates to the amounts included for these organizations as component units of the City, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2007, and the respective changes in financial position and cash flows thereof, where applicable, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

(continued)

The financial statements include partial prior year comparative information. Such information does not include all of the information required in a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2006, from which such partial information was derived.

The Management's Discussion and Analysis and required supplementary information, as listed in the table of contents, is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and, accordingly, we express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and the supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund statements and schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, based on our audit, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and the supplemental information have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mallory, Montague, Karnowski, Radoszewich, & Co., P.A.

June 27, 2008

CITY OF ST. PETER

Management's Discussion and Analysis Year Ended December 31, 2007

As management of the City of St. Peter, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2007. We encourage readers to consider the information presented here in conjunction with the additional information we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the primary government exceeded its liabilities at the close of the most recent fiscal year by \$73,058,494 (*net assets*). Of this amount, \$6,881,969 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The primary government's total net assets increased by \$2,188,693.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,632,782, a decrease of \$180,398 in comparison with the prior year. Of this total \$6,096,963 is available for spending at the government's discretion (*unreserved fund balance*).
- At the end of the current fiscal year, unreserved – undesignated fund balance for the General Fund was \$2,045,164, or 39.1 percent of total General Fund 2007 budgeted expenditures, up from 2006, which reflected 38.9 percent.
- Total primary government long-term liabilities decreased by \$3,300,917.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, recreation and parks, and economic development. The business-type activities of the City include electric, water, environmental services, wastewater, transit, storm water, telecommunications conduit, and the long-term care facility.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Community Hospital and a legally separate Housing and Redevelopment Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. Additional financial information for these entities can be found in the separately issued financial statements of these entities. The Economic Development Authority, although also legally separate, functions for all practical purposes as a department of the City and, therefore, has been included as an integral part of the primary government.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenue, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 44 individual governmental funds within its financial report. Information is presented separately in the governmental fund balance sheet and in the governmental fund Statement of Revenue, Expenditures, and Changes in Fund Balances for the General Fund and funds designated as a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts annual appropriated budgets for its General Fund and special revenue funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds – The City maintains one type of proprietary fund; propriety funds are enterprise funds. These enterprise funds are used to report the functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its electric, water, environmental services, wastewater, Heartland Transit, storm water, telecommunications conduit, and long-term care facility operations.

Proprietary funds provide the same type of information as the business-type activities in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds, all of which are considered to be major funds of the City.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to Basic Financial Statements – The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City’s progress in funding its obligation to provide pension benefits to the fire department volunteers.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government’s financial position. In the case of the City, assets exceeded liabilities by \$73,058,494 at the close of the most recent fiscal year. This is an increase in net assets of \$2,188,693 from the prior fiscal year.

By far, the largest portion of the City’s net assets (78.1 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City’s investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of St. Peter's Net Assets

Net Assets as of December 31, 2007 and 2006						
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 12,525,585	\$ 13,500,808	\$ 12,540,688	\$ 13,885,396	\$ 25,066,273	\$ 27,386,204
Capital assets	31,094,213	30,058,525	75,440,987	76,274,519	106,535,200	106,333,044
Total assets	\$ 43,619,798	\$ 43,559,333	\$ 87,981,675	\$ 90,159,915	\$ 131,601,473	\$ 133,719,248
Liabilities						
Long-term debt liabilities	\$ 11,243,307	\$ 12,137,039	\$ 44,959,368	\$ 47,366,553	\$ 56,202,675	\$ 59,503,592
Other liabilities	996,427	1,894,926	1,343,877	1,450,929	2,340,304	3,345,855
Total liabilities	\$ 12,239,734	\$ 14,031,965	\$ 46,303,245	\$ 48,817,482	\$ 58,542,979	\$ 62,849,447
Net assets						
Invested in capital assets, net of related debt	\$ 20,349,834	\$ 18,240,246	\$ 36,659,077	\$ 34,115,015	\$ 57,008,911	\$ 52,355,261
Restricted	8,064,453	10,061,656	1,103,161	953,761	9,167,614	11,015,417
Unrestricted	2,965,777	1,225,466	3,916,192	6,273,657	6,881,969	7,499,123
Total net assets	\$ 31,380,064	\$ 29,527,368	\$ 41,678,430	\$ 41,342,433	\$ 73,058,494	\$ 70,869,801

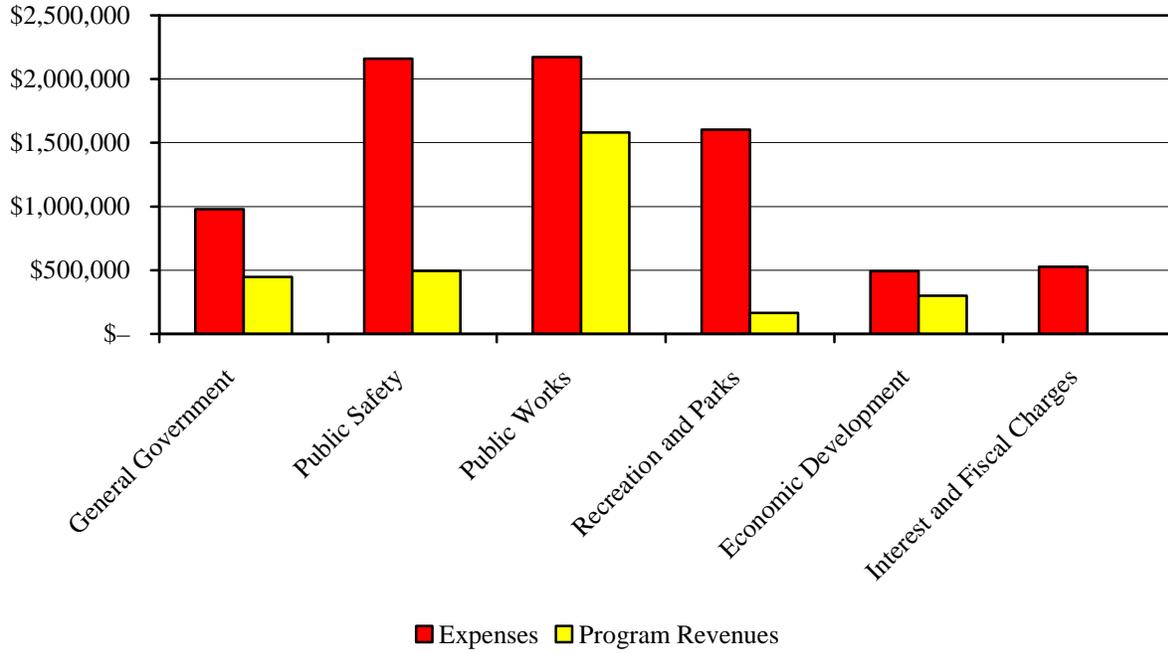
An additional portion of the City's net assets (12.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (9.4 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities – Governmental activities increased the City's net assets by \$1,852,696, thereby accounting for 84.6 percent of the total growth in the net assets of the City. Elements of this increase are seen in the table on the following page.

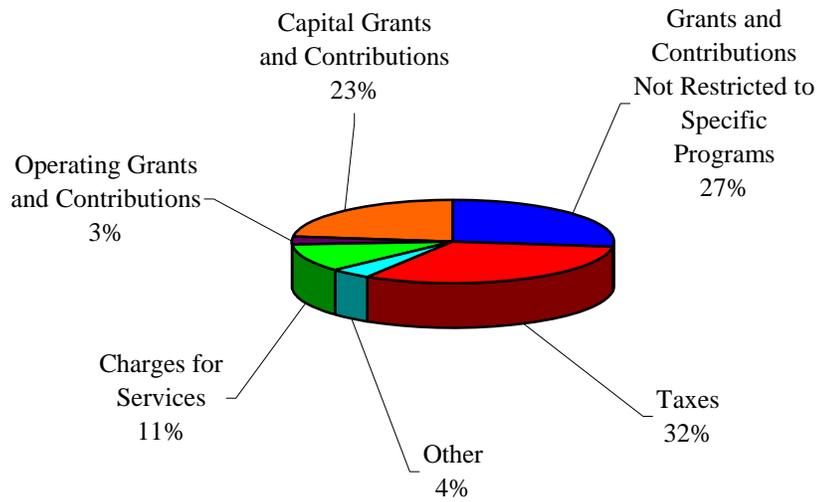
City of St. Peter's Change in Net Assets

Change in Net Assets for the Years Ended December 31, 2007 and 2006						
	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program revenues						
Charges for services	\$ 866,747	\$ 1,449,384	\$ 16,076,667	\$ 14,608,959	\$ 16,943,414	\$ 16,058,343
Operating grants and contributions	253,449	338,209	179,895	167,406	433,344	505,615
Capital grants and contributions	1,865,462	167,655	-	-	1,865,462	167,655
General revenues						
Taxes	2,592,554	2,277,560	-	-	2,592,554	2,277,560
Grants and contributions not restricted to specific programs	2,220,963	4,607,968	-	-	2,220,963	4,607,968
Other	401,255	440,837	379,503	160,980	780,758	601,817
Total revenues	8,200,430	9,281,613	16,636,065	14,937,345	24,836,495	24,218,958
Expenses						
General government	979,330	918,984	-	-	979,330	918,984
Public safety	2,161,291	2,160,877	-	-	2,161,291	2,160,877
Public works	2,172,819	1,361,477	-	-	2,172,819	1,361,477
Recreation and parks	1,602,668	2,119,353	-	-	1,602,668	2,119,353
Economic development	492,056	450,619	-	-	492,056	450,619
Other	-	54,546	-	-	-	54,546
Interest and fiscal charges	528,105	616,488	-	-	528,105	616,488
Electric	-	-	8,967,052	7,637,950	8,967,052	7,637,950
Water	-	-	1,270,947	1,225,369	1,270,947	1,225,369
Environmental services	-	-	668,690	664,537	668,690	664,537
Wastewater	-	-	2,558,871	2,474,871	2,558,871	2,474,871
Heartland Transit	-	-	251,797	240,457	251,797	240,457
Storm water	-	-	331,834	298,645	331,834	298,645
Telecommunications conduit	-	-	15,711	15,165	15,711	15,165
Long-term care facility	-	-	946,631	318,469	946,631	318,469
Total expenses	7,936,269	7,682,344	15,011,533	12,875,463	22,947,802	20,557,807
Change in net assets before transfers	264,161	1,599,269	1,624,532	2,061,882	1,888,693	3,661,151
Transfers	1,588,535	1,288,353	(1,288,535)	(1,288,353)	300,000	-
Increase in net assets	1,852,696	2,887,622	335,997	773,529	2,188,693	3,661,151
Net assets – beginning	29,527,368	26,639,746	41,342,433	40,568,904	70,869,801	67,208,650
Net assets – ending	<u>\$ 31,380,064</u>	<u>\$ 29,527,368</u>	<u>\$ 41,678,430</u>	<u>\$ 41,342,433</u>	<u>\$ 73,058,494</u>	<u>\$ 70,869,801</u>

Expenses and Program Revenues – Governmental Activities

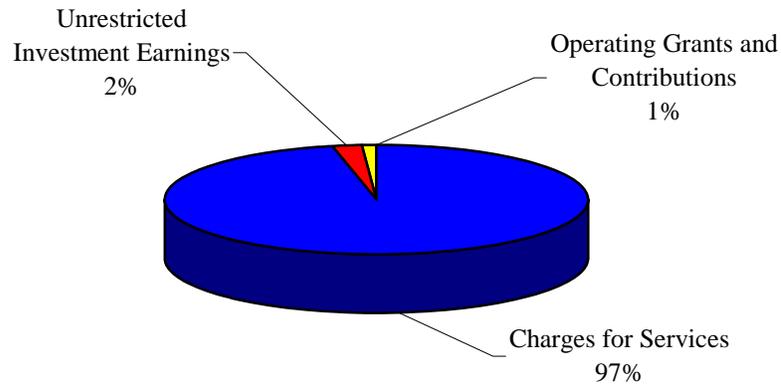


Revenues by Source – Governmental Activities

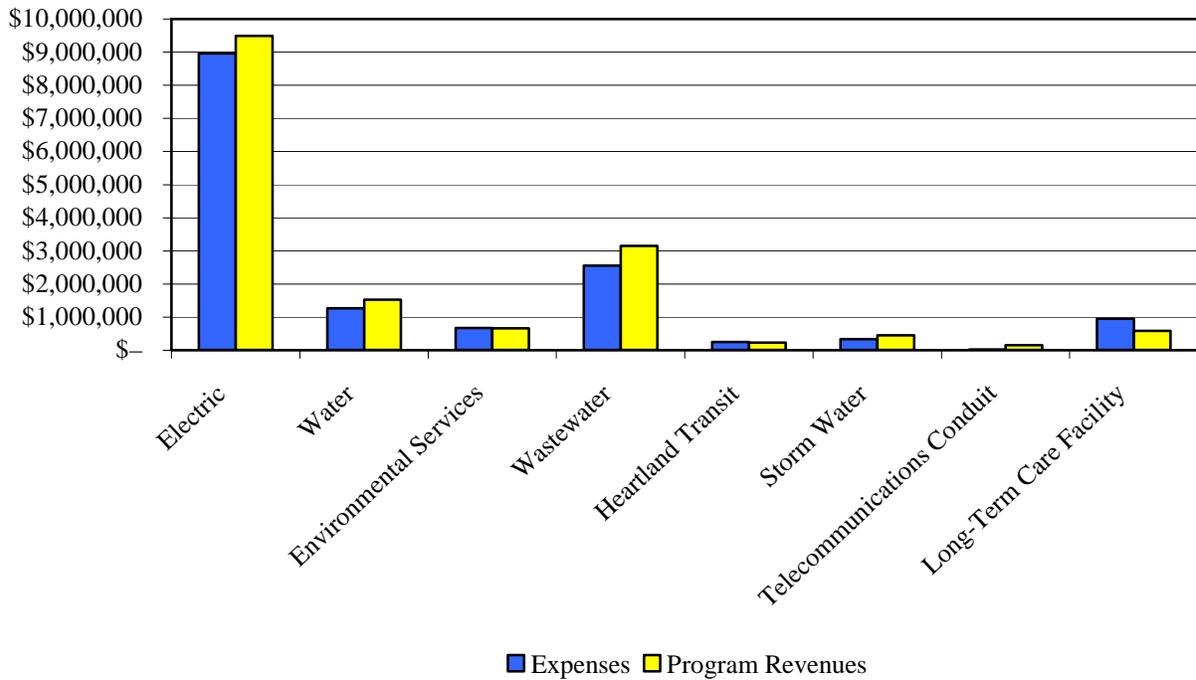


Business-Type Activities – Business-type activities increased the City’s net assets by \$335,997, accounting for 15.4 percent of the total growth in the government’s net assets. As it shows in the graphs, these funds are supported by rates collected from users. The Transit System does receive grant funding, but in respect to the total revenue of all the funds it doesn't appear in the graph.

Revenues by Source – Business-Type Activities



Expenses and Program Revenues – Business-Type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,632,782, a decrease of \$180,398 in comparison with the prior year. Of this total amount, \$5,440,036 constitutes unreserved – undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it is not available for new spending because it has already been committed to pay debt service or other restricted purposes.

General Fund – The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$2,045,164, an increase of \$124,972. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 37.2 percent of total General Fund 2008 budgeted expenditures and transfers out.

The following table shows the General Fund expenditures and transfers out or budgeted expenditures and transfers out, and beginning fund balances over the past nine years and the upcoming year.

Year	General Fund Expenditures and Transfers Out	General Fund – Fund Balance at Beginning of Year	Fund Balance as Percentage of Expenditures
1999	\$ 3,538,321	\$ 1,504,640	42.5 %
2000	3,648,153	1,685,842	46.2
2001	4,348,957	1,867,898	43.0
2002	4,701,740	1,982,198	42.2
2003	4,814,323	1,873,775	38.9
2004	4,605,939	1,551,091	33.7
2005	4,648,825	1,568,451	33.7
2006	5,015,069	1,781,076	35.5
2007	5,185,418	1,920,192	37.0
Budgeted 2008	5,500,710	2,045,164	37.2

The fund balance of the General Fund increased by \$124,972 to a balance of \$2,045,164. This balance represents approximately 95 working days (19 weeks) of expenditures. Because the City receives property tax settlements and Local Government Aid (LGA) in two large disbursements each year, the City depends on this fund balance to provide cash flow for its daily operations throughout the year.

The General Fund balance has increased from \$1,504,640 at January 1, 1999 to \$2,045,164 as of December 31, 2007, an increase of \$540,524 in nine years. In the 2008 budget, the fund balance is projected to stay at 37.2 percent of budgeted expenditures. Due to the ongoing state and LGA issues, the City is again making adjustments to accommodate for the possible loss of revenue.

Proprietary Funds – The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Factors concerning the finances of these funds have already been addressed in the discussion of the City’s business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City did not amend the original budget during the year.

During the year, revenues exceeded expenditures and increased the City’s projected fund balance by \$124,972.

General Fund revenues exceeded budget in a few different areas. Interest income returned a greater yield than what was budgeted. The police state aid and grants also received funding in addition to the budget amount. Transfers into the General Fund exceeded budget due to the increase in sales and utility rates that were implemented in 2007.

The total General Fund expenditures were under budget in 2007. The budget amounts for wages and benefits were less due to expenditures paid in the prior year, and also due to a change in accounting of the health insurance premiums. Insurance premiums changed from being paid a month before coverage to being paid during the month of coverage.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2007, amounts to \$106,535,200 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and trails. The total increase in the City’s investment in capital assets for the current fiscal year was \$202,156 (a 3.4 percent increase for governmental activities and a 1.1 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following:

- Street construction projects on Nicollet Avenue and Traverse Road.
- Water projects, including water reclamation construction, a generator, and improvements to Greenhill Reservoir.

City of St. Peter’s Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 1,642,187	\$ 1,642,187	\$ 976,861	\$ 976,861	\$ 2,619,048	\$ 2,619,048
Land improvements	1,286,175	1,286,175	–	–	1,286,175	1,286,175
Buildings and improvements	21,220,539	21,227,657	27,349,118	27,260,908	48,569,657	48,488,565
Utility plant and infrastructure	6,028,010	4,163,205	58,012,752	45,432,171	64,040,762	49,595,376
Machinery and equipment	4,590,312	4,362,368	6,337,272	6,213,538	10,927,584	10,575,906
Construction in progress	3,301,042	3,575,478	882,856	12,128,470	4,183,898	15,703,948
Less accumulated depreciation	(6,974,052)	(6,198,545)	(18,117,872)	(15,737,429)	(25,091,924)	(21,935,974)
Total	\$ 31,094,213	\$ 30,058,525	\$ 75,440,987	\$ 76,274,519	\$ 106,535,200	\$ 106,333,044

Additional details of capital asset activity for the year can be found in the notes to basic financial statements.

Long-Term Debt – At the end of the current fiscal year, the City had total long-term liabilities of \$56,202,647.

City of St. Peter’s Long-Term Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 10,213,499	\$ 11,057,216	\$ –	\$ –	\$ 10,213,499	\$ 11,057,216
General obligation equipment certificates	539,420	573,893	–	–	539,420	573,893
General obligation notes payable	–	–	15,219,000	16,108,000	15,219,000	16,108,000
Notes payable	166,628	187,170	–	–	166,628	187,170
Utility revenue bonds and notes	–	–	18,008,000	20,584,000	18,008,000	20,584,000
Long-term care facility revenue bonds and notes	–	–	11,474,275	10,437,113	11,474,275	10,437,113
Compensated absences	323,760	318,760	258,065	237,440	581,825	556,200
Total	\$ 11,243,307	\$ 12,137,039	\$ 44,959,340	\$ 47,366,553	\$ 56,202,647	\$ 59,503,592

The City’s total long-term liabilities decreased by \$3,300,945 during the current fiscal year.

The City maintained an A3 rating from Moody’s for general obligation debt.

Under current state statutes, the City’s general obligation bonded debt issuances are subject to a legal limitation based on 2 percent of total market value of real and personal property. As of January 1, 2008, the total taxable market value was \$464,013,400, producing an allowable debt of \$9,280,268. The City’s net debt for general obligation bonds as of December 31, 2007 is \$96,986, which is 1.1 percent of the total allowable debt. The net debt per capita for general obligation bonds equaled \$9 in 2007.

Additional details of the City’s long-term debt activity for the year can be found in the notes to basic financial statements.

Discretely Presented Component Units – Please refer to separately issued financial statements of the component units for the management’s discussion and analysis of those entity’s financial activities.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of St. Peter, Director of Finance, 227 South Front Street, St. Peter, Minnesota 56082.

BASIC FINANCIAL STATEMENTS

CITY OF ST. PETER

Statement of Net Assets
as of December 31, 2007

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Community Hospital	Housing and Redevelopment Authority
Assets					
Cash and investments	\$ 6,651,754	\$ 3,948,909	\$ 10,600,663	\$ 8,371,711	\$ 507,678
Receivables (net of allowance for uncollectibles)					
Interest	50,561	–	50,561	–	–
Accounts	97,734	1,389,267	1,487,001	1,905,890	6,534
Notes	3,763,055	116,529	3,879,584	–	–
Special assessments	1,327,168	405,193	1,732,361	–	–
Due from other governmental units	632,251	18,802	651,053	–	–
Deferred charges	–	419,544	419,544	191,002	–
Inventory	2,822	634,696	637,518	202,193	–
Prepaid items	240	1,098	1,338	108,731	2,403
Restricted assets – temporarily restricted					
Cash and investments for debt service	–	5,606,650	5,606,650	–	–
Cash and investments for Community Hospital	–	–	–	6,947,791	–
Capital assets					
Land	1,642,187	976,861	2,619,048	28,886	67,938
Land improvements	1,286,175	–	1,286,175	1,137,210	–
Buildings and improvements	21,220,539	27,349,118	48,569,657	6,984,309	1,976,775
Utility plant and infrastructure	6,028,010	58,012,752	64,040,762	–	–
Machinery and equipment	4,590,312	6,337,272	10,927,584	9,829,937	421,042
Construction in progress	3,301,042	882,856	4,183,898	170,978	–
Less accumulated depreciation	(6,974,052)	(18,117,872)	(25,091,924)	(5,635,418)	(1,658,850)
Total capital assets, net of depreciation	<u>31,094,213</u>	<u>75,440,987</u>	<u>106,535,200</u>	<u>12,515,902</u>	<u>806,905</u>
Total assets	<u>\$ 43,619,798</u>	<u>\$ 87,981,675</u>	<u>\$ 131,601,473</u>	<u>\$ 30,243,220</u>	<u>\$ 1,323,520</u>
Liabilities					
Accounts and contracts payable	\$ 350,987	\$ 777,205	\$ 1,128,192	\$ 621,412	\$ 13,274
Accrued salaries and employee benefits payable	14,714	250	14,964	628,862	9,683
Accrued interest payable	147,851	245,268	393,119	236,444	–
Customer deposits	–	108,300	108,300	–	13,475
Due to other governmental units	–	70,216	70,216	–	17,602
Unearned revenue	482,875	142,638	625,513	–	918
Long-term liabilities					
Due within one year	1,206,936	2,208,700	3,415,636	320,000	1,127
Due in more than one year	<u>10,036,371</u>	<u>42,750,668</u>	<u>52,787,039</u>	<u>14,420,000</u>	<u>14,201</u>
Total long-term liabilities	<u>11,243,307</u>	<u>44,959,368</u>	<u>56,202,675</u>	<u>14,740,000</u>	<u>15,328</u>
Total liabilities	12,239,734	46,303,245	58,542,979	16,226,718	70,280
Net assets					
Invested in capital assets, net of related debt	20,349,834	36,659,077	57,008,911	(1,225,047)	806,905
Restricted for					
Debt service	1,372,833	832,488	2,205,321	–	–
Revolving loans	4,298,874	–	4,298,874	–	–
Capital replacement	2,392,746	270,673	2,663,419	–	–
Unrestricted	<u>2,965,777</u>	<u>3,916,192</u>	<u>6,881,969</u>	<u>15,241,549</u>	<u>446,335</u>
Total net assets	<u>31,380,064</u>	<u>41,678,430</u>	<u>73,058,494</u>	<u>14,016,502</u>	<u>1,253,240</u>
Total liabilities and net assets	<u>\$ 43,619,798</u>	<u>\$ 87,981,675</u>	<u>\$ 131,601,473</u>	<u>\$ 30,243,220</u>	<u>\$ 1,323,520</u>

See notes to basic financial statements

CITY OF ST. PETER

Statement of Activities
Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Total	Community Hospital	Housing and Redevelopment Authority
Primary government									
Governmental activities									
General government	\$ 979,330	\$ 351,097	\$ 95,028	\$ -	\$ (533,205)	\$ -	\$ (533,205)	\$ -	\$ -
Public safety	2,161,291	347,869	146,017	-	(1,667,405)	-	(1,667,405)	-	-
Public works	2,172,819	2,438	-	1,579,185	(591,196)	-	(591,196)	-	-
Recreation and parks	1,602,668	163,742	-	-	(1,438,926)	-	(1,438,926)	-	-
Economic development	492,056	1,601	12,404	286,277	(191,774)	-	(191,774)	-	-
Interest and fiscal charges	528,105	-	-	-	(528,105)	-	(528,105)	-	-
Total governmental activities	<u>\$ 7,936,269</u>	<u>\$ 866,747</u>	<u>\$ 253,449</u>	<u>\$ 1,865,462</u>	(4,950,611)	-	(4,950,611)	-	-
Business-type activities									
Electric	\$ 8,967,052	\$ 9,489,846	\$ 1,408	\$ -	-	524,202	524,202	-	-
Water	1,270,947	1,525,977	756	-	-	255,786	255,786	-	-
Environmental services	668,690	663,948	326	-	-	(4,416)	(4,416)	-	-
Wastewater	2,558,871	3,154,447	1,048	-	-	596,624	596,624	-	-
Transit	251,797	54,960	176,314	-	-	(20,523)	(20,523)	-	-
Storm water	331,834	450,651	43	-	-	118,860	118,860	-	-
Telecommunications conduit	15,711	154,706	-	-	-	138,995	138,995	-	-
Long-term care facility	946,631	582,132	-	-	-	(364,499)	(364,499)	-	-
Total business-type activities	<u>15,011,533</u>	<u>16,076,667</u>	<u>179,895</u>	<u>-</u>	<u>-</u>	<u>1,245,029</u>	<u>1,245,029</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 22,947,802</u>	<u>\$ 16,943,414</u>	<u>\$ 433,344</u>	<u>\$ 1,865,462</u>	(4,950,611)	1,245,029	(3,705,582)	-	-
Component units									
Community Hospital	\$ 13,060,101	\$ 14,477,146	\$ 8,299	\$ -	-	-	-	1,425,344	-
Housing and Redevelopment Authority	355,923	175,980	53,938	79	-	-	-	-	(125,926)
Total component units	<u>\$ 13,416,024</u>	<u>\$ 14,653,126</u>	<u>\$ 62,237</u>	<u>\$ 79</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,425,344</u>	<u>(125,926)</u>
General revenues									
Taxes					2,592,554	-	2,592,554	-	-
Grants and contributions not restricted to specific programs					2,220,963	-	2,220,963	-	-
Other general revenues					73,205	-	73,205	104,457	4,183
Investment earnings					328,050	379,503	707,553	543,434	17,448
External transfers					300,000	-	300,000	(300,000)	-
Transfers					1,288,535	(1,288,535)	-	-	-
Total general revenues and transfers					<u>6,803,307</u>	<u>(909,032)</u>	<u>5,894,275</u>	<u>347,891</u>	<u>21,631</u>
Change in net assets					1,852,696	335,997	2,188,693	1,773,235	(104,295)
Net assets – beginning					29,527,368	41,342,433	70,869,801	12,243,267	1,357,535
Net assets – ending					<u>\$ 31,380,064</u>	<u>\$ 41,678,430</u>	<u>\$ 73,058,494</u>	<u>\$ 14,016,502</u>	<u>\$ 1,253,240</u>

See notes to basic financial statements

CITY OF ST. PETER

Balance Sheet
 Governmental Funds
 as of December 31, 2007
 (With Partial Comparative Information as of December 31, 2006)

	General	Capital Projects – Permanent Improvement Revolving	Nonmajor	Total Governmental Funds	
				2007	2006
Assets					
Cash and investments					
Unrestricted	\$ 1,855,949	\$ –	\$ 4,795,805	\$ 6,651,754	\$ 8,290,060
Receivables					
Accounts	32,114	–	65,620	97,734	99,647
Interest	–	–	50,561	50,561	38,631
Delinquent taxes	41,329	–	2,223	43,552	39,516
Delinquent special assessments	43	32	25,844	25,919	3,897
Deferred special assessments	27,822	163,387	1,110,040	1,301,249	1,673,923
Notes	217,553	63,349	3,482,153	3,763,055	3,228,889
Due from other funds	206,205	–	–	206,205	206,758
Due from other governmental units	33,092	540,024	15,583	588,699	120,816
Inventory	2,822	–	–	2,822	3,869
Prepaid items	240	–	–	240	1,560
	<u>240</u>	<u>–</u>	<u>–</u>	<u>240</u>	<u>1,560</u>
Total assets	<u>\$ 2,417,169</u>	<u>\$ 766,792</u>	<u>\$ 9,547,829</u>	<u>\$ 12,731,790</u>	<u>\$ 13,707,566</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 76,735	\$ 81,380	\$ 192,872	\$ 350,987	\$ 290,121
Salaries and withholdings payable	8,824	–	5,890	14,714	18,877
Due to other funds	–	201,371	4,834	206,205	206,758
Deferred revenue	286,446	137,521	4,620,260	5,044,227	4,945,925
Unearned revenue	–	–	482,875	482,875	1,432,705
Total liabilities	<u>372,005</u>	<u>420,272</u>	<u>5,306,731</u>	<u>6,099,008</u>	<u>6,894,386</u>
Fund balances					
Reserved for revolving loans					
Reported in special revenue funds	–	–	535,819	535,819	1,053,769
Unreserved – designated, reported in					
Special revenue funds	–	–	–	–	57,201
Debt service funds	–	–	656,927	656,927	744,469
Capital project funds	–	–	–	–	10,000
Unreserved – undesignated, reported in					
General Fund	2,045,164	–	–	2,045,164	1,920,192
Special revenue funds	–	–	1,248,385	1,248,385	863,540
Capital project funds	–	346,520	1,799,967	2,146,487	2,164,009
Total fund balances	<u>2,045,164</u>	<u>346,520</u>	<u>4,241,098</u>	<u>6,632,782</u>	<u>6,813,180</u>
Total liabilities and fund balances	<u>\$ 2,417,169</u>	<u>\$ 766,792</u>	<u>\$ 9,547,829</u>	<u>\$ 12,731,790</u>	<u>\$ 13,707,566</u>

See notes to basic financial statements

CITY OF ST. PETER

Reconciliation of the Balance Sheet to the
Statement of Net Assets
Governmental Funds
as of December 31, 2007

Total fund balances – governmental funds	\$ 6,632,782
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	38,068,265
Less accumulated depreciation	(6,974,052)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	
Bonds and notes payable	(10,919,547)
Compensated absences	(323,760)
Interest on long-term debt is included in the change in net assets as it accrues, regardless of when payment is due. However, it is included in the change in fund balances when due.	(147,851)
Due to availability, certain revenues are not recognized under the governmental fund statements until received; however, under full accrual in the government-wide Statement of Activities, revenues are recorded when earned regardless of when received.	<u>5,044,227</u>
Total net assets – governmental activities	<u>\$ 31,380,064</u>

See notes to basic financial statements

CITY OF ST. PETER

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2007
 (With Partial Comparative Information for the Year Ended December 31, 2006)

	General	Capital	Nonmajor	Total Governmental Funds	
		Projects – Improvement Revolving		Funds	2007
Revenue					
Taxes					
Property taxes and tax increments	\$ 1,047,643	\$ –	\$ 1,549,132	\$ 2,596,775	\$ 2,187,231
Other taxes	65,122	–	35,869	100,991	92,688
Licenses and permits	124,976	–	–	124,976	156,851
Intergovernmental	2,345,807	1,713,602	100,438	4,159,847	5,007,191
Special assessments	13,427	2,399	458,671	474,497	859,226
Charges for services	336,863	–	–	336,863	353,191
Fines and forfeitures	103,497	–	–	103,497	120,316
Investment earnings	51,168	18,043	171,957	241,168	208,765
Other	63,988	12,404	1,011,433	1,087,825	904,405
Total revenue	4,152,491	1,746,448	3,327,500	9,226,439	9,889,864
Expenditures					
Current					
General government	656,627	–	386,422	1,043,049	1,038,158
Public safety	2,012,285	–	53,085	2,065,370	2,072,804
Public works	1,177,422	–	–	1,177,422	1,115,268
Recreation and parks	1,106,729	–	359,368	1,466,097	1,373,081
Economic development	95,267	–	903,900	999,167	290,488
Other	68,689	–	284,066	352,755	258,738
Capital outlay	66,241	1,621,733	532,335	2,220,309	353,040
Debt service					
Principal	–	–	1,060,232	1,060,232	1,489,804
Interest and fiscal charges	–	–	533,477	533,477	575,229
Total expenditures	5,183,260	1,621,733	4,112,885	10,917,878	8,566,610
Excess (deficiency) of revenue over expenditures	(1,030,769)	124,715	(785,385)	(1,691,439)	1,323,254
Other financing sources (uses)					
Debt issued	–	–	161,500	161,500	200,000
Proceeds (loss) from sale of assets	–	–	61,006	61,006	210,264
Transfers in	1,157,899	–	954,101	2,112,000	2,175,601
Transfers (out)	(2,158)	–	(821,307)	(823,465)	(887,248)
Total other financing sources (uses)	1,155,741	–	355,300	1,511,041	1,698,617
Net change in fund balances	124,972	124,715	(430,085)	(180,398)	3,021,871
Fund balances					
Beginning of year	1,920,192	221,805	4,671,183	6,813,180	3,791,309
End of year	\$ 2,045,164	\$ 346,520	\$ 4,241,098	\$ 6,632,782	\$ 6,813,180

See notes to basic financial statements

CITY OF ST. PETER

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2007

Total net change in fund balances – governmental funds \$ (180,398)

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

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	2,078,903
Depreciation expense	(1,032,216)

A gain or loss on the disposal of capital assets, including the difference between the carrying value and any related sale proceeds, is included in the change of net assets. However, only the sale proceeds are included in the change in fund balances. (10,999)

The amount of bond proceeds used to finance the acquisition of capital assets is reported in the governmental funds as a source of financing. Bond proceeds are not revenues in the Statement of Activities, but rather constitute long-term liabilities. (161,500)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 1,060,232

The net change in compensated absences payable affects expenditures in the governmental funds, but also affects long-term liabilities in the Statement of Net Assets. (5,000)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 5,372

Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period. 98,302

Change in net assets – governmental activities \$ 1,852,696

See notes to basic financial statements

CITY OF ST. PETER

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended December 31, 2007

	Original and Final Budget	Actual	Over (Under) Final Budget
Revenue			
Property taxes	\$ 1,026,213	\$ 1,047,643	\$ 21,430
Other taxes	57,350	65,122	7,772
Licenses and permits	199,884	124,976	(74,908)
Intergovernmental	2,323,291	2,345,807	22,516
Charges for services	341,621	336,863	(4,758)
Fines and forfeitures	88,000	103,497	15,497
Investment earnings	32,000	51,168	19,168
Other	62,261	77,415	15,154
Total revenue	<u>4,130,620</u>	<u>4,152,491</u>	<u>21,871</u>
Expenditures			
Current			
General government	623,307	656,627	33,320
Public safety	2,130,031	2,012,285	(117,746)
Public works	1,187,087	1,177,422	(9,665)
Recreation and parks	1,032,850	1,106,729	73,879
Economic development	113,004	95,267	(17,737)
Other	70,025	68,689	(1,336)
Capital outlay	75,388	66,241	(9,147)
Total expenditures	<u>5,231,692</u>	<u>5,183,260</u>	<u>(48,432)</u>
Excess (deficiency) of revenues over expenditures	(1,101,072)	(1,030,769)	70,303
Other financing sources (uses)			
Transfers in	1,101,072	1,157,899	56,827
Transfers out	-	(2,158)	(2,158)
Total other financing sources (uses)	<u>1,101,072</u>	<u>1,155,741</u>	<u>54,669</u>
Net change in fund balances	<u>\$ -</u>	<u>124,972</u>	<u>\$ 124,972</u>
Fund balances			
Beginning of year		<u>1,920,192</u>	
End of year		<u>\$ 2,045,164</u>	

See notes to basic financial statements

CITY OF ST. PETER

Statement of Net Assets
Enterprise Funds
as of December 31, 2007

(With Partial Comparative Information as of December 31, 2006)

	Electric	Water	Environmental Services	Wastewater	Heartland Transit	Storm Water	Telecommunication Conduit	Long-Term Care Facility	Totals	
									2007	2006
Assets										
Current assets										
Cash and investments – unrestricted	\$ 1,979,673	\$ 1,056,243	\$ –	\$ 505,685	\$ –	\$ 392,929	\$ –	\$ 14,379	\$ 3,948,909	\$ 5,213,385
Receivables										
Accounts (net of allowance)	820,119	110,135	71,417	286,046	5,271	40,085	38,390	17,804	1,389,267	1,428,928
Special assessments	–	108,026	5,820	271,274	–	20,073	–	–	405,193	395,129
Notes	116,529	–	–	–	–	–	–	–	116,529	126,650
Due from other funds	49,741	–	–	–	–	–	–	–	49,741	–
Due from other governmental units	–	–	–	151	17,917	734	–	–	18,802	8,018
Inventory	532,693	78,712	–	14,101	–	–	9,190	–	634,696	571,334
Prepaid items	1,098	–	–	–	–	–	–	–	1,098	1,093
Total current assets	3,499,853	1,353,116	77,237	1,077,257	23,188	453,821	47,580	32,183	6,564,235	7,744,537
Noncurrent assets										
Cash and investments – restricted	5,499,850	–	–	–	–	–	–	106,800	5,606,650	5,695,256
Capital assets										
Land	34,420	88,835	–	853,606	–	–	–	–	976,861	976,861
Building and improvements	3,159,455	290,655	–	23,899,008	–	–	–	–	27,349,118	27,260,908
Utility plant and infrastructure	21,782,852	11,315,892	–	9,581,950	–	4,067,781	427,932	10,836,345	58,012,752	45,432,171
Machinery and equipment	3,922,905	1,049,948	139,259	1,009,933	175,523	39,704	–	–	6,337,272	6,213,538
Construction in progress	–	183,841	–	3,921	–	695,094	–	–	882,856	12,128,470
Less accumulated depreciation	(8,104,632)	(4,055,799)	(111,279)	(4,645,000)	(141,162)	(754,490)	(102,526)	(202,984)	(18,117,872)	(15,737,429)
Total capital assets (net of accumulated depreciation)	20,795,000	8,873,372	27,980	30,703,418	34,361	4,048,089	325,406	10,633,361	75,440,987	76,274,519
Unamortized bond discount	77,045	28,040	–	5,286	–	2,429	–	306,744	419,544	445,603
Total noncurrent assets	26,371,895	8,901,412	27,980	30,708,704	34,361	4,050,518	325,406	11,046,905	81,467,181	82,415,378
Total assets	\$ 29,871,748	\$ 10,254,528	\$ 105,217	\$ 31,785,961	\$ 57,549	\$ 4,504,339	\$ 372,986	\$ 11,079,088	\$ 88,031,416	\$ 90,159,915
Liabilities and Net Assets										
Current liabilities										
Accounts and contracts payable	\$ 581,840	\$ 87,757	\$ 34,109	\$ 44,526	\$ 3,679	\$ 3,546	\$ 565	\$ 21,183	\$ 777,205	\$ 843,961
Salaries and withholdings payable	150	25	25	25	–	25	–	–	250	1,081
Accrued interest payable	70,773	34,909	–	134,596	–	1,190	–	3,800	245,268	284,668
Customer deposits	108,300	–	–	–	–	–	–	–	108,300	107,659
Due to other governmental units	52,830	10,885	6,501	–	–	–	–	–	70,216	73,755
Unearned revenue	2,833	–	–	100,230	–	39,575	–	–	142,638	139,805
Due to other funds	–	–	7,362	–	4,435	–	37,944	–	49,741	–
Long-term liabilities due within one year	631,678	307,010	17,362	1,068,386	10,057	40,735	–	133,472	2,208,700	3,740,853
Total current liabilities	1,448,404	440,586	65,359	1,347,763	18,171	85,071	38,509	158,455	3,602,318	5,191,782
Long-term liabilities, less current portion above	12,382,347	2,086,657	13,406	16,716,473	1,610	209,343	–	11,340,832	42,750,668	43,625,700
Net assets										
Invested in capital assets, net of related debt	13,456,895	6,562,382	27,980	12,974,384	34,361	3,811,868	325,406	(534,199)	36,659,077	34,115,015
Restricted for debt service	725,688	–	–	–	–	–	–	106,800	832,488	725,688
Restricted for capital replacement	–	–	–	270,673	–	–	–	–	270,673	228,073
Unrestricted	1,858,414	1,164,903	(1,528)	476,668	3,407	398,057	9,071	7,200	3,916,192	6,273,657
Total net assets	16,040,997	7,727,285	26,452	13,721,725	37,768	4,209,925	334,477	(420,199)	41,678,430	41,342,433
Total liabilities and net assets	\$ 29,871,748	\$ 10,254,528	\$ 105,217	\$ 31,785,961	\$ 57,549	\$ 4,504,339	\$ 372,986	\$ 11,079,088	\$ 88,031,416	\$ 90,159,915

See notes to basic financial statements

CITY OF ST. PETER

Statement of Revenue, Expenses, and Changes in Fund Net Assets
 Enterprise Funds
 Year Ended December 31, 2007
 (With Partial Comparative Information for the Year Ended December 31, 2006)

	Electric	Water	Environmental Services	Wastewater	Heartland Transit	Storm Water	Telecommunications Conduit	Long-Term Care Facility	Totals	
									2007	2006
Operating revenue										
Charges for services	\$ 8,721,157	\$ 1,481,122	\$ 659,888	\$ 3,070,492	\$ 54,658	\$ 445,461	\$ 154,706	\$ -	\$ 14,587,484	\$ 13,592,724
Electric generation	432,000	-	-	-	-	-	-	-	432,000	432,000
Other	336,689	44,855	4,060	83,955	302	5,190	-	582,132	1,057,183	584,235
Total operating revenue	9,489,846	1,525,977	663,948	3,154,447	54,960	450,651	154,706	582,132	16,076,667	14,608,959
Operating expenses										
Personal services	677,880	386,974	183,697	498,455	194,189	175,113	-	-	2,116,308	1,940,197
Repairs and maintenance	162,165	93,594	5,856	93,379	12,171	11,035	-	-	378,200	402,071
Supplies and materials	292,557	60,130	34,089	172,959	14,519	3,849	-	-	578,103	373,046
Utilities and bulk energy	6,254,406	141,499	4,550	376,863	-	3,641	-	-	6,780,959	5,710,463
Depreciation	799,583	417,716	15,947	832,897	19,737	117,498	14,264	202,984	2,420,626	2,123,366
Professional services	133,242	35,116	403,838	67,880	698	6,436	1,447	-	648,657	815,855
General and administrative	71,753	45,425	20,568	58,965	10,483	6,464	-	7,935	221,593	168,789
Bad debt expense	4,788	301	145	323	-	62	-	-	5,619	7,660
Total operating expenses	8,396,374	1,180,755	668,690	2,101,721	251,797	324,098	15,711	210,919	13,150,065	11,541,447
Operating income (loss)	1,093,472	345,222	(4,742)	1,052,726	(196,837)	126,553	138,995	371,213	2,926,602	3,067,512
Other revenue (expense)										
State and federal grants	1,408	756	326	1,048	176,314	43	-	-	179,895	167,406
Investment earnings	290,458	50,997	553	18,346	228	12,924	778	5,219	379,503	160,980
Interest expense	(570,678)	(90,192)	-	(457,150)	-	(7,736)	-	(735,712)	(1,861,468)	(1,334,016)
Total other revenue (expense)	(278,812)	(38,439)	879	(437,756)	176,542	5,231	778	(730,493)	(1,302,070)	(1,005,630)
Income (loss) before transfers and contributions	814,660	306,783	(3,863)	614,970	(20,295)	131,784	139,773	(359,280)	1,624,532	2,061,882
Transfers and contributions										
Transfers (out)	(801,752)	(120,800)	-	(211,277)	-	-	(154,706)	-	(1,288,535)	(1,288,353)
Change in net assets	12,908	185,983	(3,863)	403,693	(20,295)	131,784	(14,933)	(359,280)	335,997	773,529
Net assets										
Beginning of year	16,028,089	7,541,302	30,315	13,318,032	58,063	4,078,141	349,410	(60,919)	41,342,433	40,568,904
End of year	\$ 16,040,997	\$ 7,727,285	\$ 26,452	\$ 13,721,725	\$ 37,768	\$ 4,209,925	\$ 334,477	\$ (420,199)	\$ 41,678,430	\$ 41,342,433

See notes to basic financial statements

CITY OF ST. PETER

Statement of Cash Flows
Enterprise Funds
Year Ended December 31, 2007

(With Partial Comparative Information for the Year Ended December 31, 2006)

	Electric	Water	Environmental		Heartland Transit	Storm Water	Telecommunications Conduit	Long-Term Care Facility	Totals	
			Services	Wastewater					2007	2006
Cash flows from operating activities										
Cash received from customers	\$ 9,165,478	\$ 1,453,221	\$ 655,702	\$ 3,067,129	\$ 42,829	\$ 443,302	\$ 116,316	\$ 691,455	\$ 15,635,432	\$ 13,926,195
Cash payments to supplier for goods and services	(6,568,566)	(364,670)	(485,210)	(742,133)	(17,778)	(26,362)	(1,324)	(475,715)	(8,681,758)	(8,022,120)
Cash payments to employees for services	(678,531)	(384,701)	(180,693)	(496,528)	(192,837)	(172,166)	-	-	(2,105,456)	(1,978,982)
Cash received from other sources	336,689	45,611	4,386	85,003	176,616	5,233	-	-	653,538	624,514
Net cash provided (used) by operating activities	2,255,070	749,461	(5,815)	1,913,471	8,830	250,007	114,992	215,740	5,501,756	4,549,607
Cash flows from noncapital financing activities										
Cash received (paid) to other funds	(49,741)	-	7,362	-	4,435	-	37,944	-	-	293,147
Transfers (out)	(801,752)	(120,800)	-	(211,277)	-	-	(154,706)	-	(1,288,535)	(1,288,353)
Net cash provided (used) by noncapital financing activities	(851,493)	(120,800)	7,362	(211,277)	4,435	-	(116,762)	-	(1,288,535)	(995,206)
Cash flows from capital and related financing activities										
Proceeds from issuance of debt	-	-	-	-	-	-	-	1,102,887	1,102,887	9,201,847
Payments on refunded bonds	(1,595,000)	-	-	-	-	-	-	-	(1,595,000)	-
Proceeds from issuance of refunding bonds	-	-	-	-	-	-	-	-	-	6,665,000
Purchases of property, plant, and equipment	(156,463)	(751,810)	(11,715)	(88,839)	(20,012)	(109,915)	-	(504,435)	(1,643,189)	(10,023,231)
Principal payments of long-term debt	(535,000)	(294,960)	-	(1,010,440)	-	(29,600)	-	(65,725)	(1,935,725)	(1,643,000)
Interest paid on debt	(596,139)	(93,988)	-	(462,376)	-	(7,435)	-	(714,841)	(1,874,779)	(1,267,329)
Net cash provided (used) by capital and related financing activities	(2,882,602)	(1,140,758)	(11,715)	(1,561,655)	(20,012)	(146,950)	-	(182,114)	(5,945,806)	2,933,287
Cash flows from investing activities										
Interest received on investments	290,458	50,997	553	18,346	228	12,924	778	5,219	379,503	160,980
Increase (decrease) in cash and cash equivalents	(1,188,567)	(461,100)	(9,615)	158,885	(6,519)	115,981	(992)	38,845	(1,353,082)	6,648,668
Cash and cash equivalents										
Beginning of year	8,668,090	1,517,343	9,615	346,800	6,519	276,948	992	82,334	10,908,641	4,259,973
End of year	\$ 7,479,523	\$ 1,056,243	\$ -	\$ 505,685	\$ -	\$ 392,929	\$ -	\$ 121,179	\$ 9,555,559	\$ 10,908,641
Cash and cash equivalents comprised of										
Cash and investments										
Unrestricted	\$ 1,979,673	\$ 1,056,243	\$ -	\$ 505,685	\$ -	\$ 392,929	\$ -	\$ 14,379	\$ 3,948,909	\$ 5,213,385
Restricted	5,499,850	-	-	-	-	-	-	106,800	5,606,650	5,695,256
Total	\$ 7,479,523	\$ 1,056,243	\$ -	\$ 505,685	\$ -	\$ 392,929	\$ -	\$ 121,179	\$ 9,555,559	\$ 10,908,641

See notes to basic financial statements

(continued)

CITY OF ST. PETER

Statement of Cash Flows (continued)

Enterprise Funds

Year Ended December 31, 2007

(With Partial Comparative Information for the Year Ended December 31, 2006)

	Electric	Water	Environmental Services	Wastewater	Heartland Transit	Storm Water	Telecommunications Conduit	Long-Term Care Facility	Totals	
									2007	2006
Reconciliation of operating income (loss) to net cash provided (used) by operating activities										
Operating income (loss)	\$ 1,093,472	\$ 345,222	\$ (4,742)	\$ 1,052,726	\$ (196,837)	\$ 126,553	\$ 138,995	\$ 371,213	\$ 2,926,602	\$ 3,067,512
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities										
Depreciation	799,583	417,716	15,947	832,897	19,737	117,498	14,264	202,984	2,420,626	2,123,366
Loss (gain) on sale of capital assets	31,329	-	-	476	20,011	4,279	-	-	56,095	-
Bad debt expense	4,788	301	145	323	-	62	-	-	5,619	7,660
State and federal grants	1,408	756	326	1,048	176,314	43	-	-	179,895	167,406
Change in assets and liabilities										
Receivables	7,380	(28,310)	(5,003)	(4,223)	366	(1,425)	(38,389)	109,323	39,719	(318,885)
Due from other governmental units	-	468	817	860	(12,195)	(734)	-	-	(10,784)	82,161
Inventory	(52,406)	(11,164)	-	208	-	-	-	-	(63,362)	27,227
Prepaid items	(776)	436	20	100	-	215	-	-	(5)	(847)
Accounts and contracts payable	366,831	22,180	(16,273)	27,452	80	632	122	(467,780)	(66,756)	(584,643)
Salaries and withholdings payable	(924)	6,395	2,859	1,604	1,354	2,884	-	-	14,172	(52,422)
Customer deposits	700	(59)	-	-	-	-	-	-	641	3,408
Due to other governmental units	852	(4,480)	89	-	-	-	-	-	(3,539)	27,664
Unearned revenue	2,833	-	-	-	-	-	-	-	2,833	-
Net cash provided (used) by operating activities	\$ 2,255,070	\$ 749,461	\$ (5,815)	\$ 1,913,471	\$ 8,830	\$ 250,007	\$ 114,992	\$ 215,740	\$ 5,501,756	\$ 4,549,607

CITY OF ST. PETER

Fiduciary Funds
Statement of Fiduciary Net Assets
as of December 31, 2007

	<u>Private-Purpose Trusts</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 70,628	\$ 232,520
Accounts receivable	<u>17,510</u>	<u>—</u>
Total assets	88,138	<u><u>\$ 232,520</u></u>
Liabilities		
Liabilities		
Accounts payable	<u>3,804</u>	<u><u>\$ 232,520</u></u>
Net Assets		
Held in trust for private purposes	<u><u>\$ 84,334</u></u>	

See notes to basic financial statements

CITY OF ST. PETER

Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
Year Ended December 31, 2007

	<u>Private-Purpose Trusts</u>
Additions	
Donations	\$ 75,588
Investment earnings	787
Other additions	<u>1,826</u>
Total additions	78,201
Deductions	
Administrative expenses	<u>69,699</u>
Changes in net assets	8,502
Net assets	
Beginning of year	<u>75,832</u>
End of year	<u><u>\$ 84,334</u></u>

See notes to basic financial statements

CITY OF ST. PETER

Notes to Basic Financial Statements
December 31, 2007

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of St. Peter, Minnesota (the City) operates under “the Standard Plan” form of government as defined in Minnesota Statutes. Under this plan, the City Council, composed of an elected mayor and six elected trustees or councilmembers, exercises legislative authority and determines all matters of policy.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant policies:

B. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements include the City (the primary government) and its component units. Component units are legally separate entities for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit’s board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit. As a result of applying these criteria, certain organizations have been included in the report as follows:

- 1. Community Hospital and Health Care Center (the Community Hospital)** – The City’s Community Hospital is a component unit, proprietary fund type, of the City. The Community Hospital was formed to own, maintain, and operate health care and related facilities, and to furnish medical and surgical care to the sick, infirmed, aged, or injured. The Community Hospital is exempt from federal and state income taxes on related income. The Community Hospital is governed by the Hospital Commission (the Commission), which is appointed by the City Council. The Commission exercises governing oversight responsibility for the Community Hospital which includes such duties as budget review, care of the patients, and management of the facilities as set forth by the ordinance of the City.

The financial statements of the Community Hospital also include the financial activities of the Community Hospital Foundation (the Foundation). The Foundation is a corporation organized to carryout the purposes of the Community Hospital. The Foundation is organized as a nonprofit corporation and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation is governed by a Board of Directors, which has all of the powers necessary and convenient to provide operation and administration of the Foundation as the Board of Directors determines to be necessary and expedient.

- 2. Housing and Redevelopment Authority (HRA)** – The HRA of the City is a component unit, proprietary fund type, of the City. The HRA operates for the purpose of providing housing and redevelopment services to the St. Peter area. The governing body consists of a five-member Board of Commissioners appointed by the City Council. Information included for the HRA is as of March 31, 2007 and for the year then ended. Separate financial statements of the HRA are available upon request.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- 3. Economic Development Authority (EDA)** – The St. Peter EDA is fiscally dependent upon the City and its governing body is appointed by the City Council members. Therefore, the EDA is included as a component unit of the City. The EDA’s financial data has been blended with that of the City (i.e. reported as though its funds were funds of the City).

C. Government-Wide and Fund Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) display information about the reporting government as a whole. These statements include all of the financial activities of the City, except for the fiduciary funds. The fiduciary funds are only reported in the Statement of Fiduciary Net Assets and the Statement of Changes in Net Assets at the fund financial statement level. 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 sales, fees, and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other internally directed revenues are reported as general revenues.

The government-wide 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 fiscal year for which they are levied while special assessments are recognized when certified. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. However, charges between the City’s enterprise funds and other functions are not eliminated, as that would distort the direct costs and program revenues reported in those functions. The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available. Depreciation expense is included in the direct expenses of each function. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

D. Measurement Focus, Basis of Accounting, and Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type, pension (or other benefit), trust, and agency. Since, by definition, fiduciary fund assets are held for the benefit of a third party and cannot be used for activities or obligations of the City, these funds are excluded from the government-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it becomes measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if collected within 60 days after year-end.

The private-purpose trust funds are reported using the economic resources measurement focus. All fiduciary funds use the accrual basis of accounting as described earlier in these notes.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Major revenue that is susceptible to accrual includes property taxes, intergovernmental revenue, charges for services, and interest earned on investments. 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. Revenue that is not susceptible to accrual includes licenses and permits, fees, and miscellaneous revenue. Such revenue is recorded only when received because it is not measurable until collected. Grants and similar items are recognized when all eligibility requirements imposed by the provider have been met.

Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures in the governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting, similar to the government-wide financial statements. 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 revenues of the City's enterprise funds are charges to customers for sales and services. The operating expenses for the 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.

Private sector standards of accounting and financial reporting issued prior to November 30, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments have the option of following subsequent private sector guidance subject to this same limitation. The City has elected not to follow subsequent private sector guidance. The Community Hospital and the HRA component units have elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board issued on or after November 30, 1989 in accounting and reporting for its proprietary operations.

Description of Funds

The City reports the following major governmental funds:

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

Permanent Improvement Revolving Capital Project Fund – The Permanent Improvement Revolving Capital Project Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds). It funds project costs which are expected to be recovered over a period of time.

The City reports the following major proprietary funds:

Electric Fund – The Electric Fund accounts for the activities of the City's electric distribution operations.

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

Environmental Services Fund – The Environmental Services Fund accounts for the activities of the City's solid waste collection operations.

Wastewater Fund – The Wastewater Fund accounts for the activities of the City's wastewater processing operations.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Heartland Transit Fund – The Heartland Transit Fund accounts for the activities of the City’s transportation activities.

Storm Water Fund – The Storm Water Fund accounts for the activities of the City’s surface storm water operations.

Telecommunications Conduit Fund – The Telecommunications Conduit Fund accounts for rental income and expenses of the City’s underground conduit lines.

Long-Term Care Facility Fund – The Long-Term Care Facility Fund accounts for the construction of the new long-term care facility, which is being leased out and operated by a separate nonprofit corporation.

Additionally, the City reports the following funds as fiduciary fund types:

Private-Purpose Trust Funds – The private-purpose trust funds are used to administer resources received and held by the City in a trustee capacity. These funds include the library trust, and restricted contributions trust activities.

Agency Funds – Agency funds are used to account for assets held by the City in the capacity of agent. The activity in these funds includes the DARE program, gambling seizures, and the flexible benefit plan.

Component Units

The component unit columns in the basic financial statements include the financial data of the City’s component units. They are discretely presented in separate columns to emphasize that they are separate entities from the City.

The information in the component unit columns on the City’s basic financial statements reflects combined information for the following:

<u>Component Unit</u>	<u>Combined Information</u>
Community Hospital	Operating (enterprise) and Donor-Restricted Funds (fiduciary)
Housing and Redevelopment Authority	Operating Fund (enterprise) as of March 31, 2007

Complete financial statements of the individual component units can be obtained at their respective administrative offices or from the City’s finance department at City Hall.

E. Cash and Investments

Unrestricted – Cash and temporary investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted – Certain proceeds of enterprise fund revenue and refunding bonds, as well as certain resources set aside for their repayment, are classified as restricted assets in the basic financial statements because their use is limited by applicable bond covenants and for refunding bonds. The revenue bond debt service account is used to report resources set aside to make up potential future deficiencies in the payments on revenue bond debt service and for bond refunding.

Cash and investments which are restricted also include the Community Hospital. Assets limited as to use include assets designated by the Community Hospital for construction, future capital acquisitions, debt redemption, and self-funded insurance over which the Community Hospital retains control and may, at its discretion, subsequently use for other purposes.

Valuation – Short-term, highly liquid debt instruments (including commercial paper, bankers' acceptances, and U.S. treasury and agency obligations) purchased with a remaining maturity of one year or less are reported at amortized cost. Other investments are reported at fair value.

F. Recognition of Property Tax Revenue

A property tax levy is approved by City Council resolution prior to December 31 of each year and is certified to the County Auditor for collection. Property taxes attach an enforceable lien on taxable property within the City on January 1. Property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. The City receives tax settlements from the county at various times throughout the year.

A portion of the property taxes levied is paid by the state of Minnesota through various tax credits.

Taxes which remain unpaid are classified as delinquent taxes receivable. Revenue from these delinquent taxes that is not collected within 60 days of year-end is deferred in the governmental fund statements because it is not known to be available to finance the operations of the City in the current year. No allowance for uncollectible taxes has been provided as such amounts are not expected to be material.

G. Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the county. The corresponding revenue from the delinquent (unremitted) and deferred (certified but not yet levied) special assessments receivable are deferred in the governmental fund financial statements until the year in which they become available (collected within 60 days of year-end). In the government-wide and proprietary fund financial statements they are recorded as receivable and revenue upon certification to the county.

H. Notes Receivable

Notes receivable consist primarily of loans made by the City to area businesses for development or redevelopment purposes. The terms and interest rates of the individual loans vary. The loans receivable in the governmental funds are offset by deferred revenue.

I. Receivables

a. Primary Government

All receivables are shown net of any allowance for uncollectibles. The receivables not expected to be collected within one year include property taxes, special assessments, and notes receivable.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Community Hospital

Patient receivables are uncollateralized customer and third-party payor obligations. Payments of patient receivables are allocated to the specific claims identified on the remittance advice or, if unspecified, are applied to the earliest unpaid claim.

The carrying amount of patient receivables is reduced by a valuation allowance that reflects management's estimate of amounts that will not be collected from patients and third-party payors. Management reviews patient receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that will not be collected from patients due to bad debts. Management considers historical write-off and recovery information in determining the estimated bad debt provision.

The Community Hospital has agreements with third-party payors that provide for payments to the Community Hospital at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

J. Interfund Receivables and Payables

All outstanding balances between funds that are not lending or borrowing arrangements are reported as "due to or from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

K. Inventories and Prepaid Items

Inventories are stated at the lower of cost or market, cost being determined by the first-in, first-out method. In the governmental funds, inventories are recorded using the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures at the time of consumption.

L. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (roads, bridges, sidewalks, and similar items), are 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 one year. Such assets are recorded at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide and proprietary fund financial statements, but are not reported in the governmental fund financial statements. Interest costs incurred on the construction of fixed assets are not capitalized. Interest costs incurred on borrowed funds of the Community Hospital during the period of construction of capital assets are capitalized as components of the cost of acquiring those assets. Capital assets are depreciated using the straight-line method over their estimated useful lives. Capital assets not being depreciated include land and construction in progress. The City has chosen to report governmental fund infrastructure beginning with capital assets acquired after 1980.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The estimated useful lives are as follows:

	Primary Government	Component Unit	
	Governmental and Business-Type Activities	Community Hospital	Housing and Redevelopment Authority
Land improvements	30–50	8–25	3–40
Building and improvements	30–50	2–40	3–40
Utility plant and infrastructure	50	–	–
Machinery and equipment	5–7	2–25	3–40

M. Compensated Absences

It is the City’s policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. In the government-wide and proprietary fund financial statements, sick leave is expensed as used or when it becomes likely it will be paid as termination pay and vacation is expensed when incurred. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Paid vacation and sick leave is granted to all permanent, full-time employees of the City. Vacation benefits vary with the length of service of the employee. Sick leave can be accumulated up to 130 working days.

An employee of the City with more than six months of service who leaves the City in good standing is paid for all unused and accrued vacation time. An employee who leaves the City may also receive pay for a percentage of accumulated sick days up to 60 percent.

Severance pay for all full-time employees of the police department who are members of the Minnesota Law Enforcement Union Local No. 320 is paid in accordance with the terms of their contract.

N. Long-Term Obligations

In the government-wide and proprietary 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.

In the governmental fund financial statements, long-term debt and other long-term obligations are not reported as liabilities. The face amount of debt issued is reported as other financing sources. Premiums or discounts on debt issuances are reported as other financing sources or uses, respectively. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O. Fund Equity

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.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Net Assets

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

Q. Budgets and Budgetary Accounting

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

- The City Administrator 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.
- Public hearings are conducted to obtain taxpayer comments.
- The budget is legally enacted through passage of a resolution.
- The City Council must authorize transfers of budgeted amounts between departments within the General Fund.
- Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- Budgetary control is maintained at the department level within the General Fund. Also inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean that it will be spent. The budget process has flexibility in that, where need has been properly demonstrated, an adjustment can be made within the department budget by the City Administrator or between departments by the City Council. Therefore, there is a constant review process and expenditures are not approved until it has been determined that adequate funds were appropriated, the expenditure is still necessary, and funds are available.
- Budgeted expenditure appropriations lapse at year-end.

R. Statement of Cash Flows

For purposes of the Statement of Cash Flows, the City considers all highly liquid debt instruments with an original maturity from the time of purchase by the City of three months or less to be cash equivalents. The proprietary funds' portion in the government-wide cash and investment management pool is considered to be cash equivalent.

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

S. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property and casualty, workers' compensation, and other miscellaneous insurance coverages. The LMCIT operates as a common risk management and insurance program for a large number member of cities. The City pays an annual premium to LMCIT for insurance coverage. The LMCIT agreement provides that the LMCIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event. The City also carries commercial insurance for certain other risks of loss, including employee health insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage during 2007.

The City participates in a self-insured dental insurance plan as described later in these footnotes.

The Community Hospital is exposed to various risks of loss from torts: theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; employee health, dental, and accident benefits; and medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years. The Community Hospital is self-insured for employee health and dental as discussed later in these footnotes.

T. Comparative Data

Comparative data for the prior year has been presented to provide an understanding of changes in the City's financial position and operations. Certain prior year comparative data has been reclassified to conform to current year presentation.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

	Component Units			
	Primary Government	Community Hospital	Housing and Redevelopment Authority	Total Reporting Entity
Deposits	\$ 10,876,853	\$ 15,119,502	\$ 6,605	\$ 26,002,960
Investments	5,632,228	200,000	501,073	6,333,301
Cash on hand	1,380	–	–	1,380
	<u>\$ 16,510,461</u>	<u>\$ 15,319,502</u>	<u>\$ 507,678</u>	<u>\$ 32,337,641</u>

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit.

The following is considered the most significant risk associated with deposits:

Custodial Credit Risk – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The City’s investment policy does not have any additional deposit policies addressing custodial credit risk.

Deposits, consisting of checking and savings accounts and certificates of deposit, are as follows:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Primary government	\$ 11,117,893	\$ 10,876,853
Component units		
Community Hospital	15,137,459	15,119,502
Housing and Redevelopment Authority	<u>6,605</u>	<u>6,605</u>
	<u>\$ 26,261,957</u>	<u>\$ 26,002,960</u>

Bank balances are as follows:

	<u>Component Units</u>		
	<u>Primary Government</u>	<u>Community Hospital</u>	<u>Housing and Redevelopment Authority</u>
Covered by federal depository insurance or by collateral held by the City’s agent in the City’s name	<u>\$ 11,117,893</u>	<u>\$ 15,137,459</u>	<u>\$ 6,605</u>

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

C. Investments

The City has the following investments at year-end:

Investment Type	Credit Risk		Interest Risk – Maturity Duration in Years				Total
	Rating	Agency	No Maturity Date	1 to 5	5 to 10	More Than 10	
U.S. treasury securities							
Primary government	N/A	N/A	\$ –	\$4,774,161	\$ –	\$ –	\$4,774,161
U.S. government agency securities							
Primary government	AAA	S&P	–	46,690	–	518,041	564,731
Repurchase agreement							
Component unit							
Community Hospital	N/V	N/V	–	200,000	–	–	200,000
Investment pools/mutual funds							
Money market funds							
Primary government	AAA	S&P	293,336	–	–	–	293,336
Housing and Redevelopment Authority	N/V	N/V	501,073	–	–	–	501,073
Total investments			<u>\$794,409</u>	<u>\$5,020,851</u>	<u>\$ –</u>	<u>\$518,041</u>	<u>\$6,333,301</u>

N/A – Not Applicable

N/V – Not Available

Investments are subject to various risks, the following of which are considered the most significant:

Custodial Credit Risk – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy does not further address this risk, but the City typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers. The City’s investment policy does not further address credit risk.

NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

Concentration Risk – This is the risk associated with investing a significant portion of the City’s investment (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City’s investment policy does not limit the concentration of investments. At year-end, the City did not have any investments that exceeded 5 percent of the City’s total portfolio.

Interest Rate Risk – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City’s investment policy does not limit the duration of investments.

Deposits, investments, and cash on hand are reported on the City’s financial statements as follows:

	Component Units			Total Reporting Entity
	Primary Government	Community Hospital	Housing and Redevelopment Authority	
Cash and investments				
Statement of Net Assets – government-wide				
Unrestricted	\$ 10,600,663	\$ 8,371,711	\$ 507,678	\$ 19,480,052
Restricted	5,606,650	6,947,791	–	12,554,441
Cash and investments				
Statement of Fiduciary Net Assets – fiduciary funds				
Unrestricted – private-purpose trust funds	70,628	–	–	70,628
Unrestricted – agency funds	232,520	–	–	232,520
	<u>\$ 16,510,461</u>	<u>\$ 15,319,502</u>	<u>\$ 507,678</u>	<u>\$ 32,337,641</u>
Total cash and investments				

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Due To and Due From Other Funds

During 2007, the City’s General Fund lent \$201,371 to the Permanent Improvement Revolving Capital Project Fund. Interfund borrowing is utilized for cash flow purposes.

During 2007, the City’s General Fund lent \$4,834 to the Theatre TIF District Special Revenue Fund. Interfund borrowing is utilized for cash flow purposes.

During 2007, the Electric Fund lent \$7,362 to the Environmental Services Fund. Interfund borrowing is utilized for cash flow purposes.

During 2007, the Electric Fund lent \$4,435 to the Heartland Transit Fund. Interfund borrowing is utilized for cash flow purposes.

During 2007, the City’s Electric Fund lent \$37,944 to the Telecommunications Conduit Fund. Interfund borrowing is utilized for cash flow purposes.

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

B. Transfers In and Transfers Out

Transfers Out	Transfers In		
	Governmental		Total
	General	Nonmajor	
Governmental funds			
General	\$ –	\$ 2,157	\$ 2,157
Nonmajor	75,000	746,308	821,308
Proprietary funds			
Electric	755,458	46,294	801,752
Water	118,196	2,604	120,800
Wastewater	208,573	2,704	211,277
Telecommunications			
Conduit	–	154,706	154,706
Total	\$ 1,157,227	\$ 954,773	\$ 2,112,000

Transfers are made in accordance with budget appropriations or as approved by the City Council for a special funding of city activities.

C. Community Hospital

The City also received \$300,000 from the Community Hospital to pay for a portion of a city project. This amount is recorded as a transfer from the Community Hospital in the Statement of Activities and other revenue in a nonmajor fund in the governmental funds Statement of Revenue, Expenditures, and Changes in Fund Balances.

NOTE 4 – CAPITAL ASSETS

A. Governmental Activities

Capital asset activity for the year ended December 31, 2007 was as follows:

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	\$ 1,642,187	\$ –	\$ –	\$ 1,642,187
Construction in progress	3,575,478	39,069	(313,505)	3,301,042
Capital assets, depreciated				
Land improvements	1,286,175	–	–	1,286,175
Buildings and improvements	21,227,657	7,882	(15,000)	21,220,539
Utility plant and infrastructure	4,163,205	1,864,805	–	6,028,010
Machinery and equipment	4,362,368	480,652	(252,708)	4,590,312
Total capital assets	<u>36,257,070</u>	<u>2,392,408</u>	<u>(581,213)</u>	<u>38,068,265</u>
Less accumulated depreciation on				
Land improvements	(918,285)	(36,230)	–	(954,515)
Buildings and improvements	(1,866,634)	(436,094)	–	(2,302,728)
Utility plant and infrastructure	(472,305)	(133,362)	–	(605,667)
Machinery and equipment	(2,941,321)	(426,530)	256,709	(3,111,142)
Total accumulated depreciation	<u>(6,198,545)</u>	<u>(1,032,216)</u>	<u>256,709</u>	<u>(6,974,052)</u>
Net capital assets	\$ 30,058,525	\$ 1,360,192	\$ (324,504)	\$ 31,094,213

NOTE 4 – CAPITAL ASSETS (CONTINUED)

B. Business-Type Activities

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	\$ 976,861	\$ –	\$ –	\$ 976,861
Construction in progress	12,128,470	193,335	(11,438,949)	882,856
Capital assets, depreciated				
Buildings and improvements	27,260,908	88,210	–	27,349,118
Utility plant and infrastructure	45,432,171	12,580,581	–	58,012,752
Machinery and equipment	6,213,538	220,012	(96,278)	6,337,272
Total capital assets	<u>92,011,948</u>	<u>13,082,138</u>	<u>(11,535,227)</u>	<u>93,558,859</u>
Less accumulated depreciation on				
Buildings and improvements	(2,438,591)	(559,454)	–	(2,998,045)
Utility plant and infrastructure	(10,772,186)	(1,437,766)	–	(12,209,952)
Machinery and equipment	(2,526,652)	(423,406)	40,183	(2,909,875)
Total accumulated depreciation	<u>(15,737,429)</u>	<u>(2,420,626)</u>	<u>40,183</u>	<u>(18,117,872)</u>
Net capital assets	<u>\$ 76,274,519</u>	<u>\$ 10,661,512</u>	<u>\$ (11,495,044)</u>	<u>\$ 75,440,987</u>

C. Component Unit – Community Hospital

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	\$ 28,886	\$ –	\$ –	\$ 28,886
Construction in progress	674,829	283,803	(787,654)	170,978
Capital assets, depreciated				
Land improvements	990,127	147,083	–	1,137,210
Buildings and improvements	6,788,039	196,270	–	6,984,309
Machinery and equipment	9,287,196	778,237	(235,496)	9,829,937
Total capital assets	<u>17,769,077</u>	<u>1,405,393</u>	<u>(1,023,150)</u>	<u>18,151,320</u>
Less accumulated depreciation on				
Land improvements	(144,604)	(68,656)	–	(213,260)
Buildings and improvements	(710,583)	(297,669)	–	(1,008,252)
Machinery and equipment	(3,739,413)	(861,153)	186,660	(4,413,906)
Total accumulated depreciation	<u>(4,594,600)</u>	<u>(1,227,478)</u>	<u>186,660</u>	<u>(5,635,418)</u>
Net capital assets	<u>\$ 13,174,477</u>	<u>\$ 177,915</u>	<u>\$ (836,490)</u>	<u>\$ 12,515,902</u>

NOTE 4 – CAPITAL ASSETS (CONTINUED)

D. Component Unit – Housing and Redevelopment Authority

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	\$ 67,938	\$ –	\$ –	\$ 67,938
Capital assets, depreciated				
Buildings and improvements	1,951,417	25,358	–	1,976,775
Machinery and equipment	393,895	27,147	–	421,042
Total capital assets	<u>2,413,250</u>	<u>52,505</u>	–	<u>2,465,755</u>
Accumulated depreciation	<u>(1,560,282)</u>	<u>(98,568)</u>	–	<u>(1,658,850)</u>
Net capital assets	<u>\$ 852,968</u>	<u>\$ (46,063)</u>	<u>\$ –</u>	<u>\$ 806,905</u>

E. Depreciation Expense by Function

Depreciation expense was charged to the various functions/programs as follows:

Governmental activities	
General government	\$ 157,126
Public safety	94,653
Public works	403,812
Recreation and parks	<u>376,625</u>
Total depreciation expense – governmental activities	<u>\$ 1,032,216</u>
Business-type activities	
Electric	\$ 799,583
Water	417,716
Environmental services	15,947
Wastewater	832,897
Heartland Transit	19,737
Storm water	117,498
Telecommunications conduit	14,264
Long-term care facility	<u>202,984</u>
Total depreciation expense – business-type activities	<u>\$ 2,420,626</u>

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Debt

	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Final Maturity Date</u>	<u>Balance – End of Year</u>
Governmental activities – primary government					
Debt supported primarily by property taxes					
Public Project Revenue Bonds, Series 2001	\$ 3,535,000	4.55–6.00%	2001	2020	\$ 3,095,000
G.O. Equipment Certificates of 2003B	\$ 380,000	2.00–3.00%	2003	2008	75,000
G.O. Equipment Certificates of 2005	\$ 238,200	3.32–3.70%	2005	2010	142,920
G.O. Equipment Certificates of 2006	\$ 200,000	4.71%	2006	2011	160,000
G.O. Equipment Certificates of 2007	\$ 161,500	4.50%	2007	2012	161,500
Total debt supported primarily by property taxes					<u>3,634,420</u>
Debt supported primarily by tax increments					
G.O. Tax Increment Bonds, Series 1999A	\$ 245,000	6.25%	1999	2018	198,499
Notes payable – Nicollet Plaza	\$ 194,065	7.75%	1999	2013	116,529
Notes payable – Volmary	\$ 81,200	3.00%	1999	2012	50,099
G.O. Permanent Improvement Revolving Fund Bonds, Series 2000A	\$ 1,855,000	4.50–5.00%	2000	2016	1,275,000
G.O. Tax Increment Bonds, Series 2002C	\$ 490,000	2.10–3.95%	2002	2012	315,000
G.O. Tax Increment Bonds, Series 2002D	\$ 2,400,000	3.75–4.50%	2002	2022	2,200,000
G.O. Tax Increment Bonds, Series 2004A	\$ 2,205,000	2.00–4.00%	2004	2020	2,000,000
G.O. Tax Increment Bonds, Series 2005A	\$ 330,000	3.00–4.20%	2005	2020	310,000
Total debt supported primarily by tax increments					<u>6,465,127</u>
Special assessment bonds					
G.O. Permanent Improvement Revolving Fund Bonds 2004B	\$ 1,380,000	2.00–3.60%	2004	2013	<u>820,000</u>
Compensated absences					
Total governmental activities					<u>323,760</u> <u>11,243,307</u>
Business-type activities – primary government					
Utility revenue bonds and notes					
Public Project Revenue Bonds, Series 2000	\$ 655,000	5.25–6.30%	2000	2014	390,000
G.O. PFA Sewer Revenue Note, Series 2001	\$ 11,733,250	2.04%	2001	2021	8,874,000
G.O. Water Refunding Bond, Series 2002A	\$ 935,000	3.40%	2002	2008	150,000
Electric Utility Revenue Bonds, Series 2002B	\$ 5,185,000	3.00–5.25%	2002	2010	4,680,000
G.O. PFA Sewer Revenue Note, 2002	\$ 7,260,850	2.04%	2002	2022	4,375,000
G.O. Sewer Revenue Bonds, Series 2003C	\$ 2,000,000	4.25%	2003	2043	1,910,000
G.O. Water and Sewer Revenue Bonds, Series 2004C	\$ 805,000	1.70–3.55%	2004	2014	645,000
G.O. Electric Revenue Bonds, Series 2004D	\$ 1,555,000	2.25–4.10%	2004	2016	1,315,000
G.O. Water and Sewer Refunding Bonds, Series 2004E	\$ 775,000	2.00–3.50%	2004	2013	595,000
G.O. PFA Sewer Revenue Note, 2004	\$ 2,240,000	3.48%	2004	2022	1,970,000
G.O. Water Revenue Bonds, Series 2005B	\$ 1,765,000	4.00–4.25%	2005	2026	1,705,000
G.O. Equipment Certificate 2006	\$ 110,000	4.71%	2006	2011	88,000
Electric Revenue Refunding Bond 2006B	\$ 5,045,000	4.00–4.15%	2006	2027	4,910,000
Electric Revenue Refunding Bond 2006C	\$ 1,620,000	4.00%	2006	2018	1,620,000
Long-term care facility bonds and notes					
Tax Exempt Loan Participation Note, Series 2005C	\$ 6,000,000	4.88%	2005	2020	5,961,439
Subordinate Nursing Home Revenue Bonds, Series 2005D	\$ 1,140,000	8.00%	2005	2020	1,140,000
Tax Exempt Loan Participation Note, Series 2006A	\$ 4,400,000	5.00%	2006	2020	4,372,836
Compensated absences					
Total business-type activities					<u>258,065</u> <u>44,959,340</u>
Total – primary government					
					56,202,647
Component unit – Community Hospital Fund					
General obligation bonds					
G.O. Hospital Bond, Series 2003A	\$ 15,640,000	3.25–5.00%	2003	2032	<u>14,740,000</u>
Total – reporting entity					
					<u>\$ 70,942,647</u>

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Changes in Long-Term Debt

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year	Due Within One Year
Primary government					
Governmental activities					
Property tax supported	\$ 3,873,894	\$ 161,500	\$ 400,974	\$ 3,634,420	\$ 324,940
Tax increment supported	6,844,385	–	379,258	6,465,127	420,762
Special assessment supported	1,100,000	–	280,000	820,000	220,000
Compensated absences payable	318,760	238,727	233,727	323,760	241,234
Total – governmental activities	12,137,039	400,227	1,293,959	11,243,307	1,206,936
Business-type activities					
Utility revenue bonds and notes	36,692,000	–	3,465,000	33,227,000	1,925,000
Long-term care facility bonds and notes	10,437,113	1,102,887	65,725	11,474,275	138,472
Compensated absences payable	237,440	166,506	145,853	258,093	145,228
Total – business-type activities	47,366,553	1,269,393	3,676,578	44,959,368	2,208,700
Total – government-wide	<u>\$ 59,503,592</u>	<u>\$ 1,669,620</u>	<u>\$ 4,970,537</u>	<u>\$ 56,202,675</u>	<u>\$ 3,415,636</u>
Component unit					
Community Hospital					
General obligation bonds	\$ 15,050,000	\$ –	\$ 310,000	\$ 14,740,000	\$ 320,000
Note payable	42,789	–	42,789	–	–
Total Community Hospital	<u>\$ 15,092,789</u>	<u>\$ –</u>	<u>\$ 352,789</u>	<u>\$ 14,740,000</u>	<u>\$ 320,000</u>

C. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term debt, excluding compensated absences, are as follows:

Year Ending December 31,	Governmental Activities					
	Property Tax Supported		Tax Increment Supported		Special Assessment Supported	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 324,940	\$ 200,959	\$ 420,762	\$ 266,575	\$ 220,000	\$ 21,160
2009	259,940	188,124	442,667	249,960	195,000	15,680
2010	269,940	175,666	469,554	231,976	160,000	10,550
2011	237,300	162,466	491,688	212,577	125,000	6,150
2012	212,300	150,054	508,885	192,280	85,000	2,705
2013–2017	1,090,000	574,705	2,485,682	626,477	35,000	630
2018–2022	1,240,000	172,800	1,645,889	153,602	–	–
Total	<u>\$ 3,634,420</u>	<u>\$ 1,624,774</u>	<u>\$ 6,465,127</u>	<u>\$ 1,933,447</u>	<u>\$ 820,000</u>	<u>\$ 56,875</u>

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Year Ending December 31,	Business-Type Activities					
	Utility Revenue		Long-Term Care Facility		Community Hospital	
	Bonds and Notes		Bonds and Notes			
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 1,925,000	\$ 1,084,924	\$ 138,472	\$ 810,567	\$ 320,000	\$ 707,390
2009	1,826,000	1,030,099	147,759	800,480	335,000	696,190
2010	6,144,000	867,608	157,718	789,721	345,000	682,790
2011	1,780,000	705,702	168,396	778,242	360,000	668,990
2012	1,815,000	651,936	179,847	765,992	375,000	654,590
2013–2017	8,718,550	2,453,298	1,152,151	3,606,043	2,155,000	3,024,655
2018–2022	7,347,000	1,285,225	2,481,556	2,979,638	2,740,000	2,452,250
2023–2027	2,514,450	496,945	2,114,468	2,125,727	3,530,000	1,692,500
2028–2032	309,000	220,660	2,997,523	1,242,672	4,580,000	711,500
2033–2037	380,000	149,175	1,936,385	180,316	–	–
2038–2042	468,000	61,328	–	–	–	–
Total	<u>\$ 33,227,000</u>	<u>\$ 9,006,900</u>	<u>\$ 11,474,275</u>	<u>\$ 14,079,398</u>	<u>\$ 14,740,000</u>	<u>\$ 11,290,855</u>

D. Descriptions of Long-Term Debt

- **General Obligation Bonds** – These bonds were issued for improvements, projects, or to refund previous general obligation bonds which benefit the City as a whole and, therefore, could be repaid from ad valorem levies.
- **Equipment Certificates** – The City has outstanding a series of equipment certificates, issued in accordance with Minnesota Statute § 412.301, to finance the purchase of equipment. These certificates will be repaid primarily by ad valorem tax levies and enterprise fund revenues.
- **Tax Increment Bonds** – The City has established tax increment financing districts and has issued general obligation tax increment bonds in accordance with Minnesota Statutes, Chapters 462.585 and 273.77. It is anticipated that the ad valorem taxes, derived from the captured assessed value of property in the tax increment districts, will provide substantially all funds necessary to retire the bond principal and interest. In addition, future tax levies may be placed on the tax rolls annually as scheduled for supplementary financing.
- **Notes Payable** – These notes were issued to assist in the financing of tax increment districts in the City. It is anticipated that the ad valorem taxes derived from the captured assessed value of these properties in the tax increment districts will provide all the funds necessary to retire these notes.
- **Special Assessment Bonds** – These bonds are payable primarily from special assessments levied on the properties benefiting from the improvements funded by these issues. Any deficiencies in revenue to fund these issues will be provided from general property taxes.
- **Utility Revenue Bonds and Notes** – These general obligation bonds and revenue notes were issued for improvements or projects that directly benefited a specific enterprise fund. These debt issues will be repaid from revenue sources of the fund that the debt issue directly benefited.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

- **Long-Term Care Facility Bonds and Notes** – During 2006, the City authorized the issuance of its \$4,400,000 Tax Exempt Loan Participation Note, Series 2006A. During 2005, the City authorized the issuance of its \$6,000,000 Tax Exempt Loan Participation Note, Series 2005C and \$1,140,000 of Subordinate Nursing Home Revenue Bonds, Series 2005D. These funds were used to construct and equip a Long-Term Care Center Facility Project (the Project). The Project is being leased to and operated by a separate nonprofit corporation pursuant to a lease and operating agreement between the City and the nonprofit corporation. The lease agreement requires the nonprofit corporation to make payments in amounts sufficient to pay principal and interest on the Project’s bonds and notes when due. The City has pledged the payments it receives in the lease agreement to the payment of principal and interest on the Project’s bonds and notes. During 2007, the City borrowed the remaining \$1,102,887 of the total expected borrowing of \$4,400,000 on the Tax Exempt Loan Participation Note, Series 2006A.

E. Refunding Bonds

In 2006, the City issued \$1,620,000 of Electric Revenue Refunding Bonds, Series 2006C. The proceeds of this issue were used on February 1, 2007 to retire, in advance of their stated maturities, the 2008 through 2018 maturities of the City’s Electric Revenue Bonds, Series 1997B. This advance refunding decreased the City’s total future debt service payments by \$116,000, and resulted in a present value savings of \$94,000.

In 2006, the City issued \$5,045,000 of Electric Revenue Advance Refunding Bonds, Series 2006B. The proceeds of this issue will be used to retire, in advance of their stated maturities, the 2010 through 2027 maturities of the City’s Electric Utility Revenue Bonds, Series 2002B. The proceeds of the 2006B issue have been placed in an escrow account pending the February 1, 2010 call date of the 2002B issue. Until the call date, the City will continue to make all debt service payments on the 2002B issue. On the call date, the escrow account will be used to call the remaining principal on this issue, and the City will assume principal and interest payments on the 2006B issue. This advance refunding decreased the City’s total future debt service payments by \$215,975, and resulted in a present value savings of \$230,640.

NOTE 6 – DESIGNATED FUND BALANCES

Designated fund balances in the various governmental activity funds are as follows:

Nonmajor funds	
Debt service	
Designated for debt service	<u>\$ 656,927</u>

NOTE 7 – INDIVIDUAL FUND DISCLOSURES

Budgeted vs. Actual Expenditures

In the General Fund, total actual expenditures exceeded budgeted expenditures in the following departments:

<u>Department</u>	<u>Excess of Actual Over Budget</u>
Mayor and City Council	\$ 5,065
Administration	\$ 1,766
City clerk	\$ 4,715
Elections	\$ 1,531
Finance	\$ 6,189
Legal	\$ 9,129
General government building	\$ 4,925
Community service officer	\$ 586
Senior coordinator	\$ 1,139
Recreation and leisure services	\$ 13,361
Swimming pool	\$ 18,489
Skating rinks	\$ 1,341
Parks	\$ 39,549
Miscellaneous	\$ 209

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Description

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

PERF members belong to either the Coordinated or 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, firefighters, 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 statutes, 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.

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

Two methods are used to compute benefits for PERF’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 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3 percent for each year of service. For all PEPFF members and for 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 members, and 65 for PERF Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits, but are not receiving them yet are bound by the provisions in effect at the time they 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 web at mnpera.org; by writing to PERA at Public Employees’ Retirement Association, Retirement Systems of Minnesota Building, 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

B. Funding Policy

Minnesota Statute, 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 and Coordinated Plan members were required to contribute 9.10 percent and 5.75 percent, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan will increase in 2008 to 6.0 percent. PEPFF members were required to contribute 7.8 percent of their annual covered salary in 2007. That rate will increase to 8.6 percent in 2008. The City was required to contribute the following percentages of annual covered payroll in 2007: 11.78 percent for Basic Plan PERF members, 6.25 percent for Coordinated Plan PERF members, and 11.7 percent for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.5 percent and 12.9 percent, respectively, effective January 1, 2008. The City’s contributions for the past three years ending December 31, which were equal to the contractually required contributions for each year as set by state statutes, were as follows:

	PERF	PEPFF	Total
2005	\$ 165,575	\$ 72,665	\$ 238,240
2006	\$ 184,221	\$ 85,109	\$ 269,330
2007	\$ 203,004	\$ 93,424	\$ 296,428

NOTE 8 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

The Community Hospital’s contributions for the past three years ended December 31, which were equal to the contractually required contributions for each year as set by state statutes, are as follows:

	<u>PERF</u>	
2005	\$	236,026
2006	\$	272,931
2007	\$	293,245

NOTE 9 – DEFINED BENEFIT PLAN – FIRE DEPARTMENT RELIEF ASSOCIATION

A. Plan Description

Members of the City’s volunteer fire department are members of the St. Peter Firefighters’ Relief Association (the Association). The Association is a single-employer defined benefit plan and operates under the provisions of Minnesota Statutes § 69 and § 424A, as amended. It is governed by a Board of Trustees consisting of six officers and trustees elected by the members of the Association for terms of three years. The Mayor, City Treasurer, and Fire Chief are ex-officio members of the Board of Trustees.

As of December 31, 2007, the membership of the Association was as follows:

Retirees and beneficiaries currently receiving benefits and retired firefighters entitled to benefits, but not receiving them yet	4
Active plan participants	
Vested	20
Non-vested	<u>10</u>
Total	<u><u>34</u></u>

B. Pension Benefits

Retirement Benefits – According to the bylaws of the Association and pursuant to Minnesota Statutes § 424A.02, Subds. 2 and 4, the Association pays to each member who has served as an active firefighter in the St. Peter Fire Department for a period of 20 years or more to his resignation, and who has reached the age of 50 years or more, \$2,350 per year of service in a lump sum. A member who has served in the St. Peter Fire Department for at least 20 years, but has not reached the age of 50 years, may retire and be placed on the deferred pension roll until he reaches the age of 50. Members who retire with less than 20 years of service but have reached the age of 50 years and have completed at least 5 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member’s service pension for the completed years of service times the applicable nonforfeitable percentage of pension. The reduced pension percentage available to members with five years of service shall be equal to 40 percent. This percentage increases 4 percent per year so that at 20 years of service the full amount prescribed is paid.

Sick and Disability Benefits – If a member of the Association becomes permanently disabled with a service related disability, the Association shall pay to such member an amount equal to the full years of active service multiplied by the yearly lump sum determined at the withdrawal of active service (currently \$2,350). The member shall be eligible to receive the disability benefit immediately upon approval of the Board of Trustees.

**NOTE 9 – DEFINED BENEFIT PLAN – FIRE DEPARTMENT RELIEF ASSOCIATION
(CONTINUED)**

Death Benefits – Upon the death of any active member, not in the line of duty, the Association shall pay to the surviving spouse of one year, if any, and if there is no surviving spouse, to the surviving child or children, if any, a death benefit based on the number of years of completed service. Active members who have completed less than five years of service shall receive a fixed amount of \$2,000. Active members who have completed more than five years of service are entitled to receive a death benefit calculated by multiplying the member’s completed years of service times the vested percentage of yearly lump sum (currently \$2,350). This death benefit to members with five years of service shall be 25 percent. This percentage increases 25 percent with every five years of additional service so that at 20 years of service, the full amount prescribed is paid.

Upon the death of an active member while in performance of official duties as a member, the Association shall pay to the surviving spouse, if any, and if no surviving spouse, to the estate of the deceased member, a funeral benefit in the amount of his/her full years of active service multiplied by the yearly lump sum (currently \$2,350).

C. Funding Policy

The Association’s funding policy provided for contributions from the state and the City in amounts sufficient to accumulate sufficient assets to pay benefits when due. The annual contribution is the sum of the normal cost, the state contribution payment, and the provision for administrative expenses.

The Association is comprised of volunteers; therefore, there are no payroll expenditures or covered payroll percentage calculations.

Required contributions of \$51,085 were made by the state in accordance with Minnesota Statutes requirements for the year ended December 31, 2007.

D. Funding Status and Progress

The amount of the total accrued pension liability is based on a standardized measurement established by GASB that, with some exceptions, must be used by the relief associations for financial statement presentation. This standardized measurement is based on Minnesota Statute § 69.772. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of service years performed by the members of the Association. A standardized measure of the accrued pension liability was adopted by GASB to enable the readers of relief association financial statements to (a) assess the relief association’s funding status on a going concern basis, (b) assess progress being made in accumulating sufficient assets to pay benefits when due, and (c) make comparisons among relief associations.

Because the standardized measure is used only for disclosure purposes by the Association, the measurement is independent of the actuarial computation made to determine contributions to the Association.

E. Three-Year Trend Information

Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/2005	\$ 66,752	100%	\$ –
12/31/2006	\$ 64,300	100%	\$ –
12/31/2007	\$ 51,085	100%	\$ –

NOTE 10 – FLEXIBLE BENEFIT PLAN

The City offers three types of flexible spending accounts: medical premiums, medical expenses, and dependent care expenses. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the Flexible Benefit Plan (the Plan) for health care and dependent care benefits. Payments are made from the Plan to participating employees upon submitting a request for reimbursement of eligible expenses actually incurred by the participant.

Before the beginning of the Plan year, which is from January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the Plan during the year. At December 31, the City is contingently liable for claims against the total amount of participants’ annual contributions to the Plan, whether or not such contributions have been made.

Assets of the Plan are held in the City’s payroll checking account. Amounts withheld to pay for employee medical insurance premiums are administered and paid out directly by the City’s finance department. Medical expense and dependent care expense accounts are administered by a benefit consulting firm. Claims are made directly to the administrator by participants of the Plan. The administrator then reimburses the participants and bills the City for these reimbursements.

All property of the Plan and income attributable to that property is solely the property of the City subject to the claims of the City’s general creditors. Participants’ rights under the Plan are equal to those of general creditors of the City in an amount equal to the eligible health care and dependent care expenses incurred by the participants. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 11 – SELF-INSURANCE

The City participates in a self-funded dental insurance plan (the Plan). The Plan is administered by an insurance company which determines the current funding requirements of participants under the terms of the Plan and the liability for claims and assessments that would be payable at any given point in time. In connection therewith, the City had the following changes in the balances of claims liabilities. These changes represent the sum of actual claims paid resulting from incidents that occurred during the year.

<u>December 31,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2005	\$ –	\$ 49,617	\$ (49,617)	\$ –
2006	\$ –	\$ 47,501	\$ (47,501)	\$ –
2007	\$ –	\$ 49,324	\$ (49,324)	\$ –

The Community Hospital participates in a self-funded dental insurance plan (the Plan). The Plan is administered by an insurance company which determines the current funding requirements of participants under the terms of the Plan and the liability for claims and assessments that would be payable at any given point in time. In connection therewith, the Community Hospital charged to operations a provision that represents the sum of actual claims paid and the actuarially determined estimates of liability relating to claims, both asserted and unasserted, resulting from incidents that occurred during those years for the Plan.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

A. Power Sales Contract

St. Peter Municipal Utilities (the Company) is a member of the Southern Minnesota Municipal Power Agency (SMMPA). Under the terms of the power sales contract, the Company and other members are committed to purchase 100 percent of their power requirements from SMMPA through 2030. The rates paid are subject to periodic review. The City received monthly equity distributions which represent SMMPA earnings on prior year operations for the year ended December 31, 2007 totaling \$130,444. This amount is shown as a reduction to purchased power in the Electric Fund.

B. Federal Revenue

Amounts received or receivable from federal agencies are subject to agency audit and adjustment. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of funds which may be disallowed by the agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

C. Litigation – Primary Government

The City had the usual and customary type of miscellaneous claims pending at year-end, mostly of a minor nature and usually all covered by insurance carried for that purpose. However, the outcome of these cases is unknown. It is not determinable at this time whether unfavorable settlements of the claims will exceed insurance coverage. City management believes that the City will not incur any material monetary loss relating to the cases. No loss has been recorded on the City's financial statements relating to these claims.

D. Malpractice Claims – Community Hospital

The Community Hospital has malpractice insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1 million per claim, and an annual aggregate limit of \$5 million. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured.

E. Litigation – Community Hospital

The health care industry is subject to laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Recently, federal government activity has increased with respect to investigations and allegations concerning possible violations by health care providers of regulations, which could result in the imposition of significant fines and penalties as well as significant repayments of previously billed and collected revenues for patient services. Management believes the Community Hospital is in substantial compliance with current laws and regulations.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

F. Government Regulations – Community Hospital

The Community Hospital has agreements with third-party payors that provide for payments to the Community Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

- **Medicare** – The Community Hospital is licensed as a Critical Access Hospital. The Community Hospital is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the Community Hospital subject to audits thereof by the Medicare intermediary. The Community Hospital's Medicare Cost Reports have been audited by the Medicare fiscal intermediary through the year ended December 31, 2005. The Community Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Community Hospital.
- **Medicaid** – Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Outpatient services related to Medicaid beneficiaries are paid based on the lower of customary charges, allowable cost as determined through the Community Hospital's Medicare Cost Report, or rates as established by the Medicaid program. The Community Hospital is reimbursed at a tentative rate with final settlement determined by the program based on the Community Hospital's final Medicare Cost Report.
- **Blue Cross** – Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge. Outpatient services are reimbursed at outpatient payment fee screens or at charges less a prospectively determined discount. The prospectively determined discount is not subject to retroactive adjustment.
- **Other** – The Community Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Community Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. Occasionally, final settled costs reports are reopened when necessary to appeal specific items.

G. Contract Commitments

The City has contract commitments for uncompleted construction projects as of December 31, 2007 of approximately \$100,000.

NOTE 13 – CONDUIT DEBT OBLIGATIONS

The City has issued \$2,900,000 Commercial Development Revenue Note of 1998 to provide financial assistance to a nonprofit corporation for the construction and equipping of an addition to an ensuing facility deemed to be in the public interest. The notes are secured by the property financed and are payable solely from payments received on the underlying revenue note. Upon repayment of the notes, ownership of the acquired facilities transfers to the nonprofit corporation served by the revenue note issuance. Neither the City nor any political subdivision thereof is obligated in any manner for repayment of the revenue note. Accordingly, the revenue notes are not reported as liabilities in the accompanying financial statements.

As of December 31, 2007, the outstanding balance due on these revenue notes is \$1,974,346.

NOTE 14 – SUBSEQUENT EVENT

In February 2008, the City sold \$300,000 of Equipment Certificate, Series 2008A. These notes as well as previously issued equipment certificates will be used to fund the purchase of new equipment. The certificate is scheduled to mature in five years and has an interest rate ranging from 2.5 to 3.5 percent.

In March 2008, the City sold \$365,000 of Equipment Certificate, Series 2008A. These notes will be used to fund equipment purchases by Benedictine Health Systems at the nursing home facility. The certificate is scheduled to mature in five years and has an interest rate of 3.7 percent.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ST. PETER

Required Supplementary Information

St. Peter Fire Department Relief Association
 Schedule of Funding Progress and Schedule of Contributions

A. Schedule of Funding Progress

Actuarial Valuation Date – December 31,	Actuarial Value of Assets	Actuarial Accrued Liability	Funded Ratio	Assets in Excess of (Unfunded) Accrued Liability	Benefit per Year of Service
2002	\$ 642,907	\$ 751,138	85.6 %	\$ (108,231)	\$ 1,950
2003	767,623	807,987	95.0	(40,364)	1,950
2004	666,851	780,416	85.4	(113,565)	2,150
2005	684,303	769,998	88.9	(85,695)	2,150
2006	713,944	755,643	94.5	(41,699)	2,200
2007	809,058	873,944	85.6	(64,886)	2,350

B. Schedule of Contributions

Year	Annual Required Contribution	Percent Contributed
2002	\$ 52,658	100.0 %
2003	65,076	100.0
2004	75,304	100.0
2005	66,752	100.0
2006	64,300	100.0
2007	51,085	100.0

C. Notes to Required Supplementary Information

Valuation date	12/31/2007
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	
Normal cost	20 Years
Prior service cost	5 Years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	8.5%
Projected salary increases	N/A
Inflation rate	N/A
Cost-of-living adjustments	None

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF ST. PETER

Combining Balance Sheet
 Nonmajor Governmental Funds
 as of December 31, 2007

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental</u>
Assets				
Cash and investments				
Unrestricted	\$ 1,874,170	\$ 606,366	\$ 2,315,269	\$ 4,795,805
Receivables				
Accounts	65,620	-	-	65,620
Interest	-	50,561	-	50,561
Delinquent taxes	2,223	-	-	2,223
Delinquent special assessments	-	25,844	-	25,844
Deferred special assessments	3,923	859,858	246,259	1,110,040
Notes	3,109,706	-	372,447	3,482,153
Due from other governmental units	15,583	-	-	15,583
	<u>\$ 5,071,225</u>	<u>\$ 1,542,629</u>	<u>\$ 2,933,975</u>	<u>\$ 9,547,829</u>
Liabilities and Fund Balances				
Liabilities				
Accounts and contracts payable	\$ 144,845	\$ -	\$ 48,027	\$ 192,872
Salaries and withholdings payable	5,890	-	-	5,890
Due to other funds	4,834	-	-	4,834
Deferred revenue	3,115,852	885,702	618,706	4,620,260
Unearned revenue	15,600	-	467,275	482,875
Total liabilities	<u>3,287,021</u>	<u>885,702</u>	<u>1,134,008</u>	<u>5,306,731</u>
Fund balances				
Reserved for revolving loans	535,819	-	-	535,819
Unreserved – designated	-	656,927	-	656,927
Unreserved – undesignated	1,248,385	-	1,799,967	3,048,352
Total fund balances	<u>1,784,204</u>	<u>656,927</u>	<u>1,799,967</u>	<u>4,241,098</u>
	<u>\$ 5,071,225</u>	<u>\$ 1,542,629</u>	<u>\$ 2,933,975</u>	<u>\$ 9,547,829</u>

CITY OF ST. PETER

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended December 31, 2007

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental</u>
Revenue				
Taxes				
Property taxes and tax increments	\$ 825,103	\$ 724,029	\$ -	\$ 1,549,132
Other taxes	35,869	-	-	35,869
Intergovernmental	100,438	-	-	100,438
Special assessments	881	194,872	262,918	458,671
Investment earnings	66,674	31,799	73,484	171,957
Other	1,006,701	-	4,732	1,011,433
Total revenue	<u>2,035,666</u>	<u>950,700</u>	<u>341,134</u>	<u>3,327,500</u>
Expenditures				
Current				
General government	386,422	-	-	386,422
Public safety	53,085	-	-	53,085
Recreation and parks	359,368	-	-	359,368
Economic development	903,900	-	-	903,900
Other	284,066	-	-	284,066
Capital outlay	40,008	-	492,327	532,335
Debt service				
Principal	10,121	1,050,111	-	1,060,232
Interest and fiscal charges	23,268	510,209	-	533,477
Total expenditures	<u>2,060,238</u>	<u>1,560,320</u>	<u>492,327</u>	<u>4,112,885</u>
Excess (deficiency) of revenue over expenditures	(24,572)	(609,620)	(151,193)	(785,385)
Other financing sources (uses)				
Debt issued	-	-	161,500	161,500
Proceeds (loss) from sale of assets	-	500	60,506	61,006
Transfers in	429,006	525,095	-	954,101
Transfers (out)	(594,740)	(3,517)	(223,050)	(821,307)
Total other financing sources (uses)	<u>(165,734)</u>	<u>522,078</u>	<u>(1,044)</u>	<u>355,300</u>
Net change in fund balances	(190,306)	(87,542)	(152,237)	(430,085)
Fund balances				
Beginning of year	<u>1,974,510</u>	<u>744,469</u>	<u>1,952,204</u>	<u>4,671,183</u>
End of year	<u>\$ 1,784,204</u>	<u>\$ 656,927</u>	<u>\$ 1,799,967</u>	<u>\$ 4,241,098</u>

CITY OF ST. PETER

Nonmajor Special Revenue Funds
 Combining Balance Sheet
 as of December 31, 2007

	<u>Library</u>	<u>Old Hospital</u>	<u>Public Access</u>	<u>Firefighters' Relief</u>	<u>Fire Calls</u>	<u>Economic Revolving Loan</u>	<u>Tax Increment Financing</u>	<u>Nicollet Hotel</u>	<u>Nicollet Plaza</u>
Assets									
Cash and investments									
Unrestricted	\$ 19,502	\$ 471,204	\$ 40,111	\$ 873	\$ 17,084	\$ 159,460	\$ 431,865	\$ 5,144	\$ 26
Receivables									
Accounts	31	-	4,052	-	-	59,413	-	-	-
Delinquent taxes	-	-	-	-	-	-	-	-	-
Deferred special assessments	-	-	-	-	-	-	3,923	-	-
Notes	-	-	-	-	-	803,241	-	-	-
Due from other governmental units	-	-	-	-	-	-	6,273	-	-
Total assets	<u>\$ 19,533</u>	<u>\$ 471,204</u>	<u>\$ 44,163</u>	<u>\$ 873</u>	<u>\$ 17,084</u>	<u>\$ 1,022,114</u>	<u>\$ 442,061</u>	<u>\$ 5,144</u>	<u>\$ 26</u>
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ 4,646	\$ 21,944	\$ 406	\$ -	\$ -	\$ -	\$ -	\$ 4,558	\$ -
Salaries and withholdings payable	62	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	803,241	3,923	-	-
Unearned revenue	-	-	15,000	-	-	-	-	-	-
Total liabilities	<u>4,708</u>	<u>21,944</u>	<u>15,406</u>	<u>-</u>	<u>-</u>	<u>803,241</u>	<u>3,923</u>	<u>4,558</u>	<u>-</u>
Fund balances (deficit)									
Reserved for revolving loans	-	-	-	-	-	218,873	-	-	-
Undesignated	14,825	449,260	28,757	873	17,084	-	438,138	586	26
Total fund balances (deficit)	<u>14,825</u>	<u>449,260</u>	<u>28,757</u>	<u>873</u>	<u>17,084</u>	<u>218,873</u>	<u>438,138</u>	<u>586</u>	<u>26</u>
Total liabilities and fund balances	<u>\$ 19,533</u>	<u>\$ 471,204</u>	<u>\$ 44,163</u>	<u>\$ 873</u>	<u>\$ 17,084</u>	<u>\$ 1,022,114</u>	<u>\$ 442,061</u>	<u>\$ 5,144</u>	<u>\$ 26</u>

CITY OF ST. PETER

Nonmajor Special Revenue Funds
 Combining Balance Sheet (continued)
 as of December 31, 2007

	<u>Tornado Disaster Revolving Loan</u>	<u>Theatre TIF District</u>	<u>1999 Economic Revolving Loans</u>	<u>Facade Renovation</u>	<u>Tax Increment Revolving</u>	<u>Nicollet Meadows</u>	<u>Housing Revolving</u>	<u>Community Center</u>	<u>Economic Development</u>	<u>Total</u>
Assets										
Cash and investments										
Unrestricted	\$ 97,111	\$ -	\$ 122,046	\$ 60,925	\$ 62,171	\$ 167,940	\$ 22,167	\$ 83,692	\$ 112,849	\$ 1,874,170
Receivables										
Accounts	965	-	-	-	-	-	-	1,159	-	65,620
Delinquent taxes	-	-	-	-	696	1,416	-	-	111	2,223
Deferred special assessments	-	-	-	-	-	-	-	-	-	3,923
Notes	2,250,715	-	-	5,750	-	50,000	-	-	-	3,109,706
Due from other governmental units	-	5,061	-	-	3,476	773	-	-	-	15,583
Total assets	<u>\$ 2,348,791</u>	<u>\$ 5,061</u>	<u>\$ 122,046</u>	<u>\$ 66,675</u>	<u>\$ 66,343</u>	<u>\$ 220,129</u>	<u>\$ 22,167</u>	<u>\$ 84,851</u>	<u>\$ 112,960</u>	<u>\$ 5,071,225</u>
Liabilities and Fund Balances										
Liabilities										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 51,915	\$ 51,024	\$ -	\$ 10,352	\$ -	\$ 144,845
Salaries and withholdings payable	-	-	-	-	-	-	-	5,828	-	5,890
Due to other funds	-	4,834	-	-	-	-	-	-	-	4,834
Deferred revenue	2,250,715	-	-	5,750	696	51,416	-	-	111	3,115,852
Unearned revenue	-	-	-	-	-	-	-	600	-	15,600
Total liabilities	<u>2,250,715</u>	<u>4,834</u>	<u>-</u>	<u>5,750</u>	<u>52,611</u>	<u>102,440</u>	<u>-</u>	<u>16,780</u>	<u>111</u>	<u>3,287,021</u>
Fund balances										
Reserved for revolving loans	98,076	-	122,046	60,925	13,732	-	22,167	-	-	535,819
Undesignated	-	227	-	-	-	117,689	-	68,071	112,849	1,248,385
Total fund balances	<u>98,076</u>	<u>227</u>	<u>122,046</u>	<u>60,925</u>	<u>13,732</u>	<u>117,689</u>	<u>22,167</u>	<u>68,071</u>	<u>112,849</u>	<u>1,784,204</u>
Total liabilities and fund balances	<u>\$ 2,348,791</u>	<u>\$ 5,061</u>	<u>\$ 122,046</u>	<u>\$ 66,675</u>	<u>\$ 66,343</u>	<u>\$ 220,129</u>	<u>\$ 22,167</u>	<u>\$ 84,851</u>	<u>\$ 112,960</u>	<u>\$ 5,071,225</u>

CITY OF ST. PETER

Nonmajor Special Revenue Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2007

	Library	Old Hospital	Public Access	Firefighters' Relief	Fire Calls	Economic Revolving Loan	Tax Increment Financing	Nicollet Hotel	Nicollet Plaza
Revenue									
Property taxes and tax increments	\$ 151,900	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 154,545	\$ 9,116	\$ 11,040
Other taxes	-	-	35,869	-	-	-	-	-	-
Intergovernmental	47,135	-	87	53,085	-	-	-	-	-
Special assessments	-	-	-	-	-	-	881	-	-
Investment earnings	979	7,482	947	-	585	14,812	13,518	-	-
Other									
Loan principal and interest payments	-	13,453	-	-	-	156,707	-	-	-
Miscellaneous	42,046	340,048	2,518	-	1,200	2,169	-	-	-
Total revenue	<u>242,060</u>	<u>360,983</u>	<u>39,421</u>	<u>53,085</u>	<u>1,785</u>	<u>173,688</u>	<u>168,944</u>	<u>9,116</u>	<u>11,040</u>
Expenditures									
Current									
General government	291,721	94,701	-	-	-	-	-	-	-
Public safety	-	-	-	53,085	-	-	-	-	-
Recreation and parks	-	-	-	-	-	-	-	-	-
Economic development loans made	-	-	-	-	-	405,000	-	-	-
Other	-	-	13,391	-	-	1,357	-	9,117	1,104
Capital outlay	28,728	-	-	-	-	-	-	-	-
Debt service									
Principal	-	-	-	-	-	-	-	-	10,121
Interest and fiscal charges	-	-	-	-	-	-	-	-	9,815
Total expenditures	<u>320,449</u>	<u>94,701</u>	<u>13,391</u>	<u>53,085</u>	<u>-</u>	<u>406,357</u>	<u>-</u>	<u>9,117</u>	<u>21,040</u>
Excess (deficiency) of revenue over expenditures	(78,389)	266,282	26,030	-	1,785	(232,669)	168,944	(1)	(10,000)
Other financing sources (uses)									
Transfers in	-	-	-	-	-	-	-	-	10,000
Transfers (out)	-	(210,540)	-	-	-	(25,000)	(67,450)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(210,540)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,000)</u>	<u>(67,450)</u>	<u>-</u>	<u>10,000</u>
Net change in fund balances	(78,389)	55,742	26,030	-	1,785	(257,669)	101,494	(1)	-
Fund balances (deficit)									
Beginning of year	<u>93,214</u>	<u>393,518</u>	<u>2,727</u>	<u>873</u>	<u>15,299</u>	<u>476,542</u>	<u>336,644</u>	<u>587</u>	<u>26</u>
End of year	<u>\$ 14,825</u>	<u>\$ 449,260</u>	<u>\$ 28,757</u>	<u>\$ 873</u>	<u>\$ 17,084</u>	<u>\$ 218,873</u>	<u>\$ 438,138</u>	<u>\$ 586</u>	<u>\$ 26</u>

CITY OF ST. PETER

Nonmajor Special Revenue Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (continued)
 Year Ended December 31, 2007

	Tornado Disaster Revolving Loan	Theatre TIF District	1999 Economic Revolving Loans	Facade Renovation	Tax Increment Revolving	Nicollet Meadows	Housing Revolving	Community Center	Economic Development	Total
Revenue										
Property taxes and tax increments	\$ -	\$ 10,179	\$ -	\$ -	\$ 128,429	\$ 239,810	\$ -	\$ 42,460	\$ 77,624	\$ 825,103
Other taxes	-	-	-	-	-	-	-	-	-	35,869
Intergovernmental and state aids	-	-	-	-	-	-	-	131	-	100,438
Special assessments	-	-	-	-	-	-	-	-	-	881
Investment earnings	8,568	-	4,346	2,142	957	5,565	792	3,949	2,032	66,674
Other										
Loan principal and interest payments	283,505	-	1,453	1,500	-	-	-	-	-	456,618
Miscellaneous	5,062	-	-	-	-	-	-	157,040	-	550,083
Total revenue	297,135	10,179	5,799	3,642	129,386	245,375	792	203,580	79,656	2,035,666
Expenditures										
Current										
General government	-	-	-	-	-	-	-	-	-	386,422
Public safety	-	-	-	-	-	-	-	-	-	53,085
Recreation and parks	-	-	-	-	-	-	-	359,368	-	359,368
Economic development loans made	498,900	-	-	-	-	-	-	-	-	903,900
Miscellaneous	1,486	509	1,453	47	145,057	110,453	92	-	-	284,066
Capital outlay	-	-	-	-	-	-	-	11,280	-	40,008
Debt service										
Principal	-	-	-	-	-	-	-	-	-	10,121
Interest and fiscal charges	-	13,453	-	-	-	-	-	-	-	23,268
Total expenditures	500,386	13,962	1,453	47	145,057	110,453	92	370,648	-	2,060,238
Excess (deficiency) of revenue over expenditures	(203,251)	(3,783)	4,346	3,595	(15,671)	134,922	700	(167,068)	79,656	(24,572)
Other financing sources (uses)										
Transfers in	-	210,540	-	-	-	-	-	208,466	-	429,006
Transfers (out)	(50,000)	-	-	-	-	(159,000)	-	(82,750)	-	(594,740)
Total other financing sources (uses)	(50,000)	210,540	-	-	-	(159,000)	-	125,716	-	(165,734)
Net change in fund balances	(253,251)	206,757	4,346	3,595	(15,671)	(24,078)	700	(41,352)	79,656	(190,306)
Fund balances (deficit)										
Beginning of year	351,327	(206,530)	117,700	57,330	29,403	141,767	21,467	109,423	33,193	1,974,510
End of year	\$ 98,076	\$ 227	\$ 122,046	\$ 60,925	\$ 13,732	\$ 117,689	\$ 22,167	\$ 68,071	\$ 112,849	\$ 1,784,204

CITY OF ST. PETER

Nonmajor Debt Service Funds
 Combining Balance Sheet
 as of December 31, 2007

	<u>General Obligation</u>	<u>Tax Increment</u>	<u>Special Assessment</u>	<u>Total</u>
Assets				
Cash and investments				
Unrestricted	\$ 391,873	\$ 175,168	\$ 39,325	\$ 606,366
Receivables				
Interest	50,561	-	-	50,561
Delinquent special assessments	-	3,764	22,080	25,844
Deferred special assessments	-	67,095	792,763	859,858
Total assets	<u>\$ 442,434</u>	<u>\$ 246,027</u>	<u>\$ 854,168</u>	<u>\$ 1,542,629</u>
Liabilities and Fund Balances				
Liabilities				
Deferred revenue	\$ -	\$ 70,859	\$ 814,843	\$ 885,702
Fund balances				
Unreserved				
Designated for debt service	<u>442,434</u>	<u>175,168</u>	<u>39,325</u>	<u>656,927</u>
Total liabilities and fund balances	<u>\$ 442,434</u>	<u>\$ 246,027</u>	<u>\$ 854,168</u>	<u>\$ 1,542,629</u>

CITY OF ST. PETER

Nonmajor Debt Service Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2007

	General Obligation	Tax Increment	Special Assessment	Total
Revenue				
Property taxes and tax increments	\$ 658,980	\$ 57,829	\$ 7,220	\$ 724,029
Special assessments	-	22,477	172,395	194,872
Investment earnings	23,626	7,499	674	31,799
Total revenue	<u>682,606</u>	<u>87,805</u>	<u>180,289</u>	<u>950,700</u>
Expenditures				
Debt service				
Principal	400,973	369,138	280,000	1,050,111
Interest	207,543	271,705	27,173	506,421
Fiscal agent fees	431	2,926	431	3,788
Total expenditures	<u>608,947</u>	<u>643,769</u>	<u>307,604</u>	<u>1,560,320</u>
Excess (deficiency) of revenue over expenditures	73,659	(555,964)	(127,315)	(609,620)
Other financing sources				
Proceeds from sale of assets	-	500	-	500
Transfers in	85,595	439,500	-	525,095
Transfers (out)	(2,845)	-	(672)	(3,517)
Total other financing sources (uses)	<u>82,750</u>	<u>440,000</u>	<u>(672)</u>	<u>522,078</u>
Net change in fund balances	156,409	(115,964)	(127,987)	(87,542)
Fund balances				
Beginning of year	<u>286,025</u>	<u>291,132</u>	<u>167,312</u>	<u>744,469</u>
End of year	<u>\$ 442,434</u>	<u>\$ 175,168</u>	<u>\$ 39,325</u>	<u>\$ 656,927</u>

CITY OF ST. PETER

Nonmajor Capital Project Funds
Combining Balance Sheet
as of December 31, 2007

	Tornado	Parkland Dedication	2000 Housing Project	Biomass	Industrial Park	Treatment Center Task Force	Equipment Certificate	2003 Washington Terrace	Total
Assets									
Cash and investments									
Unrestricted	\$ 715,285	\$ 268,637	\$ 492,304	\$ 2,809	\$ 156,094	\$ 9,234	\$ 72,881	\$ 598,025	\$ 2,315,269
Receivables									
Deferred special assessments	–	–	95,259	–	–	–	–	151,000	246,259
Notes	–	–	372,447	–	–	–	–	–	372,447
Total assets	<u>\$ 715,285</u>	<u>\$ 268,637</u>	<u>\$ 960,010</u>	<u>\$ 2,809</u>	<u>\$ 156,094</u>	<u>\$ 9,234</u>	<u>\$ 72,881</u>	<u>\$ 749,025</u>	<u>\$ 2,933,975</u>
Liabilities and Fund Balances									
Liabilities									
Accounts and contracts payable	\$ –	\$ –	\$ –	\$ –	\$ 47,851	\$ –	\$ –	\$ 176	\$ 48,027
Deferred revenue	–	–	467,706	–	–	–	–	151,000	618,706
Unearned revenue	467,275	–	–	–	–	–	–	–	467,275
Total liabilities	<u>467,275</u>	<u>–</u>	<u>467,706</u>	<u>–</u>	<u>47,851</u>	<u>–</u>	<u>–</u>	<u>151,176</u>	<u>1,134,008</u>
Fund balances									
Unreserved									
Undesignated	248,010	268,637	492,304	2,809	108,243	9,234	72,881	597,849	1,799,967
Total liabilities and fund balances	<u>\$ 715,285</u>	<u>\$ 268,637</u>	<u>\$ 960,010</u>	<u>\$ 2,809</u>	<u>\$ 156,094</u>	<u>\$ 9,234</u>	<u>\$ 72,881</u>	<u>\$ 749,025</u>	<u>\$ 2,933,975</u>

CITY OF ST. PETER

Nonmajor Capital Project Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2007

	Tornado	Parkland Dedication	2000 Housing Project	Biomass	Industrial Park	Treatment Center Task Force	Equipment Certificates	2003 Washington Terrace	Total
Revenue									
Special assessments	\$ -	\$ -	\$ 30,044	\$ -	\$ -	\$ -	\$ -	\$ 232,874	\$ 262,918
Investment earnings	-	13,207	21,866	-	8,879	-	3,228	26,304	73,484
Other									
Miscellaneous	-	-	4,732	-	-	-	-	-	4,732
Total revenue	-	13,207	56,642	-	8,879	-	3,228	259,178	341,134
Expenditures									
Capital outlay									
Construction and related costs	10,083	16,233	46	-	2,682	-	340,698	122,585	492,327
Excess (deficiency) of revenue over expenditures	(10,083)	(3,026)	56,596	-	6,197	-	(337,470)	136,593	(151,193)
Other financing sources (uses)									
Debt issued	-	-	-	-	-	-	161,500	-	161,500
Proceeds (loss) from sale of assets	-	-	1,250	-	-	-	59,256	-	60,506
Transfers (out)	-	-	-	-	(79,050)	-	-	(144,000)	(223,050)
Total other financing sources (uses)	-	-	1,250	-	(79,050)	-	220,756	(144,000)	(1,044)
Net change in fund balances	(10,083)	(3,026)	57,846	-	(72,853)	-	(116,714)	(7,407)	(152,237)
Fund balances									
Beginning of year	258,093	271,663	434,458	2,809	181,096	9,234	189,595	605,256	1,952,204
End of year	\$ 248,010	\$ 268,637	\$ 492,304	\$ 2,809	\$ 108,243	\$ 9,234	\$ 72,881	\$ 597,849	\$ 1,799,967

CITY OF ST. PETER

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2007
 (With Comparative Actual Amounts for the Year Ended December 31, 2006)

	2007		Over (Under) Budget	2006
	Budget	Actual		Actual
Revenue				
Property taxes	\$ 1,026,213	\$ 1,047,643	\$ 21,430	\$ 953,370
Other taxes	57,350	65,122	7,772	57,049
Licenses and permits				
Business licenses and permits	19,150	24,155	5,005	18,245
Non-business licenses and permits	180,734	100,821	(79,913)	138,606
Total licenses and permits	199,884	124,976	(74,908)	156,851
Intergovernmental				
Local government aid	2,216,431	2,219,030	2,599	2,132,614
State and federal grants and aids	106,860	126,777	19,917	115,304
Total intergovernmental	2,323,291	2,345,807	22,516	2,247,918
Charges for services				
General government	63,710	30,890	(32,820)	52,425
Public safety	113,561	120,311	6,750	111,193
Highways and streets	14,750	21,920	7,170	23,568
Recreation	149,600	163,742	14,142	166,005
Total charges for services	341,621	336,863	(4,758)	353,191
Fines and forfeitures	88,000	103,497	15,497	120,316
Investment earnings	32,000	51,168	19,168	50,835
Other				
Miscellaneous	62,261	75,840	13,579	67,602
Sale of property	—	1,575	1,575	880
Total other	62,261	77,415	15,154	68,482
Total revenue	4,130,620	4,152,491	21,871	4,008,012

(continued)

CITY OF ST. PETER

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended December 31, 2007
 (With Comparative Actual Amounts for the Year Ended December 31, 2006)

	2007		Over (Under)	2006
	Budget	Actual	Budget	Actual
Expenditures				
Current				
General government				
Mayor and City Council	38,435	43,500	5,065	43,072
Administration	141,501	143,267	1,766	143,935
City clerk	49,156	53,871	4,715	47,964
Elections	7,400	8,931	1,531	11,627
Finance	203,561	209,750	6,189	201,724
Legal	106,500	115,629	9,129	110,195
General government building	76,754	81,679	4,925	85,485
Total general government	623,307	656,627	33,320	644,002
Public safety				
Police	1,679,895	1,587,002	(92,893)	1,594,789
Fire	203,940	197,506	(6,434)	187,765
Other				
Building and planning	174,195	156,468	(17,727)	156,062
Civil defense	5,530	4,252	(1,278)	3,559
Community service officer	66,471	67,057	586	64,871
Total other	246,196	227,777	(18,419)	224,492
Total public safety	2,130,031	2,012,285	(117,746)	2,007,046
Public works				
Public works administration	104,753	103,630	(1,123)	127,602
Highways and streets				
Streets	988,334	983,175	(5,159)	904,702
Street lighting	94,000	90,617	(3,383)	82,964
Total highways and streets	1,082,334	1,073,792	(8,542)	987,666
Total public works	1,187,087	1,177,422	(9,665)	1,115,268

(continued)

CITY OF ST. PETER

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended December 31, 2007
 (With Comparative Actual Amounts for the Year Ended December 31, 2006)

	2007		Over (Under) Budget	2006
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Recreation and parks				
Senior coordinator	24,763	25,902	1,139	27,520
Recreation and leisure services	295,409	308,770	13,361	291,160
Swimming pool	151,432	169,921	18,489	156,449
Skating rinks	8,736	10,077	1,341	6,687
Parks	552,510	592,059	39,549	552,238
Total recreation and parks	1,032,850	1,106,729	73,879	1,034,054
Economic development	113,004	95,267	(17,737)	92,831
Other				
Insurance	17,000	15,876	(1,124)	19,908
Memberships	33,025	32,604	(421)	13,937
Miscellaneous	20,000	20,209	209	20,340
Total other	70,025	68,689	(1,336)	54,185
Capital outlay	75,388	66,241	(9,147)	65,886
Total expenditures	5,231,692	5,183,260	(48,432)	5,013,272
Excess (deficiency) of revenue over expenditures	(1,101,072)	(1,030,769)	70,303	(1,005,260)
Other financing sources (uses)				
Transfers in	1,101,072	1,157,899	56,827	1,146,173
Transfers (out)	—	(2,158)	(2,158)	(1,797)
Total other financing sources (uses)	1,101,072	1,155,741	54,669	1,144,376
Net changes in fund balances	\$ —	124,972	\$ 124,972	139,116
Fund balances				
Beginning of year		1,920,192		1,781,076
End of year		\$ 2,045,164		\$ 1,920,192

CITY OF ST. PETER

Municipal Electric Utility Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenue		
Charges for services	\$ 8,721,157	\$ 8,082,113
Electric generation	432,000	432,000
Other		
Penalties	67,805	55,274
Miscellaneous	268,884	130,567
Total operating revenue	<u>9,489,846</u>	<u>8,699,954</u>
Operating expenses		
Bulk energy	6,334,815	5,331,243
Less SMMPA equity distribution	<u>(130,444)</u>	<u>(137,312)</u>
Net bulk energy	6,204,371	5,193,931
Power distribution		
Personal services	318,858	281,117
Repairs and maintenance	104,244	74,981
Supplies and materials	44,065	31,315
Utilities	4,500	3,157
Professional services	21,508	17,901
General and administrative	2,202	11,982
Total power distribution	<u>495,377</u>	<u>420,453</u>
General and administrative		
Personal services	243,422	234,254
Repairs and maintenance	10,323	8,113
Supplies and materials	26,563	23,238
Utilities	9,963	9,453
Professional services	69,548	166,220
General and administrative	55,748	68,671
Total general and administrative	<u>415,567</u>	<u>509,949</u>
Customer accounts		
Personal services	92,054	84,362
Repairs and maintenance	1,144	1,181
Supplies and materials	3,383	1,911
Professional services	3,349	4,117
General and administrative	13,803	12,853
Bad debt expense	4,788	7,198
Total customer accounts	<u>118,521</u>	<u>111,622</u>

(continued)

CITY OF ST. PETER

Municipal Electric Utility Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets (continued)
 Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating expenses (continued)		
Power production		
Personal services	23,546	17,634
Repairs and maintenance	46,454	39,069
Supplies and materials	218,546	56,669
Utilities	35,572	27,785
Professional services	38,837	33,273
Total power production	<u>362,955</u>	<u>174,430</u>
Depreciation	<u>799,583</u>	<u>793,520</u>
Total operating expenses	<u>8,396,374</u>	<u>7,203,905</u>
Operating income	1,093,472	1,496,049
Other revenue (expense)		
State and federal grants	1,408	1,408
Investment earnings	290,458	76,258
Interest expense	<u>(570,678)</u>	<u>(434,045)</u>
Total other revenue (expense)	<u>(278,812)</u>	<u>(356,379)</u>
Income before transfers	814,660	1,139,670
Transfers		
Transfers (out)	<u>(801,752)</u>	<u>(764,582)</u>
Change in net assets	12,908	375,088
Net assets		
Beginning of year	<u>16,028,089</u>	<u>15,653,001</u>
End of year	<u>\$ 16,040,997</u>	<u>\$ 16,028,089</u>

CITY OF ST. PETER

Municipal Water Utility Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenue		
Charges for services	\$ 1,481,122	\$ 1,424,121
Other	44,855	34,420
Total operating revenue	<u>1,525,977</u>	<u>1,458,541</u>
Operating expenses		
Source of supply		
Personal services	22,341	27,902
Repairs and maintenance	26,810	531
Supplies and materials	3,834	2,411
Utilities	24,731	23,337
Professional services	—	4,624
General and administrative	8,082	4,592
Total source of supply	<u>85,798</u>	<u>63,397</u>
Purification and treatment		
Personal services	76,243	71,807
Repairs and maintenance	13,182	41,967
Supplies and materials	13,647	15,185
Utilities	90,427	86,116
Professional services	15,598	22,623
General and administrative	1,759	—
Total purification and treatment	<u>210,856</u>	<u>237,698</u>
Distribution and storage		
Personal services	215,657	200,163
Repairs and maintenance	48,939	74,388
Supplies and materials	27,777	24,260
Utilities	22,523	14,631
Professional services	8,263	11,860
General and administrative	3,744	—
Total distribution and storage	<u>326,903</u>	<u>325,302</u>
General and administrative		
Personal services	52,714	51,628
Repairs and maintenance	3,519	3,282
Supplies and materials	11,628	10,647
Utilities	3,818	3,588
Professional services	10,690	25,849
General and administrative	25,337	15,475
Total general and administrative	<u>107,706</u>	<u>110,469</u>

(continued)

CITY OF ST. PETER

Municipal Water Utility Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets (continued)
 Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating expenses (continued)		
Customer accounts		
Personal services	20,019	18,526
Repairs and maintenance	1,144	1,181
Supplies and materials	3,244	1,475
Professional services	565	3,211
General and administrative	6,503	4,626
Bad debt expense	301	28
Total customer accounts	<u>31,776</u>	<u>29,047</u>
Depreciation	<u>417,716</u>	<u>359,399</u>
Total operating expenses	<u>1,180,755</u>	<u>1,125,312</u>
Operating income	345,222	333,229
Other revenue (expense)		
State and federal grants	756	756
Investment earnings	50,997	60,799
Interest expense	<u>(90,192)</u>	<u>(100,057)</u>
Total other revenue (expense)	<u>(38,439)</u>	<u>(38,502)</u>
Income before transfers and contributions	306,783	294,727
Transfers		
Transfers (out)	<u>(120,800)</u>	<u>(152,178)</u>
Change in net assets	185,983	142,549
Net assets		
Beginning of year	<u>7,541,302</u>	<u>7,398,753</u>
End of year	<u>\$ 7,727,285</u>	<u>\$ 7,541,302</u>

CITY OF ST. PETER

Environmental Services Utility Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenue		
Charges for services	\$ 659,888	\$ 646,111
Other	4,060	1,275
Total operating revenue	<u>663,948</u>	<u>647,386</u>
Operating expenses		
Refuse operations		
Personal services	124,410	127,152
Repairs and maintenance	2,706	9,840
Supplies and materials	24,113	26,533
Professional services	395,911	384,173
General and administrative	9,041	4,910
Total refuse operations	<u>556,181</u>	<u>552,608</u>
General and administrative		
Personal services	45,953	46,126
Repairs and maintenance	3,150	4,656
Supplies and materials	7,101	1,816
Utilities	4,550	4,580
Professional services	7,222	6,001
General and administrative	3,465	5,198
Total general and administrative	<u>71,441</u>	<u>68,377</u>
Customer accounts		
Personal services	13,334	11,977
Supplies and materials	2,875	1,185
Professional services	705	2,940
General and administrative	8,062	5,965
Bad debt expense	145	354
Total customer accounts	<u>25,121</u>	<u>22,421</u>
Depreciation	<u>15,947</u>	<u>21,131</u>
Total operating expenses	<u>668,690</u>	<u>664,537</u>
Operating loss	(4,742)	(17,151)
Other revenue		
State and federal grants	326	326
Investment earnings	553	278
Total other revenue	<u>879</u>	<u>604</u>
Change in net assets	(3,863)	(16,547)
Net assets		
Beginning of year	<u>30,315</u>	<u>46,862</u>
End of year	<u>\$ 26,452</u>	<u>\$ 30,315</u>

CITY OF ST. PETER

Municipal Wastewater Utility Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenue		
Charges for services	\$ 3,070,492	\$ 2,924,818
Other	83,955	76,673
Total operating revenue	<u>3,154,447</u>	<u>3,001,491</u>
Operating expenses		
Biosolids		
Personal services	45,955	34,879
Repairs and maintenance	2,520	3,918
Supplies and materials	14,177	29,376
Utilities	33,149	23,737
Professional services	1,229	1,098
General and administrative	780	571
Total biosolids	<u>97,810</u>	<u>93,579</u>
Collector system		
Personal services	124,545	118,839
Repairs and maintenance	29,711	37,935
Supplies and materials	10,144	3,886
Utilities	26,915	27,065
Professional services	2,863	4,509
General and administrative	1,597	-
Total collector system	<u>195,775</u>	<u>192,234</u>
Source/treatment		
Personal services	256,757	232,630
Repairs and maintenance	56,357	69,298
Supplies and materials	135,078	111,300
Utilities	312,378	289,041
Professional services	53,937	79,731
General and administrative	26,629	-
Total source/treatment	<u>841,136</u>	<u>782,000</u>
General and administrative		
Personal services	51,518	57,284
Repairs and maintenance	3,647	7,689
Supplies and materials	10,320	5,136
Utilities	4,421	4,042
Professional services	9,286	14,138
General and administrative	23,395	15,962
Total general and administrative	<u>102,587</u>	<u>104,251</u>

(continued)

CITY OF ST. PETER

Municipal Wastewater Utility Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets (continued)
 Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating expenses (continued)		
Customer accounts		
Personal services	19,680	18,510
Repairs and maintenance	1,144	1,181
Supplies and materials	3,240	1,352
Professional services	565	2,933
General and administrative	6,564	4,755
Bad debt expense	323	41
Total customer accounts	<u>31,516</u>	<u>28,772</u>
Depreciation	<u>832,897</u>	<u>800,888</u>
Total operating expenses	<u>2,101,721</u>	<u>2,001,724</u>
Operating income	1,052,726	999,767
Other revenue (expense)		
State and federal grants	1,048	1,048
Investment earnings	18,346	11,336
Interest expense	<u>(457,150)</u>	<u>(473,147)</u>
Total other revenue (expense)	<u>(437,756)</u>	<u>(460,763)</u>
Income before transfers	614,970	539,004
Transfers		
Transfers (out)	<u>(211,277)</u>	<u>(224,558)</u>
Change in net assets	403,693	314,446
Net assets		
Beginning of year	<u>13,318,032</u>	<u>13,003,586</u>
End of year	<u>\$ 13,721,725</u>	<u>\$ 13,318,032</u>

CITY OF ST. PETER

Heartland Transit Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenue		
Charges for services	\$ 54,658	\$ 54,912
Other	302	694
Total operating revenue	<u>54,960</u>	<u>55,606</u>
Operating expenses		
Personal services	194,189	178,354
Repairs and maintenance	12,171	9,771
Supplies and materials	14,519	22,106
Depreciation	19,737	19,295
Professional services	698	1,828
General and administrative	10,483	9,103
Total operating expenses	<u>251,797</u>	<u>240,457</u>
Operating loss	(196,837)	(184,851)
Other revenue		
State and federal grants	176,314	163,825
Investment earnings	228	82
Total other revenue	<u>176,542</u>	<u>163,907</u>
Change in net assets	(20,295)	(20,944)
Net assets		
Beginning of year	<u>58,063</u>	<u>79,007</u>
End of year	<u>\$ 37,768</u>	<u>\$ 58,063</u>

CITY OF ST. PETER

Storm Water Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenue		
Charges for services	\$ 445,461	\$ 313,614
Other	5,190	35,332
Total operating revenue	<u>450,651</u>	<u>348,946</u>
Operating expenses		
Personal services	175,113	127,053
Repairs and maintenance	11,035	13,090
Supplies and materials	3,849	3,245
Utilities	3,641	-
Depreciation	117,498	114,869
Professional services	6,436	27,925
General and administrative	6,464	4,126
Bad debt expense	62	39
Total operating expenses	<u>324,098</u>	<u>290,347</u>
Operating income	126,553	58,599
Other revenue (expense)		
State and federal grants	43	43
Investment earnings	12,924	4,015
Interest expense	(7,736)	(8,298)
Total other revenue (expense)	<u>5,231</u>	<u>(4,240)</u>
Change in net assets	131,784	54,359
Net assets		
Beginning of year	<u>4,078,141</u>	<u>4,023,782</u>
End of year	<u>\$ 4,209,925</u>	<u>\$ 4,078,141</u>

CITY OF ST. PETER

Telecommunication Conduit Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenue		
Charges for services	\$ 154,706	\$ 147,035
Operating expenses		
Depreciation	14,264	14,264
Professional services	1,447	901
Total operating expenses	<u>15,711</u>	<u>15,165</u>
Operating income	138,995	131,870
Other revenue		
Investment earnings	<u>778</u>	<u>921</u>
Income before transfers	139,773	132,791
Transfers		
Transfers out	<u>(154,706)</u>	<u>(147,035)</u>
Change in net assets	(14,933)	(14,244)
Net assets		
Beginning of year	<u>349,410</u>	<u>363,654</u>
End of year	<u>\$ 334,477</u>	<u>\$ 349,410</u>

CITY OF ST. PETER

Long-Term Care Facility Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenue		
Other	\$ 582,132	\$ 250,000
Operating expenses		
Depreciation	202,984	-
General and administrative	7,935	-
Total operating expenses	<u>210,919</u>	<u>-</u>
Operating income	371,213	250,000
Other revenue (expense)		
Investment earnings	5,219	7,291
Interest expense	<u>(735,712)</u>	<u>(318,469)</u>
Total other revenue (expense)	<u>(730,493)</u>	<u>(311,178)</u>
Change in net assets	(359,280)	(61,178)
Net assets		
Beginning of year	<u>(60,919)</u>	<u>259</u>
End of year	<u>\$ (420,199)</u>	<u>\$ (60,919)</u>

CITY OF ST. PETER

Fiduciary Funds
 Combining Statement of Net Assets
 Private-Purpose Trust Funds
 as of December 31, 2007

	<u>Library Trust</u>	<u>Restricted Contributions Trusts</u>	<u>Total Private-Purpose Trusts</u>
Assets			
Cash and cash equivalents	\$ 11,535	\$ 59,093	\$ 70,628
Accounts receivable	—	17,510	17,510
	<u>—</u>	<u>17,510</u>	<u>17,510</u>
Total assets	<u>\$ 11,535</u>	<u>\$ 76,603</u>	<u>\$ 88,138</u>
Liabilities			
Liabilities			
Accounts payable	\$ —	\$ 3,804	\$ 3,804
	<u>—</u>	<u>3,804</u>	<u>3,804</u>
Net Assets			
Held in trust for private purposes	<u>\$ 11,535</u>	<u>\$ 72,799</u>	<u>\$ 84,334</u>

CITY OF ST. PETER

Fiduciary Funds
 Combining Statement of Changes in Net Assets
 Private-Purpose Trust Funds
 Year Ended December 31, 2007

	<u>Library Trust</u>	<u>Restricted Contributions Trusts</u>	<u>Total Private-Purpose Trusts</u>
Additions			
Donations	\$ —	\$ 75,588	\$ 75,588
Other state aid and grants	—	1,826	1,826
Investment earnings	<u>300</u>	<u>487</u>	<u>787</u>
Total additions	300	77,901	78,201
Deductions			
Administrative expenses	<u>—</u>	<u>69,699</u>	<u>69,699</u>
Changes in net assets	300	8,202	8,502
Net assets			
Beginning of year	<u>11,235</u>	<u>64,597</u>	<u>75,832</u>
End of year	<u>\$ 11,535</u>	<u>\$ 72,799</u>	<u>\$ 84,334</u>

CITY OF ST. PETER

Fiduciary Funds
 Combining Statement of Net Assets
 Agency Funds
 as of December 31, 2007

	<u>DARE Program</u>	<u>Gambling Seizure</u>	<u>Flexible Benefit Plan</u>	<u>Total Agency Funds</u>
Assets				
Cash and cash equivalents	<u>\$ 10,413</u>	<u>\$ 1,507</u>	<u>\$ 220,600</u>	<u>\$ 232,520</u>
Liabilities				
Liabilities				
Refunds payable and others	<u>\$ 10,413</u>	<u>\$ 1,507</u>	<u>\$ 220,600</u>	<u>\$ 232,520</u>

SUPPLEMENTAL INFORMATION

(UNAUDITED)

CITY OF ST. PETER

General Fund Revenue by Source
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Taxes</u>	<u>Licenses and Permits</u>	<u>Intergovernmental Revenue</u>	<u>Charges for Services</u>	<u>Fines and Forfeits</u>	<u>Other</u>	<u>Total</u>
1998	\$ 471,876	\$ 524,818	\$ 1,802,792	\$ 307,476	\$ 75,527	\$ 244,818	\$ 3,427,307
1999	408,396	265,559	1,971,561	283,656	80,539	220,827	3,230,538
2000	517,655	197,235	1,943,114	343,006	82,367	255,738	3,339,115
2001	647,385	175,087	2,275,411	301,645	90,479	236,741	3,726,748
2002	641,750	168,892	2,500,647	323,461	82,211	165,454	3,882,415
2003	654,401	244,127	1,971,498	358,254	95,497	162,636	3,486,413
2004	853,549	305,895	2,020,234	372,491	95,306	120,615	3,768,090
2005	981,174	250,326	2,129,986	363,253	93,879	115,996	3,934,614
2006	1,010,419	156,851	2,247,918	353,191	120,316	119,317	4,008,012
2007	1,112,765	124,976	2,345,807	336,863	103,497	128,583	4,152,491

CITY OF ST. PETER

General Fund Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works Administration	Highways and Streets	Recreation and Parks	Economic Development	Other	Capital Outlay	Total
1998	\$ 478,227	\$ 1,344,618	\$ 69,034	\$ 579,878	\$ 573,345	\$ 69,979	\$ 52,537	\$ –	\$ 3,167,618
1999	521,269	1,440,345	70,748	649,956	650,304	111,864	93,835	–	3,538,321
2000	491,093	1,466,754	139,996	586,330	679,131	80,231	59,866	144,752	3,648,153
2001	471,812	1,502,518	98,404	923,130	804,132	86,822	333,879	128,260	4,348,957
2002	541,368	1,681,054	124,913	863,251	838,632	412,667	41,099	198,756	4,701,740
2003	552,889	1,681,655	118,958	870,948	918,370	127,576	41,994	468,764	4,781,154
2004	594,082	1,921,562	92,586	813,108	956,254	103,069	38,922	86,356	4,605,939
2005	590,998	1,885,205	88,064	884,586	976,349	98,927	51,360	73,336	4,648,825
2006	644,002	2,007,046	127,602	987,666	1,034,054	92,831	54,185	65,886	5,013,272
2007	656,627	2,012,285	103,630	1,073,792	1,106,729	95,267	68,689	66,241	5,183,260

Note: During the year ended December 31, 2000, the City began reporting capital outlay as a separate category in the General Fund.