



CITY OF
Saint Peter
WHERE HISTORY & PROGRESS MEET

**ANNUAL
FINANCIAL
REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2008

CITY OF SAINT PETER, MINNESOTA

**CITY OF SAINT PETER
NICOLLET COUNTY, MINNESOTA**

**Annual Financial Report
For the Year Ended
December 31, 2008**

**Prepared by
Finance Department**

**Paula O'Connell
Director of Finance**

**Brenda Isley
Accountant**

CITY OF SAINT PETER
NICOLLET COUNTY, MINNESOTA

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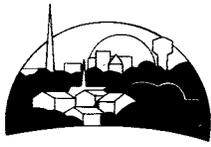
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NICOLLET COUNTY, MINNESOTA

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INTRODUCTORY SECTION



CITY OF
Saint Peter
WHERE HISTORY & PROGRESS MEET

Finance Department

May 21, 2009

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

The annual financial report (the Report) of the City of Saint Peter, Minnesota (the City) for the fiscal year ended December 31, 2008, 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's Office.

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 the 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 River's Edge Hospital and Clinic (River's Edge 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 nine enterprise funds: Electric, Water, Wastewater, Environmental Services, Storm Water, Telecommunications Conduit, Heartland Transit, Long-Term Care Facility, and the Medical Office Building 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 2008, the City permitted over \$22 million in new construction, additions, and alterations.

In 2003, the former Saint Peter airport site was redeveloped by the City. The City issued bonds and caused the construction of the North Industrial Park. The cornerstone of this business park is the city-owned River's Edge Hospital which was occupied in 2004. Additionally, the City constructed a long-term care facility which is leased to Benedictine Health Systems and operated as a nursing home. In 2009, the City's Hospital Commission completed the construction of a new medical clinic connected to River's Edge Hospital. Saint Peter Clinic – Mayo Health Systems also constructed and relocated their clinic on the hospital campus.

At this time, two senior housing service providers are planning for the construction of (up to 70) new residential housing units. Both developers are currently undertaking a fiduciary review of the proposed operations. Although it is unlikely that the housing market could sustain both developments, the first development permitted and under construction would likely have the advantage of capturing the existing need for senior housing.

In 2006, private interests financed the construction of a psychiatric clinic designed to provide temporary care for those suffering from the debilitating affects 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 developer is now in discussions which are likely to result in the construction of up to 32 residential units to be occupied by the mentally ill.

The City and the Saint Peter Community Development Corporation are working with a contractor to cause the construction of a 35,000 square foot manufacturing facility which would be leased to an existing Saint Peter industry. An option has been negotiated on a nine acre parcel in the North Industrial Park to accommodate the proposed construction. The construction is tentatively scheduled to begin later in 2009 with occupancy occurring in the second quarter of 2010.

Kentucky Fried Chicken (KFC) and Kwik Trip, Inc. have both recently acquired sites within the City. KFC would be expected to begin construction of a new restaurant later in 2009. The construction of the Kwik Trip, Inc. convenience store and car wash is expected to begin in 2010.

The City recognized a need for owner-occupied single family housing and developed the Washington Terrace neighborhood. There are 4 of the 87 single family lots remaining to be developed along with a parcel that may provide multiple family housing.

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.

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 judgments 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 as appropriate. All funds are in conformity with accounting principals 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 2008, the City (excluding component units) earned \$501,380 in investment income. Based on an average month-end cash balance of \$15,724,356, this represents a yield of 3.19 percent, down from the 2007 yield of 3.96 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

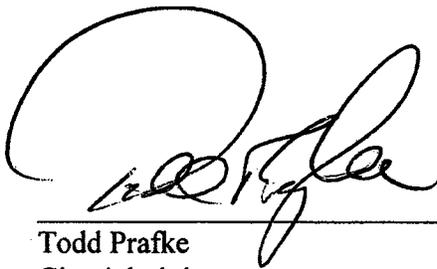
All full-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multi-employer 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 SAINT PETER
NICOLLET COUNTY, MINNESOTA

City Council and Other Officials
Year Ended December 31, 2008

CITY COUNCIL

		<u>Term Expires December 31,</u>
Timothy Strand	Mayor	2011
Ken Eichmann	Councilmember	2009
John Kvamme	Councilmember	2011
Jerry Pfeifer	Councilmember	2009
Kimberly Schultz	Councilmember	2011
Victoria Vogel	Councilmember	2009
Edwin Wetherill	Councilmember	2011

OFFICIALS

Todd Prafke	City Clerk/Administrator	Appointed
Paula O'Connell	Director of Finance/Treasurer	Appointed
Russ Wille	Director of Community Development	Appointed
Lewis Giesking	Director of Public Works	Appointed
Matthew 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 Saint 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 Saint Peter, Minnesota (the City) as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City'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, 2007, and in our report dated June 27, 2008, 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 River's Edge Hospital and Clinic, whose statements reflect total assets and expenses of \$30,938,012 and \$14,870,306, respectively, as of and for the year ended December 31, 2008. They also include the financial statements of the Housing and Redevelopment Authority (HRA), whose statement reflects total assets and expenses of \$1,429,273 and \$321,646, respectively, as of and for the year ended March 31, 2008. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit, 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, 2008, 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, 2007, from which such partial information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 21, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

Malloy, Montague, Karnowski, Radosovich, & Co., P.A.

May 21, 2009

CITY OF SAINT PETER

Management's Discussion and Analysis Year Ended December 31, 2008

As management of the City of Saint 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, 2008. 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 \$76,161,200 (*net assets*). Of this amount, \$6,478,321 (*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 \$3,102,706.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,996,359, an increase of \$363,577 in comparison with the prior year. Of this total, \$5,374,126 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 \$2,050,652 or 37.3 percent of total General Fund 2008 budgeted expenditures, down from 2007, which reflected 39.1 percent.
- Total primary government long-term liabilities increased by \$362,569.

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 are comprised of 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, parks and recreation, and economic development. The business-type activities of the City include electric, water, environmental services, wastewater, transit, storm water, telecommunications conduit, the long-term care facility, and the medical office building.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate River's Edge 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 31 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, long-term care facility, and medical office building 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 \$76,161,200 at the close of the most recent fiscal year. This is an increase in net assets of \$3,102,706 from the prior fiscal year.

City of Saint Peter's Net Assets

Summary of Net Assets as of December 31, 2008 and 2007						
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 12,204,408	\$ 12,525,585	\$ 13,710,778	\$ 12,540,688	\$ 25,915,186	\$ 25,066,273
Capital assets	30,324,139	31,094,213	79,494,416	75,440,987	109,818,555	106,535,200
Total assets	\$ 42,528,547	\$ 43,619,798	\$ 93,205,194	\$ 87,981,675	\$ 135,733,741	\$ 131,601,473
Liabilities						
Long-term debt liabilities	\$ 10,957,797	\$ 11,243,307	\$ 45,607,447	\$ 44,959,368	\$ 56,565,244	\$ 56,202,675
Other liabilities	829,015	996,427	2,178,282	1,343,877	3,007,297	2,340,304
Total liabilities	\$ 11,786,812	\$ 12,239,734	\$ 47,785,729	\$ 46,303,245	\$ 59,572,541	\$ 58,542,979
Net assets						
Invested in capital assets, net of related debt	\$ 19,777,854	\$ 20,349,834	\$ 39,911,019	\$ 36,659,077	\$ 59,688,873	\$ 57,008,911
Restricted	8,072,128	8,064,453	1,921,878	1,103,161	9,994,006	9,167,614
Unrestricted	2,891,753	2,965,777	3,586,568	3,916,192	6,478,321	6,881,969
Total net assets	\$ 30,741,735	\$ 31,380,064	\$ 45,419,465	\$ 41,678,430	\$ 76,161,200	\$ 73,058,494

By far, the largest portion of the City's net assets (78.4 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.

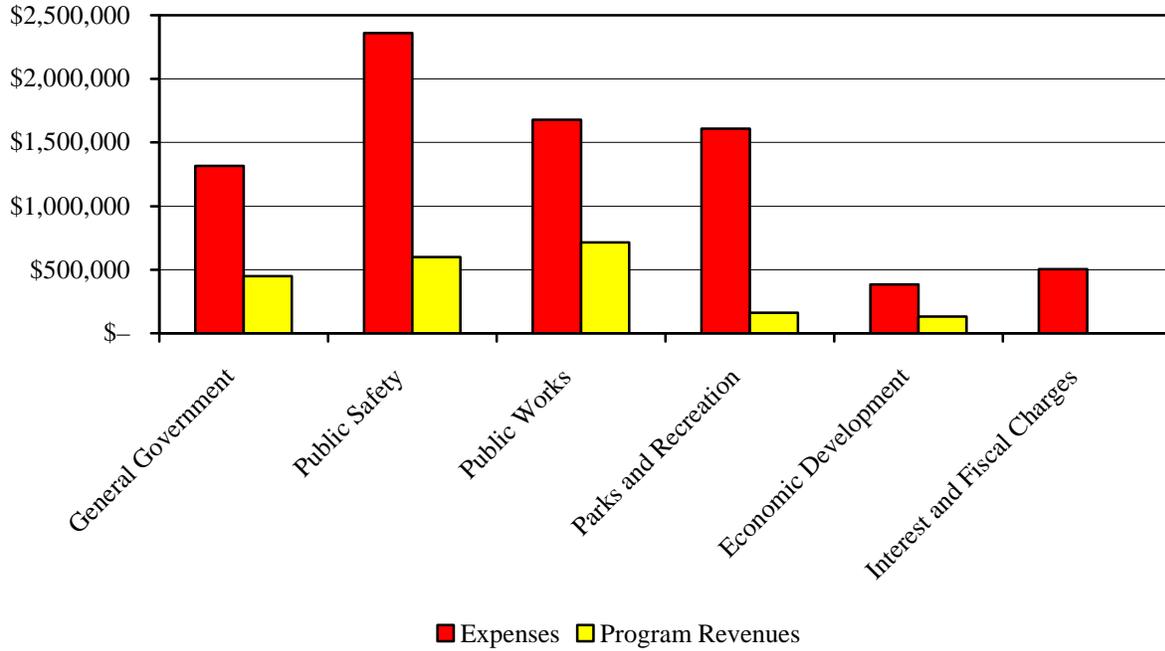
An additional portion of the City's net assets (13.1 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (8.5 percent) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental Activities – Governmental activities decreased the City's net assets by \$638,329. Elements of this decrease are seen in the table on the following page.

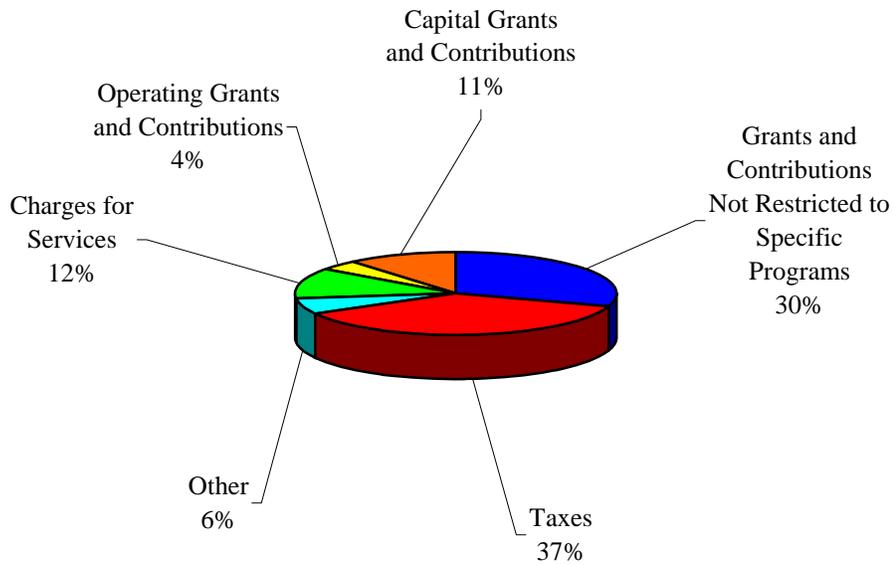
City of Saint Peter's Change in Net Assets

Change in Net Assets for the Years Ended December 31, 2008 and 2007						
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues						
Charges for services	\$ 938,023	\$ 866,747	\$ 17,528,691	\$ 16,076,667	\$ 18,466,714	\$ 16,943,414
Operating grants and contributions	287,194	253,449	644,331	179,895	931,525	433,344
Capital grants and contributions	831,947	1,865,462	-	-	831,947	1,865,462
General revenues						
Taxes	2,761,141	2,592,554	-	-	2,761,141	2,592,554
Grants and contributions not restricted to specific programs	2,255,959	2,220,963	-	-	2,255,959	2,220,963
Other	500,946	401,255	333,848	379,503	834,794	780,758
Total revenues	7,575,210	8,200,430	18,506,870	16,636,065	26,082,080	24,836,495
Expenses						
General government	1,316,811	979,330	-	-	1,316,811	979,330
Public safety	2,360,830	2,161,291	-	-	2,360,830	2,161,291
Public works	1,678,343	2,172,819	-	-	1,678,343	2,172,819
Parks and recreation	1,609,564	1,602,668	-	-	1,609,564	1,602,668
Economic development	385,618	492,056	-	-	385,618	492,056
Interest and fiscal charges	503,925	528,105	-	-	503,925	528,105
Electric	-	-	8,510,767	8,967,052	8,510,767	8,967,052
Water	-	-	1,370,200	1,270,947	1,370,200	1,270,947
Environmental services	-	-	654,266	668,690	654,266	668,690
Wastewater	-	-	2,678,132	2,558,871	2,678,132	2,558,871
Transit	-	-	280,726	251,797	280,726	251,797
Storm water	-	-	451,486	331,834	451,486	331,834
Telecommunications conduit	-	-	87,196	15,711	87,196	15,711
Long-term care facility	-	-	1,057,046	946,631	1,057,046	946,631
Medical office building	-	-	34,464	-	34,464	-
Total expenses	7,855,091	7,936,269	15,124,283	15,011,533	22,979,374	22,947,802
Change in net assets before transfers	(279,881)	264,161	3,382,587	1,624,532	3,102,706	1,888,693
Transfers	(358,448)	1,588,535	358,448	(1,288,535)	-	300,000
Change in net assets	(638,329)	1,852,696	3,741,035	335,997	3,102,706	2,188,693
Net assets – beginning	31,380,064	29,527,368	41,678,430	41,342,433	73,058,494	70,869,801
Net assets – ending	<u>\$ 30,741,735</u>	<u>\$ 31,380,064</u>	<u>\$ 45,419,465</u>	<u>\$ 41,678,430</u>	<u>\$ 76,161,200</u>	<u>\$ 73,058,494</u>

Expenses and Program Revenues – Governmental Activities



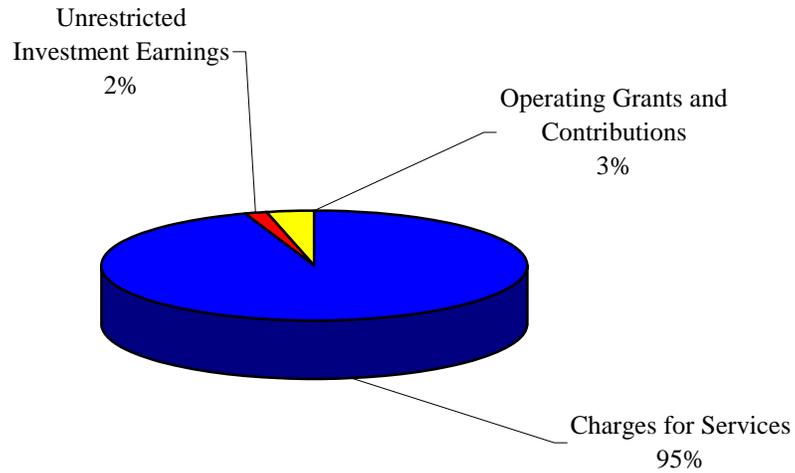
Revenues by Source – Governmental Activities



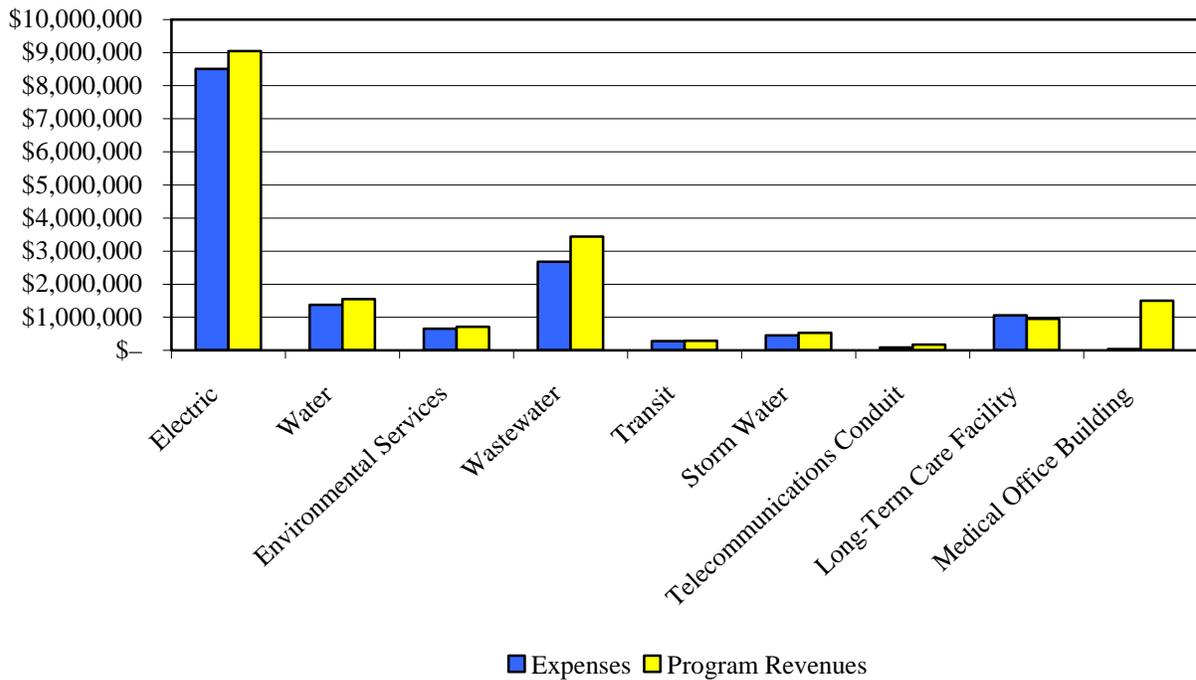
It is important to note these revenues exclude transfers received from other funds.

Business-Type Activities – Business-type activities increased the City’s net assets by \$3,741,035. 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 \$6,996,359, an increase of \$366,577 in comparison with the prior year. Of this total amount, \$5,374,126 constitutes unreserved – undesignated fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved 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 \$2,050,652, an increase of \$5,488. 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 34.8 percent of total General Fund 2009 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 a Percentage of Expenditures
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
2008	5,546,334	2,045,164	36.9
Budgeted 2009	5,893,673	2,050,652	34.8

The fund balance of the General Fund increased by \$5,488 to a balance of \$2,050,652. This balance represents approximately 90 working days (18 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 \$1,685,842 at January 1, 2000 to \$2,050,652 as of December 31, 2008, an increase of \$346,810 in nine years. In the 2009 budget, the fund balance is projected to stay at 34.8 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 \$5,488.

General Fund revenues exceeded budget in a few different areas. Non-business licenses and permits were higher than what was budgeted. This was due to new construction permits. Other revenue was higher than budgeted due to newly developed partnership programs with the county and school. Transfers into the General Fund exceeded budget due to the increase in sales and utility rates that were implemented in 2008.

The total General Fund expenditures were over budget in 2008 by \$44,054. Legal expenses exceeded budget by \$52,000. Compared to 2007, criminal prosecution costs increased \$32,000 and civil legal work increased \$5,000.

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, 2008 amounts to \$109,818,555 (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 \$3,283,355 (a 2.5 percent decrease for governmental activities and a 5.4 percent increase 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.
- Medical office building construction project.
- Dodd Avenue pedestrian underpass.

City of Saint Peter’s Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
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	21,238,049	21,220,539	27,349,118	27,349,118	48,587,167	48,569,657
Utility plant and infrastructure	9,087,758	6,028,010	61,486,203	58,012,752	70,573,961	64,040,762
Machinery and equipment	4,831,680	4,590,312	6,535,672	6,337,272	11,367,352	10,927,584
Construction in progress	114,415	3,301,042	3,566,314	882,856	3,680,729	4,183,898
Less accumulated depreciation	(7,876,125)	(6,974,052)	(20,419,752)	(18,117,872)	(28,295,877)	(25,091,924)
Total	\$ 30,324,139	\$ 31,094,213	\$ 79,494,416	\$ 75,440,987	\$ 109,818,555	\$ 106,535,200

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 \$56,565,245.

City of Saint Peter’s Long-Term Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 9,458,514	\$ 10,213,499	\$ –	\$ –	\$ 9,458,514	\$ 10,213,499
General obligation equipment certificates	1,009,480	539,420	–	–	1,009,480	539,420
General obligation notes payable	–	–	14,311,000	15,219,000	14,311,000	15,219,000
Notes payable	144,677	166,628	–	–	144,677	166,628
Utility revenue bonds and notes	–	–	16,991,000	18,008,000	16,991,000	18,008,000
Long-term care facility revenue bonds and notes	–	–	14,020,580	11,474,275	14,020,580	11,474,275
Compensated absences	345,126	323,760	284,867	258,093	629,993	581,853
Total	\$ 10,957,797	\$ 11,243,307	\$ 45,607,447	\$ 44,959,368	\$ 56,565,244	\$ 56,202,675

The City’s total long-term liabilities increased by \$362,569 during the current fiscal year.

Under current state statutes, the City’s general obligation bonded debt issuances are subject to a legal limitation based on 3 percent of total market value of real and personal property. As of January 1, 2009, the total taxable market value was \$487,199,800, producing an allowable debt of \$14,615,994. The City’s net debt for general obligation bonds as of December 31, 2008 is \$467,402, which is 3.2 percent of the total allowable debt. The net debt per capita for general obligation bonds equaled \$42.6 million in 2008.

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 Saint Peter, Director of Finance, 227 South Front Street, Saint Peter, Minnesota 56082.

BASIC FINANCIAL STATEMENTS

CITY OF SAINT PETER

Statement of Net Assets
as of December 31, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	River's Edge Hospital	Housing and Redevelopment Authority
Assets					
Cash and investments	\$ 7,106,159	\$ 3,298,669	\$ 10,404,828	\$ 7,408,236	\$ 549,360
Receivables (net of allowance for uncollectibles)					
Accounts	71,109	1,254,489	1,325,598	2,012,186	16,548
Interest	23,682	–	23,682	–	–
Special assessments	1,195,224	391,962	1,587,186	–	–
Notes	3,374,991	105,481	3,480,472	–	–
Due from other governmental units	421,255	340,129	761,384	–	–
Deferred charges	–	405,114	405,114	183,362	–
Inventory	3,707	786,397	790,104	236,483	–
Prepaid items	8,281	286	8,567	249,609	2,466
Restricted assets – temporarily restricted					
Cash and investments for debt service	–	7,128,251	7,128,251	–	–
Cash and investments for River's Edge Hospital	–	–	–	7,129,744	–
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	21,238,049	27,349,118	48,587,167	6,984,309	2,124,898
Utility plant and infrastructure	9,087,758	61,486,203	70,573,961	–	–
Machinery and equipment	4,831,680	6,535,672	11,367,352	10,563,702	425,659
Construction in progress	114,415	3,566,314	3,680,729	1,810,392	–
Less accumulated depreciation	(7,876,125)	(20,419,752)	(28,295,877)	(6,806,107)	(1,757,596)
Total capital assets, net of depreciation	<u>30,324,139</u>	<u>79,494,416</u>	<u>109,818,555</u>	<u>13,718,392</u>	<u>860,899</u>
Total assets	<u>\$ 42,528,547</u>	<u>\$ 93,205,194</u>	<u>\$ 135,733,741</u>	<u>\$ 30,938,012</u>	<u>\$ 1,429,273</u>
Liabilities					
Accounts and contracts payable	\$ 109,510	\$ 1,703,507	\$ 1,813,017	\$ 558,669	\$ 11,712
Accrued salaries and employee benefits payable	101,244	591	101,835	721,776	9,991
Accrued interest payable	150,386	253,969	404,355	236,448	–
Customer deposits	–	108,500	108,500	–	12,334
Due to other governmental units	–	67,933	67,933	–	30,580
Unearned revenue	467,875	43,782	511,657	–	281
Long-term liabilities					
Due within one year	1,171,198	2,099,342	3,270,540	335,000	1,172
Due in more than one year	9,786,599	43,508,105	53,294,704	14,085,000	14,066
Total long-term liabilities	<u>10,957,797</u>	<u>45,607,447</u>	<u>56,565,244</u>	<u>14,420,000</u>	<u>15,238</u>
Total liabilities	11,786,812	47,785,729	59,572,541	15,936,893	80,136
Net assets					
Invested in capital assets, net of related debt	19,777,854	39,911,019	59,688,873	(518,246)	845,661
Restricted for					
Debt service	1,463,986	837,489	2,301,475	–	–
Revolving loans	4,054,242	–	4,054,242	–	–
Capital replacement	2,553,900	1,084,389	3,638,289	–	–
Unrestricted	2,891,753	3,586,568	6,478,321	15,519,365	503,476
Total net assets	<u>30,741,735</u>	<u>45,419,465</u>	<u>76,161,200</u>	<u>15,001,119</u>	<u>1,349,137</u>
Total liabilities and net assets	<u>\$ 42,528,547</u>	<u>\$ 93,205,194</u>	<u>\$ 135,733,741</u>	<u>\$ 30,938,012</u>	<u>\$ 1,429,273</u>

See notes to basic financial statements

CITY OF SAINT PETER

Statement of Activities
Year Ended December 31, 2008

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	River's Edge Hospital	Housing and Redevelopment Authority
Primary government									
Governmental activities									
General government	\$ 1,316,811	\$ 326,900	\$ 121,455	\$ -	\$ (868,456)	\$ -	\$ (868,456)	\$ -	\$ -
Public safety	2,360,830	460,345	139,694	-	(1,760,791)	-	(1,760,791)	-	-
Public works	1,678,343	221	-	713,441	(964,681)	-	(964,681)	-	-
Recreation and parks	1,609,564	150,035	13,475	-	(1,446,054)	-	(1,446,054)	-	-
Economic development	385,618	522	12,570	118,506	(254,020)	-	(254,020)	-	-
Interest and fiscal charges	503,925	-	-	-	(503,925)	-	(503,925)	-	-
Total governmental activities	\$ 7,855,091	\$ 938,023	\$ 287,194	\$ 831,947	(5,797,927)	-	(5,797,927)	-	-
Business-type activities									
Electric	\$ 8,510,767	\$ 9,047,107	\$ 1,408	\$ -	-	537,748	537,748	-	-
Water	1,370,200	1,541,140	756	-	-	171,696	171,696	-	-
Environmental services	654,266	709,324	326	-	-	55,384	55,384	-	-
Wastewater	2,678,132	3,086,238	352,119	-	-	760,225	760,225	-	-
Transit	280,726	60,015	228,848	-	-	8,137	8,137	-	-
Storm water	451,486	465,994	60,874	-	-	75,382	75,382	-	-
Telecommunications conduit	87,196	171,701	-	-	-	84,505	84,505	-	-
Long-term care facility	1,057,046	947,172	-	-	-	(109,874)	(109,874)	-	-
Medical office building	34,464	1,500,000	-	-	-	1,465,536	1,465,536	-	-
Total business-type activities	15,124,283	17,528,691	644,331	-	-	3,048,739	3,048,739	-	-
Total primary government	\$ 22,979,374	\$ 18,466,714	\$ 931,525	\$ 831,947	(5,797,927)	3,048,739	(2,749,188)	-	-
Component units									
River's Edge Hospital	\$ 14,870,306	\$ 15,364,492	\$ 5,004	\$ -	-	-	-	499,190	-
Housing and Redevelopment Authority	321,646	163,820	80,834	148,122	-	-	-	-	71,130
Total component units	\$ 15,191,952	\$ 15,528,312	\$ 85,838	\$ 148,122	-	-	-	499,190	71,130
General revenues									
Taxes					2,761,141	-	2,761,141	-	-
Grants and contributions not restricted to specific programs					2,255,959	-	2,255,959	-	-
Other general revenues					224,637	-	224,637	27,619	3,154
Investment earnings					276,309	333,848	610,157	457,808	21,613
Transfers					(358,448)	358,448	-	-	-
Total general revenues and transfers					5,159,598	692,296	5,851,894	485,427	24,767
Change in net assets					(638,329)	3,741,035	3,102,706	984,617	95,897
Net assets – beginning					31,380,064	41,678,430	73,058,494	14,016,502	1,253,240
Net assets – ending					\$ 30,741,735	\$ 45,419,465	\$ 76,161,200	\$ 15,001,119	\$ 1,349,137

See notes to basic financial statements

CITY OF SAINT PETER

Balance Sheet
 Governmental Funds
 as of December 31, 2008
 (With Partial Comparative Information as of December 31, 2007)

	General	Nonmajor	Total Governmental Funds	
			2008	2007
Assets				
Cash and investments				
Unrestricted	\$ 1,963,084	\$ 5,143,075	\$ 7,106,159	\$ 6,651,754
Receivables				
Accounts	30,665	40,444	71,109	97,734
Interest	—	23,682	23,682	50,561
Delinquent taxes	43,621	4,632	48,253	43,552
Delinquent special assessments	37	4,714	4,751	25,919
Deferred special assessments	23,505	1,166,968	1,190,473	1,301,249
Notes	231,539	3,143,452	3,374,991	3,763,055
Due from other funds	199,406	—	199,406	206,205
Due from other governmental units	24,680	348,322	373,002	588,699
Inventory	3,707	—	3,707	2,822
Prepaid items	666	7,615	8,281	240
Total assets	\$ 2,520,910	\$ 9,882,904	\$ 12,403,814	\$ 12,731,790
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 76,440	\$ 33,070	\$ 109,510	\$ 350,987
Salaries and withholdings payable	95,416	5,828	101,244	14,714
Due to other funds	—	199,406	199,406	206,205
Deferred revenue	298,402	4,231,018	4,529,420	5,044,227
Unearned revenue	—	467,875	467,875	482,875
Total liabilities	470,258	4,937,197	5,407,455	6,099,008
Fund balances				
Reserved for revolving loans				
Reported in special revenue funds	—	679,251	679,251	535,819
Reserved for debt service				
Reported in special revenue funds	—	293,743	293,743	—
Reported in debt service funds	—	601,090	601,090	656,927
Reserved for technology purchases				
Reported in special revenue funds	—	48,149	48,149	—
Unreserved – undesignated, reported in				
General Fund	2,050,652	—	2,050,652	2,045,164
Special revenue funds	—	1,177,549	1,177,549	1,248,385
Capital project funds	—	2,145,925	2,145,925	2,146,487
Total fund balances	2,050,652	4,945,707	6,996,359	6,632,782
Total liabilities and fund balances	\$ 2,520,910	\$ 9,882,904	\$ 12,403,814	\$ 12,731,790

See notes to basic financial statements

CITY OF SAINT PETER

Reconciliation of the Balance Sheet to the
Statement of Net Assets
Governmental Funds
as of December 31, 2008

Total fund balances – governmental funds \$ 6,996,359

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 38,200,264
Less accumulated depreciation (7,876,125)

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 (10,612,671)
Compensated absences (345,126)

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.

(150,386)

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.

4,529,420

Total net assets – governmental activities

\$ 30,741,735

See notes to basic financial statements

CITY OF SAINT PETER

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Governmental Funds
 Year Ended December 31, 2008
 (With Partial Comparative Information for the Year Ended December 31, 2007)

	General	Nonmajor Funds	Total Governmental Funds	
			2008	2007
Revenue				
Taxes				
Property taxes and tax increments	\$ 1,187,444	\$ 1,618,360	\$ 2,805,804	\$ 2,596,775
Other taxes	67,615	29,465	97,080	100,991
Licenses and permits	202,839	–	202,839	124,976
Intergovernmental	2,350,643	582,685	2,933,328	4,159,847
Special assessments	–	319,607	319,607	474,497
Charges for services	355,319	–	355,319	336,863
Fines and forfeitures	94,737	–	94,737	103,497
Investment earnings	49,493	117,412	166,905	241,168
Other	104,786	1,338,777	1,443,563	1,087,825
Total revenue	4,412,876	4,006,306	8,419,182	9,226,439
Expenditures				
Current				
General government	714,427	401,406	1,115,833	1,043,049
Public safety	2,191,529	43,199	2,234,728	2,065,370
Public works	1,278,848	–	1,278,848	1,177,422
Parks and recreation	1,098,340	352,628	1,450,968	1,466,097
Economic development	135,828	356,298	492,126	999,167
Other	59,474	271,099	330,573	352,755
Capital outlay	66,318	1,515,217	1,581,535	2,220,309
Debt service				
Principal	–	971,876	971,876	1,060,232
Interest and fiscal charges	–	501,390	501,390	533,477
Total expenditures	5,544,764	4,413,113	9,957,877	10,917,878
Excess (deficiency) of revenue over expenditures	(1,131,888)	(406,807)	(1,538,695)	(1,691,439)
Other financing sources (uses)				
Debt issued	–	665,000	665,000	161,500
Proceeds from sale of assets	–	27,132	27,132	61,006
Transfers in	1,138,946	574,056	1,713,002	2,112,000
Transfers (out)	(1,570)	(501,292)	(502,862)	(823,465)
Total other financing sources (uses)	1,137,376	764,896	1,902,272	1,511,041
Net change in fund balances	5,488	358,089	363,577	(180,398)
Fund balances				
Beginning of year	2,045,164	4,587,618	6,632,782	6,813,180
End of year	\$ 2,050,652	\$ 4,945,707	\$ 6,996,359	\$ 6,632,782

See notes to basic financial statements

CITY OF SAINT PETER

Reconciliation of the Statement of
Revenue, Expenditures, and Changes in Fund Balances
to the Statement of Activities
Governmental Funds
Year Ended December 31, 2008

Total net change in fund balances – governmental funds \$ 363,577

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	1,839,744
Depreciation expense	(1,010,501)

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.

(30,729)

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.

(665,000)

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.

971,876

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.

(21,366)

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.

(2,535)

Capital asset transfers from governmental activities to business-type activities are reported as transfers on the Statement of Activities but are not recorded on the fund-based financial statements.

(1,568,588)

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.

(514,807)

Change in net assets – governmental activities

\$ (638,329)

See notes to basic financial statements

CITY OF SAINT PETER

Statement of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 General Fund
 Year Ended December 31, 2008

	Original and Final Budget	Actual	Over (Under) Final Budget
Revenue			
Property taxes	\$ 1,158,498	\$ 1,187,444	\$ 28,946
Other taxes	61,450	67,615	6,165
Licenses and permits	146,159	202,839	56,680
Intergovernmental	2,515,210	2,350,643	(164,567)
Charges for services	338,973	355,319	16,346
Fines and forfeitures	108,000	94,737	(13,263)
Investment earnings	48,000	49,493	1,493
Other	12,860	104,786	91,926
Total revenue	<u>4,389,150</u>	<u>4,412,876</u>	<u>23,726</u>
Expenditures			
Current			
General government	661,709	714,427	52,718
Public safety	2,155,292	2,191,529	36,237
Public works	1,343,965	1,278,848	(65,117)
Parks and recreation	1,136,552	1,098,340	(38,212)
Economic development	96,863	135,828	38,965
Other	76,329	59,474	(16,855)
Capital outlay	30,000	66,318	36,318
Total expenditures	<u>5,500,710</u>	<u>5,544,764</u>	<u>44,054</u>
Excess (deficiency) of revenues over expenditures	(1,111,560)	(1,131,888)	(20,328)
Other financing sources (uses)			
Transfers in	1,111,560	1,138,946	27,386
Transfers out	-	(1,570)	(1,570)
Total other financing sources (uses)	<u>1,111,560</u>	<u>1,137,376</u>	<u>25,816</u>
Net change in fund balances	<u>\$ -</u>	<u>5,488</u>	<u>\$ 5,488</u>
Fund balances			
Beginning of year		<u>2,045,164</u>	
End of year		<u>\$ 2,050,652</u>	

See notes to basic financial statements

CITY OF SAINT PETER

Statement of Net Assets
Enterprise Funds
as of December 31, 2008

(With Partial Comparative Information as of December 31, 2007)

	Electric	Water	Environmental Services	Wastewater	Heartland Transit	Storm Water	Telecommunications Conduit	Long-Term Care Facility	Medical Office Building	Totals	
										2008	2007
Assets											
Current assets											
Cash and investments – unrestricted	\$ 1,620,038	\$ 841,964	\$ 46,607	\$ 477,671	\$ –	\$ 307,541	\$ –	\$ 4,848	\$ –	\$ 3,298,669	\$ 3,948,909
Receivables											
Accounts (net of allowance)	725,572	107,502	73,577	257,324	5,945	38,538	38,097	7,934	–	1,254,489	1,389,267
Special assessments	–	104,146	11,666	260,843	–	15,307	–	–	–	391,962	405,193
Notes	105,481	–	–	–	–	–	–	–	–	105,481	116,529
Due from other funds	106,391	–	–	–	–	–	–	–	–	106,391	49,741
Due from other governmental units	–	–	172	250,842	88,544	571	–	–	–	340,129	18,802
Inventory	680,700	84,416	–	12,707	–	–	8,574	–	–	786,397	634,696
Prepaid items	–	–	85	–	201	–	–	–	–	286	1,098
Total current assets	3,238,182	1,138,028	132,107	1,259,387	94,690	361,957	46,671	12,782	–	6,283,804	6,564,235
Noncurrent assets											
Cash and investments – restricted	5,334,099	–	–	–	–	–	–	106,800	1,687,352	7,128,251	5,606,650
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	27,349,118
Utility plant and infrastructure	22,211,225	12,382,026	–	10,026,744	–	5,601,931	427,932	10,836,345	–	61,486,203	58,012,752
Machinery and equipment	4,065,017	1,080,335	139,259	979,101	207,987	63,973	–	–	–	6,535,672	6,337,272
Construction in progress	8,945	186,502	–	4,373	–	15,259	–	–	3,351,235	3,566,314	882,856
Less accumulated depreciation	(8,824,018)	(4,491,054)	(121,339)	(5,400,098)	(141,136)	(900,806)	(116,789)	(424,512)	–	(20,419,752)	(18,117,872)
Total capital assets (net of accumulated depreciation)	20,655,044	9,537,299	17,920	30,362,734	66,851	4,780,357	311,143	10,411,833	3,351,235	79,494,416	75,440,987
Unamortized bond discount	62,359	25,893	–	4,287	–	2,030	–	289,703	20,842	405,114	419,544
Total noncurrent assets	26,051,502	9,563,192	17,920	30,367,021	66,851	4,782,387	311,143	10,808,336	5,059,429	87,027,781	81,467,181
Total assets	\$ 29,289,684	\$ 10,701,220	\$ 150,027	\$ 31,626,408	\$ 161,541	\$ 5,144,344	\$ 357,814	\$ 10,821,118	\$ 5,059,429	\$ 93,311,585	\$ 88,031,416
Liabilities and Net Assets											
Current liabilities											
Accounts and contracts payable	\$ 544,227	\$ 161,025	\$ 34,460	\$ 35,019	\$ 3,660	\$ 8,808	\$ 27,997	\$ –	\$ 888,311	\$ 1,703,507	\$ 777,205
Salaries and withholdings payable	354	60	57	60	–	60	–	–	–	591	250
Accrued interest payable	67,204	31,278	–	125,990	–	1,072	–	3,800	24,625	253,969	245,268
Customer deposits	108,500	–	–	–	–	–	–	–	–	108,500	108,300
Due to other governmental units	49,482	11,243	7,208	–	–	–	–	–	–	67,933	70,216
Unearned revenue	4,207	–	–	–	–	39,575	–	–	–	43,782	142,638
Due to other funds	–	–	–	–	99,404	–	6,987	–	–	106,391	49,741
Long-term liabilities due within one year	649,494	160,554	11,444	1,086,623	10,336	43,132	–	137,759	–	2,099,342	2,208,700
Total current liabilities	1,423,468	364,160	53,169	1,247,692	113,400	92,647	34,984	141,559	912,936	4,384,015	3,602,318
Long-term liabilities, less current portion above	11,796,428	1,958,856	14,038	15,677,362	2,145	176,427	–	11,207,849	2,675,000	43,508,105	42,750,668
Net assets											
Invested in capital assets, net of related debt	13,716,502	7,506,471	17,920	13,663,940	66,851	4,575,187	311,143	(644,072)	697,077	39,911,019	36,659,077
Restricted for debt service	730,689	–	–	–	–	–	–	106,800	–	837,489	832,488
Restricted for capital replacement	–	–	–	309,973	–	–	–	–	774,416	1,084,389	270,673
Unrestricted	1,622,597	871,733	64,900	727,441	(20,855)	300,083	11,687	8,982	–	3,586,568	3,916,192
Total net assets	16,069,788	8,378,204	82,820	14,701,354	45,996	4,875,270	322,830	(528,290)	1,471,493	45,419,465	41,678,430
Total liabilities and net assets	\$ 29,289,684	\$ 10,701,220	\$ 150,027	\$ 31,626,408	\$ 161,541	\$ 5,144,344	\$ 357,814	\$ 10,821,118	\$ 5,059,429	\$ 93,311,585	\$ 88,031,416

See notes to basic financial statements

CITY OF SAINT PETER

Statement of Revenue, Expenses, and Changes in Fund Net Assets
Enterprise Funds
Year Ended December 31, 2008
(With Partial Comparative Information for the Year Ended December 31, 2007)

	Electric	Water	Environmental Services	Wastewater	Heartland Transit	Storm Water	Telecommunications Conduit	Long-Term Care Facility	Medical Office Building	Totals	
										2008	2007
Operating revenue											
Charges for services	\$ 8,408,076	\$ 1,505,261	\$ 704,459	\$ 3,016,030	\$ 59,835	\$ 464,108	\$ 171,701	\$ -	\$ -	\$ 14,329,470	\$ 14,587,484
Electric generation	432,000	-	-	-	-	-	-	-	-	432,000	432,000
Other	207,031	35,879	4,865	70,208	180	1,886	-	947,172	1,500,000	2,767,221	1,057,183
Total operating revenue	9,047,107	1,541,140	709,324	3,086,238	60,015	465,994	171,701	947,172	1,500,000	17,528,691	16,076,667
Operating expenses											
Personal services	697,696	425,463	178,164	529,681	207,012	227,273	-	-	-	2,265,289	2,116,308
Repairs and maintenance	149,769	119,744	5,653	130,791	16,435	33,213	88	-	-	455,693	378,200
Supplies and materials	119,397	63,923	37,741	191,016	26,012	12,307	-	-	-	450,396	578,103
Utilities and bulk energy	6,046,254	148,339	4,092	476,754	-	3,742	-	-	-	6,679,181	6,780,959
Depreciation	806,090	435,256	10,060	790,098	19,986	146,317	14,264	221,528	-	2,443,599	2,420,626
Professional services	93,443	40,125	404,458	71,961	758	12,143	72,844	15,869	9,701	721,302	648,657
General and administrative	19,811	53,939	14,040	55,807	10,523	9,344	-	(7,935)	-	155,529	221,593
Bad debt expense	12,683	303	58	596	-	81	-	-	-	13,721	5,619
Total operating expenses	7,945,143	1,287,092	654,266	2,246,704	280,726	444,420	87,196	229,462	9,701	13,184,710	13,150,065
Operating income (loss)	1,101,964	254,048	55,058	839,534	(220,711)	21,574	84,505	717,710	1,490,299	4,343,981	2,926,602
Other revenue (expense)											
State and federal grants	1,408	756	326	352,119	228,848	60,874	-	-	-	644,331	179,895
Investment earnings	273,291	26,373	984	15,296	91	9,225	848	1,783	5,957	333,848	379,503
Interest expense	(565,624)	(83,108)	-	(431,428)	-	(7,066)	-	(827,584)	(24,763)	(1,939,573)	(1,861,468)
Total other revenue (expense)	(290,925)	(55,979)	1,310	(64,013)	228,939	63,033	848	(825,801)	(18,806)	(961,394)	(1,302,070)
Income (loss) before transfers and contributions	811,039	198,069	56,368	775,521	8,228	84,607	85,353	(108,091)	1,471,493	3,382,587	1,624,532
Transfers and contributions											
Capital contribution from governmental funds	-	576,246	-	411,604	-	580,738	-	-	-	1,568,588	-
Transfers (out)	(782,248)	(123,396)	-	(207,496)	-	-	(97,000)	-	-	(1,210,140)	(1,288,535)
Total transfers and contributions	(782,248)	452,850	-	204,108	-	580,738	(97,000)	-	-	358,448	(1,288,535)
Change in net assets	28,791	650,919	56,368	979,629	8,228	665,345	(11,647)	(108,091)	1,471,493	3,741,035	335,997
Net assets											
Beginning 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
End of year	\$ 16,069,788	\$ 8,378,204	\$ 82,820	\$ 14,701,354	\$ 45,996	\$ 4,875,270	\$ 322,830	\$ (528,290)	\$ 1,471,493	\$ 45,419,465	\$ 41,678,430

CITY OF SAINT PETER

Statement of Cash Flows
Enterprise Funds
Year Ended December 31, 2008

(With Partial Comparative Information for the Year Ended December 31, 2007)

	Electric	Water	Environmental Services	Wastewater	Heartland Transit	Storm Water	Telecommunications Conduit	Long-Term Care Facility	Medical Office Building	Totals	
										2008	2007
Cash flows from operating activities											
Cash received (paid) from customers	\$ 8,936,197	\$ 1,511,774	\$ 696,281	\$ 2,704,262	\$ (11,466)	\$ 470,584	\$ 171,994	\$ 9,870	\$ -	\$ 14,489,496	\$ 15,635,432
Cash payments to suppliers for goods and services	(6,629,224)	(358,479)	(465,069)	(935,038)	(53,948)	(65,568)	(44,884)	(29,117)	(9,701)	(8,591,028)	(8,681,758)
Cash payments to employees for services	(685,595)	(417,348)	(183,418)	(519,279)	(206,198)	(226,307)	-	-	-	(2,238,145)	(2,105,456)
Cash received from other sources	219,487	36,635	5,191	422,327	229,028	62,760	-	947,172	1,500,000	3,422,600	653,538
Net cash provided (used) by operating activities	1,840,865	772,582	52,985	1,672,272	(42,584)	241,469	127,110	927,925	1,490,299	7,082,923	5,501,756
Cash flows from noncapital financing activities											
Cash received (paid) to other funds	(56,650)	-	(7,362)	-	94,969	-	(30,957)	-	-	-	-
Transfers (out)	(782,248)	(123,396)	-	(207,496)	-	-	(97,000)	-	-	(1,210,140)	(1,288,535)
Net cash provided (used) by noncapital financing activities	(838,898)	(123,396)	(7,362)	(207,496)	94,969	-	(127,957)	-	-	(1,210,140)	(1,288,535)
Cash flows from capital and related financing activities											
Proceeds from issuance of debt	-	-	-	-	-	-	-	-	2,675,000	2,675,000	1,102,887
Payments on refunded bonds	-	-	-	-	-	-	-	-	-	-	(1,595,000)
Purchases of property, plant, and equipment	(666,135)	(522,934)	-	(37,810)	(52,476)	(297,847)	-	-	(2,462,924)	(4,040,126)	(1,643,189)
Principal payments of long-term debt	(580,000)	(282,310)	-	(1,031,240)	-	(31,450)	-	(128,695)	-	(2,053,695)	(1,935,725)
Interest paid on debt	(554,509)	(84,594)	-	(439,036)	-	(6,785)	-	(810,544)	(20,980)	(1,916,448)	(1,874,779)
Net cash provided (used) by capital and related financing activities	(1,800,644)	(889,838)	-	(1,508,086)	(52,476)	(336,082)	-	(939,239)	191,096	(5,335,269)	(5,945,806)
Cash flows from investing activities											
Interest received on investments	273,291	26,373	984	15,296	91	9,225	847	1,783	5,957	333,847	379,503
Increase (decrease) in cash and cash equivalents	(525,386)	(214,279)	46,607	(28,014)	-	(85,388)	-	(9,531)	1,687,352	871,361	(1,353,082)
Cash and cash equivalents											
Beginning of year	7,479,523	1,056,243	-	505,685	-	392,929	-	121,179	-	9,555,559	10,908,641
End of year	\$ 6,954,137	\$ 841,964	\$ 46,607	\$ 477,671	\$ -	\$ 307,541	\$ -	\$ 111,648	\$ 1,687,352	\$ 10,426,920	\$ 9,555,559
Cash and cash equivalents comprised of											
Cash and investments											
Unrestricted	\$ 1,620,038	\$ 841,964	\$ 46,607	\$ 477,671	\$ -	\$ 307,541	\$ -	\$ 4,848	\$ -	\$ 3,298,669	\$ 3,948,909
Restricted	5,334,099	-	-	-	-	-	-	106,800	1,687,352	7,128,251	5,606,650
Total	\$ 6,954,137	\$ 841,964	\$ 46,607	\$ 477,671	\$ -	\$ 307,541	\$ -	\$ 111,648	\$ 1,687,352	\$ 10,426,920	\$ 9,555,559

See notes to basic financial statements

(continued)

CITY OF SAINT PETER

Statement of Cash Flows (continued)
Enterprise Funds

Year Ended December 31, 2008

(With Partial Comparative Information for the Year Ended December 31, 2007)

	Electric	Water	Environmental Services	Wastewater	Heartland Transit	Storm Water	Telecommunications Conduit	Long-Term Care Facility	Medical Office Building	Totals	
										2008	2007
Reconciliation of operating income (loss) to net cash provided (used) by operating activities											
Operating income (loss)	\$ 1,101,964	\$ 254,048	\$ 55,058	\$ 839,534	\$ (220,711)	\$ 21,574	\$ 84,505	\$ 717,710	\$ 1,490,299	\$ 4,343,981	\$ 2,926,602
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities											
Depreciation	806,090	435,256	10,060	790,098	19,986	146,317	14,264	221,528	-	2,443,599	2,420,626
Loss (gain) on sale of capital assets	-	-	-	-	-	-	-	-	-	-	56,095
Bad debt expense	12,683	303	58	596	-	81	-	-	-	13,721	5,619
State and federal grants	1,408	756	326	352,119	228,848	60,874	-	-	-	644,331	179,895
Change in assets and liabilities											
Receivables	92,912	6,210	(8,064)	38,557	(674)	6,232	293	9,870	-	145,336	39,719
Due from other governmental units	-	-	(172)	(250,691)	(70,627)	163	-	-	-	(321,327)	(10,784)
Inventory	(148,007)	(5,704)	-	1,394	-	-	616	-	-	(151,701)	(63,362)
Prepaid items	1,098	-	(85)	-	(201)	-	-	-	-	812	(5)
Accounts and contracts payable	(37,610)	73,268	351	(9,507)	(19)	5,262	27,432	(21,183)	-	37,994	(66,756)
Salaries and withholdings payable	12,101	8,115	(5,254)	10,402	814	966	-	-	-	27,144	14,172
Customer deposits	200	-	-	-	-	-	-	-	-	200	641
Due to other governmental units	(3,348)	330	707	-	-	-	-	-	-	(2,311)	(3,539)
Unearned revenue	1,374	-	-	(100,230)	-	-	-	-	-	(98,856)	2,833
Net cash provided (used) by operating activities	<u>\$ 1,840,865</u>	<u>\$ 772,582</u>	<u>\$ 52,985</u>	<u>\$ 1,672,272</u>	<u>\$ (42,584)</u>	<u>\$ 241,469</u>	<u>\$ 127,110</u>	<u>\$ 927,925</u>	<u>\$ 1,490,299</u>	<u>\$ 7,082,923</u>	<u>\$ 5,501,756</u>
Supplemental disclosure of non-cash transactions											
Capital asset purchases with accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 888,311</u>	<u>\$ 888,311</u>	<u>\$ -</u>

See notes to basic financial statements

CITY OF SAINT PETER

Fiduciary Funds
 Statement of Fiduciary Net Assets
 as of December 31, 2008

	<u>Private-Purpose Trusts</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 64,193	\$ 300,760
Accounts receivable	<u>21,399</u>	<u>—</u>
Total assets	85,592	<u><u>\$ 300,760</u></u>
Liabilities		
Liabilities		
Accounts payable	<u>4,164</u>	<u><u>\$ 300,760</u></u>
Net Assets		
Held in trust for private purposes	<u><u>\$ 81,428</u></u>	

See notes to basic financial statements

CITY OF SAINT PETER

Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
Year Ended December 31, 2008

	<u>Private-Purpose Trusts</u>
Additions	
Donations	\$ 105,703
Investment earnings	<u>627</u>
Total additions	106,330
Deductions	
Administrative expenses	<u>109,236</u>
Changes in net assets	(2,906)
Net assets	
Beginning of year	<u>84,334</u>
End of year	<u><u>\$ 81,428</u></u>

See notes to basic financial statements

CITY OF SAINT PETER

Notes to Basic Financial Statements December 31, 2008

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The City of Saint 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. River’s Edge Hospital and Clinic (River’s Edge Hospital)** – River’s Edge Hospital is a component unit, proprietary fund type, of the City. River’s Edge Hospital was formed to own, maintain, and operate healthcare and related facilities, and to furnish medical and surgical care to the sick, infirmed, aged, or injured. River’s Edge Hospital is exempt from federal and state income taxes on related income. River’s Edge Hospital is governed by the Hospital Commission (the Commission), which is appointed by the City Council. The Commission exercises governing oversight responsibility for River’s Edge 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. As of September 23, 2008, River’s Edge Hospital changed its legal name from Saint Peter Community Hospital to River’s Edge Hospital and Clinic.

The financial statements of River’s Edge Hospital also include the financial activities of the Community Hospital Foundation (the Foundation). The Foundation is a corporation organized to carryout the purposes of River’s Edge 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 Saint 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, 2008 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 Saint 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 Fiduciary 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. River's Edge 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.

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, and the related lease income and debt service expenses.

Medical Office Building Fund – The Medical Office Building Fund accounts for the construction of the new medical office building.

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, youth center, 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>
River’s Edge Hospital	Operating (enterprise) and Donor-Restricted Funds (fiduciary)
Housing and Redevelopment Authority	Operating Fund (enterprise) as of March 31, 2008

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, debt issues, 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, capital projects, and for refunding bonds.

Cash and investments which are restricted also include the River's Edge Hospital. Assets limited as to use include assets designated by the River's Edge Hospital for construction, future capital acquisitions, debt redemption, and self-funded insurance over which the River's Edge 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. River’s Edge 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.

River’s Edge Hospital has agreements with third-party payors that provide for payments to the River’s Edge 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 River’s Edge 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	River’s Edge 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.

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. 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 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 2008.

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

River's Edge 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. River's Edge 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	River's Edge Hospital	Housing and Redevelopment Authority	Total Reporting Entity
Deposits	\$ 10,479,193	\$ 14,537,980	\$ 5,785	\$ 25,022,958
Investments	7,417,459	–	543,575	7,961,034
Cash on hand	1,380	–	–	1,380
	<u>\$ 17,898,032</u>	<u>\$ 14,537,980</u>	<u>\$ 549,360</u>	<u>\$ 32,985,372</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	\$ 11,336,013	\$ 10,479,193
Component units		
River’s Edge Hospital	14,695,068	14,537,980
Housing and Redevelopment Authority	<u>6,049</u>	<u>5,785</u>
	<u>\$ 26,037,130</u>	<u>\$ 25,022,958</u>

Bank balances are as follows:

	<u>Component Units</u>		
	<u>Primary Government</u>	<u>River’s Edge 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>\$ 11,336,013</u>	<u>\$ 14,695,068</u>	<u>\$ 6,049</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	\$ –	\$ 4,603,410	\$ –	\$ –	\$ 4,603,410
U.S. government agency securities Primary government	AAA	S&P	–	39,379	164,069	441,465	644,913
Negotiable certificates of deposit	N/A	N/A	–	12,000	99,000	97,000	208,000
Investment pools/mutual funds							
Money market funds							
Primary government	AAA	S&P	1,961,136	–	–	–	1,961,136
Housing and Redevelopment Authority	N/V	N/V	543,575	–	–	–	543,575
Total investments			<u>\$ 2,504,711</u>	<u>\$ 4,654,789</u>	<u>\$ 263,069</u>	<u>\$ 538,465</u>	<u>\$ 7,961,034</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:

	Primary Government	Component Units		Total Reporting Entity
		River’s Edge Hospital	Housing and Redevelopment Authority	
Cash and investments				
Statement of Net Assets – government-wide				
Unrestricted	\$ 10,404,828	\$ 7,408,236	\$ 549,360	\$ 18,362,424
Restricted	7,128,251	7,129,744	–	14,257,995
Cash and investments				
Statement of Fiduciary Net Assets – fiduciary funds				
Unrestricted – private-purpose trust funds	64,193	–	–	64,193
Unrestricted – agency funds	300,760	–	–	300,760
Total cash and investments	\$ 17,898,032	\$ 14,537,980	\$ 549,360	\$ 32,985,372

NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Due To and Due From Other Funds

During 2008, the City’s General Fund lent \$184,322 to the Permanent Improvement Revolving Capital Project Fund. Interfund borrowing is utilized for cash flow purposes.

During 2008, the City’s General Fund lent \$15,084 to the Theatre TIF District Special Revenue Fund. Interfund borrowing is utilized for cash flow purposes.

During 2008, the Electric Fund lent \$99,404 to the Heartland Transit Fund. Interfund borrowing is utilized for cash flow purposes.

During 2008, the City’s Electric Fund lent \$6,987 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	\$ –	\$ 1,570	\$ 1,570
Nonmajor	75,560	425,732	501,292
Proprietary funds			
Electric	735,295	46,953	782,248
Water	123,396	–	123,396
Wastewater	204,695	2,801	207,496
Telecommunications			
Conduit	–	97,000	97,000
Total	\$ 1,138,946	\$ 574,056	\$ 1,713,002

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

NOTE 4 – CAPITAL ASSETS

A. Governmental Activities

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

	Balance – Beginning of Year	Additions	Deletions	Transfers	Completed Construction	Balance – End of Year
Capital assets, not depreciated						
Land	\$ 1,642,187	\$ –	\$ –	\$ –	\$ –	\$ 1,642,187
Construction in progress	3,301,042	365,276	–	(1,568,588)	(1,983,315)	114,415
Capital assets, depreciated						
Land improvements	1,286,175	–	–	–	–	1,286,175
Buildings and improvements	21,220,539	–	–	–	17,510	21,238,049
Utility plant and infrastructure	6,028,010	1,093,943	–	–	1,965,805	9,087,758
Machinery and equipment	4,590,312	380,525	(139,157)	–	–	4,831,680
Total capital assets	38,068,265	1,839,744	(139,157)	(1,568,588)	–	38,200,264
Less accumulated depreciation on						
Land improvements	(954,515)	(36,230)	–	–	–	(990,745)
Buildings and improvements	(2,302,728)	(436,708)	–	–	–	(2,739,436)
Utility plant and infrastructure	(605,667)	(201,795)	–	–	–	(807,462)
Machinery and equipment	(3,111,142)	(335,768)	108,428	–	–	(3,338,482)
Total accumulated depreciation	(6,974,052)	(1,010,501)	108,428	–	–	(7,876,125)
Net capital assets	\$ 31,094,213	\$ 829,243	\$ (30,729)	\$(1,568,588)	\$ –	\$ 30,324,139

NOTE 4 – CAPITAL ASSETS (CONTINUED)

B. Business-Type Activities

	Balance – Beginning of Year	Additions	Deletions	Transfers	Completed Construction	Balance – End of Year
Capital assets, not depreciated						
Land	\$ 976,861	\$ –	\$ –	\$ –	\$ –	\$ 976,861
Construction in progress	882,856	3,719,771	–	–	(1,036,313)	3,566,314
Capital assets, depreciated						
Buildings and improvements	27,349,118	–	–	–	–	27,349,118
Utility plant and infrastructure	58,012,752	873,245	(4,695)	1,568,588	1,036,313	61,486,203
Machinery and equipment	6,337,272	335,424	(137,024)	–	–	6,535,672
Total capital assets	93,558,859	4,928,440	(141,719)	1,568,588	–	99,914,168
Less accumulated depreciation on						
Buildings and improvements	(2,998,045)	(561,876)	–	–	–	(3,559,921)
Utility plant and infrastructure	(12,209,952)	(1,498,156)	4,698	–	–	(13,703,410)
Machinery and equipment	(2,909,875)	(383,567)	137,021	–	–	(3,156,421)
Total accumulated depreciation	(18,117,872)	(2,443,599)	141,719	–	–	(20,419,752)
Net capital assets	\$ 75,440,987	\$ 2,484,841	\$ –	\$ 1,568,588	\$ –	\$ 79,494,416

C. Component Unit – River’s Edge Hospital

	Balance – Beginning of Year	Additions	Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	\$ 28,886	\$ –	\$ –	\$ 28,886
Construction in progress	170,978	2,159,770	(520,356)	1,810,392
Capital assets, depreciated				
Land improvements	1,137,210	–	–	1,137,210
Buildings and improvements	6,984,309	–	–	6,984,309
Machinery and equipment	9,829,937	863,058	(129,293)	10,563,702
Total capital assets	18,151,320	3,022,828	(649,649)	20,524,499
Less accumulated depreciation on				
Land improvements	(213,260)	(75,981)	–	(289,241)
Buildings and improvements	(1,008,252)	(302,353)	–	(1,310,605)
Machinery and equipment	(4,413,906)	(893,514)	101,159	(5,206,261)
Total accumulated depreciation	(5,635,418)	(1,271,848)	101,159	(6,806,107)
Net capital assets	\$ 12,515,902	\$ 1,750,980	\$ (548,490)	\$ 13,718,392

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	1,976,775	148,123	–	2,124,898
Machinery and equipment	421,042	4,617	–	425,659
Total capital assets	<u>2,465,755</u>	<u>152,740</u>	<u>–</u>	<u>2,618,495</u>
Accumulated depreciation	<u>(1,658,850)</u>	<u>(98,746)</u>	<u>–</u>	<u>(1,757,596)</u>
Net capital assets	<u>\$ 806,905</u>	<u>\$ 53,994</u>	<u>\$ –</u>	<u>\$ 860,899</u>

E. Depreciation Expense by Function

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

Governmental activities	
General government	\$ 133,799
Public safety	101,975
Public works	423,737
Parks and recreation	<u>350,990</u>
Total depreciation expense – governmental activities	<u>\$ 1,010,501</u>
Business-type activities	
Electric	\$ 806,090
Water	435,256
Environmental services	10,060
Wastewater	790,098
Heartland Transit	19,986
Storm water	146,317
Telecommunications conduit	14,264
Long-term care facility	<u>221,528</u>
Total depreciation expense – business-type activities	<u>\$ 2,443,599</u>

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Debt

	Original Issue	Interest Rate	Issue Date	Final Maturity Date	Balance – End of Year
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	\$ 2,965,000
G.O. Equipment Certificates of 2005	\$ 238,200	3.32–3.70%	2005	2010	95,280
G.O. Equipment Certificates of 2006	\$ 200,000	4.71%	2006	2011	120,000
G.O. Equipment Certificates of 2007	\$ 161,500	4.50%	2007	2012	129,200
G.O. Equipment Certificates of 2008A	\$ 365,000	3.23–3.92%	2008	2018	365,000
G.O. Equipment Certificates of 2008B	\$ 300,000	2.50–3.50%	2008	2013	300,000
Total debt supported primarily by property taxes					<u>3,974,480</u>
Debt supported primarily by tax increments					
G.O. Tax Increment Bonds, Series 1999A	\$ 245,000	6.25%	1999	2018	183,514
Notes payable – Nicollet Plaza	\$ 194,065	7.75%	1999	2013	105,482
Notes payable – Volmary	\$ 81,200	3.00%	1999	2012	39,195
G.O. Permanent Improvement Revolving Fund Bonds, Series 2000A	\$ 1,855,000	4.50–5.00%	2000	2016	1,160,000
G.O. Tax Increment Bonds, Series 2002C	\$ 490,000	2.10–3.95%	2002	2013	265,000
G.O. Tax Increment Bonds, Series 2002D	\$ 2,400,000	3.75–4.50%	2002	2022	2,095,000
G.O. Tax Increment Bonds, Series 2004A	\$ 2,205,000	2.00–4.00%	2004	2020	1,900,000
G.O. Tax Increment Bonds, Series 2005A	\$ 330,000	3.00–4.20%	2005	2020	290,000
Total debt supported primarily by tax increments					<u>6,038,191</u>
Special assessment bonds					
G.O. Permanent Improvement Revolving Fund Bonds 2004B	\$ 1,380,000	2.00–3.60%	2004	2013	<u>600,000</u>
Compensated absences					
Total governmental activities					<u>345,126</u> <u>10,957,797</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	345,000
G.O. PFA Sewer Revenue Note, Series 2001	\$ 11,733,250	2.04%	2001	2021	8,320,000
Electric Utility Revenue Bonds, Series 2002B	\$ 5,185,000	3.00–5.25%	2002	2010	4,545,000
G.O. PFA Sewer Revenue Note, 2002	\$ 7,260,850	2.04%	2002	2022	4,123,000
G.O. Sewer Revenue Bonds, Series 2003C	\$ 2,000,000	4.25%	2003	2043	1,885,000
G.O. Water and Sewer Revenue Bonds, Series 2004C	\$ 805,000	1.70–3.55%	2004	2014	560,000
G.O. Electric Revenue Bonds, Series 2004D	\$ 1,555,000	2.25–4.10%	2004	2016	1,190,000
G.O. Water and Sewer Refunding Bonds, Series 2004E	\$ 775,000	2.00–3.50%	2004	2013	505,000
G.O. PFA Sewer Revenue Note, 2004	\$ 2,240,000	3.48%	2004	2022	1,868,000
G.O. Water Revenue Bonds, Series 2005B	\$ 1,765,000	4.00–4.25%	2005	2026	1,640,000
G.O. Equipment Certificate 2006	\$ 110,000	4.71%	2006	2011	66,000
Electric Revenue Refunding Bonds 2006B	\$ 5,045,000	4.00–4.15%	2006	2027	4,755,000
Electric Revenue Refunding Bonds 2006C	\$ 1,620,000	4.00%	2006	2018	1,500,000
					<u>31,302,000</u>
Long-term care facility bonds and notes					
Tax Exempt Loan Participation Note, Series 2005C	\$ 6,000,000	4.88%	2005	2020	5,887,079
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	4,318,501
					<u>11,345,580</u>
Medical office building notes					
Healthcare Revenue Note, Series 2008A	\$ 2,675,000	4.12–6.12%	2008	2034	2,675,000
Compensated absences					
Total business-type activities					<u>284,867</u> <u>45,607,447</u>
Total primary government					
					<u>56,565,244</u>
Component unit – River's Edge Hospital Fund					
General obligation bonds					
G.O. Hospital Bond, Series 2003A	\$ 15,640,000	4.00–5.00%	2003	2032	<u>14,420,000</u>
Component unit – Housing and Redevelopment Authority					
					<u>15,238</u>
Total reporting entity					
					<u>\$ 71,000,482</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	\$ 3,634,420	\$ 665,000	\$ 324,940	\$ 3,974,480	\$ 319,940
Tax increment supported	6,465,127	–	426,936	6,038,191	450,088
Special assessment supported	820,000	–	220,000	600,000	195,000
Compensated absences payable	323,760	221,120	199,754	345,126	206,170
Total – governmental activities	11,243,307	886,120	1,171,630	10,957,797	1,171,198
Business-type activities					
Utility revenue bonds and notes	33,227,000	–	1,925,000	31,302,000	1,826,000
Long-term care facility bonds and notes	11,474,275	–	128,695	11,345,580	137,759
Medical office building notes	–	2,675,000	–	2,675,000	–
Compensated absences payable	258,093	158,408	131,634	284,867	135,583
Total business-type activities	44,959,368	2,833,408	2,185,329	45,607,447	2,099,342
Total government-wide	<u>\$ 56,202,675</u>	<u>\$ 3,719,528</u>	<u>\$ 3,356,959</u>	<u>\$ 56,565,244</u>	<u>\$ 3,270,540</u>
Component unit					
River’s Edge Hospital					
General obligation bonds	<u>\$ 14,740,000</u>	<u>\$ –</u>	<u>\$ 320,000</u>	<u>\$ 14,420,000</u>	<u>\$ 335,000</u>
Component unit					
Housing and Redevelopment Authority					
Compensated absences payable	<u>\$ 15,328</u>	<u>\$ –</u>	<u>\$ 90</u>	<u>\$ 15,238</u>	<u>\$ 1,172</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
2009	\$ 319,940	\$ 206,924	\$ 450,088	\$ 249,960	\$ 195,000	\$ 15,680
2010	364,940	196,232	469,554	231,976	160,000	10,550
2011	332,300	180,252	491,688	212,577	125,000	6,150
2012	307,300	164,909	508,885	192,280	85,000	2,705
2013	285,000	150,246	525,078	170,871	35,000	630
2014–2018	1,400,000	537,257	2,367,719	519,387	–	–
2019–2022	965,000	98,400	1,225,179	89,821	–	–
Total	<u>\$ 3,974,480</u>	<u>\$ 1,534,220</u>	<u>\$ 6,038,191</u>	<u>\$ 1,666,872</u>	<u>\$ 600,000</u>	<u>\$ 35,715</u>

NOTE 5 – LONG-TERM DEBT (CONTINUED)

Year Ending December 31,	Business-Type Activities					
	Utility Revenue Bonds and Notes		Long-Term Care Facility Bonds and Notes		Medical Office Building Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 1,826,000	\$ 1,030,099	\$ 137,759	\$ 677,354	\$ –	\$ 123,126
2010	6,144,000	867,608	167,718	839,217	–	147,260
2011	1,780,000	705,702	168,396	779,581	65,000	145,921
2012	1,815,000	651,936	179,847	767,331	65,000	143,243
2013	1,883,000	596,519	202,125	754,155	70,000	140,462
2014–2018	8,512,550	2,200,115	1,228,211	3,531,572	385,000	649,979
2019–2023	6,265,450	1,081,331	2,579,381	2,806,559	485,000	540,137
2024–2028	1,976,000	406,676	2,267,323	1,989,792	610,000	394,819
2029–2033	322,000	207,528	3,214,214	1,050,614	805,000	186,813
2034–2038	396,000	133,025	1,200,606	73,647	190,000	5,814
2039–2043	382,000	41,438	–	–	–	–
Total	\$ 31,302,000	\$ 7,921,977	\$ 11,345,580	\$ 13,269,822	\$ 2,675,000	\$ 2,477,574

Year Ending December 31,	River's Edge Hospital	
	Principal	Interest
2009	\$ 335,000	\$ 696,190
2010	345,000	682,790
2011	360,000	668,990
2012	375,000	654,590
2013	395,000	639,590
2014–2018	2,255,000	2,927,565
2019–2023	2,880,000	2,315,250
2024–2028	3,715,000	1,516,000
2029–2032	3,760,000	482,500
Total	\$ 14,420,000	\$ 10,583,465

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.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

- **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.
- **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.
- **Medical Office Building Notes** – During 2008, the City authorized the issuance of its \$2,675,000 Healthcare Revenue Note, Series 2008A. These notes were issued to finance a portion of the costs of a new clinic building to be located on the River's Edge Hospital's campus.

E. Refunding Bonds

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 – 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>
Administration	\$ 5,759
City clerk	\$ 8,694
Elections	\$ 3,554
Legal	\$ 52,591
Police	\$ 15,486
Fire	\$ 6,175
Building and planning	\$ 9,595
Civil defense	\$ 56
Community service officer	\$ 4,925
Public works administration	\$ 1,842
Senior coordinator	\$ 1,300
Parks	\$ 5,975
Insurance	\$ 3,557

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE

A. Plan Description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees' Retirement Association (PERA) of Minnesota. 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 PEPFF.

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

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

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 last terminated their public service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the 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 9.1 percent and 6.0 percent, respectively, of their annual covered salary in 2008. PEPFF members were required to contribute 8.6 percent of their annual covered salary in 2008. That rate will increase to 9.4 percent in 2009. The City was required to contribute the following percentages of annual covered payroll in 2008: 11.78 percent for Basic Plan PERF members, 6.5 percent for Coordinated Plan PERF members, and 12.9 percent for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75 percent and 14.1 percent, respectively, effective January 1, 2009. 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:

	<u>PERF</u>	<u>PEPFF</u>	<u>Total</u>
2006	\$ 184,221	\$ 85,109	\$ 269,330
2007	\$ 203,004	\$ 93,424	\$ 296,428
2008	\$ 217,862	\$ 108,376	\$ 326,238

NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)

River’s Edge 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>
2006	\$	272,931
2007	\$	293,245
2008	\$	348,068

NOTE 8 – DEFINED BENEFIT PLAN – FIRE DEPARTMENT RELIEF ASSOCIATION

A. Plan Description

Members of the City’s volunteer fire department are members of the Saint 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, 2008, 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	25
Non-vested	<u>5</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 Saint 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, \$2,400 per year of service in a lump sum. A member who has served in the Saint 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 \$2,400). The member shall be eligible to receive the disability benefit immediately upon approval of the Board of Trustees.

**NOTE 8 – 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 \$2,400). 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 \$2,400).

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 \$43,199 (which includes both city and state aid contributions) were made by the state in accordance with Minnesota Statute requirements for the year ended December 31, 2008.

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 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
12/31/2006	\$ 64,300	100%	\$ --
12/31/2007	\$ 51,085	100%	\$ --
12/31/2008	\$ 43,199	100%	\$ --

NOTE 9 – 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 healthcare 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 healthcare 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 10 – 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>
2006	\$ -	\$ 47,501	\$ (47,501)	\$ -
2007	\$ -	\$ 49,324	\$ (49,324)	\$ -
2008	\$ -	\$ 59,036	\$ (59,036)	\$ -

River's Edge 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, River's Edge 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 11 – COMMITMENTS AND CONTINGENCIES

A. Power Sales Contract

Saint 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 one month of equity distributions which represent SMMPA earnings on prior year operations for the year ended December 31, 2008 totaling \$10,156. This amount is shown as a reduction to purchased power in the Electric Fund. The equity distributions ended in February 2008.

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 – River's Edge Hospital

River's Edge 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 – River's Edge Hospital

The healthcare 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 River's Edge Hospital is in substantial compliance with current laws and regulations.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

F. Government Regulations – River’s Edge Hospital

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

- **Medicare** – River’s Edge Hospital is licensed as a Critical Access Hospital. River’s Edge Hospital is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by River’s Edge Hospital subject to audits thereof by the Medicare intermediary. River’s Edge Hospital’s Medicare Cost Reports have been audited by the Medicare fiscal intermediary through the year ended December 31, 2006. River’s Edge 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 River’s Edge 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 River’s Edge Hospital’s Medicare Cost Report, or rates as established by the Medicaid program. River’s Edge Hospital is reimbursed at a tentative rate with final settlement determined by the program based on River’s Edge 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** – River’s Edge Hospital has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to River’s Edge 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, 2008 of approximately \$1,985,000.

NOTE 12 – 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, 2008, the outstanding balance due on these revenue notes is \$1,908,908.

NOTE 13 – SUBSEQUENT EVENT

In March 2009, the City sold \$300,500 of Equipment Certificate, Series 2009A. These certificates 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 of 2.9 percent.

In March 2009, the City issued a 2009 Water Revenue Note in the amount of \$1,509,483. This note will be used to fund the construction of water wells. The note is scheduled to mature in 20 years and has an interest rate of 2.48 percent.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAINT PETER

Required Supplementary Information

Saint 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
2008	736,659	965,047	76.3	(228,388)	2,400

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
2008	43,199	100.0

C. Notes to Required Supplementary Information

Valuation date	12/31/2008
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	2.6%
Projected salary increases	N/A
Inflation rate	N/A
Cost-of-living adjustments	None

N/A – Not Available

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF SAINT PETER

Combining Balance Sheet
 Nonmajor Governmental Funds
 as of December 31, 2008

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental</u>
Assets				
Cash and investments				
Unrestricted	\$ 2,171,753	\$ 584,782	\$ 2,386,540	\$ 5,143,075
Receivables				
Accounts	40,080	-	364	40,444
Interest	-	23,682	-	23,682
Delinquent taxes	4,632	-	-	4,632
Delinquent special assessments	-	4,682	32	4,714
Deferred special assessments	3,269	714,857	448,842	1,166,968
Notes	2,719,281	-	424,171	3,143,452
Due from other governmental units	3,637	7,710	336,975	348,322
Prepaid items	7,615	-	-	7,615
	<u>\$ 4,950,267</u>	<u>\$ 1,335,713</u>	<u>\$ 3,596,924</u>	<u>\$ 9,882,904</u>
Liabilities and Fund Balances				
Liabilities				
Accounts and contracts payable	\$ 17,466	\$ -	\$ 15,604	\$ 33,070
Salaries and withholdings payable	5,828	-	-	5,828
Due to other funds	-	15,084	184,322	199,406
Deferred revenue	2,727,681	719,539	783,798	4,231,018
Unearned revenue	600	-	467,275	467,875
Total liabilities	<u>2,751,575</u>	<u>734,623</u>	<u>1,450,999</u>	<u>4,937,197</u>
Fund balances				
Reserved for revolving loans	679,251	-	-	679,251
Reserved for debt service	293,743	601,090	-	894,833
Reserved for technology purchases	48,149	-	-	48,149
Unreserved – undesignated	1,177,549	-	2,145,925	3,323,474
Total fund balances	<u>2,198,692</u>	<u>601,090</u>	<u>2,145,925</u>	<u>4,945,707</u>
	<u>\$ 4,950,267</u>	<u>\$ 1,335,713</u>	<u>\$ 3,596,924</u>	<u>\$ 9,882,904</u>
Total liabilities and fund balances	<u>\$ 4,950,267</u>	<u>\$ 1,335,713</u>	<u>\$ 3,596,924</u>	<u>\$ 9,882,904</u>

CITY OF SAINT PETER

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Nonmajor Governmental Funds
 Year Ended December 31, 2008

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Project</u>	<u>Total Nonmajor Governmental</u>
Revenue				
Taxes				
Property taxes and tax increments	\$ 962,766	\$ 655,594	\$ -	\$ 1,618,360
Other taxes	29,465	-	-	29,465
Intergovernmental	103,760	-	478,925	582,685
Special assessments	849	231,318	87,440	319,607
Investment earnings	46,887	25,290	45,235	117,412
Other	1,094,613	50,340	193,824	1,338,777
Total revenue	<u>2,238,340</u>	<u>962,542</u>	<u>805,424</u>	<u>4,006,306</u>
Expenditures				
Current				
General government	401,406	-	-	401,406
Public safety	43,199	-	-	43,199
Parks and recreation	352,628	-	-	352,628
Economic development	356,298	-	-	356,298
Other	271,099	-	-	271,099
Capital outlay	49,050	-	1,466,167	1,515,217
Debt service				
Principal	11,047	960,829	-	971,876
Interest and fiscal charges	18,834	482,556	-	501,390
Total expenditures	<u>1,503,561</u>	<u>1,443,385</u>	<u>1,466,167</u>	<u>4,413,113</u>
Excess (deficiency) of revenue over expenditures	734,779	(480,843)	(660,743)	(406,807)
Other financing sources (uses)				
Debt issued	-	10,019	654,981	665,000
Proceeds from sale of assets	13,632	-	13,500	27,132
Transfers in	157,765	416,291	-	574,056
Transfers (out)	(491,688)	(1,304)	(8,300)	(501,292)
Total other financing sources (uses)	<u>(320,291)</u>	<u>425,006</u>	<u>660,181</u>	<u>764,896</u>
Net change in fund balances	414,488	(55,837)	(562)	358,089
Fund balances				
Beginning of year	<u>1,784,204</u>	<u>656,927</u>	<u>2,146,487</u>	<u>4,587,618</u>
End of year	<u>\$ 2,198,692</u>	<u>\$ 601,090</u>	<u>\$ 2,145,925</u>	<u>\$ 4,945,707</u>

CITY OF SAINT PETER

Nonmajor Special Revenue Funds
 Combining Balance Sheet
 as of December 31, 2008

	Library	Old Hospital	Public Access	Firefighters' Relief	Fire Calls	Economic Revolving Loan	Tax Increment Financing	Nicollet Hotel	Nicollet Plaza
Assets									
Cash and investments									
Unrestricted	\$ 64,825	\$ 385,599	\$ 48,486	\$ 4,597	\$ 11,186	\$ 268,835	\$ 534,288	\$ 586	\$ 26
Receivables									
Accounts	1,388	10,063	3,528	-	-	25,000	-	-	-
Delinquent taxes	-	-	-	-	-	-	1,003	-	-
Deferred special assessments	-	-	-	-	-	-	3,269	-	-
Notes	-	-	-	-	-	739,818	-	-	-
Due from other governmental units	-	-	-	-	-	-	1,451	-	-
Prepaid items	-	-	-	-	7,615	-	-	-	-
Total assets	<u>\$ 66,213</u>	<u>\$ 395,662</u>	<u>\$ 52,014</u>	<u>\$ 4,597</u>	<u>\$ 18,801</u>	<u>\$ 1,033,653</u>	<u>\$ 540,011</u>	<u>\$ 586</u>	<u>\$ 26</u>
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ 4,589	\$ 3,041	\$ 16	\$ -	\$ -	\$ 92	\$ -	\$ -	\$ -
Salaries and withholdings payable	-	-	-	-	-	-	-	-	-
Deferred revenue	-	500	-	-	-	739,818	4,271	-	-
Unearned revenue	-	-	-	-	-	-	-	-	-
Total liabilities	<u>4,589</u>	<u>3,541</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>739,910</u>	<u>4,271</u>	<u>-</u>	<u>-</u>
Fund balances									
Reserved for revolving loans	-	-	-	-	-	-	-	-	-
Reserved for debt service	-	-	-	-	-	293,743	-	-	-
Reserved for technology purchases	48,149	-	-	-	-	-	-	-	-
Undesignated	13,475	392,121	51,998	4,597	18,801	-	535,740	586	26
Total fund balances	<u>61,624</u>	<u>392,121</u>	<u>51,998</u>	<u>4,597</u>	<u>18,801</u>	<u>293,743</u>	<u>535,740</u>	<u>586</u>	<u>26</u>
Total liabilities and fund balances	<u>\$ 66,213</u>	<u>\$ 395,662</u>	<u>\$ 52,014</u>	<u>\$ 4,597</u>	<u>\$ 18,801</u>	<u>\$ 1,033,653</u>	<u>\$ 540,011</u>	<u>\$ 586</u>	<u>\$ 26</u>

(continued)

CITY OF SAINT PETER

Nonmajor Special Revenue Funds
 Combining Balance Sheet (continued)
 as of December 31, 2008

	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
Assets										
Cash and investments										
Unrestricted	\$ 447,532	\$ 227	\$ 124,966	\$ 63,898	\$ 19,600	\$ 99,185	\$ 22,534	\$ 22,256	\$ 53,127	\$ 2,171,753
Receivables										
Accounts	-	-	-	-	-	-	-	101	-	40,080
Delinquent taxes	-	-	-	-	3,629	-	-	-	-	4,632
Deferred special assessments	-	-	-	-	-	-	-	-	-	3,269
Notes	1,925,213	-	-	4,250	-	50,000	-	-	-	2,719,281
Due from other governmental units	-	-	-	-	813	697	-	-	676	3,637
Prepaid items	-	-	-	-	-	-	-	-	-	7,615
Total assets	<u>\$ 2,372,745</u>	<u>\$ 227</u>	<u>\$ 124,966</u>	<u>\$ 68,148</u>	<u>\$ 24,042</u>	<u>\$ 149,882</u>	<u>\$ 22,534</u>	<u>\$ 22,357</u>	<u>\$ 53,803</u>	<u>\$ 4,950,267</u>
Liabilities and Fund Balances										
Liabilities										
Accounts payable	\$ 92	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,636	\$ -	\$ 17,466
Salaries and withholdings payable	-	-	-	-	-	-	-	5,828	-	5,828
Deferred revenue	1,925,213	-	-	4,250	3,629	50,000	-	-	-	2,727,681
Unearned revenue	-	-	-	-	-	-	-	600	-	600
Total liabilities	<u>1,925,305</u>	<u>-</u>	<u>-</u>	<u>4,250</u>	<u>3,629</u>	<u>50,000</u>	<u>-</u>	<u>16,064</u>	<u>-</u>	<u>2,751,575</u>
Fund balances										
Reserved for revolving loans	447,440	-	124,966	63,898	20,413	-	22,534	-	-	679,251
Reserved for debt service	-	-	-	-	-	-	-	-	-	293,743
Reserved for technology purchases	-	-	-	-	-	-	-	-	-	48,149
Undesignated	-	227	-	-	-	99,882	-	6,293	53,803	1,177,549
Total fund balances	<u>447,440</u>	<u>227</u>	<u>124,966</u>	<u>63,898</u>	<u>20,413</u>	<u>99,882</u>	<u>22,534</u>	<u>6,293</u>	<u>53,803</u>	<u>2,198,692</u>
Total liabilities and fund balances	<u>\$ 2,372,745</u>	<u>\$ 227</u>	<u>\$ 124,966</u>	<u>\$ 68,148</u>	<u>\$ 24,042</u>	<u>\$ 149,882</u>	<u>\$ 22,534</u>	<u>\$ 22,357</u>	<u>\$ 53,803</u>	<u>\$ 4,950,267</u>

CITY OF SAINT PETER

Nonmajor Special Revenue Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2008

	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	\$ 285,980	\$ -	\$ -	\$ 3,724	\$ -	\$ -	\$ 156,529	\$ 9,248	\$ 11,198
Other taxes	-	-	29,465	-	-	-	-	-	-
Intergovernmental	60,344	-	87	43,199	-	-	-	-	-
Special assessments	-	-	-	-	-	-	849	-	-
Investment earnings	122	9,960	1,065	-	416	5,147	11,412	-	-
Other									
Loan principal and interest payments	-	9,803	-	-	-	145,947	-	-	-
Miscellaneous	51,570	14,975	2,041	-	1,615	878	-	-	-
Total revenue	398,016	34,738	32,658	46,923	2,031	151,972	168,790	9,248	11,198
Expenditures									
Current									
General government	309,529	91,877	-	-	-	-	-	-	-
Public safety	-	-	-	43,199	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-
Economic development loans made	-	-	-	-	-	52,200	-	-	-
Other	-	-	21,310	-	-	(98)	-	9,248	1,120
Capital outlay	41,688	-	1,739	-	314	-	-	-	-
Debt service									
Principal	-	-	-	-	-	-	-	-	11,047
Interest and fiscal charges	-	-	-	-	-	-	-	-	9,031
Total expenditures	351,217	91,877	23,049	43,199	314	52,102	-	9,248	21,198
Excess (deficiency) of revenue over expenditures	46,799	(57,139)	9,609	3,724	1,717	99,870	168,790	-	(10,000)
Other financing sources (uses)									
Proceeds from sale of assets	-	-	13,632	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-	10,000
Transfers (out)	-	-	-	-	-	(25,000)	(71,188)	-	-
Total other financing sources (uses)	-	-	13,632	-	-	(25,000)	(71,188)	-	10,000
Net change in fund balances	46,799	(57,139)	23,241	3,724	1,717	74,870	97,602	-	-
Fund balances									
Beginning of year	14,825	449,260	28,757	873	17,084	218,873	438,138	586	26
End of year	\$ 61,624	\$ 392,121	\$ 51,998	\$ 4,597	\$ 18,801	\$ 293,743	\$ 535,740	\$ 586	\$ 26

(continued)

CITY OF SAINT PETER

Nonmajor Special Revenue Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (continued)
 Year Ended December 31, 2008

	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	\$ -	\$ 10,319	\$ -	\$ -	\$ 131,966	\$ 245,629	\$ -	\$ -	\$ 108,173	\$ 962,766
Other taxes	-	-	-	-	-	-	-	-	-	29,465
Intergovernmental	-	-	-	-	-	-	-	130	-	103,760
Special assessments	-	-	-	-	-	-	-	-	-	849
Investment earnings	5,544	-	2,920	1,473	684	3,608	528	727	3,281	46,887
Other										
Loan principal and interest payments	696,514	-	-	1,500	-	-	-	-	-	853,764
Miscellaneous	2,233	-	-	-	-	-	-	167,537	-	240,849
Total revenue	704,291	10,319	2,920	2,973	132,650	249,237	528	168,394	111,454	2,238,340
Expenditures										
Current										
General government	-	-	-	-	-	-	-	-	-	401,406
Public safety	-	-	-	-	-	-	-	-	-	43,199
Parks and recreation	-	-	-	-	-	-	-	352,628	-	352,628
Economic development loans made	304,098	-	-	-	-	-	-	-	-	356,298
Other	829	516	-	-	125,969	112,044	161	-	-	271,099
Capital outlay	-	-	-	-	-	-	-	5,309	-	49,050
Debt service										
Principal	-	-	-	-	-	-	-	-	-	11,047
Interest and fiscal charges	-	9,803	-	-	-	-	-	-	-	18,834
Total expenditures	304,927	10,319	-	-	125,969	112,044	161	357,937	-	1,503,561
Excess (deficiency) of revenue over expenditures	399,364	-	2,920	2,973	6,681	137,193	367	(189,543)	111,454	734,779
Other financing sources (uses)										
Proceeds from sale of assets	-	-	-	-	-	-	-	-	-	13,632
Transfers in	-	-	-	-	-	-	-	147,765	-	157,765
Transfers (out)	(50,000)	-	-	-	-	(155,000)	-	(20,000)	(170,500)	(491,688)
Total other financing sources (uses)	(50,000)	-	-	-	-	(155,000)	-	127,765	(170,500)	(320,291)
Net change in fund balances	349,364	-	2,920	2,973	6,681	(17,807)	367	(61,778)	(59,046)	414,488
Fund balances										
Beginning of year	98,076	227	122,046	60,925	13,732	117,689	22,167	68,071	112,849	1,784,204
End of year	\$ 447,440	\$ 227	\$ 124,966	\$ 63,898	\$ 20,413	\$ 99,882	\$ 22,534	\$ 6,293	\$ 53,803	\$ 2,198,692

CITY OF SAINT PETER

Nonmajor Debt Service Funds
 Combining Balance Sheet
 as of December 31, 2008

	General Obligation	Tax Increment	Special Assessment	Total
Assets				
Cash and investments				
Unrestricted	\$ 518,396	\$ 66,386	\$ -	\$ 584,782
Receivables				
Interest	23,682	-	-	23,682
Delinquent special assessments	-	4,682	-	4,682
Deferred special assessments	-	57,242	657,615	714,857
Due from other governmental units	-	-	7,710	7,710
	<u>\$ 542,078</u>	<u>\$ 128,310</u>	<u>\$ 665,325</u>	<u>\$ 1,335,713</u>
Liabilities and Fund Balances				
Liabilities				
Due to other funds	\$ -	\$ -	\$ 15,084	\$ 15,084
Deferred revenue	-	61,924	657,615	719,539
Total liabilities	<u>-</u>	<u>61,924</u>	<u>672,699</u>	<u>734,623</u>
Fund balances (deficit)				
Reserved				
Reserved for debt service	542,078	66,386	(7,374)	601,090
	<u>\$ 542,078</u>	<u>\$ 128,310</u>	<u>\$ 665,325</u>	<u>\$ 1,335,713</u>

CITY OF SAINT PETER

Nonmajor Debt Service Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2008

	General Obligation	Tax Increment	Special Assessment	Total
Revenue				
Property taxes and tax increments	\$ 572,140	\$ 83,454	\$ -	\$ 655,594
Special assessments	-	36,552	194,766	231,318
Investment earnings	23,384	1,780	126	25,290
Other	-	50,340	-	50,340
Total revenue	<u>595,524</u>	<u>172,126</u>	<u>194,892</u>	<u>962,542</u>
Expenditures				
Debt service				
Principal	324,940	415,889	220,000	960,829
Interest	200,958	257,069	21,160	479,187
Fiscal agent fees	-	2,938	431	3,369
Total expenditures	<u>525,898</u>	<u>675,896</u>	<u>241,591</u>	<u>1,443,385</u>
Excess (deficiency) of revenue over expenditures	69,626	(503,770)	(46,699)	(480,843)
Other financing sources				
Debt issued	10,019	-	-	10,019
Transfers in	21,303	394,988	-	416,291
Transfers (out)	(1,304)	-	-	(1,304)
Total other financing sources	<u>30,018</u>	<u>394,988</u>	<u>-</u>	<u>425,006</u>
Net change in fund balances	99,644	(108,782)	(46,699)	(55,837)
Fund balances (deficit)				
Beginning of year	<u>442,434</u>	<u>175,168</u>	<u>39,325</u>	<u>656,927</u>
End of year	<u>\$ 542,078</u>	<u>\$ 66,386</u>	<u>\$ (7,374)</u>	<u>\$ 601,090</u>

CITY OF SAINT PETER

Nonmajor Capital Project Funds
 Combining Balance Sheet
 as of December 31, 2008

	Tornado	Parkland Dedication	2000 Housing Project	Biomass	Industrial Park	Treatment Center Taskforce	Equipment Certificate	2003 Washington Terrace	Permanent Improvement Revolving	Total
Assets										
Cash and investments										
Unrestricted	\$ 715,285	\$ 207,557	\$ 531,166	\$ 2,809	\$ 40,728	\$ 9,234	\$ 74,695	\$ 805,066	\$ -	\$ 2,386,540
Receivables										
Accounts	-	-	-	-	-	-	-	-	364	364
Deferred special assessments	-	-	79,383	-	-	-	-	96,600	272,859	448,842
Delinquent special assessments	-	-	-	-	-	-	-	-	32	32
Notes	-	-	372,447	-	-	-	-	-	51,724	424,171
Due from other governmental units	-	-	-	-	-	-	-	-	336,975	336,975
Total assets	<u>\$ 715,285</u>	<u>\$ 207,557</u>	<u>\$ 982,996</u>	<u>\$ 2,809</u>	<u>\$ 40,728</u>	<u>\$ 9,234</u>	<u>\$ 74,695</u>	<u>\$ 901,666</u>	<u>\$ 661,954</u>	<u>\$ 3,596,924</u>
Liabilities and Fund Balances										
Liabilities										
Accounts and contracts payable	\$ -	\$ 8,845	\$ -	\$ -	\$ -	\$ -	\$ 6,006	\$ 344	\$ 409	\$ 15,604
Due to other funds	-	-	-	-	-	-	-	-	184,322	184,322
Deferred revenue	-	-	451,830	-	-	-	-	96,600	235,368	783,798
Unearned revenue	467,275	-	-	-	-	-	-	-	-	467,275
Total liabilities	<u>467,275</u>	<u>8,845</u>	<u>451,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,006</u>	<u>96,944</u>	<u>420,099</u>	<u>1,450,999</u>
Fund balances										
Unreserved										
Undesignated	248,010	198,712	531,166	2,809	40,728	9,234	68,689	804,722	241,855	2,145,925
Total liabilities and fund balances	<u>\$ 715,285</u>	<u>\$ 207,557</u>	<u>\$ 982,996</u>	<u>\$ 2,809</u>	<u>\$ 40,728</u>	<u>\$ 9,234</u>	<u>\$ 74,695</u>	<u>\$ 901,666</u>	<u>\$ 661,954</u>	<u>\$ 3,596,924</u>

CITY OF SAINT PETER

Nonmajor Capital Project Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 Year Ended December 31, 2008

	Tornado	Parkland Dedication	2000 Housing Project	Biomass	Industrial Park	Treatment Center Taskforce	Equipment Certificates	2003 Washington Terrace	Permanent Improvement Revolving	Total
Revenue										
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 478,925	\$ 478,925
Special assessments	-	-	21,592	-	-	-	-	62,064	3,784	87,440
Investment earnings	-	6,423	15,526	-	2,519	-	1,878	18,394	495	45,235
Other										
Miscellaneous	-	13,475	1,790	-	21,088	-	6,500	133,400	17,571	193,824
Total revenue	-	19,898	38,908	-	23,607	-	8,378	213,858	500,775	805,424
Expenditures										
Capital outlay										
Construction and related costs	-	89,823	46	-	82,822	-	681,051	6,985	605,440	1,466,167
Excess (deficiency) of revenue over expenditures	-	(69,925)	38,862	-	(59,215)	-	(672,673)	206,873	(104,665)	(660,743)
Other financing sources (uses)										
Debt issued	-	-	-	-	-	-	654,981	-	-	654,981
Proceeds (loss) from sale of assets	-	-	-	-	-	-	13,500	-	-	13,500
Transfers (in)	-	-	-	-	-	-	-	-	-	-
Transfers (out)	-	-	-	-	(8,300)	-	-	-	-	(8,300)
Total other financing sources (uses)	-	-	-	-	(8,300)	-	668,481	-	-	660,181
Net change in fund balances	-	(69,925)	38,862	-	(67,515)	-	(4,192)	206,873	(104,665)	(562)
Fund balances										
Beginning of year	248,010	268,637	492,304	2,809	108,243	9,234	72,881	597,849	346,520	2,146,487
End of year	\$ 248,010	\$ 198,712	\$ 531,166	\$ 2,809	\$ 40,728	\$ 9,234	\$ 68,689	\$ 804,722	\$ 241,855	\$ 2,145,925

CITY OF SAINT PETER

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2008
 (With Comparative Actual Amounts for the Year Ended December 31, 2007)

	2008		Over (Under) Budget	2007
	Budget	Actual		Actual
Revenue				
Property taxes	\$ 1,158,498	\$ 1,187,444	\$ 28,946	\$ 1,047,643
Other taxes	61,450	67,615	6,165	65,122
Licenses and permits				
Business licenses and permits	20,075	25,264	5,189	24,155
Non-business licenses and permits	126,084	177,575	51,491	100,821
Total licenses and permits	146,159	202,839	56,680	124,976
Intergovernmental				
Local government aid	2,405,110	2,224,551	(180,559)	2,219,030
State and federal grants and aids	110,100	126,092	15,992	126,777
Total intergovernmental	2,515,210	2,350,643	(164,567)	2,345,807
Charges for services				
General government	23,500	64,439	40,939	30,890
Public safety	121,400	126,306	4,906	120,311
Highways and streets	14,700	14,538	(162)	21,920
Recreation	179,373	150,036	(29,337)	163,742
Total charges for services	338,973	355,319	16,346	336,863
Fines and forfeitures	108,000	94,737	(13,263)	103,497
Investment earnings	48,000	49,493	1,493	51,168
Other				
Miscellaneous	12,860	88,159	75,299	75,840
Sale of property	—	16,627	16,627	1,575
Total other	12,860	104,786	91,926	77,415
Total revenue	4,389,150	4,412,876	23,726	4,152,491

(continued)

CITY OF SAINT PETER

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended December 31, 2008
 (With Comparative Actual Amounts for the Year Ended December 31, 2007)

	2008		Over (Under) Budget	2007
	Budget	Actual		Actual
Expenditures				
Current				
General government				
Mayor and City Council	45,855	38,182	(7,673)	43,500
Administration	150,908	156,667	5,759	143,267
City clerk	49,901	58,595	8,694	53,871
Elections	12,400	15,954	3,554	8,931
Finance	219,685	214,025	(5,660)	209,750
Legal	106,000	158,591	52,591	115,629
General government building	76,960	72,413	(4,547)	81,679
Total general government	<u>661,709</u>	<u>714,427</u>	<u>52,718</u>	<u>656,627</u>
Public safety				
Police	1,671,186	1,686,672	15,486	1,587,002
Fire	230,623	236,798	6,175	197,506
Other				
Building and planning	178,241	187,836	9,595	156,468
Civil defense	5,530	5,586	56	4,252
Community service officer	69,712	74,637	4,925	67,057
Total other	<u>253,483</u>	<u>268,059</u>	<u>14,576</u>	<u>227,777</u>
Total public safety	<u>2,155,292</u>	<u>2,191,529</u>	<u>36,237</u>	<u>2,012,285</u>
Public works				
Public works administration	127,225	129,067	1,842	103,630
Highways and streets				
Streets	1,117,740	1,057,058	(60,682)	983,175
Street lighting	99,000	92,723	(6,277)	90,617
Total highways and streets	<u>1,216,740</u>	<u>1,149,781</u>	<u>(66,959)</u>	<u>1,073,792</u>
Total public works	<u>1,343,965</u>	<u>1,278,848</u>	<u>(65,117)</u>	<u>1,177,422</u>

(continued)

CITY OF SAINT PETER

General Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual (continued)
 Year Ended December 31, 2008
 (With Comparative Actual Amounts for the Year Ended December 31, 2007)

	2008		Over (Under) Budget	2007
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Parks and recreation				
Senior coordinator	26,700	28,000	1,300	25,902
Recreation and leisure services	334,383	300,245	(34,138)	308,770
Swimming pool	170,538	165,093	(5,445)	169,921
Skating rinks	15,524	9,620	(5,904)	10,077
Parks	589,407	595,382	5,975	592,059
Total parks and recreation	<u>1,136,552</u>	<u>1,098,340</u>	<u>(38,212)</u>	<u>1,106,729</u>
Economic development	96,863	135,828	38,965	95,267
Other				
Insurance	17,000	20,557	3,557	15,876
Memberships	34,029	33,917	(112)	32,604
Miscellaneous	25,300	5,000	(20,300)	20,209
Total other	<u>76,329</u>	<u>59,474</u>	<u>(16,855)</u>	<u>68,689</u>
Capital outlay	<u>30,000</u>	<u>66,318</u>	<u>36,318</u>	<u>66,241</u>
Total expenditures	<u>5,500,710</u>	<u>5,544,764</u>	<u>44,054</u>	<u>5,183,260</u>
Excess (deficiency) of revenue over expenditures	(1,111,560)	(1,131,888)	(20,328)	(1,030,769)
Other financing sources (uses)				
Transfers in	1,111,560	1,138,946	27,386	1,157,899
Transfers (out)	—	(1,570)	(1,570)	(2,158)
Total other financing sources (uses)	<u>1,111,560</u>	<u>1,137,376</u>	<u>25,816</u>	<u>1,155,741</u>
Net changes in fund balances	<u>\$ —</u>	<u>5,488</u>	<u>\$ 5,488</u>	<u>124,972</u>
Fund balances				
Beginning of year		<u>2,045,164</u>		<u>1,920,192</u>
End of year		<u>\$ 2,050,652</u>		<u>\$ 2,045,164</u>

CITY OF SAINT PETER

Municipal Electric Utility Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenue		
Charges for services	\$ 8,408,076	\$ 8,721,157
Electric generation	432,000	432,000
Other		
Penalties	61,272	67,805
Miscellaneous	145,759	268,884
Total operating revenue	<u>9,047,107</u>	<u>9,489,846</u>
Operating expenses		
Bulk energy	6,001,576	6,334,815
Less SMMPA equity distribution	<u>(10,156)</u>	<u>(130,444)</u>
Net bulk energy	5,991,420	6,204,371
Power distribution		
Personal services	326,819	318,858
Repairs and maintenance	92,162	104,244
Supplies and materials	46,547	44,065
Utilities	4,355	4,500
Professional services	23,924	21,508
General and administrative	2,263	2,202
Total power distribution	<u>496,070</u>	<u>495,377</u>
General and administrative		
Personal services	259,150	243,422
Repairs and maintenance	9,273	10,323
Supplies and materials	21,474	26,563
Utilities	10,139	9,963
Professional services	20,041	69,548
General and administrative	4,994	55,748
Total general and administrative	<u>325,071</u>	<u>415,567</u>
Customer accounts		
Personal services	96,265	92,054
Repairs and maintenance	1,316	1,144
Supplies and materials	1,240	3,383
Professional services	3,600	3,349
General and administrative	12,554	13,803
Bad debt expense	12,683	4,788
Total customer accounts	<u>127,658</u>	<u>118,521</u>

(continued)

CITY OF SAINT PETER

Municipal Electric Utility Fund

Comparative Schedule of Revenue, Expenses, and Changes in Net Assets (continued)
 Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating expenses (continued)		
Power production		
Personal services	15,462	23,546
Repairs and maintenance	47,018	46,454
Supplies and materials	50,136	218,546
Utilities	40,340	35,572
Professional services	45,878	38,837
Total power production	<u>198,834</u>	<u>362,955</u>
Depreciation	<u>806,090</u>	<u>799,583</u>
Total operating expenses	<u>7,945,143</u>	<u>8,396,374</u>
Operating income	1,101,964	1,093,472
Other revenue (expense)		
State and federal grants	1,408	1,408
Investment earnings	273,291	290,458
Interest expense	<u>(565,624)</u>	<u>(570,678)</u>
Total other revenue (expense)	<u>(290,925)</u>	<u>(278,812)</u>
Income before transfers	811,039	814,660
Transfers		
Transfers (out)	<u>(782,248)</u>	<u>(801,752)</u>
Change in net assets	28,791	12,908
Net assets		
Beginning of year	<u>16,040,997</u>	<u>16,028,089</u>
End of year	<u>\$ 16,069,788</u>	<u>\$ 16,040,997</u>

CITY OF SAINT PETER

Municipal Water Utility Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenue		
Charges for services	\$ 1,505,261	\$ 1,481,122
Other	35,879	44,855
Total operating revenue	<u>1,541,140</u>	<u>1,525,977</u>
Operating expenses		
Source of supply		
Personal services	24,757	22,341
Repairs and maintenance	34,970	26,810
Supplies and materials	3,304	3,834
Utilities	24,577	24,731
Professional services	940	-
General and administrative	8,614	8,082
Total source of supply	<u>97,162</u>	<u>85,798</u>
Purification and treatment		
Personal services	79,968	76,243
Repairs and maintenance	8,737	13,182
Supplies and materials	13,283	13,647
Utilities	77,047	90,427
Professional services	15,794	15,598
General and administrative	2,555	1,759
Total purification and treatment	<u>197,384</u>	<u>210,856</u>
Distribution and storage		
Personal services	246,862	215,657
Repairs and maintenance	71,870	48,939
Supplies and materials	36,100	27,777
Utilities	42,817	22,523
Professional services	9,631	8,263
General and administrative	15,158	3,744
Total distribution and storage	<u>422,438</u>	<u>326,903</u>
General and administrative		
Personal services	53,273	52,714
Repairs and maintenance	2,851	3,519
Supplies and materials	10,007	11,628
Utilities	3,898	3,818
Professional services	10,563	10,690
General and administrative	21,050	25,337
Total general and administrative	<u>101,642</u>	<u>107,706</u>

(continued)

CITY OF SAINT PETER

Municipal Water Utility Fund

Comparative Schedule of Revenue, Expenses, and Changes in Net Assets (continued)
 Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating expenses (continued)		
Customer accounts		
Personal services	20,603	20,019
Repairs and maintenance	1,316	1,144
Supplies and materials	1,229	3,244
Professional services	3,197	565
General and administrative	6,562	6,503
Bad debt expense	303	301
Total customer accounts	<u>33,210</u>	<u>31,776</u>
Depreciation	<u>435,256</u>	<u>417,716</u>
Total operating expenses	<u>1,287,092</u>	<u>1,180,755</u>
Operating income	254,048	345,222
Other revenue (expense)		
State and federal grants	756	756
Investment earnings	26,373	50,997
Interest expense	<u>(83,108)</u>	<u>(90,192)</u>
Total other revenue (expense)	<u>(55,979)</u>	<u>(38,439)</u>
Income before transfers and contributions	198,069	306,783
Transfers and contributions		
Capital contribution from governmental funds	576,246	-
Transfers (out)	<u>(123,396)</u>	<u>(120,800)</u>
Total transfers and contributions	<u>452,850</u>	<u>(120,800)</u>
Change in net assets	650,919	185,983
Net assets		
Beginning of year	<u>7,727,285</u>	<u>7,541,302</u>
End of year	<u>\$ 8,378,204</u>	<u>\$ 7,727,285</u>

CITY OF SAINT PETER

Environmental Services Utility Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenue		
Charges for services	\$ 704,459	\$ 659,888
Other	4,865	4,060
Total operating revenue	<u>709,324</u>	<u>663,948</u>
Operating expenses		
Refuse operations		
Personal services	119,042	124,410
Repairs and maintenance	2,894	2,706
Supplies and materials	30,281	24,113
Professional services	394,260	395,911
General and administrative	5,096	9,041
Total refuse operations	<u>551,573</u>	<u>556,181</u>
General and administrative		
Personal services	46,070	45,953
Repairs and maintenance	2,759	3,150
Supplies and materials	6,863	7,101
Utilities	4,092	4,550
Professional services	8,419	7,222
General and administrative	3,153	3,465
Total general and administrative	<u>71,356</u>	<u>71,441</u>
Customer accounts		
Personal services	13,052	13,334
Supplies and materials	597	2,875
Professional services	1,779	705
General and administrative	5,791	8,062
Bad debt expense	58	145
Total customer accounts	<u>21,277</u>	<u>25,121</u>
Depreciation	<u>10,060</u>	<u>15,947</u>
Total operating expenses	<u>654,266</u>	<u>668,690</u>
Operating income (loss)	55,058	(4,742)
Other revenue		
State and federal grants	326	326
Investment earnings	984	553
Total other revenue	<u>1,310</u>	<u>879</u>
Change in net assets	56,368	(3,863)
Net assets		
Beginning of year	<u>26,452</u>	<u>30,315</u>
End of year	<u>\$ 82,820</u>	<u>\$ 26,452</u>

CITY OF SAINT PETER

Municipal Wastewater Utility Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2008 and 2007

	2008	2007
Operating revenue		
Charges for services	\$ 3,016,030	\$ 3,070,492
Other	70,208	83,955
Total operating revenue	3,086,238	3,154,447
Operating expenses		
Biosolids		
Personal services	37,826	45,955
Repairs and maintenance	6,759	2,520
Supplies and materials	15,705	14,177
Utilities	38,539	33,149
Professional services	1,547	1,229
General and administrative	831	780
Total biosolids	101,207	97,810
Collector system		
Personal services	146,020	124,545
Repairs and maintenance	39,505	29,711
Supplies and materials	5,896	10,144
Utilities	26,261	26,915
Professional services	3,065	2,863
General and administrative	1,685	1,597
Total collector system	222,432	195,775
Source/treatment		
Personal services	271,732	256,757
Repairs and maintenance	79,502	56,357
Supplies and materials	158,316	135,078
Utilities	407,366	312,378
Professional services	56,250	53,937
General and administrative	28,017	26,629
Total source/treatment	1,001,183	841,136
General and administrative		
Personal services	53,335	51,518
Repairs and maintenance	3,709	3,647
Supplies and materials	10,186	10,320
Utilities	4,588	4,421
Professional services	9,337	9,286
General and administrative	20,743	23,395
Total general and administrative	101,898	102,587

(continued)

CITY OF SAINT PETER

Municipal Wastewater Utility Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets (continued)
 Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating expenses (continued)		
Customer accounts		
Personal services	20,768	19,680
Repairs and maintenance	1,316	1,144
Supplies and materials	913	3,240
Professional services	1,762	565
General and administrative	4,531	6,564
Bad debt expense	596	323
Total customer accounts	<u>29,886</u>	<u>31,516</u>
Depreciation	<u>790,098</u>	<u>832,897</u>
Total operating expenses	<u>2,246,704</u>	<u>2,101,721</u>
Operating income	839,534	1,052,726
Other revenue (expense)		
State and federal grants	352,119	1,048
Investment earnings	15,296	18,346
Interest expense	<u>(431,428)</u>	<u>(457,150)</u>
Total other revenue (expense)	<u>(64,013)</u>	<u>(437,756)</u>
Income before transfers	775,521	614,970
Transfers and contributions		
Capital contribution from governmental funds	411,604	-
Transfers (out)	<u>(207,496)</u>	<u>(211,277)</u>
Total transfers and contributions	<u>204,108</u>	<u>(211,277)</u>
Change in net assets	979,629	403,693
Net assets		
Beginning of year	<u>13,721,725</u>	<u>13,318,032</u>
End of year	<u>\$ 14,701,354</u>	<u>\$ 13,721,725</u>

CITY OF SAINT PETER

Heartland Transit Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenue		
Charges for services	\$ 59,835	\$ 54,658
Other	180	302
Total operating revenue	<u>60,015</u>	<u>54,960</u>
Operating expenses		
Personal services	207,012	194,189
Repairs and maintenance	16,435	12,171
Supplies and materials	26,012	14,519
Depreciation	19,986	19,737
Professional services	758	698
General and administrative	10,523	10,483
Total operating expenses	<u>280,726</u>	<u>251,797</u>
Operating loss	(220,711)	(196,837)
Other revenue		
State and federal grants	228,848	176,314
Investment earnings	91	228
Total other revenue	<u>228,939</u>	<u>176,542</u>
Change in net assets	8,228	(20,295)
Net assets		
Beginning of year	<u>37,768</u>	<u>58,063</u>
End of year	<u>\$ 45,996</u>	<u>\$ 37,768</u>

CITY OF SAINT PETER

Storm Water Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenue		
Charges for services	\$ 464,108	\$ 445,461
Other	1,886	5,190
Total operating revenue	<u>465,994</u>	<u>450,651</u>
Operating expenses		
Personal services	227,273	175,113
Repairs and maintenance	33,213	11,035
Supplies and materials	12,307	3,849
Utilities	3,742	3,641
Depreciation	146,317	117,498
Professional services	12,143	6,436
General and administrative	9,344	6,464
Bad debt expense	81	62
Total operating expenses	<u>444,420</u>	<u>324,098</u>
Operating income	21,574	126,553
Other revenue (expense)		
State and federal grants	60,874	43
Investment earnings	9,225	12,924
Interest expense	(7,066)	(7,736)
Total other revenue (expense)	<u>63,033</u>	<u>5,231</u>
Income before contributions	84,607	131,784
Contributions		
Capital contributions from governmental funds	<u>580,738</u>	-
Change in net assets	665,345	131,784
Net assets		
Beginning of year	<u>4,209,925</u>	<u>4,078,141</u>
End of year	<u>\$ 4,875,270</u>	<u>\$ 4,209,925</u>

CITY OF SAINT PETER

Telecommunications Conduit Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenue		
Charges for services	\$ 171,701	\$ 154,706
Operating expenses		
Repairs and maintenance	88	--
Depreciation	14,264	14,264
Professional services	72,844	1,447
Total operating expenses	<u>87,196</u>	<u>15,711</u>
Operating income	84,505	138,995
Other revenue		
Investment earnings	<u>848</u>	<u>778</u>
Income before transfers	85,353	139,773
Transfers		
Transfers out	<u>(97,000)</u>	<u>(154,706)</u>
Change in net assets	(11,647)	(14,933)
Net assets		
Beginning of year	<u>334,477</u>	<u>349,410</u>
End of year	<u>\$ 322,830</u>	<u>\$ 334,477</u>

CITY OF SAINT PETER

Long-Term Care Facility Fund
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets
 Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating revenue		
Other	\$ 947,172	\$ 582,132
Operating expenses		
Depreciation	221,528	202,984
General and administrative	7,934	7,935
Total operating expenses	<u>229,462</u>	<u>210,919</u>
Operating income	717,710	371,213
Other revenue (expense)		
Investment earnings	1,783	5,219
Interest expense	(827,584)	(735,712)
Total other revenue (expense)	<u>(825,801)</u>	<u>(730,493)</u>
Change in net assets	(108,091)	(359,280)
Net assets		
Beginning of year	<u>(420,199)</u>	<u>(60,919)</u>
End of year	<u>\$ (528,290)</u>	<u>\$ (420,199)</u>

CITY OF SAINT PETER

Medical Office Building Fund
Schedule of Revenue, Expenses, and Changes in Net Assets
Year Ended December 31, 2008

Operating revenue	
Other	\$ 1,500,000
Operating expenses	
Professional services	<u>9,701</u>
Operating income	1,490,299
Other revenue (expense)	
Investment earnings	5,957
Interest expense	<u>(24,763)</u>
Total other revenue (expense)	<u>(18,806)</u>
Change in net assets	1,471,493
Net assets	
Beginning of year	<u>-</u>
End of year	<u>\$ 1,471,493</u>

CITY OF SAINT PETER

Fiduciary Funds
 Combining Statement of Net Assets
 Private-Purpose Trust Funds
 as of December 31, 2008

	<u>Library Trust</u>	<u>Restricted Contributions Trusts</u>	<u>Total Private-Purpose Trusts</u>
Assets			
Cash and cash equivalents	\$ 11,837	\$ 52,356	\$ 64,193
Accounts receivable	—	21,399	21,399
Total assets	<u>\$ 11,837</u>	<u>\$ 73,755</u>	<u>\$ 85,592</u>
Liabilities			
Liabilities			
Accounts payable	<u>\$ —</u>	<u>\$ 4,164</u>	<u>\$ 4,164</u>
Net Assets			
Held in trust for private purposes	<u>\$ 11,837</u>	<u>\$ 69,591</u>	<u>\$ 81,428</u>

CITY OF SAINT PETER

Fiduciary Funds
 Combining Statement of Changes in Net Assets
 Private-Purpose Trust Funds
 Year Ended December 31, 2008

	<u>Library Trust</u>	<u>Restricted Contributions Trusts</u>	<u>Total Private-Purpose Trusts</u>
Additions			
Donations	\$ –	\$ 105,703	\$ 105,703
Investment earnings	302	325	627
Total additions	<u>302</u>	<u>106,028</u>	<u>106,330</u>
Deductions			
Administrative expenses	<u>–</u>	<u>109,236</u>	<u>109,236</u>
Changes in net assets	302	(3,208)	(2,906)
Net assets			
Beginning of year	<u>11,535</u>	<u>72,799</u>	<u>84,334</u>
End of year	<u>\$ 11,837</u>	<u>\$ 69,591</u>	<u>\$ 81,428</u>

CITY OF SAINT PETER

Fiduciary Funds
 Combining Statement of Net Assets
 Agency Funds
 as of December 31, 2008

	<u>DARE Program</u>	<u>Gambling Seizure</u>	<u>Youth Center</u>	<u>Flexible Benefit Plan</u>	<u>Total Agency Funds</u>
Assets					
Cash and cash equivalents	<u>\$ 13,170</u>	<u>\$ 1,507</u>	<u>\$ 4,352</u>	<u>\$ 281,731</u>	<u>\$ 300,760</u>
Liabilities					
Liabilities					
Refunds payable and others	<u>\$ 13,170</u>	<u>\$ 1,507</u>	<u>\$ 4,352</u>	<u>\$ 281,731</u>	<u>\$ 300,760</u>

SUPPLEMENTAL INFORMATION

(UNAUDITED)

CITY OF SAINT PETER
 General Fund Revenue by Source
 Last Ten Fiscal Years

Fiscal Year	Taxes	Licenses and Permits	Intergovernmental Revenue	Charges for Services	Fines and Forfeits	Other	Total
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
2008	1,255,059	202,839	2,350,643	355,319	94,737	154,279	4,412,876

CITY OF SAINT PETER

General Fund Expenditures by Function
Last Ten Fiscal Years

Fiscal Year	General Government	Public Safety	Public Works Administration	Highways and Streets	Parks and Recreation	Economic Development	Other	Capital Outlay	Total
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
2008	714,427	2,191,529	129,067	1,149,781	1,098,340	135,828	59,474	66,318	5,544,764

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