

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

**Annual Financial Report  
For the Year Ended  
December 31, 2011**

**Prepared by  
Finance Department**

**Paula O'Connell  
Director of Finance**

**Brenda Isley  
Accountant**

CITY OF SAINT PETER  
NICOLLET COUNTY, MINNESOTA

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NICOLLET COUNTY, MINNESOTA

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INTRODUCTORY SECTION

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

The annual financial report of the City of Saint Peter, Minnesota (the City) for the fiscal year ended December 31, 2011, 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 an MD&A. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

#### **THE REPORTING ENTITY AND ITS SERVICES**

In addition to the functions over which the City Council exerts direct financial control, the report includes all agencies and entities for which the City is considered to be financially accountable. These agencies and entities are considered component units of the City and include the River's Edge Hospital and Clinic 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, improvement and enhancement of city services and facilities. The City Council and staff have developed cooperative relationships with other entities such as Nicollet County, Independent School District No. 508, and Gustavus Adolphus College to find ways to enhance the quality of life in the City. These cooperative ventures have resulted in new public buildings, businesses, residences, and recreational facilities, which all serve to improve the high quality of life available in the City.

The crown jewel for new development in the community remains the North Industrial Park. Originally developed in 2003, the business park is anchored by the City-owned River's Edge Hospital, which opened for patients in 2004. In the spring of 2009, the City opened River's Edge Clinic, which is connected to River's Edge Hospital. The services offered on the hospital campus further expanded with the addition of a Mayo Health Clinic. Most recently, completed in 2010, was the construction of a 45+ unit senior housing facility that is interconnected to the hospital and operated by Benedictine Health Systems. A second senior housing facility, which is across the street from the Hospital Campus, owned by Second Century Housing, LLC (Ecumen) named Prairie Hill is now accepting residents and includes senior housing and memory care units. In addition, the Marshall Street cul du sac is the home of three new health related businesses in the last two years including Sioux Trails Mental Health Services, Shiloh's Hope (group home services) and Counseling Services of Southern Minnesota.

The Saint Peter Food Cooperative (the Cooperative) moved into the award winning, remodeled Nielsen Chevrolet building on Mulberry Street. After 30 years of business and 15 years at their previous location, the Cooperative invested \$3.1 million to purchase and renovate the former auto dealership into a retail grocery store. The move doubled the space of the Cooperative and allows for a greater variety of products.

In 2010, Creation Technologies, Inc. relocated their operations to a new 50,000 square foot manufacturing facility within the North Industrial Park. The facility, owned by Traverse des Sioux Enterprises, is leased to Creation Technologies. Creation Technologies, Inc. has increased employment greater than the 24 jobs that were committed during its first two full years in their new facility.

At the corner of Jefferson and Highway 169, a closed convenience store was purchased and was razed in early 2012. A new strip mall is being constructed on that site which will provide a major visual and business development improvement to this very prominent intersection.

There have also been some positive business transitions, which have reduced the number of vacant downtown storefronts to just one. This low vacancy rate is significantly better than that found in most other greater Minnesota communities. We continue to encourage upgrades, programs, and enhancements to the downtown storefronts.

The City is working on projects to create a new cross-town street for better traffic flow. A project on the south end of the City will create a new connection of Washington Avenue to State Highway 169 and provide better access to the State Regional Treatment Center. This project was under construction in 2011 and will be completed by July of 2012. A second project on the same corridor from Davis Street to Dodd Avenue will connect Washington Avenue to North Washington Avenue to complete the new cross-town street. This project, if approved by the Federal Highway Administration will likely be constructed in 2013 and 2014.

Master plans have been developed for the City's electric and water utilities. These plans will be utilized to help the City Council and staff identify future goals to ensure reliability, safety, and sustainability of our electric and water services.

**Quality Water for Today and the Future** – The City has reached the goal of building new water treatment facilities that not only meet the existing needs but will also accommodate future growth, and meets drinking water standards in order to provide a safe and reliable drinking water supply to the residents of the City. The new facility, located on Broadway Avenue, along with the rehabilitated St. Julien facility, is sized to meet demands and growth for the next 20 years. The Broadway Plant is also designed to allow for expansion should additional capacity be needed. Four new wells and four existing wells are connected to the facilities. The facilities utilize the latest reverse osmosis membrane filtration technology to purify the water to provide one of the upper Midwest's best water qualities. The Broadway Plant went online on March 30, 2011.

Electric underground transmission lines are being rerouted through the City to provide dual service capabilities to the City's substations, improving the reliability of the electric power supply to the City. A new electric substation is being constructed on the north end of the City to improve reliability of the City's electric supply during peak electric load conditions and to increase the electric supply capacity to meet the City's growth needs. Improvements are also being made at the City's two existing substations to improve electric reliability. The electric improvement project began construction in 2010 and will be fully operational by mid 2012.

## **FINANCIAL INFORMATION AND INTERNAL CONTROLS**

The City's 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 principles generally accepted in the United States of America as 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. Utility services continue to stretch out across our community, which brings additional customer service as well as the need for new technology. 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

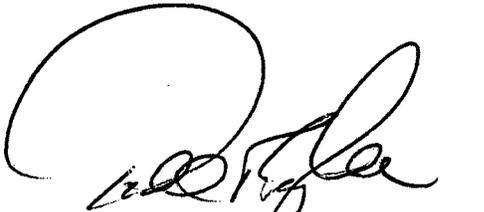
In addition to internal controls, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. Activities of the General Fund and special revenue funds are included 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.

## INDEPENDENT AUDIT

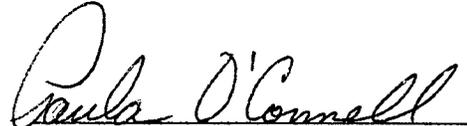
Minnesota Statutes require an annual audit by independent certified public accountants. In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and related Office of Management and Budget Circular A-133. 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 the Single Audit and internal controls are included in a separate document.

Respectfully submitted,



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Todd Prafke  
City Administrator



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Paula O'Connell  
Director of Finance

CITY OF SAINT PETER  
NICOLLET COUNTY, MINNESOTA

City Council and Other Officials  
Year Ended December 31, 2011

**CITY COUNCIL**

		<u>Term Expires December 31,</u>
Timothy Strand	Mayor	2013
Susan Carlin	Councilmember	2013
Ken Eichmann	Councilmember	2013
John Kvamme	Councilmember	2015
Jerry Pfeifer	Councilmember	2013
Kimberly Spriggs	Councilmember	2011
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

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, the discretely presented component units, 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, 2011, 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, 2010, and in our report dated June 28, 2011, 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 \$25,092,126 and \$17,373,496, respectively, as of and for the year ended December 31, 2011. They also include the financial statements of the Housing and Redevelopment Authority (HRA), whose statement reflects total assets and expenses of \$1,509,189 and \$341,503, respectively, as of and for the year ended March 31, 2011. 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. The financial statements of River's Edge Hospital and Clinic were not audited in accordance with *Government Auditing Standards*. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, provides 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, 2011, and the respective changes in financial position and cash flows, where applicable thereof, 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)

As discussed in Note 1 of the notes to basic financial statements, the City has implemented the Governmental Accounting Standards Board (GASB) Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" during the year ended December 31, 2011.

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, 2010, from which such partial information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2012 DATE, 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 that 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and the required supplementary information, which follows the notes to basic financial statements, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The introductory section, combining and individual fund statements and schedules, and supplemental information, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying and accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section and supplemental information have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

June 18, 2012

## CITY OF SAINT PETER

### Management's Discussion and Analysis Year Ended December 31, 2011

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, 2011. 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 \$82,262,782 (*net assets*). Of this amount, \$10,629,790 (*unrestricted net assets*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The primary government's total net assets decreased by \$1,799,870.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,850,439, a decrease of \$500,492 in comparison with the prior year. Of this total, \$2,457,701 is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, the fund balance for the General Fund was \$3,397,334, or 58.7 percent, of General Fund 2012 budgeted expenditures, up from the beginning of the year, which reflected 57.5 percent.
- Total primary government long-term liabilities decreased by \$1,363,011.

#### 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 Clinic 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 33 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 major funds. 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. Additional information on nonmajor funds can be found in the combining and individual fund statements and schedules section.

## **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 \$82,262,782 at the close of the most recent fiscal year. This is a decrease in net assets of \$1,799,870 from the prior fiscal year.

## City of Saint Peter's Net Assets

<b>Summary of Net Assets as of December 31, 2011 and 2010</b>						
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
<b>Assets</b>						
Current and other assets	\$ 12,762,818	\$ 12,524,444	\$ 12,778,238	\$ 13,783,314	\$ 25,541,056	\$ 26,307,758
Capital assets	<u>27,663,223</u>	<u>30,727,876</u>	<u>100,738,316</u>	<u>100,569,974</u>	<u>128,401,539</u>	<u>131,297,850</u>
<b>Total assets</b>	<u>\$ 40,426,041</u>	<u>\$ 43,252,320</u>	<u>\$ 113,516,554</u>	<u>\$ 114,353,288</u>	<u>\$ 153,942,595</u>	<u>\$ 157,605,608</u>
<b>Liabilities</b>						
Long-term debt liabilities	\$ 8,404,723	\$ 9,544,375	\$ 59,601,537	\$ 59,824,896	\$ 68,006,260	\$ 69,369,271
Other liabilities	<u>1,788,544</u>	<u>1,012,375</u>	<u>1,885,009</u>	<u>3,161,310</u>	<u>3,673,553</u>	<u>4,173,685</u>
<b>Total liabilities</b>	<u>\$ 10,193,267</u>	<u>\$ 10,556,750</u>	<u>\$ 61,486,546</u>	<u>\$ 62,986,206</u>	<u>\$ 71,679,813</u>	<u>\$ 73,542,956</u>
<b>Net assets</b>						
Invested in capital assets, net of related debt	\$ 20,130,564	\$ 21,518,399	\$ 43,936,523	\$ 41,465,453	\$ 64,067,087	\$ 62,983,852
Restricted	6,293,170	7,165,093	1,632,735	1,570,995	7,925,905	8,736,088
Unrestricted	<u>3,809,040</u>	<u>4,012,078</u>	<u>6,460,750</u>	<u>8,330,634</u>	<u>10,269,790</u>	<u>12,342,712</u>
<b>Total net assets</b>	<u>\$ 30,232,774</u>	<u>\$ 32,695,570</u>	<u>\$ 52,030,008</u>	<u>\$ 51,367,082</u>	<u>\$ 82,262,782</u>	<u>\$ 84,062,652</u>

By far, the largest portion of the City's net assets (77.9 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 (9.6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (12.5 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 \$2,462,796. Elements of this change are seen in the table below:

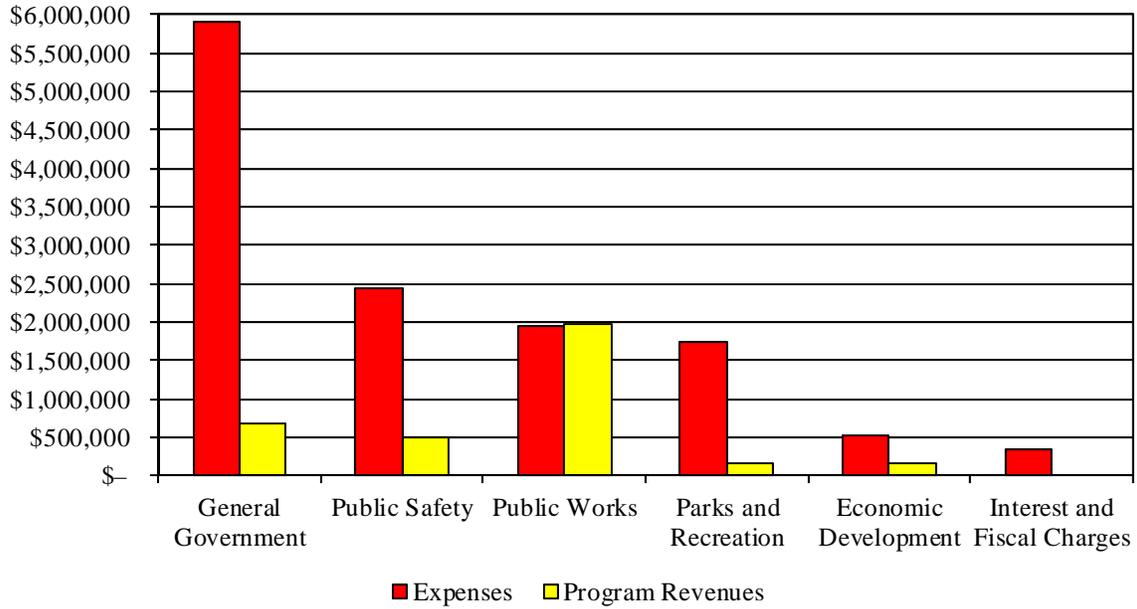
**City of Saint Peter’s Change in Net Assets**

	Change in Net Assets for the Years Ended December 31, 2011 and 2010					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,147,146	\$ 1,139,715	\$ 19,681,347	\$ 18,212,978	\$ 20,828,493	\$ 19,352,693
Operating grants and contributions	259,742	247,833	396,742	203,888	656,484	451,721
Capital grants and contributions	2,057,494	1,392,143	–	–	2,057,494	1,392,143
General revenues						
Taxes	2,544,562	2,699,655	–	–	2,544,562	2,699,655
Grants and contributions not restricted to specific programs	2,658,545	2,625,153	–	–	2,658,545	2,625,153
Gain on sale of asset	–	–	15,000	–	15,000	–
Other	214,154	193,581	100,695	175,032	314,849	368,613
Total revenues	<u>8,881,643</u>	<u>8,298,080</u>	<u>20,193,784</u>	<u>18,591,898</u>	<u>29,075,427</u>	<u>26,889,978</u>
<b>Expenses</b>						
General government	5,913,176	1,365,379	–	–	5,913,176	1,365,379
Public safety	2,444,982	2,416,244	–	–	2,444,982	2,416,244
Public works	1,940,707	1,617,306	–	–	1,940,707	1,617,306
Parks and recreation	1,728,040	1,419,589	–	–	1,728,040	1,419,589
Economic development	521,741	932,456	–	–	521,741	932,456
Interest and fiscal charges	330,985	394,206	–	–	330,985	394,206
Electric	–	–	9,835,101	9,397,141	9,835,101	9,397,141
Water	–	–	2,638,840	1,697,463	2,638,840	1,697,463
Environmental services	–	–	674,261	643,048	674,261	643,048
Wastewater	–	–	2,837,925	2,836,726	2,837,925	2,836,726
Transit	–	–	297,412	286,001	297,412	286,001
Storm water	–	–	461,177	415,085	461,177	415,085
Telecommunications conduit	–	–	14,264	14,505	14,264	14,505
Long-term care facility	–	–	812,286	1,021,600	812,286	1,021,600
Medical office building	–	–	424,400	357,481	424,400	357,481
Total expenses	<u>12,879,631</u>	<u>8,145,180</u>	<u>17,995,666</u>	<u>16,669,050</u>	<u>30,875,297</u>	<u>24,814,230</u>
Change in net assets before transfers	(3,997,988)	152,900	2,198,118	1,922,848	(1,799,870)	2,075,748
Transfers						
Transfers	<u>1,535,192</u>	<u>2,184,284</u>	<u>(1,535,192)</u>	<u>(2,184,284)</u>	<u>–</u>	<u>–</u>
Change in net assets	(2,462,796)	2,337,184	662,926	(261,436)	(1,799,870)	2,075,748
Net assets – beginning	<u>32,695,570</u>	<u>30,358,386</u>	<u>51,367,082</u>	<u>51,628,518</u>	<u>84,062,652</u>	<u>81,986,904</u>
Net assets – ending	<u>\$ 30,232,774</u>	<u>\$ 32,695,570</u>	<u>\$ 52,030,008</u>	<u>\$ 51,367,082</u>	<u>\$ 82,262,782</u>	<u>\$ 84,062,652</u>

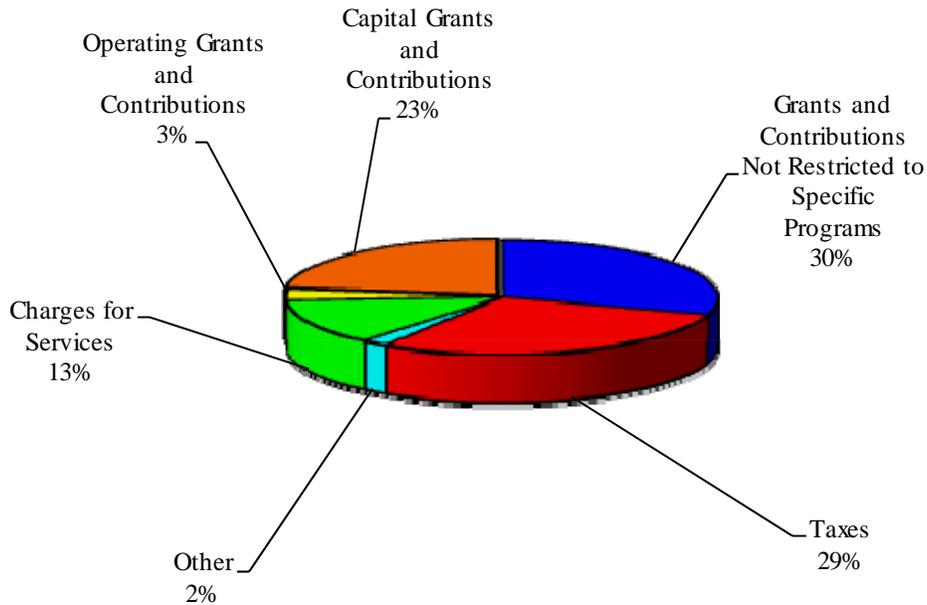
The significant increase in general government expenses in fiscal 2011 is due to the demolition of the old hospital and nursing home facility owned by the City. This caused a loss on disposal of capital assets totaling about \$4,350,000.

The increase in charges for services in the business-type activities was due to a combination of rate increases in these funds and increased consumption by customers. The increase in water expenses is related to the new water treatment facility that opened in fiscal 2011.

### Expenses and Program Revenues – Governmental Activities



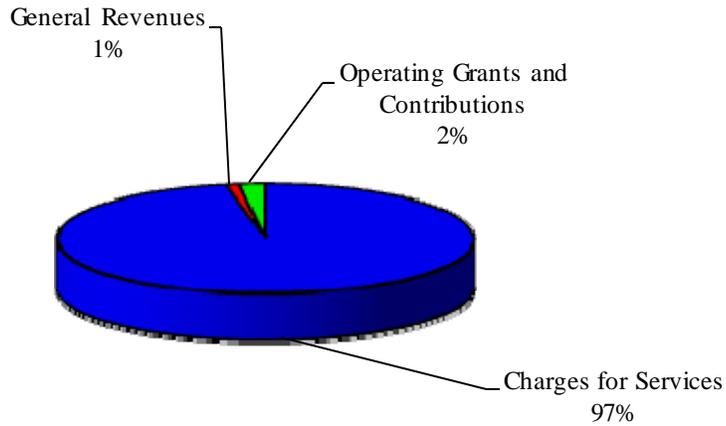
### Revenues by Source – Governmental Activities



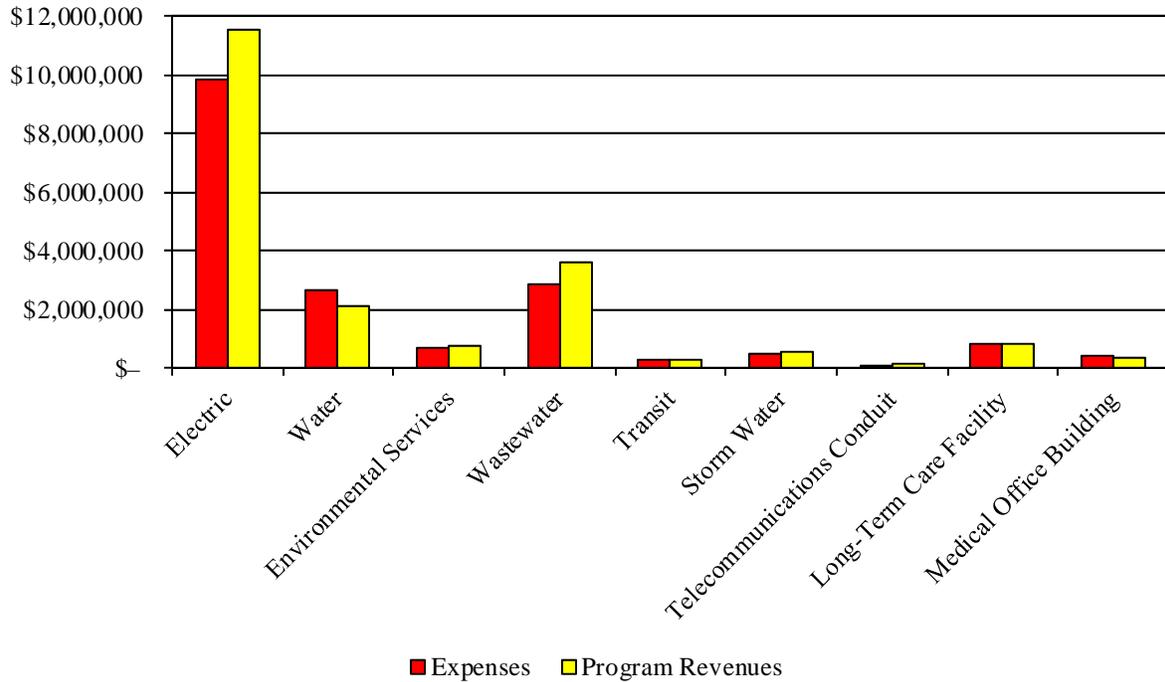
It is important to note these revenues exclude transfers received from other funds.

**Business-Type Activities** – Business-type activities increased the City’s net assets by \$662,926. As it shows in the graphs, these funds are supported by rates collected from users.

**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, 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 \$6,850,439, a decrease of \$500,492 in comparison with the prior year. Of this total amount, \$2,457,701 constitutes unassigned fund balance, which is available for spending at the government's discretion.

**General Fund** – The General Fund is the chief operating fund of the City. At the end of the current fiscal year, fund balance of the General Fund was \$3,397,334, a decrease of \$122,184. As a measure of the General Fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Fund balance represents 58.7 percent of total General Fund 2012 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
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
2009	5,485,688	2,050,652	37.4
2010	5,394,036	2,325,697	43.1
2011	6,119,576	3,519,518	57.5
Budgeted 2012	5,787,268	3,397,334	58.7

The fund balance of the General Fund decreased by \$122,184 to a balance of \$3,397,334. This balance represents approximately 153 working days (30 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 \$1,873,775 at January 1, 2003 to \$3,397,334 as of December 31, 2011, an increase of \$1,523,559 in nine years. In the 2012 budget, the fund balance is projected to stay at 58.7 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.

**Capital Projects – Permanent Improvement Fund** – This fund experienced expenditures in excess of revenues of \$65,023 mainly related to capital projects exceeding available revenue sources.

**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, expenditures and transfers out exceeded revenues and transfers in and decreased the City’s fund balance by \$122,184.

Total General Fund expenditures were over budget in 2011 by \$285,552. Expenditures were over budget mainly due to the demolition of the old hospital and nursing home facility which exceeded projections by about \$240,000. Street repairs and improvements also exceeded budgeted amounts by about \$100,000.

**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, 2011 amounts to \$128,401,539 (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 decrease in the City’s investment in capital assets for the current fiscal year was \$2,896,311 (a 9.97 percent decrease for governmental activities and 0.17 percent increase for business-type activities).

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

- Major street improvements
- Water system improvements and treatment facility construction
- New electrical substation
- Removal of old hospital and nursing home building

**City of Saint Peter’s Capital Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 1,632,289	\$ 1,632,289	\$ 976,861	\$ 976,861	\$ 2,609,150	\$ 2,609,150
Land improvements	616,114	616,114	–	–	616,114	616,114
Buildings and improvements	17,097,119	22,149,826	57,974,988	33,097,130	75,072,107	55,246,956
Utility plant and infrastructure	10,693,203	10,349,948	55,801,839	66,018,315	66,495,042	76,368,263
Machinery and equipment	5,683,024	5,358,877	10,545,447	6,628,480	16,228,471	11,987,357
Construction in progress	2,047,527	439,062	3,068,194	19,143,376	5,115,721	19,582,438
Less accumulated depreciation	(10,106,053)	(9,818,240)	(27,629,013)	(25,294,188)	(37,735,066)	(35,112,428)
<b>Total</b>	<b>\$ 27,663,223</b>	<b>\$ 30,727,876</b>	<b>\$ 100,738,316</b>	<b>\$ 100,569,974</b>	<b>\$ 128,401,539</b>	<b>\$ 131,297,850</b>

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 \$68,006,260.

### City of Saint Peter’s Long-Term Liabilities

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 7,185,489	\$ 8,136,305	\$ –	\$ –	\$ 7,185,489	\$ 8,136,305
General obligation equipment certificates	811,700	967,000	–	–	811,700	967,000
General obligation notes payable	–	–	29,181,727	29,675,100	29,181,727	29,675,100
Notes payable	79,999	106,172	–	–	79,999	106,172
Utility revenue bonds	–	–	16,646,600	16,092,390	16,646,600	16,092,390
Long-term care facility revenue bonds and notes	–	–	13,453,915	13,734,569	13,453,915	13,734,569
Compensated absences	327,535	334,898	319,295	322,837	646,830	657,735
Total	<u>\$ 8,404,723</u>	<u>\$ 9,544,375</u>	<u>\$ 59,601,537</u>	<u>\$ 59,824,896</u>	<u>\$ 68,006,260</u>	<u>\$ 69,369,271</u>

There was a decrease in the City’s total long-term liabilities of \$1,363,011, 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 December 31, 2011, the total market value was \$483,721,000, producing an allowable debt of \$14,511,630. The City’s net debt for general obligation bonds as of December 31, 2011 is \$657,975, which is 4.5 percent of the total allowable debt. The net debt per capita for general obligation bonds equaled \$59 in 2011.

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, Municipal Building, Saint Peter, Minnesota 56082.

**BASIC FINANCIAL STATEMENTS**

## CITY OF SAINT PETER

Statement of Net Assets  
as of December 31, 2011

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	River's Edge Hospital and Clinic	Housing and Redevelopment Authority
<b>Assets</b>					
Cash and investments	\$ 6,596,978	\$ 4,518,800	\$ 11,115,778	\$ 5,175,504	\$ 538,622
Receivables (net of allowance)					
Accounts	89,154	1,815,560	1,904,714	1,912,470	48,501
Interest	8,085	22,151	30,236	-	-
Special assessments	967,957	372,989	1,340,946	-	-
Notes	3,175,843	67,323	3,243,166	-	-
Due from other governmental units	705,818	65,503	771,321	-	-
Internal balances	66,497	(66,497)	-	-	-
Deferred charges	-	385,449	385,449	281,075	-
Inventory	5,338	940,167	945,505	327,450	-
Prepaid items	2,581	910	3,491	226,039	4,725
Assets held for resale	1,144,567	-	1,144,567	-	-
Other assets	-	-	-	281,058	-
<b>Restricted assets – temporarily restricted</b>					
Cash and investments for debt service	-	4,655,883	4,655,883	-	-
Cash and investments for River's Edge Hospital and Clinic	-	-	-	6,849,798	-
<b>Capital assets</b>					
Land	1,632,289	976,861	2,609,150	28,886	67,938
Land improvements	616,114	-	616,114	1,156,850	-
Buildings and improvements	17,097,119	57,974,988	75,072,107	7,128,336	2,446,339
Utility plant and infrastructure	10,693,203	55,801,839	66,495,042	-	-
Machinery and equipment	5,683,024	10,545,447	16,228,471	11,410,812	444,046
Construction in progress	2,047,527	3,068,194	5,115,721	-	-
Less accumulated depreciation	(10,106,053)	(27,629,013)	(37,735,066)	(9,686,152)	(2,040,982)
Total capital assets, net of depreciation	27,663,223	100,738,316	128,401,539	10,038,732	917,341
<b>Total assets</b>	<b>\$ 40,426,041</b>	<b>\$ 113,516,554</b>	<b>\$ 153,942,595</b>	<b>\$ 25,092,126</b>	<b>\$ 1,509,189</b>
<b>Liabilities</b>					
Accounts and contracts payable	\$ 508,022	\$ 1,153,905	\$ 1,661,927	\$ 488,264	\$ 58,024
Salaries and withholdings payable	74,572	9,532	84,104	906,842	10,849
Accrued interest payable	98,883	513,786	612,669	158,792	-
Customer deposits	-	113,900	113,900	-	15,221
Due to other governmental units	-	44,479	44,479	-	36,474
Unearned revenue	1,107,067	49,407	1,156,474	-	289
<b>Long-term liabilities</b>					
Due within one year	1,424,617	4,153,717	5,578,334	475,000	-
Due in more than one year	6,980,106	55,447,820	62,427,926	13,188,211	-
Total long-term liabilities	8,404,723	59,601,537	68,006,260	13,663,211	-
<b>Total liabilities</b>	<b>10,193,267</b>	<b>61,486,546</b>	<b>71,679,813</b>	<b>15,217,109</b>	<b>120,857</b>
<b>Net assets</b>					
Invested in capital assets, net of related debt	20,130,564	43,936,523	64,067,087	(3,343,404)	917,341
<b>Restricted for</b>					
Debt service	515,150	1,168,228	1,683,378	-	-
Revolving loans	4,367,396	-	4,367,396	-	-
Capital replacement	1,410,624	464,507	1,875,131	-	-
Unrestricted	3,809,040	6,460,750	10,269,790	13,218,421	470,991
Total net assets	30,232,774	52,030,008	82,262,782	9,875,017	1,388,332
<b>Total liabilities and net assets</b>	<b>\$ 40,426,041</b>	<b>\$ 113,516,554</b>	<b>\$ 153,942,595</b>	<b>\$ 25,092,126</b>	<b>\$ 1,509,189</b>

See notes to basic financial statements

CITY OF SAINT PETER  
Statement of Activities  
Year Ended December 31, 2011

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 and Clinic	Housing and Redevelopment Authority
<b>Primary government</b>									
<b>Governmental activities</b>									
General government	\$ 5,913,176	\$ 564,237	\$ 109,312	\$ -	\$ (5,239,627)	\$ -	\$ (5,239,627)	\$ -	\$ -
Public safety	2,444,982	359,058	137,431	-	(1,948,493)	-	(1,948,493)	-	-
Public works	1,940,707	1,072	-	1,971,839	32,204	-	32,204	-	-
Parks and recreation	1,728,040	158,885	-	-	(1,569,155)	-	(1,569,155)	-	-
Economic development	521,741	63,894	12,999	85,655	(359,193)	-	(359,193)	-	-
Interest and fiscal charges	330,985	-	-	-	(330,985)	-	(330,985)	-	-
<b>Total governmental activities</b>	<b>\$ 12,879,631</b>	<b>\$ 1,147,146</b>	<b>\$ 259,742</b>	<b>\$ 2,057,494</b>	<b>(9,415,249)</b>	<b>-</b>	<b>(9,415,249)</b>	<b>-</b>	<b>-</b>
<b>Business-type activities</b>									
Electric	\$ 9,835,101	\$ 11,364,529	\$ 145,860	\$ -	-	1,675,288	1,675,288	-	-
Water	2,638,840	2,134,939	756	-	-	(503,145)	(503,145)	-	-
Environmental services	674,261	734,790	326	-	-	60,855	60,855	-	-
Wastewater	2,837,925	3,583,727	21,000	-	-	766,802	766,802	-	-
Transit	297,412	80,972	212,307	-	-	(4,133)	(4,133)	-	-
Storm water	461,177	502,293	16,493	-	-	57,609	57,609	-	-
Telecommunications conduit	14,264	147,182	-	-	-	132,918	132,918	-	-
Long-term care facility	812,286	783,792	-	-	-	(28,494)	(28,494)	-	-
Medical office building	424,400	349,123	-	-	-	(75,277)	(75,277)	-	-
<b>Total business-type activities</b>	<b>17,995,666</b>	<b>19,681,347</b>	<b>396,742</b>	<b>-</b>	<b>-</b>	<b>2,082,423</b>	<b>2,082,423</b>	<b>-</b>	<b>-</b>
<b>Total primary government</b>	<b>\$ 30,875,297</b>	<b>\$ 20,828,493</b>	<b>\$ 656,484</b>	<b>\$ 2,057,494</b>	<b>(9,415,249)</b>	<b>2,082,423</b>	<b>(7,332,826)</b>	<b>-</b>	<b>-</b>
<b>Component units</b>									
River's Edge Hospital and Clinic	\$ 17,373,496	\$ 16,776,602	\$ 17,191	\$ -	-	-	-	(579,703)	-
Housing and Redevelopment Authority	341,503	168,101	51,008	122,549	-	-	-	-	155
<b>Total component units</b>	<b>\$ 17,714,999</b>	<b>\$ 16,944,703</b>	<b>\$ 68,199</b>	<b>\$ 122,549</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(579,703)</b>	<b>155</b>
<b>General revenues</b>									
Taxes					2,544,562	-	2,544,562	-	-
Grants and contributions not restricted to specific programs					2,658,545	-	2,658,545	-	-
Other general revenues					169,587	-	169,587	388,310	29,161
Investment earnings					44,567	100,695	145,262	61,325	1,622
Gain on sale of assets					-	15,000	15,000	-	-
Transfers					1,535,192	(1,535,192)	-	-	-
<b>Total general revenues and transfers</b>					<b>6,952,453</b>	<b>(1,419,497)</b>	<b>5,532,956</b>	<b>449,635</b>	<b>30,783</b>
<b>Change in net assets</b>					<b>(2,462,796)</b>	<b>662,926</b>	<b>(1,799,870)</b>	<b>(130,068)</b>	<b>30,938</b>
<b>Net assets – beginning</b>					<b>32,695,570</b>	<b>51,367,082</b>	<b>84,062,652</b>	<b>10,005,085</b>	<b>1,357,394</b>
<b>Net assets – ending</b>					<b>\$ 30,232,774</b>	<b>\$ 52,030,008</b>	<b>\$ 82,262,782</b>	<b>\$ 9,875,017</b>	<b>\$ 1,388,332</b>

See notes to basic financial statements

CITY OF SAINT PETER

Balance Sheet  
 Governmental Funds  
 as of December 31, 2011  
 (With Partial Comparative Information as of December 31, 2010)

	Capital Projects –			Total Governmental Funds	
	General	Permanent Improvement	Nonmajor	2011	2010
<b>Assets</b>					
Cash and investments					
Unrestricted	\$ 3,539,155	\$ 224,686	\$ 2,833,137	\$ 6,596,978	\$ 6,353,199
Restricted for employee insurance benefits	–	–	–	–	271,045
Receivables					
Accounts	59,969	4,506	24,679	89,154	84,097
Interest	8,085	–	–	8,085	2,604
Delinquent taxes	63,929	–	8,440	72,369	76,277
Delinquent special assessments	1,040	2,285	272,216	275,541	186,127
Deferred special assessments	13,086	194,896	484,434	692,416	931,211
Notes	231,540	16,347	2,927,956	3,175,843	3,083,864
Due from other funds	445,736	–	155,742	601,478	428,880
Due from other governmental units	37,977	592,724	2,748	633,449	385,746
Inventory	5,338	–	–	5,338	5,499
Prepaid items	2,247	–	334	2,581	208
Assets held for resale	–	–	1,144,567	1,144,567	1,144,567
<b>Total assets</b>	<b>\$ 4,408,102</b>	<b>\$ 1,035,444</b>	<b>\$ 7,854,253</b>	<b>\$ 13,297,799</b>	<b>\$ 12,953,324</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts and contracts payable	\$ 160,800	\$ 103,583	\$ 243,639	\$ 508,022	\$ 153,796
Salaries and withholdings payable	74,572	–	–	74,572	275,838
Due to other funds	–	–	534,981	534,981	428,880
Deferred revenue	308,121	213,528	3,701,069	4,222,718	4,276,604
Unearned revenue	467,275	639,792	–	1,107,067	467,275
<b>Total liabilities</b>	<b>1,010,768</b>	<b>956,903</b>	<b>4,479,689</b>	<b>6,447,360</b>	<b>5,602,393</b>
<b>Fund balances (deficit)</b>					
Nonspendable	7,585	–	–	7,585	5,707
Restricted	–	78,541	3,090,054	3,168,595	3,517,163
Committed	–	–	826,611	826,611	593,952
Assigned	389,947	–	–	389,947	600,640
Unassigned	2,999,802	–	(542,101)	2,457,701	2,633,469
<b>Total fund balances</b>	<b>3,397,334</b>	<b>78,541</b>	<b>3,374,564</b>	<b>6,850,439</b>	<b>7,350,931</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,408,102</b>	<b>\$ 1,035,444</b>	<b>\$ 7,854,253</b>	<b>\$ 13,297,799</b>	<b>\$ 12,953,324</b>

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, 2011

Total fund balances – governmental funds \$ 6,850,439

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	37,769,276
Less accumulated depreciation	(10,106,053)

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	(8,077,188)
Compensated absences	(327,535)

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. (98,883)

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. 4,222,718

Total net assets – governmental activities \$ 30,232,774

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, 2011  
 (With Partial Comparative Information for the Year Ended December 31, 2010)

	Capital Projects –			Total Governmental Funds	
	General	Permanent Improvement	Nonmajor Funds	2011	2010
<b>Revenue</b>					
<b>Taxes</b>					
Property taxes and tax increments	\$ 1,021,425	\$ –	\$ 1,577,611	\$ 2,599,036	\$ 2,593,490
Other taxes	76,865	–	45,402	122,267	119,547
Licenses and permits	149,243	–	–	149,243	308,040
Intergovernmental	2,776,464	1,880,212	91,262	4,747,938	3,125,651
Special assessments	–	15,874	68,215	84,089	136,873
Charges for services	334,542	–	–	334,542	395,299
Fines and forfeitures	81,530	–	–	81,530	80,067
Investment earnings	29,867	2,550	12,150	44,567	63,991
Other	118,583	17,505	984,309	1,120,397	1,099,659
<b>Total revenue</b>	<b>4,588,519</b>	<b>1,916,141</b>	<b>2,778,949</b>	<b>9,283,609</b>	<b>7,922,617</b>
<b>Expenditures</b>					
<b>Current</b>					
General government	1,038,668	–	372,767	1,411,435	1,170,226
Public safety	2,331,147	–	–	2,331,147	2,298,125
Public works	1,220,575	–	–	1,220,575	1,108,975
Parks and recreation	1,115,507	–	305,038	1,420,545	1,076,478
Economic development	118,043	–	424,203	542,246	261,342
Other	126,015	–	403,698	529,713	605,183
Capital outlay	122,865	1,981,164	355,869	2,459,898	916,650
Debt service					
Principal	–	–	1,227,089	1,227,089	918,831
Interest and fiscal charges	–	–	347,568	347,568	402,575
<b>Total expenditures</b>	<b>6,072,820</b>	<b>1,981,164</b>	<b>3,436,232</b>	<b>11,490,216</b>	<b>8,758,385</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>(1,484,301)</b>	<b>(65,023)</b>	<b>(657,283)</b>	<b>(2,206,607)</b>	<b>(835,768)</b>
<b>Other financing sources (uses)</b>					
Debt issued	–	–	94,800	94,800	249,752
Discount on debt issued	–	–	–	–	(8,142)
Refunded bond escrow payments	–	–	–	–	(2,200,000)
Proceeds from sale of assets	–	–	76,123	76,123	2,000
Transfers in	1,408,873	–	640,439	2,049,312	2,920,223
Transfers (out)	(46,756)	–	(467,364)	(514,120)	(651,786)
<b>Total other financing sources (uses)</b>	<b>1,362,117</b>	<b>–</b>	<b>343,998</b>	<b>1,706,115</b>	<b>312,047</b>
<b>Net change in fund balances</b>	<b>(122,184)</b>	<b>(65,023)</b>	<b>(313,285)</b>	<b>(500,492)</b>	<b>(523,721)</b>
<b>Fund balances</b>					
Beginning of year, as restated	3,519,518	143,564	3,687,849	7,350,931	7,874,652
End of year	<u>\$ 3,397,334</u>	<u>\$ 78,541</u>	<u>\$ 3,374,564</u>	<u>\$ 6,850,439</u>	<u>\$ 7,350,931</u>

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, 2011

Total net change in fund balances – governmental funds \$ (500,492)

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

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

Capital outlays	2,400,994
Depreciation expense	(1,118,962)

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.

(4,346,685)

The amount of bond proceeds 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.

(94,800)

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

1,227,089

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.

7,363

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.

16,583

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.

(53,886)

Change in net assets – governmental activities

\$ (2,462,796)

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, 2011

	Original and Final Budget	Actual	Over (Under) Final Budget
<b>Revenue</b>			
Property taxes	\$ 1,185,124	\$ 1,021,425	\$ (163,699)
Other taxes	71,500	76,865	5,365
Licenses and permits	202,744	149,243	(53,501)
Intergovernmental	2,601,255	2,776,464	175,209
Charges for services	298,850	334,542	35,692
Fines and forfeitures	83,000	81,530	(1,470)
Investment earnings	45,500	29,867	(15,633)
Other	57,022	118,583	61,561
Total revenue	<u>4,544,995</u>	<u>4,588,519</u>	<u>43,524</u>
<b>Expenditures</b>			
Current			
General government	811,283	1,038,668	227,385
Public safety	2,413,527	2,331,147	(82,380)
Public works	1,104,507	1,220,575	116,068
Parks and recreation	1,198,361	1,115,507	(82,854)
Economic development	125,840	118,043	(7,797)
Other	48,550	126,015	77,465
Capital outlay	85,200	122,865	37,665
Total expenditures	<u>5,787,268</u>	<u>6,072,820</u>	<u>285,552</u>
Excess (deficiency) of revenues over expenditures	(1,242,273)	(1,484,301)	(242,028)
<b>Other financing sources (uses)</b>			
Transfers in	1,318,573	1,408,873	90,300
Transfers (out)	—	(46,756)	(46,756)
Total other financing sources (uses)	<u>1,318,573</u>	<u>1,362,117</u>	<u>43,544</u>
Net change in fund balances	<u>\$ 76,300</u>	<u>(122,184)</u>	<u>\$ (198,484)</u>
<b>Fund balances</b>			
Beginning of year, as restated		<u>3,519,518</u>	
End of year		<u>\$ 3,397,334</u>	

See notes to basic financial statements

CITY OF SAINT PETER

Statement of Net Assets  
Enterprise Funds  
as of December 31, 2011  
(With Partial Comparative Information as of December 31, 2010)

	Electric	Water	Environmental Services	Wastewater	Heartland Transit	Storm Water	Telecommunications Conduit	Long-Term Care Facility	Medical Office Building	Totals	
										2011	2010
<b>Assets</b>											
<b>Current assets</b>											
Cash and investments – unrestricted	\$ 1,014,158	1,478,042	\$ 281,400	\$ 801,714	\$ –	\$ 656,888	\$ –	\$ 14,324	\$ 272,274	\$ 4,518,800	\$ 8,861,081
Receivables											
Accounts (net of allowance)	995,732	259,970	78,837	367,588	11,917	48,181	36,244	–	17,091	1,815,560	1,685,164
Interest	22,151	–	–	–	–	–	–	–	–	22,151	15,128
Special assessments	–	90,771	597	267,286	–	14,335	–	–	–	372,989	451,975
Notes	67,323	–	–	–	–	–	–	–	–	67,323	81,154
Due from other funds	–	–	–	–	–	–	–	–	–	–	60,144
Due from other governmental units	110	19,294	234	827	44,646	392	–	–	–	65,503	277,930
Inventory	851,317	68,368	–	12,876	–	–	7,606	–	–	940,167	844,692
Prepaid items	–	–	40	–	–	870	–	–	–	910	424
Total current assets	2,950,791	1,916,445	361,108	1,450,291	56,563	720,666	43,850	14,324	289,365	7,803,403	12,277,692
<b>Noncurrent assets</b>											
Cash and investments – restricted	3,156,428	1,392,655	–	–	–	–	–	106,800	–	4,655,883	1,168,228
<b>Capital assets</b>											
Land	34,420	88,835	–	853,606	–	–	–	–	–	976,861	976,861
Building and improvements	3,169,935	14,332,168	–	23,899,008	–	–	–	10,836,345	5,737,532	57,974,988	33,097,130
Utility plant and infrastructure	23,037,963	15,170,511	–	10,946,269	–	6,219,164	427,932	–	–	55,801,839	66,018,315
Machinery and equipment	4,071,636	4,997,653	155,526	994,511	249,439	76,682	–	–	–	10,545,447	6,628,480
Construction in progress	3,021,650	14,117	3,469	10,232	–	18,726	–	–	–	3,068,194	19,143,376
Less accumulated depreciation	(10,756,796)	(5,795,043)	(142,450)	(7,825,883)	(196,783)	(1,426,126)	(159,583)	(1,089,097)	(237,252)	(27,629,013)	(25,294,188)
Total capital assets (net of accumulated depreciation)	22,578,808	28,808,241	16,545	28,877,743	52,656	4,888,446	268,349	9,747,248	5,500,280	100,738,316	100,569,974
Unamortized bond discount	92,961	33,423	–	1,294	–	833	–	238,580	18,358	385,449	397,538
Total noncurrent assets	25,828,197	30,234,319	16,545	28,879,037	52,656	4,889,279	268,349	10,092,628	5,518,638	105,779,648	102,135,740
<b>Total assets</b>	<b>\$ 28,778,988</b>	<b>\$ 32,150,764</b>	<b>\$ 377,653</b>	<b>\$ 30,329,328</b>	<b>\$ 109,219</b>	<b>\$ 5,609,945</b>	<b>\$ 312,199</b>	<b>\$ 10,106,952</b>	<b>\$ 5,808,003</b>	<b>\$ 113,583,051</b>	<b>\$ 114,413,432</b>
<b>Liabilities and Net Assets</b>											
<b>Current liabilities</b>											
Accounts and contracts payable	\$ 849,364	\$ 133,812	\$ 56,040	\$ 88,399	\$ 6,637	\$ 16,137	\$ –	\$ –	\$ 3,516	\$ 1,153,905	\$ 2,377,156
Salaries and withholdings payable	–	9,532	–	–	–	–	–	–	–	9,532	9,959
Accrued interest payable	139,540	212,868	–	104,446	–	4,938	–	3,800	48,194	513,786	430,396
Customer deposits	113,900	–	–	–	–	–	–	–	–	113,900	111,900
Due to other governmental units	33,150	7,463	3,701	149	–	16	–	–	–	44,479	38,319
Unearned revenue	–	9,832	–	–	–	39,575	–	–	–	49,407	193,580
Due to other funds	–	–	–	–	30,859	–	35,638	–	–	66,497	60,144
Long-term liabilities due within one year	580,443	1,946,766	13,566	1,173,340	8,685	119,515	–	246,402	65,000	4,153,717	2,393,498
Total current liabilities	1,716,397	2,320,273	73,307	1,366,334	46,181	180,181	35,638	250,202	116,710	6,105,223	5,614,952
Long-term liabilities, less current portion above	10,318,357	18,906,633	15,660	12,769,775	693	294,189	–	10,597,513	2,545,000	55,447,820	57,431,398
<b>Net assets (deficit)</b>											
Invested in capital assets, net of related debt	13,985,485	8,062,666	16,231	15,010,322	53,241	4,489,678	268,349	(858,087)	2,908,638	43,936,523	41,465,453
Restricted for debt service	1,061,428	–	–	–	–	–	–	106,800	–	1,168,228	1,168,228
Restricted for capital replacement	–	–	–	464,507	–	–	–	–	–	464,507	402,767
Unrestricted	1,697,321	2,861,192	272,455	718,390	9,104	645,897	8,212	10,524	237,655	6,460,750	8,330,634
Total net assets (deficit)	16,744,234	10,923,858	288,686	16,193,219	62,345	5,135,575	276,561	(740,763)	3,146,293	52,030,008	51,367,082
<b>Total liabilities and net asset:</b>	<b>\$ 28,778,988</b>	<b>\$ 32,150,764</b>	<b>\$ 377,653</b>	<b>\$ 30,329,328</b>	<b>\$ 109,219</b>	<b>\$ 5,609,945</b>	<b>\$ 312,199</b>	<b>\$ 10,106,952</b>	<b>\$ 5,808,003</b>	<b>\$ 113,583,051</b>	<b>\$ 114,413,432</b>

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, 2011  
 (With Partial Comparative Information for the Year Ended December 31, 2010)

	Electric	Water	Environmental Services	Wastewater	Heartland Transit	Storm Water	Telecommunications Conduit	Long-Term Care Facility	Medical Office Building	Totals	
										2011	2010
Operating revenue											
Charges for services	\$ 10,170,050	\$ 2,005,505	\$ 732,666	\$ 3,392,178	\$ 80,972	\$ 474,490	\$ 147,182	\$ -	\$ -	\$ 17,003,043	\$ 15,751,280
Electric generation	432,000	-	-	-	-	-	-	-	-	432,000	432,000
Other	762,479	129,434	2,124	191,549	-	27,803	-	783,792	349,123	2,246,304	2,029,698
Total operating revenue	11,364,529	2,134,939	734,790	3,583,727	80,972	502,293	147,182	783,792	349,123	19,681,347	18,212,978
Operating expenses											
Personal services	697,469	459,944	195,871	514,285	219,213	213,284	-	-	-	2,300,066	2,388,973
Repairs and maintenance	162,380	70,244	14,316	181,625	9,215	11,092	-	-	-	448,872	429,153
Supplies and materials	206,406	192,829	38,658	219,912	36,439	9,629	-	-	-	703,873	435,240
Utilities and bulk energy	7,274,011	623,616	3,164	518,556	-	5,673	-	-	-	8,425,020	7,757,418
Depreciation	799,871	523,904	5,885	809,504	22,393	192,442	14,264	221,528	118,673	2,708,464	2,676,289
Professional services	122,152	48,854	403,107	181,217	464	6,179	-	-	159,871	921,844	669,964
General and administrative	74,910	36,862	13,260	44,065	9,688	10,606	-	3,652	-	193,043	180,843
Bad debt expense (recovery)	(1,861)	-	-	-	-	(9)	-	-	-	(1,870)	11,281
Total operating expenses	9,335,338	1,956,253	674,261	2,469,164	297,412	448,896	14,264	225,180	278,544	15,699,312	14,549,161
Operating income (loss)	2,029,191	178,686	60,529	1,114,563	(216,440)	53,397	132,918	558,612	70,579	3,982,035	3,663,817
Other revenue (expense)											
State and federal grants	145,860	756	326	21,000	212,307	16,493	-	-	-	396,742	203,888
Gain (loss) on disposal of capital assets	15,000	(139,374)	-	-	-	-	-	-	-	(124,374)	(22,623)
Investment earnings	69,241	20,769	1,078	3,151	-	5,242	125	-	1,089	100,695	175,032
Interest expense	(499,763)	(543,213)	-	(368,761)	-	(12,281)	-	(587,106)	(145,856)	(2,156,980)	(2,097,266)
Total other revenue (expense)	(269,662)	(661,062)	1,404	(344,610)	212,307	9,454	125	(587,106)	(144,767)	(1,783,917)	(1,740,969)
Income (loss) before transfers and contributions	1,759,529	(482,376)	61,933	769,953	(4,133)	62,851	133,043	(28,494)	(74,188)	2,198,118	1,922,848
Transfers and contributions											
Capital contribution from governmental funds	-	-	-	-	-	-	-	-	-	-	84,153
Transfers (out)	(937,673)	(180,933)	(2,945)	(236,356)	-	(30,102)	(147,183)	-	-	(1,535,192)	(2,268,437)
Total transfers and contributions	(937,673)	(180,933)	(2,945)	(236,356)	-	(30,102)	(147,183)	-	-	(1,535,192)	(2,184,284)
Change in net assets	821,856	(663,309)	58,988	533,597	(4,133)	32,749	(14,140)	(28,494)	(74,188)	662,926	(261,436)
Net assets (deficit)											
Beginning of year	15,922,378	11,587,167	229,698	15,659,622	66,478	5,102,826	290,701	(712,269)	3,220,481	51,367,082	51,628,518
End of year	\$ 16,744,234	\$ 10,923,858	\$ 288,686	\$ 16,193,219	\$ 62,345	\$ 5,135,575	\$ 276,561	\$ (740,763)	\$ 3,146,293	\$ 52,030,008	\$ 51,367,082

See notes to basic financial statements

CITY OF SAINT PETER

Statement of Cash Flows  
Enterprise Funds

Year Ended December 31, 2011

(With Partial Comparative Information for the Year Ended December 31, 2010)

	Electric	Water	Environmental Services	Wastewater	Heartland Transit	Storm Water	Telecommunications Conduit	Long-Term Care Facility	Medical Office Building	Totals	
										2011	2010
<b>Cash flows from operating activities</b>											
Cash received from customers	\$ 10,075,991	\$ 2,152,279	\$ 737,586	\$ 3,482,208	\$ 55,389	\$ 475,472	\$ 146,940	\$ -	\$ 33,329	\$ 17,159,194	\$ 17,385,252
Cash payments to suppliers for goods and services	(8,552,432)	(1,600,976)	(450,203)	(1,094,530)	(54,134)	(50,625)	-	(3,652)	(197,298)	(12,003,850)	(9,824,451)
Cash payments to employees for services	(695,053)	(470,023)	(195,067)	(540,663)	(219,798)	(182,871)	-	-	-	(2,303,475)	(2,383,070)
Cash received from other sources	1,056,627	129,434	2,124	191,549	-	27,803	-	783,792	349,123	2,540,452	2,243,941
Net cash provided (used) by operating activities	1,885,133	210,714	94,440	2,038,564	(218,543)	269,779	146,940	780,140	185,154	5,392,321	7,421,672
<b>Cash flows from noncapital financing activities</b>											
Cash received (paid) to other funds	60,144	-	-	-	6,236	-	118	-	-	66,498	-
Cash received on notes receivable	13,831	-	-	-	-	-	-	-	-	13,831	12,836
Grants received	145,860	756	326	21,000	212,307	16,493	-	-	-	396,742	203,888
Transfers in (out)	(937,673)	(180,933)	(2,945)	(236,356)	-	(30,102)	(147,183)	-	-	(1,535,192)	(2,268,437)
Net cash provided (used) by noncapital financing activities	(717,838)	(180,177)	(2,619)	(215,356)	218,543	(13,609)	(147,065)	-	-	(1,058,121)	(2,051,713)
<b>Cash flows from capital and related financing activities</b>											
Proceeds from issuance of debt	-	2,005,627	-	-	-	-	-	-	-	2,005,627	17,776,814
Purchases of property, plant, and equipment	(2,310,675)	(569,454)	(3,469)	(131,694)	-	(105,969)	-	-	-	(3,121,261)	(14,530,164)
Proceeds from the sale of capital assets	15,000	25,200	-	79,881	-	-	-	-	-	120,081	500,000
Principal payments of long-term debt	(500,000)	(269,010)	-	(1,119,730)	-	(56,050)	-	(215,654)	(65,000)	(2,225,444)	(6,342,571)
Interest paid on debt	(426,277)	(525,906)	-	(379,444)	-	(13,888)	-	(570,065)	(145,921)	(2,061,501)	(1,974,007)
Net cash provided (used) by capital and related financing activities	(3,221,952)	666,457	(3,469)	(1,550,987)	-	(175,907)	-	(785,719)	(210,921)	(5,282,498)	(4,569,928)
<b>Cash flows from investing activities</b>											
Interest received on investments	62,218	20,769	1,078	3,151	-	5,242	125	-	1,089	93,672	185,882
Increase (decrease) in cash and cash equivalents	(1,992,439)	717,763	89,430	275,372	-	85,505	-	(5,579)	(24,678)	(854,626)	985,913
<b>Cash and cash equivalents</b>											
Beginning of year	6,163,025	2,152,934	191,970	526,342	-	571,383	-	126,703	296,952	10,029,309	9,043,396
End of year	\$ 4,170,586	\$ 2,870,697	\$ 281,400	\$ 801,714	\$ -	\$ 656,888	\$ -	\$ 121,124	\$ 272,274	\$ 9,174,683	\$ 10,029,309
<b>Cash and cash equivalents comprised of</b>											
<b>Cash and investments</b>											
Unrestricted	\$ 1,014,158	\$ 1,478,042	\$ 281,400	\$ 801,714	\$ -	\$ 656,888	\$ -	\$ 14,324	\$ 272,274	\$ 4,518,800	\$ 8,861,081
Restricted	3,156,428	1,392,655	-	-	-	-	-	106,800	-	4,655,883	1,168,228
Total	\$ 4,170,586	\$ 2,870,697	\$ 281,400	\$ 801,714	\$ -	\$ 656,888	\$ -	\$ 121,124	\$ 272,274	\$ 9,174,683	\$ 10,029,309

See notes to basic financial statements

(continued)

CITY OF SAINT PETER

Statement of Cash Flows (continued)

Enterprise Funds

Year Ended December 31, 2011

(With Partial Comparative Information for the Year Ended December 31, 2010)

	Electric	Water	Environmental Services	Wastewater	Heartland Transit	Storm Water	Telecommunications Conduit	Long-Term Care Facility	Medical Office Building	Totals	
										2011	2010
Reconciliation of operating income (loss) to net cash provided (used) by operating activities											
Operating income (loss)	\$ 2,029,191	\$ 178,686	\$ 60,529	\$ 1,114,563	\$ (216,440)	\$ 53,397	\$ 132,918	\$ 558,612	\$ 70,579	\$ 3,982,035	\$ 3,663,817
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities											
Depreciation	799,871	523,904	5,885	809,504	22,393	192,442	14,264	221,528	118,673	2,708,464	2,676,289
Bad debt expense	(1,861)	-	-	-	-	-	-	-	-	(1,861)	11,281
Change in assets and liabilities											
Receivables	(87,767)	(91,364)	4,892	90,366	(137)	1,374	(242)	-	33,329	(49,549)	(41,629)
Due from other governmental units	(110)	238,138	573	(336)	(25,446)	(392)	-	-	-	212,427	1,414,336
Inventory	(103,413)	8,022	-	(84)	-	-	-	-	-	(95,475)	4,902
Prepaid items	-	-	(16)	-	-	(470)	-	-	-	(486)	59
Accounts and contracts payable	(610,665)	(642,818)	22,192	50,780	1,672	(6,985)	-	-	(37,427)	(1,223,251)	(320,184)
Salaries and withholdings payable	(326)	61	(55)	(54)	-	(38)	-	-	-	(412)	241
Customer deposits	2,000	-	-	-	-	-	-	-	-	2,000	2,500
Due to other governmental units	(356)	6,225	126	149	-	-	-	-	-	6,144	(23,731)
Compensated absences payable	2,742	(10,140)	314	(26,324)	(585)	30,451	-	-	-	(3,542)	5,662
Unearned revenue	(144,173)	-	-	-	-	-	-	-	-	(144,173)	28,129
Net cash provided (used) by operating activities	<u>\$ 1,885,133</u>	<u>\$ 210,714</u>	<u>\$ 94,440</u>	<u>\$ 2,038,564</u>	<u>\$ (218,543)</u>	<u>\$ 269,779</u>	<u>\$ 146,940</u>	<u>\$ 780,140</u>	<u>\$ 185,154</u>	<u>\$ 5,392,321</u>	<u>\$ 7,421,672</u>
Supplemental disclosure of non-cash transactions											
Capital contributions from governmental funds for capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,153</u>

See notes to basic financial statements

CITY OF SAINT PETER

Fiduciary Funds  
 Statement of Fiduciary Net Assets  
 as of December 31, 2011

	<u>Private-Purpose Trusts</u>	<u>Agency Funds</u>
Assets		
Cash and cash equivalents	\$ 120,388	\$ 194,011
Accounts receivable	<u>2,457</u>	<u>-</u>
Total assets	122,845	<u>\$ 194,011</u>
Liabilities		
Liabilities		
Accounts payable	<u>13,509</u>	<u>\$ 194,011</u>
Net Assets		
Held in trust for private purposes	<u>\$ 109,336</u>	

See notes to basic financial statements

CITY OF SAINT PETER

Fiduciary Funds  
Statement of Changes in Fiduciary Net Assets  
Year Ended December 31, 2011

	<u>Private-Purpose Trusts</u>
Additions	
Donations	\$ 84,775
Investment earnings	86
Total additions	<u>84,861</u>
Deductions	
Trust-related expenses	<u>91,166</u>
Changes in net assets	(6,305)
Net assets	
Beginning of year	<u>115,641</u>
End of year	<u><u>\$ 109,336</u></u>

See notes to basic financial statements

CITY OF SAINT PETER

Notes to Basic Financial Statements  
December 31, 2011

**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 and Clinic is a component unit, proprietary fund type, of the City. River’s Edge Hospital and Clinic 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 and Clinic is exempt from federal and state income taxes on related income. River’s Edge Hospital and Clinic 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 and Clinic which includes such duties as budget review, care of the patients, and management of the facilities as set forth by the ordinance of the City.

The financial statements of River’s Edge Hospital and Clinic also include the financial activities of the Community Hospital Foundation (the Foundation). The Foundation is a corporation organized to support the purposes of River’s Edge Hospital and Clinic. 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, 2011 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 segments 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.

## 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.

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.

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 Clinic 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.

**Capital Projects – Permanent Improvement Fund** – The Capital Projects – Permanent Improvement Fund accounts for the resources accumulated and payments made for the City's improvement projects.

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.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**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 and Clinic	Operating (enterprise) and Donor-Restricted Funds (fiduciary)
Housing and Redevelopment Authority	Operating Fund (enterprise) as of March 31, 2011

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 and Clinic. Assets limited as to use include assets designated by the River's Edge Hospital and Clinic for future capital acquisitions, debt redemption, self-funded insurance, and other uses over which the River's Edge Hospital and Clinic 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 allowance for uncollectibles totaled \$8,487 at December 31, 2011. 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 and Clinic**

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 and Clinic has agreements with third-party payors that provide for payments to the River’s Edge Hospital and Clinic 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. Assets Held for Resale**

Assets held for resale are recorded in the governmental fund which purchased them at the lower of cost or market.

### **M. 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.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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 and Clinic 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.

The estimated useful lives are as follows:

	Primary	Component Unit	
	Governmental and Business-Type Activities	River’s Edge Hospital and Clinic	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

**N. 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. Compensated absences are paid by the fund for which the employee was employed, including the General Fund and various enterprise funds.

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.

**O. Long-Term Obligations and Deferred Charges**

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.

## NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

At the River’s Edge Hospital and Clinic, deferred refunding costs are amortized to interest expense over the shorter of the period that the prior obligation or the current obligation is outstanding using the straight-line method. Original issue discount is amortized to interest expense over the period the related obligation is outstanding using the straight-line method.

### P. Use of Estimates

The preparation of financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### Q. Net Assets

Net assets represent the difference between assets and liabilities in the government-wide and proprietary fund financial statements. Net assets are displayed in three components:

- **Invested in Capital Assets, Net of Related Debt** – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Assets** – Consists of net assets restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Assets** – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

### R. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in the classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to Council resolution, the Finance Director and/or the City Administer is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to first use restricted resources, then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the City’s policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

## **NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **S. 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.

### **T. 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)**

### **U. 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 2011. The City participates in a self-insured dental insurance plan as described later in these footnotes.

River's Edge Hospital and Clinic 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; medical malpractice, employee health, dental, and accident benefits. 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 and Clinic is self-insured for employee dental as discussed later in these footnotes.

### **V. 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.

### **W. Change in Accounting Principle**

For the year ended December 31, 2011, the City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The City is implementing this standard retroactively, meaning prior year fund balances have been restated. More information on these fund balance classifications is included elsewhere in these notes.

**NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The implementation of GASB Statement No. 54 resulted in the reclassification of certain funds and restatement of the City’s financial statements. This statement had the following effect on fund balances of the major and nonmajor funds as they were previously reported:

	Fund Balance at December 31, 2010	Reclassification of Fund Due to GASB Statement No. 54	Fund Balance at December 31, 2010 as Restated
General	\$ 2,918,878	\$ 600,640	\$ 3,519,518
Capital Projects Permanent Improvement	143,564	–	143,564
Nonmajor governmental funds			
Old hospital	254,644	(254,644)	–
Insurance	98,272	(98,272)	–
Tornado	247,724	(247,724)	–
All other	3,687,849	–	3,687,849
Total nonmajor governmental funds	<u>4,288,489</u>	<u>(600,640)</u>	<u>3,687,849</u>
Total	<u>\$ 7,350,931</u>	<u>\$ –</u>	<u>\$ 7,350,931</u>

**NOTE 2 – CASH AND INVESTMENTS**

**A. Components of Cash and Investments**

	Primary Government	Component Units		Total Reporting Entity
		River’s Edge Hospital and Clinic	Housing and Redevelopment Authority	
Deposits	\$ 12,037,764	\$ 12,025,302	\$ 28,213	\$ 24,091,279
Investments	4,046,916	–	510,409	4,557,325
Cash on hand	1,380	–	–	1,380
	<u>\$ 16,086,060</u>	<u>\$ 12,025,302</u>	<u>\$ 538,622</u>	<u>\$ 28,649,984</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	\$ 12,399,212	\$ 12,037,764
Component units		
River’s Edge Hospital and Clinic	11,999,372	12,025,302
Housing and Redevelopment Authority	<u>29,502</u>	<u>28,213</u>
	<u>\$ 24,428,086</u>	<u>\$ 24,091,279</u>

During the year ended December 31, 2011, all deposits were fully collateralized by federal depositor insurance (FDIC) or by collateral held by the City or component unit’s agent in the their name.

**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. government agency securities							
Primary government	AAA	S&P	\$ –	\$ –	\$ 10,385	\$ 58,073	\$ 68,458
Negotiable certificates of deposit	N/A	N/A	–	2,046,551	127,000	–	2,173,551
Municipal bonds	A+	S&P	–	300,000	–	–	300,000
Investment pools/mutual funds							
Money market funds							
Primary government	AAA	S&P	1,504,907	–	–	–	1,504,907
Housing and Redevelopment Authority	N/V	N/V	510,409	–	–	–	510,409
Total investments			<u>\$2,015,316</u>	<u>\$2,346,551</u>	<u>\$ 137,385</u>	<u>\$ 58,073</u>	<u>\$4,557,325</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), negotiable certificates of deposit, investment pools, and mutual funds. The City’s investment policy does not limit the concentration of investments. At December 31, 2011, the City’s investment portfolio includes the following percentages of specific issuers:

Municipal Bonds	
Illinois State	7.4%

**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 and Clinic	Housing and Redevelopment Authority	
Cash and investments				
Statement of Net Assets – government-wide				
Unrestricted	\$ 11,115,778	\$ 5,175,504	\$ 538,622	\$ 16,829,904
Restricted	4,655,883	6,849,798	–	11,505,681
Cash and investments				
Statement of Fiduciary Net Assets – fiduciary funds				
Unrestricted – private-purpose trust funds	120,388	–	–	120,388
Unrestricted – agency funds	194,011	–	–	194,011
Total cash and investments	<u>\$ 16,086,060</u>	<u>\$ 12,025,302</u>	<u>\$ 538,622</u>	<u>\$ 28,649,984</u>

**NOTE 3 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**A. Due To and Due From Other Funds**

During 2011, the City’s General Fund lent \$379,239 to the Special Assessment Debt Service Nonmajor Fund. Interfund borrowing is utilized for cash flow purposes.

During 2011, the City’s General Fund lent \$30,859 to the Heartland Transit Fund. Interfund borrowing is utilized for cash flow purposes.

During 2011, the City’s General Fund lent \$35,638 to the Telecommunications Conduit Fund. Interfund borrowing is utilized for cash flow purposes.

During 2011, the City’s Economic Revolving Loan and 1999 Economic Revolving Loan Nonmajor Funds lent \$155,742 to the Tornado Disaster Revolving Loan Nonmajor Fund for cash flow purposes.

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

**B. Transfers In and Transfers Out**

Transfers Out	Transfers In		Total
	Governmental		
	General	Nonmajor	
Governmental funds			
General	\$ –	\$ 46,756	\$ 46,756
Nonmajor	137,608	329,756	467,364
Proprietary funds			
Electric	860,980	76,693	937,673
Water	163,536	17,397	180,933
Environmental Services	–	2,945	2,945
Wastewater	218,353	18,003	236,356
Storm Water	28,396	1,706	30,102
Telecommunications Conduit	–	147,183	147,183
<b>Total</b>	<b>\$ 1,408,873</b>	<b>\$ 640,439</b>	<b>\$ 2,049,312</b>

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

## NOTE 4 – CAPITAL ASSETS

### A. Governmental Activities

Capital asset activity for the year ended December 31, 2011 was as follows:

	Balance – Beginning of Year	Additions	Deletions	Transfers and Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 1,632,289	\$ –	\$ –	\$ –	\$ 1,632,289
Construction in progress	439,062	1,951,225	–	(342,760)	2,047,527
Capital assets, depreciated					
Land improvements	616,114	–	–	–	616,114
Buildings and improvements	22,149,826	793	(5,053,500)	–	17,097,119
Utility plant and infrastructure	10,349,948	495	–	342,760	10,693,203
Machinery and equipment	5,358,877	448,481	(124,334)	–	5,683,024
Total capital assets	40,546,116	2,400,994	(5,177,834)	–	37,769,276
Less accumulated depreciation on					
Land improvements	(390,348)	(11,158)	–	–	(401,506)
Buildings and improvements	(4,286,792)	(433,612)	708,510	–	(4,011,894)
Utility plant and infrastructure	(1,318,801)	(296,463)	–	–	(1,615,264)
Machinery and equipment	(3,822,299)	(377,729)	122,639	–	(4,077,389)
Total accumulated depreciation	(9,818,240)	(1,118,962)	831,149	–	(10,106,053)
Net capital assets	\$ 30,727,876	\$ 1,282,032	\$ (4,346,685)	\$ –	\$ 27,663,223

### B. Business-Type Activities

	Balance – Beginning of Year	Additions	Deletions	Transfers and Completed Construction	Balance – End of Year
Capital assets, not depreciated					
Land	\$ 976,861	\$ –	\$ –	\$ –	\$ 976,861
Construction in progress	19,143,376	2,652,056	(79,883)	(18,647,355)	3,068,194
Capital assets, depreciated					
Buildings and improvements	33,097,130	82,276	(13,382)	24,808,964	57,974,988
Utility plant and infrastructure	66,018,315	370,085	(524,829)	(10,061,732)	55,801,839
Machinery and equipment	6,628,480	16,844	–	3,900,123	10,545,447
Total capital assets	125,864,162	3,121,261	(618,094)	–	128,367,329
Less accumulated depreciation on					
Buildings and improvements	(4,855,607)	(902,486)	3,356	(867,569)	(6,622,306)
Utility plant and infrastructure	(16,674,629)	(1,520,459)	370,283	867,569	(16,957,236)
Machinery and equipment	(3,763,952)	(285,519)	–	–	(4,049,471)
Total accumulated depreciation	(25,294,188)	(2,708,464)	373,639	–	(27,629,013)
Net capital assets	\$ 100,569,974	\$ 412,797	\$ (244,455)	\$ –	\$ 100,738,316

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

**C. Component Unit – River’s Edge Hospital and Clinic**

	Balance – Beginning of Year	Transfers/ Additions	Retirements/ Deletions	Balance – End of Year
Capital assets, not depreciated				
Land	\$ 28,886	\$ –	\$ –	\$ 28,886
Construction in progress	49,096	–	(49,096)	–
Capital assets, depreciated				
Land improvements	1,156,850	–	–	1,156,850
Buildings and improvements	7,128,336	–	–	7,128,336
Machinery and equipment	11,869,575	411,015	(869,778)	11,410,812
Total capital assets	<u>20,232,743</u>	<u>411,015</u>	<u>(918,874)</u>	<u>19,724,884</u>
Less accumulated depreciation on				
Land improvements	(443,504)	(77,290)	–	(520,794)
Buildings and improvements	(1,881,109)	(279,825)	–	(2,160,934)
Machinery and equipment	(6,767,690)	(1,106,459)	869,725	(7,004,424)
Total accumulated depreciation	<u>(9,092,303)</u>	<u>(1,463,574)</u>	<u>869,725</u>	<u>(9,686,152)</u>
Net capital assets	<u>\$ 11,140,440</u>	<u>\$ (1,052,559)</u>	<u>\$ (49,149)</u>	<u>\$ 10,038,732</u>

**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	2,289,813	156,526	–	2,446,339
Machinery and equipment	432,982	11,064	–	444,046
Total capital assets	<u>2,790,733</u>	<u>167,590</u>	<u>–</u>	<u>2,958,323</u>
Accumulated depreciation	<u>(1,943,380)</u>	<u>(97,603)</u>	<u>1</u>	<u>(2,040,982)</u>
Net capital assets	<u>\$ 847,353</u>	<u>\$ 69,987</u>	<u>\$ 1</u>	<u>\$ 917,341</u>

**NOTE 4 – CAPITAL ASSETS (CONTINUED)**

**E. Depreciation Expense by Function**

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

Governmental activities	
General government	\$ 106,161
Public safety	118,183
Public works	588,920
Parks and recreation	<u>305,698</u>
Total depreciation expense – governmental activities	<u>\$ 1,118,962</u>
Business-type activities	
Electric	\$ 799,871
Water	523,904
Environmental services	5,885
Wastewater	809,504
Heartland Transit	22,393
Storm water	192,442
Telecommunications conduit	14,264
Long-term care facility	221,528
Medical office building	<u>118,673</u>
Total depreciation expense – business-type activities	<u>\$ 2,708,464</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
<b>Governmental activities – primary government</b>					
Debt supported primarily by property taxes					
G.O. Equipment Certificates of 2008A	\$ 365,000	3.23–3.92%	2008	2013	\$ 295,000
G.O. Equipment Certificates of 2008B	\$ 300,000	2.50–3.50%	2008	2013	120,000
G.O. Equipment Certificates of 2009	\$ 300,500	2.90–3.25%	2009	2014	180,300
G.O. Equipment Certificates of 2010	\$ 152,000	2.90–3.35%	2010	2015	121,600
G.O. Equipment Certificates of 2011	\$ 94,800	3.00–3.40%	2011	2016	94,800
Public Project Revenue Bonds Refunding Bonds, Series 2009A	\$ 2,775,000	4.65%	2009	2020	2,135,000
Total debt supported primarily by property taxes					<u>2,946,700</u>
Debt supported primarily by tax increments					
G.O. Tax Increment Bonds, Series 1999A	\$ 245,000	6.25%	1999	2018	133,089
Notes payable – Nicollet Plaza	\$ 194,065	7.75%	1999	2013	67,322
Notes payable – Volmar	\$ 81,200	3.00%	1999	2012	12,677
G.O. Tax Increment Bonds, Series 2004A	\$ 2,205,000	2.00–4.00%	2004	2020	1,545,000
G.O. Tax Increment Bonds, Series 2005A	\$ 330,000	3.00–4.20%	2005	2020	230,000
G.O. Tax Increment Refunding Bonds, Series 2009C	\$ 2,990,000	1.05–4.00%	2009	2022	2,655,000
G.O. Tax Increment Bonds, Series 2010B	\$ 89,610	1.20–4.50%	2010	2020	82,400
Total debt supported primarily by tax increments					<u>4,725,488</u>
Special assessment bonds					
G.O. Permanent Improvement Revolving Fund Bonds, Series 2004B	\$ 1,380,000	2.00–3.60%	2004	2013	120,000
Revenue					
EDA Taxable Lease Purchase Revenue Bonds, Series 2009B	\$ 540,000	5.75%	2009	2013	285,000
Compensated absences					
Total governmental activities					<u>327,535</u>
<b>Business-type activities – primary government</b>					
Utility revenue bonds and notes					
Public Project Revenue Bonds, Series 2000	\$ 655,000	5.25–6.30%	2000	2014	185,000
G.O. PFA Sewer Revenue Note, Series 2001	\$ 11,733,250	2.04%	2001	2021	6,589,000
G.O. PFA Sewer Revenue Note, Series 2002	\$ 7,260,850	2.04%	2002	2022	3,335,000
G.O. Sewer Revenue Bonds, Series 2003C	\$ 2,000,000	4.25%	2003	2042	1,804,000
G.O. Water and Sewer Revenue Bonds, Series 2004C	\$ 805,000	1.70–3.55%	2004	2014	295,000
G.O. Electric Revenue Bonds, Series 2004D	\$ 1,555,000	2.25–4.10%	2004	2016	785,000
G.O. Water and Sewer Refunding Bonds, Series 2004E	\$ 775,000	2.00–3.50%	2004	2013	215,000
G.O. PFA Sewer Revenue Note, Series 2004	\$ 2,240,000	3.48%	2004	2022	1,539,000
G.O. Water Revenue Bonds, Series 2005B	\$ 1,765,000	4.00–4.25%	2005	2012	1,435,000
Electric Revenue Advance Refunding Bonds, Series 2006B	\$ 5,045,000	4.00–4.15%	2006	2027	4,250,000
Electric Revenue Refunding Bonds, Series 2006C	\$ 1,620,000	4.00%	2006	2018	1,120,000
G.O. PFA Water Revenue Note, Series 2009 – Wells Project	\$ 1,509,483	2.48%	2009	2027	1,252,937
G.O. PFA Water Revenue Note, Series 2009 – Treatment Center	\$ 16,731,458	2.75%	2009	2029	15,666,061
G.O. PFA Water Revenue Note, Series 2010	\$ 896,750	1.71%	2010	2028	799,729
G.O. Utility Revenue Bonds, Series 2010B	\$ 780,390	1.20–4.50%	2010	2020	717,600
Electric Revenue Bonds, Series 2010C	\$ 4,435,000	2.00–6.25%	2010	2031	4,435,000
G.O. Water Revenue Refunding Bonds, Series 2011B	\$ 1,405,000	1.50–3.00%	2011	2026	1,405,000
					<u>45,828,327</u>
Long-term care facility bonds and notes					
Tax Exempt Loan Participation Note, Series 2005C	\$ 6,000,000	4.88%	2005	2035	5,597,445
Subordinate Nursing Home Revenue Bonds, Series 2005D	\$ 1,140,000	8.00%	2005	2022	1,140,000
Tax Exempt Loan Participation Note, Series 2006A	\$ 4,400,000	5.00%	2006	2035	4,106,470
					<u>10,843,915</u>
Medical office building notes					
Healthcare Revenue Note, Series 2008A	\$ 2,675,000	4.12–6.12%	2008	2034	2,610,000
Compensated absences					
Total business-type activities					<u>319,295</u>
Total primary government					<u>68,006,260</u>
Component unit – River’s Edge Hospital and Clinic					
General obligation bonds					
G.O. Hospital Refunding Bond, Series 2010A	\$ 14,290,000	2.00–4.30%	2010	2032	13,825,000
Total reporting entity					<u>\$ 81,831,260</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	\$ 3,292,000	\$ 94,800	\$ 440,100	\$ 2,946,700	\$ 399,460
Tax increment supported	5,257,477	–	531,989	4,725,488	552,478
Special assessment supported	245,000	–	125,000	120,000	85,000
Revenue supported	415,000	–	130,000	285,000	140,000
Compensated absences payable	334,898	247,679	255,042	327,535	247,679
Total – governmental activities	9,544,375	342,479	1,482,131	8,404,723	1,424,617
Business-type activities					
Utility revenue bonds and notes	45,767,490	2,005,627	1,944,790	45,828,327	3,697,640
Long-term care facility bonds and notes	11,059,569	–	215,654	10,843,915	246,402
Medical office building notes	2,675,000	–	65,000	2,610,000	65,000
Compensated absences payable	322,837	144,675	148,217	319,295	144,675
Total business-type activities	59,824,896	2,150,302	2,373,661	59,601,537	4,153,717
Total government-wide	\$ 69,369,271	\$ 2,492,781	\$ 3,855,792	\$ 68,006,260	\$ 5,578,334
Component unit					
River’s Edge Hospital and Clinic					
General obligation bonds	\$ 14,290,000	\$ –	\$ 465,000	\$ 13,825,000	\$ 475,000
Deferred refunding costs	(167,978)	–	7,753	(160,225)	–
Original issue discount	(1,640)	–	76	(1,564)	–
	\$ 14,120,382	\$ –	\$ 472,829	\$ 13,663,211	\$ 475,000
Component unit					
Housing and Redevelopment Authority					
Compensated absences payable	\$ 12,894	\$ –	\$ 12,894	\$ –	\$ –

**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		Revenue Supported	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 399,460	\$ 127,495	\$ 552,478	\$ 151,875	\$ 85,000	\$ 2,705	\$ 140,000	\$ 16,388
2013	409,460	110,651	563,854	138,665	35,000	630	145,000	8,338
2014	364,460	92,372	533,197	122,696	–	–	–	–
2015	319,360	77,954	577,084	105,124	–	–	–	–
2016	298,960	64,823	539,726	84,228	–	–	–	–
2017–2021	1,155,000	130,070	1,764,149	197,338	–	–	–	–
2022	–	–	195,000	3,900	–	–	–	–
Total	\$2,946,700	\$ 603,365	\$4,725,488	\$ 803,826	\$ 120,000	\$ 3,335	\$ 285,000	\$ 24,726

**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
2012	\$ 3,697,640	\$ 1,504,012	\$ 246,402	\$ 555,917	\$ 65,000	\$ 143,243
2013	2,588,640	1,311,175	247,689	543,630	70,000	140,462
2014	2,545,125	1,239,790	259,539	530,180	70,000	137,491
2015	2,802,125	1,170,524	281,979	516,140	75,000	134,042
2016	2,818,820	1,092,726	295,040	501,479	75,000	130,202
2017–2021	14,350,800	4,297,638	1,700,072	2,188,923	435,000	587,498
2022–2026	10,658,450	2,365,528	2,989,347	1,438,247	560,000	457,998
2027–2031	5,451,727	725,832	2,594,597	877,997	720,000	279,535
2032–2036	365,000	164,687	2,229,250	200,224	540,000	50,796
2037–2041	448,000	80,368	–	–	–	–
2042	102,000	4,335	–	–	–	–
<b>Total</b>	<b>\$ 45,828,327</b>	<b>\$ 13,956,615</b>	<b>\$ 10,843,915</b>	<b>\$ 7,352,737</b>	<b>\$ 2,610,000</b>	<b>\$ 2,061,267</b>

Year Ending December 31,	River's Edge Hospital and Clinic	
	Principal	Interest
2012	\$ 475,000	\$ 951,375
2013	490,000	956,875
2014	500,000	957,075
2015	515,000	962,075
2016	525,000	961,775
2017–2021	2,840,000	4,800,008
2022–2026	3,385,000	4,829,150
2027–2031	4,145,000	4,880,720
2032	950,000	990,850
<b>Total</b>	<b>\$ 13,825,000</b>	<b>\$ 20,289,903</b>

**D. Descriptions of Long-Term Debt**

- **General Obligation and Public Project Bonds** – These bonds were issued for improvements, projects, or to refund previous general obligation or public project bonds which benefit the City as a whole and, therefore, could be repaid from ad valorem levies. All general obligation debt is backed by the full faith and credit of the City.
- **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.
- **EDA Lease Purchase Revenue Bonds** – These bonds were issued by the EDA. A lease-purchase contract between the EDA and the City has been established for the purpose of financing payment of these bonds. The City has pledged rental payments in amounts equal to the debt service requirements and plans to annually appropriate city funds available for this purpose.

Through the transactions described above, the City has, in substance, assumed the debt service on the revenue bonds issued by the EDA. Therefore, the bonds have been included in the City's Statement of Net Assets as a long-term liability. Further, the lease payments made by the City will be reflected as debt service principal and interest payments on the City's financial statements.

- **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** – The City authorized the issuance of its \$4,400,000 Tax Exempt Loan Participation Note, Series 2006A. The City also 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.
- **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 and Clinic's campus. The City has pledged the payments it receives in the lease agreement to the payment of principal and interest on these notes.
- **Build America Bonds** – During 2010, the City authorized the issuance of its \$870,000 G.O. Utility Revenue and Tax Increment Bonds, Series 2010B and \$4,435,000 Electric Revenue Bonds, Series 2010C. These bonds are "Qualified Build America Bonds – Direct Pay" under the authorization of the American Recovery and Reinvestment Act of 2009. This designation provides for a federal subsidy credit to be paid to the City in an amount equal to 35 percent of the interest paid to investors in these bonds. The credit will be received semiannually to coincide with the debt service payment schedule.

**NOTE 5 – LONG-TERM DEBT (CONTINUED)**

**E. Refunding Bonds**

In 2011, the City issued \$1,405,000 of General Obligation Water Revenue Refunding Bonds, Series 2011B. The proceeds of this issue were used to retire, in advance of their stated maturities, the 2012 through 2026 maturities of the City's General Obligation (G.O.) Water Revenue Bonds, Series 2005B. The proceeds were placed in a bank account pending the February 1, 2012 call date of the 2005B issue. Until the call date, the City continued to make all debt service payments on the 2005B issue. On the call date, the bank account will be used to call the remaining principal on this issue, and the City assumed the principal and interest payments on the 2011B issue. This advance refunding decreased the City's total future debt service payments by \$146,927 and resulted in a present value savings of \$120,458.

**NOTE 6 – INDIVIDUAL FUND DISCLOSURES**

**A. 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>
Elections	\$ 574
General government building	\$ 14,054
Old hospital	\$ 237,698
Community service officer	\$ 128
Public works administration	\$ 18,412
Streets	\$ 100,003
Senior coordinator	\$ 993
Recreation and leisure services	\$ 11,850
Insurance	\$ 81,582
Capital outlay	\$ 37,665

**B. Deficit Fund Balance**

At December 31, 2011, the nonmajor Special Assessment Debt Service Fund had a deficit fund balance of \$(379,239). This deficit will be funded by future special assessment revenues, loan principal receipts, and bond proceeds.

At December 31, 2011, the Equipment Certificates Capital Projects Fund had a deficit fund balance of \$158,959. The deficit will be funded by future bond proceeds.

At December 31, 2011, the Nonmajor Firefighters Relief Special Revenue Fund had a deficit of \$3,903. This deficit will be funded by future property tax levies.

**NOTE 7 – FUND BALANCES**

**A. Classifications**

At December 31, 2011, a summary of the City’s governmental fund balance classifications are as follows:

	General Fund	Capital Projects – Permanent Improvement Fund	Nonmajor Funds	Total
<b>Nonspendable</b>				
Inventory	\$ 5,338	\$ –	\$ –	\$ 5,338
Prepaid items	2,247	–	–	2,247
<b>Total nonspendable</b>	<b>7,585</b>	<b>–</b>	<b>–</b>	<b>7,585</b>
<b>Restricted</b>				
Future debt service	–	–	320,275	320,275
Capital improvements	–	78,541	1,134,902	1,213,443
Economic revolving loans	–	–	1,191,553	1,191,553
Tax increment	–	–	443,324	443,324
<b>Total restricted</b>	<b>–</b>	<b>78,541</b>	<b>3,090,054</b>	<b>3,168,595</b>
<b>Committed</b>				
Library operations	–	–	374,423	374,423
Public access operations	–	–	140,422	140,422
Fire equipment	–	–	42,637	42,637
Façade renovation loans	–	–	69,859	69,859
Community center operations	–	–	199,270	199,270
<b>Total committed</b>	<b>–</b>	<b>–</b>	<b>826,611</b>	<b>826,611</b>
<b>Assigned</b>				
Tornado closure	247,724	–	–	247,724
Insurance	142,223	–	–	142,223
<b>Total assigned</b>	<b>389,947</b>	<b>–</b>	<b>–</b>	<b>389,947</b>
Unassigned	2,999,802	–	(542,101)	2,457,701
<b>Total</b>	<b>\$ 3,397,334</b>	<b>\$ 78,541</b>	<b>\$ 3,374,564</b>	<b>\$ 6,850,439</b>

**B. Unrestricted Fund Balance Policy**

The City Council has formally adopted a fund balance policy regarding the fund balance for the General Fund. The policy establishes that the City will strive to maintain an unassigned fund balance in the General Fund in the range of 35 to 50 percent of the following year’s budgeted expenditures. At December 31, 2011, the unassigned fund balance of the General Fund was 51.8 percent of the subsequent year’s budgeted expenditures.

In the event that the year-end unassigned General Fund balance is less than the 35 percent level, the City shall plan to adjust budget resources in the subsequent fiscal years to bring the fund balance into compliance with the adopted fund balance policy.

## **NOTE 8 – 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 of Minnesota (PERA). PERA administers the General Employees' Retirement Fund (GERF) 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.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, 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 statutes, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 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 3.0 percent for each year of service. For all PEPFF members and for GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members, and 65 for Basic and Coordinated 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 GERF and PEPFF. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org), by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

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

**B. Funding Policy**

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.6 percent of their annual covered salary in 2011. In 2011, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members, 7.25 percent for Coordinated Plan GERF members, and 14.4 percent for PEPFF members. 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>GERF</u>	<u>PEPFF</u>	<u>Total</u>
2009	\$ 246,351	\$ 120,684	\$ 367,035
2010	\$ 241,620	\$ 122,001	\$ 363,621
2011	\$ 246,056	\$ 128,018	\$ 374,074

River’s Edge Hospital and Clinic’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>GERF</u>
2009	\$ 435,417
2010	\$ 450,984
2011	\$ 435,417

**NOTE 9 – 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, 2011, 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	26
Non-vested	<u>3</u>
Total	<u><u>33</u></u>

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

**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.

**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 the 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 a survivor benefit equal to the amount per year of service for each year that the member served as an active firefighter without regard to minimum or partial vesting requirements, but in no case less than five times the pension amount per year of service in effect on the date of death.

**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 \$70,108 (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, 2011.

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

**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 December 31,	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 40,081	100%	\$ –
2010	\$ 65,461	100%	\$ –
2011	\$ 70,108	100%	\$ –

**NOTE 10 – FLEXIBLE BENEFIT PLAN**

The City offers three types of flexible spending accounts: medical premiums, medical expenses, and dependant 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 dependant 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 dependant care expenses incurred by the participants. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

**NOTE 11 – SELF-INSURANCE**

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

<u>December 31,</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Year-End</u>
2010	\$ -	\$ 68,655	\$ (68,655)	\$ -
2011	\$ -	\$ 63,720	\$ (63,720)	\$ -

River’s Edge Hospital and Clinic 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 and Clinic charged to operations a provision that represents the sum of actual claims paid and the actuarially determined estimates of liability relating to claims, both asserted and unasserted, resulting from incidents that occurred during those years for the Plan.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

**A. Power Sales Contract**

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.

**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.

## **NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

### **D. Malpractice Claims – River’s Edge Hospital and Clinic**

River’s Edge Hospital and Clinic 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 \$1 million per claim and an annual aggregate limit of \$3 million. River’s Edge Hospital and Clinic also has an additional \$2 million umbrella policy. 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 and Clinic**

The River’s Edge Hospital and Clinic is subject to the usual contingencies in the normal course of operations relating to the performance of its tasks under its various programs. In the opinion of management, the ultimate settlement of litigations, claims, and disputes in process will not be material to the financial position of the River’s Edge Hospital and Clinic.

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. Federal government activity has increased with respect to investigations and allegations concerning possible violations by healthcare 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.

### **F. Government Regulations – River’s Edge Hospital and Clinic**

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

- **Medicare** – River’s Edge Hospital and Clinic is licensed as a Critical Access Hospital. River’s Edge Hospital and Clinic is reimbursed for most inpatient and outpatient services at cost plus 1 percent with final settlement determined after submission of annual cost reports by River’s Edge Hospital and Clinic subject to audits thereof by the Medicare intermediary. River’s Edge Hospital and Clinic’s Medicare Cost Reports have been audited by the Medicare fiscal intermediary through the year ended December 31, 2009. Clinical services are paid on a fixed fee schedule.
- **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 and Clinic’s Medicare Cost Reports, or rates as established by the Medicaid program. River’s Edge Hospital and Clinic is reimbursed at a tentative rate with final settlement determined by the program based on River’s Edge Hospital and Clinic’s final Medicare Cost Report. River’s Edge Hospital and Clinic’s Medicaid cost reports have been audited by the Medicaid fiscal intermediary through the year ended December 31, 2008. Clinical services are paid on a fixed fee schedule.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)**

- **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. Clinical services are paid on a fixed fee schedule.
- **Other** – River’s Edge Hospital and Clinic has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to River’s Edge Hospital and Clinic 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 revenue estimates will change by material amounts in the near term.

**G. Contract Commitments – Primary Government**

The City has contract commitments for uncompleted construction projects as of December 31, 2011 of approximately \$1,852,000.

**NOTE 13 – CONDUIT DEBT OBLIGATIONS**

The City has issued private activity bonds to provide financial assistant to nonprofit corporations for the construction and equipping of facilities 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 Commercial Development Revenue Note of 1998, the 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, 2011, the outstanding balance due on these revenue notes are as follows:

Bond	Description	Amount Issued	Amount
Commercial Development Revenue Note of 1998	Office facilities	\$ 2,900,000	\$ 1,531,895
Tax Exempt Loan Participation Note, Series 2010A	Housing facilities	\$ 5,500,000	5,467,738
			\$ 6,999,633

**NOTE 14 – MAJOR SUPPLIER**

For the year ended December 31, 2011, bulk energy totaling \$7,221,284 was purchased from one supplier.

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
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
2009	704,627	893,805	78.8	(189,178)	2,400
2010	697,111	838,290	83.2	(141,179)	2,400
2011	753,629	909,928	82.8	(156,299)	2,400

**B. Schedule of Contributions**

Year	Annual Required Contribution	Percent Contributed
2006	\$ 64,300	100.0 %
2007	51,085	100.0
2008	43,199	100.0
2009	40,081	100.0
2010	65,461	100.0
2011	70,108	100.0

**C. Notes to Required Supplementary Information**

Valuation date	12/31/2011
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	9.0%
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, 2011

	Special Revenue	Debt Service	Capital Project	Total Nonmajor Governmental
Assets				
Cash and investments				
Unrestricted	\$ 1,317,508	\$ 324,310	\$ 1,191,319	\$ 2,833,137
Receivables				
Accounts	24,679	-	-	24,679
Delinquent taxes	8,440	-	-	8,440
Delinquent special assessments	-	272,216	-	272,216
Deferred special assessments	42,764	341,817	99,853	484,434
Notes	2,555,509	-	372,447	2,927,956
Due from other funds	155,742	-	-	155,742
Due from other governmental units	2,503	245	-	2,748
Prepaid items	334	-	-	334
Assets held for resale	1,144,567	-	-	1,144,567
	<u>\$ 5,252,046</u>	<u>\$ 938,588</u>	<u>\$ 1,663,619</u>	<u>\$ 7,854,253</u>
Liabilities and Fund Balances				
Liabilities				
Accounts and contracts payable	\$ 23,983	\$ 4,280	\$ 215,376	\$ 243,639
Due to other funds	155,742	379,239	-	534,981
Deferred revenue	2,614,736	614,033	472,300	3,701,069
Total liabilities	<u>2,794,461</u>	<u>997,552</u>	<u>687,676</u>	<u>4,479,689</u>
Fund balances (deficit)				
Restricted	1,634,877	320,275	1,134,902	3,090,054
Committed	826,611	-	-	826,611
Unassigned	(3,903)	(379,239)	(158,959)	(542,101)
Total fund balances (deficit)	<u>2,457,585</u>	<u>(58,964)</u>	<u>975,943</u>	<u>3,374,564</u>
Total liabilities and fund balances	<u>\$ 5,252,046</u>	<u>\$ 938,588</u>	<u>\$ 1,663,619</u>	<u>\$ 7,854,253</u>

CITY OF SAINT PETER

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended December 31, 2011

	Special Revenue	Debt Service	Capital Project	Total Nonmajor Governmental
<b>Revenue</b>				
Taxes				
Property taxes and tax increments	\$ 1,005,506	\$ 572,105	\$ -	\$ 1,577,611
Other taxes	45,402	-	-	45,402
Intergovernmental	91,262	-	-	91,262
Special assessments	751	48,730	18,734	68,215
Investment earnings	5,652	1,597	4,901	12,150
Other	863,690	106,729	13,890	984,309
Total revenue	<u>2,012,263</u>	<u>729,161</u>	<u>37,525</u>	<u>2,778,949</u>
<b>Expenditures</b>				
Current				
General government	372,767	-	-	372,767
Parks and recreation	305,038	-	-	305,038
Economic development loans made	424,203	-	-	424,203
Other	283,501	120,197	-	403,698
Capital outlay	61,386	-	294,483	355,869
Debt service				
Principal	151,041	1,076,048	-	1,227,089
Interest and fiscal charges	43,588	303,980	-	347,568
Total expenditures	<u>1,641,524</u>	<u>1,500,225</u>	<u>294,483</u>	<u>3,436,232</u>
Excess (deficiency) of revenue over expenditures	370,739	(771,064)	(256,958)	(657,283)
<b>Other financing sources (uses)</b>				
Debt issued	-	-	94,800	94,800
Proceeds from sale of assets	-	-	76,123	76,123
Transfers in	210,439	430,000	-	640,439
Transfers (out)	(380,321)	-	(87,043)	(467,364)
Total other financing sources (uses)	<u>(169,882)</u>	<u>430,000</u>	<u>83,880</u>	<u>343,998</u>
Net change in fund balances	200,857	(341,064)	(173,078)	(313,285)
<b>Fund balances (deficit)</b>				
Beginning of year, as restated	<u>2,256,728</u>	<u>282,100</u>	<u>1,149,021</u>	<u>3,687,849</u>
End of year	<u>\$ 2,457,585</u>	<u>\$ (58,964)</u>	<u>\$ 975,943</u>	<u>\$ 3,374,564</u>

CITY OF SAINT PETER

Nonmajor Special Revenue Funds  
Combining Balance Sheet  
as of December 31, 2011

	Library	Public Access	Firefighters' Relief	Fire Calls	Economic Revolving Loan	St. Peter Mall TIF District	Nicollet Hotel TIF District	Nicollet Plaza TIF District	Tornado Disaster Revolving Loan	Theatre TIF District	1999 Economic Revolving Loans
<b>Assets</b>											
Cash and investments											
Unrestricted	\$ 372,738	\$ 148,916	\$ 9	\$ 40,637	\$ -	\$ 236,032	\$ 586	\$ 322	\$ -	\$ 228	\$ 24,409
Receivables											
Accounts	7,704	3,813	-	2,000	-	-	-	-	-	-	-
Delinquent taxes	-	-	-	-	-	3,163	-	-	-	-	-
Deferred special assessments	-	-	-	-	-	1,307	-	-	-	-	-
Notes	-	-	-	-	631,630	-	-	1,780,574	-	-	93,305
Due from other funds	-	-	-	-	140,817	-	-	-	-	-	14,925
Due from other governmental units	-	-	-	-	-	1,128	-	-	-	-	-
Prepaid items	293	-	-	-	-	-	-	-	-	-	-
Assets held for resale	-	-	-	-	-	-	-	-	1,144,567	-	-
<b>Total assets</b>	<b>\$ 380,735</b>	<b>\$ 152,729</b>	<b>\$ 9</b>	<b>\$ 42,637</b>	<b>\$ 772,447</b>	<b>\$ 241,630</b>	<b>\$ 586</b>	<b>\$ 322</b>	<b>\$ 2,925,141</b>	<b>\$ 228</b>	<b>\$ 132,639</b>
<b>Liabilities and Fund Balances</b>											
<b>Liabilities</b>											
Accounts payable	\$ 6,312	\$ 12,307	\$ 3,912	\$ -	\$ 607	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Salaries and withholdings payable	-	-	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	155,742	-	-
Deferred revenue	-	-	-	-	631,630	4,471	-	-	1,780,574	-	93,305
<b>Total liabilities</b>	<b>6,312</b>	<b>12,307</b>	<b>3,912</b>	<b>-</b>	<b>632,237</b>	<b>4,471</b>	<b>-</b>	<b>-</b>	<b>1,936,316</b>	<b>-</b>	<b>93,305</b>
<b>Fund balances (deficit)</b>											
Restricted	-	-	-	-	140,210	237,159	586	322	988,825	228	39,334
Committed	374,423	140,422	-	42,637	-	-	-	-	-	-	-
Unassigned	-	-	(3,903)	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>374,423</b>	<b>140,422</b>	<b>(3,903)</b>	<b>42,637</b>	<b>140,210</b>	<b>237,159</b>	<b>586</b>	<b>322</b>	<b>988,825</b>	<b>228</b>	<b>39,334</b>
<b>Total liabilities and fund balances</b>	<b>\$ 380,735</b>	<b>\$ 152,729</b>	<b>\$ 9</b>	<b>\$ 42,637</b>	<b>\$ 772,447</b>	<b>\$ 241,630</b>	<b>\$ 586</b>	<b>\$ 322</b>	<b>\$ 2,925,141</b>	<b>\$ 228</b>	<b>\$ 132,639</b>

(continued)

CITY OF SAINT PETER

Nonmajor Special Revenue Funds  
 Combining Balance Sheet (continued)  
 as of December 31, 2011

	Facade Renovation	Vista View Volmary TIF District	Nicollet Meadows TIF District	INH Properties TIF District	Mankato Clinic TIF District	Orchard Ridge TIF District	Housing Revolving	Community Center	Washington Terrace TIF District	Jefferson Avenue TIF District	Total
<b>Assets</b>											
Cash and investments											
Unrestricted	\$ 61,386	\$ 3	\$ 118,396	\$ 1,112	\$ 1,218	\$ -	\$ 23,184	\$ 205,135	\$ 853	\$ 82,344	\$ 1,317,508
Receivables											
Accounts	-	-	-	-	-	-	-	11,162	-	-	24,679
Delinquent taxes	-	-	791	-	-	3,629	-	-	857	-	8,440
Deferred special assessments	-	-	-	-	-	-	-	-	-	41,457	42,764
Notes	-	-	50,000	-	-	-	-	-	-	-	2,555,509
Due from other funds	-	-	-	-	-	-	-	-	-	-	155,742
Due from other governmental units	-	-	674	-	-	-	-	-	650	51	2,503
Prepaid items	-	-	-	-	-	-	-	41	-	-	334
Assets held for resale	-	-	-	-	-	-	-	-	-	-	1,144,567
<b>Total assets</b>	<b>\$ 61,386</b>	<b>\$ 3</b>	<b>\$ 169,861</b>	<b>\$ 1,112</b>	<b>\$ 1,218</b>	<b>\$ 3,629</b>	<b>\$ 23,184</b>	<b>\$ 216,338</b>	<b>\$ 2,360</b>	<b>\$ 123,852</b>	<b>\$ 5,252,046</b>
<b>Liabilities and Fund Balances</b>											
<b>Liabilities</b>											
Accounts payable	\$ (8,473)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,046	\$ -	\$ 272	\$ 23,983
Due to other funds	-	-	-	-	-	-	-	-	-	-	155,742
Deferred revenue	-	-	50,791	-	-	3,629	-	8,022	857	41,457	2,614,736
<b>Total liabilities</b>	<b>(8,473)</b>	<b>-</b>	<b>50,791</b>	<b>-</b>	<b>-</b>	<b>3,629</b>	<b>-</b>	<b>17,068</b>	<b>857</b>	<b>41,729</b>	<b>2,794,461</b>
<b>Fund balances (deficit)</b>											
Restricted	-	3	119,070	1,112	1,218	-	23,184	-	1,503	82,123	1,634,877
Committed	69,859	-	-	-	-	-	-	199,270	-	-	826,611
Unassigned	-	-	-	-	-	-	-	-	-	-	(3,903)
<b>Total fund balances</b>	<b>69,859</b>	<b>3</b>	<b>119,070</b>	<b>1,112</b>	<b>1,218</b>	<b>-</b>	<b>23,184</b>	<b>199,270</b>	<b>1,503</b>	<b>82,123</b>	<b>2,457,585</b>
<b>Total liabilities and fund balances</b>	<b>\$ 61,386</b>	<b>\$ 3</b>	<b>\$ 169,861</b>	<b>\$ 1,112</b>	<b>\$ 1,218</b>	<b>\$ 3,629</b>	<b>\$ 23,184</b>	<b>\$ 216,338</b>	<b>\$ 2,360</b>	<b>\$ 123,852</b>	<b>\$ 5,252,046</b>

CITY OF SAINT PETER

Nonmajor Special Revenue Funds  
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Year Ended December 31, 2011

	Library	Public Access	Firefighters' Relief	Fire Calls	Economic Revolving Loan	St. Peter Mall TIF District	Nicollet Hotel TIF District	Nicollet Plaza TIF District	Tornado Disaster Revolving Loan	Theatre TIF District	1999 Economic Revolving Loans
<b>Revenue</b>											
Property taxes and tax increments	\$ 310,134	\$ -	\$ 24,600	\$ -	\$ -	\$ 169,113	\$ 9,578	\$ 11,575	\$ -	\$ 10,674	\$ -
Other taxes	-	45,402	-	-	-	-	-	-	-	-	-
Intergovernmental	49,448	87	41,596	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	751	-	-	-	-	-
Investment earnings	1,145	603	-	151	542	775	-	-	30	-	162
Other											
Loan principal and interest payments	-	-	-	-	85,804	-	-	-	288,594	-	8,590
Miscellaneous	70,474	1,626	-	9,900	1,817	1,073	-	-	101,026	-	200
Total revenue	<u>431,201</u>	<u>47,718</u>	<u>66,196</u>	<u>10,051</u>	<u>88,163</u>	<u>171,712</u>	<u>9,578</u>	<u>11,575</u>	<u>389,650</u>	<u>10,674</u>	<u>8,952</u>
<b>Expenditures</b>											
<b>Current</b>											
General government	276,240	15,040	70,108	-	10,221	-	-	1,158	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-	-	-	-
Economic development loans made	-	-	-	-	34,203	-	-	-	370,000	-	20,000
Other	-	-	-	-	-	-	9,578	-	36,274	534	346
Capital outlay	42,391	12,225	-	-	-	-	-	-	-	-	-
<b>Debt service</b>											
Principal	-	-	-	-	-	7,210	-	13,831	130,000	-	-
Interest and fiscal charges	-	-	-	-	-	3,066	-	6,289	24,094	10,139	-
Total expenditures	<u>318,631</u>	<u>27,265</u>	<u>70,108</u>	<u>-</u>	<u>44,424</u>	<u>10,276</u>	<u>9,578</u>	<u>21,278</u>	<u>560,368</u>	<u>10,673</u>	<u>20,346</u>
Excess (deficiency) of revenue over expenditures	112,570	20,453	(3,912)	10,051	43,739	161,436	-	(9,703)	(170,718)	1	(11,394)
<b>Other financing sources (uses)</b>											
Transfers in	-	-	-	-	-	-	-	10,000	-	-	-
Transfers (out)	(3,877)	(110)	-	-	-	(70,000)	-	-	-	-	-
Total other financing sources (uses)	<u>(3,877)</u>	<u>(110)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(70,000)</u>	<u>-</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	108,693	20,343	(3,912)	10,051	43,739	91,436	-	297	(170,718)	1	(11,394)
<b>Fund balances (deficit)</b>											
Beginning of year, as restated	<u>265,730</u>	<u>120,079</u>	<u>9</u>	<u>32,586</u>	<u>96,471</u>	<u>145,723</u>	<u>586</u>	<u>25</u>	<u>1,159,543</u>	<u>227</u>	<u>50,728</u>
End of year	<u>\$ 374,423</u>	<u>\$ 140,422</u>	<u>\$ (3,903)</u>	<u>\$ 42,637</u>	<u>\$ 140,210</u>	<u>\$ 237,159</u>	<u>\$ 586</u>	<u>\$ 322</u>	<u>\$ 988,825</u>	<u>\$ 228</u>	<u>\$ 39,334</u>

(continued)

CITY OF SAINT PETER

Nonmajor Special Revenue Funds  
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (continued)  
 Year Ended December 31, 2011

	Facade Renovation	Vista View Volmary TIF District	Nicollet Meadows TIF District	INH Properties TIF District	Mankato Clinic TIF District	Orchard Ridge TIF District	Housing Revolving	Community Center	Washington Terrace TIF District	Jefferson Avenue TIF District	Total
<b>Revenue</b>											
Property taxes and tax increments	\$ -	\$ 19,586	\$ 236,163	\$ 32,506	\$ 34,177	\$ 12	\$ -	\$ -	\$ 144,405	\$ 2,983	\$ 1,005,506
Other taxes	-	-	-	-	-	-	-	-	-	-	45,402
Intergovernmental	-	-	-	-	-	-	-	131	-	-	91,262
Special assessments	-	-	-	-	-	-	-	-	-	-	751
Investment earnings	287	-	726	34	44	215	97	510	161	170	5,652
<b>Other</b>											
Loan principal and interest payments	1,250	-	-	-	-	-	-	-	-	-	384,238
Miscellaneous	-	-	-	-	-	-	-	214,143	-	79,193	479,452
<b>Total revenue</b>	<b>1,537</b>	<b>19,586</b>	<b>236,889</b>	<b>32,540</b>	<b>34,221</b>	<b>227</b>	<b>97</b>	<b>214,784</b>	<b>144,566</b>	<b>82,346</b>	<b>2,012,263</b>
<b>Expenditures</b>											
<b>Current</b>											
General government	-	-	-	-	-	-	-	-	-	-	372,767
Parks and recreation	-	-	-	-	-	-	-	305,038	-	-	305,038
Economic development loans made	-	-	-	-	-	-	-	-	-	-	424,203
Other	46	19,587	95,343	32,495	34,167	54,636	-	-	-	495	283,501
Capital outlay	-	-	-	-	-	-	-	6,770	-	-	61,386
<b>Debt service</b>											
Principal	-	-	-	-	-	-	-	-	-	-	151,041
Interest and fiscal charges	-	-	-	-	-	-	-	-	-	-	43,588
<b>Total expenditures</b>	<b>46</b>	<b>19,587</b>	<b>95,343</b>	<b>32,495</b>	<b>34,167</b>	<b>54,636</b>	<b>-</b>	<b>311,808</b>	<b>-</b>	<b>495</b>	<b>1,641,524</b>
<b>Excess (deficiency) of revenue over expenditures</b>	<b>1,491</b>	<b>(1)</b>	<b>141,546</b>	<b>45</b>	<b>54</b>	<b>(54,409)</b>	<b>97</b>	<b>(97,024)</b>	<b>144,566</b>	<b>81,851</b>	<b>370,739</b>
<b>Other financing sources (uses)</b>											
Transfers in	-	-	-	-	-	-	-	200,439	-	-	210,439
Transfers (out)	-	-	(150,000)	-	-	-	-	(11,334)	(145,000)	-	(380,321)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>(150,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>189,105</b>	<b>(145,000)</b>	<b>-</b>	<b>(169,882)</b>
<b>Net change in fund balances</b>	<b>1,491</b>	<b>(1)</b>	<b>(8,454)</b>	<b>45</b>	<b>54</b>	<b>(54,409)</b>	<b>97</b>	<b>92,081</b>	<b>(434)</b>	<b>81,851</b>	<b>200,857</b>
<b>Fund balances (deficit)</b>											
Beginning of year, as restated	68,368	4	127,524	1,067	1,164	54,409	23,087	107,189	1,937	272	2,256,728
<b>End of year</b>	<b>\$ 69,859</b>	<b>\$ 3</b>	<b>\$ 119,070</b>	<b>\$ 1,112</b>	<b>\$ 1,218</b>	<b>\$ -</b>	<b>\$ 23,184</b>	<b>\$ 199,270</b>	<b>\$ 1,503</b>	<b>\$ 82,123</b>	<b>\$ 2,457,585</b>

CITY OF SAINT PETER

Nonmajor Debt Service Funds  
 Combining Balance Sheet  
 as of December 31, 2011

	General Obligation	Tax Increment	Special Assessment	Total
Assets				
Cash and investments				
Unrestricted	\$ 158,005	\$ 166,305	\$ -	\$ 324,310
Receivables				
Delinquent special assessments	-	-	272,216	272,216
Deferred special assessments	-	30,416	311,401	341,817
Due from other governmental units	-	245	-	245
	<u>158,005</u>	<u>196,966</u>	<u>583,617</u>	<u>938,588</u>
Total assets	<u>\$ 158,005</u>	<u>\$ 196,966</u>	<u>\$ 583,617</u>	<u>\$ 938,588</u>
Liabilities and Fund Balances				
Liabilities				
Accounts and contracts payable	\$ 4,280	\$ -	\$ -	\$ 4,280
Due to other funds	-	-	379,239	379,239
Deferred revenue	-	30,416	583,617	614,033
Total liabilities	<u>4,280</u>	<u>30,416</u>	<u>962,856</u>	<u>997,552</u>
Fund balances (deficit)				
Restricted	153,725	166,550	-	320,275
Unassigned	-	-	(379,239)	(379,239)
Total fund balances (deficit)	<u>153,725</u>	<u>166,550</u>	<u>(379,239)</u>	<u>(58,964)</u>
Total liabilities and fund balances	<u>\$ 158,005</u>	<u>\$ 196,966</u>	<u>\$ 583,617</u>	<u>\$ 938,588</u>

CITY OF SAINT PETER

Nonmajor Debt Service Funds  
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Year Ended December 31, 2011

	General Obligation	Tax Increment	Special Assessment	Total
<b>Revenue</b>				
Property taxes and tax increments	\$ 498,190	\$ 73,915	\$ -	\$ 572,105
Special assessments	-	10,803	37,927	48,730
Investment earnings	545	1,052	-	1,597
Other	51,362	55,367	-	106,729
Total revenue	<u>550,097</u>	<u>141,137</u>	<u>37,927</u>	<u>729,161</u>
<b>Expenditures</b>				
Current				
Excess tax increment payment	-	120,197	-	120,197
Debt service				
Principal	440,100	510,948	125,000	1,076,048
Interest	141,419	155,804	6,581	303,804
Fiscal agent fees	-	-	176	176
Total expenditures	<u>581,519</u>	<u>786,949</u>	<u>131,757</u>	<u>1,500,225</u>
Excess (deficiency) of revenue over expenditures	(31,422)	(645,812)	(93,830)	(771,064)
<b>Other financing sources</b>				
Transfers in	-	430,000	-	430,000
Net change in fund balances	(31,422)	(215,812)	(93,830)	(341,064)
<b>Fund balances (deficit)</b>				
Beginning of year	<u>185,147</u>	<u>382,362</u>	<u>(285,409)</u>	<u>282,100</u>
End of year	<u>\$ 153,725</u>	<u>\$ 166,550</u>	<u>\$ (379,239)</u>	<u>\$ (58,964)</u>

CITY OF SAINT PETER

Nonmajor Capital Project Funds  
 Combining Balance Sheet  
 as of December 31, 2011

	Parkland Dedication	2000 Housing Project	Biomass	Industrial Park	Treatment Center Taskforce	Equipment Certificate	2003 Washington Terrace	Total
<b>Assets</b>								
Cash and investments								
Unrestricted	\$ 108,714	\$ 519,615	\$ -	\$ 50,922	\$ -	\$ 54,417	\$ 457,651	\$ 1,191,319
Receivables								
Deferred special assessments	-	31,753	-	-	-	-	68,100	99,853
Notes	-	372,447	-	-	-	-	-	372,447
Total assets	<u>\$ 108,714</u>	<u>\$ 923,815</u>	<u>\$ -</u>	<u>\$ 50,922</u>	<u>\$ -</u>	<u>\$ 54,417</u>	<u>\$ 525,751</u>	<u>\$ 1,663,619</u>
<b>Liabilities and Fund Balances</b>								
<b>Liabilities</b>								
Accounts and contracts payable	\$ -	\$ 2,000	\$ -	\$ -	\$ -	\$ 213,376	\$ -	\$ 215,376
Deferred revenue	-	404,200	-	-	-	-	68,100	472,300
Total liabilities	<u>-</u>	<u>406,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>213,376</u>	<u>68,100</u>	<u>687,676</u>
<b>Fund balances (deficit)</b>								
Restricted	108,714	517,615	-	50,922	-	-	457,651	1,134,902
Unassigned	-	-	-	-	-	(158,959)	-	(158,959)
Total fund balances	<u>108,714</u>	<u>517,615</u>	<u>-</u>	<u>50,922</u>	<u>-</u>	<u>(158,959)</u>	<u>457,651</u>	<u>975,943</u>
Total liabilities and fund balances	<u>\$ 108,714</u>	<u>\$ 923,815</u>	<u>\$ -</u>	<u>\$ 50,922</u>	<u>\$ -</u>	<u>\$ 54,417</u>	<u>\$ 525,751</u>	<u>\$ 1,663,619</u>

CITY OF SAINT PETER

Nonmajor Capital Project Funds  
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Year Ended December 31, 2011

	Parkland Dedication	2000 Housing Project	Biomass	Industrial Park	Treatment Center Taskforce	Equipment Certificates	2003 Washington Terrace	Total
<b>Revenue</b>								
Special assessments	\$ -	\$ 18,734	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,734
Investment earnings	554	2,658	-	87	-	140	1,462	4,901
<b>Other</b>								
Miscellaneous	-	-	-	-	-	13,890	-	13,890
Total revenue	554	21,392	-	87	-	14,030	1,462	37,525
<b>Expenditures</b>								
<b>Capital outlay</b>								
Construction and related costs	-	10,901	-	1,039	-	282,543	-	294,483
Excess (deficiency) of revenue over expenditures	554	10,491	-	(952)	-	(268,513)	1,462	(256,958)
<b>Other financing sources (uses)</b>								
Debt issued	-	-	-	-	-	94,800	-	94,800
Proceeds from sale of assets	-	-	-	72,723	-	3,300	100	76,123
Transfers (out)	-	-	(2,809)	(30,000)	(9,234)	-	(45,000)	(87,043)
Total other financing sources (uses)	-	-	(2,809)	42,723	(9,234)	98,100	(44,900)	83,880
Net change in fund balances	554	10,491	(2,809)	41,771	(9,234)	(170,413)	(43,438)	(173,078)
<b>Fund balances (deficit)</b>								
Beginning of year, as restated	108,160	507,124	2,809	9,151	9,234	11,454	501,089	1,149,021
End of year	\$ 108,714	\$ 517,615	\$ -	\$ 50,922	\$ -	\$ (158,959)	\$ 457,651	\$ 975,943

## CITY OF SAINT PETER

General Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended December 31, 2011  
 (With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011		2010	
	Budget	Actual	Over (Under) Budget	Actual
Revenue				
Property taxes	\$ 1,185,124	\$ 1,021,425	\$ (163,699)	\$ 1,065,312
Other taxes	71,500	76,865	5,365	74,590
Licenses and permits				
Business licenses and permits	24,290	27,450	3,160	27,995
Non-business licenses and permits	178,454	121,793	(56,661)	280,045
Total licenses and permits	202,744	149,243	(53,501)	308,040
Intergovernmental				
Local government aid	2,476,595	2,616,126	139,531	2,616,126
State and federal grants and aids	124,660	160,338	35,678	123,179
Total intergovernmental	2,601,255	2,776,464	175,209	2,739,305
Charges for services				
General government	22,950	37,269	14,319	124,808
Public safety	125,500	121,704	(3,796)	118,366
Highways and streets	14,700	16,684	1,984	17,290
Recreation	135,700	158,885	23,185	134,835
Total charges for services	298,850	334,542	35,692	395,299
Fines and forfeitures	83,000	81,530	(1,470)	80,067
Investment earnings	45,500	29,867	(15,633)	36,881
Other				
Miscellaneous	47,222	93,866	46,644	98,588
Sale of property	-	14,578	14,578	14,984
Loan principal and interest payments	9,800	10,139	339	-
Total other	57,022	118,583	61,561	113,572
Total revenue	4,544,995	4,588,519	43,524	4,813,066

(continued)

## CITY OF SAINT PETER

General Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual (continued)  
 Year Ended December 31, 2011  
 (With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011		Over (Under) Budget	2010
	Budget	Actual		Actual
Expenditures				
Current				
General government				
Mayor and City Council	40,150	36,501	(3,649)	35,957
Administration	166,344	155,712	(10,632)	155,804
City clerk	63,197	61,738	(1,459)	61,651
Elections	10,241	10,815	574	12,660
Finance	233,689	225,500	(8,189)	225,937
Legal	136,500	135,488	(1,012)	125,418
General government building	79,162	93,216	14,054	81,279
Old hospital	82,000	319,698	237,698	-
Total general government	811,283	1,038,668	227,385	698,706
Public safety				
Police	1,884,118	1,844,386	(39,732)	1,790,779
Fire	259,324	233,855	(25,469)	233,178
Other				
Building and planning	181,351	173,901	(7,450)	185,228
Civil defense	10,948	1,091	(9,857)	7,837
Community service officer	77,786	77,914	128	81,103
Total other	270,085	252,906	(17,179)	274,168
Total public safety	2,413,527	2,331,147	(82,380)	2,298,125
Public works				
Public works administration	75,058	93,470	18,412	114,866
Highways and streets				
Streets	928,449	1,028,452	100,003	902,141
Street lighting	101,000	98,653	(2,347)	91,968
Total highways and streets	1,029,449	1,127,105	97,656	994,109
Total public works	1,104,507	1,220,575	116,068	1,108,975

(continued)

CITY OF SAINT PETER

General Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual (continued)  
 Year Ended December 31, 2011  
 (With Comparative Actual Amounts for the Year Ended December 31, 2010)

	2011		Over (Under) Budget	2010
	Budget	Actual		Actual
Expenditures (continued)				
Current (continued)				
Parks and recreation				
Senior coordinator	28,025	29,018	993	26,057
Recreation and leisure services	320,359	332,209	11,850	319,560
Swimming pool	177,621	144,673	(32,948)	144,458
Skating rinks	12,014	11,327	(687)	12,641
Parks	660,342	598,280	(62,062)	573,762
Total parks and recreation	<u>1,198,361</u>	<u>1,115,507</u>	<u>(82,854)</u>	<u>1,076,478</u>
Economic development	125,840	118,043	(7,797)	97,342
Other				
Insurance	20,000	101,582	81,582	33,296
Memberships	28,550	24,433	(4,117)	26,863
Total other	<u>48,550</u>	<u>126,015</u>	<u>77,465</u>	<u>60,159</u>
Capital outlay	85,200	122,865	37,665	7,062
Total expenditures	<u>5,787,268</u>	<u>6,072,820</u>	<u>285,552</u>	<u>5,346,847</u>
Excess (deficiency) of revenue over expenditures	(1,242,273)	(1,484,301)	(242,028)	(533,781)
Other financing sources (uses)				
Transfers in	1,318,573	1,408,873	90,300	1,174,151
Transfers (out)	—	(46,756)	(46,756)	(47,189)
Total other financing sources (uses)	<u>1,318,573</u>	<u>1,362,117</u>	<u>43,544</u>	<u>1,126,962</u>
Net change in fund balances	<u>\$ 76,300</u>	<u>(122,184)</u>	<u>\$ (198,484)</u>	<u>593,181</u>
Fund balances				
Beginning of year, as previously reported		2,918,878		2,325,697
Change in accounting principle		600,640		—
Beginning of year, as restated		<u>3,519,518</u>		<u>2,325,697</u>
End of year		<u>\$ 3,397,334</u>		<u>\$ 2,918,878</u>

CITY OF SAINT PETER

Municipal Electric Utility Fund  
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets  
 Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenue		
Charges for services	\$ 10,170,050	\$ 9,446,989
Electric generation	432,000	432,000
Other		
Penalties	71,982	70,063
Insurance proceeds	391,698	-
Miscellaneous	298,799	119,585
Total operating revenue	<u>11,364,529</u>	<u>10,068,637</u>
Operating expenses		
Bulk energy	7,221,284	6,971,853
Power distribution		
Personal services	312,395	342,370
Repairs and maintenance	94,124	101,153
Supplies and materials	40,020	38,842
Utilities	5,268	4,580
Professional services	71,323	16,479
General and administrative	1,578	1,603
Total power distribution	<u>524,708</u>	<u>505,027</u>
General and administrative		
Personal services	268,752	275,490
Repairs and maintenance	13,471	7,040
Supplies and materials	23,142	21,885
Utilities	8,053	8,922
Professional services	18,887	29,988
General and administrative	63,762	61,986
Total general and administrative	<u>396,067</u>	<u>405,311</u>
Customer accounts		
Personal services	99,239	97,876
Repairs and maintenance	1,353	1,343
Supplies and materials	892	1,209
Professional services	4,265	3,082
General and administrative	9,570	9,021
Bad debt expense (recovery)	(1,861)	9,969
Total customer accounts	<u>113,458</u>	<u>122,500</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating expenses (continued)		
Power production		
Personal services	17,083	12,469
Repairs and maintenance	53,432	65,506
Supplies and materials	142,352	42,922
Utilities	39,406	32,541
Professional services	<u>27,677</u>	<u>26,469</u>
Total power production	279,950	179,907
Depreciation	<u>799,871</u>	<u>801,333</u>
Total operating expenses	<u>9,335,338</u>	<u>8,985,931</u>
Operating income	2,029,191	1,082,706
Other revenue (expense)		
State and federal grants	145,860	1,408
Gain on disposal of asset	15,000	-
Investment earnings	69,241	149,915
Interest expense	<u>(499,763)</u>	<u>(411,210)</u>
Total other revenue (expense)	<u>(269,662)</u>	<u>(259,887)</u>
Income before transfers	1,759,529	822,819
Transfers		
Transfers (out)	<u>(937,673)</u>	<u>(894,445)</u>
Change in net assets	821,856	(71,626)
Net assets		
Beginning of year	<u>15,922,378</u>	<u>15,994,004</u>
End of year	<u>\$ 16,744,234</u>	<u>\$ 15,922,378</u>

CITY OF SAINT PETER

Municipal Water Utility Fund  
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets  
 Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenue		
Charges for services	\$ 2,005,505	\$ 1,745,096
Other	129,434	79,949
Total operating revenue	<u>2,134,939</u>	<u>1,825,045</u>
Operating expenses		
Source of supply		
Personal services	23,699	29,921
Repairs and maintenance	1,566	10,295
Supplies and materials	1,463	2,156
Utilities	18,637	25,318
Professional services	—	185
General and administrative	7,079	8,060
Total source of supply	<u>52,444</u>	<u>75,935</u>
Purification and treatment		
Personal services	154,663	97,547
Repairs and maintenance	28,978	10,466
Supplies and materials	158,410	17,936
Utilities	514,854	77,717
Professional services	9,930	15,644
General and administrative	975	1,150
Total purification and treatment	<u>867,810</u>	<u>220,460</u>
Distribution and storage		
Personal services	200,908	280,555
Repairs and maintenance	34,537	60,983
Supplies and materials	19,868	24,683
Utilities	86,901	75,790
Professional services	3,888	3,798
General and administrative	2,398	2,421
Total distribution and storage	<u>348,500</u>	<u>448,230</u>
General and administrative		
Personal services	59,634	53,827
Repairs and maintenance	3,810	1,848
Supplies and materials	12,321	8,527
Utilities	3,224	3,757
Professional services	33,020	14,974
General and administrative	20,314	17,545
Total general and administrative	<u>132,323</u>	<u>100,478</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, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating expenses (continued)		
Customer accounts		
Personal services	21,040	20,935
Repairs and maintenance	1,353	1,343
Supplies and materials	767	1,209
Professional services	2,016	2,026
General and administrative	6,096	5,242
Bad debt expense	-	244
Total customer accounts	<u>31,272</u>	<u>30,999</u>
Depreciation	<u>523,904</u>	<u>479,513</u>
Total operating expenses	<u>1,956,253</u>	<u>1,355,615</u>
Operating income	178,686	469,430
Other revenue (expense)		
State and federal grants	756	756
(Loss) on disposal of capital asset	(139,374)	-
Investment earnings	20,769	14,437
Interest expense	<u>(543,213)</u>	<u>(341,848)</u>
Total other revenue (expense)	<u>(661,062)</u>	<u>(326,655)</u>
Income (loss) before transfers and contributions	(482,376)	142,775
Transfers and contributions		
Capital contribution from governmental funds	-	30,755
Transfers (out)	<u>(180,933)</u>	<u>(988,856)</u>
Total transfers and contributions	<u>(180,933)</u>	<u>(958,101)</u>
Change in net assets	(663,309)	(815,326)
Net assets		
Beginning of year	<u>11,587,167</u>	<u>12,402,493</u>
End of year	<u>\$ 10,923,858</u>	<u>\$ 11,587,167</u>

## CITY OF SAINT PETER

Environmental Services Utility Fund  
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets  
 Years Ended December 31, 2011 and 2010

	2011	2010
Operating revenue		
Charges for services	\$ 732,666	\$ 719,727
Other	2,124	7,383
Total operating revenue	734,790	727,110
Operating expenses		
Refuse operations		
Personal services	131,447	125,292
Repairs and maintenance	10,208	3,656
Supplies and materials	32,232	19,025
Professional services	394,768	389,279
General and administrative	2,875	3,241
Total refuse operations	571,530	540,493
General and administrative		
Personal services	50,458	51,047
Repairs and maintenance	4,108	1,823
Supplies and materials	6,118	5,533
Utilities	3,164	3,682
Professional services	6,764	7,760
General and administrative	3,734	3,291
Total general and administrative	74,346	73,136
Customer accounts		
Personal services	13,966	13,878
Supplies and materials	308	807
Professional services	1,575	1,683
General and administrative	6,651	6,524
Bad debt expense	-	427
Total customer accounts	22,500	23,319
Depreciation	5,885	6,100
Total operating expenses	674,261	643,048
Operating income	60,529	84,062
Other revenue		
State and federal grants	326	326
Investment earnings	1,078	1,585
Total other revenue	1,404	1,911
Income before transfers	61,933	85,973
Transfers		
Transfers (out)	(2,945)	(2,933)
Change in net assets	58,988	83,040
Net assets		
Beginning of year	229,698	146,658
End of year	\$ 288,686	\$ 229,698

CITY OF SAINT PETER

Municipal Wastewater Utility Fund  
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets  
 Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenue		
Charges for services	\$ 3,392,178	\$ 3,145,277
Other	191,549	223,732
Total operating revenue	<u>3,583,727</u>	<u>3,369,009</u>
Operating expenses		
Biosolids		
Personal services	38,062	44,026
Repairs and maintenance	66,780	18,334
Supplies and materials	46,550	50,243
Utilities	43,907	46,439
Professional services	1,885	2,105
General and administrative	830	693
Total biosolids	<u>198,014</u>	<u>161,840</u>
Collector system		
Personal services	134,407	149,405
Repairs and maintenance	64,685	46,455
Supplies and materials	18,788	15,470
Utilities	32,298	32,303
Professional services	81,873	1,391
General and administrative	1,311	1,326
Total collector system	<u>333,362</u>	<u>246,350</u>
Source/treatment		
Personal services	266,020	308,690
Repairs and maintenance	43,429	79,424
Supplies and materials	141,667	149,557
Utilities	438,558	463,162
Professional services	87,780	53,261
General and administrative	18,456	18,511
Total source/treatment	<u>995,910</u>	<u>1,072,605</u>
General and administrative		
Personal services	56,001	57,968
Repairs and maintenance	5,378	1,984
Supplies and materials	12,140	8,410
Utilities	3,793	4,119
Professional services	7,663	20,548
General and administrative	18,132	17,086
Total general and administrative	<u>103,107</u>	<u>110,115</u>

(continued)

CITY OF SAINT PETER

Municipal Wastewater Utility Fund  
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets (continued)  
 Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating expenses (continued)		
Customer accounts		
Personal services	19,795	20,670
Repairs and maintenance	1,353	1,343
Supplies and materials	767	1,113
Professional services	2,016	1,513
General and administrative	5,336	5,260
Bad debt expense	—	573
Total customer accounts	<u>29,267</u>	<u>30,472</u>
Depreciation	<u>809,504</u>	<u>825,791</u>
Total operating expenses	<u>2,469,164</u>	<u>2,447,173</u>
Operating income	1,114,563	921,836
Other revenue (expense)		
State and federal grants	21,000	1,048
Investment earnings	3,151	1,351
Interest expense	<u>(368,761)</u>	<u>(389,553)</u>
Total other revenue (expense)	<u>(344,610)</u>	<u>(387,154)</u>
Income before transfers	769,953	534,682
Transfers and contributions		
Capital contribution from governmental funds	—	17,500
Transfers (out)	<u>(236,356)</u>	<u>(233,583)</u>
Total transfers and contributions	<u>(236,356)</u>	<u>(216,083)</u>
Change in net assets	533,597	318,599
Net assets		
Beginning of year	<u>15,659,622</u>	<u>15,341,023</u>
End of year	<u>\$ 16,193,219</u>	<u>\$ 15,659,622</u>

CITY OF SAINT PETER

Heartland Transit Fund  
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets  
 Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenue		
Charges for services	\$ 80,972	\$ 78,211
Other	—	492
Total operating revenue	<u>80,972</u>	<u>78,703</u>
Operating expenses		
Personal services	219,213	221,802
Repairs and maintenance	9,215	6,397
Supplies and materials	36,439	20,812
Depreciation	22,393	27,327
Professional services	464	671
General and administrative	9,688	8,992
Total operating expenses	<u>297,412</u>	<u>286,001</u>
Operating loss	(216,440)	(207,298)
Other revenue		
State and federal grants	<u>212,307</u>	<u>200,307</u>
Income (loss) before transfers	(4,133)	(6,991)
Transfers		
Transfers (out)	<u>—</u>	<u>(88)</u>
Change in net assets	(4,133)	(7,079)
Net assets		
Beginning of year	<u>66,478</u>	<u>73,557</u>
End of year	<u>\$ 62,345</u>	<u>\$ 66,478</u>

CITY OF SAINT PETER

Storm Water Fund  
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets  
 Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenue		
Charges for services	\$ 474,490	\$ 469,099
Other	<u>27,803</u>	<u>10,958</u>
Total operating revenue	502,293	480,057
Operating expenses		
Personal services	213,284	185,205
Repairs and maintenance	11,092	9,584
Supplies and materials	9,629	4,901
Utilities	5,673	7,235
Depreciation	192,442	181,854
Professional services	6,179	10,852
General and administrative	10,606	5,216
Bad debt expense (recovery)	(9)	68
Total operating expenses	<u>448,896</u>	<u>404,915</u>
Operating income	53,397	75,142
Other revenue (expense)		
State and federal grants	16,493	43
Investment earnings	5,242	5,676
Interest expense	<u>(12,281)</u>	<u>(10,170)</u>
Total other revenue (expense)	<u>9,454</u>	<u>(4,451)</u>
Income before transfers and contributions	62,851	70,691
Transfers and contributions		
Capital contributions from governmental funds	-	35,898
Transfers (out)	<u>(30,102)</u>	<u>(1,651)</u>
Total transfers and contributions	<u>(30,102)</u>	<u>34,247</u>
Change in net assets	32,749	104,938
Net assets		
Beginning of year	<u>5,102,826</u>	<u>4,997,888</u>
End of year	<u>\$ 5,135,575</u>	<u>\$ 5,102,826</u>

CITY OF SAINT PETER

Telecommunications Conduit Fund  
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets  
 Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenue		
Charges for services	\$ 147,182	\$ 146,881
Operating expenses		
Repairs and maintenance	-	176
Depreciation	14,264	14,264
Professional services	-	65
Total operating expenses	<u>14,264</u>	<u>14,505</u>
Operating income	132,918	132,376
Other revenue		
Investment earnings	<u>125</u>	<u>195</u>
Income before transfers	133,043	132,571
Transfers		
Transfers (out)	<u>(147,183)</u>	<u>(146,881)</u>
Change in net assets	(14,140)	(14,310)
Net assets		
Beginning of year	<u>290,701</u>	<u>305,011</u>
End of year	<u>\$ 276,561</u>	<u>\$ 290,701</u>

CITY OF SAINT PETER

Long-Term Care Facility Fund  
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets  
 Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenue		
Other	\$ 783,792	\$ 950,514
Operating expenses		
Depreciation	221,528	221,528
General and administrative	3,652	3,675
Total operating expenses	<u>225,180</u>	<u>225,203</u>
Operating income	558,612	725,311
Other revenue (expense)		
Investment earnings	-	1
Interest expense	(587,078)	(796,397)
Total other revenue (expense)	<u>(587,078)</u>	<u>(796,396)</u>
Change in net assets	(28,466)	(71,085)
Net assets (deficit)		
Beginning of year	<u>(712,269)</u>	<u>(641,184)</u>
End of year	<u>\$ (740,735)</u>	<u>\$ (712,269)</u>

CITY OF SAINT PETER

Medical Office Building Fund  
 Comparative Schedule of Revenue, Expenses, and Changes in Net Assets  
 Years Ended December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Operating revenue		
Other	\$ 349,123	\$ 567,022
Operating expenses		
Depreciation	118,673	118,579
Professional services	159,871	68,191
Total operating expenses	<u>278,544</u>	<u>186,770</u>
Operating income	70,579	380,252
Other revenue (expense)		
(Loss) on disposal of capital assets	-	(22,623)
Investment earnings	1,089	1,872
Interest expense	(145,856)	(148,088)
Total other revenue (expense)	<u>(144,767)</u>	<u>(168,839)</u>
Changes in net assets	(74,188)	211,413
Net assets		
Beginning of year	<u>3,220,481</u>	<u>3,009,068</u>
End of year	<u>\$ 3,146,293</u>	<u>\$ 3,220,481</u>

CITY OF SAINT PETER

Fiduciary Funds  
 Combining Statement of Net Assets  
 Private-Purpose Trust Funds  
 as of December 31, 2011

	<u>Library Trust</u>	<u>Restricted Contributions Trusts</u>	<u>Total Private-Purpose Trusts</u>
Assets			
Cash and cash equivalents	\$ 12,277	\$ 108,111	\$ 120,388
Accounts receivable	-	2,457	2,457
	<u>\$ 12,277</u>	<u>\$ 110,568</u>	<u>\$ 122,845</u>
Total assets			
Liabilities			
Liabilities			
Accounts payable	\$ -	\$ 13,509	\$ 13,509
Net Assets			
Held in trust for private purposes	<u>\$ 12,277</u>	<u>\$ 97,059</u>	<u>\$ 109,336</u>

CITY OF SAINT PETER

Fiduciary Funds  
 Combining Statement of Changes in Net Assets  
 Private-Purpose Trust Funds  
 Year Ended December 31, 2011

	<u>Library Trust</u>	<u>Restricted Contributions Trusts</u>	<u>Total Private-Purpose Trusts</u>
<b>Additions</b>			
Donations	\$ —	\$ 84,775	\$ 84,775
Investment earnings	50	36	86
Total additions	<u>50</u>	<u>84,811</u>	<u>84,861</u>
<b>Deductions</b>			
Trust-related expenses	<u>—</u>	<u>91,166</u>	<u>91,166</u>
Changes in net assets	50	(6,355)	(6,305)
<b>Net assets</b>			
Beginning of year	<u>12,227</u>	<u>103,414</u>	<u>115,641</u>
End of year	<u>\$ 12,277</u>	<u>\$ 97,059</u>	<u>\$ 109,336</u>

CITY OF SAINT PETER

Fiduciary Funds  
 Combining Statement of Net Assets  
 Agency Funds  
 as of December 31, 2011

	<u>DARE Program</u>	<u>Youth Center</u>	<u>Flexible Benefit Plan</u>	<u>Total Agency Funds</u>
Assets				
Cash and cash equivalents	<u>\$ 20,944</u>	<u>\$ 6,580</u>	<u>\$ 166,487</u>	<u>\$ 194,011</u>
Liabilities				
Liabilities				
Refunds payable and others	<u>\$ 20,944</u>	<u>\$ 6,580</u>	<u>\$ 166,487</u>	<u>\$ 194,011</u>

CITY OF SAINT PETER

Fiduciary Funds  
 Combining Statement of Changes in Assets and Liabilities  
 Agency Funds  
 Year Ended December 31, 2011

	Balance – January 1, 2011	Additions	Deletions	Balance – December 31, 2011
<b>DARE Program</b>				
Assets				
Cash and cash equivalents	\$ 15,490	\$ 5,454	\$ –	\$ 20,944
Liabilities				
Refunds payable and others	\$ 15,490	\$ 5,454	\$ –	\$ 20,944
<b>Gambling Seizure</b>				
Assets				
Cash and cash equivalents	\$ 1,507	\$ –	\$ 1,507	\$ –
Liabilities				
Refunds payable and others	\$ 1,507	\$ –	\$ 1,507	\$ –
<b>Youth Center</b>				
Assets				
Cash and cash equivalents	\$ 7,445	\$ 3,712	\$ 4,577	\$ 6,580
Liabilities				
Refunds payable and others	\$ 7,445	\$ 3,712	\$ 4,577	\$ 6,580
<b>Flexible Benefit Plan</b>				
Assets				
Cash and cash equivalents	\$ 183,613	\$ –	\$ 17,126	\$ 166,487
Liabilities				
Refunds payable and others	\$ 183,613	\$ –	\$ 17,126	\$ 166,487
<b>Total</b>				
Assets				
Cash and cash equivalents	\$ 208,055	\$ 9,166	\$ 23,210	\$ 194,011
Liabilities				
Refunds payable and others	\$ 208,055	\$ 9,166	\$ 23,210	\$ 194,011

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
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
2009	973,097	161,525	2,854,397	370,389	81,235	154,485	4,595,128
2010	1,139,902	308,040	2,739,305	395,299	80,067	150,453	4,813,066
2011	1,098,290	149,243	2,776,464	334,542	81,530	148,450	4,588,519

The City implemented GASB Statement No. 54 in fiscal 2011. This caused certain activities to be moved into the General Fund that were previously reported in special revenue funds.

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
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
2009	716,347	2,255,294	112,329	993,088	1,122,809	123,614	76,498	85,709	5,485,688
2010	698,706	2,298,125	114,866	994,109	1,076,478	97,342	60,159	7,062	5,346,847
2011	1,038,668	2,331,147	93,470	1,127,105	1,115,507	118,043	126,015	122,865	6,072,820

The City implemented GASB Statement No. 54 in fiscal 2011. This caused certain activities to be moved into the General Fund that were previously reported in special revenue funds.