

CITY OF LAKE CITY, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2009

CITY OF LAKE CITY, MINNESOTA

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CITY OF LAKE CITY, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2009

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June 28, 2010

To the Honorable Mayor, Members of the City Council and Citizens of Lake City;

The City of Lake City's Annual Financial Report for the fiscal year ended December 31, 2009 is submitted in accordance with Generally Accepted Accounting Principles (GAAP). The purpose of this report is to provide the Mayor, City Council and other interested parties with useful information regarding the City's operations and financial position.

Minnesota Statute 471.697 requires cities the size of Lake City to:

- Prepare a financial report covering the city's operations during the preceding fiscal year after the close of the fiscal year. The report shall contain financial statements and disclosures which present the city's financial position and the results of the city operations in conformity with generally accepted accounting principles.
- File the financial report in the clerk's or financial officer's office for public inspection and present it to the city council after the close of the fiscal year. One copy of the financial report shall be furnished to the state auditor after the close of the fiscal year,
- Submit to the state auditor audited financial statements which have been attested to by a certified public accountant, public accountant, or the state auditor within 180 days after the close of the fiscal year. A copy of the audited financial statement along with any management letter or other written findings or comments by the auditor must be provided to each city council member and the mayor no later than 30 days after the report is required to be submitted to the state auditor.

The accompanying independent auditor's report, management's discussion and analysis, basic financial statements and supplemental information and schedules are designed to meet the requirements of the statute.

The City assumes responsibility for both the accuracy of data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge, this financial report is complete and reliable in all material respects.

Smith Schafer & Associates, LTD, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Lake City's financial statements for the year ended December 31, 2009. The independent auditor's report is located on page one of this report.

The City's financial statements include all funds and component units under the ultimate control of the Mayor and City Council. The Economic Development Authority is legally separate but the City is financially accountable, therefore the EDA is reported separately as a component unit in the City of Lake City's financial statements.

The preparation of the 2009 Annual Financial Report was accomplished through the combined efforts of the Clerk/Finance Department, various department staff and the firm of Smith Schafer and Associates, LTD.

Respectfully submitted;



Barbara I. Pratt
Finance Director/Treasurer

**CITY OF LAKE CITY, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2009**

ELECTED

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Jerry Dunbar	January 14, 2013
Council	Marylou Waltman	January 14, 2013
Council	Ray St. Martin	January 10, 2011
Council	Matt Powers	January 10, 2011
Council	Mark Spence	January 14, 2013
Council	Joel Beckman	January 10, 2011
Council	Andru Peters	January 14, 2013

APPOINTED

City Administrator	Ron Johnson
City Clerk	Kari Schreck
Finance Director/Treasurer	Barbara Pratt

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CITY OF LAKE CITY, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2009

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake City, Minnesota as of and for the year ended December 31, 2009, 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 an opinion on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2008 financial statements and, in our report dated May 29, 2009, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Lake City, Minnesota as of December 31, 2009, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Audit Standards*, we have also issued our report dated June 17, 2010, on our consideration of the City of Lake City, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting and compliance. That 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.

Honorable Mayor and Members
of the City Council
City of Lake City, Minnesota
Page 2

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

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

Smith, Schafen and Associates, Ltd.

Rochester, Minnesota
June 17, 2010

CITY OF LAKE CITY, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lake City, Minnesota, we offer readers of the City of Lake City's financial statements this narrative overview and analysis of the financial activities of the City of Lake City for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The assets of the City of Lake City exceeded its liabilities at the close of the most recent fiscal year by \$36,929,787 (*net assets*). Of this amount, \$9,223,990 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets decreased by \$390,619 primarily due to a decrease in utility metered sales to industrial customers.
- As of the close of the current fiscal year, the City of Lake City's governmental funds reported combined ending fund balances of \$3,299,131. Approximately 95 percent of this total amount, or \$3,139,353, is available for use within the City's designations and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$1,835,347 or 43 percent of total general fund expenditures.
- The City of Lake City total outstanding debt decreased by \$898,463 during the current fiscal year. Principal payments are made as scheduled and continue to reduce outstanding debt. No additional debt was issued in 2009. General obligation bonds for street improvement in the amount of \$1,160,000 were issued in May 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Lake City's basic financial statements. The City of Lake City's basic financial statements comprise three components:

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. Additional explanation of these sections of the financial statements follows.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Lake City's finances, in a manner similar to a private-sector business. All departments operated by the City are presented in the financial statements including enterprise funds such as the electric utility and marina.

**CITY OF LAKE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

The *statement of activities* presents information showing how the City'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 the 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 not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Lake 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 of Lake City include general government, public safety, streets and highways, culture and recreation, and economic development. The business-type activities of the City of Lake City include the electric, water, sewer, storm water and garbage utilities as well as the operations of the City owned marina. The government-wide financial statements can be found on pages 14-16 of this report.

Additional financial information for the Economic Development Authority (EDA) can be found on page 70. The EDA is reported as a component unit which is legally separate from the City but the City is financially accountable.

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 of Lake 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 of Lake City can be divided into two categories: governmental funds and proprietary 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 *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 financial requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

**CITY OF LAKE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City of Lake City maintains twenty-nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* on pages 61-69 in this report.

The City of Lake City adopts an annual appropriated budget for its general fund and library fund. Budgetary comparison statements have been provided for the general fund (pages 21-25) and the library fund (page 69) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 17 and 19 of this report.

Proprietary funds. The City of Lake City maintains two types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Lake City uses enterprise funds to account for its electric, water, sewer, storm water, and garbage utilities and its marina activity. *Internal Service Funds* are an accounting device used to accumulate and allocate costs internally among the City of Lake City's various functions. The City of Lake City uses an internal service fund to account for the City's fuel purchases. This service was discontinued in 2008 and land on which the fuel pumps were located is in the final process of remediation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water, sewer, storm water, and garbage utilities and its marina activity, all of which are considered to be major funds of the City of Lake City.

The basic proprietary fund financial statements can be found on pages 26-33 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-60 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 61-70 of this report.

IMPORTANT REMINDERS:

Infrastructure Assets. The City of Lake City first implemented GASB Statement #34 for its fiscal year ended December 31, 2003. Historically, governmental fixed assets, particularly infrastructure assets, have only been accounted for using the current financial resources (budgeted resources) method, and have not been expensed annually through depreciation or accounted for otherwise. Additionally, significant infrastructure assets have been constructed by developers and contributed to the City over the years but have never been recorded on its financial records prior to January 1, 2003. The valuations of infrastructure assets acquired prior to January 1, 2003 were completed during 2005 and are included in the December 31, 2005 financial statement. All acquisitions of infrastructure assets since 2003 have been recorded under the new reporting model.

**CITY OF LAKE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Fund Balance Reporting. The Government Accounting Standards Board (GASB) issued GASB #54 "Fund Balance Reporting and Fund Type Definitions" in February 2009. GASB #54 will become effective for the City for financial statements issued after 2010. Plans are in place for implementation of GASB #54 on a timely basis.

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 of Lake City, assets exceeded liabilities by \$36,929,787 at the close of the most recent fiscal year.

By far the largest portion of the City of Lake City's net assets (71 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of Lake City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Lake City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Lake City's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 4,723,904	\$ 4,585,648	\$ 7,914,353	\$ 8,940,067	\$ 12,638,257	\$ 13,525,715
Capital assets	13,519,465	13,593,573	21,570,663	22,077,113	35,090,128	35,670,686
Total assets	<u>18,243,369</u>	<u>18,179,221</u>	<u>29,485,016</u>	<u>31,017,180</u>	<u>47,728,385</u>	<u>49,196,401</u>
Long-term liabilities						
outstanding	2,010,543	2,215,054	7,242,582	7,936,534	9,253,125	10,151,588
Other liabilities	536,826	605,488	1,008,647	1,118,919	1,545,473	1,724,407
Total liabilities	<u>2,547,369</u>	<u>2,820,542</u>	<u>8,251,229</u>	<u>9,055,453</u>	<u>10,798,598</u>	<u>11,875,995</u>
Net assets:						
Invested in capital assets, net of related debt	11,834,954	11,705,525	14,526,854	14,333,863	26,361,808	26,039,388
Restricted	1,343,989	1,369,676			1,343,989	1,369,676
Unrestricted	2,517,057	2,283,478	6,706,933	7,627,864	9,223,990	9,911,342
Total net assets	<u>\$ 15,696,000</u>	<u>\$ 15,358,679</u>	<u>\$ 21,233,787</u>	<u>\$ 21,961,727</u>	<u>\$ 36,929,787</u>	<u>\$ 37,320,406</u>

A portion of the City of Lake City's net assets (4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$9,223,990) may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Lake City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its business-type activities.

Governmental activities. Governmental activities increased the City of Lake City's net assets by \$337,321.

**CITY OF LAKE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Business-type activities. Business-type activities decreased the City of Lake City's net assets by \$727,940.

A condensed version of the Statement of Activities follows:

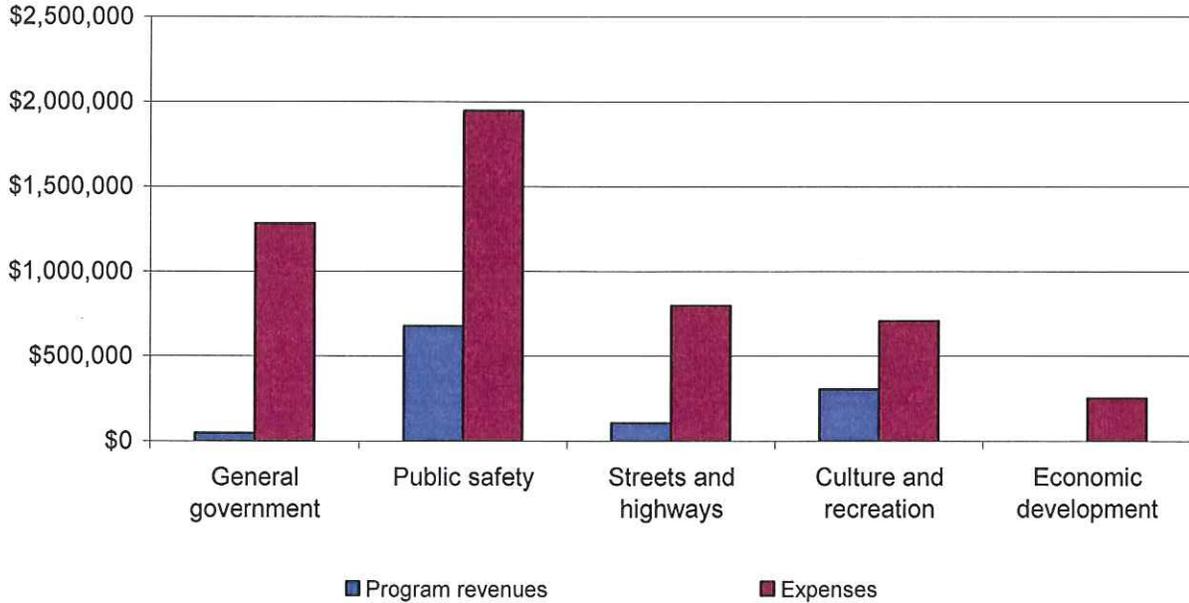
City of Lake City's Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue:						
Program revenues:						
Charges for services	\$ 753,135	\$ 772,009	\$ 13,064,157	\$ 13,847,052	\$ 13,817,292	\$ 14,619,061
Operating grants and contributions	370,365	335,182			370,365	335,182
Capital grants and contributions	14,579	911,265	121,176	579,554	135,755	1,490,819
General revenues:						
Property taxes	2,391,980	2,195,215			2,391,980	2,195,215
Tax increments	191,268	143,141			191,268	143,141
Grants and contributions not restricted to specific programs						
Other	912,541	807,758			912,541	807,758
	227,425	293,215	140,613	301,939	368,038	595,154
Total revenues	<u>4,861,293</u>	<u>5,457,785</u>	<u>13,325,946</u>	<u>14,728,545</u>	<u>18,187,239</u>	<u>20,186,330</u>
Expenses:						
General government	1,280,821	1,269,522			1,280,821	1,269,522
Public safety	1,944,989	1,909,244			1,944,989	1,909,244
Streets and highways	797,957	712,959			797,957	712,959
Culture and recreation	706,397	722,612			706,397	722,612
Economic development	253,481	390,461			253,481	390,461
Interest on long-term debt	94,224	61,577			94,224	61,577
Electric			9,989,499	10,622,160	9,989,499	10,622,160
Water			636,523	705,086	636,523	705,086
Sewer			1,328,305	1,347,912	1,328,305	1,347,912
Storm water			108,104	84,027	108,104	84,027
Marina			338,532	271,371	338,532	271,371
Garbage			1,157,923	1,190,523	1,157,923	1,190,523
Total expenses	<u>5,077,869</u>	<u>5,066,375</u>	<u>13,558,886</u>	<u>14,221,079</u>	<u>18,636,755</u>	<u>19,287,454</u>
Increase in net assets before transfers and other	(216,576)	391,410	(232,940)	507,466	(449,516)	898,876
Transfers	553,897	505,000	(495,000)	(505,000)	58,897	
Increase in net assets	<u>337,321</u>	<u>896,410</u>	<u>(727,940)</u>	<u>2,466</u>	<u>(390,619)</u>	<u>898,876</u>
Net assets, beginning of year	<u>15,358,679</u>	<u>14,462,269</u>	<u>21,961,727</u>	<u>21,959,261</u>	<u>37,320,406</u>	<u>36,421,530</u>
Net assets, end of year	<u>\$ 15,696,000</u>	<u>\$ 15,358,679</u>	<u>\$ 21,233,787</u>	<u>\$ 21,961,727</u>	<u>\$ 36,929,787</u>	<u>\$ 37,320,406</u>

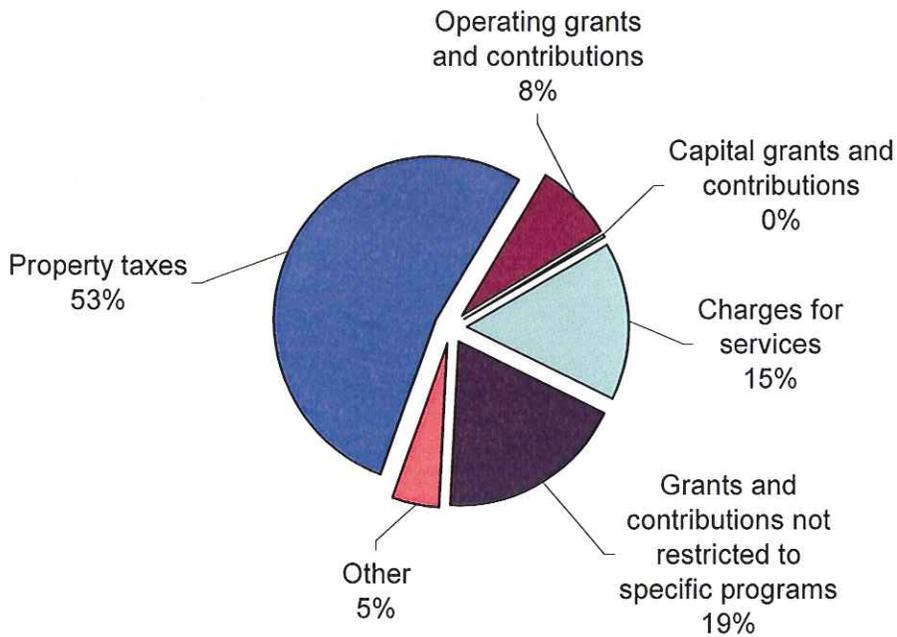
**CITY OF LAKE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenditures. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

Expenses and Program Revenues - Governmental Activities



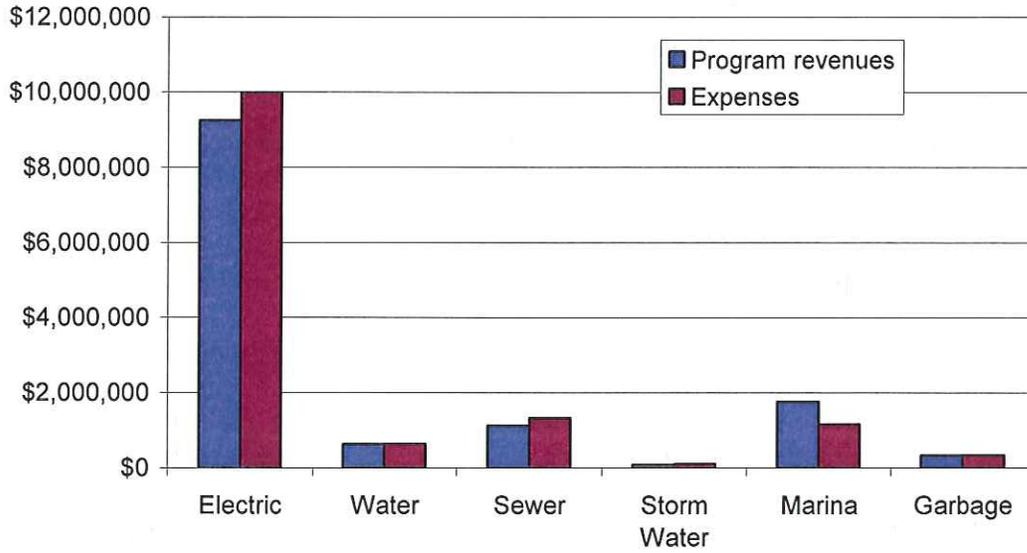
Revenues by Source - Governmental Activities



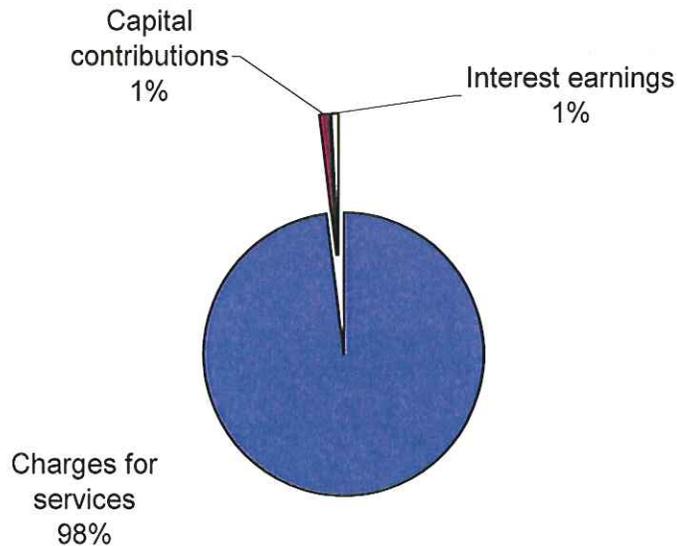
**CITY OF LAKE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their expenditures. Since these activities generally require significant physical assets to operate, any excess revenues are held for planned capital expenditures to keep pace with growing demand for services.

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



**CITY OF LAKE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Lake 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 of Lake City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Lake City's governmental funds reported combined ending fund balances of \$3,299,131, an increase of \$316,329. Approximately 95 percent of this total amount, or \$3,139,353, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance (\$159,778) is *reserved* to indicate that it is not available for new spending because it has already been committed to repay long-term debt.

The general fund is the chief operating fund of the City of Lake City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$1,835,347. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 43 percent of total general fund expenditures.

The general fund's total fund balance increased by \$412,205 during the current fiscal year. This year's increase was primarily due to an increase in the collection of delinquent property taxes, reduced personnel costs in all departments, reduced staff in streets and clerk/finance, decrease in expenditures for travel, schools, and conferences, and an overall reduction in actual expenditures of \$625,423. The City initially cut over \$400,000 from the 2009 budget in anticipation of a loss of LGA funding.

The City continues to computerize transactions including upgrading desktop computers and implementing dashboard software which allows staff to access financial transactions and payroll and payable information from their workstations.

The street improvement project scheduled for 2009 was deferred to 2010. A mill and overlay project totaling \$216,000 was completed in 2009.

**CITY OF LAKE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The library fund increased its fund balance by \$53,342 for the year which was primarily a result of actual expenditures being under budget and an operating transfer/contribution from the marina fund.

The debt service funds have a total fund balance of \$159,778 all of which is reserved for the payment of debt service. These fund balances decreased by \$81,574 for the year which represented a spend down of previous years reserves no longer needed.

Proprietary funds. The City of Lake City's proprietary funds statements found on pages 26-33 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets in the respective proprietary funds are Electric - \$1,313,456, Water - \$1,092,651, Sewer - \$(9,265), Storm Water - \$428,701, Marina - \$3,605,709, and Garbage - \$275,681. All funds, except the marina and garbage funds, had decreases in total net assets for the year. The electric and sewer utility fund's decrease of \$869,500 and \$198,842 respectively, was primarily due to a decrease in revenue from industrial customers. As demand decreased so did the revenue. For electric utility fund, purchased power costs decreased however fixed costs did not decrease proportionally. The decrease was less than the \$1,032,073 budgeted deficit for 2009.

General Fund Budgetary Highlights

- The City approved the 2009 general fund budget anticipated a decrease in general fund reserves of \$16,514. All differences between the original and final budgets in the general fund for the City in 2009 were approved by resolution amending the original budget. Select unspent budgeted amounts from 2008 were carried over to the 2009 budget by resolution. In August 2009, the City passed Resolution 09-069 reducing the general fund budget by an additional \$110,407 as a result of the unallotment of LGA for 2009. All general fund departments were able to contain cost and stay within the allotted budget amounts.

Capital Asset and Debt Administration

Capital assets. The City of Lake City's investment in capital assets for its governmental and business-type activities as of December 31, 2009, amounts to \$35,090,128 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City of Lake City's reported investment in capital assets for the current fiscal year was \$580,558, or 2 percent.

**CITY OF LAKE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**City of Lake City's capital Assets
(net of depreciation)**

	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
Land	\$ 1,303,791	\$ 1,303,791	\$ 723,363	\$ 723,363	\$ 2,027,154	\$ 2,027,154
Construction in progress	\$ 106,884		231,647	293,894	338,531	293,894
Buildings and improvements	5,134,735	5,188,852	9,584,168	10,052,600	14,718,903	15,241,452
Machinery and equipment	1,213,853	1,274,600	1,239,041	1,041,016	2,452,894	2,315,616
Infrastructure	5,760,202	5,826,330			5,760,202	5,826,330
Distribution and collection system			9,792,444	9,966,240	9,792,444	9,966,240
Total	\$ 13,519,465	\$ 13,593,573	\$ 21,570,663	\$ 22,077,113	\$ 35,090,128	\$ 35,670,686

Additional information on the City of Lake City's capital assets can be found in Note 4 on pages 45-47 of this report.

Long-term debt. At the end of the current fiscal year, the City of Lake City had \$8,728,320 in bonds and notes outstanding. Of this amount, \$7,991,020 comprises debt backed by the full faith and credit of the government and \$737,300 represents bonds secured solely by specified revenue sources.

City of Lake City's Outstanding Debt

	Governmental		Business-Type		Total	
	Activities		Activities			
	2009	2008	2009	2008	2009	2008
General obligation bonds	\$ 1,684,511	\$ 1,888,048	\$ 340,000	\$ 340,000	\$ 2,024,511	\$ 2,228,048
General obligation revenue loans			5,571,309	5,999,249	5,571,309	5,999,249
General obligation revenue bonds			395,200	577,800	395,200	577,800
Revenue bonds			737,300	826,200	737,300	826,200
Compensated absences	326,032	327,006	198,773	193,285	524,805	520,291
Total	\$ 2,010,543	\$ 2,215,054	\$ 7,242,582	\$ 7,936,534	\$ 9,253,125	\$ 10,151,588

The City of Lake City's total outstanding debt decreased by \$898,463 during the current year. A total of \$907,940 in bonds and notes payable were retired during 2009. A more detailed breakdown of these obligations can be found in Note 7, beginning on page 50.

The City of Lake City maintains an AA- rating on its general obligation bonds from Standard and Poor's Ratings Services.

**CITY OF LAKE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Requests for Information

This financial report is designed to provide a general overview of the City of Lake City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, City Hall, 205 West Center, Lake City, MN 55041.

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CITY OF LAKE CITY, MINNESOTA

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2009

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CITY OF LAKE CITY, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Primary Government				Component Unit	
	Governmental Activities	Business-Type Activities	Totals		Economic Development Authority	
			2009	2008	2009	2008
Assets						
Cash and investments	\$ 3,831,151	\$ 5,788,754	\$ 9,619,905	\$ 10,072,927	\$ 70,875	\$ 54,899
Receivables	752,340	1,031,940	1,784,280	2,229,364		
Internal balances	(291,277)	291,277				
Due from other governmental units	372,612		372,612	356,803	28,697	26,150
Due from primary government					27,045	79,344
Due from component unit	59,078		59,078	13		
Prepaid expenses		75,758	75,758	57,791		
Inventories		726,624	726,624	808,817		
Capital assets:						
Nondepreciable	1,410,675	955,010	2,365,685	2,321,048		
Depreciable, net	12,108,790	20,615,653	32,724,443	33,349,638	1,982,027	2,052,353
Total Assets	18,243,369	29,485,016	47,728,385	49,196,401	2,108,644	2,212,746
Liabilities						
Accounts and contracts payable	234,289	838,885	1,073,174	1,119,809	3,412	1,485
Accrued liabilities	45,648	107,196	152,844	189,724	10,581	14,462
Deposits payable	229,844	62,566	292,410	335,530		
Due to primary government					59,078	13
Due to component unit	27,045		27,045	79,344		
Noncurrent liabilities						
Due within one year	212,015	744,704	956,719	907,941	196,474	187,044
Due in more than one year	1,798,528	6,497,878	8,296,406	9,243,647	313,443	509,917
Total Liabilities	2,547,369	8,251,229	10,798,598	11,875,995	582,988	712,921
Net Assets						
Invested in capital assets, net of related debt	11,834,954	14,526,854	26,361,808	26,039,388	1,461,529	1,340,930
Restricted for:						
Grants and contracts	772,450		772,450	696,953		
Debt service	159,778		159,778	241,352		
Tax increment purposes and loan covenants	411,761		411,761	431,371		
Unrestricted	2,517,057	6,706,933	9,223,990	9,911,342	64,127	158,895
Total Net Assets	\$ 15,696,000	\$ 21,233,787	\$ 36,929,787	\$ 37,320,406	\$ 1,525,656	\$ 1,499,825

See Notes to Financial Statements

CITY OF LAKE CITY, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 1,280,821	\$ 44,108	\$ 2,557	\$
Public safety	1,944,989	530,035	147,721	
Streets and highways	797,957	1,459	91,212	14,579
Culture and recreation	706,397	177,533	128,875	
Economic development	253,481			
Interest on long-term debt	94,224			
Total governmental activities	<u>5,077,869</u>	<u>753,135</u>	<u>370,365</u>	<u>14,579</u>
Business-Type activities:				
Electric utility	9,989,499	9,139,966		100,000
Water utility	636,523	629,570		605
Sewer utility	1,328,305	1,118,798		8,601
Storm water utility	108,104	80,209		11,970
Garbage	338,532	331,663		
Marina	1,157,923	1,763,951		
Total business-type activities	<u>13,558,886</u>	<u>13,064,157</u>		<u>121,176</u>
Total Primary Government	<u>\$ 18,636,755</u>	<u>\$ 13,817,292</u>	<u>\$ 370,365</u>	<u>\$ 135,755</u>
Component Unit:				
Economic Development Authority	<u>\$ 192,702</u>	<u>\$</u>	<u>\$ 276,381</u>	<u>\$</u>

General revenues:
 General property taxes
 Tax increments
 Grants and contributions not restricted to specific programs
 Investment earnings
 Miscellaneous
Transfers
 Total general revenues and transfers

Change in net assets

Net assets - beginning

Net assets - ending

See Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Assets					
Primary Government				Component Unit	
Governmental Activities	Business-Type Activities	Totals		Economic Development Authority	
		2009	2008	2009	2008
\$ (1,234,156)	\$	\$ (1,234,156)	\$ (1,211,126)	\$	\$
(1,267,233)		(1,267,233)	(1,205,036)		
(690,707)		(690,707)	194,030		
(399,989)		(399,989)	(438,749)		
(253,481)		(253,481)	(325,461)		
(94,224)		(94,224)	(61,577)		
<u>(3,939,790)</u>		<u>(3,939,790)</u>	<u>(3,047,919)</u>		
	(749,533)	(749,533)	(753,245)		
	(6,348)	(6,348)	58,574		
	(200,906)	(200,906)	53,384		
	(15,925)	(15,925)	279,474		
	(6,869)	(6,869)	30,282		
	<u>606,028</u>	<u>606,028</u>	<u>537,058</u>		
	(373,553)	(373,553)	205,527		
<u>(3,939,790)</u>	<u>(373,553)</u>	<u>(4,313,343)</u>	<u>(2,842,392)</u>		
				<u>83,679</u>	<u>398,104</u>
2,391,980		2,391,980	2,195,215		
191,268		191,268	143,141		
912,541		912,541	807,758		
129,480	124,923	254,403	531,834	1,049	2,292
97,945	15,690	113,635	63,320		
553,897	(495,000)	58,897		(58,897)	
<u>4,277,111</u>	<u>(354,387)</u>	<u>3,922,724</u>	<u>3,741,268</u>	<u>(57,848)</u>	<u>2,292</u>
337,321	(727,940)	(390,619)	898,876	25,831	400,396
<u>15,358,679</u>	<u>21,961,727</u>	<u>37,320,406</u>	<u>36,421,530</u>	<u>1,499,825</u>	<u>1,099,429</u>
<u>\$ 15,696,000</u>	<u>\$ 21,233,787</u>	<u>\$ 36,929,787</u>	<u>\$ 37,320,406</u>	<u>\$ 1,525,656</u>	<u>\$ 1,499,825</u>

**CITY OF LAKE CITY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2009

With Comparative Totals for the Year Ended December 31, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds	
			2009	2008
Assets				
Cash and investments	\$ 1,630,257	\$ 2,200,894	\$ 3,831,151	\$ 3,653,709
Interest receivable	41,433		41,433	98,115
Accounts receivable	63,658		63,658	118,895
Taxes receivable delinquent	79,038	10,832	89,870	156,436
Special assessments receivable:				
Delinquent	300	4,196	4,496	1,252
Deferred	1,741	172,361	174,102	239,128
Advances to other funds	55,000		55,000	55,000
Interfund receivable	474,235		474,235	357,135
Loans receivable		378,781	378,781	319,972
Due from other governmental units	364,010	8,602	372,612	356,803
Due from component unit	181	58,897	59,078	13
TOTAL ASSETS	\$ 2,709,853	\$ 2,834,563	\$ 5,544,416	\$ 5,356,458
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 117,459	\$ 116,830	\$ 234,289	\$ 165,097
Accrued liabilities	14,922	988	15,910	77,722
Deposits payable	3,500	226,344	229,844	263,625
Advances from other funds	346,277		346,277	413,675
Interfund payable		460,447	460,447	339,666
Due to component unit	27,045		27,045	79,344
Deferred revenue	365,303	566,170	931,473	1,034,437
Total Liabilities	874,506	1,370,779	2,245,285	2,373,566
Fund Balance				
Reserved for:				
Debt service		159,778	159,778	241,352
Unreserved, designated reported in:				
General fund	1,835,347		1,835,347	1,423,142
Unreserved, undesignated reported in:				
Special revenue funds		1,059,200	1,059,200	992,052
Capital projects funds		244,806	244,806	326,346
Total Fund Balance	1,835,347	1,463,784	3,299,131	2,982,892
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,709,853	\$ 2,834,563	\$ 5,544,416	\$ 5,356,458

See Notes to Financial Statements

**CITY OF LAKE CITY, MINNESOTA
RECONCILIATION OF NET ASSETS IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS**

For the Year Ended December 31, 2009

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

Total governmental fund balances (page 17)	\$ 3,299,131	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 28,209,380	
Less: Accumulated depreciation	<u>(14,689,915)</u>	
		13,519,465
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent property taxes and special assessments	\$ 94,366	
Deferred special assessments	174,102	
Due from other governments	284,224	
Loans receivable	<u>378,781</u>	
		931,473
Internal service funds are used by management to charge the costs of fuel to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets		(13,788)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$ (1,684,511)	
Compensated absences	(326,032)	
Accrued interest	<u>(29,738)</u>	
		<u>(2,040,281)</u>
Net assets of governmental activities (page 14)		<u>\$ 15,696,000</u>

**CITY OF LAKE CITY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2009

With Comparative Totals for the Year Ended December 31, 2008

	General Fund	Other Governmental Funds	Total Governmental Funds	
			2009	2008
Revenues				
Taxes	\$ 2,190,473	\$ 459,341	\$ 2,649,814	\$ 2,249,198
Special assessments	137	59,181	59,318	65,365
Licenses and permits	43,927		43,927	54,933
Intergovernmental revenues	1,131,065	70,326	1,201,391	1,051,475
Charges for services	667,883	2,337	670,220	672,747
Fines and forfeits	33,506	5,999	39,505	46,948
Investment income	45,038	84,442	129,480	246,925
Miscellaneous revenues	125,839	101,721	227,560	281,401
Total Revenues	4,237,868	783,347	5,021,215	4,668,992
Expenditures				
General government	1,043,079		1,043,079	1,040,139
Public safety	1,894,754		1,894,754	1,810,861
Streets and highways	659,986	22,128	682,114	459,346
Culture and recreation	672,844	180,805	853,649	743,536
Economic development		327,481	327,481	460,961
Capital outlay		171,487	171,487	996,127
Bond principal retirement		205,000	205,000	176,000
Interest and fiscal charges		81,309	81,309	67,472
Total Expenditures	4,270,663	988,210	5,258,873	5,754,442
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,795)	(204,863)	(237,658)	(1,085,450)
Other Financing Sources (Uses)				
Bond proceeds				1,095,096
Transfers in	445,000	108,897	553,897	505,000
Total other financing sources (uses)	445,000	108,897	553,897	1,600,096
Net change in fund balances	412,205	(95,966)	316,239	514,646
FUND BALANCE, beginning	1,423,142	1,559,750	2,982,892	2,468,246
FUND BALANCE, ending	\$ 1,835,347	\$ 1,463,784	\$ 3,299,131	\$ 2,982,892

See Notes to Financial Statements

CITY OF LAKE CITY, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

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

Net change in fund balances - total governmental funds (page 19)	\$	316,239
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$ 171,487	
Capital outlay-other governmental funds	508,190	
Depreciation expense	<u>(753,785)</u>	(74,108)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Deferred revenue, December 31, 2009	\$ 931,473	
Deferred revenue, December 31, 2008	<u>(1,034,438)</u>	(102,965)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences		974
<p>Internal service funds are used by management to charge the costs of fuel to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities</p>		
		5,096
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.</p>		
Principal retirement on long-term debt	\$ 205,000	
Long-term debt discount and issuance costs	(1,463)	
Change in accrued interest	<u>(11,452)</u>	<u>192,085</u>
Change in net assets of governmental activities (pages 15 and 16)	\$	<u><u>337,321</u></u>

See Notes to Financial Statements

CITY OF LAKE CITY, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget Positive (Negative)	2008 Actual Amounts
	Original	Final			
Taxes					
Property taxes	\$ 1,961,879	\$ 1,974,879	\$ 2,058,080	\$ 83,201	\$ 1,782,537
Special assessments			137	137	374
Franchise tax	90,000	90,000	93,900	3,900	106,877
Lodging tax		20,000	38,493	18,493	51,848
Total Taxes	2,051,879	2,084,879	2,190,610	105,731	1,941,636
Licenses and Permits					
Business licenses	17,800	17,800	17,731	(69)	17,373
Non-Business licenses	44,750	44,750	26,196	(18,554)	37,560
Total Licenses and Permits	62,550	62,550	43,927	(18,623)	54,933
Intergovernmental Revenues					
Federal:					
Cops in school grant	25,000	28,500	31,877	3,377	28,729
State:					
Local government aid	877,929	767,522	767,522		661,923
Market value credit	133,110	133,110	133,110		139,450
MSA street maintenance	45,000	45,000	83,819	38,819	46,064
Fire aid			32,126	32,126	36,752
Police aid	52,000	63,500	75,218	11,718	67,953
Other state aids	7,393	7,393	7,393		7,393
Total Intergovernmental	1,140,432	1,045,025	1,131,065	86,040	988,264
Charges for Services					
General government	2,000	2,000	1,393	(607)	2,289
Public safety	475,400	475,500	496,529	21,029	512,034
Streets and highways	2,500	2,500	1,122	(1,378)	6,762
Park fees	168,695	168,695	168,839	144	149,885
Total Charges for Services	648,595	648,695	667,883	19,188	670,970
Fines and forfeits					
	38,000	45,036	33,506	(11,530)	41,188
Investment Income					
	30,000	30,000	45,038	15,038	99,662
Miscellaneous Revenues					
Other	7,200	31,208	44,470	13,262	61,616
Refunds and reimbursements	75,000	75,000	81,369	6,369	93,130
Total Miscellaneous Revenues	82,200	106,208	125,839	19,631	154,746
TOTAL REVENUES	\$ 4,053,656	\$ 4,022,393	\$ 4,237,868	\$ 215,475	\$ 3,951,399

See Notes to Financial Statements

CITY OF LAKE CITY, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget Positive (Negative)	2008 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and City Council:					
Personnel services	\$ 52,100	\$ 52,100	\$ 43,686	\$ 8,414	\$ 42,805
Supplies	4,750	3,850	3,605	245	2,670
Other services and charges	76,702	78,952	51,841	27,111	71,314
Total Mayor and City Council	133,552	134,902	99,132	35,770	116,789
City Administrator:					
Personnel services	134,709	134,709	129,714	4,995	123,659
Supplies	1,100	1,100	460	640	1,042
Other services and charges	16,450	13,150	6,517	6,633	14,778
Total City Administrator	152,259	148,959	136,691	12,268	139,479
City Clerk/Finance Director:					
Personnel services	304,649	303,344	264,315	39,029	282,684
Supplies	13,350	12,450	8,038	4,412	8,730
Other services and charges	49,045	45,045	31,762	13,283	45,250
Total City Clerk/Finance Director	367,044	360,839	304,115	56,724	336,664
Audit:					
Other services and charges	40,100	40,100	39,750	350	29,588
Legal:					
Other services and charges	77,800	80,840	80,340	500	78,847
Planning and Zoning:					
Personnel services	264,410	272,795	258,916	13,879	173,907
Supplies	5,500	3,300	2,687	613	1,395
Other services and charges	69,371	82,371	75,975	6,396	65,012
Total Planning and Zoning	339,281	358,466	337,578	20,888	240,314
Elections:					
Personnel services					12,724
Supplies					5,404
Other services and charges	1,350	1,350	19	1,331	2,071
Total Elections	1,350	1,350	19	1,331	20,199
General Government Buildings:					
Personnel services	5,910	3,627		3,627	2,282
Supplies	24,500	18,500	4,397	14,103	6,276
Other services and charges	58,593	57,093	41,057	16,036	47,018
Capital outlay	5,000	2,500		2,500	22,683
Total General Government Buildings	94,003	81,720	45,454	36,266	78,259
Total General Government	\$ 1,205,389	\$ 1,207,176	\$ 1,043,079	\$ 164,097	\$ 1,040,139

See Notes to Financial Statements

CITY OF LAKE CITY, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended December 31, 2009
 With Comparative Totals for the Year Ended December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget Positive (Negative)	2008 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Safety					
Police:					
Personnel services	\$ 929,381	\$ 929,381	\$ 901,922	\$ 27,459	\$ 881,243
Supplies	80,983	75,983	60,067	15,916	67,797
Other services and charges	95,505	93,505	81,632	11,873	82,279
Capital outlay	30,000	31,536	27,542	3,994	27,449
Total Police	1,135,869	1,130,405	1,071,163	59,242	1,058,768
Fire:					
Personnel services	107,176	107,176	73,415	33,761	83,414
Supplies	32,400	49,653	49,385	268	30,173
Other services and charges	101,445	99,545	87,529	12,016	105,504
Capital outlay	3,000	2,500		2,500	21,401
Total Fire	244,021	258,874	210,329	48,545	240,492
Ambulance:					
Personnel services	416,184	428,684	427,576	1,108	347,227
Supplies	50,100	41,800	41,590	210	39,313
Other services and charges	89,623	85,423	76,230	9,193	86,261
Capital outlay	4,500	4,500	4,500		13,000
Total Ambulance	560,407	560,407	549,896	10,511	485,801
Civil Defense:					
Personnel services	7,418	7,418	7,243	175	6,997
Supplies	7,900	7,900	5,552	2,348	8,398
Other services and charges	2,450	4,927	3,984	943	4,577
Capital outlay	45,000	42,523	42,423	100	
Total Civil Defense	62,768	62,768	59,202	3,566	19,972
Animal Control:					
Personnel services	5,220	4,907	2,823	2,084	4,112
Supplies	768	650	195	455	320
Other services and charges	2,239	2,139	1,146	993	1,396
Total Animal Control	8,227	7,696	4,164	3,532	5,828
Total Public Safety	\$ 2,011,292	\$ 2,020,150	\$ 1,894,754	\$ 125,396	\$ 1,810,861

See Notes to Financial Statements

CITY OF LAKE CITY, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget Positive (Negative)	2008 Actual Amounts
	Original	Final			
EXPENDITURES					
Streets and Highways					
Personnel services	\$ 272,076	\$ 272,076	\$ 224,136	\$ 47,940	\$ 254,631
Supplies	116,510	116,510	86,151	30,359	88,120
Other services and charges	175,502	209,002	105,241	103,761	90,180
Capital outlay	68,120	260,882	244,458	16,424	26,415
Total Streets and Highways	632,208	858,470	659,986	198,484	459,346
Culture and Recreation					
Tourism:					
Other services and charges		45,300	38,535	6,765	55,232
Total Tourism		45,300	38,535	6,765	55,232
Participant Recreation:					
Personnel services	18,650	20,054	19,798	256	17,762
Supplies	1,050	250	197	53	349
Other services and charges	5,350	4,746	4,335	411	2,947
Total Participant Recreation	25,050	25,050	24,330	720	21,058
Swimming Pool:					
Personnel services	55,171	55,171	50,083	5,088	52,367
Supplies	16,000	16,000	5,329	10,671	14,500
Other services and charges	25,742	25,742	18,109	7,633	23,786
Capital outlay	15,500	15,500	3,541	11,959	
Total Swimming Pool	112,413	112,413	77,062	35,351	90,653
Hok-Si-La Park:					
Personnel services	105,767	105,767	93,145	12,622	87,709
Supplies	21,950	20,700	17,102	3,598	12,956
Other services and charges	60,846	68,180	52,754	15,426	51,705
Capital outlay	3,500	5,655	3,138	2,517	3,700
Total Hok-Si-La Park	\$ 192,063	\$ 200,302	\$ 166,139	\$ 34,163	\$ 156,070

See Notes to Financial Statements

CITY OF LAKE CITY, MINNESOTA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Budgeted Amounts		2009 Actual Amounts	Variance with Final Budget Positive (Negative)	2008 Actual Amounts
	Original	Final			
Culture and Recreation (continued)					
Other Parks:					
Personnel services	\$ 145,879	\$ 137,879	\$ 106,607	\$ 31,272	\$ 121,589
Supplies	49,100	49,100	22,246	26,854	29,038
Other services and charges	56,776	57,309	55,337	1,972	43,346
Capital outlay	65,000	182,967	182,588	379	50,038
Total Other Parks	<u>316,755</u>	<u>427,255</u>	<u>366,778</u>	<u>60,477</u>	<u>244,011</u>
Total Culture and Recreation	<u>646,281</u>	<u>810,320</u>	<u>672,844</u>	<u>137,476</u>	<u>567,024</u>
Economic Development					
Other services and charges					<u>138,897</u>
TOTAL EXPENDITURES	<u>4,495,170</u>	<u>4,896,116</u>	<u>4,270,663</u>	<u>625,453</u>	<u>4,016,267</u>
Excess (deficiency) of revenues over (under) expenditures	(441,514)	(873,723)	(32,795)	840,928	(64,868)
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>425,000</u>	<u>425,000</u>	<u>445,000</u>	<u>20,000</u>	<u>455,000</u>
NET CHANGE IN FUND BALANCE	<u>(16,514)</u>	<u>(448,723)</u>	<u>412,205</u>	<u>860,928</u>	<u>390,132</u>
FUND BALANCE, beginning	<u>1,423,142</u>	<u>1,423,142</u>	<u>1,423,142</u>		<u>1,033,010</u>
FUND BALANCE, ending	<u>\$ 1,406,628</u>	<u>\$ 974,419</u>	<u>\$ 1,835,347</u>	<u>\$ 860,928</u>	<u>\$ 1,423,142</u>

See Notes to Financial Statements

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CITY OF LAKE CITY, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Business-Type Activities - Enterprise Funds			
	701 Electric Fund	702 Water Fund	703 Sewer Fund	706 Storm Water Fund
ASSETS				
Current Assets				
Cash and cash equivalents	\$ 503,933	\$ 1,132,864	\$ 49,536	\$ 422,694
Accounts receivable	908,141	1,464	27,986	1,331
Advances to other funds	71,029			
Inventories	707,315			
Prepaid expense	23,494	7,142	12,071	4,676
Total Current Assets	2,213,912	1,141,470	89,593	428,701
Noncurrent Assets				
Capital Assets				
Nondepreciable	94,089	4,273	762	238,159
Depreciable	13,371,109	3,401,424	11,984,413	1,673,846
Less: Accumulated depreciation	(7,244,192)	(1,391,728)	(4,517,494)	(277,638)
Net Capital Assets	6,221,006	2,013,969	7,467,681	1,634,367
Special Assessments		8,720	45,623	
Total Noncurrent Assets	6,221,006	2,022,689	7,513,304	1,634,367
Total Assets	8,434,918	3,164,159	7,602,897	2,063,068
LIABILITIES				
Current Liabilities				
Current maturities of bonds payable	195,000	12,986	441,718	
Accounts payable	737,113	5,716	62,737	
Accrued liabilities	27,309	10,453	63,646	
Interfund payable				
Advances from other funds				
Customer deposits	62,566			
Total Current Liabilities	1,021,988	29,155	568,101	
Noncurrent Liabilities				
Bonds payable, net of current maturities and discount	200,200	327,014	5,129,591	
Compensated absences payable	73,468	41,370	18,098	
Total Liabilities	1,295,656	397,539	5,715,790	
NET ASSETS				
Invested in capital assets, net of related debt	5,825,806	1,673,969	1,896,372	1,634,367
Unrestricted:				
Designated				
Undesignated	1,313,456	1,092,651	(9,265)	428,701
Total Net Assets	\$ 7,139,262	\$ 2,766,620	\$ 1,887,107	\$ 2,063,068

See Notes to Financial Statements

710 Marina Fund	720 Garbage Fund	TOTALS		Governmental Activities - Internal Service Fund	
		2009	2008	2009	2008
\$ 3,386,470	\$ 293,257	\$ 5,788,754	\$ 6,419,218	\$	\$
26,597	12,078	977,597	1,199,460		
275,248		346,277	413,675		
19,309		726,624	808,817		
28,061	314	75,758	57,791		
<u>3,735,685</u>	<u>305,649</u>	<u>7,915,010</u>	<u>8,898,961</u>		
613,727	4,000	955,010	1,017,257		
7,056,212		37,487,004	36,712,923		
(3,440,299)		(16,871,351)	(15,653,068)		
<u>4,229,640</u>	<u>4,000</u>	<u>21,570,663</u>	<u>22,077,112</u>		
		54,343	96,106		
<u>4,229,640</u>	<u>4,000</u>	<u>21,625,006</u>	<u>22,173,218</u>		
7,965,325	309,649	29,540,016	31,072,179		
95,000		744,704	702,941		
5,631	27,688	838,885	953,297		1,415
3,508	2,280	107,196	93,716		
55,000		55,000	55,000	13,788	17,469
		62,566	71,905		
<u>159,139</u>	<u>29,968</u>	<u>1,808,351</u>	<u>1,876,859</u>	<u>13,788</u>	<u>18,884</u>
642,300		6,299,105	7,040,308		
65,837		198,773	193,285		
<u>867,276</u>	<u>29,968</u>	<u>8,306,229</u>	<u>9,110,452</u>	<u>13,788</u>	<u>18,884</u>
3,492,340	4,000	14,526,854	14,333,863		
650,000		650,000	670,000		
2,955,709	275,681	6,056,933	6,957,864	(13,788)	(18,884)
<u>\$ 7,098,049</u>	<u>\$ 279,681</u>	<u>\$ 21,233,787</u>	<u>\$ 21,961,727</u>	<u>\$ (13,788)</u>	<u>\$ (18,884)</u>

CITY OF LAKE CITY, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS
 For the Year Ended December 31, 2009
 With Comparative Totals for the Year Ended December 31, 2008

	Business-Type Activities - Enterprise Funds			
	701 Electric Fund	702 Water Fund	703 Sewer Fund	706 Storm Water Fund
Operating Revenue	\$ 9,139,966	\$ 629,570	\$ 1,118,798	\$ 80,209
Operating Expenses				
Salaries and benefits	703,220	309,366	109,613	25,444
Supplies	33,362	17,700	58,622	11,388
Other services and charges	8,489,664	169,363	486,415	13,811
Insurance	59,596	19,648	27,721	
Depreciation	413,545	103,518	467,856	57,461
Total Operating Expenses	9,699,387	619,595	1,150,227	108,104
Operating Income (Loss)	(559,421)	9,975	(31,429)	(27,895)
Nonoperating Income (Expense)				
Miscellaneous income	5,483			
Investment income	27,118	42,344	2,064	14,672
Cable TV revenues	2,282			
Special assessments		605	8,601	
Intergovernmental revenues	100,000			11,970
Contributions - Federal Mogul	(266,000)			
Interest expense	(24,112)	(16,928)	(178,078)	
Payment to component unit				
Total Nonoperating Income (Expense)	(155,229)	26,021	(167,413)	26,642
Income (Loss) Before Transfers and Contributions	(714,650)	35,996	(198,842)	(1,253)
Capital contributions				
Transfers out	(155,000)	(70,000)		
Change in net assets	(869,650)	(34,004)	(198,842)	(1,253)
Net Assets, beginning	8,008,912	2,800,624	2,085,949	2,064,321
Net Assets, ending	\$ 7,139,262	\$ 2,766,620	\$ 1,887,107	\$ 2,063,068

710 Marina Fund	720 Garbage Fund	TOTALS		Governmental Activities - Internal Service Fund	
		2009	2008	2009	2008
\$ 1,763,951	\$ 331,663	\$ 13,064,157	\$ 13,847,052	\$	\$ 211
385,540	9,289	1,542,472	1,539,880		
197,089	1,484	319,645	337,347		
63,527	327,759	9,550,539	10,232,350	11,835	20,013
78,638		185,603	194,963		
175,903		1,218,283	1,267,871		
900,697	338,532	12,816,542	13,572,411	11,835	20,013
863,254	(6,869)	247,615	274,641	(11,835)	(19,802)
1,250	6,675	13,408	10,182		
28,098	10,627	124,923	284,909		
		2,282	6,848		
		9,206	26,158		
		111,970	29,870	16,931	7,013
		(266,000)	(131,349)		
(37,773)		(256,891)	(266,966)		
(219,453)		(219,453)	(250,353)		
(227,878)	17,302	(480,555)	(290,701)	16,931	7,013
635,376	10,433	(232,940)	(16,060)	5,096	(12,789)
			523,526		
(270,000)		(495,000)	(505,000)		
365,376	10,433	(727,940)	2,466	5,096	(12,789)
6,732,673	269,248	21,961,727	21,959,261	(18,884)	(6,095)
\$ 7,098,049	\$ 279,681	\$ 21,233,787	\$ 21,961,727	\$ (13,788)	\$ (18,884)

CITY OF LAKE CITY, MINNESOTA
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Business-Type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Storm Water Fund
Cash Flows From Operating Activities				
Cash received from customers	\$ 9,128,336	\$ 628,106	\$ 1,116,079	\$ 80,830
Cash payments to suppliers and employees	(9,471,446)	(514,163)	(675,149)	(55,281)
Net Cash Provided By (Used In) Operating Activities	<u>(343,110)</u>	<u>113,943</u>	<u>440,930</u>	<u>25,549</u>
Cash Flows From Noncapital Financing Activities				
Advances from/ (to) other funds	33,970			
Operating transfers in				
Operating transfers out	(155,000)	(70,000)		
Net Cash (Used In) Noncapital Financing Activities	<u>(121,030)</u>	<u>(70,000)</u>		
Cash Flows From Capital and Related Financing Activities				
Principal received on special assessments		3,867	47,103	
Acquisition of capital assets	(213,545)	(277,352)	(53,656)	
Bond proceeds				
Intergovernmental revenues	100,000			11,970
Interest paid on debt	(27,735)	(10,882)	(183,544)	
Principal paid on debt	(185,000)		(427,940)	
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(326,280)</u>	<u>(284,367)</u>	<u>(618,037)</u>	<u>11,970</u>
Cash Flows From Investing Activities				
Investment income	27,118	42,344	2,064	14,672
Increase (Decrease) in Cash and Cash Equivalents	<u>(763,302)</u>	<u>(198,080)</u>	<u>(175,043)</u>	<u>52,191</u>
Cash and Cash Equivalents, beginning	<u>1,267,235</u>	<u>1,330,944</u>	<u>224,579</u>	<u>370,503</u>
Cash and Cash Equivalents, ending	<u>\$ 503,933</u>	<u>\$ 1,132,864</u>	<u>\$ 49,536</u>	<u>\$ 422,694</u>

See Notes to Financial Statements

Marina Fund	Garbage Fund	TOTALS		Governmental Activities - Internal Service Fund	
		2009	2008	2009	2008
\$ 2,007,023	\$ 331,997	\$ 13,292,371	\$ 13,634,739	\$	\$ 211
(940,580)	(332,557)	(11,989,176)	(12,759,651)	(13,250)	(18,598)
1,066,443	(560)	1,303,195	875,088	(13,250)	(18,387)
33,428		67,398	44,189	(3,681)	11,374
(270,000)		(495,000)	(505,000)		
(236,572)		(427,602)	(460,811)	(3,681)	11,374
(283,640)		50,970	24,241		
		(828,193)	(616,308)		
			340,000		
		111,970	29,870	16,931	7,013
(40,626)		(262,787)	(277,113)		
(90,000)		(702,940)	(674,364)		
(414,266)		(1,630,980)	(1,173,674)	16,931	7,013
28,098	10,627	124,923	284,909		
443,703	10,067	(630,464)	(474,488)		
2,942,767	283,190	6,419,218	6,893,706		
\$ 3,386,470	\$ 293,257	\$ 5,788,754	\$ 6,419,218	\$	\$

CITY OF LAKE CITY, MINNESOTA
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

RECONCILIATION OF OPERATING INCOME
TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Business-Type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Storm Water Fund
Operating Income (Loss)	\$ (559,421)	\$ 9,975	\$ (31,429)	\$ (27,895)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation and amortization	415,945	103,518	467,856	57,461
Other	(258,235)			
(Increase) Decrease In:				
Accounts receivable	(10,056)	(1,464)	(2,719)	621
Inventories	82,193			
Prepaid expenses	(8,463)	(3,286)	(1,546)	(4,638)
Increase (Decrease) In:				
Accounts payable	922	(1,882)	4,005	
Accrued liabilities	15,963	(285)	422	
Compensated absences	(12,619)	7,367	4,341	
Customer deposits	(9,339)			
Net Cash Provided By (Used In) Operating Activities	\$ (343,110)	\$ 113,943	\$ 440,930	\$ 25,549

Non Cash Transactions:

Capital asset purchases included in
accounts payable

Marina Fund	Garbage Fund	TOTALS		Governmental Activities - Internal Service Fund	
		2009	2008	2009	2008
\$ 863,254	\$ (6,869)	\$ 247,615	\$ 274,641	\$ (11,835)	\$ (19,802)
177,003		1,221,783	1,271,371		
(218,203)	6,675	(469,763)	(364,672)		
241,822	(6,341)	221,863	(240,049)		
		82,193	(153,504)		
146	(180)	(17,967)	7,551		
(4,974)	3,875	1,946	42,954	(1,415)	1,415
996	2,280	19,376	(16,487)		
6,399		5,488	42,577		
		(9,339)	10,706		
<u>\$ 1,066,443</u>	<u>\$ (560)</u>	<u>\$ 1,303,195</u>	<u>\$ 875,088</u>	<u>\$ (13,250)</u>	<u>\$ (18,387)</u>

\$ 116,358

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CITY OF LAKE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting policies of the City of Lake City, Minnesota conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies:

Reporting Entity

In accordance with Statement No. 14 of the Governmental Accounting Standards Board, The Financial Reporting Entity, the City's financial statements include the primary government and the component units of the City of Lake City, defined as follows:

Primary Government - Includes all funds, account groups, organizations, institutions, agencies, departments, or offices which are not legally separate from the City of Lake City.

Component Units - Component units are legally separate organizations for which the elected officials of the City of Lake City are financially accountable or for which the nature or significance of their relationship with the City of Lake City would cause the general purpose financial statements to be misleading or incomplete. The component unit's columns in the combined financial statements include the financial data of the Economic Development Authority (EDA) of Lake City. This component unit is presented in a separate column to emphasize that it is legally separate from the City.

The Lake City Economic Development Authority (EDA) was created pursuant to Minnesota Statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the City Council. The seven-member board consists of two Council members and five other Council approved members. The EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the City Council. The EDA is reported as a discretely presented governmental fund type. Separate financial statements are not issued for this component unit.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

1. Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

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

The City reports the following major proprietary funds:

The *electric utility fund* accounts for the operation of the City owned electric utility system.

The *water utility fund* accounts for the operation of the City owned water utility system.

The *sewer utility fund* accounts for the operation of the City owned sewer utility system.

The *storm water utility fund* accounts for the operations of the City owned storm water system.

The *marina fund* accounts for the operation of the City owned marina.

The *garbage fund* accounts for the operation of the City provided garbage collection system.

Additionally, the government reports the following fund type:

Internal Service Funds are used to provide services to other departments of the City on a cost reimbursement basis.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General Fund and Library Special Revenue Fund. The City does not use encumbrance accounting.

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

1. The City Clerk submits a proposed operating budget to the City Council prior to the end of each year for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through the passage of a budget resolution.

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting (continued)

4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Library Special Revenue Fund.
5. The City's department heads may make transfers of appropriations within a category within the department. Transfers of appropriations between categories require approve approval of the City Council. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the department level.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final budget.

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Except where otherwise required, the City maintains all deposits in bank accounts in the name of the City. The deposits needed for day to day operations are invested on a short-term basis. Deposits not needed for short-term cash flow are invested according to the City's investment policy. Interest income is allocated to each fund based upon their relative cash balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and investments, which is under the management of the City.

The City has designated cash and cash equivalents as demand deposits and all investments.

Property Taxes

Property tax levies are set by the City Council and are certified to the County in December of each year for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. Delinquent taxes receivable are fully offset by deferred revenue in the governmental fund types because they are not known to be available to finance current expenditures.

The County spreads all levies over taxable property. Such taxes become a lien on January 1, following, and are recorded as receivables by the City at that date. Revenues from property taxes are accrued and recognized in the year collectable, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of July and December.

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Special Assessments

Assessments are levied at various times by City resolution for property owner improvements made by the City. Assessment collections are deferred over periods ranging from one to twenty five years with interest charges of 6.0% to 8.0%. Assessment revenue is recognized as the annual installments become collectible. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are fully offset by deferred revenue in the Governmental Fund Types because they are not known to be available to finance current expenditures.

Short-Term Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds. These receivables and payables are classified as "interfund receivables" or "interfund payables" on the balance sheet. Short-term interfund loans are classified as "advances from other funds" or "advances to other funds".

Inventories

Inventories are valued at cost, which approximates market, on a first-in, first-out basis in the Proprietary Fund types. For governmental funds, the original cost of materials and supplies has been recorded as expenditures at the time of purchase.

Property, Plant and Equipment

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., 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 \$2,500. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Property, Plant and Equipment (continued)

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets.

	<u>Useful Life in Years</u>
Buildings and improvements	10 – 33
Distribution and collection system	25
Infrastructure	5 - 50
Other Improvements	5 - 50
Machinery and Equipment	5 - 15

Market Value Credit (MVC)

Property taxes on homestead property (as defined by State Statutes) are partially reduced by MVC. This credit is paid to the City by the State in lieu of taxes levied against homestead property. The State remits this credit through installments each year. The intergovernmental revenue is recognized as revenue by the City at the time of reclassification.

Compensated Absences

It is the City's policy to permit employees to accumulate a limited amount of earned but unused vacation which is paid to the employees upon separation. Vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirement.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets.

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity (continued)

Long-term Obligations (continued)

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported separately and amortized over the term of the related debt.

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

Fund Equity

Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses or revenues/income initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses or revenues/income in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Comparative Data

Comparative data for the prior year has been presented in certain of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. However, complete comparative data has not been presented since their inclusion would not provide meaningful comparisons. Certain amounts in the December 31, 2008 totals column have been reclassified to conform with the current year presentation.

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash investments and accounts and loans receivable. Credit risk associated with cash and investments are discussed in Note 2. The City's accounts and loans receivable are concentrated geographically, as for the most part, amounts are due from individuals residing in and businesses located in the City of Lake City.

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2009, the City's investments consisted of the following items, all of which are held in an internal investment pool:

Deposits	\$ 1,509,052
Investments	<u>8,110,853</u>
 Cash and Investments Per Statement of Net Assets	 <u><u>\$ 9,619,905</u></u>

Investment	Maturities	Ratings	Fair Value
Money Market Mutual Funds	None	Unrated	\$ 2,504,526
Negotiable CD's	January 2010 - June 2024	Unrated	2,678,018
US Treasury Notes	May 2013 - May 2015	N/A	55,294
US Treasury Bonds	November 2024 - February 2029	N/A	57,441
Federal National Mortgage Assn	March 2012 - July 2024	AAA	643,506
Federal Home Loan Bank	December 2015 - October 2016	AAA	1,122,914
Federal Home Loan Mortgage Corp	June 2013 - December 2014	AAA	<u>1,049,154</u>
			<u><u>\$ 8,110,853</u></u>

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Investments Authorized by Minnesota Statutes

The City is authorized by Minnesota Statutes Chapter 118A to invest idle funds as follows:

- (a) Direct obligations or obligations guaranteed by the United States or its agencies.
- (b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (c) General obligations of the State of Minnesota or its municipalities.
- (d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- (e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- (f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

The City's established investment policy complies with Minnesota Statutes Chapter 118A and investment transactions are executed in accordance with the authorized investment policy.

Collateralization of Cash Deposits

In accordance with Minnesota Statutes Chapter 118A, the City maintains deposits at financial institutions authorized by the city council. The City's deposits are entirely covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name at third party institutions.

Minnesota Statutes further require that all City deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

Authorized collateral includes certain state of local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

Interest Rate Risk

The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Credit Risk

The City's investment policy limits its investment choices to those authorized by Minnesota Statute. The City's investment policy further limits investment choices by excluding reverse repurchase agreements and futures and options contract which are allowed under Minnesota Statute. In addition, the City's investment policy does not allow trading securities for speculation or realization of short-term gain or contract providing for compensation of an agent or fiduciary based upon the performance of the investment. Investment credit ratings are from Moody's and Standard and Poor's.

Concentration of Credit Risk

The City's investment policy places limits on the amount the city may invest in any one issuer. U.S. government obligations and obligations explicitly guaranteed by the U.S. government offer minimal risk and the 5% requirement does not apply to concentrations in those particular types of investments. Investments that are more than 5 percent of the City's total investments are as follows:

<u>Investment</u>	<u>Ratings</u>	<u>Percent of Total</u>
Money Market Mutual Funds	Unrated	31%
Negotiable CD's	Unrated	33%
Federal National Mortgage Assn	AAA	8%
Federal Home Loan Mortgage Corp	AAA	13%

3. Loans Receivables

Business Development Revolving Loan Fund

The City originally entered into an economic development loan agreement with a local manufacturer. The loan was paid off during the year ended December 31, 2005. Repayment proceeds from the loan were used to provide for various commercial rehabilitation loans as part of the City's downtown redevelopment. A portion of the rehabilitation loans are forgivable provided certain conditions are met. The outstanding balance on these loans as of December 31, 2009 totaled \$126,643.

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

3. Loans Receivables (Continued)

Community Development Revolving Loan Fund

As part of the City's community development block grant program, the City has issued commercial rehabilitation loans to various individual businesses to be repaid in monthly installments with interest at 6 to 8% over a period of three to five years with a balloon payment required at maturity. Aggregate outstanding balances on these loans as of December 31, 2009 totaled \$252,138.

4. Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 1,303,791	\$	\$	\$ 1,303,791
Construction in progress		106,884		106,884
Total capital assets, not being depreciated	<u>1,303,791</u>	<u>106,884</u>		<u>1,410,675</u>
Capital assets, being depreciated:				
Buildings	9,717,044	96,368		9,813,412
Improvements other than buildings	333,593	44,025		377,618
Infrastructure	11,480,094	244,458		11,724,552
Machinery and equipment	4,695,181	187,942		4,883,123
Total capital assets, being depreciated	<u>26,225,912</u>	<u>572,793</u>		<u>26,798,705</u>
Less accumulated depreciation for:				
Buildings	4,818,771	180,218		4,998,989
Improvements other than buildings	43,014	14,292		57,306
Infrastructure	5,653,764	310,586		5,964,350
Machinery and equipment	3,420,581	248,689		3,669,270
Total accumulated depreciation	<u>13,936,130</u>	<u>753,785</u>		<u>14,689,915</u>
Total capital assets, being depreciated, net	<u>12,289,782</u>	<u>(180,992)</u>		<u>12,108,790</u>
Governmental activities capital assets, net	<u>\$ 13,593,573</u>	<u>\$ (74,108)</u>	<u>\$</u>	<u>\$ 13,519,465</u>

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 723,363	\$	\$	\$ 723,363
Construction in progress	293,894	80,588	142,835	231,647
Total capital assets, not being depreciated	1,017,257	80,588	142,835	955,010
Capital assets, being depreciated:				
Buildings and improvements	14,905,379	5,075		14,910,454
Distribution and collection system	17,894,072	388,286		18,282,358
Machinery and equipment	3,913,472	380,720		4,294,192
Total capital assets, being depreciated	36,712,923	774,081		37,487,004
Less accumulated depreciation for:				
Buildings and improvements	4,852,779	473,507		5,326,286
Distribution and collection system	7,927,832	562,082		8,489,914
Machinery and equipment	2,872,457	182,694		3,055,151
Total accumulated depreciation	15,653,068	1,218,283		16,871,351
Total capital assets, being depreciated, net	21,059,855	(444,202)		20,615,653
Business-type activities capital assets, net	\$ 22,077,112	\$ (363,614)	\$ 142,835	\$ 21,570,663
Discretely Presented Component Unit				
Economic Development Authority	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,308,416	\$	\$	\$ 2,308,416
Machinery and equipment	63,380			63,380
Total capital assets, being depreciated	2,371,796			2,371,796
Less accumulated depreciation for:				
Buildings and improvements	268,678	57,711		326,389
Machinery and equipment	50,765	12,615		63,380
Total accumulated depreciation	319,443	70,326		389,769
Total capital assets, being depreciated, net	\$ 2,052,353	\$ (70,326)	\$	\$ 1,982,027

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 254,943
Public safety	124,791
Streets and highways	338,133
Culture and recreation	<u>35,918</u>
Total depreciation expense - governmental activities	<u>\$ 753,785</u>
 Business-Type Activities:	
Electric	\$ 413,545
Water	103,518
Sewer	467,856
Storm water	57,461
Marina	<u>175,903</u>
Total depreciation expense - business-type activities	<u>\$ 1,218,283</u>

5. Due From Other Governmental Units

Amounts due from other governmental units at December 31, 2009 are as follows:

Fund	Wabasha County	Goodhue County	Southeastern Minnesota Multi-County HRA	Total
General	\$ 52,261	\$ 27,525	\$ 284,224	\$ 364,010
Special Revenue	2,209	861		3,070
Debt Service	3,844	1,688		5,532
	<u>\$ 58,314</u>	<u>\$ 30,074</u>	<u>\$ 284,224</u>	<u>\$ 372,612</u>

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Interfund Balances and Transfers

Balances of interfund receivables and payables as of December 31, 2009 at the individual fund level for year end cash deficiencies are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 474,235	\$
Internal Service Fund		
Gas		13,788
Special Revenue Funds:		
Block 25 Redev TIF #13		1,341
Pepin Manufacturing TIF #14		2,189
Capital Project Fund		
2009 Street Improvement		77,343
Debt Service Funds:		
Peters 4th and 5th Street Improvement		9,290
1997 GO Improvement Bonds		59,136
Goodhue County #5 Project		311,148
	<u>\$ 474,235</u>	<u>\$ 474,235</u>

The amounts advanced to and advanced from other funds as of December 31, 2009 at the individual fund level are summarized below:

	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 55,000	\$ 346,277
Enterprise Fund:		
Electric	71,029	
Marina	275,248	55,000
	<u>\$ 401,277</u>	<u>\$ 401,277</u>

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Interfund Balances and Transfers (Continued)

Operating transfers primarily from payments in lieu of taxes during the year ended December 31, 2009 were as follows:

Funds	Transfers In	Transfers Out
General Fund	\$ 445,000	\$
Special Revenue: Library	50,000	
Enterprise: Electric		155,000
Water		70,000
Marina		270,000
	\$ 495,000	\$ 495,000

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt

A summary of long-term debt obligations outstanding at December 31, 2009 is as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2009
<u>Governmental Activities</u>			
G.O. Improvement Bonds:			
G.O. Improvement Bonds of 1999	5.56%	2010	\$ 40,000
G.O. Improvement Bonds of 2003	3.88%	2010	100,000
G.O. Improvement Bonds of 2006A	3.55%-4.05%	2022	465,000
G.O. Improvement Bonds of 2008A	4.00%-4.60%	2024	1,100,000
Compensated Absences			326,032
<u>Business-Type Activities</u>			
G.O. Improvement Bonds:			
G.O. Improvement Bonds of 2008A	4.00%-4.60%	2024	340,000
Revenue Bonds:			
Marina Revenue Bonds of 2006	4.05%-4.45%	2016	745,000
General Obligation Revenue Bonds:			
GO Utility Revenue Bonds of 2001A	4.00%-4.90%	2011	400,000
GO Revenue Loans:			
Public Facilities Loan of 1993	3.74%	2014	465,882
Public Facilities Loan of 1996	3.32%	2017	680,427
Public Facilities Loan of 1999	2.86%	2020	742,000
Public Facilities Loan of 2002	2.99%	2023	3,683,000
Compensated Absences			198,773
Sub-total			9,286,114
Less: Unamortized discount and issuance costs			(32,989)
Total			<u>\$ 9,253,125</u>

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt (Continued)

Discretely Presented Component Unit Economic Development Authority	Range of Interest Rates	Final Maturity	Balance December 31, 2009
EDA Revenue Bonds:			
Public Project Lease Revenue Bond Series 2001	4.98%	2012	<u>\$ 509,917</u>

The following is a summary of changes in long-term debt obligations for the year ended December 31, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
Bonds and Notes Payable:					
General Obligation Bonds:					
G.O. Improvement Bonds of 1993	\$ 40,000	\$	\$ 40,000	\$	\$
G.O. Improvement Bonds of 1999	80,000		40,000	40,000	40,000
G.O. Improvement Bonds of 2003	200,000		100,000	100,000	100,000
G.O. Improvement Bonds of 2006A	490,000		25,000	465,000	30,000
G.O. Improvement Bonds of 2008A	1,100,000			1,100,000	42,015
Less: Unamortized Discount and Issue Costs	(21,952)	1,463		(20,489)	
Other liabilities:					
Compensated Absences	327,006		974	326,032	
Governmental Activities Long-term Liabilities	<u>2,215,054</u>	<u>1,463</u>	<u>205,974</u>	<u>2,010,543</u>	<u>212,015</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
Revenue Bonds:					
Marina Revenue Bonds of 2006	835,000		90,000	745,000	95,000
Less: Unamortized Discount	(8,800)		(1,100)	(7,700)	
General Obligation Revenue Bonds:					
GO Utility Revenue Bonds of 2001A	585,000		185,000	400,000	195,000
Less: Unamortized Discount	(7,200)		(2,400)	(4,800)	
General Obligation Bonds:					
G.O. Improvement Bonds of 2008A	340,000			340,000	12,986
GO Revenue Loans:					
Public Facilities Loan of 1993	549,142		83,260	465,882	86,405
Public Facilities Loan of 1996	759,107		78,680	680,427	81,313
Public Facilities Loan of 1999	799,000		57,000	742,000	58,000
Public Facilities Loan of 2002	3,892,000		209,000	3,683,000	216,000
Other liabilities:					
Compensated Absences	193,285	5,488		198,773	
Business-type Activities Long-term Liabilities	<u>7,936,534</u>	<u>5,488</u>	<u>699,440</u>	<u>7,242,582</u>	<u>744,704</u>
Total	<u>\$ 10,151,588</u>	<u>\$ 6,951</u>	<u>\$ 905,414</u>	<u>\$ 9,253,125</u>	<u>\$ 956,719</u>

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Long-Term Debt (Continued)

The annual requirements to amortize long-term debt obligations outstanding at December 31, 2009, excluding accrued compensated absences are summarized below.

Years	General Obligation Bonds		General Obligation Revenue Loans		General Obligation Revenue Bonds		Revenue Bonds		Other		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
<u>Governmental Activities</u>											
2010	\$ 212,015	\$ 66,501							\$ 196,474	\$ 22,978	\$ 497,968
2011	91,112	60,310							206,382	13,071	370,875
2012	91,112	56,778							107,061	2,666	257,617
2013	94,932	53,169									148,101
2014	99,932	49,372									149,304
2015-2019	542,854	184,757									727,611
2020-2024	573,043	60,566									633,609
Totals	<u>\$1,705,000</u>	<u>\$531,453</u>							<u>\$509,917</u>	<u>\$38,715</u>	<u>\$2,785,085</u>
<u>Business-Type Activities</u>											
2010	\$ 12,986	\$ 14,250	\$ 441,718	\$ 169,888	\$ 195,000	\$ 14,725	\$ 95,000	\$ 32,098			\$ 975,665
2011	18,888	13,613	455,702	155,787	205,000	5,023	95,000	28,155			977,168
2012	18,888	12,857	470,900	141,233			100,000	24,165			768,043
2013	20,069	12,078	486,320	126,194			110,000	19,915			774,576
2014	20,069	11,275	500,954	110,658			110,000	15,185			768,141
2015-2019	112,149	43,393	1,926,715	356,876			235,000	15,740			2,689,873
2020-2024	136,951	16,196	1,289,000	94,055							1,536,202
Totals	<u>\$ 340,000</u>	<u>\$ 123,662</u>	<u>\$5,571,309</u>	<u>\$1,154,691</u>	<u>\$400,000</u>	<u>\$19,748</u>	<u>\$745,000</u>	<u>\$135,258</u>			<u>\$8,489,668</u>

Legal Debt Margin

The City's statutory debt limit is two percent of estimated market value of taxable property within the City, or \$477,248,169. The City currently has no general obligation debt subject to this limit leaving a debt margin of \$9,544,963. Debt financed partially or entirely by special assessments or by operations of enterprise funds is excluded from this computation by Minnesota Statutes.

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Tax Increment Districts

The City of Lake City is the administering authority for the following Tax Increment Districts with information available as of December 31, 2008:

	Tax Increment District #1 Imperial Clevite	Tax Increment District #2 Lighthouse	Tax Increment District #4 Downtown	Tax Increment District #14 Pepin Manufacturing	Tax Increment District #15 Hearth and Home Tech.	Tax Increment District #1 Riverside Township	Tax Increment District #9 Heat-n-Glo	Tax Increment District #12 Pepin Heights	Tax Increment District #13 Block 25 Redev.
Type of District	Redevelopment	Redevelopment	Redevelopment	Economic	Economic	Housing	Economic	Economic	Redevelopment
Year Established	1983	1984	1989	2007	2007	1998	2000	2003	2004
Duration of District	26 Years	26 Years	27 Years	9 Years	10 Years	17 Years	11 Years	11 Years	29 Years
Tax Capacity:									
Original	\$	\$ 722	\$ 19,921	\$ 9,416	\$	\$ 113	\$ 168	\$ 3,884	\$ 3,766
Current		5,156	101,329	11,426		10,466	27,120	7,659	4,587
Captured - retained	\$	\$ 4,434	\$ 81,408	\$ 2,010	\$	\$ 10,353	\$ 26,952	\$ 3,775	\$ 821

9. Commitments and Contingencies

Litigation

The City attorney has indicated that existing and pending lawsuits, claims and other actions in which the City is a defendant are either covered by insurance, of an immaterial amount, or, in the judgment of the City attorney, remotely recoverable by plaintiffs.

Federal and State Funds

Amounts received or receivable from federal and state 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.

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Commitments and Contingencies (Continued)

Tax Increment Districts

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

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; injuries to employees; and natural disasters. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There were no reductions in insurance coverage in 2009.

The City participates in a group workers' compensation plan of the LMCIT, which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota Cities. All cities participating in the plan are jointly and severally liable for all claims and expenses of the plan. The LMCIT workers' compensation plan is self-sustaining based on the premiums charged, so that total contributions plus compounded earnings on those contributions will be sufficient to satisfy claims, liabilities and other expenses of the plan. The LMCIT plan participates in the Workers' Compensation Reinsurance Association with coverage of \$1,000,000 per claim for plan year 2009. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

Contingencies

The City has pledged its full faith and credit for the payment of principal and interest on the \$2,530,000 Housing Development Refunding bonds issued by the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA) used to finance the Lake City Senior Apartments Project. The remaining balance of these bonds at December 31, 2009 was \$2,065,000.

Purchase Power Agreement

The City purchases power from the Southern Minnesota Municipal Power Agency (SMMPA) under a power sales contract dated April 1, 1981. Under the terms of the contract, the City is obligated to buy all the electrical power and energy needed to operate the electric utilities through the term of the contract.

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

10. Fund Equity

The City has designated and reserved portions of its various fund equities through legal restriction and City Council authorization. Major fund equity appropriations are shown on the various balance sheets as segregations of the fund equity. A summary is as follows:

	2009	2008
General Fund		
Designated for cash flow	\$ 1,515,318	\$ 1,170,470
Designated for emergency expenditures	320,029	252,672
Debt Service Funds		
Reserved for debt retirement	159,778	241,352
Proprietary Funds - Marina Fund		
Lift replacement		170,000
Beach/Point improvement	350,000	300,000
Docks	300,000	200,000

At December 31, 2009, individual funds with deficit fund balances/net assets were as follows:

Special Revenue Funds:		
Block 25 Redevelopment TIF #13	\$	(1,341)
Pepin Manufacturing TIF #14		(2,189)
Debt Service Fund:		
Peters 4th and 5th Street Improvement		(9,290)
1997 GO Improvement Bonds		(59,236)
Goodhue County #5 Project		(309,587)
Capital Project Fund:		
2009 Street Improvement		(108,054)
Internal Service Fund-Gas		(13,788)

11. Defined Benefit Pension Plans - Statewide

Plan Description

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

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

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

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years 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 PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age for unreduced Social security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Defined Benefit Pension Plans – Statewide (Continued)

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

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

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.0% respectively, of their annual covered salary in 2009. PEPFF members are required to contribute 9.4% of their annual covered salary in 2009. The City of Lake City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.75% for Coordinated Plan PERF members, and 14.1% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008, and 2007 were \$157,533, \$142,220, and \$132,160, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2009, 2008, and 2007 were \$105,551, \$97,551, and \$62,272, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

12. Defined Benefit Pension Plan - Volunteer Fire Relief Association

Plan Description

All members of the Lake City Fire Department are covered by a defined benefit plan administered by the Lake City Firefighters' Relief Association. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota Statute, Chapter 69. The Association is comprised of volunteers and therefore there is no covered payroll.

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Defined Benefit Pension Plan - Volunteer Fire Relief Association (Continued)

Plan Description (Continued)

The relief association provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established in accordance with State Statute, and vest after ten years of credited service. The defined retirement benefits are based on a member's years of service. Benefit provisions can be amended by the Relief Association within parameters provided by State Statutes.

The Relief Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Lake City Firefighters' Relief Association, Lake City, MN 55041.

Funding Policy

Minnesota Statutes Chapter 69.772 sets the minimum contribution requirement for the City of Lake City and State Aid on an annual basis. These statutes are established and amended by the state legislature. The Association is comprised of volunteers; therefore, members have no contribution requirements. The City's annual pension cost and related information for the most recent year available (2008) is as follows:

Annual pension cost - total	\$58,526
Contributions made	
City	21,774
State Aid - pass-through	36,752
Actuarial valuation date	12/31/08
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar Closed
Remaining amortization period:	
Normal Cost	20 Years
Prior service cost	10 Years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. Defined Benefit Pension Plan - Volunteer Fire Relief Association (Continued)

Trend Information

Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/02	\$ 38,767	100%	\$ 473,660
12/31/03	50,746	100%	517,894
12/31/04	61,538	100%	558,071
12/31/05	67,600	100%	661,640
12/31/06	68,471	100%	674,095
12/31/07	60,500	100%	648,160
12/31/08	60,500	100%	630,457

Required Supplementary Information

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	(Unfunded)/ Assets in Excess of AAL (UAAL)	Funded Ratio
12/31/02	\$ 296,544	\$ 473,660	\$ (177,116)	63%
12/31/03	397,150	517,894	(120,744)	77%
12/31/04	425,616	558,071	(132,455)	76%
12/31/05	457,186	661,640	(204,454)	69%
12/31/06	532,844	674,095	(141,251)	79%
12/31/07	538,447	648,160	(109,713)	83%
12/31/08	415,529	630,457	(214,928)	66%

13. Pronouncements Issued Not Yet Implemented

The Governmental Accounting Standards Board (GASB) has issued several pronouncements that have future effective dates that may impact financial presentations. Management has not currently determined what, if any, impact implementation of the following statement may have on the financial statements of the City. GASB Statement No. 54, Fund Balance Reporting and Fund Type Definitions, issued in February 2009, will be effective for the City beginning with its year ending December 31, 2011. This Statement objective 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.

14. Subsequent Events

In May 2010, the City approved the sale of general obligation bonds totaling \$1,160,000 for street construction for Seventh Street. In May 2010, the City also entered into a construction contract totaling \$1,614,553 for the reconstruction of Seventh Street.

CITY OF LAKE CITY, MINNESOTA
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES
DECEMBER 31, 2009

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CITY OF LAKE CITY, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2009

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources requiring separate accounting because of legal, regulatory or grant provisions or administrative action.

Debt Service Funds

Debt service funds are used to account for the accumulation of resources for, and the payment of, bond principal, interest and related fiscal changes.

Capital Projects Funds

Capital project funds are used to account for the acquisition and construction of major capital facilities other than those financed by the enterprise fund.

CITY OF LAKE CITY, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2009
 With Comparative Totals for the Year Ended December 31, 2008

	Special Revenue Funds							
	210 Library	270 Community Development Revolving Loan Fund	271 Business Development Revolving Loan Fund	410 TIF #1 Imperial Clevite	412 Increment #2 Lighthouse Mall	451 Heat 'N Glo TIF #9	480 Tax Increment #4 Downtown	490 Valley Craft TIF #8
ASSETS								
Cash and investments	\$ 180,531	\$ 187,721	\$ 147,051	\$ 10,902	\$ 76,686	\$ 25,054	\$ 279,642	\$ 24,071
Accounts receivable								
Loans receivable		252,138	126,643					
Taxes receivable delinquent	4,370						6,462	
Special assessments delinquent								
Special assessments deferred								
Due from component unit		58,897						
Due from other governmental units	3,070							
TOTAL ASSETS	\$ 187,971	\$ 498,756	\$ 273,694	\$ 10,902	\$ 76,686	\$ 25,054	\$ 286,104	\$ 24,071
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts payable	\$ 2,579					\$ 17,145		\$
Accrued liabilities	988							
Deposits payable								
Interfund payables								
Deferred revenue	4,370	252,138	126,643				6,462	
Total Liabilities	7,937	252,138	126,643			17,145	6,462	
Fund Balance								
Reserved								
Unreserved								
Undesignated	180,034	246,618	147,051	10,902	76,686	7,909	279,642	24,071
Total Fund Balance	180,034	246,618	147,051	10,902	76,686	7,909	279,642	24,071
TOTAL LIABILITIES AND FUND BALANCE	\$ 187,971	\$ 498,756	\$ 273,694	\$ 10,902	\$ 76,686	\$ 25,054	\$ 286,104	\$ 24,071

Special Revenue Funds

491 Pepin Heights TIF #12	492 Block 25 Redev TIF #13	493 Pepin Manufacturing TIF #14	470 Bergstad Housing TIF #1	494 HNT Expansion #3 TIF #15	250 New Highway 61 Coalition	801 Wells Trust Scholarship	820 Pepin Plaza Apartments	Developer Escrow
\$ 2,181	\$	\$	\$ 11,921	\$ 36,270	\$ 4,935	\$ 4,041	\$ 192,040	\$ 99,064
\$ 2,181	\$	\$	\$ 11,921	\$ 36,270	\$ 4,935	\$ 4,041	\$ 192,040	\$ 99,064
\$	\$	\$	\$	\$ 34,291	\$	\$	\$	\$
	1,341	2,189			4,935		192,040	29,369
	1,341	2,189		34,291	4,935		192,040	29,369
2,181	(1,341)	(2,189)	11,921	1,979		4,041		69,695
2,181	(1,341)	(2,189)	11,921	1,979		4,041		69,695
\$ 2,181	\$	\$	\$ 11,921	\$ 36,270	\$ 4,935	\$ 4,041	\$ 192,040	\$ 99,064

CITY OF LAKE CITY, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2009
 With Comparative Totals for the Year Ended December 31, 2008

	Debt Service Funds						
	338 Central Point Sanitary Sewer/Water Bonds	342 Borners Sewer and Water	316 Peters 4th and 5th Street Improvement	347 1997 G.O. Improvement Bonds	351 Goodhue County #5 Project	352 1998 G.O. Improvement Bonds	354 1999 G.O. Improvement Bonds
ASSETS							
Cash and investments	\$ 131,608	\$ 88,177	\$	\$	\$	\$ 197,521	\$ 95,956
Accounts receivable							
Loans receivable							
Taxes receivable delinquent							
Special assessments delinquent		849	533				960
Special assessments deferred		8,907	24,301				
Due from component unit							
Due from other governmental units					1,661		
TOTAL ASSETS	\$ 131,608	\$ 97,933	\$ 24,834	\$	\$ 1,661	\$ 197,521	\$ 96,916
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 100	\$ 200	\$	\$ 100	\$ 100	\$ 100	\$ 100
Accrued liabilities							
Deposits payable							
Interfund payables			9,290	59,136	311,148		
Deferred revenue		9,756	24,834				960
Total Liabilities	100	9,956	34,124	59,236	311,248	100	1,060
Fund Balance							
Reserved	131,508	87,977	(9,290)	(59,236)	(309,587)	197,421	95,856
Unreserved							
Undesignated							
Total Fund Balance	131,508	87,977	(9,290)	(59,236)	(309,587)	197,421	95,856
TOTAL LIABILITIES AND FUND BALANCE	\$ 131,608	\$ 97,933	\$ 24,834	\$	\$ 1,661	\$ 197,521	\$ 96,916

FORM D-1

		Capital Projects Funds		Totals	
358 2008 Street Improvement	357 2006 Street Improvement	400 Capital Projects	361 2009 Street Improvement	2009	2008
\$ 171,843	\$ 24,272	\$ 209,407	\$	\$ 2,200,894	\$ 2,264,410
					8,175
				378,781	319,972
				10,832	9,392
		1,854		4,196	1,252
	134,575	4,578		172,361	237,958
				58,897	
2,914	957			8,602	5,742
<u>\$ 174,757</u>	<u>\$ 159,804</u>	<u>\$ 215,839</u>	<u>\$</u>	<u>\$ 2,834,563</u>	<u>\$ 2,846,901</u>
\$	\$ 100	\$ 31,304	\$ 30,711	\$ 116,830	\$ 117,229
				988	1,767
				226,344	259,917
			77,343	460,447	339,666
	134,575	6,432		566,170	568,572
	<u>134,675</u>	<u>37,736</u>	<u>108,054</u>	<u>1,370,779</u>	<u>1,287,151</u>
	25,129			159,778	241,352
174,757		178,103	(108,054)	1,304,006	1,318,398
<u>174,757</u>	<u>25,129</u>	<u>178,103</u>	<u>(108,054)</u>	<u>1,463,784</u>	<u>1,559,750</u>
<u>\$ 174,757</u>	<u>\$ 159,804</u>	<u>\$ 215,839</u>	<u>\$</u>	<u>\$ 2,834,563</u>	<u>\$ 2,846,901</u>

CITY OF LAKE CITY, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended December 31, 2009
 With Comparative Totals for the Year Ended December 31, 2008

	Special Revenue Funds						
	210 Library	270 Community Development Revolving Loan Fund	271 Business Development Revolving Loan Fund	410 TIF #1 Imperial Clevite	412 Increment #2 Lighthouse Mall	451 Heat 'N Glo TIF #9	480 Tax Increment #4 Downtown
REVENUES							
Taxes:							
Property taxes	\$ 87,749						
Tax increments					5,091	30,581	91,297
Special assessments							
Intergovernmental revenues	58,417						
Charges for services	2,337						
Fines and forfeits	5,999						
Investment income	3,940	8,133	5,230	1,516	2,618	770	7,890
Miscellaneous revenues	52,455	21,357					
TOTAL REVENUES	210,897	29,490	5,230	1,516	7,709	31,351	99,187
EXPENDITURES							
Culture and recreation:							
Library	180,805						
Streets and highways							
Economic development		76,929		138,614	767	35,057	767
Debt service:							
Principal retirement							
Interest and fiscal charges							
Capital outlay	26,750						
TOTAL EXPENDITURES	207,555	76,929		138,614	767	35,057	767
Excess (deficiency) of revenues over (under) expenditures	3,342	(47,439)	5,230	(137,098)	6,942	(3,706)	98,420
OTHER FINANCING SOURCES (USES)							
Bond proceeds							
Transfers in	50,000	58,897					
Total Other Financing Sources (Uses)	50,000	58,897					
Net change in fund balances	53,342	11,458	5,230	(137,098)	6,942	(3,706)	98,420
FUND BALANCE, beginning	126,692	235,160	141,821	148,000	69,744	11,615	181,222
FUND BALANCE, ending	\$ 180,034	\$ 246,618	\$ 147,051	\$ 10,902	\$ 76,686	\$ 7,909	\$ 279,642

Special Revenue Funds

490 Valley Craft TIF #8	491 Pepin Heights TIF #12	492 Block 25 Redev TIF #13	493 Pepin Manufacturing TIF #14	470 Bergstad Housing TIF #1	494 HNT Expansion #3 TIF #15	250 New Highway 61 Coalition	801 Wells Trust Scholarship	820 Pepin Plaza Apart	Developer Escrow
\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	4,081	1,338	10,500	10,279	38,101				
988	51			365		175 16,409	144	24,390	
988	4,132	1,338	10,500	10,644	38,101	16,584	144	24,390	
767	2,603	834	5,721	5,239	34,707			24,390	
767	2,603	834	5,721	5,239	34,707			24,390	
221	1,529	504	4,779	5,405	3,394	16,584	144		
221	1,529	504	4,779	5,405	3,394	16,584	144		
23,850	652	(1,845)	(6,968)	6,516	(1,415)	(16,584)	3,897		69,695
\$ 24,071	\$ 2,181	\$ (1,341)	\$ (2,189)	\$ 11,921	\$ 1,979	\$	\$ 4,041	\$	\$ 69,695

CITY OF LAKE CITY, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended December 31, 2009
With Comparative Totals for the Year Ended December 31, 2008

	Debt Service Funds						
	338 Central Point Sanitary Sewer/Water Bonds	342 Borners Sewer and Water	316 Peters 4th and 5th Street Improvement	347 1997 G.O. Improvement Bonds	351 Goodhue County #5 Project	352 1998 G.O. Improvement Bonds	354 1999 G.O. Improvement Bonds
REVENUES							
Taxes:							
Property taxes	\$	\$	\$	\$	\$ 54,156	\$	\$
Tax increments							
Special assessments	2,092	8,299	5,327	1,120	8,648		8,196
Intergovernmental revenues					3,531		
Charges for services							
Fines and forfeits							
Investment income	4,754	2,746				5,497	3,623
Miscellaneous revenues							
TOTAL REVENUES	6,846	11,045	5,327	1,120	66,335	5,497	11,819
EXPENDITURES							
Culture and recreation:							
Library							
Streets and highways							
Economic development			584				
Debt service:							
Principal retirement	40,000				100,000		40,000
Interest and fiscal charges	1,480	400	447	1,969	17,565	200	3,604
Capital outlay							
TOTAL EXPENDITURES	41,480	400	1,031	1,969	117,565	200	43,604
Excess (deficiency) of revenues over (under) expenditures	(34,634)	10,645	4,296	(849)	(51,230)	5,297	(31,785)
OTHER FINANCING SOURCES (USES)							
Bond proceeds							
Transfers in							
Total Other Financing Sources (Uses)							
Net change in fund balances	(34,634)	10,645	4,296	(849)	(51,230)	5,297	(31,785)
FUND BALANCE, beginning	166,142	77,332	(13,586)	(58,387)	(258,357)	192,124	127,641
FUND BALANCE, ending	\$ 131,508	\$ 87,977	\$ (9,290)	\$ (59,236)	\$ (309,587)	\$ 197,421	\$ 95,856

FORM D-2

		Capital Projects Funds					
358 2008 Street Improvement	357 2006 Street Improvement	400 Capital Projects	361 2009 Street Improvement	Totals		2009	2008
\$ 94,966	\$ 31,202	\$	\$	\$ 268,073	\$ 164,795		
				191,268	143,141		
	16,052	9,447		59,181	64,991		
6,306	2,072			70,326	63,211		
				2,337	1,777		
				5,999	5,760		
4,096		7,516		84,442	147,263		
	11,500			101,721	126,655		
<u>105,368</u>	<u>60,826</u>	<u>16,963</u>		<u>783,347</u>	<u>717,593</u>		
				180,805	176,512		
		22,128		22,128			
302	200			327,481	322,064		
	25,000			205,000	176,000		
35,534	18,940		1,170	81,309	67,472		
		37,853	106,884	171,487	996,127		
<u>35,836</u>	<u>44,140</u>	<u>59,981</u>	<u>108,054</u>	<u>988,210</u>	<u>1,738,175</u>		
<u>69,532</u>	<u>16,686</u>	<u>(43,018)</u>	<u>(108,054)</u>	<u>(204,863)</u>	<u>(1,020,582)</u>		
					1,095,096		
				108,897	50,000		
				<u>108,897</u>	<u>1,145,096</u>		
69,532	16,686	(43,018)	(108,054)	(95,966)	124,514		
105,225	8,443	221,121		1,559,750	1,435,236		
<u>\$ 174,757</u>	<u>\$ 25,129</u>	<u>\$ 178,103</u>	<u>\$ (108,054)</u>	<u>\$ 1,463,784</u>	<u>\$ 1,559,750</u>		

CITY OF LAKE CITY, MINNESOTA
LIBRARY FUND
Statement of Revenues, Expenditures
and Changes in Fund Balance - Budget and Actual
For the Year Ended December 31, 2009
(With Comparative Totals for the Year Ended December 31, 2008)

	Budgeted Amounts		2009 Actual Amount	Variance With Budget Positive (Negative)	2008 Actual Amount
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 84,325	\$ 84,325	\$ 87,749	\$ 3,424	82,104
Intergovernmental Revenues					
State - property tax credits and aids	5,675	5,675	5,675		6,396
County - library grants	46,000	46,000	52,742	6,742	50,430
Total Intergovernmental Revenues	51,675	51,675	58,417	6,742	56,826
Charges For Services					
Fines and forfeits	4,000	4,000	5,999	1,999	5,760
Other	1,800	1,800	2,337	537	1,777
Total Charges For Services	5,800	5,800	8,336	2,536	7,537
Investment Income					
			3,940	3,940	4,576
Miscellaneous					
Donations	43,349	50,199	52,455	2,256	36,792
Total Revenues	185,149	191,999	210,897	18,898	187,835
EXPENDITURES					
Library Services	179,732	186,682	180,805	5,877	176,512
Capital outlay	34,500	34,749	26,750	7,999	28,952
Total Expenditures	214,232	221,431	207,555	13,876	205,464
Excess (deficiency) of revenues over (under) expenditures	(29,083)	(29,432)	3,342	32,774	(17,629)
OTHER FINANCING SOURCES					
Transfers in	50,000	50,000	50,000		50,000
Net Change in Fund Balance	20,917	20,568	53,342	32,774	32,371
Fund Balance, beginning	126,692	126,692	126,692		94,321
Fund Balance, ending	\$ 147,609	\$ 147,260	\$ 180,034	\$ 32,774	\$ 126,692

CITY OF LAKE CITY, MINNESOTA
 ECONOMIC DEVELOPMENT AUTHORITY COMPONENT UNIT
 Combining Statement of Revenues, Expenditures
 and Changes in Fund Balance
 For the Year Ended December 31, 2009
 (With Comparative Totals for the Year Ended December 31, 2008)

	575 Economic Development	401 City Hall Project	2009	2008
REVENUES				
Property tax	\$ 51,048	\$	\$ 51,048	\$ 61,623
Intergovernmental revenues	4,099		4,099	4,799
Investment income	1,049		1,049	2,292
Payment from primary government		219,453	219,453	489,250
Miscellaneous				341
Total Revenues	56,196	219,453	275,649	558,305
EXPENDITURES				
Economic Development	85,171		85,171	62,908
Debt Service:				
Principal		187,044	187,044	90,128
Interest		41,086	41,086	19,599
Total Expenditures	85,171	228,130	313,301	172,635
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,975)	(8,677)	(37,652)	385,670
Other Financing Use:				
Transfer out	(58,897)		(58,897)	
Fund Balance, beginning	244,023	(85,128)	158,895	(226,775)
Fund Balance, ending	\$ 156,151	\$ (93,805)	\$ 62,346	\$ 158,895

