

CITY OF LAKE CITY, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2010

CITY OF LAKE CITY, MINNESOTA

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CITY OF LAKE CITY, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2010

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June 27, 2011

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, 2010 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.

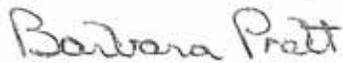
The City assumes responsibility for both the accuracy of data and the completeness and fairness of the presentation, including all disclosures. To the best of our knowledge, this financial report is complete and reliable in all material respects.

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, 2010. 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 2010 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;

A handwritten signature in cursive script that reads "Barbara Pratt".

Barbara I. Pratt
Finance Director/Treasurer

**CITY OF LAKE CITY, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2010**

ELECTED

<u>Title</u>	<u>Name</u>	<u>Term Expires</u>
Mayor	Jerry Dunbar	January 14, 2013
Council	Marylou Waltman	January 14, 2013
Council	Phil Gartner	January 10, 2015
Council	Matt Powers	January 10, 2015
Council	Mark Spence	January 14, 2013
Council	Joel Beckman	January 10, 2015
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, 2010

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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, 2010, 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 2009 financial statements and, in our report dated June 17, 2010, 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, 2010, 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 May 24, 2011, 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 inquires 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, Schafer and Associates, Ltd.

Rochester, Minnesota
May 24, 2011

**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, 2010. 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 \$38,694,711 (*net assets*). Of this amount, \$10,013,285 (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 increased by \$1,764,924 primarily due to an increase in Electric fund rates to cover cost increases and additional investments in capital assets.
- As of the close of the current fiscal year, the City of Lake City's governmental funds reported combined ending fund balances of \$3,773,526. Approximately 94 percent of this total amount, or \$3,560,529, 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 \$2,452,407 or 56 percent of total general fund expenditures.
- The City of Lake City total outstanding debt increased by \$3,073,658 during the current fiscal year. Principal payments are made as scheduled and continue to reduce outstanding debt. General Obligation Revenue bonds for utility and street improvement in the amount of \$1,160,000 were issued in May 2010. A Electric Revenue bond for a new substation in the amount of \$2,995,000 was issued in December 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 61-68 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 used 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 has been remediated and the fund was closed in 2010. In 2010, the City began a new Internal Service fund for insurance and utility expenditures of the General and Library funds.

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 \$38,694,711 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 5,025,057	\$ 4,723,904	\$ 10,661,991	\$ 7,914,353	\$ 15,687,048	\$ 12,638,257
Capital assets	14,157,308	13,519,465	23,237,974	21,570,663	37,395,282	35,090,128
Total assets	19,182,365	18,243,369	33,899,965	29,485,016	53,082,330	47,728,385
Long-term liabilities						
outstanding	1,799,513	2,010,543	10,527,270	7,242,582	12,326,783	9,253,125
Other liabilities	477,656	536,826	1,583,180	1,008,647	2,060,836	1,545,473
Total liabilities	2,277,169	2,547,369	12,110,450	8,251,229	14,387,619	10,798,598
Net assets:						
Invested in capital assets,						
net of related debt	12,683,349	11,834,954	14,965,199	14,526,854	27,648,548	26,361,808
Restricted	1,032,878	1,343,989			1,032,878	1,343,989
Unrestricted	3,188,969	2,517,057	6,824,316	6,706,933	10,013,285	9,223,990
Total net assets	\$ 16,905,196	\$ 15,696,000	\$ 21,789,515	\$ 21,233,787	\$ 38,694,711	\$ 36,929,787

A portion of the City of Lake City's net assets (3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$10,013,285) 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 \$1,209,196.

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

Business-type activities. Business-type activities increased the City of Lake City's net assets by \$555,728.

A condensed version of the Statement of Activities follows:

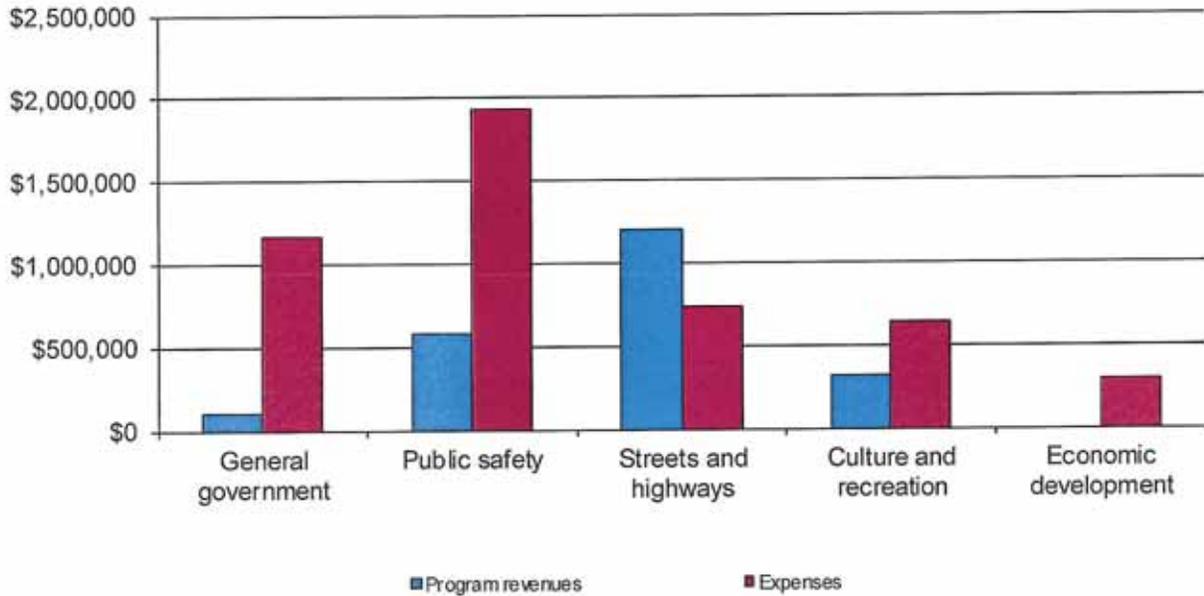
City of Lake City's Change in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue:						
Program revenues:						
Charges for services	\$ 1,151,282	\$ 753,135	\$ 15,558,652	\$ 13,064,157	\$ 16,709,934	\$ 13,817,292
Operating grants and contributions	1,056,970	370,365			1,056,970	370,365
Capital grants and contributions		14,579	6,062	121,176	6,062	135,755
General revenues:						
Property taxes	2,660,729	2,391,980			2,660,729	2,391,980
Tax increments	198,471	191,268			198,471	191,268
Grants and contributions not restricted to specific programs						
Other	647,973	912,541	108,682	140,613	647,973	912,541
Other	213,218	227,425			321,900	368,038
Total revenues	<u>5,928,643</u>	<u>4,861,293</u>	<u>15,673,396</u>	<u>13,325,946</u>	<u>21,602,039</u>	<u>18,187,239</u>
Expenses:						
General government	1,161,766	1,280,821			1,161,766	1,280,821
Public safety	1,932,384	1,944,989			1,932,384	1,944,989
Streets and highways	738,582	797,957			738,582	797,957
Culture and recreation	638,298	706,397			638,298	706,397
Economic development	288,557	253,481			288,557	253,481
Interest on long-term debt	62,471	94,224			62,471	94,224
Unallocated utilities and insurance	317,389				317,389	
Electric			10,898,315	9,989,499	10,898,315	9,989,499
Water			625,956	636,523	625,956	636,523
Sewer			1,361,469	1,328,305	1,361,469	1,328,305
Storm water			163,374	108,104	163,374	108,104
Marina			379,555	338,532	379,555	338,532
Garbage			1,268,999	1,157,923	1,268,999	1,157,923
Total expenses	<u>5,139,447</u>	<u>5,077,869</u>	<u>14,697,668</u>	<u>13,558,886</u>	<u>19,837,115</u>	<u>18,636,755</u>
Increase in net assets before transfers and other	789,196	(216,576)	975,728	(232,940)	1,764,924	(449,516)
Transfers	420,000	553,897	(420,000)	(495,000)		58,897
Increase in net assets	1,209,196	337,321	555,728	(727,940)	1,764,924	(390,619)
Net assets, beginning of year	15,696,000	15,358,679	21,233,787	21,961,727	36,929,787	37,320,406
Net assets, end of year	<u>\$ 16,905,196</u>	<u>\$ 15,696,000</u>	<u>\$ 21,789,515</u>	<u>\$ 21,233,787</u>	<u>\$ 38,694,711</u>	<u>\$ 36,929,787</u>

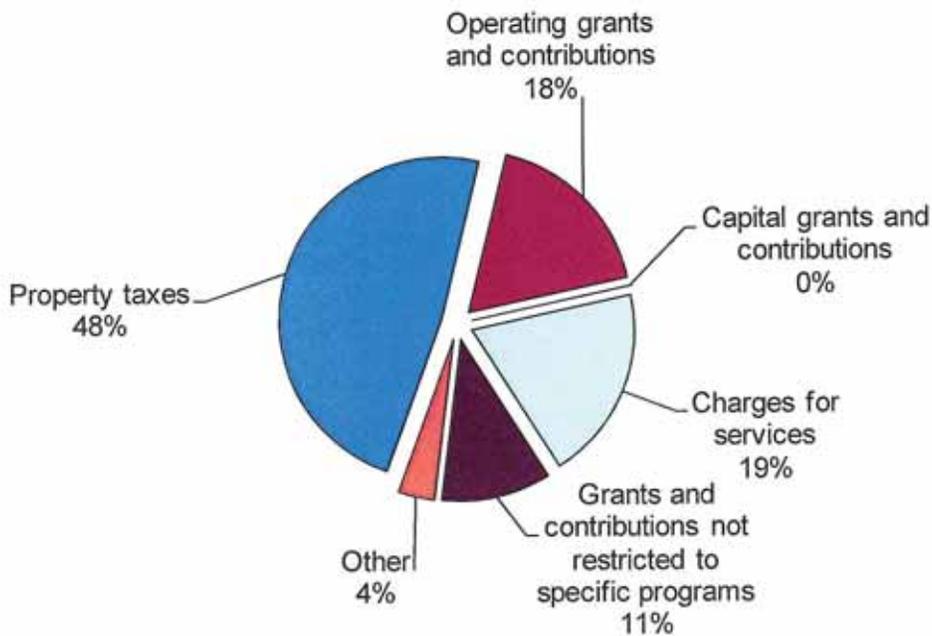
**CITY OF LAKE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Governmental Activities



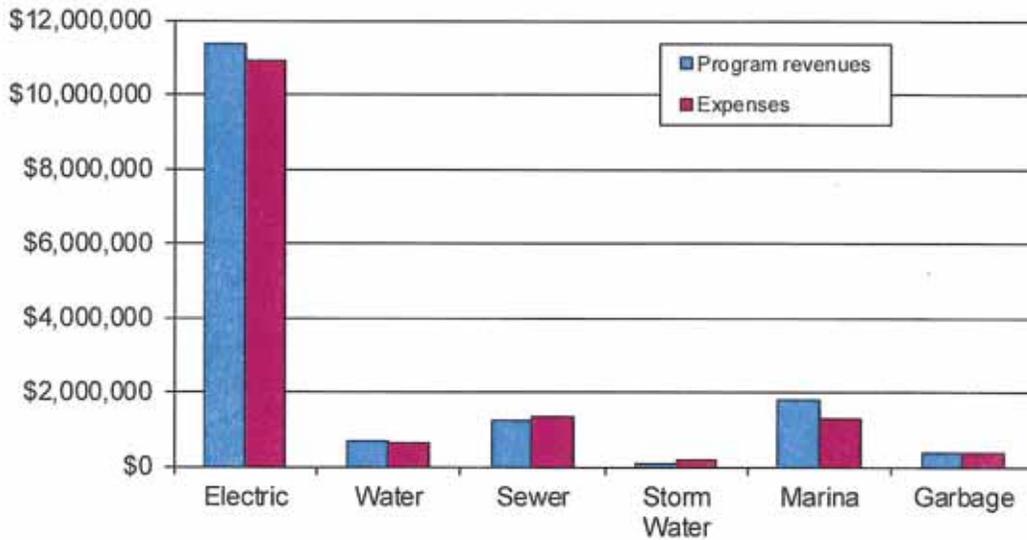
Revenues by Source - Governmental Activities



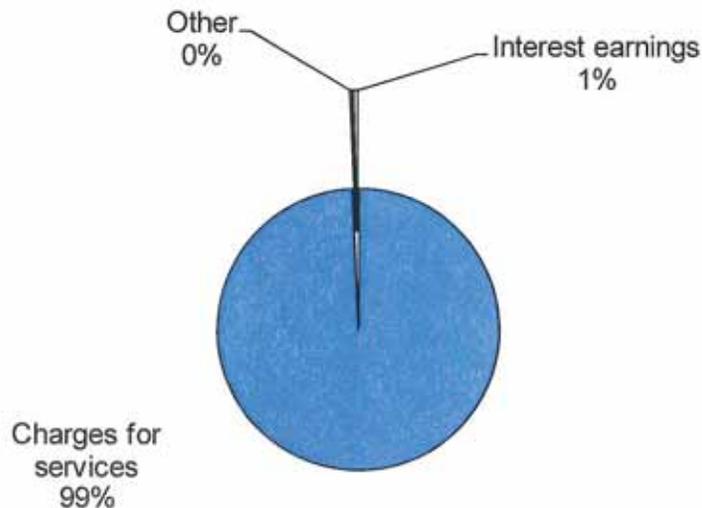
**CITY OF LAKE CITY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their expenses. Since these activities generally require significant physical assets to operate, any excess revenues are held for planned capital expenses 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 \$3,773,526, an increase of \$474,395. Approximately 94 percent of this total amount, or \$3,560,529, constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance (\$212,997) 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 \$2,452,407. 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 56 percent of total general fund expenditures.

The general fund's total fund balance increased by \$617,060 during the current fiscal year. This year's increase was primarily due to an increase in the collection of property taxes, additional funding for street projects from the state, and a decrease in capital expenditures for park.

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

The library fund increased its fund balance by \$25,125 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 \$212,997 all of which is reserved for the payment of debt service. These fund balances decreased by \$121,538 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 - \$1,744,322, Water - \$1,126,321, Sewer - \$53,366, Storm Water - (\$356,235), Marina - \$3,321,839, and Garbage - \$284,703. All funds, except the water and storm water funds, had increases in total net assets for the year. The water and storm water utility fund's decrease of \$72,406 and \$213,639 respectively, was primarily due to transfers out of \$75,000 and \$150,000, respectively, for each utility fund's share of the 7th Street project costs.

General Fund Budgetary Highlights

The original 2010 general fund budget approved by the City anticipated an increase in general fund reserves of \$232,275. All differences between the original and final budgets in the general fund for the City in 2010 were approved by resolution amending the original budget. Select unspent budgeted amounts from 2009 were carried over to the 2010 budget by resolution. During 2010, the primary changes from the original budget to the final were for additional street construction funds of approximately \$627,000 available from the state which resulted in an increase of the street construction expenditure budget by approximately \$768,000.

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, 2010, amounts to \$37,395,282 (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 increase in the City of Lake City's reported investment in capital assets for the current fiscal year was \$2,305,154, or 6 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			
	2010	2009	2010	2009	2010	2009
Land	\$ 1,303,791	\$ 1,303,791	\$ 723,363	\$ 723,363	\$ 2,027,154	\$ 2,027,154
Construction in progress	451,729	106,884	1,434,275	231,647	1,886,004	338,531
Buildings and improvements	4,956,087	5,134,735	9,120,288	9,584,168	14,076,375	14,718,903
Machinery and equipment	1,054,088	1,213,853	1,216,698	1,239,041	2,270,786	2,452,894
Infrastructure	6,391,613	5,760,202			6,391,613	5,760,202
Distribution and collection system			10,743,350	9,792,444	10,743,350	9,792,444
Total	\$ 14,157,308	\$ 13,519,465	\$ 23,237,974	\$ 21,570,663	\$ 37,395,282	\$ 35,090,128

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 \$11,813,222 in bonds and notes outstanding. Of this amount, \$8,314,590 comprises debt backed by the full faith and credit of the government and \$3,645,000 represents bonds secured solely by specified revenue sources.

City of Lake City's Outstanding Debt

	Governmental		Business-Type		Total	
	Activities		Activities			
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 1,473,959	\$ 1,684,511	\$ 327,014	\$ 340,000	\$ 1,800,973	\$ 2,024,511
General obligation revenue loans			5,129,591	5,571,309	5,129,591	5,571,309
General obligation revenue bonds			1,327,220	395,200	1,327,220	395,200
Revenue bonds			3,555,438	737,300	3,555,438	737,300
Compensated absences	325,554	326,032	188,007	198,773	513,561	524,805
Total	\$ 1,799,513	\$ 2,010,543	\$ 10,527,270	\$ 7,242,582	\$ 12,326,783	\$ 9,253,125

The City of Lake City's total outstanding debt increased by \$3,073,658 during the current year. A total of \$956,719 in bonds and notes payable were retired during 2010. 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, 2010

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CITY OF LAKE CITY, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Primary Government				Component Unit	
	Governmental Activities	Business-Type Activities	Totals		Economic Development Authority	
			2010	2009	2010	2009
Assets						
Cash and investments	\$ 4,098,647	\$ 6,920,281	\$ 11,018,928	\$ 9,619,905	\$ 81,658	\$ 70,875
Restricted cash		1,504,178	1,504,178			
Receivables	634,364	1,310,041	1,944,405	1,784,280		
Internal balances	(200,009)	200,009				
Due from other governmental units	491,198		491,198	372,612	48,923	28,697
Due from primary government					402	27,045
Due from component unit	857		857	59,078		
Prepaid expenses		72,613	72,613	75,758		
Inventories		654,869	654,869	726,624		
Capital assets:						
Nondepreciable	1,755,520	2,157,638	3,913,158	2,365,685		
Depreciable, net	12,401,788	21,080,336	33,482,124	32,724,443	1,924,317	1,982,027
Total Assets	19,182,365	33,899,965	53,082,330	47,728,385	2,055,300	2,108,644
Liabilities						
Accounts and contracts payable	230,921	1,406,192	1,637,113	1,073,174	2,796	3,412
Accrued liabilities	55,217	108,402	163,619	152,844	6,504	10,581
Deposits payable	191,116	68,586	259,702	292,410		
Due to primary government					857	59,078
Due to component unit	402		402	27,045		
Noncurrent liabilities						
Due within one year	91,112	774,589	865,701	956,719	206,381	196,474
Due in more than one year	1,708,401	9,752,681	11,461,082	8,296,406	107,061	313,443
Total Liabilities	2,277,169	12,110,450	14,387,619	10,798,598	323,599	582,988
Net Assets						
Invested in capital assets, net of related debt	12,683,349	14,965,199	27,648,548	26,361,808	1,604,371	1,461,529
Restricted for:						
Grants and contracts	648,740		648,740	772,450		
Debt service	212,997		212,997	334,535		
Tax increment purposes and loan covenants	171,141		171,141	411,761		
Unrestricted	3,188,969	6,824,316	10,013,285	9,049,233	127,330	64,127
Total Net Assets	\$ 16,905,196	\$ 21,789,515	\$ 38,694,711	\$ 36,929,787	\$ 1,731,701	\$ 1,525,656

See Notes to Financial Statements

CITY OF LAKE CITY, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities:				
General government	\$ 1,161,766	\$ 78,967	\$ 20,249	
Public safety	1,932,384	443,147	141,294	
Streets and highways	738,582	433,358	770,018	
Culture and recreation	638,298	195,810	125,409	
Economic development	288,557			
Interest on long-term debt	62,471			
Unallocated	317,389			
Total governmental activities	<u>5,139,447</u>	<u>1,151,282</u>	<u>1,056,970</u>	
Business-Type activities:				
Electric utility	10,898,315	11,386,229		
Water utility	625,956	678,691		1,572
Sewer utility	1,361,469	1,235,795		4,490
Storm water utility	163,374	81,941		
Garbage	379,555	376,760		
Marina	1,268,999	1,799,236		
Total business-type activities	<u>14,697,668</u>	<u>15,558,652</u>		<u>6,062</u>
Total Primary Government	<u>\$ 19,837,115</u>	<u>\$ 16,709,934</u>	<u>\$ 1,056,970</u>	<u>\$ 6,062</u>
Component Unit:				
Economic Development Authority	<u>\$ 157,587</u>	<u>\$</u>	<u>\$ 363,456</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	
		2010	2009	2010	2009
\$ (1,062,550)	\$	\$ (1,062,550)	\$ (1,234,156)	\$	\$
(1,347,943)		(1,347,943)	(1,267,233)		
464,794		464,794	(690,707)		
(317,079)		(317,079)	(399,989)		
(288,557)		(288,557)	(253,481)		
(62,471)		(62,471)	(94,224)		
(317,389)		(317,389)			
<u>(2,931,195)</u>		<u>(2,931,195)</u>	<u>(3,939,790)</u>		
	487,914	487,914	(749,533)		
	54,307	54,307	(6,348)		
	(121,184)	(121,184)	(200,906)		
	(81,433)	(81,433)	(15,925)		
	(2,795)	(2,795)	(6,869)		
	<u>530,237</u>	<u>530,237</u>	<u>606,028</u>		
	867,046	867,046	(373,553)		
<u>(2,931,195)</u>	<u>867,046</u>	<u>(2,064,149)</u>	<u>(4,313,343)</u>		
				205,869	83,679
2,660,729		2,660,729	2,391,980		
198,471		198,471	191,268		
647,973		647,973	912,541		
54,113	68,636	122,749	254,403	176	1,049
159,105	40,046	199,151	113,635		
420,000	(420,000)		58,897		(58,897)
<u>4,140,391</u>	<u>(311,318)</u>	<u>3,829,073</u>	<u>3,922,724</u>	<u>176</u>	<u>(57,848)</u>
1,209,196	555,728	1,764,924	(390,619)	206,045	25,831
<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>
<u>\$ 16,905,196</u>	<u>\$ 21,789,515</u>	<u>\$ 38,694,711</u>	<u>\$ 36,929,787</u>	<u>\$ 1,731,701</u>	<u>\$ 1,525,656</u>

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

For the Year Ended December 31, 2010

With Comparative Totals for the Year Ended December 31, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds	
			2010	2009
Assets				
Cash and investments	\$ 2,323,031	\$ 1,671,444	\$ 3,994,475	\$ 3,831,151
Interest receivable	41,433		41,433	41,433
Accounts receivable	120,724	300	121,024	63,658
Taxes receivable delinquent	68,464	2,501	70,965	89,870
Special assessments receivable:				
Delinquent	172	4,633	4,805	4,496
Deferred	607	147,628	148,235	174,102
Advances to other funds	55,000		55,000	55,000
Interfund receivable	12,224		12,224	474,235
Loans receivable		247,902	247,902	378,781
Due from other governmental units	491,198		491,198	372,612
Due from component unit	857		857	59,078
TOTAL ASSETS	\$ 3,113,710	\$ 2,074,408	\$ 5,188,118	\$ 5,544,416
Liabilities and Fund Balance				
Liabilities				
Accounts payable	\$ 78,059	\$ 148,577	\$ 226,636	\$ 234,289
Accrued liabilities	27,444	1,908	29,352	15,910
Deposits payable	3,200	187,916	191,116	229,844
Advances from other funds	255,009		255,009	346,277
Interfund payable		12,224	12,224	460,447
Due to component unit	402		402	27,045
Deferred revenue	297,189	402,664	699,853	931,473
Total Liabilities	661,303	753,289	1,414,592	2,245,285
Fund Balance				
Reserved for:				
Debt service		212,997	212,997	334,535
Unreserved, designated reported in:				
General fund	2,452,407		2,452,407	1,835,347
Unreserved, undesignated reported in:				
Special revenue funds		780,229	780,229	1,059,200
Capital projects funds		327,893	327,893	70,049
Total Fund Balance	2,452,407	1,321,119	3,773,526	3,299,131
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,113,710	\$ 2,074,408	\$ 5,188,118	\$ 5,544,416

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, 2010

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

Total governmental fund balances (page 17)	\$ 3,773,526	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 29,497,691	
Less: Accumulated depreciation	<u>(15,340,383)</u>	
		14,157,308
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	\$ 75,770	
Deferred special assessments	148,235	
Due from other governments	227,946	
Loans receivable	<u>247,902</u>	
		699,853
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		99,887
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	\$ (1,473,959)	
Compensated absences	(325,554)	
Accrued interest	<u>(25,865)</u>	
		<u>(1,825,378)</u>
Net assets of governmental activities (page 14)		<u>\$ 16,905,196</u>

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

For the Year Ended December 31, 2010

With Comparative Totals for the Year Ended December 31, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds	
			2010	2009
Revenues				
Taxes	\$ 2,438,833	\$ 419,545	\$ 2,858,378	\$ 2,649,814
Special assessments	2,762	37,943	40,705	59,318
Licenses and permits	85,662		85,662	43,927
Intergovernmental revenues	1,233,406	752,318	1,985,724	1,201,391
Charges for services	672,669	2,105	674,774	670,220
Fines and forfeits	26,914	5,773	32,687	39,505
Investment income	12,032	40,656	52,688	129,480
Miscellaneous revenues	116,688	179,489	296,177	227,560
Total Revenues	4,588,966	1,437,829	6,026,795	5,021,215
Expenditures				
General government	948,604		948,604	1,043,079
Public safety	1,844,724		1,844,724	1,894,754
Streets and highways	822,622		822,622	682,114
Culture and recreation	440,956	216,562	657,518	853,649
Economic development		205,863	205,863	327,481
Capital outlay		851,573	851,573	171,487
Bond principal retirement		212,015	212,015	205,000
Interest and fiscal charges		66,670	66,670	81,309
Unallocated utilities and insurance	360,000		360,000	
Total Expenditures	4,416,906	1,552,683	5,969,589	5,258,873
Excess (Deficiency) of Revenues Over (Under) Expenditures	172,060	(114,854)	57,206	(237,658)
Other Financing Sources (Uses)				
Transfers in	445,000	851,783	1,296,783	553,897
Transfers out		(879,594)	(879,594)	
Total other financing sources (uses)	445,000	(27,811)	417,189	553,897
Net change in fund balances	617,060	(142,665)	474,395	316,239
FUND BALANCE, beginning	1,835,347	1,463,784	3,299,131	2,982,892
FUND BALANCE, ending	\$ 2,452,407	\$ 1,321,119	\$ 3,773,526	\$ 3,299,131

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, 2010

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

Net change in fund balances - total governmental funds (page 19)	\$	474,395
<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	\$ 1,393,848	
Depreciation expense	<u>(756,005)</u>	637,843
<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, 2010	\$ 699,853	
Deferred revenue, December 31, 2009	<u>(931,473)</u>	(231,620)
<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		478
<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>		
		113,675
<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	\$ 212,015	
Long-term debt discount and issuance costs	(1,463)	
Change in accrued interest	<u>3,873</u>	<u>214,425</u>
Change in net assets of governmental activities (pages 15 and 16)	\$	<u><u>1,209,196</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, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget Positive (Negative)	2009 Actual Amounts
	Original	Final			
Taxes					
Property taxes	\$ 2,278,012	\$ 2,278,012	\$ 2,312,587	\$ 34,575	\$ 2,058,080
Special assessments			2,762	2,762	137
Franchise tax	100,000	100,000	84,485	(15,515)	93,900
Lodging tax			41,761	41,761	38,493
Total Taxes	2,378,012	2,378,012	2,441,595	63,583	2,190,610
Licenses and Permits					
Business licenses	17,800	17,800	18,766	966	17,731
Non-Business licenses	32,250	69,538	66,896	(2,642)	26,196
Total Licenses and Permits	50,050	87,338	85,662	(1,676)	43,927
Intergovernmental Revenues					
Federal:					
Cops in school grant	29,000	32,000	33,452	1,452	31,877
State:					
Local government aid	610,347	610,347	610,347		767,522
Market value credit	142,277	142,277	36,451	(105,826)	133,110
MSA street maintenance	45,000	45,000	75,665	30,665	83,819
MSA street construction		627,544	364,356	(263,188)	
Fire aid			34,182	34,182	32,126
Police aid	67,000	67,000	71,560	4,560	75,218
Other state aids	7,393	7,393	7,393		7,393
Total Intergovernmental	901,017	1,531,561	1,233,406	(298,155)	1,131,065
Charges for Services					
General government	2,000	2,000	619	(1,381)	1,393
Public safety	479,400	488,962	416,233	(72,729)	496,529
Streets and highways	2,700	1,200	68,142	66,942	1,472
Park fees	165,290	165,290	187,675	22,385	168,839
Total Charges for Services	649,390	657,452	672,669	15,217	668,233
Fines and forfeits	28,500	28,500	26,914	(1,586)	33,506
Investment Income	50,000	50,000	12,032	(37,968)	45,038
Miscellaneous Revenues					
Other	4,500	15,763	21,675	5,912	44,120
Refunds and reimbursements	75,000	75,000	95,013	20,013	81,369
Total Miscellaneous Revenues	79,500	90,763	116,688	25,925	125,489
TOTAL REVENUES	\$ 4,136,469	\$ 4,823,626	\$ 4,588,966	\$ (234,660)	\$ 4,237,868

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, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget Positive (Negative)	2009 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and City Council:					
Personnel services	\$ 52,810	\$ 52,810	\$ 42,473	\$ 10,337	\$ 43,686
Supplies	3,000	3,000	2,587	413	3,605
Other services and charges	49,500	49,500	27,410	22,090	51,841
Total Mayor and City Council	105,310	105,310	72,470	32,840	99,132
City Administrator:					
Personnel services	134,271	134,271	132,760	1,511	129,714
Supplies	500	500	502	(2)	460
Other services and charges	10,000	10,000	5,499	4,501	6,517
Total City Administrator	144,771	144,771	138,761	6,010	136,691
City Clerk/Finance Director:					
Personnel services	228,303	228,303	252,530	(24,227)	264,315
Supplies	10,250	10,250	5,988	4,262	8,038
Other services and charges	41,400	41,400	36,056	5,344	31,762
Total City Clerk/Finance Director	279,953	279,953	294,574	(14,621)	304,115
Audit:					
Other services and charges	40,100	40,100	33,553	6,547	39,750
Legal:					
Other services and charges	77,800	77,800	71,063	6,737	80,340
Planning and Zoning:					
Personnel services	243,896	243,896	231,850	12,046	258,916
Supplies	4,000	4,000	2,913	1,087	2,687
Other services and charges	52,500	91,398	87,633	3,765	75,975
Total Planning and Zoning	300,396	339,294	322,396	16,898	337,578
Elections:					
Personnel services	7,400	9,075	9,062	13	
Supplies		791	1,343	(552)	
Other services and charges	4,600	2,925	2,706	219	19
Total Elections	12,000	12,791	13,111	(320)	19
General Government Buildings:					
Personnel services	2,866	2,866		2,866	
Supplies	3,000	3,000	418	2,582	4,397
Other services and charges	20,000	20,000	2,258	17,742	41,057
Total General Government Buildings	25,866	25,866	2,676	23,190	45,454
Total General Government	\$ 986,196	\$ 1,025,885	\$ 948,604	\$ 77,281	\$ 1,043,079

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, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget Positive (Negative)	2009 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Safety					
Police:					
Personnel services	\$ 957,957	\$ 957,957	\$ 971,144	\$ (13,187)	\$ 901,922
Supplies	69,970	69,970	59,345	10,625	60,067
Other services and charges	45,400	45,400	35,608	9,792	81,632
Capital outlay	26,000	26,000	23,753	2,247	27,542
Total Police	1,099,327	1,099,327	1,089,850	9,477	1,071,163
Fire:					
Personnel services	107,176	107,176	91,812	15,364	73,415
Supplies	32,400	43,400	44,932	(1,532)	49,385
Other services and charges	50,711	68,910	33,352	35,558	87,529
Capital outlay	78,000	80,600	58,962	21,638	
Total Fire	268,287	300,086	229,058	71,028	210,329
Ambulance:					
Personnel services	455,602	455,602	425,733	29,869	427,576
Supplies	46,450	52,612	38,480	14,132	41,590
Other services and charges	43,600	43,600	39,639	3,961	76,230
Capital outlay	0	0			4,500
Total Ambulance	545,652	551,814	503,852	47,962	549,896
Civil Defense:					
Personnel services	7,418	7,418	7,243	175	7,243
Supplies	7,900	7,900	7,782	118	5,552
Other services and charges	2,450	2,450	1,460	990	3,984
Capital outlay					42,423
Total Civil Defense	17,768	17,768	16,485	1,283	59,202
Animal Control:					
Personnel services	5,475	5,875	5,311	564	2,823
Supplies	650	550	108	442	195
Other services and charges	800	500	60	440	1,146
Total Animal Control	6,925	6,925	5,479	1,446	4,164
Total Public Safety	\$ 1,937,959	\$ 1,975,920	\$ 1,844,724	\$ 131,196	\$ 1,894,754

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, 2010
 With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget Positive (Negative)	2009 Actual Amounts
	Original	Final			
EXPENDITURES					
Streets and Highways					
Personnel services	\$ 285,487	\$ 285,487	\$ 247,789	\$ 37,698	\$ 224,136
Supplies	133,600	133,600	71,428	62,172	86,151
Other services and charges	96,300	96,300	38,690	57,610	105,241
Capital outlay	59,120	827,323	464,715	362,608	244,458
Total Streets and Highways	574,507	1,342,710	822,622	520,088	659,986
Culture and Recreation					
Tourism:					
Other services and charges			48,347	(48,347)	38,535
Total Tourism			48,347	(48,347)	38,535
Participant Recreation:					
Personnel services	17,762	33,774	33,722	52	19,798
Supplies	1,050	2,300	2,272	28	197
Other services and charges	1,950	1,950	1,744	206	4,335
Total Participant Recreation	20,762	38,024	37,738	286	24,330
Swimming Pool:					
Personnel services	58,131	58,131	48,790	9,341	50,083
Supplies	17,000	17,000	6,376	10,624	5,329
Other services and charges	3,825	3,725	1,938	1,787	18,109
Capital outlay	2,500	2,500	2,500		3,541
Total Swimming Pool	81,456	81,356	59,604	21,752	77,062
Hok-Si-La Park:					
Personnel services	105,010	105,010	99,247	5,763	93,145
Supplies	22,400	23,130	14,282	8,848	17,102
Other services and charges	36,350	36,350	36,901	(551)	52,754
Capital outlay	17,500	18,500	15,700	2,800	3,138
Total Hok-Si-La Park	\$ 181,260	\$ 182,990	\$ 166,130	\$ 16,860	\$ 166,139

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, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Budgeted Amounts		2010 Actual Amounts	Variance with Final Budget Positive (Negative)	2009 Actual Amounts
	Original	Final			
Culture and Recreation (continued)					
Other Parks:					
Personnel services	\$ 119,854	\$ 119,854	\$ 95,842	\$ 24,012	\$ 106,607
Supplies	44,600	44,600	16,377	28,223	22,246
Other services and charges	15,100	15,100	7,185	7,915	55,337
Capital outlay	7,500	14,833	9,733	5,100	182,588
Total Other Parks	187,054	194,387	129,137	65,250	366,778
Total Culture and Recreation	470,532	496,757	440,956	55,801	672,844
Unallocated Expenses					
Utilities and insurance	360,000	360,000	360,000		
TOTAL EXPENDITURES	4,329,194	5,201,272	4,416,906	784,366	4,270,663
Excess (deficiency) of revenues over (under) expenditures	(192,725)	(377,646)	172,060	549,706	(32,795)
OTHER FINANCING SOURCES (USES)					
Transfers in	425,000	425,000	445,000	20,000	445,000
NET CHANGE IN FUND BALANCE	232,275	47,354	617,060	569,706	412,205
FUND BALANCE, beginning	1,835,347	1,835,347	1,835,347		1,423,142
FUND BALANCE, ending	\$ 2,067,622	\$ 1,882,701	\$ 2,452,407	\$ 569,706	\$ 1,835,347

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, 2010
 With Comparative Totals for the Year Ended December 31, 2009**

	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	\$ 1,221,271	\$ 1,154,566	\$ 216,437	\$ 209,467
Restricted cash	1,504,178			
Accounts receivable	1,181,536	16,691	46,807	2,263
Advances to other funds	36,039			
Inventories	635,560			
Prepaid expense	20,671	6,351	11,889	1,490
Total Current Assets	4,599,255	1,177,608	275,133	213,220
Noncurrent Assets				
Capital Assets				
Nondepreciable	1,447,776	4,273	762	87,100
Depreciable	13,557,624	3,951,688	12,129,304	2,469,198
Less: Accumulated depreciation	(7,638,210)	(1,498,744)	(4,987,463)	(350,634)
Net Capital Assets	7,367,190	2,457,217	7,142,603	2,205,664
Special Assessments		1,760	22,376	
Total Noncurrent Assets	7,367,190	2,458,977	7,164,979	2,205,664
Total Assets	11,966,445	3,636,585	7,440,112	2,418,884
LIABILITIES				
Current Liabilities				
Current maturities of bonds payable	205,000	18,888	455,701	
Accounts payable	1,186,631	10,293	166,251	7,145
Accrued liabilities	34,261	7,915	59,588	
Interfund payable				
Advances from other funds				
Customer deposits	68,586			
Total Current Liabilities	1,494,478	37,096	681,540	7,145
Noncurrent Liabilities				
Bonds payable, net of current maturities and discount	2,909,638	870,436	4,673,890	562,310
Compensated absences payable	61,277	34,839	18,304	
Total Liabilities	4,465,393	942,371	5,373,734	569,455
NET ASSETS				
Invested in capital assets, net of related debt	5,756,730	1,567,893	2,013,012	2,205,664
Unrestricted:				
Designated				
Undesignated	1,744,322	1,126,321	53,366	(356,235)
Total Net Assets	\$ 7,501,052	\$ 2,694,214	\$ 2,066,378	\$ 1,849,429

See Notes to Financial Statements

710 Marina Fund	720 Garbage Fund	TOTALS		Governmental Activities - Internal Service Fund	
		2010	2009	2010	2009
\$ 3,820,934	\$ 297,606	\$ 6,920,281	\$ 5,788,754	\$ 104,172	\$
		1,504,178			
21,406	17,202	1,285,905	977,597		
218,970		255,009	346,277		
19,309		654,869	726,624		
31,917	295	72,613	75,758		
<u>4,112,536</u>	<u>315,103</u>	<u>10,692,855</u>	<u>7,915,010</u>	<u>104,172</u>	
613,727	4,000	2,157,638	955,010		
7,065,296		39,173,110	37,487,004		
(3,617,723)		(18,092,774)	(16,871,351)		
<u>4,061,300</u>	<u>4,000</u>	<u>23,237,974</u>	<u>21,570,663</u>		
		24,136	54,343		
<u>4,061,300</u>	<u>4,000</u>	<u>23,262,110</u>	<u>21,625,006</u>		
<u>8,173,836</u>	<u>319,103</u>	<u>33,954,965</u>	<u>29,540,016</u>	<u>104,172</u>	
95,000		774,589	744,704		
7,659	28,213	1,406,192	838,885	4,285	
4,451	2,187	108,402	107,196		
					13,788
55,000		55,000	55,000		
		68,586	62,566		
<u>162,110</u>	<u>30,400</u>	<u>2,412,769</u>	<u>1,808,351</u>	<u>4,285</u>	<u>13,788</u>
548,400		9,564,674	6,299,105		
73,587		188,007	198,773		
<u>784,097</u>	<u>30,400</u>	<u>12,165,450</u>	<u>8,306,229</u>	<u>4,285</u>	<u>13,788</u>
3,417,900	4,000	14,965,199	14,526,854		
650,000		650,000	650,000		
<u>3,321,839</u>	<u>284,703</u>	<u>6,174,316</u>	<u>6,056,933</u>	<u>99,887</u>	<u>(13,788)</u>
<u>\$ 7,389,739</u>	<u>\$ 288,703</u>	<u>\$ 21,789,515</u>	<u>\$ 21,233,787</u>	<u>\$ 99,887</u>	<u>\$ (13,788)</u>

CITY OF LAKE CITY, MINNESOTA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS

For the Year Ended December 31, 2010

With Comparative Totals for the Year Ended December 31, 2009

	Business-Type Activities - Enterprise Funds			
	701 Electric Fund	702 Water Fund	703 Sewer Fund	706 Storm Water Fund
Operating Revenue	\$ 11,386,229	\$ 678,691	\$ 1,235,795	\$ 81,941
Operating Expenses				
Salaries and benefits	679,265	291,286	117,111	26,885
Supplies	29,614	18,622	54,526	13,129
Other services and charges	9,714,017	162,632	524,027	50,364
Insurance	65,908	23,195	31,027	
Depreciation	394,018	107,016	469,969	72,996
Total Operating Expenses	10,882,822	602,751	1,196,660	163,374
Operating Income (Loss)	503,407	75,940	39,135	(81,433)
Nonoperating Income (Expense)				
Miscellaneous income	15,864			11,534
Investment income	8,447	18,287	455	6,260
Cable TV revenues	4,565			
Special assessments		645	4,490	
Intergovernmental revenues		927		
Contributions - Federal Mogul				
Interest expense	(15,493)	(23,205)	(164,809)	
Payment to component unit				
Total Nonoperating Income (Expense)	13,383	(3,346)	(159,864)	17,794
Income (Loss) Before Transfers and Contributions	516,790	72,594	(120,729)	(63,639)
Transfers in			300,000	
Transfers out	(155,000)	(145,000)		(150,000)
Change in net assets	361,790	(72,406)	179,271	(213,639)
Net Assets, beginning	7,139,262	2,766,620	1,887,107	2,063,068
Net Assets, ending	\$ 7,501,052	\$ 2,694,214	\$ 2,066,378	\$ 1,849,429

710 Marina Fund	720 Garbage Fund	TOTALS		Governmental Activities - Internal Service Funds	
		2010	2009	2010	2009
\$ 1,799,236	\$ 376,760	\$ 15,558,652	\$ 13,064,157	\$ 381,000	\$
392,168	13,269	1,519,984	1,542,472		
196,854	1,171	313,916	319,645	3,576	
68,918	365,115	10,885,073	9,550,539	313,813	11,835
83,433		203,563	185,603		
177,424		1,221,423	1,218,283		
918,797	379,555	14,143,959	12,816,542	317,389	11,835
880,439	(2,795)	1,414,693	247,615	63,611	(11,835)
1,000	7,083	35,481	13,408	32,415	
30,453	4,734	68,636	124,923	3,861	
		4,565	2,282		
		5,135	9,206		
		927	111,970	10,977	16,931
			(266,000)		
(32,991)		(236,498)	(256,891)		
(317,211)		(317,211)	(219,453)		
(318,749)	11,817	(438,965)	(480,555)	47,253	16,931
561,690	9,022	975,728	(232,940)	110,864	5,096
		300,000		2,811	
(270,000)		(720,000)	(495,000)		
291,690	9,022	555,728	(727,940)	113,675	5,096
7,098,049	279,681	21,233,787	21,961,727	(13,788)	(18,884)
\$ 7,389,739	\$ 288,703	\$ 21,789,515	\$ 21,233,787	\$ 99,887	\$ (13,788)

CITY OF LAKE CITY, MINNESOTA
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Business-Type Activities - Enterprise Funds			
	Electric Fund	Water Fund	Sewer Fund	Storm Water Fund
Cash Flows From Operating Activities				
Cash received from customers	\$ 11,139,283	\$ 664,391	\$ 1,216,974	\$ 92,543
Cash payments to suppliers and employees	(9,975,316)	(497,941)	(621,770)	(80,047)
Net Cash Provided By (Used In) Operating Activities	<u>1,163,967</u>	<u>166,450</u>	<u>595,204</u>	<u>12,496</u>
Cash Flows From Noncapital Financing Activities				
Advances from/ (to) other funds	34,990			
Operating transfers in			300,000	
Operating transfers out	(155,000)	(145,000)		(150,000)
Net Cash (Used In) Noncapital Financing Activities	<u>(120,010)</u>	<u>(145,000)</u>	<u>300,000</u>	<u>(150,000)</u>
Cash Flows From Capital and Related Financing Activities				
Principal received on special assessments		7,605	27,737	
Acquisition of capital assets	(1,540,202)	(550,264)	(144,891)	(644,293)
Bond proceeds	2,912,038	562,310		562,310
Intergovernmental revenues				
Interest paid on debt	(7,724)	(24,700)	(169,886)	
Principal paid on debt	(195,000)	(12,986)	(441,718)	
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>1,169,112</u>	<u>(18,035)</u>	<u>(728,758)</u>	<u>(81,983)</u>
Cash Flows From Investing Activities				
Investment income	8,447	18,287	455	6,260
Increase (Decrease) in Cash and Cash Equivalents	<u>2,221,516</u>	<u>21,702</u>	<u>166,901</u>	<u>(213,227)</u>
Cash and Cash Equivalents, beginning	<u>503,933</u>	<u>1,132,864</u>	<u>49,536</u>	<u>422,694</u>
Cash and Cash Equivalents, ending	<u>\$ 2,725,449</u>	<u>\$ 1,154,566</u>	<u>\$ 216,437</u>	<u>\$ 209,467</u>
Classified as:				
Cash and cash equivalents	\$ 1,221,271	\$ 1,154,566	\$ 216,437	\$ 209,467
Restricted cash	1,504,178			
Total Cash and Cash Equivalents, End of Year	<u>\$ 2,725,449</u>	<u>\$ 1,154,566</u>	<u>\$ 216,437</u>	<u>\$ 209,467</u>

See Notes to Financial Statements

Marina Fund	Garbage Fund	TOTALS		Governmental Activities - Internal Service Fund	
		2010	2009	2010	2009
\$ 1,805,427	\$ 378,719	\$ 15,297,337	\$ 13,292,371	\$ 381,000	\$
(1,048,359)	(379,104)	(12,602,537)	(11,989,176)	(280,689)	(13,250)
757,068	(385)	2,694,800	1,303,195	100,311	(13,250)
56,278		91,268	67,398	(13,788)	(3,681)
		300,000		2,811	
(270,000)		(720,000)	(495,000)		
(213,722)		(328,732)	(427,602)	(10,977)	(3,681)
		35,342	50,970		
(9,084)		(2,888,734)	(828,193)		
		4,036,658			
			111,970	10,977	16,931
(35,251)		(237,561)	(262,787)	3,861	
(95,000)		(744,704)	(702,940)		
(139,335)		201,001	(1,630,980)	14,838	16,931
30,453	4,734	68,636	124,923		
434,464	4,349	2,635,705	(630,464)	104,172	
3,386,470	293,257	5,788,754	6,419,218		
\$ 3,820,934	\$ 297,606	\$ 8,424,459	\$ 5,788,754	\$ 104,172	\$
\$ 3,820,934	\$ 297,606	\$ 8,424,459	\$ 5,788,754	\$ 104,172	\$
\$ 3,820,934	\$ 297,606	\$ 8,424,459	\$ 5,788,754	\$ 104,172	\$

CITY OF LAKE CITY, MINNESOTA
ENTERPRISE FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

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)	\$ 503,407	\$ 75,940	\$ 39,135	\$ (81,433)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	394,018	107,016	469,969	72,996
Payment to component unit				
Other	20,429	927		11,534
(Increase) Decrease In:	(273,395)	(15,227)	(18,821)	(932)
Accounts receivable	71,755			
Inventories	2,823	791	182	3,186
Prepaid expenses				
Increase (Decrease) In:	449,518	4,577	103,514	7,145
Accounts payable	1,583	(1,043)	1,019	
Accrued liabilities	(12,191)	(6,531)	206	
Compensated absences	6,020			
Customer deposits				
Net Cash Provided By (Used In) Operating Activities	<u>\$ 1,163,967</u>	<u>\$ 166,450</u>	<u>\$ 595,204</u>	<u>\$ 12,496</u>

Non Cash Transactions:

 Capital asset purchases included in
 accounts payable

Marina Fund	Garbage Fund	TOTALS		Governmental Activities - Internal Service Fund	
		2010	2009	2010	2009
\$ 880,439	\$ (2,795)	\$ 1,414,693	\$ 247,615	\$ 63,611	\$ (11,835)
177,424		1,221,423	1,221,783		
(317,211)		(317,211)	(219,453)		
1,000	7,083	40,973	(250,310)	32,415	
5,191	(5,124)	(308,308)	221,863		
		71,755	82,193		
(3,856)	19	3,145	(17,967)		
2,028	525	567,307	1,946	4,285	(1,415)
4,303	(93)	5,769	19,376		
7,750		(10,766)	5,488		
		6,020	(9,339)		
<u>\$ 757,068</u>	<u>\$ (385)</u>	<u>\$ 2,694,800</u>	<u>\$ 1,303,195</u>	<u>\$ 100,311</u>	<u>\$ (13,250)</u>

\$ 116,358

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CITY OF LAKE CITY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The City of Lake City, Minnesota was incorporated in 1872 and operates under a Mayor-Council form of government. The governing body is the City Council which consists of five elected Council Members and a Mayor.

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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

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.

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 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. Investments are stated at fair value, based upon quoted market prices as of the balance sheet date.

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.

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.

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.

	Useful Life in Years
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.

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, 2009 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, 2010, the City's investments consisted of the following items, all of which are held in an internal investment pool:

Deposits	\$ 5,038,787
Investments	<u>7,484,319</u>
Cash and Investments Per Statement of Net Assets	<u>\$ 12,523,106</u>

<u>Investment</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
Money Market Mutual Funds	None	Unrated	\$ 779,967
Negotiable CD's	March 2011 - June 2024	Unrated	1,920,825
US Treasury Notes	May 2013 - May 2015	N/A	47,384
US Treasury Bonds	November 2024 - February 2029	N/A	69,192
Federal National Mortgage Assn	March 2012 - July 2024	AAA	1,775,849
Federal Home Loan Bank	December 2015 - October 2016	AAA	1,241,037
Federal Home Loan Mortgage Corp	June 2013 - December 2014	AAA	<u>1,650,065</u>
			<u>\$ 7,484,319</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 or 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.

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	10%
Negotiable CD's	Unrated	26%
Federal National Mortgage Assn	AAA	24%
Federal Home Loan Mortgage Corp	AAA	22%

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, 2010 totaled \$14,255.

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, 2010 totaled \$233,647.

4. Capital Assets

Capital asset activity for the year ended December 31, 2010 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	451,729	106,884	451,729
Total capital assets, not being depreciated	1,410,675	451,729	106,884	1,755,520
Capital assets, being depreciated:				
Buildings	9,813,412	13,413		9,826,825
Improvements other than buildings	377,618	9,475		387,093
Infrastructure	11,724,552	921,932		12,646,484
Machinery and equipment	4,883,123	104,183	105,537	4,881,769
Total capital assets, being depreciated	26,798,705	1,049,003	105,537	27,742,171
Less accumulated depreciation for:				
Buildings	4,998,989	184,825		5,183,814
Improvements other than buildings	57,306	16,711		74,017
Infrastructure	5,964,350	290,521		6,254,871
Machinery and equipment	3,669,270	263,948	105,537	3,827,681
Total accumulated depreciation	14,689,915	756,005	105,537	15,340,383
Total capital assets, being depreciated, net	12,108,790	292,998		12,401,788
Governmental activities capital assets, net	\$ 13,519,465	\$ 744,727	\$ 106,884	\$ 14,157,308

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	231,647	1,353,687	151,059	1,434,275
Total capital assets, not being depreciated	955,010	1,353,687	151,059	2,157,638
Capital assets, being depreciated:				
Buildings and improvements	14,910,451			14,910,451
Distribution and collection system	18,282,358	1,532,131		19,814,489
Machinery and equipment	4,294,195	153,975		4,448,170
Total capital assets, being depreciated	37,487,004	1,686,106		39,173,110
Less accumulated depreciation for:				
Buildings and improvements	5,326,286	463,877		5,790,163
Distribution and collection system	8,489,914	581,225		9,071,139
Machinery and equipment	3,055,151	176,321		3,231,472
Total accumulated depreciation	16,871,351	1,221,423		18,092,774
Total capital assets, being depreciated, net	20,615,653	464,683		21,080,336
Business-type activities capital assets, net	\$ 21,570,663	\$ 1,818,370	\$ 151,059	\$ 23,237,974

<u>Discretely Presented Component Unit Economic Development Authority</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	326,389	57,710		384,099
Machinery and equipment	63,380			63,380
Total accumulated depreciation	389,769	57,710		447,479
Total capital assets, being depreciated, net	\$ 1,982,027	\$ (57,710)	\$	\$ 1,924,317

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		\$ 225,314
Public safety		143,318
Streets and highways		344,623
Culture and recreation		<u>42,750</u>
Total depreciation expense - governmental activities		<u>\$ 756,005</u>
Business-Type Activities:		
Electric		\$ 394,018
Water		107,016
Sewer		469,969
Storm water		72,996
Marina		<u>177,424</u>
Total depreciation expense - business-type activities		<u>\$ 1,221,423</u>

5. Due From Other Governmental Units

Amounts due from other governmental units at December 31, 2010 are as follows:

Fund	Wabasha County	Goodhue County	Southeastern Minnesota Multi-County HRA	State of Minnesota	Total
General	<u>\$ 26,392</u>	<u>\$ 14,662</u>	<u>\$ 227,947</u>	<u>\$ 222,197</u>	<u>\$ 491,198</u>

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Interfund Balances and Transfers

The amounts advanced to and advanced from other funds as of December 31, 2010 at the individual fund level are summarized below:

	Advances to Other Funds	Advances from Other Funds
General Fund	\$ 55,000	\$ 255,009
Enterprise Fund:		
Electric	36,039	
Marina	218,970	55,000
	<u>\$ 310,009</u>	<u>\$ 310,009</u>

Balances of interfund receivables and payables as of December 31, 2010 at the individual fund level for year end cash deficiencies are as follows:

	Interfund Receivable	Interfund Payable
General Fund	\$ 12,224	\$
Special Revenue Funds:		
Pepin Heights TIF #12		258
Block 25 Redev TIF #13		961
Pepin Manufacturing TIF #14		6,757
Debt Service Funds:		
Peters 4th and 5th Street Improvement		4,248
	<u>\$ 12,224</u>	<u>\$ 12,224</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, 2010 were as follows:

Funds	Transfers In	Transfers Out
General Fund	\$ 445,000	\$
Special Revenue:		
Library	50,000	
Increment #2 Lighthouse Mall		75,000
Tax Increment #4 Downtown		225,000
Developer escrow	859	97,902
Debt Service:		
Central Point Sanitary Bonds		131,508
Borners Sewer and Water		88,721
1997 GO Improvement Bonds	58,879	
Goodhue County #5 Project	411,527	
1998 GO Improvement Bonds		197,421
1999 GO Improvement Bonds		54,595
Capital Projects:		
Capital Projects	105,518	9,447
2009 Street Improvement	225,000	
Enterprise:		
Electric		155,000
Water		145,000
Sewer	300,000	
Storm Water		150,000
Marina		270,000
Internal Service Funds	2,811	
	\$ 1,599,594	\$ 1,599,594

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, 2010 is as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2010
<u>Governmental Activities</u>			
G.O. Improvement Bonds:			
G.O. Improvement Bonds of 2006A	3.55%-4.05%	2022	\$ 435,000
G.O. Improvement Bonds of 2008A	4.00%-4.60%	2024	1,057,985
Compensated Absences			325,554
<u>Business-Type Activities</u>			
G.O. Improvement Bonds:			
G.O. Improvement Bonds of 2008A	4.00%-4.60%	2024	327,014
Revenue Bonds:			
Marina Revenue Bonds of 2006	4.05%-4.45%	2016	650,000
Electric Revenue Bonds of 2010B	.85%-4.85%	2026	2,995,000
General Obligation Revenue Bonds:			
GO Utility Revenue Bonds of 2001A	4.00%-4.90%	2011	205,000
GO Utility Revenue Bonds of 2010A	2%-3.75%	2026	1,160,000
GO Revenue Loans:			
Public Facilities Loan of 1993	3.74%	2014	379,477
Public Facilities Loan of 1996	3.32%	2017	599,114
Public Facilities Loan of 1999	2.86%	2020	684,000
Public Facilities Loan of 2002	2.99%	2023	3,467,000
Compensated Absences			188,007
Sub-total			12,473,151
Less: Unamortized discount and issuance costs			(146,368)
Total			<u>\$ 12,326,783</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, 2010
EDA Revenue Bonds:			
Public Project Lease Revenue Bond Series 2001	4.98%	2012	<u>\$ 313,442</u>

The following is a summary of changes in long-term debt obligations for the year ended December 31, 2010:

	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 1999	40,000		40,000		
G.O. Improvement Bonds of 2003	100,000		100,000		
G.O. Improvement Bonds of 2006A	465,000		30,000	435,000	30,000
G.O. Improvement Bonds of 2008A	1,100,000		42,015	1,057,985	61,112
Less: Unamortized Discount and Issue Costs	(20,489)		(1,463)	(19,026)	
Other liabilities:					
Compensated Absences	326,032		478	325,554	
Governmental Activities					
Long-term Liabilities	<u>2,010,543</u>		<u>211,030</u>	<u>1,799,513</u>	<u>91,112</u>
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable:					
Revenue Bonds:					
Marina Revenue Bonds of 2006	745,000		95,000	650,000	95,000
Electric Revenue Bonds of 2010B		2,995,000		2,995,000	
Less: Unamortized Discount	(7,700)	(82,962)	(1,100)	(89,562)	
General Obligation Revenue Bonds:					
G.O. Utility Revenue Bonds of 2001A	400,000		195,000	205,000	205,000
G.O. Utility Revenue Bonds of 2010A		1,160,000		1,160,000	
Less: Unamortized Discount	(4,800)	(36,600)	(3,620)	(37,780)	
General Obligation Bonds:					
G.O. Improvement Bonds of 2008A	340,000		12,986	327,014	18,888
General Obligation Revenue Loans:					
Public Facilities Loan of 1993	465,882		86,405	379,477	89,666
Public Facilities Loan of 1996	680,427		81,313	599,114	84,035
Public Facilities Loan of 1999	742,000		58,000	684,000	60,000
Public Facilities Loan of 2002	3,683,000		216,000	3,467,000	222,000
Other liabilities:					
Compensated Absences	198,773		10,766	188,007	
Business-type Activities					
Long-term Liabilities	<u>7,242,582</u>	<u>4,035,438</u>	<u>750,750</u>	<u>10,527,270</u>	<u>774,589</u>
Total	<u>\$ 9,253,125</u>	<u>\$ 4,035,438</u>	<u>\$ 961,780</u>	<u>\$ 12,326,783</u>	<u>\$ 865,701</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, 2010, 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	
Governmental Activities											
2011	91,112	60,310							\$ 206,382	\$ 13,071	\$ 370,875
2012	91,112	56,778							107,060	2,666	257,616
2013	94,932	53,169									148,101
2014	99,932	49,372									149,304
2015	99,932	45,462									145,394
2016-2020	563,132	162,035									725,167
2021-2024	452,833	37,827									490,660
Totals	<u>\$1,492,985</u>	<u>\$464,953</u>							<u>\$313,442</u>	<u>\$15,737</u>	<u>\$ 2,287,117</u>
Business-Type Activities											
2011	18,888	13,613	455,702	155,787	\$ 205,000	\$ 41,570	95,000	102,307			\$ 1,087,867
2012	18,888	12,857	470,900	141,233	65,000	33,086	230,000	134,840			1,106,804
2013	20,069	12,078	486,320	126,194	65,000	31,786	265,000	128,798			1,135,245
2014	20,069	11,275	500,954	110,658	65,000	30,486	270,000	121,268			1,129,710
2015	20,069	10,472	412,865	95,609	65,000	29,186	280,000	112,860			1,026,061
2016-2020	116,871	38,572	1,881,850	299,707	365,000	120,424	1,055,000	431,301			4,308,725
2021-2026	112,160	10,544	921,000	55,615	535,000	60,042	1,450,000	214,557			3,358,918
Totals	<u>\$ 327,014</u>	<u>\$109,411</u>	<u>\$5,129,591</u>	<u>\$ 984,803</u>	<u>\$1,365,000</u>	<u>\$348,580</u>	<u>\$3,645,000</u>	<u>\$1,245,931</u>			<u>\$13,153,330</u>

Legal Debt Margin

The City's statutory debt limit is two percent of estimated market value of taxable property within the City, or \$464,013,562. The City currently has no general obligation debt subject to this limit leaving a debt margin of \$9,280,271. 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, 2009:

	Tax Increment District #2 Lighthouse	Tax Increment District #4 Downtown	Tax Increment District #14 Peplin 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 Peplin Heights	Tax Increment District #13 Block 25 Redev.
Type of District	Redevelopment	Redevelopment	Economic	Economic	Housing	Economic	Economic	Redevelopment
Year Established	1984	1989	2007	2007	1998	2000	2003	2004
Duration of District	26 Years	27 Years	9 Years	10 Years	17 Years	11 Years	11 Years	29 Years
Tax Capacity:								
Original	\$ 722	\$ 19,921	\$ 9,416	\$ 2,300	\$ 113	\$ 168	\$ 3,884	\$ 3,766
Current	5,362	105,300	19,448	37,416	10,466	28,040	8,027	5,131
Captured - retained	\$ 4,640	\$ 85,379	\$ 10,032	\$ 35,116	\$ 10,353	\$ 27,872	\$ 4,143	\$ 1,365

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.

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 2010.

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 2010. 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, 2010 was \$1,965,000.

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 though 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:

	2010	2009
General Fund		
Designated for cash flow	\$ 1,483,256	\$ 1,515,318
Designated for emergency expenditures	663,078	320,029
Debt Service Funds		
Reserved for debt retirement	212,997	159,778
Proprietary Funds - Marina Fund		
Beach/Point improvement	350,000	350,000
Docks	300,000	300,000

At December 31, 2010, individual funds with deficit fund balances/net assets were as follows:

Special Revenue Funds:	
Pepin Heights TIF #12	(258)
Block 25 Redevelopment TIF #13	(961)
Pepin Manufacturing TIF #14	(6,757)
Debt Service Fund:	
Peters 4th and 5th Street Improvement	(4,248)
Capital Project Fund:	
2009 Street Improvement	(3,643)

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 General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356.

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

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 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 GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated 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.

CITY OF LAKE CITY, MINNESOTA

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 GERS 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. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.0% respectively, of their annual covered salary in 2010. PEPFF members are required to contribute 9.4% of their annual covered salary in 2010. In 2010, the City of Lake City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.0% for Coordinated Plan members, and 14.1% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2010, 2009, and 2008 were \$152,690, \$157,833, and \$142,220, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2010, 2009, and 2008 were \$94,183, \$88,439, and \$80,438, 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 (2009) is as follows:

Annual pension cost - total	\$49,238
Contributions made	
City	17,112
State Aid - pass-through	32,126
Actuarial valuation date	12/31/09
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	62,538	100%	558,071
12/31/05	61,244	100%	661,640
12/31/06	65,491	100%	674,095
12/31/07	60,500	100%	648,160
12/31/08	58,526	100%	630,457
12/31/09	49,238	100%	688,329

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%
12/31/09	548,891	688,329	(139,438)	80%

CITY OF LAKE CITY, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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.

CITY OF LAKE CITY, MINNESOTA
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES
DECEMBER 31, 2010

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CITY OF LAKE CITY, MINNESOTA

NONMAJOR FUNDS

DECEMBER 31, 2010

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 charges.

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, 2010
 With Comparative Totals for the Year Ended December 31, 2009

	Special Revenue Funds								
	270	271	270	271	410	412	451	480	490
	Community Development Revolving Loan Fund	Business Development Revolving Loan Fund	TIF #1 Imperial Clevite	TIF #1 Imperial Clevite	Increment #2 Lighthouse Mall	Heat 'N Glo Increment #4	Downtown TIF #9	Tax Increment #4	Valley Craft TIF #8
ASSETS									
Cash and investments	\$ 219,644	\$ 251,178	\$ 149,360	\$ 149,360	\$ 2,849	\$ 43,070	\$ 164,998	\$	\$
Accounts receivable		300							
Loans receivable		233,647							
Taxes receivable delinquent	2,273		14,255						228
Special assessments delinquent									
Special assessments deferred									
Due from component unit									
Due from other governmental units									
TOTAL ASSETS	\$ 221,917	\$ 485,125	\$ 163,615	\$ 163,615	\$ 2,849	\$ 43,070	\$ 165,226	\$	\$
LIABILITIES AND FUND BALANCE									
Liabilities									
Accounts payable	\$ 12,577								
Accrued liabilities	1,908								
Deposits payable									
Interfund payables									
Deferred revenue	2,273	233,647	14,255	14,255					228
Total Liabilities	16,758	233,647	14,255	14,255	2,849	43,070	228		228
Fund Balance									
Reserved									
Unreserved									
Undesignated	205,159	251,478	149,360	149,360					164,998
Total Fund Balance	205,159	251,478	149,360	149,360					164,998
TOTAL LIABILITIES AND FUND BALANCE	\$ 221,917	\$ 485,125	\$ 163,615	\$ 163,615	\$ 2,849	\$ 43,070	\$ 165,226	\$	\$

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
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\$ \$ \$ \$ 8,474 \$ 5,645 \$ 5,012 \$ 3,091 \$ 181,022 \$ 1,882

\$	\$	\$	\$ 8,474	\$ 5,645	\$ 5,012	\$ 3,091	\$ 181,022	\$ 1,882
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\$	\$	\$	\$	\$	\$	\$	\$	\$
					5,012		181,022	1,882
258	961	6,757						
258	961	6,757			5,012		181,022	1,882

(258)	(961)	(6,757)	8,474	5,645		3,091		
(258)	(961)	(6,757)	8,474	5,645		3,091		

\$ \$ \$ \$ 8,474 \$ 5,645 \$ 5,012 \$ 3,091 \$ 181,022 \$ 1,882

CITY OF LAKE CITY, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2010
 With Comparative Totals for the Year Ended December 31, 2009

	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	\$	\$	\$	\$	\$	\$	\$
Accounts receivable							
Loans receivable							
Taxes receivable delinquent							
Special assessments delinquent			78				960
Special assessments deferred			20,579				
Due from component unit							
Due from other governmental units							
TOTAL ASSETS	\$	\$	\$ 20,657	\$	\$	\$	\$ 960
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$	\$	\$	\$	\$	\$	\$
Accrued liabilities							
Deposits payable							
Interfund payables			4,248				
Deferred revenue			20,657				960
Total Liabilities			24,905				960
Fund Balance							
Reserved			(4,248)				
Unreserved							
Undesignated							
Total Fund Balance			(4,248)				
TOTAL LIABILITIES AND FUND BALANCE	\$	\$	\$ 20,657	\$	\$	\$	\$ 960

		Capital Projects Funds		Totals	
358 2008 Street Improvement	357 2006 Street Improvement	400 Capital Projects	361 2009 Street Improvement	2010	2009
\$ 191,845	\$ 25,400	\$ 331,536	\$ 86,438	\$ 1,671,444	\$ 2,200,894
				300	
				247,902	378,781
				2,501	10,832
		3,595		4,633	4,196
	127,049			147,628	172,361
					58,897
					8,602
<u>\$ 191,845</u>	<u>\$ 152,449</u>	<u>\$ 335,131</u>	<u>\$ 86,438</u>	<u>\$ 2,074,408</u>	<u>\$ 2,834,563</u>
\$	\$	\$	\$ 90,081	\$ 148,577	\$ 116,830
				1,908	988
				187,916	226,344
				12,224	460,447
	127,049	3,595		402,664	566,170
	<u>127,049</u>	<u>3,595</u>	<u>90,081</u>	<u>753,289</u>	<u>1,370,779</u>
191,845	25,400			212,997	159,778
		331,536	(3,643)	1,108,122	1,304,006
<u>191,845</u>	<u>25,400</u>	<u>331,536</u>	<u>(3,643)</u>	<u>1,321,119</u>	<u>1,463,784</u>
<u>\$ 191,845</u>	<u>\$ 152,449</u>	<u>\$ 335,131</u>	<u>\$ 86,438</u>	<u>\$ 2,074,408</u>	<u>\$ 2,834,563</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, 2010
 With Comparative Totals for the Year Ended December 31, 2009

	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	\$ 86,772	\$	\$	\$	\$	\$	\$
Tax increments					4,832	16,761	107,704
Special assessments							
Intergovernmental revenues	56,609						181
Charges for services	2,105						
Fines and forfeits	5,773						
Investment income	2,168	3,768	2,309	113	751	206	3,483
Miscellaneous revenues	62,335	46,667					
TOTAL REVENUES	215,762	50,435	2,309	113	5,583	16,967	111,368
EXPENDITURES							
Culture and recreation:							
Library	216,562						
Streets and highways							
Economic development		45,575		11,015	7,269	24,876	1,012
Debt service:							
Principal retirement							
Interest and fiscal charges							
Capital outlay	24,075						
TOTAL EXPENDITURES	240,637	45,575		11,015	7,269	24,876	1,012
Excess (deficiency) of revenues over (under) expenditures	(24,875)	4,860	2,309	(10,902)	(1,686)	(7,909)	110,356
OTHER FINANCING SOURCES (USES)							
Transfers out					(75,000)		(225,000)
Transfers in	50,000						
Total Other Financing Sources (Uses)	50,000				(75,000)		(225,000)
Net change in fund balances	25,125	4,860	2,309	(10,902)	(76,686)	(7,909)	(114,644)
FUND BALANCE, beginning	180,034	246,618	147,051	10,902	76,686	7,909	279,642
FUND BALANCE, ending	\$ 205,159	\$ 251,478	\$ 149,360		\$	\$	\$ 164,998

CITY OF LAKE CITY, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	Debt Service Funds						
	338	342	316	347	351	352	354
	Central Point Sanitary Sewer/Water Bonds	Borners Sewer and Water	Peters 4th and 5th Street Improvement	1997 G.O. Improvement Bonds	Goodhue County #5 Project	1998 G.O. Improvement Bonds	1999 G.O. Improvement Bonds
REVENUES							
Taxes:							
Property taxes	\$	\$	\$	\$	\$	\$	\$
Tax increments							
Special assessments			5,045				
Intergovernmental revenues							
Charges for services							
Fines and forfeits							
Investment income		744		357			
Miscellaneous revenues							
TOTAL REVENUES		744	5,045	357			
EXPENDITURES							
Culture and recreation:							
Library							
Streets and highways							
Economic development							
Debt service:							
Principal retirement					100,000		40,000
Interest and fiscal charges			3		1,940		1,261
Capital outlay							
TOTAL EXPENDITURES			3		101,940		41,261
Excess (deficiency) of revenues over (under) expenditures		744	5,042	357	(101,940)		(41,261)
OTHER FINANCING SOURCES (USES)							
Transfers out	(131,508)	(88,721)				(197,421)	(54,595)
Transfers in				58,879	411,527		
Total Other Financing Sources (Uses)	(131,508)	(88,721)		58,879	411,527	(197,421)	(54,595)
Net change in fund balances	(131,508)	(87,977)	5,042	59,236	309,587	(197,421)	(95,856)
FUND BALANCE, beginning	131,508	87,977	(9,290)	(59,236)	(309,587)	197,421	95,856
FUND BALANCE, ending	\$	\$	\$ (4,248)	\$	\$	\$	\$

FORM D-2

		Capital Projects Funds					
358 2008 Street Improvement	357 2006 Street Improvement	400 Capital Projects	361 2009 Street Improvement	Totals			
				2010	2009		
\$ 102,669	\$ 31,814	\$	\$	\$ 221,255	\$ 268,073		
				198,290	191,268		
	16,052	16,846		37,943	59,181		
678	497		694,353	752,318	70,326		
				2,105	2,337		
				5,773	5,999		
2,089		8,412	1,432	40,656	84,442		
		43,000		179,489	101,721		
<u>105,436</u>	<u>48,363</u>	<u>68,258</u>	<u>695,785</u>	<u>1,437,829</u>	<u>783,347</u>		
				216,562	180,805		
					22,128		
	731			205,863	327,481		
42,015	30,000			212,015	205,000		
46,105	17,361			66,670	81,309		
228		10,896	816,374	851,573	171,487		
<u>88,348</u>	<u>48,092</u>	<u>10,896</u>	<u>816,374</u>	<u>1,552,683</u>	<u>988,210</u>		
<u>17,088</u>	<u>271</u>	<u>57,362</u>	<u>(120,589)</u>	<u>(114,854)</u>	<u>(204,863)</u>		
		(9,447)		(879,594)			
		105,518	225,000	851,783	108,897		
		96,071	225,000	(27,811)	108,897		
17,088	271	153,433	104,411	(142,665)	(95,966)		
<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>\$ 191,845</u>	<u>\$ 25,400</u>	<u>\$ 331,536</u>	<u>\$ (3,643)</u>	<u>\$ 1,321,119</u>	<u>\$ 1,463,784</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, 2010

(With Comparative Totals for the Year Ended December 31, 2009)

	Budgeted Amounts		2010 Actual Amount	Variance With Budget Positive (Negative)	2009 Actual Amount
	Original	Final			
REVENUES					
Property Tax Levy					
Property tax collected	\$ 84,705	\$ 84,705	\$ 86,772	\$ 2,067	87,749
Intergovernmental Revenues					
State - property tax credits and aids	5,295	5,295	1,362	(3,933)	5,675
County - library grants	50,000	50,000	55,247	5,247	52,742
Total Intergovernmental Revenues	55,295	55,295	56,609	1,314	58,417
Charges For Services					
Fines and forfeits	4,000	4,000	5,773	1,773	5,999
Other	1,800	1,800	2,105	305	2,337
Total Charges For Services	5,800	5,800	7,878	2,078	8,336
Investment Income					
Miscellaneous			2,168	2,168	3,940
Donations	43,000	44,675	62,335	17,660	52,455
Total Revenues	188,800	190,475	215,762	25,287	210,897
EXPENDITURES					
Library services	189,961	228,036	216,562	11,474	180,805
Capital outlay	31,500	31,600	24,075	7,525	26,750
Total Expenditures	221,461	259,636	240,637	18,999	207,555
Excess (deficiency) of revenues over (under) expenditures	(32,661)	(69,161)	(24,875)	44,286	3,342
OTHER FINANCING SOURCES					
Transfers in	50,000	50,000	50,000		50,000
Net Change in Fund Balance	17,339	(19,161)	25,125	44,286	53,342
Fund Balance, beginning	180,034	180,034	180,034		126,692
Fund Balance, ending	\$ 197,373	\$ 160,873	\$ 205,159	\$ 44,286	\$ 180,034

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, 2010
 (With Comparative Totals for the Year Ended December 31, 2009)

	575 Economic Development	401 City Hall Project	2010	2009
REVENUES				
Property tax	\$ 46,331	\$	\$ 46,331	\$ 51,048
Intergovernmental revenues	402		402	4,099
Investment income	114	62	176	1,049
Payment from primary government		317,211	317,211	219,453
Total Revenues	46,847	317,273	364,120	275,649
EXPENDITURES				
Economic Development	80,976		80,976	85,171
Debt Service:				
Principal		196,475	196,475	187,044
Interest		22,978	22,978	41,086
Total Expenditures	80,976	219,453	300,429	313,301
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,129)	97,820	63,691	(37,652)
Other Financing Use:				
Transfer out				(58,897)
Fund Balance, beginning	156,151	(93,805)	62,346	158,895
Fund Balance, ending	\$ 122,022	\$ 4,015	\$ 126,037	\$ 62,346

