

REPORT

ON

AUDIT

CITY OF WINDOM

COTTONWOOD COUNTY, MINNESOTA

DECEMBER 31, 2008

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DENNIS L. RICK, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

American Institute of Certified Public Accountants
Minnesota Society of Certified Public Accountants

DENNIS L. RICK, CPA
TISHA S. PAPLOW, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Windom, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Windom, Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements referred to above do not include the financial data of the Windom Area Hospital Fund, which should be included to conform with accounting principles generally accepted in the United States of America. The financial statements of the Windom Area Hospital Fund were audited by other auditors whose report dated July 15, 2008, expressed an unqualified opinion on those statements. If the omitted fund had been included, based on audited information, the proprietary fund type assets would have increased by \$16,840,089 and liabilities would have increased by \$3,112,720 respectively as of December 31, 2008, and revenues and expenses would have increased \$13,015,803 and \$11,772,729 respectively for the twelve month period ended December 31, 2008.

In our opinion, except for the effect on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Windom, Minnesota as of December 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Windom, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements 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 the 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 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Dennis L. Rick, LTD.

Worthington, Minnesota
June 12, 2009

CITY OF WINDOM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

This section of the City of Windom, Minnesota's annual financial report presents management's discussion and analysis of the City's financial performance during the fiscal year that ended on December 31, 2008. Please read it in conjunction with the City's financial statements, which immediately follow this section.

The Management's Discussion and Analysis (MD&A) is an element of Required Supplementary Information specified in the Government Accounting Standard Board's (GASB) Statement No. 34 - Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments issued in June, 1999.

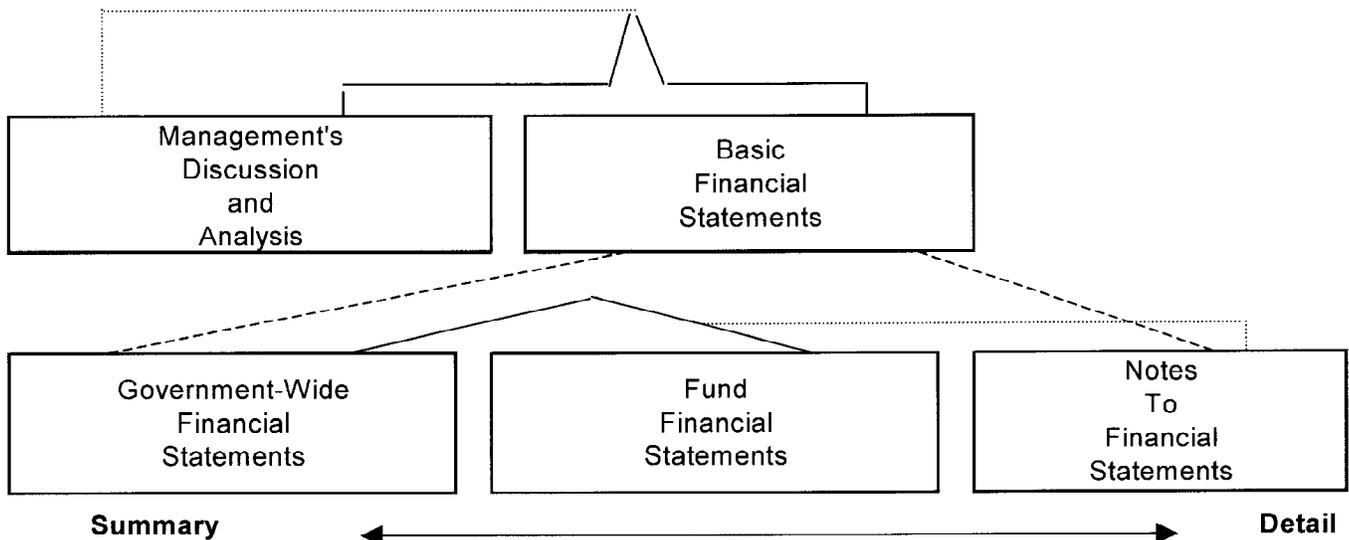
FINANCIAL AND OTHER HIGHLIGHTS

Key financial highlights for the 2008 year include the following:

- The assets of the City exceeded its liabilities at the close of the most recent year by \$19,059,799 (net assets).
- The City's total net assets from operations decreased by \$140,433.
- As of the close of the current year, the City's governmental funds reported combined ending net assets of \$9,278,588. Of this total amount, fifty-five (55) percent or \$5,142,910 is available for use within the City's designations and policies.
- At the end of the current year, designated fund balance for the general fund was \$885,940 or forty (40) percent of total general fund expenditures.
- The City's net total bonded debt decreased by \$731,769 during the current fiscal year.
- A portion of the EDA's debt was partially paid off early due to the sale of lot inventory.
- The enterprise funds have shown improvement during the current fiscal year. The largest improvement to note was the electric fund securing significant cost savings through renegotiated contracts with power suppliers.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is intended to serve as an introduction to the City's financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other statistical information in addition to the basic financial statements themselves. The diagram below depicts how the various parts of this annual report are arranged and related to one another.



CITY OF WINDOM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

The diagram shown below summarizes the major features of the City's financial statements, including the portion of the City's activities they cover and the types of information they contain. The remainder of the overview section of management's discussion and analysis highlights the structure and contents of each statement.

Major Features of the Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City	The activities of the City that are not proprietary, such as public safety, public works and recreation	Activities the City operates similar to private businesses: utilities, liquor store
Required Financial Statements	Statement of net assets Statement of activities	Balance Sheet Statement of revenue, expenditures, and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of cash flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All revenues and expenses during the year, regardless of when cash is received or paid.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances in a manner similar to a private-sector business. There are two government-wide statements:

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

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

- **Statement of Activities** - 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, health and welfare, culture and recreation, economic development and airport. The business-type activities of the City include the Municipal Liquor Store, Water, Electric, Sewer, Telecom, Arena, Multipurpose Center, and River Bluff Townhomes.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's funds—focusing on its most significant or "major" funds—rather than the City as a whole. Funds are accounting devices the City uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The City establishes other funds to control and manage money for particular purposes or to show that it is properly using certain revenues.

The City has two kinds of funds:

- **Governmental Funds** - The City's basic services are included in governmental funds, which generally focus on: 1) how cash and other financial assets that can readily be converted to cash flow in and out; and 2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or less financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information (reconciliation schedules) follows the governmental funds Balance Sheets and Statements of Revenues and Expenditures and Changes in Fund Balance that explain the relationship (or differences) between these two types of financial statement presentations.
- **Proprietary Funds** - Services for which the City charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as government-wide statements, only in more detail. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Municipal Liquor Store, Water, Electric, Sewer, Telecom, Arena, Multipurpose Center, and River Bluff Townhomes funds.

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.

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (Cont'd)

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE STATEMENTS)

Net Assets

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 Windom, Minnesota, assets exceeded liabilities by \$19,059,799 at the close of the most recent fiscal year. By far the largest portion of the City's net assets (73 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's 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.

A summary of the City's net assets as of December 31, 2008, is as follows:

NET ASSETS - 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 6,350,091	\$ 5,650,970	\$ 12,001,061
Capital Assets	8,531,290	24,398,202	32,929,492
Total Assets	<u>14,881,381</u>	<u>30,049,172</u>	<u>44,930,553</u>
Current Liabilities	652,431	1,670,816	2,323,247
Non-Current Liabilities	4,950,362	18,597,145	23,547,507
Total Liabilities	<u>5,602,793</u>	<u>20,267,961</u>	<u>25,870,754</u>
Investment in Capital Assets, Net of Related Debt	3,249,516	10,599,626	13,849,142
Restricted	886,162	241,332	1,127,494
Unrestricted	5,142,910	(1,059,747)	4,083,163
Total Net Assets - December 31, 2008	<u>\$ 9,278,588</u>	<u>\$ 9,781,211</u>	<u>\$ 19,059,799</u>

An additional portion of the City's net assets (6 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance is comprised of unrestricted net assets totaling \$4,083,163. The City is able to report overall positive balances in all three categories of net assets.

A summary of the City's net assets as of December 31, 2007, is as follows:

NET ASSETS - 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 6,291,316	\$ 4,986,222	\$ 11,277,538
Capital Assets	8,854,879	25,525,814	34,380,693
Total Assets	<u>15,146,195</u>	<u>30,512,036</u>	<u>45,658,231</u>
Current Liabilities	372,843	1,608,473	1,981,316
Non-Current Liabilities	5,327,688	19,148,985	24,476,673
Total Liabilities	<u>5,700,531</u>	<u>20,757,458</u>	<u>26,457,989</u>
Investment in Capital Assets, Net of Related Debt	3,282,280	10,522,012	13,804,292
Restricted	867,392	241,332	1,108,724
Unrestricted	5,295,992	(1,008,766)	4,287,226
Total Net Assets - December 31, 2007	<u>\$ 9,445,664</u>	<u>\$ 9,754,578</u>	<u>\$ 19,200,242</u>

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE STATEMENTS) (CONT'D)

Change in Net Assets

Governmental Activities

Governmental activities decreased the City's net assets by \$167,076, thereby accounting for 2 percent of the total reduction in the net assets of the City. The majority of this change is due to the reduction of state aid/grants and the rise in delinquent taxes.

Business-Type Activities

Business-type activities increased the City's net assets by \$26,633. The increase would have been \$912,663 with exclusion of the telecom fund. The largest portion of the lower increase in net assets in the enterprise funds results from liabilities exceeding assets by \$4,773,425 and expenses exceeding revenues by \$886,030 in the telecom fund.

A summary of the City's change in net assets for the year ended December 31, 2008, is as follows:

CHANGE IN NET ASSETS - 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for Services	\$ 559,778	\$ 10,782,277	\$ 11,342,055
Capital Grants and Contributions	191,598	13,619	205,217
General Revenues			
Property Taxes	897,626	454,594	1,352,220
Unallocated Federal and State Aid	1,478,478	- - -	1,478,478
Other	571,052	86,800	657,852
Total Revenues	<u>3,698,532</u>	<u>11,337,290</u>	<u>15,035,822</u>
Expenses			
General Government	437,055	- - -	437,055
Public Safety	1,365,825	- - -	1,365,825
Public Works	762,480	- - -	762,480
Health & Welfare	130,335	- - -	130,335
Culture & Recreation	720,900	- - -	720,900
Conservation & Economic Development	298,556	- - -	298,556
Airport	145,378	- - -	145,378
Interest on Long-Term Debt	496,136	- - -	496,136
Liquor	- - -	1,301,676	1,301,676
Water	- - -	891,945	891,945
Electric	- - -	4,509,629	4,509,629
Sewer	- - -	985,447	985,447
Telecom	- - -	2,579,368	2,579,368
Arena	- - -	337,157	337,157
Multipurpose	- - -	311,646	311,646
River Bluff Townhomes	- - -	107,481	107,481
Total Expenses	<u>4,356,665</u>	<u>11,024,349</u>	<u>15,381,014</u>
Increase (Decrease) in			
Net Assets before Transfers	(658,133)	312,941	(345,192)
Transfers	491,057	(286,308)	204,749
Change in Net Assets	(167,076)	26,633	(140,443)
Net Assets - Beginning	9,445,664	9,754,578	19,200,242
Net Assets - Ending - December 31, 2008	9,278,588	9,781,211	19,059,799

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE STATEMENTS) (Cont'd)

A summary of the City's change in net assets for the year ended December 31, 2007, is as follows:

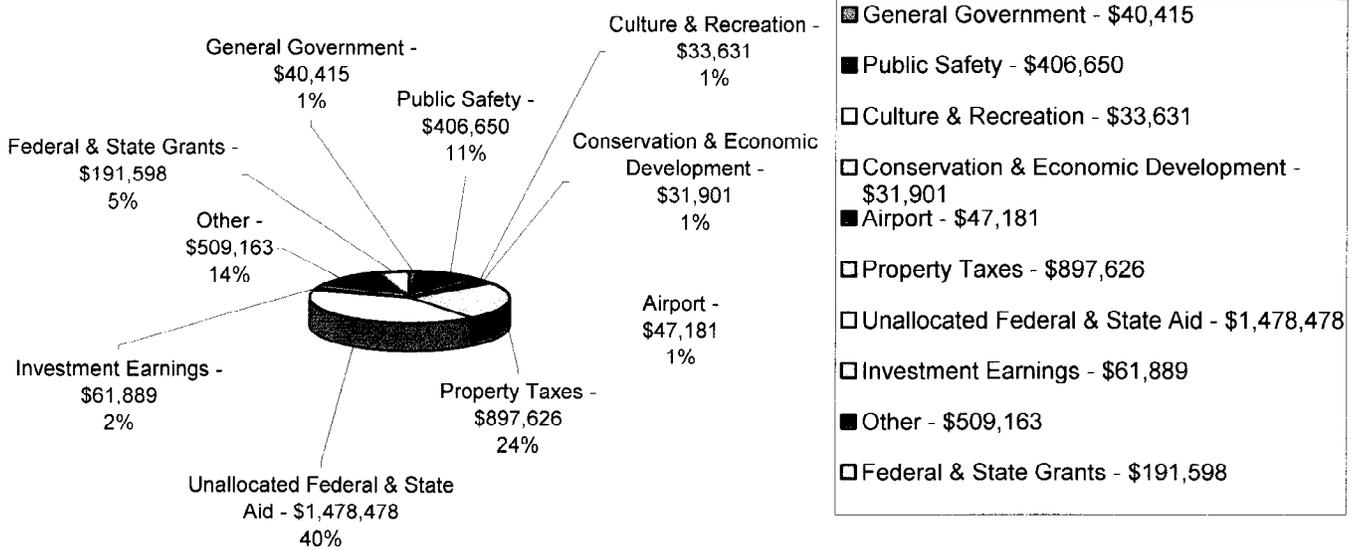
CHANGE IN NET ASSETS - 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for Services	\$ 560,455	\$ 10,883,028	\$ 11,443,483
Capital Grants and Contributions	90,694	- - -	90,694
General Revenues			
Property Taxes	1,421,628	376,457	1,798,085
Unallocated Federal and State Aid	1,551,060	- - -	1,551,060
Other	927,828	118,302	1,046,130
Total Revenues	<u>4,551,665</u>	<u>11,377,787</u>	<u>15,929,452</u>
Expenses			
General Government	417,787	- - -	417,787
Public Safety	1,314,490	- - -	1,314,490
Public Works	767,454	- - -	767,454
Health & Welfare	125,323	- - -	125,323
Culture & Recreation	584,879	- - -	584,879
Conservation & Economic Development	240,868	- - -	240,868
Airport	162,794	- - -	162,794
Interest on Long-Term Debt	472,111	- - -	472,111
Liquor	- - -	1,229,446	1,229,446
Water	- - -	878,466	878,466
Electric	- - -	4,957,278	4,957,278
Sewer	- - -	937,285	937,285
Telecom	- - -	2,579,875	2,579,875
Arena	- - -	325,454	325,454
Multipurpose	- - -	297,809	297,809
River Bluff Townhomes	- - -	104,508	104,508
Total Expenses	<u>4,085,706</u>	<u>11,310,121</u>	<u>15,395,827</u>
Increase (Decrease) in			
Net Assets before Transfers	465,959	67,666	533,625
Transfers	480,234	(271,973)	208,261
Change in Net Assets	946,193	(204,307)	741,886
Net Assets - Beginning	8,848,638	10,428,080	19,276,718
Prior Period Adjustment	(349,167)	(469,195)	(818,362)
Net Assets - Ending - December 31, 2007	9,445,664	9,754,578	19,200,242

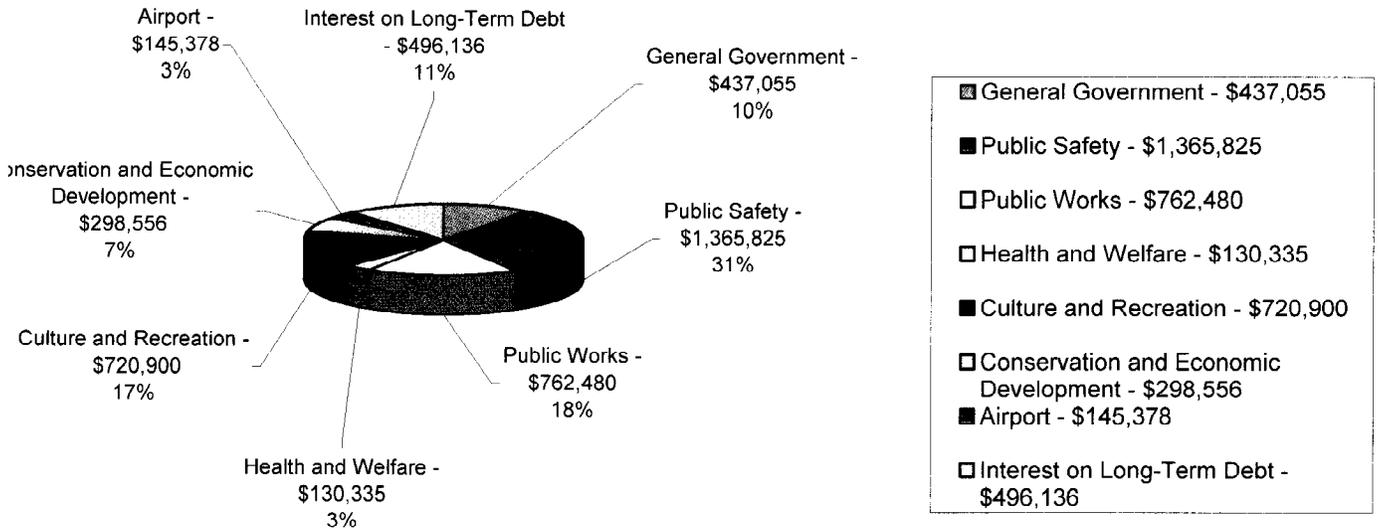
CITY OF WINDOM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE STATEMENTS) (Cont'd)

GOVERNMENTAL ACTIVITIES - REVENUES
 Total: \$3,698,532



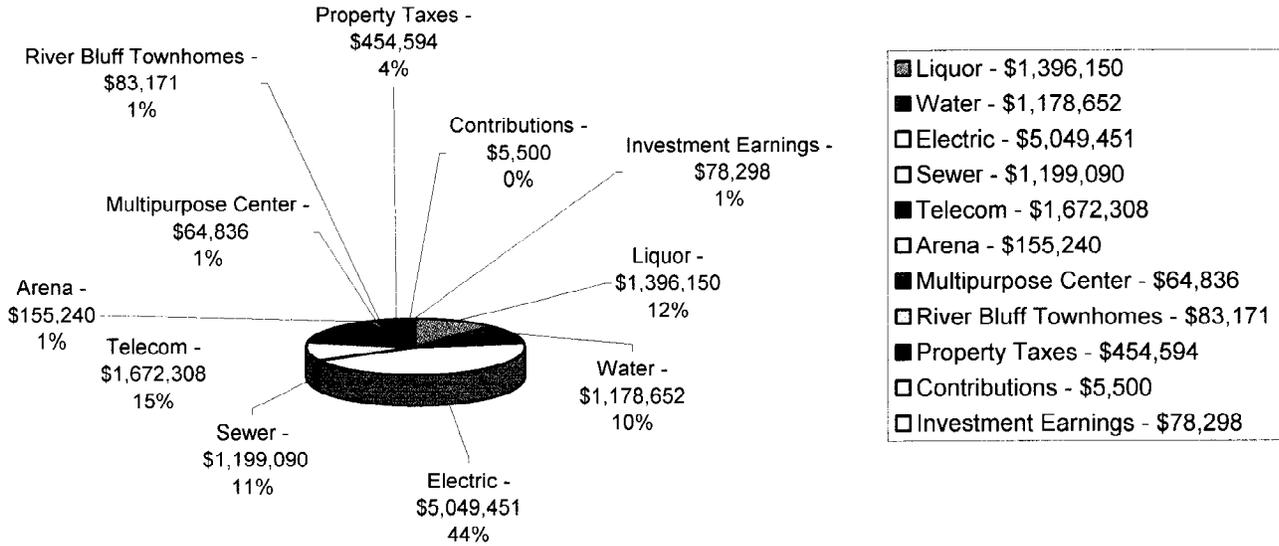
GOVERNMENTAL ACTIVITIES - EXPENSES
 Total: \$4,356,665



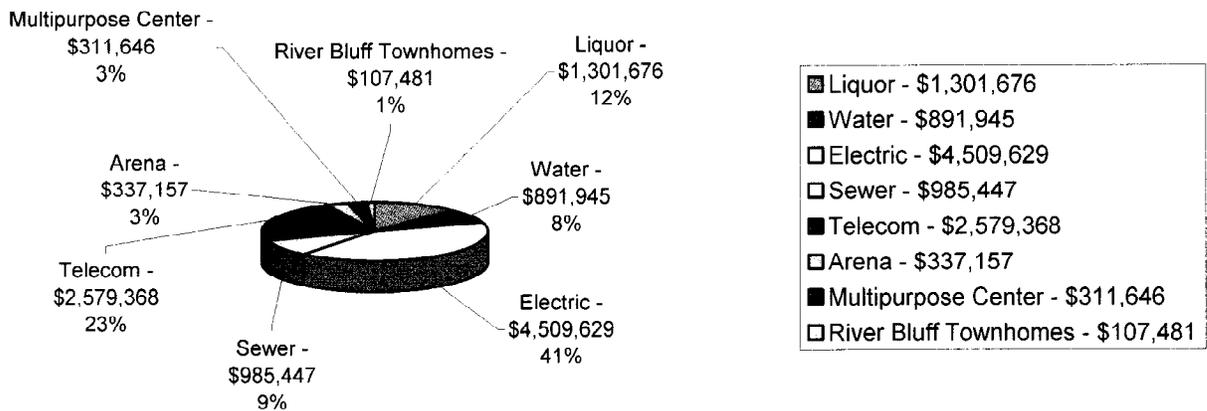
CITY OF WINDOM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2008

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE (GOVERNMENT-WIDE STATEMENTS) (Cont'd)

BUSINESS TYPE ACTIVITIES - REVENUES
 Total: \$11,377,290



BUSINESS-TYPE ACTIVITIES - EXPENSES
 Total: \$11,024,349



CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (FUND FINANCIAL STATEMENTS)

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,042,597, an increase of \$131,024 in comparison with the prior year. Of this total, \$2,270,495 of the fund balances are unreserved, which indicates that those funds are available for spending.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the general fund was \$885,940, which was designated for working capital needs.

The fund balance of the City's general fund increased by \$86,838 during the current fiscal year. This year's increase was due to favorable expenditure budget variances.

Business-Type Funds

The City's business-type ("proprietary") funds provide the same type of information found in the government-wide financial statements, but in more detail. The focus of the City's business-type funds is providing goods and services.

As of the end of the current fiscal year, the City's business-type funds reported combined ending net assets of \$9,781,211, a increase of \$26,633 in comparison with the prior year. Of this total, a deficit balance of \$1,059,747 of the net assets is unreserved and unrestricted, which indicates that portion of net assets that are not available for spending. The majority of this deficit is due to the telecom fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City approved the original 2008 general fund budget in December of 2007, anticipating a decrease in general fund reserves of \$17,000.

The actual results for the year showed an increase of \$86,838.

- Actual revenues were \$24,565, or 1.2 percent, less than budget, due primarily to actual property tax revenues being less than budgeted amounts.
- Actual expenditures were \$96,118, or 4.2 percent, less than budget. This overall favorable variance was a combination of positive variances in general government, public safety and public works expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2008, amounts to \$32,929,492 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure and construction in progress. The total increase in the City's investment in capital assets for the current fiscal year was \$930,006 or 2.8 percent. Governmental activities and business-type activities accounted for 43% and 57% of the increase respectively.

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION (Cont'd)

Both the City's governmental and business-type activities have a significant level of outstanding commitments for capital expenditures. These commitments are detailed in the notes to the financial statements.

CAPITAL ASSETS - NET OF DEPRECIATION - 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 227,061	\$ 154,922	\$ 381,983
Buildings and Improvements	2,276,927	10,021,021	12,297,948
Machinery and Equipment	2,111,888	1,029,545	3,141,433
Construction in Progress	1,433,874	13,619	1,447,493
Other	<u>2,481,540</u>	<u>13,179,095</u>	<u>15,660,635</u>
Total - December 31, 2008	<u>\$ 8,531,290</u>	<u>\$ 24,398,202</u>	<u>\$ 32,929,492</u>

CAPITAL ASSETS - NET OF DEPRECIATION - 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 227,061	\$ 154,922	\$ 381,983
Buildings and Improvements	2,320,535	10,451,218	12,771,753
Machinery and Equipment	2,420,328	1,060,702	3,481,030
Construction in Progress	1,356,745	-	1,356,745
Other	<u>2,530,210</u>	<u>13,858,972</u>	<u>16,389,182</u>
Total - December 31, 2007	<u>\$ 8,854,879</u>	<u>\$ 25,525,814</u>	<u>\$ 34,380,693</u>

Bonded Debt

At year-end, the City had \$21,601,118 in outstanding bonded debt. Detailed information about the City's bonded debt and other long-term liabilities is presented in the notes to the financial statements.

OUTSTANDING BONDED DEBT - 2008

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Bonded Debt			
General Obligation Bonds	\$ 4,169,732	\$ 3,440,000	\$ 7,609,732
General Obligation Revenue Bonds	-	4,521,386	4,521,386
Revenue Bonds	-	9,470,000	9,470,000
Total 2008	<u>\$ 4,169,732</u>	<u>\$ 17,431,386</u>	<u>\$ 21,601,118</u>

OUTSTANDING BONDED DEBT - 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Bonded Debt			
General Obligation Bonds	\$ 4,364,125	\$ 3,522,000	\$ 7,886,125
General Obligation Revenue Bonds	-	4,976,762	4,976,762
Revenue Bonds	-	9,470,000	9,470,000
Total 2007	<u>\$ 4,364,125</u>	<u>\$ 17,968,762</u>	<u>\$ 22,332,887</u>

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2008

FACTORS BEARING ON THE CITY'S FUTURE

- The City's investment earnings have been reduced significantly over the past few years due to the dramatically lower interest rates and reductions in invested funds.
- Labor agreements with IBEW and AFSCME expired on December 31, 2008.
- Property tax reforms and budget deficits at the state level have significantly impacted government aid payments made to the City. The City's state aid was reduced for 2003 and beyond by approximately \$185,000 per year. The reduction in allotment of state aid for 2008 was \$110,000. Despite the reduction, the general fund reported an increase in fund balance. The City Council maintains a goal of 35 to 50 percent of unreserved fund balance of operating revenue for the general fund per Office of the State Auditor's guidelines as listed in the Statement of Position: Fund Balances for Local Governments.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If one has questions about this report or needs additional financial information, contact the City Administrator, City of Windom, 444 9th Street, P. O. Box 38, Windom, MN 56101 or call (507) 831-6129.

CITY OF WINDOM, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Cash on hand, checking and time deposits	\$ 3,113,733	\$ 3,592,082	\$ 6,705,815
Restricted cash	-	241,332	241,332
Accounts receivable	163,280	788,920	952,200
Current taxes receivable	28,967	-	28,967
Special assessments receivable:			
Current and deferred	1,242,941	-	1,242,941
Delinquent	17,333	-	17,333
Grants receivable	121,669	-	121,669
Loans receivable	400,310	-	400,310
Inventories	-	795,872	795,872
Property held for resale	1,261,858	-	1,261,858
Bond issue costs, net of accumulated amortization	-	65,041	65,041
Bond discount costs, net of accumulated amortization	-	167,723	167,723
Property, plant, equipment	13,144,904	42,009,605	55,154,509
Less: accumulated depreciation	4,613,614	17,611,403	22,225,017
Total assets and other debits	<u>\$ 14,881,381</u>	<u>\$ 30,049,172</u>	<u>\$ 44,930,553</u>
<u>LIABILITIES</u>			
Liabilities:			
Accounts payable	\$ 320,619	\$ 465,098	\$ 785,717
Interest payable	-	342,597	342,597
Customer deposits	400	63,222	63,622
Deferred revenues, other	-	170,708	170,708
Non-current liabilities:			
Due within one year	331,412	629,191	960,603
Due in more than one year	4,950,362	18,597,145	23,547,507
Total liabilities	<u>5,602,793</u>	<u>20,267,961</u>	<u>25,870,754</u>
<u>NET ASSETS</u>			
Net Assets:			
Invested in capital assets, net of related debt	3,249,516	10,599,626	13,849,142
Restricted for:			
Capital Projects	7,144	-	7,144
Debt service	879,018	241,332	1,120,350
Unrestricted	5,142,910	(1,059,747)	4,083,163
Total net assets	<u>\$ 9,278,588</u>	<u>\$ 9,781,211</u>	<u>\$ 19,059,799</u>

The accompanying notes are an integral part of the financial statements

CITY OF WINDOM, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Program Revenues		
		Charges for Services	Operating Grants and Contributions
<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Services</u>	<u>Contributions</u>
Government Activities:			
General government	\$ 437,055	\$ 40,415	\$ -
Public safety	1,365,825	406,650	-
Public works	762,480	-	-
Health and welfare	130,335	-	-
Culture and recreation	720,900	33,631	-
Conservation and economic development	298,556	31,901	-
Airport	145,378	47,181	-
Interest on long-term debt	496,136	-	-
Total government activities	4,356,665	559,778	-
Business-type Activities			
Municipal liquor	1,301,676	1,396,150	-
Water	891,945	1,178,652	-
Electric	4,509,629	5,049,451	-
Sewer	985,447	1,199,090	-
Telecom	2,579,368	1,658,689	-
Arena	337,157	152,238	-
Multi-Purpose Center	311,646	64,836	-
River Bluff Townhomes	107,481	83,171	-
Total business-type activities	11,024,349	10,782,277	-
Total government	\$ 15,381,014	\$ 11,342,055	\$ -

General Revenues:

Taxes:

Property taxes - general and debt service

Grants and contributions not restricted
to specific programs:

Unallocated federal and state aid

Contributions

Unrestricted investment earnings

Other

Transfers

Total general revenues, and transfers

Change in net assets

Net assets, January 1, 2008

Net assets, December 31, 2008

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
<u>Capital Grants and Contributions</u>	<u>Government Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ -	\$ (396,640)	\$ -	\$ (396,640)
35,470	(923,705)	-	(923,705)
24,443	(738,037)	-	(738,037)
-	(130,335)	-	(130,335)
-	(687,269)	-	(687,269)
-	(266,655)	-	(266,655)
131,685	33,488	-	33,488
-	(496,136)	-	(496,136)
<u>191,598</u>	<u>(3,605,289)</u>	<u>-</u>	<u>(3,605,289)</u>
-	-	94,474	94,474
-	-	286,707	286,707
-	-	539,822	539,822
-	-	213,643	213,643
13,619	-	(907,060)	(907,060)
-	-	(184,919)	(184,919)
-	-	(246,810)	(246,810)
-	-	(24,310)	(24,310)
<u>13,619</u>	<u>-</u>	<u>(228,453)</u>	<u>(228,453)</u>
<u>\$ 205,217</u>	<u>(3,605,289)</u>	<u>(228,453)</u>	<u>(3,833,742)</u>
	\$ 897,626	\$ 454,594	\$ 1,352,220
	1,478,478	-	1,478,478
	-	5,500	5,500
	61,889	78,298	140,187
	509,163	3,002	512,165
	491,057	(286,308)	204,749
	<u>3,438,213</u>	<u>255,086</u>	<u>3,693,299</u>
	(167,076)	26,633	(140,443)
	<u>9,445,664</u>	<u>9,754,578</u>	<u>19,200,242</u>
	<u>\$ 9,278,588</u>	<u>\$ 9,781,211</u>	<u>\$ 19,059,799</u>

The accompanying notes are an integral part of the financial statements

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

	<u>General</u>	Nonmajor Governmental Funds (Schedule 1)	Total Governmental Funds
<u>ASSETS</u>			
Cash on hand, checking and and time deposits	\$ 944,120	\$ 2,169,613	\$ 3,113,733
Accounts receivable, net of allowances of \$4,750	29,048	134,232	163,280
Current taxes receivable	28,967	-	28,967
Special assessments receivable:			
Current and deferred	-	1,242,941	1,242,941
Delinquent	-	17,333	17,333
Grants receivable	-	121,669	121,669
Loans receivable	-	400,310	400,310
Interfund loans receivable	-	77,022	77,022
Property held for resale, construction in progress	-	1,261,858	1,261,858
Total assets	<u>\$ 1,002,135</u>	<u>\$ 5,424,978</u>	<u>\$ 6,427,113</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 94,398	\$ 226,221	\$ 320,619
Customer deposits	-	400	400
Deferred revenues, current taxes	21,797	-	21,797
Deferred revenues, special assessments	-	1,242,941	1,242,941
Interfund notes payable	-	77,022	77,022
Notes payable	-	721,737	721,737
Total liabilities	<u>116,195</u>	<u>2,268,321</u>	<u>2,384,516</u>
Fund Balances:			
Fund balance - unreserved, undesignated	-	2,270,495	2,270,495
Fund balance - designated	885,940	-	885,940
Fund balance - reserved	-	886,162	886,162
Total fund balances	<u>885,940</u>	<u>3,156,657</u>	<u>4,042,597</u>
Total liabilities and fund balances	<u>\$ 1,002,135</u>	<u>\$ 5,424,978</u>	<u>\$ 6,427,113</u>

The accompanying notes are an integral part of the financial statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2008

Total Fund Balances for Governmental Funds	\$	4,042,597
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Those assets consist of:</p>		
Land and construction in progress	\$	1,660,935
Other capital assets		11,483,969
Accumulated depreciation		<u>(4,613,614)</u>
		8,531,290
<p>Assessments to be collected, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred special assessments in the funds</p>		
		1,264,738
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:</p>		
Bonds payable and accrued leave payable		<u>(4,560,037)</u>
Total Net Assets of Governmental Activities	\$	<u><u>9,278,588</u></u>

The accompanying notes are an integral part of these statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Nonmajor Governmental	Total
<u>Revenues</u>	<u>Fund</u>	<u>Funds</u> <u>(Schedule 2)</u>	<u>Governmental</u> <u>Funds</u>
Local property taxes	\$ 306,122	\$ 473,450	\$ 779,572
Special assessments	-	315,311	315,311
Licenses and permits	42,258	-	42,258
Intergovernmental revenues	1,462,045	16,433	1,478,478
State grants	24,443	131,685	156,128
Charges for services and facilities	40,415	519,363	559,778
Fines and forfeits	21,771	1,920	23,691
Investment income	3,048	58,841	61,889
Other revenues	99,493	379,191	478,684
Total revenues	<u>1,999,595</u>	<u>1,896,194</u>	<u>3,895,789</u>
<u>Expenditures</u>			
Current:			
General government	370,339	-	370,339
Public safety	919,625	233,748	1,153,373
Public works	532,644	2,646	535,290
Health and welfare	24,674	-	24,674
Culture and recreation:			
Parks and general	342,760	-	342,760
Library	-	169,817	169,817
Swim pool	-	98,109	98,109
Conservation and development:			
Economic development & assistance	-	287,406	287,406
Airport	-	52,932	52,932
Capital outlay:			
Other	-	395,593	395,593
Debt service:			
Principal retirement	-	329,393	329,393
Interest and fiscal charges	-	496,136	496,136
Total expenditures	<u>2,190,042</u>	<u>2,065,780</u>	<u>4,255,822</u>
Excess of revenues over (under) expenditures	<u>(190,447)</u>	<u>(169,586)</u>	<u>(360,033)</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	277,285	213,772	491,057
Total other financing sources	<u>277,285</u>	<u>213,772</u>	<u>491,057</u>
Net change in fund balances	86,838	44,186	131,024
Fund balance, January 1, 2008	799,102	3,112,471	3,911,573
Fund balance, December 31, 2008	<u>\$ 885,940</u>	<u>\$ 3,156,657</u>	<u>\$ 4,042,597</u>

The accompanying notes are an integral part of the financial statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008

Total Net Change in Fund Balances - Governmental Funds	\$	131,024
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds</p>		
Change in accrual for deferred taxes - current	\$ 1,607	
Change in accrual for deferred taxes - special assessments	<u>(198,864)</u>	(197,257)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:</p>		
Expenditures for capital assets	395,593	
Less current year depreciation	<u>719,182</u>	(323,589)
<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, the repayment reduces long-term liabilities in the Statement of Net Assets. Other costs related to debt issuance and retirement use governmental fund resources, but recognizing them as expenses is deferred and amortized on the Statement of Net Assets.</p>		
Payment of Hospital debt	(95,000)	
Repayment of bonds	<u>329,393</u>	234,393
<p>Accruing vacation and sick pay increases long-term liabilities in the Statement of Net Assets. Payment of accrued vacation and sick pay reduces long-term liabilities in the Statement of Net Assets.</p>		
Change in accrual for vacation and sick pay		<u>(11,647)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>(167,076)</u></u>

The accompanying notes are an integral part of these statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>Revenues</u>	<u>2008 Budgeted Amount</u>		<u>2008 Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Local property taxes	\$ 420,513	\$ 420,513	\$ 306,122	\$ (114,391)
Licenses and permits	47,600	47,600	42,258	(5,342)
Intergovernmental revenues	1,372,247	1,372,247	1,462,045	89,798
State grants	-	-	24,443	24,443
Charges for services and facilities	65,500	65,500	40,415	(25,085)
Fines and forfeits	26,500	26,500	21,771	(4,729)
Investment income	-	-	3,048	3,048
Other revenues	91,800	91,800	99,493	7,693
Total revenues	<u>2,024,160</u>	<u>2,024,160</u>	<u>1,999,595</u>	<u>(24,565)</u>
 <u>Expenditures</u>				
Current:				
General government	418,925	418,925	370,339	(48,586)
Public safety	991,630	991,630	919,625	(72,005)
Public works	588,200	588,200	532,644	(55,556)
Health and welfare	17,000	17,000	24,674	7,674
Culture and recreation:				
Parks and general	270,405	270,405	342,760	72,355
Total expenditures	<u>2,286,160</u>	<u>2,286,160</u>	<u>2,190,042</u>	<u>(96,118)</u>
Excess of revenues over (under) expenditures	<u>(262,000)</u>	<u>(262,000)</u>	<u>(190,447)</u>	<u>71,553</u>
 <u>Other Financing Sources</u>				
Operating transfers in	<u>245,000</u>	<u>245,000</u>	<u>277,285</u>	<u>32,285</u>
Net change in fund balances	(17,000)	(17,000)	86,838	103,838
Fund balance, January 1, 2008	<u>799,102</u>	<u>799,102</u>	<u>799,102</u>	<u>-</u>
Fund balance, December 31, 2008	<u>\$ 782,102</u>	<u>\$ 782,102</u>	<u>\$ 885,940</u>	<u>\$ 103,838</u>

The accompanying notes are an integral part of the financial statements

STATEMENT OF NET ASSETSPROPRIETARY FUNDSDECEMBER 31, 2008

<u>ASSETS</u>	<u>Municipal</u>		
	<u>Liquor</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>	<u>Electric</u> <u>Fund</u>
<u>Current assets</u>			
Cash and interest-bearing deposits	\$ 276,906	\$ 434,020	\$ 3,122,044
Restricted cash	-	-	-
Accounts and accrued interest receivable	9,102	85,157	465,457
Inventories	145,214	27,525	490,902
Total current assets	<u>431,222</u>	<u>546,702</u>	<u>4,078,403</u>
<u>Fixed</u>			
Property, plant, equipment	407,290	8,334,200	10,045,735
Less: accumulated depreciation	242,367	3,671,431	5,832,746
Net fixed assets	<u>164,923</u>	<u>4,662,769</u>	<u>4,212,989</u>
<u>Other</u>			
Bond issue costs, net of accumulated amortization	-	5,709	-
Bond discount costs, net of accumulated amortization	-	13,155	-
Total other assets	<u>-</u>	<u>18,864</u>	<u>-</u>
Total assets	<u>\$ 596,145</u>	<u>\$ 5,228,335</u>	<u>\$ 8,291,392</u>
<u>LIABILITIES</u>			
<u>Current liabilities</u>			
Cash deficiency	\$ -	\$ -	\$ -
Accounts payable	41,125	6,543	346,621
Interest payable	-	39,079	-
Deferred revenues, and other	-	-	-
Customer deposits	-	-	51,357
Notes payable within one year	-	-	-
Special assessments payable within one year	-	12,750	-
Bond principal payable within one year	-	294,000	-
Total current liabilities	<u>41,125</u>	<u>352,372</u>	<u>397,978</u>
<u>Non-current liabilities and other credits</u>			
Accrued vacation and sick	113,996	78,313	172,929
Notes payable	-	-	-
Special Assessments Payable	-	156,000	-
G.O. revenue bonds principal payable beyond one year (net of amortized discounts)	-	3,036,632	-
Total non-current liabilities	<u>113,996</u>	<u>3,270,945</u>	<u>172,929</u>
Total liabilities	<u>155,121</u>	<u>3,623,317</u>	<u>570,907</u>
<u>Net Assets</u>			
Net Assets:			
Invested in capital assets, net of related debt	164,923	1,163,387	4,212,989
Restricted for debt service	-	-	-
Unreserved	276,101	441,631	3,507,496
Total net assets	<u>\$ 441,024</u>	<u>\$ 1,605,018</u>	<u>\$ 7,720,485</u>

Business-type Activities - Enterprise Funds

Sewer Fund	Telecom Fund	Nonmajor Enterprise Funds (Schedule 3)	Total
\$ 240,709	\$ -	\$ -	\$ 4,073,679
-	241,332	-	241,332
67,909	157,145	4,150	788,920
-	131,950	281	795,872
<u>308,618</u>	<u>530,427</u>	<u>4,431</u>	<u>5,899,803</u>
8,761,630	9,799,107	4,661,643	42,009,605
3,358,004	2,618,570	1,888,285	17,611,403
<u>5,403,626</u>	<u>7,180,537</u>	<u>2,773,358</u>	<u>24,398,202</u>
2,630	56,702	-	65,041
<u>6,994</u>	<u>147,574</u>	<u>-</u>	<u>167,723</u>
<u>9,624</u>	<u>204,276</u>	<u>-</u>	<u>232,764</u>
\$ <u>5,721,868</u>	\$ <u>7,915,240</u>	\$ <u>2,777,789</u>	\$ <u>30,530,769</u>
\$ -	\$ 275,839	\$ 205,758	\$ 481,597
7,698	51,394	11,717	465,098
23,380	280,138	-	342,597
-	170,708	-	170,708
-	7,065	4,800	63,222
19,512	-	8,699	28,211
21,250	-	-	34,000
<u>222,980</u>	<u>50,000</u>	<u>-</u>	<u>566,980</u>
<u>294,820</u>	<u>835,144</u>	<u>230,974</u>	<u>2,152,413</u>
98,768	68,521	78,603	611,130
20,097	-	1,135,512	1,155,609
260,000	-	-	416,000
<u>1,592,774</u>	<u>11,785,000</u>	<u>-</u>	<u>16,414,406</u>
<u>1,971,639</u>	<u>11,853,521</u>	<u>1,214,115</u>	<u>18,597,145</u>
<u>2,266,459</u>	<u>12,688,665</u>	<u>1,445,089</u>	<u>20,749,558</u>
3,267,013	-	1,791,314	10,599,626
-	241,332	-	241,332
<u>188,396</u>	<u>(5,014,757)</u>	<u>(458,614)</u>	<u>(1,059,747)</u>
\$ <u>3,455,409</u>	\$ <u>(4,773,425)</u>	\$ <u>1,332,700</u>	\$ <u>9,781,211</u>

The accompanying notes are an integral part of the financial statements

STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Municipal Liquor Fund	Water Fund
<u>Sales and cost of sales</u>		
Sales	\$ 1,396,150	\$ -
Cost of sales	999,342	-
Gross profit on sales	<u>396,808</u>	<u>-</u>
<u>Operating revenues</u>		
Billings for usage	-	1,170,171
Materials and service sales income	-	4,087
Facility use and other revenues	-	4,394
Total operating revenues	<u>-</u>	<u>1,178,652</u>
<u>Operating expense</u>		
Power costs, Internet and Signal Costs	-	-
Salaries and wages	177,613	199,401
Payroll taxes	22,966	26,343
Employee insurance	20,241	29,953
Supplies and maintenance costs	9,208	37,647
Utilities	13,894	71,118
Insurance	13,912	13,878
Depreciation and amortization	17,295	266,832
Other operating expense	27,205	140,325
Total operating expense	<u>302,334</u>	<u>785,497</u>
Operating income (loss)	<u>94,474</u>	<u>393,155</u>
<u>Other revenues</u>		
Investment income	-	-
Local property taxes	-	24,793
Gain on sale of assets	-	-
Contributions/reimbursements	-	-
Total other revenues	<u>-</u>	<u>24,793</u>
<u>Other charges</u>		
Interest and debt services	-	106,448
Total other charges	<u>-</u>	<u>106,448</u>
Net income (loss) before operating transfers	94,474	311,500
Operating transfers - (out)	(70,000)	(9,023)
Change in net assets	<u>24,474</u>	<u>302,477</u>
Net assets (deficit), January 1, 2008	<u>416,550</u>	<u>1,302,541</u>
Net assets (deficit), December 31, 2008	<u>\$ 441,024</u>	<u>\$ 1,605,018</u>

Business-type Activities - Enterprise Funds

Electric Fund	Sewer Fund	Telecom Fund	Nonmajor Enterprise Funds (Schedule 4)	Total
\$ -	\$ -	\$ -	\$ -	\$ 1,396,150
-	-	-	-	999,342
-	-	-	-	396,808
4,970,209	1,177,188	1,658,689	-	8,976,257
11,221	16,592	-	-	31,900
68,021	5,310	13,619	300,245	391,589
5,049,451	1,199,090	1,672,308	300,245	9,399,746
3,183,496	-	485,970	-	3,669,466
449,631	288,318	344,270	259,931	1,719,164
56,613	37,976	24,393	33,795	202,086
52,469	50,214	60,388	26,575	239,840
111,739	44,549	33,420	51,315	287,878
5,824	159,999	19,596	103,222	373,653
79,932	15,493	9,750	22,124	155,089
334,990	200,165	725,003	138,126	1,682,411
234,935	122,238	202,782	95,106	822,591
4,509,629	918,952	1,905,572	730,194	9,152,178
539,822	280,138	(233,264)	(429,949)	644,376
24,983	-	53,315	-	78,298
-	10,441	-	419,360	454,594
-	-	-	3,002	3,002
-	-	-	5,500	5,500
24,983	10,441	53,315	427,862	541,394
-	66,495	673,796	26,090	872,829
-	66,495	673,796	26,090	872,829
564,805	224,084	(853,745)	(28,177)	312,941
(175,000)	-	(32,285)	-	(286,308)
389,805	224,084	(886,030)	(28,177)	26,633
7,330,680	3,231,325	(3,887,395)	1,360,877	9,754,578
\$ 7,720,485	\$ 3,455,409	\$ (4,773,425)	\$ 1,332,700	\$ 9,781,211

The accompanying notes are an integral part of the financial statements

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Municipal Liquor Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 1,394,072	\$ 1,089,264
Cash payments to suppliers for goods and services	(1,039,895)	(120,407)
Cash payments to/for employees for services	(212,281)	(250,710)
Other revenue	-	4,394
Other expense	(27,205)	(140,325)
 Net cash provided (used) by operating activities	 <u>114,691</u>	 <u>582,216</u>
 CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash received from property taxes	-	24,793
Interest received	-	-
Operating transfers - (out)	(70,000)	(9,023)
 Net cash provided (used) by non-capital financing activities	 <u>(70,000)</u>	 <u>15,770</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions and construction of capital assets	(1,805)	(31,993)
Dispositions of capital assets	-	-
Principal payments on long-term debt	-	(300,000)
Interest paid	-	(109,676)
Other revenue	-	-
 Net cash (used) by capital and financing activities	 <u>(1,805)</u>	 <u>(441,669)</u>
 Net increase (decrease) in cash and cash equivalents	 <u>42,886</u>	 <u>156,317</u>
 Cash and interest bearing deposits, January 1, 2008 (deficit)	 <u>234,020</u>	 <u>277,703</u>
 Cash and interest bearing deposits, December 31, 2008 (deficit)	 <u>\$ 276,906</u>	 <u>\$ 434,020</u>

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Municipal Liquor Fund	Water Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
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 Net cash provided (used) by non-capital financing activities	 <u>(70,000)</u>	 <u>15,770</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions and construction of capital assets	(1,805)	(31,993)
Dispositions of capital assets	-	-
Principal payments on long-term debt	-	(300,000)
Interest paid	-	(109,676)
Other revenue	-	-
 Net cash (used) by capital and financing activities	 <u>(1,805)</u>	 <u>(441,669)</u>
 Net increase (decrease) in cash and cash equivalents	 <u>42,886</u>	 <u>156,317</u>
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 Cash and interest bearing deposits, December 31, 2008 (deficit)	 <u>\$ 276,906</u>	 <u>\$ 434,020</u>

Business-type Activities - Enterprise Funds

<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Telecom Fund</u>	<u>Nonmajor Enterprise Funds (Schedule 5)</u>	<u>Totals</u>
\$ 5,339,532	\$ 1,128,580	\$ 1,513,766	\$ 301,455	\$ 10,766,669
(3,418,950)	(218,795)	(507,377)	(169,546)	(5,474,970)
(523,910)	(368,424)	(417,474)	(310,943)	(2,083,742)
68,021	5,310	13,619	-	91,344
(234,935)	(122,238)	(202,782)	(95,106)	(822,591)
<u>1,229,758</u>	<u>424,433</u>	<u>399,752</u>	<u>(274,140)</u>	<u>2,476,710</u>
-	10,441	-	419,360	454,594
24,983	-	53,315	-	78,298
(175,000)	-	(32,285)	-	(286,308)
<u>(150,017)</u>	<u>10,441</u>	<u>21,030</u>	<u>419,360</u>	<u>246,584</u>
(376,680)	(5,112)	(75,078)	(43,745)	(534,413)
-	-	-	3,002	3,002
-	(256,320)	-	(8,090)	(564,410)
-	(68,871)	(673,796)	(26,090)	(878,433)
-	-	-	5,500	5,500
<u>(376,680)</u>	<u>(330,303)</u>	<u>(748,874)</u>	<u>(69,423)</u>	<u>(1,968,754)</u>
<u>703,061</u>	<u>104,571</u>	<u>(328,092)</u>	<u>75,797</u>	<u>754,540</u>
<u>2,418,983</u>	<u>136,138</u>	<u>52,253</u>	<u>(281,555)</u>	<u>2,837,542</u>
<u>\$ 3,122,044</u>	<u>\$ 240,709</u>	<u>\$ (275,839)</u>	<u>\$ (205,758)</u>	<u>\$ 3,592,082</u>

The accompanying notes are an integral part of the financial statements

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Municipal Liquor Fund	Water Fund
RECONCILIATION OF OPERATING INCOME (LOSS) TO		
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net income (loss) from operations	\$ 94,474	\$ 393,155
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	17,295	266,832
Changes in assets and liabilities:		
(Increase) decrease in receivables	(2,078)	(84,994)
(Increase) decrease in inventory	(15,106)	1,844
Increase (decrease) in accounts payable	11,567	392
Increase (decrease) in deferred revenue	-	-
Increase (decrease) in customer deposits	-	-
Increase (decrease) in accrued vacation and sick	8,539	4,987
	8,539	4,987
Net cash provided (used) by operating activities	\$ 114,691	\$ 582,216

Business-type Activities - Enterprise Funds

<u>Electric Fund</u>	<u>Sewer Fund</u>	<u>Telecom Fund</u>	<u>Nonmajor Enterprise Funds (Schedule 5)</u>	<u>Totals</u>
\$ 539,822	\$ 280,138	\$ (233,264)	\$ (429,949)	\$ 644,376
334,990	200,165	725,003	138,126	1,682,411
357,587	(65,200)	(144,898)	10	60,427
(9,994)	-	32,288	(57)	8,975
(27,965)	1,246	(29,976)	7,172	(37,564)
-	-	39,047	-	39,047
515	-	(25)	1,200	1,690
<u>34,803</u>	<u>8,084</u>	<u>11,577</u>	<u>9,358</u>	<u>77,348</u>
\$ <u>1,229,758</u>	\$ <u>424,433</u>	\$ <u>399,752</u>	\$ <u>(274,140)</u>	\$ <u>2,476,710</u>

The accompanying notes are an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

a. Principles Used in Determining the Scope of the Reporting Entity

The funds and account groups included in this report are controlled by and/or dependent on the City Council. Control by and/or dependence on the City Council was determined on the basis of budget adoption, taxing authority, debt issuance secured by the general obligation of the City, and/or the City's obligation to fund any deficits that may occur.

Responsibility for the fair presentation of financial position, results of operations and changes in financial position for all funds of the City in conformity with generally accepted accounting principles lies with the City Council. All fund records, with the exception of the Windom Area Hospital Fund, are maintained by a centralized accounting system.

All of the component units of the City's operations are included in this report with the exception of the Windom Area Hospital Fund which is separately audited and reported on. A copy of the Windom Area Hospital Fund Audit Report may be obtained by contacting the City Clerk, City of Windom, 444 9th Street, P.O. Box 38, Windom, MN 56101 or call (507) 831-6129.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) display information about the non-fiduciary reporting government as a whole. 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 significantly on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, service 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.

c. 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 statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

Property taxes, franchise taxes, licenses 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.

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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds and various other functions of the government. Eliminations of these charges would distort the costs and revenues reported for the various functions concerned.

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 revenue of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sale and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

General Fund: The General Fund is the general operating fund. It is used to account for all financial transactions except those required to be accounted for in another fund.

Additionally, the City reports the following fund types:

Special Revenue Funds: Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted for specific purposes.

Capital Project Fund: Capital Project Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Debt Service Funds: Debt Service Funds are used to account for the accumulation of resources for, and the payment of general long-term debt principal, interest and related costs.

Enterprise Funds: Enterprise Funds are used to account for the operations of the City's business-type activities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The City reports the following major proprietary funds:

- The municipal liquor fund accounts for all activities related to the operation of a liquor store.
- The water fund accounts for activities related to the operation of a water distribution system.
- The electric fund accounts for activities related to the operation of electric generation and distribution system.
- The municipal wastewater fund accounts for activities related to the operation of a wastewater distribution system.
- The telecommunications fund accounts for the operation of a broadband communications system.

d. Budgetary Data

General Budget Policies -

The City follows legally prescribed procedures in establishing the budgetary data reflected in the financial statements as follows:

1. The City Clerk-Treasurer submits to the City Council a proposed operating budget for the Governmental Fund types. This operating budget includes proposed expenditures and the means of financing them. Budgets are prepared on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets are adopted on a basis consistent with generally accepted accounting principles.
2. The budget is enacted through passage of a resolution by the Council and the tax levy is certified the county auditor annually in December.
3. After adoption by the City Council, the expenditures incorporated into the budget become management guidelines. Appropriations for all budgeted funds and the actual expenditures must be held to budgeted levels unless amended through a supplemental appropriation resolution.
4. The City Council may transfer by resolution, a supplemental budget appropriation to increase spending authority if it is determined during the year sufficient amounts have not been budgeted. Reported budget amounts represent the originally adopted budget.

Unexpended budgeted amounts lapse at the end of the budget year. Legal spending control for City monies is at the fund level, but management control is exercised at budgetary line item levels within each fund.

e. Assets, Liabilities, and Net Assets or Equity

Cash and Interest Bearing Deposits -

Cash balances are invested to the extent available in short term certificates of deposit and interest-bearing savings accounts; these deposits are carried at cost, which at December 31, 2008, is the same as market value.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

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

Property Taxes Receivable -

Property taxes attach as an enforceable lien as of January 1 annually. Taxes are collected by the County in two equal installments which are payable basically in May and October in the State of Minnesota.

Inventories -

Inventories of the Airport (resale gasoline) and Enterprise funds are carried at the lower of cost or market using the FIFO (first-in, first-out) method.

Capital Assets -

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of one year. 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 on the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Improvements other than buildings	20-50 years
Building and structures	25-50 years
Machinery and equipment	5-15 years
Furniture and fixtures	5-15 years
General purpose computers	3 years

f. 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 debt are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges 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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED) :

g. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative Council plans that are subject to change.

h. Net Assets

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

i. Compensated Absences

The City's vacation policy is that employees may carry-over vacation from one year to the next up to a maximum of eighty hours. The maximum accrual for vacation is capped at two hundred forty hours. Upon termination, for any reason, the City will reimburse an employee up to the maximum vacation accrual of two hundred forty hours. The maximum accrual for sick time is capped at one thousand hours. Upon termination, for reasons other than retirement, the City will not pay accrued sick time. Upon retirement, the City will reimburse an employee up to the maximum sick time accrual of one thousand hours at a 50% reduction. Vacation and sick time is accrued and credited to employee's accounts on January 1 each year.

j. Financial Reporting Entity

The City of Windom, for financial reporting purposes, includes all of the funds relevant to the operations of the City, with the exception of the Windom Area Hospital Fund, which is covered by a separate audit report.

k. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

l. Changes in Accounting Principles

As of the year ended December 31, 2004, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. GASB Statement No. 34 creates new basic financial statements for reporting on the City's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements which present information for individual major funds rather than by fund type, which had been the mode of presentation in financial statements issued prior to December 31, 2004. The implementation of GASB Statement No. 34 at December 31, 2004 caused the opening fund balance to be restated in terms of "net assets".

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

2. CASH AND INTEREST BEARING DEPOSITS:

In accordance with Minnesota Statutes, the City maintains its deposits at depository banks authorized by the City Council.

Deposits

At year-end the carrying amount of the City's deposits was \$6,947,147 and the bank balance was \$5,918,779. The City's deposits are categorized below to give an indication of the level of risk assumed by the entity at December 31, 2008. Category 1 includes deposits that are insured or collateralized with securities held by the City or its agent in the City's name. Category 2 includes collateralized deposits with securities held by the pledging financial institution's trust department or agent in securities held by the pledging financial institution's trust department or agent in the City's name. Category 3 includes deposits which are uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the City's name.

	<u>Category</u> <u>1</u>	<u>Category</u> <u>2</u>	<u>Category</u> <u>3</u>	<u>Bank</u> <u>Balance</u>
Deposits	\$6,947,147	\$ -	\$ -	\$5,918,779

Minnesota Statutes require that all deposits with financial institutions must be collateralized in an amount equal to 110% of deposits in excess of FDIC insurance (140% if collateralized with notes secured by first mortgages). Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. The bank balance is categorized as follows:

Insured by FDIC insurance	\$ 299,593
Covered by collateral	5,619,186
Not covered by collateral	-
	<u>\$ 5,918,779</u>

3. RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS:

Significant receivables include amounts due from customers primarily for utility services, use or rental agreements for the City's airport facilities and services related to fire calls. These receivables are due within one year. Certain funds report accounts receivable net of an allowance for uncollectible accounts and revenues net of uncollectibles. An allowance for uncollectibles in the amount of \$4,750 has been estimated in relation to fire call receivables in the General Fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

4. CAPITAL ASSETS:

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

	<u>Beginning Balance</u>	<u>Primary Increases</u>
Governmental activities:		
Capital assets not being depreciated:		
Land	\$ 227,061	\$ -
Construction in progress	1,356,745	77,129
Total capital assets not being depreciated	<u>1,583,806</u>	<u>77,129</u>
Other capital assets:		
Buildings and improvements	2,750,493	23,805
Machinery and equipment	5,359,357	239,555
Other fixed assets	1,535,398	6,785
Infrastructure	1,520,257	48,319
Total other capital assets at historical cost	<u>11,165,505</u>	<u>318,464</u>
Less accumulated depreciation for:		
Buildings and improvements	(429,958)	(67,413)
Machinery and equipment	(2,939,029)	(547,995)
Other fixed assets	(288,801)	(36,928)
Infrastructure	(236,644)	(66,846)
Total accumulated depreciation	<u>(3,894,432)</u>	<u>(719,182)</u>
Total other capital assets, net	<u>7,271,073</u>	<u>(400,718)</u>
Governmental activities capital assets, net	<u>\$ 8,854,879</u>	<u>\$ (323,589)</u>

	<u>Beginning Balance</u>	<u>Primary Increases</u>
Business-type activities:		
Capital assets not being depreciated:		
Land	\$ 154,922	\$ -
Construction in progress	-	13,619
Total capital assets not being depreciated	<u>154,922</u>	<u>13,619</u>
Other capital assets:		
Buildings and improvements	16,207,671	32,315
Machinery and equipment	3,871,538	65,149
Furniture and fixtures	80,379	-
Other fixed assets	20,901,445	423,330
Infrastructure	267,914	-
Total other capital assets at historical cost	<u>41,328,947</u>	<u>520,794</u>

Government	
Decreases	Ending Balance
\$ -	\$ 227,061
-	1,433,874
-	1,660,935
-	2,774,298
-	5,598,912
-	1,542,183
-	1,568,576
-	11,483,969
-	(497,371)
-	(3,487,024)
-	(325,729)
-	(303,490)
-	(4,613,614)
-	6,870,355
\$ -	\$ 8,531,290

Government	
Decreases	Ending Balance
\$ -	\$ 154,922
-	13,619
-	168,541
-	16,239,986
(8,677)	3,928,010
-	80,379
-	21,324,775
-	267,914
(8,677)	41,841,064

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

	<u>Beginning</u>	<u>Primary</u>
	<u>Balance</u>	<u>Increases</u>
Business-type activities:		
Less accumulated depreciation for:		
Buildings and improvements	(5,756,453)	(462,512)
Machinery and equipment	(2,810,836)	(96,306)
Furniture and fixtures	(92,821)	(21,736)
Other fixed assets	(7,260,493)	(1,075,229)
Infrastructure	(37,452)	(6,242)
Total accumulated depreciation	<u>(15,958,055)</u>	<u>(1,662,025)</u>
Total other capital assets, net	<u>25,370,892</u>	<u>(1,141,231)</u>
Business-type activities capital assets, net	<u>\$ 25,525,814</u>	<u>\$ (1,127,612)</u>

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

Governmental activities:

- General government
- Public safety
- Public works
- Health and welfare
- Culture and recreation
- Conservation and economic development
- Airport

Total governmental activities depreciation expense

Business-type activities:

- Municipal Liquor
- Water
- Electric
- Sewer
- Telecom
- Arena
- Multi-Purpose Center
- River Bluff Townhomes

Total business-type activities depreciation expense

* The capitalized cost of the telecommunications plant includes capitalized interest of \$261,833. Construction in progress in the Water fund includes capitalized interest of \$2,650. Construction in progress in the Sewer fund includes capitalized interest of \$2,571. Capitalized cost in the 4th Avenue Improvement fund includes capitalized interest of \$4,951. Capitalized cost in the 2007 Street Improvement fund includes capitalized interest of \$25,352.

Government

<u>Decreases</u>	<u>Ending Balance</u>
-	(6,218,965)
8,677	(2,898,465)
-	(114,557)
-	(8,335,722)
-	(43,694)
<u>8,677</u>	<u>(17,611,403)</u>
-	<u>24,229,661</u>
<u>\$ -</u>	<u>\$ 24,398,202</u>

\$ 59,768
206,632
237,811
10,661
106,743
5,121
92,446
<u>\$ 719,182</u>

\$ 17,295
264,892
334,990
199,367
707,355
35,432
67,120
35,574
<u>\$ 1,662,025</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

5. LONG-TERM DEBT:

a. General Obligation Bonds

The City issued general obligation bonds to provide funds for the acquisition and construction of major capital improvements, and to refinance existing bonded debt. General obligation bonds have been issued for governmental activities and for proprietary activities to refinance debt.

General obligation bonds are direct obligations and pledge the full faith and credit of the Government. These bonds generally are issued as 15-year serial bonds with maturing amounts generally increasing each year. Some of the bonds issued contain special assessments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Government must provide resources to cover the deficiency.

General Obligation Revenue Bonds

The City issues general obligation revenue bonds to provide funds for the acquisition and construction of major capital improvements for the water and municipal wastewater funds. General obligation revenue bonds are direct obligations and pledge the full faith and credit of the Government.

Revenue Bonds

The City also issues bonds where the Government pledges income derived from the constructed assets to pay debt service. Revenue bonds have been issued for business-type activities.

Following is a detail of the outstanding bonds as of December 31, 2008:

	<u>Interest</u> <u>Rates</u>	<u>Final</u> <u>Maturity</u>	<u>Outstanding</u> <u>Principal</u>
G O Tax Increment Bond of 2000	5.6	2018	\$ 240,000
G O Improvement Bonds of 1994	2.44	2014	112,043
G O Wastewater Treatment Bond Series 1995	2.45	2011	57,689
G O Improvement Bond of 2000	5.6	2016	190,000
G O Improvements Bonds, Series 2003	3.77	2019	1,125,000
G O Improvement Bonds, Series 2005 A	3.0-4.4	2021	1,220,000
G O Improvement & Refunding Bonds, Series 2006A	3.7-4.15	2018	920,000
G O Temporary Equipment Certificates Series 2007A	4.0	2010	2,365,000
G O Temporary Equipment Certificates Series 2007B	3.75-4.3	2023	<u>1,380,000</u>
Total G O Special Assessment			<u>7,369,732</u>
G O Sewer Bonds Series 1994	2.71	2015	1,603,386
G O Revenue Series 1999	2.57	2018	1,845,000
G O Water Revenue Bond of 2000	5.6	2016	245,000
G O Revenue Note Series 1999A	2.29	2019	<u>828,000</u>
Total G O Revenue			<u>4,521,386</u>
Communication System Revenue Bonds 2004	4.5-6.25	2024	<u>9,470,000</u>
Total Revenue			<u>9,470,000</u>
Total			<u>\$21,601,118</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

5. LONG-TERM DEBT (CONTINUED):

Other Notes Payable-

The River Bluff Townhomes (Enterprise Fund) notes payable has various terms on the notes. In 2007, payments were made to Bank of the West in the amount of \$8,080. No payments were made on the remaining notes payable. The current portion of the Bank of the West note is \$8,699. The list of the notes is as follows:

Bank of the West	\$ 444,049
Special Assessments	111,857
GMHF	180,000
MHFA	353,305
Cottonwood County	25,000
PM Windom	15,000
Toro Foundation	<u>15,000</u>
Total	<u>\$ 1,144,211</u>

In the River Bluff Estates Fund (Special Revenue Fund) there is one note payable. The United Prairie Bank (UPB) loan was obtained to pay off a note to Bank Midwest.

UPB 7.25% monthly interest-only pmts	\$ <u>102,751</u>
Beginning 10-10-07 for 3 years - 427 6 th Ave	

In the PM Revolving Loan Fund (Special Revenue Fund) there is one note payable. Once certain revolving loan fund requirements are met, subsequent receipts of principal and interest will be payable to the State of Minnesota.

State of Minnesota - PM Windom	\$ <u>150,000</u>
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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

5. LONG-TERM DEBT (CONTINUED):

In the EDA Fund there is one note payable. The note was obtained to pay off an interfund note payable with the Electric Fund. The current terms and maturities of the note are as follows:

Bank Midwest - monthly payments
of \$4,586, interest at 7.25% \$ 468,986

Scheduled principal and interest payments to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 48,000	\$ 34,001	\$ 82,001
2010	48,000	30,521	78,521
2011	<u>372,986</u>	<u>8,675</u>	<u>381,661</u>
	<u>\$ 468,986</u>	<u>\$ 73,197</u>	<u>\$ 542,183</u>

In the Sewer Fund there is one note payable. The current terms and maturities of the note are as follows:

League of Minnesota Cities, equal
annual installments for five years,
no interest if paid within one year,
interest at 3% if paid in more than
one annual installment. \$ 39,609

The following funds report accrued vacation and sick time:

	<u>Vacation</u>	<u>Sick</u>	<u>Total</u>
General	\$ 54,423	\$ 276,467	\$ 330,890
Library	1,419	37,260	38,679
Swim Pool	1,454	3,319	4,773
Ambulance	315	2,591	2,906
EDA	2,384	10,673	13,057
Liquor	61,537	52,459	113,996
Water	7,738	70,575	78,313
Electric	55,413	117,516	172,929
Sewer	12,421	86,347	98,768
Telecom	9,742	58,779	68,521
Arena	14,974	36,635	51,609
Multi-Purpose Center	<u>5,673</u>	<u>21,321</u>	<u>26,994</u>
	<u>\$ 227,493</u>	<u>\$ 773,942</u>	<u>\$ 1,001,435</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

5. LONG-TERM DEBT (CONTINUED):

b. Changes in long-term liabilities:

Governmental activities long-term liability balances and activity for the year ended December 31, 2008 were as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>
General Obligation Bonds:			
GO Tax Increment Bond of 2000	\$ 255,000	\$ -	\$ 15,000
GO Improvement Bonds of 1994	131,325	-	19,282
GO Wastewater Treatment Bond of 1995	79,800	-	22,111
GO Improvement Bond of 2000	210,000	-	20,000
GO Improvement Bonds Series 2003	723,000	-	48,000
GO Improvement Bonds Series 2005 A	645,000	-	50,000
GO Improvement and Refunding Bonds Series 2006 A	940,000	-	20,000
GO Improvement Bonds Series 2007 B	1,380,000	-	-
Other Loans and Obligations:			
River Bluff Estates - United Prairie Bank	128,000	-	25,249
PM Revolving Loan - State of Minnesota	150,000	-	-
Economic Development - Bank Midwest	511,817	-	42,831
Capital Projects Equipment - Bank Midwest	40,000	-	40,000
Accrued Vacation and Sick Pay	378,658	11,647	-
Total Governmental Activities Long-Term Debt	\$ 5,572,600	\$ 11,647	\$ 302,473

<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
\$ 240,000	\$ 20,000
112,043	19,756
57,689	22,656
190,000	20,000
675,000	51,000
595,000	50,000
920,000	30,000
1,380,000	70,000
102,751	-
150,000	-
468,986	48,000
-	-
390,305	-
<u>\$ 5,281,774</u>	<u>\$ 331,412</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

5. LONG-TERM DEBT (CONTINUED):

b. Changes in long-term liabilities:

Business-type activities long-term liability balances and activity for the year ended December 31, 2008 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>
<u>Business-type Activities:</u>			
General Obligation Bonds:			
GO Improvement Bonds Series 2003	\$ 482,000	\$ -	\$ 32,000
GO Improvement Bonds Series 2005 A	675,000	-	50,000
GO Temporary Equipment Certificates Series 2007 A	2,365,000	-	-
General Obligation Revenue Bonds:			
GO Sewer Bonds Series 1994	1,808,762	-	205,376
GO Revenue Series 1999	2,005,000	-	160,000
GO Water Revenue Bond of 2000	270,000	-	25,000
GO Water Note Series 1999A	893,000	-	65,000
Revenue Bonds:			
Communications System Revenue Bonds 2004	9,470,000	-	-
Other Loans and Obligations:			
River Bluff Townhomes - Bank of the West	452,139	-	8,090
River Bluff Townhomes - Special Assessments	111,857	-	-
River Bluff Townhomes - GMHF	180,000	-	-
River Bluff Townhomes - MHFA	353,305	-	-
River Bluff Townhomes - Cottonwood County	25,000	-	-
River Bluff Townhomes - PM Windom	15,000	-	-
River Bluff Townhomes - Toro Foundation	15,000	-	-
Sewer - LMC Emergency Sewer Repair	58,553	-	18,944
Accrued Vacation and Sick Pay	533,780	77,350	-
Total Business-Type Activities Long-Term Debt	<u>\$ 19,713,396</u>	<u>\$ 77,350</u>	<u>\$ 564,410</u>
Total Long-Term Debt	<u>\$ 25,285,996</u>	<u>\$ 88,997</u>	<u>\$ 866,883</u>

c. Minimum debt payments:

Minimum annual principal and interest payments to retire long-term bonded debt payable are as follows:

Year Ending December 31	General Obligation Bonds Payable		General Obligation Revenue Bonds Payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	367,412	298,046	466,980	121,998
2010	2,808,455	236,518	478,736	109,086
2011	442,557	172,917	495,649	95,713
2012	456,247	155,795	507,723	81,872
2013	461,768	137,811	519,964	67,703
2014-2018	2,158,293	408,439	1,968,334	140,008
2019-2023	915,000	79,185	84,000	1,922
2024	-	-	-	-
Total	<u>7,609,732</u>	<u>1,488,711</u>	<u>4,521,386</u>	<u>618,302</u>

<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
\$ 450,000	\$ 34,000
625,000	50,000
2,365,000	-
1,603,386	210,980
1,845,000	164,000
245,000	25,000
828,000	67,000
9,470,000	50,000
444,049	8,699
111,857	-
180,000	-
353,305	-
25,000	-
15,000	-
15,000	-
39,609	19,512
611,130	-
<u>\$ 19,226,336</u>	<u>\$ 629,191</u>
<u>\$ 24,508,110</u>	<u>\$ 960,603</u>

<u>Revenue Bonds Payable</u>	
<u>Principal</u>	<u>Interest</u>
50,000	579,197
100,000	576,946
140,000	572,246
240,000	565,246
290,000	553,006
2,115,000	2,467,780
3,360,000	1,648,438
<u>3,175,000</u>	<u>198,439</u>
<u>9,470,000</u>	<u>7,161,298</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

6. INTERFUND RECEIVABLES AND PAYABLES:

Economic Development Fund:

Due from Capital Projects	\$ 2,760
Due from River Bluff Estates Fund	74,262

River Bluff Estates Fund:

Due to Economic Development Fund	\$ 74,262
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Capital Projects Fund:

Due to Economic Development Fund	<u>2,760</u>
	<u>\$ 77,022</u> <u>\$ 77,022</u>

7. DESIGNATED FUND BALANCES, RESERVED FUND BALANCES AND RESTRICTED NET ASSETS:

General Fund - Designated for working capital needs	\$ <u>885,940</u>
Total Designated Fund Balances	\$ <u>885,940</u>

Economic Development Fund - Reserved for capital outlay	\$ 7,144
2007 Street Improvement Bond Fund - Reserved for debt repayment	60,934
2006A Refunding Bond Fund - Reserved for debt repayment	596,756
2003 Improvement Bond Fund - Reserved for debt repayment	(71,733)
4 th Avenue Improvement Bond Fund - Reserved for debt repayment	(101,349)
GO Special Assessment Bond Fund - Reserved for debt repayment	<u>394,410</u>
Total Reserved Fund Balances	\$ <u>886,162</u>

Economic Development Fund - Restricted for capital outlay	\$ 7,144
2007 Street Improvement Bond Fund - Reserved for debt repayment	60,934
2006A Refunding Bond Fund - Reserved for debt repayment	596,756
2003 Improvement Bond Fund - Reserved for debt repayment	(71,733)
4 th Avenue Improvement Bond Fund - Reserved for debt repayment	(101,349)
GO Special Assessment Bond Fund - Restricted for debt repayment	394,410
Telecom - Restricted for debt repayment	<u>241,332</u>
Total Restricted Net Assets	\$ <u>1,127,494</u>

8. DEFICIT FUND EQUITY:

- The Equipment Capital Projects Fund has a deficit fund balance of \$151,533 at December 31, 2008. Management plans to eliminate this deficit by controlling expenses.
- The TIF District 1-12, 1-13, 1-14 Funds have deficit fund balances of \$3,782, \$77,989 and \$2,760 respectively at December 31, 2008. Management plans to eliminate this deficit by transferring cash and controlling expenses.
- The 2009 Street Improvement Fund has a deficit fund balance of \$55,188 at December 31, 2008. Management plans to eliminate this deficit by assessing properties under construction and increasing levies.
- The 2003 Improvement Fund has a deficit fund balance of \$71,733 at December 31, 2008. Management plans to eliminate this deficit by transferring cash and controlling expenses.
- The 4th Avenue Improvement Bond Fund has a deficit fund balance of \$101,349 at December 31, 2008. Management plans to eliminate this deficit by assessing properties under construction and increasing levies.
- The Airport Fund has a deficit fund balance of \$13,401 at December 31, 2008. Management plans to eliminate this deficit by increasing revenues and controlling expenses.
- The Telecommunications Fund has deficit net assets of \$4,773,425 at December 31, 2008. Management plans to eliminate this deficit by increasing sales and controlling expenses.
- The River Bluff Townhomes Fund has deficit net assets of \$156,846 at December 31, 2008. Management plans to eliminate this deficit by increasing occupancy and controlling expenses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

9. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY, GOVERNMENTAL FUNDS TYPES:

Expenditures exceeded budget in the following special revenue funds during the year ended December 31, 2008:

<u>Fund</u>	<u>Excess Expenditures</u>
Airport	\$ 8,546
EDA	79,153
Library	826
Swim Pool	9,090
Ambulance	5,751
TIF District 1-11	299
TIF District 1-13	4,498

10. RETIREMENT BENEFIT PENSION PLANS, STATEWIDE:

a. Plan Description

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

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

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and 65 for Basic and Coordinated members hired prior to 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.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

10. RETIREMENT BENEFIT PENSION PLANS, STATEWIDE (CONTINUED):

a. Plan Description (continued)

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

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

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

b. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.0%, respectively, of their annual covered salary in 2008. PEPFF members were required to contribute 8.6% of their annual covered salary in 2008. That rate will increase to 9.4% in 2009. The City of Windom is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.5% for Coordinated Plan PERF members and 12.9% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.1% respectively, effective January 1, 2009. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2008, 2007, and 2006 were \$148,277, \$129,440, and \$130,769, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2008, 2007, and 2006 were \$55,928, \$47,682, and \$43,378, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2008

11. INTERFUND TRANSFERS:

A listing of the operating from/to other funds is as follows:

a. Operating transfer from Municipal Liquor Fund to General Fund	\$ 70,000
b. Operating transfer from Electric Fund to General Fund	175,000
c. Capital transfer from Water Fund to 2006A Refunding Bond Fund	9,023
d. Capital transfer from Telecom Fund (UHF Equity) to General Fund	32,285

In addition, a transfer from Windom Area Hospital in the amount of \$204,749 was made to the Hospital Bond Debt Service Fund. This is the reported difference between transfers in and transfers out on Exhibit B.

12. RISK INFORMATION:

The government 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. During the year ended December 31, 2008, the Fund managed its risks as follows:

Public Entity Risk Pool:

The Fund is a member of the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for Minnesota local government entities. The agreement for formation of the LMCIT provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Fund had determined that it is not possible to estimate the amount of such additional assessments; however, they are not expected to be material to the financial statements taken as a whole. The Fund pays an annual premium to the pool to provide coverage of risks related to property, automobiles, theft, general liability, worker's compensation, employee liability and employee benefits and errors and omissions.

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2008

	<u>Library</u> <u>Fund</u>	<u>Airport</u> <u>Fund</u>	<u>Swim</u> <u>Pool</u> <u>Fund</u>
ASSETS			
Cash on hand, checking and time deposits	\$ 24,003	\$ -	\$ 25,834
Accounts receivable	-	230	-
Special assessments receivable, deferred	-	-	-
Special assessments receivable, delinquent	-	-	-
Grants receivable	-	116,199	-
Loans receivable	-	-	-
Interfund loans receivable	-	-	-
Property held for resale, construction in progress	-	28,113	-
Total assets	<u>\$ 24,003</u>	<u>\$ 144,542</u>	<u>\$ 25,834</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Cash deficiency	\$ -	\$ 34,504	\$ -
Accounts payable	5,282	123,039	-
Customer deposits	-	400	-
Deferred revenue, special assessments	-	-	-
Interfund notes payable	-	-	-
Notes payable	-	-	-
Total liabilities	<u>5,282</u>	<u>157,943</u>	<u>-</u>
Fund Balances:			
Fund balance - unreserved, undesignated	18,721	(13,401)	25,834
Fund balance - reserved (deficit)	-	-	-
Total fund balances	<u>18,721</u>	<u>(13,401)</u>	<u>25,834</u>
Total liabilities and fund balances	<u>\$ 24,003</u>	<u>\$ 144,542</u>	<u>\$ 25,834</u>

Special Revenue

Economic Development Fund	Ambulance Fund	North Industrial Park Fund	River Bluff Estates Fund	River Bluff Revolving Loan Fund
\$ -	\$ 570,040	\$ 16,355	\$ 96,381	\$ 21,987
-	134,002	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
77,022	-	-	-	-
<u>770,298</u>	<u>-</u>	<u>-</u>	<u>162,004</u>	<u>-</u>
<u>\$ 847,320</u>	<u>\$ 704,042</u>	<u>\$ 16,355</u>	<u>\$ 258,385</u>	<u>\$ 21,987</u>
\$ 62,535	\$ -	\$ -	\$ -	\$ -
580	4,056	-	210	-
-	-	-	-	-
-	-	-	-	-
-	-	-	74,262	-
<u>468,986</u>	<u>-</u>	<u>-</u>	<u>102,751</u>	<u>-</u>
<u>532,101</u>	<u>4,056</u>	<u>-</u>	<u>177,223</u>	<u>-</u>
308,075	699,986	16,355	81,162	21,987
<u>7,144</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>315,219</u>	<u>699,986</u>	<u>16,355</u>	<u>81,162</u>	<u>21,987</u>
<u>\$ 847,320</u>	<u>\$ 704,042</u>	<u>\$ 16,355</u>	<u>\$ 258,385</u>	<u>\$ 21,987</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2008

	<u>EDA</u> <u>Revolving</u> <u>Loan Fund</u>	<u>PM</u> <u>Revolving</u> <u>Loan Fund</u>	<u>SCDP</u> <u>Revolving</u> <u>Loan Fund</u>
<u>ASSETS</u>			
Cash on hand, checking and time deposits	\$ 41,919	\$ 540,151	\$ 104,020
Accounts receivable	-	-	-
Special assessments receivable, deferred	-	-	-
Special assessments receivable, delinquent	-	-	-
Grants receivable	-	-	-
Loans receivable	-	269,468	130,842
Interfund loans receivable	-	-	-
Property held for resale, construction in progress	22,453	278,990	-
Total assets	\$ 64,372	\$ 1,088,609	\$ 234,862
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Cash deficiency	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Customer deposits	-	-	-
Deferred revenue, special assessments	-	-	-
Interfund notes payable	-	-	-
Notes payable	-	150,000	-
Total liabilities	-	150,000	-
Fund Balances:			
Fund balance - unreserved, undesignated	64,372	938,609	234,862
Fund balance - reserved (deficit)	-	-	-
Total fund balances	64,372	938,609	234,862
Total liabilities and fund balances	\$ 64,372	\$ 1,088,609	\$ 234,862

Special Revenue

TIF District 1-1 Fund	TIF District 1-2 Fund	TIF District 1-3 Fund	TIF District 1-4 Fund	TIF District 1-6 Fund
\$ 61,226	\$ 73,403	\$ 237	\$ 1,630	\$ 970
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>61,226</u>	<u>73,403</u>	<u>237</u>	<u>1,630</u>	<u>970</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
61,226	73,403	237	1,630	970
-	-	-	-	-
<u>61,226</u>	<u>73,403</u>	<u>237</u>	<u>1,630</u>	<u>970</u>
<u>\$ 61,226</u>	<u>\$ 73,403</u>	<u>\$ 237</u>	<u>\$ 1,630</u>	<u>\$ 970</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2008

	<u>Special</u>		
	<u>TIF</u>	<u>TIF</u>	<u>TIF</u>
	<u>District 1-8</u>	<u>District 1-10</u>	<u>District 1-11</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
<u>ASSETS</u>			
Cash on hand, checking and time deposits	\$ 24,634	\$ -	\$ 3,085
Accounts receivable	-	-	-
Special assessments receivable, deferred	-	-	-
Special assessments receivable, delinquent	-	-	-
Grants receivable	-	-	-
Loans receivable	-	-	-
Interfund loans receivable	-	-	-
Property held for resale, construction in progress	-	-	-
Total assets	<u>\$ 24,634</u>	<u>\$ -</u>	<u>\$ 3,085</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Cash deficiency	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Customer deposits	-	-	-
Deferred revenue, special assessments	-	-	-
Interfund notes payable	-	-	-
Notes payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:			
Fund balance - unreserved, undesignated	24,634	-	3,085
Fund balance - reserved (deficit)	-	-	-
Total fund balances	<u>24,634</u>	<u>-</u>	<u>3,085</u>
Total liabilities and fund balances	<u>\$ 24,634</u>	<u>\$ -</u>	<u>\$ 3,085</u>

Revenue			Capital Projects	
TIF District 1-12 Fund	TIF District 1-13 Fund	TIF District 1-14 Fund	Equipment Capital Projects Fund	2009 Street Improvement Fund
\$ 2,909	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	5,470	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 2,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,470</u>	<u>\$ -</u>
\$ -	\$ 7,045	\$ -	\$ 157,003	\$ 42,097
6,691	70,944	-	-	13,091
-	-	-	-	-
-	-	2,760	-	-
-	-	-	-	-
<u>6,691</u>	<u>77,989</u>	<u>2,760</u>	<u>157,003</u>	<u>55,188</u>
(3,782)	(77,989)	(2,760)	(151,533)	(55,188)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(3,782)</u>	<u>(77,989)</u>	<u>(2,760)</u>	<u>(151,533)</u>	<u>(55,188)</u>
<u>\$ 2,909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,470</u>	<u>\$ -</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2008

	Debt Service		
	2003	4th Avenue	2006 A
	Improvement	Improvement	Refunding
	Bond Fund	Bond Fund	Bond Fund
<u>ASSETS</u>			
Cash on hand, checking and time deposits	\$ -	\$ -	\$ 596,756
Accounts receivable	-	-	-
Special assessments receivable, deferred	175,488	137,033	171,793
Special assessments receivable, delinquent	-	-	-
Grants receivable	-	-	-
Loans receivable	-	-	-
Interfund loans receivable	-	-	-
Property held for resale, construction in progress	-	-	-
Total assets	\$ 175,488	\$ 137,033	\$ 768,549
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Cash deficiency	\$ 71,733	\$ 101,349	\$ -
Accounts payable	-	-	-
Customer deposits	-	-	-
Deferred revenue, special assessments	175,488	137,033	171,793
Interfund notes payable	-	-	-
Notes payable	-	-	-
Total liabilities	247,221	238,382	171,793
 Fund Balances:			
Fund balance - unreserved, undesignated	-	-	-
Fund balance - reserved (deficit)	(71,733)	(101,349)	596,756
Total fund balances	(71,733)	(101,349)	596,756
Total liabilities and fund balances	\$ 175,488	\$ 137,033	\$ 768,549

2007 Street Improvement Bond Fund	GO Special Assessment Bond Fund	Hospital Bond Fund	Total Nonmajor Governmental Funds
\$ 60,934	\$ 379,405	\$ -	\$ 2,645,879
-	-	-	134,232
284,253	474,374	-	1,242,941
-	17,333	-	17,333
-	-	-	121,669
-	-	-	400,310
-	-	-	77,022
-	-	-	1,261,858
<u>\$ 345,187</u>	<u>\$ 871,112</u>	<u>\$ -</u>	<u>\$ 5,901,244</u>
\$ -	\$ -	\$ -	\$ 476,266
-	2,328	-	226,221
-	-	-	400
284,253	474,374	-	1,242,941
-	-	-	77,022
-	-	-	721,737
<u>284,253</u>	<u>476,702</u>	<u>-</u>	<u>2,744,587</u>
-	-	-	2,270,495
<u>60,934</u>	<u>394,410</u>	<u>-</u>	<u>886,162</u>
<u>60,934</u>	<u>394,410</u>	<u>-</u>	<u>3,156,657</u>
<u>\$ 345,187</u>	<u>\$ 871,112</u>	<u>\$ -</u>	<u>\$ 5,901,244</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

<u>Revenues</u>	<u>Library</u> <u>Fund</u>	<u>Airport</u> <u>Fund</u>	<u>Swim</u> <u>Pool</u> <u>Fund</u>
Local property taxes	\$ 156,695	\$ -	\$ 56,700
Special assessments	-	-	-
Intergovernmental revenues	11,686	-	-
State grants	-	131,685	-
Charges for services and facilities	1,294	47,181	32,337
Fines and forfeits	1,920	-	-
Investment income	-	-	-
Other revenues	1,169	878	7,461
Total revenues	<u>172,764</u>	<u>179,744</u>	<u>96,498</u>
 <u>Expenditures</u>			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation:			
Library	169,817	-	-
Swim pool	-	-	98,109
Conservation and development:			
Economic development and assistance	-	-	-
Airport	-	52,932	-
Capital outlay:			
Other	4,295	124,805	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>174,112</u>	<u>177,737</u>	<u>98,109</u>
Excess of revenues over (under) expenditures	<u>(1,348)</u>	<u>2,007</u>	<u>(1,611)</u>
 <u>Other Financing Sources</u>			
Operating transfers in	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(1,348)	2,007	(1,611)
Fund balance (deficit), January 1, 2008	20,069	(15,408)	27,445
Fund balance (deficit), December 31, 2008	<u>\$ 18,721</u>	<u>\$ (13,401)</u>	<u>\$ 25,834</u>

Special Revenue

Economic Development Fund	Ambulance Fund	North Industrial Park Fund	River Bluff Estates Fund	River Bluff Revolving Loan Fund
\$ 99,175	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	1,000	-	-	-
-	-	-	-	-
31,901	406,650	-	-	-
-	-	-	-	-
800	-	-	-	-
4,354	6,632	10,920	20,842	-
<u>136,230</u>	<u>414,282</u>	<u>10,920</u>	<u>20,842</u>	<u>-</u>
-	233,748	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
235,319	-	608	4,274	100
-	-	-	-	-
-	23,139	-	-	-
-	-	-	-	-
-	-	-	7,915	-
<u>235,319</u>	<u>256,887</u>	<u>608</u>	<u>12,189</u>	<u>100</u>
<u>(99,089)</u>	<u>157,395</u>	<u>10,312</u>	<u>8,653</u>	<u>(100)</u>
-	-	-	-	-
-	-	-	-	-
(99,089)	157,395	10,312	8,653	(100)
414,308	542,591	6,043	72,509	22,087
<u>\$ 315,219</u>	<u>\$ 699,986</u>	<u>\$ 16,355</u>	<u>\$ 81,162</u>	<u>\$ 21,987</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

	EDA	PM	SCDP
	Revolving Loan Fund	Revolving Loan Fund	Revolving Loan Fund
Revenues			
Local property taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Intergovernmental revenues	-	-	-
State grants	-	-	-
Charges for services and facilities	-	-	-
Fines and forfeits	-	-	-
Investment income	1,077	-	-
Other revenues	-	18,083	6,508
Total revenues	<u>1,077</u>	<u>18,083</u>	<u>6,508</u>
Expenditures			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation:			
Library	-	-	-
Swim pool	-	-	-
Conservation and development:			
Economic development and assistance	100	100	19,203
Airport	-	-	-
Capital outlay:			
Other	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>100</u>	<u>100</u>	<u>19,203</u>
Excess of revenues over (under) expenditures	<u>977</u>	<u>17,983</u>	<u>(12,695)</u>
Other Financing Sources			
Operating transfers in	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>977</u>	<u>17,983</u>	<u>(12,695)</u>
Fund balance (deficit), January 1, 2008	63,395	920,626	247,557
Fund balance (deficit), December 31, 2008	<u>\$ 64,372</u>	<u>\$ 938,609</u>	<u>\$ 234,862</u>

Special Revenue

TIF District 1-1 Fund		TIF District 1-2 Fund		TIF District 1-3 Fund		TIF District 1-4 Fund		TIF District 1-6 Fund	
\$	-	\$	-	\$	-	\$	-	\$	-
	-		-		-		-		-
	786		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	5,059		53,256		-		55,665		-
	<u>5,845</u>		<u>53,256</u>		<u>-</u>		<u>55,665</u>		<u>-</u>
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	-		2,734		-		5,567		-
	-		-		-		-		-
	-		-		-		-		-
	-		-		-		-		-
	-		24,603		-		50,098		-
	-		<u>27,337</u>		<u>-</u>		<u>55,665</u>		<u>-</u>
	<u>5,845</u>		<u>25,919</u>		<u>-</u>		<u>-</u>		<u>-</u>
	-		-		-		-		-
	-		-		-		-		-
	5,845		25,919		-		-		-
	55,381		47,484		237		1,630		970
\$	<u>61,226</u>	\$	<u>73,403</u>	\$	<u>237</u>	\$	<u>1,630</u>	\$	<u>970</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Special		
	TIF	TIF	TIF
	District 1-8	District 1-10	District 1-11
<u>Revenues</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Local property taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Intergovernmental revenues	-	-	-
State grants	-	-	-
Charges for services and facilities	-	-	-
Fines and forfeits	-	-	-
Investment income	-	-	-
Other revenues	5,830	25,524	6,499
Total revenues	<u>5,830</u>	<u>25,524</u>	<u>6,499</u>
<u>Expenditures</u>			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation:			
Library	-	-	-
Swim pool	-	-	-
Conservation and development:			
Economic development			
and assistance	583	2,552	6,499
Airport	-	-	-
Capital outlay:			
Other	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	5,247	22,972	-
Total expenditures	<u>5,830</u>	<u>25,524</u>	<u>6,499</u>
Excess of revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<u>Other Financing Sources</u>			
Operating transfers in	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	-	-	-
Fund balance (deficit), January 1, 2008	24,634	-	3,085
Fund balance (deficit), December 31, 2008	<u>\$ 24,634</u>	<u>\$ -</u>	<u>\$ 3,085</u>

Revenue			Capital Projects	
TIF District 1-12 Fund	TIF District 1-13 Fund	TIF District 1-14 Fund	Equipment Capital Projects Fund	2009 Street Improvement Fund
\$ -	\$ -	\$ -	\$ 98,244	\$ -
-	-	-	-	-
-	2,961	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	2,995	-
97,666	18,813	-	34,032	-
<u>97,666</u>	<u>21,774</u>	<u>-</u>	<u>135,271</u>	<u>-</u>
-	-	-	-	-
-	-	-	1,446	-
-	-	-	-	-
-	-	-	-	-
9,767	-	-	-	-
-	-	-	-	-
-	-	-	117,906	55,188
-	15,000	-	40,000	-
87,899	14,497	-	1,840	-
<u>97,666</u>	<u>29,497</u>	<u>-</u>	<u>161,192</u>	<u>55,188</u>
-	(7,723)	-	(25,921)	(55,188)
-	-	-	-	-
-	-	-	-	-
-	(7,723)	-	(25,921)	(55,188)
(3,782)	(70,266)	(2,760)	(125,612)	-
<u>\$ (3,782)</u>	<u>\$ (77,989)</u>	<u>\$ (2,760)</u>	<u>\$ (151,533)</u>	<u>\$ (55,188)</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2008

	Debt		
	2003	4th Avenue	2006 A
	Improvement Bond Fund	Improvement Bond Fund	Refunding Bond Fund
Revenues			
Local property taxes	\$ -	\$ -	\$ -
Special assessments	34,464	19,422	8,983
Intergovernmental revenues	-	-	-
State grants	-	-	-
Charges for services and facilities	-	-	-
Fines and forfeits	-	-	-
Investment income	-	-	24,132
Other revenues	-	-	-
Total revenues	34,464	19,422	33,115
Expenditures			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation:			
Library	-	-	-
Swim pool	-	-	-
Conservation and development:			
Economic development and assistance	-	-	-
Airport	-	-	-
Capital outlay:			
Other	42,010	-	-
Debt service:			
Principal retirement	48,000	25,000	20,000
Interest and fiscal charges	26,641	16,604	37,505
Total expenditures	116,651	41,604	57,505
Excess of revenues over (under) expenditures	(82,187)	(22,182)	(24,390)
Other Financing Sources			
Operating transfers in	-	-	9,023
Total other financing sources	-	-	9,023
Net change in fund balances	(82,187)	(22,182)	(15,367)
Fund balance (deficit), January 1, 2008	10,454	(79,167)	612,123
Fund balance (deficit), December 31, 2008	\$ (71,733)	\$ (101,349)	\$ 596,756

Service			Total
2007 Street Improvement Bond Fund	GO Special Assessment Bond Fund	Hospital Bond Fund	Nonmajor Governmental Funds
\$ 46,397	\$ 16,239	\$ -	\$ 473,450
23,683	228,759	-	315,311
-	-	-	16,433
-	-	-	131,685
-	-	-	519,363
-	-	-	1,920
-	29,837	-	58,841
-	-	-	379,191
<u>70,080</u>	<u>274,835</u>	<u>-</u>	<u>1,896,194</u>
-	-	-	233,748
1,200	-	-	2,646
-	-	-	169,817
-	-	-	98,109
-	-	-	287,406
-	-	-	52,932
21,941	6,309	-	395,593
-	86,393	95,000	329,393
<u>63,827</u>	<u>26,739</u>	<u>109,749</u>	<u>496,136</u>
<u>86,968</u>	<u>119,441</u>	<u>204,749</u>	<u>2,065,780</u>
<u>(16,888)</u>	<u>155,394</u>	<u>(204,749)</u>	<u>(169,586)</u>
-	-	204,749	213,772
-	-	204,749	213,772
(16,888)	155,394	-	44,186
<u>77,822</u>	<u>239,016</u>	<u>-</u>	<u>3,112,471</u>
<u>\$ 60,934</u>	<u>\$ 394,410</u>	<u>\$ -</u>	<u>\$ 3,156,657</u>

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2008

<u>ASSETS</u>	<u>Arena</u>	<u>Multi-Purpose</u>	<u>River</u>	<u>Total</u>
	<u>Fund</u>	<u>Center</u>	<u>Bluff</u>	<u>Nonmajor</u>
	<u>Fund</u>	<u>Fund</u>	<u>Townhomes</u>	<u>Enterprise</u>
				<u>Funds</u>
<u>Current assets</u>				
Cash and interest-bearing deposits	\$ 6,377	\$ -	\$ 8,840	\$ 15,217
Accounts and accrued interest receivable	380	100	3,670	4,150
Inventories	281	-	-	281
Total current assets	<u>7,038</u>	<u>100</u>	<u>12,510</u>	<u>19,648</u>
<u>Fixed</u>				
Property, plant, equipment	1,239,838	2,186,660	1,235,145	4,661,643
Less: accumulated depreciation	<u>1,012,349</u>	<u>622,835</u>	<u>253,101</u>	<u>1,888,285</u>
Net fixed assets	<u>227,489</u>	<u>1,563,825</u>	<u>982,044</u>	<u>2,773,358</u>
Total assets	<u>\$ 234,527</u>	<u>\$ 1,563,925</u>	<u>\$ 994,554</u>	<u>\$ 2,793,006</u>
<u>LIABILITIES</u>				
<u>Current liabilities</u>				
Cash deficiency	\$ -	\$ 220,975	\$ -	\$ 220,975
Accounts payable	4,930	4,398	2,389	11,717
Customer deposits	-	-	4,800	4,800
Notes payable within one year	<u>-</u>	<u>-</u>	<u>8,699</u>	<u>8,699</u>
Total current liabilities	<u>4,930</u>	<u>225,373</u>	<u>15,888</u>	<u>246,191</u>
<u>Non-current liabilities</u>				
Accrued vacation and sick	51,609	26,994	-	78,603
Notes payable	<u>-</u>	<u>-</u>	<u>1,135,512</u>	<u>1,135,512</u>
Total non-current liabilities	<u>51,609</u>	<u>26,994</u>	<u>1,135,512</u>	<u>1,214,115</u>
Total liabilities	<u>56,539</u>	<u>252,367</u>	<u>1,151,400</u>	<u>1,460,306</u>
<u>Net Assets</u>				
Net Assets:				
Invested in capital assets, net of related debt	227,489	1,563,825	-	1,791,314
Unreserved (deficit)	<u>(49,501)</u>	<u>(252,267)</u>	<u>(156,846)</u>	<u>(458,614)</u>
Total net assets (deficit)	<u>\$ 177,988</u>	<u>\$ 1,311,558</u>	<u>\$ (156,846)</u>	<u>\$ 1,332,700</u>

NONMAJOR ENTERPRISE FUNDS
STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Total Nonmajor Enterprise Funds
<u>Operating revenues</u>				
Facility use and other revenues	\$ 152,238	\$ 64,836	\$ 83,171	\$ 300,245
<u>Operating expense</u>				
Salaries and wages	129,160	130,771	-	259,931
Payroll taxes	16,646	17,149	-	33,795
Employee insurance	10,472	16,103	-	26,575
Supplies and maintenance costs	21,111	10,524	19,680	51,315
Utilities	60,361	35,493	7,368	103,222
Insurance	7,114	7,825	7,185	22,124
Depreciation and amortization	35,432	67,120	35,574	138,126
Other operating expense	56,861	26,661	11,584	95,106
Total operating expense	337,157	311,646	81,391	730,194
Operating income (loss)	(184,919)	(246,810)	1,780	(429,949)
<u>Other revenues</u>				
Local property taxes	206,925	212,435	-	419,360
Gain on sale of assets	3,002	-	-	3,002
Contributions/reimbursements	5,500	-	-	5,500
Total other revenues	215,427	212,435	-	427,862
<u>Other charges</u>				
Interest and debt services	-	-	26,090	26,090
Total other charges	-	-	26,090	26,090
Change in net assets	30,508	(34,375)	(24,310)	(28,177)
Net assets (deficit), January 1, 2008	147,480	1,345,933	(132,536)	1,360,877
Net assets (deficit), December 31, 2008	\$ 177,988	\$ 1,311,558	\$ (156,846)	\$ 1,332,700

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008

	Arena Fund	Multi-Purpose Center Fund
	<u> </u>	<u> </u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 152,348	\$ 64,736
Cash payments to suppliers for goods and services	(85,414)	(50,467)
Cash payments to/for employees for services	(151,195)	(159,748)
Other expense	(56,861)	(26,661)
Net cash provided (used) by operating activities	<u>(141,122)</u>	<u>(172,140)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash received from property taxes	206,925	212,435
Net cash provided by non-capital financing activities	<u>206,925</u>	<u>212,435</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions and construction of capital assets	(40,365)	(3,380)
Dispositions of capital assets	3,002	-
Principal payments on long-term debt	-	-
Interest paid	-	-
Other revenue	5,500	-
Net cash (used) by capital and financing activities	<u>(31,863)</u>	<u>(3,380)</u>
Net increase in cash and cash equivalents	<u>33,940</u>	<u>36,915</u>
Cash and interest bearing deposits, January 1, 2008	<u>(27,563)</u>	<u>(257,890)</u>
Cash and interest bearing deposits, December 31, 2008	<u>\$ 6,377</u>	<u>\$ (220,975)</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net income (loss) from operations	\$ (184,919)	\$ (246,810)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	35,432	67,120
Changes in assets and liabilities:		
(Increase) decrease in receivables	110	(100)
(Increase) decrease in inventory	(57)	-
Increase (decrease) in accounts payable	3,229	3,375
Increase (decrease) in customer deposits	-	-
Increase (decrease) in accrued vacation and sick	5,083	4,275
Net cash provided (used) by operating activities	<u>\$ (141,122)</u>	<u>\$ (172,140)</u>

River Bluff Townhomes	Total Nonmajor Enterprise Funds
\$ 84,371	\$ 301,455
(33,665)	(169,546)
-	(310,943)
(11,584)	(95,106)
<u>39,122</u>	<u>(274,140)</u>
-	419,360
<u>-</u>	<u>419,360</u>
-	(43,745)
-	3,002
(8,090)	(8,090)
(26,090)	(26,090)
<u>-</u>	<u>5,500</u>
<u>(34,180)</u>	<u>(69,423)</u>
<u>4,942</u>	<u>75,797</u>
<u>3,898</u>	<u>(281,555)</u>
<u>8,840</u>	<u>\$ (205,758)</u>
\$ 1,780	\$ (429,949)
35,574	138,126
-	10
-	(57)
568	7,172
1,200	1,200
<u>-</u>	<u>9,358</u>
<u>\$ 39,122</u>	<u>\$ (274,140)</u>

DENNIS L. RICK, LTD.

CERTIFIED PUBLIC ACCOUNTANTS

American Institute of Certified Public Accountants
Minnesota Society of Certified Public Accountants

DENNIS L. RICK, CPA
JESSICA S. PAPLOW, CPA

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

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

We have audited the financial statements of City of Windom, Minnesota as of and for the year ended December 31, 2008 and have issued our report thereon dated June 12, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government*, promulgated by the State Auditor pursuant to Minn. Stat. 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and Tax Increment Financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City of Windom, Minnesota complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the City Council, management, others within the City, and State and Federal awarding agencies and is not intended to be, and should not be, used by anyone other than those specified parties.

Dennis L. Rick, LTD.

Worthington, Minnesota
June 12, 2009

