

REPORT

ON

AUDIT

CITY OF WINDOM

COTTONWOOD COUNTY, MINNESOTA

DECEMBER 31, 2010

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-13
Basic Financial Statements:	
Government-Wide Financial Statements:	
Exhibit A Statement of Net Assets	14
Exhibit B Statement of Activities	15
Fund Financial Statements:	
Exhibit C Balance Sheet - Governmental Funds	16
Exhibit D Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Exhibit E Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	18
Exhibit F Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	19
Exhibit G Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	20
Exhibit H Statement of Net Assets - Proprietary Funds	21
Exhibit I Statement of Revenues and Expenses and Changes in Fund Net Assets - Proprietary Funds	22
Exhibit J Statement of Cash Flows - Proprietary Funds	23-24
Notes to Financial Statements	25-41
Combining and Individual Fund Statements and Schedules:	
Schedule 1 Non-Major Governmental Funds - Combining Balance Sheet	42-45
Schedule 2 Non-Major Governmental Funds - Combining Statement of Revenues, Expenditures, And Changes in Fund Balances	46-49
Schedule 3 Non-Major Enterprise Funds - Combining Statement of Net Assets	50
Schedule 4 Non-Major Enterprise Funds - Statement of Revenue and Expenses and Changes in Net Assets	51
Schedule 5 Non-Major Enterprise Funds -	
Combining Statement of Cash Flows	52
Other Required Report:	
Independent Auditor's Report on Legal Compliance	53

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
ANDREA M. JOHNSON, 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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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 general purpose 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 8, 2010, 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 \$18,603,846 and liabilities would have increased by \$2,838,001 respectively as of December 31, 2010, and revenues and expenses would have increased \$13,658,523 and \$12,778,012 respectively for the twelve month period ended December 31, 2010.

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, 2010, 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.

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The Management's Discussion and Analysis on pages 3 through 13 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.

Donald J. Rick, LTD.

Worthington, Minnesota

June 15, 2011

CITY OF WINDOM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010. 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.

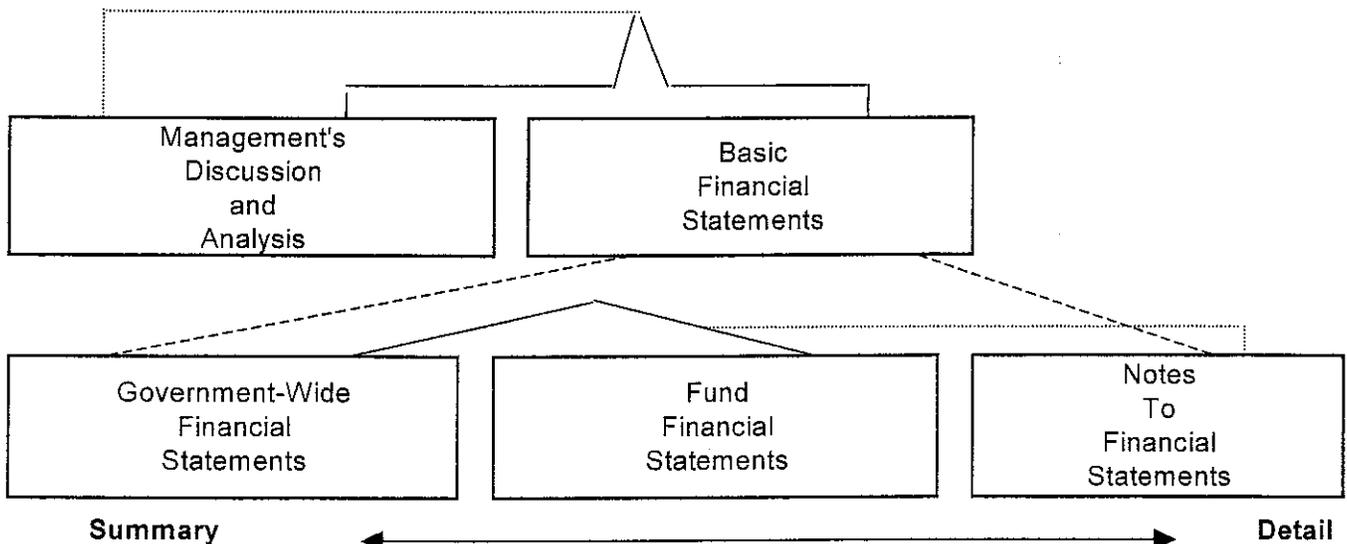
FINANCIAL AND OTHER HIGHLIGHTS

Key financial highlights for the 2010 year include the following:

- The assets of the City exceeded its liabilities at the close of the most recent year by \$21,717,322 (net assets).
- The City's total net assets from operations increased by \$892,531.
- As of the close of the current year, the City's governmental funds reported combined ending net assets of 10,762,005. Of this total amount, fifty-six (56) percent or \$6,066,967 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 \$1,744,729 or eighty-six (86) percent of total general fund expenditures. A portion of this balance will be used to reduce deficits in other governmental funds.
- The City's net total bonded debt decreased by \$3,798,751 during the current fiscal year.
- The City saw a loss of \$321,001 in State Aids and Credits from the Local Government Aid (LGA) and Home Market Value Credit (HMVC) programs. The loss of these funds directly impacts the City's General Fund, as State Aids comprise about 52% of the General Fund budget. Despite the loss of state aid the City Council and Staff were able to hold property tax increases to 2.48%.
- Due to the slow national economy, the Building Department anticipated a down year for building permits and revenue. The actual revenue was higher than the 2010 budget by \$18,384.

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, 2010

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, 2010

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, 2010

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 \$21,717,322 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, 2010, is as follows:

NET ASSETS - 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 6,330,159	\$ 7,365,222	\$ 13,695,381
Capital Assets	10,109,508	21,763,798	31,873,306
Total Assets	<u>16,439,667</u>	<u>29,129,020</u>	<u>45,568,687</u>
Current Liabilities	965,199	1,656,368	2,621,567
Non-Current Liabilities	4,712,463	16,517,335	21,229,798
Total Liabilities	<u>5,677,662</u>	<u>18,173,703</u>	<u>23,851,365</u>
Investment in Capital Assets, Net of Related Debt	4,539,783	11,237,179	15,776,962
Restricted	282,920	1,493,786	1,776,706
Unrestricted	<u>5,939,302</u>	<u>(1,775,648)</u>	<u>4,163,654</u>
Total Net Assets - December 31, 2010	<u>\$ 10,762,005</u>	<u>\$ 10,955,317</u>	<u>\$ 21,717,322</u>

An additional portion of the City's net assets (8 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 \$4,163,654. 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, 2009, is as follows:

NET ASSETS - 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current and Other Assets	\$ 6,373,244	\$ 8,816,574	\$ 15,189,818
Capital Assets	10,831,967	22,959,155	33,791,122
Total Assets	<u>17,205,211</u>	<u>31,775,729</u>	<u>48,980,940</u>
Current Liabilities	500,135	4,204,956	4,705,091
Non-Current Liabilities	5,718,518	17,732,540	23,451,058
Total Liabilities	<u>6,218,653</u>	<u>21,937,496</u>	<u>28,156,149</u>
Investment in Capital Assets, Net of Related Debt	4,728,434	10,722,764	15,451,198
Restricted	370,094	3,880,389	4,250,483
Unrestricted	<u>5,888,030</u>	<u>(4,764,920)</u>	<u>1,123,110</u>
Total Net Assets - December 31, 2009	<u>\$ 10,986,558</u>	<u>\$ 9,838,233</u>	<u>\$ 20,824,791</u>

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

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 \$224,553, thereby accounting for 2 percent of the total decrease in the net assets of the City. The majority of this change is due to an increase in expenses and reductions in property tax revenue and State aids.

Business-Type Activities

Business-type activities increased the City's net assets by \$1,117,084. The increase would have been \$1,778,385 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 \$6,148,134 and expenses exceeding revenues by \$661,301 in the telecom fund.

A summary of the City's change in net assets for the year ended December 31, 2010, is as follows:

CHANGE IN NET ASSETS - 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for Services	\$ 620,140	\$ 12,563,161	\$ 13,183,301
Capital Grants and Contributions	335,855	26,997	362,852
General Revenues			
Property Taxes	961,390	489,448	1,450,838
Unallocated Federal and State Aid	1,412,137	-	1,412,137
Other	611,426	54,566	665,992
Total Revenues	<u>3,940,948</u>	<u>13,134,172</u>	<u>17,075,120</u>
Expenses			
General Government	432,561	-	432,561
Public Safety	1,374,253	-	1,374,253
Public Works	823,145	-	823,145
Health & Welfare	2,063,342	-	2,063,342
Culture & Recreation	554,529	-	554,529
Conservation & Economic Development	653,803	-	653,803
Airport	191,912	-	191,912
Interest on Long-Term Debt	446,385	-	446,385
Liquor	-	1,362,183	1,362,183
Water	-	804,342	804,342
Electric	-	5,218,889	5,218,889
Sewer	-	991,915	991,915
Telecom	-	2,643,194	2,643,194
Arena	-	327,737	327,737
Multipurpose	-	281,718	281,718
River Bluff Townhomes	-	103,650	103,650
Total Expenses	<u>6,539,930</u>	<u>11,733,628</u>	<u>18,273,558</u>
Increase (Decrease) in			
Net Assets before Transfers	(2,598,982)	1,400,544	(1,198,438)
Transfers	2,374,429	(283,460)	2,090,969
Change in Net Assets	(224,553)	1,117,084	892,531
Net Assets - Beginning	10,986,558	9,838,233	20,824,791
Net Assets - Ending - December 31, 2010	10,762,005	10,955,317	21,717,322

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2009, is as follows:

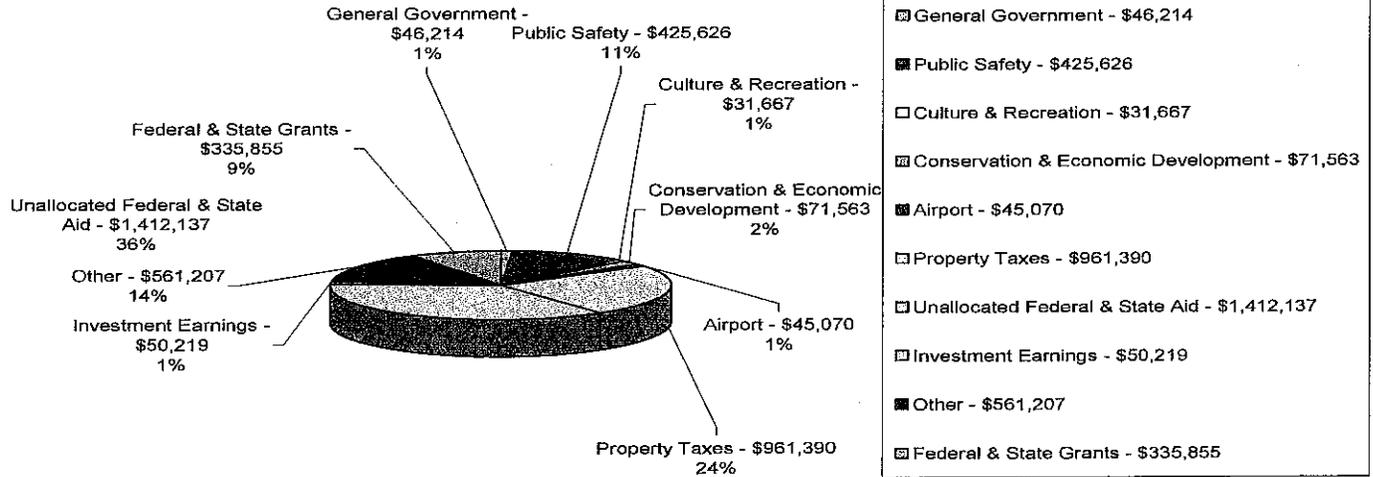
CHANGE IN NET ASSETS - 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Revenues			
Program Revenues			
Charges for Services	\$ 594,449	\$ 10,812,576	\$ 11,407,025
Capital Grants and Contributions	1,533,462	1,385	1,534,847
General Revenues			
Property Taxes	1,318,468	477,795	1,796,263
Unallocated Federal and State Aid	1,536,014	-	1,536,014
Other	592,236	76,850	669,086
Total Revenues	<u>5,574,629</u>	<u>11,368,606</u>	<u>16,943,235</u>
Expenses			
General Government	427,943	-	427,943
Public Safety	1,323,462	-	1,323,462
Public Works	754,690	-	754,690
Health & Welfare	135,113	-	135,113
Culture & Recreation	548,439	-	548,439
Conservation & Economic Development	264,851	-	264,851
Airport	165,854	-	165,854
Interest on Long-Term Debt	488,347	-	488,347
Liquor	-	1,295,602	1,295,602
Water	-	845,476	845,476
Electric	-	4,880,113	4,880,113
Sewer	-	953,050	953,050
Telecom	-	2,601,527	2,601,527
Arena	-	320,301	320,301
Multipurpose	-	282,362	282,362
River Bluff Townhomes	-	97,249	97,249
Total Expenses	<u>4,108,699</u>	<u>11,275,680</u>	<u>15,384,379</u>
Increase (Decrease) in			
Net Assets before Transfers	1,465,930	92,926	1,558,856
Transfers	242,040	(35,904)	206,136
Change in Net Assets	1,707,970	57,022	1,764,992
Net Assets - Beginning	9,278,588	9,781,211	19,059,799
Net Assets - Ending - December 31, 2009	10,986,558	9,838,233	20,824,791

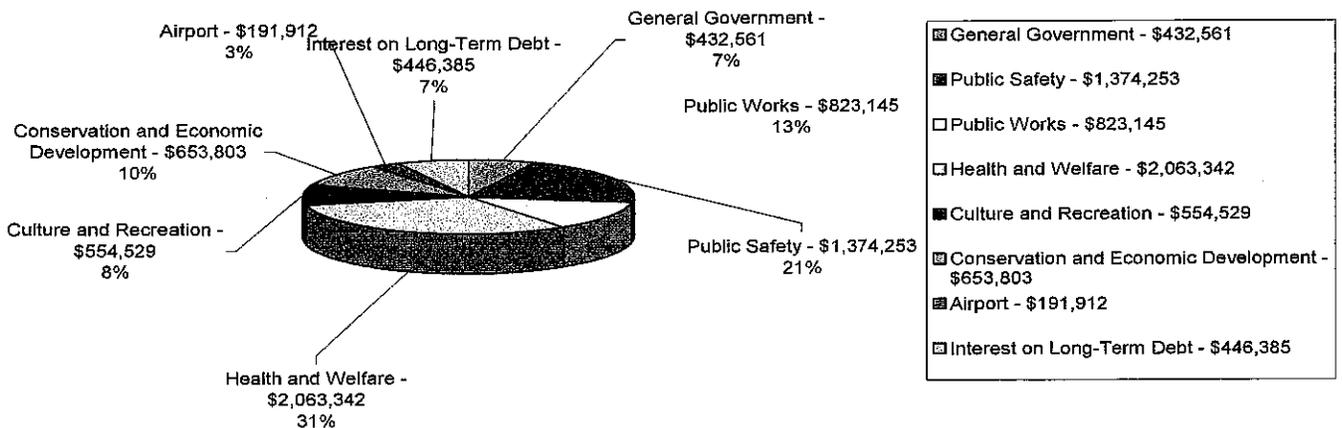
CITY OF WINDOM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2010

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

GOVERNMENTAL ACTIVITIES - REVENUES
Total: \$3,940,948



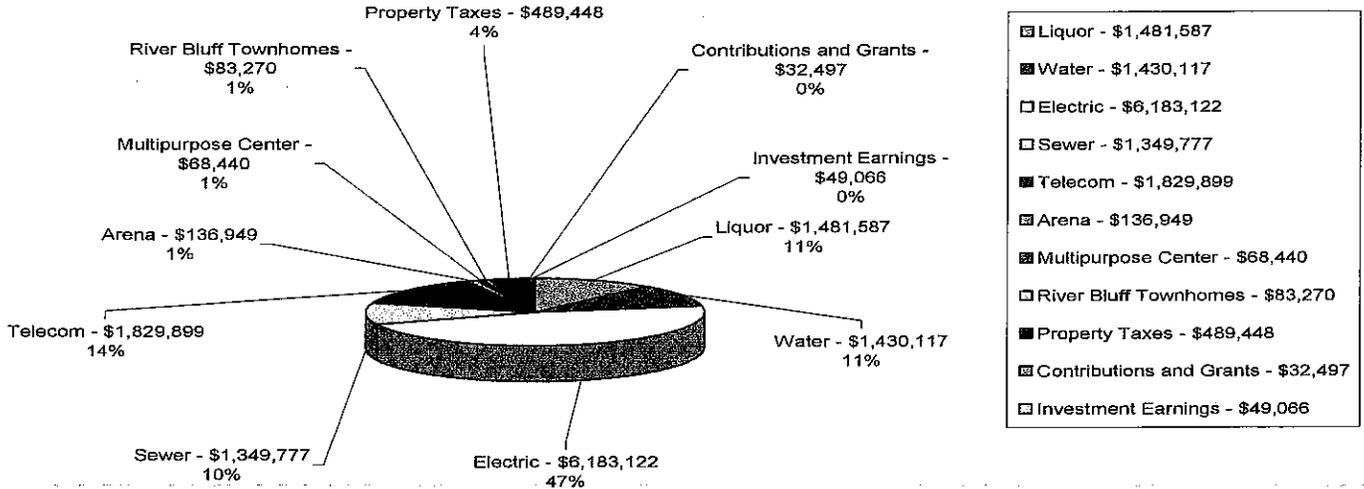
GOVERNMENTAL ACTIVITIES - EXPENSES
Total: \$6,539,930



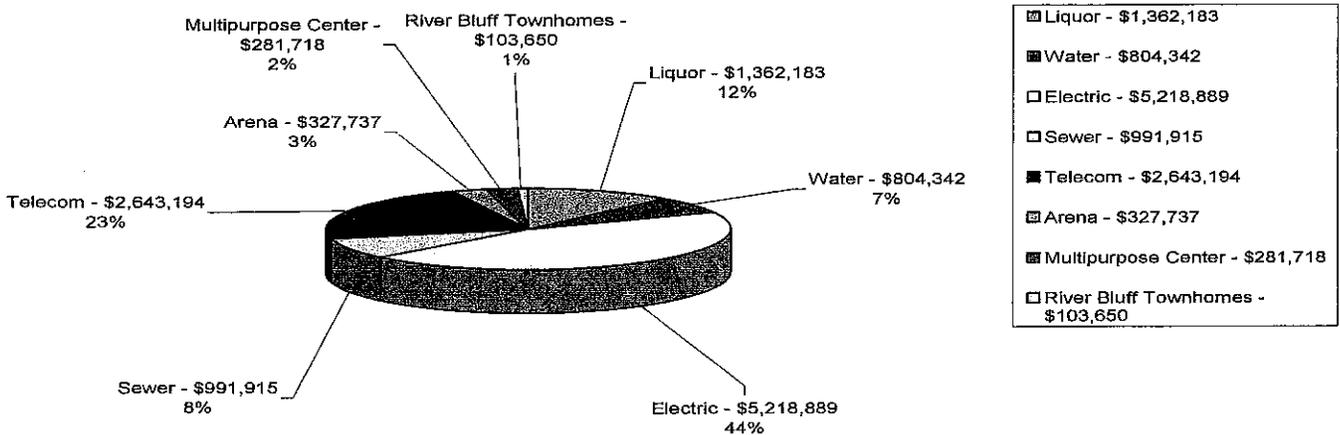
CITY OF WINDOM, MINNESOTA
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED DECEMBER 31, 2010

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

BUSINESS TYPE ACTIVITIES - REVENUES
 Total: \$13,134,172



BUSINESS-TYPE ACTIVITIES - EXPENSES
 Total: \$11,733,628



CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

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 \$4,609,929, an increase of \$348,759 in comparison with the prior year. Of this total, \$2,582,280 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 \$1,744,729, which was designated for working capital needs.

The fund balance of the City's general fund increased by \$297,313 during the current fiscal year. This year's increase was due to favorable revenue and 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 \$10,955,317, an increase of \$1,117,084 in comparison with the prior year. Of this total, a deficit balance of \$1,755,648 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 2010 general fund budget in December of 2009, anticipating a increase in general fund reserves of \$25,271.

The City's General Fund increased its reserve fund balance by \$297,313 due to slightly higher than anticipated revenues and budget reductions in departmental budgets. A strong City General Fund balance is necessary to balance the cash flow needs of the community, meet bond payment obligations, guard against additional State Aid losses, and keep a good bond rating.

- Actual revenues were \$182,059, or 9.6 percent, more than budget, due primarily to actual state aid revenues being more than budgeted amounts.
- Actual expenditures were \$89,983, or 4.3 percent, less than budget. This overall favorable variance was a combination of positive variances in general government, public safety, public works, and parks 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, 2010, amounts to \$31,873,306 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure. The total increase in the City's investment in capital assets for the current fiscal year was \$630,805 or 1.1 percent. Governmental activities and business-type activities accounted for 23 percent and 77 percent of the increase respectively.

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

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 - 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 227,061	\$ 154,922	\$ 381,983
Buildings and Improvements	3,615,475	9,064,363	12,679,838
Machinery and Equipment	1,163,487	478,156	1,641,643
Other	5,103,485	12,066,357	17,169,842
Total - December 31, 2010	<u>\$ 10,109,508</u>	<u>\$ 21,763,798</u>	<u>\$ 31,873,306</u>

CAPITAL ASSETS - NET OF DEPRECIATION - 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Land	\$ 227,061	\$ 154,922	\$ 381,983
Buildings and Improvements	3,666,316	9,666,177	13,332,493
Machinery and Equipment	1,675,566	637,809	2,313,375
Construction in Progress	1,423,372	15,018	1,438,390
Other	3,839,652	12,485,229	16,324,881
Total - December 31, 2009	<u>\$ 10,831,967</u>	<u>\$ 22,959,155</u>	<u>\$ 33,791,122</u>

Bonded Debt

At year-end, the City had \$20,217,975 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 - 2010

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Bonded Debt			
General Obligation Bonds	\$ 4,686,865	\$ 3,307,000	\$ 7,993,865
General Obligation Revenue Bonds	- - -	2,904,110	2,904,110
Revenue Bonds	- - -	9,320,000	9,320,000
Total 2010	<u>\$ 4,686,865</u>	<u>\$ 15,531,110</u>	<u>\$ 20,217,975</u>

OUTSTANDING BONDED DEBT - 2009

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Bonded Debt			
General Obligation Bonds	\$ 5,006,320	\$ 5,756,000	\$ 10,762,320
General Obligation Revenue Bonds	- - -	3,834,406	3,834,406
Revenue Bonds	- - -	9,420,000	9,420,000
Total 2009	<u>\$ 5,006,320</u>	<u>\$ 19,010,406</u>	<u>\$ 24,016,726</u>

CITY OF WINDOM, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2010

FACTORS BEARING ON THE CITY'S FUTURE

- Restructuring of the water used agreement with POET will reduce water use/sales from 130 million gallons a year to 40 million gallons a year with POET's option to purchase 70 million gallons a year. This will reduce the operational costs at the water plant, extend the operating life of equipment and provide an opportunity for the recovery of the aquifers thereby eliminating the short-term need to identify new or additional water sources.
- The agreement by POET also was accompanied with a one-time \$484,000 payment to pay off a portion of the debt on the water plant attributable to POET. This payment was applied to debt service, which will reduce the interest cost on this loan by about \$92,000.
- The Telecommunications enterprise fund continues to build its operations and lower the loss in this account. New partnerships with other telecom providers and the Southwest Minnesota Broadband Group will provide additional revenue to the Telecommunications fund in future years.
- The Electric Fund continues to be in a strong financial position. Through its partnership with CMMPA the Electric Fund has investments in energy generation and transmission. Both of these investments are planned to provide a future return to the Windom utility.
- 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.
- 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. Despite the reductions, 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. A portion of the general fund balance will be used to reduce deficits in other governmental funds.

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, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash on hand, checking and time deposits	\$ 3,839,959	\$ 3,987,492	\$ 7,827,451
Restricted cash	-	1,493,786	1,493,786
Accounts receivable	153,843	843,388	997,231
Current taxes receivable	48,219	-	48,219
Special assessments receivable:			
Current and deferred	1,095,011	-	1,095,011
Delinquent	2,826	-	2,826
Loans receivable	81,818	-	81,818
Interfund loans	(58,957)	58,957	-
Inventories	-	763,131	763,131
Property held for resale	1,167,440	-	1,167,440
Bond issue costs, net of accumulated amortization	-	66,062	66,062
Bond discount costs, net of accumulated amortization	-	152,406	152,406
Property, plant, equipment	16,386,741	42,608,079	58,994,820
Less: accumulated depreciation	6,277,233	20,844,281	27,121,514
Total assets and other debits	<u>\$ 16,439,667</u>	<u>\$ 29,129,020</u>	<u>\$ 45,568,687</u>
LIABILITIES			
Liabilities:			
Accounts payable	\$ 107,537	\$ 430,785	\$ 538,322
Interest payable	-	282,609	282,609
Customer deposits	400	90,883	91,283
Deferred revenues, other	-	150,570	150,570
Non-current liabilities:			
Due within one year	857,262	701,521	1,558,783
Due in more than one year	4,712,463	16,517,335	21,229,798
Total liabilities	<u>5,677,662</u>	<u>18,173,703</u>	<u>23,851,365</u>
NET ASSETS			
Net Assets:			
Invested in capital assets, net of related debt	4,539,783	11,237,179	15,776,962
Restricted for:			
Capital projects	7,144	-	7,144
Debt service	275,776	1,493,786	1,769,562
Unrestricted (deficit)	5,939,302	(1,775,648)	4,163,654
Total net assets	<u>\$ 10,762,005</u>	<u>\$ 10,955,317</u>	<u>\$ 21,717,322</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, 2010

<u>FUNCTIONS/PROGRAMS</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Government Activities:			
General government	\$ 432,561	\$ 46,214	\$ -
Public safety	1,374,253	425,626	-
Public works	823,145	-	-
Health and welfare	2,063,342	-	-
Culture and recreation	554,529	31,667	-
Conservation and economic development	653,803	71,563	-
Airport	191,912	45,070	-
Interest on long-term debt	446,385	-	-
<u>Total government activities</u>	<u>6,539,930</u>	<u>620,140</u>	<u>-</u>
Business-type Activities			
Municipal liquor	1,362,183	1,481,587	-
Water	804,342	1,430,117	-
Electric	5,218,889	6,183,122	-
Sewer	991,915	1,349,777	-
Telecom	2,643,194	1,829,899	-
Arena	327,737	136,949	-
Multi-Purpose Center	281,718	68,440	-
River Bluff Townhomes	103,650	83,270	-
<u>Total business-type activities</u>	<u>11,733,628</u>	<u>12,563,161</u>	<u>-</u>
Total government	\$ 18,273,558	\$ 13,183,301	\$ -

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, 2010

Net assets, December 31, 2010

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets		
	Government Activities	Business-type Activities	Total
\$ 2,784	\$ (383,563)	\$ -	\$ (383,563)
	(948,627)	-	(948,627)
-	(823,145)	-	(823,145)
-	(2,063,342)	-	(2,063,342)
-	(522,862)	-	(522,862)
255,926	(326,314)	-	(326,314)
77,145	(69,697)	-	(69,697)
-	(446,385)	-	(446,385)
<u>335,855</u>	<u>(5,583,935)</u>	<u>-</u>	<u>(5,583,935)</u>
-	-	119,404	119,404
-	-	625,775	625,775
-	-	964,233	964,233
-	-	357,862	357,862
26,997	-	(786,298)	(786,298)
-	-	(190,788)	(190,788)
-	-	(213,278)	(213,278)
-	-	(20,380)	(20,380)
<u>26,997</u>	<u>-</u>	<u>856,530</u>	<u>856,530</u>
<u>\$ 362,852</u>	<u>(5,583,935)</u>	<u>856,530</u>	<u>(4,727,405)</u>
	\$ 961,390	\$ 489,448	\$ 1,450,838
	1,412,137	-	1,412,137
	-	5,500	5,500
	50,219	49,066	99,285
	561,207	-	561,207
	<u>2,374,429</u>	<u>(283,460)</u>	<u>2,090,969</u>
	<u>5,359,382</u>	<u>260,554</u>	<u>5,619,936</u>
	(224,553)	1,117,084	892,531
	<u>10,986,558</u>	<u>9,838,233</u>	<u>20,824,791</u>
\$ <u>10,762,005</u>	\$ <u>10,955,317</u>	\$ <u>21,717,322</u>	

The accompanying notes are an integral part of the financial statements

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	<u>General</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u> <u>(Schedule 1)</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<u>ASSETS</u>			
Cash on hand, checking and and time deposits	\$ 1,716,782	\$ 2,123,177	\$ 3,839,959
Accounts receivable, net of allowances of \$3,500	9,140	144,703	153,843
Current taxes receivable	48,219	-	48,219
Special assessments receivable:			
Current and deferred	-	1,095,011	1,095,011
Delinquent	-	2,826	2,826
Loans receivable	-	81,818	81,818
Interfund loans receivable	-	77,022	77,022
Property held for resale, construction in progress	-	1,167,440	1,167,440
Total assets	<u>\$ 1,774,141</u>	<u>\$ 4,691,997</u>	<u>\$ 6,466,138</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 16,172	\$ 91,365	\$ 107,537
Customer deposits	-	400	400
Deferred revenues, current taxes	13,240	-	13,240
Deferred revenues, special assessments	-	1,095,011	1,095,011
Interfund notes payable	-	135,979	135,979
Notes payable	-	504,042	504,042
Total liabilities	<u>29,412</u>	<u>1,826,797</u>	<u>1,856,209</u>
Fund Balances:			
Fund balance - unreserved, undesignated	-	2,582,280	2,582,280
Fund balance - designated	1,744,729	-	1,744,729
Fund balance - reserved	-	282,920	282,920
Total fund balances	<u>1,744,729</u>	<u>2,865,200</u>	<u>4,609,929</u>
Total liabilities and fund balances	<u>\$ 1,774,141</u>	<u>\$ 4,691,997</u>	<u>\$ 6,466,138</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, 2010

Total Fund Balances for Governmental Funds	\$	4,609,929
<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	\$	227,061
Other capital assets		16,159,680
Accumulated depreciation		<u>(6,277,233)</u>
		10,109,508
<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>		
		1,108,251
<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>(5,065,683)</u>
Total Net Assets of Governmental Activities	\$	<u>10,762,005</u>

The accompanying notes are an integral part of the financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Revenues</u>	General Fund	Nonmajor Governmental Funds (Schedule 2)	Total Governmental Funds
Local property taxes	\$ 381,970	\$ 572,983	\$ 954,953
Special assessments	-	231,275	231,275
Licenses and permits	69,349	-	69,349
Intergovernmental revenues	1,397,039	15,098	1,412,137
Federal grants	-	61,659	61,659
State grants	-	274,196	274,196
Charges for services and facilities	46,214	573,926	620,140
Fines and forfeits	25,270	2,688	27,958
Investment income	24,404	25,815	50,219
Other revenues	128,708	335,192	463,900
Total revenues	2,072,954	2,092,832	4,165,786
 <u>Expenditures</u>			
Current:			
General government	365,693	-	365,693
Public safety	915,747	256,952	1,172,699
Public works	513,461	13,869	527,330
Health and welfare	22,681	-	22,681
Culture and recreation:			
Parks and general	203,059	-	203,059
Library	-	164,711	164,711
Swim pool	-	77,542	77,542
Conservation and development:			
Economic development & assistance	-	659,376	659,376
Airport	-	54,898	54,898
Capital outlay:			
Other	-	147,627	147,627
Debt service:			
Principal retirement	-	2,349,455	2,349,455
Interest and fiscal charges	-	446,385	446,385
Total expenditures	2,020,641	4,170,815	6,191,456
 Excess of revenues over (under) expenditures	 52,313	 (2,077,983)	 (2,025,670)
 <u>Other Financing Sources (Uses)</u>			
Operating transfers in	245,000	2,228,326	2,473,326
Operating transfers out	-	(98,897)	(98,897)
Total other financing sources (uses)	245,000	2,129,429	2,374,429
Net change in fund balances	297,313	51,446	348,759
Fund balance, January 1, 2010	1,447,416	2,813,754	4,261,170
Fund balance, December 31, 2010	\$ 1,744,729	\$ 2,865,200	\$ 4,609,929

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, 2010

Total Net Change in Fund Balances - Governmental Funds	\$	348,759
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		
Change in accrual for deferred taxes - current	\$ (27,752)	
Change in accrual for deferred taxes - special assessments	<u>(197,086)</u>	(224,838)
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:		
Expenditures for capital assets	147,627	
Less current year depreciation	<u>870,086</u>	(722,459)
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.		
Payment of Hospital debt	(2,030,000)	
Repayment of bonds	<u>2,349,455</u>	319,455
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.		
Change in accrual for vacation and sick pay		<u>54,530</u>
Change in Net Assets of Governmental Activities	\$	<u><u>(224,553)</u></u>

The accompanying notes are an integral part of the financial statements

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Revenues</u>	<u>2010 Budgeted Amount</u>		<u>2010 Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Local property taxes	\$ 361,982	\$ 361,982	\$ 381,970	\$ 19,988
Licenses and permits	42,550	42,550	69,349	26,799
Intergovernmental revenues	1,280,463	1,280,463	1,397,039	116,576
Charges for services and facilities	51,500	51,500	46,214	(5,286)
Fines and forfeits	22,900	22,900	25,270	2,370
Investment income	8,000	8,000	24,404	16,404
Other revenues	123,500	123,500	128,708	5,208
Total revenues	1,890,895	1,890,895	2,072,954	182,059
 <u>Expenditures</u>				
Current:				
General government	396,232	396,232	365,693	(30,539)
Public safety	955,676	955,676	915,747	(39,929)
Public works	513,830	513,830	513,461	(369)
Health and welfare	25,500	25,500	22,681	(2,819)
Culture and recreation:				
Parks and general	219,386	219,386	203,059	(16,327)
Total expenditures	2,110,624	2,110,624	2,020,641	(89,983)
 Excess of revenues over (under) expenditures	 (219,729)	 (219,729)	 52,313	 272,042
 <u>Other Financing Sources</u>				
Operating transfers in	245,000	245,000	245,000	-
Net change in fund balances	25,271	25,271	297,313	272,042
Fund balance, January 1, 2010	1,447,416	1,447,416	1,447,416	-
Fund balance, December 31, 2010	\$ 1,472,687	\$ 1,472,687	\$ 1,744,729	\$ 272,042

The accompanying notes are an integral part of the financial statements

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

DECEMBER 31, 2010

	Business-type		
	Municipal		
	Liquor	Water	Electric
	Fund	Fund	Fund
ASSETS			
<u>Current assets</u>			
Cash and interest-bearing deposits	\$ 395,060	\$ 475,409	\$ 4,153,458
Restricted cash	-	-	-
Accounts and accrued interest receivable	5,089	71,198	523,305
Interfund notes receivable	-	-	58,957
Inventories	159,679	28,293	496,553
Total current assets	<u>559,828</u>	<u>574,900</u>	<u>5,232,273</u>
<u>Fixed</u>			
Property, plant, equipment	421,953	8,387,565	10,494,655
Less: accumulated depreciation	<u>273,309</u>	<u>4,168,445</u>	<u>6,454,188</u>
Net fixed assets	<u>148,644</u>	<u>4,219,120</u>	<u>4,040,467</u>
<u>Other</u>			
Bond issue costs, net of accumulated amortization	-	4,815	-
Bond discount costs, net of accumulated amortization	-	10,169	-
Total other assets	<u>-</u>	<u>14,984</u>	<u>-</u>
Total assets	<u>\$ 708,472</u>	<u>\$ 4,809,004</u>	<u>\$ 9,272,740</u>
LIABILITIES			
<u>Current liabilities</u>			
Cash deficiency	\$ -	\$ -	\$ -
Accounts payable	40,613	1,808	331,534
Interest payable	-	23,160	-
Deferred revenues, and other	-	-	-
Customer deposits	-	-	78,818
Notes payable within one year	-	-	-
Special assessments payable within one year	-	13,500	-
Bond principal payable within one year	-	278,600	-
Total current liabilities	<u>40,613</u>	<u>317,068</u>	<u>410,352</u>
<u>Non-current liabilities and other credits</u>			
Accrued vacation and sick	130,142	63,809	202,967
Notes payable	-	-	-
Special Assessments Payable	-	129,750	-
G.O. revenue bonds principal payable beyond one year (net of amortized discounts)	-	1,786,472	-
Total non-current liabilities	<u>130,142</u>	<u>1,980,031</u>	<u>202,967</u>
Total liabilities	<u>170,755</u>	<u>2,297,099</u>	<u>613,319</u>
<u>Net Assets</u>			
Net Assets:			
Invested in capital assets, net of related debt	148,644	2,010,798	4,040,467
Restricted for debt service	-	-	-
Unreserved (deficit)	389,073	501,107	4,618,954
Total net assets	<u>\$ 537,717</u>	<u>\$ 2,511,905</u>	<u>\$ 8,659,421</u>

Activities - Enterprise Funds

Sewer Fund	Telecom Fund	Nonmajor Enterprise Funds (Schedule 3)	Total
\$ 743,339	\$ -	\$ -	\$ 5,767,266
-	1,493,786	-	1,493,786
68,620	175,176	-	843,388
-	-	-	58,957
-	78,354	252	763,131
<u>811,959</u>	<u>1,747,316</u>	<u>252</u>	<u>8,926,528</u>
8,765,041	9,963,322	4,575,543	42,608,079
<u>3,737,837</u>	<u>4,058,324</u>	<u>2,152,178</u>	<u>20,844,281</u>
<u>5,027,204</u>	<u>5,904,998</u>	<u>2,423,365</u>	<u>21,763,798</u>
2,224	59,023	-	66,062
<u>5,803</u>	<u>136,434</u>	<u>-</u>	<u>152,406</u>
<u>8,027</u>	<u>195,457</u>	<u>-</u>	<u>218,468</u>
\$ <u>5,847,190</u>	\$ <u>7,847,771</u>	\$ <u>2,423,617</u>	\$ <u>30,908,794</u>
\$ -	\$ 1,739,526	\$ 40,248	\$ 1,779,774
6,132	42,114	8,584	430,785
18,341	241,108	-	282,609
-	150,570	-	150,570
-	7,065	5,000	90,883
-	-	9,872	9,872
22,500	-	-	36,000
<u>237,049</u>	<u>140,000</u>	<u>-</u>	<u>655,649</u>
<u>284,022</u>	<u>2,320,383</u>	<u>63,704</u>	<u>3,436,142</u>
91,319	95,522	89,599	673,358
-	-	1,004,516	1,004,516
216,250	-	-	346,000
<u>1,126,989</u>	<u>11,580,000</u>	<u>-</u>	<u>14,493,461</u>
<u>1,434,558</u>	<u>11,675,522</u>	<u>1,094,115</u>	<u>16,517,335</u>
<u>1,718,580</u>	<u>13,995,905</u>	<u>1,157,819</u>	<u>19,953,477</u>
3,424,416	-	1,612,854	11,237,179
-	1,493,786	-	1,493,786
<u>704,194</u>	<u>(7,641,920)</u>	<u>(347,056)</u>	<u>(1,775,648)</u>
\$ <u>4,128,610</u>	\$ <u>(6,148,134)</u>	\$ <u>1,265,798</u>	\$ <u>10,955,317</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, 2010

	<u>Business-type</u>		
	<u>Municipal</u>		
	<u>Liquor</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>	<u>Electric</u> <u>Fund</u>
<u>Sales and cost of sales</u>			
Sales	\$ 1,481,587	\$ -	\$ -
Cost of sales	1,044,680	-	-
Gross profit on sales	436,907	-	-
<u>Operating revenues</u>			
Billings for usage	-	934,375	6,046,265
Materials and service sales income	-	8,191	19,865
Facility use and other revenues	-	487,551	116,992
Total operating revenues	-	1,430,117	6,183,122
<u>Operating expense</u>			
Power costs, internet and signal costs	-	-	3,871,175
Salaries and wages	186,172	158,229	419,001
Payroll taxes	26,486	24,306	60,041
Employee insurance	25,350	33,352	64,117
Supplies and maintenance costs	9,543	67,586	74,313
Utilities	13,858	54,765	2,976
Insurance	12,374	16,583	76,617
Depreciation and amortization	15,161	270,321	367,874
Other operating expense	28,559	110,229	282,775
Total operating expense	317,503	735,371	5,218,889
Operating income (loss)	119,404	694,746	964,233
<u>Other revenues</u>			
Investment income	-	-	23,369
Local property taxes	-	14,352	-
Contributions/reimbursements	-	-	-
Total other revenues	-	14,352	23,369
<u>Other charges</u>			
Interest and debt services	-	68,971	-
Total other charges	-	68,971	-
Net income (loss) before operating transfers	119,404	640,127	987,602
Operating transfers - out	(70,000)	(38,460)	(175,000)
Change in net assets	49,404	601,667	812,602
Net assets (deficit), January 1, 2010	488,313	1,910,238	7,846,819
Net assets (deficit), December 31, 2010	\$ 537,717	\$ 2,511,905	\$ 8,659,421

Activities - Enterprise Funds

Sewer Fund	Telecom Fund	Nonmajor Enterprise Funds (Schedule 4)	Total
\$ -	\$ -	\$ -	\$ 1,481,587
-	-	-	1,044,680
-	-	-	436,907
1,240,086	1,804,679	-	10,025,405
108,655	-	-	136,711
1,036	52,217	288,659	946,455
<u>1,349,777</u>	<u>1,856,896</u>	<u>288,659</u>	<u>11,108,571</u>
-	525,559	-	4,396,734
267,307	339,492	232,784	1,602,985
38,677	24,342	33,242	207,094
58,437	68,630	43,050	292,936
54,177	74,541	59,061	339,221
192,796	23,583	94,677	382,655
15,065	9,235	20,579	150,453
200,640	747,283	130,130	1,731,409
113,552	208,060	74,671	817,846
<u>940,651</u>	<u>2,020,725</u>	<u>688,194</u>	<u>9,921,333</u>
<u>409,126</u>	<u>(163,829)</u>	<u>(399,535)</u>	<u>1,624,145</u>
-	25,697	-	49,066
10,441	99,300	365,355	489,448
-	-	5,500	5,500
<u>10,441</u>	<u>124,997</u>	<u>370,855</u>	<u>544,014</u>
<u>51,264</u>	<u>622,469</u>	<u>24,911</u>	<u>767,615</u>
<u>51,264</u>	<u>622,469</u>	<u>24,911</u>	<u>767,615</u>
368,303	(661,301)	(53,591)	1,400,544
-	-	-	(283,460)
<u>368,303</u>	<u>(661,301)</u>	<u>(53,591)</u>	<u>1,117,084</u>
<u>3,760,307</u>	<u>(5,486,833)</u>	<u>1,319,389</u>	<u>9,838,233</u>
<u>\$ 4,128,610</u>	<u>\$ (6,148,134)</u>	<u>\$ 1,265,798</u>	<u>\$ 10,955,317</u>

The accompanying notes are an integral part of the financial statements

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Business-type		
	Municipal	Water	Electric
	Liquor Fund	Fund	Fund
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,479,963	\$ 983,792	\$ 6,021,521
Cash payments to suppliers for goods and services	(1,091,501)	(145,493)	(4,180,287)
Cash payments to/for employees for services	(238,745)	(241,719)	(548,732)
Other revenue	-	487,551	116,992
Other expense	(28,559)	(110,229)	(282,775)
Net cash provided (used) by operating activities	<u>121,158</u>	<u>973,902</u>	<u>1,126,719</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Cash received from property taxes	-	14,352	-
Interest received	-	-	23,369
Operating transfers - out	(70,000)	(38,460)	(175,000)
Net cash provided (used) by non-capital financing activities	<u>(70,000)</u>	<u>(24,108)</u>	<u>(151,631)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisitions and construction of capital assets	(14,663)	(14,072)	(373,174)
Principal payments on long-term debt	-	(764,310)	-
Decrease in restricted cash	-	-	-
Interest paid	-	(76,215)	-
Other revenue	-	-	-
Net cash (used) by capital and financing activities	<u>(14,663)</u>	<u>(854,597)</u>	<u>(373,174)</u>
Net increase (decrease) in cash and cash equivalents	<u>36,495</u>	<u>95,197</u>	<u>601,914</u>
Cash and interest bearing deposits, January 1, 2010	<u>358,565</u>	<u>380,212</u>	<u>3,551,544</u>
Cash and interest bearing deposits, December 31, 2010	<u>\$ 395,060</u>	<u>\$ 475,409</u>	<u>\$ 4,153,458</u>

Activities - Enterprise Funds

Sewer Fund	Telecom Fund	Nonmajor Enterprise Funds (Schedule 5)	Totals
\$ 1,346,594	\$ 1,799,263	\$ 289,009	\$ 11,920,142
(258,018)	(621,634)	(175,992)	(6,472,925)
(373,112)	(424,830)	(313,002)	(2,140,140)
1,036	52,217	-	657,796
(113,552)	(208,060)	(74,671)	(817,846)
<u>602,948</u>	<u>596,956</u>	<u>(274,656)</u>	<u>3,147,027</u>
10,441	99,300	365,355	489,448
-	25,697	-	49,066
-	-	-	(283,460)
<u>10,441</u>	<u>124,997</u>	<u>365,355</u>	<u>255,054</u>
(7,296)	(77,128)	(22,368)	(508,701)
(270,083)	(2,465,000)	(9,266)	(3,508,659)
-	2,386,603	-	2,386,603
(53,825)	(663,736)	(24,911)	(818,687)
-	-	5,500	5,500
<u>(331,204)</u>	<u>(819,261)</u>	<u>(51,045)</u>	<u>(2,443,944)</u>
<u>282,185</u>	<u>(97,308)</u>	<u>39,654</u>	<u>958,137</u>
<u>461,154</u>	<u>(1,642,218)</u>	<u>(79,902)</u>	<u>3,029,355</u>
\$ <u>743,339</u>	\$ <u>(1,739,526)</u>	\$ <u>(40,248)</u>	\$ <u>3,987,492</u>

The accompanying notes are an integral part of the financial statements

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Business-type</u>		
	<u>Municipal</u> <u>Liquor</u> <u>Fund</u>	<u>Water</u> <u>Fund</u>	<u>Electric</u> <u>Fund</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO			
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Net income (loss) from operations	\$ 119,404	\$ 694,746	\$ 964,233
Adjustments to reconcile operating income			
(loss) to net cash provided (used)			
by operating activities:			
Depreciation and amortization	15,161	270,321	367,874
Changes in assets and liabilities:			
(Increase) decrease in receivables	(1,624)	41,226	(70,825)
(Increase) decrease in inventory	(16,927)	(808)	9,553
Increase (decrease) in accounts payable	5,881	(5,751)	(164,759)
Increase (decrease) in deferred revenue	-	-	-
Increase (decrease) in customer deposits	-	-	26,216
Increase (decrease) in accrued			
vacation and sick	(737)	(25,832)	(5,573)
Net cash provided (used)			
by operating activities	<u>\$ 121,158</u>	<u>\$ 973,902</u>	<u>\$ 1,126,719</u>

Activities - Enterprise Funds

Sewer Fund	Telecom Fund	Nonmajor Enterprise Funds (Schedule 5)	Totals
\$ 409,126	\$ (163,829)	\$ (399,535)	\$ 1,624,145
200,640	747,283	130,130	1,731,409
(2,147)	(5,416)	-	(38,786)
-	42,585	(85)	34,318
4,020	(10,081)	(1,590)	(172,280)
-	(21,220)	-	(21,220)
-	-	350	26,566
(8,691)	7,634	(3,926)	(37,125)
<u>\$ 602,948</u>	<u>\$ 596,956</u>	<u>\$ (274,656)</u>	<u>\$ 3,147,027</u>

The accompanying notes are an integral part of the financial statements

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2010

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, 2010

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 Projects Fund: Capital Projects Funds are 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.

DECEMBER 31, 2010

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 Administrator 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, 2010, is the same as market value.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

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.

DECEMBER 31, 20101. 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, 2010

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 \$9,321,237 and the bank balance was \$9,390,156. The City's deposits are categorized below to give an indication of the level of risk assumed by the entity at December 31, 2010. 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	\$ 9,321,237	\$ -	\$ -	\$ 9,390,156

~~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	\$ 3,208,121
Covered by collateral	6,182,035
Not covered by collateral	<u>-</u>
	<u>\$ 9,390,156</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 \$3,500 has been estimated in relation to fire call receivables in the General Fund.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

4. CAPITAL ASSETS:

Capital asset activity for the year ended December 31, 2010 was as follows:

	Primary	
	Beginning Balance	Increases
Governmental activities:		
Capital assets not being depreciated:		
Land	\$ 227,061	\$ -
Construction in progress	1,423,372	26,951
Total capital assets not being depreciated	<u>1,650,433</u>	<u>26,951</u>
Other capital assets:		
Buildings and improvements	4,250,676	55,995
Machinery and equipment	5,729,026	64,681
Furniture and fixtures	40,152	-
Other fixed assets	1,494,821	1,450,323
Infrastructure	3,074,006	-
Total other capital assets at historical cost	<u>14,588,681</u>	<u>1,570,999</u>
Less accumulated depreciation for:		
Buildings and improvements	(584,360)	(106,836)
Machinery and equipment	(4,053,460)	(576,760)
Furniture and fixtures	(23,087)	(8,030)
Other fixed assets	(220,618)	(55,500)
Infrastructure	(525,622)	(122,960)
Total accumulated depreciation	<u>(5,407,147)</u>	<u>(870,086)</u>
Total other capital assets, net	<u>9,181,534</u>	<u>700,913</u>
Governmental activities capital assets, net	<u>\$ 10,831,967</u>	<u>\$ 727,864</u>
Business-type activities:		
Capital assets not being depreciated:		
Land	\$ 154,922	\$ -
Construction in progress	15,018	26,997
Total capital assets not being depreciated	<u>169,940</u>	<u>26,997</u>
Other capital assets:		
Buildings and improvements	16,239,986	352,894
Machinery and equipment	4,037,302	156,584
Furniture and fixtures	80,379	-
Other fixed assets	21,441,237	14,241
Infrastructure	156,057	-
Total other capital assets at historical cost	<u>41,954,961</u>	<u>523,719</u>

Government	
Decreases	Ending Balance
\$ -	\$ 227,061
(1,450,323)	-
<u>(1,450,323)</u>	<u>227,061</u>
-	4,306,671
-	5,793,707
-	40,152
-	2,945,144
-	3,074,006
-	<u>16,159,680</u>

-	(691,196)
-	(4,630,220)
-	(31,117)
-	(276,118)
-	(648,582)
-	<u>(6,277,233)</u>
-	<u>9,882,447</u>
\$ <u>(1,450,323)</u>	\$ <u>10,109,508</u>

Government	
Decreases	Ending Balance
\$ -	\$ 154,922
(42,015)	-
<u>(42,015)</u>	<u>154,922</u>
-	16,592,880
(25,523)	4,168,363
-	80,379
-	21,455,478
-	156,057
<u>(25,523)</u>	<u>42,453,157</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

	<u>Beginning</u>	<u>Primary</u>
	<u>Balance</u>	<u>Increases</u>
Business-type activities:		
Less accumulated depreciation for:		
Buildings and improvements	(6,573,809)	(954,708)
Machinery and equipment	(3,399,493)	(316,237)
Furniture and fixtures	(80,379)	-
Other fixed assets	(9,067,865)	(432,607)
Infrastructure	<u>(44,200)</u>	<u>(506)</u>
Total accumulated depreciation	<u>(19,165,746)</u>	<u>(1,704,058)</u>
 Total other capital assets, net	 <u>22,789,215</u>	 <u>(1,180,339)</u>
 Business-type activities capital assets, net	 <u>\$ 22,959,155</u>	 <u>\$ (1,153,342)</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. Capitalized cost in the Water fund includes capitalized interest of \$2,650. Capitalized cost 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. Capitalized cost in the 2009 Street Improvement fund includes capitalized interest of \$35,147.

Government

<u>Decreases</u>	<u>Ending Balance</u>
-	(7,528,517)
25,523	(3,690,207)
-	(80,379)
-	(9,500,472)
-	(44,706)
<u>25,523</u>	<u>(20,844,281)</u>
-	<u>21,608,876</u>
\$ <u>(42,015)</u>	\$ <u>21,763,798</u>

\$ 61,345
222,336
324,089
10,661
109,520
5,121
137,014
\$ 870,086

\$ 15,161
268,382
367,874
199,842
722,669
36,123
64,169
29,838
\$ 1,704,058

NOTES TO FINANCIAL STATEMENTS (CONTINUED)DECEMBER 31, 20105. 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, 2010:

	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Outstanding Principal</u>
G O Improvement Bonds of 1994	2.44	2014	\$ 72,045
G O Wastewater Treatment Bond Series 1995	2.45	2011	11,820
G O Improvements Bonds, Series 2003	3.77	2019	955,000
G O Improvement Bonds, Series 2005 A	3.0-4.4	2021	1,020,000
G O Improvement & Refunding Bonds, Series 2006A	3.7-4.15	2018	785,000
G O Temporary Equipment Certificates Series 2007B	3.75-4.3	2023	1,240,000
G O Improvement Bonds Series 2010A	2.0-4.25	2025	1,510,000
G O Temporary Equipment Certificates Series 2010B	1.65	2012	<u>2,400,000</u>
Total G O Special Assessment			<u>7,993,865</u>
G O Sewer Bonds Series 1994	2.71	2015	1,175,670
G O Revenue Series 1999	2.57	2018	1,036,440
G O Revenue Note Series 1999A	2.29	2019	<u>692,000</u>
Total G O Revenue			<u>2,904,110</u>
Communication System Revenue Bonds 2004	4.5-6.25	2024	<u>9,320,000</u>
Total Revenue			<u>9,320,000</u>
Total			<u>\$ 20,217,975</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

5. LONG-TERM DEBT (CONTINUED):

Other Notes Payable-

The River Bluff Townhomes (Enterprise Fund) notes payable has various terms on the notes. In 2010, payments were made to Bank of the West in the amount of \$9,266. No payments were made on the remaining notes payable. The current portion of the Bank of the West note is \$9,872. The list of the notes is as follows:

Bank of the West	\$ 426,083
GMHF	180,000
MHFA	353,305
Cottonwood County	25,000
EM Windom	15,000
Toro Foundation	<u>15,000</u>
Total	<u>\$ 1,014,388</u>

In the River Bluff Estates Fund (Special Revenue Fund) there was one note payable in the amount of \$102,751. The United Prairie Bank (UPB) loan was obtained to pay off a note to Bank Midwest. This loan was paid with proceeds from the sale of a house located at 427 6th Avenue.

In the EM Revolving Loan Fund (Special Revenue Fund) there was one note payable in the amount of \$27,898. Certain revolving loan fund requirements have been met, subsequent receipts of principal and interest were payable to the State of Minnesota. This note was paid in full as of December 31, 2010.

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 \$4,000, interest at 7.25%	<u>\$ 4,000</u>

Scheduled principal and interest payments to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ <u>440,756</u>	\$ <u>7,967</u>	\$ <u>448,723</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

5. LONG-TERM DEBT (CONTINUED):

In the Sewer Fund there was one note payable in the amount of \$20,097. The note was to the League of Minnesota Cities. This note was paid in full as of December 31, 2010.

In the Equipment Capital Projects Fund there is one lease payable. The current terms and maturities of the lease are as follows:

John Deer Credit - annual payments of \$22,467, interest at 5.5%

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 19,949	\$ 2,518	\$ 22,467
2012	21,074	1,393	22,467
2013	<u>22,263</u>	<u>204</u>	<u>22,467</u>
	<u>\$ 63,286</u>	<u>\$ 4,115</u>	<u>\$ 67,401</u>

The following funds report accrued vacation and sick time:

	<u>Vacation</u>	<u>Sick</u>	<u>Total</u>
General	\$ 70,106	\$ 249,774	\$ 319,880
Library	6,591	35,388	41,979
Swim Pool	2,476	3,373	5,849
Ambulance	781	1,460	2,241
EDA	1,293	7,574	8,867
Liquor	73,967	56,176	130,143
Water	11,787	52,022	63,809
Electric	71,928	131,040	202,968
Sewer	16,686	74,633	91,319
Telecom	18,966	76,556	95,522
Arena	17,440	36,418	53,858
Multi-Purpose Center	<u>10,402</u>	<u>25,339</u>	<u>35,741</u>
	<u>\$ 302,423</u>	<u>\$ 749,753</u>	<u>\$ 1,052,176</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

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, 2010 were as follows:

<u>Governmental Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>
General Obligation Bonds:		
GO Improvement Bonds of 1994	\$ 92,286	\$ -
GO Wastewater Treatment Bond of 1995	35,034	-
GO Improvement Bonds Series 2003	624,000	-
GO Improvement Bonds Series 2005 A	545,000	-
GO Improvement and Refunding Bonds Series 2006 A	890,000	-
GO Improvement Bonds Series 2007 B	1,310,000	-
GO Improvement Bonds Series 2009 A	1,510,000	-
Other Loans and Obligations:		
River Bluff Estates - United Prairie Bank	102,751	-
PM Revolving Loan - State of Minnesota	27,898	-
Economic Development - Bank Midwest	454,720	-
Capital Projects Equipment - John Deere Credit	78,496	-
Accrued Vacation and Sick Pay	433,348	-
 Total Governmental Activities Long-Term Debt	 \$ 6,103,533	 \$ -

<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
\$ 20,241	\$ 72,045	\$ 20,737
23,214	11,820	11,820
51,000	573,000	54,000
50,000	495,000	50,000
105,000	785,000	105,000
70,000	1,240,000	75,000
-	1,510,000	80,000
102,751	-	-
27,898	-	-
<u>13,964</u>	<u>440,756</u>	<u>440,756</u>
15,210	63,286	19,949
<u>54,530</u>	<u>378,818</u>	<u>-</u>
<u>\$ 533,808</u>	<u>\$ 5,569,725</u>	<u>\$ 857,262</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

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, 2010 were as follows:

<u>Business-type Activities:</u>	<u>Beginning Balance</u>	<u>Additions</u>
General Obligation Bonds:		
GO Improvement Bonds Series 2003	\$ 416,000	\$ -
GO Improvement Bonds Series 2005 A	575,000	-
GO Temporary Equipment Certificates Series 2007 A	2,365,000	-
GO Temporary Equipment Certificates Series 2009 B	2,400,000	-
General Obligation Revenue Bonds:		
GO Sewer Bonds Series 1994	1,392,406	-
GO Revenue Series 1999	1,681,000	-
GO Water Note Series 1999A	761,000	-
Revenue Bonds:		
Communications System Revenue Bonds 2004	9,420,000	-
Other Loans and Obligations:		
River Bluff Townhomes - Bank of the West	435,349	-
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	20,097	-
Accrued Vacation and Sick Pay	710,483	-
Total Business-Type Activities Long-Term Debt	\$ 20,764,640	\$ -
Total Long-Term Debt	\$ 26,868,173	\$ -

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 Revenue B
	Principal	Interest	Principal
2011	\$ 482,557	\$ 244,271	\$ 465,649
2012	2,886,247	228,127	477,723
2013	496,768	171,568	489,964
2014	498,293	153,736	503,374
2015	500,000	135,411	515,960
2016-2020	2,105,000	405,305	451,440
2021-2025	1,025,000	88,749	-
Total	\$ 7,993,865	\$ 1,427,167	\$ 2,904,110

<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
\$ 34,000	\$ 382,000	\$ 36,000
50,000	525,000	50,000
2,365,000	-	-
-	2,400,000	-
216,736	1,175,670	222,649
644,560	1,036,440	173,000
69,000	692,000	70,000
100,000	9,320,000	140,000
9,266	426,083	9,872
-	180,000	-
-	353,305	-
-	25,000	-
-	15,000	-
-	15,000	-
20,097	-	-
<u>37,125</u>	<u>673,358</u>	<u>-</u>
\$ <u>3,545,784</u>	\$ <u>17,218,856</u>	\$ <u>701,521</u>
\$ <u>4,079,592</u>	\$ <u>22,788,581</u>	\$ <u>1,558,783</u>

<u>Obligation Bonds Payable</u>		<u>Revenue Bonds Payable</u>	
<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
\$ 72,845	\$ 140,000	\$ 572,246	
60,721	240,000	565,246	
48,285	290,000	553,006	
35,524	325,000	537,780	
22,415	370,000	520,312	
22,050	2,640,000	2,189,688	
-	5,315,000	1,066,877	
\$ <u>261,840</u>	\$ <u>9,320,000</u>	\$ <u>6,005,155</u>	

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

6. INTERFUND RECEIVABLES AND PAYABLES:

Economic Development Fund:		
Due from Capital Projects	\$	2,760
Due from River Bluff Estates Fund		74,262
Due to Electric Fund		\$ 58,957
River Bluff Estates Fund:		
Due to Economic Development Fund		74,262
Capital Projects Fund:		
Due to Economic Development Fund		2,760
Electric Fund:		
Due from Economic Development Fund		58,957
	<u>\$</u>	<u>135,979</u>
		<u>\$ 135,979</u>

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

General Fund - Designated for working capital needs	\$	1,744,729
Total Designated Fund Balances		<u>\$ 1,744,729</u>
Economic Development Fund - Reserved for capital outlay	\$	7,144
2007 Street Improvement Bond Fund - Reserved for debt repayment	(32,590)
2006A Refunding Bond Fund - Reserved for debt repayment	(99,514)
2003 Improvement Bond Fund - Reserved for debt repayment	(133,765)
4 th Avenue Improvement Bond Fund - Reserved for debt repayment	(113,556)
GO Special Assessment Bond Fund - Reserved for debt repayment		424,566
2010 Street Improvement Fund - Reserved for debt repayment		<u>230,635</u>
Total Reserved Fund Balances	\$	<u>282,920</u>
Economic Development Fund - Restricted for capital outlay	\$	7,144
2007 Street Improvement Bond Fund - Restricted for debt repayment	(32,590)
2006A Refunding Bond Fund - Restricted for debt repayment	(99,514)
2003 Improvement Bond Fund - Restricted for debt repayment	(133,765)
4 th Avenue Improvement Bond Fund - Restricted for debt repayment	(113,556)
GO Special Assessment Bond Fund - Restricted for debt repayment		424,566
2010 Street Improvement Fund - Restricted for debt repayment		230,635
Telecom - Restricted for debt repayment		<u>1,493,786</u>
Total Restricted Net Assets	\$	<u>1,776,706</u>

8. DEFICIT FUND EQUITY:

- The Equipment Capital Projects Fund has a deficit fund balance of \$147,485 at December 31, 2010. Management plans to eliminate this deficit by controlling expenses.
- The TIF District 1-13 and 1-14 Funds have deficit fund balances of \$88,652 and \$2,760 respectively at December 31, 2010. Management plans to eliminate this deficit by transferring cash and controlling expenses.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

8. DEFICIT FUND EQUITY (CONTINUED):

- The 2003 Improvement Fund has a deficit fund balance of \$133,765 at December 31, 2010. Management plans to eliminate this deficit by transferring cash and controlling expenses.
- The 4th Avenue Improvement Bond Fund has a deficit fund balance of \$113,556 at December 31, 2010. Management plans to eliminate this deficit by transferring cash and controlling expenses.
- The Airport Fund has a deficit fund balance of \$10,510 at December 31, 2010. Management plans to eliminate this deficit by increasing revenues and controlling expenses.
- The 2006A Refunding Bond Fund has a deficit fund balance of \$99,514 at December 31, 2010. Management plans to eliminate this deficit by transferring cash and controlling expenses.
- The River Bluff Estates Fund has a deficit fund balance of \$70,917 at December 31, 2010. Management plans to eliminate this deficit by transferring cash and selling inventoried property.
- The Telecommunications Fund has deficit net assets of \$6,148,134 at December 31, 2010. Management plans to eliminate this deficit by increasing sales and controlling expenses.
- The River Bluff Townhomes Fund has deficit net assets of \$188,820 at December 31, 2010. Management plans to eliminate this deficit by increasing occupancy and controlling expenses.
- The 2007 Street Improvement Fund has a deficit balance of \$32,590 at December 31, 2010. Management plans to eliminate this deficit by transferring cash and controlling expenses.

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

Expenditures exceeded budget in the following special revenue funds during the year ended December 31, 2010:

<u>Fund</u>	<u>Excess Expenditures</u>
River Bluff Estates Revolving Loan	\$ 15,564
Swim Pool	2,124
Library	866
SCDP	358,991

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

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

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

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2010

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

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 GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF 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.

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 GERF 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. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.0%, respectively, of their annual covered salary in 2010. PEPFF members were required to contribute 9.4% of their annual covered salary in 2010. The City of Windom is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.00% for Coordinated Plan members and 14.1% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2010, 2009, and 2008 were \$164,502, \$152,444, and \$148,277, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2010, 2009, and 2008 were \$67,022, \$62,215, and \$55,928, 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, 2010

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	38,460
d. Capital transfer from GO Special Assessment Bond Fund to 2006A Refunding Bond Fund	29,525
e. Capital transfer from TIF District 1-6 Fund to Economic Development Fund	24,364
f. Capital transfer from TIF District 1-11 Fund to Economic Development Fund	4,613
g. Capital transfer from TIF District 1-13 Fund to 2006A Refunding Bond Fund	30,698
h. Capital transfer from TIF District 1-14 Fund to Economic Development Fund	9,697

In addition, a transfer from Windom Area Hospital in the amount of \$2,090,969 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, 2010, 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, 2010

	<u>Library</u> <u>Fund</u>	<u>Swim</u> <u>Pool</u> <u>Fund</u>	<u>Airport</u> <u>Fund</u>
<u>ASSETS</u>			
Cash on hand, checking and time deposits	\$ 39,318	\$ 29,383	\$ -
Accounts receivable	-	-	-
Special assessments receivable, deferred	-	-	-
Special assessments receivable, delinquent	-	-	-
Loans receivable	-	-	-
Interfund loans receivable	-	-	-
Property held for resale, construction in progress	-	-	4,051
Total assets	<u>\$ 39,318</u>	<u>\$ 29,383</u>	<u>\$ 4,051</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Cash deficiency	\$ -	\$ -	\$ 14,140
Accounts payable	2,746	-	21
Customer deposits	-	-	400
Deferred revenue, special assessments	-	-	-
Interfund notes payable	-	-	-
Notes payable	-	-	-
Total liabilities	<u>2,746</u>	<u>-</u>	<u>14,561</u>
Fund Balances:			
Fund balance - unreserved, undesignated	36,572	29,383	(10,510)
Fund balance - reserved (deficit)	-	-	-
Total fund balances	<u>36,572</u>	<u>29,383</u>	<u>(10,510)</u>
Total liabilities and fund balances	<u>\$ 39,318</u>	<u>\$ 29,383</u>	<u>\$ 4,051</u>

Special Revenue

Economic Development Fund	Ambulance Fund	North Industrial Park Fund	River Bluff Estates Fund	River Bluff Revolving Loan Fund
\$ 54,851	\$ 874,281	\$ 17,383	\$ -	\$ 33,023
-	144,703	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
77,022	-	-	-	-
846,784	-	-	15,162	-
<u>\$ 978,657</u>	<u>\$ 1,018,984</u>	<u>17,383</u>	<u>\$ 15,162</u>	<u>\$ 33,023</u>
\$ -	\$ -	\$ -	\$ 11,817	\$ -
3,236	5,399	-	-	-
-	-	-	-	-
-	-	-	-	-
58,957	-	-	74,262	-
440,756	-	-	-	-
<u>502,949</u>	<u>5,399</u>	<u>-</u>	<u>86,079</u>	<u>-</u>
468,564	1,013,585	17,383	(70,917)	33,023
7,144	-	-	-	-
<u>475,708</u>	<u>1,013,585</u>	<u>17,383</u>	<u>(70,917)</u>	<u>33,023</u>
<u>\$ 978,657</u>	<u>\$ 1,018,984</u>	<u>\$ 17,383</u>	<u>\$ 15,162</u>	<u>\$ 33,023</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2010

	EDA Revolving Loan Fund	PM Revolving Loan Fund	SCDP Revolving Loan Fund
<u>ASSETS</u>			
Cash on hand, checking and time deposits	\$ 43,009	\$ 656,137	\$ 14,498
Accounts receivable	-	-	-
Special assessments receivable, deferred	-	-	-
Special assessments receivable, delinquent	-	-	-
Loans receivable	-	-	81,818
Interfund loans receivable	-	-	-
Property held for resale, construction in progress	22,453	278,990	-
Total assets	<u>\$ 65,462</u>	<u>\$ 935,127</u>	<u>\$ 96,316</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	65,462	935,127	96,316
Fund balance - reserved (deficit)	-	-	-
Total fund balances	<u>65,462</u>	<u>935,127</u>	<u>96,316</u>
Total liabilities and fund balances	<u>\$ 65,462</u>	<u>\$ 935,127</u>	<u>\$ 96,316</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
\$ 72,414	\$ 92,002	\$ 237	\$ 1,630	\$ 12,906
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 72,414</u>	<u>\$ 92,002</u>	<u>\$ 237</u>	<u>\$ 1,630</u>	<u>\$ 12,906</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
72,414	92,002	237	1,630	12,906
-	-	-	-	-
<u>72,414</u>	<u>92,002</u>	<u>237</u>	<u>1,630</u>	<u>12,906</u>
<u>\$ 72,414</u>	<u>\$ 92,002</u>	<u>\$ 237</u>	<u>\$ 1,630</u>	<u>\$ 12,906</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2010

	TIF District 1-8 Fund	TIF District 1-10 Fund	Special TIF District 1-11 Fund
<u>ASSETS</u>			
Cash on hand, checking and time deposits	\$ 24,634	\$ -	\$ 3,085
Accounts receivable	-	-	-
Special assessments receivable, deferred	-	-	-
Special assessments receivable, delinquent	-	-	-
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	Debt Service
TIF District 1-12 Fund	TIF District 1-13 Fund	TIF District 1-14 Fund	Equipment Capital Projects Fund	2003 Improvement Bond Fund
\$ 6,972	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	112,819
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 6,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,819</u>
\$ -	\$ 17,708	\$ -	\$ 84,199	\$ 133,765
6,691	70,944	-	-	-
-	-	-	-	-
-	-	2,760	-	112,819
-	-	-	63,286	-
<u>6,691</u>	<u>88,652</u>	<u>2,760</u>	<u>147,485</u>	<u>246,584</u>
281	(88,652)	(2,760)	(147,485)	-
-	-	-	-	(133,765)
<u>281</u>	<u>(88,652)</u>	<u>(2,760)</u>	<u>(147,485)</u>	<u>(133,765)</u>
<u>\$ 6,972</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 112,819</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2010

	<u>Debt</u>		
	<u>4th Avenue</u>	<u>2006 A</u>	<u>2007 Street</u>
	<u>Improvement</u>	<u>Refunding</u>	<u>Improvement</u>
	<u>Bond Fund</u>	<u>Bond Fund</u>	<u>Bond Fund</u>
<u>ASSETS</u>			
Cash on hand, checking and time deposits	\$ -	\$ -	\$ -
Accounts receivable	-	-	-
Special assessments receivable, deferred	89,166	107,829	222,307
Special assessments receivable, delinquent	-	-	-
Loans receivable	-	-	-
Interfund loans receivable	-	-	-
Property held for resale, construction in progress	-	-	-
Total assets	<u>\$ 89,166</u>	<u>\$ 107,829</u>	<u>\$ 222,307</u>
<u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities:</u>			
Cash deficiency	\$ 113,556	\$ 99,514	\$ 32,590
Accounts payable	-	-	-
Customer deposits	-	-	-
Deferred revenue, special assessments	89,166	107,829	222,307
Interfund notes payable	-	-	-
Notes payable	-	-	-
Total liabilities	<u>202,722</u>	<u>207,343</u>	<u>254,897</u>
<u>Fund Balances:</u>			
Fund balance - unreserved, undesignated	-	-	-
Fund balance - reserved (deficit)	(113,556)	(99,514)	(32,590)
Total fund balances	<u>(113,556)</u>	<u>(99,514)</u>	<u>(32,590)</u>
Total liabilities and fund balances	<u>\$ 89,166</u>	<u>\$ 107,829</u>	<u>\$ 222,307</u>

Service			Total
2009 Street Improvement Bond Fund	GO Special Assessment Bond Fund	Hospital Bond Fund	Nonmajor Governmental Funds
\$ 230,635	\$ 424,068	\$ -	\$ 2,630,466
-	-	-	144,703
255,745	307,145	-	1,095,011
-	2,826	-	2,826
-	-	-	81,818
-	-	-	77,022
-	-	-	1,167,440
<u>\$ 486,380</u>	<u>\$ 734,039</u>	<u>\$ -</u>	<u>\$ 5,199,286</u>
\$ -	\$ -	\$ -	\$ 507,289
-	2,328	-	91,365
-	-	-	400
255,745	307,145	-	1,095,011
-	-	-	135,979
-	-	-	504,042
<u>255,745</u>	<u>309,473</u>	<u>-</u>	<u>2,334,086</u>
-	-	-	2,582,280
<u>230,635</u>	<u>424,566</u>	<u>-</u>	<u>282,920</u>
<u>230,635</u>	<u>424,566</u>	<u>-</u>	<u>2,865,200</u>
<u>\$ 486,380</u>	<u>\$ 734,039</u>	<u>\$ -</u>	<u>\$ 5,199,286</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Revenues</u>	<u>Library</u> <u>Fund</u>	<u>Swim</u> <u>Pool</u> <u>Fund</u>	<u>Airport</u> <u>Fund</u>
Local property taxes	\$ 150,780	\$ 37,160	\$ -
Special assessments	-	-	-
Intergovernmental revenues	10,619	-	-
Federal grants	-	-	61,659
State grants	-	-	15,486
Charges for services and facilities	709	30,958	45,070
Fines and forfeits	2,688	-	-
Investment income	1	-	-
Other revenues	2,939	6,510	100
Total revenues	167,736	74,628	122,315
 <u>Expenditures</u>			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation:			
Library	164,711	-	-
Swim pool	-	77,542	-
Conservation and development:			
Economic development and assistance	-	-	-
Airport	-	-	54,898
Capital outlay:			
Other	2,084	-	46,177
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	166,795	77,542	101,075
 Excess of revenues over (under) expenditures	 941	 (2,914)	 21,240
 <u>Other Financing Sources (Uses)</u>			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
 Net change in fund balances	 941	 (2,914)	 21,240
 Fund balance (deficit), January 1, 2010	 35,631	 32,297	 (31,750)
Fund balance (deficit), December 31, 2010	\$ 36,572	\$ 29,383	\$ (10,510)

Special Revenue

Economic Development Fund	Ambulance Fund	North Industrial Park Fund	River Bluff Estates Fund	River Bluff Revolving Loan Fund
\$ 119,900	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	550	-	-	-
-	-	-	-	-
-	-	-	-	-
71,563	425,626	-	-	-
-	-	-	-	-
639	3,648	-	-	-
7,260	2,601	11,154	16,209	27,200
<u>199,362</u>	<u>432,425</u>	<u>11,154</u>	<u>16,209</u>	<u>27,200</u>
-	256,952	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
214,483	-	457	38,141	16,064
-	-	-	-	-
-	47,343	-	-	-
-	-	-	-	-
-	-	-	4,490	-
<u>214,483</u>	<u>304,295</u>	<u>457</u>	<u>42,631</u>	<u>16,064</u>
<u>(15,121)</u>	<u>128,130</u>	<u>10,697</u>	<u>(26,422)</u>	<u>11,136</u>
38,674	-	-	-	-
-	-	-	-	-
<u>38,674</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
23,553	128,130	10,697	(26,422)	11,136
452,155	885,455	6,686	(44,495)	21,887
<u>\$ 475,708</u>	<u>\$ 1,013,585</u>	<u>\$ 17,383</u>	<u>\$ (70,917)</u>	<u>\$ 33,023</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010

<u>Revenues</u>	EDA Revolving Loan Fund	PM Revolving Loan Fund	SCDP Revolving Loan Fund
Local property taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Intergovernmental revenues	-	-	-
Federal grants	-	-	-
State grants	-	-	255,926
Charges for services and facilities	-	-	-
Fines and forfeits	-	-	-
Investment income	570	3,361	-
Other revenues	-	-	1,129
Total revenues	570	3,361	257,055
 <u>Expenditures</u>			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation:			
Library	-	-	-
Swim pool	-	-	-
Conservation and development:			
Economic development and assistance	100	100	370,771
Airport	-	-	-
Capital outlay:			
Other	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	563	-
Total expenditures	100	663	370,771
Excess of revenues over (under) expenditures	470	2,698	(113,716)
 <u>Other Financing Sources (Uses)</u>			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	-	-
Net change in fund balances	470	2,698	(113,716)
Fund balance (deficit), January 1, 2010	64,992	932,429	210,032
Fund balance (deficit), December 31, 2010	\$ 65,462	\$ 935,127	\$ 96,316

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
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
787	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,624	20,192	-	50,877	24,364
<u>5,411</u>	<u>20,192</u>	<u>-</u>	<u>50,877</u>	<u>24,364</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	2,029	-	5,087	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	21,354	-	45,790	-
-	<u>23,383</u>	<u>-</u>	<u>50,877</u>	<u>-</u>
<u>5,411</u>	<u>(3,191)</u>	<u>-</u>	<u>-</u>	<u>24,364</u>
-	-	-	-	-
-	-	-	-	(24,364)
-	-	-	-	<u>(24,364)</u>
5,411	(3,191)	-	-	-
67,003	95,193	237	1,630	12,906
<u>\$ 72,414</u>	<u>\$ 92,002</u>	<u>\$ 237</u>	<u>\$ 1,630</u>	<u>\$ 12,906</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010

Revenues	Special		
	TIF	TIF	TIF
	District 1-8 Fund	District 1-10 Fund	District 1-11 Fund
Local property taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Intergovernmental revenues	-	-	-
Federal grants	-	-	-
State grants	-	-	-
Charges for services and facilities	-	-	-
Fines and forfeits	-	-	-
Investment income	-	-	-
Other revenues	5,329	23,263	4,613
Total revenues	5,329	23,263	4,613
 <u>Expenditures</u>			
Current:			
Public safety	-	-	-
Public works	-	-	-
Culture and recreation:			
Library	-	-	-
Swim pool	-	-	-
Conservation and development:			
Economic development and assistance	532	2,326	-
Airport	-	-	-
Capital outlay:			
Other	-	-	-
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	4,797	20,937	-
Total expenditures	5,329	23,263	-
 Excess of revenues over (under) expenditures	 -	 -	 4,613
 <u>Other Financing Sources (Uses)</u>			
Operating transfers in	-	-	-
Operating transfers out	-	-	(4,613)
Total other financing sources (uses)	-	-	(4,613)
 Net change in fund balances	 -	 -	 -
 Fund balance (deficit), January 1, 2010	 24,634	 -	 3,085
Fund balance (deficit), December 31, 2010	\$ 24,634	\$ -	\$ 3,085

Revenue			Capital	Debt Service
TIF	TIF	TIF	Projects	2003
District 1-12	District 1-13	District 1-14	Equipment	Improvement
Fund	Fund	Fund	Capital	Bond Fund
			Projects Fund	
\$ -	\$ -	\$ -	\$ 108,066	\$ -
-	-	-	-	47,875
-	3,142	-	-	-
-	-	-	-	-
-	-	-	2,784	-
-	-	-	-	-
-	-	-	-	-
-	-	-	1,342	-
<u>92,862</u>	<u>18,913</u>	<u>9,697</u>	<u>5,356</u>	<u>-</u>
<u>92,862</u>	<u>22,055</u>	<u>9,697</u>	<u>117,548</u>	<u>47,875</u>
-	-	-	-	-
-	-	-	989	-
-	-	-	-	-
-	-	-	-	-
9,286	-	-	-	-
-	-	-	-	-
-	-	-	25,072	-
-	-	-	-	51,000
<u>83,576</u>	<u>-</u>	<u>-</u>	<u>7,257</u>	<u>23,607</u>
<u>92,862</u>	<u>-</u>	<u>-</u>	<u>33,318</u>	<u>74,607</u>
-	<u>22,055</u>	<u>9,697</u>	<u>84,230</u>	<u>(26,732)</u>
-	-	-	-	-
-	(30,698)	(9,697)	-	-
-	<u>(30,698)</u>	<u>(9,697)</u>	<u>-</u>	<u>-</u>
-	(8,643)	-	84,230	(26,732)
<u>281</u>	<u>(80,009)</u>	<u>(2,760)</u>	<u>(231,715)</u>	<u>(107,033)</u>
\$ <u>281</u>	\$ <u>(88,652)</u>	\$ <u>(2,760)</u>	\$ <u>(147,485)</u>	\$ <u>(133,765)</u>

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2010

	Debt		
	4th Avenue Improvement Bond Fund	2006 A Refunding Bond Fund	2007 Street Improvement Bond Fund
<u>Revenues</u>			
Local property taxes	\$ -	\$ -	\$ 47,709
Special assessments	38,900	-	41,057
Intergovernmental revenues	-	-	-
Federal grants	-	-	-
State grants	-	-	-
Charges for services and facilities	-	-	-
Fines and forfeits	-	-	-
Investment income	-	-	-
Other revenues	-	-	-
Total revenues	38,900	-	88,766
<u>Expenditures</u>			
Current:			
Public safety	-	-	-
Public works	-	-	1,050
Culture and recreation:			
Library	-	-	-
Swim pool	-	-	-
Conservation and development:			
Economic development and assistance	-	-	-
Airport	-	-	-
Capital outlay:			
Other	-	-	-
Debt service:			
Principal retirement	25,000	105,000	70,000
Interest and fiscal charges	14,997	34,042	51,565
Total expenditures	39,997	139,042	122,615
Excess of revenues over (under) expenditures	(1,097)	(139,042)	(33,849)
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	-	98,683	-
Operating transfers out	-	-	-
Total other financing sources (uses)	-	98,683	-
Net change in fund balances	(1,097)	(40,359)	(33,849)
Fund balance (deficit), January 1, 2010	(112,459)	(59,155)	1,259
Fund balance (deficit), December 31, 2010	\$ (113,556)	\$ (99,514)	\$ (32,590)

Service			Total
2009 Street Improvement Bond Fund	GO Special Assessment Bond Fund	Hospital Bond Fund	Nonmajor Governmental Funds
\$ 93,837	\$ 15,531	\$ -	\$ 572,983
44,108	59,335	-	231,275
-	-	-	15,098
-	-	-	61,659
-	-	-	274,196
-	-	-	573,926
-	-	-	2,688
3,025	13,229	-	25,815
-	-	-	335,192
<u>140,970</u>	<u>88,095</u>	<u>-</u>	<u>2,092,832</u>
-	-	-	256,952
1,139	10,691	-	13,869
-	-	-	164,711
-	-	-	77,542
-	-	-	659,376
-	-	-	54,898
26,951	-	-	147,627
-	68,455	2,030,000	2,349,455
<u>61,182</u>	<u>11,259</u>	<u>60,969</u>	<u>446,385</u>
<u>89,272</u>	<u>90,405</u>	<u>2,090,969</u>	<u>4,170,815</u>
<u>51,698</u>	<u>(2,310)</u>	<u>(2,090,969)</u>	<u>(2,077,983)</u>
-	-	2,090,969	2,228,326
-	(29,525)	-	(98,897)
<u>-</u>	<u>(29,525)</u>	<u>2,090,969</u>	<u>2,129,429</u>
51,698	(31,835)	-	51,446
178,937	456,401	-	2,813,754
<u>\$ 230,635</u>	<u>\$ 424,566</u>	<u>\$ -</u>	<u>\$ 2,865,200</u>

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2010

<u>ASSETS</u>	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Total Nonmajor Enterprise Funds
<u>Current assets</u>				
Cash and interest-bearing deposits	\$ 46,973	\$ -	\$ 23,539	\$ 70,512
Inventories	252	-	-	252
Total current assets	<u>47,225</u>	<u>-</u>	<u>23,539</u>	<u>70,764</u>
<u>Fixed</u>				
Property, plant, equipment	1,259,838	2,192,417	1,123,288	4,575,543
Less: accumulated depreciation	<u>1,085,373</u>	<u>754,028</u>	<u>312,777</u>	<u>2,152,178</u>
Net fixed assets	<u>174,465</u>	<u>1,438,389</u>	<u>810,511</u>	<u>2,423,365</u>
Total assets	<u>\$ 221,690</u>	<u>\$ 1,438,389</u>	<u>\$ 834,050</u>	<u>\$ 2,494,129</u>
<u>LIABILITIES</u>				
<u>Current liabilities</u>				
Cash deficiency	\$ -	\$ 110,760	\$ -	\$ 110,760
Accounts payable	2,940	2,162	3,482	8,584
Customer deposits	-	-	5,000	5,000
Notes payable within one year	-	-	9,872	9,872
Total current liabilities	<u>2,940</u>	<u>112,922</u>	<u>18,354</u>	<u>134,216</u>
<u>Non-current liabilities</u>				
Accrued vacation and sick	53,858	35,741	-	89,599
Notes payable	-	-	1,004,516	1,004,516
Total non-current liabilities	<u>53,858</u>	<u>35,741</u>	<u>1,004,516</u>	<u>1,094,115</u>
Total liabilities	<u>56,798</u>	<u>148,663</u>	<u>1,022,870</u>	<u>1,228,331</u>
<u>Net Assets</u>				
Net Assets:				
Invested in capital assets, net of related debt	174,465	1,438,389	-	1,612,854
Unreserved (deficit)	<u>(9,573)</u>	<u>(148,663)</u>	<u>(188,820)</u>	<u>(347,056)</u>
Total net assets (deficit)	<u>\$ 164,892</u>	<u>\$ 1,289,726</u>	<u>\$ (188,820)</u>	<u>\$ 1,265,798</u>

NONMAJOR ENTERPRISE FUNDS
STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Arena Fund	Multi-Purpose Center Fund	River Bluff Townhomes	Total Nonmajor Enterprise Funds
<u>Operating revenues</u>				
Facility use and other revenues	\$ 136,949	\$ 68,440	\$ 83,270	\$ 288,659
<u>Operating expense</u>				
Salaries and wages	111,612	121,172	-	232,784
Payroll taxes	16,175	17,067	-	33,242
Employee insurance	25,350	17,700	-	43,050
Supplies and maintenance costs	26,570	10,156	22,335	59,061
Utilities	62,272	24,786	7,619	94,677
Insurance	7,066	6,822	6,691	20,579
Depreciation and amortization	36,123	64,169	29,838	130,130
Other operating expense	42,569	19,846	12,256	74,671
Total operating expense	<u>327,737</u>	<u>281,718</u>	<u>78,739</u>	<u>688,194</u>
Operating income (loss)	<u>(190,788)</u>	<u>(213,278)</u>	<u>4,531</u>	<u>(399,535)</u>
<u>Other revenues</u>				
Local property taxes	159,930	205,425	-	365,355
Contributions/reimbursements	5,500	-	-	5,500
Total other revenues	<u>165,430</u>	<u>205,425</u>	<u>-</u>	<u>370,855</u>
<u>Other charges</u>				
Interest and debt services	-	-	24,911	24,911
Total other charges	<u>-</u>	<u>-</u>	<u>24,911</u>	<u>24,911</u>
Change in net assets	<u>(25,358)</u>	<u>(7,853)</u>	<u>(20,380)</u>	<u>(53,591)</u>
Net assets (deficit), January 1, 2010	<u>190,250</u>	<u>1,297,579</u>	<u>(168,440)</u>	<u>1,319,389</u>
Net assets (deficit), December 31, 2010	<u>\$ 164,892</u>	<u>\$ 1,289,726</u>	<u>\$ (188,820)</u>	<u>\$ 1,265,798</u>

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Arena Fund	Multi-Purpose Center Fund
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 136,949	\$ 68,440
Cash payments to suppliers for goods and services	(96,867)	(42,858)
Cash payments to/for employees for services	(155,804)	(157,198)
Other expense	(42,569)	(19,846)
Net cash provided (used) by operating activities	(158,291)	(151,462)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:		
Cash received from property taxes	159,930	205,425
Net cash provided by non-capital financing activities	159,930	205,425
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisitions and construction of capital assets	(20,000)	(2,368)
Principal payments on long-term debt	-	-
Interest paid	-	-
Other revenue	5,500	-
Net cash (used) by capital and financing activities	(14,500)	(2,368)
Net increase in cash and cash equivalents	(12,861)	51,595
Cash and interest bearing deposits, January 1, 2010	59,834	(162,355)
Cash and interest bearing deposits, December 31, 2010	\$ 46,973	\$ (110,760)
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Net income (loss) from operations	\$ (190,788)	\$ (213,278)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	36,123	64,169
Changes in assets and liabilities:		
(Increase) decrease in inventory	(85)	-
Increase (decrease) in accounts payable	(874)	(1,094)
Increase (decrease) in customer deposits	-	-
Increase (decrease) in accrued vacation and sick	(2,667)	(1,259)
Net cash provided (used) by operating activities	\$ (158,291)	\$ (151,462)

River Bluff Townhomes	Total Nonmajor Enterprise Funds
\$ 83,620	\$ 289,009
(36,267)	(175,992)
-	(313,002)
(12,256)	(74,671)
<u>35,097</u>	<u>(274,656)</u>
-	<u>365,355</u>
-	<u>365,355</u>
-	(22,368)
(9,266)	(9,266)
(24,911)	(24,911)
-	<u>5,500</u>
<u>(34,177)</u>	<u>(51,045)</u>
920	<u>39,654</u>
<u>22,619</u>	<u>(79,902)</u>
<u>23,539</u>	\$ <u>(40,248)</u>
\$ 4,531	\$ (399,535)
29,838	130,130
-	(85)
378	(1,590)
350	350
-	(3,926)
\$ <u>35,097</u>	\$ <u>(274,656)</u>

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
ANDREA M. JOHNSON, 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, 2010 and have issued our report thereon dated June 15, 2011.

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 Political Subdivisions*, 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 Political Subdivisions* 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 15, 2011

