

CITY OF LITCHFIELD, MINNESOTA

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2008

Conway, Deuth & Schmiesing, PLLP
Certified Public Accountants
Litchfield, Minnesota

CITY OF LITCHFIELD, MINNESOTA
YEAR ENDED DECEMBER 31, 2008
TABLE OF CONTENTS

	<u>PAGE</u>
ELECTED AND APPOINTED OFFICIALS	1
FINANCIAL SECTION	
Independent Auditor's Report	2-3
Management Discussion and Analysis	4-10
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets	11
Statement of Activities	12
Balance Sheet - Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	17
Statement of Net Assets - Proprietary Funds	18-19
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Funds	20
Statement of Cash Flows - Proprietary Funds	21-22
Statement of Fiduciary Net Assets	23
Statement of Changes in Fiduciary Net Assets	23
Notes to the Financial Statements	24-52
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress - Other Postemployment Benefits Plan	53
Schedule of Employer Contributions - Other Postemployment Benefits Plan	54

CITY OF LITCHFIELD, MINNESOTA
YEAR ENDED DECEMBER 31, 2008
TABLE OF CONTENTS

	<u>PAGE</u>
SUPPLEMENTARY INFORMATION	
COMBINING STATEMENTS OF NONMAJOR FUNDS	
Combining Balance Sheet - Nonmajor Governmental Funds	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	56
Combining Balance Sheet - Special Revenue Nonmajor Funds	57-59
Combining Balance Sheet - Debt Service Nonmajor Funds	60-61
Combining Balance Sheet - Capital Projects Nonmajor Funds	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Special Revenue Nonmajor Funds	63-65
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Debt Service Nonmajor Funds	66-67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Capital Projects Nonmajor Funds	68
INDIVIDUAL FUND STATEMENTS	
Balance Sheet - General Fund	69
Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	70
Statements of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Detail - General Fund	71-76
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Hazardous Building Special Revenue Fund	77
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Trail Project Special Revenue Fund	78
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Golf Course Special Revenue Fund	79
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Economic Development Special Revenue Fund	80
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Small Cities Rehabilitation Special Revenue Fund	81

CITY OF LITCHFIELD, MINNESOTA
YEAR ENDED DECEMBER 31, 2008
TABLE OF CONTENTS

	<u>PAGE</u>
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Airport Special Revenue Fund	82
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Dial-A-Ride Special Revenue Fund	83
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Civic Arena Special Revenue Fund	84
Balance Sheet - Infrastructure TIF Special Revenue Funds	85-86
Statement of Revenues, Expenditures and Changes in Fund Balances - Infrastructure TIF Special Revenue Funds	87-88
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Reserve for Tax Abatement Special Revenue Fund	89
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Infrastructure Street Special Revenue Fund	90
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Cemetery Special Revenue Fund	91
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Permanent Improvement Revolving Special Revenue Fund	92
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Industrial Park Special Revenue Fund	93
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Community Reinvestment Special Revenue Fund	94
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Reserve for JobZ Special Revenue Fund	95
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Highway 12 Beautification Special Revenue Fund	96
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Lake Ripley Improvement Special Revenue Fund	97
Liquor Enterprise Fund	
Statement of Net Assets	98
Statement of Revenues, Expenses and Changes in Net Assets	99

CITY OF LITCHFIELD, MINNESOTA
YEAR ENDED DECEMBER 31, 2008
TABLE OF CONTENTS

	<u>PAGE</u>
Sewer Enterprise Fund	
Statement of Net Assets	100
Statement of Revenues, Expenses and Changes in Net Assets	101
Electric Enterprise Fund	
Statement of Net Assets	102
Statement of Revenues, Expenses and Changes in Net Assets	103
Water Enterprise Fund	
Statement of Net Assets	104
Statement of Revenues, Expenses and Changes in Net Assets	105
Internal Service Funds	
Statement of Net Assets	106
Statement of Revenues, Expenses and Changes in Net Assets	107
Capital Improvement Revolving Internal Service Fund	
Statement of Net Assets	108
Statement of Revenues, Expenses and Changes in Net Assets	109
Operating Revolving Internal Service Fund	
Statement of Net Assets	110
Statement of Revenues, Expenses and Changes in Net Assets	111
Fiduciary Funds	
Statement of Net Assets	112
Statement of Revenues, Expenditures and Changes in Net Assets	113
 FINANCIAL SCHEDULES	
Tax Increment Financing Districts	
Schedule of Sources and Uses of Public Funds	
Seventh Street - Donnelly Avenue Projects	
Tax Increment Financing District No. 1-1	114

CITY OF LITCHFIELD, MINNESOTA
YEAR ENDED DECEMBER 31, 2008
TABLE OF CONTENTS

	<u>PAGE</u>
Schedule of Sources and Uses of Public Funds Pleasantview Estates Outfall Tax Increment Financing District No. 1-2	115
Schedule of Sources and Uses of Public Funds Longfellow Square Tax Increment Financing District No. 3-1	116
Schedule of Sources and Uses of Public Funds Housing Tax Increment Financing District No. 4-4	117
Schedule of Sources and Uses of Public Funds Innovex Tax Increment Financing District No. 4-6	118
Schedule of Sources and Uses of Public Funds I.R.D. Tax Increment Financing District No. 4-7	119
Schedule of Sources and Uses of Public Funds Northstar I Tax Increment Financing District No. 4-10	120
Schedule of Sources and Uses of Public Funds Northstar II Tax Increment Financing District No. 4-11	121
Schedule of Sources and Uses of Public Funds Towmaster Tax Increment Financing District No. 4-12	122
G.O. Bonds, Series 2007A	123
G.O. Improvement Bonds, Series 1999	124
G.O. Improvement Bonds, Series 2002	125
G.O. Refunding Improvement Bonds, Series 2003	126
G.O. Improvement Bonds, Series 2004A	127
G.O. Improvement Bonds, Series 2006A	128
G.O. Housing Development Bonds, Series 1996A	129
Public Project Lease Revenue Bonds, Series 2005A	130

CITY OF LITCHFIELD, MINNESOTA
YEAR ENDED DECEMBER 31, 2008
TABLE OF CONTENTS

	<u>PAGE</u>
Public Project Lease Revenue Bonds, Series 2007B	131
Grandstand Capital Lease	132
G.O. Revenue Loans Payable of 1999	133
G.O. Revenue Loans Payable of 2001	134
G.O. Wastewater Facility Revenue Refunding Bonds, Series 2002A	135
Electric Utility Revenue Bonds, Series 2008A	136
Assessment Payable	137
Certificates of Indebtedness - 2006	138
Certificates of Indebtedness - 2007	139
Computation of Legal Debt Margin	140
 COMPLIANCE SECTION	
Independent Auditor's Report on Minnesota Legal Compliance	141
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	142-143

CITY OF LITCHFIELD, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2008

		<u>Term Expires</u>
Mayor	Vernon Madson	12/31/2010
Council Member At Large	Danielle Rodgers	12/31/2008
Council Member - 1st Ward	Barbara Altringer	12/31/2010
Council Member - 2nd Ward	Connie Lies	12/31/2008
Council Member - 3rd Ward	Steve Black	12/31/2010
Council Member - 4th Ward	Larry Dahl	12/31/2008
Council Member - 5th Ward	Gary Walz	12/31/2010
City Administrator	Bruce Miller	Appointed
Assistant City Administrator	Joyce Spreiter	Appointed

FINANCIAL SECTION



Quality | Dedication | Integrity

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Litchfield
Litchfield, 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 Litchfield, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's 2007 financial statements and, in our report dated June 16, 2008, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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

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

As discussed in Note 16 to the financial statements, during the year ended December 31, 2008, the City of Litchfield, Minnesota implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

City's basic financial statements. The statements and schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of 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.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Litchfield, Minnesota

June 15, 2009

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT DISCUSSION AND ANALYSIS

This section of the basic financial statements of the City of Litchfield (the City) presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2008. Please read it in conjunction with the City's basic financial statements following this section.

Financial Highlights

- The assets of the City exceeded liabilities by \$39.1 million. Of this amount, \$12.2 million may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets increased by \$1,736,178.
- The City's Governmental Funds reported combined ending fund balances of \$4.2 million. Of this total amount, approximately 39% is available for spending at the City's discretion.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$1.5 million, or 39% of total general fund expenditures of \$3.8 million.

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented after the Statement of Activities. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of organizations outside the government. The notes to the basic financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This annual report also contains other supplementary information in addition to the basic financial statements.

The City as a Whole: Statement of Net Assets and Statement of Activities

Our analysis of the City of Litchfield begins with the Statement of Net Assets and the Statement of Activities. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities both report information about the City as a whole and about its activities in a way that helps answer this question. With the exception of Fiduciary Funds, which have been excluded because they do not represent the City's financial resources, the Statement of Net Assets includes *all* assets and liabilities using the *accrual basis of accounting*. In the Statement of Activities, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's *net assets* and changes in them. You can think of the City's net assets—the difference between assets and liabilities—as one way to measure the City's financial health.

Over time, increases or decreases in the City's net assets are one indicator of whether the City's financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the overall health of the City of Litchfield.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT DISCUSSION AND ANALYSIS

Governmental Activities - Most of the City's basic services are reported here, including the police, public works, and parks department, and general administration. Property taxes, and state and federal grants finance most of these activities.

Business-Type Activities - The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's liquor, sewer, electric, and water funds are reported here.

The City's Most Significant Funds: Fund Financial Statements

Our analysis of the City of Litchfield, Minnesota's major funds begins with the fund financial statements. These statements provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City's three kinds of funds - governmental, proprietary, and fiduciary - use different accounting approaches.

Governmental Funds - Most of the City's basic services are reported in governmental funds. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader of the statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* in a reconciliation after the fund financial statements.

The governmental fund financial statements can be found on pages 13-17 of this report.

Proprietary Funds - When the City of Litchfield charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

The proprietary fund financial statements can be found on pages 18-22 of this report.

Fiduciary Funds - The City of Litchfield is the trustee, or fiduciary, for resources collected to provide equipment, books and library supplies as determined by the library board. The resources held in a fiduciary capacity are reported in separate Statements of Fiduciary Net Assets. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The fiduciary fund financial statements can be found on page 23 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-52 of this report.

CITY OF LITCHFIELD, MINNESOTA
MANAGEMENT DISCUSSION AND ANALYSIS

Supplementary Information

The combining statements in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining statements and individual fund information can be found on pages 55-113 of this report.

Statement of Net Assets

The City of Litchfield's net assets were \$39,114,919 on December 31, 2008 (see details in Table 1). This was an increase of \$1,736,178 or 4.6% from \$37,378,741 at December 31, 2007.

Table 1 Condensed Statement of Net Assets				
	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Current and other assets	\$ 6,636,680	\$ 8,231,661	\$ 16,495,619	\$ 8,664,532
Capital assets	18,626,996	17,585,137	33,451,627	26,951,857
Total Assets	<u>\$ 25,263,676</u>	<u>\$ 25,816,798</u>	<u>\$ 49,947,246</u>	<u>\$ 35,616,389</u>
Current and other liabilities	\$ 392,003	\$ 850,284	\$ 4,926,034	\$ 887,581
Long-term liabilities	8,145,457	8,757,912	22,632,509	13,558,669
Total Liabilities	<u>8,537,460</u>	<u>9,608,196</u>	<u>27,558,543</u>	<u>14,446,250</u>
Net Assets				
Invested in capital assets, net of related debt	10,481,539	8,827,225	13,184,736	13,393,188
Restricted	1,996,728	2,226,788	1,216,879	1,154,599
Unrestricted	4,247,949	5,154,589	7,987,088	6,622,352
Total Net Assets	<u>16,726,216</u>	<u>16,208,602</u>	<u>22,388,703</u>	<u>21,170,139</u>
Total Liabilities and Net Assets	<u>\$ 25,263,676</u>	<u>\$ 25,816,798</u>	<u>\$ 49,947,246</u>	<u>\$ 35,616,389</u>

Governmental Activities

Net assets of the City's governmental activities increased by \$517,614, or 3.2%. The most significant changes occurred in the capital and unrestricted net asset categories. Investment in capital assets (net of related debt) increased by \$1,654,314. The Unrestricted category decreased by \$906,640 mostly due to a street overlay improvement project costing approximately \$643,000.

Business-Type Activities

The net assets of our business-type activities increased by \$1,218,564, or 5.8%. The increase was due to the following funds change in net assets: Liquor Fund \$115,487, Sewer Fund \$331,992, Electric Fund \$985,973, and Water Fund \$(214,888). Most of the change in the Water Fund can be contributed to lower revenues than budget and water tower painting project costs of \$147,000.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT DISCUSSION AND ANALYSIS

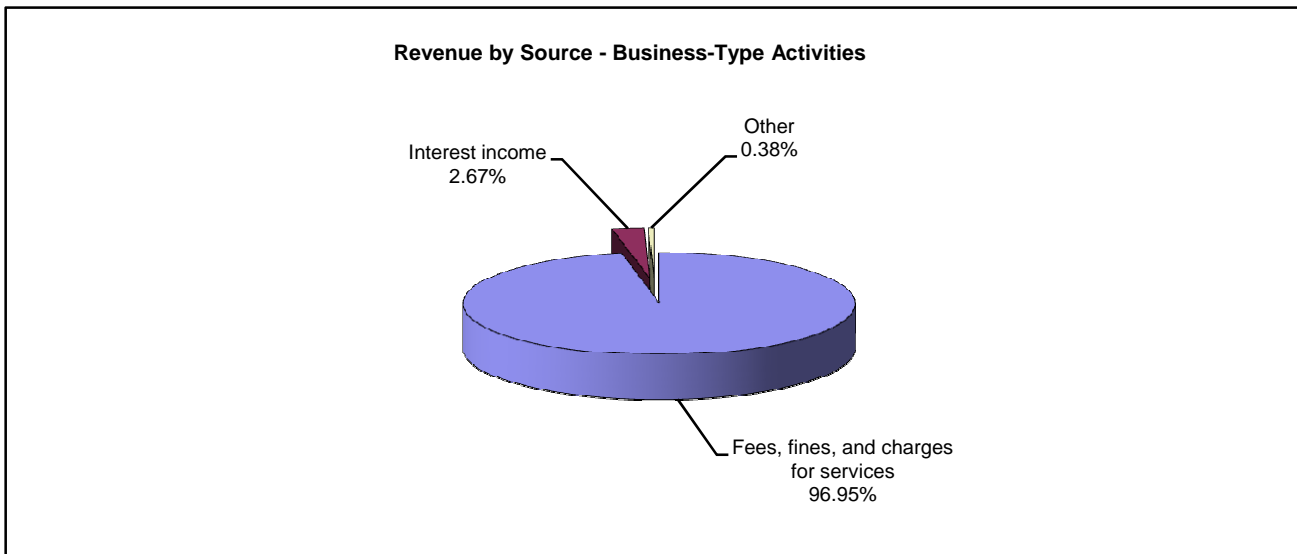
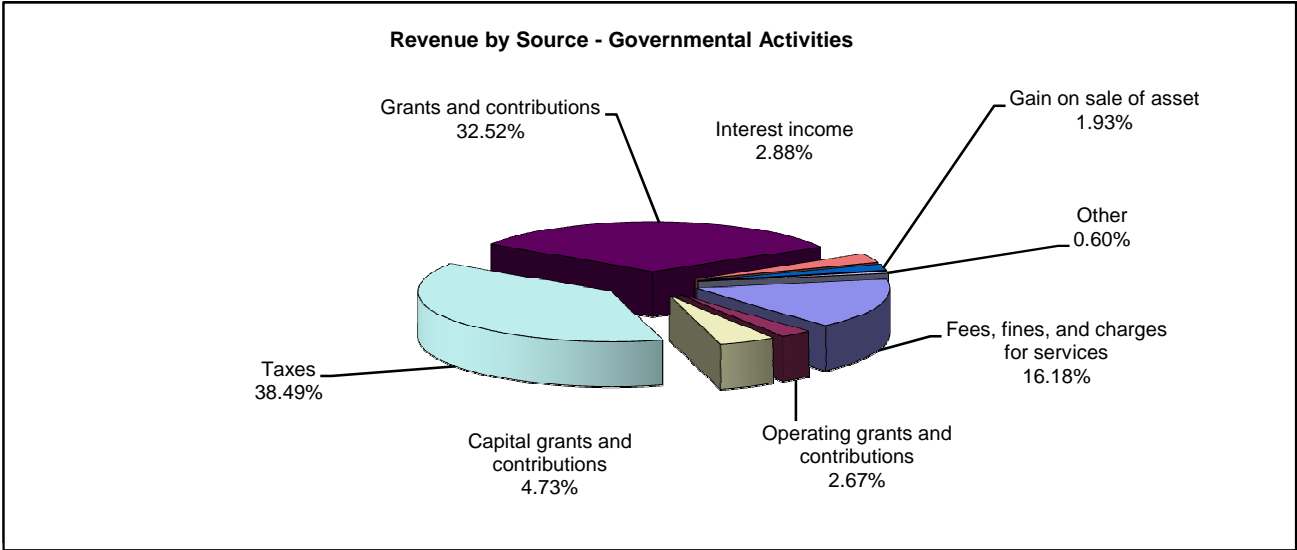
The following table indicates the changes in net assets for the City's governmental and business-type activities:

Table 2 Condensed Statement of Activities				
	Governmental Activities		Business-Type Activities	
	2008	2007	2008	2007
Revenues				
Program revenues:				
services	\$ 940,533	\$ 1,033,741	\$ 12,962,627	\$ 11,916,470
Operating grants and contributions	155,285	158,340		
Capital grants and contributions	274,764	667,596		133,090
General revenues:				
Taxes	2,237,814	2,061,968		
Grants and contributions	1,890,566	1,968,970		
Interest income	167,265	371,413	357,485	264,045
Gain on sale of asset	112,343			
Other	35,150	47,743	50,970	154,925
Total Revenues	<u>5,813,720</u>	<u>6,309,771</u>	<u>13,371,082</u>	<u>12,468,530</u>
Expenses				
General government	1,243,037	1,201,076		
Public safety	1,595,572	1,488,120		
Public works	1,356,335	1,366,914		
Airport	88,275	89,690		
Culture and recreation	949,327	1,470,498		
Economic development	84,901	156,416		
Interest on long-term debt	418,237	403,054		
Liquor store			1,705,161	1,592,462
Sewer utility			2,164,960	2,246,621
Electric utility			6,760,693	6,615,414
Water utility			1,082,126	841,184
Total Expenses	<u>5,735,684</u>	<u>6,175,768</u>	<u>11,712,940</u>	<u>11,295,681</u>
Change in Net Assets before Transfers	78,036	134,003	1,658,142	1,172,849
Transfers	<u>439,578</u>	<u>457,000</u>	<u>(439,578)</u>	<u>(457,000)</u>
Change in Net Assets	517,614	591,003	1,218,564	715,849
Net Assets, Beginning of Year	<u>16,208,602</u>	<u>15,617,599</u>	<u>21,170,139</u>	<u>20,454,290</u>
Net Assets, End of Year	<u>\$ 16,726,216</u>	<u>\$ 16,208,602</u>	<u>\$ 22,388,703</u>	<u>\$ 21,170,139</u>

CITY OF LITCHFIELD, MINNESOTA
MANAGEMENT DISCUSSION AND ANALYSIS

Governmental Activities

Revenues - The following chart visually illustrates the City's revenue by source for its governmental activities and business-type activities:



Financial Analysis of the City's Funds

General Fund - The change in the City's General Fund Balance after transfers was \$(52,205) for 2008. The historical practice of the City is to transfer excess revenues over expenditures not required for current cash flow purposes to dedicated funds for future capital improvements. The 2008 excess transferred was \$344,404.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT DISCUSSION AND ANALYSIS

Special Revenue Funds - The change in the City's special revenue fund balances was \$(401,505) for 2008. A majority of the decrease was comprised of changes in three funds. The Infrastructure TIF and Street Funds decreased a combined \$337,546 due to a street overlay improvement project, and the Community Reinvestment Fund decreased \$111,556 due to various capital outlay expenditures.

Debt Service Funds - The debt service fund balances increased by \$77,062. The 2006 G.O. Improvement Fund had the largest change of \$71,780 due to a transfer from the Eastern Development Fund.

Capital Projects Fund - The capital projects fund balances decreased by \$669,172. The major capital project improvements were for the Airport, Golf Course and Fire/Rescue Building projects. The decrease in fund balance is mostly due a land purchase of \$455,796 for a future Fire/Rescue building.

General Fund Budgetary Highlights

Over the course of the year, the City of Litchfield City Council did not revise the budget. The General Fund budget included sufficient revenues to cover expenditures predicting a zero increase in the change in fund balance. There was less received in revenues than what was budgeted along with increased transfers out, therefore decreasing the fund balance rather than the zero increase.

Capital Assets

At the end of 2008, the City of Litchfield had \$82 million invested in a broad range of capital assets. Refer to Note 8 of the Notes to the Financial Statements for a schedule showing the City's capital asset activity.

The City of Litchfield's fiscal year 2009 capital budget calls for completion of the Golf Course and Electric Improvement projects. The City Council is working on an updated capital improvement plan.

Long-Term Debt

At year-end, the City of Litchfield had \$30.7 million in bonds and notes outstanding. Refer to Note 11 of the Notes to the Financial Statements for a schedule showing the City's long-term debt activity.

The City of Litchfield's general obligation bond rating continues to carry an "A3" bond rating from Moody's Investors Services.

Economic Factors and Next Year's Budget

The City of Litchfield's appointed officials considered many factors when setting the fiscal year 2009 budget, rates, and fees that will be charged for the business-type activities. The major factor accounted for when adopting the General Fund budget was to hold all line items as much as possible to the 2008 final budget. Because of past state funding problems, the City has subsequently taken measures to reduce any adverse impact that this might have on the City's 2009 and future years' budget by making appropriate permanent budget cuts.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT DISCUSSION AND ANALYSIS

Contacting the City's Financial Management

This financial report is designed to provide our residents, customers, and creditors with a general overview of the City of Litchfield's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City of Litchfield, 126 Marshall Avenue North, Litchfield, Minnesota 55355, (320) 693-7201, or ctylitch@hutchtel.net.

BASIC FINANCIAL STATEMENTS

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
 DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	Governmental	Business-Type	Totals	
	Activities	Activities	2008	2007
ASSETS				
Cash and investments	\$ 4,624,441	\$ 12,961,577	\$ 17,586,018	\$ 11,843,598
Cash with fiscal agent	316,888	252,598	569,486	315,081
Restricted cash and investments		1,216,879	1,216,879	1,154,699
Receivables (net)	1,188,266	1,165,611	2,353,877	2,409,076
Due from other governmental units	201,798		201,798	325,864
Inventories	19,072	656,577	675,649	539,055
Prepaid expenses	49,079	36,393	85,472	77,233
Deferred charges	193,853	156,286	350,139	231,587
Net OPEB asset	43,283	49,698	92,981	
Capital assets, net	18,626,996	33,451,627	52,078,623	44,536,994
Total Assets	\$ 25,263,676	\$ 49,947,246	\$ 75,210,922	\$ 61,433,187
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts and contracts payable	\$ 153,473	\$ 4,441,931	\$ 4,595,404	\$ 704,274
Accrued salaries	69,063	42,772	111,835	80,919
Accrued interest payable	136,561	358,074	494,635	237,708
Deposits payable		27,753	27,753	35,453
Due to other governmental units	32,906	55,504	88,410	582,648
Noncurrent liabilities:				
Due within one year	645,530	1,045,959	1,691,489	1,635,901
Due in more than one year	7,499,927	21,586,550	29,086,477	20,777,543
Total Liabilities	8,537,460	27,558,543	36,096,003	24,054,446
Net Assets				
Invested in capital assets, net of related debt	10,481,539	13,184,736	23,666,275	22,220,413
Restricted for debt service	1,996,728	1,216,879	3,213,607	3,381,387
Unrestricted	4,247,949	7,987,088	12,235,037	11,776,941
Total Net Assets	16,726,216	22,388,703	39,114,919	37,378,741
Total Liabilities and Net Assets	\$ 25,263,676	\$ 49,947,246	\$ 75,210,922	\$ 61,433,187

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF ACTIVITIES
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
							2008	2007
GOVERNMENTAL ACTIVITIES:								
General government	\$ 1,243,037	\$ 201,973	\$	\$ 1,500	\$ (1,039,564)	\$	\$ (1,039,564)	\$ (993,204)
Public safety	1,595,572	122,002	100,487	17,000	(1,356,083)		(1,356,083)	(862,544)
Public works	1,356,335	6,993	27,100	79,141	(1,243,101)		(1,243,101)	(1,220,776)
Airport	88,275	21,604		158,273	91,602		91,602	26,738
Culture and recreation	949,327	453,548		850	(494,929)		(494,929)	(1,029,722)
Economic development	84,901	25,235	6,000	18,000	(35,666)		(35,666)	(113,643)
Interest on long-term debt	418,237	109,178	21,698		(287,361)		(287,361)	(122,940)
Total Governmental Activities	5,735,684	940,533	155,285	274,764	(4,365,102)	0	(4,365,102)	(4,316,091)
BUSINESS-TYPE ACTIVITIES:								
Liquor	1,705,161	1,856,513				151,352	151,352	127,514
Sewer	2,164,960	2,405,716				240,756	240,756	167,786
Electric	6,760,693	7,859,435				1,098,742	1,098,742	366,333
Water	1,082,126	840,963				(241,163)	(241,163)	92,246
Total Business-Type Activities	11,712,940	12,962,627	0	0	0	1,249,687	1,249,687	753,879
Total	\$ 17,448,624	\$ 13,903,160	\$ 155,285	\$ 274,764	(4,365,102)	1,249,687	(3,115,415)	(3,562,212)
GENERAL REVENUES:								
Taxes								
Property taxes, levied for general purposes					1,716,420		1,716,420	1,688,873
Property taxes, levied for debt service					521,394		521,394	373,095
Grants and contributions not restricted to specific programs					1,890,566		1,890,566	1,968,970
Interest income					167,265	357,485	524,750	635,458
Gain on sale of asset					112,343		112,343	
Other					35,150	50,970	86,120	202,668
TRANSFERS					439,578	(439,578)		
Total General Revenues and Transfers					4,882,716	(31,123)	4,851,593	4,869,064
Change in Net Assets					517,614	1,218,564	1,736,178	1,306,852
NET ASSETS, BEGINNING OF YEAR					16,208,602	21,170,139	37,378,741	36,071,889
NET ASSETS, END OF YEAR					\$ 16,726,216	\$ 22,388,703	\$ 39,114,919	\$ 37,378,741

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2008

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	General	Other Governmental Funds	Total Governmental Funds	
			2008	2007
ASSETS				
Cash and investments	\$ 1,279,568	\$ 3,095,825	\$ 4,375,393	\$ 5,154,331
Cash with fiscal agent		316,888	316,888	315,181
Receivables				
Accounts	32,965	192,011	224,976	211,437
Contracts		56,000	56,000	60,000
Interest	249,619		249,619	294,888
Taxes	40,456	12,432	52,888	37,215
Notes		20,589	20,589	20,589
Special assessments	1,830	582,364	584,194	797,196
Due from other governmental units	14,390	182,282	196,672	324,558
Inventories		19,072	19,072	24,592
Prepaid expenses	32,509	16,570	49,079	44,486
Advance to other funds	29,980	523,674	553,654	576,479
Deferred charges		55,105	55,105	59,018
Total Assets	\$ 1,681,317	\$ 5,072,812	\$ 6,754,129	\$ 7,919,970
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts and contracts payable	\$ 18,469	\$ 131,198	\$ 149,667	\$ 160,351
Cash drawn in excess of funds		673,815	673,815	57,040
Accrued salaries	64,248	4,815	69,063	51,342
Due to other governmental units	29,172	3,734	32,906	537,576
Advance from other funds		1,014,962	1,014,962	1,056,796
Deferred revenue	42,286	615,385	657,671	855,000
Total Liabilities	154,175	2,443,909	2,598,084	2,718,105
Fund Balance				
Reserved	29,980	2,463,110	2,493,090	2,474,529
Unreserved, designated	30,491		30,491	49,213
Unreserved, undesignated in:				
General Fund	1,466,671		1,466,671	1,498,919
Special Revenue Funds		407,066	407,066	751,305
Capital Projects Funds		(241,273)	(241,273)	427,899
Total Fund Balance	1,527,142	2,628,903	4,156,045	5,201,865
Total Liabilities and Fund Balance	\$ 1,681,317	\$ 5,072,812	\$ 6,754,129	\$ 7,919,970

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

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

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	<u>2008</u>	<u>2007</u>
Total Fund Balances - Governmental Funds	\$ 4,156,045	\$ 5,201,865
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		
Governmental capital assets	23,428,788	21,867,993
Less: accumulated depreciation	(6,973,750)	(6,407,813)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Taxes	52,888	37,215
Notes	20,589	20,589
Special assessments	584,194	797,196
Internal service funds are used by management to charge the costs of equipment to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
	2,695,433	2,399,497
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.		
Net OPEB asset	43,283	
Bonds and notes payable	(7,145,491)	(7,634,213)
Compensated absences	(129,966)	(113,288)
Accrued interest payable	(136,561)	(101,015)
Deferred charges	130,764	140,576
Total Net Assets - Governmental Activities	<u>\$ 16,726,216</u>	<u>\$ 16,208,602</u>

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	General	Other Governmental Funds	Total Governmental Funds	
			2008	2007
REVENUES				
Taxes	\$ 1,451,612	\$ 616,927	\$ 2,068,539	\$ 1,984,947
Special assessments		121,613	121,613	130,324
Licenses and permits	100,397		100,397	107,201
Intergovernmental	1,866,312	331,395	2,197,707	2,313,625
Charges for services	200,942	637,550	838,492	802,392
Fines and forfeits	31,533		31,533	39,074
Interest income	26,439	108,809	135,248	298,786
Developer contribution				412,196
Miscellaneous	10,046	160,460	170,506	149,327
	<u>3,687,281</u>	<u>1,976,754</u>	<u>5,664,035</u>	<u>6,237,872</u>
EXPENDITURES				
General government	747,585	147,815	895,400	1,024,680
Public safety	1,599,073	455,796	2,054,869	1,481,969
Public works	904,597	241,378	1,145,975	1,402,873
Airport		232,121	232,121	145,733
Culture and recreation	436,938	565,262	1,002,200	1,575,121
Economic development		710,890	710,890	224,236
Debt service		826,432	826,432	879,444
Miscellaneous	113,095		113,095	169,429
	<u>3,801,288</u>	<u>3,179,694</u>	<u>6,980,982</u>	<u>6,903,485</u>
Deficiency of Revenues Under Expenditures	(114,007)	(1,202,940)	(1,316,947)	(665,613)
OTHER FINANCING SOURCES (USES)				
Sale or compensation for property	14,950		14,950	5,532
Long-term debt proceeds				940,001
Transfers in	391,256	351,918	743,174	1,258,157
Transfers out	(344,404)	(142,593)	(486,997)	(805,794)
	<u>61,802</u>	<u>209,325</u>	<u>271,127</u>	<u>1,397,896</u>
Net Change in Fund Balances	(52,205)	(993,615)	(1,045,820)	732,283
FUND BALANCE, BEGINNING OF YEAR	<u>1,579,347</u>	<u>3,622,518</u>	<u>5,201,865</u>	<u>4,469,582</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,527,142</u>	<u>\$ 2,628,903</u>	<u>\$ 4,156,045</u>	<u>\$ 5,201,865</u>

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2008
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2008</u>	<u>2007</u>
Total Net Change in Fund Balances - Governmental Funds	\$ (1,045,820)	\$ 732,283
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds reported capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlay	1,560,794	874,203
Depreciation expense	(565,936)	(526,744)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred revenue, end of year	657,671	855,000
Deferred revenue, beginning of year	(855,000)	(944,931)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Net OPEB asset	43,283	
Compensated absences	(16,678)	19,795
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Long-term debt proceeds		(940,000)
Issuance costs		41,393
Principal retirement of long-term debt	488,722	462,533
Change in accrued interest payable	(35,546)	1,709
Amortization of bond issuance costs	(9,812)	(7,742)
Internal service funds are used by management to charge the costs of equipment to the individual funds. The net revenue (expenditure) of the internal service fund is reported with governmental activities.	<u>295,936</u>	<u>23,504</u>
Change in Net Assets - Governmental Activities	<u>\$ 517,614</u>	<u>\$ 591,003</u>

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Actual	Over (Under) Final Budget	2007 Actual
	Budgeted Amounts				
	Original	Final			
REVENUES					
Taxes	\$ 1,439,567	\$ 1,439,567	\$ 1,451,612	\$ 12,045	\$ 1,429,150
Licenses and permits	66,725	66,725	100,397	33,672	107,201
Intergovernmental	2,000,589	2,000,589	1,866,312	(134,277)	2,018,253
Charges for services	167,650	167,650	200,942	33,292	189,905
Fines and forfeits	21,000	21,000	31,533	10,533	39,074
Interest income	38,000	38,000	26,439	(11,561)	117,275
Miscellaneous	1,500	1,500	10,046	8,546	17,200
Total Revenues	3,735,031	3,735,031	3,687,281	(47,750)	3,918,058
EXPENDITURES					
General government	825,675	825,675	747,585	(78,090)	727,056
Public safety	1,440,027	1,440,027	1,599,073	159,046	1,444,736
Public works	779,331	779,331	904,597	125,266	869,473
Culture and recreation	470,521	470,521	436,938	(33,583)	486,764
Miscellaneous	529,324	529,324	113,095	(416,229)	169,429
Total Expenditures	4,044,878	4,044,878	3,801,288	(243,590)	3,697,458
Excess (Deficiency) of Revenues Over (Under) Expenditures	(309,847)	(309,847)	(114,007)	195,840	220,600
OTHER FINANCING SOURCES (USES)					
Sale or compensation for property	2,000	2,000	14,950	12,950	5,532
Transfers in	425,847	425,847	391,256	(34,591)	398,000
Transfers out	(118,000)	(118,000)	(344,404)	(226,404)	(535,822)
Total Other Financing Sources (Uses)	309,847	309,847	61,802	(248,045)	(132,290)
Net Change in Fund Balances	\$ 0	\$ 0	(52,205)	\$ (52,205)	88,310
FUND BALANCE, BEGINNING OF YEAR			1,579,347		1,491,037
FUND BALANCE, END OF YEAR			\$ 1,527,142		\$ 1,579,347

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

ASSETS	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Liquor	Sewer	Electric	Water	Totals		2008	2007
					2008	2007		
Current Assets								
Cash and investments	\$ 805,425	\$ 644,357	\$ 10,298,517	\$ 1,213,278	\$ 12,961,577	\$ 5,951,848	\$ 922,863	\$ 794,459
Cash with fiscal agent			252,598		252,598			
Accounts receivable (net)	20	253,995	835,911	75,685	1,165,611	987,751		
Due from other governmental units							5,126	1,306
Inventories	174,263		482,314		656,577	514,463		
Prepaid expenses	3,374	13,210	16,374	3,435	36,393	32,747		
Advance to other funds							461,308	480,317
Total Current Assets	983,082	911,562	11,885,714	1,292,398	15,072,756	7,486,809	1,389,297	1,276,082
Noncurrent Assets								
Restricted Assets								
Cash - Sinking Fund account		1,065,353		151,526	1,216,879	1,154,599		
Capital Assets								
Non-depreciable	22,606	300,113	6,796,840	505,639	7,625,198	372,285		
Depreciable, net	33,500	15,774,516	4,024,028	5,994,385	25,826,429	26,579,572	2,171,958	2,124,957
Deferred charges		18,499	137,787		156,286	23,124	7,984	8,870
Net OPEB asset	3,208	11,223	30,460	4,807	49,698			
Total Noncurrent Assets	59,314	17,169,704	10,989,115	6,656,357	34,874,490	28,129,580	2,179,942	2,133,827
Total Assets	\$ 1,042,396	\$ 18,081,266	\$ 22,874,829	\$ 7,948,755	\$ 49,947,246	\$ 35,616,389	\$ 3,569,239	\$ 3,409,909

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2008

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Liquor	Sewer	Electric	Water	Totals		2008	2007
					2008	2007		
LIABILITIES AND NET ASSETS								
Liabilities								
Current Liabilities (From Current Assets)								
Accounts and contracts payable	\$ 9,725	\$ 15,676	\$ 4,399,324	\$ 17,206	\$ 4,441,931	\$ 543,923	\$ 3,806	\$
Accrued salaries	4,944	11,962	21,489	4,377	42,772	29,577		
Accrued interest payable		94,190	226,699	37,185	358,074	136,693		
Deposits payable				27,753	27,753	35,453		
Due to other governmental units	16,984		26,815	11,705	55,504	45,072		
Total Current Liabilities (From Current Assets)	31,653	121,828	4,674,327	98,226	4,926,034	790,718	3,806	0
Current Liabilities (From Restricted Assets)								
Current portion of long-term debt		826,770	422	218,767	1,045,959	1,006,767	100,000	140,412
Total Current Liabilities (From Restricted Assets)	31,653	948,598	4,674,749	316,993	5,971,993	1,797,485	103,806	140,412
Noncurrent Liabilities								
Long-term portion of long-term debt	8,535	8,939,317	10,036,807	2,601,891	21,586,550	12,648,765	770,000	870,000
Total Liabilities	40,188	9,887,915	14,711,556	2,918,884	27,558,543	14,446,250	873,806	1,010,412
Net Assets								
Invested in capital assets, net of related debt	56,106	6,308,542	3,140,722	3,679,366	13,184,736	13,393,188	1,301,958	1,114,545
Restricted for debt service		1,065,353		151,526	1,216,879	1,154,599		
Unrestricted	946,102	819,456	5,022,551	1,198,979	7,987,088	6,622,352	1,393,475	1,284,952
Total Net Assets	1,002,208	8,193,351	8,163,273	5,029,871	22,388,703	21,170,139	2,695,433	2,399,497
Total Liabilities and Net Assets	\$ 1,042,396	\$ 18,081,266	\$ 22,874,829	\$ 7,948,755	\$ 49,947,246	\$ 35,616,389	\$ 3,569,239	\$ 3,409,909

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Liquor	Sewer	Electric	Water	Totals		2008	2007
					2008	2007		
OPERATING REVENUES								
Sales	\$ 1,856,513	\$	\$	\$	\$ 1,856,513	\$ 1,719,976	\$	\$
Less: Cost of Goods Sold	(1,421,679)				(1,421,679)	(1,331,494)		
Gross Profit on Sales	434,834	0	0	0	434,834	388,482	0	0
Charges for services		2,401,154	7,819,785	840,963	11,061,902	10,148,481	344,431	299,646
Other		4,562	39,650		44,212	48,013		
Total Operating Revenues	434,834	2,405,716	7,859,435	840,963	11,540,948	10,584,976	344,431	299,646
OPERATING EXPENSES								
Salaries and benefits	184,184	486,090			670,274	662,163		
Supplies	8,210	294,550			302,760	250,246		
Other services and charges	84,509	508,634			593,143	702,491	39,105	30,418
Purchased power			4,759,958	66,304	4,826,262	4,860,949		
Production expenses			317,057	60,391	377,448	458,384		
Distribution expenses			498,490	463,749	962,239	659,163		
Administrative and general			675,419	54,156	729,575	739,243		
Depreciation	6,579	585,846	283,070	328,302	1,203,797	1,213,204	490,573	385,155
Total Operating Expenses	283,482	1,875,120	6,533,994	972,902	9,665,498	9,545,843	529,678	415,573
Operating Income (Loss)	151,352	530,596	1,325,441	(131,939)	1,875,450	1,039,133	(185,247)	(115,927)
NONOPERATING REVENUES (EXPENSES)								
Taxes							153,602	70,215
Intergovernmental							17,104	8,458
Interest income	22,897	62,980	216,714	54,894	357,485	264,045	32,017	72,627
Interest and amortization expense		(289,840)	(226,699)	(109,224)	(625,763)	(418,344)	(34,284)	(21,506)
Refunds and reimbursements			4,463		4,463	7,989		
State grants							17,000	5,000
Miscellaneous	238	3,950	42,319		46,507	146,936	112,343	
Total Nonoperating Revenues (Expenses)	23,135	(222,910)	36,797	(54,330)	(217,308)	626	297,782	134,794
Income (Loss) Before Transfers and Contributions	174,487	307,686	1,362,238	(186,269)	1,658,142	1,039,759	112,535	18,867
TRANSFERS AND CONTRIBUTIONS								
Transfers in		114,306			114,306	33,000	205,029	25,574
Transfers out	(59,000)	(90,000)	(376,265)	(28,619)	(553,884)	(490,000)	(21,628)	(20,937)
Contributions						133,090		
Total Transfers and Contributions	(59,000)	24,306	(376,265)	(28,619)	(439,578)	(323,910)	183,401	4,637
Change in Net Assets	115,487	331,992	985,973	(214,888)	1,218,564	715,849	295,936	23,504
NET ASSETS, BEGINNING OF YEAR	886,721	7,861,359	7,177,300	5,244,759	21,170,139	20,454,290	2,399,497	2,375,993
NET ASSETS, END OF YEAR	\$ 1,002,208	\$ 8,193,351	\$ 8,163,273	\$ 5,029,871	\$ 22,388,703	\$ 21,170,139	\$ 2,695,433	\$ 2,399,497

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

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

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Liquor	Sewer	Electric	Water	Totals		2008	2007
					2008	2007		
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts from customers	\$ 1,856,828	\$ 2,386,760	\$ 7,712,599	\$ 828,578	\$ 12,784,765	\$ 11,878,933	\$ 344,431	\$ 299,646
Payments to suppliers	(1,531,942)	(832,169)	(5,797,677)	(589,204)	(8,750,992)	(8,214,231)	(35,299)	(39,870)
Payments to employees	(185,817)	(491,143)	(699,192)	(56,486)	(1,432,638)	(1,357,855)		
Net Cash Provided by Operating Activities	139,069	1,063,448	1,215,730	182,888	2,601,135	2,306,847	309,132	259,776
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Taxes							153,602	71,455
Intergovernmental							13,284	12,882
Other miscellaneous receipts	238	3,950	46,782		50,970	154,925	17,000	
Transfers in from other funds		114,306			114,306	33,000	205,029	25,574
Transfers out to other funds	(59,000)	(90,000)	(376,265)	(28,619)	(553,884)	(490,000)	(21,628)	(20,937)
Net Cash Used by Noncapital Financing Activities	(58,762)	28,256	(329,483)	(28,619)	(388,608)	(302,075)	367,287	88,974
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Acquisition and construction of capital assets	(9,540)	(130,391)	(3,281,058)	(260,105)	(3,681,094)	(621,320)	(425,231)	(867,603)
Principal reduction on long-term debt		(795,000)		(211,767)	(1,006,767)	(976,766)	(140,412)	(82,359)
Net proceeds of bonds, notes and certificates			9,980,000		9,980,000			774,130
Bond issuance costs			(137,787)		(137,787)			
Advance to other funds							19,009	(7,080)
Interest and fiscal agent fees paid on bonds and notes		(288,825)		(110,932)	(399,757)	(424,158)	(33,398)	(21,506)
Net Cash Provided (Used) for Capital and Related Financing Activities	(9,540)	(1,214,216)	6,561,155	(582,804)	4,754,595	(2,022,244)	(580,032)	(204,418)
CASH FLOW FROM INVESTING ACTIVITIES:								
Interest income	22,897	62,980	216,714	54,894	357,485	264,045	32,017	72,627
Net Increase (Decrease) in Cash and Cash Equivalents	93,664	(59,532)	7,664,116	(373,641)	7,324,607	246,573	128,404	216,959
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	711,761	1,769,242	2,886,999	1,738,445	7,106,447	6,859,874	794,459	577,500
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 805,425</u>	<u>\$ 1,709,710</u>	<u>\$ 10,551,115</u>	<u>\$ 1,364,804</u>	<u>\$ 14,431,054</u>	<u>\$ 7,106,447</u>	<u>\$ 922,863</u>	<u>\$ 794,459</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS								
Cash and investments	\$ 805,425	\$ 644,357	\$ 10,551,115	\$ 1,213,278	\$ 13,214,175	\$ 5,951,848	\$ 922,863	\$ 794,459
Restricted cash		1,065,353		151,526	1,216,879	1,154,599		
Total Cash and Cash Investments	<u>\$ 805,425</u>	<u>\$ 1,709,710</u>	<u>\$ 10,551,115</u>	<u>\$ 1,364,804</u>	<u>\$ 14,431,054</u>	<u>\$ 7,106,447</u>	<u>\$ 922,863</u>	<u>\$ 794,459</u>

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2008
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Liquor	Sewer	Electric	Water	Totals		2008	2007
					2008	2007		
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES:								
Operating income (loss)	\$ 151,352	\$ 530,596	\$ 1,325,441	\$ (131,939)	\$ 1,875,450	\$ 1,039,133	\$ (185,247)	\$ (115,927)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:								
Depreciation	6,579	585,846	283,070	328,302	1,203,797	1,213,204	490,573	385,155
(Increase) decrease in assets								
Accounts receivable (net)	315	(18,956)	(146,836)	(12,385)	(177,862)	(37,606)		
Due from other governmental units						70		
Inventories	(25,384)		(116,730)		(142,114)	14,307		
Interest receivable								
Prepaid expenses	(429)	(1,252)	(1,311)	(654)	(3,646)	1,778		
Net OPEB asset	(3,208)	(11,223)	(30,460)	(4,807)	(49,698)			
Increase (decrease) in liabilities								
Accounts and contracts payable	7,249	(27,733)	(111,097)	7,148	(124,433)	26,982	3,806	(9,452)
Accrued salaries	1,575	6,170	6,687	2,477	16,909	43,551		
Deposits payable				(7,700)	(7,700)	3,390		
Due to other governmental units	1,020		6,966	2,446	10,432	2,038		
Net Cash Provided by Operating Activities	<u>\$ 139,069</u>	<u>\$ 1,063,448</u>	<u>\$ 1,215,730</u>	<u>\$ 182,888</u>	<u>\$ 2,601,135</u>	<u>\$ 2,306,847</u>	<u>\$ 309,132</u>	<u>\$ 259,776</u>
NONCASH TRANSACTIONS								
Developer contributions	\$	\$	\$	\$	\$	\$ 133,090	\$	\$

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA
STATEMENT OF FIDUCIARY NET ASSETS
DECEMBER 31, 2008

	ASSETS	Private Purpose Trust Funds
Current Assets		
Cash		\$ 216,457
		216,457
	NET ASSETS	
Net Assets		
Restricted		\$ 216,457
		216,457

CITY OF LITCHFIELD, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
YEAR ENDED DECEMBER 31, 2008

		Private Purpose Trust Funds
ADDITIONS		
Interest income		\$ 7,288
Donations		
Total Additions		7,288
DEDUCTIONS		
Miscellaneous		
Total Deductions		0
Change in Net Assets		7,288
NET ASSETS, BEGINNING OF YEAR		209,169
NET ASSETS, END OF YEAR		\$ 216,457

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Litchfield, Minnesota, are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. The City has chosen to apply FASB pronouncements issued on or before that date to its business-type activities. The more significant of the government's accounting policies are discussed below.

A. REPORTING ENTITY

The City of Litchfield, Minnesota, operates under statutory city plan "A" form of government and provides the following services as authorized by its charter: public safety (police and fire), public works (highways and streets), sanitation, health, culture and recreation, public improvements, planning and zoning, and general administrative services. Other services include a municipal liquor store and water, sewer, and electric utility operations.

Component units are legally separate entities which are fiscally dependent on the primary government or for which the primary government is financially accountable. As of December 31, 2008, there were no entities that met the requirements to be considered a component unit of the City.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

In the government-wide statement of net assets, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term debt and obligations. The City's net assets are reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net assets; and (3) unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function of the City's governmental activities and different business-type activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) fees, fines, and charges paid by recipients of goods, services, or privileges provided by a given function or activity; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Revenues that are not classified as program revenues, including all taxes, are presented 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.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

The Liquor Fund accounts for the operations of the City owned municipal liquor store.

The Water Fund accounts for the operations of the City owned water utility system.

The Sewer Fund accounts for the operations of the City owned sewer utility system.

The Electric Fund accounts for the operations of the City owned electric utility system.

Additionally, the City reports the following proprietary fund:

Internal Service Fund - Internal Service Funds are used to account for goods and services provided by one department to other departments of the City on a cost reimbursement basis.

Additionally, the City reports the following fiduciary funds:

Library Trust Fund - Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent. The City of Litchfield is the trustee, or fiduciary, for resources collected to provide equipment, books and library supplies as determined by the library board.

Anderson Gardens Trust Fund - The City of Litchfield is the trustee, or fiduciary, for an endowment received for the operation, maintenance, and improvement of Anderson Gardens.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (Cont'd)

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 all revenues to be available if they are collected within 60 days after the end of the current period. Property and other taxes, special assessments, charges for services, and interest are all considered to be susceptible to accrual. Fines, permits and license revenues are not susceptible to accrual because generally they are not measurable until received in cash.

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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. BUDGETS AND BUDGETARY ACCOUNTING

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

a) Prior to September 1, the City Council submits a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.

b) Public hearings are conducted to obtain taxpayer comments.

c) The City Administrator is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

d) Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Proprietary Funds. Formal budgetary integration is not employed for the Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. BUDGETS AND BUDGETARY ACCOUNTING (Cont'd)

e) Budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the City Council. Appropriations for annually budgeted funds lapse at year-end.

Encumbrance accounting is not used for the General Fund, Special Revenue Funds, and Capital Projects Funds.

E. CASH AND INVESTMENTS

Cash balances from all funds are pooled and invested in four official depositories, to the extent available, in interest-bearing time deposits, certificates of deposit, and other authorized investments. Earnings from investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

For purposes of the statement of cash flows, the City considers cash in bank and all highly liquid instruments (including restricted assets) to be cash and cash equivalents in its enterprise funds.

F. RECEIVABLES AND PAYABLES

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property tax levies are set by the City Council in October of each year and are certified to the County for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments in May and October. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June, and November each year.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. Delinquent taxes are fully offset by deferred revenue in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

F. RECEIVABLES AND PAYABLES (Cont'd)

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to fifteen years. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are fully offset by deferred revenue in the governmental funds of the fund financial statements because they are not known to be available to finance current expenditures.

Accounts receivable arise primarily from the furnishing of utility services to the citizens within the City. The City uses the direct write-off method for uncollectible accounts. During the year, immaterial amounts were written off and charged to operations. Subsequent collections of accounts previously written off are recorded as revenue.

G. RESTRICTED ASSETS

Certain funds of the City are classified as restricted assets on the statement of net assets because the restriction is either imposed by law through constitutional provisions or enabling legislation or imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. Therefore, their use is limited by applicable laws and regulations.

H. INVENTORIES

Inventories are valued at cost, using the first in, first out method of accounting.

I. PREPAID EXPENSES

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

J. CAPITAL ASSETS

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

J. CAPITAL ASSETS (Cont'd)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the City did not have any capitalized interest.

Property, plant, and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over their estimated useful lives of the assets. Useful lives vary from 20 to 50 years for land improvements and buildings, and 5 to 15 years for equipment.

Capital assets not being depreciated include land and construction in progress, if any.

K. COMPENSATED ABSENCES

City employees earn vacation days based upon the number of completed years of service. The City compensates employees for unused vacation upon termination of employment. Accordingly, the expenditure for vacation is recognized when earned. Employees are entitled to paid sick leave at various rates for each month of full-time service. Employees are compensated for unused sick leave based on policies adopted by the City. Sick pay is recorded as an expenditure when payment is made. The City has an Option One sick leave policy in which two employees would receive all unused sick leave hours upon termination.

L. DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

M. LONG-TERM OBLIGATIONS

In the government-wide financial statements, and in the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method. Bond issuance costs and discounts are reported separately and amortized over the term of related debt.

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. FUND EQUITY

In the fund financial statements, governmental fund types 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 management plans that are subject to

O. USE OF ESTIMATES

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

P. PRIOR-PERIOD COMPARATIVE FINANCIAL INFORMATION

The basic financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended December 31, 2007, from which the summarized information was derived.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Generally accepted accounting principles require disclosure of certain information concerning individual funds including:

A. DEFICIT FUND BALANCES

	<u>Deficit</u>
Special Revenue Funds	
Industrial Park	\$ (406,803)
TIF Funds	(486,645)
Reserve for JOBZ	(93)
Capital Project Funds	
Airport Improvements	(5,858)
Fire/Rescue Building	(443,296)
Marshall/1st Street Improvements	(29,978)

Deficit fund balances will be funded by future revenues and transfers. No remedial action was deemed

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont'd)

B. EXCESS OF EXPENDITURES OVER BUDGET

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Special Revenue Funds			
Small Cities Rehabilitation	\$ 9,068	\$	\$ (9,068)
Airport	51,164	50,300	(864)
Civic Arena	217,633	212,250	(5,383)
Infrastructure Street	192,224		(192,224)
Cemetery	65,549	61,000	(4,549)
Permanent Improvement Revolving	10,360		(10,360)
Community Reinvestment	142,986		(142,986)
Reserve for JobZ	20,178		(20,178)
Highway 12 Beautification	2,311		(2,311)
Lake Ripley Improvement	8,401		(8,401)
	<u>\$ 719,874</u>	<u>\$ 323,550</u>	<u>\$ (396,324)</u>

These excess budget amounts have or will be covered by additional contributions, transfers, and fund balance. No further action is necessary.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and investments as of December 31, 2008, were as follows:

	<u>Book Balance</u>
Cash and investments	
Cash in bank accounts	\$ 8,268,724
Non-negotiable certificates of deposit	10,750,000
Petty cash	630
Amounts with fiscal agent	<u>569,486</u>
Total Cash and investments	<u>\$ 19,588,840</u>
Governmental Activities	
Cash and investments	\$ 4,624,441
Cash with fiscal agent	316,888
Business-Type Activities	
Cash and investments	12,961,577
Cash with fiscal agent	252,598
Restricted cash and investments	1,216,879
Fiduciary Fund	
Cash	<u>216,457</u>
Total Cash and investments	<u>\$ 19,588,840</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 3. CASH AND CASH EQUIVALENTS (Cont'd)

A. DEPOSITS

Custodial Credit Risk. Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. Minnesota Statutes requires that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent.

Authorized collateral includes the obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, futures contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days, as well as certain first mortgage notes, and certain other state or local government obligations. 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.

As of December 31, 2008, the City's deposits were sufficiently covered by insurance and collateral. The City does not have a policy that further limits its collateral choices.

B. INVESTMENTS

Credit Risk. Minnesota Statutes authorize the City to invest in obligations of the U.S. Treasury, agencies, and instrumentalities, share of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, futures contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days. The City has further limited its investment choices to certificates of deposit with a longer term than 45 days, U.S. Treasury Bills, and repurchase agreements with no term in excess of 45 days.

Interest Rate Risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 4. NOTES RECEIVABLE

A. SMALL CITY DEVELOPMENT TRUST

The Small City Development Trust was created by Resolution 83-11-185 to account for economic development loans. Current outstanding loans consist of the following:

- 1) The City executed several notes with businesses for improvements under the Small Cities Development Project. The loans are interest free and are being repaid at various amounts. Balance outstanding at December 31, 2008, was \$20,589.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 5. RECEIVABLES

Receivables as of December 31, 2008, year-end for the City's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Accounts	\$ 224,976	\$
Contracts	56,000	
Interest	249,619	
Taxes	52,888	
Notes	20,589	
Special assessments	584,194	361,588
Total Governmental Activities	<u>\$ 1,188,266</u>	<u>\$ 361,588</u>
Business-Type Activities		
Accounts	<u>\$ 1,165,611</u>	<u>\$</u>

NOTE 6. INVENTORIES

Inventories include the following:

	2008
Governmental Activities	
Airport	
Fuel inventory	<u>\$ 19,072</u>
Business-Type Activities	
Electric	
Transformers	\$ 213,247
Line inventory	269,067
Liquor	174,263
Total Business-Type Activities	<u>\$ 656,577</u>

NOTE 7. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units include the following:

Governmental Activities	
Meeker County	\$ 22,804
State of Minnesota	10,607
FAA Grant	168,387
Total Governmental Activities	<u>\$ 201,798</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 8. CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,373,497	\$ 450,796	\$	\$ 1,824,293
Construction in process	331,276	312,742	(329,522)	314,496
Total capital assets, not being depreciated	1,704,773	763,538	(329,522)	2,138,789
Capital assets, being depreciated:				
Buildings	7,108,167	37,097		7,145,264
Improvements other than buildings	12,663,273	1,012,804		13,676,077
Machinery and equipment	6,670,812	617,476	(188,985)	7,099,303
Total capital assets, being depreciated	26,442,252	1,667,377	(188,985)	27,920,644
Less accumulated depreciation for:				
Buildings	2,209,709	188,681		2,398,390
Improvements other than buildings	4,007,349	337,612		4,344,961
Machinery and equipment	4,344,830	530,217	(185,961)	4,689,086
Total accumulated depreciation	10,561,888	1,056,510	(185,961)	11,432,437
Total capital assets, being depreciated, net	15,880,364	610,867	(3,024)	16,488,207
Governmental Activities: Net Capital Assets	<u>\$ 17,585,137</u>	<u>\$ 1,374,405</u>	<u>\$ (332,546)</u>	<u>\$ 18,626,996</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 8. CAPITAL ASSETS (Cont'd)

Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 372,285	\$ 272,876	\$	\$ 645,161
Construction in process	392,680	6,587,656	(262,146)	6,718,190
Total capital assets, not being depreciated	764,965	6,860,532	(262,146)	7,363,351
Capital assets, being depreciated:				
Buildings	15,561,570	412,667		15,974,237
Improvements other than buildings	18,277,904	677,890		18,955,794
Machinery and equipment	9,673,682	14,624	(4,396)	9,683,910
Total capital assets, being depreciated	43,513,156	1,105,181	(4,396)	44,613,941
Less accumulated depreciation for:				
Buildings	4,051,833	383,478		4,435,311
Improvements other than buildings	7,898,501	485,638		8,384,139
Machinery and equipment	5,375,930	334,681	(4,396)	5,706,215
Total accumulated depreciation	17,326,264	1,203,797	(4,396)	18,525,665
Total capital assets, being depreciated, net	26,186,892	(98,616)	0	26,088,276
Business-Type Activities: Net Capital Assets	<u>\$ 26,951,857</u>	<u>\$ 6,761,916</u>	<u>\$ (262,146)</u>	<u>\$ 33,451,627</u>
Depreciation expense was charged to functions/programs as follows:				
Governmental Activities:				
General government				\$ 265,328
Public safety				134,709
Public works				513,033
Airport				36,940
Culture and recreation				106,500
Total depreciation expense - Governmental Activities				<u>\$ 1,056,510</u>
Business-Type Activities:				
Liquor				\$ 6,579
Sewer				585,846
Electric				283,070
Water				328,302
Total deprecation expense - Business-Type Activities				<u>\$ 1,203,797</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 9. INTERFUND BALANCES AND TRANSFERS

The amounts advanced to and advanced from other funds as of December 31, 2008, at the individual fund level are summarized below:

	<u>Advance to Other Funds</u>	<u>Advance from Other Funds</u>
General Fund	\$ 29,980	\$
Special Revenue Funds:		
Economic Development	311,148	
Infrastructure TIF Funds		608,159
Industrial Park		406,803
Permanent Improvement Revolving	212,526	
Internal Service Fund:		
Operating Revolving	<u>461,308</u>	
 Total Advances	 <u>\$ 1,014,962</u>	 <u>\$ 1,014,962</u>

Interfund transfers for the year ended December 31, 2008, were as follows:

	<u>Transfer In by Fund</u>				<u>Total</u>
	<u>General</u>	<u>Other Governmental</u>	<u>Sewer</u>	<u>Internal Service</u>	
Transfer Out by Fund:					
General	\$	\$ 139,375	\$	\$ 205,029	\$ 344,404
Other Governmental	10,678	131,915			142,593
Electric	261,959		114,306		376,265
Sewer	90,000				90,000
Water	28,619				28,619
Liquor		59,000			59,000
Internal Service		<u>21,628</u>			<u>21,628</u>
 Total	 <u>\$ 391,256</u>	 <u>\$ 351,918</u>	 <u>\$ 114,306</u>	 <u>\$ 205,029</u>	 <u>\$ 1,062,509</u>

All transfers were to assist with various financing activities in the recipient funds.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 10. LONG-TERM DEBT

	Interest Rate	Final Maturity Date	Balance Outstanding
	<hr/>	<hr/>	
<u>Governmental Activities</u>			
G.O. Bonds			
General Obligation Bonds, Series 2007A	3.45-4.40%	2/1/2028	\$ 365,000
General Obligation Bonds, Series 2007A	3.45-3.85%	2/1/2018	215,000
G.O. Special Assessment Bonds			
1999 Improvement Bonds	4.70-5.10%	2/1/2015	520,000
2002 Improvement Bonds	4.00-5.00%	2/1/2018	315,000
2003A Refunding Improvement Bond	2.65-3.60%	2/1/2013	755,000
2004A Improvement Bonds	3.75-4.70%	2/1/2020	520,000
2006A Improvement Bonds	3.625-4.150%	2/1/2022	530,000
G.O. Revenue Bonds			
1996A G.O. Housing Bonds	5.20-5.50%	2/2/2022	2,025,000
Public Project Lease Bond, Series 2005A	4.00-4.70%	2/21/2026	1,510,000
Public Project Lease Bond, Series 2007B	4.50-5.10%	2/1/2028	575,000
Capital Lease	6.670%	2/1/2010	30,491
Capital Equipment Notes			655,000
Compensated Absences			<u>129,966</u>
Total Governmental Activities			<u>\$ 8,145,457</u>
<u>Business-Type Activities</u>			
G.O. Revenue Bonds			
1999 Water Treatment Loan	3.540%	8/20/2019	\$ 2,682,000
2001 Wastewater Treatment Loan	2.680%	8/20/2022	8,407,000
2002A Wastewater Facility Bond	3.15-3.65%	2/1/2012	1,330,000
Revenue Bonds			
Electric Utility Revenue Bonds, Series 2008A	3.00-4.40%	2/1/2029	9,980,000
Assessment Payable			132,902
Compensated Absences			<u>100,607</u>
Total Business-Type Activities			<u>\$ 22,632,509</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 11. CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
G.O. Bonds	\$ 580,000	\$	\$	\$ 580,000	\$ 25,000
G.O. Special Assessment Bonds	2,970,000		(330,000)	2,640,000	335,000
G.O. Revenue Bonds	4,250,000		(140,000)	4,110,000	160,000
Capital Lease	49,213		(18,722)	30,491	19,992
Capital Equipment Notes	795,411		(140,411)	655,000	75,000
Compensated Absences	113,288	153,078	(136,400)	129,966	30,538
Total Governmental Activities	<u>\$ 8,757,912</u>	<u>\$ 153,078</u>	<u>\$ (765,533)</u>	<u>\$ 8,145,457</u>	<u>\$ 645,530</u>
<u>Business-Type Activities</u>					
G.O. Revenue Bonds	\$ 13,411,000	\$	\$ (992,000)	\$ 12,419,000	\$ 1,022,000
Revenue Bonds		9,980,000		9,980,000	
Assessments Payable	147,669		(14,767)	132,902	14,767
Compensated Absences	96,863	115,293	(111,549)	100,607	9,192
Total Business-Type Activities	<u>\$ 13,655,532</u>	<u>\$ 10,095,293</u>	<u>\$ (1,118,316)</u>	<u>\$ 22,632,509</u>	<u>\$ 1,045,959</u>

The City is subject to a total outstanding bonded indebtedness equal to 3% (exclusive of revenue, tax increment and special assessment bonds) of assessed market value within the City. As of December 31, 2008 the legal debt margin is \$10,662,549.

The various bond indentures contain significant limitations and restrictions on annual debt service requirements, maintenance of and flow of monies through various restricted accounts, minimum amounts to be maintained in various sinking funds, and minimum revenue bond coverages. The City is in compliance with all such significant financial limitations and restrictions.

Capital Lease - Grandstand

On June 28, 2000, the City entered into a capital lease for the purchase of a grandstand. An amount of \$150,000 was financed at the annual rate of 6.67% and is due and payable in installments of \$10,849 on February 1 and August 1 of each year until the year 2010. As of December 31, 2008, the balance remaining was \$30,491.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 11. CHANGES IN LONG-TERM LIABILITIES (Cont'd)

Capital Equipment Notes

On January 27, 2003, the City issued a Certificate of Indebtedness in the amount of \$316,700 for a term of five years at an interest rate of 3.20% per annum. Principal and interest payments are due on February 6 and interest payments are due on August 6 of each year until year 2008. The notes were paid in full as of December 31, 2008.

On March 1, 2006, the City issued a Certificate of Indebtedness in the amount of \$180,000 for a term of ten years at an interest rate of 3.90% per annum. Principal payments are due on February 6 and interest payments are due on March 1 and September 1 of each year until year 2016. As of December 31, 2008, the balance remaining was \$144,000.

On February 28, 2007, the City issued a Certificate of Indebtedness in amount of \$568,000 for a term of ten years at an interest rate of 4.10% per annum. Principal and interest payments are due February 28 and interest payments are due on August 28 of each year until year 2017. As of December 31, 2008, the balance remaining was \$511,000.

Water Treatment Loan

The Litchfield Public Utilities Commission applied to the Minnesota Public Facilities Authority for financial assistance. Capital costs incurred for the upgrading and expansion of the City of Litchfield Municipal Water Treatment Plant, wells, and water system, totaled \$4,092,166, financed under the Capitalization Grants for Drinking Water State Revolving Fund. Loan interest payments, at 3.54% per annum, will be due February and August, with principal payment amounts due in August. As of December 31, 2008, the balance remaining was \$2,682,000.

Wastewater Treatment Loan

The City of Litchfield applied to the Minnesota Public Facilities Authority for financial assistance. Capital costs incurred for the upgrading and expansion of the City of Litchfield Wastewater Treatment Facility system, estimated at \$10,963,561, will be financed under the Capitalization Grants for State Revolving Fund. Loan interest payments, at 2.68% per annum, will be due in February and August, with principal payment amounts due in August. As of December 31, 2008, the balance remaining was \$8,407,000.

Electric Utility Revenue Bonds

On June 4, 2008 the City issued Electric Utility Revenue Bonds in the amount of \$9,980,000 for a term of twenty-one years at an interest rate ranging from 3.00% to 4.40% per annum. Principal payments are due on February 1 and interest payments are due on February 1 and August 1 of each year until year 2029. As of December 31, 2008, the balance remaining was \$9,980,000.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 12. DEBT SERVICE REQUIREMENTS

Debt service requirements at December 31, 2008, were as follows:

Governmental Activities

Year Ending December 31	G.O. Bonds		G.O. Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 25,000	\$ 22,359	\$ 335,000	\$ 100,535
2010	30,000	21,410	345,000	88,715
2011	35,000	20,288	315,000	76,479
2012	35,000	19,038	315,000	64,226
2013	35,000	17,743	295,000	51,982
2014-2018	195,000	67,537	745,000	137,937
2019-2023	100,000	38,000	290,000	20,661
2024-2028	125,000	13,750	-	-
	<u>\$ 580,000</u>	<u>\$ 220,125</u>	<u>\$ 2,640,000</u>	<u>\$ 540,535</u>

Year Ending December 31	G.O. Revenue Bonds		Capital Lease	
	Principal	Interest	Principal	Interest
2009	\$ 160,000	\$ 200,912	\$ 19,992	\$ 1,706
2010	180,000	192,847	10,499	350
2011	185,000	184,089		
2012	195,000	174,910		
2013	205,000	165,140		
2014-2018	1,230,000	653,625		
2019-2023	1,410,000	297,947		
2024-2028	545,000	51,294		
	<u>\$ 4,110,000</u>	<u>\$ 1,920,764</u>	<u>\$ 30,491</u>	<u>\$ 2,056</u>

Year Ending December 31	Capital Equipment Notes	
	Principal	Interest
2009	\$ 75,000	\$ 25,280
2010	75,000	22,214
2011	75,000	19,141
2012	75,000	16,106
2013	75,000	12,997
2014-2017	280,000	21,726
	<u>\$ 655,000</u>	<u>\$ 117,464</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 12. DEBT SERVICE REQUIREMENTS (Cont'd)

Business-Type Activities

Year Ending December 31	G.O. Revenue Bonds		Revenue Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 1,022,000	\$ 361,100	\$	\$
2010	1,057,000	329,827	325,000	455,856
2011	1,083,000	296,970	335,000	388,670
2012	1,120,000	262,716	350,000	378,770
2013	793,000	233,750	360,000	368,496
2014-2018	4,328,000	805,609	2,045,000	1,649,438
2019-2023	3,016,000	195,383	2,560,000	1,226,966
2024-2028			3,255,000	662,087
2029			750,000	32,051
	<u>\$ 12,419,000</u>	<u>\$ 2,485,355</u>	<u>\$ 9,980,000</u>	<u>\$ 5,162,334</u>

Year Ending December 31	Assessment Payable	
	Principal	Interest
2009	\$ 14,767	\$ 6,645
2010	14,767	5,907
2011	14,767	5,168
2012	14,767	4,430
2013	14,767	3,692
2014-2017	59,067	7,383
	<u>\$ 132,902</u>	<u>\$ 33,225</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 13. FUND BALANCES AND NET ASSETS

Designated/Reserved fund balance represents the portion which is based on future spending plans. Fund balance has been designated/reserved at December 31, 2008, in the following funds:

General Fund

Designated for retirement of long-term debt	\$ 30,491
Reserved for advance to other funds	29,980
	<u>\$ 60,471</u>

Special Revenue Funds

Reserved for advance to other funds	<u>\$ 523,674</u>
-------------------------------------	-------------------

Debt Service funds

Reserved for debt service	<u>\$ 1,939,436</u>
---------------------------	---------------------

Enterprise Funds

Restricted for debt service	\$ 1,216,879
Invested in capital assets, net of related debt	13,184,736
	<u>\$ 14,401,615</u>

Private Purpose Trust Funds

Restricted for Anderson Gardens	\$ 192,302
Restricted for library	24,155
	<u>\$ 216,457</u>

NOTE 14. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

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

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 14. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

A. PLAN DESCRIPTION (Cont'd)

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

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

Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age 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

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

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 14. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. FUNDING POLICY

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.0%, respectively, of their annual covered salary in 2008. PEPFF members were required to contribute 8.6% of their annual covered salary in 2008. That rate will increase to 9.4% in 2009.

The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.5% for Coordinated Plan PERF members, and 12.9% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.1% respectively, effective January 1, 2009. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2008, 2007, and 2006, were \$124,839, \$117,770, and \$126,561. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2008, 2007, and 2006, were \$74,292, \$61,004, and \$53,036, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 15. DEFINED CONTRIBUTION PLAN

Three council members of the City of Litchfield are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under Section 401 (a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City of Litchfield during fiscal year 2008 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 17,631	\$ 27,844	5.0%	5.0%	5.0%

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

In 2008, the City prospectively implemented the requirements of a new accounting pronouncement, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.

A. PLAN DESCRIPTION

In addition to the pension benefits described in Note 15, the City provides other postemployment health care, dental, and life insurance benefits (OPEB) for retired employees through a single employer defined benefit plan. The authority to provide these benefits is established in Minnesota Statutes Section 471.61, Subd. 2a. The benefit levels, employee contributions and employer contributions are governed by the City and can be amended by the City through the City's collective bargaining agreements with employee groups. The plan is not accounted for as a trust fund, as an irrevocable trust has not been established to account for the plan. The plan does not issue a separate report. The activity of the plan is allocated as part of the City's fringe benefit charge.

B. BENEFITS PROVIDED

The City provides postemployment health care, dental, and life insurance benefits to its retirees. The City offered an early retirement incentive in 2004 to those employees having a combination of age and service to the City which totals 85 years. As part of this incentive, the employees were provided certain health care coverage. The employee also had the option to continue dental coverage and life insurance at his or her own expense. These coverages may also extend to the retiree's family.

C. MEMBERSHIP

As of actuarial valuation date of December 31, 2008 the membership consisted of:

	Family Coverage	Single Coverage	Total
Retired Participants and Beneficiaries			
Under Age 65 (Early Retirees)	4	4	8
Over Age 65 (Regular Retirees)	4	2	6
Total Retired Participants	<u>8</u>	<u>6</u>	<u>14</u>
Active Participants			
Eligible to receive benefits			1
Not eligible to receive benefits*			43
Total Active Participants			<u>44</u>
Total Participants			<u><u>58</u></u>

* Participants who have not reached retirement age and minimum service requirements

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Cont'd)

D. FUNDING POLICY

The City negotiates the contribution between the City and employees through agreements. The City currently finances this plan on a pay as you go basis. Early retirees (under age 65) contribute to the health care plan at the same rate as active employees. This results in the early retirees receiving an implicit rate subsidy. For the fiscal year ending December 31, 2008, retirees contributed \$23,720 and the City contributed \$89,782. Active employees do not contribute to the plan until retirement.

The average monthly premium contributions for 2008 were as follows:

	Average Monthly City Contribution	Average Monthly Retiree Contribution
Health Insurance	\$ 935	\$ 247

E. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The City first had an actuarial valuation performed for the plan as of December 31, 2008 to determine the funded status of the plan as of that date as well as the employer's annual required contribution (ARC) for the fiscal year ended December 31, 2008. The City's annual OPEB cost (expense) of \$56,193 was equal to the ARC for the fiscal year, as the transition liability was set at zero as of December 31, 2007. The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
Dec. 31, 2008	\$ 56,193	\$ 149,174	265.47%	\$ 92,981

The net OPEB obligation (NOPEBO) as of December 31, 2008 was calculated as follows:

Annual Required Contribution (ARC)	\$ 56,193
Interest on Net OPEB Obligation	
Adjustment to Annual Required Contribution	
Annual OPEB cost	56,193
Contributions Made	149,174
Increase (Decrease) in Net OPEB Obligation	(92,981)
Net OPEB Obligation Beginning of Year	
Net OPEB Obligation End of Year	<u>\$ (92,981)</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Cont'd)

F. FUNDED STATUS AND FUNDING PROGRESS

As of the actuarial valuation date of December 31, 2008, the funded status of the plan was as follows:

Actuarial Accrued Liability (AAL)	\$	841,811
Actuarial Value of Plan Assets	\$	0
Unfunded Actuarial Accrued Liability (UAAL)	\$	841,811
Funded Ratio (Actuarial Value of Plan Assets/AAL)		0.00%
Active Members Covered Payroll	\$	2,211,122
UAAL as a Percentage of Covered Payroll		38.07%

G. ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made out of the future. The schedule of funding progress, presented as required supplementary information, following the notes to the financial statements, will present multi-year trend information as it becomes available. The schedule will show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial methods and assumptions, projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008 actuarial valuation the projected unit credit actuarial cost method was used. The actuarial assumptions include an annual healthcare cost trend rate of beginning at 10.0% for fiscal year 2009 and declining over 10 years by 0.5% per year to 5.0%. Both rates include a 4.0% discount rate. The actuarial value of assets was not determined as the City has not advance-funded its obligation. The plan's unfunded actuarial accrued liability is being amortized as a level dollar amount over 30 years. The remaining amortization period at December 31, 2008 was 29 years.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 17. CITY OF LITCHFIELD FIRE RELIEF ASSOCIATION

A. PLAN DESCRIPTION

The City contributes to the City of Litchfield Fireman's Relief Association, a single employee retirement system that acts as a common investment and administrator for the City's firefighters. All Active members of the fire department are members of the Association.

Upon approval by the Board of Trustees lump sum retirement benefits are either paid or deferred as follows:

- 1) Benefits accrue and vest to members based on \$2,000 per year of active service in the fire department and Association with 100% vesting at twenty years of service.
- 2) The maximum retirement benefit is \$2,000 per year times years of service.
- 3) Members retiring with less than ten years of service forfeit their accrued benefits.
- 4) Members who separate from service and have at least ten years of active service and membership but less than 50 years of age are entitled to a deferred service pension payable upon reaching the age of 50.

The Association also provides death and disability benefits, whereby the disabled employee or beneficiary is entitled to receive benefits as defined by the plan. The City levies property taxes at the discretion of and for the benefit of the Fire Relief Association and passes through state aids allocated to the plan, all in accordance with enabling State statutes.

B. RELATED PARTY INVESTMENTS

During 2008 and as of December 31, 2008, the Association held no securities by the City or other related parties.

C. FUNDING STATUS AND PROGRESS

The association provides benefits in lump sum as allowed by State statutes and is not required to have an actuarial study to determine its unfunded pension benefit obligation. Therefore, the amount shown below as the "accrued pension liability" represents the amount of retirement benefits earned by members but unpaid as of December 31, 2007, as determined in accordance with State statute.

The amount of unfunded pension benefit obligation as of December 31, 2007, is as follows:

Total pension benefit obligation	\$ 673,676
Net assets available for benefits at lower of cost or market	<u>631,201</u>
Unfunded pension benefit obligation	<u><u>\$ (42,475)</u></u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 17. CITY OF LITCHFIELD FIRE RELIEF ASSOCIATION (Cont'd)

D. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Prior to August 1 of each year, the Association must certify to the City Clerk the amount of municipal support required in the following year. The City's minimum obligation is the financial requirement for the succeeding year less anticipated state aids and interest earnings. Any additional payment by the City is used to amortize the unfunded liability of the Association.

NOTE 18. PUBLIC UTILITIES FUND - POWER AGREEMENTS

Litchfield Public Utilities is committed to purchase all power from two agencies, Southern Minnesota Municipal Power Agency (SMMPA) of which Litchfield Public Utilities is a member and Western Area Power Administration (WAPA). Each member of SMMPA is obligated to purchase all of its power from the Agency, with the exception that the Litchfield Public Utilities may continue its purchase of hydro-power from WAPA, which amounts to approximately 70% of the Utilities' requirements. The remaining percentage of power usage must be purchased from SMMPA per contract requirements.

NOTE 19. COMMITMENTS

The City has active construction projects as of December 31, 2008. The projects include the following:

	Expended through <u>12/31/2008</u>	Remaining <u>Commitment</u>
Airport Improvements	\$ 106,034	\$ 2,251
Golf Course - Forcemain	83,655	9,295
Electric System Improvements	5,634,625	<u>5,185,375</u>
Total		<u>\$ 5,196,921</u>

NOTE 20. CONTINGENCIES

A. FEDERAL GRANTS

The City receives state and federal aids through participation in various state and federal categorical aid programs. These programs are subject to audits by the State. The audits for these programs for the year ending December 31, 2008, have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

B. LITIGATION

The City is not party to any legal proceedings as of year end.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 21. RECLASSIFICATIONS

Certain prior year expenses have been reclassified to conform to the current year's presentation.

NOTE 22. RISK MANAGEMENT

The City is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee's health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

NOTE 23. RENOVATION CONTRIBUTIONS

The City of Litchfield and Independent School District #465 are jointly supporting the use of the auditorium and additional spaces of the recently renovated 1930 Middle School Building. The City of Litchfield will contribute a set amount of \$22,000 annually for a period of 15 years commencing on January 1, 1996.

The City of Litchfield participated in an addition to the existing Law Enforcement Center. The City's share of the additional costs to the existing facility is \$290,000 plus interest at a rate of 4.64%, with annual payments of \$21,814 are to be made over a twenty year period. Maintenance costs, not to exceed \$15,000, are to be paid annually over a twenty-year period.

NOTE 24. TIF DISTRICTS

The City of Litchfield is the administering authority for the following tax increment financing districts, which lie within the City of Litchfield, Meeker County, and School District No. 465:

District Name and Number:	TIF # 1-1 7th Street/ Donnelly	TIF #1-2 Pleasant View Estates Outfall	TIF #3-1 Longfellow Square
Authorizing Law	MN Stat. #472A	MN Stat.#472A	MN Stat.#472A
Type of District	Housing Dev.	Housing Dev.	Housing Dev.
Year Established	1982	1983	1985
Duration of District	2009	2011	2011
Base Tax Capacity:			
Payable 2008	\$ 877	\$ 27,150	\$ 729
Current Tax Capacity:			
Payable 2008	21,078	151,014	12,009
Captured Tax Capacity:			
Retained by Authority	20,201	123,864	11,280
Debt Issued			
G.O. Special Assessment Bonds	265,000		
Interfund Loans	311,434	52,855	45,512
Principal Redeemed	(576,434)	(52,855)	(45,512)
Outstanding Bonds & Loans	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 24. TIF DISTRICTS (Cont'd)

	TIF #4-4 Housing	TIF #4-6 Innovex	TIF #4-7 I.R.D
District Name and Number:	MN Stat. #472A	MN Stat.#472A	MN Stat. #472A
Authorizing Law	Housing Dev.	Housing Dev.	Economic Dev.
Type of District	1997	1997	1997
Year Established	2022	2008	2008
Duration of District	Base Tax Capacity:		
Base Tax Capacity:			
Payable 2008	\$ 40	\$ 27,596	\$ 93
Current Tax Capacity:			
Payable 2008	6,454	61,014	16,116
Captured Tax Capacity:			
Retained by Authority	6,414	33,418	16,023
Debt Issued			
Interfund Loans		31,765	167,104
Developer Agreements	84,442	329,251	
Principal Redeemed	(29,760)	(224,174)	(50,962)
Outstanding Bonds & Loans	<u>\$ 54,682</u>	<u>\$ 136,842</u>	<u>\$ 116,142</u>

	TIF #4-10 Northstar I	TIF #4-11 Northstar II	TIF #4-12 Towmaster
District Name and Number:	MN Stat.#472A	MN Stat.#472A	MN Stat. #472A
Authorizing Law	Economic Dev.	Economic Dev.	Economic Dev.
Type of District	2000	2003	2007
Year Established	2010	2013	2015
Duration of District	Base Tax Capacity:		
Base Tax Capacity:			
Payable 2008	\$ 1,026	\$ 1,014	\$ 16,270
Current Tax Capacity:			
Payable 2008	18,480	2,734	40,138
Captured Tax Capacity:			
Retained by Authority	17,454	1,720	23,868
Debt Issued			
Interfund Loans	145,665	87,855	
Developer Agreements			250,000
Principal Redeemed	(82,072)		
Outstanding Bonds & Loans	<u>\$ 63,593</u>	<u>\$ 87,855</u>	<u>\$ 250,000</u>

In July of 1982, the City established Development District No. 1 pursuant to Minnesota Statutes, Chapter 472A, and also Tax Increment Financing District No. 1 pursuant to Minnesota Statutes, Chapter 273. The TIF District No. 1 is a housing development project, which is enclosed in the area of Development District No. 1 in the northwestern part of Litchfield.

In November of 1983, the City modified Development District No. 1 to include Tax Increment District No. 2 which is adjacent to Development District No.1, Tax Increment District No. 1, TIF No. 2 is also a housing development project. Financing for the project's activities are provided by special assessments and tax increment obligation bonds. The debt will be repaid from special assessments from within the Districts and from taxes on the increased valuation.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 24. TIF DISTRICTS (Cont'd)

In December of 1983, the City established Development District No. 2 and included therein Tax Increment Financing District No. 1 as an economic development district on the eastern edge of the City. The project's activities will be financed through special assessments, municipal state aid and tax increment obligation bonds.

In 1985, the City created Development District No. 3 to be included in Tax Increment Financing District No. 1. Development District No. 3 is a housing development district. The project included the purchase and sale of the Longfellow School site for the development of multiple dwelling housing units. This fund was modified to be included in District No. 4 in 1994, with the conclusion of actual project operations.

In 1996, the City created Housing Development District No. 4-4 pursuant to Minnesota Statutes, Chapter #472A.01. The district was created to finance a housing project on the northeast part of Litchfield.

On October 30, 1997, the City created Economic Development District No. 4-6. The district was created to finance an expansion and relocation of an existing industry.

In 1997, the City created Economic Development District No. 4-7 pursuant to Minnesota Statutes, Chapter 472A.

In 2000, the City created Economic Development District No. 4-10 pursuant to Minnesota Statutes, Chapter 472A to finance a new business expanding into the City.

In 2003, the City created Economic Development District No. 4-11 pursuant to Minnesota Statutes, Chapter 472A to finance a new business expanding into the City.

In 2007, the City created Economic Development District No. 4-12. The district was created to finance an expansion of an existing industry.

NOTE 25. CONDUIT (NO-COMMITMENT) DEBT

During 2006, the City issued a conduit debt obligation. This obligation does not constitute an indebtedness of the City and is not a charge against its general credit or taxing powers. The obligation is payable solely from revenues of the respective entities to which the proceeds were remitted. The original amount of the current issue totals \$529,000 and the balance outstanding at December 31, 2008 totals \$480,502.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LITCHFIELD, MINNESOTA
 SCHEDULE OF FUNDING PROGRESS
 OTHER POSTEMPLOYMENT BENEFITS PLAN
 DECEMBER 31, 2008

Actuarial Valuation Date	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Funded Ratio (1) / (2)	(4) Accrued Liability (UAAL) (2) - (1)	(5) Active Members Covered Payroll	(6) Percentage of Covered Payroll (4) / (5)
December 31, 2008	\$	\$ 841,811	0.00%	\$ 841,811	\$ 2,211,122	38.07%

The City implemented GASB Statement No. 45 for fiscal year ended December 31, 2008. Information for prior years is not available.

CITY OF LITCHFIELD, MINNESOTA
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 OTHER POSTEMPLOYMENT BENEFITS PLAN
 DECEMBER 31, 2008

<u>Fiscal Year Ended</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC)</u>	<u>Percentage Contributed</u>
December 31, 2008	\$ 149,174	\$ 56,193	265.47%

The City implemented GASB Statement No. 45 for fiscal year ended December 31, 2008. Information for prior years is not available.

SUPPLEMENTARY INFORMATION

COMBINING STATEMENTS

NONMAJOR FUNDS

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2008

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	Special Revenue	Debt Service	Capital Projects	Totals	
				2008	2007
ASSETS					
Cash and investments	\$ 1,309,203	\$ 1,442,424	\$ 344,198	\$ 3,095,825	\$ 3,881,105
Cash with fiscal agent		316,888		316,888	315,181
Receivables					
Accounts	70,924	121,087		192,011	179,328
Contracts	56,000			56,000	60,000
Taxes	2,943	9,489		12,432	5,373
Notes	20,589			20,589	20,589
Special assessments		582,364		582,364	795,310
Due from other governmental units	1,049	3,932	177,301	182,282	295,955
Inventories	19,072			19,072	24,592
Prepaid expenses	16,570			16,570	16,739
Advance to other funds	523,674			523,674	545,264
Deferred charges		55,105		55,105	59,018
Total Assets	\$ 2,020,024	\$ 2,531,289	\$ 521,499	\$ 5,072,812	\$ 6,198,454
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts and contracts payable	\$ 42,241	\$	\$ 88,957	\$ 131,198	\$ 126,702
Cash drawn in excess of funds			673,815	673,815	57,040
Accrued salaries	4,815			4,815	3,899
Due to other governmental units	3,734			3,734	510,227
Advance from other funds	1,014,962			1,014,962	1,056,796
Deferred revenue	23,532	591,853		615,385	821,272
Total Liabilities	1,089,284	591,853	762,772	2,443,909	2,575,936
Fund Balance					
Reserved for debt service		1,939,436		1,939,436	1,898,050
Reserved for advance to other funds	523,674			523,674	545,264
Unreserved, undesignated	407,066		(241,273)	165,793	1,179,204
Total Fund Balance	930,740	1,939,436	(241,273)	2,628,903	3,622,518
Total Liabilities and Fund Balance	\$ 2,020,024	\$ 2,531,289	\$ 521,499	\$ 5,072,812	\$ 6,198,454

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Special Revenue	Debt Service	Capital Projects	Totals	
				2008	2007
REVENUES					
Taxes	\$ 253,251	\$ 363,676	\$	\$ 616,927	\$ 555,797
Special assessments		121,613		121,613	130,324
Intergovernmental	132,684	40,438	158,273	331,395	295,372
Charges for services	437,039	200,511		637,550	612,487
Interest income	59,689	42,444	6,676	108,809	181,511
Developer contribution					412,196
Miscellaneous	138,762	21,698		160,460	132,127
Total Revenues	1,021,425	790,380	164,949	1,976,754	2,319,814
EXPENDITURES					
General government	147,815			147,815	297,624
Public safety			455,796	455,796	37,233
Public works	192,224		49,154	241,378	533,400
Airport	51,164		180,957	232,121	145,733
Culture and recreation	475,200		90,062	565,262	1,088,357
Economic development	710,890			710,890	224,236
Debt service	5,764	820,668		826,432	879,444
Total Expenditures	1,583,057	820,668	775,969	3,179,694	3,206,027
Deficiency of Revenues Under Expenditures	(561,632)	(30,288)	(611,020)	(1,202,940)	(886,213)
OTHER FINANCING SOURCES (USES)					
Long-term debt proceeds					940,001
Transfers in	244,568	107,350		351,918	860,157
Transfers out	(84,441)		(58,152)	(142,593)	(269,972)
Total Other Financing Sources (Uses)	160,127	107,350	(58,152)	209,325	1,530,186
Net Change in Fund Balances	(401,505)	77,062	(669,172)	(993,615)	643,973
FUND BALANCE, BEGINNING OF YEAR	1,332,245	1,862,374	427,899	3,622,518	2,978,545
FUND BALANCE, END OF YEAR	\$ 930,740	\$ 1,939,436	\$ (241,273)	\$ 2,628,903	\$ 3,622,518

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	Hazardous Building	Trail Project	Golf Course	Economic Development	Small Cities Rehabilitation	Airport
ASSETS						
Cash and investments	\$ 18,254	\$ 878	\$ 20,189	\$ 22,291	\$ 80,274	\$ 218,498
Receivables						
Accounts						
Taxes						
Contracts						
Notes					20,589	
Due from other governmental units						
Inventories						19,072
Prepaid expenses			6,520			7,496
Advance to other funds				311,148		
Total Assets	\$ 18,254	\$ 878	\$ 26,709	\$ 333,439	\$ 100,863	\$ 245,066
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts and contracts payable	\$	\$	\$	\$	\$	\$ 1,054
Accrued salaries			1,001			
Due to other governmental units			2,159			
Advance from other funds						
Deferred revenue					20,589	
Total Liabilities	0	0	3,160	0	20,589	1,054
Fund Balance						
Reserved for advance to other funds				311,148		
Unreserved, undesignated	18,254	878	23,549	22,291	80,274	244,012
Total Fund Balance	18,254	878	23,549	333,439	80,274	244,012
Total Liabilities and Fund Balance	\$ 18,254	\$ 878	\$ 26,709	\$ 333,439	\$ 100,863	\$ 245,066

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	Dial-A-Ride	Civic Arena	Infrastructure TIF Funds	Infrastructure Street	Cemetery	Permanent Improvement Revolving
ASSETS						
Cash and investments	\$ 22,245	\$ 79,239	\$ 148,720	\$ 83,163	\$ 215,530	\$ 38,234
Receivables						
Accounts		62,924			500	
Taxes			2,943			
Contracts						
Notes						
Due from other governmental units						1,049
Inventories						
Prepaid expenses		2,144			410	
Advance to other funds						212,526
Total Assets	\$ 22,245	\$ 144,307	\$ 151,663	\$ 83,163	\$ 216,440	\$ 251,809
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts and contracts payable	\$	\$ 4,814	\$ 27,206	\$	\$ 286	\$ 8,788
Accrued salaries		3,814				
Due to other governmental units	1,542	33				
Advance from other funds			608,159			
Deferred revenue			2,943			
Total Liabilities	1,542	8,661	638,308	0	286	8,788
Fund Balance						
Reserved for advance to other funds						212,526
Unreserved, undesignated	20,703	135,646	(486,645)	83,163	216,154	30,495
Total Fund Balance	20,703	135,646	(486,645)	83,163	216,154	243,021
Total Liabilities and Fund Balance	\$ 22,245	\$ 144,307	\$ 151,663	\$ 83,163	\$ 216,440	\$ 251,809

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	Industrial Park	Community Reinvestment	Reserve for JobZ	Highway 12 Beautification	Lake Ripley Improvement	Totals	
						2008	2007
ASSETS							
Cash and investments	\$	\$ 328,383	\$	\$ 7,635	\$ 25,670	\$ 1,309,203	\$ 1,780,114
Receivables							
Accounts		7,500				70,924	17,695
Taxes						2,943	
Contracts		56,000				56,000	60,000
Notes						20,589	20,589
Due from other governmental units						1,049	139
Inventories						19,072	24,592
Prepaid expenses						16,570	16,739
Advance to other funds						523,674	545,264
Total Assets	\$ 0	\$ 391,883	\$ 0	\$ 7,635	\$ 25,670	\$ 2,020,024	\$ 2,465,132
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts and contracts payable	\$	\$	\$ 93	\$	\$	\$ 42,241	\$ 41,376
Accrued salaries						4,815	3,899
Due to other governmental units						3,734	10,227
Advance from other funds	406,803					1,014,962	1,056,796
Deferred revenue						23,532	20,589
Total Liabilities	406,803	0	93	0	0	1,089,284	1,132,887
Fund Balance							
Reserved for advance to other funds						523,674	545,264
Unreserved, undesignated	(406,803)	391,883	(93)	7,635	25,670	407,066	786,981
Total Fund Balance	(406,803)	391,883	(93)	7,635	25,670	930,740	1,332,245
Total Liabilities and Fund Balance	\$ 0	\$ 391,883	\$ 0	\$ 7,635	\$ 25,670	\$ 2,020,024	\$ 2,465,132

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	1996A Housing Development	1999 G.O. Improvement	2000 Optimist Park	2002 G.O. Improvement	2003 G.O. Refunding Improvement	2004 G.O. Improvement
ASSETS						
Cash and investments	\$	\$ 401,614	\$	\$ 140,342	\$ 397,816	\$ 138,313
Cash with fiscal agent	189,703					
Receivables						
Accounts			121,087			
Taxes		590		72	2,609	952
Special assessments		39,857		194,216	82,292	90,266
Due from other governmental units		184		23	1,031	1,010
Deferred charges	55,105					
Total Assets	\$ 244,808	\$ 442,245	\$ 121,087	\$ 334,653	\$ 483,748	\$ 230,541
LIABILITIES AND FUND BALANCE						
Liabilities						
Deferred revenue	\$	\$ 40,447	\$	\$ 194,288	\$ 84,901	\$ 91,218
Fund Balance						
Reserved for debt service	244,808	401,798	121,087	140,365	398,847	139,323
Total Liabilities and Fund Balance	\$ 244,808	\$ 442,245	\$ 121,087	\$ 334,653	\$ 483,748	\$ 230,541

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	2005	2006	2007	2007	Totals	
	Public Project Lease	G.O. Improvement	G.O. Improvement	Public Project Lease	2008	2007
ASSETS						
Cash and investments	\$ 112,457	\$ 106,784	\$ 47,442	\$ 97,656	\$ 1,442,424	\$ 1,382,152
Cash with fiscal agent	127,185				316,888	315,181
Receivables						
Accounts					121,087	99,389
Taxes	3,095	678		1,493	9,489	5,373
Special assessments		175,733			582,364	795,310
Due from other governmental units	994	216		474	3,932	6,634
Deferred charges					55,105	59,018
Total Assets	\$ 243,731	\$ 283,411	\$ 47,442	\$ 99,623	\$ 2,531,289	\$ 2,663,057
LIABILITIES AND FUND BALANCE						
Liabilities						
Deferred revenue	\$ 3,095	\$ 176,411	\$	\$ 1,493	\$ 591,853	\$ 800,683
Fund Balance						
Reserved for debt service	240,636	107,000	47,442	98,130	1,939,436	1,862,374
Total Liabilities and Fund Balance	\$ 243,731	\$ 283,411	\$ 47,442	\$ 99,623	\$ 2,531,289	\$ 2,663,057

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	Airport	Golf Course	Towmaster	Marshall/ 1st Street	Fire/Rescue	Eastern	Totals	
	Improvements	Improvements	Improvements	Improvements	Building	Development	2008	2007
ASSETS								
Cash and investments	\$	\$ 185,608	\$ 323	\$	\$	\$ 158,267	\$ 344,198	\$ 718,839
Accounts receivable								62,244
Due from other governmental units	177,301						177,301	289,182
Total Assets	\$ 177,301	\$ 185,608	\$ 323	\$ 0	\$ 0	\$ 158,267	\$ 521,499	\$ 1,070,265
LIABILITIES AND FUND BALANCE								
Liabilities								
Accounts and contracts payable	\$ 5,302	\$ 83,655	\$	\$	\$	\$	\$ 88,957	\$ 85,326
Due to other governmental units								500,000
Cash drawn in excess of funds	200,541			29,978	443,296		673,815	57,040
Total Liabilities	205,843	83,655	0	29,978	443,296	0	762,772	642,366
Fund Balance								
Unreserved, undesignated	(28,542)	101,953	323	(29,978)	(443,296)	158,267	(241,273)	427,899
Total Liabilities and Fund Balance	\$ 177,301	\$ 185,608	\$ 323	\$ 0	\$ 0	\$ 158,267	\$ 521,499	\$ 1,070,265

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Hazardous Building	Trail Project	Golf Course	Economic Development	Small Cities Rehabilitation	Airport
REVENUES						
Taxes	\$	\$	\$	\$	\$	\$
Intergovernmental						27,100
Charges for services			247,368			9,629
Interest income	615	28	682	1,767	2,401	6,978
Miscellaneous		850	6,332		71,991	12,341
Total Revenues	615	878	254,382	1,767	74,392	56,048
EXPENDITURES						
General government						
Public safety						
Public works						
Airport						51,164
Culture and recreation			249,166			
Economic development				22,000	9,068	
Debt service						
Total Expenditures	0	0	249,166	22,000	9,068	51,164
Excess (Deficiency) of Revenues Over (Under) Expenditures	615	878	5,216	(20,233)	65,324	4,884
OTHER FINANCING SOURCES (USES)						
Transfers in				22,000		
Transfers out			(27,500)	(14,593)		
Total Other Financing Sources (Uses)	0	0	(27,500)	7,407	0	0
Net Change in Fund Balances	615	878	(22,284)	(12,826)	65,324	4,884
FUND BALANCE, BEGINNING OF YEAR	17,639		45,833	346,265	14,950	239,128
FUND BALANCE, END OF YEAR	\$ 18,254	\$ 878	\$ 23,549	\$ 333,439	\$ 80,274	\$ 244,012

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Dial-A-Ride	Civic Arena	Infrastructure TIF Funds	Infrastructure Street	Cemetery	Permanent Improvement Revolving
REVENUES						
Taxes	\$	\$	\$ 253,251	\$	\$	\$
Intergovernmental			25,235	79,141		1,208
Charges for services		142,603			37,439	
Interest income	1,787	4,600	10,925	6,237	7,708	1,272
Miscellaneous		23,875				3,907
Total Revenues	1,787	171,078	289,411	85,378	45,147	6,387
EXPENDITURES						
General government	71,906				65,549	10,360
Public safety						
Public works				192,224		
Airport						
Culture and recreation		217,633				
Economic development			514,347			
Debt service			5,764			
Total Expenditures	71,906	217,633	520,111	192,224	65,549	10,360
Excess (Deficiency) of Revenues Over (Under) Expenditures	(70,119)	(46,555)	(230,700)	(106,846)	(20,402)	(3,973)
OTHER FINANCING SOURCES (USES)						
Transfers in	86,000	59,000	13,566		10,000	
Transfers out		(10,678)				(9,972)
Total Other Financing Sources (Uses)	86,000	48,322	13,566	0	10,000	(9,972)
Net Change in Fund Balances	15,881	1,767	(217,134)	(106,846)	(10,402)	(13,945)
FUND BALANCE, BEGINNING OF YEAR	4,822	133,879	(269,511)	190,009	226,556	256,966
FUND BALANCE, END OF YEAR	\$ 20,703	\$ 135,646	\$ (486,645)	\$ 83,163	\$ 216,154	\$ 243,021

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Industrial Park	Community Reinvestment	Reserve for JobZ	Highway 12 Beautification	Lake Ripley Improvement	Totals	
						2008	2007
REVENUES							
Taxes	\$	\$	\$	\$	\$	\$ 253,251	\$ 255,829
Intergovernmental						132,684	145,320
Charges for services						437,039	412,598
Interest income		13,430		315	944	59,689	78,523
Miscellaneous		18,000			1,466	138,762	95,029
Total Revenues	0	31,430	0	315	2,410	1,021,425	987,299
EXPENDITURES							
General government						147,815	297,624
Public safety							37,233
Public works						192,224	13,874
Airport						51,164	51,405
Culture and recreation					8,401	475,200	440,095
Economic development		142,986	20,178	2,311		710,890	224,236
Debt service						5,764	61,105
Total Expenditures	0	142,986	20,178	2,311	8,401	1,583,057	1,125,572
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(111,556)	(20,178)	(1,996)	(5,991)	(561,632)	(138,273)
OTHER FINANCING SOURCES (USES)							
Transfers in		34,031	19,971			244,568	587,077
Transfers out		(21,698)				(84,441)	(149,972)
Total Other Financing Sources (Uses)	0	12,333	19,971	0	0	160,127	437,105
Net Change in Fund Balances	0	(99,223)	(207)	(1,996)	(5,991)	(401,505)	298,832
FUND BALANCE, BEGINNING OF YEAR	(406,803)	491,106	114	9,631	31,661	1,332,245	1,033,413
FUND BALANCE, END OF YEAR	\$ (406,803)	\$ 391,883	\$ (93)	\$ 7,635	\$ 25,670	\$ 930,740	\$ 1,332,245

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	1996A Housing Development	1999 G.O. Improvement	2000 Optimist Park	2002 G.O. Improvement	2003 G.O. Refunding Improvement	2004 G.O. Improvement
REVENUES						
Taxes	\$	\$ 21,873	\$	\$ 2,737	\$ 100,407	\$ 36,380
Special assessments		9,278		35,384	39,068	14,414
Intergovernmental		2,416		302	11,074	4,027
Charges for services	200,511					
Interest income	1,006	13,027		4,377	10,474	3,709
Miscellaneous			21,698			
Total Revenues	201,517	46,594	21,698	42,800	161,023	58,530
EXPENDITURES						
Debt service	201,718	102,215	21,698	40,519	201,151	57,731
Excess (Deficiency) of Revenues Over (Under) Expenditures	(201)	(55,621)	0	2,281	(40,128)	799
OTHER FINANCING SOURCES						
Long-term debt proceeds						
Transfers in			21,698			
Total Other Financing Sources	0	0	21,698	0	0	0
Net Change in Fund Balances	(201)	(55,621)	21,698	2,281	(40,128)	799
FUND BALANCE, BEGINNING OF YEAR	245,009	457,419	99,389	138,084	438,975	138,524
FUND BALANCE, END OF YEAR	\$ 244,808	\$ 401,798	\$ 121,087	\$ 140,365	\$ 398,847	\$ 139,323

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2005	2006	2007	2007	Totals	
	Public Project Lease	G.O. Improvement	G.O. Improvement	Public Project Lease	2008	2007
REVENUES						
Taxes	\$ 113,926	\$ 27,171	\$	\$ 61,182	\$ 363,676	\$ 299,968
Special assessments		23,469			121,613	130,324
Intergovernmental	12,684	3,020		6,915	40,438	35,870
Charges for services					200,511	199,889
Interest income	4,362	1,627	1,725	2,137	42,444	100,948
Miscellaneous					21,698	37,098
Total Revenues	130,972	55,287	1,725	70,234	790,380	804,097
EXPENDITURES						
Debt service	123,540	41,659	9,283	21,154	820,668	803,281
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,432	13,628	(7,558)	49,080	(30,288)	816
OTHER FINANCING SOURCES						
Long-term debt proceeds						75,385
Transfers in		58,152	27,500		107,350	126,889
Total Other Financing Sources	0	58,152	27,500	0	107,350	202,274
Net Change in Fund Balances	7,432	71,780	19,942	49,080	77,062	203,090
FUND BALANCE, BEGINNING OF YEAR	233,204	35,220	27,500	49,050	1,862,374	1,659,284
FUND BALANCE, END OF YEAR	\$ 240,636	\$ 107,000	\$ 47,442	\$ 98,130	\$ 1,939,436	\$ 1,862,374

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Airport	Golf Course	Towmaster	Fire/Rescue	Marshall/ 1st Street	Eastern	Totals	
	Improvements	Improvements	Improvements	Building	Improvements	Development	2008	2007
REVENUES								
Intergovernmental	\$ 158,273	\$	\$	\$	\$	\$	\$ 158,273	\$ 114,182
Interest income		6,353	323				6,676	2,040
Developer contribution								412,196
Total Revenues	158,273	6,353	323	0	0	0	164,949	528,418
EXPENDITURES								
Public safety				455,796			455,796	
Public works			18,868		29,978	308	49,154	519,526
Airport	180,957						180,957	94,328
Culture and recreation		90,062					90,062	648,262
Debt service								15,058
Total Expenditures	180,957	90,062	18,868	455,796	29,978	308	775,969	1,277,174
Deficiency of Revenues Under Expenditures	(22,684)	(83,709)	(18,545)	(455,796)	(29,978)	(308)	(611,020)	(748,756)
OTHER FINANCING SOURCES (USES)								
Long-term debt proceeds								864,616
Transfers in								146,191
Transfers out			(2,122)			(56,030)	(58,152)	(120,000)
Total Other Financing Sources (Uses)	0	0	(2,122)	0	0	(56,030)	(58,152)	890,807
Net Change in Fund Balances	(22,684)	(83,709)	(20,667)	(455,796)	(29,978)	(56,338)	(669,172)	142,051
FUND BALANCE, BEGINNING OF YEAR	(5,858)	185,662	20,990	12,500		214,605	427,899	285,848
FUND BALANCE, END OF YEAR	\$ (28,542)	\$ 101,953	\$ 323	\$ (443,296)	\$ (29,978)	\$ 158,267	\$ (241,273)	\$ 427,899

Supplementary Information - See Auditor's Report

INDIVIDUAL FUND STATEMENTS

CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2008

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	ASSETS	2008	2007
Cash and investments		\$ 1,279,568	\$ 1,273,226
Receivables			
Accounts		32,965	32,109
Interest		249,619	294,888
Taxes		40,456	31,842
Special assessments		1,830	1,886
Due from other governmental units		14,390	28,603
Prepaid expenses		32,509	27,747
Advance to other funds		29,980	31,215
	Total Assets	\$ 1,681,317	\$ 1,721,516
	LIABILITIES AND FUND BALANCE		
Liabilities			
Accounts payable		\$ 18,469	\$ 33,649
Accrued salaries		64,248	47,443
Due to other governmental units		29,172	27,349
Deferred revenue		42,286	33,728
	Total Liabilities	154,175	142,169
Fund Balance			
Reserved for advance to other funds		29,980	31,215
Unreserved, designated for retirement of long-term debt		30,491	49,213
Unreserved, undesignated		1,466,671	1,498,919
	Total Fund Balance	1,527,142	1,579,347
	Total Liabilities and Fund Balance	\$ 1,681,317	\$ 1,721,516

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008			2007 Actual
	Final Budget	Actual	Over (Under) Final Budget	
REVENUES				
Taxes	\$ 1,439,567	\$ 1,451,612	\$ 12,045	\$ 1,429,150
Licenses and permits	66,725	100,397	33,672	107,201
Intergovernmental	2,000,589	1,866,312	(134,277)	2,018,253
Charges for services	167,650	200,942	33,292	189,905
Fines and forfeits	21,000	31,533	10,533	39,074
Interest income	38,000	26,439	(11,561)	117,275
Miscellaneous	1,500	10,046	8,546	17,200
Total Revenues	3,735,031	3,687,281	(47,750)	3,918,058
EXPENDITURES				
General government	825,675	747,585	(78,090)	727,056
Public safety	1,440,027	1,599,073	159,046	1,444,736
Public works	779,331	904,597	125,266	869,473
Culture and recreation	470,521	436,938	(33,583)	486,764
Miscellaneous	529,324	113,095	(416,229)	169,429
Total Expenditures	4,044,878	3,801,288	(243,590)	3,697,458
Excess (Deficiency) of Revenues Over (Under) Expenditures	(309,847)	(114,007)	195,840	220,600
OTHER FINANCING SOURCES (USES)				
Sale or compensation for property	2,000	14,950	12,950	5,532
Transfers in	425,847	391,256	(34,591)	398,000
Transfers out	(118,000)	(344,404)	(226,404)	(535,822)
Total Other Financing Sources (Uses)	309,847	61,802	(248,045)	(132,290)
Net Change in Fund Balances	\$ 0	(52,205)	\$ (52,205)	88,310
FUND BALANCE, BEGINNING OF YEAR		1,579,347		1,491,037
FUND BALANCE, END OF YEAR		\$ 1,527,142		\$ 1,579,347

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Taxes	\$ 1,439,567	\$ 1,451,612	\$ 12,045	\$ 1,429,150
Licenses and Permits				
Business licenses and permits	46,375	65,595	19,220	56,071
Non-business licenses and permits	20,350	34,802	14,452	51,130
Total Licenses and Permits	66,725	100,397	33,672	107,201
Intergovernmental				
State/Federal Aids				
Local governmental aid	1,753,432	1,593,166	(160,266)	1,730,012
MV credit real	163,245	163,245		172,411
Firemen's Relief aid	35,000	43,253	8,253	49,759
Police state aid	36,000	53,629	17,629	53,036
PERA rate change	9,412	9,414	2	9,417
Police training reimbursement	3,500	3,605	105	3,618
Total Intergovernmental	2,000,589	1,866,312	(134,277)	2,018,253
Charges for Services				
General government	31,850	31,535	(315)	32,593
Public safety	111,500	122,002	10,502	114,038
Public works	3,000	6,993	3,993	610
Culture and recreation	21,300	40,412	19,112	42,664
Total Charges for Services	167,650	200,942	33,292	189,905
Fines and Forfeits	21,000	31,533	10,533	39,074
Interest Income	38,000	26,439	(11,561)	117,275
Miscellaneous				
Rents	500	1,070	570	1,260
Donations		1,500	1,500	300
Insurance dividend		6,958	6,958	11,958
Service charges - garbage		55	55	1,013
Other	1,000	463	(537)	2,669
Total Miscellaneous	1,500	10,046	8,546	17,200
Total Revenues	3,735,031	3,687,281	(47,750)	3,918,058

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
EXPENDITURES				
General Government				
City Council				
Current expenditures	\$ 26,912	\$ 24,441	\$ (2,471)	\$ 25,200
Publication of Ordinances and Proceedings				
Current expenditures	3,200	3,418	218	3,502
Mayor				
Current expenditures	7,409	6,481	(928)	6,662
City Administrator				
Current expenditures	210,847	210,504	(343)	193,666
Elections and Voter's Registration				
Current expenditures	11,600	14,697	3,097	60
Boards and Commissions				
Current expenditures	5,030	3,490	(1,540)	5,071
Finance				
Municipal Clerk				
Current expenditures	127,556	103,727	(23,829)	123,557
Assessor				
Current expenditures	73,518	72,309	(1,209)	70,815
Independent Accounting and Auditing				
Current expenditures	15,020	12,500	(2,520)	14,000
Purchasing				
Current expenditures	81,928	70,548	(11,380)	81,568
Total Finance	<u>298,022</u>	<u>259,084</u>	<u>(38,938)</u>	<u>289,940</u>
Technology Services				
Current expenditures	40,000	41,729	1,729	
Legal				
Current expenditures	132,725	98,053	(34,672)	103,224
Planning and Zoning				
Current expenditures	10,000	9,025	(975)	5,000
Advertising				
Current expenditures	15,000	16,874	1,874	16,684

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
EXPENDITURES (Cont'd)				
General Government (Cont'd)				
Government Buildings				
City Hall				
Current expenditures	\$ 48,430	\$ 44,831	\$ (3,599)	\$ 51,016
G.A.R. Hall				
Current expenditures	16,500	14,958	(1,542)	27,031
Total Government Buildings	<u>64,930</u>	<u>59,789</u>	<u>(5,141)</u>	<u>78,047</u>
Total General Government	825,675	747,585	(78,090)	727,056
Public Safety				
Police Protection				
Current expenditures	975,182	1,133,040	157,858	997,277
Other disbursements - dispatching	85,000	79,612	(5,388)	73,933
Total Police Protection	<u>1,060,182</u>	<u>1,212,652</u>	<u>152,470</u>	<u>1,071,210</u>
Fire Protection				
Current expenditures	139,676	141,888	2,212	131,757
Other disbursements - fire relief association	35,000	42,253	7,253	48,759
Capital outlay	4,000	600	(3,400)	1,538
Total Fire Protection	<u>178,676</u>	<u>184,741</u>	<u>6,065</u>	<u>182,054</u>
Building Inspection				
Current expenditures	84,713	83,228	(1,485)	81,088
Civil Defense				
Current expenditures	5,550	1,748	(3,802)	8,488
Rescue Squad				
Current expenditures	100,656	104,449	3,793	91,756
Traffic Engineering				
Current expenditures	9,000	10,846	1,846	9,063
Animal Control				
Current expenditures	<u>1,250</u>	<u>1,409</u>	<u>159</u>	<u>1,077</u>
Total Public Safety	1,440,027	1,599,073	159,046	1,444,736

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
EXPENDITURES (Cont'd)				
Public Works				
Administration and Engineering				
Current expenditures	\$ 25,100	\$ 60,497	\$ 35,397	\$ 53,052
Streets and Alleys				
Current expenditures	542,129	619,755	77,626	612,065
Snow and Ice Removal				
Current expenditures	34,903	39,648	4,745	47,616
Sidewalks				
Current expenditures	2,500	12,760	10,260	
Street Lighting				
Current expenditures	3,075	2,601	(474)	1,718
Parking Lots				
Current expenditures				595
Maintenance Shop				
Current expenditures	122,139	103,635	(18,504)	125,178
Street Cleaning				
Current expenditures	4,500	4,972	472	4,798
Storm Drainage				
Current expenditures	12,000	28,756	16,756	11,707
Weed Control				
Current expenditures	430	160	(270)	56
Insect and Pest Control				
Current expenditures	16,380	6,732	(9,648)	9,825
Compost Site				
Current expenditures	16,175	25,081	8,906	2,863
Total Public Works	779,331	904,597	125,266	869,473

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
EXPENDITURES (Cont'd)				
Culture and Recreation				
Playgrounds				
Current expenditures	\$ 51,094	\$ 47,338	\$ (3,756)	\$ 51,477
Swimming Pools and Beach				
Current expenditures	13,550	8,680	(4,870)	15,302
Skating Rinks				
Current expenditures	3,000	7,705	4,705	3,531
Other Recreation				
Current expenditures	33,250	31,700	(1,550)	28,258
Camping Areas				
Current expenditures	26,800	19,904	(6,896)	14,242
Municipal Parks				
Current expenditures	141,837	124,066	(17,771)	184,594
Band				
Current expenditures	4,765	3,575	(1,190)	4,075
Forestry and Shade Trees				
Current expenditures	15,298	18,368	3,070	12,502
Library				
Current expenditures	51,770	46,445	(5,325)	56,497
Other expenditures	129,157	129,157		116,286
Total Library	<u>180,927</u>	<u>175,602</u>	<u>(5,325)</u>	<u>172,783</u>
Total Culture and Recreation	470,521	436,938	(33,583)	486,764
Miscellaneous				
Unallocated General Expense	<u>529,324</u>	<u>113,095</u>	<u>(416,229)</u>	<u>169,429</u>
Total Expenditures	<u>4,044,878</u>	<u>3,801,288</u>	<u>(243,590)</u>	<u>3,697,458</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(309,847)	(114,007)	195,840	220,600

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED DECEMBER 31, 2008

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
EXPENDITURES (Cont'd)				
OTHER FINANCING SOURCES (USES)				
Other Financing Sources				
Sale or compensation for property	\$ 2,000	\$ 14,950	\$ 12,950	\$ 5,532
Transfers from other funds				
Civic arena		10,678	10,678	
Sewer	90,000	90,000		80,000
Public utilities	260,000	214,731	(45,269)	260,000
Water	28,619	28,619		48,000
Electric	47,228	47,228		10,000
Total Other Financing Sources	<u>427,847</u>	<u>406,206</u>	<u>(21,641)</u>	<u>403,532</u>
Other Financing Uses				
Transfers to other funds				
Auditorium	(22,000)	(22,000)		(22,000)
Capital improvement fund		(206,433)	206,433	(1,359)
C.O.I. - 2007				(11,709)
Community development				(50,000)
Cemetery	(10,000)	(10,000)		(160,000)
Dial-A-Ride	(86,000)	(86,000)		(80,000)
Fire/Rescue building				(20,000)
C.O.I. - 2006				(13,865)
G.O. Bonds - 2007A				(27,500)
Airport				(50,000)
Optimist park				(99,389)
Reserve for JOBZ		(19,971)	19,971	
Total Other Financing Uses	<u>(118,000)</u>	<u>(344,404)</u>	<u>226,404</u>	<u>(535,822)</u>
Total Other Financing Sources (Uses)	<u>309,847</u>	<u>61,802</u>	<u>(248,045)</u>	<u>(132,290)</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>(52,205)</u>	<u>\$ (52,205)</u>	<u>88,310</u>
FUND BALANCE, BEGINNING OF YEAR		<u>1,579,347</u>		<u>1,491,037</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,527,142</u>		<u>\$ 1,579,347</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 HAZARDOUS BUILDING SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$ 1,000	\$ 615	\$ (385)	\$ 1,396
EXPENDITURES				
Public safety				
Professional services				1,824
Capital outlay				32,709
Other	1,000		(1,000)	2,700
Total Expenditures	1,000		(1,000)	37,233
Net Change in Fund Balances	<u>\$ 0</u>	615	<u>\$ 615</u>	(35,837)
FUND BALANCE, BEGINNING OF YEAR		<u>17,639</u>		<u>53,476</u>
FUND BALANCE, END OF YEAR		<u>\$ 18,254</u>		<u>\$ 17,639</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 TRAIL PROJECT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$	\$ 28	\$ 28	\$
Miscellaneous Donations		850	850	
Total Revenues	0	878	878	0
Net Change in Fund Balances	<u>\$ 0</u>	<u>878</u>	<u>\$ 878</u>	<u>0</u>
FUND BALANCE, BEGINNING OF YEAR				
FUND BALANCE, END OF YEAR		<u>\$ 878</u>		<u>\$ 0</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GOLF COURSE SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Charges for services				
Annual dues - family	\$ 107,100	\$ 101,700	\$ (5,400)	\$ 95,262
Annual dues - single	45,200	35,600	(9,600)	39,637
Annual dues - college	1,400	1,400		1,225
Annual dues - high school	6,600	6,300	(300)	4,400
Green fees	99,900	74,153	(25,747)	73,140
Cart usage fee	30,300	28,215	(2,085)	20,200
Total Charges for services	<u>290,500</u>	<u>247,368</u>	<u>(43,132)</u>	<u>233,864</u>
Interest income	2,000	682	(1,318)	2,198
Miscellaneous				
Insurance dividend		2,279	2,279	3,885
Donation				10,000
Reimbursement	1,000	4,053	3,053	4,115
Total Miscellaneous	<u>1,000</u>	<u>6,332</u>	<u>5,332</u>	<u>18,000</u>
Total Revenues	<u>293,500</u>	<u>254,382</u>	<u>(39,118)</u>	<u>254,062</u>
EXPENDITURES				
Culture and recreation				
Salaries and benefits	131,200	128,935	(2,265)	133,743
Operating supplies	44,500	53,452	8,952	48,577
Professional services	7,000	4,373	(2,627)	5,123
Communications	3,000	3,061	61	3,398
Insurance	25,000	25,920	920	25,010
Utilities	11,000	3,514	(7,486)	11,329
Repairs and maintenance	3,000	3,204	204	2,130
Rentals	17,655	17,260	(395)	5,272
Miscellaneous	13,510	9,447	(4,063)	12,300
Capital outlay	5,635		(5,635)	
Total Expenditures	<u>261,500</u>	<u>249,166</u>	<u>(12,334)</u>	<u>246,882</u>
Excess of Revenues Over Expenditures	<u>32,000</u>	<u>5,216</u>	<u>(26,784)</u>	<u>7,180</u>
OTHER FINANCING USES				
Transfers out	(32,000)	(27,500)	4,500	
Net Change in Fund Balances	<u>\$ 0</u>	<u>(22,284)</u>	<u>\$ (22,284)</u>	<u>7,180</u>
FUND BALANCE, BEGINNING OF YEAR		<u>45,833</u>		<u>38,653</u>
FUND BALANCE, END OF YEAR		<u>\$ 23,549</u>		<u>\$ 45,833</u>

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$	\$ 1,767	\$ 1,767	\$ 18,735
EXPENDITURES				
Economic development Capital outlay	22,000	22,000		22,000
Deficiency of Revenues Under Expenditures	(22,000)	(20,233)	1,767	(3,265)
OTHER FINANCING SOURCES (USES)				
Transfers in	22,000	22,000		22,000
Transfers out		(14,593)	(14,593)	(14,127)
Total Other Financing Sources (Uses)	22,000	7,407	(14,593)	7,873
Net Change in Fund Balances	\$ 0	(12,826)	\$ (12,826)	4,608
FUND BALANCE, BEGINNING OF YEAR		346,265		341,657
FUND BALANCE, END OF YEAR		\$ 333,439		\$ 346,265

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 SMALL CITIES REHABILITATION SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$ 5,000	\$ 2,401	\$ (2,599)	\$ 1,078
Miscellaneous				
Loan repayment		6,000	6,000	
Other		65,991	65,991	
Total Revenues	5,000	74,392	69,392	1,078
EXPENDITURES				
Economic Development				
Miscellaneous		9,068	9,068	12,941
Net Change in Fund Balances	<u>\$ 5,000</u>	65,324	<u>\$ 60,324</u>	(11,863)
FUND BALANCE, BEGINNING OF YEAR		14,950		26,813
FUND BALANCE, END OF YEAR		<u>\$ 80,274</u>		<u>\$ 14,950</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 AIRPORT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$ 24,000	\$ 27,100	\$ 3,100	\$ 27,100
Charges for services				
Sales - fuel	120,000	133,495	13,495	136,768
Less: Cost of goods sold	(110,000)	(123,866)	(13,866)	(124,161)
Gross Profit on Sales	10,000	9,629	(371)	12,607
Interest income	5,000	6,978	1,978	6,123
Miscellaneous				
Rental income	11,300	11,953	653	15,315
Insurance dividend		366	366	660
Other		22	22	36
Total Miscellaneous	11,300	12,341	1,041	16,011
Total Revenues	50,300	56,048	5,748	61,841
EXPENDITURES				
Airport				
Salaries and benefits	325	323	(2)	323
Insurance	18,000	17,377	(623)	17,610
Other services and charges	16,675	15,796	(879)	14,384
Capital outlay				4,425
Repair and maintenance	15,300	17,668	2,368	14,663
Total Expenditures	50,300	51,164	864	51,405
Excess of Revenues Over Expenditures	0	4,884	4,884	10,436
OTHER FINANCING SOURCES				
Transfers in				50,000
Net Change in Fund Balances	\$ 0	4,884	\$ 4,884	60,436
FUND BALANCE, BEGINNING OF YEAR		239,128		178,692
FUND BALANCE, END OF YEAR		\$ 244,012		\$ 239,128

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 DIAL-A-RIDE SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$	\$ 1,787	\$ 1,787	\$ 1,495
EXPENDITURES				
General government				
Local contribution		7,483	7,483	11,600
Other	86,000	64,423	(21,577)	95,494
Total Expenditures	86,000	71,906	(14,094)	107,094
Deficiency of Revenues Under Expenditures	(86,000)	(70,119)	15,881	(105,599)
OTHER FINANCING SOURCES				
Transfers in	86,000	86,000		80,000
Net Change in Fund Balances	\$ 0	15,881	\$ 15,881	(25,599)
FUND BALANCE, BEGINNING OF YEAR		4,822		30,421
FUND BALANCE, END OF YEAR		\$ 20,703		\$ 4,822

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CIVIC ARENA SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Charges for services	\$ 124,750	\$ 142,603	\$ 17,853	\$ 138,283
Interest income	6,000	4,600	(1,400)	5,560
Miscellaneous				
Rents and refunds	10,000	10,640	640	13,465
Insurance dividend		710	710	1,206
Other	12,500	12,525	25	12,500
Total Miscellaneous	<u>22,500</u>	<u>23,875</u>	<u>1,375</u>	<u>27,171</u>
Total Revenues	153,250	171,078	17,828	171,014
EXPENDITURES				
Culture and recreation				
Salaries and benefits	94,423	97,168	2,745	93,566
Insurance	9,000	8,343	(657)	8,322
Supplies	15,200	16,579	1,379	23,741
Repair and maintenance	10,000	27,283	17,283	22,780
Other services and charges	9,215	9,125	(90)	2,260
Capital outlay	30,415	14,691	(15,724)	1,246
Community room	10,997	5,715	(5,282)	5,718
Utilities	33,000	38,729	5,729	32,999
Total Expenditures	<u>212,250</u>	<u>217,633</u>	<u>5,383</u>	<u>190,632</u>
Deficiency of Revenues Under Expenditures	(59,000)	(46,555)	12,445	(19,618)
OTHER FINANCING SOURCES (USES)				
Transfers in	59,000	59,000		59,000
Transfers out		(10,678)	(10,678)	
Total Other Financing Sources (Uses)	<u>59,000</u>	<u>48,322</u>	<u>(10,678)</u>	<u>59,000</u>
Net Change in Fund Balances	<u>\$ 0</u>	1,767	<u>\$ 1,767</u>	39,382
FUND BALANCE, BEGINNING OF YEAR		<u>133,879</u>		<u>94,497</u>
FUND BALANCE, END OF YEAR		<u>\$ 135,646</u>		<u>\$ 133,879</u>

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
 INFRASTRUCTURE TIF SPECIAL REVENUE FUNDS
 DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	TIF Dist. No. 1-1 7th & Donnelly	TIF Dist. No. 1-2 Pleasant View	TIF Dist. No. 3-1 Longfellow Square	TIF Dist. No. 4-4 Terraceview Drive	TIF Dist. No. 4-5 Decertified Aspen Trailer	TIF Dist. No. 4-7 I.R.D.
ASSETS						
Cash and investments	\$ 17,949	\$ 87,225	\$ 13,562	\$	\$	\$
Delinquent taxes receivable		2,943				
Total Assets	\$ 17,949	\$ 90,168	\$ 13,562	\$ 0	\$ 0	\$ 0
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$	\$ 818	\$	\$	\$	\$
Advance from other funds				5,514	335,055	116,142
Deferred revenue		2,943				
Total Liabilities	0	3,761	0	5,514	335,055	116,142
Fund Balances						
Unreserved, undesignated	17,949	86,407	13,562	(5,514)	(335,055)	(116,142)
Total Liabilities and Fund Balances	\$ 17,949	\$ 90,168	\$ 13,562	\$ 0	\$ 0	\$ 0

CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
 INFRASTRUCTURE TIF SPECIAL REVENUE FUNDS
 DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	TIF Dist.	TIF Dist.	TIF Dist.	Totals	
	No. 4-10 Northstar I	No. 4-11 Northstar II	No. 4-12 Towmaster	2008	2007
ASSETS					
Cash and investments	\$ 280	\$	\$ 29,704	\$ 148,720	\$ 399,287
Delinquent taxes receivable				2,943	
Total Assets	<u>\$ 280</u>	<u>\$ 0</u>	<u>\$ 29,704</u>	<u>\$ 151,663</u>	<u>\$ 399,287</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$	\$	\$ 26,388	\$ 27,206	\$ 18,805
Advance from other funds	63,593	87,855		608,159	649,993
Deferred revenue				2,943	
Total Liabilities	63,593	87,855	26,388	638,308	668,798
Fund Balances					
Unreserved, undesignated	(63,313)	(87,855)	3,316	(486,645)	(269,511)
Total Liabilities and Fund Balances	<u>\$ 280</u>	<u>\$ 0</u>	<u>\$ 29,704</u>	<u>\$ 151,663</u>	<u>\$ 399,287</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 INFRASTRUCTURE TIF SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	TIF Dist. No. 1-1 7th & Donnelly	TIF Dist. No. 1-2 Pleasant View	TIF Dist. No. 3-1 Longfellow Square	TIF Dist. No. 4-4 Terraceview Drive	TIF Dist. No. 4-5 Decertified Aspen Trailer	TIF Dist. No. 4-6 Innovex
REVENUES						
Taxes						
Tax increments	\$ 22,668	\$ 131,553	\$ 10,021	\$ 7,879	\$	\$ 20,526
Intergovernmental						
Market value credit - TIF	2,157	19,955	3,123			
Interest income	2,059	7,426	777			
Total Revenues	26,884	158,934	13,921	7,879	0	20,526
EXPENDITURES						
Economic development						
Developer payment				7,091		18,473
Professional services	92	9,160				92
Capital outlay	87,442	337,866	27,743			
Total Economic development	87,534	347,026	27,743	7,091	0	18,565
Debt service						
Interfund loan interest				344		
Total Expenditures	87,534	347,026	27,743	7,435	0	18,565
Excess (Deficiency) of Revenues Over (Under) Expenditures	(60,650)	(188,092)	(13,822)	444	0	1,961
OTHER FINANCING SOURCES (USES)						
Transfers in						13,566
Transfers out						
Total Other Financing Sources (Uses)	0	0	0	0	0	13,566
Net Change in Fund Balances	(60,650)	(188,092)	(13,822)	444	0	15,527
FUND BALANCE, BEGINNING OF YEAR	78,599	274,499	27,384	(5,958)	(335,055)	(15,527)
FUND BALANCE, END OF YEAR	\$ 17,949	\$ 86,407	\$ 13,562	\$ (5,514)	\$ (335,055)	\$ 0

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 INFRASTRUCTURE TIF SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	TIF Dist.	TIF Dist.	TIF Dist.	TIF Dist.	Totals	
	No. 4-7 I.R.D.	No. 4-10 Northstar I	No. 4-11 Northstar II	No. 4-12 Towmaster	2008	2007
REVENUES						
Taxes						
Tax increments	\$ 9,842	\$ 21,441	\$	\$ 29,321	\$ 253,251	\$ 246,918
Intergovernmental						
Market value credit - TIF					25,235	23,684
Interest income		280		383	10,925	13,113
Total Revenues	9,842	21,721	0	29,704	289,411	283,715
EXPENDITURES						
Economic development						
Developer payment				26,388	51,952	44,936
Professional services					9,344	2,651
Capital outlay					453,051	
Total Economic development	0	0	0	26,388	514,347	47,587
Debt service						
Interfund loan interest		5,420			5,764	38,079
Total Expenditures	0	5,420	0	26,388	520,111	85,666
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,842	16,301	0	3,316	(230,700)	198,049
OTHER FINANCING SOURCES (USES)						
Transfers in					13,566	
Transfers out						(125,807)
Total Other Financing Sources (Uses)	0	0	0	0	13,566	(125,807)
Net Change in Fund Balances	9,842	16,301	0	3,316	(217,134)	72,242
FUND BALANCE, BEGINNING OF YEAR	(125,984)	(79,614)	(87,855)		(269,511)	(341,753)
FUND BALANCE, END OF YEAR	\$ (116,142)	\$ (63,313)	\$ (87,855)	\$ 3,316	\$ (486,645)	\$ (269,511)

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 RESERVE FOR TAX ABATEMENT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Taxes	\$	\$	\$	\$ 8,911
Intergovernmental				
Market value credit				1,089
Total Revenues	0	0	0	10,000
EXPENDITURES				
Economic development				
Current expenditures				10,000
Net Change in Fund Balances	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>	<u>0</u>
FUND BALANCE, BEGINNING OF YEAR				
FUND BALANCE, END OF YEAR		<u>\$ 0</u>		<u>\$ 0</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 INFRASTRUCTURE STREET SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$ 80,000	\$ 79,141	\$ (859)	\$ 80,645
Interest income		6,237	6,237	6,704
Total Revenues	80,000	85,378	5,378	87,349
EXPENDITURES				
Public works				
Other services and charges		16,702	16,702	7,618
Capital outlay		175,522	175,522	6,256
Total Expenditures	0	192,224	192,224	13,874
Net Change in Fund Balances	<u>\$ 80,000</u>	(106,846)	<u>\$ (186,846)</u>	73,475
FUND BALANCE, BEGINNING OF YEAR		<u>190,009</u>		<u>116,534</u>
FUND BALANCE, END OF YEAR		<u>\$ 83,163</u>		<u>\$ 190,009</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CEMETERY SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Charges for services				
Professional services	\$ 20,000	\$ 16,689	\$ (3,311)	\$ 15,869
Sale of lots	24,000	20,750	(3,250)	11,975
Total Charges for services	<u>44,000</u>	<u>37,439</u>	<u>(6,561)</u>	<u>27,844</u>
Interest income	7,000	7,708	708	8,269
Total Revenues	<u>51,000</u>	<u>45,147</u>	<u>(5,853)</u>	<u>36,113</u>
EXPENDITURES				
General government				
Salaries and benefits	5,350	8,377	3,027	6,546
Supplies	9,000	16,227	7,227	13,607
Insurance	1,000	1,249	249	953
Repairs and maintenance	11,600	6,461	(5,139)	2,665
Utilities	7,000	1,981	(5,019)	7,214
Professional services	11,000	11,387	387	34,630
Capital outlay	9,027	12,833	3,806	121,911
Miscellaneous	7,023	7,034	11	3,004
Total Expenditures	<u>61,000</u>	<u>65,549</u>	<u>4,549</u>	<u>190,530</u>
Deficiency of Revenues Under Expenditures	(10,000)	(20,402)	(10,402)	(154,417)
OTHER FINANCING SOURCES				
Transfers in	10,000	10,000		160,000
Net Change in Fund Balances	<u>\$ 0</u>	<u>(10,402)</u>	<u>\$ (10,402)</u>	<u>5,583</u>
FUND BALANCE, BEGINNING OF YEAR		<u>226,556</u>		<u>220,973</u>
FUND BALANCE, END OF YEAR		<u>\$ 216,154</u>		<u>\$ 226,556</u>

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 PERMANENT IMPROVEMENT REVOLVING SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$	\$ 1,208	\$ 1,208	\$ 12,802
Interest Income	1,081	1,272	191	1,289
Miscellaneous		3,907	3,907	3,129
Total Revenues	1,081	6,387	5,306	17,220
EXPENDITURES				
General government				
Professional services		10,360	10,360	
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,081	(3,973)	(5,054)	17,220
OTHER FINANCING USES				
Transfers out		(9,972)	(9,972)	(9,653)
Net Change in Fund Balances	\$ 1,081	(13,945)	\$ (15,026)	7,567
FUND BALANCE, BEGINNING OF YEAR		256,966		249,399
FUND BALANCE, END OF YEAR		\$ 243,021		\$ 256,966

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 INDUSTRIAL PARK SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES	\$	\$	\$	\$
EXPENDITURES				
Debt service				
Interest				23,026
Net Change in Fund Balances	<u>\$ 0</u>	<u>0</u>	<u>\$ 0</u>	(23,026)
FUND BALANCE, BEGINNING OF YEAR		<u>(406,803)</u>		<u>(383,777)</u>
FUND BALANCE, END OF YEAR		<u>\$ (406,803)</u>		<u>\$ (406,803)</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 COMMUNITY REINVESTMENT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$ 500	\$ 13,430	\$ 12,930	\$ 11,039
Miscellaneous				
Donations		3,000	3,000	3,000
Other		15,000	15,000	15,000
Total Revenues	500	31,430	30,930	29,039
EXPENDITURES				
Economic development				
Capital outlay		142,986	142,986	108,365
Professional services				16,091
Other				60
Total Expenditures	0	142,986	142,986	124,516
Excess (Deficiency) of Revenues Over (Under) Expenditures	500	(111,556)	(112,056)	(95,477)
OTHER FINANCING SOURCES (USES)				
Transfers in		34,031	34,031	216,077
Transfers out		(21,698)	(21,698)	(385)
Total Other Financing Sources (Uses)	0	12,333	12,333	215,692
Net Change in Fund Balances	\$ 500	(99,223)	\$ (99,723)	120,215
FUND BALANCE, BEGINNING OF YEAR		491,106		370,891
FUND BALANCE, END OF YEAR		\$ 391,883		\$ 491,106

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 RESERVE FOR JOBZ SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$	\$	\$	\$ 25
Miscellaneous				
Application fee				5,000
Total Revenues	0	0	0	5,025
EXPENDITURES				
Economic development				
Professional services		20,178	20,178	6,235
Deficiency of Revenues Under Expenditures	0	(20,178)	(20,178)	(1,210)
OTHER FINANCING SOUCES				
Transfers in		19,971	19,971	
Net Change in Fund Balances	<u>\$ 0</u>	<u>(207)</u>	<u>\$ (207)</u>	<u>(1,210)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>114</u>		<u>1,324</u>
FUND BALANCE, END OF YEAR		<u>\$ (93)</u>		<u>\$ 114</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 HIGHWAY 12 BEAUTIFICATION SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$	\$ 315	\$ 315	\$ 408
EXPENDITURES				
Economic development				
Miscellaneous		2,311	2,311	957
Net Change in Fund Balances	\$ 0	(1,996)	\$ (1,996)	(549)
FUND BALANCE, BEGINNING OF YEAR		9,631		10,180
FUND BALANCE, END OF YEAR		\$ 7,635		\$ 9,631

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 LAKE RIPLEY IMPROVEMENT SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		Over (Under) Final Budget	2007 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$	\$ 944	\$ 944	\$ 1,091
Miscellaneous Donations		1,466	1,466	7,718
Total Revenues	0	2,410	2,410	8,809
EXPENDITURES				
Culture and recreation				
Repairs and maintenance		2,651	2,651	2,581
Miscellaneous		5,750	5,750	
Total Expenditures	0	8,401	8,401	2,581
Net Change in Fund Balances	\$ 0	(5,991)	\$ (5,991)	6,228
FUND BALANCE, BEGINNING OF YEAR		31,661		25,433
FUND BALANCE, END OF YEAR		\$ 25,670		\$ 31,661

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
LIQUOR ENTERPRISE FUND
DECEMBER 31, 2008

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	2008	2007
ASSETS		
Current Assets		
Cash and investments	\$ 805,425	\$ 711,761
Accounts receivable	20	335
Inventories	174,263	148,879
Prepaid expenses	3,374	2,945
Total Current Assets	983,082	863,920
Noncurrent Assets		
Capital assets		
Non-depreciable	22,606	22,606
Depreciable, net	33,500	30,539
Net OPEB asset	3,208	
Total Noncurrent Assets	59,314	53,145
Total Assets	\$ 1,042,396	\$ 917,065
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Accounts payable	\$ 9,725	\$ 2,476
Accrued salaries	4,944	3,549
Due to other governmental units	16,984	15,964
Total Current Liabilities	31,653	21,989
Noncurrent Liabilities		
Long-term portion of long-term debt	8,535	8,355
Total Liabilities	40,188	30,344
Net Assets		
Invested in capital assets	56,106	53,145
Unrestricted	946,102	833,576
Total Net Assets	1,002,208	886,721
Total Liabilities and Net Assets	\$ 1,042,396	\$ 917,065

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 BUDGET AND ACTUAL
 LIQUOR ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		2007
	Budget	Actual	Actual
OPERATING REVENUES			
Sales	\$ 1,595,771	\$ 1,856,513	\$ 1,719,976
Less: Cost of Goods Sold	(1,290,600)	(1,421,679)	(1,331,494)
Gross Profit on Sales	305,171	434,834	388,482
OPERATING EXPENSES			
Salaries and benefits	169,322	184,184	172,166
Supplies	6,550	8,210	6,954
Other services and charges	77,899	84,509	74,647
Depreciation		6,579	7,201
Total Operating Expenses	253,771	283,482	260,968
Operating Income	51,400	151,352	127,514
NONOPERATING REVENUES			
Interest income	7,500	22,897	22,617
Miscellaneous	100	238	441
Total Nonoperating Revenues	7,600	23,135	23,058
Income Before Transfers	59,000	174,487	150,572
TRANSFERS			
Transfers out	(59,000)	(59,000)	(59,000)
Change in Net Assets	\$ 0	115,487	91,572
NET ASSETS, BEGINNING OF YEAR		886,721	795,149
NET ASSETS, END OF YEAR		\$ 1,002,208	\$ 886,721

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
SEWER ENTERPRISE FUND

DECEMBER 31, 2008

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	2008	2007
ASSETS		
Current Assets		
Cash and investments	\$ 644,357	\$ 760,874
Accounts receivable	253,995	235,041
Prepaid expenses	13,210	11,958
Total Current Assets	911,562	1,007,873
Noncurrent Assets		
Restricted assets		
Cash - Sinking Fund account	1,065,353	1,008,368
Capital assets		
Non-depreciable	300,113	21,373
Depreciable, net	15,774,516	16,508,709
Deferred charges	18,499	23,124
Net OPEB asset	11,223	
Total Noncurrent Assets	17,169,704	17,561,574
Total Assets	\$ 18,081,266	\$ 18,569,447
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities (from current assets)		
Accounts and contracts payable	\$ 15,676	\$ 43,409
Accrued salaries	11,962	8,924
Accrued interest payable	94,190	97,800
Total Current Liabilities (From Current Assets)	121,828	150,133
Current liabilities (from restricted assets)		
Current portion of long-term debt	826,770	795,000
Noncurrent liabilities		
Long-term portion of long-term debt	8,939,317	9,762,955
Total Liabilities	9,887,915	10,708,088
Net Assets		
Invested in capital assets, net of related debt	6,308,542	5,998,082
Restricted for debt service	1,065,353	1,008,368
Unrestricted	819,456	854,909
Total Net Assets	8,193,351	7,861,359
Total Liabilities and Net Assets	\$ 18,081,266	\$ 18,569,447

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 BUDGET AND ACTUAL
 SEWER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		2007
	Budget	Actual	Actual
OPERATING REVENUES			
Charges for services	\$ 2,356,153	\$ 2,401,154	\$ 2,265,939
Other	2,000	4,562	16,096
Total Operating Revenues	2,358,153	2,405,716	2,282,035
OPERATING EXPENSES			
Salaries and benefits	483,733	486,090	489,997
Supplies	245,500	294,550	243,292
Other services and charges	558,057	508,634	623,219
Depreciation	795,000	585,846	582,091
Total Operating Expenses	2,082,290	1,875,120	1,938,599
Operating Income	275,863	530,596	343,436
NONOPERATING REVENUES (EXPENSES)			
Interest income	43,319	62,980	69,752
Interest and amortization expense	(288,825)	(289,840)	(308,022)
Miscellaneous		3,950	6,743
Total Nonoperating Revenues (Expenses)	(245,506)	(222,910)	(231,527)
Income Before Transfers and Contributions	30,357	307,686	111,909
TRANSFERS AND CONTRIBUTIONS			
Transfers in	114,306	114,306	33,000
Transfers out	(90,000)	(90,000)	(80,000)
Contributions			132,372
Change in Net Assets	\$ 54,663	331,992	197,281
NET ASSETS, BEGINNING OF YEAR		7,861,359	7,664,078
NET ASSETS, END OF YEAR		\$ 8,193,351	\$ 7,861,359

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
ELECTRIC ENTERPRISE FUND
DECEMBER 31, 2008

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	2008	2007
ASSETS		
Current Assets		
Cash and investments	\$ 10,298,517	\$ 2,886,999
Cash with fiscal agent	252,598	
Accounts receivable (net)	835,911	689,075
Inventories	482,314	365,584
Prepaid expenses	16,374	15,063
Total Current Assets	11,885,714	3,956,721
Noncurrent Assets		
Capital assets		
Non-depreciable	6,796,840	84,813
Depreciable, net	4,024,028	3,724,909
Deferred charges	137,787	
Net OPEB asset	30,460	
Total Noncurrent Assets	10,989,115	3,809,722
Total Assets	\$ 22,874,829	\$ 7,766,443
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 386,166	\$ 497,263
Contracts payable	4,013,158	
Accrued interest	226,699	
Accrued salaries	21,489	15,865
Due to other governmental units	26,815	19,849
Current portion of long-term debt	422	
Total Current Liabilities	4,674,749	532,977
Noncurrent liabilities		
Long-term portion of long term debt	10,036,807	56,166
Total Liabilities	14,711,556	589,143
Net Assets		
Invested in capital assets, net or related debt	3,140,722	3,809,722
Unrestricted	5,022,551	3,367,578
Total Net Assets	8,163,273	7,177,300
Total Liabilities and Net Assets	\$ 22,874,829	\$ 7,766,443

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 BUDGET AND ACTUAL
 ELECTRIC ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		2007
	Budget	Actual	Actual
OPERATING REVENUES			
Charges for services	\$ 7,521,311	\$ 7,819,785	\$ 6,949,830
Miscellaneous	20,000	39,650	31,917
Total Operating Revenues	7,541,311	7,859,435	6,981,747
OPERATING EXPENSES			
Purchased power	5,257,750	4,759,958	4,800,566
Production expenses	344,269	317,057	388,822
Distribution expenses	485,202	498,490	440,604
Administrative and general	642,726	675,419	683,533
Depreciation	502,830	283,070	301,889
Total Operating Expenses	7,232,777	6,533,994	6,615,414
Operating Income	308,534	1,325,441	366,333
NONOPERATING REVENUES (EXPENSES)			
Interest income	46,731	216,714	109,112
Interest and amortization expense		(226,699)	
Refunds and reimbursements		4,463	7,989
SMMPA excess equity distribution			83,838
Miscellaneous	21,000	42,319	55,914
Total Nonoperating Revenues (Expenses)	67,731	36,797	256,853
Income before Transfers	376,265	1,362,238	623,186
TRANSFERS			
Transfers out	(376,265)	(376,265)	(270,000)
Change in Net Assets	\$ 0	985,973	353,186
NET ASSETS, BEGINNING OF YEAR		7,177,300	6,824,114
NET ASSETS, END OF YEAR		\$ 8,163,273	\$ 7,177,300

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
 WATER ENTERPRISE FUND
 DECEMBER 31, 2008

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	2008	2007
ASSETS		
Current Assets		
Cash and investments	\$ 1,213,278	\$ 1,592,214
Accounts receivable (net)	75,685	63,300
Prepaid expenses	3,435	2,781
Total Current Assets	1,292,398	1,658,295
Noncurrent Assets		
Restricted assets		
Cash - Sinking Fund account	151,526	146,231
Capital assets		
Non-depreciable	505,639	243,493
Depreciable, net	5,994,385	6,315,415
Net OPEB asset	4,807	
Total Noncurrent Assets	6,656,357	6,705,139
Total Assets	\$ 7,948,755	\$ 8,363,434
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 7,923	\$ 775
Contracts payable	9,283	
Accrued salaries	4,377	1,239
Accrued interest payable	37,185	38,893
Deposits payable	27,753	35,453
Due to other governmental units	11,705	9,259
Current portion of long-term debt	218,767	211,767
Total Current Liabilities	316,993	297,386
Noncurrent liabilities		
Long-term portion of long-term debt	2,601,891	2,821,289
Total Liabilities	2,918,884	3,118,675
Net Assets		
Invested in capital assets, net of related debt	3,679,366	3,532,239
Restricted for debt service	151,526	146,231
Unrestricted	1,198,979	1,566,289
Total Net Assets	5,029,871	5,244,759
Total Liabilities and Net Assets	\$ 7,948,755	\$ 8,363,434

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 BUDGET AND ACTUAL
 WATER ENTERPRISE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	2008		2007
	Budget	Actual	Actual
OPERATING REVENUES			
Charges for services	\$ 911,752	\$ 840,963	\$ 932,712
OPERATING EXPENSES			
Purchased power	49,200	66,304	60,383
Production expenses	75,500	60,391	69,562
Distribution expenses	330,540	463,749	218,559
Administrative and general	57,470	54,156	55,710
Depreciation	105,353	328,302	322,023
Total Operating Expenses	<u>618,063</u>	<u>972,902</u>	<u>726,237</u>
Operating Income	293,689	(131,939)	206,475
NONOPERATING REVENUES (EXPENSES)			
Interest income	60,822	54,894	62,564
Interest expense	<u>(298,917)</u>	<u>(109,224)</u>	<u>(114,947)</u>
Total Nonoperating Revenues (Expenses)	<u>(238,095)</u>	<u>(54,330)</u>	<u>(52,383)</u>
Income Before Transfers and Contributions	55,594	(186,269)	154,092
TRANSFERS AND CONTRIBUTIONS			
Transfers out	(50,769)	(28,619)	(81,000)
Contributions			718
Change in Net Assets	<u>\$ 4,825</u>	(214,888)	73,810
NET ASSETS, BEGINNING OF YEAR		<u>5,244,759</u>	<u>5,170,949</u>
NET ASSETS, END OF YEAR		<u>\$ 5,029,871</u>	<u>\$ 5,244,759</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2008

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	Capital Improvement Revolving	Operating Revolving	Totals	
			2008	2007
ASSETS				
Current Assets				
Cash and investments	\$ 395,895	\$ 526,968	\$ 922,863	\$ 794,459
Due from other governmental units	5,126		5,126	1,306
Advance to other funds		461,308	461,308	480,317
Total Current Assets	401,021	988,276	1,389,297	1,276,082
Noncurrent Assets				
Capital assets				
Depreciable, net	2,171,958		2,171,958	2,124,957
Deferred charges	7,984		7,984	8,870
Total Noncurrent Assets	2,179,942	0	2,179,942	2,133,827
Total Assets	\$ 2,580,963	\$ 988,276	\$ 3,569,239	\$ 3,409,909
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable	\$ 3,806	\$	\$ 3,806	\$
Current portion of equipment capital notes	100,000		100,000	140,412
Total Current Liabilities	103,806	0	103,806	140,412
Noncurrent liabilities				
Equipment capital notes, net of current portion	770,000		770,000	870,000
Total Liabilities	873,806	0	873,806	1,010,412
Net Assets				
Invested in capital assets, net of related debt	1,301,958		1,301,958	1,114,545
Unrestricted	405,199	988,276	1,393,475	1,284,952
Total Net Assets	1,707,157	988,276	2,695,433	2,399,497
Total Liabilities and Net Assets	\$ 2,580,963	\$ 988,276	\$ 3,569,239	\$ 3,409,909

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2008
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Capital Improvement Revolving	Operating Revolving	Totals	
			2008	2007
OPERATING REVENUES				
User charges	\$ 344,431	\$	\$ 344,431	\$ 299,646
OPERATING EXPENSES				
Depreciation	490,573		490,573	385,155
Miscellaneous	39,105		39,105	30,418
Total Operating Expenses	529,678		529,678	415,573
Operating Income (Loss)	(185,247)	0	(185,247)	(115,927)
NONOPERATING REVENUES (EXPENSES)				
Taxes	153,602		153,602	70,215
Intergovernmental	17,104		17,104	8,458
Interest income	11,655	20,362	32,017	72,627
Interest expense	(34,284)		(34,284)	(21,506)
State grants	17,000		17,000	5,000
Miscellaneous	112,343		112,343	
Total Nonoperating Revenues (Expenses)	277,420	20,362	297,782	134,794
Income (Loss) Before Transfers	92,173	20,362	112,535	18,867
TRANSFERS				
Transfers in	205,029		205,029	25,574
Transfers out		(21,628)	(21,628)	(20,937)
Change in Net Assets	297,202	(1,266)	295,936	23,504
NET ASSETS, BEGINNING OF YEAR	1,409,955	989,542	2,399,497	2,375,993
NET ASSETS, END OF YEAR	\$ 1,707,157	\$ 988,276	\$ 2,695,433	\$ 2,399,497

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
 CAPITAL IMPROVEMENT REVOLVING INTERNAL SERVICE FUND
 DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	<u>2008</u>	<u>2007</u>
ASSETS		
Current Assets		
Cash and investments	\$ 395,895	\$ 285,234
Due from other governmental units	5,126	1,306
Total Current Assets	<u>401,021</u>	<u>286,540</u>
Noncurrent Assets		
Capital assets		
Depreciable, net	2,171,958	2,124,957
Deferred charges	7,984	8,870
Total Noncurrent Assets	<u>2,179,942</u>	<u>2,133,827</u>
Total Assets	<u>\$ 2,580,963</u>	<u>\$ 2,420,367</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 3,806	\$ 140,412
Current portion of long-term debt	100,000	140,412
Total Current Liabilities	103,806	140,412
Noncurrent liabilities		
Long-term portion of long-term debt	770,000	870,000
Total Liabilities	873,806	1,010,412
Net Assets		
Invested in capital assets, net of related debt	1,301,958	1,114,545
Unrestricted	405,199	295,410
Total Net Assets	<u>1,707,157</u>	<u>1,409,955</u>
Total Liabilities and Net Assets	<u>\$ 2,580,963</u>	<u>\$ 2,420,367</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 CAPITAL IMPROVEMENT REVOLVING INTERNAL SERVICE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES		
User charges	\$ 344,431	\$ 299,646
OPERATING EXPENSES		
Depreciation	490,573	385,155
Miscellaneous	<u>39,105</u>	<u>30,418</u>
Total Operating Expenses	<u>529,678</u>	<u>415,573</u>
Operating Income	(185,247)	(115,927)
NONOPERATING REVENUES (EXPENSES)		
Taxes	153,602	70,215
Intergovernmental	17,104	8,458
Interest income	11,655	25,077
Interest expense	(34,284)	(21,506)
State grants	17,000	5,000
Miscellaneous	<u>112,343</u>	
Total Nonoperating Revenues	<u>277,420</u>	<u>87,244</u>
Income (Loss) before Transfers	92,173	(28,683)
TRANSFERS		
Transfers in	<u>205,029</u>	<u>25,574</u>
Change in Net Assets	297,202	(3,109)
NET ASSETS, BEGINNING OF YEAR	<u>1,409,955</u>	<u>1,413,064</u>
NET ASSETS, END OF YEAR	<u>\$ 1,707,157</u>	<u>\$ 1,409,955</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
 OPERATING REVOLVING INTERNAL SERVICE FUND
 DECEMBER 31, 2008

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

		<u>2008</u>	<u>2007</u>
	ASSETS		
Current Assets			
Cash and investments		\$ 526,968	\$ 509,225
Advance to other funds		<u>461,308</u>	<u>480,317</u>
Total Assets		<u>\$ 988,276</u>	<u>\$ 989,542</u>
	NET ASSETS		
Net Assets			
Unrestricted		<u>\$ 988,276</u>	<u>\$ 989,542</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 OPERATING REVOLVING INTERNAL SERVICE FUND
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	<u>2008</u>	<u>2007</u>
OPERATING REVENUES	\$	\$
OPERATING EXPENSES		
Operating Income (Loss)	0	0
NONOPERATING REVENUES		
Interest income	<u>20,362</u>	<u>47,550</u>
Income before Transfers	20,362	47,550
TRANSFERS		
Transfers out	<u>(21,628)</u>	<u>(20,937)</u>
Change in Net Assets	(1,266)	26,613
NET ASSETS, BEGINNING OF YEAR	<u>989,542</u>	<u>962,929</u>
NET ASSETS, END OF YEAR	<u>\$ 988,276</u>	<u>\$ 989,542</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
DECEMBER 31, 2008

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2007

	Library Trust	Anderson Gardens Trust	Totals	
			2008	2007
ASSETS				
Current Assets				
Cash	\$ 24,155	\$ 192,302	\$ 216,457	\$ 210,176
NET ASSETS				
Net Assets				
Restricted	\$ 24,155	\$ 192,302	\$ 216,457	\$ 210,176

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED DECEMBER 31, 2008
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2007

	Library Trust	Anderson Gardens Trust	Totals	
			2008	2007
REVENUES				
Interest	\$ 813	\$ 6,475	\$ 7,288	\$ 8,334
EXPENDITURES				9,341
Change in Net Assets	813	6,475	7,288	(1,007)
NET ASSETS, BEGINNING OF YEAR	23,342	185,827	209,169	210,176
NET ASSETS, END OF YEAR	<u>\$ 24,155</u>	<u>\$ 192,302</u>	<u>\$ 216,457</u>	<u>\$ 209,169</u>

FINANCIAL SCHEDULES

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
 SEVENTH STREET - DONNELLY AVENUE PROJECTS
 TAX INCREMENT FINANCING DISTRICT NO. 1-1
 DECEMBER 31, 2008

	Original Budget	Amended Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS					
Bond proceeds	\$ 255,000	\$ 265,000	\$ 265,000	\$	\$ 265,000
Tax increments received	246,675	377,500	315,994	22,668	338,662
Interest on invested funds		15,000	13,950	2,059	16,009
Intergovernmental			9,466	2,157	11,623
Loan proceeds/transfers		302,500	208,462		208,462
Total Sources of Funds	501,675	960,000	812,872	26,884	839,756
USES OF FUNDS					
Site improvements	70,480				
Installation of public utilities and improvements	154,520	223,000	211,485		211,485
Streets and sidewalks				87,442	87,442
Bond payments					
Principal	255,000	265,000	265,000		265,000
Interest	315,650	137,000	136,905		136,905
Loan principal payments		302,500			
Loan interest			93,807		93,807
Administrative costs	30,557	32,500	27,076	92	27,168
Bond costs	11,500				
Total Uses of Funds	837,707	960,000	734,273	87,534	821,807
FUNDS REMAINING	\$ (336,032)	\$ 0	\$ 78,599	\$ (60,650)	\$ 17,949

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
 PLEASANTVIEW ESTATES OUTFALL
 TAX INCREMENT FINANCING DISTRICT NO. 1-2
 DECEMBER 31, 2008

	Original Budget	Amended Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS					
Tax increment revenue	\$ 228,750	\$ 140,000	\$ 636,292	\$ 131,553	\$ 767,845
Interest on invested funds		5,000	25,342	7,426	32,768
Loan proceeds (inter-fund)	35,000	83,000	52,885		52,885
Intergovernmental			67,571	19,955	87,526
Transfers in		30,000	50,739		50,739
Total Sources of Funds	263,750	258,000	832,829	158,934	991,763
USES OF FUNDS					
Installation of public utilities	25,000	31,360	31,360		31,360
Streets and sidewalks				337,866	337,866
Loan principal payments	35,000	83,000	52,885		52,885
Loan/note interest	16,192	22,000	21,883		21,883
Administrative costs	22,875	14,500	19,241	9,160	28,401
Transfer out			340,096		340,096
Other public area improvements	164,683	107,140	92,865		92,865
Total Uses of Funds	263,750	258,000	558,330	347,026	905,356
FUNDS REMAINING	\$ 0	\$ 0	\$ 274,499	\$ (188,092)	\$ 86,407

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
 LONGFELLOW SQUARE
 TAX INCREMENT FINANCING DISTRICT NO. 3-1
 DECEMBER 31, 2008

	Original Budget	Amended Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS					
Tax increment revenue	\$ 175,000	\$ 450,000	\$ 273,565	\$ 10,021	\$ 283,586
Interest on invested funds		50,000	29,908	777	30,685
Real estate sales		90,000	6,240		6,240
Intergovernmental			5,881	3,123	9,004
Interest on contract for deed		14,200	14,197		14,197
Total Sources of Funds	175,000	604,200	329,791	13,921	343,712
USES OF FUNDS					
Land/building acquisition		91,000	90,000		90,000
Site improvements or preparation	24,750	24,750	21,590		21,590
Installation of public utilities		30,000	29,309		29,309
Streets and sidewalks				27,743	27,743
Loan principal payments			6,240		6,240
Loan interest			3,659		3,659
Administrative costs	17,500	45,000	20,278		20,278
Other public area improvements		383,450	35,864		35,864
Transfer to other funds		30,000	95,467		95,467
Total Uses of Funds	42,250	604,200	302,407	27,743	330,150
FUNDS REMAINING	\$ 132,750	\$ 0	\$ 27,384	\$ (13,822)	\$ 13,562

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
 HOUSING - TERRACEVIEW DRIVE
 TAX INCREMENT FINANCING DISTRICT NO. 4-4
 DECEMBER 31, 2008

	Original Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS				
Tax increment revenue	\$ 543,300	\$ 94,605	\$ 7,879	\$ 102,484
Interest income		51		51
Local contribution		10,632		10,632
Total Sources of Funds	543,300	105,288	7,879	113,167
USES OF FUNDS				
Land/building acquisition	16,900			
Site improvement or preparation costs	108,100	91,188	7,091	98,279
Loan interest		4,341	344	4,685
Administrative	14,000	15,717		15,717
Total Uses of Funds	139,000	111,246	7,435	118,681
FUNDS REMAINING	\$ 404,300	\$ (5,958)	\$ 444	\$ (5,514)

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
 INNOVEX
 TAX INCREMENT FINANCIAL DISTRICT NO. 4-6
 DECEMBER 31, 2008

	Original Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS				
Tax increment revenue	\$ 980,000	\$ 356,058	\$ 20,526	\$ 376,584
Loan proceeds (inter-fund)	582,000	3,616		3,616
Interest income		139		139
Local contribution	100,000	45,000		45,000
Transfers in			13,566	13,566
Total Sources of Funds	1,662,000	404,813	34,092	438,905
USES OF FUNDS				
Site improvement or preparation costs	582,000	347,173	12,141	359,314
Loan principal payments	582,000	29,087		29,087
Loan/note interest	400,000	22,432	6,332	28,764
Administrative	98,000	21,648	92	21,740
Total Uses of Funds	1,662,000	420,340	18,565	438,905
FUNDS REMAINING	\$ 0	\$ (15,527)	\$ 15,527	\$ 0

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
 I.R.D.
 TAX INCREMENT FINANCING DISTRICT NO. 4-7
 DECEMBER 31, 2008

	Original Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS				
Tax increment revenue	\$ 210,000	\$ 88,781	\$ 9,842	\$ 98,623
Interest income		32		32
Loan proceeds (inter-fund)	121,000	14,601		14,601
Local contribution	21,000	11,100		11,100
	<u>352,000</u>	<u>114,514</u>	<u>9,842</u>	<u>124,356</u>
USES OF FUNDS				
Land/building acquisition		21,732		21,732
Installation of public utilities		4,433		4,433
Public improvements	121,000	117,127		117,127
Loan principal payments	121,000	14,601		14,601
Loan/note interest	89,000	74,194		74,194
Administrative	21,000	8,411		8,411
	<u>352,000</u>	<u>240,498</u>	<u>0</u>	<u>240,498</u>
FUNDS REMAINING	<u>\$ 0</u>	<u>\$ (125,984)</u>	<u>\$ 9,842</u>	<u>\$ (116,142)</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
 NORTHSTAR I
 TAX INCREMENT FINANCING DISTRICT NO. 4-10
 DECEMBER 31, 2008

	Original Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS				
Tax increment revenue	\$ 950,000	\$ 94,014	\$ 21,441	\$ 115,455
Interest income		10	280	290
Bond proceeds	425,000			
Loan proceeds (inter-fund)	425,000			
Other sources	484,403			
Local contribution	95,000	27,218		27,218
	<u>2,379,403</u>	<u>121,242</u>	<u>21,721</u>	<u>142,963</u>
Total Sources of Funds				
USES OF FUNDS				
Land/building acquisition	127,121	131,587		131,587
Site improvement or preparation costs	671,515			
Public improvements	210,767	27,218		27,218
Bond proceeds	425,000			
Loan proceeds	425,000			
Loan/note interest	425,000	34,407	5,420	39,827
Administrative	95,000	7,644		7,644
	<u>2,379,403</u>	<u>200,856</u>	<u>5,420</u>	<u>206,276</u>
Total Uses of Funds				
FUNDS REMAINING				
	<u>\$ 0</u>	<u>\$ (79,614)</u>	<u>\$ 16,301</u>	<u>\$ (63,313)</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
 NORTHSTAR II
 TAX INCREMENT FINANCING DISTRICT NO. 4-11
 DECEMBER 31, 2008

	Original Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS				
Tax increment revenue	\$ 200,000	\$	\$	\$
Bond proceeds	200,000			
Loan proceeds (inter-fund)	200,000			
Other sources	5,000			
Transfer in	200,000	465		465
	<hr/>	<hr/>	<hr/>	<hr/>
Total Sources of Funds	805,000	465	0	465
USES OF FUNDS				
Land/building acquisition	75,000	66,697		66,697
Site improvement or preparation costs	75,000			
Bond proceeds	200,000			
Loan proceeds	200,000			
Loan/note interest	30,000	15,894		15,894
Transfer out	200,000			
Administrative	20,000	5,729		5,729
	<hr/>	<hr/>	<hr/>	<hr/>
Total Uses of Funds	800,000	88,320	0	88,320
FUNDS REMAINING				
	<u>\$ 5,000</u>	<u>\$ (87,855)</u>	<u>\$ 0</u>	<u>\$ (87,855)</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
TOWMASTER
TAX INCREMENT FINANCING DISTRICT NO. 4-12
DECEMBER 31, 2008

	Original Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS				
Tax increment revenue	\$ 820,000	\$	\$ 29,321	\$ 29,321
Bond proceeds	820,000			
Loan proceeds (inter-fund)	820,000			
Interest on invested funds	10,000		383	383
Transfer in	820,000			
Total Sources of Funds	3,290,000	0	29,704	29,704
USES OF FUNDS				
Site improvement or preparation costs	350,000		25,260	25,260
Installation of public utilities	150,000			
Streets and sidewalks	50,000			
Bond principal	820,000			
Loan principal	820,000			
Loan/note interest	198,000		1,128	1,128
Transfer out	820,000			
Administrative	82,000			
Total Uses of Funds	3,290,000	0	26,388	26,388
FUNDS REMAINING	\$ 0	\$ 0	\$ 3,316	\$ 3,316

CITY OF LITCHFIELD, MINNESOTA

G.O. BONDS, SERIES 2007A
DECEMBER 31, 2008

General Obligation Bonds, Series 2007A

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2009	3.45%	\$ 25,000	\$ 11,395	\$ 36,395
8/1/2009			10,964	10,964
2/1/2010	3.45%	30,000	10,964	40,964
8/1/2010			10,446	10,446
2/1/2011	3.45%	35,000	10,446	45,446
8/1/2011			9,842	9,842
2/1/2012	3.70%	35,000	9,842	44,842
8/1/2012			9,195	9,195
2/1/2013	3.70%	35,000	9,195	44,195
8/1/2013			8,548	8,548
2/1/2014	3.70%	35,000	8,548	43,548
8/1/2014			7,900	7,900
2/1/2015	3.70%	40,000	7,900	47,900
8/1/2015			7,160	7,160
2/1/2016	3.85%	40,000	7,160	47,160
8/1/2016			6,390	6,390
2/1/2017	3.85%	40,000	6,390	46,390
8/1/2017			5,620	5,620
2/1/2018	3.85%	40,000	5,620	45,620
8/1/2018			4,850	4,850
2/1/2019	4.20%	20,000	4,850	24,850
8/1/2019			4,430	4,430
2/1/2020	4.20%	20,000	4,430	24,430
8/1/2020			4,010	4,010
2/1/2021	4.20%	20,000	4,010	24,010
8/1/2021			3,590	3,590
2/1/2022	4.20%	20,000	3,590	23,590
8/1/2022			3,170	3,170
2/1/2023	4.20%	20,000	3,170	23,170
8/1/2023			2,750	2,750
2/1/2024	4.40%	25,000	2,750	27,750
8/1/2024			2,200	2,200
2/1/2025	4.40%	25,000	2,200	27,200
8/1/2025			1,650	1,650
2/1/2026	4.40%	25,000	1,650	26,650
8/1/2026			1,100	1,100
2/1/2027	4.40%	25,000	1,100	26,100
8/1/2027			550	550
2/1/2028	4.40%	25,000	550	25,550
TOTALS		<u>\$ 580,000</u>	<u>\$ 220,125</u>	<u>\$ 800,125</u>

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 1999
DECEMBER 31, 2008

G. O. Improvement Bonds, Series 1999

Payable to: Firstar Bank, N.A., St. Paul, Minnesota

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2009	4.70%	\$ 70,000	\$ 12,745	\$ 82,745
8/1/2009			11,100	11,100
2/1/2010	4.75%	75,000	11,100	86,100
8/1/2010			9,319	9,319
2/1/2011	4.80%	75,000	9,319	84,319
8/1/2011			7,519	7,519
2/1/2012	4.90%	75,000	7,519	82,519
8/1/2012			5,681	5,681
2/1/2013	5.00%	75,000	5,681	80,681
8/1/2013			3,806	3,806
2/1/2014	5.05%	75,000	3,806	78,806
8/1/2014			1,913	1,913
2/1/2015	5.10%	75,000	1,913	76,913
TOTALS		<u>\$ 520,000</u>	<u>\$ 91,420</u>	<u>\$ 611,420</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2002
DECEMBER 31, 2008

General Obligation Improvement Bonds, Series 2002

Payable to: U.S. Bank National of St. Paul

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2009	4.00%	\$ 25,000	\$ 7,325	\$ 32,325
8/1/2009			6,825	6,825
2/1/2010	4.00%	25,000	6,825	31,825
8/1/2010			6,325	6,325
2/1/2011	4.50%	30,000	6,325	36,325
8/1/2011			5,650	5,650
2/1/2012	4.50%	30,000	5,650	35,650
8/1/2012			4,975	4,975
2/1/2013	4.50%	30,000	4,975	34,975
8/1/2013			4,300	4,300
2/1/2014	4.50%	30,000	4,300	34,300
8/1/2014			3,625	3,625
2/1/2015	5.00%	35,000	3,625	38,625
8/1/2015			2,750	2,750
2/1/2016	5.00%	35,000	2,750	37,750
8/1/2016			1,875	1,875
2/1/2017	5.00%	35,000	1,875	36,875
8/1/2017			1,000	1,000
2/1/2018	5.00%	40,000	1,000	41,000
TOTALS		<u>\$ 315,000</u>	<u>\$ 81,975</u>	<u>\$ 396,975</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. REFUNDING IMPROVEMENT BONDS, SERIES 2003A
 DECEMBER 31, 2008

General Obligation Refunding Improvement Bonds, Series 2003A

Payable to: U.S. Bank National of St. Paul

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2009	2.65%	\$ 180,000	\$ 11,810	\$ 191,810
8/1/2009			9,425	9,425
2/1/2010	3.00%	180,000	9,425	189,425
8/1/2010			6,725	6,725
2/1/2011	3.25%	140,000	6,725	146,725
8/1/2011			4,450	4,450
2/1/2012	3.40%	140,000	4,450	144,450
8/1/2012			2,070	2,070
2/1/2013	3.60%	115,000	2,070	117,070
TOTALS		<u>\$ 755,000</u>	<u>\$ 57,150</u>	<u>\$ 812,150</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2004A
DECEMBER 31, 2008

General Obligation Improvement Bonds, Series 2004A

Payable to: U.S. Trust Company, N.A.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2009	3.75%	\$ 35,000	\$ 10,834	\$ 45,834
8/1/2009			10,178	10,178
2/1/2010	3.75%	35,000	10,178	45,178
8/1/2010			9,522	9,522
2/1/2011	3.75%	40,000	9,522	49,522
8/1/2011			8,772	8,772
2/1/2012	3.75%	40,000	8,772	48,772
8/1/2012			8,022	8,022
2/1/2013	3.90%	40,000	8,022	48,022
8/1/2013			7,242	7,242
2/1/2014	4.00%	40,000	7,242	47,242
8/1/2014			6,442	6,442
2/1/2015	4.15%	45,000	6,442	51,442
8/1/2015			5,508	5,508
2/1/2016	4.25%	45,000	5,508	50,508
8/1/2016			4,552	4,552
2/1/2017	4.38%	45,000	4,552	49,552
8/1/2017			3,567	3,567
2/1/2018	4.50%	50,000	3,567	53,567
8/1/2018			2,442	2,442
2/1/2019	4.60%	50,000	2,442	52,442
8/1/2019			1,292	1,292
2/1/2020	4.70%	55,000	1,292	56,292
TOTALS		<u>\$ 520,000</u>	<u>\$ 145,912</u>	<u>\$ 665,912</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2006A
DECEMBER 31, 2008

G.O. Improvement Bonds, Series 2006A

Payable: Wells Fargo Bank

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2009	3.625%	\$ 25,000	\$ 10,373	\$ 35,373
8/1/2009			9,920	9,920
2/1/2010	3.625%	30,000	9,920	39,920
8/1/2010			9,376	9,376
2/1/2011	3.70%	30,000	9,376	39,376
8/1/2011			8,821	8,821
2/1/2012	3.70%	30,000	8,821	38,821
8/1/2012			8,266	8,266
2/1/2013	3.70%	35,000	8,266	43,266
8/1/2013			7,619	7,619
2/1/2014	3.85%	35,000	7,619	42,619
8/1/2014			6,945	6,945
2/1/2015	3.85%	40,000	6,945	46,945
8/1/2015			6,175	6,175
2/1/2016	3.85%	40,000	6,175	46,175
8/1/2016			5,405	5,405
2/1/2017	4.00%	40,000	5,405	45,405
8/1/2017			4,605	4,605
2/1/2018	4.00%	40,000	4,605	44,605
8/1/2018			3,805	3,805
2/1/2019	4.00%	45,000	3,805	48,805
8/1/2019			2,905	2,905
2/1/2020	4.15%	45,000	2,905	47,905
8/1/2020			1,971	1,971
2/1/2021	4.15%	45,000	1,971	46,971
8/1/2021			1,038	1,038
2/1/2022	4.15%	50,000	1,038	51,038
TOTALS		<u>\$ 530,000</u>	<u>\$ 164,075</u>	<u>\$ 694,075</u>

CITY OF LITCHFIELD, MINNESOTA

G. O. HOUSING DEVELOPMENT BONDS, SERIES 1996A
DECEMBER 31, 2008

G. O. Housing Development Bonds, Series 1996A

Payable to: Wells Fargo Bank Minnesota, N.A.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2009	5.20%	\$ 90,000	\$ 55,319	\$ 145,319
8/1/2009			52,979	52,979
2/1/2010	5.30%	100,000	52,979	152,979
8/1/2010			50,329	50,329
2/1/2011	5.35%	105,000	50,329	155,329
8/1/2011			47,520	47,520
2/1/2012	5.40%	110,000	47,520	157,520
8/1/2012			44,550	44,550
2/1/2013	5.50%	120,000	44,550	164,550
8/1/2013			41,250	41,250
2/1/2014	5.50%	125,000	41,250	166,250
8/1/2014			37,813	37,813
2/1/2015	5.50%	135,000	37,813	172,813
8/1/2015			34,100	34,100
2/1/2016	5.50%	145,000	34,100	179,100
8/1/2016			30,112	30,112
2/1/2017	5.50%	155,000	30,112	185,112
8/1/2017			25,850	25,850
2/1/2018	5.50%	165,000	25,850	190,850
8/1/2018			21,312	21,312
2/1/2019	5.50%	175,000	21,312	196,312
8/1/2019			16,500	16,500
2/1/2020	5.50%	185,000	16,500	201,500
8/1/2020			11,413	11,413
2/1/2021	5.50%	200,000	11,413	211,413
8/1/2021			5,913	5,913
2/1/2022	5.50%	215,000	5,913	220,913
TOTALS		<u>\$ 2,025,000</u>	<u>\$ 894,601</u>	<u>\$ 2,919,601</u>

CITY OF LITCHFIELD, MINNESOTA

PUBLIC PROJECT LEASE REVENUE BONDS, SERIES 2005A
DECEMBER 31, 2008

Public Project Lease Revenue Bonds, Series 2005A

Payable to: U.S. Bank N.A.

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2009	4.00%	\$ 60,000	\$ 32,970	\$ 92,970
8/1/2009			31,770	31,770
2/1/2010	4.00%	60,000	31,770	91,770
8/1/2010			30,570	30,570
2/1/2011	4.00%	60,000	30,570	90,570
8/1/2011			29,370	29,370
2/1/2012	4.00%	65,000	29,370	94,370
8/1/2012			28,070	28,070
2/1/2013	4.00%	65,000	28,070	93,070
8/1/2013			26,770	26,770
2/1/2014	4.00%	70,000	26,770	96,770
8/1/2014			25,370	25,370
2/1/2015	4.00%	75,000	25,370	100,370
8/1/2015			23,870	23,870
2/1/2016	4.20%	75,000	23,870	98,870
8/1/2016			22,295	22,295
2/1/2017	4.20%	80,000	22,295	102,295
8/1/2017			20,615	20,615
2/1/2018	4.40%	80,000	20,615	100,615
8/1/2018			18,855	18,855
2/1/2019	4.40%	85,000	18,855	103,855
8/1/2019			16,985	16,985
2/1/2020	4.50%	90,000	16,985	106,985
8/1/2020			14,960	14,960
2/1/2021	4.50%	95,000	14,960	109,960
8/1/2021			12,823	12,823
2/1/2022	4.60%	100,000	12,823	112,823
8/1/2022			10,522	10,522
2/1/2023	4.60%	105,000	10,522	115,522
8/1/2023			8,108	8,108
2/1/2024	4.70%	110,000	8,108	118,108
8/1/2024			5,522	5,522
2/1/2025	4.70%	115,000	5,522	120,522
8/1/2025			2,820	2,820
2/1/2026	4.70%	120,000	2,820	122,820
TOTALS		<u>\$ 1,510,000</u>	<u>\$ 691,560</u>	<u>\$ 2,201,560</u>

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

PUBLIC PROJECT LEASE REVENUE BONDS, SERIES 2007B
DECEMBER 31, 2008

Public Project Lease Revenue Bonds, Series 2007B

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2009	4.50%	\$ 10,000	\$ 14,050	\$ 24,050
8/1/2009			13,825	13,825
2/1/2010	4.50%	20,000	13,825	33,825
8/1/2010			13,375	13,375
2/1/2011	4.50%	20,000	13,375	33,375
8/1/2011			12,925	12,925
2/1/2012	4.50%	20,000	12,925	32,925
8/1/2012			12,475	12,475
2/1/2013	4.50%	20,000	12,475	32,475
8/1/2013			12,025	12,025
2/1/2014	4.75%	25,000	12,025	37,025
8/1/2014			11,431	11,431
2/1/2015	4.75%	25,000	11,431	36,431
8/1/2015			10,837	10,837
2/1/2016	4.75%	25,000	10,837	35,837
8/1/2016			10,244	10,244
2/1/2017	4.75%	25,000	10,244	35,244
8/1/2017			9,650	9,650
2/1/2018	4.90%	25,000	9,650	34,650
8/1/2018			9,038	9,038
2/1/2019	4.90%	30,000	9,038	39,038
8/1/2019			8,303	8,303
2/1/2020	4.90%	30,000	8,303	38,303
8/1/2020			7,567	7,567
2/1/2021	4.90%	30,000	7,567	37,567
8/1/2021			6,832	6,832
2/1/2022	5.00%	35,000	6,832	41,832
8/1/2022			5,957	5,957
2/1/2023	5.00%	35,000	5,957	40,957
8/1/2023			5,083	5,083
2/1/2024	5.00%	35,000	5,083	40,083
8/1/2024			4,207	4,207
2/1/2025	5.10%	40,000	4,207	44,207
8/1/2025			3,188	3,188
2/1/2026	5.10%	40,000	3,188	43,188
8/1/2026			2,167	2,167
2/1/2027	5.10%	40,000	2,167	42,167
8/1/2027			1,148	1,148
2/1/2027	5.10%	45,000	1,148	46,148
TOTALS		<u>\$ 575,000</u>	<u>\$ 334,604</u>	<u>\$ 909,604</u>

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

GRANDSTAND CAPITAL LEASE
DECEMBER 31, 2008

Grandstand Capital Lease

Payable to: Wells Fargo Brokerage Services, LLC

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	6.67%	\$ 19,992	\$ 1,706	\$ 21,698
2010		10,499	350	10,849
TOTALS		<u>\$ 30,491</u>	<u>\$ 2,056</u>	<u>\$ 32,547</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. REVENUE LOANS PAYABLE OF 1999
DECEMBER 31, 2008

MPFA Drinking Water Revolving Loan of 1999

Payable to: Minnesota Public Facilities Authority

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/20/2009	3.54%	\$	\$ 47,471	\$ 47,471
8/20/2009		204,000	47,471	251,471
2/20/2010			43,861	43,861
8/20/2010		211,000	43,861	254,861
2/20/2011			40,126	40,126
8/20/2011		218,000	40,126	258,126
2/20/2012			36,267	36,267
8/20/2012		226,000	36,267	262,267
2/20/2013			32,267	32,267
8/20/2013		234,000	32,267	266,267
2/20/2014			28,125	28,125
8/20/2014		242,000	28,125	270,125
2/20/2015			23,842	23,842
8/20/2015		251,000	23,842	274,842
2/20/2016			19,399	19,399
8/20/2016		260,000	19,399	279,399
2/20/2017			14,797	14,797
8/20/2017		269,000	14,797	283,797
2/20/2018			10,036	10,036
8/20/2018		279,000	10,036	289,036
2/20/2019			5,098	5,098
8/20/2019		288,000	5,098	293,098
TOTALS		<u>\$ 2,682,000</u>	<u>\$ 602,578</u>	<u>\$ 3,284,578</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. REVENUE LOANS PAYABLE OF 2001
DECEMBER 31, 2008

MPFA Wastewater Revolving Loan of 2001

Payable to: Minnesota Public Facilities Authority

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/20/2009	2.68%	\$	\$ 112,654	\$ 112,654
8/20/2009		503,000	112,654	615,654
2/20/2010			105,914	105,914
8/20/2010		516,000	105,914	621,914
2/20/2011			98,999	98,999
8/20/2011		530,000	98,999	628,999
2/20/2012			91,897	91,897
8/20/2012		544,000	91,897	635,897
2/20/2013			84,608	84,608
8/20/2013		559,000	84,608	643,608
2/20/2014			77,117	77,117
8/20/2014		574,000	77,117	651,117
2/20/2015			69,425	69,425
8/20/2015		589,000	69,425	658,425
2/20/2016			61,533	61,533
8/20/2016		605,000	61,533	666,533
2/20/2017			53,426	53,426
8/20/2017		621,000	53,426	674,426
2/20/2018			45,104	45,104
8/20/2018		638,000	45,104	683,104
2/20/2019			36,555	36,555
8/20/2019		655,000	36,555	691,555
2/20/2020			27,778	27,778
8/20/2020		673,000	27,778	700,778
2/20/2021			18,760	18,760
8/20/2021		691,000	18,760	709,760
2/20/2022			9,501	9,501
8/20/2022		709,000	9,501	718,501
TOTALS		\$ 8,407,000	\$ 1,786,542	\$ 10,193,542

CITY OF LITCHFIELD, MINNESOTA

G.O. WASTEWATER FACILITY REVENUE REFUNDING BONDS, SERIES 2002A
 DECEMBER 31, 2008

Wastewater Facility Bonds of 2002A

Payable to: U.S. Bank National of St. Paul

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2009	3.15%	\$ 315,000	\$ 22,905	\$ 337,905
8/1/2009			17,944	17,944
2/1/2010	3.40%	330,000	17,944	347,944
8/1/2010			12,334	12,334
2/1/2011	3.55%	335,000	12,334	347,334
8/1/2011			6,388	6,388
2/1/2012	3.65%	350,000	6,388	356,388
TOTALS		<u>\$ 1,330,000</u>	<u>\$ 96,237</u>	<u>\$ 1,426,237</u>

CITY OF LITCHFIELD, MINNESOTA

ELECTRIC UTILITY REVENUE BONDS, SERIES 2008A
DECEMBER 31, 2008

Electric Utility Revenue Bonds, Series 2008A

Payable to: Bond Trust Services Corporation

Due Date	Interest Rate	Principal	Interest	Total
2/1/2009		\$	\$ 259,084	\$ 259,084
8/1/2009			196,773	196,773
2/1/2010	3.00%	325,000	196,773	521,773
8/1/2010			191,897	191,897
2/1/2011	3.00%	335,000	191,897	526,897
8/1/2011			186,872	186,872
2/1/2012	3.00%	350,000	186,872	536,872
8/1/2012			181,623	181,623
2/1/2013	3.50%	360,000	181,623	541,623
8/1/2013			175,322	175,322
2/1/2014	3.50%	375,000	175,322	550,322
8/1/2014			168,760	168,760
2/1/2015	3.50%	390,000	168,760	558,760
8/1/2015			161,935	161,935
2/1/2016	3.50%	410,000	161,935	571,935
8/1/2016			154,760	154,760
2/1/2017	4.00%	425,000	154,760	579,760
8/1/2017			146,260	146,260
2/1/2018	4.00%	445,000	146,260	591,260
8/1/2018			137,360	137,360
2/1/2019	4.00%	465,000	137,360	602,360
8/1/2019			128,060	128,060
2/1/2020	4.00%	490,000	128,060	618,060
8/1/2020			118,260	118,260
2/1/2021	4.00%	510,000	118,260	628,260
8/1/2021			108,060	108,060
2/1/2022	4.05%	535,000	108,060	643,060
8/1/2022			97,227	97,227
2/1/2023	4.10%	560,000	97,227	657,227
8/1/2023			85,746	85,746
2/1/2024	4.15%	590,000	85,746	675,746
8/1/2024			73,504	73,504
2/1/2025	4.20%	620,000	73,504	693,504
8/1/2025			60,484	60,484
2/1/2026	4.25%	650,000	60,484	710,484
8/1/2026			46,671	46,671
2/1/2027	4.30%	680,000	46,671	726,671
8/1/2027			32,051	32,051
2/1/2028	4.35%	715,000	32,051	747,051
8/1/2028			16,500	16,500
2/1/2029	4.40%	750,000	16,500	766,500
TOTALS		<u>\$ 9,980,000</u>	<u>\$ 5,195,334</u>	<u>\$ 15,175,334</u>

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

ASSESSMENT PAYABLE
DECEMBER 31, 2008

Assessment Payable

Payable to: City of Litchfield, Water Fund

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	5.00%	\$ 14,767	\$ 6,645	\$ 21,412
2010		14,767	5,907	20,674
2011		14,767	5,168	19,935
2012		14,767	4,430	19,197
2013		14,767	3,692	18,459
2014		14,767	2,953	17,720
2015		14,767	2,215	16,982
2016		14,767	1,477	16,244
2017		14,766	738	15,504
TOTALS		<u>\$ 132,902</u>	<u>\$ 33,225</u>	<u>\$ 166,127</u>

CITY OF LITCHFIELD, MINNESOTA
 CERTIFICATES OF INDEBTEDNESS
 DECEMBER 31, 2008

Certificate of Indebtedness - 2006

Payable to: Home State Bank

Due Date	Interest Rate	Principal	Interest	Total
2/6/2009	3.90%	\$ 18,000	\$	\$ 18,000
3/1/2009			2,736	2,736
9/1/2009			2,477	2,477
2/6/2010		18,000		18,000
3/1/2010			2,393	2,393
9/1/2010			2,123	2,123
2/6/2011		18,000		18,000
3/1/2011			2,044	2,044
9/1/2011			1,769	1,769
2/6/2012		18,000		18,000
3/1/2012			1,703	1,703
9/1/2012			1,412	1,412
2/6/2013		18,000		18,000
3/1/2013			1,346	1,346
9/1/2013			1,062	1,062
2/6/2014		18,000		18,000
3/1/2014			1,000	1,000
9/1/2014			708	708
2/6/2015		18,000		18,000
3/1/2015			652	652
9/1/2015			354	354
2/6/2016		18,000	304	18,304
TOTALS		<u>\$ 144,000</u>	<u>\$ 22,083</u>	<u>\$ 166,083</u>

CITY OF LITCHFIELD, MINNESOTA
 CERTIFICATES OF INDEBTEDNESS
 DECEMBER 31, 2008

Certificate of Indebtedness - 2007

Payable to: Center National Bank

Due Date	Interest Rate	Principal	Interest	Total
2/28/2009	4.10%	\$ 57,000	\$ 10,708	\$ 67,708
8/28/2009			9,359	9,359
2/28/2010		57,000	9,514	66,514
8/28/2010			8,184	8,184
2/28/2011		57,000	8,319	65,319
8/28/2011			7,009	7,009
2/28/2012		57,000	7,125	64,125
8/28/2012			5,866	5,866
2/28/2013		57,000	5,930	62,930
8/28/2013			4,659	4,659
2/28/2014		57,000	4,736	61,736
8/28/2014			3,484	3,484
2/28/2015		57,000	3,541	60,541
8/28/2015			2,309	2,309
2/28/2016		57,000	2,347	59,347
8/28/2016			1,140	1,140
2/28/2017		55,000	1,153	56,153
TOTALS		<u>\$ 511,000</u>	<u>\$ 95,383</u>	<u>\$ 606,383</u>

CITY OF LITCHFIELD, MINNESOTA
 COMPUTATION OF LEGAL DEBT MARGIN
 DECEMBER 31, 2008

Assessed Market Value		<u>\$ 355,418,300</u>
Debt Limit - 3% of valuation		\$ 10,662,549
Total Bonded Indebtedness and Capital Notes and Loans	\$ 30,547,393	
Less:		
Assets in debt service funds available for payment of principal	\$ 1,939,436	
Other deductions allowed by law		
1) Obligation payable wholly or partially from special assessments	2,640,000	
2) Obligation issued for acquisition and improvement of public utilities and conveniences from which revenue is derived	<u>26,509,000</u>	
Total Deductions	<u>31,088,436</u>	
Total Amount of Debt Applicable to Debt Limit		<u>0</u>
Legal Debt Margin		<u>\$ 10,662,549</u>

COMPLIANCE SECTION



Quality | Dedication | Integrity

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

Honorable Mayor And City Council
City of Litchfield
Litchfield, Minnesota

We have audited the financial statements of the City of Litchfield, Minnesota, as of and for the year ended December 31, 2008, and have issued our report thereon dated June 15, 2009.

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

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

The results of our tests indicate that for the items tested, the City of Litchfield, 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, and the State Auditor's Office and is not intended to be, and should not be, used by anyone other than those specified parties.

Conway, Death & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Litchfield, Minnesota

June 15, 2009



Quality | Dedication | Integrity

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and City Council
City of Litchfield
Litchfield, 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 Litchfield, Minnesota, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 15, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described below to be a significant deficiency in internal control over financial reporting.

Willmar Office 331 Third Street SW, Ste. 2 P.O. Box 570 Willmar, MN 56201 Phone: (320) 235-3311 Toll Free: (888) 388-1040	Benson Office 1209 Pacific Avenue Ste. 3 Benson, MN 56215 Phone: (320) 843-2302	Morris Office 401 Atlantic Avenue Morris, MN 56267 Phone: (320) 589-2602	Litchfield Office 820 Sibley Avenue N Litchfield, MN 55355 Phone: (320) 693-7975	St. Cloud Office 2351 Connecticut Avenue Ste. 110 Sartell, MN 56377 Phone: (320) 252-7565 Toll Free: (800) 862-1337
www.cdscpa.com				

2007-1: Auditor Prepared Financial Statements

The preparation of financial statements and the related notes are the responsibility of management. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with generally accepted accounting principles, a significant deficiency has been identified with regard to the financial statements for which management has accepted responsibility.

Management's Response: The City relies, and will continue to rely, on the audit firm to prepare the annual financial statements and related footnote disclosures. We believe the cost of preparing the financial statements internally would exceed the benefits of doing so.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the City of Litchfield, Minnesota, in a separate letter dated June 15, 2009.

The City's response to the finding identified in our audit is described above. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council and management and is not intended to be and should not be used by anyone other than these specified parties.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants
Litchfield, Minnesota

June 15, 2009