

CITY OF LITCHFIELD, MINNESOTA
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2009

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

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YEAR ENDED DECEMBER 31, 2009
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CITY OF LITCHFIELD, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2009

		<u>Term Expires</u>
Mayor	Vernon Madson	12/31/2010
Council Member At Large	Ron Dingmann	12/31/2012
Council Member - 1st Ward	Barbara Altringer	12/31/2010
Council Member - 2nd Ward	Connie Lies	12/31/2012
Council Member - 3rd Ward	Steve Black	12/31/2010
Council Member - 4th Ward	Vern Loch, Jr.	12/31/2012
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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the City's 2008 financial statements and, in our report dated June 15, 2009, 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, 2009, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2010, 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.

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www.cdscpa.com				

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. 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 financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The statements and schedules listed in the table of contents as supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Conway, Deuth & Schmiesing, PLLP

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

June 21, 2010

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, 2009. 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 \$43 million. Of this amount, \$14.1 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 \$3,870,734.
- The City's Governmental Funds reported combined ending fund balances of \$2.7 million. Of this total amount, approximately 34% 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 \$1.3 million, or 34% of total general fund expenditures of \$3.7 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 24-51 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 53-107 of this report.

Statement of Net Assets

The City of Litchfield's net assets were \$42,985,653 on December 31, 2009 (see details in Table 1). This was an increase of \$3,870,734 or 9.9% from \$39,114,919 at December 31, 2008.

Table 1 Condensed Statement of Net Assets				
	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Current and other assets	\$ 6,094,048	\$ 6,636,680	\$ 15,111,878	\$ 16,495,619
Capital assets	19,100,920	18,626,996	44,367,397	33,451,627
Total Assets	<u>\$ 25,194,968</u>	<u>\$ 25,263,676</u>	<u>\$ 59,479,275</u>	<u>\$ 49,947,246</u>
Current and other liabilities	\$ 276,281	\$ 392,003	\$ 2,312,757	\$ 4,926,034
Long-term liabilities	7,685,261	8,145,457	31,414,291	22,632,509
Total Liabilities	<u>7,961,542</u>	<u>8,537,460</u>	<u>33,727,048</u>	<u>27,558,543</u>
Net Assets				
Invested in capital assets, net of related debt	11,415,659	10,481,539	14,869,901	13,184,736
Restricted	1,303,434	1,996,728	1,252,330	1,216,879
Unrestricted	4,514,333	4,247,949	9,629,996	7,987,088
Total Net Assets	<u>17,233,426</u>	<u>16,726,216</u>	<u>25,752,227</u>	<u>22,388,703</u>
Total Liabilities and Net Assets	<u>\$ 25,194,968</u>	<u>\$ 25,263,676</u>	<u>\$ 59,479,275</u>	<u>\$ 49,947,246</u>

Governmental Activities

Net assets of the City's governmental activities increased by \$507,210, or 3.0%. The most significant changes occurred in the capital and unrestricted net asset categories. Investment in capital assets (net of related debt) increased by \$934,120. The Restricted category decreased by \$693,294 mostly due to the refunding of three General Obligation Improvement bonds .

Business-Type Activities

The net assets of our business-type activities increased by \$3,363,524, or 15%. The increase was due to the following funds change in net assets: Liquor Fund \$67,603, Sewer Fund \$2,086,249, Electric Fund \$1,342,056, and Water Fund \$(132,384). Most of the change in the Sewer Fund can be contributed to receiving \$1,771,512 in American Recovery and Reinvestment Act grant dollars for the sewer improvement project.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT DISCUSSION AND ANALYSIS

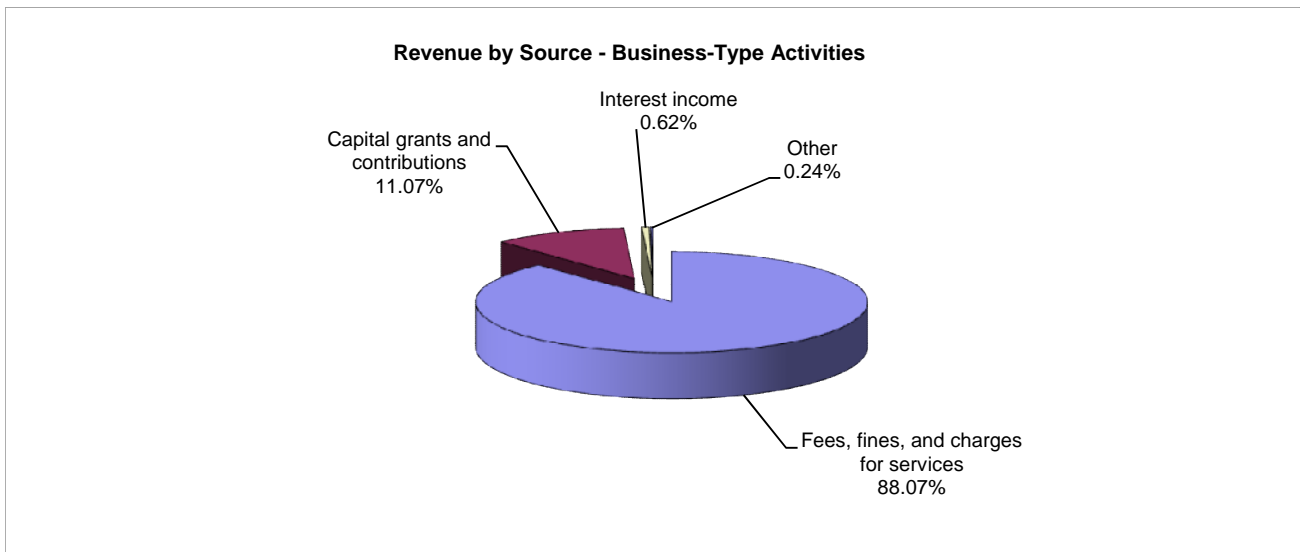
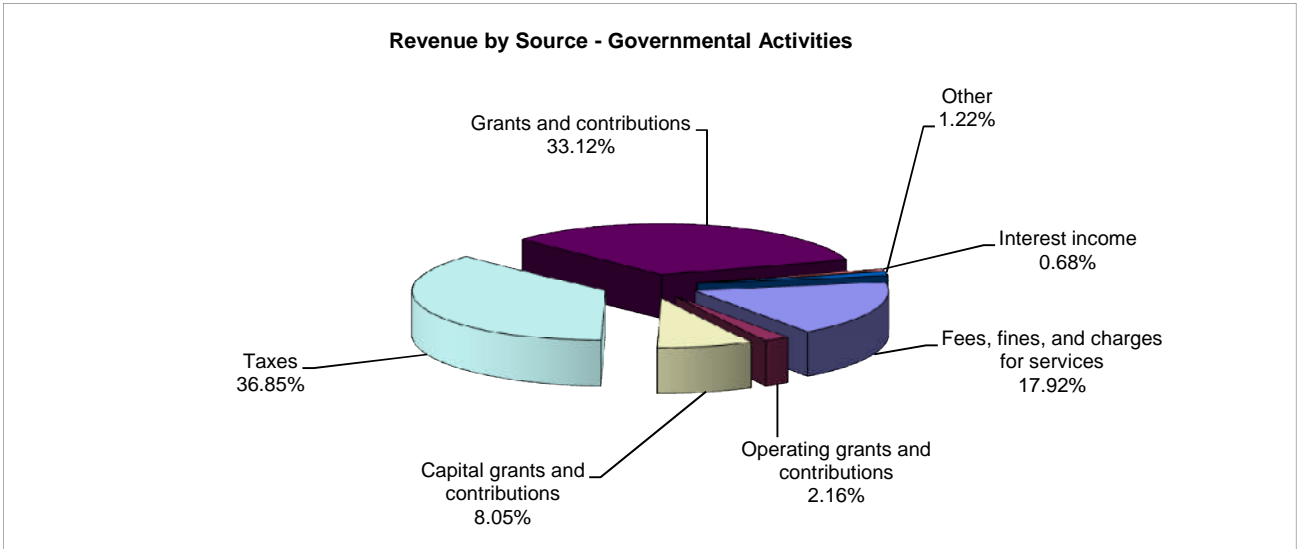
The following table indicates the changes in net assets for the City's governmental and business-type activities:

Table 2 Condensed Statement of Activities				
	Governmental Activities		Business-Type Activities	
	2009	2008	2009	2008
Revenues				
Program revenues:				
services	\$ 1,065,392	\$ 940,533	\$ 14,093,928	\$ 12,962,627
Operating grants and contributions	128,273	155,285		
Capital grants and contributions	478,735	274,764	1,771,512	
General revenues:				
Taxes	2,190,087	2,237,814		
Grants and contributions	1,968,706	1,890,566		
Interest income	40,557	167,265	98,705	357,485
Gain on sale of asset		112,343		
Other	72,750	35,150	38,926	50,970
Total Revenues	<u>5,944,500</u>	<u>5,813,720</u>	<u>16,003,071</u>	<u>13,371,082</u>
Expenses				
General government	1,216,085	1,243,037		
Public safety	1,611,410	1,595,572		
Public works	1,196,569	1,356,335		
Airport	90,663	88,275		
Culture and recreation	1,097,285	949,327		
Economic development	274,439	84,901		
Interest on long-term debt	489,369	418,237		
Liquor store			1,769,155	1,705,161
Sewer utility			2,277,682	2,164,960
Electric utility			7,122,529	6,760,693
Water utility			931,651	1,082,126
Total Expenses	<u>5,975,820</u>	<u>5,735,684</u>	<u>12,101,017</u>	<u>11,712,940</u>
Change in Net Assets before Transfers	(31,320)	78,036	3,902,054	1,658,142
Transfers	<u>538,530</u>	<u>439,578</u>	<u>(538,530)</u>	<u>(439,578)</u>
Change in Net Assets	507,210	517,614	3,363,524	1,218,564
Net Assets, Beginning of Year	<u>16,726,216</u>	<u>16,208,602</u>	<u>22,388,703</u>	<u>21,170,139</u>
Net Assets, End of Year	<u>\$ 17,233,426</u>	<u>\$ 16,726,216</u>	<u>\$ 25,752,227</u>	<u>\$ 22,388,703</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 \$(227,249) for 2009. 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 2009 excess transferred was \$942,160.

CITY OF LITCHFIELD, MINNESOTA

MANAGEMENT DISCUSSION AND ANALYSIS

Special Revenue Funds - The change in the City's special revenue fund balances was \$(329,576) for 2009. A majority of the decrease was comprised of changes in two funds. The Infrastructure TIF and Street Funds decreased a combined \$94,372 due to a street overlay improvement project, and the Community Reinvestment Fund decreased \$203,723 due to various capital outlay expenditures and costs associated with the City's portion of the new Meeker County Public Transit Building.

Debt Service Funds - The debt service fund balances decreased by \$701,227. A majority of the decrease is comprised of changes in three funds. The 1999 G.O. Improvement Fund, 2002 G.O. Improvement Fund, and the 2003 G.O. Refunding Improvement Fund had a combined decrease of \$941,010 due to refunding the bonds during 2009.

Capital Projects Fund - The capital projects fund balances decreased by \$203,191. The major capital project improvements were for the Airport, Golf Course and Marshall/1st Street projects.

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 2009, the City of Litchfield had \$92.5 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 2010 capital budget calls for completion of the Wastewater Treatment Improvement 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 \$38.7 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 2010 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 2009 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 2010 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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	Governmental	Business-Type	Totals	
	Activities	Activities	2009	2008
ASSETS				
Cash and investments	\$ 4,610,819	\$ 10,229,684	\$ 14,840,503	\$ 17,586,018
Cash with fiscal agent	323,527	725,690	1,049,217	569,486
Restricted cash and investments		1,252,330	1,252,330	1,216,879
Receivables (net)	708,579	1,292,941	2,001,520	2,353,877
Due from other governmental units	116,663	563,617	680,280	201,798
Inventories	16,129	610,766	626,895	675,649
Prepaid expenses	50,877	38,684	89,561	85,472
Deferred charges	182,772	300,815	483,587	350,139
Net OPEB asset	84,682	97,351	182,033	92,981
Capital assets, net	19,100,920	44,367,397	63,468,317	52,078,623
Total Assets	\$ 25,194,968	\$ 59,479,275	\$ 84,674,243	\$ 75,210,922
LIABILITIES AND NET ASSETS				
Liabilities				
Accounts and contracts payable	\$ 55,965	\$ 1,762,254	\$ 1,818,219	\$ 4,595,404
Accrued salaries	85,582	49,636	135,218	111,835
Accrued interest payable	117,547	419,682	537,229	494,635
Deposits payable		28,004	28,004	27,753
Due to other governmental units	17,187	53,181	70,368	88,410
Noncurrent liabilities:				
Due within one year	730,499	1,410,708	2,141,207	1,691,489
Due in more than one year	6,954,762	30,003,583	36,958,345	29,086,477
Total Liabilities	7,961,542	33,727,048	41,688,590	36,096,003
Net Assets				
Invested in capital assets, net of related debt	11,415,659	14,869,901	26,285,560	23,666,275
Restricted for debt service	1,303,434	1,252,330	2,555,764	3,213,607
Unrestricted	4,514,333	9,629,996	14,144,329	12,235,037
Total Net Assets	17,233,426	25,752,227	42,985,653	39,114,919
Total Liabilities and Net Assets	\$ 25,194,968	\$ 59,479,275	\$ 84,674,243	\$ 75,210,922

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	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	
							2009	2008
GOVERNMENTAL ACTIVITIES:								
General government	\$ 1,216,085	\$ 194,390	\$	\$ 800	\$ (1,020,895)	\$	\$ (1,020,895)	\$ (1,039,564)
Public safety	1,611,410	145,738	101,173	23,800	(1,340,699)		(1,340,699)	(1,356,083)
Public works	1,196,569	840	27,100	245,915	(922,714)		(922,714)	(1,243,101)
Airport	90,663	17,038		188,045	114,420		114,420	91,602
Culture and recreation	1,097,285	444,874		5,175	(647,236)		(647,236)	(494,929)
Economic development	274,439	25,409		15,000	(234,030)		(234,030)	(35,666)
Interest on long-term debt	489,369	237,103			(252,266)		(252,266)	(287,361)
Total Governmental Activities	5,975,820	1,065,392	128,273	478,735	(4,303,420)	0	(4,303,420)	(4,365,102)
BUSINESS-TYPE ACTIVITIES:								
Liquor	1,769,155	1,887,947				118,792	118,792	151,352
Sewer	2,277,682	2,503,518		1,771,512		1,997,348	1,997,348	240,756
Electric	7,122,529	8,882,235				1,759,706	1,759,706	1,098,742
Water	931,651	820,228				(111,423)	(111,423)	(241,163)
Total Business-Type Activities	12,101,017	14,093,928	0	1,771,512	0	3,764,423	3,764,423	1,249,687
Total	\$ 18,076,837	\$ 15,159,320	\$ 128,273	\$ 2,250,247	(4,303,420)	3,764,423	(538,997)	(3,115,415)
GENERAL REVENUES:								
Taxes								
Property taxes, levied for general purposes					1,719,613		1,719,613	1,716,420
Property taxes, levied for debt service					470,474		470,474	521,394
Grants and contributions not restricted to specific programs					1,968,706		1,968,706	1,890,566
Interest income					40,557	98,705	139,262	524,750
Gain on sale of asset								112,343
Other					72,750	38,926	111,676	86,120
TRANSFERS					538,530	(538,530)		
Total General Revenues and Transfers					4,810,630	(400,899)	4,409,731	4,851,593
Change in Net Assets					507,210	3,363,524	3,870,734	1,736,178
NET ASSETS, BEGINNING OF YEAR					16,726,216	22,388,703	39,114,919	37,378,741
NET ASSETS, END OF YEAR					\$ 17,233,426	\$ 25,752,227	\$ 42,985,653	\$ 39,114,919

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	General	Other Governmental Funds	Total Governmental Funds	
			2009	2008
ASSETS				
Cash and investments	\$ 1,316,192	\$ 2,017,121	\$ 3,333,313	\$ 4,375,393
Cash with fiscal agent		323,527	323,527	316,888
Receivables				
Accounts	26,740	18,285	45,025	224,976
Contracts		52,000	52,000	56,000
Interest				249,619
Taxes	61,405	21,000	82,405	52,888
Notes		20,589	20,589	20,589
Special assessments	1,830	506,730	508,560	584,194
Due from other governmental units	14,325	96,499	110,824	196,672
Inventories		16,129	16,129	19,072
Prepaid expenses	34,507	16,370	50,877	49,079
Advance to other funds	28,694	501,168	529,862	553,654
Deferred charges		51,192	51,192	55,105
Total Assets	<u>\$ 1,483,693</u>	<u>\$ 3,640,610</u>	<u>\$ 5,124,303</u>	<u>\$ 6,754,129</u>
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts and contracts payable	\$ 40,432	\$ 10,647	\$ 51,079	\$ 149,667
Cash drawn in excess of funds		692,745	692,745	673,815
Accrued salaries	79,368	6,214	85,582	69,063
Due to other governmental units	765	16,422	17,187	32,906
Advance from other funds		971,354	971,354	1,014,962
Deferred revenue	63,235	548,319	611,554	657,671
Total Liabilities	<u>183,800</u>	<u>2,245,701</u>	<u>2,429,501</u>	<u>2,598,084</u>
Fund Balance				
Reserved	28,694	1,739,377	1,768,071	2,493,090
Unreserved, designated	10,499		10,499	30,491
Unreserved, undesignated in:				
General Fund	1,260,700		1,260,700	1,466,671
Special Revenue Funds		99,996	99,996	407,066
Capital Projects Funds		(444,464)	(444,464)	(241,273)
Total Fund Balance	<u>1,299,893</u>	<u>1,394,909</u>	<u>2,694,802</u>	<u>4,156,045</u>
Total Liabilities and Fund Balance	<u>\$ 1,483,693</u>	<u>\$ 3,640,610</u>	<u>\$ 5,124,303</u>	<u>\$ 6,754,129</u>

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, 2009

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	<u>2009</u>	<u>2008</u>
Total Fund Balances - Governmental Funds	\$ 2,694,802	\$ 4,156,045
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	24,028,797	23,428,788
Less: accumulated depreciation	(7,298,552)	(6,973,750)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Taxes	82,405	52,888
Notes	20,589	20,589
Special assessments	508,560	584,194
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.		
	3,372,763	2,695,433
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	84,682	43,283
Bonds and notes payable	(6,150,499)	(7,145,491)
Compensated absences	(104,762)	(129,966)
Accrued interest payable	(117,547)	(136,561)
Deferred charges	112,188	130,764
Total Net Assets - Governmental Activities	<u>\$ 17,233,426</u>	<u>\$ 16,726,216</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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	General	Other Governmental Funds	Total Governmental Funds	
			2009	2008
REVENUES				
Taxes	\$ 1,473,873	\$ 595,285	\$ 2,069,158	\$ 2,068,539
Special assessments		107,151	107,151	121,613
Licenses and permits	98,540		98,540	100,397
Intergovernmental	2,018,612	527,944	2,546,556	2,197,707
Charges for services	220,983	638,821	859,804	838,492
Fines and forfeits	26,586		26,586	31,533
Interest income	7,671	20,209	27,880	135,248
Miscellaneous	23,114	80,591	103,705	170,506
	<u>3,869,379</u>	<u>1,970,001</u>	<u>5,839,380</u>	<u>5,664,035</u>
EXPENDITURES				
General government	740,975	135,493	876,468	895,400
Public safety	1,631,629	21,776	1,653,405	2,054,869
Public works	765,793	365,025	1,130,818	1,145,975
Airport		252,244	252,244	232,121
Culture and recreation	441,458	581,093	1,022,551	1,002,200
Economic development		571,443	571,443	710,890
Debt service		966,706	966,706	826,432
Miscellaneous	94,168		94,168	113,095
	<u>3,674,023</u>	<u>2,893,780</u>	<u>6,567,803</u>	<u>6,980,982</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	195,356	(923,779)	(728,423)	(1,316,947)
OTHER FINANCING SOURCES (USES)				
Sale or compensation for property	13,556		13,556	14,950
Debt service principal		(1,315,000)	(1,315,000)	
Refunding bond proceeds		845,000	845,000	
Bond discount		(13,629)	(13,629)	
Transfers in	505,999	791,258	1,297,257	743,174
Transfers out	(942,160)	(617,844)	(1,560,004)	(486,997)
	<u>(422,605)</u>	<u>(310,215)</u>	<u>(732,820)</u>	<u>271,127</u>
Net Change in Fund Balances	(227,249)	(1,233,994)	(1,461,243)	(1,045,820)
FUND BALANCE, BEGINNING OF YEAR	<u>1,527,142</u>	<u>2,628,903</u>	<u>4,156,045</u>	<u>5,201,865</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,299,893</u>	<u>\$ 1,394,909</u>	<u>\$ 2,694,802</u>	<u>\$ 4,156,045</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, 2009
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2009</u>	<u>2008</u>
Total Net Change in Fund Balances - Governmental Funds	\$ (1,461,243)	\$ (1,045,820)
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	1,018,960	1,560,794
Depreciation expense	(601,833)	(565,936)
Disposal of assets	(141,921)	
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	611,554	657,671
Deferred revenue, beginning of year	(657,671)	(855,000)
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	41,399	43,283
Compensated absences	25,204	(16,678)
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	(845,000)	
Issuance costs	13,629	
Principal retirement of long-term debt	1,839,992	488,722
Change in accrued interest payable	19,014	(35,546)
Amortization of bond issuance costs	(32,204)	(9,812)
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>677,330</u>	<u>295,936</u>
Change in Net Assets - Governmental Activities	<u>\$ 507,210</u>	<u>\$ 517,614</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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Actual	Over (Under) Final Budget	2008 Actual
	Budgeted Amounts				
	Original	Final			
REVENUES					
Taxes	\$ 1,483,234	\$ 1,483,234	\$ 1,473,873	\$ (9,361)	\$ 1,451,612
Licenses and permits	66,725	66,725	98,540	31,815	100,397
Intergovernmental	2,123,770	2,123,770	2,018,612	(105,158)	1,866,312
Charges for services	167,650	167,650	220,983	53,333	200,942
Fines and forfeits	21,000	21,000	26,586	5,586	31,533
Interest income	38,000	38,000	7,671	(30,329)	26,439
Miscellaneous	1,500	1,500	23,114	21,614	10,046
Total Revenues	3,901,879	3,901,879	3,869,379	(32,500)	3,687,281
EXPENDITURES					
General government	831,262	831,262	740,975	(90,287)	747,585
Public safety	1,549,484	1,549,484	1,631,629	82,145	1,599,073
Public works	872,109	872,109	765,793	(106,316)	904,597
Culture and recreation	473,664	473,664	441,458	(32,206)	436,938
Miscellaneous	504,135	504,135	94,168	(409,967)	113,095
Total Expenditures	4,230,654	4,230,654	3,674,023	(556,631)	3,801,288
Excess (Deficiency) of Revenues Over (Under) Expenditures	(328,775)	(328,775)	195,356	524,131	(114,007)
OTHER FINANCING SOURCES (USES)					
Sale or compensation for property	2,000	2,000	13,556	11,556	14,950
Transfers in	461,775	461,775	505,999	44,224	391,256
Transfers out	(135,000)	(135,000)	(942,160)	(807,160)	(344,404)
Total Other Financing Sources (Uses)	328,775	328,775	(422,605)	(751,380)	61,802
Net Change in Fund Balances	\$ 0	\$ 0	(227,249)	\$ (227,249)	(52,205)
FUND BALANCE, BEGINNING OF YEAR			1,527,142		1,579,347
FUND BALANCE, END OF YEAR			\$ 1,299,893		\$ 1,527,142

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

ASSETS	Business-Type Activities - Enterprise Funds				Totals		Governmental Activities - Internal Service Funds	
	Liquor	Sewer	Electric	Water	2009	2008	2009	2008
Current Assets								
Cash and investments	\$ 881,918	\$ 1,089,160	\$ 7,110,365	\$ 1,148,241	\$ 10,229,684	\$ 12,961,577	\$ 1,970,251	\$ 922,863
Cash with fiscal agent		198,564	527,126		725,690	252,598		
Accounts receivable (net)		253,573	963,475	75,893	1,292,941	1,165,611		
Due from other governmental units		563,617			563,617		5,839	5,126
Inventories	179,614		431,152		610,766	656,577		
Prepaid expenses	3,485	14,217	17,684	3,298	38,684	36,393		
Advance to other funds							441,492	461,308
Total Current Assets	1,065,017	2,119,131	9,049,802	1,227,432	13,461,382	15,072,756	2,417,582	1,389,297
Noncurrent Assets								
Restricted Assets								
Cash - sinking fund account		1,099,435		152,895	1,252,330	1,216,879		
Capital Assets								
Non-depreciable	22,606	5,042,373	14,056,047	243,493	19,364,519	7,625,198		
Depreciable, net	38,420	15,139,829	3,875,647	5,948,982	25,002,878	25,826,429	2,370,675	2,171,958
Deferred charges		13,874	286,941		300,815	156,286	19,392	7,984
Net OPEB asset	8,446	16,929	59,270	12,706	97,351	49,698		
Total Noncurrent Assets	69,472	21,312,440	18,277,905	6,358,076	46,017,893	34,874,490	2,390,067	2,179,942
Total Assets	\$ 1,134,489	\$ 23,431,571	\$ 27,327,707	\$ 7,585,508	\$ 59,479,275	\$ 49,947,246	\$ 4,807,649	\$ 3,569,239

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Liquor	Sewer	Electric	Water	Totals		2009	2008
					2009	2008		
LIABILITIES AND NET ASSETS								
Liabilities								
Current Liabilities (From Current Assets)								
Accounts and contracts payable	\$ 31,012	\$ 788,542	\$ 934,959	\$ 7,741	\$ 1,762,254	\$ 4,441,931	\$ 4,886	\$ 3,806
Accrued salaries	5,944	12,015	26,274	5,403	49,636	42,772		
Accrued interest payable		85,562	299,957	34,163	419,682	358,074		
Deposits payable				28,004	28,004	27,753		
Due to other governmental units	18,234		23,575	11,372	53,181	55,504		
Total Current Liabilities (From Current Assets)	55,190	886,119	1,284,765	86,683	2,312,757	4,926,034	4,886	3,806
Current Liabilities (From Restricted Assets)								
Current portion of long-term debt		859,941	325,000	225,767	1,410,708	1,045,959	155,000	100,000
Total Current Liabilities (From Restricted Assets)	55,190	1,746,060	1,609,765	312,450	3,723,465	5,971,993	159,886	103,806
Noncurrent Liabilities								
Long-term portion of long-term debt	9,488	11,405,911	16,212,613	2,375,571	30,003,583	21,586,550	1,275,000	770,000
Total Liabilities	64,678	13,151,971	17,822,378	2,688,021	33,727,048	27,558,543	1,434,886	873,806
Net Assets								
Invested in capital assets, net of related debt	61,026	8,058,870	3,153,665	3,596,340	14,869,901	13,184,736	940,675	1,301,958
Restricted for debt service		1,099,435		152,895	1,252,330	1,216,879		
Unrestricted	1,008,785	1,121,295	6,351,664	1,148,252	9,629,996	7,987,088	2,432,088	1,393,475
Total Net Assets	1,069,811	10,279,600	9,505,329	4,897,487	25,752,227	22,388,703	3,372,763	2,695,433
Total Liabilities and Net Assets	\$ 1,134,489	\$ 23,431,571	\$ 27,327,707	\$ 7,585,508	\$ 59,479,275	\$ 49,947,246	\$ 4,807,649	\$ 3,569,239

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Liquor	Sewer	Electric	Water	Totals		2009	2008
					2009	2008		
OPERATING REVENUES								
Sales	\$ 1,887,947	\$	\$	\$	\$ 1,887,947	\$ 1,856,513	\$	\$
Less: Cost of Goods Sold	(1,461,770)				(1,461,770)	(1,421,679)		
Gross Profit on Sales	426,177	0	0	0	426,177	434,834	0	0
Charges for services		2,502,830	8,836,764	820,228	12,159,822	11,061,902	347,266	344,431
Other		688	45,471		46,159	44,212		
Total Operating Revenues	426,177	2,503,518	8,882,235	820,228	12,632,158	11,540,948	347,266	344,431
OPERATING EXPENSES								
Salaries and benefits	192,640	526,580			719,220	670,274		
Supplies	20,270	342,601			362,871	302,760		
Other services and charges	87,614	511,720			599,334	593,143	70,358	39,105
Purchased power			4,909,216	68,031	4,977,247	4,826,262		
Production expenses			338,386	39,264	377,650	377,448		
Distribution expenses			436,668	316,277	752,945	962,239		
Administrative and general			603,356	71,093	674,449	729,575		
Depreciation	6,861	577,206	294,447	338,421	1,216,935	1,203,797	492,672	490,573
Total Operating Expenses	307,385	1,958,107	6,582,073	833,086	9,680,651	9,665,498	563,030	529,678
Operating Income (Loss)	118,792	545,411	2,300,162	(12,858)	2,951,507	1,875,450	(215,764)	(185,247)
NONOPERATING REVENUES (EXPENSES)								
Taxes							91,412	153,602
Intergovernmental		1,771,512			1,771,512		9,792	17,104
Interest income	6,446	17,489	63,862	10,908	98,705	357,485	12,677	32,017
Interest and amortization expense		(262,094)	(540,456)	(98,565)	(901,115)	(625,763)	(32,933)	(34,284)
Refunds and reimbursements			10,060		10,060	4,463		
State grants							19,800	17,000
Loss on asset disposal		(57,481)			(57,481)			
Miscellaneous	1,365	8,595	18,906		28,866	46,507	(8,931)	112,343
Total Nonoperating Revenues (Expenses)	7,811	1,478,021	(447,628)	(87,657)	(820,965)	(217,308)	91,817	297,782
Income (Loss) Before Transfers	126,603	2,023,432	1,852,534	(100,515)	3,902,054	1,658,142	(123,947)	112,535
TRANSFERS								
Transfers in		200,000			200,000	114,306	822,696	205,029
Transfers out	(59,000)	(137,183)	(510,478)	(31,869)	(738,530)	(553,884)	(21,419)	(21,628)
Total Transfers and Contributions	(59,000)	62,817	(510,478)	(31,869)	(538,530)	(439,578)	801,277	183,401
Change in Net Assets	67,603	2,086,249	1,342,056	(132,384)	3,363,524	1,218,564	677,330	295,936
NET ASSETS, BEGINNING 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
NET ASSETS, END OF YEAR	\$ 1,069,811	\$ 10,279,600	\$ 9,505,329	\$ 4,897,487	\$ 25,752,227	\$ 22,388,703	\$ 3,372,763	\$ 2,695,433

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities - Enterprise Funds				Totals		Governmental Activities - Internal Service Funds	
	Liquor	Sewer	Electric	Water	2009	2008	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:								
Receipts from customers	\$ 1,887,967	\$ 2,503,940	\$ 8,754,671	\$ 820,020	\$ 13,966,598	\$ 12,784,765	\$ 347,266	\$ 344,431
Payments to suppliers	(1,552,579)	(844,643)	(5,626,479)	(432,982)	(8,456,683)	(8,750,992)	(69,278)	(35,299)
Payments to employees	(195,924)	(432,742)	(626,997)	(78,520)	(1,334,183)	(1,432,638)		
Net Cash Provided by Operating Activities	139,464	1,226,555	2,501,195	308,518	4,175,732	2,601,135	277,988	309,132
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:								
Taxes							90,699	153,602
Intergovernmental		1,207,895			1,207,895		9,792	13,284
Other miscellaneous receipts	1,365	8,595	28,965		38,925	50,970	19,800	17,000
Transfers in from other funds		200,000			200,000	114,306	822,696	205,029
Transfers out to other funds	(59,000)	(137,183)	(510,478)	(31,869)	(738,530)	(553,884)	(21,418)	(21,628)
Net Cash Provided (Used) by Noncapital Financing Activities	(57,635)	1,279,307	(481,513)	(31,869)	708,290	(388,608)	921,569	367,287
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:								
Acquisition and construction of capital assets	(11,782)	(3,980,078)	(10,880,816)	(31,221)	(14,903,897)	(3,681,094)	(700,320)	(425,231)
Principal reduction on long-term debt		(818,000)		(218,767)	(1,036,767)	(1,006,767)	(90,000)	(140,412)
Net proceeds of bonds, notes and certificates		3,218,273	6,500,000		9,718,273	9,980,000	650,000	
Bond issuance costs			(160,044)		(160,044)	(137,787)	(12,940)	
Advance to other funds							19,815	19,009
Interest and fiscal agent fees paid on bonds and notes		(266,097)	(456,308)	(101,237)	(823,642)	(399,757)	(31,401)	(33,398)
Net Cash Provided (Used) for Capital and Related Financing Activities	(11,782)	(1,845,902)	(4,997,168)	(351,225)	(7,206,077)	4,754,595	(164,846)	(580,032)
CASH FLOW FROM INVESTING ACTIVITIES:								
Interest income	6,446	17,489	63,862	10,908	98,705	357,485	12,677	32,017
Net Increase (Decrease) in Cash and Cash Equivalents	76,493	677,449	(2,913,624)	(63,668)	(2,223,350)	7,324,607	1,047,388	128,404
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	805,425	1,709,710	10,551,115	1,364,804	14,431,054	7,106,447	922,863	794,459
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 881,918	\$ 2,387,159	\$ 7,637,491	\$ 1,301,136	\$ 12,207,704	\$ 14,431,054	\$ 1,970,251	\$ 922,863
RECONCILIATION OF CASH AND CASH EQUIVALENTS								
Cash and investments	\$ 881,918	\$ 1,287,724	\$ 7,637,491	\$ 1,148,241	\$ 10,955,374	\$ 13,214,175	\$ 1,970,251	\$ 922,863
Restricted cash		1,099,435		152,895	1,252,330	1,216,879		
Total Cash and Cash Investments	\$ 881,918	\$ 2,387,159	\$ 7,637,491	\$ 1,301,136	\$ 12,207,704	\$ 14,431,054	\$ 1,970,251	\$ 922,863

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2009
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Liquor	Sewer	Electric	Water	Totals		2009	2008
					2009	2008		
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES:								
Operating income (loss)	\$ 118,792	\$ 545,411	\$ 2,300,162	\$ (12,858)	\$ 2,951,507	\$ 1,875,450	\$ (215,764)	\$ (185,247)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:								
Depreciation	6,861	577,206	294,447	338,421	1,216,935	1,203,797	492,672	490,573
(Increase) decrease in assets								
Accounts receivable (net)	20	422	(127,564)	(208)	(127,330)	(177,862)		
Inventories	(5,351)		51,162		45,811	(142,114)		
Prepaid expenses	(111)	(1,007)	(1,310)	137	(2,291)	(3,646)		
Net OPEB asset	(5,238)	(5,706)	(28,810)	(7,899)	(47,653)	(49,698)		
Increase (decrease) in liabilities								
Accounts and contracts payable	21,287	10,685	11,179	(9,465)	33,686	(124,433)	1,080	3,806
Accrued salaries	1,954	99,544	5,169	472	107,139	16,909		
Deposits payable				251	251	(7,700)		
Due to other governmental units	1,250		(3,240)	(333)	(2,323)	10,432		
Net Cash Provided by Operating Activities	<u>\$ 139,464</u>	<u>\$ 1,226,555</u>	<u>\$ 2,501,195</u>	<u>\$ 308,518</u>	<u>\$ 4,175,732</u>	<u>\$ 2,601,135</u>	<u>\$ 277,988</u>	<u>\$ 309,132</u>

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA
 STATEMENT OF FIDUCIARY NET ASSETS
 DECEMBER 31, 2009

	ASSETS	Private Purpose Trust Funds
Current Assets		
Cash		\$ 218,287
		<u>218,287</u>
	NET ASSETS	
Net Assets		
Restricted		\$ 218,287
		<u>218,287</u>

CITY OF LITCHFIELD, MINNESOTA
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 YEAR ENDED DECEMBER 31, 2009

		Private Purpose Trust Funds
ADDITIONS		
Interest income		\$ 1,830
DEDUCTIONS		<u>0</u>
Change in Net Assets		1,830
NET ASSETS, BEGINNING OF YEAR		<u>216,457</u>
NET ASSETS, END OF YEAR		<u>\$ 218,287</u>

See accompanying Notes to the Financial Statements

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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, 2009, 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, 2009

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, 2009

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, 2009

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 three 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, 2009

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, 2009

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. OTHER POSTEMPLOYMENT BENEFITS PAYABLE:

Under the provisions of various union contracts the City provides Health, Dental, and Life insurance coverage for employees. The amount to be incurred is limited as specified by contract. All premiums are funded on a pay-as-you-go basis. This amount was actuarially determined, in accordance with GASB 45, at December 31, 2008.

GASB 45 was implemented prospectively, meaning that the net OPEB obligation was zero at transition. Prior to the implementation of GASB 45, the City did not estimate its obligation for future Health, Dental, and Life insurance costs.

M. TERMINATION BENEFITS

During 2009, the City offered three employees an early retirement incentive which qualifies as a termination benefit under the Governmental Accounting Standards Board Statement No. 47, *Accounting for Termination Benefits*. These employees elected to receive the cash equivalent of a years worth of health insurance premiums in lieu of remaining on the City's insurance policy. These payments will continue for the next one to six years depending on the individual employee's agreement. When calculating the liability, the City used the current cost of annual health insurance premiums and increased that cost by 10% for each subsequent year. As of December 31, 2009, the City's termination benefit liability was \$107,563.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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

N. 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.

O. 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.

P. 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 change.

Q. 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.

R. 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, 2008, from which the summarized information was derived.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

<u>A. DEFICIT FUND BALANCES</u>	<u>Deficit</u>
Special Revenue Funds	
Golf Course	\$ (25,822)
Industrial Park	(919,615)
Infrastructure TIF Funds	(41,965)
Capital Project Funds	
Airport Improvements	(36,949)
Fire/Rescue Building	(465,072)
Marshall/1st Street Improvements	(102,054)

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

B. EXCESS OF EXPENDITURES OVER BUDGET

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
Special Revenue Funds			
Trail Project	\$ 2,978	\$	\$ 2,978
Golf Course	272,711	264,390	8,321
Infrastructure Street	292,949		292,949
Permanent Improvement Revolving	13,213		13,213
Community Reinvestment	202,077		202,077
Reserve for JobZ	5,652		5,652
Highway 12 Beautification	3,522		3,522
Lake Ripley Improvement	3,438		3,438
	<u>\$ 796,540</u>	<u>\$ 264,390</u>	<u>\$ 532,150</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, 2009, were as follows:

	<u>Book Balance</u>
Cash and investments	
Cash in bank accounts	\$ 16,260,490
Non-negotiable certificates of deposit	50,000
Petty cash	630
Amounts with fiscal agent	<u>1,049,217</u>
Total Cash and investments	<u>\$ 17,360,337</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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

Governmental Activities	
Cash and investments	\$ 4,610,819
Cash with fiscal agent	323,527
Business-Type Activities	
Cash and investments	10,229,684
Cash with fiscal agent	725,690
Restricted cash and investments	1,252,330
Fiduciary Fund	
Cash	<u>218,287</u>
Total Cash and investments	<u>\$ 17,360,337</u>

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, 2009, 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.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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, 2009, was \$20,589.

NOTE 5. RECEIVABLES

Receivables as of December 31, 2009, year-end for the City's governmental activities and business-type activities are as follows:

	<u>Total Receivables</u>	<u>Amounts not Scheduled for Collection During the Subsequent Year</u>
Governmental Activities		
Accounts	\$ 45,025	\$
Contracts	52,000	
Taxes	82,405	
Notes	20,589	
Special assessments	508,560	436,461
Total Governmental Activities	<u>\$ 708,579</u>	<u>\$ 436,461</u>
Business-Type Activities		
Accounts	<u>\$ 1,292,941</u>	<u>\$</u>

NOTE 6. INVENTORIES

Inventories include the following:

	<u>2009</u>
Governmental Activities	
Airport	
Fuel inventory	<u>\$ 16,129</u>
Business-Type Activities	
Electric	
Transformers	\$ 224,771
Line inventory	206,381
Liquor	<u>179,614</u>
Total Business-Type Activities	<u>\$ 610,766</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 7. DUE FROM OTHER GOVERNMENTAL UNITS

Amounts due from other governmental units include the following:

Governmental Activities	
Meeker County	\$ 22,145
State of Minnesota	37,995
Federal	<u>56,523</u>
Total Governmental Activities	<u>\$ 116,663</u>
Business-Type Activities	
Federal	<u>\$ 563,617</u>

NOTE 8. CAPITAL ASSETS

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

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,824,293	\$	\$	\$ 1,824,293
Construction in process	314,496	<u>107,212</u>	<u>(255,458)</u>	<u>166,250</u>
Total capital assets, not being depreciated	2,138,789	107,212	(255,458)	1,990,543
Capital assets, being depreciated:				
Buildings	7,145,264	43,933	(401,072)	6,788,125
Improvements other than buildings	13,676,077	1,123,273	(48,441)	14,750,909
Machinery and equipment	<u>7,099,303</u>	<u>700,320</u>	<u>(1,483,812)</u>	<u>6,315,811</u>
Total capital assets, being depreciated	27,920,644	1,867,526	(1,933,325)	27,854,845
Less accumulated depreciation for:				
Buildings	2,398,390	189,344	(258,955)	2,328,779
Improvements other than buildings	4,344,961	371,376	(48,441)	4,667,896
Machinery and equipment	<u>4,689,086</u>	<u>533,786</u>	<u>(1,475,079)</u>	<u>3,747,793</u>
Total accumulated depreciation	<u>11,432,437</u>	<u>1,094,506</u>	<u>(1,782,475)</u>	<u>10,744,468</u>
Total capital assets, being depreciated, net	<u>16,488,207</u>	<u>773,020</u>	<u>(150,850)</u>	<u>17,110,377</u>
Governmental Activities: Net Capital Assets	<u>\$ 18,626,996</u>	<u>\$ 880,232</u>	<u>\$ (406,308)</u>	<u>\$ 19,100,920</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 8. CAPITAL ASSETS (Cont'd)

Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 645,161	\$	\$	\$ 645,161
Construction in process	6,718,190	12,001,168		18,719,358
Total capital assets, not being depreciated	7,363,351	12,001,168		19,364,519
Capital assets, being depreciated:				
Buildings	15,974,237	100,725	(469,022)	15,605,940
Improvements other than buildings	18,955,786	88,642	(87,474)	18,956,954
Machinery and equipment	9,683,918		(1,014,814)	8,669,104
Total capital assets, being depreciated	44,613,941	189,367	(1,571,310)	43,231,998
Less accumulated depreciation for:				
Buildings	4,435,311	395,781	(420,978)	4,410,114
Improvements other than buildings	8,384,139	494,990	(87,474)	8,791,655
Machinery and equipment	5,706,215	326,164	(1,005,028)	5,027,351
Total accumulated depreciation	18,525,665	1,216,935	(1,513,480)	18,229,120
Total capital assets, being depreciated, net	26,088,276	(1,027,568)	(57,830)	25,002,878
Business-Type Activities: Net Capital Assets	<u>\$ 33,451,627</u>	<u>\$ 10,973,600</u>	<u>\$ (57,830)</u>	<u>\$ 44,367,397</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 262,576
Public safety	147,622
Public works	518,058
Airport	38,527
Culture and recreation	127,723
Total depreciation expense - Governmental Activities	<u>\$ 1,094,506</u>
Business-Type Activities:	
Liquor	\$ 6,861
Sewer	577,206
Electric	294,447
Water	338,421
Total deprecation expense - Business-Type Activities	<u>\$ 1,216,935</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 9. INTERFUND BALANCES AND TRANSFERS

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

	<u>Advance to Other Funds</u>	<u>Advance from Other Funds</u>
General Fund	\$ 28,694	\$
Special Revenue Funds:		
Economic Development	297,778	
Infrastructure TIF Funds		51,739
Industrial Park		919,615
Permanent Improvement Revolving	203,390	
Internal Service Fund:		
Operating Revolving	<u>441,492</u>	
 Total Advances	 <u>\$ 971,354</u>	 <u>\$ 971,354</u>

Interfund transfers for the year ended December 31, 2009, 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	\$	\$ 142,135	\$	\$ 800,025	\$ 942,160
Other Governmental	26,469	568,704		22,671	617,844
Electric	310,478		200,000		510,478
Sewer	137,183				137,183
Water	31,869				31,869
Liquor		59,000			59,000
Internal Service		21,419			21,419
 Total	 <u>\$ 505,999</u>	 <u>\$ 791,258</u>	 <u>\$ 200,000</u>	 <u>\$ 822,696</u>	 <u>\$ 2,319,953</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, 2009

NOTE 10. LONG-TERM DEBT

	Interest Rate	Final Maturity Date	Balance Outstanding
<u>Governmental Activities</u>			
G.O. Bonds			
General Obligation Bonds, Series 2007A	3.45-4.40%	2/1/2028	\$ 355,000
General Obligation Bonds, Series 2007A	3.45-3.85%	2/1/2018	200,000
G.O. Special Assessment Bonds			
2004A Improvement Bonds	3.75-4.70%	2/1/2020	485,000
2006A Improvement Bonds	3.625-4.150%	2/1/2022	505,000
2009B Refunding Improvement Bonds	2.00-4.00%	2/1/2018	845,000
G.O. Revenue Bonds			
1996A G.O. Housing Bonds	5.20-5.50%	2/2/2022	1,935,000
Public Project Lease Bond, Series 2005A	4.00-4.70%	2/21/2026	1,450,000
Public Project Lease Bond, Series 2007B	4.50-5.10%	2/1/2028	565,000
Capital Lease	6.670%	2/1/2010	10,499
Capital Equipment Notes			1,230,000
Compensated Absences			104,762
			<u>\$ 7,685,261</u>
<u>Business-Type Activities</u>			
G.O. Revenue Bonds			
2002 Wastewater Facility Bond	3.15-3.65%	2/1/2012	\$ 1,015,000
G.O. Revenue Bonds			
1999 Water Treatment Loan	3.540%	8/20/2019	2,478,000
2001 Wastewater Treatment Loan	2.680%	8/20/2022	7,904,000
2009 Clean Water Revolving Fund Loan	*	*	1,576,232
2009 Wastewater Infrastructure Fund Loan	*	*	1,642,041
Revenue Bonds			
Electric Utility Revenue Bonds, Series 2008A	3.00-4.40%	2/1/2029	9,980,000
Electric Revenue Bonds, Series 2009C	1.65-5.00%	2/1/2029	6,500,000
Assessment Payable	5.00%	1/1/2017	118,135
Termination Benefits			107,563
Compensated Absences			93,320
			<u>\$ 31,414,291</u>

* - The project is not completed as of December 31, 2009 and a final schedule is not known.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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	\$	\$ (25,000)	\$ 555,000	\$ 30,000
G.O. Special Assessment Bonds	2,640,000	845,000	(1,650,000)	1,835,000	375,000
G.O. Revenue Bonds	4,110,000		(160,000)	3,950,000	180,000
Capital Lease	30,491		(19,992)	10,499	10,499
Capital Equipment Notes	655,000	650,000	(75,000)	1,230,000	135,000
Compensated Absences	129,966	118,528	(143,732)	104,762	
Total Governmental Activities	<u>\$ 8,145,457</u>	<u>\$ 1,613,528</u>	<u>\$ (2,073,724)</u>	<u>\$ 7,685,261</u>	<u>\$ 730,499</u>
<u>Business-Type Activities</u>					
G.O. Revenue Bonds	\$ 1,330,000	\$	\$ (315,000)	\$ 1,015,000	\$ 330,000
G.O. Revenue Notes	11,089,000	3,218,273	(707,000)	13,600,273	727,000
Revenue Bonds	9,980,000	6,500,000		16,480,000	325,000
Assessments Payable	132,902		(14,767)	118,135	14,767
Termination Benefits		107,563		107,563	13,941
Compensated Absences	100,607	99,660	(106,947)	93,320	
Total Business-Type Activities	<u>\$ 22,632,509</u>	<u>\$ 9,925,496</u>	<u>\$ (1,143,714)</u>	<u>\$ 31,414,291</u>	<u>\$ 1,410,708</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, 2009 the legal debt margin is \$11,000,694.

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, 2009, the balance remaining was \$10,499.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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

Capital Equipment Notes

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, 2009, the balance remaining was \$126,000.

On February 28, 2007, the City issued a Certificate of Indebtedness in the 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, 2009, the balance remaining was \$454,000.

On May 14, 2009, the City issued General Obligation Equipment Certificates in the amount of \$650,000 for a term of ten years at an interest rate ranging from 2.00% to 4.00%. Principal and interest payments are due February 1 and interest payments are due on August 1 of each year until year 2019. As of December 31, 2009, the balance remaining was \$650,000.

2009 Refunding Transaction

In May 2009, the City issued \$845,000 of General Obligation Refunding Bonds, Series 2009B. The bonds were issued to refund the General Obligation Improvement Bonds, Series 1999A; the General Obligation Bonds, Series 2002B; and the General Obligation Refunding Improvements Bonds, Series 2003A. The total cash savings to the City is \$565,712 with a net present value benefit of \$63,850.

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.

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, totaled \$10,963,561, financed under the Capitalization Grants for State Revolving Fund. Loan interest payments, at 2.68% per annum, are due in February and August, with principal payment amounts due in August.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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

Wastewater Treatment Loan - 2009

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 \$13,086,048, will be financed under the Clean Water Revolving Fund and the Wastewater Infrastructure Funding. Loan interest payments for the Clean Water Revolving fund, at 2.652% per annum, will be due February and August, with principal payment amounts due in August. Loan payments for the Wastewater Infrastructure Funding will be due in February and August after the Clean Water Revolving Fund is paid in full. The project is in progress at December 31, 2009, and is therefore not included in Note 12 below.

NOTE 12. DEBT SERVICE REQUIREMENTS

Debt service requirements at December 31, 2009, were as follows:

Governmental Activities

Year Ending December 31	G.O. Bonds		G.O. Special Assessment Bonds	
	Principal	Interest	Principal	Interest
2010	\$ 30,000	\$ 21,410	\$ 375,000	\$ 59,810
2011	35,000	20,288	215,000	48,541
2012	35,000	19,038	210,000	42,732
2013	35,000	17,743	185,000	36,874
2014	35,000	16,447	115,000	32,098
2015-2019	180,000	60,370	540,000	96,378
2020-2024	105,000	33,670	195,000	10,215
2025-2028	100,000	8,800		
	<u>\$ 555,000</u>	<u>\$ 197,766</u>	<u>\$ 1,835,000</u>	<u>\$ 326,648</u>

Year Ending December 31	G.O. Revenue Bonds		Capital Lease	
	Principal	Interest	Principal	Interest
2010	\$ 180,000	\$ 192,847	\$ 10,499	\$ 350
2011	185,000	184,089		
2012	195,000	174,910		
2013	205,000	165,140		
2014	220,000	154,658		
2015-2019	1,300,000	589,959		
2020-2024	1,265,000	229,876		
2025-2028	400,000	28,373		
	<u>\$ 3,950,000</u>	<u>\$ 1,719,852</u>	<u>\$ 10,499</u>	<u>\$ 350</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 12. DEBT SERVICE REQUIREMENTS (Cont'd)

Governmental Activities (Cont'd)

Year Ending December 31	Capital Equipment Notes	
	Principal	Interest
2010	\$ 135,000	\$ 44,891
2011	135,000	36,517
2012	135,000	32,131
2013	135,000	27,522
2014	140,000	22,890
2015-2019	550,000	45,123
	<u>\$ 1,230,000</u>	<u>\$ 209,074</u>

Business-Type Activities

Year Ending December 31	G.O. Revenue Bonds		G.O. Revenue Notes ***	
	Principal	Interest	Principal	Interest
2010	\$ 330,000	\$ 30,278	\$ 727,000	\$ 299,549
2011	335,000	18,722	748,000	278,249
2012	350,000	6,388	770,000	256,329
2013			793,000	233,750
2014			816,000	210,485
2015-2019			4,455,000	678,428
2020-2022			2,073,000	112,078
	<u>\$ 1,015,000</u>	<u>\$ 55,388</u>	<u>\$ 10,382,000</u>	<u>\$ 2,068,868</u>

*** - The project is not completed as of December 31, 2009 and a final schedule is not known.

Year Ending December 31	Revenue Bonds		Assessment Payable	
	Principal	Interest	Principal	Interest
2010	\$ 325,000	\$ 682,648	\$ 14,767	\$ 5,907
2011	605,000	647,213	14,767	5,168
2012	625,000	631,961	14,767	4,430
2013	640,000	613,460	14,767	3,692
2014	660,000	591,409	14,767	2,953
2015-2019	3,665,000	2,565,185	44,300	4,430
2020-2024	4,455,000	1,744,331		
2025-2029	5,505,000	654,416		
	<u>\$ 16,480,000</u>	<u>\$ 8,130,623</u>	<u>\$ 118,135</u>	<u>\$ 26,580</u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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, 2009, in the following funds:

General Fund

Designated for retirement of long-term debt	\$ 10,499
Reserved for advance to other funds	28,694
	<u>\$ 39,193</u>

Special Revenue Funds

Reserved for advance to other funds	<u>\$ 501,168</u>
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Debt Service funds

Reserved for debt service	<u>\$ 1,238,209</u>
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Enterprise Funds

Restricted for debt service	\$ 1,252,330
Invested in capital assets, net of related debt	14,869,901
	<u>\$ 16,122,231</u>

Private Purpose Trust Funds

Restricted for Anderson Gardens	\$ 193,934
Restricted for library	24,353
	<u>\$ 218,287</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, 2009

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 service.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive, 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, 2009

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 2009. PEPFF members were required to contribute 9.4% of their annual covered salary in 2009.

The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.75% for Coordinated Plan PERF members, and 14.1% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008, and 2007, were \$117,973, \$124,839, and \$117,770. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2009, 2008, and 2007, were \$80,177, \$74,292, and \$61,004, 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.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative 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 2009 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 15,782	\$ 28,764	5.0%	5.0%	5.0%

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 16. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

At December 31, 2008, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The City engaged an actuary to determine the City's liability for postemployment healthcare benefits other than pensions as of December 31, 2008.

A. PLAN DESCRIPTION

The City operates a single-employer retiree benefit plan ("the Plan") that provides health, dental, and life insurance to eligible employees and their spouses through the City's commercial insurance plans. There are 38 active participants and 5 retired participants. Benefit and eligibility provisions are established through negotiations between the City and employee groups including a union. The union contract is renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. FUNDING POLICY

Contribution requirements are also negotiated between the City and employees. The City contributes 0% - 100% of the cost of current-year premiums for eligible retired plan members and their spouses. For 2009, the City contributed \$146,903 to the Plan.

C. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The City's annual other postemployment benefit (OPEB) costs (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortized any un-funded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the City's net OPEB obligation.

Annual Required Contribution	\$ 56,193
Interest on Net OPEB Obligation	(3,719)
Adjustment to Annual Required Contribution	5,377
Annual OPEB Cost (Expense)	<u>57,851</u>
Contributions Made	<u>(146,903)</u>
Increase in Net OPEB Asset	(89,052)
Net OPEB Asset - Beginning of Year	(92,981)
Net OPEB Asset - End of Year	<u><u>\$ (182,033)</u></u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan and the net OPEB asset for 2009:

Fiscal Year Ended	Annual OPEB Cost	Annual Plan Sponsor Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Asset
12/31/2008	\$ 56,193	\$ 149,174	265%	\$ 92,981
12/31/2009	57,851	146,903	254%	182,033

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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

D. FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2008, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$841,811. The annual payroll for active employees covered by the Plan in the actuarial valuation was \$2,211,122 for a ratio of UAAL to covered payroll of 38.07%.

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 healthcare cost trends. 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 about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities and benefits.

E. 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 the effects of 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 assumption included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 10% reduced by decrements to an ultimate rate of 5% after ten years. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2009 was 28 years.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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 2009 and as of December 31, 2009, 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, 2008, as determined in accordance with State statute.

The amount of unfunded pension benefit obligation as of December 31, 2008, is as follows:

Total pension benefit obligation	\$ 736,036
Net assets available for benefits at lower of cost or market	<u>502,210</u>
Unfunded pension benefit obligation	<u><u>\$ (233,826)</u></u>

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

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, 2009. The projects include the following:

	Expended through <u>12/31/2009</u>	Remaining <u>Commitment</u>
Power Generation Facility	\$ 10,542,515	\$ 277,485
Wastewater Treatment Facility	3,971,280	<u>8,410,020</u>
Total		<u>\$ 8,687,505</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, 2009, 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, 2009

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 2009	\$ 877	\$ 27,150	\$ 729
Current Tax Capacity:			
Payable 2009	20,897	154,558	13,257
Captured Tax Capacity:			
Retained by Authority	20,020	127,408	12,528
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, 2009

NOTE 24. TIF DISTRICTS (Cont'd)

	TIF #4-4 Housing	TIF #4-10 Northstar I	TIF #4-12 Towmaster
District Name and Number:	MN Stat. #472A	MN Stat.#472A	MN Stat. #472A
Authorizing Law	Housing Dev.	Economic Dev.	Economic Dev.
Type of District	1997	2000	2007
Year Established	2022	2010	2015
Duration of District	Base Tax Capacity:		
Base Tax Capacity:	\$ 40	\$ 1,065	\$ 16,270
Payable 2009	Current Tax Capacity:		
Current Tax Capacity:	6,454	17,990	44,316
Payable 2009	Captured Tax Capacity:		
Captured Tax Capacity:	6,414	16,925	28,046
Retained by Authority	Debt Issued		
Debt Issued		145,665	
Interfund Loans	84,442		250,000
Developer Agreements	(31,949)	(99,086)	(44,345)
Principal Redeemed	<u>\$ 52,493</u>	<u>\$ 46,579</u>	<u>\$ 205,655</u>
Outstanding Bonds & Loans			

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.

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.

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.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 24. TIF DISTRICTS (Cont'd)

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, 2009 totals \$461,879.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LITCHFIELD, MINNESOTA
 SCHEDULE OF FUNDING PROGRESS
 OTHER POSTEMPLOYMENT BENEFITS PLAN
 DECEMBER 31, 2009

Acturaial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)
December 31, 2008	\$	\$ 841,811	\$ 841,811	0.0%	\$ 2,211,122

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, 2009

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	Special Revenue	Debt Service	Capital Projects	Totals	
				2009	2008
ASSETS					
Cash and investments	\$ 997,994	\$ 859,516	\$ 159,611	\$ 2,017,121	\$ 3,095,825
Cash with fiscal agent		323,527		323,527	316,888
Receivables					
Accounts	18,285			18,285	192,011
Contracts	52,000			52,000	56,000
Taxes	6,821	14,179		21,000	12,432
Notes	20,589			20,589	20,589
Special assessments		506,730		506,730	582,364
Due from other governmental units	33,902	3,974	58,623	96,499	182,282
Inventories	16,129			16,129	19,072
Prepaid expenses	16,370			16,370	16,570
Advance to other funds	501,168			501,168	523,674
Deferred charges		51,192		51,192	55,105
Total Assets	\$ 1,663,258	\$ 1,759,118	\$ 218,234	\$ 3,640,610	\$ 5,072,812
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts and contracts payable	\$ 10,647	\$	\$	\$ 10,647	\$ 131,198
Cash drawn in excess of funds	30,047		662,698	692,745	673,815
Accrued salaries	6,214			6,214	4,815
Due to other governmental units	16,422			16,422	3,734
Advance from other funds	971,354			971,354	1,014,962
Deferred revenue	27,410	520,909		548,319	615,385
Total Liabilities	1,062,094	520,909	662,698	2,245,701	2,443,909
Fund Balance					
Reserved for debt service		1,238,209		1,238,209	1,939,436
Reserved for advance to other funds	501,168			501,168	523,674
Unreserved, undesignated	99,996		(444,464)	(344,468)	165,793
Total Fund Balance	601,164	1,238,209	(444,464)	1,394,909	2,628,903
Total Liabilities and Fund Balance	\$ 1,663,258	\$ 1,759,118	\$ 218,234	\$ 3,640,610	\$ 5,072,812

CITY OF LITCHFIELD, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	Special Revenue	Debt Service	Capital Projects	Totals	
				2009	2008
REVENUES					
Taxes	\$ 220,913	\$ 374,372	\$	\$ 595,285	\$ 616,927
Special assessments		107,151		107,151	121,613
Intergovernmental	299,163	40,736	188,045	527,944	331,395
Charges for services	433,235	205,586		638,821	637,550
Interest income	11,751	6,708	1,750	20,209	108,809
Miscellaneous	80,591			80,591	160,460
Total Revenues	1,045,653	734,553	189,795	1,970,001	1,976,754
EXPENDITURES					
General government	135,493			135,493	147,815
Public safety			21,776	21,776	455,796
Public works	292,949		72,076	365,025	241,378
Airport	45,792		206,452	252,244	232,121
Culture and recreation	473,714		107,379	581,093	565,262
Economic development	571,443			571,443	710,890
Debt service	3,528	963,178		966,706	826,432
Total Expenditures	1,522,919	963,178	407,683	2,893,780	3,179,694
Deficiency of Revenues Under Expenditures	(477,266)	(228,625)	(217,888)	(923,779)	(1,202,940)
OTHER FINANCING SOURCES (USES)					
Debt service principal		(1,315,000)		(1,315,000)	
Refunding bond proceeds		845,000		845,000	
Bond discount		(13,629)		(13,629)	
Transfers in	247,206	529,029	15,023	791,258	351,918
Transfers out	(99,516)	(518,002)	(326)	(617,844)	(142,593)
Total Other Financing Sources (Uses)	147,690	(472,602)	14,697	(310,215)	209,325
Net Change in Fund Balances	(329,576)	(701,227)	(203,191)	(1,233,994)	(993,615)
FUND BALANCE, BEGINNING OF YEAR	930,740	1,939,436	(241,273)	2,628,903	3,622,518
FUND BALANCE, END OF YEAR	\$ 601,164	\$ 1,238,209	\$ (444,464)	\$ 1,394,909	\$ 2,628,903

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 DECEMBER 31, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	Hazardous Building	Golf Course	Economic Development	Small Cities Rehabilitation	Airport	Dial-A-Ride
ASSETS						
Cash and investments	\$ 18,409	\$	\$ 22,000	\$ 80,955	\$ 211,938	\$ 69,320
Receivables						
Accounts						
Taxes						
Contracts						
Notes				20,589		
Due from other governmental units						
Inventories					16,129	
Prepaid expenses		6,697			7,164	
Advance to other funds			297,778			
Total Assets	\$ 18,409	\$ 6,697	\$ 319,778	\$ 101,544	\$ 235,231	\$ 69,320
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts and contracts payable	\$	\$	\$	\$	\$ 253	\$
Cash drawn in excess of funds		30,047				
Accrued salaries		1,229				
Due to other governmental units		1,243				15,137
Advance from other funds						
Deferred revenue				20,589		
Total Liabilities	0	32,519	0	20,589	253	15,137
Fund Balance						
Reserved for advance to other funds			297,778			
Unreserved, undesignated	18,409	(25,822)	22,000	80,955	234,978	54,183
Total Fund Balance	18,409	(25,822)	319,778	80,955	234,978	54,183
Total Liabilities and Fund Balance	\$ 18,409	\$ 6,697	\$ 319,778	\$ 101,544	\$ 235,231	\$ 69,320

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 DECEMBER 31, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	Civic Arena	Infrastructure TIF Funds	Infrastructure Street	Cemetery	Permanent Improvement Revolving	Industrial Park
ASSETS						
Cash and investments	\$ 139,267	\$ 13,282	\$ 50,080	\$ 211,511	\$ 18,398	\$
Receivables						
Accounts	17,985			300		
Taxes		6,664			157	
Contracts						
Notes						
Due from other governmental units			33,814		88	
Inventories						
Prepaid expenses	2,162			347		
Advance to other funds					203,390	
Total Assets	\$ 159,414	\$ 19,946	\$ 83,894	\$ 212,158	\$ 222,033	\$ 0
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts and contracts payable	\$ 6,863	\$ 3,508	\$	\$ 23	\$	\$
Cash drawn in excess of funds						
Accrued salaries	4,985					
Due to other governmental units	42					
Advance from other funds		51,739				919,615
Deferred revenue		6,664			157	
Total Liabilities	11,890	61,911	0	23	157	919,615
Fund Balance						
Reserved for advance to other funds					203,390	
Unreserved, undesignated	147,524	(41,965)	83,894	212,135	18,486	(919,615)
Total Fund Balance	147,524	(41,965)	83,894	212,135	221,876	(919,615)
Total Liabilities and Fund Balance	\$ 159,414	\$ 19,946	\$ 83,894	\$ 212,158	\$ 222,033	\$ 0

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
 DECEMBER 31, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	Community Reinvestment	Highway 12 Beautification	Lake Ripley Improvement	Totals	
				2009	2008
ASSETS					
Cash and investments	\$ 136,160	\$ 4,163	\$ 22,511	\$ 997,994	\$ 1,309,203
Receivables					
Accounts				18,285	70,924
Taxes				6,821	2,943
Contracts	52,000			52,000	56,000
Notes				20,589	20,589
Due from other governmental units				33,902	1,049
Inventories				16,129	19,072
Prepaid expenses				16,370	16,570
Advance to other funds				501,168	523,674
Total Assets	\$ 188,160	\$ 4,163	\$ 22,511	\$ 1,663,258	\$ 2,020,024
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts and contracts payable	\$	\$	\$	\$ 10,647	\$ 42,241
Cash drawn in excess of funds				30,047	
Accrued salaries				6,214	4,815
Due to other governmental units				16,422	3,734
Advance from other funds				971,354	1,014,962
Deferred revenue				27,410	23,532
Total Liabilities	0	0	0	1,062,094	1,089,284
Fund Balance					
Reserved for advance to other funds				501,168	523,674
Unreserved, undesignated	188,160	4,163	22,511	99,996	407,066
Total Fund Balance	188,160	4,163	22,511	601,164	930,740
Total Liabilities and Fund Balance	\$ 188,160	\$ 4,163	\$ 22,511	\$ 1,663,258	\$ 2,020,024

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	1996A	2004	2005	2006	2007	2007	2009	Totals	
	Housing Development	G.O. Improvement	Public Project Lease	G.O. Improvement	G.O. Improvement	Public Project Lease	G.O. Improvement	2009	2008
ASSETS									
Cash and investments	\$	\$ 138,480	\$ 112,974	\$ 114,152	\$ 52,237	\$ 102,351	\$ 339,322	\$ 859,516	\$ 1,442,424
Cash with fiscal agent	197,309		126,218					323,527	316,888
Receivables									121,087
Accounts									
Taxes		1,438	4,662	1,066	444	1,631	4,938	14,179	9,489
Special assessments		80,427		162,767			263,536	506,730	582,364
Due from other governmental units		392	942	262	311	395	1,672	3,974	3,932
Deferred charges	51,192							51,192	55,105
Total Assets	\$ 248,501	\$ 220,737	\$ 244,796	\$ 278,247	\$ 52,992	\$ 104,377	\$ 609,468	\$ 1,759,118	\$ 2,531,289
LIABILITIES AND FUND BALANCE									
Liabilities									
Deferred revenue	\$	\$ 81,865	\$ 4,662	\$ 163,833	\$ 444	\$ 1,631	\$ 268,474	\$ 520,909	\$ 591,853
Fund Balance									
Reserved for debt service	248,501	138,872	240,134	114,414	52,548	102,746	340,994	1,238,209	1,939,436
Total Liabilities and Fund Balance	\$ 248,501	\$ 220,737	\$ 244,796	\$ 278,247	\$ 52,992	\$ 104,377	\$ 609,468	\$ 1,759,118	\$ 2,531,289

CITY OF LITCHFIELD, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 DECEMBER 31, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	Airport	Fire/Rescue	Marshall/ 1st Street	Eastern	Totals	
	Improvements	Building	Improvements	Development	2009	2008
ASSETS						
Cash and investments	\$	\$	\$	\$ 159,611	\$ 159,611	\$ 344,198
Due from other governmental units	58,623				58,623	177,301
Total Assets	\$ 58,623	\$ 0	\$ 0	\$ 159,611	\$ 218,234	\$ 521,499
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts and contracts payable	\$	\$	\$	\$	\$	\$ 88,957
Cash drawn in excess of funds	95,572	465,072	102,054		662,698	673,815
Total Liabilities	95,572	465,072	102,054	0	662,698	762,772
Fund Balance						
Unreserved, undesignated	(36,949)	(465,072)	(102,054)	159,611	(444,464)	(241,273)
Total Liabilities and Fund Balance	\$ 58,623	\$ 0	\$ 0	\$ 159,611	\$ 218,234	\$ 521,499

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	Hazardous Building	Trail Project	Golf Course	Economic Development	Small Cities Rehabilitation	Airport
REVENUES						
Taxes	\$	\$	\$	\$	\$	\$
Intergovernmental						27,100
Charges for services			247,200			6,810
Interest income	155			1,081	681	1,773
Miscellaneous		2,100	8,663			11,075
Total Revenues	<u>155</u>	<u>2,100</u>	<u>255,863</u>	<u>1,081</u>	<u>681</u>	<u>46,758</u>
EXPENDITURES						
General government						
Public works						
Airport						45,792
Culture and recreation		2,978	272,711			
Economic development				22,000		
Debt service						
Total Expenditures	<u>0</u>	<u>2,978</u>	<u>272,711</u>	<u>22,000</u>	<u>0</u>	<u>45,792</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	155	(878)	(16,848)	(20,919)	681	966
OTHER FINANCING SOURCES (USES)						
Transfers in				22,000		
Transfers out			(32,523)	(14,742)		(10,000)
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>(32,523)</u>	<u>7,258</u>	<u>0</u>	<u>(10,000)</u>
Net Change in Fund Balances	155	(878)	(49,371)	(13,661)	681	(9,034)
FUND BALANCE, BEGINNING OF YEAR	<u>18,254</u>	<u>878</u>	<u>23,549</u>	<u>333,439</u>	<u>80,274</u>	<u>244,012</u>
FUND BALANCE, END OF YEAR	<u>\$ 18,409</u>	<u>\$ 0</u>	<u>\$ (25,822)</u>	<u>\$ 319,778</u>	<u>\$ 80,955</u>	<u>\$ 234,978</u>

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	Dial-A-Ride	Civic Arena	Infrastructure TIF Funds	Infrastructure Street	Cemetery	Permanent Improvement Revolving
REVENUES						
Taxes	\$	\$	\$ 220,913	\$	\$	\$
Intergovernmental			25,409	245,915		739
Charges for services		143,137			36,088	
Interest income	831	1,235	1,026	632	1,822	209
Miscellaneous		13,771		26,238		669
Total Revenues	831	158,143	247,348	272,785	37,910	1,617
EXPENDITURES						
General government	70,351				51,929	13,213
Public works				292,949		
Airport						
Culture and recreation		194,587				
Economic development			338,192			
Debt service			3,528			
Total Expenditures	70,351	194,587	341,720	292,949	51,929	13,213
Excess (Deficiency) of Revenues Over (Under) Expenditures	(69,520)	(36,444)	(94,372)	(20,164)	(14,019)	(11,596)
OTHER FINANCING SOURCES (USES)						
Transfers in	103,000	59,000		20,895	10,000	326
Transfers out		(10,678)				(9,875)
Total Other Financing Sources (Uses)	103,000	48,322	0	20,895	10,000	(9,549)
Net Change in Fund Balances	33,480	11,878	(94,372)	731	(4,019)	(21,145)
FUND BALANCE, BEGINNING OF YEAR	20,703	135,646	52,407	83,163	216,154	243,021
FUND BALANCE, END OF YEAR	\$ 54,183	\$ 147,524	\$ (41,965)	\$ 83,894	\$ 212,135	\$ 221,876

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	Industrial Park	Community Reinvestment	Reserve for JobZ	Highway 12 Beautification	Lake Ripley Improvement	Totals	
						2009	2008
REVENUES							
Taxes	\$	\$	\$	\$	\$	\$ 220,913	\$ 253,251
Intergovernmental						299,163	132,684
Charges for services						433,235	437,039
Interest income		2,052		50	204	11,751	59,689
Miscellaneous		18,000			75	80,591	138,762
Total Revenues	0	20,052	0	50	279	1,045,653	1,021,425
EXPENDITURES							
General government						135,493	147,815
Public works						292,949	192,224
Airport						45,792	51,164
Culture and recreation					3,438	473,714	475,200
Economic development		202,077	5,652	3,522		571,443	710,890
Debt service						3,528	5,764
Total Expenditures	0	202,077	5,652	3,522	3,438	1,522,919	1,583,057
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(182,025)	(5,652)	(3,472)	(3,159)	(477,266)	(561,632)
OTHER FINANCING SOURCES (USES)							
Transfers in	26,240		5,745			247,206	244,568
Transfers out		(21,698)				(99,516)	(84,441)
Total Other Financing Sources (Uses)	26,240	(21,698)	5,745	0	0	147,690	160,127
Net Change in Fund Balances	26,240	(203,723)	93	(3,472)	(3,159)	(329,576)	(401,505)
FUND BALANCE, BEGINNING OF YEAR	(945,855)	391,883	(93)	7,635	25,670	930,740	1,332,245
FUND BALANCE, END OF YEAR	\$ (919,615)	\$ 188,160	\$ 0	\$ 4,163	\$ 22,511	\$ 601,164	\$ 930,740

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	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	\$	\$ 21,425	\$	\$ 2,679	\$ 98,129	\$ 36,046
Special assessments		10,651		30,088	28,253	15,129
Intergovernmental		2,348		296	10,765	3,913
Charges for services	205,586					
Interest income	317					923
Miscellaneous						
Total Revenues	205,903	34,424	0	33,063	137,147	56,011
EXPENDITURES						
Debt service	202,210	90,145	142,785	37,306	198,524	56,462
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,693	(55,721)	(142,785)	(4,243)	(61,377)	(451)
OTHER FINANCING SOURCES (USES)						
Debt service principal		(450,000)		(290,000)	(575,000)	
Refunding bond proceeds						
Bond discount						
Transfers in		103,923	21,698	153,878	237,530	
Transfers out						
Total Other Financing Sources (Uses)	0	(346,077)	21,698	(136,122)	(337,470)	0
Net Change in Fund Balances	3,693	(401,798)	(121,087)	(140,365)	(398,847)	(451)
FUND BALANCE, BEGINNING OF YEAR	244,808	401,798	121,087	140,365	398,847	139,323
FUND BALANCE, END OF YEAR	\$ 248,501	\$ 0	\$ 0	\$ 0	\$ 0	\$ 138,872

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2005	2006	2007	2007	2009	Totals	
	Public Project Lease	G.O. Improvement	G.O. Improvement	Public Project Lease	G.O. Improvement	2009	2008
REVENUES							
Taxes	\$ 112,908	\$ 27,037	\$ 36,707	\$ 38,244	\$ 1,197	\$ 374,372	\$ 363,676
Special assessments		22,555			475	107,151	121,613
Intergovernmental	12,331	2,940	4,040	4,103		40,736	40,438
Charges for services						205,586	200,511
Interest income	499	725	268	694	3,282	6,708	42,444
Miscellaneous							21,698
Total Revenues	125,738	53,257	41,015	43,041	4,954	734,553	790,380
EXPENDITURES							
Debt service	126,240	45,843	25,238	38,425		963,178	820,668
Excess (Deficiency) of Revenues Over (Under) Expenditures	(502)	7,414	15,777	4,616	4,954	(228,625)	(30,288)
OTHER FINANCING SOURCES (USES)							
Debt service principal						(1,315,000)	
Refunding bond proceeds					845,000	845,000	
Bond discount					(13,629)	(13,629)	
Transfers in			12,000			529,029	107,350
Transfers out			(22,671)		(495,331)	(518,002)	
Total Other Financing Sources (Uses)	0	0	(10,671)	0	336,040	(472,602)	107,350
Net Change in Fund Balances	(502)	7,414	5,106	4,616	340,994	(701,227)	77,062
FUND BALANCE, BEGINNING OF YEAR	240,636	107,000	47,442	98,130		1,939,436	1,862,374
FUND BALANCE, END OF YEAR	\$ 240,134	\$ 114,414	\$ 52,548	\$ 102,746	\$ 340,994	\$ 1,238,209	\$ 1,939,436

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	Airport	Golf Course	Towmaster	Fire/Rescue	Marshall/ 1st Street	Eastern	Totals	
	Improvements	Improvements	Improvements	Building	Improvements	Development	2009	2008
REVENUES								
Intergovernmental	\$ 188,045	\$	\$	\$	\$	\$	\$ 188,045	\$ 158,273
Interest income		403	3			1,344	1,750	6,676
Total Revenues	188,045	403	3	0	0	1,344	189,795	164,949
EXPENDITURES								
Public safety				21,776			21,776	455,796
Public works					72,076		72,076	49,154
Airport	206,452						206,452	180,957
Culture and recreation		107,379					107,379	90,062
Total Expenditures	206,452	107,379	0	21,776	72,076	0	407,683	775,969
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,407)	(106,976)	3	(21,776)	(72,076)	1,344	(217,888)	(611,020)
OTHER FINANCING SOURCES (USES)								
Long-term debt proceeds								
Transfers in	10,000	5,023					15,023	
Transfers out			(326)				(326)	(58,152)
Total Other Financing Sources (Uses)	10,000	5,023	(326)	0	0	0	14,697	(58,152)
Net Change in Fund Balances	(8,407)	(101,953)	(323)	(21,776)	(72,076)	1,344	(203,191)	(669,172)
FUND BALANCE, BEGINNING OF YEAR	(28,542)	101,953	323	(443,296)	(29,978)	158,267	(241,273)	427,899
FUND BALANCE, END OF YEAR	\$ (36,949)	\$ 0	\$ 0	\$ (465,072)	\$ (102,054)	\$ 159,611	\$ (444,464)	\$ (241,273)

Supplementary Information - See Auditor's Report

INDIVIDUAL FUND STATEMENTS

CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	<u>2009</u>	<u>2008</u>
ASSETS		
Cash and investments	\$ 1,316,192	\$ 1,279,568
Receivables		
Accounts	26,740	32,965
Interest		249,619
Taxes	61,405	40,456
Special assessments	1,830	1,830
Due from other governmental units	14,325	14,390
Prepaid expenses	34,507	32,509
Advance to other funds	<u>28,694</u>	<u>29,980</u>
 Total Assets	 <u>\$ 1,483,693</u>	 <u>\$ 1,681,317</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 40,432	\$ 18,469
Accrued salaries	79,368	64,248
Due to other governmental units	765	29,172
Deferred revenue	<u>63,235</u>	<u>42,286</u>
 Total Liabilities	 183,800	 154,175
Fund Balance		
Reserved for advance to other funds	28,694	29,980
Unreserved, designated for retirement of long-term debt	10,499	30,491
Unreserved, undesignated	<u>1,260,700</u>	<u>1,466,671</u>
 Total Fund Balance	 <u>1,299,893</u>	 <u>1,527,142</u>
 Total Liabilities and Fund Balance	 <u>\$ 1,483,693</u>	 <u>\$ 1,681,317</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009			2008 Actual
	Final Budget	Actual	Over (Under) Final Budget	
REVENUES				
Taxes	\$ 1,483,234	\$ 1,473,873	\$ (9,361)	\$ 1,451,612
Licenses and permits	66,725	98,540	31,815	100,397
Intergovernmental	2,123,770	2,018,612	(105,158)	1,866,312
Charges for services	167,650	220,983	53,333	200,942
Fines and forfeits	21,000	26,586	5,586	31,533
Interest income	38,000	7,671	(30,329)	26,439
Miscellaneous	1,500	23,114	21,614	10,046
Total Revenues	3,901,879	3,869,379	(32,500)	3,687,281
EXPENDITURES				
General government	831,262	740,975	(90,287)	747,585
Public safety	1,549,484	1,631,629	82,145	1,599,073
Public works	872,109	765,793	(106,316)	904,597
Culture and recreation	473,664	441,458	(32,206)	436,938
Miscellaneous	504,135	94,168	(409,967)	113,095
Total Expenditures	4,230,654	3,674,023	(556,631)	3,801,288
Excess (Deficiency) of Revenues Over (Under) Expenditures	(328,775)	195,356	524,131	(114,007)
OTHER FINANCING SOURCES (USES)				
Sale or compensation for property	2,000	13,556	11,556	14,950
Transfers in	461,775	505,999	44,224	391,256
Transfers out	(135,000)	(942,160)	(807,160)	(344,404)
Total Other Financing Sources (Uses)	328,775	(422,605)	(751,380)	61,802
Net Change in Fund Balances	\$ 0	(227,249)	\$ (227,249)	(52,205)
FUND BALANCE, BEGINNING OF YEAR		1,527,142		1,579,347
FUND BALANCE, END OF YEAR		\$ 1,299,893		\$ 1,527,142

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009			2008 Actual
	Final Budget	Actual	Over (Under) Final Budget	
REVENUES				
Taxes	\$ 1,483,234	\$ 1,473,873	\$ (9,361)	\$ 1,451,612
Licenses and Permits				
Business licenses and permits	46,375	63,961	17,586	65,595
Non-business licenses and permits	20,350	34,579	14,229	34,802
Total Licenses and Permits	66,725	98,540	31,815	100,397
Intergovernmental				
State/Federal Aids				
Local governmental aid	1,877,112	1,743,281	(133,831)	1,593,166
MV credit real	162,746	162,746		163,245
Firemen's Relief aid	35,000	36,844	1,844	43,253
Police state aid	36,000	60,761	24,761	53,629
PERA rate change	9,412	9,412	0	9,414
Police training reimbursement	3,500	3,568	68	3,605
Other		2,000	2,000	
Total Intergovernmental	2,123,770	2,018,612	(105,158)	1,866,312
Charges for Services				
General government	31,850	31,941	91	31,535
Public safety	111,500	145,738	34,238	122,002
Public works	3,000	840	(2,160)	6,993
Culture and recreation	21,300	42,464	21,164	40,412
Total Charges for Services	167,650	220,983	53,333	200,942
Fines and Forfeits	21,000	26,586	5,586	31,533
Interest Income	38,000	7,671	(30,329)	26,439
Miscellaneous				
Rents	500	1,235	735	1,070
Donations		800	800	1,500
Insurance dividend		16,353	16,353	6,958
Other	1,000	4,726	3,726	518
Total Miscellaneous	1,500	23,114	21,614	10,046
Total Revenues	3,901,879	3,869,379	(32,500)	3,687,281

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
EXPENDITURES				
General Government				
City Council				
Current expenditures	\$ 27,272	\$ 26,170	\$ (1,102)	\$ 24,441
Publication of Ordinances and Proceedings				
Current expenditures	3,200	4,773	1,573	3,418
Mayor				
Current expenditures	7,409	6,468	(941)	6,481
City Administrator				
Current expenditures	223,038	223,290	252	210,504
Elections and Voter's Registration				
Current expenditures				14,697
Boards and Commissions				
Current expenditures	5,030	2,340	(2,690)	3,490
Finance				
Municipal Clerk				
Current expenditures	145,695	95,899	(49,796)	103,727
Assessor				
Current expenditures	76,480	65,974	(10,506)	72,309
Independent Accounting and Auditing				
Current expenditures	15,020	22,700	7,680	12,500
Purchasing				
Current expenditures	85,624	64,697	(20,927)	70,548
Total Finance	<u>322,819</u>	<u>249,270</u>	<u>(73,549)</u>	<u>259,084</u>
Technology Services				
Current expenditures	14,839	44,196	29,357	41,729
Legal				
Current expenditures	132,725	105,809	(26,916)	98,053
Planning and Zoning				
Current expenditures	5,000	5,541	541	9,025
Advertising				
Current expenditures	15,000	11,750	(3,250)	16,874

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
EXPENDITURES (Cont'd)				
General Government (Cont'd)				
Government Buildings				
City Hall				
Current expenditures	\$ 56,430	\$ 44,275	\$ (12,155)	\$ 44,831
G.A.R. Hall				
Current expenditures	18,500	17,093	(1,407)	14,958
Total Government Buildings	<u>74,930</u>	<u>61,368</u>	<u>(13,562)</u>	<u>59,789</u>
Total General Government	831,262	740,975	(90,287)	747,585
Public Safety				
Police Protection				
Current expenditures	1,071,347	1,104,177	32,830	1,133,040
Other disbursements - dispatching	85,000	90,190	5,190	79,612
Total Police Protection	<u>1,156,347</u>	<u>1,194,367</u>	<u>38,020</u>	<u>1,212,652</u>
Fire Protection				
Current expenditures	146,190	152,921	6,731	141,888
Other disbursements - fire relief association	35,000	36,844	1,844	42,253
Capital outlay	4,000		(4,000)	600
Total Fire Protection	<u>185,190</u>	<u>189,765</u>	<u>4,575</u>	<u>184,741</u>
Building Inspection				
Current expenditures	86,825	85,578	(1,247)	83,228
Civil Defense				
Current expenditures	5,550	1,618	(3,932)	1,748
Rescue Squad				
Current expenditures	104,222	107,201	2,979	104,449
Traffic Engineering				
Current expenditures	9,600	7,293	(2,307)	10,846
Animal Control				
Current expenditures	1,750	1,874	124	1,409
Capital outlay		43,933	43,933	
Total Animal Control	<u>1,750</u>	<u>45,807</u>	<u>44,057</u>	<u>1,409</u>
Total Public Safety	1,549,484	1,631,629	82,145	1,599,073

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
EXPENDITURES (Cont'd)				
Public Works				
Administration and Engineering				
Current expenditures	\$ 37,882	\$ 22,361	\$ (15,521)	\$ 60,497
Streets and Alleys				
Current expenditures	606,567	536,719	(69,848)	619,755
Snow and Ice Removal				
Current expenditures	34,903	46,143	11,240	39,648
Sidewalks				
Current expenditures	2,500	13,218	10,718	12,760
Street Lighting				
Current expenditures	4,075	2,849	(1,226)	2,601
Maintenance Shop				
Current expenditures	131,844	107,838	(24,006)	103,635
Street Cleaning				
Current expenditures	4,500	6,222	1,722	4,972
Storm Drainage				
Current expenditures	12,000	11,599	(401)	28,756
Weed Control				
Current expenditures	430	20	(410)	160
Insect and Pest Control				
Current expenditures	16,380		(16,380)	6,732
Compost Site				
Current expenditures	21,028	18,824	(2,204)	25,081
Total Public Works	872,109	765,793	(106,316)	904,597

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
EXPENDITURES (Cont'd)				
Culture and Recreation				
Playgrounds				
Current expenditures	\$ 46,262	\$ 30,271	\$ (15,991)	\$ 47,338
Swimming Pools and Beach				
Current expenditures	14,050	9,443	(4,607)	8,680
Skating Rinks				
Current expenditures	4,300	5,464	1,164	7,705
Other Recreation				
Current expenditures	33,250	32,946	(304)	31,700
Camping Areas				
Current expenditures	26,800	18,781	(8,019)	19,904
Municipal Parks				
Current expenditures	138,735	121,056	(17,679)	124,066
Band				
Current expenditures	4,765	3,600	(1,165)	3,575
Forestry and Shade Trees				
Current expenditures	14,500	41,350	26,850	18,368
Library				
Current expenditures	57,970	45,515	(12,455)	46,445
Other expenditures	133,032	133,032		129,157
Total Library	<u>191,002</u>	<u>178,547</u>	<u>(12,455)</u>	<u>175,602</u>
Total Culture and Recreation	473,664	441,458	(32,206)	436,938
Miscellaneous				
Unallocated General Expense	<u>504,135</u>	<u>94,168</u>	<u>(409,967)</u>	<u>113,095</u>
Total Expenditures	<u>4,230,654</u>	<u>3,674,023</u>	<u>(556,631)</u>	<u>3,801,288</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(328,775)	195,356	524,131	(114,007)

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
EXPENDITURES (Cont'd)				
OTHER FINANCING SOURCES (USES)				
Other Financing Sources				
Sale or compensation for property	\$ 2,000	\$ 13,556	\$ 11,556	\$ 14,950
Transfers from other funds				
Civic arena	10,678	10,678		10,678
Golf course	15,500	15,500		
Economic development		291	291	
Sewer	93,250	137,183	43,933	90,000
Water	31,869	31,869		28,619
Electric	310,478	310,478		261,959
Total Other Financing Sources	<u>463,775</u>	<u>519,555</u>	<u>55,780</u>	<u>406,206</u>
Other Financing Uses				
Transfers to other funds				
Economic development	(22,000)	(22,000)		(22,000)
Capital improvement fund		(300,000)	300,000	(206,433)
Operating revolving fund		(500,000)	(500,000)	
Industrial park		(1,390)		
Cemetery	(10,000)	(10,000)		(10,000)
Dial-A-Ride	(103,000)	(103,000)		(86,000)
C.O.I. - 2006		(25)	25	
Reserve for JOBZ		(5,745)	5,745	(19,971)
Total Other Financing Uses	<u>(135,000)</u>	<u>(942,160)</u>	<u>807,160</u>	<u>(344,404)</u>
Total Other Financing Sources (Uses)	<u>328,775</u>	<u>(422,605)</u>	<u>(751,380)</u>	<u>61,802</u>
Net Change in Fund Balances	<u>\$ 0</u>	<u>(227,249)</u>	<u>\$ (227,249)</u>	<u>(52,205)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>1,527,142</u>		<u>1,579,347</u>
FUND BALANCE, END OF YEAR		<u>\$ 1,299,893</u>		<u>\$ 1,527,142</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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$ 1,000	\$ 155	\$ (845)	\$ 615
EXPENDITURES				
Public safety				
Other	1,000		(1,000)	
Net Change in Fund Balances	<u>\$ 0</u>	155	<u>\$ 155</u>	615
FUND BALANCE, BEGINNING OF YEAR		<u>18,254</u>		<u>17,639</u>
FUND BALANCE, END OF YEAR		<u>\$ 18,409</u>		<u>\$ 18,254</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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$	\$	\$	\$ 28
Miscellaneous Donations		2,100	2,100	850
Total Revenues	0	2,100	2,100	878
EXPENDITURES				
Culture and recreation Repairs and maintenance		2,978	2,978	
Net Change in Fund Balances	\$ 0	(878)	\$ (878)	878
FUND BALANCE, BEGINNING OF YEAR		878		
FUND BALANCE, END OF YEAR		\$ 0		\$ 878

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES				
Charges for services				
Annual dues - family	\$ 113,500	\$ 102,630	\$ (10,870)	\$ 101,700
Annual dues - single	36,975	41,013	4,038	35,600
Annual dues - college	1,400	2,200	800	1,400
Annual dues - high school	6,150	4,875	(1,275)	6,300
Green fees	74,000	70,464	(3,536)	74,153
Cart usage fee	28,050	26,018	(2,032)	28,215
Total Charges for services	<u>260,075</u>	<u>247,200</u>	<u>(12,875)</u>	<u>247,368</u>
Interest income	2,000		(2,000)	682
Miscellaneous				
Insurance dividend		5,163	5,163	2,279
Reimbursement	1,500	3,500	2,000	4,053
Total Miscellaneous	<u>1,500</u>	<u>8,663</u>	<u>7,163</u>	<u>6,332</u>
Total Revenues	<u>263,575</u>	<u>255,863</u>	<u>(7,712)</u>	<u>254,382</u>
EXPENDITURES				
Culture and recreation				
Salaries and benefits	131,200	140,525	9,325	128,935
Operating supplies	44,500	54,056	9,556	53,452
Professional services	7,000		(7,000)	4,373
Communications	3,000	3,234	234	3,061
Insurance	25,000	26,126	1,126	25,920
Utilities	11,000	5,428	(5,572)	3,514
Repairs and maintenance	3,000	10,816	7,816	3,204
Rentals	17,655	17,475	(180)	17,260
Miscellaneous	16,400	15,051	(1,349)	9,447
Capital outlay	5,635		(5,635)	
Total Expenditures	<u>264,390</u>	<u>272,711</u>	<u>8,321</u>	<u>249,166</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(815)	(16,848)	(16,033)	5,216
OTHER FINANCING USES				
Transfers out	<u>(27,500)</u>	<u>(32,523)</u>	<u>(5,023)</u>	<u>(27,500)</u>
Net Change in Fund Balances	<u>\$ (28,315)</u>	<u>(49,371)</u>	<u>\$ (21,056)</u>	<u>(22,284)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>23,549</u>		<u>45,833</u>
FUND BALANCE, END OF YEAR		<u>\$ (25,822)</u>		<u>\$ 23,549</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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$	\$ 1,081	\$ 1,081	\$ 1,767
EXPENDITURES				
Economic development				
Capital outlay	64,000	22,000	(42,000)	22,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	(64,000)	(20,919)	43,081	(20,233)
OTHER FINANCING SOURCES (USES)				
Transfers in	64,000	22,000	(42,000)	22,000
Transfers out		(14,742)	(14,742)	(14,593)
Total Other Financing Sources (Uses)	64,000	7,258	(56,742)	7,407
Net Change in Fund Balances	\$ 0	(13,661)	\$ (13,661)	(12,826)
FUND BALANCE, BEGINNING OF YEAR		333,439		346,265
FUND BALANCE, END OF YEAR		\$ 319,778		\$ 333,439

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$ 5,000	\$ 681	\$ (4,319)	\$ 2,401
Miscellaneous				6,000
Loan repayment				65,991
Other				
Total Revenues	5,000	681	(4,319)	74,392
EXPENDITURES				
Economic Development				9,068
Miscellaneous				
Net Change in Fund Balances	<u>\$ 5,000</u>	681	<u>\$ (4,319)</u>	65,324
FUND BALANCE, BEGINNING OF YEAR		<u>80,274</u>		<u>14,950</u>
FUND BALANCE, END OF YEAR		<u>\$ 80,955</u>		<u>\$ 80,274</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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$ 27,100	\$ 27,100	\$	\$ 27,100
Charges for services				
Sales - fuel	130,000	64,467	(65,533)	133,495
Less: Cost of goods sold	(120,000)	(57,657)	62,343	(123,866)
Gross Profit on Sales	10,000	6,810	(3,190)	9,629
Interest income	5,000	1,773	(3,227)	6,978
Miscellaneous				
Rental income	10,000	10,228	228	11,953
Insurance dividend		819	819	366
Other		28	28	22
Total Miscellaneous	10,000	11,075	1,075	12,341
Total Revenues	52,100	46,758	(5,342)	56,048
EXPENDITURES				
Airport				
Salaries and benefits	325	323	(2)	323
Insurance	18,000	16,562	(1,438)	17,377
Other services and charges	18,475	15,165	(3,310)	15,796
Repair and maintenance	15,300	13,742	(1,558)	17,668
Total Expenditures	52,100	45,792	(6,308)	51,164
Excess of Revenues Over Expenditures	0	966	966	4,884
OTHER FINANCING USES				
Transfers out		(10,000)	(10,000)	
Net Change in Fund Balances	\$ 0	(9,034)	\$ (9,034)	4,884
FUND BALANCE, BEGINNING OF YEAR		244,012		239,128
FUND BALANCE, END OF YEAR		\$ 234,978		\$ 244,012

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$	\$ 831	\$ 831	\$ 1,787
EXPENDITURES				
General government				
Local contribution		7,626	7,626	7,483
Other	103,000	62,725	(40,275)	64,423
Total Expenditures	103,000	70,351	(32,649)	71,906
Excess (Deficiency) of Revenues Over (Under) Expenditures	(103,000)	(69,520)	33,480	(70,119)
OTHER FINANCING SOURCES				
Transfers in	103,000	103,000		86,000
Net Change in Fund Balances	\$ 0	33,480	\$ 33,480	15,881
FUND BALANCE, BEGINNING OF YEAR		20,703		4,822
FUND BALANCE, END OF YEAR		\$ 54,183		\$ 20,703

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES				
Charges for services	\$ 133,746	\$ 143,137	\$ 9,391	\$ 142,603
Interest income	6,000	1,235	(4,765)	4,600
Miscellaneous				
Rents and refunds	10,000	12,073	2,073	10,640
Insurance dividend		1,573	1,573	710
Other		125	125	12,525
Total Miscellaneous	<u>10,000</u>	<u>13,771</u>	<u>3,771</u>	<u>23,875</u>
Total Revenues	149,746	158,143	8,397	171,078
EXPENDITURES				
Culture and recreation				
Salaries and benefits	99,532	103,238	3,706	97,168
Insurance	9,000	8,361	(639)	8,343
Supplies	15,200	14,030	(1,170)	16,579
Repair and maintenance	10,000	10,755	755	27,283
Other services and charges	12,339	11,223	(1,116)	9,125
Capital outlay				14,691
Community room	10,997	6,904	(4,093)	5,715
Utilities	41,000	40,076	(924)	38,729
Total Expenditures	<u>198,068</u>	<u>194,587</u>	<u>(3,481)</u>	<u>217,633</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(48,322)	(36,444)	11,878	(46,555)
OTHER FINANCING SOURCES (USES)				
Transfers in	59,000	59,000		59,000
Transfers out	(10,678)	(10,678)		(10,678)
Total Other Financing Sources (Uses)	<u>48,322</u>	<u>48,322</u>		<u>48,322</u>
Net Change in Fund Balances	<u>\$ 0</u>	11,878	<u>\$ 11,878</u>	1,767
FUND BALANCE, BEGINNING OF YEAR		<u>135,646</u>		<u>133,879</u>
FUND BALANCE, END OF YEAR		<u>\$ 147,524</u>		<u>\$ 135,646</u>

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

BALANCE SHEET
 INFRASTRUCTURE TIF SPECIAL REVENUE FUNDS
 DECEMBER 31, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	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. 4-10 Northstar I	TIF Dist. No. 4-12 Towmaster	Totals	
							2009	2008
ASSETS								
Cash and investments	\$ 1,000	\$ 1,340	\$ 1,122	\$	\$	\$ 9,820	\$ 13,282	\$ 148,720
Delinquent taxes receivable		6,664					6,664	2,943
Total Assets	\$ 1,000	\$ 8,004	\$ 1,122	\$ 0	\$ 0	\$ 9,820	\$ 19,946	\$ 151,663
LIABILITIES AND FUND BALANCES								
Liabilities								
Accounts payable	\$	\$	\$	\$	\$	\$ 3,508	\$ 3,508	\$ 27,206
Advance from other funds				5,160	46,579		51,739	69,107
Deferred revenue		6,664					6,664	2,943
Total Liabilities	0	6,664	0	5,160	46,579	3,508	61,911	99,256
Fund Balances								
Unreserved, undesignated	1,000	1,340	1,122	(5,160)	(46,579)	6,312	(41,965)	52,407
Total Liabilities and Fund Balances	\$ 1,000	\$ 8,004	\$ 1,122	\$ 0	\$ 0	\$ 9,820	\$ 19,946	\$ 151,663

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 INFRASTRUCTURE TIF SPECIAL REVENUE FUNDS
 YEAR ENDED DECEMBER 31, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	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. 4-10 Northstar I	TIF Dist. No. 4-12 Towmaster	Totals	
							2009	2008
REVENUES								
Taxes								
Tax increments	\$ 21,816	\$ 126,867	\$ 11,369	\$ 7,597	\$ 20,046	\$ 33,218	\$ 220,913	\$ 243,409
Intergovernmental								
Market value credit - TIF	1,904	19,706	3,799				25,409	25,235
Interest income		849	122			55	1,026	10,925
Total Revenues	23,720	147,422	15,290	7,597	20,046	33,273	247,348	279,569
EXPENDITURES								
Economic development								
Developer payment				6,837		29,897	36,734	51,952
Professional services	1,093	2,792		95	95	380	4,455	9,344
Capital outlay	39,576	229,697	27,730				297,003	453,051
Total Economic development	40,669	232,489	27,730	6,932	95	30,277	338,192	514,347
Debt service								
Interfund loan interest				311	3,217		3,528	5,764
Total Expenditures	40,669	232,489	27,730	7,243	3,312	30,277	341,720	520,111
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,949)	(85,067)	(12,440)	354	16,734	2,996	(94,372)	(240,542)
OTHER FINANCING SOURCES (USES)								
Transfers in								13,566
Net Change in Fund Balances	(16,949)	(85,067)	(12,440)	354	16,734	2,996	(94,372)	(226,976)
FUND BALANCE, BEGINNING OF YEAR	17,949	86,407	13,562	(5,514)	(63,313)	3,316	52,407	279,383
FUND BALANCE, END OF YEAR	\$ 1,000	\$ 1,340	\$ 1,122	\$ (5,160)	\$ (46,579)	\$ 6,312	\$ (41,965)	\$ 52,407

Supplementary Information - See Auditor's Report

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$ 80,000	\$ 245,915	\$ 165,915	\$ 79,141
Interest income		632	632	6,237
Miscellaneous		26,238	26,238	
Total Revenues	80,000	272,785	192,785	85,378
EXPENDITURES				
Public works				
Other services and charges		9,490	9,490	16,702
Capital outlay		283,459	283,459	175,522
Total Expenditures	0	292,949	292,949	192,224
Excess (Deficiency) of Revenues Over (Under) Expenditures	80,000	(20,164)	(100,164)	(106,846)
OTHER FINANCING SOURCES				
Transfers in		20,895	20,895	
Net Change in Fund Balances	\$ 80,000	731	\$ (79,269)	(106,846)
FUND BALANCE, BEGINNING OF YEAR		83,163		190,009
FUND BALANCE, END OF YEAR		\$ 83,894		\$ 83,163

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 CEMETERY SPECIAL REVENUE FUND
 YEAR ENDED DECEMBER 31, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES				
Charges for services				
Professional services	\$ 16,000	\$ 12,488	\$ (3,512)	\$ 16,689
Sale of lots	20,000	23,600	3,600	20,750
Total Charges for services	<u>36,000</u>	<u>36,088</u>	<u>88</u>	<u>37,439</u>
Interest income	7,000	1,822	(5,178)	7,708
Total Revenues	<u>43,000</u>	<u>37,910</u>	<u>(5,090)</u>	<u>45,147</u>
EXPENDITURES				
General government				
Salaries and benefits	17,600	19,847	2,247	8,377
Supplies	9,000	15,689	6,689	16,227
Insurance	1,000	1,438	438	1,249
Repairs and maintenance	5,000	974	(4,026)	6,461
Utilities	7,000	2,581	(4,419)	1,981
Professional services				11,387
Capital outlay				12,833
Miscellaneous	13,400	11,400	(2,000)	7,034
Total Expenditures	<u>53,000</u>	<u>51,929</u>	<u>(1,071)</u>	<u>65,549</u>
Deficiency of Revenues Under Expenditures	(10,000)	(14,019)	(4,019)	(20,402)
OTHER FINANCING SOURCES				
Transfers in	10,000	10,000		10,000
Net Change in Fund Balances	<u>\$ 0</u>	<u>(4,019)</u>	<u>\$ (4,019)</u>	<u>(10,402)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>216,154</u>		<u>226,556</u>
FUND BALANCE, END OF YEAR		<u>\$ 212,135</u>		<u>\$ 216,154</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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES				
Intergovernmental	\$	\$ 739	\$ 739	\$ 1,208
Interest Income	398	209	(189)	1,272
Miscellaneous		669	669	3,907
Total Revenues	398	1,617	1,219	6,387
EXPENDITURES				
General government				
Professional services		13,213	13,213	10,360
Excess (Deficiency) of Revenues Over (Under) Expenditures	398	(11,596)	(11,994)	(3,973)
OTHER FINANCING SOURCES (USES)				
Transfers in		326	326	
Transfers out		(9,875)	(9,875)	(9,972)
Total Other Financing Sources (Uses)	0	(9,549)	(9,549)	(9,972)
Net Change in Fund Balances	\$ 398	(21,145)	\$ (21,543)	(13,945)
FUND BALANCE, BEGINNING OF YEAR		243,021		256,966
FUND BALANCE, END OF YEAR		\$ 221,876		\$ 243,021

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES				
Miscellaneous	\$	\$	\$	\$ 9,842
OTHER FINANCING SOURCES				
Transfer in		26,240	26,240	
Net Change in Fund Balances	<u>\$ 0</u>	26,240	<u>\$ 26,240</u>	9,842
FUND BALANCE, BEGINNING OF YEAR		<u>(945,855)</u>		<u>(955,697)</u>
FUND BALANCE, END OF YEAR		<u>\$ (919,615)</u>		<u>\$ (945,855)</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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$ 500	\$ 2,052	\$ 1,552	\$ 13,430
Miscellaneous				
Donations		3,000	3,000	3,000
Other		15,000	15,000	15,000
Total Revenues	500	20,052	19,552	31,430
EXPENDITURES				
Economic development				
Capital outlay		83,991	83,991	142,986
Professional services		3,000	3,000	
Repairs and maintenance		34,411	34,411	
Other		80,675	80,675	
Total Expenditures	0	202,077	202,077	142,986
Excess (Deficiency) of Revenues Over (Under) Expenditures	500	(182,025)	(182,525)	(111,556)
OTHER FINANCING SOURCES (USES)				
Transfers in				34,031
Transfers out		(21,698)	(21,698)	(21,698)
Total Other Financing Sources (Uses)	0	(21,698)	(21,698)	12,333
Net Change in Fund Balances	\$ 500	(203,723)	\$ (204,223)	(99,223)
FUND BALANCE, BEGINNING OF YEAR		391,883		491,106
FUND BALANCE, END OF YEAR		\$ 188,160		\$ 391,883

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES	\$	\$	\$	\$
EXPENDITURES				
Economic development				
Professional services		5,652	5,652	20,178
Deficiency of Revenues Under Expenditures	0	(5,652)	(5,652)	(20,178)
OTHER FINANCING SOUCES				
Transfers in		5,745	5,745	19,971
Net Change in Fund Balances	\$ 0	93	\$ 93	(207)
FUND BALANCE, BEGINNING OF YEAR		(93)		114
FUND BALANCE, END OF YEAR		\$ 0		\$ (93)

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$	\$ 50	\$ 50	\$ 315
EXPENDITURES				
Economic development				
Miscellaneous		3,522	3,522	2,311
Net Change in Fund Balances	\$ 0	(3,472)	\$ (3,472)	(1,996)
FUND BALANCE, BEGINNING OF YEAR		7,635		9,631
FUND BALANCE, END OF YEAR		\$ 4,163		\$ 7,635

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, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		Over (Under) Final Budget	2008 Actual
	Final Budget	Actual		
REVENUES				
Interest income	\$	\$ 204	\$ 204	\$ 944
Miscellaneous Donations		75	75	1,466
Total Revenues	0	279	279	2,410
EXPENDITURES				
Culture and recreation				
Repairs and maintenance		1,032	1,032	2,651
Miscellaneous		2,406	2,406	5,750
Total Expenditures	0	3,438	3,438	8,401
Net Change in Fund Balances	<u>\$ 0</u>	<u>(3,159)</u>	<u>\$ (3,159)</u>	<u>(5,991)</u>
FUND BALANCE, BEGINNING OF YEAR		<u>25,670</u>		<u>31,661</u>
FUND BALANCE, END OF YEAR		<u>\$ 22,511</u>		<u>\$ 25,670</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
LIQUOR ENTERPRISE FUND
DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	2009	2008
ASSETS		
Current Assets		
Cash and investments	\$ 881,918	\$ 805,425
Accounts receivable		20
Inventories	179,614	174,263
Prepaid expenses	3,485	3,374
Total Current Assets	1,065,017	983,082
Noncurrent Assets		
Capital assets		
Non-depreciable	22,606	22,606
Depreciable, net	38,420	33,500
Net OPEB asset	8,446	3,208
Total Noncurrent Assets	69,472	59,314
Total Assets	\$ 1,134,489	\$ 1,042,396
LIABILITIES AND NET ASSETS		
Liabilities		
Current Liabilities		
Accounts payable	\$ 31,012	\$ 9,725
Accrued salaries	5,944	4,944
Due to other governmental units	18,234	16,984
Total Current Liabilities	55,190	31,653
Noncurrent Liabilities		
Long-term portion of long-term debt	9,488	8,535
Total Liabilities	64,678	40,188
Net Assets		
Invested in capital assets	61,026	56,106
Unrestricted	1,008,785	946,102
Total Net Assets	1,069,811	1,002,208
Total Liabilities and Net Assets	\$ 1,134,489	\$ 1,042,396

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 BUDGET AND ACTUAL
 LIQUOR ENTERPRISE FUND

YEAR ENDED DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		2008
	Budget	Actual	Actual
OPERATING REVENUES			
Sales	\$ 1,904,500	\$ 1,887,947	\$ 1,856,513
Less: Cost of Goods Sold	(1,505,100)	(1,461,770)	(1,421,679)
Gross Profit on Sales	399,400	426,177	434,834
OPERATING EXPENSES			
Salaries and benefits	178,779	192,640	184,184
Supplies	6,550	20,270	8,210
Other services and charges	162,671	87,614	84,509
Depreciation		6,861	6,579
Total Operating Expenses	348,000	307,385	283,482
Operating Income	51,400	118,792	151,352
NONOPERATING REVENUES			
Interest income	7,500	6,446	22,897
Miscellaneous	100	1,365	238
Total Nonoperating Revenues	7,600	7,811	23,135
Income Before Transfers	59,000	126,603	174,487
TRANSFERS			
Transfers out	(59,000)	(59,000)	(59,000)
Change in Net Assets	\$ 0	67,603	115,487
NET ASSETS, BEGINNING OF YEAR		1,002,208	886,721
NET ASSETS, END OF YEAR		\$ 1,069,811	\$ 1,002,208

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
SEWER ENTERPRISE FUND

DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	2009	2008
ASSETS		
Current Assets		
Cash and investments	\$ 1,089,160	\$ 644,357
Cash with fiscal agent	198,564	
Accounts receivable	253,573	253,995
Due from other governments	563,617	
Prepaid expenses	14,217	13,210
Total Current Assets	2,119,131	911,562
Noncurrent Assets		
Restricted assets		
Cash - sinking fund account	1,099,435	1,065,353
Capital assets		
Non-depreciable	5,042,373	300,113
Depreciable, net	15,139,829	15,774,516
Deferred charges	13,874	18,499
Net OPEB asset	16,929	11,223
Total Noncurrent Assets	21,312,440	17,169,704
Total Assets	\$ 23,431,571	\$ 18,081,266
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities (from current assets)		
Accounts and contracts payable	\$ 788,542	\$ 15,676
Accrued salaries	12,015	11,962
Accrued interest payable	85,562	94,190
Total Current Liabilities (From Current Assets)	886,119	121,828
Current liabilities (from restricted assets)		
Current portion of long-term debt	859,941	826,770
Noncurrent liabilities		
Long-term portion of long-term debt	11,405,911	8,939,317
Total Liabilities	13,151,971	9,887,915
Net Assets		
Invested in capital assets, net of related debt	8,058,870	6,308,542
Restricted for debt service	1,099,435	1,065,353
Unrestricted	1,121,295	819,456
Total Net Assets	10,279,600	8,193,351
Total Liabilities and Net Assets	\$ 23,431,571	\$ 18,081,266

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
BUDGET AND ACTUAL

SEWER ENTERPRISE FUND

YEAR ENDED DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		2008
	Budget	Actual	Actual
OPERATING REVENUES			
Charges for services	\$ 2,412,250	\$ 2,502,830	\$ 2,401,154
Other	2,000	688	4,562
Total Operating Revenues	2,414,250	2,503,518	2,405,716
OPERATING EXPENSES			
Salaries and benefits	514,866	526,580	486,090
Supplies	323,500	342,601	294,550
Other services and charges	587,034	511,720	508,634
Depreciation	818,000	577,206	585,846
Total Operating Expenses	2,243,400	1,958,107	1,875,120
Operating Income	170,850	545,411	530,596
NONOPERATING REVENUES (EXPENSES)			
Interest income	24,880	17,489	62,980
Interest and amortization expense	(266,588)	(262,094)	(289,840)
Intergovernmental		1,771,512	
Loss on asset disposal		(57,481)	
Miscellaneous		8,595	3,950
Total Nonoperating Revenues (Expenses)	(241,708)	1,478,021	(222,910)
Income (Loss) Before Transfers	(70,858)	2,023,432	307,686
TRANSFERS			
Transfers in	200,000	200,000	114,306
Transfers out	(93,250)	(137,183)	(90,000)
Change in Net Assets	<u>\$ 35,892</u>	2,086,249	331,992
NET ASSETS, BEGINNING OF YEAR		<u>8,193,351</u>	<u>7,861,359</u>
NET ASSETS, END OF YEAR		<u>\$ 10,279,600</u>	<u>\$ 8,193,351</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
ELECTRIC ENTERPRISE FUND
DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	2009	2008
ASSETS		
Current Assets		
Cash and investments	\$ 7,110,365	\$ 10,298,517
Cash with fiscal agent	527,126	252,598
Accounts receivable (net)	963,475	835,911
Inventories	431,152	482,314
Prepaid expenses	17,684	16,374
Total Current Assets	9,049,802	11,885,714
Noncurrent Assets		
Capital assets		
Non-depreciable	14,056,047	6,796,840
Depreciable, net	3,875,647	4,024,028
Deferred charges	286,941	137,787
Net OPEB asset	59,270	30,460
Total Noncurrent Assets	18,277,905	10,989,115
Total Assets	\$ 27,327,707	\$ 22,874,829
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 397,345	\$ 386,166
Contracts payable	537,614	4,013,158
Accrued interest	299,957	226,699
Accrued salaries	26,274	21,489
Due to other governmental units	23,575	26,815
Current portion of long-term debt	325,000	422
Total Current Liabilities	1,609,765	4,674,749
Noncurrent liabilities		
Long-term portion of long term debt	16,212,613	10,036,807
Total Liabilities	17,822,378	14,711,556
Net Assets		
Invested in capital assets, net or related debt	3,153,665	3,140,722
Unrestricted	6,351,664	5,022,551
Total Net Assets	9,505,329	8,163,273
Total Liabilities and Net Assets	\$ 27,327,707	\$ 22,874,829

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, 2009

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		2008
	Budget	Actual	Actual
OPERATING REVENUES			
Charges for services	\$ 8,935,836	\$ 8,836,764	\$ 7,819,785
Miscellaneous	20,000	45,471	39,650
Total Operating Revenues	8,955,836	8,882,235	7,859,435
OPERATING EXPENSES			
Purchased power	5,408,291	4,909,216	4,759,958
Production expenses	373,031	338,386	317,057
Distribution expenses	496,081	436,668	498,490
Administrative and general	721,833	603,356	675,419
Depreciation	303,125	294,447	283,070
Total Operating Expenses	7,302,361	6,582,073	6,533,994
Operating Income	1,653,475	2,300,162	1,325,441
NONOPERATING REVENUES (EXPENSES)			
Interest income	36,000	63,862	216,714
Interest and amortization expense		(540,456)	(226,699)
Refunds and reimbursements		10,060	4,463
Miscellaneous	21,000	18,906	42,319
Total Nonoperating Revenues (Expenses)	57,000	(447,628)	36,797
Income before Transfers	1,710,475	1,852,534	1,362,238
TRANSFERS			
Transfers out	(510,478)	(510,478)	(376,265)
Change in Net Assets	\$ 1,199,997	1,342,056	985,973
NET ASSETS, BEGINNING OF YEAR		8,163,273	7,177,300
NET ASSETS, END OF YEAR		\$ 9,505,329	\$ 8,163,273

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
 WATER ENTERPRISE FUND
 DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	2009	2008
ASSETS		
Current Assets		
Cash and investments	\$ 1,148,241	\$ 1,213,278
Accounts receivable (net)	75,893	75,685
Prepaid expenses	3,298	3,435
Total Current Assets	1,227,432	1,292,398
Noncurrent Assets		
Restricted assets		
Cash - sinking fund account	152,895	151,526
Capital assets		
Non-depreciable	243,493	505,639
Depreciable, net	5,948,982	5,994,385
Net OPEB asset	12,706	4,807
Total Noncurrent Assets	6,358,076	6,656,357
Total Assets	\$ 7,585,508	\$ 7,948,755
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 7,741	\$ 7,923
Contracts payable	9,283	9,283
Accrued salaries	5,403	4,377
Accrued interest payable	34,163	37,185
Deposits payable	28,004	27,753
Due to other governmental units	11,372	11,705
Current portion of long-term debt	225,767	218,767
Total Current Liabilities	312,450	316,993
Noncurrent liabilities		
Long-term portion of long-term debt	2,375,571	2,601,891
Total Liabilities	2,688,021	2,918,884
Net Assets		
Invested in capital assets, net of related debt	3,596,340	3,679,366
Restricted for debt service	152,895	151,526
Unrestricted	1,148,252	1,198,979
Total Net Assets	4,897,487	5,029,871
Total Liabilities and Net Assets	\$ 7,585,508	\$ 7,948,755

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, 2009

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	2009		2008
	Budget	Actual	Actual
OPERATING REVENUES			
Charges for services	\$ 868,117	\$ 820,228	\$ 840,963
OPERATING EXPENSES			
Purchased power	56,000	68,031	66,304
Production expenses	76,100	39,264	60,391
Distribution expenses	334,091	316,277	463,749
Administrative and general	60,602	71,093	54,156
Depreciation	45,099	338,421	328,302
Total Operating Expenses	<u>571,892</u>	<u>833,086</u>	<u>972,902</u>
Operating Income (Loss)	296,225	(12,858)	(131,939)
NONOPERATING REVENUES (EXPENSES)			
Interest income	57,653	10,908	54,894
Interest expense	<u>(298,943)</u>	<u>(98,565)</u>	<u>(109,224)</u>
Total Nonoperating Revenues (Expenses)	<u>(241,290)</u>	<u>(87,657)</u>	<u>(54,330)</u>
Income (Loss) Before Transfers	54,935	(100,515)	(186,269)
TRANSFERS			
Transfers out	<u>(53,281)</u>	<u>(31,869)</u>	<u>(28,619)</u>
Change in Net Assets	<u>\$ 1,654</u>	(132,384)	(214,888)
NET ASSETS, BEGINNING OF YEAR		<u>5,029,871</u>	<u>5,244,759</u>
NET ASSETS, END OF YEAR		<u>\$ 4,897,487</u>	<u>\$ 5,029,871</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	Capital Improvement Revolving	Operating Revolving	Totals	
			2009	2008
ASSETS				
Current Assets				
Cash and investments	\$ 938,810	\$ 1,031,441	\$ 1,970,251	\$ 922,863
Due from other governmental units	5,839		5,839	5,126
Advance to other funds		441,492	441,492	461,308
Total Current Assets	944,649	1,472,933	2,417,582	1,389,297
Noncurrent Assets				
Capital assets				
Depreciable, net	2,370,675		2,370,675	2,171,958
Deferred charges	19,392		19,392	7,984
Total Noncurrent Assets	2,390,067	0	2,390,067	2,179,942
Total Assets	\$ 3,334,716	\$ 1,472,933	\$ 4,807,649	\$ 3,569,239
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable	\$ 4,886	\$	\$ 4,886	\$ 3,806
Current portion of equipment capital notes	155,000		155,000	100,000
Total Current Liabilities	159,886	0	159,886	103,806
Noncurrent liabilities				
Equipment capital notes, net of current portion	1,275,000		1,275,000	770,000
Total Liabilities	1,434,886	0	1,434,886	873,806
Net Assets				
Invested in capital assets, net of related debt	940,675		940,675	1,301,958
Unrestricted	959,155	1,472,933	2,432,088	1,393,475
Total Net Assets	1,899,830	1,472,933	3,372,763	2,695,433
Total Liabilities and Net Assets	\$ 3,334,716	\$ 1,472,933	\$ 4,807,649	\$ 3,569,239

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2009
WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	Capital Improvement Revolving	Operating Revolving	Totals	
			2009	2008
OPERATING REVENUES				
User charges	\$ 347,266	\$	\$ 347,266	\$ 344,431
OPERATING EXPENSES				
Depreciation	492,672		492,672	490,573
Miscellaneous	70,358		70,358	39,105
Total Operating Expenses	563,030		563,030	529,678
Operating Loss	(215,764)	0	(215,764)	(185,247)
NONOPERATING REVENUES (EXPENSES)				
Taxes	91,412		91,412	153,602
Intergovernmental	9,792		9,792	17,104
Interest income	6,601	6,076	12,677	32,017
Interest expense	(32,933)		(32,933)	(34,284)
State grants	19,800		19,800	17,000
Miscellaneous	(8,931)		(8,931)	112,343
Total Nonoperating Revenues (Expenses)	85,741	6,076	91,817	297,782
Income (Loss) Before Transfers	(130,023)	6,076	(123,947)	112,535
TRANSFERS				
Transfers in	322,696	500,000	822,696	205,029
Transfers out		(21,419)	(21,419)	(21,628)
Change in Net Assets	192,673	484,657	677,330	295,936
NET ASSETS, BEGINNING OF YEAR	1,707,157	988,276	2,695,433	2,399,497
NET ASSETS, END OF YEAR	<u>\$ 1,899,830</u>	<u>\$ 1,472,933</u>	<u>\$ 3,372,763</u>	<u>\$ 2,695,433</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
 CAPITAL IMPROVEMENT REVOLVING INTERNAL SERVICE FUND
 DECEMBER 31, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	2009	2008
ASSETS		
Current Assets		
Cash and investments	\$ 938,810	\$ 395,895
Due from other governmental units	5,839	5,126
Total Current Assets	944,649	401,021
Noncurrent Assets		
Capital assets		
Depreciable, net	2,370,675	2,171,958
Deferred charges	19,392	7,984
Total Noncurrent Assets	2,390,067	2,179,942
Total Assets	\$ 3,334,716	\$ 2,580,963
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 4,886	\$ 3,806
Current portion of long-term debt	155,000	100,000
Total Current Liabilities	159,886	103,806
Noncurrent liabilities		
Long-term portion of long-term debt	1,275,000	770,000
Total Liabilities	1,434,886	873,806
Net Assets		
Invested in capital assets, net of related debt	940,675	1,301,958
Unrestricted	959,155	405,199
Total Net Assets	1,899,830	1,707,157
Total Liabilities and Net Assets	\$ 3,334,716	\$ 2,580,963

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 CAPITAL IMPROVEMENT REVOLVING INTERNAL SERVICE FUND
 YEAR ENDED DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES		
User charges	\$ 347,266	\$ 344,431
OPERATING EXPENSES		
Depreciation	492,672	490,573
Miscellaneous	<u>70,358</u>	<u>39,105</u>
Total Operating Expenses	<u>563,030</u>	<u>529,678</u>
Operating Income	(215,764)	(185,247)
NONOPERATING REVENUES (EXPENSES)		
Taxes	91,412	153,602
Intergovernmental	9,792	17,104
Interest income	6,601	11,655
Interest expense	(32,933)	(34,284)
State grants	19,800	17,000
Miscellaneous	<u>(8,931)</u>	<u>112,343</u>
Total Nonoperating Revenues	<u>85,741</u>	<u>277,420</u>
Income (Loss) before Transfers	(130,023)	92,173
TRANSFERS		
Transfers in	<u>322,696</u>	<u>205,029</u>
Change in Net Assets	192,673	297,202
NET ASSETS, BEGINNING OF YEAR	<u>1,707,157</u>	<u>1,409,955</u>
NET ASSETS, END OF YEAR	<u>\$ 1,899,830</u>	<u>\$ 1,707,157</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
 OPERATING REVOLVING INTERNAL SERVICE FUND
 DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	ASSETS	<u>2009</u>	<u>2008</u>
Current Assets			
Cash and investments		\$ 1,031,441	\$ 526,968
Advance to other funds		<u>441,492</u>	<u>461,308</u>
Total Assets		<u>\$ 1,472,933</u>	<u>\$ 988,276</u>
	NET ASSETS		
Net Assets			
Unrestricted		<u>\$ 1,472,933</u>	<u>\$ 988,276</u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
 OPERATING REVOLVING INTERNAL SERVICE FUND
 YEAR ENDED DECEMBER 31, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	<u>2009</u>	<u>2008</u>
NONOPERATING REVENUES		
Interest income	\$ 6,076	\$ 20,362
TRANSFERS		
Transfers in	500,000	
Transfers out	<u>(21,419)</u>	<u>(21,628)</u>
Change in Net Assets	484,657	(1,266)
NET ASSETS, BEGINNING OF YEAR	<u>988,276</u>	<u>989,542</u>
NET ASSETS, END OF YEAR	<u><u>\$ 1,472,933</u></u>	<u><u>\$ 988,276</u></u>

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF NET ASSETS
PRIVATE PURPOSE TRUST FUNDS
DECEMBER 31, 2009

WITH PARTIAL COMPARATIVE AMOUNTS AS OF DECEMBER 31, 2008

	Library Trust	Anderson Gardens Trust	Totals	
			2009	2008
ASSETS				
Current Assets				
Cash	\$ 24,353	\$ 193,934	\$ 218,287	\$ 216,457
NET ASSETS				
Net Assets Restricted	\$ 24,353	\$ 193,934	\$ 218,287	\$ 216,457

CITY OF LITCHFIELD, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS
 PRIVATE PURPOSE TRUST FUNDS
 YEAR ENDED DECEMBER 31, 2009
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2008

	Library Trust	Anderson Gardens Trust	Totals	
			2009	2008
REVENUES				
Interest	\$ 198	\$ 1,632	\$ 1,830	\$ 7,288
EXPENDITURES				
Change in Net Assets	198	1,632	1,830	7,288
NET ASSETS, BEGINNING OF YEAR	<u>24,155</u>	<u>192,302</u>	<u>216,457</u>	<u>209,169</u>
NET ASSETS, END OF YEAR	<u>\$ 24,353</u>	<u>\$ 193,934</u>	<u>\$ 218,287</u>	<u>\$ 216,457</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, 2009

	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	338,662	21,816	360,478
Interest on invested funds		15,000	16,009		16,009
Intergovernmental			11,623	1,904	13,527
Loan proceeds/transfers		302,500	208,462		208,462
Total Sources of Funds	501,675	960,000	839,756	23,720	863,476
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	39,576	127,018
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	30,557	32,500	27,168	1,093	28,261
Bond costs	11,500				
Total Uses of Funds	837,707	960,000	821,807	40,669	862,476
FUNDS REMAINING	\$ (336,032)	\$ 0	\$ 17,949	\$ (16,949)	\$ 1,000

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
 PLEASANTVIEW ESTATES OUTFALL
 TAX INCREMENT FINANCING DISTRICT NO. 1-2
 DECEMBER 31, 2009

	Original Budget	Amended Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS					
Tax increment revenue	\$ 228,750	\$ 140,000	\$ 767,845	\$ 126,867	\$ 894,712
Interest on invested funds		5,000	32,768	849	33,617
Loan proceeds (inter-fund)	35,000	83,000	52,885		52,885
Intergovernmental			87,526	19,706	107,232
Transfers in		30,000	50,739		50,739
Total Sources of Funds	263,750	258,000	991,763	147,422	1,139,185
USES OF FUNDS					
Installation of public utilities	25,000	31,360	31,360		31,360
Streets and sidewalks			337,866	229,697	567,563
Loan principal payments	35,000	83,000	52,885		52,885
Loan/note interest	16,192	22,000	21,883		21,883
Administrative	22,875	14,500	28,401	2,792	31,193
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	905,356	232,489	1,137,845
FUNDS REMAINING	\$ 0	\$ 0	\$ 86,407	\$ (85,067)	\$ 1,340

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
 LONGFELLOW SQUARE
 TAX INCREMENT FINANCING DISTRICT NO. 3-1
 DECEMBER 31, 2009

	Original Budget	Amended Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS					
Tax increment revenue	\$ 175,000	\$ 450,000	\$ 283,586	\$ 11,369	\$ 294,955
Interest on invested funds		50,000	30,685	122	30,807
Real estate sales		90,000	6,240		6,240
Intergovernmental			9,004	3,799	12,803
Interest on contract for deed		14,200	14,197		14,197
Total Sources of Funds	175,000	604,200	343,712	15,290	359,002
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	27,730	55,473
Loan principal payments			6,240		6,240
Loan interest			3,659		3,659
Administrative	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	330,150	27,730	357,880
FUNDS REMAINING	\$ 132,750	\$ 0	\$ 13,562	\$ (12,440)	\$ 1,122

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
 HOUSING - TERRACEVIEW DRIVE
 TAX INCREMENT FINANCING DISTRICT NO. 4-4
 DECEMBER 31, 2009

	Original Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS				
Tax increment revenue	\$ 543,300	\$ 102,484	\$ 7,597	\$ 110,081
Interest income		51		51
Local contribution		10,632		10,632
Total Sources of Funds	543,300	113,167	7,597	120,764
USES OF FUNDS				
Land/building acquisition	16,900			
Site improvement or preparation costs	108,100	98,279	6,837	105,116
Loan interest		4,685	311	4,996
Administrative	14,000	15,717	95	15,812
Total Uses of Funds	139,000	118,681	7,243	125,924
FUNDS REMAINING	\$ 404,300	\$ (5,514)	\$ 354	\$ (5,160)

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
 NORTHSTAR I
 TAX INCREMENT FINANCING DISTRICT NO. 4-10
 DECEMBER 31, 2009

	Original Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS				
Tax increment revenue	\$ 950,000	\$ 115,455	\$ 20,046	\$ 135,501
Interest income		290		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>142,963</u>	<u>20,046</u>	<u>163,009</u>
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	39,827	3,217	43,044
Administrative	95,000	7,644	95	7,739
	<u>2,379,403</u>	<u>206,276</u>	<u>3,312</u>	<u>209,588</u>
FUNDS REMAINING	<u>\$ 0</u>	<u>\$ (63,313)</u>	<u>\$ 16,734</u>	<u>\$ (46,579)</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF SOURCES AND USES OF PUBLIC FUNDS
TOWMASTER
TAX INCREMENT FINANCING DISTRICT NO. 4-12
DECEMBER 31, 2009

	Original Budget	Accounted For in Prior Years	Current Year	Total Accounted For
SOURCES OF FUNDS				
Tax increment revenue	\$ 820,000	\$ 29,321	\$ 33,218	\$ 62,539
Bond proceeds	820,000			
Loan proceeds (inter-fund)	820,000			
Interest on invested funds	10,000	383	55	438
Transfer in	820,000			
Total Sources of Funds	3,290,000	29,704	33,273	62,977
USES OF FUNDS				
Site improvement or preparation costs	350,000	25,260	29,897	55,157
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		380	380
Total Uses of Funds	3,290,000	26,388	30,277	56,665
FUNDS REMAINING	\$ 0	\$ 3,316	\$ 2,996	\$ 6,312

CITY OF LITCHFIELD, MINNESOTA

G.O. BONDS, SERIES 2007A
DECEMBER 31, 2009

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>
2/1/2010	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>\$ 555,000</u>	<u>\$ 197,766</u>	<u>\$ 752,766</u>

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2004A
DECEMBER 31, 2009

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>
2/1/2010	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>\$ 485,000</u>	<u>\$ 124,900</u>	<u>\$ 609,900</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. IMPROVEMENT BONDS, SERIES 2006A
DECEMBER 31, 2009

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>
2/1/2010	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>\$ 505,000</u>	<u>\$ 143,782</u>	<u>\$ 648,782</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. REFUNDING IMPROVEMENT BONDS, SERIES 2009B
DECEMBER 31, 2009

General Obligation Refunding Improvement Bonds, Series 2009B

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2010	2.00%	\$ 310,000	\$ 14,064	\$ 324,064
8/1/2010			6,750	6,750
2/1/2011	2.00%	145,000	6,750	151,750
8/1/2011			5,300	5,300
2/1/2012	2.50%	140,000	5,300	145,300
8/1/2012			3,550	3,550
2/1/2013	2.50%	110,000	3,550	113,550
8/1/2013			2,175	2,175
2/1/2014	2.50%	40,000	2,175	42,175
8/1/2014			1,675	1,675
2/1/2015	3.00%	35,000	1,675	36,675
8/1/2015			1,150	1,150
2/1/2016	3.00%	20,000	1,150	21,150
8/1/2016			850	850
2/1/2017	3.50%	20,000	850	20,850
8/1/2017			500	500
2/1/2018	4.00%	25,000	500	25,500
TOTALS		<u>\$ 845,000</u>	<u>\$ 57,964</u>	<u>\$ 902,964</u>

CITY OF LITCHFIELD, MINNESOTA

G. O. HOUSING DEVELOPMENT BONDS, SERIES 1996A
DECEMBER 31, 2009

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>
2/1/2010	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>\$ 1,935,000</u>	<u>\$ 786,303</u>	<u>\$ 2,721,303</u>

CITY OF LITCHFIELD, MINNESOTA

PUBLIC PROJECT LEASE REVENUE BONDS, SERIES 2005A
DECEMBER 31, 2009

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>
2/1/2010	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>\$ 1,450,000</u>	<u>\$ 626,820</u>	<u>\$ 2,076,820</u>

CITY OF LITCHFIELD, MINNESOTA

PUBLIC PROJECT LEASE REVENUE BONDS, SERIES 2007B
DECEMBER 31, 2009

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>
2/1/2010	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>\$ 565,000</u>	<u>\$ 306,729</u>	<u>\$ 871,729</u>

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

GRANDSTAND CAPITAL LEASE
DECEMBER 31, 2009

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>
2010	6.67%	<u>\$ 10,499</u>	<u>\$ 350</u>	<u>\$ 10,849</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. REVENUE LOANS PAYABLE OF 1999
DECEMBER 31, 2009

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>
2/20/2010	3.54%	\$	\$ 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>\$ 2,478,000</u>	<u>\$ 507,636</u>	<u>\$ 2,985,636</u>

CITY OF LITCHFIELD, MINNESOTA

G.O. REVENUE LOANS PAYABLE OF 2001
DECEMBER 31, 2009

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>
2/20/2010	2.68%	\$	\$ 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		\$ 7,904,000	\$ 1,561,234	\$ 9,465,234

CITY OF LITCHFIELD, MINNESOTA

G.O. WASTEWATER FACILITY REVENUE REFUNDING BONDS, SERIES 2002A
 DECEMBER 31, 2009

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>
2/1/2010	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>\$ 1,015,000</u>	<u>\$ 55,388</u>	<u>\$ 1,070,388</u>

CITY OF LITCHFIELD, MINNESOTA

ELECTRIC UTILITY REVENUE BONDS, SERIES 2008A
DECEMBER 31, 2009

Electric Utility Revenue Bonds, Series 2008A

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2010	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>\$ 4,739,477</u>	<u>\$ 14,719,477</u>

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

ELECTRIC REVENUE BONDS, SERIES 2009C
DECEMBER 31, 2009

Electric Revenue Bonds, Series 2009C

Payable to: Bond Trust Services Corporation

<u>Due Date</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2/1/2010		\$	\$ 158,643	\$ 158,643
8/1/2010			135,335	135,335
2/1/2011	1.65%	270,000	135,335	405,335
8/1/2011			133,108	133,108
2/1/2012	2.00%	275,000	133,108	408,108
8/1/2012			130,357	130,357
2/1/2013	3.00%	280,000	130,357	410,357
8/1/2013			126,158	126,158
2/1/2014	3.50%	285,000	126,158	411,158
8/1/2014			121,170	121,170
2/1/2015	3.75%	290,000	121,170	411,170
8/1/2015			115,733	115,733
2/1/2016	3.75%	295,000	115,733	410,733
8/1/2016			110,201	110,201
2/1/2017	4.00%	305,000	110,201	415,201
8/1/2017			104,101	104,101
2/1/2018	4.00%	315,000	104,101	419,101
8/1/2018			97,801	97,801
2/1/2019	4.25%	325,000	97,801	422,801
8/1/2019			90,895	90,895
2/1/2020	4.15%	335,000	90,895	425,895
8/1/2020			83,944	83,944
2/1/2021	4.25%	345,000	83,944	428,944
8/1/2021			76,612	76,612
2/1/2022	4.30%	350,000	76,612	426,612
8/1/2022			69,087	69,087
2/1/2023	4.50%	365,000	69,087	434,087
8/1/2023			60,875	60,875
2/1/2024	4.60%	375,000	60,875	435,875
8/1/2024			52,250	52,250
2/1/2025	5.00%	385,000	52,250	437,250
8/1/2025			42,625	42,625
2/1/2026	5.00%	400,000	42,625	442,625
8/1/2026			32,625	32,625
2/1/2027	5.00%	420,000	32,625	452,625
8/1/2027			22,125	22,125
2/1/2028	5.00%	435,000	22,125	457,125
8/1/2028			11,250	11,250
2/1/2029	5.00%	450,000	11,250	461,250
TOTALS		<u>\$ 6,500,000</u>	<u>\$ 3,391,147</u>	<u>\$ 9,891,147</u>

Supplementary Information - See Auditor's Report

CITY OF LITCHFIELD, MINNESOTA

ASSESSMENT PAYABLE
DECEMBER 31, 2009

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>
2010	5.00%	\$ 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>\$ 118,135</u>	<u>\$ 26,580</u>	<u>\$ 144,715</u>

CITY OF LITCHFIELD, MINNESOTA
 CERTIFICATES OF INDEBTEDNESS
 DECEMBER 31, 2009

Certificate of Indebtedness - 2006

Payable to: Home State Bank

Due Date	Interest Rate	Principal	Interest	Total
2/6/2010	3.90%	\$ 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>\$ 126,000</u>	<u>\$ 16,870</u>	<u>\$ 142,870</u>

CITY OF LITCHFIELD, MINNESOTA
 CERTIFICATES OF INDEBTEDNESS
 DECEMBER 31, 2009

Certificate of Indebtedness - 2007

Payable to: Center National Bank

Due Date	Interest Rate	Principal	Interest	Total
2/28/2010	4.10%	\$ 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>\$ 454,000</u>	<u>\$ 75,316</u>	<u>\$ 529,316</u>

CITY OF LITCHFIELD, MINNESOTA
 CERTIFICATES OF INDEBTEDNESS
 DECEMBER 31, 2009

G.O. Equipment Certificates, Series 2009A

Payable to: Bond Trust Services Corporation

Due Date	Interest Rate	Principal	Interest	Total
2/1/2010		\$ 60,000	\$ 13,689	\$ 73,689
8/1/2010			8,988	8,988
2/1/2011	2.00%	60,000	8,988	68,988
8/1/2011			8,387	8,387
2/1/2012	2.50%	60,000	8,387	68,387
8/1/2012			7,638	7,638
2/1/2013	2.50%	60,000	7,638	67,638
8/1/2013			6,887	6,887
2/1/2014	2.50%	65,000	6,887	71,887
8/1/2014			6,075	6,075
2/1/2015	3.00%	65,000	6,075	71,075
8/1/2015			5,100	5,100
2/1/2016	3.00%	65,000	5,100	70,100
8/1/2016			4,125	4,125
2/1/2017	3.50%	70,000	4,125	74,125
8/1/2017			2,900	2,900
2/1/2018	4.00%	70,000	2,900	72,900
8/1/2018			1,500	1,500
2/1/2019	4.00%	75,000	1,500	76,500
TOTALS		<u>\$ 650,000</u>	<u>\$ 116,889</u>	<u>\$ 766,889</u>

CITY OF LITCHFIELD, MINNESOTA
 COMPUTATION OF LEGAL DEBT MARGIN
 DECEMBER 31, 2009

Assessed Market Value		<u>\$ 366,689,800</u>
Debt Limit - 3% of valuation		\$ 11,000,694
Total Bonded Indebtedness and Capital Notes and Loans	\$ 38,793,907	
Less:		
Assets in debt service funds available for payment of principal	\$ 1,238,209	
Other deductions allowed by law		
1) Obligation payable wholly or partially from special assessments	1,835,000	
2) Obligation issued for acquisition and improvement of public utilities and conveniences from which revenue is derived	<u>35,045,273</u>	
Total Deductions	<u>38,118,482</u>	
Total Amount of Debt Applicable to Debt Limit		<u>675,425</u>
Legal Debt Margin		<u>\$ 10,325,269</u>

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2009

Federal Grantor\ Pass Through Grantor\ Program Title	Federal CFDA Number	Agency or Pass-Through Number	Expenditures
Environmental Protection Agency Minnesota Public Facilities Authority Capitalization Grants for Clean Water State Revolving Funds	66.468	MPFA-08-0054-R-FY10	\$ 230,425
Environmental Protection Agency Minnesota Public Facilities Authority ARRA - Capitalization Grants for Clean Water State Revolving Funds	66.468	ARRA-09-0054-R-FY10	3,117,320
Department of Transportation Minnesota Department of Transportation Airport Improvement Program	20.106	SP 4701-26/27	187,507
Department of Agriculture Minnesota Department of Natural Resources Cooperative Forestry Assistance	10.664	B22715	<u>2,000</u>
Total Federal Awards			<u><u>\$ 3,537,252</u></u>

Supplementary Information - See accompanying Notes to Schedule of Expenditures of Federal Awards and Auditor's Report.

CITY OF LITCHFIELD, MINNESOTA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2009

NOTE 1. GENERAL

The Schedule of Expenditures of Federal Awards presents the federal awards programs expended by the City of Litchfield. The City's reporting entity is defined in Note 1 to the financial statements.

NOTE 2. BASIS OF ACCOUNTING

The expenditures on this schedule are on the basis of accounting used by the individual fund of the City of Litchfield, Minnesota. Governmental fund types use the modified accrual basis and proprietary fund types use the full accrual basis.

NOTE 3. SUBRECIPIENTS

During the year ended December 31, 2009, the City did not pass any federal money to subrecipients.

COMPLIANCE SECTION



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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, 2009, and have issued our report thereon dated June 21, 2010.

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, Deuth & Schmiesing, PLLP

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

June 21, 2010

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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, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 21, 2010. 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.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2007-01 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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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 21, 2010.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 21, 2010



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor and City Council
City of Litchfield
Litchfield, Minnesota

Compliance

We have audited the compliance of the City of Litchfield, Minnesota, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Litchfield, Minnesota, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009.

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Internal Control Over Compliance

Management of the City of Litchfield, Minnesota, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, state and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specific parties.

Conway, Deuth & Schmiesing, PLLP

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

June 21, 2010

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009

I. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses unqualified opinions on the basic financial statements of the City of Litchfield, Minnesota.
2. A significant deficiency in internal control was disclosed by the audit of financial statements of the City of Litchfield, Minnesota, and is reported in the "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*." The significant deficiency is not a material weakness.
3. No instances of noncompliance material to the financial statements of the City of Litchfield, Minnesota were disclosed during the audit.
4. No matters involving internal control over compliance relating to the audit of the major federal award programs were reported in the "Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for the City of Litchfield, Minnesota, expresses an unqualified opinion.
6. No findings were disclosed that are required to be reported in accordance with OMB Circular A-133.
7. The following programs were tested as major programs:

<u>Program Name</u>	<u>CFDA No.</u>
ARRA Capitalization Grants for Clean Water State Revolving Funds	66.458
Capitalization Grants for Clean Water State Revolving Funds	66.458

8. The threshold for distinguishing between Types A and B programs was \$300,000.
9. The City of Litchfield, Minnesota, was not determined to be a low-risk auditee.

II. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

PREVIOUSLY REPORTED ITEMS NOT RESOLVED

FINDING 2007-01 AUDITOR PREPARED FINANCIAL STATEMENTS

The preparation of the financial statements and 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 weakness 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 from doing so.

CITY OF LITCHFIELD, MINNESOTA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2009

III. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

None

IV. FINDINGS AND QUESTIONED COSTS - MINNESOTA LEGAL COMPLIANCE

None