

THE CITY OF ALBERT LEA MINNESOTA



COMPREHENSIVE ANNUAL
FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2010

CITY OF ALBERT LEA
ALBERT LEA, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2010

PREPARED BY:

FINANCE DEPARTMENT

Patrick McGarvey
Interim City Manager

Member GFOA of U.S. and Canada
Published August 2, 2011

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ALBERT LEA, MINNESOTA
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ALBERT LEA, MINNESOTA
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INTRODUCTORY SECTION

CITY OF ALBERT LEA
ALBERT LEA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

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August 2, 2011

Honorable Mayor and
Members of the City Council

State statutes require that within six months of the close of the fiscal year the City publish a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2010.

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

LarsonAllen, LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Albert Lea's financial statements for the year ended December 31, 2010. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The analysis complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Albert Lea, incorporated in 1878, is located at the cross roads of interstate highways I-90 and I-35. It is a diversified industrial, regional retail, and medical center. The community is historic by Minnesota standards and celebrated its Sesquicentennial in 2006. The downtown is a National Commercial Historic District. We are approximately 100 miles south of the Twin Cities and only ten miles from the Iowa border. We are referred to as the "land between the lakes" as we are surrounded by several beautiful lakes. Our city currently occupies over 13 square miles and serves a population of 18,060 (2010 Census). The City of Albert Lea is empowered to levy a property tax on both real and personal property located within its boundaries. These boundaries continue to increase through annexations as the City continues to develop.

The City of Albert Lea, a charter city since 1932, operates under a council-manager form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of a mayor and six other members, all elected on a non-partisan basis. The Council appoints the manager, who in turn appoints the heads of the various departments. Council members serve four-year terms, with three members elected every two years. The mayor is elected for a two-year term. The mayor is elected at large, and the members of the Council are elected by ward.

The City provides a full range of services. These services include police and fire protection; the construction and maintenance of streets and other infrastructure; and other recreational and cultural activities. The City also provides water and sewer services along with the operation of the transfer station. The financial reporting entity (the City) includes all the funds of the primary government (i.e., the City of Albert Lea as legally defined), as well as its component unit. The component unit is a legally separate entity for which the primary government is financially accountable. The Albert Lea Port Authority is included as a discretely presented component unit.

The Council is required to hold Truth in Taxation hearings in early December of each year. Following these hearings, they are required to adopt a budget and certify their levy by December 28 of each year. This annual budget serves as the foundation for the City of Albert Lea's financial planning and control. The budget is prepared by fund, function (i.e. public works) and department (i.e. snow & ice removal). Department heads may transfer resources within a department as they see fit. Transfers between departments, however, need special approval from the Council.

Local Economy

Due to the city's location, natural beauty, seven lakes and bays, and an interconnecting transportation hub of state and interstate highways, it is well located as a place of retreat as well as a stopover for individuals and families traveling to major destination centers. Destinations in the region include Big Ten and professional sports in the Twin Cities, Mall of America, Sturgis motorcycle rally in South Dakota, AirVenture in OshKosh, Wisconsin, Mayo Clinic in Rochester, Cabela's in Owatonna, and Diamond Jo Casino, just 12 miles south of Albert Lea on I-35.

The nation is currently in a recession, unemployment rates are high, and foreclosures are at a record high. The City has been affected, but not to the same degree as neighboring communities. Much of our local economy is based in agriculture; including food processing and renewable fuels. The impact for this region seems to be less dramatic than for others in the nation.

The City has been affected by the budget shortfalls at the state level. The state has continued to make reductions in the aid that they provide to cities. With over one third of the City's revenues coming from state aid, the city spent a great deal of 2010 managing the reductions in revenue. The City was proactive in its approach and made changes that were sustainable. The City has well-prepared itself for any future reductions that the state may make.

While the City was making decisions regarding its operating budget, decisions regarding the capital budget were also necessary. It was decided to continue to complete high priority capital projects. Some of the projects completed during the year include continued work on the airport improvement projects, Edgewater Park pavilion construction, Edgewater Drive street and underground utilities project and 777th Avenue curb & gutter, concrete street and utilities.

Despite a difficult housing market nationally, the City of Albert Lea was pleased to issue permits for the construction of twelve new single family homes and four duplexes in 2010. This compares to eight single family homes and three duplexes in 2009.

A half percent local option sales and use tax went into effect in April 2006. The income produced from this is directed to the Shell Rock River Watershed District (SSRWD). The revenue source allows lake clean up efforts to become a reality with the Shell Rock River Watershed District, working with the City, on its plan of action. The sales and use tax is anticipated to generate over thirteen million dollars over the next nine years. It will sunset in 2016.

Long-term Financial Planning

Unreserved, undesignated fund balance in the general fund is within the recommendation by the Office of the State Auditor. It is recommended that the city maintain a balance between thirty and fifty percent of next year's expenditures. The City has always chosen to be quite conservative in the levels of unreserved fund balance it maintains and strives to be at fifty percent of next year's expenditures. The City intends to continue that approach until it is once again maintaining fund balance levels in excess of the recommendation of the Office of the State Auditor.

Included as part of the City's mission, vision and values is the value of integrity. The City will adhere to the highest standards of fiscal responsibility and ethical conduct in a manner that inspires public confidence and trust.

Major Initiatives

A vision for Albert Lea is to develop a trail system that eventually links all of Albert Lea's lakes to each other and to the state's trail system. The City filled in several gaps in their trail system in 2010. The addition of sidewalk to Bellview Park, Hammer Road, and along the south side of West Main Street has contributed to the City attaining its goals.

The City completed the cleanup of the Edgewater Landfill project and substantially completed construction on a new pavilion. The City will be using the facility for both public and private events. Currently, the Park and Recreation department is taking reservations for this year and next.

Shell Rock River Watershed District and the City partnered to complete the Main Street Stormwater Park project involving constructing a new stormwater park which includes a series of stormwater ponds as well as other innovative approaches to stormwater quality improvements such as pervious pavement, bio-retention and vegetation.

Airport construction projects continued in 2010, completing the Electrical Vault and runway relocation portions. Additional airport projects are currently in process involving significant Federal funding of the costs. Other projects completed include Edgewater Drive street and underground utilities, Nicklaus Drive bituminous paving, Trunk Highway 69 sewer and water extension, Newton Avenue railroad crossing signal upgrades, County Road 45 sewer and water extension, 2010 Neighborhood Improvement project including bituminous overlay and miscellaneous curb, gutter and sidewalk, and Main Forcemain repair project.

Proposed construction currently planned for 2011 include airport runway construction, Myers Road reconstruction, and neighborhood overlay improvements.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Albert Lea for its comprehensive annual financial report for the year ended December 31, 2009. This is the twenty-seventh (1983-2009) consecutive year that the City of Albert Lea has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR) that satisfies both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I would like to express my sincere appreciation to all the members of the Finance Department who assisted and contributed to the preparation of this report. Credit is also due to the auditing firm of LarsonAllen, LLP for their valuable contributions and advice. I would also like to thank the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Chad M. Adams
City Manager

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CITY OF ALBERT LEA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2010

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Vern Rasmussen Jr.	Mayor	12/31/12
Vacancy	Council Member - Ward 1	N/A
Larry Baker	Council Member - Ward 2	12/31/10
Ellen Kehr	Council Member - Ward 3	12/31/12
Reid Olson	Council Member - Ward 4	12/31/10
Larry Anderson	Council Member - Ward 5	12/31/12
Al Brooks	Council Member - Ward 6	12/31/10

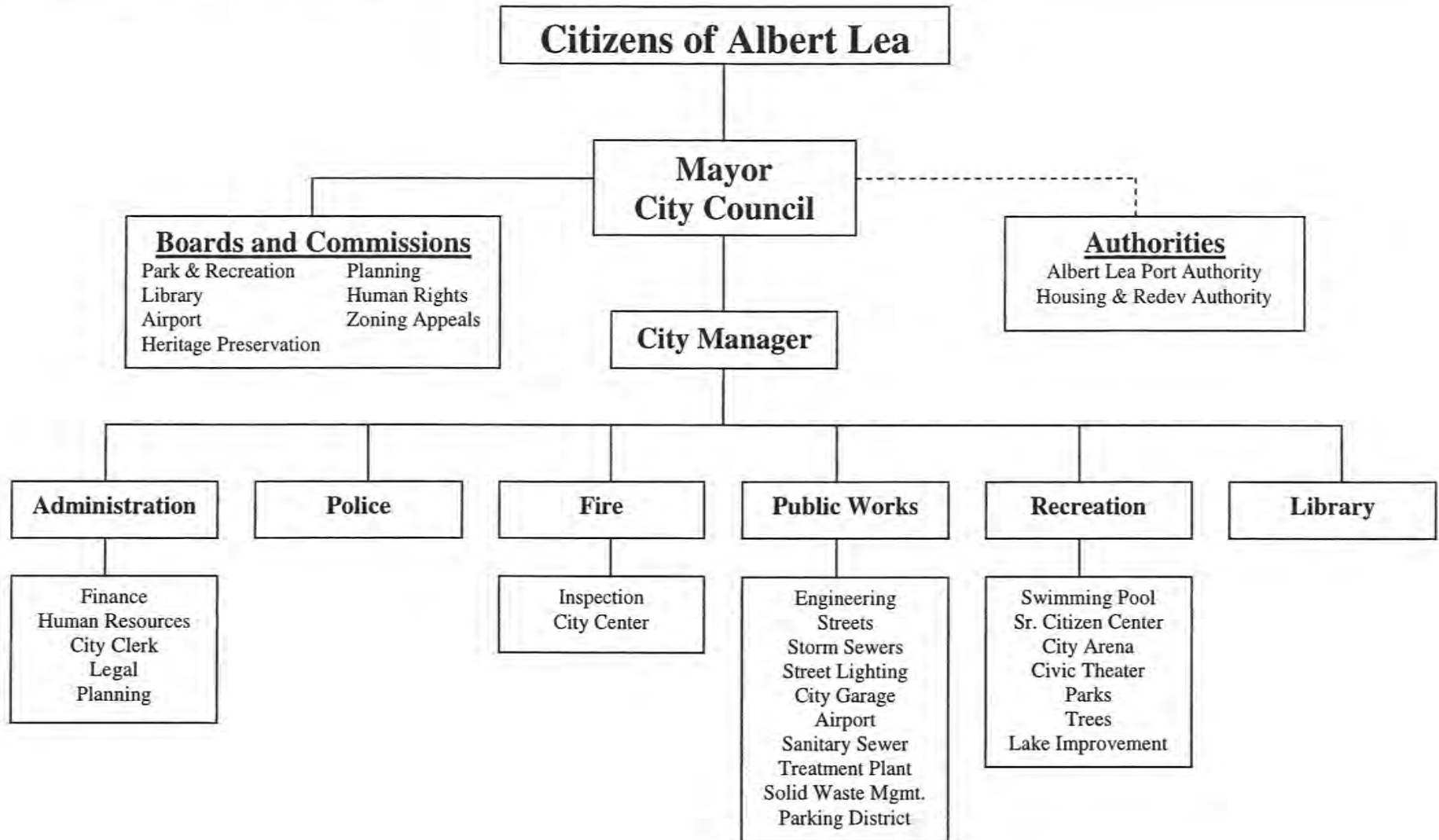
STAFF

<u>Name</u>	<u>Title</u>
Patrick McGarvey	Interim City Manager
Michael Zelenak	Human Resources Director
Shirley Slater-Schulte	City Clerk
Robert A. Graham	Community Development Director
Lee Bjorndal	City Attorney
Steve Jahnke	Public Works Director
Dwaine Winkels	Police Chief
Paul Stieler	Fire Chief
Peggy Havener	Librarian
Jay Hutchison	Park and Recreation Director
Brad Pirsig	Acting Utility Superintendent
Scott Overland	Street Superintendent
Rick Ashling	Treatment Plant Superintendent
Joe Grossman	Park Superintendent



Organization Chart

City of Albert Lea, Minnesota



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Albert Lea
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

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FINANCIAL SECTION

**CITY OF ALBERT LEA
ALBERT LEA, MINNESOTA**

**FOR THE YEAR ENDED
DECEMBER 31, 2010**

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CPAs, Consultants & Advisors
www.larsonallen.com

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Albert Lea, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Albert Lea, Minnesota as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Albert Lea's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative data has been derived from the City's 2009 financial statements and, in our report dated April 21, 2010, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Albert Lea, Minnesota as of December 31, 2010, 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.



An independent member of Nexia International

Members of the City Council
City of Albert Lea

In accordance with *Government Auditing Standards*, we have also issued our report dated August 2, 2011 on our consideration of the City of Albert Lea'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 conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 17 through 27 and the Schedule of Funding Progress for Postemployment Benefit Plan on page 85 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the City of Albert Lea, Minnesota's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, supplementary information, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, supplementary information and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Austin, Minnesota
August 2, 2011


LarsonAllen LLP

Management's Discussion and Analysis

As management of the City of Albert Lea, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on page 5 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$114,705,577 (*net assets*). Of this amount, \$28,031,621 (*unrestricted net assets*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The total net assets of business-type activities increased by \$1,222,981 and total net assets of the governmental activities increased by \$5,924,607. This resulted in a total net asset increase of \$7,147,588 for the City.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,018,596, an increase of \$1,108,478 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the General fund was \$7,160,920, or 51.6 percent of total 2011 General fund budgeted expenditures less transfers. While these funds are not legally reserved, they are designated for future purposes.
- The City's total outstanding debt increased \$1,210,706 during the current fiscal year as a result of debt issuances of \$4,340,000, offset by regular scheduled debt service payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of “combining and individual fund financial statements and schedules” that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with “combining and individual fund financial statements and schedules” that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

The following chart shows how the various parts of this annual report are arranged and related to one another:

**Figure 1
Required Components of the
City’s Annual Financial Report**

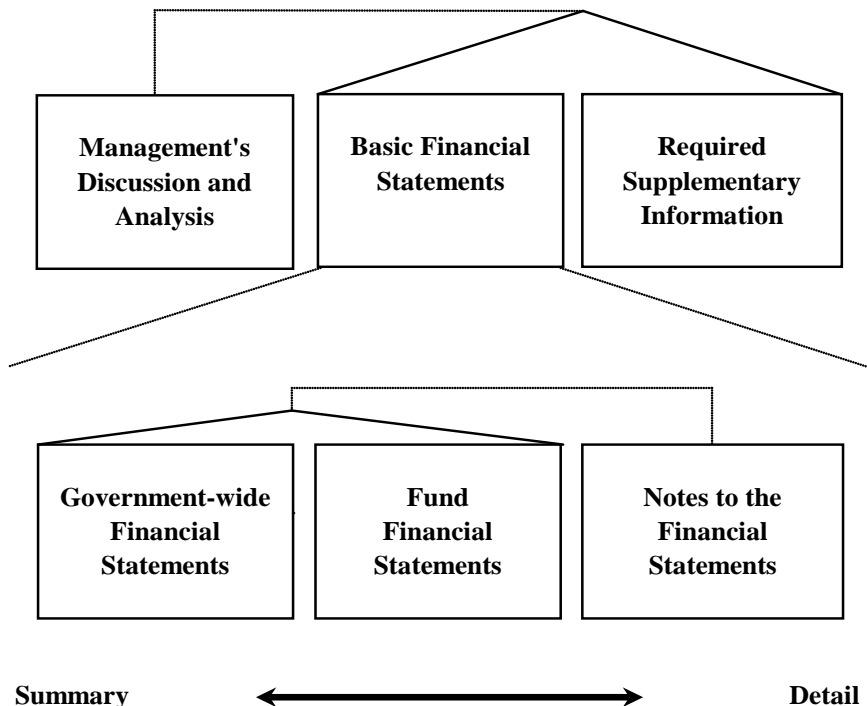


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system	Instances in which the City administers resources on behalf of someone else, such as developers
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Assets • Statements of Revenues, Expenses and Changes in Fund Net Assets • Statements of Cash Flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; fund do not currently contain capital assets, although they can
Type of inflow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the City’s net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, housing and economic development, miscellaneous, and interest on long-term debt. The business-type activities of the City include water and sewer utilities.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate Port Authority which is backed by the full faith and credit of the City of Albert Lea. Financial information for this *component unit* is discretely presented for the primary government.

The government-wide financial statements start on pages 31 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental fund: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances (deficits) provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, TIF 5-13 Larson Mfg, TIF 5-15 Broadway Ridge Redevelopment, PIR Assessment Debt Service, PIR Assessment, and Capital Projects fund, all of which are considered to be major funds. Data from the other 15 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on pages 36 of this report.

Proprietary funds: The City maintains two types of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, solid waste management and parking activities. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central garage, administrative services, and insurance operations. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements starts on page 46 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 starts on pages 55 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented following the notes to financial statements. Combining and individual fund financial statements and schedules starts on page 90 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$114,705,577 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (60.4 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Assets

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Assets						
Current and other assets	\$ 40,353,577	\$ 38,061,060	\$ 2,292,517	\$ 10,340,450	\$ 10,008,271	\$ 332,179
Capital assets	40,334,180	34,873,259	5,460,921	42,390,221	41,354,466	1,035,755
Total assets	<u>80,687,757</u>	<u>72,934,319</u>	<u>7,753,438</u>	<u>52,730,671</u>	<u>51,362,737</u>	<u>1,367,934</u>
Liabilities						
Other liabilities	1,540,163	1,248,044	292,119	637,326	228,901	408,425
Noncurrent liabilities	14,343,499	12,806,787	1,536,712	2,191,863	2,455,335	(263,472)
Total liabilities	<u>15,883,662</u>	<u>14,054,831</u>	<u>1,828,831</u>	<u>2,829,189</u>	<u>2,684,236</u>	<u>144,953</u>
Net assets						
Invested in capital assets, net of related debt	28,832,835	24,875,411	3,957,424	40,401,057	39,072,364	1,328,693
Restricted	17,440,064	11,133,724	6,306,340	-	-	-
Unrestricted	18,531,196	22,870,353	(4,339,157)	9,500,425	9,606,137	(105,712)
Total net assets	<u>\$ 64,804,095</u>	<u>\$ 58,879,488</u>	<u>\$ 5,924,607</u>	<u>\$ 49,901,482</u>	<u>\$ 48,678,501</u>	<u>\$ 1,222,981</u>

An additional portion of the City's net assets (15.3 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (24.3) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities: Governmental activities increased the City's net assets by \$5,924,607, thereby accounting 82.9 percent of the total growth in the net assets of the City. Key elements of this change are as follows:

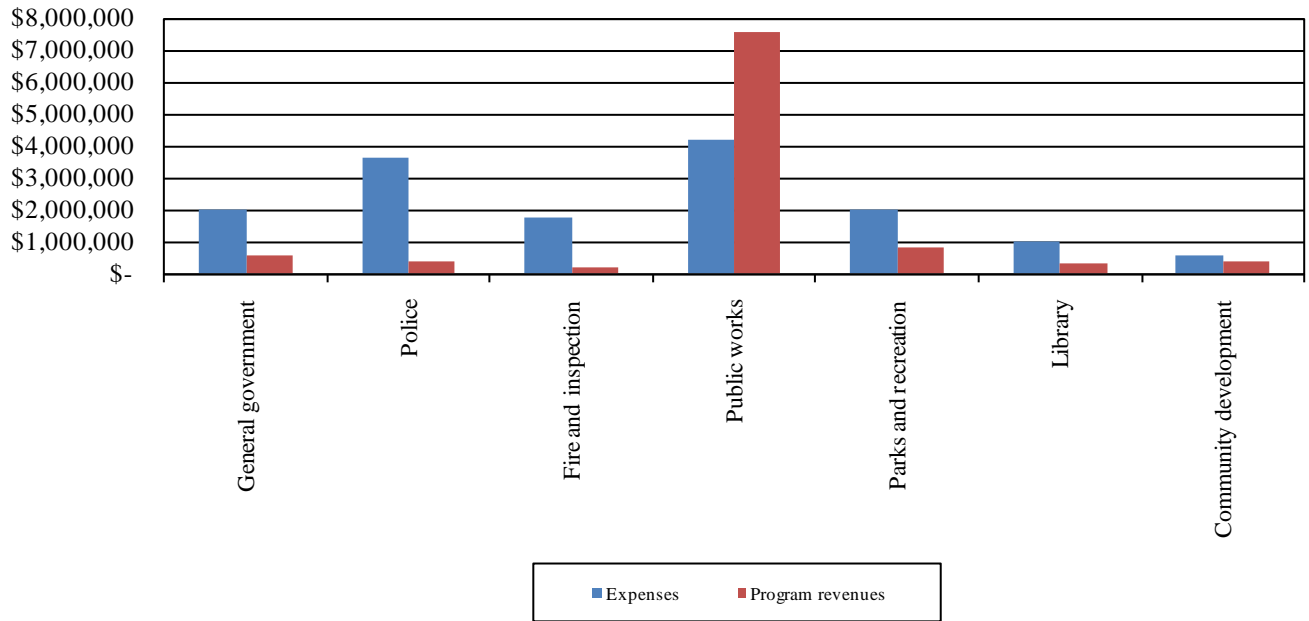
Changes in Net Assets

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,762,596	\$ 1,235,750	\$ 526,846	\$ 5,651,521	\$ 5,444,246	\$ 207,275
Operating grants and contributions	862,239	1,260,091	(397,852)	332,176	42,403	289,773
Capital grants and contributions	7,808,059	4,663,347	3,144,712	-	858,547	(858,547)
General revenues						
Property taxes	4,490,654	4,570,901	(80,247)	-	-	-
Tax increments	213,077	-	213,077	-	-	-
Lodging taxes	190,937	161,215	29,722	-	-	-
Franchise taxes	1,412,236	1,390,549	21,687	-	-	-
State grants and contributions not restricted to specific programs	5,076,420	5,576,634	(500,214)	-	-	-
Unrestricted investment earnings	535,222	174,965	360,257	491,118	(276,100)	767,218
Total revenues	22,351,440	19,033,452	3,317,988	6,474,815	6,069,096	405,719
Expenses						
General government	2,008,144	1,966,733	41,411	-	-	-
Police	3,623,278	3,551,292	71,986	-	-	-
Fire and inspection	1,782,580	1,857,258	(74,678)	-	-	-
Public works	4,193,100	3,805,920	387,180	-	-	-
Parks and recreation	2,040,616	2,547,703	(507,087)	-	-	-
Library	1,027,403	953,163	74,240	-	-	-
Community development	567,042	307,048	259,994	-	-	-
Interest on long-term debt	367,208	339,329	27,879	-	-	-
Water	-	-	-	1,736,795	1,806,236	(69,441)
Sewer	-	-	-	3,806,597	3,572,505	234,092
Solid waste management	-	-	-	474,319	389,145	85,174
Parking	-	-	-	51,585	33,941	17,644
Total expenses	15,609,371	15,328,446	280,925	6,069,296	5,801,827	267,469
Increase in net assets before transfers	6,742,069	3,705,006	3,037,063	405,519	267,269	138,250
Transfers	(817,462)	31,279	(848,741)	817,462	(31,279)	848,741
Change in net assets	5,924,607	3,736,285	2,188,322	1,222,981	235,990	986,991
Net assets, January 1	58,879,488	55,143,203	3,736,285	48,678,501	48,442,511	235,990
Net assets, December 31	\$ 64,804,095	\$ 58,879,488	\$ 5,924,607	\$ 49,901,482	\$ 48,678,501	\$ 1,222,981

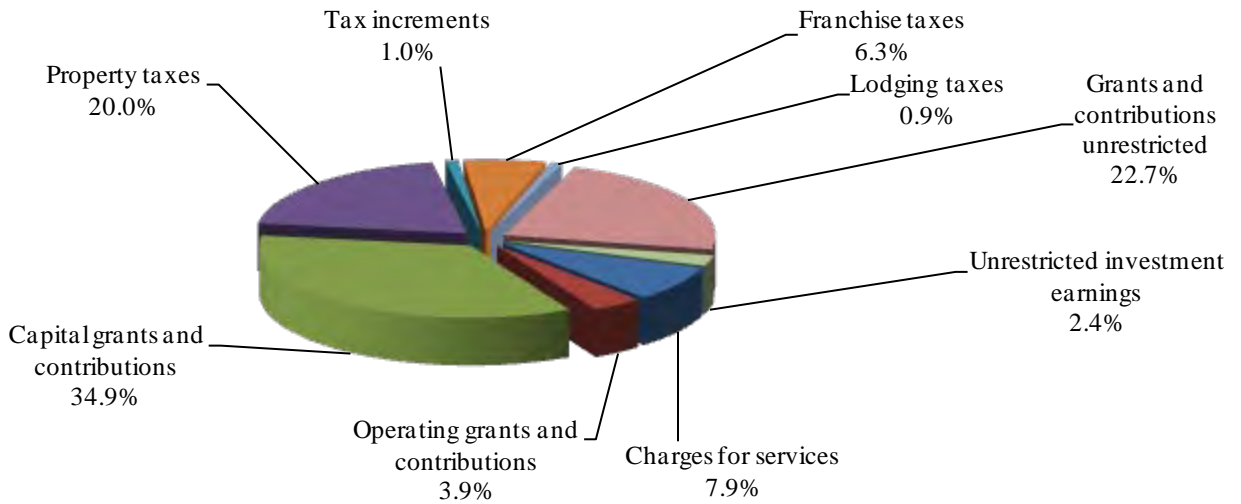
- Property taxes represent approximately 20 percent of total revenues in 2010 in governmental activities.
- The largest revenue variance was a \$3,144,712 net increase in capital grants and contributions.

The following graph depicts various governmental activities and shows the revenues and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



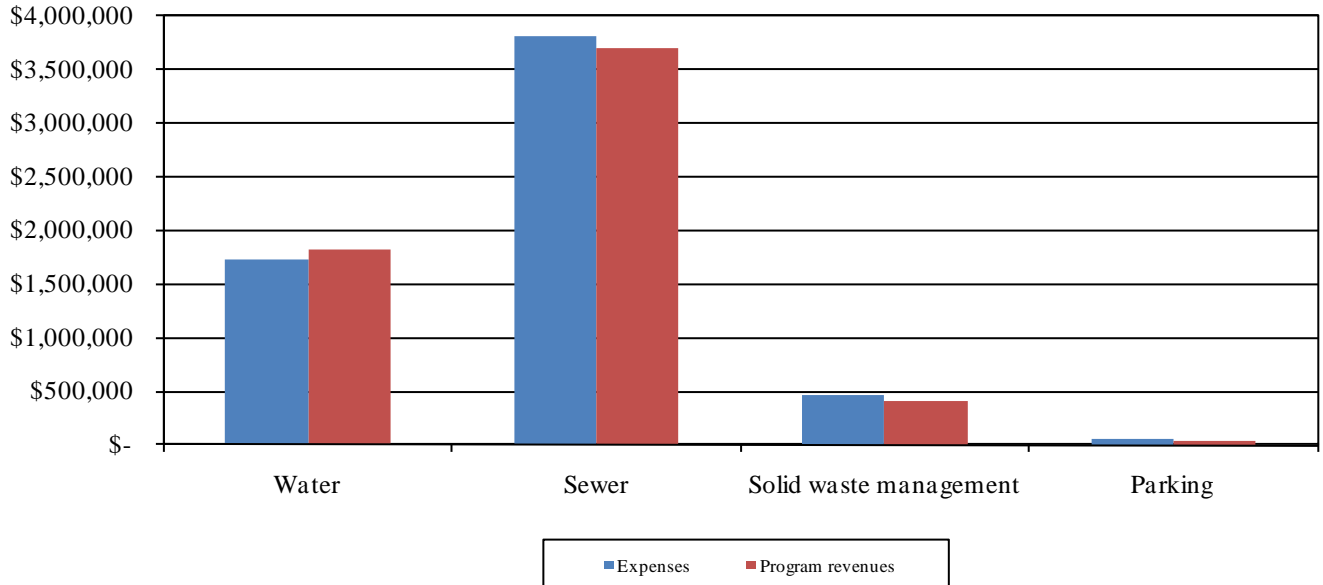
Revenues by Source - Governmental Activities



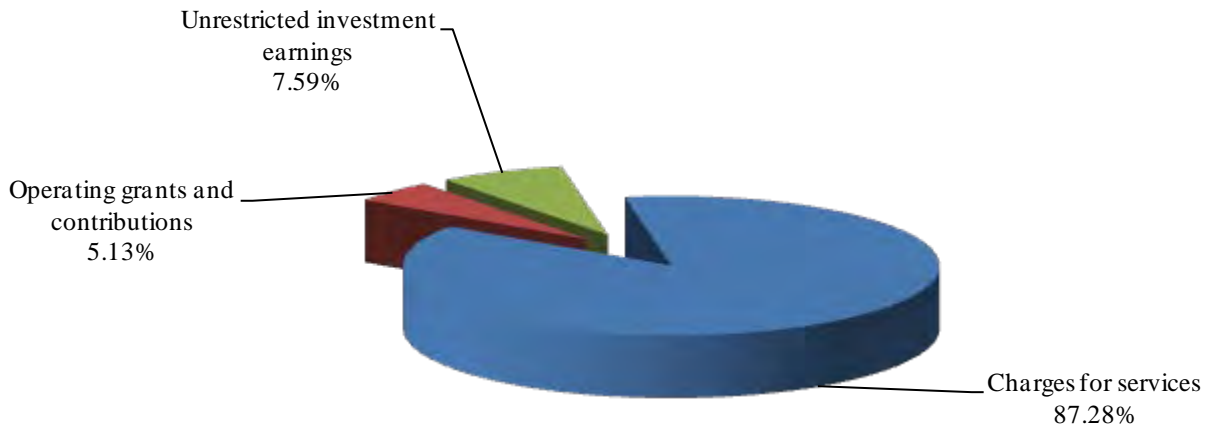
Business-type activities: Business-type activities increased the City’s net assets \$1,222,981, accounting for 17.1 percent of the total growth in the City’s net assets. Key elements of this increase are as follows:

- The Water and Sewage Disposal fund’s net assets increased \$540,111 and \$751,702 as a result of capital asset contributions from other funds.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$25,018,596, an increase of \$1,108,478 in comparison with the prior year. Approximately 26.2 percent of this total amount (\$6,567,111) constitutes *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service, advances to other funds, loan receivable, restricted assets, and inventory in the amount of \$18,451,485.

Major funds	Fund Balance (Deficit)		Increase (Decrease)
	December 31, 2010	2009	
General	\$ 22,671,441	\$ 22,208,366	\$ 463,075
The General fund is the chief operating fund of the City. As a measure of the General fund's liquidity, it may be useful to compare total unreserved fund balance to the following year's budget. The unreserved fund balance is approximately 51.6 percent of next year's budgeted expenditures less transfers.			
TIF 5-13 Larson Mfg	\$ (1,891,910)	\$ (1,895,532)	\$ 3,622
The TIF 5-13 fund has a total fund balance deficit of \$1,891,910, which is a slight improvement of \$3,622 from the prior year. The deficit is mostly due to expenditures being greater than revenues from prior years.			
TIF 5-15 Broadway Ridge Redevelopment	\$ (1,668,489)	\$ (1,691,705)	\$ 23,216
The TIF 5-15 fund has a total fund balance deficit of \$1,668,489, which is a decrease in the prior year fund balance deficit of \$23,216. The deficit is mostly due to expenditures being greater than revenues from prior years.			
PIR Assessment Debt Service	\$ 1,253,613	\$ 664,209	\$ 589,404
The Bonded Debt Reserve fund has a total fund balance of \$1,253,613. The increase in fund balance is mainly due to the issuance of debt and transfers in.			
PIR Assessment	\$ 387,935	\$ 215,459	\$ 172,476
The PIR Assessment fund has a total fund balance of \$387,935. The increase in fund balance of \$172,476 is mainly due to the issuance of debt.			
Capital Projects	\$ 959,580	\$ 1,144,221	\$ (184,641)
The Capital Projects fund has a total fund balance of \$959,580. The decrease in fund balance of \$184,641 is mainly due to expenditures exceeding revenues.			

Proprietary funds: The City’s proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$9,696,144. The total increase in net assets for the funds was \$1,236,753. Other factors concerning the finances of this fund have already been addressed in the discussion of the City’s business-type activities.

General Fund Budgetary Highlights

The City’s General Fund budget was amended during the year. However, total revenues and total expenditures remained unchanged. The amendment was to reclassify expenditures from the community development function to the general government function.

Capital Asset and Debt Administration

Capital Assets: The City’s investment in capital assets for its governmental and business-type activities as of December 31, 2010, amounts to \$82,724,401 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges.

Major capital asset events during the current fiscal year included the following:

- Construction was started on the Airport runways and Electrical Vault
- Building of the Edgewater Park Pavilion
- Contributions from developers for infrastructure assets

**Capital Assets
(Net of Accumulated Depreciation)**

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
Land	\$ 5,679,544	\$ 5,372,715	\$ 306,829	\$ 893,099	\$ 893,099	\$ -
Buildings	8,779,623	8,400,545	379,078	23,372,213	24,136,712	(764,499)
Improvements other than buildings	1,617,931	1,672,580	(54,649)	17,878,345	16,022,055	1,856,290
Equipment	2,844,441	3,389,625	(545,184)	246,564	302,600	(56,036)
Infrastructure	16,205,923	14,292,202	1,913,721	-	-	-
Construction in progress	5,206,718	1,745,592	3,461,126	-	-	-
Total	\$ 40,334,180	\$ 34,873,259	\$ 5,460,921	\$ 42,390,221	\$ 41,354,466	\$ 1,035,755

Additional information on the City’s capital assets can be found in Note 3E on page 69 of this report.

Long-term debt: At the end of the current fiscal year, the City had total bonded debt outstanding of \$13,396,932. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

Outstanding Debt

	Governmental Activities			Business-type Activities		
	2010	2009	Increase (Decrease)	2010	2009	Increase (Decrease)
PIR assessment bonds	\$ 8,360,000	\$ 6,650,000	\$ 1,710,000	\$ -	\$ -	\$ -
Capital improvement assessment bonds	2,820,000	3,050,000	(230,000)	-	-	-
Notes payable	201,932	253,907	(51,975)	-	-	-
Revenue bonds	-	-	-	2,015,000	2,115,000	(100,000)
Revenue refunding bonds	-	-	-	-	180,000	(180,000)
Advance from Component Unit	1,750,000	1,750,000	-	-	-	-
Compensated absences payable	1,047,330	1,028,351	18,979	195,638	168,129	27,509
Other postemployment benefits payable	44,824	30,588	14,236	7,061	5,104	1,957
Total	\$ 14,224,086	\$ 12,762,846	\$ 1,461,240	\$ 2,217,699	\$ 2,468,233	\$ (250,534)

The City's bond rating is AA- from Standards and Poors. Additional information on the City's long-term debt can be found in Note 3H on page 73 of this report.

Economic Factors and the Budgeting Process

- The City increased the General fund budget for 2011 by approximately \$480,000. The City allowed for this increase through budgeting local government aid as certified by the State of Minnesota
- The City's General fund property tax levy increased \$150,000 for 2011, or 3.3 percent
- The City has begun a plan of issuing bond for its capital projects with the intent to levy taxes to make bond payments

Beginning with taxes payable in 2009, three years of levy limits applied to the City. This along with recent unallotments of local government aid, make for an uncertain future in funding City government. The City is in a stable position with unreserved fund balance in the General fund 51.6 percent of the 2011 budgeted expenses at the end of 2010. The City's intent is to sustain that level into future years.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Albert Lea, 221 East Clark Street, Albert Lea, Minnesota 56007.

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**GOVERNMENT-WIDE
FINANCIAL STATEMENTS**

CITY OF ALBERT LEA
ALBERT LEA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

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CITY OF ALBERT LEA, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Port Authority
ASSETS				
Cash and temporary investments	\$ 13,355,143	\$ 2,117,096	\$ 15,472,239	\$ 558,231
Investments	5,142,510	6,862,533	12,005,043	404,609
Receivables				
Delinquent taxes	334,837	-	334,837	-
Accounts	582,638	670,948	1,253,586	14,057
Special assessments	6,305,264	402,793	6,708,057	-
Interest receivable	12,406	-	12,406	3,049
Lease	-	-	-	56,357
Loans	1,217,830	-	1,217,830	589,485
Due from other governments	1,185,986	8,468	1,194,454	-
Due from primary government	-	-	-	1,758,500
Internal balances	255,719	(255,719)	-	-
Inventory	46,077	152,317	198,394	-
Prepaid items	729,000	2,976	731,976	-
Restricted assets				
Cash and temporary investments	56,209	-	56,209	-
Investments	10,919,473	-	10,919,473	-
Interest receivable	58,707	-	58,707	-
Deferred charges	151,778	26,594	178,372	-
Property held for resale	-	-	-	4,599,402
Capital assets				
Land and construction in progress	10,886,262	893,099	11,779,361	283,733
Depreciable assets (net of accumulated depreciation)	29,447,918	41,497,122	70,945,040	3,783,070
Patronage equity	-	352,444	352,444	3,200
TOTAL ASSETS	80,687,757	52,730,671	133,418,428	12,053,693
LIABILITIES				
Accounts payable	686,315	506,381	1,192,696	18,062
Due to other governments	19,384	-	19,384	-
Contracts payable	481,098	73,420	554,518	4,679
Accrued salaries payable	151,045	23,341	174,386	-
Accrued interest payable	154,658	27,034	181,692	3,833
Assessments payable	-	-	-	55,776
Unearned revenue and deposits payable	47,663	7,150	54,813	9,615
Noncurrent liabilities				
Due within one year	2,093,544	240,300	2,333,844	94,211
Due in more than one year	12,249,955	1,951,563	14,201,518	1,585,123
TOTAL LIABILITIES	15,883,662	2,829,189	18,712,851	1,771,299
NET ASSETS				
Invested in capital assets, net of related debt	28,832,835	40,401,057	69,233,892	2,476,866
Restricted for				
Police and Fire PERA refund	11,034,389	-	11,034,389	-
Debt Service	6,405,675	-	6,405,675	-
Unrestricted	18,531,196	9,500,425	28,031,621	7,805,528
TOTAL NET ASSETS	\$ 64,804,095	\$ 49,901,482	\$ 114,705,577	\$ 10,282,394

The notes to the financial statements are an integral part of this statement.

CITY OF ALBERT LEA, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	2,008,144	513,692	\$ -	\$ 82,668
Police	3,623,278	95,747	336,276	-
Fire and inspection	1,782,580	186,706	57,559	-
Public works	4,193,100	363,676	37,400	7,198,746
Parks and recreation	2,040,616	487,119	169,004	175,646
Library	1,027,403	91,936	262,000	-
Community development	567,042	23,720	-	350,999
Interest on long-term debt	367,208	-	-	-
Total governmental activities	<u>15,609,371</u>	<u>1,762,596</u>	<u>862,239</u>	<u>7,808,059</u>
Business-type activities				
Water	1,736,795	1,792,367	31,805	-
Sewer	3,806,597	3,673,489	34,600	-
Solid waste management	474,319	144,012	265,771	-
Parking	51,585	41,653	-	-
Total business-type activities	<u>6,069,296</u>	<u>5,651,521</u>	<u>332,176</u>	<u>-</u>
Total primary government	<u>\$ 21,678,667</u>	<u>\$ 7,414,117</u>	<u>\$ 1,194,415</u>	<u>\$ 7,808,059</u>
Component unit				
Port Authority	<u>\$ 737,752</u>	<u>\$ 539,537</u>	<u>\$ 19,125</u>	<u>\$ 41,000</u>

General revenues

Taxes

Property taxes, levied for general purposes

Tax increments

Lodging taxes

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Transfers

Total general revenues and transfers

Change in net assets

Net assets - January 1

Net assets - December 31

The notes to the financial statements are an integral part of this statement.

Net Revenues (Expenses) and Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Port Authority
\$ (1,411,784)	\$ -	\$ (1,411,784)	\$ -
(3,191,255)	-	(3,191,255)	-
(1,538,315)	-	(1,538,315)	-
3,406,722	-	3,406,722	-
(1,208,847)	-	(1,208,847)	-
(673,467)	-	(673,467)	-
(192,323)	-	(192,323)	-
(367,208)	-	(367,208)	-
<u>(5,176,477)</u>	<u>-</u>	<u>(5,176,477)</u>	<u>-</u>
-	87,377	87,377	-
-	(98,508)	(98,508)	-
-	(64,536)	(64,536)	-
-	(9,932)	(9,932)	-
<u>-</u>	<u>(85,599)</u>	<u>(85,599)</u>	<u>-</u>
<u>(5,176,477)</u>	<u>(85,599)</u>	<u>(5,262,076)</u>	<u>-</u>
			<u>(138,090)</u>
4,490,654	-	4,490,654	-
213,077	-	213,077	-
190,937	-	190,937	-
1,412,236	-	1,412,236	-
5,076,420	-	5,076,420	-
535,222	491,118	1,026,340	6,972
(817,462)	817,462	-	-
<u>11,101,084</u>	<u>1,308,580</u>	<u>12,409,664</u>	<u>6,972</u>
5,924,607	1,222,981	7,147,588	(131,118)
<u>58,879,488</u>	<u>48,678,501</u>	<u>107,557,989</u>	<u>10,413,512</u>
<u>\$ 64,804,095</u>	<u>\$ 49,901,482</u>	<u>\$ 114,705,577</u>	<u>\$ 10,282,394</u>

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FUND FINANCIAL STATEMENTS

CITY OF ALBERT LEA
ALBERT LEA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

CITY OF ALBERT LEA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	1	Special Revenue Funds	
		14	29
	General	TIF 5-13 Larson Mfg.	TIF 5-15 Broadway Ridge Redevel
ASSETS			
Cash and temporary investments	\$ 6,026,826	\$ 16,435	\$ 20,735
Investments	1,362,510	-	-
Receivables			
Interest	12,406	-	-
Property taxes	308,178	304	3,165
Accounts	214,693	-	-
Special assessments	1,642,107	-	-
Loans	-	-	-
Due from other governments	51,889	-	-
Inventory	475	-	-
Advances to other funds	4,475,657	-	-
Restricted assets			
Cash and temporary investments	56,209	-	-
Investments	10,919,473	-	-
Interest receivable	58,707	-	-
	<u>\$ 25,129,130</u>	<u>\$ 16,739</u>	<u>\$ 23,900</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ 373,913	\$ 1,845	\$ -
Contracts payable	-	-	-
Due to other governments	18,252	-	-
Accrued salaries payable	149,443	-	-
Deposits payable	6,480	-	-
Deferred revenue and deposits	1,909,601	304	2,389
Advance from other funds	-	156,500	1,690,000
Advance from component unit	-	1,750,000	-
	<u>2,457,689</u>	<u>1,908,649</u>	<u>1,692,389</u>
FUND BALANCES (DEFICITS)			
Reserved for			
Inventory	475	-	-
Restricted assets	11,034,389	-	-
Loan receivable	-	-	-
Advances to other funds	4,475,657	-	-
Debt service	-	-	-
Unreserved			
Designated reported in			
General fund	3,821,762	-	-
Undesignated reported in			
General fund	3,339,158	-	-
Special revenue funds	-	(1,891,910)	(1,668,489)
Capital projects funds	-	-	-
	<u>22,671,441</u>	<u>(1,891,910)</u>	<u>(1,668,489)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 25,129,130</u>	<u>\$ 16,739</u>	<u>\$ 23,900</u>

The notes to the financial statements are an integral part of this statement.

30 PIR Assessment Debt Service	Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
	50 PIR Assessment	51 Capital Projects		
\$ 1,206,801	\$ 737,184	\$ 1,384,313	\$ 1,889,600	\$ 11,281,894
-	-	-	1,200,000	2,562,510
-	-	-	-	12,406
17,380	-	-	5,810	334,837
-	309,897	-	53,694	578,284
3,833,372	-	-	829,785	6,305,264
-	-	-	1,217,830	1,217,830
-	357,024	757,350	-	1,166,263
-	-	-	-	475
-	-	-	-	4,475,657
-	-	-	-	56,209
-	-	-	-	10,919,473
-	-	-	-	58,707
<u>\$ 5,057,553</u>	<u>\$ 1,404,105</u>	<u>\$ 2,141,663</u>	<u>\$ 5,196,719</u>	<u>\$ 38,969,809</u>
\$ -	\$ 11,632	\$ 94,980	\$ 1,236	\$ 483,606
-	236,311	244,787	-	481,098
-	-	1,132	-	19,384
-	-	-	-	149,443
-	-	-	-	6,480
3,803,940	-	41,184	888,127	6,645,545
-	768,227	800,000	1,000,930	4,415,657
-	-	-	-	1,750,000
<u>3,803,940</u>	<u>1,016,170</u>	<u>1,182,083</u>	<u>1,890,293</u>	<u>13,951,213</u>
-	-	-	-	475
-	-	-	-	11,034,389
-	-	-	1,217,830	1,217,830
-	-	-	-	4,475,657
1,253,613	-	-	469,521	1,723,134
-	-	-	-	3,821,762
-	-	-	-	3,339,158
-	-	-	1,414,969	(2,145,430)
-	387,935	959,580	204,106	1,551,621
<u>1,253,613</u>	<u>387,935</u>	<u>959,580</u>	<u>3,306,426</u>	<u>25,018,596</u>
<u>\$ 5,057,553</u>	<u>\$ 1,404,105</u>	<u>\$ 2,141,663</u>	<u>\$ 5,196,719</u>	<u>\$ 38,969,809</u>

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CITY OF ALBERT LEA, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2010

Total fund balances - governmental	\$ 25,018,596
Amounts reported for the 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 governmental funds.	
Cost of capital assets	73,028,979
Less: accumulated depreciation	(34,565,315)
Prepaid expenses which are expensed in the governmental funds are capitalized and amortized in the government-wide financial statements	
	729,000
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.	
Long-term liabilities at year-end consist of:	
Bond principal payable	(11,180,000)
Deferred charges, net of accumulated amortization	151,778
Unamortized premium on bonds	(119,413)
Notes payable	(201,932)
Compensated absences payable	(1,047,330)
Other postemployment benefits payable	(44,824)
Internal service funds are used by management to charge the costs for the central garage, administrative services, and insurance benefits incurred by individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets	
	6,584,852
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds	
Special assessments	6,314,756
Taxes	289,606
Governmental funds do not report a liability for accrued interest until due and payable	
	(154,658)
Total net assets - governmental activities	\$ 64,804,095

The notes to the financial statements are an integral part of this statement.

CITY OF ALBERT LEA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	1	Special Revenue Funds		30 PIR Assessment Debt Service
		14	29	
	General	TIF 5-13 Larson Mfg.	TIF 5-15 Broadway Ridge Redevel	
REVENUES				
Taxes	\$ 5,675,734	\$ 10,987	\$ 23,316	\$ 314,222
License and permits	367,608	-	-	-
Intergovernmental	5,944,657	-	3	8,937
Charges for services	630,028	-	-	-
Fines and forfeits	94,861	-	-	-
Special assessments	-	-	-	940,455
Interest on investments	470,076	66	102	7,818
Interest on loans	-	-	-	-
Miscellaneous	1,031,794	-	-	14,323
TOTAL REVENUES	14,214,758	11,053	23,421	1,285,755
EXPENDITURES				
Current				
General government	1,544,916	-	-	-
Police	3,513,441	-	-	-
Fire and inspection	1,734,576	-	-	-
Public works	2,433,395	-	-	-
Parks and recreation	2,202,424	-	-	-
Library	720,450	-	-	-
Community development	147,816	18,454	205	-
Miscellaneous	250,230	-	-	-
Capital outlay				
General government	5,984	-	-	-
Police	271,138	-	-	-
Fire and inspection	4,749	-	-	-
Public works	44,209	-	-	-
Parks and recreation	245,259	-	-	-
Library	140,724	-	-	-
Debt service				
Principal	15,974	-	-	410,000
Interest and fiscal charges	82	7,820	-	239,969
TOTAL EXPENDITURES	13,275,367	26,274	205	649,969
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	939,391	(15,221)	23,216	635,786
OTHER FINANCING SOURCES (USES)				
Transfers in	-	18,843	-	400,000
Sale of capital assets	3,684	-	-	-
Capital contributions	-	-	-	-
Payment to refunding agent	-	-	-	(1,140,000)
Issuance of debt	-	-	-	678,277
Premium on bonds	-	-	-	15,341
Transfers out	(480,000)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(476,316)	18,843	-	(46,382)
NET CHANGE IN FUND BALANCES	463,075	3,622	23,216	589,404
FUND BALANCES (DEFICITS), JANUARY 1	22,208,366	(1,895,532)	(1,691,705)	664,209
FUND BALANCES (DEFICITS), DECEMBER 31	\$ 22,671,441	\$ (1,891,910)	\$ (1,668,489)	\$ 1,253,613

The notes to the financial statements are an integral part of this statement.

Capital Projects Funds			
<u>50</u>	<u>51</u>		
PIR Assessment	Capital Projects	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 255,977	\$ 6,280,236
-	-	-	367,608
1,248,194	4,378,220	353,151	11,933,162
-	-	-	630,028
-	-	-	94,861
-	-	-	940,455
4,141	4,355	213,281	699,839
-	-	30,023	30,023
-	-	40,391	1,086,508
<u>1,252,335</u>	<u>4,382,575</u>	<u>892,823</u>	<u>22,062,720</u>
-	-	22,514	1,567,430
-	-	-	3,513,441
-	-	-	1,734,576
-	-	-	2,433,395
-	-	-	2,202,424
-	-	-	720,450
-	-	475,109	641,584
-	-	-	250,230
-	-	-	5,984
-	-	-	271,138
-	-	-	4,749
3,684,320	4,622,055	-	8,350,584
-	-	-	245,259
-	-	-	140,724
-	-	266,000	691,974
32,067	-	114,031	393,969
<u>3,716,387</u>	<u>4,622,055</u>	<u>877,654</u>	<u>23,167,911</u>
<u>(2,464,052)</u>	<u>(239,480)</u>	<u>15,169</u>	<u>(1,105,191)</u>
115,161	170,000	45,000	749,004
-	-	-	3,684
22,082	-	-	22,082
-	-	-	(1,140,000)
2,581,723	-	-	3,260,000
67,562	-	-	82,903
<u>(150,000)</u>	<u>(115,161)</u>	<u>(18,843)</u>	<u>(764,004)</u>
<u>2,636,528</u>	<u>54,839</u>	<u>26,157</u>	<u>2,213,669</u>
172,476	(184,641)	41,326	1,108,478
215,459	1,144,221	3,265,100	23,910,118
<u>\$ 387,935</u>	<u>\$ 959,580</u>	<u>\$ 3,306,426</u>	<u>\$ 25,018,596</u>

CITY OF ALBERT LEA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

Total net change in fund balances	\$ 1,108,478
Amounts reported for governmental activities in the statement of activities are different because:	
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>	
Depreciation expense	(1,682,287)
Capital outlays	7,561,041
Contribution of capital assets from developers	55,007
<p>Prepaid expenses which are expensed in the governmental funds are capitalized and amortized in the government-wide financial statements</p>	
Prepaid lease	270,000
Amortization of prepaid lease	(27,000)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Issuance of debt	(3,260,000)
Premium on bonds issued	(82,903)
Deferred charges on bonds issued	43,060
Principal repayments on bonds	1,780,000
Principal repayments on notes	51,975
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	(9,523)
<p>Governmental fund report debt issuance premiums and discounts as an other financing source or use at the time of issuance. Premiums, discounts and deferred issuance costs are reported as an unamortized asset or liability in the city-wide financial statements.</p>	
Amortization of deferred charges	(14,210)
Amortization of premiums	7,432
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Special assessments	161,945
Property taxes	26,668
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences and other postemployment benefit payable	(33,215)
<p>Internal service funds are used by management to charge the costs for the central garage, administrative services, and insurance benefits incurred by individual funds.</p>	
<p>The net revenue of certain activities of internal service funds is reported with governmental activities</p>	
	<u>(31,861)</u>
Change in net assets - governmental activities	<u>\$ 5,924,607</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ALBERT LEA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED ON FOLLOWING PAGES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 6,180,000	\$ 6,180,000	\$ 5,675,734	\$ (504,266)
Licenses and permits	274,510	274,510	367,608	93,098
Intergovernmental	5,421,543	5,421,543	5,944,657	523,114
Charges for services	576,183	576,183	630,028	53,845
Fines and forfeits	114,000	114,000	94,861	(19,139)
Interest on investments	120,000	120,000	470,076	350,076
Miscellaneous	900,840	900,840	1,031,794	130,954
TOTAL REVENUES	13,587,076	13,587,076	14,214,758	627,682
EXPENDITURES				
Current				
General government				
City council	202,740	202,740	206,899	(4,159)
Elections	25,550	25,550	24,004	1,546
City administration	1,070,997	1,142,479	1,153,981	(11,502)
City center operation	224,925	224,925	160,032	64,893
Total general government	1,524,212	1,595,694	1,544,916	50,778
Police	3,676,536	3,676,536	3,513,441	163,095
Fire and inspection				
Fire	1,427,799	1,427,799	1,483,520	(55,721)
Inspection	248,252	248,252	251,056	(2,804)
Total fire and inspection	1,676,051	1,676,051	1,734,576	(58,525)
Public works				
Engineering	484,840	484,840	474,685	10,155
Street	392,935	392,935	410,503	(17,568)
Street maintenance	600,180	600,180	429,355	170,825
Snow and ice removal	343,795	343,795	370,601	(26,806)
Storm sewers	287,850	287,850	260,470	27,380
Street lighting	241,500	241,500	281,135	(39,635)
City garage	127,675	127,675	112,190	15,485
Airport	98,745	98,745	94,456	4,289
Total public works	2,577,520	2,577,520	2,433,395	144,125

The notes to the financial statements are an integral part of this statement.

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
EXPENDITURES - CONTINUED				
Current - Continued				
Parks and recreation				
Recreation	\$ 424,180	\$ 424,180	\$ 404,202	\$ 19,978
Swimming pool	176,750	176,750	158,570	18,180
Senior citizens center	94,485	94,485	75,982	18,503
City arena	503,870	503,870	476,669	27,201
Civic theater	28,800	28,800	33,194	(4,394)
Park	936,500	936,500	949,708	(13,208)
Trees	96,450	96,450	104,144	(7,694)
Lake improvement	-	-	(45)	45
	<u>2,261,035</u>	<u>2,261,035</u>	<u>2,202,424</u>	<u>58,611</u>
Total parks and recreation				
Library	<u>755,007</u>	<u>755,007</u>	<u>720,450</u>	<u>34,557</u>
Community development	<u>191,515</u>	<u>120,033</u>	<u>147,816</u>	<u>(27,783)</u>
Miscellaneous				
Economic development	26,000	26,000	17,328	8,672
Judgments and losses	50,000	50,000	10,632	39,368
Unemployment compensation	12,000	12,000	23,161	(11,161)
Contingencies	220,000	220,000	-	220,000
Capital projects	50,000	50,000	45,801	4,199
Tourism and convention bureau	<u>165,000</u>	<u>165,000</u>	<u>153,308</u>	<u>11,692</u>
Total miscellaneous	<u>523,000</u>	<u>523,000</u>	<u>250,230</u>	<u>272,770</u>
Capital outlay				
General government	2,400	2,400	5,984	(3,584)
Police	16,000	1,900	271,138	(269,238)
Fire and inspection	-	14,100	4,749	9,351
Public works	12,000	12,000	44,209	(32,209)
Parks and recreation	11,000	11,000	245,259	(234,259)
Library	<u>113,000</u>	<u>113,000</u>	<u>140,724</u>	<u>(27,724)</u>
Total capital outlay	<u>154,400</u>	<u>154,400</u>	<u>712,063</u>	<u>(557,663)</u>
Debt service				
Note payments	17,500	17,500	15,974	1,526
Interest	<u>300</u>	<u>300</u>	<u>82</u>	<u>218</u>
Total debt service	<u>17,800</u>	<u>17,800</u>	<u>16,056</u>	<u>1,744</u>
TOTAL EXPENDITURES	<u>13,357,076</u>	<u>13,357,076</u>	<u>13,275,367</u>	<u>81,709</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>230,000</u>	<u>230,000</u>	<u>939,391</u>	<u>709,391</u>

The notes to the financial statements are an integral part of this statement.

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	\$ -	\$ -	\$ 3,684	\$ 3,684
Transfers out	(230,000)	(230,000)	(480,000)	(250,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(230,000)</u>	<u>(230,000)</u>	<u>(476,316)</u>	<u>(246,316)</u>
NET CHANGE IN FUND BALANCE	-	-	463,075	463,075
FUND BALANCES, JANUARY 1	<u>22,208,366</u>	<u>22,208,366</u>	<u>22,208,366</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 22,208,366</u></u>	<u><u>\$ 22,208,366</u></u>	<u><u>\$ 22,671,441</u></u>	<u><u>\$ 463,075</u></u>

The notes to the financial statements are an integral part of this statement.

CITY OF ALBERT LEA, MINNESOTA
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds			
	Water Utility		Sewage Disposal	
	2010	2009	2010	2009
ASSETS				
CURRENT ASSETS				
Cash and temporary investments (deficits)	\$ 417,047	\$ 139,659	\$ 1,626,417	\$ 532,993
Investment	-	-	6,862,533	7,820,326
Receivables				
Accounts	236,269	229,930	429,781	456,506
Loans	-	6,544	-	8,180
Special assessments - delinquent	8,051	9,585	37,108	41,821
Due from other governments	-	-	8,468	-
Inventories at cost	152,317	144,908	-	-
Prepaid items	2,976	2,976	-	-
TOTAL CURRENT ASSETS	816,660	533,602	8,964,307	8,859,826
NONCURRENT ASSETS				
Deferred charges	26,594	23,564	-	215
Special assessments - deferred	298,027	298,027	20,623	20,623
Capital assets - net	8,941,167	8,745,813	32,667,483	31,818,140
Patronage equity	-	-	350,819	363,756
TOTAL NONCURRENT ASSETS	9,265,788	9,067,404	33,038,925	32,202,734
TOTAL ASSETS	10,082,448	9,601,006	42,003,232	41,062,560
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 62,161	\$ 38,871	\$ 437,034	\$ 114,666
Contracts payable	-	-	62,906	12,035
Accrued salaries payable	8,628	3,968	13,879	7,386
Accrued interest payable	27,034	39,748	-	3,675
Deposits payable	7,150	4,900	-	-
Compensated absences payable - current	31,639	-	71,324	-
Bonds payable - current	140,000	123,319	-	179,930
TOTAL CURRENT LIABILITIES	276,612	210,806	585,143	317,692
NONCURRENT LIABILITIES				
Advance from other funds	-	-	-	-
Compensated absences payable - net of current portion	62,122	57,480	25,322	105,108
Other postemployment benefits payable	2,428	1,856	4,410	3,105
Bonds payable - net of current portion	1,849,164	1,978,853	-	-
TOTAL NONCURRENT LIABILITIES	1,913,714	2,038,189	29,732	108,213
TOTAL LIABILITIES	2,190,326	2,248,995	614,875	425,905
NET ASSETS				
Invested in capital assets, net of related debt	6,952,003	6,643,641	32,667,483	31,638,210
Unrestricted	940,119	708,370	8,720,874	8,998,445
TOTAL NET ASSETS	\$ 7,892,122	\$ 7,352,011	\$ 41,388,357	\$ 40,636,655

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Net Assets of business-type activities

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds - Continued				Governmental
Other Enterprise Funds		Totals		Activities -
2010	2009	2010	2009	Internal
				Service Funds
\$ 73,632	\$ 106,257	\$ 2,117,096	\$ 778,909	\$ 2,073,249
-	-	6,862,533	7,820,326	2,580,000
4,898	9,585	670,948	696,021	4,354
-	-	-	14,724	-
38,984	33,226	84,143	84,632	-
-	-	8,468	-	19,723
-	-	152,317	144,908	45,602
-	-	2,976	2,976	-
<u>117,514</u>	<u>149,068</u>	<u>9,898,481</u>	<u>9,542,496</u>	<u>4,722,928</u>
-	-	26,594	23,779	-
-	-	318,650	318,650	-
781,571	790,513	42,390,221	41,354,466	1,870,516
1,625	1,537	352,444	365,293	-
<u>783,196</u>	<u>792,050</u>	<u>43,087,909</u>	<u>42,062,188</u>	<u>1,870,516</u>
<u>900,710</u>	<u>941,118</u>	<u>52,986,390</u>	<u>51,604,684</u>	<u>6,593,444</u>
\$ 7,186	\$ 2,928	\$ 506,381	\$ 156,465	\$ 202,709
10,514	-	73,420	12,035	-
834	724	23,341	12,078	1,602
-	-	27,034	43,423	-
-	-	7,150	4,900	-
950	-	103,913	-	-
-	-	140,000	303,249	-
<u>19,484</u>	<u>3,652</u>	<u>881,239</u>	<u>532,150</u>	<u>204,311</u>
60,000	60,000	60,000	60,000	-
4,281	5,541	91,725	168,129	-
223	143	7,061	5,104	-
-	-	1,849,164	1,978,853	-
<u>64,504</u>	<u>65,684</u>	<u>2,007,950</u>	<u>2,212,086</u>	<u>-</u>
<u>83,988</u>	<u>69,336</u>	<u>2,889,189</u>	<u>2,744,236</u>	<u>204,311</u>
781,571	790,513	40,401,057	39,072,364	1,870,516
35,151	81,269	9,696,144	9,788,084	4,518,617
<u>\$ 816,722</u>	<u>\$ 871,782</u>	<u>\$ 50,097,201</u>	<u>\$ 48,860,448</u>	<u>\$ 6,389,133</u>
		(195,719)	(181,947)	
		<u>\$ 49,901,482</u>	<u>\$ 48,678,501</u>	

CITY OF ALBERT LEA, MINNESOTA
 STATEMENTS OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS (LIABILITIES)
 PROPRIETARY FUNDS
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds			
	Water Utility		Sewage Disposal	
	2010	2009	2010	2009
OPERATING REVENUES				
Charges for services	\$ 1,682,542	\$ 1,613,587	\$ 3,598,300	\$ 3,564,475
Rentals	23,132	26,259	-	-
Miscellaneous	86,485	72,204	73,410	44,735
TOTAL OPERATING REVENUES	1,792,159	1,712,050	3,671,710	3,609,210
OPERATING EXPENSES				
Operation and maintenance				
Personal services	334,567	377,717	826,866	828,872
Supplies	193,957	297,113	197,711	208,217
Other services and charges	289,853	294,717	1,283,951	1,177,706
Depreciation	252,830	259,979	943,499	929,520
Administrative costs				
Personal services	200,992	179,279	123,648	157,354
Supplies	2,858	1,670	2,732	1,647
Other services and charges	63,475	55,505	42,792	33,735
In lieu of taxes and general overhead	300,246	277,420	379,300	355,230
TOTAL OPERATING EXPENSES	1,638,778	1,743,400	3,800,499	3,692,281
OPERATING INCOME (LOSS)	153,381	(31,350)	(128,789)	(83,071)
NONOPERATING REVENUES (EXPENSES)				
Intergovernmental	-	-	-	-
Environmental clean-up	-	-	-	-
Income (loss) on investments	1,711	1,214	487,219	(278,996)
Interest on assessments	208	1,353	1,779	3,801
Loss on disposal of assets	(195)	(8,200)	-	-
Patronage dividends	-	-	294	248
Bond issuance costs amortization	(3,060)	(4,651)	(216)	(631)
Interest expense and fiscal charges	(88,776)	(99,005)	(805)	(9,705)
TOTAL NONOPERATING REVENUES (EXPENSES)	(90,112)	(109,289)	488,271	(285,283)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	63,269	(140,639)	359,482	(368,354)
CAPITAL CONTRIBUTIONS TRANSFERS IN	476,842	422,666	392,220	340,984
	-	-	-	-
CHANGE IN NET ASSETS	540,111	282,027	751,702	(27,370)
NET ASSETS, JANUARY 1	7,352,011	7,069,984	40,636,655	40,664,025
NET ASSETS, DECEMBER 31	\$ 7,892,122	\$ 7,352,011	\$ 41,388,357	\$ 40,636,655

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net assets of business-type activities

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds				Governmental
Other Enterprise Funds		Totals		Activities -
2010	2009	2010	2009	Internal
				Service Funds
\$ 189,840	\$ 152,279	\$ 5,470,682	\$ 5,330,341	\$ 3,402,271
-	-	23,132	26,259	-
(6,370)	2,673	153,525	119,612	1,814
<u>183,470</u>	<u>154,952</u>	<u>5,647,339</u>	<u>5,476,212</u>	<u>3,404,085</u>
54,174	51,032	1,215,607	1,257,621	89,751
11,080	7,853	402,748	513,183	369,669
90,366	78,079	1,664,170	1,550,502	2,459,951
8,941	8,709	1,205,270	1,198,208	557,631
-	-	324,640	336,633	-
-	-	5,590	3,317	-
-	-	106,267	89,240	-
42,135	33,850	721,681	666,500	-
<u>206,696</u>	<u>179,523</u>	<u>5,645,973</u>	<u>5,615,204</u>	<u>3,477,002</u>
(23,226)	(24,571)	1,366	(138,992)	(72,917)
265,771	239,665	265,771	239,665	-
(316,694)	(247,948)	(316,694)	(247,948)	-
1,757	1,362	490,687	(276,420)	19,334
2,195	6,636	4,182	11,790	-
-	-	(195)	(8,200)	7,950
137	72	431	320	-
-	-	(3,276)	(5,282)	-
-	-	(89,581)	(108,710)	-
<u>(46,834)</u>	<u>(213)</u>	<u>351,325</u>	<u>(394,785)</u>	<u>27,284</u>
(70,060)	(24,784)	352,691	(533,777)	(45,633)
-	-	869,062	763,650	-
15,000	15,000	15,000	15,000	-
(55,060)	(9,784)	1,236,753	244,873	(45,633)
<u>871,782</u>	<u>881,566</u>	<u>48,860,448</u>	<u>48,615,575</u>	<u>6,434,766</u>
<u>\$ 816,722</u>	<u>\$ 871,782</u>	<u>\$ 50,097,201</u>	<u>\$ 48,860,448</u>	<u>\$ 6,389,133</u>
		(13,772)	(8,883)	
		<u>\$ 1,222,981</u>	<u>\$ 235,990</u>	

CITY OF ALBERT LEA, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds			
	Water Utility		Sewer Disposal	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,793,898	\$ 1,752,947	\$ 3,702,860	\$ 3,642,073
Receipts from interfund services provided	-	-	-	-
Cash payments in lieu of taxes	(110,033)	(54,750)	(84,160)	(132,560)
Payments for interfund services used	(190,213)	(222,670)	(295,140)	(222,670)
Payments to suppliers	(532,012)	(654,018)	(1,153,947)	(1,408,289)
Payments to employees	(494,046)	(591,513)	(951,178)	(1,006,540)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>467,594</u>	<u>229,996</u>	<u>1,218,435</u>	<u>872,014</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	-	-	-	-
Interest on assessments	-	-	1,779	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>1,779</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(3,537)	(105,183)	(1,435,223)	(345,669)
Proceeds from sale of assets	-	-	-	-
Intergovernmental	-	-	-	-
Interest on assessments	-	1,353	-	3,801
Customer contributions	32,000	4,800	34,600	6,000
Proceeds from bonds issued (net)	1,073,279	-	-	-
Environmental clean-up	-	-	-	-
Principal paid on bonds	(1,180,000)	(120,000)	(180,000)	(170,000)
Issuance costs paid	(13,218)	-	-	-
Interest paid on debt	(100,649)	(100,695)	(4,410)	(12,900)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(192,125)</u>	<u>(319,725)</u>	<u>(1,585,033)</u>	<u>(518,768)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investment securities	-	-	(239,153)	(705,647)
Proceeds from sale of investment securities	-	-	1,646,965	309,280
Interest received from investments	1,919	1,214	37,200	66,025
Patronage dividends	-	-	13,231	10,033
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>1,919</u>	<u>1,214</u>	<u>1,458,243</u>	<u>(320,309)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	277,388	(88,515)	1,093,424	32,937
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>139,659</u>	<u>228,174</u>	<u>532,993</u>	<u>500,056</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 417,047</u>	<u>\$ 139,659</u>	<u>\$ 1,626,417</u>	<u>\$ 532,993</u>

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds - Continued				Governmental
NonMajor Enterprise Funds		Totals		Activities -
2010	2009	2010	2009	Internal
				Service Funds
\$ 182,399	\$ 183,925	\$ 5,679,157	\$ 5,578,945	\$ -
-	-	-	-	3,404,801
(5,340)	(5,090)	(199,533)	(192,400)	-
(25,369)	(28,760)	(510,722)	(474,100)	-
(98,188)	(87,547)	(1,784,147)	(2,149,854)	(2,796,629)
(54,294)	(54,987)	(1,499,518)	(1,653,040)	(88,695)
(792)	7,541	1,685,237	1,109,551	519,477
15,000	15,000	15,000	15,000	-
2,195	6,636	3,974	6,636	-
17,195	21,636	18,974	21,636	-
-	(1,400)	(1,438,760)	(452,252)	(86,660)
-	-	-	-	9,819
265,771	996,770	265,771	996,770	-
-	-	-	5,154	-
-	-	66,600	10,800	-
-	-	1,073,279	-	-
(316,694)	(1,005,053)	(316,694)	(1,005,053)	-
-	-	(1,360,000)	(290,000)	-
-	-	(13,218)	-	-
-	-	(105,059)	(113,595)	-
(50,923)	(9,683)	(1,828,081)	(848,176)	(76,841)
-	-	(239,153)	(705,647)	-
-	-	1,646,965	309,280	-
1,758	1,362	40,877	68,601	19,334
137	36	13,368	10,069	-
1,895	1,398	1,462,057	(317,697)	19,334
(32,625)	20,892	1,338,187	(34,686)	461,970
106,257	85,365	778,909	813,595	1,611,279
\$ 73,632	\$ 106,257	\$ 2,117,096	\$ 778,909	\$ 2,073,249

CITY OF ALBERT LEA, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds - Continued			
	Water Utility		Sewage Disposal	
	2010	2009	2010	2009
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 153,381	\$ (31,350)	\$ (128,789)	\$ (83,071)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	252,830	259,979	943,499	929,520
Decrease (increase) in assets				
Accounts receivable	(6,339)	17,329	26,725	167
Special assessments	1,534	20,068	4,713	(28,047)
Inventories	(7,409)	1,638	-	-
Loans	6,544	-	8,180	-
Due from other governments	-	-	(8,468)	-
Increase (decrease) in liabilities				
Advance for future assessment	-	-	-	60,743
Accounts payable	23,290	7,223	322,368	19,038
Deposits payable	2,250	-	-	-
Contracts payable	-	(13,874)	50,871	(6,022)
Accrued salaries payable	4,660	(17,237)	6,493	(27,117)
Compensated absences payable	36,281	-	(8,462)	-
Other postemployment benefits payable	572	-	1,305	-
Other	-	(13,780)	-	6,803
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 467,594</u>	<u>\$ 229,996</u>	<u>\$ 1,218,435</u>	<u>\$ 872,014</u>
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Patronage dividends	\$ -	\$ -	\$ -	\$ -
Amortization of bond issuance costs	\$ 3,060	\$ 3,220	\$ 216	\$ 631
Amortization of bond discounts	\$ 1,681	\$ 1,770	\$ 70	\$ 205
Disposal of capital assets	\$ 195	\$ -	\$ -	\$ -
Change in fair value of investments	\$ -	\$ -	\$ 450,019	\$ (345,021)
Capital contributions	\$ 444,842	\$ 417,866	\$ 357,620	\$ 334,984
Amortization of OPEB liability	\$ -	\$ 838	\$ -	\$ 1,451

The notes to the financial statements are an integral part of this statement.

Business-type Activities - Enterprise Funds - Continued				Governmental Activities - Internal Service Funds
NonMajor Enterprise Funds		Totals		
2010	2009	2010	2009	
\$ (23,226)	\$ (24,571)	\$ 1,366	\$ (138,992)	\$ (72,917)
8,941	8,709	1,205,270	1,198,208	557,631
4,687	28,973	25,073	46,469	20,439
(5,758)	-	489	(7,979)	-
(88)	-	(7,497)	1,638	8,209
-	-	14,724	-	-
-	-	(8,468)	-	(19,723)
-	-	-	60,743	-
4,258	(1,615)	349,916	24,646	24,782
-	-	2,250	-	-
10,514	-	61,385	(19,896)	-
9	(3,999)	11,162	(48,353)	1,056
(209)	-	27,610	-	-
80	-	1,957	-	-
-	44	-	(6,933)	-
<u>\$ (792)</u>	<u>\$ 7,541</u>	<u>\$ 1,685,237</u>	<u>\$ 1,109,551</u>	<u>\$ 519,477</u>
<u>\$ 88</u>	<u>\$ 72</u>	<u>\$ 88</u>	<u>\$ 72</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,276</u>	<u>\$ 3,851</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,751</u>	<u>\$ 1,975</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195</u>	<u>\$ -</u>	<u>\$ 1,869</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 450,019</u>	<u>\$ (345,021)</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 802,462</u>	<u>\$ 752,850</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ 58</u>	<u>\$ -</u>	<u>\$ 2,347</u>	<u>\$ -</u>

CITY OF ALBERT LEA, MINNESOTA
STATEMENT OF NET ASSETS
FIDUCIARY FUND
DECEMBER 31, 2010

	<u>Agency Fund</u>
ASSETS	
Taxes receivable	<u>\$ 214,034</u>
LIABILITIES	
Due to other governments	<u>\$ 214,034</u>

The notes to the financial statements are an integral part of this statement.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Albert Lea was incorporated by passage of an act by the Legislature of the State of Minnesota and ratified by an election of the voters of the City. The incorporation of the City was effective April 1, 1878 with the adoption of the first Charter. The area of the City on incorporation was 1.2 square miles and the first census of 1880 showed a population of 3,365. The Charter established a Mayor-Council form of government. The governing body consists of six elected council members and a mayor. The City Manager administers policies and coordinates the activities of the City. The heads of the various departments, formed to provide various services, are under the direct supervision of the City Manager. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The accompanying financial statements present the City and its component unit (The Port Authority of the City of Albert Lea), an entity for which the governments is considered financially accountable.

Discretely Presented Component Unit. The Port Authority of the City of Albert Lea is governed by seven commissioners who are appointed by the Albert Lea City Council. The City is considered financially accountable for the Port Authority because the City Council approves their annual budget. The Port Authority is comprised of two funds, the general fund and the real estate fund. Separately issued financial statements are available upon request from the Finance Director of the City at 221 East Clark Street, Albert Lea, MN.

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 primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue in the fund financial statements.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *TIF 5-13 Larson Manufacturing fund* was established to account for tax increment financing activities relative to property acquisition public improvement, and site improvements to assist with development within the district.

The *TIF 5-15 Broadway Ridge Redevelopment fund* was established to account for tax increment financing activities relative to the redevelopment of the downtown area.

The *PIR Assessments Debt Service fund* is used to accumulate PIR assessment revenues collected for payment of PIR bonds principal and interest. These debt issues were sold to finance construction of various projects that were deemed to benefit only those residents in the immediate area of the projects and are paid for by those residents through assessments against their property.

The *PIR assessments fund* accounts for the revenue and expenditures used in PIR assessment capital projects.

The *Capital Projects fund* accounts for the construction of capital assets which are financed from various sources other than special assessment debt.

The City reports the following major proprietary funds:

The *Water fund* accounts for the water service charges which are used to finance the water system operating expenses.

The *Sewage Disposal fund* accounts for the sewer service charges which are used to finance the sanitary sewer system operating expenses.

Additionally, the City reports the following fund types:

Internal Service funds account for central garage, administrative services, insurance services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's utility function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on 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. Assets, liabilities and net assets or equity

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Certain restricted assets are included in cash and cash equivalents.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings on investments are allocated to the individual funds based upon the average of month-end cash and investment balances.

For purposes of the statement of cash flows, the enterprise and internal service funds consider cash on hand, demand deposits, and short-term investments with original maturities of three months or less.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Property taxes

The Council annually adopts a tax levy and certifies it to the County in December for collection 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.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred revenue liability for delinquent taxes not received within 60 days after year-end in the fund financial statements.

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2010. All trade receivables are shown net of an allowance for uncollectible accounts. There was no allowance for doubtful accounts as of December 31, 2010.

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year-end. All governmental special assessments receivable are offset by deferred revenue in the fund financial statements.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Interfund 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 non-current 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.

Inventories, prepaid items, insurance, and inventory of real property

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors (such as service and maintenance agreements) reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Insurance premiums are accounted for using the purchases method in the fund financial statements.

Investment in real property consists of property that the Port Authority holds for resale. Investments in real property are recorded at net realizable value. Donated investments in real property are recorded at their estimated fair market value on the date of the donation.

Restricted assets

The asset accounts related to the Police and Fire PERA refund in the general fund are classified as restricted assets because their use is completely restricted according to the plan of expenditure the City was required to file with the state auditor. The state auditor will be auditing these assets periodically. These funds are offset by a reserve of fund balance in the fund financial statements to indicate that they are not available for appropriation and are not expendable available financial resources.

The escrow account used to hold a contract payable is classified as restricted assets because its use is restricted according to the escrow agreement. These funds are offset by a contract payable in the same amount.

CITY OF ALBERT LEA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial cost of more than \$500 (\$5,000 for infrastructure assets) and an estimated useful life in excess of two years.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all items previously accounted for. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. 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.

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

Assets	Years
Buildings	25 - 50
Improvements other than buildings	15 - 50
Water distribution system	40 - 75
Sewer distribution system	40 - 75
Machinery and equipment	3 - 20
Vehicles	3 - 15
Infrastructure	20 - 80

Patronage equity

The enterprise funds purchase electrical power from a cooperative which grants yearly patronage capital credit allocations to its customers. Capital credits represent the customer's share of ownership in the cooperative. They are held by the cooperative until retired by action of the cooperative's board of directors, at which time the customer will receive a capital credit refund check. Capital credit allocations are recognized in the year that they are received.

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

Postemployment benefits other than pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at January 1, 2008.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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 straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund equity

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

Net assets

Net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net assets - Consist of net assets restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year’s presentation.

CITY OF ALBERT LEA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

The City's budget is prepared for the general fund on the modified accrual basis of accounting. Annual appropriated budgets are adopted for the general fund only. Any modification in the adopted budget can be made upon request of and approval by the City Council. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

On or before July 1 of each year, all agencies of the City submit requests for appropriation to the City Manager so that a budget may be presented. The budget is prepared for the general fund by function and activity and also includes information on the preceding two fiscal years, current year estimates of expenditures and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review at their last meeting in August. The City Council holds public hearings and may add to, subtract from or change appropriations, but may not change the form of the budget. Any changes in the budget must be within the revenues as estimated by the City Manager. The City Council must adopt the annual budget by December 28 of each year.

Expenditures may not legally exceed budgeted appropriations at the total level for each function or activity. Management cannot amend the adopted budget, but must request the City Council to transfer funds between functions or activities or adopt supplemental appropriations when the need arises. During 2010, changes in appropriations were approved by the City Council.

B. Deficit fund equity

The following funds had fund equity deficits at December 31, 2010:

Fund	Amount
Major special revenue	
TIF 5-13 Larson Mfg	\$ 1,891,910
TIF 5-15 Broadway Ridge Redevel	1,668,489
Nonmajor special revenue	
TIF 5-7 E Main Redevelopment	106,582
TIF 5-16 Albert Lea Warehouse	6,146
TIF 6-1 Newbury Development	13,892

The deficits will be funded with future transfers and tax increments.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year-end, the City's carrying amount of deposits was \$236,988. The bank balance was \$494,929. The bank balance was fully covered by federal depository.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

The City's investment policy incorporates Minnesota Statutes as described above which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Interest rate risk.* The City's investment policy states that not more than twenty percent of the City's unrestricted unreserved funds may be invested in obligations with maturities in excess of one year. The City's investment policy does not address a method of computation to be used. The City's investments include callable investments. For the weighted average maturity calculations, the city assumes that its callable investments will not be called.
- *Credit risk.* Credit risk is the risk that an issuer to an investment will not fulfill its obligation. State law limits investments in state and local securities and commercial paper to those with specified rating by nationally recognized rating agencies. The City of Albert Lea further limits its investments to not allow any investments in state and local securities and commercial paper. U.S. Treasury Obligations are not considered to have credit risk.
- *Concentration risk.* The City does not hold five percent or more in securities of a single issuer and therefore has no concentration risk.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City typically limits its exposure by purchasing insured or registered investments.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

As of December 31, 2010, the City had the following investments that are insured or registered, or securities held by the City or it's agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled investments			
MN Municipal Money Market	N/A	Less than 6 months	\$ 15,983,224
Non-pooled investments			
U.S. government agency securities	AAA	1 to 3 years	354,782
U.S. government agency securities	AAA	More than 3 years	11,795,016
U.S. government agency securities	(3)	1 to 3 years	478,510
U.S. government agency securities	(3)	More than 3 years	1,181,121
U.S. treasury obligations	AAA	Less than 6 months	342,883
U.S. treasury obligations	AAA	1 to 3 years	416,240
U.S. treasury obligations	AAA	More than 3 years	1,397,500
Brokered certificates of deposit	N/A	Less than 6 months	2,781,000
Brokered certificates of deposit	N/A	6 to 12 months	<u>3,483,000</u>
Total investments			<u>\$ 38,213,276</u>

1. Ratings are provided by various credit rating agencies where applicable in indicate associated credit risk.
 2. Interest rate risk is disclosed using the segmented time distributions method.
 3. Unrated with AAA related underlying securities.
- NA Indicates not applicable or available.

CITY OF ALBERT LEA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

Cash and investments summary

A reconciliation of cash and investments as shown on the Statement of Net for the City follows:

Carrying amount of deposits	\$ 236,988
Investments	38,213,276
Petty cash	<u>2,700</u>
Total	<u><u>\$ 38,452,964</u></u>
Cash and investments	
Unrestricted	
Cash and temporary investments	\$ 15,472,239
Investments	12,005,043
Restricted	
Cash and temporary investments	56,209
Investments	<u>10,919,473</u>
Total	<u><u>\$ 38,452,964</u></u>

B. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major accounts receivable balances for the governmental activities include franchise fees and miscellaneous charges. Business-type activities report utility earnings as their major accounts receivable.

C. Loans receivable

The City operates an economic revolving loan fund. The purpose of this fund is to issue loans that serve as gap financing to projects whose purpose it is to create economic development within the city. The funds that are available for these loans originated as grants from the state or federal government. The total balance of these loans at December 31, 2010 was \$1,217,830, which consists of loans maturing in one to twenty-six years with interest ranging from zero to 5 percent.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

D. 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. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>
Delinquent property taxes receivable	
General	\$ 267,494
TIF 5-15 Broadway Ridge Redevelop	2,390
TIF 5-13 Farmland Foods	304
PIR Assessment Debt Service	14,359
Capital Improvement Debt Service	5,059
Special assessments not yet due	
General	1,642,107
PIR Assessment Debt Service	3,789,580
Capital Improvement Debt Service	883,068
Revenue not yet earned	
Capital Projects	41,184
Total governmental funds	\$ 6,645,545

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

E. Capital assets

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

Primary government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,372,715	\$ 306,829	\$ -	\$ 5,679,544
Construction in progress	<u>1,745,592</u>	<u>3,461,126</u>	<u>-</u>	<u>5,206,718</u>
Total capital assets not being depreciated	<u>7,118,307</u>	<u>3,767,955</u>	<u>-</u>	<u>10,886,262</u>
Capital assets, being depreciated				
Buildings	15,647,398	853,309	-	16,500,707
Improvements other than buildings	3,817,455	59,736	(5,276)	3,871,915
Equipment	12,575,709	332,099	(371,992)	12,535,816
Infrastructure	<u>34,980,963</u>	<u>2,687,789</u>	<u>(792,200)</u>	<u>36,876,552</u>
Total capital assets being depreciated	<u>67,021,525</u>	<u>3,932,933</u>	<u>(1,169,468)</u>	<u>69,784,990</u>
Less accumulated depreciation for				
Buildings	(7,246,853)	(474,231)	-	(7,721,084)
Improvements other than buildings	(2,144,875)	(114,385)	5,276	(2,253,984)
Equipment	(9,186,084)	(877,234)	371,943	(9,691,375)
Infrastructure	<u>(20,688,761)</u>	<u>(774,068)</u>	<u>792,200</u>	<u>(20,670,629)</u>
Total accumulated depreciation	<u>(39,266,573)</u>	<u>(2,239,918)</u>	<u>1,169,419</u>	<u>(40,337,072)</u>
Total capital assets being depreciated, net	<u>27,754,952</u>	<u>1,693,015</u>	<u>(49)</u>	<u>29,447,918</u>
Governmental activities capital assets, net	<u>\$ 34,873,259</u>	<u>\$ 5,460,970</u>	<u>\$ (49)</u>	<u>\$ 40,334,180</u>

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets not being depreciated				
Land	\$ 893,099	\$ -	\$ -	\$ 893,099
Capital assets being depreciated:				
Buildings	35,103,087	-	-	35,103,087
Improvements other than buildings	29,363,890	2,230,388	-	31,594,278
Equipment	<u>2,393,557</u>	<u>10,834</u>	<u>(3,965)</u>	<u>2,400,426</u>
Total capital assets being depreciated	<u>66,860,534</u>	<u>2,241,222</u>	<u>(3,965)</u>	<u>69,097,791</u>
Less accumulated depreciation for				
Buildings	(10,966,375)	(764,499)	-	(11,730,874)
Improvements other than buildings	(13,341,835)	(374,098)	-	(13,715,933)
Equipment	<u>(2,090,957)</u>	<u>(66,673)</u>	<u>3,768</u>	<u>(2,153,862)</u>
Total accumulated depreciation	<u>(26,399,167)</u>	<u>(1,205,270)</u>	<u>3,768</u>	<u>(27,600,669)</u>
Total capital assets being depreciated, net	<u>40,461,367</u>	<u>1,035,952</u>	<u>(197)</u>	<u>41,497,122</u>
Business-type activities capital assets, net	<u>\$ 41,354,466</u>	<u>\$ 1,035,952</u>	<u>\$ (197)</u>	<u>\$ 42,390,221</u>

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

Governmental activities		
General government		\$ 161,938
Police		31,327
Fire and inspection		49,030
Public works		796,519
Parks and recreation		433,767
Library		207,033
Community development		2,673
Internal service funds		<u>557,631</u>
Total depreciation expense - governmental activities		<u>\$ 2,239,918</u>
Business-type activities		
Water utility		\$ 252,830
Sewer utility		943,499
Solid waste management		1,679
Parking		<u>7,262</u>
Total depreciation expense - business-type activities		<u>\$ 1,205,270</u>

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

Discretely presented component units

Activity for the Port Authority for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	\$ 283,733	\$ -	\$ -	\$ 283,733
Capital assets being depreciated:				
Buildings	6,398,605	113,182	(1,500)	6,510,287
Improvements other than buildings	248,476	53,189	-	301,665
Equipment	51,014	15,263	-	66,277
Total capital assets being depreciated	6,698,095	181,634	(1,500)	6,878,229
Less accumulated depreciation for:				
Buildings	(2,748,240)	(222,676)	1,500	(2,969,416)
Improvements other than buildings	(74,732)	(14,776)	-	(89,508)
Equipment	(30,250)	(5,985)	-	(36,235)
Total accumulated depreciation	(2,853,222)	(243,437)	1,500	(3,095,159)
Total capital assets being depreciated, net	3,844,873	(61,803)	-	3,783,070
Port Authority capital assets, net	<u>\$ 4,128,606</u>	<u>\$ (61,803)</u>	<u>\$ -</u>	<u>\$ 4,066,803</u>

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

Business-type activities:	
Port Authority	<u>\$ 243,437</u>

Construction commitments

The City has active construction projects as of December 31, 2010. The combined total of construction and related engineering remaining commitments was \$4,507,624. These projects related to airport improvements and street construction projects.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUND - CONTINUED

F. Interfund receivables, payables, and transfers

The composition of interfund balances at December 31, 2010 is as follows:

Receivable Fund	Payable Fund	Amount
General fund	TIF 5-13 Larson Mfg fund	\$ 156,500
General fund	TIF 5-15 Broadway Ridge Redev fund	1,690,000
General fund	PIR Assessments fund	768,227
General fund	Capital Projects fund	800,000
General fund	Nonmajor governmental funds	1,000,930
General fund	Nonmajor enterprise funds	60,000
		<u>60,000</u>
Total		<u>\$ 4,475,657</u>

The general fund made advances to several tax increment financing funds rather than have those funds issue bonds. These advances will be repaid over time through increment from the tax levies. The general fund is holding deferred assessments for the capital projects funds. These are treated as advances to the capital projects funds. When these assessments are no longer deferred these advances will be repaid by the capital projects funds.

Interfund transfers for the year ended December 31, 2010 is as follows:

Fund	Transfer in:			
	TIF 5-13 Larson Mfg.	PIR Assessment Debt Service	PIR Assessment Fund	Capital Projects
Transfer out				
General fund	\$ -	\$ 250,000	\$ 115,161	\$ 54,839
PIR Assessment fund	-	150,000	-	-
Capital Projects	-	-	-	115,161
Nonmajor governmental	18,843	-	-	-
	<u>18,843</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers	<u>\$ 18,843</u>	<u>\$ 400,000</u>	<u>\$ 115,161</u>	<u>\$ 170,000</u>

Fund	Nonmajor Governmental	Nonmajor Business type	Total
Transfer out			
General fund	\$ 45,000	\$ 15,000	\$ 480,000
PIR Assessment fund	-	-	150,000
Capital Projects	-	-	115,161
Nonmajor governmental	-	-	18,843
	<u>-</u>	<u>-</u>	<u>18,843</u>
Total transfers	<u>\$ 45,000</u>	<u>\$ 15,000</u>	<u>\$ 764,004</u>

Throughout the course of the year, the City has to make occasional interfund transfers. These transfers are usually approved so that the fund receiving the money can continue to operate.

Additionally, payments in lieu of taxes paid by the Water, Sewer, Solid Waste Management, and Parking funds have been reclassified on the Government-Wide Statement of Activities as transfers from these funds to the General fund. Capital improvements paid by the PIR assessments fund for the Water fund have been reclassified on the Government-Wide Statement of Activities as transfers from this fund.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G. Leases

Operating leases

The City entered into an agreement with Freeborn County on December 20, 2007 whereby the City will make five annual payments of \$270,000 beginning in 2008 in exchange for a 50 year lease for their portion of the Government Center. This lease expires December 19, 2057.

The City entered into an agreement with Western Star Lodge #26, A.F. & A.M. of Minnesota on May 2, 1980 whereby Western Star Lodge sold to the City of Albert Lea their building in exchange for a 50 year lease on the third floor of the building for their exclusive use as compensation for the building. This lease expires April 30, 2030.

The City leases to Verizon space on a water tower for an antenna. The City receives \$12,508 annually as per the terms of the lease agreement which expires on July 31, 2012. This lease provides for one five year option to extend the lease. Future lease revenue total \$12,508 for 2011 and \$7,296 for 2012.

The City leases to U.S Cellular space on a water tower for an antenna. The City receives \$13,751 annually as per the terms of the lease agreement which expires on February 28, 2013. This lease provides for four five-year options to extend the lease. Future lease revenue total \$13,751 for 2011 and 2012, and \$2,125 for 2013.

H. Long-term debt

PIR assessment bonds

PIR assessment bonds are issued for the construction of major capital improvements having a relatively long life. They are payable from special assessments levied and collected on local improvements to property and are backed by the full faith and credit of the City. Four PIR assessment bond issues with a total original issue amount of \$9,305,000 are currently outstanding as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Permanent Improvement Series 2004A	\$ 1,285,000	3.50-4.00 %	12/01/04	02/01/14	\$ 335,000
Permanent Improvement Series 2007A	2,400,000	3.90-4.20	07/01/07	02/01/18	1,925,000
Permanent Improvement Series 2009A	2,840,000	2.00-3.25	07/15/09	02/01/19	2,840,000
Permanent Improvement Series 2010A	3,260,000	2.00-3.50	07/15/10	02/01/26	<u>3,260,000</u>
Total G.O. Special Assessment Bonds					<u>\$ 8,360,000</u>

On July 15, 2010, the City issued \$3,260,000 General Obligation PIR Fund and Refunding Bonds, series 2010A of which \$640,000 was related to an advance refunding of the 2001A bond. The proceeds of the refunding bond along with \$300,000 of local funding, provides for a present value cash flow savings of \$372,388 and a total cash flow savings of \$408,471.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 890,000	\$ 206,246	\$ 1,096,246
2012	945,000	225,913	1,170,913
2013	1,000,000	201,324	1,201,324
2014	930,000	174,687	1,104,687
2015	870,000	145,767	1,015,767
2016 - 2020	2,995,000	337,812	3,332,812
2021-2025	625,000	76,450	701,450
2026	105,000	3,675	108,675
Total	<u>\$ 8,360,000</u>	<u>\$ 1,371,874</u>	<u>\$ 9,731,874</u>

Capital improvement assessment bonds

Capital Improvement assessment bonds are issued for the construction of major capital improvements having a relatively long life. They are payable from special assessments levied and collected on local improvements to property and are backed by the full faith and credit of the City. One capital improvement assessment bond issue with an original issue amount of \$3,715,000 is currently outstanding as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Permanent Improvement Series 2005A	\$ 3,715,000	3.50 - 3.80 %	02/01/05	02/01/21	<u>\$ 2,820,000</u>

The annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2011	\$ 250,000	\$ 98,528	\$ 348,528
2012	245,000	89,712	334,712
2013	245,000	80,831	325,831
2014	245,000	71,949	316,949
2015	245,000	63,068	308,068
2016-2020	1,380,000	167,596	1,547,596
2021	210,000	3,990	213,990
Total	<u>\$ 2,820,000</u>	<u>\$ 575,674</u>	<u>\$ 3,395,674</u>

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General obligation revenue bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. These bonds are recorded in the fund according to the purpose for which they were issued. The Sewage Disposal Fund is currently carrying bonds payable for the construction of the Sewage Treatment Plant. These bonds had an original issue amount of \$1,445,000. The Water fund is currently carrying bonds for the construction of the South Water Treatment Plant and water tower improvements. These bonds had original issue amounts of \$1,600,000 and \$1,040,000. The bonds from both of these funds are payable from the net revenues of their respective funds for which they were issued and not from an ad valorem tax, but are backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Revenue Bonds Series 2007B	\$ 1,040,000	4.00-4.40 %	07/01/07	02/01/23	\$ 935,000
Revenue Bonds Series 2010B	1,080,000	.50-3.25	07/15/10	08/01/21	<u>1,080,000</u>
Total Revenue Bonds					<u>\$ 2,015,000</u>

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2011	\$ 140,000	\$ 62,750	\$ 202,750
2012	150,000	58,992	208,992
2013	150,000	55,843	205,843
2014	155,000	52,290	207,290
2015	160,000	48,259	208,259
2016-2020	890,000	161,921	1,051,921
2021-2023	<u>370,000</u>	<u>20,955</u>	<u>390,955</u>
Total	<u>\$ 2,015,000</u>	<u>\$ 461,010</u>	<u>\$ 2,476,010</u>

On July 15, 2010, the City issued \$1,080,000 General Obligation Water Revenue Refunding Bonds, series 2010B to an advance refunding of the General Obligation Water Revenue Bonds of 2001. The proceeds of the refunding bond provides for a present value cash flow savings of \$116,731 and a total cash flow savings of \$132,795.

CITY OF ALBERT LEA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Notes payable

The City received financing from the local utility company for a new heating/refrigeration system at the city arena in the amount of \$42,416 payable over a five year period of time, without interest. The energy savings of the project are considered to be at least equal to the City's annual payments.

The City received financing from the local rural electric cooperative for a capital project to extend city water and sewer services to the East Main area of town in the amount of \$360,000, without interest, payable over a ten year period of time.

The notes currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Life of Notes	Balance at Year End
Alliant Energy - Arena lighting replacement	\$ 42,416	0.00 %	2010-2014	\$ 33,932
Freeborn-Mower Electric - utility extension	360,000	0.00	2009-2015	168,000
Total Notes				<u>\$ 201,932</u>

The annual debt service requirements to maturity for the notes payables are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 44,483	\$ -	\$ 44,483
2012	44,483	-	44,483
2013	44,483	-	44,483
2014	44,483	-	44,483
2015	24,000	-	24,000
Total	<u>\$ 201,932</u>	<u>\$ -</u>	<u>\$ 201,932</u>

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2010, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Bonds payable					
PIR Assessment bonds	\$ 6,650,000	\$ 3,260,000	\$ (1,550,000)	\$ 8,360,000	\$ 890,000
Bond premium	31,666	82,903	(6,316)	108,253	14,760
Capital Improvement					
Assessment bonds	3,050,000	-	(230,000)	2,820,000	250,000
Bond premium	12,276	-	(1,116)	11,160	1,116
Notes payable	253,907	-	(51,975)	201,932	44,483
Total notes & bonds payable	9,997,849	3,342,903	(1,839,407)	11,501,345	1,200,359
Advance from Component Unit	1,750,000	-	-	1,750,000	-
Compensated absences payable	1,028,351	748,227	(729,248)	1,047,330	893,185
Other postemployment benefits payable	30,588	39,153	(24,917)	44,824	-
Governmental activity long-term liabilities	<u>\$ 12,806,788</u>	<u>\$ 4,130,283</u>	<u>\$ (2,593,572)</u>	<u>\$ 14,343,499</u>	<u>\$ 2,093,544</u>
Business-type activities:					
Bonds payable					
G.O. Revenue bonds	\$ 2,115,000	\$ 1,080,000	\$ (1,180,000)	\$ 2,015,000	\$ 140,000
G.O. Revenue Refunding bonds	180,000	-	(180,000)	-	-
Bond discounts	(12,899)	(7,560)	6,675	(13,784)	(1,012)
Deferred loss on refunding	-	(12,052)	-	(12,052)	(2,601)
Total bonds payable	2,282,101	1,060,388	(1,353,325)	1,989,164	136,387
Compensated absences payable	168,129	172,504	(144,995)	195,638	103,913
Other postemployment benefits payable	5,104	5,883	(3,926)	7,061	-
Business-type activity long-term liabilities	<u>\$ 2,455,334</u>	<u>\$ 1,238,775</u>	<u>\$ (1,502,246)</u>	<u>\$ 2,191,863</u>	<u>\$ 240,300</u>

CITY OF ALBERT LEA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Advance from component unit

In October 2006, the City of Albert Lea received an advance from the Albert Lea Port Authority, a component unit, in the amount of \$1,750,000. This advance was in exchange for the purchase of land from the Albert Lea Port Authority in the amount of \$1,750,000 for immediate resale to Larson Manufacturing for \$1. Repayment of this advance will be made solely from available tax increment. Tax increment is expected to be received beginning in 2016. This is a zero percent interest advance. To the extent available tax increment is insufficient to repay the principal amount outstanding, the outstanding balance shall be forgiven by the Albert Lea Port Authority.

Conduit debt obligations

The City has issued Industrial Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from revenues of the industries to which the bonds were remitted. The City is not obligated in any matter for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2010, there were two outstanding bond issues with an original issue amount of \$5,960,000 and a balance of \$4,470,000.

I. Designated unreserved fund balance

The City has designated a portion of general fund balance for the following purposes:

Purpose	Amount
Capital improvements	\$ 2,650,000
Note payable	33,932
Compensated absences payable	1,047,330
Other	90,500
Total	\$ 3,821,762

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

In 2008, the City prospectively implemented the requirements of GASB No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*.³

A. Plan description

The City of Albert Lea administers a single-employer defined benefit healthcare plan. The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. The healthcare plan does not issue a publicly available financial report.

B. Funding policy

The City of Albert Lea does not contribute to the cost of premiums for eligible retired plan members and their spouses. Because the actual cost for retirees is higher than the average per-person premium for the entire group, the difference gives rise to an implicit rate subsidy. The City pays the difference between the actual and apparent cost.

CITY OF ALBERT LEA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED DECEMBER 31, 2010

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

C. Annual other postemployment benefit cost

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC) of the City, 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 cost each year and to amortize any unfunded actuarial liabilities (or funding excess) 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 contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 45,672
Interest on net OPEB obligation	1,428
Adjustment to annual required contribution	<u>(2,064)</u>
 Annual OPEB cost (expense)	 45,036
 Contributions made	 <u>(28,842)</u>
Increase in net OPEB obligation	16,194
 Net OPEB obligation- beginning of year	 <u>35,692</u>
 NET OPEB obligating - end of year	 <u><u>\$ 51,886</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended December 31, 2010 follows:

Year Ending	Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/10	\$ 45,036	64.0 %	\$ 51,886
12/31/09	45,294	68.0	35,692
12/31/08	45,672	53.6	21,205

D. Funded Status and Funding Progress

As of January 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$429,016, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$7,877,079, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 5.45 percent.

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

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 4: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

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 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.

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 54 for police and fire employees and at age 63 for non police and fire employees.

Marital status - Marital status of members at the calculation date was assumed to continue through retirement.

Mortality - Life expectancies are based on mortality tables at the National Center for Health Statistics. The 2000 United States Life Tables for Males and Females was used.

Turnover - The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in Paragraph 35b of GASB 45.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums used was 10 percent initially, reduced to an ultimate rate of 5 percent after ten years.

Health insurance premiums - The premiums represent a blended average cost of both active and retired individuals. Since older, pre-65 retirees generally incur higher claims than younger active employees, GASB requires employers to value retiree liability based on estimated retiree costs rather than premiums. Age-adjusted claims are developed and used to value the retiree medical liability.

Based on the historical and expected returns of the city's short-term investments portfolio, a discount rate of 4.0 percent was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount over 30 years on an open basis. The remaining amortization period at January 1, 2009 was twenty-nine years.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 5: 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 General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356.

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

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

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age 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 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 GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF ALBERT LEA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Note 4: DEFINED BENEFIT PENSION PLANS – STATEWIDE - CONTINUED

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 Minnesota statutes. GERS Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.0 percent, respectively, of their annual covered salary in 2010. PEPFF members were required to contribute 9.4 percent of their annual covered salary in 2010. In 2010, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERS members, 7.00 percent for Coordinated Plan GERS members and 14.1 percent for PEPFF members. Employer contribution rates in the Coordinated Plan increased to 7.00 percent effective January 1, 2010. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2010, 2009 and 2008 were \$306,168, \$318,257, and \$295,447, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2010, 2009 and 2008 were \$375,370, \$391,675, and \$344,675, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Defined contribution plan - statewide

The City provides pension benefits for its elected local government officials through a defined contribution plan administered by PERA. The Public Employee Defined Contribution Plan (PEDCP) is a multiple-employer deferred compensation plan. 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. The plan is established and administered in accordance with Minnesota statutes, chapter 353D. The State of Minnesota has the authority for establishing and amending the Plan's provisions. Minnesota statutes require that both the elected local government officials and the City contribute an amount equal to 5 percent of the elected local government official's salary. There is no vesting period required to receive benefits in the PEDCP.

The City's contributions to the PEDCP for the years ended December 31, 2010 and 2009 were \$1,661 and \$1,830, respectively. The City's contributions were equal to the contractually required contributions or each year as set by Minnesota statutes.

Note 5: OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Commitments and Contingent Liabilities

In connection with the normal conduct of its affairs, the City is involved in various claims, litigations and judgments. It is expected that the final settlement of these matters will not materially affect the financial statements of the City.

C. Subsequent event

The City issued \$970,000 General Obligation Permanent Improvement Revolving Fund Bonds, series 2011A on May 10th, 2011 to fund various improvement projects within the City.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF ALBERT LEA
ALBERT LEA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

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CITY OF ALBERT LEA, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2010

Schedule of Funding Progress for Other Postemployment Benefit Plan

Actuarial Valuation Date	Required Supplementary Information			Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)			
01/01/08	\$ -	\$ 429,016	\$ 429,016	- %	\$ 7,877,079	5.45 %

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF ALBERT LEA
ALBERT LEA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds – see fund definitions on page 93

Debt Service Funds

These funds are established to account for the accumulation and disbursement of monies needed to comply with the interest and principal requirements of various bond issues.

Capital Improvement Bond Fund

This fund accounts for the accumulation of special assessments levied against property for improvements, which are a benefit to such property. These resources are used for the payment of principal and interest on the following debt of the City:

Capital Improvement Bonds, Series 2005A

Capital Projects Funds

Capital Improvement Assessments Fund

This fund accounts for the acquisition of capital facilities and the construction of major permanent capital improvements having a relatively long life. Funds are provided by the Capital Improvement Assessments Debt Service Fund.

CITY OF ALBERT LEA, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2010

	Special Revenue	53 Capital Improvement Assessments	37 Capital Improvement Bond Fund	Total
ASSETS				
Cash and temporary investments	\$ 1,343,255	\$ 77,986	\$ 468,359	\$ 1,889,600
Investments	200,000	1,000,000	-	1,200,000
Receivables				
Delinquent taxes	-	-	5,810	5,810
Accounts	-	-	53,694	53,694
Special assessments	-	-	829,785	829,785
Loans	1,217,830	-	-	1,217,830
TOTAL ASSETS	<u>\$ 2,761,085</u>	<u>\$ 1,077,986</u>	<u>\$ 1,357,648</u>	<u>\$ 5,196,719</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 1,236	\$ -	\$ -	\$ 1,236
Deferred revenue	-	-	888,127	888,127
Advances from other funds	127,050	873,880	-	1,000,930
TOTAL LIABILITIES	<u>128,286</u>	<u>873,880</u>	<u>888,127</u>	<u>1,890,293</u>
FUND BALANCES				
Reserved for				
Loans	1,217,830	-	-	1,217,830
Debt service	-	-	469,521	469,521
Unreserved				
Designated	1,414,969	204,106	-	1,619,075
TOTAL FUND BALANCES	<u>2,632,799</u>	<u>204,106</u>	<u>469,521</u>	<u>3,306,426</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,761,085</u>	<u>\$ 1,077,986</u>	<u>\$ 1,357,648</u>	<u>\$ 5,196,719</u>

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

	Special Revenue	53 Capital Improvement Assessments	37 Capital Improvement Bond Fund	Total
REVENUES				
Taxes	\$ 178,774	\$ -	\$ 77,203	\$ 255,977
Intergovernmental	350,999	-	2,152	353,151
Interest on investments	20,440	5,352	187,489	213,281
Interest on loans	28,062	-	1,961	30,023
Miscellaneous	20,157	-	20,234	40,391
TOTAL REVENUES	<u>598,432</u>	<u>5,352</u>	<u>289,039</u>	<u>892,823</u>
EXPENDITURES				
Current				
General government	22,514	-	-	22,514
Community development	475,109	-	-	475,109
Debt service				
Principal	-	-	266,000	266,000
Interest and fiscal charges	6,500	-	107,531	114,031
TOTAL EXPENDITURES	<u>504,123</u>	<u>-</u>	<u>373,531</u>	<u>877,654</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>94,309</u>	<u>5,352</u>	<u>(84,492)</u>	<u>15,169</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	45,000	-	-	45,000
Transfers out	(18,843)	-	-	(18,843)
TOTAL OTHER FINANCING SOURCES (USES)	<u>26,157</u>	<u>-</u>	<u>-</u>	<u>26,157</u>
NET CHANGE IN FUND BALANCES	120,466	5,352	(84,492)	41,326
FUND BALANCES, JANUARY 1	<u>2,512,333</u>	<u>198,754</u>	<u>554,013</u>	<u>3,265,100</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,632,799</u>	<u>\$ 204,106</u>	<u>\$ 469,521</u>	<u>\$ 3,306,426</u>

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NONMAJOR SPECIAL REVENUE FUNDS

A Special Revenue Fund is established to account for the proceeds of specific revenue sources that are restricted by law or administrative action to the expenditure for specified purposes.

Building Maintenance Fund – was established in 1989 to provide a source of funds for maintenance and capital improvements to buildings owned by the City that were acquired with General Governmental Funds.

Economic Development Revolving Fund – was established to provide a permanent source of economic development monies for use by the City to assist with economic development in the City.

TIF 5-7 East Main Redevelopment Fund - was established to account for tax increment financing activities relative to project costs associated with the redevelopment of public and private property located on the south side of East Main Street between Syverson Avenue and Morningside Road.

TIF 5-8 Northside Redevelopment Fund – was established to account for tax increment financing activities relative to property acquisition, building rehabilitation, and site improvements to assist with redevelopment within the district.

TIF 5-12 Mrs. Gerry's Fund – was established to account for tax increment financing activities relative encourage the retention, expansion and development of an industrial enterprise.

TIF 5-16 Albert Lea Warehouse – was established to account for tax increment activities relative to reimbursing eligible project costs associated with site improvements within the district.

TIF 5-11 Albert Lea Industrial Park Fund – was established to account for tax increment financing activities relative to reimbursing eligible project costs associated with site improvements within the district.

TIF 6-1 Newbury Development Fund – was established to account for tax increment financing activities relative to installing public street and utilities associated with the private development of the district.

TIF 7-1 Montag Development Fund – was established to account for tax increment financing activities relative to property acquisition, public improvements, and site improvements to assist with development within the district.

Small Cities Development Block Grant – was established to account for the activities relative to preserving the supply of decent, safe, sanitary, lead safe affordable housing for lower-income families. Grant funds will be used toward moderate rehabilitation of owner occupied housing.

Broadway Ridge Renewal Fund – was established to provide a source of funds available to assist downtown businesses owners with façade improvements in order to spur downtown revitalization.

Vitality Center Fund – was established to account for funds received for purposes of promoting the community as a national vitality center following the Blue Zones/AARP Vitality Project in 2009.

TIF 5-18 Freeborn Lumber Fund – was established to account for tax increment activities relative to reimbursing eligible project costs associated with site improvements within the district.

CITY OF ALBERT LEA, MINNESOTA
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED ON FOLLOWING PAGES
DECEMBER 31, 2010

	11	12	22
	Building Maintenance Fund	Economic Development Revolving Fund	TIF 5-7 E Main Redevelopment Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and temporary investments	\$ 287,067	\$ 831,627	\$ 418
Investments	200,000	-	-
Receivables			
Loans	-	1,217,830	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 487,067</u>	<u>\$ 2,049,457</u>	<u>\$ 418</u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Advances from other funds	-	-	107,000
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u> </u>	<u> </u>	<u>107,000</u>
FUND BALANCES (DEFICITS)			
Reserved for			
Loans	-	1,217,830	-
Unreserved			
Undesignated	487,067	831,627	(106,582)
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES (DEFICITS)	<u>487,067</u>	<u>2,049,457</u>	<u>(106,582)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 487,067</u>	<u>\$ 2,049,457</u>	<u>\$ 418</u>

23 TIF 5-8 Northside Redevelopment Fund	13 TIF 5-12 Mrs. Gerry's Fund	15 TIF 5-16 Albert Lea Warehouse Fund	28 TIF 5-11 Albert Lea Industrial Park Fund	26 TIF 6-1 Newbury Development Fund	27 TIF 7-1 Montag Development Fund
\$ -	\$ -	\$ 4	\$ 5,364	\$ 8	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 5,364</u>	<u>\$ 8</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	6,150	-	13,900	-
-	-	6,150	-	13,900	-
-	-	-	-	-	-
-	-	(6,146)	5,364	(13,892)	-
-	-	(6,146)	5,364	(13,892)	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4</u>	<u>\$ 5,364</u>	<u>\$ 8</u>	<u>\$ -</u>

CITY OF ALBERT LEA, MINNESOTA
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2010

	17	18	19
	Small Cities Development Block Grant	Broadway Ridge Renewal Fund	Vitality Center Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and temporary investments	\$ -	\$ 194,032	\$ 24,731
Investments	-	-	-
Receivables			
Loans	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ 194,032</u></u>	<u><u>\$ 24,731</u></u>
LIABILITIES AND FUND BALANCES (DEFICITS)			
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 1,236
Advances from other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u> </u>	<u> </u>	<u>1,236</u>
FUND BALANCES (DEFICITS)			
Reserved for			
Loan receivable	-	-	-
Unreserved			
Undesignated	-	194,032	23,495
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES (DEFICITS)	<u> </u>	<u>194,032</u>	<u>23,495</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u><u>\$ -</u></u>	<u><u>\$ 194,032</u></u>	<u><u>\$ 24,731</u></u>

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TIF 5-18
Freeborn Lumber

<u>Fund</u>	<u>Total</u>
\$ 4	\$ 1,343,255
-	200,000
<u>-</u>	<u>1,217,830</u>
<u>\$ 4</u>	<u>\$ 2,761,085</u>
\$ -	\$ 1,236
-	127,050
<u>-</u>	<u>128,286</u>
-	1,217,830
<u>4</u>	<u>1,414,969</u>
<u>4</u>	<u>2,632,799</u>
<u>\$ 4</u>	<u>\$ 2,761,085</u>

CITY OF ALBERT LEA, MINNESOTA
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICITS) - CONTINUED ON FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2010

	11	12	22
	Building Maintenance Fund	Economic Development Revolving Fund	TIF 5-7 E Main Redevelopment Fund
REVENUES			
Taxes	\$ -	\$ -	\$ 83,556
Intergovernmental	-	-	-
Interest on investments	2,417	3,668	21
Interest on loans	-	28,062	-
Miscellaneous	-	-	-
TOTAL REVENUES	<u>2,417</u>	<u>31,730</u>	<u>83,577</u>
EXPENDITURES			
Current			
General government	22,514	-	-
Community development	-	-	8,350
Debt service			
Interest on advances	-	-	4,820
TOTAL EXPENDITURES	<u>22,514</u>	<u>-</u>	<u>13,170</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(20,097)</u>	<u>31,730</u>	<u>70,407</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	30,000	-	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>30,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	9,903	31,730	70,407
FUND BALANCES (DEFICITS), JANUARY 1	<u>477,164</u>	<u>2,017,727</u>	<u>(176,989)</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ 487,067</u>	<u>\$ 2,049,457</u>	<u>\$ (106,582)</u>

23 TIF 5-8 Northside Redevelopment Fund	13 TIF 5-12 Mrs. Gerry's Fund	15 TIF 5-16 Albert Lea Warehouse Fund	28 TIF 5-11 Albert Lea Industrial Park Fund	26 TIF 6-1 Newbury Development Fund	27 TIF 7-1 Montag Development Fund
\$ -	\$ 11,952	\$ 9,788	\$ 45,527	\$ 6,994	\$ -
-	-	-	-	-	-
13,189	4	6	37	2	-
-	-	-	-	-	-
-	1,097	-	-	-	-
<u>13,189</u>	<u>13,053</u>	<u>9,794</u>	<u>45,564</u>	<u>6,996</u>	<u>-</u>
-	-	-	-	-	-
-	-	8,810	45,550	-	228
-	410	330	-	940	-
-	410	9,140	45,550	940	228
<u>13,189</u>	<u>12,643</u>	<u>654</u>	<u>14</u>	<u>6,056</u>	<u>(228)</u>
-	-	-	-	-	-
(13,200)	(5,643)	-	-	-	-
(13,200)	(5,643)	-	-	-	-
(11)	7,000	654	14	6,056	(228)
11	(7,000)	(6,800)	5,350	(19,948)	228
<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,146)</u>	<u>\$ 5,364</u>	<u>\$ (13,892)</u>	<u>\$ -</u>

CITY OF ALBERT LEA, MINNESOTA
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES (DEFICITS) - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2010

	17	18	19
	Small Cities Development Block Grant	Broadway Ridge Renewal Fund	Vitality Center Fund
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	350,999	-	-
Interest on investments	-	943	149
Interest on loans	-	-	-
Miscellaneous	-	-	19,060
TOTAL REVENUES	<u>350,999</u>	<u>943</u>	<u>19,209</u>
EXPENDITURES			
Current			
General government	-	-	-
Community development	350,999	-	40,215
Debt service			
Interest on advances	-	-	-
TOTAL EXPENDITURES	<u>350,999</u>	<u>-</u>	<u>40,215</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>943</u>	<u>(21,006)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	15,000	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>15,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	15,943	(21,006)
FUND BALANCES (DEFICITS), JANUARY 1	<u>-</u>	<u>178,089</u>	<u>44,501</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ -</u>	<u>\$ 194,032</u>	<u>\$ 23,495</u>

20

TIF 5-18
Freeborn Lumber

Fund	Total
\$ 20,957	\$ 178,774
-	350,999
4	20,440
-	28,062
-	20,157
<u>20,961</u>	<u>598,432</u>
-	22,514
20,957	475,109
<u>-</u>	<u>6,500</u>
<u>20,957</u>	<u>504,123</u>
<u>4</u>	<u>94,309</u>
-	45,000
<u>-</u>	<u>(18,843)</u>
<u>-</u>	<u>26,157</u>
4	120,466
<u>-</u>	<u>2,512,333</u>
<u>\$ 4</u>	<u>\$ 2,632,799</u>

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NONMAJOR PROPRIETARY FUNDS

Enterprise funds are established to account for the financing of self-supporting activities of governmental units that render services to the general public on a user charge basis. These funds are operated as enterprise funds although their expenditures are controlled (not legally restricted) through the budgetary accounting procedures similar to other City funds.

Solid Waste Management Fund

This fund accounts for the income and expenses in the operation of the transfer station at the landfill site.

Parking Fund

This fund accounts for the income and expenses in the downtown Parking Maintenance District.

CITY OF ALBERT LEA, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds	
	62	
	Solid Waste Management	
	2010	2009
ASSETS		
CURRENT ASSETS		
Cash and temporary investments (deficits)	\$ 18,335	\$ 46,555
Receivables		
Accounts	4,898	9,585
Special assessments	-	-
	23,233	56,140
NONCURRENT ASSETS		
Capital assets - net	87,128	88,807
Patronage equity	1,625	1,537
	88,753	90,344
TOTAL ASSETS	111,986	146,484
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	5,081	2,872
Contracts payable	10,514	-
Accrued salaries payable	198	189
Compensated absences payable - current	950	-
	16,743	3,061
NONCURRENT LIABILITIES		
Advance from other funds	-	-
Compensated absences payable - net of current portion	4,281	5,541
Other postemployment benefits payable	223	143
	4,504	5,684
TOTAL LIABILITIES	21,247	8,745
NET ASSETS		
Invested in capital assets	87,128	88,807
Unrestricted	3,611	48,932
	\$ 90,739	\$ 137,739

Business-type Activities - Enterprise Funds - Continued

63			
Parking		Totals	
2010	2009	2010	2009
\$ 55,297	\$ 59,702	\$ 73,632	\$ 106,257
-	-	4,898	9,585
<u>38,984</u>	<u>33,226</u>	<u>38,984</u>	<u>33,226</u>
<u>94,281</u>	<u>92,928</u>	<u>117,514</u>	<u>149,068</u>
694,443	701,706	781,571	790,513
-	-	1,625	1,537
<u>694,443</u>	<u>701,706</u>	<u>783,196</u>	<u>792,050</u>
<u>788,724</u>	<u>794,634</u>	<u>900,710</u>	<u>941,118</u>
2,105	56	7,186	2,928
-	-	10,514	-
636	535	834	724
-	-	950	-
<u>2,741</u>	<u>591</u>	<u>19,484</u>	<u>3,652</u>
60,000	60,000	60,000	60,000
-	-	4,281	5,541
-	-	223	143
<u>60,000</u>	<u>60,000</u>	<u>64,504</u>	<u>65,684</u>
<u>62,741</u>	<u>60,591</u>	<u>83,988</u>	<u>69,336</u>
694,443	701,706	781,571	790,513
<u>31,540</u>	<u>32,337</u>	<u>35,151</u>	<u>81,269</u>
<u>\$ 725,983</u>	<u>\$ 734,043</u>	<u>\$ 816,722</u>	<u>\$ 871,782</u>

CITY OF ALBERT LEA, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds	
	62	
	Solid Waste Management	
	2010	2009
OPERATING REVENUES		
Charges for services	\$ 150,382	\$ 116,512
Miscellaneous	(6,370)	2,673
	144,012	119,185
OPERATING EXPENSES		
Operation and maintenance		
Personal services	44,158	44,043
Supplies	5,360	3,706
Other services and charges	80,247	71,034
Depreciation	1,679	1,447
In lieu of taxes and general overhead	25,275	21,620
	156,719	141,850
OPERATING INCOME (LOSS)	(12,707)	(22,665)
NONOPERATING REVENUES (EXPENSES)		
Intergovernmental	265,771	239,665
Environmental clean-up	(316,694)	(247,948)
Income on investments	1,493	907
Interest on assessments	-	-
Patronage dividends	137	72
	(49,293)	(7,304)
INCOME (LOSS) BEFORE TRANSFERS	(62,000)	(29,969)
TRANSFERS IN	15,000	15,000
CHANGE IN NET ASSETS	(47,000)	(14,969)
NET ASSETS, JANUARY 1	137,739	152,708
NET ASSETS, DECEMBER 31	\$ 90,739	\$ 137,739

Business-type Activities - Enterprise Funds - Continued

63			
Parking		Totals	
2010	2009	2010	2009
\$ 39,458	\$ 35,767	\$ 189,840	\$ 152,279
-	-	(6,370)	2,673
<u>39,458</u>	<u>35,767</u>	<u>183,470</u>	<u>154,952</u>
10,016	6,989	54,174	51,032
5,720	4,147	11,080	7,853
10,119	7,045	90,366	78,079
7,262	7,262	8,941	8,709
<u>16,860</u>	<u>12,230</u>	<u>42,135</u>	<u>33,850</u>
<u>49,977</u>	<u>37,673</u>	<u>206,696</u>	<u>179,523</u>
<u>(10,519)</u>	<u>(1,906)</u>	<u>(23,226)</u>	<u>(24,571)</u>
-	-	265,771	239,665
-	-	(316,694)	(247,948)
264	455	1,757	1,362
2,195	6,636	2,195	6,636
<u>-</u>	<u>-</u>	<u>137</u>	<u>72</u>
<u>2,459</u>	<u>7,091</u>	<u>(46,834)</u>	<u>(213)</u>
(8,060)	5,185	(70,060)	(24,784)
<u>-</u>	<u>-</u>	<u>15,000</u>	<u>15,000</u>
(8,060)	5,185	(55,060)	(9,784)
<u>734,043</u>	<u>728,858</u>	<u>871,782</u>	<u>881,566</u>
<u>\$ 725,983</u>	<u>\$ 734,043</u>	<u>\$ 816,722</u>	<u>\$ 871,782</u>

CITY OF ALBERT LEA, MINNESOTA
NONMAJOR PROPRIETARY FUNDS
COMBINING STATEMENT OF CASH FLOWS - CONTINUED ON FOLLOWING PAGES
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds	
	62	
	Solid Waste Management	
	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	\$ 148,699	\$ 137,416
Cash payments in lieu of taxes	(1,030)	(980)
Payments for interfund services used	(15,544)	(20,640)
Payments to suppliers	(81,673)	(76,356)
Payments to employees	(44,379)	(45,420)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	6,073	(5,980)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in	15,000	15,000
Interest on operating assessments	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	15,000	15,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and construction of capital assets	-	(1,400)
Intergovernmental	265,771	996,770
Environmental clean-up	(316,694)	(1,005,053)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(50,923)	(9,683)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received from investments	1,493	907
Patronage dividends	137	36
NET CASH PROVIDED BY INVESTING ACTIVITIES	1,630	943
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(28,220)	280
CASH AND CASH EQUIVALENTS, JANUARY 1	46,555	46,275
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 18,335	\$ 46,555

Business-type Activities - Enterprise Funds - Continued

63			
Parking		Totals	
2010	2009	2010	2009
\$ 33,700	\$ 46,509	\$ 182,399	\$ 183,925
(4,310)	(4,110)	(5,340)	(5,090)
(9,825)	(8,120)	(25,369)	(28,760)
(16,515)	(11,191)	(98,188)	(87,547)
<u>(9,915)</u>	<u>(9,567)</u>	<u>(54,294)</u>	<u>(54,987)</u>
<u>(6,865)</u>	<u>13,521</u>	<u>(792)</u>	<u>7,541</u>
-	-	15,000	15,000
<u>2,195</u>	<u>6,636</u>	<u>2,195</u>	<u>6,636</u>
<u>2,195</u>	<u>6,636</u>	<u>17,195</u>	<u>21,636</u>
-	-	-	(1,400)
-	-	265,771	996,770
<u>-</u>	<u>-</u>	<u>(316,694)</u>	<u>(1,005,053)</u>
<u>-</u>	<u>-</u>	<u>(50,923)</u>	<u>(9,683)</u>
265	455	1,758	1,362
<u>-</u>	<u>-</u>	<u>137</u>	<u>36</u>
<u>265</u>	<u>455</u>	<u>1,895</u>	<u>1,398</u>
(4,405)	20,612	(32,625)	20,892
<u>59,702</u>	<u>39,090</u>	<u>106,257</u>	<u>85,365</u>
<u>\$ 55,297</u>	<u>\$ 59,702</u>	<u>\$ 73,632</u>	<u>\$ 106,257</u>

CITY OF ALBERT LEA, MINNESOTA
 PROPRIETARY FUNDS
 COMBINING STATEMENT OF CASH FLOWS - CONTINUED
 FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	Business-type Activities - Enterprise Funds	
	Solid Waste Management	
	2010	2009
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating loss	\$ (12,707)	\$ (22,665)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:		
Depreciation	1,679	1,447
Decrease (increase) in assets		
Accounts receivable	4,687	18,231
Special assessments	-	-
Patronage equity	(88)	-
Increase (decrease) in liabilities		
Accounts payable	2,209	(1,616)
Contracts payable	10,514	-
Accrued salaries payable	9	(1,421)
Compensated absences payable	(310)	-
Other postemployment benefits payable	80	-
Other	-	44
	<u>\$ 6,073</u>	<u>\$ (5,980)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
	<u>\$ 6,073</u>	<u>\$ (5,980)</u>
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Patronage dividends	<u>\$ 88</u>	<u>\$ 72</u>

Business-type Activities - Enterprise Funds - Continued

Parking		Totals	
2010	2009	2010	2009
\$ (10,519)	\$ (1,906)	\$ (23,226)	\$ (24,571)
7,262	7,262	8,941	8,709
-	10,742	4,687	28,973
(5,758)	-	(5,758)	-
-	-	(88)	-
2,049	1	4,258	(1,615)
-	-	10,514	-
-	(2,578)	9	(3,999)
101	-	(209)	-
-	-	80	-
-	-	-	44
<u>\$ (6,865)</u>	<u>\$ 13,521</u>	<u>\$ (792)</u>	<u>\$ 7,541</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88</u>	<u>\$ 72</u>

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NONMAJOR PROPRIETARY FUNDS

Internal Service Funds are established to finance and account for services and/or commodities furnished by a designed program to other programs within the City. Revenue to these funds is derived from charges to user departments in various operational funds of the City.

Central Garage Fund

This fund provides for the operation and maintenance of motor vehicle equipment of the City as well as various store items that are used in the normal operations of the Public Works Departments.

Administrative Services Fund

This fund provides for services such as data processing, photocopying, telecommunications and postage to other departments of the City.

Insurance Fund

This fund provides financing for risk management activities for workers compensation insurance and accounts for activities of our group health plan.

CITY OF ALBERT LEA, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2010 AND 2009

	70		71	
	Central Garage Fund		Administrative Services Fund	
	2010	2009	2010	2009
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 856,974	\$ 499,834	\$ 182,156	\$ 102,353
Investments	1,500,000	1,500,000	400,000	400,000
Accounts receivable	-	-	-	-
Inventory	45,602	53,811	-	-
Due from other governments	-	-	-	-
TOTAL CURRENT ASSETS	<u>2,402,576</u>	<u>2,053,645</u>	<u>582,156</u>	<u>502,353</u>
NONCURRENT ASSETS				
Capital assets, net	<u>1,800,694</u>	<u>2,224,457</u>	<u>69,822</u>	<u>118,899</u>
TOTAL ASSETS	<u>\$ 4,203,270</u>	<u>\$ 4,278,102</u>	<u>\$ 651,978</u>	<u>\$ 621,252</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 49,136	\$ 17,053	\$ 465	\$ 3,398
Accrued salaries payable	<u>1,602</u>	<u>546</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>50,738</u>	<u>17,599</u>	<u>465</u>	<u>3,398</u>
NET ASSETS				
Invested in capital assets	1,800,694	2,224,457	69,822	118,899
Unrestricted	<u>2,351,838</u>	<u>2,036,046</u>	<u>581,691</u>	<u>498,955</u>
TOTAL NET ASSETS	<u>\$ 4,152,532</u>	<u>\$ 4,260,503</u>	<u>\$ 651,513</u>	<u>\$ 617,854</u>

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Insurance fund		Totals	
2010	2009	2010	2009
\$ 1,034,119	\$ 1,009,092	\$ 2,073,249	\$ 1,611,279
680,000	680,000	2,580,000	2,580,000
4,354	24,793	4,354	24,793
-	-	45,602	53,811
19,723	-	19,723	-
<u>1,738,196</u>	<u>1,713,885</u>	<u>4,722,928</u>	<u>4,269,883</u>
-	-	1,870,516	2,343,356
<u>\$ 1,738,196</u>	<u>\$ 1,713,885</u>	<u>\$ 6,593,444</u>	<u>\$ 6,613,239</u>
\$ 153,108	\$ 157,476	\$ 202,709	\$ 177,927
-	-	1,602	546
<u>153,108</u>	<u>157,476</u>	<u>204,311</u>	<u>178,473</u>
-	-	1,870,516	2,343,356
<u>1,585,088</u>	<u>1,556,409</u>	<u>4,518,617</u>	<u>4,091,410</u>
<u>\$ 1,585,088</u>	<u>\$ 1,556,409</u>	<u>\$ 6,389,133</u>	<u>\$ 6,434,766</u>

CITY OF ALBERT LEA, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	70		71	
	Central Garage Fund		Administrative Services Fund	
	2010	2009	2010	2009
OPERATING REVENUES				
Charges for services	\$ 982,248	\$ 929,900	\$ 159,990	\$ 151,630
Miscellaneous	1,814	-	-	-
TOTAL OPERATING REVENUES	984,062	929,900	159,990	151,630
OPERATING EXPENSES				
Operation and maintenance				
Personal services	89,751	87,688	-	-
Supplies	364,898	283,320	4,771	21,661
Other services and charges	163,302	117,724	59,817	67,690
Depreciation	494,962	520,491	62,669	59,781
TOTAL OPERATING EXPENSES	1,112,913	1,009,223	127,257	149,132
OPERATING (INCOME) LOSS	(128,851)	(79,323)	32,733	2,498
NONOPERATING REVENUES				
Interest on investments	11,061	23,943	2,795	7,046
Gain (loss) on disposal of asset	9,819	7,107	(1,869)	(1,560)
TOTAL NONOPERATING REVENUE	20,880	31,050	926	5,486
CHANGE IN NET ASSETS	(107,971)	(48,273)	33,659	7,984
NET ASSETS, JANUARY 1	4,260,503	4,308,776	617,854	609,870
NET ASSETS, DECEMBER 31	<u>\$ 4,152,532</u>	<u>\$ 4,260,503</u>	<u>\$ 651,513</u>	<u>\$ 617,854</u>

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Insurance fund		Totals	
2010	2009	2010	2009
\$ 2,260,033	\$ 2,285,667	\$ 3,402,271	\$ 3,367,197
-	-	1,814	-
<u>2,260,033</u>	<u>2,285,667</u>	<u>3,404,085</u>	<u>3,367,197</u>
-	-	89,751	87,688
-	-	369,669	304,981
2,236,832	2,256,992	2,459,951	2,442,406
-	-	557,631	580,272
<u>2,236,832</u>	<u>2,256,992</u>	<u>3,477,002</u>	<u>3,415,347</u>
<u>23,201</u>	<u>28,675</u>	<u>(72,917)</u>	<u>(48,150)</u>
5,478	14,535	19,334	45,524
-	-	7,950	5,547
<u>5,478</u>	<u>14,535</u>	<u>27,284</u>	<u>51,071</u>
28,679	43,210	(45,633)	2,921
<u>1,556,409</u>	<u>1,513,199</u>	<u>6,434,766</u>	<u>6,431,845</u>
<u>\$ 1,585,088</u>	<u>\$ 1,556,409</u>	<u>\$ 6,389,133</u>	<u>\$ 6,434,766</u>

CITY OF ALBERT LEA, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 AND 2009

	70		71	
	Central Garage Fund		Administrative Services Fund	
	2010	2009	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from interfund services provided	\$ 984,062	\$ 929,899	\$ 159,990	\$ 151,630
Payments to suppliers	(487,908)	(434,939)	(67,521)	(129,792)
Payments to employees	(88,695)	(89,925)	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>407,459</u>	<u>405,035</u>	<u>92,469</u>	<u>21,838</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(71,199)	(173,686)	(15,461)	(64,969)
Proceeds from sale of assets	9,819	7,107	-	-
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(61,380)</u>	<u>(166,579)</u>	<u>(15,461)</u>	<u>(64,969)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	-	(100,000)
Interest received from investments	11,061	23,943	2,795	7,046
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>11,061</u>	<u>23,943</u>	<u>2,795</u>	<u>(92,954)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	357,140	262,399	79,803	(136,085)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>499,834</u>	<u>237,435</u>	<u>102,353</u>	<u>238,438</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 856,974</u>	<u>\$ 499,834</u>	<u>\$ 182,156</u>	<u>\$ 102,353</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (128,851)	\$ (79,323)	\$ 32,733	\$ 2,498
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	494,962	520,491	62,669	59,780
Decrease (increase) in assets				
Accounts receivable	-	-	-	-
Due from other governments	-	-	-	-
Inventories	8,209	(7,451)	-	-
Increase (decrease) in liabilities				
Accounts payable	32,083	(26,445)	(2,933)	(40,440)
Accrued salaries payable	1,056	(2,237)	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 407,459</u>	<u>\$ 405,035</u>	<u>\$ 92,469</u>	<u>\$ 21,838</u>
SUPPLEMENTAL SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Disposal of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,869</u>	<u>\$ -</u>

Insurance fund		Totals	
2010	2009	2010	2009
\$ 2,260,749	\$ 2,275,672	\$ 3,404,801	\$ 3,357,201
(2,241,200)	(2,100,005)	(2,796,629)	(2,664,736)
-	-	(88,695)	(89,925)
19,549	175,667	519,477	602,540
-	-	(86,660)	(238,655)
-	-	9,819	7,107
-	-	(76,841)	(231,548)
-	(300,000)	-	(400,000)
5,478	14,535	19,334	45,524
5,478	(285,465)	19,334	(354,476)
25,027	(109,798)	461,970	16,516
1,009,092	1,118,890	1,611,279	1,594,763
<u>\$ 1,034,119</u>	<u>\$ 1,009,092</u>	<u>\$ 2,073,249</u>	<u>\$ 1,611,279</u>
\$ 23,201	\$ 28,675	\$ (72,917)	\$ (48,150)
-	-	557,631	580,271
20,439	(9,995)	20,439	(9,995)
(19,723)	-	(19,723)	-
-	-	8,209	(7,451)
(4,368)	156,987	24,782	90,102
-	-	1,056	(2,237)
<u>\$ 19,549</u>	<u>\$ 175,667</u>	<u>\$ 519,477</u>	<u>\$ 602,540</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,869</u>	<u>\$ -</u>

CITY OF ALBERT LEA, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
DECEMBER 31, 2010

	Land	Buildings	Improvements Other than Buildings	Equipment
General government				
Council	\$ -	\$ -	\$ -	\$ 79,043
Elections	-	-	-	21,576
City administration	-	-	-	83,299
City center	123,794	1,873,658	-	126,484
Total general government	123,794	1,873,658	-	310,402
Police	-	273,437	-	418,110
Fire and inspection				
Fire	-	-	4,155	580,843
Inspection	-	-	-	39,297
Total fire and inspection	-	-	4,155	620,140
Public works				
Engineering	76,000	-	-	138,529
Street	-	-	733,056	198,055
Storm sewers	154,978	1,373,412	-	24,019
Street lighting	-	-	344,958	-
City garage	116,650	1,257,422	68,087	95,301
Airport	319,278	627,893	485,058	207,278
Total public works	666,906	3,258,727	1,631,159	663,182
Parks and recreation				
Recreation	-	38,257	-	77,178
Swimming pool	39,931	725,669	802,081	374,778
Senior citizens center	-	-	-	65,882
City arena	36,298	5,055,849	225,717	189,070
Civic theater	19,500	857,839	-	275,154
Park department	908,819	1,505,734	1,198,803	530,728
Lake improvement	-	12,000	10,000	25,586
Trees	-	-	-	641
Total parks and recreation	1,004,548	8,195,348	2,236,601	1,539,017
Library	-	974,801	-	1,332,446
Community development	3,884,296	1,924,736	-	10,246
Subtotal	5,679,544	16,500,707	3,871,915	4,893,543
Internal service fund assets	-	-	-	7,642,273
Total governmental fund capital assets	\$ 5,679,544	\$ 16,500,707	\$ 3,871,915	\$ 12,535,816

<u>Infrastructure</u>	<u>Total</u>
\$ -	\$ 79,043
-	21,576
-	83,299
-	<u>2,123,936</u>
-	<u>2,307,854</u>
-	<u>691,547</u>
-	584,998
-	<u>39,297</u>
-	<u>624,295</u>
-	214,529
30,977,705	31,908,816
4,411,103	5,963,512
1,170,653	1,515,611
-	1,537,460
-	<u>1,639,507</u>
<u>36,559,461</u>	<u>42,779,435</u>
-	115,435
-	1,942,459
-	65,882
-	5,506,934
-	1,152,493
317,091	4,461,175
-	47,586
-	<u>641</u>
<u>317,091</u>	<u>13,292,605</u>
-	<u>2,307,247</u>
-	<u>5,819,278</u>
<u>36,876,552</u>	<u>67,822,261</u>
-	<u>7,642,273</u>
<u>\$ 36,876,552</u>	<u>\$ 75,464,534</u>

CITY OF ALBERT LEA, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
DECEMBER 31, 2010

	Beginning Balances	Transfers Between Departments/ Funds	Additions
General government			
Council	\$ 79,043	\$ -	\$ -
Elections	21,576	-	-
City administration	83,375	-	588
City center	2,118,491	-	6,091
Total general government	<u>2,302,485</u>	<u>-</u>	<u>6,679</u>
Police	<u>718,762</u>	<u>-</u>	<u>4,301</u>
Fire and inspection			
Fire	576,536	-	10,807
Inspection	39,297	-	-
Total fire and inspection	<u>615,833</u>	<u>-</u>	<u>10,807</u>
Public works			
Engineering	193,698	-	20,831
Street	30,286,803	-	2,413,364
Storm sewers	5,602,623	-	360,889
Street lighting	1,515,611	-	-
City garage	1,536,712	-	1,298
Airport	1,632,184	-	7,323
Total public works	<u>40,767,631</u>	<u>-</u>	<u>2,803,705</u>
Parks and recreation			
Recreation	115,835	-	-
Swimming pool	1,932,819	-	12,480
Senior citizens center	65,882	-	-
City arena	5,344,727	-	163,749
Civic theater	1,145,543	-	6,950
Park department	3,740,007	-	726,444
Lake improvement	37,586	-	10,000
Trees	-	-	641
Total parks and recreation	<u>12,382,399</u>	<u>-</u>	<u>920,264</u>
Library	<u>2,270,210</u>	<u>-</u>	<u>189,351</u>
Community development	<u>5,602,617</u>	<u>-</u>	<u>217,996</u>
Subtotal	<u>64,659,937</u>	<u>-</u>	<u>4,153,103</u>
Internal service fund assets	<u>7,734,303</u>	<u>-</u>	<u>86,659</u>
Total governmental fund capital assets	<u>\$ 72,394,240</u>	<u>\$ -</u>	<u>\$ 4,239,762</u>

<u>Deletions</u>	<u>Total</u>
\$ -	\$ 79,043
-	21,576
(664)	83,299
<u>(646)</u>	<u>2,123,936</u>
<u>(1,310)</u>	<u>2,307,854</u>
<u>(31,516)</u>	<u>691,547</u>
(2,345)	584,998
-	<u>39,297</u>
<u>(2,345)</u>	<u>624,295</u>
-	214,529
(791,351)	31,908,816
-	5,963,512
-	1,515,611
(550)	1,537,460
-	<u>1,639,507</u>
<u>(791,901)</u>	<u>42,779,435</u>
(400)	115,435
(2,840)	1,942,459
-	65,882
(1,542)	5,506,934
-	1,152,493
(5,276)	4,461,175
-	47,586
-	<u>641</u>
<u>(10,058)</u>	<u>13,292,605</u>
<u>(152,314)</u>	<u>2,307,247</u>
<u>(1,335)</u>	<u>5,819,278</u>
<u>(990,779)</u>	<u>67,822,261</u>
<u>(178,689)</u>	<u>7,642,273</u>
<u>\$ (1,169,468)</u>	<u>\$ 75,464,534</u>

CITY OF ALBERT LEA, MINNESOTA
 COMBINED SCHEDULE OF BONDS PAYABLE - CONTINUED ON FOLLOWING PAGES
 DECEMBER 31, 2010

	Interest Rates and Dates		Issue Date	Final Maturity Date	Annual Payments	Amount Authorized
PIR Assessment Bonds						
Permanent Improvement Bonds						
Series 2004A	(2-1 & 8-1)		12/1/2004	2/1/2014		\$ 1,265,000
	3.50	%			2011	\$ 160,000
	3.75				2012	80,000
	4.00				2013	50,000
	4.00				2014	45,000
Permanent Improvement Bonds						
Series 2007A	(2-1 & 8-1)		7/1/2007	2/1/2018		\$ 2,400,000
	3.90	%			2011	\$ 235,000
	3.95				2012	235,000
	4.00				2013	240,000
	4.05				2014	240,000
	4.10				2015	245,000
	4.10				2016	250,000
	4.15				2017	255,000
	4.20				2018	215,000
Permanent Improvement Bonds						
Series 2009A	(2-1 & 8-1)		7/1/2007	2/1/2018		\$ 2,840,000
	2.00	%			2011	\$ 315,000
	2.00				2012	305,000
	2.00				2013	310,000
	2.50				2014	310,000
	2.75				2015	310,000
	3.00				2016	315,000
	3.00				2017	320,000
	3.13				2018	325,000
	3.25				2019	330,000
Permanent Improvement Bonds						
Series 2010A	(2-1 & 8-1)		7/15/2010	2/1/2026		\$ 3,260,000
	2.00	%			2011	\$ 180,000
	2.00				2012	320,000
	2.00				2013	400,000
	3.00				2014	330,000
	3.00				2015	315,000
	3.00				2016	310,000
	3.00				2017	200,000
	4.00				2018	155,000
	4.00				2019	160,000
	3.00				2020	160,000
	3.13				2021	160,000
	3.25				2022	165,000
	3.50				2023	95,000
	3.50				2024	100,000
	3.50				2025	105,000
	3.50				2026	105,000
TOTAL PIR ASSESSMENT BONDS						<u>\$ 9,765,000</u>

<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Amount Outstanding</u>	<u>Payment due 2011</u>	
			<u>Principal</u>	<u>Interest</u>
\$ 1,265,000	\$ 930,000	\$ 335,000	\$ 160,000	\$ 9,600
\$ 2,400,000	\$ 475,000	\$ 1,925,000	\$ 235,000	\$ 73,492
\$ 2,840,000	\$ -	\$ 2,840,000	\$ 315,000	\$ 71,656
\$ 3,260,000	\$ -	\$ 3,260,000	\$ 180,000	\$ 51,498
<u>\$ 9,765,000</u>	<u>\$ 1,405,000</u>	<u>\$ 8,360,000</u>	<u>\$ 890,000</u>	<u>\$ 206,246</u>

CITY OF ALBERT LEA, MINNESOTA
 COMBINED SCHEDULE OF BONDS PAYABLE - CONTINUED
 DECEMBER 31, 2010

	Interest Rates and Dates		Issue Date	Final Maturity Date	Annual Payments	Amount Authorized
Capital Improvement Assessment Bonds						
Capital Improvement Bonds						
Series 2005A	(2-1 & 8-1)		7/1/2007	2/1/2018		\$ 3,715,000
	3.50	%			2011 \$ 250,000	
	3.63				2012 245,000	
	3.63				2013 245,000	
	3.63				2014 245,000	
	3.63				2015 245,000	
	3.63				2016 275,000	
	3.63				2017 275,000	
	3.65				2018 275,000	
	3.70				2019 280,000	
	3.75				2020 275,000	
	3.80				2021 210,000	
TOTAL CAPITAL IMPROVEMENT ASSESSMENT BONDS						<u>\$ 3,715,000</u>
Water Fund Revenue Bonds						
Water Bonds						
Series 2007B	(2-1 & 8-1)		7/1/2007	2/1/2023		\$ 1,040,000
	4.00	%			2011 \$ 55,000	
	4.00				2012 60,000	
	4.10				2013 60,000	
	4.10				2014 65,000	
	4.15				2015 65,000	
	4.15				2016 70,000	
	4.25				2017 70,000	
	4.25				2018 75,000	
	4.30				2019 75,000	
	4.30				2020 80,000	
	4.40				2021 85,000	
	4.40				2022 85,000	
	4.40				2023 90,000	
Water Bonds						
Series 2010B	(2-1 & 8-1)		7/15/2010	8/21/2021		\$ 1,080,000
	0.50	%			2011 \$ 85,000	
	0.80				2012 90,000	
	1.10				2013 90,000	
	1.50				2014 90,000	
	1.85				2015 95,000	
	2.25				2016 100,000	
	2.60				2017 100,000	
	2.80				2018 105,000	
	3.00				2019 105,000	
	3.15				2020 110,000	
	3.25				2021 110,000	
TOTAL WATER REVENUE BONDS						<u>\$ 2,120,000</u>
TOTAL BOND PAYABLE ALL TYPES OF FUNDS						<u><u>\$ 15,600,000</u></u>

<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Amount Outstanding</u>	<u>Payment due 2011</u>	
			<u>Principal</u>	<u>Interest</u>
\$ 3,715,000	\$ 895,000	\$ 2,820,000	\$ 250,000	\$ 98,528
<u>\$ 3,715,000</u>	<u>\$ 895,000</u>	<u>\$ 2,820,000</u>	<u>\$ 250,000</u>	<u>\$ 98,528</u>
\$ 1,040,000	\$ 105,000	\$ 935,000	\$ 55,000	\$ 38,495
\$ 1,080,000	\$ -	\$ 1,080,000	\$ 85,000	\$ 24,255
<u>\$ 2,120,000</u>	<u>\$ 105,000</u>	<u>\$ 2,015,000</u>	<u>\$ 140,000</u>	<u>\$ 62,750</u>
<u><u>\$ 15,600,000</u></u>	<u><u>\$ 2,405,000</u></u>	<u><u>\$ 13,195,000</u></u>	<u><u>\$ 1,280,000</u></u>	<u><u>\$ 367,524</u></u>

CITY OF ALBERT LEA, MINNESOTA
 SCHEDULE OF INSURANCE IN FORCE
 DECEMBER 31, 2010

Name of Company	Policy Number	Policy Period	
		From	To
League of Minnesota Cities Insurance Trust	CMC 32113	7/1/2010	7/1/2011
League of Minnesota Cities Insurance Trust	Agreement #02-000574-24	1/1/2010	12/31/2010
League of Minnesota Cities Insurance Trust	CMC 32113	7/1/2010	7/1/2011
League of Minnesota Cities Insurance Trust	Agreement #VL00057412	1/1/2010	12/31/2010
Usable Life		1/1/2010	12/31/2010
Usable Life		1/1/2010	12/31/2010

Details of Coverage	Liability Limits	Annual Premium
Fire, Lighting, Extended Coverage of City Property, Buildings and Contents, Miscellaneous Property Floater, Money and Securities, Contractors Equipment, General Liability, Airport Liability, Public Officials, and Petrofund	\$151,032,118	\$195,057
Standard Worker's Compensation	Statutory	\$185,678
Business Auto Liability, Personal Injury Protection, Uninsured Motorist, Comprehensive and Special Perils	1,000,000	18,601
Volunteer Accident Plan	100,000	1,813
Employee Life Insurance	10,000/Employee	5,157
Employee LTD Insurance	60% wages	15,627

CITY OF ALBERT LEA, MINNESOTA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - FIDUCIARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Balance</u> <u>12/31/2009</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2010</u>
Sales Tax Agency Fund				
Assets				
Taxes receivable	\$ 221,364	\$ 1,328,696	\$ (1,336,026)	\$ 214,034
Liabilities				
Due to other governments	\$ 219,771	\$ 1,296,185	\$ (1,302,896)	\$ 213,060
Due to State of Minnesota	-	26,412	(26,412)	-
Due to City of Albert Lea	<u>1,593</u>	<u>6,098</u>	<u>(6,717)</u>	<u>974</u>
Total Liabilities	<u>\$ 221,364</u>	<u>\$ 1,328,695</u>	<u>\$ (1,336,025)</u>	<u>\$ 214,034</u>

**SUPPLEMENTARY INFORMATION
(UNAUDITED)**

CITY OF ALBERT LEA
ALBERT LEA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

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CITY OF ALBERT LEA, MINNESOTA
SUMMARY FINANCIAL REPORT (UNAUDITED)
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	Total		Percent Increase (Decrease)
	2010	2009	
REVENUES			
Taxes	\$ 6,280,236	\$ 6,053,527	3.75 %
Licenses and permits	367,608	255,225	44.03
Intergovernmental	11,933,162	9,804,797	21.71
Charges for services	630,028	628,731	0.21
Fines and forfeitures	94,861	102,272	(7.25)
Special assessments	940,455	1,010,440	(6.93)
Investment income	699,839	339,929	105.88
Interest on loans	30,023	29,186	2.87
Miscellaneous	1,086,508	935,606	16.13
TOTAL REVENUES	\$ 22,062,720	\$ 19,159,713	(15.15) %
Per capita	\$ 1,225	\$ 1,061	
EXPENDITURES			
Current			
General government	\$ 1,567,430	\$ 1,465,044	6.99 %
Police	3,513,441	3,760,912	(6.58)
Fire and inspection	1,734,576	1,834,733	(5.46)
Public works	2,433,395	2,271,977	7.10
Parks and recreation	2,202,424	2,751,585	(19.96)
Library	720,450	899,199	(19.88)
Community development	641,584	216,107	196.88
Miscellaneous	250,230	689,425	(63.70)
Capital outlay	9,018,438	5,209,101	73.13
Debt service			
Principal	691,974	1,823,342	(62.05)
Interest and fiscal charges	393,969	335,405	17.46
TOTAL EXPENDITURES	\$ 23,167,911	\$ 21,256,830	8.99 %
Per capita	\$ 1,286	\$ 1,177	
Total Long-term indebtedness	\$ 16,441,785	\$ 15,231,079	7.95 %
Per capita	913	843	
General Fund Balance - December 31	\$ 22,671,441	\$ 22,208,366	2.09 %
Per capita	1,258	1,230	

The purpose of this report is to provide a summary of financial information concerning the City of Albert Lea to interested citizens. The complete financial statements may be examined at City Hall, 221 E. Clark Street, Albert Lea, Minnesota 56007. Questions about this report should be directed to Chad Adams, City Manager at (507) 377-4300.

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**STATISTICAL SECTION
(UNAUDITED)**

CITY OF ALBERT LEA
ALBERT LEA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2010

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STATISTICAL SECTION (UNAUDITED)

This part of the City of Albert Lea's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the governments most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relocates to the services the government provides and the activities it performs.

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 NET ASSETS BY COMPONENT
 LAST NINE FISCAL YEARS

	Fiscal Year		
	2002	2003	2004
Governmental activities			
Invested in capital assets, net of related debt	\$ 11,117,077	\$ 12,923,992	\$ 11,773,926
Restricted	11,002,155	11,113,331	11,089,881
Unrestricted	<u>26,869,709</u>	<u>25,414,363</u>	<u>23,461,581</u>
Total governmental activities net assets	<u>\$ 48,988,941</u>	<u>\$ 49,451,686</u>	<u>\$ 46,325,388</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 41,684,982	\$ 42,669,493	\$ 37,890,764
Unrestricted	<u>8,398,199</u>	<u>7,230,783</u>	<u>6,080,536</u>
Total business-type activities net assets	<u>\$ 50,083,181</u>	<u>\$ 49,900,276</u>	<u>\$ 43,971,300</u>
Total primary government			
Invested in capital assets, net of related debt	\$ 52,802,059	\$ 55,593,485	\$ 49,664,690
Restricted	11,002,155	11,113,331	11,089,881
Unrestricted	<u>35,267,908</u>	<u>32,645,146</u>	<u>29,542,117</u>
Total primary government	<u>\$ 99,072,122</u>	<u>\$ 99,351,962</u>	<u>\$ 90,296,688</u>

Note: Net assets are not available for years prior to 2002.

Table 1

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 9,555,999	\$ 15,727,302	\$ 18,567,448	\$ 22,752,771	\$ 24,875,411	\$ 28,832,835
11,112,502	10,697,604	10,915,124	11,398,475	11,133,724	17,440,064
24,892,685	23,175,697	23,642,347	20,991,957	22,870,353	18,531,196
<u>\$ 45,561,186</u>	<u>\$ 49,600,603</u>	<u>\$ 53,124,919</u>	<u>\$ 55,143,203</u>	<u>\$ 58,879,488</u>	<u>\$ 64,804,095</u>
\$ 40,584,371	\$ 38,526,957	\$ 38,467,775	\$ 38,800,369	\$ 39,072,364	\$ 40,401,057
6,963,132	7,413,724	8,596,153	9,642,142	9,606,137	9,500,425
<u>\$ 47,547,503</u>	<u>\$ 45,940,681</u>	<u>\$ 47,063,928</u>	<u>\$ 48,442,511</u>	<u>\$ 48,678,501</u>	<u>\$ 49,901,482</u>
\$ 50,140,370	\$ 54,254,259	\$ 57,035,223	\$ 61,553,140	\$ 63,947,775	\$ 69,233,892
11,112,502	10,697,604	10,915,124	11,398,475	11,133,724	17,440,064
31,855,817	30,589,421	32,238,500	30,634,099	32,476,490	28,031,621
<u>\$ 93,108,689</u>	<u>\$ 95,541,284</u>	<u>\$ 100,188,847</u>	<u>\$ 103,585,714</u>	<u>\$ 107,557,989</u>	<u>\$ 114,705,577</u>

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 CHANGES IN NET ASSETS - CONTINUED ON THE FOLLOWING PAGES
 LAST NINE FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year		
	2002	2003	2004
Expenses			
Governmental activities			
General government	\$ 1,718,240	\$ 1,787,894	\$ 1,983,323
Police	2,998,501	3,038,694	3,036,438
Fire and inspection	1,593,905	1,563,266	1,569,799
Public works	3,759,789	4,624,181	3,417,633
Parks and recreation	2,450,865	2,316,845	2,432,908
Library	733,454	908,621	874,303
Community development	585,875	224,512	247,598
Interest on long-term debt	356,053	366,070	317,117
Total governmental activities expenses	<u>14,196,682</u>	<u>14,830,083</u>	<u>13,879,119</u>
Business-type activities			
Water	1,204,962	1,363,101	1,328,833
Sewer	4,079,084	3,898,910	3,752,875
Solid waste management	177,955	158,833	181,287
Parking	34,536	45,494	45,380
Port Authority real estate	473,903	476,941	-
Storm sewer	-	-	-
Public lighting	-	-	-
Total business-type activities expenses	<u>5,970,440</u>	<u>5,943,279</u>	<u>5,308,375</u>
Total expenses	<u>\$ 20,167,122</u>	<u>\$ 20,773,362</u>	<u>\$ 19,187,494</u>
Program revenues			
Governmental activities			
Charges for services			
General government	321,472	385,732	322,563
Parks and recreation	432,058	426,578	452,346
Other activities	793,940	415,291	399,678
Operating grants and contributions	1,472,380	913,919	1,271,549
Capital grants and contributions	1,940,147	3,330,480	1,488,933
Total governmental activities program revenue	<u>4,959,997</u>	<u>5,472,000</u>	<u>3,935,069</u>

Table 2

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 1,934,814	\$ 3,624,378	\$ 1,762,682	\$ 1,941,311	\$ 1,966,733	\$ 2,008,144
3,086,914	3,193,028	3,592,887	3,670,695	3,551,292	3,623,278
1,626,154	1,610,882	1,813,298	1,819,886	1,857,258	1,782,580
5,487,952	5,020,385	4,894,662	4,213,487	3,805,920	4,193,100
2,487,354	2,567,157	2,630,057	2,929,167	2,547,703	2,040,616
771,968	764,225	919,841	881,439	953,163	1,027,403
241,386	253,447	354,453	306,528	307,048	567,042
283,989	348,345	350,389	369,402	339,329	367,208
<u>15,920,531</u>	<u>17,381,847</u>	<u>16,318,269</u>	<u>16,131,915</u>	<u>15,328,446</u>	<u>15,609,371</u>
1,387,076	1,540,054	1,645,327	1,783,820	1,806,236	1,736,795
3,259,347	3,557,601	3,441,089	3,799,506	3,572,505	3,806,597
152,768	171,353	163,719	2,372,225	389,145	474,319
27,807	39,658	53,121	40,502	33,941	51,585
-	-	-	-	-	-
410,655	-	-	-	-	-
319,727	-	-	-	-	-
<u>5,557,380</u>	<u>5,308,666</u>	<u>5,303,256</u>	<u>7,996,053</u>	<u>5,801,827</u>	<u>6,069,296</u>
<u>\$ 21,477,911</u>	<u>\$ 22,690,513</u>	<u>\$ 21,621,525</u>	<u>\$ 24,127,968</u>	<u>\$ 21,130,273</u>	<u>\$ 21,678,667</u>
336,088	310,351	297,878	330,586	350,379	513,692
470,226	465,531	461,008	476,569	444,343	487,119
485,995	461,160	541,707	545,466	441,028	761,785
1,136,946	1,514,760	1,675,162	1,414,825	1,260,091	862,239
4,058,774	3,986,013	4,497,029	3,658,451	4,663,347	7,808,059
<u>6,488,029</u>	<u>6,737,815</u>	<u>7,472,784</u>	<u>6,425,897</u>	<u>7,159,188</u>	<u>10,432,894</u>

CITY OF ALBERT LEA, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
CHANGES IN NET ASSETS - CONTINUED
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year		
	2002	2003	2004
Program revenues - Continued			
Business-type activities			
Charges for services			
Water	1,106,249	1,310,115	1,265,103
Sewer	2,678,366	3,264,630	2,947,462
Port Authority real estate	530,260	573,566	-
Other activities	110,891	103,051	111,228
Operating grants and contributions	51,471	43,837	43,643
Capital grants and contributions	811,200	440,900	6,841
	<u>5,288,437</u>	<u>5,736,099</u>	<u>4,374,277</u>
Total business-type activities program revenue			
	<u>5,288,437</u>	<u>5,736,099</u>	<u>4,374,277</u>
Total program revenues	<u>10,248,434</u>	<u>11,208,099</u>	<u>8,309,346</u>
Net (expenses) revenues			
Governmental activities	(9,236,685)	(9,358,083)	(9,944,050)
Business-type activities	(682,003)	(207,180)	(934,098)
	<u>(9,918,688)</u>	<u>(9,565,263)</u>	<u>(10,878,148)</u>
Total primary government			
	<u>\$ (9,918,688)</u>	<u>\$ (9,565,263)</u>	<u>\$ (10,878,148)</u>
General Revenues and Other Changes in Net Assets			
Governmental activities			
Taxes			
Property taxes - general purposes	\$ 1,448,962	\$ 1,767,338	\$ 2,288,549
Property taxes - debt service	15,878	15,895	16,354
Franchise and lodging taxes	1,342,733	1,719,508	1,662,691
Unrestricted grants and contributions	6,447,555	5,911,014	5,436,955
Unrestricted investment earnings	529,687	281,229	280,983
Transfers	(106,284)	125,844	25,844
	<u>9,678,531</u>	<u>9,820,828</u>	<u>9,711,376</u>
Total governmental activities expenses			
	<u>9,678,531</u>	<u>9,820,828</u>	<u>9,711,376</u>
Business-type activities			
Unrestricted investment earnings	479,870	150,119	244,227
Transfers	106,284	(125,844)	(25,844)
	<u>586,154</u>	<u>24,275</u>	<u>218,383</u>
Total business-type activities expenses			
	<u>586,154</u>	<u>24,275</u>	<u>218,383</u>
Total primary government	<u>\$ 10,264,685</u>	<u>\$ 9,845,103</u>	<u>\$ 9,929,759</u>
Change in Net Assets			
Governmental activities	\$ 441,846	\$ 462,745	\$ (232,674)
Business-type activities	(95,849)	(182,905)	(715,715)
	<u>345,997</u>	<u>279,840</u>	<u>(948,389)</u>
Total primary government			
	<u>\$ 345,997</u>	<u>\$ 279,840</u>	<u>\$ (948,389)</u>

Note: Changes in net assets are not available for years prior to 2002.

Table 2

Fiscal Year					
2005	2006	2007	2008	2009	2010
1,341,482	1,586,131	1,620,269	1,684,774	1,712,050	\$ 1,792,367
3,068,463	3,691,385	3,828,072	3,746,549	3,613,011	3,673,489
-	-	-	-	-	-
761,140	98,204	115,532	135,514	119,185	185,665
44,831	31,154	41,017	35,642	42,403	332,176
1,484,629	493,154	89,933	2,632,042	858,547	-
6,700,545	5,900,028	5,694,823	8,234,521	6,345,196	5,983,697
<u>13,188,574</u>	<u>12,637,843</u>	<u>13,167,607</u>	<u>14,660,418</u>	<u>13,504,384</u>	<u>16,416,591</u>
(9,432,502)	(10,644,032)	(8,845,485)	(9,706,018)	(8,169,258)	(5,176,477)
1,143,165	591,362	391,567	238,468	543,369	(85,599)
<u>\$ (8,289,337)</u>	<u>\$ (10,052,670)</u>	<u>\$ (8,453,918)</u>	<u>\$ (9,467,550)</u>	<u>\$ (7,625,889)</u>	<u>\$ (5,262,076)</u>
\$ 2,764,684	\$ 3,332,295	\$ 3,683,235	\$ 4,064,291	\$ 4,358,198	\$ 4,490,654
16,827	114,322	96,929	202,256	212,703	213,077
1,886,323	1,943,765	1,848,090	1,739,855	1,551,764	1,603,173
5,711,853	6,098,942	6,076,416	5,429,956	5,576,634	5,076,420
492,331	747,188	820,622	530,251	174,965	535,222
(2,203,718)	2,446,937	(155,491)	(242,308)	31,279	(817,462)
8,668,300	14,683,449	12,369,801	11,724,301	11,905,543	11,101,084
229,320	248,753	576,189	897,807	(276,100)	491,118
2,203,718	(2,446,937)	155,491	242,308	(31,279)	817,462
2,433,038	(2,198,184)	731,680	1,140,115	(307,379)	1,308,580
<u>\$ 11,101,338</u>	<u>\$ 12,485,265</u>	<u>\$ 13,101,481</u>	<u>\$ 12,864,416</u>	<u>\$ 11,598,164</u>	<u>\$ 12,409,664</u>
\$ (764,202)	\$ 4,039,417	\$ 3,524,316	\$ 2,018,283	\$ 3,736,285	\$ 5,924,607
3,576,203	(1,606,822)	1,123,247	1,378,583	235,990	1,222,981
<u>\$ 2,812,001</u>	<u>\$ 2,432,595</u>	<u>\$ 4,647,563</u>	<u>\$ 3,396,866</u>	<u>\$ 3,972,275</u>	<u>\$ 7,147,588</u>

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year			
	2001	2002	2003	2004
General fund				
Reserved	\$ 12,815,220	\$ 13,617,326	\$ 13,892,670	\$ 13,496,603
Unreserved	7,911,310	6,229,568	6,391,618	7,029,969
Total General fund	<u>\$ 20,726,530</u>	<u>\$ 19,846,894</u>	<u>\$ 20,284,288</u>	<u>\$ 20,526,572</u>
 All other governmental funds				
Reserved	\$ 6,318,992	\$ 4,661,014	\$ 5,882,492	\$ 4,016,472
Unreserved, reported in				
Special revenue funds	436,437	553,978	601,078	396,697
Debt service funds	-	-	-	-
Capital projects funds	4,155,177	4,985,925	1,959,601	3,335,754
Total all other governmental funds	<u>\$ 10,910,606</u>	<u>\$ 10,200,917</u>	<u>\$ 8,443,171</u>	<u>\$ 7,748,923</u>

Note: Fiscal Year 2005 was the first year of implementing GASB Statement No. 44.

Table 3

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 13,000,823	\$ 15,128,844	\$ 15,087,682	\$ 16,098,410	\$ 15,682,913	\$ 15,510,521
8,924,577	7,327,826	8,009,771	5,538,118	6,525,453	7,160,920
<u>\$ 21,925,400</u>	<u>\$ 22,456,670</u>	<u>\$ 23,097,453</u>	<u>\$ 21,636,528</u>	<u>\$ 22,208,366</u>	<u>\$ 22,671,441</u>
\$ 2,480,466	\$ 2,997,150	\$ 3,106,495	\$ 3,049,170	\$ 2,686,594	\$ 2,940,964
233,191	(2,667,655)	(3,029,583)	(2,651,688)	(2,543,276)	(2,145,430)
-	-	21,154	22,382	-	-
4,689,874	3,030,022	2,599,887	684,773	1,558,434	1,551,621
<u>\$ 7,403,531</u>	<u>\$ 3,359,517</u>	<u>\$ 2,697,953</u>	<u>\$ 1,104,637</u>	<u>\$ 1,701,752</u>	<u>\$ 2,347,155</u>

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year			
	2001	2002	2003	2004
Revenues				
Taxes	\$ 4,147,636	\$ 2,803,129	\$ 3,404,980	\$ 3,947,922
Licenses and permits	287,161	268,140	339,448	288,518
Intergovernmental	6,596,040	7,822,249	7,969,418	6,924,578
Charges for services	968,235	895,618	508,950	498,874
Fines and forfeits	150,895	130,867	115,959	93,892
Special assessments	1,441,954	1,105,425	2,203,616	1,250,791
Interest on investments	1,496,971	1,013,395	308,826	597,160
Interest on loans	39,704	34,844	23,832	17,717
Miscellaneous	901,186	761,505	832,193	921,756
Total revenues	<u>16,029,782</u>	<u>14,835,172</u>	<u>15,707,222</u>	<u>14,541,208</u>
Expenditures				
General government	1,191,266	1,296,038	1,425,762	1,410,447
Police	2,649,251	2,951,167	2,951,149	2,984,095
Fire and inspection	1,557,059	1,610,553	1,601,903	1,545,191
Public works	2,333,698	2,328,534	2,248,935	2,328,606
Parks and recreation	2,064,683	2,155,030	1,944,978	2,118,273
Library	673,645	747,768	765,090	763,288
Community development	494,714	490,274	162,023	147,076
Miscellaneous	638,040	507,471	581,507	651,836
Capital outlay	4,810,125	2,946,458	4,404,291	1,437,930
Debt service				
Principal	641,824	748,307	766,069	1,048,069
Interest and fiscal charges	385,491	417,897	360,867	358,830
Total expenditures	<u>17,439,796</u>	<u>16,199,497</u>	<u>17,212,574</u>	<u>14,793,641</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,410,014)</u>	<u>(1,364,325)</u>	<u>(1,505,352)</u>	<u>(252,433)</u>
Other financing sources (uses)				
Issuance of debt	2,786,215	-	185,000	1,265,000
Premium on bonds issued	-	-	-	9,521
Sale of capital assets	-	-	-	-
Capital contributions	-	-	-	-
Payment to refunding agent	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfer out	(2,048,038)	(3,962,651)	(116,100)	(1,605,488)
Transfer in	2,048,038	3,737,651	116,100	3,005,488
Total other financing sources (uses)	<u>2,786,215</u>	<u>(225,000)</u>	<u>185,000</u>	<u>2,674,521</u>
Net change in fund balances	<u>\$ 1,376,201</u>	<u>\$ (1,589,325)</u>	<u>\$ (1,320,352)</u>	<u>\$ 2,422,088</u>
Debt service as a percentage of noncapital expenditures	<u>8.13%</u>	<u>8.80%</u>	<u>8.80%</u>	<u>10.53%</u>

Note: Fiscal Year 2005 was the first year of implementing GASB Statement No. 44.

Table 4

		Fiscal Year									
		2005	2006	2007	2008	2009	2010				
\$	4,676,506	\$	5,343,687	\$	5,588,825	\$	5,927,296	\$	6,053,527	\$	6,280,236
	294,296		259,984		256,143		257,953		255,225		367,608
	8,667,198		8,435,212		10,172,600		8,382,674		9,804,032		11,933,162
	658,032		626,892		687,610		735,214		628,731		630,028
	109,114		109,028		103,143		86,720		102,272		94,861
	929,543		1,180,459		1,040,029		963,370		1,010,440		940,455
	632,922		1,103,823		1,271,218		870,809		339,929		699,839
	11,952		30,434		36,044		34,861		29,186		30,023
	732,720		1,018,743		872,053		956,847		1,296,218		1,086,508
	<u>16,712,283</u>		<u>18,108,262</u>		<u>20,027,665</u>		<u>18,215,744</u>		<u>19,519,560</u>		<u>22,062,720</u>
	1,387,114		1,548,653		1,552,535		1,588,114		1,465,044		1,567,430
	3,218,254		3,277,081		3,427,480		3,841,484		3,760,912		3,513,441
	1,615,575		1,638,239		1,800,154		1,806,643		1,834,733		1,734,576
	1,854,923		2,601,447		3,752,012		2,586,581		2,271,977		2,433,395
	2,314,595		2,380,475		2,415,763		2,699,721		2,751,585		2,202,424
	784,910		860,894		963,568		848,840		899,199		720,450
	148,647		168,159		265,338		216,184		216,107		641,584
	773,286		562,837		474,894		562,923		689,425		250,230
	4,843,095		7,087,209		7,339,038		5,820,446		5,199,101		9,018,438
	2,392,129		972,113		1,056,382		874,675		1,823,342		691,974
	289,963		337,099		321,282		384,374		335,405		393,969
	<u>19,622,491</u>		<u>21,434,206</u>		<u>23,368,446</u>		<u>21,229,985</u>		<u>21,246,830</u>		<u>23,167,911</u>
	<u>(2,910,208)</u>		<u>(3,325,944)</u>		<u>(3,340,781)</u>		<u>(3,014,241)</u>		<u>(1,727,270)</u>		<u>(1,105,191)</u>
	4,111,000		-		2,400,000		-		2,882,416		749,004
	17,019		-		-		-		28,807		(764,004)
	-		-		-		-		-		3,684
	-		-		-		-		-		22,082
	-		-		-		-		-		(1,140,000)
	-		-		-		-		-		3,260,000
	(1,756,668)		(2,204,359)		(1,290,748)		(1,955,000)		(702,628)		82,903
	1,592,293		2,017,559		1,210,748		1,915,000		687,628		-
	<u>3,963,644</u>		<u>(186,800)</u>		<u>2,320,000</u>		<u>(40,000)</u>		<u>2,896,223</u>		<u>2,213,669</u>
\$	<u>1,053,436</u>	\$	<u>(3,512,744)</u>	\$	<u>(1,020,781)</u>	\$	<u>(3,054,241)</u>	\$	<u>1,168,953</u>	\$	<u>1,108,478</u>
	<u>18.15%</u>		<u>9.13%</u>		<u>8.59%</u>		<u>8.17%</u>		<u>13.45%</u>		<u>7.34%</u>

CITY OF ALBERT LEA, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
PROGRAM REVENUES BY FUNCTION
LAST NINE FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
Program revenues				
Governmental activities				
Charges for services				
General government	\$ 321,472	\$ 385,732	\$ 322,563	\$ 336,088
Parks and recreation	432,058	426,578	452,346	470,226
Other activities	793,940	415,291	399,678	485,995
Operating grants and contributions	1,472,380	913,919	1,271,549	1,136,946
Capital grants and contributions	1,940,147	3,330,480	1,488,933	4,058,774
Total governmental activities program revenue	<u>4,959,997</u>	<u>5,472,000</u>	<u>3,935,069</u>	<u>6,488,029</u>
Program revenues - Continued				
Business-type activities				
Charges for services				
Water	1,106,249	1,310,115	1,265,103	1,341,482
Sewer	2,678,366	3,264,630	2,947,462	3,068,463
Port Authority real estate	530,260	573,566	-	-
Other Activities	110,891	103,051	111,228	761,140
Operating grants and contributions	51,471	43,837	43,643	44,831
Capital grants and contributions	811,200	440,900	6,841	1,484,629
Total business-type activities program revenue	<u>5,288,437</u>	<u>5,736,099</u>	<u>4,374,277</u>	<u>6,700,545</u>
Total program revenues	<u>\$ 10,248,434</u>	<u>\$ 11,208,099</u>	<u>\$ 8,309,346</u>	<u>\$ 13,188,574</u>
Expenses				
Governmental activities				
General government	\$ 1,718,240	\$ 1,787,894	\$ 1,983,323	\$ 1,934,814
Police	2,998,501	3,038,694	3,036,438	3,086,914
Fire and inspection	1,593,905	1,563,266	1,569,799	1,626,154
Public works	3,759,789	4,624,181	3,417,633	5,487,952
Parks and recreation	2,450,865	2,316,845	2,432,908	2,487,354
Library	733,454	908,621	874,303	771,968
Community development	585,875	224,512	247,598	241,386
Interest on long-term debt	356,053	366,070	317,117	283,989
Total governmental activities expenses	<u>14,196,682</u>	<u>14,830,083</u>	<u>13,879,119</u>	<u>15,920,531</u>
Business-type activities				
Water	1,204,962	1,363,101	1,328,833	1,387,076
Sewer	4,079,084	3,898,910	3,752,875	3,259,347
Solid waste management	177,955	158,833	181,287	152,768
Parking	34,536	45,494	45,380	27,807
Port Authority real estate	473,903	476,941	-	-
Storm sewer	-	-	-	410,655
Public lighting	-	-	-	319,727
Total business-type activities expenses	<u>5,970,440</u>	<u>5,943,279</u>	<u>5,308,375</u>	<u>5,557,380</u>
Total expenses	<u>\$ 20,167,122</u>	<u>\$ 20,773,362</u>	<u>\$ 19,187,494</u>	<u>\$ 21,477,911</u>

Table 5

Fiscal Year				
2006	2007	2008	2009	2010
\$ 310,351	\$ 297,878	\$ 330,586	\$ 350,379	\$ 513,692
465,531	461,008	476,569	444,343	487,119
461,160	541,707	545,466	441,028	761,785
1,514,760	1,675,162	1,414,825	1,260,091	862,239
<u>3,986,013</u>	<u>4,497,029</u>	<u>3,658,451</u>	<u>4,663,347</u>	<u>7,808,059</u>
<u>6,737,815</u>	<u>7,472,784</u>	<u>6,425,897</u>	<u>7,159,188</u>	<u>10,432,894</u>
1,586,131	1,620,269	1,684,774	1,712,050	1,792,367
3,691,385	3,828,072	3,746,549	3,613,011	3,673,489
-	-	-	-	-
98,204	115,532	135,514	119,185	185,665
31,154	41,017	35,642	42,403	332,176
<u>493,154</u>	<u>89,933</u>	<u>2,632,042</u>	<u>858,547</u>	<u>-</u>
<u>5,900,028</u>	<u>5,694,823</u>	<u>8,234,521</u>	<u>6,345,196</u>	<u>5,983,697</u>
<u>\$ 12,637,843</u>	<u>\$ 13,167,607</u>	<u>\$ 14,660,418</u>	<u>\$ 13,504,384</u>	<u>\$ 16,416,591</u>
\$ 3,624,378	\$ 1,762,682	\$ 1,941,311	\$ 1,966,733	\$ 2,008,144
3,193,028	3,592,887	3,670,695	3,551,292	3,623,278
1,610,882	1,813,298	1,819,886	1,857,258	1,782,580
5,020,385	4,894,662	4,213,487	3,805,920	4,193,100
2,567,157	2,630,057	2,929,167	2,547,703	2,040,616
764,225	919,841	881,439	953,163	1,027,403
253,447	354,453	306,528	307,048	567,042
<u>348,345</u>	<u>350,389</u>	<u>369,402</u>	<u>339,329</u>	<u>367,208</u>
<u>17,381,847</u>	<u>16,318,269</u>	<u>16,131,915</u>	<u>15,328,446</u>	<u>15,609,371</u>
1,540,054	1,645,327	1,783,820	1,806,236	1,736,795
3,557,601	3,441,089	3,799,506	3,572,505	3,806,597
171,353	163,719	2,372,225	389,145	474,319
39,658	53,121	40,502	33,941	51,585
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,308,666</u>	<u>5,303,256</u>	<u>7,996,053</u>	<u>5,801,827</u>	<u>6,069,296</u>
<u>\$ 22,690,513</u>	<u>\$ 21,621,525</u>	<u>\$ 24,127,968</u>	<u>\$ 21,130,273</u>	<u>\$ 21,678,667</u>

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 LAST TEN FISCAL YEARS

Table 6

Fiscal Year	Property Taxes	Franchise Taxes	Lodging Taxes	Other Taxes	Total
2001	\$ 2,498,052	\$ 1,509,313	\$ 138,414	\$ 1,857	\$ 4,147,636
2002	1,459,175	1,202,667	140,066	1,221	2,803,129
2003	1,684,685	1,572,529	146,979	787	3,404,980
2004	2,283,984	1,514,549	148,142	1,247	3,947,922
2005	2,790,085	1,731,519	154,804	98	4,676,506
2006	3,399,694	1,772,855	170,910	228	5,343,687
2007	3,710,496	1,677,771	170,319	239	5,558,825
2008	4,187,441	1,579,898	159,957	-	5,927,296
2009	4,501,763	1,390,549	161,215	-	6,053,527
2010	4,490,654	1,412,236	190,937	213,077	6,306,904

Sources of Data: Included General fund, Special Revenue funds and Debt Service funds

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN FISCAL YEARS

Table 7

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collections of Current Year's Taxes During Fiscal Period	Percentage of Levy Collected During Fiscal Period	Collections of Prior Year's Taxes During Fiscal Period	Total Collections To Date	Percentage of Levy Collected To Date
2001	\$ 2,110,482	\$ 2,028,611	96.12 %	\$ 80,798	\$ 2,109,409	99.95 %
2002	1,123,363	1,085,544	96.63	37,003	1,122,547	99.93
2003	1,363,774	1,314,416	96.38	49,220	1,363,636	99.99
2004	1,929,339	1,851,554	95.97	75,028	1,926,582	99.86
2005	2,442,775	2,336,604	95.65	103,761	2,440,365	99.90
2006	3,220,788	3,083,056	95.72	132,348	3,215,404	99.83
2007	3,550,206	3,392,667	95.56	141,390	3,534,057	99.55
2008	4,005,905	3,823,481	95.45	143,522	3,967,003	99.03
2009	4,294,703	4,079,163	94.98	142,228	4,221,391	98.29
2010	4,693,625	4,541,318	96.76	135,787	4,677,105	99.65

Source of Data: Includes General fund and Debt Service funds

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 CERTIFIED SPECIAL ASSESSMENT COLLECTIONS
 LAST TEN FISCAL YEARS

Table 8

Fiscal Year Ended December 31	Current Assessments Due	Current Assessments Collected	Percent Collected	Total Outstanding Delinquent Assessments	Prepayment of Assessments
2001	\$ 502,088	\$ 470,996	93.81 %	\$ 157,292	\$ 76,998
2002	532,701	475,217	89.21	176,022	287,242
2003	683,038	603,157	88.31	140,234	168,921
2004	654,313	591,708	90.43	140,457	346,049
2005	640,655	574,987	89.75	171,582	166,984
2006	697,115	619,221	88.83	141,945	176,015
2007	615,652	568,899	92.41	123,014	180,084
2008	769,379	648,081	84.23	196,700	108,774
2009	856,276	698,219	81.54	228,858	130,777
2010	1,198,099	1,166,952	97.40	292,091	287,276

Source of Data: PIR Assessments Debt Service fund, Capital Improvement Assessments, and Parking Fund
 Note: Certified assessments only, not all assessments due

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 TAX CAPACITY AND ESTIMATED VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property		Total		Percent of Tax Capacity to Estimated Market Value	Total Direct Rate
Year Ended December 31,	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Market Value	Direct Rate
2001	\$ 8,209,793	\$ 535,567,100	\$ 313,390	\$ 9,312,300	\$ 8,523,183	\$ 544,879,400	1.56 %	25.782
2002	6,825,139	578,547,800	221,966	11,176,500	7,047,105	589,724,300	1.19	20.307
2003	7,297,050	625,165,800	236,232	11,889,800	7,533,282	637,055,600	1.18	22.452
2004	7,834,485	682,681,000	247,972	12,483,500	8,082,457	695,164,500	1.16	29.007
2005	8,025,091	717,148,100	260,118	13,090,800	8,285,209	730,238,900	1.13	34.026
2006	8,621,101	755,156,000	269,708	13,570,300	8,890,809	768,726,300	1.16	41.509
2007	9,609,215	831,589,300	283,292	14,249,500	9,892,507	845,838,800	1.17	41.088
2008	10,247,248	885,908,700	278,326	14,001,200	10,525,574	899,909,900	1.17	43.144
2009	10,714,121	923,725,900	293,772	14,773,500	11,007,893	938,499,400	1.17	44.179
2010	10,843,061	903,502,400	331,583	16,666,200	11,174,644	920,168,600	1.21	46.059

Source: Freeborn County Auditor/Treasurer

Note: Property in the City is reassessed each year. Property is assessed at estimated actual market value, therefore, the assessed values are equal to actual value

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 PROPERTY TAX RATES AND TAX LEVIES - DIRECT AND OVERLAPPING GOVERNMENTS
 LAST TEN FISCAL YEARS

Fiscal Year Ended December 31	Direct Government				Total Rate
	Operating Rate	Armory Bonds Rate	Cap Imp Bonds Rate	PIR Bonds Rate	
2001	25.547	0.235	0.000	0.000	25.782
2002	20.024	0.283	0.000	0.000	20.307
2003	22.188	0.264	0.000	0.000	22.452
2004	28.761	0.246	0.000	0.000	29.007
2005	33.795	0.231	0.000	0.000	34.026
2006	40.259	0.215	1.035	0.000	41.509
2007	39.984	0.194	0.910	0.000	41.088
2008	41.000	0.000	0.760	1.384	43.144
2009	42.048	0.000	0.803	1.328	44.179
2010	42.139	0.000	0.760	3.160	46.059

Note: Tax rates are per \$1,000 of tax capacity. Tax capacity is equal to market value multiplied by the applicable class rate for the type of property that is being taxed

Source: Freeborn County Auditor/Treasurer

Table 10

<u>Overlapping Governments</u>			
<u>School District</u>	<u>County</u>	<u>Special District</u>	<u>Direct & Overlapping Total</u>
59.938	40.536	0.000	126.256
31.747	50.846	0.000	102.900
30.607	60.617	0.000	113.676
29.122	61.807	2.526	122.462
30.187	59.657	2.255	126.125
26.512	59.203	1.734	128.958
23.915	57.330	1.590	123.923
25.478	57.366	1.483	127.471
25.633	58.857	1.436	130.105
24.491	56.812	1.383	128.745

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Table 11

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND TEN YEARS AGO

Taxpayer	Business Type	2010			2001		
		Taxable Market Value	Rank	Percentage of Total Market Valuation	Market Value	Rank	Percentage of Total Market Valuation
Interstate Power Company	Utility	\$ 16,942,500	1	1.91 %	\$ 10,359,700	1	1.90 %
Wal-mart Real Estate Business (new)	Blake Ave	5,863,900	2	0.66	-	-	-
Continental Albert Lea LLP	Warehouse	5,793,100	3	0.65	2,550,200	5	0.57
MCB Properties, LTD	Corrugated Box	5,635,900	4	0.63	4,100,000	3	0.75
Carrington Family Trust	Retail	4,281,200	5	0.48	4,383,300	2	0.80
Home Depot	Retail	3,655,500	6	0.41	-	-	-
E. Family C	Office Park	3,875,400	7	0.44	-	-	-
Albert Lea Port Authority	Economic Development	3,499,900	8	0.39	-	-	-
Trails Travel Center	Truck Stop	3,056,200	9	0.34	2,615,800	4	0.48
Darling Subco, Inc.	Industrial land and buildings	2,798,000	10	0.31	-	-	-
Streaters, Inc.	Store Fixtures	-	-	-	1,900,000	7	0.35
Wal-mart Properties (old)	Skyline Mall	-	-	-	1,984,500	6	0.36
PLF Meats, Inc.	Meat Products	-	-	-	1,575,200	8	0.29
Seaboard Farms	Meat Packing	-	-	-	1,393,300	9	0.28
F D Newell & Associates	Freezer Warehouse	-	-	-	1,391,900	10	0.28
Total		<u>\$ 55,401,600</u>		<u>6.23 %</u>	<u>\$ 32,253,900</u>		<u>6.06 %</u>

Source: Freeborn County Auditor/Treasurer
 Ranking based on tax capacity

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 RATIOS OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			Business Type Activities	
	General Obligation Armory Bonds	G.O. Tax Increment Bonds	Special Assessment Bonds	G.O. Water Revenue Bonds	G.O. Sewer Revenue Refunding Bonds
2001	\$ 80,850	\$ 933,890	\$ 7,340,000	\$ 1,600,000	\$ 1,340,000
2002	69,300	665,000	6,935,000	1,550,000	1,220,000
2003	57,750	475,000	6,440,000	1,495,000	1,090,000
2004	45,150	285,000	6,960,000	1,440,000	955,000
2005	31,500	125,000	8,570,000	1,380,000	815,000
2006	16,800	-	7,880,000	1,320,000	665,000
2007	-	-	9,390,000	2,300,000	510,000
2008	-	-	8,640,000	2,235,000	350,000
2009	-	-	9,700,000	2,115,000	180,000
2010	-	-	11,180,000	2,015,000	-

(1) Personal income and population data can be found in the demographic statistics on page 170

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements

Table 12

<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita (1)</u>
\$ 11,294,740	2.54 %	615.05
10,439,300	2.30	577.43
9,557,750	2.02	528.58
9,685,150	1.94	533.91
10,921,500	2.13	601.64
9,881,800	1.83	543.43
12,200,000	2.14	N/A
11,225,000	1.75	N/A
11,995,000	1.91	N/A
13,195,000	2.24	N/A

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CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
 LAST TEN FISCAL YEARS

Table 13

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio on Net Bonded Debt to Tax Capacity	Net Bonded Debt per Capita
2001	\$ 80,850	\$ 12,874	\$ 67,976	.0080:1	3.71
2002	69,300	10,751	58,549	.0083:1	3.19
2003	57,750	15,006	42,744	.0057:1	2.33
2004	45,150	16,232	28,918	.0036:1	1.58
2005	31,500	17,697	13,803	.0017:1	0.75
2006	16,800	19,351	(2,551)	N/A	N/A
2007	N/A	N/A	-	N/A	N/A
2008	N/A	N/A	-	N/A	N/A
2009	N/A	N/A	-	N/A	N/A
2010	N/A	N/A	-	N/A	N/A

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

	Fiscal Year			
	2001	2002	2003	2004
Debt Limit	\$ 10,898,000	\$ 11,795,000	\$ 12,741,000	\$ 13,903,000
Total Net Debt Applicable to Limit	68,000	59,000	43,000	29,000
Legal Debt Margin	\$ 10,830,000	\$ 11,736,000	\$ 12,698,000	\$ 13,874,000
Total Net Debt Applicable to the Limit as a percentage of Debt Limit	0.62%	0.50%	0.34%	0.21%

Legal Debt Margin Calculation for Fiscal Year

Estimated Taxable Market Value

Debt Limit (2% of taxable market value, 3% after 2008)

Legal Debt Margin:

Note A : Under State of Minnesota law, the City of Albert Lea outstanding general obligation debt should not exceed 3 percent of the market value of taxable property. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for the extinguishment of those obligations.

Note B: Fiscal Year 2005 was the first year of implementing GASB Statement No. 44.

Table 14

Fiscal Year					
2005	2006	2007	2008	2009	2010
\$ 14,605,000	\$ 15,374,000	\$ 16,917,000	\$ 17,998,000	\$ 18,770,000	\$ 27,605,058
14,000	-	-	-	-	-
<u>\$ 14,591,000</u>	<u>\$ 15,374,000</u>	<u>\$ 16,917,000</u>	<u>\$ 17,998,000</u>	<u>\$ 18,770,000</u>	<u>\$ 27,605,058</u>
0.10%	-	-	-	-	-
					<u>\$ 920,168,600</u>
					<u>\$ 27,605,058</u>
					<u>\$ 27,605,058</u>

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CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 END OF FISCAL YEAR 2010

Table 15

Jurisdiction	<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Albert Lea</u>	<u>City of Albert Lea's Share of the Debt</u>
Direct	\$ -	100.00%	\$ -
City of Albert Lea			
Overlapping			
School District #241	24,895,000	59.10%	14,712,945
County of Freeborn	26,980,000	33.90%	9,146,220

Source: Freeborn County Auditor/Treasurer

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Albert Lea. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Albert Lea. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 SCHEDULE OF WATER FUND BOND COVERAGE
 LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenue	Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements	
				Principal	Interest
2001	\$ 988,577	\$ 914,832	\$ 73,745	\$ -	\$ -
2002	1,141,710	1,030,171	111,539	50,000	72,276
2003	1,324,619	1,125,840	198,779	55,000	70,464
2004	1,272,072	1,099,617	172,455	55,000	68,401
2005	1,350,757	1,130,184	220,573	60,000	66,243
2006	1,599,890	1,302,071	297,819	60,000	63,808
2007	1,652,134	1,368,197	283,937	60,000	81,446
2008	1,703,480	1,475,267	228,213	65,000	104,299
2009	1,714,617	1,483,421	231,196	120,000	99,005
2010	1,794,078	1,385,948	408,130	120,000	100,649

Note: Water fund bonds were issued in 2001

Gross revenues include all revenues from operations and interest

Operating expense includes the cost of operations excluding depreciation expense

Water rate increases in recent years have been 3% in 2010, 4% in 2009, 2008, and 2007, 20% in 2006, 5% in 2005, and 20% in 2003

Table 16

<u>Total</u>	<u>Coverage</u>
\$ -	0.00
122,276	0.91
125,464	1.58
123,401	1.40
126,243	1.75
123,808	2.41
141,446	2.01
169,299	1.35
219,005	1.06
220,649	1.85

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 SCHEDULE SEWAGE DISPOSAL FUND BOND COVERAGE
 LAST TEN FISCAL YEARS

Fiscal Year	Gross Revenue	Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements	
				Principal	Interest
2001	\$ 3,122,987	\$ 2,461,618	\$ 661,369	\$ 115,000	\$ 64,222
2002	3,115,655	2,661,869	453,786	120,000	101,133
2003	3,394,250	2,772,000	622,250	130,000	51,349
2004	3,173,825	2,698,656	475,169	135,000	45,771
2005	3,282,408	2,249,348	1,033,060	140,000	40,002
2006	3,912,375	2,654,604	1,257,771	150,000	32,803
2007	4,365,334	2,564,222	1,801,112	155,000	25,533
2008	4,621,651	2,976,757	1,644,894	155,000	25,533
2009	3,334,015	2,762,791	571,224	170,000	9,705
2010	4,161,002	2,857,000	1,304,002	180,000	4,410

Gross revenues include all revenues from operations and interest

Operating expense includes the cost of operations excluding depreciation expense

Sewer rate increases in recent years have been 3% in 2009, 2008 and 2007, 20% in 2006, 15% in 2005, and 20% in 2003

Table 17

	<u>Total</u>	<u>Coverage</u>
\$	179,222	0.27
	221,133	2.05
	181,349	3.43
	180,771	2.63
	180,002	5.74
	182,803	6.88
	180,533	9.98
	180,533	9.11
	179,705	3.18
	184,410	7.07

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 DEMOGRAPHIC STATISTICS
 LAST TEN FISCAL YEARS

Table 18

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income (2)</u>	<u>Per Capita Income (3)</u>	<u>School Enrollment (4)</u>	<u>Unemployment Rate (5)</u>
2001	18,364	\$ 444,794,444	\$ 24,221	3,818	6.0 %
2002	18,079	454,831,482	25,158	3,611	6.0
2003	18,082	473,025,120	26,160	3,649	6.4
2004	18,140	499,158,380	27,517	3,531	6.1
2005	18,153	512,767,791	28,247	3,540	5.5
2006	18,184	538,519,160	29,615	3,475	5.2
2007	18,125	570,955,625	32,951	3,290	5.8
2008	18,095	641,123,945	35,431	3,290	6.7
2009	18,061	629,227,179	34,839	3,239	8.7
2010	18,061	589,800,016	32,656	3,293	6.9

Source:

- (1) State demographer estimate
- (2) Estimation; Calculated (population multiplied by per capita personal income)
- (3) Bureau of Economic Analysis
- (4) Minnesota Department of Education
- (5) MN Workforce Center (Freeborn County)

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 TOP 10 WATER SYSTEM CUSTOMERS
 (BY UNITS OF CONSUMPTION AS OF DECEMBER 31, 2010)

Table 19

		Consumption in Cubic Feet for 12 months ended 12/31/10	Percent of Total Consumption
Ventura Foods	Industrial	\$ 42,773,400	43.1 %
Cargill	Industrial	13,378,000	13.5
Mrs. Gerry's Kitchen	Industrial	2,823,400	2.8
Merricks on Minnesota LLC	Industrial	2,372,700	2.4
Good Samaritan Center	Nursing Home	2,061,000	2.1
Albert Lea Medical Center	Clinic/Hospital	1,219,300	1.2
St. John's Lutheran Home	Nursing Home	1,057,400	1.1
New Hills Condos	Residential	679,500	0.7
Thome Crest	Nursing Home	528,200	0.5
Windstone Properties	Residential	439,600	0.4

Note: One hundred cubic feet equates to approximately 748 gallons
 Source: City utility data

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND TEN YEARS AGO

Employer	Business Type	2010		
		Number of Employees	Rank	Percent of Total City Employee
Albert Lea Medical Center	Medical	\$ 1,200	1	7.21 %
Albert Lea Area Schools	Education (Pre K-12)	511	2	3.07
Albert Lea Select Foods	Pork Processing	505	3	3.04
Innovance	Manufacturing	340	4	2.04
Freeborn County	County Government	325	5	1.95
Hy-Vee Food Store	Grocery	320	6	1.92
Cargill Incorporated	Agribusiness	315	7	1.89
Riverland Community College	Post-Secondary education	300	8	1.80
St. John's Lutheran Home	Nursing Home, Assisted Living	300	9	1.80
Good Samaritan Center	Nursing Home, Assisted Living	276	10	1.66
Lou-Rich, Inc	Manufacturing	-	-	-
Streater	Store Fixtures	-	-	-
Farmland Foods	Pork Processing	-	-	-
Hudson Foods	Food Processing	-	-	-
Ventura Foods	Edible Fat	-	-	-
Thorne Crest	Nursing Home, Assisted Living	-	-	-
Total		<u>\$ 4,392</u>		<u>26.38 %</u>

Source: 2010 Springsted telephone survey

2000 - Community Profile, City of Albert Lea, MN Dept of Trade and Economic Development 1996

Total City employment data obtained from Minnesota Quarterly Census and Employment and Wages Data

Table 20

2001		
<u>Number of Employees</u>	<u>Rank</u>	<u>Percent of Total City Employee</u>
790	1	6.70 %
491	3	4.16
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
310	6	2.63
280	7	2.38
256	8	2.17
670	2	5.69
338	4	2.87
320	5	2.72
174	9	1.48
150	10	1.27
<u>3,779</u>		<u>32.07 %</u>

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS

Function	Fiscal Year			
	2001	2002	2003	2004
General Government				
Administration	3.50	3.50	4.00	4.00
Human resources	-	-	-	-
Finance	5.50	5.50	5.50	5.65
Legal	2.00	2.00	2.00	2.00
Public information	-	-	-	-
City center	2.00	2.08	2.08	2.08
Police				
Sworn Officers	30.00	30.00	30.00	30.00
Other	10.00	10.00	10.00	10.00
Fire & inspection				
Fire	17.00	17.00	17.00	17.00
Inspection	4.00	4.00	4.00	4.00
Public Works				
Engineering	5.50	5.50	5.50	5.50
Street & Garage	14.00	15.00	15.00	15.00
Water	9.00	9.00	9.00	9.00
Sewer	13.50	13.50	13.50	13.50
Solid Waste Mgmt.	1.00	1.00	1.00	1.00
Parks & recreation				
Recreation	3.25	3.25	3.25	3.75
Swimming	0.25	0.25	0.25	0.25
Senior citizen center	1.50	1.50	1.50	1.50
Arena	2.50	2.50	2.50	2.00
Theatre	0.80	0.80	0.98	0.98
Parks	8.00	8.00	8.00	8.00
Library	9.00	10.00	10.00	10.00
Community Development	9.50	9.50	2.00	2.00
Total Employees	151.80	153.88	147.06	147.21

Source: Adopted 2010 budget

Table 21

Fiscal Year						
2005	2006	2007	2008	2009	2010	
3.00	3.00	3.00	3.00	3.00	3.00	3.00
1.00	1.00	1.00	1.00	1.00	1.00	1.00
5.65	5.65	5.65	5.65	5.65	5.65	5.65
2.00	2.00	2.00	2.00	2.00	2.00	2.00
-	1.00	1.00	1.00	1.00	1.00	1.00
2.08	1.63	1.63	1.50	1.50	1.50	0.80
29.00	29.00	29.00	29.00	29.00	29.00	28.00
10.25	10.25	12.75	12.75	12.75	12.75	12.75
17.00	17.00	17.00	17.00	17.00	17.00	16.00
4.00	3.00	3.00	3.00	3.00	3.00	3.00
5.50	5.50	5.50	5.50	5.50	5.50	5.50
16.00	15.00	15.00	15.00	15.00	15.00	15.00
10.00	9.00	10.00	10.00	10.00	10.00	10.00
13.50	13.50	13.50	13.50	13.50	13.50	13.50
1.00	1.00	1.00	1.00	1.00	1.00	1.00
3.75	3.85	2.85	2.85	2.85	2.85	2.85
0.25	0.15	0.15	0.15	0.15	0.15	0.15
1.50	1.50	1.40	1.40	1.40	1.40	1.40
2.00	2.00	3.63	3.63	3.63	3.63	3.63
0.98	0.98	0.88	0.88	0.88	0.88	0.88
8.00	8.00	8.00	8.67	8.67	8.67	8.00
10.00	10.00	11.00	11.00	11.00	11.00	11.00
2.00	2.00	2.00	2.00	2.00	2.00	2.00
<u>148.46</u>	<u>146.01</u>	<u>150.94</u>	<u>151.48</u>	<u>151.48</u>	<u>148.11</u>	

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS

Function	Fiscal Year			
	2001	2002	2003	2004
Police				
Stations	1	1	1	1
Patrol units	13	13	14	14
Fire Station	1	1	1	1
Streets				
Streets (miles)	122.46	122.46	124.00	124.45
Streetlights	1,595	1,644	1,671	1,680
Parks and recreation				
Arena	1	1	1	1
Civic theatre	1	1	1	1
Senior citizen center	1	1	1	1
Softball fields	5	5	5	5
Swimming pools	1	1	1	1
Tennis courts	11	6	6	6
Parks acreage	353.3	353.3	353.3	353.3
Parks	42	42	42	42
Water				
Storage capacity (millions of gallons)	1.9	1.9	1.9	2.4
Watermains (miles)	103.48	103.73	104.38	105.48
Pumping plants	4	4	4	4
Fire hydrants	925	930	943	945
Sewer				
Sanitary sewers (miles)	101.78	101.94	102.47	102.47
Storm sewers (miles)	51.59	51.90	52.47	52.47
Maximum daily treatment capacity (millions of ;	12.50	12.50	12.50	12.50

Source: Data collected from the 2010 City Manager's Annual Report

Table 22

Fiscal Year						
2005	2006	2007	2008	2009	2010	
1	1	1	1	1	1	1
16	16	18	18	18	18	18
1	1	1	1	1	1	1
128.57	129.75	130.11	131.62	131.81	137.63	
1,685	1,711	1,825	1,829	1,847	1,847	
1	1	1	1	1	1	1
1	1	1	1	1	1	1
1	1	1	1	1	1	1
5	5	5	5	5	5	5
1	1	1	1	1	1	1
6	6	3	3	3	3	3
353.3	256.3	432.0	432.0	432.0	432.0	
42	43	44	44	44	44	
2.4	2.4	2.4	2.4	2.4	2.4	
107.28	108.17	108.30	112.14	112.35	114.34	
4	4	4	4	4	4	
963	1,004	1,100	1,143	1,143	1,156	
104.33	105.35	105.35	107.55	108.46	109.70	
52.30	53.09	53.52	55.79	56.18	57.48	
12.50	12.50	12.50	12.50	12.50	12.50	

CITY OF ALBERT LEA, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS

	Fiscal Year			
	2001	2002	2003	2004
Police				
Class I crimes	497	509	437	722
Class II crimes	1,323	1,265	1,047	72
Fire				
Number of calls answered	397	396	400	413
Inspections	908	765	536	587
Highways and streets				
Street resurfacing (miles)	3.85	6.48	1.77	1.60
Culture and recreation				
Boat dock permits	201	192	213	209
Civic theatre attendance	9,370	12,837	8,897	9,635
Park facility rentals	247	228	216	107
Water				
New connections	32	19	22	23
Watermain breaks	20	30	29	29
Average daily consumptions (thousand of gallons)	3,603	3,019	2,942	2,747
Wastewater				
Average daily sewage treatment (thousand of gallons)	4,413	4,125	4,380	4,855

Source: Data collected from the 2010 City Manager's Annual Report

Table 23

Fiscal Year						
2005	2006	2007	2008	2009	2010	
441	453	185	365	365	320	
783	733	890	760	760	649	
415	405	432	672	709	637	
422	731	577	169	254	162	
2.78	1.77	2.30	5.25	4.24	4.39	
216	248	253	257	263	256	
9,975	10,266	11,654	11,689	10,000	10,000	
217	348	453	318	383	334	
23	52	38	18	18	51	
27	32	39	38	25	30	
2,538	2,679	2,791	2,621	2,696	3,110	
4,228	4,358	4,473	4,080	3,678	4,370	