City of Winona, Minnesota

Comprehensive Annual Financial
Report for the Year Ended
December 31, 2008

Prepared by Finance Department:
Mary B. Burrichter
Director of Finance

The cover photograph was taken by Tom Grier, Professor of Mass Communication at Winona State University. It is called Snowy Egret and was taken on the backwaters of the Mississippi River in the Winona area.

Cover design by Don Dennis, City Graphics Coordinator

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AND SECTION I

INTRODUCTORY SECTION

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CITY OF WINONA, MINNESOTA

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May 20, 2009

Honorable Mayor Miller and
Members of the City Council of the City of Winona
Winona, MN 55987

Dear Mayor Miller and City Council Members:

The Comprehensive Annual Financial Report (CAFR) of the City of Winona, MN (the "City"), for the fiscal year ended December 31, 2008, is submitted herewith. Responsibility for the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, rests with the City. The Finance Department believes that the data presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of the various funds. All disclosures necessary for a reader to gain an understanding of the City's financial activities have been included.

The CAFR consists of three sections:

1. *Introductory Section* — Includes this letter of transmittal, a list of the City's leaders, an organization chart, and a reproduction of the City's Certificate of Achievement for Excellence in Financial Reporting.

2. *Financial Section* — Includes the report of our independent auditors, Management's Discussion and Analysis (MD&A), the basic financial statements, and required supplementary information other than MD&A. The combining fund financial statements are presented after the required supplementary information other than MD&A.

3. *Statistical Section* — Includes selected financial, economic, and demographic information, generally presented on a 10-year historical basis.

The organization, form, and content of this report were prepared in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB), the Government Finance Officers Association of the United States and Canada (GFOA), the American Institute of Certified Public Accountants, the State Auditor's Office — State of Minnesota, and the City Charter.

Profile of the City:

This report includes all funds and departments of the City (the primary government) and the Port Authority of Winona ("Port Authority") (the component unit) according to GASB's requirements. A component unit is included in the City's reporting entity because of the significance of its operational or financial relationship with the City. Note 1 to the basic financial statements includes additional information regarding the reporting of the component unit.

The activities of the Housing and Redevelopment Authority of Winona (HRA) are limited to operating Department of Housing and Urban Development-sponsored projects and grants. No local financing is involved; thus, the City Council is not involved in financial oversight. Additionally, other than an irrevocable appointment by the Mayor of the HRA Board (four-year term and only one out of five HRA Board Members are from the City Council), the City exercises no control in the areas of budgeting, staff appointment, or accountability for fiscal matters. Accordingly, based on GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, the HRA does not qualify as a component unit of the City's financial statements, and the related financial statements have not been included in this report. Audited financial statements for the HRA are available upon request at its business office in Winona.

The City provides the full range of municipal services requested by statute or charter. This includes public safety (police and fire), highways and streets, sanitation, parks, public improvements, planning and zoning, and general administrative services. The City also operates eight enterprises: water; sewer; inspections; airport; public transportation; recreation, library; and storm sewer.

Local Economy:

Winona, incorporated in 1857, is located in the southeastern corner of Minnesota, two hours south of the Minneapolis/Saint Paul area and one hour east of Rochester. It is situated along the Mississippi River and is surrounded by gently sloping hills. It is in a picturesque part of the state. The City is the headquarters for the Upper Mississippi River National Wildlife and Fish Refuge and is the county seat of Winona County.

Besides its natural beauty, the City is noted for its many strengths. Some of those strengths are listed below:

- Winona's highly diversified tax base that continues to experience growth in its market value (.7% from 2008 to 2009 and 29.6% from 2004 to 2009);
- Stable financial operations (including financial management, cash flow dollars, and reserves for future capital needs);
- Low debt burden with rapid principal amortization (90% within 10 years) and significant nonproperty tax levy support for debt service;
- An "entrepreneurial spirit" for start-up companies;
- An independent, community-managed healthcare system, including emergency room services. The community also sponsors extensive programs for people with disabilities;
- A "regional center" for southeastern Minnesota (for education, employment, entertainment, and shopping);
- Three colleges located in the City (two universities and one technical college) – all of which have shown growth in enrollment over the past year;
- A growing arts/tourism base with new additions, including the Minnesota Beethoven Festival, the Shakespeare Festival, and the Minnesota Marine Art Museum;
- Location in a scenic valley along the Mississippi River.

Some of the challenges that the City faces are listed below:

- Available land for the City to continue to grow;
- Transportation needs due to increased vehicle traffic and congestion;
- Infrastructure — maintenance costs (the City is 152 years old);
- City government financial dependency on state-provided local government aid;
- Substantial real estate is exempt from property tax, such as college campuses which still require City services.

Other key objectives of the City:

- To attract citizens that work for the common good of the City (with a 'big-picture' vision) to serve as Board Members for the City Council, Port Authority, and other City commissions;
- To attract and retain bright, forward-thinking employees who have the overall best interests of the City in mind;
- To continue to serve as an economic engine for our region in the State of Minnesota;
- To encourage and support the expansion of existing businesses, and to cultivate the development of new businesses that want to make the City their home.

Moody's Investors Service of New York, the City's bond rating agency, had affirmed the Aa2 rating for the City's debt (at the time of the City's last debt issue) in November 2006. The agency commends the City for its diversified tax base, and expects the City's financial position to remain stable and healthy, and the City's favorable debt profile to continue with rapid principal amortization.

A community profile of the City's business and industrial diversity is highlighted below:

- Electronic — Company (customers): Benchmark (manufacturer of circuit boards);

  Company (customers): Watlow Controls (construction industry)
  Products: electronic design, contract manufacturer of mechanical and electronic components, and process control instruments;

  Company (customers): TRW (major auto manufacturers);

- Distribution — Company: Fastenal
  National distributor of threaded fasteners and other industrial and construction supplies (founded in 1967, Fastenal's sales in 2008 were $2.3 billion, a 13.5% increase over 2007;

- Composites — Company (customers): Fiberite Inc. (aero and computer industries)
  Products: manufacturer of thermosets and molding compounds;

- Composites

  Company: RTP Company
  Compounder of raw material for the composite industry;

  Company (customers): WE-NO-NAH Canoe (Olympic teams)
  Leading worldwide manufacturer of composite canoes and kayaks and large producer of Royalex-type canoes;

  Company: PlastiComp
  Innovations in long-fiber thermoplastic molding;

  Company (customers): Coda (Juilliard School of Music)
  Maker of musical bows with graphite-fiber construction, which produce fine sound and quality performance, and will not fatigue or warp;

- Agricultural Transport

  Commercial Harbor: Transportation network (via the barge system on the river) of regionally grown corn and soybeans from the City, and fertilizer, coal, and salt into the City. (Most of the corn and soybeans from this Harbor are exported to Asia.);

- Agricultural Products

  Company (customers): Matleurop North America (malting facility - beer/whiskey exports)
  Product: manufacturer of malt for the brewing of beer and the distilling of whiskey;

  Company (customers): Bay State Milling Co. (commercial bakeries)
  Product: maker of whole wheat, rye, and commercial bakery flour;

- Education

  Two universities and a technical college within the City, which have a combined enrollment of approximately 10,000 students.
  International Residency High School
  Other private and public schools (including three charter schools in District 861);

- Health Care

  Company: Winona Health
  Provides a general medical and surgical hospital, options for assisted living and nursing home care, and Winona Clinic which offers regional diversified healthcare services;

- Promotional Materials

  Company: WIN CRAFT Inc.
  Major supplier to the Olympics, NASCAR, NFL, and the American and National Baseball Leagues
  Product: manufacturer and distributor of promotional material;

- Telecommunications

  Company: Sprint
  Product: a provider of communications to the hotel and university market (primary operator center in the City), plus a small business center that provides communication services to businesses;

- Telecommunications — Company: Hiawatha Broadband Communications, Inc.
  Product: a provider of Broadband Internet, cable television, and telephone services within the Winona regional area;

  Company: Charter Communications
  Product: a provider of internet and cable television services;

- Music — Company: Hal Leonard Publishing
  Product: largest manufacturer of printed music—internationally distributed;

- Stained Glass — More than five stained glass companies within the area
  Customers include the Vatican Chapel in Jerusalem and Radio City Music Hall in New York City
  Products: studios that manufacture, design, and restore stained glass;

- Knitwear — Company: Knitcraft Corporation
  Product: manufacturer of knitwear ("St. Croix" brand—international)
  Located in the Winona regional area.

Major Initiatives:

Current Projects — 2008 Highlights:

- City property values increased, during 2008, through the issuance of $26,739,412 in building permits, which includes the list below.

  - Rivers Hotel Company — New Holiday Inn Express ($4,996,000)
  - Companion Animal Care — New animal clinic ($1,863,525)
  - Maritime Heritage Society — Addition to the Minnesota Marine Art Museum ($1,548,400)
  - Thern Incorporated — Addition on the manufacturing plant ($1,078,637)
  - Hal Leonard Company — Mezzanine/racking system ($1,000,000)
  - Bluffview Montessori — Classroom addition ($1,000,000)
  - S. Hartert — New residential apartments ($750,000)
  - Roemer Construction — New 12-unit apartment building ($550,000)
  - Winona State University — Remodel classrooms ($419,435)
  - Winona State University — New learning commons ($340,000)
  - Winona State University — New elevators at two dormitories ($336,700)
  - HBI Winona Terminal, LLC — Storage tank ($300,000)
  - MN Southeast Technical College — Remodel classrooms and electronics room ($249,870)
  - Winona State University — Add entry vestibule ($219,000)
  - Winona Public Schools — Remodel interior for Media Center ($208,200)
  - Residential construction — 839 permits issued for a value of $10,638,324

Long-term Financial Planning:

A fund, called Infrastructure Replacement, was established in 2007. This fund will allow for the replacement of some of the City's infrastructure over the next years.

The City Airport is undergoing an environmental analysis. The City would like to lengthen the runways and upgrade the alignment lighting at the Airport and needs to complete this study in order to do so.

The wells, for water, that are subject to contamination are being replaced by deeper wells.

The water and sewer utilities, of the City, are being extended to accommodate an orderly annexation of property into the City of Winona.

Accounting System and Budgetary Control:

The City's accounting records are maintained on the accrual or modified accrual basis, as appropriate. Budgetary control is maintained by an encumbrance system, whereby purchase orders are reviewed by the department involved as to the availability of funds prior to their release to vendors. Purchase orders which exceed appropriation balances (or which have not had approval as required under the Minnesota Statutes or the City Charter) are not to be released until such funding or approval is made available.

Also inherent is a management philosophy that the existence of a particular item or appropriation on the approved budget does not automatically dictate that it will or must be spent. The budget process has flexibility in that transfers can be made within the department budget by the City Manager or between funds by the City Council where need has been adequately demonstrated. There is a review process — expenditures are not to be approved until it has been determined that (1) adequate funds were appropriated, (2) the expenditure is still necessary, and (3) funds are available.

In developing and evaluating the City's accounting system, consideration is given to the adequacy of the City's internal control structure. A properly designed internal control structure is designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that (1) the cost of control should not exceed the benefits likely to be derived, and (2) the evaluation of costs and benefits requires estimates and judgments by management. We believe that the City's internal control structure adequately safeguards assets, and provides reasonable assurance of the proper recording of financial transactions.

Encumbrances are commitments related to unperformed contracts for goods or services and are used for budgetary control purposes. Encumbrances outstanding at the end of the year represent an estimated amount to be expended when the unperformed contracts are completed.

General Fund Functions:

Revenues:

The following table presents a comparative analysis of General Fund budgeted revenues for 2009 and actual revenues for 2008 and 2007:

	2009 Budget		2008 Actual		2007 Actual	
Revenue/Sources	**Amount**	**% of Total**	**Amount**	**% of Total**	**Amount**	**% of Total**
Property taxes	$ 4,430,561	26.2	$ 3,963,998	24.7	$ 3,737,111	22.1 %
Franchise fees and other taxes	1,230,000	7.3	1,263,465	7.9	1,193,201	7.0
Licenses and permits	149,100	0.9	171,860	1.1	161,329	1.0
Fines and forfeits	263,000	1.5	254,135	1.6	253,614	1.5
Intergovernmental	9,531,714	56.4	9,394,012	58.5	10,211,217	60.3
Investment earnings and change in fair value of investments	103,879	0.6	179,834	1.1	610,878	3.6
Charges for services	644,156	3.8	795,851	5.0	735,419	4.3
Other	561,500	3.3	22,199	0.1	40,006	0.2
	$ 16,913,910	100.0 %	$ 16,045,354	100.0 %	$ 16,942,775	100.0 %

Property taxes in the General Fund will be more in 2009 than in 2008 or 2007 due to an increase in property taxes for 2009. The increase in property taxes for the General Fund operations was $92,546 for 2009. Part of the taxes levied to the County in 2008 and 2007 were paid for by State of Minnesota market value credits. The main reasons for the increase in property taxes were for salary and benefit increases.

Intergovernmental remains the largest percentage of General Fund revenues at 56.4% for 2009 and 58.5% for 2008. Included in this category are the State of Minnesota's payments to the City for Local Government Aid (LGA), which are to be $10,160,338 (total for all funds) for 2009 and were $9,272,799 (total for all funds) for 2008. Late in the year, the State of Minnesota decreased the total LGA revenue to the City for 2008 by $639,170. Also included in 2008 and 2007 only were the Market Value credits of $555,946 and $557,384, respectively, for all funds. Market value credits are payments to the City, from the State of Minnesota, which lower the amount of property tax liability for a homeowner.

Included in the 2009 budget (other) is $561,500 for transfers into the General Fund, which represent 3.3% of the total.

Expenditures:

A comparative analysis of General Fund budgeted expenditures for 2009 and actual expenditures for 2008 and 2007 is presented in the table below:

	2009 Budget		2008 Actual		2007 Actual	
Expenditures/Uses	Amount	% of Total	Amount	% of Total	Amount	% of Total
General government	$ 3,919,566	23.2	$ 2,894,810	17.2	$ 2,961,133	19.0 %
Public safety	7,486,566	44.3	7,841,801	46.7	7,433,897	47.8
Highways and streets	3,374,078	19.9	3,390,713	20.2	2,748,316	17.7
Sanitation and waste removal	46,385	0.3	50,980	0.3	63,532	0.4
Economic development	327,701	1.9	385,293	2.3	282,694	1.8
Culture and recreation	1,759,614	10.4	2,224,120	13.3	2,060,130	13.3
	$ 16,913,910	100.0 %	$ 16,787,717	100.0 %	$ 15,549,702	100.0 %

General Government includes $491,852 for contingencies in the 2009 budget (General Government), which represents 2.9% of the total. The amount incurred for contingencies for the 2008 actual and the 2007 actual was $0.

Public safety remained the largest area of the General Fund expenditures during 2008 (at 46.7%) and includes the departments of the Police, Fire, Emergency Management, Safety and Health Coordinator, and Flood Control. It is important to note that 12.8% of the Police Department costs of $602,014 for the shared facility with Winona County, called the Law Enforcement Center ("LEC"), are included in the City's financial reports. Winona County includes the LEC in its annual budget and pays the total costs for the facility. The amount the City pays to Winona County per year is based on a contractual formula.

Highways and streets (20.2% in 2008) includes the services of Engineering, Streets and Alleys (snow removal), Street Lighting, and Central Garage.

General Fund — Designation of Fund Balance for Cash Flow:

A portion of the City's Fund Balance is designated for cash flow purposes. The dollars set-aside are crucial to avoid short-term borrowing to meet cash flow needs. A major portion of the General Fund revenues is from property taxes and state revenues — those payments are made to the City only twice a year (June/July and December).

Cash Management:

Cash is invested in accordance with the City's Investment Policy, which has been adopted by the City Council. All of the investments included in the City's policy are also authorized by the State of Minnesota.

The City maintains a cash and investment pool that is available for use by all funds, except the employee benefit fund. The interest earnings from the cash pool were allocated to the various funds based upon their average cash balance.

The City's Investment Policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. The pooled deposits were either insured by federal deposit insurance or collateralized. The collateral was pledged by various banks and held in safekeeping departments of banks other than the pledging bank in the name of the City.

All of the City's pooled deposits and investments at December 31, 2008, are classified in the most secure credit risk category as defined by GASB. None of the City's investments were held by the counterparty's trust department or agent.

The City has not purchased any collateralized mortgage obligations (CMOs), derivative securities, or interest-only strip investments. GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* requires investments to be reported at fair value in the balance sheet with changes in the fair value of investments reported in the operating statement. The City's practice is to hold investments to maturity; therefore, the City does not expect the net decrease in the fair value of investments shown in the financial statements will be realized. All investments in the City's portfolio had a maturity of two years or less at December 31, 2008.

Risk Management:

The City's health benefit program is designed to provide for the payment of healthcare costs for employees. The City maintains a self-insurance program for employee group health coverage, which includes an individual excess coverage policy for claims exceeding $100,000 per family per year in 2008 and 2007.

As of July 1, 2005, all of the City's health plan options are consumer-driven healthcare programs combining high deductibles with individual Health Plan Accounts (HPAs) – employer-held accounts used for healthcare expenses not covered by the underlying plan. Eide Bailly administers the HPA accounts for these programs.

The City participates in the self-insurance program of the League of Minnesota Cities Insurance Trust to provide the City's property and liability coverage. The liability policy is on a claims-made basis, and provides $50,000 per occurrence, and $200,000 annual aggregate deductible with a $1,200,000 annual Minnesota statutory limit ($1,000,000 in 2007).

The City's Safety and Health Coordinator maintains a safety education and safety awareness program for the City's employees. Special safety training meetings were held throughout the year. A basic Departmental Emergency Preparedness Plan was completed during 2001.

Debt Management:

Bond Rating:

The City's Aa2 bond rating was reaffirmed by Moody's Investors Service during 2006. This high rating has a positive effect on the sale of City bonds by broadening the market (for the sale) as well as lowering the interest rate for borrowing.

Debt Per Capita:

Net bonded debt per capita is a useful indicator of a city's debt position to management, citizens, and investors in city bonds. The net direct bonded debt per capita for the City was approximately $188 in 2008. The City believes that its current low debt per capita enables it to issue debt, if needed, for specific projects

that would greatly benefit the community. The City is more than $43 million below Minnesota law's legal debt margin. Debt statistics as of December 31, 2008 and 2007, follow:

Net Direct and Overlapping Debt	2008 Amount	2007 Amount	2008 Debt per Capita	2007 Debt per Capita
Net direct bonded	$ 5,157,253	$ 6,027,638	$ 188	$ 220
Overlapping	15,475,841	18,403,945	564	670
Total	$ 20,633,094	$ 24,431,583	$ 752	$ 890

Important Economic Factors:

The City ended 2008 in a strong financial position. During the year, the City expended approximately $232 thousand in capital assets for construction in progress. Market values in the City grew from 2008 to 2009 and continued the positive trend of growth over the last five years. Growth in values related to construction were approximately $16.1 million for nonresidential and $10.6 million for residential.

A crucial element in the City's continued financial stability is the revenue it receives from the State of Minnesota in the form of LGA, which is approximately 50% of the City's General Fund's revenues. (A discussion and analysis of the City's overall financial condition during the fiscal year ended 2008 is included as part of the MD&A.)

Independent Audit:

The City Charter requires the City Council to provide for an annual audit of the City's accounts and transactions of its departments by independent certified public accountants, or the state department in charge of such work. This requirement has been complied with, and the independent auditors' report is included in this CAFR.

Awards and Acknowledgments:

The GFOA awarded a Certificate of Achievement for Excellence in Financial Reporting ("Certificate of Achievement") to the City of Winona, Minnesota, for its CAFR for the fiscal year ended December 31, 2007. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports. Approximately 10.7% of the cities in Minnesota received this award for the year mentioned.

In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. This report satisfied accounting principles generally accepted in the United States of America, as well as applicable legal requirements.

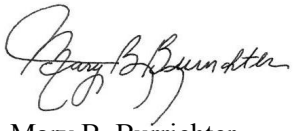
The Honorable Mayor and
Members of the City Council
City of Winona
May 20, 2009

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

It is the season of the year that I wish to specifically thank the Finance Department, City Manager, and the Department Heads for their support and assistance in the completion of this report. A special acknowledgment is given to Allyn Burgmeier, City Accountant, for the hard work that he put into the Comprehensive Annual Financial Report.

Thanks also to the Mayor, the City Council, and the Port Authority Commissioners for their enthusiasm towards strong finances for the City of Winona. The Finance Department looks forward to continuing to work with them.

Respectfully submitted,



Mary B. Burrichter
Finance Director

CITY OF WINONA, MINNESOTA

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Winona
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

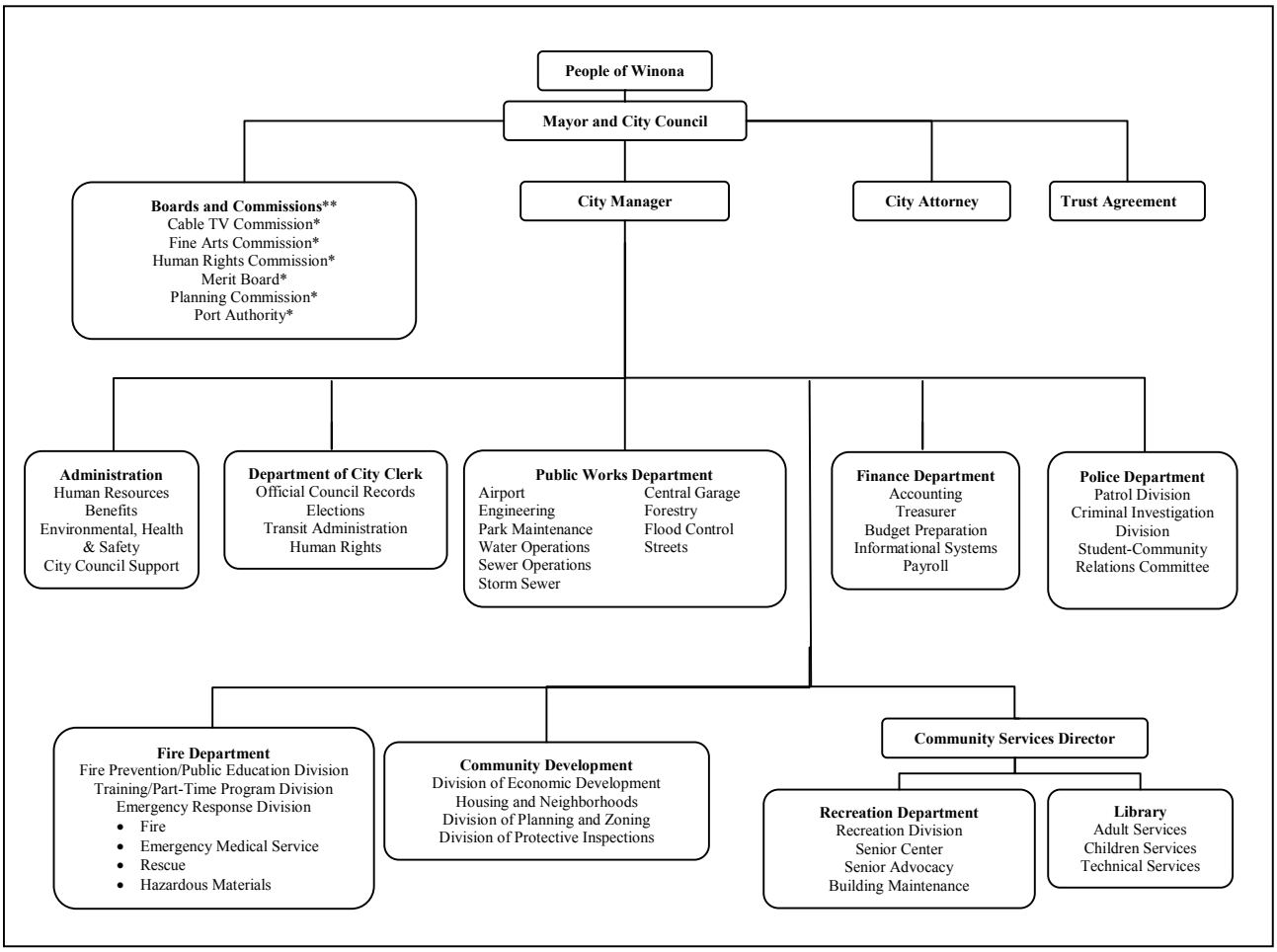
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

President

Executive Director

CITY OF WINONA, MINNESOTA

ORGANIZATIONAL CHART



*Financial operations of these boards and commissions are included in this financial report.

**Additional boards and commissions:

Aghaming Park Advisory Committee
Airport Board of Adjustment
Architectural Review Board
Board of Adjustments
Board of Gas Examiners
Charter Commission
Convention and Business Bureau
Citizen's Environmental Quality Commission
Heritage Preservation Commission
John Latsch Memorial Board
Joint Airport Zoning Board
Recreational Waterways Commission
Winona Housing and Redevelopment Authority
Winona Athletic Board

CITY OF WINONA, MINNESOTA

CITY LEADERS
AS OF DECEMBER 31, 2008

City Council:

	Appointed/ Elected Date	Term Expires
Jerry Miller, Mayor	01/01/01	12/31/12
Allyn Thurley, 1st Ward	01/01/01	12/31/12
Gerry Krage, 2nd Ward (on leave)	01/01/99	12/31/10
Dr. James Kahl (filling in 2nd Ward for Gerry Krage)		
Deb Salyards, 3rd Ward	01/01/05	12/31/12
George Borzyskowski, 4th Ward	01/01/99	12/31/10
Thomas G. Breza, At-Large	01/01/99	12/31/10
Debbie White, At-Large	11/15/04	12/31/12

City Staff:

Eric B. Sorensen	City Manager
Richard Blahnik	City Attorney
Keith Nelson	Assistant City Manager for Public Works
Judith Bodway	Assistant City Manager for Economic Development
Monica Hennessy Mohan	City Clerk
Mary B. Burrichter	Finance Director
Frank Pomeroy	Chief of Police (retired 3/31/09)
Paul Bostrack	Chief of Police (effective 4/1/09)
Edward Krall	Fire Chief
Chad Ubl	Director of Community Services
Maynard Johnson	Recreation Director
James Stetina	Library Director
Brian DeFrang	City Engineer
Allyn Burgmeier	Accountant
Mark Moeller	City Planner
Malia Storovich	Senior Friendship Center Director
Steven Carson	Building Official
Bruce Fuller	Superintendent of Parks & Forestry
Arlan Runnigen	Central Garage Superintendent
Jack Vaughn	Street Superintendent
Jack Lipinski	Wastewater Treatment Plant Superintendent
Bob Keiper	Water Department Superintendent (retired 2/2/2009)
Bob Dunn	Water Department Superintendent (effective 2/23/09)

SECTION II

FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the City Council
City of Winona, MN

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Winona, Minnesota (the "City"), as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior-year summarized comparative information has been derived from the City's 2007 financial statements and, in our report dated May 21, 2008, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the 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, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Winona, Minnesota, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis (MD&A) on pages 17-26 and the budgetary comparison information on pages 80-89 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information, and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information, and statistical section, as listed in the foregoing table of contents, are presented for purposes of additional analysis, and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section 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.

Deloitte & Touche LLP

May 20, 2009

CITY OF WINONA, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section of the comprehensive annual financial report (CAFR) of the City of Winona, Minnesota (the "City"), presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2008. Please read it in conjunction with the transmittal letter at the front of this report and the City's basic financial statements following this section.

The Management's Discussion and Analysis (MD&A) was a new element of Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, issued in June 1999. The first year of implementation of the new reporting model contained in GASB Statement No. 34 was 2003.

Financial Highlights

- The assets of the City exceeded liabilities by $108,489,835 (net assets). Of this amount, $19,899,658 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.

- The City's total net assets increased by $956,263. A contributor to this was the increase in the net assets for business type activities of $1,628,101. In the business type activities the non-current liabilities decreased by $2,930,343. This was primarily due to a decrease in outstanding bonds payable of $3,120,000.

- The City's governmental funds reported combined ending fund balances of $14.9 million. Of this total amount, approximately 48.3% is reserved.

- At the end of the current fiscal year, unreserved designated fund balance for the General Fund was $6,726,060.

- The City decreased total outstanding debt obligations during the current fiscal year. The Port Authority of Winona ("Port Authority") also decreased total outstanding debt obligations during the current fiscal year.

Using the Financial Section of This Comprehensive Annual Financial Report

This annual report consists of a series of financial statements.

1. Government-wide financial statements providing information for the City as a whole. These include the Statement of Net Assets and the Statement of Activities, which provide information about the activities of the City as a whole, and present a longer-term view of the City's finances.

2. Fund financial statements are presented after the Statement of Activities and provide detailed information for the City's significant funds. Fund financial statements report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of organizations outside of the government.

3. The notes to the basic financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

This report also contains other supplementary information in addition to the basic financial statements.

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.

An analysis of the City begins with the Statement of Net Assets and the Statement of Activities. One of the most important questions asked about the City's finances is, "Is the City, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities both report information about the City, as a whole, and about its activities in a way that helps answer this question. With the exception of fiduciary funds, which have been excluded because they do not represent the City's financial resources, these statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's net assets and changes in them. You can think of the City's net assets — the difference between assets and liabilities — as one way to measure the City's financial health, or financial position. Over time, increases or decreases in the City's net assets are one indicator of whether the City's financial health is improving or deteriorating. You will also need to consider nonfinancial factors, however, to assess the overall health of the City.

The government-wide financial statements include not only the City (known as the primary government), but also a legally separate Port Authority for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government.

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

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

The basic governmental fund financial statements can be found on pages 29-32 of this report.

Proprietary Funds — When the City charges customers for the services it provides — whether to outside customers or to other units of the City — these services are generally reported in proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. Because the internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 34-39 of this report.

Fiduciary Funds — Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 40 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41-79 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found on pages 80-89 of this report.

The combining statements in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found on pages 90-112 of this report.

Government-Wide Financial Analysis

Net assets may serve over time as a useful indicator of the City's financial position. For the City, the assets exceeded liabilities by $108,489,835 at December 31, 2008.

The largest portion of the City's net assets (64%) reflects the City's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related outstanding debt used to acquire those assets. 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, the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate liabilities.

A condensed version of the Statement of Net Assets at December 31, 2008, is as follows:

Table 1
STATEMENT OF NET ASSETS (Primary Government only) at December 31, 2008, compared to December 31, 2007
(In thousands)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 29,645	$ 30,794	$ 17,062	$ 20,263	$ 46,707	$ 51,057
Capital assets	49,383	49,976	34,254	32,035	83,637	82,011
Total assets	$ 79,028	$ 80,770	$ 51,316	$ 52,298	$ 130,344	$ 133,068
Current and other liabilities	$ 4,758	$ 4,784	$ 1,755	$ 1,245	$ 6,513	$ 6,029
Long-term liabilities	8,106	9,151	7,235	10,355	15,341	19,506
Total liabilities	12,864	13,935	8,990	11,600	21,854	25,535
Net assets:						
Invested in capital assets — net of related debt	42,438	41,611	27,239	21,900	69,677	63,511
Restricted	14,576	16,736	4,337	4,508	18,913	21,244
Unrestricted	9,150	8,488	10,750	14,290	19,900	22,778
Total net assets	66,164	66,835	42,326	40,698	108,490	107,533
Total liabilities and net assets	$ 79,028	$ 80,770	$ 51,316	$ 52,298	$ 130,344	$ 133,068

A portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets ($19,899,658) may be used to meet the City's ongoing obligations to citizens and creditors.

At both December 31, 2008 and 2007, 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 City's net assets, in governmental activities, decreased by $671,838. A large contributor was a $438,887 decrease in cash and investments mainly due to the Pelzer Street Construction project.

The City's net assets in business activities increased by $1,628,101. This is primarily a result of an increase in net assets in the Water Fund of $1,219,654 and an increase in the Sewer Fund of $751,530. The increase in the Water Fund was mainly due to an increase in water rates. The increase in net assets for the Sewer Fund was mainly due to operating income of approximately $542,890 more than operating expenses, which was budgeted for future capital asset replacement. The Water Fund's noncurrent liabilities also decreased in 2008 from 2007. This was the result of the retirement of City bonds.

Governmental Activities

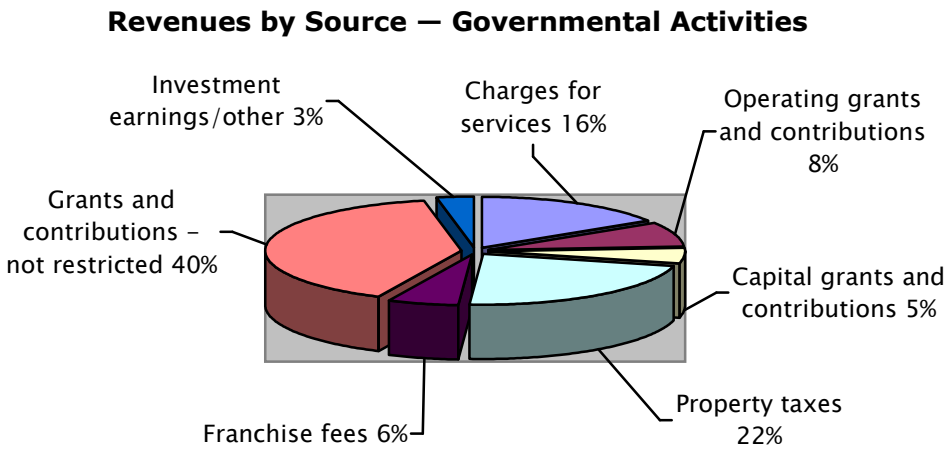
Governmental activities decreased the City's net assets by $671,838.

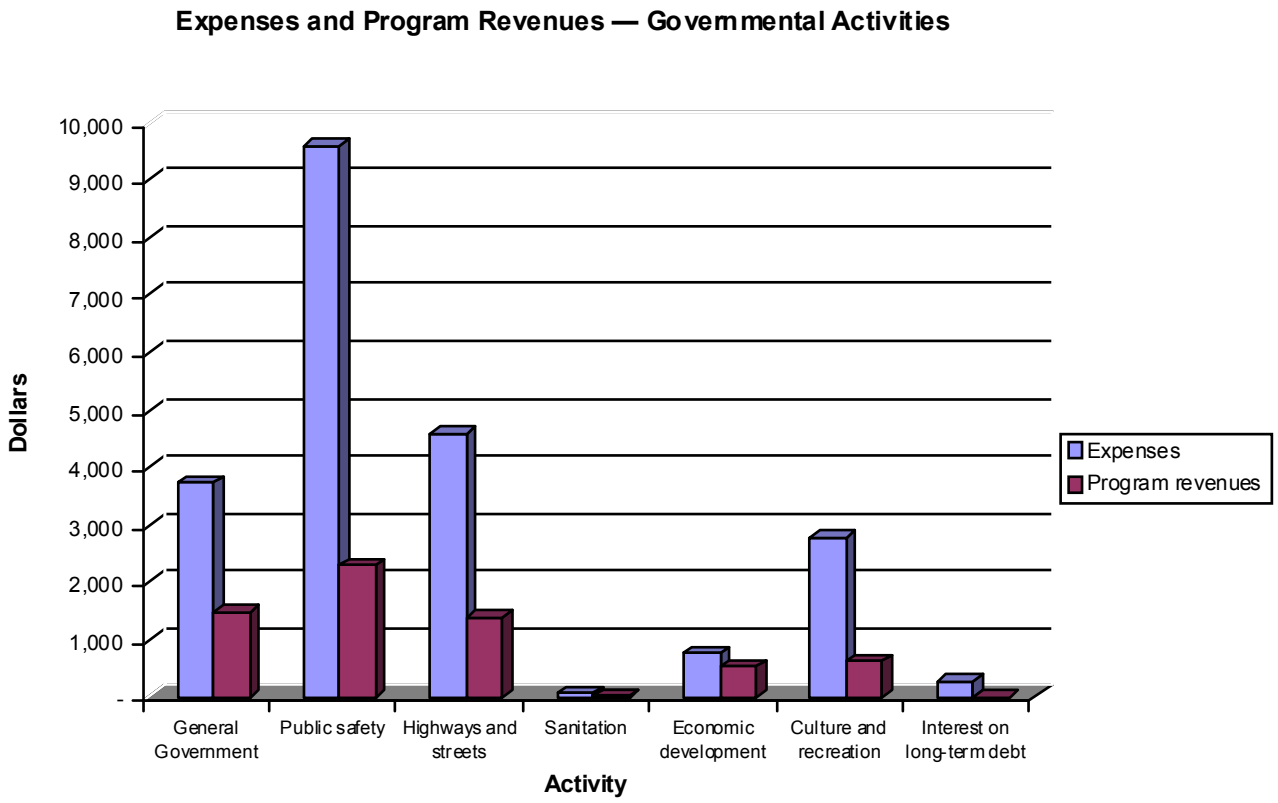
Table 2
STATEMENT OF ACTIVITIES (Primary Government only) for the year ended December 31, 2008, compared to the year ended December 31, 2007
(In thousands)

	2008			2007		
	Govern-mental Activities	Business-Type Activities	Total	Govern-mental Activities	Business-Type Activities	Total
REVENUES:						
Program revenues:						
Charges for services	$ 3,410	$ 7,636	$ 11,046	$ 3,282	$ 7,528	$ 10,810
Operating grants and contributions	1,697	781	2,478	1,307	913	2,220
Capital grants and contributions	1,158	13	1,171	766	133	899
General revenues:						
Taxes (property)	4,558	677	5,235	4,335	615	4,950
Franchise fees	1,263		1,263	1,193		1,193
Grants and contributions not restricted	8,412	1,434	9,846	9,062	1,570	10,632
Investment earnings	603	550	1,153	1,083	729	1,812
Total revenues	21,101	11,091	32,192	21,028	11,488	32,516
EXPENSES:						
General government	3,736		3,736	3,759		3,759
Public safety	9,589		9,589	9,124		9,124
Highways and streets	4,586		4,586	3,986		3,986
Sanitation and waste removal	51		51	64		64
Economic development	755		755	353		353
Culture and recreation	2,766		2,766	2,095		2,095
Other						
Interest on long-term debt	269		269	318		318
Water		2,436	2,436		2,572	2,572
Sewer		2,373	2,373		2,313	2,313
Inspections		474	474		525	525
Airport		182	182		194	194
Public transportation		727	727		599	599
Recreation		1,841	1,841		1,687	1,687
Library		1,314	1,314		1,193	1,193
Storm sewer		136	136		70	70
Total expenses	21,752	9,483	31,235	19,699	9,153	28,852
CHANGE IN NET ASSETS BEFORE TRANSFERS	(651)	1,608	957	1,329	2,335	3,664
TRANSFERS	(20)	20		(113)	113	
CHANGE IN NET ASSETS	(671)	1,628	957	1,216	2,448	3,664
NET ASSETS — Beginning of year	66,835	40,698	107,533	65,619	38,250	103,869
NET ASSETS — End of year	$ 66,164	$ 42,326	$ 108,490	$ 66,835	$ 40,698	$ 107,533

Governmental Activities (continued)

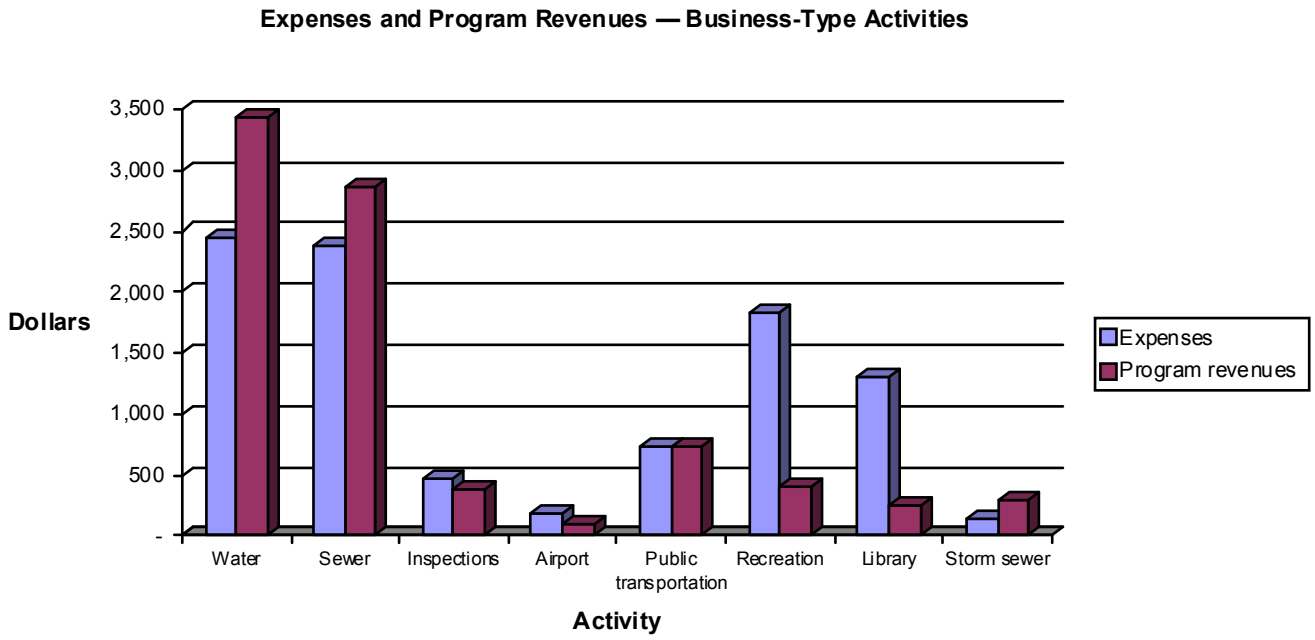
The following charts illustrate the City's governmental activities for the year ended December 31, 2008:





Business-Type Activities

The following charts illustrate the City's business-type activities for the year ended December 31, 2008:



Financial Analysis of the City's Funds

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 financial requirements.

General Fund — At December 31, 2008, the unreserved, designated fund balance was $6,726,060 for the General Fund. The remaining fund balance has been reserved for a specific purpose.

Debt Service Funds — The total fund balance of the debt service funds is reserved for the payment of debt service.

Permanent Improvement Revolving Bond Fund — The fund balance for this fund has decreased by $469,605 from 2007 to 2008 due to bond principal and interest expenditures of $1,559,795 and revenues of $1,090,190 ($440,041 property taxes, $554,465 special assessments and $95,684 other).

Pelzer Street Construction Fund — The deficit in the fund balance for this fund has decreased by $575,931 from 2007 to 2008 mainly due to a transfer in from the Municipal State Aid Capital Project Fund of $604,029. This project is expected to be completed during 2009.

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

Water Fund — The Water utility's rates were increased an average of 5% during 2008. This increase was to pay for capital improvements and increasing expenses.

Sewer Fund — The Sewer utility's rates were increased an average of 1% during 2008. This increase was to pay for capital improvements and increasing expenses.

Storm Sewer Fund — This utility began in 2003 to cover the maintenance costs of handling storm water and the increased responsibilities of handling storm water due to federal requirements. During 2008, the Storm Sewer utility's rates were increased an average of 3%. This increase was to pay for capital improvements and increasing expenses.

General Fund Budgetary Highlights and Analysis

During the year there were increases of $1,458,714 in appropriations between the General Fund original and final amended budget. Following are some of the components of the increase:

- $714,000 was added to various departments for encumbrances from December 31, 2007;
- $190,000 was added to the Fire Department for the purchase of equipment through a FEMA grant;
- $142,000 was added to the Fire Department for the purchase of property adjacent to the Central Fire Station for future expansion;
- $123,000 was added to various departments for an energy savings program;
- $118,000 was added to the Engineering Department for Veterans Center contributions;
- $44,000 was added to the Parks Department for the Hiawatha Valley Marines Shelter at Lake Winona.

Following is a budget variance analysis:

- The Finance Department had a favorable budget variance of approximately $400,000 because some of the Finance projects did not get completed during the year.

Capital Assets

At the end of 2008, the City had $83,637,034 invested in a broad range of capital assets (net of accumulated depreciation). Refer to Note 3 of the basic financial statements for a schedule showing the City's capital asset activity.

Long-Term Debt

As of December 31, 2008, the City had $13,960,000 in bonds and equipment certificates outstanding versus $18,500,000 last year, a decrease of $4,540,000. Also, as of December 31, 2008, the Port Authority had $3,235,000 in bonds outstanding versus $3,455,000 last year, a decrease of $220,000. All debt is backed by the full faith and credit of the City. Refer to Note 5 of the basic financial statements for a schedule showing the City's long-term debt activity.

The City's general obligation bond rating carries an Aa2 bond rating from Moody's Investors Services. This rating was affirmed in November 2006 at the time that the City issued new debt.

There was no new debt issued by either the City or the Port Authority during 2008.

Economic Factors and Next Year's Budget

- The Pelzer Street Construction Project is one of the largest projects in past years. This project includes the reconstruction of Pelzer Street from a two-lane road to a four-lane roadway, building a bridge over a railroad, and widening Highway 14 (from the Gilmore Creek Bridge to Highway 61). The public information meetings about the project began in 2003. The estimated costs are over $23 million with the funding as follows: Riverfront Tax Increment Fund ($4,900,000); State of Minnesota approved bonding ($3,500,000); Port Authority's General Obligation (tax-exempt) bonds ($3,500,000); State of Minnesota Department of Transportation ($2,807,942); Federal funds ($2,247,000); Minnesota Department of Transportation-State Aid ($4,406,636); Minnesota Department of Transportation-Engineering cost ($440,429); City funds ($600,000); Winona County ($523,084); and the Canadian Pacific Railroad ($300,000). The Pelzer Street Construction Project will be completed in 2009.

- As a labor-intensive organization, the City faces competitive pressures and rising costs relating to staff. The cost of the City's health benefits has increased in recent years to more than $2 million in 2008.

- For 2008, the City offered four health plan options with consumer-driven healthcare programs that combined high deductibles with individual Health Plan Accounts (employer-held accounts used for health care expenses not covered by the underlying plan). The City will continue to pursue healthcare options that would contain costs for the City, and remain a benefit to the employees.

- City retirees have the same choice of healthcare plans that the City provides to their active employees. The City requires the former employee to pay the full group active employee cost of the plan they select. Until 2007, the benefit expired at age 65. In late 2007, the City began allowing retirees to continue their coverage beyond age 65 by continuing to pay the full group active employee cost. At this time, police sergeants and officers have elected not to participate in the City's healthcare plan. For 2008, the City's annual other postemployment benefit cost was $417,739. The actuarial accrued liability and the unfunded actuarial accrued liability is $2,451,382. The City Council has passed a resolution to begin funding the liability in 2009. Eight retirees and one dependent spouse are currently covered by the City's plan. For additional detail, refer to Note 13 of the basic financial statements.

- As discussed in Note 6 to the basic financial statements, the City participates in the statewide defined benefit pension plans. The City's contributions to the Public Employees Retirement Fund in 2008 were $383,206. The City's contributions to the Public Employees Police and Fire Fund in 2008 were $472,284 and an additional contribution of $703,088. As of December 31, 2008, the Public Employees Retirement Fund was 73.6% funded and the Public Employees Police and Fire Fund was 88.4% funded. Contribution rates were increased in 2008 (and future years) to move the plans back to a fully funded status as required by Minnesota state law.

- The proposed Public Employees Retirement Association of Minnesota (PERA) pension increase in costs to the City for 2009 and 2010 is estimated at $64,138 and $18,208, respectively. The pension increase, in rates, was approved by the 2005 State of Minnesota legislature.

- The outstanding debt for the City and the Port Authority totaled $17,195,000 on December 31, 2008. Amortization is rapid at 90% within ten years with all of the interest at a fixed rate. The majority of the debt is supported by special assessments and utility fund revenues.

- For 2009 the City and Port Authority's Capital Plan includes $800,000 for an additional water reservoir (funded by the Water Fund), $235,000 for water treatment plant filter repairs (funded by the Water Fund), $300,000 for an Aquatic Center slide (funded by the Equipment Fund), $200,000 for a new

parking lot (funded by the Port Authority) and $2,000,000 for Port dock construction ($1,600,000 funded by Minnesota State Aid and $400,000 funded by the Port Authority).

- The City continues to see new construction growth both in residential and in commercial construction. The growth in 2008 was at approximately $26.7 million.

- The increase to the City's tax base during the past five years is at 29.6%.

- The City signed an agreement in May 2005 to annex 318 acres for residential development of an adjacent township. This agreement also includes an orderly annexation for 1,700 acres (property owners within the 1,700 acres may petition to be annexed to the City, and the township would not contest it). The City will receive, from the developers, $17,000 per acre for platted and developed land.

- The Mayor, the City Council, and the management of the City are currently focused on what they can do to continue to promote growth beyond the current period.

Contacting the City's Financial Management

This financial report is designed to provide a general overview of the City's finances for all people with an interest in the City's finances, and to show the City's accountability for the money it receives. If you have questions about this report, or need additional financial information, contact the City of Winona Finance Department (Finance Director) at Post Office Box 378, Winona, MN 55987.

BASIC FINANCIAL STATEMENTS

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CITY OF WINONA, MINNESOTA

STATEMENT OF NET ASSETS
AS OF DECEMBER 31, 2008 (with comparative totals for 2007)

	Primary Government				Component Unit Unit—Port Authority	
	Governmental Activities	Business-Type Activities	2008	2007	2008	2007
ASSETS:						
Cash and cash equivalents	$ 26,149,876	$ 15,924,643	$ 42,074,519	$ 43,252,777	$ 2,905,557	$ 3,555,653
Restricted investments	308,555		308,555	2,590,987		
Receivables	1,863,449	1,272,454	3,135,903	1,748,333	8,913	103,429
Internal balances	444,105	(444,105)	-	-		
Due from component unit	48,493		48,493	-		
Due from other governmental units	129,472	64,793	194,265	2,619,790	3,966	40,444
Note receivable	588,000		588,000	588,000		
Funds held by others					100,000	100,000
Inventories		239,801	239,801	190,281		
Prepaid items	56,254	4,957	61,211	3,012	100	
Deferred charges	56,876		56,876	64,477		
Properties held for developmental (Note 4)					3,762,988	3,184,044
Capital assets (Note 3):						
Nondepreciable	1,530,520	1,031,619	2,562,139	1,917,262		
Construction in progress	23,211,005	2,417,904	25,628,909	23,160,004		
Depreciable buildings, property, and equipment — net	4,572,417	20,690,000	25,262,417	26,221,748		
Depreciable infrastructure — net	20,069,272	10,114,297	30,183,569	30,711,935		
Capital assets — net	49,383,214	34,253,820	83,637,034	82,010,949	-	-
Total assets	$ 79,028,294	$ 51,316,363	$ 130,344,657	$ 133,068,606	$ 6,781,524	$ 6,983,570
LIABILITIES:						
Accounts payable	$ 1,024,434	$ 552,556	$ 1,576,990	$ 1,647,753	$ 31,010	$ 322,142
Outstanding and incurred, but not reported claims	119,452		119,452	205,592		
Accrued interest payable	102,300	117,986	220,286	267,112	58,109	62,075
Due to primary government					48,493	
Deferred revenue — unearned revenue	569,716	7,158	576,874	570,238		
Noncurrent liabilities:						
Due within one year	4,427,571	1,978,057	6,405,628	7,878,192	225,000	220,000
Due in more than one year	6,620,921	6,334,671	12,955,592	14,966,147	3,010,000	3,235,000
Total liabilities	12,864,394	8,990,428	21,854,822	25,535,034	3,372,612	3,839,217
NET ASSETS:						
Invested in capital assets — net of related debt	42,438,214	27,238,820	69,677,034	63,510,949		
Restricted for:						
Police and fire retirement contribution	703,088		703,088	703,088		
OPEB — Retiree subsidy health plan	879,031	457,829	1,336,860	2,155,961		
Capital projects	852,878		852,878	944,751		
Health insurance	419,627		419,627	633,768		
Debt service	2,759,300	1,088,731	3,848,031	4,267,712	764,674	695,011
PIR Construction	848,810		848,810	857,856		
Equipment	3,693,979		3,693,979	3,894,142		
Facilities	1,302,870		1,302,870	2,064,797		
Infrastructure replacement	621,600		621,600	485,737		
Lake Winona dredging project					559,231	541,571
Water projects		2,262,375	2,262,375	1,777,745		
Other purposes (Note 1.M.)	2,185,791	528,318	2,714,109	3,155,643	2,085,007	1,907,771
Permanent funds:						
Nonexpendable — endowment	56,000		56,000	56,000		
Nonexpendable — other	252,916		252,916	246,895		
Unrestricted	9,149,796	10,749,862	19,899,658	22,778,528		
Total net assets	$ 66,163,900	$ 42,325,935	$ 108,489,835	$ 107,533,572	$ 3,408,912	$ 3,144,353

See notes to basic financial statements.

CITY OF WINONA, MINNESOTA

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets					
					Primary Government				Component Unit Port Authority	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	2008	2007	2008	2007
GOVERNMENTAL ACTIVITIES:										
General government	$ 3,736,373	$ 1,430,071	$ 44,487	$ -	$ (2,261,815)	$ -	$ (2,261,815)	$ (2,344,156)	$ -	$ -
Public safety	9,589,140	1,417,066	862,965		(7,309,109)		(7,309,109)	(6,713,429)		
Highways and streets	4,586,202	565,644	220,632	604,029	(3,195,897)		(3,195,897)	(3,119,325)		
Sanitation and waste removal	50,981	2,900			(48,081)		(48,081)	(59,807)		
Economic development	755,172	(369,718)	328,031	554,466	(242,393)		(242,393)	(63,055)		
Culture and recreation	2,765,600	363,802	240,404		(2,161,394)		(2,161,394)	(1,725,380)		
Interest on long-term debt	269,367				(269,367)		(269,367)	(318,089)		
Total governmental activities	21,752,835	3,409,765	1,696,519	1,158,495	(15,488,056)	-	(15,488,056)	(14,343,241)		
BUSINESS-TYPE ACTIVITIES:										
Water	2,436,411	3,425,888				989,477	989,477	755,392		
Sewer	2,373,000	2,856,741				483,741	483,741	624,487		
Inspections	474,242	381,204				(93,038)	(93,038)	(135,961)		
Airport	182,393	31,321	59,152	11,040		(80,880)	(80,880)	21,301		
Public transportation	727,352	231,732	496,499	2,520		3,399	3,399	75,254		
Recreation	1,840,605	396,577	8,174			(1,435,854)	(1,435,854)	(1,183,902)		
Library	1,313,732	23,955	216,970			(1,072,807)	(1,072,807)	(946,080)		
Storm sewer	135,739	289,016				153,277	153,277	209,885		
Total business-type activities	9,483,474	7,636,434	780,795	13,560	-	(1,052,685)	(1,052,685)	(579,624)		
Total primary government	$ 31,236,309	$ 11,046,199	$ 2,477,314	$ 1,172,055	$ (15,488,056)	$ (1,052,685)	$ (16,540,741)	$ (14,922,865)		
Component unit activities — Port Authority	$ 873,997	$ 410,424	$ 274,908	$ 22,304					(166,361)	(124,323)
General revenues:										
Taxes:										
Property taxes levied for general purposes					$ 4,558,328	$ 676,892	$ 5,235,220	$ 4,950,012	$ 302,491	$ 303,325
Tax increments										66,932
Franchise fees					1,263,465		1,263,465	1,193,201		
Grants and contributions not restricted to specific programs					8,411,657	1,434,092	9,845,749	10,632,001	31,436	33,438
Interest and investment earnings					603,023	549,547	1,152,570	1,811,741	88,649	144,990
Gain on sale of capital assets									8,344	2,750
Transfers					(20,255)	20,255				
Total general revenues and transfers					14,816,218	2,680,786	17,497,004	18,586,955	430,920	551,435
Change in net assets					(671,838)	1,628,101	956,263	3,664,090	264,559	427,112
Net assets — beginning					66,835,738	40,697,834	107,533,572	103,869,482	3,144,353	2,717,241
Net assets — ending					$ 66,163,900	$ 42,325,935	$ 108,489,835	$ 107,533,572	$ 3,408,912	$ 3,144,353

See notes to basic financial statements

CITY OF WINONA, MINNESOTA

BALANCE SHEET — GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2008 (with comparative totals for 2007)

ASSETS	General	Permanent Improvement Revolving Bond	Permanent Improvement Revolving Construction	Pelzer Street Construction	Other Nonmajor Governmental Funds	Total Governmental Funds 2008	Total Governmental Funds 2007
Cash, cash equivalents, and investments	$9,142,520	$2,303,190	$848,051	$ 656,544	$3,592,588	$16,542,893	$16,466,882
Restricted investments					308,555	308,555	301,256
Receivables — net:							
Taxes	65,970	6,265			2,021	74,256	86,354
Special assessments		1,421,705				1,421,705	1,836,831
Customers and other	326,035				17,687	343,722	659,961
Due from other funds	150,000				43,067	193,067	156,096
Due from other governmental units	91,334	14,536			23,601	129,471	87,429
Due from component unit	48,493					48,493	
Prepaid items	56,254					56,254	2,104
Accrued interest on investments	11,959	2,062	759	588	3,074	18,442	105,930
TOTAL	$9,892,565	$3,747,758	$848,810	$ 657,132	$3,990,593	$19,136,858	$19,702,843
LIABILITIES AND FUND BALANCES							
LIABILITIES:							
Accounts payable	$ 381,732	$ 1,039	$ -	$ 555,522	$ 8,245	$ 946,538	$ 1,352,446
Accrued salaries and compensated absences	1,044,126				18,460	1,062,586	716,405
Due to other funds				700,000	43,067	743,067	1,006,096
Deferred revenue	66,370	1,427,970			6,535	1,500,875	1,928,836
Total liabilities	1,492,228	1,429,009	-	1,255,522	76,307	4,253,066	5,003,783
FUND BALANCES (DEFICITS):							
Reserved	1,674,277	2,318,749	848,810		2,035,560	6,877,396	8,057,111
Reserved — current					252,916	252,916	246,895
Reserved — endowment					56,000	56,000	56,000
Unreserved — designated reported in:							
General fund	6,726,060					6,726,060	5,996,783
Capital projects funds					1,581,680	1,581,680	1,529,254
Unreserved — undesignated reported in:							
Capital projects funds				(598,390)		(598,390)	(1,174,321)
Special revenue funds					(11,870)	(11,870)	(12,662)
Total fund balances (deficits)	8,400,337	2,318,749	848,810	(598,390)	3,914,286	14,883,792	14,699,060
TOTAL	$9,892,565	$3,747,758	$848,810	$ 657,132	$3,990,593	$19,136,858	$19,702,843

See notes to basic financial statements.

CITY OF WINONA, MINNESOTA

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

FUND BALANCE — TOTAL GOVERNMENTAL FUNDS		$14,883,792
Amounts reported for governmental activities in the statement of net assets are different because:		
1. Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds:		
Construction in progress	$ 23,211,005	
Governmental capital assets	65,296,105	
Less accumulated depreciation	(39,123,896)	49,383,214
2. Deferred revenue in governmental funds is susceptible to full accrual on the government-wide statements —		
Deferred special assessments, property taxes, state grant, and service charges		1,500,875
3. Long-term liabilities are not payable with current financial resources and are therefore not reported in the governmental funds.		(7,320,000)
4. Long-term debt-bond issuance costs are susceptible to full accrual on the government-wide statements		84,315
5. Bond issuance costs are amortized and susceptible to full accrual on the government-wide statements		(27,437)
6. The City uses an internal service fund to charge the cost of its self-insurance activities to individual funds:		
Internal service funds net assets	7,767,336	
Current-year portion to business-type activities	(5,895)	7,761,441
7. Accrued interest is not payable with current financial resources and is therefore not reported in the governmental funds.		(102,300)
8. Note receivable in governmental funds is susceptible to full accrual on the government-wide statements:		
Note receivable	588,000	
Less unearned revenue	(588,000)	-
NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ 66,163,900

See notes to basic financial statements.

CITY OF WINONA, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	General	Permanent Improvement Revolving Bond	Permanent Improvement Revolving Construction	Pelzer Street Construction	Other Nonmajor Governmental Funds	Total Governmental Funds 2008	Total Governmental Funds 2007
REVENUES:							
General property taxes	$ 3,963,998	$ 440,041	$ -	$ -	$ 166,387	$ 4,570,426	$ 4,339,116
Franchise fees	1,263,465					1,263,465	1,193,201
Special assessments		554,465				554,465	766,018
Licenses and permits	171,860					171,860	161,329
Fines and forfeits	254,135					254,135	253,614
Intergovernmental revenues	9,394,012	44,215			1,251,778	10,690,005	10,328,659
Investment earnings	320,053	51,469	27,867	11,404	122,911	533,704	883,871
Net (decrease) increase in fair value of investments	(140,219)				(3,051)	(143,270)	73,792
Charges for services	795,851				121,562	917,413	838,500
Contributions	22,199					22,199	40,006
Refunds and reimbursements				273,000		273,000	363,713
Total revenues	16,045,354	1,090,190	27,867	284,404	1,659,587	19,107,402	19,241,819
EXPENDITURES:							
Current:							
General government	2,878,659				105,029	2,983,688	3,073,892
Public safety	7,584,452					7,584,452	7,221,380
Highways and streets	3,226,034			80,589		3,306,623	2,774,581
Sanitation and waste removal	43,169					43,169	43,532
Economic development	385,293				368,809	754,102	365,911
Culture and recreation	1,878,654				483,408	2,362,062	1,729,743
Capital outlay:							
General government	16,151					16,151	7,576
Public safety	257,349					257,349	212,517
Highways and streets	164,679		23,867	231,913	148,908	569,367	3,717,591
Sanitation and waste removal	7,811					7,811	20,000
Economic development			13,046			13,046	1,078
Culture and recreation	345,466					345,466	331,339
Debt service:							
Bond principal		1,310,000			110,000	1,420,000	1,495,000
Interest and other expenditures		249,795			24,322	274,117	321,256
Total expenditures	16,787,717	1,559,795	36,913	312,502	1,240,476	19,937,403	21,315,396
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(742,363)	(469,605)	(9,046)	(28,098)	419,111	(830,001)	(2,073,577)
OTHER FINANCING (USES) SOURCES:							
Transfer to other funds	(421,834)				(704,738)	(1,126,572)	(2,230,532)
Transfers from other funds	1,199,942			604,029	337,334	2,141,305	1,258,053
Total other financing (uses) sources	778,108	-	-	604,029	(367,404)	1,014,733	(972,479)
NET CHANGE IN FUND BALANCE	35,745	(469,605)	(9,046)	575,931	51,707	184,732	(3,046,056)
FUND BALANCE (DEFICIT) — January 1, 2008	8,364,592	2,788,354	857,856	(1,174,321)	3,862,579	14,699,060	17,745,116
FUND BALANCE (DEFICIT) — December 31, 2008	$ 8,400,337	$2,318,749	$ 848,810	$ (598,390)	$ 3,914,286	$ 14,883,792	$ 14,699,060

See notes to basic financial statements.

CITY OF WINONA, MINNESOTA

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

NET CHANGE IN FUND BALANCES — TOTAL GOVERNMENTAL FUNDS		$ 184,732
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlays as expenditures while the government-wide statement of activities reports depreciation expense to allocate those expenditures over the life of the assets. As a result, fund balance decreases by the amount of financial resources expended, whereas net assets decrease by the amount of depreciation expense charged for the year. This is the amount by which capital outlays exceeded depreciation expense.		
Construction in progress	$ 231,913	
Capital outlay	571,871	
Depreciation expense	(1,772,071)	(968,287)
2. Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Taxes	(12,097)	
Special assessments	(415,124)	
Charges for services	(514)	
Other	(222)	(427,957)
3. Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the increase in fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net assets and does not affect the statement of activities. This is the amount received related to the issuance of bonds.		
Repayment of the principal on long-term debt	1,420,000	1,420,000
4. Interest expense in the government-wide statement of activities differs from the amount reported in governmental funds because additional accrued interest was calculated for bonds payable, which are expended in the governmental fund statements.		
Accrued interest payable — December 31, 2007	122,174	
Accrued interest payable — December 31, 2008	(102,300)	19,874
5. Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. This amount represents the change in net assets of the internal service fund, which is reported with governmental activities.		(892,599)
6. Bond issuance costs are amortized over the bond life and are not expended in the year of issuance.		(7,601)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES		$ (671,838)

See notes to basic financial statements.

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CITY OF WINONA, MINNESOTA

STATEMENT OF NET ASSETS — PROPRIETARY FUNDS
AS OF DECEMBER 31, 2008 (with comparative totals for 2007)

ASSETS	Water	Sewer	Inspections	Airport	Public Transportation
CURRENT ASSETS:					
Cash and cash equivalents	$ 5,629,714	$ 8,255,137	$ 145,447	$ 662,940	$ 325,764
Escrow account					
Receivables — net:					
Billed	118,400	66,534			
Unbilled	492,213	273,982			
Other	3,370	224,413	8,999	1,016	58,469
Due from other funds					
Due from other governmental units	497			29,250	26,646
Prepaid items	131	1,554	400		
Accrued interest on investments	5,037	7,277	130	593	292
Inventories	239,801				
Total current assets	6,489,163	8,828,897	154,976	693,799	411,171
PROPERTY AND EQUIPMENT — CAPITAL ASSETS (Note 3):					
Nondepreciable:					
Land	16,600	11,900		458,840	
Collections					
Construction in progress	1,823,167	594,737			
Depreciable:					
Buildings	6,864,402	5,277,641		1,475,550	58,140
Improvements other than buildings	9,231,585	12,219,266		950,119	62,746
Machinery and equipment	2,681,598	901,832	48,611	70,395	751,367
Infrastructure	4,033,978	5,875,273			
Books					
Accumulated depreciation	(8,601,114)	(12,200,014)	(31,644)	(1,951,086)	(659,843)
Total capital assets	16,050,216	12,680,635	16,967	1,003,818	212,410
TOTAL ASSETS	22,539,379	21,509,532	171,943	1,697,617	623,581
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	301,038	138,376	5,814	1,830	41,676
Accrued salaries and compensated absences	258,637	386,365	111,887	32,509	203
Bonds payable	612,250	287,750			
Accrued interest payable	94,562	23,424			
Due to other funds				300,000	
Deferred revenue				1,038	6,120
Outstanding and incurred, but not reported claims					
Total current liabilities	1,266,487	835,915	117,701	335,377	47,999
NONCURRENT LIABILITIES:					
Revenue bonds payable	5,292,749	822,251			
Unamortized bond premium	31,234				
Unamortized bond discount	(23,614)	(2,815)			
Total noncurrent liabilities	5,300,369	819,436	-	-	-
Total liabilities	6,566,856	1,655,351	117,701	335,377	47,999
NET ASSETS:					
Invested in capital assets — net of related debt	10,145,217	11,570,634	16,967	1,003,818	212,410
Restricted	3,111,020	588,036	105,039	19,157	21,316
Unrestricted	2,716,286	7,695,511	(67,764)	339,265	341,856
TOTAL NET ASSETS	$ 15,972,523	$ 19,854,181	$ 54,242	$ 1,362,240	$ 575,582

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

Net assets of business-type activities.

See notes to basic financial statements.

Recreation	Library	Storm Sewer	Total 2008	Total 2007	Governmental Activities — Internal Service Funds 2008	Governmental Activities — Internal Service Funds 2007
$ 203,075	$ 222,874	$ 479,692	$ 15,924,643	$ 16,664,014	$ 9,606,983	$ 10,121,881
			-	2,289,731		
		7,221	192,155	169,714		
			766,195	792,376		
3,595	100		299,962	267,240		2,007
			-	-	1,000,000	1,300,000
4,687	3,713		64,793	250,957		
215	2,657		4,957	908		
185	199	429	14,142	82,437	5,324	26,888
			239,801	190,281		
211,757	229,543	487,342	17,506,648	20,707,658	10,612,307	11,450,776
	5,286	363,193	855,819	855,819		
	175,800		175,800	175,800		
			2,417,904	180,912		
1,705,842	327,622		15,709,197	15,709,196		
1,356,304			23,820,020	23,732,566		
106,351	74,447		4,634,601	4,621,951		
		3,230,089	13,139,340	12,025,701		
	749,738		749,738	693,516		
(2,048,856)	(885,317)	(870,725)	(27,248,599)	(25,961,013)		
1,119,641	447,576	2,722,557	34,253,820	32,034,448	-	-
1,331,398	677,119	3,209,899	51,760,468	52,742,106	10,612,307	11,450,776
26,425	31,256	6,141	552,556	211,600	58,734	11,531
243,609	259,713		1,292,923	1,102,711	2,665,906	2,519,863
			900,000	3,120,000		
			117,986	144,938		
	150,000		450,000	450,000		
			7,158	558	879	53,855
			-	-	119,452	205,592
270,034	440,969	6,141	3,320,623	5,029,807	2,844,971	2,790,841
			6,115,000	7,015,000		
			31,234	35,696		
			(26,429)	(30,336)		
-	-	-	6,119,805	7,020,360	-	-
270,034	440,969	6,141	9,440,428	12,050,167	2,844,971	2,790,841
1,119,641	447,576	2,722,557	27,238,820	21,899,448		
196,058	190,540	106,087	4,337,253	4,508,086	7,389,578	8,376,003
(254,335)	(401,966)	375,114	10,743,967	14,284,405	377,758	283,932
$ 1,061,364	$ 236,150	$ 3,203,758	42,320,040	40,691,939	$ 7,767,336	$ 8,659,935
			5,895	5,895		
			$ 42,325,935	$ 40,697,834		

CITY OF WINONA, MINNESOTA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS — PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	Water	Sewer	Inspections	Airport	Public Transportation
OPERATING REVENUES:					
Water sales	$ 3,294,000	$ -	$ -	$ -	$ -
Sewer and storm sewer charges		2,766,429			
Permits and licenses			366,946		
Athletic fees and memberships					
Fares and passes					85,032
Rents				28,200	
Charges to city departments					
Other charges and services	54,729	27,614	14,258		146,700
Tap fees	72,697	62,697			
Library sales					
Refunds and reimbursements					
Contributions					
Other				3,121	
Total operating revenues	3,421,426	2,856,740	381,204	31,321	231,732
OPERATING EXPENSES:					
Salaries and employee benefits	752,202	969,225	338,186	65,787	10,285
Health insurance stop-loss premium					
Health insurance claims and fees					
Contractual services	417,787	218,045	120,963	39,262	513,015
Supplies	242,850	159,699	5,690	15,352	94,190
Maintenance of equipment	15,564	59,121			49,343
Utilities	207,297	313,513		6,139	606
Depreciation	516,417	594,247	9,403	55,853	58,172
Other expense	(10)				1,740
Total operating expenses	2,152,107	2,313,850	474,242	182,393	727,351
OPERATING INCOME (LOSS)	1,269,319	542,890	(93,038)	(151,072)	(495,619)
NONOPERATING REVENUES (EXPENSES):					
General property taxes				41,442	
Investment earnings	230,177	267,790	4,865	18,295	9,409
Intergovernmental revenues:					
Federal grants				11,040	143,688
State market value credits and LGA				83,285	
State grants				59,152	352,810
County					
Interest expense	(277,141)	(57,315)			
Gain on sale of capital asset					2,520
Other revenue	4,462				
Other expense	(7,163)	(1,835)			
Total nonoperating (expenses) revenues	(49,665)	208,640	4,865	213,214	508,427
INCOME (LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	1,219,654	751,530	(88,173)	62,142	12,808
TRANSFERS IN				5,600	
TRANSFERS OUT					
INCREASE (DECREASE) IN NET ASSETS	1,219,654	751,530	(88,173)	67,742	12,808
NET ASSETS — Beginning of year	14,752,869	19,102,651	142,415	1,294,498	562,774
NET ASSETS — End of year	$ 15,972,523	$ 19,854,181	$ 54,242	$ 1,362,240	$ 575,582

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

Change in net assets-business-type activities

See notes to basic financial statements.

Recreation	Library	Storm Sewer	Total 2008	Total 2007	Governmental Activities — Internal Service Fund 2008	Governmental Activities — Internal Service Fund 2007
$ -	$ -	$	$ 3,294,000	$ 3,221,464	$ -	$ -
		289,016	3,055,445	3,177,544		
			366,946	382,245		
394,077			394,077	329,919		
			85,032	78,712		
			28,200	28,200		
			-	-	1,444,244	1,380,640
			243,301	223,533	467,114	532,678
			135,394	48,324		
	17,076		17,076	16,821		
2,500	6,879		9,379	12,829	297,863	119,574
6,674	18,000		24,674	178,743		
			3,121	3,980		
403,251	41,955	289,016	7,656,645	7,702,314	2,209,221	2,032,892
1,102,380	877,154		4,115,219	3,952,558	150,910	111,361
			-	-	1,507,734	1,349,134
			-	-	241,048	197,354
356,419	217,851	73,432	1,956,774	1,636,329	379,728	397,340
193,915	91,626	692	804,014	887,694		
7,020	20,690		151,738	173,228		
93,015	25,394		645,964	585,124		
87,795	81,017	61,614	1,464,518	1,487,545		
61			1,791	1,886		
1,840,605	1,313,732	135,738	9,140,018	8,724,364	2,279,420	2,055,189
(1,437,354)	(1,271,777)	153,278	(1,483,373)	(1,022,050)	(70,199)	(22,297)
354,562	280,888		676,892	615,105		
2,589	2,616	13,806	549,547	728,438	212,588	281,566
			154,728	408,985		
750,611	600,196		1,434,092	1,569,792		
1,500			413,462	245,859		
	198,970		198,970	213,038		
			(334,456)	(410,091)		
			2,520	-		
			4,462	-		
			(8,998)	(15,364)		
1,109,262	1,082,670	13,806	3,091,219	3,355,762	212,588	281,566
(328,092)	(189,107)	167,084	1,607,846	2,333,712	142,389	259,269
63,825	15,000		84,425	194,037	390,000	1,529,119
(3,170)		(61,000)	(64,170)	(80,549)	(1,424,988)	(670,128)
(267,437)	(174,107)	106,084	1,628,101	2,447,200	(892,599)	1,118,260
1,328,801	410,257	3,097,674	40,691,939	38,244,739	8,659,935	7,541,675
$ 1,061,364	$ 236,150	$ 3,203,758	42,320,040	40,691,939	$ 7,767,336	$ 8,659,935
			5,895	5,895		
			$ 42,325,935	$ 40,697,834		

CITY OF WINONA, MINNESOTA

STATEMENT OF CASH FLOWS — PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	Water	Sewer	Inspections	Airport	Public Transporation
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from customers	$ 3,423,544	$ 2,862,857	$ 389,182	$ 168,317	$ 192,354
Service charges					
Payments to employees	(715,295)	(896,584)	(336,462)	(60,845)	(10,093)
Payments to other funds	(66,049)		(70,810)		
Payments to suppliers	(638,110)	(666,319)	(61,114)	(63,156)	(625,780)
Service charges	10				
Net cash provided by (used in) operating activities	2,004,100	1,299,954	(79,204)	44,316	(443,519)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
County grants					
Deferred revenue-increase					
Deferred revenue-decrease				480	6,120
Due from other funds					(4,246)
Due to other funds					
Federal grants				11,040	143,689
State grants				59,152	352,810
State LGA and market value credits				83,285	
Taxes				41,442	
Contributions					
Transfers from other funds				5,600	
Transfers to other funds					
Unamortized bond (premium) discount	(1,024)	469			
Net cash (used in) provided by noncapital financing activities	(1,024)	469	-	200,999	498,373
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Acquisition of capital assets	(2,128,825)	(1,404,661)		(26,145)	(49,006)
Interest paid on capital debt	(298,604)	(62,804)			
Other fiscal agent charges	(7,163)	(1,835)			
Payments on capital debt	(2,851,100)	(268,900)			
Restriction of proceeds from capital debt	2,289,731				
Net cash used in capital and related financing activities	(2,995,961)	(1,738,200)	-	(26,145)	(49,006)
CASH FLOWS FROM INVESTING ACTIVITIES — Interest received	256,628	302,017	5,830	19,799	10,647
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(736,257)	(135,760)	(73,374)	238,969	16,495
CASH AND CASH EQUIVALENTS — Beginning of year	6,365,971	8,390,897	218,821	423,971	309,269
CASH AND CASH EQUIVALENTS — End of year	$ 5,629,714	$ 8,255,137	$ 145,447	$ 662,940	$ 325,764
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:					
Operating income (loss)	$ 1,269,319	$ 542,890	$ (93,038)	$ (151,072)	$ (495,619)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	516,417	594,247	9,403	55,853	58,172
Changes in assets and liabilities:					
Accounts payable	228,858	84,059	(5,271)	(2,403)	33,114
Compensated absences	3,547	32,192	(8,895)	1,852	
Customer receivables	(2,344)	6,116	7,978	136,995	(39,378)
Inventory	(49,520)				
Other accrued liabilities	4,463				
Salaries and benefits payable	33,360	40,450	10,619	3,091	192
Net cash provided by (used in) operating activities	$ 2,004,100	$ 1,299,954	$ (79,204)	$ 44,316	$ (443,519)

See notes to basic financial statements.

Recreation	Library	Storm Sewer	Total 2008	Total 2007	Governmental Activities — Internal Service Funds 2008	Governmental Activities — Internal Service Funds 2007
$ 402,874	$ 91,169	$ 288,191	$ 7,818,488	$ 7,510,772	$ 2,210,009	$ 2,031,293
					147,262	111,361
(1,047,888)	(857,840)		(3,925,007)	(3,812,738)		
			(136,859)	(137,524)		
(652,598)	(353,688)	(71,234)	(3,131,999)	(3,139,820)	(2,374,341)	(2,099,312)
			10	(133)		
(1,297,612)	(1,120,359)	216,957	624,633	420,557	(17,070)	43,342
1,500	198,970		200,470	213,038		
			-	558	3,008	33,205
			6,600	-		(18,845)
			(4,246)	4,247	300,000	
			-	-		(1,000,000)
			154,729	408,985		
			411,962	1,060,460		
750,611	600,197		1,434,093	1,063,970		
354,562	280,888		676,892	306,326		
63,825			63,825	-		
	15,000		20,600	194,037	390,000	1,529,119
(3,170)		(61,000)	(64,170)	(80,549)	(1,424,988)	(670,128)
			(555)	(555)		
1,167,328	1,095,055	(61,000)	2,900,200	3,170,517	(731,980)	(126,649)
	(56,222)	(16,512)	(3,681,371)	(927,156)		
			(361,408)	(433,145)		
			(8,998)	(19,826)		
			(3,120,000)	(1,385,000)		
			2,289,731	21,154		
-	(56,222)	(16,512)	(4,882,046)	(2,743,973)	-	-
4,033	3,902	14,986	617,842	739,636	234,152	285,242
(126,251)	(77,624)	154,431	(739,371)	1,586,737	(514,898)	201,935
329,326	300,498	325,261	16,664,014	15,077,277	10,121,881	9,919,946
$ 203,075	$ 222,874	$ 479,692	$ 15,924,643	$ 16,664,014	$ 9,606,983	$ 10,121,881
$ (1,437,354)	$ (1,271,777)	$ 153,278	$ (1,483,373)	$ (1,022,050)	$ (70,199)	$ (22,297)
87,795	81,017	61,614	1,464,518	1,487,545		
(2,168)	1,874	2,890	340,953	(2,503)	(94,921)	(44,122)
16,813	(12,302)		33,207	4,382		
(377)	49,213	(825)	157,378	(196,004)	2,007	(1,599)
			(49,520)	9,287		
			4,463	4,462	146,043	111,360
37,679	31,616		157,007	135,438		
$ (1,297,612)	$ (1,120,359)	$ 216,957	$ 624,633	$ 420,557	$ (17,070)	$ 43,342

CITY OF WINONA, MINNESOTA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES — TOURISM PROMOTION AGENCY FUND
AS OF DECEMBER 31, 2008 (with comparative totals for 2007)

	2008	2007
ASSETS —		
Cash	$ 25	
Accounts receivable — total assets	14,284	$ 13,838
Total assets	$ 14,309	$ 13,838
LIABILITIES —		
Accounts payable — total liabilities	$ 14,309	$ 13,838

See notes to basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Winona, Minnesota (the "City"), was incorporated on March 6, 1857, by the Minnesota territorial legislature. On October 1, 1968, the City adopted the home rule charter and operates under a Council-Manager form of government. The City provides the following services, as authorized by its charter: public safety (police and fire); highways and streets; sanitation; public transportation; culture-recreation; public improvements; planning and zoning; water and sewer; and general administrative services.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("generally accepted accounting principles" or GAAP) as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of the more significant accounting policies:

A. Financial Reporting Entity of the City

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units,* the City's financial statements include all funds, organizations, institutions, agencies, departments, and offices of the City and the City's component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body, and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined in accordance with GASB Statement No. 14 as amended by GASB Statement No. 39 and are presented in this report as listed below:

- *Blended Component Units* — Reported as if they were part of the City
- *Discretely Presented Component Units* — Entails reporting the component unit financial data in a column separate from the financial data of the City
- *Related Organizations* — The relationship of the City with the entity is disclosed
- *Joint Ventures and Jointly Governed Organizations* — The relationship of the City with the entity is disclosed

For each of the categories above, the specific entities are identified as stated below:

Blended Component Units:

The City has no blended component units.

Discretely Presented Component Units:

Port Authority of Winona:

The Port Authority of Winona ("Port Authority") was established by the City Council in 1968 to maintain and operate the river-port of the City. In the late 1970s, the Port Authority commenced an active role as a facilitator for land acquisitions and improvements and as a promoter of community economic development. The Port Authority is governed by commission members who are directly appointed by the Mayor and confirmed by the City Council. Subject to the approval of the City Council, the Port Authority may issue bonds for public improvements and land development. The Port Authority's principal activity is financing building activity exclusively for the City, and it is considered a component unit of the City.

Related Organizations:

Housing and Redevelopment Authority of Winona:

Housing and Redevelopment Authority of Winona (HRA) activities are limited to operating Department of Housing and Urban Development-sponsored projects and grants. No local financing is involved; thus, the City Council is not involved in financial oversight. Additionally, other than an irrevocable appointment by the Mayor of the HRA Board (four-year term and only one out of five HRA Board Members are from the City Council), the City exercises no control in the areas of budgeting, staff appointment, or accountability for fiscal matters. Accordingly, the HRA does not qualify as a component unit of the City's basic financial statements, and the related financial statements have not been included in this report.

Complete financial statements for the individual component unit and the related organization may be obtained at the following addresses:

Port Authority of Winona
c/o City of Winona, City Hall
207 Lafayette Street, P.O. Box 378
Winona, MN 55987

Housing and Redevelopment
Authority of Winona
1756 Kraemer Drive, Suite 100
Winona, MN 55987

Joint Ventures and Jointly Governed Organizations:

The City was not part of any joint venture or jointly governed organization during 2008.

B. Government-Wide and Fund Financial Statements

In accordance with the GASB Statement No. 34, *Basic Financial Statements — and Management's Discussion and Analysis — for State and Local Governments*, a new reporting model was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the City and its component unit, the Port Authority. 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. Interfund services provided and used are not eliminated in the process of consolidation.

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

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 financial statements. (The accrual basis of accounting is used for the agency fund, the agency fund has no measurement focus.) 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 for 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.

Major governmental funds — The City reports the following major governmental funds:

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

- *Permanent Improvement Revolving (P.I.R.) Bond Fund* — The PIR Bond Fund is established to account for the collection of assessments from benefited properties for the retirement of debt. The property owners are assessed their share of the costs of the benefit, according to City policy. Interest is charged on the unpaid assessments.

- *P.I.R. Construction Fund* — The P.I.R. Construction Fund is established to finance public improvements. Expenditures made from this fund are for improvements, the obligation for which is payable wholly or partially from the proceeds of special assessments levied upon property specifically benefited by the improvements.

- *Pelzer Street Construction Fund* — The Pelzer Street Construction Fund is established to account for the revenues and the expenditures relating to the reconstruction of Pelzer Street.

Major proprietary funds — The City reports the following major proprietary funds:

- *Water Fund* — The Water Fund is established to account for the provision of water services to the residents and to commercial and industrial establishments of the City. All activities necessary to provide this service are accounted for in this fund, including, but not limited to, administrative, operations, maintenance, financing, and related debt service.

- *Sewer Fund* — The Sewer Fund is established to account for the provision of sewage disposal services to the residents and to commercial and industrial establishments of the City. All activities necessary to provide this service are accounted for in this fund, including, but not limited to, administrative, operations, maintenance, financing, and related debt service.

- *Inspections Fund* — The Inspections Fund is established to account for the revenues and expenses associated with the enforcement of State of Minnesota Codes (building, plumbing, and mechanical), the City's ordinances, and other specific laws.

- *Airport Fund* — The Airport Fund is established to account for the revenues and the expenses of the Winona Municipal Airport.

- *Public Transportation Fund* — The Public Transportation Fund is established to account for the revenues and the expenses of the Winona Transit Service.

- *Recreation Fund* — The Recreation Fund is established to account for the revenues and the expenses of the City's recreation programs, the Winona Senior Friendship Center, the Aquatic Center, park administration, and the Winona Municipal Band.

- *Library Fund* — The Library Fund is established to account for the revenues and the expenses relating to the City-owned library.

- *Storm Sewer Fund* — The Storm Sewer Fund is established to account for the revenues and the expenses of the City's storm sewer system.

Other funds—The City reports the following fund types:

- *Permanent Funds* — The permanent funds (included in other nonmajor governmental funds) are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs. These funds include the following: Bell Art Endowment; Laird and Bell Endowment; C. M. Youman Memorial; H.C. Garvin Winona Civic; Dr. C. A. Rohrer; Leonhard Fried Educational; and the Mielimonka Library.

- *Internal Service Funds* — The internal service funds account for the services of insurance, benefits, risk management, equipment, and facilities provided to other departments of the City on a cost reimbursement basis. These funds include the following: Health Insurance; Law Enforcement Labor Services (LELS); Employee Benefit; Risk Management; Equipment Replacement; Facilities and Infrastructure Replacement.

- *Tourism Promotion Agency Fund* — The Tourism Promotion Fund accounts for the lodging tax paid to the City, and the amount of lodging tax paid out.

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 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide basic financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

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

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

D. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund and certain Special Revenue Funds (Senior Advocacy Program Fund for the primary government), and Capital Project Funds (Municipal State Aid Fund, Dike Construction Fund, and the Permanent Improvement Revolving Construction

Fund, all of which are part of the primary government). All annual appropriations lapse at fiscal year-end.

The original adopted budgets may be amended by the City Council. Budget amounts are as originally adopted, as revised by approved transfers, or as amended by the City Council.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

During the year there were increases of $1,458,714 in appropriations between the General Fund original and final amended budget. Following are some of the components of the increase:

- $714,000 was added to various departments for encumbrances from December 31, 2007;
- $190,000 was added to the Fire Department for the purchase of equipment through a FEMA grant;
- $142,000 was added to the Fire Department for the purchase of property adjacent to the Central Fire Station for future expansion;
- $123,000 was added to various departments for an energy savings program;
- $118,000 was added to the Engineering Department for Veterans Center contributions;
- $44,000 was added to the Parks Department for the Hiawatha Valley Marines Shelter at Lake Winona.

Spending control is established by the amount of expenditures budgeted for the fund, but management control is exercised at the departmental level.

Encumbrance accounting is employed at the fund level. Encumbrances, which consist of purchase orders outstanding at year-end, are reported as reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent fiscal year.

E. Cash, Cash Equivalents, and Investments

Cash balances from all funds are combined and invested to the extent available in certificates of deposit, commercial paper, and similar investments (see Note 2).

Investment earnings are allocated to the respective funds on the basis of applicable cash balance participation by each fund. Investments are stated at fair value, based upon quoted market prices at the reporting date (see Note 2).

The City conforms with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*. For purposes of the statement of cash flows, the proprietary funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the cash and investments allocated to the proprietary funds have original maturities of 90 days or less; therefore, the entire balance in such fund types is considered cash or cash equivalents.

The City has adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* Under this statement, investments are carried at fair value. Changes in fair value of securities in the City's investment portfolio are recorded as a change in fair value of investments in the City's fund financial statements and within general revenues in the government-wide financial statements.

F. Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as due from other funds or due to other funds (see Note 7).

G. Inventory

Inventories are stated at cost, on a first-in, first-out basis. The cost of inventory is recorded as an expense when consumed (i.e., consumption method).

H. Funds Held by Others

The Port Authority enrolled in a Minnesota Community Capital Fund (MCCF), which will operate as a self-sustaining development loan program. The $100,000 that the Port Authority paid into the MCCF on September 30, 2002, will remain the asset of the Port Authority and can be refunded three years after the deposit was made.

I. Restricted Assets

Restricted net assets result from contributions whose use is limited by donor-imposed stipulations that either expire by passage of time, or can be fulfilled and removed by actions of the City pursuant to these stipulations. Net assets may also be restricted for use in future periods or used for specified purposes, such as capital projects in the case of proceeds from enterprise fund revenue bonds. Additionally, certain contributions whose use is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the City's actions, have been reported as restricted net assets of permanent funds. Investment earnings on the net assets to be maintained in perpetuity are included as restricted net assets, and are included in Note 8 as expendable permanent funds in the restricted net assets.

J. Capital Assets

Capital assets, which include land, buildings, machinery and equipment, and infrastructure, are reported in the applicable governmental or business-type activity columns in the government-wide statements. The capitalization threshold for individual capital assets is $5,000. The capitalization threshold for the City's infrastructure is $50,000. Library books are capitalized on an annual group basis when the total purchase of books is $5,000 or greater.

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

Capital outlays are recorded as expenditures in the City's fund financial statements, which use the modified accrual basis of accounting. Capital outlays are capitalized in the City's government-wide statement of net assets, which uses the full accrual basis of accounting. All capital assets are

recorded at historical cost or estimated historical cost if actual cost was not available. Donated capital assets are valued at the fair market value as of the date received.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Asset	Years
Buildings	20–75
Building improvements	20
Improvements	10–100
Public domain infrastructure	15–40
Water mains	50
Sewer mains	50
Storm sewer mains	50
Furniture	10
Machinery and equipment	5–25
Books (library)	5

K. Compensated Absences Benefits

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and the portion of sick pay allowable as separation pay is accrued when incurred in the government-wide and proprietary fund financial statements. The amounts are calculated based on hours actually earned at the current rate of pay.

L. Long-Term Obligations

Long-term obligations are recorded in the City's government-wide statement of net assets when they become a liability of the City. Long-term obligations are recognized as a liability of a governmental fund when due. Long-term obligations expected to be financed from proprietary funds are accounted for in those funds.

M. 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. Designated fund balances represent tentative plans for future use of financial resources that are subject to change (see Note 8).

Included in the Statement of Net Assets – Net Assets section – Restricted for Other Purposes are the items as listed below:

Governmental Activities	**Amount**
General Fund commitments	$ 795,246
Special Revenue Funds	742,131
Risk Management	648,350
LELS Program	64
Total Governmental	$ 2,185,791
Business-Type Activities	
Commitments	$ 528,318
Component Unit	
Port Authority projects	$ 2,085,007

The majority of the commitments are externally imposed.

N. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized as expenditures in the current period. Bond discounts and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method. In proprietary fund types, bond discounts are presented as a reduction of the face amount of bonds payable, and issuance costs are recorded as deferred charges.

O. Interfund Transactions

Interfund services provided are accounted for as revenues and expenditures. Transactions that constitute reimbursements to a fund for expenditures initially made from it, that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Other interfund transactions are reported as transfers in (out).

Interfund transactions within the respective categories of governmental activities and business-type activities in the government-wide statement of activities are eliminated. The internal balances caption on the government-wide statement of net assets represents interfund receivables or payables between the two types of activities, governmental and business-type.

P. Property Taxes

Property tax levies are set by the City Council in December of each year, and are certified to Winona County (the "County") for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Within the fund financial statements, property taxes are accrued and recognized as revenue, excluding delinquent taxes received over 60 days after year-end.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15 (November 15 for agricultural property). The County provides tax settlements to cities and other taxing districts three times a year, in July, December, and January.

In the fund financial statements, taxes that remain unpaid at December 31 are classified as delinquent taxes receivable and are fully offset by deferred revenue, because they are not known to be available to finance current expenditures. No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

Q. New Accounting Pronouncements

In May 2007, the GASB issued Statement No. 50, Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27. This Statement more closely aligned the financial reporting requirements for pensions with those for those for other postemployment benefits. The provisions of this Statement were effective for fiscal 2008. The adoption of GASB Statement No. 50 in fiscal 2008 did not have a significant effect on the City's basic financial statements.

In June 2007, the GASB issued Statement No. 51, Accounting and Financial Reporting for Intangible Assets. This Statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2009. The City does not expect the implementation to have a significant effect on the City's basic financial statements.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

A. Deposits

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City's Investment Policy, all of which are members of the Federal Reserve System. A portion of the City's investments is in certificates of deposit, as authorized by Minnesota Statutes. In accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements,* as amended by GASB Statement No. 40, *Deposit and Investment Risk Disclosures — an Amendment of GASB Statement No. 3,* such investments are to be classified as deposits.

Minnesota Statutes require that all of the City's deposits be protected by insurance, surety bonds, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral can only be safely kept in either a restricted account at the Federal Reserve or at a financial institution not owned or controlled by the financial institution furnishing the collateral.

Deposit balances at December 31, 2008, for the City and its component unit are as follows:

Deposit Type	Bank Balances	Carrying Amount
Insured or collateralized with securities held by the City or its agent in the City's name	$ 7,083,298	$ 6,588,670
Primary government	$ 6,658,300	$ 6,193,350
Component unit	$ 424,998	$ 395,320

B. Investments

Both the Minnesota Statutes and the City's Investment Policy approve of the following investment instruments for the City and its component unit:

- Governmental bonds, notes, bills, and other federal government instruments
- State bonds and state agencies (General Obligations or Revenue) — limited investment instruments
- Local government bonds (General Obligations or Revenue) — limited investment instruments
- Repurchase agreements — limited investment instruments
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries that was rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less
- Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of domestic securities

Primary Government

The City's balances at December 31, 2008, are as follows:

Investment Type	Carrying/ Fair Value
Commercial paper	$ 2,495,315
U.S. treasury securities	13,255,495
Subtotal	15,750,810
Money market mutual funds	20,438,939
Total investments, restricted cash, and escrow deposits	36,189,749
Total deposits (Note 2.A.)	6,193,350
Total deposits, investments, restricted cash, and escrow accounts	$ 42,383,099

A reconciliation to the basic financial statements at December 31, 2008, is as follows:

Governmental activities:	
Governmental funds — cash and cash equivalents	$ 16,542,893
Governmental funds — restricted investments	308,555
Internal service funds — cash and cash equivalents	9,606,983
Agency fund — cash and cash equivalents	25
Total governmental activities	26,458,456
Business-type activities:	
Enterprise funds — cash and cash equivalents	15,924,643
Total business-type activities	15,924,643
Total	$ 42,383,099

As of December 31, 2008, the City had the following investments and weighted-average maturity in number of years:

Investment Type	Fair Value	Weighted-Average Maturity (Years)
U.S. Treasury Securities (excluding escrow account)	$ 13,255,495	0.54
Treasury bills	2,495,315	0.65
Total fair value	$ 15,750,810	
Portfolio weighted average maturity		0.56

Interest Rate Risk — The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The City's investment policy states that the interest rate risk may be minimized or eliminated by 1) structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity (the City's policy is to hold the investments to maturity), and 2) by investing operating funds primarily in shorter-term securities or money market funds.

Credit Risk — Minnesota state law limits investments in commercial paper to that which is issued by a U.S. corporation rated in the highest quality category by at least two nationally recognized rating agencies, and matures in 270 days or less. (The City does not hold any commercial paper as of December 31, 2008.) Also, as of December 31, 2008, $22,183,394 is invested in a money market fund with a rating of AAA/Aaa and $736,401 is invested in a money market fund that is not rated for the fund itself, but the underlying investments are all rated or insured/collateralized as per Minnesota Statutes.

Concentration of Credit Risk — The City's investment policy states that it is the City's preference to limit to no more than 20% of total City investments in any one company for the commercial paper that is purchased. At December 31, 2008, the City does not hold any commercial paper as part of its investment portfolio.

Custodial Credit Risk — Deposits — Minnesota state law requires that to the extent that City funds deposited are in excess of available federal deposit insurance, the City shall require the financial institution to furnish collateral security or a corporate surety bond executed by a company authorized to do business in the State of Minnesota. The total amount of the collateral computed at its market value shall be at least 10% more than the amount on deposit, plus accrued interest at the close of the business. The financial institutions may furnish both a surety bond and collateral aggregating the required amount.

Custodial Credit Risk — Investments — For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City invests in U.S. Treasury Notes, which are backed by the U.S. government.

Maturity dates for securities held in investment and escrow accounts at December 31, 2008, are listed below:

Maturity Year	Fair Value
2009	$ 35,680,589
2010	509,160
Total	$ 36,189,749

Component Unit

The component unit's balances at December 31, 2008, are as follows:

Investment Type	Carrying/ Fair Value
Money market mutual funds	$ 2,510,237
Total deposits (Note 2.A.)	395,320
Total deposits and investments	$ 2,905,557

The maturity date for securities held in investment accounts at December 31, 2008, is listed below:

Maturity Year	Fair Value
2009	$ 2,510,237

Composite Products, Inc. — Stock Owned — The Port Authority owns 35,000 shares of Composite Products, Inc. (CPI), a privately held Winona manufacturer. These shares were acquired as part of an assistance program from the Port Authority to CPI. The shares were acquired on August 3, 1993, and are conservatively recorded on the Port Authority books at no value because they are not publicly listed.

3. CAPITAL ASSETS

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

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Nondepreciable:				
Land	$ 885,643	$ 644,877	$ -	$ 1,530,520
Construction in progress	22,979,092	231,913		23,211,005
Depreciable:				
Buildings and improvements	5,526,070	124,957	(19,131)	5,631,896
Machinery and equipment	6,585,874	396,622	(200,454)	6,782,042
Infrastructure:				
Flood control	33,000,000			33,000,000
Street system	18,073,647			18,073,647
Park	278,000			278,000
Total at historical cost	87,328,326	1,398,369	(219,585)	88,507,110
Less accumulated depreciation:				
Buildings and improvements	(2,879,528)	(193,898)	19,131	(3,054,295)
Machinery and equipment	(4,590,258)	(397,422)	200,454	(4,787,226)
Infrastructure:				
Flood control	(20,113,636)	(715,909)		(20,829,545)
Street system	(9,675,026)	(674,982)		(10,350,008)
Park	(93,377)	(9,445)		(102,822)
Total accumulated depreciation	(37,351,825)	(1,991,656)	219,585	(39,123,896)
Governmental activities capital assets — net	$ 49,976,501	$ (593,287)	$ -	$ 49,383,214
Business-type activities:				
Nondepreciable:				
Land	$ 855,819	$ -	$ -	$ 855,819
Collections	175,800			175,800
Construction in progress	180,912	2,355,714	(118,722)	2,417,904
Depreciable:				
Buildings and improvements	39,441,762	87,455		39,529,217
Machinery and equipment	4,621,951	237,136	(224,486)	4,634,601
Books	693,516	56,222		749,738
Infrastructure:				
Water	3,718,996	314,981		4,033,977
Sewer	5,211,851	663,423		5,875,274
Storm sewer	3,094,854	135,235		3,230,089
Total at historical cost	57,995,461	3,850,166	(343,208)	61,502,419
Less accumulated depreciation:				
Buildings and improvements	(18,919,015)	(984,879)		(19,903,894)
Machinery and equipment	(3,722,694)	(221,323)	224,486	(3,719,531)
Books	(535,930)	(64,202)		(600,132)
Infrastructure:				
Water	(861,180)	(74,840)		(936,020)
Sewer	(1,113,082)	(105,214)		(1,218,296)
Storm sewer	(809,112)	(61,614)		(870,726)
Total accumulated depreciation	(25,961,013)	(1,512,072)	224,486	(27,248,599)
Business-type activities capital assets — net	$ 32,034,448	$ 2,338,094	$ (118,722)	$ 34,253,820

Depreciation expense for governmental activities is charged to functions in 2008, as follows:

General government	$ 135,154
Public safety	873,667
Highways and streets	842,539
Culture and recreation	140,296
Total depreciation expense for governmental activities	$ 1,991,656

Depreciation expense for business-type activities charged in 2008, as follows:

Water	$ 516,417
Sewer	594,247
Inspections	9,403
Airport	55,853
Public transportation	58,172
Recreation	87,795
Library	81,017
Storm sewer	61,614
Total depreciation expense for business-type activities	$ 1,464,518

The Business-type activities accumulated depreciation "Increases" column, on the previous page, of $1,512,072 includes $47,554 due to capital asset transfers between the general fund and the sewer, airport and inspections funds.

Construction in Progress

One project is included in the capital assets — construction in progress (in the governmental activities) at December 31, 2008. This project is as follows:

Pelzer Street construction	$ 23,211,005

There are three projects included in the capital assets — construction in progress (in the business-type activities) at December 31, 2008. They are as follows:

Wincrest Water Tower	$ 985,374
Water - Well #20	239,784
Pleasant Valley utilities extension	1,192,746
Total	$ 2,417,904

Component Unit

There was no capital asset activity for the year ended December 31, 2008.

4. PROPERTIES HELD FOR DEVELOPMENT

The component unit includes an asset called Properties Held for Development. These properties are held for development purposes and are reported at acquisition cost, plus preparation for resale costs not

to exceed their net realizable value. The component unit is involved in the acquisition of real property for the purpose of improvement and, after improvement, the resale of real property to local industries.

Development costs for Technology Park of $495,962 were added to this asset during 2008. (Technology Park has 20.9 developable acres remaining at December 31, 2008.) Also added to the asset during 2008 was $186,085 for the purchase of the Charter property. During 2008, the Port Authority sold 1.79 acres to the Maritime Heritage Society for $107,400 for an addition to the Minnesota Marine Art Museum. The cost of this land sold was $103,103.

5. LONG-TERM DEBT

Primary Government

A summary of bonds outstanding at year-end follows:

Bonds	Maturities	Rates	December 31, 2008
Governmental activities:			
G.O. bonds — supported by taxes	2009-2015	2.25 - 4.38%	$ 2,398,100
G.O. bonds — supported by special assessments	2009-2015	2.25 - 5.10	3,921,900
Total			6,320,000
Business-type activities:			
Bonds	2009-2019	2.25 - 5.65	7,015,000
Add unamortized premium			31,234
Less unamortized discounts			(26,429)
			7,019,805
Total bonds outstanding			$ 13,339,805

A summary of changes in bonds payable (at par) during 2008 is as follows:

Bonds	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental activities:					
G.O. bonds — supported by taxes	$ 2,794,200	$ -	$ (396,100)	$ 2,398,100	$ 396,300
G.O. bonds — supported by special assessments	4,835,800		(913,900)	3,921,900	848,700
Total governmental activities	7,630,000	-	(1,310,000)	6,320,000	1,245,000
Business-type activities	10,135,000		(3,120,000)	7,015,000	900,000
Total	$ 17,765,000	$ -	$ (4,430,000)	$ 13,335,000	$ 2,145,000

Debt service requirements to maturity as of December 31, 2008, including interest of $1,900,915, are as follows:

Year Ending December 31	General Obligation (G.O.) Bonds			
	Supported by Property Taxes	Supported by Special Assessments	Supported by Water and Sewer Utilities	Total Bonds
2009	$ 471,780	$ 975,624	$ 1,165,374	$ 2,612,778
2010	459,434	880,631	1,143,866	2,483,931
2011	446,609	768,042	1,149,950	2,364,601
2012	432,857	556,159	890,357	1,879,373
2013	420,524	540,335	846,731	1,807,590
2014-2018	427,957	590,989	2,695,940	3,714,886
2019			372,756	372,756
Total	$ 2,659,161	$ 4,311,780	$ 8,264,974	$ 15,235,915

Year Ending December 31	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	$ 1,245,000	$ 202,404	$ 1,447,404	$ 900,000	$ 265,374	$ 1,165,374
2010	1,180,000	160,065	1,340,065	915,000	228,866	1,143,866
2011	1,095,000	119,651	1,214,651	960,000	189,950	1,149,950
2012	905,000	84,016	989,016	735,000	155,357	890,357
2013	910,000	50,859	960,859	720,000	126,731	846,731
2014-2018	985,000	33,946	1,018,946	2,420,000	275,940	2,695,940
2019				365,000	7,756	372,756
Total	$ 6,320,000	$ 650,941	$ 6,970,941	$ 7,015,000	$ 1,249,974	$ 8,264,974

The long-term debt of the primary government is described as follows:

Supported by Property Taxes — The City issues general obligation (G.O.) bonds to provide funds for the construction of major capital improvements having a relatively long life. General obligation bonds have been issued for both governmental and business-type activities. These G.O. bonds are supported by property taxes.

Supported by Special Assessments — These G.O. bonds are payable from special assessments levied and collected on local improvements to property and are backed by the full faith, credit, and taxing authority of the City.

Supported by Water and Sewer Utilities — All of the bonds in this category are G.O. Water and Sewer Revenue and are recorded as a liability in the appropriate Enterprise Fund. These bonds are intended to be paid first from the revenues of the appropriate Enterprise Fund, and are also backed by the full faith, credit, and taxing authority of the City.

There are limitations and restrictions contained in the bond indentures.

In addition to bond obligations, other debt outstanding at year-end is summarized below:

Other Debt	Maturities	Interest Rates	December 31, 2008
Governmental funds —			
G.O. Equipment Certificates	2009	3.35 %	$ 115,000
	2010	3.40	120,000
	2011	3.45	125,000
	2012	3.50	130,000
	2013	3.55	135,000
	Total		$ 625,000

Debt service requirements to maturity as of December 31, 2008, including interest of $56,318, listed below for other debt are summarized as follows:

Year Ending December 31	G.O. Equipment Certificates		
	Principal	Interest	Total
2009	$ 115,000	$ 19,661	$ 134,661
2010	120,000	15,695	135,695
2011	125,000	11,499	136,499
2012	130,000	7,067	137,067
2013	135,000	2,396	137,396
	$ 625,000	$ 56,318	$ 681,318

The Primary Government did not issue any bonds or certificates during 2008.

During 2008, the City signed a note payable to purchase land over a three year time period. The amount to be paid is $125,000 for each year of 2009 – 2011.

A summary of changes in the governmental activities long-term debt (Primary Government) follows:

Debt	Beginning Balance	Issued	Retired/ Defeased	Ending Balance
Bonds payable	$ 7,630,000	$ -	$ (1,310,000)	$ 6,320,000
Note payable - land		375,000		375,000
Other debt	735,000		(110,000)	625,000
Total	$ 8,365,000	$ 375,000	$ (1,420,000)	$ 7,320,000

A review of improvement bonds for the years 1995-2008 is as follows:

Bonds Issued	Assessed per Document	Total Project Costs	Assessed per Actual-to-Date
G.O. Improvement, 1995C:			
1996 Projects	$ 480,508	$ 1,850,882	$ 480,508
1997 Projects	827,356	1,194,396	827,356
1998 Projects	387,136	525,507	387,136
Total	$ 1,695,000	$ 3,570,785	$ 1,695,000
G.O. Improvement, 1998B:			
1998 Projects	$ 207,284	$ 282,966	$ 207,284
1999 Projects	1,138,550	1,992,705	1,138,550
2000 Projects	134,743	180,507	134,743
Total	$ 1,480,577	$ 2,456,178	$ 1,480,577
G.O. Improvement, 2001A:			
2001 Projects	$ 34,605	$ 61,612	$ 34,605
2002 Projects	929,940	1,397,713	718,432
2003 Projects	550,888	683,617	418,090
2004 Projects	1,069,752	1,684,814	1,069,752
Total	$ 2,585,185	$ 3,827,756	$ 2,240,879
G.O. Improvement, 2004A:			
2004 Projects	$ 245,552	$ 532,768	$ 245,552
2005 Projects	1,766,923	5,783,908	1,766,923
2006 Projects	31,729	79,538	31,729
2007 Projects	43,932	43,932	43,932
2008 Projects	21,026	21,026	21,026
Total	$ 2,109,162	$ 6,461,172	$ 2,109,162

Component Unit

A summary of bonds outstanding at year-end is as follows:

Bonds	Maturities	Rates	December 31, 2008
Long-term debt — G.O.	2009-2020	4.00 - 7.35%	$ 3,235,000

A summary of changes in bonds payable (at par) during 2008 is as follows:

Bonds	Beginning Balance	Issued	Retired	Ending Balance
Long-term (G.O.) — Bonds payable	$ 3,455,000	$ -	$ (220,000)	$ 3,235,000

Debt service requirements to maturity as of December 31, 2008, including interest of $850,425, are listed below for general long-term debt (bonds):

Year Ending December 31	General Obligation		
	Principal	Interest	Total
2009	$ 225,000	$ 134,603	$ 359,603
2010	245,000	124,239	369,239
2011	240,000	113,483	353,483
2012	270,000	102,050	372,050
2013	275,000	89,587	364,587
2014-2018	1,400,000	263,063	1,663,063
2019-2020	580,000	23,400	603,400
Total	$ 3,235,000	$ 850,425	$ 4,085,425

***General Obligation Bonds* —** The G.O. bonds are backed by the full faith, credit, and taxing authority of the City.

There are limitations and restrictions contained in the bond indentures. There are no authorized and unissued bonds for the component unit.

The Component Unit didn't issue any bonds or certificates during 2008.

Long-Term Liability Activity

Long-term liability activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
Governmental activities:					
Bonds and certificates payable	$ 8,365,000	$ -	$ (1,420,000)	$ 6,945,000	$ 1,360,000
Note payable - land		375,000		375,000	125,000
Compensated absences	3,236,268	602,224	(110,000)	3,728,492	2,942,571
Total governmental activities	11,601,268	977,224	(1,530,000)	11,048,492	4,427,571
Business-type activities:					
Bonds and certificates payable	10,135,000		(3,120,000)	7,015,000	900,000
Compensated absences	1,102,711	225,212	(35,000)	1,292,923	1,078,057
Other	5,360		(555)	4,805	
Total business-type activities	11,243,071	225,212	(3,155,555)	8,312,728	1,978,057
	$ 22,844,339	$ 1,202,436	$ (4,685,555)	$ 19,361,220	$ 6,405,628

Compensated absences classified as long-term liabilities include unused vacation, compensated time, and sick leave estimated to be paid or used by employees for periods ending after December 31, 2008. For the governmental activities, compensated absences are generally liquidated by the general fund.

Defeasance of Debt

In December 2006, the City issued $2,295,000 in G.O. Water Revenue Refunding Bonds, Series 2006B, with a true interest rate of 3.63%, through a crossover refunding to advance refund $2,285,000 of the Issuer's outstanding $4,085,000 G.O. Water Revenue Bonds, Series 1999C on February 1, 2008 (crossover date). The City obtained an economic gain (difference between the present value of the old and new debt service payments) of $112,160.

The proceeds of the $2,295,000 in G.O. Water Revenue Refunding Bonds, Series 2006B, were placed in escrow to provide for (1) payment of interest on the $2,295,000 in G.O. Water Revenue Refunding Bonds, Series 2006B through the crossover date, and (2) principal on the $4,085,000 G.O. Water Revenue Bonds, Series 1999C called for early redemption on February 1, 2008. The City paid (1) debt service on the $4,085,000 G.O. Water Revenue Bonds, Series 1999C, through the crossover date and (2) will pay the debt service on the $2,295,000 in G.O. Water Revenue Refunding Bonds, Series 2006B after the crossover date. Accordingly, the trust account assets and related liability had been

included in the City's basic financial statements. The remaining debt service (principal and interest) of the 2006B issue is scheduled below:

	$2,295,000 G. O. Water Revenue Refunding Bonds, 2006B	
	City Portion	Escrow Portion
February 1, 2009	$ 345,900	$ -
August 1, 2009	39,900	
February 1, 2010	339,900	
August 1, 2010	33,900	
February 1, 2011	343,900	
August 1, 2011	27,700	
February 1, 2012	352,700	
August 1, 2012	21,200	
February 1, 2013	366,200	
August 1, 2013	14,300	
February 1, 2014	369,300	
August 1, 2014	7,200	
February 1, 2015	367,200	
Totals	$2,629,300	$ -

6. PENSION PLANS

A. Defined Benefit Pension Plans — Statewide
Public Employees Retirement Association

1. Plan Description

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

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters, and peace officers who qualify for membership by statute are covered by 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 Plan 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, Coordinated Plan members accrue 1.2% of their average salary for each of the first 10 years, and 1.7% for each remaining year. The annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service, and 2.7% for each remaining year. Under Method 2, Coordinated Plan members earn 1.7% of their average salary for every year of service and Basic Plan members earn 2.7% of their average salary for each year of service. For PEPFF members, the annuity accrual rate is 3.0% for each year of service.

For all PEPFF members and PERF members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

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

2. Funding Policy

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2008. There will be no change in the contribution rates for the Coordinated Plan for 2009. PEPFF members were required to contribute 8.6% of their annual covered salary in 2008, that rate will increase to 9.4% in 2009. For 2008, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members; 6.5% for Coordinated Plan PERF members; and 12.9% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.1% respectively, effective January 1, 2009. The City's contributions to the PERF for the years ended December 31, 2008, 2007, and 2006, were $383,206, $375,464, and $340,360, respectively. The City's contributions to the PEPFF for the years ended December 31, 2008, 2007, and 2006, were $472,284, $446,694, and $363,860, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Local consolidated accounts were terminated July 1, 1999. All of their members and their associated assets and accrued benefits were transferred to PERA's Police and Fire Fund. Since the City's Fire and Police consolidation accounts were not fully funded, the City was required to make annual additional municipal contributions through December of 2008. The 2008, 2007, and 2006 amount of the annual payment for Fire was $429,626. The 2008, 2007, and 2006 amount of the annual payment for Police was $273,462.

3. Funding Status and Progress

Current Funding Ratios

The primary funding objectives of PERA are (1) to establish contribution rates which, when expressed as a percentage of active members' payroll, will remain level from generation to generation, and (2) to meet the required deadlines for full funding. PERA's progress toward meeting the full funding objective is displayed on the Schedule of Funding Progress. This report shows the funding levels using the entry age normal actuarial cost method. At the end of fiscal year 2008, the ratio of assets to liabilities of PERF was 73.60% and 88.42% for PEPFF. At the end of fiscal year 2007, the ratio of assets to liabilities of PERF was 73.34% and 91.70% for PEPFF.

Schedule of Funding Progress for PERF (last eight years, in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2001	$ 10,527,270	$ 12,105,337	$ 1,578,067	87.0 %	$ 3,466,587	45.5 %
June 30, 2002	11,017,414	12,958,105	1,940,691	85.0	3,809,864	50.9
June 30, 2003	11,195,902	13,776,198	2,580,296	81.3	4,387,649	58.8
June 30, 2004	11,477,961	14,959,465	3,481,504	76.7	3,968,034	87.7
June 30, 2005	11,843,936	15,892,555	4,048,619	74.5	4,096,138	98.8
June 30, 2006	12,495,207	16,737,757	4,242,550	74.7	4,247,109	99.9
June 30, 2007	12,985,324	17,705,627	4,720,303	73.3	4,448,954	106.1
June 30, 2008	13,048,970	17,729,847	4,680,877	73.6	4,722,432	99.1

Schedule of Funding Progress for PEPFF (last eight years, in thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
June 30, 2001	$ 4,510,134	$ 3,712,360	$ (797,774)	121.5 %	$ 500,839	(159.3)%
June 30, 2002	4,707,255	3,886,311	(820,944)	121.1	522,153	(157.2)
June 30, 2003	4,713,606	4,390,953	(322,653)	107.3	560,503	(57.6)
June 30, 2004	4,746,834	4,692,190	(54,644)	101.2	551,266	(9.9)
June 30, 2005	4,814,961	4,956,340	141,379	97.2	580,723	24.4
June 30, 2006	5,017,951	5,260,564	242,613	95.4	618,435	39.2
June 30, 2007	5,198,922	5,669,347	470,425	91.7	648,342	72.6
June 30, 2008	5,233,015	5,918,061	685,046	88.4	703,701	97.3

B. Defined Contribution Plan — Statewide

The City provides pension benefits for elected local government officials through a defined contribution plan administered by PERA. The Public Employees 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. An eligible elected official who decides to participate contributes 5% of salary, which is matched by the employer. There is no vesting period required to receive benefits in the PEDCP.

The City's contributions to the PEDCP were $1,590, $1,386, and $1,210 for the years ended December 31, 2008, 2007, and 2006, respectively. The employee contributions to the PEDCP were $1,590, $1,386, and $1,210 for the years ended December 31, 2008, 2007, and 2006, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statutes.

7. INTERFUND RECEIVABLES, PAYABLES, AND TRANSACTIONS

Interfund receivables and payables at December 31, 2008, are listed below for the primary government and the component unit.

Receivable Fund	Payable Fund	Amount	Purpose
Due to/due from Other Funds (Primary Government):			
General	Library	$ 150,000	[1]
Internal service (Facilities)	Airport	300,000	[2]
Internal service (Facilities)	Pelzer Street Construction	700,000	[3]
Downtown 1990 CD Loan	Central City Rehab	43,067	[4]
Total		$ 1,193,067	

[1] The Library Fund will repay the General Fund when it accumulates sufficient funds. The City expects the repayment to occur in 2009 or 2010.

[2] The Airport Fund will repay the Facilities Fund after it receives money from the state and federal governments for project reimbursement. The City expects the repayment to occur in 2009 or 2010.

[3] The Pelzer Street Construction Fund will repay the Facilities Fund after it receives money from the state and federal governments for project reimbursement. The City expects the repayment to occur in 2009 or 2010.

[4] The Central City Rehab Fund will repay the Downtown 1990 CD Loan Fund after it receives money from the state government for project reimbursement. The City expects the repayment to occur in 2009.

Transfers during 2008 were as follows for the primary government. (A brief summary of the transfer activity is at the end of this note.)

Primary Government	Transfers In	Transfers Out
Governmental activities:		
General (1)	$ 123,559	$ 120,000
General (2)	145,372	120,000
General (3)	47,427	120,000
General (4)	118,000	51,834
General (5)	225,000	10,000
General (6)	4,125	
General (7)	61,000	
General (8)	112,760	
General (9)	125,000	
General (10)	134,700	
General (11)	99,120	
General (12)	3,170	
General (13)	709	
Pelzer Street Construction (14)	604,029	
Nonmajor Governmental Funds:		
Senior Advocacy Program (15)	51,834	
Emergency Fund (16)	10,000	
Municipal State Aid		604,029
Softball Field Development		100,000
Bambenek Field #1 (17)	100,000	
Bambenek Field #1 (18)	175,500	
Central City Rehab		709
Total governmental funds	2,141,305	1,126,572
Internal Service Funds:		
Health Insurance		
Risk Management		30,000
Equipment Replacement		112,760
Equipment Replacement		134,700
Equipment Replacement (19)	15,000	125,000
Equipment Replacement (20)	120,000	99,120
Equipment Replacement		5,600
Facilities (21)	15,000	123,559
Facilities (22)	120,000	145,372
Facilities		47,427
Facilities		118,000
Facilities		225,000
Facilities		63,825
Facilities		4,125
Facilities		175,500
Facilities		15,000
Infrastructure Replacement (23)	120,000	
Total internal service funds	390,000	1,424,988
Total governmental activities	2,531,305	2,551,560

Primary Government	Transfers In	Transfers Out
Business-type activities:		
Storm Sewer Fund	$ -	$ 61,000
Airport Fund (24)	5,600	
Library Fund (25)	15,000	
Recreation Fund (26)	63,825	
Recreation Fund		3,170
Total business-type activities	84,425	64,170
Total Primary Government	$ 2,615,730	$ 2,615,730

PURPOSE OF TRANSFERS IN:

(1) From the Facilities Fund for McKinstry energy savings projects
(2) From the Facilities Fund for Central Fire Station land purchase
(3) From the Facilities Fund for Wilkie demolition
(4) From the Facilities Fund for Veteran's Center improvements
(5) From the Facilities Fund for central garage heat and ventilation improvements
(6) From the Facilities Fund for radio tower
(7) From the Storm Sewer Fund for reimbursements
(8) From the Equipment Replacement Fund for police cars
(9) From the Equipment Replacement Fund for bluff land agreement
(10) From the Equipment Replacement Fund for a street department dump truck
(11) From the Equipment Replacement Fund for Park Department equipment
(12) From the Recreation Fund for Hiawatha Valley Marine Shelter
(13) From the Central City Rehab Fund to offset costs for recording mortgages
(14) From the Municipal State Aid Fund for Pelzer Street improvements
(15) From the General Fund — provide subsidy to cover portion of the Senior Advocacy's operation
(16) From the General Fund - budgeted transfer to Emergency Fund for Community Development match
(17) From the Softball Field Development Fund for Bambenek Field #1 improvements
(18) From the Facilities Fund for Bambenek Field #1 improvements
(19) From the Risk Management Fund — money available to transfer after commitments and a reasonable reserve
(20) From the General Fund — money available to transfer after a positive variance and commitments
(21) From the Risk Management Fund — money available to transfer after commitments and a reasonable reserve
(22) From the General Fund — money available to transfer after a positive variance and commitments
(23) From the General Fund — money available to transfer after a positive variance and commitments
(24) From the Equipment Replacement Fund for an Airport snow plow
(25) From the Facilities Fund for the Library's share of the McKinstry energy savings project
(26) From the Facilities Fund for Senior Center projects

8. FUND EQUITY

Restricted, Reserved, or Designated — Net assets, fund balances, and retained earnings in the various funds at December 31, 2008, have been restricted, reserved, or designated for the following purposes:

PRIMARY GOVERNMENT

RESTRICTED — Government-Wide Financial Statements

Major Governmental Funds:	
General Fund:	
Encumbrances and commitments	$ 517,209
Snow removal	84,789
Drug seizure and DWI penalty assessment (Police)	19,807
Boat harbor	133,441
CMH property transfer	35,000
Japanese Garden	5,000
OPEB — retiree subsidy health plan	879,031
P.I.R. Bond Fund — for debt payments	2,318,749
P.I.R. Construction Fund — for P.I.R. projects	848,810
Other Funds (Internal Service Funds):	
Health Insurance Fund:	
Health plan account	112,925
Contributed to start the fund	199,654
Health insurance	107,048
LELS Health Fund — health insurance	64
Employee Benefit Fund:	
PERA — Fire	429,626
PERA — Police	273,462
Risk Management Fund:	
Property self-insurance	202,729
Workers' compensation maximum	345,621
Emergency issues	100,000
Equipment Replacement Fund:	
Equipment replacement	1,298,700
Commitments	2,395,279
Facilities Fund:	
Commitments	235,582
Facilities	1,067,288
Infrastructure Replacement Fund	621,600
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Emergency	11,407
Athletic	13,520
Library Memorials	324,640
1990 Downtown Redevelopment Grant	133,054
1994 Downtown Redevelopment Grant	154,174
Metro Plains	57
West Central Revitalization	105,054
Central City Rehab	225
Debt Service Funds:	
1999B Sales Tax Revenue Bond — for Riverbend Industrial Park infrastructure/sales tax issues	131,204
Equipment Certificates — for debt payments	309,347

RESTRICTED (Continued)

Capital Projects Funds:	
Municipal State Aid — projects	$ 19,628
Dike construction	200,914
Park Site-parks for subdivisions	103,435
Engineering projects	159,096
City building improvements	2,505
City equipment	99,737
Street reconstruction projects	3,140
High Wagon Bridge reconstruction	134,086
Aghaghming Park construction	1,819
Softball field development — improvements	92,546
Softball field development — Bambenek Field	35,972
Permanent Funds:	
Endowment (original contributions)	56,000
Expendable	252,916
Total governmental activities	14,575,890
Major Proprietary Funds:	
Water Fund:	
Commitments	2,262,375
Bond requirements	757,079
OPEB — retiree subsidy health plan	91,566
Sewer Fund:	
Commitments	128,192
Bond requirements	331,652
OPEB — retiree subsidy health plan	128,192
Public Transportation Fund — commitments	21,316
Inspections Fund:	
Commitments	68,413
OPEB — retiree subsidy health plan	36,626
Airport Fund:	
Commitments	10,000
OPEB — retiree subsidy health plan	9,157
Recreation Fund:	
Commitments	95,336
OPEB — retiree subsidy health plan	100,722
Library Fund:	
Commitments	98,974
OPEB — retiree subsidy health plan	91,566
Storm Sewer Fund — commitments	106,087
Total business-type activities	4,337,253
Total Restricted (Primary Government)	$ 18,913,143

RESERVED — Fund Financial Statements

Major Governmental Funds:	
General Fund:	
Encumbrances and commitments	$ 517,209
Snow removal	84,789
Drug seizure and DWI penalty assessment (Police)	19,807
Boat harbor	133,441
CMH property transfer	35,000
Japanese Garden	5,000
OPEB — retiree subsidy health plan	879,031
P.I.R. Bond Fund — for debt payments	2,318,749
P.I.R. Construction Fund — for P.I.R. projects	848,810
Other Funds (Internal Service Funds):	
Health Insurance Fund:	
Health plan account	112,925
Contributed to start the fund	199,654
Health insurance	107,048
LELS Health Fund — health insurance	64
Employee Benefit Fund:	
PERA — Fire	429,626
PERA — Police	273,462
Risk Management Fund:	
Property self-insurance	202,729
Workers' compensation maximum	345,621
Emergency issues	100,000
Equipment Replacement Fund:	
Equipment replacement	1,298,700
Commitments	2,395,279
Facilities Fund:	
Commitments	235,582
Facilities	1,067,288
Infrastructure Replacement Fund	621,600
Nonmajor Governmental Funds:	
Special Revenue Funds:	
Emergency	11,407
Athletic	13,520
Library Memorials	324,640
1990 Downtown Redevelopment Grant	133,054
1994 Downtown Redevelopment Grant	154,174
Metro Plains	57
West Central Revitalization	105,054
Central City Rehab	225
Debt Service Funds:	
1999B Sales Tax Revenue Bond — for Riverbend Industrial Park infrastructure/sales tax issue	131,204
Equipment Certificates — for debt payments	309,347

RESERVED (Continued)	
Capital Projects Funds:	
Municipal State Aid — projects	$ 19,628
Dike construction	200,914
Park Site — parks for subdivisions	103,435
Engineering projects	159,096
City building improvements	2,505
City equipment	99,737
Street reconstruction projects	3,140
High Wagon Bridge reconstruction	134,086
Aghaghming Park construction	1,819
Softball field development — Improvements	92,546
Softball field development — Bambenek Field	35,972
Permanent Funds:	
Endowment (original contributions)	56,000
Current	252,916
Total Reserved	14,575,890
DESIGNATED — Fund Financial Statements	
General Fund — cash flow	6,726,060
Capital Projects Funds — Infrastructure Revolving	1,581,680
Total Designated	8,307,740
Total Reserved and Designated (Primary Government)	$ 22,883,630
COMPONENT UNIT	
Restricted — Government-Wide Financial Statements	
Debt Service Funds — for debt service	764,674
Capital Projects Funds — Lake Winona dredging project	559,231
Port commitments	2,085,007
Total Restricted	$ 3,408,912

9. NET ASSETS DEFICITS, FUND EQUITY DEFICITS, AND INDIVIDUAL FUND DISCLOSURES

Primary Government

Fund Equity Deficits — At December 31, 2008, the Special Revenue Fund called the Senior Advocacy Program Fund had a deficit fund balance of $11,870. This fund had a carryover deficit of fund balance from 2007. (The deficit fund balance at December 31, 2007 was $12,636.) The deficit fund balance should be eliminated in 2009 or 2010. At December 31, 2008, the Capital Projects Fund called the Pelzer Street Construction Fund had a deficit fund balance of $598,390. This fund incurred more expenditures than anticipated. The deficit fund balance should be eliminated in 2009.

Individual Fund Disclosures — For the year ended December 31, 2008, actual expenditures exceeded the budget in the following General Fund departments:

General Fund	Budgeted	Actual	Final Variance
City manager	$ 247,738	$ 248,793	$ (1,055)
Highways and street lighting	266,000	282,322	(16,322)
Compost site	49,391	50,980	(1,589)
Community development	275,266	302,197	(26,931)

Expenditures were less than appropriations for other departments within the General Fund; therefore, the actual amounts that exceeded the budget (listed above) had no significant impact on the financial results of the General Fund.

Component Unit

Fund Equity Deficits **—** At December 31, 2008, the Component Unit had no fund equity deficits.

10. FUND CHANGES

Funds opened during 2008:

City —

Capital Projects	Bambenek Field #1
Component Unit —	No funds were opened during 2008

Funds closed during 2008:

City —	No funds were closed during 2008
Component Unit —	No funds were closed during 2008

11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

At December 31, 2008, the City reported eight Enterprise Funds. These funds provide water, sewer, inspections, airport, public transportation, recreation, library, and storm sewer. There are no revenue bonds where investors rely solely on the revenue generated by the individual segments or other individual activities for repayment.

12. CONTINGENCIES

There are several pending lawsuits, claims, and disputes in which the City is involved. The City does not expect that the potential claims against the City not covered by insurance and resulting from such litigation, claims, and disputes would materially affect the financial statements.

13. RISK MANAGEMENT

City's Programs:

The City highlights the following risk management programs: (1) health benefit; (2) other post-employment benefits; and (3) property and casualty insurance. For the health benefit risk management program, premiums are paid into the Health Insurance Fund by user departments, employees, and other

funds. Such premiums are available to pay claims and administrative costs, and to fund claim reserves. For the other post-employment benefits, the premiums for the employees' pensions are paid partially by the City and partially by the employee. The retirees that are part of the City's health insurance plan pay the premium that is the full group rate of an active employee. For the property and casualty insurance risk management program, premiums are paid from the user department based on use.

For 2008, there were no significant reductions in insurance coverage from 2007 in either of the health benefit or the property and casualty insurance program.

Health Benefit Program:

The health benefit program is designed to provide for the payment of healthcare costs for employees. The City maintains a self-insurance program for employee group health coverage, which includes an individual excess coverage policy for claims exceeding $100,000 per family, per year in 2008 ($100,000 per family in 2007). Also included in the program is an aggregate excess coverage policy; for 2008, the attachment point for this policy was set at $1,355,626. The aggregate excess coverage attachment point is 125% of the expected claims for the plan year. This amount is calculated by BlueCross BlueShield of Minnesota.

For 2008, the City offered four health plan options with consumer-driven healthcare programs that combined high deductibles with individual Health Plan Accounts (HPAs) — employer-held accounts used for healthcare expenses not covered by the underlying plan. Eide Bailly administers the HPA accounts for these programs.

During 2008, net claims were $1,352,527 (total claims of $1,593,492; less pharmaceutical rebates of $13,609 and specific and aggregate stop-loss recoveries of $227,356 paid back to the City). Other 2008 costs are listed as follows: administrative costs of $82,237; network fees of $35,533; HPA reimbursements of $37,437; and a reduction in incurred but not reported claims (over December 31, 2007) of $125,862, reflecting the depletion of unused funds in employees' HPAs and a slight decrease in overall incurred, but not reported claims. The stop-loss premium was $241,048; premiums are based on the option chosen, the number of covered employees, prior years' costs, and the projected increase in healthcare cost for the coming year. Premiums are budgeted in each fund/department and are, with the exception of premiums paid by employees, reported as department charges or quasi-external interfund transactions, as appropriate.

An estimate of incurred but not reported claims and administration fees and claims reported, but not settled at year-end of $119,452 has been accrued as a liability in the Health Insurance Fund at December 31, 2008. In addition, a reserve of $112,925 has been established for future HPA claims. For the past three years, there have been no settlements paid for more than the insurance coverage.

Changes in the health insurance liability for claims and administration fees for the Internal Service Fund during the past two years are as follows:

	2008	2007
Beginning of year liability	$ 358,239	$ 529,949
Current year claims, administration fees, and changes to estimates	1,622,920	1,401,816
Payments for claims and administration fees	(1,748,782)	(1,573,526)
End of year liability and HPA reserves	$ 232,377	$ 358,239

Also, effective January 1, 2003, the police officers and police sergeants left the City-sponsored health plan to enroll in a non-City-sponsored health plan. At that time, these two groups represented approximately 20% of the City's health plan.

Other Post-Employment Benefits — Pensions:

State law requires that all full-time and certain part-time employees of the City participate in a statewide defined benefit pension plan administered by PERA. PERA administers PERF and PEPFF. As of December 31, 2008, PERF was 73.6% funded and PEPFF was 88.4% funded. As of December 31, 2007, PERF was 73.3% funded and PEPFF was 91.7% funded. (See Note 6.)

Other Post-Employment Benefits — Other Than Pensions:

Plan Description — The City of Winona administers a single-employer defined benefit healthcare plan. Retirees have the same choice of healthcare plans that the City provides to their active employees.

Funding Policy — The City requires the former employee to pay the full group active employee cost of the plan they select. Until 2007, the benefit expired at age 65. In late 2007, the City began allowing retirees to continue their coverage beyond age 65 by continuing to pay the full group active employee cost. At this time, police sergeants and officers have elected not to participate in the City's health plan.

Annual Other Post-employment Benefit (OPEB) Cost — For 2008, the City's annual OPEB cost (expense) of $417,739 was equal to the Annual Required Contribution (ARC), plus one year's interest on the net OPEB obligation and an adjustment to the ARC to amortize the Contribution Deficiency over 10 years. Eight retirees and one dependent spouse are currently covered by the City's plan. They paid $43,092 in premiums at the group rate.

Funded Status and Funding Progress — The liability that has been accrued by the City is the value of the subsidy that retirees receive for their participation in the City's group health plan. Since retirees pay the same rates as active employees, this liability is considered to be an implicit rate subsidy.

The Actuarial Accrued Liability (AAL) and the Unfunded Actuarial Accrued Liability (UAAL) are both $2,451,382. The City Council has approved a resolution to begin funding of the UAAL in 2009. A schedule of funding progress, as supplementary information, will be provided when funding begins.

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.

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

The December 31, 2008, actuarial valuation used the entry age actuarial cost method. Relevant actuarial assumptions included a 4.5% discount rate, an initial medical trend rate of 8.5%, and a reduction schedule of .5% per year with an ultimate rate of 5.0+%. The amortization of unfunded liabilities as a level dollar amount over 10 years was selected by the City to comply with GASB Statement No. 45 requirements.

Property and Casualty Insurance Program:

The City participates in the self-insurance program of the League of Minnesota Cities Insurance Trust (LMCIT) to provide the City's property and casualty coverage. During 2008, costs of premiums associated with the program were $255,574 (2007 premium costs were $257,329). There were no changes in the program for 2008 as compared to 2007.

City property is insured on a blanket basis with a limit of $70,549,877 and $67,683,106 for 2008 and 2007, respectively. The City also carried a $25,000 deductible, per occurrence, for property losses for 2008 and 2007.

The liability policy is on a claims-made basis, and is retroactive to January 1, 1987. The deductibles included within the policy are $50,000 per occurrence and $200,000 annual aggregate. The policy includes a $1,200,000 liability limit per Minnesota Statutes ($1,000,000 in 2007). During 2008 and 2007, costs of premiums associated with the municipal liability program were $77,649 and $75,218, respectively.

For 2008, the boiler and equipment breakdown policy continued with comprehensive protection of $5,000,000 for all the City's locations with a $25,000 deductible for 2008 ($10,000 deductible for 2007). The 2008 premium for this option was $8,325, and for 2007 it was $9,746. For 2008 and 2007, the premium for mobile property was $7,720 and $9,565, respectively, which included comprehensive protection for equipment and replacement cost.

The LMCIT provided airport insurance for the City in 2008 and 2007. This policy provided both a $1,000,000 coverage for each occurrence and in aggregate. In this policy, the Airport Hangarkeeper's Liability is unlimited. The 2008 and 2007 costs were $1,347 and $1,347, respectively.

Premiums are charged to the funds/departments based on a formula of usage and expenditures. For the past three years, there have been no settlements paid more than the insurance coverage. The amounts paid that are less than the deductible are as follows: $47,040 for 2008; $11,003 for 2007; and $57,204 for 2006.

The City participates in the LMCIT for its workers' compensation plan, which is administered by Berkley Administrators. Under the plan, all claims are paid from the insurance trust. The net deposit premium paid by the City in 2008 totaled $275,901 (in 2007, it totaled $233,640). The City's premiums are adjusted in future years based upon the cost of claims with the minimum cost of $67,435 and the maximum cost of $621,522.

Risk Management Fund:

A City Internal Service Fund was established during 1996 to account for receipts of dividends from property/casualty and workers' compensation refunds as revenues. These receipts may be used to finance property losses for items less than any applicable insurance deductible or for specific low-risk items which are uninsured. These receipts may also be applied toward the payment of the annual cost of the property/casualty insurance premium (prior to the distribution of the costs by fund and department), may pay for items which would be considered those to reduce the City's risk, may absorb the annual fluctuation of workers' compensation premiums, and may contribute toward the maximum premium payment for workers' compensation. At December 31, 2008, $345,621 has been set aside within this fund to pay the 2008 maximum, if needed.

14. CONDUIT DEBT OBLIGATIONS

In prior years, the City has issued certain debt (bonds or notes) bearing its name to lower the cost of borrowing for specific nongovernmental third-parties for which the purpose of the debt is deemed to be in the public interest. These conduit or no-commitment debt obligations are serviceable from payments derived pursuant to a Loan Agreement and from the property which secures payment of the debt. The City is not obligated in any manner for repayment of the bonds or notes; thus, the debt is not reported as a liability in the accompanying financial statements.

The principal amount payable for the bonds and notes could not be determined. The original issue amounts of the conduit debt are listed below (the * denotes the conduit debt for the component unit — the Port Authority):

Company, Series, Project, Issue Date	Maturity	Original Amount
Medical Facilities Revenue Note, Series 2000B, Winona Community Memorial Hospital Obligated Group Project August 1, 2000	August 1, 2020	$ 4,000,000
Housing Revenue Note, Series 2000, Home and Community Options, Inc. Project December 28, 2000	January 1, 2021	135,000
Housing Facilities Revenue Bond Home and Community Options, Inc. Project September 27, 2001	August 27, 2012	739,400
Student Housing Facilities Revenue Note, Series 2002, Winona State University Foundation Project September 1, 2002	September 1, 2027	9,816,000
*Housing Revenue Note, Series 2004, Home and Community Options Project June 1, 2004	June 1, 2024	920,000
*Housing Revenue Refunding Note, Series 2004, Saint Anne of Winona Project July 10, 2004	June 10, 2027	6,600,000
Health Care Facilities Revenue Bonds, Series 2004A, Winona Health Obligated Group July 1, 2004	July 1, 2034	19,075,000
Health Care Facilities Revenue Bonds, Series 2004B, Winona Health Obligated Group July 1, 2004	July 1, 2014	4,974,200
Educational Facilities Revenue Bond, Series 2005, Minnesota State College — Southeast Technical Foundation Acquisition of Land and Training Project February 28, 2005	February 28, 2015	951,595
Health Care Facilities Revenue Refunding Note, Series 2005 Sauer Memorial Home Project March 7, 2005	May 14, 2014	1,090,000
*Lease Revenue Bonds, Series 2007A & 2007B, Bluffview Montessori School Project November 1, 2007 (Refunded the Lease Revenue Bonds, Series 1999A & 1999B, which had been issued for $3,095,000)	December 1, 2037	5,055,000

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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CITY OF WINONA, MINNESOTA

BUDGETARY COMPARISON SCHEDULE — GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative total for 2007)

	2008				
	Budgeted Amounts			Variance With Final	2007
	Original	Final	Actual	Budget	Actual
REVENUES:					
General property taxes	$ 4,338,015	$ 4,338,015	$ 3,963,998	$ (374,017)	$ 3,737,111
Franchise fees	1,024,000	1,024,000	1,263,465	239,465	1,193,201
Licenses and permits	150,325	150,325	171,860	21,535	161,329
Fines and forfeits	295,000	295,000	254,135	(40,865)	253,614
Intergovernmental revenues	9,323,215	9,528,894	9,394,012	(134,882)	10,211,217
Investment earnings	150,000	150,000	320,053	170,053	536,865
Net (decrease) increase in fair value of investments			(140,219)	(140,219)	74,013
Charges for services	690,698	718,253	795,851	77,598	735,419
Contributions		14,347	22,199	7,852	40,006
Total revenues	15,971,253	16,218,834	16,045,354	(173,480)	16,942,775
EXPENDITURES:					
General government	3,471,924	3,422,432	2,878,659	543,773	2,953,557
Public safety	7,260,214	7,796,416	7,584,452	211,964	7,221,380
Highways and streets	3,011,837	3,623,836	3,226,034	397,802	2,700,374
Sanitation and waste removal	44,260	44,260	43,169	1,091	43,532
Economic development	323,666	406,281	385,293	20,988	282,694
Culture and recreation	1,692,665	1,834,992	1,878,654	(43,662)	1,728,791
Capital outlay	989,850	1,191,400	791,456	399,944	619,374
Total expenditures	16,794,416	18,319,617	16,787,717	1,531,900	15,549,702
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(823,163)	(2,100,783)	(742,363)	1,358,420	1,393,073
OTHER FINANCING SOURCES (USES):					
Operating transfers in	882,000	1,448,653	1,199,942	(248,711)	580,790
Operating transfers out	(53,537)	(61,834)	(421,834)	(360,000)	(1,591,300)
Total other financing sources (uses)	828,463	1,386,819	778,108	(608,711)	(1,010,510)
NET CHANGE IN FUND BALANCES	5,300	(713,964)	35,745	749,709	382,563
FUND BALANCE — January 1, 2008	8,364,592	8,364,592	8,364,592	-	7,982,029
FUND BALANCE — December 31, 2008	$ 8,369,892	$ 7,650,628	$ 8,400,337	$ 749,709	$ 8,364,592

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A. BUDGETS AND BUDGETARY ACCOUNTING

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

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

2 Public hearings are conducted to obtain taxpayer comments.

3. The budget is legally enacted through passage of a resolution.

4. The City Council has given authority to the following: the City Manager may authorize transfers of budgeted amounts between departments (of the same Director/Department Head) within any funds, and only the City Council may authorize the transfers of budgeted amounts between departments (which are not under the same Director/Department Head) within any fund, transfers of budgeted amounts between funds, and budget amendments.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, certain Special Revenue Funds, and certain Capital Projects Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.

6. Budgets are adopted on a basis consistent with GAAP.

7. Budgetary control is maintained at the expenditure category level (i.e., salaries and employee benefits, supplies, other services and charges, and capital outlay) within each activity. Budgetary control at the department or division level is required by the City Charter.

8. Budgeted amounts are as originally adopted, as revised by approved transfers, or as amended by the City Council.

   A proposed amendment to the budget is presented to the City Council as an agenda item. The agenda item is to include the amendment amount, the reason for the amendment, and the source of the money to fund the amendment.

   During the year there were increases of $1,458,714 in appropriations between the General Fund original and final amended budget. Following are some of the components of the increase:

   - $714,000 was added to various departments for encumbrances from December 31, 2007;
   - $190,000 was added to the Fire Department for the purchase of equipment through a FEMA grant;

- $142,000 was added to the Fire Department for the purchase of property adjacent to the Central Fire Station for future expansion;

- $123,000 was added to various departments for an energy savings program;

- $118,000 was added to the Engineering Department for Veterans Center contributions;

- $44,000 was added to the Parks Department for the Hiawatha Valley Marines Shelter at Lake Winona.

9. For the City and its component unit, annual appropriated budgets are legally adopted by the City Council for the General Fund, certain Special Revenue Funds (Senior Advocacy Program Fund for the primary government and the Port Authority — General Fund for the component unit), and certain Capital Projects Funds (Municipal State Aid Fund, Dike Construction Fund, and Permanent Improvement Revolving Construction Fund, all of which are part of the primary government).

10. For the year ended December 31, 2008, there were no annual appropriated budgets in which the actual expenditures exceeded the budget.

CITY OF WINONA, MINNESOTA

GENERAL FUND
SCHEDULE OF REVENUES — BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	2008			
	Final Budget	Actual	Variance	2007 Actual
GENERAL PROPERTY TAX:				
Ad valorem	$ 4,338,015	$ 3,904,791	$ (433,224)	$ 3,658,654
Delinquent ad valorem taxes		53,072	53,072	69,024
Penalties and interest		6,135	6,135	9,433
Total general property taxes	4,338,015	3,963,998	(374,017)	3,737,111
FRANCHISE FEES:				
Cable TV	224,000	278,395	54,395	258,003
Electric	800,000	985,070	185,070	935,198
Total franchise fees	1,024,000	1,263,465	239,465	1,193,201
LICENSES AND PERMITS:				
Business	123,700	135,132	11,432	126,006
Nonbusiness	26,625	36,728	10,103	35,323
Total licenses and permits	150,325	171,860	21,535	161,329
FINES AND FORFEITS — Other fines and forfeits	295,000	254,135	(40,865)	253,614
INTERGOVERNMENTAL REVENUES:				
Shared taxes:				
State aid maintenance	190,000	201,343	11,343	203,152
Payment in lieu of tax	17,000	19,464	2,464	20,007
State grants:				
Local government aid	8,408,186	7,865,988	(542,198)	8,530,373
Police training	13,385	15,621	2,236	14,873
Fire/police aid	300,000	272,196	(27,804)	403,291
Insurance aid	350,000	366,509	16,509	392,447
Market value credits		397,110	397,110	395,824
State grants restricted to programs	12,770	10,570	(2,200)	30,800
State grants not restricted to programs	27,646	27,854	208	30,733
Local — County road and bridge maintenance	19,434	23,884	4,450	117,415
Federal grants	190,473	193,473	3,000	72,302
Total intergovernmental revenues	9,528,894	9,394,012	(134,882)	10,211,217
INVESTMENT EARNINGS	150,000	320,053	170,053	536,865
NET (DECREASE)INCREASE IN FAIR VALUE OF INVESTMENTS	-	(140,219)	(140,219)	74,013

(Continued)

CITY OF WINONA, MINNESOTA

GENERAL FUND
SCHEDULE OF REVENUES — BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	2008			
	Final Budget	Actual	Variance	2007 Actual
CHARGES FOR SERVICES:				
General government	$ 6,300	$ 7,250	$ 950	$ 10,701
Public safety	56,690	59,304	2,614	59,688
Public works	1,000	1,310	310	1,640
Inspections	70,810	70,810	-	75,139
Investment fee	43,000	43,000	-	43,000
Admininistrative fee — Lodging tax	13,000	14,342	1,342	14,933
Recreation	40,000	65,356	25,356	66,183
Water and sewer	132,098	132,098	-	128,250
Port Authority	294,695	294,323	(372)	275,119
Rents	23,680	33,007	9,327	25,481
Commissions on sales	6,000	7,964	1,964	8,327
Refunds and reimbursements	28,816	61,238	32,422	23,740
Other	2,164	5,849	3,685	3,218
Total charges for services	718,253	795,851	77,598	735,419
CONTRIBUTIONS — Contributions	14,347	22,199	7,852	40,006
Total revenues	$ 16,218,834	$ 16,045,354	$ (173,480)	$ 16,942,775

(Concluded)

CITY OF WINONA, MINNESOTA

GENERAL FUND
SCHEDULE OF EXPENDITURES — BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	2008			
	Final Budget	Actual	Variance	2007 Actual
GENERAL GOVERNMENT:				
Mayor — council:				
Salaries and employee benefits	$ 98,935	$ 96,534	$ 2,401	$ 101,765
Supplies	56,306	56,204	102	62,328
Other services and charges	368,920	355,511	13,409	395,697
Total mayor — council	524,161	508,249	15,912	559,790
City clerk:				
Salaries and employee benefits	144,062	155,348	(11,286)	125,742
Supplies	20,960	1,528	19,432	16,632
Other services and charges	9,979	8,649	1,330	9,413
Total city clerk	175,001	165,525	9,476	151,787
City manager:				
Salaries and employee benefits	215,027	224,151	(9,124)	211,050
Supplies	15,800	11,369	4,431	6,444
Other services and charges	16,911	13,273	3,638	13,458
Total city manager	247,738	248,793	(1,055)	230,952
Elections and voter registration:				
Salaries and employee benefits	26,948	24,251	2,697	
Supplies	2,555	3,159	(604)	853
Other services and charges	2,245	2,109	136	
Total elections and voter registration	31,748	29,519	2,229	853
Finance:				
Salaries and employee benefits	612,502	497,876	114,626	473,172
Supplies	56,330	37,908	18,422	77,869
Other services and charges	573,371	272,371	301,000	298,035
Capital outlay	61,250	16,151	45,099	7,576
Total finance	1,303,453	824,306	479,147	856,652
Independent audit —				
Other services and charges	99,600	87,513	12,087	92,022
Assessing —				
Other services and charges	96,000	95,500	500	92,200
Legal:				
Supplies	6,903	6,903	-	6,073
Other services and charges	298,963	298,963	-	288,046
Total legal	305,866	305,866	-	294,119
Charter commission —				
Supplies	80		80	

(Continued)

CITY OF WINONA, MINNESOTA

GENERAL FUND
SCHEDULE OF EXPENDITURES — BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	2008			
	Final Budget	Actual	Variance	2007 Actual
GENERAL GOVERNMENT (continued):				
Merit board —				
Other services and charges	$ 5,700	$ 3,948	$ 1,752	$ 4,524
Human rights commission —				
Other services and charges	1,550	1,518	32	1,365
Cable television commission —				
Other services and charges	775	496	279	153
Fine arts commission:				
Supplies	500		500	169
Other services and charges	1,500	1,489	11	950
Total fine arts commission	2,000	1,489	511	1,119
Human resources:				
Salaries and employee benefits	87,239	88,036	(797)	88,158
Supplies	600	405	195	11
Other services and charges	14,560	7,107	7,453	9,493
Total human resources	102,399	95,548	6,851	97,662
Planning:				
Salaries and employee benefits	226,263	213,591	12,672	228,178
Supplies	12,000	3,339	8,661	5,061
Other services and charges	35,546	27,662	7,884	55,394
Total planning	273,809	244,592	29,217	288,633
Building maintenance:				
Salaries and employee benefits	134,718	141,560	(6,842)	126,973
Supplies	73,540	67,193	6,347	58,535
Other services and charges	36,253	28,062	8,191	32,378
Total building maintenance	244,511	236,815	7,696	217,886
Central communications:				
Supplies	7,850	7,698	152	7,305
Other services and charges	60,293	37,435	22,858	64,111
Total central communications	68,143	45,133	23,010	71,416
Contingency —				
Other services and charges	1,148		1,148	
Total general government	3,483,682	2,894,810	588,872	2,961,133

(Continued)

CITY OF WINONA, MINNESOTA

GENERAL FUND
SCHEDULE OF EXPENDITURES — BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	2008			
	Final Budget	Actual	Variance	2007 Actual
PUBLIC SAFETY:				
Police:				
Salaries and employee benefits	$ 3,915,984	$ 3,848,144	$ 67,840	$ 3,712,423
Supplies	205,118	177,274	27,844	184,317
Other services and charges	232,771	286,082	(53,311)	283,300
Capital outlay	127,000	112,472	14,528	85,204
Total police	4,480,873	4,423,972	56,901	4,265,244
Fire:				
Salaries and employee benefits	2,666,963	2,555,305	111,658	2,535,275
Supplies	380,523	370,418	10,105	151,298
Other services and charges	155,285	146,880	8,405	159,498
Capital outlay	270,372	144,877	125,495	127,313
Total fire	3,473,143	3,217,480	255,663	2,973,384
Emergency management:				
Other services and charges	74,108	71,694	2,414	83,809
Capital outlay			-	
Total emergency management	74,108	71,694	2,414	83,809
Safety and health coordinator:				
Salaries and employee benefits	67,814	73,742	(5,928)	68,469
Supplies	13,425	11,543	1,882	6,768
Other services and charges	15,960	10,514	5,446	14,112
Total safety and health coordinator	97,199	95,799	1,400	89,349
Flood control:				
Supplies	27,635	28,709	(1,074)	16,019
Other services and charges	40,830	4,147	36,683	6,092
Total flood control	68,465	32,856	35,609	22,111
Total public safety	8,193,788	7,841,801	351,987	7,433,897
HIGHWAYS AND STREETS:				
Engineering:				
Salaries and employee benefits	419,672	375,971	43,701	405,945
Supplies	31,850	9,371	22,479	8,797
Other services and charges	292,085	163,159	128,926	27,489
Capital outlay			-	34,059
Total engineering	743,607	548,501	195,106	476,290
Streets and alleys:				
Salaries and employee benefits	968,500	987,327	(18,827)	940,897
Supplies	375,000	375,593	(593)	310,408
Other services and charges	451,192	335,550	115,642	412,849
Capital outlay	163,000	156,562	6,438	13,883
Total streets and alleys	1,957,692	1,855,032	102,660	1,678,037

(Continued)

CITY OF WINONA, MINNESOTA

GENERAL FUND
SCHEDULE OF EXPENDITURES — BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	2008			
	Final Budget	Actual	Variance	2007 Actual
HIGHWAYS AND STREETS (continued):				
Highways and street lighting:				
Supplies	$ 248,000	$ 236,145	$ 11,855	$ 227,796
Other services and charges	18,000	46,177	(28,177)	7,796
Total highways and street lighting	266,000	282,322	(16,322)	235,592
Central garage:				
Salaries and employee benefits	283,960	292,129	(8,169)	264,854
Supplies	108,752	21,781	86,971	63,885
Other services and charges	196,025	382,831	(186,806)	29,658
Capital outlay	239,100	8,117	230,983	
Total central garage	827,837	704,858	122,979	358,397
Total highways and streets	3,795,136	3,390,713	404,423	2,748,316
SANITATION AND WASTE REMOVAL —				
Compost site:				
Other services and charges	44,260	43,169	1,091	43,532
Capital outlay	5,131	7,811	(2,680)	20,000
Total compost site	49,391	50,980	(1,589)	63,532
ECONOMIC DEVELOPMENT:				
Community development:				
Salaries and employee benefits	224,662	238,783	(14,121)	222,286
Supplies	8,000	2,436	5,564	2,358
Other services and charges	42,604	60,978	(18,374)	20,278
Total community development	275,266	302,197	(26,931)	244,922
Community Development Matching:				
Salaries and employee benefits	56,015	56,106	(91)	36,963
Supplies		159	(159)	371
Other services and charges	75,000	26,831	48,169	438
Total community development matching	131,015	83,096	47,919	37,772
Total economic development	406,281	385,293	20,988	282,694
CULTURE AND RECREATION —				
Park maintenance:				
Salaries and employee benefits	1,288,034	1,286,264	1,770	1,265,939
Supplies	224,748	232,622	(7,874)	267,036
Other services and charges	322,210	359,768	(37,558)	195,816
Capital outlay	556,347	345,466	210,881	331,339
Total park maintenance	2,391,339	2,224,120	167,219	2,060,130
Total culture and recreation	2,391,339	2,224,120	167,219	2,060,130
Total expenditures	$ 18,319,617	$ 16,787,717	$ 1,531,900	$ 15,549,702

(Concluded)

OTHER SUPPLEMENTARY INFORMATION

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Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Emergency Fund — Established to account for residential rehabilitation projects funded by repayments of previous rental rehabilitation projects.

Athletic Fund — Established pursuant to an agreement which creates a board to control, administer, and care for certain properties within the City.

Senior Advocacy Program Fund — Established to record the receipt of federal revenues used for various support services for senior citizens.

Library Memorials Fund — Established to account for the proceeds of estates donated to the City to be used for the public library.

Downtown - 1990 Community Development (C.D.) Loan Fund — Established to account for the repayment of loans from the 1990 Downtown Redevelopment Grant.

Downtown - 1994 Community Development (C.D.) Loan Fund — Established to account for the repayment of loans from the 1994 Downtown Redevelopment Grant.

Metro Plains Housing Fund — Established to facilitate the development of rental housing for low- and moderate-income people in the former Winona Middle School building.

West Central Revitalization Fund — Established to account for the rehabilitation of single family properties in the neighborhood surrounding the Habitat Jimmy Carter project.

Center City Rehab Fund — Established to assist in a commercial and housing rehabilitation loan program for the core area of the City.

Debt Service Funds

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

1999B G.O. Sales Tax Revenue Bond Fund — Established to account for revenues primarily from Winona sales and use tax and motor vehicle excise tax proceeds to pay for the debt service of the 1999B G.O. Sales Tax Revenue Bond. The proceeds of the bond were used to finance the costs associated with dredging Lake Winona and relocating the dredge material to the Riverbend Industrial Park.

Equipment Certificates of Indebtedness (2006A) Fund — Established to account for property tax proceeds and debt service on the 2006A G.O. Equipment Certificates.

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition, construction, or improvement of major capital facilities or sites other than those financed by proprietary funds and trust funds.

Municipal State Aid Fund — Established to account for both the revenues received for State Aid road construction projects and the expenditures of related State Aid road construction projects.

Dike Construction Fund — Established to account for the revenues and the expenditures related to the City's flood control project (expenditures are mostly for City dike improvements).

Park Site Fund — Established to account for revenues from subdivision development for the purpose of park acquisition and park improvements.

Engineering Department Projects Fund — Established to account for property tax and other revenues to finance Engineering Department capital improvement projects that are not included in an individual fund.

Boiler Construction Fund — Established to account for revenues and expenditures relating to improvements to City Hall's heating and cooling systems. The Equipment Replacement Internal Service Fund had been the source of funding for this project.

City Building Improvements Fund — Established to account for revenues and expenditures relating to the improvements of City buildings.

City Equipment Fund — Established to account for the proceeds of the 2006A G.O. Equipment Certificates used to purchase equipment and vehicles for the police, fire, emergency management, streets, and park maintenance departments.

Infrastructure Revolving Fund — Established to front capital improvement projects (with reimbursement to be made back to this fund) or finance capital projects (with no reimbursement back to this fund). These are projects that are included in the Capital Improvement Plan (CIP). The project must appear in the CIP for at least two years, and no more than 50% of the project costs would be contributed by this fund.

Street Reconstruction Fund — Established to account for property tax and other revenues to finance the annual street reconstruction project within the City.

High Wagon Bridge Reconstruction Fund — Established to account for revenues and expenditures for the reconstruction of the High Wagon Bridge project.

Aghaghming Park Construction Funds — Established to account for Aghaghming Park projects.

Softball Field Development Fund — Established to account for revenues from softball fees that are to be used for softball field development.

Bud King Ice Renovation Fund — Established to account for the 2006 renovation of the Ice Arena.

Bambenek Field #1Fund — Established to account for upgrades and improvements to the softball field by the lake known as Bambenek Field #1.

Permanent Funds

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the City's programs.

Bell Art Endowment Fund — Created pursuant to the bequest by Frederick Somers Bell, a $5,000 gift was given to the Winona Public Library. The principal is to be kept intact, and only the interest of the fund may be used for the purchase of books in the general field of art, including architecture, music, and the like.

Laird and Bell Endowment Fund — Established pursuant to the bequests of William H. Laird and Francis Laird Bell, the $10,000 of principal is to be kept intact. The interest may only be used for the maintenance, repair, decoration, and redecoration of the Laird Library building.

C. M. Youman Memorial Fund — Created pursuant to a bequest of $2,000 by C. M. Youman, the principal is to be kept intact. The interest may only be used for general park purposes, which may include acquiring new park ground.

H. C. Garvin Winona Civic Fund — Established pursuant to H. C. Garvin's bequest of $35,000 to the City, the principal is to be kept intact. The interest may only be used for certain areas on Garvin Heights and for the care and maintenance of Windom Square Park.

Dr. C. A. Rohrer Fund — Established pursuant to a $2,000 bequest by Dr. C. A. Rohrer, the principal is to be kept intact. The interest may only be used for the betterment of the Lake Winona gardens and park.

Leonhard Fried Educational Fund — Created pursuant to the bequest made by Leonhard Fried, the Winona National Bank is the trustee of the estate. The net income derived from the trust is to be an annual gift to the Winona Public Library for the purchase of books and other educational materials.

Mielimonka Library Fund — Created pursuant to the bequest of Dieter and Denise Mielimonka, a $2,000 gift was given to the Winona Public Library. The principal is kept intact, and only the interest of the fund may be used for the purchase of library materials.

CITY OF WINONA, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2008 (with comparative totals for 2007)

	Special Revenue				
ASSETS	**Emergency**	**Athletic**	**Senior Advocacy Program**	**Library Memorials**	**Downtown 1990 C.D. Loan**
Cash and cash equivalents	$ 11,448	$ 13,508	$ 7,776	$ 324,350	$ 89,987
Restricted investments					
Receivables — Net:					
Taxes					
Customers and other					
Due from other governmental units					
Due from other funds					43,067
Accrued interest on investments		12		290	
TOTAL	$ 11,448	$ 13,520	$ 7,776	$ 324,640	$ 133,054
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES:					
Accounts payable	$ -	$ -	$ 1,186	$ -	$ -
Due to other funds					
Accrued salaries and compensated absences			18,460		
Deferred revenue	41				
Total liabilities	41	-	19,646	-	-
FUND BALANCES (DEFICITS):					
Reserved	11,407	13,520		324,640	133,054
Reserved — Endowment					
Reserved — Current					
Unreserved — Designated					
Unreserved — Undesignated			(11,870)		
Total fund balances (deficits)	11,407	13,520	(11,870)	324,640	133,054
TOTAL	$ 11,448	$ 13,520	$ 7,776	$ 324,640	$ 133,054

					Debt Service		
Downtown 1994 C.D. Loan	Metro Plains Housing	West Central Revitalization	Central City Rehab	Special Revenue Total	1999B G.O. Sales Tax Revenue Bond	Equipment Certificates (2006A)	Debt Service Total
$ 154,437	$ 6,256	$ 105,054	$ 22,333	$ 735,149	$ 131,087	$ 307,594	$ 438,681
				-		-	
				-		2,013	2,013
				-		-	
			21,559	21,559		1,738	1,738
				43,067			
				302	117	275	392
$ 154,437	$ 6,256	$ 105,054	$ 43,892	$ 800,077	$ 131,204	$ 311,620	$ 442,824
$ -	$ 6,199	$ -	$ 600	$ 7,985	$ -	$ 260	$ 260
			43,067	43,067		-	
				18,460		-	
263				304		2,013	2,013
263	6,199	-	43,667	69,816	-	2,273	2,273
154,174	57	105,054	225	742,131	131,204	309,347	440,551
				-			-
				-			-
				-			-
				(11,870)			-
154,174	57	105,054	225	730,261	131,204	309,347	440,551
$ 154,437	$ 6,256	$ 105,054	$ 43,892	$ 800,077	$ 131,204	$ 311,620	$ 442,824

CITY OF WINONA, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2008 (with comparative totals for 2007)

ASSETS	Municipal State Aid	Dike Construction	Park Site	Engineering Department Projects	Boiler Construction	City Building Improve-ments
Cash and cash equivalents	$ 19,610	$ 200,734	$ 103,342	$ 158,650	$ -	$ 2,505
Restricted investments						
Receivables — Net:						
Taxes						
Customers and other						
Due from other governmental units				304		
Due from other funds						
Accrued interest on investments	18	180	93	142		
TOTAL	$ 19,628	$ 200,914	$ 103,435	$ 159,096	$ -	$ 2,505
LIABILITIES AND FUND BALANCES (DEFICITS)						
LIABILITIES:						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -
Due to other funds						
Accrued salaries and compensated absences						
Deferred revenue						
Total liabilities	-	-	-	-	-	-
FUND BALANCES (DEFICITS):						
Reserved	19,628	200,914	103,435	159,096		2,505
Reserved — Endowment						
Reserved — Current						
Unreserved — Designated						
Unreserved — Undesignated						
Total fund balances (deficits)	19,628	200,914	103,435	159,096	-	2,505
TOTAL	$ 19,628	$ 200,914	$ 103,435	$ 159,096	$ -	$ 2,505

Capital Projects

City Equipment	Infra-structure Revolving	Street Recon-struction	High Wagon Bridge Recon-struction	Aghaghming Park Construction	Softball Field Development	Bambenek Field #1	Capital Projects Total
$ 99,648	$ 1,580,266	$ 3,140	$ 138,172	$ 1,819	$ 92,466	$ 18,406	$ 2,418,758
							-
	8						8
						17,566	17,566
							304
							-
89	1,414		124		80		2,140
$ 99,737	$ 1,581,688	$ 3,140	$ 138,296	$ 1,819	$ 92,546	$ 35,972	$ 2,438,776
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
							-
							-
	8		4,210				4,218
-	8	-	4,210	-	-	-	4,218
99,737		3,140	134,086	1,819	92,546	35,972	852,878
							-
	1,581,680						1,581,680
							-
99,737	1,581,680	3,140	134,086	1,819	92,546	35,972	2,434,558
$ 99,737	$ 1,581,688	$ 3,140	$ 138,296	$ 1,819	$ 92,546	$ 35,972	$ 2,438,776

CITY OF WINONA, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AS OF DECEMBER 31, 2008 (with comparative totals for 2007)

	Permanent Funds				
ASSETS	**Bell Art Endow-ment**	**Laird and Bell Endowment**	**C.M. Youman Memorial**	**H.C. Garvin Winona Civic**	**Dr. C. A. Rohrer**
Cash and cash equivalents	$ -	$ -	$ -	$ -	$ -
Restricted investments	5,446	12,236	11,451	227,552	17,243
Receivables — Net:					
Taxes					
Customers and other					
Due from other governmental units					
Due from other funds					
Accrued interest on investments		11	10	204	15
TOTAL	$ 5,446	$ 12,247	$ 11,461	$ 227,756	$ 17,258
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES:					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds					
Accrued salaries and compensated absences					
Deferred revenue					
Total liabilities	-	-	-	-	-
FUND BALANCES (DEFICITS):					
Reserved					
Reserved — Endowment	5,000	10,000	2,000	35,000	2,000
Reserved — Current	446	2,247	9,461	192,756	15,258
Unreserved — Designated					
Unreserved — Undesignated					
Total fund balances (deficits)	5,446	12,247	11,461	227,756	17,258
TOTAL	$ 5,446	$ 12,247	$ 11,461	$ 227,756	$ 17,258

Leonhard Fried Educational	Mielimonka Library	Permanent Funds Total	Total Nonmajor Governmental Funds 2008	Total Nonmajor Governmental Funds 2007
$ -	$ -	$ -	$ 3,592,588	$ 3,563,148
32,465	2,162	308,555	308,555	301,256
		-	2,021	2,746
121		121	17,687	332
		-	23,601	7,478
		-	43,067	6,096
		240	3,074	16,998
$ 32,586	$ 2,162	$ 308,916	$ 3,990,593	$ 3,898,054
$ -	$ -	$ -	$ 8,245	$ 7,480
		-	43,067	6,096
		-	18,460	14,417
		-	6,535	7,482
-	-	-	76,307	35,475
			2,035,560	2,043,092
	2,000	56,000	56,000	56,000
32,586	162	252,916	252,916	246,895
		-	1,581,680	1,529,254
		-	(11,870)	(12,662)
32,586	2,162	308,916	3,914,286	3,862,579
$ 32,586	$ 2,162	$ 308,916	$ 3,990,593	$ 3,898,054

CITY OF WINONA, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	Special Revenue					
	Emergency	Athletic	Senior Advocacy Program	Library Memorials	Downtown 1990 C.D. Loan	Downtown 1994 C.D. Loan
REVENUES:						
General property taxes	$ -	$ -	$ -	$ -	$ -	$ -
Intergovernmental revenues	10,410		22,288			
Investment earnings		474	895	9,810		
Net decrease in fair value of investments						
Charges for services	6,414	1,000	30,778	30,897		18,643
Total revenues	16,824	1,474	53,961	40,707	-	18,643
EXPENDITURES:						
General government			105,029			
Economic development	21,537					
Culture and recreation		2,600				
Capital outlay						
Debt service:						
Bond principal						
Interest and other expenditures						
Total expenditures	21,537	2,600	105,029	-	-	-
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(4,713)	(1,126)	(51,068)	40,707	-	18,643
OTHER FINANCING SOURCES (USES):						
Transfers to other funds						
Transfers from other funds	10,000		51,834			
Total other financing sources (uses)	10,000	-	51,834	-	-	-
NET CHANGE IN FUND BALANCES	5,287	(1,126)	766	40,707		18,643
FUND BALANCES (DEFICITS) — January 1, 2008	6,120	14,646	(12,636)	283,933	133,054	135,531
FUND BALANCES (DEFICITS) — December 31, 2008	$ 11,407	$ 13,520	$ (11,870)	$ 324,640	$ 133,054	$ 154,174

				Debt Service		
Metro Plains Housing	West Central Revitalization	Central City Rehab	Special Revenue Total	1999B G.O. Sales Tax Revenue Bond	Equipment Certificates (2006A)	Debt Service Total
$ 12,398	$ -	$ -	$ 12,398	$ -	$ 130,966	$ 130,966
		317,621	350,319		13,128	13,128
12			11,191	4,141	6,680	10,821
			-			-
		18,213	105,945			-
12,410	-	335,834	479,853	4,141	150,774	154,915
			105,029			-
12,398		334,874	368,809			-
			2,600			-
			-			-
			-		110,000	110,000
			-		24,322	24,322
12,398	-	334,874	476,438	-	134,322	134,322
12	-	960	3,415	4,141	16,452	20,593
		(709)	(709)			-
			61,834			-
-	-	(709)	61,125	-	-	-
12		251	64,540	4,141	16,452	20,593
45	105,054	(26)	665,721	127,063	292,895	419,958
$ 57	$ 105,054	$ 225	$ 730,261	$ 131,204	$ 309,347	$ 440,551

CITY OF WINONA, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	Municipal State Aid	Dike Construction	Park Site	Engineering Department Projects	Boiler Construction	City Building Improve-ments
REVENUES:						
General property taxes	$ -	$ -	$ -	$ 23,023	$ -	$ -
Intergovernmental revenues	604,029			43,898		
Investment earnings	12,256	6,347	3,268	6,715		79
Net decrease in fair value of investments						
Charges for services						
Total revenues	616,285	6,347	3,268	73,636	-	79
EXPENDITURES:						
General government						
Economic development						
Culture and recreation						
Capital outlay				148,908		
Debt service:						
Bond principal						
Interest and other expenditures						
Total expenditures	-	-	-	148,908	-	-
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	616,285	6,347	3,268	(75,272)	-	79
OTHER FINANCING SOURCES (USES):						
Transfers to other funds	(604,029)					
Transfers from other funds						
Total other financing sources (uses)	(604,029)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	12,256	6,347	3,268	(75,272)	-	79
FUND BALANCES (DEFICITS) — January 1, 2008	7,372	194,567	100,167	234,368	-	2,426
FUND BALANCES (DEFICITS) — December 31, 2008	$ 19,628	$ 200,914	$ 103,435	$ 159,096	$ -	$ 2,505

Capital Projects

City Equipment	Infra-structure Revolving	Street Recon-struction	High Wagon Bridge Recon-struction	Aghaghming Park Construction	Softball Field Development	Bud King Ice Renovation	Bambenek Field #1	Capital Projects Total
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 23,023
							240,404	888,331
3,151	49,869	95	4,248	57	4,866		876	91,827
								-
	2,557		4,210		8,850			15,617
3,151	52,426	95	8,458	57	13,716	-	241,280	1,018,798
								-
								-
							480,808	480,808
								148,908
								-
								-
-	-	-	-	-	-	-	480,808	629,716
3,151	52,426	95	8,458	57	13,716	-	(239,528)	389,082
					(100,000)			(704,029)
							275,500	275,500
-	-	-	-	-	(100,000)	-	275,500	(428,529)
3,151	52,426	95	8,458	57	(86,284)	-	35,972	(39,447)
96,586	1,529,254	3,045	125,628	1,762	178,830	-		2,474,005
$ 99,737	$ 1,581,680	$ 3,140	$ 134,086	$ 1,819	$ 92,546	$ -	$ 35,972	$ 2,434,558

CITY OF WINONA, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	Permanent Funds				
	Bell Art Endow-ment	Laird and Bell Endowment	C.M. Youman Memorial	H.C. Garvin Winona Civic	Dr. C. A. Rohrer
REVENUES:					
General property taxes	$ -	$ -	$ -	$ -	$ -
Intergovernmental revenues					
Investment earnings	166	385	362	7,194	546
Net decrease in fair value of investments					
Charges for services					
Total revenues	166	385	362	7,194	546
EXPENDITURES:					
General government					
Economic development					
Culture and recreation					
Capital outlay					
Debt service:					
Bond principal					
Interest and other expenditures					
Total expenditures	-	-	-	-	-
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	166	385	362	7,194	546
OTHER FINANCING SOURCES (USES):					
Transfers to other funds					
Transfers from other funds					
Total other financing sources (uses)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	166	385	362	7,194	546
FUND BALANCES (DEFICITS) — January 1, 2008	5,280	11,862	11,099	220,562	16,712
FUND BALANCES (DEFICITS) — December 31, 2008	$ 5,446	$ 12,247	$ 11,461	$ 227,756	$ 17,258

Leonhard Fried Educational	Mielimonka Library	Permanent Funds Total	Total Nonmajor Governmental Funds 2008	Total Nonmajor Governmental Funds 2007
$ -	$ -	$ -	$ 166,387	$ 150,132
		-	1,251,778	69,344
352	67	9,072	122,911	170,543
(3,051)		(3,051)	(3,051)	(221)
		-	121,562	103,081
(2,699)	67	6,021	1,659,587	492,879
		-	105,029	120,335
		-	368,809	83,217
		-	483,408	952
		-	148,908	129,465
		-	110,000	110,000
		-	24,322	27,405
-	-	-	1,240,476	471,374
(2,699)	67	6,021	419,111	21,505
		-	(704,738)	(639,232)
		-	337,334	47,263
-	-	-	(367,404)	(591,969)
(2,699)	67	6,021	51,707	(570,464)
35,285	2,095	302,895	3,862,579	4,433,043
$ 32,586	$ 2,162	$ 308,916	$ 3,914,286	$ 3,862,579

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INTERNAL SERVICE FUNDS

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

Health Insurance Fund — Established to account for the City's health self-insurance activities.

Law Enforcement Labor Services (LELS) Fund — Established to account for the police officers' and the police sergeants' health insurance activities. Also includes the prepaid amounts for health insurance for specific retirees.

Employee Benefit Fund — Established to accrue all unused employee vacation, sick leave, and compensation time for the governmental funds of the City. The Employee Benefit Fund's revenues are derived from direct charges to the City's governmental funds.

Risk Management Fund — Established to account for the revenues from dividends of property/casualty and workers' compensation insurance programs. For the property program, it may finance the uninsured items and pay out the annual premium cost prior to department distribution. For the workers' compensation program, it may absorb the annual fluctuations in this cost.

Equipment Replacement Fund — Established to begin an Equipment Revolving Schedule. In the future, this fund is to account for the acquisition of machinery and equipment, and user charges will be billed to various City departments.

Facilities Fund — Established to begin a Facilities Schedule that will account for the replacement, development, and large-type maintenance of the City's buildings and structures.

Infrastructure Replacement Fund — Established to begin a schedule to replace the City's infrastructure.

CITY OF WINONA, MINNESOTA

INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
AS OF DECEMBER 31, 2008 (with comparative totals for 2007)

	Health Insurance	LELS Health	Employee Benefit	Risk Manage-ment
ASSETS				
Cash and cash equivalents	$ 541,472	$ 56,047	$ 3,368,994	$ 1,025,915
Receivables — Net —				
Customers and other				
Due from other funds				
Accrued interest on investments	485			945
TOTAL	$ 541,957	$ 56,047	$ 3,368,994	$ 1,026,860
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable	$ 1,999	$ 55,983	$ -	$ 752
Accrued salaries and compensation			2,665,906	
Deferred revenue	879			
Outstanding and incurred, but not reported claims	119,452			
Total liabilities	122,330	55,983	2,665,906	752
FUND BALANCES:				
Reserved	419,627	64	703,088	648,350
Unreserved reported in — Internal Service Fund				377,758
Total fund balances	419,627	64	703,088	1,026,108
TOTAL	$ 541,957	$ 56,047	$ 3,368,994	$ 1,026,860

Equipment Replace-ment	Facilities	Infrastructure Replace-ment	Total 2008	Total 2007
$ 3,690,684	$ 302,720	$ 621,151	$ 9,606,983	$ 10,121,881
			-	2,007
	1,000,000		1,000,000	1,300,000
3,295	150	449	5,324	26,888
$ 3,693,979	$ 1,302,870	$ 621,600	$ 10,612,307	$ 11,450,776
$ -	$ -	$ -	$ 58,734	$ 11,531
			2,665,906	2,519,863
			879	53,855
			119,452	205,592
-	-	-	2,844,971	2,790,841
3,693,979	1,302,870	621,600	7,389,578	8,376,003
			377,758	283,932
3,693,979	1,302,870	621,600	7,767,336	8,659,935
$ 3,693,979	$ 1,302,870	$ 621,600	$ 10,612,307	$ 11,450,776

CITY OF WINONA, MINNESOTA

INTERNAL SERVICE FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	Health Insurance	LELS Health	Employee Benefit	Risk Manage-ment
OPERATING REVENUES:				
Charges to city departments	$ 1,444,244	$ -	$ -	$ -
Other charges and services	314,985		150,910	
Refunds and reimbursements	86,140			195,878
Total operating revenues	1,845,369	-	150,910	195,878
OPERATING EXPENSES:				
Salaries and employee benefits			150,910	
Health insurance claims and fees	1,507,734			
Health insurance stop-loss premium	241,048			
Contractual services	332,688			47,040
Total operating expenses	2,081,470	-	150,910	47,040
OPERATING (LOSS) INCOME	(236,101)	-	-	148,838
NONOPERATING REVENUES:				
Investment earnings	21,960			28,931
Total nonoperating revenues	21,960	-	-	28,931
(LOSS) INCOME BEFORE TRANSFERS	(214,141)	-	-	177,769
TRANSFERS IN				
TRANSFERS OUT				(30,000)
(DECREASE) INCREASE IN NET ASSETS	(214,141)			147,769
NET ASSETS — Beginning of year	633,768	64	703,088	878,339
NET ASSETS — End of year	$ 419,627	$ 64	$ 703,088	$ 1,026,108

Equipment Replace-ment	Facilities	Infrastructure Replace-ment	Totals 2008	Totals 2007
$ -	$ -	$ -	$ 1,444,244	$ 1,380,640
	1,219		467,114	532,678
15,845			297,863	119,574
15,845	1,219	-	2,209,221	2,032,892
			150,910	111,361
			1,507,734	1,349,134
			241,048	197,354
			379,728	397,340
-	-	-	2,279,420	2,055,189
15,845	1,219	-	(70,199)	(22,297)
126,172	19,662	15,863	212,588	281,566
126,172	19,662	15,863	212,588	281,566
142,017	20,881	15,863	142,389	259,269
135,000	135,000	120,000	390,000	1,529,119
(477,180)	(917,808)		(1,424,988)	(670,128)
(200,163)	(761,927)	135,863	(892,599)	1,118,260
3,894,142	2,064,797	485,737	8,659,935	7,541,675
$ 3,693,979	$ 1,302,870	$ 621,600	$ 7,767,336	$ 8,659,935

CITY OF WINONA, MINNESOTA

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	Health Insurance	LELS Health	Employee Benefit	Risk Manage-ment
CASH FLOWS FROM OPERATING ACTIVITIES:				
Receipts from customers	$ 1,847,376	$ -	$ 150,910	$ 195,878
Service charges			146,043	
Payments to suppliers	(2,168,575)		(150,910)	(54,856)
Net cash (used in) provided by operating activities	(321,199)	-	146,043	141,022
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Deferred revenue — increase	36	2,972		
Deferred revenue — decrease				
Due from other funds				
Transfers to other funds				(30,000)
Transfers from other funds				
Net cash provided by (used in) noncapital financing activities	36	2,972	-	(30,000)
CASH FLOWS FROM INVESTING ACTIVITIES —				
Interest received	25,615	-	-	32,352
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(295,548)	2,972	146,043	143,374
CASH AND CASH EQUIVALENTS — Beginning of year	837,020	53,075	3,222,951	882,541
CASH AND CASH EQUIVALENTS — End of year	$ 541,472	$ 56,047	$ 3,368,994	$ 1,025,915
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:				
Operating (loss) income	$ (236,101)	$ -	$ -	$ 148,838
Adjustments to reconcile operating (loss) income to net cash (used in) provided by operating activities —				
Changes in assets and liabilities:				
Customer receivables	2,007			
Accounts payable	(87,105)			(7,816)
Other accrued liabilities			146,043	
Net cash (used in) provided by operating activities	$ (321,199)	$ -	$ 146,043	$ 141,022

Equipment Replace-ment	Facilities	Infrastructure Replace-ment	Total 2008	Total 2007
$ 15,845	$ -	$ -	$ 2,210,009	$ 2,031,293
	1,219		147,262	111,361
			(2,374,341)	(2,099,312)
15,845	1,219	-	(17,070)	43,342
			3,008	33,205
			-	(18,845)
	300,000		300,000	(1,000,000)
(477,180)	(917,808)		(1,424,988)	(670,128)
135,000	135,000	120,000	390,000	1,529,119
(342,180)	(482,808)	120,000	(731,980)	(126,649)
139,730	20,963	15,492	234,152	285,242
(186,605)	(460,626)	135,492	(514,898)	201,935
3,877,289	763,346	485,659	10,121,881	9,919,946
$ 3,690,684	$ 302,720	$ 621,151	$ 9,606,983	$ 10,121,881
$ 15,845	$ 1,219	$ -	$ (70,199)	$ (22,297)
			2,007	(1,599)
			(94,921)	(44,122)
			146,043	111,360
$ 15,845	$ 1,219	$ -	$ (17,070)	$ 43,342

CITY OF WINONA, MINNESOTA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES — TOURISM PROMOTION AGENCY FUND
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	Beginning Balance	Increases	Decreases	Ending Balance 2008	Ending Balance 2007
ASSETS:					
Cash and cash equivalents	$ -	$ 260,676	$ 260,651	$ 25	$ -
Accounts receivable	13,838	14,284	13,838	14,284	13,838
Total assets	$ 13,838	$ 274,960	$ 274,489	$ 14,309	$ 13,838
LIABILITIES —					
Accounts payable — total liabilities	$ 13,838	$ 261,121	$ 260,650	$ 14,309	$ 13,838

CITY OF WINONA, MINNESOTA

SENIOR ADVOCACY PROGRAM
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	2008				
	Budgeted Amounts			Variance With Final	2007
	Original	Final	Actual	Budget	Actual
REVENUES:					
Intergovernmental — Federal	$ 22,288	$ 22,288	$ 22,288	$ -	$ 22,288
Investment earnings	500	500	895	395	1,015
Charges for services	30,650	30,650	30,778	128	30,423
Total revenues	53,438	53,438	53,961	523	53,726
EXPENDITURES —					
Current:					
Salaries and employee benefits	89,769	100,759	89,986	10,773	103,171
Contractual services	5,206	2,513	9,102	(6,589)	2,380
Supplies	2,000	2,000	5,941	(3,941)	111
Total expenditures	96,975	105,272	105,029	243	105,662
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(43,537)	(51,834)	(51,068)	766	(51,936)
OTHER FINANCING SOURCES —					
Operating transfers in	43,537	51,834	51,834	-	47,263
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	-	-	766	766	(4,673)
FUND DEFICIT — Beginning of year	(12,636)	(12,636)	(12,636)	-	(7,963)
FUND DEFICIT — End of year	$ (12,636)	$ (12,636)	$ (11,870)	$ 766	$ (12,636)

CITY OF WINONA, MINNESOTA

MUNICIPAL STATE AID FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	2008				
	Budgeted Amounts			Variance With Final	2007
	Original	Final	Actual	Budget	Actual
REVENUES:					
Intergovernmental —					
State of Minnesota grant	$ 591,000	$ 760,197	$ 604,029	$ (156,168)	$ -
Investment earnings			12,256	12,256	16,918
Total revenues	591,000	760,197	616,285	(143,912)	16,918
EXCESS OF REVENUE OVER EXPENDITURES	591,000	760,197	616,285	(143,912)	16,918
OTHER FINANCING USES —					
Transfers to other funds	(591,000)	(760,197)	(604,029)	156,168	(630,000)
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES OVER (UNDER) EXPENDITURES			12,256	12,256	(613,082)
FUND BALANCE — Beginning of year	7,372	7,372	7,372		620,454
FUND BALANCE — End of year	$ 7,372	$ 7,372	$ 19,628	$ 12,256	$ 7,372

CITY OF WINONA, MINNESOTA

DIKE CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	2008			
	Original and Final Budget	Actual	Variance With Final Budget	2007 Actual
REVENUES —				
Investment earnings	$ 4,000	$ 6,347	$ 2,347	$ 8,632
Total revenues	4,000	6,347	2,347	8,632
EXPENDITURES —				
Capital outlay	10,000		10,000	-
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(6,000)	6,347	12,347	8,632
FUND BALANCE — Beginning of year	194,657	194,567	90	185,935
FUND BALANCE — End of year	$ 188,657	$ 200,914	$ 12,437	$ 194,567

CITY OF WINONA, MINNESOTA

PERMANENT IMPROVEMENT REVOLVING CONSTRUCTION FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE — BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	2008			
	Original and Final Budget	Actual	Variance With Final Budget	2007 Actual
REVENUES:				
Special assessments	$ 25,000	$ -	$ (25,000)	$ -
Investment earnings	20,000	27,867	7,867	38,617
Total revenues	45,000	27,867	(17,133)	38,617
EXPENDITURES — Capital outlay	155,000	36,913	118,087	17,989
(DEFICIENCY) EXCESS OF REVENUES (UNDER) OVER EXPENDITURES	(110,000)	(9,046)	100,954	20,628
FUND BALANCE — Beginning of year	857,856	857,856	-	837,228
FUND BALANCE — End of year	$ 747,856	$ 848,810	$ 100,954	$ 857,856

CITY OF WINONA, MINNESOTA

SCHEDULE OF LONG-TERM OBLIGATIONS — PRIMARY GOVERNMENT
AS OF DECEMBER 31, 2008

	True Interest Rate	Authorized	Outstanding
BONDED INDEBTEDNESS:			
City — G.O. Bonds supported by taxes:			
G.O. Permanent Improvement Revolving Bonds of 2001A (G.O. Portion)	4.03 %	$ 1,872,200	$ 940,700
G.O. Permanent Improvement Revolving Bonds of 2004A (G.O. Portion)	2.86	2,091,600	1,457,400
Total G.O. Bonds supported by taxes		3,963,800	2,398,100
G.O. Special Assessment Bonds:			
G.O. Improvement Bonds of 1995	4.65	1,845,000	60,000
G.O. Improvement Bonds of 1998B	4.52	2,760,000	745,000
G.O. Permanent Improvement Revolving Bonds of 2001A (Special Assessment Portion)	4.03	2,197,800	1,104,300
G.O. Permanent Improvement Revolving Bonds of 2004A (Special Assessment Portion)	2.86	2,888,400	2,012,600
Total G.O. Special Assessment Bonds		9,691,200	3,921,900
G.O. Enterprise Fund Bonds:			
G.O. Water and Sewer Revenue Bonds of 1995 (Sewer Portion)	4.88	2,460,000	725,000
G.O. Water and Sewer Revenue Bonds of 1998C (Water Portion)	4.78	230,000	115,000
G.O. Water and Sewer Revenue Bonds of 1998C (Sewer Portion)	4.78	770,000	385,000
G.O. Water Revenue Bonds of 1999C*	5.35	4,085,000	
G.O. Water Revenue Bonds of 2001B	3.99	420,000	190,000
G.O. Water Revenue Bonds of 2003B	3.68	4,250,000	3,305,000
G.O. Water Revenue Refunding Bonds of 2006B	3.63	2,295,000	2,295,000
Total G.O. Enterprise Fund Bonds		14,510,000	7,015,000
OTHER INDEBTEDNESS:			
G.O. Equipment Certificates of 2006A	3.59	845,000	625,000
Total other indebtedness		845,000	625,000
		$ 29,010,000	$ 13,960,000

* G.O. Water Revenue Bonds of 1999C were crossover refunded on February 1, 2008.

CITY OF WINONA, MINNESOTA

SCHEDULE OF BONDS PAYABLE — PRIMARY GOVERNMENT
AS OF DECEMBER 31, 2008

General Obligation Bonds	Interest Rates and Maturity Dates		Issue Date	Final Maturity Date
GENERAL OBLIGATION BONDS SUPPORTED BY TAXES:				
G.O. Permanent Improvement Revolving Bonds of 2001A (G.O. Portion)	3.900 %	(2009)	December 1, 2001	February 2, 2013
	4.000	(2010)		
	4.100	(2011)		
	4.200	(2012)		
	4.375	(2013)		
G.O. Permanent Improvement Revolving Bonds of 2004A (G.O. Portion)	2.250	(2009)	February 1, 2004	February 2, 2015
	2.500	(2010)		
	2.700	(2011)		
	3.000	(2012)		
	3.250	(2013)		
	3.400	(2014)		
	3.450	(2015)		
Total G.O. Bonds Supported by Taxes				
GENERAL OBLIGATION SPECIAL ASSESSMENT BONDS:				
G.O. Improvement Bonds of 1995	5.100	(2009)	December 1, 1995	February 1, 2009
G.O. Improvement Bonds of 1998B	4.625	(2009)	June 1, 1998	February 1, 2011
	4.700	(2010)		
	4.750	(2011)		

Annual Payment		Authorized and Issued	Retired	Outstanding
$ 186,300	(2009-10)	$ 1,872,200	$ 931,500	$ 940,700
188,600	(2011-12)			
190,900	(2013)			
210,000	(2009-10)	2,091,600	634,200	1,457,400
207,900	(2011-13)			
205,800	(2014)			
207,900	(2015)			
		3,963,800	1,565,700	2,398,100
60,000	(2009)	1,845,000	1,785,000	60,000
280,000	(2009)	2,760,000	2,015,000	745,000
275,000	(2010)			
190,000	(2011)			

CITY OF WINONA, MINNESOTA

SCHEDULE OF BONDS PAYABLE — PRIMARY GOVERNMENT
AS OF DECEMBER 31, 2008

General Obligation Bonds	Interest Rates and Maturity Dates		Issue Date	Final Maturity Date
G.O. Permanent Improvement Revolving Bonds of 2001A (Special Assessment Portion)	3.900 %	(2009)	December 1, 2001	February 2, 2013
	4.000	(2010)		
	4.100	(2011)		
	4.200	(2012)		
	4.375	(2013)		
G.O. Permanent Improvement Revolving Bonds of 2004A (Special Assessment Portion)	2.250	(2009)	February 1, 2004	February 2, 2015
	2.500	(2010)		
	2.700	(2011)		
	3.000	(2012)		
	3.250	(2013)		
	3.400	(2014)		
	3.450	(2015)		
Total G.O. Special Assessment Bonds				
GENERAL OBLIGATION ENTERPRISE FUND BONDS				
G.O. Water and Sewer Revenue Bonds of 1995 (Sewer Portion)	5.100	(2009)	December 1, 1995	February 1, 2011
	5.200	(2010)		
	5.300	(2011)		
G.O. Water and Sewer Revenue Bonds of 1998C (Water Portion)	4.600	(2009)	June 1, 1998	February 1, 2014
	4.700	(2010)		
	4.750	(2011)		
	4.800	(2012)		
	4.900	(2013)		
	5.000	(2014)		

Annual Payment		Authorized and Issued	Retired	Outstanding
$ 218,700	(2009-10)	$ 2,197,800	$ 1,093,500	$ 1,104,300
221,400	(2011-12)			
224,100	(2013)			
290,000	(2009-10)	2,888,400	875,800	2,012,600
287,100	(2011-13)			
284,200	(2014)			
287,100	(2015)			
		9,691,200	5,769,300	3,921,900
230,000	(2009)	2,460,000	1,735,000	725,000
240,000	(2010)			
255,000	(2011)			
17,250	(2009-10)	230,000	115,000	115,000
18,400	(2011)			
19,550	(2012)			
20,700	(2013)			
21,850	(2014)			

CITY OF WINONA, MINNESOTA

SCHEDULE OF BONDS PAYABLE — PRIMARY GOVERNMENT
AS OF DECEMBER 31, 2008

General Obligation Bonds	Interest Rates and Maturity Dates		Issue Date	Final Maturity Date
G.O. Water and Sewer Revenue Bonds of 1998C (Sewer Portion)	4.600 %	(2009)	June 1, 1998	February 1, 2014
	4.700	(2010)		
	4.750	(2011)		
	4.800	(2012)		
	5.000	(2014)		
G.O. Water Revenue Bonds of 1999C*	5.000	(2008)	December 1, 1999	February 1, 2008
G.O. Water Revenue Bonds of 2001B	3.950	(2009-10)	December 1, 2001	February 1, 2012
	4.150	(2011-12)		
G.O. Water Revenue Bonds of 2003B	2.650	(2009)	October 1, 2003	February 1, 2019
	3.000	(2010)		
	3.250	(2011)		
	3.500	(2012)		
	3.600	(2013)		
	3.750	(2014)		
	3.850	(2015)		
	4.000	(2016-17)		
	4.125	(2018)		
	4.250	(2019)		
G.O. Water Revenue Refunding Bonds of 2006B	4.000	(2009-15)	December 15, 2006	February 1, 2015
Total G.O. Enterprise Fund Bonds				
Total G.O. bonds payable				

* G.O. Water Revenue Bonds of 1999C were crossover refunded on February 1, 2008.

Annual Payment		Authorized and Issued	Retired	Outstanding
$ 57,750	(2009-10)	$ 770,000	$ 385,000	$ 385,000
61,600	(2011)			
65,450	(2012)			
69,300	(2013)			
73,150	(2014)			
		4,085,000	4,085,000	
45,000	(2009-10)	420,000	230,000	190,000
50,000	(2011-12)			
250,000	(2009)	4,250,000	945,000	3,305,000
255,000	(2010)			
265,000	(2011)			
275,000	(2012)			
285,000	(2013)			
295,000	(2014)			
310,000	(2015)			
320,000	(2016)			
335,000	(2017)			
350,000	(2018)			
365,000	(2019)			
300,000	(2009-10)	2,295,000		2,295,000
310,000	(2011)			
325,000	(2012)			
345,000	(2013)			
355,000	(2014)			
360,000	(2015)			
		14,510,000	7,495,000	7,015,000
		$ 28,165,000	$ 14,830,000	$ 13,335,000

CITY OF WINONA, MINNESOTA

SCHEDULE OF OTHER DEBT — PRIMARY GOVERNMENT
AS OF DECEMBER 31, 2008

Other Debt	Interest Rates and Maturity Dates		Issue Date	Final Maturity Date
G.O. Equipment Certificates of 2006A	3.350 %	(2009)	March 15, 2006	February 1, 2013
	3.400	(2010)		
	3.450	(2011)		
	3.500	(2012)		
	3.550	(2013)		
Total other debt				
Total G.O. bonds payable				
Total long-term obligations				

Annual Payment		Authorized and Issued	Retired	Outstanding
$ 115,000	(2009)	$ 845,000	$ 220,000	$ 625,000
120,000	(2010)			
125,000	(2011)			
130,000	(2012)			
135,000	(2013)			
		$ 845,000	$ 220,000	$ 625,000
		$ 28,165,000	$ 14,830,000	$ 13,335,000
		$ 29,010,000	$ 15,050,000	$ 13,960,000

PORT AUTHORITY OF WINONA, MINNESOTA

SCHEDULE OF LONG-TERM OBLIGATIONS
AS OF DECEMBER 31, 2008

	True Interest Rate	Authorized	Outstanding
BONDED INDEBTEDNESS —			
G.O. Bonds:			
Taxable G.O. Bonds of 1995 (Tourist Center Share)	7.100 %	$ 300,000	$ 185,000
Taxable G.O. Bonds of 1995 (Campground Share)	7.100	290,000	135,000
General Obligation Bonds of 2005 (Pelzer Street)	3.890	3,570,000	2,915,000
Total G.O. Bonds		4,160,000	3,235,000
Total Bonded Indebtedness		$ 4,160,000	$ 3,235,000

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PORT AUTHORITY OF WINONA, MINNESOTA

SCHEDULE OF BONDS PAYABLE
AS OF DECEMBER 31, 2008

General Obligation Bonds	Interest Rates and Maturity Dates		Issue Date	Final Maturity Date
Taxable G.O. Bonds of 1995 (Tourist Center Share)	6.900 %	(2009)	December 1, 1995	February 1, 2017
	7.000	(2010)		
	7.050	(2011)		
	7.100	(2012)		
	7.150	(2013)		
	7.200	(2014)		
	7.300	(2015)		
	7.350	(2016-17)		
Taxable G.O. Bonds of 1995 (Campground Share)	6.900	(2009)	December 1, 1995	February 1, 2014
	7.000	(2010)		
	7.050	(2011)		
	7.100	(2012)		
	7.150	(2013)		
	7.200	(2014)		
G.O. Bonds of 2005 (Pelzer Street)	4.000	(2009-20)	December 1, 2005	February 1, 2020
Total G.O. Bonds				
Total Bonded Indebtedness				

Annual Payment		Authorized and Issued	Retired	Oustanding
$ 15,000	(2009-11)	$ 300,000	$ 115,000	$ 185,000
20,000	(2012-13)			
25,000	(2014-17)			
10,000	(2009)	290,000	155,000	135,000
25,000	(2010)			
15,000	(2011)			
30,000	(2012-13)			
25,000	(2014)			
200,000	(2009)	3,570,000	655,000	2,915,000
205,000	(2010)			
210,000	(2011)			
220,000	(2012)			
225,000	(2013)			
235,000	(2014)			
245,000	(2015)			
255,000	(2016)			
265,000	(2017)			
275,000	(2018)			
285,000	(2019)			
295,000	(2020)			
		4,160,000	925,000	3,235,000
		$ 4,160,000	$ 925,000	$ 3,235,000

CITY OF WINONA, MINNESOTA

SCHEDULE OF SALARIES, EMPLOYEE BENEFITS, AND CLOTHING ALLOWANCE FOR THE YEAR ENDED DECEMBER 31, 2008 (with comparative totals for 2007)

	Number of Employees*		Salaries and Wages	Pensions**	Clothing/ Tuition Allowance***
	Full Time	All Other			
GOVERNMENTAL FUNDS:					
General government	29.25	11.00	$ 1,709,164	$ 234,008	$ 4,499
Police	43.00	2.00	2,681,983	653,906	43,861
Fire	23.00	13.00	1,462,501	706,414	46,088
Safety and health coordinator	1.00		51,672	5,785	234
Highways and streets	14.00		659,657	100,228	3,134
Park maintenance	20.00		930,538	114,810	8,018
Senior advocacy program		2.00	65,698	4,963	
Rehabilitation Projects			9,326	606	
Total governmental funds	130.25	28.00	7,570,539	1,820,720	105,834
ENTERPRISE FUNDS:					
Water utility	10.00		542,173	61,034	3,967
Sewer utility	13.00		652,673	111,331	5,322
Inspections	4.00		248,509	17,322	502
Airport	1.00		48,947	7,571	200
Public transportation			7,951	435	
Library	9.25	8.00	662,716	47,835	72
Recreation programs	11.50	81.00	862,560	82,638	542
Total enterprise funds	48.75	89.00	3,025,529	328,166	10,605
	179.00	117.00	$ 10,596,068	$ 2,148,886	$ 116,439

* Reflects the employment of the City on December 31, 2008. Numbers from the Finance Department.

** Pensions include the following: PERA ($857,080); PERA—Additional contribution ($703,088); Fire — other ($7,250); Benefit adjustment ($177,311); and Retiree health insurance subsidy ($404,157).

***Clothing/Tuition allowance includes the following: Clothing ($85,951); Car ($2,123); Incentive ($23,946); and Tuition ($4,419).

Social Security	Health Insurance	Life and Disability Insurance	Dental Insurance	Workers' Compensation	Total 2008	Total 2007
$ 93,851	$ 311,609	$ 5,397	$ -	$ 23,484	$ 2,404,337	$ 2,285,088
11,806	344,246	4,955		76,421	3,848,144	3,712,422
5,047	243,011	2,481	10,039	69,253	2,555,307	2,535,274
2,989	12,108	97		157	73,741	68,469
37,091	141,827	1,226		35,490	987,328	940,897
53,480	141,188	1,721		24,003	1,286,265	1,265,940
3,677	13,936	110		741	89,985	103,171
562	2,334	19		32	13,010	7,509
208,503	1,210,259	16,006	10,039	229,581	11,258,117	10,918,770
31,579	92,088	990		12,984	752,201	742,727
37,440	141,444	1,268		10,990	969,224	916,800
14,121	52,392	473		1,045	338,185	381,003
2,753	4,320	86		1,267	65,788	65,031
435	1,315	14		33	10,284	4,687
37,085	114,814	1,062		4,892	877,149	837,735
50,227	76,238	1,018		17,284	1,102,383	1,010,175
173,640	482,611	4,911	-	48,495	4,115,214	3,958,158
$ 382,143	$ 1,692,870	$ 20,917	$ 10,039	$ 278,076	$ 15,373,331	$ 14,876,928

CITY OF WINONA, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2008

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	2008 Expenditures
U.S. DEPARTMENT OF TRANSPORTATION —		
Passed through the MN Department of Transportation:		
Formula Grants for Other than Urbanized Areas	20.509	$ 3,398
Formula Grants for Other than Urbanized Areas	20.509	140,290
Office of Aeronautics — Obstruction Removal - Trees SP 8501-53	20.106	11,040
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:		
Passed through the MN Department of Employment and Economic Development —		
Small Cities Development Block Grant	14.228	317,621
Passed through the MN Department of Health —		
Lead Hazard Control Grant	14.900	10,410
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES —		
Passed through S.E. MN Area Agency on Aging —		
Special Programs for the Aging — Title III, Part B Grants for Supportive Services and Senior Centers	93.044	22,288
U.S. DEPARTMENT OF JUSTICE:		
Bulletproof Vest Partnership Program	16.607	518
Office of Juvenile Justice and Delinquency Prevention — Enforcing Underage Drinking Law Programs	16.727	2,500
U.S. DEPARTMENT OF HOMELAND SECURITY —		
Assistance to Firefighters Grant Program	97.044	190,455
Total expenditures of federal awards		$ 698,520

RECONCILIATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO COMPREHENSIVE ANNUAL FINANCIAL REPORT

TOTAL EXPENDITURES OF FEDERAL AWARDS	$ 698,520
Total federal grant revenue — 2008	698,520
Other intergovernmental revenues:	
Shared taxes	220,807
State sources	11,749,076
Local sources	222,854
Total other intergovernmental revenues	12,192,737
TOTAL INTERGOVERNMENTAL REVENUES — Governmental and proprietary funds (Primary Government)	$ 12,891,257

CITY OF WINONA, MINNESOTA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	2007 Expenditures	Amounts Passed Through Subrecipients
U.S. DEPARTMENT OF TRANSPORTATION —			
Passed through the MN Department of Transportation:			
Formula Grants for Other than Urbanized Areas	20.509	$ 275,645	$ -
Office of Aeronautics — Grade Runway Safe Area SP 8501-51	20.106	133,340	
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT —			
Passed through the MN Department of Employment and Economic Development:			
Small Cities Development Block Grant	14.228	9,883	
Community Development Block Grants — State's Program Administrative Funds — Flood Planning	14.228	12,867	12,552
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES —			
Passed through S.E. MN Area Agency on Aging — Special Programs for the Aging — Title III, Part B Grants for Supportive Services and Senior Centers	93.044	22,288	
U.S. DEPARTMENT OF JUSTICE:			
Bulletproof Vest Partnership Program	16.607	8,932	
Office of Juvenile Justice and Delinquency Prevention — Enforcing Underage Drinking Law Programs	16.727	2,000	
U.S. DEPARTMENT OF HOMELAND SECURITY:			
Assistance to Firefighters Grant Program	97.044	19,295	
Passed through the MN Emergency Management — Disaster Grants	97.036	41,761	
Total expenditures of federal awards		$ 526,011	$ 12,552

RECONCILIATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO COMPREHENSIVE ANNUAL FINANCIAL REPORT

TOTALEXPENDITURES OF FEDERAL AWARDS	$ 526,011
Total federal grant revenue — 2007	526,011
Other intergovernmental revenues:	
Shared taxes	223,159
State sources	11,686,710
Local sources	330,453
Total other intergovernmental revenues	12,240,322
TOTAL INTERGOVERNMENTAL REVENUES — Governmental and proprietary funds (Primary Government)	$ 12,766,333

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SECTION III

STATISTICAL SECTION

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CITY OF WINONA, MINNESOTA

STATISTICAL SECTION
(Unaudited)

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding this year's financial statements, note disclosures, and supplementary information. This information is unaudited. This section includes only information for the primary government, and excludes the information for discretely presented component unit, with the exception of Tables XII, XIII, XIV, XVIII and XIX.

Contents	Table
FINANCIAL TRENDS These tables contain trend information that may assist the reader in assessing the City's current financial performance by placing it in a historical perspective.	I–XI
REVENUE CAPACITY These tables contain information that may assist the reader in assessing the viability of the City's most significant own-source revenue source, which is property taxes.	XII–XV
DEBT CAPACITY These tables contain information that may assist the reader in analyzing the affordability of the City's current levels of outstanding debt, and the City's ability to issue additional debt in the future.	XVI–XXI
DEMOGRAPHIC AND ECONOMIC INFORMATION These tables present demographic and economic information intended (1) to assist users in understanding the socioeconomic environment within which the City operates and (2) to provide information that facilitates comparisons of financial statement information over time and among cities.	XXII–XXIV
OPERATING INFORMATION These tables contain service and infrastructure indicators that can inform one's understanding of how the information in the City's financial statements relates to the services the City provides, and the activities it performs.	XXV–XXVII
DATA SOURCE Unless otherwise noted, the information in these tables is derived from the comprehensive annual financial report for the applicable year. The City implemented GASB Statement No. 34 in 2003; therefore, tables presenting government-wide financial data include only six years of information.	

TABLE I

CITY OF WINONA, MINNESOTA

GOVERNMENT-WIDE NET ASSETS BY COMPONENT (Unaudited) (1)
LAST SIX CALENDAR YEARS (2)
(accrual basis of accounting)

	December 31					
	2003	2004	2005	2006	2007	2008
GOVERNMENTAL ACTIVITIES:						
Invested in capital assets — Net of related debt (3)	$ 17,416,196	$ 20,085,618	$ 25,317,387	$ 37,952,203	$ 41,611,501	$ 42,438,214
Restricted (4)	17,061,541	16,172,459	24,235,683	18,239,282	16,736,009	14,575,890
Unrestricted	6,538,249	10,603,254	10,152,997	9,427,363	8,488,228	9,149,796
Total	$ 41,015,986	$ 46,861,331	$ 59,706,067	$ 65,618,848	$ 66,835,738	$ 66,163,900
BUSINESS-TYPE ACTIVITIES:						
Invested in capital assets — Net of related debt	$ 21,116,517	$ 19,631,381	$ 22,079,905	$ 21,074,836	$ 21,899,448	$ 27,238,820
Restricted	2,490,738	6,363,206	4,424,311	4,738,144	4,508,086	4,337,253
Unrestricted	8,860,071	9,655,037	9,811,019	12,437,654	14,290,300	10,749,862
Total	$ 32,467,326	$ 35,649,624	$ 36,315,235	$ 38,250,634	$ 40,697,834	$ 42,325,935
TOTAL PRIMARY GOVERNMENT:						
Invested in capital assets — Net of related debt (3)	$ 38,532,713	$ 39,716,999	$ 47,397,292	$ 59,027,039	$ 63,510,949	$ 69,677,034
Restricted (4)	19,552,279	22,535,665	28,659,994	22,977,426	21,244,095	18,913,143
Unrestricted	15,398,320	20,258,291	19,964,016	21,865,017	22,778,528	19,899,658
Total	$ 73,483,312	$ 82,510,955	$ 96,021,302	$ 103,869,482	$ 107,533,572	$ 108,489,835

Notes:

(1) Accounting standards require that net assets be reported in three components in the financial statements: invested in capital assets, net of related debt; restricted; and unrestricted. Net assets are considered restricted only when (1) an external party, such as the State of Minnesota or the federal government, places a restriction on how the resources may be used, or (2) enabling legislation is enacted by the City.

(2) The City implemented GASB Statement No. 34 in calendar year 2003; therefore, only six years of government-wide financial data is presented.

(3) The significant increase in the invested in capital assets, net of related debt amount from 2004 to 2007 relates to construction in progress for various capital projects.

(4) The significant increase in the restricted net assets amount from 2004 to 2005 relates to assets restricted for the Pelzer Street construction.

Data Source —
Applicable years' comprehensive annual financial report.

TABLE II

CITY OF WINONA, MINNESOTA

CHANGES IN NET ASSETS — GOVERNMENTAL ACTIVITIES (Unaudited)
LAST SIX CALENDAR YEARS (1)
(accrual basis of accounting)

	For The Calendar Year Ended December 31,					
	2003	2004	2005	2006	2007	2008
EXPENSES:						
General government	$ 2,464,193	$ 2,928,510	$ 2,815,325	$ 3,362,463	$ 3,758,765	$ 3,736,373
Public safety	6,954,628	7,474,585	7,213,936	8,927,248	9,123,908	9,589,140
Highways and streets (2)	3,031,506	3,599,557	3,515,176	929,145	3,986,125	4,586,202
Sanitation and waste removal	27,396	27,957	29,256	30,166	63,532	50,981
Economic development (3)	0	3,728,279	626,615	2,722,709	353,074	755,172
Culture and recreation	1,426,189	1,389,190	1,568,822	1,754,272	2,094,671	2,765,600
Other	1,333,374	1,636,884	1,863,530	2,014,229		
Interest and fiscal charges	318,590	397,676	381,434	348,838	318,089	269,367
Total expenses	15,555,876	21,182,638	18,014,094	20,089,070	19,698,164	21,752,835
PROGRAM REVENUES:						
Charges for services:						
General government	514,233	694,441	685,888	773,290	1,352,315	1,430,071
Public safety (4)	304,495	326,407	344,744	382,717	1,398,639	1,417,066
Highways and streets	226,630	134,357	139,565	30,766	644,359	565,644
Economic development	0	1,918,892	1,132,279	54,323	(485,882)	(369,718)
Other	1,242,725	2,263,799	81,772	2,182,070	373,016	366,702
Operating grants and contributions (4)	1,162,981	1,492,215	1,533,822	1,585,976	1,306,458	1,696,519
Capital grants and contributions (5)	2,084,166	7,969,171	12,511,166	5,678,612	766,018	1,158,495
Total program revenues	5,535,230	14,799,282	16,429,236	10,687,754	5,354,923	6,264,779
NET EXPENSE	(10,020,646)	(6,383,356)	(1,584,858)	(9,401,316)	(14,343,241)	(15,488,056)
GENERAL REVENUES:						
Taxes:						
Property	2,912,562	3,152,749	3,807,566	4,212,753	4,334,907	4,558,328
Sales	153,567					
Franchise	855,270	891,865	1,030,866	1,143,200	1,193,201	1,263,465
Unrestricted grants and contributions	8,713,858	8,072,545	8,340,598	8,877,334	9,062,208	8,411,657
Gain on sale of capital assets		2,526	7,621			
Investment earnings	183,501	143,079	676,916	1,168,228	1,083,303	603,023
Miscellaneous		8,051				
Total general revenues	12,818,758	12,270,815	13,863,567	15,401,515	15,673,619	14,836,473
NET TRANSFERS IN (OUT)	388,479	(42,114)	566,027	(87,418)	(113,488)	(20,255)
TOTAL NET TRANSFERS AND GENERAL REVENUES	13,207,237	12,228,701	14,429,594	15,314,097	15,560,131	14,816,218
CHANGE IN NET ASSETS	$ 3,186,591	$ 5,845,345	$ 12,844,736	$ 5,912,781	$ 1,216,890	$ (671,838)

Notes:
(1) The City implemented GASB Statement No. 34 in calendar year 2003; therefore, only six years of government-wide financial data is presented.
(2) The 2004 increase in the highways and streets expenses relates primarily to engineering costs for the Pelzer Street Construction Project.
(3) Prior to 2004, the economic development costs were reported in the general government function. The 2004 expenses include $2 million for the East Garvin Heights project and $1.2 million for the West Burns Valley project.
(4) In 2003, $1,121,000 of state grants was reclassified from public safety charges for services to operating grants and contributions for consistency.
(5) In 2005, capital grants and contributions revenue included over $6 million for the Pelzer Street Construction Project
Data Source —
Applicable years' comprehensive annual financial report.

TABLE III

CITY OF WINONA, MINNESOTA

CHANGES IN NET ASSETS — GOVERNMENTAL ACTIVITIES — PERCENTAGE OF TOTAL (Unaudited) LAST SIX CALENDAR YEARS (1) (accrual basis of accounting)

	For The Calendar Year Ended December 31,					
	2003	2004	2005	2006	2007	2008
EXPENSES:						
General government	15.8 %	13.8 %	15.6 %	16.7 %	19.1 %	17.2 %
Public safety	44.7	35.3	40.1	44.4	46.3	44.1
Highways and streets (2)	19.5	17.0	19.5	4.6	20.2	21.1
Sanitation and waste removal	0.2	0.1	0.2	0.2	0.3	0.2
Economic development (3)	0.0	17.6	3.5	13.6	1.8	3.5
Culture and recreation	9.2	6.6	8.7	8.8	10.7	12.7
Other	8.6	7.7	10.3	10.0		
Interest and fiscal charges	2.0	1.9	2.1	1.7	1.6	1.2
Total expenses	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
PROGRAM REVENUES:						
Charges for services:						
General government	9.3 %	4.7 %	4.2 %	7.2 %	25.3 %	22.8 %
Public safety (4)	5.5	2.2	2.1	3.6	26.1	22.6
Highways and streets	4.1	0.9	0.8	0.3	12.0	9.0
Economic development	0.0	13.0	6.9	0.5	(9.1)	(5.9)
Other	22.5	15.3	0.5	20.4	7.0	5.9
Operating grants and contributions (4)	21.0	10.1	9.3	14.8	24.4	27.1
Capital grants and contributions (5)	37.6	53.8	76.2	53.2	14.3	18.5
Total program revenues	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
GENERAL REVENUES:						
Taxes:						
Property	22.7 %	25.7 %	27.5 %	27.4 %	27.7 %	30.7 %
Sales	1.2					
Franchise	6.7	7.3	7.4	7.4	7.6	8.5
Grants and contributions not restricted	68.0	65.7	60.1	57.6	57.8	56.7
Gain on sale of capital assets			0.1			
Investment earnings	1.4	1.2	4.9	7.6	6.9	4.1
Miscellaneous	0.0	0.1				
Total general revenues	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

Notes:

(1) The City implemented GASB Statement No. 34 in calendar year 2003; therefore, only six years of government-wide financial data is presented.

(2) The 2004 increase in the highways and streets expenses relates primarily to engineering costs for the Pelzer Street Construction Project.

(3) Prior to 2004, the economic development costs were reported in the general government function. These expenses include $2 million for the East Garvin Heights project and $1.2 million for the West Burns Valley Project.

(4) In 2003, $1,121,000 of state grants was reclassified from public safety charges for services to operating grants and contributions for consistency.

(5) In 2005, capital grants and contributions revenue included over $6 million for the Pelzer Street Construction Project.

Data Source —
Table II.

TABLE IV

CITY OF WINONA, MINNESOTA

CHANGES IN NET ASSETS — BUSINESS-TYPE ACTIVITIES (Unaudited)
LAST SIX CALENDAR YEARS (1)
(accrual basis of accounting)

	For the Calendar Year Ended December 31,					
	2003	2004	2005	2006	2007	2008
EXPENSES:						
Water	$ 1,873,199	$ 2,184,640	$ 2,469,034	$ 2,338,414	$ 2,572,331	$ 2,436,411
Sewer	2,082,895	2,119,371	2,390,545	2,459,257	2,312,959	2,373,000
Inspections	397,879	416,959	514,352	527,428	524,880	474,242
Airport	273,166	295,407	226,535	152,002	194,493	182,393
Public Transportation	488,472	516,748	545,599	592,790	599,160	727,352
Recreation	1,129,413	1,205,966	1,315,569	1,403,468	1,686,896	1,840,605
Library	996,691	1,031,824	1,065,143	1,123,011	1,193,005	1,313,732
Storm Sewer	47,736	66,159	115,761	128,323	70,558	135,739
Total expenses	7,289,451	7,837,074	8,642,538	8,724,693	9,154,282	9,483,474
PROGRAM REVENUES:						
Charges for services:						
Water	2,523,901	2,670,148	3,118,317	3,246,470	3,323,052	3,425,888
Sewer	2,807,080	2,829,411	2,807,382	2,956,748	2,936,907	2,856,741
Inspections	413,584	456,653	484,546	369,732	388,919	381,204
Airport	18,916	38,638	37,547	28,444	32,180	31,321
Public Transportation	94,968	115,190	126,694	157,904	206,962	231,732
Recreation	264,199	256,537	268,580	267,910	333,883	396,577
Library	17,886	18,030	19,912	23,240	25,686	23,955
Storm Sewer	207,145	208,570	258,721	271,003	280,443	289,016
Operating grants and contributions	549,908	572,671	597,728	815,498	913,286	780,795
Capital grants and contributions	759,000	2,053,942	79,074	122,109	133,340	13,560
Total program revenues	7,656,587	9,219,790	7,798,501	8,259,058	8,574,658	8,430,789
NET REVENUE (EXPENSE)	367,136	1,382,716	(844,037)	(465,635)	(579,624)	(1,052,685)
GENERAL REVENUES:						
Property taxes	337,570	399,823	469,150	505,504	615,105	676,892
Unrestricted grants	1,236,551	1,198,394	1,288,082	1,243,131	1,569,793	1,434,092
Investment earnings	142,105	159,251	318,443	564,981	728,438	549,547
Total general revenues	1,716,226	1,757,468	2,075,675	2,313,616	2,913,336	2,660,531
NET TRANSFERS (OUT) IN	(388,479)	42,114	(566,027)	87,418	113,488	20,255
Total net transfers and general revenues	1,327,747	1,799,582	1,509,648	2,401,034	3,026,824	2,680,786
CHANGE IN NET ASSETS	$ 1,694,883	$ 3,182,298	$ 665,611	$ 1,935,399	$ 2,447,200	$ 1,628,101

Notes —
(1) The City implemented GASB Statement No. 34 in calendar year 2003; therefore, only six years of government-wide financial data is presented.
Data Source —
Applicable years' comprehensive annual financial report.

TABLE V

CITY OF WINONA, MINNESOTA

CHANGES IN NET ASSETS — TOTAL (Unaudited)
LAST SIX CALENDAR YEARS (1)
(accrual basis of accounting)

	For the Calendar Year Ended December 31,					
	2003	2004	2005	2006	2007	2008
EXPENSES:						
Governmental activities (2)	$ 15,555,876	$ 21,182,638	$ 18,014,094	$ 20,089,070	$ 19,698,164	$ 21,752,835
Business-type activities (3)	7,289,451	7,837,074	8,642,538	8,724,693	9,154,282	9,483,474
Total expenses	22,845,327	29,019,712	26,656,632	28,813,763	28,852,446	31,236,309
PROGRAM REVENUES:						
Governmental activities (2)	5,535,230	14,799,282	16,429,236	10,687,754	5,354,923	6,264,779
Business-type activities (3)	7,656,587	9,219,790	7,798,501	8,259,058	8,574,658	8,430,789
Total program revenues	13,191,817	24,019,072	24,227,737	18,946,812	13,929,581	14,695,568
NET EXPENSE	(9,653,510)	(5,000,640)	(2,428,895)	(9,866,951)	(14,922,865)	(16,540,741)
GENERAL REVENUES AND TRANSFERS:						
Governmental activities (2)	13,207,237	12,228,701	14,429,594	15,314,097	15,560,131	14,816,218
Business-type activities (3)	1,327,747	1,799,582	1,509,648	2,401,034	3,026,824	2,680,786
Total general revenues and transfers	14,534,984	14,028,283	15,939,242	17,715,131	18,586,955	17,497,004
CHANGE IN NET ASSETS	$ 4,881,474	$ 9,027,643	$ 13,510,347	$ 7,848,180	$ 3,664,090	$ 956,263

Notes —
(1) The City implemented GASB Statement No. 34 in calendar year 2003; therefore, only six years of government-wide data is presented.
Data Source:
(2) See Table II.
(3) See Table IV.

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CITY OF WINONA, MINNESOTA

FUND BALANCES — GOVERNMENTAL FUNDS (Unaudited)
LAST TEN CALENDAR YEARS
(modified accrual basis of accounting)

	1999	2000	2001	2002
GENERAL FUND:				
Reserved (1)	$ 506,661	$ 607,858	$ 4,932,350	$ 4,149,610
Unreserved	6,042,083	6,365,632	2,344,007	2,987,208
Subtotal general fund	6,548,744	6,973,490	7,276,357	7,136,818
GENERAL FUND PERCENTAGE CHANGE FROM PRIOR YEAR	(14.2)%	6.5 %	4.3 %	(1.9)%
ALL OTHER GOVERNMENTAL FUNDS:				
Reserved (2)(3)	4,311,657	5,169,206	7,213,007	9,509,356
Unreserved:				
Special Revenue Funds	430,360	436,654	166,710	
Debt Service Funds				
Capital Projects Funds	2,825,427	3,269,269	6,534,060	913,425
Subtotal all other Governmental Funds	7,567,444	8,875,129	13,913,777	10,422,781
ALL OTHER GOVERNMENTAL FUNDS PERCENTAGE CHANGE FROM PRIOR YEAR	21.6 %	17.3 %	56.8 %	(25.1)%
TOTAL GOVERNMENTAL FUNDS:				
Reserved (2)(3)	4,818,318	5,777,064	12,145,357	13,658,966
Unreserved	9,297,870	10,071,555	9,044,777	3,900,633
TOTAL GOVERNMENTAL FUNDS	$ 14,116,188	$ 15,848,619	$ 21,190,134	$ 17,559,599
ALL GOVERNMENTAL FUNDS PERCENTAGE CHANGE FROM PRIOR YEAR	1.9 %	12.3 %	33.7 %	(17.1)%

Notes:
(1) The increase in reserved fund balance from 2000 to 2001 relates to police and fire required retirement contributions.
(2) The increase in reserved fund balance from 2004 to 2005 relates to resources held for the Pelzer Street Construction.
(3) For the years 1999-2002, the nonexpendable trust funds have been reclassified as permanent funds, for consistency. Also, both the principal and the earnings in these funds have been reclassified as reserved, consistent with GASB Statement No. 34 reporting.

Data Source —
Applicable years' comprehensive annual financial report.

TABLE VI

At December 31,					
2003	2004	2005	2006	2007	2008
$ 3,556,465	$ 2,966,412	$ 2,447,048	$ 2,588,629	$ 2,367,809	$ 1,674,277
3,273,042	4,270,740	5,584,406	5,393,400	5,996,783	6,726,060
6,829,507	7,237,152	8,031,454	7,982,029	8,364,592	8,400,337
(4.3)%	6.0 %	11.0 %	(0.6)%	4.8 %	0.4 %
6,671,750	6,204,660	15,958,462	8,312,408	5,992,197	5,512,035
	(1,777)	(8,149)	(7,963)	(12,662)	(11,870)
1,089,336	85,911	1,396,469	1,458,642	354,933	983,290
7,761,086	6,288,794	17,346,782	9,763,087	6,334,468	6,483,455
(25.5)%	(19.0)%	175.8 %	(43.7)%	(35.1)%	2.4 %
10,228,215	9,171,072	18,405,510	10,901,037	8,360,006	7,186,312
4,362,378	4,354,874	6,972,726	6,844,079	6,339,054	7,697,480
$ 14,590,593	$ 13,525,946	$ 25,378,236	$ 17,745,116	$ 14,699,060	$ 14,883,792
(16.9)%	(7.3)%	87.6 %	(30.1)%	(17.2)%	1.3 %

CITY OF WINONA, MINNESOTA

GENERAL GOVERNMENTAL REVENUES BY SOURCE (Unaudited) (1)
LAST TEN CALENDAR YEARS
(Modified accrual basis of accounting)

	1999	2000	2001	2002
REVENUE SOURCE:				
Taxes (2)	$ 5,908,252	$ 6,313,662	$ 6,519,574	$ 4,675,056
Special assessments	810,390	624,743	691,166	722,462
Intergovernmental (3)	8,782,342	9,180,328	8,934,685	11,565,303
Licenses and permits	117,020	147,209	141,698	138,688
Fines and forfeitures	149,092	182,360	211,520	241,842
Charges for services	602,420	409,984	432,514	419,354
Contributions (4)				
Investment earnings (5)	597,585	957,667	739,084	315,657
Miscellaneous (5)	839,893	423,909	333,301	663,621
Total revenues	$ 17,806,994	$ 18,239,862	$ 18,003,542	$ 18,741,983
PERCENTAGE CHANGE FROM PRIOR YEAR	8.6 %	2.4 %	(1.3)%	4.1 %
Taxes (2)	33.2 %	34.6 %	36.2 %	24.9 %
Special assessments	4.6	3.4	3.8	3.9
Intergovernmental (3)	49.2	50.3	49.6	61.8
Licenses and permits	0.7	0.8	0.8	0.7
Fines and forfeitures	0.8	1.0	1.2	1.3
Charges for services	3.4	2.2	2.4	2.2
Contributions (4)				
Investment earnings (5)	3.4	5.3	4.1	1.7
Miscellaneous (5)	4.7	2.4	1.9	3.5
Total revenues	100.0 %	100.0 %	100.0 %	100.0 %

Notes:
(1) Includes all governmental fund types.
(2) For explanations of significant changes in tax revenues, see Table VI.
(3) In 2005, intergovernmental revenue included over $6 million for the Pelzer Street construction project.
(4) In 2004, the City received $4 million from the Port Authority West-end (Riverfront) Tax Increment District for the construction of Pelzer Street.
(5) For the years 1999-2002, the nonexpendable trust funds have been reclassified as permanent funds, for consistency and their revenues are included in this table.
Data Source —
Applicable years' comprehensive annual financial report.

TABLE VII

For The Calendar Year Ended December 31,					
2003	2004	2005	2006	2007	2008
Amount					
$ 3,863,765	$ 4,022,767	$ 4,767,055	$ 5,358,613	$ 5,532,317	$ 5,833,891
704,292	849,338	1,584,851	894,270	766,018	554,465
10,082,154	10,267,873	18,575,068	14,608,555	10,328,659	10,690,005
143,657	149,070	150,529	149,753	161,329	171,860
227,502	257,688	275,810	313,581	253,614	254,135
438,002	873,461	952,724	880,358	838,500	917,413
525,739	4,135,315	911,487	349,772	40,006	22,199
118,415	80,852	630,775	1,075,531	957,663	390,434
982,170	722		446	363,713	273,000
$ 17,085,696	$ 20,637,086	$ 27,848,299	$ 23,630,879	$ 19,241,819	$ 19,107,402
(8.8)%	20.8 %	34.9 %	(15.1)%	(18.6)%	(0.7)%
Percentage of Total					
22.6 %	19.5 %	17.1 %	22.7 %	28.7 %	30.5 %
4.1	4.1	5.7	3.8	4.0	2.9
59.0	49.8	66.7	61.8	53.7	56.0
0.8	0.7	0.5	0.6	0.8	0.9
1.3	1.2	1.0	1.3	1.3	1.3
2.6	4.2	3.4	3.7	4.4	4.8
3.1	20.0	3.3	1.5	0.2	0.1
0.7	0.4	2.3	4.6	5.0	2.1
5.8	0.1	0.0		1.9	1.4
100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

TABLE VIII

CITY OF WINONA, MINNESOTA

TAX REVENUES BY SOURCE — GOVERNMENTAL FUNDS (Unaudited) (1)
FOR THE LAST TEN CALENDAR YEARS ENDED DECEMBER 31
(modified accrual basis of accounting)

	Amounts			
	Property	Franchise	Sales (2)	Total
1999	$ 4,216,475	$ 737,695	$ 954,082	$ 5,908,252
2000	4,223,129	697,406	1,393,127	6,313,662
2001	4,145,287	926,915	1,447,372	6,519,574
2002 (3)	2,409,616	860,568	1,404,872	4,675,056
2003	2,854,928	855,270	153,567	3,863,765
2004	3,130,902	891,865		4,022,767
2005	3,736,189	1,030,866		4,767,055
2006	4,215,412	1,143,201		5,358,613
2007	4,339,116	1,193,201		5,532,317
2008	4,570,426	1,263,465		5,833,891

	Percentage of Total			
	Property	Franchise	Sales (2)	Total
1999	71.4 %	12.5 %	16.1 %	100.0 %
2000	66.9	11.0	22.1	100.0
2001	63.6	14.2	22.2	100.0
2002 (3)	51.5	18.4	30.1	100.0
2003	73.9	22.1	4.0	100.0
2004	77.8	22.2		100.0
2005	78.4	21.6		100.0
2006	78.7	21.3		100.0
2007	78.4	21.6		100.0
2008	78.3	21.7		100.0

Notes:
(1) Includes all governmental fund types.
(2) Beginning in 1999, the voters approved a sales tax referendum to dredge East Lake Winona and used the sand from the dredging to build an industrial park. The sales tax collections ended in January 2003.
(3) Property taxes decreased as a result of an increase in state funding through the local government aid program, which reduces the local property tax burden.
Data Source —
Applicable years' comprehensive annual financial report.

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CITY OF WINONA, MINNESOTA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (Unaudited) (1)
FOR THE LAST TEN CALENDAR YEARS ENDED DECEMBER 31
(modified accrual basis of accounting)

Function	1999	2000 (2)	2001	2002 (3)	2003 (4)
CURRENT:					
General government (10)	$ 2,189,781	$ 2,296,184	$ 2,278,566	$ 2,353,665	$ 2,419,287
Public safety (6)	5,392,940	5,392,070	5,822,227	5,984,521	6,019,664
Highways and streets (7)	2,281,856	2,458,026	2,359,827	2,430,688	2,235,562
Economic development (8)					
Culture and recreation	2,874,263	2,109,340	2,215,869	1,586,799	1,352,133
Other	1,011,866	556,212	509,671	261,292	502,926
Total current	13,750,706	12,811,832	13,186,160	12,616,965	12,529,572
PERCENTAGE CHANGE FROM PRIOR YEAR	7.3 %	(6.8)%	2.9 %	(4.3)%	(0.7)%
CAPITAL OUTLAY (9)	859,513	1,800,866	1,088,183	4,182,955	6,599,814
PERCENTAGE CHANGE FROM PRIOR YEAR	(45.6)%	109.5 %	(39.6)%	284.4 %	57.8 %
DEBT SERVICE:					
Principal	775,500	1,018,500	1,372,000	1,550,000	833,000
Interest and fees	326,585	432,278	408,919	430,539	330,845
Other (5)				2,368,261	
Total debt service	1,102,085	1,450,778	1,780,919	4,348,800	1,163,845
PERCENTAGE CHANGE FROM PRIOR YEAR	(33.5)%	31.6 %	22.8 %	144.2 %	(73.2)%
Total expenditures	$ 15,712,304	$ 16,063,476	$ 16,055,262	$ 21,148,720	$ 20,293,231
PERCENTAGE CHANGE FROM PRIOR YEAR	(2.1)%	2.2 %	(0.1)%	31.7 %	(4.0)%
DEBT SERVICES AS A PERCENT OF NONCAPITAL EXPENDITURES	7.4 %	10.2 %	11.9 %	11.7 %	8.5 %

Notes:
(1) Includes all governmental fund types.
(2) In 2000, the City established a recreation enterprise fund. Previously, these costs were charged to the culture and recreation function.
(3) In 2002, the City established a library enterprise fund. Previously, these costs were charged to the culture and recreation function.
(4) In 2003, the City established a storm sewer enterprise fund. Previously, these costs were charged to the highways and streets function.
(5) In 2002, the City refunded debt with a payment made to a bond refunding escrow agent.
(6) In 2004, the public safety function increased 10%, primarily due to a change in policy for reimbursement for sick pay from 33% vested to 100% vested.
(7) In 2004, the highways and streets function increased 33.1% as a result of engineering costs for Pelzer Street.
(8) Prior to 2004, the economic development costs were reported in the general government function.
(9) The significant increase in capital outlay from 2001 to 2002 related to state financed road construction projects and special assessment projects. The significant increase from 2002 to 2003 related to the High Wagon Bridge Reconstruction and special assessment projects. The significant increase from 2003 to 2004 related to the Pelzer Street Construction.
(10) For the years 1999-2002, the nonexpendable trust funds have been reclassified as permanent funds, for consistency.
Data Source —
Applicable years' comprehensive annual financial report.

TABLE IX

2004	2005	2006	2007	2008
$ 2,756,961	$ 2,712,375	$ 3,327,563	$ 3,073,892	$ 2,983,688
6,624,222	6,336,382	6,813,091	7,221,380	7,584,452
2,974,591	2,788,973	2,606,047	2,774,581	3,306,623
909,194	446,122	346,931	365,911	754,102
1,317,640	1,507,681	1,720,125	1,729,743	2,362,062
924,957	29,256	30,166	43,532	43,169
15,507,565	13,820,789	14,843,923	15,209,039	17,034,096
23.8 %	(10.9)%	7.4 %	2.5 %	12.0 %
1,382,109	480,984	5,136,903	382,443	571,871
(79.1)%	(65.2)%	968.0 %	(92.6)%	49.5 %
1,386,000	1,157,500	1,575,000	1,495,000	1,420,000
362,544	400,827	350,963	321,256	274,117
1,748,544	1,558,327	1,925,963	1,816,256	1,694,117
50.2 %	(10.9)%	23.6 %	(5.7)%	(6.7)%
$ 18,638,218	$ 15,860,100	$ 21,906,789	$ 17,407,738	$ 19,300,084
(8.2)%	(14.9)%	38.1 %	(20.5)%	10.9 %
10.1 %	10.1 %	11.5 %	10.7 %	9.0 %

CITY OF WINONA, MINNESOTA

GENERAL GOVERNMENTAL CURRENT EXPENDITURES BY FUNCTION (Unaudited) (1)
FOR THE LAST TEN CALENDAR YEARS ENDED DECEMBER 31
(modified accrual basis of accounting)

Function	1999	2000 (2)	2001	2002 (3)
CURRENT:				
General government (8)	$ 2,189,781	$ 2,296,184	$ 2,278,566	$ 2,353,665
Public safety (5)	5,392,940	5,392,070	5,822,227	5,984,521
Highways and streets 6)	2,281,856	2,458,026	2,359,827	2,430,688
Economic development (7)				
Culture and recreation	2,874,263	2,109,340	2,215,869	1,586,799
Other	1,011,866	556,212	509,671	261,292
Total current	$ 13,750,706	$ 12,811,832	$ 13,186,160	$ 12,616,965

	1999	2000	2001	2002
CURRENT:				
General government (8)	15.9 %	17.9 %	17.3 %	18.6 %
Public safety (5)	39.2	42.1	44.1	47.4
Highways and streets (6)	16.6	19.2	17.9	19.3
Economic development (7)				
Culture and recreation	20.9	16.5	16.8	12.6
Other	7.4	4.3	3.9	2.1
Total current	100.0 %	100.0 %	100.0 %	100.0 %

Notes:
(1) Includes all governmental fund types.
(2) In 2000, the City established a recreation enterprise fund. Previously, these costs were charged to the culture and recreation function.
(3) In 2002, the City established a library enterprise fund. Previously, these costs were charged to the culture and recreation function.
(4) In 2003, the City established a storm sewer enterprise fund. Previously, these costs were charged to the highways and streets function.
(5) In 2004, the public safety function increased 10% primarily due to a change in policy for reimbursement for sick pay from 33% vested to 100% vested.
(6) In 2004, the highways and streets function increased 33.1% as a result of engineering costs for Pelzer street.
(7) Prior to 2004, the economic development costs were reported in the general government function.
(8) For the years 1999-2002, the nonexpendable trust funds have been reclassified as permanent funds, for consistency.
Data Source —
Table IX.

TABLE X

Amounts					
2003 (4)	2004	2005	2006	2007	2008
$ 2,419,287	$ 2,756,961	$ 2,712,375	$ 3,327,563	$ 3,073,892	$ 2,983,688
6,019,664	6,624,222	6,336,382	6,813,091	7,221,380	7,584,452
2,235,562	2,974,591	2,788,973	2,606,047	2,774,581	3,306,623
	909,194	446,122	346,931	365,911	754,102
1,352,133	1,317,640	1,507,681	1,720,125	1,729,743	2,362,062
502,926	924,957	29,256	30,166	43,532	43,169
$ 12,529,572	$ 15,507,565	$ 13,820,789	$ 14,843,923	$ 15,209,039	$ 17,034,096

Percentage of Total					
2003	2004	2005	2006	2007	2008
19.3 %	17.8 %	19.6 %	22.4 %	20.2 %	17.5 %
48.1	42.7	45.9	45.9	47.5	44.5
17.8	19.2	20.2	17.6	18.2	19.4
	5.8	3.2	2.3	2.4	4.4
10.8	8.5	10.9	11.6	11.4	13.9
4.0	6.0	0.2	0.2	0.3	0.3
100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %

CITY OF WINONA, MINNESOTA

SUMMARY OF CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS (Unaudited) (1) (2)
FOR THE LAST TEN CALENDAR YEARS ENDED DECEMBER 31
(modified accrual basis of accounting)

Source	1999	2000	2001	2002
TOTAL REVENUES (3)	$ 17,806,994	$ 18,239,862	$ 18,003,542	$ 18,741,983
TOTAL EXPENDITURES (4)	15,712,304	16,063,476	16,055,262	21,148,720
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	2,094,690	2,176,386	1,948,280	(2,406,737)
OTHER FINANCING (USES) SOURCES:				
Other	965			
Sale of capital assets				
Debt proceeds	58,823	606,501	4,038,965	
Transfers in	805,978	1,022,551	501,884	467,460
Transfers out	(2,698,396)	(2,073,007)	(1,147,614)	(1,691,258)
Total other financing (uses) sources	(1,832,630)	(443,955)	3,393,235	(1,223,798)
NET CHANGE IN FUND BALANCES	262,060	1,732,431	5,341,515	(3,630,535)
FUND BALANCES — Beginning of year	13,854,128	14,116,188	15,848,619	21,190,134
FUND BALANCES — End of year	$ 14,116,188	$ 15,848,619	$ 21,190,134	$ 17,559,599

Notes:
(1) Includes all governmental fund types.
(2) Beginning in 2003, the City's nonexpendable trust funds were reclassified as permanent funds, and their data is included in all years presented.
(3) Table VII
(4) Table IX
Data Source:
Applicable years' comprehensive annual financial report.

TABLE XI

2003	2004	2005	2006	2007	2008
$ 17,085,696	$ 20,637,086	$ 27,848,299	$ 23,630,879	$ 19,241,819	$ 19,107,402
20,293,231	26,790,486	21,428,151	30,607,030	21,315,396	19,937,403
(3,207,535)	(6,153,400)	6,420,148	(6,976,151)	(2,073,577)	(830,001)
	2,526	7,621			
614,188	4,988,090	3,595,585	845,000		
1,856,075	704,863	5,939,945	1,061,683	1,258,053	2,141,305
(2,231,734)	(606,726)	(4,111,009)	(2,563,652)	(2,230,532)	(1,126,572)
238,529	5,088,753	5,432,142	(656,969)	(972,479)	1,014,733
(2,969,006)	(1,064,647)	11,852,290	(7,633,120)	(3,046,056)	184,732
17,559,599	14,590,593	13,525,946	25,378,236	17,745,116	14,699,060
$ 14,590,593	$ 13,525,946	$ 25,378,236	$ 17,745,116	$ 14,699,060	$ 14,883,792

CITY OF WINONA, MINNESOTA

ESTIMATED ACTUAL VALUE OF PROPERTY AND TAX CAPACITY (1)
BY PROPERTY TYPE (Unaudited)
LAST TEN CALENDAR YEARS

Tax Collection Year	Real Property		Personal Property	
	Tax Capacity (1)	Estimated Market Value	Tax Capacity (1)	Estimated Market Value
2000	$ 13,480,602	$ 834,506,100	$ 414,318	$ 12,595,600
2001	14,765,305	907,424,100	425,305	12,954,600
2002 (3)	11,863,706	987,809,200	258,689	13,316,300
2003	13,021,844	1,100,481,800	277,376	14,257,100
2004	13,924,786	1,177,599,700	311,517	16,036,300
2005	15,343,606	1,303,483,200	320,174	16,398,700
2006	16,904,090	1,406,070,400	316,606	16,306,600
2007	17,709,035	1,470,440,000	324,604	16,626,000
2008	18,368,606	1,521,383,800	304,177	15,543,900
2009	18,590,745	1,531,838,200	302,529	15,490,200

Notes:

(1) Tax capacity is determined by multiplying a property's market value by its applicable classification rate. Each property is assigned a classification rate depending upon its use. This table includes the primary government and the discretely presented component unit, the Port Authority of Winona.

(2) The tax rate is presented as $1,000 of tax capacity.

(3) Beginning in the 2002 tax collection year, the State of Minnesota compressed the tax capacity rates with the result of a lower tax capacity.

Data Source:

Winona County Auditor (2000-2001)

Winona County Assessor (2002-2009)

TABLE XII

Total Estimated Tax Capacity (1)	Total Direct Tax Rate (2)	Total Estimated Market Value	Ratio of Total Tax Capacity to Total Estimated Market Value	Annual Percentage Change In Total Estimated Market Value
$ 13,894,920	35.45	$ 847,101,700	1.64 %	5.8 %
15,190,610	35.20	920,378,700	1.65	8.7
12,122,395	36.02	1,001,125,500	1.21	8.8
13,299,220	27.30	1,114,738,900	1.19	11.3
14,236,303	28.82	1,193,636,000	1.19	7.1
15,663,780	29.95	1,319,881,900	1.19	10.6
17,220,696	30.95	1,422,377,000	1.21	7.8
18,033,639	30.77	1,487,066,000	1.21	4.5
18,672,783	30.44	1,536,927,700	1.21	3.4
18,893,274	30.83	1,547,328,400	1.22	0.7

TABLE XIII

CITY OF WINONA, MINNESOTA

DIRECT AND OVERLAPPING PROPERTY TAX RATES (Unaudited)
LAST TEN CALENDAR YEARS
(rate per $1,000 of tax capacity)

	Direct		Overlapping Rates		
Year Collected (1)	City Rate	Port Authority	School District (2)	Winona County	Total
1999	35.45 %	0.43 %	54.31 %	39.62 %	129.81 %
2000	35.20	0.22	49.69	37.81	122.92
2001	36.02	0.38	47.22	38.87	122.49
2002	27.30	0.47	17.71	54.81	100.29
2003	28.82	0.43	17.29	49.82	96.36
2004	29.95	-	14.84	48.78	93.57
2005	30.95	2.08	16.27	47.19	96.49
2006	30.77	1.93	13.08	44.52	90.30
2007	30.44	1.87	16.26	43.51	92.08
2008	30.83	1.78	16.57	43.14	92.32

Notes:

(1) Net of homestead and agricultural credit aid, 1999-2001. For the City, net of homestead and agriculture credit aid, but not net of Minnesota market value (MV) credits, for 2002 - 2008. For payable 2002, the school district tax capacity tax rate is 17.705% and the market value tax rate is .19729%.

(2) For the school district, the MV tax rate is not included in the total tax rate above.

Data Source —
Winona County Auditor

TABLE XIV

CITY OF WINONA, MINNESOTA

PROPERTY TAX LEVIES AND COLLECTIONS (Unaudited) (1)
LAST TEN CALENDAR YEARS

For The Year Collected	Total Taxes Levied	Collected Within the Year of The Levy		Delinquent Collections (2)	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999 (3)	$ 4,406,529	$ 4,363,594	99.03 %	$ 30,648	$ 4,394,242	99.72 %
2000 (3)	4,548,225	4,504,695	99.04	43,181	4,547,876	99.99
2001 (3)	5,128,812	5,031,828	98.11	39,162	5,070,990	98.87
2002 (4)	2,771,523	2,743,880	99.00	44,964	2,788,844	100.62
2003 (5)	3,238,163	3,207,952	99.07	47,593	3,255,545	100.54
2004 (6)	3,574,935	3,502,915	97.99	66,162	3,569,077	99.84
2005 (7)	4,423,556	4,430,685	100.16	66,122	4,496,807	101.66
2006 (8)	5,003,460	4,940,533	98.74	56,464	4,996,997	99.87
2007 (9)	5,238,625	5,165,212	98.60	55,597	5,220,809	99.66
2008 (10)	5,530,485	5,479,274	99.07		5,479,274	99.07

Notes:

(1) This table includes the primary government and the discretely presented component unit, the Port Authority.

(2) The amounts reported from 1999-2003 included the amount of taxes collected in the year, not in the year to which they apply. The 2004-2008 amounts reported in the total uncollected taxes column are the uncollected taxes for each tax levy.

(3) Net of homestead and agricultural credit aid (HACA).

(4) Net of HACA and State of Minnesota MV credits (HACA was zero and MV credits were $457,555).

(5) Net of HACA and State of Minnesota MV credits (HACA was zero and MV credits were $503,781).

(6) Net of HACA and State of Minnesota MV credits (HACA was zero and MV credits were $527,596 excluding MV TI credits).

(7) Net of HACA and State of Minnesota MV credits (HACA was zero and MV credits were $552,858 excluding MV TI credits).

(8) Net of HACA and State of Minnesota MV credits (HACA was zero and MV credits were $577,887 excluding MV TI credits).

(9) Net of HACA and State of Minnesota MV credits (HACA was zero and MV credits were $557,383 excluding MV TI credits).

(10) Net of HACA and State of Minnesota MV credits (HACA was zero and MV credits were $555,945 excluding MV TI credits).

Data Source:
Winona County Auditor
City Finance Department

TABLE XV

CITY OF WINONA, MINNESOTA

PRINCIPAL PROPERTY TAXPAYERS (Unaudited)
FOR THE CALENDAR YEARS ENDED DECEMBER 31, 2008 AND 1999

	2008 (For Taxes Payable in 2009)			
Principal Taxpayer	Type of Business	Tax Capacity (1)	Rank	Percentage of Total Tax Capacity
Northern States Power Co.	Utility	$ 318,202	1	1.68 %
Wal-Mart	Commercial	264,762	2	1.40
Menards, Inc.	Commercial	251,506	3	1.33
Fastenal Company	Commercial/Industrial	226,909	4	1.20
Rivers Development	Commercial	215,726	5	1.14
Miller Waste Mills	Industrial/Commercial	167,766	6	0.89
Sarnia Realty Investors (Winona Mall)	Commercial	152,284	7	0.81
Mikrut Properties	Commercial/Industrial	143,305	8	0.76
Mills Properties, Inc. (Mills Fleet Farm)	Commercial	134,010	9	0.71
Target Corporation	Commercial	127,668	10	0.68
Total Principal Taxpayers		2,002,138		10.60
All Other Taxpayers		16,891,136		89.40
Total		$ 18,893,274		100.00 %

	1999 (For Taxes Payable in 2000)			
Principal Taxpayer	Type of Business	Tax Capacity (1)	Rank	Percentage of Total Tax Capacity
Northern State Power Co.	Utility	$ 419,759	1	3.00 %
Fastenal Company	Manufacturing	229,669	2	1.70
Lake Center/ Lucas Industries	Manufacturing	168,889	3	1.20
International Malting Company	Industrial	162,778	4	1.20
Watlow–Winona	Manufacturing	156,338	5	1.10
Winona Mall, Inc.	Retail	154,479	6	1.10
Pennwinn Associates	Retail	150,658	7	1.10
Dayton Hudson Corporation	Retail	127,282	8	0.90
Mills Properties (Mills Fleet Farm)	Retail	126,918	9	0.90
Peerless Limited Partnership	Industrial	113,777	10	0.80
Total Principal Taxpayers		1,810,547		13.00
All Other Taxpayers		12,084,373		87.00
Total		$ 13,894,920		100.00 %

Notes:
(1) Tax capacity is determined by multiplying a property's market value by its applicable classification rate. Each property is assigned a classification rate depending upon its use.

Data Source —
Winona County Auditor

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CITY OF WINONA, MINNESOTA

RATIOS OF TOTAL DEBT OUTSTANDING BY TYPE (Unaudited) (4)
LAST TEN CALENDAR YEARS

	Governmental Activities				
	General Obligation Bonds Supported by			General Obligation	
Calendar Year	Taxes (1)	Other Revenues	Special Assessments (2)	Equipment Certificates	Total
1999	$ 475,000	$ 4,070,000	$ 5,272,000	$ 135,000	$ 9,952,000
2000	335,000	3,745,000	4,853,500	610,000	9,543,500
2001	2,057,200	3,045,000	6,674,300	465,000	12,241,500
2002	1,902,200		6,154,300	315,000	8,371,500
2003	1,872,200		5,506,300	775,000	8,153,500
2004	3,768,300		7,564,200	415,000	11,747,500
2005	3,584,300		6,795,700	210,000	10,590,000
2006	3,194,500		5,820,500	845,000	9,860,000
2007	2,794,200		4,835,800	735,000	8,365,000
2008	2,398,100		3,921,900	625,000	6,945,000

Notes:

(1) These bonds are issued for construction of major capital improvements and are backed by the full faith, credit, and taxing authority of the City.

(2) These bonds are issued for local improvements of privately owned property, and are payable from special assessments levied on these improvements. However, the bonds are backed by the full faith, credit, and taxing authority of the City.

(3) These bonds are G.O. water and sewer revenue bonds, and are being repaid from revenues from the appropriate enterprise fund. However, the bonds are backed by the full faith, credit, and taxing authority of the City.

Data Source:

(4) Applicable years' comprehensive annual financial report.

(5) See Table XXII.

TABLE XVI

Business-type Activities General Obligation Bonds (3)	Total	Percentage of Personal Income (5)	Estimated Population (5)	Total Debt Per Capita
$ 14,688,000	$ 24,640,000	0.210 %	26,335	$ 936
13,916,500	23,460,000	0.019	27,069	867
10,893,500	23,135,000	0.019	27,100	854
9,883,500	18,255,000	0.014	26,902	679
12,951,500	21,105,000	0.016	27,018	781
11,892,500	23,640,000	0.017	27,221	868
10,565,000	21,155,000	0.015	27,295	775
11,520,000	21,380,000	0.015	27,324	783
10,135,000	18,500,000	0.012	27,458	674
7,015,000	13,960,000	0.009	27,458	508

CITY OF WINONA, MINNESOTA

RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING (Unaudited) (6)
LAST TEN CALENDAR YEARS

	Governmental Activities			Business-type Activities	
	General Obligation Bonds Supported by				
Calendar Year	Taxes (1)	Other Revenues	Special Assessments (2)	General Obligation Bonds (3)	Total
1999	$ 475,000	$ 4,070,000	$ 5,272,000	$ 14,688,000	$ 24,505,000
2000	335,000	3,745,000	4,853,500	13,916,500	22,850,000
2001	2,057,200	3,045,000	6,674,300	10,893,500	22,670,000
2002	1,902,200		6,154,300	9,883,500	17,940,000
2003	1,872,200		5,506,300	12,951,500	20,330,000
2004 (4)	3,768,300		7,564,200	11,892,500	23,225,000
2005	3,584,300		6,795,700	10,565,000	20,945,000
2006	3,194,500		5,820,500	11,520,000	20,535,000
2007	2,794,200		4,835,800	10,135,000	17,765,000
2008	2,398,100		3,921,900	7,015,000	13,335,000

Notes:
(1) These bonds are issued for construction of major capital improvements, and are backed by the full faith, credit, and taxing authority of the City.
(2) These bonds are issued for local improvements of privately owned property, and are payable from special assessments levied on these improvements.
(3) These bonds are general obligation water and sewer revenue bonds, and are being repaid from revenues from the appropriate enterprise fund. However, the bonds are backed by the full faith, credit, and taxing authority of the City.
(4) Issued $4,980,000 general obligation bonds secured by property taxes and special assessments.
(5) Includes the fund balance of the permanent improvement bond revolving fund and the restricted assets for both the water and sewer funds.
Data Source:
(6) Applicable years' comprehensive annual financial report.
(7) Table XII.
(8) Table XXII.

TABLE XVII

Less Restricted Assets To Repay Debt Principal (5)	Net General Obligation Bonds	Percentage of Actual Taxable Value of Property (7)	Estimated Population (8)	Total General Obligation Debt Per Capita
$ 3,126,680	$ 21,378,320	2.52 %	26,335	$ 812
3,465,345	19,384,655	2.11	27,069	716
3,910,199	18,759,801	1.87	27,100	692
4,041,775	13,898,225	1.25	26,902	517
4,119,104	16,210,896	1.36	27,018	600
4,221,278	19,003,722	1.44	27,221	698
5,006,176	15,938,824	1.12	27,295	584
4,774,810	15,760,190	1.06	27,324	577
3,847,754	13,917,246	0.91	27,458	507
3,407,480	9,927,520	0.64	27,458	362

CITY OF WINONA, MINNESOTA

RATIOS OF NET GENERAL BONDED DEBT TO MARKET VALUE AND NET BONDED DEBT PER CAPITA (Unaudited) (1) (7)
(BASED UPON G.O. DEBT THAT ACTUALLY IS PAID FROM PROPERTY TAXES)
LAST TEN CALENDAR YEARS

Tax Year Collected	Estimated Population (6)	Market Value (in $1,000)	Gross Bonded Debt (1)	Less Debt Service Monies Available	Less Debt Payable From Port and Enterprise Revenues (2)(3)	Less Debt Payable From Tax Increments
1999	26,335	$ 800,401	$ 27,039,000	$ 1,201,742	$ 14,098,000	$ 605,000
2000	27,069	847,102	24,979,000	996,153	13,466,500	440,000
2001	27,100	920,379	24,838,000	942,194	10,588,500	265,000
2002	26,902	1,001,126	19,496,000	756,115	9,728,500	70,000
2003	27,018	1,114,739	22,867,869	501,613	13,939,500	
2004	27,221	1,193,636	24,060,000	324,277	12,312,500	
2005	27,295	1,319,882	25,120,000	662,721	10,960,000	
2006	27,324	1,422,377	25,050,000	571,941	11,890,000	
2007	27,458	1,487,066	21,955,000	611,562	10,480,000	
2008	27,458	1,536,928	17,195,000	780,847	7,335,000	

This table includes the primary government and the component unit.

Notes:
(1) G.O. certificates are included in this schedule beginning in 2001.
(2) In 2001 and 2002, includes enterprise fund bonds, less the G.O. swimming pool refunding bonds of 1993.
(3) Excludes Port Authority G.O. bonds of 2005 (Pelzer Street), which will be retired with property taxes.
(4) A City referendum passed on November 3, 1998. On July 1, 1999, the City issued G.O. sales tax revenue bonds. On October 30, 2002, the City defeased the G.O. sales tax revenue bonds.
(5) Net bonded debt is property tax supported debt. As compared to table XVII, this is the amount of debt that the City is actually retiring from property taxes.
Data Source:
(6) Table XXII
(7) Winona County Auditor
Winona County Assessor (2002-2008)
The City's Planning Department
The City's Finance Department

TABLE XVIII

Less Debt Payable From Special Assessments	Less Debt Payable From Leased Properties	Less Debt Payable From Sales Taxes (4)	Net Bonded Debt (5)	Ratio of Net Bonded Debt To Market Value	Net Bonded Debt Per Capita
$ 5,272,000	$ 1,124,000	$ 4,070,000	$ 668,258	0.0008	$ 25
4,853,500	994,000	3,745,000	483,847	0.0006	18
6,674,300	853,000	3,045,000	2,470,006	0.0027	91
6,154,300	701,000		2,086,085	0.0021	78
5,506,300	543,000		2,377,456	0.0021	88
7,564,200			3,859,023	0.0032	142
6,795,700			6,701,579	0.0051	246
5,820,500			6,767,559	0.0048	248
4,835,800			6,027,638	0.0041	220
3,921,900			5,157,253	0.0034	188

TABLE XIX

CITY OF WINONA, MINNESOTA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT (Unaudited)
DECEMBER 31, 2008

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
CITY DIRECT DEBT:			
General obligation bonds supported by property taxes	$ 2,398,100	100.0 %	$ 2,398,100
General obligation bonds supported by Port Authority	3,235,000	100.0	3,235,000
General obligation bonds supported by special assessments	3,921,900	100.0	3,921,900
General obligation bonds supported by enterprise funds and property taxes	7,015,000	100.0	7,015,000
General obligation equipment certificates	625,000	100.0	625,000
Total city direct debt			17,195,000
OVERLAPPING DEBT: (2)			
Debt repaid with property taxes:			
Independent School District No. 861 — G.O. bonds	18,042,203	65.8	11,871,770
Winona County — General obligation bonds	7,208,142	50.0	3,604,071
Total overlapping debt			15,475,841
Total direct and overlapping debt			$ 32,670,841

This table includes the primary government and the component unit.

Notes:

(1) Applicable percentages were estimated by determining the portion of another government unit's tax capacity that is within the City's geographic boundaries, and dividing it by each government's total tax capacity.

(2) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City.

Data Source —
Applicable governments

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CITY OF WINONA, MINNESOTA

LEGAL DEBT MARGIN (Unaudited)
FOR THE LAST TEN CALENDAR YEARS ENDED DECEMBER 31

	1999	2000	2001	2002
ASSESSED VALUE (5)	$ 800,401,200	$ 847,101,700	$ 920,378,700	$ 1,001,125,500
LEGAL DEBT MARGIN:				
Debt limit (2% of market value of taxable property) (1)	$ 16,008,024	$ 16,942,034	$ 18,407,574	$ 20,022,510
Debt applicable to limit:				
Gross debt (6)	24,640,000	23,460,000	23,135,000	18,255,000
Less exempt debt (2)				
Special assessment improvement bonds	(5,272,000)	(4,853,500)	(6,674,300)	(6,154,300)
G.O. bonds (3)	(4,070,000)	(3,745,000)	(3,045,000)	
G.O. revenue bonds (4)	(14,098,000)	(13,466,500)	(10,588,500)	(9,728,500)
Debt subject to limit	1,200,000	1,395,000	2,827,200	2,372,200
Legal debt margin	$ 14,808,024	$ 15,547,034	$ 15,580,374	$ 17,650,310
Total net debt applicable to the limit as a percentage of the debt limit	7.50 %	8.23 %	15.36 %	11.85 %

Notes:
(1) MN Statutes, Section 475.53, which reports gross G.O. debt before deducting any available debt service fund balances (3% of market value of taxable property in 2008, 2% in prior years).
(2) Per MN Statutes.
(3) G.O. debt supported by revenues other than special assessments and enterprise funds.
(4) G.O. debt supported by revenues in enterprise funds.
Data Source:
(5) See Table XII.
(6) Includes G.O. bonds and G.O. equipment certificates.

TABLE XX

2003	2004	2005	2006	2007	2008
$ 1,114,738,900	$ 1,193,636,000	$ 1,319,881,900	$ 1,422,377,000	$ 1,487,066,000	$ 1,536,927,700
$ 22,294,778	$ 23,872,720	$ 26,397,638	$ 28,447,540	$ 29,741,320	$ 46,107,831
21,105,000	23,640,000	21,155,000	21,380,000	18,500,000	13,960,000
(5,506,300)	(7,564,200)	(6,795,700)	(5,820,500)	(4,835,800)	(3,921,900)
(12,951,500)	(11,892,500)	(10,565,000)	(11,520,000)	(10,135,000)	(7,015,000)
2,647,200	4,183,300	3,794,300	4,039,500	3,529,200	3,023,100
$ 19,647,578	$ 19,689,420	$ 22,603,338	$ 24,408,040	$ 26,212,120	$ 43,084,731
11.87 %	17.52 %	14.37 %	14.20 %	11.87 %	6.56 %

TABLE XXI

CITY OF WINONA, MINNESOTA

PLEDGED REVENUE BOND COVERAGE (Unaudited) (1)
LAST TEN CALENDAR YEARS

	Water and Sewer Revenue Bonds						
Calendar Year	Gross Revenues (2)	Less: Operating Expenses (3)	Net Available Revenues	Debt Service Principal	Debt Service Interest	Debt Service Total	Times Coverage
1999	$ 4,575,604	$ 1,954,029	$ 2,621,575	$ 579,500	$ 440,084	$ 1,019,584	2.57
2000	5,016,929	1,906,432	3,110,497	631,500	592,068	1,223,568	2.54
2001	5,284,192	2,266,002	3,018,190	768,000	488,302	1,256,302	2.40
2002	4,867,341	2,275,622	2,591,719	860,000	454,294	1,314,294	1.97
2003	5,456,291	2,325,966	3,130,325	1,027,000	425,422	1,452,422	2.16
2004	5,643,048	2,676,232	2,966,816	1,059,000	503,777	1,562,777	1.90
2005	6,208,775	3,246,166	2,962,609	1,327,500	479,536	1,807,036	1.64
2006	6,697,050	3,342,586	3,354,464	1,340,000	428,729	1,768,729	1.90
2007	6,912,334	3,370,212	3,542,122	1,385,000	433,145	1,818,145	1.95
2008 (4)	6,780,595	3,355,293	3,425,302	3,120,000	361,408	3,481,408	0.98

Notes:
(1) These revenue bonds are first secured by water and sewer revenue, and secondarily backed by the full faith and credit of the City.
(2) Gross revenue includes charges for water and sewer services, other charges, tap fees, and property taxes.
(3) Operating expenses do not include depreciation, interest expense, or fiscal charges.
(4) $2,285,000 in principal was paid from a refunding escrow account established for this purpose. Removing these principal payments would reduce principal payments to $835,000 and increase the coverage ratio to 2.86.
Data Source —
Applicable years' comprehensive annual financial report.

TABLE XXII

CITY OF WINONA, MINNESOTA

DEMOGRAPHIC AND ECONOMIC FACTORS (Unaudited)
LAST TEN CALENDAR YEARS

Year	City Population (1)	City Metropolitan Area Population (2)	Personal Income (3) (thousands of dollars)	Per Capita Income (4)	City Unemployment Rate (5)	United States Unemployment Rate (5)
1999	26,335	49,679	$ 1,162,486	23,400	3.1 %	4.2 %
2000	27,069	50,015	1,214,200	24,277	3.5	4.0
2001	27,100	49,763	1,224,411	24,605	4.4	4.7
2002	26,902	49,428	1,265,857	25,610	4.7	5.8
2003	27,018	49,344	1,313,132	26,612	5.6	6.0
2004	27,221	49,172	1,383,206	28,130	5.0	5.6
2005	27,295	49,348	1,428,270	28,943	3.9	5.1
2006	27,324	49,730	1,510,583	30,376	3.8	4.6
2007	27,458	49,848	1,643,177	32,964	4.4	5.0
2008	27,458	49,848	1,643,177	32,964	5.1	5.6

Data Source:
(1) State demographer's estimate, except 2000, which is the U.S. Bureau of Census; 2008 not available.
(2) 1999 - 2007- U.S. Bureau of Economic Analysis - Winona, MN Metropolitan Area, http://www.bea.gov/bea/regional/reis/default.cfm?catable=CA1-3&section=2. 2008 not available.
(3) 1999 - 2007 - U.S. Bureau of Economic Analysis - Winona, MN Metropolitan Area, http://www.bea.gov/bea/regional/reis/default.cfm?catable=CA1-3&section=2. 2008 not available.
(4) 1999 - 2007 - U.S. Bureau of Economic Analysis - Winona, MN Metropolitan Area, http://www.bea.gov/bea/regional/reis/default.cfm?catable=CA1-3&section=2. 2008 not available.
(5) Minnesota Department of Employment and Economic Development (i.e., the yearly annual average), (2008 U.S. rate is seasonally adjusted).

TABLE XXIII

CITY OF WINONA, MINNESOTA

PRINCIPAL EMPLOYERS (Unaudited) (1)
FOR THE CALENDAR YEARS ENDED DECEMBER 31, 2008 AND 1999

		2008		
Employer	Type of Business	Number of Employees	Rank	Percentage of Total City Employment
Fastenal Company (4)	Commercial/Industrial	1,336	1	8.84 %
Winona Health (5)	Hospital/Health Care	841	2	5.56
Winona State University (5)	Post-secondary Education	802	3	5.30
Independent School District No. 861 (5)	K-12 Education	417	4	2.76
Saint Mary's University (5)	Post-secondary Education	407	5	2.69
RTP Company (1)	Plastics and Synthetic Resins	400	6	2.65
TRW Automotive Electronics (3) (4)	Auto Parts Manufacturer	355	7	2.35
Wincraft, Inc. (5)	Promotional Materials	350	8	2.31
Winona County (5)	County Government	319	9	2.11
Wal-Mart (5)	Commercial	280	10	1.85
Total principal employers		5,507		36.42
Other employers (2)		9,613		63.58
Total employers		15,120		100.00 %

		1999		
Employer	Type of Business	Number of Employees	Rank	Percentage of Total City Employment
Lucas Body Systems (3)	Auto Parts Manufacturer	770	1	5.20 %
Winona State University	Post-secondary Education	700	2	4.72
Independent School District No. 861	K-12 Education	600	3	4.05
Community Memorial Hospital	Hospital/Health Care	450	4	3.04
Fastenal Company	Commercial/Industrial	440	5	2.97
Watkins, Inc.	Spices and Extracts Manufacturer	375	6	2.53
Watlow Winona	Electronic Control Manufacturer	355	7	2.40
Winona Knitting Mills	Knit Wear	350	8	2.36
RTP Company	Plastic and Synthetic Resins	340	9	2.29
Wincraft, Inc.	Promotional Materials	330	10	2.23
Total principal employers		4,710		31.79
Other employers (2)		10,111		68.21
Total employers		14,821		100.00 %

Data Source:
(1) Official Statements-Bond Offerings (2006).
(2) Management estimates, based upon civilian labor force and unemployment rate.
(3) Lucas Body Systems is part of TRW.
(4) City Finance Department @ 12/31/08.
(5) City Community Development Department @ 5/15/09.

TABLE XXIV

CITY OF WINONA, MINNESOTA

PROPERTY VALUES AND CONSTRUCTION (Unaudited)
LAST TEN CALENDAR YEARS

Tax Collection Year	Estimated Property Value (3)		Nonresidential Construction (4)		Residential Construction (4)	
	Taxable	Nontaxable (1)	Number of Permits	Value (2)	Number of Permits	Value
1999	$ 800,401,200	$ 309,768,500	153	$ 29,232,574	556	$ 10,816,280
2000	847,101,700	309,768,500	129	18,163,014	882	9,788,938
2001	920,378,700	309,768,500	138	19,681,490	1,267	16,102,740
2002	1,001,125,500	309,768,500	138	41,871,856	1,314	26,157,436
2003	1,114,738,900	309,768,500	122	19,816,823	1,099	22,453,297
2004	1,193,636,000	309,768,500	145	16,677,585	1,047	18,315,199
2005	1,319,881,900	482,142,700	162	42,168,354	981	14,950,633
2006	1,422,377,000	482,142,700	134	19,912,636	912	10,150,859
2007	1,487,066,000	482,142,700	127	24,965,605	812	8,299,429
2008	1,536,927,000	482,142,700	144	16,101,088	839	10,638,324

Notes:

(1) Tax-exempt property valuation is updated every six years.

(2) In 2002, Winona State University (WSU) Science Building is included at $24,728,000. In 2003, Wal-Mart is included at $8,430,000. In 2004, the Winona Health parking ramp is included at $2,900,000. In 2005, the Winona Health/Winona Clinic expansion at $20,$912,000, and the WSU Pasteur Hall renovation are included at $8,160,750.
In 2006, the Southeast Minnesota Technical College remodeling and new entrance is included at $2,996,000, and the Target remodeling and addition is included at $2,913,000.
In 2007 are Hal Leonard at $4,967,027, WSU Maxwell Center remodeling at $4,476,622, and WSU Memorial Hall at $2,674,000.
In 2008 are the Holiday Inn Express at $4,996,000, Animal Care Clinic at $1,863,525, and an addition to the Minnesota Marine Art Museum at $1,548,400.

Data Source:

(3) Winona County Assessor.

(4) The City's Inspection Department.

TABLE XXV

CITY OF WINONA, MINNESOTA

CITY EMPLOYEES BY FUNCTION/PROGRAM (Unaudited) (1) (2)

Function/Program	2006 (3)	2007 (3)	2008 (3)
GENERAL FUND:			
General government:			
City manager	2.000	2.000	2.000
City clerk	1.888	1.888	1.888
Finance	7.000	7.000	7.000
Human resources	1.600	1.600	1.600
Planning	3.375	3.375	3.375
Building maintenance	2.250	2.250	2.250
Public safety:			
Police	43.800	44.600	43.600
Fire	23.000	23.000	23.000
Safety and health coordinator	1.000	1.000	1.000
Highways and streets:			
Engineering	5.800	5.800	4.800
Streets and alleys	14.000	14.000	14.000
Central garage	4.000	4.000	4.000
Culture and recreation —			
Parks maintenance	20.000	20.000	20.000
Economic development:			
Community development	2.625	3.625	2.625
Community development-matching funds	.000	.000	1.000
Total general fund	132.338	134.138	132.138
Senior Advocacy Fund —			
Senior Advocacy	1.525	1.700	1.000
Water and Sewer Fund:			
Water power and pumping/water distribution	9.000	9.000	9.000
Water/sewer — administration and general	3.000	3.000	1.500
Sewer — administration and general	12.000	12.000	13.500
Total water and sewer fund:	24.000	24.000	24.000
Public Transporation Fund —			
Transit — administration and general	0.112	0.112	0.112
Airport Fund —			
Airport — administration and general	1.000	1.000	1.000
Recreation Fund:			
Recreation administration	2.000	3.000	2.500
Community services			1.750
Recreation programs	3.000	3.000	2.000
Senior center	4.250	4.250	4.250
Total Recreation Fund	9.250	10.250	10.500
Library Fund —			
Library administration	13.250	14.625	13.250
Inspections Fund —			
Inspections	6.000	6.000	4.000
TOTAL	187.475	191.825	186.000

Notes:
(1) Information presented in full-time equivalents.
(2) Full-time equivalent data only available beginning with 2006.
Data Source —
(3) The City's Budget Office (Budget Book)

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CITY OF WINONA, MINNESOTA

OPERATING STATISTICS BY FUNCTION/PROGRAM (Unaudited)
LAST TEN CALENDAR YEARS

Function/Program	1999	2000	2001	2002
Public safety:				
Fire:				
Number of emergency responses	1,469	1,361	1,444	1,527
Number of inspections	208	228	330	283
Police:				
Number of traffic arrests	1,998	2,000	1,010	1,250
Crime clearance	56 %	56 %	56 %	58 %
Sewage system:				
Daily average treatment (in gallons)	4,446,000	4,300,000	4,400,000	4,400,000
Maximum daily of capacity of treatment plant (in gallons)	10,000,000	9,600,000	9,700,000	9,700,000
Water system:				
Daily average consumption (in gallons)	3,096,000	2,600,000	2,800,000	2,800,000
Maximum daily capacity of plant (in gallons)	10,330,000	9,200,000	8,500,000	8,500,000

Data Source —
The City's various departments

EXHIBIT XXVI

2003	2004	2005	2006	2007	2008
1,389	1,565	1,689	1,763	2,033	2,090
377	342	414	395	375	491
1,375	1,289	1,347	1,675	1,540	1,247
58 %	61 %	57 %	55 %	57 %	64 %
4,400,000	4,400,000	4,400,000	4,400,000	4,326,000	4,400,000
9,700,000	9,700,000	9,700,000	9,700,000	9,600,000	9,600,000
2,800,000	2,800,000	2,800,000	2,800,000	2,860,000	2,860,000
8,500,000	8,500,000	8,500,000	8,500,000	10,296,000	10,300,000

CITY OF WINONA, MINNESOTA

CAPITAL ASSET AND INFRASTRUCTURE STATISTICS AND INFRASTRUCTURE STATISTICS BY FUNCTION/PROGRAM (Unaudited)
LAST TEN CALENDAR YEARS

Function/Program	1999	2000	2001	2002	2003
Public safety:					
Fire stations	2	2	2	2	2
Police stations	1	1	1	1	1
Streets and highways:					
Streets (miles)	110	110	110	110	111
Culture and recreation:					
Acreage	3,000	3,000	3,000	3,000	3,000
Number of bandshells	1	1	1	1	1
Number of parks	29	30	30	30	30
Number of community centers	2	2	2	2	2
Number of swimming pools	1	1	1	1	1
Number of tennis courts	14	15	15	15	15
Sewage system:					
Miles of sanitary sewers	105	102	102	104	105
Miles of storm sewers	85	85	85	86	86
Number of treatment plants	1	1	1	1	1
Water system:					
Miles of water mains	102	103	104	107	108
Number of service connections	7,744	8,512	7,647	7,889	9,080
Number of fire hydrants	1,131	1,351	1,210	1,307	1,327

Data Source —
The City's various departments.

TABLE XXVII

2004	2005	2006	2007	2008
2	2	2	2	2
1	1	1	1	1
111	111	113	113	114
3,000	3,000	3,000	3,000	3,000
1	1	1	1	1
30	30	30	30	30
2	2	2	2	2
1	1	1	1	1
15	15	15	16	16
107	107	111	111	112
87	87	88	88	89
1	1	1	1	1
108	108	113	114	115
9,080	9,080	8,204	8,359	8,364
1,327	1,327	1,432	1,451	1,461

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