CITY OF STACY
STACY, MINNESOTA

ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2009

CITY OF STACY, MINNESOTA
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SECTION I

INTRODUCTORY SECTION

CITY OF STACY
STACY, MINNESOTA
GENERAL INFORMATION

ELECTED AND APPOINTED OFFICIALS

MAYOR	John Daher
COUNCIL MEMBER	Mark Utecht
COUNCIL MEMBER	Tony Olivolo
COUNCIL MEMBER	Michael Carlson
COUNCIL MEMBER	Cindy Bruss
CITY CLERK	Sharon Payne
CITY ATTORNEY	Peter Grundhoefer

SECTION II

FINANCIAL SECTION

OBERLOH & ASSOCIATES, LTD.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 186 • 530 WEST PARK ROAD
REDWOOD FALLS, MN 56283

Telephone: (507) 644-6400
Fax: (507) 644-6401

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the Council
City of Stacy
Stacy, Minnesota

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information, of City of Stacy, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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, each major fund, and the aggregate remaining fund information of City of Stacy, Minnesota as of December 31, 2009, 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 July 27, 2010 on our consideration of City of Stacy, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 12 and 38 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

Oberloh & Associates, Ltd.

Oberloh & Associates, Ltd.

July 27, 2010

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

FINANCIAL HIGHLIGHTS

As Management of the City of Stacy (hereinafter referred to as "the City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2009.

- The City's total net assets increased by $330,470 compared to an increase of $274,966 in the previous year. The governmental activities net assets increased during 2009 by $54,198 and the business-type activities net assets increased during 2009 by $276,272.
- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $4,894,396 (net assets). Of this amount $1,631,762 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $1,122,973, an increase of $148,707 in comparison with the previous year. Approximately 72.0 percent of this total amount, $808,593, is available for spending at the City's discretion, but $371,655 has been designated for specific purposes.
- At the end of the current fiscal year, the fund balance of the general fund was $536,026 which is 143.91% of total general fund expenditures.

USING THIS ANNUAL REPORT

This management discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains additional components: (1) required supplementary information, and (2) 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.

The Statement of Net Assets (on page 13) provides information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities (on page 14) provides information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

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

USING THIS ANNUAL REPORT (Cont.)

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet (on page 15) and the governmental fund statement of revenues, expenditures and changes in fund balances (on page 17) provide a reconciliation (on pages 16 and 18) to facilitate this comparison between governmental funds and governmental activities.

The City maintains seventeen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Hockey Arena Fund, Stacy Ponds Business Park Fund and G.O. Water Improvement Bonds Fund; all of which are considered to be major funds. Data from the other nonmajor governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements elsewhere in this report.

Proprietary Funds: The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its municipal liquor, water, sewer and storm sewer.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statement provides separate information for the Municipal Liquor, Water, and Sewer; all of which are considered to be major funds of the City. The Storm Sewer fund is shown in a separate column as a nonmajor fund. The basic proprietary fund financial statements can be found on pages 19 through 21 of this report.

Notes to the Financial Statements

The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements. The notes to the financial statements can be found beginning on page 22 of this report.

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

USING THIS ANNUAL REPORT (Cont.)

Required Supplementary Information

This Management's Discussion and Analysis and the General Fund Budgetary Comparison Schedule (on pages 38 - 40) represent financial information required by GASB to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes, referred to as the basic financial statements.

Other Supplementary Information

This part of the annual report (starting on page 41) includes optional financial information such as combining nonmajor governmental fund statements and component unit financial statements (which are added together and shown in the fund financial statements in a single column). This other supplemental financial information is provided to address certain specific needs of various users of the City's annual report.

THE CITY AS A WHOLE

Looking at the net assets and net expenses of the governmental and business-type activities separately, different stories emerge. Our analysis below focuses on the net assets and changes in net assets of the City's governmental and business-type activities.

Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current Assets	$ 1,198,028	$ 1,161,129	$ 1,170,468	$ 1,301,527	$ 2,368,496	$ 2,462,656
Capital Assets	2,629,928	2,766,287	8,981,769	9,209,953	11,611,697	11,976,240
Other Assets	-	-	77,703	82,132	77,703	82,132
Total Assets	3,827,956	3,927,416	10,229,940	10,593,612	14,057,896	14,521,028
Current Liabilities	134,692	168,975	755,125	1,054,069	889,817	1,223,044
Long-term Liabilities	1,936,000	1,998,014	6,337,683	6,678,683	8,273,683	8,676,697
Total Liabilities	2,070,692	2,166,989	7,092,808	7,732,752	9,163,500	9,899,741
Net Assets						
Invested in Capital Assets, Net of Debt	628,095	635,429	2,301,086	2,192,264	2,929,181	2,827,693
Restricted	329,380	128,244	4,073	-	333,453	128,244
Unrestricted	799,789	996,754	831,973	668,596	1,631,762	1,665,350
Total Net Assets	$ 1,757,264	$ 1,760,427	$ 3,137,132	$ 2,860,860	$ 4,894,396	$ 4,621,287

A large portion of the City's net assets (59.8 percent) reflects its investment in capital assets (e.g., land, buildings and improvements, systems and infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (6.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (33.4 percent) may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets for both governmental and business-type activities.

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

THE CITY AS A WHOLE (Cont.)

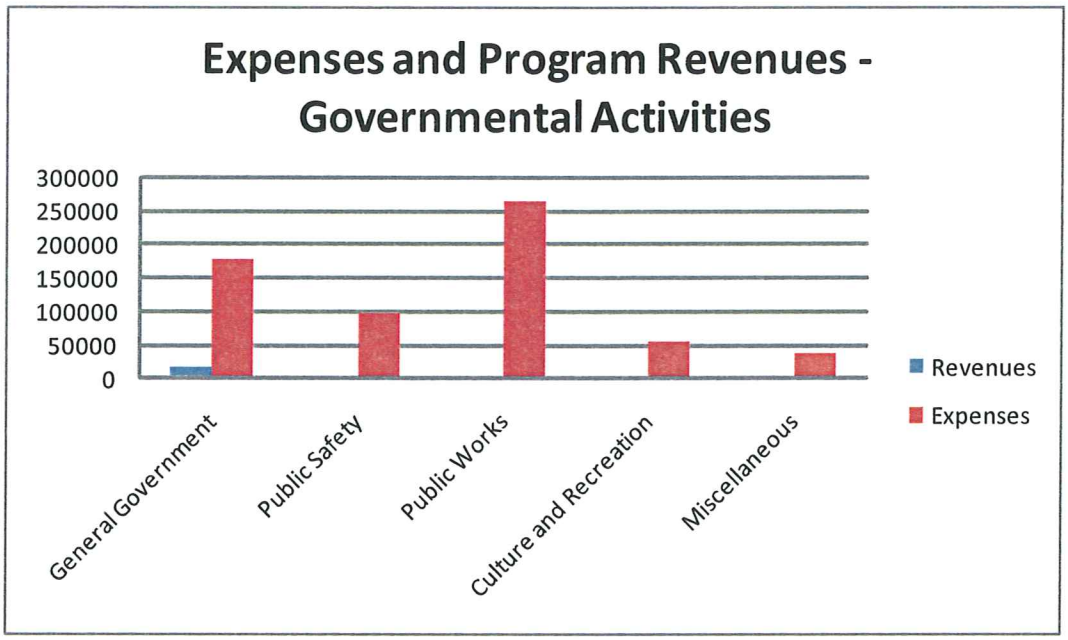
Changes in Net Assets

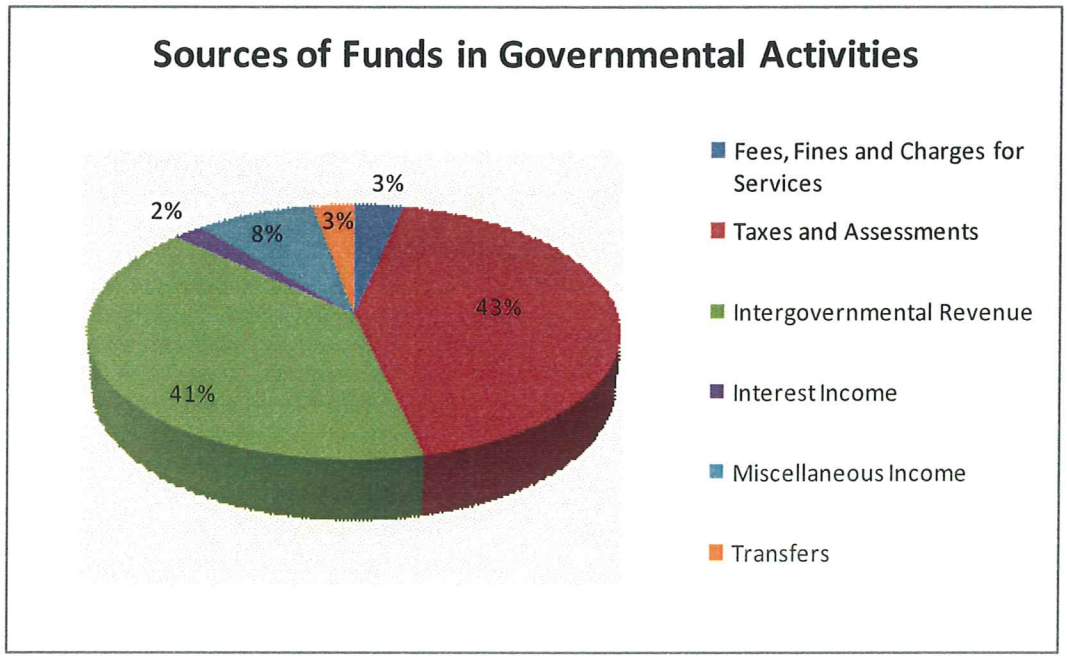
	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues						
Program Revenues:						
Fees, Fines, and Charges for Services	$ 23,375	$ 27,150	$ 494,439	$ 320,561	$ 517,814	$ 347,711
Operating Grants and Contributions	-	-	-	187,925	-	187,925
Sales	-	-	2,435,610	2,478,291	2,435,610	2,478,291
General Revenues:						
Taxes and Assessments	295,902	260,007	225,257	-	521,159	260,007
Intergovernmental Revenue	279,354	220,500	-	171,154	279,354	391,654
Interest Income	14,913	6,925	11,098	10,500	26,011	17,425
Miscellaneous Income	56,791	359,579	46,176	23,719	102,967	383,298
Total Revenues	670,335	874,161	3,212,580	3,192,150	3,882,915	4,066,311
Expenses						
General Government	178,192	385,825	-	-	178,192	385,825
Public Safety	98,630	136,546	-	-	98,630	136,546
Public Works	265,446	256,468	-	-	265,446	256,468
Culture and Recreation	56,433	26,036	-	-	56,433	26,036
Miscellaneous	37,436	34,115	-	-	37,436	34,115
Municipal Liquor Store	-	-	2,457,979	2,480,252	2,457,979	2,480,252
Water	-	-	152,544	202,869	152,544	202,869
Sewer	-	-	293,480	258,185	293,480	258,185
Storm Sewer	-	-	12,305	11,049	12,305	11,049
Total Expenses	636,137	838,990	2,916,308	2,952,355	3,552,445	3,791,345
Transfers	20,000	20,000	(20,000)	(20,000)	-	-
Change in Net Assets	54,198	55,171	276,272	219,795	330,470	274,966
Net Assets Beginning						
Originally Stated	1,760,427	1,705,256	2,860,860	2,641,065	4,621,287	4,346,321
Prior Period Adjustment	(57,361)	-	-	-	(57,361)	-
As Restated	1,703,066	1,705,256	2,860,860	2,641,065	4,563,926	4,346,321
Net Assets Ending	$ 1,757,264	$ 1,760,427	$ 3,137,132	$ 2,860,860	$ 4,894,396	$ 4,621,287

THE CITY AS A WHOLE (Cont.)

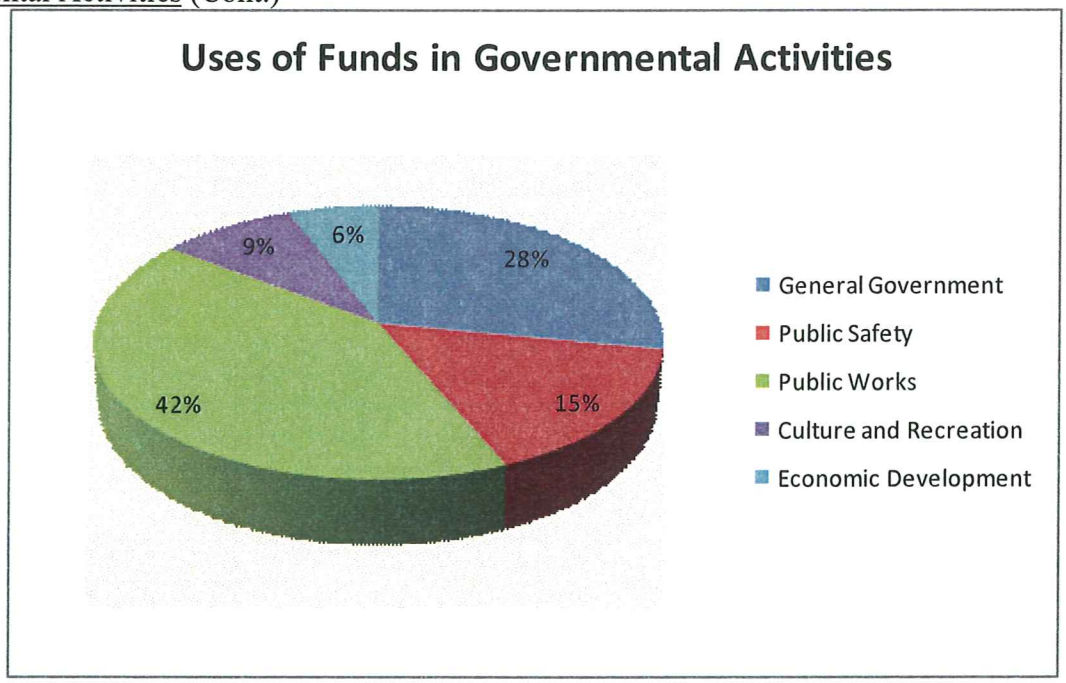
Governmental Activities

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

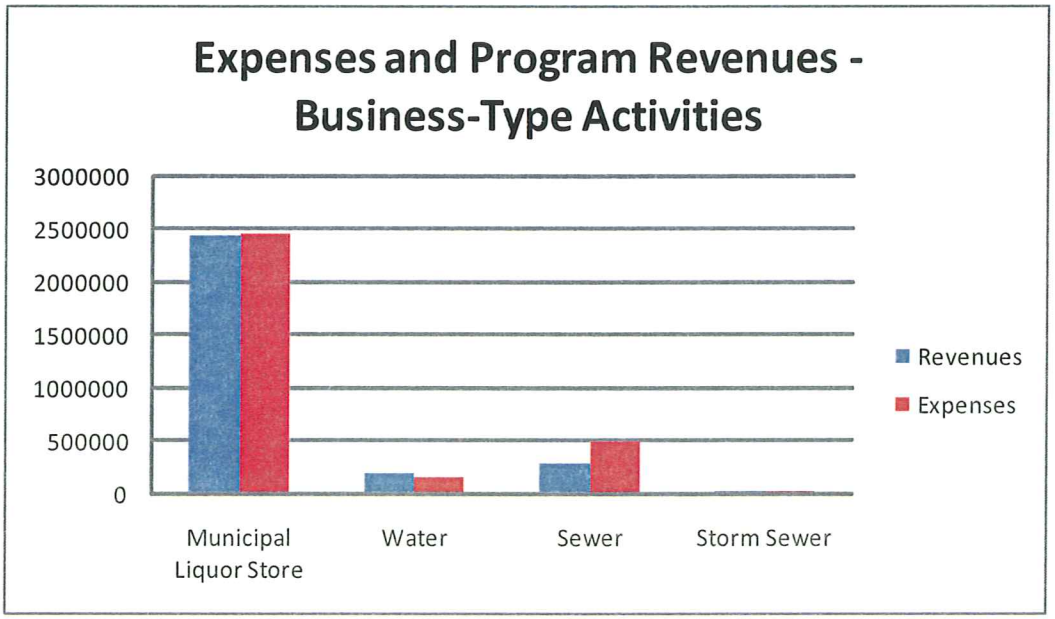




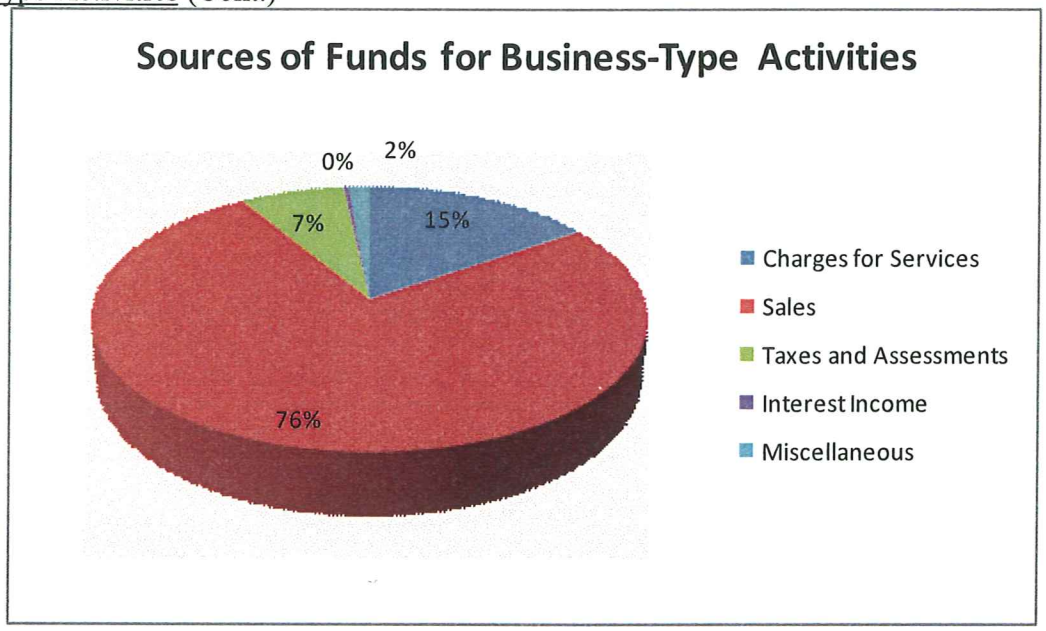
THE CITY AS A WHOLE (Cont.)
Governmental Activities (Cont.)



Business-Type Activities
The following graphs depict various business-type activities and show the revenue and expenses directly related to those activities.



THE CITY AS A WHOLE (Cont.)
Business-Type Activities (Cont.)



A FINANCIAL ANALYSIS OF THE CITY'S FUNDS
As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $1,122,973, an increase of $148,707 in comparison with the prior year. Approximately 72.0% of this total amount, $808,593, constitutes unreserved fund balance, which is available for spending at the City's discretion, although $371,655 has been designated for specific purposes. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to pay debt service and capital improvements in the amount of $314,380.

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

Unrestricted net assets of the enterprise funds at the end of the year amounted to $831,973. The total increase in net assets for the funds was $276,272. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

CITY OF STACY, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2009

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2009, amounts to $11,611,697 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 3.0 percent (an 4.9 percent decrease for governmental activities and a 2.5 percent decrease for business-type activities). The decrease was due to depreciation exceeding capital outlay.

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Land and Improvements	$ 721,977	$ 699,528	$ -	$ -	$ 721,977	$ 699,528
Buildings and Improvements	-	676,040	-	-	-	676,040
Improvements	-	2,753,416	-	-	-	2,753,416
Building, Plant and Equipment	676,040	-	10,048,904	10,038,934	10,724,944	10,038,934
Infrastructure and Improvements	2,753,416	-	-	-	2,753,416	-
Subtotal	4,151,433	4,128,984	10,048,904	10,038,934	14,200,337	14,167,918
Less: Accumulated Depreciation	1,521,505	1,362,697	1,067,135	828,981	2,588,640	2,191,678
Total	$ 2,629,928	$ 2,766,287	$ 8,981,769	$ 9,209,953	$11,611,697	$11,976,240

The City's major additions in the governmental activities is due to parks improvements. The major additions in the business-type activities was due to equipment purchases.

Debt

At the end of the current fiscal year, the City had total Long-term debt outstanding of $8,682,516.

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Tax Increment Bonds	$ 585,000	$ 610,000	$ 65,000	$ 95,000	$ 650,000	$ 705,000
G.O. Improvement Bonds	1,270,000	1,270,000	750,000	780,000	2,020,000	2,050,000
G.O. Revenue Bonds	-	-	60,000	70,000	60,000	70,000
Revenue Bonds	-	-	1,820,000	1,880,000	1,820,000	1,880,000
Revenue Notes	-	-	3,985,683	4,191,683	3,985,683	4,191,683
Other Long-Term Debt	146,833	151,858	-	-	146,833	151,858
Total	$2,001,833	$2,031,858	$6,680,683	$7,016,683	$8,682,516	$9,048,541

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

During 2010 the City is expected to experience additional cuts in both Local Government Aid (LGA) and Market Value Credit (MVC) payments from the state. The City will continue to reduce the budget and hold spending as a means to offset the cuts from the state.

The City is planning for future street projects that will require bonding. In addition, the City transferred money from the Water Fund to the Sewer Fund during 2010 to meet sewer bond obligations.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens and other interested individuals with a general overview of the City's finances and to show the accountability for the monies it receives through property taxes, user fees, and local government aid. If you have any questions about this report or need additional financial information, contact the City Clerk's Office at City of Stacy, 30955 Forest Blvd, Stacy, MN 55079, phone 651-462-4486, email: cityclerk@stacymn.org.

CITY OF STACY, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
CURRENT ASSETS:			
Pooled Cash and Equivalents	$ 750,953	$ 665,228	$ 1,416,181
Non Pooled Cash and Equivalents	96,748	242,949	339,697
Accounts Receivable	41,744	195,410	237,154
Property Taxes Receivable	42,144	19,779	61,923
Internal Balances	266,439	(266,439)	-
Prepaid Expense	-	14,345	14,345
Inventory	-	299,196	299,196
Total Current Assets	1,198,028	1,170,468	2,368,496
NONCURRENT ASSETS:			
Capital Assets:			
Land and Improvements	721,977	-	721,977
Building, Plant and Equipment	676,040	10,048,904	10,724,944
Infrastructure and Improvements	2,753,416	-	2,753,416
Total Capital Assets	4,151,433	10,048,904	14,200,337
Less: Accumulated Depreciation	1,521,505	1,067,135	2,588,640
Net Capital Assets	2,629,928	8,981,769	11,611,697
Bond Issuance Costs, Net	-	53,416	53,416
Bond Discount, Net	-	24,287	24,287
Total Noncurrent Assets	2,629,928	9,059,472	11,689,400
TOTAL ASSETS	$ 3,827,956	$ 10,229,940	$ 14,057,896
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts Payable	$ 30,724	$ 132,732	$ 163,456
Accrued Liabilities	4,622	49,915	54,537
Accrued Interest	33,513	64,006	97,519
Due to Other Governmental Units	-	165,472	165,472
Current Amount of Long-Term Debt	65,833	343,000	408,833
Total Current Liabilities	134,692	755,125	889,817
LONG-TERM LIABILITIES:			
Bonds and Notes Payable	1,936,000	6,337,683	8,273,683
TOTAL LIABILITIES	2,070,692	7,092,808	9,163,500
NET ASSETS:			
Invested in Capital Assets, Net of Related Debt	628,095	2,301,086	2,929,181
Restricted for:			
Special Revenue	18,033	-	18,033
Debt Service	311,347	4,073	315,420
Unrestricted	799,789	831,973	1,631,762
Total Net Assets	1,757,264	3,137,132	4,894,396
TOTAL LIABILITIES AND NET ASSETS	$ 3,827,956	$ 10,229,940	$ 14,057,896

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2009

		Program Revenues		Net Sources (Uses) and Changes in Net Assets		
				Primary Government		
Functions/Programs	Expenses	Fees, Fines and Charges for Services	Sales	Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities:						
General Government	$ 178,192	$ 18,644	$ -	$ (159,548)	$ -	$ (159,548)
Public Safety	98,630	2,287	-	(96,343)	-	(96,343)
Public Works	265,446	-	-	(265,446)	-	(265,446)
Culture and Recreation	56,433	-	-	(56,433)	-	(56,433)
Miscellaneous	37,436	2,444	-	(34,992)	-	(34,992)
Total Governmental Activities	636,137	23,375	-	(612,762)	-	(612,762)
Business-Type Activities:						
Municipal Liquor Store	2,457,979	-	2,435,610	-	(22,369)	(22,369)
Water	152,544	192,546	-	-	40,002	40,002
Sewer	293,480	289,657	-	-	(3,823)	(3,823)
Storm Sewer	12,305	12,236	-	-	(69)	(69)
Total Business-Type Activities:	2,916,308	494,439	2,435,610	-	13,741	13,741
Total Primary Government	$ 3,552,445	$ 517,814	$ 2,435,610	(612,762)	13,741	(599,021)
		General Revenues:				
		Taxes and Assessments		295,902	225,257	521,159
		Intergovernmental Revenue		279,354	-	279,354
		Interest Income		14,913	11,098	26,011
		Miscellaneous		56,791	46,176	102,967
		Transfers		20,000	(20,000)	-
		Total General Revenues		666,960	262,531	929,491
		Changes in Net Assets		54,198	276,272	330,470
		Net Assets - January 1 as				
		Originally Stated		1,760,427	2,860,860	4,621,287
		Prior Period Adjustment		(57,361)	-	(57,361)
		As Restated		1,703,066	2,860,860	4,563,926
		Net Assets - December 31		$ 1,757,264	$ 3,137,132	$ 4,894,396

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	General Fund	Hockey Arena Project	Stacy Ponds Business Park	GO Water & Improvement Bonds	Nonmajor Governmental Funds	Total
ASSETS:						
Pooled Cash and Equivalents	$ 69,543	$ 311,328	$ -	$ 202,475	$ 167,607	$ 750,953
Non Pooled Cash and Equivalents	31,261	-	65,488	-	-	96,749
Accounts Receivable	37,512	-	-	-	4,232	41,744
Property Taxes Receivable	16,070	-	-	-	26,074	42,144
Due from Other Funds	428,709	-	-	-	-	428,709
Total Assets	$ 583,095	$ 311,328	$ 65,488	$ 202,475	$ 197,913	$ 1,360,299
LIABILITIES:						
Accounts Payable	$ 29,835	$ -	$ -	$ -	$ 889	$ 30,724
Accrued Liabilities	2,664	-	1,958	-	-	4,622
Due to Other Funds	-	-	101,238	-	61,032	162,270
Deferred Revenue	14,570	-	-	-	25,140	39,710
Total Liabilities	47,069	-	103,196	-	87,061	237,326
FUND BALANCE (DEFICIT):						
Reserved for:						
Special Revenue	-	-	-	-	3,033	3,033
Debt Service	-	-	-	202,475	108,872	311,347
Unreserved, Reported In:						
General Fund - Undesignated	536,026	-	-	-	-	536,026
Special Revenue - Designated	-	-	-	-	60,327	60,327
Debt Service - Undesignated	-	-	-	-	(61,380)	(61,380)
Capital Project - Designated	-	311,328	-	-	-	311,328
Capital Project - Undesignated	-	-	(37,708)	-	-	(37,708)
Total Fund Balance (Deficit)	536,026	311,328	(37,708)	202,475	110,852	1,122,973
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	$ 583,095	$ 311,328	$ 65,488	$ 202,475	$ 197,913	$ 1,360,299

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2009

Total Governmental Fund Balance	$ 1,122,973
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,629,927
Part of taxes and special assessments receivable are not available to pay for current period expenditures and therefore are deferred in the funds.	39,710
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds.	(2,035,346)
Net Assets of Governmental Activities	$ 1,757,264

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	General Fund	Hockey Arena Project	Stacy Ponds Business Park	GO Water & Improvement Bonds	Nonmajor Governmental Funds	Total
REVENUES:						
Taxes	$ 182,126	$ -	$ 15,641	$ -	$ 82,121	$ 279,888
Licenses and Permits	10,605	-	-	-	-	10,605
Intergovernmental Revenue	279,354	-	-	-	-	279,354
Charges for Services	10,483	-	-	-	-	10,483
Fines and Forfeits	2,287	-	-	-	-	2,287
Interest Income	1,524	11,261	75	993	1,061	14,914
Miscellaneous	17,321	-	-	-	39,470	56,791
Total Revenues	503,700	11,261	15,716	993	122,652	654,322
EXPENDITURES:						
Current Operations:						
General Government	172,477	-	-	-	-	172,477
Public Safety	98,630	-	-	-	-	98,630
Public Works	42,378	-	-	-	6,573	48,951
Culture and Recreation	34,828	-	-	-	6,201	41,029
Miscellaneous	24,149	-	-	-	13,287	37,436
Debt Service:						
Principal Payments	-	-	-	-	25,000	25,000
Interest Payments	-	-	51,420	-	28,223	79,643
Capital Outlay	-	-	-	-	22,449	22,449
Total Expenditures	372,462	-	51,420	-	101,733	525,615
EXCESS REVENUES OVER (UNDER) EXPENDITURES	131,238	11,261	(35,704)	993	20,919	128,707
OTHER FINANCING SOURCES (USES):						
Transfer In	20,000	15,000	-	-	-	35,000
Transfer Out	-	-	-	-	(15,000)	(15,000)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	151,238	26,261	(35,704)	993	5,919	148,707
FUND BALANCE - January 1						
Originally Stated	442,149	285,067	(2,004)	201,482	104,933	1,031,627
Prior Period Adjustment	(57,361)	-	-	-	-	(57,361)
As Restated	384,788	285,067	(2,004)	201,482	104,933	974,266
FUND BALANCE - December 31	$ 536,026	$ 311,328	$ (37,708)	$ 202,475	$ 110,852	$1,122,973

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
DECEMBER 31, 2009

Net Change in Fund Balances - Total Governmental Funds	$ 148,699
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.	(136,359)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	16,020
Interest on long-term liabilities is expensed as paid in the funds, but accrued in the period due in the Statement of Net Assets.	(4,187)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	30,025
Change in Net Assets of Governmental Activities	$ 54,198

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

	Municipal Liquor Store	Water Fund	Sewer Fund	Nonmajor Storm Sewer Fund	Total
ASSETS					
CURRENT ASSETS:					
Pooled Cash and Equivalents	$ -	$ 536,694	$ 102,326	$ 26,209	$ 665,229
Non Pooled Cash and Equivalents	196,335	45,708	905	-	242,948
Accounts Receivable	22,124	78,316	94,799	171	195,410
Property Taxes Receivable	-	7,417	12,362	-	19,779
Prepaid Expense	14,345	-	-	-	14,345
Inventory	299,196	-	-	-	299,196
Total Current Assets	532,000	668,135	210,392	26,380	1,436,907
NONCURRENT ASSETS:					
Capital Assets:					
Building, Plant and Equipment	2,392,542	1,439,740	5,699,180	517,442	10,048,904
Less: Accumulated Depreciation	365,693	188,848	473,385	39,209	1,067,135
Net Capital Assets	2,026,849	1,250,892	5,225,795	478,233	8,981,769
Bond Issuance Costs, Net	41,068	-	12,348	-	53,416
Bond Discount, Net	20,539	-	3,748	-	24,287
Total Noncurrent Assets	2,088,456	1,250,892	5,241,891	478,233	9,059,472
TOTAL ASSETS	$2,620,456	$1,919,027	$5,452,283	$ 504,613	$10,496,379
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts Payable	$ 118,863	$ 10,188	$ 3,341	$ 340	$ 132,732
Accrued Liabilities	38,426	11,489	-	-	49,915
Due to Other Funds	266,439	-	-	-	266,439
Accrued Interest	34,686	13,784	14,396	1,140	64,006
Due to Other Governmental Units	-	-	165,472	-	165,472
Current Amount of Long-Term Debt	65,000	60,000	208,000	10,000	343,000
Total Current Liabilities	523,414	95,461	391,209	11,480	1,021,564
LONG-TERM LIABILITIES:					
Bonds and Notes Payable	1,755,000	755,000	3,777,683	50,000	6,337,683
TOTAL LIABILITIES	2,278,414	850,461	4,168,892	61,480	7,359,247
NET ASSETS:					
Invested in Capital Assets, Net of Related Debt	206,849	435,892	1,240,112	418,233	2,301,086
Restricted for Debt Service	-	-	4,073	-	4,073
Unrestricted	135,193	632,674	39,206	24,900	831,973
Total Net Assets	342,042	1,068,566	1,283,391	443,133	3,137,132
TOTAL LIABILITIES AND NET ASSETS	$2,620,456	$1,919,027	$5,452,283	$ 504,613	$10,496,379

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Municipal Liquor Store	Water Fund	Sewer Fund	Nonmajor Storm Sewer Fund	Total
OPERATING REVENUES:					
Sales	$2,435,610	$ -	$ -	$ -	$ 2,435,610
Charges for Services	-	192,546	289,657	12,236	494,439
Total Operating Revenues	2,435,610	192,546	289,657	12,236	2,930,049
COST OF SALES	1,622,135	-	-	-	1,622,135
GROSS PROFIT	813,475	192,546	289,657	12,236	1,307,914
OPERATING EXPENSES:					
Personnel Services and Benefits	416,400	33,969	33,758	-	484,127
Advertising	12,597	-	-	-	12,597
Depreciation	91,669	25,630	112,895	7,961	238,155
Bank Fees	37,513	-	-	-	37,513
Insurance	31,850	4,532	2,321	-	38,703
Rent	8,179	-	-	-	8,179
Professional Services	17,600	9,689	64,340	596	92,225
Repairs and Maintenance	21,267	3,160	508	-	24,935
Supplies and Chemicals	19,131	20,812	18,503	-	58,446
Telephone	4,708	1,643	1,643	-	7,994
Training and Travel	375	585	358	-	1,318
Utilities	43,193	8,737	1,129	-	53,059
Miscellaneous	13,022	9,585	3,265	-	25,872
Entertainment	27,485	-	-	-	27,485
Total Operating Expenses	744,989	118,342	238,720	8,557	1,110,608
NET OPERATING INCOME	68,486	74,204	50,937	3,679	197,306
NON OPERATING INCOME AND EXPENSE:					
Interest Income	6,728	3,504	697	169	11,098
Taxes and Special Assessments	-	84,206	141,051	-	225,257
Miscellaneous Income	46,051	125	-	-	46,176
Interest Expense	(87,855)	(34,202)	(54,760)	(3,748)	(180,565)
Bad Debt Expense	(3,000)	-	-	-	(3,000)
Net Non Operating Income and Expense	(38,076)	53,633	86,988	(3,579)	98,966
INCOME BEFORE TRANSFERS	30,410	127,837	137,925	100	296,272
Transfer Out	(20,000)	-	-	-	(20,000)
CHANGE IN NET ASSETS	10,410	127,837	137,925	100	276,272
NET ASSETS - January 1	331,632	940,729	1,145,466	443,033	2,860,860
NET ASSETS - December 31	$ 342,042	$1,068,566	$1,283,391	$ 443,133	$ 3,137,132

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Municipal Liquor Store	Water Fund	Sewer Fund	Nonmajor Storm Sewer Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from Customers	$ 2,438,610	$ 205,324	$ 277,147	$ 16,420	$ 2,937,501
Payments to Vendors	(1,921,056)	(52,117)	(107,284)	(255)	(2,080,712)
Payments to Employees	(413,950)	(30,569)	(33,758)	-	(478,277)
Other Receipts and Payments	43,051	125	-	-	43,176
Net Cash Provided By Operating Activities	146,655	122,763	136,105	16,165	421,688
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfer to Other Funds	(20,000)	-	-	-	(20,000)
Due to Other Funds	7,660	40,000	-	-	47,660
Net Cash Provided (Used) By Noncapital Financing Activities	(12,340)	40,000	-	-	27,660
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Purchase of Capital Assets	(9,970)	-	-	-	(9,970)
Property Taxes Collected	-	77,855	129,287	-	207,142
Principal Paid on Capital Debt	(60,000)	(60,000)	(206,000)	(10,000)	(336,000)
Interest Paid on Capital Debt	(86,080)	(34,671)	(42,157)	(2,863)	(165,771)
Net Cash Used By Capital and Related Financing Activities	(156,050)	(16,816)	(118,870)	(12,863)	(304,599)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest Received	6,728	3,504	697	169	11,098
Net Cash Provided By Investing Activities	6,728	3,504	697	169	11,098
NET INCREASE (DECREASE) IN CASH	(15,007)	149,451	17,932	3,471	155,847
CASH AND CASH EQUIVALENTS - January 1	211,342	432,951	96,897	22,738	763,928
CASH AND CASH EQUIVALENTS - December 31	$ 196,335	$ 582,402	$ 114,829	$ 26,209	$ 919,775
Reconciliation of Operating Income to Net Cash Provided By Operating Activities					
Operating Income	$ 68,486	$ 74,204	$ 50,937	$ 3,679	$ 197,306
Adjustments to Reconcile Operating Income to Net Cash Provided By Operating Activities					
Depreciation	91,669	25,630	112,895	7,961	238,155
Changes in Assets and Liabilities					
Accounts Receivable	3,000	12,778	(12,510)	4,184	7,452
Inventory	(27,140)	-	-	-	(27,140)
Prepaid Items	6,256	208	208	-	6,672
Accounts Payable	(41,117)	6,418	(15,425)	339	(49,785)
Accrued Liabilities	2,450	3,400	-	-	5,850
Other Revenues and Expenses	43,051	125	-	-	43,176
Net Cash Provided By Operating Activities	$ 146,655	$ 122,763	$ 136,105	$ 16,163	$ 421,686

The Notes to the Financial Statements are an integral part of this statement.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Stacy (the City) was established under the laws of the State of Minnesota. The City is governed by an elected Mayor and four-member Council. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City provides the following: public safety, public works, public health and welfare, culture, recreation, waterworks, and sanitary sewer services.

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

A. Reporting Entity

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Based on this criteria, the City of Stacy has no component units.

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to identify the relationship between the government-wide statements and the statements for governmental funds. The primary effect of internal activity has been eliminated from the government-wide financial statements.

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

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

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

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Cont.)

The City reports the following major governmental funds:

- General Fund - This fund is the City's primary operating fund. It is used to account for all financial resources not required to be accounted for in another fund.
- Stacy Ponds Business Park Fund - To account for the costs related to the Stacy Ponds Business Park Improvements.
- Hockey Arena Fund - To account for funds donated to build a future Hockey Arena.
- G.O. Water & Improvement Bond - To account for the accumulation of resources and payment of bond principal and interest for the G.O. Water & Improvement Bond.

The City reports the following major proprietary funds:

- Municipal Liquor Fund - To account for the costs associated with the City's municipal liquor store and insures that sales are sufficient to pay for these costs.
- Water Fund - To account for the costs associated with the City's water system and insures that sales are sufficient to pay for these costs.
- Sewer Fund - To account for the costs associated with the City's sewer system and insures that sales are sufficient to pay for these costs.

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

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided and 2) sales. 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. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

E. Restricted Assets

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

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

G. Deposits and Investments

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

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund shown as interfund receivables in the advancing fund, and an interfund payable in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements.

H. Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Taxes payable on homestead property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the City by the State of Minnesota (the State) in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

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

I. Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2009. Since the City is generally able to certify delinquent amounts to the County for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

J. Special Assessments

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

K. Inventories

Inventories of the Municipal Liquor Store are based on an annual physical inventory count and priced at the lower of cost (first-in; first-out basis) or market. The cost of governmental fund type inventories are recorded as expenditures when purchased.

L. Interfund Receivables and Payables

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

M. Prepaid Items

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

N. Capital Assets

Capital Assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

As the City constructs or acquires assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend it useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The City has elected not to retroactively capitalize the infrastructure of its governmental activities acquired prior to January 1, 2004 as allowed by GASB Statement No. 34.

For financial statement purposes only, capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of three years.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

N. Capital Assets (Cont.)

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives: 7 to 20 years for improvements other than building; 7 to 40 years for buildings and improvements; and 3 to 20 years for machinery and equipment.

O. Compensated Absences

Compensated Absences are immaterial and not accounted for in these financial statements. The City has no post retirement benefits available to employees.

P. Long-term Obligations

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

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

Q. Fund Equity

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

R. Net Assets

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

(a) Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

(b) Restricted net assets – Consists of net assets restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

(c) Unrestricted net assets – All other assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

S. Comparative Data/Reclassifications

Certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

In July of each year, all departments of the City submit requests for appropriations to the City Clerk so that a budget may be prepared. Before September 15, the proposed budget is presented to the Council for review. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. No budget amendments were made during the year.

B. Expenditures Over Appropriations

No sub-function of the general fund had expenditures in excess of appropriations for the year ended December 31, 2009.

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2009:

Stacy Ponds Business Park	37,708
Tax Abatement Woodsman 2004	59,866
Tax Increment District 1-2	1,273
2008 Lease Purchase	241

The above deficits are expected to be eliminated through transfers from other funds, bonding and future tax and assessment collections.

3. DEPOSITS AND INVESTMENTS

A. Cash and Cash Investments

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

Minnesota Statutes require that all City deposits be 110% secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (140% in the case of mortgage notes pledged).

Authorized collateral includes the legal investments described by state statutes, as well as certain first mortgage notes, and certain other state and local government obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the City or in a financial institution other than that furnishing the collateral.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

3. DEPOSITS AND INVESTMENTS (Cont.)

A. Cash and Cash Investments (Cont.)

At year end, the City's carrying amount of deposits was $1,750,765 and the bank balance was $1,795,113 including certificates of deposits of $93,999. Of the bank balance, $515,349 was covered by federal depository insurance. Of the remaining balance, $1,279,764 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

B. Investments

The City maintains no investment accounts other than certificates of deposit reported above.

C. Cash on Hand

Cash in the possession of the City, consisting of petty cash and change funds, totals $5,113.

D. Cash and Investments Summary

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

Total Deposits	$	1,750,765
Total Cash on Hand		5,113
	$	1,755,878

Statement of Net Assets		
Pooled Cash and Equivalents	$	1,416,181
Non Pooled Cash and Equivalents		339,697
	$	1,755,878

4. DUE TO AND FROM OTHER FUNDS

Due to and from other funds at December 31, 2009, follows:

	Due from Other Funds	Due to Other Funds
General Fund	$ 428,709	$ -
Municipal Liquor Fund	-	266,439
Stacy Ponds Business Park Fund	-	101,238
Tax Abatement Woodsman 2004 Fund	-	59,945
Tax Increment 1-2 Fund	-	846
2008 Lease Purchase Fund	-	241
	$ 428,709	$ 428,709

Interfund receivables and payables are for cash flow purposes and are expected to be liquidated by future liquor fund profits.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

5. TRANSFERS

Transfers to and from other funds at December 31, 2009, follows:

	Transfers to Other Funds	Transfers from Other Funds
Special Revenue Park Fund	$ 15,000	$ -
Hockey Arena Project Fund	-	15,000
Municipal Liquor Fund	20,000	-
General Fund	-	20,000
	$ 35,000	$ 35,000

- The Special Revenue Park Fund transferred $15,000 to the Hockey Arena Project Fund for future project expenses.
- The Municipal Liquor Fund transferred $20,000 to the General Fund for operating purposes.

6. CHANGES IN CAPITAL ASSETS

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

	Balance January 1	Additions	Transfers/ Retirements	Balance December 31
Not Being Depreciated:				
Land and Improvements	$ 420,139	$ -	$ -	$ 420,139
Subtotal	420,139	-	-	420,139
Other Capital Assets:				
Improvements	279,389	22,449	-	301,838
Plant and Equipment	333,713	-	-	333,713
Building, Plant and Equipment	342,327	-	-	342,327
Infrastructure and Improvements	2,753,416	-	-	2,753,416
Subtotal	3,708,845	22,449	-	3,731,294
Less: Accumulated Depreciation				
Improvements	49,783	6,172	-	55,955
Plant and Equipment	97,535	14,418	-	111,953
Building, Plant and Equipment	116,057	6,062	-	122,119
Infrastructure and Improvements	1,099,322	132,156	-	1,231,478
Subtotal	1,362,697	158,808	-	1,521,505
Net Other Capital Assets	2,346,148	(136,359)	-	2,209,789
Net Capital Assets	$ 2,766,287	$ (136,359)	$ -	$ 2,629,928

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

6. CHANGES IN CAPITAL ASSETS (Cont.)

Business-Type Activities - The following is a summary of business-type activities capital assets at December 31, 2009

	Balance January 1	Additions	Transfers/ Retirements	Balance December 31
Other Capital Assets:				
Building, Plant and Equipment	$ 10,038,934	$ 9,970	$ -	$ 10,048,904
Subtotal	10,038,934	9,970	-	10,048,904
Less: Accumulated Depreciation				
Building, Plant and Equipment	828,980	238,155	-	1,067,135
Subtotal	828,980	238,155	-	1,067,135
Net Capital Assets	$ 9,209,954	$ (228,185)	$ -	$ 8,981,769

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

Governmental Activities:	
General Government	$ 1,838
Public Works	139,513
Culture and Recreation	17,457
Total Depreciation Expense - Governmental Activities	$ 158,808
Business-Type Activities:	
Municipal Liquor Store	$ 91,669
Water Fund	25,630
Sewer Fund	112,895
Storm Sewer Fund	7,961
Total Depreciation Expense - Business-Type Activities	$ 238,155

7. RESERVED/DESIGNATED

Reserved or designated fund balances are as follows:

Fund	Amount	Reserved/Designated Purpose
Reserved:		
Go Water & Improvement Bonds	$ 202,475	Future Debt Service
Special Rev Park	$ 3,033	Future Park Improvements
Designated:		
Hockey Arena Project	$ 311,328	Future Capital Improvements
Developer Escrow	$ 28,971	Economic Development
Economic Development Authority	$ 22,491	Economic Development
Lions Club Park	$ 6,300	Future Park Expenditures
Support Our Troops	$ 2,565	Future Expenditures

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

8. CHANGES IN LONG-TERM DEBT

The following is a summary of long-term debt transactions of the City for the year ended December 31, 2009.

	Balance January 1	Debt Issued	Debt Retired	Balance December 31	Current Amount
GO Improvement Bonds	$ 2,050,000	$ -	$ 30,000	$ 2,020,000	$ 30,000
GO Revenue Notes	4,191,683	-	206,000	3,985,683	208,000
GO Equipment Bonds	65,000	-	-	65,000	12,000
GO Revenue Bonds	70,000	-	10,000	60,000	10,000
G.O. Tax Abatement and Refund Bonds	-	-	-	-	-
Tax Abatement Portion	610,000	-	25,000	585,000	45,000
Refunding Portion	95,000	-	30,000	65,000	30,000
EDA Public Project Lease	1,390,000	-	35,000	1,355,000	35,000
Revenue Bonds	490,000	-	25,000	465,000	30,000
Bank Loan	13,858	-	5,025	8,833	8,833
Property Financing	73,000	-	-	73,000	-
Totals	$ 9,048,541	$ -	$ 366,025	$ 8,682,516	$ 408,833

General Obligation Revenue Bonds of $60,000, General Obligation Improvement Bonds of $750,000, General Obligation Revenue Notes of $3,985,683, General Obligation Refunding Bonds of $65,000, Revenue Bonds of $465,000 and Public Project Lease Revenue Bonds of $1,355,000 are reflected as long-term debt in the related enterprise fund.

Bonds outstanding at December 31, 2009 are comprised of the following issues:

Governmental Activities

$1,270,000 General Obligation Improvement Bonds of 2006. Due in annual installments of $105,000 to $150,000 through February 1, 2022, plus interest at 3.8 - 4.2% due in semi-annual installments.	$ 1,270,000
$440,000 General Obligation Tax Abatement Revenue Bonds of 2006, due in annual installments of $25,000 to $35,000 through February 1, 2011, plus interest at 3.5 - 4.375%, due in semi-annual installments.	365,000
$220,000 General Obligation Tax Abatement Bonds of 2008, due in annual installments of $20,000 to $25,000 through February 1, 2019, plus interest at 3.75 - 4.5%, due in semi-annual installments.	220,000
$65,000 General Obligation Equipment Bond, due in annual installments at $12,000 to $14,000 through February 1, 2014, plus interest at 3.75%, due in semi-annual installments.	65,000
$48,909 Certificate of Indebtedness of 2005, due in semi-annual installments of $5,392.17 including interest at 3.5% on June 15 and December 15. The certificate matures on June 15, 2010 and is secured by the 2006 Ford F550 truck.	8,833
$73,000 Property Lease Financing due in annual installments of $6,000 to $9,000 through February 1, 2019, plus interest at 4.25%, due in semi-annual installments.	73,000
Total Governmental Activities	2,001,833

8. CHANGES IN LONG-TERM DEBT (Cont.)

Business-Type Activities	
$110,000 General Obligation Storm Sewer Revenue Bonds of 2003. Due in annual installments of $10,000 to $15,000 through February 1, 2014, plus interest at 2.65 - 4.65%, due in semi-annual installments.	60,000
$805,000 General Obligation Improvement Bonds of 2006, due in annual installments of $25,000 to $195,000 through February 1, 2022, plus interest at 3.75 - 4.4%, due in semi-annual installments.	750,000
$4,498,000 General Obligation Wastewater Revenue Notes, Series 2006A, due in annual installments of $100,317 to $243,000 through January 20, 2027, plus interest at 1%, due in semi-annual installments.	3,985,683
$175,000 General Obligation Water Revenue Refunding Bonds of 2006, due in annual installments of $25,000 to $35,000 through February 1, 2011, plus interest at 3.5%, due in semi-annual installments.	65,000
$515,000 Liquor Store Revenue Bonds, Series 2006A, due in annual installments of $25,000 to $45,000 through February 1, 2022, plus interest at 4.1 - 4.75%, due in semi-annual installments.	465,000
$1,460,000 Public Project Lease Revenue Bonds, due in annual installments of $35,000 to $100,000 through February 1, 2031, plus interest at 4.25 - 4.9%, due in semi-annual installments.	1,355,000
Total Business-Type Activities	6,680,683
Total Long-Term Debt	$ 8,682,516

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

8. CHANGES IN LONG-TERM DEBT (Cont.)

The annual requirements to maturity for long-term liabilities are as follows:

	G.O. Improvement Bonds Governmental Activities			G.O. Improvement Bonds Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	$ 45,000	$ 74,074	$ 119,074	$ 70,000	$ 34,456	$ 104,456
2011	45,000	72,449	117,449	70,000	31,774	101,774
2012	45,000	70,824	115,824	40,000	29,599	69,599
2013	150,000	67,192	217,192	45,000	27,903	72,903
2014	160,000	61,275	221,275	50,000	25,969	75,969
2015-2019	900,000	203,107	1,103,107	190,000	109,151	299,151
2020-2024	510,000	31,055	541,055	235,000	62,780	297,780
2025-2029	-	-	-	170,000	11,413	181,413
2030-2034	-	-	-	-	-	-
Total	$1,855,000	$ 579,976	$2,434,976	$ 870,000	$ 333,045	$1,203,045

	G. O. Equipment Bond Governmental Activities			G.O. Revenue Note Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	$ 12,000	$ 2,213	$ 14,213	$ 210,000	$ 36,190	$ 246,190
2011	13,000	1,744	14,744	212,000	34,090	246,090
2012	13,000	1,256	14,256	214,000	31,970	245,970
2013	13,000	769	13,769	216,000	29,830	245,830
2014	14,000	263	14,263	218,000	27,670	245,670
2015-2019	-	-	-	1,124,000	105,190	1,229,190
2020-2024	-	-	-	1,182,000	47,840	1,229,840
2025-2029	-	-	-	609,683	2,430	612,113
2030-2034	-	-	-	-	-	-
Total	$ 65,000	$ 6,245	$ 71,245	$3,985,683	$ 315,210	$4,300,893

	Revenue Bonds Business-Type Activities			Other Long-Term Debt Governmental Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	$ 65,000	$ 83,329	$ 148,329	$ 14,833	$ 3,678	$ 18,511
2011	70,000	80,506	150,506	6,000	2,720	8,720
2012	70,000	77,516	147,516	7,000	2,444	9,444
2013	70,000	74,466	144,466	7,000	2,147	9,147
2014	75,000	71,309	146,309	7,000	1,849	8,849
2015-2019	430,000	302,263	732,263	40,000	4,418	44,418
2020-2024	445,000	194,303	639,303	-	-	-
2025-2029	400,000	103,514	503,514	-	-	-
2030-2034	195,000	9,678	204,678	-	-	-
Total	$1,820,000	$ 996,884	$2,816,884	$ 81,833	$ 17,256	$ 99,089

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE

A. Plan Description

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

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

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

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rates for a Coordinated Plan Member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For all PERF whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

The benefit provisions stated in the previous paragraph 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 web at mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, MN, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

9. DEFINED BENEFIT PENSION PLANS – STATEWIDE (Cont.)

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statues are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by the state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.00%, respectively, of their annual covered salary in 2009. The City of Stacy, Minnesota is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 6.75% for Coordinated Plan PERF members.

The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008 and 2007 were $30,052, $27,765 and $22,424, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

10. RELATED PARTY TRANSACTIONS

There were no material related party transactions during the year 2009.

11. OTHER POST EMPLOYMENT BENEFITS

Any contingent liability for other post employment benefits is considered immaterial and not recognized in the financial statements.

12. COMMITMENTS AND CONTINGENCIES

A. Risk Management

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

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

B. Claims and Judgments

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable funds. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

CITY OF STACY, MINNESOTA
NOTES TO FINANCIAL STATEMENTS

13. TAX INCREMENT FINANCING DISTRICT

The City of Stacy is the administrating authority for the following tax increment financing district:

	TIF 1-1	TIF 1-2
Authorizing Law	Minnesota Statute 469.174	Minnesota Statute 469.174
Type of District	Redevelopment	Economic Development
Year Established	2005	2007
Duration of District		
Tax Capacity		
Original	$ 2,339	$ 500
Current	$ 25,762	$ 40,982
Captured - retained	$ 23,423	$ 40,482

14. PRIOR PERIOD ADJUSTMENTS

The following prior period adjustments have been made to the financial statements to adjust December 31, 2008 fund balances and net assets.

Governmental Activities:	
Investments	$ (57,361)
Total Prior Period Adjustments	$ (57,361)

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF STACY, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009
With Comparative Amounts for the year ended December 31, 2008

	2009				2008
	Original Budget	Final Budget	Actual	Variance with Final Budget	Actual
REVENUES:					
TAXES:					
General Property Taxes	$ 172,043	$ 172,043	$ 182,126	$ 10,083	$ 218,416
LICENSES AND PERMITS:					
Licenses and Permits	13,200	13,200	10,605	(2,595)	10,660
INTERGOVERNMENTAL REVENUE:					
Local Government Aid	280,581	280,581	257,165	(23,416)	197,282
Market Value Credit	12,500	12,500	21,416	8,916	22,445
PERA Rate Increase Aid	387	387	773	386	773
Total Intergovernmental Revenue	293,468	293,468	279,354	(14,114)	220,500
CHARGES FOR SERVICES:					
General Government	3,900	3,900	8,039	4,139	5,396
Other Charges for Services	3,000	3,000	2,444	(556)	7,437
Total Charges for Services	6,900	6,900	10,483	3,583	12,833
FINES AND FORFEITS	3,000	3,000	2,287	(713)	3,647
INTEREST INCOME	800	800	1,524	724	1,418
MISCELLANEOUS:					
Miscellaneous Income	2,400	2,400	17,321	14,921	1,561
Total Miscellaneous	2,400	2,400	17,321	14,921	1,561
TOTAL REVENUES	491,811	491,811	503,700	11,889	469,035
OTHER FINANCING SOURCES					
Transfer In	20,000	20,000	20,000	-	197,190
TOTAL REVENUES AND OTHER FINANCING SOURCES	511,811	511,811	523,700	11,889	666,225

CITY OF STACY, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009
With Comparative Amounts for the year ended December 31, 2008

	2009				2008
	Original Budget	Final Budget	Actual	Variance with Final Budget	Actual
EXPENDITURES:					
GENERAL GOVERNMENT:					
Mayor and Council:					
Personnel Services	$ 9,689	$ 9,689	$ 9,105	$ 584	$ 4,332
Other Current Expenditures	2,800	2,800	1,749	1,051	1,489
Election:					
Current Expenditures	-	-	-	-	2,140
Administrative and Finance:					
Personnel Services	50,590	50,590	39,951	10,639	42,942
Other Current Expenditures	15,166	15,166	12,068	3,098	13,025
Other General Government:					
Personnel Services	40,275	40,275	22,584	17,691	39,640
Other Current Expenditures	48,665	48,665	46,753	1,912	43,310
Capital Outlay	27,800	27,800	-	27,800	49,347
Planning and Zoning:					
Personnel Services	1,615	1,615	1,358	257	431
Other Current Expenditures	20,850	20,850	8,263	12,587	92,442
Independent Auditing:					
Current Expenditures	5,000	5,000	3,362	1,638	4,741
Legal:					
Current Expenditures	25,400	25,400	27,284	(1,884)	141,660
Total General Government	247,850	247,850	172,477	75,373	435,499
PUBLIC SAFETY:					
Police Protection:					
Services and Charges	47,996	47,996	47,996	-	79,040
Building Inspection:					
Current Expenditures	6,650	6,650	7,520	(870)	6,477
Fire Protection:					
Services and Charges	60,500	60,500	43,114	17,386	51,029
Capital Outlay	12,500	12,500	-	12,500	-
Total Public Safety	127,646	127,646	98,630	29,016	136,546
PUBLIC WORKS:					
Highways and Streets:					
Personnel Services	15,474	15,474	11,934	3,540	19,034
Other Current Expenditures	27,000	27,000	9,471	17,529	17,023
Ice and Snow Removal:					
Personnel Services	7,321	7,321	3,030	4,291	-
Other Current Expenditures	7,200	7,200	6,406	794	-

CITY OF STACY, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BLANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2009
With Comparative Amounts for the year ended December 31, 2008

	2009				2008
	Original Budget	Final Budget	Actual	Variance with Final Budget	Actual
EXPENDITURES:					
PUBLIC WORKS:					
Street Lighting:					
Current Expenditures	$ 13,000	$ 13,000	$ 11,537	$ 1,463	$ 9,437
Total Public Works	69,995	69,995	42,378	27,617	45,494
CULTURE AND RECREATION:					
Other Services and Charges:					
Current Expenditures	38,818	38,818	34,828	3,990	14,218
Total Culture and Recreation	38,818	38,818	34,828	3,990	14,218
MISCELLANEOUS:					
Insurance	27,000	27,000	19,649	7,351	21,210
Other Current Expenditures	500	500	4,500	(4,000)	9,415
Total Miscellaneous	27,500	27,500	24,149	3,351	30,625
TOTAL EXPENDITURES	511,809	511,809	372,462	139,347	662,382
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	2	2	151,238	151,236	3,843
OTHER FINANCING USES:					
Transfer to Other Funds	-	-	-	-	(22,805)
EXCESS REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	2	2	151,238	151,236	(18,962)
FUND BALANCE - January 1					
Originally Stated	442,149	442,149	442,149	-	-
Prior Period Adjustment	-	-	(57,361)	(57,361)	-
As Restated	442,149	442,149	384,788	(57,361)	-
FUND BALANCE - December 31	$ 442,151	$ 442,151	$ 536,026	$ 93,875	$ 442,149

SECTION III

SUPPLEMENTAL SECTION

CITY OF STACY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2009

	Special Revenue Funds	Debt Service Funds	Total
ASSETS:			
Pooled Cash and Equivalents	$ 58,990	$ 108,617	$ 167,607
Accounts Receivable	4,232	-	4,232
Property Taxes Receivable	822	25,252	26,074
TOTAL ASSETS	$ 64,044	$ 133,869	$ 197,913
LIABILITIES:			
Accounts Payable	$ 461	$ 428	$ 889
Due to Other Funds	-	61,032	61,032
Deferred Revenue	223	24,917	25,140
Total Liabilities	684	86,377	87,061
FUND BALANCE (DEFICIT):			
Reserved for:			
Special Revenue	3,033	-	3,033
Debt Service	-	108,872	108,872
Unreserved, Reported In:			
Special Revenue - Designated	60,327	-	60,327
Debt Service - Undesignated	-	(61,380)	(61,380)
Total Fund Balance (Deficit)	63,360	47,492	110,852
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	$ 64,044	$ 133,869	$ 197,913

CITY OF STACY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Special Revenue Funds	Debt Service Funds	Total
REVENUES:			
Taxes	$ 3,366	$ 78,755	$ 82,121
Interest Income	295	766	1,061
Miscellaneous	17,970	21,500	39,470
Total Revenues	21,631	101,021	122,652
EXPENDITURES:			
Public Works	84	6,489	6,573
Culture and Recreation	6,201	-	6,201
Miscellaneous	10,205	3,082	13,287
Principal Payments	-	25,000	25,000
Interest Payments	-	28,223	28,223
Capital Outlay	22,449	-	22,449
Total Expenditures	38,939	62,794	101,733
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(17,308)	38,227	20,919
OTHER FINANCING SOURCES (USES):			
Transfer Out	(15,000)	-	(15,000)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(32,308)	38,227	5,919
FUND BALANCE - January 1	95,668	9,265	104,933
FUND BALANCE - December 31	$ 63,360	$ 47,492	$ 110,852

CITY OF STACY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2009

	Developer Escrow	Economic Development Authority	Special Rev Park	Lions Club Park Fund	Support Our Troops	Total
ASSETS:						
Pooled Cash and Equivalents	$ 27,211	$ 19,881	$ 3,033	$ 6,300	$ 2,565	$ 58,990
Accounts Receivable	1,760	2,472	-	-	-	4,232
Property Taxes Receivable	-	822	-	-	-	822
TOTAL ASSETS	$ 28,971	$ 23,175	$ 3,033	$ 6,300	$ 2,565	$ 64,044
LIABILITIES:						
Accounts Payable	$ -	$ 461	$ -	$ -	$ -	$ 461
Deferred Revenue	-	223	-	-	-	223
Total Liabilities	-	684	-	-	-	684
FUND BALANCE:						
Reserved for:						
Special Revenue	-	-	3,033	-	-	3,033
Unreserved						
Special Revenue - Designated	28,971	22,491	-	6,300	2,565	60,327
Total Fund Balance	28,971	22,491	3,033	6,300	2,565	63,360
TOTAL LIABILITIES AND FUND BALANCE	$ 28,971	$ 23,175	$ 3,033	$ 6,300	$ 2,565	$ 64,044

CITY OF STACY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Developer Escrow	Economic Development Authority	Special Rev Park	Lions Club Park Fund	Support Our Troops	Total
REVENUES:						
Taxes	$ -	$ 3,366	$ -	$ -	$ -	$ 3,366
Interest Income	1	55	182	36	21	295
Miscellaneous	-	1,000	-	9,500	7,470	17,970
Total Revenues	1	4,421	182	9,536	7,491	21,631
EXPENDITURES:						
Public Works	84	-	-	-	-	84
Culture and Recreation	-	-	-	6,201	-	6,201
Miscellaneous	-	4,254	-	-	5,951	10,205
Capital Outlay	-	-	22,449	-	-	22,449
Total Expenditures	84	4,254	22,449	6,201	5,951	38,939
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(83)	167	(22,267)	3,335	1,540	(17,308)
OTHER FINANCING SOURCES (USES):						
Transfer Out	-	-	(15,000)	-	-	(15,000)
EXCESS REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(83)	167	(37,267)	3,335	1,540	(32,308)
FUND BALANCE - January 1	29,054	22,324	40,300	2,965	1,025	95,668
FUND BALANCE - December 31	$ 28,971	$ 22,491	$ 3,033	$ 6,300	$ 2,565	$ 63,360

CITY OF STACY, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
DECEMBER 31, 2009

	Tax Abatement Woodsman 2004	Tax Increment 1-1	Tax Increment 1-2	Doyle Lighting Project Bond	Road Improvement Project	2008 Lease Purchase	Total
ASSETS:							
Pooled Cash and Equivalents	$ -	$ 2,867	$ -	$ 17,334	$ 88,415	$ -	$ 108,616
Property Taxes Receivable	1,648	10,536	9,361	-	3,708	-	25,253
TOTAL ASSETS	$ 1,648	$ 13,403	$ 9,361	$ 17,334	$ 92,123	$ -	$ 133,869
LIABILITIES:							
Accounts Payable	$ -	$ -	$ 428	$ -	$ -	$ -	$ 428
Due to Other Funds	59,945	-	846	-	-	241	61,032
Deferred Revenue	1,569	10,536	9,360	-	3,452	-	24,917
Total Liabilities	61,514	10,536	10,634	-	3,452	241	86,377
FUND BALANCE (DEFICIT):							
Reserved for:							
Debt Service	-	2,867	-	17,334	88,671	-	108,872
Unreserved, Reported In:							
Debt Service - Undesignated	(59,866)	-	(1,273)	-	-	(241)	(61,380)
Total Fund Balance (Deficit)	(59,866)	2,867	(1,273)	17,334	88,671	(241)	47,492
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	$ 1,648	$ 13,403	$ 9,361	$ 17,334	$ 92,123	$ -	$ 133,869

CITY OF STACY, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2009

	Tax Abatement Woodsman 2004	Tax Increment 1-1	Tax Increment 1-2	Doyle Lighting Project Bond	Road Improvement Project	2008 Lease Purchase	Total
REVENUES:							
Taxes	$ 30,987	$ 2,467	$ 9,562	$ -	$ 35,739	$ -	$ 78,755
Interest Income	-	-	-	220	546	-	766
Miscellaneous	-	-	-	21,500	-	-	21,500
Total Revenues	30,987	2,467	9,562	21,720	36,285	-	101,021
EXPENDITURES:							
Public Works	-	-	-	6,489	-	-	6,489
Miscellaneous	-	1,327	1,755	-	-	-	3,082
Principal Payments	25,000	-	-	-	-	-	25,000
Interest Payments	15,266	-	-	1,733	8,122	3,102	28,223
Total Expenditures	40,266	1,327	1,755	8,222	8,122	3,102	62,794
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(9,279)	1,140	7,807	13,498	28,163	(3,102)	38,227
FUND BALANCE (DEFICIT) - January 1	(50,587)	1,727	(9,080)	3,836	60,508	2,861	9,265
FUND BALANCE (DEFICIT) - December 31	$ (59,866)	$ 2,867	$ (1,273)	$ 17,334	$ 88,671	$ (241)	$ 47,492

CITY OF STACY, MINNESOTA
SUMMARY FINANCIAL REPORT

REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
DECEMBER 31, 2009

The purpose of this report is to provide a summary of financial information concerning the City of Stacy to interested citizens. The complete financial statements may be examined at the City Hall, 30955 Forest Blvd Stacy, MN Questions about this report should be directed to Sharon Payne, City Clerk, at 651-462-4486

	Total 2009	Total 2008	Percent Increase (Decrease)
REVENUES:			
Taxes and Assessments	$ 279,888	$ 243,550	14.92 %
Licenses and Permits	10,605	10,660	(0.52)%
Intergovernmental	279,354	220,500	26.69 %
Charges for Services	10,483	12,833	(18.31)%
Fines	2,287	3,647	(37.29)%
Investment Earnings	14,914	6,931	115.18 %
Miscellaneous	56,791	359,579	(84.21)%
Transfer In	35,000	255,546	(86.30)%
Issuance of Debt	-	358,000	(100.00)%
Total Revenues	$ 689,322	$ 1,471,246	(53.15)%
Per Capita	498	1,064	
EXPENDITURES:			
Current			
General Government	$ 172,477	$ 386,152	(55.33)%
Public Safety	98,630	136,546	(27.77)%
Public Works	48,951	46,311	5.70 %
Culture and Recreation	41,029	16,592	147.28 %
Miscellaneous	37,436	34,115	9.73 %
Debt Service:			
Principal Payments	25,000	25,000	- %
Interest Payments	79,643	67,511	17.97 %
Capital Outlay	22,449	455,109	(95.07)%
Transfer Out	15,000	235,545	(93.63)%
Total Expenditures	$ 540,615	$ 1,402,881	(61.46)%
Per Capita	391	1,014	
Total Long-term Indebtedness	$ 8,682,516	$ 9,048,541	(4.05)%
Per Capita	6,278	6,543	
General Fund Unreserved Fund Balance - December 31	$ 536,026	$ 442,149	21.23 %
Per Capita	388	320	

SECTION IV

ADDITIONAL INFORMATION

OBERLOH & ASSOCIATES, LTD.
CERTIFIED PUBLIC ACCOUNTANTS
P.O. BOX 186 • 530 WEST PARK ROAD
REDWOOD FALLS, MN 56283

Telephone: (507) 644-6400
Fax: (507) 644-6401

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members of the Council
City of Stacy
Stacy, Minnesota

We have audited the financial statements of governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Stacy, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise City of Stacy, Minnesota's basic financial statements and have issued our report thereon dated July 27, 2010. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements in a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting. Items 09-01 and 09-02. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

City of Stacy, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit City of Stacy, Minnesota's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the governing body and management of City of Stacy, Minnesota, and for filing with the Office of the State Auditor, State of Minnesota and is not intended to be and should not be used by anyone other than these specified parties.

Oberloh & Associates, Ltd.

Oberloh & Associates, Ltd.

July 27, 2010

CITY OF STACY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2009

INTERNAL CONTROL FINDINGS

Audit Finding 09-01

Criteria: The City does not have the internal resources to identify all journal entries required to maintain a general ledger and to prepare the full-disclosure financial statements in conformity with generally accepted accounting principles.

Condition: The City's personnel prepare periodic financial information for internal use that meets the needs of management and the City Council. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements required by generally accepted accounting principles for external reporting. The City is aware of this significant deficiency, and obtains our assistance in the preparation of the City's annual financial statements.

Cause: The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect: The City's management is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and completed statements prior to distribution to the end users.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to prepare the financial statements and maintain a working knowledge of the required disclosures.

Audit Finding 09-02

Criteria: Internal control that supports the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements requires adequate segregation of accounting duties.

Condition: The City does not have adequate segregation of accounting duties.

Cause: There are a limited number of office employees.

Effect: The lack of adequate segregation of accounting duties could adversely affect the City's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Recommendations: For entities of the City's size, it generally is not practical to obtain the internal control that supports the adequate segregation of duties.

Managements Response: Management agrees with the recommendation that it is not cost effective for the City to maintain proper segregation of duties.

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AUDITOR'S REPORT ON LEGAL COMPLIANCE

Honorable Mayor and Members of the Council
City of Stacy
Stacy, Minnesota

We have audited the basic financial statements of City of Stacy, Minnesota, as of and for the year ended December 31, 2009 and have issued our report thereon dated July 27, 2010.

We conducted our audit in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Government* promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

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

The results of our tests indicate that for the items tested, City of Stacy, Minnesota complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of the governing body and management of City of Stacy, Minnesota, and for filing with the Office of the State Auditor, State of Minnesota and is not intended to be and should not be used by anyone other than these specified parties.

Oberloh & Associates, Ltd.

Oberloh & Associates, Ltd.

July 27, 2010