

City of East Grand Forks

Minnesota



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2011

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended December 31, 2011



CITY OF EAST GRAND FORKS, MINNESOTA
Prepared by Department of Administration & Finance

SCOTT HUIZENGA
CITY ADMINISTRATOR

KARLA ANDERSON
FINANCE DIRECTOR

INTRODUCTORY SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

INTRODUCTORY SECTION

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Administration and Finance

July 25, 2012

To the Honorable Mayor, Members of the City Council, and the Citizens of the City of East Grand Forks:

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants or the Office of State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of East Grand Forks for the fiscal year ended December 31, 2011.

The report consists of management's representations concerning the finances of the City of East Grand Forks. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City of East Grand Forks has established a comprehensive internal control framework that is designed both to protect the city's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of East Grand Forks' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of East Grand Forks comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of East Grand Forks' financial statements have been audited by Brady Martz and Associates, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of East Grand Forks for

the fiscal year ended December 31, 2011, are free of misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of East Grand Forks' financial statements for the fiscal year ended December 31, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of East Grand Forks' MD&A can be found immediately following the report of the independent auditor.

PROFILE OF THE GOVERNMENT

The City of East Grand Forks, incorporated on April 13, 1887, is located in Polk County on the Minnesota and North Dakota border 70 miles south of the Canadian border. The city currently has a land area of nearly six square miles and a service population of 8,560. The City of East Grand Forks is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

The City of East Grand Forks is governed by home rule charter city under Minnesota Statutes with a council-mayor form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor, the council president and six other council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing commissions, authorities, and committees, and hiring both the city administrator and city attorney. The city administrator is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the city government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Two council members and the mayor are elected at large and five council members are elected to represent wards. Council members and the mayor serve staggered four year terms, with elections occurring every even year. Council members for wards 1, 3, and 5, the mayor, and one at large council member are elected in one even year.

Council members for wards 2 and 4 and one at large council member are elected the next even year. The council members select a council president every two years.

The City of East Grand Forks provides a full range of services, including police and fire protection; construction and maintenance of streets and infrastructure; recreational facilities, library, and senior center; water, sewer, electric, refuse, and transit services. Additionally, the city owns three commercial properties leased for shopping, dining, and professional service activities.

The annual budget serves as the foundation for the City of East Grand Forks financial planning and control. All departments of the city submit requests for appropriation to the city administrator in July of each year. The city administrator uses these requests as the starting point for developing a proposed budget. The city administrator then presents this proposed budget to the council for review prior to August 31. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the City of East Grand Forks' fiscal year. Department heads may make transfers of appropriation within a department. Transfers of appropriations between funds, however, require the special approval of the city council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 29 as part of the basic financial statements of the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is present in the governmental fund subsection of this report, which starts on page 84.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of East Grand Forks operates.

Local economy. The City of East Grand Forks is located on the Minnesota side of the intersection of U.S. Highway 2 and I-29. The city serves as part of a regional shopping hub for northwest Minnesota and northeast North Dakota. The city's main shopping attractions are the 60,000 square-foot Cabela's retail outlet and the 65,000 square-foot Riverwalk Centre. Additionally, along the well maintained shores of the scenic Red River of the North, the city has a popular boardwalk section where several restaurants and entertainment facilities are located. Led by American Crystal Sugar and several other potato and bean companies, agribusinesses are a major

portion of the city's economy. The American Crystal Sugar plant in East Grand Forks is the largest sugar processing plant in North America and it employs over 300 people.

The City of East Grand Forks employment picture is healthy with a 6.1% unemployment rate (Polk County), while the state and the country have unemployment rates of 6.4% and 8.9%, respectively. The City of Grand Forks, located just across the river in North Dakota, has an unemployment rate of 3.3%.

East Grand Forks has worked hard to provide more affordable housing in the community. Record low mortgage interest rates, affordable lot prices, and deferred loan/grant programs are still in place, but lot sales have slowed within the city.

FINANCIAL INFORMATION

Management of the city is responsible for establishing and maintaining internal control designed to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

This report consists of management's representations concerning the finance of the city. As a result, management assumes full responsibility for the completeness and reliability of all the information presented in this report. Management asserts that, to the best of their knowledge and belief, this financial report is complete and reliable in all material respects.

Long-term financial planning. As an ongoing project started in 1998, the city continues to add to its storm protection network (storm water lift stations, levees, etc.). The final "loose ends" of the levee projects will be completed in 2012. According to state law, the city is required to contribute 2% to the projects overall cost. Additionally, the city added 180 new residential lots surrounding the golf course. The development provided more variety to an already broad base of housing options available to current and new residents.

State Budget. The State of Minnesota political structures are aligned in a redistributive manner in which a large portion of the tax burden is affixed at the state level. Cities receive formulaic disbursements of state general fund appropriations known as Local Government Aid (LGA). Recent recessionary trends in the national economy have resulted in reduced state revenues. The State, in turn, reduced LGA disbursements for fiscal years 2008, 2009, 2010. LGA since has been frozen at 2010 levels. Historically, LGA has composed approximately one third of the city's total general fund revenues. LGA cuts of between 16 percent and 20 percent in the last three fiscal years have reduced LGA's total portion of general fund revenues to approximately 30 percent. The city has addressed these cuts through a combination of increased user fees, reduced staffing through attrition, and freezes in non-fixed operating expenses. The State projects another budget deficit for the 2014-2015 biennium of \$1.3 billion plus a repayment of school aid shifts from the 2009-10 biennium. As such, the city will continue to develop strategies that address the potential of stagnant or reduced LGA.

Revenue. In addition to LGA cuts, the State of Minnesota in prior years limited the percentage of allowable city property tax increases to an index known as the Implicit Price Deflator (IPD). Therefore, the city has broadened its use of user fees and utility rates to compensate for the decrease in LGA funding and the corresponding cap on property tax revenues. The city increased recreation fees, street lighting fees, and storm water utility fee. The city instituted a new Greenway Maintenance Fee in 2009 to provide for the ongoing maintenance of approximately nine miles of asphalt walking and biking trails that are adjacent to the city's levee system. The city instituted a new rescue unit fee in 2011. Finally, the city has adjusted sewer utility rates in anticipation of a new waste water treatment facility in future years.

Fund Balance. Despite decreased state aid, the city's General Fund balance and its total governmental funds balance meets or exceeds the recommendations proscribed by the Office of the State Auditor. The city has positive cash flow relative to its peer cities in Minnesota as a result of proactive fiscal management and its breadth of special revenue funds.

Capital Investment. The city has reinvested significantly in capital replacement despite fiscal challenges at the state level. The city Council has asserted the position that an ounce of prevention is worth a pound of cure. As such, the city's annual street repair budget has quadrupled since 2008. Since 2008, the city has undertaken approximately \$20 million of street replacement, water line replacement, sewer line replacement and maintenance. The Waste Water Phase II project is expected to be \$7-13 million.

The city has begun replaced its aging vehicle fleet with newer vehicles that are more fuel efficient and require much less maintenance costs. For example, the city reduced its police patrol vehicle life cycle from four years to three years. Several other long-delayed capital equipment purchases will be made between 2012-2014.

The city established a Building Maintenance Fund in 2010 to address large-scale maintenance concerns. And, the city council is debating a complete swimming pool renovation in 2012.

The city continues to market its investments in city-owned properties that the city acquired as a result of the US Corps of Engineers levee project. The city also anticipates a major street and utilities addition to its Industrial Park in 2012. The local share of the estimated \$850,000 project will be 25 percent. The federal Economic Development Administration (EDA) will fund 50 percent of the cost, and the state Department of Employment and Economic Development (DEED) will fund 25 percent.

Labor. Salaries and benefits compose over half the city's General Fund budget. Five distinct unionized bargaining groups work with the city. The city has adopted a unified compensation plan for all bargaining groups that addresses the city's compliance with state Pay Equity and Comparable Worth guidelines. Additionally, the new compensation plan freezes cost of living allowances (COLAs) through fiscal year 2012. The city has reduced total employment by nearly six percent since 2008 through a combination of outsourcing services and eliminating vacant positions.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of East Grand Forks, Minnesota for its comprehensive financial report for the fiscal year ending December 31, 2010. This is the 18th year the city has received this prestigious award. In order to be awarded the Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

The preparation of this report could not be accomplished without the professional, efficient services of the staff in the Administration and Finance Office. We would like to express our appreciation to all members of the office who assisted and contributed to the preparation of this report. Due credit also should be given to the mayor and the council for their support in

planning and conducting the operations of the government in a responsible and progressive manner.

Scott Huizenga
City Administrator

Karla Anderson, CPA,
Finance Director

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of East Grand Forks
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to the City of East Grand Forks, Minnesota for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to the GFOA.



Linda C. Davison

President

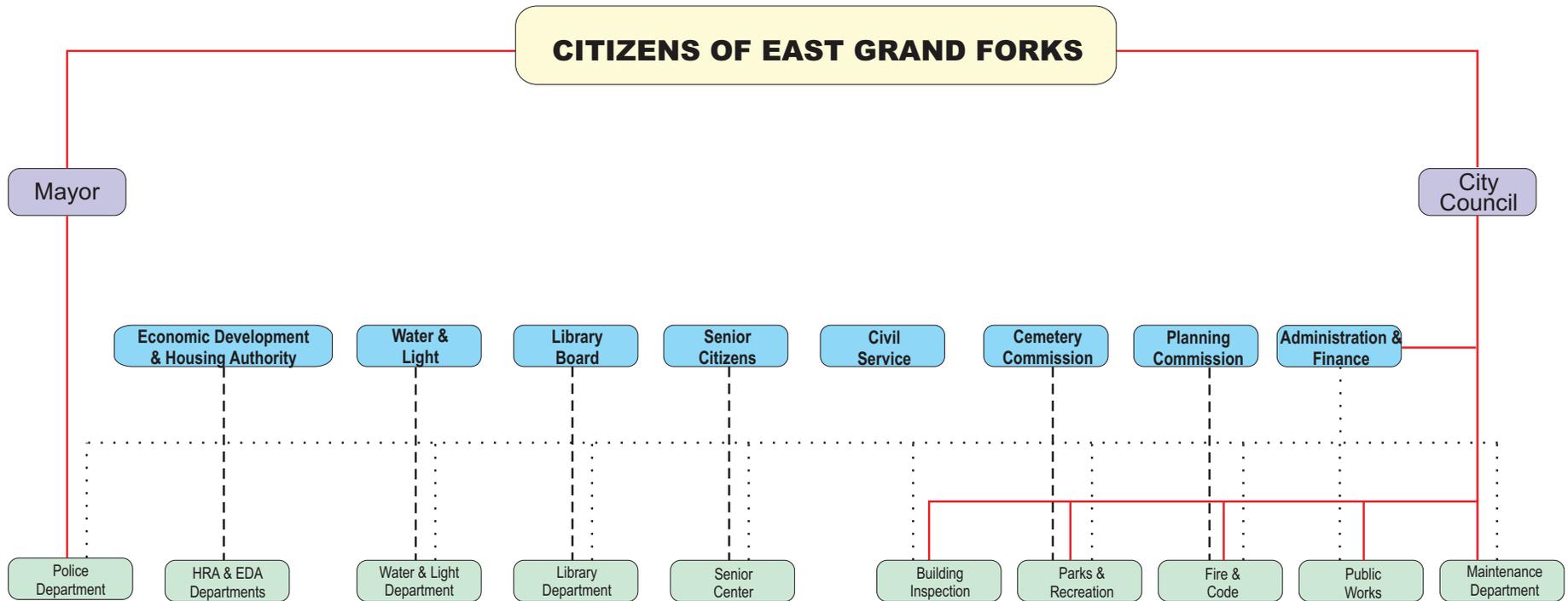
Jeffrey R. Enser

Executive Director



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CITY OF EAST GRAND FORKS ORGANIZATION CHART



- Direct Responsibility
- Commissions Direct Responsibility
- Communicate Council Policy, Orders, and Budget Enforcement



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Elected Officials and Administrative Personnel

<u>ELECTED OFFICIALS:</u>		<u>Term</u>	<u>Term Expires</u>
Mayor	Lynn Stauss	4 Years	12/31/12
Council member at Large	Mike Pokrzywinski	4 Years	12/31/12
Council member at Large	Greg Leigh	4 Years	12/31/14
Council member - 1st Ward	Marc Demers	4 Years	12/31/12
Council member - 2nd Ward	Ron Vonasek	4 Years	12/31/12
Council member - 3rd Ward	Craig Buckalew	4 Years	12/31/12
Council member - 4th Ward	Henry Tweten	4 Years	12/31/14
Council member - 5th Ward	Wayne Gregoire	4 Years	12/31/12

OFFICIALS NOT ELECTED:

City Administrator/Clerk-Treasurer	Scott Huizenga
Finance Director	Karla Anderson
Police Chief	Michael Hedlund
Fire Chief	Randall Gust
Parks & Recreation Superintendent	David Aker
Public Works Superintendent	John Wachter
Building Official	Tom Spoor
Library Director	Charlotte Helgeson
EDHA Director	James Richter
Senior Center Director	Lynda Vanderhoof
City Attorney	Ronald Galstad
City Engineer	Floan Sanders, Inc.
Water & Light Department	
Commissioner	Marilynn Ogden
Commissioner	Mike Quirk
Commissioner	Mark Brickson
Commissioner	Henry Tweten
General Manager	Dan Boyce
Electric Distribution Superintendent	Scott Gravseth
Water Plant Superintendent	Randy Rapacz



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FINANCIAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of East Grand Forks, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of East Grand Forks' management. Our responsibility is to express opinions on these financial statements based on our audit.

The prior year partial comparative information has been derived from the City's 2010 financial statements and, in our report dated June 10, 2011; we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of December 31, 2011, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*", and Governmental Accounting Standards Board Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", as of and for the year ended December 31, 2011.

In accordance with Government Auditing Standards, we have also issued our report dated July 25, 2012, on our consideration of the City of East Grand Forks, Minnesota's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the schedule of funding progress information on page 60 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 of 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 East Grand Forks, Minnesota's financial statements as a whole. The combining, individual non-major fund financial statements, and other schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

BRADY, MARTZ & ASSOCIATES, P.C.

July 25, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF EAST GRAND FORKS, MINNESOTA

MANAGEMENT'S DISCUSSION
AND ANALYSIS

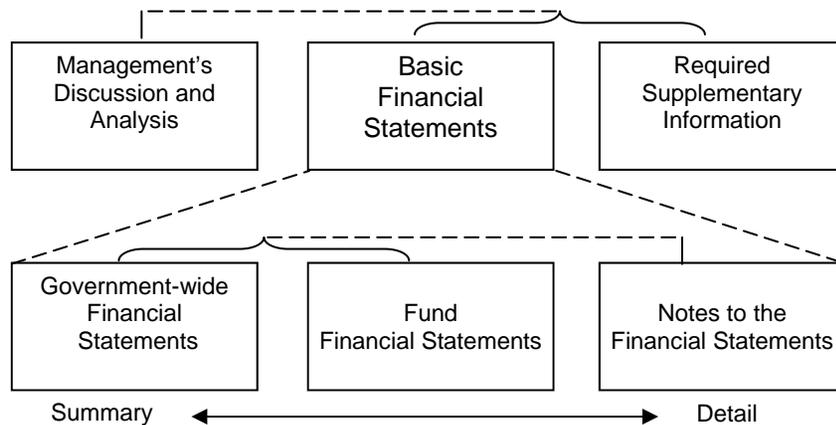
Management's Discussion and Analysis

As management of the City of East Grand Forks (City), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

COMPONENTS OF THE ANNUAL FINANCIAL REPORT



Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of East Grand Forks' finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City of East Grand Forks that are principally supported by taxes and intergovernmental revenues (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, community development, and culture and recreation. The business-type activities of the City include electric, water, sewage, refuse, and commercial rental property.

The government-wide financial statements can be found on pages 23-25 of this report.

Fund financial statements. The fund financial statements focus on current available resources and are organized and operate on the basis of funds, each which is defined as fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific or attaining certain objectives in accordance with special regulations, restriction or limitations. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financial 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 of the City's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains six major 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, two capital projects funds, and three debt service funds, all of which are considered major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general, special revenue, and proprietary funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26-29 of this report.

Proprietary funds. The City of East Grand Forks maintains two different types of proprietary funds. 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 electric, water, sewer, refuse, storm water protection and commercial rental property operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central equipment and benefit accrual operations. Because both of these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for electric, water, sewage, storm water protection, commercial properties, and refuse. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is

provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 32-37 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of East Grand Forks' own programs.

The fiduciary fund financial statement can be found on page 38 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-59 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor funds and internal service funds can be found immediately following the footnotes. Combining and individual fund statements can be found on pages 61-72 and 83-87.

FINANCIAL HIGHLIGHTS

- The City's net assets (asset minus liabilities) decreased by 0.7% as a result of this year's operations. The net assets of the City's governmental activities decreased \$1,304,969 (0.9%) and net assets of the City's business type activities decreased \$232,212 (0.3%).
- Capital assets decreased \$1,241,506 (0.9%), with most of the decrease due to depreciation being higher than the current year additions.
- The City's long-term liabilities decreased \$1,554,101 (0.7%) during the fiscal year ending December 31, 2011. Governmental long-term liabilities decreased \$1,370,814 (1.02%), which was primarily due to the payment on debt.
- At the close of the current fiscal, the City's governmental funds reported total ending fund balances of \$8,234,099, a decrease of \$60,263 (0.7%).
- The General Fund's fund balance increased \$83,271 (3%) to \$2,760,003. The unassigned fund balance is 31% of expenditures and other uses.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 19,602,126	\$ 21,123,909	\$ 19,040,599	\$ 18,163,467	\$ 38,642,725	\$ 39,287,376
Capital assets	129,492,872	130,734,377	51,069,644	52,258,034	180,562,516	182,992,411
Total assets	<u>149,094,998</u>	<u>151,858,286</u>	<u>70,110,243</u>	<u>70,421,501</u>	<u>219,205,241</u>	<u>222,279,787</u>
Other liabilities	1,047,650	1,135,156	1,617,579	1,513,338	2,665,229	2,648,494
Long-term liabilities	14,160,633	15,531,447	4,134,946	4,318,233	18,295,579	19,849,680
Total Liabilities	<u>15,208,283</u>	<u>16,666,603</u>	<u>5,752,525</u>	<u>5,831,571</u>	<u>20,960,808</u>	<u>22,498,174</u>
Net position:						
related debt	115,332,239	116,301,106	47,366,532	48,311,193	162,698,771	164,612,299
Restricted	9,888,840	10,977,442	-	-	9,888,840	10,977,442
Unrestricted	8,665,636	7,913,136	16,991,186	16,278,737	25,656,822	24,191,873
Total Net position	<u>\$ 133,886,715</u>	<u>\$ 135,191,684</u>	<u>\$ 64,357,718</u>	<u>\$ 64,589,930</u>	<u>\$ 198,244,433</u>	<u>\$ 199,781,614</u>

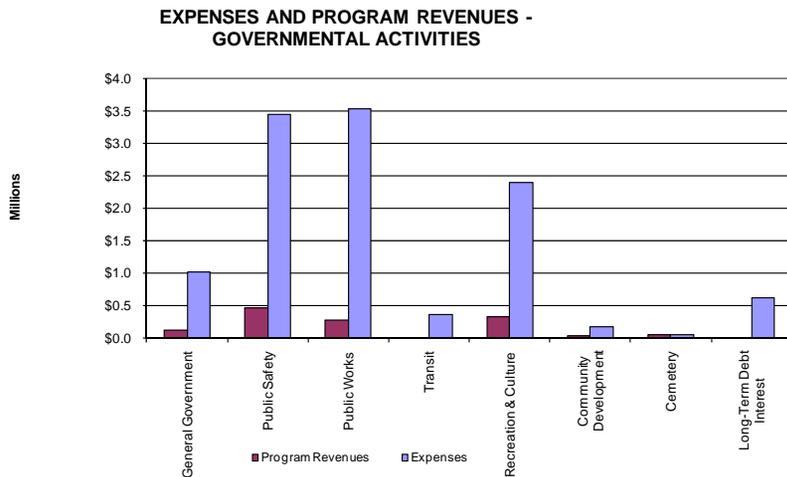
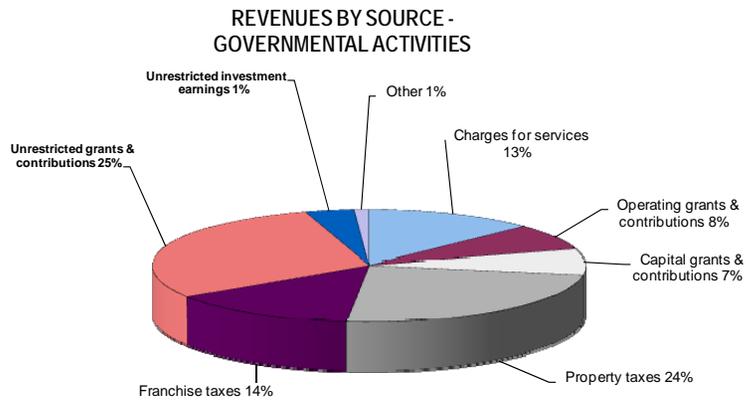
By far the largest portion of the City's net assets (82%) reflects investments in capital assets (e.g. land, buildings, structures, systems, machinery, equipment and infrastructure), net of any related debt used to acquire those assets that is still outstanding. The City uses assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources need to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

A small portion of the City's net assets (about 5%) represents resources that are subject to external restrictions on how they can be used. The remaining unrestricted net assets \$25,656,822 may be used to meet the ongoing obligations to citizens and creditors. Of the unrestricted net assets, \$16,991,186 is attributable to business-type activities.

Unrestricted governmental activities net assets increased \$752,500 (0.6%), while business-type activities unrestricted net assets increased \$712,449 (1.1%). Government-wide total unrestricted net assets increased \$1,464,949 (0.7%).

CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
REVENUES						
Program revenues:						
Charges for services	\$ 1,263,415	\$ 1,209,670	\$ 17,209,840	\$ 17,014,794	\$ 18,473,255	\$ 18,224,464
Operating grants and contributions	742,997	611,611	303,931	129,937	1,046,928	741,548
Capital grants and contributions	713,176	2,864,343	-	96,704	713,176	2,961,047
General revenues:						
Property taxes	2,364,973	2,201,420	-	-	2,364,973	2,201,420
Franchise taxes	1,392,521	1,359,302	-	-	1,392,521	1,359,302
Unrestricted grants and contributions	2,895,270	2,867,240	-	-	2,895,270	2,867,240
Unrestricted investment earnings	361,923	160,728	328,644	333,528	690,567	494,256
Other	106,954	180,527	-	3,600	106,954	184,127
Total revenues	<u>9,841,229</u>	<u>11,454,841</u>	<u>17,842,415</u>	<u>17,578,563</u>	<u>27,683,644</u>	<u>29,033,404</u>
EXPENSES						
Program activities:						
Governmental activities:						
General government	1,014,122	1,033,325	-	-	1,014,122	1,033,325
Public safety	3,453,879	3,508,407	-	-	3,453,879	3,508,407
Public works	3,528,021	3,725,756	-	-	3,528,021	3,725,756
Transit	365,385	278,476	-	-	365,385	278,476
Recreation and culture	2,398,640	2,346,805	-	-	2,398,640	2,346,805
Community development	173,235	166,045	-	-	173,235	166,045
Cemetery	57,228	52,476	-	-	57,228	52,476
Interest on long-term debt	612,505	569,135	-	-	612,505	569,135
Business-type activities						
Electric	-	-	12,268,180	11,749,099	12,268,180	11,749,099
Water	-	-	2,096,118	2,114,845	2,096,118	2,114,845
Sewer	-	-	964,063	785,645	964,063	785,645
Storm Water	-	-	804,162	956,736	804,162	956,736
City mall	-	-	631,066	365,121	631,066	365,121
Refuse	-	-	854,222	838,236	854,222	838,236
Total expenses	<u>11,603,015</u>	<u>11,680,425</u>	<u>17,617,811</u>	<u>16,809,682</u>	<u>29,220,826</u>	<u>28,490,107</u>
Excess (deficiency) before transfers	(1,761,786)	(225,584)	224,604	768,881	(1,537,182)	543,297
Transfers in (out)	456,816	108,484	(456,816)	(108,484)	-	-
Increase (decrease) in net position	(1,304,969)	(117,100)	(232,212)	660,397	(1,537,182)	543,297
Net position at the beginning of the year	135,191,682	135,308,783	64,589,931	63,929,534	199,781,613	199,238,317
Net position at the end of the year	<u>\$ 133,886,713</u>	<u>\$ 135,191,683</u>	<u>\$ 64,357,719</u>	<u>\$ 64,589,931</u>	<u>\$ 198,244,431</u>	<u>\$ 199,781,614</u>



Governmental Activities. A significant share of revenues of the governmental activities is capital grants and contributions (25%), with most of that amount attributed to local share of additions to the infrastructure. Property taxes and franchise taxes accounted for 24% and 14% of total revenues, respectively. Unrestricted grants and contributions in the form of local government aid and other State aids contributed 15% to total revenues. Charges for services brought in 13%.

Public works (30.4%) expenses are the most significant, followed by public safety (29.8%), parks and recreation (20.6%), general government (8.7%), and community development (1.4%). Interest on long-term debt and transit expenses accounted for 5.3% and 3.1% of total expenses, respectively. Included in these amounts is depreciation expense of \$2,719,193, which is 23.4% of the total expenses for governmental activities.

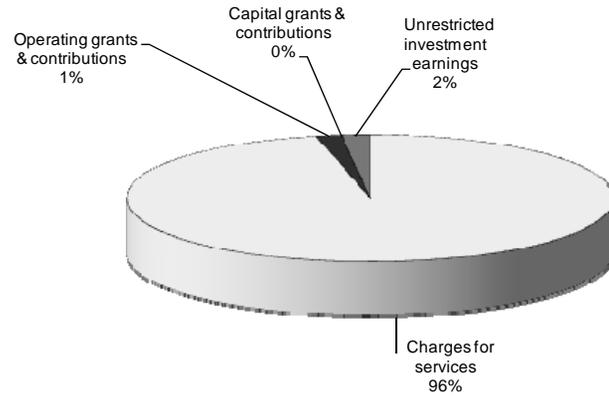
Governmental revenues decreased \$1,613,612 (16%) in the current year, with the most significant portion of the decrease attributable to smaller amounts of capital grants and contributions. Property taxes increased by 1.6% and charges for services increased by 0.5%. Unrestricted grants and contributions decreased by 20.5%, despite the decrease by unallotment in local government aid.

Governmental activities expenses decreased \$77,410 (1%) in the current year. The most significant changes in program expenses were as follows:

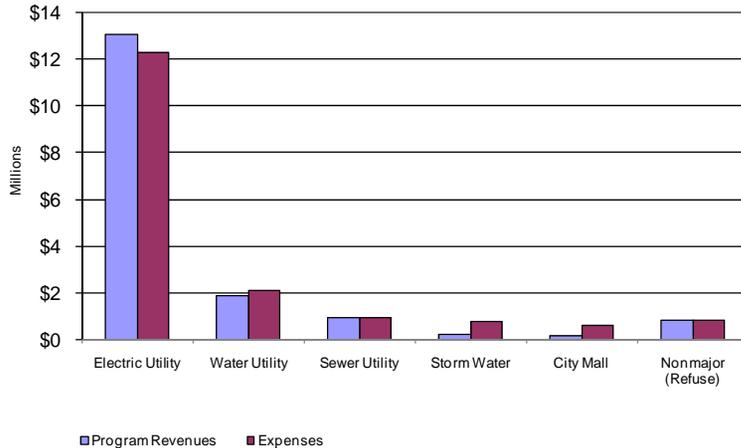
- Public Works expenses decreased \$197,735 (1.7%). The increase is the result of more infrastructure projects undertaken.
- Public Safety expenses decreased \$54,528 (0.5%). The decrease is primarily attributable to enacted cost control policies.
- Recreation and culture expenses increased \$51,835 (0.5%), primarily due to infrastructure costs.
- General Government expenses decreased \$19,203 (0.17%), also due to the cost control policies.

There were not any other programs with significant or unusual changes.

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE EXPENSES



Business-type activities. Business-type activities decreased the City's net assets by \$232,212 from the prior fiscal year. Key elements of the change are as follows:

Operating grants and contributions increased by \$173,994. Interest income decreased by \$4,884, which was reflective of rate declines.

Program expenses increased by \$524,420 (3%) largely because of increases in operating costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

At the end of 2011, the City's governmental funds reported total ending fund balances of \$8,234,099, a decrease of \$60,265 (0.7%) in comparison with the prior year. About 37% of the total ending fund balances constituted unassigned fund balances (\$3,064,448), which are considered available for appropriation. The remainder of the fund balances is restricted to indicate that it is not available for new spending because it has already been restricted by legislative or outside source or is considered nonspendable.

At the end of the current year, the General Fund reported a fund balance of \$2,760,003, increasing \$83,271 from the previous year. General fund revenues were \$490,322 (6%) higher than in the prior fiscal year and expenditures increased by \$342,852 (4.3%). General taxes, including property taxes and franchise fees, increased \$196,773 (2.3%). Intergovernmental revenue increased \$28,430 (0.3%) and charges for services increased \$184,836 (2%). Property taxes increased \$140,256 (1.7%) and franchise fees increased \$33,219 (.4%). Public safety expenditures increased \$74,336 (1%) which was largely the result of lower capital outlay expenditures. Public works expenditures decreased \$81,892 due to higher maintenance costs. Other departmental differences were within about 4% close to the overall General Fund increase.

The Residential Infrastructure Fund (RIF) experienced a \$377,995 (95%) fund balance decrease over the prior year.

The 12-01-07 Assessment Bond Fund increased to \$669,697, due to assessment collections, interest and a transfer in of \$13,392 exceeding debt service costs by \$53,562.

The 3-1-06 Assessment Bond Fund (ABF) fund balance decreased by \$115,149, due to assessment collections and interest income being less than debt service payments combined with net transfers in of \$ 15,244.

The 12-1-04 Assessment Bond Fund (ABF) fund balance decreased \$137,137 to \$148,407 as debt payments were more than assessment collections.

The PFA 23rd Street project increased \$290,578 due to debt issuance exceeding debts service payments during 2011.

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

The electric utility's net assets increased \$639,931 (2.3%). Operating income increased \$89,961 (0.6%) to \$13,075,789. Wholesale purchased power costs increased \$214,085 (1.7%). Transfers out decreased by \$177,568 to \$456,816. Other factors of the changes in income from operations have previously been discussed in the government-wide financial analysis of business-type activities.

The water utility's net assets decreased \$178,325 (1.8%) in the current year. Operating income increased \$73,953 (3.8%) and operating expenses increased \$2,814 from the prior year. Other significant factors of the changes in income from operations have been previously discussed in the government-wide financial analysis of business-type activities.

The sewer utility's net assets increased \$43,333 (0.4%). Income before capital contributions decreased \$12,037 (1.2%) due to increased interest expense on capital improvement financing.

The storm water utilities net assets decreased \$301,540 primarily due to operating losses.

The City Mall Fund contains the operations of three commercial properties: River Walk Center (Mall), DeMers Professional building, Infill Building. The decrease in net assets of \$428,113 was the result of a loss from the sale of a building.

The Refuse Fund net assets decreased \$7,499. Operating revenue increased \$1,034 and operating expenses decreased \$18,932 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Intergovernmental revenues were \$639,111 more than budget. This was due to the following. First, the Disparity Reduction Credit (DRC) of \$375,529 was budgeted in the general levy rather in the intergovernmental revenues. The exact amount of the DRC is not known at the time that the City Council approves the budget. Further, the Minnesota Legislature has proposed, but has not passed, previous proposals to eliminate the DRC. The City received \$183,902 more of Local Government Aid (LGA) because the City budgeted conservatively in light of past LGA cuts from the state. Finally, the City received \$42,429 additional in State Grants and Aids than the City budgeted. Government expenditures overall were less than budget by \$ 94,528 the result of cost control measures.

The General Fund year end fund balances since 2003 are as follows:

2003	\$ 2,158,880	2006	\$ 2,200,961	2009	\$ 2,727,342
2004	2,433,581	2007	2,841,939	2010	2,587,856
2005	2,574,386	2008	2,564,645	2011	2,760,003

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS
(Net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 31,007,286	\$ 31,007,286	\$ 707,178	\$ 715,378	\$ 31,714,464	\$ 31,722,664
Construction in progress	332,798	49,132	850,173	1,191,106	1,182,971	1,240,238
Building, structures, & improvements	64,075,320	65,619,173	47,520,509	47,916,052	111,595,829	113,535,225
Machinery and equipment	3,031,802	2,742,688	1,991,784	2,435,497	5,023,586	5,178,185
Infrastructure	31,045,666	31,316,099			31,045,666	31,316,099
Total	<u>\$ 129,492,872</u>	<u>\$ 130,734,378</u>	<u>\$ 51,069,644</u>	<u>\$ 52,258,033</u>	<u>\$ 180,562,516</u>	<u>\$ 182,992,411</u>

Capital assets. The City's investment in capital assets for its governmental and business-type activities at December 31, 2011 totaled \$180,562,516 (net of accumulated depreciation). This investment in capital assets included land, construction in progress, structures, systems, machinery and equipment, infrastructure.

Additional information on the City's capital assets can be found in the notes to the financial statements on page 50.

LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 9,661,363	\$ 11,176,905			\$ 9,661,363	\$ 11,176,905
General obligation water revenue bonds						
General obligation PFA Improv bonds	3,393,577	3,115,252	\$ 3,623,000	\$ 3,790,000	7,016,577	6,905,252
General obligation cert of indebtedness	72,241	141,114	80,112	156,841	152,353	297,955
Compensated absences payable	1,033,452	1,098,176	431,828	371,393	1,465,280	1,469,569
Total	<u>\$ 14,160,633</u>	<u>\$ 15,531,447</u>	<u>\$ 4,134,940</u>	<u>\$ 4,318,234</u>	<u>\$ 18,295,573</u>	<u>\$ 19,849,681</u>

Long-term liabilities. The City's outstanding long-term liabilities, including bonds, certificates of indebtedness, capital leases, notes payable, compensated absences, and due to component unit totaled \$18,295,579 at December 31, 2011. Of this total, \$14,160,633 (77.4%) is in governmental activities and

\$4,134,946 (22.6%) is in business-type activities. The City's outstanding long-term liabilities decreased \$ 1,554,102 (8.5%) in 2011.

Additional information on the City's long-term liabilities can be found in the notes to the financial statements on pages 51-53 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for the Polk County, Minnesota area for December 31, 2011 was 6.1%, which is below the state average (6.4%) and the national average (8.9%). The Grand Forks County area unemployment rate was 3.3%, which is equal to the North Dakota state average. The City of Grand Forks, located in Grand Forks County, is located across the Red River of the North and has a population of approximately 53,000.
- The state's economy is precarious and the budgeted deficit may result in continuing reductions in local government aid (LGA) funding. The City received \$2.47 million in local government aid in 2011, which is about 30% of budgeted General Fund revenues.
- The City's electric utility continues to experience increases in wholesale power costs. The costs are passed to the customer through monthly power costs adjustments. There have not been any power supply interruptions and none are expected.

- The occupancy rate of the City's central business district has remained steady over the last three years. The City's commercial properties no longer require other revenue sources for support.
- Inflationary trends in the region compare favorably to national indices.
- The City expects residential housing growth of 10 to 20 units (1%) per year, as long as interest rates remain low.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in government's finances. Questions concerning any information in the report or requests for additional information should be addressed to the Office of Administration and Finance, City of East Grand Forks, 600 DeMers Avenue NW, East Grand Forks, MN 56721.



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BASIC FINANCIAL STATEMENTS



CITY OF EAST GRAND FORKS, MINNESOTA

BASIC FINANCIAL
STATEMENTS

Statement of Net Position

December 31, 2011

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		EDHA
ASSETS				
Cash and cash equivalents	\$ 6,150,475	\$ 4,502,490	\$ 10,652,965	\$ 2,180,745
Investments	3,775,193	10,187,939	13,963,132	1,490,829
Accrued interest receivable	43,459	54,905	98,364	
Accounts receivable, net	65,518	1,919,296	1,984,814	
Notes receivable	226,285		226,285	1,625,554
Taxes receivable - property	70,619		70,619	
Taxes receivable - other	98,662		98,662	
Special assessments receivable	9,015,143		9,015,143	
Internal balances (net)	(731,506)	731,506	-	
Due from other government units	311,293	218,389	529,682	51,638
Prepaid Items		61,043	61,043	
Land held for resale	454,720		454,720	207,180
Materials and Supplies	35,397	933,407	968,804	
Restricted cash and Investments		79,850	79,850	682,471
Unamortized debt issuance costs	86,868		86,868	
Customer acquisition costs		351,774	351,774	
Capital assets:				
Nondepreciable	31,340,084	1,557,351	32,897,435	50,300
Depreciable, net	98,152,788	49,512,293	147,665,081	4,169,889
TOTAL ASSETS	<u>149,094,998</u>	<u>70,110,243</u>	<u>219,205,241</u>	<u>10,458,606</u>
LIABILITIES				
Accounts payable	415,699	1,314,911	1,730,610	125,738
Accrued wages payable	259,560	135,583	395,143	25,542
Due to other government units	30,614	52,051	82,665	260,779
Accrued interest payable	209,563	35,184	244,747	2,136
Customer deposits		79,850	79,850	22,340
Noncurrent liabilities:				
Due within one year	1,124,156	317,801	1,441,957	44,606
Due in more than one year	13,036,477	3,817,145	16,853,622	471,031
Net other postemployment benefit liability	132,214		132,214	
TOTAL LIABILITIES	<u>15,208,283</u>	<u>5,752,525</u>	<u>20,960,808</u>	<u>952,172</u>
NET POSITION				
Net investment in capital assets	115,332,239	47,366,532	162,698,771	4,186,671
Restricted for:				
Housing				133,299
Debt service	8,671,750		8,671,750	
Public works	219,382		219,382	
Capital projects	921,708		921,708	
Library - nonexpendable	76,000		76,000	
Unrestricted	8,665,636	16,991,186	25,656,822	5,186,464
TOTAL NET POSITION	<u>\$ 133,886,715</u>	<u>\$ 64,357,718</u>	<u>\$ 198,244,433</u>	<u>\$ 9,506,434</u>

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



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Statement of Activities

Year Ended December 31, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 1,014,122	\$ 118,710			\$ (895,412)		\$ (895,412)	
Public safety	3,453,879	459,160	\$ 292,077		(2,702,642)		(2,702,642)	
Public works	3,528,021	273,836	118,167	\$ 713,176	(2,422,842)		(2,422,842)	
Transit	365,385		332,753		(32,632)		(32,632)	
Recreation and culture	2,398,640	319,877			(2,078,763)		(2,078,763)	
Community development	173,235	36,000			(137,235)		(137,235)	
Cemetery	57,228	55,832			(1,396)		(1,396)	
Interest on long-term debt	612,504				(612,504)		(612,504)	
Total governmental activities	<u>11,603,014</u>	<u>1,263,415</u>	<u>742,997</u>	<u>713,176</u>	<u>(8,883,426)</u>	<u>-</u>	<u>(8,883,426)</u>	<u>-</u>
Business-type activities								
Electric Utility	12,268,180	13,075,789				\$ 807,609	807,609	
Water Utility	2,096,118	1,917,793				(178,325)	(178,325)	
Sewer Utility	964,063	976,454				12,391	12,391	
Storm Water	804,162	213,691	288,931			(301,540)	(301,540)	
City Mall	631,066	197,095				(433,971)	(433,971)	
Nonmajor (Refuse)	854,222	829,018	15,000			(10,204)	(10,204)	
Total business-type activities	<u>17,617,811</u>	<u>17,209,840</u>	<u>303,931</u>	<u>-</u>	<u>-</u>	<u>(104,040)</u>	<u>(104,040)</u>	<u>-</u>
Total primary government	<u>\$ 29,220,825</u>	<u>\$ 18,473,255</u>	<u>\$ 1,046,928</u>	<u>\$ 713,176</u>	<u>(8,883,426)</u>	<u>(104,040)</u>	<u>(8,987,467)</u>	<u>-</u>
Component unit:								
Community development	<u>\$ 2,549,957</u>	<u>\$ 379,296</u>	<u>\$ 1,853,265</u>					<u>\$ (317,396)</u>
General Revenues:								
Property taxes					2,364,973		2,364,973	237,703
Franchise taxes					1,392,521		1,392,521	
Unrestricted grants and contributions					2,895,270		2,895,270	1,259
Unrestricted investment earnings					361,923	328,644	690,567	64,920
Other					106,954		106,954	28,753
Transfers					456,816	(456,816)		
Total general revenues					<u>7,578,457</u>	<u>(128,172)</u>	<u>7,450,285</u>	<u>332,635</u>
Change in Net Position					<u>(1,304,969)</u>	<u>(232,212)</u>	<u>(1,537,181)</u>	<u>15,239</u>
Net Position - January 1					<u>135,191,683</u>	<u>64,589,931</u>	<u>199,781,614</u>	<u>9,491,195</u>
Net Position - December 31					<u>\$ 133,886,714</u>	<u>\$ 64,357,719</u>	<u>\$ 198,244,433</u>	<u>\$ 9,506,434</u>

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

Balance Sheet

Governmental Funds

December 31, 2011

	General	Residential Infrastructure	08 PFA Loan 23rd Street PROJECT	12-1-07 Assessment Bonds	12-1-04 Assessment Bonds	3-1-06 Assessment Bonds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 725,515	\$ 624,967	\$ 126,660	\$ 349,539	\$ 145,748	\$ 563,019	\$ 2,771,148	\$ 5,306,596
Investments	962,468	511,336		285,986		460,652	864,306	3,084,748
Interest receivable	43,459							43,459
Accounts receivable	40,608						24,910	65,518
Taxes receivable - property taxes	70,619							70,619
Taxes receivable - other	98,662							98,662
Special assessments receivable	14,123	2,591,028		2,126,518	1,753,232	1,328,332	1,201,910	9,015,143
Interfund receivable	450,835	10,000						460,835
Due from other funds	656,394							656,394
Due from other government units	224,881	20,851		34,172	2,659	7,837	20,893	311,293
Land held for resale							454,720	454,720
Notes Receivable	57,334						168,951	226,285
Materials and supplies	35,397							35,397
TOTAL ASSETS	\$ 3,380,295	\$ 3,758,182	\$ 126,660	\$ 2,796,215	\$ 1,901,639	\$ 2,359,840	\$ 5,506,838	\$ 19,829,669
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 189,295						\$ 122,485	\$ 311,780
Accrued wages payable	259,194						366	259,560
Interfund payable		\$ 1,147,341					45,000	1,192,341
Due to other funds							656,394	656,394
Due to other government units	27,942						2,672	30,614
Deferred revenue	143,861	2,591,028		\$ 2,126,518	\$ 1,753,232	\$ 1,328,332	1,201,910	9,144,881
Total liabilities	620,292	3,738,369	-	2,126,518	1,753,232	1,328,332	2,028,827	11,595,570
Fund balance:								
Nonspendable	35,397						244,951	280,348
Restricted				669,697	148,407	1,031,508	3,039,691	4,889,303
Unassigned	2,724,606	19,813	126,660				193,369	3,064,448
Total fund balance	2,760,003	19,813	126,660	669,697	148,407	1,031,508	3,478,011	8,234,099
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,380,295	\$ 3,758,182	\$ 126,660	\$ 2,796,215	\$ 1,901,639	\$ 2,359,840	\$ 5,506,838	\$ 19,829,669

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position December 31, 2011

Total fund balances - governmental funds \$ 8,234,099

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds.

Land	31,007,286	
Construction in progress	332,798	
Buildings, structures and improvements	77,899,983	
Machinery and equipment	5,103,574	
Infrastructure	43,503,857	
Accumulated depreciation	<u>(29,127,280)</u>	128,720,218

Other long-term assets are not available to pay for current period expenditures
and, therefore, are deferred in the funds.

9,144,881

Internal service funds are used by management to charge the costs of central equipment and
compensated absences to individual funds. These assets and liabilities of the internal
service fund are included in governmental activities in the statement of net assets:

Cash and cash equivalents	\$ 843,879	
Investments	690,445	
Machinery and equipment	1,918,232	
Accumulated depreciation	(1,145,578)	
Accounts payable	(103,919)	
Accrued interest payable	(3,224)	
Compensated absences payable	(1,033,452)	
Notes payable	<u>(72,241)</u>	1,094,142

Long-term liabilities of governmental funds, including bonds, certificates of participation,
equipment certificates of indebtedness, notes and loans payable, and accrued interest
payable, are not due in the current period and therefore are not reported in the funds.

Long-term liabilities	\$ (13,054,940)	
Unamortized bond issuance costs	86,868	
Accrued interest payable	(206,340)	
Other post employment benefit obligations	<u>(132,214)</u>	<u>(13,306,627)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 133,886,714

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

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds

Year Ended December 31, 2011

	General	Residential Infrastructure	08 PFA Loan 23rd Street PROJECT	12-1-07 Assessment Bonds	12-1-04 Assessment Bonds	3-1-06 Assessment Bonds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:								
General taxes	\$ 3,757,494							\$ 3,757,494
Special assessments		\$ 436,973		\$ 362,416	\$ 232,385	\$ 376,547	\$ 229,025	1,637,346
Licenses and permits	105,201							105,201
Intergovernmental	3,187,347						728,432	3,915,779
Charges for services	869,297						181,963	1,051,260
Fines and forfeitures	106,954							106,954
Interest and other revenues	202,039	12,366		5,877	632	10,474	130,535	361,923
Total revenues	<u>8,228,332</u>	<u>449,339</u>	<u>-</u>	<u>368,293</u>	<u>233,017</u>	<u>387,021</u>	<u>1,269,955</u>	<u>10,935,957</u>
Expenditures:								
Current:								
General government	833,241							833,241
Public safety	3,323,503							3,323,503
Public works	1,242,921						46,432	1,289,353
Transit							344,381	344,381
Recreation and culture	1,805,908						27,205	1,833,113
Community development	41,523						130,430	171,953
Cemetery							54,721	54,721
Other expenditures	216,905							216,905
Capital outlay	367,424		\$ 96,946				1,314,076	1,778,446
Debt service:								
Principal retirement			73,000	205,000	225,000	415,000	675,000	1,593,000
Interest and fiscal agent charges		51,531	112,722	123,123	145,154	102,414	52,724	587,668
Total expenditures	<u>7,831,425</u>	<u>51,531</u>	<u>282,668</u>	<u>328,123</u>	<u>370,154</u>	<u>517,414</u>	<u>2,644,969</u>	<u>12,026,284</u>
Excess (deficiency) of revenues over expenditures	<u>396,907</u>	<u>397,808</u>	<u>(282,668)</u>	<u>40,170</u>	<u>(137,137)</u>	<u>(130,393)</u>	<u>(1,375,014)</u>	<u>(1,090,327)</u>
Other financing sources (uses):								
Transfers in	427,560			13,392		15,244	741,816	1,198,012
Transfers out	(741,196)							(741,196)
Discount on long-term debt issued								-
Long-term debt issued			573,246					573,246
Total other financing sources (uses)	<u>(313,636)</u>	<u>-</u>	<u>573,246</u>	<u>13,392</u>	<u>-</u>	<u>15,244</u>	<u>741,816</u>	<u>1,030,062</u>
Net change in Fund Balances	83,271	397,808	290,578	53,562	(137,137)	(115,149)	(633,198)	(60,265)
Fund balance at beginning of year	2,587,856	(377,995)	(163,918)	616,135	285,544	1,146,657	4,200,085	8,294,364
GASB 54 Adjustment	88,876						(88,876)	-
Fund balance at end of year	<u>\$ 2,760,003</u>	<u>\$ 19,813</u>	<u>\$ 126,660</u>	<u>\$ 669,697</u>	<u>\$ 148,407</u>	<u>\$ 1,031,508</u>	<u>\$ 3,478,011</u>	<u>\$ 8,234,099</u>

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2011

Net change in fund balances - total governmental funds		\$ (60,265)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays	\$ 1,433,832	
Depreciation	<u>(2,719,193)</u>	(1,285,361)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position		
		1,593,000
Proceeds from long-term debt provide financial resources to governmental funds, but the issuing of debt increases long-term liabilities in the Statement of Net Position		
		(351,325)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Deferred Revenue - December 31, 2009	\$ (10,346,563)	
Deferred Revenue - December 31, 2010	<u>9,144,881</u>	(1,201,682)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Amortization of bond issuance costs	\$ (9,660)	
Amortization of bond discounts	(6,500)	
Amortization of bond premiums	2,042	
Other postemployment benefit obligations	<u>(30,363)</u>	(44,482)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.		
		55,384
Changes in long-term debt interest payable		
		<u>(10,237)</u>
Change in net position of governmental activities		<u>\$ (1,304,969)</u>

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



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Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
General taxes	\$ 4,304,102	\$ 4,304,102	\$ 3,757,494	\$ (546,608)
Licenses and permits	98,250	98,250	105,201	6,951
Intergovernmental	2,548,236	2,548,236	3,187,347	639,111
Charges for services	885,163	885,163	869,297	(15,866)
Fines and forfeitures	137,300	137,300	106,954	(30,346)
Interest and other revenues	53,200	53,200	202,039	148,839
Total revenues	<u>8,026,251</u>	<u>8,026,251</u>	<u>8,228,332</u>	<u>202,081</u>
Expenditures:				
Current:				
General government	897,690	897,690	833,241	64,449
Public safety	3,223,019	3,223,019	3,323,503	(100,484)
Public works	1,193,845	1,193,845	1,242,921	(49,076)
Recreation and culture	1,837,329	1,837,329	1,805,908	31,421
Community development	60,000	60,000	41,523	18,477
Other expenditures	256,070	256,070	216,905	39,165
Capital outlay	458,000	458,000	367,424	90,576
Debt service:				
Principal retirement				
Interest and fiscal agent charges				
Total expenditures	<u>7,925,953</u>	<u>7,925,953</u>	<u>7,831,425</u>	<u>94,528</u>
Excess (deficiency) of revenues over expenditures	<u>100,298</u>	<u>100,298</u>	<u>396,907</u>	<u>296,609</u>
Other financing sources (uses)				
Transfers in	586,558	586,558	427,560	(158,998)
Transfers out	(741,194)	(741,194)	(741,196)	(2)
Total other financing sources (uses)	<u>(154,636)</u>	<u>(154,636)</u>	<u>(313,636)</u>	<u>(159,000)</u>
Net change in Fund Balances	(54,338)	(54,338)	83,271	137,609
Fund balance at beginning of year	2,587,856	2,587,856	2,587,856	
GASB 54 Adjustments			88,876	88,876
Fund balance at end of year	<u>\$ 2,533,518</u>	<u>\$ 2,533,518</u>	<u>\$ 2,760,003</u>	<u>\$ 226,485</u>

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

**Statement of Net Position
Proprietary Funds
December 31, 2011**

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 2,744,730		\$ 1,440,365		\$ 127,646	\$ 189,749	\$ 4,502,490	\$ 843,879
Investments	9,009,459		1,178,480				10,187,939	690,445
Restricted cash and investments:								
Cash in customer deposits	79,850						79,850	
Interest receivable	54,905						54,905	
Account receivable (net)	1,856,461				60,830	2,005	1,919,296	
Materials and supplies	770,950	\$ 162,457					933,407	
Prepaid items	46,691	14,352					61,043	
Interfund receivable	1,182,341						1,182,341	
Due from other government units				\$ 203,389		15,000	218,389	
Total current assets	<u>15,745,387</u>	<u>176,809</u>	<u>2,618,845</u>	<u>203,389</u>	<u>188,476</u>	<u>206,754</u>	<u>19,139,660</u>	<u>1,534,324</u>
Noncurrent assets:								
Capital assets:								
Land	305,394	44,000	215,184		142,600		707,178	
Buildings and systems	22,968,921	18,657,008	14,908,511	16,350,107	5,729,707		78,614,254	
Machinery and equipment	3,234,649	2,117,803	554,710	48,042	81,766	721,504	6,758,474	1,918,232
Construction in progress	499,750	350,423					850,173	
Total capital assets	<u>27,008,714</u>	<u>21,169,234</u>	<u>15,678,405</u>	<u>16,398,149</u>	<u>5,954,073</u>	<u>721,504</u>	<u>86,930,079</u>	<u>1,918,232</u>
Less accumulated depreciation	<u>(13,582,587)</u>	<u>(11,113,912)</u>	<u>(5,310,748)</u>	<u>(3,331,507)</u>	<u>(2,050,207)</u>	<u>(471,474)</u>	<u>(35,860,435)</u>	<u>(1,145,578)</u>
Total capital assets (net)	<u>13,426,127</u>	<u>10,055,322</u>	<u>10,367,657</u>	<u>13,066,642</u>	<u>3,903,866</u>	<u>250,030</u>	<u>51,069,644</u>	<u>772,654</u>
Customer acquisition costs	268,106	83,668					351,774	
Total noncurrent assets	<u>13,694,233</u>	<u>10,138,990</u>	<u>10,367,657</u>	<u>13,066,642</u>	<u>3,903,866</u>	<u>250,030</u>	<u>51,421,418</u>	<u>772,654</u>
TOTAL ASSETS	<u>29,439,620</u>	<u>10,315,799</u>	<u>12,986,502</u>	<u>13,270,031</u>	<u>4,092,342</u>	<u>456,784</u>	<u>70,561,078</u>	<u>2,306,978</u>

(continued)

Statement of Net Position
Proprietary Funds
December 31, 2011 (continued)

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
LIABILITIES								
Current liabilities:								
Accounts payable	\$ 1,049,039	\$ 227,192	\$ 13,363	\$ 4,841	\$ 5,905	\$ 14,571	\$ 1,314,911	\$ 103,919
Interfund payable		207,873		242,962			450,835	
Due to other government units	51,938			113			52,051	
Accrued interest payable			35,184				35,184	3,238
Accrued wages payable	96,727	31,360	3,187	1,129		3,180	135,583	
Customer deposits	79,850						79,850	
Compensated absences payable - current	32,000	13,000	1,338			20,351	66,689	41,338
Notes payable - current						80,112	80,112	72,241
G.O. revenue bonds payable - current			171,000				171,000	
Total current liabilities	<u>1,309,554</u>	<u>479,425</u>	<u>224,072</u>	<u>249,045</u>	<u>5,905</u>	<u>118,214</u>	<u>2,386,215</u>	<u>220,736</u>
Noncurrent liabilities:								
Compensated absences payable - net current portion	307,132	58,013					365,145	992,114
G.O. revenue bonds payable - net current portion			3,452,000			-	3,452,000	-
Total noncurrent liabilities	<u>307,132</u>	<u>58,013</u>	<u>3,452,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,817,145</u>	<u>992,114</u>
TOTAL LIABILITIES	<u>1,616,686</u>	<u>537,438</u>	<u>3,676,072</u>	<u>249,045</u>	<u>5,905</u>	<u>118,214</u>	<u>6,203,360</u>	<u>1,212,850</u>
NET POSITION								
Net investment in capital assets	13,426,127	10,055,322	6,744,657	13,066,642	3,903,866	169,918	47,366,532	668,735
Unrestricted	14,396,807	(276,961)	2,565,773	(45,656)	182,571	168,652	16,991,186	425,393
TOTAL NET POSITION	<u>\$ 27,822,934</u>	<u>\$ 9,778,361</u>	<u>\$ 9,310,430</u>	<u>\$ 13,020,986</u>	<u>\$ 4,086,437</u>	<u>\$ 338,570</u>	<u>\$ 64,357,718</u>	<u>\$ 1,094,128</u>

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



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**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2011**

	Business-Type Activities – Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
Operating revenues:								
Electric charges	\$ 12,981,430						\$ 12,981,430	
Water charges		\$ 1,913,119					1,913,119	
Sewer charges			\$ 975,303				975,303	
Rental charges					\$ 194,329		194,329	
Refuse charges						\$ 826,258	826,258	
Storm Water charges				\$ 179,451			179,451	
Other	94,359	4,674	1,151	34,240	2,766	2,760	139,950	\$ 246,142
Total operating revenues	<u>13,075,789</u>	<u>1,917,793</u>	<u>976,454</u>	<u>213,691</u>	<u>197,095</u>	<u>829,018</u>	<u>17,209,840</u>	<u>246,142</u>
Operating expenses:								
Purchased power	7,836,510						7,836,510	
Operations and maintenance	1,693,107	1,300,943	383,410	286,706	167,926	766,311	4,598,403	
Administration	533,733	261,053	80,099			17,122	892,007	
Compensated absences							-	45,785
Flood related costs				182,737			182,737	
Depreciation	924,997	534,122	364,926	334,719	176,158	63,579	2,398,501	154,206
Tax and tax equivalents	1,279,383						1,279,383	
Total operating expenses	<u>12,267,730</u>	<u>2,096,118</u>	<u>828,435</u>	<u>804,162</u>	<u>344,084</u>	<u>847,012</u>	<u>17,187,541</u>	<u>199,991</u>
Operating income (loss)	<u>808,059</u>	<u>(178,325)</u>	<u>148,019</u>	<u>(590,471)</u>	<u>(146,989)</u>	<u>(17,994)</u>	<u>22,299</u>	<u>46,151</u>
Nonoperating revenues (expenses)								
Interest income	289,138		30,942		5,858	2,706	328,644	19,372
Interest expense	(450)		(135,628)		(3,273)	(7,211)	(146,562)	(10,139)
Gain/(Loss) on Sale of Fixed Assets					(283,709)		(283,709)	
Intergovernmental				288,931		15,000	303,931	
Total Nonoperating revenues (expenses)	<u>288,688</u>	<u>-</u>	<u>(104,686)</u>	<u>288,931</u>	<u>(281,124)</u>	<u>10,495</u>	<u>202,304</u>	<u>9,233</u>
Income (loss) before transfers and contributions	<u>1,096,747</u>	<u>(178,325)</u>	<u>43,333</u>	<u>(301,540)</u>	<u>(428,113)</u>	<u>(7,499)</u>	<u>224,603</u>	<u>55,384</u>
Transfers out	<u>(456,816)</u>						<u>(456,816)</u>	
Change in net position	<u>639,931</u>	<u>(178,325)</u>	<u>43,333</u>	<u>(301,540)</u>	<u>(428,113)</u>	<u>(7,499)</u>	<u>(232,213)</u>	<u>55,384</u>
Total net position - January 1	<u>27,183,003</u>	<u>9,956,686</u>	<u>9,267,097</u>	<u>13,322,526</u>	<u>4,514,550</u>	<u>346,069</u>	<u>64,589,931</u>	<u>1,038,744</u>
Total net position - December 31	<u>\$ 27,822,934</u>	<u>\$ 9,778,361</u>	<u>\$ 9,310,430</u>	<u>\$ 13,020,986</u>	<u>\$ 4,086,437</u>	<u>\$ 338,570</u>	<u>\$ 64,357,718</u>	<u>\$ 1,094,128</u>

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

**Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2011**

	Business-Type Activities – Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
Cash flows from operating activities:								
Cash received from customers and users	\$ 12,688,884	\$ 1,852,720	\$ 943,349	\$ 179,451	\$ 133,499	\$ 808,274	\$ 16,606,177	
Cash received from interfund activities	620,708	60,399	31,954			16,592	729,653	\$ 246,142
Cash paid to suppliers for goods and services	(8,286,656)	(567,776)	(269,795)	(72,361)	(170,888)	(627,375)	(9,994,851)	
Cash paid for interfund activities	(272,656)	(64,781)	(41,767)	(838)		(36,074)	(416,116)	
Cash paid to employees	(1,384,927)	(588,663)	(138,861)	(148,952)		(148,159)	(2,409,562)	(110,507)
Cash paid for taxes and tax equivalents	(1,279,383)						(1,279,383)	
Other operating revenues (expenses)	14,365	4,674	1,151	34,240	\$ 2,766	2,760	59,956	
Net cash provided (used) by operating activities	<u>2,100,335</u>	<u>696,573</u>	<u>526,031</u>	<u>(8,460)</u>	<u>\$ (34,623)</u>	<u>16,018</u>	<u>3,295,874</u>	<u>135,635</u>
Cash flows from noncapital financing activities:								
Intergovernmental revenues				85,542		15,000	100,542	
Transfers to other funds	(456,816)						(456,816)	
Interfund receivable	195,160						195,160	
Net cash provided (used) by noncapital financing activities	<u>(261,656)</u>	<u>-</u>	<u>-</u>	<u>85,542</u>	<u>-</u>	<u>15,000</u>	<u>(161,114)</u>	<u>-</u>
Cash flows from capital and related financing activities:								
Acquisition of capital assets	(725,658)	(840,166)					(1,565,824)	(94,142)
Principal payments on long-term debt			(167,000)			(76,729)	(243,729)	(68,873)
Interest and fiscal charges on bonds	(450)		(100,442)		(3,272)	(6,917)	(111,080)	(6,901)
Net cash (used) by capital and related financing activities	<u>(726,108)</u>	<u>(840,166)</u>	<u>(267,442)</u>	<u>-</u>	<u>(3,272)</u>	<u>(83,646)</u>	<u>(1,920,633)</u>	<u>(169,916)</u>
Cash flows from investing activities:								
Interest received on investments	297,502		30,942		5,858	2,706	337,008	19,373
Proceeds from sales and maturities of investments	5,399,000		35,575				5,434,575	119,465
Purchase of investments	(6,213,535)						(6,213,535)	(9,105)
Proceeds from sale of fixed assets					72,000		72,000	
Net cash provided (used) by investing activities	<u>(517,033)</u>	<u>-</u>	<u>66,517</u>	<u>-</u>	<u>77,858</u>	<u>2,706</u>	<u>(369,952)</u>	<u>129,733</u>
Net increase (decrease) in cash and cash equivalents	595,538	(143,593)	325,106	77,082	39,963	(49,922)	844,175	95,452
Cash and cash equivalents - January 1	<u>2,229,041</u>	<u>143,593</u>	<u>1,115,259</u>	<u>(77,082)</u>	<u>87,683</u>	<u>239,671</u>	<u>3,738,165</u>	<u>748,427</u>
Cash and cash equivalents - December 31	<u>\$ 2,824,580</u>	<u>\$ -</u>	<u>\$ 1,440,365</u>	<u>\$ -</u>	<u>\$ 127,646</u>	<u>\$ 189,749</u>	<u>\$ 4,582,340</u>	<u>\$ 843,879</u>

(continued)

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2011 (continued)

	Business-Type Activities – Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
Reconciliation of operating income to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 808,059	\$ (178,325)	\$ 148,019	\$ (590,471)	\$ (146,989)	\$ (17,994)	\$ 22,299	\$ 46,151
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	924,997	534,122	\$ 364,926	334,719	176,158	63,579	2,398,501	154,206
Changes in assets and liabilities:								
Accounts receivable	243,218				(60,830)	(1,392)	180,996	
Materials and supplies	96,458	33,273					129,731	
Prepaid items	(1,676)	(14,018)					(15,694)	
Accounts payable	(36,388)	122,970	12,302	4,139	(2,962)	(15,981)	84,080	
Accrued wages payable	16,096	4,575	784	78		1,513	23,046	
Accrued compensated absences	52,651	(13,898)					38,753	(64,722)
Due to other funds		207,875		242,962			450,837	
Due to other government units	(8,031)			113		(13,707)	(21,625)	
Customer deposits	4,950						4,950	
Net cash provided (used) by operating activities	<u>2,100,335</u>	<u>696,573</u>	<u>\$ 526,031</u>	<u>(8,460)</u>	<u>(34,623)</u>	<u>16,018</u>	<u>3,295,874</u>	<u>135,635</u>
Schedule of noncash investing, capital and financing activities:								
Increase (Decrease) in fair value of investments	6,436						6,436	
Cash and cash equivalents are shown on the balance sheet under the following captions:								
Cash and cash equivalents	2,744,730	-	1,440,365	-	127,646	189,749	4,502,490	843,879
Restricted assets:								
Cash in customer deposits	79,850						79,850	
Total cash and cash equivalents - December 31	<u>\$ 2,824,580</u>	<u>\$ -</u>	<u>\$ 1,440,365</u>	<u>\$ -</u>	<u>\$ 127,646</u>	<u>\$ 189,749</u>	<u>\$ 4,582,340</u>	<u>\$ 843,879</u>

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

Statement of Fiduciary Net Position
Agency Fund - Flexible Benefits
December 31, 2011

ASSETS:	
Cash and cash equivalents	<u>\$ 15,128</u>
LIABILITIES:	
Due to employees	<u>\$ 15,128</u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of East Grand Forks, Minnesota (the City) have been prepared in conformity with accounting principles (GAAP) generally accepted in the United States of America as applied to governmental units, as applied by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting entity

The City of East Grand Forks was incorporated April 13, 1887, and is a home rule charter city under Minnesota Statutes with a Council-Mayor form of government. The seven-member council and mayor are elected on staggered, four terms in each odd-numbered year. The council consists of two at-large members and five ward members.

In accordance with GASB Statement No. 14, *The Reporting Entity*, the financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from it. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic statements because of the significance of their operational or financial relationships to the City.

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

As a result of applying the component unit definition criteria above, one organization has been defined in accordance with GASB Statement No. 14 and is presented in this report as follows:

Discretely Presented Component Unit

Economic and Development and Housing Authority (EDHA). The EDHA is the creation resulting from the merger of the Economic Development Authority and the Housing and Redevelopment Authority. Prior to the merger, the EDHA promoted economic development through the use of various city, state and federal programs; the HRA provided administration for certain redevelopment and low income rent assistance programs. The entire governing board of both

authorities was appointed by the City Council. The combined board of the EDHA is also appointed by the City Council. Although it is legally separate from the City, the EDHA is reported as if it were part of the City because its sole purpose is to provide services for the City's businesses and residents.

The majority of operating funds for economic development programs is provided through tax increment financing and local government aid. Any bonded debt issued by the EDHA would be general obligation debt.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue 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 claims and judgments, are recorded when payment is due. Compensated absences, except for the Electric and Water Funds, are recorded as liabilities in an Internal Service Fund.

Agency funds statements use neither the economic resources nor the current financial resources measurement focuses.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current period is considered 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.

Since governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net assets and the change in net assets.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-

balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restriction, or limitations.

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 needed.

Major Governmental Funds – The major governmental funds reported by the City are as follows:

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

Residential Infrastructure Projects Fund. This capital projects fund accounts for construction of infrastructure projects financed by special assessments from projects originally funded by state grants.

2008 PFA Loan 23rd Street Project Fund. This capital projects fund is used to account for street improvements financed by a PFA bond issue.

12-1-07 and 12-1-04 and 3-1-06 Assessment Bonds Funds. These funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs. Debt issued for and serviced by enterprise funds is not included in this fund.

Major Proprietary Funds – The City reports the following major proprietary funds:

Electric Fund. This enterprise fund accounts for the operations of the city-owned electric distribution system.

Water Fund. This enterprise fund accounts for the operations of the city-owned water treatment and distribution system.

Sewage Fund. This enterprise fund accounts for the operations of the city-owned sewage collection and treatment system.

Storm Water Fund. This enterprise fund accounts for the operations of the city-owned storm water system

City Mall Fund. This enterprise fund accounts for the operations of three city-owned commercial rental properties.

Additionally, the City reports the following fund types:

Internal Service Funds. The operations of the Benefit Accrual Fund and the Central Equipment Fund are reported in internal service funds because they provide services to other departments of the City on a cost reimbursement basis.

Agency Fund. The City is the paying agent for the employees voluntary flexible benefit program, funded solely by employee contributions. The Flexible Benefit Agency Fund has been established to account for receipts and disbursements for the program.

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

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of (franchise) taxes, which are reported as taxes and tax equivalents, and other charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

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

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from

providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses include cost of sales and services, administrative expenses, depreciation, and taxes and tax equivalents. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Cash (including cash equivalents) and investments

Cash balances from all funds, except the Electric and Water Fund, are combined to the extent available investments authorized by state statutes. Earnings from such investments are allocated to respective funds on the basis of applicable cash balance participation by each fund. Likewise, the Electric and Water Fund are combined for investment purposes.

Investments for the City, as well as for its component units, are reported at fair value. The Minnesota Municipal Investment Pool is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the City's position in this pool is the same value as the pool shares.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments with original maturities of three months or less.

2. Receivables

Account (trade) receivables are carried at original billing amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a regular basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

A receivable is considered past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is charged on receivables that are outstanding for more than 30 days. Accrual of interest is not suspended until a receivable is determined to be uncollectible.

Interest receivable is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Revenues from electric energy sales are accrued to accounts receivable only at the time meters are read. Accordingly, the revenues related to energy delivered, but not metered, are not accrued. The City has three billing cycles per month: North End, South End, and Large Commercial Electric. The North End cycle is billed at the end of each month, with meter readings taken between the 11th and 25th day of the same month. The South End cycle is billed in the middle of each month, with meter readings taken between the 26th of the previous month and the 10th day of the current billing month.

The Large Commercial Electric cycle is billed in the middle of the month, with meter readings taken on the last day of the previous month. Large Commercial Electric sales revenues are accrued to the month of the meter readings. North End and South End sales revenues are recognized in the month billed, which is consistent with current and past revenue recognition practices.

3. Short-term inter-fund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term inter-fund loans are classified as "inter-fund receivables/ payables".

4. Materials & supplies inventories

Materials and supplies are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The consumption method is used to account for inventories. Inventory costs are recorded as expenditures when individual inventory items are consumed. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The net change in reserved fund balances is not presented because the combined statements of revenues, expenditures, and changes in fund balances reflects the changes in total fund balances rather than just the unreserved fund balances.

5. Prepaid items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items.

6. Restricted assets

The Water and Light Fund and the Economic Development Housing Authority Fund maintain customer deposit accounts that are restricted assets. These deposits are applied against the customer's account when services to them are discontinued. The Water and Light Fund and Economic Development Housing Authority Fund, based on certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and cash equivalents) that can be used only to service outstanding debt.

7. Capital assets (property, plant and equipment)

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

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

Major outlays for capital assets and improvements are as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets:

Buildings	10-50
Distribution Systems	20-50
Infrastructure	20-50
Machinery and Equipment	5-15
Other Improvements	5-99

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include road, bridges, underground pipes (other than

related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

8. Customer Acquisition Costs

The Water and Light Department purchases electric and water service territories. Accordingly, under GAAP, as codified by FASB, Goodwill and Other Intangible Assets, the Department will periodically reassess the useful life of these costs (and all other capital asset costs) to determine if any impairment losses should be recognized.

9. Compensated absences

The City compensates all employees upon termination for unused vacation pay and for unused sick pay, up to a limit of 1,280 hours. Vacation is accrued as an expenditure or expense as earned in all funds. Accumulated sick leave in the Water Fund and the Electric Fund are recorded as expenses and liabilities in those funds as the benefits accrue to their employees. The Water Fund has accrued a liability of \$71,013 for 2,177 accumulated sick leave hours; the Electric Fund has accrued a liability of \$339,131 for 9,542 accumulated sick leave hours. Additionally, the EDHA has accrued a liability of \$90,908 for 2,956 accumulated sick leave hours. All other accrued sick leave expenses are charged to specific funds and departments, with the liability maintained in a Benefit Accrual Fund.

The Benefit Accrual Fund, an internal service fund, was added to pay for those benefits actually used by governmental fund employees or employees which split their time between proprietary and governmental funds. A liability for unpaid accumulated sick leave of \$1,033,453 is recorded in this fund, reflecting 42,149 accumulated sick leave hours. Sick leave hours exceeding the eligible reimbursement limit of 1,280 hours totaled 127.

10. 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 statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the 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 actual debt proceeds received, are reported as debt service expenditures.

11. Fund Balance

For the year ended December 31, 2011, the City implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purposes for which resources can be used:

Nonspendable – consists of amounts that are not in spendable form, such as inventory and prepaid items.

Restricted – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by law through constitutional provisions or enabling legislation.

Committed – consists of internally imposed constraints. These constraints are established by formal action of the City Council.

Assigned – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council. Pursuant to Council resolution, the City's Clerk-Treasurer is authorized to establish assignments of fund balance.

Unassigned – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the District's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

Net Position

For the year ended December 31, 2011, the City implemented GASB Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in accordance with Concepts Statement No. 4, *Elements of Financial Statements*.

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted component of net position.

12. Comparative data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

13. Property taxes

Property tax levies are set by the City Council in October each year and are certified to the county for collection the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads the levies over all taxable property in the city. Such taxes become receivables of the city as of January 1.

Property taxes are payable in equal installments by property owners to the county as follows: Personal Property - February 28 and June 30; and Real Property - May 15 and October 15.

The county remits the collections to the City and other taxing districts three times a year, in January, July and December.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. The receivable is fully offset by deferred revenue as it is not available to finance current expenditures.

Taxes payable on homestead property (as defined by Minnesota Statutes) are partially reduced by a homestead credit. This credit is paid to the City by the state in lieu of taxes levied against homestead property. The state remits this credit in two equal installments in July and December each year.

14. Special assessments receivables

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with Minnesota Statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue.

Collection of annual installments (including interest) is handled by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeited sale and the first proceeds of that sale (after costs, penalties, and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to state statutes, a property shall be subject to tax forfeit sale after three years of delinquency except for homesteaded, agricultural or seasonal recreational property, which is subject to sale after five years.

Special assessments receivable includes the following components:

Delinquent - amounts billed to property owners but not paid.

Deferred - assessment installments which will be billed to property owners in future years.

Unremitted special assessment amounts collected by Polk County are recorded in due from other government units.

15. Power cost

The wholesale power suppliers bill monthly on meter readings taken at the end of each month. The expense related to power delivered is the accrued amount billed by the supplier.

16. Use of estimates

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

E. Federal Audit Requirements

The U.S. Office of Management and Budget (OMB) issued Circular A-133, which establishes uniform audit requirements for non-Federal entities that administer Federal awards and implements the Single Audit Act Amendments of 1996, which were signed into law July 5, 1996 (Public Law 104-156)

The purposes of the Single Audit Act Amendments of 1996 are as follows:

1. promote sound financial management, including effective internal controls, with respect to Federal awards;
2. promote the efficient and effective use of audit resources;
3. reduce burdens on state and local governments, Indian tribes and nonprofit organizations;
4. ensure that Federal departments and agencies, to the maximum extent practicable, rely upon and use audit work done pursuant to Chapter 75 of Title 31, United States Code (the "Single Audit Act").

For 2011, the City of East Grand Forks' audit was performed in accordance with Circular A-133. The auditor's report on consideration of the City's internal control over financial reporting and tests of other matters are issued with this report.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General and Special Revenue Funds with the exception Economic and Community Develop Fund, which adopts project length budgets.

Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternately achieved through general obligation bond indenture provisions. Budgetary control for Capital Project Funds is based on a project completion time cycle rather than an annual basis, therefore, budgetary comparisons on an annual basis would not present meaningful information.

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

1. The city administrator submits a proposed operating budget to the City Council prior to the end of the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 28, the budget is legally enacted through the passage of a budget resolution.
4. Management may not legally exceed budgeted expenditures at the department level. Monitoring of budgets is maintained at the sub-department level (i.e., police administration, police investigations, police patrols, etc.) and the category level (i.e., personal services; supplies; other services and charges; capital outlay) within each department. Management can alter the budget at the category or activity level within their department but cannot exceed the total budgeted expenditures for the department that was approved

by the City Council. Management cannot amend the budget at the department level. During the year, no formal supplementary appropriations were made. However, the City Council approves all payments of vouchers and payroll at its regular meetings held twice a month, even though budgets may have been exceeded.

5. All budgeted appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the department level.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2011, expenditures and other uses were over appropriations in the General, Transit Fund, Cemetery Fund, and 125th Anniversary Fund by \$7,733, \$39,294, \$ 7,534 and \$27,205, respectively.

C. Deficit Fund Equity

At December 31, 2011, there are six governmental funds with a deficit fund balance. The \$4,864 deficit fund balance in the 2005 City Projects Fund, \$65,311 deficit in the SCDP Industrial Park Road Project Fund, \$37,256 deficit in the 08 PFA Street Construction Fund, \$118,687 deficit in the Current Assessment Projects, \$415,931 deficit in the Current City Projects, \$53,273 in the 12-1-01 Special Assessment Bonds. These will be eliminated with future PFA loan draws, revenues, and transfers from governmental and enterprise funds.

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments at December 31, 2011 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 10,652,965
Investments	13,963,132
Restricted cash and cash equivalents	79,850
Statement of fiduciary assets and liabilities:	
Cash and cash equivalents	15,128
Total cash and investments	<u>\$ 24,711,075</u>

Cash and investments at December 31, 2011 consist of the following:

Cash:	
Cash on hand	\$ 615
Deposit with financial institutions	2,674,979
Cash equivalents:	
4M - Local Government Investment Pool	3,445,373
Money Market Funds	436,180
Investments:	
Various	18,153,928
Total cash, cash equivalents, and investments	<u>\$ 24,711,075</u>

Investments Authorized by Minnesota Statutes and the City's investment policy

The table below identifies the investment types that are authorized for the City by Minnesota state statute. The City's investment policy does not restrict investment types beyond the limits set forth by state statute. The table also identifies any provisions in state statutes that address interest rate risk, credit risk, and concentration risk. This table also applies to investments of debt proceeds held by bond trustee that are governed by provisions of debt agreements and similarly restricted by state statute.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. treasury obligations	None	None	None
U.S. agency securities	None	None	None
Banker's acceptances	None	None	None
Commercial paper	270 days	None	None
Negotiable certificates of deposit	None	None	\$250,000
Non-negotiable certificates of deposit	None	None	None
MN state or municipal obligations	None	None	None
Repurchase agreements	None	None	None

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2011, the City's investments in U.S. Agencies are rated AAA by Standard & Poor's and AAA by Moody's Investors Service. The City's investments in negotiable certificates of deposit are below the F.D.I.C. \$250,000 insurance limit per institution. Non-negotiable certificates of deposits exceeding \$250,000 per institution must be collateralized by the limits defined in the custodial credit risk section of this footnote. The City's investment in the 4M – Local Government Investment Pool is a common law trust organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. This requires it meets all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of municipality monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective. Subject to the power of the participants to amend the Declaration of Trust, the Board of Directors of the League of Minnesota Cities serves as the Board of Trustees of the Trust. The City has recently adopted an investment policy.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One way the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments. The City also manages this risk by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide cash flow and liquidity for operations. Further, the City purchases some securities that have interest rates that step-up over time. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Federal Agencies:		
Federal Home Loan Bank	\$ 800,091	10.03
Federal Home Loan Mortgage	2,331,177	7.90
Federal National Mortgage Assn.	1,101,725	7.12
Fannie Mae	4,228,324	10.03
Freddie Mac	502,185	9.96
Negotiable certificates of deposit	7,590,426	2.09
Non-negotiable certificates of deposit	1,600,000	0.33
Money Market Funds	436,180	0.12
Local Government Investment Pool	3,445,373	0.12
	<u>\$ 22,035,481</u>	
Portfolio weighted average maturity		5.30

Concentration of Credit Risk

State statutes contain no limitations on the amount that can be invested in any one issuer. Investments in any one issuer representing 5% or more of the City's total investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Investment Portfolio</u>
Federal Agencies:		
Federal Home Loan Bank	\$ 800,091	3.63%
Federal Home Loan Mortgage	2,331,177	10.58%
Federal National Mortgage Assn.	1,101,725	5.00%
Fannie Mae	4,228,324	19.19%
Freddie Mac	502,185	2.28%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the

possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to cover the value of its investment or collateral securities that are in possession of another party. Minnesota statutes do not contain legal requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of the collateral must be a minimum of 110% of deposits not covered by insurance or bonds (140% in the case of mortgage backed collateral). Authorized collateral includes the legal investment described earlier, as well as certain first mortgage notes, and certain other state or local obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the clerk-treasurer or in a financial institution. The City has no formal policy relating to custodial credit risk.

Cash, cash equivalents, and investments are presented in the government-wide financial statements as follows:

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Governmental				
Activities:				
General Fund	\$ 725,515	\$ 962,468		\$ 1,687,983
Residential Infrastructure	624,967	511,336		1,136,303
08 PFA Loan Street Project	126,660	-		126,660
12-1-07 Assessment Bonds	349,539	285,986		635,525
12-1-04 Assessment Bonds	145,748			145,748
3-1-06 Assessment Bonds	563,019	460,652		1,023,671
Nonmajor governmental	2,771,148	864,306		3,635,454
Internal service funds	843,879	690,445		1,534,324
Total	<u>6,150,475</u>	<u>3,775,193</u>		<u>9,925,668</u>
Business-type				
Activities:				
Electric	2,744,730	9,009,459	\$ 79,850	11,834,039
Water	-			0
Sewage	1,440,365	1,178,480		2,618,845
Storm Water	-			0
City Mall	127,646			127,646
Nonmajor (Refuse)	189,749	-		189,749
Total	<u>4,502,490</u>	<u>10,187,939</u>	<u>79,850</u>	<u>14,770,279</u>
Government-wide total	<u>10,652,965</u>	<u>13,963,132</u>	<u>79,850</u>	<u>24,695,947</u>
Fiduciary fund	15,128			15,128
Total cash and investments	<u>\$ 10,668,093</u>	<u>\$ 13,963,132</u>	<u>\$ 79,850</u>	<u>\$ 24,711,075</u>

NOTE 4. RECEIVABLES AND DEFERRED REVENUES

Interfund Receivables, Payables, and Transfers. At December 31, 2011, there are interfund balances that are generally short-term loans used to cover temporary cash deficits in various funds. The interfund transfers generally are made for the purposes of debt service payments made from a debt service fund but funded from an operating fund or subsidy transfers. There were no significant transfers during the fiscal year that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

Deferred Revenues. Government funds report deferred revenue in connection with receivables of revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unremitted special assessments are recorded in due from other government units. At the end of the current fiscal year, the various components of deferred revenue reported in governmental funds were as follows:

	Property Taxes	Special Assessments	Notes Receivable	Total
Governmental				
Activities:				
General Fund	\$ 70,619	\$ 14,123	\$ 59,119	\$ 143,861
Residential Infrastructure		2,591,028		2,591,028
12-1-04 Assessment Bonds		1,753,232		1,753,232
3-1-06 Assessment Bonds		1,328,332		1,328,332
12-1-07 Assessment Bonds		2,126,518		2,126,518
Nonmajor governmental		1,201,910		1,201,910
Total	<u>\$ 70,619</u>	<u>\$ 9,015,143</u>	<u>\$ 59,119</u>	<u>9,144,881</u>
Less:				
Property taxes				\$ (70,619)
Special assessments				(9,015,143)
Notes receivable				(59,119)
Total Government-wide deferred revenue				<u>\$ -</u>

Notes to the Financial Statements
December 31, 2011

CITY OF EAST GRAND FORKS

Interfund Receivables. The following is the interfund receivables/payables at December 31, 2011:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Electric Fund	2005 City Projects Fund	\$ 35,000
Electric Fund	Residential Infrastructure	1,147,341
Residential Infrastructure	SCDP Industrial Park Road	10,000
General Fund	Cemetery	5,142
General Fund	12-1-01 Assessment Bonds	59,445
General Fund	Current Assessment Projects	118,687
General Fund	08 PFA Loan Sewer Project	37,256
General Fund	Current City Projects	381,578
General Fund	SCDP Industrial Park Road	54,286
General Fund	Water Fund	207,873
General Fund	Stormwater Fund	242,962

The purpose of the interfund receivables is to maintain positive fund balances at year end and to recode negative cash.

Transfers. The following interfund transfers are reflected in the fund financial statements at December 31, 2011:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund	\$ 427,560	\$ 741,196
12-1-07 Assessment Bonds	13,392	
3-1-06 Assessment Bonds	15,244	
Nonmajor governmental	741,816	
Total governmental funds	<u>1,198,012</u>	<u>741,196</u>
Enterprise funds:		
Electric		456,816
Total enterprise funds	<u>-</u>	<u>456,816</u>
Total	<u>\$ 1,198,012</u>	<u>\$ 1,198,012</u>

The purpose of the transfers is to maintain positive fund balances in the receiving funds.

Accounts Receivables. The following accounts receivables are reflected in the fund financial statements at December 31, 2011:

	Current	Days delinquent		Total	Allowance for doubtful Accounts	Net Accounts Receivable
		31-120	Over 120			
Governmental funds:						
General	\$ 40,608			\$ 40,608		\$ 40,608
Nonmajor funds	24,910			24,910		24,910
Total Governmental	<u>65,518</u>			<u>65,518</u>		<u>65,518</u>
Enterprise funds:						
Electric	1,807,888	\$ 51,928	\$ 44,645	1,904,461	\$ (48,000)	1,856,461
City Mall	60,830			60,830		60,830
Nonmajor (Refuse)	2,005			2,005		2,005
Total enterprise	<u>1,870,723</u>	<u>51,928</u>	<u>44,645</u>	<u>1,967,296</u>	<u>(48,000)</u>	<u>1,919,296</u>
Total	<u>\$ 1,936,241</u>	<u>\$ 51,928</u>	<u>\$ 44,645</u>	<u>\$ 2,032,814</u>	<u>\$ (48,000)</u>	<u>\$ 1,984,814</u>

On April 30, 2011 the City sold the Demers Professional Building under a contract for deed arrangement. The contract bears interest of 4 percent and expires May 1, 2021.

Required minimum payments are as follows:

<u>Year Ending</u>	
<u>December 31</u>	
2012	\$ 3,526
2013	5,056
2014	6,199
2015	6,452
2016	6,715
2017-21	32,882
Total	<u>\$ 60,830</u>

NOTE 5. CAPITAL ASSETS

Capital asset activities for the year ended December 31, 2011, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Internal Service Fund Assets	Governmental Funds Total	Internal Service Fund Additions	Governmental Fund Additions
Governmental activities:								
Nondepreciable capital assets								
Land	\$ 31,007,286			\$ 31,007,286		\$ 31,007,286		
Construction in progress	49,132	\$ 332,798	\$ (49,132)	332,798		332,798		\$ 332,798
Total	31,056,418	332,798	(49,132)	31,340,084	-	31,340,084	-	332,798
Depreciable capital assets:								
Buildings, structures, and improvements	77,899,983			77,899,983		77,899,983	\$ 49,132	(49,132)
Machinery and equipment	6,528,520	493,286		7,021,806	\$ 1,918,232	5,103,574	198,060	295,226
Infrastructure	42,648,917	854,940		43,503,857		43,503,857		854,940
Total	127,077,420	1,348,226	-	128,425,646	1,918,232	126,507,414	247,192	1,101,034
Total capital assets	158,133,838	1,681,024	(49,132)	159,765,730	1,918,232	157,847,498	247,192	1,433,832
Less accumulated depreciation for:								
Buildings, structures and improvements	(12,280,810)	(1,543,853)		(13,824,663)		(13,824,663)		(1,543,853)
Machinery and equipment	(3,785,832)	(204,172)		(3,990,004)	(1,145,578)	(2,844,426)	(154,206)	(49,966)
Infrastructure	(11,332,818)	(1,125,373)		(12,458,191)		(12,458,191)		(1,125,373)
Total accumulated depreciation	(27,399,460)	(2,873,398)	-	(30,272,858)	(1,145,578)	(29,127,280)	(154,206)	(2,719,192)
Total governmental activities capital assets, net	\$ 130,734,378	\$ (1,192,374)	\$ (49,132)	\$ 129,492,872	\$ 772,654	\$ 128,720,218	\$ 92,986	\$ (1,285,360)
Business-type activities:								
Nondepreciable capital assets								
Land	\$ 715,378		\$ (8,200)	\$ 707,178				
Construction in progress	1,191,106		(340,933)	850,173				
Total	1,906,484	-	(349,133)	1,557,351				
Depreciable capital assets:								
Buildings, structures, and improvements	77,189,152	\$ 1,872,702	(447,600)	78,614,254				
Machinery and equipment	6,724,421	34,053		6,758,474				
Total	83,913,573	1,906,755	(447,600.00)	85,372,728				
Total capital assets	85,820,057	1,906,755	(796,733)	86,930,079				
Less accumulated depreciation for:								
Buildings, structures, and improvements	(29,273,100)	(1,920,736)	100,091	(31,093,745)				
Machinery and equipment	(4,288,924)	(477,766)		(4,766,690)				
Total accumulated depreciation	(33,562,024)	(2,398,502)	100,091.00	(35,860,435)				
Total business-type activities capital assets, net	\$ 52,258,033	\$ (491,747)	\$ (896,824)	\$ 51,069,644				

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

Governmental activities:	
General government	\$ 192,749
Public safety	144,197
Public Works	2,000,475
Culture and Recreation	513,650
Transit	19,821
Cemetery	2,507
Total depreciation expenses - governmental activities	2,873,399
Internal service fund depreciation on capital assets charged to the various functions based on usage.	(154,206)
Depreciation expense excluding internal service fund.	<u>\$ 2,719,193</u>
Business-type activities:	
Electric Fund	\$ 924,997
Water Fund	534,122
Sewer Fund	364,926
Storm Water Fund	334,719
City Mall Fund	176,158
Refuse Fund	63,579
Total depreciation expenses - business-type activities	<u>\$ 2,398,501</u>

Discretely presented component units

Economic Development & Housing Authority (EDHA)	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 50,300			\$ 50,300
Total	50,300	-	-	50,300
Depreciable capital assets:				
Buildings, structures and improvements	5,503,577			5,503,577
Machinery and equipment	174,132	\$ 10,325	\$ (1,130)	183,327
Total	5,677,709	10,325.00	(1,130)	5,686,904
Total capital assets	5,728,009	10,325.00	(1,130)	5,737,204
Less accumulated depreciation for:				
Buildings, structures and improvements	(1,205,433)	(140,477)		(1,345,910)
Machinery and equipment	(169,624)	(2,611)	1,130	(171,105)
Total accumulated depreciation	(1,375,057)	(143,088)	1,130	(1,517,015)
Total governmental activities capital assets, net	<u>\$ 4,352,952</u>	<u>\$ (132,763)</u>	<u>\$ -</u>	<u>\$ 4,220,189</u>

NOTE 6. LONG-TERM LIABILITIES.

GENERAL OBLIGATION BONDS. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. In addition, general obligation bonds have been issued to refund general obligation bonds.

**Notes to the Financial Statements
December 31, 2011**

CITY OF EAST GRAND FORKS

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds, except for refunding issues. General obligation bonds currently outstanding are as follows:

Governmental activities

General obligation Improvement bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/11
12/01/01	02/01/14	4.0%-5.0%	\$ 700,000	\$ -
12/01/01 Refunding	12/01/22	4.0%-5.0%	345,000	-
12/01/03	12/01/24	3.1%-4.8%	1,000,000	730,000
04/01/04 Refunding	02/01/16	2.8%-4.3%	260,000	55,000
12/01/04	02/01/25	3.0%-4.4%	4,655,000	3,410,000
03/01/06	02/01/27	3.3%-4.3%	4,075,000	2,500,000
12/01/07	02/01/28	3.4%-4.25%	3,560,000	3,005,000
				<u>9,700,000</u>

Mn PFA-Transportation

Loan Total \$ 3,466,567				
advanced 3,446,5767	08/20/38	3.645%	3,466,567	3,393,577

Business-type activities

Revenue bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/11
Mn PFA-Clean Water				
Loan Total \$ 4,012,598				
advanced 4,012,598	08/20/28	2.687%	\$ 4,012,598	\$ 3,623,000

The \$4,012,598 was originally received and expended in the 2008 PFA Loan Sewer Project Fund. Subsequently, the capital assets and related debt were transferred to the Sewage Enterprise Fund.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 1,010,577	\$ 495,427	\$ 171,000	\$ 97,350
2013	1,044,000	457,824	176,000	92,755
2014	1,076,000	418,569	180,000	88,026
2015	674,000	385,425	185,000	83,190
2016	693,000	358,583	190,000	78,219
2017-21	3,658,000	1,355,054	1,029,000	311,746
2022-26	2,735,000	677,812	1,176,000	165,788
2027-31	989,000	308,648	516,000	20,878
2032-36	835,000	162,567		
2037-38	379,000	20,849		
Total	<u>\$ 13,093,577</u>	<u>\$ 4,640,759</u>	<u>\$ 3,623,000</u>	<u>\$ 937,951</u>

Special assessment bonds are backed by the full faith and credit of the City. Currently all governmental activities general obligation bonds are supported by special assessments.

G.O. CERTIFICATES OF INDEBTEDNESS. In 2007, the City issued general obligation certificates of indebtedness to finance the acquisition of garbage trucks, fire equipment, and a snowblower unit. Annual debt service requirements for this debt are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2012	\$ 72,241	\$ 3,533	\$ 80,111	\$ 3,533

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2011:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation	\$ 11,220,000		\$ (1,520,000)	\$ 9,700,000	\$ 935,000
Unamortized Premium	32,938		(2,042)	30,896	
Unamortized Discount	(76,033)		6,500	(69,533)	
Total	11,176,905	-	(1,515,542)	9,661,363	935,000
PFA Bonds Payable:					
MN PFA Transportation Bond	3,115,252	\$ 351,325	(73,000)	3,393,577	75,577
G. O. certificates of indebtedness	141,114	0	(68,873)	72,241	72,241
Compensated absences	1,098,176	45,785	(110,509)	1,033,452	41,338
Governmental activities total:	15,531,447	397,110	(1,767,924)	14,160,633	1,124,156
Business-type activities:					
Bonds payable:					
MN PFA Clean Water Bond	3,790,000		(167,000)	3,623,000	171,000
Cert of Indbtness-Refuse	156,841		(76,729)	80,112	80,112
Compensated absences	371,393	149,746	(89,311)	431,828	66,689
Business-type activities total	4,318,234	149,746	(333,040)	4,134,940	317,801
Government-wide total	\$ 19,849,681	\$ 546,856	\$ (2,100,964)	\$ 18,295,573	\$ 1,441,957

Discretely presented component unit – Economic Development and Housing Authority (EDHA)

INTERMEDIARY RELENDING NOTES. These notes are a liability of the U.S. government as of the EDHA's Intermediary Relending Program. The notes are payable with loan repayments from businesses. Further, loan repayments are restricted to either building a revolving loan fund or making payments to the U.S. government for borrowed funds. The EDHA is charged a one percent interest rate on the notes.

CHANGES IN LONG-TERM LIABILITIES. Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Component Unit activities:					
Intermediary relending notes	\$ 424,169		\$ (26,823)	\$ 397,346	\$ 26,870
Compensated absences	84,955	\$ 5,953	(6,135)	84,773	45,000
Special assessments	44,495		(10,977)	33,518	9,112
Component Unit activities total	\$ 553,619	\$ 5,953	\$ (43,935)	\$ 515,637	\$ 80,982

Presented below is a summary of debt service requirements to maturity by years:

Year Ending December 31	Intermediary Relending	
	Principal	Interest
2012	\$ 26,870	\$ 3,973
2013	27,138	3,705
2014	27,410	3,433
2015	27,684	3,159
2016	27,961	2,882
2017-21	144,053	10,162
2022-25	116,231	2,857
	<u>\$ 397,346</u>	<u>\$ 30,172</u>

NOTE 7. RISK MANAGEMENT AND LITIGATION

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years, the City obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs.

Additionally, the City self-insures the electric distribution assets in the Electric Fund because the deductible for such coverage is \$50,000 per loss for maximum coverage of \$500,000 per loss.

All risk management activities are accounted for in the appropriate fund. Expenditures and claims are recognized when it is probable that a loss has occurred, the amount of the loss can be reasonably estimated, and the loss amount exceeds insurance coverage. In determining claims, events that might create claims, but for which none have been reported, are considered.

The city attorney estimates that the amount of actual or potential claims against the City as of December 31, 2011 will not materially affect the financial condition of the City.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. If deemed necessary, LMCIT may require the City to pay supplemental assessments. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required

by law. The City's coverage is retrospectively rated, where final premiums are determined after loss experience is known. Property, casualty, and liability insurances are provided by LMCIT through a pooled self-insurance program.

An analysis of claims activities for the last three fiscal periods ending on December 31 is presented below:

	2009	2010	2011
Paid Losses	\$ 17,514	\$ 116,261	\$ 302,676
Paid Expenses		64	
Reserve Losses		51,582	82,254
Reserve Expenses		180	50
Total Incurred	17,514	168,087	384,980
Salvage/Subrogate		(201)	
Deductible Recovery	(5,732)	(6,829)	(2,000)

The City's commercial insurance carrier has no set reserve losses or reserve expenses for claims filed after December 31, 2011, for incidents occurring prior to that date.

There were no significant reductions in insurance from the previous year and there were no settlements in excess of insurance coverage in each of the past three years.

NOTE 8. CLAIMS AND JUDGEMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government.

As of December 31, 2011, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City. Additionally, deferred revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan Description

All full-time and certain part-time employees of the City of East Grand Forks 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, firefighters and peace officers who qualify for membership by statute are covered by the PEPFF.

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

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for Basic Plan members is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF the annuity accrual rate is 3.0 percent for each year of service. For all PERF and PEPFF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for coordinated 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 reduce the monthly normal annuity amount, because the annuity is payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.00%, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.4% of their annual covered salary in 2011.

The City of East Grand Forks is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 7.0% for Coordinated Plan members, and 14.1% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2011, 2010, and 2009, were \$255,634, \$240,300, and \$238,252, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2011, 2010, and 2009 were \$272,327, \$275,712, and \$281,550, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 10. DEFINED CONTRIBUTION PLAN - STATEWIDE

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

Plan benefits depend solely on amount contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and one-fourth of one percent of the assets in each member's account annually.

Total contributions made by the City during the fiscal year 2011 were:

Amount		Percentage of Covered Payroll		Required Rates
Employees	Employer	Employees	Employer	
\$ 2,573	\$ 2,573	5.00%	5.00%	5.00%

NOTE 11. CONCENTRATION OF SALES AND REVENUES

American Crystal Sugar Company is the largest customer of the Water and Electric Fund. The company's power purchases account for approximately 40%, of the Electric Fund's operating revenue; the company's water purchases account for approximately 25%, of the Water Fund's operating revenue. The City collected \$530,879 in franchise fees from the Electric Fund for sales to American Crystal. The fee, calculated at \$.0075 per KWH sold, is classified as general tax revenue in the General Fund and is classified as tax and tax equivalent expense in the Electric Fund.

NOTE 12. LEASE COMMITMENTS

The City has entered into lease agreements with various tenants in the City-owned River Walk Center mall, the Infill Building and the Demers Professional Building. Tenant payments are based on square, ranging from \$2.00 to \$12.50 per square foot annually. Lease terms are from one to ten years. The remaining annual lease payments are as follows:

Year Ending December 31,		
2012	\$	56,400
2013		33,600
2014		33,600
2015		33,600
2016		33,600
Thereafter		156,956
Total	\$	347,756

Details for properties under lease agreements are as follows:

City Mall Fund properties	Historical Carrying Cost	Accumulated Depreciation	Annual Depreciation
Riverwalk Center	\$ 4,487,773	\$ 1,671,029	\$ 133,551
Infill Building	1,466,300	379,177	39,000
DeMers Professional	455,800	107,551	11,190
	<u>\$ 6,409,873</u>	<u>\$ 2,157,757</u>	<u>\$ 183,741</u>

NOTE 13. RESTRICTED FUNDS

Bond covenants and resolutions in both the Electric Fund and Water Fund require the City to deposit specific amounts into designated accounts for specified purposes. At December 31, all funds were in compliance with the requirements of the respective bond resolutions. The funds are invested in cash and cash equivalents and restricted for the following purpose:

Debt service funds - These funds include (1) debt service accounts, which are restricted for payment of the current portion of bond principal and interest and (2) debt service reserve accounts, which are to include sufficient funds to cover the maximum annual principal and interest requirements of the respective related issues.

NOTE 14. FUND BALANCE

	General Fund	Residential Infrastructure	08 PFA Loan 23rd Street Project	12/1/2007 Assessment Bond	12/1/2004 Assessment Bond	3/1/2006 Assessment Bond	Other Governmental Funds
Fund Balances:							
Nonspendable:	\$ 35,397						
New Home Incentive Campbell Library							\$ 168,951 76,000
Restricted:				669,697	148,407	1,031,508	
Community Growth							216,870
State Aid Street							219,382
New Home Incentive							1,001,247
Cemetery							13,207
Insect Control							196,061
Perpetual Care							155,623
Greenway Maint.							92,599
125th Birthday Celeb.							16,766
12-1-01 Assessment Bonds							(53,273)
12-1-03 Assessment Bonds							280,595
4-1-04 Assessment Bonds							125,379
Levee Projects							699,768
1997 Community Development							389,694
1997 Downtown Development							257,647
Current Assessment Projects							(118,687)
08 PFA Loan Sewer Project							(37,256)
Current City Projects							(415,931)
Unassigned:	2,724,606	19,813	126,660				
Transit							1,624
2005 City Projects							(4,864)
Building Improvements							259,683
Campbell Library							2,237
SCDP Industrial Park Road							(65,311)
TOTAL FUND BALANCE	<u>\$ 2,760,003</u>	<u>\$ 19,813</u>	<u>\$ 126,660</u>	<u>\$ 669,697</u>	<u>\$ 148,407</u>	<u>\$ 1,031,508</u>	<u>\$ 3,478,011</u>

NOTE 15. COMMITTED CONTRACTS

At December 31, 2011, the City had the following remaining commitments for uncompleted construction contracts:

Fund/Project	2011
Water Fund	
2011 Mains Improvement	\$ 1,878,442

The City entered into a joint membership agreement, through the Minnesota Municipal Utility Association (MMUA), with the Midcontinent Area Power Pool (MAAP). The agreement will provide the Department with useful information regarding transmission assets and schedules. The Department would be liable for four annual installments of \$8,000 if it decides to discontinue participation in the joint membership.

The City entered into an agreement in 2004 with PKM to acquire electric service territory. The Department will pay PKM ½ cent per kilowatt hour sold on every meter in the newly acquired area for 10 years. The Department paid to PKM \$2,880 for electricity sold to the customers in the annexed service territory during 2008.

The City entered into a joint membership agreement with the Minnesota Municipal Power Agency (MMPA) in 2004. The agreement is in effect until December 31, 2040 and requires the Department to purchase all required power above the Western Area Power Association (WAPA) allocation from the MMPA.

The City has entered into an agreement to acquire electric service territory from Red River Valley Power Coop (RRVPC). The agreement, entered into January 2003, will be in effect for 5 years. The City paid to RRVPC the following amounts for electricity sold to the customers in the annexed service territory:

2011	\$13,203
2010	14,146
2009	38,788
2008	24,803
2007	25,768
2006	22,999
2005	20,478
2004	19,591
2003	20,492

NOTE 16. CONDUIT DEBT OBLIGATION

The City has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial and industrial facilities which are deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issue. The City is not obligated in any manner for the payment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2011, two series of Industrial Revenue Bonds were outstanding with remaining principal balances of \$1,960,000,000, and \$34,350,000.

NOTE 17. ARBITRAGE REBATE

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. As of December 31, 2010, there are no amounts for arbitrage rebates.

NOTE 18. NEW PRONOUNCEMENTS

GASB Statement No. 57, OPEB measurements by Agent Employers and Agent Multiple-Employer Plans - the provisions related to the use and reporting of alternative measurement method was effective on issuance, December 2009. The provisions related to the frequency and timing of measurements for actuarial valuations first used to report funded status information in financial statements of other postemployment benefit plans is effective for periods beginning after June 15, 2011. This statement addresses issues related to the use of alternative measurement method and the frequency and timing of measurements by employer that participate in agent multiple-employer other postemployment benefit plans (agent employers). This Statement amends Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, and Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements will be effective for financial statement periods beginning after December 15, 2011 and generally would be required to be applied retroactively for all periods presented. This statement aims to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. A SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which a) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration, and b) the operator collects and is compensated by fees from third parties.

GASB Statement No. 61, The Financial Reporting Entity: Omnibus will be effective for financial statement periods beginning after June 15, 2012 with

earlier application encouraged. The statement will improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the requirements of Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance *Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* will be effective for financial statement periods beginning after December 15, 2011 with early application encouraged. The Statement brings the authoritative accounting and financial reporting literature together in one place, with the guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial users. It will eliminate the need to financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, resulting in a more consistent application of applicable guidance in financial statements of state and local governments.

GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions-an amendment of GASB Statement No. 53 is effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.

Management has not yet determined the effect these statements will have on its financial statements.

NOTE 19. OTHER POSTEMPLOYMENT BENEFITS

Plan Description:

Other postemployment benefits provided by the City include allowing retirees to continue their health insurance coverage through the City group plan at their own cost. This plan was established under the authority of the City Council and is of the single-employer defined benefit variety. Any amendments to the plan must be approved by the City Council. There is not a separate audited plan financial report.

Summary of Significant Accounting Policies:

Postemployment healthcare expenditures are paid as they come due.

Funding Policy:

The City Council establishes employer contribution rates for plan participants and determines how the plan will be funded as part of the budgetary process each year. Retirees pay the full budgeted rates for coverage under the medical plan. The City Council has chosen to fund the healthcare benefits on a pay as you go basis.

Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$30,381 for fiscal year 2011. The annual employer contributions for fiscal year 2011 were \$0. The annual benefit cost for fiscal year 2011 was \$30,381.

The City Council has elected not to pre-fund OPEB liabilities. The City Council is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 80,940
Interest on net OPEB obligation	4,582
Adjustment to annual required contribution	(6,236)
Annual OPEB cost (expense)	<u>79,286</u>
Estimated Contributions made	(48,905)
Increase (decrease) in net OPEB obligation	<u>30,381</u>
Net OPEB obligation, beginning of year	101,833
Net OPEB obligation, end of year	<u><u>\$ 132,214</u></u>

Trend Information:

The City's annual OPEB cost, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for the years ended December 31, 2011, 2010 and 2009 were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2011	\$ 79,286	61.70%	\$ 132,214
12/31/2010	51,515	57.50%	101,833
12/31/2009	59,078	32.30%	79,952

Funded Status and Funding Progress:

As of January 1, 2011, the most recent actuarial date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$723,000, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$723,000. For the fiscal year ended December 31, 2011, the covered payroll (annual payroll of active employees covered by the plan) was \$4,810,832, and the ratio of the UAAL to the covered payroll was 15%.

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

Actuarial Methods and Assumptions:

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

In the January 1, 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 4.50% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employers' own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare trend rate of 8.00% percent initially, reduced by decrements to an ultimate rate of 5.00% percent after 6 years. Both rates include a 3.0% inflation assumption.

The actuarial value of assets, if any, was determined using techniques that spread the effects of the short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as percentage of projected payroll of 15% based on a zero population growth assumption. The open amortization method and a 30 year amortization period are being used. The remaining amortization period at January 1, 2011 was 30 years.

A schedule of employer contributions for the Retiree Health Insurance Premium Contribution Plan is provided below:

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
12/31/11	\$79,826	61.7%
12/31/10	\$51,515	57.5%
12/31/09	\$59,078	32.3%

NOTE 20. GUARANTEE OF DEBT

In connection with the Riverwalk Center, the City of East Grand Forks Economic Development Housing Authority has guaranteed debt for River Cinema, Inc., a tenant of the Riverwalk Center. There are four separate guarantees totaling approximately \$1,108,481 at December 31, 2011. The guarantees expire upon satisfaction of the mortgages by River Cinema, Inc. or the release of the lien on the property by the Economic Development Administration (EDA). Examples of events that would require the EDHA to provide a cash payment pursuant to the guarantees include a loan default, which would result from River Cinema's failure to service its debt when due or noncompliance with financial covenants, and inadequacy of asset collateral. There is currently no recorded liability for potential losses under these guarantees, nor is there any liability for the EDHA's obligation to "stand ready" to fund such guarantee. Based on information gathered as part of its monitoring of risks, the EDHA believes there is only a remote possibility River Cinema, Inc. will not remain current with its debt payments and the EDHA will be required to perform under the guarantees.

**Required Supplemental Information
Other Postemployment Benefits Plan
Schedule of Funding Progress
Year Ended December 31, 2011**

<u>Actual Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UAAL) (b - a)</u>	<u>Funded Ratio (a / b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll [(b - a) / c]</u>
1/1/2008	-	\$ 562,881	\$ 562,881	-	\$ 4,142,858	13.59%
1/1/2011	-	723,000	723,000	-	4,810,832	15.03%

NONMAJOR GOVERNMENTAL FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

NONMAJOR GOVERNMENTAL
FUNDS

SPECIAL REVENUE FUNDS are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, charter provisions, or local ordinance to finance particular functions or activities of government.

Community and Economic Growth Fund This fund is used to account for various programs that promote community and economic growth. These programs often have external revenue sources with spending restrictions.

State Aid Street This fund is used to account for the receipt and disbursement of Minnesota State Aid for streets.

Transit This fund is used to account for providing contracted transportation services to the community. The services are contracted from the City of Grand Forks, which are funded mostly by state and federal grants.

New Home Incentive This fund is used to account for the disbursement of deferred loans for new home construction to residents that meet certain income limits. The fund is supported with proceeds from the sale of city owned residential lots.

Cemetery Fund This fund is used to account for the activities of the Cemetery Fund, which is funded by revenue from plot sales.

Insect Control This fund is used to account for the activities of the Insect Control Fund, supported by \$1.00 per month from each utility customer.

Perpetual Care Fund This fund is used to accumulate resources to maintain the cemetery operations after all the plots are sold. A portion of the revenue from each plot sold is attributed to this fund.

Greenway Maintenance Fund This fund is used to accumulate fee revenue to pay for improvements to the Cities greenway areas.

125th Anniversary Celebration Fund This fund is used to account for the revenues and costs of the Cities 125th anniversary programs.

DEBT SERVICE FUNDS are used to account for the accumulation of resources for, and payment of, general long term debt principal, interest and related costs. Debt issued for and serviced by an enterprise fund is not included in this category.

General obligation bond debt service funds presently established are as follows: 8-1-98, 12-1-01, 12-1-03, 4-1-04 Special Assessment Bonds.

CAPITAL PROJECTS FUNDS are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Levee City Projects This fund has been used to account for the construction of the flood control infrastructure which is winding down but is still uncompleted.

1997 Community Development Projects This fund is used to account for the activities involved with improving single family, rental, and commercial properties through small cities development program grants.

1997 Downtown Development Projects This fund is used to account for the construction of new and public facilities, which is primarily funded with a United States Housing and Urban Development grant.

2005 City Projects – Cemetery Road, Point Bridge Rehabilitation, Civic Center Renovations This fund is used to account for locally funded projects with multiple year construction periods.

08 PFA Loan Sewer Project This fund is used to account for sewer system improvements financed with a MN PFA loan.

Current Assessment Projects This fund is used to account for the construction of water, sewer, curb, gutter and paving benefiting City properties.

Current City Projects This fund is used to account for locally funded projects with multiple year construction periods.

Building Improvement Projects This fund is used to account for City building improvements.

SCDP Industrial Park Road Project This fund is used to account for an industrial park road financed with Federal and State grants.

PERMANENT FUNDS are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Campbell – Olson Fund This fund is used to account for the principal and interest on endowments for the benefit of the library.



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**Combining Balance Sheet
Nonmajor Governmental Funds by Fund Type
December 31, 2011**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Campbell- Olson Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,261,185	\$ 276,629	\$ 1,155,097	\$ 78,237	\$ 2,771,148
Investments	248,208	125,105	490,993		864,306
Accounts receivable	20,750		4,160		24,910
Due from other government units	10,481	10,412			20,893
Special assessments receivable:					
Delinquent		18,246			18,246
Deferred		1,183,664			1,183,664
Notes Receivable	168,951				168,951
Land held for resale	454,720				454,720
Total Assets	<u>\$ 2,164,295</u>	<u>\$ 1,614,056</u>	<u>\$ 1,650,250</u>	<u>\$ 78,237</u>	<u>\$ 5,506,838</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 76,022		\$ 46,463		\$ 122,485
Accrued wages payable	366				366
Due to other funds	5,142	\$ 59,445	591,807		656,394
Due to other government units	435		2,237		2,672
Interfund payable			45,000		45,000
Deferred revenue		1,201,910			1,201,910
Total Liabilities	<u>81,965</u>	<u>1,261,355</u>	<u>685,507</u>	<u>-</u>	<u>2,028,827</u>
Fund balances:					
Nonspendable	168,951			\$ 76,000	244,951
Restricted	1,911,755	352,701	775,235		3,039,691
Unassigned	1,624		189,508	2,237	193,369
Total Fund Balances	<u>2,082,330</u>	<u>352,701</u>	<u>964,743</u>	<u>78,237</u>	<u>3,478,011</u>
Total Liabilities and Fund Balances	<u>\$ 2,164,295</u>	<u>\$ 1,614,056</u>	<u>\$ 1,650,250</u>	<u>\$ 78,237</u>	<u>\$ 5,506,838</u>

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds by Fund Type
Year Ended December 31, 2011**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Campbell- Olson Fund	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental	\$ 450,920		\$ 277,512		\$ 728,432
Special assessments		\$ 229,025			229,025
Charges for services	181,963				181,963
Interest and other revenues	95,797	5,104	28,638	\$ 996	130,535
Total Revenues	<u>728,680</u>	<u>234,129</u>	<u>306,150</u>	<u>996</u>	<u>1,269,955</u>
Expenditures:					
Current:					
Public works	46,432				46,432
Recreation and culture	27,205				27,205
Transit	344,381				344,381
Community development	130,430				130,430
Cemetery	54,721				54,721
Capital outlay	30,820		1,283,256		1,314,076
Debt service:					
Principal retirement		675,000			675,000
Interest and fiscal agent fees		52,724			52,724
Total expenditures	<u>633,989</u>	<u>727,724</u>	<u>1,283,256</u>	<u>-</u>	<u>2,644,969</u>
Excess (deficiency) of revenues over expenditures	<u>94,691</u>	<u>(493,595)</u>	<u>(977,106)</u>	<u>996</u>	<u>(1,375,014)</u>
Other financing sources (uses)					
Transfers in	65,000		676,816		741,816
Transfers out					
Long-term debt issued					
Total other financing sources (uses)	<u>65,000</u>	<u>-</u>	<u>676,816</u>	<u>-</u>	<u>741,816</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>159,691</u>	<u>(493,595)</u>	<u>(300,290)</u>	<u>996</u>	<u>(633,198)</u>
Fund balance at beginning of year	2,011,515	846,296	1,265,033	77,241	4,200,085
GASB 54 Adjustment	(88,876)				(88,876)
Fund balance at end of year	<u>\$ 2,082,330</u>	<u>\$ 352,701</u>	<u>\$ 964,743</u>	<u>\$ 78,237</u>	<u>\$ 3,478,011</u>

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2011**

	Community Growth	State Aid Street	Transit	New Home Incentive	Library	Senior Center
ASSETS						
Cash and cash equivalents	\$ 216,870	\$ 221,065	\$ 57,097	\$ 303,365		
Investments				248,208		
Accounts receivable			375			
Notes Receivable				168,951		
Due from other government units			10,481			
Land held for resale				454,720		
Total Assets	<u>\$ 216,870</u>	<u>\$ 221,065</u>	<u>\$ 67,953</u>	<u>\$ 1,175,244</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable		\$ 1,683	\$ 65,894	\$ 5,046		
Accrued wages payable						
Due to other funds						
Due to other government units			435			
Deferred Revenue						
Total liabilities	<u>-</u>	<u>1,683</u>	<u>66,329</u>	<u>5,046</u>	<u>-</u>	<u>-</u>
Fund balances:						
Nonspendable				168,951		
Restricted	\$ 216,870	219,382		1,001,247		
Unassigned			1,624			
Total fund balances	<u>216,870</u>	<u>219,382</u>	<u>1,624</u>	<u>1,170,198</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 216,870</u>	<u>\$ 221,065</u>	<u>\$ 67,953</u>	<u>\$ 1,175,244</u>	<u>\$ -</u>	<u>\$ -</u>

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2011 (continued)**

	<u>Cemetery</u>	<u>Insect Control</u>	<u>Perpetual Care</u>	<u>Greenway Mntnce</u>	<u>125th Birthday Celebration</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents		\$ 196,061	\$ 155,623	\$ 92,599	\$ 18,505	\$ 1,261,185
Investments						248,208
Accounts receivable	\$ 20,375					20,750
Notes Receivable						168,951
Due from other government units						10,481
Land held for resale						454,720
Total Assets	<u>\$ 20,375</u>	<u>\$ 196,061</u>	<u>\$ 155,623</u>	<u>\$ 92,599</u>	<u>\$ 18,505</u>	<u>\$ 2,164,295</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 1,660				\$ 1,739	\$ 76,022
Accrued wages payable	366					366
Due to other funds	5,142					5,142
Due to other government units						435
Deferred Revenue						-
Total liabilities	<u>7,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,739</u>	<u>81,965</u>
Fund balances:						
Nonspendable						168,951
Restricted	13,207	\$ 196,061	\$ 155,623	\$ 92,599	16,766	1,911,755
Unassigned						1,624
Total fund balances	<u>13,207</u>	<u>196,061</u>	<u>155,623</u>	<u>92,599</u>	<u>16,766</u>	<u>2,082,330</u>
Total liabilities and fund balances	<u>\$ 20,375</u>	<u>\$ 196,061</u>	<u>\$ 155,623</u>	<u>\$ 92,599</u>	<u>\$ 18,505</u>	<u>\$ 2,164,295</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2011**

	<u>Community Growth</u>	<u>State Aid Street</u>	<u>Transit</u>	<u>New Home Incentive</u>	<u>Library</u>	<u>Senior Center</u>
Revenues:						
Intergovernmental		\$ 118,167	\$ 332,753			
Charges for services				\$ 36,000		
Other revenue:						
Program income						
Interest revenue	\$ 2,767	2,557	291	7,246		
Other			6,375	30,870		
Total revenues	<u>2,767</u>	<u>120,724</u>	<u>339,419</u>	<u>74,116</u>	<u>-</u>	<u>-</u>
Expenditures:						
Current:						
Public works		31,594				
Recreation and culture						
Community development	855			129,575		
Transit			344,381			
Cemetery						
Capital outlay			18,713			
Total expenditures	<u>855</u>	<u>31,594</u>	<u>363,094</u>	<u>129,575</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>1,912</u>	<u>89,130</u>	<u>(23,675)</u>	<u>(55,459)</u>	<u>-</u>	<u>-</u>
Other financing sources (uses):						
Transfers in			60,000			
Transfers out						
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	1,912	89,130	36,325	(55,459)	-	-
Fund balance at beginning of year	214,958	130,252	(34,701)	1,225,657	\$ 38,132	\$ 50,744
GASB 54 Adjustment					(38,132)	(50,744)
Fund balance at end of year	<u>\$ 216,870</u>	<u>\$ 219,382</u>	<u>\$ 1,624</u>	<u>\$ 1,170,198</u>	<u>\$ -</u>	<u>\$ -</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2011** (continued)

	<u>Cemetery</u>	<u>Insect Control</u>	<u>Perpetual Care</u>	<u>Greenway Mntnce</u>	<u>125th Birthday Celebration</u>	<u>Total</u>
Revenues:						
Intergovernmental						\$ 450,920
Charges for services	\$ 45,832	\$ 45,066	\$ 10,000	\$ 45,065		181,963
Other revenue:						
Program income						-
Interest revenue		2,331	1,853	683	\$ 114	17,842
Other				1,800	38,910	77,955
Total revenues	<u>45,832</u>	<u>47,397</u>	<u>11,853</u>	<u>47,548</u>	<u>39,024</u>	<u>728,680</u>
Expenditures:						
Current:						
Public works		14,838				46,432
Recreation and culture					27,205	27,205
Community development						130,430
Transit						344,381
Cemetery	54,721					54,721
Capital outlay		12,107				30,820
Total expenditures	<u>54,721</u>	<u>26,945</u>	<u>-</u>	<u>-</u>	<u>27,205</u>	<u>633,989</u>
Excess (deficiency) of revenues over expenditures	<u>(8,889)</u>	<u>20,452</u>	<u>11,853</u>	<u>47,548</u>	<u>11,819</u>	<u>94,691</u>
Other financing sources (uses):						
Transfers in	5,000					65,000
Transfers out						-
Total other financing sources (uses)	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,000</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(3,889)</u>	<u>20,452</u>	<u>11,853</u>	<u>47,548</u>	<u>11,819</u>	<u>159,691</u>
Fund balance at beginning of year	17,096	175,609	143,770	45,051	4,947	2,011,515
GASB 54 Adjustment						(88,876)
Fund balance at end of year	<u>\$ 13,207</u>	<u>\$ 196,061</u>	<u>\$ 155,623</u>	<u>\$ 92,599</u>	<u>\$ 16,766</u>	<u>\$ 2,082,330</u>

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2011**

	<u>12-1-01 Assessment Bonds</u>	<u>12-1-03 Assessment Bonds</u>	<u>04-1-04 Assessment Bonds</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents		\$ 152,907	\$ 123,722	\$ 276,629
Investments		125,105		125,105
Due from other government units:				
Unremitted special assessments				
Other	\$ 6,172	2,583	1,657	10,412
Special assessments receivable:				
Delinquent	1,541	12,774	3,931	18,246
Deferred	417,003	633,471	133,190	1,183,664
Total assets	<u>\$ 424,716</u>	<u>\$ 926,840</u>	<u>\$ 262,500</u>	<u>\$ 1,614,056</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due to other funds	\$ 59,445			\$ 59,445
Deferred Revenue:				
Special Assessments	418,544	\$ 646,245	\$ 137,121	1,201,910
Total liabilities	<u>477,989</u>	<u>646,245</u>	<u>137,121</u>	<u>1,261,355</u>
Fund balances:				
Restricted	<u>(53,273)</u>	<u>280,595</u>	<u>125,379</u>	<u>352,701</u>
Total fund balances	<u>(53,273)</u>	<u>280,595</u>	<u>125,379</u>	<u>352,701</u>
Total liabilities and fund balances	<u>\$ 424,716</u>	<u>\$ 926,840</u>	<u>\$ 262,500</u>	<u>\$ 1,614,056</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Debt Service Funds
Year Ended December 31, 2011**

	<u>12-1-01 Special Assessment Bonds</u>	<u>12-1-03 Special Assessment Bonds</u>	<u>04-1-04 Special Assessment Bonds</u>	<u>Total</u>
Revenues:				
Special assessments	\$ 91,122	\$ 94,217	\$ 43,686	\$ 229,025
Other revenue:				
Interest on investments	936	2,914	1,254	5,104
Total revenues	<u>92,058</u>	<u>97,131</u>	<u>44,940</u>	<u>234,129</u>
Expenditures:				
Debt service:				
Principal retirement	600,000	40,000	35,000	675,000
Interest and fiscal agent fees	15,763	33,107	3,854	52,724
Other debt expenditures				-
Total expenditures	<u>615,763</u>	<u>73,107</u>	<u>38,854</u>	<u>727,724</u>
Excess (deficiency) of revenues over expenditures	<u>(523,705)</u>	<u>24,024</u>	<u>6,086</u>	<u>(493,595)</u>
Other financing sources (uses):				
Long-term debt issued				-
Transfers out				-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(523,705)</u>	<u>24,024</u>	<u>6,086</u>	<u>(493,595)</u>
Fund balance at beginning of year	470,432	256,571	119,293	846,296
Fund balance at end of year	<u>\$ (53,273)</u>	<u>\$ 280,595</u>	<u>\$ 125,379</u>	<u>\$ 352,701</u>

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2011**

	Levee Projects	1997 Community Development	1997 Downtown Development	2005 City Projects	Current Assessment Projects	08 PFA Loan Sewer Project	Current City Projects	Building Improvements	SCDP Industrial Park Road	Total
ASSETS										
Cash and cash equivalents	\$ 385,771	\$ 214,332	\$ 255,067	\$ 30,136				\$ 269,791		\$ 1,155,097
Investments	315,631	175,362								490,993
Accounts receivable			4,160							4,160
Due from other Governmental Units										-
Total Assets	<u>\$ 701,402</u>	<u>\$ 389,694</u>	<u>\$ 259,227</u>	<u>\$ 30,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,791</u>	<u>\$ -</u>	<u>\$ 1,650,250</u>
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 1,634		\$ 1,580				\$ 32,116	\$ 10,108	\$ 1,025	\$ 46,463
Due to Other Funds					\$ 118,687	\$ 37,256	381,578		54,286	591,807
Due to Other Government Units							2,237			2,237
Interfund Payable				\$ 35,000					10,000	45,000
Total liabilities	<u>1,634</u>	<u>-</u>	<u>1,580</u>	<u>35,000</u>	<u>118,687</u>	<u>37,256</u>	<u>415,931</u>	<u>10,108</u>	<u>65,311</u>	<u>685,507</u>
Fund balances:										
Restricted	699,768	\$ 389,694	257,647		(118,687)	(37,256)	(415,931)			775,235
Unassigned				(4,864)				259,683	(65,311)	189,508
Total fund balances	<u>699,768</u>	<u>389,694</u>	<u>257,647</u>	<u>(4,864)</u>	<u>(118,687)</u>	<u>(37,256)</u>	<u>(415,931)</u>	<u>259,683</u>	<u>(65,311)</u>	<u>964,743</u>
Total liabilities and fund balances	<u>\$ 701,402</u>	<u>\$ 389,694</u>	<u>\$ 259,227</u>	<u>\$ 30,136</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 269,791</u>	<u>\$ -</u>	<u>\$ 1,650,250</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Capital Projects Funds
Year Ended December 31, 2011**

	Levee Projects	1997 Community Development	1997 Downtown Development	2005 City Projects	Current Assessment Projects	08 PFA Loan Sewer Project	Current City Projects	Building Improvements	SCDP Industrial Park Road	Total
Revenues:										
Intergovernmental				\$ 7,082			\$ 270,430			\$ 277,512
Program income	\$ 7,160			8,025						15,185
Interest	5,130	\$ 5,062	\$ 3,261							13,453
Total revenues	<u>12,290</u>	<u>5,062</u>	<u>3,261</u>	<u>15,107</u>	<u>-</u>	<u>-</u>	<u>270,430</u>	<u>-</u>	<u>-</u>	<u>306,150</u>
Expenditures:										
Capital outlay:										
Land and buildings										-
Infrastructure construction	7,009	16,140	4,103		\$ 212,109	\$ 37,256	786,420	\$ 197,133	\$ 23,086	1,283,256
Total expenditures	<u>7,009</u>	<u>16,140</u>	<u>4,103</u>	<u>-</u>	<u>212,109</u>	<u>37,256</u>	<u>786,420</u>	<u>197,133</u>	<u>23,086</u>	<u>1,283,256</u>
Excess (deficiency) of revenues over expenditures	<u>5,281</u>	<u>(11,078)</u>	<u>(842)</u>	<u>15,107</u>	<u>(212,109)</u>	<u>(37,256)</u>	<u>(515,990)</u>	<u>(197,133)</u>	<u>(23,086)</u>	<u>(977,106)</u>
Other financing sources (uses):										
Transfers in				120,000			100,000	456,816		676,816
Transfers out										-
Long-term debt issued										-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>456,816</u>	<u>-</u>	<u>676,816</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>5,281</u>	<u>(11,078)</u>	<u>(842)</u>	<u>135,107</u>	<u>(212,109)</u>	<u>(37,256)</u>	<u>(415,990)</u>	<u>259,683</u>	<u>(23,086)</u>	<u>(300,290)</u>
Fund balance at beginning of year	694,487	400,772	258,489	(139,971)	93,422	-	59	-	(42,225)	1,265,033
Fund balance at end of year	<u>\$ 699,768</u>	<u>\$ 389,694</u>	<u>\$ 257,647</u>	<u>\$ (4,864)</u>	<u>\$ (118,687)</u>	<u>\$ (37,256)</u>	<u>\$ (415,931)</u>	<u>\$ 259,683</u>	<u>\$ (65,311)</u>	<u>\$ 964,743</u>

**Community Growth Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental				
Other revenues:				
Program income	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)
Interest revenue	5,000	5,000	2,767	(2,233)
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>2,767</u>	<u>(7,233)</u>
Expenditures:				
Community development:				
Contractual services	10,000	10,000	855	(9,145)
Other expenditures				-
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>855</u>	<u>(9,145)</u>
Excess (deficiency) of revenues over expenditures	-	-	1,912	1,912
Fund balance at beginning of year	214,958	214,958	214,958	
Fund balance at end of year	<u>\$ 214,958</u>	<u>\$ 214,958</u>	<u>\$ 216,870</u>	<u>\$ 1,912</u>

**State Aid Street Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 118,167	\$ 18,167
Other revenues:				
Interest revenue	2,500	2,500	2,557	57
Total revenue	<u>102,500</u>	<u>102,500</u>	<u>120,724</u>	<u>18,224</u>
Expenditures:				
Public works:				
Contractual services	30,000	30,000	31,594	1,594
Capital outlay	72,500	80,000	-	(80,000)
Total expenditures	<u>102,500</u>	<u>110,000</u>	<u>31,594</u>	<u>(78,406)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(7,500)</u>	<u>89,130</u>	<u>96,630</u>
Other financing sources (uses):				
Transfers out				-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>-</u>	<u>(7,500)</u>	<u>89,130</u>	<u>96,630</u>
Fund balance at beginning of year	<u>130,252</u>	<u>130,252</u>	<u>130,252</u>	
Fund balance at end of year	<u>\$ 130,252</u>	<u>\$ 122,752</u>	<u>\$ 219,382</u>	<u>\$ 96,630</u>

Transit Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 261,800	\$ 261,800	\$ 332,753	\$ 70,953
Charges for services				-
Other revenues:				-
Interest revenue			291	291
Other	2,000	2,000	6,375	4,375
Total Revenues	<u>263,800</u>	<u>263,800</u>	<u>339,419</u>	<u>75,619</u>
Expenditures:				
Transit:				
Contractual services	317,000	317,000	225,490	(91,510)
Capital outlay			125,607	125,607
Other expenditures	6,800	6,800	11,997	5,197
Total expenditures	<u>323,800</u>	<u>323,800</u>	<u>363,094</u>	<u>39,294</u>
Excess (deficiency) of revenues over expenditures	<u>(60,000)</u>	<u>(60,000)</u>	<u>(23,675)</u>	<u>36,325</u>
Other financing sources (uses):				
Transfers in	60,000	60,000	60,000	-
Total other financing sources (uses)	<u>60,000</u>	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	-	-	36,325	36,325
Fund balance at beginning of year	(34,701)	(34,701)	(34,701)	
Fund balance at end of year	<u>\$ (34,701)</u>	<u>\$ (34,701)</u>	<u>\$ 1,624</u>	<u>\$ 36,325</u>

**New Home Incentive Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 171,000	\$ 171,000	\$ 36,000	\$ (135,000)
Other revenues:				
Interest revenue	18,000	18,000	7,246	(10,754)
Other	10,000	10,000	30,870	20,870
Total revenues	<u>199,000</u>	<u>199,000</u>	<u>74,116</u>	<u>(124,884)</u>
Expenditures:				
Community development:				
Contractual services	35,887	35,887	26,885	(9,002)
Other expenditures	104,000	104,000	102,690	(1,310)
Total expenditures	<u>139,887</u>	<u>139,887</u>	<u>129,575</u>	<u>(10,312)</u>
Excess (deficiency) of revenues over expenditures	<u>59,113</u>	<u>59,113</u>	<u>(55,459)</u>	<u>(114,572)</u>
Other financing sources (uses):				
Transfers out	(105,000)	(105,000)	-	105,000
Total other financing sources (uses)	<u>(105,000)</u>	<u>(105,000)</u>	<u>-</u>	<u>105,000</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(45,887)	(45,887)	(55,459)	(9,572)
Fund balance at beginning of year	1,225,657	1,225,657	1,225,657	
Fund balance at end of year	<u>\$ 1,179,770</u>	<u>\$ 1,179,770</u>	<u>\$ 1,170,198</u>	<u>\$ (9,572)</u>

Cemetery Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 41,000	\$ 41,000	\$ 45,832	\$ 4,832
Other revenues:				
Interest revenue				-
Total revenues	<u>41,000</u>	<u>41,000</u>	<u>45,832</u>	<u>4,832</u>
Expenditures:				
Other:				
Personal services	21,097	21,097	19,940	(1,157)
Supplies	2,700	2,700	3,513	813
Contractual services	20,890	20,890	27,472	6,582
Capital outlay				-
Other expenditures	2,500	2,500	3,796	1,296
Total expenditures	<u>47,187</u>	<u>47,187</u>	<u>54,721</u>	<u>7,534</u>
Excess (deficiency) of revenues over expenditures	<u>(6,187)</u>	<u>(6,187)</u>	<u>(8,889)</u>	<u>(2,702)</u>
Other financing sources (uses):				
Transfers in	6,187	6,187	5,000	(1,187)
Total other financing sources (uses)	<u>6,187</u>	<u>6,187</u>	<u>5,000</u>	<u>(1,187)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	-	-	(3,889)	(3,889)
Fund balance at beginning of year	17,096	17,096	17,096	
Fund balance at end of year	<u>\$ 17,096</u>	<u>\$ 17,096</u>	<u>\$ 13,207</u>	<u>\$ (3,889)</u>

Insect Control Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 44,000	\$ 44,000	\$ 45,066	\$ 1,066
Other revenue:				-
Interest revenue	5,000	5,000	2,331	2,331
Other				-
Total revenues	<u>49,000</u>	<u>49,000</u>	<u>47,397</u>	<u>3,397</u>
Expenditures:				
Public Works:				
Personal services	9,767	9,767	4,354	(5,413)
Supplies	15,000	15,000	9,849	(5,151)
Contractual services	2,176	2,176		(2,176)
Capital outlay	10,000	10,000	12,107	2,107
Other expenditures	2,500	2,500	635	(1,865)
Total expenditures	<u>39,443</u>	<u>39,443</u>	<u>26,945</u>	<u>(12,498)</u>
Excess (deficiency) of revenues over expenditures	9,557	9,557	20,452	15,895
Fund balance at beginning of year	175,609	175,609	175,609	
Fund balance at end of year	<u>\$ 185,166</u>	<u>\$ 185,166</u>	<u>\$ 196,061</u>	<u>\$ 15,895</u>

**Perpetual Care Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 14,000	\$ 14,000	\$ 10,000	\$ (4,000)
Other revenue:				
Interest revenue	2,000	2,000	1,853	(147)
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>11,853</u>	<u>(4,147)</u>
Other financing sources (uses):				
Operating transfers in				-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	16,000	16,000	11,853	(4,147)
Fund balance at beginning of year	143,770	143,770	143,770	
Fund balance at end of year	<u>\$ 159,770</u>	<u>\$ 159,770</u>	<u>\$ 155,623</u>	<u>\$ (4,147)</u>

**Greenway Maintenance Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual
 Year Ended December 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 44,000	\$ 44,000	\$ 45,065	\$ 1,065
Other revenue:				
Interest revenue	-	-	683	683
Other	-	-	1,800	1,800
Total revenues	<u>44,000</u>	<u>44,000</u>	<u>47,548</u>	<u>3,548</u>
Expenditures:				
Public Works:				
Capital outlay	<u>44,000</u>	<u>44,000</u>	-	(44,000)
Total expenditures	<u>44,000</u>	<u>44,000</u>	<u>-</u>	<u>(44,000)</u>
Excess (deficiency) of revenues over expenditures	-	-	47,548	47,548
Fund balance at beginning of year	<u>45,051</u>	<u>45,051</u>	<u>45,051</u>	
Fund balance at end of year	<u>\$ 45,051</u>	<u>\$ 45,051</u>	<u>\$ 92,599</u>	<u>\$ 47,548</u>

**125th Anniversary Celebration Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2011**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Other revenue:				
Donations	\$ -	\$ -	\$ 38,910	\$ 38,910
Interest revenue			114	114
Total revenues	<u>-</u>	<u>-</u>	<u>39,024</u>	<u>39,024</u>
Expenditures:				
Culture and recreation:				
Supplies	-	-	4,581	4,581
Contractual Services	-	-	22,624	22,624
Total expenditures	<u>-</u>	<u>-</u>	<u>27,205</u>	<u>27,205</u>
Excess (deficiency) of revenues over expenditures	-	-	11,819	11,819
Fund balance at beginning of year	4,947	4,947	4,947	
Fund balance at end of year	<u>\$ 4,947</u>	<u>\$ 4,947</u>	<u>\$ 16,766</u>	<u>\$ 11,819</u>



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INTERNAL SERVICE FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

INTERNAL SERVICE
FUNDS

INTERNAL SERVICE FUNDS are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Benefit Accrual Fund This fund is used to account for the expenses associated with accrual of fringe benefits, primarily sick leave accumulations.

Central Equipment Fund This fund is used to account for purchases of capital equipment and the subsequent rental of that equipment to various city departments.



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**Combining Statement of Net Position
Internal Service Funds
December 31, 2011**

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 597,720	\$ 246,159	\$ 843,879
Investments	489,043	201,402	690,445
Total current assets	<u>1,086,763</u>	<u>447,561</u>	<u>1,534,324</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment		1,918,232	1,918,232
Less accumulated depreciation		<u>(1,145,578)</u>	<u>(1,145,578)</u>
Capital assets (net)	<u>-</u>	<u>772,654</u>	<u>772,654</u>
TOTAL ASSETS	<u>1,086,763</u>	<u>1,220,215</u>	<u>2,306,978</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable		103,919	103,919
Compensated absences payable	41,338		41,338
Notes payable - current		72,241	72,241
Accrued Interest Payable		<u>3,238</u>	<u>3,238</u>
Total current liabilities	<u>41,338</u>	<u>179,398</u>	<u>220,736</u>
Noncurrent liabilities:			
Compensated absences payable - net current portion	992,114		992,114
Notes Payable - net current portion			-
Total noncurrent liabilities	<u>992,114</u>	<u>-</u>	<u>992,114</u>
TOTAL LIABILITIES	<u>1,033,452</u>	<u>179,398</u>	<u>1,212,850</u>
NET POSITION			
Net investment in capital assets		668,735	668,735
Unrestricted	53,311	372,082	425,393
TOTAL NET POSITION	<u>\$ 53,311</u>	<u>\$ 1,040,817</u>	<u>\$ 1,094,128</u>

**Combining Statement of Revenues, Expenses and Changes
in Fund Net Position - Internal Service Funds
Year Ended December 31, 2011**

	Benefit Accrual	Central Equipment	Total
Operating revenues:			
Charges for services	\$ 81,642	\$ 164,500	\$ 246,142
Total operating revenues	<u>81,642</u>	<u>164,500</u>	<u>246,142</u>
Operating expenses:			
Compensated absences	45,785		45,785
Depreciation		154,206	154,206
Total operating expenses	<u>45,785</u>	<u>154,206</u>	<u>199,991</u>
Operating income (loss)	<u>35,857</u>	<u>10,294</u>	<u>46,151</u>
Nonoperating revenues (expenses)			
Interest revenue	13,667	5,705	19,372
Interest expense		(10,139)	(10,139)
Total nonoperating revenues (expenses)	<u>13,667</u>	<u>(4,434)</u>	<u>9,233</u>
Change in net position	49,524	5,860	55,384
Net position at beginning of year	3,787	1,034,957	1,038,744
Net position at end of year	<u>\$ 53,311</u>	<u>\$ 1,040,817</u>	<u>\$ 1,094,128</u>

Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2011

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Cash flow from operating activities:			
Receipts from interfund service provided	\$ 81,642	\$ 164,500	\$ 246,142
Payments for compensated absences	(110,507)		(110,507)
Net cash provided by operating activities	<u>(28,865)</u>	<u>164,500</u>	<u>135,635</u>
Cash flows from capital financing activities:			
Acquisition of capital assets		(94,142)	(94,142)
Principal payments on long-term debt		(68,873)	(68,873)
Interest payments on long-term debt		(6,901)	(6,901)
Net cash provided by capital financing activities	<u>-</u>	<u>(169,916)</u>	<u>(169,916)</u>
Cash flows from investing activities			
Interest on investments	13,667	5,705	19,372
Sale of investments	119,465		119,465
Purchase of investments		(9,105)	(9,105)
Net cash provided by investing activities	<u>133,132</u>	<u>(3,400)</u>	<u>129,732</u>
Increase (decrease) in cash and cash equivalents	104,267	(8,816)	95,451
Cash and cash equivalents - January 1	493,453	254,975	748,428
Cash and cash equivalents - December 31	<u>\$ 597,720</u>	<u>\$ 246,159</u>	<u>\$ 843,879</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 35,857	\$ 10,294	\$ 46,151
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization		154,206	154,206
Changes in assets and liabilities:			
Increase (decrease) in compensated absences	(64,722)		(64,722)
Net cash provided by operating activities	<u>\$ (28,865)</u>	<u>\$ 164,500</u>	<u>\$ 135,635</u>



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OTHER SUPPLEMENTARY SCHEDULES



CITY OF EAST GRAND FORKS, MINNESOTA

OTHER SUPPLEMENTARY
SCHEDULES

Schedule of Revenues and Other Sources
Budget to Actual - General Fund
Year Ended December 31, 2011

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Taxes:					
Property taxes	\$ 2,919,602	\$ 2,919,602	\$ 2,323,055	\$ (596,547)	\$ 2,182,799
Mobile home taxes	6,000	6,000	19,306	13,306	4,668
Tax increment taxes	1,000	1,000	6	(994)	120
Payment in lieu of taxes					
Hotel/Motel taxes	11,000	11,000	14,376	3,376	11,700
Franchise taxes	1,365,000	1,365,000	1,392,521	27,521	1,359,302
Penalties and interest	1,500	1,500	8,231	6,731	2,133
Total taxes	<u>4,304,102</u>	<u>4,304,102</u>	<u>3,757,495</u>	<u>(546,607)</u>	<u>3,560,721</u>
Licenses and permits:					
Liquor and malt licenses	42,450	42,450	50,313	7,863	46,800
Tobacco licenses	400	400	600	200	550
Plumbing licenses	2,000	2,000	2,025	25	2,500
Amusement center licenses	-	-	20	20	40
Pet licenses	1,000	1,000	959	(41)	1,257
Other licenses	4,000	4,000	6,056	2,056	6,317
Building permits	40,000	40,000	40,491	491	57,591
Excavation permits	3,000	3,000	1,395	(1,605)	2,295
Plumbing permits	2,400	2,400	544	(1,856)	1,430
Other permits	3,000	3,000	2,798	(202)	3,863
Total Licenses & Permits	<u>98,250</u>	<u>98,250</u>	<u>105,201</u>	<u>6,951</u>	<u>122,642</u>
Intergovernmental:					
Federal grants	-	-	12,306	12,306	46,191
Local government aid	2,287,648	2,287,648	2,492,120	204,472	2,471,550
Disparity reduction credit	-	-	375,529	375,529	369,031
Market value credit	-	-	11,933	11,933	10,971
PERA aid	15,688	15,688	15,688	-	15,688
Police state aid	150,000	150,000	143,575	(6,425)	140,088
Fire state aid	35,000	35,000	36,203	1,203	36,815
Ambulance subsidy	22,000	22,000	21,939	(61)	21,939
Other	37,900	37,900	78,054	40,154	46,644
Total Intergovernmental	<u>2,548,236</u>	<u>2,548,236</u>	<u>3,187,347</u>	<u>639,111</u>	<u>3,158,917</u>
Charges for services:					
General Government	3,500	3,500	16,114	12,614	4,114
Accounting Other Funds	38,694	38,694	18,000	(20,694)	38,696
Rescue Unit	170,000	170,000	231,762	61,762	3,661

**Schedule of Revenues and Other Sources
Budget to Actual - General Fund
Year Ended December 31, 2011 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Charges for services (continued):					
Police services	-	-	-	-	1,125
Protective inspection services	16,000	16,000	15,810	(190)	15,390
Rural fire service	45,819	45,819	47,831	2,012	37,387
Public safety - other	3,000	3,000	11,575	8,575	4,244
Streets and highways	8,700	8,700	14,973	6,273	8,198
Street lights	165,000	165,000	168,732	3,732	168,070
Storm sewers					-
Swimming pool	20,000	20,000	19,370	(630)	18,134
Summer recreation programs	42,800	42,800	44,228	1,428	40,792
Winter recreation programs	76,250	76,250	81,343	5,093	79,634
Recreation - other	125,000	125,000	83,879	(41,121)	109,891
Library	1,700	1,700	1,282	(418)	-
Senior Center	8,200	8,200	8,140	(60)	-
City hall rent	25,500	25,500	24,623	(877)	25,560
Blue Line Arena rent	10,000	10,000	4,191	(5,809)	7,302
VFW arena rent	20,000	20,000	20,572	572	19,019
Civic center rent	105,000	105,000	56,872	(48,128)	103,246
Total charges for services	<u>885,163</u>	<u>885,163</u>	<u>869,297</u>	<u>(15,866)</u>	<u>684,461</u>
Fines and forfeits:					
Court fines	105,000	105,000	78,195	(26,805)	98,193
Parking fines	5,000	5,000	10,350	5,350	7,436
Court fees	1,000	1,000	2,124	1,124	714
Impound fees	6,300	6,300	3,328	(2,972)	5,370
Sale of seized property	20,000	20,000	12,957	(7,043)	7,810
Total fines and forfeits	<u>137,300</u>	<u>137,300</u>	<u>106,954</u>	<u>(30,346)</u>	<u>119,522</u>
Miscellaneous revenues:					
Interest revenue	30,000	30,000	42,961	12,961	34,333
Donations	-	-	20,467	20,467	-
Insurance dividends	-	-	63,854	63,854	34,148
Park dedication fees					
Other	23,200	23,200	74,757	51,557	23,266
Total miscellaneous	<u>53,200</u>	<u>53,200</u>	<u>202,039</u>	<u>148,839</u>	<u>91,746</u>
Total revenues	<u>8,026,251</u>	<u>8,026,251</u>	<u>8,228,333</u>	<u>202,082</u>	<u>7,738,010</u>
Other financing sources:					
Proceeds from sale of assets	-	-	-	-	47,709
Transfers in:					
Enterprise fund projects	60,000	60,000	-	(60,000)	191,200
Other funds	526,558	526,558	427,560	(98,998)	149,440
Total other financing sources	<u>586,558</u>	<u>586,558</u>	<u>427,560</u>	<u>(158,998)</u>	<u>388,349</u>
Total revenues and other financing sources	<u>\$ 8,612,809</u>	<u>\$ 8,612,809</u>	<u>\$ 8,655,893</u>	<u>\$ 43,084</u>	<u>\$ 8,126,359</u>

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2011**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
General government:					
Council:					
Personal services	\$ 47,300	\$ 47,300	\$ 46,469	\$ 831	\$ 47,313
Other expenditures	7,500	7,500	3,977	3,523	4,663
Total	54,800	54,800	50,446	4,354	51,976
Ordinances and proceedings:					
Contractual services	3,000	3,000	1,747	1,253	9,069
Total	3,000	3,000	1,747	1,253	9,069
Mayor:					
Personal services	10,800	10,800	10,761	39	10,596
Supplies	200	200	-	200	-
Contractual services	800	800	212	588	638
Other expenditures	5,000	5,000	1,863	3,137	3,016
Total	16,800	16,800	12,836	3,964	14,251
Elections:					
Personal services	-	-	-	-	7,182
Supplies					
Other expenditures	-	-	-	-	169
Total	-	-	-	-	7,351
City administration:					
Personal services	297,427	297,427	296,869	558	297,397
Supplies	9,000	9,000	6,543	2,457	5,353
Contractual services	39,000	39,000	11,242	27,758	8,491
Other expenditures	7,500	7,500	7,762	(262)	6,857
Capital outlay	1,000	1,000	-	1,000	2,292
Total	353,927	353,927	322,416	31,511	320,390
Accounting and auditing:					
Contractual services	30,000	30,000	31,852	(1,852)	30,627
Total	30,000	30,000	31,852	(1,852)	30,627
City assessor:					
Contractual services	29,000	29,000	29,008	(8)	28,864
Total	29,000	29,000	29,008	(8)	28,864
City attorney:					
Personal services					
Supplies					
Contractual services	120,500	120,500	102,085	18,415	100,128
Other expenditures	1,000	1,000	2,107	(1,107)	7,505
Total	121,500	121,500	104,192	17,308	107,632
Planning and zoning:					
Personal services					
Contractual services	65,500	65,500	95,889	(30,389)	73,720
Other expenditures	600	600	121	479	609
Total	66,100	66,100	96,010	(29,910)	74,329

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2011 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
General government (continued)					
Water and light commission:					
Personal services					
Total	-	-	-	-	-
Civil service commission:					
Personal Services	3,230	3,230	3,230	-	3,230
Other expenditures	500	500	-	500	-
Total	3,730	3,730	3,230	500	3,230
Finance and accounting:					
Personal services	87,583	87,583	95,909	(8,326)	78,479
Supplies	500	500	-	500	-
Contractual services					
Other expenditures	2,000	2,000	2,148	(148)	1,862
Capital outlay					
Total	90,083	90,083	98,057	(7,974)	80,341
Building:					
Personal services	-	-	-	-	1,672
Supplies	3,500	3,500	2,619	881	2,328
Contractual services	125,750	125,750	80,828	44,922	109,428
Other expenditures	500	500	-	500	164
Capital outlay					
Total	129,750	129,750	83,447	46,303	113,591
Summary:					
Current	897,690	897,690	833,241	64,449	839,360
Capital outlay	1,000	1,000	-	1,000	2,292
Total general government	\$ 898,690	\$ 898,690	\$ 833,241	\$ 65,449	\$ 841,652
Public safety:					
Police:					
Personal services	\$ 1,817,387	\$ 1,817,387	\$ 1,861,999	\$ (44,612)	\$ 1,860,982
Supplies	72,000	72,000	88,460	(16,460)	71,688
Contractual services	112,250	112,250	120,614	(8,364)	115,069
Other expenditures	8,200	8,200	15,651	(7,451)	9,423
Capital outlay	75,000	75,000	64,745	10,255	9,504
Total	2,084,837	2,084,837	2,151,469	(66,632)	2,066,665

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2011 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Public safety (continued)					
Fire:					
Personal services	906,286	906,286	921,792	(15,506)	881,015
Supplies	20,500	20,500	16,297	4,203	27,828
Contractual services	80,100	80,100	83,742	(3,642)	93,867
Other expenditures	3,200	3,200	2,819	381	3,521
Capital outlay	-	-	10,847	(10,847)	42,162
Total	<u>1,010,086</u>	<u>1,010,086</u>	<u>1,035,497</u>	<u>(25,411)</u>	<u>1,048,393</u>
Building inspection:					
Personal services	140,004	140,004	141,021	(1,017)	137,847
Supplies	2,650	2,650	1,240	1,410	1,637
Contractual services	4,100	4,100	1,816	2,284	1,665
Other expenditures	2,000	2,000	526	1,474	887
Capital outlay	-	-	-	-	-
Total	<u>148,754</u>	<u>148,754</u>	<u>144,603</u>	<u>4,151</u>	<u>142,035</u>
Civil defense:					
Supplies	-	-	-	-	4,354
Contractual services	-	-	-	-	124
Other expenditures	-	-	-	-	-
Equipment	-	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,478</u>
Traffic engineering:					
Personal services	21,832	21,832	33,652	(11,820)	11,188
Supplies	14,500	14,500	13,735	765	4,320
Contractual services	12,910	12,910	13,179	(269)	16,613
Other expenditures	500	500	387	113	120
Total	<u>49,742</u>	<u>49,742</u>	<u>60,953</u>	<u>(11,211)</u>	<u>32,242</u>
Animal control:					
Supplies	-	-	226	(226)	-
Contractual services	4,600	4,600	6,347	(1,747)	7,019
Total	<u>4,600</u>	<u>4,600</u>	<u>6,573</u>	<u>(1,973)</u>	<u>7,019</u>
Summary:					
Current	3,223,019	3,223,019	3,323,503	(100,484)	3,249,167
Capital outlay	75,000	75,000	75,592	(592)	51,665
Total public safety	<u>\$ 3,298,019</u>	<u>\$ 3,298,019</u>	<u>\$ 3,399,095</u>	<u>\$ (101,076)</u>	<u>\$ 3,300,832</u>
Public works:					
Administration:					
Personal services	\$ 81,628	\$ 81,628	\$ 80,748	\$ 880	\$ 76,949
Supplies	2,000	2,000	2,592	(592)	2,174
Contractual services	3,000	3,000	1,745	1,255	1,833
Other expenditures	2,500	2,500	1,858	642	2,332
Total	<u>89,128</u>	<u>89,128</u>	<u>86,943</u>	<u>2,185</u>	<u>83,287</u>

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2011 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Streets:					
Personal services	273,813	273,813	296,915	(23,102)	263,360
Supplies	16,500	16,500	16,449	51	18,083
Contractual services	1,000	1,000	40	960	36,308
Other expenditures	2,000	2,000	1,112	888	34,656
Capital outlay	250,000	250,000	155,789	94,211	190,201
Total	<u>543,313</u>	<u>543,313</u>	<u>470,305</u>	<u>73,008</u>	<u>542,608</u>
Engineering Services					
Other professional services	30,000	30,000	26,015	3,985	-
Total	<u>30,000</u>	<u>30,000</u>	<u>26,015</u>	<u>3,985</u>	<u>-</u>
Downtown parking lots:					
Personal services	5,515	5,515	2,032	3,483	3,500
Supplies					
Contractual services	1,000	1,000	391	609	551
Other expenditures					
Total	<u>6,515</u>	<u>6,515</u>	<u>2,423</u>	<u>4,092</u>	<u>4,052</u>
Ice and snow removal:					
Personal services	94,218	94,218	63,712	30,506	94,373
Supplies	8,500	8,500	16,796	(8,296)	5,843
Contractual services	73,000	73,000	69,443	3,557	133,409
Other expenditures	1,000	1,000	575	425	1,113
Capital outlay	-	-	5,663	(5,663)	21,094
Total	<u>176,718</u>	<u>176,718</u>	<u>156,189</u>	<u>20,529</u>	<u>255,832</u>
Equipment:					
Supplies	45,500	45,500	40,928	4,572	51,932
Contractual services	145,500	145,500	172,915	(27,415)	191,683
Other expenditures	500	500	89	411	213
Capital outlay	10,000	10,000	-	10,000	-
Total	<u>201,500</u>	<u>201,500</u>	<u>213,932</u>	<u>(12,432)</u>	<u>243,828</u>
Demolition:					
Personal services					
Contractual services					
Other expenditures					
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Equipment building:					
Supplies	16,800	16,800	31,909	(15,109)	17,845
Contractual services	66,200	66,200	74,919	(8,719)	71,245
Other expenditures	500	500	1,229	(729)	399
Capital outlay					
Total	<u>83,500</u>	<u>83,500</u>	<u>108,057</u>	<u>(24,557)</u>	<u>89,488</u>

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2011 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Public works (continued)					
City shop:					
Personal services	128,791	128,791	135,270	(6,479)	120,545
Charged back	(74,000)	(74,000)	(77,235)	3,235	(83,227)
Supplies	184,000	184,000	211,982	(27,982)	273,323
Charged back	(180,000)	(180,000)	(205,932)	25,932	(250,147)
Other expenditures	1,500	1,500	1,365	135	2,436
Total	<u>60,291</u>	<u>60,291</u>	<u>65,450</u>	<u>(5,159)</u>	<u>62,930</u>
Storm sewers:					
Miscellaneous	-	-	1,000	(1,000)	-
Total	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>(1,000)</u>	<u>-</u>
Street lighting:					
Contractual services	175,350	175,350	175,702	(352)	172,053
Total	<u>175,350</u>	<u>175,350</u>	<u>175,702</u>	<u>(352)</u>	<u>172,053</u>
Street cleaning:					
Personal services	24,130	24,130	26,102	(1,972)	25,983
Contractual services	18,100	18,100	18,100	-	18,100
Total	<u>42,230</u>	<u>42,230</u>	<u>44,202</u>	<u>(1,972)</u>	<u>44,083</u>
Weed control:					
Personal services	29,300	29,300	37,816	(8,516)	22,672
Supplies	1,000	1,000	301	699	200
Contractual services	14,000	14,000	14,000	-	14,000
Other expenditures	1,000	1,000	2,038	(1,038)	1,076
Total	<u>45,300</u>	<u>45,300</u>	<u>54,155</u>	<u>(8,855)</u>	<u>37,948</u>
Summary:					
Current	1,193,845	1,193,845	1,242,921	(54,739)	1,324,813
Capital outlay	260,000	260,000	161,452	104,211	211,295
Total public works	<u>\$ 1,453,845</u>	<u>\$ 1,453,845</u>	<u>\$ 1,404,373</u>	<u>\$ 49,472</u>	<u>\$ 1,536,108</u>
Recreation and culture:					
Parks and recreation administration					
Personal services	\$ 209,806	\$ 209,806	\$ 223,682	\$ (13,876)	\$ 214,614
Supplies	2,000	2,000	2,548	(548)	2,517
Contractual services	4,900	4,900	6,515	(1,615)	6,962
Other expenditures	3,400	3,400	4,300	(900)	6,314
Total	<u>220,106</u>	<u>220,106</u>	<u>237,045</u>	<u>(16,939)</u>	<u>230,406</u>

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2011 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Recreation and culture (continued)					
Playgrounds:					
Personal services	5,705	5,705	4,895	810	6,415
Supplies	500	500	117	383	195
Other expenditures	300	300	318	(18)	165
Capital outlay	20,000	20,000	16,010	3,990	9,957
Total	26,505	26,505	21,340	5,165	16,732
Swimming pool:					
Personal services	42,407	42,407	36,814	5,593	39,670
Supplies	11,100	11,100	11,440	(340)	6,089
Contractual services	29,410	29,410	35,803	(6,393)	29,890
Other expenditures	500	500	1,754	(1,254)	1,984
Total	83,417	83,417	85,811	(2,394)	77,634
Tennis:					
Personal services	2,907	2,907	2,857	50	2,584
Supplies	300	300	730	(430)	94
Other expenditures	300	300	244	56	65
Capital outlay	15,000	15,000	17,961	(2,961)	7,987
Total	18,507	18,507	21,792	(3,285)	10,729
Skating rinks:					
Personal services	6,997	6,997	3,302	3,695	6,213
Supplies	1,200	1,200	-	1,200	169
Other expenditures	500	500	570	(70)	1,320
Total	8,697	8,697	3,872	4,825	7,702
Hockey:					
Personal services	29,066	29,066	34,968	(5,902)	26,570
Supplies	3,500	3,500	1,167	2,333	3,606
Other expenditures	7,000	7,000	4,610	2,390	3,761
Total	39,566	39,566	40,745	(1,179)	33,937
Figure skating:					
Personal services	30,142	30,142	34,172	(4,030)	26,486
Supplies	3,000	3,000	3,746	(746)	1,456
Other expenditures	1,000	1,000	1,882	(882)	-
Total	34,142	34,142	39,800	(5,658)	27,942
Baseball:					
Personal services	32,295	32,295	37,017	(4,722)	28,720
Supplies	13,000	13,000	11,867	1,133	9,245
Other expenditures	6,000	6,000	12,982	(6,982)	6,604
Total	51,295	51,295	61,866	(10,571)	44,568

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2011 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Recreation and culture (continued)					
Softball:					
Personal services	14,210	14,210	13,613	597	11,532
Supplies	1,800	1,800	2,217	(417)	1,359
Other expenditures	2,000	2,000	(3,385)	5,385	360
Total	<u>18,010</u>	<u>18,010</u>	<u>12,445</u>	<u>5,565</u>	<u>13,251</u>
Civic center:					
Personal services	95,806	95,806	95,175	631	85,538
Supplies	16,000	16,000	12,440	3,560	20,932
Contractual services	109,160	109,160	107,273	1,887	101,823
Other expenditures	900	900	702	198	318
Capital outlay	-	-	13,984	(13,984)	-
Total	<u>221,866</u>	<u>221,866</u>	<u>229,574</u>	<u>(7,708)</u>	<u>208,612</u>
VFW arena:					
Personal services	86,227	86,227	74,746	11,481	78,313
Supplies	15,100	15,100	12,420	2,680	18,851
Contractual services	87,650	87,650	77,041	10,609	78,737
Other expenditures	1,400	1,400	876	524	848
Capital outlay	4,000	4,000	287	3,713	-
Total	<u>194,377</u>	<u>194,377</u>	<u>165,370</u>	<u>29,007</u>	<u>176,749</u>
Library:					
Personal services	279,733	279,733	282,790	(3,057)	266,751
Supplies	39,800	39,800	37,464	2,336	39,126
Other expenditures	58,475	58,475	48,390	10,085	75,463
Total	<u>378,008</u>	<u>378,008</u>	<u>368,644</u>	<u>9,364</u>	<u>381,340</u>
Senior Center:					
Personal services	74,194	74,194	75,365	(1,171)	74,860
Supplies	4,500	4,500	3,059	1,441	5,832
Other expenditures	36,988	36,988	20,193	16,795	24,815
Total	<u>115,682</u>	<u>115,682</u>	<u>98,617</u>	<u>17,065</u>	<u>105,507</u>
Blue Line Arena:					
Personal services	5,598	5,598	10,770	(5,172)	5,894
Supplies	-	-	1,532	(1,532)	1,864
Contractual services	26,000	26,000	26,597	(597)	18,079
Total	<u>31,598</u>	<u>31,598</u>	<u>38,899</u>	<u>(7,301)</u>	<u>25,837</u>
Park areas:					
Personal services	189,157	189,157	170,941	18,216	209,130
Supplies	42,700	42,700	43,253	(553)	53,502
Contractual services	80,000	80,000	85,837	(5,837)	88,557
Other expenditures	7,500	7,500	2,463	5,037	7,273
Capital outlay	63,000	63,000	95,873	(32,873)	1,105
Total	<u>382,357</u>	<u>382,357</u>	<u>398,367</u>	<u>(16,010)</u>	<u>359,567</u>
Campground-Recreation Area					
Personal services	68,896	68,896	65,209	3,687	61,344
Supplies	10,000	10,000	15,977	(5,977)	13,895
Other expenditures	21,300	21,300	26,689	(5,389)	24,616
Total	<u>100,196</u>	<u>100,196</u>	<u>107,875</u>	<u>(7,679)</u>	<u>99,855</u>
Summary:					
Current	1,837,329	1,837,329	1,805,908	35,411	1,801,319
Capital outlay	87,000	87,000	126,154	(43,144)	19,049
Total Recreation and culture	<u>\$ 1,924,329</u>	<u>\$ 1,924,329</u>	<u>\$ 1,932,062</u>	<u>\$ (7,733)</u>	<u>\$ 1,820,368</u>

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2011 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Community Development:					
Residential tax abatement	\$ 60,000	\$ 60,000	\$ 41,523	\$ 18,477	\$ 49,440
Total	<u>60,000</u>	<u>60,000</u>	<u>41,523</u>	<u>18,477</u>	<u>49,440</u>
Summary:					
Current	60,000	60,000	41,523	18,477	49,440
Capital outlay					
Total Community Development	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 41,523</u>	<u>\$ 18,477</u>	<u>\$ 49,440</u>
Other expenditures:					
Workers compensation	\$ 10,000	\$ 10,000	\$ 2,635	\$ 7,365	\$ 15,238
General liability and other insurance	149,400	149,400	147,298	2,102	154,347
Promotional(Lodging)	10,670	10,670	13,073	(2,403)	10,549
Memberships and dues	25,000	25,000	19,192	5,808	18,537
Miscellaneous	31,000	31,000	34,707	(3,707)	31,282
Contributed services	30,000	30,000	-	30,000	57,819
Contributed capital outlay	30,000	30,000	-	30,000	128,381
Capital outlay	5,000	5,000	4,226	774	10,867
Total	<u>291,070</u>	<u>291,070</u>	<u>221,131</u>	<u>69,939</u>	<u>427,020</u>
Summary:					
Current	256,070	256,070	216,905	39,165	287,772
Capital outlay	35,000	35,000	4,226	30,774	139,248
Total other expenditures	<u>\$ 291,070</u>	<u>\$ 291,070</u>	<u>\$ 221,131</u>	<u>\$ 69,939</u>	<u>\$ 427,020</u>
Total expenditures	<u>\$ 7,925,953</u>	<u>\$ 7,925,953</u>	<u>\$ 7,831,425</u>	<u>\$ 94,528</u>	<u>\$ 7,975,420</u>
Other financing uses:					
Operating transfer out:					
Special revenue funds	\$492,558	\$492,558	\$492,560	(2)	\$510,200
Capital project funds	100,000	100,000	100,000	-	100,000
Debt service funds	148,636	148,636	148,636	-	145,172
Enterprise funds	-	-	-	-	21,900
Total other financing uses	<u>741,194</u>	<u>741,194</u>	<u>741,196</u>	<u>(2)</u>	<u>777,272</u>
Total expenditures and other financing uses	<u>\$ 8,667,147</u>	<u>\$ 8,667,147</u>	<u>\$ 8,572,621</u>	<u>\$ 94,526</u>	<u>\$ 8,752,692</u>

Capital Assets Used in the Operation of Governmental Funds Schedule by Sources December 31, 2011

	2011	2010
Governmental funds capital assets		
Land and Land Improvements	\$ 58,424,661	\$ 58,424,661
Building, Systems, and Structures	50,482,609	50,482,609
Machinery and equipment	7,021,805	6,528,521
Street Network	43,503,857	42,648,917
Construction in progress	332,798	49,132
Total governmental funds capital assets	<u>159,765,730</u>	<u>158,133,840</u>
Investments in governmental funds capital assets by source:		
General Fund	\$ 118,178,242	\$ 117,810,565
Special revenue funds	1,301,264	1,175,657
Internal service funds	1,720,172	1,720,172
Capital project funds	38,566,052	37,427,446
Total investments in governmental funds capital assets by source	<u>\$ 159,765,730</u>	<u>\$ 158,133,840</u>

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2011**

	<u>Land and Land Improvements</u>	<u>Buildings, Systems, and Structures</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government:						
Government center	\$ 453,500	\$ 7,069,134				\$ 7,522,634
Other			\$ 161,910			161,910
Total general government	<u>453,500</u>	<u>7,069,134</u>	<u>161,910</u>	<u>-</u>	<u>-</u>	<u>7,684,544</u>
Public safety:						
Police	94,000	1,362,112	594,476			2,050,588
Fire	45,500	1,773,051	998,385			2,816,936
Total public safety	<u>139,500</u>	<u>3,135,163</u>	<u>1,592,861</u>	<u>-</u>	<u>-</u>	<u>4,867,524</u>
Public works:						
Infrastructure (street network)				\$ 43,503,857		43,503,857
Storm protection network	55,628,589	23,586,474	934,341			80,149,404
Other	1,527,610	1,885,732	2,159,985		\$ 332,798	5,906,125
Total public works	<u>57,156,199</u>	<u>25,472,206</u>	<u>3,094,326</u>	<u>43,503,857</u>	<u>332,798</u>	<u>129,559,386</u>
Recreation and culture:						
Parks	574,057	11,545,223	1,197,514			13,316,794
Library	32,000	2,925,571	654,447			3,612,018
Senior center	5,700	215,535				221,235
Total recreation	<u>611,757</u>	<u>14,686,329</u>	<u>1,851,961</u>	<u>-</u>	<u>-</u>	<u>17,150,047</u>
Transit		30,541	291,444			321,985
Cemetery	63,705	89,236	29,303			182,244
Total governmental fund capital assets	<u>\$ 58,424,661</u>	<u>\$ 50,482,609</u>	<u>\$ 7,021,805</u>	<u>\$ 43,503,857</u>	<u>\$ 332,798</u>	<u>\$ 159,765,730</u>

Capital Assets Used in the Operation of Governmental Funds Schedule of Changes by Function and Activity December 31, 2011

	Beginning Balance	Additions	Retirements and transfers, net	Ending Balance
General government				
Government center	\$ 7,522,634			\$ 7,522,634
Other	161,910			161,910
Total general government	<u>7,684,544</u>	<u>-</u>	<u>-</u>	<u>7,684,544</u>
Public safety:				
Police	2,008,309	\$ 42,279		2,050,588
Fire	2,806,406	10,530		2,816,936
Total public safety	<u>4,814,715</u>	<u>52,809</u>	<u>-</u>	<u>4,867,524</u>
Public works:				
Infrastructure (street network)	42,648,917	805,808	\$ 49,132	43,503,857
Storm protection network	80,149,404			80,149,404
Other	5,508,328	446,929	(49,132)	5,906,125
Total public works	<u>128,306,649</u>	<u>1,252,737</u>	<u>-</u>	<u>129,559,386</u>
Recreation or culture				
Parks	13,116,057	200,737		13,316,794
Library	3,612,018			3,612,018
Senior center	221,235			221,235
Total recreation and culture	<u>16,949,310</u>	<u>200,737</u>	<u>-</u>	<u>17,150,047</u>
Transit	196,378	125,607		321,985
Cemetery	182,244			182,244
Total governmental funds capital assets	<u>\$ 158,133,840</u>	<u>\$ 1,631,890</u>	<u>\$ -</u>	<u>\$ 159,765,730</u>

Statement of Changes in Fiduciary Net Position
Agency Fund - Flexible Benefits
Year Ended December 31, 2011

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS:				
Restricted cash and cash equivalents	<u>\$ 15,923</u>	<u>\$ 131,497</u>	<u>\$ (132,292)</u>	<u>\$ 15,128</u>
LIABILITIES:				
Due to employees	<u>\$ 15,923</u>	<u>\$ 131,497</u>	<u>\$ (132,292)</u>	<u>\$ 15,128</u>

**Combining Statement of Net Position
Discretely Presented Component Unit - by Focus
December 31, 2011**

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 785,585	\$ 1,395,160	\$ 2,180,745
Investments	349,337	1,141,492	1,490,829
Restricted Cash in customer deposits	682,471		682,471
Due from other funds	170		170
Due from other government units		51,638	51,638
Notes receivable (current portion)		359,233	359,233
Total current assets	<u>1,817,563</u>	<u>2,947,523</u>	<u>4,765,086</u>
Noncurrent assets:			
Capital assets:			
Land	50,300		50,300
Buildings and systems	5,503,577		5,503,577
Machinery and equipment	173,578	9,749	183,327
Total capital assets	<u>5,727,455</u>	<u>9,749</u>	<u>5,737,204</u>
Less accumulated depreciation	(1,507,309)	(9,706)	(1,517,015)
Total capital assets (net)	<u>4,220,146</u>	<u>43</u>	<u>4,220,189</u>
Land held for resale		207,180	207,180
Notes receivable (net current portion)		1,502,786	1,502,786
Allowance for uncollectible		(236,465)	(236,465)
Total noncurrent assets	<u>-</u>	<u>1,473,501</u>	<u>1,473,501</u>
TOTAL ASSETS	<u>6,037,709</u>	<u>4,421,067</u>	<u>10,458,776</u>
LIABILITIES			
Current liabilities:			
Accounts payable	11,051	114,687	125,738
Accrued wages payable	18,099	7,443	25,542
Due to other funds	170		170
Due to other government units	260,779		260,779
Notes payable - current		26,870	26,870
Compensated absences payable - current	4,624	4,000	8,624
Special assessments payable - current portion	9,112		9,112
Accrued interest payable		2,136	2,136
Total current liabilities	<u>303,835</u>	<u>155,136</u>	<u>458,971</u>
Noncurrent liabilities:			
Customer deposits	22,340		22,340
Compensated absences payable (net current portion)	45,281	30,868	76,149
Special assessments (net current portion)	24,406		24,406
Notes payable (net current portion)		370,476	370,476
Total noncurrent liabilities	<u>92,027</u>	<u>401,344</u>	<u>493,371</u>
NET POSITION			
Net investment in capital assets	4,186,628	43	4,186,671
Restricted	133,299		133,299
Unrestricted	1,321,920	3,864,544	5,186,464
TOTAL NET POSITION	<u>\$ 5,641,847</u>	<u>\$ 3,864,587</u>	<u>\$ 9,506,434</u>

**Statement of Revenues, Expenses and Changes in Fund
Net Position - Discretely Presented Component Units by Focus
Year Ended December 31, 2011**

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 321,765	\$ 57,531	\$ 379,296
Intergovernmental	1,681,225		1,681,225
Other	23,526	5,227	28,753
Total operating revenues	<u>2,026,516</u>	<u>62,758</u>	<u>2,089,274</u>
Operating expenses:			
Community development:			
Administration	595,054	88,089	683,143
Depreciation	142,984	172	143,156
Other:			
Business development		283,437	283,437
Housing programs	1,433,039		1,433,039
Total operating expenses	<u>2,171,077</u>	<u>371,698</u>	<u>2,542,775</u>
Operating income (loss)	<u>(144,561)</u>	<u>(308,940)</u>	<u>(453,501)</u>
Nonoperating revenues (expenses):			
Interest revenue	32,236	32,684	64,920
Tax increment revenue		237,703	237,703
Intergovernmental	172,040	1,259	173,299
Interest expense	(2,827)	(4,355)	(7,182)
Total nonoperating revenues (expenses)	<u>201,449</u>	<u>267,291</u>	<u>468,740</u>
Income (loss) before transfers in (out)	56,888	(41,649)	15,239
Transfers in			-
Transfers out			-
Change in net position	56,888	(41,649)	15,239
Net position at beginning of year	5,584,959	3,906,236	9,491,195
Net position at end of year	<u>\$ 5,641,847</u>	<u>\$ 3,864,587</u>	<u>\$ 9,506,434</u>

**Combining Schedule of Net Position
Discretely Presented Component Unit - Economic Development Focus
December 31, 2011**

	General	TIF #1-1 Triangle	TIF #1-2 E. DeMers	IRP Loan	DRLF Loan	Total
ASSETS						
Current assets:						
Cash and cash equivalents		\$ 354,007	\$ 262,137	\$ 463,028	\$ 315,988	\$ 1,395,160
Investments		289,643	214,474	378,841	258,534	1,141,492
Due from other funds		107,516				107,516
Due from other government units		51,249	389			51,638
Notes receivable (net of Allowance)				29,353	329,880	359,233
Total current assets	-	802,415	477,000	871,222	904,402	3,055,039
Noncurrent assets:						
Capital assets:						
Machinery and equipment	\$ 9,749					9,749
Total capital assets	9,749	-	-	-	-	9,749
Less accumulated depreciation	(9,706)					(9,706)
Total capital assets (net)	43	-	-	-	-	43
Land held for resale	28,828	80,352	98,000			207,180
Notes receivable (net current portion)					1,502,786	1,502,786
Allowance for uncollectible					(236,465)	(236,465)
Total noncurrent assets	28,871	80,352	98,000	-	1,266,321	1,473,544
TOTAL ASSETS	28,871	882,767	575,000	871,222	2,170,723	4,528,583
LIABILITIES						
Current liabilities:						
Accounts payable	592	113,952	143			114,687
Accrued wages payable	7,443					7,443
Due to other funds	107,516					107,516
Notes payable - current				26,870		26,870
Compensated absences payable - current	4,000					4,000
Accrued interest payable				2,136		2,136
Total current liabilities	119,551	113,952	143	29,006	-	262,652
Noncurrent liabilities:						
Compensated absences payable (net current)	30,868					30,868
Notes payable (net current portion)				370,476		370,476
Total noncurrent liabilities	30,868	-	-	370,476	-	401,344
Total liabilities	150,419	113,952	143	399,482	-	663,996
NET POSITION						
Net investment in capital assets	43	-	-	-	-	43
Unrestricted	(121,591)	768,815	574,857	471,740	2,170,723	3,864,544
TOTAL NET POSITION	\$ (121,548)	\$ 768,815	\$ 574,857	\$ 471,740	\$ 2,170,723	\$ 3,864,587
TOTAL LIABILITIES AND NET POSITION	\$ 28,871	\$ 882,767	\$ 575,000	\$ 871,222	\$ 2,170,723	\$ 4,528,583

**Schedule of Revenues, Expenses and Changes in Fund Net Position -
Discretely Presented Component Unit - Economic Development Focus
Year Ended December 31, 2011**

	<u>General</u>	<u>TIF #1-1 Triangle</u>	<u>TIF #1-2 Triangle</u>	<u>IRP Loan</u>	<u>DRLF Loan</u>	<u>Total</u>
Operating revenues:						
Charges for services:						
Interest on loans				\$ 5,044	\$ 52,487	\$ 57,531
Other revenues:						
Business development						-
Other	\$ 5,227					5,227
Total operating revenues	<u>5,227</u>	<u>-</u>	<u>-</u>	<u>5,044</u>	<u>52,487</u>	<u>62,758</u>
Operating expenses:						
Administration	87,998		\$ 91			88,089
Business development	25,248	\$ 127,948	108		130,133	283,437
Depreciation	172					172
Total operating expenses	<u>113,418</u>	<u>127,948</u>	<u>199</u>	<u>-</u>	<u>130,133</u>	<u>371,698</u>
Operating income (loss)	<u>(108,191)</u>	<u>(127,948)</u>	<u>(199)</u>	<u>5,044</u>	<u>(77,646)</u>	<u>(308,940)</u>
Nonoperating revenues (expenses):						
Interest revenue		7,984	5,855	10,123	8,722	32,684
Tax increment revenue		214,604	23,099			237,703
Intergovernmental			1,259			1,259
Interest expense				(4,355)		(4,355)
Total nonoperating revenues (expenses)	<u>-</u>	<u>222,588</u>	<u>30,213</u>	<u>5,768</u>	<u>8,722</u>	<u>267,291</u>
Income (loss) before transfers	<u>(108,191)</u>	<u>94,640</u>	<u>30,014</u>	<u>10,812</u>	<u>(68,924)</u>	<u>(41,649)</u>
Transfers in						-
Transfers out						-
Change in net position	<u>(108,191)</u>	<u>94,640</u>	<u>30,014</u>	<u>10,812</u>	<u>(68,924)</u>	<u>(41,649)</u>
Net position at beginning of year	<u>(13,357)</u>	<u>674,175</u>	<u>544,843</u>	<u>460,928</u>	<u>2,239,647</u>	<u>3,906,236</u>
Net position at end of year	<u>\$ (121,548)</u>	<u>\$ 768,815</u>	<u>\$ 574,857</u>	<u>\$ 471,740</u>	<u>\$ 2,170,723</u>	<u>\$ 3,864,587</u>

**Combining Schedule of Net Position
Discretely Presented Component Unit - Housing Focus
December 31, 2011**

	<u>Sunshine Terrace</u>	<u>Program C4043V</u>	<u>Housing Loan</u>	<u>Town Square</u>	<u>Totals</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 426,798		\$ 166,459	\$ 192,328	\$ 785,585
Investments	349,337				349,337
Due from other funds	170				170
Restricted cash and cash equivalents	22,340	\$ 660,131			682,471
Total Current Assets	<u>798,645</u>	<u>660,131</u>	<u>166,459</u>	<u>192,328</u>	<u>1,817,563</u>
Noncurrent Assets:					
Capital assets:					
Land	50,300				50,300
Buildings and systems	5,503,577				5,503,577
Machinery and equipment	114,671	58,907			173,578
Total capital assets	5,668,548	58,907	-	-	5,727,455
Less accumulated depreciation	(1,448,402)	(58,907)			(1,507,309)
Total capital assets (net)	4,220,146	-	-	-	4,220,146
Total noncurrent assets	4,220,146	-	-	-	4,220,146
TOTAL ASSETS	<u>5,018,791</u>	<u>660,131</u>	<u>166,459</u>	<u>192,328</u>	<u>6,037,709</u>
LIABILITIES					
Current liabilities:					
Accounts payable	10,328	462		261	11,051
Accrued wages payable	8,676	6,433	141	2,849	18,099
Due to other funds		170			170
Due to other government units	260,779				260,779
Customer deposits	22,340				22,340
Compensated absences payable - current		4,624			4,624
Special assessments payable - current portion	9,112				9,112
Total Liabilities	<u>311,235</u>	<u>11,689</u>	<u>141</u>	<u>3,110</u>	<u>326,175</u>
Noncurrent Liabilities:					
Compensated absences payable (net current portion)		45,281			45,281
Special assessments payable (net current portion)	24,406				24,406
Total noncurrent liabilities	24,406	45,281	-	-	69,687
Total liabilities	<u>335,641</u>	<u>56,970</u>	<u>141</u>	<u>3,110</u>	<u>395,862</u>
NET POSITION					
Net investment in capital assets	4,186,628				4,186,628
Restricted		133,299			133,299
Unrestricted	496,522	469,862	166,318	189,218	1,321,920
TOTAL NET POSITION	<u>\$ 4,683,150</u>	<u>\$ 603,161</u>	<u>\$ 166,318</u>	<u>\$ 189,218</u>	<u>\$ 5,641,847</u>
TOTAL LIABILITIES AND NET POSITION	<u>5,018,791</u>	<u>660,131</u>	<u>166,459</u>	<u>192,328</u>	<u>6,037,709</u>

**Schedule of Revenues, Expenses and Changes in Fund Net Position -
Discretely Presented Component Unit - Housing Focus
Year Ended December 31, 2011**

	Sunshine Terrace	Program C4043V	Housing Loan	Town Square	Total
Operating revenues:					
Charges for services	\$ 180,875		\$ 20,191	\$ 120,699	\$ 321,765
Intergovernmental		\$ 1,681,225			1,681,225
Other	18,887	4,312		327	23,526
Total operating revenues	<u>199,762</u>	<u>1,685,537</u>	<u>20,191</u>	<u>121,026</u>	<u>2,026,516</u>
Operating expenses:					
Community development:					
Personal services	77,821	158,743	3,799	78,405	318,768
Supplies	2,277	8,885		567	11,729
Contractual services	95,666	4,292			99,958
Depreciation	142,984				142,984
Housing payments		1,433,039			1,433,039
Other expenditures	120,707	31,707	9,595	2,590	164,599
Total operating expenses	<u>439,455</u>	<u>1,636,666</u>	<u>13,394</u>	<u>81,562</u>	<u>2,171,077</u>
Operating income (loss)	<u>(239,693)</u>	<u>48,871</u>	<u>6,797</u>	<u>39,464</u>	<u>(144,561)</u>
Nonoperating revenues (expenses):					
Intergovernmental	172,040				172,040
Interest revenue	9,730	18,375	2,142	1,989	32,236
Interest expense	(2,827)				(2,827)
Total nonoperating revenues (expenses)	<u>178,943</u>	<u>18,375</u>	<u>2,142</u>	<u>1,989</u>	<u>201,449</u>
Income (loss) before transfers	(60,750)	67,246	8,939	41,453	56,888
Transfers out					-
Change in net position	(60,750)	67,246	8,939	41,453	56,888
Net position at beginning of year	4,743,900	535,915	157,379	147,765	5,584,959
Net position at end of year	<u>\$ 4,683,150</u>	<u>\$ 603,161</u>	<u>\$ 166,318</u>	<u>\$ 189,218</u>	<u>\$ 5,641,847</u>

STATISTICAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

STATISTICAL SECTION

Statistical Information

(Unaudited)

The Statistical Section is included to provide financial statement users with additional historical perspective, context, and detail for them to use in evaluating the information contained within the financial statements, notes to the financial statements, and required supplementary information with the goal of providing the user a better understanding of the City's economic condition.

Contents

Financial Trends

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

- Net Position by Component
- Changes in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds

Revenue capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources.

- Tax Revenues by Source
- State Intergovernmental Revenues by Program
- Tax Capacity and Estimated Market Value of all Taxable Property
- Property Tax Rates - All Direct and Overlapping Governments
- Principal Property Tax Payers
- Property Tax Levies and Collections
- Special Assessment Levies and Collections

Debt capacity

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

- Ratio of Net Bonded Debt to Tax Capacity and Estimated Values, and Net Bonded Debt per Capita
- Direct and Overlapping Debt
- Legal Debt Margin Information
- Schedule of Improvement Bond Coverage
- Schedule of Revenue Bond Coverage

Demographic and economic information

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

- Construction
- Principal Employers
- Demographic & Economic Statistics

Operating information

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

- Full-time Equivalent City Government Employees by Function/Program
- Operating Indicators by Function
- Schedule of Insurance in Force
- Miscellaneous Statistical Information
- Significant Minnesota Tax Policies

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



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Net Position by Component Last Nine Fiscal Years

(Accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities									
Net investment in capital assets	\$ 78,514,879	\$ 85,922,045	\$ 106,878,760	\$ 129,002,253	\$ 127,824,706	\$ 115,326,956	\$ 116,078,462	\$ 116,301,106	\$ 115,332,239
Restricted	11,746,186	9,989,011	8,053,642	11,451,573	11,517,373	12,556,179	11,634,601	10,977,442	9,888,840
Unrestricted	9,419,031	8,976,014	8,458,820	8,386,984	11,397,087	7,598,523	7,595,720	7,913,136	8,665,636
Total governmental activities net position	<u>\$ 99,680,096</u>	<u>\$ 104,887,070</u>	<u>\$ 123,391,222</u>	<u>\$ 148,840,810</u>	<u>\$ 150,739,166</u>	<u>\$ 135,481,658</u>	<u>\$ 135,308,783</u>	<u>\$ 135,191,683</u>	<u>\$ 133,886,715</u>
Business-type activities									
Net investment in capital assets	\$ 27,457,460	\$ 28,187,589	\$ 29,286,519	\$ 32,109,908	\$ 33,346,440	\$ 47,333,593	\$ 47,020,536	\$ 48,311,193	\$ 47,366,532
Restricted	403,246	413,254	413,247	67,713	67,710	72,029	72,233	-	-
Unrestricted	11,908,723	13,476,360	15,130,990	15,200,685	15,554,463	15,863,528	16,836,765	16,278,737	16,991,186
Total business-type activities net position	<u>\$ 39,769,429</u>	<u>\$ 42,077,203</u>	<u>\$ 44,830,756</u>	<u>\$ 47,378,306</u>	<u>\$ 48,968,613</u>	<u>\$ 63,269,150</u>	<u>\$ 63,929,534</u>	<u>\$ 64,589,929</u>	<u>\$ 64,357,718</u>
Primary government									
Net investment in capital assets	\$ 105,972,339	\$ 114,109,634	\$ 136,165,279	\$ 161,112,161	\$ 161,171,146	\$ 162,660,549	\$ 163,098,998	\$ 164,612,299	\$ 162,698,771
Restricted	12,149,432	10,402,265	8,466,889	11,519,286	11,585,083	12,628,208	11,971,690	10,977,442	9,888,840
Unrestricted	21,327,754	22,452,374	23,589,810	23,587,669	26,951,550	23,462,050	24,167,629	24,191,872	25,656,822
Total primary government net position	<u>\$ 139,449,525</u>	<u>\$ 146,964,273</u>	<u>\$ 168,221,978</u>	<u>\$ 196,219,116</u>	<u>\$ 199,707,779</u>	<u>\$ 198,750,807</u>	<u>\$ 199,238,317</u>	<u>\$ 199,781,613</u>	<u>\$ 198,244,433</u>

Notes: The City implemented GASB Statement 34 in fiscal year 2003.

Changes in Net Position Last Nine Fiscal Years

(Accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
Governmental activities:									
General government	\$ 1,062,341	\$ 1,005,438	\$ 1,066,756	\$ 1,050,378	\$ 1,155,532	\$ 1,195,452	\$ 1,091,832	\$ 1,033,325	\$ 1,014,122
Public safety	2,972,685	3,025,561	3,150,148	3,232,573	3,273,535	3,932,137	3,638,645	3,508,407	3,453,879
Public works	2,209,042	2,236,372	2,973,865	2,851,905	3,958,548	3,218,356	3,646,371	3,728,496	3,528,021
Transit	209,748	248,024	234,577	243,157	359,459	276,189	283,898	278,476	365,385
Recreation and culture	1,641,288	1,545,934	1,823,193	2,016,899	2,125,732	2,337,123	2,213,181	2,346,805	2,398,640
Community development	854,555	783,810	337,161	284,342	286,303	254,056	181,624	166,045	173,235
Cemetery	40,969	36,796	27,977	61,136	35,256	50,467	47,105	52,476	57,228
Interest on long-term debt	246,200	282,711	428,803	473,946	472,223	513,782	505,820	566,395	612,504
Total governmental activities expenses	<u>9,236,828</u>	<u>9,164,646</u>	<u>10,042,480</u>	<u>10,214,336</u>	<u>11,666,588</u>	<u>11,777,562</u>	<u>11,608,476</u>	<u>11,680,425</u>	<u>11,603,014</u>
Business-type activities									
Electric utility	8,273,952	7,903,122	8,377,355	9,193,839	10,450,476	11,589,832	11,271,252	11,749,099	12,268,180
Water utility	1,974,699	1,941,240	1,927,339	1,979,044	1,961,418	2,164,353	2,009,061	2,114,845	2,096,118
Sewer utility	507,951	529,054	553,626	587,568	629,832	665,582	703,260	785,645	964,063
City mall	488,397	479,526	460,350	412,999	428,359	358,227	350,600	365,121	631,066
Storm Water						477,935	907,291	956,736	804,162
Refuse collection	604,506	589,603	626,148	651,538	788,955	919,920	812,010	838,236	854,222
Total business-type activities expenses	<u>11,849,505</u>	<u>11,442,545</u>	<u>11,944,818</u>	<u>12,824,988</u>	<u>14,259,041</u>	<u>16,175,849</u>	<u>16,053,474</u>	<u>16,809,682</u>	<u>17,617,811</u>
Total primary government expenses	<u>\$ 21,086,333</u>	<u>\$ 20,607,191</u>	<u>\$ 21,987,298</u>	<u>\$ 23,039,324</u>	<u>\$ 25,925,629</u>	<u>\$ 27,953,411</u>	<u>\$ 27,661,950</u>	<u>\$ 28,490,107</u>	<u>\$ 29,220,825</u>
Program Revenues									
Governmental activities:									
Charges for services:									
General government	\$ 145,203	\$ 130,704	\$ 166,572	\$ 130,597	\$ 111,003	\$ 117,172	\$ 102,704	\$ 125,833	\$ 118,710
Public safety	208,511	213,850	286,779	252,713	296,028	316,428	314,829	246,507	459,160
Public works	565,294	295,704	287,309	321,362	214,208	218,778	219,704	266,398	273,836
Transit	8,152	13,238	12,588	4,000	4,000	19,398	2,446	4,500	
Recreation and culture	223,714	218,700	221,331	330,258	331,153	340,909	406,660	386,664	319,877
Community development	720,000	218,706	908,823	306,409	197,578	98,500	93,745	137,975	36,000
Cemetery	55,455	51,310	36,530	47,690	34,410	65,265	46,352	41,793	55,832
Operating grants and contributions	481,240	370,534	493,345	581,575	632,310	625,375	654,364	611,611	742,997
Capital grants and contributions	7,842,156	5,411,773	19,305,770	26,308,072	4,181,757	1,638,591	2,310,356	2,864,343	713,176
Total governmental activities program revenues	<u>10,249,725</u>	<u>6,924,519</u>	<u>21,719,047</u>	<u>28,282,676</u>	<u>6,002,447</u>	<u>3,440,416</u>	<u>4,151,159</u>	<u>4,685,624</u>	<u>2,719,588</u>

(continued)

Changes in Net Position Last Nine Fiscal Years (continued)

(Accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Business-type activities:									
Charges for services:									
Electric utility	9,148,691	9,387,172	9,973,709	10,556,891	11,240,822	11,957,089	11,850,730	12,986,102	13,075,789
Water utility	1,946,357	2,005,097	2,066,740	2,093,211	1,987,471	2,019,667	1,883,487	1,843,840	1,917,793
Sewer utility	564,262	559,830	564,904	564,768	566,828	627,070	968,208	988,491	976,454
City mall	310,250	275,568	203,205	163,496	147,836	160,238	178,530	189,072	197,095
Storm Water						176,337	178,686	179,305	213,691
Refuse collection	571,399	595,020	582,935	622,841	885,621	776,659	752,588	872,984	829,018
Operating grants and contributions	1,275,838	76,516	460,680	475,612	15,000	15,000	442,829	129,937	303,931
Capital grants and contributions	1,491,050	1,785,652	608,127	639,846	279,612		215,248	96,704	
Total business-type activities program revenues	15,307,847	14,684,855	14,460,300	15,116,665	15,123,190	15,732,060	16,470,307	17,286,435	17,513,771
Total primary government program revenues	\$ 25,557,572	\$ 21,609,374	\$ 36,179,347	\$ 43,399,341	\$ 21,125,637	\$ 19,172,476	\$ 20,621,466	\$ 21,972,060	\$ 20,233,359
Net (expense)/revenue									
Governmental activities	\$ 1,012,897	\$ (2,240,127)	\$ 11,676,567	\$ 18,068,340	\$ (5,664,142)	\$ (8,337,147)	\$ (7,457,316)	\$ (6,994,801)	\$ (8,883,426)
Business-type activities	3,458,342	3,242,310	2,515,482	2,291,677	864,148	(443,790)	416,833	431,752	(104,040)
Total primary government net expense	\$ 4,471,239	\$ 1,002,183	\$ 14,192,049	\$ 20,360,017	\$ (4,799,994)	\$ (8,780,937)	\$ (7,040,484)	\$ (6,563,048)	\$ (8,987,466)
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	\$ 1,570,491	\$ 1,672,398	\$ 1,821,538	\$ 1,889,815	\$ 1,954,979	\$ 2,163,693	\$ 2,116,388	\$ 2,201,420	\$ 2,364,973
Franchise taxes	1,172,213	1,196,054	1,227,694	1,237,084	1,309,050	1,309,050	1,361,673	1,359,302	1,392,521
Unrestricted grants and contributions	2,564,393	2,576,596	2,817,355	3,050,626	3,517,772	3,063,221	3,239,503	2,867,240	2,895,270
Investment earnings	286,203	202,124	274,097	508,965	530,674	406,526	272,807	160,728	361,923
Other	486,658	665,541	570,257	441,320	196,165	323,082	105,452	180,527	106,954
Transfers	679,183	1,134,388	116,644	253,438	53,856	(14,185,931)	188,618	108,484	456,816
Total governmental activities	6,759,141	7,447,101	6,827,585	7,381,248	7,562,496	(6,920,359)	7,284,440	6,877,700	7,578,457
Business-type activities									
Investment earnings	190,059	199,852	347,965	624,051	777,218	558,394	432,172	333,528	328,644
Other			6,750	(114,740)	2,795			3,600	
Transfers	(679,183)	(1,134,388)	(116,644)	(253,438)	(53,856)	14,185,931	(188,618)	(108,484)	(456,816)
Total business-type activities	(489,124)	(934,536)	238,071	255,873	726,157	14,744,325	243,554	228,644	(128,172)
Total primary government	\$ 6,270,017	\$ 6,512,565	\$ 7,065,656	\$ 7,637,121	\$ 8,288,653	\$ 7,823,966	\$ 7,527,994	\$ 7,106,344	\$ 7,450,285
Changes in Net Position									
Governmental activities	\$ 7,772,038	\$ 5,206,974	\$ 18,504,152	\$ 25,449,588	\$ 1,898,354	\$ (15,257,506)	\$ (172,876)	\$ (117,100)	\$ (1,304,969)
Business-type activities	2,969,218	2,307,774	2,753,553	2,547,550	1,590,305	14,300,535	660,387	660,396	(232,212)
Total primary government	\$ 10,741,256	\$ 7,514,748	\$ 21,257,705	\$ 27,997,138	\$ 3,488,659	\$ (956,971)	\$ 487,511	\$ 543,296	\$ (1,537,181)

Notes: The City implemented GASB Statement 34 in fiscal year 2003.

Fund Balances of Governmental Funds Last Ten Years

(Modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Nondisposable	\$ 15,947	\$ 9,087	\$ 16,521	\$ 12,686	\$ 14,562	\$ 21,708	\$ 5,854	\$ 22,738	\$ 33,224	\$ 35,397
Unassigned	1,533,340	2,149,793	2,417,060	2,561,700	2,186,399	2,820,231	2,558,791	2,704,602	2,554,632	2,724,606
Total general fund	<u>\$ 1,549,287</u>	<u>\$ 2,158,880</u>	<u>\$ 2,433,581</u>	<u>\$ 2,574,386</u>	<u>\$ 2,200,961</u>	<u>\$ 2,841,939</u>	<u>\$ 2,564,645</u>	<u>\$ 2,727,340</u>	<u>\$ 2,587,856</u>	<u>\$ 2,760,003</u>
All other governmental funds										
Nondisposable										\$ 244,951
Restricted	\$ 89,200	\$ 2,167,103	\$ 2,541,649	\$ 2,578,650	\$ 2,329,387	\$ 4,526,721	\$ 3,372,325	\$ 3,315,092	\$ 3,605,129	4,889,303
Unassigned	10,274,031	9,741,320	7,707,453	3,509,712	4,274,777	3,829,081	3,335,127	2,187,869	2,101,377	339,842
Total all other governmental funds	<u>\$10,363,231</u>	<u>\$11,908,423</u>	<u>\$10,249,102</u>	<u>\$ 6,088,362</u>	<u>\$ 6,604,164</u>	<u>\$ 8,355,802</u>	<u>\$ 6,707,452</u>	<u>\$ 5,502,961</u>	<u>\$ 5,706,506</u>	<u>\$ 5,474,096</u>

Changes in Fund Balances of Governmental Funds Last Ten Years

(Modified accrual basis of accounting)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
General Taxes	\$ 2,515,381	\$ 2,742,704	\$ 2,868,452	\$ 3,049,232	\$ 3,126,899	\$ 3,264,030	\$ 3,472,742	\$ 3,478,061	\$ 3,560,721	\$ 3,757,494
Special assessments	685,595	717,086	1,029,251	807,464	1,210,207	1,443,814	1,570,234	1,676,805	1,693,440	1,637,346
Licenses and permits	100,450	141,298	121,159	160,845	119,220	117,951	138,252	113,350	122,642	105,201
Intergovernmental	17,009,505	10,123,756	4,912,733	14,502,056	7,518,281	6,580,465	4,379,731	4,698,290	4,902,529	3,915,779
Charges for services	856,702	1,393,366	920,381	1,330,712	1,161,857	927,973	910,654	873,350	966,506	1,051,260
Fines and forfeitures	103,768	90,898	100,672	102,307	97,340	141,044	127,544	151,845	119,522	106,954
Investment earnings & other revenues	875,975	746,314	838,301	713,869	833,116	637,201	554,041	397,743	238,902	361,923
Total revenues	<u>22,147,376</u>	<u>15,955,422</u>	<u>10,790,949</u>	<u>20,666,485</u>	<u>14,066,920</u>	<u>13,112,477</u>	<u>11,153,198</u>	<u>11,389,444</u>	<u>11,604,264</u>	<u>10,935,957</u>
Expenditures										
General government	857,830	854,076	791,374	840,766	822,532	912,481	959,898	877,116	839,360	833,241
Public Safety	2,822,727	2,791,387	2,813,772	2,910,756	2,978,326	2,999,380	3,621,972	3,313,255	3,249,167	3,323,503
Public Works	852,004	991,067	995,493	1,177,123	1,159,593	1,178,059	1,298,076	1,222,589	1,415,962	1,289,353
Transit		200,551	238,827	225,379	233,959	268,674	252,780	261,246	262,526	344,381
Culture and recreation	1,376,185	1,320,261	1,269,802	1,405,334	1,566,894	1,593,285	1,805,030	1,706,580	1,783,518	1,833,113
Community development	471,052	854,555	783,810	337,161	283,554	284,137	254,056	181,624	166,045	171,953
Cemetery		38,393	34,220	24,852	57,243	31,363	46,574	43,434	49,139	54,721
Other	771,652	335,301	179,406	203,321	215,799	308,366	277,249	251,187	287,772	216,905
Capital outlay	13,113,999	8,275,091	10,395,782	16,373,353	9,329,950	5,750,739	4,426,691	6,120,134	4,634,989	1,778,446
Debt service										
Principal	610,000	295,000	495,000	965,000	1,245,000	440,000	1,785,000	885,000	940,000	1,593,000
Interest	255,255	245,038	251,995	365,107	380,455	530,829	513,802	504,413	525,259	587,668
Other charges			15,473							
Total all other governmental funds	<u>21,130,704</u>	<u>16,200,720</u>	<u>18,264,954</u>	<u>24,828,152</u>	<u>18,273,305</u>	<u>14,297,312</u>	<u>15,241,128</u>	<u>15,366,578</u>	<u>14,153,737</u>	<u>12,026,284</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,016,672</u>	<u>(245,298)</u>	<u>(7,474,005)</u>	<u>(4,161,667)</u>	<u>(4,206,385)</u>	<u>(1,184,835)</u>	<u>(4,087,930)</u>	<u>(3,977,134)</u>	<u>(2,549,473)</u>	<u>(1,090,327)</u>
Other financing sources (uses)										
Transfers in	5,083,905	2,129,091	2,070,089	2,435,195	2,332,296	1,610,482	2,430,180	2,640,830	1,604,455	1,098,012
Transfers out	(4,686,805)	(1,449,908)	(935,701)	(2,318,551)	(2,078,858)	(1,556,626)	(2,309,428)	(2,452,212)	(1,495,971)	(641,196)
Bond Issue Proceeds										
Refunding bonds issues			260,000							
Long-term debt issued		1,000,000	4,655,000		4,075,000	3,561,541	1,923,788	2,936,902	2,267,159	573,246
Premium on long-term debt			42,239							
Discount on long-term debt		(13,600)	(2,242)		(32,600)	(45,986)				
Sale of capital assets				25,088	52,924	8,040	117,746		47,709	
Total other financing sources (uses)	<u>397,100</u>	<u>1,665,583</u>	<u>6,089,385</u>	<u>141,732</u>	<u>4,348,762</u>	<u>3,577,451</u>	<u>2,162,286</u>	<u>3,125,520</u>	<u>2,423,352</u>	<u>1,030,062</u>
Net change in fund balances	<u>\$ 1,413,772</u>	<u>\$ 1,420,285</u>	<u>\$(1,384,620)</u>	<u>\$(4,019,935)</u>	<u>\$ 142,377</u>	<u>\$ 2,392,616</u>	<u>\$(1,925,646)</u>	<u>\$(851,616)</u>	<u>\$(126,123)</u>	<u>\$(60,265)</u>
Debt service as % of noncapital expenditures	10.8%	6.8%	7.5%	10.7%	18.2%	10.4%	17.9%	12.1%	14.4%	20.6%

Tax Revenues by Source Last Ten Years

(Modified accrual basis of accounting)

Year	Property Taxes	Electric Franchise (1)	Gas Franchise(2)	Cable TV Franchise(3)	Other	Total
2002	\$ 1,405,133	\$ 952,123	\$ 69,227	\$ 47,332	\$ 41,566	\$ 2,515,381
2003	1,527,020	1,022,548	91,382	58,283	43,471	2,742,704
2004	1,620,212	1,034,158	95,303	66,593	52,186	2,868,452
2005	1,760,249	1,043,375	112,071	72,248	61,289	3,049,232
2006	1,858,143	1,040,895	116,443	79,746	31,672	3,126,899
2007	1,929,978	1,085,474	120,895	89,768	37,915	3,264,030
2008	2,122,114	1,099,474	127,349	103,447	20,358	3,472,742
2009	2,092,423	1,151,321	97,010	113,343	23,964	3,478,061
2010	2,182,799	1,159,138	81,904	118,259	18,621	3,560,721
2011	2,323,055	1,183,030	85,419	124,072	41,919	3,757,495
Change 2002-2011	65.3%	24.3%	23.4%	162.1%	0.8%	49.4%

Notes: General Fund only.

(1) The electric franchise fee is \$0.0075 per kwh sold by the city-owned utility.

(2) The gas franchise fee is 3% of gross revenues generated by NSP/Xcel Energy.

(3) The cable franchise fee is 5% of gross revenues.

Source: Administration and Finance

State Intergovernmental Revenues by Program Last Ten Years

(Modified accrual basis of accounting)

Year	Local Government Aid	Market Value Credit (1)	Disparity Reduction Credit	Police State Aid	Other	Total
2002	\$ 2,384,154	\$ 213,642	\$ 316,089	\$ 151,678	\$ 47,406	\$ 3,112,969
2003	2,006,237	223,799	318,669	149,259	53,346	2,751,310
2004	2,006,237	225,945	328,726	146,904	62,808	2,770,620
2005	2,224,117	235,246	342,304	146,603	60,531	3,008,801
2006	2,456,818	212,727	365,393	152,950	63,112	3,251,000
2007	2,701,018	374,053	427,013	155,224	60,352	3,717,660
2008	2,458,788	192,742	396,003	154,113	52,905	3,254,551
2009	2,658,631	189,295	375,889	147,593	47,752	3,419,160
2010	2,471,550	10,971	369,031	140,088	52,503	3,044,143
2011	2,492,120	11,933	375,529	143,575	51,891	3,075,048
Change 2002-2011	4.5%	-94.4%	18.8%	-5.3%	9.5%	-1.2%

Notes: General Fund only.

(1) The state of Minnesota discontinued the homestead credit program and replaced it with the market value credit program in 2001.

Source: Administration and Finance

Tax Capacity and Estimated Market Value of all Taxable Property Last Ten Years

(Unaudited)

Year	Real Property		Personal Property		Total		Direct Tax Rate	Tax Cap % of Mkt Value
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value		
2002	\$ 2,920,491	\$ 247,457,900	\$ 44,485	\$ 2,274,600	\$ 2,964,976	\$ 249,732,500	68.60	1.2%
2003	2,938,950	251,901,800	47,567	2,428,700	2,986,517	254,330,500	72.95	1.2%
2004	3,096,636	266,609,000	46,631	2,381,900	3,143,267	268,990,900	73.67	1.2%
2005	3,247,089	280,077,300	49,906	2,543,300	3,296,995	282,620,600	75.24	1.2%
2006	3,749,080	328,061,200	52,587	2,678,500	3,801,667	330,739,700	66.43	1.1%
2007	4,649,507	392,040,400	53,460	2,723,900	4,702,967	394,764,300	57.09	1.2%
2008	5,151,146	444,605,200	53,064	2,704,100	5,204,210	447,309,300	53.84	1.2%
2009	5,219,626	449,130,700	2,697	175,900	5,222,323	449,306,600	52.78	1.2%
2010	5,422,190	467,564,800	52,371	2,670,000	5,474,561	470,234,800	52.24	1.2%
2011	5,332,421	464,750,400	54,666	2,786,000	5,387,087	467,536,400	56.16	1.2%

Source: County Assessor



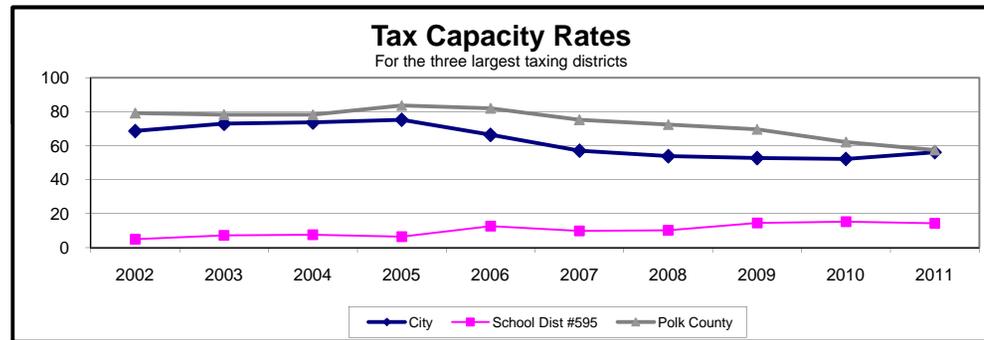
Note: The county assessor is occasionally required to make city wide adjustments to estimated market values. The State of Minnesota will instruct the county assessor to make these type of adjustments when data comparing actual sales to assessed values warrant such actions. In 1997 and again in 2001, estimated market values for residential buildings were increased city wide by 15%.

Property Tax Rates - All Direct and Overlapping Governments Last Ten Years

(Unaudited)

Year	Tax Rates per \$1,000 of Tax Capacity								
	General	Debt	Total City	School Dist #595	Polk County	Watershed Value	NWRDC	Ambulance District	Total
2002	68.60	-	68.60	5.00	79.20	5.03	0.35	1.56	159.74
2003	72.01	0.94	72.95	7.18	78.12	5.17	0.42	1.55	165.39
2004	67.82	5.85	73.67	7.52	78.23	5.14	0.42	1.48	166.48
2005	71.88	3.36	75.24	6.54	83.63	5.12	0.41	1.42	172.36
2006	61.57	4.86	66.43	12.55	81.89	4.70	0.37	1.19	167.14
2007	52.86	4.23	57.09	9.77	75.17	4.61	0.34	0.97	147.95
2008	50.10	3.74	53.84	10.26	72.37	4.89	0.33	0.87	142.56
2009	49.02	3.76	52.78	14.46	69.65	5.05	0.32	0.87	143.13
2010	50.38	1.86	52.24	15.28	62.04	4.80	0.28	0.83	135.47
2011	54.08	2.08	56.16	14.24	57.39	5.31	0.27	0.84	134.21

Source: County Auditor



Notes: State paid tax credits comprise the difference between the city's gross and net tax levies. In 2002, the State of Minnesota replaced the local school levy with state aid. Total includes rounding errors.

Principal Property Taxpayers Current Year and Nine Years Ago

(Unaudited)

Taxpayer	2011			2002		
	Tax Capacity	Rank	% of Total Tax Capacity of \$5,387,087	Tax Capacity	Rank	% of Total Tax Capacity of \$2,950,509
American Crystal	\$ 593,734	1	11.02%	\$ 216,122	1	7.3%
Cabela's	57,706	2	1.07%	52,492	3	1.8%
Sterling Development	56,910	3	1.06%			
Valley Markets	53,298	4	0.99%	54,764	2	1.9%
Pierce Investments LLC	52,534	5	0.98%			
Riverview Terrace	52,485	6	0.97%	25,468	7	0.9%
Xcel Energy	52,020	7	0.97%	45,426	4	1.5%
Green Acres	51,471	8	0.96%	35,114	6	1.2%
EGF EDA Sunshine Terrace	38,705	9	0.72%			
Burlington Northern	34,844	10	0.65%	29,130	5	1.0%
City of EGF - Mall				17,894	8	0.6%
Bakken Properties				17,792	9	0.6%
Town Square				16,178	10	0.5%
	<u>\$ 1,043,707</u>		<u>19.4%</u>	<u>\$ 510,380</u>		<u>17.3%</u>

Note: Tax capacity is calculated by multiplying the estimated market value by property classification rates prescribed by Minnesota state law. Total includes rounding errors.

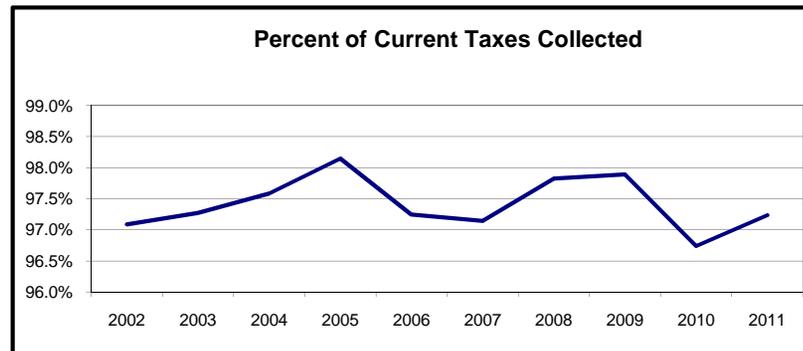
Source: County Auditor

Property Tax Levies and Tax Collections Last Ten Years

(Unaudited)

Year	Net Tax Levy	Current Tax Collection	Percent of Levy	Delinquent Tax Collection	Total Tax Collection	Total as % or Current Levy	Total Collections	
							Amount	% of Levy
2002	\$1,406,729	\$1,365,758	97.1%	\$ 32,275	\$1,398,033	99.4%	\$1,406,729	100.0%
2003	1,530,097	1,488,323	97.3%	29,127	1,517,450	99.2%	1,530,097	100.0%
2004	1,624,123	1,584,866	97.6%	35,344	1,620,210	99.8%	1,622,622	99.9%
2005	1,752,128	1,719,623	98.1%	32,985	1,752,608	100.0%	1,750,384	99.9%
2006	1,865,108	1,813,713	97.2%	44,408	1,858,121	99.6%	1,857,246	99.6%
2007	1,953,185	1,897,420	97.1%	32,146	1,929,566	98.8%	1,942,476	99.5%
2008	2,120,415	2,074,229	97.8%	48,892	2,123,121	100.1%	2,108,983	99.5%
2009	2,097,718	2,053,418	97.9%	39,005	2,092,423	99.7%	2,074,038	98.9%
2010	2,214,089	2,141,845	96.7%	40,954	2,182,799	98.6%	2,141,845	96.7%
2011	2,332,839	2,268,370	97.2%	41,993	2,310,363	99.0%	2,268,370	97.2%

Source: County Auditor



Special Assessment Levies and Collections Last Ten Years

(Unaudited)

Year	Special Assessment Billings	Special Assessment Collections		Uncertified (2) Special Assessments	Prepayment of Special Assessments	Prepayment Ratio (3) as a % of Uncertified	Total Special Assessments Collected
		Special Assessment Collections Amount(1)	% of Billings				
2002	\$ 642,151	\$ 633,185	98.6%	\$ 4,924,970	\$ 111,282	2.2%	\$ 744,467
2003	640,898	626,121	97.7%	5,463,256	138,711	2.5%	764,832
2004	696,139	714,896	102.7%	5,937,659	204,089	3.3%	918,985
2005	755,885	746,945	98.8%	7,152,073	81,459	1.1%	828,404
2006	920,374	943,194	102.5%	10,671,065	235,031	2.2%	1,178,225
2007	1,410,342	1,323,689	93.9%	10,963,152	129,986	1.2%	1,453,675
2008	1,461,352	1,322,012	90.5%	10,514,965	109,880	1.0%	1,431,892
2009	1,486,917	1,444,914	97.2%	10,305,749	237,680	2.3%	1,682,594
2010	1,500,916	1,537,669	102.4%	10,082,307	126,891	1.2%	1,664,560
2011	1,505,227	1,525,126	101.3%	9,090,444	99,666	1.1%	1,624,792

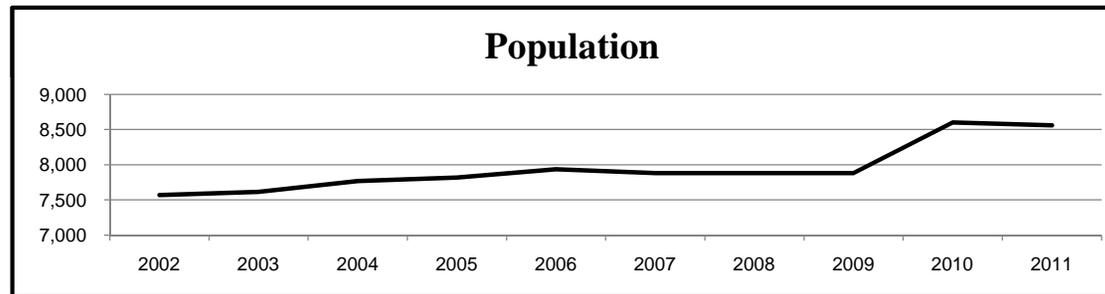
Source: Administration and Finance

- Notes:
- (1) Includes current and delinquent assessments, and assessments collected by the general fund after debt service obligations have been satisfied (miscellaneous revenues - other).
- (2) In 1999, the City deferred \$730,732 in uncertified special assessments on city-owned residentially zoned property. These assessments will be added back to the assessment rolls as the lots are sold. In 2004, the City deferred \$ 3,197,276 on city-owned residentially zoned property, which will be assessed as the lots are sold.
- (3) Prepayment ratio is calculated by dividing the prepayments by the sum of uncertified special assessments and prepayments.

Ratio of Net Bonded Debt to Tax Capacity and Estimated Values, and Net Bonded Debt per Capita Last Ten Years

(Unaudited)

Year	Population(1)	Tax Capacity	Bonded Debt Type		Total Gross Bonded Debt	Less Amount for Retirement	Net Bonded Debt	As a % of Tax Capacity	As a % of Personal Income	Estimated Market Values	Bonded Debt Per Capita
			Governmental	Business							
2002	7,569	2,964,976	4,905,000	4,315,000	9,220,000	1,603,628	7,616,372	256.9%	144.9%	3.0%	1,218
2003	7,616	2,986,517	4,830,000	4,165,000	8,995,000	1,856,553	7,138,447	239.0%	122.5%	2.8%	1,181
2004	7,769	3,143,267	9,285,000	4,010,000	13,295,000	2,191,957	11,103,043	353.2%	196.2%	4.1%	1,711
2005	7,816	3,296,995	8,355,000	3,845,000	12,200,000	2,453,241	9,746,759	295.6%	161.8%	3.4%	1,561
2006	7,934	3,801,667	11,710,000	1,415,000	13,125,000	2,002,701	11,122,299	292.6%	179.5%	3.4%	1,654
2007	7,879	4,702,967	14,830,000	1,345,000	16,175,000	4,212,406	11,962,594	254.4%	na	3.0%	2,053
2008	7,879	5,204,210	13,045,000	3,198,788	16,243,788	3,001,252	13,242,536	254.5%	na	3.0%	2,057
2009	7,879	5,222,323	13,397,881	4,762,211	18,160,092	2,978,660	15,181,432	290.7%	na	3.4%	2,305
2010	8,601	5,474,561	14,335,251	3,790,000	18,125,251	2,894,632	15,230,620	278.2%	na	3.4%	2,305
2011	8,560	5,387,087	13,093,577	3,623,000	16,716,577	2,202,313	14,514,264	269.4%	na	3.1%	1,953



Notes: (1) The annual population estimates are obtained from the state demographer, with the exception of the 2000 census year. When current year population are not available, previous year estimates are carried forward.

Source: Administration and Finance and Polk County Auditor

Computation of Direct and Overlapping Debt As of December 31, 2011

(Unaudited)

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City (1)	Overlapping Debt	Amount Applicable to City
DIRECT DEBT:				
City of East Grand Forks	<u>\$ 16,868,930</u>	<u>100.0%</u>		<u>\$ 16,868,930</u>
OVERLAPPING DEBT:				
I.S.D. 595	5,955,000	62.7%	\$ 3,735,249	
Polk County	<u>25,665,000</u>	<u>14.1%</u>	<u>3,612,743</u>	
Total Overlapping Debt				<u>7,347,992</u>
Total direct and overlapping debt				<u>\$ 24,216,922</u>

Source: Taxable value data used to estimate applicable percentages provided by Polk County.

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

(1) The percentage overlapping debt applicable is estimated using taxable property values. Applicable percentages are estimated by determining the portion of the county's taxable value that is within the City's boundaries and dividing it by the county's total taxable valuation.

Legal Debt Margin Information Last Ten Years

(Unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Estimated market value	<u>\$ 249,732,500</u>	<u>\$ 254,330,500</u>	<u>\$ 268,990,900</u>	<u>\$ 282,620,600</u>	<u>\$ 330,739,700</u>	<u>\$ 394,764,300</u>	<u>\$ 447,309,300</u>	<u>\$ 451,767,600</u>	<u>\$ 494,264,800</u>	<u>\$ 467,536,400</u>
Total debt	\$ 9,624,292	\$ 10,305,377	\$ 14,488,901	\$ 12,851,286	\$ 13,189,223	\$ 16,870,000	\$ 16,813,883	\$ 18,597,195	\$ 18,423,201	\$ 16,868,936
Deductions:										
Bonds:										
G.O. improvement bonds	4,095,000	4,830,000	9,285,000	8,355,000	11,710,000	14,830,000	13,045,000	12,160,000	11,220,000	9,700,000
G.O. tax increment bonds										
Certificates of participation	625,000	595,000	560,000	525,000						
G.O. water revenue bonds	1,665,000	1,605,000	1,545,000	1,480,000	1,415,000	1,345,000	1,275,000	1,200,000		
Electric revenue bonds	2,650,000	2,560,000	2,465,000	2,365,000						
MIF-DRLF mall loan	494,670	471,154	447,638							
MN PFA GO Clean Water Improv Bonds							1,923,788	3,562,211	3,790,000	3,623,000
MN PFA GO Transportation Improv Bonds								1,237,881	3,115,251	3,393,577
GMHF & MHFA Deferred Loans										
City share of special assessments	94,622									
Debt service funds:										
Cash, securities, and restricted cash	1,603,628	1,356,603	2,235,996	1,933,482	1,786,948	4,093,507	2,874,751	2,755,615	2,857,144	2,147,233
Less amount applicable to excluded bonds	(1,603,628)	(1,356,603)	(2,235,996)	(1,933,482)	(1,786,948)	(4,093,507)	(2,874,751)	(2,755,615)	(2,857,144)	(2,147,233)
Total net debt applicable to debt limit	\$ -	\$ 244,223	\$ 186,263	\$ 126,286	\$ 64,223	\$ 695,000	\$ 570,095	\$ 437,103	\$ 297,949	\$ 152,359
Debt limit is 2% of estimated market value	\$ 4,994,650	\$ 5,086,610	\$ 5,379,818	\$ 5,652,412	\$ 6,614,794	\$ 7,895,286	\$ 8,856,998	\$ 9,035,352	\$ 9,885,296	\$ 9,350,728
Legal Debt Margin	\$ 4,994,650	\$ 4,842,387	\$ 5,193,555	\$ 5,526,126	\$ 6,550,571	\$ 7,200,286	\$ 8,286,903	\$ 8,598,249	\$ 9,587,347	\$ 9,198,369
Total net debt applicable to limit as a percentage of debt limit	0.0%	4.8%	3.5%	2.2%	1.0%	8.8%	6.4%	4.8%	3.0%	1.6%

COMPUTATION OF LEGAL DEBT MARGIN

NOTE (A): Minnesota Statutes 475.53 et seq.

Limit on Net Debt

"Subdivision 1. Generally, except as otherwise provided in sections 475.51 to 475.75, no municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of 2% of the market value of taxable property in the municipality."

NOTE (B): Minnesota Statutes 475.51

"Subdivision 4. 'Net Debt' means the amount remaining after deducting from its gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt, and the aggregate of the principal of the following:

(1) Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursements in whole or in part from the proceeds of the special assessments.

(2) Warrants or orders having no definite or fixed maturity.

(3) Obligations payable wholly from the income from revenue-producing conveniences.

(4) Obligations to create or maintain a permanent improvement revolving fund.

(5) Obligations issued for the acquisition and betterment of public water-works systems and public lighting, heating, or power systems, and of any combination thereof or for any other public convenience from which revenue is or may be derived.

Schedule of Improvement Bond Coverage Debt Service Funds

(Unaudited)

Improvement Bond	Fund	Year	Assessment Collections(1)	Debt Service Requirements			Coverage	Debt Outstanding	Deferred Revenue
				Principal	Interest(2)	Total			
12-1-01 \$1,045,000	531	2002	\$ 92,797	\$ 370,000	\$ 46,317	\$ 416,317	0	\$ 1,045,000	\$ 657,593
		2003	108,075	55,000	47,712	102,712	1	990,000	826,568
		2004	114,612	65,000	45,311	110,311	1	925,000	767,213
		2005	90,666	60,000	42,811	102,811	1	865,000	725,245
		2006	128,126	55,000	40,569	95,569	1	810,000	684,260
		2007	87,119	55,000	38,369	93,369	1	755,000	645,771
		2008	89,754	50,000	36,143	86,143	1	705,000	601,879
		2009	111,915	50,000	33,895	83,895	1	655,000	532,463
		2010	85,477	55,000	31,531	86,531	1	600,000	484,852
		2011	91,122	600,000	15,763	615,763	0	-	418,544
		12-1-03 \$1,000,000	532	2004	79,678	-	27,824	27,824	3
2005	103,079			30,000	40,583	70,583	1	970,000	925,216
2006	75,345			40,000	39,526	79,526	1	930,000	903,952
2007	141,496			40,000	38,266	78,266	2	890,000	822,918
2008	102,382			40,000	36,986	76,986	1	850,000	778,042
2009	106,339			40,000	35,706	75,706	1	810,000	725,013
2010	87,748			40,000	34,426	74,426	1	770,000	686,559
2011	94,217			40,000	33,107	73,107	1	730,000	646,245
4-1-04 \$260,000	527	2005	60,917	530,000	28,303	558,303	0	260,000	329,235
		2006	51,386	35,000	8,170	43,170	1	225,000	302,892
		2007	49,856	30,000	7,276	37,276	1	195,000	275,353
		2008	51,486	35,000	6,383	41,383	1	160,000	244,264
		2009	59,090	35,000	5,420	40,420	1	125,000	203,614
		2010	50,312	35,000	4,396	39,396	1	90,000	168,351
		2011	43,686	35,000	3,854	38,854	1	55,000	137,121
12-1-04 \$4,655,000	533	2005	87,469	-	125,974	125,974	1	4,655,000	1,675,095
		2006	184,881	170,000	186,204	356,204	1	4,485,000	2,306,453
		2007	217,172	205,000	179,554	384,554	1	4,280,000	2,269,211
		2008	254,689	210,000	171,254	381,254	1	4,070,000	2,153,910
		2009	229,429	215,000	162,754	377,754	1	3,855,000	2,085,952
		2010	354,489	220,000	154,054	374,054	1	3,635,000	1,871,421
		2011	232,385	225,000	145,154	370,154	1	3,410,000	1,753,232
03-1-06 \$ 4,075,000	534	2007	436,739	-	211,104	211,104	2	4,075,000	2,451,574
		2008	450,556	375,000	142,954	517,954	1	3,700,000	2,140,087
		2009	386,705	385,000	130,221	515,221	1	3,315,000	1,889,256
		2010	392,647	400,000	116,676	516,676	1	2,915,000	1,609,108
		2011	376,547	415,000	102,414	517,414	1	2,500,000	1,328,332
12-01-07 \$ 3,560,000	535	2007						3,560,000	2,625,490
		2008	347,090		75,772	75,772	5	3,560,000	2,625,490
		2009	319,020	160,000	135,985	295,985	1	3,400,000	2,511,853
		2010	372,558	190,000	129,988	319,988	1	3,210,000	2,333,149
		2011	362,416	205,000	123,123	328,123	1	3,005,000	2,126,518

Note: (1) Includes penalties and interest on delinquent assessment.
(2) Includes fiscal agent fees.

Source: Administration and Finance

Schedule of Revenue Bond Coverage

Water Fund

(Unaudited)

Water Fund:

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
2005	2,108,390	1,285,178	823,212	65,000	74,566	139,566	6
2006	2,176,681	1,399,418	777,263	65,000	71,603	136,603	6
2007	2,094,122	1,392,146	701,976	70,000	68,500	138,500	5
2008	2,095,935	1,583,565	512,370	70,000	65,642	135,642	4
2009	1,940,848	1,433,218	507,631	75,000	61,742	136,742	4
2010	1,851,855	1,566,196	285,659	75,000 (4)	21,541	96,541	3
2011	1,917,793	1,561,996	355,797				N/A

Notes (1) Total revenues including interest.

(2) Total operating expenses excluding depreciation.

(3) The first year of bonds payments was 2002.

(4) Bonds totaling \$ 1,200,000 were called and prepaid in 2010.

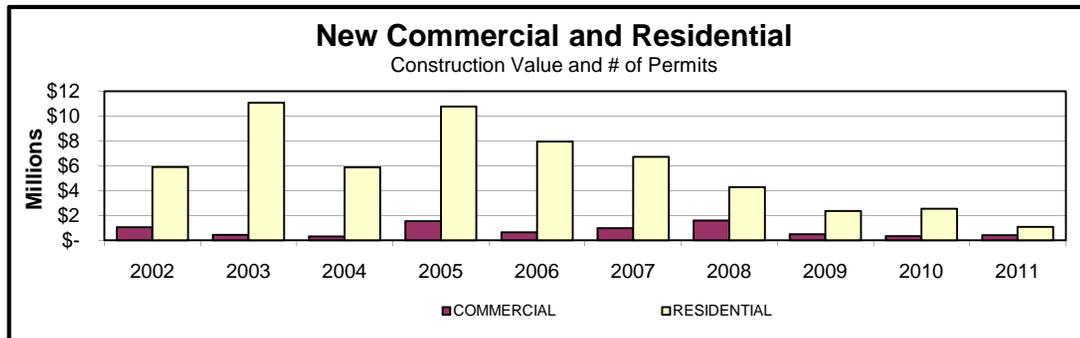
Source: Administration and Finance

Construction Last Ten Years

(Unaudited)

Year	CONSTRUCTION (1)				Total
	COMMERCIAL		RESIDENTIAL		
	Permits	Value	Permits	Value	
2002	5	\$ 1,046,000	51	\$ 5,891,000	\$ 6,937,000
2003	2	447,000	87	11,094,000	11,541,000
2004	1	301,000	48	5,877,000	6,178,000
2005	5	1,540,000	74	10,781,000	12,321,000
2006	4	641,000	58	7,943,000	8,584,000
2007	1	980,000	51	6,719,000	7,699,000
2008	4	1,583,000	27	4,278,000	5,861,000
2009	4	489,000	12	2,350,000	2,839,000
2010	1	320,000	12	2,533,000	2,853,000
2011	2	398,000	4	1,085,000	1,483,000

Sources: Building Official



Notes: (1) Only new construction permits.

Demographic and Economic Statistics Last Ten Calendar Years

(Unaudited)

Calendar Year	Population (1)	Personal Income (2) (thousands of dollars)	Per Capita Personal Income (2)	Median Age (2)	Population 25 yrs & over-Bachelor's degree or higher (2)	School Enrollment (3)	Unemployment Rate (2)
2002	7,569	5,256,878	25,161	na	na	1,858	3.9%
2003	7,616	5,827,255	27,968	na	na	1,814	3.5%
2004	7,769	5,659,000	27,024	na	na	1,773	2.8%
2005	7,816	6,023,000	28,974	na	na	1,756	3.0%
2006	7,934	6,196,000	29,919	na	na	1,746	3.8%
2007	7,897	na	na	na	na	2,165	3.3%
2008	7,879	na	na	na	na	2,092	5.0%
2009	7,879	na	na	na	na	2,072	5.2%
2010	8,601	na	na	na	na	1,935	3.3%
2011	8,560	na	na	35	1,193	2,302	6.2%

Data Sources: (1) State of Minnesota Demographic Center.
 (2) U.S. Census Data.
 (3) East Grand Forks Public School District, East Grand Forks private schools.

Principal Employers Current Year and Nine Years Ago

(Unaudited)

<u>Taxpayer</u>	<u>2011</u>			<u>2002</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment 2,700</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment 2,500</u>
American Crystal	303	1	11.22%	420	1	16.8%
ISD 595	315	2	11.67%	320		12.8%
Northwest Technical College	295	3	10.93%	107	5	4.3%
Vigen Construction	157	4	5.81%			
Valley Markets	130	5	4.81%	115	4	4.6%
City of East Grand Forks	91	6	3.37%			
R. J. Zavoral and Sons, Inc.	90	7	3.33%			
Blue Moose	62	8	2.30%	70	6	2.8%
Northern Valley	55	9	2.04%	35	9	1.4%
Mayo Manufacturing	30	10	1.11%	35	8	1.4%
				128	2	5.1%
				125	3	5.0%
				65	7	2.6%
	<u>1,528</u>		<u>56.6%</u>	<u>1,420</u>		<u>56.8%</u>

Source: Telephone survey of individual employers, October 2010

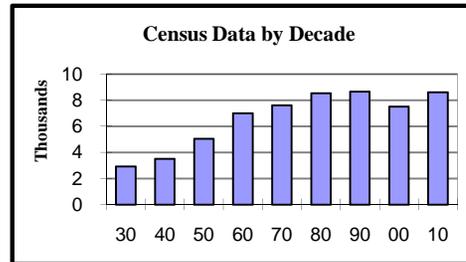
Demographic Statistics

U.S. Census Data

(Unaudited)

Population Changes:

1930	2,922
1940	3,511
1950	5,049
1960	6,988
1970	7,607
1980	8,537
1990	8,658
2000	7,501
2010	8,601



Population Characteristic:

Population Characteristic:	2000	% Total	2010	% Total
Under 20	5,053	67%	2,490	29%
20 and over	2,448	33%	6,111	71%
	<u>7,501</u>	<u>100%</u>	<u>8,601</u>	<u>100%</u>

Miscellaneous:

Miscellaneous:	2000	2010
Median Age:	34.10 years	35.00 years
Household size:	2.54 people	2.33 people
Number of households:	2,929.00 units	3,488.00 units

Age Characteristics:

	2000		2010	
	Total	% Total	Total	% Total
Under 5 years	516	7%	691	8%
5-9 years	580	8%	578	7%
10-14 years	646	9%	595	7%
15-19 years	706	9%	626	7%
20-24 years	526	7%	633	7%
25-34 years	865	12%	1,182	14%
35-44 years	1,219	16%	1,028	12%
45-54 years	971	13%	1,250	15%
55-59 years	324	4%	507	6%
60-64 years	269	4%	371	4%
65-74 years	456	6%	533	6%
75-84 years	321	4%	421	5%
85 years and older	102	1%	186	2%
Total	<u>7,501</u>	<u>100%</u>	<u>8,601</u>	<u>100%</u>

Source: U.S. Census Bureau

Full-time Employees by Function/Program Last Ten Fiscal Years

(Unaudited)

Function	Full-time Employees as of December 31, 2011									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government:										
Administration and Finance	5	5	5	5	5	5	4	5	5	5
Building	1	1	1	1	1	1	1	0	0	0
Public Safety:										
Building Official	3	3	3	3	3	3	3	2	2	2
Fire	11	11	11	11	10	10	10	10	10	10
Police	24	24	23	23	23	24	24	23	24	26
Public Works:										
Refuse	6	6	6	6	6	6	6	6	6	6
Sewage	2	2	2	2	2	2	2	2	2	2
Streets	8	8	8	8	8	7	7	7	7	6
Culture and Recreation:										
Administration	3	3	3	3	3	2	3	3	3	3
Parks	2	2	2	2	2	2	2	2	2	1
Arenas	2	2	2	2	2	2	2	2	2	2
Library	2	2	2	3	3	3	3	3	3	3
Senior Center	1	1	1	1	1	1	1	1	1	1
Water and Light										
Administration	5	5	5	5	5	5	5	6	6	6
Electric	13	13	11	11	11	10	10	10	10	11
Water	8	8	8	8	8	8	8	8	8	8
Total	<u>96</u>	<u>96</u>	<u>93</u>	<u>94</u>	<u>93</u>	<u>91</u>	<u>91</u>	<u>90</u>	<u>91</u>	<u>92</u>

Notes: Excludes seasonal and part-time positions.

Source: Administration and Finance

Operating Indicators by Function Last Ten Fiscal Years

(Unaudited)

Function	Year Ending December 31, 2011									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
On Sale Liquor license by entity	14	13	14	13	11	10	11	10	11	14
Off Sale Liquor license by entity	4	4	4	4	4	3	4	4	4	4
Number of AP checks written	3,323	3,036	2,986	3,033	3,055	3,075	3,224	3,184	3,321	3,491
Police										
DUI arrests	107	116	135	85	102	124	93	126	125	121
Traffic violations	1,768	1,386	1,367	1,107	898	1,044	918	1,041	1,274	1,001
No. of dog/cat licenses	87	97	93	111	111	106	123	132	160	111
Fire										
No. of rescue & EMS incidents	347	372	387	383	405	435	454	539	529	512
No. of fire calls	100	96	99	106	96	44	33	22	21	87
Building Official										
Building permits issues	340	358	246	308	302	379	117	343	454	315
Other permits issued	184	275	253	314	226	266	335	302	253	247
Refuse collection										
Refuse collected annually (tons)	3,734	3,859	3,875	3,864	4,003	3,905	3,482	3,713	3,983	3,995
Recyclables collected annually (tons)	4,443	5,277	1,370	4,740	820	449	521	604	698	676
Recreation and culture										
Number of summer registrants	563	340	429	680	708	748	601	601	473	501
Number of winter registrants	352	265	270	403	405	285	380	426	422	434
Attendance for general swim	na	9,976	10,101	10,326	11,098	11,278	8,963	7,142	10,450	9,866
Library										
Volumes in collection	38,680	41,037	43,114	44,595	47,641	49,972	49,341	45,259	50,719	52,498
Total volumes borrowed	72,702	65,367	80,064	83,288	88,451	74,045	80,830	76,329	83,777	89,692
Water										
Annual tap water billed (millions)	313	350	363	374	383	377	358	348	318	324
Average number of monthly meters	2,445	2,501	2,571	2,629	2,692	2,734	2,763	2,793	2,810	2,816
Electric										
Annual Kwhs billed (millions)	127	136	138	139	139	146	154	156	157	157
Maximum Demand Kwhs (millions)	28.47	26.63	26.40	25.55	26.49	29.21	30.79	32.33	32.01	30.53
Cemetery										
No. of Lots Sold	127	58	46	31	48	26	52	43	33	27
No. of Interments	26	34	29	22	42	21	52	43	37	44
Transit										
Total route miles	16	16	16	16	16	16	16	16	16	16
Passengers	17,919	16,833	14,147	16,785	16,324	16,772	20,840	23,616	24,809	28,789

Source: Various city departments

Schedule of Insurance in Force December 31, 2011

(Unaudited)

<u>Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Type of Coverage</u>	<u>Liability Limits</u>
PROPERTY				
League of Minnesota Cities (C&H Insurance)	CMC31507	1/1/11-1/1/12	All Risk Blanket Property, excluding flood.	\$90,936,141 Blanket \$50,000,000 Terrorism Activity \$500,000 Valuable Papers
League of Minnesota Cities (C&H Insurance)	CMC31507	1/1/11-1/1/12	Boiler and Machinery	\$98,487,804
BONDS				
League of Minnesota Cities (C&H Insurance)	CMC31507	1/1/11-1/1/12	Public Officials	\$100,000 Clerk-Treasurer \$100,000 Public Employees
League of Minnesota Cities (C&H Insurance)	CMC31507	1/1/11-1/1/12	Commercial Blanket Bond Commercial Crime	\$100,000 Forgery 250,000 Per Occurrence
LIABILITY				
League of Minnesota Cities (C&H Insurance)	CMC31507	1/1/11-1/1/12	Comprehensive General/ Public Officials Liability	\$1,500,000 Public Officials
League of Minnesota Cities (C&H Insurance)	CMC31507	1/1/11-1/1/12	Comprehensive General/ Auto Liability	\$1,500,000 per occurrence
League of Minnesota Cities (C&H Insurance)	CMC31507	1/1/11-1/1/12	General Liability (Bodily injury, employee benefits, host liquor liability)	\$1,500,000 per occurrence
OPEN MEETING LAW				
League of Minnesota Cities (C&H Insurance)	OML5889	1/1/11-1/1/12	Open Meeting Law Defense Cost Reimbursement	\$50,000 per city official
WORKERS COMPENSATION				
League of Minnesota Cities (Berkley Risk Administrators)	200011429	1/13/11-1/13/12	Workers Compensation Comprehensive Managed Care Retro-rated 40% to 130%	\$1,000,000 Bodily Injury by accident \$1,000,000 Bodily Injury by disease

Miscellaneous Statistical Information

(Unaudited)

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Number of employees	97	95	95	95	95	95	91	90	91	92
Area in square miles	5.5	6	6	6	6	6	6	6	6	6
Developed	4.5	5	5	5	5	5	5	5	5	5
Undeveloped	1	1	1	1	1	1	1	1	1	1
Miles of streets	59	59	59	59	59	59	70	70	70	70
Culture and Recreation:										
Senior Center	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Arenas	2	2	2	2	2	2	2	2	3	3
Parks	11	11	11	11	11	11	11	12	12	12
Park acreage owned	278	278	278	278	278	278	278	278	278	278
Park acreage developed	18	18	18	18	18	18	18	218	218	218
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Fire Protection:										
Number of stations	2	2	2	2	2	2	2	2	2	2
Number of vehicles	7	7	7	7	7	7	10	10	11	11
Number of full-time Firefighters	11	11	11	11	11	10	10	10	9	9
Number of volunteer Firefighters	15	15	15	15	15	20	25	25	14	14
Fire Insurance Rating	4	4	4	4	4	4	4	4	4	4
Police Protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of police officers	23	23	23	23	23	24	21	21	21	21
Number of patrol units	6	6	6	6	6	6	5	5	5	5
Sewage System:										
Miles of force mains	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Miles of sewer mains	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8
Miles of storm sewers	30	30	30	30	30	30	42	42	53.2	53.2
Number of lift stations	8	9	9	9	9	12	12	12	12	12
Number of storm sewer lift stations	3	4	4	4	4	13	14	14	14	14
Water System:										
Miles of water mains	52	52	52	52	52	52	52	52	52	52
Number of fire hydrants	342	342	342	342	342	342	342	342	461	461
Gallons of Storage Capacity	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,000,000	4,000,000
Daily treatment capacity	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Towers and reservoirs	5	5	5	5	5	5	5	5	4	4
Electric System:										
Number of substations	4	4	4	4	4	4	4	4	4	4
Miles of distribution lines	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3
Peak Demand in MW	26.402	26.627	28.47	28.61	26.49	26.49	30.79	30.79	31.611	31.611
Public Education Facilities/Services Not Included In Reporting Entity:										
Number of elementary schools	2	2	2	2	2	2	2	2	2	2
Number of middle schools	1	1	1	1	1	1	1	1	1	1
Number of senior high schools	1	1	1	1	1	1	1	1	1	1
Northwest Technical College	1	1	1	1	1	1	1	1	1	1
Bond rating	A3	A1								

**SIGNIFICANT MINNESOTA TAX POLICIES
DECEMBER 31, 2011**

GENERAL

All non-exempt property in Minnesota is subject to taxation by local taxing districts. The tax levied on a property is determined by computing its tax capacity, which is the property's market value multiplied by the appropriate class rates. The taxes on a property are computed by multiplying the tax rate by the property's tax capacity. The tax rate is determined by the County Auditor, dividing each tax levy by the taxing jurisdiction adjusted net tax capacity.

Properties are physically reviewed by assessors at least once every four years.

The Minnesota Department of Revenue analyzes sales of properties annually, comparing sales prices with the local assessor's market value. This establishes a sales ratio. The sales ratio is also used in determining municipal and school district state aids.

The assessor's market value is multiplied by the appropriate class rates to arrive at the Adjusted Net Tax Capacity (taxable value). The class rates vary by class of property. The schedule below shows some of the major classes of property and their applicable class rate:

TYPE OF PROPERTY	2011 TAXES <u>PAYABLE</u>
<u>Residential Homestead</u>	
First \$500,000	1.00%
Over \$500,000	1.25%
<u>Commercial/Industrial</u>	
First \$150,000	1.50%
Over \$150,000	2.00%
<u>Rentals</u>	
Regular (4 or more units)	1.25%
Low income	1.00%

Property Tax Refund. Residential property tax credits are gauged by percentages of the net property tax to household income: homeowners may receive up to a \$1,700 in refund.

Special Refund. Residential property taxpayers may be entitled to a special property tax refund if the net property tax on their homestead increased by more than 12% from 2008 to 2009, and the increase was \$100 or more. The refund was set at 60% of the increase over the greater of 12% or \$100. The maximum refund allowed is \$2,460.

Source: 2010 Property Tax Refund Booklet

TAX RATES AND LEVIES

Tax Limitation by Statute:

The City Tax Levy is pursuant to the limitations instituted by Minnesota Statute 275.51.

Debt Service, certain special levies and special assessments for local improvements are not included in above limitation.

Taxes Due Date:

First Monday in January

Taxes Delinquent Date:

Personal Property, amounts less than \$50.00 - May 1; Amounts over \$50.00 First Half, May 15; Second Half, October 15.

Real Estate - First Half, May 15; Second Half, October 15.

No Discount Allowed

Penalties for Late Payments:

If the tax is not paid by the due date of the installment, a late penalty will be assessed at the percentage rate provided by law. The following table shows the rate of penalty if the tax installment remains unpaid on the 16th of each month:

Penalty	Month of:	May	June	July	Aug	Sep	Oct	Nov	Dec
On Homestead Property:									
1st half installment...		2%	4%	5%	6%	7%	8%	8%	8%
2nd half installment..							2%	6%	8%
On Non-Homestead Property									
1st half installment..		4%	8%	9%	10%	11%	12%	12%	12%
2nd half installment..							4%	8%	12%

On the first Monday in January, following the year in which taxes were due, the penalty will increase to a maximum of:

Homestead 10% Non-Homestead 14%

Tax Sale can take place anytime after Judgment has been in effect for 5 years on Homestead Properties and 3 years on Non-Homestead Properties.

Taxes are certified to Polk County and collected by the county treasurer and remitted to the city.

Source: County Auditor, Polk County.

SINGLE AUDIT SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

**SINGLE AUDIT
SECTION**

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

To the Honorable Mayor and
Members of the City Council
City of East Grand Forks, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting for the limited purpose described in the first paragraph of this section would not necessarily 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.

Compliance and Other Matters

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

Government Auditing Standards

We noted certain matters that we reported to management of the City of East Grand Forks in a separate letter dated July 25, 2012.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minnesota Legal Compliance Audit Guide for Local Government, promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes Section 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, tax increment financing and city miscellaneous provisions. Our study included all of the listed categories.

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



This report is intended solely for the information of the Honorable Mayor and Members of the City Council, management and state and Federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

BRADY, MARTZ & ASSOCIATES, P.C.

July 25, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Honorable Mayor and
Members of the City Council
City of East Grand Forks, Minnesota

Compliance

We have audited the compliance of the City of East Grand Forks with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major Federal program for the year ended December 31, 2011. The City of East Grand Forks' major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of East Grand Forks complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

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

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



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

This report is intended solely for the information of the Honorable Mayor and Members of the City Council, management and state and Federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Brady Martz".

BRADY, MARTZ & ASSOCIATES, P.C.

July 25, 2012

CITY OF EAST GRAND FORKS, MINNESOTA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

FEDERAL GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Identifying Number	Expenditures
<u>Department of Housing & Urban Development</u>			
Direct Programs:			
Lower-Income Housing Assistance Program			
Section 8 Housing Choice Vouchers	14.871		\$ 1,623,502
<u>Department of Transportation</u>			
Direct Programs:			
Federal Transit Administration- Capital and Operating Assistance (Cluster)			
Formula Grants	20.500		\$ 60,289
ARRA Capital Purchase	20.507	MN-96-X003-00	125,607
Federal Transit Cluster			185,896
Passed Through State of Minnesota			
State and Community Highway Safety	20.600	2011 Safe and Sober	3,413
Safe and Sober	20.608	10/11 Safe and Sober	4,834
Total DOT Passed through the State of Minnesota			\$ 8,247
Total Department of Transportation			\$ 194,143
<u>Department of Justice</u>			
Passed Through State of Minnesota			
Law Enforcement Assistance and Drug Training	16.004		\$ 436
Bullet proof vest program	16.607		5,625
			6,061
<u>Department of Health and Human Services</u>			
Passed Through State of Minnesota			
Low Income Energy Assistance	93.568		\$ 1,160
<u>Department of Homeland Security</u>			
Passed Through State of Minnesota			
Disaster Grants - Public Assistance (FEMA)	97.036	DR-1830 DISASTER	173,111
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,997,977

NOTE 1 Basis of Presentation

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the City of East Grand Forks and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 Loans Outstanding

The City has the following loan balance outstanding at December 31, 2011.

Program Title	CFDA	Amount Outstanding
Capitalization Grants for Clean Water SRF	66.458	\$3,623,000

CITY OF EAST GRAND FORKS, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? ___ yes x none reported

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes x no
- Significant deficiencies identified that are not considered to be material weaknesses? ___ yes x none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ___ yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? x yes ___ no

Section II - Financial Statement Findings

There are no findings to be reported in this section.

Section III - Federal Award Findings and Questioned Costs

There are no findings to be reported in this section.

CITY OF EAST GRAND FORKS, MINNESOTA
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2011

No prior year audit findings noted.



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