

City of East Grand Forks

Minnesota



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2008

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Year ended December 31, 2008



SCOTT HUIZENGA
CITY ADMINISTRATOR

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

JERRY LUCKE
FINANCE DIRECTOR

Comprehensive Annual Financial Report

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Administration and Finance

June 26, 2009

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, 2008.

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, 2008, 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, 2008, 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 7,900. 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, authorities, and commissions 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 manager 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. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). 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 85.

FACTOR 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 Center. 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 Ryan Potato Company, 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 employees over 400 people.

The City of East Grand Forks' employment picture is healthy with a 5.0% unemployment rate (Polk County), while the state and the country have unemployment rates of 5.4% and 5.8%, respectively. The City of Grand Forks, located just across the river in North Dakota, has an unemployment rate of 3.1%.

East Grand Forks has worked hard to provide more affordable housing in the community, resulting in an additional 51 new residential units with a total value over \$6.7 million. Record low mortgage interest rates, affordable lot prices, and deferred loan/grant programs have created a residential construction boom within the city. The city expects the trend to continue as it develops city-owned land near a golf course over the next several years.

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.). According to state law, the city is required to contribute 2% to the projects overall cost. Additionally, the city is adding 180 new residential lots that will be surrounding a golf course. The development will provide more variety to an already broad base of housing options available to current and new residents.

Cash management policies and practices. Cash temporarily idle during the year was invested in short-term government money market accounts, certificates of deposit, obligations of the US Treasury, and government agencies. The maturities of the investments range from 180 days to 12 years. Investment income includes appreciation in the fair value of investments. Increases in fair value during the current year, however, do not necessarily represent trends that will continue; nor is it always possible to realize such amounts, especially in the case of temporary changes in the fair value of investments that the government intends to hold to maturity.

The city subscribes to the "pooled" cash concept of investing for all cash balance except for those managed by the Water and Light Department. The Water and Light has separate bank and investment accounts. All investment decisions are based on operating and capital needs in accordance with the city's over-all fiscal plan.

Risk Management. The city's comprehensive risk management program includes commercial insurance coverage for property, liability, workers' compensation, and flood losses. The city is a member of the League of Minnesota Cities Insurance Trust (LMCIT) and currently has placed all its insurance coverage with them, with the exception of flood coverage. Workers compensation coverage is purchased under the retro-rated premium option along with the managed care credit. Under the retro-rated premium option the city pays the standard premium amount and either receives a refund or makes additional remittance based on experience. The additional remittance is limited to 30% of the standard audited premium. Flood insurance is purchased to cover selected properties that have received flood recovery assistance from the Federal Emergency Management Agency.

Employee health coverage is purchased through MEDICA, with the employer paying \$388 of the single plan premium and \$889 of the family plan premium. Every year the city's coverage is rated on experience factors, resulting in changes to the premiums for the following year.

Pension. All full-time employees of the city are covered by a statewide defined benefit pension plan administered by the Public Employee Retirement Association (PERA) of Minnesota. Employees participated in one of the following plans during 2008: Public Employees Retirement Fund (PERF), a cost-sharing multiple-employer plan; Public Employees Police and Fire Fund (PEPFF), a cost-sharing multiple-employer plan.

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security and Basic members are not. All new employees must participate in the Coordinated Plan. All

police officers and firefighters are covered by PEPFF. Additional information on the city's pension benefits can be found in Note 9 of the notes to the financial statements.

Single Audit. As a recipient of Federal awards, the city is also responsible for ensuring that adequate internal control is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control is subject to periodic evaluation by management and the internal audit staff of the city.

As a part of the city's Single Audit, tests are made to determine the adequacy of internal control related to Federal award program, as well as to determine that the city has complied with applicable laws and regulations.

AWARDS AND ACKNOWLEDGEMENTS

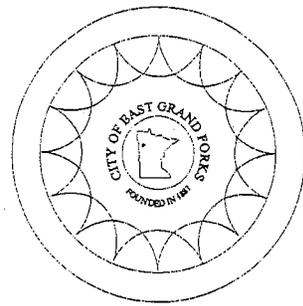
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of East Grand Forks, Minnesota for its comprehensive financial report for the fiscal year ending December 31, 2007. This is the 15th year the city has received this 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.

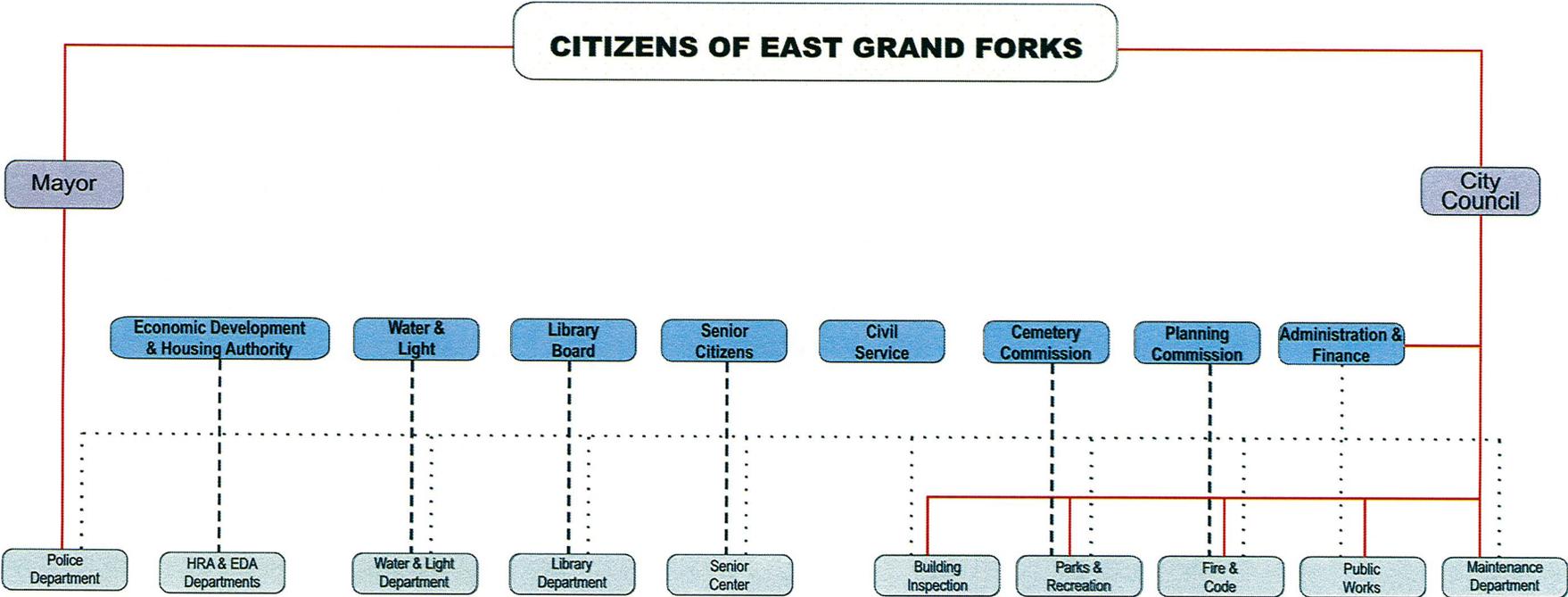
Scott Huizenga
City Administrator

Gerald Lucke, CPA,
Finance Director



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City of East Grand Forks Organization Chart





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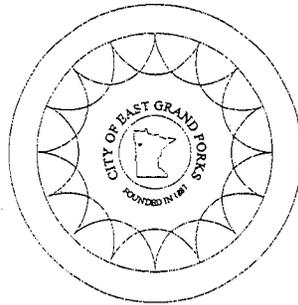
Elected Officials and Administrative Personnel

ELECTED OFFICIALS:

		<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	12/31/10
Council member - 1st Ward	Marc Demers	4 Years	12/31/12
Council member - 2nd Ward	Richard L. Grassel	4 Years	12/31/10
Council member - 3rd Ward	Craig Buckalew	4 Years	12/31/12
Council member - 4th Ward	Henry Tweten	4 Years	12/31/10
Council member - 5th Ward	Wayne Gregoire	4 Years	12/31/12

OFFICIALS NOT ELECTED:

City Administrator/Clerk-Treasurer	Scott Huizenga
Finance Director	Gerald Lucke
Police Chief	Michael Hedlund
Fire Chief	Randall Gust
Parks & Recreation Superintendent	David Aker
Public Works Superintendent	John Wachter
Building Official/Flood Recovery Director	Jerry Skyberg
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	Gary Hultberg



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FINANCIAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City 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 2007 financial statements and, in our report dated June 6, 2008; we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of December 31, 2008, 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.

In accordance with Government Auditing Standards, we have also issued our report dated June 26, 2009, 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.

The management's discussion and analysis and the additional required information as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

As described in Note 18 to the basic financial statements, the City of East Grand Forks, Minnesota adopted the provisions of Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions" as of and for the year ended December 31, 2008.

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. The combining, individual nonmajor 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 the U. S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements.

Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



BRADY, MARTZ & ASSOCIATES, P.C.

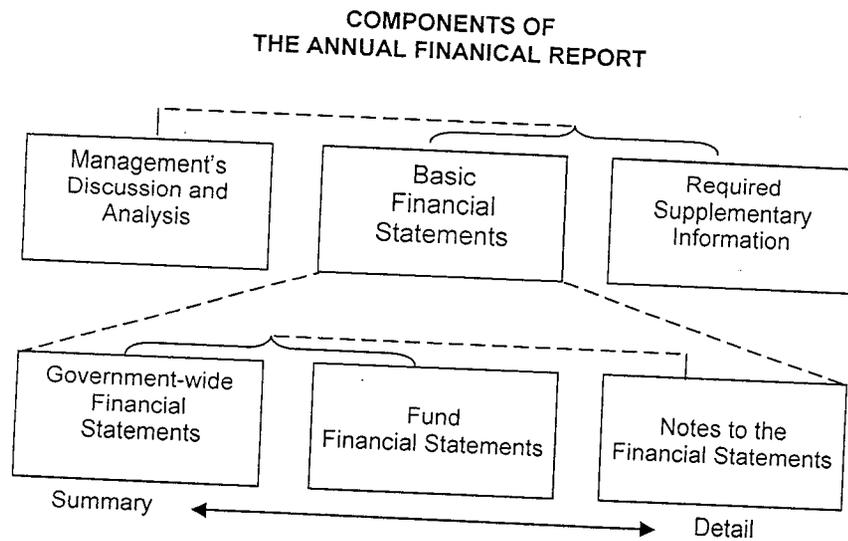
June 26, 2009

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, 2008. 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 1-3 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.



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 function 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 21-23 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.

Management's Discussion and Analysis

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 and special revenue 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 24-27 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, city mall (commercial property operations), and refuse. All except the refuse fund are considered major funds of the city. 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 30-35 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 36 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 37-56 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 57-68 and 79-83.

FINANCIAL HIGHLIGHTS

- The city's net assets (asset minus liabilities) shrank by .48% as a result of this year's operations. The net assets of the city's governmental activities decreased \$15,257,507 (10.12%) and net assets of the city's business type activities increased \$14,300,536 (29.20%).
- Capital assets increased \$1,801,730 (1%), with most of the increase comprised of additions to the city's infrastructure.
- The city's long-term liabilities increased \$242,166 (1.3%) during the fiscal year ending December 31, 2008. Governmental long-term liabilities decreased \$1,881,476 (11%). The key factor behind the decrease was principal payments of \$1,785,000 on Bonds. This was offset by the Business-type increase of 1,923,788 being the proceeds of a new bond issue.
- At the close of the current fiscal, the city's governmental funds reported total ending fund balances of \$9,272,097, a decrease of \$1,925,644 (17%).

- The General Fund's fund balance, reserved and unreserved, decreased \$277,294 (10%) to \$2,564,645. The unreserved fund balance is 30% of expenditures and other uses.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS

	Governmental Activities		Business-type Activities		Total Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 22,791,832	\$ 25,263,320	\$ 17,958,448	\$ 17,697,846	\$ 40,750,280	\$ 42,961,166
Capital assets	128,590,858	142,931,487	50,820,349	34,677,990	179,411,207	177,609,477
Total assets	<u>151,382,690</u>	<u>168,194,807</u>	<u>68,778,797</u>	<u>52,375,836</u>	<u>220,161,487</u>	<u>220,570,643</u>
Other liabilities	1,356,864	1,029,997	1,617,525	1,243,603	2,974,389	2,273,600
Long-term liabilities	14,544,169	16,425,645	3,892,124	1,768,481	18,436,292	18,194,126
Total Liabilities	<u>15,901,032</u>	<u>17,455,642</u>	<u>5,509,649</u>	<u>3,012,084</u>	<u>21,410,681</u>	<u>20,467,726</u>
Net assets:						
Invested in capital assets, net of related debt	115,326,956	127,824,706	47,333,593	33,346,440	162,660,549	161,171,146
Restricted	12,556,179	11,517,373	72,029	67,710	12,628,208	11,585,083
Unrestricted	7,598,523	11,397,087	15,863,528	15,554,463	23,462,050	26,951,550
Total net assets	<u>\$135,481,658</u>	<u>\$150,739,165</u>	<u>\$ 63,269,150</u>	<u>\$ 48,968,613</u>	<u>\$198,750,808</u>	<u>\$199,707,779</u>

By far the largest portion of the city's net assets (81%) 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.

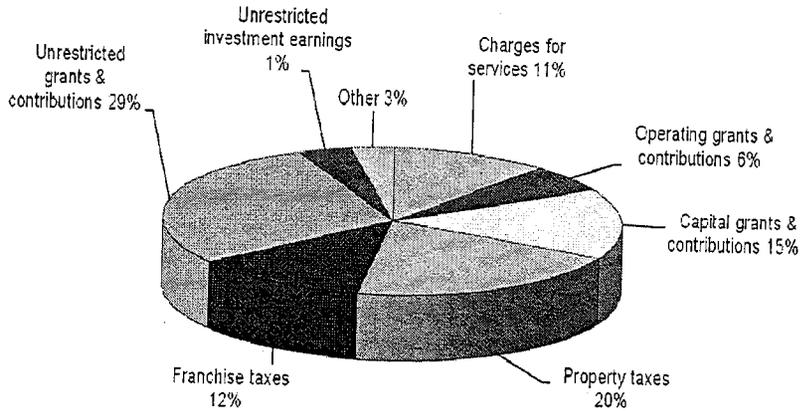
A small portion of the city's net assets (about 6%) represents resources that are subject to external restrictions on how they can be used. The remaining

unrestricted net assets \$23,462,050 may be used to meet the ongoing obligations to citizens and creditors. Of the unrestricted net assets, \$15,863,528 is attributable to business-type activities.

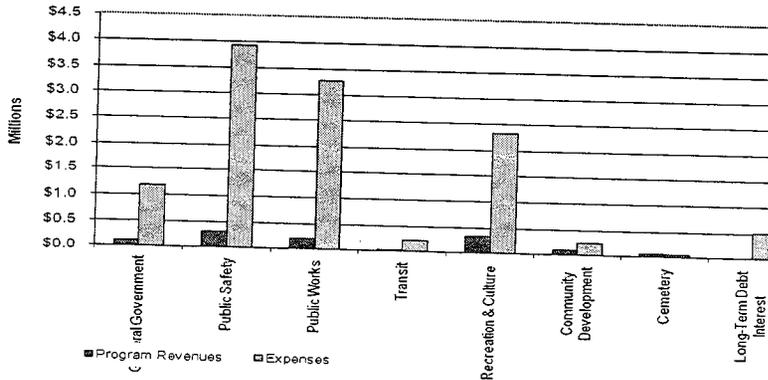
Unrestricted governmental activities net assets decreased \$3,798,564 (33%), while business-type activities unrestricted net assets increased \$309,065 (2%). Government-wide total unrestricted net assets decreased \$3,489,500 (13%). The \$ 1,038,806 (9%) increase in governmental activities restricted net assets is from net additional special assessments. The \$14,340,629 (10%) governmental activities capital assets decrease is largely the result of a \$14,306,683 transfer of Storm Water fixed assets from Governmental Activities to the Storm Water Enterprise Fund.

	CHANGE IN NET ASSETS					
	Governmental Activities		Business-type Activities		Total Government	
	2008	2007	2008	2007	2008	2007
REVENUES						
Program revenues:						
Charges for services	\$ 1,176,450	\$ 1,188,380	\$ 15,717,060	\$ 14,828,578	\$ 16,893,510	\$ 16,016,958
Operating grants and contributions	625,375	632,310	15,000	15,000	640,375	647,310
Capital grants and contributions	1,638,591	4,181,757		279,612	1,638,591	4,461,369
General revenues:						
Property taxes	2,163,693	1,954,979			2,163,693	1,954,979
Franchise taxes	1,309,050	1,309,050			1,309,050	1,309,050
Unrestricted grants and contributions	3,063,221	3,517,772			3,063,221	3,517,772
Unrestricted investment earnings	406,526	530,674	558,394	777,218	964,920	1,307,892
Gain on disposal of assets				2,795		2,795
Other	323,082	196,165			323,082	196,165
Total revenues	10,705,988	13,511,087	16,290,453	15,903,203	26,996,441	29,414,290
EXPENSES						
Program activities:						
Governmental activities:						
General government	1,195,452	1,155,532			1,195,452	1,155,532
Public safety	3,932,137	3,273,535			3,932,137	3,273,535
Public works	3,218,356	4,038,239			3,218,356	4,038,239
Transit	276,189	279,768			276,189	279,768
Recreation and culture	2,337,123	2,125,732			2,337,123	2,125,732
Community development	254,056	286,303			254,056	286,303
Cemetery	50,467	35,256			50,467	35,256
Interest on long-term debt	513,783	472,223			513,783	472,223
Business-type activities						
Electric			11,589,832	10,450,476	11,589,832	10,450,476
Water			2,164,353	1,961,418	2,164,353	1,961,418
Sewer			665,582	629,832	665,582	629,832
Storm Water			477,935	100,637	477,935	100,637
City mall			358,227	428,359	358,227	428,359
Refuse			919,920	688,319	919,920	688,319
Total expenses	11,777,564	11,666,588	16,175,848	14,259,041	27,953,412	25,925,629
Excess (deficiency) before transfers	(1,071,576)	1,844,499	114,605	1,644,162	(956,971)	3,488,661
Transfers in (out)	(14,185,931)	53,856	14,185,931	(53,856)		
Increase (decrease in net assets)	(15,257,507)	1,898,355	14,300,536	1,590,306	(956,971)	3,488,661
Net assets at the beginning of the year	150,739,165	148,840,810	48,968,613	47,378,306	199,707,778	196,219,116
Net assets at the end of the year	\$135,481,658	\$150,739,165	\$ 63,269,149	\$ 48,968,612	\$198,750,807	\$199,707,777

**REVENUES BY SOURCE -
GOVERNMENTAL ACTIVITIES**



**EXPENSES AND PROGRAM REVENUES -
GOVERNMENTAL ACTIVITIES**



Governmental Activities. A significant share of revenues of the governmental activities are capital grants and contributions (15%), with most of that amount attributed to local share of additions to the infrastructure. Property taxes and franchise taxes accounted for 20% and 12% of total revenues, respectively.

Unrestricted grants and contributions in the form of local government aid and other State aids contributed 29% to total revenues. Charges for services brought in 11%.

Public safety (33%) expenses are the most significant (28%), followed by public works (28%), parks and recreation (20%), general government (10%), and community development (2%). Interest on long-term debt and transit expenses accounted for 4% and 2% of total expenses, respectively. Included in these amounts is depreciation expense, which is 23% of the total expenses for governmental activities.

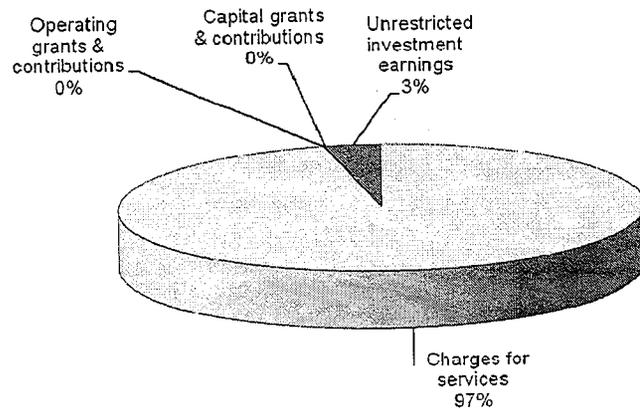
Governmental revenues decreased \$2,805,100 (21%) in the current year, with the most significant portion of the decline attributable to smaller amounts of capital grants and contributions. Property taxes increased by 10.6% and charges for services decreased by 1%. Unrestricted grants and contributions declined by 13%, about half being the result of the decrease by unallotment in local government aid.

Governmental activities expenses increased \$ 110,975 (1%) in the current year. The most significant changes in program expenses were as follows:

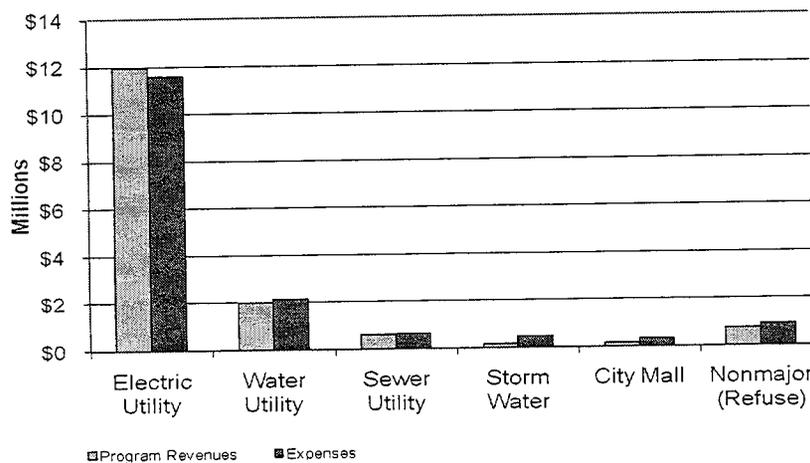
- Public Works expenses decreased \$ 772,683 (19%). The decrease is the result of fewer infrastructure projects undertaken.
- Public Safety expenses increased \$658,602 (20%). The increase is primarily attributable to full-staff salary costs and approved grant-funded expenditures.
- Recreation and culture expenses increased \$211,391 (10%), primarily due to additional salary and the increase in depreciation on assets.

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 increased the city's net assets by \$14,300,536 which is \$12,710,229 (799%) more than the prior fiscal year increase. Key elements of the change are as follows:

Storm water fixed assets totaling \$ 14,306,683 were transferred to that fund from the Governmental Activities group. Charges for services increased \$888,482 (6%). The increase is primarily due to the electric utility sales increase of \$ 740,218. The electric utility sold nearly 7,500,000 more KWHs in 2007 resulting in their increase. The water utility sold about 19 million (5%) more gallons of water in 2008. Utility rates did not increase over the prior year.

Capital grants and contributions decreased by \$279,612. Interest income decreased by \$218,824 which was reflective of rate declines.

Program expenses in the electric utility increased by \$1,139,356 largely because of the \$949,129 increase in wholesale power costs. Expenses in the Water, Storm Water and Refuse Funds saw increases in personnel, chemicals and depreciation.

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 2008, the city's governmental funds reported total ending fund balances of \$9,272,097, a decrease of \$1,925,644 (17%) in comparison with the prior year. Nearly 64% of the total ending fund balances constituted unreserved fund balances (\$5,893,918), which are considered available for appropriation. The remainder of the fund balances is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$2,902,670), 2) to off-set non-current financial resources that are not anticipated to be liquidated in the near term (\$393,655 and \$5,854), 3) to generate income to pay for library books (\$76,000). The city has designated \$1,202,008 of the unreserved fund balances for working capital purposes.

At the end of the current year, the General Fund reported a fund balance of \$2,564,645, decreasing \$277,294 from the previous year. General fund revenues were \$174,316 (2.1%) less than in the prior fiscal year and expenditures increased by \$944,668 (13.9%). Transfers out decreased by

\$9,110 (1.1%). Local government aid decreased \$242,230 (9%). General taxes, including property taxes and franchise fees, increased \$208,712 (6%). Intergovernmental revenue decreased \$396,632 (10%) and charges for services increased \$29,444 (5%). Property taxes increased \$192,136 (10%) and franchise fees increased \$21,220 (2%). Public safety expenditures increased \$708,428 (23%) which was largely the result of higher employee cost due to full staffing and increased accrued vacation costs involving software conversion policy change and higher supplies and capital outlay costs funded by grant revenues. Other departmental differences were within about 5% and/or the expected vacation cost increase.

The Residential Infrastructure Fund (RIF) experienced a \$88,005 (22%) revenue decrease over the prior year along with a \$590,000 increase in transfers out in part leading to the decrease of \$284,577 in the fund balance for the year. The RIF revenue decrease is primarily due to smaller special assessments collections.

The 2008 PFA Loan Sewer Projects Fund incurred costs of \$2,086,968 which were covered by \$ 1,923,788 of bond proceeds leaving \$(173,180) in ending fund balance deficit.

The 12-01-07 Assessment Bond Fund increased to \$414,839, due to assessment collections, interest and a transfer in of \$83,800 exceeding debt service costs by \$360,486.

The 3-1-06 Assessment Bond Fund (ABF) fund balance decreased by \$401,666, due to assessment collections and interest income being less than debt service payments by \$ 13,356 combined with net transfers out of \$ 388,310..

The 12-1-04 Assessment Bond Fund (ABF) fund balance decreased \$118,858 to \$331,347 as debt payments exceeded assessment collections.

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 \$624,838 (2.5%). Operating income decreased \$423,683 (53.5%) to \$368,606. Wholesale purchased power costs increased \$949,129 (14.1%). Transfers out increased by \$6,896 to \$150,752.

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 \$68,418 (1%) in the current year. Operating income decreased \$173,698 (183%) and operating expenses increased \$205,893 (11%) from the prior year, the result of higher employee costs and chemical costs. 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 \$15,699 (2%).

The storm water utilities increased \$14,006,861 primarily due to capital contributions of its depreciable fixed assets out of Governmental Activities.

The City Mall Fund contains the operations of three commercial properties: RiverWalk Center (Mall), DeMers Professional building, Infill Building. The decrease in net assets of \$196,286 was the result of about \$ 10,000 more in rent income, \$70,000 less in operating expenses which included depreciation of 183,838. The general fund transfer in for 2008 was \$30,000, down \$60,000 from the prior year.

The Refuse Fund net assets decreased \$112,157. Operating revenue increased \$59,082 (8%) and operating expenses increased \$212,236 (31%) from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget and the final amended budget varied for 2008, mainly to provide for acceptance of grants. The changes are shown on pages 84-93.

General taxes exceeded budget \$156,487 (5%), primarily due to higher franchise fees collections. Intergovernmental revenues were \$211,298 less than budget primarily due to the State unalloting \$220,154 of expected LGA revenue. Government expenditures overall exceeded budget by \$537,863 largely the result of higher employee cost due to full staffing and increased accrued vacation costs involving software conversion policy change and higher supplies and capital outlay costs funded by grant revenues.

The General Fund year end fund balances since 1999 are as follows:

2000	\$ 447,561	2003	\$2,158,880	2006	\$ 2,200,961
2001	687,401	2004	2,433,581	2007	2,841,939
2002	1,549,287	2005	2,574,386	2008	2,564,645

CAPITAL ASSETS AND DEBT ADMINISTRATION

	CAPITAL ASSETS (net of accumulated depreciation)					
	Governmental Activities		Business-type Activities		Total Government	
	2008	2007	2008	2007	2008	2007
Land	\$ 31,007,286	\$ 31,007,286	\$ 715,378	\$ 715,378	\$ 31,722,664	\$ 31,722,664
Construction in progress	832,902	2,001,150	2,977,385	1,140,428	3,810,287	3,141,578
Building, structures, & improvements	67,726,532	81,926,736	45,025,731	31,804,729	112,752,263	113,731,465
Machinery and equipment	3,188,293	2,889,152	2,101,855	1,017,454	5,290,148	3,906,606
Infrastructure	25,835,845	25,107,162			25,835,845	25,107,162
Total	<u>\$128,590,858</u>	<u>\$142,931,486</u>	<u>\$ 50,820,349</u>	<u>\$ 34,677,989</u>	<u>\$179,411,207</u>	<u>\$177,609,475</u>

Capital assets. The city's investment in capital assets for its governmental and business-type activities at December 31, 2008 totaled \$179,411,207 (net of accumulated depreciation). This investment in capital assets included land, construction in progress, structures, systems, machinery and equipment, infrastructure. The total increase in the city's investment in capital assets

resulted from many various projects throughout the city. The total increase over the prior fiscal year is approximately 1.01%, of which governmental activities decreased 10.03% and business-type activities increased 46.55%.

Additional information on the city's capital assets can be found in the notes to the financial statements on page 47.

LONG-TERM LIABILITIES

	LONG-TERM LIABILITIES					
	Governmental Activities		Business-type Activities		Total Government	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 12,994,525	\$ 14,776,782			\$ 12,994,525	\$ 14,776,782
General obligation water revenue bonds			\$ 3,186,038	\$ 1,331,550	3,186,038	1,331,550
General obligation certificates of indebtedness	269,377	330,000	300,718	365,000	570,095	695,000
Compensated absences payable	1,280,267	1,318,863	405,367	370,568	1,685,634	1,689,431
Total	<u>\$ 14,544,169</u>	<u>\$ 16,425,645</u>	<u>\$ 3,892,123</u>	<u>\$ 2,067,118</u>	<u>\$ 18,436,292</u>	<u>\$ 18,492,763</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 \$18,436,292 at December 31, 2008. Of this total, \$14,544,169 (79%) is in governmental activities and \$3,892,123 (21%) is in business-type activities. The city's outstanding long-term liabilities decreased \$ 56,471 (.3%) in 2008.

Additional information on the city's long-term liabilities can be found in the notes to the financial statements on pages 48-50 of this report.

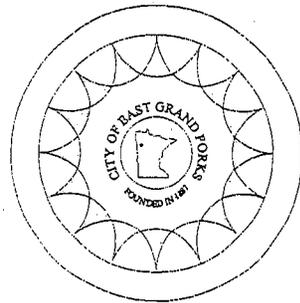
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for the Polk County, Minnesota area for December 31, 2008 was 5.0%, which is below the state average (5.4%) and the national average (5.8%). The Grand Forks County area unemployment rate was 3.1%, which is below 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 50,000.
- The state's economy is precarious and the budgeted deficit will probably result in a reduction in local government aid (LGA) funding. The city received \$2.46 million in local government aid in 2008, which is about 31% 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 constant over the last three years, but the city's commercial properties continue to be a draw on 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.



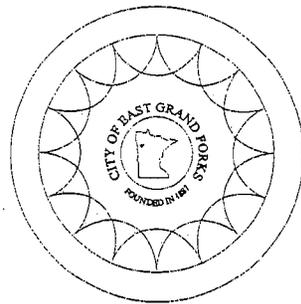
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Statement of Net Assets

December 31, 2008

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		EDHA
ASSETS				
Cash and cash equivalents	\$ 4,738,759	\$ 4,670,679	\$ 9,409,438	\$ 878,368
Investments	6,040,910	9,529,044	15,569,954	2,462,976
Accrued interest receivable	65,704	96,462	162,166	1,735
Accounts receivable, net	43,167	1,404,395	1,447,562	
Notes receivable	276,899		276,899	1,917,695
Taxes receivable - property	53,552		53,552	
Taxes receivable - other	137,287		137,287	
Special assessments receivable	10,639,759		10,639,759	
Internal balances (net)	(405,000)	405,000	-	
Due from other government units	687,696	15,000	702,696	936
Prepaid Items		45,462	45,462	
Land held for resale	393,655		393,655	207,180
Materials and Supplies	5,854	1,345,020	1,350,874	
Restricted cash and Investments		174,032	174,032	571,030
Unamortized debt issuance costs	113,590	5,248	118,838	
Customer acquisition costs		268,106	268,106	
Capital assets:				
Nondepreciable	31,840,188	3,692,763	35,532,951	50,300
Depreciable, net	96,750,670	47,127,586	143,878,256	4,593,623
TOTAL ASSETS	<u>151,382,690</u>	<u>68,778,797</u>	<u>220,161,487</u>	<u>10,683,843</u>
LIABILITIES				
Accounts payable	673,777	1,227,872	1,901,649	84,301
Accrued wages payable	385,552	205,008	590,560	30,914
Due to other government units	73,287	82,643	155,930	260,812
Accrued interest payable	184,272	26,553	210,825	2,479
Customer deposits		75,450	75,450	20,578
Noncurrent liabilities:				
Due within one year	954,560	212,138	1,166,698	43,471
Due in more than one year	13,589,609	3,679,985	17,269,594	573,105
Net other postemployment benefit liability	39,976		39,976	
TOTAL LIABILITIES	<u>15,901,032</u>	<u>5,509,649</u>	<u>21,410,681</u>	<u>1,015,660</u>
NET ASSETS				
Invested in capital assets, net of related debt	115,326,956	47,333,593	162,660,549	4,582,673
Restricted for:				
Housing				86,691
Debt service	11,446,342	72,029	11,518,371	
Public works	116,942		116,942	
Capital projects	916,895		916,895	
Library - nonexpendable	76,000		76,000	
Unrestricted	7,598,523	15,863,528	23,462,050	4,998,819
TOTAL NET ASSETS	<u>\$ 135,481,658</u>	<u>\$ 63,269,150</u>	<u>\$ 198,750,808</u>	<u>\$ 9,668,183</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, 2008

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 1,195,452	\$ 117,172			\$ (1,078,280)		\$ (1,078,280)	
Public safety	3,932,137	316,428	\$ 319,726		(3,295,983)		(3,295,983)	
Public works	3,218,356	218,778	99,133	\$1,638,591	(1,261,854)		(1,261,854)	
Transit	276,189	19,398	206,516		(50,275)		(50,275)	
Recreation and culture	2,337,123	340,909			(1,996,214)		(1,996,214)	
Community development	254,056	98,500			(155,556)		(155,556)	
Cemetery	50,467	65,265			14,798		14,798	
Interest on long-term debt	513,782				(513,782)		(513,782)	
Total governmental activities	11,777,563	1,176,450	625,375	1,638,591	(8,337,147)		(8,337,147)	
Business-type activities								
Electric Utility	11,589,832	11,957,089				\$ 367,257	367,257	
Water Utility	2,164,353	2,019,667				(144,686)	(144,686)	
Sewer Utility	665,582	627,070				(38,512)	(38,512)	
Storm Water	477,935	176,337				(301,598)	(301,598)	
City Mail	358,227	160,238				(197,989)	(197,989)	
Nonmajor (Refuse)	919,920	776,658	15,000			(128,261)	(128,261)	
Total business-type activities	16,175,848	15,717,060	15,000			(443,789)	(443,789)	
Total primary government	\$ 27,953,411	\$ 16,893,510	\$ 640,375	\$ 1,638,591	(8,337,147)	(443,789)	(8,780,936)	
Component unit:								
Community development	\$ 2,271,246	\$ 337,884	\$ 1,536,021					\$ (397,341)
General Revenues:								
Property taxes								
Franchise taxes					2,163,693		2,163,693	118,877
Unrestricted grants and contributions					1,309,050		1,309,050	
Unrestricted investment earnings					3,063,221		3,063,221	88,907
Other					406,526	558,394	964,920	143,909
Transfers					323,082		323,082	43,193
Total general revenues					(14,185,931)	14,185,931	0	
Change in Net Assets					(6,920,359)	14,744,325	7,823,966	394,886
Net Assets - January 1					(15,257,506)	14,300,536	(956,969)	(2,456)
Net Assets - December 31					150,739,165	48,968,613	199,707,778	9,670,638
					\$ 135,481,659	\$ 63,269,149	\$ 198,750,808	\$ 9,668,182

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

Balance Sheet

Governmental Funds

December 31, 2008

	General	Residential Infrastructure	08 PFA Loan Sewer PROJECTS	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	\$ 1,720,221	\$ 74,473		\$ 77,262	\$ 318,239	\$ 248,957	\$ 1,795,349	\$ 4,234,501
Investments	1,197,465	563,845		334,415		1,077,566	1,863,683	5,036,974
Interest receivable	65,704						30,006	65,704
Accounts receivable	13,161							43,167
Taxes receivable - property taxes	53,552							53,552
Taxes receivable - other	137,287							137,287
Special assessments receivable	37,278	2,058,809		2,625,490	2,153,910	2,140,087	1,624,185	10,639,759
Interfund receivable		55,797						687,696
Due from other government units	241,911	1,944		3,162	13,108	8,825	418,746	393,655
Land held for resale	76,899						200,000	276,899
Notes Receivable	5,854							5,854
Materials and supplies								
TOTAL ASSETS	<u>\$ 3,549,332</u>	<u>\$ 2,754,868</u>	<u>\$ -</u>	<u>\$ 3,040,329</u>	<u>\$ 2,485,257</u>	<u>\$ 3,475,435</u>	<u>\$ 6,325,624</u>	<u>\$ 21,575,048</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	447,945		117,383				103,574	668,902
Accrued wages payable	361,338						24,214	385,552
Interfund payable			55,797				405,000	460,797
Due to other government units	7,675						65,612	73,287
Deferred revenue	167,729	2,058,809		2,625,490	2,153,910	2,140,087	1,624,185	10,770,210
Total liabilities	<u>984,687</u>	<u>2,058,809</u>	<u>173,180</u>	<u>2,625,490</u>	<u>2,153,910</u>	<u>2,140,087</u>	<u>2,222,585</u>	<u>12,358,748</u>
Fund balance:								
Reserved for materials and supplies	5,854						393,655	393,655
Reserved for land held for resale							76,000	76,000
Reserved for library				414,839	331,347	1,335,348	821,136	2,902,670
Reserved for debt service								1,202,008
Unreserved, designated for working capital	1,202,008							
Unreserved, undesignated reported in:								
General fund	1,356,783						1,788,770	1,788,770
Special revenue funds							3,062	3,062
Permanent funds		696,059	(173,180)				1,020,416	1,543,295
Capital projects funds		696,059	(173,180)	414,839	331,347	1,335,348	4,103,039	9,272,097
Total fund balance	<u>2,564,645</u>	<u>696,059</u>	<u>(173,180)</u>	<u>414,839</u>	<u>331,347</u>	<u>1,335,348</u>	<u>4,103,039</u>	<u>9,272,097</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,549,332</u>	<u>\$ 2,754,868</u>	<u>\$ -</u>	<u>\$ 3,040,329</u>	<u>\$ 2,485,257</u>	<u>\$ 3,475,435</u>	<u>\$ 6,325,624</u>	<u>\$ 21,630,845</u>

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 Assets December 31, 2008

Total fund balances - governmental funds \$ 9,272,097

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

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

Land	\$ 31,007,286	
Construction in progress	832,902	
Buildings, structures and improvements	76,984,219	
Machinery and equipment	4,796,807	
Infrastructure	35,239,139	
Accumulated depreciation	<u>(21,333,409)</u>	127,526,944

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

10,770,210

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	\$ 504,258	
Investments	1,003,936	
Machinery and equipment	1,720,172	
Accumulated depreciation	(656,258)	
Accounts Payable	(4,875)	
Compensated absences payable	(1,280,267)	
Notes payable	<u>(269,377)</u>	1,017,589

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	\$ (12,994,525)	
Unamortized bond issuance costs	113,590	
Accrued interest payable	(184,272)	
Other post employment benefit obligations	<u>(39,976)</u>	<u>(13,105,182)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$135,481,658

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, 2008

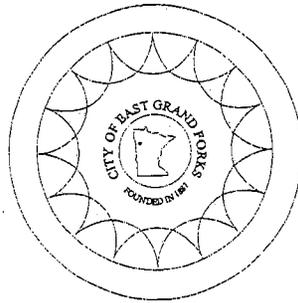
	General	Residential Infrastructure	08 PFA Loan Sewer PROJECTS	12-1-07 Assessment Bonds	12-1-04 Assessment Bonds	3-1-06 Assessment Bonds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:								
General taxes	\$ 3,472,742		\$ -					\$ 3,472,742
Special assessments		\$ 274,277		\$ 347,090	\$ 254,689	\$ 450,556	\$ 243,622	1,570,234
Licenses and permits	138,252							138,252
Intergovernmental	3,382,947						996,784	4,379,731
Charges for services	669,402						241,252	910,654
Fines and forfeitures	127,544							127,544
Interest and other revenues	186,935	40,190	\$ -	\$ 5,368	7,707	54,042	259,799	554,041
Total revenues	<u>7,977,822</u>	<u>314,467</u>		<u>352,458</u>	<u>262,396</u>	<u>504,598</u>	<u>1,741,457</u>	<u>11,153,198</u>
Expenditures:								
Current:								
General government	959,898							959,898
Public safety	3,611,972		10,000					3,621,972
Public works	1,152,952						145,124	1,298,076
Transit							252,780	252,780
Recreation and culture	1,302,496						502,534	1,805,030
Community development	75,007						179,049	254,056
Cemetery							46,574	46,574
Other expenditures	277,249							277,249
Capital outlay	359,150	9,044	2,086,968				1,971,529	4,426,691
Debt service:								
Principal retirement					210,000	375,000	1,200,000	1,785,000
Interest and fiscal agent charges				75,772	171,254	142,954	123,822	513,802
Total expenditures	<u>7,738,724</u>	<u>9,044</u>	<u>2,096,968</u>	<u>75,772</u>	<u>381,254</u>	<u>517,954</u>	<u>4,421,412</u>	<u>15,241,128</u>
Excess (deficiency) of revenues over expenditures	<u>239,098</u>	<u>305,423</u>	<u>(2,096,968)</u>	<u>276,686</u>	<u>(118,858)</u>	<u>(13,356)</u>	<u>(2,679,955)</u>	<u>(4,087,930)</u>
Other financing sources (uses):								
Proceeds from asset sales	117,746							117,746
Transfers in	150,752	400,000		83,800		11,690	1,783,938	2,430,180
Transfers out	(784,890)	(990,000)				(400,000)	(134,538)	(2,309,428)
Discount on long-term debt issued								
Long-term debt issued			1,923,788					1,923,788
Total other financing sources (uses)	<u>(516,392)</u>	<u>(590,000)</u>	<u>1,923,788</u>	<u>83,800</u>		<u>(388,310)</u>	<u>1,649,400</u>	<u>2,162,286</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(277,294)</u>	<u>(284,577)</u>	<u>(173,180)</u>	<u>360,486</u>	<u>(118,858)</u>	<u>(401,666)</u>	<u>(1,030,555)</u>	<u>(1,925,644)</u>
Fund balance at beginning of year	2,841,939	980,636		54,353	450,205	1,737,014	5,133,594	11,197,741
Fund balance at end of year	<u>\$ 2,564,645</u>	<u>\$ 696,059</u>	<u>\$ (173,180)</u>	<u>\$ 414,839</u>	<u>\$ 331,347</u>	<u>\$ 1,335,348</u>	<u>\$ 4,103,039</u>	<u>\$ 9,272,097</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, 2008

Net change in fund balances--total governmental funds		\$ (1,925,644)
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	\$ 2,374,178	
Depreciation	<u>(2,590,524)</u>	(216,346)
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 Assets.		
		1,785,000
Storm Water capital assets originally capitalized as Governmental Activities were transferred to the Proprietary fund:		
Cost, transferred	\$(16,310,305)	
Accumulated depreciation associated with	<u>2,003,622</u>	(14,306,683)
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, 2007	\$(11,392,988)	
Deferred Revenue - December 31, 2008	<u>10,770,210</u>	(622,778)
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	(6,729)	
Amortization of bond discounts	(4,966)	
Amortization of bond premiums	2,223	
Other postemployment benefit obligations	<u>(39,976)</u>	(49,448)
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.		
Changes in long-term debt interest payable		60,480
Change in net assets of governmental activities		<u>17,912</u>
		<u><u>\$ (15,257,507)</u></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, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
General taxes	3,905,000	\$ 3,316,255	\$ 3,472,742	\$ 156,487
Licenses and permits	91,800	91,800	138,252	46,452
Intergovernmental	2,948,500	3,594,245	3,382,947	(211,298)
Charges for services	609,400	609,400	669,402	60,002
Fines and forfeitures	95,300	95,300	127,544	32,244
Interest and other revenues	79,200	119,200	186,935	67,735
Total revenues	<u>7,729,200</u>	<u>7,826,200</u>	<u>7,977,822</u>	<u>151,622</u>
Expenditures:				
Current:				
General government	885,100	885,100	959,898	(74,798)
Public safety	3,254,900	3,300,400	3,611,972	(311,572)
Public works	1,113,400	1,113,400	1,152,952	(39,552)
Recreation and culture	1,229,900	1,229,900	1,302,496	(72,596)
Community development	80,000	80,000	75,007	4,993
Other expenditures	220,000	260,000	277,249	(17,249)
Capital outlay	210,500	332,061	359,150	(27,089)
Debt service:				
Principal retirement				
Interest and fiscal agent charges				
Total expenditures	<u>6,993,800</u>	<u>7,200,861</u>	<u>7,738,724</u>	<u>(537,863)</u>
Excess (deficiency) of revenues over expenditures	<u>735,400</u>	<u>625,339</u>	<u>239,098</u>	<u>(386,241)</u>
Other financing sources (uses)				
Proceeds from sale of assets				
Transfers in	104,000	104,000	117,746	117,746
Transfers out	(839,400)	(839,400)	150,752	46,752
Total other financing sources (uses)	<u>(735,400)</u>	<u>(735,400)</u>	<u>(784,890)</u>	<u>54,510</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)		(110,061)	(277,294)	(167,233)
Fund balance at beginning of year	<u>2,841,939</u>	<u>2,841,939</u>	<u>2,841,939</u>	
Fund balance at end of year	<u>2,841,939</u>	<u>\$ 2,731,878</u>	<u>\$ 2,564,645</u>	<u>\$ (167,233)</u>

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

**Statement of Net Assets
Proprietary Funds
December 31, 2008**

	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	\$ 2,174,359	\$ 1,775,246	\$ 343,403	\$ 64,231	\$ 28,343	\$ 285,097	\$ 4,670,679	\$ 504,258
Investments	8,297,999		1,231,045				9,529,044	1,003,936
Restricted cash and investments:								
Cash in bond accounts		98,582					98,582	
Cash in customer deposits	75,450						75,450	
Interest receivable	96,462						96,462	
Account receivable (net)	1,399,016					5,379	1,404,395	
Materials and supplies	1,149,777	195,243					1,345,020	
Prepaid items	32,511	12,951					45,462	
Interfund receivable	405,000						405,000	
Due from other government units						15,000	15,000	
Total current assets	<u>13,630,574</u>	<u>2,082,022</u>	<u>1,574,448</u>	<u>64,231</u>	<u>28,343</u>	<u>305,476</u>	<u>17,685,094</u>	<u>1,508,194</u>
Noncurrent assets:								
Capital assets:								
Land	305,394	44,000	215,184		150,800		715,378	
Buildings and systems	21,121,016	16,642,658	10,590,637	16,310,305	6,177,307		70,841,923	
Machinery and equipment	1,991,060	2,088,058	563,520	48,042	81,766	818,134	5,590,580	1,720,172
Construction in progress	1,023,597	30,000	1,923,788				2,977,385	
Total capital assets	<u>24,441,067</u>	<u>18,804,716</u>	<u>13,293,129</u>	<u>16,358,348</u>	<u>6,409,873</u>	<u>818,134</u>	<u>80,125,266</u>	<u>1,720,172</u>
Less accumulated depreciation	<u>(11,045,669)</u>	<u>(9,538,579)</u>	<u>(4,404,904)</u>	<u>(2,333,031)</u>	<u>(1,611,343)</u>	<u>(371,391)</u>	<u>(29,304,917)</u>	<u>(656,258)</u>
Total capital assets (net)	<u>13,395,398</u>	<u>9,266,137</u>	<u>8,888,225</u>	<u>14,025,317</u>	<u>4,798,530</u>	<u>446,743</u>	<u>50,820,349</u>	<u>1,063,914</u>
Unamortized debt issuance costs		5,248					5,248	
Customer acquisition costs	268,106						268,106	
Total noncurrent assets	<u>13,663,504</u>	<u>9,271,385</u>	<u>8,888,225</u>	<u>14,025,317</u>	<u>4,798,530</u>	<u>446,743</u>	<u>51,093,703</u>	<u>1,063,914</u>
TOTAL ASSETS	<u>27,294,078</u>	<u>11,353,407</u>	<u>10,462,673</u>	<u>14,089,548</u>	<u>4,826,873</u>	<u>752,219</u>	<u>68,778,797</u>	<u>2,572,108</u>

(continued)

Statement of Net Assets

Proprietary Funds

December 31, 2008 (continued)

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mail	Nonmajor (Refuse)		Totals
LIABILITIES								
Current liabilities:								
Accounts payable	\$ 1,127,989	\$ 55,312	\$ 4,332	10,527	\$ 10,156	19,556	1,227,872	\$ 4,875
Due to other government units	70,018					12,625	82,643	
Accrued wages payable	105,001	40,675	14,895	2,139		42,298	205,008	
Customer deposits	75,450						75,450	
Compensated absences payable - current	23,900	13,800					37,700	65,337
Notes payable - current							70,385	62,601
G.O. revenue bonds payable - current		75,000	29,053				104,053	
Accrued bond interest payable		26,553					26,553	
Total current liabilities	<u>1,402,358</u>	<u>211,340</u>	<u>48,280</u>	<u>12,665</u>	<u>10,156</u>	<u>144,864</u>	<u>1,829,664</u>	<u>132,813</u>
Noncurrent liabilities:								
Compensated absences payable - net current portion	237,402	130,265						
G.O. revenue bonds payable - net current portion		1,187,250	1,894,735				367,667	1,214,930
Total noncurrent liabilities	<u>237,402</u>	<u>1,317,515</u>	<u>1,894,735</u>			<u>230,333</u>	<u>3,312,318</u>	<u>206,776</u>
TOTAL LIABILITIES	<u>1,639,760</u>	<u>1,528,855</u>	<u>1,943,015</u>	<u>12,665</u>	<u>10,156</u>	<u>375,198</u>	<u>5,509,649</u>	<u>1,554,519</u>
NET ASSETS								
Invested in capital assets, net of related debt	13,395,398	8,003,887	6,964,437	14,025,317	4,798,530	146,024	47,333,593	789,662
Restricted for debt service		72,029					72,029	
Unrestricted	<u>12,258,920</u>	<u>1,748,636</u>	<u>1,555,221</u>	<u>51,567</u>	<u>18,187</u>	<u>230,997</u>	<u>15,863,528</u>	<u>227,927</u>
TOTAL NET ASSETS	<u>\$ 25,654,318</u>	<u>\$ 9,824,552</u>	<u>\$ 8,519,658</u>	<u>\$ 14,076,883</u>	<u>\$ 4,816,717</u>	<u>\$ 377,021</u>	<u>\$ 63,269,150</u>	<u>\$ 1,017,589</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 Assets
Proprietary Funds
Year Ended December 31, 2008

	Business-Type Activities – Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
Operating revenues:								
Electric charges	\$11,791,473						\$11,791,473	
Water charges		\$2,010,277					2,010,277	
Sewer charges			\$ 623,156				623,156	
Rental charges					\$ 157,782		157,782	
Refuse charges						\$ 751,450	751,450	
Storm Water charges				\$ 176,337			176,337	
Other	165,616	9,390	3,914		2,456	25,208	206,585	\$ 292,100
Total operating revenues	<u>11,957,089</u>	<u>2,019,667</u>	<u>627,070</u>	<u>176,337</u>	<u>160,238</u>	<u>776,658</u>	<u>15,717,060</u>	<u>292,100</u>
Operating expenses:								
Purchased power	7,687,935						7,687,935	
Operations and maintenance	1,615,117	1,317,807	280,926	148,526	174,389	803,532	4,340,296	
Administration	494,257	265,758	81,841			41,075	882,931	
Compensated absences								
Depreciation	691,700	515,147	302,815	329,409	183,838	55,948	2,078,857	117,100
Tax and tax equivalents	1,099,474						1,099,474	157,189
Total operating expenses	<u>11,588,483</u>	<u>2,098,712</u>	<u>665,582</u>	<u>477,935</u>	<u>358,227</u>	<u>900,555</u>	<u>16,089,494</u>	<u>274,289</u>
Operating income (loss)	<u>368,606</u>	<u>(79,045)</u>	<u>(38,512)</u>	<u>(301,598)</u>	<u>(197,989)</u>	<u>(123,897)</u>	<u>(372,434)</u>	<u>17,811</u>
Nonoperating revenues (expenses)								
Interest income	408,333	76,268	54,211	1,775	1,703	16,104	558,394	57,820
Interest expense	(1,349)	(65,642)				(19,365)	(86,355)	(15,151)
Loss on early extinguishment of debt								
Gain (loss) on disposal of assets								
Intergovernmental						15,000	15,000	
Total Nonoperating revenues (expenses)	<u>406,984</u>	<u>10,626</u>	<u>54,211</u>	<u>1,775</u>	<u>1,703</u>	<u>11,739</u>	<u>487,039</u>	<u>42,669</u>
Income (loss) before transfers and contributions	<u>775,590</u>	<u>(68,418)</u>	<u>15,699</u>	<u>(299,823)</u>	<u>(196,286)</u>	<u>(112,157)</u>	<u>114,605</u>	<u>60,480</u>
Capital contributions								
Transfers in				14,306,683			14,306,683	
Transfers out	<u>(150,752)</u>				30,000		30,000	
Change in net assets	<u>624,838</u>	<u>(68,418)</u>	<u>15,699</u>	<u>14,006,861</u>	<u>(166,286)</u>	<u>(112,157)</u>	<u>14,300,536</u>	<u>60,480</u>
Total net assets - January 1	<u>25,029,480</u>	<u>9,892,970</u>	<u>8,503,959</u>	<u>70,023</u>	<u>4,983,003</u>	<u>489,178</u>	<u>48,968,613</u>	<u>957,109</u>
Total net assets - December 31	<u>\$ 25,654,318</u>	<u>\$ 9,824,552</u>	<u>\$ 8,519,658</u>	<u>\$ 14,076,883</u>	<u>\$ 4,816,717</u>	<u>\$ 377,021</u>	<u>\$ 63,269,149</u>	<u>\$ 1,017,589</u>

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

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2008

	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	\$11,368,825	\$ 1,953,900	\$ 595,553	\$176,338	\$ 160,238	\$ 732,131	\$14,986,985	
Cash received from interfund activities	499,982	56,377	27,603			17,015	600,977	\$ 292,100
Cash paid to suppliers for goods and services	(8,281,537)	(1,066,078)	(321,475)	(98,351)	(116,859)	(533,588)	(10,417,889)	
Cash paid for interfund activities	(54,640)	(119,077)	(38,945)		(63,802)	(34,034)	(310,498)	
Cash paid to employees	(1,166,607)	(546,534)	11,908	(37,511)		(234,587)	(1,973,331)	(155,695)
Cash paid for taxes and tax equivalents	(1,099,474)		-				(1,099,474)	
Other operating revenues (expenses)	80,070	9,390	3,914			25,208	118,583	
Net cash provided (used) by operating activities	1,346,619	287,977	278,558	40,476	(20,423)	(27,855)	1,905,353	136,405
Cash flows from noncapital financing activities:								
Intergovernmental revenues						15,000	15,000	
Transfers from other funds					30,000		30,000	
Transfers to other funds	(150,752)						(150,752)	
Interfund receivable	120,000						120,000	
Net cash provided (used) by noncapital financing activities	(30,752)				30,000	15,000	14,248	
Cash flows from capital and related financing activities:								
Acquisition of capital assets	(937,292)	(603,114)	(52,975)	(48,042)		(348,958)	(1,990,381)	(334,714)
Principal payments on long-term debt		(70,000)				(64,281)	(134,281)	(60,623)
Interest and fiscal charges on bonds	(1,349)	(65,642)				(19,365)	(86,355)	(15,151)
Net cash (used) by capital and related financing activities	(938,641)	(738,756)	(52,975)	(48,042)		(432,604)	(2,211,017)	(410,488)
Cash flows from investing activities:								
Interest received on investments	387,204	76,268	54,211	1,775	1,703	16,104	537,265	57,820
Proceeds from sales and maturities of investments	6,398,330					246,780	6,645,110	
Purchase of investments	(6,400,400)		(601,812)				(7,002,212)	(367,091)
Net cash provided (used) by investing activities	385,134	76,268	(547,601)	1,775	1,703	262,884	180,163	(309,271)
Net increase (decrease) in cash and cash equivalents	762,361	(374,511)	(322,018)	(5,791)	11,280	(182,574)	(111,254)	(583,354)
Cash and cash equivalents - January 1	1,487,448	2,248,339	665,421	70,023	17,063	467,671	4,955,964	1,087,612
Cash and cash equivalents - December 31	\$ 2,249,809	\$ 1,873,828	\$ 343,403	\$ 64,232	\$ 28,343	\$ 285,097	\$ 4,844,711	\$ 504,258

(continued)

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2008 (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)	\$ 368,606	\$ (79,045)	\$ (38,512)	\$ (301,598)	\$ (197,989)	\$ (123,897)	\$ (372,434)	\$ 17,811
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	691,700	515,147	302,815	329,409	183,838	55,948	2,078,857	157,189
Changes in assets and liabilities:								
Accounts receivable	(15,262)	-	-	-	-	(2,304)	(17,566)	-
Materials and supplies	(22,726)	(45,899)	-	-	-	-	(68,625)	-
Prepaid items	(27,566)	(609)	-	-	-	-	(28,175)	-
Accounts payable	291,033	(122,208)	2,347	10,527	(6,272)	9,936	185,363	-
Accrued wages payable	26,874	19,252	11,908	2,139	-	35,620	95,793	-
Accrued compensated absences	23,328	1,339	-	-	-	-	24,667	(38,595)
Due to other government units	3,582	-	-	-	-	-	424	-
Customer deposits	7,050	-	-	-	-	(3,158)	7,050	-
Net cash provided (used) by operating activities	<u>1,346,619</u>	<u>287,977</u>	<u>278,558</u>	<u>40,477</u>	<u>(20,423)</u>	<u>(27,855)</u>	<u>1,905,353</u>	<u>136,405</u>
Schedule of noncash investing, capital and financing activities:								
Increase (Decrease) in fair value of investments	\$ 26,776						\$ 26,776	
Capital contributions		\$ -	\$ 1,923,788	\$ 14,306,683			16,230,471	
MN PFA debt assumed			(1,923,788)				(1,923,788)	
Cash and cash equivalents are shown on the balance sheet under the following captions:								
Cash and cash equivalents	\$2,174,359	\$ 1,775,246	\$ 343,403	\$ 64,231	\$ 28,343	\$ 285,097	\$ 4,670,679	\$ 504,258
Restricted assets:								
Cash in bond accounts		98,582	-				98,582	
Cash in customer deposits	75,450						75,450	
Total cash and cash equivalents - December 31	<u>\$ 2,249,809</u>	<u>\$ 1,873,828</u>	<u>\$ 343,403</u>	<u>\$ 64,231</u>	<u>\$ 28,343</u>	<u>\$ 285,097</u>	<u>\$ 4,844,711</u>	<u>\$ 504,258</u>

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

Statement of Fiduciary Assets and Liabilities
Agency Fund - Flexible Benefits
December 31, 2008

ASSETS:

Cash and cash equivalents

\$ 11,033

LIABILITIES:

Due to employees

\$ 11,033

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, 1987, 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.

Complete financial statements for the individual component unit may be obtained at the entity's administrative office.

Economic Development & Housing Authority - 600 Demers Avenue N.W., East Grand Forks, MN 56721.

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 Sewer Projects Fund. This capital projects fund is used to account for sewer system 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, 2008, 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

On June 21, 2005, the city purchased electric service territory from Red River Valley Power Cooperative. And, in December 2006, the city purchased electric service territory from PKM Electric. Accordingly, under FASB Statement No. 142, 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 \$144,065 for 5,011 accumulated sick leave hours; the Electric Fund has accrued a liability of \$261,302 for 8,409 accumulated sick leave hours. Additionally, the EDHA has accrued a liability of \$79,029 for 3,378 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 \$1,280,267 is recorded in this fund, reflecting 53,173 accumulated sick leave hours. Sick leave hours exceeding the eligible reimbursement limit of 1,280 hours totaled 1,497.

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 equity

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

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 2008, 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, 2008, expenditures and other uses exceeded appropriations in the following funds: State Aid Street (\$99,262), Library (\$45,408), Senior Citizens (\$1,484) and General Fund (\$537,863)

In the General Fund payroll and vacation costs were higher than budgeted. As were the Library expenditures. The State Aid Street Fund had larger improvement projects than expected.

C. Deficit Fund Equity

At December 31, 2008, there are four governmental funds with a deficit fund balance. The \$259,347 deficit fund balance in the 2005 City Projects Fund, \$173,180 deficit in the 08 PFA Sewer Projects Fund, \$92,000 deficit in the 08 PFA Street Construction Fund and the \$34,228 deficit in the Current Year Capital Projects Fund will decrease with future revenues and transfers from governmental and enterprise funds.

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments at December 31, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 9,409,438
Investments	15,569,954
Restricted cash and cash equivalents	174,032
Statement of fiduciary assets and liabilities:	
Cash and cash equivalents	11,033
Total cash and investments	<u>\$ 25,164,457</u>

Cash and investments at December 31, 2008 consist of the following:

Cash:	
Cash on hand	\$ 615
Deposit with financial institutions	2,793,214
Cash equivalents:	
4M - Local Government Investment Pool	6,398,155
Money Market Funds	402,519
Investments:	
Various	<u>15,569,954</u>
Total cash, cash equivalents, and investments	<u>\$25,164,457</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	\$100,000
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, 2007, 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 unrated. The city has no formal 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 Farm Credit Bank	\$ 378,711	9.50
Federal Home Loan Bank	2,234,400	5.77
Federal Home Loan Mortgage	1,341,797	8.34
Federal National Mortgage Assn.	2,084,724	8.22
Negotiable certificates of deposit	9,330,386	2.11
Non-negotiable certificates of deposit	199,935	0.61
Money Market Funds	402,519	0.12
Local Government Investment Pool	<u>6,398,155</u>	0.12
	<u>\$ 22,370,628</u>	
Portfolio weighted average maturity		2.23

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	\$2,234,400	10.0%
Federal Home Loan Mortgage	1,341,797	6.0%
Federal National Mortgage Assn.	2,084,724	9.3%

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 was under collateralized for a short time during 2008, but was adequately collateralized at December 31, 2008. 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:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Restricted Cash and Cash Equivalents</u>	<u>Total</u>
Governmental				
Activities:				
General Fund	\$ 1,720,221	\$ 1,197,465		\$ 2,917,686
Residential Infrastructure	74,473	563,845		638,318
08 PFA Loan Sewer Projects	-	-		0
12-1-07 Assessment Bonds	77,262	334,415		411,677
12-1-04 Assessment Bonds	318,239			318,239
3-1-06 Assessment Bonds	248,957	1,077,566		1,326,523
Nonmajor governmental	1,795,349	1,863,683		3,659,032
Internal service funds	504,258	1,003,936		1,508,194
Total	<u>4,738,759</u>	<u>6,040,910</u>		<u>10,779,669</u>
Business-type				
Activities:				
Electric	2,174,359	8,297,999	\$ 75,450	10,547,808
Water	1,775,246		98,582	1,873,828
Sewage	343,403	1,231,045		1,574,448
Storm Water	64,231	-		64,231
City Mail	28,343			28,343
Nonmajor (Refuse)	285,097	-		285,097
Total	<u>4,670,679</u>	<u>9,529,044</u>	<u>174,032</u>	<u>14,373,755</u>
Government-wide total	<u>9,409,438</u>	<u>15,569,954</u>	<u>174,032</u>	<u>25,153,424</u>
Fiduciary fund	11,033			11,033
Total cash and investments	<u>\$ 9,420,471</u>	<u>\$15,569,954</u>	<u>\$ 174,032</u>	<u>\$25,164,457</u>

NOTE 4. RECEIVABLES AND DEFERRED REVENUES

Interfund Receivables, Payables, and Transfers. At December 31, 2008, 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.

**Notes to the Financial Statements
December 31, 2008**

CITY OF EAST GRAND FORKS

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	\$ 53,552	\$ 37,278	\$ 76,899	\$ 167,729
Residential Infrastructure		2,058,809		2,058,809
12-1-07 Assessment Bonds		2,625,490		2,625,490
12-1-04 Assessment Bonds		2,153,910		2,153,910
3-1-06 Assessment Bonds		2,140,087		2,140,087
Nonmajor Governmental		1,624,185	-	1,624,185
Total	<u>\$ 53,552</u>	<u>\$ 10,639,759</u>	<u>\$ 76,899</u>	<u>\$ 10,770,210</u>
Less:				
Property Taxes				\$ (53,552)
Special Assessments				(10,639,759)
Notes Receivable				(76,899)
Total Government-wide deferred revenue				<u>\$ -</u>

Interfund Receivables. The following is the interfund receivables/payables at December 31, 2008:

Receivable Fund	Payable Fund	Amount
Electric Fund	2005 City Projects Fund	\$ 405,000
Residential Infrastructure	08 PFA Loan Sewer Project Fund	\$55,797

Transfers. The following interfund transfers are reflected in the fund financial statements at December 31, 2008:

	Transfers In	Transfers Out
Governmental funds:		
General Fund	\$ 150,752	\$ 784,890
Residential Infrastructure	400,000	990,000
12-1-07 Assessment Bonds	83,800	
3-1-06 Assessment Bonds	11,690	400,000
Nonmajor governmental	<u>1,783,938</u>	<u>134,538</u>
Total governmental funds	<u>2,430,180</u>	<u>2,309,428</u>
Enterprise funds:		
Electric		150,752
City Mall	<u>30,000</u>	
Total enterprise funds	<u>30,000</u>	<u>150,752</u>
Total	<u>\$2,460,180</u>	<u>\$2,460,180</u>
Enterprise funds:		
Storm Water		
Capital contribution-Fixed assets from General	<u>\$ 14,306,683</u>	

Accounts Receivables. The following accounts receivables are reflected in the fund financial statements at December 31, 2008:

	Days delinquent			Total	Allowance for doubtful Accounts	Net Accounts Receivable
	Current	31-120	Over 120			
Governmental funds:						
General	\$ 13,161			\$ 13,161		\$ 13,161
Nonmajor funds	30,006			30,006		30,006
Total Governmental	<u>43,167</u>			<u>43,167</u>		<u>43,167</u>
Enterprise funds:						
Electric	1,336,755	\$ 63,435	\$ 46,826	1,447,016	\$ (48,000)	1,399,016
Nonmajor (Refuse)	5,379			5,379		5,379
Total enterprise	<u>1,342,134</u>	<u>63,435</u>	<u>46,826</u>	<u>1,452,395</u>	<u>(48,000)</u>	<u>1,404,395</u>
Total	<u>\$ 1,385,301</u>	<u>\$ 63,435</u>	<u>\$ 46,826</u>	<u>\$ 1,495,562</u>	<u>\$ (48,000)</u>	<u>\$ 1,447,562</u>

Notes to the Financial Statements
December 31, 2008

CITY OF EAST GRAND FORKS

NOTE 5. CAPITAL ASSETS

	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	2,001,150	\$2,030,283	(\$3,198,531)	832,902		832,902		2,030,283
Total	33,008,436	2,030,283	(3,198,531)	31,840,188		31,840,188		2,030,283
Depreciable capital assets:								
Buildings, structures, and improvements	91,529,900	1,764,624	(16,310,305)	76,984,219		76,984,219		1,764,624
Machinery and equipment	6,121,220	477,016	(81,257)	6,516,979	\$ 1,720,172	4,796,807	\$ 334,714	142,302
Infrastructure	33,598,763	1,640,376		35,239,139		35,239,139		1,640,376
Total	131,249,883	3,882,016	(16,391,562)	118,740,337	1,720,172	117,020,165	334,714	3,547,302
Total capital assets	164,258,319	5,912,299	(19,590,093)	150,580,525	1,720,172	148,860,353	334,714	5,577,585
Less accumulated depreciation for:								
Buildings, structures and improvements	(9,603,164)	(1,658,145)	2,003,622	(9,257,687)		(9,257,687)		(1,658,145)
Machinery and equipment	(3,232,068)	(177,875)	81,257	(3,328,686)	(656,258)	(2,672,428)	(157,189)	(20,686)
Infrastructure	(8,491,601)	(911,693)		(9,403,294)		(9,403,294)		(911,693)
Total accumulated depreciation	(21,326,833)	(2,747,713)	2,084,879	(21,989,667)	(656,258)	(21,333,409)	(157,189)	(2,590,524)
Total governmental activities capital assets, net	\$ 142,931,486	\$ 3,164,586	\$ (17,505,214)	\$ 128,590,858	\$ 1,063,914	\$ 127,526,944	\$ 177,525	\$ 2,987,061
Business-type activities:								
Nondepreciable capital assets								
Land	\$ 715,378			\$ 715,378				
Construction in progress	1,140,428	\$ 3,381,645	(1,544,688)	2,977,385				
Total	1,855,806	3,381,645	(1,544,688)	3,692,763				
Depreciable capital assets:								
Buildings, structures, and improvements	53,605,652	17,236,271		\$ 70,841,923				
Machinery and equipment	4,438,972	1,151,608		5,590,580				
Total	58,044,624	18,387,879		76,432,503				
Total capital assets	59,900,430	21,769,524	(1,544,688)	80,125,266				
Less accumulated depreciation for:								
Buildings, structures, and improvements	(21,800,923)	(4,015,269)		(25,816,192)				
Machinery and equipment	(3,421,518)	(67,207)		(3,488,725)				
Total accumulated depreciation	(25,222,441)	(4,082,476)		(29,304,917)				
Total business-type activities capital assets, net	\$ 34,677,989	\$17,687,048	\$ (1,544,688)	\$ 50,820,349				

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

Governmental activities:	
General government	\$ 192,749
Public safety	161,114
Public Works	1,876,022
Culture and Recreation	493,356
Transit	20,581
Cemetery	3,893
Total depreciation expenses - governmental activities	<u>2,747,715</u>
Internal service fund depreciation on capital assets charged to the various functions based on usage.	(157,189)
Depreciation expense excluding internal service fund.	<u>\$ 2,590,526</u>
Business-type activities:	
Electric Fund	\$ 691,700
Water Fund	515,147
Sewer Fund	302,815
Storm Water Fund	329,409
City Mall Fund	183,838
Refuse Fund	55,948
Total depreciation expenses - business-type activities	<u>\$ 2,078,857</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	<u>50,300</u>			<u>50,300</u>
Depreciable capital assets:				
Buildings, structures and improvements	5,503,577			5,503,577
Machinery and equipment	174,765			174,765
Total	<u>5,678,342</u>			<u>5,678,342</u>
Total capital assets	<u>5,728,642</u>			<u>5,728,642</u>
Less accumulated depreciation for:				
Buildings, structures and improvements	(768,706)	(138,413)		(907,119)
Machinery and equipment	(158,985)	(18,615)		(177,600)
Total accumulated depreciation	<u>(927,691)</u>	<u>(157,028)</u>		<u>(1,084,719)</u>
Total governmental activities capital assets, net	<u>\$ 4,800,951</u>	<u>\$ (157,028)</u>	\$ -	<u>\$ 4,643,923</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.

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:

Notes to the Financial Statements
December 31, 2008

CITY OF EAST GRAND FORKS

Governmental activities

General obligation Improvement bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/08
12/01/01	02/01/14	4.0%-5.0%	700,000	545,000
12/01/01 Refunding	12/01/22	4.0%-5.0%	345,000	160,000
12/01/03	12/01/24	3.1%-4.8%	1,000,000	850,000
04/01/04 Refunding	02/01/16	2.8%-4.3%	260,000	160,000
12/01/04	02/01/25	3.0%-4.4%	4,655,000	4,070,000
03/01/06	02/01/27	3.3%-4.3%	4,075,000	3,700,000
12/01/07	02/01/28	3.4%-4.25%	3,560,000	3,560,000
Total governmental activities				<u>\$ 13,045,000</u>

Business-type activities

Revenue bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/08
General obligation- water revenue (2001)	02/01/21	4.6%-5.2%	\$ 1,750,000	1,275,000
Mn PFA-Clean Water Loan Total \$ 4,012,598 advanced 1,923,788	08/20/28	2.687%	\$ 4,012,598	\$ 1,923,788
Total business-type activities				<u>\$ 3,198,788</u>

The \$1,923,788 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 Principal	Interest	Business-type Activities Principal	Interest
2009	\$ 885,000	\$ 501,823	\$ 104,053	\$ 61,513
2010	940,000	468,915	152,669	108,974
2011	975,000	433,938	160,066	103,222
2012	990,000	397,631	166,984	97,069
2013	1,030,000	359,758	174,381	90,623
2014-18	3,685,000	1,311,775	955,465	347,585
2019-23	3,130,000	613,319	890,669	151,399
2024-28	1,410,000	107,424	594,502	48,773
Total	<u>\$ 13,045,000</u>	<u>\$ 4,194,583</u>	<u>\$ 3,198,788</u>	<u>\$ 1,009,158</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 Principal	Interest	Business-type Activities Principal	Interest
2009	\$ 62,654	\$ 13,511	\$ 70,385	\$ 13,262
2010	65,816	10,349	73,490	10,158
2011	69,100	7,066	76,730	6,917
2012	71,807	4,358	80,113	3,533
Total	<u>\$ 269,377</u>	<u>\$ 35,284</u>	<u>\$ 300,718</u>	<u>\$ 33,870</u>

DEFEASANCE. On June 1, 2006, the city defeased the remaining \$2,265,000 in outstanding electric revenue bonds, Series 2001, dated June 1, 2001. The defeasance required the Electric Fund to purchase \$2,380,593 in U.S. government securities, which were deposited in an irrevocable trust with an escrow agent. The escrow agent will make all future debt service payments, including the full redemption occurring on February 1, 2010. The average interest rate on the defeased bonds is 5.9% and the average yield on escrowed U.S. government securities is 4.96%. The negative arbitrage until the bonds are redeemed equals \$59,342 and the interest payments foregone after redemption total \$657,122.

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2008:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation	14,830,000		(1,785,000)	13,045,000	825,000
Unamortized Premium	39,154		(2,223)	36,931	
Unamortized Discount	(92,372)		4,966	(87,406)	
Total	14,776,782		(1,782,257)	12,994,525	825,000
Notes Payable:					
G. O. certificates of indebtedness	330,000		(60,623)	269,377	64,223
Compensated absences	1,318,863	101,567	(140,163)	1,280,267	65,337
Governmental activities total:	16,425,645	101,567	(1,983,043)	14,544,169	954,560
Business-type activities:					
Bonds payable:					
G.O. water revenue	1,345,000		(70,000)	1,275,000	75,000
Unamortized bond discount	(13,450)		700	(12,750)	
MN PFA Clean Water Bond		1,923,788		1,923,788	29,053
Total	1,331,550	1,923,788	(69,300)	3,186,038	104,053
Cert of Indbtness-Refuse	365,000		(64,282)	300,718	70,385
Compensated absences	370,568	125,876	(91,077)	405,367	37,700
Due to component unit					
Business-type activities total	2,067,118	2,049,664	(224,659)	3,892,123	212,138
Government-wide total	18,492,763	2,151,231	(2,207,702)	18,436,292	1,166,698

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, 2008, was as follows:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Business-type activities:					
Intermediary relending notes	\$ 501,969		\$ (25,672)	\$ 476,297	\$ 26,080
Compensated absences	74,629	\$ 4,400		79,029	8,645
Special assessments	69,386		\$ (8,136)	61,250	7,960
Business-type activities total	\$ 645,984	\$ 4,400	\$ (33,808)	\$ 616,576	\$ 42,685

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

Year Ending December 31	Intermediary Relending Principal	Interest
2009	26,080	4,763
2010	26,341	4,502
2011	26,605	4,239
2012	26,871	3,973
2013	27,139	3,704
2014-18	139,822	14,394
2019-23	146,955	7,262
2024-25	56,484	827
Total	\$ 476,297	\$ 43,664

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, 2006 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:

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Paid Losses	\$35,095	\$ 7,052	\$25,702
Paid Expenses	20	42,666	0
Reserve Losses	0	20,000	2,263
Reserve Expenses	0	14,183	0
Total Incurred	35,115	83,901	27,965
Salvage/Subrogate	-5,349	0	0
Deductible Recovery	-7,371	-2,000	-2,950

The city's commercial insurance carrier has no set reserve losses or reserve expenses for claims filed after December 31, 2008, 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, 2007, 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 2008. PEPFF members were required to contribute 8.6% of their annual covered salary in 2008.

The City of East Grand Forks is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.50% for Coordinated Plan members, and 13.4% for PEPFF members. The city's contributions to the Public Employees Retirement Fund for the years ending December 31, 2008, 2007, and 2006, were \$199,776, \$195,621, and \$180,646, respectively. The city's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2008, 2007, and 2006 were \$239,066, \$203,050, and \$174,433, 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 2008 were:

Amount		Percentage of Covered Payroll		Required Rates
Employees	Employer	Employees	Employer	
\$2,543	\$2,543	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 \$4,913,135, or 42%, of the Electric Fund's operating revenue; the company's water purchases account for \$357,205, or 18%, of the Water Fund's operating revenue. The city collected \$477,293 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,	
2009	\$ 128,663
2010	132,765
2011	110,620
2012	61,946
2013	40,576
Thereafter	73,881
Total	<u>\$ 548,451</u>

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	\$1,275,099	\$133,648
Infill Building	1,466,300	262,100	39,000
DeMers Professional	455,800	74,144	11,190
	<u>\$ 6,409,873</u>	<u>\$ 1,611,343</u>	<u>\$ 183,838</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. COMMITTED CONTRACTS

At December 31, 2008, the city had the following remaining commitments for uncompleted construction contracts:

Fund/Project	2008
08 PFA Wastewater Impr	<u>\$1,532,832</u>
2008 Assessment Job 3 Curb, gutter & paving	62,453

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:

2008	\$ 24,803
2007	25,768
2006	22,999
2005	20,478
2004	19,591
2003	20,492

NOTE 15. 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, 2008, three series of Industrial Revenue Bonds were outstanding with remaining principal balances of \$3,500,000, \$1,000,000, and 34,350,000.

NOTE 16. 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, 2007, there are no amounts for arbitrage rebates.

NOTE 17. NEW PRONOUNCEMENTS

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* will be effective for the entity beginning with its year ending December 31, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period.

The requirements of GASB 51 are effective for financial statements for periods beginning after June 15, 2009, and, for the most part, require retroactive application. Management has not yet determined the effect this statement will have on its financial statements.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* will be effective for the entity for periods beginning after June 15, 2009. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transaction. A key provision of this Statement is the derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGIC's) that are fully benefit-responsive, are reported at fair value. The provisions of this Statement will be effective for beginning with the year ending December 31, 2010. Management has not yet determined the effect this statement will have on its financial statements.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* will be effective for the entity for period beginning after June 15, 2010. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. Management has not yet determined the effect this statement will have on its financial statements.

NOTE 18. 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. Any amendments to the plan must be approved by the City Council.

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 \$19,102 for fiscal year 2008. The annual employer contributions for fiscal year 2008 were \$-0-. The annual benefit cost for fiscal year 2008 was \$19,102.

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	\$ 59,078
Interest on net OPEB obligation	
Adjustment to annual required contribution	
Annual OPEB cost (expense)	
Estimated Contributions made	<u>(19,102)</u>
Increase (decrease) in net OPEB obligation	\$ 39,976
Net OPEB obligation, beginning of year	<u>0</u>
Net OPEB obligation, end of year	<u>\$ 39,976</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 year ended December 31, 2008 were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/08	\$59,078	32.3%	\$39,976

Funded Status and Funding Progress:

As of January 1, 2008, the most recent actuarial date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$562,881, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$562,881. For the fiscal year ended December 31, 2008, the covered payroll (annual payroll of active employees covered by the plan) was \$4,142,858, and the ratio of the UAAL to the covered payroll was 13.6%.

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, 2008 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 9.00% percent initially, reduced by decrements to an ultimate rate of 5.00% percent after 8 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 13.6% 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, 2008 was 30 years.

Required Supplementary Information

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

City of East Grand Forks, Minnesota
Insurance Premium Contribution Plan
Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Percentage Contributed
12/31/08	\$59,078	32.3%

NOTE 19. 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 \$1,987,500 at December 31, 2008. 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.

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.

Library. This fund is used to account for library activities and is primarily supported by an annual General Fund transfer.

Senior Citizens Center. This fund is used to account for the activities of the Senior Citizens Center and is primarily supported by an annual General Fund transfer.

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.

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.

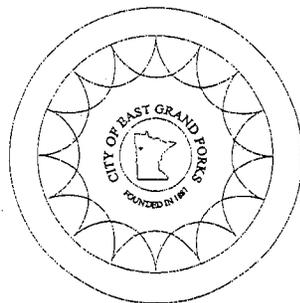
08 PFA Loan 23rd St Project. This fund is used to account for the improvements to be made on the 23rd Street project which will be financed with a MN PFA loan..

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.

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, 2008

	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	\$ 877,670	\$ 471,095	\$ 367,522	\$ 79,062	\$ 1,795,349
Investments	771,893	347,217	744,573		1,863,683
Accounts receivable	27,636		2,370		30,006
Due from other government units	29,791	2,824	386,131		418,746
Special assessments receivable:					
Delinquent		16,642			16,642
Deferred		1,607,543			1,607,543
Notes Receivable	200,000				200,000
Land held for resale	393,655				393,655
Total Assets	<u>2,300,645</u>	<u>2,445,321</u>	<u>1,500,596</u>	<u>79,062</u>	<u>6,325,624</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	28,394		75,180		103,574
Accrued wages payable	24,214				24,214
Due to other government units	65,612				65,612
Interfund payable			405,000		405,000
Deferred revenue		1,624,185			1,624,185
Total Liabilities	<u>118,220</u>	<u>1,624,185</u>	<u>480,180</u>		<u>2,222,585</u>
Fund balances:					
Reserved for debt service		821,136			821,136
Reserved for library				76,000	76,000
Reserved for land held for resale	393,655				393,655
Unreserved, undesignated	1,788,770		1,020,416	3,062	2,812,248
Total Fund Balances	<u>2,182,425</u>	<u>821,136</u>	<u>1,020,416</u>	<u>79,062</u>	<u>4,103,039</u>
Total Liabilities and Fund Balances	<u>\$ 2,300,645</u>	<u>\$ 2,445,321</u>	<u>\$ 1,500,596</u>	<u>\$ 79,062</u>	<u>\$ 6,325,624</u>

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds by Fund Type
Year Ended December 31, 2008**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Campbell- Olson Fund	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental	\$ 305,649		\$ 691,135		\$ 996,784
Special assessments		\$ 243,622			243,622
Charges for services	241,252				241,252
Interest and other revenues	99,027	25,842	131,868	\$ 3,062	259,799
Total Revenues	<u>645,928</u>	<u>269,464</u>	<u>823,003</u>	<u>3,062</u>	<u>1,741,457</u>
Expenditures:					
Current:					
Public works	145,124				145,124
Recreation and culture	502,534				502,534
Transit	252,780				252,780
Community development	179,049				179,049
Cemetery	46,574				46,574
Capital outlay	49,549		1,921,980		1,971,529
Debt service:					
Principal retirement		1,200,000			1,200,000
Interest and fiscal agent fees		123,822			123,822
Total expenditures	<u>1,175,610</u>	<u>1,323,822</u>	<u>1,921,980</u>		<u>4,421,412</u>
Excess (deficiency) of revenues over expenditures	<u>(529,682)</u>	<u>(1,054,358)</u>	<u>(1,098,977)</u>	<u>3,062</u>	<u>(2,679,955)</u>
Other financing sources (uses)					
Transfers in	477,650		1,306,288		1,783,938
Transfers out	(80,000)		(50,188)	(4,350)	(134,538)
Long-term debt issued				(4,350)	
Total other financing sources (uses)	<u>397,650</u>		<u>1,256,100</u>	<u>(4,350)</u>	<u>1,649,400</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(132,032)</u>	<u>(1,054,358)</u>	<u>157,123</u>	<u>(1,288)</u>	<u>(1,030,555)</u>
Fund balance at beginning of year	2,314,457	1,875,494	863,293	80,350	5,133,594
Fund balance at end of year	<u>\$ 2,182,425</u>	<u>\$ 821,136</u>	<u>\$ 1,020,416</u>	<u>\$ 79,062</u>	<u>\$ 4,103,039</u>

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2008**

	Community Growth	State Aid Street	Transit	New Home Incentive	Library
ASSETS					
Cash and cash equivalents	\$ 211,184	\$ 119,942	\$ 50,011	\$ 178,609	\$ 52,207
Investments				771,893	
Accounts receivable					
Notes Receivable				200,000	
Due from other government units			29,791		
Land held for resale				393,655	
Total Assets	<u>211,184</u>	<u>119,942</u>	<u>79,802</u>	<u>1,544,157</u>	<u>52,207</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		3,000	2,382	9,069	9,954
Accrued wages payable					18,048
Due to other government units			65,612		
Deferred Revenue					
Total liabilities		<u>3,000</u>	<u>67,994</u>	<u>9,069</u>	<u>28,002</u>
Fund balances:					
Reserved for land held for resale				393,655	
Unreserved, undesignated	211,184	116,942	11,808	1,141,433	24,205
Total fund balances	<u>211,184</u>	<u>116,942</u>	<u>11,808</u>	<u>1,535,088</u>	<u>24,205</u>
Total liabilities and fund balances	<u>\$ 211,184</u>	<u>\$ 119,942</u>	<u>\$ 79,802</u>	<u>\$ 1,544,157</u>	<u>\$ 52,207</u>

(continued)

Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2008 (continued)

	Senior Center	Cemetery	Insect Control	Perpetual Care	Total
ASSETS					
Cash and cash equivalents	\$ 35,297	\$ 1,622	\$ 100,268	\$ 128,530	\$ 877,670
Investments					771,893
Accounts receivable		17,785	9,851		27,636
Notes Receivable					200,000
Due from other government units					29,791
Land held for resale					393,655
Total Assets	<u>35,297</u>	<u>19,407</u>	<u>110,119</u>	<u>128,530</u>	<u>2,300,645</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	2,087	1,902			28,394
Accrued wages payable	5,524	642			24,214
Due to other government units					65,612
Deferred Revenue					
Total liabilities	<u>7,611</u>	<u>2,544</u>			<u>118,220</u>
Fund balances:					
Reserved for land held for resale					393,655
Unreserved, undesignated	27,686	16,863	110,119	128,530	1,788,770
Total fund balances	<u>27,686</u>	<u>16,863</u>	<u>110,119</u>	<u>128,530</u>	<u>2,182,425</u>
Total liabilities and fund balances	<u>\$ 35,297</u>	<u>\$ 19,407</u>	<u>\$ 110,119</u>	<u>\$ 128,530</u>	<u>\$2,300,645</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2008**

	Community Growth	State Aid Street	Transit	New Home Incentive	Library
Revenues:					
Intergovernmental	\$ -	\$ 99,133	\$ 206,516		
Charges for services			19,398	\$ 98,500	\$ 1,570
Other revenue:					
Program income					
Interest revenue	7,961	9,206	2,705	46,874	
Other					15,229
Total revenues	<u>7,961</u>	<u>108,339</u>	<u>228,619</u>	<u>145,374</u>	<u>16,799</u>
Expenditures:					
Current:					
Public works		119,262			
Recreation and culture					398,650
Community development	1			179,048	
Transit			252,780		
Cemetery					
Capital outlay			32,491		17,058
Total expenditures	<u>1</u>	<u>119,262</u>	<u>285,271</u>	<u>179,048</u>	<u>415,708</u>
Excess (deficiency) of revenues over expenditures	<u>7,960</u>	<u>(10,923)</u>	<u>(56,652)</u>	<u>(33,674)</u>	<u>(398,909)</u>
Other financing sources (uses):					
Transfers in			35,000		350,750
Transfers out		(80,000)			
Total other financing sources (uses)		<u>(80,000)</u>	<u>35,000</u>		<u>350,750</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	7,960	(90,923)	(21,652)	(33,674)	(48,159)
Fund balance at beginning of year	<u>203,224</u>	<u>207,865</u>	<u>33,460</u>	<u>1,568,762</u>	<u>72,364</u>
Fund balance at end of year	<u>\$ 211,184</u>	<u>\$ 116,942</u>	<u>\$ 11,808</u>	<u>\$ 1,535,088</u>	<u>\$ 24,205</u>

(continued)

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2008** (continued)

	Senior Center	Cemetery	Insect Control	Perpetual Care	Total
Revenues:					
Intergovernmental					\$ 305,649
Charges for services	\$ 12,629	\$ 50,065	\$ 43,890	\$ 15,200	241,252
Other revenue:					
Program income	8,150				8,150
Interest revenue	681	190	3,759	4,272	75,648
Other					15,229
Total revenues	<u>21,460</u>	<u>50,255</u>	<u>47,649</u>	<u>19,472</u>	<u>645,928</u>
Expenditures:					
Current:					
Public works			25,862		145,124
Recreation and culture	103,884				502,534
Community development					179,049
Transit					252,780
Cemetery		46,574			46,574
Capital outlay					49,549
Total expenditures	<u>103,884</u>	<u>46,574</u>	<u>25,862</u>		<u>1,175,610</u>
Excess (deficiency) of revenues over expenditures	<u>(82,424)</u>	<u>3,681</u>	<u>21,787</u>	<u>19,472</u>	<u>(529,682)</u>
Other financing sources (uses):					
Transfers in	81,900	10,000			477,650
Transfers out					(80,000)
Total other financing sources (uses)	<u>81,900</u>	<u>10,000</u>			<u>397,650</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(524)</u>	<u>13,681</u>	<u>21,787</u>	<u>19,472</u>	<u>(132,032)</u>
Fund balance at begining of year	<u>28,210</u>	<u>3,182</u>	<u>88,332</u>	<u>109,058</u>	<u>2,314,457</u>
Fund balance at end of year	<u>\$ 27,686</u>	<u>\$ 16,863</u>	<u>\$ 110,119</u>	<u>\$ 128,530</u>	<u>\$2,182,425</u>

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2008**

	<u>8-1-98 Assessment Bonds</u>	<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	\$ 99,986	\$ 80,220	\$ 205,298	\$ 85,591	\$ 471,095
Investments	-	347,217	-	-	347,217
Due from other government units:	-	-	-	-	-
Unremitted special assessments	-	1,147	373	1,304	2,824
Special assessments receivable:	-	-	-	-	-
Delinquent	-	7,671	4,958	4,013	16,642
Deferred	-	594,208	773,084	240,251	1,607,543
Total assets	<u>\$ 99,986</u>	<u>\$ 1,030,463</u>	<u>\$ 983,713</u>	<u>\$ 331,159</u>	<u>\$ 2,445,321</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred Revenue:					
Special Assessments	\$ -	\$ 601,879	\$ 778,042	\$ 244,264	\$ 1,624,185
Total liabilities	<u>-</u>	<u>601,879</u>	<u>778,042</u>	<u>244,264</u>	<u>1,624,185</u>
Fund balances:					
Reserved debt service	99,986	428,584	205,671	86,895	821,136
Total fund balances	<u>99,986</u>	<u>428,584</u>	<u>205,671</u>	<u>86,895</u>	<u>821,136</u>
Total liabilities and fund balances	<u>\$ 99,986</u>	<u>\$ 1,030,463</u>	<u>\$ 983,713</u>	<u>\$ 331,159</u>	<u>\$ 2,445,321</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Debt Service Funds
Year Ended December 31, 2008**

	8-1-98 Special Assessment Bonds	12-1-01 Special Assessment Bonds	12-1-03 Special Assessment Bonds	04-1-04 Special Assessment Bonds	Total
Revenues:					
Special assessments	\$ -	\$ 89,754	\$ 102,382	\$ 51,486	\$ 243,622
Other revenue:	-	-	-	-	-
Interest on investments	4,099	14,193	5,509	2,041	25,842
Total revenues	<u>4,099</u>	<u>103,947</u>	<u>107,891</u>	<u>53,527</u>	<u>269,464</u>
Expenditures:					
Debt service:					
Principal retirement	1,075,000	50,000	40,000	35,000	1,200,000
Interest and fiscal agent fees	44,310	36,143	36,986	6,383	123,822
Other debt expenditures	-	-	-	-	-
Total expenditures	<u>1,119,310</u>	<u>86,143</u>	<u>76,986</u>	<u>41,383</u>	<u>1,323,822</u>
Excess (deficiency) of revenues over expenditures	<u>(1,115,211)</u>	<u>17,804</u>	<u>30,905</u>	<u>12,144</u>	<u>(1,054,358)</u>
Other financing sources (uses):					
Long-term debt issued	-	-	-	-	-
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(1,115,211)</u>	<u>17,804</u>	<u>30,905</u>	<u>12,144</u>	<u>(1,054,358)</u>
Fund balance at beginning of year	1,215,197	410,780	174,766	74,751	1,875,494
Fund balance at end of year	<u>\$ 99,986</u>	<u>\$ 428,584</u>	<u>\$ 205,671</u>	<u>\$ 86,895</u>	<u>\$ 821,136</u>

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2008**

	<u>Levee Projects</u>	<u>1997 Community Development</u>	<u>1997 Downtown Development</u>	<u>2005 City Projects</u>	<u>Current Assessment Projects</u>	<u>08 PFA Loan 23rd Street Project</u>	<u>Current City Projects</u>	<u>Total</u>
ASSETS								
Cash and cash equivalents	\$ 101,628	\$ 335,722	\$ 128,799	\$ (8,203)	\$ 126,494	\$ (92,000)	(\$224,918)	\$ 367,522
Investments	744,573					-		744,573
Accounts receivable			2,370			-		2,370
Due from other Governmental Units				191,242			194,889	386,131
Total Assets	<u>846,201</u>	<u>335,722</u>	<u>131,169</u>	<u>183,039</u>	<u>126,494</u>	<u>(92,000)</u>	<u>(30,029)</u>	<u>1,500,596</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	11,267		10,433	37,386	11,895	-	4,199	75,180
Due to Other Government Units								
Interfund Payable				405,000				405,000
Total liabilities	<u>11,267</u>		<u>10,433</u>	<u>442,386</u>	<u>11,895</u>	<u>-</u>	<u>4,199</u>	<u>480,180</u>
Fund balances:								
Unreserved, undesignated	834,934	335,722	120,736	(259,347)	114,599	(92,000)	(34,228)	1,020,416
Total fund balances	<u>834,934</u>	<u>335,722</u>	<u>120,736</u>	<u>(259,347)</u>	<u>114,599</u>	<u>(92,000)</u>	<u>(34,228)</u>	<u>1,020,416</u>
Total liabilities and fund balances	<u>\$ 846,201</u>	<u>\$ 335,722</u>	<u>\$ 131,169</u>	<u>\$ 183,039</u>	<u>\$ 126,494</u>	<u>\$ (92,000)</u>	<u>\$ (30,029)</u>	<u>\$ 1,500,596</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Capital Projects Funds
Year Ended December 31, 2008**

	<u>Levee Projects</u>	<u>1997 Community Development</u>	<u>1997 Downtown Development</u>	<u>2005 City Projects</u>	<u>Current Assessment Projects</u>	<u>08 PFA Loan 23rd Street Project</u>	<u>Current City Projects</u>	<u>Total</u>
Revenues:								
Other revenue:								
Intergovernmental	\$ 120,624			\$ 348,406			\$ 222,105	\$ 691,135
Program income	18,765	\$ 60,000	\$ 9,500					88,265
Interest	27,395	9,872	6,336			\$ -		43,603
Total revenues	<u>166,784</u>	<u>69,872</u>	<u>15,836</u>	<u>348,406</u>			<u>222,105</u>	<u>823,003</u>
Expenditures:								
Current:								
Other expenditures						8,000		8,000
Capital outlay:								
Land and buildings			18,433					18,433
Infrastructure construction	187,698	92		526,324	800,833	84,000	296,600	1,895,547
Total expenditures	<u>187,698</u>	<u>92</u>	<u>18,433</u>	<u>526,324</u>	<u>800,833</u>	<u>92,000</u>	<u>296,600</u>	<u>1,921,980</u>
Excess (deficiency) of revenues over expenditures	<u>(20,914)</u>	<u>69,780</u>	<u>(2,597)</u>	<u>(177,918)</u>	<u>(800,833)</u>	<u>(92,000)</u>	<u>(74,495)</u>	<u>(1,098,977)</u>
Other financing sources (uses):								
Transfers in		50,188		306,100	790,000		160,000	1,306,288
Transfers out			(50,188)					(50,188)
Total other financing sources (uses)	<u>-</u>	<u>50,188</u>	<u>(50,188)</u>	<u>306,100</u>	<u>790,000</u>		<u>160,000</u>	<u>1,256,100</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(20,914)</u>	<u>119,968</u>	<u>(52,785)</u>	<u>128,182</u>	<u>(10,833)</u>	<u>(92,000)</u>	<u>85,505</u>	<u>157,123</u>
Fund balance at beginning of year	855,848	215,754	173,521	(387,529)	125,432		(119,733)	863,293
Fund balance at end of year	<u>\$ 834,934</u>	<u>\$ 335,722</u>	<u>\$ 120,736</u>	<u>\$ (259,347)</u>	<u>\$ 114,599</u>	<u>\$ (92,000)</u>	<u>\$ (34,228)</u>	<u>\$ 1,020,416</u>

**Community Growth Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual
 Year Ended December 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental		\$ -	\$ -	\$ -
Other revenues:				
Program income	\$ 5,000	10,000		(10,000)
Interest revenue	5,000		7,961	7,961
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>7,961</u>	<u>(2,039)</u>
Expenditures:				
Community development:				
Contractual services	10,000	10,000		(10,000)
Other expenditures			1	1
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>1</u>	<u>(9,999)</u>
Excess (deficiency) of revenues over expenditures			<u>7,960</u>	<u>7,960</u>
Fund balance at beginning of year	203,224	203,224	203,224	
Fund balance at end of year	<u>\$ 203,224</u>	<u>\$ 203,224</u>	<u>\$ 211,184</u>	<u>\$ 7,960</u>

**State Aid Street Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 95,000	\$ 95,000	\$ 99,133	\$ 4,133
Other revenues:				
Interest revenue	5,000	5,000	9,206	4,206
Total revenue	<u>100,000</u>	<u>100,000</u>	<u>108,339</u>	<u>8,339</u>
Expenditures:				
Public works:				
Contractual services	20,000	20,000	119,262	(99,262)
Capital outlay				
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>119,262</u>	<u>(99,262)</u>
Excess (deficiency) of revenues over expenditures	<u>80,000</u>	<u>80,000</u>	<u>(10,923)</u>	<u>(90,923)</u>
Other financing sources (uses):				
Transfers out	(35,000)	(35,000)	(80,000)	(45,000)
Total other financing sources (uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(80,000)</u>	<u>(45,000)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	45,000	45,000	(90,923)	(135,923)
Fund balance at beginning of year	207,865	207,865	207,865	
Fund balance at end of year	<u>\$ 252,865</u>	<u>\$ 252,865</u>	<u>\$ 116,942</u>	<u>\$ (135,923)</u>

**Transit Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual
 Year Ended December 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 277,000	\$ 277,000	\$ 206,516	\$ (70,484)
Charges for services	16,000	16,000	19,398	3,398
Other revenues:				
Interest revenue			2,705	2,705
Total Revenues	<u>293,000</u>	<u>293,000</u>	<u>228,619</u>	<u>(64,381)</u>
Expenditures:				
Transit:				
Contractual services	253,400	253,400	252,764	(636)
Capital outlay	80,000	80,000	32,491	(47,509)
Other expenditures	3,600	3,600	16	(3,584)
Total expenditures	<u>337,000</u>	<u>337,000</u>	<u>285,271</u>	<u>(51,729)</u>
Excess (deficiency) of revenues over expenditures	<u>(44,000)</u>	<u>(44,000)</u>	<u>(56,652)</u>	<u>(12,652)</u>
Other financing sources (uses):				
Transfers in	44,000	44,000	35,000	(9,000)
Total other financing sources (uses)	<u>44,000</u>	<u>44,000</u>	<u>35,000</u>	<u>(9,000)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)			(21,652)	(21,652)
Fund balance at beginning of year	33,460	33,460	33,460	
Fund balance at end of year	<u>\$ 33,460</u>	<u>\$ 33,460</u>	<u>\$ 11,808</u>	<u>\$ (21,652)</u>

Insect Control Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 41,000	\$ 41,000	\$ 43,890	\$ 2,890
Other revenue:				
Interest revenue			3,759	3,759
Total revenues	<u>41,000</u>	<u>41,000</u>	<u>47,649</u>	<u>6,649</u>
Expenditures:				
Public Works:				
Personal services	9,200	9,200	3,775	(5,425)
Supplies	15,000	15,000	19,932	4,932
Contractual services	3,000	3,000	2,155	(845)
Capital outlay				(1,000)
Other expenditures	<u>1,000</u>	<u>1,000</u>	<u>25,862</u>	<u>(2,338)</u>
Total expenditures	<u>28,200</u>	<u>28,200</u>	<u>25,862</u>	<u>(2,338)</u>
Excess (deficiency) of revenues over expenditures	12,800	12,800	21,787	8,987
Fund balance at beginning of year	88,332	88,332	88,332	
Fund balance at end of year	<u>\$ 101,132</u>	<u>\$ 101,132</u>	<u>\$ 110,119</u>	<u>\$ 8,987</u>

**Perpetual Care Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual
 Year Ended December 31, 2008**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 14,000	\$ 14,000	\$ 15,200	\$ 1,200
Other revenue:				
Interest revenue	2,000	2,000	4,272	2,272
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>19,472</u>	<u>3,472</u>
Other financing sources (uses):				
Operating transfers in				
Total other financing sources (uses)				
Excess (deficiency) of revenues over expenditures and other sources (uses)	16,000	16,000	19,472	3,472
Fund balance at beginning of year	109,058	109,058	109,058	
Fund balance at end of year	<u>\$ 125,058</u>	<u>\$ 125,058</u>	<u>\$ 128,530</u>	<u>\$ 3,472</u>



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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 Assets
Internal Service Funds
December 31, 2008**

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 303,946	\$ 200,312	\$ 504,258
Investments	1,003,936		1,003,936
Total current assets	<u>1,307,882</u>	<u>200,312</u>	<u>1,508,194</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment		1,720,172	1,720,172
Less accumulated depreciation		(656,258)	(656,258)
Capital assets (net)		<u>1,063,914</u>	<u>1,063,914</u>
TOTAL ASSETS	<u>1,307,882</u>	<u>1,264,226</u>	<u>2,572,108</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable		4,875	4,875
Compensated absences payable	65,337		65,337
Notes payable - current		62,601	62,601
Total current liabilities	<u>65,337</u>	<u>67,476</u>	<u>132,813</u>
Noncurrent liabilities:			
Compensated absences payable - net current portion	1,214,930		1,214,930
Notes Payable - net current portion		206,776	206,776
Total noncurrent liabilities	<u>1,214,930</u>	<u>206,776</u>	<u>1,421,706</u>
TOTAL LIABILITIES	<u>1,280,267</u>	<u>274,252</u>	<u>1,554,519</u>
NET ASSETS			
Investment in capital assets, net of related debt		789,662	789,662
Unrestricted	27,615	200,312	227,927
TOTAL NET ASSETS	<u>\$ 27,615</u>	<u>\$ 989,974</u>	<u>\$ 1,017,589</u>

**Combining Statement of Revenues, Expenses and Changes
in Fund Net Assets - Internal Service Funds
Year Ended December 31, 2008**

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 72,000	\$ 220,100	\$ 292,100
Total operating revenues	<u>72,000</u>	<u>220,100</u>	<u>292,100</u>
Operating expenses:			
Compensated absences	117,100		117,100
Depreciation		157,189	157,189
Total operating expenses	<u>117,100</u>	<u>157,189</u>	<u>274,289</u>
Operating income (loss)	<u>(45,100)</u>	<u>62,911</u>	<u>17,811</u>
Nonoperating revenues (expenses)			
Interest revenue	48,840	8,980	57,820
Interest expense		(15,151)	(15,151)
Total nonoperating revenues (expenses)	<u>48,840</u>	<u>(6,171)</u>	<u>42,669</u>
Change in net assets	3,740	56,740	60,480
Net assets at beginning of year	23,875	933,234	957,109
Net assets at end of year	<u>\$ 27,615</u>	<u>\$ 989,974</u>	<u>\$ 1,017,589</u>

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2008**

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Cash flow from operating activities:			
Receipts from interfund service provided	\$ 72,000	\$ 220,100	\$ 292,100
Payments for compensated absences	<u>(155,695)</u>	<u>(155,695)</u>	<u>(155,695)</u>
Net cash provided by operating activities	<u>(83,695)</u>	<u>220,100</u>	<u>136,405</u>
Cash flows from capital financing activities:			
Acquisition of capital assets		(334,714)	(334,714)
Principal payments on long-term debt		(60,623)	(60,623)
Interest payments on long-term debt		(15,151)	(15,151)
Proceeds from Long-term Debt			
Net cash provided by capital financing activities		<u>(410,488)</u>	<u>(410,488)</u>
Cash flows from investing activities			
Interest on investments	48,840	8,980	57,820
Sale of investments			
Purchase of investments	<u>(367,091)</u>	<u>(367,091)</u>	<u>(367,091)</u>
Net cash provided by investing activities	<u>(318,251)</u>	<u>8,980</u>	<u>(309,271)</u>
Increase (decrease) in cash and cash equivalents	(401,946)	(181,408)	(583,354)
Cash and cash equivalents - January 1	705,892	381,720	1,087,612
Cash and cash equivalents - December 31	<u>\$ 303,946</u>	<u>\$ 200,312</u>	<u>\$ 504,258</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (45,100)	\$ 62,911	\$ 17,811
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization		157,189	157,189
Changes in assets and liabilities:			
Increase (decrease) in compensated absences	<u>(38,595)</u>	<u>(38,595)</u>	<u>(38,595)</u>
Net cash provided by operating activities	<u>\$ (83,695)</u>	<u>\$ 220,100</u>	<u>\$ 136,405</u>



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OTHER SUPPLEMENTARY SCHEDULES



CITY OF EAST GRAND FORKS, MINNESOTA

**Schedule of Revenues and Other Sources
Budget to Actual - General Fund
Year Ended December 31, 2008**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Taxes:					
Property taxes	\$ 2,717,000	\$ 2,128,255	\$ 2,122,114	\$ (6,141)	\$ 1,929,978
Mobile home taxes	6,000	6,000	5,452	(548)	5,452
Tax increment taxes	11,000	11,000	1,574	(9,426)	4,587
Payment in lieu of taxes	-	-	-	-	-
Hotel/Motel taxes	10,000	10,000	11,633	1,633	13,621
Franchise taxes	1,158,000	1,158,000	1,330,270	172,270	1,309,050
Penalties and interest	3,000	3,000	1,699	(1,301)	1,342
Total taxes	<u>3,905,000</u>	<u>3,316,255</u>	<u>3,472,742</u>	<u>156,487</u>	<u>3,264,030</u>
Licenses and permits:					
Liquor and malt licenses	42,450	42,450	42,250	(200)	41,825
Tobacco licenses	400	400	450	50	574
Plumbing licenses	2,000	2,000	1,750	(250)	2,150
Amusement center licenses	200	200	100	(100)	520
Pet licenses	1,000	1,000	1,054	54	634
Other licenses	3,000	3,000	3,942	942	6,939
Building permits	34,000	34,000	79,865	45,865	56,784
Excavation permits	3,150	3,150	2,890	(260)	2,220
Plumbing permits	3,600	3,600	2,364	(1,236)	3,111
Other permits	2,000	2,000	3,587	1,587	3,194
Total Licenses & Permits	<u>91,800</u>	<u>91,800</u>	<u>138,252</u>	<u>46,452</u>	<u>117,951</u>
Intergovernmental:					
Federal grants	-	57,000	60,902	3,902	15,649
Local government aid	2,678,942	2,678,942	2,458,788	(220,154)	2,701,018
Disparity reduction credit	-	396,003	396,003		427,013
Market value credit	-	192,742	192,742		374,053
PERA aid	15,700	15,700	15,688	(12)	15,688
Police state aid	146,000	146,000	154,113	8,113	155,224
Fire state aid	40,000	40,000	37,217	(2,783)	44,664
Ambulance subsidy	21,958	21,958	21,939	(19)	21,939
Other	45,900	45,900	45,555	(345)	24,331
Total Intergovernmental	<u>2,948,500</u>	<u>3,594,245</u>	<u>3,382,947</u>	<u>(211,298)</u>	<u>3,779,579</u>
Charges for services:					
General Government	21,100	21,100	29,339	8,239	22,375
Accounting Other Funds	22,000	22,000	12,900	(9,100)	10,909
Rescue Unit	3,000	3,000	7,489	4,489	3,035

Schedule of Revenues and Other Sources
Budget to Actual - General Fund
Year Ended December 31, 2008 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Charges for services (continued):					
Police services	29,000	29,000	31,845	2,845	33,091
Protective inspection services	15,000	15,000	15,825	825	15,420
Rural fire service	30,000	30,000	40,464	10,464	31,267
Public safety - other	3,000	3,000	4,555	1,555	6,863
Streets and highways	8,000	8,000	10,479	2,479	9,093
Street lights	153,000	153,000	164,409	11,409	162,070
Storm sewers	-	-	-	-	-
Swimming pool	12,000	12,000	21,702	9,702	23,147
Summer recreation programs	34,400	34,400	35,550	1,150	33,245
Winter recreation programs	56,400	56,400	62,909	6,509	51,729
Recreation - other	98,000	98,000	98,707	707	110,176
City hall rent	24,500	24,500	25,387	887	25,077
VFW arena rent	13,000	13,000	17,317	4,317	15,234
Civic center rent	87,000	87,000	90,525	3,525	87,228
Total charges for services	<u>609,400</u>	<u>609,400</u>	<u>669,402</u>	<u>60,002</u>	<u>639,958</u>
Fines and forfeits:					
Court fines	66,000	66,000	105,687	39,687	100,594
Parking fines	3,000	3,000	6,970	3,970	4,410
Court fees	8,000	8,000	1,684	(6,316)	1,837
Impound fees	6,300	6,300	5,906	(394)	6,996
Sale of seized property	12,000	12,000	7,297	(4,703)	27,207
Total fines and forfeits	<u>95,300</u>	<u>95,300</u>	<u>127,544</u>	<u>32,244</u>	<u>141,044</u>
Miscellaneous revenues:					
Interest revenue	55,000	55,000	93,244	38,244	111,128
Donations	-	40,000	39,875	(125)	30,305
Insurance dividends	-	-	16,871	16,871	44,137
Park dedication fees	-	-	-	-	4,000
Other	24,200	24,200	36,945	12,745	20,007
Total miscellaneous	<u>79,200</u>	<u>119,200</u>	<u>186,935</u>	<u>67,735</u>	<u>209,577</u>
Total revenues	<u>7,729,200</u>	<u>7,826,200</u>	<u>7,977,822</u>	<u>151,622</u>	<u>8,152,138</u>
Other financing sources:					
Proceeds from sale of assets			117,746	117,746	8,040
Transfers in:					
Enterprise fund projects	39,000	39,000	150,752	111,752	68,856
Other funds	65,000	65,000	-	(65,000)	-
Total other financing sources	<u>104,000</u>	<u>104,000</u>	<u>268,498</u>	<u>164,498</u>	<u>76,896</u>
Total revenues and other financing sources	<u>\$ 7,833,200</u>	<u>\$ 7,930,200</u>	<u>\$ 8,246,320</u>	<u>\$ 316,120</u>	<u>\$ 8,229,034</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2008

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
General government:					
Council:					
Personal services	\$ 46,600	\$ 46,600	\$ 50,467	\$ (3,867)	\$ 34,536
Other expenditures	4,500	4,500	6,017	(1,517)	4,663
Total	<u>51,100</u>	<u>51,100</u>	<u>56,484</u>	<u>(5,384)</u>	<u>39,200</u>
Ordinances and proceedings:					
Contractual services	15,000	15,000	8,972	6,028	9,387
Total	<u>15,000</u>	<u>15,000</u>	<u>8,972</u>	<u>6,028</u>	<u>9,387</u>
Mayor:					
Personal services	10,800	10,800	11,123	(323)	9,048
Supplies	200	200		200	105
Contractual services	1,500	1,500	1,003	497	967
Other expenditures	5,000	5,000	2,077	2,923	3,667
Total	<u>17,500</u>	<u>17,500</u>	<u>14,203</u>	<u>3,297</u>	<u>13,787</u>
Elections:					
Personal services	6,000	6,000	6,927	(927)	3,028
Supplies	1,200	1,200	161	1,039	751
Other expenditures	800	800	373	427	196
Total	<u>8,000</u>	<u>8,000</u>	<u>7,461</u>	<u>539</u>	<u>3,975</u>
City administration:					
Personal services	248,400	248,400	231,579	16,821	231,086
Supplies	12,000	12,000	8,043	3,957	8,387
Contractual services	9,000	9,000	32,343	(23,343)	20,884
Other expenditures	6,500	6,500	16,001	(9,501)	5,822
Capital outlay					13,000
Total	<u>275,900</u>	<u>275,900</u>	<u>287,966</u>	<u>(12,066)</u>	<u>279,179</u>
Accounting and auditing:					
Contractual services	27,000	27,000	107,734	(80,734)	30,979
Total	<u>27,000</u>	<u>27,000</u>	<u>107,734</u>	<u>(80,734)</u>	<u>30,979</u>
City assessor:					
Contractual services	29,000	29,000	28,928	72	28,880
Total	<u>29,000</u>	<u>29,000</u>	<u>28,928</u>	<u>72</u>	<u>28,880</u>
City attorney:					
Personal services					
Supplies			2,881	(2,881)	628
Contractual services	107,200	107,200	150,196	(42,996)	135,607
Other expenditures	7,500	7,500	7,509	(9)	2,190
Total	<u>114,700</u>	<u>114,700</u>	<u>160,586</u>	<u>(45,886)</u>	<u>138,425</u>
Planning and zoning:					
Personal services					
Contractual services	51,300	51,300	73,760	(22,460)	57,855
Other expenditures	1,100	1,100	723	377	700
Total	<u>52,400</u>	<u>52,400</u>	<u>74,483</u>	<u>(22,083)</u>	<u>58,555</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2008 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
General government (continued)					
Water and light commission:					
Personal services	11,800	11,800	11,949	(149)	10,657
Total	11,800	11,800	11,949	(149)	10,657
Civil service commission:					
Personal Services	2,000	2,000	2,099	(99)	1,938
Other expenditures	600	600	544	56	327
Total	2,600	2,600	2,643	(43)	2,265
Finance and accounting:					
Personal services	86,000	86,000	6,672	79,328	83,133
Supplies	1,500	1,500	692	808	639
Contractual services	9,500	9,500		9,500	4,188
Other expenditures	1,000	1,000	165	835	2,655
Capital outlay					
Total	98,000	98,000	7,529	90,471	90,614
Building:					
Personal services	52,600	52,600	56,843	(4,243)	49,753
Supplies	14,500	14,500	4,188	10,312	16,221
Contractual services	114,000	114,000	129,913	(15,913)	152,227
Other expenditures	1,000	1,000	16	984	1,376
Capital outlay	7,500	7,500		7,500	14,321
Total	189,600	189,600	190,960	(1,360)	233,899
Summary:					
Current	885,100	885,100	959,898	(74,798)	912,481
Capital outlay	7,500	7,500		7,500	27,321
Total general government	\$ 892,600	\$ 892,600	\$ 959,898	\$ (67,298)	\$ 939,802
Public safety:					
Police:					
Personal services	\$ 1,776,500	\$ 1,776,500	\$ 1,977,597	\$ (201,097)	\$ 1,612,327
Supplies	71,700	71,700	82,321	(10,621)	68,120
Contractual services	131,500	131,500	152,078	(20,578)	128,028
Other expenditures	12,500	12,500	15,009	(2,509)	15,144
Capital outlay	63,000	135,872	115,520	20,352	51,833
Total	2,055,200	2,128,072	2,342,525	(214,453)	1,875,453

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2008 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Public safety (continued)					
Fire:					
Personal services	859,800	859,800	910,003	(50,203)	800,219
Supplies	67,200	67,200	70,992	(3,792)	17,809
Contractual services	44,000	89,500	86,345	3,155	80,867
Other expenditures	6,400	6,400	3,298	3,102	5,182
Capital outlay		32,189	32,149	40	
Total	<u>977,400</u>	<u>1,055,089</u>	<u>1,102,787</u>	<u>(47,698)</u>	<u>904,078</u>
Building inspection:					
Personal services	218,100	218,100	250,186	(32,086)	205,178
Supplies	4,000	4,000	1,517	2,483	3,696
Contractual services	5,100	5,100	6,609	(1,509)	5,220
Other expenditures	2,600	2,600	1,806	794	1,058
Capital outlay					
Total	<u>229,800</u>	<u>229,800</u>	<u>260,118</u>	<u>(30,318)</u>	<u>215,151</u>
Civil defense:					
Supplies	900	900		900	
Contractual services	5,100	5,100	4,693	407	4,399
Other expenditures	1,600	1,600	202	1,398	2,000
Equipment					
Total	<u>7,600</u>	<u>7,600</u>	<u>4,895</u>	<u>2,705</u>	<u>6,399</u>
Traffic engineering:					
Personal services	15,600	15,600	22,814	(7,214)	13,325
Supplies	11,500	11,500	10,154	1,346	13,597
Contractual services	16,200	16,200	9,611	6,589	18,189
Other expenditures			382	(382)	441
Total	<u>43,300</u>	<u>43,300</u>	<u>42,961</u>	<u>339</u>	<u>45,551</u>
Animal control:					
Contractual services	4,600	4,600	6,355	(1,755)	4,581
Total	<u>4,600</u>	<u>4,600</u>	<u>6,355</u>	<u>(1,755)</u>	<u>4,581</u>
Summary:					
Current	3,254,900	3,300,400	3,611,972	(311,572)	2,999,380
Capital outlay	63,000	168,061	147,669	20,392	51,833
Total public safety	<u>\$ 3,317,900</u>	<u>\$ 3,468,461</u>	<u>\$ 3,759,641</u>	<u>\$ (291,180)</u>	<u>\$ 3,051,213</u>
Public works:					
Administration:					
Personal services	\$43,500	\$43,500	\$41,694	\$1,806	\$37,191
Supplies	1,000	1,000	1,461	(461)	2,885
Contractual services	2,100	2,100	2,636	(536)	1,557
Other expenditures	1,500	1,500	1,564	(64)	1,605
Total	<u>48,100</u>	<u>48,100</u>	<u>47,355</u>	<u>745</u>	<u>43,239</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2008 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Streets:					
Personal services	241,600	241,600	247,810	(6,210)	204,356
Supplies	13,000	13,000	22,699	(9,699)	4,326
Contractual services	21,700	21,700	14,512	7,188	45,768
Other expenditures	2,000	2,000	17,941	(15,941)	5,428
Capital outlay	40,000	40,000	35,040	4,960	
Total	<u>318,300</u>	<u>318,300</u>	<u>338,002</u>	<u>(19,702)</u>	<u>259,877</u>
Downtown parking lots:					
Personal services	8,400	8,400	5,254	3,146	4,620
Supplies					
Contractual services	5,500	5,500	298	5,202	4,429
Other expenditures					2,200
Total	<u>13,900</u>	<u>13,900</u>	<u>5,552</u>	<u>8,348</u>	<u>11,249</u>
Ice and snow removal:					
Personal services	80,000	80,000	49,529	30,471	66,893
Supplies	12,500	12,500	13,153	(653)	21,158
Contractual services	41,000	41,000	71,263	(30,263)	47,689
Other expenditures	1,000	1,000	1,360	(360)	90
Total	<u>134,500</u>	<u>134,500</u>	<u>135,305</u>	<u>(805)</u>	<u>135,829</u>
Equipment:					
Supplies	49,500	49,500	52,566	(3,066)	34,389
Contractual services	146,500	146,500	144,636	1,864	142,598
Other expenditures	2,000	2,000	213	1,787	194
Capital outlay	20,000	20,000		20,000	12,880
Total	<u>218,000</u>	<u>218,000</u>	<u>197,415</u>	<u>20,585</u>	<u>190,061</u>
Demolition:					
Personal services			172	(172)	1,303
Contractual services					
Other expenditures					
Total			<u>172</u>	<u>(172)</u>	<u>1,303</u>
Equipment building:					
Supplies	16,100	16,100	20,355	(4,255)	15,894
Contractual services	58,700	58,700	58,925	(225)	73,407
Other expenditures	1,000	1,000	798	202	817
Capital outlay	25,000	25,000	49,125	(24,125)	51,115
Total	<u>100,800</u>	<u>100,800</u>	<u>129,203</u>	<u>(28,403)</u>	<u>141,233</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2008 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Public works (continued)					
City shop:					
Personal services	134,800	134,800	155,642	(20,842)	137,425
Charged back	(51,500)	(51,500)	(48,834)	(2,666)	(48,647)
Supplies	221,000	221,000	358,958	(137,958)	316,599
Charged back	(221,000)	(221,000)	(350,490)	129,490	(255,984)
Contractual services					
Other expenditures	1,000	1,000	538	462	1,093
Total	<u>84,300</u>	<u>84,300</u>	<u>115,814</u>	<u>(31,514)</u>	<u>150,486</u>
Storm sewers:					
Personal services					
Supplies					
Contractual services					
Other expenditures					
Capital outlay					
Total					
Street lighting:					
Contractual services	175,000	175,000	163,932	11,068	151,140
Total	<u>175,000</u>	<u>175,000</u>	<u>163,932</u>	<u>11,068</u>	<u>151,140</u>
Street cleaning:					
Personal services	35,800	35,800	23,677	12,123	29,667
Contractual services	28,600	28,600	28,600		28,600
Other expenditures			900	(900)	
Total	<u>64,400</u>	<u>64,400</u>	<u>53,177</u>	<u>11,223</u>	<u>58,267</u>
Weed control:					
Personal services	23,100	23,100	35,332	(12,232)	28,733
Supplies	3,000	3,000	938	2,062	161
Contractual services	14,000	14,000	14,000		14,000
Other expenditures	1,000	1,000	920	80	799
Total	<u>41,100</u>	<u>41,100</u>	<u>51,190</u>	<u>(10,090)</u>	<u>43,693</u>
Summary:					
Current	1,113,400	1,113,400	1,152,952	(39,552)	1,122,383
Capital outlay	85,000	85,000	84,165	835	63,995
Total public works	<u>\$ 1,198,400</u>	<u>\$ 1,198,400</u>	<u>\$ 1,237,117</u>	<u>\$ (38,717)</u>	<u>\$ 1,186,377</u>
Recreation and culture:					
Parks and recreation administration					
Personal services	\$150,200	\$150,200	\$176,876	(\$26,676)	\$149,042
Supplies	6,500	6,500	2,089	4,411	1,677
Contractual services	7,800	7,800	9,309	(1,509)	8,240
Other expenditures	5,200	5,200	4,413	787	4,403
Capital outlay					
Total	<u>169,700</u>	<u>169,700</u>	<u>192,687</u>	<u>(22,987)</u>	<u>163,362</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2008 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Recreation and culture (continued)					
Playgrounds:					
Personal services	5,700	5,700	4,661	1,039	4,957
Supplies	1,000	1,000	634	366	504
Other expenditures	600	600	274	326	524
Total	<u>7,300</u>	<u>7,300</u>	<u>5,569</u>	<u>1,731</u>	<u>5,985</u>
Swimming pool:					
Personal services	51,900	51,900	42,134	9,766	38,050
Supplies	16,200	16,200	11,545	4,655	9,996
Contractual services	24,200	24,200	28,056	(3,856)	22,738
Other expenditures	700	700	222	478	300
Capital outlay	5,000	5,000		5,000	
Total	<u>98,000</u>	<u>98,000</u>	<u>81,957</u>	<u>16,043</u>	<u>71,085</u>
Tennis:					
Personal services	2,800	2,800	2,815	(15)	2,691
Supplies	300	300	266	34	139
Other expenditures	500	500	274	226	300
Total	<u>3,600</u>	<u>3,600</u>	<u>3,355</u>	<u>245</u>	<u>3,130</u>
Skating rinks:					
Personal services	8,700	8,700	7,281	1,419	6,637
Supplies	2,000	2,000	400	1,600	1,900
Other expenditures	500	500	1,020	(520)	
Total	<u>11,200</u>	<u>11,200</u>	<u>8,701</u>	<u>2,499</u>	<u>8,537</u>
Hockey:					
Personal services	34,200	34,200	30,944	3,256	32,546
Supplies	5,000	5,000	755	4,245	3,653
Contractual services					
Other expenditures	8,000	8,000	9,423	(1,423)	5,696
Total	<u>47,200</u>	<u>47,200</u>	<u>41,122</u>	<u>6,078</u>	<u>41,895</u>
Figure skating:					
Personal services	26,100	26,100	28,799	(2,699)	23,359
Supplies	4,300	4,300	3,310	990	4,180
Other expenditures	3,000	3,000	298	2,702	1,026
Total	<u>33,400</u>	<u>33,400</u>	<u>32,407</u>	<u>993</u>	<u>28,565</u>
Baseball:					
Personal services	37,500	37,500	30,781	6,719	37,956
Supplies	13,000	13,000	21,111	(8,111)	10,667
Other expenditures	7,500	7,500	6,364	1,136	8,895
Total	<u>58,000</u>	<u>58,000</u>	<u>58,256</u>	<u>(256)</u>	<u>57,519</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2008 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Recreation and culture (continued)					
Softball:					
Personal services	13,000	13,000	15,874	(2,874)	12,411
Supplies	2,700	2,700	1,788	912	1,771
Other expenditures	3,500	3,500	1,822	1,678	2,863
Total	<u>19,200</u>	<u>19,200</u>	<u>19,484</u>	<u>(284)</u>	<u>17,045</u>
Civic center:					
Personal services	93,200	93,200	70,374	22,826	90,890
Supplies	17,000	17,000	20,226	(3,226)	12,050
Contractual services	104,600	104,600	125,713	(21,113)	120,935
Other expenditures	1,100	1,100	773	327	355
Capital outlay	25,000	25,000	3,000	22,000	29,773
Total	<u>240,900</u>	<u>240,900</u>	<u>220,086</u>	<u>20,814</u>	<u>254,004</u>
VFW arena:					
Personal services	83,800	83,800	105,516	(21,716)	75,083
Supplies	17,000	17,000	16,558	442	11,514
Contractual services	80,300	80,300	79,844	456	76,584
Other expenditures	1,400	1,400	1,032	368	1,101
Capital outlay	10,000	10,000	4,624	5,376	
Total	<u>192,500</u>	<u>192,500</u>	<u>207,574</u>	<u>(15,074)</u>	<u>164,283</u>
Park areas:					
Personal services	175,500	175,500	198,061	(22,561)	169,348
Supplies	34,500	34,500	46,274	(11,774)	34,160
Contractual services	72,900	72,900	89,675	(16,775)	80,501
Other expenditures	2,500	2,500	973	1,527	2,106
Capital outlay	7,000	23,500	11,674	11,826	36,062
Total	<u>292,400</u>	<u>308,900</u>	<u>346,657</u>	<u>(37,757)</u>	<u>322,177</u>
Campground-Recreation Area					
Personal services	71,500	71,500	74,159	(2,659)	73,260
Supplies	5,000	5,000	8,210	(3,210)	11,458
Other expenditures	27,000	27,000	21,570	5,430	30,971
Capital outlay					
Total	<u>103,500</u>	<u>103,500</u>	<u>103,939</u>	<u>(439)</u>	<u>115,688</u>
Summary:					
Current	1,229,900	1,229,900	1,302,496	(72,596)	1,187,439
Capital outlay	47,000	63,500	19,298	44,202	65,835
Total Recreation and culture	<u>\$ 1,276,900</u>	<u>\$ 1,293,400</u>	<u>\$ 1,321,794</u>	<u>\$ (28,394)</u>	<u>\$ 1,253,274</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2008 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Community Development:					
Residential tax abatement	\$ 80,000	\$ 80,000	\$ 75,007	\$ 4,993	\$ 51,438
Total	<u>80,000</u>	<u>80,000</u>	<u>75,007</u>	<u>4,993</u>	<u>51,438</u>
Summary:					
Current	80,000	80,000	75,007	4,993	51,438
Capital outlay					
Total Community Development	<u>\$ 80,000</u>	<u>\$ 80,000</u>	<u>\$ 75,007</u>	<u>\$ 4,993</u>	<u>\$ 51,438</u>
Other expenditures:					
Workers compensation	\$4,100	\$4,100	\$4,743	(\$643)	\$4,789
General liability and other insurance	149,400	149,400	122,554	26,846	123,334
Donations	1,000	1,000		1,000	
Promotional(Lodging)	9,500	9,500	10,582	(1,082)	14,012
Memberships and dues	25,000	25,000	26,276	(1,276)	9,036
Miscellaneous	31,000	71,000	68,684	2,316	94,434
Contributed services			44,410	(44,410)	27,339
Contributed capital outlay			104,848	(104,848)	34,517
Capital outlay	8,000	8,000	3,170	4,830	4,490
Total	<u>228,000</u>	<u>268,000</u>	<u>385,267</u>	<u>(117,267)</u>	<u>311,952</u>
Summary:					
Current	220,000	260,000	277,249	(17,249)	272,945
Capital outlay	8,000	8,000	108,018	(100,018)	39,007
Total other expenditures	<u>\$ 228,000</u>	<u>\$ 268,000</u>	<u>\$ 385,267</u>	<u>\$ (117,267)</u>	<u>\$ 311,952</u>
Debt service:					
Principal retirement					
Interest and fiscal charges					
Total debt service					
Total expenditures	<u>\$ 6,993,800</u>	<u>\$ 7,200,861</u>	<u>\$ 7,738,724</u>	<u>\$ (537,863)</u>	<u>\$ 6,794,056</u>
Other financing uses:					
Operating transfer out:					
Special revenue funds	\$473,300	\$473,300	\$473,300		\$429,000
Capital project funds	186,100	186,100	186,100		225,000
Debt service funds	150,000	150,000	95,490	\$ 54,510	50,000
Enterprise funds	30,000	30,000	30,000		90,000
Total other financing uses	<u>839,400</u>	<u>839,400</u>	<u>784,890</u>	<u>54,510</u>	<u>794,000</u>
Total expenditures and other financing uses	<u>\$ 7,833,200</u>	<u>\$ 8,040,261</u>	<u>\$ 8,523,614</u>	<u>\$ (483,353)</u>	<u>\$ 7,588,056</u>

**Capital Assets Used in the Operation of Governmental Funds
 Schedule by Sources
 December 31, 2008**

	2008	2007
Governmental funds capital assets		
Land and Land Improvements	\$ 58,424,661	\$ 58,424,661
Building, Systems, and Structures	49,566,844	64,112,525
Machinery and equipment	6,516,979	6,121,220
Street Network	35,239,139	33,598,763
Construction in progress	832,902	2,001,150
Total governmental funds capital assets	<u>150,580,525</u>	<u>164,258,319</u>
Investments in governmental funds capital assets by source:		
General Fund	117,837,288	132,941,662
Special revenue funds	810,479	810,479
Internal service funds	1,720,172	1,461,840
Capital project funds	30,212,586	29,044,338
Total investments in governmental funds capital assets by source	<u>\$ 150,580,525</u>	<u>\$ 164,258,319</u>

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2008

	Land and Land Improvements	Buildings, Systems, and Structures	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:						
Government center	\$ 453,500	\$ 7,069,134				\$ 7,522,634
Other			\$ 170,910			170,910
Total general government	<u>453,500</u>	<u>7,069,134</u>	<u>170,910</u>			<u>7,693,544</u>
Public safety:						
Police	94,000	1,362,112	558,347			2,014,459
Fire	45,500	1,773,051	962,867			2,781,418
Total public safety	<u>139,500</u>	<u>3,135,163</u>	<u>1,521,214</u>			<u>4,795,877</u>
Public works:						
Infrastructure (street network)				\$ 35,239,139		35,239,139
Storm protection network	55,628,589	23,427,367	934,341			79,990,297
Other	1,527,610	1,885,732	2,098,517		\$ 832,902	6,344,761
Total public works	<u>57,156,199</u>	<u>25,313,099</u>	<u>3,032,858</u>	<u>35,239,139</u>	<u>832,902</u>	<u>121,574,197</u>
Recreation and culture:						
Parks	574,057	10,795,029	1,003,232			12,372,318
Library	32,000	2,925,571	631,890			3,589,461
Senior center	5,700	215,535				221,235
Total recreation	<u>611,757</u>	<u>13,936,135</u>	<u>1,635,122</u>			<u>16,183,014</u>
Transit		24,077	138,791			162,868
Cemetery	63,705	89,236	18,084			171,025
Total governmental fund capital assets	<u>\$ 58,424,661</u>	<u>\$ 49,566,844</u>	<u>\$ 6,516,979</u>	<u>\$ 35,239,139</u>	<u>\$ 832,902</u>	<u>\$150,580,525</u>

**Capital Assets Used in the Operation of Governmental Funds
 Schedule of Changes by Function and Activity
 December 31, 2008**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and transfers, net</u>	<u>Ending Balance</u>
General government				
Government center	\$ 7,522,634			\$ 7,522,634
Other	170,910			170,910
Total general government	<u>7,693,544</u>			<u>7,693,544</u>
Public safety:				
Police	1,901,220	\$ 113,239		2,014,459
Fire	2,581,612	199,806		2,781,418
Total public safety	<u>4,482,832</u>	<u>313,045</u>		<u>4,795,877</u>
Public works:				
Infrastructure (street network)	33,598,763	1,640,376		35,239,139
Storm protection network	94,752,801	1,547,801	\$ (16,310,305)	79,990,297
Other	7,453,264	2,171,286	(3,279,788)	6,344,762
Total public works	<u>135,804,828</u>	<u>5,359,463</u>	<u>(19,590,093)</u>	<u>121,574,198</u>
Recreation or culture				
Parks	12,132,526	239,791		12,372,317
Library	3,589,461			3,589,461
Senior center	221,235			221,235
Total recreation and culture	<u>15,943,222</u>	<u>239,791</u>		<u>16,183,013</u>
Transit	162,868			162,868
Cemetery	171,025			171,025
Total governmental funds capital assets	<u>\$ 164,258,319</u>	<u>\$ 5,912,299</u>	<u>\$ (19,590,093)</u>	<u>\$ 150,580,525</u>

Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund - Flexible Benefits
Year Ended December 31, 2008

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS:				
Restricted cash and cash equivalents	<u>\$ 11,904</u>	<u>\$ 68,889</u>	<u>\$ (69,760)</u>	<u>\$ 11,033</u>
LIABILITIES:				
Due to employees	<u>\$ 11,904</u>	<u>\$ 68,889</u>	<u>\$ (69,760)</u>	<u>\$ 11,033</u>

**Combining Statement of Net Assets
Discretely Presented Component Unit - by Focus
December 31, 2008**

	Housing	Economic Development	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 445,975	\$ 432,393	\$ 878,368
Investments	588,305	1,874,671	2,462,976
Restricted Cash in customer deposits	571,030		571,030
Restricted Cash in escrow			
Interest receivable		1,735	1,735
Due from other government units		936	936
Notes receivable (current portion)		389,824	389,824
Total current assets	<u>1,605,310</u>	<u>2,699,559</u>	<u>4,304,869</u>
Noncurrent assets:			
Capital assets:			
Land	50,300		50,300
Buildings and systems	5,503,577		5,503,577
Machinery and equipment	165,016	9,749	174,765
Total capital assets	<u>5,718,893</u>	<u>9,749</u>	<u>5,728,642</u>
Less accumulated depreciation	<u>(1,075,325)</u>	<u>(9,394)</u>	<u>(1,084,719)</u>
Total capital assets (net)	<u>4,643,568</u>	<u>355</u>	<u>4,643,923</u>
Land held for resale		207,180	207,180
Notes receivable (net current portion)		1,796,313	1,796,313
Allowance for uncollectible		(268,442)	(268,442)
Unamortized debt issuance costs			
Total noncurrent assets	<u>4,643,568</u>	<u>1,735,051</u>	<u>6,378,619</u>
TOTAL ASSETS	<u>6,248,878</u>	<u>4,434,665</u>	<u>10,683,543</u>
LIABILITIES			
Current liabilities:			
Accounts payable	16,127	68,174	84,301
Accrued wages payable	21,001	9,913	30,914
Due to other government units	260,812		260,812
Special assessments - current	7,960		7,960
Notes payable - current		26,866	26,866
Compensated absences payable - current	4,645	4,000	8,645
Accrued interest payable		2,479	2,479
Total current liabilities	<u>310,545</u>	<u>111,432</u>	<u>421,977</u>
Noncurrent liabilities:			
Customer deposits	20,578		20,578
Compensated absences payable (net current portion)	41,806	28,578	70,384
Special assessments (net current portion)	53,290		53,290
Notes payable (net current portion)		449,431	449,431
Total noncurrent liabilities	<u>115,674</u>	<u>478,009</u>	<u>593,683</u>
NET ASSETS			
Invested in capital assets, net of related debt	4,582,318	355	4,582,673
Restricted	86,691		86,691
Unrestricted	1,153,650	3,845,169	4,998,819
TOTAL NET ASSETS	<u>\$ 5,822,659</u>	<u>\$ 3,845,524</u>	<u>\$ 9,668,183</u>

**Schedule of Revenues, Expenses and Changes in Fund Net Assets -
Discretely Presented Component Unit - Economic Development Focus
Year Ended December 31, 2008**

	<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	\$ 1,562	\$ 3,095		\$ 9,492	\$ 59,616	\$ 73,765
Other revenues:						
Business development	12,626		\$14,000			26,626
Other						
Total operating revenues	<u>14,188</u>	<u>3,095</u>	<u>14,000</u>	<u>9,492</u>	<u>59,616</u>	<u>100,391</u>
Operating expenses:						
Administration	54,647					54,647
Business development	38,269	93,559	5,380		6,254	143,462
Depreciation	104					104
Total operating expenses	<u>93,020</u>	<u>93,559</u>	<u>5,380</u>		<u>6,254</u>	<u>198,213</u>
Operating income (loss)	<u>(78,832)</u>	<u>(90,464)</u>	<u>8,620</u>	<u>9,492</u>	<u>53,362</u>	<u>(97,822)</u>
Nonoperating revenues (expenses):						
Interest revenue		21,757	11,706	27,065	30,271	90,799
Tax increment revenue		96,731	22,146			118,877
Intergovernmental		74,563	14,344			88,907
Interest expense				(4,886)		(4,886)
Total nonoperating revenues (expenses)		<u>193,051</u>	<u>48,196</u>	<u>22,179</u>	<u>30,271</u>	<u>293,697</u>
Income (loss) before transfers	<u>(78,832)</u>	<u>102,587</u>	<u>56,816</u>	<u>31,671</u>	<u>83,633</u>	<u>195,875</u>
Transfers in	5,000					5,000
Transfers in - interactivity						
Transfers out - interactivity						
Change in net assets	<u>(73,832)</u>	<u>102,587</u>	<u>56,816</u>	<u>31,671</u>	<u>83,633</u>	<u>200,875</u>
Net assets at beginning of year	<u>60,620</u>	<u>640,843</u>	<u>451,736</u>	<u>435,537</u>	<u>2,055,913</u>	<u>3,644,649</u>
Net assets at end of year	<u>\$ (13,212)</u>	<u>\$ 743,430</u>	<u>\$ 508,552</u>	<u>\$ 467,208</u>	<u>\$ 2,139,546</u>	<u>\$ 3,845,524</u>

**Combining Schedule of Net Assets
Discretely Presented Component Unit - Housing Focus
December 31, 2008**

	Sunshine Terrace	Program C4043V	Housing Loan	Town Square	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 112,232	\$ -	\$ 181,831	\$ 151,912	\$ 445,975
Investments	588,305				588,305
Restricted cash and cash equivalents	20,578	550,452			571,030
Due from other government units					
Total Current Assets	<u>721,115</u>	<u>550,452</u>	<u>181,831</u>	<u>151,912</u>	<u>1,605,310</u>
Noncurrent Assets:					
Capital assets:					
Land	50,300				50,300
Buildings and systems	5,503,577				5,503,577
Machinery and equipment	104,346	60,670			165,016
Total capital assets	<u>5,658,223</u>	<u>60,670</u>			<u>5,718,893</u>
Less accumulated depreciation	<u>(1,014,994)</u>	<u>(60,331)</u>			<u>(1,075,325)</u>
Total capital assets (net)	<u>4,643,229</u>	<u>339</u>			<u>4,643,568</u>
Total noncurrent assets	<u>4,643,229</u>	<u>339</u>			<u>4,643,568</u>
TOTAL ASSETS	<u>5,364,344</u>	<u>550,791</u>	<u>181,831</u>	<u>151,912</u>	<u>6,248,878</u>
LIABILITIES					
Current liabilities:					
Accounts payable	15,695	172		260	16,127
Accrued wages payable	13,591	4,789	154	2,467	21,001
Due to other government units	260,812				260,812
Customer deposits	20,578				20,578
Compensated absences payable - current		4,645			4,645
Special assessments payable - current portion	7,960				7,960
Total Liabilities	<u>318,636</u>	<u>9,606</u>	<u>154</u>	<u>2,727</u>	<u>331,123</u>
Noncurrent Liabilities:					
Compensated absences payable (net current portion)		41,806			41,806
Special assessments payable (net current portion)	53,290				53,290
Total noncurrent liabilities	<u>53,290</u>	<u>41,806</u>			<u>95,096</u>
Total liabilities	<u>371,926</u>	<u>51,412</u>	<u>154</u>	<u>2,727</u>	<u>426,219</u>
NET ASSETS					
Invested in capital assets, net related debt	4,581,979	339			4,582,318
Restricted		86,691			86,691
Unrestricted	410,439	412,349	181,677	149,185	1,153,650
TOTAL NET ASSETS	<u>\$ 4,992,418</u>	<u>\$ 499,379</u>	<u>\$ 181,677</u>	<u>\$ 149,185</u>	<u>\$ 5,822,659</u>

**Schedule of Revenues, Expenses and Changes in Fund Net Assets -
Discretely Presented Component Unit - Housing Focus
Year Ended December 31, 2008**

	Sunshine Terrace	Program C4043V	Housing Loan	Town Square	Total
Operating revenues:					
Charges for services	\$ 171,092		\$ 4,155	\$ 88,872	\$ 264,119
Intergovernmental		\$ 1,379,938			1,379,938
Other	7,622	8,945			16,567
Total operating revenues	<u>178,714</u>	<u>1,388,883</u>	<u>4,155</u>	<u>88,872</u>	<u>1,660,624</u>
Operating expenses:					
Community development:					
Personal services	89,188	154,735	3,845	75,201	322,970
Supplies	9,916	7,327		308	17,551
Contractual services	181,133	12,662		4,864	198,660
Depreciation	156,035	889			156,924
Housing payments		1,323,289			1,323,289
Other expenditures	2,703	8,704	32,178	645	44,230
Total operating expenses	<u>438,975</u>	<u>1,507,607</u>	<u>36,023</u>	<u>81,019</u>	<u>2,063,623</u>
Operating income (loss)	<u>(260,261)</u>	<u>(118,724)</u>	<u>(31,868)</u>	<u>7,853</u>	<u>(402,999)</u>
Nonoperating revenues (expenses):					
Intergovernmental	156,083				156,083
Interest revenue	21,955	18,172	7,429	5,554	53,110
Interest expense	(4,524)				(4,524)
Total nonoperating revenues (expenses)	<u>173,514</u>	<u>18,172</u>	<u>7,429</u>	<u>5,554</u>	<u>204,669</u>
Income (loss) before transfers	(86,747)	(100,552)	(24,439)	13,407	(198,330)
Transfers out	<u>(5,000)</u>				<u>(5,000)</u>
Change in net assets	(91,747)	(100,552)	(24,439)	13,407	(203,330)
Net assets at beginning of year	5,084,165	599,930	206,116	135,778	6,025,989
Net assets at end of year	<u>\$ 4,992,418</u>	<u>\$ 499,378</u>	<u>\$ 181,677</u>	<u>\$ 149,185</u>	<u>\$ 5,822,659</u>

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 Assets by Component
- Changes in Net Assets
- 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.

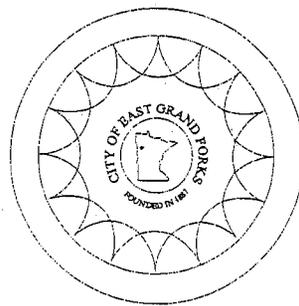
- Construction and Bank Deposits
- Demographic & Economic Statistics
- Principal Employers

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.

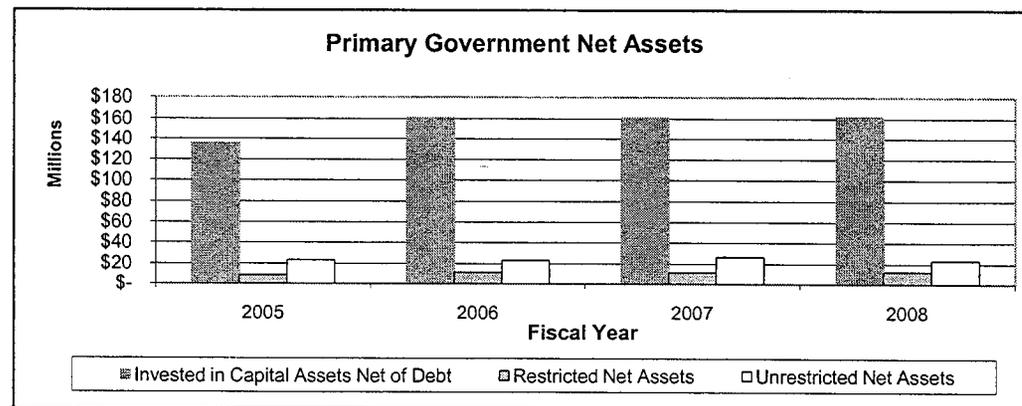


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Net Assets by Component Last Four Fiscal Years

(accrual basis of accounting)

	2005	2006	2007	2008
Governmental activities				
Invested in capital assets, net of related debt	\$ 106,878,760	\$ 129,002,253	\$ 127,824,706	\$ 115,326,956
Restricted	8,053,642	11,451,573	11,517,373	12,556,179
Unrestricted	8,458,820	8,386,984	11,397,087	7,598,523
Total governmental activities net assets	<u>\$ 123,391,222</u>	<u>\$ 148,840,810</u>	<u>\$ 150,739,166</u>	<u>\$ 135,481,658</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 29,286,519	\$ 32,109,908	\$ 33,346,440	\$ 47,333,593
Restricted	413,247	67,713	67,710	72,029
Unrestricted	15,130,990	15,200,685	15,554,463	15,863,528
Total business-type activities net assets	<u>\$ 44,830,756</u>	<u>\$ 47,378,306</u>	<u>\$ 48,968,613</u>	<u>\$ 63,269,150</u>
Primary government				
Invested in capital assets, net of related debt	\$ 136,165,279	\$ 161,112,161	\$ 161,171,146	\$ 162,660,549
Restricted	8,466,889	11,519,286	11,585,083	12,628,208
Unrestricted	23,589,810	23,587,669	26,951,550	23,462,050
Total primary government net assets	<u>\$ 168,221,978</u>	<u>\$ 196,219,116</u>	<u>\$ 199,707,779</u>	<u>\$ 198,750,808</u>



Note: The city implemented GASB 34 for the financial reporting period ending December 31, 2003.

Changes in Net Assets Last Four Fiscal Years

(accrual basis of accounting)

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses				
Governmental activities:				
General government	\$ 1,066,756	\$ 1,050,378	\$ 1,155,532	\$ 1,195,452
Public safety	3,150,148	3,232,573	3,273,535	3,932,137
Public works	2,973,865	2,851,905	3,958,548	3,218,356
Transit	234,577	243,157	359,459	276,189
Recreation and culture	1,823,193	2,016,899	2,125,732	2,337,123
Community development	337,161	284,342	286,303	254,056
Cemetery	27,977	61,136	35,256	50,467
Interest on long-term debt	428,803	473,946	472,223	513,782
Total governmental activities expenses	<u>10,042,480</u>	<u>10,214,336</u>	<u>11,666,588</u>	<u>11,777,563</u>
Business-type activities				
Electric utility	8,377,355	9,193,839	10,450,476	11,589,832
Water utility	1,927,339	1,979,044	1,961,418	2,164,353
Sewer utility	553,626	587,568	629,832	665,582
City mall	460,350	412,999	428,359	358,227
Storm Water			100,637	477,935
Refuse collection	626,148	651,538	688,319	919,920
Total business-type activities expenses	<u>11,944,818</u>	<u>12,824,988</u>	<u>14,259,041</u>	<u>16,175,848</u>
Total primary government expenses	<u>\$ 21,987,298</u>	<u>\$ 23,039,324</u>	<u>\$ 25,925,629</u>	<u>\$ 27,953,411</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 166,572	\$ 130,597	\$ 111,003	\$ 117,172
Public safety	286,779	252,713	296,028	316,428
Public works	287,309	321,362	214,208	218,778
Transit	12,588	4,000	4,000	19,398
Recreation and culture	221,331	330,258	331,153	340,909
Community development	908,823	306,409	197,578	98,500
Cemetery	36,530	47,690	34,410	65,265
Operating grants and contributions	493,345	581,575	632,310	625,375
Capital grants and contributions	19,305,770	26,308,072	4,181,757	1,638,591
Total governmental activities program revenues	<u>21,719,047</u>	<u>28,282,676</u>	<u>6,002,447</u>	<u>3,440,416</u>

(continued)

Changes in Net Assets Last Four Fiscal Years

(accrual basis of accounting)

	2005	2006	2007	2008
Business-type activities:				
Charges for services:				
Electric utility	9,973,709	10,556,891	11,240,822	11,957,089
Water utility	2,066,740	2,093,211	1,987,471	2,019,667
Sewer utility	564,904	564,768	566,828	627,070
City mall	203,205	163,496	147,836	160,238
Storm Water			168,045	176,337
Refuse collection	582,935	622,841	717,576	776,658
Operating grants and contributions	460,680	475,612	15,000	15,000
Capital grants and contributions	608,127	639,846	279,612	0
Total business-type activities program revenues	<u>14,460,300</u>	<u>15,116,665</u>	<u>15,123,190</u>	<u>15,732,060</u>
Total primary government program revenues	<u>\$ 42,742,976</u>	<u>\$ 43,399,341</u>	<u>\$ 21,125,637</u>	<u>\$ 19,172,476</u>
Net (expense)/revenue				
Governmental activities	\$ 18,068,340	\$ 18,068,340	\$ (5,664,142)	\$ (8,337,147)
Business-type activities	1,635,312	2,291,677	864,148	(443,789)
Total primary government net expense	<u>\$ 19,703,652</u>	<u>\$ 20,360,017</u>	<u>\$ (4,799,994)</u>	<u>\$ (8,780,935)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 1,821,538	\$ 1,889,815	\$ 1,954,979	2,163,693
Franchise taxes	1,227,694	1,237,084	1,309,050	1,309,050
Unrestricted grants and contributions	2,817,355	3,050,626	3,517,772	3,063,221
Investment earnings	274,097	508,965	530,674	406,526
Other	570,257	441,320	196,165	323,082
Transfers	116,644	253,438	53,856	(14,185,931)
Total governmental activities	<u>6,827,585</u>	<u>7,381,248</u>	<u>7,562,496</u>	<u>(6,920,359)</u>
Business-type activities				
Investment earnings	347,965	624,051	777,218	558,394
Other	6,750	(114,740)	2,795	0
Transfers	(116,644)	(253,438)	(53,856)	14,185,931
Total business-type activities	<u>238,071</u>	<u>255,873</u>	<u>726,157</u>	<u>14,744,325</u>
Total primary government	<u>\$ 7,065,656</u>	<u>\$ 7,637,121</u>	<u>\$ 8,288,653</u>	<u>\$ 7,823,966</u>
Changes in Net Assets				
Governmental activities	\$ 24,895,925	\$ 25,449,588	\$ 1,898,354	\$ (15,257,506)
Business-type activities	1,873,383	2,547,550	1,590,305	14,300,536
Total primary government	<u>\$ 26,769,308</u>	<u>\$ 27,997,138</u>	<u>\$ 3,488,659</u>	<u>\$ (956,969)</u>

Note: The city implemented GASB 34 for the financial reporting period ending December 31, 2003.

**Fund Balances of Governmental Funds
Last Ten Years**

(modified accrual basis of accounting)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 15,800	\$ 14,262	\$ 13,227	\$ 15,947	\$ 9,087	\$ 16,521	\$ 12,686	\$ 14,562	\$ 21,708	\$ 5,854
Unreserved	894,328	433,299	674,174	1,533,340	2,149,793	2,417,060	2,561,700	2,186,399	2,820,231	2,558,791
Total general fund	<u>910,128</u>	<u>447,561</u>	<u>687,401</u>	<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>
All other governmental funds										
Reserved	728,993	728,993	76,000	89,200	2,167,103	2,541,649	2,578,650	2,329,387	4,526,721	3,372,325
Unreserved, reported in:										
Special revenue funds	1,695,485	1,731,515	1,896,102	681,028	1,262,348	1,046,766	1,800,674	2,122,569	1,980,802	1,788,770
Capital project funds	1,222,409	9,536,203	7,824,399	9,591,359	8,477,383	6,658,494	1,706,604	2,148,471	1,843,929	1,543,295
Permanent funds	2,923	1,390	2,608	1,644	1,589	2,193	2,434	3,737	4,350	3,062
Total all other governmental funds	<u>\$ 3,649,810</u>	<u>\$11,998,101</u>	<u>\$ 9,799,109</u>	<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>

Changes in Fund Balances of Governmental Funds Last Ten Years

(modified accrual basis of accounting)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
General Taxes	\$ 2,261,502	\$ 2,453,438	\$ 2,545,506	\$ 2,515,381	\$ 2,742,704	\$ 2,868,452	\$ 3,049,232	\$ 3,126,899	\$ 3,264,030	\$ 3,472,742
Special assessments	864,795	712,142	1,003,401	685,595	717,086	1,029,251	807,464	1,210,207	1,443,814	1,570,234
Licenses and permits	91,230	84,346	85,463	100,450	141,298	121,159	160,845	119,220	117,951	138,252
Intergovernmental	32,113,911	25,862,537	14,558,160	17,009,505	10,123,756	4,912,733	14,502,056	7,518,281	6,580,465	4,379,731
Charges for services	328,633	382,523	555,666	856,702	1,393,366	920,381	1,330,712	1,161,857	927,973	910,654
Fines and forfeitures	111,375	124,432	86,329	103,768	90,898	100,672	102,307	97,340	141,044	127,544
Investment earnings & other revenues	2,155,757	1,885,814	1,309,990	875,975	746,314	838,301	713,869	833,116	637,201	554,041
Total revenues	<u>37,927,203</u>	<u>31,505,232</u>	<u>20,144,515</u>	<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>
Expenditures										
General government	781,488	686,586	738,377	857,830	854,076	791,374	840,766	822,532	912,481	959,898
Public Safety	2,571,320	2,775,965	2,690,807	2,822,727	2,791,387	2,813,772	2,910,756	2,978,326	2,999,380	3,621,972
Public Works	860,090	837,442	960,102	852,004	991,067	995,493	1,177,123	1,159,593	1,178,059	1,298,076
Transit					200,551	238,827	225,379	233,959	268,674	252,780
Culture and recreation	1,353,227	1,342,398	1,474,103	1,376,185	1,320,261	1,269,802	1,405,334	1,566,894	1,593,285	1,805,030
Community development	77,047		122,522	471,052	854,555	783,810	337,161	283,554	284,137	254,056
Cemetery					38,393	34,220	24,852	57,243	31,363	46,574
Other	965,572	766,383	608,845	771,652	335,301	179,406	203,321	215,799	308,366	277,249
Capital outlay	29,581,918	16,760,217	15,854,753	13,113,999	8,275,091	10,395,782	16,373,353	9,329,950	5,750,739	4,426,691
Debt service										
Principal	450,000	672,075	1,005,000	610,000	295,000	495,000	965,000	1,245,000	440,000	1,785,000
Interest	330,348	308,952	258,784	255,255	245,038	251,995	365,107	380,455	530,829	513,802
Other charges						15,473				
Total all other governmental funds	<u>36,971,010</u>	<u>24,150,018</u>	<u>23,713,293</u>	<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>
Excess (deficiency) of revenues over (under) expenditures	<u>956,193</u>	<u>7,355,214</u>	<u>(3,568,778)</u>	<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>
Other financing sources (uses)										
Transfers in	3,873,498	2,186,119	3,632,418	5,083,905	2,129,091	2,070,089	2,435,195	2,332,296	1,610,482	2,430,180
Transfers out	(3,491,418)	(1,600,970)	(3,041,556)	(4,686,805)	(1,449,908)	(935,701)	(2,318,551)	(2,078,858)	(1,556,626)	(2,309,428)
Bond Issue Proceeds			1,017,546							
Insurance Loss 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
Premium on long-term debt						42,239				
Discount on long-term debt						(13,600)		(32,600)	(45,986)	-
Sale of capital assets							25,088	52,924	8,040	117,746
Total other financing sources (uses)	<u>382,080</u>	<u>585,149</u>	<u>1,608,408</u>	<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>
Net change in fund balances	<u>\$ 1,338,273</u>	<u>\$ 7,940,363</u>	<u>\$(1,960,370)</u>	<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>\$(1,925,644)</u>
Debt service as % of noncapital expenditures	10.6%	13.3%	16.1%	10.8%	6.8%	9.5%	15.7%	18.2%	11.4%	21.3%

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
1999	\$ 1,081,355	\$ 914,818	\$ 56,903	\$ 49,493	\$ 37,578	\$ 2,140,147
2000	1,158,421	989,523	65,980	50,920	54,219	2,319,063
2001	1,367,707	985,114	92,852	57,369	42,464	2,545,506
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
Change 1999-2008	96.2%	20.2%	123.8%	109.0%	-45.8%	62.3%

Notes: General Fund only.

- (1) The electric franchise fee is \$.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
1999	1,618,380	420,738	268,674	128,370	57,041	2,493,203
2000	1,690,477	419,427	253,059	136,721	47,102	2,546,786
2001	1,708,781	213,642	316,089	151,678	47,406	2,437,596
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
Change 1999-2008	51.9%	-54.2%	47.4%	20.1%	-7.3%	30.5%

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.

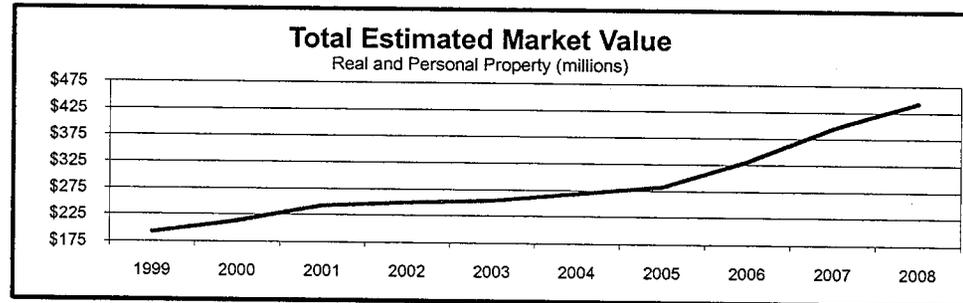
Source: Administration and Finance

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

(Unaudited)

Year	Real Property		Personal Property		Total		% of Market Value
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	
1999	2,900,050	190,112,200	74,415	2,239,000	2,974,465	192,351,200	1.5%
2000	3,208,277	211,076,000	74,135	2,239,700	3,282,412	213,315,700	1.5%
2001	3,369,176	239,959,200	75,971	2,288,400	3,445,147	242,247,600	1.4%
2002	2,920,491	247,457,900	44,485	2,274,600	2,964,976	249,732,500	1.2%
2003	2,938,950	251,901,800	47,567	2,428,700	2,986,517	254,330,500	1.2%
2004	3,096,636	266,609,000	46,631	2,381,900	3,143,267	268,990,900	1.2%
2005	3,247,089	280,077,300	49,906	2,543,300	3,296,995	282,620,600	1.2%
2006	3,749,080	328,061,200	52,587	2,678,500	3,801,667	330,739,700	1.1%
2007	4,649,507	392,040,400	53,460	2,723,900	4,702,967	394,764,300	1.2%
2008	5,173,797	440,145,800	53,064	2,704,100	5,226,861	442,849,900	1.2%

Source: County Assessor



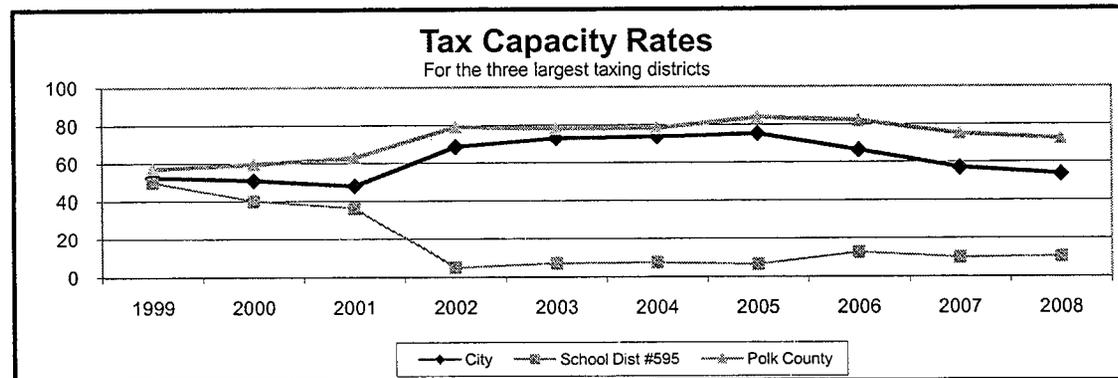
Note: The county assessor is occasionally required to make city wide adjustments to estimated market values. The State of Minnesota will instruct the county assessor to make these type of adjustments when data comparing actual sales to assessed values warrant such actions. In 1997 and again in 2001, 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							Total
	City	School Dist #595	Polk County	Watershed Value	NWRDC	Ambulance District		
1999	52.46	49.89	57.06	2.13	0.21	1.55	163.30	
2000	50.96	40.12	59.64	2.13	0.21	1.44	154.50	
2001	47.96	36.56	62.94	3.00	0.20	1.29	151.95	
2002	68.60	5.00	79.20	5.03	0.35	1.56	159.74	
2003	72.95	7.18	78.12	5.17	0.42	1.55	165.39	
2004	73.67	7.52	78.23	5.14	0.42	1.48	166.48	
2005	75.24	6.54	83.63	5.12	0.41	1.42	172.36	
2006	66.43	12.55	81.89	4.70	0.37	1.19	167.14	
2007	57.09	9.77	75.17	4.61	0.34	0.97	147.95	
2008	53.84	10.26	72.37	4.89	0.33	0.87	142.56	

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	2008			1999		
	Tax Capacity	Rank	% of Total Tax Capacity of \$ 5,067,378	Tax Capacity	Rank	% of Total Tax Capacity of \$ 2,974,465
American Crystal	\$ 679,166	1	13.40%	\$414,939	1	14.0%
Green Acres	61,042	2	1.20%	48,773	3	1.6%
Cabela's	58,060	3	1.15%	---		---
Valley Markets	53,432	4	1.05%	33,535		1.1%
Northern States Power	52,734	5	1.04%	73,186	2	2.5%
Riverview Terrace	52,485	6	1.04%	---		---
EGF Economic Dev Authority	39,644	7	0.78%	---		---
Pierce Investments LLC	34,586	8	0.68%	---		---
Sterling Development	33,962	9	0.67%	---		---
Town Square	33,846	10	0.67%	---		---
Simplot Potato			---	18,246	10	0.6%
Burlington Northern RR	---		---	28,413	8	1.0%
One Forty-Four Assoc	---		---	41,009	4	1.4%
M & M Company	---		---	35,926	5	1.2%
Bakken Properties	---		---	33,414	6	1.1%
Ryan Potato	---		---	30,874	7	1.1%
	---		---	23,498	9	0.8%
	<u>\$ 1,098,957</u>		<u>21.7%</u>	<u>\$ 781,813</u>		<u>26.4%</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.

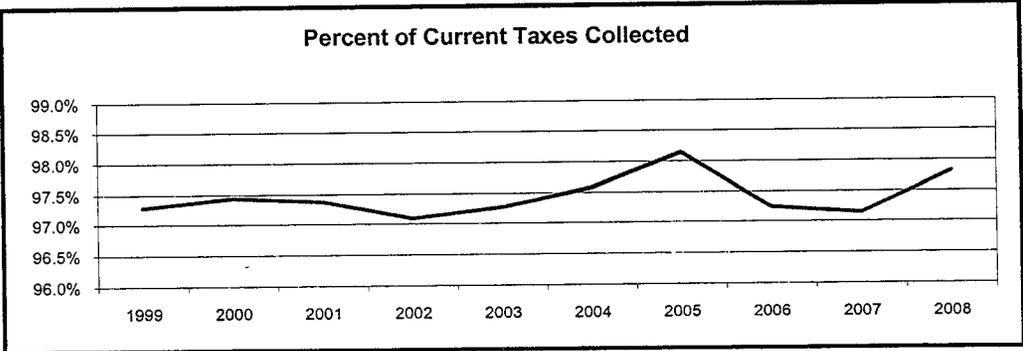
Source: County Auditor

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 Delinquent Taxes	% of Delinquent Taxes to Total Levy
1999	1,223,798	1,190,583	97.3%	12,128	1,202,711	98.3%	45,653	3.7%
2000	1,306,967	1,273,544	97.4%	19,133	1,292,677	98.9%	58,684	4.5%
2001	1,384,465	1,348,182	97.4%	19,523	1,367,705	98.8%	65,729	4.7%
2002	1,406,729	1,365,758	97.1%	32,275	1,398,033	99.4%	66,901	4.8%
2003	1,530,097	1,488,323	97.3%	29,127	1,517,450	99.2%	70,504	4.6%
2004	1,624,123	1,584,866	97.6%	35,344	1,620,210	99.8%	73,478	4.5%
2005	1,752,128	1,719,623	98.1%	32,985	1,752,608	100.0%	65,373	3.7%
2006	1,865,108	1,813,713	97.2%	44,408	1,858,121	99.6%	44,427	2.4%
2007	1,953,185	1,897,420	97.1%	32,146	1,929,566	98.8%	55,764	2.9%
2008	2,120,415	2,074,229	97.8%	48,892	2,123,121	100.1%	46,186	2.2%

Source: County Auditor



Note: The 2006 net levy does not include \$128,019 added by the county on a sugar beet processing company after the city's certified levy had been assessed. At year end, the additional levy remained unpaid.

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				
1999	764,295	751,832	98.4%	5,383,997	165,580	3.0%	917,412
2000	658,199	656,601	99.8%	5,356,042	63,557	1.2%	720,158
2001	687,114	662,339	96.4%	5,042,035	166,978	3.2%	829,317
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

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).

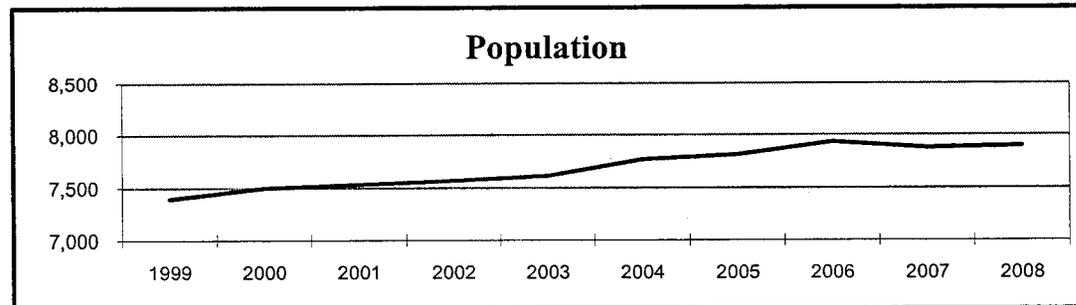
(2) In 1999, the city deferred \$730,732 in uncertified special assessments on city-owned residentially zoned property. These assessments will be added back to the assessment rolls as the lots are sold. In 2004, the city deferred \$ 3,197,276 on city-owned residentially zoned property, which will be 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		Total Gross Bonded Debt	Less Amount for Retirement	Net Bonded Debt	As a % of Tax Capacity	Estimated Market Values	Bonded Debt Per Capita
			Governmental	Business						
1999	7,400	2,974,465	4,625,000		4,625,000	1,019,813	3,605,187	121.2%	1.6%	625
2000	7,501	3,282,412	4,310,000		4,310,000	1,023,617	3,286,383	100.1%	1.7%	575
2001	7,535	3,444,968	4,875,000	4,530,000	9,405,000	2,018,407	7,386,593	214.4%	3.0%	1,248
2002	7,569	2,964,976	4,905,000	4,315,000	9,220,000	1,603,628	7,616,372	256.9%	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%	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%	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%	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%	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%	3.0%	2,053
2008	7,897	5,226,861	13,045,000	3,198,788	16,243,788	3,001,252	13,242,536	253.4%	3.0%	2,057



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, 2008

(Unaudited)

<u>Jurisdiction</u>	<u>Net general obligation bonded debt outstanding</u>	<u>Percentage applicable to city</u>	<u>Overlapping debt</u>	<u>Amount applicable to city</u>
DIRECT DEBT:				
City of East Grand Forks	\$ 14,890,095	100.0%		\$ 14,890,095
OVERLAPPING DEBT:				
I.S.D. 595	\$ -	71.9%	\$ -	
Polk County	28,075,000	21.4%	6,021,137	
Total Overlapping Debt				6,021,137
Total direct and overlapping debt				\$ 20,911,232

Source: County Auditor

Legal Debt Margin Information Last Ten Years

(Unaudited)

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Estimated market value	\$ 192,351,200	\$ 213,315,700	\$ 242,247,600	\$ 249,732,500	\$ 254,330,500	\$ 268,990,900	\$ 282,620,600	\$ 330,739,700	\$ 394,764,300	\$ 442,849,900
Total debt	\$ 6,841,073	\$ 6,497,867	\$ 10,678,218	\$ 9,624,292	\$ 10,305,377	\$ 14,488,901	\$ 12,851,286	\$ 13,189,223	\$ 16,870,000	\$ 14,890,095
Deductions:										
Bonds:										
G.O. improvement bonds	4,900,000	4,610,000	4,675,000	4,095,000	4,830,000	9,285,000	8,355,000	11,710,000	14,830,000	13,045,000
G.O. tax increment bonds	250,000	225,000	200,000							
Certificates of participation	700,780	677,064	652,728	625,000	595,000	560,000	525,000			
G.O. water revenue bonds			1,750,000	1,665,000	1,605,000	1,545,000	1,480,000	1,415,000	1,345,000	1,275,000
Electric revenue bonds			2,780,000	2,650,000	2,560,000	2,465,000	2,365,000			
MIF-DRLF mail loan		538,977	517,266	494,670	471,154	447,638				
Housing Bonds	534,865									
GMHF & MHFA Deferred Loans	335,000	335,000								
City share of special assessments	120,428	111,826	103,224	94,622						
Debt service funds:										
Cash, securities, and restricted cash	1,629,483	1,639,224	2,371,950	1,603,628	1,356,603	2,235,996	1,933,482	1,786,948	4,093,507	2,874,751
Less amount applicable to excluded bonds	(1,629,483)	(1,639,224)	(2,371,950)	(1,603,628)	(1,356,603)	(2,235,996)	(1,933,482)	(1,786,948)	(4,093,507)	(2,874,751)
Total net debt applicable to debt limit	\$ -	\$ -	\$ -	\$ -	\$ 244,223	\$ 186,263	\$ 126,286	\$ 64,223	\$ 695,000	\$ 570,095
Debt limit is 2% of estimated market value	\$ 3,847,024	\$ 4,266,314	\$ 4,844,952	\$ 4,994,650	\$ 5,086,610	\$ 5,379,818	\$ 5,652,412	\$ 6,614,794	\$ 7,895,286	\$ 8,856,998
Legal Debt Margin	\$ 3,847,024	\$ 4,266,314	\$ 4,844,952	\$ 4,994,650	\$ 4,842,387	\$ 5,193,555	\$ 5,526,126	\$ 6,550,571	\$ 7,200,286	\$ 8,286,903
Total net debt applicable to limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	4.8%	3.5%	2.2%	1.0%	8.8%	6.4%

COMPUTATION OF LEGAL DEBT MARGIN (continued)
DECEMBER 31, 2008

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	Year	Assessment Collections(1)	Debt Service Requirements			Coverage	Debt Outstanding	Deferred Revenue
			Principal	Interest(2)	Total			
8-1-98 \$1,775,000 (3)	1999	\$ 162,965	\$ -	\$ 60,780	\$ 60,780	3	\$ 1,775,000	\$ 521,106
	2000	50,382	25,000	60,080	85,080	1	1,750,000	446,161
	2001	49,678	50,000	70,778	120,778	0	1,700,000	1,135,934
	2002	165,404	95,000	79,865	174,865	1	1,605,000	1,137,523
	2003	182,720	95,000	75,812	170,812	1	1,510,000	1,278,491
	2004	195,256	105,000	71,269	176,269	1	1,405,000	1,189,721
	2005	195,531	110,000	66,324	176,324	1	1,295,000	1,133,102
	2006	163,270	110,000	61,321	171,321	1	1,185,000	1,215,197
	2007	154,005	110,000	56,260	166,260	1	1,075,000	-
	2008	-	1,075,000	44,310	1,119,310	n/a	-	-
12-1-01 \$1,045,000	2002	92,797	370,000	46,317	416,317	0	1,045,000	657,593
	2003	108,075	55,000	47,742	102,742	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
12-1-03 \$1,000,000	2004	79,678	-	27,824	27,824	3	1,000,000	2,189,184
	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
4-1-04 \$260,000	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
12-1-04 \$4,655,000	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
03-1-06 \$ 4,075,000	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
12-01-07 \$ 3,560,000	2007						3,560,000	2,625,490
	2008	347,090		75,772	75,772	5	3,560,000	2,625,490

Note: (1) Includes penalties and interest on delinquent assessment.

(2) Includes fiscal agent fees.

(3) Issue was paid off in January '08 with available cash in the fund.

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	
2004	1,983,680	1,291,804	691,876	60,000	77,038	137,038	5
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

Notes: (1) Total revenues including interest.

(2) Total operating expenses excluding depreciation.

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

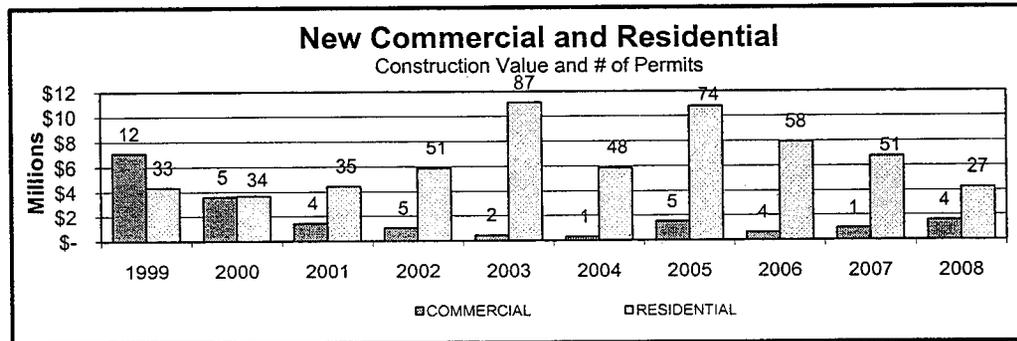
Source: Administration and Finance

Construction and Bank Deposits Last Ten Years

(Unaudited)

Year	CONSTRUCTION (1)				Total	Bank Deposit	
	COMMERCIAL		RESIDENTIAL			Total	Percent of Change
	Permits	Value	Permits	Value			
1999	12	7,056,000	33	4,359,000	11,415,000	114,855,280	-5.1%
2000	5	3,618,000	34	3,681,000	7,299,000	119,293,990	3.9%
2001	4	1,443,000	35	4,443,000	5,886,000	136,751,218	14.6%
2002	5	1,046,000	51	5,891,000	6,937,000	147,072,813	7.5%
2003	2	447,000	87	11,094,000	11,541,000	99,875,799	-32.1%
2004	1	301,000	48	5,877,000	6,178,000	99,350,241	-0.5%
2005	5	1,540,000	74	10,781,000	12,321,000	104,735,589	5.4%
2006	4	641,000	58	7,943,000	8,584,000	98,335,162	-6.1%
2007	1	980,000	51	6,719,000	7,699,000	95,122,014	-3.3%
2008	4	1,583,000	27	4,278,000	5,861,000	102,824,812	8.1%

Source: Building Official, Local Banks



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 (3)	Population 25 yrs & over-Bachelor's degree or higher (3)	School Enrollment (4)	Unemployment Rate (5)
1999	7,400	4,877,227	22,679	na	na	1,923	2.7%
2000	7,501	5,167,790	24,244	34.1	19.5%	1,898	3.4%
2001	7,535	5,133,247	24,381	na	na	1,897	3.2%
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%

Data Sources: (1) State of Minnesota, State Demographic Center. 2000 is actual census; if current year information is not available, previous year's estimates are carried forward.
(2) Bureau of Economic Analysis, U.S. Department of Commerce. This information is for Grand Forks, ND-MN (EA)
(3) U.S. Census Data. Yearly data not maintained.
(4) East Grand Forks Public School District, East Grand Forks private schools.
(5) North Dakota Job Service. This information is for Grand Forks, ND-MN (MSA)

Principal Employers Current Year and Nine Years Ago

(Unaudited)

Taxpayer	2008			1999		
	Employees	Rank	% of Total City Employment 2,700	Employees	Rank	% of Total City Employment 2,500
American Crystal	400	1	14.81%	420	1	16.8%
ISD 595	320	2	11.85%			
Northwest Technical College	150	3	5.56%	107	5	4.3%
Cabela's	140	4	5.19%			
Valley Markets	130	5	4.81%	115	4	4.6%
City of East Grand Forks	95	6	3.52%			
R. J. Zavoral and Sons, Inc.	90	7	3.33%			
Whitey's Café	65	8	2.41%	70	6	2.8%
Lumber Mart	30	9	1.11%	35	9	1.4%
Mayo Manufacturing	25	10	0.93%	35	8	1.4%
American Federal Bank				128	2	5.1%
Vigen Construction				125	3	5.0%
McDonald's				65	7	2.6%
Pamida Discount Center				35	10	1.4%
	<u>1,445</u>		<u>53.5%</u>	<u>1,135</u>		<u>45.4%</u>

Source: Telephone survey of individual employers, October 2007
MnDTEd, 1997

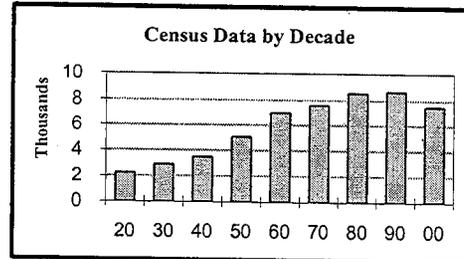
Demographic Statistics

U.S. Census Data

(Unaudited)

Population Changes:

1920	2,249
1930	2,922
1940	3,511
1950	5,049
1960	6,988
1970	7,607
1980	8,537
1990	8,658
2000	7,501



Population Characteristic:	1990	% Total	2000	% Total
Under 20	5,786	67%	5,053	67%
20 and over	2,872	33%	2,448	33%
	8,658	100%	7,501	100%

Miscellaneous:	1990	2000
Median Age:	31.30 years	34.10 years
Household size:	2.69 people	2.54 people
Number of households:	3,159.00 units	2,929.00 units

Age Characteristics:

	1990		2000	
	Total	% Total	Total	% Total
Under 5 years	755	9%	516	7%
5-9 years	811	9%	580	8%
10-14 years	703	8%	646	9%
15-19 years	603	7%	706	9%
20-24 years	604	7%	526	7%
25-34 years	1,407	16%	865	12%
35-44 years	1,251	14%	1,219	16%
45-54 years	768	9%	971	13%
55-59 years	258	3%	324	4%
60-64 years	393	5%	269	4%
65-74 years	556	6%	456	6%
75-84 years	393	5%	321	4%
85 years and older	156	2%	102	1%
Total	8,658	100%	7,501	100%

Source: U.S. Census Bureau

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

Function	Full-time Employees as of December 31, 2008									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government:										
Administration and Finance	5	5	5	5	5	5	5	5	5	4
Building	1	1	1	1	1	1	1	1	1	1
Public Safety:										
Building Official	3	3	3	3	3	3	3	3	3	3
Fire	11	11	11	11	11	11	11	10	10	10
Police	25	25	25	24	24	23	23	23	24	24
Public Works:										
Refuse	7	7	7	6	6	6	6	6	6	6
Sewage	2	2	2	2	2	2	2	2	2	2
Streets	9	9	9	8	8	8	8	8	7	7
Culture and Recreation:										
Administration	3	3	3	3	3	3	3	3	2	3
Parks	2	2	2	2	2	2	2	2	2	2
Arenas	2	2	2	2	2	2	2	2	2	2
Library	2	2	2	2	2	2	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	5	5	5
Electric	12	13	13	13	13	11	11	11	10	10
Water	8	8	8	8	8	8	8	8	8	8
Total	98	99	99	96	96	93	94	93	91	91

Note: Excludes seasonal and part-time positions.

Source: Administration and Finance

Operating Indicators by Function Last Ten Fiscal Years

(Unaudited)

Function	Year Ending December 31, 2008									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government										
On Sale Liquor license by entity	12	12	11	14	13	14	13	11	10	11
Off Sale Liquor license by entity	5	4	5	4	4	4	4	4	3	4
Number of AP checks written	6,833	4,677	3,386	3,323	3,036	2,986	3,033	3,055	3,075	3,224
Police										
DUI arrests	155	143	124	107	116	135	85	102	124	93
Traffic violations	2,321	2,398	1,679	1,768	1,386	1,367	1,107	898	1,044	918
No. of dog/cat licenses	61	42	78	87	97	93	111	111	106	123
Fire										
No. of rescue & EMS incidents	357	359	323	347	372	387	383	405	435	454
No. of fire calls	152	120	124	100	96	99	106	96	44	33
Building Official										
Building permits issued	276	246	257	340	358	246	308	302	379	420
Other permits issued	53	134	165	184	275	253	314	226	266	335
Refuse collection										
Refuse collected annually (tons)	4,263	3,780	3,735	3,734	3,859	3,875	3,864	4,003	3,905	3,482
Recyclables collected annually (tons)	5,364	4,809	4,571	4,443	5,277	1,370	4,740	820	449	521
Recreation and culture										
Number of summer registrants	842	814	874	563	340	429	680	708	748	601
Number of winter registrants	375	374	401	352	265	270	403	405	285	380
Attendance for general swim	na	na	na	na	9,976	10,101	10,326	11,098	11,278	8,963
Library										
Volumes in collection	23,055	29,700	34,655	38,680	41,037	43,114	44,595	47,641	49,972	49,341
Total volumes borrowed	41,481	35,001	48,554	72,702	65,367	80,064	83,288	88,451	74,045	80,830
Water										
Annual tap water billed (millions)	354	385	345	313	350	363	374	383	377	358
Average number of monthly meters	2,350	2,386	2,418	2,445	2,501	2,571	2,629	2,692	2,734	2,763
Electric										
Annual Kwhs billed (millions)	122	132	131	127	136	138	139	139	146	154
Maximum Demand Kwhs (millions)	27.18	27.84	25.55	28.47	26.63	26.40	25.55	26.49	29.21	28.65
Cemetery										
No. of Lots Sold	65	66	39	127	58	46	31	48	26	52
No. of Interments	30	43	29	26	34	29	22	42	21	52
Transit										
Total route miles	16	16	16	16	16	16	16	16	16	16
Passengers	17,395	19,306	20,052	17,919	16,833	14,147	16,785	16,324	16,772	20,840

Source: Various city departments

Schedule of Insurance in Force December 31, 2008

(Unaudited)

Name of Company	Policy Number	Policy Period	Type of Coverage	Liability Limits
PROPERTY				
League of Minnesota Cities (C&H Insurance)	CMC28888	01/01/08-01/01/09	All Risk Blanket Property, excluding flood.	\$87,833,953 Blanket \$5,000,000 Terrorism Activity \$500,000 Valuable Papers
Fidelity	227700701637	05/01/08 - 5/01/09	Flood	\$250,000 Content \$500,000 Flood
League of Minnesota Cities (C&H Insurance)	CMC28888	01/01/08-01/01/09	Boiler and Machinery	\$5,000,000
BONDS				
League of Minnesota Cities (C&H Insurance)	CMC28888	01/01/08-01/01/09	Public Officials	\$100,000 Clerk-Treasurer \$100,000 Public Employees
League of Minnesota Cities (C&H Insurance)	CMC28888	01/01/08-01/01/09	Commercial Blanket Bond Commercial Crime	\$100,000 Forgery 250,000 Per Occurrence
LIABILITY				
League of Minnesota Cities (C&H Insurance)	CMC28888	01/01/08-01/01/09	Comprehensive General/ Public Officials Liability	\$1,200,000 Public Officials
League of Minnesota Cities (C&H Insurance)	CMC28888	01/01/08-01/01/09	Comprehensive General/ Auto Liability	\$1,200,000 per occurrence
League of Minnesota Cities (C&H Insurance)	CMC28888	01/01/08-01/01/09	General Liability (Bodily injury, employee benefits, host liquor liability)	\$1,200,000 per occurrence
OPEN MEETING LAW				
League of Minnesota Cities (C&H Insurance)	OML4709	01/01/08-01/01/09	Open Meeting Law Defense Cost Reimbursement	\$50,000 per city official
WORKERS COMPENSATION				
League of Minnesota Cities (Berkley Risk Administrators)	0200011426	01/13/08-01/13/09	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)

Adoption of City Charter	1975		
Form of Government	Home Rule Charter		
Number of employees	91		
Area in square miles	6		
Developed	4.5		
Undeveloped	1		
Name of Government facilities and services:			
Miles of streets	70		
Culture and Recreation:			
Senior Center	1		
Library	1		
Arenas	2		
Parks	12		
Park acreage owned	278		
Park acreage developed	218		
Swimming Pools	1		
Tennis Courts	2		
Fire Protection:			
Number of stations	2		
Number of vehicles	10		
Number of full-time Firefighters	10		
Number of volunteer Firefighters	25		
Fire Insurance Rating	4		
Police Protection:			
Number of stations	1		
Number of police officers	21		
Number of patrol units	5		
		Sewage System:	
		Miles of force mains	52
		Miles of sewer mains	7.2
		Miles of storm sewers	42
		Number of lift stations	12
		Number of storm sewer lift stations	14
		Water System:	
		Miles of water mains	52
		Number of fire hydrants	342
		Gallons of Storage Capacity	4,100,000
		Daily treatment capacity	4,000,000
		Towers and reservoirs	5
		Electric System:	
		Number of substations	4
		Miles of distribution lines	60.3
		Peak Demand in MW	30.79
		Public education facilities and services not included in reporting entity:	
		Number of elementary schools	2
		Number of middle schools	1
		Number of senior high schools	1
		Northwest Technical College	1
		Bond rating	A3

**SIGNIFICANT MINNESOTA TAX POLICIES
DECEMBER 31, 2007**

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	2007 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 \$1,000.

Source: 2008 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

**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, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2009. 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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 that might be 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.

We noted certain matters that we reported to management of the City of East Grand Forks in a separate letter dated June 26, 2009.

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 six main categories of compliance to be tested: Contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, 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, except for the provision for adequate pledged collateral. The City was under collateralized during 2008 for 10 days at one, 34 days at a second and 116 days at a third local financial institution.

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.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

June 26, 2009

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO 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 are applicable to each of its major Federal programs for the year ended December 31, 2008. The City of East Grand Forks' major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the 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 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 requirements referred to above that are applicable to each of its major Federal programs for the year ended December 31, 2008.

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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance for the limited purpose described in the first paragraph of this section would not necessarily identify all deficiencies in internal control that might be 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.

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.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

June 26, 2009

CITY OF EAST GRAND FORKS, MINNESOTA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2008

FEDERAL GRANTOR/ PROGRAM TITLE	CFDA Number	Expenditures
Department of Housing & Urban Development		
Direct Programs:		
Lower-Income Housing Assistance Program		
Section 8 Housing Choice Vouchers	14.871	\$ 1,314,253
Total HUD		\$ 1,314,253
Department of Transportation		
Direct Programs:		
Federal Transit Administration- Capital and Operating Assistance Formula Grants	20.507	\$ 75,374
Passed Through State of Minnesota		
Highway Planning and Construction	20.205	231,088
State and Community Highway Safety	20.600	8,780
Safe and Sober	20.608	8,215
Total DOT		\$ 323,457

<u>Environmental Protection Agency</u> Passed Through State of Minnesota		
Capitalization Grants for Clean Water State Revolving Funds	66.458	\$ 1,923,788
<u>Department of Justice</u>		
COPS Police Vests	16.unk	\$ 364
<u>Department of Homeland Security</u>		
Assistance to Firefighters Grant	97.044	60,538
Total FEMA		\$ 60,538
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 3,622,400

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.

CITY OF EAST GRAND FORKS, MINNESOTA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2008

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
66.458	Capitalization Grants for Clean Water State Revolving Loan Funds

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, 2008

There are no findings to be reported in this section.

