

City of East Grand Forks

Minnesota



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2006

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended December 31, 2006



CITY OF EAST GRAND FORKS, MINNESOTA

ROBERT L. BROOKS Prepared by Department of Administration & Finance
CITY ADMINISTRATOR

WAYNE OBERG
FINANCE DIRECTOR

INTRODUCTORY SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

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Administration and Finance

May 7, 2007

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, 2006.

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, 2006, 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, 2005, 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 odd year. Council members for wards 1, 3, and 5, the mayor, and one at large council member are elected in one odd year.

Council members for wards 2 and 4 and one at large council member are elected the next odd 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 81.

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 4.4% unemployment rate (Polk County), while the state and the country have unemployment rates of 4.2% and 4.5%, respectively. The City of Grand Forks, located just across the river in North Dakota, has an unemployment rate of 2.8%.

East Grand Forks has worked hard to provide more affordable housing in the community, resulting in 51 new residential units with a total value over \$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 the Northwest Region Employee Service Cooperative, with the employer paying \$350 of the single plan premium and \$824 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 2006: 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 7 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, 2005. This is the 13th 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.

Robert L. Brooks
City Administrator

Wayne W. Oberg, MBA, CPA,
Finance Director



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Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of East Grand Forks
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2005

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



President

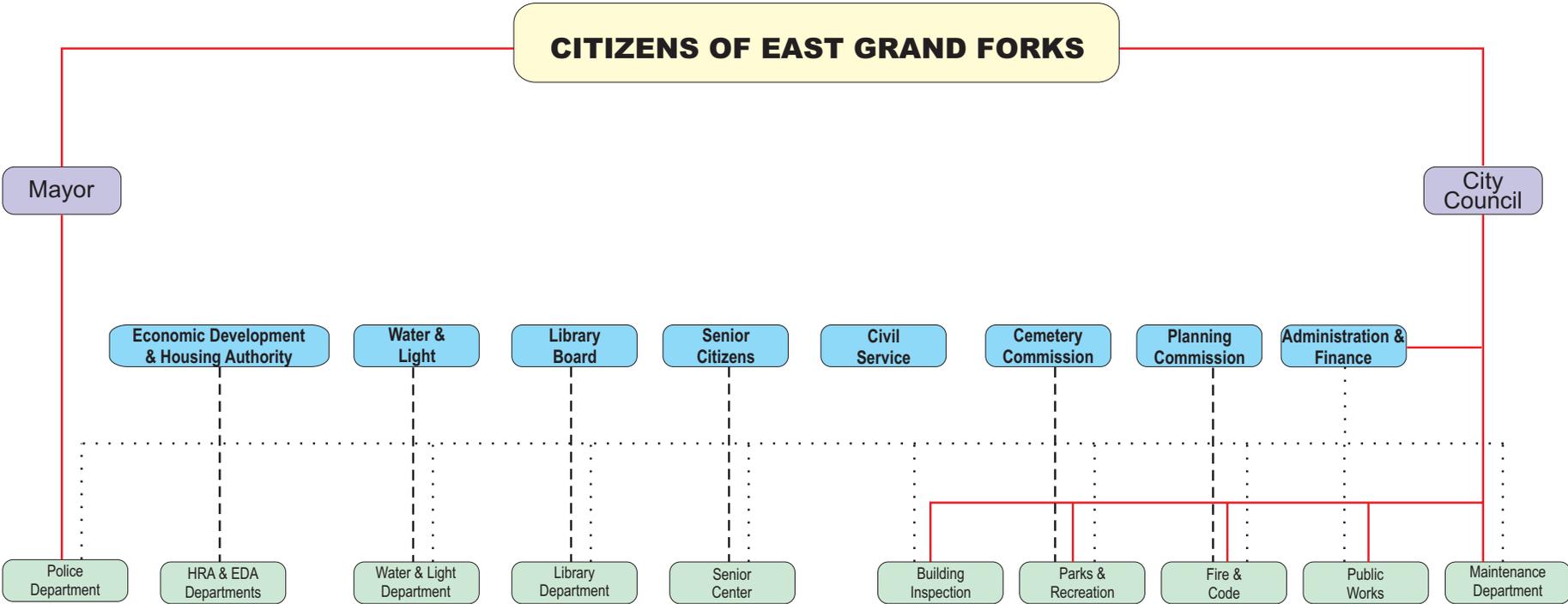
Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to the City of East Grand Forks, Minnesota for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government reports.

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

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

City of East Grand Forks Organization Chart



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

Elected Officials and Administrative Personnel

ELECTED OFFICIALS:

| | | <u>Term</u> | <u>Term Expires</u> |
|---------------------|--------------------|-------------|---------------------|
| Mayor | Lynn Stauss | 4 Years | 12/31/07 |
| Alderman at Large | Steven Gander | 4 Years | 12/31/07 |
| Alderman at Large | Greg Leigh | 4 Years | 12/31/09 |
| Alderman - 1st Ward | Clarence Vetter | 4 Years | 12/31/07 |
| Alderman - 2nd Ward | Richard L. Grassel | 4 Years | 12/31/09 |
| Alderman - 3rd Ward | Craig Buckalew | 4 Years | 12/31/07 |
| Alderman - 4th Ward | Henry Tweten | 4 Years | 12/31/09 |
| Alderman - 5th Ward | Wayne Gregoire | 4 Years | 12/31/07 |

OFFICIALS NOT ELECTED:

| | |
|---|---------------------|
| City Administrator/Clerk-Treasurer | Robert L. Brooks |
| Finance Director | Wayne W. Oberg |
| Police Chief | Michael Lealos |
| Fire Chief | Randall Gust |
| Parks & Recreation Director | David Aker |
| Public Works Superintendent-Interim | Stuart Kovar |
| 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 | Doug Gregoire |
| Commissioner | Marlynn Ogden |
| Commissioner | Mike Quirk |
| Commissioner | Clarence Vetter |
| 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 aggregate 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, 2006, 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 2005 financial statements and, in our report dated June 9, 2006; we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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 aggregate 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, 2006, 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 May 7, 2007, 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.

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.

May 7, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF EAST GRAND FORKS, MINNESOTA

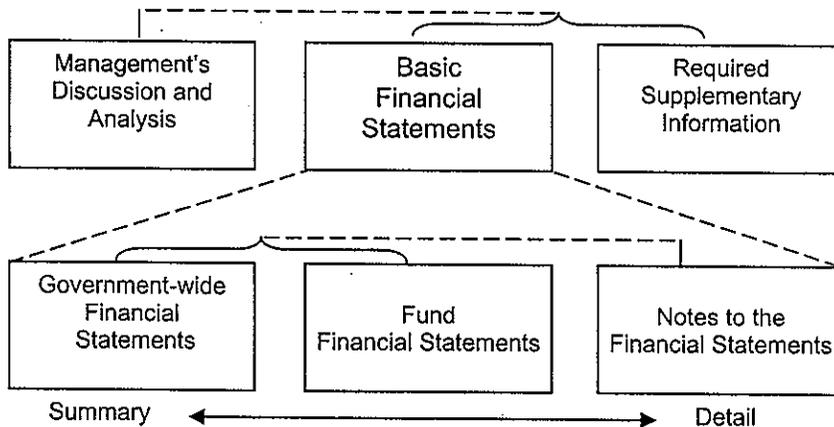
Management's Discussion and Analysis

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, 2006. 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.

COMPONENTS OF THE ANNUAL FINANCIAL REPORT



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

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

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

Both of the government-wide financial statements distinguish 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.

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, three capital projects funds, and two debt service funds, all of which are considered major funds. Data from the other 18 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 governmental-wide financial statements. The city uses enterprise funds to account for its electric, water, sewer, refuse, 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, 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 governmental funds and internal service funds can be found immediately following the footnotes. Combining and individual fund statements can be found on pages 57-66.

FINANCIAL HIGHLIGHTS

- The city's net assets (asset minus liabilities) grew by 17% as a result of this year's operations. The net assets of the city's governmental activities increased \$25,449,588 (21%) and net assets of the city's business type activities increased \$2,547,550 (6%).
- Capital assets increased \$25,150,723 (17%), with most of the increase comprised of additions to the city's storm protection network. State and federal grants financed nearly all the additions to the storm protection network.
- The city's long-term liabilities increased \$176,466 (1%) during the fiscal year ending December 31, 2006. Governmental long-term liabilities increased \$2,704,083 (26%). The key factor behind the increase is the issuance of 3-1-06 Special Assessment Bonds for \$4,075,000.
- At the close of the current fiscal, the city's governmental funds reported total ending fund balances of \$8,805,125, an increase of \$142,377 (2%).
- The General Fund's fund balance, reserved and unreserved, decreased \$373,425 (15%) to \$2,200,961. The unreserved fund balance is 26% of expenditures and other uses.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS

| | Governmental Activities | | Business-type Activities | | Total Government | |
|---|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| Current and other assets | \$ 22,681,789 | \$ 18,959,980 | \$ 16,952,527 | \$ 16,897,448 | \$ 39,634,316 | \$ 35,857,428 |
| Capital assets | 140,769,978 | 115,911,844 | 33,510,758 | 33,218,169 | 174,280,736 | 149,130,013 |
| Total assets | <u>163,451,767</u> | <u>134,871,824</u> | <u>50,463,285</u> | <u>50,115,617</u> | <u>213,915,052</u> | <u>184,987,441</u> |
| Other liabilities | 1,616,535 | 1,190,263 | 1,337,251 | 1,009,516 | 2,953,786 | 2,199,779 |
| Long-term liabilities | 12,994,422 | 10,290,339 | 1,747,728 | 4,275,345 | 14,742,150 | 14,565,684 |
| Total Liabilities | <u>14,610,957</u> | <u>11,480,602</u> | <u>3,084,979</u> | <u>5,284,861</u> | <u>17,695,936</u> | <u>16,765,463</u> |
| Net assets: | | | | | | |
| Invested in capital assets, net of related debt | 129,002,253 | 106,878,760 | 32,109,908 | 29,286,519 | 161,112,161 | 136,165,279 |
| Restricted | 11,451,573 | 8,053,642 | 67,713 | 413,247 | 11,519,286 | 8,466,889 |
| Unrestricted | 8,386,984 | 8,458,820 | 15,200,685 | 15,130,990 | 23,587,669 | 23,589,810 |
| Total net assets | <u>\$ 148,840,810</u> | <u>\$ 123,391,222</u> | <u>\$ 47,378,306</u> | <u>\$ 44,830,756</u> | <u>\$ 196,219,116</u> | <u>\$ 168,221,978</u> |

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

A small portion of the city's net assets (less than 6%) represents resources that are subject to external restrictions on how they can be used. The remaining unrestricted net assets \$23,587,669 may be used to meet the

ongoing obligations to citizens and creditors. Of the unrestricted net assets, \$15,200,685 is attributable to business-type activities.

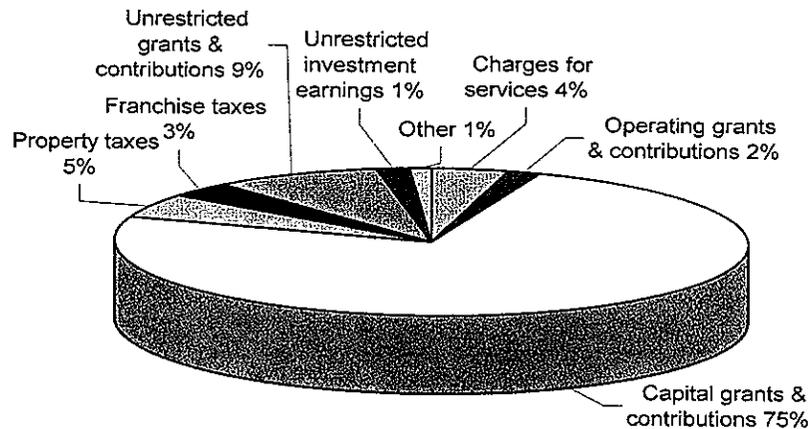
Unrestricted governmental activities net assets decreased \$71,836 (1%), while business-type activities unrestricted net assets increased \$69,695 (less than 1%). Government-wide total unrestricted net assets decreased \$2,141 (1%). The \$3,397,931(42%) increase in governmental activities restricted net assets is from additional special assessments.

The \$24,858,134 (21%) governmental activities capital assets increase is largely the result of additions to the city's storm protection network, which is primarily funded by state and federal grants.

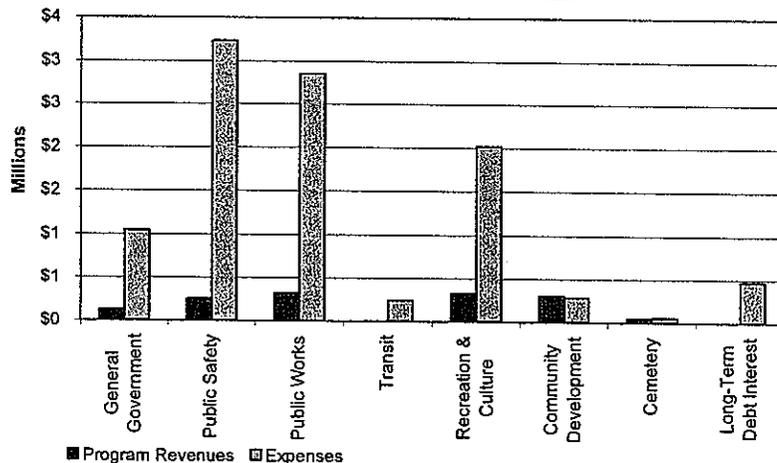
CHANGE IN NET ASSETS

| | Governmental Activities | | Business-type Activities | | Total Government | |
|--|----------------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| REVENUES | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,393,029 | \$ 1,919,932 | \$ 14,001,207 | \$ 13,391,493 | \$ 15,394,236 | \$ 15,311,425 |
| Operating grants and contributions | 581,575 | 493,345 | 475,612 | 460,680 | 1,057,187 | 954,025 |
| Capital grants and contributions | 26,308,072 | 19,305,770 | 639,846 | 608,127 | 26,947,918 | 19,913,897 |
| General revenues: | | | | | | |
| Property taxes | 1,889,815 | 1,821,538 | | | 1,889,815 | 1,821,538 |
| Franchise taxes | 1,237,084 | 1,227,694 | | | 1,237,084 | 1,227,694 |
| Unrestricted grants and contributions | 3,050,626 | 2,817,355 | | | 3,050,626 | 2,817,355 |
| Unrestricted investment earnings | 508,965 | 274,097 | 624,051 | 347,965 | 1,133,016 | 622,062 |
| Gain on disposal of assets | 15,000 | 145,424 | | 6,750 | 15,000 | 152,174 |
| Other | 426,320 | 424,833 | | | 426,320 | 424,833 |
| Total revenues | 35,410,486 | 28,429,988 | 15,740,716 | 14,815,015 | 51,151,202 | 43,245,003 |
| EXPENSES | | | | | | |
| Program activities: | | | | | | |
| Governmental activities: | | | | | | |
| General government | 1,050,378 | 1,066,756 | | | 1,050,378 | 1,066,756 |
| Public safety | 3,232,573 | 3,150,148 | | | 3,232,573 | 3,150,148 |
| Public works | 2,851,905 | 2,973,865 | | | 2,851,905 | 2,973,865 |
| Transit | 243,157 | 234,577 | | | 243,157 | 234,577 |
| Recreation and culture | 2,016,899 | 1,823,193 | | | 2,016,899 | 1,823,193 |
| Community development | 284,342 | 337,161 | | | 284,342 | 337,161 |
| Cemetery | 61,136 | 27,977 | | | 61,136 | 27,977 |
| Interest on long-term debt | 473,946 | 428,803 | | | 473,946 | 428,803 |
| Business-type activities | | | | | | |
| Electric | | | 9,308,579 | 8,377,355 | 9,308,579 | 8,377,355 |
| Water | | | 1,979,044 | 1,927,339 | 1,979,044 | 1,927,339 |
| Sewer | | | 587,568 | 553,626 | 587,568 | 553,626 |
| City mall | | | 412,999 | 460,350 | 412,999 | 460,350 |
| Refuse | | | 651,538 | 626,148 | 651,538 | 626,148 |
| Total expenses | 10,214,336 | 10,042,480 | 12,939,728 | 11,944,818 | 23,154,064 | 21,987,298 |
| Excess (deficiency) before transfers | 25,196,150 | 18,387,508 | 2,800,988 | 2,870,197 | 27,997,138 | 21,257,705 |
| Transfers in (out) | 253,438 | 116,644 | (253,438) | (116,644) | | |
| Increase (decrease in net assets) | 25,449,588 | 18,504,152 | 2,547,550 | 2,753,553 | 27,997,138 | 21,257,705 |
| Net assets at the beginning of the year | 123,391,222 | 104,887,070 | 44,830,756 | 42,077,203 | 168,221,978 | 146,964,273 |
| Net assets at the end of the year | \$ 148,840,810 | \$ 123,391,222 | \$ 47,378,306 | \$ 44,830,756 | \$ 196,219,116 | \$ 168,221,978 |

**REVENUES BY SOURCE -
GOVERNMENTAL ACTIVITIES**



**EXPENSES AND PROGRAM REVENUES -
GOVERNMENTAL ACTIVITIES**



Governmental Activities. The most significant revenues of the governmental activities are capital grants and contributions (75%), with most of that amount attributed to the ongoing additions to the storm protection network. Property taxes and franchise taxes accounted for 5% and 3% of total revenues, respectively. Unrestricted grants and contributions in the form of local government aid contributed 9% to total revenues. Charges for services brought in 4%.

Public safety (police, fire, building inspector, and civil defense) expenses are the most significant (32%), followed by public works (28%), parks and recreation (20%), general government (10%), and community development (3%). Interest on long-term debt and transit expenses accounted for 5% and 2% of total expenses, respectively. Included in these amounts is depreciation expense, which is 25% of the total expenses for governmental activities.

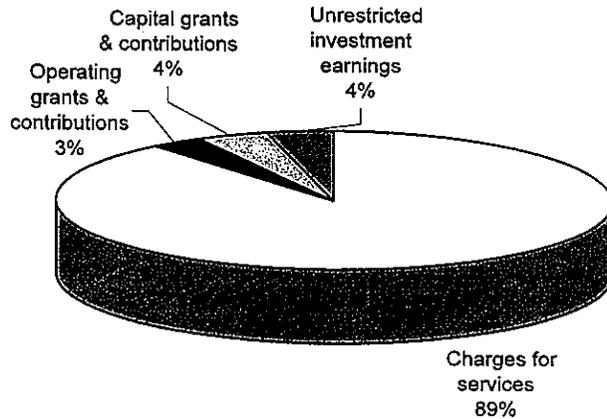
Governmental revenues increased \$6,985,498 (25%) in the current year, with the most significant portion of the growth attributable to capital grants and contributions related to construction of the storm protection network. Property taxes increased by 4% and charges for services decreased by 27%, including in the decrease is sales of land held for resale. Unrestricted grants and contributions rose 8%, as a result of increases in local government aid.

Governmental activities expenses increased \$171,856 (2%) in the current year. The most significant changes in program expenses were as follows:

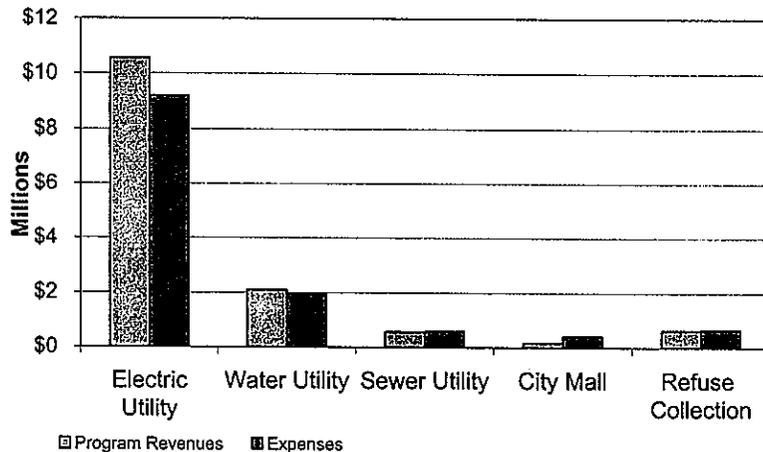
- Public Works expenses decreased \$121,960 (4%). The decrease is the result of fewer infrastructure repair costs from the prior year.
- Community development expenses decreased \$52,819 (16%). The decrease is primarily attributable to fewer grants for new homes.
- Interest on long-term debt increased \$45,143 (11%), primarily due to an increase in the city's debt level resulting from infrastructure improvements.
- Recreation and culture expenses increased \$193,706 (11%), primarily due to the increase in depreciation on assets related to the trail system.

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 \$2,547,550, which is \$206,003 (7%) more than the prior fiscal year increase. Key elements of the change are as follows:

Charges for services increased \$609,714 (5%). The increase is primarily due to the electric utility. The electric utility sold nearly 300,000 less KWHs in 2006, though electric sales revenues increased \$491,158 (5%). The water utility sold nearly 9.8 million (3%) more gallons of water in 2006. However, most of that increase was at a discounted rate to the city. Water and sewage rates did not increase over the prior year.

Operating grants and contribution increased slightly as did capital grants and contributions. Capital grants and contributions provided by governmental funds to the city's water and sewage utility were \$249,014 and \$390,832, respectively.

Program expenses in the electric utility increased significantly because of the rise in wholesale power. Expenses in the Water, Refuse, Sewage, and City Mall Funds did not vary significantly from the prior year. Commercial refuse rates increased in October 2006.

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 2006, the city's governmental funds reported total ending fund balances of \$8,810,125, an increase of \$147,377 (2%) in comparison with the prior year. Nearly 76% of the total ending fund balances constituted unreserved fund balances (\$6,712,275), 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 (\$1,659,920), 2) to off-set non-current financial resources that are not anticipated to be liquidated in the near term (\$347,368 and \$14,562), 3) to generate income to pay for library books (\$76,000). The city has designated \$620,901 of the unreserved fund balances for working capital purposes.

At the end of the current year, the General Fund reported a fund balance of \$2,200,961, decreasing \$373,425 from the previous year. General fund revenues were \$466,963 (7%) more than in the prior fiscal year and

expenditures increased by \$773,316 (12%). Transfers out increased by \$245,700 (27%). Local government aid increased \$232,701 (11%). General taxes, including property taxes and franchise fees, increased \$77,667 (3%). Intergovernmental revenue increased \$243,374 (8%) and charges for services increased \$125,660 (20%). Property taxes increased \$97,894 (6%) and franchise fees increased \$9,390 (1%). Culture and recreation expenditures increased \$234,880 (23%), debt service expenditures increased \$487,638, and public safety expenditures increased \$70,836 (2%). Off-setting these increases were expenditure decreases of \$18,234 (2%) in general government and \$27,562 (10%) in other unallocated.

The Residential Infrastructure Fund (RIF) experienced a \$106,150 (47%) revenue increase over the prior year and the fund balance for the year decreased \$448,987 (39%) to \$712,906. The RIF revenue increase is primarily due to special assessments collections and the fund balance decrease is largely attributable to \$781,124 in transfers out.

The Levee Projects Fund (LPF) revenues decreased \$6,880,037 to \$4,086,325 because of decreased Minnesota Department of Natural Resources reimbursements. However, revenues exceeded expenditures by \$48,388.

The 3-1-06 Assessment Bond Fund (ABF) fund balance increased to \$335,719, largely the result of assessment prepayments. This is the fund's first year of operations.

The 12-1-04 Assessment Bond Fund (ABF) fund balance decreased \$126,738 to \$527,431 as debt payments exceeded assessment collections. The lag between assessment collections and debt service payments is expected to continue into the near future.

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 \$1,808,389 (8%). Operating income decreased \$319,338 (18%) to \$1,421,619. Wholesale purchased power costs increased \$757,161 (16%). Transfers out increased by \$31,794 to \$248,438. Nonoperating expenses included \$114,740 for loss on defeasance of bonds.

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 increased \$446,651 (5%) in the current year, including \$249,014 in capital contributions to the water distribution system. Operating income decreased \$28,195 (13%) and operating expenses decreased \$54,666 (3%) from the prior year. Other significant factors of the changes in income from operations have been previously discussed in the government-wide financial analysis of business-type activities.

The sewer utility's net assets increased \$332,691 (4%). Capital contributions of \$390,832 for system improvements are the primary factor for the increase.

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 \$43,489 can be attributed to lower rental payments. The general fund transfer in for 2006 was \$80,000, down \$20,000 from the prior year.

The Refuse Fund net assets increased \$3,308. Operating revenue increased \$39,906 (7%) and operating expenses increased \$25,390 (4%) from the prior year. Higher landfill charges, disposal service fees, and fuel costs contributed to the increase in operating expenses. The city raised commercial customer refuse charges in October of 2006.

GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the original budget and the final amended budget are the same for 2006.

General taxes exceeded budget \$86,819 (3%), primarily due to higher franchise fees collections on electric, gas, and cable services. Higher Insurance refunds and dividends and higher interest earnings contributed to other revenues exceeding budget. General government, public safety, and recreation and culture expenditures did not significantly vary from budgeted amounts. Public works expenditures over budget were offset with higher transfers in. Transfers out exceeded budget by \$442,000, reflecting the need to commit funds toward future capital projects.

The General Fund year end fund balances since 1998 are as follows:

| | | | | | |
|------|-------------|------|------------|------|-------------|
| 1998 | \$1,346,793 | 2001 | \$ 687,401 | 2004 | \$2,433,581 |
| 1999 | 910,128 | 2002 | 1,549,287 | 2005 | 2,574,386 |
| 2000 | 447,561 | 2003 | 2,158,880 | 2006 | 2,200,961 |

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS
(net of accumulated depreciation)

| | Governmental Activities | | Business-type Activities | | Total Government | |
|--------------------------------------|----------------------------|-----------------------|-----------------------------|----------------------|-----------------------|-----------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| | Land | \$ 31,007,286 | \$ 29,509,916 | \$ 715,378 | \$ 715,378 | \$ 31,722,664 |
| Construction in progress | 3,811,676 | 3,498,662 | 331,818 | 636,236 | 4,143,494 | 4,134,898 |
| Building, structures, & improvements | 80,004,059 | 57,359,362 | 31,738,418 | 31,032,521 | 111,742,477 | 88,391,883 |
| Machinery and equipment | 2,760,749 | 2,510,077 | 725,144 | 834,034 | 3,485,893 | 3,344,111 |
| Infrastructure | 23,186,208 | 23,033,827 | | | 23,186,208 | 23,033,827 |
| Total | <u>\$ 140,769,978</u> | <u>\$ 115,911,844</u> | <u>\$ 33,510,758</u> | <u>\$ 33,218,169</u> | <u>\$ 174,280,736</u> | <u>\$ 149,130,013</u> |

Capital assets. The city's investment in capital assets for its governmental and business-type activities at December 31, 2006 totaled \$174,280,736 (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. However, the largest contribution to capital assets came from additions to the city's storm protection

network, funded primarily by state and federal agencies. The total increase over the prior fiscal year is approximately 17%, of which governmental activities increased 21% and business-type activities increased 1%.

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

LONG-TERM LIABILITIES

| | Governmental Activities | | Business-type Activities | | Total Government | |
|--|----------------------------|----------------------|-----------------------------|---------------------|----------------------|----------------------|
| | 2006 | 2005 | 2006 | 2005 | 2006 | 2005 |
| | General obligation bonds | \$ 11,703,501 | \$ 8,381,797 | | | \$ 11,703,501 |
| General obligation water revenue bonds | | | \$ 1,400,850 | \$ 1,465,200 | 1,400,850 | 1,465,200 |
| General obligation certificates of Indebtedness | 64,224 | 126,287 | | | 64,224 | 126,287 |
| Capital lease obligations | | 525,000 | | | | 525,000 |
| Electric revenue bonds | | | | 2,341,350 | | 2,341,350 |
| Due to component unit | | | | 125,100 | | 125,100 |
| Compensated absences payable | 1,226,697 | 1,257,255 | 346,878 | 343,695 | 1,573,575 | 1,600,950 |
| Total | <u>\$ 12,994,422</u> | <u>\$ 10,290,339</u> | <u>\$ 1,747,728</u> | <u>\$ 4,275,345</u> | <u>\$ 14,742,150</u> | <u>\$ 14,565,684</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 \$14,742,150 at December 31, 2006. Of this total, \$12,994,422 (88%) is in governmental activities and \$1,747,728 (12%) is in business-type activities. The city's outstanding long-term liabilities increased \$176,466 (1%) in 2006.

Additional information on the city's long-term liabilities can be found in the notes to the financial statements on pages 48-51 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for the Polk County, Minnesota area for December 31, 2006 was 4.4%, which is above the state average (4.2%) and below the national average (4.5%). The Grand Forks County area unemployment rate was 2.8%, which is below the North Dakota state average (3.2%). 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 has improved and tax collections are up, which may translate into more local government aid. Current state funding levels do not appear to be threatened. The city received \$2.5 million in local government aid in 2006, which is about 1/3 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 40 to 50 units (2%) per year, but recently enacted a two-year tax abatement program for new homes.

REQUESTS FOR INFORMATION

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



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BASIC FINANCIAL STATEMENTS



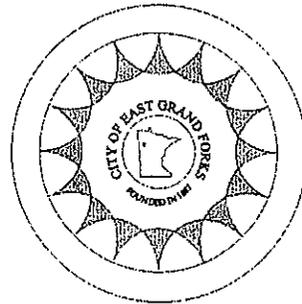
CITY OF EAST GRAND FORKS, MINNESOTA

Statement of Net Assets

December 31, 2006

| | Primary Government | | Total | Component Unit |
|---|----------------------------|-----------------------------|-----------------------|---------------------|
| | Governmental Activities | Business-type Activities | | EDHA |
| ASSETS | | | | |
| Cash and cash equivalents | \$ 7,127,995 | \$ 4,532,762 | \$ 11,660,757 | \$ 2,672,438 |
| Investments | 3,401,420 | 8,959,712 | 12,361,132 | |
| Accrued interest receivable | 42,763 | 88,845 | 131,608 | 2,796 |
| Accounts receivable, net | 14,467 | 1,040,273 | 1,054,740 | |
| Notes receivable | 320,958 | | 320,958 | 1,990,357 |
| Taxes receivable - property | 53,642 | | 53,642 | |
| Taxes receivable - other | 124,093 | | 124,093 | |
| Special assessments receivable | 10,710,828 | | 10,710,828 | |
| Internal balances (net) | (600,000) | 600,000 | - | |
| Due from other government units | 1,033,469 | 209,503 | 1,242,972 | 686 |
| Prepaid items | | 8,249 | 8,249 | |
| Land held for resale | 347,368 | | 347,368 | 512,153 |
| Materials and Supplies | 14,562 | 1,076,377 | 1,090,939 | |
| Restricted cash and investments | | 161,972 | 161,972 | 470,143 |
| Unamortized debt issuance costs | 90,224 | 6,728 | 96,952 | |
| Customer acquisition costs | | 268,106 | 268,106 | |
| Capital assets: | | | | |
| Nondepreciable | 34,818,962 | 1,047,196 | 35,866,158 | 50,300 |
| Depreciable, net | 105,951,016 | 32,463,562 | 138,414,578 | 4,898,521 |
| TOTAL ASSETS | <u>163,451,767</u> | <u>50,463,285</u> | <u>213,915,052</u> | <u>10,597,394</u> |
| LIABILITIES | | | | |
| Accounts payable | 908,945 | 999,111 | 1,908,056 | 54,538 |
| Accrued wages payable | 248,775 | 176,120 | 424,895 | 4,583 |
| Due to other government units | 195,984 | 67,761 | 263,745 | 260,905 |
| Accrued interest payable | 262,831 | 28,969 | 291,800 | 2,891 |
| Customer deposits | | 65,290 | 65,290 | 17,573 |
| Noncurrent liabilities: | | | | |
| Due within one year | 544,223 | 104,600 | 648,823 | 39,768 |
| Due in more than one year | 12,450,199 | 1,643,128 | 14,093,327 | 632,389 |
| TOTAL LIABILITIES | <u>14,610,957</u> | <u>3,084,979</u> | <u>17,695,936</u> | <u>1,012,647</u> |
| NET ASSETS | | | | |
| Invested in capital assets, net of related debt | 129,002,253 | 32,109,908 | 161,112,161 | 4,871,797 |
| Restricted for: | | | | |
| Debt service | 10,249,454 | 67,713 | 10,317,167 | |
| Public works | 420,151 | | 420,151 | |
| Capital projects | 705,968 | | 705,968 | |
| Library - nonexpendable | 76,000 | | 76,000 | |
| Unrestricted | 8,386,984 | 15,200,685 | 23,587,669 | 4,712,950 |
| TOTAL NET ASSETS | <u>\$ 148,840,810</u> | <u>\$ 47,378,306</u> | <u>\$ 196,219,116</u> | <u>\$ 9,584,747</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, 2006

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes In Net Assets | | | Component Unit |
|---------------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|-----------------------|---------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | Total | |
| | | | | | Governmental Activities | Business-type Activities | | |
| Governmental activities: | | | | | | | | |
| General government | \$ 1,050,378 | \$ 130,597 | | | \$ (919,781) | | \$ (919,781) | |
| Public safety | 3,232,573 | 252,713 | \$ 272,450 | | (2,707,410) | | (2,707,410) | |
| Public works | 2,851,905 | 321,362 | 92,001 | \$ 23,754,467 | 21,315,925 | | 21,315,925 | |
| Transit | 243,157 | 4,000 | 195,694 | | (43,463) | | (43,463) | |
| Recreation and culture | 2,016,899 | 330,258 | | 2,553,605 | 866,964 | | 866,964 | |
| Community development | 284,342 | 306,409 | 21,430 | | 43,497 | | 43,497 | |
| Cemetery | 61,136 | 47,690 | | | (13,446) | | (13,446) | |
| Interest on long-term debt | 473,946 | | | | (473,946) | | (473,946) | |
| Total governmental activities | 10,214,336 | 1,393,029 | 581,575 | 26,308,072 | 18,068,340 | | 18,068,340 | |
| Business-type activities | | | | | | | | |
| Electric Utility | 9,193,839 | 10,556,891 | 335,512 | | | \$ 1,698,564 | 1,698,564 | |
| Water Utility | 1,979,044 | 2,093,211 | | 249,014 | | 363,181 | 363,181 | |
| Sewer Utility | 587,568 | 564,768 | | 390,832 | | 368,032 | 368,032 | |
| City Mall | 412,999 | 163,496 | 125,100 | | | (124,403) | (124,403) | |
| Refuse Collection | 651,538 | 622,841 | 15,000 | | | (13,697) | (13,697) | |
| Total business-type activities | 12,824,988 | 14,001,207 | 475,612 | 639,846 | | 2,291,677 | 2,291,677 | |
| Total primary government | \$ 23,039,324 | \$ 15,394,236 | \$ 1,057,187 | \$ 26,947,918 | 18,068,340 | 2,291,677 | 20,360,017 | |
| Component unit: | | | | | | | | |
| Community development | \$ 2,413,481 | \$ 373,453 | \$ 1,627,744 | | | | | \$ (412,284) |
| General Revenues: | | | | | | | | |
| Property taxes | | | | | 1,889,815 | | 1,889,815 | 73,721 |
| Franchise taxes | | | | | 1,237,084 | | 1,237,084 | |
| Unrestricted grants and contributions | | | | | 3,050,626 | | 3,050,626 | 72,796 |
| Unrestricted investment earnings | | | | | 508,965 | 624,051 | 1,133,016 | 107,612 |
| Gain on disposal of assets | | | | | 15,000 | | 15,000 | |
| Loss on early extinguishment of debt | | | | | | (114,740) | (114,740) | |
| Other | | | | | 426,320 | | 426,320 | 42,680 |
| Transfers | | | | | 253,438 | (253,438) | | |
| Total general revenues | | | | | 7,381,248 | 255,873 | 7,637,121 | 296,809 |
| Change in Net Assets | | | | | 25,449,588 | 2,547,550 | 27,997,138 | (115,475) |
| Net Assets - January 1 | | | | | 123,391,222 | 44,830,756 | 168,221,978 | 9,700,222 |
| Net Assets - December 31 | | | | | \$ 148,840,810 | \$ 47,378,306 | \$ 196,219,116 | \$ 9,584,747 |

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

Balance Sheet

Governmental Funds

December 31, 2006

| | General | Residential Infrastructure | Levee Projects | 2006 Assessment Projects | 12-1-04 Assessment Bonds | 3-1-06 Assessment Bonds | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------------|---------------------|--------------------------------|--------------------------------|-------------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | | | | | |
| Cash and cash equivalents | \$ 1,250,710 | \$ 390,459 | \$ 269,851 | \$ 412,963 | \$ 288,737 | \$ 335,719 | \$ 3,392,631 | \$ 6,341,070 |
| Investments | 1,024,323 | 319,783 | | 338,213 | 236,474 | | 922,244 | 2,841,037 |
| Interest receivable | 42,763 | | | | | | | 42,763 |
| Accounts receivable | | | 5,147 | | | | 9,320 | 14,467 |
| Taxes receivable - property taxes | 53,642 | | | | | | | 53,642 |
| Taxes receivable - other | 124,093 | | | | | | | 124,093 |
| Special assessments receivable | 59,172 | 2,308,221 | | | 2,306,453 | 3,095,627 | 2,941,355 | 10,710,828 |
| Due from other government units | 113,378 | 2,664 | 838,979 | | 2,220 | | 76,228 | 1,033,469 |
| Land held for resale | | | | | | | 347,368 | 347,368 |
| Notes Receivable | 185,958 | | | | | | 135,000 | 320,958 |
| Materials and supplies | 14,562 | | | | | | | 14,562 |
| TOTAL ASSETS | \$ 2,868,601 | \$ 3,021,127 | \$ 1,113,977 | \$ 751,176 | \$ 2,833,884 | \$ 3,431,346 | \$ 7,824,146 | \$ 21,844,257 |
| LIABILITIES AND FUND BALANCES | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | 123,580 | | 408,009 | 132,708 | | | 244,648 | 908,945 |
| Accrued wages payable | 234,740 | | | | | | 14,035 | 248,775 |
| Interfund payable | | | | | | | 600,000 | 600,000 |
| Due to other government units | 10,548 | | | | | | 185,436 | 195,984 |
| Deferred revenue | 298,772 | 2,308,221 | | | 2,306,453 | 3,095,627 | 3,076,355 | 11,085,428 |
| Total liabilities | 667,640 | 2,308,221 | 408,009 | 132,708 | 2,306,453 | 3,095,627 | 4,120,474 | 13,039,132 |
| Fund balance: | | | | | | | | |
| Reserved for materials and supplies | 14,562 | | | | | | | 14,562 |
| Reserved for land held for resale | | | | | | | 347,368 | 347,368 |
| Reserved for library | | | | | | | 76,000 | 76,000 |
| Reserved for debt service | | | | | 527,431 | 335,719 | 1,042,869 | 1,906,019 |
| Unreserved, designated for working capital | 620,901 | | | | | | | 620,901 |
| Unreserved, undesignated reported in: | | | | | | | | |
| General fund | 1,565,498 | | | | | | | 1,565,498 |
| Special revenue funds | | | | | | | 2,122,569 | 2,122,569 |
| Permanent funds | | | | | | | 3,737 | 3,737 |
| Capital projects funds | | 712,906 | 705,968 | 618,468 | | | 111,129 | 2,148,471 |
| Total fund balance | 2,200,961 | 712,906 | 705,968 | 618,468 | 527,431 | 335,719 | 3,703,672 | 8,805,125 |
| TOTAL LIABILITIES AND FUND BALANCE | \$ 2,868,601 | \$ 3,021,127 | \$ 1,113,977 | \$ 751,176 | \$ 2,833,884 | \$ 3,431,346 | \$ 7,824,146 | \$ 21,844,257 |

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, 2006

Total fund balances - governmental funds \$ 8,805,125

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 | 3,811,676 | |
| Buildings, structures and improvements | 87,814,105 | |
| Machinery and equipment | 4,408,302 | |
| Infrastructure | 30,836,114 | |
| Accumulated depreciation | <u>(17,931,015)</u> | 139,946,468 |

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

11,085,428

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 | \$ 786,925 | |
| Investments | 560,383 | |
| Machinery and equipment, net | 823,510 | |
| Compensated absences payable | (1,226,697) | |
| Notes payable | <u>(64,224)</u> | 879,897 |

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 | \$(11,703,501) | |
| Unamortized bond issuance costs | 90,224 | |
| Accrued interest payable | <u>(262,831)</u> | <u>(11,876,108)</u> |

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 148,840,810

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, 2006**

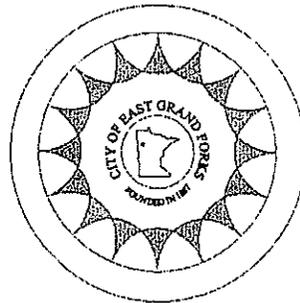
| | <u>General</u> | <u>Residential Infrastructure</u> | <u>Levee Projects</u> | <u>2006 Assessment Projects</u> | <u>12-1-04 Assessment Bonds</u> | <u>3-1-06 Assessment Bonds</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|---------------------------------------|---------------------------|---|---|--|--|---|
| Revenues: | | | | | | | | |
| General taxes | \$ 3,126,899 | | | | | | | \$ 3,126,899 |
| Special assessments | | \$ 274,689 | | | \$ 184,881 | \$ 292,260 | \$ 458,377 | 1,210,207 |
| Licenses and permits | 119,220 | | | | | | | 119,220 |
| Intergovernmental | 3,323,076 | | \$ 3,886,080 | | | | 309,125 | 7,518,281 |
| Charges for services | 764,323 | | | | | | 397,534 | 1,161,857 |
| Fines and forfeitures | 97,340 | | | | | | | 97,340 |
| Interest and other revenues | 236,376 | 57,448 | 200,245 | \$ 69,401 | 19,585 | 19,128 | 230,933 | 833,116 |
| Total revenues | <u>7,667,234</u> | <u>332,137</u> | <u>4,086,325</u> | <u>69,401</u> | <u>204,466</u> | <u>311,388</u> | <u>1,395,969</u> | <u>14,066,920</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | 822,532 | | | | | | | 822,532 |
| Public safety | 2,978,326 | | | | | | | 2,978,326 |
| Public works | 1,111,789 | | | | | | 47,804 | 1,159,593 |
| Transit | | | | | | | 233,959 | 233,959 |
| Recreation and culture | 1,171,443 | | | | | | 395,451 | 1,566,894 |
| Community development | 22,833 | | | | | | 260,721 | 283,554 |
| Cemetery | | | | | | | 57,243 | 57,243 |
| Other expenditures | 215,799 | | | | | | | 215,799 |
| Capital outlay | 283,561 | | 4,037,937 | 3,051,457 | | | 1,956,995 | 9,329,950 |
| Debt service: | | | | | | | | |
| Principal retirement | 525,000 | | | | 170,000 | | 550,000 | 1,245,000 |
| Interest and fiscal agent charges | 35,438 | | | | 186,204 | 669 | 158,144 | 380,455 |
| Total expenditures | <u>7,166,721</u> | | <u>4,037,937</u> | <u>3,051,457</u> | <u>356,204</u> | <u>669</u> | <u>3,660,317</u> | <u>18,273,305</u> |
| Excess (deficiency) of revenues over expenditures | <u>500,513</u> | <u>332,137</u> | <u>48,388</u> | <u>(2,982,056)</u> | <u>(151,738)</u> | <u>310,719</u> | <u>(2,264,348)</u> | <u>(4,206,385)</u> |
| Other financing sources (uses): | | | | | | | | |
| Proceeds from asset sales | 52,924 | | | | | | | 52,924 |
| Transfers in | 238,438 | | | 781,124 | 25,000 | 25,000 | 1,262,734 | 2,332,296 |
| Transfers out | (1,165,300) | (781,124) | | | | | (132,434) | (2,078,858) |
| Discount on long-term debt issued | | | | (22,800) | | | (9,800) | (32,600) |
| Long-term debt issued | | | | 2,842,200 | | | 1,232,800 | 4,075,000 |
| Total other financing sources (uses) | <u>(873,938)</u> | <u>(781,124)</u> | | <u>3,600,524</u> | <u>25,000</u> | <u>25,000</u> | <u>2,353,300</u> | <u>4,348,762</u> |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | <u>(373,425)</u> | <u>(448,987)</u> | <u>48,388</u> | <u>618,468</u> | <u>(126,738)</u> | <u>335,719</u> | <u>88,952</u> | <u>142,377</u> |
| Fund balance at beginning of year | <u>2,574,386</u> | <u>1,161,893</u> | <u>657,580</u> | | <u>654,169</u> | | <u>3,614,720</u> | <u>8,662,748</u> |
| Fund balance at end of year | <u>\$ 2,200,961</u> | <u>\$ 712,906</u> | <u>\$ 705,968</u> | <u>\$ 618,468</u> | <u>\$ 527,431</u> | <u>\$ 335,719</u> | <u>\$ 3,703,672</u> | <u>\$ 8,805,125</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, 2006

| | | |
|---|--------------------|----------------------|
| Net change in fund balances--total governmental funds | | \$ 142,377 |
| 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 | \$ 27,190,645 | |
| Depreciation | <u>(2,424,906)</u> | 24,765,739 |
| 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. | | |
| | | 1,245,000 |
| Proceeds from long-term debt provide financial resources to governmental funds, but the issuing of debt increases long-term liabilities in the Statement of Net Assets. | | |
| Issuance of long-term debt | \$ (4,075,000) | |
| Cost of issuance | 34,504 | |
| Discounts and premiums | <u>32,600</u> | (4,007,896) |
| 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, 2005 | \$ (7,772,134) | |
| Deferred Revenue - December 31, 2006 | <u>11,085,428</u> | 3,313,294 |
| 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 | (3,759) | |
| Amortization of bond discounts | (848) | |
| Amortization of bond premiums | <u>1,543</u> | (3,064) |
| 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. | | |
| | | 83,930 |
| Changes in long-term debt interest payable | | |
| | | <u>(89,792)</u> |
| Change in net assets of governmental activities | | <u>\$ 25,449,588</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, 2006**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| General taxes | \$ 3,040,080 | \$ 3,040,080 | \$ 3,126,899 | \$ 86,819 |
| Licenses and permits | 98,700 | 98,700 | 119,220 | 20,520 |
| Intergovernmental | 3,264,020 | 3,264,020 | 3,323,076 | 59,056 |
| Charges for services | 590,700 | 590,700 | 764,323 | 173,623 |
| Fines and forfeitures | 107,000 | 107,000 | 97,340 | (9,660) |
| Other revenues | 49,500 | 49,500 | 236,376 | 186,876 |
| Total revenues | <u>7,150,000</u> | <u>7,150,000</u> | <u>7,667,234</u> | <u>517,234</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 848,300 | 848,300 | 822,532 | (25,768) |
| Public safety | 3,012,600 | 3,012,600 | 2,978,326 | (34,274) |
| Public works | 1,048,400 | 1,048,400 | 1,111,789 | 63,389 |
| Recreation and culture | 1,033,200 | 1,033,200 | 1,171,443 | 138,243 |
| Community development | | | 22,833 | 22,833 |
| Other expenditures | 225,700 | 225,700 | 215,799 | (9,901) |
| Capital outlay | 330,000 | 330,000 | 283,561 | (46,439) |
| Debt service: | | | | |
| Principal retirement | 40,000 | 40,000 | 525,000 | 485,000 |
| Interest and fiscal agent charges | 35,500 | 35,500 | 35,438 | (62) |
| Total expenditures | <u>6,573,700</u> | <u>6,573,700</u> | <u>7,166,721</u> | <u>593,021</u> |
| Excess (deficiency) of revenues over expenditures | <u>576,300</u> | <u>576,300</u> | <u>500,513</u> | <u>(75,787)</u> |
| Other financing sources (uses) | | | | |
| Proceeds from sale of assets | | | 52,924 | 52,924 |
| Transfers in | 150,000 | 150,000 | 238,438 | 88,438 |
| Transfers out | <u>(723,300)</u> | <u>(723,300)</u> | <u>(1,165,300)</u> | <u>(442,000)</u> |
| Total other financing sources (uses) | <u>(573,300)</u> | <u>(573,300)</u> | <u>(873,938)</u> | <u>(300,638)</u> |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | 3,000 | 3,000 | (373,425) | (376,425) |
| Fund balance at beginning of year | <u>2,574,386</u> | <u>2,574,386</u> | <u>2,574,386</u> | |
| Fund balance at end of year | <u>\$ 2,577,386</u> | <u>\$ 2,577,386</u> | <u>\$ 2,200,961</u> | <u>\$ (376,425)</u> |

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

Statement of Net Assets

Proprietary Funds

December 31, 2006

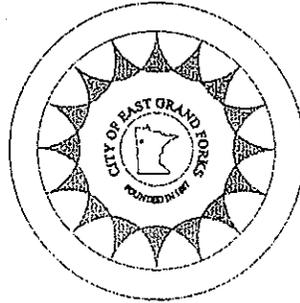
| | Business-Type Activities - Enterprise Funds | | | | | Totals | Governmental Activities - Internal Service Funds |
|----------------------------------|---|--------------------|--------------------|--------------------|----------------------|---------------------|---|
| | Electric | Water | Sewage | City Mall | Nonmajor (Refuse) | | |
| ASSETS | | | | | | | |
| Current assets: | | | | | | | |
| Cash and cash equivalents | \$ 1,393,131 | \$ 2,088,269 | \$ 633,801 | \$ 17,207 | \$ 400,354 | \$ 4,532,762 | \$ 786,925 |
| Investments | 8,440,634 | | 519,078 | | | 8,959,712 | 560,383 |
| Restricted cash and investments: | | | | | | | |
| Cash in bond accounts | | 96,682 | | | | 96,682 | |
| Cash in customer deposits | 65,290 | | | | | 65,290 | |
| Interest receivable | 88,845 | | | | | 88,845 | |
| Account receivable (net) | 1,035,008 | | | | 5,265 | 1,040,273 | |
| Materials and supplies | 964,851 | 111,526 | | | | 1,076,377 | |
| Prepaid items | 7,957 | 292 | | | | 8,249 | |
| Interfund receivable | 600,000 | | | | | 600,000 | |
| Due from other government units | 194,503 | | | | 15,000 | 209,503 | |
| Total current assets | <u>12,790,219</u> | <u>2,296,769</u> | <u>1,152,879</u> | <u>17,207</u> | <u>420,619</u> | <u>16,677,693</u> | <u>1,347,308</u> |
| Noncurrent assets: | | | | | | | |
| Capital assets: | | | | | | | |
| Land | 305,394 | 44,000 | 215,184 | 150,800 | | 715,378 | |
| Buildings and systems | 19,809,383 | 15,633,618 | 10,406,330 | 6,127,199 | | 51,976,530 | |
| Machinery and equipment | 1,518,232 | 1,675,760 | 408,037 | 81,766 | 326,961 | 4,010,756 | 1,272,751 |
| Construction in progress | 117,454 | 214,364 | | | | 331,818 | |
| Total capital assets | <u>21,750,463</u> | <u>17,567,742</u> | <u>11,029,551</u> | <u>6,359,765</u> | <u>326,961</u> | <u>57,034,482</u> | <u>1,272,751</u> |
| Less accumulated depreciation | <u>(9,640,776)</u> | <u>(8,529,416)</u> | <u>(3,807,139)</u> | <u>(1,245,968)</u> | <u>(300,425)</u> | <u>(23,523,724)</u> | <u>(449,241)</u> |
| Total capital assets (net) | <u>12,109,687</u> | <u>9,038,326</u> | <u>7,222,412</u> | <u>5,113,797</u> | <u>26,536</u> | <u>33,510,758</u> | <u>823,510</u> |
| Unamortized debt issuance costs | | 6,728 | | | | 6,728 | |
| Customer acquisition costs | 268,106 | | | | | 268,106 | |
| Total noncurrent assets | <u>12,377,793</u> | <u>9,045,054</u> | <u>7,222,412</u> | <u>5,113,797</u> | <u>26,536</u> | <u>33,785,592</u> | <u>823,510</u> |
| TOTAL ASSETS | <u>25,168,012</u> | <u>11,341,823</u> | <u>8,375,291</u> | <u>5,131,004</u> | <u>447,155</u> | <u>50,463,285</u> | <u>2,170,818</u> |

(continued)

Statement of Net Assets
Proprietary Funds
December 31, 2006 (continued)

| | Business-Type Activities - Enterprise Funds | | | | | | Governmental Activities - Internal Service Funds |
|--|---|---------------------|---------------------|---------------------|----------------------|----------------------|---|
| | Electric | Water | Sewage | City Mall | Nonmajor (Refuse) | Totals | |
| LIABILITIES | | | | | | | |
| Current liabilities: | | | | | | | |
| Accounts payable | \$ 913,744 | \$ 67,496 | \$ 5,939 | \$ 8,991 | \$ 2,941 | \$ 999,111 | |
| Due to other government units | 56,866 | | | | 10,895 | 67,761 | |
| Accrued wages payable | 107,667 | 47,380 | 6,576 | | 14,497 | 176,120 | |
| Customer deposits | 65,290 | | | | | 65,290 | |
| Compensated absences payable - current | 21,700 | 12,900 | | | | 34,600 | \$ 40,000 |
| Notes payable - current | | | | | | | 64,224 |
| G.O. revenue bonds payable - current | | 70,000 | | | | 70,000 | |
| Accrued bond interest payable | | 28,969 | | | | 28,969 | |
| Total current liabilities | <u>1,165,267</u> | <u>226,745</u> | <u>12,515</u> | <u>8,991</u> | <u>28,333</u> | <u>1,441,851</u> | <u>104,224</u> |
| Noncurrent liabilities: | | | | | | | |
| Compensated absences payable - net current portion | 195,521 | 116,757 | | | | 312,278 | 1,186,697 |
| G.O. revenue bonds payable - net current portion | | 1,330,850 | | | | 1,330,850 | |
| Total noncurrent liabilities | <u>195,521</u> | <u>1,447,607</u> | | | | <u>1,643,128</u> | <u>1,186,697</u> |
| TOTAL LIABILITIES | <u>1,360,788</u> | <u>1,674,352</u> | <u>12,515</u> | <u>8,991</u> | <u>28,333</u> | <u>3,084,979</u> | <u>1,290,921</u> |
| NET ASSETS | | | | | | | |
| Invested in capital assets, net of related debt | 12,109,687 | 7,637,476 | 7,222,412 | 5,113,797 | 26,536 | 32,109,908 | 759,286 |
| Restricted for debt service | | 67,713 | | | | 67,713 | |
| Unrestricted | <u>11,697,537</u> | <u>1,962,282</u> | <u>1,140,364</u> | <u>8,216</u> | <u>392,286</u> | <u>15,200,685</u> | <u>120,611</u> |
| TOTAL NET ASSETS | <u>\$ 23,807,224</u> | <u>\$ 9,667,471</u> | <u>\$ 8,362,776</u> | <u>\$ 5,122,013</u> | <u>\$ 418,822</u> | <u>\$ 47,378,306</u> | <u>\$ 879,897</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, 2006

| | Business-Type Activities – Enterprise Funds | | | | | Totals | Governmental Activities - Internal Service Funds |
|--|---|---------------------|---------------------|---------------------|----------------------|---------------------|---|
| | Electric | Water | Sewage | City Mall | Nonmajor (Refuse) | | |
| Operating revenues: | | | | | | | |
| Electric charges | \$ 10,353,767 | | | | | \$10,353,767 | |
| Water charges | | \$ 2,075,610 | | | | 2,075,610 | |
| Sewer charges | | | \$ 561,378 | | | 561,378 | |
| Rental charges | | | | \$ 162,726 | | 162,726 | |
| Refuse charges | | | | | \$ 621,297 | 621,297 | |
| Other | 203,124 | 17,601 | 3,390 | 770 | 1,544 | 226,429 | \$ 233,100 |
| Total operating revenues | <u>10,556,891</u> | <u>2,093,211</u> | <u>564,768</u> | <u>163,496</u> | <u>622,841</u> | <u>14,001,207</u> | <u>233,100</u> |
| Operating expenses: | | | | | | | |
| Purchased power | 5,538,936 | | | | | 5,538,936 | |
| Operations and maintenance | 1,344,316 | 1,171,150 | 242,478 | 232,012 | 606,551 | 3,596,507 | |
| Administration | 456,536 | 228,268 | 59,183 | | 34,709 | 778,696 | |
| Compensated absences | | | | | | | 111,137 |
| Depreciation | 754,589 | 507,825 | 285,907 | 180,987 | 10,278 | 1,739,586 | 112,495 |
| Tax and tax equivalents | 1,040,895 | | | | | 1,040,895 | |
| Total operating expenses | <u>9,135,272</u> | <u>1,907,243</u> | <u>587,568</u> | <u>412,999</u> | <u>651,538</u> | <u>12,694,620</u> | <u>223,632</u> |
| Operating income (loss) | <u>1,421,619</u> | <u>185,968</u> | <u>(22,800)</u> | <u>(249,503)</u> | <u>(28,697)</u> | <u>1,306,587</u> | <u>9,468</u> |
| Nonoperating revenues (expenses) | | | | | | | |
| Interest income | 473,003 | 83,470 | 49,659 | 914 | 17,005 | 624,051 | 63,857 |
| Interest expense | (58,567) | (71,801) | | | | (130,368) | (4,395) |
| Loss on early extinguishment of debt | (114,740) | | | | | (114,740) | |
| Gain (loss) on disposal of assets | | | | | | | 15,000 |
| Intergovernmental | 335,512 | | | 125,100 | 15,000 | 475,612 | |
| Total Nonoperating revenues (expenses) | <u>635,208</u> | <u>11,669</u> | <u>49,659</u> | <u>126,014</u> | <u>32,005</u> | <u>854,555</u> | <u>74,462</u> |
| Income (loss) before transfers and contributions | <u>2,056,827</u> | <u>197,637</u> | <u>26,859</u> | <u>(123,489)</u> | <u>3,308</u> | <u>2,161,142</u> | <u>83,930</u> |
| Capital contributions | | 249,014 | 390,832 | | | 639,846 | |
| Transfers in | | | | 80,000 | | 80,000 | |
| Transfers out | <u>(248,438)</u> | | <u>(85,000)</u> | | | <u>(333,438)</u> | |
| Change in net assets | <u>1,808,389</u> | <u>446,651</u> | <u>332,691</u> | <u>(43,489)</u> | <u>3,308</u> | <u>2,547,550</u> | <u>83,930</u> |
| Total net assets - January 1 | <u>21,998,835</u> | <u>9,220,820</u> | <u>8,030,085</u> | <u>5,165,502</u> | <u>415,514</u> | <u>44,830,756</u> | <u>795,967</u> |
| Total net assets - December 31 | <u>\$ 23,807,224</u> | <u>\$ 9,667,471</u> | <u>\$ 8,362,776</u> | <u>\$ 5,122,013</u> | <u>\$ 418,822</u> | <u>\$47,378,306</u> | <u>\$ 879,897</u> |

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

**Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2006**

| | Business-Type Activities – Enterprise Funds | | | | | Totals | Governmental Activities - Internal Service Funds |
|--|---|---------------------|-------------------|------------------|----------------------|---------------------|---|
| | Electric | Water | Sewage | City Mall | Nonmajor (Refuse) | | |
| Cash flows from operating activities: | | | | | | | |
| Cash received from customers and users | \$ 9,834,854 | \$ 2,002,505 | \$ 530,971 | \$ 163,496 | \$ 584,771 | \$13,116,597 | |
| Cash received from interfund activities | 659,666 | 73,105 | 25,037 | | 18,143 | 775,951 | \$ 233,100 |
| Cash paid to suppliers for goods and services | (6,097,220) | (598,175) | (131,555) | (157,889) | (299,849) | (7,284,688) | |
| Cash paid for interfund activities | (45,961) | (112,822) | (43,716) | (87,563) | (39,458) | (329,520) | |
| Cash paid to employees | (937,084) | (628,847) | (122,099) | | (286,535) | (1,974,565) | (141,695) |
| Cash paid for taxes and tax equivalents | (1,040,895) | | | | | (1,040,895) | |
| Other operating revenues (expenses) | 119,596 | 17,601 | 5,757 | | 1,544 | 144,498 | |
| Net cash provided (used) by operating activities | <u>2,492,956</u> | <u>753,367</u> | <u>264,395</u> | <u>(81,956)</u> | <u>(21,384)</u> | <u>3,407,378</u> | <u>91,405</u> |
| Cash flows from noncapital financing activities: | | | | | | | |
| Intergovernmental revenues | | | | | 15,000 | 15,000 | |
| Transfers from other funds | | | | 80,000 | | 80,000 | |
| Transfers to other funds | (248,438) | | (85,000) | | | (333,438) | |
| Interfund receivable | (600,000) | | | | | (600,000) | |
| Net cash provided (used) by noncapital financing activities | <u>(848,438)</u> | | <u>(85,000)</u> | <u>80,000</u> | <u>15,000</u> | <u>(838,438)</u> | |
| Cash flows from capital and related financing activities: | | | | | | | |
| Acquisition of capital assets | (583,055) | (603,441) | (31,432) | | | (1,217,928) | (189,890) |
| Customer acquisition costs | (136,141) | | | | | (136,141) | |
| Principal payments on long-term debt | (100,000) | (65,000) | | | | (165,000) | (62,064) |
| Defeasance payment on bonds | (2,389,844) | | | | | (2,389,844) | |
| Interest and fiscal charges on bonds | (72,096) | (71,603) | | | | (143,699) | (4,395) |
| Net cash (used) by capital and related financing activities | <u>(3,281,136)</u> | <u>(740,044)</u> | <u>(31,432)</u> | | | <u>(4,052,612)</u> | <u>(256,349)</u> |
| Cash flows from investing activities: | | | | | | | |
| Interest received on investments | 447,328 | 83,470 | 49,659 | 914 | 17,005 | 598,376 | 63,857 |
| Proceeds from sales and maturities of investments | 2,617,000 | | 94,205 | | | 2,711,205 | 254,200 |
| Purchase of investments | (1,310,061) | | | | | (1,310,061) | |
| Net cash provided (used) by investing activities | <u>1,754,267</u> | <u>83,470</u> | <u>143,864</u> | <u>914</u> | <u>17,005</u> | <u>1,999,520</u> | <u>318,057</u> |
| Net increase (decrease) in cash and cash equivalents | 117,649 | 96,793 | 291,827 | (1,042) | 10,621 | 515,848 | 153,113 |
| Cash and cash equivalents - January 1 | <u>1,340,772</u> | <u>2,088,158</u> | <u>341,974</u> | <u>18,249</u> | <u>389,733</u> | <u>4,178,886</u> | <u>633,812</u> |
| Cash and cash equivalents - December 31 | <u>\$ 1,458,421</u> | <u>\$ 2,184,951</u> | <u>\$ 633,801</u> | <u>\$ 17,207</u> | <u>\$ 400,354</u> | <u>\$ 4,694,734</u> | <u>\$ 786,925</u> |

(continued)

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2006 (continued)

| | Business-Type Activities -- Enterprise Funds | | | | | Totals | Governmental Activities - Internal Service Funds |
|--|--|---------------------|-------------------|------------------|----------------------|---------------------|---|
| | Electric | Water | Sewage | City Mall | Nonmajor (Refuse) | | |
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | | | | |
| Operating income (loss) | \$ 1,421,619 | \$ 185,968 | \$ (22,800) | \$ (249,503) | \$ (28,697) | \$ 1,306,587 | \$ 9,468 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | | | | | |
| Depreciation and amortization | 754,589 | 507,825 | 285,907 | 180,987 | 10,278 | 1,739,586 | 112,495 |
| Changes in assets and liabilities: | | | | | | | |
| Accounts receivable | 57,225 | | | | (195) | 57,030 | |
| Materials and supplies | (133,143) | 37,427 | | | | (95,716) | |
| Prepaid items | (1,496) | 11,699 | | | | 10,203 | |
| Accounts payable | 396,993 | 2,964 | 2,881 | (13,440) | 38 | 389,436 | |
| Accrued wages payable | 4,912 | 581 | (1,593) | | (1,657) | 2,243 | |
| Accrued compensated absences | (3,752) | 6,935 | | | | 3,183 | (30,558) |
| Due to other government units | (4,386) | (32) | | | (1,151) | (5,569) | |
| Customer deposits | 395 | | | | | 395 | |
| Net cash provided (used) by operating activities | <u>2,492,956</u> | <u>753,367</u> | <u>264,395</u> | <u>(81,956)</u> | <u>(21,384)</u> | <u>3,407,378</u> | <u>91,405</u> |
| Schedule of noncash investing, capital and financing activities: | | | | | | | |
| Increase (Decrease) in fair value of investments | \$ 3,902 | | | | | \$ 3,902 | |
| Capital contributions | | \$ 249,014 | \$ 390,832 | | | 639,846 | |
| Cash and cash equivalents are shown on the balance sheet under the following captions: | | | | | | | |
| Cash and cash equivalents | \$ 1,393,131 | \$ 2,088,269 | \$ 633,801 | \$ 17,207 | \$ 400,354 | \$ 4,532,762 | \$ 786,925 |
| Restricted assets: | | | | | | | |
| Cash in bond accounts | | 96,682 | | | | 96,682 | |
| Cash in customer deposits | 65,290 | | | | | 65,290 | |
| Total cash and cash equivalents - December 31 | <u>\$ 1,458,421</u> | <u>\$ 2,184,951</u> | <u>\$ 633,801</u> | <u>\$ 17,207</u> | <u>\$ 400,354</u> | <u>\$ 4,694,734</u> | <u>\$ 786,925</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, 2006

| | |
|---------------------------|-----------------|
| ASSETS: | |
| Cash and cash equivalents | <u>\$ 9,025</u> |
| | |
| LIABILITIES: | |
| Due to employees | <u>\$ 9,025</u> |

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting entity

The City of East Grand Forks was incorporated April 13, 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.

Levee Projects Fund. This capital projects fund is used to account for related to providing permanent flood protection for the city, primarily funded by state and federal grants.

2006 Assessment Projects Fund. This capital projects fund is used to account for assessment projects financed by bond issuance.

12-1-04 and 3-1-06 Assessment Bonds Fund(s). 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 service 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.

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, 2006, 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 material 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. The retroactive reporting of infrastructure is subject to an extended implementation period and is first effective for the fiscal year ending in 2006. The city has elected to implement the general provisions of GASB Statement No. 34 in the

current year and will implement the retroactive infrastructure provisions before December 31, 2006.

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 \$129,657 for 4,828 accumulated sick leave hours; the Electric Fund has accrued a liability of \$217,221 for 7,577 accumulated sick leave hours. Additionally, the EDHA has accrued a liability of \$60,436 for 2,970 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 \$1,226,697 is recorded in this fund, reflecting 50,284 accumulated sick leave hours. Sick leave hours exceeding the eligible reimbursement limit of 1,280 hours totaled 999.

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.

17. Reclassifications

Certain 2005 financial statement amounts have been reclassified to conform to the 2006 presentation.

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 2006, 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.

F. Implementation of new accounting principles

For the year ending December 31, 2006 the city has implemented the following new statement of financial accounting standards issued by the Governmental Accounting Standards Board:

Statement No. 44 Economic Condition Reporting: The Statistical Section

GASB Statement No. 44 updates the statistical section to encompass the new information resulting from GASB Statement No. 34 and other developments in government finance over the past two decades. Implementation of this statement has no effect on net assets.

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, 2006, expenditures and other uses exceeded appropriations following funds: General Fund (\$1,035,021), State Aid Street (\$22,062), New Home Incentive (\$7,359), and Library (\$42,550).

In the General Fund, additional transfers out to capital project funds were made to meet future capital project needs. Additionally, the city called \$485,000 in certificates of participation. The New Home Incentive Fund transferred \$75,000 to the 2005 Capital Projects Fund for street improvements. In the Library Fund, expenditures exceeded appropriations for capital outlays, reflecting repairs to the HVAC system.

C. Deficit Fund Equity

At December 31, 2006, there is one governmental fund with a deficit fund balance. The \$432,832 deficit fund balance in the 2005 City Projects Fund will decrease with future transfers from governmental and enterprise funds.

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments at December 31, 2006 are classified in the accompanying financial statements as follows:

| | |
|--|----------------------|
| Statement of net assets: | |
| Cash and cash equivalents | \$ 11,660,757 |
| Investments | 12,361,132 |
| Restricted cash and cash equivalents | 161,972 |
| Statement of fiduciary assets and liabilities: | |
| Cash and cash equivalents | 9,025 |
| Total cash and investments | <u>\$ 24,192,886</u> |

Cash and investments at December 31, 2006 consist of the following:

| | |
|---|----------------------|
| Cash: | |
| Cash on hand | \$ 615 |
| Deposit with financial institutions | 916,621 |
| Cash equivalents: | |
| 4M - Local Government Investment Pool | 10,534,541 |
| Money Market Funds | 379,977 |
| Investments: | |
| Various | 12,361,132 |
| Total cash, cash equivalents, and investments | <u>\$ 24,192,886</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, 2006, 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. \$100,000 insurance limit per institution. Non-negotiable certificates of deposits exceeding \$100,000 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.

Disclosures Relating to Interest Rate Risk

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

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (in years)</u> |
|--|----------------------|---|
| Federal Agencies: | | |
| Federal Home Loan Bank | \$ 4,226,760 | 4.00 |
| Federal Home Loan Mortgage | 2,272,415 | 4.84 |
| Federal National Mortgage Assn. | 3,149,669 | 5.37 |
| Negotiable certificates of deposit | 2,300,923 | 0.95 |
| Non-negotiable certificates of deposit | 411,365 | 1.38 |
| Money Market Funds | 379,977 | 0.12 |
| Local Government Investment Pool | 10,534,541 | 0.12 |
| | <u>\$ 23,275,650</u> | |
| Portfolio weighted average maturity | | 2.25 |

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 | \$5,101,065 | 20.7% |
| Federal Home Loan Mortgage | 2,841,584 | 11.5% |
| Federal National Mortgage Assn. | 2,405,679 | 9.8% |

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.

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 | \$ 1,250,710 | \$ 1,024,323 | | \$ 2,275,033 |
| Residential Infrastructure | 390,459 | 319,783 | | 710,242 |
| Levee Projects | 269,851 | - | | 269,851 |
| 2006 Assessment Projects | 412,963 | 338,213 | | 751,176 |
| 12-1-04 Assessment Bonds | 288,737 | 236,474 | | 525,211 |
| 3-1-06 Assessment Bonds | 335,719 | - | | 335,719 |
| Nonmajor governmental | 3,392,631 | 922,244 | | 4,314,875 |
| Internal service funds | 786,925 | 560,383 | | 1,347,308 |
| Total | <u>7,127,995</u> | <u>3,401,420</u> | | <u>10,529,415</u> |
| Business-type Activities: | | | | |
| Electric | 1,393,131 | 8,440,634 | \$ 65,290 | 9,899,055 |
| Water | 2,088,269 | | 96,682 | 2,184,951 |
| Sewage | 633,801 | 519,078 | | 1,152,879 |
| City Mall | 17,207 | | | 17,207 |
| Nonmajor business-type | 400,354 | | | 400,354 |
| Total | <u>4,532,762</u> | <u>8,959,712</u> | <u>161,972</u> | <u>13,654,446</u> |
| Government-wide total | 11,660,757 | 12,361,132 | 161,972 | 24,183,861 |
| Fiduciary fund | 9,025 | | | 9,025 |
| Total cash and investments | <u>\$ 11,669,782</u> | <u>\$ 12,361,132</u> | <u>\$ 161,972</u> | <u>\$ 24,192,886</u> |

NOTE 4. RECEIVABLES AND DEFERRED REVENUES

Interfund Receivables, Payables, and Transfers. At December 31, 2006, there are interfund balances that are generally short-term loans used to cover temporary cash deficits in various funds. The interfund transfers generally are made for the purposes of debt service payments made from a debt service fund but funded from an operating fund or subsidy transfers. There were no significant transfers during the fiscal year that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

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

| | Property Taxes | Special Assessments | Notes Receivable | Total |
|--|----------------|---------------------|------------------|--------------|
| Governmental Activities: | | | | |
| General Fund | \$ 53,642 | \$ 59,172 | \$ 185,958 | \$ 298,772 |
| Residential Infrastructure | | 2,308,221 | | 2,308,221 |
| 12-1-04 Assessment Bonds | | 2,306,453 | | 2,306,453 |
| 3-1-06 Assessment Bonds | | 3,095,627 | | 3,095,627 |
| Nonmajor governmental | | 2,941,355 | 135,000 | 3,076,355 |
| Total | \$ 53,642 | \$ 10,710,828 | \$ 320,958 | 11,085,428 |
| Less: | | | | |
| Property taxes | | | | \$ (53,642) |
| Special assessments | | | | (10,710,828) |
| Notes receivable | | | | (320,958) |
| Total Government-wide deferred revenue | | | | \$ - |

Interfund Receivables. The following is the interfund receivables/payables at December 31, 2006:

| Receivable Fund | Payable Fund | Amount |
|-----------------|--------------------|------------|
| Electric Fund | 2005 City Projects | \$ 600,000 |

Transfers. The following interfund transfers are reflected in the fund financial statements at December 31, 2006:

| | Transfers In | Transfers Out |
|----------------------------|--------------|---------------|
| Governmental funds: | | |
| General Fund | \$ 238,438 | \$ 1,165,300 |
| Residential Infrastructure | | 781,124 |
| 2006 Assessment Projects | 781,124 | |
| 12-1-04 Assessment Bonds | 25,000 | |
| 3-1-06 Assessment Bonds | 25,000 | |
| Nonmajor governmental | 1,262,734 | 132,434 |
| Total governmental funds | 2,332,296 | 2,078,858 |
| Enterprise funds: | | |
| Electric | | 248,438 |
| City Mall | 80,000 | |
| Sewage | | 85,000 |
| Total enterprise funds | 80,000 | 333,438 |
| Total | \$ 2,412,296 | \$ 2,412,296 |

Accounts Receivables. The following accounts receivables are reflected in the fund financial statements at December 31, 2006:

| | Current | Days delinquent | | Total | Allowance for doubtful Accounts | Net Accounts Receivable |
|---------------------|------------|-----------------|-----------|--------------|---------------------------------|-------------------------|
| | | 31-120 | Over 120 | | | |
| Governmental funds: | | | | | | |
| Levee Projects | \$ 5,147 | | | \$ 5,147 | | \$ 5,147 |
| Nonmajor | 9,320 | | | 9,320 | | 9,320 |
| Total Governmental | 14,467 | | | 14,467 | | 14,467 |
| Enterprise funds: | | | | | | |
| Electric | 937,347 | \$ 74,788 | \$ 46,873 | 1,059,008 | \$ (24,000) | 1,035,008 |
| Nonmajor (Refuse) | 5,265 | | | 5,265 | | 5,265 |
| Total enterprise | 942,612 | 74,788 | 46,873 | 1,064,273 | (24,000) | 1,040,273 |
| Total | \$ 957,079 | \$ 74,788 | \$ 46,873 | \$ 1,078,740 | \$ (24,000) | \$ 1,054,740 |

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 | \$ 29,509,916 | \$ 1,497,370 | | \$ 31,007,286 | | \$ 31,007,286 | | \$ 1,497,370 |
| Construction in progress | 3,498,662 | 970,911 | (657,897) | 3,811,676 | | 3,811,676 | | 970,911 |
| Total | 33,008,578 | 2,468,281 | (657,897) | 34,818,962 | | 34,818,962 | | 2,468,281 |
| Depreciable capital assets: | | | | | | | | |
| Buildings, structures, and improvements | 63,766,204 | 24,047,901 | | 87,814,105 | | 87,814,105 | | 24,047,901 |
| Machinery and equipment | 5,175,846 | 576,882 | (71,675) | 5,681,053 | \$ 1,272,751 | 4,408,302 | \$ 204,890 | 371,992 |
| Infrastructure | 29,875,746 | 960,368 | | 30,836,114 | | 30,836,114 | | 960,368 |
| Total | 98,817,796 | 25,585,151 | (71,675) | 124,331,272 | 1,272,751 | 123,058,521 | 204,890 | 25,380,261 |
| Total capital assets | 131,826,374 | 28,053,432 | (729,572) | 159,150,234 | 1,272,751 | 157,877,483 | 204,890 | 27,848,542 |
| Less accumulated depreciation for: | | | | | | | | |
| Buildings, structures and improvements | (6,406,842) | (1,403,204) | | (7,810,046) | | (7,810,046) | | (1,403,204) |
| Machinery and equipment | (2,665,769) | (326,210) | 71,675 | (2,920,304) | (449,241) | (2,471,063) | (112,495) | (213,715) |
| Infrastructure | (6,841,919) | (807,987) | | (7,649,906) | | (7,649,906) | | (807,987) |
| Total accumulated depreciation | (15,914,530) | (2,537,401) | 71,675 | (18,380,256) | (449,241) | (17,931,015) | (112,495) | (2,424,906) |
| Total governmental activities capital assets, net | \$ 115,911,844 | \$ 25,516,031 | \$ (657,897) | \$ 140,769,978 | \$ 823,510 | \$ 139,946,468 | \$ 92,395 | \$ 25,423,636 |
| Business-type activities: | | | | | | | | |
| Nondepreciable capital assets | | | | | | | | |
| Land | \$ 715,378 | | | \$ 715,378 | | | | |
| Construction in progress | 636,236 | \$ 1,300,261 | \$ (1,604,679) | 331,818 | | | | |
| Total | 1,351,614 | 1,300,261 | (1,604,679) | 1,047,196 | | | | |
| Depreciable capital assets: | | | | | | | | |
| Buildings, structures, and improvements | 49,764,417 | 2,212,113 | | 51,976,530 | | | | |
| Machinery and equipment | 3,957,739 | 124,480 | (71,463) | 4,010,756 | | | | |
| Total | 53,722,156 | 2,336,593 | (71,463) | 55,987,286 | | | | |
| Total capital assets | 55,073,770 | 3,636,854 | (1,676,142) | 57,034,482 | | | | |
| Less accumulated depreciation for: | | | | | | | | |
| Buildings, structures, and improvements | (18,731,896) | (1,506,216) | | (20,238,112) | | | | |
| Machinery and equipment | (3,123,705) | (233,370) | 71,463 | (3,285,612) | | | | |
| Total accumulated depreciation | (21,855,601) | (1,739,586) | 71,463 | (23,523,724) | | | | |
| Total business-type activities capital assets, net | \$ 33,218,169 | \$ 1,897,268 | \$ (1,604,679) | \$ 33,510,758 | | | | |

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

| | |
|---|---------------------|
| Governmental activities: | |
| General government | \$ 191,138 |
| Public safety | 165,698 |
| Public Works | 1,764,446 |
| Culture and Recreation | 403,028 |
| Transit | 9,198 |
| Cemetery | 3,893 |
| Total depreciation expenses - governmental activities | <u>2,537,401</u> |
| Internal service fund depreciation on capital assets charged to the various functions based on usage. | (112,495) |
| Depreciation expense excluding internal service fund. | <u>\$ 2,424,906</u> |
| Business-type activities: | |
| Electric Fund | \$ 754,589 |
| Water Fund | 507,825 |
| Sewer Fund | 285,907 |
| City Mall Fund | 180,987 |
| Refuse Fund | 10,278 |
| Total depreciation expenses - business-type activities | <u>\$ 1,739,586</u> |

Discretely presented component units

| Economic Development & Housing Authority (EDHA) | Beginning Balance | Additions | Deletions | Ending Balance |
|---|---------------------|--------------------|---------------------|---------------------|
| Governmental activities: | | | | |
| Nondepreciable capital assets | | | | |
| Land | \$ 504,136 | \$ 61,575 | \$ (515,411) | \$ 50,300 |
| Total | <u>504,136</u> | <u>61,575</u> | <u>(515,411)</u> | <u>50,300</u> |
| Depreciable capital assets: | | | | |
| Buildings, structures and improvements | | | | |
| | 5,503,577 | | | 5,503,577 |
| Machinery and equipment | 166,442 | | (1,528) | 164,914 |
| Total | <u>5,670,019</u> | | <u>(1,528)</u> | <u>5,668,491</u> |
| Total capital assets | <u>6,174,155</u> | <u>61,575</u> | <u>(516,939)</u> | <u>5,718,791</u> |
| Less accumulated depreciation for: | | | | |
| Buildings, structures and improvements | | | | |
| | (499,654) | (138,863) | | (638,517) |
| Machinery and equipment | (114,693) | (16,760) | | (131,453) |
| Total accumulated depreciation | <u>(614,347)</u> | <u>(155,623)</u> | | <u>(769,970)</u> |
| Total governmental activities capital assets, net | <u>\$ 5,559,808</u> | <u>\$ (94,048)</u> | <u>\$ (516,939)</u> | <u>\$ 4,948,821</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:

Governmental activities

| General obligation Improvement bonds: | Final Maturity | Interest Rates | Issue Amount | Outstanding 12/31/06 |
|---------------------------------------|----------------|----------------|--------------|----------------------|
| 12/01/98 | 02/01/19 | 4.6%-5.2% | 1,250,000 | 880,000 |
| 12/01/98 Refunding | 02/01/19 | 4.6%-5.2% | 525,000 | 305,000 |
| 12/01/01 | 02/01/14 | 4.0%-5.0% | 700,000 | 600,000 |
| 12/01/01 Refunding | 12/01/22 | 4.0%-5.0% | 345,000 | 210,000 |
| 12/01/03 | 12/01/24 | 3.1%-4.8% | 1,000,000 | 930,000 |
| 04/01/04 Refunding | 02/01/16 | 2.8%-4.3% | 260,000 | 225,000 |
| 12/01/04 | 02/01/25 | 3.0%-4.4% | 4,655,000 | 4,485,000 |
| 03/01/06 | 02/01/27 | 3.3%-4.3% | 4,075,000 | 4,075,000 |
| Total governmental activities | | | | <u>\$ 11,710,000</u> |

Business-type activities

| Revenue bonds: | Final Maturity | Interest Rates | Issue Amount | Outstanding 12/31/06 |
|---|----------------|----------------|--------------|----------------------|
| General obligation-water revenue (2001) | 02/01/21 | 4.6%-5.2% | \$ 1,750,000 | \$ 1,415,000 |
| Total business-type activities | | | | <u>\$ 1,415,000</u> |

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

| Year Ending December 31 | Governmental Activities | | Business-type Activities | |
|----------------------------|-------------------------|---------------------|--------------------------|-------------------|
| | Principal | Interest | Principal | Interest |
| 2007 | \$ 440,000 | \$ 528,241 | \$ 70,000 | \$ 68,067 |
| 2008 | 825,000 | 442,218 | 70,000 | 64,848 |
| 2009 | 845,000 | 410,909 | 75,000 | 61,513 |
| 2010 | 865,000 | 378,240 | 75,000 | 58,062 |
| 2011 | 890,000 | 344,371 | 80,000 | 54,397 |
| 2012-16 | 3,785,000 | 1,210,339 | 460,000 | 207,922 |
| 2017-21 | 2,605,000 | 586,554 | 585,000 | 77,839 |
| 2022-26 | 1,380,000 | 138,547 | - | - |
| 2027-31 | 75,000 | 1,594 | - | - |
| Total | <u>\$ 11,710,000</u> | <u>\$ 4,041,013</u> | <u>\$ 1,415,000</u> | <u>\$ 592,648</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 2003, the city issued general obligation certificates of indebtedness to finance the acquisition of a rescue unit, police equipment, and a street sweeper. Annual debt service requirements for this debt are as follows:

| Year Ending December 31 | Governmental Activities | |
|----------------------------|-------------------------|-----------------|
| | Principal | Interest |
| 2007 | 64,224 | 2,235 |
| Total | <u>\$ 64,224</u> | <u>\$ 2,235</u> |

CAPITAL LEASE OBLIGATIONS. The city had a long-term non-cancelable lease with the EDHA for the acquisition of the police facility. The lease qualified as a capital lease for accounting purposes as defined under the Financial Accounting Standards Board Statement No. 13, *Accounting for Leases*, and therefore had been recorded as the present value of future minimum lease payments at the date of inception of the lease. The underlying \$490,000 in remaining certificates of participation debt was redeemed by the city on October 1, 2006.

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.

REDEMPTIONS. On February 1, 2006, the city fully redeemed the 10-01-96 \$460,000 Improvement Bonds. The bonds had 11 remaining annual principal payments totaling \$285,000 with interest rates ranging from 5.2% to 5.8%.

**Notes to the Financial Statements
December 31, 2006**

CITY OF EAST GRAND FORKS

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2006:

| | Beginning Balance | Additions/ Proceeds | Reductions/ Payments | Ending Balance | Due Within One Year |
|--|----------------------|------------------------|-------------------------|----------------------|------------------------|
| Governmental Activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation | \$ 7,505,000 | \$ 4,075,000 | \$ (655,000) | \$ 10,925,000 | \$ 365,000 |
| General obligation-refunding | 850,000 | | (65,000) | 785,000 | 75,000 |
| Unamortized Premium | 42,239 | | (1,543) | 40,696 | |
| Unamortized Discount | (15,442) | (32,600) | 847 | (47,195) | |
| Total | 8,381,797 | 4,042,400 | (720,696) | 11,703,501 | 440,000 |
| General obligation - certificates of indebtedness | 126,287 | | (62,064) | 64,223 | 64,223 |
| Capital leases payable | 525,000 | | (525,000) | | |
| Compensated absences | 1,257,255 | \$ 141,695 | (172,253) | 1,226,697 | 40,000 |
| Governmental activities total | \$ 10,290,339 | \$ 4,184,095 | \$ (1,480,013) | \$ 12,994,421 | \$ 544,223 |
| Business-type activities: | | | | | |
| Bonds payable: | | | | | |
| G.O. - water revenue | \$ 1,480,000 | | \$ (65,000) | \$ 1,415,000 | \$ 70,000 |
| Revenue - electric revenue | 2,365,000 | | (2,365,000) | | |
| Unamortized bond discount | (38,450) | | 24,300 | (14,150) | |
| Total | 3,806,550 | | (2,405,700) | 1,400,850 | 70,000 |
| Notes Payable - City Mall | | | | | |
| Compensated absences | 343,695 | \$ 18,922 | (15,739) | 346,878 | 34,600 |
| Due to component unit | 125,100 | | (125,100) | | |
| Business-type activities total | 4,275,345 | 18,922 | (2,546,539) | 1,747,728 | 104,600 |
| Government-wide total | \$ 14,565,684 | \$ 4,203,017 | \$ (4,026,552) | \$ 14,742,149 | \$ 648,823 |

| | Beginning Balance | Additions/ Proceeds | Reductions/ Payments | Ending Balance | Due Within One Year |
|---------------------------------------|----------------------|------------------------|-------------------------|-------------------|------------------------|
| Business-type activities: | | | | | |
| Certificates of participation | \$ 525,000 | | \$ (525,000) | \$ - | \$ - |
| Intermediary relending notes | 554,731 | | (27,179) | 527,552 | 25,568 |
| Compensated absences | 62,980 | \$ 7,908 | (10,452) | 60,436 | 6,700 |
| Special assessments | 84,195 | | (7,171) | 77,024 | 7,500 |
| Business-type activities total | \$ 1,226,906 | \$ 7,908 | \$ (569,802) | \$ 665,012 | \$ 39,768 |

SUBSEQUENT EVENTS. On February 23, 2007, the city issued \$330,000 in general obligation equipment certificates of indebtedness. The certificates are payable in 5 equal annual installments of \$75,773.56 at a 4.89% interest rate.

On February 1, 2007, the storm water utility ordinance went into effect. The ordinance requires the city to establish a separate enterprise fund to account for the operations (assets, liabilities, revenues, and expenses) of the storm protection network, including assets acquired with state and federal funds.

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

CERTIFICATES OF PARTICIPATION. The remaining \$495,000 in certificates of participation were redeemed on October 1, 2006. The proceeds from the original sale of the certificates were loaned to the city for police building acquisition and renovation. The EDHA paid a 6.75% interest rate on the certificates.

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, 2006, was as follows:

| | Beginning Balance | Additions/ Proceeds | Reductions/ Payments | Ending Balance | Due Within One Year |
|---------------------------------------|----------------------|------------------------|-------------------------|-------------------|------------------------|
| Business-type activities: | | | | | |
| Certificates of participation | \$ 525,000 | | \$ (525,000) | \$ - | \$ - |
| Intermediary relending notes | 554,731 | | (27,179) | 527,552 | 25,568 |
| Compensated absences | 62,980 | \$ 7,908 | (10,452) | 60,436 | 6,700 |
| Special assessments | 84,195 | | (7,171) | 77,024 | 7,500 |
| Business-type activities total | \$ 1,226,906 | \$ 7,908 | \$ (569,802) | \$ 665,012 | \$ 39,768 |

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

| Year Ending December 31 | Intermediary Relending | |
|----------------------------|------------------------|------------------|
| | Principal | Interest |
| 2007 | \$ 25,568 | \$ 5,276 |
| 2008 | 25,824 | 5,020 |
| 2009 | 26,082 | 4,762 |
| 2010 | 26,342 | 4,501 |
| 2011 | 26,606 | 4,237 |
| 2012-16 | 137,074 | 17,142 |
| 2017-21 | 142,640 | 10,151 |
| 2022-26 | 117,416 | 2,845 |
| Total | <u>\$ 527,552</u> | <u>\$ 53,934</u> |

NOTE 7. RISK MANAGEMENT AND LITIGATION

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

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

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

The city attorney estimates that the amount of actual or potential claims against the city as of December 31, 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:

| | 2004 | 2005 | 2006 |
|---------------------|----------|---------|----------|
| Paid Losses | \$10,121 | \$6,099 | \$29,521 |
| Paid Expenses | --- | --- | --- |
| Reserve Losses | --- | --- | 59,129 |
| Reserve Expenses | --- | --- | 1,100 |
| Total Incurred | 10,121 | 6,099 | 89,750 |
| Salvage/Subrogate | -3,205 | --- | -2,449 |
| Deductible Recovery | -3,000 | 2,000 | -5,025 |

The city's commercial insurance carrier has no set reserve losses or reserve expenses for claims filed after December 31, 2006, 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, 2006, 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 5.50%, respectively, of their annual covered salary in 2006. Contribution rates in the Coordinated Plan will increase in 2007 to 5.75%. PEPFF members were required to contribute 7.0% of their annual covered salary in 2006. That rate will increase to 7.8% in 2007.

The City of East Grand Forks is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.0% for Coordinated Plan members, and 10.5% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.25% and 11.7% respectively, effective January 1, 2007. The city's contributions to the Public Employees Retirement Fund for the years ending December 31, 2006, 2005, and 2004, were \$180,646, \$164,955, and \$155,902, respectively. The city's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2006, 2005, and 2004 were \$172,433, \$157,929, and \$146,603, 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 2006 were:

| Amount | | Percentage of Covered Payroll | | Required |
|------------------|-----------------|-------------------------------|-----------------|--------------|
| <u>Employees</u> | <u>Employer</u> | <u>Employees</u> | <u>Employer</u> | <u>Rates</u> |
| \$1,941 | \$1,941 | 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 \$4,021,000, or 38%, of the Electric Fund's operating revenue; the company's water purchases account for \$467,000, or 22%, of the Water Fund's operating revenue. The city collects \$424,500 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 <u>December 31,</u> | |
|------------------------------------|-------------------|
| 2007 | \$ 120,885 |
| 2008 | 51,210 |
| 2009 | 54,080 |
| 2010 | 50,350 |
| 2011 | 44,400 |
| Total | <u>\$ 320,925</u> |

Details for properties under lease agreements are as follows:

| <u>City Mall Fund properties</u> | <u>Historical Carrying Cost</u> | <u>Accumulated Depreciation</u> | <u>Annual Depreciation</u> |
|----------------------------------|-------------------------------------|-------------------------------------|--------------------------------|
| Riverwalk Center | \$ 4,219,599 | \$ 986,655 | \$ 122,778 |
| Infill Building | 1,460,000 | 184,100 | 39,000 |
| DeMers Professional | 447,600 | 51,764 | 11,190 |
| | <u>\$ 6,127,199</u> | <u>\$ 1,222,519</u> | <u>\$ 172,968</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, 2006, the city had the following remaining commitments for uncompleted construction contracts:

| <u>Fund/Project</u> | |
|---------------------------|------------|
| 2005 Assessment Projects | |
| Water's Edge | \$ 141,495 |
| Point of Woods 5th | 19,622 |
| 2006 Assessment Projects | |
| Pinestone | 29,400 |
| Levee Projects | |
| Bygland road construction | 159,358 |
| Road Raise | 31,372 |

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 the following amounts for electricity sold to the customers in the annexed service territory:

| | |
|------|-------|
| 2006 | \$251 |
|------|-------|

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:

| | |
|------|----------|
| 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, 2006, five series of Industrial Revenue Bonds were outstanding with remaining principal balances of \$5,750,000, \$3,500,000, \$1,000,000, 6,500,000, and 4,500,000.

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, 2006, there are no amounts for arbitrage rebates.

NOTE 17. NEW PRONOUNCEMENTS

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. In addition to pensions, many state and local governmental employers provide other postemployment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. OPEB includes postemployment health care, as well as other forms of postemployment benefits (for example, life insurance) when provided separately from a pension plan. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. The city is required to implement Statement 45 in its financial statement for periods beginning after December 15, 2007.

Management has not yet determined the effect these Statements will have on the entity's financial statements.



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NONMAJOR GOVERNMENTAL FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

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: 10-1-96, 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.

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.

2004/05 Assessment Projects. This fund is used to account for the construction of water, sewer, curb, gutter and paving in Water's Edge Additions, Greenway 2nd Addition, and street improvements to 8th Avenue NE.

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.

Combining Balance Sheet Nonmajor Governmental Funds by Fund Type December 31, 2006

| | Nonmajor Special Revenue Funds | Nonmajor Debt Service Funds | Nonmajor Capital Projects Funds | Nonmajor Permanent Campbell- Olson Fund | Total Nonmajor Governmental Funds |
|--------------------------------------|---|--------------------------------------|--|--|--|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 1,423,689 | \$ 820,787 | \$ 1,068,418 | \$ 79,737 | \$ 3,392,631 |
| Investments | 708,729 | 213,515 | | | 922,244 |
| Accounts receivable | 6,300 | | 3,020 | | 9,320 |
| Due from other government units | 67,661 | 8,567 | | | 76,228 |
| Special assessments receivable: | | | | | |
| Delinquent | | 26,693 | | | 26,693 |
| Deferred | | 2,914,662 | | | 2,914,662 |
| Notes Receivable | 135,000 | | | | 135,000 |
| Land held for resale | 347,368 | | | | 347,368 |
| Total Assets | <u>2,688,747</u> | <u>3,984,224</u> | <u>1,071,438</u> | <u>79,737</u> | <u>7,824,146</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 21,589 | | 223,059 | | 244,648 |
| Accrued wages payable | 14,035 | | | | 14,035 |
| Due to other government units | 48,186 | | 137,250 | | 185,436 |
| Interfund payable | | | 600,000 | | 600,000 |
| Deferred revenue | 135,000 | 2,941,355 | | | 3,076,355 |
| Total Liabilities | <u>218,810</u> | <u>2,941,355</u> | <u>960,309</u> | | <u>4,120,474</u> |
| Fund balances: | | | | | |
| Reserved for debt service | | 1,042,869 | | | 1,042,869 |
| Reserved for library | | | | 76,000 | 76,000 |
| Reserved for land held for resale | 347,368 | | | | 347,368 |
| Unreserved, undesignated | 2,122,569 | | 111,129 | 3,737 | 2,237,435 |
| Total Fund Balances | <u>2,469,937</u> | <u>1,042,869</u> | <u>111,129</u> | <u>79,737</u> | <u>3,703,672</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,688,747</u> | <u>\$ 3,984,224</u> | <u>\$ 1,071,438</u> | <u>\$ 79,737</u> | <u>\$ 7,824,146</u> |

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds by Fund Type
Year Ended December 31, 2006**

| | Nonmajor Special Revenue Funds | Nonmajor Debt Service Funds | Nonmajor Capital Projects Funds | Nonmajor Permanent Campbell- Olson Fund | Total Nonmajor Governmental Funds |
|---|---|--------------------------------------|--|--|--|
| Revenues: | | | | | |
| Intergovernmental | \$ 309,125 | | | | \$ 309,125 |
| Special assessments | | \$ 418,127 | \$ 40,250 | | 458,377 |
| Charges for services | 397,534 | | | | 397,534 |
| Interest and other revenues | 122,229 | 35,823 | 69,144 | \$ 3,737 | 230,933 |
| Total Revenues | <u>828,888</u> | <u>453,950</u> | <u>109,394</u> | <u>3,737</u> | <u>1,395,969</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Public works | 47,804 | | | | 47,804 |
| Recreation and culture | 395,451 | | | | 395,451 |
| Transit | 233,959 | | | | 233,959 |
| Community development | 260,721 | | | | 260,721 |
| Cemetery | 57,243 | | | | 57,243 |
| Capital outlay | 49,999 | | 1,906,996 | | 1,956,995 |
| Debt service: | | | | | |
| Principal retirement | | 550,000 | | | 550,000 |
| Interest and fiscal agent fees | | 158,144 | | | 158,144 |
| Total expenditures | <u>1,045,177</u> | <u>708,144</u> | <u>1,906,996</u> | | <u>3,660,317</u> |
| Excess (deficiency) of revenues over expenditures | <u>(216,289)</u> | <u>(254,194)</u> | <u>(1,797,602)</u> | <u>3,737</u> | <u>(2,264,348)</u> |
| Other financing sources (uses) | | | | | |
| Transfers in | 444,134 | | 818,600 | | 1,262,734 |
| Transfers out | (110,000) | | (20,000) | (2,434) | (132,434) |
| Discount on long-term debt issued | | | (9,800) | | (9,800) |
| Long-term debt issued | | | 1,232,800 | | 1,232,800 |
| Total other financing sources (uses) | <u>334,134</u> | | <u>2,021,600</u> | <u>(2,434)</u> | <u>2,353,300</u> |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | <u>117,845</u> | <u>(254,194)</u> | <u>223,998</u> | <u>1,303</u> | <u>88,952</u> |
| Fund balance at beginning of year | <u>2,352,092</u> | <u>1,297,063</u> | <u>(112,869)</u> | <u>78,434</u> | <u>3,614,720</u> |
| Fund balance at end of year | <u>\$ 2,469,937</u> | <u>\$ 1,042,869</u> | <u>\$ 111,129</u> | <u>\$ 79,737</u> | <u>\$ 3,703,672</u> |

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2006**

| | Community Growth | State Aid Street | Transit | New Home Incentive | Library |
|--|---------------------|------------------------|-------------------|-----------------------|------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 190,993 | \$ 230,980 | \$ 61,342 | \$ 634,386 | \$ 74,485 |
| Investments | | 189,171 | | 519,558 | |
| Accounts receivable | | | | | |
| Notes Receivable | | | | 135,000 | |
| Due from other government units | 2,205 | | 65,456 | | |
| Land held for resale | | | | 347,368 | |
| Total Assets | <u>193,198</u> | <u>420,151</u> | <u>126,798</u> | <u>1,636,312</u> | <u>74,485</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 2,080 | | 1,477 | 4,265 | 8,484 |
| Accrued wages payable | | | | | 10,002 |
| Due to other government units | | | 48,186 | | |
| Deferred Revenue | | | | 135,000 | |
| Total liabilities | <u>2,080</u> | | <u>49,663</u> | <u>139,265</u> | <u>18,486</u> |
| Fund balances: | | | | | |
| Reserved for land held for resale | | | | 347,368 | |
| Unreserved, undesignated | 191,118 | 420,151 | 77,135 | 1,149,679 | 55,999 |
| Total fund balances | <u>191,118</u> | <u>420,151</u> | <u>77,135</u> | <u>1,497,047</u> | <u>55,999</u> |
| Total liabilities and fund balances | <u>\$ 193,198</u> | <u>\$ 420,151</u> | <u>\$ 126,798</u> | <u>\$ 1,636,312</u> | <u>\$ 74,485</u> |

(continued)

Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2006 (continued)

| | Senior Center | Cemetery | Insect Control | Perpetual Care | Total |
|--------------------------------------|------------------|-----------------|-------------------|-------------------|---------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 25,661 | \$ 2,794 | \$ 106,681 | \$ 96,367 | \$1,423,689 |
| Investments | | | | | 708,729 |
| Accounts receivable | | 6,300 | | | 6,300 |
| Notes Receivable | | | | | 135,000 |
| Due from other government units | | | | | 67,661 |
| Land held for resale | | | | | 347,368 |
| Total Assets | <u>25,661</u> | <u>9,094</u> | <u>106,681</u> | <u>96,367</u> | <u>2,688,747</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | 3,753 | 1,530 | | | 21,589 |
| Accrued wages payable | 3,746 | 287 | | | 14,035 |
| Due to other government units | | | | | 48,186 |
| Deferred Revenue | | | | | 135,000 |
| Total liabilities | <u>7,499</u> | <u>1,817</u> | | | <u>218,810</u> |
| Fund balances: | | | | | |
| Reserved for land held for resale | | | | | 347,368 |
| Unreserved, undesignated | 18,162 | 7,277 | 106,681 | 96,367 | 2,122,569 |
| Total fund balances | <u>18,162</u> | <u>7,277</u> | <u>106,681</u> | <u>96,367</u> | <u>2,469,937</u> |
| Total liabilities and fund balances | <u>\$ 25,661</u> | <u>\$ 9,094</u> | <u>\$ 106,681</u> | <u>\$ 96,367</u> | <u>\$ 2,688,747</u> |

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2006**

| | <u>Community Growth</u> | <u>State Aid Street</u> | <u>Transit</u> | <u>New Home Incentive</u> | <u>Library</u> |
|---|-----------------------------|-----------------------------|------------------|-------------------------------|------------------|
| Revenues: | | | | | |
| Intergovernmental | \$ 21,430 | \$ 92,001 | \$ 195,694 | \$ 291,797 | \$ 1,295 |
| Charges for services | | | 4,000 | | |
| Other revenue: | | | | | |
| Program income | 14,612 | | | | |
| Interest revenue | 8,209 | 20,611 | 3,058 | 50,941 | 1,426 |
| Other | | | | | 9,425 |
| Total revenues | <u>44,251</u> | <u>112,612</u> | <u>202,752</u> | <u>342,738</u> | <u>12,146</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Public works | | 40,062 | | | |
| Recreation and culture | | | | | 311,551 |
| Community development | 21,862 | | | 238,859 | |
| Transit | | | 233,959 | | |
| Cemetery | | | | | |
| Capital outlay | | | | | 49,999 |
| Total expenditures | <u>21,862</u> | <u>40,062</u> | <u>233,959</u> | <u>238,859</u> | <u>361,550</u> |
| Excess (deficiency) of revenues over expenditures | <u>22,389</u> | <u>72,550</u> | <u>(31,207)</u> | <u>103,879</u> | <u>(349,404)</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | | | 35,000 | | 309,934 |
| Transfers out | | (35,000) | | (75,000) | |
| Total other financing sources (uses) | | <u>(35,000)</u> | <u>35,000</u> | <u>(75,000)</u> | <u>309,934</u> |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | 22,389 | 37,550 | 3,793 | 28,879 | (39,470) |
| Fund balance at beginning of year | 168,729 | 382,601 | 73,342 | 1,468,168 | 95,469 |
| Fund balance at end of year | <u>\$ 191,118</u> | <u>\$ 420,151</u> | <u>\$ 77,135</u> | <u>\$ 1,497,047</u> | <u>\$ 55,999</u> |

(continued)

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2006** (continued)

| | Senior Center | Cemetery | Insect Control | Perpetual Care | Total |
|---|------------------|-----------------|-------------------|-------------------|---------------------|
| Revenues: | | | | | |
| Intergovernmental | | | | | \$ 309,125 |
| Charges for services | \$ 10,687 | \$ 37,890 | \$ 42,065 | \$ 9,800 | 397,534 |
| Other revenue: | | | | | |
| Program income | 5,766 | | | | 20,378 |
| Interest revenue | | 245 | 3,962 | 3,974 | 92,426 |
| Other | | | | | 9,425 |
| Total revenues | <u>16,453</u> | <u>38,135</u> | <u>46,027</u> | <u>13,774</u> | <u>828,888</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| Public works | | | 7,742 | | 47,804 |
| Recreation and culture | 83,900 | | | | 395,451 |
| Community development | | | | | 260,721 |
| Transit | | | | | 233,959 |
| Cemetery | | 57,243 | | | 57,243 |
| Capital outlay | | | | | 49,999 |
| Total expenditures | <u>83,900</u> | <u>57,243</u> | <u>7,742</u> | | <u>1,045,177</u> |
| Excess (deficiency) of revenues over expenditures | <u>(67,447)</u> | <u>(19,108)</u> | <u>38,285</u> | <u>13,774</u> | <u>(216,289)</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | 77,200 | 22,000 | | | 444,134 |
| Transfers out | | | | | (110,000) |
| Total other financing sources (uses) | <u>77,200</u> | <u>22,000</u> | | | <u>334,134</u> |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | 9,753 | 2,892 | 38,285 | 13,774 | 117,845 |
| Fund balance at beginning of year | 8,409 | 4,385 | 68,396 | 82,593 | 2,352,092 |
| Fund balance at end of year | <u>\$ 18,162</u> | <u>\$ 7,277</u> | <u>\$ 106,681</u> | <u>\$ 96,367</u> | <u>\$ 2,469,937</u> |

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2006**

| | <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 | \$ 260,704 | \$ 398,243 | \$ 104,045 | \$ 57,795 | \$ 820,787 |
| Investments | 213,515 | | | | 213,515 |
| Due from other government units: | | | | | |
| Unremitted special assessments | 4,183 | | 2,294 | 2,090 | 8,567 |
| Special assessments receivable: | | | | | |
| Delinquent | 10,733 | 1,747 | 13,492 | 721 | 26,693 |
| Deferred | 1,039,518 | 682,513 | 890,460 | 302,171 | 2,914,662 |
| Total assets | <u>1,528,653</u> | <u>\$ 1,082,503</u> | <u>\$ 1,010,291</u> | <u>\$ 362,777</u> | <u>\$ 3,984,224</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Deferred Revenue: | | | | | |
| Special Assessments | 1,050,251 | 684,260 | 903,952 | 302,892 | 2,941,355 |
| Total liabilities | <u>1,050,251</u> | <u>684,260</u> | <u>903,952</u> | <u>302,892</u> | <u>2,941,355</u> |
| Fund balances: | | | | | |
| Reserved debt service | 478,402 | 398,243 | 106,339 | 59,885 | 1,042,869 |
| Total fund balances | <u>478,402</u> | <u>398,243</u> | <u>106,339</u> | <u>59,885</u> | <u>1,042,869</u> |
| Total liabilities and fund balances | <u>\$ 1,528,653</u> | <u>\$ 1,082,503</u> | <u>\$ 1,010,291</u> | <u>\$ 362,777</u> | <u>\$ 3,984,224</u> |

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Debt Service Funds
Year Ended December 31, 2006**

| | 10-1-96 Special Assessment Bonds | 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 | | \$ 163,270 | \$ 128,126 | \$ 75,345 | \$ 51,386 | \$ 418,127 |
| Other revenue: | | | | | | |
| Interest on investments | | 17,364 | 14,400 | 2,832 | 1,227 | 35,823 |
| Total revenues | | <u>180,634</u> | <u>142,526</u> | <u>78,177</u> | <u>52,613</u> | <u>453,950</u> |
| Expenditures: | | | | | | |
| Debt service: | | | | | | |
| Principal retirement | \$ 310,000 | 110,000 | 55,000 | 40,000 | 35,000 | 550,000 |
| Interest and fiscal agent fees | 8,558 | 61,321 | 40,569 | 39,526 | 8,170 | 158,144 |
| Other debt expenditures | | | | | | |
| Total expenditures | <u>318,558</u> | <u>171,321</u> | <u>95,569</u> | <u>79,526</u> | <u>43,170</u> | <u>708,144</u> |
| Excess (deficiency) of revenues over expenditures | <u>(318,558)</u> | <u>9,313</u> | <u>46,957</u> | <u>(1,349)</u> | <u>9,443</u> | <u>(254,194)</u> |
| Other financing sources (uses): | | | | | | |
| Transfers in | | | | | | |
| Total other financing sources and (uses) | | | | | | |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | <u>(318,558)</u> | <u>9,313</u> | <u>46,957</u> | <u>(1,349)</u> | <u>9,443</u> | <u>(254,194)</u> |
| Fund balance at beginning of year | 318,558 | 469,089 | 351,286 | 107,688 | 50,442 | 1,297,063 |
| Fund balance at end of year | <u>\$ -</u> | <u>\$ 478,402</u> | <u>\$ 398,243</u> | <u>\$ 106,339</u> | <u>\$ 59,885</u> | <u>\$ 1,042,869</u> |

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2006**

| | 1997 Community Development | 1997 Downtown Development | 2005 City Projects | 2004/05 Assessment Projects | Total |
|--------------------------------------|----------------------------------|---------------------------------|--------------------------|-----------------------------------|---------------------|
| ASSETS | | | | | |
| Cash and cash equivalents | \$ 205,402 | \$ 235,050 | \$ 382,386 | \$ 245,580 | \$ 1,068,418 |
| Accounts receivable | | 3,020 | | | 3,020 |
| Total Assets | <u>205,402</u> | <u>238,070</u> | <u>382,386</u> | <u>245,580</u> | <u>1,071,438</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | | | 77,968 | 145,091 | 223,059 |
| Due to Other Government Units | | | 137,250 | | 137,250 |
| Interfund Payable | | | 600,000 | | 600,000 |
| Total liabilities | | | <u>815,218</u> | <u>145,091</u> | <u>960,309</u> |
| Fund balances: | | | | | |
| Unreserved, undesignated | 205,402 | 238,070 | (432,832) | 100,489 | 111,129 |
| Total fund balances | <u>205,402</u> | <u>238,070</u> | <u>(432,832)</u> | <u>100,489</u> | <u>111,129</u> |
| Total liabilities and fund balances | <u>\$ 205,402</u> | <u>\$ 238,070</u> | <u>\$ 382,386</u> | <u>\$ 245,580</u> | <u>\$ 1,071,438</u> |

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Capital Projects Funds
Year Ended December 31, 2006**

| | 1997 Community Development | 1997 Downtown Development | 2005 City Projects | 2004/05 Assessment Projects | Total |
|---|----------------------------------|---------------------------------|--------------------------|-----------------------------------|--------------------|
| Revenues: | | | | | |
| Special Assessments | | | | \$ 40,250 | \$ 40,250 |
| Other revenue: | | | | | |
| Program income | \$ 37,972 | | | | 37,972 |
| Interest | | \$ 11,747 | \$ 7,781 | 11,644 | 31,172 |
| Total revenues | <u>37,972</u> | <u>11,747</u> | <u>7,781</u> | <u>51,894</u> | <u>109,394</u> |
| Expenditures: | | | | | |
| Capital outlay: | | | | | |
| Professional services | | | 156,679 | 44,414 | 201,093 |
| Land and buildings | | | 951,355 | | 951,355 |
| Infrastructure construction | | | 329,137 | 396,391 | 725,528 |
| Interest | | | | | |
| Other expenditures | | 9,213 | 9,457 | 10,350 | 29,020 |
| Total expenditures | | <u>9,213</u> | <u>1,446,628</u> | <u>451,155</u> | <u>1,906,996</u> |
| Excess (deficiency) of revenues over expenditures | <u>37,972</u> | <u>2,534</u> | <u>(1,438,847)</u> | <u>(399,261)</u> | <u>(1,797,602)</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | | | 818,600 | | 818,600 |
| Transfers out | | (20,000) | | | (20,000) |
| Discount on long-term debt issued | | | | (9,800) | (9,800) |
| Long-term debt issued | | | | 1,232,800 | 1,232,800 |
| Total other financing sources (uses) | | <u>(20,000)</u> | <u>818,600</u> | <u>1,223,000</u> | <u>2,021,600</u> |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | 37,972 | (17,466) | (620,247) | 823,739 | 223,998 |
| Fund balance at beginning of year | 167,430 | 255,536 | 187,415 | (723,250) | (112,869) |
| Fund balance at end of year | <u>\$ 205,402</u> | <u>\$ 238,070</u> | <u>\$ (432,832)</u> | <u>\$ 100,489</u> | <u>\$ 111,129</u> |

**Community Growth Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual
 Year Ended December 31, 2006**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | | \$ 50,000 | \$ 21,430 | \$ (28,570) |
| Other revenues: | | | | |
| Program income | \$ 20,000 | 20,000 | 14,612 | (5,388) |
| Interest revenue | | | 8,209 | 8,209 |
| Total revenues | <u>20,000</u> | <u>70,000</u> | <u>44,251</u> | <u>(25,749)</u> |
| Expenditures: | | | | |
| Community development: | | | | |
| Contractual services | 10,000 | 10,000 | 17,125 | 7,125 |
| Other expenditures | <u>10,000</u> | <u>10,000</u> | <u>4,737</u> | <u>(5,263)</u> |
| Total expenditures | <u>20,000</u> | <u>20,000</u> | <u>21,862</u> | <u>1,862</u> |
| Excess (deficiency) of revenues over expenditures | | <u>50,000</u> | <u>22,389</u> | <u>(27,611)</u> |
| Fund balance at beginning of year | 168,729 | 168,729 | 168,729 | |
| Fund balance at end of year | <u>\$ 168,729</u> | <u>\$ 218,729</u> | <u>\$ 191,118</u> | <u>\$ (27,611)</u> |

State Aid Street Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2006

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|-------------------|-------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$ 50,000 | \$ 50,000 | \$ 92,001 | \$ 42,001 |
| Other revenues: | | | | |
| Interest revenue | 3,000 | 3,000 | 20,611 | 17,611 |
| Total revenues | <u>53,000</u> | <u>53,000</u> | <u>112,612</u> | <u>59,612</u> |
| Expenditures: | | | | |
| Public works: | | | | |
| Contractual services | 18,000 | 18,000 | 40,062 | (22,062) |
| Capital outlay | | | | |
| Total expenditures | <u>18,000</u> | <u>18,000</u> | <u>40,062</u> | <u>(22,062)</u> |
| Excess (deficiency) of revenues over expenditures | <u>35,000</u> | <u>35,000</u> | <u>72,550</u> | <u>37,550</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(35,000)</u> | <u>(35,000)</u> | <u>(35,000)</u> | |
| Total other financing sources (uses) | <u>(35,000)</u> | <u>(35,000)</u> | <u>(35,000)</u> | |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | | | 37,550 | 37,550 |
| Fund balance at beginning of year | <u>382,601</u> | <u>382,601</u> | <u>382,601</u> | |
| Fund balance at end of year | <u>\$ 382,601</u> | <u>\$ 382,601</u> | <u>\$ 420,151</u> | <u>\$ 37,550</u> |

Transit Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2006

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Intergovernmental | \$ 215,000 | \$ 215,000 | \$ 195,694 | \$ (19,306) |
| Charges for services | 19,000 | 19,000 | 4,000 | (15,000) |
| Other revenues: | | | | |
| Interest revenue | | | 3,058 | 3,058 |
| Total Revenues | <u>234,000</u> | <u>234,000</u> | <u>202,752</u> | <u>(31,248)</u> |
| Expenditures: | | | | |
| Transit: | | | | |
| Contractual services | 247,300 | 247,300 | 231,679 | (15,621) |
| Capital outlay | | | | |
| Other expenditures | 2,700 | 2,700 | 2,280 | (420) |
| Total expenditures | <u>250,000</u> | <u>250,000</u> | <u>233,959</u> | <u>(16,041)</u> |
| Excess (deficiency) of revenues over expenditures | <u>(16,000)</u> | <u>(16,000)</u> | <u>(31,207)</u> | <u>(15,207)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 35,000 | 35,000 | 35,000 | |
| Total other financing sources (uses) | <u>35,000</u> | <u>35,000</u> | <u>35,000</u> | |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | 19,000 | 19,000 | 3,793 | (15,207) |
| Fund balance at beginning of year | 73,342 | 73,342 | 73,342 | |
| Fund balance at end of year | <u>\$ 92,342</u> | <u>\$ 92,342</u> | <u>\$ 77,135</u> | <u>\$ (15,207)</u> |

**New Home Incentive Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2006**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|---------------------|---------------------|---------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Charges for services | \$ 300,000 | \$ 300,000 | \$ 291,797 | \$ (8,203) |
| Other revenues: | | | | |
| Interest revenue | 8,000 | 8,000 | 50,941 | 42,941 |
| Total revenues | <u>308,000</u> | <u>308,000</u> | <u>342,738</u> | <u>34,738</u> |
| Expenditures: | | | | |
| Community development: | | | | |
| Contractual services | 46,500 | 46,500 | 55,875 | 9,375 |
| Other expenditures | 260,000 | 260,000 | 182,984 | (77,016) |
| Total expenditures | <u>306,500</u> | <u>306,500</u> | <u>238,859</u> | <u>(67,641)</u> |
| Excess (deficiency) of revenues over expenditures | <u>1,500</u> | <u>1,500</u> | <u>103,879</u> | <u>102,379</u> |
| Other financing sources (uses): | | | | |
| Transfers in | | | | |
| Transfers out | | | (75,000) | (75,000) |
| Total other financing sources (uses) | | | <u>(75,000)</u> | <u>(75,000)</u> |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | 1,500 | 1,500 | 28,879 | 27,379 |
| Fund balance at beginning of year | 1,468,168 | 1,468,168 | 1,468,168 | |
| Fund balance at end of year | <u>\$ 1,469,668</u> | <u>\$ 1,469,668</u> | <u>\$ 1,497,047</u> | <u>\$ 27,379</u> |

Library Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2006

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|------------------|------------------|-------------------------------|
| | Orginal | Final | | |
| Revenues: | | | | |
| Charges for services | \$ 1,800 | \$ 1,800 | \$ 1,295 | \$ (505) |
| Other revenues: | | | | |
| Interest revenue | 500 | 500 | 1,426 | 926 |
| Other | 9,200 | 9,200 | 9,425 | 225 |
| Total revenues | <u>11,500</u> | <u>11,500</u> | <u>12,146</u> | <u>646</u> |
| Expenditures: | | | | |
| Culture and recreation: | | | | |
| Personal services | 214,400 | 214,400 | 208,833 | (5,567) |
| Supplies | 49,200 | 49,200 | 44,558 | (4,642) |
| Contractual services | 52,000 | 52,000 | 54,485 | 2,485 |
| Capital outlay | | | 49,999 | 49,999 |
| Other expenditures | 3,400 | 3,400 | 3,675 | 275 |
| Total expenditures | <u>319,000</u> | <u>319,000</u> | <u>361,550</u> | <u>42,550</u> |
| Excess (deficiency) of revenues over expenditures | <u>(307,500)</u> | <u>(307,500)</u> | <u>(349,404)</u> | <u>(41,904)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 307,500 | 307,500 | 309,934 | 2,434 |
| Total other financing sources (uses) | <u>307,500</u> | <u>307,500</u> | <u>309,934</u> | <u>2,434</u> |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | | | (39,470) | (39,470) |
| Fund balance at beginning of year | 95,469 | 95,469 | 95,469 | |
| Fund balance at end of year | <u>\$ 95,469</u> | <u>\$ 95,469</u> | <u>\$ 55,999</u> | <u>\$ (39,470)</u> |

**Senior Center Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2006**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|-----------------|------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Charges for services | \$ 14,000 | \$ 14,000 | \$ 10,687 | \$ (3,313) |
| Other revenues: | | | | |
| Other | 1,500 | 1,500 | 5,766 | 4,266 |
| Total revenues | <u>15,500</u> | <u>15,500</u> | <u>16,453</u> | <u>953</u> |
| Expenditures: | | | | |
| Culture and recreation: | | | | |
| Personal services | 54,700 | 54,700 | 53,986 | (714) |
| Supplies | 7,500 | 7,500 | 7,131 | (369) |
| Contractual services | 20,600 | 20,600 | 18,844 | (1,756) |
| Capital outlay | 8,000 | 8,000 | | (8,000) |
| Other expenditures | 1,900 | 1,900 | 3,939 | 2,039 |
| Total expenditures | <u>92,700</u> | <u>92,700</u> | <u>83,900</u> | <u>(8,800)</u> |
| Excess (deficiency) of revenues over expenditures | <u>(77,200)</u> | <u>(77,200)</u> | <u>(67,447)</u> | <u>9,753</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 77,200 | 77,200 | 77,200 | |
| Total other financing sources (uses) | <u>77,200</u> | <u>77,200</u> | <u>77,200</u> | |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | | | 9,753 | 9,753 |
| Fund balance at beginning of year | 8,409 | 8,409 | 8,409 | |
| Fund balance at end of year | <u>\$ 8,409</u> | <u>\$ 8,409</u> | <u>\$ 18,162</u> | <u>\$ 9,753</u> |

Cemetery Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2006

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|--|------------------|-----------------|-----------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Charges for services | \$ 45,500 | \$ 45,500 | \$ 37,890 | \$ (7,610) |
| Other revenues: | | | | |
| Interest revenue | | | 245 | 245 |
| Total revenues | <u>45,500</u> | <u>45,500</u> | <u>38,135</u> | <u>(7,365)</u> |
| Expenditures: | | | | |
| Other: | | | | |
| Personal services | 18,350 | 18,350 | 13,139 | (5,211) |
| Supplies | 5,250 | 5,250 | 255 | (4,995) |
| Contractual services | 16,200 | 16,200 | 42,915 | 26,715 |
| Capital outlay | | | | |
| Other expenditures | 1,200 | 1,200 | 934 | (266) |
| Total expenditures | <u>41,000</u> | <u>41,000</u> | <u>57,243</u> | <u>16,243</u> |
| Excess (deficiency) of revenues over expenditures | <u>4,500</u> | <u>4,500</u> | <u>(19,108)</u> | <u>(23,608)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | | | 22,000 | 22,000 |
| Total other financing sources (uses) | | | <u>22,000</u> | <u>22,000</u> |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | 4,500 | 4,500 | 2,892 | (1,608) |
| Fund balance at beginning of year | 4,385 | 4,385 | 4,385 | |
| Fund balance at end of year | <u>\$ 8,885</u> | <u>\$ 8,885</u> | <u>\$ 7,277</u> | <u>\$ (1,608)</u> |

Insect Control Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2006

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|------------------|-------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Charges for services | \$ 40,000 | \$ 40,000 | \$ 42,065 | \$ 2,065 |
| Other revenue: | | | | |
| Interest revenue | | | 3,962 | 3,962 |
| Total revenues | <u>40,000</u> | <u>40,000</u> | <u>46,027</u> | <u>6,027</u> |
| Expenditures: | | | | |
| Public Works: | | | | |
| Personal services | 9,200 | 9,200 | 1,160 | (8,040) |
| Supplies | 15,000 | 15,000 | 6,423 | (8,577) |
| Contractual services | 3,000 | 3,000 | | (3,000) |
| Capital outlay | 10,000 | 10,000 | | (10,000) |
| Other expenditures | <u>1,000</u> | <u>1,000</u> | <u>159</u> | <u>(841)</u> |
| Total expenditures | <u>38,200</u> | <u>38,200</u> | <u>7,742</u> | <u>(30,458)</u> |
| Excess (deficiency) of revenues over expenditures | 1,800 | 1,800 | 38,285 | 36,485 |
| Fund balance at beginning of year | 68,396 | 68,396 | 68,396 | |
| Fund balance at end of year | <u>\$ 70,196</u> | <u>\$ 70,196</u> | <u>\$ 106,681</u> | <u>\$ 36,485</u> |

**Perpetual Care Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2006**

| | Budgeted Amounts | | Actual | Variance with Final Budget |
|---|------------------|------------------|------------------|-------------------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Charges for services | \$ 10,000 | \$ 10,000 | \$ 9,800 | \$ (200) |
| Other revenue: | | | | |
| Interest revenue | 1,500 | 1,500 | 3,974 | 2,474 |
| Total revenues | <u>11,500</u> | <u>11,500</u> | <u>13,774</u> | <u>2,274</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in | | | | |
| Total other financing sources (uses) | | | | |
| Excess (deficiency) of revenues over expenditures and other sources (uses) | 11,500 | 11,500 | 13,774 | 2,274 |
| Fund balance at beginning of year | 82,593 | 82,593 | 82,593 | |
| Fund balance at end of year | <u>\$ 94,093</u> | <u>\$ 94,093</u> | <u>\$ 96,367</u> | <u>\$ 2,274</u> |



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INTERNAL SERVICE FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

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.

**Combining Statement of Net Assets
Internal Service Funds
December 31, 2006**

| | <u>Benefit Accrual</u> | <u>Central Equipment</u> | <u>Total</u> |
|--|----------------------------|------------------------------|-------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and Cash Equivalents | \$ 684,234 | \$ 102,691 | \$ 786,925 |
| Investments | 560,383 | | 560,383 |
| Total current assets | <u>1,244,617</u> | <u>102,691</u> | <u>1,347,308</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Machinery and equipment | | 1,272,751 | 1,272,751 |
| Less accumulated depreciation | | (449,241) | (449,241) |
| Capital assets (net) | | <u>823,510</u> | <u>823,510</u> |
| TOTAL ASSETS | <u>1,244,617</u> | <u>926,201</u> | <u>2,170,818</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Compensated absences payable | 40,000 | | 40,000 |
| Notes payable - current | | 64,224 | 64,224 |
| Total current liabilities | <u>40,000</u> | <u>64,224</u> | <u>104,224</u> |
| Noncurrent liabilities: | | | |
| Compensated absences payable - net current portion | 1,186,697 | | 1,186,697 |
| Total noncurrent liabilities | <u>1,186,697</u> | | <u>1,186,697</u> |
| TOTAL LIABILITIES | <u>1,226,697</u> | <u>64,224</u> | <u>1,290,921</u> |
| NET ASSETS | | | |
| Investment in capital assets, net of related debt | | 759,286 | 759,286 |
| Unrestricted | 17,920 | 102,691 | 120,611 |
| TOTAL NET ASSETS | <u>\$ 17,920</u> | <u>\$ 861,977</u> | <u>\$ 879,897</u> |

**Combining Statement of Revenues, Expenses and Changes
in Fund Net Assets - Internal Service Funds
Year Ended December 31, 2006**

| | Benefit Accrual | Central Equipment | Total |
|--|--------------------|----------------------|-------------------|
| Operating revenues: | | | |
| Charges for services | \$ 57,100 | \$ 176,000 | \$ 233,100 |
| Total operating revenues | <u>57,100</u> | <u>176,000</u> | <u>233,100</u> |
| Operating expenses: | | | |
| Compensated absences | 111,137 | | 111,137 |
| Depreciation | | 112,495 | 112,495 |
| Total operating expenses | <u>111,137</u> | <u>112,495</u> | <u>223,632</u> |
| Operating income (loss) | <u>(54,037)</u> | <u>63,505</u> | <u>9,468</u> |
| Nonoperating revenues (expenses) | | | |
| Interest revenue | 60,407 | 3,450 | 63,857 |
| Interest expense | | (4,395) | (4,395) |
| Gain (loss) on disposal of assets | | 15,000 | 15,000 |
| Total nonoperating revenues (expenses) | <u>60,407</u> | <u>14,055</u> | <u>74,462</u> |
| Change in net assets | 6,370 | 77,560 | 83,930 |
| Net assets at beginning of year | 11,550 | 784,417 | 795,967 |
| Net assets at end of year | <u>\$ 17,920</u> | <u>\$ 861,977</u> | <u>\$ 879,897</u> |

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2006**

| | Benefit Accrual | Central Equipment | Total |
|--|--------------------|----------------------|-------------------|
| Cash flow from operating activities: | | | |
| Receipts from interfund service provided | \$ 57,100 | \$ 176,000 | \$ 233,100 |
| Payments for compensated absences | (141,695) | | (141,695) |
| Net cash provided by operating activities | <u>(84,595)</u> | <u>176,000</u> | <u>91,405</u> |
| Cash flows from capital financing activities: | | | |
| Acquisition of capital assets | | (189,890) | (189,890) |
| Principal payments on long-term debt | | (62,064) | (62,064) |
| Interest payments on long-term debt | | (4,395) | (4,395) |
| Net cash provided by capital financing activities | | <u>(256,349)</u> | <u>(256,349)</u> |
| Cash flows from investing activities | | | |
| Interest on investments | 60,407 | 3,450 | 63,857 |
| Sale of investments | 254,200 | | 254,200 |
| Purchase of investments | | | |
| Net cash provided by investing activities | <u>314,607</u> | <u>3,450</u> | <u>318,057</u> |
| Increase (decrease) in cash and cash equivalents | 230,012 | (76,899) | 153,113 |
| Cash and cash equivalents - January 1 | 454,222 | 179,590 | 633,812 |
| Cash and cash equivalents - December 31 | <u>\$ 684,234</u> | <u>\$ 102,691</u> | <u>\$ 786,925</u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | | | |
| Operating income (loss) | \$ (54,037) | \$ 63,505 | \$ 9,468 |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | | |
| Depreciation and amortization | | 112,495 | 112,495 |
| Changes in assets and liabilities: | | | |
| Increase (decrease) in compensated absences | (30,558) | | (30,558) |
| Net cash provided by operating activities | <u>\$ (84,595)</u> | <u>\$ 176,000</u> | <u>\$ 91,405</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, 2006**

| | Budgeted Amounts | | Current Year Actual | Variance with Final Budget | Prior Year Actual |
|------------------------------|------------------|------------------|------------------------|-------------------------------|----------------------|
| | Original | Final | | | |
| Taxes: | | | | | |
| Property taxes | \$ 1,863,880 | \$ 1,863,880 | \$ 1,858,143 | \$ (5,737) | \$ 1,760,249 |
| Mobile home taxes | 6,000 | 6,000 | 5,393 | (607) | 6,610 |
| Tax increment taxes | 11,000 | 11,000 | 10,792 | (208) | 40,842 |
| Payment in lieu of taxes | | | | | |
| Hotel/Motel taxes | 10,000 | 10,000 | 11,368 | 1,368 | 10,757 |
| Franchise taxes | 1,147,000 | 1,147,000 | 1,237,084 | 90,084 | 1,227,694 |
| Penalties and interest | 2,200 | 2,200 | 4,119 | 1,919 | 3,080 |
| Total taxes | <u>3,040,080</u> | <u>3,040,080</u> | <u>3,126,899</u> | <u>86,819</u> | <u>3,049,232</u> |
| Licenses and permits: | | | | | |
| Liquor and malt licenses | 49,000 | 49,000 | 42,450 | (6,550) | 47,713 |
| Tobacco licenses | 400 | 400 | 336 | (64) | 336 |
| Plumbing licenses | 2,000 | 2,000 | 2,650 | 650 | 2,000 |
| Amusement center licenses | 330 | 330 | 195 | (135) | 285 |
| Pet licenses | 570 | 570 | 3,075 | 2,505 | 699 |
| Other licenses | 4,000 | 4,000 | 602 | (3,398) | 3,284 |
| Building permits | 34,000 | 34,000 | 58,364 | 24,364 | 88,250 |
| Excavation permits | 3,500 | 3,500 | 3,150 | (350) | 5,280 |
| Plumbing permits | 3,400 | 3,400 | 4,388 | 988 | 7,831 |
| Other permits | 1,500 | 1,500 | 4,010 | 2,510 | 5,167 |
| Total Licenses & Permits | <u>98,700</u> | <u>98,700</u> | <u>119,220</u> | <u>20,520</u> | <u>160,845</u> |
| Intergovernmental: | | | | | |
| Federal grants | | | 32,973 | 32,973 | 37,627 |
| Local government aid | 2,456,818 | 2,456,818 | 2,456,818 | | 2,224,117 |
| Disparity reduction credit | 365,393 | 365,393 | 365,393 | | 342,304 |
| Market value credit | 212,727 | 212,727 | 212,727 | | 235,246 |
| PERA aid | 16,100 | 16,100 | 15,688 | (412) | 15,688 |
| Police state aid | 145,000 | 145,000 | 152,950 | 7,950 | 146,603 |
| Fire state aid | 33,000 | 33,000 | 47,424 | 14,424 | 44,843 |
| Ambulance subsidy | 22,082 | 22,082 | 21,939 | (143) | 21,939 |
| Other | 12,900 | 12,900 | 17,164 | 4,264 | 11,335 |
| Total Intergovernmental | <u>3,264,020</u> | <u>3,264,020</u> | <u>3,323,076</u> | <u>59,056</u> | <u>3,079,702</u> |
| Charges for services: | | | | | |
| General Government | 20,500 | 20,500 | 34,475 | 13,975 | 63,606 |
| Accounting Other Funds | 22,000 | 22,000 | 22,516 | 516 | 22,774 |
| Rescue Unit | 2,700 | 2,700 | 3,530 | 830 | 3,241 |

Schedule of Revenues and Other Sources
Budget to Actual - General Fund
Year Ended December 31, 2006 (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 | 28,978 | (22) | 27,364 |
| Protective inspection services | 14,000 | 14,000 | 15,435 | 1,435 | 15,060 |
| Rural fire service | 25,000 | 25,000 | 31,587 | 6,587 | 30,480 |
| Public safety - other | 3,000 | 3,000 | 5,931 | 2,931 | 1,799 |
| Streets and highways | 8,000 | 8,000 | 22,317 | 14,317 | 5,325 |
| Street lights | 113,000 | 113,000 | 129,338 | 16,338 | 115,027 |
| Storm sewers | 124,000 | 124,000 | 127,642 | 3,642 | 125,737 |
| Swimming pool | 9,000 | 9,000 | 24,104 | 15,104 | 10,853 |
| Summer recreation programs | 28,400 | 28,400 | 28,903 | 503 | 26,097 |
| Winter recreation programs | 51,000 | 51,000 | 52,614 | 1,614 | 53,084 |
| Recreation - other | 16,600 | 16,600 | 109,801 | 93,201 | 12,964 |
| City hall rent | 24,500 | 24,500 | 24,298 | (202) | 25,875 |
| VFW arena rent | 13,000 | 13,000 | 17,304 | 4,304 | 12,076 |
| Civic center rent | 87,000 | 87,000 | 85,550 | (1,450) | 87,301 |
| Total charges for services | <u>590,700</u> | <u>590,700</u> | <u>764,323</u> | <u>173,623</u> | <u>638,663</u> |
| Fines and forfeits: | | | | | |
| Court fines | 65,000 | 65,000 | 67,487 | 2,487 | 65,673 |
| Parking fines | 8,000 | 8,000 | 2,812 | (5,188) | 3,680 |
| Court fees | 21,000 | 21,000 | 8,140 | (12,860) | 9,105 |
| Impound fees | 7,000 | 7,000 | 6,299 | (701) | 7,192 |
| Sale of seized property | 6,000 | 6,000 | 12,602 | 6,602 | 16,657 |
| Total fines and forfeits | <u>107,000</u> | <u>107,000</u> | <u>97,340</u> | <u>(9,660)</u> | <u>102,307</u> |
| Miscellaneous revenues: | | | | | |
| Interest revenue | 24,800 | 24,800 | 101,424 | 76,624 | 65,038 |
| Donations | | | 100 | 100 | |
| Insurance dividends | | | 67,842 | 67,842 | 59,457 |
| Park dedication fees | | | 18,250 | 18,250 | 12,500 |
| Other | 24,700 | 24,700 | 48,760 | 24,060 | 32,527 |
| Total miscellaneous | <u>49,500</u> | <u>49,500</u> | <u>236,376</u> | <u>186,876</u> | <u>169,522</u> |
| Total revenues | <u>7,150,000</u> | <u>7,150,000</u> | <u>7,667,234</u> | <u>517,234</u> | <u>7,200,271</u> |
| Other financing sources: | | | | | |
| Proceeds from sale of assets | | | 52,924 | 52,924 | 25,088 |
| Transfers in: | | | | | |
| Enterprise fund projects | 85,000 | 85,000 | 98,438 | 13,438 | 143,451 |
| Other funds | 65,000 | 65,000 | 140,000 | 75,000 | 85,000 |
| Total other financing sources | <u>150,000</u> | <u>150,000</u> | <u>291,362</u> | <u>141,362</u> | <u>253,539</u> |
| Total revenues and other financing sources | <u>\$ 7,300,000</u> | <u>\$ 7,300,000</u> | <u>\$ 7,958,596</u> | <u>\$ 658,596</u> | <u>\$ 7,453,810</u> |

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2006

| | Budgeted Amounts | | Current Year Actual | Variance with Final Budget | Prior Year Actual |
|--------------------------------------|------------------|-----------|------------------------|-------------------------------|----------------------|
| | Original | Final | | | |
| General government: | | | | | |
| Council: | | | | | |
| Personal services | \$ 37,400 | \$ 37,400 | \$ 37,710 | \$ 310 | \$ 36,940 |
| Other expenditures | 3,500 | 3,500 | 8,289 | 4,789 | 4,028 |
| Total | 40,900 | 40,900 | 45,999 | 5,099 | 40,968 |
| Ordinances and proceedings: | | | | | |
| Contractual services | 19,000 | 19,000 | 8,544 | (10,456) | 17,559 |
| Total | 19,000 | 19,000 | 8,544 | (10,456) | 17,559 |
| Mayor: | | | | | |
| Personal services | 9,600 | 9,600 | 9,412 | (188) | 9,410 |
| Supplies | 200 | 200 | 511 | 311 | 240 |
| Contractual services | 1,500 | 1,500 | 635 | (865) | 800 |
| Other expenditures | 3,000 | 3,000 | 3,817 | 817 | 3,021 |
| Total | 14,300 | 14,300 | 14,375 | 75 | 13,471 |
| Elections: | | | | | |
| Personal services | 5,100 | 5,100 | 6,441 | 1,341 | 2,644 |
| Supplies | 1,200 | 1,200 | (50) | (1,250) | 222 |
| Other expenditures | 800 | 800 | 111 | (689) | 497 |
| Total | 7,100 | 7,100 | 6,502 | (598) | 3,363 |
| City administration/clerk-treasurer: | | | | | |
| Personal services | 238,200 | 238,200 | 201,884 | (36,316) | 220,844 |
| Supplies | 10,500 | 10,500 | 11,348 | 848 | 11,268 |
| Contractual services | 8,200 | 8,200 | 21,221 | 13,021 | 8,778 |
| Other expenditures | 6,000 | 6,000 | 11,844 | 5,844 | 7,023 |
| Capital outlay | | | | | |
| Total | 262,900 | 262,900 | 246,297 | (16,603) | 247,913 |
| Accounting and auditing: | | | | | |
| Contractual services | 24,000 | 24,000 | 30,770 | 6,770 | 26,369 |
| Total | 24,000 | 24,000 | 30,770 | 6,770 | 26,369 |
| City assessor: | | | | | |
| Contractual services | 28,000 | 28,000 | 27,944 | (56) | 26,040 |
| Total | 28,000 | 28,000 | 27,944 | (56) | 26,040 |
| City attorney: | | | | | |
| Personal services | | | | | |
| Supplies | | | 755 | 755 | 508 |
| Contractual services | 110,800 | 110,800 | 98,795 | (12,005) | 128,900 |
| Other expenditures | 11,500 | 11,500 | 1,689 | (9,811) | 12,886 |
| Total | 122,300 | 122,300 | 101,239 | (21,061) | 142,294 |
| Planning and zoning: | | | | | |
| Personal services | | | | | |
| Contractual services | 44,600 | 44,600 | 62,339 | 17,739 | 52,001 |
| Other expenditures | 1,600 | 1,600 | 1,963 | 363 | 1,071 |
| Total | 46,200 | 46,200 | 64,302 | 18,102 | 53,072 |

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2006 (continued)

| | Budgeted Amounts | | Current Year Actual | Variance with Final Budget | Prior Year Actual |
|--------------------------------|------------------|--------------|------------------------|-------------------------------|----------------------|
| | Original | Final | | | |
| General government (continued) | | | | | |
| Water and light commission: | | | | | |
| Personal services | 11,700 | 11,700 | 11,368 | (332) | 10,165 |
| Total | 11,700 | 11,700 | 11,368 | (332) | 10,165 |
| Civil service commission: | | | | | |
| Personal Services | 2,800 | 2,800 | 1,938 | (862) | 1,938 |
| Other expenditures | 600 | 600 | 297 | (303) | 277 |
| Total | 3,400 | 3,400 | 2,235 | (1,165) | 2,215 |
| Data processing: | | | | | |
| Personal services | 80,600 | 80,600 | 85,437 | 4,837 | 77,986 |
| Supplies | 1,800 | 1,800 | 639 | (1,161) | |
| Contractual services | 7,000 | 7,000 | 4,063 | (2,937) | 5,023 |
| Other expenditures | 1,000 | 1,000 | 2,420 | 1,420 | 3,032 |
| Capital outlay | | | | | |
| Total | 90,400 | 90,400 | 92,559 | 2,159 | 86,041 |
| Building: | | | | | |
| Personal services | 49,400 | 49,400 | 48,762 | (638) | 45,408 |
| Supplies | 14,500 | 14,500 | 7,797 | (6,703) | 11,349 |
| Contractual services | 113,100 | 113,100 | 113,609 | 509 | 113,783 |
| Other expenditures | 1,100 | 1,100 | 230 | (870) | 756 |
| Capital outlay | 5,000 | 5,000 | | (5,000) | |
| Total | 183,100 | 183,100 | 170,398 | (12,702) | 171,296 |
| Summary: | | | | | |
| Current | 848,300 | 848,300 | 822,532 | (25,768) | 840,766 |
| Capital outlay | 5,000 | 5,000 | | (5,000) | |
| Total general government | \$ 853,300 | \$ 853,300 | \$ 822,532 | \$ (30,768) | \$ 840,766 |
| Public safety: | | | | | |
| Police: | | | | | |
| Personal services | \$ 1,590,300 | \$ 1,590,300 | \$ 1,562,420 | \$ (27,880) | \$ 1,509,114 |
| Supplies | 62,900 | 62,900 | 64,931 | 2,031 | 50,911 |
| Contractual services | 125,100 | 125,100 | 142,895 | 17,795 | 144,791 |
| Other expenditures | 13,500 | 13,500 | 15,083 | 1,583 | 9,082 |
| Capital outlay | 60,000 | 60,000 | 42,894 | (17,106) | 7,350 |
| Total | 1,851,800 | 1,851,800 | 1,828,223 | (23,577) | 1,721,248 |

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2006 (continued)

| | Budgeted Amounts | | Current Year Actual | Variance with Final Budget | Prior Year Actual |
|---------------------------|---------------------|---------------------|------------------------|-------------------------------|----------------------|
| | Original | Final | | | |
| Public safety (continued) | | | | | |
| Fire: | | | | | |
| Personal services | 845,800 | 845,800 | \$ 816,827 | (28,973) | \$ 835,259 |
| Supplies | 22,100 | 22,100 | 19,921 | (2,179) | 22,877 |
| Contractual services | 84,300 | 84,300 | 81,698 | (2,602) | 76,764 |
| Other expenditures | 5,700 | 5,700 | 7,559 | 1,859 | 5,606 |
| Capital outlay | 10,000 | 10,000 | | (10,000) | 32,278 |
| Total | <u>967,900</u> | <u>967,900</u> | <u>926,005</u> | <u>(41,895)</u> | <u>972,784</u> |
| Building inspection: | | | | | |
| Personal services | 204,300 | 204,300 | 203,931 | (369) | 199,343 |
| Supplies | 3,700 | 3,700 | 4,639 | 939 | 3,167 |
| Contractual services | 4,700 | 4,700 | 5,121 | 421 | 4,379 |
| Other expenditures | 2,800 | 2,800 | 674 | (2,126) | 2,165 |
| Capital outlay | | | | | |
| Total | <u>215,500</u> | <u>215,500</u> | <u>214,365</u> | <u>(1,135)</u> | <u>209,054</u> |
| Civil defense: | | | | | |
| Supplies | 500 | 500 | 389 | (111) | 791 |
| Contractual services | 5,100 | 5,100 | 4,196 | (904) | 4,814 |
| Other expenditures | 2,000 | 2,000 | 9,218 | 7,218 | 505 |
| Equipment | | | | | |
| Total | <u>7,600</u> | <u>7,600</u> | <u>13,803</u> | <u>6,203</u> | <u>6,110</u> |
| Traffic engineering: | | | | | |
| Personal services | 5,000 | 5,000 | 17,035 | 12,035 | 12,696 |
| Supplies | 11,000 | 11,000 | 4,532 | (6,468) | 11,082 |
| Contractual services | 17,200 | 17,200 | 12,284 | (4,916) | 13,266 |
| Other expenditures | 1,000 | 1,000 | 399 | (601) | 238 |
| Total | <u>34,200</u> | <u>34,200</u> | <u>34,250</u> | <u>50</u> | <u>37,282</u> |
| Animal control: | | | | | |
| Contractual services | 5,600 | 5,600 | 4,574 | (1,026) | 3,906 |
| Total | <u>5,600</u> | <u>5,600</u> | <u>4,574</u> | <u>(1,026)</u> | <u>3,906</u> |
| Summary: | | | | | |
| Current | 3,012,600 | 3,012,600 | 2,978,326 | (34,274) | 2,910,756 |
| Capital outlay | 70,000 | 70,000 | 42,894 | (27,106) | 39,628 |
| Total public safety | <u>\$ 3,082,600</u> | <u>\$ 3,082,600</u> | <u>\$ 3,021,220</u> | <u>\$ (61,380)</u> | <u>\$ 2,950,384</u> |
| Public works: | | | | | |
| Administration: | | | | | |
| Personal services | \$ 28,200 | \$ 28,200 | \$ 48,074 | \$ 19,874 | \$ 30,515 |
| Supplies | 1,600 | 1,600 | 449 | (1,151) | 362 |
| Contractual services | 1,600 | 1,600 | 2,034 | 434 | 1,591 |
| Other expenditures | 1,400 | 1,400 | 1,408 | 8 | 677 |
| Total | <u>32,800</u> | <u>32,800</u> | <u>51,965</u> | <u>19,165</u> | <u>33,145</u> |

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2006 (continued)

| | Budgeted Amounts | | Current Year Actual | Variance with Final Budget | Prior Year Actual |
|-------------------------------|------------------|----------------|------------------------|-------------------------------|----------------------|
| | Original | Final | | | |
| Streets: | | | | | |
| Personal services | 221,200 | 221,200 | 187,282 | (33,918) | 270,384 |
| Supplies | 13,000 | 13,000 | 10,321 | (2,679) | 10,769 |
| Contractual services | 21,000 | 21,000 | 11,437 | (9,563) | 72,118 |
| Other expenditures | 2,700 | 2,700 | 2,383 | (317) | 5,980 |
| Capital outlay | 45,000 | 45,000 | 14,480 | (30,520) | |
| Total | <u>302,900</u> | <u>302,900</u> | <u>225,903</u> | <u>(76,997)</u> | <u>359,251</u> |
| Downtown parking lots: | | | | | |
| Personal services | 7,500 | 7,500 | 7,426 | (74) | 3,944 |
| Supplies | 1,400 | 1,400 | | (1,400) | |
| Contractual services | 4,500 | 4,500 | 1,255 | (3,245) | 995 |
| Other expenditures | 3,500 | 3,500 | 1,585 | (1,915) | 3,087 |
| Total | <u>16,900</u> | <u>16,900</u> | <u>10,266</u> | <u>(6,634)</u> | <u>8,026</u> |
| Ice and snow removal: | | | | | |
| Personal services | 92,600 | 92,600 | 72,928 | (19,672) | 21,757 |
| Supplies | 9,800 | 9,800 | 15,350 | 5,550 | 11,845 |
| Contractual services | 24,500 | 24,500 | 30,010 | 5,510 | 23,056 |
| Other expenditures | 2,000 | 2,000 | 195 | (1,805) | 98 |
| Total | <u>128,900</u> | <u>128,900</u> | <u>118,483</u> | <u>(10,417)</u> | <u>56,756</u> |
| Equipment: | | | | | |
| Supplies | 32,000 | 32,000 | 40,964 | 8,964 | 34,036 |
| Contractual services | 104,000 | 104,000 | 162,962 | 58,962 | 117,760 |
| Other expenditures | 2,000 | 2,000 | 1,490 | (510) | 50 |
| Capital outlay | 112,000 | 112,000 | 89,997 | (22,003) | 49,738 |
| Total | <u>250,000</u> | <u>250,000</u> | <u>295,413</u> | <u>45,413</u> | <u>201,584</u> |
| Demolition: | | | | | |
| Personal services | 2,400 | 2,400 | 166 | (2,234) | 979 |
| Contractual services | 4,000 | 4,000 | | (4,000) | |
| Other expenditures | 1,000 | 1,000 | | (1,000) | |
| Total | <u>7,400</u> | <u>7,400</u> | <u>166</u> | <u>(7,234)</u> | <u>979</u> |
| Equipment building: | | | | | |
| Supplies | 14,300 | 14,300 | 14,492 | 192 | 12,967 |
| Contractual services | 53,800 | 53,800 | 61,696 | 7,896 | 54,274 |
| Other expenditures | 1,500 | 1,500 | 772 | (728) | 560 |
| Capital outlay | 20,000 | 20,000 | | (20,000) | 50,129 |
| Total | <u>89,600</u> | <u>89,600</u> | <u>76,960</u> | <u>(12,640)</u> | <u>117,930</u> |

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2006 (continued)

| | Budgeted Amounts | | Current Year Actual | Variance with Final Budget | Prior Year Actual |
|-------------------------------------|---------------------|---------------------|------------------------|-------------------------------|----------------------|
| | Original | Final | | | |
| Public works (continued) | | | | | |
| City shop: | | | | | |
| Personal services | 122,700 | 122,700 | 129,847 | 7,147 | 118,566 |
| Charged back | (51,500) | (51,500) | (49,771) | 1,729 | (33,610) |
| Supplies | 150,000 | 150,000 | 293,781 | 143,781 | 268,287 |
| Charged back | (150,000) | (150,000) | (288,467) | (138,467) | (242,603) |
| Contractual services | | | | | |
| Other expenditures | 1,400 | 1,400 | 578 | (822) | 478 |
| Total | <u>72,600</u> | <u>72,600</u> | <u>85,968</u> | <u>13,368</u> | <u>111,118</u> |
| Storm sewers: | | | | | |
| Personal services | 15,800 | 15,800 | 25,227 | 9,427 | 23,056 |
| Supplies | 24,500 | 24,500 | 5,307 | (19,193) | 2,440 |
| Contractual services | 64,500 | 64,500 | 62,962 | (1,538) | 76,526 |
| Other expenditures | 6,200 | 6,200 | 6,565 | 365 | 3,225 |
| Capital outlay | 10,000 | 10,000 | 13,407 | 3,407 | |
| Total | <u>121,000</u> | <u>121,000</u> | <u>113,468</u> | <u>(7,532)</u> | <u>105,247</u> |
| Street lighting: | | | | | |
| Contractual services | 122,500 | 122,500 | 153,824 | 31,324 | 137,267 |
| Total | <u>122,500</u> | <u>122,500</u> | <u>153,824</u> | <u>31,324</u> | <u>137,267</u> |
| Street cleaning: | | | | | |
| Personal services | 31,800 | 31,800 | 30,378 | (1,422) | 33,358 |
| Contractual services | 28,600 | 28,600 | 28,600 | | 28,600 |
| Other expenditures | 2,000 | 2,000 | | (2,000) | 412 |
| Total | <u>62,400</u> | <u>62,400</u> | <u>58,978</u> | <u>(3,422)</u> | <u>62,370</u> |
| Weed control: | | | | | |
| Personal services | 9,400 | 9,400 | 22,239 | 12,839 | 18,623 |
| Supplies | 4,000 | 4,000 | 2,040 | (1,960) | 452 |
| Contractual services | 14,000 | 14,000 | 14,000 | | 14,000 |
| Other expenditures | 1,000 | 1,000 | | (1,000) | |
| Total | <u>28,400</u> | <u>28,400</u> | <u>38,279</u> | <u>9,879</u> | <u>33,075</u> |
| Summary: | | | | | |
| Current | 1,048,400 | 1,048,400 | 1,111,789 | 63,389 | 1,126,881 |
| Capital outlay | 187,000 | 187,000 | 117,884 | (69,116) | 99,867 |
| Total public works | <u>\$ 1,235,400</u> | <u>\$ 1,235,400</u> | <u>\$ 1,229,673</u> | <u>\$ (5,727)</u> | <u>\$ 1,226,748</u> |
| Recreation and culture: | | | | | |
| Parks and recreation administration | | | | | |
| Personal services | \$ 196,500 | \$ 196,500 | \$ 168,103 | \$ (28,397) | \$ 189,121 |
| Supplies | 5,800 | 5,800 | 2,462 | (3,338) | 5,325 |
| Contractual services | 7,200 | 7,200 | 7,043 | (157) | 7,121 |
| Other expenditures | 4,200 | 4,200 | 3,397 | (803) | 4,906 |
| Capital outlay | | | | | |
| Total | <u>213,700</u> | <u>213,700</u> | <u>181,005</u> | <u>(32,695)</u> | <u>206,473</u> |

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2006 (continued)

| | Budgeted Amounts | | Current Year Actual | Variance with Final Budget | Prior Year Actual |
|------------------------------------|------------------|---------------|------------------------|-------------------------------|----------------------|
| | Original | Final | | | |
| Recreation and culture (continued) | | | | | |
| Playgrounds: | | | | | |
| Personal services | 4,700 | 4,700 | 5,313 | 613 | 5,349 |
| Supplies | 700 | 700 | 236 | (464) | 643 |
| Other expenditures | 400 | 400 | 544 | 144 | 522 |
| Total | <u>5,800</u> | <u>5,800</u> | <u>6,093</u> | <u>293</u> | <u>6,514</u> |
| Swimming pool: | | | | | |
| Personal services | 34,800 | 34,800 | 49,924 | 15,124 | 33,163 |
| Supplies | 11,500 | 11,500 | 11,914 | 414 | 10,935 |
| Contractual services | 18,500 | 18,500 | 20,082 | 1,582 | 22,678 |
| Other expenditures | 700 | 700 | 431 | (269) | 478 |
| Capital outlay | 5,000 | 5,000 | 15,481 | 10,481 | |
| Total | <u>70,500</u> | <u>70,500</u> | <u>97,832</u> | <u>27,332</u> | <u>67,254</u> |
| Tennis: | | | | | |
| Personal services | 2,700 | 2,700 | 2,584 | (116) | 2,584 |
| Supplies | | | 111 | 111 | |
| Other expenditures | 300 | 300 | 296 | (4) | 275 |
| Total | <u>3,000</u> | <u>3,000</u> | <u>2,991</u> | <u>(9)</u> | <u>2,859</u> |
| Skating rinks: | | | | | |
| Personal services | 8,700 | 8,700 | 7,660 | (1,040) | 4,049 |
| Supplies | 2,000 | 2,000 | 150 | (1,850) | 601 |
| Other expenditures | 500 | 500 | | (500) | |
| Total | <u>11,200</u> | <u>11,200</u> | <u>7,810</u> | <u>(3,390)</u> | <u>4,650</u> |
| Hockey: | | | | | |
| Personal services | 25,200 | 25,200 | 32,666 | 7,466 | 21,681 |
| Supplies | 4,500 | 4,500 | 3,676 | (824) | 3,266 |
| Contractual services | | | | | |
| Other expenditures | 6,000 | 6,000 | 5,462 | (538) | 6,472 |
| Total | <u>35,700</u> | <u>35,700</u> | <u>41,804</u> | <u>6,104</u> | <u>31,419</u> |
| Figure skating: | | | | | |
| Personal services | 25,100 | 25,100 | 22,134 | (2,966) | 20,532 |
| Supplies | 3,200 | 3,200 | 3,863 | 663 | 4,227 |
| Other expenditures | 3,300 | 3,300 | 2,379 | (921) | 2,580 |
| Total | <u>31,600</u> | <u>31,600</u> | <u>28,376</u> | <u>(3,224)</u> | <u>27,339</u> |
| Baseball: | | | | | |
| Personal services | 28,200 | 28,200 | 36,198 | 7,998 | 25,427 |
| Supplies | 10,000 | 10,000 | 12,895 | 2,895 | 10,799 |
| Other expenditures | 6,500 | 6,500 | 9,760 | 3,260 | 5,696 |
| Total | <u>44,700</u> | <u>44,700</u> | <u>58,853</u> | <u>14,153</u> | <u>41,922</u> |

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2006 (continued)

| | Budgeted Amounts | | Current Year Actual | Variance with Final Budget | Prior Year Actual |
|------------------------------------|---------------------|---------------------|------------------------|-------------------------------|----------------------|
| | Original | Final | | | |
| Recreation and culture (continued) | | | | | |
| Softball: | | | | | |
| Personal services | 10,700 | 10,700 | 12,168 | 1,468 | 10,798 |
| Supplies | 3,000 | 3,000 | 2,256 | (744) | 1,392 |
| Other expenditures | 2,000 | 2,000 | 1,626 | (374) | 2,010 |
| Total | <u>15,700</u> | <u>15,700</u> | <u>16,050</u> | <u>350</u> | <u>14,200</u> |
| Civic center: | | | | | |
| Personal services | 84,500 | 84,500 | 88,922 | 4,422 | 74,972 |
| Supplies | 16,900 | 16,900 | 13,428 | (3,472) | 14,661 |
| Contractual services | 92,600 | 92,600 | 136,777 | 44,177 | 107,089 |
| Other expenditures | 1,100 | 1,100 | 346 | (754) | 605 |
| Capital outlay | 35,000 | 35,000 | 21,996 | (13,004) | |
| Total | <u>230,100</u> | <u>230,100</u> | <u>261,469</u> | <u>31,369</u> | <u>197,327</u> |
| VFW arena: | | | | | |
| Personal services | 76,700 | 76,700 | 79,680 | 2,980 | 71,401 |
| Supplies | 13,000 | 13,000 | 9,549 | (3,451) | 10,807 |
| Contractual services | 80,700 | 80,700 | 73,794 | (6,906) | 68,953 |
| Other expenditures | 1,300 | 1,300 | 2,269 | 969 | 699 |
| Capital outlay | 10,000 | 10,000 | 25,882 | 15,882 | 5,030 |
| Total | <u>181,700</u> | <u>181,700</u> | <u>191,174</u> | <u>9,474</u> | <u>156,890</u> |
| Park areas: | | | | | |
| Personal services | 147,000 | 147,000 | 158,005 | 11,005 | 144,755 |
| Supplies | 25,500 | 25,500 | 33,886 | 8,386 | 20,011 |
| Contractual services | 64,500 | 64,500 | 75,384 | 10,884 | 63,641 |
| Other expenditures | 2,500 | 2,500 | 685 | (1,815) | 852 |
| Capital outlay | 10,000 | 10,000 | | (10,000) | 29,668 |
| Total | <u>249,500</u> | <u>249,500</u> | <u>267,960</u> | <u>18,460</u> | <u>258,927</u> |
| Campground-Recreation Area | | | | | |
| Personal services | | | 46,268 | 46,268 | |
| Supplies | | | 9,108 | 9,108 | |
| Other expenditures | | | 18,009 | 18,009 | |
| Capital outlay | | | 15,852 | 15,852 | |
| Total | | | <u>89,237</u> | <u>89,237</u> | |
| Summary: | | | | | |
| Current | 1,033,200 | 1,033,200 | 1,171,443 | 138,243 | 981,076 |
| Capital outlay | 60,000 | 60,000 | 79,211 | 19,211 | 34,698 |
| Total Recreation and culture | <u>\$ 1,093,200</u> | <u>\$ 1,093,200</u> | <u>\$ 1,250,654</u> | <u>\$ 157,454</u> | <u>\$ 1,015,774</u> |

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2006 (continued)

| | Budgeted Amounts | | Current Year Actual | Variance with Final Budget | Prior Year Actual |
|---|------------------|--------------|------------------------|-------------------------------|----------------------|
| | Original | Final | | | |
| Community Development: | | | | | |
| Residential tax abatement | | | \$ 22,833 | \$ 22,833 | \$ - |
| Total | | | 22,833 | 22,833 | - |
| Summary: | | | | | |
| Current | | | 22,833 | 22,833 | |
| Capital outlay | | | | | |
| Total Community Development | \$ - | \$ - | \$ 22,833 | \$ 22,833 | \$ - |
| Other expenditures: | | | | | |
| Workers compensation | \$ 3,200 | \$ 3,200 | \$ 4,826 | \$ 1,626 | \$ 4,404 |
| General liability and other insurance | 160,000 | 160,000 | 116,238 | (43,762) | 124,851 |
| Donations | 1,000 | 1,000 | | (1,000) | |
| Promotional(Lodging) | 9,500 | 9,500 | 10,800 | 1,300 | 10,255 |
| Memberships and dues | 17,000 | 17,000 | 25,438 | 8,438 | 23,018 |
| Miscellaneous | 35,000 | 35,000 | 26,219 | (8,781) | 29,471 |
| Contributed services | | | 32,278 | 32,278 | 11,322 |
| Contributed capital outlay | | | 40,278 | 40,278 | 82,129 |
| Capital outlay | 8,000 | 8,000 | 3,294 | (4,706) | 1,483 |
| Total | 233,700 | 233,700 | 259,371 | 25,671 | 286,933 |
| Summary: | | | | | |
| Current | 225,700 | 225,700 | 215,799 | (9,901) | 203,321 |
| Capital outlay | 8,000 | 8,000 | 43,572 | 35,572 | 83,612 |
| Total other expenditures | \$ 233,700 | \$ 233,700 | \$ 259,371 | \$ 25,671 | \$ 286,933 |
| Debt service: | | | | | |
| Principal retirement | \$ 40,000 | \$ 40,000 | \$ 525,000 | \$ 485,000 | \$ 35,000 |
| Interest and fiscal charges | 35,500 | 35,500 | 35,438 | (62) | 37,800 |
| Total debt service | 75,500 | 75,500 | 560,438 | 484,938 | 72,800 |
| Total expenditures | \$ 6,573,700 | \$ 6,573,700 | \$ 7,166,721 | \$ 593,021 | \$ 6,393,405 |
| Other financing uses: | | | | | |
| Operating transfer out: | | | | | |
| Special revenue funds | \$ 419,700 | \$ 419,700 | \$ 441,700 | \$ 22,000 | \$ 414,300 |
| Capital project funds | 130,000 | 130,000 | 593,600 | 463,600 | 290,000 |
| Debt service funds | 113,600 | 113,600 | 50,000 | (63,600) | 115,300 |
| Enterprise funds | 60,000 | 60,000 | 80,000 | 20,000 | 100,000 |
| Total other financing uses | 723,300 | 723,300 | 1,165,300 | 442,000 | 919,600 |
| Total expenditures and other financing uses | \$ 7,297,000 | \$ 7,297,000 | \$ 8,332,021 | \$ 1,035,021 | \$ 7,313,005 |

Capital Assets Used in the Operation of Governmental Funds Schedule by Sources December 31, 2006

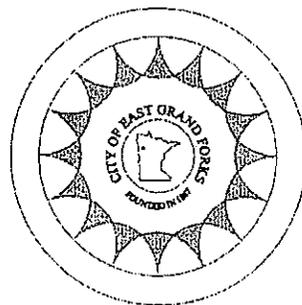
| | 2006 | 2005 |
|--|-----------------------|-----------------------|
| Governmental funds capital assets | | |
| Land and Land Improvements | \$ 58,424,661 | \$ 29,509,916 |
| Building, Systems, and Structures | 60,396,730 | 63,766,204 |
| Machinery and equipment | 5,681,053 | 5,175,846 |
| Street Network | 30,836,114 | 29,875,746 |
| Construction in progress | 4,136,176 | 3,498,662 |
| Total governmental funds capital assets | <u>159,474,734</u> | <u>131,826,374</u> |
| Investments in governmental funds capital assets by source: | | |
| General Fund | 132,690,584 | 7,477,582 |
| Special revenue funds | 810,479 | 983,738 |
| Internal service funds | 1,272,751 | 1,067,861 |
| Capital project funds | 24,700,920 | 122,297,193 |
| Total investments in governmental funds capital assets by source | <u>\$ 159,474,734</u> | <u>\$ 131,826,374</u> |

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2006

| | <u>Land and Land Improvements</u> | <u>Buildings, Systems, and Structures</u> | <u>Machinery and Equipment</u> | <u>Infrastructure</u> | <u>Construction in Progress</u> | <u>Total</u> |
|--|---|---|--|-----------------------|---|----------------------|
| General government: | | | | | | |
| Government center | \$ 453,500 | \$ 7,069,134 | | | | \$ 7,522,634 |
| Other | | | \$ 143,589 | | | 143,589 |
| Total general government | <u>453,500</u> | <u>7,069,134</u> | <u>143,589</u> | | | <u>7,666,223</u> |
| Public safety: | | | | | | |
| Police | 94,000 | 1,362,112 | 588,262 | | | 2,044,374 |
| Fire | 45,500 | 1,765,091 | 522,721 | | | 2,333,312 |
| Total public safety | <u>139,500</u> | <u>3,127,203</u> | <u>1,110,983</u> | | | <u>4,377,686</u> |
| Public works: | | | | | | |
| Infrastructure (street network) | | | | \$ 30,836,114 | | 30,836,114 |
| Storm protection network | 55,628,589 | 35,695,810 | 934,341 | | | 92,258,740 |
| Other | 1,527,610 | 1,803,222 | 1,925,538 | | \$ 4,136,176 | 9,392,546 |
| Total public works | <u>57,156,199</u> | <u>37,499,032</u> | <u>2,859,879</u> | <u>30,836,114</u> | <u>4,136,176</u> | <u>132,487,400</u> |
| Recreation and culture: | | | | | | |
| Parks | 574,057 | 9,446,942 | 857,528 | | | 10,878,527 |
| 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>12,588,048</u> | <u>1,489,418</u> | | | <u>14,689,223</u> |
| Transit | | 24,077 | 59,100 | | | 83,177 |
| Cemetery | 63,705 | 89,236 | 18,084 | | | 171,025 |
| Total governmental fund capital assets | <u>\$ 58,424,661</u> | <u>\$ 60,396,730</u> | <u>\$ 5,681,053</u> | <u>\$ 30,836,114</u> | <u>\$ 4,136,176</u> | <u>\$159,474,734</u> |

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
December 31, 2006

| | Beginning Balance | Additions | Retirements and transfers, net | Ending Balance |
|---|-----------------------|----------------------|--------------------------------------|-----------------------|
| General government | | | | |
| Government center | \$ 7,522,634 | | | \$ 7,522,634 |
| Other | 143,589 | | | 143,589 |
| Total general government | <u>7,666,223</u> | | | <u>7,666,223</u> |
| Public safety: | | | | |
| Police | 1,832,816 | \$ 42,678 | | 1,875,494 |
| Fire | 2,502,192 | | | 2,502,192 |
| Total public safety | <u>4,335,008</u> | <u>42,678</u> | | <u>4,377,686</u> |
| Public works: | | | | |
| Infrastructure (street network) | 29,875,746 | 960,368 | | 30,836,114 |
| Storm protection network | 69,326,876 | 23,037,114 | \$ (105,250) | 92,258,740 |
| Other | 8,531,820 | 932,401 | (71,675) | 9,392,546 |
| Total public works | <u>107,734,442</u> | <u>24,929,883</u> | <u>(176,925)</u> | <u>132,487,400</u> |
| Recreation or culture | | | | |
| Parks | 8,075,802 | 2,553,605 | 105,250 | 10,734,657 |
| Library | 3,539,462 | 143,870 | | 3,683,332 |
| Senior center | 221,235 | 49,999 | | 271,234 |
| Total recreation and culture | <u>11,836,499</u> | <u>2,747,474</u> | <u>105,250</u> | <u>14,689,223</u> |
| Transit | 83,177 | | | 83,177 |
| Cemetery | 171,025 | | | 171,025 |
| Total governmental funds capital assets | <u>\$ 131,826,374</u> | <u>\$ 27,720,035</u> | <u>\$ (71,675)</u> | <u>\$ 159,474,734</u> |



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Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund - Flexible Benefits
Year Ended December 31, 2006

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> |
|--------------------------------------|------------------------------|------------------|--------------------|---------------------------|
| ASSETS: | | | | |
| Restricted cash and cash equivalents | <u>\$ 8,767</u> | <u>\$ 82,755</u> | <u>\$ (82,497)</u> | <u>\$ 9,025</u> |
| LIABILITIES: | | | | |
| Due to employees | <u>\$ 8,767</u> | <u>\$ 82,755</u> | <u>\$ (82,497)</u> | <u>\$ 9,025</u> |



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**Combining Statement of Net Assets
Discretely Presented Component Unit - by Focus
December 31, 2006**

| | <u>Housing</u> | <u>Economic Development</u> | <u>Total</u> |
|--|----------------------------|---------------------------------|----------------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 975,628 | \$ 1,696,810 | \$ 2,672,438 |
| Restricted Cash in customer deposits | 435,143 | | 435,143 |
| Restricted Cash in escrow | | 35,000 | 35,000 |
| Interest receivable | | 2,796 | 2,796 |
| Due from other government units | | 686 | 686 |
| Notes receivable (current portion) | | 235,557 | 235,557 |
| Total current assets | <u>1,410,771</u> | <u>1,970,849</u> | <u>3,381,620</u> |
| Noncurrent assets: | | | |
| Capital assets: | | | |
| Land | 50,300 | | 50,300 |
| Buildings and systems | 5,503,577 | | 5,503,577 |
| Machinery and equipment | 155,165 | 9,749 | 164,914 |
| Total capital assets | <u>5,709,042</u> | <u>9,749</u> | <u>5,718,791</u> |
| Less accumulated depreciation | (761,313) | (8,657) | (769,970) |
| Total capital assets (net) | <u>4,947,729</u> | <u>1,092</u> | <u>4,948,821</u> |
| Land held for resale | | 512,153 | 512,153 |
| Notes receivable (net current portion) | | 2,032,242 | 2,032,242 |
| Allowance for uncollectible | | (277,442) | (277,442) |
| Unamortized debt issuance costs | | | |
| Total noncurrent assets | <u>4,947,729</u> | <u>2,266,953</u> | <u>2,266,953</u> |
| TOTAL ASSETS | <u><u>6,358,500</u></u> | <u><u>4,238,894</u></u> | <u><u>10,597,394</u></u> |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Accounts payable | 11,212 | 43,326 | 54,538 |
| Accrued wages payable | | 4,583 | 4,583 |
| Due to other government units | 260,905 | | 260,905 |
| Special assessments - current | 7,500 | | 7,500 |
| Notes payable - current | | 25,568 | 25,568 |
| Compensated absences payable - current | 2,700 | 4,000 | 6,700 |
| Accrued interest payable | | 2,891 | 2,891 |
| Total current liabilities | <u>282,317</u> | <u>80,368</u> | <u>362,685</u> |
| Noncurrent liabilities: | | | |
| Customer deposits | 17,573 | | 17,573 |
| Compensated absences payable (net current portion) | 24,234 | 36,647 | 60,881 |
| Special assessments (net current portion) | 69,524 | | 69,524 |
| Notes payable (net current portion) | | 501,984 | 501,984 |
| Total noncurrent liabilities | <u>111,331</u> | <u>538,631</u> | <u>649,962</u> |
| NET ASSETS | | | |
| Invested in capital assets, net of related debt | 4,870,705 | 1,092 | 4,871,797 |
| Unrestricted | 1,094,147 | 3,618,803 | 4,712,950 |
| TOTAL NET ASSETS | <u><u>\$ 5,964,852</u></u> | <u><u>\$ 3,619,895</u></u> | <u><u>\$ 9,584,747</u></u> |

**Statement of Revenues, Expenses and Changes in Fund
Net Assets - Discretely Presented Component Units by Focus
Year Ended December 31, 2006**

| | <u>Housing</u> | <u>Economic Development</u> | <u>Total</u> |
|---|---------------------|---------------------------------|---------------------|
| Operating revenues: | | | |
| Charges for services | \$ 246,524 | \$ 126,929 | \$ 373,453 |
| Intergovernmental | 1,429,849 | | 1,429,849 |
| Other | 15,888 | 26,792 | 42,680 |
| Total operating revenues | <u>1,692,261</u> | <u>153,721</u> | <u>1,845,982</u> |
| Operating expenses: | | | |
| Community development: | | | |
| Administration | 457,645 | 106,274 | 563,919 |
| Depreciation | 156,069 | 1,082 | 157,151 |
| Other: | | | |
| Business development | | 339,429 | 339,429 |
| Housing programs | 1,304,399 | | 1,304,399 |
| Total operating expenses | <u>1,918,113</u> | <u>446,785</u> | <u>2,364,898</u> |
| Operating income (loss) | <u>(225,852)</u> | <u>(293,064)</u> | <u>(518,916)</u> |
| Nonoperating revenues (expenses): | | | |
| Interest revenue | 54,149 | 53,463 | 107,612 |
| Tax increment revenue | | 73,721 | 73,721 |
| Intergovernmental | 197,895 | 72,796 | 270,691 |
| Interest expense | (5,490) | (43,093) | (48,583) |
| Total nonoperating revenues (expenses) | <u>246,554</u> | <u>156,887</u> | <u>403,441</u> |
| Income (loss) before transfers in (out) | 20,702 | (136,177) | (115,475) |
| Transfers in | | 60,000 | 60,000 |
| Transfers out | (60,000) | | (60,000) |
| Change in net assets | (39,298) | (76,177) | (115,475) |
| Net assets at beginning of year | 6,004,150 | 3,696,072 | 9,700,222 |
| Net assets at end of year | <u>\$ 5,964,852</u> | <u>\$ 3,619,895</u> | <u>\$ 9,584,747</u> |

**Combining Schedule of Net Assets
Discretely Presented Component Unit - Economic Development Focus
December 31, 2006**

| | General | TIF #1-1 Triangle | TIF #1-2 E. DeMers | IRP Loan | DRLF Loan | Total |
|--|------------------|----------------------|-----------------------|-------------------|---------------------|---------------------|
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 6,011 | \$ 531,942 | \$ 8,491 | \$ 580,058 | \$ 570,308 | \$ 1,696,810 |
| Restricted cash and cash equivalents | | | | | 35,000 | 35,000 |
| Interactivity receivable | | | | | | |
| Interest receivable | | 2,796 | | | | 2,796 |
| Due from other government units | | | 686 | | | 686 |
| Notes receivable (current portion) | 12,000 | 113,557 | | 50,000 | 60,000 | 235,557 |
| Total current assets | <u>18,011</u> | <u>648,295</u> | <u>9,177</u> | <u>630,058</u> | <u>665,308</u> | <u>1,970,849</u> |
| Noncurrent assets: | | | | | | |
| Capital assets: | | | | | | |
| Machinery and equipment | 9,749 | | | | | 9,749 |
| Total capital assets | 9,749 | | | | | 9,749 |
| Less accumulated depreciation | (8,657) | | | | | (8,657) |
| Total capital assets (net) | <u>1,092</u> | | | | | <u>1,092</u> |
| Unamortized debt issuance costs | | | | | | |
| Land held for resale | 28,828 | 80,352 | 402,973 | | | 512,153 |
| Notes receivable (net current portion) | 75,883 | 99,845 | | 291,936 | 1,564,578 | 2,032,242 |
| Allowance for uncollectible | (12,000) | | | | (265,442) | (277,442) |
| Due from primary government unit | | | | | | |
| Total noncurrent assets | <u>93,803</u> | <u>180,197</u> | <u>402,973</u> | <u>291,936</u> | <u>1,299,136</u> | <u>2,268,045</u> |
| TOTAL ASSETS | <u>111,814</u> | <u>828,492</u> | <u>412,150</u> | <u>921,994</u> | <u>1,964,444</u> | <u>4,238,894</u> |
| LIABILITIES | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | 8,954 | 34,372 | | | | 43,326 |
| Accrued wages payable | 4,583 | | | | | 4,583 |
| Interactivity payable | | | | | | |
| Notes payable - current | | | | 25,568 | | 25,568 |
| Compensated absences payable - current | 4,000 | | | | | 4,000 |
| Accrued interest payable | | | | 2,891 | | 2,891 |
| Total current liabilities | <u>17,537</u> | <u>34,372</u> | | <u>28,459</u> | | <u>80,368</u> |
| Noncurrent liabilities: | | | | | | |
| Compensated absences payable (net current) | 36,647 | | | | | 36,647 |
| Notes payable (net current portion) | | | | 501,984 | | 501,984 |
| Total noncurrent liabilities | <u>36,647</u> | | | <u>501,984</u> | | <u>538,631</u> |
| Total liabilities | <u>54,184</u> | <u>34,372</u> | | <u>530,443</u> | | <u>618,999</u> |
| NET ASSETS | | | | | | |
| Invested in capital assets | 1,092 | | | | | 1,092 |
| Unrestricted | 56,538 | 794,120 | 412,150 | 391,551 | 1,964,444 | 3,618,803 |
| TOTAL NET ASSETS | <u>\$ 57,630</u> | <u>\$ 794,120</u> | <u>\$ 412,150</u> | <u>\$ 391,551</u> | <u>\$ 1,964,444</u> | <u>\$ 3,619,895</u> |

**Schedule of Revenues, Expenses and Changes in Fund Net Assets -
Discretely Presented Component Unit - Economic Development Focus
Year Ended December 31, 2006**

| | <u>General</u> | <u>TIF #1-1 Triangle</u> | <u>TIF #1-2 Triangle</u> | <u>TIF #5 Season</u> | <u>IRP Loan</u> | <u>DRLF Loan</u> | <u>Total</u> |
|--|------------------|------------------------------|------------------------------|--------------------------|---------------------|----------------------|---------------------|
| Operating revenues: | | | | | | | |
| Charges for services: | | | | | | | |
| Interest on loans | \$ 30,670 | \$ 18,249 | | | \$ 18,376 | \$ 59,634 | \$ 126,929 |
| Other revenues: | | | | | | | |
| Business development | 26,792 | | | | | | 26,792 |
| Other | | | | | | | |
| Total operating revenues | <u>57,462</u> | <u>18,249</u> | <u></u> | <u></u> | <u>18,376</u> | <u>59,634</u> | <u>153,721</u> |
| Operating expenses: | | | | | | | |
| Administration | 95,529 | | | \$ 10,541 | 204 | | 106,274 |
| Business development | 54,781 | 191,598 | \$ 10,771 | | | 82,279 | 339,429 |
| Depreciation | 1,082 | | | | | | 1,082 |
| Total operating expenses | <u>151,392</u> | <u>191,598</u> | <u>10,771</u> | <u>10,541</u> | <u>204</u> | <u>82,279</u> | <u>446,785</u> |
| Operating income (loss) | <u>(93,930)</u> | <u>(173,349)</u> | <u>(10,771)</u> | <u>(10,541)</u> | <u>18,172</u> | <u>(22,645)</u> | <u>(293,064)</u> |
| Nonoperating revenues (expenses): | | | | | | | |
| Interest revenue | | 14,012 | | | 21,330 | 18,121 | 53,463 |
| Tax increment revenue | | 59,785 | 12,277 | 1,659 | | | 73,721 |
| Intergovernmental | | 57,932 | 12,529 | 2,335 | | | 72,796 |
| Interest expense | <u>(39,471)</u> | | | | <u>(3,622)</u> | | <u>(43,093)</u> |
| Total nonoperating revenues (expenses) | <u>(39,471)</u> | <u>131,729</u> | <u>24,806</u> | <u>3,994</u> | <u>17,708</u> | <u>18,121</u> | <u>156,887</u> |
| Income (loss) before transfers | <u>(133,401)</u> | <u>(41,620)</u> | <u>14,035</u> | <u>(6,547)</u> | <u>35,880</u> | <u>(4,524)</u> | <u>(136,177)</u> |
| Transfers in | 60,000 | | | | | | 60,000 |
| Transfers in - interactivity | | | | | | | |
| Transfers out - interactivity | | | | | | | |
| Change in net assets | <u>(73,401)</u> | <u>(41,620)</u> | <u>14,035</u> | <u>(6,547)</u> | <u>35,880</u> | <u>(4,524)</u> | <u>(76,177)</u> |
| Net assets at beginning of year | <u>131,031</u> | <u>835,740</u> | <u>398,115</u> | <u>6,547</u> | <u>355,671</u> | <u>1,968,968</u> | <u>3,696,072</u> |
| Net assets at end of year | <u>\$ 57,630</u> | <u>\$ 794,120</u> | <u>\$ 412,150</u> | <u>\$ -</u> | <u>\$ 391,551</u> | <u>\$ 1,964,444</u> | <u>\$ 3,619,895</u> |

**Combining Schedule of Net Assets
Discretely Presented Component Unit - Housing Focus
December 31, 2006**

| | Sunshine Terrace | Program C4043V | Housing Loan | Town Square | Totals |
|--|---------------------|-------------------|-------------------|-------------------|---------------------|
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 643,256 | \$ 11,926 | \$ 203,855 | \$ 116,591 | \$ 975,628 |
| Restricted cash and cash equivalents | 17,573 | 417,570 | | | 435,143 |
| Due from other government units | | | | | |
| Total Current Assets | <u>660,829</u> | <u>429,496</u> | <u>203,855</u> | <u>116,591</u> | <u>1,410,771</u> |
| Noncurrent Assets: | | | | | |
| Capital assets: | | | | | |
| Land | 50,300 | | | | 50,300 |
| Buildings and systems | 5,503,577 | | | | 5,503,577 |
| Machinery and equipment | 94,495 | 60,670 | | | 155,165 |
| Total capital assets | <u>5,648,372</u> | <u>60,670</u> | | | <u>5,709,042</u> |
| Less accumulated depreciation | <u>(702,856)</u> | <u>(58,457)</u> | | | <u>(761,313)</u> |
| Total capital assets (net) | <u>4,945,516</u> | <u>2,213</u> | | | <u>4,947,729</u> |
| Total noncurrent assets | <u>4,945,516</u> | <u>2,213</u> | | | <u>4,947,729</u> |
| TOTAL ASSETS | <u>5,606,345</u> | <u>431,709</u> | <u>203,855</u> | <u>116,591</u> | <u>6,358,500</u> |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 10,506 | 559 | | 147 | 11,212 |
| Due to other government units | 260,905 | | | | 260,905 |
| Customer deposits | 17,573 | | | | 17,573 |
| Compensated absences payable - current | | 2,700 | | | 2,700 |
| Special assessments payable - current portion | 7,500 | | | | 7,500 |
| Total Liabilities | <u>296,484</u> | <u>3,259</u> | | <u>147</u> | <u>299,890</u> |
| Noncurrent Liabilities: | | | | | |
| Compensated absences payable (net current portion) | | 24,234 | | | 24,234 |
| Special assessments payable (net current portion) | 69,524 | | | | 69,524 |
| Total noncurrent liabilities | <u>69,524</u> | <u>24,234</u> | | | <u>93,758</u> |
| Total liabilities | <u>366,008</u> | <u>27,493</u> | | <u>147</u> | <u>393,648</u> |
| NET ASSETS | | | | | |
| Invested in capital assets, net related debt | 4,868,492 | 2,213 | | | 4,870,705 |
| Unrestricted | 371,845 | 402,003 | 203,855 | 116,444 | 1,094,147 |
| TOTAL NET ASSETS | <u>\$ 5,240,337</u> | <u>\$ 404,216</u> | <u>\$ 203,855</u> | <u>\$ 116,444</u> | <u>\$ 5,964,852</u> |

**Schedule of Revenues, Expenses and Changes in Fund Net Assets -
Discretely Presented Component Unit - Housing Focus
Year Ended December 31, 2006**

| | Sunshine Terrace | Program C4043V | Housing Loan | Town Square | Total |
|--|---------------------|-------------------|-------------------|-------------------|---------------------|
| Operating revenues: | | | | | |
| Charges for services | \$ 149,392 | | \$ 14,164 | \$ 82,968 | \$ 246,524 |
| Intergovernmental | | \$ 1,429,849 | | | 1,429,849 |
| Other | 6,600 | 9,288 | | | 15,888 |
| Total operating revenues | <u>155,992</u> | <u>1,439,137</u> | <u>14,164</u> | <u>82,968</u> | <u>1,692,261</u> |
| Operating expenses: | | | | | |
| Community development: | | | | | |
| Personal services | 63,179 | 114,168 | 3,636 | 64,494 | 245,477 |
| Supplies | 6,510 | 5,775 | | 392 | 12,677 |
| Contractual services | 171,654 | 19,066 | | 3,576 | 194,296 |
| Depreciation | 154,813 | 1,256 | | | 156,069 |
| Housing payments | | 1,304,399 | | | 1,304,399 |
| Other expenditures | 1,822 | 2,323 | 230 | 820 | 5,195 |
| Total operating expenses | <u>397,978</u> | <u>1,446,987</u> | <u>3,866</u> | <u>69,282</u> | <u>1,918,113</u> |
| Operating income (loss) | <u>(241,986)</u> | <u>(7,850)</u> | <u>10,298</u> | <u>13,686</u> | <u>(225,852)</u> |
| Nonoperating revenues (expenses): | | | | | |
| Intergovernmental | 197,895 | | | | 197,895 |
| Interest revenue | 22,133 | 19,898 | 7,275 | 4,843 | 54,149 |
| Interest expense | (5,490) | | | | (5,490) |
| Total nonoperating revenues (expenses) | <u>214,538</u> | <u>19,898</u> | <u>7,275</u> | <u>4,843</u> | <u>246,554</u> |
| Income (loss) before transfers | (27,448) | 12,048 | 17,573 | 18,529 | 20,702 |
| Transfers out | <u>(60,000)</u> | | | | <u>(60,000)</u> |
| Change in net assets | (87,448) | 12,048 | 17,573 | 18,529 | (39,298) |
| Net assets at beginning of year | <u>5,327,785</u> | <u>392,168</u> | <u>186,282</u> | <u>97,915</u> | <u>6,004,150</u> |
| Net assets at end of year | <u>\$ 5,240,337</u> | <u>\$ 404,216</u> | <u>\$ 203,855</u> | <u>\$ 116,444</u> | <u>\$ 5,964,852</u> |

STATISTICAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

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

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.

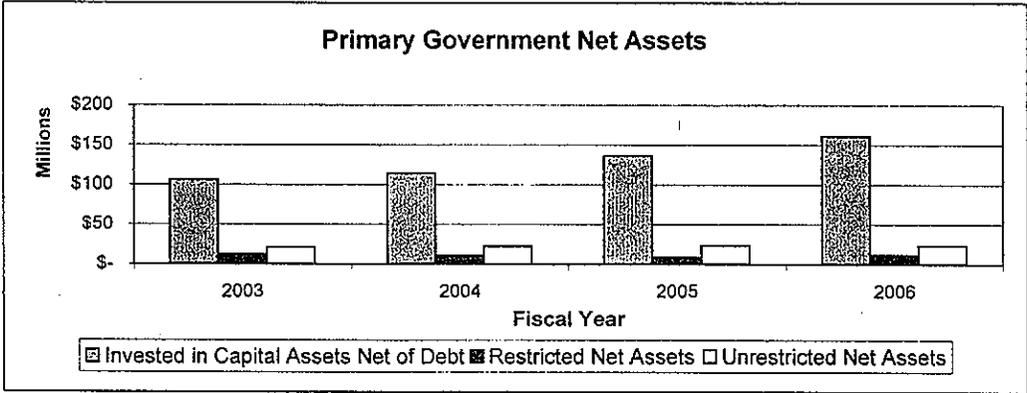
- Full-time Equivalent City Government Employees by Function/Program
- Operating Indicators by Function
- Schedule of Insurance in Force
- Miscellaneous Statistical Information
- Significant Minnesota Tax Policies

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

Net Assets by Component Last Four Fiscal Years

(accrual basis of accounting)

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental activities | | | | |
| Invested in capital assets, net of related debt | \$ 78,514,879 | \$ 85,922,045 | \$ 106,878,760 | \$ 129,002,253 |
| Restricted | 11,746,186 | 9,989,011 | 8,053,642 | 11,451,573 |
| Unrestricted | 9,419,031 | 8,976,014 | 8,458,820 | 8,386,984 |
| Total governmental activities net assets | <u>\$ 99,680,096</u> | <u>\$ 104,887,070</u> | <u>\$ 123,391,222</u> | <u>\$ 148,840,810</u> |
| Business-type activities | | | | |
| Invested in capital assets, net of related debt | \$ 27,457,460 | \$ 28,187,589 | \$ 29,286,519 | \$ 32,109,908 |
| Restricted | 403,246 | 413,254 | 413,247 | 67,713 |
| Unrestricted | 11,908,723 | 13,476,360 | 15,130,990 | 15,200,685 |
| Total business-type activities net assets | <u>\$ 39,769,429</u> | <u>\$ 42,077,203</u> | <u>\$ 44,830,756</u> | <u>\$ 47,378,306</u> |
| Primary government | | | | |
| Invested in capital assets, net of related debt | \$ 105,972,339 | \$ 114,109,634 | \$ 136,165,279 | \$ 161,112,161 |
| Restricted | 12,149,432 | 10,402,265 | 8,466,889 | 11,519,286 |
| Unrestricted | 21,327,754 | 22,452,374 | 23,589,810 | 23,587,669 |
| Total primary government net assets | <u>\$ 139,449,525</u> | <u>\$ 146,964,273</u> | <u>\$ 168,221,978</u> | <u>\$ 196,219,116</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)

| | 2003 | 2004 | 2005 | 2006 |
|---|----------------------|----------------------|----------------------|----------------------|
| Expenses | | | | |
| Governmental activities: | | | | |
| General government | \$ 1,062,341 | \$ 1,005,438 | \$ 1,066,756 | \$ 1,050,378 |
| Public safety | 2,972,685 | 3,025,561 | 3,150,148 | 3,232,573 |
| Public works | 2,209,042 | 2,236,372 | 2,973,865 | 2,851,905 |
| Transit | 209,748 | 248,024 | 234,577 | 243,157 |
| Recreation and culture | 1,641,288 | 1,545,934 | 1,823,193 | 2,016,899 |
| Community development | 854,555 | 783,810 | 337,161 | 284,342 |
| Cemetery | 40,969 | 36,796 | 27,977 | 61,136 |
| Interest on long-term debt | 246,200 | 282,711 | 428,803 | 473,946 |
| Total governmental activities expenses | <u>9,236,828</u> | <u>9,164,646</u> | <u>10,042,480</u> | <u>10,214,336</u> |
| Business-type activities | | | | |
| Electric utility | 8,273,952 | 7,903,122 | 8,377,355 | 9,193,839 |
| Water utility | 1,974,699 | 1,941,240 | 1,927,339 | 1,979,044 |
| Sewer utility | 507,951 | 529,054 | 553,626 | 587,568 |
| City mall | 488,397 | 479,526 | 460,350 | 412,999 |
| Refuse collection | 604,506 | 589,603 | 626,148 | 651,538 |
| Total business-type activities expenses | <u>11,849,505</u> | <u>11,442,545</u> | <u>11,944,818</u> | <u>12,824,988</u> |
| Total primary government expenses | <u>\$ 21,086,333</u> | <u>\$ 20,607,191</u> | <u>\$ 21,987,298</u> | <u>\$ 23,039,324</u> |
| Program Revenues | | | | |
| Governmental activities: | | | | |
| Charges for services: | | | | |
| General government | \$ 145,203 | \$ 130,704 | \$ 166,572 | \$ 130,597 |
| Public safety | 208,511 | 213,850 | 286,779 | 252,713 |
| Public works | 565,294 | 295,704 | 287,309 | 321,362 |
| Transit | 8,152 | 13,238 | 12,588 | 4,000 |
| Recreation and culture | 223,714 | 218,700 | 221,331 | 330,258 |
| Community development | 720,000 | 218,706 | 908,823 | 306,409 |
| Cemetery | 55,455 | 51,310 | 36,530 | 47,690 |
| Operating grants and contributions | 481,240 | 370,534 | 493,345 | 581,575 |
| Capital grants and contributions | 7,842,156 | 5,411,773 | 19,305,770 | 26,308,072 |
| Total governmental activities program revenues | <u>10,249,725</u> | <u>6,924,519</u> | <u>21,719,047</u> | <u>28,282,676</u> |

(continued)

Changes in Net Assets Last Four Fiscal Years

(accrual basis of accounting)

| | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> |
|---|----------------------|----------------------|----------------------|----------------------|
| Business-type activities: | | | | |
| Charges for services: | | | | |
| Electric utility | 9,148,691 | 9,387,172 | 9,973,709 | 10,556,891 |
| Water utility | 1,946,357 | 2,005,097 | 2,066,740 | 2,093,211 |
| Sewer utility | 564,262 | 559,830 | 564,904 | 564,768 |
| City mall | 310,250 | 275,568 | 203,205 | 163,496 |
| Refuse collection | 571,399 | 595,020 | 582,935 | 622,841 |
| Operating grants and contributions | 1,275,838 | 76,516 | 460,680 | 475,612 |
| Capital grants and contributions | 1,491,050 | 1,785,652 | 608,127 | 639,846 |
| Total business-type activities program revenues | <u>15,307,847</u> | <u>14,684,855</u> | <u>14,460,300</u> | <u>15,116,665</u> |
| Total primary government program revenues | <u>\$ 25,557,572</u> | <u>\$ 21,609,374</u> | <u>\$ 36,179,347</u> | <u>\$ 43,399,341</u> |
| Net (expense)/revenue | | | | |
| Governmental activities | \$ 1,012,897 | \$ (2,240,127) | \$ 11,676,567 | \$ 18,068,340 |
| Business-type activities | <u>3,458,342</u> | <u>3,242,310</u> | <u>2,515,482</u> | <u>2,291,677</u> |
| Total primary government net expense | <u>\$ 4,471,239</u> | <u>\$ 1,002,183</u> | <u>\$ 14,192,049</u> | <u>\$ 20,360,017</u> |
| General Revenues and Other Changes in Net Assets | | | | |
| Governmental activities: | | | | |
| Taxes | | | | |
| Property taxes | \$ 1,570,491 | \$ 1,672,398 | \$ 1,821,538 | 1,889,815 |
| Franchise taxes | 1,172,213 | 1,196,054 | 1,227,694 | 1,237,084 |
| Unrestricted grants and contributions | 2,564,393 | 2,576,596 | 2,817,355 | 3,050,626 |
| Investment earnings | 286,203 | 202,124 | 274,097 | 508,965 |
| Other | 486,658 | 665,541 | 570,257 | 441,320 |
| Transfers | 679,183 | 1,134,388 | 116,644 | 253,438 |
| Total governmental activities | <u>6,759,141</u> | <u>7,447,101</u> | <u>6,827,585</u> | <u>7,381,248</u> |
| Business-type activities | | | | |
| Investment earnings | 190,059 | 199,852 | 347,965 | 624,051 |
| Other | | | 6,750 | (114,740) |
| Transfers | (679,183) | (1,134,388) | (116,644) | (253,438) |
| Total business-type activities | <u>(489,124)</u> | <u>(934,536)</u> | <u>238,071</u> | <u>255,873</u> |
| Total primary government | <u>\$ 6,270,017</u> | <u>\$ 6,512,565</u> | <u>\$ 7,065,656</u> | <u>\$ 7,637,121</u> |
| Changes in Net Assets | | | | |
| Governmental activities | \$ 7,772,038 | \$ 5,206,974 | \$ 18,504,152 | \$ 25,449,588 |
| Business-type activities | <u>2,969,218</u> | <u>2,307,774</u> | <u>2,753,553</u> | <u>2,547,550</u> |
| Total primary government | <u>\$ 10,741,256</u> | <u>\$ 7,514,748</u> | <u>\$ 21,257,705</u> | <u>\$ 27,997,138</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)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|------------------------------------|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General Fund | | | | | | | | | | |
| Reserved | \$ 10,448 | \$ 8,646 | \$ 15,800 | \$ 14,262 | \$ 13,227 | \$ 15,947 | \$ 9,087 | \$ 16,521 | \$ 12,686 | \$ 14,562 |
| Unreserved | 1,368,073 | 1,338,147 | 894,328 | 433,299 | 674,174 | 1,533,340 | 2,149,793 | 2,417,060 | 2,561,700 | 2,186,399 |
| Total general fund | <u>1,378,521</u> | <u>1,346,793</u> | <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> |
| All other governmental funds | | | | | | | | | | |
| Reserved | 76,000 | 728,993 | 728,993 | 728,993 | 76,000 | 89,200 | 2,167,103 | 2,541,649 | 2,578,650 | 2,329,387 |
| Unreserved, reported in: | | | | | | | | | | |
| Special revenue funds | 1569131 | 1586390 | 1695485 | 1731515 | 1896102 | 681028 | 1,262,348 | 1,046,766 | 1,800,674 | 2,122,569 |
| Capital project funds | (779,150) | (470,428) | 1,222,409 | 9,536,203 | 7,824,399 | 9,591,359 | 8,477,383 | 6,658,494 | 1,706,604 | 2,148,471 |
| Permanent funds | 2,935 | 3,074 | 2,923 | 1,390 | 2,608 | 1,644 | 1,589 | 2,193 | 2,434 | 3,737 |
| Total all other governmental funds | <u>\$ 868,916</u> | <u>\$ 1,848,029</u> | <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> |

Changes in Fund Balances of Governmental Funds Last Ten Years

(modified accrual basis of accounting)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|---------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|---------------------|-----------------------|-----------------------|-------------------|
| Revenues | | | | | | | | | | |
| General Taxes | \$ 2,190,904 | \$ 2,129,855 | \$ 2,261,502 | \$ 2,453,438 | \$ 2,545,506 | \$ 2,515,381 | \$ 2,742,704 | \$ 2,868,452 | \$ 3,049,232 | \$ 3,126,899 |
| Special assessments | 739,009 | 892,105 | 864,795 | 712,142 | 1,003,401 | 685,595 | 717,086 | 1,029,251 | 807,464 | 1,210,207 |
| Licenses and permits | 69,389 | 150,650 | 91,230 | 84,346 | 85,463 | 100,450 | 141,298 | 121,159 | 160,845 | 119,220 |
| Intergovernmental | 30,269,138 | 29,922,120 | 32,113,911 | 25,862,537 | 14,558,160 | 17,009,505 | 10,123,756 | 4,912,733 | 14,502,056 | 7,518,281 |
| Charges for services | 234,296 | 337,435 | 328,633 | 382,523 | 555,666 | 856,702 | 1,393,366 | 920,381 | 1,330,712 | 1,161,857 |
| Fines and forfeitures | 62,997 | 78,328 | 111,375 | 124,432 | 86,329 | 103,768 | 90,898 | 100,672 | 102,307 | 97,340 |
| Investment earnings & other revenues | 771,249 | 1,823,072 | 2,155,757 | 1,885,814 | 1,309,990 | 875,975 | 746,314 | 838,301 | 713,869 | 833,116 |
| Total revenues | 34,336,982 | 35,333,565 | 37,927,203 | 31,505,232 | 20,144,515 | 22,147,376 | 15,955,422 | 10,790,949 | 20,666,485 | 14,066,920 |
| Expenditures | | | | | | | | | | |
| General government | 660,015 | 747,128 | 781,488 | 686,586 | 738,377 | 857,830 | 854,076 | 791,374 | 840,766 | 822,532 |
| Public Safety | 2,626,758 | 2,459,626 | 2,571,320 | 2,775,965 | 2,690,807 | 2,822,727 | 2,791,387 | 2,813,772 | 2,910,756 | 2,978,326 |
| Public Works | 1,015,001 | 846,421 | 860,090 | 837,442 | 960,102 | 852,004 | 991,067 | 995,493 | 1,177,123 | 1,159,593 |
| Transit | | | | | | | 200,551 | 238,827 | 225,379 | 233,959 |
| Culture and recreation | 1,480,146 | 1,340,302 | 1,353,227 | 1,342,398 | 1,474,103 | 1,376,185 | 1,320,261 | 1,269,802 | 1,405,334 | 1,566,894 |
| Community development | | 1,236,727 | 77,047 | | | 122,522 | 471,052 | 854,555 | 783,810 | 337,161 |
| Cemetery | | | | | | | 38,393 | 34,220 | 24,852 | 57,243 |
| Other | 816,609 | 613,754 | 965,572 | 766,383 | 608,845 | 771,652 | 335,301 | 179,406 | 203,321 | 215,799 |
| Capital outlay | 29,430,252 | 27,761,256 | 29,581,918 | 16,760,217 | 15,854,753 | 13,113,999 | 8,275,091 | 10,395,782 | 16,373,353 | 9,329,950 |
| Debt service | | | | | | | | | | |
| Principal | 470,000 | 480,000 | 450,000 | 672,075 | 1,005,000 | 610,000 | 295,000 | 495,000 | 965,000 | 1,245,000 |
| Interest | 271,981 | 262,823 | 330,348 | 308,952 | 258,784 | 255,255 | 245,038 | 251,995 | 365,107 | 380,455 |
| Other charges | | | | | | | | 15,473 | | |
| Total all other governmental funds | 36,770,762 | 35,748,037 | 36,971,010 | 24,150,018 | 23,713,293 | 21,130,704 | 16,200,720 | 18,264,954 | 24,828,152 | 18,273,305 |
| Excess (deficiency) of revenues over (under) expenditures | (2,433,780) | (414,472) | 956,193 | 7,355,214 | (3,568,778) | 1,016,672 | (245,298) | (7,474,005) | (4,161,667) | (4,206,385) |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | 824,458 | 1,921,096 | 3,873,498 | 2,186,119 | 3,632,418 | 5,083,905 | 2,129,091 | 2,070,089 | 2,435,195 | 2,332,296 |
| Transfers out | (792,778) | (1,883,413) | (3,491,418) | (1,600,970) | (3,041,556) | (4,686,805) | (1,449,908) | (935,701) | (2,318,551) | (2,078,858) |
| Bond Issue Proceeds | 374,312 | 1,724,035 | | | 1,017,546 | | | | | |
| Insurance Loss Proceeds | 1,267,953 | | | | | | | | | |
| Refunding bonds issues | | | | | | | | 260,000 | | |
| Long-term debt issued | | | | | | | 1,000,000 | 4,655,000 | | 4,075,000 |
| Premium on long-term debt | | | | | | | | 42,239 | | |
| Discount on long-term debt | | | | | | | (13,600) | (2,242) | | (32,600) |
| Sale of capital assets | | | | | | | | | 25,088 | 52,924 |
| Total other financing sources (uses) | 1,673,945 | 1,761,718 | 382,080 | 585,149 | 1,608,408 | 397,100 | 1,665,583 | 6,089,385 | 141,732 | 4,348,762 |
| Net change in fund balances | \$ (759,835) | \$ 1,347,246 | \$ 1,338,273 | \$ 7,940,363 | \$ (1,960,370) | \$ 1,413,772 | \$ 1,420,285 | \$ (1,384,620) | \$ (4,019,935) | \$ 142,377 |
| Debt service as % of noncapital expenditures | 10.1% | 9.3% | 10.6% | 13.3% | 16.1% | 10.8% | 6.8% | 9.5% | 15.7% | 18.2% |

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 |
|---------------------|-------------------|---------------------------|---------------------|--------------------------|-----------|--------------|
| 1997 | \$ 1,037,432 | \$ 882,798 | \$ 54,473 | \$ 40,184 | \$ 37,048 | \$ 2,051,935 |
| 1998 | 975,993 | 894,105 | 51,543 | 46,024 | 35,760 | 2,003,425 |
| 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 |
| Change 1997-2006 | 44.2% | 15.2% | 53.2% | 49.6% | -17.0% | 34.4% |

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 |
|---------------------|----------------------------|-------------------------------|----------------------------------|------------------------|-----------|--------------|
| 1997 | \$ 1,554,682 | \$ 418,469 | \$ 217,678 | \$ 130,352 | \$ 43,527 | \$ 2,364,708 |
| 1998 | 1,580,098 | 420,151 | 182,705 | 110,238 | 59,146 | 2,352,338 |
| 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 |
| Change 1997-2006 | 36.7% | -96.7% | 40.4% | 14.8% | 31.0% | 27.3% |

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.

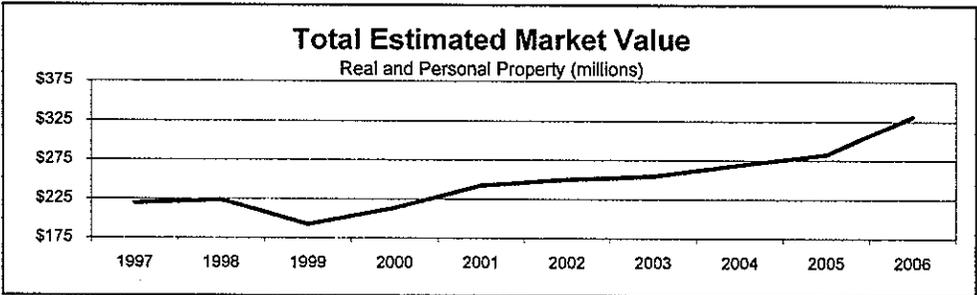
Source: Administration and Finance

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

(Unaudited)

| Year | Real Property | | Personal Property | | Total | | |
|------|---------------|------------------------|-------------------|------------------------|--------------|------------------------|-------------------|
| | Tax Capacity | Estimated Market Value | Tax Capacity | Estimated Market Value | Tax Capacity | Estimated Market Value | % of Market Value |
| 1997 | \$ 3,838,873 | \$ 217,990,800 | \$ 63,877 | \$ 1,518,900 | \$ 3,902,750 | \$ 219,509,700 | 1.8% |
| 1998 | 3,675,234 | 222,152,100 | 56,397 | 1,538,900 | 3,731,631 | 223,691,000 | 1.7% |
| 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% |

Source: County Assessor



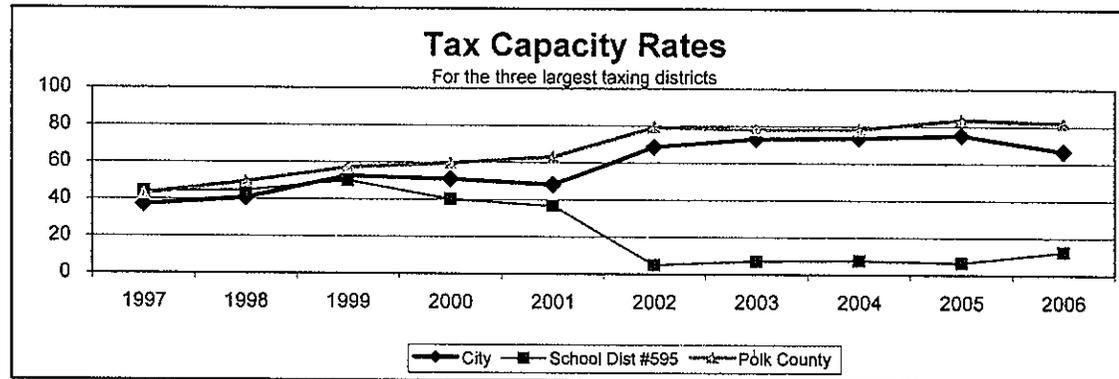
Note: The county assessor is occasionally required to make city wide adjustments to estimated market values. The State of Minnesota will instruct the county assessor to make these type of adjustments when data comparing actual sales to assessed values warrant such actions. In 1997 and again in 2001, 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 | |
| 1997 | 37.02 | 44.17 | 42.82 | 1.64 | 0.17 | 1.19 | 127.01 |
| 1998 | 40.74 | 44.52 | 49.25 | 1.84 | 0.18 | 1.26 | 137.79 |
| 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 |

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 | 2006 | | | 1997 | | |
|-------------------------------|-------------------|------|---|-------------------|------|---|
| | Tax Capacity | Rank | % of Total Tax Capacity of \$ 3,801,667 | Tax Capacity | Rank | % of Total Tax Capacity of \$ 3,902,464 |
| American Crystal | \$ 217,569 | 1 | 5.6% | \$ 477,160 | 1 | 12.2% |
| Valley Markets | 64,622 | 2 | 1.7% | --- | --- | --- |
| Cabela's | 61,906 | 3 | 1.6% | --- | --- | --- |
| Northern States Power | 52,416 | 4 | 1.3% | 61,820 | 4 | 1.6% |
| City-Commercial & Residential | 41,502 | 5 | 1.1% | --- | --- | --- |
| EGF Economic Dev Authority | 32,793 | 6 | 0.8% | --- | --- | --- |
| Green Acres | 27,429 | 7 | 0.7% | 66,330 | 3 | 1.7% |
| Riverview Terrace | 19,918 | 8 | 0.5% | --- | --- | --- |
| Sterling Development | 27,452 | 9 | 0.7% | --- | --- | --- |
| Burlington Northern RR | 22,790 | 10 | 0.6% | 100,879 | 2 | 2.6% |
| Town Square | --- | --- | --- | 61,118 | 5 | 1.6% |
| One Forty-Four Assoc | --- | --- | --- | 50,570 | 6 | 1.3% |
| M & M Company | --- | --- | --- | 49,551 | 7 | 1.3% |
| Bakken Properties | --- | --- | --- | 42,404 | 8 | 1.1% |
| Simplot Potato | --- | --- | --- | 37,813 | 9 | 1.0% |
| Dakota Aerie | --- | --- | --- | 33,994 | 10 | 0.9% |
| | <u>\$ 568,397</u> | | <u>14.6%</u> | <u>\$ 981,639</u> | | <u>25.2%</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.

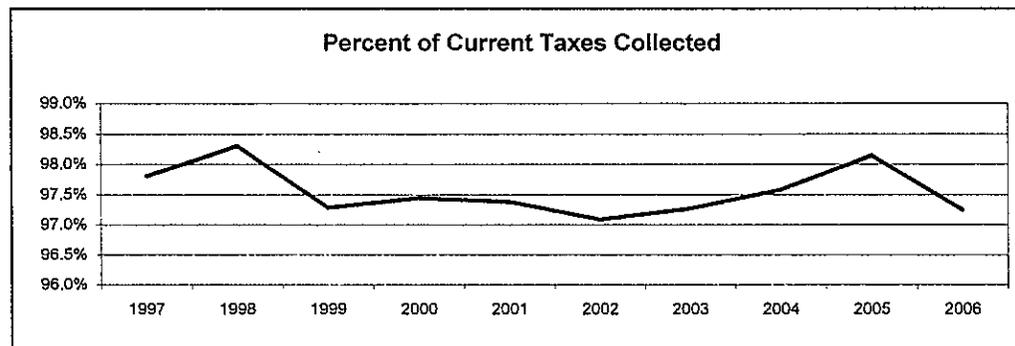
Source: County Auditor

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 |
|------|--------------|------------------------|-----------------|---------------------------|----------------------|----------------------------|------------------------|-------------------------------------|
| 1997 | \$1,152,706 | \$1,127,443 | 97.8% | \$ 29,822 | \$1,157,265 | 100.4% | \$ 46,906 | 4.1% |
| 1998 | 1,074,281 | 1,056,046 | 98.3% | 28,949 | 1,084,995 | 101.0% | 35,169 | 3.3% |
| 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% |

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 |
|------|-----------------------------------|--------------------------------|---------------|---|---|---|--|
| | | Amount(1) | % of Billings | | | | |
| 1997 | \$ 590,821 | \$ 586,118 | 99.2% | \$ 3,624,511 | \$ 152,891 | 4.0% | \$ 739,009 |
| 1998 | 553,513 | 552,213 | 99.8% | 6,191,535 | 293,007 | 4.5% | 845,220 |
| 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 |

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).

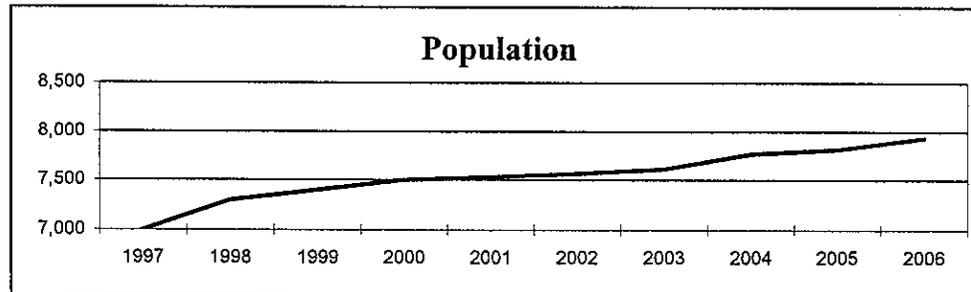
(2) In 1999, the city deferred \$730,732 in uncertified special assessments on city-owned residentially zoned property. These assessments will be added back to the assessment rolls as the lots are sold. In 2004, the city deferred \$ 3,197,276 on city-owned residentially zoned property, which will be 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 | Gross Bonded Debt (2) | Less Amount for Retirement | Net Bonded Debt | As a % of Tax Capacity | Estimated Market Values | Bonded Debt Per Capita |
|------|---------------|--------------|-----------------------|----------------------------|-----------------|------------------------|-------------------------|------------------------|
| 1997 | 7,000 | \$ 3,902,464 | \$ 4,260,000 | \$ 1,226,376 | \$ 3,033,624 | 77.7% | 1.4% | 609 |
| 1998 | 7,300 | 3,731,631 | 5,065,000 | 1,099,939 | 3,965,061 | 106.3% | 1.8% | 694 |
| 1999 | 7,400 | 2,974,465 | 4,625,000 | 1,019,813 | 3,605,187 | 121.2% | 1.6% | 625 |
| 2000 | 7,501 | 3,282,412 | 4,310,000 | 1,023,617 | 3,286,383 | 100.1% | 1.7% | 575 |
| 2001 | 7,535 | 3,444,968 | 9,405,000 | 2,018,407 | 7,386,593 | 214.4% | 3.0% | 1,248 |
| 2002 | 7,569 | 2,964,976 | 9,220,000 | 1,603,628 | 7,616,372 | 256.9% | 3.0% | 1,218 |
| 2003 | 7,616 | 2,986,517 | 9,239,223 | 1,856,553 | 7,382,670 | 247.2% | 2.9% | 1,213 |
| 2004 | 7,769 | 3,143,267 | 13,481,263 | 2,191,957 | 11,289,306 | 359.2% | 4.2% | 1,735 |
| 2005 | 7,816 | 3,296,995 | 12,326,263 | 1,783,629 | 10,542,634 | 319.8% | 3.7% | 1,577 |
| 2006 | 7,934 | 3,801,667 | 13,125,000 | 1,883,630 | 11,241,370 | 295.7% | 3.4% | 1,654 |



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.

(2) Debt amounts include all general obligation debt and electric revenue bonds.

Source: Administration and Finance and Polk County Auditor

Computation of Direct and Overlapping Debt As of December 31, 2006

(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 | <u>\$ 13,189,223</u> | <u>100.0%</u> | | <u>\$ 13,189,223</u> |
| OVERLAPPING DEBT: | | | | |
| I.S.D. 595 | \$ - | | \$ | |
| Polk County | <u>30,770,000</u> | <u>20.1%</u> | <u>6,186,502</u> | |
| Total Overlapping Debt | | | | <u>6,186,502</u> |
| Total direct and overlapping debt | | | | <u>\$ 19,375,725</u> |

Source: County Auditor

Legal Debt Margin Information

Last Ten Years

(Unaudited)

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Estimated market value | <u>\$219,509,700</u> | <u>\$223,691,000</u> | <u>\$192,351,200</u> | <u>\$213,315,700</u> | <u>\$242,247,600</u> | <u>\$249,732,500</u> | <u>\$254,330,500</u> | <u>\$268,990,900</u> | <u>\$282,620,600</u> | <u>\$330,739,700</u> |
| Total debt | \$ 5,459,941 | \$ 6,885,717 | \$ 6,841,073 | \$ 6,497,867 | \$ 10,678,218 | \$ 9,624,292 | \$ 10,305,377 | \$ 14,488,901 | \$ 12,851,286 | \$ 13,189,223 |
| Deductions: | | | | | | | | | | |
| Bonds: | | | | | | | | | | |
| G.O. improvement bonds | 3,920,000 | 5,265,000 | 4,900,000 | 4,610,000 | 4,675,000 | 4,095,000 | 4,830,000 | 9,285,000 | 8,355,000 | 11,710,000 |
| G.O. tax increment bonds | 395,000 | 325,000 | 250,000 | 225,000 | 200,000 | | | | | |
| Certificates of participation | 540,015 | 724,821 | 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 |
| Electric revenue bonds | | | | | 2,780,000 | 2,650,000 | 2,560,000 | 2,465,000 | 2,365,000 | |
| MIF-DRLF mall loan | | | | 538,977 | 517,266 | 494,670 | 471,154 | 447,638 | | |
| Housing Bonds | 604,926 | 570,896 | 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 | 1,039,553 | 1,697,353 | 1,629,483 | 1,639,224 | 2,371,950 | 1,603,628 | 1,356,603 | 2,235,996 | 1,933,482 | 1,786,948 |
| Less amount applicable to excluded bonds | <u>(1,039,553)</u> | <u>(1,697,353)</u> | <u>(1,629,483)</u> | <u>(1,639,224)</u> | <u>(2,371,950)</u> | <u>(1,603,628)</u> | <u>(1,356,603)</u> | <u>(2,235,996)</u> | <u>(1,933,482)</u> | <u>(1,786,948)</u> |
| Total net debt applicable to debt limit | <u>\$ -</u> | <u>\$ 244,223</u> | <u>\$ 186,263</u> | <u>\$ 126,286</u> | <u>\$ 64,223</u> |
| Debt limit is 2% of estimated market value | \$ 4,390,194 | \$ 4,473,820 | \$ 3,847,024 | \$ 4,266,314 | \$ 4,844,952 | \$ 4,994,650 | \$ 5,086,610 | \$ 5,379,818 | \$ 5,652,412 | \$ 6,614,794 |
| Legal Debt Margin | \$ 4,390,194 | \$ 4,473,820 | \$ 3,847,024 | \$ 4,266,314 | \$ 4,844,952 | \$ 4,994,650 | \$ 4,842,387 | \$ 5,193,555 | \$ 5,526,126 | \$ 6,550,571 |
| Total net debt applicable to limit as a percentage of debt limit | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 4.8% | 3.5% | 2.2% | 1.0% |

COMPUTATION OF LEGAL DEBT MARGIN (continued)
DECEMBER 31, 2006

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 | Total | | | |
| 8-1-98 \$1,775,000 | 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 | 1,050,251 |
| 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 | 47,712 | 102,712 | 1 | 990,000 | 826,568 |
| | 2004 | 114,612 | 65,000 | 45,311 | 110,311 | 1 | 925,000 | 767,213 |
| | 2005 | 90,666 | 60,000 | 42,811 | 102,811 | 1 | 865,000 | 725,245 |
| | 2006 | 128,126 | 55,000 | 40,569 | 95,569 | 1 | 810,000 | 684,260 |
| 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 |
| 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 |
| 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 |

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

(2) Includes fiscal agent fees.

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 | |
| 2002 | \$ 1,694,003 | \$ 1,306,800 | \$ 387,203 | \$ 85,000 | \$ 97,314 | \$ 182,314 | 2 |
| 2003 | 1,960,160 | 1,304,129 | 656,031 | 60,000 | 79,798 | 139,798 | 5 |
| 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 |

Notes (1) Total revenues including interest.

(2) Total operating expenses excluding depreciation.

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

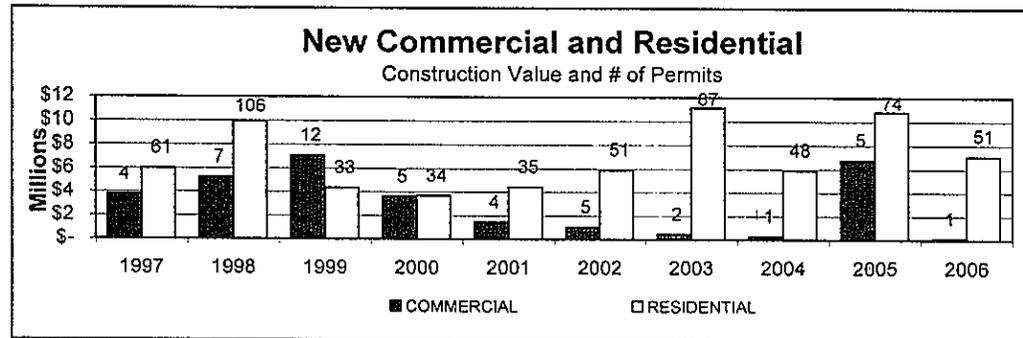
Source: Administration and Finance

Construction and Bank Deposits Last Ten Years

(Unaudited)

| Year | CONSTRUCTION (1) | | | | Total | Bank Deposit | |
|------|------------------|--------------|-------------|--------------|--------------|---------------|-------------------|
| | COMMERCIAL | | RESIDENTIAL | | | Total | Percent of Change |
| | Permits | Value | Permits | Value | | | |
| 1997 | 4 | \$ 3,788,000 | 61 | \$ 5,998,000 | \$ 9,786,000 | \$126,744,028 | 9.3% |
| 1998 | 7 | 5,225,500 | 106 | 9,955,000 | 15,180,500 | 121,004,366 | -4.5% |
| 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 | 6,740,000 | 74 | 10,781,000 | 17,521,000 | 104,735,589 | 5.4% |
| 2006 | 1 | 109,000 | 51 | 7,072,000 | 7,181,000 | 98,335,162 | -6.1% |

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) |
|---------------|----------------|---|--------------------------------|----------------|--|-----------------------|-----------------------|
| 1997 | 7,000 | 4,450,065 | 19,947 | na | na | 2,282 | 1.5% |
| 1998 | 7,300 | 4,908,976 | 22,509 | na | na | 1,996 | 2.7% |
| 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 | 5,629,503 | 26,884 | na | na | 1,773 | 2.8% |
| 2005 | 7,816 | 6,009,392 | 28,869 | na | na | 1,756 | 3.0% |
| 2006 | 7,934 | na | na | na | na | 1,746 | 3.8% |

Data Sources: (1) State of Minnesota, State Demographic Center. 2000 is actual census.
 (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)

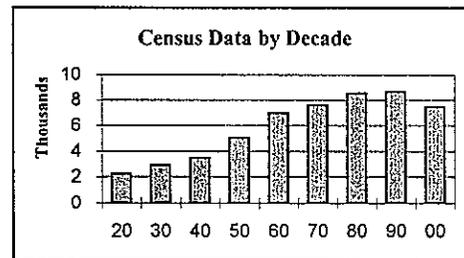
Demographic Statistics

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:

| Population Characteristic: | 1990 | % Total | 2000 | % Total |
|----------------------------|--------------|-------------|--------------|-------------|
| Under 20 | 5,786 | 67% | 5,053 | 67% |
| 20 and over | 2,872 | 33% | 2,448 | 33% |
| Total | 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 | | | | | | | | | |
|----------------------------|---------------------------------------|------|------|------|------|------|------|------|------|------|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| General Government: | | | | | | | | | | |
| Administration and Finance | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Building | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Public Safety: | | | | | | | | | | |
| Building Official | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Fire | 13 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 11 | 10 |
| Police | 22 | 24 | 25 | 25 | 25 | 24 | 24 | 23 | 23 | 23 |
| Public Works: | | | | | | | | | | |
| Refuse | 8 | 7 | 7 | 7 | 7 | 6 | 6 | 6 | 6 | 6 |
| Sewage | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| Streets | 9 | 9 | 9 | 9 | 9 | 8 | 8 | 8 | 8 | 8 |
| Culture and Recreation: | | | | | | | | | | |
| Administration | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 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 | 2 | 2 | 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 | 9 | 12 | 12 | 13 | 13 | 13 | 13 | 11 | 11 | 11 |
| Water | 6 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 | 8 |
| Total | 91 | 96 | 98 | 99 | 99 | 96 | 96 | 93 | 94 | 93 |

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, | | | | | | | | | |
|---------------------------------------|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 |
| General Government | | | | | | | | | | |
| On Sale Liquor license by entity | 10 | 12 | 12 | 12 | 11 | 14 | 13 | 14 | 13 | 11 |
| Off Sale Liquor license by entity | 8 | 7 | 5 | 4 | 5 | 4 | 4 | 4 | 4 | 4 |
| Number of AP checks written | 3,417 | 4,275 | 6,833 | 4,677 | 3,386 | 3,323 | 3,036 | 2,986 | 3,033 | 3,055 |
| Police | | | | | | | | | | |
| DUI arrests | 74 | 134 | 155 | 143 | 124 | 107 | 116 | 135 | 85 | 102 |
| Traffic violations | na | 2,234 | 2,321 | 2,398 | 1,679 | 1,768 | 1,386 | 1,367 | 1,107 | 898 |
| No. of dog/cat licenses | 69 | 63 | 61 | 42 | 78 | 87 | 97 | 93 | 111 | 111 |
| Fire | | | | | | | | | | |
| No. of rescue & EMS incidents | na | 355 | 357 | 359 | 323 | 347 | 372 | 387 | 383 | 405 |
| No. of fire calls | na | 185 | 152 | 120 | 124 | 100 | 96 | 99 | 106 | 96 |
| Building Official | | | | | | | | | | |
| Building permits issues | 1,085 | 524 | 276 | 246 | 257 | 340 | 358 | 246 | 308 | 302 |
| Other permits issued | 23 | 141 | 53 | 134 | 165 | 184 | 275 | 253 | 314 | 226 |
| Refuse collection | | | | | | | | | | |
| Refuse collected annually (tons) | 6,906 | 4,999 | 4,263 | 3,780 | 3,735 | 3,734 | 3,859 | 3,875 | 3,864 | 4,003 |
| Recyclables collected annually (tons) | na | 5,769 | 5,364 | 4,809 | 4,571 | 4,443 | 5,277 | 1,370 | 4,740 | 820 |
| Recreation and culture | | | | | | | | | | |
| Number of summer registrants | 816 | 872 | 842 | 814 | 874 | 563 | 340 | 429 | 680 | 708 |
| Number of winter registrants | 334 | 359 | 375 | 374 | 401 | 352 | 265 | 270 | 403 | 405 |
| Attendance for general swim | na | na | na | na | na | na | 9,976 | 10,101 | 10,326 | 11,098 |
| Library | | | | | | | | | | |
| Volumes in collection | 9,730 | 17,593 | 23,055 | 29,700 | 34,655 | 38,680 | 41,037 | 43,114 | 44,595 | 47,641 |
| Total volumes borrowed | 36,403 | 45,668 | 41,481 | 35,001 | 48,554 | 72,702 | 65,367 | 80,064 | 83,288 | 88,451 |
| Water | | | | | | | | | | |
| Annual Tap water billed (millions) | 389 | 400 | 354 | 385 | 345 | 313 | 350 | 363 | 374 | 383 |
| Average number of monthly meters | 2,391 | 2,420 | 2,350 | 2,386 | 2,418 | 2,445 | 2,501 | 2,571 | 2,629 | 2,692 |
| Electric | | | | | | | | | | |
| Annual Kwhs billed (millions) | 117 | 119 | 122 | 132 | 131 | 127 | 136 | 138 | 139 | 139 |
| Maximum Demand Kwhs (millions) | 26.26 | 26.60 | 27.18 | 27.84 | 25.55 | 28.47 | 26.63 | 26.40 | 25.55 | 26.49 |
| Cemetery | | | | | | | | | | |
| No. of Lots Sold | 57 | 44 | 65 | 66 | 39 | 127 | 58 | 46 | 31 | 48 |
| No. of Interments | 39 | 32 | 30 | 43 | 29 | 26 | 34 | 29 | 22 | 42 |
| Transit | | | | | | | | | | |
| Total route miles | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 | 16 |
| Passengers | 17,523 | 16,529 | 17,395 | 19,306 | 20,052 | 17,919 | 16,833 | 14,147 | 16,785 | 16,324 |

Source: Various city departments

Schedule of Insurance in Force December 31, 2006

(Unaudited)

| <u>Name of Company</u> | <u>Policy Number</u> | <u>Policy Period</u> | <u>Type of Coverage</u> | <u>Liability Limits</u> |
|---|----------------------|----------------------|---|--|
| PROPERTY | | | | |
| League of Minnesota Cities (C&H Insurance) | CMC26734 | 01/01/06-01/01/07 | All Risk Blanket Property, excluding flood. | \$8,111,922 Blanket \$1,000,000 Terrorism Activity \$500,000 Valuable Papers |
| Fidelity | 227700701C | 03/01/06-03/01/07 | Flood | \$250,000 Content \$500,000 Flood |
| League of Minnesota Cities (C&H Insurance) | CMC26734 | 01/01/06-01/01/07 | Boiler and Machinery | \$5,000,000 |
| BONDS | | | | |
| League of Minnesota Cities (C&H Insurance) | CMC26734 | 01/01/06-01/01/07 | Public Officials | \$100,000 Clerk-Treasurer \$100,000 Public Employees |
| League of Minnesota Cities (C&H Insurance) | CMC26734 | 01/01/06-01/01/07 | Commercial Blanket Bond Commercial Crime | \$100,000 Forgery \$5,000,000 Loss Revenue (per location) |
| LIABILITY | | | | |
| League of Minnesota Cities (C&H Insurance) | CMC26734 | 01/01/06-01/01/07 | Comprehensive General/ Public Officials Liability | \$1,000,000 Public Officials \$1,000,000 EDHA \$1,000,000 Police |
| League of Minnesota Cities (C&H Insurance) | CMC26734 | 01/01/06-01/01/07 | Comprehensive General/ Auto Liability | \$1,000,000 per occurrence |
| League of Minnesota Cities (C&H Insurance) | CMC26734 | 01/01/06-01/01/07 | General Liability (Bodily injury, employee benefits, host liquor liability) | \$1,000,000 per occurrence |
| OPEN MEETING LAW | | | | |
| League of Minnesota Cities (C&H Insurance) | OML3850 | 01/01/06-01/01/07 | Open Meeting Law Defense Cost Reimbursement | \$50,000 per city official |
| WORKERS COMPENSATION | | | | |
| League of Minnesota Cities (Berkley Risk Administrators) | 0200011424 | 01/13/06-01/13/07 | Workers Compensation Comprehensive Managed Care Retro-rated 70% to 130% | \$750,000 Bodily Injury by accident \$750,000 Bodily Injury by disease |

Miscellaneous Statistical Information

(Unaudited)

| | | | |
|---|-------------------|--|-----------|
| Adoption of City Charter | 1975 | Sewage System: | |
| Form of Government | Home Rule Charter | Miles of force mains | 52 |
| Number of employees | 95 | Miles of sewer mains | 5 |
| Area in square miles | 6 | Miles of storm sewers | 30 |
| Developed | 4.5 | Number of lift stations | 9 |
| Undeveloped | 1 | Number of storm sewer lift stations | 4 |
| Name of Government facilities and services: | | Water System: | |
| Miles of streets | 59 | Miles of water mains | 52 |
| Culture and Recreation: | | Number of fire hydrants | 342 |
| Senior Center | 1 | Gallons of Storage Capacity | 4,100,000 |
| Library | 1 | Daily treatment capacity | 4,000,000 |
| Arenas | 2 | Towers and reservoirs | 5 |
| Parks | 11 | Electric System: | |
| Park acreage owned | 278 | Number of substations | 4 |
| Park acreage developed | 218 | Miles of distribution lines | 60.3 |
| Swimming Pools | 1 | Peak Demand in MW | 26.49 |
| Tennis Courts | 2 | Public education facilities and services not included in reporting entity: | |
| Fire Protection: | | Number of elementary schools | 2 |
| Number of stations | 2 | Number of middle schools | 1 |
| Number of vehicles | 7 | Number of senior high schools | 1 |
| Number of full-time Firefighters | 11 | Northwest Technical College | 1 |
| Number of volunteer Firefighters | 15 | Bond rating | A3 |
| Fire Insurance Rating | 4 | | |
| Police Protection: | | | |
| Number of stations | 1 | | |
| Number of police officers | 23 | | |
| Number of patrol units | 6 | | |

**SIGNIFICANT MINNESOTA TAX POLICIES
DECEMBER 31, 2006**

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 | 2006 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 2005 to 2006, 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: 2006 Property Tax Refund Booklet

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 aggregate 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, 2006, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 7, 2007. 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 May 7, 2007.

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 2006 for 9 days at one and 3 days at another 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 & ASSOCIATES, P.C.

May 7, 2007

**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, 2006. 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, 2006.

Internal Control Over Compliance

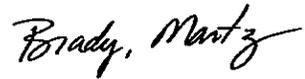
The management of the City of East Grand Forks is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the City's internal 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 & ASSOCIATES, P.C.

May 7, 2007

CITY OF EAST GRAND FORKS, MINNESOTA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2005

| FEDERAL GRANTOR/ PROGRAM TITLE | CFDA Number | Expenditures |
|---|----------------|---------------------|
| <u>Department of Justice</u> | | |
| Department of Housing & Urban Development | | |
| Direct Programs: | | |
| Lower-Income Housing Assistance Program | | |
| Section 8 Housing Choice Vouchers | 14,871 | \$ 1,429,337 |
| Passed Through State of Minnesota | | |
| Department of Trade and Economic Development: | | |
| Community Development | | |
| Block Grants/Small Cities Program | 14,228 | <u>80,866</u> |
| Total HUD | | <u>\$ 1,510,203</u> |
| <u>Department of Transportation</u> | | |
| Direct Programs: | | |
| Federal Transit Administration- | | |
| Capital and Operating Assistance | | |
| Formula Grants | 20,507 | <u>100,460</u> |
| Total DOT | | <u>\$ 100,460</u> |

| <u>Department of Homeland Security</u> | CFDA Number | Expenditures |
|--|----------------|----------------------------|
| Direct Programs: | | |
| Department of Homeland Security | | |
| Assistance to Firefighters Grant | 97,044 | <u>36,358</u> |
| Total FEMA | | <u>\$ 36,358</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | <u><u>\$ 1,647,021</u></u> |

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 general purpose financial statements.

CITY OF EAST GRAND FORKS, MINNESOTA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2005

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
- Reportable condition(s) 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
- Reportable condition(s) 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 _____ | <u>Section 8 Cluster</u> |

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, 2005

There are no findings to be reported in this section.



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