

City of East Grand Forks

Minnesota



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2007

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended December 31, 2007



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

INTRODUCTORY SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

Comprehensive Annual Financial Report

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Administration and Finance

June 6, 2008

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, 2007.

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, 2007, 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, 2007, 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 89.

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 4.2% unemployment rate (Polk County), while the state and the country have unemployment rates of 4.9% and 5.0%, respectively. The City of Grand Forks, located just across the river in North Dakota, has an unemployment rate of 2.9%.

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

FINANCIAL INFORMATION

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

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

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

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

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

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

Employee health coverage is purchased through MEDICA, with the employer paying \$371 of the single plan premium and \$855 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 2007: Public Employees Retirement Fund (PERF), a cost-sharing multiple-employer plan; Public Employees Police and Fire Fund (PEPFF), a cost-sharing multiple-employer plan.

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

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

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

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of East Grand Forks, Minnesota for its comprehensive financial report for the fiscal year ending December 31, 2006. This is the 14th 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.

Jerry D. Skyberg
Interim City Administrator

Gerald Lucke, CPA,
Interim Contract 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, 2006

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.



Oliver S. Cox

President

Jeffrey R. Emmer

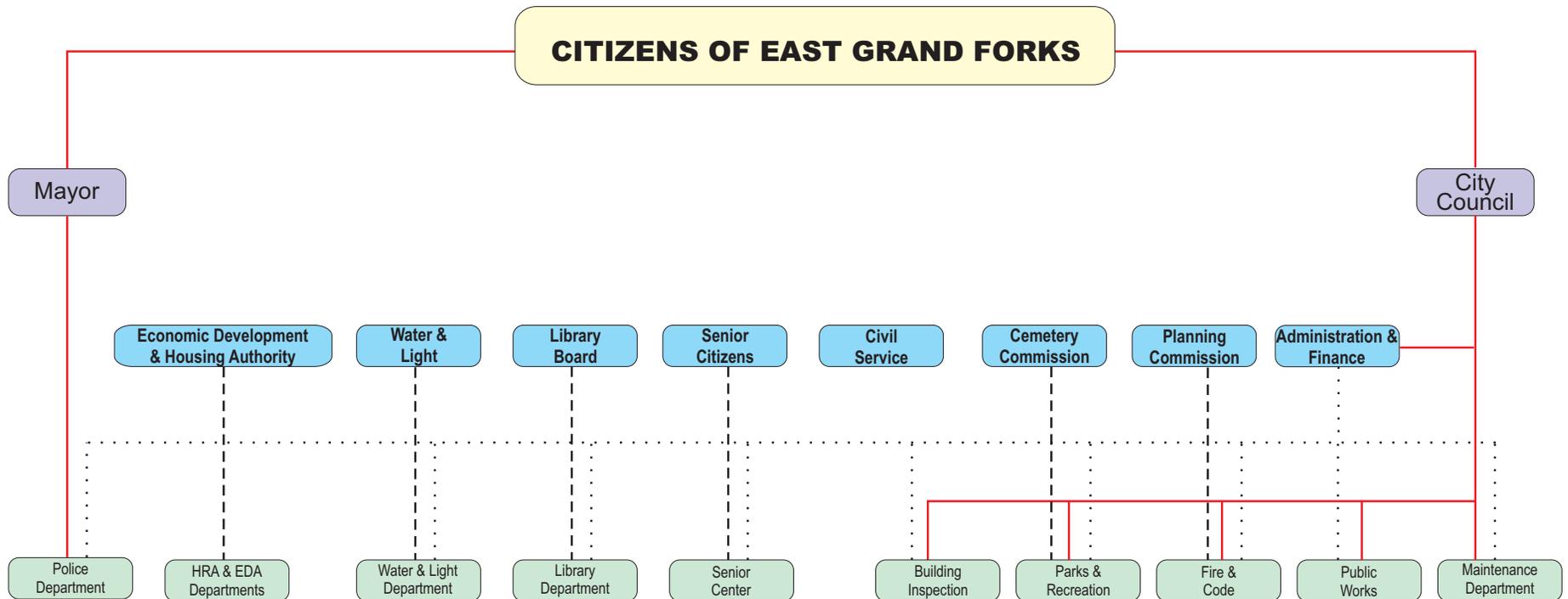
Executive Director

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, 2006. 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

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

OFFICIALS NOT ELECTED:

City Administrator/Clerk-Treasurer	Jerry D. Skyberg	(Interim)
Finance Director	Gerald Lucke	(Interim-Contracted)
Police Chief	Michael Lealos	
Fire Chief	Randall Gust	
Parks & Recreation Superintendent	David Aker	
Public Works Superintendent	John Wachter	
Building Official/Flood Recovery Director	Jerry Skyberg	
Library Director	Charlotte Helgeson	
EDHA Director	James Richter	
Senior Center Director	Lynda Vanderhoof	
City Attorney	Ronald Galstad	
City Engineer	Floan Sanders, Inc.	
Water & Light Department		
Commissioner	Marilynn Ogden	
Commissioner	Mike Quirk	
Commissioner	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, 2007, 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 2006 financial statements and, in our report dated May 7, 2007; 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, 2007, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 6, 2008, 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.

June 6, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF EAST GRAND FORKS, MINNESOTA

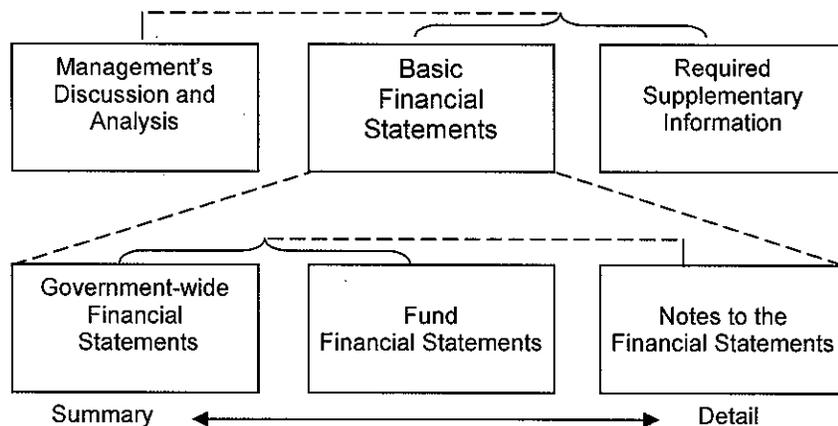
Management's Discussion and Analysis

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, 2007. 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, two capital projects funds, and three debt service funds, all of which are considered major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 24-27 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for electric, water, sewage, storm water protection, city mall (commercial property operations), and refuse. All except the refuse and storm water funds 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 37-54 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor funds and internal service funds can be found immediately following the footnotes. Combining and individual fund statements can be found on pages 55-66 and 79-87.

FINANCIAL HIGHLIGHTS

- The city's net assets (asset minus liabilities) grew by 1.78% as a result of this year's operations. The net assets of the city's governmental activities increased \$1,898,354 (1.28%) and net assets of the city's business type activities increased \$1,590,307 (3.36%).
- Capital assets increased \$3,328,741 (3%), with most of the increase comprised of additions to the city's infrastructure.
- The city's long-term liabilities increased \$3,451,976 (23%) during the fiscal year ending December 31, 2007. Governmental long-term liabilities increased \$3,431,223 (26%). The key factor behind the increase is the issuance of the 12-1-07 Special Assessment Bonds for \$3,560,000.
- At the close of the current fiscal, the city's governmental funds reported total ending fund balances of \$11,197,741, an increase of \$2,392,616 (27%).
- The General Fund's fund balance, reserved and unreserved, increased \$640,978 (29%) to \$2,841,939. The unreserved fund balance is 37% of expenditures and other uses.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS

	Governmental Activities		Business-type Activities		Total Government	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 25,263,320	\$ 22,681,789	\$ 17,697,846	\$ 16,952,527	\$ 42,961,166	\$ 39,634,316
Capital assets	142,931,487	140,769,978	34,677,990	33,510,758	177,609,477	174,280,736
Total assets	<u>168,194,807</u>	<u>163,451,767</u>	<u>52,375,836</u>	<u>50,463,285</u>	<u>220,570,643</u>	<u>213,915,052</u>
Other liabilities	1,029,997	1,616,535	1,243,603	1,337,251	2,273,600	2,953,786
Long-term liabilities	16,425,645	12,994,422	1,768,481	1,747,728	18,194,126	14,742,150
Total Liabilities	<u>17,455,642</u>	<u>14,610,957</u>	<u>3,012,084</u>	<u>3,084,979</u>	<u>20,467,726</u>	<u>17,695,936</u>
Net assets:						
Invested in capital assets, net of related debt	127,824,706	129,002,253	33,346,440	32,109,908	161,171,146	161,112,161
Restricted	11,517,373	11,451,573	67,710	67,713	11,585,083	11,519,286
Unrestricted	11,397,087	8,386,984	15,554,463	15,200,685	26,951,550	23,587,669
Total net assets	<u>\$ 150,739,165</u>	<u>\$ 148,840,810</u>	<u>\$ 48,968,613</u>	<u>\$ 47,378,306</u>	<u>\$ 199,707,778</u>	<u>\$ 196,219,116</u>

By far the largest portion of the city's net assets (81%) reflects investments in capital assets (e.g. land, buildings, structures, systems, machinery, equipment and infrastructure), net of any related debt used to acquire those assets that is still outstanding. The city uses assets to provide services to citizens; consequently, these assets are not available for future spending. Although the city's investment in capital assets is reported net of related debt, it should be noted that resources need to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

A small portion of the city's net assets (less than 6%) represents resources that are subject to external restrictions on how they can be used. The remaining unrestricted net assets \$26,951,550 may be used to meet the

ongoing obligations to citizens and creditors. Of the unrestricted net assets, \$15,554,463 is attributable to business-type activities.

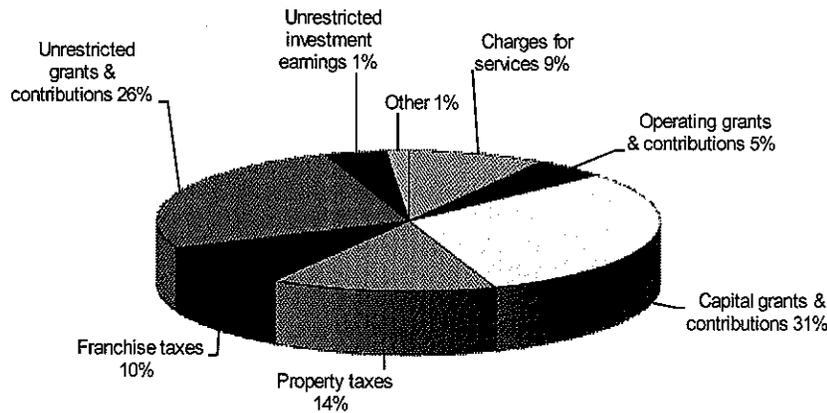
Unrestricted governmental activities net assets increased \$3,010,103 (36%), while business-type activities unrestricted net assets increased \$353,778 (2%). Government-wide total unrestricted net assets increased \$3,363,881 (14%). The \$65,800(1%) increase in governmental activities restricted net assets is from net additional special assessments.

The \$2,161,509 (2%) governmental activities capital assets increase is largely the result of additions to the city's infrastructure.

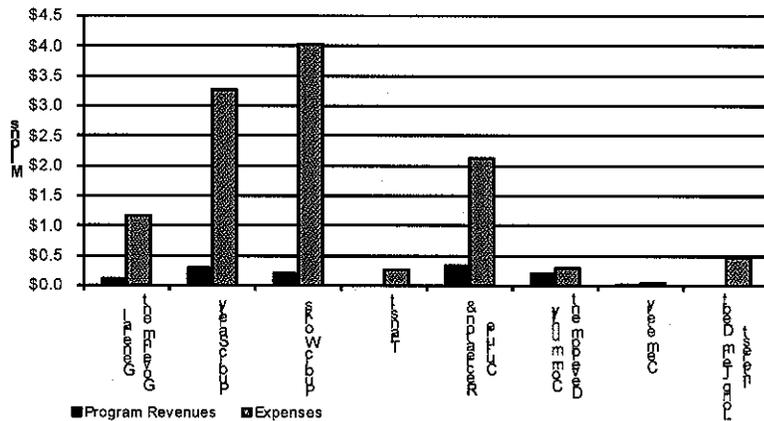
CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total Government	
	2007	2006	2007	2006	2007	2006
REVENUES						
Program revenues:						
Charges for services	\$ 1,188,380	\$ 1,393,029	\$ 14,828,578	\$ 14,001,207	\$ 16,016,959	\$ 15,394,236
Operating grants and contributions	632,310	581,575	15,000	475,612	647,310	1,057,187
Capital grants and contributions	4,181,757	26,308,072	279,612	639,846	4,461,369	26,947,918
General revenues:						
Property taxes	1,954,979	1,889,815			1,954,979	1,889,815
Franchise taxes	1,309,050	1,237,084			1,309,050	1,237,084
Unrestricted grants and contributions	3,517,772	3,050,626			3,517,772	3,050,626
Unrestricted investment earnings	530,674	508,965	777,218	624,051	1,307,892	1,133,016
Gain on disposal of assets		15,000	2,795		2,795	15,000
Other	196,165	426,320			196,165	426,320
Total revenues	<u>13,511,088</u>	<u>35,410,486</u>	<u>15,903,203</u>	<u>15,740,716</u>	<u>29,414,291</u>	<u>51,151,202</u>
EXPENSES						
Program activities:						
Governmental activities:						
General government	1,155,532	1,050,378			1,155,532	1,050,378
Public safety	3,273,535	3,232,573			3,273,535	3,232,573
Public works	4,038,239	2,851,905			4,038,239	2,851,905
Transit	279,768	243,157			279,768	243,157
Recreation and culture	2,125,732	2,016,899			2,125,732	2,016,899
Community development	286,303	284,342			286,303	284,342
Cemetery	35,256	61,136			35,256	61,136
Interest on long-term debt	472,223	473,946			472,223	473,946
Business-type activities						
Electric			10,450,476	9,308,579	10,450,476	9,308,579
Water			1,961,418	1,979,044	1,961,418	1,979,044
Sewer			629,832	587,568	629,832	587,568
City mall			428,359	412,999	428,359	412,999
Refuse			788,955	651,538	788,955	651,538
Total expenses	<u>11,666,589</u>	<u>10,214,336</u>	<u>14,259,041</u>	<u>12,939,728</u>	<u>25,925,629</u>	<u>23,154,064</u>
Excess (deficiency) before transfers	1,844,499	25,196,150	1,644,163	2,800,988	3,488,662	27,997,138
Transfers in (out)	<u>53,856</u>	<u>253,438</u>	<u>(53,856)</u>	<u>(253,438)</u>		
Increase (decrease in net assets)	1,898,355	25,449,588	1,590,307	2,547,550	3,488,662	27,997,138
Net assets at the beginning of the year	<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>
Net assets at the end of the year	<u>\$ 150,739,165</u>	<u>\$ 148,840,810</u>	<u>\$ 48,968,613</u>	<u>\$ 47,378,306</u>	<u>\$ 199,707,778</u>	<u>\$ 196,219,116</u>

**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 (31%), with most of that amount attributed to state and Federal share of additions to the infrastructure. Property taxes and franchise taxes accounted for 14% and 10% of total revenues,

respectively. Unrestricted grants and contributions in the form of local government aid contributed 26% to total revenues. Charges for services brought in 9%.

Public works (34%) expenses are the most significant (28%), followed by public safety (28%), parks and recreation (18%), general government (10%), and community development (3%). Interest on long-term debt and transit expenses accounted for 4% and 3% of total expenses, respectively. Included in these amounts is depreciation expense, which is 25% of the total expenses for governmental activities.

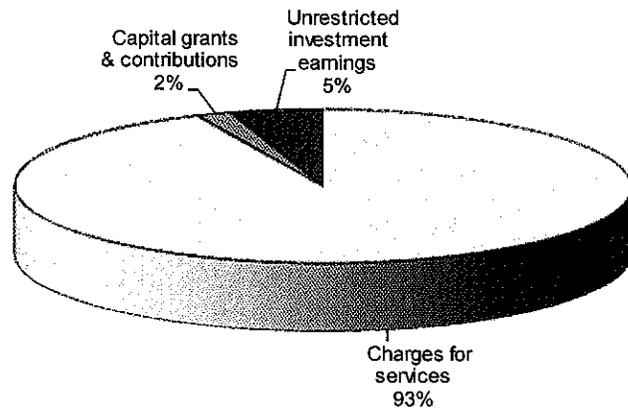
Governmental revenues decreased \$21,899,398 (62%) in the current year, with the most significant portion of the decline attributable to smaller amounts of capital grants and contributions related to construction of the storm protection network which is approaching completion. Property taxes increased by 3.5% and charges for services decreased by 15%, including in the decrease is storm sewer charges now being shown in a proprietary fund. Unrestricted grants and contributions rose 15%, as a result of increases in local government aid.

Governmental activities expenses increased \$1,452,253 (14%) in the current year. The most significant changes in program expenses were as follows:

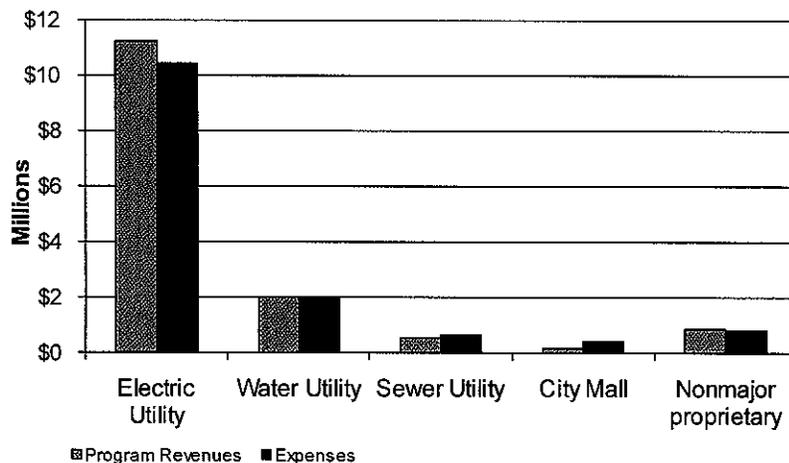
- Public Works expenses increased \$1,186,334 (42%). The increase is the result of additional infrastructure repairs and increased depreciation of the infrastructure system.
- General government expenses increased \$105,154 (10%). The increase is primarily attributable to inflation and depreciation costs.
- Recreation and culture expenses increased \$108,833 (5%), 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 \$1,590,307, which is \$957,243 (38%) less than the prior fiscal year increase. Key elements of the change are as follows:

Charges for services increased \$827,371 (6%). The increase is primarily due to the electric utility sales increase of \$ 697,488 and \$168,045 of storm sewer charges which were in 2007, presented as a business-type fund. The electric utility sold nearly 7,700,000 more KWHs in 2007 resulting in their increase. The water utility sold about 6 million (2%) fewer gallons of water in 2007. Utility rates did not increase over the prior year.

Operating grants and contribution decreased \$460,612 and capital grants and contributions decreased by \$360,234.. Capital grants and contributions provided by governmental funds to the city's water, sewage and mall utility were \$91,865, \$137,640 and \$50,107, respectively.

Program expenses in the electric utility increased significantly because of the \$ 1,199,870 increase in wholesale power costs. Expenses in the Water, Refuse, Sewage, and City Mall Funds did not vary significantly from the prior year.

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 2007, the city's governmental funds reported total ending fund balances of \$11,197,741, an increase of \$2,392,616 (27%) in comparison with the prior year. Nearly 59% of the total ending fund balances constituted unreserved fund balances (\$6,649,312), 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 (\$4,117,066), 2) to off-set non-current financial resources that are not anticipated to be liquidated in the near term (\$333,655 and \$21,708), 3) to generate income to pay for library books (\$76,000). The city has designated \$642,408 of the unreserved fund balances for working capital purposes.

At the end of the current year, the General Fund reported a fund balance of \$2,841,939, increasing \$640,978 from the previous year. General fund revenues were \$484,984 (6.3%) more than in the prior fiscal year and

expenditures decreased by \$372,665 (5%). Transfers out decreased by \$371,300 (32%). Local government aid increased \$244,200 (10%). General taxes, including property taxes and franchise fees, increased \$137,131 (4%). Intergovernmental revenue increased \$456,503 (14%) and charges for services increased \$124,365 (16%). Property taxes increased \$71,835 (4%) and franchise fees increased \$71,966 (6%). Public works expenditures decreased \$43,296 (4%) and debt service expenditures decreased \$560,438, all general debt being eliminated in the prior year. Off-setting these decreases were expenditure increases of \$117,270 (14%) in general government, 28,605 in Community development, and \$52,581 (20%) in other unallocated. Other departmental differences were within 2% of the prior year expenditures.

The Residential Infrastructure Fund (RIF) experienced a \$70,335 (21%) revenue increase over the prior year and the fund balance for the year increased \$267,730 (38%) to \$980,636. The RIF revenue increase is primarily due to larger special assessments collections, resulting in the fund balance increase.

The 2007 Assessment Projects Fund incurred costs of \$1,824,568 which were covered by \$ 1,950,000 of bond proceeds leaving \$125,432 in ending fund balance.

The 12-01-07 Assessment Bond Fund received interest income of \$ 2,812 and a transfer in of \$ 50,000, to go with \$ 1,541 interest portion of bond proceeds resulting in its \$54,353 ending fund balance.

The 3-1-06 Assessment Bond Fund (ABF) fund balance increased to \$1,737,014, due to assessment collections and debt issuance exceeding debt service payments.

The 12-1-04 Assessment Bond Fund (ABF) fund balance decreased \$77,226 to \$450,205 as debt payments exceeded assessment collections and a \$ 75,000 transfer in. 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 \$1,222,256 (5%). Operating income decreased \$629,330 (44%) to \$792,289. Wholesale purchased power costs increased \$1,199,8710 (22%). Transfers out decreased by \$104,582 to \$143,856.

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 \$225,499 (2%) in the current year, including \$91,865 in capital contributions to the water distribution system. Operating income decreased \$91,315 (49%) and operating expenses decreased \$14,425 (1%) 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 \$141,183 (2%). Capital contributions of \$137,640 for system improvements are the primarily 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 \$139,010 was the result of about \$ 15,000 less in rent income and depreciation of 181,539.. The general fund transfer in for 2007 was \$90,000, up \$10,000 from the prior year.

The Refuse Fund net assets increased \$70,356. Operating revenue increased \$94,735 (15%) and operating expenses increased \$36,781 (6%) from the prior year. The city raised commercial customer refuse charges in October of 2006.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget and the final amended budget are the same for 2007.

General taxes exceeded budget \$124,944 (4%), primarily due to higher franchise fees collections on electric, gas, and cable services. Intergovernmental revenues exceeded budget by 215,365 and all government expenditures did not significantly vary from budgeted amounts. Overall expenditures and other uses were within \$ 18,000 of the budget amount.

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

1999	\$910,128	2002	\$1,549,287	2005	\$2,574,386
2000	447,561	2003	2,158,880	2006	2,200,961
2001	687,401	2004	2,433,581	2007	2,841,939

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2007	2006	2007	2006	2007	2006
Land	\$ 31,007,286	\$ 31,007,286	\$ 715,378	\$ 715,378	\$ 31,722,664	\$ 31,722,664
Construction in progress	2,001,150	3,811,676	1,140,428	331,818	3,141,578	4,143,494
Building, structures, & improvements	81,926,736	80,004,059	31,804,729	31,738,418	113,731,465	111,742,477
Machinery and equipment	2,889,152	2,760,749	1,017,454	725,144	3,906,606	3,485,893
Infrastructure	25,107,162	23,186,208			25,107,162	23,186,208
Total	<u>\$ 142,931,486</u>	<u>\$ 140,769,978</u>	<u>\$ 34,677,989</u>	<u>\$ 33,510,758</u>	<u>\$ 177,609,475</u>	<u>\$ 174,280,736</u>

Capital assets. The city's investment in capital assets for its governmental and business-type activities at December 31, 2007 totaled \$177,609,475 (net of accumulated depreciation). This investment in capital assets included land, construction in progress, structures, systems, machinery and equipment, infrastructure. The total increase in the city's investment in capital assets

resulted from many various projects throughout the city. The total increase over the prior fiscal year is approximately 1.91%, of which governmental activities increased 1.54% and business-type activities increased 3.48%.

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	
	2007	2006	2007	2006	2007	2006
General obligation bonds	\$ 14,776,782	\$ 11,703,501			\$ 14,776,782	\$ 11,703,501
General obligation water revenue bonds			\$ 1,331,550	\$ 1,400,850	1,331,550	1,400,850
General obligation certificates of indebtedness	330,000	64,224	365,000		695,000	64,224
Compensated absences payable	1,318,863	1,226,697	370,568	346,878	1,689,431	1,573,575
Total	<u>\$ 16,425,645</u>	<u>\$ 12,994,422</u>	<u>\$ 2,067,118</u>	<u>\$ 1,747,728</u>	<u>\$ 18,492,763</u>	<u>\$ 14,742,150</u>

Long-term liabilities. The city's outstanding long-term liabilities, including bonds, certificates of indebtedness, capital leases, notes payable, compensated absences, and due to component unit totaled \$18,492,763 at December 31, 2007. Of this total, \$16,425,645 (89%) is in governmental activities and

\$2,067,118 (11%) is in business-type activities. The city's outstanding long-term liabilities increased \$ 3,750,613 (25%) in 2007.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for the Polk County, Minnesota area for December 31, 2007 was 4.2%, which is below the state average (4.9%) and the national average (5.0%). The Grand Forks County area unemployment rate was 2.9%, which is below the North Dakota state average. The City of Grand Forks, located in Grand Forks County, is located across the Red River of the North and has a population of approximately 50,000.
- The state's economy 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 \$2.7 million in local government aid in 2007, which is about 36% 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 (1%) 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, 2007

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		EDHA
ASSETS				
Cash and cash equivalents	\$ 9,849,866	\$ 4,792,226	\$ 14,642,092	\$ 1,820,214
Investments	3,528,617	9,194,947	12,723,564	1,104,175
Accrued interest receivable	51,670	75,334	127,004	5,509
Accounts receivable, net	9,200	1,363,823	1,373,023	
Notes receivable	245,417		245,417	1,994,664
Taxes receivable - property	57,666		57,666	
Taxes receivable - other	129,470		129,470	
Special assessments receivable	11,089,905		11,089,905	
Internal balances (net)	(525,000)	525,000	-	
Due from other government units	350,826	15,000	365,826	2,574
Prepaid Items		17,287	17,287	
Land held for resale	333,655		333,655	274,680
Materials and Supplies	21,708	1,276,395	1,298,103	
Restricted cash and Investments		163,740	163,740	684,672
Unamortized debt issuance costs	120,320	5,988	126,308	
Customer acquisition costs		268,106	268,106	
Capital assets:				
Nondepreciable	33,008,436	1,855,806	34,864,242	50,300
Depreciable, net	109,923,051	32,822,184	142,745,235	4,750,651
TOTAL ASSETS	<u>168,194,807</u>	<u>52,375,836</u>	<u>220,570,643</u>	<u>10,687,439</u>
LIABILITIES				
Accounts payable	593,610	1,042,509	1,636,119	83,214
Accrued wages payable	116,318	119,347	235,665	5,062
Due to other government units	117,887	82,219	200,106	260,812
Accrued interest payable	202,183	27,630	229,813	2,764
Customer deposits		68,400	68,400	18,965
Noncurrent liabilities:				
Due within one year	929,223	170,181	1,099,404	41,474
Due in more than one year	15,496,422	1,896,937	17,393,359	604,510
TOTAL LIABILITIES	<u>17,455,642</u>	<u>3,407,223</u>	<u>20,862,865</u>	<u>1,016,801</u>
NET ASSETS				
Invested in capital assets, net of related debt	127,824,706	33,346,440	161,171,146	4,731,565
Restricted for:				
Debt service	10,527,540	67,710	10,595,250	
Public works	207,865		207,865	
Capital projects	705,968		705,968	
Library - nonexpendable	76,000		76,000	
Unrestricted	11,397,087	15,554,463	26,951,550	4,939,073
TOTAL NET ASSETS	<u>\$ 150,739,165</u>	<u>\$ 48,968,613</u>	<u>\$ 199,707,778</u>	<u>\$ 9,670,638</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, 2007

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	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 1,155,532	\$ 111,003			\$ (1,044,528)		\$ (1,044,528)	
Public safety	3,273,535	296,028	\$ 261,807		(2,715,700)		(2,715,700)	
Public works	4,038,239	214,208	128,823	\$4,115,286	420,077		420,077	
Transit	279,768	4,000	196,069	66,471	(13,228)		(13,228)	
Recreation and culture	2,125,732	331,153			(1,794,579)		(1,794,579)	
Community development	286,303	197,578	45,611		(43,114)		(43,114)	
Cemetery	35,256	34,410			(846)		(846)	
Interest on long-term debt	472,223				(472,223)		(472,223)	
Total governmental activities	11,666,589	1,188,380	632,310	4,181,757	(5,664,142)		(5,664,142)	
Business-type activities								
Electric Utility	10,450,476	11,240,822				\$ 790,346	790,346	
Water Utility	1,961,418	1,987,471		91,865		117,918	117,918	
Sewer Utility	629,832	566,828		137,640		74,636	74,636	
City Mall	428,359	147,836		50,107		(230,416)	(230,416)	
Nonmajor proprietary	788,955	885,621	15,000			111,666	111,666	
Total business-type activities	14,259,041	14,828,578	15,000	279,612		864,150	864,150	
Total primary government	\$ 25,925,629	\$ 16,016,959	\$ 647,310	\$ 4,461,369	(5,664,142)	864,150	(4,799,992)	
Component unit:								
Community development	\$ 2,407,503	\$ 343,145	\$ 1,706,194					\$ (358,164)
General Revenues:								
Property taxes					1,954,979		1,954,979	114,087
Franchise taxes					1,309,050		1,309,050	
Unrestricted grants and contributions					3,517,772		3,517,772	84,378
Unrestricted investment earnings					530,674	777,218	1,307,892	169,841
Gain on disposal of assets						2,795	2,795	
Other					196,165		196,165	75,749
Transfers					53,856	(53,856)		
Total general revenues					7,562,497	726,157	8,288,654	444,055
Change in Net Assets					1,898,355	1,590,307	3,488,662	85,891
Net Assets - January 1					148,840,810	47,378,306	196,219,116	9,584,747
Net Assets - December 31					\$ 150,739,165	\$ 48,968,613	\$ 199,707,778	\$ 9,670,638

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

Balance Sheet

Governmental Funds

December 31, 2007

	General	Residential Infrastructure	2007 Assessment Projects	12-1-07 Assessment Bonds	12-1-04 Assessment Bonds	3-1-06 Assessment Bonds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	\$ 1,906,607	\$ 550,742	\$ 185,470	\$ 54,353	\$ 446,982	\$ 1,528,034	\$ 4,090,066	\$ 8,762,254
Investments	966,946	425,920				200,982	1,297,924	2,891,772
Interest receivable	51,670							51,670
Accounts receivable	450						8,750	9,200
Taxes receivable - property taxes	57,666							57,666
Taxes receivable - other	129,470							129,470
Special assessments receivable	51,571	1,797,122		2,776,385	2,269,211	2,451,574	1,744,042	11,089,905
Due from other government units	128,159	3,974			3,223	7,998	207,472	350,826
Land held for resale							333,655	333,655
Notes Receivable	177,917						67,500	245,417
Materials and supplies	21,708							21,708
TOTAL ASSETS	\$ 3,492,164	\$ 2,777,758	\$ 185,470	\$ 2,830,738	\$ 2,719,416	\$ 4,188,588	\$ 7,749,409	\$ 23,943,543
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	238,051		60,038				295,521	593,610
Accrued wages payable	113,452						2,866	116,318
Interfund payable							525,000	525,000
Due to other government units	11,568						106,319	117,887
Deferred revenue	287,154	1,797,122		2,776,385	2,269,211	2,451,574	1,811,542	11,392,988
Total liabilities	650,225	1,797,122	60,038	2,776,385	2,269,211	2,451,574	2,741,247	12,745,802
Fund balance:								
Reserved for materials and supplies	21,708							21,708
Reserved for land held for resale							333,655	333,655
Reserved for library							76,000	76,000
Reserved for debt service				54,353	450,205	1,737,014	1,875,494	4,117,066
Unreserved, designated for working capital	642,408							642,408
Unreserved, undesignated reported in:								
General fund	2,177,823							2,177,823
Special revenue funds							1,980,802	1,980,802
Permanent funds							4,350	4,350
Capital projects funds		980,636	125,432				737,861	1,843,929
Total fund balance	2,841,939	980,636	125,432	54,353	450,205	1,737,014	5,008,162	11,197,741
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,492,164	\$ 2,777,758	\$ 185,470	\$ 2,830,738	\$ 2,719,416	\$ 4,188,588	\$ 7,749,409	\$ 23,943,543

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, 2007

Total fund balances - governmental funds		\$ 11,197,741
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	2,001,150	
Buildings, structures and improvements	91,529,900	
Machinery and equipment	4,659,380	
Infrastructure	33,598,763	
Accumulated depreciation	<u>(20,746,506)</u>	142,049,973
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
		11,392,988
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	\$ 1,087,612	
Investments	636,845	
Machinery and equipment, net	881,514	
Compensated absences payable	(1,318,863)	
Notes payable	<u>(330,000)</u>	957,108
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	\$(14,776,782)	
Unamortized bond issuance costs	120,320	
Accrued interest payable	<u>(202,183)</u>	<u>(14,858,645)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 150,739,165</u>

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, 2007

	General	Residential Infrastructure	2007 Assessment Projects	12-1-07 Assessment Bonds	12-1-04 Assessment Bonds	3-1-06 Assessment Bonds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:								
General taxes	\$ 3,264,030							\$ 3,264,030
Special assessments		\$ 357,427			\$ 217,172	\$ 436,739	\$ 432,476	1,443,814
Licenses and permits	117,951							117,951
Intergovernmental	3,779,579						2,800,886	6,580,465
Charges for services	639,958						288,015	927,973
Fines and forfeitures	141,044							141,044
Interest and other revenues	209,577	45,045		\$ 2,812	14,208	21,256	344,303	637,201
Total revenues	<u>8,152,138</u>	<u>402,472</u>		<u>2,812</u>	<u>231,380</u>	<u>457,995</u>	<u>3,865,680</u>	<u>13,112,477</u>
Expenditures:								
Current:								
General government	912,481							912,481
Public safety	2,999,380							2,999,380
Public works	1,122,383						55,676	1,178,059
Transit							268,674	268,674
Recreation and culture	1,187,439						405,846	1,593,285
Community development	51,438						232,699	284,137
Cemetery							31,363	31,363
Other expenditures	272,945		35,421					308,366
Capital outlay	247,991	134,742	1,743,161				3,624,845	5,750,739
Debt service:								
Principal retirement					205,000		235,000	440,000
Interest and fiscal agent charges					179,554	211,104	140,171	530,829
Total expenditures	<u>6,794,056</u>	<u>134,742</u>	<u>1,778,582</u>		<u>384,554</u>	<u>211,104</u>	<u>4,994,274</u>	<u>14,297,312</u>
Excess (deficiency) of revenues over expenditures	<u>1,358,082</u>	<u>267,730</u>	<u>(1,778,582)</u>	<u>2,812</u>	<u>(153,174)</u>	<u>246,891</u>	<u>(1,128,594)</u>	<u>(1,184,835)</u>
Other financing sources (uses):								
Proceeds from asset sales	8,040							8,040
Transfers in	68,856			50,000	75,948	269,404	1,146,274	1,610,482
Transfers out	(794,000)						(762,626)	(1,556,626)
Discount on long-term debt issued			(45,986)					(45,986)
Long-term debt issued			1,950,000	1,541		885,000	725,000	3,561,541
Total other financing sources (uses)	<u>(717,104)</u>		<u>1,904,014</u>	<u>51,541</u>	<u>75,948</u>	<u>1,154,404</u>	<u>1,108,648</u>	<u>3,577,451</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	640,978	267,730	125,432	54,353	(77,226)	1,401,295	(19,946)	2,392,616
Fund balance at beginning of year	2,200,961	712,906			527,431	335,719	5,028,108	8,805,125
Fund balance at end of year	<u>\$ 2,841,939</u>	<u>\$ 980,636</u>	<u>\$ 125,432</u>	<u>\$ 54,353</u>	<u>\$ 450,205</u>	<u>\$ 1,737,014</u>	<u>\$ 5,008,162</u>	<u>\$11,197,741</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, 2007**

Net change in fund balances--total governmental funds		\$ 2,392,616
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital outlays	\$ 4,918,996	
Depreciation	<u>(2,815,492)</u>	2,103,504
<p>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.</p>		
		440,000
<p>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.</p>		
Issuance of long-term debt	\$ (3,560,000)	
Cost of issuance	35,421	
Discounts and premiums	<u>45,986</u>	(3,478,593)
<p>Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.</p>		
Deferred Revenue - December 31, 2006	\$ (11,085,428)	
Deferred Revenue - December 31, 2007	<u>11,392,988</u>	307,560
<p>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.</p>		
Amortization of bond issuance costs	(5,325)	
Amortization of bond discounts	(810)	
Amortization of bond premiums	<u>1,543</u>	(4,592)
<p>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.</p>		
		77,211
Changes in long-term debt interest payable		<u>60,648</u>
Change in net assets of governmental activities		<u>\$ 1,898,354</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, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
General taxes	\$ 3,139,086	\$ 3,139,086	\$ 3,264,030	\$ 124,944
Licenses and permits	95,900	95,900	117,951	22,051
Intergovernmental	3,564,214	3,564,214	3,779,579	215,365
Charges for services	612,100	612,100	639,958	27,858
Fines and forfeitures	106,000	106,000	141,044	35,044
Interest and other revenues	49,700	49,700	209,577	159,877
Total revenues	<u>7,567,000</u>	<u>7,567,000</u>	<u>8,152,138</u>	<u>585,138</u>
Expenditures:				
Current:				
General government	880,300	880,300	912,481	32,181
Public safety	3,050,500	3,050,500	2,999,380	(51,120)
Public works	1,078,300	1,078,300	1,122,383	44,083
Recreation and culture	1,179,000	1,179,000	1,187,439	8,439
Community development			51,438	51,438
Other expenditures	216,400	216,400	272,945	56,545
Capital outlay	368,500	368,500	247,991	(120,509)
Debt service:				
Principal retirement				
Interest and fiscal agent charges				
Total expenditures	<u>6,773,000</u>	<u>6,773,000</u>	<u>6,794,056</u>	<u>21,056</u>
Excess (deficiency) of revenues over expenditures	<u>794,000</u>	<u>794,000</u>	<u>1,358,082</u>	<u>564,082</u>
Other financing sources (uses)				
Proceeds from sale of assets			8,040	8,040
Transfers in	140,000	140,000	68,856	(71,144)
Transfers out	(854,000)	(854,000)	(794,000)	60,000
Total other financing sources (uses)	<u>(714,000)</u>	<u>(714,000)</u>	<u>(717,104)</u>	<u>(3,104)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	80,000	80,000	640,978	560,978
Fund balance at beginning of year	2,200,961	2,200,961	2,200,961	
Fund balance at end of year	<u>\$ 2,280,961</u>	<u>\$ 2,280,961</u>	<u>\$ 2,841,939</u>	<u>\$ 560,978</u>

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

Statement of Net Assets

Proprietary Funds

December 31, 2007

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	City Mail	Nonmajor Proprietary		Totals
ASSETS							
Current assets:							
Cash and cash equivalents	\$ 1,419,049	\$ 2,152,999	\$ 665,421	\$ 17,063	\$ 537,694	\$ 4,792,226	\$ 1,087,612
Investments	8,318,936		629,231		246,780	9,194,947	636,845
Restricted cash and investments:							
Cash in bond accounts		95,340				95,340	
Cash in customer deposits	68,400					68,400	
Interest receivable	75,334					75,334	
Account receivable (net)	1,360,748				3,075	1,363,823	
Materials and supplies	1,127,051	149,344				1,276,395	
Prepaid items	4,945	12,342				17,287	
Interfund receivable	525,000					525,000	
Due from other government units					15,000	15,000	
Total current assets	<u>12,899,463</u>	<u>2,410,025</u>	<u>1,294,652</u>	<u>17,063</u>	<u>802,549</u>	<u>17,423,752</u>	<u>1,724,457</u>
Noncurrent assets:							
Capital assets:							
Land	305,394	44,000	215,184	150,800		715,378	
Buildings and systems	20,368,531	16,469,177	10,590,637	6,177,307		53,605,652	
Machinery and equipment	1,689,422	1,688,063	510,545	81,766	469,176	4,438,972	1,461,840
Construction in progress	1,140,428					1,140,428	
Total capital assets	<u>23,503,775</u>	<u>18,201,240</u>	<u>11,316,366</u>	<u>6,409,873</u>	<u>469,176</u>	<u>59,900,430</u>	<u>1,461,840</u>
Less accumulated depreciation	<u>(10,353,971)</u>	<u>(9,023,434)</u>	<u>(4,102,087)</u>	<u>(1,427,505)</u>	<u>(315,443)</u>	<u>(25,222,440)</u>	<u>(580,326)</u>
Total capital assets (net)	<u>13,149,804</u>	<u>9,177,806</u>	<u>7,214,279</u>	<u>4,982,368</u>	<u>153,733</u>	<u>34,677,990</u>	<u>881,514</u>
Unamortized debt issuance costs		5,988				5,988	
Customer acquisition costs	268,106					268,106	
Total noncurrent assets	<u>13,417,910</u>	<u>9,183,794</u>	<u>7,214,279</u>	<u>4,982,368</u>	<u>153,733</u>	<u>34,952,084</u>	<u>881,514</u>
TOTAL ASSETS	<u>26,317,373</u>	<u>11,593,819</u>	<u>8,508,931</u>	<u>4,999,431</u>	<u>956,282</u>	<u>52,375,836</u>	<u>2,605,971</u>

(continued)

Statement of Net Assets
Proprietary Funds
December 31, 2007 (continued)

	Business-Type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	City Mall	Nonmajor Proprietary	
LIABILITIES						
Current liabilities:						
Accounts payable	\$ 836,956	\$ 177,520	\$ 1,985	\$ 16,428	\$ 9,620	\$ 1,042,509
Due to other government units	66,436				15,783	82,219
Accrued wages payable	78,127	31,555	2,987		6,678	119,347
Customer deposits	68,400					68,400
Compensated absences payable - current	22,800	13,100				35,900
Notes payable - current					64,281	64,281
G.O. revenue bonds payable - current		70,000				70,000
Accrued bond interest payable		27,630				27,630
Total current liabilities	<u>1,072,719</u>	<u>319,805</u>	<u>4,972</u>	<u>16,428</u>	<u>96,362</u>	<u>1,510,286</u>
Noncurrent liabilities:						
Compensated absences payable - net current portion	215,174	119,494				334,668
G.O. revenue bonds payable - net current portion		1,261,550			300,719	1,562,269
Total noncurrent liabilities	<u>215,174</u>	<u>1,381,044</u>			<u>300,719</u>	<u>1,896,937</u>
TOTAL LIABILITIES	<u>1,287,893</u>	<u>1,700,849</u>	<u>4,972</u>	<u>16,428</u>	<u>397,081</u>	<u>3,407,223</u>
NET ASSETS						
Invested in capital assets, net of related debt	13,149,804	7,846,256	7,214,279	4,982,368	153,733	33,346,440
Restricted for debt service		67,710				67,710
Unrestricted	11,879,676	1,979,004	1,289,680	635	405,468	15,554,463
TOTAL NET ASSETS	<u>\$ 25,029,480</u>	<u>\$ 9,892,970</u>	<u>\$ 8,503,959</u>	<u>\$ 4,983,003</u>	<u>\$ 559,201</u>	<u>\$ 48,968,613</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, 2007

	Business-Type Activities – Enterprise Funds					Totals	Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	City Mall	Nonmajor Proprietary		
Operating revenues:							
Electric charges	\$11,051,255					\$11,051,255	
Water charges		\$ 1,976,152				1,976,152	
Sewer charges			\$ 563,723			563,723	
Rental charges				\$ 147,420		147,420	
Refuse charges					\$ 715,529	715,529	
Storm Water charges					168,045	168,045	
Other	189,568	11,319	3,105	416	2,047	206,455	\$ 257,800
Total operating revenues	<u>11,240,822</u>	<u>1,987,471</u>	<u>566,828</u>	<u>147,836</u>	<u>885,621</u>	<u>14,828,578</u>	<u>257,800</u>
Operating expenses:							
Purchased power	6,738,806					6,738,806	
Operations and maintenance	1,417,480	1,158,468	279,691	246,820	746,635	3,849,095	
Administration	467,358	233,678	55,193		27,302	783,531	
Compensated absences							128,197
Depreciation	726,502	500,672	294,948	181,539	15,018	1,718,679	131,085
Tax and tax equivalents	1,098,387					1,098,387	
Total operating expenses	<u>10,448,533</u>	<u>1,892,818</u>	<u>629,832</u>	<u>428,359</u>	<u>788,955</u>	<u>14,188,498</u>	<u>259,282</u>
Operating income (loss)	<u>792,289</u>	<u>94,653</u>	<u>(63,004)</u>	<u>(280,523)</u>	<u>96,666</u>	<u>640,081</u>	<u>(1,482)</u>
Nonoperating revenues (expenses)							
Interest income	573,901	106,650	66,547	1,406	28,713	777,218	83,010
Interest expense	(1,943)	(68,600)				(70,543)	(4,317)
Loss on early extinguishment of debt							
Gain (loss) on disposal of assets	1,864	931				2,795	
Intergovernmental					15,000	15,000	
Total Nonoperating revenues (expenses)	<u>573,822</u>	<u>38,981</u>	<u>66,547</u>	<u>1,406</u>	<u>43,713</u>	<u>724,470</u>	<u>78,693</u>
Income (loss) before transfers and contributions	<u>1,366,112</u>	<u>133,634</u>	<u>3,543</u>	<u>(279,117)</u>	<u>140,379</u>	<u>1,364,551</u>	<u>77,211</u>
Capital contributions		91,865	137,640	50,107		279,612	
Transfers in				90,000		90,000	
Transfers out	<u>(143,856)</u>					<u>(143,856)</u>	
Change in net assets	<u>1,222,256</u>	<u>225,499</u>	<u>141,183</u>	<u>(139,010)</u>	<u>140,379</u>	<u>1,590,307</u>	<u>77,211</u>
Total net assets - January 1	<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>
Total net assets - December 31	<u>\$ 25,029,480</u>	<u>\$ 9,892,970</u>	<u>\$ 8,503,959</u>	<u>\$ 4,983,003</u>	<u>\$ 559,201</u>	<u>\$48,968,613</u>	<u>\$ 957,108</u>

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

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2007

	Business-Type Activities – Enterprise Funds					Totals	Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	City Mall	Nonmajor Proprietary		
Cash flows from operating activities:							
Cash received from customers and users	\$ 10,234,425	\$ 1,922,172	\$ 537,434	\$ 147,836	\$ 869,877	\$ 13,711,744	
Cash received from interfund activities	570,383	53,981	26,289		15,887	666,540	\$ 257,800
Cash paid to suppliers for goods and services	(7,678,315)	(582,028)	(159,163)	(152,699)	(423,317)	(8,995,522)	
Cash paid for interfund activities	(50,203)	(127,996)	(46,611)	(86,684)	(35,568)	(347,062)	
Cash paid to employees	(981,848)	(634,855)	(136,653)		(311,304)	(2,064,660)	(36,032)
Cash paid for taxes and tax equivalents	(1,098,387)		-			(1,098,387)	
Other operating revenues (expenses)	102,441	11,319	3,105		2,047	118,912	
Net cash provided (used) by operating activities	1,098,496	642,593	224,401	(91,547)	117,622	1,991,564	221,768
Cash flows from noncapital financing activities:							
Intergovernmental revenues	194,503				15,000	209,503	
Transfers from other funds				90,000		90,000	
Transfers to other funds	(143,856)					(143,856)	
Interfund receivable	75,000					75,000	
Net cash provided (used) by noncapital financing activities	125,647			90,000	15,000	230,647	
Cash flows from capital and related financing activities:							
Proceeds from capital debt					365,000	365,000	
Acquisition of capital assets	(1,878,349)	(548,287)	(149,175)		(142,215)	(2,718,026)	(189,089)
Proceeds from sale of capital assets	1,864	931					
Customer acquisition costs							
Principal payments on long-term debt		(70,000)				(70,000)	(64,224)
Defeasance payment on bonds							
Interest and fiscal charges on bonds	(1,943)	(68,500)				(70,443)	(4,317)
Proceeds from Long-term Debt							330,000
Net cash (used) by capital and related financing activities	(1,878,428)	(685,856)	(149,175)		222,785	(2,493,469)	72,370
Cash flows from investing activities:							
Interest received on investments	587,412	106,650	66,547	1,403	28,713	790,725	83,011
Proceeds from sales and maturities of investments	3,915,000					3,915,000	
Purchase of investments	(3,819,100)		(110,153)		(246,780)	(4,176,033)	(76,462)
Net cash provided (used) by investing activities	683,312	106,650	(43,606)	1,403	(218,067)	529,692	6,549
Net increase (decrease) in cash and cash equivalents	29,028	63,388	31,620	(144)	137,340	258,434	300,687
Cash and cash equivalents - January 1	1,458,421	2,184,951	633,801	17,207	400,354	4,694,734	786,925
Cash and cash equivalents - December 31	\$ 1,487,449	\$ 2,248,339	\$ 665,421	\$ 17,063	\$ 537,694	\$ 4,953,168	\$ 1,087,612

(continued)

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2007 (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)	\$ 792,289	\$ 94,653	\$ (63,004)	\$ (280,523)	\$ 96,666	\$ 640,081	\$ (1,482)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:							
Depreciation and amortization	726,502	500,672	294,948	181,539	15,018	1,718,679	131,085
Changes in assets and liabilities:							
Accounts receivable	(299,941)	-	-	-	2,190	(297,751)	
Materials and supplies	(162,200)	(37,818)	-	-	-	(200,018)	
Prepaid items	3,012	(12,050)	-	-	-	(9,038)	
Accounts payable	34,941	110,024	(3,954)	7,437	6,679	155,127	
Accrued wages payable	(29,540)	(15,825)	(3,589)	-	(7,819)	(56,773)	
Accrued compensated absences	20,753	2,937	-	-	-	23,690	92,165
Due to other government units	9,570	-	-	-	4,888	14,458	
Customer deposits	3,110	-	-	-	-	3,110	
Net cash provided (used) by operating activities	<u>1,098,496</u>	<u>642,593</u>	<u>224,401</u>	<u>(91,547)</u>	<u>117,622</u>	<u>1,991,565</u>	<u>221,768</u>
Schedule of noncash investing, capital and financing activities:							
Increase (Decrease) in fair value of investments	\$ 91,273					\$ 91,273	
Capital contributions		\$ 91,865	\$ 137,640	\$50,107		279,612	
Cash and cash equivalents are shown on the balance sheet under the following captions:							
Cash and cash equivalents	\$ 1,419,049	\$ 2,152,999	\$ 665,421	\$ 17,063	\$ 537,694	\$ 4,792,226	\$ 1,087,612
Restricted assets:							
Cash in bond accounts		95,340	-			95,340	
Cash in customer deposits	68,400					68,400	
Total cash and cash equivalents - December 31	<u>\$ 1,487,449</u>	<u>\$ 2,248,339</u>	<u>\$ 665,421</u>	<u>\$ 17,063</u>	<u>\$ 537,694</u>	<u>\$ 4,955,966</u>	<u>\$ 1,087,612</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, 2007

ASSETS:

Cash and cash equivalents

\$ 11,904

LIABILITIES:

Due to employees

\$ 11,904

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.

2007 Assessment Projects Fund. This capital projects fund is used to account for assessment projects financed by bond issuance.

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

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

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

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

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

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, 2007, are recorded as prepaid items.

6. Restricted assets

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

7. Capital assets (property, plant and equipment)

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

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

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

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

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

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

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

8. Customer Acquisition Costs

On June 21, 2005, the city purchased electric service territory from Red River Valley Power Cooperative. And, in December 2006, the city purchased electric service territory from PKM Electric. Accordingly, under FASB Statement No. 142, Goodwill and Other Intangible Assets, the Department will periodically reassess the useful life of these costs (and all other capital asset costs) to determine if any impairment losses should be recognized.

9. Compensated absences

The city compensates all employees upon termination for unused vacation pay and for unused sick pay, up to a limit of 1,280 hours. Vacation is accrued as an expenditure or expense as earned in all funds. Accumulated sick leave in the Water Fund and the Electric Fund are recorded as expenses and liabilities in those funds as the benefits accrue to their employees. The Water Fund has accrued a liability of \$132,594 for 4,759 accumulated sick leave hours; the Electric Fund has accrued a liability of \$237,974 for 8,036 accumulated sick leave hours. Additionally, the EDHA has accrued a liability of \$74,629 for 3,214 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 \$1,318,863 is recorded in this fund, reflecting 51,983 accumulated sick leave hours. Sick leave hours exceeding the eligible reimbursement limit of 1,280 hours totaled 1,588.

10. Long-term obligations

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

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

11. Fund equity

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

12. Comparative data

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

13. Property taxes

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

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

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

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

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

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

14. Special assessments receivables

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

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

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

Special assessments receivable includes the following components:

Delinquent - amounts billed to property owners but not paid.

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

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

15. Power cost

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

16. Use of estimates

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

E. Federal Audit Requirements

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

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

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

For 2007, the City of East Grand Forks' audit was performed in accordance with Circular A-133. The auditor's report on consideration of the City's internal control over financial reporting and tests of other matters are issued with this report.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

1. The city administrator submits a proposed operating budget to the city council prior to the end of the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 28, the budget is legally enacted through the passage of a budget resolution.
4. Management may not legally exceed budgeted expenditures at the department level. Monitoring of budgets is maintained at the sub-department level (i.e., police administration, police investigations, police patrols, etc.) and the category level (i.e., personal services; supplies; other services and charges; capital outlay) within each department. Management can alter the budget at the category or activity level within their department but cannot exceed the total budgeted expenditures for the department that was approved by the city council. Management cannot amend the budget at the department level. During the year, no formal supplementary appropriations were made. However, the city council approves all payments of vouchers and payroll at its regular meetings held twice a month, even though budgets may have been exceeded.

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

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2007, expenditures and other uses exceeded appropriations in the following funds: Community Growth Fund (\$35,469), State Aid Street (\$297,422), Transit (\$11,365), Library (\$458), Cemetery (\$2,863) and Insect Control (\$3,216)

In the State Aid Street Fund, additional transfers out to capital project funds were made to meet future capital project needs. The Community Growth Fund received a grant and undertook expenditures without formalizing a budget amendment.

C. Deficit Fund Equity

At December 31, 2007, there are two governmental funds with a deficit fund balance. The \$387,529 deficit fund balance in the 2005 City Projects Fund and the \$119,733 deficit in the 2007 Capital 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, 2007 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	\$ 14,642,092
Investments	12,723,564
Restricted cash and cash equivalents	163,740
Statement of fiduciary assets and liabilities:	
Cash and cash equivalents	11,904
Total cash and investments	<u>\$ 27,541,300.</u>

Cash and investments at December 31, 2007 consist of the following:

Cash:		
Cash on hand	\$	615
Deposit with financial institutions		1,378,465
Cash equivalents:		
4M - Local Government Investment Pool		12,188,413
Money Market Funds		396,670
Investments:		
Various		13,577,137
Total cash, cash equivalents, and investments	\$	<u>27,541,300</u>

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

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. treasury obligations	None	None	None
U.S. agency securities	None	None	None
Banker's acceptances	None	None	None
Commercial paper	270 days	None	None
Negotiable certificates of deposit	None	None	\$100,000
Non-negotiable certificates of deposit	None	None	None
MN state or municipal obligations	None	None	None
Repurchase agreements	None	None	None

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2007, the city's investments in U.S. Agencies are rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The city's investments in negotiable certificates of deposit are below the F.D.I.C. \$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. The city has no formal investment policy.

Disclosures Relating to Interest Rate Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Federal Agencies:		
Federal Farm Credit Bank	\$ 200,000	3.99
Federal Home Loan Bank	2,610,688	4.06
Federal Home Loan Mortgage	3,204,059	6.48
Federal National Mortgage Assn.	2,920,836	6.67
Negotiable certificates of deposit	4,626,124	3.21
Non-negotiable certificates of deposit	215,430	0.48
Money Market Funds	396,670	0.12
Local Government Investment Pool	12,188,413	0.12
	<u>\$ 26,362,220</u>	
Portfolio weighted average maturity		2.34

Concentration of Credit Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Investment Portfolio</u>
Federal Agencies:		
Federal Home Loan Bank	\$2,610,688	9.9%
Federal Home Loan Mortgage	3,204,059	12.2%
Federal National Mortgage Assn.	2,920,836	11.1%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to cover the value of its investment or collateral securities that are in possession of another party. Minnesota statutes do not contain legal requirements that would limit the exposure to

custodial credit risk for deposits or investments, other than the following provision for deposits: Minnesota statutes require that all city deposits be protected by insurance, surety bond, or collateral. The market value of the collateral must be a minimum of 110% of deposits not covered by insurance or bonds (140% in the case of mortgage backed collateral). Authorized collateral includes the legal investment described earlier, as well as certain first mortgage notes, and certain other state or local obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the clerk-treasurer or in a financial institution. The City was undercollateralized by approximately \$ 412,000 at December 31, 2007.

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	\$ 1,906,607	\$ 966,946		\$ 2,873,553
Residential Infrastructure	550,742	425,920		976,662
2007 Assessment Projects	185,470			185,470
12-1-07 Assessment Bonds	54,353			54,353
12-1-04 Assessment Bonds	446,982			446,982
3-1-06 Assessment Bonds	1,528,034	200,982		1,729,016
Nonmajor governmental	4,090,066	1,297,924		5,387,990
Internal service funds	<u>1,087,612</u>	<u>636,845</u>		<u>1,724,457</u>
Total	<u>9,849,866</u>	<u>3,528,617</u>		<u>13,378,483</u>
Business-type				
Activities:				
Electric	1,419,049	8,318,936	\$ 68,400	9,806,385
Water	2,152,999		95,340	2,248,339
Sewage	665,421	629,231		1,294,652
City Mall	17,063			17,063
Nonmajor business-type	<u>537,694</u>	<u>246,780</u>		<u>784,474</u>
Total	<u>4,792,226</u>	<u>9,194,947</u>	<u>163,740</u>	<u>14,150,913</u>
Government-wide total	<u>14,642,092</u>	<u>12,723,564</u>	<u>163,740</u>	<u>27,529,396</u>
Fiduciary fund	11,904			11,904
Total cash and investments	<u>\$ 14,653,996</u>	<u>\$ 12,723,564</u>	<u>\$ 163,740</u>	<u>\$ 27,541,300</u>

NOTE 4. RECEIVABLES AND DEFERRED REVENUES

Interfund Receivables, Payables, and Transfers. At December 31, 2007, 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	\$ 57,666	\$ 51,574	\$ 177,917	\$ 287,154
Residential Infrastructure		1,797,122		1,797,122
12-1-07 Assessment Bonds		2,776,385		2,776,385
12-1-04 Assessment Bonds		2,269,211		2,269,211
3-1-06 Assessment Bonds		2,451,574		2,451,574
Nonmajor Governmental		1,744,042	67,500	1,811,542
Total	<u>\$ 57,666</u>	<u>\$ 11,089,905</u>	<u>\$ 245,417</u>	<u>\$ 11,392,988</u>
Less:				
Property Taxes				\$ (57,666)
Special Assessments				(11,089,905)
Notes Receivable				(245,417)
Total Government-wide deferred revenue				<u>\$ -</u>

Interfund Receivables. The following is the interfund receivables/payables at December 31, 2007:

Receivable Fund	Payable Fund	Amount
Electric Fund	2005 City Projects	\$ 525,000

Transfers. The following interfund transfers are reflected in the fund financial statements at December 31, 2007:

	Transfers In	Transfers Out
Governmental funds:		
General Fund	\$ 68,856	\$ 794,000
Residential Infrastructure		0
2007 Assessment Projects	0	
12-1-07 Assessment Bonds	50,000	
12-1-04 Assessment Bonds	75,948	
3-1-06 Assessment Bonds	269,404	
Nonmajor governmental	1,146,274	762,626
Total governmental funds	<u>1,610,482</u>	<u>1,556,626</u>
Enterprise funds:		
Electric		143,856
City Mall	90,000	
Total enterprise funds	<u>90,000</u>	<u>143,856</u>
Total	<u>\$1,700,482</u>	<u>\$1,700,482</u>

Accounts Receivables. The following accounts receivables are reflected in the fund financial statements at December 31, 2007:

	Current	Days delinquent		Total	Allowance for doubtful Accounts	Net Accounts Receivable
		31-120	Over 120			
Governmental funds:						
General	\$ 450			\$ 450		\$ 450
Levee Projects						
Nonmajor	8,750			8,750		8,750
Total Governmental	<u>9,200</u>			<u>9,200</u>		<u>9,200</u>
Enterprise funds:						
Electric	1,300,309	\$ 49,613	\$ 46,826	1,396,748	\$ (36,000)	1,360,748
Nonmajor (Refuse)	3,075			3,075		3,075
Total enterprise	<u>1,303,384</u>	<u>49,613</u>	<u>46,826</u>	<u>1,399,823</u>	<u>(36,000)</u>	<u>1,363,823</u>
Total	<u>\$ 1,312,584</u>	<u>\$ 49,613</u>	<u>\$ 46,826</u>	<u>\$ 1,409,023</u>	<u>\$ (36,000)</u>	<u>\$ 1,373,023</u>

NOTE 5. CAPITAL ASSETS

	Beginning Balance	Additions	Deletions	Ending Balance	Internal Service Fund Assets	Governmental Funds Total	Internal Service Fund Additions	Governmental Fund Additions
Governmental activities:								
Nondepreciable capital assets								
Land	\$ 31,007,286			\$ 31,007,286		\$ 31,007,286		\$ -
Construction in progress	3,811,676	\$324,500	(\$2,135,026)	2,001,150		2,001,150		324,500
Total	34,818,962	324,500	(2,135,026)	33,008,436		33,008,436		324,500
Depreciable capital assets:								
Buildings, structures, and improvements	87,814,105	3,715,795		91,529,900		91,529,900		3,715,795
Machinery and equipment	5,681,053	440,167		6,121,220	\$ 1,461,840	4,659,380	\$ 189,089	251,078
Infrastructure	30,836,114	2,762,649		33,598,763		33,598,763		2,762,649
Total	124,331,272	6,918,611		131,249,883	1,461,840	129,788,043	189,089	6,729,522
Total capital assets	159,150,234	7,243,111	(2,135,026)	164,258,319	1,461,840	162,796,479	189,089	7,054,022
Less accumulated depreciation for:								
Buildings, structures and improvements	(7,810,046)	(1,793,118)		(9,603,164)		(9,603,164)		(1,793,118)
Machinery and equipment	(2,920,304)	(311,764)		(3,232,068)	(580,327)	(2,651,741)	(131,085)	(180,679)
Infrastructure	(7,649,906)	(841,695)		(8,491,601)		(8,491,601)		(841,695)
Total accumulated depreciation	(18,380,256)	(2,946,577)		(21,326,833)	(580,327)	(20,746,506)	(131,085)	(2,815,492)
Total governmental activities capital assets, net	\$ 140,769,978	\$ 4,296,534	\$ (2,135,026)	\$ 142,931,486	\$ 881,513	\$ 142,049,973	\$ 58,004	\$ 4,238,530
Business-type activities:								
Nondepreciable capital assets								
Land	\$ 715,378			\$ 715,378				
Construction in progress	331,818	\$ 2,145,969	\$ (1,337,360)	1,140,428				
Total	1,047,196	2,145,969	(1,337,360)	1,855,806				
Depreciable capital assets:								
Buildings, structures, and improvements	51,976,530	1,629,122		53,605,652				
Machinery and equipment	4,010,756	448,178	(19,962)	4,438,972				
Total	55,987,286	2,077,300	(19,962)	58,044,624				
Total capital assets	57,034,482	4,223,269	(1,357,322)	59,900,430				
Less accumulated depreciation for:								
Buildings, structures, and improvements	(20,238,112)	(1,562,811)		(21,800,923)				
Machinery and equipment	(3,285,612)	(155,868)	19,962	(3,421,518)				
Total accumulated depreciation	(23,523,724)	(1,718,679)	19,962	(25,222,441)				
Total business-type activities capital assets, net	\$ 33,510,758	\$ 2,504,590	\$ (1,337,360)	\$ 34,677,989				

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

Governmental activities:	
General government	\$ 193,481
Public safety	152,086
Public Works	2,102,983
Culture and Recreation	483,040
Transit	11,094
Cemetery	3,893
Total depreciation expenses - governmental activities	<u>2,946,577</u>
Internal service fund depreciation on capital assets charged to the various functions based on usage.	(131,085)
Depreciation expense excluding internal service fund.	<u>\$ 2,815,492</u>

Business-type activities:	
Electric Fund	\$ 726,502
Water Fund	500,672
Sewer Fund	294,948
City Mall Fund	181,539
Refuse Fund	15,018
Total depreciation expenses - business-type activities	<u>\$ 1,718,679</u>

Discretely presented component units

Economic Development & Housing Authority (EDHA)	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 50,300			\$ 50,300
Total	<u>50,300</u>			<u>50,300</u>
Depreciable capital assets:				
Buildings, structures and improvements	5,503,577			5,503,577
Machinery and equipment	164,914	9,851		174,765
Total	<u>5,668,491</u>	<u>9,851</u>		<u>5,678,342</u>
Total capital assets	<u>5,718,791</u>	<u>9,851</u>		<u>5,728,642</u>
Less accumulated depreciation for:				
Buildings, structures and improvements	(638,517)	(141,314)		(779,831)
Machinery and equipment	(131,453)	(16,407)		(147,860)
Total accumulated depreciation	<u>(769,970)</u>	<u>(157,721)</u>		<u>(927,691)</u>
Total governmental activities capital assets, net	<u>\$ 4,948,821</u>	<u>\$ (147,870)</u>	\$ -	<u>\$ 4,800,951</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 12/31/07
12/01/98	02/01/19	4.6%-5.2%	1,250,000	\$ 815,000
12/01/98 Refunding	02/01/19	4.6%-5.2%	525,000	260,000
12/01/01	02/01/14	4.0%-5.0%	700,000	575,000
12/01/01 Refunding	12/01/22	4.0%-5.0%	345,000	180,000
12/01/03	12/01/24	3.1%-4.8%	1,000,000	890,000
04/01/04 Refunding	02/01/16	2.8%-4.3%	260,000	195,000
12/01/04	02/01/25	3.0%-4.4%	4,655,000	4,280,000
03/01/06	02/01/27	3.3%-4.3%	4,075,000	4,075,000
12/01/07	02/01/28	3.4%-4.25%	3,560,000	3,560,000
Total governmental activities				<u>\$ 14,830,000</u>

Business-type activities

Revenue bonds:	Final Maturity	Interest Rates	Issue Amount	
General obligation-water revenue (2001)	02/01/21	4.6%-5.2%	\$ 1,750,000	\$ 1,345,000
Total business-type activities				<u>\$ 1,345,000</u>

Notes to the Financial Statements
December 31, 2007

CITY OF EAST GRAND FORKS

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
2008	\$ 825,000	\$ 534,688	\$ 70,000	\$ 64,848
2009	1,005,000	546,894	75,000	61,513
2010	1,055,000	508,227	75,000	58,062
2011	1,095,000	467,493	80,000	54,397
2012	1,115,000	425,184	85,000	50,396
2013-17	4,405,000	1,528,196	480,000	184,756
2018-22	3,400,000	754,145	480,000	50,609
2023-27	1,860,000	177,672	-	-
2028-32	70,000	1,488	-	-
Total	\$ 14,830,000	\$ 4,943,987	\$ 1,345,000	\$ 524,581

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

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

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 59,884	\$ 16,281	\$ 64,281	\$ 19,366
2009	62,654	13,511	70,385	13,262
2010	65,816	10,349	73,490	10,158
2011	69,100	7,066	76,730	6,917
2012	72,546	3,619	80,114	3,532
Total	\$ 330,000	\$ 50,826	\$ 365,000	\$ 53,235

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

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2007:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation	\$ 10,925,000	\$ 3,560,000	\$ (360,000)	\$ 14,125,000	\$ 745,000
General obligation-refunding	785,000		(80,000)	705,000	80,000
Unamortized Premium	40,696		(1,543)	39,153	
Unamortized Discount	(47,195)	(45,988)	810	(92,372)	
Total	11,703,501	3,514,014	(440,734)	14,776,782	825,000
General obligation - certificates of indebtedness	64,223	330,000	(64,223)	330,000	64,223
Capital leases payable					
Compensated absences	1,226,697	92,166		1,318,863	40,000
Governmental activities total	\$ 12,994,421	\$ 3,936,180	\$ (504,957)	\$ 16,425,645	\$ 929,223
Business-type activities:					
Bonds payable:					
G.O. - water revenue	\$ 1,415,000		\$ (70,000)	\$ 1,345,000	\$ 70,000
Revenue - electric revenue					
Unamortized bond discount	(14,150)		700	(13,450)	
Total	1,400,850		(69,300)	1,331,550	70,000
Cert of Indbtness-Refuse		\$ 365,000		365,000	
Compensated absences	346,878	31,487	(7,797)	370,568	34,600
Due to component unit					
Business-type activities total	1,747,728	396,487	(77,097)	2,067,118	104,600
Government-wide total	\$ 14,742,149	\$ 4,332,667	\$ (582,054)	\$ 18,492,763	\$ 1,033,823
	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Business-type activities:					
Intermediary relending notes	\$ 527,552		\$ (25,583)	\$ 501,969	\$ 25,824
Compensated absences	60,436	\$ 14,193		74,629	7,850
Special assessments	77,024		(7,638)	69,386	7,800
Business-type activities total	\$ 665,012	\$ 14,193	\$ (33,221)	\$ 645,984	\$ 41,474

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

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

CHANGES IN LONG-TERM LIABILITIES. Long-term liability activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Business-type activities:					
Intermediary relending notes	\$ 527,552		\$ (25,583)	\$ 501,969	\$ 25,824
Compensated absences	60,436	\$ 14,193		74,629	7,850
Special assessments	77,024		(7,638)	69,386	7,800
Business-type activities total	\$ 665,012	\$ 14,193	\$ (33,221)	\$ 645,984	\$ 41,474

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

Year Ending December 31	Intermediary Relending Principal	Interest
2008	\$ 25,823	\$ 5,020
2009	26,082	4,761
2010	26,342	4,501
2011	26,606	4,237
2012	26,872	3,971
2013-17	138,444	15,771
2018-22	145,506	8,709
2023-25	86,294	1,686
Total	\$ 501,969	\$ 48,656

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:

	2005	2006	2007
Paid Losses	\$6,099	\$35,095	\$1,718
Paid Expenses	---	20	8,430
Reserve Losses	---	---	21,000
Reserve Expenses	---	---	21,570
Total Incurred	6,099	35,115	52,718
Salvage/Subrogate	---	-5,349	---
Deductible Recovery	-2,000	-7,371	-1,000

The city's commercial insurance carrier has no set reserve losses or reserve expenses for claims filed after December 31, 2007, for incidents occurring prior to that date.

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

NOTE 8. CLAIMS AND JUDGEMENTS

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

As of December 31, 2007, significant amounts of grant expenditures have not been audited, but the city believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the city. Additionally, deferred revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan Description

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

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

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by State Statute, and vest after three years of credited service. The defined

retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for Basic Plan members is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF the annuity accrual rate is 3.0 percent for each year of service. For all PERF and PEPFF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The city makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 5.75%, respectively, of their annual covered salary in 2007. Contribution rates in the Coordinated Plan will increase in 2008 to 6.00%. PEPFF members were required to contribute 7.8% of their annual covered salary 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, 6.25% for Coordinated Plan members, and 11.7% for PEPFF members. The city's contributions to the Public Employees Retirement Fund for the years ending December 31, 2007, 2006, and 2005, were \$195,621, \$180,646, and \$164,955, respectively. The city's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2007, 2006, and 2005 were \$203,050, \$174,433, and \$157,929, 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 2007 were:

Amount		Percentage of Covered Payroll		Required
<u>Employees</u>	<u>Employer</u>	<u>Employees</u>	<u>Employer</u>	<u>Rates</u>
\$1,920	\$1,920	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 \$4,264,912, or 38%, of the Electric Fund's operating revenue; the company's water purchases account for \$495,909, or 30%, of the Water Fund's operating revenue. The city collected \$476,326 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:

<u>Year Ending December 31,</u>	
2008	\$ 101,825
2009	104,045
2010	106,265
2011	86,340
2012	37,950
Thereafter	90,000
Total	<u>\$ 526,425</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	\$ 4,487,817	\$ 1,141,452	\$ 131,349
Infill Building	1,466,300	223,100	39,000
DeMers Professional	455,800	62,954	11,190
	<u>\$ 6,409,917</u>	<u>\$ 1,427,506</u>	<u>\$ 181,539</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, 2007, the city had the following remaining commitments for uncompleted construction contracts:

<u>Fund/Project</u>	
Sherlock Park Building	\$ 19,086
2006 City Project No 1: 13th St SE	410,822

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

The city entered into an agreement in 2004 with PKM to acquire electric service territory. The Department will pay PKM ½ cent per kilowatt hour sold on every meter in the newly acquired area for 10 years. The Department paid to PKM \$2,633 for electricity sold to the customers in the annexed service territory during 2007.

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:

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

NOTE 15. CONDUIT DEBT OBLIGATION

The city has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial and industrial facilities which are deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issue. The city is not obligated in any manner for the payment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2007, five series of Industrial Revenue Bonds were outstanding with remaining principal balances of \$17,600,000, \$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, 2007, there are no amounts for arbitrage rebates.

NOTE 17. NEW PRONOUNCEMENTS

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions* will be effective for the entity beginning with its year ending December 31, 2008. This Statement establishes standards for the measurement, recognition and display of other post employment benefits expenses and related liabilities or assets, note disclosures and, if applicable, required supplementary information in the financial reports.

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* will be effective for the entity beginning with its year ending December 31, 2008. This Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. This standard requires the government to estimate the components of expected pollution remediation outlays and determine whether the outlays for those components should be accrued as a liability or, if appropriate, capitalized when goods and services are acquired.

GASB Statement No. 50, *Pension Disclosures*, an amendment of GASB Statement Nos. 25 and 27 will be effective for the entity beginning with its year ending December 31, 2008. This Statement more closely aligns the financial reporting requirements for pensions with those for other post employment benefits (OPEB) and, in doing so, enhances information disclosed in notes to the financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits.

The provisions of GASB Statement No. 50 generally are effective for periods beginning after June 15, 2007, with early implementation encouraged. The requirements relating to governments using the aggregate actuarial cost method are effective for financial statements and required supplementary information that contains information from actuarial valuations as of June 15, 2007, or later.

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

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.

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: 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.

2006 Assessment Projects. This fund is used to account for the construction of water, sewer, curb, gutter and paving started in 2006 and benefiting City properties.

2007 City Projects This fund is used to account for locally funded projects started in 2007 with multiple year construction periods.

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

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

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



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**Combining Balance Sheet
Nonmajor Governmental Funds by Fund Type
December 31, 2007**

	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	\$ 1,393,601	\$ 1,458,113	\$ 1,158,002	\$ 80,350	\$ 4,090,066
Investments	593,475	405,043	299,406		1,297,924
Accounts receivable	5,730		3,020		8,750
Due from other government units	116,263	12,338	78,871		207,472
Special assessments receivable:					
Delinquent		23,180			23,180
Deferred		1,720,862			1,720,862
Notes Receivable	67,500				67,500
Land held for resale	333,655				333,655
Total Assets	<u>2,510,224</u>	<u>3,619,536</u>	<u>1,539,299</u>	<u>80,350</u>	<u>7,749,409</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	19,083		276,438		295,521
Accrued wages payable	2,866				2,866
Due to other government units	106,319				106,319
Interfund payable			525,000		525,000
Deferred revenue	67,500	1,744,042			1,811,542
Total Liabilities	<u>195,767</u>	<u>1,744,042</u>	<u>801,438</u>		<u>2,741,247</u>
Fund balances:					
Reserved for debt service		1,875,494			1,875,494
Reserved for library				76,000	76,000
Reserved for land held for resale	333,655				333,655
Unreserved, undesignated	1,980,802		737,861	4,350	2,723,013
Total Fund Balances	<u>2,314,457</u>	<u>1,875,494</u>	<u>737,861</u>	<u>80,350</u>	<u>5,008,162</u>
Total Liabilities and Fund Balances	<u>\$ 2,510,224</u>	<u>\$ 3,619,536</u>	<u>\$ 1,539,299</u>	<u>\$ 80,350</u>	<u>\$ 7,749,409</u>

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds by Fund Type
Year Ended December 31, 2007**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Campbell- Olson Fund	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental	\$ 436,974		\$ 2,363,912		\$ 2,800,886
Special assessments		\$ 432,476			432,476
Charges for services	288,015				288,015
Interest and other revenues	145,025	50,320	144,608	\$ 4,350	344,303
Total Revenues	<u>870,014</u>	<u>482,796</u>	<u>2,508,520</u>	<u>4,350</u>	<u>3,865,680</u>
Expenditures:					
Current:					
Public works	55,676				55,676
Recreation and culture	405,846				405,846
Transit	268,674				268,674
Community development	232,699				232,699
Cemetery	31,363				31,363
Capital outlay	125,436		3,499,409		3,624,845
Debt service:					
Principal retirement		235,000			235,000
Interest and fiscal agent fees		140,171			140,171
Total expenditures	<u>1,119,694</u>	<u>375,171</u>	<u>3,499,409</u>		<u>4,994,274</u>
Excess (deficiency) of revenues over expenditures	<u>(249,680)</u>	<u>107,625</u>	<u>(990,889)</u>	<u>4,350</u>	<u>(1,128,594)</u>
Other financing sources (uses)					
Transfers in	432,737		713,537		1,146,274
Transfers out	(338,537)		(420,352)	(3,737)	(762,626)
Long-term debt issued		725,000			725,000
Total other financing sources (uses)	<u>94,200</u>	<u>725,000</u>	<u>293,185</u>	<u>(3,737)</u>	<u>1,108,648</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(155,480)</u>	<u>832,625</u>	<u>(697,704)</u>	<u>613</u>	<u>(19,946)</u>
Fund balance at beginning of year	2,469,937	1,042,869	1,435,565	79,737	5,028,108
Fund balance at end of year	<u>\$ 2,314,457</u>	<u>\$ 1,875,494</u>	<u>\$ 737,861</u>	<u>\$ 80,350</u>	<u>\$ 5,008,162</u>

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2007**

	<u>Community Growth</u>	<u>State Aid Street</u>	<u>Transit</u>	<u>New Home Incentive</u>	<u>Library</u>
ASSETS					
Cash and cash equivalents	\$ 203,224	\$ 208,783	\$ 29,725	\$ 642,372	\$ 80,758
Investments				593,475	
Accounts receivable				67,500	
Notes Receivable					
Due from other government units			116,263		
Land held for resale				333,655	
Total Assets	<u>203,224</u>	<u>208,783</u>	<u>145,988</u>	<u>1,637,002</u>	<u>80,758</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		918	6,209	740	7,429
Accrued wages payable					966
Due to other government units			106,319		
Deferred Revenue				67,500	
Total liabilities		<u>918</u>	<u>112,528</u>	<u>68,240</u>	<u>8,394</u>
Fund balances:					
Reserved for land held for resale				333,655	
Unreserved, undesignated	203,224	207,865	33,460	1,235,107	72,364
Total fund balances	<u>203,224</u>	<u>207,865</u>	<u>33,460</u>	<u>1,568,762</u>	<u>72,364</u>
Total liabilities and fund balances	<u>\$ 203,224</u>	<u>\$ 208,783</u>	<u>\$ 145,988</u>	<u>\$ 1,637,002</u>	<u>\$ 80,758</u>

(continued)

Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2007 (continued)

	Senior Center	Cemetery	Insect Control	Perpetual Care	Total
ASSETS					
Cash and cash equivalents	\$ 31,547	\$ (198)	\$ 88,332	\$ 109,058	\$ 1,393,601
Investments					593,475
Accounts receivable		5,730			5,730
Notes Receivable					67,500
Due from other government units					116,263
Land held for resale					333,655
Total Assets	<u>31,547</u>	<u>5,532</u>	<u>88,332</u>	<u>109,058</u>	<u>2,510,224</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	1,437	2,350			19,083
Accrued wages payable	1,900				2,866
Due to other government units					106,319
Deferred Revenue					67,500
Total liabilities	<u>3,337</u>	<u>2,350</u>			<u>195,767</u>
Fund balances:					
Reserved for land held for resale					333,655
Unreserved, undesignated	28,210	3,182	88,332	109,058	1,980,802
Total fund balances	<u>28,210</u>	<u>3,182</u>	<u>88,332</u>	<u>109,058</u>	<u>2,314,457</u>
Total liabilities and fund balances	<u>\$ 31,547</u>	<u>\$ 5,532</u>	<u>\$ 88,332</u>	<u>\$ 109,058</u>	<u>\$ 2,510,224</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2007**

	<u>Community Growth</u>	<u>State Aid Street</u>	<u>Transit</u>	<u>New Home Incentive</u>	<u>Library</u>
Revenues:					
Intergovernmental	\$ 45,611	\$ 128,823	\$ 262,540		
Charges for services			4,000	\$ 196,165	\$ 1,340
Other revenue:					
Program income	1,413				
Interest revenue	10,551	26,313	3,150	62,780	74
Other					23,872
Total revenues	<u>57,575</u>	<u>155,136</u>	<u>269,690</u>	<u>258,945</u>	<u>25,286</u>
Expenditures:					
Current:					
Public works		28,885			
Recreation and culture					325,738
Community development	45,469			187,230	
Transit			268,674		
Cemetery					
Capital outlay			79,691		6,120
Total expenditures	<u>45,469</u>	<u>28,885</u>	<u>348,365</u>	<u>187,230</u>	<u>331,858</u>
Excess (deficiency) of revenues over expenditures	<u>12,106</u>	<u>126,251</u>	<u>(78,675)</u>	<u>71,715</u>	<u>(306,572)</u>
Other financing sources (uses):					
Transfers in			35,000		322,937
Transfers out		(338,537)			
Total other financing sources (uses)		<u>(338,537)</u>	<u>35,000</u>		<u>322,937</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	12,106	(212,286)	(43,675)	71,715	16,365
Fund balance at beginning of year	191,118	420,151	77,135	1,497,047	55,999
Fund balance at end of year	<u>\$ 203,224</u>	<u>\$ 207,865</u>	<u>\$ 33,460</u>	<u>\$ 1,568,762</u>	<u>\$ 72,364</u>

(continued)

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2007** (continued)

	<u>Senior Center</u>	<u>Cemetery</u>	<u>Insect Control</u>	<u>Perpetual Care</u>	<u>Total</u>
Revenues:					
Intergovernmental					\$ 436,974
Charges for services	\$ 9,056	\$ 27,010	\$ 43,044	\$ 7,400	288,015
Other revenue:					
Program income	5,834				7,247
Interest revenue	466	258	5,023	5,291	113,906
Other					23,872
Total revenues	<u>15,356</u>	<u>27,268</u>	<u>48,067</u>	<u>12,691</u>	<u>870,014</u>
Expenditures:					
Current:					
Public works			26,791		55,676
Recreation and culture	80,108				405,846
Community development					232,699
Transit					268,674
Cemetery		31,363			31,363
Capital outlay			39,625		125,436
Total expenditures	<u>80,108</u>	<u>31,363</u>	<u>66,416</u>	<u>12,691</u>	<u>1,119,694</u>
Excess (deficiency) of revenues over expenditures	<u>(64,752)</u>	<u>(4,095)</u>	<u>(18,349)</u>	<u>12,691</u>	<u>(249,680)</u>
Other financing sources (uses):					
Transfers in	74,800				432,737
Transfers out					(338,537)
Total other financing sources (uses)	<u>74,800</u>	<u> </u>	<u> </u>	<u> </u>	<u>94,200</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	10,048	(4,095)	(18,349)	12,691	(155,480)
Fund balance at beginning of year	18,162	7,277	106,681	96,367	2,469,937
Fund balance at end of year	<u>\$ 28,210</u>	<u>\$ 3,182</u>	<u>\$ 88,332</u>	<u>\$ 109,058</u>	<u>\$ 2,314,457</u>

**Combining Balance Sheet
 Nonmajor Debt Service Funds
 December 31, 2007**

	<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	\$ 981,623	\$ 229,387	\$ 173,454	\$ 73,649	\$ 1,458,113
Investments	227,408	177,635	-	-	405,043
Due from other government units:	-				
Unremitted special assessments	6,166	3,758	1,312	1,102	12,338
Special assessments receivable:	-				
Delinquent	-	5,908	13,071	4,201	23,180
Deferred	-	639,863	809,847	271,152	1,720,862
Total assets	<u>\$ 1,215,197</u>	<u>\$ 1,056,551</u>	<u>\$ 997,684</u>	<u>\$ 350,104</u>	<u>\$ 3,619,536</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred Revenue:					
Special Assessments	\$ -	\$ 645,771	\$ 822,918	\$ 275,353	\$ 1,744,042
Total liabilities	<u>-</u>	<u>645,771</u>	<u>822,918</u>	<u>275,353</u>	<u>1,744,042</u>
Fund balances:					
Reserved debt service	1,215,197	410,780	174,766	74,751	1,875,494
Total fund balances	<u>1,215,197</u>	<u>410,780</u>	<u>174,766</u>	<u>74,751</u>	<u>1,875,494</u>
Total liabilities and fund balances	<u>\$ 1,215,197</u>	<u>\$ 1,056,551</u>	<u>\$ 997,684</u>	<u>\$ 350,104</u>	<u>\$ 3,619,536</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Debt Service Funds
Year Ended December 31, 2007**

	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	\$ 154,005	\$ 87,119	\$ 141,496	\$ 49,856	\$ 432,476
Other revenue:	-	-	-	-	-
Interest on investments	24,050	18,787	5,197	2,286	50,320
Total revenues	<u>178,055</u>	<u>105,906</u>	<u>146,693</u>	<u>52,142</u>	<u>482,796</u>
Expenditures:	-	-	-	-	-
Debt service:	-	-	-	-	-
Principal retirement	110,000	55,000	40,000	30,000	235,000
Interest and fiscal agent fees	56,260	38,369	38,266	7,276	140,171
Other debt expenditures	-	-	-	-	-
Total expenditures	<u>166,260</u>	<u>93,369</u>	<u>78,266</u>	<u>37,276</u>	<u>375,171</u>
Excess (deficiency) of revenues over expenditures	<u>11,795</u>	<u>12,537</u>	<u>68,427</u>	<u>14,866</u>	<u>107,625</u>
Other financing sources (uses):	-	-	-	-	-
Long-term debt issued	725,000	-	-	-	725,000
Total other financing sources and (uses)	<u>725,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>725,000</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	736,795	12,537	68,427	14,866	832,625
Fund balance at beginning of year	478,402	398,243	106,339	59,885	1,042,869
Fund balance at end of year	<u>\$ 1,215,197</u>	<u>\$ 410,780</u>	<u>\$ 174,766</u>	<u>\$ 74,751</u>	<u>\$ 1,875,494</u>

Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2007

	Levee Projects	1997 Community Development	1997 Downtown Development	2005 City Projects	2004/05 Assessment Projects	2006 Assessment Projects	2007 Capital Projects	Total
ASSETS								
Cash and cash equivalents	\$ 503,398	\$ 215,754	\$ 170,501	\$ 179,006	\$ -	\$ 822	\$88,521	\$ 1,158,002
Investments	299,406				-			299,406
Accounts receivable			3,020		-			3,020
Due from other Governmental Units	78,871							78,871
Total Assets	<u>881,675</u>	<u>215,754</u>	<u>173,521</u>	<u>179,006</u>	<u>-</u>	<u>822</u>	<u>88,521</u>	<u>1,539,299</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	25,827			41,535	-	822	208,254	276,438
Due to Other Government Units				-				-
Interfund Payable				525,000				525,000
Total liabilities	<u>25,827</u>			<u>566,535</u>	<u>-</u>	<u>822</u>	<u>208,254</u>	<u>801,438</u>
Fund balances:								
Unreserved, undesignated	855,848	215,754	173,521	(387,529)	-	-	(119,733)	737,861
Total fund balances	<u>855,848</u>	<u>215,754</u>	<u>173,521</u>	<u>(387,529)</u>	<u>-</u>	<u>-</u>	<u>(119,733)</u>	<u>737,861</u>
Total liabilities and fund balances	<u>\$ 881,675</u>	<u>\$ 215,754</u>	<u>\$ 173,521</u>	<u>\$ 179,006</u>	<u>\$ -</u>	<u>\$ 822</u>	<u>\$ 88,521</u>	<u>\$ 1,539,299</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Capital Projects Funds
Year Ended December 31, 2007**

	Levee Projects	1997 Community Development	1997 Downtown Development	2005 City Projects	2004/05 Assessment Projects	2006 Assessment Projects	2007 Capital Projects	Total
Revenues:								
Other revenue:								
Intergovernmental	\$ 1,191,168			\$ 601,775			\$ 570,969	\$ 2,363,912
Program income	11,389	\$ 48,580						59,969
Interest	14,642	11,926	\$ 10,451	5,076	\$ 6,481	\$ 26,276	9,787	84,639
Total revenues	<u>1,217,199</u>	<u>60,506</u>	<u>10,451</u>	<u>606,851</u>	<u>6,481</u>	<u>26,276</u>	<u>580,756</u>	<u>2,508,520</u>
Expenditures:								
Capital outlay:								
Land and buildings		50,154						50,154
Infrastructure construction	1,067,319			786,548	31,022	375,340	1,189,026	3,449,255
Total expenditures	<u>1,067,319</u>	<u>50,154</u>		<u>786,548</u>	<u>31,022</u>	<u>375,340</u>	<u>1,189,026</u>	<u>3,499,409</u>
Excess (deficiency) of revenues over expenditures	<u>149,880</u>	<u>10,352</u>	<u>10,451</u>	<u>(179,697)</u>	<u>(24,541)</u>	<u>(349,064)</u>	<u>(608,270)</u>	<u>(990,889)</u>
Other financing sources (uses):								
Transfers in				225,000			488,537	713,537
Transfers out			(75,000)		(75,948)	(269,404)		(420,352)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(75,000)</u>	<u>225,000</u>	<u>(75,948)</u>	<u>(269,404)</u>	<u>488,537</u>	<u>293,185</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>149,880</u>	<u>10,352</u>	<u>(64,549)</u>	<u>45,303</u>	<u>(100,489)</u>	<u>(618,468)</u>	<u>(119,733)</u>	<u>(697,704)</u>
Fund balance at beginning of year	705,968	205,402	238,070	(432,832)	100,489	618,468		1,435,565
Fund balance at end of year	<u>\$ 855,848</u>	<u>\$ 215,754</u>	<u>\$ 173,521</u>	<u>\$ (387,529)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (119,733)</u>	<u>\$ 737,861</u>

**Community Growth Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental		\$ -	\$ 45,611	\$ 45,611
Other revenues:				
Program income	\$ 10,000	10,000	1,413	(8,587)
Interest revenue			10,551	10,551
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>57,575</u>	<u>47,575</u>
Expenditures:				
Community development:				
Contractual services	10,000	10,000	42,875	32,875
Other expenditures			2,594	2,594
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>45,469</u>	<u>35,469</u>
Excess (deficiency) of revenues over expenditures			12,106	12,106
Fund balance at beginning of year	191,118	191,118	191,118	
Fund balance at end of year	<u>\$ 191,118</u>	<u>\$ 191,118</u>	<u>\$ 203,224</u>	<u>\$ 12,106</u>

State Aid Street Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 35,000	\$ 35,000	\$ 128,823	\$ 93,823
Other revenues:				
Interest revenue			26,313	26,313
Total revenue	<u>35,000</u>	<u>35,000</u>	<u>155,136</u>	<u>120,136</u>
Expenditures:				
Public works:				
Contractual services	35,000	35,000	28,885	6,115
Capital outlay				
Total expenditures	<u>35,000</u>	<u>35,000</u>	<u>28,885</u>	<u>6,115</u>
Excess (deficiency) of revenues over expenditures			<u>126,251</u>	<u>126,251</u>
Other financing sources (uses):				
Transfers out	<u>(35,000)</u>	<u>(35,000)</u>	<u>(338,537)</u>	<u>(303,537)</u>
Total other financing sources (uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(338,537)</u>	<u>(303,537)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>(212,286)</u>	<u>(177,286)</u>
Fund balance at beginning of year	420,151	420,151	420,151	
Fund balance at end of year	<u>\$ 385,151</u>	<u>\$ 385,151</u>	<u>\$ 207,865</u>	<u>\$ (177,286)</u>

Transit Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 277,000	\$ 277,000	\$ 262,540	\$ (14,460)
Charges for services	16,000	\$ 16,000	4,000	(12,000)
Other revenues:				
Interest revenue			3,150	3,150
Total Revenues	<u>293,000</u>	<u>293,000</u>	<u>269,690</u>	<u>(23,310)</u>
Expenditures:				
Transit:				
Contractual services	253,400	253,400	262,671	9,271
Capital outlay	80,000	80,000	79,691	(309)
Other expenditures	3,600	3,600	6,003	2,403
Total expenditures	<u>337,000</u>	<u>337,000</u>	<u>348,365</u>	<u>11,365</u>
Excess (deficiency) of revenues over expenditures	<u>(44,000)</u>	<u>(44,000)</u>	<u>(78,675)</u>	<u>(34,675)</u>
Other financing sources (uses):				
Transfers in	44,000	44,000	35,000	(9,000)
Total other financing sources (uses)	<u>44,000</u>	<u>44,000</u>	<u>35,000</u>	<u>(9,000)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)			<u>(43,675)</u>	<u>(43,675)</u>
Fund balance at beginning of year	<u>77,135</u>	<u>77,135</u>	<u>77,135</u>	
Fund balance at end of year	<u>\$ 77,135</u>	<u>\$ 77,135</u>	<u>\$ 33,460</u>	<u>\$ (43,675)</u>

**New Home Incentive Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual
 Year Ended December 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 300,000	\$ 300,000	\$ 196,165	\$ (103,835)
Other revenues:				
Interest revenue	8,000	8,000	62,780	54,780
Total revenues	<u>308,000</u>	<u>308,000</u>	<u>258,945</u>	<u>(49,055)</u>
Expenditures:				
Community development:				
Contractual services	36,500	36,500	39,997	3,497
Other expenditures	265,000	265,000	147,233	(117,767)
Total expenditures	<u>301,500</u>	<u>301,500</u>	<u>187,230</u>	<u>(114,270)</u>
Excess (deficiency) of revenues over expenditures	<u>6,500</u>	<u>6,500</u>	<u>71,715</u>	<u>65,215</u>
Other financing sources (uses):				
Transfers in				
Transfers out				
Total other financing sources (uses)				
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>6,500</u>	<u>6,500</u>	<u>71,715</u>	<u>65,215</u>
Fund balance at beginning of year	<u>1,497,047</u>	<u>1,497,047</u>	<u>1,497,047</u>	
Fund balance at end of year	<u>\$ 1,503,547</u>	<u>\$ 1,503,547</u>	<u>\$ 1,568,762</u>	<u>\$ 65,215</u>

Library Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 1,600	\$ 1,600	\$ 1,340	\$ (260)
Other revenues:				
Interest revenue	500	500	74	(426)
Other	10,100	10,100	23,872	13,772
Total revenues	<u>12,200</u>	<u>12,200</u>	<u>25,286</u>	<u>13,086</u>
Expenditures:				
Culture and recreation:				
Personal services	224,500	224,500	223,564	(936)
Supplies	47,400	47,400	44,287	(3,113)
Contractual services	56,500	56,500	54,327	(2,173)
Capital outlay			6,120	6,120
Other expenditures	3,000	3,000	3,560	560
Total expenditures	<u>331,400</u>	<u>331,400</u>	<u>331,858</u>	<u>458</u>
Excess (deficiency) of revenues over expenditures	<u>(319,200)</u>	<u>(319,200)</u>	<u>(306,572)</u>	<u>12,628</u>
Other financing sources (uses):				
Transfers in	319,200	319,200	322,937	3,737
Total other financing sources (uses)	<u>319,200</u>	<u>319,200</u>	<u>322,937</u>	<u>3,737</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)			16,365	16,365
Fund balance at beginning of year	55,999	55,999	55,999	55,999
Fund balance at end of year	<u>\$ 55,999</u>	<u>\$ 55,999</u>	<u>\$ 72,364</u>	<u>\$ 72,364</u>

**Senior Center Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 14,000	\$ 14,000	\$ 9,056	\$ (4,944)
Other revenues:				
Interest revenue			466	466
Other	1,500	1,500	5,834	4,334
Total revenues	<u>15,500</u>	<u>15,500</u>	<u>15,356</u>	<u>(144)</u>
Expenditures:				
Culture and recreation:				
Personal services	57,900	57,900	54,823	(3,077)
Supplies	7,500	7,500	6,298	(1,202)
Contractual services	23,400	23,400	18,334	(5,066)
Capital outlay				
Other expenditures	1,500	1,500	653	(847)
Total expenditures	<u>90,300</u>	<u>90,300</u>	<u>80,108</u>	<u>(10,192)</u>
Excess (deficiency) of revenues over expenditures	<u>(74,800)</u>	<u>(74,800)</u>	<u>(64,752)</u>	<u>10,048</u>
Other financing sources (uses):				
Transfers in	74,800	74,800	74,800	
Total other financing sources (uses)	<u>74,800</u>	<u>74,800</u>	<u>74,800</u>	
Excess (deficiency) of revenues over expenditures and other sources (uses)			10,048	10,048
Fund balance at beginning of year	18,162	18,162	18,162	
Fund balance at end of year	<u>\$ 18,162</u>	<u>\$ 18,162</u>	<u>\$ 28,210</u>	<u>\$ 10,048</u>

Cemetery Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 45,500	\$ 45,500	\$ 27,010	\$ (18,490)
Other revenues:				
Interest revenue			258	258
Total revenues	<u>45,500</u>	<u>45,500</u>	<u>27,268</u>	<u>(18,232)</u>
Expenditures:				
Other:				
Personal services	17,700	17,700	8,707	(8,993)
Supplies	2,500	2,500	4,031	1,531
Contractual services	18,800	1,800	18,321	16,521
Capital outlay	5,000	5,000		(5,000)
Other expenditures	1,500	1,500	304	(1,196)
Total expenditures	<u>45,500</u>	<u>28,500</u>	<u>31,363</u>	<u>2,863</u>
Excess (deficiency) of revenues over expenditures		<u>17,000</u>	<u>(4,095)</u>	<u>(21,095)</u>
Other financing sources (uses):				
Transfers in				
Total other financing sources (uses)				
Excess (deficiency) of revenues over expenditures and other sources (uses)		<u>17,000</u>	<u>(4,095)</u>	<u>(21,095)</u>
Fund balance at beginning of year	<u>7,277</u>	<u>7,277</u>	<u>7,277</u>	
Fund balance at end of year	<u>\$ 7,277</u>	<u>\$ 24,277</u>	<u>\$ 3,182</u>	<u>\$ (21,095)</u>

**Insect Control Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual
 Year Ended December 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 41,000	\$ 41,000	\$ 43,044	\$ 2,044
Other revenue:				
Interest revenue			5,023	5,023
Total revenues	<u>41,000</u>	<u>41,000</u>	<u>48,067</u>	<u>7,067</u>
Expenditures:				
Public Works:				
Personal services	9,200	9,200	4,919	(4,281)
Supplies	15,000	15,000	13,203	(1,797)
Contractual services	3,000	3,000	7,964	4,964
Capital outlay	35,000	35,000	39,625	4,625
Other expenditures	1,000	1,000	705	(295)
Total expenditures	<u>63,200</u>	<u>63,200</u>	<u>66,416</u>	<u>3,216</u>
Excess (deficiency) of revenues over expenditures	(22,200)	(22,200)	(18,349)	3,851
Fund balance at beginning of year	106,681	106,681	106,681	
Fund balance at end of year	<u>\$ 84,481</u>	<u>\$ 84,481</u>	<u>\$ 88,332</u>	<u>\$ 3,851</u>

**Perpetual Care Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual
 Year Ended December 31, 2007**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 14,000	\$ 14,000	\$ 7,400	\$ (6,600)
Other revenue:				
Interest revenue	2,000	2,000	5,291	3,291
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>12,691</u>	<u>(3,309)</u>
Other financing sources (uses):				
Operating transfers in				
Total other financing sources (uses)				
Excess (deficiency) of revenues over expenditures and other sources (uses)	16,000	16,000	12,691	(3,309)
Fund balance at beginning of year	<u>96,367</u>	<u>96,367</u>	<u>96,367</u>	
Fund balance at end of year	<u>\$ 112,367</u>	<u>\$ 112,367</u>	<u>\$ 109,058</u>	<u>\$ (3,309)</u>



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NONMAJOR PROPRIETARY FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

NONMAJOR PROPRIETARY FUNDS are used to account for operations financed and operated in a manner similar to private business or where the governing body has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

Refuse Fund. This fund is used to account for the provision of refuse collection and recycling services to residential and commercial customers.

Storm Water Protection Fund. This fund is used to account for the activities related to the operation and maintenance of the storm water protection system as well as the surface water collection and drainage system.



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Combining Statement of Net Assets Nonmajor Proprietary Funds December 31, 2007

	Refuse	Storm Water	Totals
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 467,671	\$ 70,023	\$ 537,694
Investments	246,780		246,780
Account receivable (net)	3,075		3,075
Due from other government units	15,000		15,000
Total current assets	<u>732,526</u>	<u>70,023</u>	<u>802,549</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	469,176		469,176
Less accumulated depreciation	(315,443)		(315,443)
Total capital assets (net)	<u>153,733</u>		<u>153,733</u>
TOTAL ASSETS	<u>\$ 886,259</u>	<u>\$ 70,023</u>	<u>\$ 956,282</u>
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 9,620		\$ 9,620
Due to other government units	15,783		15,783
Accrued wages payable	6,678		6,678
Notes Payable-current	64,281		64,281
Total current liabilities	<u>96,362</u>		<u>96,362</u>
Noncurrent liabilities:			
G.O. revenue bonds payable - net current portion	300,719		300,719
Total noncurrent liabilities	<u>300,719</u>		<u>300,719</u>
TOTAL LIABILITIES	<u>397,081</u>		<u>397,081</u>
NET ASSETS			
Invested in capital assets, net of related debt	153,733		153,733
Unrestricted	335,445	70,023	405,468
TOTAL NET ASSETS	<u>\$ 489,178</u>	<u>\$ 70,023</u>	<u>\$ 559,201</u>

**Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Nonmajor Proprietary Funds
Year Ended December 31, 2007**

	<u>Refuse</u>	<u>Storm Water</u>	<u>Totals</u>
Operating revenues:			
Refuse charges	\$ 715,529		\$715,529
Storm Water charges		\$168,045	168,045
Other	2,047		2,047
Total operating revenues	<u>717,576</u>	<u>168,045</u>	<u>885,621</u>
Operating expenses:			
Operations and maintenance	645,999	100,636	746,635
Administration	27,302		27,302
Compensated absences			
Depreciation	15,018		15,018
Tax and tax equivalents			
Total operating expenses	<u>688,319</u>	<u>100,636</u>	<u>788,955</u>
Operating income (loss)	<u>29,257</u>	<u>67,409</u>	<u>96,666</u>
Nonoperating revenues (expenses)			
Interest income	26,099	2,614	28,713
Interest expense			
Loss on early extinguishment of debt			
Gain (loss) on disposal of assets			
Intergovernmental	15,000		15,000
Total Nonoperating revenues (expenses)	<u>41,099</u>	<u>2,614</u>	<u>43,713</u>
Income (loss) before transfers and contributions	<u>70,356</u>	<u>70,023</u>	<u>140,379</u>
Change in net assets	<u>70,356</u>	<u>70,023</u>	<u>140,379</u>
 Total net assets - January 1	 <u>418,822</u>		 <u>418,822</u>
Total net assets - December 31	<u>\$ 489,178</u>	<u>\$ 70,023</u>	<u>\$559,201</u>

Combining Statement of Cash Flows

Nonmajor Proprietary Funds

Year Ended December 31, 2007

	Refuse	Storm Water	Totals
Cash flows from operating activities:			
Cash received from customers and users	\$ 701,832	\$168,045	\$ 869,877
Cash received from interfund activities	15,887		15,887
Cash paid to suppliers for goods and services	(341,426)	(\$81,891)	(423,317)
Cash paid for interfund activities	(35,568)		(35,568)
Cash paid to employees	(292,559)	(\$18,745)	(311,304)
Cash paid for taxes and tax equivalents			
Other operating revenues (expenses)	2,047		2,047
Net cash provided (used) by operating activities	<u>50,213</u>	<u>67,409</u>	<u>117,622</u>
Cash flows from noncapital financing activities:			
Intergovernmental revenues	15,000		15,000
Transfers from other funds			
Transfers to other funds			
Interfund receivable			
Net cash provided (used) by noncapital financing activities	<u>15,000</u>		<u>15,000</u>
Cash flows from capital and related financing activities:			
Proceeds from capital debt	365,000		365,000
Acquisition of capital assets	(142,215)		(142,215)
Customer acquisition costs			
Principal payments on long-term debt			
Defeasance payment on bonds			
Interest and fiscal charges on bonds			
Net cash (used) by capital and related financing activities	<u>222,785</u>		<u>222,785</u>
Cash flows from investing activities:			
Interest received on investments	26,099	2,614	28,713
Proceeds from sales and maturities of investments			
Purchase of investments	(246,780)		(246,780)
Net cash provided (used) by investing activities	<u>(220,681)</u>	<u>2,614</u>	<u>(218,067)</u>
Net increase (decrease) in cash and cash equivalents	67,317	70,023	137,340
Cash and cash equivalents - January 1	400,354		400,354
Cash and cash equivalents - December 31	<u>\$467,671</u>	<u>\$ 70,023</u>	<u>\$ 537,694</u>

(continued)

**Combining Statement of Cash Flows
 Nonmajor Proprietary Funds
 Year Ended December 31, 2007** (continued)

	<u>Refuse</u>	<u>Storm Water</u>	<u>Totals</u>
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ 29,257	\$ 67,409	\$ 96,666
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	15,018		15,018
Changes in assets and liabilities:			
Accounts receivable	2,190		2,190
Materials and supplies			
Prepaid items			
Accounts payable	6,679		6,679
Accrued wages payable	(7,819)		(7,819)
Accrued compensated absences			
Due to other government units	4,888		4,888
Customer deposits			
Net cash provided (used) by operating activities	<u>50,213</u>	<u>67,409</u>	<u>117,622</u>
Cash and cash equivalents are shown on the balance sheet under the following captions:			
Cash and cash equivalents	\$ 467,671	\$ 70,023	\$ 537,694
Restricted assets:			
Cash in bond accounts			
Cash in customer deposits			
Total cash and cash equivalents - December 31	<u>\$ 467,671</u>	<u>\$ 70,023</u>	<u>\$ 537,694</u>

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

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

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



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**Combining Statement of Net Assets
Internal Service Funds
December 31, 2007**

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 705,892	\$ 381,720	\$ 1,087,612
Investments	636,845		636,845
Total current assets	<u>1,342,737</u>	<u>381,720</u>	<u>1,724,457</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment		1,461,840	1,461,840
Less accumulated depreciation		(580,326)	(580,326)
Capital assets (net)		<u>881,514</u>	<u>881,514</u>
TOTAL ASSETS	<u>1,342,737</u>	<u>1,263,234</u>	<u>2,605,971</u>
LIABILITIES			
Current Liabilities:			
Compensated absences payable	40,000		40,000
Notes payable - current		59,884	59,884
Total current liabilities	<u>40,000</u>	<u>59,884</u>	<u>99,884</u>
Noncurrent liabilities:			
Compensated absences payable - net current portion	1,278,863		1,278,863
Notes Payable - net current portion		270,116	270,116
Total noncurrent liabilities	<u>1,278,863</u>	<u>270,116</u>	<u>1,548,979</u>
TOTAL LIABILITIES	<u>1,318,863</u>	<u>330,000</u>	<u>1,648,863</u>
NET ASSETS			
Investment in capital assets, net of related debt		551,514	551,514
Unrestricted	23,874	381,720	405,594
TOTAL NET ASSETS	<u>\$ 23,874</u>	<u>\$ 933,234</u>	<u>\$ 957,108</u>

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds Year Ended December 31, 2007

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 66,800	\$ 191,000	\$ 257,800
Total operating revenues	<u>66,800</u>	<u>191,000</u>	<u>257,800</u>
Operating expenses:			
Compensated absences	128,197		128,197
Depreciation		131,085	131,085
Total operating expenses	<u>128,197</u>	<u>131,085</u>	<u>259,282</u>
Operating income (loss)	<u>(61,397)</u>	<u>59,915</u>	<u>(1,482)</u>
Nonoperating revenues (expenses)			
Interest revenue	67,351	15,659	83,010
Interest expense		(4,317)	(4,317)
Total nonoperating revenues (expenses)	<u>67,351</u>	<u>11,342</u>	<u>78,693</u>
Change in net assets	5,954	71,257	77,211
Net assets at beginning of year	17,920	861,977	879,897
Net assets at end of year	<u>\$ 23,874</u>	<u>\$ 933,234</u>	<u>\$ 957,108</u>

Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2007

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Cash flow from operating activities:			
Receipts from interfund service provided	\$ 66,800	\$ 191,000	\$ 257,800
Payments for compensated absences	(36,032)		(36,032)
Net cash provided by operating activities	<u>30,768</u>	<u>191,000</u>	<u>221,768</u>
Cash flows from capital financing activities:			
Acquisition of capital assets		(189,089)	(189,089)
Principal payments on long-term debt		(64,224)	(64,224)
Interest payments on long-term debt		(4,317)	(4,317)
Proceeds from Long-term Debt		330,000	330,000
Net cash provided by capital financing activities		<u>72,370</u>	<u>72,370</u>
Cash flows from investing activities			
Interest on investments	67,352	15,659	83,011
Sale of investments			
Purchase of investments	(76,462)		(76,462)
Net cash provided by investing activities	<u>(9,110)</u>	<u>15,659</u>	<u>6,549</u>
Increase (decrease) in cash and cash equivalents	21,658	279,029	300,687
Cash and cash equivalents - January 1	684,234	102,691	786,925
Cash and cash equivalents - December 31	<u>\$ 705,892</u>	<u>\$ 381,720</u>	<u>\$ 1,087,612</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (61,397)	\$ 59,915	\$ (1,482)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization		131,085	131,085
Changes in assets and liabilities:			
Increase (decrease) in compensated absences	92,165		92,165
Net cash provided by operating activities	<u>\$ 30,768</u>	<u>\$ 191,000</u>	<u>\$ 221,768</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, 2007

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Taxes:					
Property taxes	\$ 1,954,886	\$ 1,954,886	\$ 1,929,978	\$ (24,908)	\$ 1,858,143
Mobile home taxes	6,000	6,000	5,452	(548)	5,393
Tax increment taxes	11,000	11,000	4,587	(6,413)	10,792
Payment in lieu of taxes					
Hotel/Motel taxes	10,000	10,000	13,621	3,621	11,368
Franchise taxes	1,155,000	1,155,000	1,309,050	154,050	1,237,084
Penalties and interest	2,200	2,200	1,342	(858)	4,119
Total taxes	<u>3,139,086</u>	<u>3,139,086</u>	<u>3,264,030</u>	<u>124,944</u>	<u>3,126,899</u>
Licenses and permits:					
Liquor and malt licenses	46,200	46,200	41,825	(4,375)	42,450
Tobacco licenses	400	400	574	174	336
Plumbing licenses	2,000	2,000	2,150	150	2,650
Amusement center licenses	330	330	520	190	195
Pet licenses	570	570	634	64	3,075
Other licenses	4,000	4,000	6,939	2,939	602
Building permits	34,000	34,000	56,784	22,784	58,364
Excavation permits	3,500	3,500	2,220	(1,280)	3,150
Plumbing permits	3,400	3,400	3,111	(290)	4,388
Other permits	1,500	1,500	3,194	1,694	4,010
Total Licenses & Permits	<u>95,900</u>	<u>95,900</u>	<u>117,951</u>	<u>22,051</u>	<u>119,220</u>
Intergovernmental:					
Federal grants			15,649	15,649	32,973
Local government aid	2,701,018	2,701,018	2,701,018		2,456,818
Disparity reduction credit	427,013	427,013	427,013	(0)	365,393
Market value credit	205,101	205,101	374,053	168,952	212,727
PERA aid	16,100	16,100	15,688	(412)	15,688
Police state aid	145,000	145,000	155,224	10,224	152,950
Fire state aid	35,000	35,000	44,664	9,664	47,424
Ambulance subsidy	22,082	22,082	21,939	(143)	21,939
Other	12,900	12,900	24,331	11,431	17,164
Total Intergovernmental	<u>3,564,214</u>	<u>3,564,214</u>	<u>3,779,579</u>	<u>215,365</u>	<u>3,323,076</u>
Charges for services:					
General Government	21,500	21,500	22,375	875	34,475
Accounting Other Funds	22,000	22,000	10,909	(11,091)	22,516
Rescue Unit	2,700	2,700	3,035	335	3,530

Schedule of Revenues and Other Sources
Budget to Actual - General Fund
Year Ended December 31, 2007 (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	33,091	4,091	28,978
Protective inspection services	14,000	14,000	15,420	1,420	15,435
Rural fire service	30,000	30,000	31,267	1,267	31,587
Public safety - other	3,000	3,000	6,863	3,863	5,931
Streets and highways	8,000	8,000	9,093	1,093	22,317
Street lights	153,000	153,000	162,070	9,070	129,338
Storm sewers					127,642
Swimming pool	9,000	9,000	23,147	14,147	24,104
Summer recreation programs	28,400	28,400	33,245	4,845	28,903
Winter recreation programs	50,400	50,400	51,729	1,329	52,614
Recreation - other	116,600	116,600	110,176	(6,424)	109,801
City hall rent	24,500	24,500	25,077	577	24,298
VFW arena rent	13,000	13,000	15,234	2,234	17,304
Civic center rent	87,000	87,000	87,228	228	85,550
Total charges for services	<u>612,100</u>	<u>612,100</u>	<u>639,958</u>	<u>27,858</u>	<u>764,323</u>
Fines and forfeits:					
Court fines	66,000	66,000	100,594	34,594	67,487
Parking fines	7,500	7,500	4,410	(3,090)	2,812
Court fees	15,000	15,000	1,837	(13,164)	8,140
Impound fees	7,500	7,500	6,996	(504)	6,299
Sale of seized property	10,000	10,000	27,207	17,207	12,602
Total fines and forfeits	<u>106,000</u>	<u>106,000</u>	<u>141,044</u>	<u>35,044</u>	<u>97,340</u>
Miscellaneous revenues:					
Interest revenue	25,000	25,000	111,128	86,128	101,424
Donations			30,305	30,305	100
Insurance dividends			44,137	44,137	67,842
Park dedication fees			4,000	4,000	18,250
Other	24,700	24,700	20,007	(4,693)	48,760
Total miscellaneous	<u>49,700</u>	<u>49,700</u>	<u>209,577</u>	<u>159,877</u>	<u>236,376</u>
Total revenues	<u>7,567,000</u>	<u>7,567,000</u>	<u>8,152,138</u>	<u>585,138</u>	<u>7,667,234</u>
Other financing sources:					
Proceeds from sale of assets			8,040	8,040	52,924
Transfers in:					
Enterprise fund projects			68,856	68,856	98,438
Other funds	140,000	140,000		(140,000)	140,000
Total other financing sources	<u>140,000</u>	<u>140,000</u>	<u>76,896</u>	<u>(63,104)</u>	<u>291,362</u>
Total revenues and other financing sources	<u>\$ 7,707,000</u>	<u>\$ 7,707,000</u>	<u>\$ 8,229,034</u>	<u>\$ 522,034</u>	<u>\$ 7,958,596</u>

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2007**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
General government:					
Council:					
Personal services	\$ 37,400	\$ 37,400	\$ 34,536	\$ (2,864)	\$ 37,710
Other expenditures	4,500	4,500	4,663	163	8,289
Total	<u>41,900</u>	<u>41,900</u>	<u>39,200</u>	<u>(2,700)</u>	<u>45,999</u>
Ordinances and proceedings:					
Contractual services	18,000	18,000	9,387	(8,613)	8,544
Total	<u>18,000</u>	<u>18,000</u>	<u>9,387</u>	<u>(8,613)</u>	<u>8,544</u>
Mayor:					
Personal services	9,600	9,600	9,048	(552)	9,412
Supplies	200	200	105	(95)	511
Contractual services	1,500	1,500	967	(533)	635
Other expenditures	5,000	5,000	3,667	(1,333)	3,817
Total	<u>16,300</u>	<u>16,300</u>	<u>13,787</u>	<u>(2,513)</u>	<u>14,375</u>
Elections:					
Personal services	6,000	6,000	3,028	(2,972)	6,441
Supplies	1,200	1,200	751	(449)	(50)
Other expenditures	800	800	196	(604)	111
Total	<u>8,000</u>	<u>8,000</u>	<u>3,975</u>	<u>(4,025)</u>	<u>6,502</u>
City administration/clerk-treasurer:					
Personal services	247,500	247,500	231,086	(16,414)	201,884
Supplies	10,500	10,500	8,387	(2,113)	11,348
Contractual services	9,000	9,000	20,884	11,884	21,221
Other expenditures	6,500	6,500	5,822	(678)	11,844
Capital outlay	13,000	13,000	13,000		
Total	<u>286,500</u>	<u>286,500</u>	<u>279,179</u>	<u>(7,321)</u>	<u>246,297</u>
Accounting and auditing:					
Contractual services	25,000	25,000	30,979	5,979	30,770
Total	<u>25,000</u>	<u>25,000</u>	<u>30,979</u>	<u>5,979</u>	<u>30,770</u>
City assessor:					
Contractual services	28,000	28,000	28,880	880	27,944
Total	<u>28,000</u>	<u>28,000</u>	<u>28,880</u>	<u>880</u>	<u>27,944</u>
City attorney:					
Personal services					
Supplies			628	628	755
Contractual services	120,800	120,800	135,607	14,807	98,795
Other expenditures	11,500	11,500	2,190	(9,310)	1,689
Total	<u>132,300</u>	<u>132,300</u>	<u>138,425</u>	<u>6,125</u>	<u>101,239</u>
Planning and zoning:					
Personal services					
Contractual services	47,200	47,200	57,855	10,655	62,339
Other expenditures	1,100	1,100	700	(400)	1,963
Total	<u>48,300</u>	<u>48,300</u>	<u>58,555</u>	<u>10,255</u>	<u>64,302</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2007 (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	10,657	(1,043)	11,368
Total	11,700	11,700	10,657	(1,043)	11,368
Civil service commission:					
Personal Services	2,000	2,000	1,938	(62)	1,938
Other expenditures	600	600	327	(273)	297
Total	2,600	2,600	2,265	(335)	2,235
Data processing:					
Personal services	83,000	83,000	83,133	133	85,437
Supplies	1,800	1,800	639	(1,161)	639
Contractual services	9,500	9,500	4,188	(5,313)	4,063
Other expenditures	1,000	1,000	2,655	1,655	2,420
Capital outlay					
Total	95,300	95,300	90,614	(4,686)	92,559
Building:					
Personal services	49,900	49,900	49,753	(147)	48,762
Supplies	14,500	14,500	16,221	1,721	7,797
Contractual services	114,000	114,000	152,227	38,227	113,609
Other expenditures	1,000	1,000	1,376	376	230
Capital outlay	5,000	5,000	14,321	9,321	
Total	184,400	184,400	233,899	49,499	170,398
Summary:					
Current	880,300	880,300	912,481	32,181	822,532
Capital outlay	18,000	18,000	27,321	9,321	
Total general government	\$ 898,300	\$ 898,300	\$ 939,802	\$ 41,502	\$ 822,532
Public safety:					
Police:					
Personal services	\$ 1,663,600	\$ 1,663,600	\$ 1,612,327	\$ (51,273)	\$ 1,562,420
Supplies	61,900	61,900	68,120	6,220	64,931
Contractual services	129,700	129,700	128,028	(1,672)	142,895
Other expenditures	12,000	12,000	15,144	3,144	15,083
Capital outlay	61,000	61,000	51,833	(9,167)	42,894
Total	1,928,200	1,928,200	1,875,453	(52,747)	1,828,223

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2007 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Public safety (continued)					
Fire:					
Personal services	785,300	785,300	\$ 800,219	14,919	\$ 816,827
Supplies	23,100	23,100	17,809	(5,291)	19,921
Contractual services	89,600	89,600	80,867	(8,733)	81,698
Other expenditures	5,800	5,800	5,182	(618)	7,559
Capital outlay	10,000	10,000		(10,000)	
Total	<u>913,800</u>	<u>913,800</u>	<u>904,078</u>	<u>(9,722)</u>	<u>926,005</u>
Building inspection:					
Personal services	209,400	209,400	205,178	(4,222)	203,931
Supplies	3,700	3,700	3,696	(4)	4,639
Contractual services	5,100	5,100	5,220	120	5,121
Other expenditures	2,600	2,600	1,058	(1,542)	674
Capital outlay					
Total	<u>220,800</u>	<u>220,800</u>	<u>215,151</u>	<u>(5,649)</u>	<u>214,365</u>
Civil defense:					
Supplies	900	900		(900)	389
Contractual services	5,100	5,100	4,399	(701)	4,196
Other expenditures	1,600	1,600	2,000	400	9,218
Equipment					
Total	<u>7,600</u>	<u>7,600</u>	<u>6,399</u>	<u>(1,201)</u>	<u>13,803</u>
Traffic engineering:					
Personal services	13,900	13,900	13,325	(575)	17,035
Supplies	15,000	15,000	13,597	(1,403)	4,532
Contractual services	16,700	16,700	18,189	1,489	12,284
Other expenditures	1,000	1,000	441	(559)	399
Total	<u>46,600</u>	<u>46,600</u>	<u>45,551</u>	<u>(1,049)</u>	<u>34,250</u>
Animal control:					
Contractual services	4,500	4,500	4,581	81	4,574
Total	<u>4,500</u>	<u>4,500</u>	<u>4,581</u>	<u>81</u>	<u>4,574</u>
Summary:					
Current	3,050,500	3,050,500	2,999,380	(51,120)	2,978,326
Capital outlay	71,000	71,000	51,833	(19,167)	42,894
Total public safety	<u>\$ 3,121,500</u>	<u>\$ 3,121,500</u>	<u>\$ 3,051,213</u>	<u>\$ (70,287)</u>	<u>\$ 3,021,220</u>
Public works:					
Administration:					
Personal services	\$ 29,100	\$ 29,100	\$ 37,191	\$ 8,091	\$ 48,074
Supplies	1,600	1,600	2,885	1,285	449
Contractual services	1,700	1,700	1,557	(143)	2,034
Other expenditures	1,500	1,500	1,605	105	1,408
Total	<u>33,900</u>	<u>33,900</u>	<u>43,239</u>	<u>9,339</u>	<u>51,965</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2007 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Streets:					
Personal services	235,700	235,700	204,356	(31,344)	187,282
Supplies	13,000	13,000	4,326	(8,674)	10,321
Contractual services	26,000	26,000	45,768	19,768	11,437
Other expenditures	3,000	3,000	5,428	2,428	2,383
Capital outlay	80,000	80,000		(80,000)	14,480
Total	<u>357,700</u>	<u>357,700</u>	<u>259,877</u>	<u>(97,823)</u>	<u>225,903</u>
Downtown parking lots:					
Personal services	8,400	8,400	4,620	(3,780)	7,426
Supplies	1,400	1,400		(1,400)	
Contractual services	4,500	4,500	4,429	(71)	1,255
Other expenditures	3,500	3,500	2,200	(1,300)	1,585
Total	<u>17,800</u>	<u>17,800</u>	<u>11,249</u>	<u>(6,551)</u>	<u>10,266</u>
Ice and snow removal:					
Personal services	79,100	79,100	66,893	(12,207)	72,928
Supplies	12,500	12,500	21,158	8,658	15,350
Contractual services	36,000	36,000	47,689	11,689	30,010
Other expenditures	2,000	2,000	90	(1,910)	195
Total	<u>129,600</u>	<u>129,600</u>	<u>135,829</u>	<u>6,229</u>	<u>118,483</u>
Equipment:					
Supplies	47,400	47,400	34,389	(13,011)	40,964
Contractual services	124,300	124,300	142,598	18,298	162,962
Other expenditures	2,000	2,000	194	(1,807)	1,490
Capital outlay	5,000	5,000	12,880	7,880	89,997
Total	<u>178,700</u>	<u>178,700</u>	<u>190,061</u>	<u>11,361</u>	<u>295,413</u>
Demolition:					
Personal services	2,400	2,400	1,303	(1,097)	166
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>1,303</u>	<u>(6,097)</u>	<u>166</u>
Equipment building:					
Supplies	14,000	14,000	15,894	1,894	14,492
Contractual services	58,100	58,100	73,407	15,307	61,696
Other expenditures	1,000	1,000	817	(183)	772
Capital outlay	105,000	105,000	51,115	(53,885)	
Total	<u>178,100</u>	<u>178,100</u>	<u>141,233</u>	<u>(36,867)</u>	<u>76,960</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2007 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Public works (continued)					
City shop:					
Personal services	124,400	124,400	137,425	13,025	129,847
Charged back	(51,500)	(51,500)	(48,647)	2,853	(49,771)
Supplies	200,000	200,000	316,599	116,599	293,781
Charged back	(200,000)	(200,000)	(255,984)	(55,984)	(288,467)
Contractual services					
Other expenditures	1,300	1,300	1,093	(207)	578
Total	<u>74,200</u>	<u>74,200</u>	<u>150,486</u>	<u>76,286</u>	<u>85,968</u>
Storm sewers:					
Personal services					25,227
Supplies					5,307
Contractual services					62,962
Other expenditures					6,565
Capital outlay					13,407
Total					<u>113,468</u>
Street lighting:					
Contractual services	171,000	171,000	151,140	(19,860)	153,824
Total	<u>171,000</u>	<u>171,000</u>	<u>151,140</u>	<u>(19,860)</u>	<u>153,824</u>
Street cleaning:					
Personal services	35,800	35,800	29,667	(6,133)	30,378
Contractual services	28,600	28,600	28,600		28,600
Other expenditures	2,000	2,000		(2,000)	
Total	<u>66,400</u>	<u>66,400</u>	<u>58,267</u>	<u>(8,133)</u>	<u>58,978</u>
Weed control:					
Personal services	19,500	19,500	28,733	9,233	22,239
Supplies	4,000	4,000	161	(3,839)	2,040
Contractual services	14,000	14,000	14,000		14,000
Other expenditures	16,000	16,000	799	(15,201)	
Total	<u>53,500</u>	<u>53,500</u>	<u>43,693</u>	<u>(9,807)</u>	<u>38,279</u>
Summary:					
Current	1,078,300	1,078,300	1,122,383	44,083	1,111,789
Capital outlay	190,000	190,000	63,995	(126,005)	117,884
Total public works	<u>\$ 1,268,300</u>	<u>\$ 1,268,300</u>	<u>\$ 1,186,377</u>	<u>\$ (81,923)</u>	<u>\$ 1,229,673</u>
Recreation and culture:					
Parks and recreation administration					
Personal services	\$ 208,400	\$ 208,400	\$ 149,042	\$ (59,358)	\$ 168,103
Supplies	6,500	6,500	1,677	(4,823)	2,462
Contractual services	8,200	8,200	8,240	40	7,043
Other expenditures	4,700	4,700	4,403	(297)	3,397
Capital outlay					
Total	<u>227,800</u>	<u>227,800</u>	<u>163,362</u>	<u>(64,438)</u>	<u>181,005</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2007 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Recreation and culture (continued)					
Playgrounds:					
Personal services	4,900	4,900	4,957	57	5,313
Supplies	1,000	1,000	504	(496)	236
Other expenditures	500	500	524	24	544
Total	<u>6,400</u>	<u>6,400</u>	<u>5,985</u>	<u>(415)</u>	<u>6,093</u>
Swimming pool:					
Personal services	35,800	35,800	38,050	2,250	49,924
Supplies	12,200	12,200	9,996	(2,204)	11,914
Contractual services	22,700	22,700	22,738	38	20,082
Other expenditures	700	700	300	(400)	431
Capital outlay					15,481
Total	<u>71,400</u>	<u>71,400</u>	<u>71,085</u>	<u>(315)</u>	<u>97,832</u>
Tennis:					
Personal services	2,800	2,800	2,691	(109)	2,584
Supplies	300	300	139	(161)	111
Other expenditures	500	500	300	(200)	296
Total	<u>3,600</u>	<u>3,600</u>	<u>3,130</u>	<u>(470)</u>	<u>2,991</u>
Skating rinks:					
Personal services	8,700	8,700	6,637	(2,063)	7,660
Supplies	2,000	2,000	1,900	(100)	150
Other expenditures	500	500		(500)	
Total	<u>11,200</u>	<u>11,200</u>	<u>8,537</u>	<u>(2,663)</u>	<u>7,810</u>
Hockey:					
Personal services	25,200	25,200	32,546	7,346	32,666
Supplies	5,500	5,500	3,653	(1,847)	3,676
Contractual services					
Other expenditures	8,000	8,000	5,696	(2,304)	5,462
Total	<u>38,700</u>	<u>38,700</u>	<u>41,895</u>	<u>3,195</u>	<u>41,804</u>
Figure skating:					
Personal services	24,100	24,100	23,359	(741)	22,134
Supplies	4,300	4,300	4,180	(120)	3,863
Other expenditures	3,300	3,300	1,026	(2,274)	2,379
Total	<u>31,700</u>	<u>31,700</u>	<u>28,565</u>	<u>(3,135)</u>	<u>28,376</u>
Baseball:					
Personal services	28,700	28,700	37,956	9,256	36,198
Supplies	11,000	11,000	10,667	(333)	12,895
Other expenditures	7,500	7,500	8,895	1,395	9,760
Total	<u>47,200</u>	<u>47,200</u>	<u>57,519</u>	<u>10,319</u>	<u>58,853</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2007 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Recreation and culture (continued)					
Softball:					
Personal services	11,000	11,000	12,411	1,411	12,168
Supplies	3,000	3,000	1,771	(1,229)	2,256
Other expenditures	2,400	2,400	2,863	463	1,626
Total	<u>16,400</u>	<u>16,400</u>	<u>17,045</u>	<u>645</u>	<u>16,050</u>
Civic center:					
Personal services	87,200	87,200	90,890	3,690	88,922
Supplies	16,900	16,900	12,050	(4,850)	13,428
Contractual services	98,600	98,600	120,935	22,335	136,777
Other expenditures	1,100	1,100	355	(745)	346
Capital outlay	40,000	40,000	29,773	(10,227)	21,996
Total	<u>243,800</u>	<u>243,800</u>	<u>254,004</u>	<u>10,204</u>	<u>261,469</u>
VFW arena:					
Personal services	76,700	76,700	75,083	(1,617)	79,680
Supplies	12,000	12,000	11,514	(486)	9,549
Contractual services	78,300	78,300	76,584	(1,716)	73,794
Other expenditures	1,300	1,300	1,101	(199)	2,269
Capital outlay					25,882
Total	<u>168,300</u>	<u>168,300</u>	<u>164,283</u>	<u>(4,017)</u>	<u>191,174</u>
Park areas:					
Personal services	151,000	151,000	169,348	18,348	158,005
Supplies	27,300	27,300	34,160	6,860	33,886
Contractual services	68,200	68,200	80,501	12,301	75,384
Other expenditures	2,500	2,500	2,106	(394)	685
Capital outlay	41,500	41,500	36,062	(5,438)	
Total	<u>290,500</u>	<u>290,500</u>	<u>322,177</u>	<u>31,677</u>	<u>267,960</u>
Campground-Recreation Area					
Personal services	71,500	71,500	73,260	1,760	46,268
Supplies	5,000	5,000	11,458	6,458	9,108
Other expenditures	27,000	27,000	30,971	3,971	18,009
Capital outlay					15,852
Total	<u>103,500</u>	<u>103,500</u>	<u>115,688</u>	<u>12,188</u>	<u>89,237</u>
Summary:					
Current	1,179,000	1,179,000	1,187,439	8,439	1,171,443
Capital outlay	81,500	81,500	65,835	(15,665)	79,211
Total Recreation and culture	<u>\$ 1,260,500</u>	<u>\$ 1,260,500</u>	<u>\$ 1,253,274</u>	<u>\$ (7,226)</u>	<u>\$ 1,250,654</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2007 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Community Development:					
Residential tax abatement	90,000	90,000	\$ 51,438	\$ (38,562)	\$ 22,833
Total	90,000	90,000	51,438	(38,562)	22,833
Summary:					
Current			51,438	(38,562)	22,833
Capital outlay					
Total Community Development	\$ -	\$ -	\$ 51,438	\$ (38,562)	\$ 22,833
Other expenditures:					
Workers compensation	\$ 3,900	\$ 3,900	\$ 4,789	\$ 889	\$ 4,826
General liability and other insurance	155,000	155,000	123,334	(31,666)	116,238
Donations	1,000	1,000		(1,000)	
Promotional(Lodging)	9,500	9,500	14,012	4,512	10,800
Memberships and dues	17,000	17,000	9,036	(7,964)	25,438
Miscellaneous	30,000	30,000	94,434	64,434	26,219
Contributed services			27,339	27,339	32,278
Contributed capital outlay			34,517	34,517	40,278
Capital outlay	8,000	8,000	4,490	(3,510)	3,294
Total	224,400	224,400	311,952	87,552	259,371
Summary:					
Current	216,400	216,400	272,945	56,545	215,799
Capital outlay	8,000	8,000	39,007	31,007	43,572
Total other expenditures	\$ 224,400	\$ 224,400	\$ 311,952	\$ 87,552	\$ 259,371
Debt service:					
Principal retirement	\$ -	\$ -	\$ -	\$ -	\$ 525,000
Interest and fiscal charges					35,438
Total debt service					560,438
Total expenditures	\$ 6,863,000	\$ 6,863,000	\$ 6,794,056	\$ (68,944)	\$ 7,166,721
Other financing uses:					
Operating transfer out:					
Special revenue funds	\$ 429,000	\$ 429,000	\$ 429,000	\$ -	\$ 441,700
Capital project funds	225,000	225,000	225,000	-	593,600
Debt service funds	110,000	110,000	50,000	(60,000)	50,000
Enterprise funds	90,000	90,000	90,000		80,000
Total other financing uses	854,000	854,000	794,000	(60,000)	1,165,300
Total expenditures and other financing uses	\$ 7,717,000	\$ 7,717,000	\$ 7,588,056	\$ (128,944)	\$ 8,332,021

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Sources
December 31, 2007**

	<u>2007</u>	<u>2006</u>
Governmental funds capital assets		
Land and Land Improvements	\$ 58,424,661	\$ 58,424,661
Building, Systems, and Structures	64,112,525	60,396,730
Machinery and equipment	6,121,220	5,681,053
Street Network	33,598,763	30,836,114
Construction in progress	2,001,150	4,136,176
Total governmental funds capital assets	<u>164,258,319</u>	<u>159,474,734</u>
Investments in governmental funds capital assets by source:		
General Fund	132,941,662	132,690,584
Special revenue funds	810,479	810,479
Internal service funds	1,461,840	1,272,751
Capital project funds	29,044,338	24,700,920
Total investments in governmental funds capital assets by source	<u>\$ 164,258,319</u>	<u>\$ 159,474,734</u>

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2007

	Land and Land Improvements	Buildings, Systems, and Structures	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:						
Government center	\$ 453,500	\$ 7,069,134				\$ 7,522,634
Other			\$ 170,910			170,910
Total general government	<u>453,500</u>	<u>7,069,134</u>	<u>170,910</u>			<u>7,693,544</u>
Public safety:						
Police	94,000	1,362,112	445,108			1,901,220
Fire	45,500	1,765,091	771,021			2,581,612
Total public safety	<u>139,500</u>	<u>3,127,203</u>	<u>1,216,129</u>			<u>4,482,832</u>
Public works:						
Infrastructure (street network)				\$ 33,598,763		33,598,763
Storm protection network	55,628,589	38,319,682	934,341			94,882,612
Other	1,527,610	1,836,792	2,087,712		\$ 2,001,150	7,453,264
Total public works	<u>57,156,199</u>	<u>40,156,474</u>	<u>3,022,053</u>	<u>33,598,763</u>	<u>2,001,150</u>	<u>135,934,639</u>
Recreation and culture:						
Parks	574,057	10,505,295	923,363			12,002,715
Library	32,000	2,925,571	631,890			3,589,461
Senior center	5,700	215,535				221,235
Total recreation	<u>611,757</u>	<u>13,646,401</u>	<u>1,555,253</u>			<u>15,813,411</u>
Transit		24,077	138,791			162,868
Cemetery	63,705	89,236	18,084			171,025
Total governmental fund capital assets	<u>\$ 58,424,661</u>	<u>\$ 64,112,525</u>	<u>\$ 6,121,220</u>	<u>\$ 33,598,763</u>	<u>\$ 2,001,150</u>	<u>\$164,258,319</u>

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
December 31, 2007

	Beginning Balance	Additions	Retirements and transfers, net	Ending Balance
General government				
Government center	\$ 7,522,634			\$ 7,522,634
Other	143,589	\$ 27,321		170,910
Total general government	<u>7,666,223</u>	<u>27,321</u>		<u>7,693,544</u>
Public safety:				
Police	1,875,494	\$ 25,726		1,901,220
Fire	2,502,192	\$ 79,420		2,581,612
Total public safety	<u>4,377,686</u>	<u>105,146</u>		<u>4,482,832</u>
Public works:				
Infrastructure (street network)	30,836,114	2,762,649		33,598,763
Storm protection network	92,258,740	488,846	2,135,026	94,882,612
Other	9,392,546	195,744	(2,135,026)	7,453,264
Total public works	<u>132,487,400</u>	<u>3,447,239</u>		<u>135,934,639</u>
Recreation or culture				
Parks	10,878,527	1,124,188		12,002,715
Library	3,589,461			3,589,461
Senior center	221,235			221,235
Total recreation and culture	<u>14,689,223</u>	<u>1,124,188</u>		<u>15,813,411</u>
Transit	83,177	79,691		162,868
Cemetery	171,025			171,025
Total governmental funds capital assets	<u>\$ 159,474,734</u>	<u>\$ 4,783,585</u>	<u>\$ -</u>	<u>\$ 164,258,319</u>

Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund - Flexible Benefits
Year Ended December 31, 2007

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS:				
Restricted cash and cash equivalents	<u>\$ 9,025</u>	<u>\$ 80,164</u>	<u>\$ (77,285)</u>	<u>\$ 11,904</u>
LIABILITIES:				
Due to employees	<u>\$ 9,025</u>	<u>\$ 80,164</u>	<u>\$ (77,285)</u>	<u>\$ 11,904</u>

**Combining Statement of Net Assets
Discretely Presented Component Unit - by Focus
December 31, 2007**

	Housing	Economic Development	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 636,189	\$ 1,184,025	\$ 1,820,214
Investments	350,998	753,177	1,104,175
Restricted Cash in customer deposits	649,672		649,672
Restricted Cash in escrow		35,000	35,000
Interest receivable		5,509	5,509
Due from other government units		2,574	2,574
Notes receivable (current portion)		495,412	495,412
Total current assets	<u>1,636,859</u>	<u>2,475,697</u>	<u>4,112,556</u>
Noncurrent assets:			
Capital assets:			
Land	50,300		50,300
Buildings and systems	5,503,577		5,503,577
Machinery and equipment	165,016	9,749	174,765
Total capital assets	5,718,893	9,749	5,728,642
Less accumulated depreciation	(918,401)	(9,290)	(927,691)
Total capital assets (net)	<u>4,800,492</u>	<u>459</u>	<u>4,800,951</u>
Land held for resale		274,680	274,680
Notes receivable (net current portion)		1,776,694	1,776,694
Allowance for uncollectible		(277,442)	(277,442)
Unamortized debt issuance costs			
Total noncurrent assets		<u>1,773,932</u>	<u>1,773,932</u>
TOTAL ASSETS	<u>6,437,351</u>	<u>4,250,088</u>	<u>10,687,439</u>
LIABILITIES			
Current liabilities:			
Accounts payable	23,769	59,445	83,214
Accrued wages payable		5,062	5,062
Due to other government units	260,812		260,812
Special assessments - current	7,800		7,800
Notes payable - current		25,824	25,824
Compensated absences payable - current	3,850	4,000	7,850
Accrued interest payable		2,764	2,764
Total current liabilities	<u>296,231</u>	<u>97,095</u>	<u>393,326</u>
Noncurrent liabilities:			
Customer deposits	18,965		18,965
Compensated absences payable (net current portion)	34,580	32,199	66,779
Special assessments (net current portion)	61,586		61,586
Notes payable (net current portion)		476,145	476,145
Total noncurrent liabilities	<u>115,131</u>	<u>508,344</u>	<u>623,475</u>
NET ASSETS			
invested in capital assets, net of related debt	4,731,106	459	4,731,565
Unrestricted	1,294,883	3,644,190	4,939,073
TOTAL NET ASSETS	<u>\$ 6,025,989</u>	<u>\$ 3,644,649</u>	<u>\$ 9,670,638</u>

Statement of Revenues, Expenses and Changes in Fund Net Assets - Discretely Presented Component Units by Focus Year Ended December 31, 2007

	Housing	Economic Development	Total
Operating revenues:			
Charges for services	\$ 245,206	\$ 97,939	\$ 343,145
Intergovernmental	1,544,926		1,544,926
Other	14,299	61,450	75,749
Total operating revenues	<u>1,804,431</u>	<u>159,389</u>	<u>1,963,820</u>
Operating expenses:			
Community development:			
Administration	526,785	56,012	582,797
Depreciation	157,088	633	157,721
Other:			
Business development		443,079	443,079
Housing programs	1,213,750		1,213,750
Total operating expenses	<u>1,897,623</u>	<u>499,724</u>	<u>2,397,347</u>
Operating income (loss)	<u>(93,192)</u>	<u>(340,335)</u>	<u>(433,527)</u>
Nonoperating revenues (expenses):			
Interest revenue	78,083	91,758	169,841
Tax increment revenue		114,087	114,087
Intergovernmental	161,268	84,378	245,646
Interest expense	(5,022)	(5,134)	(10,156)
Total nonoperating revenues (expenses)	<u>234,329</u>	<u>285,089</u>	<u>519,418</u>
Income (loss) before transfers in (out)	141,137	(55,246)	85,891
Transfers in		80,000	80,000
Transfers out	(80,000)		(80,000)
Change in net assets	61,137	24,754	85,891
Net assets at beginning of year	5,964,852	3,619,895	9,584,747
Net assets at end of year	<u>\$ 6,025,989</u>	<u>\$ 3,644,649</u>	<u>\$ 9,670,638</u>

Combining Schedule of Net Assets
Discretely Presented Component Unit - Economic Development Focus
December 31, 2007

	General	TIF #1-1 Triangle	TIF #1-2 E. DeMers	IRP Loan	DRLF Loan	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 758	\$ 292,284	\$ 285,918	\$358,969	\$ 246,096	\$ 1,184,025
Investments		183,049		314,491	255,637	753,177
Restricted cash and cash equivalents					35,000	35,000
Interactivity receivable						
Interest receivable		5,509				5,509
Due from other government units		2,256	318			2,574
Notes receivable (current portion)	12,000	135,719		80,000	267,693	495,412
Total current assets	<u>12,758</u>	<u>618,817</u>	<u>286,236</u>	<u>753,460</u>	<u>804,426</u>	<u>2,475,697</u>
Noncurrent assets:						
Capital assets:						
Machinery and equipment	9,749					9,749
Total capital assets	9,749					9,749
Less accumulated depreciation	(9,290)					(9,290)
Total capital assets (net)	459					459
Unamortized debt issuance costs						
Land held for resale	28,828	80,352	165,500			274,680
Notes receivable (net current portion)	72,955			186,810	1,516,929	1,776,694
Allowance for uncollectible	(12,000)				(265,442)	(277,442)
Due from primary government unit						
Total noncurrent assets	<u>90,242</u>	<u>80,352</u>	<u>165,500</u>	<u>186,810</u>	<u>1,251,487</u>	<u>1,774,391</u>
TOTAL ASSETS	<u>103,000</u>	<u>699,169</u>	<u>451,736</u>	<u>940,270</u>	<u>2,055,913</u>	<u>4,250,088</u>
LIABILITIES						
Current liabilities:						
Accounts payable	1,119	58,326				59,445
Accrued wages payable	5,062					5,062
Interactivity payable						
Notes payable - current				25,824		25,824
Compensated absences payable - current	4,000					4,000
Accrued interest payable				2,764		2,764
Total current liabilities	<u>10,181</u>	<u>58,326</u>		<u>28,588</u>		<u>97,095</u>
Noncurrent liabilities:						
Compensated absences payable (net current)	32,199					32,199
Notes payable (net current portion)				476,145		476,145
Total noncurrent liabilities	<u>32,199</u>			<u>476,145</u>		<u>508,344</u>
Total liabilities	<u>42,380</u>	<u>58,326</u>		<u>504,733</u>		<u>605,439</u>
NET ASSETS						
Invested in capital assets	459					459
Unrestricted	60,161	640,843	451,736	435,537	2,055,913	3,644,190
TOTAL NET ASSETS	<u>\$ 60,620</u>	<u>\$ 640,843</u>	<u>\$ 451,736</u>	<u>\$ 435,537</u>	<u>\$ 2,055,913</u>	<u>\$ 3,644,649</u>

**Schedule of Revenues, Expenses and Changes in Fund Net Assets -
Discretely Presented Component Unit - Economic Development Focus
Year Ended December 31, 2007**

	<u>General</u>	<u>TIF #1-1 Triangle</u>	<u>TIF #1-2 Triangle</u>	<u>IRP Loan</u>	<u>DRLF Loan</u>	<u>Total</u>
Operating revenues:						
Charges for services:						
Interest on loans	\$ 6,337	\$ 10,474		\$ 15,860	\$ 65,268	\$ 97,939
Other revenues:						
Business development	36,450		\$25,000			61,450
Other						
Total operating revenues	<u>42,787</u>	<u>10,474</u>	<u>25,000</u>	<u>15,860</u>	<u>65,268</u>	<u>159,389</u>
Operating expenses:						
Administration	56,012					56,012
Business development	63,152	141,603	237,489		835	443,079
Depreciation	633					633
Total operating expenses	<u>119,797</u>	<u>141,603</u>	<u>237,489</u>		<u>835</u>	<u>499,724</u>
Operating income (loss)	<u>(77,010)</u>	<u>(131,129)</u>	<u>(212,489)</u>	<u>15,860</u>	<u>64,433</u>	<u>(340,335)</u>
Nonoperating revenues (expenses):						
Interest revenue		19,372	12,090	33,260	27,036	91,758
Tax increment revenue		93,177	20,910			114,087
Intergovernmental		69,520	14,858			84,378
Interest expense				(5,134)		(5,134)
Total nonoperating revenues (expenses)		<u>182,069</u>	<u>47,858</u>	<u>28,126</u>	<u>27,036</u>	<u>285,089</u>
Income (loss) before transfers	<u>(77,010)</u>	<u>50,940</u>	<u>(164,631)</u>	<u>43,986</u>	<u>91,469</u>	<u>(55,246)</u>
Transfers in	80,000					80,000
Transfers in - interactivity			204,217			204,217
Transfers out - interactivity		(204,217)				(204,217)
Change in net assets	2,990	(153,277)	39,586	43,986	91,469	24,754
Net assets at beginning of year	<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>
Net assets at end of year	<u>\$ 60,620</u>	<u>\$ 640,843</u>	<u>\$ 451,736</u>	<u>\$ 435,537</u>	<u>\$ 2,055,913</u>	<u>\$ 3,644,649</u>

**Combining Schedule of Net Assets
Discretely Presented Component Unit - Housing Focus
December 31, 2007**

	Sunshine Terrace	Program C4043V	Housing Loan	Town Square	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 287,870	\$ 6,425	\$ 206,116	\$ 135,778	\$ 636,189
Investments	350,998				350,998
Restricted cash and cash equivalents	18,965	630,707			649,672
Due from other government units					
Total Current Assets	<u>657,833</u>	<u>637,132</u>	<u>206,116</u>	<u>135,778</u>	<u>1,636,859</u>
Noncurrent Assets:					
Capital assets:					
Land	50,300				50,300
Buildings and systems	5,503,577				5,503,577
Machinery and equipment	104,346	60,670			165,016
Total capital assets	<u>5,658,223</u>	<u>60,670</u>			<u>5,718,893</u>
Less accumulated depreciation	(858,959)	(59,442)			(918,401)
Total capital assets (net)	<u>4,799,264</u>	<u>1,228</u>			<u>4,800,492</u>
Total noncurrent assets	<u>4,799,264</u>	<u>1,228</u>			<u>4,800,492</u>
TOTAL ASSETS	<u>5,457,097</u>	<u>638,360</u>	<u>206,116</u>	<u>135,778</u>	<u>6,437,351</u>
LIABILITIES					
Current liabilities:					
Accounts payable	23,769				23,769
Due to other government units	260,812				260,812
Customer deposits	18,965				18,965
Compensated absences payable - current		3,850			3,850
Special assessments payable - current portion	7,800				7,800
Total Liabilities	<u>311,346</u>	<u>3,850</u>			<u>315,196</u>
Noncurrent Liabilities:					
Compensated absences payable (net current portion)		34,580			34,580
Special assessments payable (net current portion)	61,586				61,586
Total noncurrent liabilities	<u>61,586</u>	<u>34,580</u>			<u>96,166</u>
Total liabilities	<u>372,932</u>	<u>38,430</u>			<u>411,362</u>
NET ASSETS					
Invested in capital assets, net related debt	4,729,878	1,228			4,731,106
Unrestricted	354,287	598,702	206,116	135,778	1,294,883
TOTAL NET ASSETS	<u>\$ 5,084,165</u>	<u>\$ 599,930</u>	<u>\$ 206,116</u>	<u>\$ 135,778</u>	<u>\$ 6,025,989</u>

**Schedule of Revenues, Expenses and Changes in Fund Net Assets -
Discretely Presented Component Unit - Housing Focus
Year Ended December 31, 2007**

	Sunshine Terrace	Program C4043V	Housing Loan	Town Square	Total
Operating revenues:					
Charges for services	\$ 155,627		\$ 4,127	\$ 85,452	\$ 245,206
Intergovernmental		\$ 1,544,926			1,544,926
Other	8,082	6,217			14,299
Total operating revenues	<u>163,709</u>	<u>1,551,143</u>	<u>4,127</u>	<u>85,452</u>	<u>1,804,431</u>
Operating expenses:					
Community development:					
Personal services	66,042	131,077	3,640	66,764	267,523
Supplies	8,742	4,908		115	13,765
Contractual services	195,027	17,509		3,892	216,428
Depreciation	156,103	985			157,088
Housing payments		1,213,750			1,213,750
Other expenditures	4,667	13,222	9,046	2,135	29,070
Total operating expenses	<u>430,580</u>	<u>1,381,451</u>	<u>12,686</u>	<u>72,906</u>	<u>1,897,623</u>
Operating income (loss)	<u>(266,871)</u>	<u>169,692</u>	<u>(8,559)</u>	<u>12,546</u>	<u>(93,192)</u>
Nonoperating revenues (expenses):					
Intergovernmental	161,268				161,268
Interest revenue	34,453	26,022	10,820	6,788	78,083
Interest expense	(5,022)				(5,022)
Total nonoperating revenues (expenses)	<u>190,699</u>	<u>26,022</u>	<u>10,820</u>	<u>6,788</u>	<u>234,329</u>
Income (loss) before transfers	(76,172)	195,714	2,261	19,334	141,137
Transfers out	<u>(80,000)</u>				<u>(80,000)</u>
Change in net assets	(156,172)	195,714	2,261	19,334	61,137
Net assets at beginning of year	5,240,337	404,216	203,855	116,444	5,964,852
Net assets at end of year	<u>\$ 5,084,165</u>	<u>\$ 599,930</u>	<u>\$ 206,116</u>	<u>\$ 135,778</u>	<u>\$ 6,025,989</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.

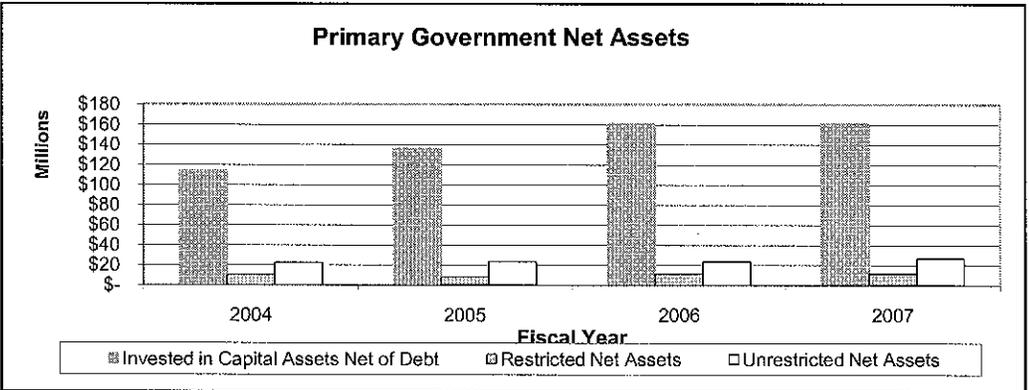
- Full-time Equivalent City Government Employees by Function/Program
- Operating Indicators by Function
- Schedule of Insurance in Force
- Miscellaneous Statistical Information
- Significant Minnesota Tax Policies

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental activities				
Invested in capital assets, net of related debt	\$ 85,922,045	\$ 106,878,760	\$ 129,002,253	\$ 127,824,706
Restricted	9,989,011	8,053,642	11,451,573	11,517,373
Unrestricted	8,976,014	8,458,820	8,386,984	11,397,087
Total governmental activities net assets	<u>\$ 104,887,070</u>	<u>\$ 123,391,222</u>	<u>\$ 148,840,810</u>	<u>\$ 150,739,165</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 28,187,589	\$ 29,286,519	\$ 32,109,908	\$ 33,346,440
Restricted	413,254	413,247	67,713	67,710
Unrestricted	13,476,360	15,130,990	15,200,685	15,554,463
Total business-type activities net assets	<u>\$ 42,077,203</u>	<u>\$ 44,830,756</u>	<u>\$ 47,378,306</u>	<u>\$ 48,968,613</u>
Primary government				
Invested in capital assets, net of related debt	\$ 114,109,634	\$ 136,165,279	\$ 161,112,161	\$ 161,171,146
Restricted	10,402,265	8,466,889	11,519,286	11,585,083
Unrestricted	22,452,374	23,589,810	23,587,669	26,951,550
Total primary government net assets	<u>\$ 146,964,273</u>	<u>\$ 168,221,978</u>	<u>\$ 196,219,116</u>	<u>\$ 199,707,778</u>



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

**Changes in Net Assets
Last Four Fiscal Years**

(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses				
Governmental activities:				
General government	\$ 1,005,438	\$ 1,066,756	\$ 1,050,378	\$ 1,155,532
Public safety	3,025,561	3,150,148	3,232,573	3,273,535
Public works	2,236,372	2,973,865	2,851,905	3,958,548
Transit	248,024	234,577	243,157	359,459
Recreation and culture	1,545,934	1,823,193	2,016,899	2,125,732
Community development	783,810	337,161	284,342	286,303
Cemetery	36,796	27,977	61,136	35,256
Interest on long-term debt	282,711	428,803	473,946	472,223
Total governmental activities expenses	<u>9,164,646</u>	<u>10,042,480</u>	<u>10,214,336</u>	<u>11,666,589</u>
Business-type activities				
Electric utility	7,903,122	8,377,355	9,193,839	10,450,476
Water utility	1,941,240	1,927,339	1,979,044	1,961,418
Sewer utility	529,054	553,626	587,568	629,832
City mall	479,526	460,350	412,999	428,359
Refuse collection	589,603	626,148	651,538	788,955
Total business-type activities expenses	<u>11,442,545</u>	<u>11,944,818</u>	<u>12,824,988</u>	<u>14,259,041</u>
Total primary government expenses	<u>\$ 20,607,191</u>	<u>\$ 21,987,298</u>	<u>\$ 23,039,324</u>	<u>\$ 25,925,629</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 130,704	\$ 166,572	\$ 130,597	\$ 111,003
Public safety	213,850	286,779	252,713	296,028
Public works	295,704	287,309	321,362	214,208
Transit	13,238	12,588	4,000	4,000
Recreation and culture	218,700	221,331	330,258	331,153
Community development	218,706	908,823	306,409	197,578
Cemetery	51,310	36,530	47,690	34,410
Operating grants and contributions	370,534	493,345	581,575	632,310
Capital grants and contributions	5,411,773	19,305,770	26,308,072	4,181,757
Total governmental activities program revenues	<u>6,924,519</u>	<u>21,719,047</u>	<u>28,282,676</u>	<u>6,002,447</u>

(continued)

Changes in Net Assets Last Four Fiscal Years

(accrual basis of accounting)

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Business-type activities:				
Charges for services:				
Electric utility	9,387,172	9,973,709	10,556,891	11,240,822
Water utility	2,005,097	2,066,740	2,093,211	1,987,471
Sewer utility	559,830	564,904	564,768	566,828
City mall	275,568	203,205	163,496	147,836
Refuse collection	595,020	582,935	622,841	885,621
Operating grants and contributions	76,516	460,680	475,612	15,000
Capital grants and contributions	1,785,652	608,127	639,846	279,612
Total business-type activities program revenues	<u>14,684,855</u>	<u>14,460,300</u>	<u>15,116,665</u>	<u>15,123,190</u>
Total primary government program revenues	<u>\$ 21,609,374</u>	<u>\$ 36,179,347</u>	<u>\$ 43,399,341</u>	<u>\$ 21,125,637</u>
Net (expense)/revenue				
Governmental activities	\$ (2,240,127)	\$ 11,676,567	\$ 18,068,340	\$ (5,664,142)
Business-type activities	3,242,310	2,515,482	2,291,677	864,150
Total primary government net expense	<u>\$ 1,002,183</u>	<u>\$ 14,192,049</u>	<u>\$ 20,360,017</u>	<u>\$ (4,799,992)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	\$ 1,672,398	\$ 1,821,538	\$ 1,889,815	1,954,979
Franchise taxes	1,196,054	1,227,694	1,237,084	1,309,050
Unrestricted grants and contributions	2,576,596	2,817,355	3,050,626	3,517,772
Investment earnings	202,124	274,097	508,965	530,674
Other	665,541	570,257	441,320	196,165
Transfers	1,134,388	116,644	253,438	53,856
Total governmental activities	<u>7,447,101</u>	<u>6,827,585</u>	<u>7,381,248</u>	<u>7,562,497</u>
Business-type activities				
Investment earnings	199,852	347,965	624,051	777,218
Other		6,750	(114,740)	2,795
Transfers	(1,134,388)	(116,644)	(253,438)	(53,856)
Total business-type activities	<u>(934,536)</u>	<u>238,071</u>	<u>255,873</u>	<u>726,157</u>
Total primary government	<u>\$ 6,512,565</u>	<u>\$ 7,065,656</u>	<u>\$ 7,637,121</u>	<u>\$ 8,288,654</u>
Changes in Net Assets				
Governmental activities	\$ 5,206,974	\$ 18,504,152	\$ 25,449,588	\$ 1,898,355
Business-type activities	2,307,774	2,753,553	2,547,550	1,590,307
Total primary government	<u>\$ 7,514,748</u>	<u>\$ 21,257,705</u>	<u>\$ 27,997,138</u>	<u>\$ 3,488,662</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)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$ 8,646	\$ 15,800	\$ 14,262	\$ 13,227	\$ 15,947	\$ 9,087	\$ 16,521	\$ 12,686	\$ 14,562	\$ 21,708
Unreserved	1,338,147	894,328	433,299	674,174	1,533,340	2,149,793	2,417,060	2,561,700	2,186,399	2,820,231
Total general fund	<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>	<u>2,841,939</u>
All other governmental funds										
Reserved	728,993	728,993	728,993	76,000	89,200	2,167,103	2,541,649	2,578,650	2,329,387	4,526,721
Unreserved, reported in:										
Special revenue funds	1586390	1695485	1731515	1896102	681028	1,262,348	1,046,766	1,800,674	2,122,569	1,980,802
Capital project funds	(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	1,843,929
Permanent funds	3,074	2,923	1,390	2,608	1,644	1,589	2,193	2,434	3,737	4,350
Total all other governmental funds	<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>	<u>\$ 8,355,802</u>

Changes in Fund Balances of Governmental Funds Last Ten Years

(modified accrual basis of accounting)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Revenues										
General Taxes	\$ 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	\$ 3,264,030
Special assessments	892,105	864,795	712,142	1,003,401	685,595	717,086	1,029,251	807,464	1,210,207	1,443,814
Licenses and permits	150,650	91,230	84,346	85,463	100,450	141,298	121,159	160,845	119,220	117,951
Intergovernmental	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	6,580,465
Charges for services	337,435	328,633	382,523	555,666	856,702	1,393,366	920,381	1,330,712	1,161,857	927,973
Fines and forfeitures	78,328	111,375	124,432	86,329	103,768	90,898	100,672	102,307	97,340	141,044
Investment earnings & other revenues	1,823,072	2,155,757	1,885,814	1,309,990	875,975	746,314	838,301	713,869	833,116	637,201
Total revenues	35,333,565	37,927,203	31,505,232	20,144,515	22,147,376	15,955,422	10,790,949	20,866,485	14,066,920	13,112,477
Expenditures										
General government	747,128	781,488	686,586	738,377	857,830	854,076	791,374	840,766	822,532	912,481
Public Safety	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	2,999,380
Public Works	846,421	860,090	837,442	960,102	852,004	991,067	995,493	1,177,123	1,159,593	1,178,059
Transit						200,551	238,827	225,379	233,959	268,674
Culture and recreation	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	1,593,285
Community development	1,236,727	77,047		122,522	471,052	854,555	783,810	337,161	283,554	284,137
Cemetery						38,393	34,220	24,852	57,243	31,363
Other	613,754	965,572	766,383	608,845	771,652	335,301	179,406	203,321	215,799	308,366
Capital outlay	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	5,750,739
Debt service										
Principal	480,000	450,000	672,075	1,005,000	610,000	295,000	495,000	965,000	1,245,000	440,000
Interest	262,823	330,348	308,952	258,784	255,255	245,038	251,995	365,107	380,455	530,829
Other charges							15,473			
Total all other governmental funds	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	14,297,312
Excess (deficiency) of revenues over (under) expenditures	(414,472)	956,193	7,355,214	(3,568,778)	1,016,672	(245,298)	(7,474,005)	(4,161,667)	(4,206,385)	(1,184,835)
Other financing sources (uses)										
Transfers in	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	1,610,482
Transfers out	(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)	(1,556,626)
Bond Issue Proceeds	1,724,035			1,017,546						
Insurance Loss Proceeds										
Refunding bonds issues							260,000			
Long-term debt issued						1,000,000	4,655,000		4,075,000	3,561,541
Premium on long-term debt							42,239			
Discount on long-term debt						(13,600)	(2,242)		(32,600)	(45,986)
Sale of capital assets								25,088	52,924	8,040
Total other financing sources (uses)	1,761,718	382,080	585,149	1,608,408	397,100	1,665,583	6,089,385	141,732	4,348,762	3,577,451
Net change in fund balances	\$ 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	\$ 2,392,616
Debt service as % of noncapital expenditures	9.3%	10.6%	13.3%	16.1%	10.8%	6.8%	9.5%	15.7%	18.2%	11.4%

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
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
2007	1,929,978	1,085,474	120,895	89,768	37,915	3,264,030
Change 1998-2007	49.4%	17.6%	57.4%	48.7%	5.7%	38.6%

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
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
2007	2,701,018	374,053	427,013	155,224	60,352	3,717,660
Change 1998-2007	41.5%	-12.3%	57.2%	29.0%	2.0%	36.7%

Notes: General Fund only.

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

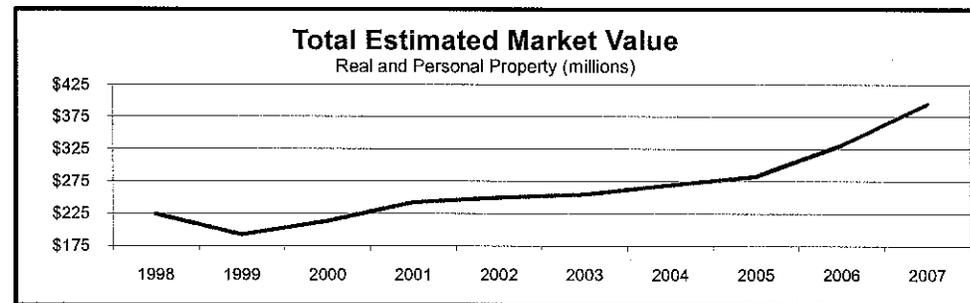
Source: Administration and Finance

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

(Unaudited)

Year	Real Property		Personal Property		Total		% of Market Value
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	
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%
2007	4,649,507	392,040,400	53,460	2,723,900	4,702,967	394,764,300	1.2%

Source: County Assessor



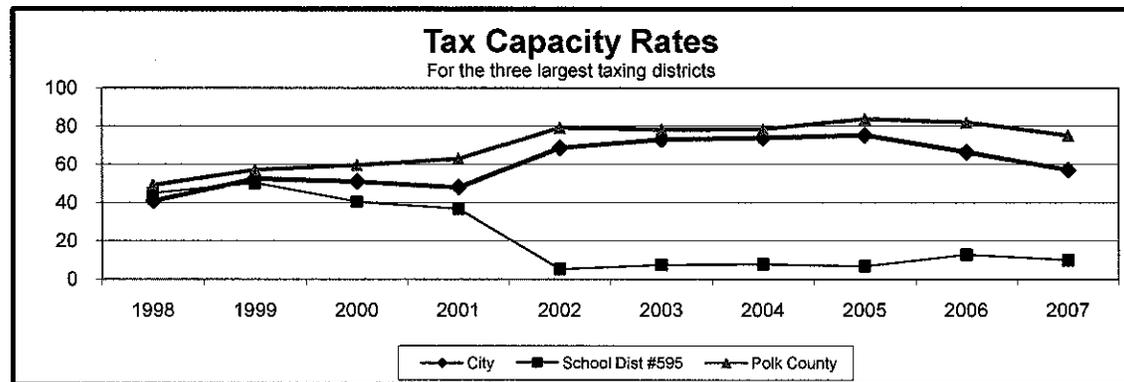
Note: The county assessor is occasionally required to make city wide adjustments to estimated market values. The State of Minnesota will instruct the county assessor to make these type of adjustments when data comparing actual sales to assessed values warrant such actions. In 1997 and again in 2001,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

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

(Unaudited)

Year	Tax Rates per \$1,000 of Tax Capacity						Total
	City	School Dist #595	Polk County	Watershed Value	NWRDC	Ambulance District	
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
2007	57.09	9.77	75.17	4.61	0.34	0.97	147.95

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	2007			1998		
	Tax Capacity	Rank	% of Total Tax Capacity of \$ 4,702,967	Tax Capacity	Rank	% of Total Tax Capacity of \$ 3,731,631
American Crystal	\$ 685,466	1	18.4%	\$414,939	1	11.1%
Cabela's	58,060	2	1.6%	---	---	---
Green Acres	57,297	3	1.5%	56,576	2	1.5%
Valley Markets	53,432	4	1.4%	33,535	9	0.9%
Northern States Power	53,200	5	1.4%	54,950	3	1.5%
Riverview Terrace	47,775	6	1.3%	---	---	---
EGF Economic Dev Authority	38,504	7	1.0%	---	---	---
Sterling Development	33,962	8	0.9%	---	---	---
City-Commercial & Residential	30,607	9	0.8%	---	---	---
Burlington Northern RR	28,514	10	0.8%	50,071	5	1.3%
Town Square	---	---	---	52,130	4	1.4%
One Forty-Four Assoc	---	---	---	43,267	6	1.2%
M & M Company	---	---	---	41,367	7	1.1%
Bakken Properties	---	---	---	35,718	8	1.0%
Simplot Potato	---	---	---	32,322	10	0.9%
	<u>\$ 1,086,817</u>		<u>29.1%</u>	<u>\$ 814,875</u>		<u>21.9%</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.

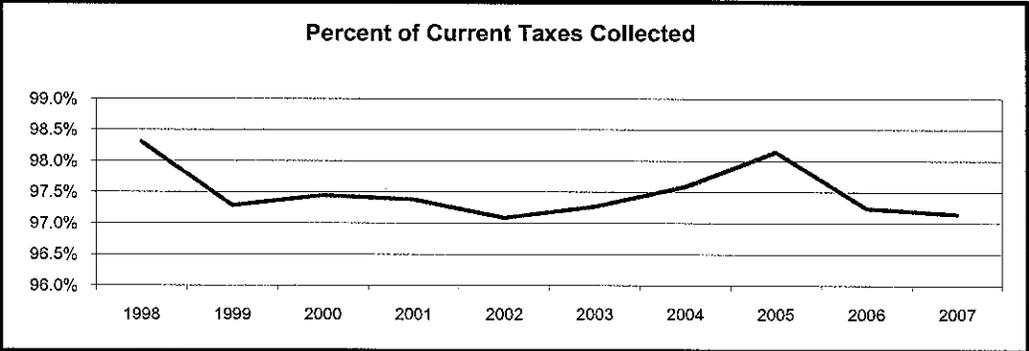
Source: County Auditor

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
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%
2007	1,953,185	1,897,420	97.1%	32,146	1,929,566	98.8%	32,554	1.7%

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				
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
2007	1,410,342	1,323,689	93.9%	10,963,152	129,986	1.2%	1,453,675

Source: Administration and Finance

Notes (1) Includes current and delinquent assessments, and assessments collected by the general fund after debt service obligations have been satisfied (miscellaneous revenues - other).

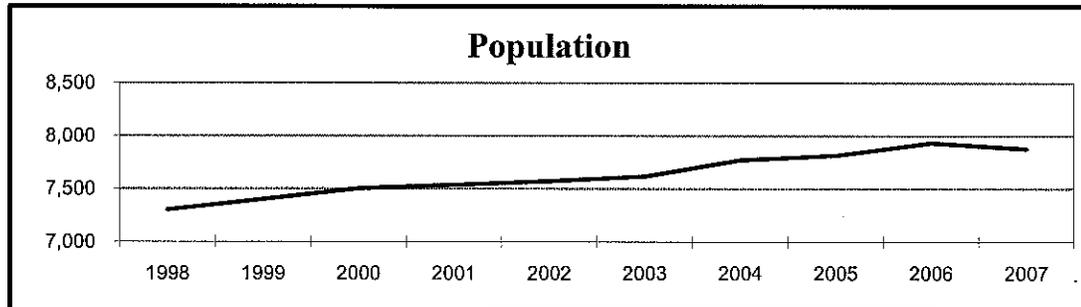
(2) In 1999, the city deferred \$730,732 in uncertified special assessments on city-owned residentially zoned property. These assessments will be added back to the assessment rolls as the lots are sold. In 2004, the city deferred \$ 3,197,276 on city-owned residentially zoned property, which will be assessed as the lots are sold.

(3) Prepayment ratio is calculated by dividing the prepayments by the sum of uncertified special assessments and prepayments.

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

(Unaudited)

Year	Population(1)	Tax Capacity	Bonded Debt		Total Gross Bonded Debt	Less Amount for Retirement	Net Bonded Debt	As a % of Tax Capacity	Estimated Market Values	Bonded Debt Per Capita
			Governmental	Business						
1998	7,300	3,731,631	5,065,000		5,065,000	1,099,939	3,965,061	106.3%	1.8%	694
1999	7,400	2,974,465	4,625,000		4,625,000	1,019,813	3,605,187	121.2%	1.6%	625
2000	7,501	3,282,412	4,310,000		4,310,000	1,023,617	3,286,383	100.1%	1.7%	575
2001	7,535	3,444,968	4,875,000	4,530,000	9,405,000	2,018,407	7,386,593	214.4%	3.0%	1,248
2002	7,569	2,964,976	4,905,000	4,315,000	9,220,000	1,603,628	7,616,372	256.9%	3.0%	1,218
2003	7,616	2,986,517	4,830,000	4,165,000	8,995,000	1,856,553	7,138,447	239.0%	2.8%	1,181
2004	7,769	3,143,267	9,285,000	4,010,000	13,295,000	2,191,957	11,103,043	353.2%	4.1%	1,711
2005	7,816	3,296,995	8,355,000	3,845,000	12,200,000	2,453,241	9,746,759	295.6%	3.4%	1,561
2006	7,934	3,801,667	11,710,000	1,415,000	13,125,000	2,002,701	11,122,299	292.6%	3.4%	1,654
2007	7,879	4,702,967	14,830,000	1,345,000	16,175,000	4,212,406	11,962,594	254.4%	3.0%	2,053



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

Source: Administration and Finance and Polk County Auditor

Computation of Direct and Overlapping Debt As of December 31, 2007

(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	\$ 16,870,000	100.0%		\$ 16,870,000
OVERLAPPING DEBT:				
I.S.D. 595	\$ -	71.9%	\$ -	
Polk County	30,325,000	21.4%	6,503,686	
Total Overlapping Debt				6,503,686
Total direct and overlapping debt				\$ 23,373,686

Source: County Auditor

Legal Debt Margin Information Last Ten Years

(Unaudited)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Estimated market value	\$223,691,000	\$192,351,200	\$213,315,700	\$242,247,600	\$249,732,500	\$254,330,500	\$268,990,900	\$282,620,600	\$330,739,700	\$394,764,300
Total debt	\$ 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	\$ 16,870,000
Deductions:										
Bonds:										
G.O. improvement bonds	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	14,830,000
G.O. tax increment bonds	325,000	250,000	225,000	200,000						
Certificates of participation	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	1,345,000
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	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	1,697,353	1,629,483	1,639,224	2,371,950	1,603,628	1,356,603	2,235,996	1,933,482	1,786,948	4,093,507
Less amount applicable to excluded bonds	(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)	(4,093,507)
Total net debt applicable to debt limit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,223	\$ 186,263	\$ 126,286	\$ 64,223	\$ 695,000
Debt limit is 2% of estimated market value	\$ 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	\$ 7,895,286
Legal Debt Margin	\$ 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	\$ 7,200,286
Total net debt applicable to limit as a percentage of debt limit	0.0%	0.0%	0.0%	0.0%	0.0%	4.8%	3.5%	2.2%	1.0%	8.8%

COMPUTATION OF LEGAL DEBT MARGIN (continued)
DECEMBER 31, 2007

NOTE (A): Minnesota Statutes 475.53 et seq.

Limit on Net Debt

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

NOTE (B): Minnesota Statutes 475.51

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

- (1) Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursements in whole or in part from the proceeds of the special assessments.
- (2) Warrants or orders having no definite or fixed maturity.
- (3) Obligations payable wholly from the income from revenue-producing conveniences.
- (4) Obligations to create or maintain a permanent improvement revolving fund.
- (5) Obligations issued for the acquisition and betterment of public water-works systems and public lighting, heating, or power systems, and of any combination thereof or for any other public convenience from which revenue is or may be derived.

Schedule of Improvement Bond Coverage Debt Service Funds

(Unaudited)

Improvement Bond	Year	Assessment Collections(1)	Debt Service Requirements			Coverage	Debt Outstanding	Deferred Revenue
			Principal	Interest(2)	Total			
8-1-98 \$1,775,000 (3)	1999	\$ 162,965	\$ -	\$ 60,780	\$ 60,780	3	\$ 1,775,000	\$ 521,106
	2000	50,382	25,000	60,080	85,080	1	1,750,000	446,161
	2001	49,678	50,000	70,778	120,778	0	1,700,000	1,135,934
	2002	165,404	95,000	79,865	174,865	1	1,605,000	1,137,523
	2003	182,720	95,000	75,812	170,812	1	1,510,000	1,278,491
	2004	195,256	105,000	71,269	176,269	1	1,405,000	1,189,721
	2005	195,531	110,000	66,324	176,324	1	1,295,000	1,133,102
	2006	163,270	110,000	61,321	171,321	1	1,185,000	1,050,251
	2007	154,005	110,000	56,260	166,260	1	1,075,000	-
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
	2007	87,119	55,000	38,369	93,369	1	755,000	645,771
12-1-03 \$1,000,000	2004	79,678	-	27,824	27,824	3	1,000,000	2,189,184
	2005	103,079	30,000	40,583	70,583	1	970,000	925,216
	2006	75,345	40,000	39,526	79,526	1	930,000	903,952
	2007	141,496	40,000	38,266	78,266	2	890,000	822,918
4-1-04 \$260,000	2005	60,917	530,000	28,303	558,303	0	260,000	329,235
	2006	51,386	35,000	8,170	43,170	1	225,000	302,892
	2007	49,856	30,000	7,276	37,276	1	195,000	275,353
12-1-04 \$4,655,000	2005	87,469	-	125,974	125,974	1	4,655,000	1,675,095
	2006	184,881	170,000	186,204	356,204	1	4,485,000	2,306,453
	2007	217,172	205,000	179,554	384,554	1	4,280,000	2,269,211
03-1-06 \$ 4,075,000	2007	436,739	-	211,104	211,104	2	4,075,000	2,451,574
12-01-07 \$ 3,560,000	2007						3,560,000	2,776,385

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

(2) Includes fiscal agent fees.

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

Source: Administration and Finance

Schedule of Revenue Bond Coverage

Water Fund

(Unaudited)

Water Fund:

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses(2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements (3)</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
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
2007	2,094,122	1,392,146	701,975	70,000	68,500	138,500	5

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

SINGLE AUDIT

SECTION



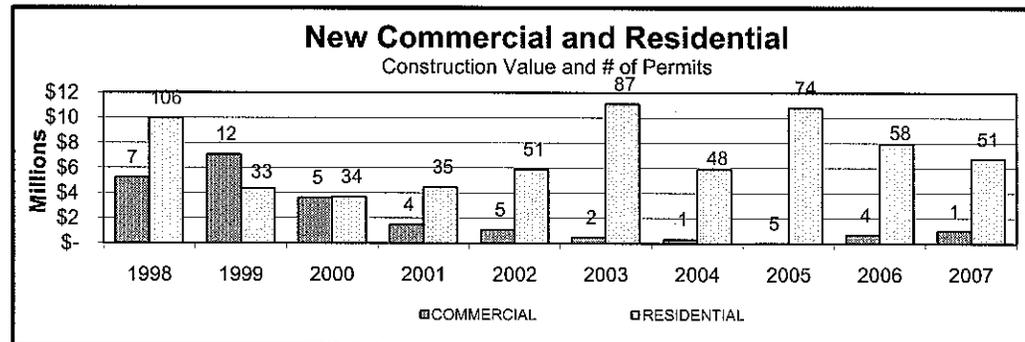
CITY OF EAST GRAND FORKS, MINNESOTA

Construction and Bank Deposits Last Ten Years

(Unaudited)

Year	CONSTRUCTION (1)				Total	Bank Deposit	
	COMMERCIAL		RESIDENTIAL			Total	Percent of Change
	Permits	Value	Permits	Value			
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	74	10,781,000	10,787,740	104,735,589	5.4%
2006	4	641,000	58	7,943,000	8,584,000	98,335,162	-6.1%
2007	1	980,000	51	6,719,000	7,699,000	95,122,014	-3.3%

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)
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	5,659,000	27,024	na	na	1,773	2.8%
2005	7,816	6,023,000	28,974	na	na	1,756	3.0%
2006	7,934	6,196,000	29,919	na	na	1,746	3.8%
2007	7,897	na	na	na	na	2,165	3.3%

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

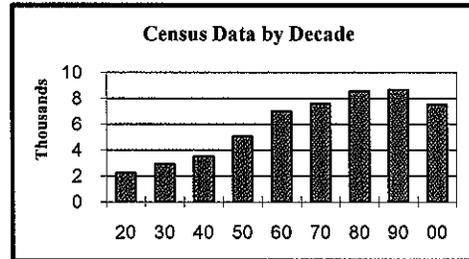
Demographic Statistics

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%
	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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government:										
Administration and Finance	5	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	3	3	3	3	3	3	3	3	3
Fire	11	11	11	11	11	11	11	11	10	10
Police	24	25	25	25	24	24	23	23	23	24
Public Works:										
Refuse	7	7	7	7	6	6	6	6	6	6
Sewage	2	2	2	2	2	2	2	2	2	2
Streets	9	9	9	9	8	8	8	8	8	7
Culture and Recreation:										
Administration	3	3	3	3	3	3	3	3	3	2
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	3	3	3
Senior center	1	1	1	1	1	1	1	1	1	1
Water and Light										
Administration	5	5	5	5	5	5	5	5	5	5
Electric	12	12	13	13	13	13	11	11	11	10
Water	8	8	8	8	8	8	8	8	8	8
Total	96	98	99	99	96	96	93	94	93	91

Note: Excludes seasonal and part-time positions.

Source: Administration and Finance

**Operating Indicators by Function
Last Ten Fiscal Years**

(Unaudited)

Function	Year Ending December 31,									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
On Sale Liquor license by entity	12	12	12	11	14	13	14	13	11	10
Off Sale Liquor license by entity	7	5	4	5	4	4	4	4	4	3
Number of AP checks written	4,275	6,833	4,677	3,386	3,323	3,036	2,986	3,033	3,055	3,075
Police										
DUI arrests	134	155	143	124	107	116	135	85	102	124
Traffic violations	2,234	2,321	2,398	1,679	1,768	1,386	1,367	1,107	898	1,044
No. of dog/cat licenses	63	61	42	78	87	97	93	111	111	106
Fire										
No. of rescue & EMS incidents	355	357	359	323	347	372	387	383	405	435
No. of fire calls	185	152	120	124	100	96	99	106	96	44
Building Official										
Building permits issues	524	276	246	257	340	358	246	308	302	379
Other permits issued	141	53	134	165	184	275	253	314	226	266
Refuse collection										
Refuse collected annually (tons)	4,999	4,263	3,780	3,735	3,734	3,859	3,875	3,864	4,003	3,783
Recyclables collected annually (tons)	5,769	5,364	4,809	4,571	4,443	5,277	1,370	4,740	820	4,354
Recreation and culture										
Number of summer registrants	872	842	814	874	563	340	429	680	708	748
Number of winter registrants	359	375	374	401	352	265	270	403	405	285
Attendance for general swim	na	na	na	na	na	9,976	10,101	10,326	11,098	11,278
Library										
Volumes in collection	17,593	23,055	29,700	34,655	38,680	41,037	43,114	44,595	47,641	49,972
Total volumes borrowed	45,668	41,481	35,001	48,554	72,702	65,367	80,064	83,288	88,451	74,045
Water										
Annual tap water billed (millions)	400	354	385	345	313	350	363	374	383	377
Average number of monthly meters	2,420	2,350	2,386	2,418	2,445	2,501	2,571	2,629	2,692	2,734
Electric										
Annual Kwhs billed (millions)	119	122	132	131	127	136	138	139	139	146
Maximum Demand Kwhs (millions)	26.60	27.18	27.84	25.55	28.47	26.63	26.40	25.55	26.49	29.21
Cemetery										
No. of Lots Sold	44	65	66	39	127	58	46	31	48	26
No. of Interments	32	30	43	29	26	34	29	22	42	21
Transit										
Total route miles	16	16	16	16	16	16	16	16	16	16
Passengers	16,529	17,395	19,306	20,052	17,919	16,833	14,147	16,785	16,324	16,772

Source: Various city departments

Schedule of Insurance in Force December 31, 2007

(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)	CMC27846	01/01/07-01/01/08	All Risk Blanket Property, excluding flood.	\$83,3771,529 Blanket \$5,000,000 Terrorism Activity \$500,000 Valuable Papers
Fidelity	227700701C	03/01/07-03/01/08	Flood	\$250,000 Content \$500,000 Flood
League of Minnesota Cities (C&H Insurance)	CMC27846	01/01/07-01/01/08	Boiler and Machinery	\$5,000,000
BONDS				
League of Minnesota Cities (C&H Insurance)	CMC27846	01/01/07-01/01/08	Public Officials	\$100,000 Clerk-Treasurer \$100,000 Public Employees
League of Minnesota Cities (C&H Insurance)	CMC27846	01/01/07-01/01/08	Commercial Blanket Bond Commercial Crime	\$100,000 Forgery \$5,000,000 Loss Revenue (per location)
LIABILITY				
League of Minnesota Cities (C&H Insurance)	CMC27846	01/01/07-01/01/08	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)	CMC27846	01/01/07-01/01/08	Comprehensive General/ Auto Liability	\$1,000,000 per occurrence
League of Minnesota Cities (C&H Insurance)	CMC27846	01/01/07-01/01/08	General Liability (Bodily injury, employee benefits, host liquor liability)	\$1,000,000 per occurrence
OPEN MEETING LAW				
League of Minnesota Cities (C&H Insurance)	OML4288	01/01/07-01/01/08	Open Meeting Law Defense Cost Reimbursement	\$50,000 per city official
WORKERS COMPENSATION				
League of Minnesota Cities (Berkley Risk Administrators)	0200011427	01/13/07-01/13/08	Workers Compensation Comprehensive Managed Care Retro-rated 60% to 130%	\$1,000,000 Bodily Injury by accident \$1,000,000 Bodily Injury by disease

Miscellaneous Statistical Information

(Unaudited)

Adoption of City Charter	1975	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	12
Undeveloped	1	Number of storm sewer lift stations	13
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	10	Northwest Technical College	1
Number of volunteer Firefighters	20	Bond rating	A3
Fire Insurance Rating	4		
Police Protection:			
Number of stations	1		
Number of police officers	24		
Number of patrol units	6		

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

GENERAL

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

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

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

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

TYPE OF PROPERTY	2007 TAXES PAYABLE
<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

TAX RATES AND LEVIES

Tax Limitation by Statute:

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

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

Taxes Due Date:

First Monday in January

Taxes Delinquent Date:

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

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

No Discount Allowed

Penalties for Late Payments:

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

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

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

Homestead 10% Non-Homestead 14%

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

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

Source: County Auditor, Polk County.

**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, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of East Grand Forks in a separate letter dated June 6, 2008.

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 2007 for 4 days at one, 12 days at a second and 37 days at a third local financial institution.

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



BRADY, MARTZ & ASSOCIATES, P.C.

June 6, 2008

**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, 2007. 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, 2007.

Internal Control Over Compliance

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

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

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

June 6, 2008

**CITY OF EAST GRAND FORKS, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2007**

FEDERAL GRANTOR/ PROGRAM TITLE	CFDA Number	Expenditures
<hr/>		
Department of Housing & Urban Development		
Direct Programs:		
Lower-Income Housing Assistance Program Section 8 Housing Choice Vouchers	14.871	\$ 1,380,465
Total HUD		<u>\$ 1,380,465</u>
<hr/>		
Department of Transportation		
Direct Programs:		
Federal Transit Administration- Capital and Operating Assistance Formula Grants	20.507	\$ 116,263
Passed Through State of Minnesota		
Highway Planning and Construction	20.205	601,775
State and Community Highway Safety	20.600	12,038
Alcohol Traffic Safety and Drunk Driving Prev	20.601	<u>3,687</u>
Total DOT		<u>\$ 733,763</u>

Department of Homeland Security	CFDA Number	Expenditures
<hr/>		
Passed Through State of Minnesota Disaster Grants - Public Assistance	97.036	<u>11,705</u>
Total FEMA		<u>\$ 11,705</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS		<u><u>\$ 2,125,933</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, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.871	Section 8 Cluster
20.205	Highway Planning and Construction

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, 2007

There are no findings to be reported in this section.