

# City of East Grand Forks

Minnesota



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2010

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended December 31, 2010



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

**SCOTT HUIZENGA**  
CITY ADMINISTRATOR

**JERRY LUCKE**  
FINANCE DIRECTOR

# INTRODUCTORY SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

# Comprehensive Annual Financial Report

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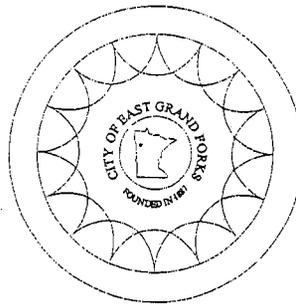
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## Administration and Finance

June 10, 2011

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, 2010.

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, 2010, 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, 2010, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

### PROFILE OF THE GOVERNMENT

The City of East Grand Forks, incorporated on April 13, 1887, is located in Polk County on the Minnesota and North Dakota border 70 miles south of the Canadian border. The city currently has a land area of nearly six square miles and a service population of 8,601. The City of East Grand Forks is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

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

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

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

The annual budget serves as the foundation for the City of East Grand Forks financial planning and control. All departments of the city submit requests for appropriation to the city administrator in July of each year. The city administrator uses these requests as the starting point for developing a proposed budget. The city 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. Department heads may make transfers of appropriation within a department. Transfers of appropriations between funds, however, require the special approval of the city council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 29 as part of the basic financial statements of the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is present in the governmental fund subsection of this report, which starts on page 84.

**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 Centre. Additionally, along the well maintained shores of the scenic Red River of the North, the city has a popular boardwalk section where several restaurants and entertainment facilities are located. Led by American Crystal Sugar and several other potato and bean companies, agribusinesses are a major

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

The City of East Grand Forks employment picture is healthy with a 5.8% unemployment rate (Polk County), while the state and the country have unemployment rates of 6.9% and 9.6%, respectively. The City of Grand Forks, located just across the river in North Dakota, has an unemployment rate of 3.6%.

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

**FINANCIAL INFORMATION**

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

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

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

**State Budget.** The State of Minnesota political structures are aligned in a redistributive manner in which a large portion of the tax burden is affixed at the state level. Cities receive formulaic disbursements of state general fund appropriations known as Local Government Aid (LGA). Recent recessionary trends in the national economy have resulted in reduced state revenues. The State, in turn, reduced LGA disbursements for fiscal years 2008, 2009, 2010 and reductions are expected at least through 2012. Historically, LGA has composed approximately one third of the City's total general fund revenues. LGA cuts of between six percent and 21 percent in the last three fiscal years have reduced LGA's total portion of general fund revenues to approximately 30 percent. The City has addressed these cuts through a combination of increased user fees, reduced staffing through attrition, and delayed equipment purchases. The State projects another budget deficit for the 2011-2012 biennium of \$5.4 billion, or approximately 15-24 percent of the State's General Fund expenditures. As such, the City will continue to develop strategies that address the potential of further-reduced LGA.

**Revenue.** In addition to LGA cuts, the State of Minnesota has limited the percentage of allowable City property tax increases to an index known as the Implicit Price Deflator (IPD). In 2010, the IPD was less than one percent. Therefore, City has broadened its use of user fees and utility rates to compensate for the decrease in LGA funding and the corresponding cap on property tax revenues. The City increased recreation fees and refuse fees, and instituted a new Greenway Maintenance Fee in 2009 to provide for the ongoing maintenance of approximately nine miles of asphalt walking and biking trails that are adjacent to the City's levee system and a instituted a Rescue Unit Fee in 2011.

**Fund Balance.** Despite decreased state aid, the City's General Fund balance and its total governmental funds balance meets or exceeds the recommendations proscribed by the Office of the State Auditor. The City has positive cash flow relative to its peer cities in Minnesota as a result of proactive fiscal management and its breadth of special revenue funds. The City's fund balance in all major categories was maintained in 2010 despite state cuts to the LGA program.

**Capital Investment.** The City has reinvested significantly in capital reinvestment despite fiscal challenges at the state level. The City Council has asserted the position that an ounce of prevention is worth a pound of cure. As such, the City's annual street repair budget has quadrupled since 2008. Since 2008, the City has undertaken approximately \$16 million of street replacement, water line replacement, sewer line replacement and maintenance. The Waste Water Phase II project is expected to be \$8-10 million. The Waste Water Phase II project is expected to be \$8-10 million.

The City has begun replaced its aging vehicle fleet with newer vehicles that are more fuel efficient and require much less maintenance costs. For example, the City reduced its police patrol vehicle life cycle from four years to three years. The City believes that dramatically reduced maintenance costs will offset additional vehicle purchases while increasing street time for the patrol vehicles.

The City established a Building Maintenance Fund in 2010 to address large-scale maintenance concerns.

The City continues to market its investments in City-owned properties that the City acquired as a result of the US Corps of Engineers levee project. The City also anticipates a major street and utilities addition to its Industrial Park in 2011. The local share of the estimated \$850,000 project will be 25 percent. The federal Economic Development Administration (EDA) will fund 50 percent of the cost, and the state Department of Employment and Economic Development (DEED) will fund 25 percent.

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

#### AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of East Grand Forks, Minnesota for its comprehensive financial report for the fiscal year ending December 31, 2009. This is the 17th year the city has received this prestigious award. In order to be awarded the Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

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

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

Scott Huizenga  
City Administrator

Gerald Lucke, CPA,  
Finance Director

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, 2009

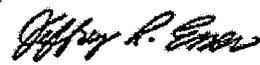
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to the City of East Grand Forks, Minnesota for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2009. 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.

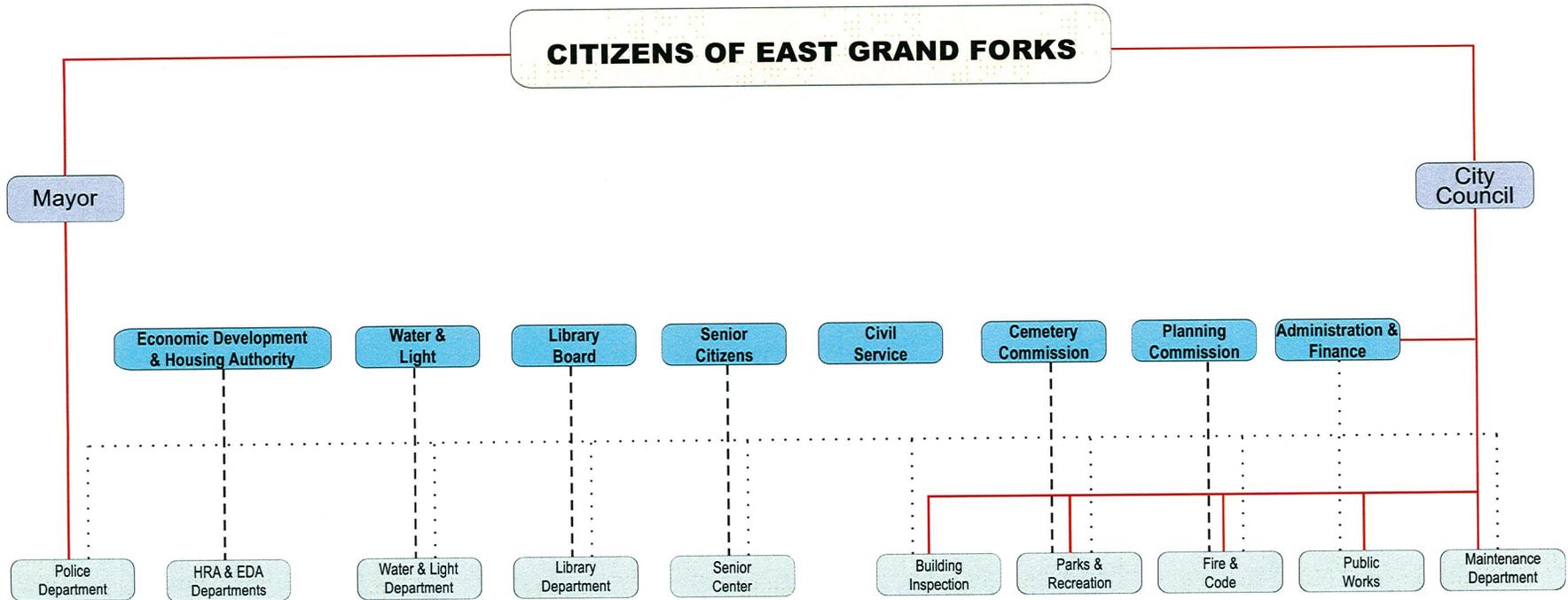


  
President  
  
Executive Director

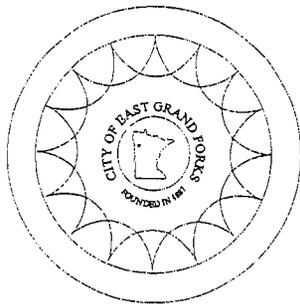


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# City of East Grand Forks Organization Chart



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



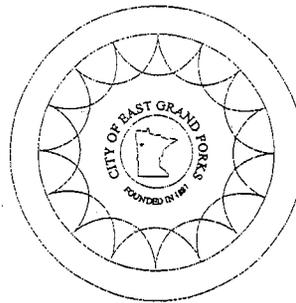
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## Elected Officials and Administrative Personnel

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

OFFICIALS NOT ELECTED:

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



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# FINANCIAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of and for the year ended December 31, 2010, 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 2009 financial statements and, in our report dated June 18, 2010; we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of December 31, 2010, 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 10, 2011, on our consideration of the City of East Grand Forks, Minnesota's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is 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*

BRADY, MARTZ & ASSOCIATES, P.C.

June 10, 2011

# MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF EAST GRAND FORKS, MINNESOTA

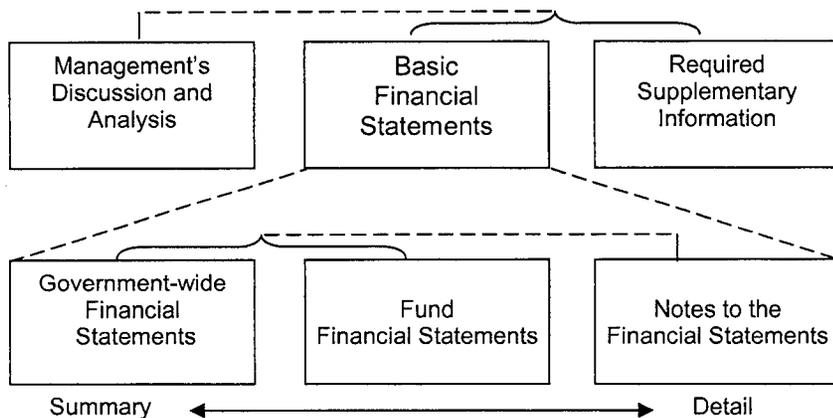
## Management's Discussion and Analysis

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, 2010. 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 23-25 of this report.

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

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

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

The city maintains six major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, two capital projects funds, and three debt service funds, all of which are considered major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The city adopts an annual appropriated budget for its general 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 26-29 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for electric, water, sewage, storm water protection, city mall (commercial property operations), and refuse. All except the refuse fund are considered major funds of the city. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service

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

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

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

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

**Other information.** The combining statements referred to earlier in connection with nonmajor funds and internal service funds can be found immediately following the footnotes. Combining and individual fund statements can be found on pages 61-72 and 85-89.

**FINANCIAL HIGHLIGHTS**

- The city's net assets (asset minus liabilities) increased by .27% as a result of this year's operations. The net assets of the city's governmental activities decreased \$117,100 (.09%) and net assets of the city's business type activities increased \$660,396 (1.03%).
- Capital assets increased \$1,355,768 (1%), with most of the increase comprised of additions to the city's infrastructure.
- The city's long-term liabilities decreased \$ 259,029 (1.3%) during the fiscal year ending December 31, 2010. Governmental long-term liabilities increased \$839,026 (5.7%). The key factor behind the increase was proceeds on new lending of \$ 1,877,370 exceeding principal payments of \$940,000 on Bonds. Additionally the Business-type net decrease of \$1,098,055 was mainly due to \$ 389,789, the proceeds of a PFA bond issue, offset by the Water bond payoff of \$ 1,200,000.
- At the close of the current fiscal, the city's governmental funds reported total ending fund balances of \$8,294,362, a decrease of \$126,123 (1.5%).

- The General Fund's fund balance, reserved and unreserved, decreased \$139,486 (5.1%) to \$2,587,856. The unreserved fund balance is 31% of expenditures and other uses.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Government</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 21,123,909	\$ 22,060,887	\$ 18,163,467	\$ 18,858,004	\$ 39,287,376	\$ 40,918,891
Capital assets	130,734,377	129,635,566	52,258,034	52,001,077	182,992,411	181,636,643
Total assets	151,858,286	151,696,453	70,421,501	70,859,081	222,279,787	222,555,534
Other liabilities	1,135,156	1,695,249	1,513,338	1,513,259	2,648,494	3,208,508
Long-term liabilities	15,531,447	14,692,421	4,318,233	5,416,288	19,849,680	20,108,709
Total Liabilities	16,666,603	16,387,670	5,831,571	6,929,547	22,498,174	23,317,217
Net assets:						
Invested in capital assets, net of related debt	116,301,106	116,078,462	48,311,193	47,020,536	164,612,299	163,098,998
Restricted	10,977,442	11,634,601		72,233	10,977,442	11,706,834
Unrestricted	7,913,136	7,595,720	16,278,737	16,836,765	24,191,872	24,432,485
Total net assets	\$ 135,191,683	\$ 135,308,783	\$ 64,589,929	\$ 63,929,534	\$ 199,781,613	\$ 199,238,317

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

A small portion of the city's net assets (about 6%) represents resources that are subject to external restrictions on how they can be used. The remaining unrestricted net assets \$24,191,872 may be used to meet the ongoing

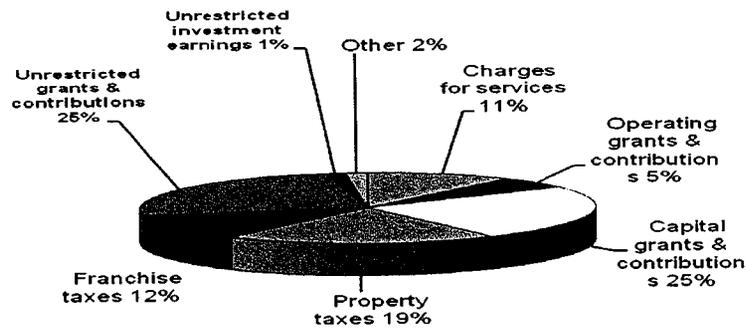
obligations to citizens and creditors. Of the unrestricted net assets, \$16,278,737 is attributable to business-type activities.

Unrestricted governmental activities net assets increased \$317,416 (4.18%), while business-type activities unrestricted net assets decreased \$558,028 (3.3%). Government-wide total unrestricted net assets decreased \$240,613 (1%). The \$ 657,159 (5.7%) decrease in governmental activities restricted net assets is from net reduction in special assessments. The \$1,513,301 (.93%) Invested in Capital Assets increase is the result of the prepayment of the Water bonds and additions exceeding depreciation for the year.

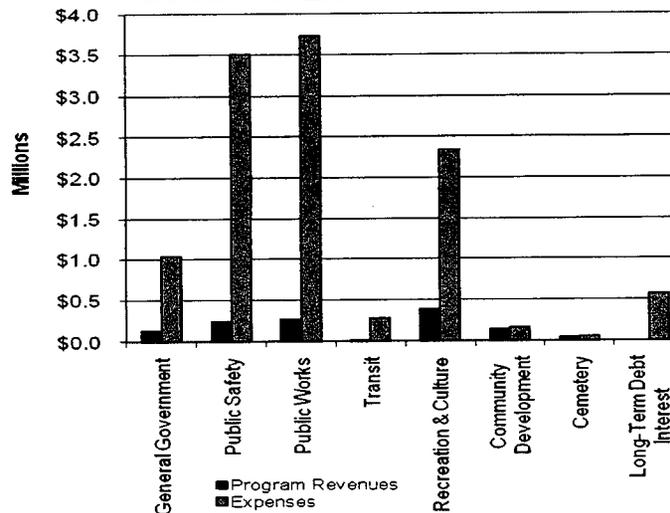
CHANGE IN NET ASSETS

Change in Net Assets	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 1,209,670	\$ 1,186,440	\$ 17,014,794	\$ 15,812,229	\$ 18,224,464	\$ 16,998,669
Operating grants and contributions	611,611	654,364	129,937	442,829	741,549	1,097,193
Capital grants and contributions	2,864,343	2,310,356	96,704	215,249	2,961,047	2,525,605
General revenues:						
Property taxes	2,201,420	2,116,388			2,201,420	2,116,388
Franchise taxes	1,359,302	1,361,673			1,359,302	1,361,673
Unrestricted grants and contributions	2,867,240	3,239,503			2,867,240	3,239,503
Unrestricted investment earnings	160,728	272,807	333,528	432,172	494,256	704,979
Other	180,527	105,452	3,600		184,127	105,452
Total revenues	11,454,841	11,246,983	17,578,563	16,902,479	29,033,404	28,149,462
<b>EXPENSES</b>						
Program activities:						
Governmental activities:						
General government	1,033,325	1,091,832			1,033,325	1,091,832
Public safety	3,508,407	3,638,645			3,508,407	3,638,645
Public works	3,725,756	3,667,210			3,725,756	3,667,210
Transit	278,476	263,059			278,476	263,059
Recreation and culture	2,346,805	2,213,181			2,346,805	2,213,181
Community development	166,045	181,624			166,045	181,624
Cemetery	52,476	47,105			52,476	47,105
Interest on long-term debt	569,135	505,821			569,135	505,821
Business-type activities						
Electric			11,749,099	11,271,252	11,749,099	11,271,252
Water			2,114,845	2,009,061	2,114,845	2,009,061
Sewer			785,645	703,260	785,645	703,260
Storm Water			956,736	907,291	956,736	907,291
City mail			365,121	350,600	365,121	350,600
Refuse			838,236	812,010	838,236	812,010
Total expenses	11,680,426	11,608,478	16,809,683	16,053,474	28,490,108	27,661,951
Excess (deficiency) before transfers	(225,584)	(361,495)	768,880	849,005	543,297	487,511
Transfers in (out)	108,484	188,618	(108,484)	(188,618)		
Increase (decrease in net assets)	(117,100)	(172,877)	660,396	660,387	543,297	487,511
Net assets at the beginning of the year	135,308,783	135,481,660	63,929,534	63,269,148	199,238,317	198,750,808
Net assets at the end of the year	\$ 135,191,683	\$ 135,308,783	\$ 64,589,930	\$ 63,929,534	\$ 199,781,613	\$ 199,238,317

**REVENUES BY SOURCE -  
GOVERNMENTAL ACTIVITIES**



**EXPENSES AND PROGRAM REVENUES -  
GOVERNMENTAL ACTIVITIES**



**Governmental Activities.** A significant share of revenues of the governmental activities is capital grants and contributions (25%), with most of that amount attributed to local share of additions to the infrastructure. Property taxes and franchise taxes accounted for 19% and 12% of total revenues, respectively. Unrestricted grants and contributions in the form of local government aid and other State aids contributed 25% to total revenues. Charges for services brought in 11%.

Public works (31.9%) expenses are the most significant, followed by public safety (30.0%), parks and recreation (20.1%), general government (8.8%), and community development (1.4%). Interest on long-term debt and transit expenses accounted for 4.9% and 2.4% of total expenses, respectively. Included in these amounts is depreciation expense of \$ 2,891,560, which is 24.8% of the total expenses for governmental activities.

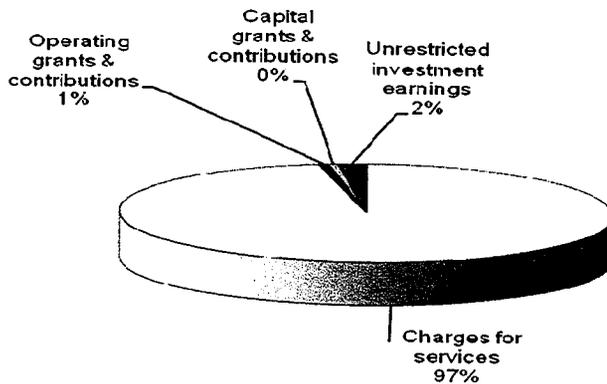
Governmental revenues increased \$207,858 (2%) in the current year, with the most significant portion of the increase attributable to larger amounts of capital grants and contributions. Property taxes increased by 4.0% and charges for services increased by 1%. Unrestricted grants and contributions increased by 24.0%, despite the decrease by unallotment in local government aid.

Governmental activities expenses increased \$ 71,948 (1%) in the current year. The most significant changes in program expenses were as follows:

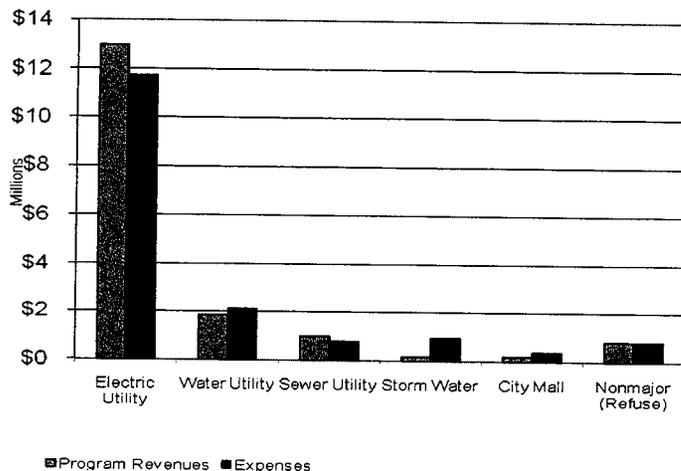
- Public Works expenses increased \$ 58,546 (1.6%). The increase is the result of more infrastructure projects undertaken.
- Public Safety expenses decreased \$130,238 (3.6%). The decrease is primarily attributable to enacted cost control policies.
- Recreation and culture expenses increased \$133,624 (5%), primarily due to infrastructure costs.
- General Government expenses decreased \$58,507 (5.4%), also due to the cost control policies.

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

**REVENUES BY SOURCE -  
BUSINESS-TYPE ACTIVITIES**



**EXPENSES AND PROGRAM REVENUES  
-  
BUSINESS-TYPE EXPENSES**



**Business-type activities.** Business-type activities increased the city's net assets by \$660,396 which is \$9 (.0%) more than the prior fiscal year. Key elements of the change are as follows:

Operating grants and contributions decreased by \$312,892. Interest income decreased by \$ 98,644, which was reflective of rate declines.

Program expenses increased by \$756,209 (4.7%) largely because of increases in operating costs.

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

At the end of 2010, the city's governmental funds reported total ending fund balances of \$8,294,362, a decrease of \$126,123 (1.5%) in comparison with the prior year. About 56% of the total ending fund balances constituted unreserved fund balances (\$4,656,009), which are considered available for appropriation. The remainder of the fund balances is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service (\$2,894,632), 2) to off-set non-current financial resources that are not anticipated to be liquidated in the near term (\$454,720; 179,778; and \$33,224), 3) to generate income to pay for library books (\$76,000). The city has designated \$828,502 of the unreserved fund balances for working capital purposes.

At the end of the current year, the General Fund reported a fund balance of \$2,587,856, decreasing \$139,486 from the previous year. General fund revenues were \$400,706 (4.9%) less than in the prior fiscal year and expenditures increased by \$60,462 (.8%). Transfers out increased by \$42,897 (5.8%). Local government aid decreased \$187,081 (7%) and was \$11,491 less than was budgeted. General taxes, including property taxes and franchise fees, increased \$82,660 (2.3%). Intergovernmental revenue decreased \$426,274 (12%) and charges for services increased \$8,208 (1%). Property taxes increased \$90,376 (4.3%) and franchise fees decreased \$2,371 (.2%). Public safety expenditures decreased \$152,373 (4%) which was largely the result of lower capital outlay expenditures. Public works expenditures increased \$ 127,554 (9%)

due to higher maintenance costs. Other departmental differences were within about 2% close to the overall General Fund increase.

The Residential Infrastructure Fund (RIF) experienced a \$34,766 (10%) revenue increase over the prior year along with an \$ 1,195,000 decrease in transfers out leading to the increase of \$ 50,762 in the fund balance for the year.

The 2008 PFA Loan 23<sup>rd</sup> Street Project Fund incurred costs of \$2,360,517 which were covered by \$ 1,877,370 of bond proceeds and intergovernmental revenues of \$ 737,883, leaving \$(163,918) in ending fund balance deficit.

The 12-01-07 Assessment Bond Fund increased to \$616,135, due to assessment collections, interest and a transfer in of \$ 10,426 exceeding debt service costs by \$69,503.

The 3-1-06 Assessment Bond Fund (ABF) fund balance decreased by \$94,591, due to assessment collections and interest income being less than debt service payments by \$ 109,337 combined with net transfers in of \$ 14,746.

The 12-1-04 Assessment Bond Fund (ABF) fund balance increased \$100,790 to \$285,544 as debt payments were less than assessment collections combined with a transfer in of \$ 120,000.

**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 \$892,225 (3.4%). Operating income increased \$656,624 (113.1%) to \$1,237,289. Wholesale purchased power costs increased \$635,866 (9.1%). Transfers out increased by \$359,030 to \$634,384. 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 \$137,010 (1.4%) in the current year. Operating income decreased \$39,647 (2.0%) and operating expenses increased \$145,986 (7.5%) 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 \$334,231 (3.7%). Income before capital contributions decreased \$63,570 (21%) due to increased interest expense on capital improvement financing.

The storm water utilities net assets decreased \$558,220 primarily due to operating losses which included depreciation expense of 332,603.

The City Mall Fund contains the operations of three commercial properties: River Walk Center (Mall), DeMers Professional building, Infill Building. The decrease in net assets of \$152,970 was the result of about \$ 10,000 more in rent income and \$14,500 less in operating expenses which included depreciation of 183,741. The general fund transfer in for 2009 was \$21,900, the same as the prior year.

The Refuse Fund net assets increased \$8,120. Operating revenue increased \$75,396 (10.0%) and operating expenses decreased \$29,327 (3.7%) from the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Intergovernmental revenues were \$191,134 less than budget primarily due to the State unallotting \$ 190,620 of expected Market Value Credit Aid revenue. Government expenditures overall were less than budget by \$ 31,567 the result of cost control measures.

The General Fund year end fund balances since 2002 are as follows:

2002	\$ 1,549,287	2005	\$ 2,574,386	2008	\$ 2,841,939
2003	2,158,880	2006	2,200,961	2009	2,727,342
2004	2,433,581	2007	2,841,939	2010	2,587,856

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**  
(Net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
Land	\$ 31,007,286	\$ 31,007,286	\$ 715,378	\$ 715,378	\$ 31,722,664	\$ 31,722,664
Construction in progress	49,132	2,317,020	1,191,106	3,708,064	1,240,238	6,025,084
Building, structures, & improvements	65,619,173	66,748,059	47,916,052	45,128,575	113,535,225	111,876,634
Machinery and equipment	2,742,688	2,960,234	2,435,497	2,449,060	5,178,185	5,409,294
Infrastructure	31,316,099	26,602,967			31,316,099	26,602,967
Total	\$ 130,734,377	\$ 129,635,566	\$ 52,258,034	\$ 52,001,077	\$ 182,992,411	\$ 181,636,643

**Capital assets.** The city's investment in capital assets for its governmental and business-type activities at December 31, 2010 totaled \$182,992,411 (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 .75%, of which governmental activities increased .85% and business-type activities increased .50%.

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

**LONG-TERM LIABILITIES**

	Governmental Activities		Business-type Activities		Total Government	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 11,176,906	\$ 12,112,402			\$ 11,176,906	\$ 12,112,402
General obligation water revenue bonds			\$ -	\$ 1,188,000	-	1,188,000
General obligation PFA Improv bonds	3,115,251	1,237,881	3,790,000	3,562,211	6,905,251	4,800,092
General obligation cert of indebtedness	141,114	206,776	156,835	230,327	297,949	437,103
Compensated absences payable	1,098,176	1,135,317	371,392	435,747	1,469,568	1,571,064
Total	\$ 15,531,447	\$ 14,692,376	\$ 4,318,227	\$ 5,416,285	\$ 19,849,674	\$ 20,108,661

**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 \$19,849,674 at December 31, 2010. Of this total, \$15,531,447 (78.2%) is in governmental activities and

\$4,318,227 (21.8%) is in business-type activities. The city's outstanding long-term liabilities decreased \$ 258,987 (1.3%) in 2010.

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

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- The unemployment rate for the Polk County, Minnesota area for December 31, 2010 was 5.8%, which is below the state average (6.9%) and the national average (9.6%). The Grand Forks County area unemployment rate was 3.6%, which is below the North Dakota state average. The City of Grand Forks, located in Grand Forks County, is located across the Red River of the North and has a population of approximately 50,000.
- The state's economy is precarious and the budgeted deficit may result in continuing reductions in local government aid (LGA) funding. The city received \$2.47 million in local government aid in 2010, which is about 30% of budgeted General Fund revenues.
- The city's electric utility continues to experience increases in wholesale power costs. The costs are passed to the customer through monthly power

costs adjustments. There have not been any power supply interruptions and none are expected.

- The occupancy rate of the city's central business district has remained constant over the last three years, but the city's commercial properties continue to be a draw on other revenue sources for support.
- Inflationary trends in the region compare favorably to national indices.
- The city expects residential housing growth of 10 to 20 units (1%) per year, as long as interest rates remain low.

**REQUESTS FOR INFORMATION**

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



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# BASIC FINANCIAL STATEMENTS



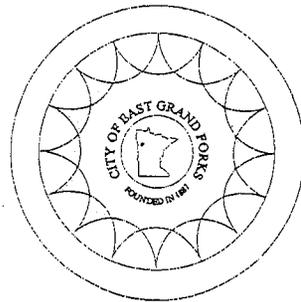
CITY OF EAST GRAND FORKS, MINNESOTA

# Statement of Net Assets

## December 31, 2010

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		EDHA
<b>ASSETS</b>				
Cash and cash equivalents	\$ 6,290,780	\$ 3,663,266	\$ 9,954,046	\$ 1,773,787
Investments	4,672,278	9,408,979	14,081,257	1,839,716
Accrued interest receivable	30,637	63,269	93,906	
Accounts receivable, net	32,358	2,100,292	2,132,650	
Notes receivable	238,897		238,897	1,577,995
Taxes receivable - property	75,027		75,027	
Taxes receivable - other	93,047		93,047	
Special assessments receivable	10,212,416		10,212,416	
Internal balances (net)	(1,377,499)	1,377,499	-	
Due from other government units	271,495	15,000	286,495	2,350
Prepaid Items		45,349	45,349	
Land held for resale	454,720		454,720	207,180
Materials and Supplies	33,224	1,063,138	1,096,362	
Restricted cash and Investments		74,900	74,900	614,860
Unamortized debt issuance costs	96,528		96,528	
Customer acquisition costs		351,774	351,774	
Capital assets:				
Nondepreciable	31,056,418	1,906,484	32,962,902	50,300
Depreciable, net	99,677,960	50,351,550	150,029,509	4,302,652
<b>TOTAL ASSETS</b>	<b>151,858,286</b>	<b>70,421,501</b>	<b>222,279,787</b>	<b>10,368,839</b>
<b>LIABILITIES</b>				
Accounts payable	485,464	1,263,891	1,749,356	19,464
Accrued wages payable	272,746	100,872	373,618	17,498
Due to other government units	79,009	73,675	152,685	260,779
Accrued interest payable	196,103		196,103	2,058
Customer deposits		74,900	74,900	23,558
Noncurrent liabilities:				
Due within one year	1,157,147	288,430	1,445,577	44,698
Due in more than one year	14,374,300	4,029,803	18,404,104	507,776
Net other postemployment benefit liability	101,833		101,833	
<b>TOTAL LIABILITIES</b>	<b>16,666,603</b>	<b>5,831,571</b>	<b>22,498,174</b>	<b>875,831</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	116,301,106	48,311,193	164,612,299	4,309,600
Restricted for:				
Housing				115,217
Debt service	10,048,071		10,048,071	
Public works	130,252		130,252	
Capital projects	723,118		723,118	
Library - nonexpendable	76,000		76,000	
Unrestricted	7,913,136	16,278,737	24,191,872	5,068,191
<b>TOTAL NET ASSETS</b>	<b>\$ 135,191,683</b>	<b>\$ 64,589,929</b>	<b>\$ 199,781,613</b>	<b>\$ 9,493,008</b>

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



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# Statement of Activities

## Year Ended December 31, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 1,033,325	\$ 125,833			\$ (907,492)		\$ (907,492)	
Public safety	3,508,407	246,507	\$ 291,677		(2,970,223)		(2,970,223)	
Public works	3,728,496	266,398	104,627	\$ 2,864,343	(493,127)		(493,127)	
Transit	278,476	4,500	206,583		(67,393)		(67,393)	
Recreation and culture	2,346,805	386,664	8,725		(1,951,416)		(1,951,416)	
Community development	166,045	137,975			(28,070)		(28,070)	
Cemetery	52,476	41,793			(10,684)		(10,684)	
Interest on long-term debt	566,395				(566,395)		(566,395)	
Total governmental activities	<u>11,680,425</u>	<u>1,209,670</u>	<u>611,611</u>	<u>2,864,343</u>	<u>(6,994,801)</u>		<u>(6,994,801)</u>	
Business-type activities								
Electric Utility	11,749,099	12,986,102				\$ 1,237,003	1,237,003	
Water Utility	2,114,845	1,843,840				(271,005)	(271,005)	
Sewer Utility	785,645	988,491		96,704		299,550	299,550	
Storm Water	956,736	179,305	114,937			(662,494)	(662,494)	
City Mail	365,121	189,072				(176,050)	(176,050)	
Nonmajor (Refuse)	838,236	827,984	15,000			4,749	4,749	
Total business-type activities	<u>16,809,683</u>	<u>17,014,794</u>	<u>129,937</u>	<u>96,704</u>		<u>431,752</u>	<u>431,752</u>	
Total primary government	<u>\$ 28,490,108</u>	<u>\$ 18,224,464</u>	<u>\$ 741,549</u>	<u>\$ 2,961,047</u>	<u>(6,994,801)</u>	<u>431,752</u>	<u>(6,563,049)</u>	
Component unit:								
Community development	<u>\$ 2,603,737</u>	<u>\$ 370,247</u>	<u>\$ 1,597,414</u>					<u>\$ (636,076)</u>
General Revenues:								
Property taxes					2,201,420		2,201,420	136,853
Franchise taxes					1,359,302		1,359,302	
Unrestricted grants and contributions					2,867,240		2,867,240	70,162
Unrestricted investment earnings					160,728	333,528	494,256	64,897
Other					180,527	3,600	184,127	20,842
Transfers					108,484	(108,484)	(0)	
Total general revenues					<u>6,877,700</u>	<u>228,644</u>	<u>7,106,344</u>	<u>292,754</u>
Change in Net Assets					<u>(117,100)</u>	<u>660,396</u>	<u>543,296</u>	<u>(343,321)</u>
Net Assets - January 1					<u>135,308,783</u>	<u>63,929,534</u>	<u>199,238,317</u>	<u>9,836,330</u>
Net Assets - December 31					<u>\$ 135,191,683</u>	<u>\$ 64,589,930</u>	<u>\$ 199,781,612</u>	<u>\$ 9,493,009</u>

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

# Balance Sheet

## Governmental Funds

### December 31, 2010

	General	Residential Infrastructure	08 PFA Loan 23rd Street PROJECT	12-1-07 Assessment Bonds	12-1-04 Assessment Bonds	3-1-06 Assessment Bonds	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 1,678,947	\$ 305,348	\$ 48,874	\$ 373,751	\$ 280,467	\$ 625,860	\$ 2,229,103	\$ 5,542,351
Investments	1,015,858	516,011		227,777		514,358	1,597,467	3,871,471
Interest receivable	30,637							30,637
Accounts receivable	9,988							32,358
Taxes receivable - property taxes	75,027							75,027
Taxes receivable - other	93,047						22,370	93,047
Special assessments receivable	20,353	3,038,623		2,333,149	1,871,421	1,609,108	1,339,762	10,212,416
Interfund receivable		10,000						10,000
Due from other government units	214,193	3,145		14,607	5,076	6,440	28,034	271,495
Land held for resale							454,720	454,720
Notes Receivable	59,119						179,778	238,897
Materials and supplies	33,224							33,224
<b>TOTAL ASSETS</b>	<b>\$ 3,230,394</b>	<b>\$ 3,873,127</b>	<b>\$ 48,874</b>	<b>\$ 2,949,284</b>	<b>\$ 2,156,964</b>	<b>\$ 2,755,766</b>	<b>\$ 5,851,234</b>	<b>\$ 20,865,644</b>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities:</b>								
Accounts payable	207,383		\$ 212,792					485,464
Accrued wages payable	259,215						65,289	272,746
Interfund payable		1,212,499					13,531	1,387,499
Due to other government units	21,440						175,000	79,009
Deferred revenue	154,500	3,038,623		2,333,149	1,871,421	1,609,108	57,569	10,346,563
<b>Total liabilities</b>	<b>642,538</b>	<b>4,251,122</b>	<b>212,792</b>	<b>2,333,149</b>	<b>1,871,421</b>	<b>1,609,108</b>	<b>1,339,762</b>	<b>12,571,282</b>
<b>Fund balance:</b>								
Reserved for materials and supplies	33,224							33,224
Reserved for land held for resale							454,720	454,720
Reserved for notes receivable							179,778	179,778
Reserved for library							76,000	76,000
Reserved for debt service							846,295	2,894,632
Unreserved, designated for working capital	828,502			616,136	285,543	1,146,658		828,502
Unreserved, undesignated reported in:								
General fund	1,726,130							1,726,130
Special revenue funds		(377,995)	(163,918)				1,377,017	1,377,017
Permanent funds		(377,995)	(163,918)				1,241	1,241
Capital projects funds				616,136	285,543	1,146,658	1,265,032	723,118
<b>Total fund balance</b>	<b>2,587,856</b>	<b>(377,995)</b>	<b>(163,918)</b>	<b>616,136</b>	<b>285,543</b>	<b>1,146,658</b>	<b>4,200,083</b>	<b>8,294,362</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 3,230,394</b>	<b>\$ 3,873,127</b>	<b>\$ 48,874</b>	<b>\$ 2,949,284</b>	<b>\$ 2,156,964</b>	<b>\$ 2,755,766</b>	<b>\$ 5,851,234</b>	<b>\$ 20,865,644</b>

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, 2010

Total fund balances - governmental funds		\$ 8,294,362
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	49,132	
Buildings, structures and improvements	77,899,983	
Machinery and equipment	4,808,348	
Infrastructure	42,648,917	
Accumulated depreciation	<u>(26,408,088)</u>	
		130,005,578
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
		10,346,563
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	\$ 748,428	
Investments	800,807	
Machinery and equipment	1,720,172	
Accumulated depreciation	(991,373)	
Accounts Payable	-	
Compensated absences payable	(1,098,176)	
Notes payable	<u>(141,114)</u>	
		1,038,744
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	\$ (14,292,157)	
Unamortized bond issuance costs	96,528	
Accrued interest payable	(196,103)	
Other post employment benefit obligations	<u>(101,833)</u>	
		<u>(14,493,564)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u>\$ 135,191,683</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, 2010

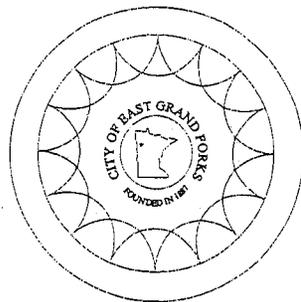
	General	Residential Infrastructure	08 PFA Loan 23rd Street PROJECT	12-1-07 Assessment Bonds	12-1-04 Assessment Bonds	3-1-06 Assessment Bonds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:								
General taxes	\$ 3,560,721							\$ 3,560,721
Special assessments		\$ 350,210		\$ 372,558	\$ 354,489	\$ 392,647	\$ 223,537	1,693,440
Licenses and permits	122,642							122,642
Intergovernmental	3,158,917		\$ 737,883				1,005,730	4,902,529
Charges for services	684,461						282,045	966,506
Fines and forfeitures	119,522							119,522
Interest and other revenues	91,746	14,740	-	6,507	354	14,693		238,902
Total revenues	<u>7,738,010</u>	<u>364,950</u>	<u>737,883</u>	<u>379,065</u>	<u>354,843</u>	<u>407,340</u>	<u>1,622,174</u>	<u>11,604,264</u>
Expenditures:								
Current:								
General government	839,360							839,360
Public safety	3,249,167							3,249,167
Public works	1,324,813							1,324,813
Transit								
Recreation and culture							91,149	91,149
Community development	1,322,458						262,526	1,415,962
Cemetery	49,440						461,060	1,783,518
Other expenditures	287,772						116,605	166,045
Capital outlay	415,563						49,139	49,139
Debt service:			2,360,517					2,360,517
Principal retirement							1,858,909	1,858,909
Interest and fiscal agent charges				190,000	220,000			410,000
Total expenditures	<u>7,488,573</u>	<u>54,188</u>	<u>2,360,517</u>	<u>129,988</u>	<u>154,054</u>	<u>400,000</u>	<u>130,000</u>	<u>940,000</u>
Excess (deficiency) of revenues over expenditures	<u>249,437</u>	<u>310,762</u>	<u>(1,622,634)</u>	<u>59,077</u>	<u>(19,210)</u>	<u>(109,337)</u>	<u>(1,417,568)</u>	<u>(2,549,473)</u>
Other financing sources (uses):								
Proceeds from asset sales	47,709							47,709
Transfers in	340,640			10,426	120,000	14,746	1,118,643	1,604,455
Transfers out	(777,272)	(260,000)					(458,699)	(1,495,971)
Discount on long-term debt issued								
Long-term debt issued			1,877,370					1,877,370
Total other financing sources (uses)	<u>(388,923)</u>	<u>(260,000)</u>	<u>1,877,370</u>	<u>10,426</u>	<u>120,000</u>	<u>14,746</u>	<u>389,789</u>	<u>2,267,159</u>
Net change in Fund Balances	(139,486)	50,762	254,737	69,503	100,790	(94,591)	(367,836)	(126,123)
Fund balance at beginning of year	2,727,342	(428,757)	(418,655)	546,632	184,754	1,241,248	4,567,920	8,420,493
Fund balance at end of year	<u>\$ 2,587,856</u>	<u>\$ (377,995)</u>	<u>\$ (163,918)</u>	<u>\$ 616,135</u>	<u>\$ 285,544</u>	<u>\$ 1,146,657</u>	<u>\$ 4,200,084</u>	<u>\$ 8,294,360</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, 2010**

Net change in fund balances--total governmental funds		\$ (126,123)
<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	\$ 3,990,372	
Depreciation	<u>(2,722,075)</u>	1,268,297
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.		940,000
Proceeds from long-term debt provide financial resources to governmental funds, but the issuing of debt increases long-term liabilities in the Statement of Net Assets.		(1,877,370)
<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, 2009	\$ (10,599,338)	
Deferred Revenue - December 31, 2010	<u>10,346,563</u>	(252,775)
<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	\$ (9,352)	
Amortization of bond discounts	(6,500)	
Amortization of bond premiums	1,996	
Other postemployment benefit obligations	<u>(21,831)</u>	(35,687)
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.		(6,922)
Changes in long-term debt interest payable		<u>(26,518)</u>
Change in net assets of governmental activities		<u>\$ (117,100)</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, 2010

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
General taxes	\$4,136,072	\$ 3,565,450	\$ 3,560,721	\$ (4,729)
Licenses and permits	97,450	97,450	122,642	25,192
Intergovernmental	2,779,429	3,350,051	3,158,917	(191,134)
Charges for services	723,685	723,685	684,461	(39,224)
Fines and forfeitures	136,300	136,300	119,522	(16,778)
Interest and other revenues	108,200	108,200	91,746	(16,454)
Total revenues	<u>7,981,136</u>	<u>7,981,136</u>	<u>7,738,010</u>	<u>(243,126)</u>
Expenditures:				
Current:				
General government	917,470	917,470	839,360	78,110
Public safety	3,226,940	3,226,940	3,249,167	(22,227)
Public works	1,224,954	1,224,954	1,324,813	(99,859)
Recreation and culture	1,362,650	1,362,650	1,322,458	40,192
Community development	87,000	87,000	49,440	37,560
Other expenditures	253,900	253,900	287,772	(33,872)
Capital outlay	384,092	384,092	415,563	(31,471)
Debt service:				
Principal retirement				
Interest and fiscal agent charges				
Total expenditures	<u>7,457,006</u>	<u>7,457,006</u>	<u>7,488,573</u>	<u>(31,567)</u>
Excess (deficiency) of revenues over expenditures	<u>524,130</u>	<u>524,130</u>	<u>249,437</u>	<u>(274,693)</u>
Other financing sources (uses)				
Proceeds from sale of assets			47,709	47,709
Transfers in	247,000	247,000	340,640	93,640
Transfers out	(772,434)	(772,434)	(777,272)	(4,838)
Total other financing sources (uses)	<u>(525,434)</u>	<u>(525,434)</u>	<u>(388,923)</u>	<u>136,511</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	(1,304)	(1,304)	(139,486)	(138,182)
Fund balance at beginning of year	<u>2,727,342</u>	<u>2,727,342</u>	<u>2,727,342</u>	
Fund balance at end of year	<u>\$2,726,038</u>	<u>\$ 2,726,038</u>	<u>\$ 2,587,856</u>	<u>\$ (138,182)</u>

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

**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2010**

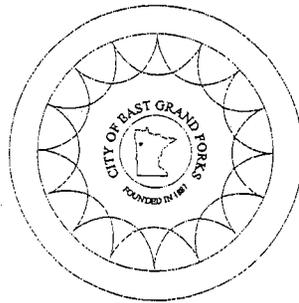
	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$ 2,154,141	\$143,593	\$ 1,115,259	\$ (77,082)	\$ 87,683	\$ 239,671	\$ 3,663,266	\$ 748,428
Investments	8,194,924		1,214,055				9,408,979	800,807
Restricted cash and investments:								
Cash in customer deposits	74,900						74,900	
Interest receivable	63,269						63,269	
Account receivable (net)	2,099,679					613	2,100,292	
Materials and supplies	867,408	195,730					1,063,138	
Prepaid items	45,015	334					45,349	
Interfund receivable	1,377,499						1,377,499	
Due from other government units						15,000	15,000	
Total current assets	<u>14,876,836</u>	<u>339,657</u>	<u>2,329,314</u>	<u>(77,082)</u>	<u>87,683</u>	<u>255,284</u>	<u>17,811,692</u>	<u>1,549,235</u>
Noncurrent assets:								
Capital assets:								
Land	305,394	44,000	215,184		150,800		715,378	
Buildings and systems	22,764,391	16,988,835	14,908,511	16,350,107	6,177,307		77,189,152	
Machinery and equipment	3,213,271	2,105,127	554,710	48,042	81,766	721,504	6,724,421	1,720,172
Construction in progress		1,191,106					1,191,106	
Total capital assets	<u>26,283,056</u>	<u>20,329,069</u>	<u>15,678,406</u>	<u>16,398,150</u>	<u>6,409,873</u>	<u>721,504</u>	<u>85,820,057</u>	<u>1,720,172</u>
Less accumulated depreciation	<u>(12,657,589)</u>	<u>(10,579,789)</u>	<u>(4,945,822)</u>	<u>(2,996,789)</u>	<u>(1,974,139)</u>	<u>(407,895)</u>	<u>(33,562,023)</u>	<u>(991,373)</u>
Total capital assets (net)	<u>13,625,467</u>	<u>9,749,279</u>	<u>10,732,584</u>	<u>13,401,361</u>	<u>4,435,734</u>	<u>313,609</u>	<u>52,258,034</u>	<u>728,799</u>
Unamortized debt issuance costs								
Customer acquisition costs	268,106	83,668					351,774	
Total noncurrent assets	<u>13,893,573</u>	<u>9,832,948</u>	<u>10,732,584</u>	<u>13,401,361</u>	<u>4,435,734</u>	<u>313,609</u>	<u>52,609,808</u>	<u>728,799</u>
<b>TOTAL ASSETS</b>	<u>28,770,409</u>	<u>10,172,604</u>	<u>13,061,898</u>	<u>13,324,279</u>	<u>4,523,417</u>	<u>568,893</u>	<u>70,421,501</u>	<u>2,278,034</u>

(continued)

**Statement of Net Assets**  
**Proprietary Funds**  
**December 31, 2010** (continued)

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable	\$ 1,109,253	\$ 113,750	\$ 1,061	\$ 702	\$ 8,867	\$ 30,258	\$ 1,263,891	\$ -
Due to other government units	59,969					13,707	73,675	
Accrued wages payable	56,805	17,257	3,741	1,051		22,018	100,872	
Customer deposits	74,900						74,900	
Compensated absences payable - current	31,600	13,100					44,700	42,556
Notes payable - current						76,730	76,730	68,873
G.O. revenue bonds payable - current			167,000				167,000	
Total current liabilities	<u>1,332,526</u>	<u>144,107</u>	<u>171,801</u>	<u>1,753</u>	<u>8,867</u>	<u>142,713</u>	<u>1,801,768</u>	<u>111,429</u>
Noncurrent liabilities:								
Compensated absences payable - net current portion	254,881	71,811					326,692	1,055,620
G.O. revenue bonds payable - net current portion			3,623,000			80,111	3,703,111	72,241
Total noncurrent liabilities	<u>254,881</u>	<u>71,811</u>	<u>3,623,000</u>			<u>80,111</u>	<u>4,029,803</u>	<u>1,127,861</u>
TOTAL LIABILITIES	<u>1,587,407</u>	<u>215,918</u>	<u>3,794,801</u>	<u>1,753</u>	<u>8,867</u>	<u>222,824</u>	<u>5,831,571</u>	<u>1,239,290</u>
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	13,625,467	9,749,279	6,942,584	13,401,361	4,435,734	156,768	48,311,193	587,685
Unrestricted	13,557,535 #	207,407	2,324,513	(78,835)	78,816	189,301	16,278,737	451,059
TOTAL NET ASSETS	<u>\$ 27,183,002</u>	<u>\$ 9,956,686</u>	<u>\$ 9,267,097</u>	<u>\$ 13,322,526</u>	<u>\$ 4,514,550</u>	<u>\$ 346,069</u>	<u>\$ 64,589,929</u>	<u>\$ 1,038,744</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, 2010**

	Business-Type Activities – Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
Operating revenues:								
Electric charges	\$12,756,781						\$12,756,781	
Water charges		\$1,838,719					1,838,719	
Sewer charges			\$ 986,414				986,414	
Rental charges					\$ 184,078		184,078	
Refuse charges						824,739	824,739	
Storm Water charges				179,305			179,305	
Other	229,046	5,120	2,078		4,993	3,245	244,483	\$ 225,200
Total operating revenues	<u>12,985,828</u>	<u>1,843,840</u>	<u>988,491</u>	<u>179,305</u>	<u>189,072</u>	<u>827,984</u>	<u>17,014,520</u>	<u>225,200</u>
Operating expenses:								
Purchased power	7,622,425						7,622,425	
Operations and maintenance	1,592,684	1,335,407	321,209	338,587	181,381	746,260	4,515,527	
Administration	473,787	230,789	82,005			18,241	804,822	
Compensated absences								75,401
Flood related costs				285,547			285,547	
Depreciation	900,505	527,108	288,147	332,603	183,741	63,579	2,295,683	169,485
Tax and tax equivalents	1,159,138						1,159,138	
Total operating expenses	<u>11,748,539</u>	<u>2,093,304</u>	<u>691,361</u>	<u>956,736</u>	<u>365,121</u>	<u>828,080</u>	<u>16,683,143</u>	<u>244,886</u>
Operating income (loss)	<u>1,237,289</u>	<u>(249,465)</u>	<u>297,130</u>	<u>(777,431)</u>	<u>(176,050)</u>	<u>(96)</u>	<u>331,377</u>	<u>(19,686)</u>
Nonoperating revenues (expenses)								
Interest income	286,280	8,015	34,681	272	1,180	3,372	333,528	22,876
Interest expense	(560)	(21,541)	(94,284)			(10,157)	(126,269)	(10,112)
Gain (loss) on disposal of assets	3,600						3,600	
Intergovernmental				114,937		15,000	129,937	
Total Nonoperating revenues (expenses)	<u>289,320</u>	<u>(13,526)</u>	<u>(59,603)</u>	<u>115,209</u>	<u>1,180</u>	<u>8,215</u>	<u>340,796</u>	<u>12,764</u>
Income (loss) before transfers and contributions	<u>1,526,609</u>	<u>(262,990)</u>	<u>237,527</u>	<u>(662,222)</u>	<u>(174,870)</u>	<u>8,119</u>	<u>672,173</u>	<u>(6,922)</u>
Capital contributions			96,704				96,704	
Transfers in		400,000		104,000	21,900		525,900	
Transfers out	<u>(634,384)</u>						<u>(634,384)</u>	
Change in net assets	<u>892,225</u>	<u>137,010</u>	<u>334,231</u>	<u>(558,222)</u>	<u>(152,970)</u>	<u>8,119</u>	<u>660,393</u>	<u>(6,922)</u>
Total net assets - January 1	<u>26,290,777</u>	<u>9,819,676</u>	<u>8,932,866</u>	<u>13,880,745</u>	<u>4,667,520</u>	<u>337,950</u>	<u>63,929,534</u>	<u>1,045,665</u>
Total net assets - December 31	<u>\$ 27,183,002</u>	<u>\$ 9,956,686</u>	<u>\$ 9,267,097</u>	<u>\$ 13,322,523</u>	<u>\$ 4,514,550</u>	<u>\$ 346,069</u>	<u>\$ 64,589,929</u>	<u>\$ 1,038,744</u>

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

**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2010**

	Business-Type Activities – Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
<b>Cash flows from operating activities:</b>								
Cash received from customers and users	\$11,462,404	\$1,780,587	\$ 955,981	\$179,305	\$ 189,072	\$ 807,667	\$15,375,016	
Cash received from interfund activities	624,355	58,132	30,432			16,733	729,653	\$ 225,200
Cash paid to suppliers for goods and services	(8,131,364)	(789,741)	(278,294)	(469,741)	(119,531)	(657,328)	(10,446,000)	
Cash paid for interfund activities	(94,782)	(112,213)	(40,114)		(58,837)	(14,206)	(320,152)	
Cash paid to employees	(1,360,018)	(647,054)	(128,283)	(160,294)		(95,057)	(2,390,707)	(112,541)
Cash paid for taxes and tax equivalents	(1,159,138)						(1,159,138)	
Other operating revenues (expenses)	139,975	5,120	2,078				150,418	
Net cash provided (used) by operating activities	<u>1,481,430</u>	<u>294,831</u>	<u>541,800</u>	<u>(450,730)</u>	<u>10,704</u>	<u>61,055</u>	<u>1,939,090</u>	<u>112,659</u>
<b>Cash flows from noncapital financing activities:</b>								
Intergovernmental revenues				115,000		15,000	130,000	
Transfers from other funds		400,000		104,000	21,900		525,900	
Transfers to other funds	(634,384)						(634,384)	
Interfund receivable	182,501						182,501	
Net cash provided (used) by noncapital financing activities	<u>(451,883)</u>	<u>400,000</u>		<u>219,000</u>	<u>21,900</u>	<u>15,000</u>	<u>204,017</u>	
<b>Cash flows from capital and related financing activities:</b>								
Acquisition of capital assets	(864,094)	(1,105,852)	(96,273)				(2,066,219)	
Customer acquisition costs		(83,668)					(83,668)	
Proceeds from sale of capital assets	3,600						3,600	
Principal payments on long-term debt		(1,200,000)	(162,000)			(73,492)	(1,435,492)	(65,662)
Interest and fiscal charges on bonds	(559)	(29,894)	(94,284)			(10,157)	(134,893)	(10,112)
Net cash (used) by capital and related financing activities	<u>(861,053)</u>	<u>(2,419,414)</u>	<u>(352,557)</u>			<u>(83,649)</u>	<u>(3,716,673)</u>	<u>(75,774)</u>
<b>Cash flows from investing activities:</b>								
Interest received on investments	308,300	8,016	34,681	272	1,179	3,375	355,824	22,877
Proceeds from sales and maturities of investments	5,619,000		(91,421)				5,557,579	159,495
Purchase of investments	(4,838,373)						(4,838,373)	(192,296)
Net cash provided (used) by investing activities	<u>1,088,927</u>	<u>8,016</u>	<u>(26,740)</u>	<u>272</u>	<u>1,179</u>	<u>3,375</u>	<u>1,075,030</u>	<u>(9,924)</u>
Net increase (decrease) in cash and cash equivalents	1,257,422	(1,716,567)	162,503	(231,457)	33,783	(4,219)	(498,535)	26,961
Cash and cash equivalents - January 1	<u>971,620</u>	<u>1,860,160</u>	<u>952,756</u>	<u>154,374</u>	<u>53,899</u>	<u>243,890</u>	<u>4,236,699</u>	<u>721,467</u>
Cash and cash equivalents - December 31	<u>\$ 2,229,041</u>	<u>\$ 143,593</u>	<u>\$ 1,115,259</u>	<u>\$ (77,082)</u>	<u>\$ 87,683</u>	<u>\$ 239,671</u>	<u>\$ 3,738,164</u>	<u>\$ 748,428</u>

(continued)

**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended December 31, 2010** (continued)

	Business-Type Activities – Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>								
Operating income (loss)	\$ 1,237,289	\$ (249,465)	\$ 297,130	\$ (777,429)	\$ (176,050)	\$ (96)	\$ 331,379	\$ (19,686)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	900,505	527,108	288,147	332,603	183,741	63,579	2,295,683	169,485
Changes in assets and liabilities:								
Accounts receivable	(755,640)					(339)	(755,979)	
Materials and supplies	115,502	336					115,838	
Prepaid items	(8,454)	(10)					(8,464)	
Accounts payable	27,697	75,776	(39,508)	(6,441)	3,012	(11,451)	49,085	
Accrued wages payable	(18,488)	(9,032)	(3,969)	538		1,944	(29,007)	
Accrued compensated absences	(14,472)	(49,883)					(64,355)	(37,140)
Due to other government units	947						8,365	
Customer deposits	(3,454)						(3,454)	
Net cash provided (used) by operating activities	<u>1,481,430</u>	<u>294,831</u>	<u>541,800</u>	<u>(450,730)</u>	<u>10,704</u>	<u>61,055</u>	<u>1,939,090</u>	<u>112,659</u>
<b>Schedule of noncash investing, capital and financing activities:</b>								
Increase (Decrease) in fair value of investments	\$ (9,347)						\$ (9,347)	
Capital contributions		\$ -	\$ 486,493	\$ -			486,493	
MN PFA debt assumed			\$ (389,789)				(389,789)	
<b>Cash and cash equivalents are shown on the balance sheet under the following captions:</b>								
Cash and cash equivalents	\$ 2,154,141	\$143,593	\$ 1,115,259	\$ (77,082)	\$ 87,683	\$ 239,671	\$ 3,663,266	\$ 748,428
Restricted assets:								
Cash in bond accounts								
Cash in customer deposits	74,900						74,900	
Total cash and cash equivalents - December 31	<u>\$ 2,229,041</u>	<u>\$ 143,593</u>	<u>\$ 1,115,259</u>	<u>\$ (77,082)</u>	<u>\$ 87,683</u>	<u>\$ 239,671</u>	<u>\$ 3,738,164</u>	<u>\$ 748,428</u>

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

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**Statement of Fiduciary Assets and Liabilities**  
**Agency Fund - Flexible Benefits**  
**December 31, 2010**

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**ASSETS:**

Cash and cash equivalents

\$ 15,923

**LIABILITIES:**

Due to employees

\$ 15,923

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.

**B. Government-wide and fund financial statements**

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

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded when payment is due. Compensated absences, except for the Electric and Water Funds, are recorded as liabilities in an Internal Service Fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Additionally, the city reports the following fund types:

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

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

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

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

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

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

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

#### **D. Assets, liabilities, and net assets or equity**

##### **1. Cash (including cash equivalents) and investments**

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

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

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

##### **2. Receivables**

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

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

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

Revenues from electric energy sales are accrued to accounts receivable only at the time meters are read. Accordingly, the revenues related to energy delivered, but not metered, are not accrued. The city has three billing cycles per month: North End, South End, and Large Commercial Electric. The North End cycle is billed at the end of each month, with meter readings taken between the 11<sup>th</sup> and 25<sup>th</sup> day of the same month. The South End cycle is billed in the middle of each month, with meter readings taken between the 26<sup>th</sup> of the previous month and the 10<sup>th</sup> 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, 2010, are recorded as prepaid items.

**6. Restricted assets**

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

**7. Capital assets (property, plant and equipment)**

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

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

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

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

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

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

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

#### 8. Customer Acquisition Costs

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

#### 9. Compensated absences

The city compensates all employees upon termination for unused vacation pay and for unused sick pay, up to a limit of 1,280 hours. Vacation is accrued as an expenditure or expense as earned in all funds. Accumulated sick leave in the Water Fund and the Electric Fund are recorded as expenses and liabilities in those funds as the benefits accrue to their employees. The Water Fund has accrued a liability of \$84,911 for 3,208 accumulated sick leave hours; the Electric Fund has accrued a liability of \$286,481 for 9,183 accumulated sick leave hours. Additionally, the EDHA has accrued a liability of \$84,955 for 3,638 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 \$1,098,176 is recorded in this fund, reflecting 39,697 accumulated sick leave hours. Sick leave hours exceeding the eligible reimbursement limit of 1,280 hours totaled 81.

#### 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 2010, 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, 2010, expenditures and other uses were over appropriations in the General, State Aid Street Fund, Transit Fund and Cemetery Funds by \$36,405, \$41,681, \$ 3,092 and \$ \$14,057, respectively.

**C. Deficit Fund Equity**

At December 31, 2010, there are five governmental funds with a deficit fund balance. The \$139,971 deficit fund balance in the 2005 City Projects Fund, \$42,225 deficit in the SCDP Industrial Park Road Project Fund, \$163,918 deficit in the 08 PFA Street Construction Fund, \$ 34,701 in the Transit Fund, and the \$377,995 deficit in the Residential Infrastructure Fund will decrease with future PFA loan draws, revenues and transfers from governmental and enterprise funds.

**NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash, cash equivalents, and investments at December 31, 2010 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and cash equivalents	\$ 9,954,046
Investments	14,081,257
Restricted cash and cash equivalents	74,900

Statement of fiduciary assets and liabilities:

Cash and cash equivalents	15,923
Total cash and investments	<u>\$ 24,126,127</u>

Cash and investments at December 31, 2010 consist of the following:

Cash:	
Cash on hand	\$ 615
Deposit with financial institutions	2,773,325
Cash equivalents:	
4M - Local Government Investment Pool	5,193,964
Money Market Funds	545,695
Investments:	
Various	15,612,528
Total cash, cash equivalents, and investments	<u>\$ 24,126,127</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, 2010, the city's investments in U.S. Agencies are rated AAA by Standard & Poor's and AAA by Moody's Investors Service. The city's investments in negotiable certificates of deposit are below the F.D.I.C. \$250,000 insurance limit per institution. Non-negotiable certificates of deposits exceeding \$250,000 per institution must be collateralized by the limits defined in the custodial credit risk section of this footnote. The city's investment in the 4M – Local Government Investment Pool is a common law trust organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of municipality monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective. Subject to the power of the participants to amend the Declaration of Trust, the Board of Directors of the League of Minnesota Cities serves as the Board of Trustees of the Trust. The City has 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 Home Loan Bank	\$ 792,704	9.22
Federal Home Loan Mortgage	2,077,503	7.65
Federal National Mortgage Assn.	3,232,834	9.59
Negotiable certificates of deposit	9,409,487	1.88
Non-negotiable certificates of deposit	100,000	0.33
Money Market Funds	545,695	0.12
Local Government Investment Pool	5,193,964	0.12
	<u>\$ 21,352,187</u>	
Portfolio weighted average maturity		3.44

**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	\$ 792,704	3.7%
Federal Home Loan Mortgage	2,077,503	9.7%
Federal National Mortgage Assn.	3,232,834	15.1%

**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 has no formal policy relating to custodial credit risk.

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Restricted Cash and Cash Equivalents</u>	<u>Total</u>
Governmental				
Activities:				
General Fund	\$ 1,678,947	\$ 1,015,858		\$ 2,694,805
Residential Infrastructure	305,348	516,011		821,359
08 PFA Loan Street Project	48,874	-		48,874
12-1-07 Assessment Bonds	373,751	227,777		601,528
12-1-04 Assessment Bonds	280,467			280,467
3-1-06 Assessment Bonds	625,860	514,358		1,140,218
Nonmajor governmental	2,229,104	1,597,467		3,826,571
Internal service funds	748,428	800,807		1,549,235
Total	<u>6,290,780</u>	<u>4,672,278</u>		<u>10,963,058</u>
Business-type				
Activities:				
Electric	2,154,141	8,194,924	\$ 74,900	10,423,965
Water	143,593		0	143,593
Sewage	1,115,259	1,214,055		2,329,314
Storm Water	(77,082)	-		(77,082)
City Mall	87,683			87,683
Nonmajor (Refuse)	239,671	-		239,671
Total	<u>3,663,266</u>	<u>9,408,979</u>	<u>74,900</u>	<u>13,147,145</u>
Government-wide total	<u>9,954,046</u>	<u>14,081,257</u>	<u>74,900</u>	<u>24,110,203</u>
Fiduciary fund	15,923			15,923
Total cash and investments	<u>\$ 9,969,970</u>	<u>\$ 14,081,257</u>	<u>\$ 74,900</u>	<u>\$ 24,126,127</u>

**NOTE 4. RECEIVABLES AND DEFERRED REVENUES**

**Interfund Receivables, Payables, and Transfers.** At December 31, 2010, 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	\$ 75,027	\$ 20,353	\$ 59,119	\$ 154,500
Residential Infrastructure		3,038,623		3,038,623
12-1-04 Assessment Bonds		1,871,421		1,871,421
3-1-06 Assessment Bonds		1,609,108		1,609,108
12-1-07 Assessment Bonds		2,333,149		2,333,149
Nonmajor governmental		1,339,762		1,339,762
Total	\$ 75,027	\$ 10,212,416	\$ 59,119	10,346,563
Less:				
Property taxes				\$ (75,027)
Special assessments				(10,212,416)
Notes receivable				(59,119)
Total Government-wide deferred revenue				\$ (0)

**Interfund Receivables.** The following is the interfund receivables/payables at December 31, 2010 :

Receivable Fund	Payable Fund	Amount
Electric Fund	2005 City Projects Fund	\$ 165,000
Electric Fund	Residential Infrastructure	\$ 1,212,499
Residential Infrastructure	SCDP Industrial Park Road	\$ 10,000

**Transfers.** The following interfund transfers are reflected in the fund financial statements at December 31, 2010:

	Transfers In	Transfers Out
Governmental funds:		
General Fund	\$340,640	\$777,272
Residential Infrastructure		260,000
12-1-07 Assessment Bonds	10,426	
3-1-06 Assessment Bonds	14,746	
12-1-04 Assessment Bonds	120,000	
Nonmajor governmental	1,118,643	458,699
Total governmental funds	1,604,455	1,495,971
Enterprise funds:		
Electric		234,384
Strm wtr	104,000	
City Mail	21,900	
Total enterprise funds	125,900	234,384
Total	\$1,730,355	\$1,730,355

**Accounts Receivables.** The following accounts receivables are reflected in the fund financial statements at December 31, 2010:

	Current	Days delinquent		Total	Allowance for doubtful Accounts	Net Accounts Receivable
		31-120	Over 120			
Governmental funds:						
General	\$ 9,988			\$ 9,988		\$ 9,988
Nonmajor funds	22,370			22,370		22,370
Total Governmental	<u>32,358</u>			<u>32,358</u>		<u>32,358</u>
Enterprise funds:						
Electric	1,362,541	\$ 738,312	\$ 46,826	2,147,679	\$ (48,000)	2,099,679
Nonmajor (Refuse)	613			613		613
Total enterprise	<u>1,363,154</u>	<u>738,312</u>	<u>46,826</u>	<u>2,148,292</u>	<u>(48,000)</u>	<u>2,100,292</u>
Total	<u>\$ 1,395,512</u>	<u>\$ 738,312</u>	<u>\$ 46,826</u>	<u>\$ 2,180,650</u>	<u>\$ (48,000)</u>	<u>\$ 2,132,650</u>

**NOTE 5. CAPITAL ASSETS**

Capital asset activities for the year ended December 31, 2010, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Internal Service Fund Assets	Governmental Funds Total	Internal Service Fund Additions	Governmental Fund Additions
<b>Governmental activities:</b>								
Nondepreciable capital assets								
Land	\$ 31,007,286			\$ 31,007,286		\$ 31,007,286		\$ -
Construction in progress	2,317,020		(\$2,267,888)	49,132		49,132		
Total	<u>33,324,306</u>		<u>(2,267,888)</u>	<u>31,056,418</u>		<u>31,056,418</u>		
Depreciable capital assets:								
Buildings, structures, and improvements	77,493,220	406,763		77,899,983		77,899,983		406,763
Machinery and equipment	6,660,086	148,943	280,509	6,528,520	\$ 1,720,172	4,808,348		148,943
Infrastructure	36,946,364	5,702,553		42,648,917		42,648,917		5,702,553
Total	<u>121,099,670</u>	<u>6,258,259</u>	<u>280,509</u>	<u>127,077,420</u>	<u>1,720,172</u>	<u>125,357,248</u>		<u>6,258,259</u>
Total capital assets	<u>154,423,976</u>	<u>6,258,259</u>	<u>(1,987,379)</u>	<u>158,133,838</u>	<u>1,720,172</u>	<u>156,413,666</u>		<u>6,258,259</u>
Less accumulated depreciation for:								
Buildings, structures and improvements	(10,745,161)	(1,535,649)		(12,280,810)		(12,280,810)		(1,535,649)
Machinery and equipment	(3,699,852)	(366,489)	280,509	(3,785,832)	(991,373)	(2,794,460)	(169,485)	(197,005)
Infrastructure	(10,343,397)	(989,421)		(11,332,818)		(11,332,818)		(989,421)
Total accumulated depreciation	<u>(24,788,410)</u>	<u>(2,891,560)</u>	<u>280,509</u>	<u>(27,399,461)</u>	<u>(991,373)</u>	<u>(26,408,088)</u>	<u>(169,485)</u>	<u>(2,722,075)</u>
Total governmental activities capital assets, net	<u>\$ 129,635,566</u>	<u>\$ 3,366,700</u>	<u>\$ (2,267,888)</u>	<u>\$ 130,734,377</u>	<u>\$ 728,799</u>	<u>\$ 130,005,578</u>	<u>\$ (169,485)</u>	<u>\$ 3,536,184</u>
<b>Business-type activities:</b>								
Nondepreciable capital assets								
Land	\$ 715,378			\$ 715,378				
Construction in progress	\$ 3,708,064		(2,516,958)	1,191,106				
Total	<u>4,423,442</u>		<u>(2,516,958)</u>	<u>1,906,484</u>				
Depreciable capital assets:								
Buildings, structures, and improvements	\$ 72,305,513	4,883,639		\$ 77,189,152				
Machinery and equipment	\$ 6,758,795	80,777	115,151	6,724,421				
Total	<u>79,064,308</u>	<u>4,964,416</u>	<u>115,151</u>	<u>83,913,573</u>				
Total capital assets	<u>83,487,750</u>	<u>4,964,416</u>	<u>(2,401,807)</u>	<u>85,820,057</u>				
Less accumulated depreciation for:								
Buildings, structures, and improvements	(27,176,938)	(2,096,162)		(29,273,100)				
Machinery and equipment	(4,309,735)	(94,340)	115,151	(4,288,924)				
Total accumulated depreciation	<u>(31,486,673)</u>	<u>(2,190,502)</u>	<u>115,151</u>	<u>(33,562,024)</u>				
Total business-type activities capital assets, net	<u>\$ 52,001,077</u>	<u>\$ 2,773,914</u>	<u>\$ (2,516,958)</u>	<u>\$ 52,258,034</u>				

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

Governmental activities:	
General government	\$ 192,750
Public safety	195,136
Public Works	1,978,595
Culture and Recreation	507,807
Transit	13,935
Cemetery	3,337
Total depreciation expenses - governmental activities	2,891,560
Internal service fund depreciation on capital assets charged to the various functions based on usage.	(169,485)
Depreciation expense excluding internal service fund.	<u>\$ 2,722,076</u>
Business-type activities:	
Electric Fund	\$ 900,505
Water Fund	527,108
Sewer Fund	288,147
Storm Water Fund	332,603
City Mall Fund	183,741
Refuse Fund	63,579
Total depreciation expenses - business-type activities	<u>\$ 2,295,683</u>

**Discretely presented component units**

Economic Development & Housing Authority (EDHA)	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 50,300			\$ 50,300
Total	<u>50,300</u>			<u>50,300</u>
Depreciable capital assets:				
Buildings, structures and improvements				
	5,503,577			5,503,577
Machinery and equipment				
	174,132			174,132
Total	<u>5,677,709</u>			<u>5,677,709</u>
Total capital assets				
	<u>5,728,009</u>			<u>5,728,009</u>
Less accumulated depreciation for:				
Buildings, structures and improvements				
	(1,064,491)	(141,046)		(1,205,537)
Machinery and equipment				
	(168,029)	(1,491)		(169,520)
Total accumulated depreciation	<u>(1,232,520)</u>	<u>(142,537)</u>		<u>(1,375,057)</u>
Total governmental activities capital assets, net	<u>\$ 4,495,489</u>	<u>\$ (142,537)</u>	<u>\$ -</u>	<u>\$ 4,352,952</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 12/31/10
12/01/01	02/01/14	4.0%-5.0%	700,000	485,000
12/01/01 Refunding	12/01/22	4.0%-5.0%	345,000	115,000
12/01/03	12/01/24	3.1%-4.8%	1,000,000	770,000
04/01/04 Refunding	02/01/16	2.8%-4.3%	260,000	90,000
12/01/04	02/01/25	3.0%-4.4%	4,655,000	3,635,000
03/01/06	02/01/27	3.3%-4.3%	4,075,000	2,915,000
12/01/07	02/01/28	3.4%-4.25%	3,560,000	3,210,000
Total governmental activities				<u>\$ 11,220,000</u>
Mn PFA-Transportation				
GO Bond Total \$ 4,012,598				
advanced \$3,115,251	08/20/38	3.645%	4,012,598	<u>\$ 3,115,251</u>

**Business-type activities**

Revenue bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/10
General obligation- water revenue (2001)	02/01/21	4.6%-5.2%	\$ 1,750,000	-
Mn PFA-Clean Water				
GO Bond Total \$ 4,012,598				
advanced 3,952,000	08/20/28	2.687%	\$ 4,012,598	\$ 3,790,000
Total business-type activities				<u>\$ 3,790,000</u>

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

The outstanding GO Water Bond was called and \$ 1,200,000 was paid in full In February, 2010.

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

Year Ending December 31	Governmental Activities Principal	Interest	Business-type Activities Principal	Interest
2011	1,040,594	547,489	167,000	101,837
2012	1,058,289	508,791	171,000	97,350
2013	1,100,985	468,429	176,000	92,755
2014	1,132,782	426,216	180,000	88,026
2015	700,478	390,872	185,000	83,190
2016-20	3,868,214	1,504,068	1,002,000	338,670
2021-25	3,092,677	758,896	1,145,000	196,554
2026-30	1,115,618	317,336	764,000	41,407
2031-35	724,226	172,472		
2036-40	501,387	37,010		
Total	<u>\$ 14,335,251</u>	<u>\$ 5,131,578</u>	<u>\$ 3,790,000</u>	<u>\$ 1,039,788</u>

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

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

Year Ending December 31	Governmental Activities Principal	Interest	Business-type Activities Principal	Interest
2011	68,873	6,900	76,730	6,917
2012	72,241	3,533	80,105	3,542
Total	<u>\$ 141,114</u>	<u>\$ 10,433</u>	<u>\$ 156,835</u>	<u>\$ 10,459</u>

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

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2010:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable:					
General obligation	12,160,000		(940,000)	11,220,000	975,000
Unamortized Premium	34,935		(1,996)	32,938	
Unamortized Discount	(82,533)		6,500	(76,033)	
Total	12,112,402		(935,496)	11,176,906	975,000
PFA Bonds Payable:					
MN PFA Transportation Bond	1,237,881	1,877,370		3,115,251	65,594
G. O. certificates of indebtedness	206,776		(65,662)	141,114	68,873
Compensated absences	1,135,317	54,703	(91,844)	1,098,176	47,680
Governmental activities total:	14,692,376	1,932,073	(1,093,002)	15,531,447	1,157,147
<b>Business-type activities:</b>					
Bonds payable:					
G.O. water revenue	1,200,000		(1,200,000)		
Unamortized bond discount	(12,000)		12,000		
MN PFA Clean Water Bond	3,562,211	389,789	(162,000)	3,790,000	167,000
Total	4,750,211	389,789	(1,350,000)	3,790,000	167,000
Cert of Indbtness-Refuse	230,327		(73,486)	156,841	76,730
Compensated absences	435,747		(64,355)	371,392	44,700
Business-type activities total	5,416,285	389,789	(1,487,841)	4,318,233	288,430
Government-wide total	20,108,661	2,321,862	(2,580,843)	19,849,680	1,445,577

**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, 2010, was as follows:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
<b>Business-type activities:</b>					
Intermediary relending notes	\$ 452,416		\$ (28,247)	\$ 424,169	\$ 26,601
Compensated absences	83,392	\$ 1,563		84,955	8,866
Special assessments	52,583		(7,638)	44,945	9,231
Business-type activities total	\$ 588,391	\$ 1,563	\$ (35,885)	\$ 554,069	\$ 44,698

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

Year Ending December 31	Intermediary Relending	
	Principal	Interest
2011	\$ 26,601	\$ 4,242
2012	26,867	3,976
2013	27,136	3,707
2014	27,407	3,436
2015	27,681	3,162
2016-20	142,615	11,600
2021-25	145,860	4,325
	<u>\$ 424,169</u>	<u>\$ 34,446</u>

**NOTE 7. RISK MANAGEMENT AND LITIGATION**

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

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

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

The city attorney estimates that the amount of actual or potential claims against the city as of December 31, 2010 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:

	2008	2009	2010
Paid Losses	\$26,651	\$17,514	\$116,261
Paid Expenses	0	0	64
Reserve Losses	0	0	51,582
Reserve Expenses	0	0	180
Total Incurred	26,651	17,514	168,087
Salvage/Subrogate	0	0	-201
Deductible Recovery	-2,950	-5732	-6,829

The city's commercial insurance carrier has no set reserve losses or reserve expenses for claims filed after December 31, 2010, 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, 2010, 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](http://www.mnpera.com), by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

#### **B. Funding Policy**

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The city makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.00%, respectively, of their annual covered salary in 2010. PEPFF members were required to contribute 9.4% of their annual covered salary in 2010.

The City of East Grand Forks is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 7.0% for Coordinated Plan members, and 14.1% for PEPFF members. The city's contributions to the Public Employees Retirement Fund for the years ending December 31, 2010, 2009, and 2008, were \$240,300, \$238,252, and \$207,311, respectively. The city's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2010, 2009, and 2008 were \$275,712, \$281,550, and \$239,066, 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 2010 were:

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

**NOTE 11. CONCENTRATION OF SALES AND REVENUES**

American Crystal Sugar Company is the largest customer of the Water and Electric Fund. The company's power purchases account for \$5,892,466, or 46%, of the Electric Fund's operating revenue; the company's water purchases account for \$384,504, or 21%, of the Water Fund's operating revenue. The city collected \$540,778 in franchise fees from the Electric Fund for sales to American Crystal. The fee, calculated at \$.0075 per KWH sold, is classified as general tax revenue in the General Fund and is classified as tax and tax equivalent expense in the Electric Fund.

**NOTE 12. LEASE COMMITMENTS**

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

Year Ending December 31,	
2011	\$ 124,248
2012	56,400
2013	33,600
2014	33,600
2015	33,600
Thereafter	90,500
Total	<u>\$ 371,948</u>

Details for properties under lease agreements are as follows:

City Mall Fund properties	Historical Carrying Cost	Accumulated Depreciation	Annual Depreciation
Riverwalk Center	\$4,487,773	\$1,537,601	\$133,551
Infill Building	1,466,300	34,177	39,000
DeMers Professional	455,800	96,361	11,190
	<u>\$ 6,409,873</u>	<u>\$ 1,668,139</u>	<u>\$ 183,741</u>

**NOTE 13. RESTRICTED FUNDS**

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

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

**NOTE 14. COMMITTED CONTRACTS**

At December 31, 2010, the city had the following remaining commitments for uncompleted construction contracts:

Fund/Project	2010
Water Fund	
2010 Mains Improvement	\$355,554

The city entered into a joint membership agreement, through the Minnesota Municipal Utility Association (MMUA), with the Midcontinent Area Power Pool (MAAP). The agreement will provide the Department with useful information regarding transmission assets and schedules. The Department would be liable

for four annual installments of \$8,000 if it decides to discontinue participation in the joint membership.

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

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

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

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

**NOTE 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, 2010, three series of Industrial Revenue Bonds were outstanding with remaining principal balances of \$2,475,000, \$125,000, and \$34,350,000.

**NOTE 16. ARBITRAGE REBATE**

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

**NOTE 17. NEW PRONOUNCEMENTS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* will be effective for the entity for period ending December 31, 2011. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. Management has not yet determined the effect this statement will have on its financial statements.

**NOTE 18. OTHER POSTEMPLOYMENT BENEFITS**

**Plan Description:**

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

**Summary of Significant Accounting Policies:**

Postemployment healthcare expenditures are paid as they come due.

**Funding Policy:**

The City Council establishes employer contribution rates for plan participants and determines how the plan will be funded as part of the budgetary process each year. Retirees pay the full budgeted rates for coverage under the medical

plan. The City Council has chosen to fund the healthcare benefits on a pay as you go basis.

**Annual OPEB Cost and Net OPEB Obligation:**

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$21,881 for fiscal year 2010. The annual employer contributions for fiscal year 2010 were \$-0-. The annual benefit cost for fiscal year 2010 was \$21,881.

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

Annual required contribution	\$ 59,078
Interest on net OPEB obligation	3,598
Adjustment to annual required contribution	(11,161)
Annual OPEB cost (expense)	51,515
Estimated Contributions made	(29,634)
Increase (decrease) in net OPEB obligation	\$ 21,881
Net OPEB obligation, beginning of year	79,952
Net OPEB obligation, end of year	\$101,833

**Trend Information:**

The City's annual OPEB cost, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for the years ended December 31, 2010, 2009 and 2008 were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/10	\$51,515	57.5%	\$101,833
12/31/09	\$59,078	32.3%	\$79,952
12/31/08	\$59,078	32.3%	\$39,976

**Funded Status and Funding Progress:**

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

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

**Actuarial Methods and Assumptions:**

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

In the January 1, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 4.50% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employers' own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare trend rate of 9.00% percent initially, reduced by decrements to an ultimate rate of 5.00% percent after 8 years. Both rates include a 3.0% inflation assumption. Original thes

The actuarial value of assets, if any, was determined using techniques that spread the effects of the short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as percentage of projected payroll of 13.6% based on a zero population growth assumption. The open

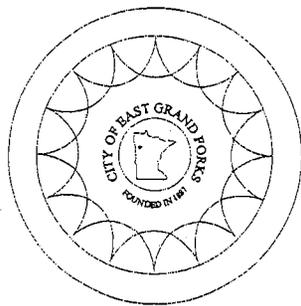
amortization method and a 30 year amortization period are being used. The remaining amortization period at January 1, 2008 was 30 years.

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

Fiscal Year	Annual Required Contribution	Percentage Contributed
12/31/10	\$51,515	57.5%
12/31/09	\$59,078	32.3%
12/31/08	\$59,078	32.3%

**NOTE 19. GUARANTEE OF DEBT**

In connection with the Riverwalk Center, the City of East Grand Forks Economic Development Housing Authority has guaranteed debt for River Cinema, Inc., a tenant of the Riverwalk Center. There are four separate guarantees totaling approximately \$1,190,400 at December 31, 2010. The guarantees expire upon satisfaction of the mortgages by River Cinema, Inc. or the release of the lien on the property by the Economic Development Administration (EDA). Examples of events that would require the EDHA to provide a cash payment pursuant to the guarantees include a loan default, which would result from River Cinema's failure to service its debt when due or noncompliance with financial covenants, and inadequacy of asset collateral. There is currently no recorded liability for potential losses under these guarantees, nor is there any liability for the EDHA's obligation to "stand ready" to fund such guarantee. Based on information gathered as part of its monitoring of risks, the EDHA believes there is only a remote possibility River Cinema, Inc. will not remain current with its debt payments and the EDHA will be required to perform under the guarantees.



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# NONMAJOR GOVERNMENTAL FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

## Nonmajor Governmental Funds

## CITY OF EAST GRAND FORKS

**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.

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

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

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

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

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

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

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

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

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

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

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

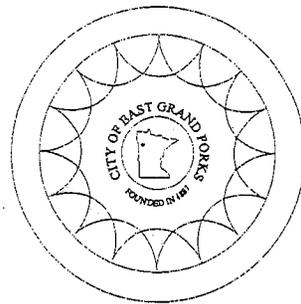
Current City Projects This fund is used to account for locally funded projects with multiple year construction periods.

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

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

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

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



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## Combining Balance Sheet Nonmajor Governmental Funds by Fund Type December 31, 2010

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Campbell- Olson Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,022,145	\$ 485,066	\$ 644,651	\$ 77,241	\$ 2,229,104
Investments	406,380	349,865	841,222		1,597,467
Accounts receivable	16,630		5,740		22,370
Due from other government units	16,670	11,364	-		28,034
Special assessments receivable:					
Delinquent		25,300			25,300
Deferred		1,314,462			1,314,462
Notes Receivable	179,778				179,778
Land held for resale	454,720				454,720
Total Assets	<u>2,096,323</u>	<u>2,186,057</u>	<u>1,491,613</u>	<u>77,241</u>	<u>5,851,235</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts payable	13,708		51,581		65,289
Accrued wages payable	13,531				13,531
Due to other government units	57,569				57,569
Interfund payable			175,000		175,000
Deferred revenue		1,339,762			1,339,762
Total Liabilities	<u>84,808</u>	<u>1,339,762</u>	<u>226,581</u>		<u>1,651,152</u>
Fund balances:					
Reserved for debt service		846,295			846,295
Reserved for library				76,000	76,000
Reserved for land held for resale	454,720				454,720
Reserved for notes receivable	179,778				179,778
Unreserved, undesignated	1,377,017		1,265,032	1,241	2,643,291
Total Fund Balances	<u>2,011,515</u>	<u>846,295</u>	<u>1,265,032</u>	<u>77,241</u>	<u>4,200,084</u>
Total Liabilities and Fund Balances	<u>\$ 2,096,323</u>	<u>\$ 2,186,057</u>	<u>\$ 1,491,613</u>	<u>\$ 77,241</u>	<u>\$ 5,851,235</u>

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds by Fund Type Year Ended December 31, 2010

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Campbell- Olson Fund	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental	\$ 319,935		\$ 685,795		\$ 1,005,730
Special assessments		\$ 223,537			223,537
Charges for services	282,045				282,045
Interest and other revenues	55,712	11,373	42,536	\$ 1,241	110,862
Total Revenues	<u>657,692</u>	<u>234,910</u>	<u>728,331</u>	<u>1,241</u>	<u>1,622,174</u>
Expenditures:					
Current:					
Public works	91,149				91,149
Recreation and culture	461,060				461,060
Transit	262,526				262,526
Community development	116,605				116,605
Cemetery	49,139				49,139
Capital outlay	144,187		1,714,722		1,858,909
Debt service:					
Principal retirement		130,000			130,000
Interest and fiscal agent fees		70,354			70,354
Total expenditures	<u>1,124,666</u>	<u>200,354</u>	<u>1,714,722</u>		<u>3,039,742</u>
Excess (deficiency) of revenues over expenditures	<u>(466,974)</u>	<u>34,556</u>	<u>(986,391)</u>	<u>1,241</u>	<u>(1,417,568)</u>
Other financing sources (uses)					
Transfers in	575,459		543,184		1,118,643
Transfers out	(276,072)		(181,000)	(1,627)	(458,699)
Long-term debt issued			389,789		389,789
Total other financing sources (uses)	<u>299,387</u>		<u>751,973</u>	<u>(1,627)</u>	<u>1,049,732</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(167,587)</u>	<u>34,556</u>	<u>(234,419)</u>	<u>(386)</u>	<u>(367,836)</u>
Fund balance at beginning of year	<u>2,179,102</u>	<u>811,739</u>	<u>1,499,452</u>	<u>77,627</u>	<u>4,567,920</u>
Fund balance at end of year	<u>\$ 2,011,515</u>	<u>\$ 846,295</u>	<u>\$ 1,265,033</u>	<u>\$ 77,241</u>	<u>\$ 4,200,084</u>

**Combining Balance Sheet  
Nonmajor Special Revenue Funds  
December 31, 2010**

	Community Growth	State Aid Street	Transit	New Home Incentive	Library	Senior Center
<b>ASSETS</b>						
Cash and cash equivalents	\$ 214,958	\$ 133,276	\$ 8,790	\$ 185,105	\$ 51,375	\$ 57,150
Investments				406,380		
Accounts receivable						
Notes Receivable				179,778		
Due from other government units			16,670			
Land held for resale				454,720		
Total Assets	<u>214,958</u>	<u>133,276</u>	<u>25,460</u>	<u>1,225,983</u>	<u>51,375</u>	<u>57,150</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable		3,024	2,918	-	5,500	936
Accrued wages payable					7,742	5,471
Due to other government units			57,243	327		
Deferred Revenue						
Total liabilities		<u>3,024</u>	<u>60,161</u>	<u>327</u>	<u>13,242</u>	<u>6,406</u>
Fund balances:						
Reserved for land held for resale				454,720		
Reserved for notes receivable				179,778		
Unreserved, undesignated	214,958	130,252	(34,701)	591,159	38,133	50,744
Total fund balances	<u>214,958</u>	<u>130,252</u>	<u>(34,701)</u>	<u>1,225,657</u>	<u>38,133</u>	<u>50,744</u>
Total liabilities and fund balances	<u>\$ 214,958</u>	<u>\$ 133,276</u>	<u>\$ 25,460</u>	<u>\$ 1,225,983</u>	<u>\$ 51,375</u>	<u>\$ 57,150</u>

**Combining Balance Sheet**  
**Nonmajor Special Revenue Funds**  
**December 31, 2010** (continued)

	<u>Cemetery</u>	<u>Insect Control</u>	<u>Perpetual Care</u>	<u>Greenway Mntnce</u>	<u>125th Birthday Celbrtn</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 2,113	\$ 175,609	\$ 143,770	\$ 45,051	\$ 4,947	\$ 1,022,145
Investments						406,380
Accounts receivable	16,630					16,630
Notes Receivable						179,778
Due from other government units						16,670
Land held for resale						454,720
Total Assets	<u>18,743</u>	<u>175,609</u>	<u>143,770</u>	<u>45,051</u>	<u>4,947</u>	<u>2,096,323</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	1,330					13,708
Accrued wages payable	318					13,531
Due to other government units						57,569
Deferred Revenue						84,808
Total liabilities	<u>1,649</u>					
Fund balances:						
Reserved for land held for resale						454,720
Reserved for notes receivable						179,778
Unreserved, undesignated	17,095	175,609	143,770	45,051	4,947	1,377,017
Total fund balances	<u>17,095</u>	<u>175,609</u>	<u>143,770</u>	<u>45,051</u>	<u>4,947</u>	<u>2,011,515</u>
Total liabilities and fund balances	<u>\$ 18,743</u>	<u>\$ 175,609</u>	<u>\$ 143,770</u>	<u>\$ 45,051</u>	<u>\$ 4,947</u>	<u>\$ 2,096,323</u>

**Combining Statement of Revenues, Expenditures and Changes  
in Fund Balances - Nonmajor Special Revenue Funds  
Year Ended December 31, 2010**

	<u>Community Growth</u>	<u>State Aid Street</u>	<u>Transit</u>	<u>New Home Incentive</u>	<u>Library</u>	<u>Senior Center</u>
Revenues:						
Intergovernmental	\$ -	\$ 104,627	\$ 206,583		\$ 8,725	
Charges for services			4,500	\$ 136,975	1,545	\$ 7,102
Other revenue:						
Program income	1,000		-			7,613
Interest revenue	3,430	3,267	19	11,609	480	819
Other					10,274	
Total revenues	<u>4,430</u>	<u>107,894</u>	<u>211,102</u>	<u>148,584</u>	<u>21,024</u>	<u>15,533</u>
Expenditures:						
Current:						
Public works		68,000				
Recreation and culture					358,195	98,078
Community development	5,001			111,603		
Transit			262,526			
Cemetery						
Capital outlay		83,681	18,713		23,145	7,430
Total expenditures	<u>5,001</u>	<u>151,681</u>	<u>281,239</u>	<u>111,603</u>	<u>381,340</u>	<u>105,507</u>
Excess (deficiency) of revenues over expenditures	<u>(571)</u>	<u>(43,787)</u>	<u>(70,137)</u>	<u>36,981</u>	<u>(360,316)</u>	<u>(89,974)</u>
Other financing sources (uses):						
Transfers in			53,500	61,000	344,727	92,600
Transfers out				(273,440)		
Total other financing sources (uses)			<u>53,500</u>	<u>(212,440)</u>	<u>344,727</u>	<u>92,600</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(571)</u>	<u>(43,787)</u>	<u>(16,637)</u>	<u>(175,460)</u>	<u>(15,589)</u>	<u>2,626</u>
Fund balance at begining of year	<u>215,530</u>	<u>174,039</u>	<u>(18,064)</u>	<u>1,401,116</u>	<u>53,722</u>	<u>48,118</u>
Fund balance at end of year	<u>\$ 214,959</u>	<u>\$ 130,252</u>	<u>\$ (34,701)</u>	<u>\$ 1,225,656</u>	<u>\$ 38,133</u>	<u>\$ 50,744</u>

(continued)

**Combining Statement of Revenues, Expenditures and Changes  
in Fund Balances - Nonmajor Special Revenue Funds  
Year Ended December 31, 2010** (continued)

	<u>Cemetery</u>	<u>Insect Control</u>	<u>Perpetual Care</u>	<u>Greenway Mntnce</u>	<u>125th Birthday Celbrtn</u>	<u>Total</u>
Revenues:						
Intergovernmental						\$ 319,935
Charges for services	\$ 33,893	\$ 45,346	\$ 7,900	\$ 44,785		282,045
Other revenue:						
Program income						8,613
Interest revenue		2,571	2,172	266	34	24,667
Other		2,459				22,433
Total revenues	<u>33,893</u>	<u>50,376</u>	<u>10,072</u>	<u>45,051</u>	<u>9,700</u>	<u>22,433</u>
Expenditures:						
Current:						
Public works		23,150				91,149
Recreation and culture					4,787	461,060
Community development						116,605
Transit						262,526
Cemetery	49,139					49,139
Capital outlay	11,219					144,187
Total expenditures	<u>60,357</u>	<u>23,150</u>			<u>4,787</u>	<u>1,124,666</u>
Excess (deficiency) of revenues over expenditures	<u>(26,465)</u>	<u>27,226</u>	<u>10,072</u>	<u>45,051</u>	<u>4,947</u>	<u>(466,974)</u>
Other financing sources (uses):						
Transfers in	23,632					575,459
Transfers out			(2,632)			(276,072)
Total other financing sources (uses)	<u>23,632</u>		<u>(2,632)</u>			<u>299,387</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(2,833)</u>	<u>27,226</u>	<u>7,440</u>	<u>45,051</u>	<u>4,947</u>	<u>(167,587)</u>
Fund balance at beginning of year	19,928	148,383	136,330			2,179,102
Fund balance at end of year	<u>\$ 17,095</u>	<u>\$ 175,609</u>	<u>\$ 143,770</u>	<u>\$ 45,051</u>	<u>\$ 4,947</u>	<u>\$ 2,011,515</u>

**Combining Balance Sheet  
Nonmajor Debt Service Funds  
December 31, 2010**

	<u>12-1-01 Assessment Bonds</u>	<u>12-1-03 Assessment Bonds</u>	<u>04-1-04 Assessment Bonds</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 228,859	\$ 138,581	\$ 117,626	\$ 485,066
Investments	234,475	115,390	-	349,865
Due from other government units:				
Unremitted special assessments	7,098	2,600	1,667	11,364
Special assessments receivable:				
Delinquent	13,311	9,670	2,318	25,300
Deferred	471,541	676,889	166,032	1,314,462
Total assets	<u>\$ 955,284</u>	<u>\$ 943,130</u>	<u>\$ 287,643</u>	<u>\$ 2,186,057</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Deferred Revenue:				
Special Assessments	\$ 484,852	\$ 686,559	\$ 168,351	\$ 1,339,762
Total liabilities	<u>484,852</u>	<u>686,559</u>	<u>168,351</u>	<u>1,339,762</u>
Fund balances:				
Reserved debt service	470,432	256,571	119,293	846,295
Total fund balances	<u>470,432</u>	<u>256,571</u>	<u>119,293</u>	<u>846,295</u>
Total liabilities and fund balances	<u>\$ 955,284</u>	<u>\$ 943,130</u>	<u>\$ 287,643</u>	<u>\$ 2,186,057</u>

**Combining Statement of Revenues, Expenditures and Changes  
in Fund Balances - Nonmajor Debt Service Funds  
Year Ended December 31, 2010**

	12-1-01 Special Assessment Bonds	12-1-03 Special Assessment Bonds	04-1-04 Special Assessment Bonds	Total
Revenues:				
Special assessments	\$ 85,477	\$ 87,748	\$ 50,312	\$ 223,537
Other revenue:				
Interest on investments	6,698	3,296	1,379	11,373
Total revenues	<u>92,175</u>	<u>91,044</u>	<u>51,691</u>	<u>234,910</u>
Expenditures:				
Debt service:				
Principal retirement	55,000	40,000	35,000	130,000
Interest and fiscal agent fees	31,531	34,426	4,396	70,354
Other debt expenditures				
Total expenditures	<u>86,531</u>	<u>74,426</u>	<u>39,396</u>	<u>200,354</u>
Excess (deficiency) of revenues over expenditures	<u>5,643</u>	<u>16,618</u>	<u>12,294</u>	<u>34,556</u>
Other financing sources (uses):				
Long-term debt issued				
Transfers out				
Total other financing sources and (uses)				
Excess (deficiency) of revenues over expenditures and other sources (uses)	5,643	16,618	12,294	34,556
Fund balance at beginning of year	464,788	239,953	106,998	811,739
Fund balance at end of year	<u>\$ 470,431</u>	<u>\$ 256,571</u>	<u>\$ 119,292</u>	<u>\$ 846,295</u>

**Combining Balance Sheet  
Nonmajor Capital Projects Funds  
December 31, 2010**

	Levee Projects	1997 Community Development	1997 Downtown Development	2005 City Projects	Current Assessment Projects	08 PFA Loan Sewer Project	Current City Projects	Building Improvements	SCDP Industrial Park Road	Total
<b>ASSETS</b>										
Cash and cash equivalents	\$ 116,197	\$ 138,560	\$ 252,748	\$ 25,029	\$ 93,520	\$ -	\$ 8,059	\$ 8,653	\$ 1,886	\$ 644,651
Investments	579,010	262,212			-	-				841,222
Accounts receivable			5,740							5,740
Due from other Governmental Units										
Total Assets	<u>695,207</u>	<u>400,772</u>	<u>258,488</u>	<u>25,029</u>	<u>93,520</u>	<u>-</u>	<u>8,059</u>	<u>8,653</u>	<u>1,886</u>	<u>1,491,613</u>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts payable	720		-	-	97	-	8,000	8,653	34,111	51,581
Due to Other Government Units										
Interfund Payable				165,000					10,000	175,000
Total liabilities	<u>720</u>			<u>165,000</u>	<u>97</u>	<u>-</u>	<u>8,000</u>	<u>8,653</u>	<u>44,111</u>	<u>226,581</u>
Fund balances:										
Unreserved, undesignated	694,487	400,772	258,488	(139,971)	93,422	-	59	0	(42,225)	1,265,032
Total fund balances	<u>694,487</u>	<u>400,772</u>	<u>258,488</u>	<u>(139,971)</u>	<u>93,422</u>	<u>-</u>	<u>59</u>	<u>0</u>	<u>(42,225)</u>	<u>1,265,032</u>
Total liabilities and fund balances	<u>\$ 695,207</u>	<u>\$ 400,772</u>	<u>\$ 258,488</u>	<u>\$ 25,029</u>	<u>\$ 93,520</u>	<u>\$ -</u>	<u>\$ 8,059</u>	<u>\$ 8,653</u>	<u>\$ 1,886</u>	<u>\$ 1,491,613</u>

**Combining Statement of Revenues, Expenditures and Changes  
in Fund Balances - Nonmajor Capital Projects Funds  
Year Ended December 31, 2010**

	<u>Levee Projects</u>	<u>1997 Community Development</u>	<u>1997 Downtown Development</u>	<u>2005 City Projects</u>	<u>Current Assessment Projects</u>	<u>08 PFA Loan Sewer Project</u>	<u>Current City Projects</u>	<u>Building Improvements</u>	<u>SCDP Industrial Park Road</u>	<u>Total</u>
Revenues:										
Intergovernmental			\$ 145,002	\$ 306,388	\$ 234,405	\$ -	\$ -	\$ -	\$ -	\$ 685,795
Program income	\$ 4,015	\$ 20,000	-							24,015
Interest	8,164	7,490	2,867							18,521
Total revenues	<u>12,179</u>	<u>27,490</u>	<u>147,869</u>	<u>306,388</u>	<u>234,405</u>					<u>728,331</u>
Expenditures:										
Capital outlay:										
Land and buildings								43,184		43,184
Infrastructure construction	103,277	356	8,662	141,753	939,784	122,606	312,876		42,225	1,671,538
Total expenditures	<u>103,277</u>	<u>356</u>	<u>8,662</u>	<u>141,753</u>	<u>939,784</u>	<u>122,606</u>	<u>312,876</u>	<u>43,184</u>	<u>42,225</u>	<u>1,714,722</u>
Excess (deficiency) of revenues over expenditures	<u>(91,099)</u>	<u>27,134</u>	<u>139,207</u>	<u>164,635</u>	<u>(705,379)</u>	<u>(122,606)</u>	<u>(312,876)</u>	<u>(43,184)</u>	<u>(42,225)</u>	<u>(986,391)</u>
Other financing sources (uses):										
Transfers in				120,000	120,000		260,000	43,184		543,184
Transfers out		(61,000)		(120,000)						(181,000)
Long-term debt issued						389,789				389,789
Total other financing sources (uses)	<u>-</u>	<u>(61,000)</u>	<u>-</u>	<u>-</u>	<u>120,000</u>	<u>389,789</u>	<u>260,000</u>	<u>43,184</u>	<u>-</u>	<u>751,973</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(91,099)</u>	<u>(33,866)</u>	<u>139,207</u>	<u>164,635</u>	<u>(585,379)</u>	<u>267,183</u>	<u>(52,876)</u>		<u>(42,225)</u>	<u>(234,419)</u>
Fund balance at beginning of year	785,586	434,638	119,281	(304,606)	678,801	(267,183)	52,935			1,499,452
Fund balance at end of year	<u>\$ 694,487</u>	<u>\$ 400,772</u>	<u>\$ 258,488</u>	<u>\$ (139,971)</u>	<u>\$ 93,422</u>	<u>\$ 0</u>	<u>\$ 59</u>	<u>\$ -</u>	<u>\$ (42,225)</u>	<u>\$ 1,265,032</u>

**Community Growth Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual  
Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental		\$ -	\$ -	\$ -
Other revenues:				
Program income	\$ 5,000	5,000	1,000	(4,000)
Interest revenue	5,000	\$ 5,000	3,430	(1,570)
Total revenues	<u>10,000</u>	<u>10,000</u>	<u>4,430</u>	<u>(5,570)</u>
Expenditures:				
Community development:				
Contractual services	10,000	10,000	5,001	(4,999)
Other expenditures				
Total expenditures	<u>10,000</u>	<u>10,000</u>	<u>5,001</u>	<u>(4,999)</u>
Excess (deficiency) of revenues over expenditures			<u>(571)</u>	<u>(571)</u>
Fund balance at beginning of year	215,530	215,530	215,530	
Fund balance at end of year	<u>\$ 215,530</u>	<u>\$ 215,530</u>	<u>\$ 214,959</u>	<u>\$ (571)</u>

**State Aid Street Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 100,000	\$ 100,000	\$ 104,627	\$ 4,627
Other revenues:				
Interest revenue	10,000	10,000	3,267	(6,733)
Total revenue	<u>110,000</u>	<u>110,000</u>	<u>107,894</u>	<u>(2,106)</u>
Expenditures:				
Public works:				
Contractual services	30,000	30,000	68,000	38,000
Capital outlay	80,000	80,000	83,681	3,681
Total expenditures	<u>110,000</u>	<u>110,000</u>	<u>151,681</u>	<u>41,681</u>
Excess (deficiency) of revenues over expenditures			<u>(43,787)</u>	<u>(43,787)</u>
Other financing sources (uses):				
Transfers out				
Total other financing sources (uses)				
Excess (deficiency) of revenues over expenditures and other sources (uses)			(43,787)	(43,787)
Fund balance at beginning of year	174,039	174,039	174,039	
Fund balance at end of year	<u>\$ 174,039</u>	<u>\$ 174,039</u>	<u>\$ 130,252</u>	<u>\$ (43,787)</u>

**Transit Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 199,647	\$ 199,647	\$ 206,583	\$ 6,936
Charges for services	23,000	23,000	4,500	(18,500)
Other revenues:				
Interest revenue	2,000	2,000	19	(1,981)
Total Revenues	<u>224,647</u>	<u>224,647</u>	<u>211,102</u>	<u>(13,545)</u>
Expenditures:				
Transit:				
Contractual services	271,214	271,214	262,223	(8,991)
Capital outlay	6,933	6,933	18,713	11,780
Other expenditures			303	303
Total expenditures	<u>278,147</u>	<u>278,147</u>	<u>281,239</u>	<u>3,092</u>
Excess (deficiency) of revenues over expenditures	<u>(53,500)</u>	<u>(53,500)</u>	<u>(70,137)</u>	<u>(16,637)</u>
Other financing sources (uses):				
Transfers in	<u>53,500</u>	<u>53,500</u>	<u>53,500</u>	
Total other financing sources (uses)	<u>53,500</u>	<u>53,500</u>	<u>53,500</u>	
Excess (deficiency) of revenues over expenditures and other sources (uses)			(16,637)	(16,637)
Fund balance at beginning of year	(18,064)	(18,064)	(18,064)	
Fund balance at end of year	<u>\$ (18,064)</u>	<u>\$ (18,064)</u>	<u>\$ (34,701)</u>	<u>\$ (16,637)</u>

**New Home Incentive Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual  
Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 220,000	\$ 220,000	\$136,975	(\$83,025)
Other revenues:				
Interest revenue	20,000	20,000	11,609	(8,391)
Total revenues	<u>240,000</u>	<u>240,000</u>	<u>148,584</u>	<u>(91,416)</u>
Expenditures:				
Community development:				
Contractual services	53,000	53,000	31,673	(21,327)
Other expenditures	100,000	100,000	79,931	(20,069)
Total expenditures	<u>153,000</u>	<u>153,000</u>	<u>111,603</u>	<u>(41,397)</u>
Excess (deficiency) of revenues over expenditures	<u>87,000</u>	<u>87,000</u>	<u>36,981</u>	<u>(50,019)</u>
Other financing sources (uses):				
Transfers in			61,000	61,000
Transfers out	(87,000)	(87,000)	(273,440)	(186,440)
Total other financing sources (uses)	<u>(87,000)</u>	<u>(87,000)</u>	<u>(212,440)</u>	<u>(125,440)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)			(175,460)	(175,460)
Fund balance at beginning of year	1,401,116	1,401,116	1,401,116	
Fund balance at end of year	<u>\$ 1,401,116</u>	<u>\$ 1,401,116</u>	<u>\$ 1,225,656</u>	<u>\$ (175,460)</u>

**Library Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental			\$ 8,725	\$ 8,725
Charges for services	\$ 1,700	\$ 1,700	1,545	(155)
Other revenues:				
Interest revenue	200	200	480	280
Other	12,100	12,100	10,274	(1,826)
Total revenues	<u>14,000</u>	<u>14,000</u>	<u>21,024</u>	<u>7,024</u>
Expenditures:				
Culture and recreation:				
Personal services	252,700	252,700	266,751	14,050
Supplies	40,300	40,300	38,538	(1,762)
Contractual services	51,700	51,700	35,790	(15,910)
Capital outlay	24,950	24,950	23,145	(1,805)
Other expenditures	18,100	18,100	17,116	(984)
Total expenditures	<u>387,750</u>	<u>387,750</u>	<u>381,340</u>	<u>(6,410)</u>
Excess (deficiency) of revenues over expenditures	<u>(373,750)</u>	<u>(373,750)</u>	<u>(360,316)</u>	<u>13,434</u>
Other financing sources (uses):				
Transfers in	345,100	345,100	344,727	(373)
Total other financing sources (uses)	<u>345,100</u>	<u>345,100</u>	<u>344,727</u>	<u>(373)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(28,650)</u>	<u>(28,650)</u>	<u>(15,589)</u>	<u>13,061</u>
Fund balance at beginning of year	53,722	53,722	53,722	
Fund balance at end of year	<u>\$ 25,072</u>	<u>\$ 25,072</u>	<u>\$ 38,133</u>	<u>\$ 13,061</u>

**Senior Center Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 12,000	\$ 12,000	\$ 7,102	\$ (4,898)
Other revenues:				
Interest revenue	400	400	819	419
Other	5,000	5,000	7,613	2,613
Total revenues	<u>17,400</u>	<u>17,400</u>	<u>15,533</u>	<u>(1,867)</u>
Expenditures:				
Culture and recreation:				
Personal services	80,600	80,600	74,860	(5,740)
Supplies	4,500	4,500	5,832	1,332
Contractual services	15,900	15,900	13,125	(2,776)
Capital outlay			7,430	7,430
Other expenditures	9,000	9,000	4,261	(4,739)
Total expenditures	<u>110,000</u>	<u>110,000</u>	<u>105,507</u>	<u>(4,493)</u>
Excess (deficiency) of revenues over expenditures	<u>(92,600)</u>	<u>(92,600)</u>	<u>(89,974)</u>	<u>2,626</u>
Other financing sources (uses):				
Transfers in	92,600	92,600	92,600	
Total other financing sources (uses)	<u>92,600</u>	<u>92,600</u>	<u>92,600</u>	
Excess (deficiency) of revenues over expenditures and other sources (uses)			2,626	2,626
Fund balance at beginning of year	48,118	48,118	48,118	
Fund balance at end of year	<u>\$ 48,118</u>	<u>\$ 48,118</u>	<u>\$ 50,744</u>	<u>\$ 2,626</u>

**Cemetery Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 41,100	\$ 41,100	\$ 33,893	\$ (7,207)
Other revenues:				
Interest revenue				
Total revenues	<u>41,100</u>	<u>41,100</u>	<u>33,893</u>	<u>(7,207)</u>
Expenditures:				
Other:				
Personal services	21,100	21,100	24,211	3,111
Supplies	2,700	2,700	1,397	(1,303)
Contractual services	19,000	19,000	18,603	(397)
Capital outlay			11,219	11,219
Other expenditures	3,500	3,500	4,929	1,429
Total expenditures	<u>46,300</u>	<u>46,300</u>	<u>60,357</u>	<u>14,057</u>
Excess (deficiency) of revenues over expenditures	<u>(5,200)</u>	<u>(5,200)</u>	<u>(26,465)</u>	<u>(21,265)</u>
Other financing sources (uses):				
Transfers in	5,200	5,200	23,632	18,432
Total other financing sources (uses)	<u>5,200</u>	<u>5,200</u>	<u>23,632</u>	<u>18,432</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)			(2,833)	(2,833)
Fund balance at beginning of year	19,928	19,928	19,928	
Fund balance at end of year	<u>\$ 19,928</u>	<u>\$ 19,928</u>	<u>\$ 17,095</u>	<u>\$ (2,833)</u>

**Insect Control Fund**  
**Schedule of Revenues, Expenditures and Changes**  
**in Fund Balances - Budget and Actual**  
**Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 44,000	\$ 44,000	\$ 45,346	\$ 1,346
Other revenue:				
Interest revenue	5,000	5,000	2,571	2,571
Other			2,459	2,459
Total revenues	<u>49,000</u>	<u>49,000</u>	<u>50,376</u>	<u>6,376</u>
Expenditures:				
Public Works:				
Personal services	9,200	9,200	7,904	(1,296)
Supplies	15,000	15,000	14,379	(621)
Contractual services	1,500	1,500	676	(824)
Capital outlay				
Other expenditures	2,500	2,500	191	(2,309)
Total expenditures	<u>28,200</u>	<u>28,200</u>	<u>23,150</u>	<u>(5,050)</u>
Excess (deficiency) of revenues over expenditures	20,800	20,800	27,226	11,426
Fund balance at beginning of year	148,383	148,383	148,383	
Fund balance at end of year	<u>\$ 169,183</u>	<u>\$ 169,183</u>	<u>\$ 175,609</u>	<u>\$ 11,426</u>

**Perpetual Care Fund  
 Schedule of Revenues, Expenditures and Changes  
 in Fund Balances - Budget and Actual  
 Year Ended December 31, 2010**

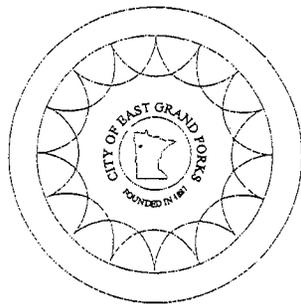
	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 14,000	\$ 14,000	\$ 7,900	\$ (6,100)
Other revenue:				
Interest revenue	2,000	2,000	2,172	172
Total revenues	<u>16,000</u>	<u>16,000</u>	<u>10,072</u>	<u>(5,928)</u>
Other financing sources (uses):				
Operating transfers in				
Operating transfers out			(2,632)	\$ 2,632
Total other financing sources (uses)			<u>- (2,632)</u>	<u>2,632</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	16,000	16,000	7,440	(8,560)
Fund balance at beginning of year	136,330	136,330	136,330	
Fund balance at end of year	<u>\$ 152,330</u>	<u>\$ 152,330</u>	<u>\$ 143,770</u>	<u>\$ (8,560)</u>

**Greenway Maintenance Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual  
Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 44,000	44,000	\$ 44,785	\$ 785
Other revenue:				
Interest revenue			266	266
Total revenues	<u>44,000</u>	<u>44,000</u>	<u>45,051</u>	<u>1,051</u>
Expenditures:				
Public Works:				
Capital outlay	<u>44,000</u>	<u>44,000</u>		(44,000)
Total expenditures	<u>44,000</u>	<u>44,000</u>		<u>(44,000)</u>
Excess (deficiency) of revenues over expenditures			45,051	45,051
Fund balance at beginning of year				
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,051</u>	<u>\$ 45,051</u>

**125th Anniversary Celebration Fund  
Schedule of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual  
Year Ended December 31, 2010**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Other revenue:				
Donations	\$ -	\$ -	9,700	9,700
Interest revenue			34	34
Total revenues			9,734	9,734
Expenditures:				
Culture and recreation:				
Supplies			4,787	4,787
Total expenditures			4,787	4,787
Excess (deficiency) of revenues over expenditures			4,947	4,947
Fund balance at beginning of year				
Fund balance at end of year	\$ -	\$ -	\$ 4,947	\$ 4,947



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# INTERNAL SERVICE FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

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

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

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



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**Combining Statement of Net Assets  
Internal Service Funds  
December 31, 2010**

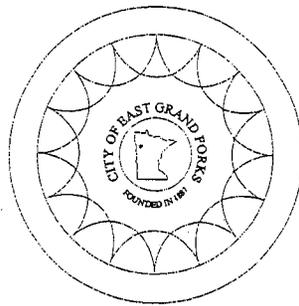
	Benefit Accrual	Central Equipment	Total
<b>ASSETS</b>			
Current assets:			
Cash and Cash Equivalents	\$ 493,453	\$ 254,975	\$ 748,428
Investments	608,510	192,297	800,807
Total current assets	<u>1,101,963</u>	<u>447,272</u>	<u>1,549,235</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment		1,720,172	1,720,172
Less accumulated depreciation		(991,373)	(991,373)
Capital assets (net)		<u>728,799</u>	<u>728,799</u>
<b>TOTAL ASSETS</b>	<u>1,101,963</u>	<u>1,176,072</u>	<u>2,278,034</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable			
Compensated absences payable	42,556		42,556
Notes payable - current		68,873	68,873
Total current liabilities	<u>42,556</u>	<u>68,873</u>	<u>111,429</u>
Noncurrent liabilities:			
Compensated absences payable - net current portion	1,055,620		1,055,620
Notes Payable - net current portion		72,241	72,241
Total noncurrent liabilities	<u>1,055,620</u>	<u>72,241</u>	<u>1,127,861</u>
<b>TOTAL LIABILITIES</b>	<u>1,098,176</u>	<u>141,114</u>	<u>1,239,290</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt		587,685	587,685
Unrestricted	3,787	447,272	451,059
<b>TOTAL NET ASSETS</b>	<u>\$ 3,787</u>	<u>\$ 1,034,957</u>	<u>\$ 1,038,744</u>

**Combining Statement of Revenues, Expenses and Changes  
in Fund Net Assets - Internal Service Funds  
Year Ended December 31, 2010**

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 38,200	\$ 187,000	\$ 225,200
Total operating revenues	<u>38,200</u>	<u>187,000</u>	<u>225,200</u>
Operating expenses:			
Compensated absences	75,401		75,401
Depreciation		169,485	169,485
Total operating expenses	<u>75,401</u>	<u>169,485</u>	<u>244,886</u>
Operating income (loss)	<u>(37,201)</u>	<u>17,515</u>	<u>(19,686)</u>
Nonoperating revenues (expenses)			
Interest revenue	17,383	5,493	22,876
Interest expense		(10,112)	(10,112)
Total nonoperating revenues (expenses)	<u>17,383</u>	<u>(4,619)</u>	<u>12,764</u>
Change in net assets	(19,818)	12,896	(6,922)
Net assets at beginning of year	<u>23,605</u>	<u>1,022,060</u>	<u>1,045,665</u>
Net assets at end of year	<u>\$ 3,787</u>	<u>\$ 1,034,957</u>	<u>\$ 1,038,744</u>

## Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2010

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
<b>Cash flow from operating activities:</b>			
Receipts from interfund service provided	\$ 38,200	\$ 187,000	\$ 225,200
Payments for compensated absences	(112,541)		(112,541)
Net cash provided by operating activities	<u>(74,341)</u>	<u>187,000</u>	<u>112,659</u>
<b>Cash flows from capital financing activities:</b>			
Acquisition of capital assets			
Principal payments on long-term debt		(65,662)	(65,662)
Interest payments on long-term debt		(10,112)	(10,112)
Proceeds from Long-term Debt			
Net cash provided by capital financing activities		<u>(75,774)</u>	<u>(75,774)</u>
<b>Cash flows from investing activities</b>			
Interest on investments	17,383	5,493	22,876
Sale of investments	159,495		159,495
Purchase of investments		(192,296)	(192,296)
Net cash provided by investing activities	<u>176,878</u>	<u>(186,803)</u>	<u>(9,925)</u>
Increase (decrease) in cash and cash equivalents	102,537	(75,577)	26,960
Cash and cash equivalents - January 1	390,916	330,552	721,468
Cash and cash equivalents - December 31	<u>\$ 493,453</u>	<u>\$ 254,975</u>	<u>\$ 748,428</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (37,201)	\$ 17,515	\$ (19,686)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization		169,485	169,485
Changes in assets and liabilities:			
Increase (decrease) in compensated absences	(37,140)		(37,140)
Net cash provided by operating activities	<u>\$ (74,341)</u>	<u>\$ 187,000</u>	<u>\$ 112,659</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, 2010

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
<b>Taxes:</b>					
Property taxes	\$ 2,796,072	\$ 2,225,450	\$ 2,182,799	\$ (42,651)	\$ 2,092,423
Mobile home taxes	6,000	6,000	4,668	(1,332)	8,552
Tax increment taxes	2,000	2,000	120	(1,880)	1,013
Payment in lieu of taxes	-	-	-	-	-
Hotel/Motel taxes	12,000	12,000	11,700	(300)	11,500
Franchise taxes	1,320,000	1,320,000	1,359,302	39,302	1,361,673
Penalties and interest	-	-	2,133	2,133	2,900
<b>Total taxes</b>	<b>4,136,072</b>	<b>3,565,450</b>	<b>3,560,721</b>	<b>(4,729)</b>	<b>3,478,061</b>
<b>Licenses and permits:</b>					
Liquor and malt licenses	42,450	42,450	46,800	4,350	42,475
Tobacco licenses	400	400	550	150	400
Plumbing licenses	2,000	2,000	2,500	500	3,300
Amusement center licenses	200	200	40	(160)	60
Pet licenses	1,000	1,000	1,257	257	1,200
Other licenses	3,000	3,000	6,317	3,317	4,632
Building permits	40,000	40,000	57,591	17,591	52,217
Excavation permits	3,000	3,000	2,295	(705)	3,645
Plumbing permits	2,400	2,400	1,430	(970)	2,095
Other permits	3,000	3,000	3,863	863	3,326
<b>Total Licenses &amp; Permits</b>	<b>97,450</b>	<b>97,450</b>	<b>122,642</b>	<b>25,192</b>	<b>113,350</b>
<b>Intergovernmental:</b>					
Federal grants	24,788	24,788	46,191	21,403	108,221
Local government aid	2,483,041	2,483,041	2,471,550	(11,491)	2,658,631
Disparity reduction credit	-	369,031	369,031	0	375,889
Market value credit	-	201,591	10,971	(190,620)	189,295
PERA aid	15,700	15,700	15,688	(12)	15,688
Police state aid	154,000	154,000	140,088	(13,912)	147,593
Fire state aid	42,000	42,000	36,815	(5,185)	32,064
Ambulance subsidy	22,000	22,000	21,939	(61)	21,939
Other	37,900	37,900	46,644	8,744	35,871
<b>Total Intergovernmental</b>	<b>2,779,429</b>	<b>3,350,051</b>	<b>3,158,917</b>	<b>(191,134)</b>	<b>3,585,191</b>
<b>Charges for services:</b>					
General Government	25,100	25,100	4,114	(20,986)	9,141
Accounting Other Funds	22,000	22,000	38,696	16,696	18,000
Rescue Unit	4,000	4,000	3,661	(339)	5,999

**Schedule of Revenues and Other Sources**  
**Budget to Actual - General Fund**  
**Year Ended December 31, 2010** (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Charges for services (continued):					
Police services	30,000	30,000	1,125	(28,875)	33,027
Protective inspection services	16,000	16,000	15,390	(610)	14,929
Rural fire service	35,000	35,000	37,387	2,387	35,144
Public safety - other	3,000	3,000	4,244	1,244	12,602
Streets and highways	8,000	8,000	8,198	198	9,745
Street lights	165,000	165,000	168,070	3,070	165,412
Storm sewers	-	-	-	-	-
Swimming pool	24,000	24,000	18,134	(5,866)	20,671
Summer recreation programs	49,250	49,250	40,792	(8,458)	39,655
Winter recreation programs	90,575	90,575	79,634	(10,941)	61,943
Recreation - other	97,260	97,260	109,891	12,631	105,152
City hall rent	24,500	24,500	25,560	1,060	23,496
Blue Line Arena rent	10,000	10,000	7,302	(2,698)	103
VFW arena rent	20,000	20,000	19,019	(982)	21,364
Civic center rent	100,000	100,000	103,246	3,246	99,870
Total charges for services	<u>723,685</u>	<u>723,685</u>	<u>684,461</u>	<u>(39,224)</u>	<u>676,253</u>
Fines and forfeits:					
Court fines	105,000	105,000	98,193	(6,807)	102,016
Parking fines	5,000	5,000	7,436	2,436	4,335
Court fees	8,000	8,000	714	(7,286)	2,546
Impound fees	6,300	6,300	5,370	(930)	3,659
Sale of seized property	12,000	12,000	7,810	(4,190)	39,289
Total fines and forfeits	<u>136,300</u>	<u>136,300</u>	<u>119,522</u>	<u>(16,778)</u>	<u>151,845</u>
Miscellaneous revenues:					
Interest revenue	85,000	85,000	34,333	(50,667)	33,064
Donations	-	-	-	-	-
Insurance dividends	-	-	34,148	34,148	72,781
Park dedication fees	-	-	-	-	-
Other	23,200	23,200	23,266	66	28,171
Total miscellaneous	<u>108,200</u>	<u>108,200</u>	<u>91,746</u>	<u>(16,454)</u>	<u>134,016</u>
Total revenues	<u>7,981,136</u>	<u>7,981,136</u>	<u>7,738,010</u>	<u>(243,126)</u>	<u>8,138,716</u>
Other financing sources:					
Proceeds from sale of assets			47,709	47,709	
Transfers in:					
Enterprise fund projects	60,000	60,000	191,200	131,200	95,354
Other funds	187,000	187,000	149,440	(37,560)	91,113
Total other financing sources	<u>247,000</u>	<u>247,000</u>	<u>388,349</u>	<u>141,349</u>	<u>186,467</u>
Total revenues and other financing sources	<u>\$ 8,228,136</u>	<u>\$ 8,228,136</u>	<u>\$ 8,126,359</u>	<u>\$ (101,777)</u>	<u>\$ 8,325,183</u>

**Schedule of Expenditures and Other Uses  
Budget to Actual - General Fund  
Year Ended December 31, 2010**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
General government:					
Council:					
Personal services	\$ 46,600	\$ 46,600	\$ 47,313	\$ (713)	\$ 47,313
Other expenditures	7,500	7,500	4,663	2,837	5,842
Total	54,100	54,100	51,976	2,124	53,155
Ordinances and proceedings:					
Contractual services	3,000	3,000	9,069	(6,069)	3,652
Total	3,000	3,000	9,069	(6,069)	3,652
Mayor:					
Personal services	10,800	10,800	10,596	204	10,929
Supplies	200	200		200	19
Contractual services	1,100	1,100	638	462	381
Other expenditures	5,000	5,000	3,016	1,984	3,723
Total	17,100	17,100	14,251	2,849	15,052
Elections:					
Personal services	7,200	7,200	7,182	18	490
Supplies	300	300		300	
Other expenditures	500	500	169	331	
Total	8,000	8,000	7,351	649	490
City administration:					
Personal services	307,700	307,700	297,397	10,303	279,794
Supplies	9,000	9,000	5,353	3,647	6,349
Contractual services	16,500	16,500	8,491	8,009	32,616
Other expenditures	7,500	7,500	6,857	643	6,808
Capital outlay	2,000	2,000	2,292	(292)	
Total	342,700	342,700	320,390	22,310	325,568
Accounting and auditing:					
Contractual services	30,000	30,000	30,627	(627)	34,750
Total	30,000	30,000	30,627	(627)	34,750
City assessor:					
Contractual services	29,000	29,000	28,864	136	28,936
Total	29,000	29,000	28,864	136	28,936
City attorney:					
Personal services					2,151
Supplies					128,758
Contractual services	120,750	120,750	100,128	20,623	
Other expenditures	4,500	4,500	7,505	(3,005)	326
Total	125,250	125,250	107,632	17,618	131,235
Planning and zoning:					
Personal services					54,073
Contractual services	70,700	70,700	73,720	(3,020)	
Other expenditures	800	800	609	191	310
Total	71,500	71,500	74,329	(2,829)	54,383

**Schedule of Expenditures and Other Uses**  
**Budget to Actual - General Fund**  
**Year Ended December 31, 2010** (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
General government (continued)					
Water and light commission:					
Personal services		-	-		-
Total					
Civil service commission:					
Personal Services	3,230	3,230	3,230	1	2,691
Other expenditures	500	500		500	78
Total	3,730	3,730	3,230	501	2,769
Finance and accounting:					
Personal services	79,590	79,590	78,479	1,111	86,181
Supplies	500	500		500	3,939
Contractual services					
Other expenditures	1,000	1,000	1,862	(862)	1,828
Capital outlay	1,000	1,000		1,000	
Total	82,090	82,090	80,341	1,749	91,948
Building:					
Personal services			1,672	(1,672)	10,174
Supplies	5,000	5,000	2,328	2,672	3,096
Contractual services	148,500	148,500	109,428	39,072	121,909
Other expenditures	500	500	164	336	
Capital outlay					
Total	154,000	154,000	113,591	40,409	135,179
Summary:					
Current	917,470	917,470	839,360	78,110	877,116
Capital outlay	3,000	3,000	2,292	708	
Total general government	\$ 920,470	\$ 920,470	\$ 841,652	\$ 78,818	\$ 877,116
Public safety:					
Police:					
Personal services	\$ 1,810,870	\$ 1,810,870	\$ 1,860,982	\$ (50,112)	\$ 1,853,205
Supplies	72,200	72,200	71,688	512	70,563
Contractual services	132,800	132,800	115,069	17,731	113,300
Other expenditures	9,500	9,500	9,423	77	11,007
Capital outlay	95,000	95,000	9,504	85,496	133,016
Total	2,120,370	2,120,370	2,066,665	53,705	2,181,091

**Schedule of Expenditures and Other Uses**  
**Budget to Actual - General Fund**  
**Year Ended December 31, 2010** (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Public safety (continued)					
Fire:					
Personal services	882,240	882,240	881,015	1,225	872,335
Supplies	20,500	20,500	27,828	(7,328)	67,993
Contractual services	87,300	87,300	93,867	(6,567)	80,316
Other expenditures	4,000	4,000	3,521	479	3,247
Capital outlay	26,092	26,092	42,162	(16,070)	6,934
Total	<u>1,020,132</u>	<u>1,020,132</u>	<u>1,048,393</u>	<u>(28,261)</u>	<u>1,030,825</u>
Building inspection:					
Personal services	133,540	133,540	137,847	(4,307)	171,388
Supplies	5,400	5,400	1,637	3,763	2,909
Contractual services	4,400	4,400	1,665	2,735	3,434
Other expenditures	2,100	2,100	887	1,213	1,511
Capital outlay					
Total	<u>145,440</u>	<u>145,440</u>	<u>142,035</u>	<u>3,405</u>	<u>179,241</u>
Civil defense:					
Supplies	900	900		900	
Contractual services	5,100	5,100	4,354	746	4,431
Other expenditures	1,600	1,600	124	1,476	1,181
Equipment					
Total	<u>7,600</u>	<u>7,600</u>	<u>4,478</u>	<u>3,122</u>	<u>5,612</u>
Traffic engineering:					
Personal services	19,490	19,490	11,188	8,302	19,726
Supplies	15,500	15,500	4,320	11,180	14,389
Contractual services	14,400	14,400	16,613	(2,213)	16,865
Other expenditures	500	500	120	380	290
Total	<u>49,890</u>	<u>49,890</u>	<u>32,242</u>	<u>17,648</u>	<u>51,269</u>
Animal control:					
Contractual services	4,600	4,600	7,019	(2,419)	5,166
Total	<u>4,600</u>	<u>4,600</u>	<u>7,019</u>	<u>(2,419)</u>	<u>5,166</u>
Summary:					
Current	3,226,940	3,226,940	3,249,167	(22,227)	3,313,255
Capital outlay	121,092	121,092	51,665	69,427	139,950
Total public safety	<u>\$ 3,348,032</u>	<u>\$ 3,348,032</u>	<u>\$ 3,300,832</u>	<u>\$ 47,200</u>	<u>\$ 3,453,205</u>
Public works:					
Administration:					
Personal services	\$ 72,800	\$ 72,800	\$ 76,949	\$ (4,149)	\$ 51,292
Supplies	2,000	2,000	2,174	(174)	1,587
Contractual services	2,500	2,500	1,833	667	2,001
Other expenditures	2,500	2,500	2,332	168	3,074
Total	<u>79,800</u>	<u>79,800</u>	<u>83,287</u>	<u>(3,487)</u>	<u>57,954</u>

**Schedule of Expenditures and Other Uses**  
**Budget to Actual - General Fund**  
**Year Ended December 31, 2010** (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Streets:					
Personal services	268,610	268,610	263,360	5,250	240,179
Supplies	16,500	16,500	18,083	(1,583)	15,147
Contractual services	51,000	51,000	36,308	14,692	52,869
Other expenditures	17,000	17,000	34,656	(17,656)	33,413
Capital outlay	200,000	200,000	190,201	9,799	181,181
Total	<u>553,110</u>	<u>553,110</u>	<u>542,608</u>	<u>10,502</u>	<u>522,788</u>
Downtown parking lots:					
Personal services	6,879	6,879	3,500	3,379	3,397
Supplies					1,049
Contractual services	1,000	1,000	551	449	140
Other expenditures					589
Total	<u>7,879</u>	<u>7,879</u>	<u>4,052</u>	<u>3,827</u>	<u>5,176</u>
Ice and snow removal:					
Personal services	80,255	80,255	94,373	(14,118)	56,092
Supplies	12,500	12,500	5,843	6,657	4,839
Contractual services	54,000	54,000	133,409	(79,409)	91,630
Other expenditures			1,113	(1,113)	30,520
Capital outlay			21,094	(21,094)	
Total	<u>146,755</u>	<u>146,755</u>	<u>255,832</u>	<u>(109,077)</u>	<u>183,080</u>
Equipment:					
Supplies	45,500	45,500	51,932	(6,432)	38,628
Contractual services	158,000	158,000	191,683	(33,683)	136,632
Other expenditures	500	500	213	287	146
Capital outlay					27,320
Total	<u>204,000</u>	<u>204,000</u>	<u>243,828</u>	<u>(39,828)</u>	<u>202,726</u>
Demolition:					
Personal services					
Contractual services					
Other expenditures					
Total					
Equipment building:					
Supplies	16,800	16,800	17,845	(1,045)	13,981
Contractual services	77,000	77,000	71,245	5,755	69,585
Other expenditures	500	500	399	101	1,032
Capital outlay					
Total	<u>94,300</u>	<u>94,300</u>	<u>89,488</u>	<u>4,812</u>	<u>84,598</u>

**Schedule of Expenditures and Other Uses**  
**Budget to Actual - General Fund**  
**Year Ended December 31, 2010** (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Public works (continued)					
City shop:					
Personal services	129,360	129,360	120,545	8,815	137,323
Charged back	(54,000)	(54,000)	(83,227)	29,227	(43,925)
Supplies	366,000	366,000	273,323	92,677	276,457
Charged back	(352,800)	(352,800)	(250,147)	(102,653)	(272,579)
Contractual services					
Other expenditures	1,000	1,000	2,436	(1,436)	
Total	<u>89,560</u>	<u>89,560</u>	<u>62,930</u>	<u>26,630</u>	<u>97,276</u>
Street lighting:					
Contractual services	164,000	164,000	172,053	(8,053)	161,457
Total	<u>164,000</u>	<u>164,000</u>	<u>172,053</u>	<u>(8,053)</u>	<u>161,457</u>
Street cleaning:					
Personal services	21,700	21,700	25,983	(4,283)	26,488
Contractual services	18,100	18,100	18,100		28,600
Other expenditures					3,885
Total	<u>39,800</u>	<u>39,800</u>	<u>44,083</u>	<u>(4,283)</u>	<u>58,973</u>
Weed control:					
Personal services	29,750	29,750	22,672	7,078	16,555
Supplies	1,000	1,000	200	800	
Contractual services	14,000	14,000	14,000		14,000
Other expenditures	1,000	1,000	1,076	(76)	3,971
Total	<u>45,750</u>	<u>45,750</u>	<u>37,948</u>	<u>7,802</u>	<u>34,527</u>
Summary:					
Current	1,224,954	1,224,954	1,324,813	(120,953)	1,200,054
Capital outlay	200,000	200,000	211,295	9,799	208,501
Total public works	<u>\$ 1,424,954</u>	<u>\$ 1,424,954</u>	<u>\$ 1,536,108</u>	<u>\$ (111,154)</u>	<u>\$ 1,408,555</u>
Recreation and culture:					
Parks and recreation administration					
Personal services	\$ 207,400	\$ 207,400	\$ 214,614	\$ (7,214)	\$ 202,607
Supplies	2,000	2,000	2,517	(517)	6,269
Contractual services	5,300	5,300	6,962	(1,662)	5,353
Other expenditures	3,000	3,000	6,314	(3,314)	3,474
Capital outlay					
Total	<u>217,700</u>	<u>217,700</u>	<u>230,406</u>	<u>(12,706)</u>	<u>217,704</u>

**Schedule of Expenditures and Other Uses**  
**Budget to Actual - General Fund**  
**Year Ended December 31, 2010** (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Recreation and culture (continued)					
Playgrounds:					
Personal services	5,380	5,380	6,415	(1,035)	5,158
Supplies	500	500	195	305	295
Other expenditures	300	300	165	135	5
Capital outlay	20,000	20,000	9,957	10,043	19,990
Total	<u>26,180</u>	<u>26,180</u>	<u>16,732</u>	<u>9,448</u>	<u>25,448</u>
Swimming pool:					
Personal services	39,480	39,480	39,670	(190)	43,613
Supplies	11,200	11,200	6,089	5,111	13,112
Contractual services	27,300	27,300	29,890	(2,590)	28,240
Other expenditures	500	500	1,984	(1,484)	
Capital outlay					
Total	<u>78,480</u>	<u>78,480</u>	<u>77,634</u>	<u>846</u>	<u>84,965</u>
Tennis:					
Personal services	2,900	2,900	2,584	316	2,584
Supplies	300	300	94	206	140
Other expenditures	300	300	65	235	35
Capital outlay	30,000	30,000	7,987	22,014	
Total	<u>33,500</u>	<u>33,500</u>	<u>10,729</u>	<u>22,771</u>	<u>2,759</u>
Skating rinks:					
Personal services	7,540	7,540	6,213	1,327	5,326
Supplies	1,200	1,200	169	1,031	
Other expenditures	500	500	1,320	(820)	420
Total	<u>9,240</u>	<u>9,240</u>	<u>7,702</u>	<u>1,538</u>	<u>5,746</u>
Hockey:					
Personal services	34,760	34,760	26,570	8,190	26,022
Supplies	2,500	2,500	3,606	(1,106)	2,577
Contractual services					
Other expenditures	8,000	8,000	3,761	4,239	6,038
Total	<u>45,260</u>	<u>45,260</u>	<u>33,937</u>	<u>11,323</u>	<u>34,636</u>
Figure skating:					
Personal services	28,000	28,000	26,486	1,514	33,851
Supplies	3,500	3,500	1,456	2,044	3,814
Other expenditures	500	500		500	1,946
Total	<u>32,000</u>	<u>32,000</u>	<u>27,942</u>	<u>4,058</u>	<u>39,610</u>
Baseball:					
Personal services	37,700	37,700	28,720	8,980	30,313
Supplies	13,000	13,000	9,245	3,755	12,242
Other expenditures	6,000	6,000	6,604	(604)	5,086
Total	<u>56,700</u>	<u>56,700</u>	<u>44,568</u>	<u>12,132</u>	<u>47,640</u>

**Schedule of Expenditures and Other Uses**  
**Budget to Actual - General Fund**  
**Year Ended December 31, 2010** (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Recreation and culture (continued)					
Softball:					
Personal services	14,300	14,300	11,532	2,768	13,743
Supplies	1,800	1,800	1,359	441	2,014
Other expenditures	2,000	2,000	360	1,640	1,357
Total	<u>18,100</u>	<u>18,100</u>	<u>13,251</u>	<u>4,849</u>	<u>17,114</u>
Civic center:					
Personal services	89,160	89,160	85,538	3,622	75,334
Supplies	15,000	15,000	20,932	(5,932)	13,355
Contractual services	114,800	114,800	101,823	12,977	89,276
Other expenditures	1,400	1,400	318	1,082	1,539
Capital outlay					
Total	<u>220,360</u>	<u>220,360</u>	<u>208,612</u>	<u>11,748</u>	<u>179,504</u>
VFW arena:					
Personal services	85,800	85,800	78,313	7,487	100,045
Supplies	15,100	15,100	18,851	(3,751)	10,439
Contractual services	88,300	88,300	78,737	9,563	80,004
Other expenditures	1,400	1,400	848	552	837
Capital outlay	5,000	5,000		5,000	30,828
Total	<u>195,600</u>	<u>195,600</u>	<u>176,749</u>	<u>18,851</u>	<u>222,152</u>
Blue Line Arena:					
Personal services	10,765	10,765	5,894	4,871	2,217
Supplies			1,864	(1,864)	209
Contractual services	24,235	24,235	18,079	6,156	2,258
Other expenditures					
Capital outlay					
Total	<u>35,000</u>	<u>35,000</u>	<u>25,837</u>	<u>9,163</u>	<u>4,685</u>
Park areas:					
Personal services	185,380	185,380	209,130	(23,750)	199,749
Supplies	43,700	43,700	53,502	(9,802)	36,308
Contractual services	82,950	82,950	88,557	(5,607)	75,224
Other expenditures	7,500	7,500	7,273	227	4,245
Capital outlay			1,105	(1,105)	
Total	<u>319,530</u>	<u>319,530</u>	<u>359,567</u>	<u>(40,037)</u>	<u>315,525</u>
Campground-Recreation Area					
Personal services	70,500	70,500	61,344	9,156	61,340
Supplies	5,000	5,000	13,895	(8,895)	22,306
Other expenditures	24,500	24,500	24,616	(116)	26,141
Capital outlay					
Total	<u>100,000</u>	<u>100,000</u>	<u>99,855</u>	<u>145</u>	<u>109,788</u>
Summary:					
Current	1,362,650	1,362,650	1,322,458	50,235	1,256,457
Capital outlay	25,000	25,000	11,062	3,895	50,818
Total Recreation and culture	<u>\$ 1,387,650</u>	<u>\$ 1,387,650</u>	<u>\$ 1,333,520</u>	<u>\$ 54,130</u>	<u>\$ 1,307,275</u>

**Schedule of Expenditures and Other Uses**  
**Budget to Actual - General Fund**  
**Year Ended December 31, 2010** (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Community Development:					
Residential tax abatement	\$87,000	\$ 87,000	\$ 49,440	\$37,560	\$ 56,113
Total	<u>87,000</u>	<u>87,000</u>	<u>49,440</u>	<u>37,560</u>	<u>56,113</u>
Summary:					
Current	87,000	87,000	49,440	37,560	56,113
Capital outlay					
Total Community Development	<u>\$ 87,000</u>	<u>\$ 87,000</u>	<u>\$ 49,440</u>	<u>\$ 37,560</u>	<u>\$ 56,113</u>
Other expenditures:					
Workers compensation	\$ 6,000	\$ 6,000	\$ 15,238	\$ (9,238)	\$ 3,939
General liability and other insurance	149,400	149,400	154,347	(4,947)	154,838
Donations	1,000	1,000		1,000	
Promotional(Lodging)	11,500	11,500	10,549	951	9,918
Memberships and dues	25,000	25,000	18,537	6,463	29,195
Miscellaneous	31,000	31,000	31,282	(282)	23,979
Contributed services	30,000	30,000	57,819	(27,819)	29,318
Contributed capital outlay	30,000	30,000	128,381	(98,381)	66,034
Capital outlay	5,000	5,000	10,867	(5,867)	8,625
Total	<u>288,900</u>	<u>288,900</u>	<u>427,020</u>	<u>(138,120)</u>	<u>325,846</u>
Summary:					
Current	253,900	253,900	287,772	(33,872)	251,187
Capital outlay	35,000	35,000	139,248	(104,248)	74,659
Total other expenditures	<u>\$ 288,900</u>	<u>\$ 288,900</u>	<u>\$ 427,020</u>	<u>\$ (138,120)</u>	<u>\$ 325,846</u>
Total expenditures	<u>\$ 7,457,006</u>	<u>\$ 7,457,006</u>	<u>\$ 7,488,573</u>	<u>\$ (31,567)</u>	<u>\$ 7,428,111</u>
Other financing uses:					
Operating transfer out:					
Special revenue funds	\$494,400	\$494,400	\$510,200	(15,800)	\$477,220
Capital project funds	110,962	110,962	100,000	10,962	100,000
Debt service funds	145,172	145,172	145,172		135,255
Enterprise funds	21,900	21,900	21,900		21,900
Total other financing uses	<u>772,434</u>	<u>772,434</u>	<u>777,272</u>	<u>(4,838)</u>	<u>734,375</u>
Total expenditures and other financing uses	<u>\$ 8,229,440</u>	<u>\$ 8,229,440</u>	<u>\$ 8,265,845</u>	<u>\$ (36,405)</u>	<u>\$ 8,162,486</u>

## Capital Assets Used in the Operation of Governmental Funds

### Schedule by Sources

#### December 31, 2010

	2010	2009
Governmental funds capital assets		
Land and Land Improvements	\$ 58,424,661	\$ 58,424,661
Building, Systems, and Structures	50,482,609	50,075,845
Machinery and equipment	6,528,521	6,660,087
Street Network	42,648,917	36,946,364
Construction in progress	49,132	2,317,019
Total governmental funds capital assets	<u>158,133,840</u>	<u>154,423,976</u>
Investments in governmental funds capital assets by source:		
General Fund	117,810,565	117,975,208
Special revenue funds	1,175,657	822,131
Internal service funds	1,720,172	1,720,172
Capital project funds	37,427,446	33,906,465
Total investments in governmental funds capital assets by source	<u>\$ 158,133,840</u>	<u>\$ 154,423,976</u>

**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**December 31, 2010**

	<u>Land and Land Improvements</u>	<u>Buildings, Systems, and Structures</u>	<u>Machinery and Equipment</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government:						
Government center	\$ 453,500	\$ 7,069,134				\$ 7,522,634
Other			\$ 161,910			161,910
Total general government	<u>453,500</u>	<u>7,069,134</u>	<u>161,910</u>			<u>7,684,544</u>
Public safety:						
Police	94,000	1,362,112	552,197			2,008,309
Fire	45,500	1,773,051	987,855			2,806,406
Total public safety	<u>139,500</u>	<u>3,135,163</u>	<u>1,540,052</u>			<u>4,814,715</u>
Public works:						
Infrastructure (street network)				\$ 42,648,917		42,648,917
Storm protection network	55,628,589	23,586,474	934,341			80,149,404
Other	1,527,610	1,885,732	2,045,854		\$ 49,132	5,508,328
Total public works	<u>57,156,199</u>	<u>25,472,206</u>	<u>2,980,195</u>	<u>42,648,917</u>	<u>49,132</u>	<u>128,306,649</u>
Recreation and culture:						
Parks	574,057	11,545,223	996,777			13,116,057
Library	32,000	2,925,571	654,447			3,612,018
Senior center	5,700	215,535				221,235
Total recreation	<u>611,757</u>	<u>14,686,329</u>	<u>1,651,224</u>			<u>16,949,310</u>
Transit		30,541	165,837			196,378
Cemetery	63,705	89,236	29,303			182,244
Total governmental fund capital assets	<u>\$ 58,424,661</u>	<u>\$ 50,482,609</u>	<u>\$ 6,528,521</u>	<u>\$ 42,648,917</u>	<u>\$ 49,132</u>	<u>\$158,133,840</u>

**Capital Assets Used in the Operation of Governmental Funds  
 Schedule of Changes by Function and Activity  
 December 31, 2010**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and transfers, net</u>	<u>Ending Balance</u>
General government				
Government center	\$ 7,522,634			\$ 7,522,634
Other	170,910		\$ (9,000)	161,910
Total general government	<u>7,693,544</u>		<u>(9,000)</u>	<u>7,684,544</u>
Public safety:				
Police	2,094,231		(85,922)	2,008,309
Fire	2,781,418	24,988		2,806,406
Total public safety	<u>4,875,649</u>	<u>24,988</u>	<u>(85,922)</u>	<u>4,814,715</u>
Public works:				
Infrastructure (street network)	36,946,364	3,385,534	2,317,019	42,648,917
Storm protection network	80,063,089	86,315		80,149,404
Other	7,856,199	68,543	(2,416,414)	5,508,328
Total public works	<u>124,865,652</u>	<u>3,540,392</u>	<u>(99,395)</u>	<u>128,306,649</u>
Recreation or culture				
Parks	12,832,890	369,359	(86,192)	13,116,057
Library	3,589,461	22,557		3,612,018
Senior center	221,235			221,235
Total recreation and culture	<u>16,643,586</u>	<u>391,916</u>	<u>(86,192)</u>	<u>16,949,310</u>
Transit	174,520	21,858		196,378
Cemetery	171,025	11,219		182,244
Total governmental funds capital assets	<u>\$ 154,423,976</u>	<u>\$ 3,990,373</u>	<u>\$ (280,509)</u>	<u>\$ 158,133,840</u>

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**Statement of Changes in Fiduciary Assets and Liabilities**  
**Agency Fund - Flexible Benefits**  
**Year Ended December 31, 2010**

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	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS:				
Restricted cash and cash equivalents	<u>\$ 12,198</u>	<u>\$ 133,332</u>	<u>\$(129,607)</u>	<u>\$ 15,923</u>
LIABILITIES:				
Due to employees	<u>\$ 12,198</u>	<u>\$ 133,332</u>	<u>\$(129,607)</u>	<u>\$ 15,923</u>

**Combining Statement of Net Assets  
Discretely Presented Component Unit - by Focus  
December 31, 2010**

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 655,926	\$ 1,117,860	\$ 1,773,787
Investments	363,949	1,475,767	1,839,716
Restricted Cash in customer deposits	614,860		614,860
Restricted Cash in escrow			
Interest receivable			
Due from other government units		2,350	2,350
Notes receivable (current portion)		354,782	354,782
Total current assets	<u>1,634,736</u>	<u>2,950,759</u>	<u>4,585,495</u>
Noncurrent assets:			
Capital assets:			
Land	50,300		50,300
Buildings and systems	5,503,577		5,503,577
Machinery and equipment	164,383	9,749	174,132
Total capital assets	<u>5,718,260</u>	<u>9,749</u>	<u>5,728,009</u>
Less accumulated depreciation	(1,365,455)	(9,602)	(1,375,057)
Total capital assets (net)	<u>4,352,804</u>	<u>147</u>	<u>4,352,952</u>
Land held for resale		207,180	207,180
Notes receivable (net current portion)		1,507,054	1,507,054
Allowance for uncollectible		(283,842)	(283,842)
Unamortized debt issuance costs			
Total noncurrent assets		<u>1,430,393</u>	<u>1,430,393</u>
<b>TOTAL ASSETS</b>	<u>5,987,540</u>	<u>4,381,299</u>	<u>10,368,839</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	11,923	7,540	19,464
Accrued wages payable	11,069	6,429	17,498
Due to other government units	260,779		260,779
Special assessments - current	9,231		9,231
Notes payable - current		26,601	26,601
Compensated absences payable - current	4,866	4,000	8,866
Accrued interest payable		2,058	2,058
Total current liabilities	<u>297,869</u>	<u>46,628</u>	<u>344,497</u>
Noncurrent liabilities:			
Customer deposits	23,558		23,558
Compensated absences payable (net current portion)	45,221	30,868	76,089
Special assessments (net current portion)	34,120		34,120
Notes payable (net current portion)		397,567	397,567
Total noncurrent liabilities	<u>102,899</u>	<u>428,435</u>	<u>531,334</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,309,453	147	4,309,600
Restricted	115,217		115,217
Unrestricted	1,162,103	3,906,088	5,068,191
<b>TOTAL NET ASSETS</b>	<u>\$ 5,586,772</u>	<u>\$ 3,906,236</u>	<u>\$ 9,493,008</u>

**Statement of Revenues, Expenses and Changes in Fund  
Net Assets - Discretely Presented Component Units by Focus  
Year Ended December 31, 2010**

	Housing	Economic Development	Total
Operating revenues:			
Charges for services	\$ 312,899	\$ 57,349	\$ 370,247
Intergovernmental	1,434,094		1,434,094
Other	18,376	2,466	20,842
Total operating revenues	<u>1,765,369</u>	<u>59,815</u>	<u>1,825,184</u>
Operating expenses:			
Community development:			
Administration	541,215	66,516	607,731
Depreciation	142,433	104	142,537
Other:			
Business development		412,766	412,766
Housing programs	1,432,887		1,432,887
Total operating expenses	<u>2,116,535</u>	<u>479,386</u>	<u>2,595,921</u>
Operating income (loss)	<u>(351,166)</u>	<u>(419,571)</u>	<u>(770,737)</u>
Nonoperating revenues (expenses):			
Interest revenue	22,740	42,157	64,897
Tax increment revenue		136,853	136,853
Intergovernmental	163,320	70,162	233,482
Interest expense	(3,428)	(4,388)	(7,816)
Total nonoperating revenues (expenses)	<u>182,632</u>	<u>244,784</u>	<u>427,415</u>
Income (loss) before transfers in (out)	(168,534)	(174,787)	(343,321)
Transfers in		65,000	65,000
Transfers out	(55,000)	(10,000)	(65,000)
Change in net assets	(223,534)	(119,787)	(343,321)
Net assets at beginning of year	5,810,307	4,026,023	9,836,330
Net assets at end of year	<u>\$ 5,586,773</u>	<u>\$ 3,906,236</u>	<u>\$ 9,493,009</u>

**Combining Schedule of Net Assets**  
**Discretely Presented Component Unit - Economic Development Focus**  
**December 31, 2010**

	<u>General</u>	<u>TIF #1-1 Triangle</u>	<u>TIF #1-2 E. DeMers</u>	<u>IRP Loan</u>	<u>DRLF Loan</u>	<u>Total</u>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ (1,406)	\$ 196,393	\$ 209,092	\$350,572	\$ 363,208	\$ 1,117,860
Investments		401,856	237,751	426,334	409,826	1,475,767
Restricted cash and cash equivalents						
Interactivity receivable						
Interest receivable						
Due from other government units		2,350				2,350
Notes receivable (net of Allowance)	1,134			38,566	315,082	354,782
Total current assets	<u>(271)</u>	<u>600,599</u>	<u>446,843</u>	<u>815,472</u>	<u>1,088,116</u>	<u>2,950,759</u>
Noncurrent assets:						
Capital assets:						
Machinery and equipment	9,749					9,749
Total capital assets	9,749					9,749
Less accumulated depreciation	(9,602)					(9,602)
Total capital assets (net)	147					147
Unamortized debt issuance costs						
Land held for resale	28,828	80,352	98,000			207,180
Notes receivable (net current portion)				71,682	1,435,372	1,507,054
Allowance for uncollectible					(283,842)	(283,842)
Due from primary government unit						
Total noncurrent assets	<u>28,975</u>	<u>80,352</u>	<u>98,000</u>	<u>71,682</u>	<u>1,151,531</u>	<u>1,430,540</u>
<b>TOTAL ASSETS</b>	<u>28,704</u>	<u>680,951</u>	<u>544,843</u>	<u>887,155</u>	<u>2,239,647</u>	<u>4,381,299</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	764	6,776				7,540
Accrued wages payable	6,429					6,429
Notes payable - current				26,601		26,601
Compensated absences payable - current	4,000					4,000
Accrued interest payable				2,058		2,058
Total current liabilities	<u>11,193</u>	<u>6,776</u>		<u>28,659</u>		<u>46,628</u>
Noncurrent liabilities:						
Compensated absences payable (net current)	30,868					30,868
Notes payable (net current portion)				397,567		397,567
Total noncurrent liabilities	<u>30,868</u>			<u>397,567</u>		<u>428,435</u>
Total liabilities	<u>42,061</u>	<u>6,776</u>		<u>426,226</u>		<u>475,063</u>
<b>NET ASSETS</b>						
Invested in capital assets	147					147
Unrestricted	(13,504)	674,175	544,843	460,928	2,239,647	3,906,088
<b>TOTAL NET ASSETS</b>	<u>\$ (13,357)</u>	<u>\$ 674,175</u>	<u>\$ 544,843</u>	<u>\$ 460,928</u>	<u>\$ 2,239,647</u>	<u>\$ 3,906,236</u>

**Schedule of Revenues, Expenses and Changes in Fund Net Assets -  
Discretely Presented Component Unit - Economic Development Focus  
Year Ended December 31, 2010**

	<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	\$ 184	\$ -		\$ 6,052	\$ 51,112	\$ 57,349
Other revenues:						
Business development	2,466					2,466
Other						
Total operating revenues	<u>2,651</u>			<u>6,052</u>	<u>51,112</u>	<u>59,815</u>
Operating expenses:						
Administration	62,958	478	478	589	2,013	66,516
Business development	14,363	378,881	2,098		17,424	412,766
Depreciation	104					104
Total operating expenses	<u>77,425</u>	<u>379,359</u>	<u>2,576</u>	<u>589</u>	<u>19,437</u>	<u>479,386</u>
Operating income (loss)	<u>(74,774)</u>	<u>(379,359)</u>	<u>(2,576)</u>	<u>5,463</u>	<u>31,675</u>	<u>(419,571)</u>
Nonoperating revenues (expenses):						
Interest revenue		11,479	6,792	12,179	11,707	42,157
Tax increment revenue		113,220	23,632			136,853
Intergovernmental		68,960	1,202			70,162
Interest expense				(4,388)		(4,388)
Total nonoperating revenues (expenses)		<u>193,659</u>	<u>31,626</u>	<u>7,791</u>	<u>11,707</u>	<u>244,784</u>
Income (loss) before transfers	<u>(74,774)</u>	<u>(185,699)</u>	<u>29,050</u>	<u>13,254</u>	<u>43,382</u>	<u>(174,787)</u>
Transfers in	65,000					65,000
Transfers out					(10,000)	(10,000)
Change in net assets	<u>(9,774)</u>	<u>(185,699)</u>	<u>29,050</u>	<u>13,254</u>	<u>33,382</u>	<u>(119,787)</u>
Net assets at beginning of year	<u>(3,583)</u>	<u>859,874</u>	<u>515,793</u>	<u>447,674</u>	<u>2,206,265</u>	<u>4,026,023</u>
Net assets at end of year	<u>\$ (13,357)</u>	<u>\$ 674,175</u>	<u>\$ 544,843</u>	<u>\$ 460,928</u>	<u>\$ 2,239,647</u>	<u>\$ 3,906,236</u>

**Combining Schedule of Net Assets  
Discretely Presented Component Unit - Housing Focus  
December 31, 2010**

	Sunshine Terrace	Program C4043V	Housing Loan	Town Square	Totals
<b>ASSETS</b>					
Current assets:					
Cash and cash equivalents	\$ 349,164	\$ -	\$ 157,453	\$ 149,309	\$ 655,926
Investments	363,949				363,949
Restricted cash and cash equivalents	23,558	591,303			614,860
Due from other government units					
Total Current Assets	<u>736,671</u>	<u>591,303</u>	<u>157,453</u>	<u>149,309</u>	<u>1,634,736</u>
Noncurrent Assets:					
Capital assets:					
Land	50,300				50,300
Buildings and systems	5,503,577				5,503,577
Machinery and equipment	104,346	60,037			164,383
Total capital assets	<u>5,658,223</u>	<u>60,037</u>			<u>5,718,260</u>
Less accumulated depreciation	(1,305,419)	(60,037)			(1,365,455)
Total capital assets (net)	<u>4,352,804</u>				<u>4,352,804</u>
Total noncurrent assets	<u>4,352,804</u>				<u>4,352,804</u>
<b>TOTAL ASSETS</b>	<u>5,089,475</u>	<u>591,303</u>	<u>157,453</u>	<u>149,309</u>	<u>5,987,540</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	9,528	2,033	46	316	11,923
Accrued wages payable	8,359	1,455	28	1,228	11,069
Due to other government units	260,779				260,779
Customer deposits	23,558				23,558
Compensated absences payable - current		4,866			4,866
Special assessments payable - current portion	9,231				9,231
Total Liabilities	<u>311,455</u>	<u>8,354</u>	<u>74</u>	<u>1,543</u>	<u>321,426</u>
Noncurrent Liabilities:					
Compensated absences payable (net current portion)		45,221			45,221
Special assessments payable (net current portion)	34,120				34,120
Total noncurrent liabilities	<u>34,120</u>	<u>45,221</u>			<u>79,341</u>
Total liabilities	<u>345,576</u>	<u>53,575</u>	<u>74</u>	<u>1,543</u>	<u>400,767</u>
<b>NET ASSETS</b>					
Invested in capital assets, net related debt	4,309,453				4,309,453
Restricted		115,217			115,217
Unrestricted	434,447	422,511	157,379	147,765	1,162,103
<b>TOTAL NET ASSETS</b>	<u>\$ 4,743,900</u>	<u>\$ 537,728</u>	<u>\$ 157,379</u>	<u>\$ 147,765</u>	<u>\$ 5,586,772</u>

**Schedule of Revenues, Expenses and Changes in Fund Net Assets -  
Discretely Presented Component Unit - Housing Focus  
Year Ended December 31, 2010**

	Sunshine Terrace	Program C4043V	Housing Loan	Town Square	Total
Operating revenues:					
Charges for services	\$ 191,274		\$ 50,662	\$ 70,963	\$ 312,899
Intergovernmental		\$ 1,434,094			1,434,094
Other	12,310	6,026		40	18,376
Total operating revenues	<u>203,584</u>	<u>1,440,120</u>	<u>50,662</u>	<u>71,003</u>	<u>1,765,369</u>
Operating expenses:					
Community development:					
Personal services	72,547	148,374	3,357	77,016	301,293
Supplies	2,414	8,596		435	11,445
Contractual services	112,236	2,802	584	6,237	121,859
Depreciation	142,350	83			142,433
Housing payments		1,432,887			1,432,887
Other expenditures	86,782	11,415	7,546	875	106,618
Total operating expenses	<u>416,329</u>	<u>1,604,158</u>	<u>11,487</u>	<u>84,563</u>	<u>2,116,535</u>
Operating income (loss)	<u>(212,745)</u>	<u>(164,037)</u>	<u>39,175</u>	<u>(13,560)</u>	<u>(351,166)</u>
Nonoperating revenues (expenses):					
Intergovernmental	163,320				163,320
Interest revenue	10,397	7,721	2,171	2,451	22,740
Interest expense	(3,428)				(3,428)
Total nonoperating revenues (expenses)	<u>170,289</u>	<u>7,721</u>	<u>2,171</u>	<u>2,451</u>	<u>182,632</u>
Income (loss) before transfers	(42,456)	(156,316)	41,346	(11,109)	(168,534)
Transfers out	<u>(50,000)</u>			<u>(5,000)</u>	<u>(55,000)</u>
Change in net assets	(92,456)	(156,316)	41,346	(16,109)	(223,534)
Net assets at beginning of year	4,836,356	694,044	116,033	163,874	5,810,307
Net assets at end of year	<u>\$ 4,743,900</u>	<u>\$ 537,728</u>	<u>\$ 157,379</u>	<u>\$ 147,765</u>	<u>\$ 5,586,772</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.

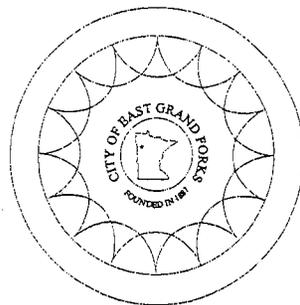
- Construction and Bank Deposits
- Demographic & Economic Statistics
- Principal Employers

#### **Operating information**

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

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

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

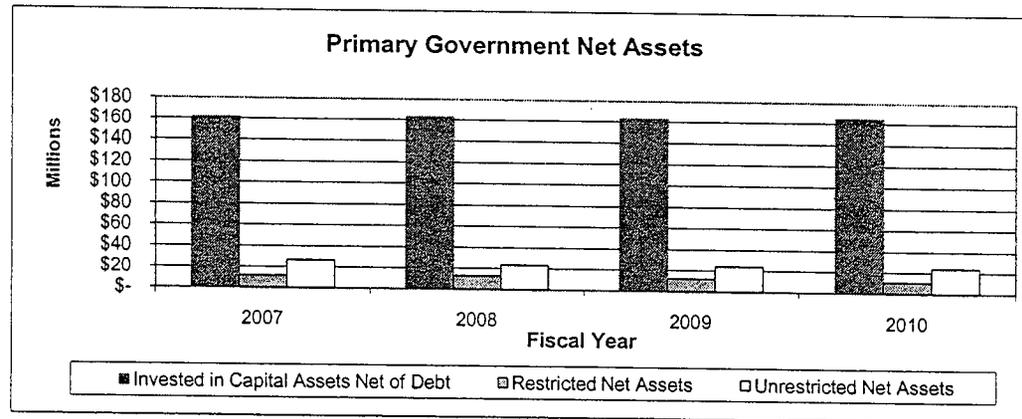


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# Net Assets by Component Last Four Fiscal Years

(accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 127,824,706	\$ 115,326,956	\$ 116,078,462	\$ 116,301,106
Restricted	11,517,373	12,556,179	11,634,601	10,977,442
Unrestricted	11,397,087	7,598,523	7,595,720	7,913,136
Total governmental activities net assets	<u>\$ 150,739,166</u>	<u>\$ 135,481,658</u>	<u>\$ 135,308,783</u>	<u>\$ 135,191,683</u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	\$ 33,346,440	\$ 47,333,593	\$ 47,020,536	\$ 48,311,193
Restricted	67,710	72,029	72,233	-
Unrestricted	15,554,463	15,863,528	16,836,765	16,278,737
Total business-type activities net assets	<u>\$ 48,968,613</u>	<u>\$ 63,269,150</u>	<u>\$ 63,929,534</u>	<u>\$ 64,589,929</u>
<b>Primary government</b>				
Invested in capital assets, net of related debt	\$ 161,171,146	\$ 162,660,549	\$ 163,098,998	\$ 164,612,299
Restricted	11,585,083	12,628,208	11,971,690	10,977,442
Unrestricted	26,951,550	23,462,050	24,167,629	24,191,872
Total primary government net assets	<u>\$ 199,707,779</u>	<u>\$ 198,750,807</u>	<u>\$ 199,238,317</u>	<u>\$ 199,781,613</u>



## Changes in Net Assets Last Four Fiscal Years

(accrual basis of accounting)

	2007	2008	2009	2010
<b>Expenses</b>				
Governmental activities:				
General government	\$ 1,155,532	\$ 1,195,452	\$ 1,091,832	\$ 1,033,325
Public safety	3,273,535	3,932,137	3,638,645	3,508,407
Public works	3,958,548	3,218,356	3,646,371	3,898,632
Transit	359,459	276,189	283,898	278,476
Recreation and culture	2,125,732	2,337,123	2,213,181	2,346,805
Community development	286,303	254,056	181,624	166,045
Cemetery	35,256	50,467	47,105	52,476
Interest on long-term debt	472,223	513,782	505,820	569,134
Total governmental activities expenses	<u>11,666,588</u>	<u>11,777,562</u>	<u>11,608,476</u>	<u>11,853,301</u>
Business-type activities				
Electric utility	10,450,476	11,589,832	11,271,252	11,749,099
Water utility	1,961,418	2,164,353	2,009,061	2,114,845
Sewer utility	629,832	665,582	703,260	785,645
City mall	428,359	358,227	350,600	365,121
Storm Water	100,637	477,935	907,291	956,736
Refuse collection	688,319	919,920	812,010	838,236
Total business-type activities expenses	<u>14,259,041</u>	<u>16,175,849</u>	<u>16,053,474</u>	<u>16,809,683</u>
Total primary government expenses	<u>\$ 25,925,629</u>	<u>\$ 27,953,411</u>	<u>\$ 27,661,950</u>	<u>\$ 28,662,983</u>
<b>Program Revenues</b>				
Governmental activities:				
Charges for services:				
General government	\$ 111,003	\$ 117,172	\$ 102,704	\$ 125,833
Public safety	296,028	316,428	314,829	246,507
Public works	214,208	218,778	219,704	266,398
Transit	4,000	19,398	2,446	4,500
Recreation and culture	331,153	340,909	406,660	386,664
Community development	197,578	98,500	93,745	137,975
Cemetery	34,410	65,265	46,352	41,793
Operating grants and contributions	632,310	625,375	654,364	611,611
Capital grants and contributions	4,181,757	1,638,591	2,310,356	2,864,343
Total governmental activities program revenues	<u>6,002,447</u>	<u>3,440,416</u>	<u>4,151,159</u>	<u>4,685,625</u>

(continued)

## Changes in Net Assets Last Four Fiscal Years

(accrual basis of accounting)

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Business-type activities:				
Charges for services:				
Electric utility	11,240,822	11,957,089	11,850,730	12,986,102
Water utility	1,987,471	2,019,667	1,883,487	1,843,840
Sewer utility	566,828	627,070	968,208	988,491
City mail	147,836	160,238	178,530	189,072
Storm Water	168,045	176,337	178,686	179,305
Refuse collection	717,576	776,659	752,588	827,984
Operating grants and contributions	15,000	15,000	442,829	129,937
Capital grants and contributions	279,612	0	215,248	96,704
Total business-type activities program revenues	<u>15,123,190</u>	<u>15,732,060</u>	<u>16,470,307</u>	<u>17,241,435</u>
Total primary government program revenues	<u>\$ 21,125,637</u>	<u>\$ 19,172,476</u>	<u>\$ 20,621,466</u>	<u>\$ 21,927,060</u>
Net (expense)/revenue				
Governmental activities	\$ (5,664,142)	\$ (8,337,147)	\$ (7,457,316)	\$ (6,994,800)
Business-type activities	864,148	(443,790)	416,833	431,752
Total primary government net expense	<u>\$ (4,799,994)</u>	<u>\$ (8,780,937)</u>	<u>\$ (7,040,484)</u>	<u>\$ (6,563,048)</u>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental activities:				
Taxes				
Property taxes	\$ 1,954,979	\$ 2,163,693	\$ 2,116,388	\$ 2,201,420
Franchise taxes	1,309,050	1,309,050	1,361,673	1,359,302
Unrestricted grants and contributions	3,517,772	3,063,221	3,239,503	2,867,240
Investment earnings	530,674	406,526	272,807	160,728
Other	196,165	323,082	105,452	180,527
Transfers	53,856	(14,185,931)	188,618	108,484
Total governmental activities	<u>7,562,496</u>	<u>(6,920,359)</u>	<u>7,284,440</u>	<u>6,877,700</u>
Business-type activities				
Investment earnings	777,218	558,394	432,172	333,528
Other	2,795	0	0	3,600
Transfers	(53,856)	14,185,931	(188,618)	(108,484)
Total business-type activities	<u>726,157</u>	<u>14,744,325</u>	<u>243,554</u>	<u>228,644</u>
Total primary government	<u>\$ 8,288,653</u>	<u>\$ 7,823,966</u>	<u>\$ 7,527,994</u>	<u>\$ 7,106,344</u>
<b>Changes in Net Assets</b>				
Governmental activities	\$ 1,898,354	\$ (15,257,506)	\$ (172,876)	\$ (117,100)
Business-type activities	1,590,305	14,300,535	660,387	660,396
Total primary government	<u>\$ 3,488,659</u>	<u>\$ (956,971)</u>	<u>\$ 487,511</u>	<u>\$ 543,296</u>

## Fund Balances of Governmental Funds Last Ten Years

(modified accrual basis of accounting)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 13,227	\$ 15,947	\$ 9,087	\$ 16,521	\$ 12,686	\$ 14,562	\$ 21,708	\$ 5,854	\$ 22,738	\$ 33,224
Unreserved	674,174	1,533,340	2,149,793	2,417,060	2,561,700	2,186,399	2,820,231	2,558,791	2,704,602	2,554,632
Total general fund	<u>687,401</u>	<u>1,549,287</u>	<u>2,158,880</u>	<u>2,433,581</u>	<u>2,574,386</u>	<u>2,200,961</u>	<u>2,841,939</u>	<u>2,564,645</u>	<u>2,727,340</u>	<u>2,587,856</u>
All other governmental funds										
Reserved	76,000	89,200	2,167,103	2,541,649	2,578,650	2,329,387	4,526,721	3,372,325	3,315,092	3,605,129
Unreserved, reported in:										
Special revenue funds	1,896,102	681,028	1,262,348	1,046,766	1,800,674	2,122,569	1,980,802	1,788,770	1,534,202	1,377,017
Capital project funds	7,824,399	9,591,359	8,477,383	6,658,494	1,706,604	2,148,471	1,843,929	1,543,295	652,040	723,118
Permanent funds	2,608	1,644	1,589	2,193	2,434	3,737	4,350	3,062	1,627	1,241
Total all other governmental funds	<u>\$ 9,799,109</u>	<u>\$10,363,231</u>	<u>\$ 11,908,423</u>	<u>\$10,249,102</u>	<u>\$ 6,088,362</u>	<u>\$ 6,604,164</u>	<u>\$ 8,355,802</u>	<u>\$ 6,707,452</u>	<u>\$ 5,502,961</u>	<u>\$ 5,706,506</u>

## Changes in Fund Balances of Governmental Funds Last Ten Years

(modified accrual basis of accounting)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
<b>Revenues</b>										
General Taxes	\$ 2,545,506	\$ 2,515,381	\$ 2,742,704	\$ 2,868,452	\$ 3,049,232	\$ 3,126,899	\$ 3,264,030	\$ 3,472,742	\$ 3,478,061	\$ 3,560,721
Special assessments	1,003,401	685,595	717,086	1,029,251	807,464	1,210,207	1,443,814	1,570,234	1,676,805	1,693,440
Licenses and permits	85,463	100,450	141,298	121,159	160,845	119,220	117,951	138,252	113,350	122,642
Intergovernmental	14,558,160	17,009,505	10,123,756	4,912,733	14,502,056	7,518,281	6,580,465	4,379,731	4,698,290	4,902,529
Charges for services	555,666	856,702	1,393,366	920,381	1,330,712	1,161,857	927,973	910,654	873,350	966,506
Fines and forfeitures	86,329	103,768	90,898	100,672	102,307	97,340	141,044	127,544	151,845	119,522
Investment earnings & other revenues	1,309,990	875,975	746,314	838,301	713,869	833,116	637,201	554,041	397,743	238,902
<b>Total revenues</b>	<b>20,144,515</b>	<b>22,147,376</b>	<b>15,955,422</b>	<b>10,790,949</b>	<b>20,666,485</b>	<b>14,066,920</b>	<b>13,112,477</b>	<b>11,153,198</b>	<b>11,389,444</b>	<b>11,604,264</b>
<b>Expenditures</b>										
General government	738,377	857,830	854,076	791,374	840,766	822,532	912,481	959,898	877,116	839,360
Public Safety	2,690,807	2,822,727	2,791,387	2,813,772	2,910,756	2,978,326	2,999,380	3,621,972	3,313,255	3,249,167
Public Works	960,102	852,004	991,067	995,493	1,177,123	1,159,593	1,178,059	1,298,076	1,222,589	1,415,962
Transit			200,551	238,827	225,379	233,959	268,674	252,780	261,246	262,526
Culture and recreation	1,474,103	1,376,185	1,320,261	1,269,802	1,405,334	1,566,894	1,593,285	1,805,030	1,706,580	1,783,518
Community development	122,522	471,052	854,555	783,810	337,161	283,554	284,137	254,056	181,624	166,045
Cemetery			38,393	34,220	24,852	57,243	31,363	46,574	43,434	49,139
Other	608,845	771,652	335,301	179,406	203,321	215,799	308,366	277,249	251,187	287,772
Capital outlay	15,854,753	13,113,999	8,275,091	10,395,782	16,373,353	9,329,950	5,750,739	4,426,691	6,120,134	4,634,989
Debt service										
Principal	1,005,000	610,000	295,000	495,000	965,000	1,245,000	440,000	1,785,000	885,000	940,000
Interest	258,784	255,255	245,038	251,995	365,107	380,455	530,829	513,802	504,413	525,259
Other charges				15,473						
<b>Total all other governmental funds</b>	<b>23,713,293</b>	<b>21,130,704</b>	<b>16,200,720</b>	<b>18,264,954</b>	<b>24,828,152</b>	<b>18,273,305</b>	<b>14,297,312</b>	<b>15,241,128</b>	<b>15,366,578</b>	<b>14,153,737</b>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,568,778)</u>	<u>1,016,672</u>	<u>(245,298)</u>	<u>(7,474,005)</u>	<u>(4,161,667)</u>	<u>(4,206,385)</u>	<u>(1,184,835)</u>	<u>(4,087,930)</u>	<u>(3,977,134)</u>	<u>(2,549,473)</u>
<b>Other financing sources (uses)</b>										
Transfers in	3,632,418	5,083,905	2,129,091	2,070,089	2,435,195	2,332,296	1,610,482	2,430,180	2,640,830	1,604,455
Transfers out	(3,041,556)	(4,686,805)	(1,449,908)	(935,701)	(2,318,551)	(2,078,858)	(1,556,626)	(2,309,428)	(2,452,212)	(1,495,971)
Bond Issue Proceeds	1,017,546									
Refunding bonds issues				260,000						
Long-term debt issued			1,000,000	4,655,000		4,075,000	3,561,541	1,923,788	2,936,902	2,267,159
Premium on long-term debt				42,239						
Discount on long-term debt			(13,600)	(2,242)		(32,600)	(45,986)	-	-	-
Sale of capital assets					25,088	52,924	8,040	117,746	-	47,709
<b>Total other financing sources (uses)</b>	<b>1,608,408</b>	<b>397,100</b>	<b>1,665,583</b>	<b>6,089,385</b>	<b>141,732</b>	<b>4,348,762</b>	<b>3,577,451</b>	<b>2,162,286</b>	<b>3,125,520</b>	<b>2,423,352</b>
<b>Net change in fund balances</b>	<b><u>\$(1,960,370)</u></b>	<b><u>\$ 1,413,772</u></b>	<b><u>\$ 1,420,285</u></b>	<b><u>\$(1,384,620)</u></b>	<b><u>\$(4,019,935)</u></b>	<b><u>\$ 142,377</u></b>	<b><u>\$ 2,392,616</u></b>	<b><u>\$(1,925,646)</u></b>	<b><u>\$ (851,616)</u></b>	<b><u>\$ (126,123)</u></b>
Debt service as % of noncapital expenditures	16.1%	10.8%	6.8%	7.5%	10.7%	18.2%	10.4%	17.9%	12.1%	14.4%

## 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
2001	1,367,707	985,114	92,852	57,369	42,464	2,545,506
2002	1,405,133	952,123	69,227	47,332	41,566	2,515,381
2003	1,527,020	1,022,548	91,382	58,283	43,471	2,742,704
2004	1,620,212	1,034,158	95,303	66,593	52,186	2,868,452
2005	1,760,249	1,043,375	112,071	72,248	61,289	3,049,232
2006	1,858,143	1,040,895	116,443	79,746	31,672	3,126,899
2007	1,929,978	1,085,474	120,895	89,768	37,915	3,264,030
2008	2,122,114	1,099,474	127,349	103,447	20,358	3,472,742
2009	2,092,423	1,151,321	97,010	113,343	23,964	3,478,061
2010	2,182,799	1,159,138	81,904	118,259	18,621	3,560,721
Change 2001-2010	59.6%	17.7%	-11.8%	106.1%	-56.1%	39.9%

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
2001	\$ 1,708,781	\$ 213,642	\$ 316,089	\$ 151,678	\$ 47,406	\$ 2,437,596
2002	2,384,154	213,642	316,089	151,678	47,406	3,112,969
2003	2,006,237	223,799	318,669	149,259	53,346	2,751,310
2004	2,006,237	225,945	328,726	146,904	62,808	2,770,620
2005	2,224,117	235,246	342,304	146,603	60,531	3,008,801
2006	2,456,818	212,727	365,393	152,950	63,112	3,251,000
2007	2,701,018	374,053	427,013	155,224	60,352	3,717,660
2008	2,458,788	192,742	396,003	154,113	52,905	3,254,551
2009	2,658,631	189,295	375,889	147,593	47,752	3,419,160
2010	2,471,550	10,971 (2)	369,031	140,088	52,503	3,044,143
Change 2001-2010	44.6%	-94.9% (2)	16.7%	-7.6%	10.8%	24.9%

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.

(2) The State of Minnesota unallotted \$183,915 of expected market value aid for the 2010 year.

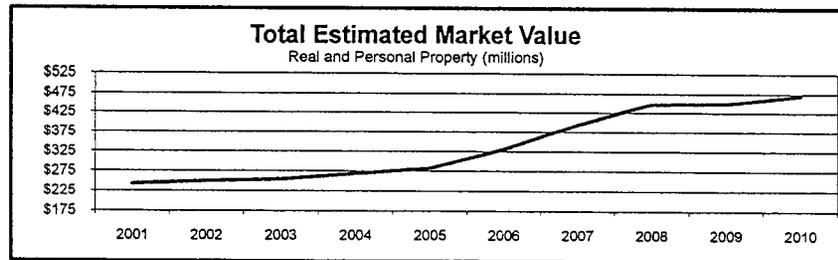
Source: Administration and Finance

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

(Unaudited)

Year	Real Property		Personal Property		Total		Direct Tax Rate	Tax Cap % of Mkt Value
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value		
2001	3,369,176	239,959,200	75,971	2,288,400	3,445,147	242,247,600	47.96	1.4%
2002	2,920,491	247,457,900	44,485	2,274,600	2,964,976	249,732,500	68.60	1.2%
2003	2,938,950	251,901,800	47,567	2,428,700	2,986,517	254,330,500	72.95	1.2%
2004	3,096,636	266,609,000	46,631	2,381,900	3,143,267	268,990,900	73.67	1.2%
2005	3,247,089	280,077,300	49,906	2,543,300	3,296,995	282,620,600	75.24	1.2%
2006	3,749,080	328,061,200	52,587	2,678,500	3,801,667	330,739,700	66.43	1.1%
2007	4,649,507	392,040,400	53,460	2,723,900	4,702,967	394,764,300	57.09	1.2%
2008	5,151,146	444,605,200	53,064	2,704,100	5,204,210	447,309,300	53.84	1.2%
2009	5,219,626	449,130,700	2,697	175,900	5,222,323	449,306,600	52.78	1.2%
2010	5,422,190	467,564,800	52,371	2,670,000	5,474,561	470,234,800	52.24	1.2%

Source: County Assessor



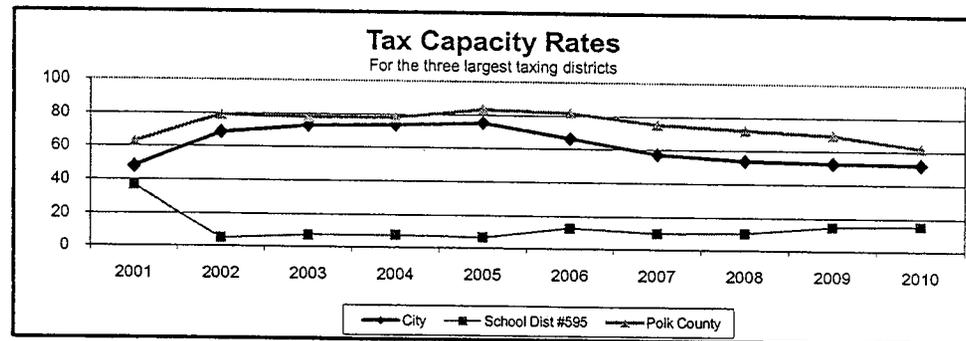
Note: The county assessor is occasionally required to make city wide adjustments to estimated market values. The State of Minnesota will instruct the county assessor to make these type of adjustments when data comparing actual sales to assessed values warrant such actions. In 1997 and again in 2001,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

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

(Unaudited)

Year	Tax Rates per \$1,000 of Tax Capacity								
	General	Debt	Total City	School Dist #595	Polk County	Watershed Value	NWRDC	Ambulance District	Total
2001	47.96	-	47.96	36.56	62.94	3.00	0.20	1.29	151.95
2002	67.71	0.89	68.60	5.00	79.20	5.03	0.35	1.56	159.74
2003	67.16	5.79	72.95	7.18	78.12	5.17	0.42	1.55	165.39
2004	70.39	3.29	73.67	7.52	78.23	5.14	0.42	1.48	166.48
2005	69.74	5.50	75.24	6.54	83.63	5.12	0.41	1.42	172.36
2006	61.50	4.93	66.43	12.55	81.89	4.70	0.37	1.19	167.14
2007	53.13	3.96	57.09	9.77	75.17	4.61	0.34	0.97	147.95
2008	50.00	3.84	53.84	10.26	72.37	4.89	0.33	0.87	142.56
2009	50.90	1.88	52.78	14.46	69.65	5.05	0.32	0.87	143.13
2010	50.28	1.96	52.24	15.28	62.04	4.80	0.28	0.83	135.47

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	2010			2001		
	Tax Capacity	Rank	% of Total Tax Capacity of \$ 5,474,561	Tax Capacity	Rank	% of Total Tax Capacity of \$ 3,445,147
American Crystal	\$ 593,734	1	10.85%	\$ 354,382	1	10.3%
Cabela's	57,706	2	1.05%	89,011	3	2.6%
Sterling Development	56,910	3	1.04%			
Valley Markets	53,298	4	0.97%	92,874	2	2.7%
Pierce Investments LLC	52,534	5	0.96%			
Riverview Terrace	52,485	6	0.96%			
Northern States Power	52,020	7	0.95%	77,519	4	2.3%
Green Acres	51,471	8	0.94%	46,821	6	1.4%
EGF EDA Sunshine Terrace	38,705	9	0.71%			
Burlington Northern RR	34,844	10	0.64%	46,933	5	1.4%
Bakken Properties	-		---	30,021	9	0.9%
Simplot Potato	-		---	25,819	10	0.7%
One Forty-Four Assoc	-		---	34,720	7	1.0%
M & M Company	-		---	30,406	8	0.9%
	<u>\$ 1,043,707</u>		<u>19.1%</u>	<u>\$ 828,506</u>		<u>24.0%</u>

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

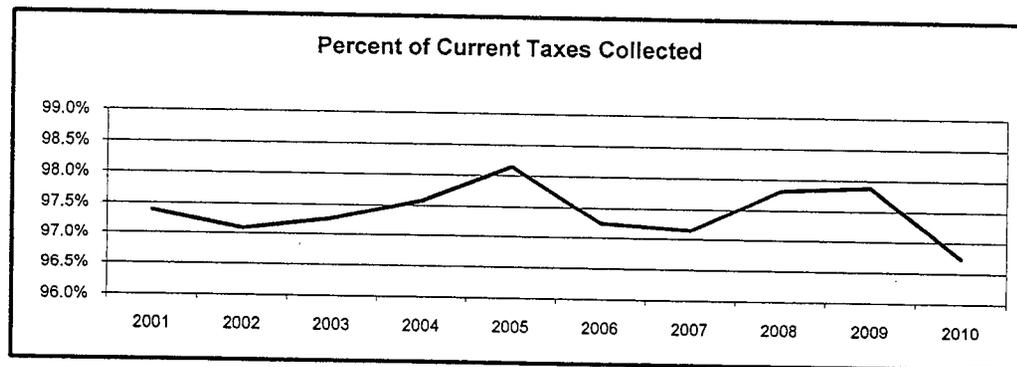
Source: County Auditor

# Property Tax Levies and Tax Collections Last Ten Years

(Unaudited)

Year	Net Tax Levy	Current Tax Collection	Percent of Levy	Delinquent Tax Collection	Total Tax Collection	Total as % or Current Levy	Total Collections	
							Amount	% of Levy
2001	1,384,465	1,348,182	97.4%	19,523	1,367,705	98.8%	1,384,465	100.0%
2002	1,406,729	1,365,758	97.1%	32,275	1,398,033	99.4%	1,406,729	100.0%
2003	1,530,097	1,488,323	97.3%	29,127	1,517,450	99.2%	1,530,097	100.0%
2004	1,624,123	1,584,866	97.6%	35,344	1,620,210	99.8%	1,622,622	99.9%
2005	1,752,128	1,719,623	98.1%	32,985	1,752,608	100.0%	1,750,384	99.9%
2006	1,865,108	1,813,713	97.2%	44,408	1,858,121	99.6%	1,857,246	99.6%
2007	1,953,185	1,897,420	97.1%	32,146	1,929,566	98.8%	1,942,476	99.5%
2008	2,120,415	2,074,229	97.8%	48,892	2,123,121	100.1%	2,108,983	99.5%
2009	2,097,718	2,053,418	97.9%	39,005	2,092,423	99.7%	2,074,038	98.9%
2010	2,214,089	2,141,845	96.7%	40,954	2,182,799	98.6%	2,141,845	96.7%

Source: County Auditor



## Special Assessment Levies and Collections Last Ten Years

(Unaudited)

Year	Special Assessment Billings	Special Assessment Collections		Uncertified (2) Special Assessments	Prepayment of Special Assessments	Prepayment Ratio (3) as a % of Uncertified	Total Special Assessments Collected
		Amount(1)	% of Billings				
2001	687,114	662,339	96.4%	5,042,035	166,978	3.2%	829,317
2002	642,151	633,185	98.6%	4,924,970	111,282	2.2%	744,467
2003	640,898	626,121	97.7%	5,463,256	138,711	2.5%	764,832
2004	696,139	714,896	102.7%	5,937,659	204,089	3.3%	918,985
2005	755,885	746,945	98.8%	7,152,073	81,459	1.1%	828,404
2006	920,374	943,194	102.5%	10,671,065	235,031	2.2%	1,178,225
2007	1,410,342	1,323,689	93.9%	10,963,152	129,986	1.2%	1,453,675
2008	1,461,352	1,322,012	90.5%	10,514,965	109,880	1.0%	1,431,892
2009	1,486,917	1,444,914	97.2%	10,305,749	237,680	2.3%	1,682,594
2010	1,500,916	1,537,669	102.4%	10,082,307	126,891	1.2%	1,664,560

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).

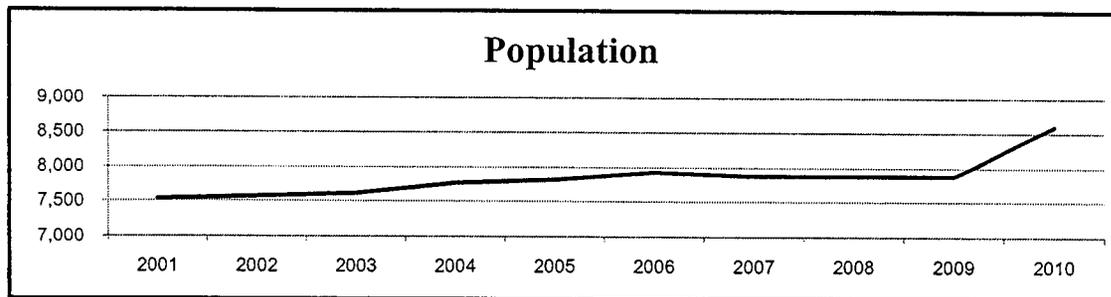
(2) In 1999, the city deferred \$730,732 in uncertified special assessments on city-owned residentially zoned property. These assessments will be added back to the assessment rolls as the lots are sold. In 2004, the city deferred \$ 3,197,276 on city-owned residentially zoned property, which will be 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	Popu- lation(1)	Tax Capacity	Bonded Debt Type		Total Gross Bonded Debt	Less Amount for Retirement	Net Bonded Debt	As a % of Tax Capacity	As a % of Personal Income	Estimated Market Values	Bonded Debt Per Capita
			Governmental	Business							
2001	7,535	3,444,968	4,875,000	4,530,000	9,405,000	2,018,407	7,386,593	214.4%	143.9%	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%	144.9%	3.0%	1,218
2003	7,616	2,986,517	4,830,000	4,165,000	8,995,000	1,856,553	7,138,447	239.0%	122.5%	2.8%	1,181
2004	7,769	3,143,267	9,285,000	4,010,000	13,295,000	2,191,957	11,103,043	353.2%	196.2%	4.1%	1,711
2005	7,816	3,296,995	8,355,000	3,845,000	12,200,000	2,453,241	9,746,759	295.6%	161.8%	3.4%	1,561
2006	7,934	3,801,667	11,710,000	1,415,000	13,125,000	2,002,701	11,122,299	292.6%	179.5%	3.4%	1,654
2007	7,879	4,702,967	14,830,000	1,345,000	16,175,000	4,212,406	11,962,594	254.4%	na	3.0%	2,053
2008	7,879	5,204,210	13,045,000	3,198,788	16,243,788	3,001,252	13,242,536	254.5%	na	3.0%	2,057
2009	7,879	5,222,323	13,397,881	4,762,211	18,160,092	2,978,660	15,181,432	290.7%	na	3.4%	2,305
2010	8,601	5,474,561	14,335,251	3,790,000	18,125,251	2,894,632	15,230,620	278.2%	na	3.2%	2,107



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, 2010**

(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	\$ 18,423,201	100.0%		\$ 18,423,201
OVERLAPPING DEBT:				
I.S.D. 595	\$ -	71.9%	\$ -	
Polk County	30,785,000	21.4%	6,602,340	
Total Overlapping Debt				6,602,340
Total direct and overlapping debt				\$ 25,025,541

Source: County Auditor

## Legal Debt Margin Information Last Ten Years

(Unaudited)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Estimated market value	\$242,247,600	\$249,732,500	\$254,330,500	\$268,990,900	\$282,620,600	\$330,739,700	\$394,764,300	\$447,309,300	\$449,306,600	\$470,234,800
Total debt	\$ 10,678,218	\$ 9,624,292	\$ 10,305,377	\$ 14,488,901	\$ 12,851,286	\$ 13,189,223	\$ 16,870,000	\$ 16,813,883	\$ 18,597,195	\$ 18,423,201
Deductions:										
Bonds:										
G.O. improvement bonds	4,675,000	4,095,000	4,830,000	9,265,000	8,355,000	11,710,000	14,830,000	13,045,000	12,160,000	11,220,000
G.O. tax increment bonds	200,000									
Certificates of participation	652,728	625,000	595,000	560,000	525,000					
G.O. water revenue bonds	1,750,000	1,665,000	1,605,000	1,545,000	1,480,000	1,415,000	1,345,000	1,275,000	1,200,000	0
Electric revenue bonds	2,780,000	2,650,000	2,560,000	2,465,000	2,365,000					
MIF-DRLF mall loan	517,266	494,670	471,154	447,638						
MN PFA GO Clean Water Improv Bonds								1923788	3,562,211	3,790,000
MN PFA GO Transportation Improv Bonds									1,237,881	3,115,251
GMHF & MHFA Deferred Loans										
City share of special assessments	103,224	94,622								
Debt service funds:										
Cash, securities, and restricted cash	2,371,950	1,603,628	1,356,603	2,235,996	1,933,482	1,786,948	4,093,507	2,874,751	2,755,615	2,857,144
Less amount applicable to excluded bonds	(2,371,950)	(1,603,628)	(1,356,603)	(2,235,996)	(1,933,482)	(1,786,948)	(4,093,507)	(2,874,751)	(2,755,615)	(2,857,144)
Total net debt applicable to debt limit	\$ -	\$ -	\$ 244,223	\$ 186,263	\$ 126,286	\$ 64,223	\$ 695,000	\$ 570,095	\$ 437,103	\$ 297,949
Debt limit is 2% of estimated market value	\$ 4,844,952	\$ 4,994,650	\$ 5,086,610	\$ 5,379,818	\$ 5,652,412	\$ 6,614,794	\$ 7,895,286	\$ 8,856,998	\$ 8,986,132	\$ 9,404,696
Legal Debt Margin	\$ 4,844,952	\$ 4,994,650	\$ 4,842,387	\$ 5,193,555	\$ 5,526,126	\$ 6,550,571	\$ 7,200,286	\$ 8,286,903	\$ 8,549,029	\$ 9,106,747
Total net debt applicable to limit as a percentage of debt limit	0.0%	0.0%	4.8%	3.5%	2.2%	1.0%	8.8%	6.4%	4.9%	3.2%

COMPUTATION OF LEGAL DEBT MARGIN (continued)  
DECEMBER 31, 2009

**NOTE (A): Minnesota Statutes 475.53 et seq.**

Limit on Net Debt

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

**NOTE (B): Minnesota Statutes 475.51**

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

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

## Schedule of Improvement Bond Coverage Debt Service Funds

(Unaudited)

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

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

Source: Administration and Finance

## Schedule of Revenue Bond Coverage Water Fund

(Unaudited)

**Water Fund:**

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

Notes: (1) Total revenues including interest.

(2) Total operating expenses excluding depreciation.

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

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

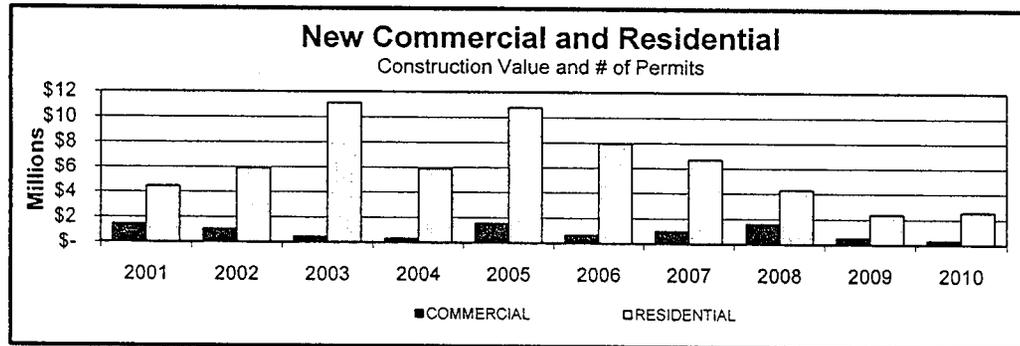
Source: Administration and Finance

## Construction and Bank Deposits Last Ten Years

(Unaudited)

Year	CONSTRUCTION (1)				Total	Bank Deposit	
	COMMERCIAL		RESIDENTIAL			Total	Percent of Change
	Permits	Value	Permits	Value			
2001	4	1,443,000	35	4,443,000	5,886,000	136,751,218	14.6%
2002	5	1,046,000	51	5,891,000	6,937,000	147,072,813	7.5%
2003	2	447,000	87	11,094,000	11,541,000	99,875,799	-32.1%
2004	1	301,000	48	5,877,000	6,178,000	99,350,241	-0.5%
2005	5	1,540,000	74	10,781,000	12,321,000	104,735,589	5.4%
2006	4	641,000	58	7,943,000	8,584,000	98,335,162	-6.1%
2007	1	980,000	51	6,719,000	7,699,000	95,122,014	-3.3%
2008	4	1,583,000	27	4,278,000	5,861,000	102,824,812	8.1%
2009	4	489,000	12	2,350,000	2,839,000	111,528,128	8.5%
2010	1	320,000	12	2,533,000	2,853,000	113,979,684	2.2%

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)
2001	7,535	5,133,247	24,381	na	na	1,897	3.2%
2002	7,569	5,256,878	25,161	na	na	1,858	3.9%
2003	7,616	5,827,255	27,968	na	na	1,814	3.5%
2004	7,769	5,659,000	27,024	na	na	1,773	2.8%
2005	7,816	6,023,000	28,974	na	na	1,756	3.0%
2006	7,934	6,196,000	29,919	na	na	1,746	3.8%
2007	7,897	na	na	na	na	2,165	3.3%
2008	7,879	na	na	na	na	2,092	5.0%
2009	7,879	na	na	na	na	2,072	5.2%
2010	8,601	na	na	na	na	1,935	3.3%

Data Sources: (1) State of Minnesota, State Demographic Center. 2010 is actual census; if current year information is not available, previous year's estimates are carried forward.  
 (2) Bureau of Economic Analysis, U.S. Department of Commerce. This information is for Grand Forks, ND-MN (EA)  
 (3) U.S. Census Data. Yearly data not maintained.  
 (4) East Grand Forks Public School District, East Grand Forks private schools.  
 (5) North Dakota Job Service. This information is for Grand Forks, ND-MN (MSA)

**Principal Employers**  
**Current Year and Nine Years Ago**  
(Unaudited)

<u>Taxpayer</u>	<u>2010</u>			<u>1999</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment 2,700</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment 2,500</u>
American Crystal	303	1	11.22%	420	1	16.8%
ISD 595	315	2	11.67%	320		12.8%
Northwest Technical College	295	3	10.93%	107	5	4.3%
Vigen Construction	157	4	5.81%			
Valley Markets	130	5	4.81%	115	4	4.6%
City of East Grand Forks	91	6	3.37%			
R. J. Zavoral and Sons, Inc.	90	7	3.33%			
Blue Moose	62	8	2.30%	70	6	2.8%
Northern Valley	55	9	2.04%	35	9	1.4%
Mayo Manufacturing	30	10	1.11%	35	8	1.4%
				128	2	5.1%
				125	3	5.0%
				65	7	2.6%
	<u>1,528</u>		<u>56.6%</u>	<u>1,420</u>		<u>56.8%</u>

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

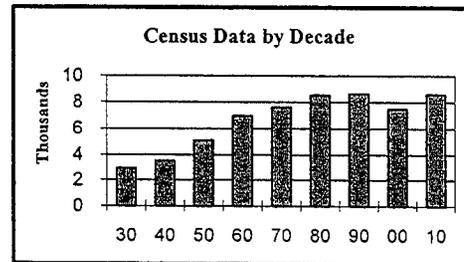
# Demographic Statistics

## U.S. Census Data

(Unaudited)

**Population Changes:**

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



**Population Characteristic:**

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

**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%
<b>Total</b>	<b>8,658</b>	<b>100%</b>	<b>7,501</b>	<b>100%</b>

Source: U.S. Census Bureau

## Full-time Employees by Function/Program

### Last Ten Fiscal Years

(Unaudited)

Function	Full-time Employees as of December 31, 2010									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government:										
Administration and Finance	5	5	5	5	5	5	5	4	5	5
Building	1	1	1	1	1	1	1	1	0	0
Public Safety:										
Building Official	3	3	3	3	3	3	3	3	2	2
Fire	11	11	11	11	11	10	10	10	10	10
Police	25	24	24	23	23	23	24	24	23	24
Public Works:										
Refuse	7	6	6	6	6	6	6	6	6	6
Sewage	2	2	2	2	2	2	2	2	2	2
Streets	9	8	8	8	8	8	7	7	7	7
Culture and Recreation:										
Administration	3	3	3	3	3	3	2	3	3	3
Parks	2	2	2	2	2	2	2	2	2	2
Arenas	2	2	2	2	2	2	2	2	2	2
Library	2	2	2	2	3	3	3	3	3	3
Senior center	1	1	1	1	1	1	1	1	1	1
Water and Light										
Administration	5	5	5	5	5	5	5	5	6	6
Electric	13	13	13	11	11	11	10	10	10	10
Water	8	8	8	8	8	8	8	8	8	8
Total	99	96	96	93	94	93	91	91	90	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, 2010									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
On Sale Liquor license by entity	11	14	13	14	13	11	10	11	10	11
Off Sale Liquor license by entity	5	4	4	4	4	4	3	4	4	4
Number of AP checks written	3,386	3,323	3,036	2,986	3,033	3,055	3,075	3,224	3,184	3,321
Police										
DUI arrests	124	107	116	135	85	102	124	93	126	125
Traffic violations	1,679	1,768	1,386	1,367	1,107	898	1,044	918	1,041	1,274
No. of dog/cat licenses	78	87	97	93	111	111	106	123	132	160
Fire										
No. of rescue & EMS incidents	323	347	372	387	383	405	435	454	539	529
No. of fire calls	124	100	96	99	106	96	44	33	22	21
Building Official										
Building permits issued	257	340	358	246	308	302	379	420	343	454
Other permits issued	165	184	275	253	314	226	266	335	302	253
Refuse collection										
Refuse collected annually (tons)	3,735	3,734	3,859	3,875	3,864	4,003	3,905	3,482	3,713	3,983
Recyclables collected annually (tons)	4,571	4,443	5,277	1,370	4,740	820	449	521	604	698
Recreation and culture										
Number of summer registrants	874	563	340	429	680	708	748	601	601	473
Number of winter registrants	401	352	265	270	403	405	285	380	426	422
Attendance for general swim	na	na	9,976	10,101	10,326	11,098	11,278	8,963	7,142	10,450
Library										
Volumes in collection	34,655	38,680	41,037	43,114	44,595	47,641	49,972	49,341	45,259	50,719
Total volumes borrowed	48,554	72,702	65,367	80,064	83,288	88,451	74,045	80,830	76,329	83,777
Water										
Annual tap water billed (millions)	345	313	350	363	374	383	377	358	348	318
Average number of monthly meters	2,418	2,445	2,501	2,571	2,629	2,692	2,734	2,763	2,793	2,810
Electric										
Annual Kwhs billed (millions)	131	127	136	138	139	139	146	154	156	157
Maximum Demand Kwhs (millions)	25.55	28.47	26.63	26.40	25.55	26.49	29.21	30.79	32.33	32.01
Cemetery										
No. of Lots Sold	39	127	58	46	31	48	26	52	43	33
No. of Interments	29	26	34	29	22	42	21	52	43	37
Transit										
Total route miles	16	16	16	16	16	16	16	16	16	16
Passengers	20,052	17,919	16,833	14,147	16,785	16,324	16,772	20,840	23,616	24,809

Source: Various city departments

## Schedule of Insurance in Force December 31, 2010

(Unaudited)

Name of Company	Policy Number	Policy Period	Type of Coverage	Liability Limits
<b>PROPERTY</b>				
League of Minnesota Cities (C&H Insurance)	CMC31507	1/1/10-1/1/11	All Risk Blanket Property, excluding flood.	\$87,797,833 Blanket \$5,000,000 Terrorism Activity \$500,000 Valuable Papers
League of Minnesota Cities (C&H Insurance)	CMC31507	1/1/10-1/1/11	Boiler and Machinery	\$5,000,000
<b>BONDS</b>				
League of Minnesota Cities (C&H Insurance)	CMC31507	1/1/10-1/1/11	Public Officials	\$100,000 Clerk-Treasurer \$100,000 Public Employees
League of Minnesota Cities (C&H Insurance)	CMC31507	1/1/10-1/1/11	Commercial Blanket Bond Commercial Crime	\$100,000 Forgery 250,000 Per Occurance
<b>LIABILITY</b>				
League of Minnesota Cities (C&H Insurance)	CMC31507	1/1/10-1/1/11	Comprehensive General/ Public Officials Liability	\$1,200,000 Public Officials
League of Minnesota Cities (C&H Insurance)	CMC31507	1/1/10-1/1/11	Comprehensive General/ Auto Liability	\$1,200,000 per occurrence
League of Minnesota Cities (C&H Insurance)	CMC31507	1/1/10-1/1/11	General Liability (Bodily injury, employee benefits, host liquor liability)	\$1,200,000 per occurrence
<b>OPEN MEETING LAW</b>				
League of Minnesota Cities (C&H Insurance)	OML5889	1/1/10-1/1/11	Open Meeting Law Defense Cost Reimbursement	\$50,000 per city official
<b>WORKERS COMPENSATION</b>				
League of Minnesota Cities (Berkley Risk Administrators)	200011429	1/13/10-1/13/11	Workers Compensation Comprehensive Managed Care Retro-rated 40% to 130%	\$1,000,000 Bodily Injury by accident \$1,000,000 Bodily Injury by disease

## Miscellaneous Statistical Information

(Unaudited)

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Number of employees	97	97	95	95	95	95	95	91	90	91
Area in square miles	5.5	5.5	6	6	6	6	6	6	6	6
Developed	4.5	4.5	5	5	5	5	5	5	5	5
Undeveloped	1	1	1	1	1	1	1	1	1	1
Miles of streets	59	59	59	59	59	59	59	70	70	70
<b>Culture and Recreation:</b>										
Senior Center	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Arenas	2	2	2	2	2	2	2	2	2	3
Parks	11	11	11	11	11	11	11	11	12	12
Park acreage owned	278	278	278	278	278	278	278	278	278	278
Park acreage developed	18	18	18	18	18	18	18	18	218	218
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	2	2	2	2	2	2	2	2	2	2
<b>Fire Protection:</b>										
Number of stations	2	2	2	2	2	2	2	2	2	2
Number of vehicles	7	7	7	7	7	7	7	10	10	11
Number of full-time Firefighters	11	11	11	11	11	11	10	10	10	9
Number of volunteer Firefighters	15	15	15	15	15	15	20	25	25	14
Fire Insurance Rating	4	4	4	4	4	4	4	4	4	4
<b>Police Protection:</b>										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of police officers	23	23	23	23	23	23	24	21	21	21
Number of patrol units	6	6	6	6	6	6	6	5	5	5
<b>Sewage System:</b>										
Miles of force mains	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Miles of sewer mains	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8
Miles of storm sewers	30	30	30	30	30	30	30	42	42	53.2
Number of lift stations	8	8	9	9	9	9	12	12	12	12
Number of storm sewer lift stations	3	3	4	4	4	4	13	14	14	14
<b>Water System:</b>										
Miles of water mains	52	52	52	52	52	52	52	52	52	52
Number of fire hydrants	342	342	342	342	342	342	342	342	342	461
Gallons of Storage Capacity	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,000,000
Daily treatment capacity	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Towers and reservoirs	5	5	5	5	5	5	5	5	5	4
<b>Electric System:</b>										
Number of substations	4	4	4	4	4	4	4	4	4	4
Miles of distribution lines	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3
Peak Demand in MW	25.546	26.402	26.627	28.47	28.61	26.49	26.49	30.79	30.79	31.611
<b>Public Education Facilities/Services Not Included In Reporting Entity:</b>										
Number of elementary schools	2	2	2	2	2	2	2	2	2	2
Number of middle schools	1	1	1	1	1	1	1	1	1	1
Number of senior high schools	1	1	1	1	1	1	1	1	1	1
Northwest Technical College	1	1	1	1	1	1	1	1	1	1
Bond rating	A3									

**SIGNIFICANT MINNESOTA TAX POLICIES  
DECEMBER 31, 2010**

**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	2010 TAXES <u>PAYABLE</u>
<u>Residential Homestead</u>	
First \$500,000	1.00%
Over \$500,000	1.25%
<u>Commercial/Industrial</u>	
First \$150,000	1.50%
Over \$150,000	2.00%
<u>Rentals</u>	
Regular (4 or more units)	1.25%
Low income	1.00%

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

**Special Refund.** Residential property taxpayers may be entitled to a special property tax refund if the net property tax on their homestead increased by more than 12% from 2008 to 2009, and the increase was \$100 or more. The refund was set at 60% of the increase over the greater of 12% or \$100. The maximum refund allowed is \$1,000.

Source: 2009 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
<b>On Homestead Property:</b>									
1st half installment...		2%	4%	5%	6%	7%	8%	8%	8%
2nd half installment..							2%	6%	8%
<b>On Non-Homestead Property</b>									
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%
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Tax Sale can take place anytime after Judgment has been in effect for 5 years on Homestead Properties and 3 years on Non-Homestead Properties.

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

Source: County Auditor, Polk County.

# SINGLE AUDIT

## SECTION



**CITY OF EAST GRAND FORKS, MINNESOTA**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of and for the year ended December 31, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 10, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of East Grand Forks in a separate letter dated June 10, 2011.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minnesota Legal Compliance Audit Guide for Local Government, promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes Section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

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

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

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

*Brady, Martz*

BRADY, MARTZ & ASSOCIATES, P.C.

June 10, 2011

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

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

Compliance

We have audited the compliance of the City of East Grand Forks with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major Federal program for the year ended December 31, 2010. The City of East Grand Forks' major Federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City of East Grand Forks complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended December 31, 2010.

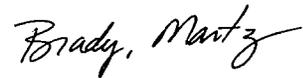
Internal Control Over Compliance

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

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

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

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



BRADY, MARTZ & ASSOCIATES, P.C.

June 10, 2011

CITY OF EAST GRAND FORKS, MINNESOTA  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2010

FEDERAL GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Identifying Number	Expenditures
<u>Department of Housing &amp; Urban Development</u>			
Direct Programs:			
Lower-Income Housing Assistance Program Section 8 Housing Choice Vouchers	14.871		\$ 1,404,046
<u>Department of Transportation</u>			
Direct Programs:			
Federal Transit Administration- Capital and Operating Assistance Formula Grants	20.507		\$ 45,264
ARRA Capital Purchase	20.500	MN-96-X003-00	16,670
Passed Through State of Minnesota			
Highway Planning and Construction	20.205	119-080-008	737,883
State and Community Highway Safety	20.600	09/10 Safe and Sober	4,961
Occupant Protection Incentive Grant	20.602	2011 S&S	2,452
Safe and Sober	20.608	10/11 Safe and Sober	6,066
Total DOT			\$ 813,296
<u>Environmental Protection Agency</u>			
Passed Through State of Minnesota			
Capitalization Grants for Clean Water State Revolving Funds	66.458	MPFA-07-0056-R-FY09	\$ 389,789
<u>Department of Justice</u>			
Edward Byrne Memorial Justice Assistance Grant Grants to Units of Local Governments	16.804		\$ 11,692
<u>Department of Homeland Security</u>			
Assistance to Firefighters Grant	97.044		20,653
Passed Through State of Minnesota			
Disaster Grants - Public Assistance	97.036	DR-1830 DISASTER	94,921
Total FEMA			\$ 115,574
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,734,397

**NOTE 1 Basis of Presentation**

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

**NOTE 2 Loans Outstanding**

The City has the following loan balance outstanding at December 31, 2010. The loan proceeds received during 2010 totals \$389,789, the proceeds were reported on the schedule of expenditures of federal awards.

Program Title	CFDA	Amount Outstanding
Capitalization Grants for Clean Water SRF	66.458	\$3,790,000

CITY OF EAST GRAND FORKS, MINNESOTA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 For the Year Ended December 31, 2010

**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?   x   yes     no

Identification of major programs:

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

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

Auditee qualified as low-risk auditee?   x   yes     no

**Section II - Financial Statement Findings**

There are no findings to be reported in this section.

**Section III - Federal Award Findings and Questioned Costs**

There are no findings to be reported in this section.

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CITY OF EAST GRAND FORKS, MINNESOTA  
SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended December 31, 2010

2009-1

Federal Program

Section 8 Housing Voucher Program (CFDA # 14.871)

Criteria

To provide reasonable assurance that all program expenditures are allowable and that all tenants assisted are eligible for assistance.

Condition

In our review of the Section 8 Housing Voucher Program tenant files, one of the forty randomly selected tenant files was unable to be found.

Questioned Costs

Undeterminable

Context

In our review of the Section 8 Housing Voucher Program tenant files, one of the forty randomly selected tenant files was unable to be found. We were unable to verify if the tenant assisted was eligible and if the assistance received should have been an allowable cost.

Effect

We were unable to verify if the tenant assisted was eligible and if the assistance received should have been an allowable cost.

Cause

Missing Section 8 Housing Voucher File

Recommendation

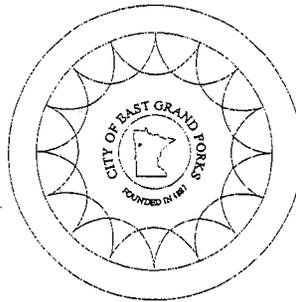
We recommend that procedures be put in place to ensure that all tenant files are able to be readily located.

Management's Response

Management agrees. After review of procedural error, we are considering an electronic back-up file system in conjunction with the hard files that are to be held for 3 years. The file will be reproduced.

Current Year Status

No current year finding noted.



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