



City of East Grand Forks

Minnesota



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2012

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended December 31, 2012



CITY OF EAST GRAND FORKS, MINNESOTA

Prepared by Department of Administration & Finance

SCOTT HUIZENGA
CITY ADMINISTRATOR

KARLA ANDERSON
FINANCE DIRECTOR

INTRODUCTORY SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

Comprehensive Annual Financial Report
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Administration and Finance

June 28, 2013

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, 2012.

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, 2012, 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 unmodified opinion that the City of East Grand Forks' financial statements for the fiscal year ended December 31, 2012, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

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

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

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

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

The annual budget serves as the foundation for the City of East Grand Forks' financial planning and control. All departments of the City submit requests for appropriation to the City Administrator in July of each year. The City Administrator uses these requests as the starting point for developing a proposed budget. The City Administrator then presents this proposed budget to the council for review prior to August 31. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the City of East Grand Forks' fiscal year. Department heads may make transfers of appropriation within a department. Transfers of appropriations between funds, however, require the special approval of the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 31 as part of the basic financial statements of the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is present in the governmental fund subsection of this report, which starts on page 89.

FACTORS AFFECTING FINANCIAL CONDITION

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

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

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

The City of East Grand Forks employment picture is healthy with a 5.3% unemployment rate (Polk County), while the state and the country have unemployment rates of 5.4% and 7.8%, respectively. The City of Grand Forks, located just across the river in North Dakota, has an unemployment rate of 4.1%.

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 finances 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. The City Council is still working on a plan for either updating or replacing the current Waste Water system. Options and costs are being reviewed with estimates from \$7-23 million. The City swimming pool is in need of repairs and options are being reviewed on upgrading or replacing the current facility. Other financing sources are being sought to help fund both projects. City residents have organized "Save our Pool", a group that is looking for other funding sources and contributions to help fund the project.

State Budget. The State of Minnesota political structures are aligned in a redistributive manner in which a large portion of the tax burden is affixed at the state level. Cities receive formulaic disbursements of state general fund appropriations known as Local Government Aid (LGA). Recent recessionary trends in the national economy have resulted in reduced state revenues. The State, in turn, reduced LGA disbursements for fiscal years 2008, 2009, 2010. LGA since has been frozen at 2010 levels. Historically, LGA has composed approximately one third of the City's total general fund revenues. LGA cuts of between 16 percent and 20 percent in the last three fiscal years have reduced LGA's total portion of general fund revenues to approximately 30 percent. The City has addressed these cuts through a combination of increased user fees, reduced staffing through attrition, and freezes in non-fixed operating expenses. The State has revamped the LGA funding, which will look favorable for the City and stabilize future funding. Recent legislation was passed that will make the City tax exempt from sales tax. The City will see savings in expenditures as a result.

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

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

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

The City has begun replaced its aging vehicle fleet with newer vehicles that are more fuel efficient and require much less maintenance costs. For example, the City reduced its police patrol vehicle life cycle from four years to three years. The City purchased an Aerial pumper for the Fire Department to replace an older aerial pumper in 2012. Several other long-delayed capital equipment purchases will be made between 2013 and 2015.

The City established a Building Maintenance Fund in 2010 to address large-scale maintenance concerns. The City Council is looking at remodeling the police headquarters in 2013 and there is still a debate on renovating or building a new swimming pool, with more discussion in the 2014 budgeting year.

The City continues to market its investments in city-owned properties that it acquired as a result of the US Corps of Engineers levee project. The City also has started a major street and utilities addition to its Industrial Park with completion expected in 2013. 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 the remaining 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. A modest increase of 1.5% is being negotiated for 2013 and would expire in 2013. 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, 2011. This is the 19th year the City has received this prestigious award. In order to be awarded the Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

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

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



Scott Huizenga,
City Administrator



Karla Anderson, CPA,
Finance Director

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of East Grand Forks
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2011

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, 2011. 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.



Christopher P. Morinell

President

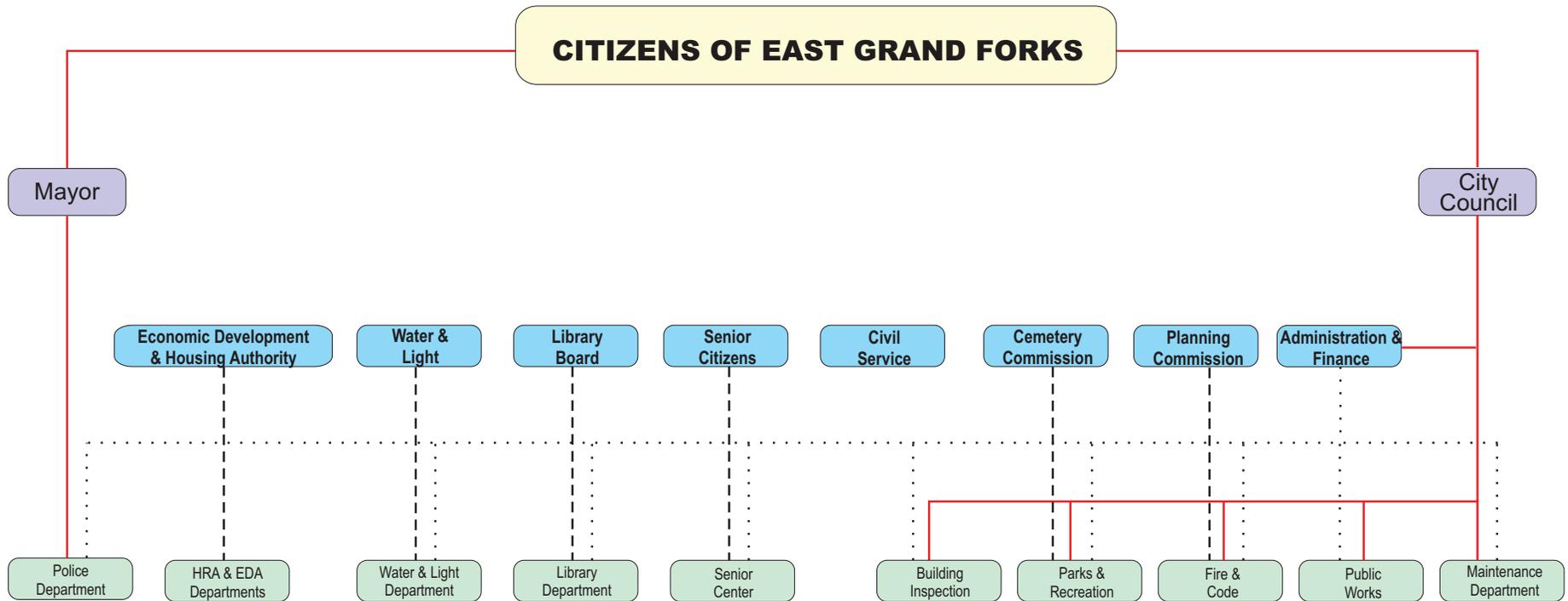
Jeffrey R. Emen

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	12/31/16
Council member at Large	Chad Grassel	4 Years	12/31/16
Council member at Large	Greg Leigh	4 Years	12/31/14
Council member - 1st Ward	Clarence Vetter	4 Years	12/31/16
Council member - 2nd Ward	Ron Vonasek	4 Years	12/31/16
Council member - 3rd Ward	Craig Buckalew	4 Years	12/31/16
Council member - 4th Ward	Henry Tweten	4 Years	12/31/14
Council member - 5th Ward	Mark Olstad	4 Years	12/31/16

OFFICIALS NOT ELECTED:

City Administrator/Clerk-Treasurer	Scott Huizenga
Finance Director	Karla Anderson
Police Chief	Michael Hedlund
Fire Chief	Gary Larson
Parks & Recreation Superintendent	David Aker
Public Works Superintendent	Jason Stordahl
City Planner	Nancy Ellis
Library Director	Charlotte Helgeson
EDHA Director	James Richter
Senior Center Director	Lynda Vanderhoof
City Attorney	Ronald Galstad
City Engineer	Widseth, Smith & Nolting
Commissioner	Mark Brickson
Commissioner	Marilynn Ogden
Commissioner	Mike Quirk
Commissioner	Henry Tweten
General Manager	Dan Boyce
Electric Distribution Superintendent	Scott Gravseth
Water Plant Superintendent	Randy Rapacz



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FINANCIAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal

control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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, 2012, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and community development fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and additional required information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods

of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 basic financial statements. The introductory section, combining and individual non-major fund financial statements, other schedules, listed in the table of contents as supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and other schedules, listed in the table of contents as supplementary information, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements and other schedules, listed in the table of contents as supplementary information, is fairly stated in all material respects in relation to the financial statements as a whole.

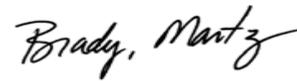
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

The prior year partial comparative information has been derived from the City's 2011 financial statements and, in our report dated July 28, 2012; 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 28, 2013, on our consideration of the City of East Grand Forks, Minnesota's internal control over financial reporting and on 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of East Grand Forks, Minnesota's internal control over financial reporting and compliance.



BRADY, MARTZ & ASSOCIATES, P.C.

June 28, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF EAST GRAND FORKS, MINNESOTA

MANAGEMENT'S DISCUSSION
AND ANALYSIS

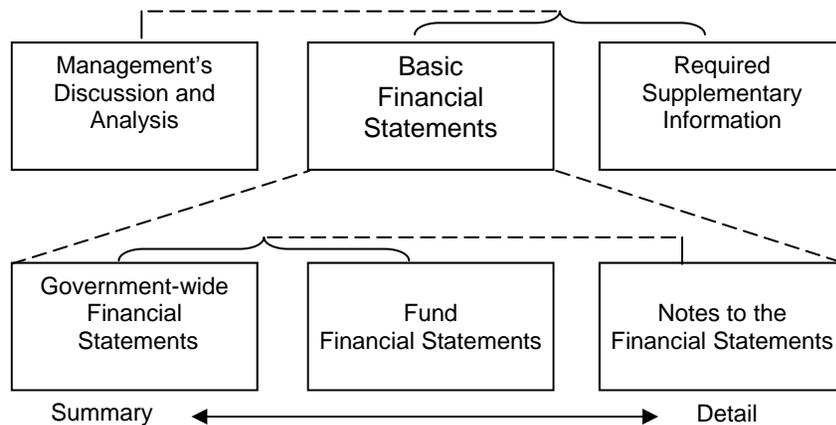
Management's Discussion and Analysis

As management of the City of East Grand Forks (City), we offer readers of the City's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-4 of this report.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

COMPONENTS OF THE ANNUAL FINANCIAL REPORT



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

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

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

Both of the government-wide financial statements distinguish functions of the City of East Grand Forks that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community development, and culture and recreation. The business-type activities of the City include electric, water, sewage, refuse, and commercial rental property.

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

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

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

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

The City maintains seven 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 four debt service funds, all of which are considered major funds. Data from the other 24 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

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

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

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

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

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

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

Other information. The combining statements referred to earlier in connection with nonmajor funds and internal service funds can be found immediately following the footnotes. Combining and individual fund statements can be found on pages 61-72 and 85-87.

FINANCIAL HIGHLIGHTS

- The City's net position (asset minus liabilities) decreased by 0.8% as a result of this year's operations. The net position of the City's governmental activities decreased \$1,203,804 (0.9%) and net assets of the City's business type activities increased \$1,313,121 (2.0%).
- Capital assets increased \$1,171,946 (0.6%), with most of the increase due to city projects.
- The City's long-term liabilities decreased \$24,641 (0.2%) during the fiscal year ending December 31, 2012. Governmental long-term liabilities increased \$224,436 (1.6%), which was primarily due to the issuance of new debt.
- At the close of the current fiscal year, the City's governmental funds reported total ending fund balances of \$7,987,161, a decrease of \$246,938 (3%).
- The General Fund's fund balance increased \$435,152 (13.6%) to \$3,195,155. The unassigned fund balance is 39% of expenditures and other uses.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 18,994,124	\$ 19,602,126	\$ 19,568,988	\$ 19,040,599	\$ 38,563,112	\$ 38,642,725
Capital assets	129,819,473	129,492,872	51,914,989	51,069,644	181,734,462	180,562,516
Total assets	<u>148,813,597</u>	<u>149,094,998</u>	<u>71,483,977</u>	<u>70,110,243</u>	<u>220,297,574</u>	<u>219,205,241</u>
Other liabilities	1,745,618	1,047,650	1,927,268	1,617,579	3,672,886	2,665,229
Long-term liabilities	14,385,069	14,160,633	3,885,869	4,134,946	18,270,938	18,295,579
Total Liabilities	<u>16,130,687</u>	<u>15,208,283</u>	<u>5,813,137</u>	<u>5,752,525</u>	<u>21,943,824</u>	<u>20,960,808</u>
Net position:						
Net Investment in Capital Assets	115,434,404	115,332,239	48,462,989	47,366,532	163,897,393	162,698,771
Restricted	9,445,754	9,888,839			9,445,754	9,888,839
Unrestricted	7,802,752	8,665,636	17,207,851	16,991,186	25,010,603	25,656,822
Total Net position	<u>\$ 132,682,910</u>	<u>\$ 133,886,714</u>	<u>\$ 65,670,840</u>	<u>\$ 64,357,718</u>	<u>\$ 198,353,750</u>	<u>\$ 198,244,432</u>

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

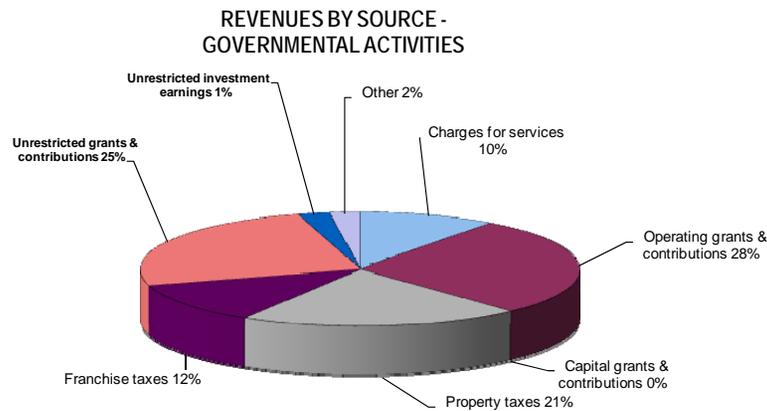
A small portion of the City's net assets (about 5%) represents resources that are subject to external restrictions on how they can be used. The remaining

unrestricted net position \$25,010,603 may be used to meet the ongoing obligations to citizens and creditors. Of the unrestricted net assets, \$17,207,851 is attributable to business-type activities.

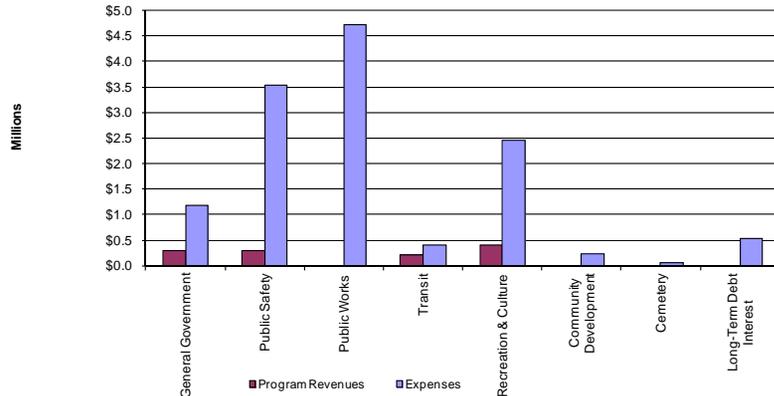
Unrestricted governmental activities net position decreased \$862,884 (11%), while business-type activities unrestricted net position increased \$216,665 (1.28%). Government-wide total unrestricted net position decreased \$646,219 (2.5%).

CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenues:						
Charges for services	\$ 1,234,180	\$ 1,263,415	\$ 18,946,968	\$ 17,209,840	\$ 20,181,148	\$ 18,473,255
Operating grants and contributions	3,380,925	742,997	20,215	303,931	3,401,140	1,046,928
Capital grants and contributions		713,176				713,176
General revenues:						
Property taxes	2,526,924	2,364,973			2,526,924	2,364,973
Franchise taxes	1,416,140	1,392,521			1,416,140	1,392,521
Unrestricted grants and contributions	3,032,526	2,895,270			3,032,526	2,895,270
Unrestricted investment earnings	288,304	361,923	237,356	328,644	525,660	690,567
Other	267,103	106,954			267,103	106,954
Total revenues	<u>12,146,102</u>	<u>9,841,229</u>	<u>19,204,539</u>	<u>17,842,415</u>	<u>31,350,641</u>	<u>27,683,644</u>
EXPENSES						
Program activities:						
Governmental activities:						
General government	1,186,560	1,014,122			1,186,560	1,014,122
Public safety	3,530,624	3,453,879			3,530,624	3,453,879
Public works	4,711,832	3,528,021			4,711,832	3,528,021
Transit	401,470	365,385			401,470	365,385
Recreation and culture	2,447,389	2,398,640			2,447,389	2,398,640
Community development	227,832	173,235			227,832	173,235
Cemetery	60,463	57,228			60,463	57,228
Interest on long-term debt	533,736	612,505			533,736	612,505
Business-type activities						
Electric			13,206,748	12,268,180	13,206,748	12,268,180
Water			2,343,208	2,096,118	2,343,208	2,096,118
Sewer			901,603	964,063	901,603	964,063
Storm Water			499,046	804,162	499,046	804,162
City mall			324,547	631,066	324,547	631,066
Refuse			866,266	854,222	866,266	854,222
Total expenses	<u>13,099,906</u>	<u>11,603,015</u>	<u>18,141,418</u>	<u>17,617,811</u>	<u>31,241,324</u>	<u>29,220,826</u>
Excess (deficiency) before transfers	(953,804)	(1,761,786)	1,063,121	224,604	109,317	(1,537,182)
Transfers in (out)	<u>(250,000)</u>	<u>456,816</u>	<u>250,000</u>	<u>(456,816)</u>		
Increase (decrease) in net position	(1,203,804)	(1,304,969)	1,313,121	(232,212)	109,317	(1,537,182)
Net position at the beginning of the year	133,886,714	135,191,683	64,357,719	64,589,931	198,244,433	199,781,614
Net position at the end of the year	<u>\$ 132,682,910</u>	<u>\$ 133,886,714</u>	<u>\$ 65,670,840</u>	<u>\$ 64,357,719</u>	<u>\$ 198,353,750</u>	<u>\$ 198,244,432</u>



EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



Governmental Activities. A significant share of revenues of the governmental activities is operating grants and contributions (28%), with most of that amount attributed to local share of additions to the infrastructure. Property taxes and franchise taxes accounted for 21% 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 10%.

Public works (35.9%) expenses are the most significant, followed by public safety (26.9%), parks and recreation (18.7%), general government (9%), and community development (1.7%). Interest on long-term debt and transit expenses accounted for 4% and 3.1% of total expenses, respectively. Included in these amounts is depreciation expense of \$2,766,146, which is 21.1% of the total expenses for governmental activities.

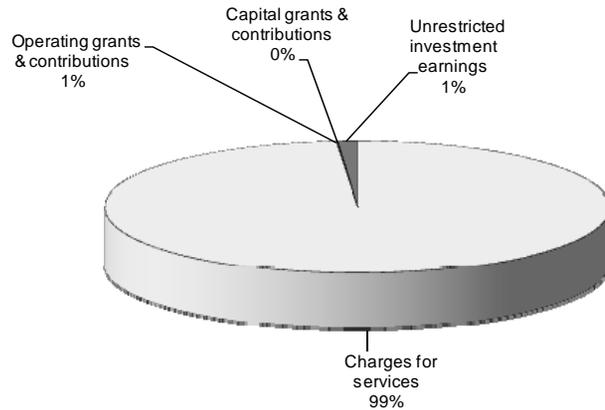
Governmental revenues increased \$2,304,873 (17.5%) in the current year, with the most significant portion of the increase attributable to larger amounts of operating grants and contributions.

Governmental activities expenses increased \$1,496,891 (13%) in the current year. The most significant changes in program expenses were as follows:

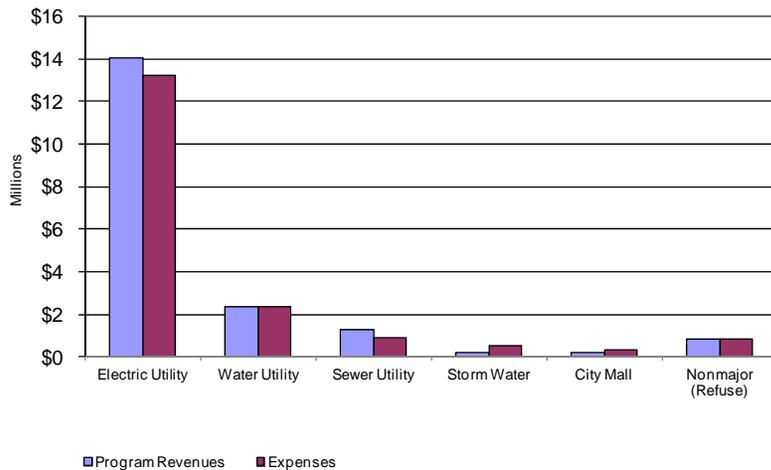
- Public Safety expenses increased \$76,745 (2.2%). The increase is primarily attributable to capital outlay.
- Public Works expenses increased \$1,183,811 (33.6%). The increase is the result of more infrastructure projects undertaken.

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

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



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



Business-type activities. Business-type activities increased the City's net assets by \$1,313,121 from the prior fiscal year. Key elements of the change are as follows:

Charges for services were up \$1,737,128 (10.1%).

Operating grants and contributions decreased by \$283,716. Interest income decreased by \$91,288, which was reflective of rate declines.

Program expenses increased by \$523,607 (0.3%) largely because of increases in operating costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

At the end of 2012, the City's governmental funds reported total ending fund balances of \$7,987,161, a decrease of \$246,938 in comparison with the prior year. About 26% of the total ending fund balances constituted unassigned fund balances (\$2,062,816), which are considered available for appropriation. The remainder of the fund balances is restricted to indicate that it is not available for new spending because it has already been restricted by legislative or outside sources or is considered nonspendable.

At the end of the current year, the General Fund reported a fund balance of \$3,195,155, increasing \$435,152 from the previous year. General fund revenues were \$379,671 (4%) higher than in the prior fiscal year and expenditures increased by \$60,682 (1%). General taxes, including property taxes and franchise fees, increased \$185,570 (2.2%). Intergovernmental revenue increased \$193,578 (2.2%) and charges for services increased \$136,214 (1.6%).

The Residential Infrastructure Fund (RIF) experienced a \$602,619 fund balance increase over the prior year.

The 12-01-07 Assessment Bond Fund increased to \$60,370, due to assessment collections.

The 3-1-06 Assessment Bond Fund (ABF) fund balance decreased by \$54,736, due to assessment collections and interest income being less than debt service payments.

The 12-1-04 Assessment Bond Fund (ABF) fund balance decreased \$81,925 to \$66,482 as debt payments were more than assessment collections.

The Current Assessment projects fund had a negative balance of \$818,853 due to capital outlay being more than governmental funding and issued debt.

The 12-1-03 Assessment Bond Fund (ABF) fund balance decreased \$209,332 as debt payments were more than assessment collections.

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

The electric utility's net position decreased \$684,116 (2.5%). Operating revenues increased \$988,571 (7%) to \$14,064,360. Wholesale purchased power costs increased \$891,900 (11.4%). Transfers out increased by \$1,293,184 to \$1,750,000. 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 position increased \$1,994,924 (20%) in the current year. Operating income increased \$420,339 (22%) and operating expenses increased \$247,090 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 position increased \$403,492 (4.2%).

The storm water utilities net position decreased \$259,932 primarily due to operating losses.

The City Mall Fund contains the operations of three commercial properties: River Walk Center (Mall), DeMers Professional building, Infill Building. The decrease in net position of \$132,332 was the result of a loss from operations.

The Refuse Fund net position decreased \$8,914. Operating revenue increased \$11,547 and operating expenses increased \$16,016 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Governmental revenues were \$263,126 more than budget primarily due to more federal grants and disparity reduction credit than budgeted for. Government expenditures overall were less than budget by \$ 472,024 the result of cost control measures.

The General Fund year end fund balances since 2004 are as follows:

2004	\$ 2,433,581	2007	\$ 2,841,939	2010	\$ 2,587,856
2005	2,574,386	2008	2,564,645	2011	2,760,003
2006	2,200,961	2009	2,727,342	2012	3,195,155

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS
(Net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 31,007,286	\$ 31,007,286	\$ 707,178	\$ 707,178	\$ 31,714,464	\$ 31,714,464
Construction in progress	860,371	332,798	2,282,420	850,173	3,142,791	1,182,971
Building, structures, & improvements	62,664,399	64,075,320	46,713,819	47,520,509	109,378,218	111,595,829
Machinery and equipment	3,006,350	3,031,802	2,211,572	1,991,784	5,217,922	5,023,586
Infrastructure	32,281,067	31,045,666			32,281,067	31,045,666
Total	<u>\$ 129,819,473</u>	<u>\$ 129,492,872</u>	<u>\$ 51,914,989</u>	<u>\$ 51,069,644</u>	<u>\$ 181,734,462</u>	<u>\$ 180,562,516</u>

Capital assets. The City's investment in capital assets for its governmental and business-type activities at December 31, 2012 totaled \$181,734,462 (net of accumulated depreciation). This investment in capital assets included land, construction in progress, structures, systems, machinery and equipment, and infrastructure.

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

LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 9,163,968	\$ 9,661,363			\$ 9,163,968	\$ 9,661,363
General obligation water revenue bonds						
General obligation PFA Improv bonds	3,318,000	3,393,577	\$ 3,452,000	\$ 3,623,000	6,770,000	7,016,577
General obligation cert of indebtedness	900,761	72,241		80,112	900,761	152,353
Compensated absences payable	1,002,340	1,033,452	433,869	431,828	1,436,209	1,465,280
Total	<u>\$ 14,385,069</u>	<u>\$ 14,160,633</u>	<u>\$ 3,885,869</u>	<u>\$ 4,134,940</u>	<u>\$ 18,270,938</u>	<u>\$ 18,295,573</u>

Long-term liabilities. The City's outstanding long-term liabilities, including bonds, certificates of indebtedness, capital leases, notes payable, compensated absences, and due to component unit totaled \$18,270,938 at December 31,

2012. Of this total, \$14,385,069 (78.7%) is in governmental activities and \$3,885,869 (20.5%) is in business-type activities. The City's outstanding long-term liabilities decreased \$24,635 (0.3%) in 2012.

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, 2012 was 5.3%, which is below the state average (5.4%) and the national average (7.8%). The Grand Forks County unemployment rate was 3.5%. The Grand Forks-East Grand Forks metropolitan statistical area unemployment rate was 4.1%. The City of Grand Forks, located in Grand Forks County, is located across the Red River of the North and has a population of approximately 53,000.

- The state's economy is slowly recovering. Legislative action has revamped the local government aid(LGA) and it should remain steady for future years and will be favorable for the City. Other types of funding, including capital bonding will be very competitive. The City received \$2.47 million in local government aid in 2012, 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 adjustments. The Western Area Power Administration (WAPA) has notified the city that it will not raise wholesale power costs in 2013, but intends to do so in 2014 with that increase not yet finalized. The electric utility purchases approximately 48% of it wholesale power supply from WAPA. There have not been any power supply interruptions and none are expected.

REQUESTS FOR INFORMATION

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



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BASIC FINANCIAL STATEMENTS



CITY OF EAST GRAND FORKS, MINNESOTA

BASIC FINANCIAL
STATEMENTS

Statement of Net Position

December 31, 2012

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		EDHA
ASSETS				
Cash and cash equivalents	\$ 5,528,198	\$ 5,296,881	\$ 10,825,079	\$ 3,365,821
Investments	5,442,868	10,204,776	15,647,644	
Accrued interest receivable	51,227	32,596	83,823	
Accounts receivable, net	47,800	1,542,823	1,590,623	
Notes receivable	215,018		215,018	2,021,708
Taxes receivable - property	46,510		46,510	
Taxes receivable - other	80,855		80,855	
Special assessments receivable	7,900,700		7,900,700	
Internal balances (net)	(964,630)	964,630	-	
Due from other government units	108,057	15,807	123,864	
Prepaid Items		20,962	20,962	
Land held for resale	420,185		420,185	207,180
Materials and Supplies	39,005	1,060,589	1,099,594	
Restricted cash and Investments		78,150	78,150	678,609
Unamortized debt issuance costs	78,331		78,331	
Customer acquisition costs		351,774	351,774	
Capital assets:				
Nondepreciable	31,867,657	2,989,598	34,857,255	50,300
Depreciable, net	97,951,816	48,925,391	146,877,207	4,029,198
TOTAL ASSETS	148,813,597	71,483,977	220,297,574	10,352,816
LIABILITIES				
Accounts payable	246,249	1,596,312	1,842,561	7,999
Accrued wages payable	361,340	148,358	509,698	22,152
Due to other government units	91,839	70,695	162,534	260,779
Accrued interest payable	178,589	33,753	212,342	2,005
Customer deposits		78,150	78,150	21,608
Matured bonds and interest payable	700,143		700,143	
Noncurrent liabilities:				
Due within one year	1,039,094	244,451	1,283,545	39,090
Due in more than one year	13,345,975	3,641,418	16,987,393	407,093
Net other postemployment benefit liability	167,458		167,458	
TOTAL LIABILITIES	16,130,687	5,813,137	21,943,824	760,726
NET POSITION				
Net investment in capital assets	115,434,404	48,462,989	163,897,393	4,056,455
Restricted for:				
Housing				133,299
Debt service	8,181,109		8,181,109	
Public works	329,978		329,978	
Capital projects	858,667		858,667	
Library - nonexpendable	76,000		76,000	
Unrestricted	7,802,752	17,207,851	25,010,603	5,402,336
TOTAL NET POSITION	\$ 132,682,910	\$ 65,670,840	\$ 198,353,750	\$ 9,592,090

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



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Statement of Activities

Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 1,186,560	\$ 301,653	\$ 3,122,540	\$ 2,237,633		\$ 2,237,633		
Public safety	3,530,624	306,445	190,360	(3,033,819)		(3,033,819)		
Public works	4,711,832			(4,711,832)		(4,711,832)		
Transit	401,470	214,771		(186,699)		(186,699)		
Recreation and culture	2,447,389	411,311		(2,036,078)		(2,036,078)		
Community development	227,832		68,025	(159,807)		(159,807)		
Cemetery	60,463			(60,463)		(60,463)		
Interest on long-term debt	533,736			(533,736)		(533,736)		
Total governmental activities	<u>13,099,906</u>	<u>1,234,180</u>	<u>3,380,925</u>	<u>(8,484,801)</u>	<u>-</u>	<u>(8,484,801)</u>		<u>-</u>
Business-type activities								
Electric Utility	13,206,748	14,064,360				\$ 857,612	857,612	
Water Utility	2,343,208	2,338,132				(5,076)	(5,076)	
Sewer Utility	901,603	1,279,097				377,494	377,494	
Storm Water	499,046	233,899	5,215			(259,932)	(259,932)	
City Mall	324,547	190,915				(133,632)	(133,632)	
Nonmajor (Refuse)	866,266	840,565	15,000			(10,701)	(10,701)	
Total business-type activities	<u>18,141,418</u>	<u>18,946,968</u>	<u>20,215</u>	<u>-</u>	<u>-</u>	<u>825,765</u>	<u>825,765</u>	<u>-</u>
Total primary government	<u>\$ 31,241,324</u>	<u>\$ 20,181,148</u>	<u>\$ 3,401,140</u>	<u>-</u>	<u>\$ (8,484,801)</u>	<u>\$ 825,765</u>	<u>\$ (7,659,036)</u>	<u>-</u>
Component unit:								
Community development	<u>\$ 2,255,535</u>	<u>\$ 297,770</u>	<u>\$ 1,812,582</u>					<u>\$ (145,183)</u>
General Revenues:								
Property taxes				\$ 2,526,924		\$ 2,526,924		165,982
Franchise taxes				1,416,140		1,416,140		
Unrestricted grants and contributions				3,032,526		3,032,526		
Unrestricted investment earnings				288,304	\$ 237,356	525,660		29,335
Other				267,103		267,103		35,522
Transfers				(250,000)		250,000		
Total general revenues				<u>7,280,997</u>		<u>487,356</u>	<u>7,768,353</u>	<u>230,839</u>
Change in Net Position				<u>(1,203,804)</u>		<u>1,313,121</u>	<u>109,317</u>	<u>85,656</u>
Net Position - January 1				<u>133,886,714</u>		<u>64,357,719</u>	<u>198,244,433</u>	<u>9,506,434</u>
Net Position - December 31				<u>\$ 132,682,910</u>		<u>\$ 65,670,840</u>	<u>\$ 198,353,750</u>	<u>\$ 9,592,090</u>

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

Balance Sheet

Governmental Funds

December 31, 2012

	General	Residential Infrastructure	Current Assessment Projects	12-1-03 Assessment Bonds	12-1-07 Assessment Bonds	12-1-04 Assessment Bonds	3-1-06 Assessment Bonds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS									
Cash and cash equivalents	\$ 41,781	\$ 938,590		\$ 420,622	\$ 453,334	\$ 63,426	\$ 958,417	\$ 2,089,124	\$ 4,965,294
Investments	2,344,831	741,176		350,232	276,278			885,307	4,597,824
Interest receivable	51,227								51,227
Accounts receivable	16,124							31,676	47,800
Taxes receivable - property taxes	46,510								46,510
Taxes receivable - other	80,855								80,855
Special assessments receivable	12,236	2,442,496		585,622	1,930,901	1,606,406	854,353	468,686	7,900,700
Interfund receivable		10,000							10,000
Due from other funds	1,061,047								1,061,047
Due from other government units	70,217	12,080		552	455	3,056	18,355	3,342	108,057
Land held for resale								420,185	420,185
Notes Receivable	57,334							157,684	215,018
Materials and supplies	39,005								39,005
TOTAL ASSETS	\$ 3,821,167	\$ 4,144,342	-	\$ 1,357,028	\$ 2,660,968	\$ 1,672,888	\$ 1,831,125	\$ 4,056,004	\$ 19,543,522
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts payable	\$ 180,535							\$ 65,714	\$ 246,249
Accrued wages payable	304,251		\$ 56,636					453	361,340
Interfund payable		\$ 1,079,414						10,000	1,089,414
Due to other funds			762,217					298,830	1,061,047
Due to other government units	23,361							68,478	91,839
Matured interest payable				\$ 15,143					15,143
Matured bonds payable				685,000					685,000
Deferred revenue	117,865	2,442,496		585,622	\$ 1,930,901	\$ 1,606,406	\$ 854,353	468,686	8,006,329
Total liabilities	626,012	3,521,910	818,853	1,285,765	1,930,901	1,606,406	854,353	912,161	11,556,361
Fund balance:									
Nonspendable	39,005							233,684	272,689
Restricted				71,263	730,067	66,482	976,772	3,307,072	5,151,656
Unassigned	3,156,150	622,432	(818,853)					(396,913)	2,562,816
Total fund balance	3,195,155	622,432	(818,853)	71,263	730,067	66,482	976,772	3,143,843	7,987,161
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,821,167	\$ 4,144,342	\$ -	\$ 1,357,028	\$ 2,660,968	\$ 1,672,888	\$ 1,831,125	\$ 4,056,004	\$ 19,543,522

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position December 31, 2012

Total fund balances - governmental funds \$ 7,987,161

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

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

Land	31,007,286	
Construction in progress	860,371	
Buildings, structures and improvements	78,034,437	
Machinery and equipment	4,419,859	
Infrastructure	45,897,513	
Accumulated depreciation	<u>(31,893,426)</u>	128,326,040

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

8,006,329

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	562,904	
Investments	845,044	
Machinery and equipment	2,784,784	
Accumulated depreciation	(1,291,351)	
Interfund receivable	114,784	
Bond Premium	(25,761)	
Compensated absences payable	(1,002,340)	
Notes payable	<u>(875,000)</u>	1,113,064

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

Long-term liabilities	(12,481,969)	
Unamortized bond issuance costs	78,331	
Accrued interest payable	(178,589)	
Other post employment benefit obligations	<u>(167,458)</u>	<u>(12,749,685)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 132,682,910

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, 2012

	General	Residential Infrastructure	Current Assessment Projects	12-1-03 Assessment Bonds	12-1-07 Assessment Bonds	12-1-04 Assessment Bonds	3-1-06 Assessment Bonds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:									
General taxes	\$ 3,943,064								\$ 3,943,064
Special assessments		\$ 639,673		110,805	\$ 368,437	\$ 289,030	\$ 441,229	\$ 129,655	1,978,829
Licenses and permits	125,530								125,530
Intergovernmental	3,380,925		\$ 820,870					1,371,379	5,573,174
Charges for services	1,005,511							228,669	1,234,180
Fines and forfeitures	123,841								123,841
Interest and other revenues	29,113	11,708		2,290	4,633		6,470	234,090	288,304
Total revenues	<u>8,607,984</u>	<u>651,381</u>	<u>820,870</u>	<u>113,095</u>	<u>373,070</u>	<u>289,030</u>	<u>447,699</u>	<u>1,963,793</u>	<u>13,266,922</u>
Expenditures:									
Current:									
General government	896,494								896,494
Public safety	3,381,290								3,381,290
Public works	1,162,611							18,010	1,180,621
Transit								371,403	371,403
Recreation and culture	1,870,177							80,579	1,950,756
Community development	71,193							156,639	227,832
Cemetery								57,956	57,956
Other expenditures	180,205								180,205
Capital outlay	330,137		2,059,481					1,446,391	3,836,009
Debt service:									
Principal retirement				730,000	215,000	235,000	430,000	85,577	1,695,577
Interest and fiscal agent charges		48,762		46,714	116,204	135,955	87,626	126,226	561,487
Other debt expenditures								41,962	41,962
Total expenditures	<u>7,892,107</u>	<u>48,762</u>	<u>2,059,481</u>	<u>776,714</u>	<u>331,204</u>	<u>370,955</u>	<u>517,626</u>	<u>2,384,743</u>	<u>14,381,592</u>
Excess (deficiency) of revenues over expenditures	<u>715,877</u>	<u>602,619</u>	<u>(1,238,611)</u>	<u>(663,619)</u>	<u>41,866</u>	<u>(81,925)</u>	<u>(69,927)</u>	<u>(420,950)</u>	<u>(1,114,670)</u>
Other financing sources (uses):									
Transfers in					18,504		15,191	626,230	659,925
Transfers out	(280,725)							(629,200)	(909,925)
Long-term debt issued			535,000	440,000				125,000	1,100,000
Premium on long-term debt issued			3,445	14,287					17,732
Total other financing sources (uses)	<u>(280,725)</u>	<u>-</u>	<u>538,445</u>	<u>454,287</u>	<u>18,504</u>	<u>-</u>	<u>15,191</u>	<u>122,030</u>	<u>867,732</u>
Net change in Fund Balances	435,152	602,619	(700,166)	(209,332)	60,370	(81,925)	(54,736)	(298,920)	(246,938)
Fund balance at beginning of year	2,760,003	19,813	(118,687)	280,595	669,697	148,407	1,031,508	3,442,763	8,234,099
Fund balance at end of year	<u>\$ 3,195,155</u>	<u>\$ 622,432</u>	<u>\$ (818,853)</u>	<u>\$ 71,263</u>	<u>\$ 730,067</u>	<u>\$ 66,482</u>	<u>\$ 976,772</u>	<u>\$ 3,143,843</u>	<u>\$ 7,987,161</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, 2012

Net change in fund balances - total governmental funds		\$ (246,938)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays	2,371,968	
Depreciation	<u>(2,766,146)</u>	(394,178)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position		1,695,577
Proceeds from long-term debt provide financial resources to governmental funds, but the issuing of debt increases long-term liabilities in the Statement of Net Position		(1,100,000)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Deferred Revenue - December 31, 2011	(9,144,881)	
Deferred Revenue - December 31, 2012	<u>8,006,329</u>	(1,138,552)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Amortization of bond issuance costs	(8,537)	
Amortization of bond discounts	(6,915)	
Amortization of bond premiums	(15,690)	
Other postemployment benefit obligations	<u>(35,244)</u>	(66,386)
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.		18,922
Changes in long-term debt interest payable		<u>27,751</u>
Change in net position of governmental activities		<u>\$ (1,203,804)</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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
General taxes	\$ 4,293,302	\$ 4,293,302	\$ 3,943,064	\$ (350,238)
Licenses and permits	110,525	110,525	125,530	15,005
Intergovernmental	2,785,238	2,785,238	3,380,925	595,687
Charges for services	945,593	945,593	1,005,511	59,918
Fines and forfeitures	136,300	136,300	123,841	(12,459)
Interest and other revenues	73,900	73,900	29,113	(44,787)
Total revenues	<u>8,344,858</u>	<u>8,344,858</u>	<u>8,607,984</u>	<u>263,126</u>
Expenditures:				
Current:				
General government	931,536	931,536	896,494	35,042
Public safety	3,327,506	3,327,506	3,381,290	(53,784)
Public works	1,375,020	1,375,020	1,162,611	212,409
Recreation and culture	1,844,399	1,844,399	1,870,177	(25,778)
Community development	60,000	60,000	71,193	(11,193)
Other expenditures	245,670	245,670	180,205	65,465
Capital outlay	580,000	580,000	330,137	249,863
Debt service:				
Principal retirement				
Interest and fiscal agent charges				
Total expenditures	<u>8,364,131</u>	<u>8,364,131</u>	<u>7,892,107</u>	<u>472,024</u>
Excess (deficiency) of revenues over expenditures	<u>(19,273)</u>	<u>(19,273)</u>	<u>715,877</u>	<u>735,150</u>
Other financing sources (uses)				
Transfers in	266,000	266,000		(266,000)
Transfers out	(244,868)	(244,868)	(280,725)	(35,857)
Total other financing sources (uses)	<u>21,132</u>	<u>21,132</u>	<u>(280,725)</u>	<u>(301,857)</u>
Net change in Fund Balances	1,859	1,859	435,152	433,293
Fund balance at beginning of year	2,760,003	2,760,003	2,760,003	
Fund balance at end of year	<u>\$ 2,761,862</u>	<u>\$ 2,761,862</u>	<u>\$ 3,195,155</u>	<u>\$ 433,293</u>

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

**Statement of Net Position
Proprietary Funds
December 31, 2012**

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 3,947,303	\$ 39,647	\$ 892,277	\$ 50,389	\$ 173,063	\$ 194,202	\$ 5,296,881	\$ 562,904
Investments	7,846,317		2,358,459				10,204,776	845,044
Restricted cash and investments:								
Cash in customer deposits	78,150						78,150	
Interest receivable	32,596						32,596	
Accounts receivable (net)	1,485,781				55,933	1,109	1,542,823	
Materials and supplies	932,435	128,154					1,060,589	
Prepaid items	4,634	16,328					20,962	
Interfund receivable	1,079,414						1,079,414	114,784
Due from other government units		807				15,000	15,807	
Total current assets	<u>15,406,630</u>	<u>184,936</u>	<u>3,250,736</u>	<u>50,389</u>	<u>228,996</u>	<u>210,311</u>	<u>19,331,998</u>	<u>1,522,732</u>
Noncurrent assets:								
Capital assets:								
Land	305,394	44,000	215,184		142,600		707,178	
Buildings and systems	24,099,182	19,097,178	14,908,511	16,350,107	5,729,707		80,184,685	
Machinery and equipment	3,339,654	2,117,802	554,710	162,826	81,766	721,504	6,978,262	2,784,784
Construction in progress	118,234	2,164,186					2,282,420	
Total capital assets	<u>27,862,464</u>	<u>23,423,166</u>	<u>15,678,405</u>	<u>16,512,933</u>	<u>5,954,073</u>	<u>721,504</u>	<u>90,152,545</u>	<u>2,784,784</u>
Less accumulated depreciation	<u>(14,465,809)</u>	<u>(11,667,604)</u>	<u>(5,669,266)</u>	<u>(3,677,250)</u>	<u>(2,222,573)</u>	<u>(535,054)</u>	<u>(38,237,556)</u>	<u>(1,291,351)</u>
Total capital assets (net)	<u>13,396,655</u>	<u>11,755,562</u>	<u>10,009,139</u>	<u>12,835,683</u>	<u>3,731,500</u>	<u>186,450</u>	<u>51,914,989</u>	<u>1,493,433</u>
Customer acquisition costs	268,106	83,668					351,774	
Total noncurrent assets	<u>13,664,761</u>	<u>11,839,230</u>	<u>10,009,139</u>	<u>12,835,683</u>	<u>3,731,500</u>	<u>186,450</u>	<u>52,266,763</u>	<u>1,493,433</u>
TOTAL ASSETS	<u>29,071,391</u>	<u>12,024,166</u>	<u>13,259,875</u>	<u>12,886,072</u>	<u>3,960,496</u>	<u>396,761</u>	<u>71,598,761</u>	<u>3,016,165</u>

(continued)

**Statement of Net Position
Proprietary Funds
December 31, 2012 (continued)**

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
LIABILITIES								
Current liabilities:								
Accounts payable	\$ 1,361,220	\$ 136,743	\$ 52,837	\$ 9,447	\$ 6,391	\$ 29,674	\$ 1,596,312	
Interfund payable				114,784			114,784	
Due to other government units	54,717			27		15,951	70,695	
Accrued interest payable			33,753				33,753	
Accrued wages payable	99,976	38,986	4,143	760		4,493	148,358	
Customer deposits	78,150						78,150	
Compensated absences payable - current	32,000	13,000	3,220			16,987	65,207	\$ 40,094
Notes payable - current								
G.O. revenue bonds payable - current			179,244				179,244	
Total current liabilities	<u>1,626,063</u>	<u>188,729</u>	<u>273,197</u>	<u>125,018</u>	<u>6,391</u>	<u>67,105</u>	<u>2,286,503</u>	<u>40,094</u>
Noncurrent liabilities:								
Compensated absences payable - net current portion	306,510	62,152					368,662	962,246
G.O. revenue bonds payable - net current portion			3,272,756				3,272,756	900,761
Total noncurrent liabilities	<u>306,510</u>	<u>62,152</u>	<u>3,272,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,641,418</u>	<u>1,863,007</u>
TOTAL LIABILITIES	<u>1,932,573</u>	<u>250,881</u>	<u>3,545,953</u>	<u>125,018</u>	<u>6,391</u>	<u>67,105</u>	<u>5,927,921</u>	<u>1,903,101</u>
NET POSITION								
Net investment in capital assets	13,396,655	11,755,562	6,557,139	12,835,683	3,731,500	186,450	48,462,989	592,672
Unrestricted	13,742,163	17,723	3,156,783	(74,629)	222,605	143,206	17,207,851	520,392
TOTAL NET POSITION	<u>\$ 27,138,818</u>	<u>\$ 11,773,285</u>	<u>\$ 9,713,922</u>	<u>\$ 12,761,054</u>	<u>\$ 3,954,105</u>	<u>\$ 329,656</u>	<u>\$ 65,670,840</u>	<u>\$ 1,113,064</u>

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



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**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2012**

	Business-Type Activities – Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
Operating revenues:								
Electric charges	\$ 13,875,019						\$ 13,875,019	
Water charges		\$ 2,334,738					2,334,738	
Sewer charges			\$ 1,279,097				1,279,097	
Rental charges					\$ 189,404		189,404	
Refuse charges						\$ 839,047	839,047	
Storm Water charges				\$ 231,474			231,474	
Other	189,341	3,394		2,425	1,511	1,518	198,189	\$ 281,357
Total operating revenues	<u>14,064,360</u>	<u>2,338,132</u>	<u>1,279,097</u>	<u>233,899</u>	<u>190,915</u>	<u>840,565</u>	<u>18,946,968</u>	<u>281,357</u>
Operating expenses:								
Purchased power	8,728,410						8,728,410	
Operations and maintenance	1,838,383	1,543,772	361,328	152,141	142,180	782,591	4,820,395	
Administration	537,383	245,745	85,838		10,000	16,857	895,823	
Compensated absences								125,209
Flood related costs				1,162			1,162	
Depreciation	883,222	553,691	358,518	345,743	172,367	63,580	2,377,121	145,773
Tax and tax equivalents	1,219,013						1,219,013	
Total operating expenses	<u>13,206,411</u>	<u>2,343,208</u>	<u>805,684</u>	<u>499,046</u>	<u>324,547</u>	<u>863,028</u>	<u>18,041,924</u>	<u>270,982</u>
Operating income (loss)	<u>857,949</u>	<u>(5,076)</u>	<u>473,413</u>	<u>(265,147)</u>	<u>(133,632)</u>	<u>(22,463)</u>	<u>905,044</u>	<u>10,375</u>
Nonoperating revenues (expenses)								
Interest income	208,272		25,998		1,300	1,788	237,358	8,855
Interest expense	(337)		(95,919)			(3,239)	(99,495)	(294)
Intergovernmental				5,215		15,000	20,215	
Total Nonoperating revenues (expenses)	<u>207,935</u>	<u>-</u>	<u>(69,921)</u>	<u>5,215</u>	<u>1,300</u>	<u>13,549</u>	<u>158,078</u>	<u>8,561</u>
Income (loss) before transfers and contributions	1,065,884	(5,076)	403,492	(259,932)	(132,332)	(8,914)	1,063,122	18,936
Transfers in		2,000,000					2,000,000	
Transfers out	<u>(1,750,000)</u>						<u>(1,750,000)</u>	
Change in net position	(684,116)	1,994,924	403,492	(259,932)	(132,332)	(8,914)	1,313,122	18,936
Total net position - January 1	<u>27,822,934</u>	<u>9,778,361</u>	<u>9,310,430</u>	<u>13,020,986</u>	<u>4,086,437</u>	<u>338,570</u>	<u>64,357,718</u>	<u>1,094,128</u>
Total net position - December 31	<u>\$ 27,138,818</u>	<u>\$ 11,773,285</u>	<u>\$ 9,713,922</u>	<u>\$ 12,761,054</u>	<u>\$ 3,954,105</u>	<u>\$ 329,656</u>	<u>\$ 65,670,840</u>	<u>\$ 1,113,064</u>

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

**Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2012**

	Business-Type Activities – Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
Cash flows from operating activities:								
Cash received from customers and users	\$ 13,694,039	\$ 2,277,334	\$ 1,245,545	\$ 231,474	\$ 194,301	\$ 823,281	\$ 18,465,974	
Cash received from interfund activities	650,051	57,404	33,552			16,663	757,670	\$ 166,573
Cash paid to suppliers for goods and services	(9,733,068)	(942,363)	(155,646)	(219,572)	(151,694)	(589,723)	(11,792,066)	
Cash paid for interfund activities	261,305	(469,985)	(41,767)	(838)		(36,074)	(287,359)	
Cash paid to employees	(1,399,018)	(632,206)	(207,441)	(56,920)		(144,354)	(2,439,939)	(156,321)
Cash paid for taxes and tax equivalents	(1,219,013)						(1,219,013)	
Other operating revenues (expenses)	89,250	3,395		2,425	1,511	1,518	98,099	
Net cash provided (used) by operating activities	<u>2,343,546</u>	<u>293,579</u>	<u>874,243</u>	<u>(43,431)</u>	<u>44,118</u>	<u>71,310</u>	<u>3,583,365</u>	<u>10,252</u>
Cash flows from noncapital financing activities:								
Intergovernmental revenues				208,604		15,000	223,604	
Transfers from other funds		2,000,000					2,000,000	
Transfers to other funds	(1,750,000)						(1,750,000)	
Interfund receivable	102,927						102,927	
Net cash provided (used) by noncapital financing activities	<u>(1,647,073)</u>	<u>2,000,000</u>	<u>-</u>	<u>208,604</u>	<u>-</u>	<u>15,000</u>	<u>576,531</u>	<u>-</u>
Cash flows from capital and related financing activities:								
Acquisition of capital assets	(853,750)	(2,253,932)		(114,784)			(3,222,466)	(970,471)
Principal payments on long-term debt			(171,000)			(80,112)	(251,112)	(72,241)
Interest and fiscal charges on bonds	(337)		(97,350)			(3,533)	(101,220)	(3,532)
Proceeds from long-term debt								900,761
Net cash (used) by capital and related financing activities	<u>(854,087)</u>	<u>(2,253,932)</u>	<u>(268,350)</u>	<u>(114,784)</u>	<u>-</u>	<u>(83,645)</u>	<u>(3,574,798)</u>	<u>(145,483)</u>
Cash flows from investing activities:								
Interest received on investments	195,345		25,998		1,299	1,788	224,430	8,855
Proceeds from sales and maturities of investments	1,692,000		(1,179,979)				512,021	(193,472)
Purchase of investments	(528,858)						(528,858)	38,873
Net cash provided (used) by investing activities	<u>1,358,487</u>	<u>-</u>	<u>(1,153,981)</u>	<u>-</u>	<u>1,299</u>	<u>1,788</u>	<u>207,593</u>	<u>(145,744)</u>
Net increase (decrease) in cash and cash equivalents	1,200,873	39,647	(548,088)	50,389	45,417	4,453	792,691	(280,975)
Cash and cash equivalents - January 1	2,824,580		1,440,365		127,646	189,749	4,582,340	843,879
Cash and cash equivalents - December 31	<u>\$ 4,025,453</u>	<u>\$ 39,647</u>	<u>\$ 892,277</u>	<u>\$ 50,389</u>	<u>\$ 173,063</u>	<u>\$ 194,202</u>	<u>\$ 5,375,031</u>	<u>\$ 562,904</u>

(continued)

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2012 (continued)

	Business-Type Activities – Enterprise Funds						Totals	Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		
Reconciliation of operating income to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 857,950	\$ (5,076)	\$ 473,413	\$ (265,147)	\$ (133,632)	\$ (22,463)	\$ 905,045	\$ 10,375
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	918,457	553,692	358,518	345,743	172,367	63,580	2,412,357	145,773
Changes in assets and liabilities:								
Accounts receivable	370,680				4,897	896	376,473	(114,784)
Materials and supplies	(161,485)	34,303					(127,182)	
Prepaid items	42,057	(1,976)					40,081	
Due from other government units		(807)					(807)	
Accounts payable	312,181	(90,449)	39,474	4,606	486	15,397	281,695	
Accrued wages payable	3,249	7,626	2,838	(369)		(2,051)	11,293	
Accrued compensated absences	(622)	4,139					3,517	(31,112)
Due to other funds		(207,873)		(128,178)			(336,051)	
Due to other government units	2,779			(86)		15,951	18,644	
Customer deposits	(1,700)						(1,700)	
Net cash provided (used) by operating activities	<u>2,343,546</u>	<u>293,579</u>	<u>874,243</u>	<u>(43,431)</u>	<u>44,118</u>	<u>71,310</u>	<u>3,583,365</u>	<u>10,252</u>
Schedule of noncash investing, capital and financing activities:								
Increase (Decrease) in fair value of investments	6,436						6,436	
Cash and cash equivalents are shown on the balance sheet under the following captions:								
Cash and cash equivalents	3,947,303	39,647	892,277	50,389	173,063	194,202	5,296,881	562,904
Restricted assets:								
Cash in customer deposits	78,150						78,150	
Total cash and cash equivalents - December 31	<u>\$ 4,025,453</u>	<u>\$ 39,647</u>	<u>\$ 892,277</u>	<u>\$ 50,389</u>	<u>\$ 173,063</u>	<u>\$ 194,202</u>	<u>\$ 5,375,031</u>	<u>\$ 562,904</u>

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

Statement of Fiduciary Net Position
Agency Fund - Flexible Benefits
December 31, 2012

ASSETS:	
Cash and cash equivalents	<u>\$ 26,127</u>
LIABILITIES:	
Due to employees	<u>\$ 26,127</u>

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting entity

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

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

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

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

Discretely Presented Component Unit

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

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

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

B. Government-wide and fund financial statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues 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 within 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.

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

12-1-03, 12-1-07, 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.

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

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

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

D. Assets, liabilities, and net assets or equity

1. Cash (including cash equivalents) and investments

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

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

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

2. Receivables

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

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

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

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

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

3. Short-term inter-fund receivables/payables

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

4. Materials & supplies inventory

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, 2012, 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 \$75,152 for 2,267 accumulated sick leave hours; the Electric Fund has accrued a liability of \$338,510 for 9,496 accumulated sick leave hours. Additionally, the EDHA has accrued a liability of \$52,676 for 2,219 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 \$1,002,340 is recorded in this fund, reflecting 36,550 accumulated sick leave hours. Sick leave hours exceeding the eligible reimbursement limit of 1,280 hours totaled 111.

10. Long-term obligations

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

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

11. Fund Balance

For the year ended December 31, 2012, the City implemented GASB Statement No. 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purposes for which resources can be used:

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

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

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

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

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

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

Net Position

For the year ended December 31, 2012, the City implemented GASB Statement No. 63 "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*". This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in accordance with Concepts Statement No. 4, *Elements of Financial Statements*.

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

12. Comparative data

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

13. Property taxes

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

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

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

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

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

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

14. Special assessments receivables

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

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

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

Special assessments receivable includes the following components:

Delinquent - amounts billed to property owners but not paid.

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

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

15. Power cost

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

16. Use of estimates

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

E. Federal Audit Requirements

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

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

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

For 2012, 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, 2012, expenditures and other uses were over appropriations in the State Aid Street Fund, Transit, New Home Incentive, Cemetary, and 125th Anniversary by \$17,319, \$50,616, \$150,132, \$7,291, and \$80,579, respectively.

C. Deficit Fund Equity

At December 31, 2012, there are six governmental funds with a deficit fund balance. The \$62,993 deficit fund balance in the Transit Fund, \$41,962 deficit in the 2012 Improvement & Refunding Fund, \$7,446 deficit in the Grants Fund, \$37,400 deficit in the 08 PFA Sewer, \$247,112 deficit in the Current City Projects, and \$818,853 in the Current Assessment Project Fund. These will be eliminated with future PFA loan draws, revenues, and transfers from governmental and enterprise funds.

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments at December 31, 2012 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 10,825,079
Investments	15,647,644
Restricted cash and cash equivalents	78,150
Statement of fiduciary assets and liabilities:	
Cash and cash equivalents	26,127
Total cash and investments	<u>\$ 26,577,000</u>

Cash and investments at December 31, 2012 consist of the following:

Cash:	
Cash on hand	\$ 600
Deposit with financial institutions	6,007,039
Cash equivalents:	
4M - Local Government Investment Pool	2,798,154
Money Market Funds	1,623,563
Investments:	
Various	<u>16,147,644</u>
Total cash, cash equivalents, and investments	<u>\$ 26,577,000</u>

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

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

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

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2012, the City's investments in U.S. Agencies are rated AAA by Standard & Poor's and AAA by Moody's Investors Service. The City's investments in negotiable certificates of deposit are below the F.D.I.C. \$250,000 insurance limit per institution. Non-negotiable certificates of deposits exceeding \$250,000 per institution must be collateralized by the limits defined in the custodial credit risk section of this footnote. The City's investment in the 4M – Local Government Investment Pool is a common law trust organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. This requires it meets all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of municipality monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective. Subject to the power of the participants to amend the Declaration of Trust, the Board of Directors of the League of Minnesota Cities serves as the Board of Trustees of the Trust. The City has recently adopted an investment policy.

Disclosures Relating to Interest Rate Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>
Federal Agencies:		
Federal Home Loan Bank	\$ 3,189,700	9.74
Federal Home Loan Mortgage	1,726,591	8.58
Federal National Mortgage Assn.	1,251,290	9.24
Negotiable certificates of deposit	8,880,064	1.82
Non-negotiable certificates of deposit	1,100,000	0.33
Money Market Funds	1,623,563	0.03
Local Government Investment Pool	2,798,153	0.03
	<u>\$ 20,569,361</u>	
Portfolio weighted average maturity		4.25

Concentration of Credit Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Investment Portfolio</u>
Federal Agencies:		
Federal Home Loan Bank	\$ 3,189,700	15.5%
Federal Home Loan Mortgage	1,726,591	8.4%
Federal National Mortgage Assn.	1,251,290	6.1%

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:

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Governmental				
Activities:				
General Fund	\$ 41,781	\$ 2,344,831		\$ 2,386,612
Residential Infrastructure	438,590	741,176		1,179,766
12-1-07 Assessment Bonds	453,334	276,278		729,612
12-1-04 Assessment Bonds	63,426			63,426
3-1-06 Assessment Bonds	958,417			958,417
12-1-03 Assessment Bonds	420,622	350,232		770,854
Nonmajor governmental	2,089,124	1,385,307		3,474,431
Internal service funds	562,904	845,044		1,407,948
Total	5,028,198	5,942,868		10,971,066
Business-type				
Activities:				
Electric	3,947,303	7,846,317	\$ 78,150	11,871,770
Water	39,647			39,647
Sewage	892,277	2,358,459		3,250,736
Storm Water	50,389			50,389
City Mall	173,063			173,063
Nonmajor (Refuse)	194,202			194,202
Total	5,296,881	10,204,776	78,150	15,579,807
Government-wide total	10,325,079	16,147,644	78,150	26,550,873
Fiduciary fund	26,127			26,127
Total cash and investments	\$ 10,351,206	\$ 16,147,644	\$ 78,150	\$ 26,577,000

NOTE 4. RECEIVABLES AND DEFERRED REVENUES

Interfund Receivables, Payables, and Transfers. At December 31, 2012, 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	\$ 46,510	\$ 12,236	\$ 59,119	\$ 117,865
Residential Infrastructure		2,442,496		2,442,496
12-1-04 Assessment Bonds		1,606,406		1,606,406
3-1-06 Assessment Bonds		854,353		854,353
12-1-07 Assessment Bonds		1,930,901		1,930,901
Nonmajor governmental		1,054,308		1,054,308
Total	\$ 46,510	\$ 7,900,700	\$ 59,119	\$ 8,006,329
Less:				
Property taxes				\$ (46,510)
Special assessments				(7,900,700)
Notes receivable				(59,119)
Total Government-wide deferred revenue				\$ (8,006,329)

Notes to the Financial Statements
December 31, 2012

CITY OF EAST GRAND FORKS

Interfund Receivables. The following is the interfund receivables/payables at December 31, 2012:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Current Assessment Projects	\$ 762,217
General Fund	2012 Improvement & Refunding Bonds	24,462
General Fund	Grants	7,294
General Fund	08 PFA Loan Sewer Project	37,400
General Fund	Current City Projects	229,674
Electric Fund	Residential Infrastructure	1,079,414
Central Equipment	Storm Water	114,784

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

Transfers. The following interfund transfers are reflected in the fund financial statements at December 31, 2012

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental funds:		
General Fund		\$ 280,726
Transit	\$ 61,175	
Cemetery	20,855	
Greenway Maintenance		129,200
Levee Projects		500,000
2005 City Projects	45,000	
City Capital Projects	249,200	
Building Improvements	250,000	
03-01-06 Assessment Bond	15,192	
12-01-07 Assessment Bond	18,504	
Total governmental funds	<u>659,926</u>	<u>909,926</u>
Enterprise funds:		
Electric		1,750,000
Water	2,000,000	
Total enterprise funds	<u>2,000,000</u>	<u>1,750,000</u>
Total	<u>\$ 2,659,926</u>	<u>\$ 2,659,926</u>

Accounts Receivable The following accounts receivables are reflected in the fund financial statements at December 31, 2012:

	Current	Days delinquent		Total	Allowance for doubtful Accounts	Net Accounts Receivable
		31-120	Over 120			
Governmental funds:						
General	\$ 16,124			\$ 16,124		\$ 16,124
Nonmajor funds	31,676			31,676		31,676
Total Governmental	<u>47,800</u>			<u>47,800</u>		<u>47,800</u>
Enterprise funds:						
Electric	1,471,388	\$ 38,845	\$ 23,548	1,533,781	\$ (48,000)	1,485,781
City Mall	55,933			55,933		55,933
Nonmajor (Refuse)	1,109			1,109		1,109
Total enterprise	<u>1,528,430</u>	<u>38,845</u>	<u>23,548</u>	<u>1,590,823</u>	<u>(48,000)</u>	<u>1,542,823</u>
Total	<u>\$ 1,576,230</u>	<u>\$ 38,845</u>	<u>\$ 23,548</u>	<u>\$ 1,638,623</u>	<u>\$ (48,000)</u>	<u>\$ 1,590,623</u>

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

Required minimum payments are as follows:

<u>Year Ending</u>	
<u>December 31</u>	
2013	\$ 5,056
2014	6,199
2015	6,452
2016	6,715
2017	6,989
2018-21	24,522
Total	<u>\$ 55,933</u>

NOTE 5. CAPITAL ASSETS

Capital asset activities for the year ended December 31, 2012, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Internal Service Fund Assets	Governmental Funds Total	Internal Service Fund Additions	Governmental Fund Additions
Governmental activities:								
Nondepreciable capital assets								
Land	\$ 31,007,286			\$ 31,007,286		\$ 31,007,286		
Construction in progress	332,798	\$ 860,371	\$ (332,798)	860,371		860,371		\$ 860,371
Total	31,340,084	860,371	(332,798)	31,867,657	-	31,867,657	-	860,371
Depreciable capital assets:								
Buildings, structures, and improvements	77,899,983	134,454		78,034,437		78,034,437		134,454
Machinery and equipment	7,021,806	139,105	(43,732)	7,204,643	\$ 2,784,784	4,419,859	866,552	(727,447)
Infrastructure	43,503,857	2,393,656		45,897,513		45,897,513		2,393,656
Total	128,425,646	2,667,215	(43,732)	131,136,593	2,784,784	128,351,809	866,552	1,800,663
Total capital assets	159,765,730	3,527,586	(376,530)	163,004,250	2,784,784	160,219,466	866,552	2,661,034
Less accumulated depreciation for:								
Buildings, structures and improvements	(13,824,663)	(1,545,375)		(15,370,038)		(15,370,038)		(1,545,375)
Machinery and equipment	(3,990,004)	(208,289)		(4,198,293)	(1,291,351)	(2,906,942)	(145,773)	(62,516)
Infrastructure	(12,458,191)	(1,158,255)		(13,616,446)		(13,616,446)		(1,158,255)
Total accumulated depreciation	(30,272,858)	(2,911,919)		(33,184,777)	(1,291,351)	(31,893,426)	(145,773)	(2,766,146)
Total governmental activities capital assets, net	\$ 129,492,872	\$ 615,667	\$ (376,530)	\$ 129,819,473	\$ 1,493,433	\$ 128,326,040	\$ 720,779	\$ (105,112)
Business-type activities:								
Nondepreciable capital assets								
Land	\$ 707,178			\$ 707,178				
Construction in progress	850,173	\$ 1,432,247		2,282,420				
Total	1,557,351	1,432,247	-	2,989,598				
Depreciable capital assets:								
Buildings, structures, and improvements	78,614,254	\$ 1,570,431		80,184,685				
Machinery and equipment	6,758,474	219,788		6,978,262				
Total	85,372,728	1,790,219	-	87,162,947				
Total capital assets	86,930,079	3,222,466	-	90,152,545				
Less accumulated depreciation for:								
Buildings, structures, and improvements	(31,093,745)	(2,377,121)		(33,470,866)				
Machinery and equipment	(4,766,690)			(4,766,690)				
Total accumulated depreciation	(35,860,435)	(2,377,121)	-	(38,237,556)				
Total business-type activities capital assets, net	\$ 51,069,644	\$ 845,345	\$ -	\$ 51,914,989				

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

Governmental activities:	
General government	\$ 189,248
Public safety	149,334
Public Works	2,044,130
Culture and Recreation	496,633
Transit	30,067
Cemetery	2,507
Total depreciation expenses - governmental activities	2,911,919
Internal service fund depreciation on capital assets charged to the various functions based on usage.	<u>(145,773)</u>
Depreciation expense excluding internal service fund.	<u>\$ 2,766,146</u>
Business-type activities:	
Electric Fund	\$ 883,222
Water Fund	553,691
Sewer Fund	358,518
Storm Water Fund	345,743
City Mall Fund	172,367
Refuse Fund	63,580
Total depreciation expenses - business-type activities	<u>\$ 2,377,121</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	183,327	\$ 2,479		185,806
Total	<u>5,686,904</u>	<u>2,479</u>	-	<u>5,689,383</u>
Total capital assets	<u>5,737,204</u>	<u>2,479</u>	-	<u>5,739,683</u>
Less accumulated depreciation for:				
Buildings, structures and improvements	(1,345,910)	(143,170)		(1,489,080)
Machinery and equipment	(171,105)			(171,105)
Total accumulated depreciation	<u>(1,517,015)</u>	<u>(143,170)</u>	-	<u>(1,660,185)</u>
Total governmental activities capital assets, net	<u>\$ 4,220,189</u>	<u>\$ (140,691)</u>	<u>\$ -</u>	<u>\$ 4,079,498</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.

During the current year, the City issued \$440,000 General Obligation Improvement Refunding Bonds, Series 2012 to refund the 2003 General Obligation Bonds. The refunding was conducted to achieve interest cost savings.

As a result of the refunding, the City is expected to realize a total future value benefit of \$155,521 with a net present value of \$106,022. The difference between the reacquisition price of the new debt \$685,000 and the net carrying amount of the old debt \$692,400 is not considered material and is expensed.

**Notes to the Financial Statements
December 31, 2012**

CITY OF EAST GRAND FORKS

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

Governmental activities

General obligation Improvement bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/12
12/1/12 Refunding	02/01/20	2.0%-2.75%	\$ 440,000	\$ 440,000
12/01/12	02/01/34	2.0%-2.75%	660,000	660,000
04/01/04 Refunding	02/01/16	2.8%-4.3%	260,000	45,000
12/01/04	02/01/25	3.0%-4.4%	4,655,000	3,175,000
03/01/06	02/01/27	3.3%-4.3%	4,075,000	2,070,000
12/01/07	02/01/28	3.4%-4.25%	3,560,000	2,790,000
				<u>9,180,000</u>
Mn PFA-Transportation				
Loan Total \$ 3,466,567 advanced \$ 3,446,567	08/20/38	3.645%	3,466,567	3,318,000
GO Certificate of Indebtedness	02/01/22	2.0%	875,000	875,000
Total governmental activities				<u>\$ 13,373,000</u>

Business-type activities

Revenue bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/12
Mn PFA-Clean Water Loan Total \$ 4,012,598 advanced \$ 4,012,598	08/20/28	2.687%	\$ 4,012,598	\$ 3,452,000
Total business-type activities				<u>\$ 3,452,000</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.

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

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 999,000	\$ 495,478	176,000	97,350
2014	1,191,000	468,382	180,000	92,755
2015	799,000	427,487	185,000	88,026
2016	818,000	392,736	190,000	83,190
2017	856,000	364,268	195,000	78,219
2018-22	4,096,000	1,364,517	1,057,000	311,746
2023-27	2,501,000	708,122	1,208,000	165,788
2028-32	974,000	331,302	261,000	20,878
2033-37	946,000	164,767		
2038	193,000	20,849		
Total	<u>\$ 13,373,000</u>	<u>\$ 4,737,909</u>	<u>\$ 3,452,000</u>	<u>\$ 937,951</u>

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

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2012:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation	\$ 9,700,000	\$ 1,100,000	\$ (1,620,000)	\$ 9,180,000	\$ 920,000
Unamortized Premium	30,896	17,732	(2,042)	46,586	
Unamortized Discount	(69,533)		6,915	(62,618)	
Total	<u>9,661,363</u>	<u>1,117,732</u>	<u>(1,615,126)</u>	<u>9,163,968</u>	<u>920,000</u>
PFA Bonds Payable:					
MN PFA Transportation Bond	3,393,577		(75,577)	3,318,000	79,000
G. O. certificates of indebtedness	72,241	875,000	(72,241)	875,000	
Unamortized Premium		25,761		25,761	
Compensated absences	<u>1,033,452</u>	<u>125,209</u>	<u>(156,321)</u>	<u>1,002,340</u>	<u>40,094</u>
Governmental activities total:	<u>14,160,633</u>	<u>2,143,702</u>	<u>(1,919,265)</u>	<u>14,385,069</u>	<u>1,039,094</u>
Business-type activities:					
Bonds payable:					
MN PFA Clean Water Bond	<u>3,623,000</u>		<u>(171,000)</u>	<u>3,452,000</u>	<u>176,000</u>
Cert. of Indebtedness-Refuse	<u>80,112</u>		<u>(80,112)</u>		
Compensated absences	<u>431,828</u>	<u>147,324</u>	<u>(145,283)</u>	<u>433,869</u>	<u>68,451</u>
Business-type activities total	<u>4,134,940</u>	<u>147,324</u>	<u>(396,395)</u>	<u>3,885,869</u>	<u>244,451</u>
Government-wide total	<u>\$ 18,295,573</u>	<u>\$ 2,291,026</u>	<u>\$ (2,315,660)</u>	<u>\$ 18,270,938</u>	<u>\$ 1,283,545</u>

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, 2012, was as follows:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Component Unit activities:					
Intermediary relending notes	\$ 397,346		\$ (26,870)	\$ 370,476	\$ 26,870
Compensated absences	84,955	\$ 5,953	(38,232)	52,676	4,788
Special assessments	<u>33,518</u>		<u>(10,487)</u>	<u>23,031</u>	<u>7,432</u>
Component Unit activities total	<u>\$ 515,819</u>	<u>\$ 5,953</u>	<u>\$ (75,589)</u>	<u>\$ 446,183</u>	<u>\$ 39,090</u>

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

Year Ending December 31	Intermediary Relending	
	Principal	Interest
2013	\$ 27,138	\$ 3,705
2014	27,410	3,433
2015	27,684	3,159
2016	27,961	2,882
2017	28,240	2,603
2017-21	145,494	8,721
2022-25	86,550	1,694
	<u>\$ 370,476</u>	<u>\$ 26,198</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, 2012 will not materially affect the financial condition of the City.

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

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

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

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Paid Losses	\$ 116,261	\$ 302,676	\$ 9,156
Paid Expenses	64		17,998
Reserve Losses	51,582	82,254	31,000
Reserve Expenses	180	50	32,002
Total Incurred	168,087	384,980	90,156
Salvage/Subrogate	(201)		
Deductible Recovery	(6,829)	(2,000)	

The City's commercial insurance carrier has no set reserve losses or reserve expenses for claims filed after December 31, 2012, 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, 2012, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City. Additionally, deferred revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan Description

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

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

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

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

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

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

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 6.25%, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.6% of their annual covered salary in 2012.

The City of East Grand Forks is required to contribute the following percentages of annual covered payroll: 7.0% for Coordinated Plan members, and 14.4% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2012, 2011, and 2010, were \$246,445, \$255,634, and \$240,300, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2012, 2011, and 2010 were \$269,277, \$272,327, and \$275,712, 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 2012 were:

Amount		Percentage of Covered Payroll		Required Rates
Employees	Employer	Employees	Employer	
\$ 2,580	\$ 2,580	5.00%	5.00%	5.00%

NOTE 11. CONCENTRATION OF SALES AND REVENUES

American Crystal Sugar Company is the largest customer of the Water and Electric Fund. The company's power purchases account for approximately 40%, of the Electric Fund's operating revenue; the company's water purchases account for approximately 25%, of the Water Fund's operating revenue. The City collected \$569,413 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 and the Infill Building. Tenant payments are based on square, ranging from \$8.00 to \$10 per square foot annually. Lease terms are from one to ten years. The remaining annual lease payments are as follows:

Year Ending December 31,	
2013	179,900
2014	179,900
Total	<u>\$ 359,800</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	\$ 1,804,396	\$ 133,551
Infill Building	1,466,300	418,178	39,000
	<u>\$ 5,954,073</u>	<u>\$ 2,222,574</u>	<u>\$ 172,551</u>

NOTE 13. RESTRICTED FUNDS

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

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

NOTE 14. FUND BALANCE

	General Fund	Residential Infrastructure	Current Assessment Projects	12/1/2003 Assessment Bond	12/1/2007 Assessment Bond	12/1/2004 Assessment Bond	3/1/2006 Assessment Bond	Other Governmental Funds
Fund Balances:								
Nonspendable:	\$ 39,005							
New Home Incentive								\$ 157,684
Campbell Library								76,000
Restricted:				\$ 71,263	\$ 730,067	\$ 66,482	\$ 976,772	
Community Growth								212,349
State Aid Street								329,978
New Home Incentive								1,067,284
Cemetery								14,296
Insect Control								243,050
Perpetual Care								169,721
Greenway Maint.								7,309
125th Birthday Celeb.								14,621
12-1-01 Assessment Bonds								37,128
4-1-04 Assessment Bonds								153,286
Levee Projects								708,868
1997 Community Development								120,217
1997 Downtown Development								253,504
Current City Projects								63,883
23rd Street								187,131
Building Improvements								189,385
Industrial Park Road								32,100
Campbell Olson								2,962
Unassigned:	3,156,150	\$ 122,432	\$ (818,853)					
Transit								(62,993)
2012 Improvements								(41,962)
Grants								(7,446)
Sewer Project								(37,400)
City Projects								(247,112)
TOTAL FUND BALANCE	<u>\$ 3,195,155</u>	<u>\$ 122,432</u>	<u>\$ (818,853)</u>	<u>\$ 71,263</u>	<u>\$ 730,067</u>	<u>\$ 66,482</u>	<u>\$ 976,772</u>	<u>\$ 3,643,843</u>

NOTE 15. COMMITTED CONTRACTS

At December 31, 2012, the City had the following remaining commitments for uncompleted construction contracts:

Fund/Project	2012
Water Fund	\$ -
Lime Sludge Project	185,240

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 \$3,444 for electricity sold to the customers in the annexed service territory during 2012.

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:

2012	\$12,357
2011	13,203
2010	14,146
2009	38,788
2008	24,803
2007	25,768
2006	22,999
2005	20,478
2004	19,591
2003	20,492

NOTE 16. CONDUIT DEBT OBLIGATION

The City has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial and industrial facilities which are deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issue. The City is not obligated in any

manner for the payment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2012, two series of Industrial Revenue Bonds were outstanding with remaining principal balances of \$1,680,000 and \$34,350,000.

NOTE 17. ARBITRAGE REBATE

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. As of December 31, 2012, there are no amounts for arbitrage rebates.

NOTE 18. NEW PRONOUNCEMENTS

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

GASB Statement No. 66, *Technical Corrections – 2012* – an amendment of GASB Statements No. 10 and No. 62. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.

GASB Statements 67, *Financial Reporting for Pension Plans*. The objective of Statement 67 is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting

assessments of accountability and inter-period equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. GASB 67 is effective for periods beginning after June 15, 2013.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this Statement, as well as for nonemployer governments that have a legal obligation to contribute to those plans. The Statement establishes a definition of a pension plan that Reflects the primary activities associated with the pension arrangement—Determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due. GASB 68 is effective for periods beginning after June 15, 2014.

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

NOTE 19. OTHER POSTEMPLOYMENT BENEFITS

Plan Description:

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

Summary of Significant Accounting Policies:

Postemployment healthcare expenditures are paid as they come due.

Funding Policy:

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

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

Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$35,244 for fiscal year 2012. The annual employer contributions for fiscal year 2012 were \$43,478. The annual benefit cost for fiscal year 2012 was \$35,244.

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

Annual required contribution	\$ 80,940
Interest on net OPEB obligation	5,950
Adjustment to annual required contribution	<u>(8,168)</u>
Annual OPEB cost (expense)	78,722
Estimated Contributions made	<u>(43,478)</u>
Increase (decrease) in net OPEB obligation	35,244
Net OPEB obligation, beginning of year	<u>132,214</u>
Net OPEB obligation, end of year	<u><u>\$ 167,458</u></u>

Trend Information:

The City's annual OPEB cost, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for the years ended December 31, 2012, 2011 and 2010 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>
12/31/2012	\$ 78,722	58.10%	\$ 167,458
12/31/2011	79,286	61.70%	132,214
12/31/2010	51,515	57.50%	101,833

Funded Status and Funding Progress:

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

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

Actuarial Methods and Assumptions:

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

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

The actuarial value of assets, if any, was determined using techniques that spread the effects of the short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as percentage of projected payroll of 15% based on a zero population growth assumption. The open

amortization method and a 30 year amortization period are being used. The remaining amortization period at January 1, 2011 was 30 years.

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

Fiscal Year	Annual Required Contribution	Percentage Contributed
12/31/12	\$78,722	55.2%
12/31/11	79,826	61.7%
12/31/10	51,515	57.5%

NOTE 20. GUARANTEE OF DEBT

In connection with the Riverwalk Center, the City of East Grand Forks Economic Development Housing Authority has guaranteed debt for River Cinema, Inc., a tenant of the Riverwalk Center. There are four separate guarantees totaling approximately \$1,017,013 at December 31, 2012. The guarantees expire upon satisfaction of the mortgages by River Cinema, Inc. or the release of the lien on the property by the Economic Development Administration (EDA). Examples of events that would require the EDHA to provide a cash payment pursuant to the guarantees include a loan default, which would result from River Cinema's failure to service its debt when due or noncompliance with financial covenants, and inadequacy of asset collateral. There is currently no recorded liability for potential losses under these guarantees, nor is there any liability for the EDHA's obligation to "stand ready" to fund such guarantee. Based on information gathered as part of its monitoring of risks, the EDHA believes there is only a remote possibility River Cinema, Inc. will not remain current with its debt payments and the EDHA will be required to perform under the guarantees.

**Required Supplemental Information
Other Postemployment Benefits Plan
Schedule of Funding Progress
Year Ended December 31, 2012**

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

Schedule of Employer Contributions:

Fiscal Year	Actual Annual Contribution	Actual Required Contribution	Percentage Contribution
2010	\$ 29,621	\$ 51,515	57.5%
2011	49,253	79,826	61.7%
2012	43,478	78,722	55.2%

NONMAJOR GOVERNMENTAL FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

NONMAJOR GOVERNMENTAL
FUNDS

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.

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

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

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

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

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

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

General obligation bond debt service funds presently established are as follows: 12-1-01, 12-1-03, 4-1-04 Special Assessment Bonds. *2012 Improvement & Refunding 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.

Grants This fund is used to better track grant revenue and expenses for budgeting purposes.

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

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

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

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

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

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

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, 2012**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Campbell- Olson Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 918,612	\$ 187,072	\$ 904,478	\$ 78,962	\$ 2,089,124
Investments	715,397		169,910		885,307
Accounts receivable	20,856		10,820		31,676
Due from other government units		3,342			3,342
Special assessments receivable:					
Delinquent		6,205			6,205
Deferred		462,481			462,481
Notes Receivable	157,684				157,684
Land held for resale	420,185				420,185
Total Assets	<u>\$ 2,232,734</u>	<u>\$ 659,100</u>	<u>\$ 1,085,208</u>	<u>\$ 78,962</u>	<u>\$ 4,056,004</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 10,656	\$ 17,500	\$ 37,558		\$ 65,714
Accrued wages payable	453				453
Due to other funds	0	24,462	274,368		298,830
Due to other government units	68,326		152		68,478
Interfund payable			10,000		10,000
Deferred revenue		468,686			468,686
Total Liabilities	<u>79,435</u>	<u>510,648</u>	<u>322,078</u>	<u>-</u>	<u>912,161</u>
Fund balances:					
Nonspendable	157,684			\$ 76,000	233,684
Restricted	2,058,608	190,414	1,055,088	2,962	3,307,072
Unassigned	(62,993)	(41,962)	(291,958)		(396,913)
Total Fund Balances	<u>2,153,299</u>	<u>148,452</u>	<u>763,130</u>	<u>78,962</u>	<u>3,143,843</u>
Total Liabilities and Fund Balances	<u>\$ 2,232,734</u>	<u>\$ 659,100</u>	<u>\$ 1,085,208</u>	<u>\$ 78,962</u>	<u>\$ 4,056,004</u>

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds by Fund Type
Year Ended December 31, 2012**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Campbell- Olson Fund	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental	\$ 383,149		\$ 988,230		\$ 1,371,379
Special assessments		\$ 129,655			129,655
Charges for services	228,669				228,669
Interest and other revenues	212,421	1,209	19,735	\$ 725	234,090
Total Revenues	<u>824,239</u>	<u>130,864</u>	<u>1,007,965</u>	<u>725</u>	<u>1,963,793</u>
Expenditures:					
Current:					
Public works	18,010				18,010
Recreation and culture	80,579				80,579
Transit	371,403				371,403
Community development	156,639				156,639
Cemetery	57,956				57,956
Capital outlay	21,513		1,424,878		1,446,391
Debt service:					
Principal retirement		10,000	75,577		85,577
Interest and fiscal agent fees		2,556	123,670		126,226
Other debt expenditures		41,962			41,962
Total expenditures	<u>706,100</u>	<u>54,518</u>	<u>1,624,125</u>	<u>-</u>	<u>2,384,743</u>
Excess (deficiency) of revenues over expenditures	<u>118,139</u>	<u>76,346</u>	<u>(616,160)</u>	<u>725</u>	<u>(420,950)</u>
Other financing sources (uses)					
Transfers in	82,030		544,200		626,230
Transfers out	(129,200)		(500,000)		(629,200)
Long-term debt issued			125,000		125,000
Total other financing sources (uses)	<u>(47,170)</u>	<u>-</u>	<u>169,200</u>	<u>-</u>	<u>122,030</u>
Net Change in Fund Balances	<u>70,969</u>	<u>76,346</u>	<u>(446,960)</u>	<u>725</u>	<u>(298,920)</u>
Fund balance at beginning of year	2,082,330	72,106	1,210,090	78,237	3,442,763
Fund balance at end of year	<u>\$ 2,153,299</u>	<u>\$ 148,452</u>	<u>\$ 763,130</u>	<u>\$ 78,962</u>	<u>\$ 3,143,843</u>

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2012**

	<u>Community Growth</u>	<u>State Aid Street</u>	<u>Transit</u>	<u>New Home Incentive</u>	<u>Cemetery</u>
ASSETS					
Cash and cash equivalents	\$ 212,349	\$ 129,978	\$ 4,118	\$ 137,457	\$ 9
Investments		200,000		515,397	
Accounts receivable			4,161		16,695
Notes receivable				157,684	
Due from other government units					
Land held for resale				420,185	
Total Assets	<u>\$ 212,349</u>	<u>\$ 329,978</u>	<u>\$ 8,279</u>	<u>\$ 1,230,723</u>	<u>\$ 16,704</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable			\$ 2,946	\$ 5,755	\$ 1,955
Accrued wages payable					453
Due to other funds					
Due to other government units			68,326		
Deferred revenue					
Total liabilities	<u>-</u>	<u>-</u>	<u>71,272</u>	<u>5,755</u>	<u>2,408</u>
Fund balances:					
Nonspendable				157,684	
Restricted	\$ 212,349	\$ 329,978		1,067,284	14,296
Unassigned			(62,993)		
Total fund balances	<u>212,349</u>	<u>329,978</u>	<u>(62,993)</u>	<u>1,224,968</u>	<u>14,296</u>
Total liabilities and fund balances	<u>\$ 212,349</u>	<u>\$ 329,978</u>	<u>\$ 8,279</u>	<u>\$ 1,230,723</u>	<u>\$ 16,704</u>

(continued)

Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2012 (continued)

	<u>Insect Control</u>	<u>Perpetual Care</u>	<u>Greenway Maintenance</u>	<u>125th Birthday Celebration</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 243,050	\$ 169,721	\$ 7,309	\$ 14,621	\$ 918,612
Investments					715,397
Accounts receivable					20,856
Notes receivable					157,684
Due from other government units					
Land held for resale					420,185
Total Assets	<u>\$ 243,050</u>	<u>\$ 169,721</u>	<u>\$ 7,309</u>	<u>\$ 14,621</u>	<u>\$ 2,232,734</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable					\$ 10,656
Accrued wages payable					453
Due to other funds					
Due to other government units					68,326
Deferred revenue					
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,435</u>
Fund balances:					
Nonspendable					157,684
Restricted	\$ 243,050	\$ 169,721	\$ 7,309	\$ 14,621	2,058,608
Unassigned					(62,993)
Total fund balances	<u>243,050</u>	<u>169,721</u>	<u>7,309</u>	<u>14,621</u>	<u>2,153,299</u>
Total liabilities and fund balances	<u>\$ 243,050</u>	<u>\$ 169,721</u>	<u>\$ 7,309</u>	<u>\$ 14,621</u>	<u>\$ 2,232,734</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2012**

	<u>Community Growth</u>	<u>State Aid Street</u>	<u>Transit</u>	<u>New Home Incentive</u>	<u>Cemetery</u>
Revenues:					
Intergovernmental		\$ 125,163	\$ 257,986		
Charges for services				\$ 86,357	\$ 38,190
Other revenue:					
Program income					
Interest revenue	\$ 1,986	2,752	338	5,812	
Other			6,000	112,733	
Total revenues	<u>1,986</u>	<u>127,915</u>	<u>264,324</u>	<u>204,902</u>	<u>38,190</u>
Expenditures:					
Current:					
Public works		17,319			
Recreation and culture					
Community development	6,507			150,132	
Transit			371,403		
Cemetery					57,956
Capital outlay			18,713		
Total expenditures	<u>6,507</u>	<u>17,319</u>	<u>390,116</u>	<u>150,132</u>	<u>57,956</u>
Excess (deficiency) of revenues over expenditures	<u>(4,521)</u>	<u>110,596</u>	<u>(125,792)</u>	<u>54,770</u>	<u>(19,766)</u>
Other financing sources (uses):					
Transfers in			61,175		20,855
Transfers out					
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>61,175</u>	<u>-</u>	<u>20,855</u>
Net Change in Fund Balances	(4,521)	110,596	(64,617)	54,770	1,089
Fund balance at beginning of year	216,870	219,382	1,624	1,170,198	13,207
Fund balance at end of year	<u>\$ 212,349</u>	<u>\$ 329,978</u>	<u>\$ (62,993)</u>	<u>\$ 1,224,968</u>	<u>\$ 14,296</u>

(continued)

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2012 (continued)**

	Insect Control	Perpetual Care	Greenway Maintenance	125th Birthday Celebration	Total
Revenues:					
Intergovernmental					\$ 383,149
Charges for services	\$ 45,691	\$ 12,740	\$ 45,691		228,669
Other revenue:					
Program income					
Interest revenue	1,989	1,358	1,019	\$ 259	15,513
Other				78,175	196,908
Total revenues	<u>47,680</u>	<u>14,098</u>	<u>46,710</u>	<u>78,434</u>	<u>824,239</u>
Expenditures:					
Current:					
Public works	691				18,010
Recreation and culture				80,579	80,579
Community development					156,639
Transit					371,403
Cemetery					57,956
Capital outlay			2,800		21,513
Total expenditures	<u>691</u>	<u>-</u>	<u>2,800</u>	<u>80,579</u>	<u>706,100</u>
Excess (deficiency) of revenues over expenditures	<u>46,989</u>	<u>14,098</u>	<u>43,910</u>	<u>(2,145)</u>	<u>118,139</u>
Other financing sources (uses):					
Transfers in					82,030
Transfers out			(129,200)		(129,200)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(129,200)</u>	<u>-</u>	<u>(47,170)</u>
Net Change in Fund Balances	46,989	14,098	(85,290)	(2,145)	70,969
Fund balance at beginning of year	196,061	155,623	92,599	16,766	2,082,330
Fund balance at end of year	<u>\$ 243,050</u>	<u>\$ 169,721</u>	<u>\$ 7,309</u>	<u>\$ 14,621</u>	<u>\$ 2,153,299</u>

Combining Balance Sheet Nonmajor Debt Service Funds December 31, 2012

	2012 Improvement & Refunding Bonds	12-1-01 Assessment Bonds	04-1-04 Assessment Bonds	Total
ASSETS				
Cash and cash equivalents		\$ 36,159	\$ 150,913	\$ 187,072
Investments				
Due from other government units:				
Unremitted special assessments				
Other		969	2,373	3,342
Special assessments receivable:				
Delinquent		1,336	4,869	6,205
Deferred		359,351	103,130	462,481
Total assets	<u>-</u>	<u>\$ 397,815</u>	<u>\$ 261,285</u>	<u>\$ 659,100</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 17,500			\$ 17,500
Matured interest payable				
Matured bonds payable				
Due to other funds	24,462			24,462
Deferred Revenue:				
Special Assessments		\$ 360,687	\$ 107,999	468,686
Total liabilities	<u>41,962</u>	<u>360,687</u>	<u>107,999</u>	<u>510,648</u>
Fund balances:				
Restricted		37,128	153,286	190,414
Unassigned	(41,962)			(41,962)
Total fund balances	<u>(41,962)</u>	<u>37,128</u>	<u>153,286</u>	<u>148,452</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 397,815</u>	<u>\$ 261,285</u>	<u>\$ 659,100</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Debt Service Funds
Year Ended December 31, 2012**

	2012 Improvement & Refunding Bonds	12-1-01 Special Assessment Bonds	04-1-04 Special Assessment Bonds	Total
Revenues:				
Special assessments		\$ 90,401	\$ 39,254	\$ 129,655
Other revenue:				
Interest on investments			1,209	1,209
Total revenues	<u>-</u>	<u>90,401</u>	<u>40,463</u>	<u>130,864</u>
Expenditures:				
Debt service:				
Principal retirement			10,000	10,000
Interest and fiscal agent fees			2,556	2,556
Other debt expenditures	\$ 41,962			41,962
Total expenditures	<u>41,962</u>	<u>-</u>	<u>12,556</u>	<u>54,518</u>
Excess (deficiency) of revenues over expenditures	<u>(41,962)</u>	<u>90,401</u>	<u>27,907</u>	<u>76,346</u>
Other financing sources (uses):				
Long-term debt issued				
Bond premium				
Transfers out				
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(41,962)	90,401	27,907	76,346
Fund balance at beginning of year	-	(53,273)	125,379	72,106
Fund balance at end of year	<u>\$ (41,962)</u>	<u>\$ 37,128</u>	<u>\$ 153,286</u>	<u>\$ 148,452</u>

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2012**

	<u>Grants</u>	<u>Levee Projects</u>	<u>1997 Community Development</u>	<u>1997 Downtown Development</u>	<u>2005 City Projects</u>	<u>08 PFA Loan 23rd Street Project</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>
ASSETS											
Cash and cash equivalents		\$ 118,897	\$ 57,719	\$ 243,041	\$ 63,883	\$ 187,131			\$ 191,707	\$ 42,100	\$ 904,478
Investments		89,971	79,939								169,910
Accounts receivable				10,820							10,820
Due from other Governmental Units											
Total Assets		<u>\$ 208,868</u>	<u>\$ 137,658</u>	<u>\$ 253,861</u>	<u>\$ 63,883</u>	<u>\$ 187,131</u>	<u>-</u>	<u>-</u>	<u>\$ 191,707</u>	<u>\$ 42,100</u>	<u>\$ 1,085,208</u>
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts payable			\$ 17,441	\$ 357				\$ 17,438	\$ 2,322		\$ 37,558
Due to Other Funds	\$ 7,294						\$ 37,400	229,674			274,368
Due to Other Government Units	152										152
Interfund Payable										\$ 10,000	10,000
Total liabilities	<u>7,446</u>	<u>-</u>	<u>17,441</u>	<u>357</u>	<u>-</u>	<u>-</u>	<u>37,400</u>	<u>247,112</u>	<u>2,322</u>	<u>10,000</u>	<u>322,078</u>
Fund balances:											
Restricted		\$ 208,868	120,217	253,504	\$ 63,883	\$ 187,131			189,385	32,100	1,055,088
Unassigned	(7,446)					(37,400)	(247,112)				(291,958)
Total fund balances	<u>(7,446)</u>	<u>208,868</u>	<u>120,217</u>	<u>253,504</u>	<u>63,883</u>	<u>187,131</u>	<u>(37,400)</u>	<u>(247,112)</u>	<u>189,385</u>	<u>32,100</u>	<u>763,130</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 208,868</u>	<u>\$ 137,658</u>	<u>\$ 253,861</u>	<u>\$ 63,883</u>	<u>\$ 187,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,707</u>	<u>\$ 42,100</u>	<u>\$ 1,085,208</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Capital Projects Funds
Year Ended December 31, 2012**

	Grants	Levee Projects	1997 Community Development	1997 Downtown Development	2005 City Projects	08 PFA Loan 23rd Street Project	08 PFA Loan Sewer Project	Current City Projects	Building Improvements	SCDP Industrial Park Road	Total
Revenues:											
Intergovernmental	\$ 28,018				\$ 23,747	\$ 259,718		\$ 356,362		\$ 320,385	\$ 988,230
Program income		\$ 10,500									10,500
Interest		3,797	\$ 3,106	\$ 2,332							9,235
Total revenues	<u>28,018</u>	<u>14,297</u>	<u>3,106</u>	<u>2,332</u>	<u>23,747</u>	<u>259,718</u>	<u>-</u>	<u>356,362</u>	<u>-</u>	<u>320,385</u>	<u>1,007,965</u>
Expenditures:											
Capital outlay:											
Land and buildings											
Infrastructure construction	35,464	5,197	272,583	6,475			\$ 144	436,743	\$ 320,298	347,974	1,424,878
Debt Service:											
Principal retirement						75,577					75,577
Interest and fiscal agent charges						123,670					123,670
Total expenditures	<u>35,464</u>	<u>5,197</u>	<u>272,583</u>	<u>6,475</u>	<u>-</u>	<u>199,247</u>	<u>144</u>	<u>436,743</u>	<u>320,298</u>	<u>347,974</u>	<u>1,624,125</u>
Excess (deficiency) of revenues over expenditures	<u>(7,446)</u>	<u>9,100</u>	<u>(269,477)</u>	<u>(4,143)</u>	<u>23,747</u>	<u>60,471</u>	<u>(144)</u>	<u>(80,381)</u>	<u>(320,298)</u>	<u>(27,589)</u>	<u>(616,160)</u>
Other financing sources (uses):											
Transfers in					45,000			249,200	250,000		544,200
Transfers out		(500,000)									(500,000)
Long-term debt issued										125,000	125,000
Total other financing sources (uses)	<u>-</u>	<u>(500,000)</u>	<u>-</u>	<u>-</u>	<u>45,000</u>	<u>-</u>	<u>-</u>	<u>249,200</u>	<u>250,000</u>	<u>125,000</u>	<u>169,200</u>
Net Change in Fund Balances	(7,446)	(490,900)	(269,477)	(4,143)	68,747	60,471	(144)	168,819	(70,298)	97,411	(446,960)
Fund balance at beginning of year	-	699,768	389,694	257,647	(4,864)	126,660	(37,256)	(415,931)	259,683	(65,311)	1,210,090
Fund balance at end of year	<u>\$ (7,446)</u>	<u>\$ 208,868</u>	<u>\$ 120,217</u>	<u>\$ 253,504</u>	<u>\$ 63,883</u>	<u>\$ 187,131</u>	<u>\$ (37,400)</u>	<u>\$ (247,112)</u>	<u>\$ 189,385</u>	<u>\$ 32,100</u>	<u>\$ 763,130</u>

**Community Growth Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental				
Other revenues:				
Interest revenue	\$ 5,000	\$ 5,000	\$ 1,986	\$ (3,014)
Total revenues	<u>5,000</u>	<u>5,000</u>	<u>1,986</u>	<u>(3,014)</u>
Expenditures:				
Community development:				
Contractual services	10,000	10,000	6,507	(3,493)
Other expenditures	<u>100,000</u>	<u>100,000</u>	<u>6,507</u>	<u>(100,000)</u>
Total expenditures	<u>110,000</u>	<u>110,000</u>	<u>6,507</u>	<u>(103,493)</u>
Net Changes in Fund Balances	<u>(105,000)</u>	<u>(105,000)</u>	<u>(4,521)</u>	<u>100,479</u>
Fund balance at beginning of year	<u>216,870</u>	<u>216,870</u>	<u>216,870</u>	
Fund balance at end of year	<u>\$ 111,870</u>	<u>\$ 111,870</u>	<u>\$ 212,349</u>	<u>\$ 100,479</u>

**State Aid Street Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 119,000	\$ 119,000	\$ 125,163	\$ 6,163
Other revenues:				
Interest revenue	2,500	2,500	2,752	252
Total revenue	<u>121,500</u>	<u>121,500</u>	<u>127,915</u>	<u>6,415</u>
Expenditures:				
Public works:				
Contractual services			17,319	17,319
Total expenditures	<u>-</u>	<u>-</u>	<u>17,319</u>	<u>17,319</u>
Excess (deficiency) of revenues over expenditures	<u>121,500</u>	<u>121,500</u>	<u>110,596</u>	<u>(10,904)</u>
Other financing sources (uses):				
Transfers out	123,670	123,670		(123,670)
Total other financing sources (uses)	<u>123,670</u>	<u>123,670</u>	<u>-</u>	<u>(123,670)</u>
Net Changes in Fund Balances	245,170	245,170	110,596	(134,574)
Fund balance at beginning of year	219,382	219,382	219,382	
Fund balance at end of year	<u>\$ 464,552</u>	<u>\$ 464,552</u>	<u>\$ 329,978</u>	<u>\$ (134,574)</u>

Transit Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 272,325	\$ 272,325	\$ 257,986	\$ (14,339)
Charges for services				
Other revenues:				
Interest revenue			338	338
Other	6,000	6,000	6,000	
Total Revenues	<u>278,325</u>	<u>278,325</u>	<u>264,324</u>	<u>(14,001)</u>
Expenditures:				
Transit:				
Contractual services	323,500	323,500	337,051	13,551
Capital outlay			25,038	25,038
Other expenditures	16,000	16,000	28,027	12,027
Total expenditures	<u>339,500</u>	<u>339,500</u>	<u>390,116</u>	<u>50,616</u>
Excess (deficiency) of revenues over expenditures	<u>(61,175)</u>	<u>(61,175)</u>	<u>(125,792)</u>	<u>(64,617)</u>
Other financing sources (uses):				
Transfers in	61,175	61,175	61,175	
Total other financing sources (uses)	<u>61,175</u>	<u>61,175</u>	<u>61,175</u>	<u>-</u>
Net Changes in Fund Balances	-		(64,617)	(64,617)
Fund balance at beginning of year	1,624	1,624	1,624	
Fund balance at end of year	<u>\$ 1,624</u>	<u>\$ 1,624</u>	<u>\$ (62,993)</u>	<u>\$ (64,617)</u>

**New Home Incentive Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services			\$ 86,357	\$ 86,357
Other revenues:				
Interest revenue			5,812	5,812
Other			112,733	112,733
Total revenues	<u>-</u>	<u>-</u>	<u>204,902</u>	<u>204,902</u>
Expenditures:				
Community development:				
Contractual services			53,919	53,919
Other expenditures			96,213	96,213
Total expenditures	<u>-</u>	<u>-</u>	<u>150,132</u>	<u>150,132</u>
Net Changes in Fund Balances	<u>-</u>	<u>-</u>	<u>54,770</u>	<u>54,770</u>
Fund balance at beginning of year	\$ 1,170,198	\$ 1,170,198	1,170,198	
Fund balance at end of year	<u>\$ 1,170,198</u>	<u>\$ 1,170,198</u>	<u>\$ 1,224,968</u>	<u>\$ 54,770</u>

Cemetery Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 41,000	\$ 41,000	\$ 38,190	\$ (2,810)
Other revenues:				
Interest revenue				
Total revenues	<u>41,000</u>	<u>41,000</u>	<u>38,190</u>	<u>(2,810)</u>
Expenditures:				
Other:				
Personal services	21,115	21,115	20,620	(495)
Supplies	2,700	2,700	2,036	(664)
Contractual services	20,850	20,850	28,796	7,946
Capital outlay				
Other expenditures	6,000	6,000	6,504	504
Total expenditures	<u>50,665</u>	<u>50,665</u>	<u>57,956</u>	<u>7,291</u>
Excess (deficiency) of revenues over expenditures	<u>(9,665)</u>	<u>(9,665)</u>	<u>(19,766)</u>	<u>(10,101)</u>
Other financing sources (uses):				
Transfers in	9,665	9,665	20,855	11,190
Total other financing sources (uses)	<u>9,665</u>	<u>9,665</u>	<u>20,855</u>	<u>11,190</u>
Net Changes in Fund Balances	-	-	1,089	1,089
Fund balance at beginning of year	13,207	13,207	13,207	
Fund balance at end of year	<u>\$ 13,207</u>	<u>\$ 13,207</u>	<u>\$ 14,296</u>	<u>\$ 1,089</u>

Insect Control Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 45,000	\$ 45,000	\$ 45,691	\$ 691
Other revenue:				
Interest revenue	2,500	2,500	1,989	1,989
Other				
Total revenues	<u>47,500</u>	<u>47,500</u>	<u>47,680</u>	<u>2,680</u>
Expenditures:				
Public Works:				
Personal services	11,490	11,490	586	(10,904)
Supplies	20,000	20,000		(20,000)
Contractual services	2,176	2,176		(2,176)
Capital outlay				
Other expenditures	2,500	2,500	105	(2,395)
Total expenditures	<u>36,166</u>	<u>36,166</u>	<u>691</u>	<u>(35,475)</u>
Net Changes in Fund Balances	11,334	11,334	46,989	38,155
Fund balance at beginning of year	196,061	196,061	196,061	
Fund balance at end of year	<u>\$ 207,395</u>	<u>\$ 207,395</u>	<u>\$ 243,050</u>	<u>\$ 38,155</u>

**Perpetual Care Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 10,000	\$ 10,000	\$ 12,740	\$ 2,740
Other revenue:				
Interest revenue	2,000	2,000	1,358	(642)
Total revenues	<u>12,000</u>	<u>12,000</u>	<u>14,098</u>	<u>2,098</u>
Net Change in Fund Balances	12,000	12,000	14,098	2,098
Fund balance at beginning of year	155,623	155,623	155,623	
Fund balance at end of year	<u>\$ 167,623</u>	<u>\$ 167,623</u>	<u>\$ 169,721</u>	<u>\$ 2,098</u>

**Greenway Maintenance Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services			\$ 45,691	\$ 45,691
Other revenue:				
Interest revenue			1,019	1,019
Other				
Total revenues	<u>-</u>	<u>-</u>	<u>46,710</u>	<u>46,710</u>
Expenditures:				
Public Works:				
Capital outlay	\$ 88,000	\$ 88,000	2,800	(85,200)
Total expenditures	<u>88,000</u>	<u>88,000</u>	<u>2,800</u>	<u>(85,200)</u>
Other financing sources (uses):				
Operating transfers out			(129,200)	(129,200)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(129,200)</u>	<u>(129,200)</u>
Net Change in Fund Balances	(88,000)	(88,000)	(85,290)	2,710
Fund balance at beginning of year	92,599	92,599	92,599	
Fund balance at end of year	<u>\$ 4,599</u>	<u>\$ 4,599</u>	<u>\$ 7,309</u>	<u>\$ 2,710</u>

**125th Anniversary Celebration Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2012**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Other revenue:				
Donations			\$ 78,175	\$ 78,175
Interest revenue			259	259
Total revenues	<u>-</u>	<u>-</u>	<u>78,434</u>	<u>78,434</u>
Expenditures:				
Culture and recreation:				
Supplies			9,655	9,655
Contractual Services			70,924	70,924
Total expenditures	<u>-</u>	<u>-</u>	<u>80,579</u>	<u>80,579</u>
Net Change in Fund Balances	-	-	(2,145)	(2,145)
Fund balance at beginning of year	\$ 16,766	\$ 16,766	16,766	
Fund balance at end of year	<u>\$ 16,766</u>	<u>\$ 16,766</u>	<u>\$ 14,621</u>	<u>\$ (2,145)</u>



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INTERNAL SERVICE FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

INTERNAL SERVICE
FUNDS

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

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

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



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**Combining Statement of Net Position
Internal Service Funds
December 31, 2012**

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 347,399	\$ 215,505	\$ 562,904
Investments	682,515	162,529	845,044
Interfund receivable		114,784	114,784
Total current assets	<u>1,029,914</u>	<u>492,818</u>	<u>1,522,732</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment		2,784,784	2,784,784
Less accumulated depreciation		<u>(1,291,351)</u>	<u>(1,291,351)</u>
Capital assets (net)	<u>-</u>	<u>1,493,433</u>	<u>1,493,433</u>
TOTAL ASSETS	<u>1,029,914</u>	<u>1,986,251</u>	<u>3,016,165</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable			
Compensated absences payable	40,094		40,094
Notes payable - current			
Accrued Interest Payable			
Total current liabilities	<u>40,094</u>	<u>-</u>	<u>40,094</u>
Noncurrent liabilities:			
Compensated absences payable - net current portion	962,246		962,246
Notes Payable - net current portion		900,761	900,761
Total noncurrent liabilities	<u>962,246</u>	<u>900,761</u>	<u>1,863,007</u>
TOTAL LIABILITIES	<u>1,002,340</u>	<u>900,761</u>	<u>1,903,101</u>
NET POSITION			
Net investment in capital assets		592,672	592,672
Unrestricted	27,574	492,818	520,392
TOTAL NET POSITION	<u>\$ 27,574</u>	<u>\$ 1,085,490</u>	<u>\$ 1,113,064</u>

**Combining Statement of Revenues, Expenses and Changes
in Fund Net Position - Internal Service Funds
Year Ended December 31, 2012**

	Benefit Accrual	Central Equipment	Total
Operating revenues:			
Charges for services	\$ 90,617	\$ 190,740	\$ 281,357
Total operating revenues	<u>90,617</u>	<u>190,740</u>	<u>281,357</u>
Operating expenses:			
Compensated absences	125,209		125,209
Depreciation		145,773	145,773
Total operating expenses	<u>125,209</u>	<u>145,773</u>	<u>270,982</u>
Operating income (loss)	<u>(34,592)</u>	<u>44,967</u>	<u>10,375</u>
Nonoperating revenues (expenses)			
Interest revenue	8,855		8,855
Interest expense		(294)	(294)
Total nonoperating revenues (expenses)	<u>8,855</u>	<u>(294)</u>	<u>8,561</u>
Change in net position	(25,737)	44,673	18,936
Net position at beginning of year	53,311	1,040,817	1,094,128
Net position at end of year	<u>\$ 27,574</u>	<u>\$ 1,085,490</u>	<u>\$ 1,113,064</u>

Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2012

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Cash flow from operating activities:			
Receipts from interfund service provided	\$ 90,617	\$ 75,956	\$ 166,573
Payments for compensated absences	(156,321)		(156,321)
Net cash provided by operating activities	<u>(65,704)</u>	<u>75,956</u>	<u>10,252</u>
Cash flows from capital financing activities:			
Acquisition of capital assets		(970,471)	(970,471)
Principal payments on long-term debt		(72,241)	(72,241)
Interest payments on long-term debt		(3,532)	(3,532)
Proceeds from long-term debt		900,761	900,761
Net cash provided by capital financing activities	<u>-</u>	<u>(145,483)</u>	<u>(145,483)</u>
Cash flows from investing activities			
Interest on investments	8,855		8,855
Sale of investments	(193,472)		(193,472)
Purchase of investments		38,873	38,873
Net cash provided by investing activities	<u>(184,617)</u>	<u>38,873</u>	<u>(145,744)</u>
Increase (decrease) in cash and cash equivalents	(250,321)	(30,654)	(280,975)
Cash and cash equivalents - January 1	597,720	246,159	843,879
Cash and cash equivalents - December 31	<u>\$ 347,399</u>	<u>\$ 215,505</u>	<u>\$ 562,904</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (34,592)	\$ 44,967	\$ 10,375
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization		145,773	145,773
Changes in assets and liabilities:			
Compensated absences	(31,112)		(31,112)
Accounts receivable		(114,784)	(114,784)
Net cash provided by operating activities	<u>\$ (65,704)</u>	<u>\$ 75,956</u>	<u>\$ 10,252</u>



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OTHER SUPPLEMENTARY SCHEDULES



CITY OF EAST GRAND FORKS, MINNESOTA

OTHER SUPPLEMENTARY
SCHEDULES

**Schedule of Revenues and Other Sources
Budget to Actual - General Fund
Year Ended December 31, 2012**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Taxes:					
Property taxes	\$ 2,919,602	\$ 2,919,602	\$ 2,501,605	\$ (417,997)	\$ 2,323,055
Mobile home taxes	6,000	6,000	4,664	(1,336)	19,306
Tax increment taxes	200	200	2,864	2,664	6
Hotel/Motel taxes	11,000	11,000	15,527	4,527	14,376
Franchise taxes	1,355,000	1,355,000	1,416,140	61,140	1,392,521
Penalties and interest	1,500	1,500	2,264	764	8,231
Total taxes	<u>4,293,302</u>	<u>4,293,302</u>	<u>3,943,064</u>	<u>(350,238)</u>	<u>3,757,495</u>
Licenses and permits:					
Liquor and malt licenses	45,725	45,725	50,363	4,638	50,313
Tobacco licenses	400	400	600	200	600
Plumbing licenses	2,000	2,000	2,075	75	2,025
Amusement center licenses					20
Pet licenses	1,000	1,000	1,042	42	959
Other licenses	5,000	5,000	4,877	(123)	6,056
Building permits	50,000	50,000	56,997	6,997	40,491
Excavation permits	2,000	2,000	1,710	(290)	1,395
Plumbing permits	1,400	1,400	3,116	1,716	544
Other permits	3,000	3,000	4,750	1,750	2,798
Total Licenses & Permits	<u>110,525</u>	<u>110,525</u>	<u>125,530</u>	<u>15,005</u>	<u>105,201</u>
Intergovernmental:					
Federal grants	50,000	50,000	121,379	71,379	12,306
Local government aid	2,471,550	2,471,550	2,471,550		2,492,120
Disparity reduction credit			529,611	529,611	375,529
Market value credit			423	423	11,933
PERA aid	15,688	15,688	15,688		15,688
Police state aid	150,000	150,000	130,529	(19,471)	143,575
Fire state aid	35,000	35,000	37,892	2,892	36,203
Ambulance subsidy	22,000	22,000	21,939	(61)	21,939
Other	41,000	41,000	51,914	10,914	78,054
Total Intergovernmental	<u>2,785,238</u>	<u>2,785,238</u>	<u>3,380,925</u>	<u>595,687</u>	<u>3,187,347</u>
Charges for services:					
General Government	3,500	3,500	8,013	4,513	16,114
Accounting Other Funds	38,000	38,000	18,000	(20,000)	18,000
Rescue Unit	200,000	200,000	232,370	32,370	231,762

(continued)

Schedule of Revenues and Other Sources
Budget to Actual - General Fund
Year Ended December 31, 2012 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Charges for services (continued):					
Police services			275	275	
Protective inspection services	16,000	16,000	14,790	(1,210)	15,810
Rural fire service	46,893	46,893	48,841	1,948	47,831
Public safety - other	5,000	5,000	10,169	5,169	11,575
Streets and highways	8,900	8,900	9,433	533	14,973
Street lights	200,000	200,000	205,338	5,338	168,732
Swimming pool	20,000	20,000	18,161	(1,839)	19,370
Summer recreation programs	43,300	43,300	43,911	611	44,228
Winter recreation programs	71,750	71,750	82,573	10,823	81,343
Recreation - other	125,000	125,000	137,419	12,419	83,879
Library					1,282
Senior Center	7,750	7,750	6,510	(1,240)	8,140
City hall rent	25,500	25,500	24,848	(652)	24,623
Blue Line Arena rent	7,000	7,000	11,934	4,934	4,191
VFW arena rent	20,000	20,000	15,126	(4,874)	20,572
Civic center rent	105,000	105,000	95,677	(9,323)	56,872
Zoning	2,000	2,000	22,123	20,123	
Total charges for services	<u>945,593</u>	<u>945,593</u>	<u>1,005,511</u>	<u>59,918</u>	<u>869,297</u>
Fines and forfeits:					
Court fines	100,000	100,000	91,539	(8,461)	78,195
Parking fines	10,000	10,000	6,543	(3,457)	10,350
Other fees and fines	1,000	1,000	1,475	475	2,124
Impound fees	5,300	5,300	3,261	(2,039)	3,328
Sale of seized property	20,000	20,000	21,023	1,023	12,957
Total fines and forfeits	<u>136,300</u>	<u>136,300</u>	<u>123,841</u>	<u>(12,459)</u>	<u>106,954</u>
Miscellaneous revenues:					
Interest revenue	30,000	30,000	19,277	(10,723)	42,961
Donations	11,000	11,000	22,312	11,312	20,467
Insurance dividends and proceeds			15,956	15,956	63,854
Other	32,900	32,900	(28,432)	(61,332)	74,757
Total miscellaneous	<u>73,900</u>	<u>73,900</u>	<u>29,113</u>	<u>(44,787)</u>	<u>202,039</u>
Total revenues	<u>8,344,858</u>	<u>8,344,858</u>	<u>8,607,984</u>	<u>263,126</u>	<u>8,228,333</u>
Other financing sources:					
Transfers in:					
Enterprise fund projects	60,000	60,000		(60,000)	
Other funds	206,000	206,000		(206,000)	427,560
Total other financing sources	<u>266,000</u>	<u>266,000</u>	<u>-</u>	<u>(266,000)</u>	<u>427,560</u>
Total revenues and other financing sources	<u>\$ 8,610,858</u>	<u>\$ 8,610,858</u>	<u>\$ 8,607,984</u>	<u>\$ (2,874)</u>	<u>\$ 8,655,893</u>

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2012**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
General government:					
Council:					
Personal services	\$ 47,300	\$ 47,300	\$ 43,370	\$ 3,930	\$ 46,469
Other expenditures	7,500	7,500	2,814	4,686	3,977
Total	<u>54,800</u>	<u>54,800</u>	<u>46,184</u>	<u>8,616</u>	<u>50,446</u>
Ordinances and proceedings:					
Contractual services	3,000	3,000	1,788	1,212	1,747
Total	<u>3,000</u>	<u>3,000</u>	<u>1,788</u>	<u>1,212</u>	<u>1,747</u>
Mayor:					
Personal services	10,800	10,800	10,761	39	10,761
Supplies	200	200	79	121	
Contractual services	800	800	331	469	212
Other expenditures	5,000	5,000	982	4,018	1,863
Total	<u>16,800</u>	<u>16,800</u>	<u>12,153</u>	<u>4,647</u>	<u>12,836</u>
Elections:					
Personal services	8,000	8,000	9,198	(1,198)	
Supplies					
Other expenditures	200	200	422	(222)	
Total	<u>8,200</u>	<u>8,200</u>	<u>9,620</u>	<u>(1,420)</u>	<u>-</u>
City administration:					
Personal services	309,888	309,888	271,896	37,992	296,869
Supplies	10,000	10,000	15,865	(5,865)	6,543
Contractual services	39,000	39,000	26,705	12,295	11,242
Other expenditures	8,000	8,000	7,031	969	7,762
Capital outlay					
Total	<u>366,888</u>	<u>366,888</u>	<u>321,497</u>	<u>45,391</u>	<u>322,416</u>
Accounting and auditing:					
Contractual services	34,000	34,000	30,662	3,338	31,852
Total	<u>34,000</u>	<u>34,000</u>	<u>30,662</u>	<u>3,338</u>	<u>31,852</u>
City assessor:					
Contractual services	29,000	29,000	28,976	24	29,008
Total	<u>29,000</u>	<u>29,000</u>	<u>28,976</u>	<u>24</u>	<u>29,008</u>
City attorney:					
Personal services					
Supplies					
Contractual services	115,000	115,000	118,061	(3,061)	102,085
Other expenditures	7,500	7,500	2,131	5,369	2,107
Total	<u>122,500</u>	<u>122,500</u>	<u>120,192</u>	<u>2,308</u>	<u>104,192</u>
Planning and zoning:					
Personal services					
Contractual services	75,500	75,500	96,170	(20,670)	95,889
Other expenditures	500	500	598	(98)	121
Total	<u>76,000</u>	<u>76,000</u>	<u>96,768</u>	<u>(20,768)</u>	<u>96,010</u>

(continued)

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2012 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
General government (continued)					
Water and light commission:					
Personal services					
Total	-	-	-	-	-
Civil service commission:					
Personal Services	3,230	3,230	3,230	-	3,230
Other expenditures	250	250	8,106	(7,856)	-
Total	3,480	3,480	11,336	(7,856)	3,230
Finance and accounting:					
Personal services	97,618	97,618	93,979	3,639	95,909
Supplies	500	500		500	
Contractual services					
Other expenditures	2,000	2,000	1,708	292	2,148
Capital outlay					
Total	100,118	100,118	95,687	4,431	98,057
Building:					
Supplies	3,000	3,000	2,780	220	2,619
Contractual services	113,500	113,500	118,848	(5,348)	80,828
Other expenditures	250	250	3	247	
Total	116,750	116,750	121,631	(4,881)	83,447
Summary:					
Current	931,536	931,536	896,494	35,042	833,241
Capital outlay					
Total general government	<u>\$ 931,536</u>	<u>\$ 931,536</u>	<u>\$ 896,494</u>	<u>\$ 35,042</u>	<u>\$ 833,241</u>
Public safety:					
Police:					
Personal services	\$ 1,884,391	\$ 1,884,391	\$ 1,918,659	\$ (34,268)	\$ 1,861,999
Supplies	84,650	84,650	97,045	(12,395)	88,460
Contractual services	108,350	108,350	120,334	(11,984)	120,614
Other expenditures	10,700	10,700	14,797	(4,097)	15,651
Capital outlay	75,000	75,000	56,134	18,866	64,745
Total	2,163,091	2,163,091	2,206,969	(43,878)	2,151,469
Fire:					
Personal services	925,623	925,623	906,487	19,136	921,792
Supplies	23,700	23,700	24,860	(1,160)	16,297
Contractual services	81,300	81,300	91,996	(10,696)	83,742
Other expenditures	3,200	3,200	12,220	(9,020)	2,819
Capital outlay	50,000	50,000		50,000	10,847
Total	1,083,823	1,083,823	1,035,563	48,260	1,035,497

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2012 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Public safety (continued)					
Building inspection:					
Personal services	144,284	144,284	125,813	18,471	141,021
Supplies	2,200	2,200	1,241	959	1,240
Contractual services	3,200	3,200	5,916	(2,716)	1,816
Other expenditures	2,000	2,000	472	1,528	526
Capital outlay					
Total	<u>151,684</u>	<u>151,684</u>	<u>133,442</u>	<u>18,242</u>	<u>144,603</u>
Emergency Management:					
Contractual services					
Other expenditures			259	(259)	
Equipment					
Total	<u>-</u>	<u>-</u>	<u>259</u>	<u>(259)</u>	<u>-</u>
Traffic engineering:					
Personal services	20,108	20,108	26,868	(6,760)	33,652
Supplies	14,500	14,500	14,295	205	13,735
Contractual services	11,800	11,800	13,971	(2,171)	13,179
Other expenditures	500	500	340	160	387
Total	<u>46,908</u>	<u>46,908</u>	<u>55,474</u>	<u>(8,566)</u>	<u>60,953</u>
Animal control:					
Supplies					226
Contractual services	7,000	7,000	5,717	1,283	6,347
Total	<u>7,000</u>	<u>7,000</u>	<u>5,717</u>	<u>1,283</u>	<u>6,573</u>
Summary:					
Current	3,327,506	3,327,506	3,381,290	(53,784)	3,323,503
Capital outlay	125,000	125,000	56,134	68,866	75,592
Total public safety	<u>\$ 3,452,506</u>	<u>\$ 3,452,506</u>	<u>\$ 3,437,424</u>	<u>\$ 15,082</u>	<u>\$ 3,399,095</u>
Public works:					
Administration:					
Personal services	\$ 85,347	\$ 85,347	\$ 77,452	\$ 7,895	\$ 80,748
Supplies	2,000	2,000	(272)	2,272	2,592
Contractual services	2,000	2,000	2,082	(82)	1,745
Other expenditures	2,500	2,500	5,000	(2,500)	1,858
Total	<u>91,847</u>	<u>91,847</u>	<u>84,262</u>	<u>7,585</u>	<u>86,943</u>
Streets:					
Personal services	297,233	297,233	237,105	60,128	296,915
Supplies	18,500	18,500	16,970	1,530	16,449
Contractual services	500	500	1,028	(528)	40
Other expenditures	52,000	52,000	24,977	27,023	112
Capital outlay	250,000	250,000	164,227	85,773	155,789
Total	<u>618,233</u>	<u>618,233</u>	<u>444,307</u>	<u>173,926</u>	<u>469,305</u>

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2012 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Public works (continued)					
Engineering Services					
Other professional services	60,000	60,000	17,003	42,997	26,015
Total	60,000	60,000	17,003	42,997	26,015
Downtown parking lots:					
Personal services	5,515	5,515	4,348	1,167	2,032
Supplies					
Contractual services	1,000	1,000	2,332	(1,332)	391
Other expenditures			56	(56)	
Total	6,515	6,515	6,736	(221)	2,423
Ice and snow removal:					
Personal services	99,964	99,964	29,877	70,087	63,712
Supplies	8,500	8,500	5,130	3,370	16,796
Contractual services	113,000	113,000	77,837	35,163	69,443
Other expenditures	1,000	1,000	846	154	575
Capital outlay					5,663
Total	222,464	222,464	113,690	108,774	156,189
Equipment:					
Supplies	73,610	73,610	68,423	5,187	40,928
Contractual services	159,500	159,500	151,565	7,935	172,915
Other expenditures	500	500	156	344	89
Capital outlay	65,000	65,000	10,311	54,689	
Total	298,610	298,610	230,455	68,155	213,932
Demolition:					
Personal services					
Contractual services					
Other expenditures					
Total	-	-	-	-	-
Equipment building:					
Supplies	17,000	17,000	15,905	1,095	31,909
Contractual services	69,400	69,400	74,447	(5,047)	74,919
Other expenditures	500	500	541	(41)	1,229
Capital outlay					
Total	86,900	86,900	90,893	(3,993)	108,057
City shop:					
Personal services	132,667	132,667	140,352	(7,685)	135,270
Charged back	(90,000)	(90,000)	(76,847)	(13,153)	(77,235)
Supplies	180,000	180,000	176,801	3,199	211,982
Charged back	(180,000)	(180,000)	(191,387)	11,387	(205,932)
Other expenditures	1,500	1,500	2,268	(768)	1,365
Total	44,167	44,167	51,187	(7,020)	65,450

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2012 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Public works (continued)					
Storm sewers:					
Miscellaneous					1,000
Total	-	-	-	-	1,000
Street lighting:					
Contractual services	180,000	180,000	181,844	(1,844)	175,702
Total	180,000	180,000	181,844	(1,844)	175,702
Street cleaning:					
Personal services	24,130	24,130	27,407	(3,277)	26,102
Contractual services	18,100	18,100	18,100		18,100
Total	42,230	42,230	45,507	(3,277)	44,202
Weed control:					
Personal services	23,554	23,554	55,430	(31,876)	37,816
Supplies	500	500	293	207	301
Contractual services	14,000	14,000	14,000		14,000
Other expenditures	1,000	1,000	1,542	(542)	2,038
Total	39,054	39,054	71,265	(32,211)	54,155
Summary:					
Current	1,375,020	1,375,020	1,162,611	212,409	1,241,921
Capital outlay	315,000	315,000	174,538	140,462	161,452
Total public works	<u>\$ 1,690,020</u>	<u>\$ 1,690,020</u>	<u>1,337,149</u>	<u>\$ 352,871</u>	<u>\$ 1,403,373</u>
Recreation and culture:					
Parks and recreation administration					
Personal services	\$ 216,591	\$ 216,591	\$ 227,551	\$ (10,960)	\$ 223,682
Supplies	2,000	2,000	3,636	(1,636)	2,548
Contractual services	5,500	5,500	6,493	(993)	6,515
Other expenditures	3,400	3,400	4,105	(705)	4,300
Total	227,491	227,491	241,785	(14,294)	237,045
Playgrounds:					
Personal services	5,921	5,921	4,590	1,331	4,895
Supplies	500	500	588	(88)	117
Other expenditures	300	300	100	200	318
Capital outlay	30,000	30,000	28,770	1,230	16,010
Total	36,721	36,721	34,048	2,673	21,340

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2012 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Recreation and culture (continued)					
Swimming pool:					
Personal services	43,484	43,484	37,810	5,674	36,814
Supplies	11,200	11,200	6,981	4,219	11,440
Contractual services	35,600	35,600	36,191	(591)	35,803
Other expenditures	500	500	815	(315)	1,754
Capital outlay	40,000	40,000	26,963	13,037	
Total	130,784	130,784	108,760	22,024	85,811
Tennis:					
Personal services	2,907	2,907	2,832	75	2,857
Supplies	300	300	419	(119)	730
Other expenditures	300	300	100	200	244
Capital outlay					17,961
Total	3,507	3,507	3,351	156	21,792
Skating rinks:					
Personal services	6,997	6,997	3,208	3,789	3,302
Supplies	1,200	1,200	395	805	
Other expenditures	500	500		500	570
Total	8,697	8,697	3,603	5,094	3,872
Hockey:					
Personal services	32,295	32,295	41,436	(9,141)	34,968
Supplies	2,000	2,000	2,642	(642)	1,167
Other expenditures	6,500	6,500	7,445	(945)	4,610
Total	40,795	40,795	51,523	(10,728)	40,745
Figure skating:					
Personal services	30,680	30,680	34,841	(4,161)	34,172
Supplies	3,000	3,000	4,728	(1,728)	3,746
Other expenditures	1,000	1,000	1,309	(309)	1,882
Total	34,680	34,680	40,878	(6,198)	39,800
Baseball:					
Personal services	32,295	32,295	32,593	(298)	37,017
Supplies	12,000	12,000	11,043	957	11,867
Other expenditures	6,200	6,200	11,895	(5,695)	12,982
Total	50,495	50,495	55,531	(5,036)	61,866
Softball:					
Personal services	14,533	14,533	9,971	4,562	13,613
Supplies	1,800	1,800	2,147	(347)	2,217
Other expenditures	2,000	2,000	269	1,731	(3,385)
Total	18,333	18,333	12,387	5,946	12,445

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2012 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Recreation and culture (continued)					
Civic center:					
Personal services	96,435	96,435	95,622	813	95,175
Supplies	17,500	17,500	18,993	(1,493)	12,440
Contractual services	121,086	121,086	128,917	(7,831)	107,273
Other expenditures	800	800	914	(114)	702
Capital outlay			9,500	(9,500)	13,984
Total	<u>235,821</u>	<u>235,821</u>	<u>253,946</u>	<u>(18,125)</u>	<u>229,574</u>
VFW arena:					
Personal services	86,680	86,680	87,179	(499)	74,746
Supplies	15,500	15,500	13,427	2,073	12,420
Contractual services	77,300	77,300	82,188	(4,888)	77,041
Other expenditures	1,100	1,100	924	176	876
Capital outlay					287
Total	<u>180,580</u>	<u>180,580</u>	<u>183,718</u>	<u>(3,138)</u>	<u>165,370</u>
Library:					
Personal services	295,365	295,365	306,834	(11,469)	282,790
Supplies	48,900	48,900	40,084	8,816	37,464
Other expenditures	85,500	85,500	71,551	13,949	48,390
Total	<u>429,765</u>	<u>429,765</u>	<u>418,469</u>	<u>11,296</u>	<u>368,644</u>
Senior Center:					
Personal services	76,725	76,725	71,890	4,835	75,365
Supplies	4,500	4,500	4,272	228	3,059
Other expenditures	22,100	22,100	23,265	(1,165)	20,193
Total	<u>103,325</u>	<u>103,325</u>	<u>99,427</u>	<u>3,898</u>	<u>98,617</u>
Blue Line Arena:					
Personal services	7,536	7,536	11,748	(4,212)	10,770
Supplies	250	250	3,277	(3,027)	1,532
Contractual services	26,000	26,000	30,590	(4,590)	26,597
Total	<u>33,786</u>	<u>33,786</u>	<u>45,615</u>	<u>(11,829)</u>	<u>38,899</u>
Park areas:					
Personal services	140,273	140,273	129,801	10,472	170,941
Supplies	44,500	44,500	45,191	(691)	43,253
Contractual services	79,150	79,150	95,331	(16,181)	85,837
Other expenditures	7,000	7,000	2,882	4,118	2,463
Capital outlay	20,000	20,000	19,319	681	95,873
Total	<u>290,923</u>	<u>290,923</u>	<u>292,524</u>	<u>(1,601)</u>	<u>398,367</u>
Campground-Recreation Area:					
Personal services	68,896	68,896	87,071	(18,175)	65,209
Supplies	12,000	12,000	8,380	3,620	15,977
Other expenditures	27,800	27,800	13,713	14,087	26,689
Capital outlay			12,693	(12,693)	
Total	<u>108,696</u>	<u>108,696</u>	<u>121,857</u>	<u>(13,161)</u>	<u>107,875</u>
Summary:					
Current	1,844,399	1,844,399	1,870,177	(24,204)	1,805,908
Capital outlay	90,000	90,000	97,245	(8,819)	126,154
Total Recreation and culture	<u>\$ 1,934,399</u>	<u>\$ 1,934,399</u>	<u>\$ 1,967,422</u>	<u>\$ (33,023)</u>	<u>\$ 1,932,062</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2012 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Community Development:					
Residential tax abatement	\$ 60,000	\$ 60,000	\$ 71,193	\$ (11,193)	\$ 41,523
Total	<u>60,000</u>	<u>60,000</u>	<u>71,193</u>	<u>(11,193)</u>	<u>41,523</u>
Summary:					
Current	60,000	60,000	71,193	(11,193)	41,523
Capital outlay					
Total Community Development	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 71,193</u>	<u>\$ (11,193)</u>	<u>\$ 41,523</u>
Other expenditures:					
Workers compensation	10,000	10,000	7,694	2,306	\$ 2,635
General liability and other insurance	150,000	150,000	119,756	30,244	147,298
Promotional(Lodging)	10,670	10,670	14,750	(4,080)	13,073
Memberships and dues	20,000	20,000	19,776	224	19,192
Miscellaneous	25,000	25,000	18,229	6,771	34,707
Contributed services	30,000	30,000		30,000	
Contributed capital outlay	30,000	30,000		30,000	
Capital outlay	20,000	20,000	2,220	17,780	4,226
Total	<u>295,670</u>	<u>295,670</u>	<u>182,425</u>	<u>113,245</u>	<u>221,131</u>
Summary:					
Current	245,670	245,670	180,205	65,465	216,905
Capital outlay	50,000	50,000	2,220	47,780	4,226
Total other expenditures	<u>\$ 295,670</u>	<u>\$ 295,670</u>	<u>\$ 182,425</u>	<u>\$ 113,245</u>	<u>\$ 221,131</u>
Total expenditures	<u>\$ 8,364,131</u>	<u>\$ 8,364,131</u>	<u>\$ 7,892,107</u>	<u>\$ 472,024</u>	<u>\$ 7,830,425</u>
Other financing uses:					
Operating transfer out:					
Special revenue funds	66,175	66,175	82,030	(15,855)	\$492,560
Capital project funds	100,000	100,000	120,000	(20,000)	100,000
Debt service funds	78,693	78,693	78,695	(2)	148,636
Enterprise funds					
Total other financing uses	<u>244,868</u>	<u>244,868</u>	<u>280,725</u>	<u>(35,857)</u>	<u>741,196</u>
Total expenditures and other financing uses	<u>\$ 8,608,999</u>	<u>\$ 8,608,999</u>	<u>\$ 8,172,832</u>	<u>\$ 436,167</u>	<u>\$ 8,571,621</u>

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Sources
December 31, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
Governmental funds capital assets		
Land and Land Improvements	\$ 58,424,661	\$ 58,424,661
Building, Systems, and Structures	50,617,062	50,482,609
Machinery and equipment	7,204,643	7,021,805
Street Network	45,897,513	43,503,857
Construction in progress	860,371	332,798
Total governmental funds capital assets	<u>163,004,250</u>	<u>159,765,730</u>
Investments in governmental funds capital assets by source:		
General Fund	\$ 118,339,527	\$ 118,178,242
Special revenue funds	1,457,270	1,301,264
Internal service funds	1,720,172	1,720,172
Capital project funds	41,487,281	38,566,052
Total investments in governmental funds capital assets by source	<u>\$ 163,004,250</u>	<u>\$ 159,765,730</u>

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2012**

	Land and Land Improvements	Buildings, Systems, and Structures	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:						
Government center	\$ 453,500	\$ 7,069,134				\$ 7,522,634
Other			\$ 161,910			161,910
Total general government	<u>453,500</u>	<u>7,069,134</u>	<u>161,910</u>	<u>-</u>	<u>-</u>	<u>7,684,544</u>
Public safety:						
Police	94,000	1,362,112	621,164			2,077,276
Fire	45,500	1,773,051	998,385			2,816,936
Total public safety	<u>139,500</u>	<u>3,135,163</u>	<u>1,619,549</u>	<u>-</u>	<u>-</u>	<u>4,894,212</u>
Public works:						
Infrastructure (street network)				\$ 45,897,513		45,897,513
Storm protection network	55,628,589	23,586,474	934,341			80,149,404
Other	1,527,610	1,885,732	2,170,297		\$ 587,788	6,171,427
Total public works	<u>57,156,199</u>	<u>25,472,206</u>	<u>3,104,638</u>	<u>45,897,513</u>	<u>587,788</u>	<u>132,218,344</u>
Recreation and culture:						
Parks	574,057	11,679,676	1,321,799			13,575,532
Library	32,000	2,925,571	654,447		272,583	3,884,601
Senior center	5,700	215,535				221,235
Total recreation	<u>611,757</u>	<u>14,820,782</u>	<u>1,976,246</u>	<u>-</u>	<u>272,583</u>	<u>17,681,368</u>
Transit		30,541	312,997			343,538
Cemetery	63,705	89,236	29,303			182,244
Total governmental fund capital assets	<u>\$ 58,424,661</u>	<u>\$ 50,617,062</u>	<u>\$ 7,204,643</u>	<u>\$ 45,897,513</u>	<u>\$ 860,371</u>	<u>\$ 163,004,250</u>

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity

December 31, 2012

	Beginning Balance	Additions	Retirements and transfers, net	Ending Balance
General government				
Government center	\$ 7,522,634			\$ 7,522,634
Other	161,910			161,910
Total general government	<u>7,684,544</u>	<u>-</u>	<u>-</u>	<u>7,684,544</u>
Public safety:				
Police	2,050,588	\$ 307,264	\$ (280,576)	2,077,276
Fire	2,816,936			2,816,936
Total public safety	<u>4,867,524</u>	<u>307,264</u>	<u>(280,576)</u>	<u>4,894,212</u>
Public works:				
Infrastructure (street network)	43,503,857	2,393,656		45,897,513
Storm protection network	80,149,404			80,149,404
Other	5,906,125	598,100	(332,798)	6,171,427
Total public works	<u>129,559,386</u>	<u>2,991,756</u>	<u>(332,798)</u>	<u>132,218,344</u>
Recreation or culture				
Parks	13,316,794	258,738		13,575,532
Library	3,612,018	272,583		3,884,601
Senior center	221,235			221,235
Total recreation and culture	<u>17,150,047</u>	<u>531,321</u>	<u>-</u>	<u>17,681,368</u>
Transit	<u>321,985</u>	<u>21,553</u>		<u>343,538</u>
Cemetery	<u>182,244</u>			<u>182,244</u>
Total governmental funds capital assets	<u>\$ 159,765,730</u>	<u>\$ 3,851,894</u>	<u>\$ (613,374)</u>	<u>\$ 163,004,250</u>

Statement of Changes in Fiduciary Net Position
Agency Fund - Flexible Benefits
Year Ended December 31, 2012

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS:				
Restricted cash and cash equivalents	<u>\$ 15,128</u>	<u>\$ 135,754</u>	<u>\$ (124,755)</u>	<u>\$ 26,127</u>
LIABILITIES:				
Due to employees	<u>\$ 15,128</u>	<u>\$ 135,754</u>	<u>\$ (124,755)</u>	<u>\$ 26,127</u>

**Combining Statement of Net Position
Discretely Presented Component Unit - by Focus
December 31, 2012**

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,154,268	\$ 2,211,553	\$ 3,365,821
Investments			
Restricted Cash in customer deposits	678,609		678,609
Due from other funds		100,775	100,775
Due from other government units			
Notes receivable (current portion)		674,255	674,255
Total current assets	<u>1,832,877</u>	<u>2,986,583</u>	<u>4,819,460</u>
Noncurrent assets:			
Capital assets:			
Land	50,300		50,300
Buildings and systems	5,503,577		5,503,577
Machinery and equipment	175,923	9,749	185,672
Total capital assets	<u>5,729,800</u>	<u>9,749</u>	<u>5,739,549</u>
Less accumulated depreciation	(1,650,302)	(9,749)	(1,660,051)
Total capital assets (net)	<u>4,079,498</u>	<u>-</u>	<u>4,079,498</u>
Land held for resale		207,180	207,180
Notes receivable (net current portion)		1,608,920	1,608,920
Allowance for uncollectible		(261,466)	(261,466)
Total noncurrent assets	<u>-</u>	<u>1,554,634</u>	<u>1,554,634</u>
TOTAL ASSETS	<u>5,912,375</u>	<u>4,541,216</u>	<u>10,453,591</u>
LIABILITIES			
Current liabilities:			
Accounts payable	6,668	1,331	7,999
Accrued wages payable	16,031	6,121	22,152
Due to other funds	0	100,775	100,775
Due to other government units	260,779		260,779
Notes payable - current		26,870	26,870
Compensated absences payable - current	788	4,000	4,788
Special assessments payable - current portion	7,432		7,432
Accrued interest payable		2,005	2,005
Total current liabilities	<u>291,698</u>	<u>141,102</u>	<u>432,800</u>
Noncurrent liabilities:			
Customer deposits	21,608		21,608
Compensated absences payable (net current portion)	18,927	28,961	47,888
Special assessments (net current portion)	15,611		15,611
Notes payable (net current portion)		343,594	343,594
Total noncurrent liabilities	<u>56,146</u>	<u>372,555</u>	<u>428,701</u>
NET POSITION			
Net investment in capital assets	4,056,455		4,056,455
Restricted	133,299		133,299
Unrestricted	1,374,777	4,027,559	5,402,336
TOTAL NET POSITION	<u>\$ 5,564,531</u>	<u>\$ 4,027,559</u>	<u>\$ 9,592,090</u>

**Statement of Revenues, Expenses and Changes in Fund
Net Position - Discretely Presented Component Units by Focus
Year Ended December 31, 2012**

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 234,845	\$ 62,925	\$ 297,770
Intergovernmental	1,624,995		1,624,995
Other	22,149	13,373	35,522
Total operating revenues	<u>1,881,989</u>	<u>76,298</u>	<u>1,958,287</u>
Operating expenses:			
Community development:			
Administration	503,793	82,330	586,123
Depreciation	142,992	44	143,036
Other:			
Business development		81,425	81,425
Housing programs	1,438,935		1,438,935
Total operating expenses	<u>2,085,720</u>	<u>163,799</u>	<u>2,249,519</u>
Operating income (loss)	<u>(203,731)</u>	<u>(87,501)</u>	<u>(291,232)</u>
Nonoperating revenues (expenses):			
Interest revenue	9,013	20,322	29,335
Tax increment revenue		165,982	165,982
Intergovernmental	187,587		187,587
Interest expense	(2,185)	(3,831)	(6,016)
Total nonoperating revenues (expenses)	<u>194,415</u>	<u>182,473</u>	<u>376,888</u>
Income (loss) before transfers in (out)	(9,316)	94,972	85,656
Transfers in		198,000	198,000
Transfers out	<u>(68,000)</u>	<u>(130,000)</u>	<u>(198,000)</u>
Change in net position	(77,316)	162,972	85,656
Net position at beginning of year	5,641,847	3,864,587	9,506,434
Net position at end of year	<u>\$ 5,564,531</u>	<u>\$ 4,027,559</u>	<u>\$ 9,592,090</u>

**Combining Schedule of Net Position
Discretely Presented Component Unit - Economic Development Focus
December 31, 2012**

	General	TIF #1-1 Triangle	TIF #1-2 E. DeMers	IRP Loan	DRLF Loan	Total
ASSETS						
Current assets:						
Cash and cash equivalents		\$ 695,960	\$ 225,361	\$ 820,651	\$ 469,581	\$ 2,211,553
Investments						
Due from other funds		100,775				100,775
Due from other government units						
Notes receivable (net of Allowance)			250,000	16,199	408,056	674,255
Total current assets	-	796,735	475,361	836,850	877,637	2,986,583
Noncurrent assets:						
Capital assets:						
Machinery and equipment	\$ 9,749					9,749
Total capital assets	9,749	-	-	-	-	9,749
Less accumulated depreciation	(9,749)					(9,749)
Total capital assets (net)	-	-	-	-	-	-
Land held for resale	28,828	80,352	98,000			207,180
Notes receivable (net current portion)					1,608,920	1,608,920
Allowance for uncollectible					(261,466)	(261,466)
Total noncurrent assets	28,828	80,352	98,000	-	1,347,454	1,554,634
TOTAL ASSETS	28,828	877,087	573,361	836,850	2,225,090	4,541,216
LIABILITIES						
Current liabilities:						
Accounts payable	1,231				100	1,331
Accrued wages payable	6,121					6,121
Due to other funds	100,775					100,775
Notes payable - current				26,870		26,870
Compensated absences payable - current	4,000					4,000
Accrued interest payable				2,005		2,005
Total current liabilities	112,127	-	-	28,875	100	141,102
Noncurrent liabilities:						
Compensated absences payable (net current)	28,961					28,961
Notes payable (net current portion)				343,594		343,594
Total noncurrent liabilities	28,961	-	-	343,594	-	372,555
Total liabilities	141,088	-	-	372,469	100	513,657
NET POSITION						
Net investment in capital assets						
Unrestricted	(112,260)	877,087	573,361	464,381	2,224,990	4,027,559
TOTAL NET POSITION	\$ (112,260)	\$ 877,087	\$ 573,361	\$ 464,381	\$ 2,224,990	\$ 4,027,559
TOTAL LIABILITIES AND NET POSITION	\$ 28,828	\$ 877,087	\$ 573,361	\$ 836,850	\$ 2,225,090	\$ 4,541,216

**Schedule of Revenues, Expenses and Changes in Fund Net Position -
Discretely Presented Component Unit - Economic Development Focus
Year Ended December 31, 2012**

	<u>General</u>	<u>TIF #1-1 Triangle</u>	<u>TIF #1-2 Triangle</u>	<u>IRP Loan</u>	<u>DRLF Loan</u>	<u>Total</u>
Operating revenues:						
Charges for services:						
Interest on loans				\$ 1,169	\$ 61,756	\$ 62,925
Other revenues:						
Business development						
Other	\$ 13,373					13,373
Total operating revenues	<u>13,373</u>	<u>-</u>	<u>-</u>	<u>1,169</u>	<u>61,756</u>	<u>76,298</u>
Operating expenses:						
Administration	82,330					82,330
Business development	19,711	\$ 60,176			1,538	81,425
Depreciation	44					44
Total operating expenses	<u>102,085</u>	<u>60,176</u>	<u>-</u>	<u>-</u>	<u>1,538</u>	<u>163,799</u>
Operating income (loss)	<u>(88,712)</u>	<u>(60,176)</u>	<u>-</u>	<u>1,169</u>	<u>60,218</u>	<u>(87,501)</u>
Nonoperating revenues (expenses):						
Interest revenue		6,704	4,266	5,303	4,049	20,322
Tax increment revenue		66,744	99,238			165,982
Intergovernmental						
Interest expense				(3,831)		(3,831)
Total nonoperating revenues (expenses)	<u>-</u>	<u>73,448</u>	<u>103,504</u>	<u>1,472</u>	<u>4,049</u>	<u>182,473</u>
Income (loss) before transfers	(88,712)	13,272	103,504	2,641	64,267	94,972
Transfers in	98,000	100,000				198,000
Transfers out		(5,000)	(105,000)	(10,000)	(10,000)	(130,000)
Change in net position	9,288	108,272	(1,496)	(7,359)	54,267	162,972
Net position at beginning of year	(121,548)	768,815	574,857	471,740	2,170,723	3,864,587
Net position at end of year	<u>\$ (112,260)</u>	<u>\$ 877,087</u>	<u>\$ 573,361</u>	<u>\$ 464,381</u>	<u>\$ 2,224,990</u>	<u>\$ 4,027,559</u>

**Combining Schedule of Net Position
Discretely Presented Component Unit - Housing Focus
December 31, 2012**

	Sunshine Terrace	Program C4043V	Housing Loan	Town Square	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 802,973		\$ 179,341	\$ 171,954	\$ 1,154,268
Investments					
Due from other funds					
Restricted cash and cash equivalents	21,608	\$ 657,001			678,609
Total Current Assets	<u>824,581</u>	<u>657,001</u>	<u>179,341</u>	<u>171,954</u>	<u>1,832,877</u>
Noncurrent Assets:					
Capital assets:					
Land	50,300				50,300
Buildings and systems	5,503,577				5,503,577
Machinery and equipment	117,016	58,907			175,923
Total capital assets	5,670,893	58,907	-	-	5,729,800
Less accumulated depreciation	(1,591,395)	(58,907)			(1,650,302)
Total capital assets (net)	4,079,498	-	-	-	4,079,498
Total noncurrent assets	4,079,498	-	-	-	4,079,498
TOTAL ASSETS	<u>4,904,079</u>	<u>657,001</u>	<u>179,341</u>	<u>171,954</u>	<u>5,912,375</u>
LIABILITIES					
Current liabilities:					
Accounts payable	6,320	348			6,668
Accrued wages payable	3,517	11,522	367	625	16,031
Due to other funds					0
Due to other government units	260,779				260,779
Customer deposits	21,608				21,608
Compensated absences payable - current		698		90	788
Special assessments payable - current portion	7,432				7,432
Total Liabilities	<u>299,656</u>	<u>12,568</u>	<u>367</u>	<u>715</u>	<u>313,306</u>
Noncurrent Liabilities:					
Compensated absences payable (net current portion)		16,759		2,168	18,927
Special assessments payable (net current portion)	15,611				15,611
Total noncurrent liabilities	15,611	16,759	-	2,168	34,538
Total liabilities	<u>315,267</u>	<u>29,327</u>	<u>367</u>	<u>2,883</u>	<u>347,844</u>
NET POSITION					
Net investment in capital assets	4,056,455				4,056,455
Restricted		133,299			133,299
Unrestricted	532,357	494,375	178,974	169,071	1,374,777
TOTAL NET POSITION	<u>\$ 4,588,812</u>	<u>\$ 627,674</u>	<u>\$ 178,974</u>	<u>\$ 169,071</u>	<u>\$ 5,564,531</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,904,079</u>	<u>\$ 657,001</u>	<u>\$ 179,341</u>	<u>\$ 171,954</u>	<u>\$ 5,912,375</u>

**Schedule of Revenues, Expenses and Changes in Fund Net Position -
Discretely Presented Component Unit - Housing Focus
Year Ended December 31, 2012**

	Sunshine Terrace	Program C4043V	Housing Loan	Town Square	Total
Operating revenues:					
Charges for services	\$ 173,672		\$ 20,703	\$ 40,470	\$ 234,845
Intergovernmental		\$ 1,624,995			1,624,995
Other	17,665	4,022		462	22,149
Total operating revenues	<u>191,337</u>	<u>1,629,017</u>	<u>20,703</u>	<u>40,932</u>	<u>1,881,989</u>
Operating expenses:					
Community development:					
Personal services	76,895	148,818	4,625	48,781	279,119
Supplies	2,722	180		40	2,942
Contractual services	93,423	2,950			96,373
Depreciation	142,992				142,992
Housing payments		1,438,935			1,438,935
Other expenditures	110,751	13,697	59	852	125,359
Total operating expenses	<u>426,783</u>	<u>1,604,580</u>	<u>4,684</u>	<u>49,673</u>	<u>2,085,720</u>
Operating income (loss)	<u>(235,446)</u>	<u>24,437</u>	<u>16,019</u>	<u>(8,741)</u>	<u>(203,731)</u>
Nonoperating revenues (expenses):					
Intergovernmental	187,587				187,587
Interest revenue	5,706	76	1,637	1,594	9,013
Interest expense	(2,185)				(2,185)
Total nonoperating revenues (expenses)	<u>191,108</u>	<u>76</u>	<u>1,637</u>	<u>1,594</u>	<u>194,415</u>
Income (loss) before transfers	(44,338)	24,513	17,656	(7,147)	(9,316)
Transfers out	<u>(50,000)</u>		<u>(5,000)</u>	<u>(13,000)</u>	<u>(68,000)</u>
Change in net position	(94,338)	24,513	12,656	(20,147)	(77,316)
Net position at beginning of year	4,683,150	603,161	166,318	189,218	5,641,847
Net position at end of year	<u>\$ 4,588,812</u>	<u>\$ 627,674</u>	<u>\$ 178,974</u>	<u>\$ 169,071</u>	<u>\$ 5,564,531</u>

STATISTICAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

STATISTICAL SECTION

Statistical Information

(Unaudited)

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

Contents

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

- Construction
- Principal Employers
- Demographic & Economic Statistics

Operating Information

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

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

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



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Net Position by Component Last Nine Fiscal Years

(Accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities									
Net investment in capital assets	\$ 85,922,045	\$ 106,878,760	\$ 129,002,253	\$ 127,824,706	\$ 115,326,956	\$ 116,078,462	\$ 116,301,106	\$ 115,332,239	\$ 115,434,404
Restricted	9,989,011	8,053,642	11,451,573	11,517,373	12,556,179	11,634,601	10,977,442	9,888,840	9,445,754
Unrestricted	8,976,014	8,458,820	8,386,984	11,397,087	7,598,523	7,595,720	7,913,136	8,665,636	7,802,752
Total governmental activities net position	<u>\$ 104,887,070</u>	<u>\$ 123,391,222</u>	<u>\$ 148,840,810</u>	<u>\$ 150,739,166</u>	<u>\$ 135,481,658</u>	<u>\$ 135,308,783</u>	<u>\$ 135,191,683</u>	<u>\$ 133,886,715</u>	<u>\$ 132,682,910</u>
Business-type activities									
Net investment in capital assets	\$ 28,187,589	\$ 29,286,519	\$ 32,109,908	\$ 33,346,440	\$ 47,333,593	\$ 47,020,536	\$ 48,311,193	\$ 47,366,532	\$ 48,462,989
Restricted	413,254	413,247	67,713	67,710	72,029	72,233			
Unrestricted	13,476,360	15,130,990	15,200,685	15,554,463	15,863,528	16,836,765	16,278,737	16,991,186	17,207,851
Total business-type activities net position	<u>\$ 42,077,203</u>	<u>\$ 44,830,756</u>	<u>\$ 47,378,306</u>	<u>\$ 48,968,613</u>	<u>\$ 63,269,150</u>	<u>\$ 63,929,534</u>	<u>\$ 64,589,929</u>	<u>\$ 64,357,718</u>	<u>\$ 65,670,840</u>
Primary government									
Net investment in capital assets	\$ 114,109,634	\$ 136,165,279	\$ 161,112,161	\$ 161,171,146	\$ 162,660,549	\$ 163,098,998	\$ 164,612,299	\$ 162,698,771	\$ 163,897,393
Restricted	10,402,265	8,466,889	11,519,286	11,585,083	12,628,208	11,971,690	10,977,442	9,888,840	9,445,754
Unrestricted	22,452,374	23,589,810	23,587,669	26,951,550	23,462,050	24,167,629	24,191,872	25,656,822	25,010,603
Total primary government net position	<u>\$ 146,964,273</u>	<u>\$ 168,221,978</u>	<u>\$ 196,219,116</u>	<u>\$ 199,707,779</u>	<u>\$ 198,750,807</u>	<u>\$ 199,238,317</u>	<u>\$ 199,781,613</u>	<u>\$ 198,244,433</u>	<u>\$ 198,353,750</u>

Changes in Net Position Last Nine Fiscal Years

(Accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental activities:									
General government	\$ 1,005,438	\$ 1,066,756	\$ 1,050,378	\$ 1,155,532	\$ 1,195,452	\$ 1,091,832	\$ 1,033,325	\$ 1,014,122	\$ 1,186,560
Public safety	3,025,561	3,150,148	3,232,573	3,273,535	3,932,137	3,638,645	3,508,407	3,453,879	3,530,624
Public works	2,236,372	2,973,865	2,851,905	3,958,548	3,218,356	3,646,371	3,728,496	3,528,021	4,711,832
Transit	248,024	234,577	243,157	359,459	276,189	283,898	278,476	365,385	401,470
Recreation and culture	1,545,934	1,823,193	2,016,899	2,125,732	2,337,123	2,213,181	2,346,805	2,398,640	2,447,389
Community development	783,810	337,161	284,342	286,303	254,056	181,624	166,045	173,235	227,832
Cemetery	36,796	27,977	61,136	35,256	50,467	47,105	52,476	57,228	60,463
Interest on long-term debt	282,711	428,803	473,946	472,223	513,782	505,820	566,395	612,504	533,736
Total governmental activities expenses	<u>9,164,646</u>	<u>10,042,480</u>	<u>10,214,336</u>	<u>11,666,588</u>	<u>11,777,562</u>	<u>11,608,476</u>	<u>11,680,425</u>	<u>11,603,014</u>	<u>13,099,906</u>
Business-type activities									
Electric utility	7,903,122	8,377,355	9,193,839	10,450,476	11,589,832	11,271,252	11,749,099	12,268,180	13,206,748
Water utility	1,941,240	1,927,339	1,979,044	1,961,418	2,164,353	2,009,061	2,114,845	2,096,118	2,343,208
Sewer utility	529,054	553,626	587,568	629,832	665,582	703,260	785,645	964,063	901,603
City mall	479,526	460,350	412,999	428,359	358,227	350,600	365,121	631,066	324,547
Storm Water					477,935	907,291	956,736	804,162	499,046
Refuse collection	589,603	626,148	651,538	788,955	919,920	812,010	838,236	854,222	866,266
Total business-type activities expenses	<u>11,442,545</u>	<u>11,944,818</u>	<u>12,824,988</u>	<u>14,259,041</u>	<u>16,175,849</u>	<u>16,053,474</u>	<u>16,809,682</u>	<u>17,617,811</u>	<u>18,141,418</u>
Total primary government expenses	<u>\$ 20,607,191</u>	<u>\$ 21,987,298</u>	<u>\$ 23,039,324</u>	<u>\$ 25,925,629</u>	<u>\$ 27,953,411</u>	<u>\$ 27,661,950</u>	<u>\$ 28,490,107</u>	<u>\$ 29,220,825</u>	<u>\$ 31,241,324</u>
Program Revenues									
Governmental activities:									
Charges for services:									
General government	\$ 130,704	\$ 166,572	\$ 130,597	\$ 111,003	\$ 117,172	\$ 102,704	\$ 125,833	\$ 118,710	\$ 301,653
Public safety	213,850	286,779	252,713	296,028	316,428	314,829	246,507	459,160	306,445
Public works	295,704	287,309	321,362	214,208	218,778	219,704	266,398	273,836	
Transit	13,238	12,588	4,000	4,000	19,398	2,446	4,500		214,771
Recreation and culture	218,700	221,331	330,258	331,153	340,909	406,660	386,664	319,877	411,311
Community development	218,706	908,823	306,409	197,578	98,500	93,745	137,975	36,000	
Cemetery	51,310	36,530	47,690	34,410	65,265	46,352	41,793	55,832	
Operating grants and contributions	370,534	493,345	581,575	632,310	625,375	654,364	611,611	742,997	3,380,925
Capital grants and contributions	5,411,773	19,305,770	26,308,072	4,181,757	1,638,591	2,310,356	2,864,343	713,176	
Total governmental activities program revenues	<u>6,924,519</u>	<u>21,719,047</u>	<u>28,282,676</u>	<u>6,002,447</u>	<u>3,440,416</u>	<u>4,151,159</u>	<u>4,685,624</u>	<u>2,719,588</u>	<u>4,615,105</u>

(continued)

Changes in Net Position Last Nine Fiscal Years (continued)

(Accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type activities:									
Charges for services:									
Electric utility	9,387,172	9,973,709	10,556,891	11,240,822	11,957,089	11,850,730	12,986,102	13,075,789	14,064,360
Water utility	2,005,097	2,066,740	2,093,211	1,987,471	2,019,667	1,883,487	1,843,840	1,917,793	2,338,132
Sewer utility	559,830	564,904	564,768	566,828	627,070	968,208	988,491	976,454	1,279,097
City mall	275,568	203,205	163,496	147,836	160,238	178,530	189,072	197,095	190,915
Storm Water					176,337	178,686	179,305	213,691	233,899
Refuse collection	595,020	582,935	622,841	885,621	776,659	752,588	872,984	829,018	840,565
Operating grants and contributions	76,516	460,680	475,612	15,000	15,000	442,829	129,937	303,931	20,215
Capital grants and contributions	1,785,652	608,127	639,846	279,612		215,248	96,704		
Total business-type activities program revenues	<u>14,684,855</u>	<u>14,460,300</u>	<u>15,116,665</u>	<u>15,123,190</u>	<u>15,732,060</u>	<u>16,470,307</u>	<u>17,286,435</u>	<u>17,513,771</u>	<u>18,967,183</u>
Total primary government program revenues	<u>\$ 21,609,374</u>	<u>\$ 36,179,347</u>	<u>\$ 43,399,341</u>	<u>\$ 21,125,637</u>	<u>\$ 19,172,476</u>	<u>\$ 20,621,466</u>	<u>\$ 21,972,060</u>	<u>\$ 20,233,359</u>	<u>\$ 23,582,288</u>
Net (expense)/revenue									
Governmental activities	\$ (2,240,127)	\$ 11,676,567	\$ 18,068,340	\$ (5,664,142)	\$ (8,337,147)	\$ (7,457,316)	\$ (6,994,801)	\$ (8,883,426)	\$ (8,484,801)
Business-type activities	3,242,310	2,515,482	2,291,677	864,148	(443,790)	416,833	431,752	(104,040)	825,765
Total primary government net expense	<u>\$ 1,002,183</u>	<u>\$ 14,192,049</u>	<u>\$ 20,360,017</u>	<u>\$ (4,799,994)</u>	<u>\$ (8,780,937)</u>	<u>\$ (7,040,484)</u>	<u>\$ (6,563,048)</u>	<u>\$ (8,987,466)</u>	<u>\$ (7,659,036)</u>
General Revenues and Other Changes in Net Assets									
Governmental activities:									
Taxes									
Property taxes	\$ 1,672,398	\$ 1,821,538	\$ 1,889,815	\$ 1,954,979	\$ 2,163,693	\$ 2,116,388	\$ 2,201,420	\$ 2,364,973	\$ 2,526,924
Franchise taxes	1,196,054	1,227,694	1,237,084	1,309,050	1,309,050	1,361,673	1,359,302	1,392,521	1,416,140
Unrestricted grants and contributions	2,576,596	2,817,355	3,050,626	3,517,772	3,063,221	3,239,503	2,867,240	2,895,270	3,032,526
Investment earnings	202,124	274,097	508,965	530,674	406,526	272,807	160,728	361,923	288,304
Other	665,541	570,257	441,320	196,165	323,082	105,452	180,527	106,954	267,103
Transfers	1,134,388	116,644	253,438	53,856	(14,185,931)	188,618	108,484	456,816	(250,000)
Total governmental activities	<u>7,447,101</u>	<u>6,827,585</u>	<u>7,381,248</u>	<u>7,562,496</u>	<u>(6,920,359)</u>	<u>7,284,440</u>	<u>6,877,700</u>	<u>7,578,457</u>	<u>7,280,997</u>
Business-type activities									
Investment earnings	199,852	347,965	624,051	777,218	558,394	432,172	333,528	328,644	237,356
Other		6,750	(114,740)	2,795			3,600		
Transfers	(1,134,388)	(116,644)	(253,438)	(53,856)	14,185,931	(188,618)	(108,484)	(456,816)	250,000
Total business-type activities	<u>(934,536)</u>	<u>238,071</u>	<u>255,873</u>	<u>726,157</u>	<u>14,744,325</u>	<u>243,554</u>	<u>228,644</u>	<u>(128,172)</u>	<u>487,356</u>
Total primary government	<u>\$ 6,512,565</u>	<u>\$ 7,065,656</u>	<u>\$ 7,637,121</u>	<u>\$ 8,288,653</u>	<u>\$ 7,823,966</u>	<u>\$ 7,527,994</u>	<u>\$ 7,106,344</u>	<u>\$ 7,450,285</u>	<u>\$ 7,768,353</u>
Changes in Net Position									
Governmental activities	\$ 5,206,974	\$ 18,504,152	\$ 25,449,588	\$ 1,898,354	\$ (15,257,506)	\$ (172,876)	\$ (117,100)	\$ (1,304,969)	\$ (1,203,804)
Business-type activities	2,307,774	2,753,553	2,547,550	1,590,305	14,300,535	660,387	660,396	(232,212)	1,313,121
Total primary government	<u>\$ 7,514,748</u>	<u>\$ 21,257,705</u>	<u>\$ 27,997,138</u>	<u>\$ 3,488,659</u>	<u>\$ (956,971)</u>	<u>\$ 487,511</u>	<u>\$ 543,296</u>	<u>\$ (1,537,181)</u>	<u>\$ 109,317</u>

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

(Modified accrual basis of accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Fund										
Nondisposable	\$ 9,087	\$ 16,521	\$ 12,686	\$ 14,562	\$ 21,708	\$ 5,854	\$ 22,738	\$ 33,224	\$ 35,397	\$ 39,005
Unassigned	2,149,793	2,417,060	2,561,700	2,186,399	2,820,231	2,558,791	2,704,602	2,554,632	2,724,606	3,156,150
Total general fund	<u>\$ 2,158,880</u>	<u>\$ 2,433,581</u>	<u>\$ 2,574,386</u>	<u>\$ 2,200,961</u>	<u>\$ 2,841,939</u>	<u>\$ 2,564,645</u>	<u>\$ 2,727,340</u>	<u>\$ 2,587,856</u>	<u>2,760,003</u>	<u>3,195,155</u>
All other governmental funds										
Nondisposable									\$ 244,951	\$ 233,684
Restricted	\$ 2,167,103	\$ 2,541,649	\$ 2,578,650	\$ 2,329,387	\$ 4,526,721	\$ 3,372,325	\$ 3,315,092	\$ 3,605,129	4,889,303	5,651,656
Unassigned	9,741,320	7,707,453	3,509,712	4,274,777	3,829,081	3,335,127	2,187,869	2,101,377	339,842	(1,093,334)
Total all other governmental funds	<u>\$11,908,423</u>	<u>\$10,249,102</u>	<u>\$ 6,088,362</u>	<u>\$ 6,604,164</u>	<u>\$ 8,355,802</u>	<u>\$ 6,707,452</u>	<u>\$ 5,502,961</u>	<u>\$ 5,706,506</u>	<u>\$ 5,474,096</u>	<u>\$ 4,792,006</u>

Changes in Fund Balances of Governmental Funds Last Ten Years

(Modified accrual basis of accounting)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
General Taxes	\$ 2,742,704	\$ 2,868,452	\$ 3,049,232	\$ 3,126,899	\$ 3,264,030	\$ 3,472,742	\$ 3,478,061	\$ 3,560,721	\$ 3,757,494	\$ 3,943,064
Special Assessments	717,086	1,029,251	807,464	1,210,207	1,443,814	1,570,234	1,676,805	1,693,440	1,637,346	1,978,829
Licenses and Permits	141,298	121,159	160,845	119,220	117,951	138,252	113,350	122,642	105,201	125,530
Intergovernmental	10,123,756	4,912,733	14,502,056	7,518,281	6,580,465	4,379,731	4,698,290	4,902,529	3,915,779	5,573,174
Charges for Services	1,393,366	920,381	1,330,712	1,161,857	927,973	910,654	873,350	966,506	1,051,260	1,234,180
Fines and Forfeitures	90,898	100,672	102,307	97,340	141,044	127,544	151,845	119,522	106,954	123,841
Investment Earnings & Other Revenues	746,314	838,301	713,869	833,116	637,201	554,041	397,743	238,902	361,923	288,304
Total Revenues	<u>15,955,422</u>	<u>10,790,949</u>	<u>20,666,485</u>	<u>14,066,920</u>	<u>13,112,477</u>	<u>11,153,198</u>	<u>11,389,444</u>	<u>11,604,264</u>	<u>10,935,957</u>	<u>13,266,922</u>
Expenditures										
General Government	854,076	791,374	840,766	822,532	912,481	959,898	877,116	839,360	833,241	896,494
Public Safety	2,791,387	2,813,772	2,910,756	2,978,326	2,999,380	3,621,972	3,313,255	3,249,167	3,323,503	3,381,290
Public Works	991,067	995,493	1,177,123	1,159,593	1,178,059	1,298,076	1,222,589	1,415,962	1,289,353	1,180,621
Transit	200,551	238,827	225,379	233,959	268,674	252,780	261,246	262,526	344,381	371,403
Culture and Recreation	1,320,261	1,269,802	1,405,334	1,566,894	1,593,285	1,805,030	1,706,580	1,783,518	1,833,113	1,950,756
Community Development	854,555	783,810	337,161	283,554	284,137	254,056	181,624	166,045	171,953	227,832
Cemetery	38,393	34,220	24,852	57,243	31,363	46,574	43,434	49,139	54,721	57,956
Other	335,301	179,406	203,321	215,799	308,366	277,249	251,187	287,772	216,905	180,205
Capital Outlay	8,275,091	10,395,782	16,373,353	9,329,950	5,750,739	4,426,691	6,120,134	4,634,989	1,778,446	3,836,009
Debt Service										
Principal	295,000	495,000	965,000	1,245,000	440,000	1,785,000	885,000	940,000	1,593,000	1,695,577
Interest	245,038	251,995	365,107	380,455	530,829	513,802	504,413	525,259	587,668	561,487
Other Charges		15,473								41,962
Total All Other Governmental Funds	<u>16,200,720</u>	<u>18,264,954</u>	<u>24,828,152</u>	<u>18,273,305</u>	<u>14,297,312</u>	<u>15,241,128</u>	<u>15,366,578</u>	<u>14,153,737</u>	<u>12,026,284</u>	<u>14,381,592</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(245,298)</u>	<u>(7,474,005)</u>	<u>(4,161,667)</u>	<u>(4,206,385)</u>	<u>(1,184,835)</u>	<u>(4,087,930)</u>	<u>(3,977,134)</u>	<u>(2,549,473)</u>	<u>(1,090,327)</u>	<u>(1,114,670)</u>
Other Financing Sources (Uses)										
Transfers In	2,129,091	2,070,089	2,435,195	2,332,296	1,610,482	2,430,180	2,640,830	1,604,455	1,098,012	659,925
Transfers Out	(1,449,908)	(935,701)	(2,318,551)	(2,078,858)	(1,556,626)	(2,309,428)	(2,452,212)	(1,495,971)	(641,196)	(909,925)
Bond Issue Proceeds										
Refunding Bonds Issues		260,000								
Long-term Debt Issued	1,000,000	4,655,000		4,075,000	3,561,541	1,923,788	2,936,902	2,267,159	573,246	1,100,000
Premium on Long-term Debt		42,239								17,732
Discount on Long-term Debt	(13,600)	(2,242)		(32,600)	(45,986)					
Sale of Capital Assets			25,088	52,924	8,040	117,746		47,709		
Total Other Financing Sources (Uses)	<u>1,665,583</u>	<u>6,089,385</u>	<u>141,732</u>	<u>4,348,762</u>	<u>3,577,451</u>	<u>2,162,286</u>	<u>3,125,520</u>	<u>2,423,352</u>	<u>1,030,062</u>	<u>867,732</u>
Net Change in Fund Balances	<u>\$ 1,420,285</u>	<u>\$(1,384,620)</u>	<u>\$(4,019,935)</u>	<u>\$ 142,377</u>	<u>\$ 2,392,616</u>	<u>\$(1,925,646)</u>	<u>\$(851,616)</u>	<u>\$(126,123)</u>	<u>\$(60,265)</u>	<u>\$(246,938)</u>
Debt Service as % of Noncapital Expenditures	6.8%	7.5%	10.7%	18.2%	10.4%	17.9%	12.1%	14.4%	20.6%	18.8%

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
2003	\$ 1,527,020	\$ 1,022,548	\$ 91,382	\$ 58,283	\$ 43,471	\$ 2,742,704
2004	1,620,212	1,034,158	95,303	66,593	52,186	2,868,452
2005	1,760,249	1,043,375	112,071	72,248	61,289	3,049,232
2006	1,858,143	1,040,895	116,443	79,746	31,672	3,126,899
2007	1,929,978	1,085,474	120,895	89,768	37,915	3,264,030
2008	2,122,114	1,099,474	127,349	103,447	20,358	3,472,742
2009	2,092,423	1,151,321	97,010	113,343	23,964	3,478,061
2010	2,182,799	1,159,138	81,904	118,259	18,621	3,560,721
2011	2,323,055	1,183,030	85,419	124,072	41,919	3,757,495
2012	2,501,605	1,219,013	68,772	128,355	25,319	3,943,064
Change 2003-2012	63.8%	19.2%	-24.7%	120.2%	-41.8%	43.8%

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
2003	\$ 2,006,237	\$ 223,799	\$ 318,669	\$ 149,259	\$ 53,346	\$ 2,751,310
2004	2,006,237	225,945	328,726	146,904	62,808	2,770,620
2005	2,224,117	235,246	342,304	146,603	60,531	3,008,801
2006	2,456,818	212,727	365,393	152,950	63,112	3,251,000
2007	2,701,018	374,053	427,013	155,224	60,352	3,717,660
2008	2,458,788	192,742	396,003	154,113	52,905	3,254,551
2009	2,658,631	189,295	375,889	147,593	47,752	3,419,160
2010	2,471,550	10,971	369,031	140,088	52,503	3,044,143
2011	2,492,120	11,933	375,529	143,575	51,891	3,075,048
2012	2,471,550	423	529,611	130,529	53,580	3,185,693
Change 2003-2012	23.2%	-99.8%	66.2%	-12.5%	0.4%	15.8%

Notes: General Fund only.

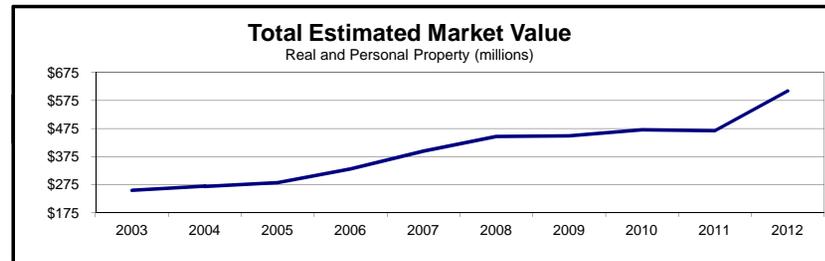
(1) The state of Minnesota discontinued the homestead credit program and replaced it with the market value credit program in 2001.

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		
2003	\$ 2,938,950	\$ 251,901,800	\$ 47,567	\$ 2,428,700	\$ 2,986,517	\$ 254,330,500	72.95	1.2%
2004	3,096,636	266,609,000	46,631	2,381,900	3,143,267	268,990,900	73.67	1.2%
2005	3,247,089	280,077,300	49,906	2,543,300	3,296,995	282,620,600	75.24	1.2%
2006	3,749,080	328,061,200	52,587	2,678,500	3,801,667	330,739,700	66.43	1.1%
2007	4,649,507	392,040,400	53,460	2,723,900	4,702,967	394,764,300	57.09	1.2%
2008	5,151,146	444,605,200	53,064	2,704,100	5,204,210	447,309,300	53.84	1.2%
2009	5,219,626	449,130,700	2,697	175,900	5,222,323	449,306,600	52.78	1.2%
2010	5,422,190	467,564,800	52,371	2,670,000	5,474,561	470,234,800	52.24	1.2%
2011	5,332,421	464,750,400	54,666	2,786,000	5,387,087	467,536,400	56.16	1.2%
2012	4,888,351	606,700,400	60,482	3,076,800	4,948,833	609,777,200	59.73	0.8%

Source: County Assessor



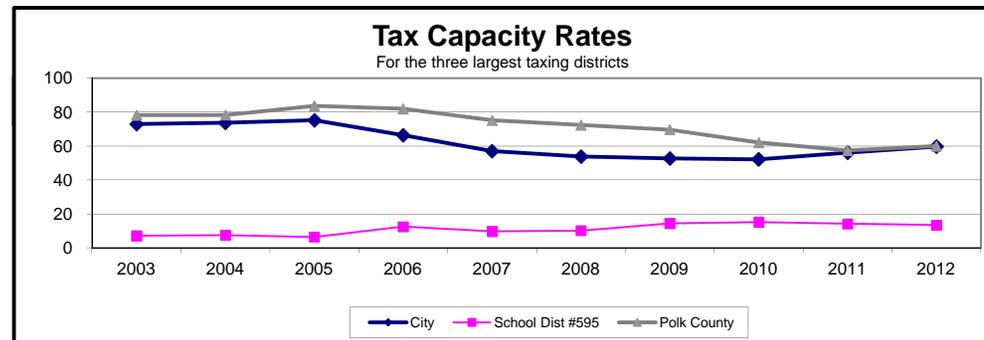
Note: The county assessor is occasionally required to make city wide adjustments to estimated market values. The State of Minnesota will instruct the county assessor to make these type of adjustments when data comparing actual sales to assessed values warrant such actions. In 1997 and again in 2001, 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
2003	72.01	0.94	72.95	7.18	78.12	5.17	0.42	1.55	165.39
2004	67.82	5.85	73.67	7.52	78.23	5.14	0.42	1.48	166.48
2005	71.88	3.36	75.24	6.54	83.63	5.12	0.41	1.42	172.36
2006	61.57	4.86	66.43	12.55	81.89	4.70	0.37	1.19	167.14
2007	52.86	4.23	57.09	9.77	75.17	4.61	0.34	0.97	147.95
2008	50.10	3.74	53.84	10.26	72.37	4.89	0.33	0.87	142.56
2009	49.02	3.76	52.78	14.46	69.65	5.05	0.32	0.87	143.13
2010	50.38	1.86	52.24	15.28	62.04	4.80	0.28	0.83	135.47
2011	54.08	2.08	56.16	14.24	57.39	5.31	0.27	0.84	134.21
2012	57.49	2.24	59.73	13.49	60.01	5.78	0.28	0.94	140.23

Source: County Auditor



Notes: State paid tax credits comprise the difference between the city's gross and net tax levies.

Principal Property Taxpayers Current Year and Nine Years Ago

(Unaudited)

Taxpayer	2012			2003		
	Tax Capacity	Rank	% of Total Tax Capacity of \$4,888,351	Tax Capacity	Rank	% of Total Tax Capacity of \$2,986,517
American Crystal	\$ 491,160	1	10.05%	\$ 222,169	1	7.4%
Pierce Investments LLC	73,737	2	1.51%			
Xcel Energy	61,550	3	1.26%	51,908	4	1.7%
Cabela's	57,268	4	1.17%	52,690	3	1.8%
Valley Markets	54,292	5	1.11%	55,026	2	1.8%
Riverview Terrace	52,485	6	1.07%	21,485	8	0.7%
Green Acres	51,223	7	1.05%	29,427	7	1.0%
Burlington Northern	50,660	8	1.04%	46,390	5	1.6%
City of EGF	38,221	9	0.8%	26,462	6	0.9%
Town Square	21,104	10	0.4%	18,066	10	0.6%
Simplot				19,600	9	0.7%
	<u>\$ 951,700</u>		<u>19.5%</u>	<u>\$ 543,223</u>		<u>18.2%</u>

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

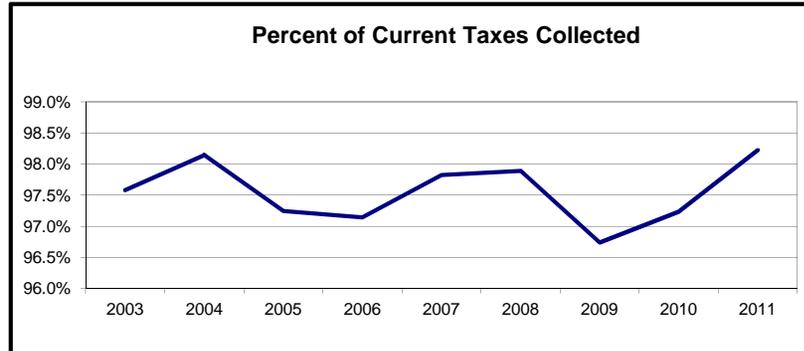
Source: County Auditor

Property Tax Levies and Tax Collections Last Ten Years

(Unaudited)

Year	Net Tax Levy	Current Tax Collection	Percent of Levy	Delinquent Tax Collection	Total Tax Collection	Total as % or Current Levy	Total Collections	
							Amount	% of Levy
2003	\$1,530,097	\$1,488,323	97.3%	\$ 29,127	\$1,517,450	99.2%	\$1,530,097	100.0%
2004	1,624,123	1,584,866	97.6%	35,344	1,620,210	99.8%	1,622,622	99.9%
2005	1,752,128	1,719,623	98.1%	32,985	1,752,608	100.0%	1,750,384	99.9%
2006	1,865,108	1,813,713	97.2%	44,408	1,858,121	99.6%	1,857,246	99.6%
2007	1,953,185	1,897,420	97.1%	32,146	1,929,566	98.8%	1,942,476	99.5%
2008	2,120,415	2,074,229	97.8%	48,892	2,123,121	100.1%	2,108,983	99.5%
2009	2,097,718	2,053,418	97.9%	39,005	2,092,423	99.7%	2,074,038	98.9%
2010	2,214,089	2,141,845	96.7%	40,954	2,182,799	98.6%	2,141,845	96.7%
2011	2,332,839	2,268,370	97.2%	41,993	2,310,363	99.0%	2,268,370	97.2%
2012	2,490,328	2,446,018	98.2%	56,303	2,502,321	100.5%	2,446,018	98.2%

Source: County Auditor



Special Assessment Levies and Collections Last Ten Years

(Unaudited)

Year	Special Assessment Billings	Special Assessment Collections		Uncertified (2) Special Assessments	Prepayment of Special Assessments	Prepayment Ratio (3) as a % of Uncertified	Total Special Assessments Collected
		Special Assessment Collections Amount(1)	% of Billings				
2003	\$ 640,898	\$ 626,121	97.7%	\$ 5,463,256	\$ 138,711	2.5%	\$ 764,832
2004	696,139	714,896	102.7%	5,937,659	204,089	3.3%	918,985
2005	755,885	746,945	98.8%	7,152,073	81,459	1.1%	828,404
2006	920,374	943,194	102.5%	10,671,065	235,031	2.2%	1,178,225
2007	1,410,342	1,323,689	93.9%	10,963,152	129,986	1.2%	1,453,675
2008	1,461,352	1,322,012	90.5%	10,514,965	109,880	1.0%	1,431,892
2009	1,486,917	1,444,914	97.2%	10,305,749	237,680	2.3%	1,682,594
2010	1,500,916	1,537,669	102.4%	10,082,307	126,891	1.2%	1,664,560
2011	1,505,227	1,525,126	101.3%	9,090,444	99,666	1.1%	1,624,792
2012	1,467,787	1,472,402	100.3%	9,016,860	415,770	4.4%	1,888,172

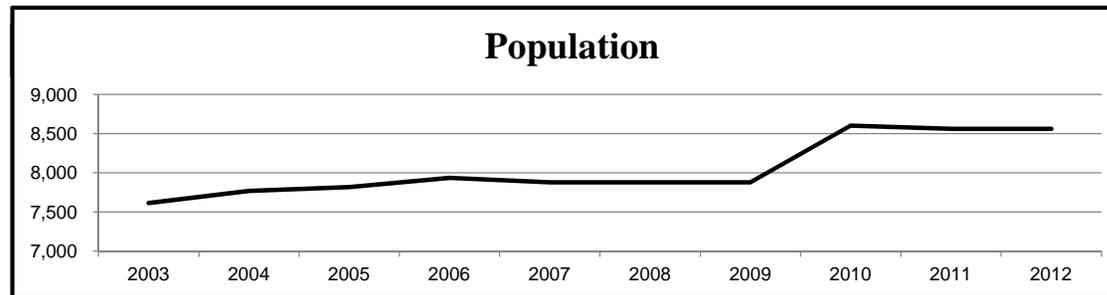
Source: Administration and Finance

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

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

(Unaudited)

Year	Population(1)	Tax Capacity	Bonded Debt Type		Total Gross Bonded Debt	Less Amount for Retirement	Net Bonded Debt	As a % of Tax Capacity	As a % of Personal Income	Estimated Market Values	Bonded Debt Per Capita
			Governmental	Business							
2003	7,616	\$ 2,986,517	\$ 4,830,000	\$ 4,165,000	\$ 8,995,000	\$ 1,856,553	\$ 7,138,447	239.0%	122.5%	2.8%	1,181
2004	7,769	3,143,267	9,285,000	4,010,000	13,295,000	2,191,957	11,103,043	353.2%	196.2%	4.1%	1,711
2005	7,816	3,296,995	8,355,000	3,845,000	12,200,000	2,453,241	9,746,759	295.6%	161.8%	3.4%	1,561
2006	7,934	3,801,667	11,710,000	1,415,000	13,125,000	2,002,701	11,122,299	292.6%	179.5%	3.4%	1,654
2007	7,879	4,702,967	14,830,000	1,345,000	16,175,000	4,212,406	11,962,594	254.4%	na	3.0%	2,053
2008	7,879	5,204,210	13,045,000	3,198,788	16,243,788	3,001,252	13,242,536	254.5%	na	3.0%	2,057
2009	7,879	5,222,323	13,397,881	4,762,211	18,160,092	2,978,660	15,181,432	290.7%	na	3.4%	2,305
2010	8,601	5,474,561	14,335,251	3,790,000	18,125,251	2,894,632	15,230,620	278.2%	na	3.4%	2,305
2011	8,560	5,387,087	13,093,577	3,623,000	16,716,577	2,202,313	14,514,264	269.4%	na	3.1%	1,953
2012	8,560	4,948,833	13,382,730	3,452,000	16,834,730	1,963,735	14,870,995	300.5%	na	2.4%	1,967



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, 2012

(Unaudited)

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City (1)</u>	<u>Overlapping Debt</u>	<u>Amount Applicable to City</u>
DIRECT DEBT:				
City of East Grand Forks	<u>\$ 13,373,000</u>	<u>100.0%</u>		<u>\$ 13,373,000</u>
OVERLAPPING DEBT:				
I.S.D. 595	5,431,167	51.9%	\$ 2,819,467	
Polk County	<u>28,570,000</u>	<u>11.6%</u>	<u>3,312,424</u>	
Total Overlapping Debt				<u>6,131,891</u>
Total direct and overlapping debt				<u>\$ 19,504,891</u>

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

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

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

Legal Debt Margin Information Last Ten Years

(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Estimated market value	<u>\$ 254,330,500</u>	<u>\$ 268,990,900</u>	<u>\$ 282,620,600</u>	<u>\$ 330,739,700</u>	<u>\$ 394,764,300</u>	<u>\$ 447,309,300</u>	<u>\$ 451,767,600</u>	<u>\$ 494,264,800</u>	<u>\$ 467,536,400</u>	<u>\$ 609,777,200</u>
Total debt	\$ 10,305,377	\$ 14,488,901	\$ 12,851,286	\$ 13,189,223	\$ 16,870,000	\$ 16,813,883	\$ 18,597,195	\$ 18,423,201	\$ 16,868,936	\$ 16,825,000
Deductions:										
Bonds:										
G.O. improvement bonds	4,830,000	9,285,000	8,355,000	11,710,000	14,830,000	13,045,000	12,160,000	11,220,000	9,700,000	9,180,000
Certificates of participation	595,000	560,000	525,000							
G.O. water revenue bonds	1,605,000	1,545,000	1,480,000	1,415,000	1,345,000	1,275,000	1,200,000			
Electric revenue bonds	2,560,000	2,465,000	2,365,000							
MIF-DRLF mall loan	471,154	447,638								
MN PFA GO Clean Water Improv Bonds						1,923,788	3,562,211	3,790,000	3,623,000	3,452,000
MN PFA GO Transportation Improv Bonds							1,237,881	3,115,251	3,393,577	3,318,000
GMHF & MHFA Deferred Loans										
Debt service funds:										
Cash, securities, and restricted cash	1,356,603	2,235,996	1,933,482	1,786,948	4,093,507	2,874,751	2,755,615	2,857,144	2,147,233	1,938,527
Less amount applicable to excluded bonds	<u>(1,356,603)</u>	<u>(2,235,996)</u>	<u>(1,933,482)</u>	<u>(1,786,948)</u>	<u>(4,093,507)</u>	<u>(2,874,751)</u>	<u>(2,755,615)</u>	<u>(2,857,144)</u>	<u>(2,147,233)</u>	<u>(1,938,527)</u>
Total net debt applicable to debt limit	<u>\$ 244,223</u>	<u>\$ 186,263</u>	<u>\$ 126,286</u>	<u>\$ 64,223</u>	<u>\$ 695,000</u>	<u>\$ 570,095</u>	<u>\$ 437,103</u>	<u>\$ 297,949</u>	<u>\$ 152,359</u>	<u>\$ 875,000</u>
Debt limit is 2% of estimated market value	\$ 5,086,610	\$ 5,379,818	\$ 5,652,412	\$ 6,614,794	\$ 7,895,286	\$ 8,856,998	\$ 9,035,352	\$ 9,885,296	\$ 9,350,728	\$ 12,195,544
Legal Debt Margin	\$ 4,842,387	\$ 5,193,555	\$ 5,526,126	\$ 6,550,571	\$ 7,200,286	\$ 8,286,903	\$ 8,598,249	\$ 9,587,347	\$ 9,198,369	\$ 11,320,544
Total net debt applicable to limit as a percentage of debt limit	4.8%	3.5%	2.2%	1.0%	8.8%	6.4%	4.8%	3.0%	1.6%	7.2%

COMPUTATION OF LEGAL DEBT MARGIN

NOTE (A): Minnesota Statutes 475.53 et seq.

Limit on Net Debt

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

NOTE (B): Minnesota Statutes 475.51

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

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

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

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

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

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

Schedule of Improvement Bond Coverage Debt Service Funds

(Unaudited)

Improvement Bond	Fund	Year	Assessment Collections (1)	Debt Service Requirements			Coverage	Debt Outstanding	Deferred Revenue
				Principal	Interest (2)	Total			
12-1-03 \$1,000,000	532	2004	\$ 79,678		\$ 27,824	\$ 27,824	3	\$ 1,000,000	\$ 2,189,184
		2005	103,079	\$ 30,000	40,583	70,583	1	970,000	925,216
		2006	75,345	40,000	39,526	79,526	1	930,000	903,952
		2007	141,496	40,000	38,266	78,266	2	890,000	822,918
		2008	102,382	40,000	36,986	76,986	1	850,000	778,042
		2009	106,339	40,000	35,706	75,706	1	810,000	725,013
		2010	87,748	40,000	34,426	74,426	1	770,000	686,559
		2011	94,217	40,000	33,107	73,107	1	730,000	646,245
		4-1-04 \$260,000	527	2005	60,917	530,000	28,303	558,303	0
2006	51,386			35,000	8,170	43,170	1	225,000	302,892
2007	49,856			30,000	7,276	37,276	1	195,000	275,353
2008	51,486			35,000	6,383	41,383	1	160,000	244,264
2009	59,090			35,000	5,420	40,420	1	125,000	203,614
2010	50,312			35,000	4,396	39,396	1	90,000	168,351
2011	43,686			35,000	3,854	38,854	1	55,000	137,121
2012	39,254			10,000	2,556	12,556	3	45,000	107,999
12-1-04 \$4,655,000	533			2005	87,469	-	125,974	125,974	1
		2006	184,881	170,000	186,204	356,204	1	4,485,000	2,306,453
		2007	217,172	205,000	179,554	384,554	1	4,280,000	2,269,211
		2008	254,689	210,000	171,254	381,254	1	4,070,000	2,153,910
		2009	229,429	215,000	162,754	377,754	1	3,855,000	2,085,952
		2010	354,489	220,000	154,054	374,054	1	3,635,000	1,871,421
		2011	232,385	225,000	145,154	370,154	1	3,410,000	1,753,232
		2012	289,030	235,000	135,955	370,955	1	3,175,000	1,606,406
		03-1-06 \$ 4,075,000	534	2007	436,739	-	211,104	211,104	2
2008	450,556			375,000	142,954	517,954	1	3,700,000	2,140,087
2009	386,705			385,000	130,221	515,221	1	3,315,000	1,889,256
2010	392,647			400,000	116,676	516,676	1	2,915,000	1,609,108
2011	376,547			415,000	102,414	517,414	1	2,500,000	1,328,332
2012	441,229			430,000	87,626	517,626	1	2,070,000	854,353
12-01-07 \$ 3,560,000	535	2007						3,560,000	2,625,490
		2008	347,090		75,772	75,772	5	3,560,000	2,625,490
		2009	319,020	160,000	135,985	295,985	1	3,400,000	2,511,853
		2010	372,558	190,000	129,988	319,988	1	3,210,000	2,333,149
		2011	362,416	205,000	123,123	328,123	1	3,005,000	2,126,518
		2012	368,437	215,000	116,204	331,204	1	2,790,000	1,930,901
11-01-12 \$440,000	532	2012					440,000	585,622	
11-01-12 \$660,000	414/435	2012					660,000		

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

Source: Administration and Finance

Schedule of Revenue Bond Coverage

Water Fund

(Unaudited)

Water Fund:

Year	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
2005	\$ 2,108,390	\$ 1,285,178	\$ 823,212	\$ 65,000	\$ 74,566	\$ 139,566	6
2006	2,176,681	1,399,418	777,263	65,000	71,603	136,603	6
2007	2,094,122	1,392,146	701,976	70,000	68,500	138,500	5
2008	2,095,935	1,583,565	512,370	70,000	65,642	135,642	4
2009	1,940,848	1,433,218	507,631	75,000	61,742	136,742	4
2010	1,851,855	1,566,196	285,659	75,000 (4)	21,541	96,541	3
2011	1,917,793	1,561,996	355,797				N/A
2012	2,338,132	1,789,517	548,615				N/A

Notes: (1) Total revenues including interest.

(2) Total operating expenses excluding depreciation.

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

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

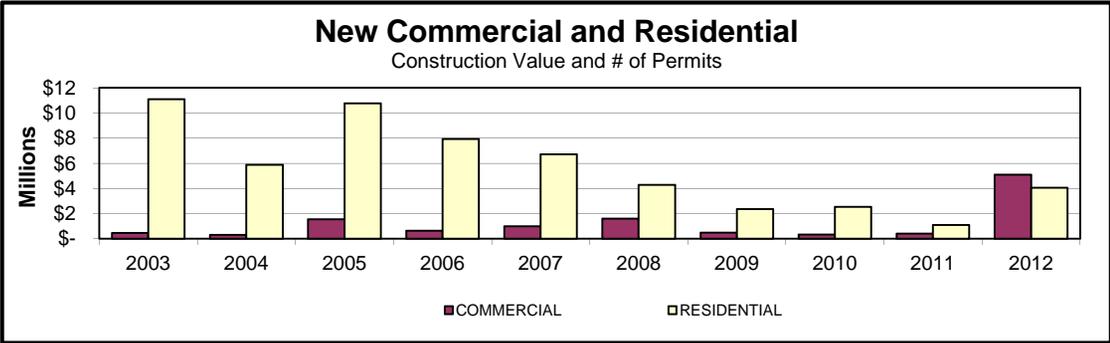
Source: Administration and Finance

Construction Last Ten Years

(Unaudited)

Year	CONSTRUCTION (1)				Total
	COMMERCIAL		RESIDENTIAL		
	Permits	Value	Permits	Value	
2003	2	\$ 447,000	87	\$ 11,094,000	\$ 11,541,000
2004	1	301,000	48	5,877,000	6,178,000
2005	5	1,540,000	74	10,781,000	12,321,000
2006	4	641,000	58	7,943,000	8,584,000
2007	1	980,000	51	6,719,000	7,699,000
2008	4	1,583,000	27	4,278,000	5,861,000
2009	4	489,000	12	2,350,000	2,839,000
2010	1	320,000	12	2,533,000	2,853,000
2011	2	398,000	4	1,085,000	1,483,000
2012	1	5,100,000	21	4,044,000	9,144,000

Source: City Planner



Notes: (1) Only new construction permits.

Demographic and Economic Statistics Last Ten Calendar Years

(Unaudited)

Calendar Year	Population (1)	Personal Income (2) (thousands of dollars)	Per Capita Personal Income (2)	Median Age (2)	Population 25 yrs & over-Bachelor's degree or higher (2)	School Enrollment (3)	Unemployment Rate (2)
2003	7,616	5,827,255	27,968	na	na	1,814	3.5%
2004	7,769	5,659,000	27,024	na	na	1,773	2.8%
2005	7,816	6,023,000	28,974	na	na	1,756	3.0%
2006	7,934	6,196,000	29,919	na	na	1,746	3.8%
2007	7,897	na	na	na	na	2,165	3.3%
2008	7,879	na	na	na	na	2,092	5.0%
2009	7,879	na	na	na	na	2,072	5.2%
2010	8,601	na	na	na	na	1,935	3.3%
2011	8,560	na	na	35	1,193	2,302	6.2%
2012	8,560	17,833,436	25,315	na	na	2,162	5.2%

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

Principal Employers Current Year and Nine Years Ago

(Unaudited)

Taxpayer	2012			Taxpayer	2003		
	Employees	Rank	% of Total City Employment 2,550		Employees	Rank	% of Total City Employment 2,500
ISD 595	315	1	12.35%	American Crystal	420	1	16.8%
American Crystal	303	2	11.88%	ISD 595	320	2	12.8%
Northwest Technical College	295	3	11.57%	American Federal Bank	128	3	5.1%
Cabela's	150	4	5.88%	Vigen Construction	125	4	5.0%
Valley Markets	138	5	5.41%	Valley Markets	115	5	4.6%
R. J. Zavoral and Sons, Inc.	118	6	4.63%	Northwest Technical College	107	6	4.3%
City of East Grand Forks	85	7	3.33%	Whitey's Café	70	7	2.8%
Blue Moose	65	8	2.55%	McDonald's	65	8	2.6%
Northern Valley	55	9	2.16%	Mayo Manufacturing	35	9	1.4%
Sacred Heart	42	10	1.65%	Lumber Mart	35	10	1.4%
	<u>1,566</u>		<u>61.4%</u>		<u>1,420</u>		<u>56.8%</u>

Source: Telephone survey of individual employers, April 2013

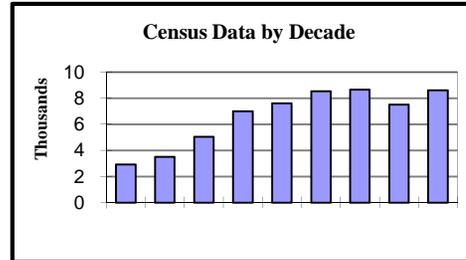
Demographic Statistics

U.S. Census Data

(Unaudited)

Population Changes:

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



Population Characteristic:

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

Miscellaneous:

	2000	2010
Median Age:	34.10 Years	35.00 Years
Household Size:	2.54 People	2.33 People
Number of Households:	2,929.00 Units	3,488.00 Units

Age Characteristics:

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

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

(Unaudited)

Function	Full-time Employees as of December 31, 2012									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government:										
Administration and Finance	5	5	5	5	5	4	5	5	5	4
Building	1	1	1	1	1	1	0	0	0	0
Public Safety:										
Building Official	3	3	3	3	3	3	2	2	2	1
Fire	11	11	11	10	10	10	10	10	10	9
Police	24	23	23	23	24	24	23	24	26	23
Public Works:										
Refuse	6	6	6	6	6	6	6	6	6	5
Sewage	2	2	2	2	2	2	2	2	2	2
Streets	8	8	8	8	7	7	7	7	6	6
Culture and Recreation:										
Administration	3	3	3	3	2	3	3	3	3	3
Parks	2	2	2	2	2	2	2	2	1	1
Arenas	2	2	2	2	2	2	2	2	2	2
Library	2	2	3	3	3	3	3	3	3	3
Senior center	1	1	1	1	1	1	1	1	1	1
Water and Light										
Administration	5	5	5	5	5	5	6	6	6	5
Electric	13	11	11	11	10	10	10	10	11	12
Water	8	8	8	8	8	8	8	8	8	8
Total	96	93	94	93	91	91	90	91	92	85

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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
On Sale Liquor license by entity	13	14	13	11	10	11	10	11	14	13
Off Sale Liquor license by entity	4	4	4	4	3	4	4	4	4	3
Number of AP checks written	3,036	2,986	3,033	3,055	3,075	3,224	3,184	3,321	3,491	3,063
Police										
DUI arrests	116	135	85	102	124	93	126	125	121	109
Traffic violations	1,386	1,367	1,107	898	1,044	918	1,041	1,274	1,001	686
No. of dog/cat licenses	97	93	111	111	106	123	132	160	111	103
Fire										
No. of rescue & EMS incidents	372	387	383	405	435	454	539	529	512	751
No. of fire calls	96	99	106	96	44	33	22	21	87	92
Building Official										
Building permits issues	358	246	308	302	379	117	343	454	315	300
Other permits issued	275	253	314	226	266	335	302	253	247	283
Refuse collection										
Refuse collected annually (tons)	3,859	3,875	3,864	4,003	3,905	3,482	3,713	3,983	3,995	4,107
Recyclables collected annually (tons)	5,277	1,370	4,740	820	449	521	604	698	676	687
Recreation and culture										
Number of summer registrants	340	429	680	708	748	601	601	473	501	583
Number of winter registrants	265	270	403	405	285	380	426	422	434	439
Attendance for general swim	9,976	10,101	10,326	11,098	11,278	8,963	7,142	10,450	9,866	10,217
Library										
Volumes in collection	41,037	43,114	44,595	47,641	49,972	49,341	45,259	50,719	52,498	52,364
Total volumes borrowed	65,367	80,064	83,288	88,451	74,045	80,830	76,329	83,777	89,692	67,692
Water										
Annual tap water billed (millions)	350	363	374	383	377	358	348	318	324	329
Average number of monthly meters	2,501	2,571	2,629	2,692	2,734	2,763	2,793	2,810	2,816	2,820
Electric										
Annual Kwhs billed (millions)	136	138	139	139	146	154	156	157	157	165
Maximum Demand Kwhs (millions)	26.63	26.40	25.55	26.49	29.21	30.79	32.33	32.01	30.53	31.40
Cemetery										
No. of Lots Sold	58	46	31	48	26	52	43	33	27	13
No. of Interments	34	29	22	42	21	52	43	37	44	22
Transit										
Total route miles	16	16	16	16	16	16	16	16	16	16
Passengers	16,833	14,147	16,785	16,324	16,772	20,840	23,616	24,809	28,789	37,758

Source: Various city departments

Schedule of Insurance in Force December 31, 2012

(Unaudited)

<u>Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Type of Coverage</u>	<u>Liability Limits</u>
PROPERTY				
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/12-1/1/13	All Risk Blanket Property, excluding flood.	\$95,650,543 Blanket \$50,000,000 Terrorism Activity \$500,000 Valuable Papers
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/12-1/1/13	Boiler and Machinery	\$95,650,543
BONDS				
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/12-1/1/13	Public Officials	\$100,000 Clerk-Treasurer \$100,000 Public Employees
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/12-1/1/13	Commercial Blanket Bond Commercial Crime	\$100,000 Forgery 250,000 Per Occurrence
LIABILITY				
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/12-1/1/13	Comprehensive General/ Public Officials Liability	\$1,500,000 Public Officials
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/12-1/1/13	Comprehensive General/ Auto Liability	\$1,500,000 Per Occurrence
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/12-1/1/13	General Liability (Bodily injury, employee benefits, host liquor liability)	\$1,500,000 Per Occurrence
League of Minnesota Cities (C&H Insurance)	MEL7545	1/1/12-1/1/13	Municipal Excess Liability	\$1,000,000 Aggregate
League of Minnesota Cities (C&H Insurance)	VL00011407	1/13/12-1/13/13		\$500,000 Per Occurrence
OPEN MEETING LAW				
League of Minnesota Cities (C&H Insurance)	OML8095	1/1/12-1/1/13	Open Meeting Law Defense Cost Reimbursement	\$50,000 Per City Official
WORKERS COMPENSATION				
League of Minnesota Cities (Berkley Risk Administrators)	200011431	1/13/12-1/13/13	Workers Compensation Comprehensive Managed Care Retro-rated 40% to 130%	\$1,500,000 Bodily Injury by Accident \$1,500,000 Bodily Injury by Disease

Miscellaneous Statistical Information

(Unaudited)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Number of employees	95	95	95	95	95	91	90	91	92	85
Area in square miles	6	6	6	6	6	6	6	6	6	6
Developed	5	5	5	5	5	5	5	5	5	5
Undeveloped	1	1	1	1	1	1	1	1	1	1
Miles of streets	59	59	59	59	59	70	70	70	70	70
Culture and Recreation:										
Senior Center	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Arenas	2	2	2	2	2	2	2	3	3	3
Parks	11	11	11	11	11	11	12	12	12	12
Park acreage owned	278	278	278	278	278	278	278	278	278	278
Park acreage developed	18	18	18	18	18	18	218	218	218	218
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	2	2	2	2	2	2	2	2	2	2
Fire Protection:										
Number of stations	2	2	2	2	2	2	2	2	2	2
Number of vehicles	7	7	7	7	7	10	10	11	11	11
Number of full-time Firefighters	11	11	11	11	10	10	10	9	9	9
Number of volunteer Firefighters	15	15	15	15	20	25	25	14	14	14
Fire Insurance Rating	4	4	4	4	4	4	4	4	4	4
Police Protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of police officers	23	23	23	23	24	21	21	21	21	21
Number of patrol units	6	6	6	6	6	5	5	5	5	5
Sewage System:										
Miles of force mains	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6	7.6
Miles of sewer mains	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8	44.8
Miles of storm sewers	30	30	30	30	30	42	42	53.2	53.2	53.2
Number of lift stations	9	9	9	9	12	12	12	12	12	12
Number of storm sewer lift stations	4	4	4	4	13	14	14	14	14	14
Water System:										
Miles of water mains	52	52	52	52	52	52	52	52	52	52
Number of fire hydrants	342	342	342	342	342	342	342	461	461	461
Gallons of Storage Capacity	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,100,000	4,000,000	4,000,000	4,000,000
Daily treatment capacity	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Towers and reservoirs	5	5	5	5	5	5	5	4	4	4
Electric System:										
Number of substations	4	4	4	4	4	4	4	4	4	4
Miles of distribution lines	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3
Peak Demand in MW	26.627	28.47	28.61	26.49	26.49	30.79	30.79	31.611	31.611	31.611
Public Education Facilities/Services Not Included In Reporting Entity:										
Number of elementary schools	2	2	2	2	2	2	2	2	2	2
Number of middle schools	1	1	1	1	1	1	1	1	1	1
Number of senior high schools	1	1	1	1	1	1	1	1	1	1
Northwest Technical College	1	1	1	1	1	1	1	1	1	1
Bond rating	A3	A1	A1							

**SIGNIFICANT MINNESOTA TAX POLICIES
DECEMBER 31, 2012**

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	2012 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 \$2,530 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 2012-2013, and the increase was \$100 or more. The maximum refund allowed is \$1,000.

Source: 2012 Property Tax Refund Booklet

TAX RATES AND LEVIES

Tax Limitation by Statute:

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

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

Taxes Due Date:

First Monday in January

Taxes Delinquent Date:

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

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

No Discount Allowed

Penalties for Late Payments:

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

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

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

Homestead	10%	Non-Homestead	14%
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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

SINGLE AUDIT
SECTION

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

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

We have audited, in accordance with the 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, the 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, 2012, and the related notes to the financial statements, which collectively comprise the City of East Grand Forks basic financial statements and have issued our report thereon dated June 28, 2013.

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.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in

internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Brady, Martz".

BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA

June 28, 2013

**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

Report on Compliance for Each Major Federal Program

We have audited the City of East Grand Forks' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City of Grand Forks' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of East Grand Forks' major federal programs based on our audit of the types of compliance requirements referred to above. 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of East Grand Forks complied, in all material respects, with the types of 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, 2012.

Report on Internal Control Over Compliance

Management of the City of East Grand Forks is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the 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 as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 28, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial

statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

June 28, 2013

CITY OF EAST GRAND FORKS, MINNESOTA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2012

FEDERAL GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Identifying Number	Expenditures
<u>Department of Housing & Urban Development</u>			
Direct Programs:			
Lower-Income Housing Assistance Program			
Section 8 Housing Choice Vouchers	14.871		\$ 1,618,305
<u>Department of Transportation</u>			
Direct Programs:			
Federal Transit Administration- Capital and Operating Assistance (Cluster)			
Formula Grants	20.500		104,282
ARRA Capital Purchase	20.507	MN-96-X003-00	7,288
Federal Transit Cluster			111,570
<u>Passed Through State of Minnesota-Highway Safety Cluster</u>			
State and Community Highway Safety	20.600	F-ENFORCE-2012-00241	8,021
Occupant Protection Incentive Grants	20.602	F-ENFORCE-2012-00107	4,000
Safety Belt Performance Grants	20.609	F-ENFORCE-2012-00241	5,091
Total Highway Safety Cluster			17,112
<u>Passed Through State of Minnesota Safe and Sober</u>			
Safe and Sober	20.608	F-ENFORCE-2012-00107	6,877
Total DOT Passed through the State of Minnesota			23,989
Total Department of Transportation			135,559
<u>Department of Agriculture</u>			
<u>Passed Through State of Minnesota</u>			
Cooperative Forestry Assistance	10.664	32481	429
<u>Department of Commerce</u>			
Direct Programs:			
Investments for Public Works and Economic Development Facilities	11.300		178,406
<u>Department of Homeland Security</u>			
Assistance to Firefighters Grant	97.044	EMW-2011-FO-00554	26,718
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2010-FH-01067	102,141
			128,859
<u>Passed Through State of Minnesota</u>			
Disaster Grants - Public Assistance (FEMA)	97.036	DR-1830 DISASTER	277,488
Total Department of Homeland Security			406,347
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,339,046

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, 2012.

Program Title	CFDA	Amount Outstanding
Capitalization Grants for Clean Water SRF	66.458	\$3,452,000

CITY OF EAST GRAND FORKS, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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: Unmodified

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

Identification of major programs:

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

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

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

Section II - Financial Statement Findings

There are no findings to be reported in this section.

Section III - Federal Award Findings and Questioned Costs

There are no findings to be reported in this section.

CITY OF EAST GRAND FORKS, MINNESOTA
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2012

No prior year audit findings noted.



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