

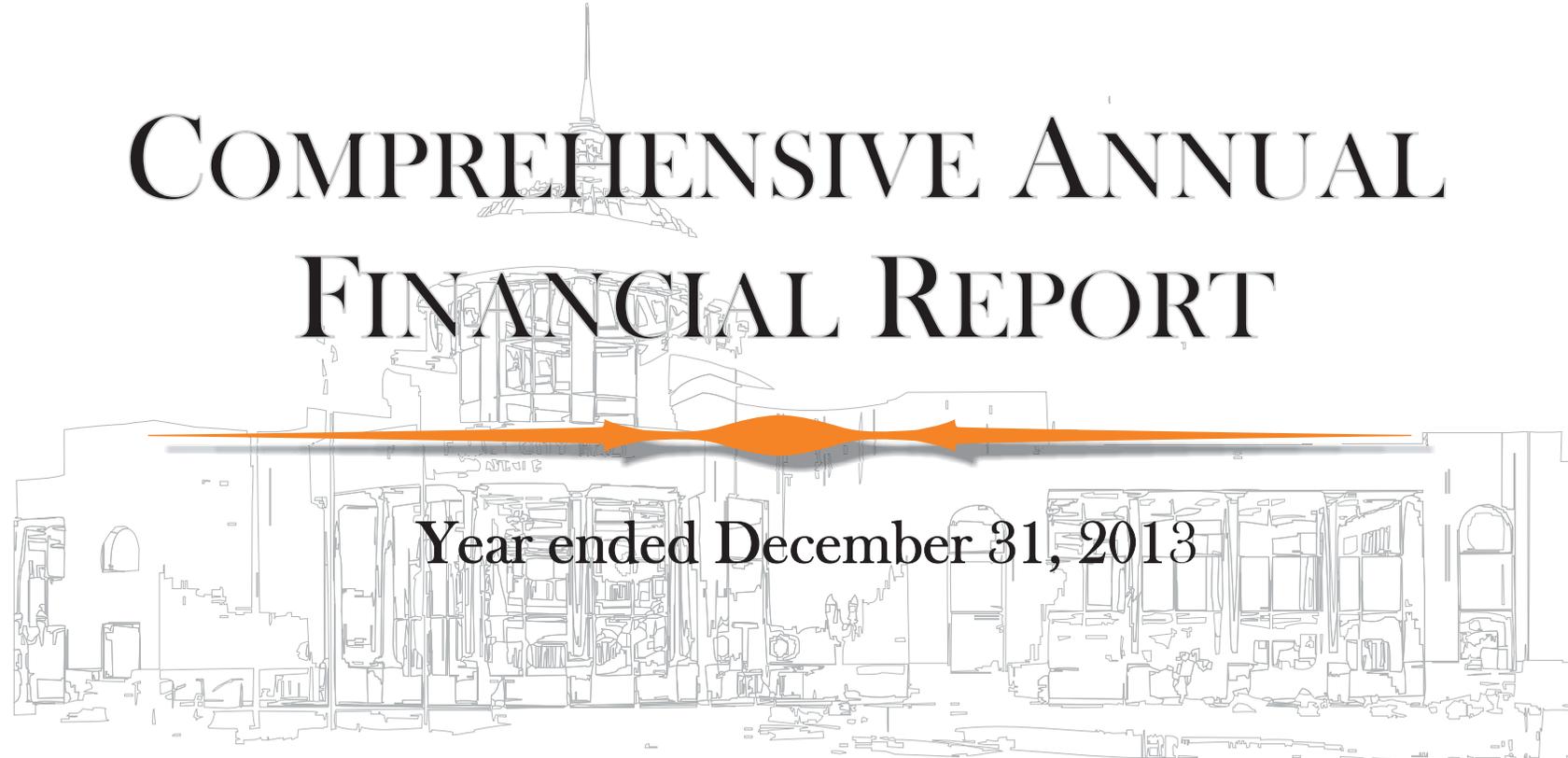
City of East Grand Forks

Minnesota



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2013



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended December 31, 2013



CITY OF EAST GRAND FORKS, MINNESOTA

Prepared by Department of Administration & Finance

DAVID MURPHY
CITY ADMINISTRATOR

KARLA ANDERSON
FINANCE DIRECTOR

INTRODUCTORY SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

Comprehensive Annual Financial Report
Table of Contents
December 31, 2013

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	1
GFOA Certificate of Achievement for Excellence in Financial Reporting	5
Organization Chart	7
Elected Officials and Administrative Personnel	9
FINANCIAL SECTION	
Independent Auditor's Report	11
Management's Discussion and Analysis (Unaudited)	13
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	21
Statement of Activities	23
Fund Financial Statements	
Balance Sheet – Governmental Funds	24
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	25
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	26
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	27
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund	29
Statement of Net Position – Proprietary Funds	30
Statement of Revenues, Expenses and Changes in Fund Net Position – Proprietary Funds	33
Statement of Cash Flows – Proprietary Funds	34
Statement of Fiduciary Net Position – Agency Fund-Flexible Benefits	36
Notes to the Financial Statements	37
Required Supplementary Information – Other Postemployment Benefits Plan Schedule of Funding Progress	58
Combining Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	59
Combining Balance Sheet – Nonmajor Governmental Funds by Fund Type	61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds by Fund Type	62
Combining Balance Sheet – Nonmajor Special Revenue Funds	63
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds	65
Combining Balance Sheet – Nonmajor Debt Service Funds	67
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Debt Service Funds	68

**Comprehensive Annual Financial Report
Table of Contents
December 31, 2013 (continued)**

Combining Balance Sheet – Nonmajor Capital Projects Funds	69
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds	70
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Nonmajor Special Revenue Funds	71
Internal Service Funds	
Internal Service Funds	81
Combining Statement of Net Position – Internal Service Funds	83
Combining Statement of Revenues, Expenses and Changes in Fund Net Position – Internal Service Funds	84
Combining Statement of Cash Flows – Internal Service Funds	85
Other Supplementary Schedules	
Schedule of Revenues and Other Sources Budget to Actual – General Fund	87
Schedule of Expenditures and Other Uses Budget to Actual – General Fund	89
Capital Assets Used in the Operation of Governmental Funds – Schedule by Sources	97
Capital Assets Used in the Operation of Governmental Funds – Schedule by Function and Activity	98
Capital Assets Used in the Operation of Governmental Funds – Schedule of Changes by Function and Activity	99
Statement of Changes in Fiduciary Net Position – Agency Fund – Flexible Benefits	100
Combining Statement of Net Position Discretely Presented Component Unit – by Focus	101
Statement of Revenues, Expenses and Changes in Fund Net Position – Discretely Presented Component Units by Focus	102
Combining Schedule of Net Position Discretely Presented Component Unit – Economic Development Focus	103
Schedule of Revenues, Expenses and Changes in Fund Net Position – Discretely Presented Component Unit – Economic Development Focus	104
Combining Schedule of Net Position Discretely Presented Component Unit – Housing Focus	105
Schedule of Revenues, Expenses and Changes in Fund Net Position – Discretely Presented Component Unit – Housing Focus	106
STATISTICAL SECTION (Unaudited)	
Statistical Information (Unaudited)	107
Net Position by Component – Last Ten Fiscal Years	109
Changes in Net Position – Last Ten Fiscal Years	110
Fund Balances of Governmental Funds – Last Ten Years	112
Changes in Fund Balances of Governmental Funds – Last Ten Years	113

**Comprehensive Annual Financial Report
Table of Contents
December 31, 2013 (continued)**

Tax Revenues by Source – Last Ten Years	114
State Intergovernmental Revenues by Program – Last Ten Years	115
Tax Capacity and Estimated Market Value of all Taxable Property – Last Ten Years	116
Property Tax Rates – All Direct and Overlapping Governments – Last Ten Years	117
Principal Property Taxpayers – Current Year and Nine Years Ago	118
Property Tax Levies and Tax Collections – Last Ten Years	119
Special Assessment Levies and Collections – Last Ten years	120
Ratio of Net Bonded Debt to Tax Capacity and Estimated Values, and Net Bonded Debt per Capita – Last Ten Years	121
Computation of Direct and Overlapping Debt	122
Legal Debt Margin Information – Last Ten Years	123
Computation of Legal Debt Margin	124
Schedule of Improvement Bond Coverage Debt Service Funds	125
Schedule of Revenue Bond Coverage Water Fund	126
Construction – Last Ten Years	127
Demographic and Economic Statistics – Last Ten Calendar Years	128
Principal Employers – Current Year and Nine Years Ago	129
Demographic Statistics U.S. Census Data	130
Full-time Employees by Function/Program – Last Ten Fiscal Years	131
Operating Indicators by Function – Last Ten Fiscal Years	132
Schedule of Insurance in Force	133
Miscellaneous Statistical Information	134
Significant Tax Policies	135
INDEPENDENT AUDITOR'S REPORTING REQUIREMENTS AND OTHER COMMUNICATIONS REQUIRED UNDER THE SINGLE ACT	
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 <i>Government Auditing Standards</i>	137
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	139
Schedule of Expenditures of Federal Awards	141
Schedule of Findings and Questioned Costs	142
Schedule of Prior Audit Findings	143



(This page left blank intentionally)



Administration and Finance

June 25, 2014

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, 2013.

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, 2013, are free of misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of East Grand Forks' financial statements for the fiscal year ended December 31, 2013, 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 8,581. 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 29 as part of the basic financial statements of the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is present in the governmental fund subsection of this report, which starts on page 87.

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 4.7% unemployment rate (Polk County), while the state and the country have unemployment rates of 4.6% and 6.5%, respectively. The City of Grand Forks, located just across the river in North Dakota, has an unemployment rate of 3.4%.

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. Minnesota Heights, a 39 unit housing project was completed in August of 2013 and the housing section is fully occupied. The ground floor is commercial/retail space and the developer is working on filling this space. Northern Pacific Apartments, another housing project with 36 units, is under construction with projected completion in August 2014. There is not any commercial/retail space in this building.

FINANCIAL INFORMATION

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

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

Long-term financial planning. The city council is still working on a plan for either updating or replacing the current Waste Water system are ongoing. Options and costs are being reviewed with estimates around \$19 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. The city 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 hold the funding at the current rate, which will make it easier for budgeting for the future. Recent legislation was passed that will make the City tax exempt from sales tax. The City has seen some savings and has been able to stretch their dollars because of this. Some public works trucks are not tax exempt presently. Legislature is working on getting all purchases tax exempt.

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 fee. 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 continues to adjust sewer utility rates in anticipation of a new \$19 million 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 \$19 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 a police interceptor vehicle, a couple riding mowers/tractors, truck and other smaller equipment in 2013. Larger capital equipment purchases will be made between 2014-2016.

The city established a Building Maintenance Fund in 2010 to address large-scale maintenance concerns. The city completed the remodeling of the police headquarters in 2013 at a cost of \$533,288. There is still a debate on renovating or building a new swimming pool with more discussion in the 2015 budgeting year.

The city continues to market its investments in city-owned properties that the city acquired as a result of the US Corps of Engineers levee project. The city also has completed a major street and utilities addition to its Industrial Park in 2013. The local share of the \$723,371 was 25 percent. The federal Economic Development Administration (EDA) funded 50 percent of the cost, and the state Department of Employment and Economic Development (DEED) funded the other 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. Cost of living allowances for 2013 were 1.5%. The city negotiated a 2% increase for 2014 and 2% for 2015. The city has reduced total employment by nearly eight percent since 2008 through a combination of outsourcing services and eliminating vacant positions. The Water and Light division bargains with their employees separately and they negotiated a cost of living allowance for 2014 of 3% and 2% for 2015.

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, 2012. This is the 20th 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.



David Murphy
City Administrator



Karla Anderson, CPA,
Finance Director



Government Finance Officers Association

**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, 2012

Executive Director/CEO

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, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government reports.

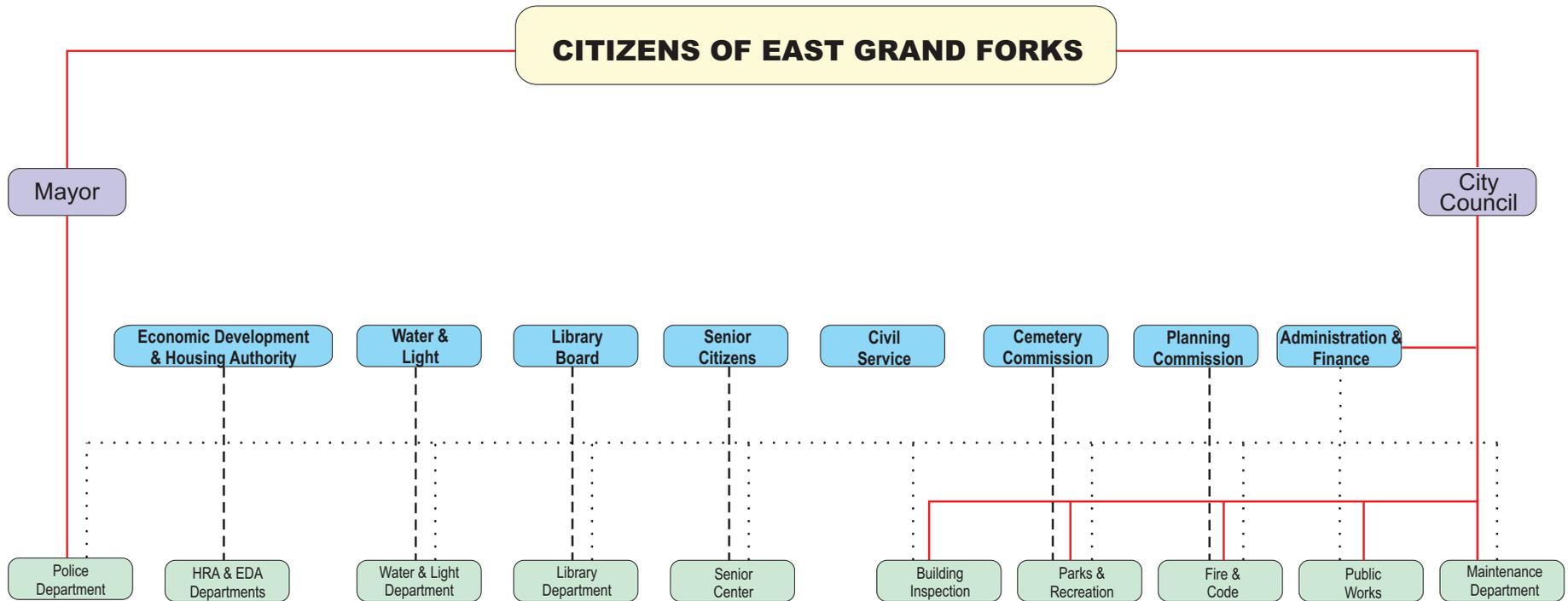
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable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



(This page left blank intentionally)

CITY OF EAST GRAND FORKS ORGANIZATION CHART



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



(This page left blank intentionally)

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	Vacant	4 Years	12/31/14
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	David Murphy
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



(This page left blank intentionally)

FINANCIAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

INDEPENDENT AUDITOR'S REPORT

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

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, 2013, 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, 2013, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in the notes to the financial statements, for the year ended December 31, 2013, the City adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

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 2012 financial statements and, in our report dated June 28, 2013; 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 25, 2014, 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 25, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF EAST GRAND FORKS, MINNESOTA

MANAGEMENT'S DISCUSSION
AND ANALYSIS

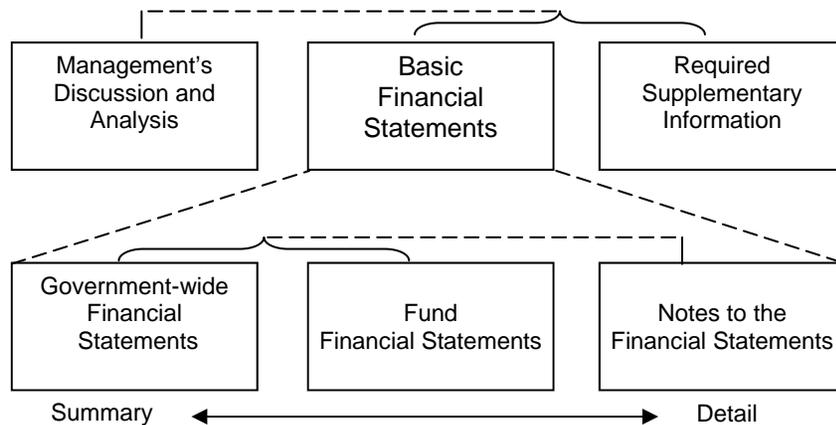
Management's Discussion and Analysis

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, 2013. 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 position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 21-23 of this report.

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

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

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

The City maintains 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 22 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 24-27 of this report.

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for electric, water, sewage, storm water protection, 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 30-35 of this report.

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

The fiduciary fund financial statement can be found on page 36 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 37-57 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 59-70 and 83-85.

FINANCIAL HIGHLIGHTS

- The City's net position (asset minus liabilities) decreased by (0.3%) as a result of this year's operations. The net position of the City's governmental activities decreased \$489,640 (0.3%) and net position of the City's business type activities increased \$432,775, 0.6%.
- Capital assets increased \$654,468, 0.3%, with most of the increase due to city projects.
- The City's long-term liabilities decreased \$1,162,399 (6.4%) during the fiscal year ending December 31, 2013. Governmental long-term liabilities decreased \$983,498 (6.8%), which was due to the principal payments of debt.
- At the close of the current fiscal year, the City's governmental funds reported total ending fund balances of \$7,743,374, a decrease of \$243,787 (3%).
- The General Fund's fund balance decreased \$16,560 (0.5%) to \$3,178,595. The unassigned fund balance is 35% of expenditures and other uses.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET POSITION

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 17,295,093	\$ 18,994,124	\$ 19,250,936	\$ 19,568,988	\$ 36,546,029	\$ 38,563,112
Capital assets	129,618,597	129,819,473	52,770,333	51,914,989	182,388,930	181,734,462
Total assets	<u>146,913,690</u>	<u>148,813,597</u>	<u>72,021,269</u>	<u>71,483,977</u>	<u>218,934,959</u>	<u>220,297,574</u>
Other liabilities	1,318,849	1,745,618	2,210,684	1,927,268	3,529,533	3,672,886
Long-term liabilities	13,401,571	14,385,069	3,706,968	3,885,869	17,108,539	18,270,938
Total Liabilities	<u>14,720,420</u>	<u>16,130,687</u>	<u>5,917,652</u>	<u>5,813,137</u>	<u>20,638,072</u>	<u>21,943,824</u>
Net position:						
Net Investment in Capital Assets	117,234,890	115,434,404	49,494,333	48,462,989	166,729,223	163,897,393
Restricted	7,660,112	9,445,754			7,660,112	9,445,754
Unrestricted	7,298,268	7,802,752	16,609,284	17,207,851	23,907,552	25,010,603
Total Net position	<u>\$ 132,193,270</u>	<u>\$ 132,682,910</u>	<u>\$ 66,103,617</u>	<u>\$ 65,670,840</u>	<u>\$ 198,296,887</u>	<u>\$ 198,353,750</u>

By far the largest portion of the City's net position (84%) 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.

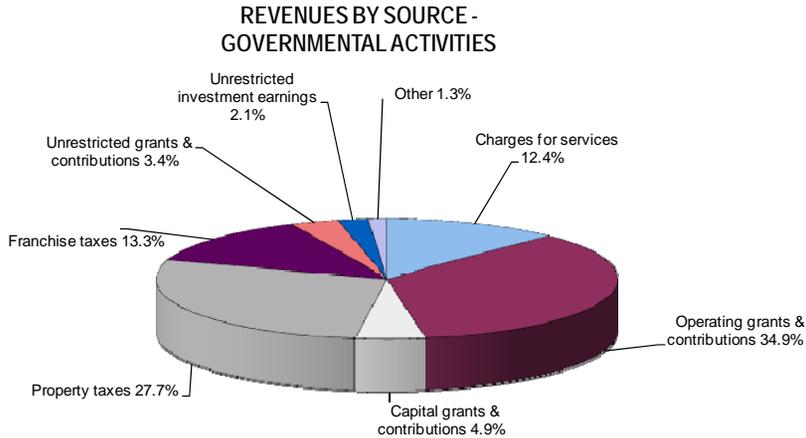
A small portion of the City's net position (4.0%) represents resources that are subject to external restrictions on how they can be used. The remaining

unrestricted net position \$23,907,552 may be used to meet the ongoing obligations to citizens and creditors. Of the unrestricted net position, \$16,609,284 is attributable to business-type activities.

Unrestricted governmental activities net position decreased \$504,484 (6.5%), while business-type activities unrestricted net position decreased \$598,567 (3.4%). Government-wide total unrestricted net position decreased \$1,103,051, (4.4%).

CHANGE IN NET POSITION

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program revenues:						
Charges for services	\$ 1,336,009	\$ 1,234,180	\$ 18,976,609	\$ 18,946,968	\$ 20,312,618	\$ 20,181,148
Operating grants and contributions	3,753,816	3,380,925	15,427	20,215	3,769,243	3,401,140
Capital grants and contributions	532,698				532,698	
General revenues:						
Property taxes	2,982,817	2,526,924			2,982,817	2,526,924
Franchise taxes	1,430,795	1,416,140			1,430,795	1,416,140
Unrestricted grants and contributions	361,744	3,032,526			361,744	3,032,526
Unrestricted investment earnings	229,366	288,304	(246,259)	237,356	(16,893)	525,660
Other	140,017	267,103			140,017	267,103
Total revenues	<u>10,767,262</u>	<u>12,146,102</u>	<u>18,745,777</u>	<u>19,204,539</u>	<u>29,513,039</u>	<u>31,350,641</u>
EXPENSES						
Program activities:						
Governmental activities:						
General government	1,000,841	1,186,560			1,000,841	1,186,560
Public safety	3,841,070	3,530,624			3,841,070	3,530,624
Public works	2,759,795	4,711,832			2,759,795	4,711,832
Transit	343,947	401,470			343,947	401,470
Recreation and culture	2,636,031	2,447,389			2,636,031	2,447,389
Community development	122,563	227,832			122,563	227,832
Cemetery	299,909	60,463			299,909	60,463
Interest on long-term debt	502,385	533,736			502,385	533,736
Business-type activities						
Electric			13,182,980	13,206,748	13,182,980	13,206,748
Water			2,152,305	2,343,208	2,152,305	2,343,208
Sewer			918,483	901,603	918,483	901,603
Storm Water			561,522	499,046	561,522	499,046
City mall			335,128	324,547	335,128	324,547
Refuse			912,945	866,266	912,945	866,266
Total expenses	<u>11,506,541</u>	<u>13,099,906</u>	<u>18,063,363</u>	<u>18,141,418</u>	<u>29,569,904</u>	<u>31,241,324</u>
Excess (deficiency) before transfers	(739,279)	(953,804)	682,414	1,063,121	(56,865)	109,317
Transfers in (out)	<u>249,639</u>	<u>(250,000)</u>	<u>(249,639)</u>	<u>250,000</u>		
Increase (decrease) in net position	(489,640)	(1,203,803)	432,775	1,313,121	(56,865)	109,317
Net position at the beginning of the year	<u>132,682,910</u>	<u>133,886,714</u>	<u>65,670,842</u>	<u>64,357,719</u>	<u>198,353,752</u>	<u>198,244,433</u>
Net position at the end of the year	<u>\$ 132,193,270</u>	<u>\$ 132,682,911</u>	<u>\$ 66,103,617</u>	<u>\$ 65,670,840</u>	<u>\$ 198,296,887</u>	<u>\$ 198,353,750</u>



franchise taxes accounted for 27.7% and 13.3% of total revenues, respectively. Unrestricted grants and contributions in the form of local government aid and other State aids contributed 3.4% to total revenues. Charges for services brought in 12.4%.

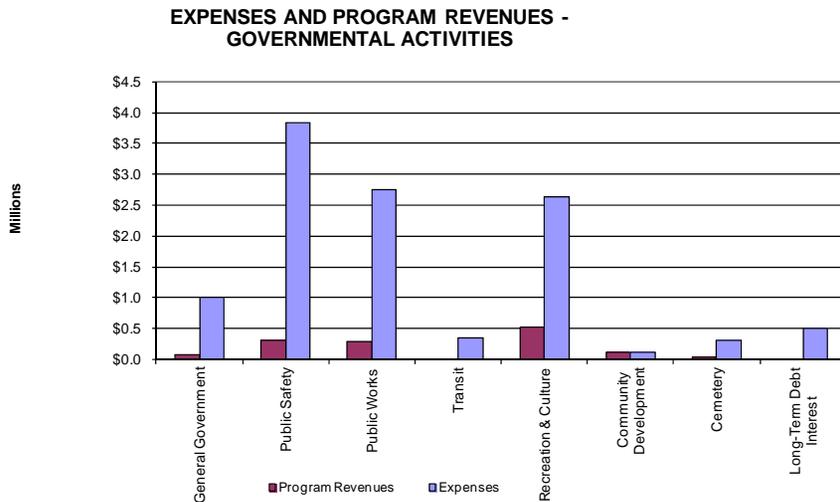
Public safety (33.4%) expenses are the most significant, followed by public works (24.0%), recreation and culture (22.9%), general government (8.7%), and cemetery (2.6%). Interest on long-term debt and transit expenses accounted for 4.4% and 3.0% of total expenses, respectively. Included in these amounts is depreciation expense of \$2,923,039, which is 25.4% of the total expenses for governmental activities.

Governmental revenues decreased \$1,377,055 (11.3%) in the current year, with the most significant portion of the decrease attributable smaller amounts of unrestricted grants and contributions being received.

Governmental activities expenses decreased \$1,593,365 (12.2%) in the current year. The most significant changes in program expenses were as follows:

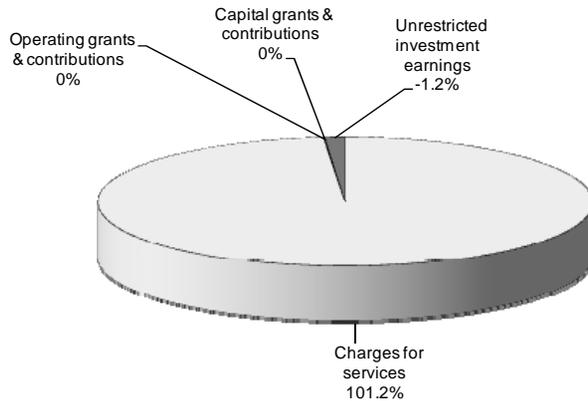
- Public Safety expenses increased \$310,446 (8.8%). The increase is primarily attributable to additional personnel expenses resulting from a shortage of staff and overtime paid for a rescue search. A police vehicle was also purchased.
- Public Works expenses decreased \$1,952,037 (41.4%). The decrease is the result of less infrastructure projects undertaken.

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

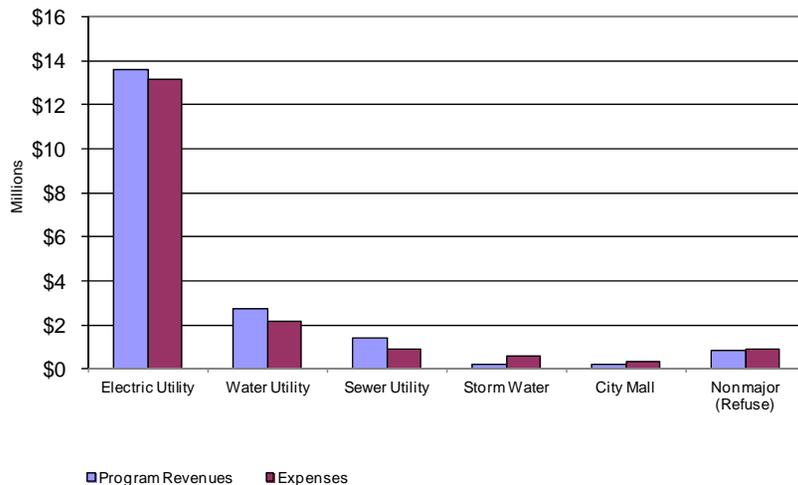


Governmental Activities. A significant share of revenues of the governmental activities is operating grants and contributions (34.9%), with most of that amount attributed to local share of additions to the infrastructure. Property taxes and

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE EXPENSES



Business-type activities. Business-type activities increased the City's net position by \$432,775 from the prior fiscal year. Key elements of the change are as follows:

Investment income decreased by \$483,615, which was reflective of market value fluctuations due to interest rate changes.

Program expenses decreased by \$78,055 (0.4%) largely because of decreased revenues.

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 2013, the City's governmental funds reported total ending fund balances of \$7,743,374, a decrease of \$243,787 in comparison with the prior year. About 20% of the total ending fund balances constituted unassigned fund balances \$1,550,190, 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 \$3,178,595, decreasing \$16,560 from the previous year. General fund revenues were \$105,477 (1.2%) higher than in the prior fiscal year and expenditures increased by \$726,478 (9%). General taxes, including property taxes and franchise fees, decreased \$17,594 (0.4%). Intergovernmental revenue decreased \$35,864 (1.0%) and charges for services increased \$81,871 (8.1%).

The Residential Infrastructure Fund (RIF) experienced a \$102,621 fund balance increase over the prior year.

The 3-1-06 Assessment Bond Fund (ABF) fund balance decreased by \$138,018, due to assessment collections and interest income being less than debt service payments.

The 12-1-04 Assessment Bond Fund (ABF) fund balance increased \$141,984 to \$208,466 as assessment collections were more than debt payments.

The Current Assessment projects fund had a negative balance of \$1,146,044 due to capital outlay project during the year with no funding sources in the current year.

The 12-1-03 Assessment Bond Fund (ABF) fund balance increased \$82,398 as assessment collections were more than debt payments.

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 \$108,560 (0.4%). Operating revenues decreased \$476,905 (3.4%) to \$13,587,455. Wholesale purchased power costs decreased \$70,106 (0.8%). Transfers out decreased by \$1,455,361 to \$294,639. 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 \$548,335 (4.5%) in the current year. Operating income increased \$362,508 (15.5%) and operating expenses decreased \$190,903 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 \$479,931 (4.9%).

The storm water utilities net position decreased \$282,990 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 \$156,206 was the result of a loss from operations.

The Refuse Fund net position decreased \$47,734. Operating revenue increased \$9,647 and operating expenses increased \$48,455 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Governmental revenues were \$444,238 more than budget primarily due to more intergovernmental revenue than budgeted for. Government expenditures overall were more than budget by \$ 382,121 the result of increased costs of personnel.

The General Fund year end fund balances since 2005 are as follows:

2005	\$ 2,574,386	2008	\$ 2,564,645	2011	\$ 2,760,003
2006	2,200,961	2009	2,727,342	2012	3,195,155
2007	2,841,939	2010	2,587,856	2013	3,178,595

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

(Net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
Land	\$ 31,203,471	\$ 31,007,286	\$ 707,178	\$ 707,178	\$ 31,910,649	\$ 31,714,464
Construction in progress	663,164	860,371		2,282,420	663,164	3,142,791
Building, structures, & improvements	61,524,645	62,664,399	52,102,741	46,713,819	113,627,386	109,378,218
Machinery and equipment	3,753,676	3,006,350	(39,585)	2,211,572	3,714,091	5,217,922
Infrastructure	32,473,641	32,281,067			32,473,641	32,281,067
Total	\$ 129,618,597	\$ 129,819,473	\$ 52,770,334	\$ 51,914,989	\$ 182,388,931	\$ 181,734,462

Capital assets. The City's investment in capital assets for its governmental and business-type activities at December 31, 2013 totaled \$182,388,931 (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 48.

LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities		Total Government	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 8,245,169	\$ 9,163,968			\$ 8,245,169	\$ 9,163,968
General obligation PFA Improv bonds	3,239,000	3,318,000	\$ 3,276,000	\$ 3,452,000	6,515,000	6,770,000
General obligation cert of indebtedness	899,538	900,761			899,538	900,761
Compensated absences payable	1,017,864	1,002,340	430,968	433,869	1,448,832	1,436,209
Total	\$ 13,401,571	\$ 14,385,069	\$ 3,706,968	\$ 3,885,869	\$ 17,108,539	\$ 18,270,938

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 \$17,108,539 at December 31, 2013. Of this total, \$13,401,571 (78.3%) is in governmental activities and \$3,706,968 (21.7%) is in business-type activities. The City's outstanding long-term liabilities decreased \$1,162,399 (6.4%) in 2013.

Additional information on the City's long-term liabilities can be found in the notes to the financial statements on pages 49-51 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the Polk County, Minnesota area for December 31, 2013 was 4.7%, which is above the state average (4.6%) and below the national average (6.7%). The Grand Forks County unemployment rate was 2.8%. The Grand Forks-East Grand Forks metropolitan statistical area unemployment rate was 3.7%. 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 2013, 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 2014, but intends to do so in 2015 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.

BASIC FINANCIAL STATEMENTS



CITY OF EAST GRAND FORKS, MINNESOTA

Statement of Net Position

December 31, 2013

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		EDHA
ASSETS				
Cash and cash equivalents	\$ 4,325,719	\$ 5,193,521	\$ 9,519,240	\$ 3,172,320
Investments	5,810,530	10,080,743	15,891,273	
Accrued interest receivable	18,332	24,662	42,994	
Accounts receivable, net	19,023	1,630,886	1,649,909	794,598
Notes receivable, net	203,292		203,292	1,809,494
Taxes receivable - property	38,466		38,466	
Taxes receivable - other	100,700		100,700	
Special assessments receivable	6,855,091		6,855,091	
Internal balances (net)	(909,965)	909,965		
Due from other government units	406,559	15,807	422,366	24,235
Prepaid Items		56,921	56,921	
Land held for resale	393,526		393,526	68,797
Materials and Supplies	33,820	902,857	936,677	
Restricted cash and Investments		83,800	83,800	600,462
Customer acquisition costs		351,774	351,774	
Capital assets:				
Nondepreciable	31,866,635	707,178	32,573,813	50,300
Depreciable, net	97,751,962	52,063,155	149,815,117	3,888,317
TOTAL ASSETS	146,913,690	72,021,269	218,934,959	10,408,523
LIABILITIES				
Accounts payable	434,471	1,857,406	2,291,877	38,610
Accrued wages payable	353,954	185,073	539,027	22,073
Due to other government units	103,682	50,652	154,334	988,281
Accrued interest payable	180,768	33,753	214,521	1,874
Customer deposits		83,800	83,800	23,107
Unearned Revenue	59,119		59,119	
Noncurrent liabilities:				
Due within one year	1,166,715	221,000	1,387,715	41,885
Due in more than one year	12,234,856	3,485,968	15,720,824	373,475
Net other postemployment benefit liability	186,855		186,855	
TOTAL LIABILITIES	14,720,420	5,917,652	20,638,072	1,489,305
NET POSITION				
Net investment in capital assets	117,234,890	49,494,333	166,729,223	3,926,732
Restricted for:				
Economic Development				120,672
Housing				133,299
Debt service	7,099,941		7,099,941	
Public works	451,419		451,419	
Capital projects	32,752		32,752	
Library - nonexpendable	76,000		76,000	
Unrestricted	7,298,268	16,609,284	23,907,552	4,738,515
TOTAL NET POSITION	\$ 132,193,270	\$ 66,103,617	\$ 198,296,887	\$ 8,919,218

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



(This page left blank intentionally)

Statement of Activities

Year Ended December 31, 2013

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	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 1,000,841	\$ 77,324	\$ 2,986,150		\$ 2,062,633		\$ 2,062,633	
Public safety	3,841,070	301,040	231,590		(3,308,440)		(3,308,440)	
Public works	2,759,795	298,163	142,305	\$ 532,698	(1,786,629)		(1,786,629)	
Transit	343,947		393,771		49,824		49,824	
Recreation and culture	2,636,031	514,163			(2,121,868)		(2,121,868)	
Community development	122,563	106,024			(16,539)		(16,539)	
Cemetery	299,909	39,295			(260,614)		(260,614)	
Interest on long-term debt	502,385				(502,385)		(502,385)	
Total governmental activities	<u>11,506,541</u>	<u>1,336,009</u>	<u>3,753,816</u>	<u>532,698</u>	<u>(5,884,018)</u>	<u>-</u>	<u>(5,884,018)</u>	<u>-</u>
Business-type activities								
Electric Utility	13,182,980	13,587,455				\$ 404,475	404,475	
Water Utility	2,152,305	2,700,640				548,335	548,335	
Sewer Utility	918,483	1,428,483				510,000	510,000	
Storm Water	561,522	233,105	427			(327,990)	(327,990)	
City Mall	335,128	176,714				(158,414)	(158,414)	
Nonmajor (Refuse)	912,945	850,212	15,000			(47,733)	(47,733)	
Total business-type activities	<u>18,063,363</u>	<u>18,976,609</u>	<u>15,427</u>	<u>-</u>	<u>-</u>	<u>928,673</u>	<u>928,673</u>	<u>-</u>
Total primary government	<u>\$ 29,569,904</u>	<u>\$ 20,312,618</u>	<u>\$ 3,769,243</u>	<u>532,698</u>	<u>\$ (5,884,018)</u>	<u>\$ 928,673</u>	<u>\$ (4,955,345)</u>	<u>-</u>
Component unit:								
Community development	<u>\$ 3,202,196</u>	<u>\$ 283,613</u>	<u>\$ 1,760,971</u>					<u>\$ (1,157,612)</u>
General Revenues:								
Property taxes					\$ 2,982,817		\$ 2,982,817	139,680
Franchise taxes					1,430,795		1,430,795	
Unrestricted grants and contributions					361,744		361,744	33,389
Unrestricted investment Income					229,366	\$ (246,259)	(16,893)	213
Other					140,017		140,017	311,458
Transfers					249,639	(249,639)		
Total general revenues					<u>5,394,378</u>	<u>(495,898)</u>	<u>4,898,480</u>	<u>484,740</u>
Change in Net Position					<u>(489,640)</u>	<u>432,775</u>	<u>(56,865)</u>	<u>(672,872)</u>
Net Position - January 1					<u>132,682,910</u>	<u>65,670,842</u>	<u>198,353,752</u>	<u>9,592,090</u>
Net Position - December 31					<u>\$ 132,193,270</u>	<u>\$ 66,103,617</u>	<u>\$ 198,296,887</u>	<u>\$ 8,919,218</u>

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

Balance Sheet

Governmental Funds

December 31, 2013

	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	\$ 328,256	\$ 144,098		\$ 78,764	\$ 225,763	\$ 112,172	\$ 351,973	\$ 2,281,462	\$ 3,522,488
Investments	1,529,783	1,588,467		71,079	535,118	92,188	476,755	712,070	5,005,460
Interest receivable	18,332								18,332
Accounts receivable	6,943							12,080	19,023
Taxes receivable - property taxes	38,466								38,466
Taxes receivable - other	100,700								100,700
Special assessments receivable	8,615	2,196,978		530,982	1,748,714	1,480,198	522,643	366,961	6,855,091
Due from other funds	1,640,892								1,640,892
Due from other government units	205,583	1,088		3,818	3,828	4,106	10,026	178,110	406,559
Land held for resale								393,526	393,526
Notes Receivable	57,334							145,958	203,292
Materials and supplies	33,820								33,820
TOTAL ASSETS	\$ 3,968,724	\$ 3,930,631	-	\$ 684,643	\$ 2,513,423	\$ 1,688,664	\$ 1,361,397	\$ 4,090,167	\$ 18,237,649
LIABILITIES									
Accounts payable	\$ 288,813		\$ 134					\$ 145,524	\$ 434,471
Accrued wages payable	353,416							538	353,954
Interfund payable		\$ 1,008,600							1,008,600
Due to other funds			1,145,910					494,982	1,640,892
Due to other government units	41,700							61,982	103,682
Unearned Revenue	59,119								59,119
Total liabilities	743,048	1,008,600	1,146,044	-	-	-	-	703,026	3,600,718
DEFERRED INFLOWS OF RESOURCES									
Unavailable Revenue - Property Taxes and Spec. Assessments	47,081	2,196,978		530,982	1,748,714	1,480,198	522,643	366,961	6,893,557
Total Deferred Inflows of Resources	47,081	2,196,978	-	530,982	1,748,714	1,480,198	522,643	366,961	6,893,557
FUND BALANCE									
Nonspendable	33,820							221,958	255,778
Restricted		725,053		153,661	764,709	208,466	838,754	3,246,763	5,937,406
Unassigned	3,144,775		(1,146,044)					(448,541)	1,550,190
Total fund balance	3,178,595	725,053	(1,146,044)	153,661	764,709	208,466	838,754	3,020,180	7,743,374
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 3,968,724	\$ 3,930,631	\$ -	\$ 684,643	\$ 2,513,423	\$ 1,688,664	\$ 1,361,397	\$ 4,090,167	\$ 18,237,649

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, 2013

Total fund balances - governmental funds		\$ 7,743,374
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	31,203,471	
Construction in progress	663,164	
Buildings, structures and improvements	78,463,238	
Machinery and equipment	5,501,526	
Infrastructure	47,299,657	
Accumulated depreciation	<u>(34,816,465)</u>	128,314,591
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
		6,893,557
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	803,231	
Investments	805,070	
Machinery and equipment	2,798,762	
Accumulated depreciation	(1,494,756)	
Interfund receivable	98,635	
Bond Premium	(24,538)	
Accrued Interest Payable	(7,276)	
Compensated absences payable	(1,017,864)	
Notes payable	<u>(875,000)</u>	1,086,264
Long-term liabilities of governmental funds, including bonds, certificates of participation, equipment certificates of indebtedness, notes and loans payable, and accrued interest payable, are not due in the current period and therefore are not reported in the funds.		
Long-term liabilities	(11,484,169)	
Accrued interest payable	(173,492)	
Other post employment benefit obligations	<u>(186,855)</u>	<u>(11,844,516)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 132,193,270</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Funds

Year Ended December 31, 2013

	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	\$ 3,925,470								\$ 3,925,470
Special assessments		\$ 382,010		90,332	\$ 349,118	\$ 269,182	\$ 370,292	\$ 142,977	1,603,911
Licenses and permits	131,642								131,642
Intergovernmental	3,345,061							1,303,197	4,648,258
Charges for services	1,087,382							248,627	1,336,009
Fines and forfeitures	107,304								107,304
Interest and other revenues	116,602	-	-	-	-	-	-	109,767	226,369
Total revenues	<u>8,713,461</u>	<u>382,010</u>	<u>-</u>	<u>90,332</u>	<u>349,118</u>	<u>269,182</u>	<u>370,292</u>	<u>1,804,568</u>	<u>11,978,963</u>
Expenditures:									
Current:									
General government	989,127								989,127
Public safety	3,635,336								3,635,336
Public works	1,360,500							57,106	1,417,606
Transit								311,685	311,685
Recreation and culture	2,027,879							37,635	2,065,514
Community development								122,563	122,563
Cemetery								53,936	53,936
Other expenditures	228,032	15,434							243,466
Capital outlay	377,711		327,191					1,421,772	2,126,674
Debt service:									
Principal retirement					225,000	240,000	445,000	89,000	999,000
Interest and fiscal agent charges		45,875		7,934	113,213	127,198	77,665	123,706	495,591
Other debt expenditures								11,891	11,891
Total expenditures	<u>8,618,585</u>	<u>61,309</u>	<u>327,191</u>	<u>7,934</u>	<u>338,213</u>	<u>367,198</u>	<u>522,665</u>	<u>2,229,294</u>	<u>12,472,389</u>
Excess (deficiency) of revenues over expenditures	<u>94,876</u>	<u>320,701</u>	<u>(327,191)</u>	<u>82,398</u>	<u>10,905</u>	<u>(98,016)</u>	<u>(152,373)</u>	<u>(424,726)</u>	<u>(493,426)</u>
Other financing sources (uses):									
Transfers in	172,726				23,737	240,000	14,355	883,037	1,333,855
Transfers out	(284,162)	(218,080)						(581,974)	(1,084,216)
Total other financing sources (uses)	<u>(111,436)</u>	<u>(218,080)</u>	<u>-</u>	<u>-</u>	<u>23,737</u>	<u>240,000</u>	<u>14,355</u>	<u>301,063</u>	<u>249,639</u>
Net change in Fund Balances	(16,560)	102,621	(327,191)	82,398	34,642	141,984	(138,018)	(123,663)	(243,787)
Fund balance at beginning of year	3,195,155	622,432	(818,853)	71,263	730,067	66,482	976,772	3,143,843	7,987,161
Fund balance at end of year	<u>\$ 3,178,595</u>	<u>\$ 725,053</u>	<u>\$ (1,146,044)</u>	<u>\$ 153,661</u>	<u>\$ 764,709</u>	<u>\$ 208,466</u>	<u>\$ 838,754</u>	<u>\$ 3,020,180</u>	<u>\$ 7,743,374</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, 2013

Net change in fund balances - total governmental funds		\$ (243,787)
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	2,911,590	
Depreciation	<u>(2,923,039)</u>	(11,449)
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		999,000
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Unavailable Revenue - December 31, 2012	(8,006,329)	
Unavailable Revenue - December 31, 2013	<u>6,893,557</u>	(1,112,772)
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	(78,331)	
Amortization of bond discounts	(7,646)	
Amortization of bond premiums	6,445	
Other postemployment benefit obligations	<u>(19,397)</u>	(98,929)
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.		(26,800)
Changes in long-term debt interest payable		<u>5,097</u>
Change in net position of governmental activities		<u>\$ (489,640)</u>

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



(This page left blank intentionally)

Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
General taxes	\$ 4,267,560	\$ 4,267,560	\$ 3,925,470	\$ (342,090)
Licenses and permits	115,225	115,225	131,642	16,417
Intergovernmental	2,735,238	2,735,238	3,345,061	609,823
Charges for services	976,200	976,200	1,087,382	111,182
Fines and forfeitures	106,300	106,300	107,304	1,004
Interest and other revenues	68,700	68,700	116,602	47,902
Total revenues	<u>8,269,223</u>	<u>8,269,223</u>	<u>8,713,461</u>	<u>444,238</u>
Expenditures:				
Current:				
General government	912,278	912,278	989,127	(76,849)
Public safety	3,404,521	3,404,521	3,635,336	(230,815)
Public works	1,174,982	1,174,982	1,360,500	(185,518)
Recreation and culture	1,886,311	1,886,311	2,027,879	(141,568)
Community development	60,000	60,000		60,000
Other expenditures	245,670	245,670	228,032	17,638
Capital outlay	552,702	552,702	377,711	174,991
Debt service:				
Principal retirement				
Interest and fiscal agent charges				
Total expenditures	<u>8,236,464</u>	<u>8,236,464</u>	<u>8,618,585</u>	<u>(382,121)</u>
Excess (deficiency) of revenues over expenditures	<u>32,759</u>	<u>32,759</u>	<u>94,876</u>	<u>62,117</u>
Other financing sources (uses)				
Transfers in	220,000	220,000	172,726	(47,274)
Transfers out	(165,162)	(165,162)	(284,162)	(119,000)
Total other financing sources (uses)	<u>54,838</u>	<u>54,838</u>	<u>(111,436)</u>	<u>(166,274)</u>
Net change in Fund Balances	87,597	87,597	(16,560)	(104,157)
Fund balance at beginning of year	3,195,155	3,195,155	3,195,155	
Fund balance at end of year	<u>\$ 3,282,752</u>	<u>\$ 3,282,752</u>	<u>\$ 3,178,595</u>	<u>\$ (104,157)</u>

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

**Statement of Net Position
Proprietary Funds
December 31, 2013**

	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	\$ 3,101,494	\$ 703,007	\$ 969,142	\$ 25,018	\$ 203,160	\$ 191,700	\$ 5,193,521	\$ 803,231
Investments	7,173,317		2,907,426				10,080,743	805,070
Restricted cash and investments:								
Cash in customer deposits	83,800						83,800	
Interest receivable	24,662						24,662	
Accounts receivable (net)	1,577,916				52,451	519	1,630,886	
Materials and supplies	801,323	101,534					902,857	
Prepaid items	55,203	1,718					56,921	
Interfund receivable	1,008,600						1,008,600	98,635
Due from other government units		807				15,000	15,807	
Total current assets	<u>13,826,315</u>	<u>807,066</u>	<u>3,876,568</u>	<u>25,018</u>	<u>255,611</u>	<u>207,219</u>	<u>18,997,797</u>	<u>1,706,936</u>
Noncurrent assets:								
Capital assets:								
Land	305,394	44,000	215,184		142,600		707,178	
Buildings and systems	26,518,744	21,771,977	14,908,511	16,350,107	5,729,707		85,279,046	
Machinery and equipment	3,419,309	2,140,313	658,189	259,759	81,766	721,504	7,280,840	2,798,762
Construction in progress	-	-	-	-	-	-	-	-
Total capital assets	<u>30,243,447</u>	<u>23,956,290</u>	<u>15,781,884</u>	<u>16,609,866</u>	<u>5,954,073</u>	<u>721,504</u>	<u>93,267,064</u>	<u>2,798,762</u>
Less accumulated depreciation	<u>(15,262,630)</u>	<u>(12,218,421)</u>	<u>(6,015,572)</u>	<u>(4,028,324)</u>	<u>(2,394,942)</u>	<u>(576,842)</u>	<u>(40,496,731)</u>	<u>(1,494,756)</u>
Total capital assets (net)	<u>14,980,817</u>	<u>11,737,869</u>	<u>9,766,312</u>	<u>12,581,542</u>	<u>3,559,131</u>	<u>144,662</u>	<u>52,770,333</u>	<u>1,304,006</u>
Customer acquisition costs	268,106	83,668					351,774	
Total noncurrent assets	<u>15,248,923</u>	<u>11,821,537</u>	<u>9,766,312</u>	<u>12,581,542</u>	<u>3,559,131</u>	<u>144,662</u>	<u>53,122,107</u>	<u>1,304,006</u>
TOTAL ASSETS	<u>29,075,238</u>	<u>12,628,603</u>	<u>13,642,880</u>	<u>12,606,560</u>	<u>3,814,742</u>	<u>351,881</u>	<u>72,119,904</u>	<u>3,010,942</u>

(continued)

**Statement of Net Position
Proprietary Funds
December 31, 2013 (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	\$ 1,453,133	\$ 181,840	\$ 130,500	\$ 29,038	\$ 16,843	\$ 46,052	\$ 1,857,406	
Interfund payable				98,635			98,635	
Due to other government units	48,827			11		1,814	50,652	
Accrued interest payable			33,753				33,753	\$ 7,276
Accrued wages payable	109,430	43,964	8,774	812		22,093	185,073	
Customer deposits	83,800						83,800	
Bond Premium								24,538
Compensated absences payable - current	32,000	13,000					45,000	40,715
Notes payable - current								
G.O. revenue bonds payable - current			176,000				176,000	
Total current liabilities	<u>1,727,190</u>	<u>238,804</u>	<u>349,027</u>	<u>128,496</u>	<u>16,843</u>	<u>69,959</u>	<u>2,530,319</u>	<u>72,529</u>
Noncurrent liabilities:								
Compensated absences payable - net current portion	317,789	68,179					385,968	977,149
G.O. revenue bonds payable - net current portion			3,100,000				3,100,000	875,000
Total noncurrent liabilities	<u>317,789</u>	<u>68,179</u>	<u>3,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,485,968</u>	<u>1,852,149</u>
TOTAL LIABILITIES	<u>2,044,979</u>	<u>306,983</u>	<u>3,449,027</u>	<u>128,496</u>	<u>16,843</u>	<u>69,959</u>	<u>6,016,287</u>	<u>1,924,678</u>
NET POSITION								
Net investment in capital assets	14,980,817	11,737,869	6,490,312	12,581,542	3,559,131	144,662	49,494,333	429,006
Unrestricted	12,049,442	583,751	3,703,541	(103,478)	238,768	137,260	16,609,284	657,258
TOTAL NET POSITION	<u>\$ 27,030,259</u>	<u>\$ 12,321,620</u>	<u>\$ 10,193,853</u>	<u>\$ 12,478,064</u>	<u>\$ 3,797,899</u>	<u>\$ 281,922</u>	<u>\$ 66,103,617</u>	<u>\$ 1,086,264</u>

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



(This page left blank intentionally)

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended December 31, 2013

	Business-Type Activities – Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)		Totals
Operating revenues:								
Electric charges	\$ 13,387,324						\$ 13,387,324	
Water charges		\$ 2,694,827					2,694,827	
Sewer charges			\$ 1,428,483				1,428,483	
Rental charges					\$ 173,946		173,946	
Refuse charges						\$ 848,651	848,651	
Storm Water charges				\$ 233,105			233,105	
Other	200,131	5,813			2,768	1,561	210,273	\$ 298,011
Total operating revenues	<u>13,587,455</u>	<u>2,700,640</u>	<u>1,428,483</u>	<u>233,105</u>	<u>176,714</u>	<u>850,212</u>	<u>18,976,609</u>	<u>298,011</u>
Operating expenses:								
Purchased power	8,658,304						8,658,304	
Operations and maintenance	1,699,727	1,357,426	425,492	194,671	162,760	852,685	4,692,761	
Administration	591,832	244,062	53,929			17,010	906,833	
Compensated absences								107,442
Flood related costs				15,777			15,777	
Depreciation	1,042,373	550,817	346,307	351,074	172,368	41,788	2,504,727	203,405
Tax and tax equivalents	1,190,529						1,190,529	
Total operating expenses	<u>13,182,765</u>	<u>2,152,305</u>	<u>825,728</u>	<u>561,522</u>	<u>335,128</u>	<u>911,483</u>	<u>17,968,931</u>	<u>310,847</u>
Operating income (loss)	<u>404,690</u>	<u>548,335</u>	<u>602,755</u>	<u>(328,417)</u>	<u>(158,414)</u>	<u>(61,271)</u>	<u>1,007,678</u>	<u>(12,836)</u>
Nonoperating revenues (expenses)								
Interest income	(218,396)		(30,069)		2,208		(246,257)	(8,785)
Interest expense	(215)		(92,755)			(1,463)	(94,433)	(19,179)
Gain (loss) on disposal of assets								14,000
Intergovernmental				427		15,000	15,427	
Total Nonoperating revenues (expenses)	<u>(218,611)</u>	<u>-</u>	<u>(122,824)</u>	<u>427</u>	<u>2,208</u>	<u>13,537</u>	<u>(325,263)</u>	<u>(13,964)</u>
Income (loss) before transfers and contributions	186,079	548,335	479,931	(327,990)	(156,206)	(47,734)	682,415	(26,800)
Transfers in				45,000			45,000	
Transfers out	(294,639)						(294,639)	
Change in net position	(108,560)	548,335	479,931	(282,990)	(156,206)	(47,734)	432,776	(26,800)
Total net position - January 1	27,138,819	11,773,285	9,713,922	12,761,054	3,954,105	329,656	65,670,841	1,113,064
Total net position - December 31	<u>\$ 27,030,259</u>	<u>\$ 12,321,620</u>	<u>\$ 10,193,853</u>	<u>\$ 12,478,064</u>	<u>\$ 3,797,899</u>	<u>\$ 281,922</u>	<u>\$ 66,103,617</u>	<u>\$ 1,086,264</u>

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

**Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2013**

	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	\$ 12,624,076	\$ 2,636,738	\$ 1,393,253	\$ 233,105	\$ 177,428	\$ 832,614	\$ 17,897,214	
Cash received from interfund activities	771,088	58,090	35,230			16,628	881,036	\$ 314,160
Cash paid to suppliers for goods and services	(9,506,329)	(603,517)	(257,554)	(149,524)	(152,308)	(689,386)	(11,358,618)	
Cash paid for interfund activities	167,088	(258,201)	(38,719)	(947)		(35,765)	(166,544)	
Cash paid to employees	(1,423,323)	(642,439)	(104,074)	(56,499)		(141,690)	(2,368,025)	(91,918)
Cash paid for taxes and tax equivalents	(1,190,529)						(1,190,529)	
Other operating revenues (expenses)	105,807	5,813			2,768	1,561	115,949	
Net cash provided (used) by operating activities	1,547,878	1,196,484	1,028,136	26,135	27,888	(16,039)	3,810,482	222,242
Cash flows from noncapital financing activities:								
Intergovernmental revenues				427		15,000	15,427	
Transfers from other funds				45,000			45,000	
Transfers to other funds	(294,639)						(294,639)	
Interfund receivable	70,814						70,814	
Net cash provided (used) by noncapital financing activities	(223,825)	-	-	45,427	-	15,000	(163,398)	-
Cash flows from capital and related financing activities:								
Acquisition of capital assets	(2,626,535)	(533,124)	(103,479)	(96,933)			(3,360,071)	(13,978)
Principal payments on long-term debt			(176,000)				(176,000)	(1,223)
Interest and fiscal charges on bonds	(215)		(92,755)			(1,463)	(94,433)	2,097
Net cash (used) by capital and related financing activities	(2,626,750)	(533,124)	(372,234)	(96,933)	-	(1,463)	(3,630,504)	(13,104)
Cash flows from investing activities:								
Interest received on investments	127,171		22,847		2,209		152,227	(8,785)
Proceeds from sales and maturities of investments	3,576,367		183,116				3,759,483	169,400
Purchase of investments	(3,241,000)		(785,000)				(4,026,000)	(129,426)
Net cash provided (used) by investing activities	462,538	-	(579,037)	-	2,209	-	(114,290)	31,189
Net increase (decrease) in cash and cash equivalents	(840,159)	663,360	76,865	(25,371)	30,097	(2,502)	(97,710)	240,327
Cash and cash equivalents - January 1	4,025,453	39,647	892,277	50,389	173,063	194,202	5,375,031	562,904
Cash and cash equivalents - December 31	\$ 3,185,294	\$ 703,007	\$ 969,142	\$ 25,018	\$ 203,160	\$ 191,700	\$ 5,277,321	\$ 803,231

(continued)

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2013 (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)	\$ 404,690	\$ 548,335	\$ 602,755	\$ (328,417)	\$ (158,414)	\$ (61,271)	\$ 1,007,678	\$ (12,836)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	1,042,373	550,817	346,307	351,074	172,368	41,788	2,504,727	203,405
Changes in assets and liabilities:								
Accounts receivable	(92,135)				3,482	590	(88,063)	16,149
Materials and supplies	131,112	26,620					157,732	
Prepaid items	(50,569)	14,610					(35,959)	
Due from other government units								
Accounts payable	91,914	45,097	77,663	19,591	10,452	16,378	261,095	
Accrued wages payable	9,454	4,978	1,411	52		613	16,508	
Accrued compensated absences	11,279	6,027					17,306	15,524
Due to other funds				(16,149)			(16,149)	
Due to other government units	(5,890)			(16)		(14,137)	(20,043)	
Customer deposits	5,650						5,650	
Net cash provided (used) by operating activities	<u>1,547,878</u>	<u>1,196,484</u>	<u>1,028,136</u>	<u>26,135</u>	<u>27,888</u>	<u>(16,039)</u>	<u>3,810,482</u>	<u>222,242</u>
Schedule of noncash investing, capital and financing activities:								
Increase (Decrease) in fair value of investments	(337,633)		(390,443)				(728,076)	
Cash and cash equivalents are shown on the balance sheet under the following captions:								
Cash and cash equivalents	3,101,494	703,007	969,142	25,018	203,160	191,700	5,193,521	803,231
Restricted assets:								
Cash in customer deposits	83,800						83,800	
Total cash and cash equivalents - December 31	<u>\$ 3,185,294</u>	<u>\$ 703,007</u>	<u>\$ 969,142</u>	<u>\$ 25,018</u>	<u>\$ 203,160</u>	<u>\$ 191,700</u>	<u>\$ 5,277,321</u>	<u>\$ 803,231</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, 2013

ASSETS:	
Cash and cash equivalents	<u>\$ 20,223</u>
LIABILITIES:	
Due to employees	<u>\$ 20,223</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, 2013, are recorded as prepaid items and are recorded as expenses/expenditures when consumed, rather than when purchased.

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 \$81,179 for 2,321 accumulated sick leave hours; the Electric Fund has accrued a liability of \$349,789 for 9,535 accumulated sick leave hours. Additionally, the EDHA has accrued a liability of \$60,163 for 1,891 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 \$1,017,864 is recorded in this fund, reflecting 35,940 accumulated sick leave hours. Sick leave hours exceeding the eligible reimbursement limit of 1,280 hours totaled 165.

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 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.

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

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Below are the classifications:

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, 2013, 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.

Deferred Outflows/Inflows of Resources

For the year ended December 31, 2013, the City implemented 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.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/ expenditure) until then. The City does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes and special assessments, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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 2013, 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, 2013, expenditures and other uses were over appropriations in the General fund, Transit Fund, Cemetery Fund, Insect Control Fund, Perpetual Care Fund, 125th Anniversary Celebration Fund by \$382,121, \$6,598, \$1,676, \$9,614, \$3,940 and \$33,695, respectively.

C. Deficit Fund Equity

At December 31, 2014, there are five governmental funds with a deficit fund balance. The \$797 deficit fund balance in the 125th Anniversary Celebration Fund, \$37,400 deficit in the 08 PFA Sewer, \$395,512 deficit in the Current City Projects, \$14,832 in the Industrial Park Road Fund, and \$1,146,044 in Current Assessment Projects Funds. In addition, the Benefit Accrual internal

service fund has a deficit of \$88,653. 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, 2013 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 9,519,240
Investments	15,891,273
Restricted cash and cash equivalents	83,800
Statement of fiduciary assets and liabilities:	
Cash and cash equivalents	20,223
Total cash and investments	<u>\$ 25,514,536</u>

Cash and investments at December 31, 2013 consist of the following:

Cash:	
Cash on hand	\$ 600
Deposit with financial institutions	4,717,424
Cash equivalents:	
4M - Local Government Investment Pool	3,305,411
Money Market Funds	1,599,828
Investments:	
Various	15,891,273
Total cash, cash equivalents, and investments	<u>\$ 25,514,536</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 Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>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, 2013, 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	\$ 3,793,499	8.94
Federal National Mortgage Assn.	1,284,351	9.23
Negotiable certificates of deposit	9,686,864	3.31
Non-negotiable certificates of deposit	1,126,560	0.33
Money Market Funds	1,599,806	0.03
Local Government Investment Pool	3,305,411	0.03
	<u>\$ 20,796,491</u>	
Portfolio weighted average maturity		3.65

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	\$ 3,793,499	18.2%
Federal National Mortgage Assn.	1,284,351	6.2%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to cover the value of its investment or collateral securities that are in possession of another party. Minnesota statutes do not contain legal requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of the collateral must be a minimum of 110% of deposits not covered by insurance or bonds (140% in the case of mortgage backed collateral). Authorized collateral includes the legal investment described earlier, as well as certain first mortgage notes, and certain other state or local obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the clerk-treasurer or in a financial institution. The City has no formal policy relating to custodial credit risk.

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

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>	<u>Restricted Cash and Cash Equivalents</u>	<u>Total</u>
Governmental				
Activities:				
General Fund	\$ 328,256	\$ 1,529,783		\$ 1,858,039
Residential Infrastructure	144,098	1,588,467		1,732,565
12-1-07 Assessment Bonds	225,763	535,118		760,881
12-1-04 Assessment Bonds	112,172	92,188		204,360
3-1-06 Assessment Bonds	351,973	476,755		828,728
12-1-03 Assessment Bonds	78,764	71,079		149,843
Nonmajor governmental	2,281,462	712,070		2,993,532
Internal service funds	803,231	805,070		1,608,301
Total	<u>4,325,719</u>	<u>5,810,530</u>		<u>10,136,249</u>
Business-type				
Activities:				
Electric	3,101,494	7,173,317	\$ 83,800	10,358,611
Water	703,007			703,007
Sewage	969,142	2,907,426		3,876,568
Storm Water	25,018			25,018
City Mall	203,160			203,160
Nonmajor (Refuse)	191,700			191,700
Total	<u>5,193,521</u>	<u>10,080,743</u>	<u>83,800</u>	<u>15,358,064</u>
Government-wide total	<u>9,519,240</u>	<u>15,891,273</u>	<u>83,800</u>	<u>25,494,313</u>
Fiduciary fund	<u>20,223</u>			<u>20,223</u>
Total cash and investments	<u>\$ 9,539,463</u>	<u>\$ 15,891,273</u>	<u>\$ 83,800</u>	<u>\$ 25,514,536</u>

NOTE 4. RECEIVABLES AND DEFERRED REVENUES

Interfund Receivables, Payables, and Transfers. At December 31, 2013, 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 Outflows. Government funds report deferred outflows 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.

Notes to the Financial Statements
December 31, 2013

CITY OF EAST GRAND FORKS

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	Total
Governmental			
Activities:			
General Fund	\$ 38,466	\$ 8,615	\$ 47,081
Residential Infrastructure		2,196,978	2,196,978
12-1-03 Assessment Bonds		530,982	530,982
12-1-04 Assessment Bonds		1,480,198	1,480,198
3-1-06 Assessment Bonds		522,643	522,643
12-1-07 Assessment Bonds		1,748,714	1,748,714
Nonmajor governmental		366,961	366,961
Total	<u>\$ 38,466</u>	<u>\$ 6,855,091</u>	<u>\$ 6,893,557</u>
Less:			
Property taxes			\$ (38,466)
Special assessments			(6,855,091)
Total Governmental deferred outflow			<u>\$ (6,893,557)</u>

Interfund Receivables. The following is the interfund receivables/payables at December 31, 2013:

Receivable Fund	Payable Fund	Amount
Electric Fund	Residential Infrastructure	\$ 1,008,600

Transfers. The following interfund transfers are reflected in the fund financial statements at December 31, 2013:

	Transfers In	Transfers Out
Governmental funds:		
General Fund		\$ 111,436
12-1-04 Assessment Bonds	\$ 240,000	
12-1-07 Assessment Bonds	23,737	
3-1-06 Assessment Bonds	14,355	
12-01-07 Assessment Bond		218,080
Nonmajor governmental	883,037	581,974
Total governmental funds	<u>1,161,129</u>	<u>911,490</u>
Enterprise funds:		
Electric		294,639
Storm Water	45,000	
Total enterprise funds	<u>45,000</u>	<u>294,639</u>
Total	<u>\$ 1,206,129</u>	<u>\$ 1,206,129</u>

Due From Other Funds. The following due from other funds are reflected on the financial statements at December 31, 2013:

Receivable Fund	Payable Fund	Amount
General Fund	Current City Projects	\$ 271,553
General Fund	08 PFA Loan Sewer Project	37,400
General Fund	SCDP Industrial Park Road	179,199
General Fund	Current Assessment Projects	1,145,910
General Fund	125th Anniversary Celebration	797
General Fund	Cemetery	6,033
		<u>\$ 1,640,892</u>

Accounts Receivable. The following accounts receivables are reflected in the fund financial statements at December 31, 2013:

	Current	Days Delinquent		Total	Allowance for Doubtful Accounts	Net Accounts Receivable
		31-120	Over 120			
Governmental funds:						
General	\$ 6,943			\$ 6,943		\$ 6,943
Nonmajor funds	12,080			12,080		12,080
Total Governmental	<u>19,023</u>			<u>19,023</u>		<u>19,023</u>
Enterprise funds:						
Electric	1,566,802	\$ 33,452	\$ 25,662	1,625,916	\$ (48,000)	1,577,916
City Mall	52,451			52,451		52,451
Nonmajor (Refuse)	519			519		519
Total enterprise	<u>1,619,772</u>	<u>33,452</u>	<u>25,662</u>	<u>1,678,886</u>	<u>(48,000)</u>	<u>1,630,886</u>
Total	<u>\$ 1,638,795</u>	<u>\$ 33,452</u>	<u>\$ 25,662</u>	<u>\$ 1,697,909</u>	<u>\$ (48,000)</u>	<u>\$ 1,649,909</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:

Year Ending December 31	
2014	\$ 6,199
2015	6,452
2016	6,715
2017	6,989
2018	7,215
2019-21	18,881
Total	<u>\$ 52,451</u>

NOTE 5. CAPITAL ASSETS

Capital asset activities for the year ended December 31, 2013, 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	\$ 31,203,471			\$ 31,203,471		\$ 31,203,471		
Construction in progress	860,371	\$ 663,164	\$ (860,371)	663,164		663,164		\$ (197,207)
Total	32,063,842	663,164	(860,371)	31,866,635	-	31,866,635	-	(197,207)
Depreciable capital assets:								
Buildings, structures, and improvements	78,034,437	428,801		78,463,238		78,463,238		428,801
Machinery and equipment	7,008,458	1,291,830		8,300,288	\$ 2,798,762	5,501,526	\$ 13,978	1,277,852
Infrastructure	45,897,513	1,402,144		47,299,657		47,299,657		1,402,144
Total	130,940,408	3,122,775	-	134,063,183	2,798,762	131,264,421	13,978	3,108,797
Total capital assets	163,004,250	3,785,939	(860,371)	165,929,818	2,798,762	163,131,056	13,978	2,911,590
Less accumulated depreciation for:								
Buildings, structures and improvements	(15,370,038)	(1,568,555)		(16,938,593)		(16,938,593)		(1,568,555)
Machinery and equipment	(4,198,293)	(348,319)		(4,546,612)	(1,494,756)	(3,051,856)	(203,405)	(144,914)
Infrastructure	(13,616,446)	(1,209,570)		(14,826,016)		(14,826,016)		(1,209,570)
Total accumulated depreciation	(33,184,777)	(3,126,444)		(36,311,221)	(1,494,756)	(34,816,465)	(203,405)	(2,923,039)
Total governmental activities capital assets, net	\$ 129,819,473	\$ 659,495	\$ (860,371)	\$ 129,618,597	\$ 1,304,006	\$ 128,314,591	\$ (189,427)	\$ (11,449)
Business-type activities:								
Nondepreciable capital assets								
Land	\$ 707,178			\$ 707,178				
Construction in progress	2,282,420		\$ (2,282,420)					
Total	2,989,598	-	(2,282,420)	707,178				
Depreciable capital assets:								
Buildings, structures, and improvements	82,160,588	\$ 5,504,321	(245,551)	87,419,358				
Machinery and equipment	5,002,359	138,169		5,140,528				
Total	87,162,947	5,642,490	(245,551)	92,559,886				
Total capital assets	90,152,545	5,642,490	(2,527,971)	93,267,064				
Less accumulated depreciation for:								
Buildings, structures, and improvements	(33,470,866)	(2,091,302)	245,551	(35,316,617)				
Machinery and equipment	(4,766,690)	(413,423)		(5,180,113)				
Total accumulated depreciation	(38,237,556)	(2,504,725)	245,551	(40,496,730)				
Total business-type activities capital assets, net	\$ 51,914,989	\$ 3,137,765	\$ (2,773,522)	\$ 52,770,334				

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

Governmental activities:	
General government	\$ 188,319
Public safety	205,734
Public Works	2,127,105
Culture and Recreation	570,517
Transit	32,262
Cemetery	2,507
Total depreciation expenses - governmental activities	3,126,444
Internal service fund depreciation on capital assets charged to the various functions based on usage.	(203,405)
Depreciation expense excluding internal service fund.	<u>\$ 2,923,039</u>
Business-type activities:	
Electric Fund	\$ 1,042,373
Water Fund	550,817
Sewer Fund	346,307
Storm Water Fund	351,074
City Mall Fund	172,368
Refuse Fund	41,788
Total depreciation expenses - business-type activities	<u>\$ 2,504,727</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	50,300	-	-	50,300
Depreciable capital assets:				
Buildings, structures and improvements				
	5,503,577			5,503,577
Machinery and equipment	185,672			185,672
Total	5,689,249	-	-	5,689,249
Total capital assets	5,739,549	-	-	5,739,549
Less accumulated depreciation for:				
Buildings, structures and improvements				
	(1,489,080)	(140,747)		(1,629,827)
Machinery and equipment	(171,105)			(171,105)
Total accumulated depreciation	(1,660,185)	(140,747)	-	(1,800,932)
Total governmental activities capital assets, net	\$ 4,079,364	\$ (140,747)	\$ -	\$ 3,938,617

NOTE 6. LONG-TERM LIABILITIES.

GENERAL OBLIGATION BONDS. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. In addition, general obligation bonds have been issued to refund general obligation bonds.

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

Notes to the Financial Statements
December 31, 2013

CITY OF EAST GRAND FORKS

Governmental activities

General obligation	Final	Interest	Issue	Outstanding
Improvement bonds:	Maturity	Rates	Amount	12/31/13
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	35,000
12/01/04	02/01/25	3.0%-4.4%	4,655,000	2,935,000
03/01/06	02/01/27	3.3%-4.3%	4,075,000	1,625,000
12/01/07	02/01/28	3.4%-4.25%	3,560,000	2,565,000
				<u>\$ 8,260,000</u>
Mn PFA-Transportation				
Loan Total \$ 3,466,567				
advanced \$ 3,446,567	08/20/38	3.645%	3,466,567	\$ 3,239,000
GO Certificate of Indebtedness	02/01/22	2.0%	875,000	875,000
Total governmental activities				<u>\$ 12,374,000</u>

Business-type activities

Revenue bonds:	Final	Interest	Issue	Outstanding
Mn PFA-Clean Water	Maturity	Rates	Amount	12/31/13
Loan Total \$ 4,012,598				
advanced \$ 4,012,598	08/20/28	2.687%	\$ 4,012,598	\$ 3,276,000
Total business-type activities				<u>\$ 3,276,000</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:

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.

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 1,191,000	\$ 427,487	\$ 180,000	\$ 88,026
2015	799,000	392,736	185,000	83,190
2016	818,000	364,268	190,000	78,219
2017	856,000	334,748	195,000	73,113
2018	869,000	304,381	200,000	67,874
2019-2023	3,820,000	1,076,385	1,086,000	255,695
2024-2028	2,148,000	512,362	1,240,000	101,730
2029-2033	935,000	261,116	-	-
2034-2038	938,000	100,566	-	-
Total	<u>\$ 12,374,000</u>	<u>\$ 3,774,049</u>	<u>\$ 3,276,000</u>	<u>\$ 747,846</u>

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2013:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation	\$ 9,180,000		\$ (920,000)	\$ 8,260,000	\$ 950,000
Unamortized Premium	46,586		(6,445)	40,141	
Unamortized Discount	(62,618)		7,646	(54,972)	
Total	9,163,968	-	(918,799)	8,245,169	950,000
PFA Bonds Payable:					
MN PFA Transportation Bond	3,318,000		(79,000)	3,239,000	81,000
G. O. certificates of indebtedness	875,000			875,000	95,000
Unamortized Premium	25,761		(1,223)	24,538	
Compensated absences	1,002,340	\$ 107,442	(91,918)	1,017,864	40,715
Governmental activities total:	14,385,069	107,442	(1,090,940)	13,401,571	1,166,715
Business-type activities:					
Bonds payable:					
MN PFA Clean Water Bond	3,452,000		(176,000)	3,276,000	180,000
Cert. of Indebtedness-Refuse	-		0	-	-
Compensated absences	433,869	146,627	(149,528)	430,968	41,000
Business-type activities total	3,885,869	146,627	(325,528)	3,706,968	221,000
Government-wide total	\$ 18,270,938	\$ 254,069	\$ (1,416,468)	\$ 17,108,539	\$ 1,387,715

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, 2013, was as follows:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Component Unit activities:					
Intermediary relending notes	\$ 370,476		\$ (27,164)	\$ 343,312	\$ 27,434
Compensated absences	52,676	\$ 11,485	(3,998)	60,163	2,566
Special assessments	23,031		(11,146)	11,885	11,885
Component Unit activities total	<u>\$ 446,183</u>	<u>\$ 11,485</u>	<u>\$ (42,308)</u>	<u>\$ 415,360</u>	<u>\$ 41,885</u>

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

Year Ending December 31	Intermediary Relending	
	Principal	Interest
2014	\$ 27,387	\$ 3,456
2015	27,661	3,182
2016	27,938	2,905
2017	28,217	2,626
2018	28,500	2,343
2019-2023	146,830	7,385
2023-2025	56,778	878
	<u>\$ 343,312</u>	<u>\$ 22,774</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, 2013 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:

	2011	2012	2013
Paid Losses	\$ 302,676	\$ 9,156	\$ 9,619
Paid Expenses		17,998	-
Reserve Losses	82,254	31,000	-
Reserve Expenses	50	32,002	-
Total Incurred	384,980	90,156	9,619
Deductible Recovery	(2,000)		(3,763)

The City's commercial insurance carrier has no set reserve losses or reserve expenses for claims filed after December 31, 2013, 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, 2013, 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 2013. PEPFF members were required to contribute 10.29% of their annual covered salary in 2013.

The City of East Grand Forks is required to contribute the following percentages of annual covered payroll: 7.25% 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, 2013, 2012, and 2011, were \$285,562, \$246,445, and \$255,634, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2013, 2012, and 2011 were \$260,336, \$269,277, and \$272,327, 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 2013 were:

Amount		Percentage of Covered Payroll		Required Rates
Employees	Employer	Employees	Employer	
\$ 2,030	\$ 2,030	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 45%, 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 \$534,453 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,	
2014	\$ 179,900
Total	\$ 179,900

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	\$ 1,937,763	\$ 133,367
Infill Building	1,466,300	457,179	39,001
	\$ 5,954,073	\$ 2,394,942	\$ 172,368

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:	\$ 33,820							
New Home Incentive								\$ 145,958
Campbell Library								76,000
Restricted:				\$ 153,661	\$ 764,709	\$ 208,466	\$ 838,754	
Community Growth								125,804
State Aid Street								451,419
Transit								67,618
New Home Incentive								732,854
Cemetery								4,655
Insect Control								246,952
Perpetual Care								175,925
Greenway Maint.								52,923
2012 Improvements								174,400
12-1-01 Assessment Bonds								126,617
4-1-04 Assessment Bonds								183,836
Grants								11,102
Levee Projects								211,471
1997 Community Development								73,882
1997 Downtown Development								206,639
2005 City Projects								63,325
23rd Street								185,691
Building Improvements								149,377
Campbell Olson								2,273
Residential Infrastructure		\$ 725,053						
Unassigned:	3,144,775		\$(1,146,044)					
125th Birthday Celeb.								(797)
Sewer Project								(37,400)
City Projects								(395,512)
Industrial Park Road								(14,832)
TOTAL FUND BALANCE	\$ 3,178,595	\$ 725,053	\$(1,146,044)	\$ 153,661	\$ 764,709	\$ 208,466	\$ 838,754	\$ 3,020,180

NOTE 15. COMMITTED CONTRACTS

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 \$4,308 for electricity sold to the customers in the annexed service territory during 2013.

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:

2013	\$10,398
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

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, 2013, 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, 2013, there are no amounts for arbitrage rebates.

NOTE 18. NEW PRONOUNCEMENTS

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 \$19,397 for fiscal year 2013. The annual employer contributions for fiscal year 2013 were \$58,650. The annual benefit cost for fiscal year 2013 was \$19,397.

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	7,536
Adjustment to annual required contribution	<u>(10,429)</u>
Annual OPEB cost (expense)	78,047
Estimated Contributions made	<u>(58,650)</u>
Increase (decrease) in net OPEB obligation	19,397
Net OPEB obligation, beginning of year	<u>167,458</u>
Net OPEB obligation, end of year	<u><u>\$ 186,855</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, 2013, 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>
12/31/2013	\$ 78,047	75.10%	\$ 186,855
12/31/2012	78,722	55.20%	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:

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
12/31/13	\$78,047	75.1%
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 \$906,162 at December 31, 2013. 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, 2013**

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%
2013	58,650	78,047	75.1%

NONMAJOR GOVERNMENTAL FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

Nonmajor Governmental Funds

CITY OF EAST GRAND FORKS

SPECIAL REVENUE FUNDS are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, charter provisions, or local ordinance to finance particular functions or activities of government.

Community and Economic Growth Fund This fund is used to account for various programs that promote community and economic growth. These programs often have external revenue sources with spending restrictions.

State Aid Street This fund is used to account for the receipt and disbursement of Minnesota State Aid for streets.

Transit This fund is used to account for providing contracted transportation services to the community. The services are contracted from the City of Grand Forks, which are funded mostly by state and federal grants.

New Home Incentive This fund is used to account for the disbursement of deferred loans for new home construction to residents that meet certain income limits. The fund is supported with proceeds from the sale of city owned residential lots.

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.



(This page left blank intentionally)

Combining Balance Sheet Nonmajor Governmental Funds by Fund Type December 31, 2013

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Campbell- Olson Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,075,773	\$ 471,110	\$ 656,306	\$ 78,273	\$ 2,281,462
Investments	449,987		262,083		712,070
Accounts receivable	11,840		240		12,080
Due from other funds					
Due from other government units		13,743	164,367		178,110
Special assessments receivable:					
Delinquent		6,070			6,070
Deferred		360,891			360,891
Notes Receivable	145,958				145,958
Land held for resale	393,526				393,526
Total Assets	<u>\$ 2,077,084</u>	<u>\$ 851,814</u>	<u>\$ 1,082,996</u>	<u>\$ 78,273</u>	<u>\$ 4,090,167</u>
LIABILITIES					
Accounts payable	\$ 4,423		\$ 141,101		\$ 145,524
Accrued wages payable	538				538
Due to other funds	6,830		488,152		494,982
Due to other government units	61,982				61,982
Total Liabilities	<u>73,773</u>		<u>629,253</u>		<u>703,026</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes and Spec. Assessments		366,961			366,961
Total Deferred Inflows of Resources		<u>366,961</u>			<u>366,961</u>
FUND BALANCES					
Nonspendable	145,958			\$ 76,000	221,958
Restricted	1,858,150	484,853	901,487	2,273	3,246,763
Unassigned	(797)		(447,744)		(448,541)
Total Fund Balances	<u>2,003,311</u>	<u>484,853</u>	<u>453,743</u>	<u>78,273</u>	<u>3,020,180</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 2,077,084</u>	<u>\$ 851,814</u>	<u>\$ 1,082,996</u>	<u>\$ 78,273</u>	<u>\$ 4,090,167</u>

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds by Fund Type Year Ended December 31, 2013

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Campbell- Olson Fund	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental	\$ 536,076		\$ 767,121		\$ 1,303,197
Special assessments		\$ 142,977			142,977
Charges for services	248,627				248,627
Interest and other revenues	97,956		12,500	\$ (689)	109,767
Total Revenues	<u>882,659</u>	<u>142,977</u>	<u>779,621</u>	<u>(689)</u>	<u>1,804,568</u>
Expenditures:					
Current:					
Public works	57,106				57,106
Recreation and culture	37,635				37,635
Transit	311,685				311,685
Community development	122,563				122,563
Cemetery	53,936				53,936
Capital outlay	18,713		1,403,059		1,421,772
Debt service:					
Principal retirement		10,000	79,000		89,000
Interest and fiscal agent fees		2,765	120,941		123,706
Other debt expenditures		11,891			11,891
Total expenditures	<u>601,638</u>	<u>24,656</u>	<u>1,603,000</u>		<u>2,229,294</u>
Excess (deficiency) of revenues over expenditures	<u>281,021</u>	<u>118,321</u>	<u>(823,379)</u>	<u>(689)</u>	<u>(424,726)</u>
Other financing sources (uses)					
Transfers in	75,070	218,080	589,887		883,037
Transfers out	(506,079)		(75,895)		(581,974)
Total other financing sources (uses)	<u>(431,009)</u>	<u>218,080</u>	<u>513,992</u>		<u>301,063</u>
Net Change in Fund Balances	<u>(149,988)</u>	<u>336,401</u>	<u>(309,387)</u>	<u>(689)</u>	<u>(123,663)</u>
Fund balance at beginning of year	2,153,299	148,452	763,130	78,962	3,143,843
Fund balance at end of year	<u>\$ 2,003,311</u>	<u>\$ 484,853</u>	<u>\$ 453,743</u>	<u>\$ 78,273</u>	<u>\$ 3,020,180</u>

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2013**

	<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	\$ 125,804	\$ 451,963	\$ 132,820	\$ 106,207	
Investments				233,166	
Accounts receivable					\$ 11,840
Due from other funds					
Notes receivable				145,958	
Land held for resale				393,526	
Total Assets	<u>\$ 125,804</u>	<u>\$ 451,963</u>	<u>\$ 132,820</u>	<u>\$ 878,857</u>	<u>\$ 11,840</u>
LIABILITIES					
Accounts payable		\$ 544	\$ 3,265		\$ 614
Accrued wages payable					538
Due to other funds					6,033
Due to other government units			61,937	\$ 45	
Total Liabilities	<u>-</u>	<u>544</u>	<u>65,202</u>	<u>45</u>	<u>7,185</u>
FUND BALANCES					
Nonspendable				145,958	
Restricted	\$ 125,804	451,419	67,618	732,854	4,655
Unassigned					
Total fund balances	<u>125,804</u>	<u>451,419</u>	<u>67,618</u>	<u>878,812</u>	<u>4,655</u>
Total liabilities and fund balances	<u>\$ 125,804</u>	<u>\$ 451,963</u>	<u>\$ 132,820</u>	<u>\$ 878,857</u>	<u>\$ 11,840</u>

(continued)

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2013 (continued)**

	<u>Insect Control</u>	<u>Perpetual Care</u>	<u>Greenway Maintenance</u>	<u>125th Anniversary Celebration</u>	<u>Total</u>
ASSETS					
Cash and cash equivalents	\$ 118,460	\$ 87,596	\$ 52,923		\$ 1,075,773
Investments	128,492	88,329			449,987
Accounts receivable					11,840
Due from other funds					-
Notes receivable					145,958
Land held for resale					393,526
Total Assets	<u>\$ 246,952</u>	<u>\$ 175,925</u>	<u>\$ 52,923</u>	<u>-</u>	<u>\$ 2,077,084</u>
LIABILITIES					
Accounts payable					\$ 4,423
Accrued wages payable					538
Due to other funds				\$ 797	6,830
Due to other government units					61,982
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>797</u>	<u>73,773</u>
FUND BALANCES					
Nonspendable					145,958
Restricted	\$ 246,952	\$ 175,925	\$ 52,923		1,858,150
Unassigned				(797)	(797)
Total fund balances	<u>246,952</u>	<u>175,925</u>	<u>52,923</u>	<u>(797)</u>	<u>2,003,311</u>
Total liabilities and fund balances	<u>\$ 246,952</u>	<u>\$ 175,925</u>	<u>\$ 52,923</u>	<u>\$ -</u>	<u>\$ 2,077,084</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2013**

	<u>Community Growth</u>	<u>State Aid Street</u>	<u>Transit</u>	<u>New Home Incentive</u>	<u>Cemetery</u>
Revenues:					
Intergovernmental		\$ 142,305	\$ 393,771		
Charges for services				\$ 106,024	\$ 39,295
Other revenue:					
Program income					
Interest revenue		(3,618)		(6,357)	
Other			5,168	96,274	
Total revenues	<u>-</u>	<u>138,687</u>	<u>398,939</u>	<u>195,941</u>	<u>39,295</u>
Expenditures:					
Current:					
Public works		17,246			
Recreation and culture					
Community development	\$ 1,553			121,010	
Transit			311,685		
Cemetery					53,936
Capital outlay			18,713		
Total expenditures	<u>1,553</u>	<u>17,246</u>	<u>330,398</u>	<u>121,010</u>	<u>53,936</u>
Excess (deficiency) of revenues over expenditures	<u>(1,553)</u>	<u>121,441</u>	<u>68,541</u>	<u>74,931</u>	<u>(14,641)</u>
Other financing sources (uses):					
Transfers in			62,070		5,000
Transfers out	(84,992)			(421,087)	
Total other financing sources (uses)	<u>(84,992)</u>	<u></u>	<u>62,070</u>	<u>(421,087)</u>	<u>5,000</u>
Net Change in Fund Balances	(86,545)	121,441	130,611	(346,156)	(9,641)
Fund balance at beginning of year	212,349	329,978	(62,993)	1,224,968	14,296
Fund balance at end of year	<u>\$ 125,804</u>	<u>\$ 451,419</u>	<u>\$ 67,618</u>	<u>\$ 878,812</u>	<u>\$ 4,655</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2013 (continued)**

	Insect Control	Perpetual Care	Greenway Maintenance	125th Anniversary Celebration	Total
Revenues:					
Intergovernmental					\$ 536,076
Charges for services	\$ 45,844	\$ 11,620	\$ 45,844		248,627
Other revenue:					
Program income					
Interest revenue	(2,082)	(1,476)	(230)		(13,763)
Other				\$ 10,277	111,719
Total revenues	<u>43,762</u>	<u>10,144</u>	<u>45,614</u>	<u>10,277</u>	<u>882,659</u>
Expenditures:					
Current:					
Public works	39,860				57,106
Recreation and culture		3,940		33,695	37,635
Community development					122,563
Transit					311,685
Cemetery					53,936
Capital outlay					18,713
Total expenditures	<u>39,860</u>	<u>3,940</u>	<u> </u>	<u>33,695</u>	<u>601,638</u>
Excess (deficiency) of revenues over expenditures	<u>3,902</u>	<u>6,204</u>	<u>45,614</u>	<u>(23,418)</u>	<u>281,021</u>
Other financing sources (uses):					
Transfers in				8,000	75,070
Transfers out					(506,079)
Total other financing sources (uses)				<u>8,000</u>	<u>(431,009)</u>
Net Change in Fund Balances	3,902	6,204	45,614	(15,418)	(149,988)
Fund balance at beginning of year	243,050	169,721	7,309	14,621	2,153,299
Fund balance at end of year	<u>\$ 246,952</u>	<u>\$ 175,925</u>	<u>\$ 52,923</u>	<u>\$ (797)</u>	<u>\$ 2,003,311</u>

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2013**

	2012 Improvement & Refunding Bonds	12-1-01 Assessment Bonds	04-1-04 Assessment Bonds	Total
ASSETS				
Cash and cash equivalents	\$ 174,400	\$ 112,983	\$ 183,727	\$ 471,110
Due from other government units:				
Other		13,634	109	13,743
Special assessments receivable:				
Delinquent		2,012	4,058	6,070
Deferred		292,370	68,521	360,891
Total assets	<u>\$ 174,400</u>	<u>\$ 420,999</u>	<u>\$ 256,415</u>	<u>\$ 851,814</u>
LIABILITIES				
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue-Special Assessments		\$ 294,382	\$ 72,579	\$ 366,961
Total liabilities		<u>294,382</u>	<u>72,579</u>	<u>366,961</u>
FUND BALANCES				
Restricted	\$ 174,400	126,617	183,836	484,853
Total fund balances	<u>174,400</u>	<u>126,617</u>	<u>183,836</u>	<u>484,853</u>
Total liabilities and fund balances	<u>\$ 174,400</u>	<u>\$ 420,999</u>	<u>\$ 256,415</u>	<u>\$ 851,814</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Debt Service Funds
Year Ended December 31, 2013**

	<u>2012 Improvement & Refunding Bonds</u>	<u>12-1-01 Special Assessment Bonds</u>	<u>04-1-04 Special Assessment Bonds</u>	<u>Total</u>
Revenues:				
Special assessments	\$ 10,173	\$ 89,489	\$ 43,315	\$ 142,977
Other revenue:				
Interest on investments				
Total revenues	<u>10,173</u>	<u>89,489</u>	<u>43,315</u>	<u>142,977</u>
Expenditures:				
Debt service:				
Principal retirement			10,000	10,000
Interest and fiscal agent fees			2,765	2,765
Other debt expenditures	11,891			11,891
Total expenditures	<u>11,891</u>		<u>12,765</u>	<u>24,656</u>
Excess (deficiency) of revenues over expenditures	<u>(1,718)</u>	<u>89,489</u>	<u>30,550</u>	<u>118,321</u>
Other financing sources (uses):				
Transfers In	<u>218,080</u>			<u>218,080</u>
Total other financing sources and (uses)	<u>218,080</u>			<u>218,080</u>
Net Change in Net Position	216,362	89,489	30,550	336,401
Fund balance at beginning of year	(41,962)	37,128	153,286	148,452
Total Net Position - End of Year	<u>\$ 174,400</u>	<u>\$ 126,617</u>	<u>\$ 183,836</u>	<u>\$ 484,853</u>

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2013**

	<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	\$ 12,908	\$ 83,803	\$ 73,882	\$ 72,693	\$ 63,325	\$ 185,691			\$ 164,004		\$ 656,306
Investments		128,377		133,706							262,083
Accounts receivable				240							240
Due from other funds											-
Due from other Governmental Units										164,367	164,367
Total Assets	<u>\$ 12,908</u>	<u>\$ 212,180</u>	<u>\$ 73,882</u>	<u>\$ 206,639</u>	<u>\$ 63,325</u>	<u>\$ 185,691</u>	<u>\$</u>	<u>\$</u>	<u>\$ 164,004</u>	<u>\$ 164,367</u>	<u>\$ 1,082,996</u>
LIABILITIES											
Accounts payable	\$ 1,806	\$ 709						\$ 123,959	\$ 14,627		\$ 141,101
Due to Other Funds							\$ 37,400	271,553		179,199	488,152
Total liabilities	<u>1,806</u>	<u>709</u>					<u>37,400</u>	<u>395,512</u>	<u>14,627</u>	<u>179,199</u>	<u>629,253</u>
FUND BALANCES											
Restricted	11,102	\$ 211,471	73,882	206,639	\$ 63,325	\$ 185,691			149,377		901,487
Unassigned							(37,400)	(395,512)		(14,832)	(447,744)
Total fund balances	<u>11,102</u>	<u>211,471</u>	<u>73,882</u>	<u>206,639</u>	<u>63,325</u>	<u>185,691</u>	<u>(37,400)</u>	<u>(395,512)</u>	<u>149,377</u>	<u>(14,832)</u>	<u>453,743</u>
Total liabilities and fund balances	<u>\$ 12,908</u>	<u>\$ 212,180</u>	<u>\$ 73,882</u>	<u>\$ 206,639</u>	<u>\$ 63,325</u>	<u>\$ 185,691</u>	<u>\$</u>	<u>\$</u>	<u>\$ 164,004</u>	<u>\$ 164,367</u>	<u>\$ 1,082,996</u>

**Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Nonmajor Capital Projects Funds
Year Ended December 31, 2013**

	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	\$ 35,922					\$ 198,501		\$ 226,723		\$ 305,975	\$ 767,121
Program income		\$ 12,500									12,500
Total revenues	<u>35,922</u>	<u>12,500</u>				<u>198,501</u>		<u>226,723</u>		<u>305,975</u>	<u>779,621</u>
Expenditures:											
Capital outlay:											
Land and buildings											
Infrastructure construction		9,897	\$ 7,681	\$ 12,062				429,123	\$ 573,457	352,907	1,385,127
Other	17,374				\$ 558						17,932
Debt Service:											
Principal retirement						79,000					79,000
Interest and fiscal agent charges						120,941					120,941
Total expenditures	<u>17,374</u>	<u>9,897</u>	<u>7,681</u>	<u>12,062</u>	<u>558</u>	<u>199,941</u>		<u>429,123</u>	<u>573,457</u>	<u>352,907</u>	<u>1,603,000</u>
Excess (deficiency) of revenues over expenditures	<u>18,548</u>	<u>2,603</u>	<u>(7,681)</u>	<u>(12,062)</u>	<u>(558)</u>	<u>(1,440)</u>		<u>(202,400)</u>	<u>(573,457)</u>	<u>(46,932)</u>	<u>(823,379)</u>
Other financing sources (uses):											
Transfers in								54,000	535,887		589,887
Transfers out			(38,654)	(34,803)					(2,438)		(75,895)
Total other financing sources (uses)			<u>(38,654)</u>	<u>(34,803)</u>				<u>54,000</u>	<u>533,449</u>		<u>513,992</u>
Net Change in Fund Balances	18,548	2,603	(46,335)	(46,865)	(558)	(1,440)		(148,400)	(40,008)	(46,932)	(309,387)
Fund balance at beginning of year	(7,446)	208,868	120,217	253,504	63,883	187,131	\$ (37,400)	(247,112)	189,385	32,100	763,130
Fund balance at end of year	<u>\$ 11,102</u>	<u>\$ 211,471</u>	<u>\$ 73,882</u>	<u>\$ 206,639</u>	<u>\$ 63,325</u>	<u>\$ 185,691</u>	<u>\$ (37,400)</u>	<u>\$ (395,512)</u>	<u>\$ 149,377</u>	<u>\$ (14,832)</u>	<u>\$ 453,743</u>

**Community Growth Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental				
Other revenues:				
Interest revenue	\$ 3,000	\$ 3,000		\$ (3,000)
Total revenues	<u>3,000</u>	<u>3,000</u>		<u>(3,000)</u>
Expenditures:				
Community development:				
Contractual services	10,000	10,000	\$ 1,553	(8,447)
Other expenditures	<u>100,000</u>	<u>100,000</u>		<u>(100,000)</u>
Total expenditures	<u>110,000</u>	<u>110,000</u>	<u>1,553</u>	<u>(108,447)</u>
Excess (deficiency) of revenues over expenditures				
Other financing sources (uses):				
Transfers out			(84,992)	(84,992)
Total other financing sources (uses)			<u>(84,992)</u>	<u>(84,992)</u>
Net Changes in Fund Balances	<u>(107,000)</u>	<u>(107,000)</u>	<u>(86,545)</u>	<u>105,447</u>
Fund balance at beginning of year	<u>212,349</u>	<u>212,349</u>	<u>212,349</u>	
Fund balance at end of year	<u>\$ 105,349</u>	<u>\$ 105,349</u>	<u>\$ 125,804</u>	<u>\$ 105,447</u>

**State Aid Street Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 309,304	\$ 309,304	\$ 142,305	\$ (166,999)
Other revenues:				
Interest revenue	2,500	2,500	(3,618)	(6,118)
Total revenue	<u>311,804</u>	<u>311,804</u>	<u>138,687</u>	<u>(173,117)</u>
Expenditures:				
Public works:				
Contractual services	190,862	190,862	17,246	(173,616)
Total expenditures	<u>190,862</u>	<u>190,862</u>	<u>17,246</u>	<u>(173,616)</u>
Excess (deficiency) of revenues over expenditures	<u>120,942</u>	<u>120,942</u>	<u>121,441</u>	<u>499</u>
Other financing sources (uses):				
Transfers out	120,942	120,942		(120,942)
Total other financing sources (uses)	<u>120,942</u>	<u>120,942</u>		<u>(120,942)</u>
Net Changes in Fund Balances	241,884	241,884	121,441	(120,443)
Fund balance at beginning of year	329,978	329,978	329,978	
Fund balance at end of year	<u>\$ 571,862</u>	<u>\$ 571,862</u>	<u>\$ 451,419</u>	<u>\$ (120,443)</u>

Transit Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Intergovernmental	\$ 255,730	\$ 255,730	\$ 393,771	\$ 138,041
Charges for services				
Other revenues:				
Interest revenue				
Other	6,000	6,000	5,168	(832)
Total Revenues	<u>261,730</u>	<u>261,730</u>	<u>398,939</u>	<u>137,209</u>
Expenditures:				
Transit:				
Contractual services	307,800	307,800	301,926	(5,874)
Capital outlay				
Other expenditures	16,000	16,000	28,472	12,472
Total expenditures	<u>323,800</u>	<u>323,800</u>	<u>330,398</u>	<u>6,598</u>
Excess (deficiency) of revenues over expenditures	<u>(62,070)</u>	<u>(62,070)</u>	<u>68,541</u>	<u>130,611</u>
Other financing sources (uses):				
Transfers in	62,070	62,070	62,070	
Total other financing sources (uses)	<u>62,070</u>	<u>62,070</u>	<u>62,070</u>	<u>-</u>
Net Changes in Fund Balances			130,611	130,611
Fund balance at beginning of year	(62,993)	(62,993)	(62,993)	
Fund balance at end of year	<u>\$ (62,993)</u>	<u>\$ (62,993)</u>	<u>\$ 67,618</u>	<u>\$ 130,611</u>

**New Home Incentive Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 90,000	\$ 90,000	\$ 106,024	\$ 16,024
Other revenues:				
Interest revenue	7,000	7,000	(6,357)	(13,357)
Other	30,000	30,000	96,274	66,274
Total revenues	<u>127,000</u>	<u>127,000</u>	<u>195,941</u>	<u>68,941</u>
Expenditures:				
Community development:				
Contractual services	8,500	8,500	6,963	(1,537)
Other expenditures	121,500	121,500	114,047	(7,453)
Total expenditures	<u>130,000</u>	<u>130,000</u>	<u>121,010</u>	<u>(8,990)</u>
Other financing sources (uses):				
Transfers out	(180,000)	(180,000)	(421,087)	(241,087)
Total other financing sources (uses)	<u>(180,000)</u>	<u>(180,000)</u>	<u>(421,087)</u>	<u>(241,087)</u>
Net Changes in Fund Balances	<u>(3,000)</u>	<u>(3,000)</u>	<u>(346,156)</u>	<u>77,931</u>
Fund balance at beginning of year	\$ 1,224,968	\$ 1,224,968	1,224,968	
Fund balance at end of year	<u>\$ 1,221,968</u>	<u>\$ 1,221,968</u>	<u>\$ 878,812</u>	<u>\$ 77,931</u>

Cemetery Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 40,500	\$ 40,500	\$ 39,295	\$ (1,205)
Other revenues:				
Interest revenue				
Total revenues	<u>40,500</u>	<u>40,500</u>	<u>39,295</u>	<u>(1,205)</u>
Expenditures:				
Other:				
Personal services	19,661	19,661	24,757	5,096
Supplies	2,700	2,700	2,698	(2)
Contractual services	14,850	14,850	7,876	(6,974)
Capital outlay				
Other expenditures	15,049	15,049	18,605	3,556
Total expenditures	<u>52,260</u>	<u>52,260</u>	<u>53,936</u>	<u>1,676</u>
Excess (deficiency) of revenues over expenditures	<u>(11,760)</u>	<u>(11,760)</u>	<u>(14,641)</u>	<u>(2,881)</u>
Other financing sources (uses):				
Transfers in	11,760	11,760	5,000	(6,760)
Total other financing sources (uses)	<u>11,760</u>	<u>11,760</u>	<u>5,000</u>	<u>(6,760)</u>
Net Changes in Fund Balances			(9,641)	(9,641)
Fund balance at beginning of year	14,296	14,296	14,296	
Fund balance at end of year	<u>\$ 14,296</u>	<u>\$ 14,296</u>	<u>\$ 4,655</u>	<u>\$ (9,641)</u>

Insect Control Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2013

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 45,000	\$ 45,000	\$ 45,844	\$ 844
Other revenue:				
Interest revenue	2,500	2,500	(2,082)	(2,082)
Other				
Total revenues	<u>47,500</u>	<u>47,500</u>	<u>43,762</u>	<u>(1,238)</u>
Expenditures:				
Public Works:				
Personal services	5,746	5,746	5,305	(441)
Supplies	20,000	20,000	14,825	(5,175)
Contractual services				
Capital outlay				
Other expenditures	4,500	4,500	19,730	15,230
Total expenditures	<u>30,246</u>	<u>30,246</u>	<u>39,860</u>	<u>9,614</u>
Net Changes in Fund Balances	17,254	17,254	3,902	(10,852)
Fund balance at beginning of year	243,050	243,050	243,050	
Fund balance at end of year	<u>\$ 260,304</u>	<u>\$ 260,304</u>	<u>\$ 246,952</u>	<u>\$ (10,852)</u>

**Perpetual Care Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 10,000	\$ 10,000	\$ 11,620	\$ 1,620
Other revenue:				
Interest revenue	2,000	2,000	(1,476)	(3,476)
Total revenues	<u>12,000</u>	<u>12,000</u>	<u>10,144</u>	<u>(1,856)</u>
Expenditures:				
Other expenditures			3,940	3,940
Total expenditures	<u>-</u>	<u>-</u>	<u>3,940</u>	<u>3,940</u>
Net Change in Fund Balances	12,000	12,000	6,204	(5,796)
Fund balance at beginning of year	169,721	169,721	169,721	
Fund balance at end of year	<u>\$ 181,721</u>	<u>\$ 181,721</u>	<u>\$ 175,925</u>	<u>\$ (5,796)</u>

**Greenway Maintenance Fund
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Year Ended December 31, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Charges for services	\$ 45,000	\$ 45,000	\$ 45,844	\$ 844
Other revenue:				
Interest revenue			(230)	(230)
Other				
Total revenues	<u>45,000</u>	<u>45,000</u>	<u>45,614</u>	<u>614</u>
Expenditures:				
Public Works:				
Capital outlay	<u>45,000</u>	<u>45,000</u>		<u>(45,000)</u>
Total expenditures	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>(45,000)</u>
Other financing sources (uses):				
Operating transfers out				
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances			45,614	45,614
Fund balance at beginning of year	<u>7,309</u>	<u>7,309</u>	<u>7,309</u>	
Fund balance at end of year	<u>\$ 7,309</u>	<u>\$ 7,309</u>	<u>\$ 52,923</u>	<u>\$ 45,614</u>

**125th Anniversary Celebration Fund
 Schedule of Revenues, Expenditures and Changes
 in Fund Balances - Budget and Actual
 Year Ended December 31, 2013**

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues:				
Other revenue:				
Donations			\$ 10,277	\$ 10,277
Interest revenue				
Total revenues	<u>-</u>	<u>-</u>	<u>10,277</u>	<u>10,277</u>
Expenditures:				
Culture and recreation:				
Supplies			637	637
Contractual Services			33,058	33,058
Total expenditures	<u>-</u>	<u>-</u>	<u>33,695</u>	<u>33,695</u>
Other financing sources (uses):				
Operating transfers out			8,000	8,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>8,000</u>	<u>8,000</u>
Net Change in Fund Balances			(15,418)	(23,418)
Fund balance at beginning of year	\$ 14,621	\$ 14,621	14,621	
Fund balance at end of year	<u>\$ 14,621</u>	<u>\$ 14,621</u>	<u>\$ (797)</u>	<u>\$ (23,418)</u>



(This page left blank intentionally)

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.



(This page left blank intentionally)

**Combining Statement of Net Position
Internal Service Funds
December 31, 2013**

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 416,096	\$ 387,135	\$ 803,231
Investments	513,115	291,955	805,070
Interfund receivable		98,635	98,635
Total current assets	<u>929,211</u>	<u>777,725</u>	<u>1,706,936</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment		2,798,762	2,798,762
Less accumulated depreciation		(1,494,756)	(1,494,756)
Capital assets (net)	<u>-</u>	<u>1,304,006</u>	<u>1,304,006</u>
TOTAL ASSETS	<u>929,211</u>	<u>2,081,731</u>	<u>3,010,942</u>
LIABILITIES			
Current Liabilities:			
Compensated absences payable	40,715		40,715
Accrued Interest Payable		7,276	7,276
Bond Premium		24,538	24,538
Total current liabilities	<u>40,715</u>	<u>31,814</u>	<u>72,529</u>
Noncurrent liabilities:			
Compensated absences payable - net current portion	977,149		977,149
Notes Payable - net current portion		875,000	875,000
Total noncurrent liabilities	<u>977,149</u>	<u>875,000</u>	<u>1,852,149</u>
TOTAL LIABILITIES	<u>1,017,864</u>	<u>906,814</u>	<u>1,924,678</u>
NET POSITION			
Net investment in capital assets		429,006	429,006
Unrestricted	(88,653)	745,911	657,258
TOTAL NET POSITION	<u>\$ (88,653)</u>	<u>\$ 1,174,917</u>	<u>\$ 1,086,264</u>

**Combining Statement of Revenues, Expenses and Changes
in Fund Net Position - Internal Service Funds
Year Ended December 31, 2013**

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Operating revenues:			
Charges for services		\$ 298,011	\$ 298,011
Total operating revenues	-	<u>298,011</u>	<u>298,011</u>
Operating expenses:			
Compensated absences	\$ 107,442		107,442
Depreciation		203,405	203,405
Total operating expenses	<u>107,442</u>	<u>203,405</u>	<u>310,847</u>
Operating income (loss)	<u>(107,442)</u>	<u>94,606</u>	<u>(12,836)</u>
Nonoperating revenues (expenses)			
Interest revenue	(8,785)		(8,785)
Interest expense		(19,179)	(19,179)
Gain (loss) on disposal of assets		14,000	14,000
Total nonoperating revenues (expenses)	<u>(8,785)</u>	<u>(5,179)</u>	<u>(13,964)</u>
Change in net position	(116,227)	89,427	(26,800)
Net position at beginning of year	<u>27,574</u>	<u>1,085,490</u>	<u>1,113,064</u>
Net position at end of year	<u>\$ (88,653)</u>	<u>\$ 1,174,917</u>	<u>\$ 1,086,264</u>

**Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2013**

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Cash flow from operating activities:			
Receipts from interfund service provided		\$ 314,160	\$ 314,160
Payments for compensated absences	\$ (91,918)		(91,918)
Net cash provided by operating activities	<u>(91,918)</u>	<u>314,160</u>	<u>222,242</u>
Cash flows from capital financing activities:			
Acquisition of capital assets		(13,978)	(13,978)
Principal payments on long-term debt		(1,223)	(1,223)
Interest payments on long-term debt		2,097	2,097
Net cash provided by capital financing activities	<u>-</u>	<u>(13,104)</u>	<u>(13,104)</u>
Cash flows from investing activities			
Interest on investments	(8,785)		(8,785)
Sale of investments	169,400		169,400
Purchase of investments		(129,426)	(129,426)
Net cash provided by investing activities	<u>160,615</u>	<u>(129,426)</u>	<u>31,189</u>
Increase (decrease) in cash and cash equivalents	68,697	171,630	240,327
Cash and cash equivalents - January 1	347,399	215,505	562,904
Cash and cash equivalents - December 31	<u>\$ 416,096</u>	<u>\$ 387,135</u>	<u>\$ 803,231</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (107,442)	\$ 94,606	\$ (12,836)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization		203,405	203,405
Changes in assets and liabilities:			
Compensated absences	15,524		15,524
Accounts receivable		16,149	16,149
Net cash provided by operating activities	<u>\$ (91,918)</u>	<u>\$ 314,160</u>	<u>\$ 222,242</u>



(This page left blank intentionally)

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, 2013**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Taxes:					
Property taxes	\$ 2,888,860	\$ 2,888,860	\$ 2,486,461	\$ (402,399)	\$ 2,501,605
Mobile home taxes	6,000	6,000	5,217	(783)	4,664
Tax increment taxes	200	200	2	(198)	2,864
Hotel/Motel taxes	11,000	11,000	17,260	6,260	15,527
Franchise taxes	1,360,000	1,360,000	1,413,533	53,533	1,416,140
Penalties and interest	1,500	1,500	2,997	1,497	2,264
Total taxes	<u>4,267,560</u>	<u>4,267,560</u>	<u>3,925,470</u>	<u>(342,090)</u>	<u>3,943,064</u>
Licenses and permits:					
Liquor and malt licenses	49,725	49,725	50,263	538	50,363
Tobacco licenses	500	500	500		600
Plumbing licenses	2,000	2,000	2,850	850	2,075
Amusement center licenses			40	40	
Pet licenses	1,000	1,000	1,072	72	1,042
Other licenses	6,000	6,000	5,260	(740)	4,877
Building permits	50,000	50,000	59,997	9,997	56,997
Excavation permits	2,000	2,000	3,375	1,375	1,710
Plumbing permits	1,000	1,000	3,440	2,440	3,116
Other permits	3,000	3,000	4,845	1,845	4,750
Total Licenses & Permits	<u>115,225</u>	<u>115,225</u>	<u>131,642</u>	<u>16,417</u>	<u>125,530</u>
Intergovernmental:					
Federal grants			68,325	68,325	121,379
Local government aid	2,471,550	2,471,550	2,471,550		2,471,550
Disparity reduction credit			514,600	514,600	529,611
Market value credit			61	61	423
PERA aid	15,688	15,688	15,668		15,688
Police state aid	150,000	150,000	150,801	801	130,529
Fire state aid	35,000	35,000	58,850	23,850	37,892
Ambulance subsidy	22,000	22,000	21,939	(61)	21,939
Other	41,000	41,000	43,267	2,267	51,914
Total Intergovernmental	<u>2,735,238</u>	<u>2,735,238</u>	<u>3,345,061</u>	<u>609,843</u>	<u>3,380,925</u>
Charges for services:					
General Government	3,500	3,500	1,825	(1,675)	8,013
Accounting Other Funds	38,000	38,000	18,000	(20,000)	18,000
Rescue Unit	230,000	230,000	235,881	5,881	232,370

(continued)

**Schedule of Revenues and Other Sources
Budget to Actual - General Fund
Year Ended December 31, 2013 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Charges for services (continued):					
Police services			1,843	1,843	275
Protective inspection services	16,000	16,000	14,145	(1,855)	14,790
Rural fire service	48,000	48,000	48,029	29	48,841
Public safety - other	5,000	5,000	1,142	(3,858)	10,169
Streets and highways	8,900	8,900	403	(8,497)	9,433
Street lights	200,000	200,000	206,072	6,072	205,338
Swimming pool	20,000	20,000	15,586	(4,414)	18,161
Summer recreation programs	43,300	43,300	44,283	983	43,911
Winter recreation programs	71,750	71,750	82,673	10,923	82,573
Recreation - other	125,000	125,000	219,556	94,556	137,419
Senior Center	7,750	7,750	9,211	1,461	6,510
City hall rent	25,000	25,000	25,285	285	24,848
Blue Line Arena rent	7,000	7,000	16,295	9,295	11,934
VFW arena rent	20,000	20,000	24,823	4,823	15,126
Civic center rent	105,000	105,000	99,327	(5,673)	95,677
Zoning	2,000	2,000	23,003	21,003	22,123
Total charges for services	<u>976,200</u>	<u>976,200</u>	<u>1,087,382</u>	<u>111,182</u>	<u>1,005,511</u>
Fines and forfeits:					
Court fines	90,000	90,000	87,219	(2,781)	91,539
Parking fines	10,000	10,000	3,395	(6,605)	6,543
Other fees and fines	1,000	1,000	1,547	547	1,475
Impound fees	5,300	5,300	4,269	(1,031)	3,261
Sale of seized property			10,874	10,874	21,023
Total fines and forfeits	<u>106,300</u>	<u>106,300</u>	<u>107,304</u>	<u>1,004</u>	<u>123,841</u>
Miscellaneous revenues:					
Interest revenue	30,800	30,800	(20,316)	(51,116)	19,277
Donations	8,000	8,000	8,529	529	22,312
Insurance dividends and proceeds			113,035	113,035	15,956
Other	29,900	29,900	15,354	(14,546)	(28,432)
Total miscellaneous	<u>68,700</u>	<u>68,700</u>	<u>116,602</u>	<u>47,902</u>	<u>29,113</u>
Total revenues	<u>8,269,223</u>	<u>8,269,223</u>	<u>8,713,461</u>	<u>444,258</u>	<u>8,607,984</u>
Other financing sources:					
Transfers in:					
Enterprise fund projects	60,000	60,000	36,639	(23,361)	
Other funds	160,000	160,000	136,087	(23,913)	
Total other financing sources	<u>220,000</u>	<u>220,000</u>	<u>172,726</u>	<u>(47,274)</u>	<u>-</u>
Total revenues and other financing sources	<u>\$ 8,489,223</u>	<u>\$ 8,489,223</u>	<u>\$ 8,886,187</u>	<u>\$ 396,984</u>	<u>\$ 8,607,984</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2013

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
General government:					
Council:					
Personal services	\$ 47,300	\$ 47,300	\$ 50,656	\$ (3,356)	\$ 43,370
Other expenditures	7,500	7,500	5,333	2,167	2,814
Total	<u>54,800</u>	<u>54,800</u>	<u>55,989</u>	<u>(1,189)</u>	<u>46,184</u>
Ordinances and proceedings:					
Contractual services	3,000	3,000	1,566	1,434	1,788
Total	<u>3,000</u>	<u>3,000</u>	<u>1,566</u>	<u>1,434</u>	<u>1,788</u>
Mayor:					
Personal services	10,800	10,800	10,761	39	10,761
Supplies	200	200		200	79
Contractual services	800	800	777	23	331
Other expenditures	5,000	5,000	1,783	3,217	982
Total	<u>16,800</u>	<u>16,800</u>	<u>13,321</u>	<u>3,479</u>	<u>12,153</u>
Elections:					
Personal services					9,198
Other expenditures					422
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,620</u>
City administration:					
Personal services	296,909	296,909	300,964	(4,055)	271,896
Supplies	10,000	10,000	6,222	3,778	15,865
Contractual services	39,000	39,000	56,089	(17,089)	26,705
Other expenditures	8,000	8,000	11,160	(3,160)	7,031
Capital outlay					
Total	<u>353,909</u>	<u>353,909</u>	<u>374,435</u>	<u>(20,526)</u>	<u>321,497</u>
Accounting and auditing:					
Contractual services	40,000	40,000	33,777	6,223	30,662
Total	<u>40,000</u>	<u>40,000</u>	<u>33,777</u>	<u>6,223</u>	<u>30,662</u>
City assessor:					
Contractual services	29,000	29,000	29,208	(208)	28,976
Total	<u>29,000</u>	<u>29,000</u>	<u>29,208</u>	<u>(208)</u>	<u>28,976</u>
City attorney:					
Personal services					
Supplies					
Contractual services	115,000	115,000	155,240	(40,240)	118,061
Other expenditures	7,500	7,500	1,801	5,699	2,131
Total	<u>122,500</u>	<u>122,500</u>	<u>157,041</u>	<u>(34,541)</u>	<u>120,192</u>
Planning and zoning:					
Personal services			30,495	(30,495)	
Contractual services	75,500	75,500	53,194	22,306	96,170
Other expenditures	500	500	3,198	(2,698)	598
Total	<u>76,000</u>	<u>76,000</u>	<u>86,887</u>	<u>(10,887)</u>	<u>96,768</u>

(continued)

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2013 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
General government (continued)					
Civil service commission:					
Personal Services	3,230	3,230	3,095	135	3,230
Other expenditures	250	250		250	8,106
Total	<u>3,480</u>	<u>3,480</u>	<u>3,095</u>	<u>385</u>	<u>11,336</u>
Finance and accounting:					
Personal services	102,039	102,039	107,043	(5,004)	93,979
Supplies	5,000	5,000	67	4,933	
Contractual services					
Other expenditures	4,000	4,000	2,919	1,081	1,708
Capital outlay					
Total	<u>111,039</u>	<u>111,039</u>	<u>110,029</u>	<u>1,010</u>	<u>95,687</u>
Building:					
Supplies	3,000	3,000	2,113	887	2,780
Contractual services	98,500	98,500	121,584	(23,084)	118,848
Other expenditures	250	250	82	168	3
Total	<u>101,750</u>	<u>101,750</u>	<u>123,779</u>	<u>(22,029)</u>	<u>121,631</u>
Summary:					
Current	912,278	912,278	989,127	(76,849)	896,494
Capital outlay					
Total general government	<u>\$ 912,278</u>	<u>\$ 912,278</u>	<u>\$ 989,127</u>	<u>\$ (76,849)</u>	<u>\$ 896,494</u>
Public safety:					
Police:					
Personal services	\$ 1,876,380	\$ 1,876,380	\$ 1,993,037	\$ (116,657)	\$ 1,918,659
Supplies	84,650	84,650	89,831	(5,181)	97,045
Contractual services	109,400	109,400	118,455	(9,055)	120,334
Other expenditures	12,700	12,700	12,887	(187)	14,797
Capital outlay	75,284	75,284	70,757	4,527	56,134
Total	<u>2,158,414</u>	<u>2,158,414</u>	<u>2,284,967</u>	<u>(126,553)</u>	<u>2,206,969</u>
Fire:					
Personal services	923,050	923,050	963,538	(40,488)	906,487
Supplies	23,200	23,200	26,095	(2,895)	24,860
Contractual services	176,931	176,931	183,071	(6,140)	91,996
Other expenditures	4,500	4,500	4,106	394	12,220
Capital outlay	7,418	7,418	7,418		
Total	<u>1,135,099</u>	<u>1,135,099</u>	<u>1,184,228</u>	<u>(49,129)</u>	<u>1,035,563</u>

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2013 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Public safety (continued)					
Building inspection:					
Personal services	132,402	132,402	81,804	50,598	125,813
Supplies	2,200	2,200	885	1,315	1,241
Contractual services	3,200	3,200	104,366	(101,166)	5,916
Other expenditures	2,000	2,000	3,636	(1,636)	472
Capital outlay			1,280	(1,280)	
Total	<u>139,802</u>	<u>139,802</u>	<u>191,971</u>	<u>(52,169)</u>	<u>133,442</u>
Emergency Management:					
Other expenditures			690	(690)	259
Total	<u>-</u>	<u>-</u>	<u>690</u>	<u>(690)</u>	<u>259</u>
Traffic engineering:					
Personal services	20,108	20,108	18,387	1,721	26,868
Supplies	14,500	14,500	13,706	794	14,295
Contractual services	11,800	11,800	15,305	(3,505)	13,971
Other expenditures	500	500	110	390	340
Total	<u>46,908</u>	<u>46,908</u>	<u>47,508</u>	<u>(600)</u>	<u>55,474</u>
Animal control:					
Supplies					
Contractual services	7,000	7,000	5,427	1,573	5,717
Total	<u>7,000</u>	<u>7,000</u>	<u>5,427</u>	<u>1,573</u>	<u>5,717</u>
Summary:					
Current	3,404,521	3,404,521	3,635,336	(230,815)	3,381,290
Capital outlay	82,702	82,702	79,455	3,247	56,134
Total public safety	<u>\$ 3,487,223</u>	<u>\$ 3,487,223</u>	<u>\$ 3,714,791</u>	<u>\$ (227,568)</u>	<u>\$ 3,437,424</u>
Public works:					
Administration:					
Personal services	\$ 80,077	\$ 80,077	\$ 85,089	\$ (5,012)	\$ 77,452
Supplies	2,000	2,000	1,611	389	(272)
Contractual services	1,800	1,800	2,600	(800)	2,082
Other expenditures	2,500	2,500	2,678	(178)	5,000
Total	<u>86,377</u>	<u>86,377</u>	<u>91,978</u>	<u>(5,601)</u>	<u>84,262</u>
Streets:					
Personal services	252,997	252,997	202,952	50,045	237,105
Supplies	18,500	18,500	12,786	5,714	16,970
Contractual services	500	500		500	1,028
Other expenditures	2,000	2,000	11,709	(9,709)	24,977
Capital outlay	250,000	250,000	125,558	124,442	164,227
Total	<u>523,997</u>	<u>523,997</u>	<u>353,005</u>	<u>170,992</u>	<u>444,307</u>

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2013 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Public works (continued)					
Engineering Services					
Other professional services	30,000	30,000	32,363	(2,363)	17,003
Total	30,000	30,000	32,363	(2,363)	17,003
Downtown parking lots:					
Personal services	5,515	5,515	10,218	(4,703)	4,348
Supplies					
Contractual services	1,000	1,000	896	104	2,332
Total	6,515	6,515	11,114	(4,599)	6,736
Ice and snow removal:					
Personal services	99,964	99,964	116,381	(16,417)	29,877
Supplies	8,500	8,500	16,179	(7,679)	5,130
Contractual services	83,000	83,000	97,742	(14,742)	77,837
Other expenditures	1,000	1,000	1,253	(253)	846
Total	192,464	192,464	231,555	(39,091)	113,690
Equipment:					
Supplies	65,000	65,000	111,320	(46,320)	68,423
Contractual services	124,326	124,326	229,556	(105,230)	151,565
Other expenditures	500	500	58	442	156
Capital outlay	135,000	135,000	102,931	32,069	10,311
Total	324,826	324,826	443,865	(119,039)	230,455
Equipment building:					
Supplies	17,000	17,000	18,399	(1,399)	15,905
Contractual services	70,900	70,900	61,433	9,467	74,447
Other expenditures	500	500	10,990	(10,490)	541
Total	88,400	88,400	90,822	(2,422)	90,893
City shop:					
Personal services	139,240	139,240	150,735	(11,495)	140,352
Charged back	(90,000)	(90,000)	(80,845)	(9,155)	(76,847)
Supplies	180,000	180,000	232,004	(52,004)	176,801
Charged back	(180,000)	(180,000)	(244,420)	64,420	(191,387)
Other expenditures	1,500	1,500	1,165	335	2,268
Total	50,740	50,740	58,639	(7,899)	51,187

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2013 (continued)

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Public works (continued)					
Storm sewers:					
Miscellaneous			5,864	(5,864)	
Total	-	-	5,864	(5,864)	-
Street lighting:					
Contractual services	180,000	180,000	195,653	(15,653)	181,844
Total	180,000	180,000	195,653	(15,653)	181,844
Street cleaning:					
Personal services	24,130	24,130	21,598	2,532	27,407
Contractual services	18,100	18,100	18,100		18,100
Total	42,230	42,230	39,698	2,532	45,507
Weed control:					
Personal services	33,510	33,510	33,510		55,430
Supplies	482	482	482		293
Contractual services					14,000
Other expenditures	441	441	441		1,542
Total	34,433	34,433	34,433		71,265
Summary:					
Current	1,174,982	1,174,982	1,360,500	(185,518)	1,162,611
Capital outlay	385,000	385,000	228,489	156,511	174,538
Total public works	<u>\$ 1,559,982</u>	<u>\$ 1,559,982</u>	<u>1,588,989</u>	<u>\$ (29,007)</u>	<u>\$ 1,337,149</u>
Recreation and culture:					
Parks and recreation administration					
Personal services	\$ 225,844	\$ 225,844	\$ 219,346	\$ 6,498	\$ 227,551
Supplies	3,000	3,000	2,486	514	3,636
Contractual services	5,500	5,500	4,204	1,296	6,493
Other expenditures	3,900	3,900	3,989	(89)	4,105
Total	238,244	238,244	230,025	8,219	241,785
Playgrounds:					
Personal services	5,921	5,921	6,589	(668)	4,590
Supplies	500	500	547	(47)	588
Other expenditures	300	300	324	(24)	100
Capital outlay	30,000	30,000	24,313	5,687	28,770
Total	36,721	36,721	31,773	4,948	34,048

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2013 (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	53,193	(9,709)	37,810
Supplies	13,000	13,000	11,822	1,178	6,981
Contractual services	37,600	37,600	51,831	(14,231)	36,191
Other expenditures	500	500	3,325	(2,825)	815
Capital outlay	25,000	25,000	14,286	10,714	26,963
Total	119,584	119,584	134,457	(14,873)	108,760
Tennis:					
Personal services	2,907	2,907	3,513	(606)	2,832
Supplies	300	300	175	125	419
Other expenditures	300	300	246	54	100
Total	3,507	3,507	3,934	(427)	3,351
Skating rinks:					
Personal services	6,997	6,997	1,284	5,713	3,208
Supplies	1,200	1,200	625	575	395
Other expenditures	500	500		500	
Total	8,697	8,697	1,909	6,788	3,603
Hockey:					
Personal services	32,295	32,295	34,041	(1,746)	41,436
Supplies	2,000	2,000	2,417	(417)	2,642
Other expenditures	6,000	6,000	5,290	710	7,445
Total	40,295	40,295	41,748	(1,453)	51,523
Figure skating:					
Personal services	34,448	34,448	32,366	2,082	34,841
Supplies	3,200	3,200	2,801	399	4,728
Other expenditures	1,000	1,000	1,714	(714)	1,309
Total	38,648	38,648	36,881	1,767	40,878
Baseball:					
Personal services	36,601	36,601	35,125	1,476	32,593
Supplies	13,000	13,000	13,301	(301)	11,043
Other expenditures	6,500	6,500	12,147	(5,647)	11,895
Total	56,101	56,101	60,573	(4,472)	55,531
Softball:					
Personal services	14,533	14,533	11,820	2,713	9,971
Supplies	1,800	1,800	1,411	389	2,147
Other expenditures	1,600	1,600	604	996	269
Total	17,933	17,933	13,835	4,098	12,387

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2013 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Recreation and culture (continued)					
Civic center:					
Personal services	97,682	97,682	102,938	(5,256)	95,622
Supplies	17,500	17,500	18,775	(1,275)	18,993
Contractual services	115,692	115,692	190,965	(75,273)	128,917
Other expenditures	800	800	1,618	(818)	914
Capital outlay					9,500
Total	<u>231,674</u>	<u>231,674</u>	<u>314,296</u>	<u>(82,622)</u>	<u>253,946</u>
VFW arena:					
Personal services	87,557	87,557	88,717	(1,160)	87,179
Supplies	15,500	15,500	16,778	(1,278)	13,427
Contractual services	77,400	77,400	101,541	(24,141)	82,188
Other expenditures	1,100	1,100	281	819	924
Total	<u>181,557</u>	<u>181,557</u>	<u>207,317</u>	<u>(25,760)</u>	<u>183,718</u>
Library:					
Personal services	316,171	316,171	328,447	(12,276)	306,834
Supplies	50,400	50,400	49,147	1,253	40,084
Other expenditures	62,200	62,200	66,678	(4,478)	71,551
Total	<u>428,771</u>	<u>428,771</u>	<u>444,272</u>	<u>(15,501)</u>	<u>418,469</u>
Senior Center:					
Personal services	72,021	72,021	75,401	(3,380)	71,890
Supplies	4,500	4,500	5,041	(541)	4,272
Other expenditures	22,100	22,100	33,427	(11,327)	23,265
Total	<u>98,621</u>	<u>98,621</u>	<u>113,869</u>	<u>(15,248)</u>	<u>99,427</u>
Blue Line Arena:					
Personal services	7,536	7,536	10,499	(2,963)	11,748
Supplies	1,500	1,500	4,495	(2,995)	3,277
Contractual services	26,000	26,000	42,145	(16,145)	30,590
Total	<u>35,036</u>	<u>35,036</u>	<u>57,139</u>	<u>(22,103)</u>	<u>45,615</u>
Park areas:					
Personal services	166,576	166,576	140,932	25,644	129,801
Supplies	44,500	44,500	42,640	1,860	45,191
Contractual services	79,150	79,150	87,239	(8,089)	95,331
Other expenditures	7,000	7,000	2,661	4,339	2,882
Capital outlay					19,319
Total	<u>297,226</u>	<u>297,226</u>	<u>273,472</u>	<u>23,754</u>	<u>292,524</u>
Campground-Recreation Area:					
Personal services	68,896	68,896	80,361	(11,465)	87,071
Supplies	12,000	12,000	9,618	2,382	8,380
Other expenditures	27,800	27,800	10,999	16,801	13,713
Capital outlay					12,693
Total	<u>108,696</u>	<u>108,696</u>	<u>100,978</u>	<u>7,718</u>	<u>121,857</u>
Summary:					
Current	1,886,311	1,886,311	2,027,879	(125,167)	1,870,177
Capital outlay	55,000	55,000	38,599		97,245
Total Recreation and culture	<u>\$ 1,941,311</u>	<u>\$ 1,941,311</u>	<u>\$ 2,066,478</u>	<u>\$ (125,167)</u>	<u>\$ 1,967,422</u>

**Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2013 (continued)**

	Budgeted Amounts		Current Year Actual	Variance with Final Budget	Prior Year Actual
	Original	Final			
Community Development:					
Residential tax abatement	\$ 60,000	\$ 60,000	\$ -	\$ 60,000	\$ 71,193
Total	<u>60,000</u>	<u>60,000</u>		<u>60,000</u>	<u>71,193</u>
Summary:					
Current	60,000	60,000		60,000	71,193
Total Community Development	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>	<u>\$ 71,193</u>
Other expenditures:					
Workers compensation	\$ 10,000	\$ 10,000	\$ 5,679	\$ 4,321	\$ 7,694
General liability and other insurance	150,000	150,000	156,912	(6,912)	119,756
Promotional(Lodging)	10,670	10,670	16,397	(5,727)	14,750
Memberships and dues	20,000	20,000	21,031	(1,031)	19,776
Miscellaneous	25,000	25,000	28,013	(3,013)	18,229
Contributed services	30,000	30,000		30,000	
Contributed capital outlay	30,000	30,000	36,639	(6,639)	
Capital outlay			(5,471)	5,471	2,220
Total	<u>275,670</u>	<u>275,670</u>	<u>259,200</u>	<u>16,470</u>	<u>182,425</u>
Summary:					
Current	245,670	245,670	228,032	17,638	180,205
Capital outlay	30,000	30,000	31,168	(1,168)	2,220
Total other expenditures	<u>\$ 275,670</u>	<u>\$ 275,670</u>	<u>\$ 259,200</u>	<u>\$ 16,470</u>	<u>\$ 182,425</u>
Total expenditures	<u>\$ 8,236,464</u>	<u>\$ 8,236,464</u>	<u>\$ 8,618,585</u>	<u>\$ (382,121)</u>	<u>\$ 7,892,107</u>
Other financing uses:					
Operating transfer out:					
Special revenue funds	\$ 67,070	\$ 67,070	\$ 192,070	\$ (125,000)	\$ 82,030
Capital project funds	60,000	60,000	54,000	6,000	120,000
Debt service funds	38,092	38,092	38,092		78,695
Total other financing uses	<u>165,162</u>	<u>165,162</u>	<u>284,162</u>	<u>(119,000)</u>	<u>280,725</u>
Total expenditures and other financing uses	<u>\$ 8,401,626</u>	<u>\$ 8,401,626</u>	<u>\$ 8,902,747</u>	<u>\$ (501,121)</u>	<u>\$ 8,172,832</u>

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Sources
December 31, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Governmental funds capital assets		
Land and Land Improvements	\$ 31,203,471	\$ 58,424,661
Building, Systems, and Structures	78,463,239	50,617,062
Machinery and equipment	8,300,288	7,024,643
Street Network	47,299,658	45,897,513
Construction in progress	663,164	860,371
Total governmental funds capital assets	<u>\$ 165,929,820</u>	<u>\$ 162,824,250</u>
 Investments in governmental funds capital assets by source:		
General Fund	\$ 118,437,544	\$ 118,339,527
Special revenue funds	1,475,983	1,457,270
Internal service funds	2,798,762	1,720,172
Capital project funds	43,217,531	41,487,281
Total investments in governmental funds capital assets by source	<u>\$ 165,929,820</u>	<u>\$ 163,004,250</u>

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2013**

	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	1,895,400	1,276,001			3,265,401
Fire	45,500	1,773,051	998,385			2,816,936
Total public safety	<u>139,500</u>	<u>3,668,451</u>	<u>2,274,386</u>	<u>-</u>	<u>-</u>	<u>6,082,337</u>
Public works:						
Infrastructure (street network)				\$ 47,299,658		47,299,658
Storm protection network	28,441,616	50,773,446	934,341			80,149,403
Other	1,527,610	1,885,732	2,369,727		\$ 663,164	6,446,233
Total public works	<u>29,969,226</u>	<u>52,659,178</u>	<u>3,304,068</u>	<u>47,299,658</u>	<u>663,164</u>	<u>133,895,294</u>
Recreation and culture:						
Parks	539,840	11,521,495	1,567,931			13,629,266
Library	32,000	3,204,915	654,447			3,891,362
Senior center	5,700	215,535				221,235
Total recreation	<u>577,540</u>	<u>14,941,945</u>	<u>2,222,378</u>	<u>-</u>	<u>-</u>	<u>17,741,863</u>
Transit		24,077	319,461			343,538
Cemetery	63,705	100,454	18,085			182,244
Total governmental fund capital assets	<u>\$ 31,203,471</u>	<u>\$ 78,463,239</u>	<u>\$ 8,300,288</u>	<u>\$ 47,299,658</u>	<u>\$ 663,164</u>	<u>\$ 165,929,820</u>

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity

December 31, 2013

	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	2,077,276	\$ 1,188,125		3,265,401
Fire	2,816,936			2,816,936
Total public safety	<u>4,894,212</u>	<u>1,188,125</u>	<u>-</u>	<u>6,082,337</u>
Public works:				
Infrastructure (street network)	45,897,513	1,676,950	\$ (274,805)	47,299,658
Storm protection network	80,149,404		(1)	80,149,403
Other	6,171,427		274,806	6,446,233
Total public works	<u>132,218,344</u>	<u>1,676,950</u>	<u>-</u>	<u>133,895,294</u>
Recreation or culture				
Parks	13,575,532	53,734		13,629,266
Library	3,884,601	6,761		3,891,362
Senior center	221,235			221,235
Total recreation and culture	<u>17,681,368</u>	<u>60,495</u>	<u>-</u>	<u>17,741,863</u>
Transit	<u>343,538</u>			<u>343,538</u>
Cemetery	<u>182,244</u>			<u>182,244</u>
Total governmental funds capital assets	<u>\$ 163,004,250</u>	<u>\$ 2,925,570</u>	<u>\$ -</u>	<u>\$ 165,929,820</u>

Statement of Changes in Fiduciary Net Position
Agency Fund - Flexible Benefits
Year Ended December 31, 2013

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS:				
Restricted cash and cash equivalents	<u>\$ 26,127</u>	<u>\$ 146,194</u>	<u>\$ (152,098)</u>	<u>\$ 20,223</u>
LIABILITIES:				
Due to employees	<u>\$ 26,127</u>	<u>\$ 146,194</u>	<u>\$ (152,098)</u>	<u>\$ 20,223</u>

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

**Combining Statement of Net Position
Discretely Presented Component Unit - by Focus
December 31, 2013**

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,083,508	\$ 2,088,812	\$ 3,172,320
Investments			
Accounts receivable	22,064	45,046	67,110
Due from other funds	162,961	564,527	727,488
Due from other government units		24,235	24,235
Notes receivable (current portion)		565,945	565,945
Restricted cash and cash equivalents	<u>479,790</u>	<u>120,672</u>	<u>600,462</u>
Total current assets	<u>1,748,323</u>	<u>3,409,237</u>	<u>5,157,560</u>
Noncurrent assets:			
Capital assets:			
Land	50,300		50,300
Buildings and systems	5,503,577		5,503,577
Machinery and equipment	<u>175,923</u>	<u>9,749</u>	<u>185,672</u>
Total capital assets	5,729,800	9,749	5,739,549
Less accumulated depreciation	<u>(1,791,183)</u>	<u>(9,749)</u>	<u>(1,800,932)</u>
Total capital assets (net)	<u>3,938,617</u>		<u>3,938,617</u>
Land held for resale		68,797	68,797
Notes receivable (net current portion)		1,981,187	1,981,187
Allowance for uncollectible		<u>(737,638)</u>	<u>(737,638)</u>
Total noncurrent assets	<u>-</u>	<u>1,312,346</u>	<u>1,312,346</u>
TOTAL ASSETS	<u>5,686,940</u>	<u>4,721,583</u>	<u>10,408,523</u>
LIABILITIES			
Current liabilities:			
Accounts payable	16,111	22,499	38,610
Accrued wages payable	15,881	6,192	22,073
Due to other funds		727,488	727,488
Due to other government units	260,793		260,793
Notes payable - current		27,434	27,434
Compensated absences payable - current	1,789	777	2,566
Special assessments payable - current portion	11,885		11,885
Accrued interest payable		<u>1,874</u>	<u>1,874</u>
Total current liabilities	<u>306,459</u>	<u>786,264</u>	<u>1,092,723</u>
Noncurrent liabilities:			
Customer deposits	23,107		23,107
Compensated absences payable (net current portion)	42,940	14,657	57,597
Notes payable (net current portion)		<u>315,878</u>	<u>315,878</u>
Total noncurrent liabilities	<u>66,047</u>	<u>330,535</u>	<u>396,582</u>
NET POSITION			
Net investment in capital assets	3,926,732		3,926,732
Restricted	133,299	120,672	253,971
Unrestricted	<u>1,254,403</u>	<u>3,484,112</u>	<u>4,738,515</u>
TOTAL NET POSITION	<u>\$ 5,314,434</u>	<u>\$ 3,604,784</u>	<u>\$ 8,919,218</u>

**Statement of Revenues, Expenses and Changes in Fund
Net Position - Discretely Presented Component Units by Focus
Year Ended December 31, 2013**

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 229,542	\$ 54,071	\$ 283,613
Intergovernmental	1,557,545		1,557,545
Other	29,734	30,621	60,355
Total operating revenues	<u>1,816,821</u>	<u>84,692</u>	<u>1,901,513</u>
Operating expenses:			
Community development:			
Administration	558,819	56,748	615,567
Depreciation	140,881		140,881
Other:			
Business development		882,179	882,179
Housing programs	1,537,965		1,537,965
Total operating expenses	<u>2,237,665</u>	<u>938,927</u>	<u>3,176,592</u>
Operating income (loss)	<u>(420,844)</u>	<u>(854,235)</u>	<u>(1,275,079)</u>
Nonoperating revenues (expenses):			
Interest revenue	1,168	(955)	213
Tax increment revenue		139,680	139,680
Intergovernmental	203,426	33,389	236,815
Interest expense	(9,005)	(16,599)	(25,604)
Gain on Sale of Assets		251,103	251,103
Total nonoperating revenues (expenses)	<u>195,589</u>	<u>406,618</u>	<u>602,207</u>
Income (loss) before transfers in (out)	(225,255)	(447,617)	(672,872)
Transfers in		103,350	103,350
Transfers out	(24,842)	(78,508)	(103,350)
Change in net position	(250,097)	(422,775)	(672,872)
Net position at beginning of year	5,564,531	4,027,559	9,592,090
Net position at end of year	<u>\$ 5,314,434</u>	<u>\$ 3,604,784</u>	<u>\$ 8,919,218</u>

**Combining Schedule of Net Position
Discretely Presented Component Unit - Economic Development Focus
December 31, 2013**

	General	TIF #1-1 Triangle	TIF #1-2 E. DeMers	IRP Loan	DRLF Loan	Total
ASSETS						
Current assets:						
Cash and cash equivalents	\$ 11	\$ 602,766		\$ 803,176	\$ 682,859	\$ 2,088,812
Investments						
Due from other funds		564,527				564,527
Due from other government units		22,782			1,453	24,235
Accounts Receivable	45,046					45,046
Notes receivable (net of Allowance)			\$ 240,630	2,372	322,943	565,945
Restricted cash and cash equivalents	120,672					120,672
Total current assets	<u>165,729</u>	<u>1,190,075</u>	<u>240,630</u>	<u>805,548</u>	<u>1,007,255</u>	<u>3,409,237</u>
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	8,020	18,777	42,000			68,797
Notes receivable (net current portion)	510,000				1,471,187	1,981,187
Allowance for uncollectible	(510,000)				(227,638)	(737,638)
Total noncurrent assets	8,020	18,777	42,000	-	1,243,549	1,312,346
TOTAL ASSETS	<u>173,749</u>	<u>1,208,852</u>	<u>282,630</u>	<u>805,548</u>	<u>2,250,804</u>	<u>4,721,583</u>
LIABILITIES						
Current liabilities:						
Accounts payable	22,499					22,499
Accrued wages payable	6,192					6,192
Due to other funds	162,961		564,527			727,488
Notes payable - current				27,434		27,434
Compensated absences payable - current	777					777
Accrued interest payable				1,874		1,874
Total current liabilities	<u>192,429</u>	<u>-</u>	<u>564,527</u>	<u>29,308</u>	<u>-</u>	<u>786,264</u>
Noncurrent liabilities:						
Compensated absences payable (net current)	14,657					14,657
Notes payable (net current portion)				315,878		315,878
Total noncurrent liabilities	<u>14,657</u>	<u>-</u>	<u>-</u>	<u>315,878</u>	<u>-</u>	<u>330,535</u>
Total liabilities	<u>207,086</u>	<u>-</u>	<u>564,527</u>	<u>345,186</u>	<u>-</u>	<u>1,116,799</u>
NET POSITION						
Net investment in capital assets						
Restricted	120,672					120,672
Unrestricted	(154,009)	1,208,852	(281,897)	460,362	2,250,804	3,484,112
TOTAL NET POSITION	<u>\$ (33,337)</u>	<u>\$ 1,208,852</u>	<u>\$ (281,897)</u>	<u>\$ 460,362</u>	<u>\$ 2,250,804</u>	<u>\$ 3,604,784</u>

**Schedule of Revenues, Expenses and Changes in Fund Net Position -
Discretely Presented Component Unit - Economic Development Focus
Year Ended December 31, 2013**

	<u>General</u>	<u>TIF #1-1 Triangle</u>	<u>TIF #1-2 E. DeMers</u>	<u>IRP Loan</u>	<u>DRLF Loan</u>	<u>Total</u>
Operating revenues:						
Charges for services:						
Interest on loans				\$ 496	\$ 53,575	\$ 54,071
Other revenues:						
Business development			\$ 7,837			7,837
Other		\$ 22,784				22,784
Total operating revenues	-	22,784	7,837	496	53,575	84,692
Operating expenses:						
Administration	\$ 56,670		78			56,748
Business development	39,208	14,104	806,000		22,867	882,179
Depreciation						
Total operating expenses	95,878	14,104	806,078	-	22,867	938,927
Operating income (loss)	(95,878)	8,680	(798,241)	496	30,708	(854,235)
Nonoperating revenues (expenses):						
Interest revenue				(955)		(955)
Tax increment revenue		118,189	21,491			139,680
Intergovernmental	237	33,152				33,389
Interest expense		(8,145)		(3,560)	(4,894)	(16,599)
Gain on Sale of Assets	149,722	101,381				251,103
Total nonoperating revenues (expenses)	149,959	244,577	21,491	(4,515)	(4,894)	406,618
Income (loss) before transfers	54,081	253,257	(776,750)	(4,019)	25,814	(447,617)
Transfers in	24,842	78,508				103,350
Transfers out			(78,508)			(78,508)
Change in net position	78,923	331,765	(855,258)	(4,019)	25,814	(422,775)
Net position at beginning of year	(112,260)	877,087	573,361	464,381	2,224,990	4,027,559
Net position at end of year	\$ (33,337)	\$ 1,208,852	\$ (281,897)	\$ 460,362	\$ 2,250,804	\$ 3,604,784

**Combining Schedule of Net Position
Discretely Presented Component Unit - Housing Focus
December 31, 2013**

	<u>Sunshine Terrace</u>	<u>Program C4043V</u>	<u>Housing Loan</u>	<u>Town Square</u>	<u>Totals</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 890,978		\$ 192,530		\$ 1,083,508
Investments					
Accounts Receivable		\$ 263	21,801		22,064
Due from other funds	8,503			\$ 154,458	162,961
Restricted cash and cash equivalents		479,790			479,790
Total Current Assets	<u>899,481</u>	<u>480,053</u>	<u>214,331</u>	<u>154,458</u>	<u>1,748,323</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	(1,732,276)	(58,907)			(1,791,183)
Total capital assets (net)	3,938,617	-	-	-	3,938,617
Total noncurrent assets	3,938,617	-	-	-	3,938,617
TOTAL ASSETS	<u>4,838,098</u>	<u>480,053</u>	<u>214,331</u>	<u>154,458</u>	<u>5,686,940</u>
LIABILITIES					
Current liabilities:					
Accounts payable	15,216	895			16,111
Accrued wages payable	3,836	10,971	332	742	15,881
Due to other funds					
Due to other government units	260,793				260,793
Customer deposits	23,107				23,107
Compensated absences payable - current		1,699		90	1,789
Special assessments payable - current portion	11,885				11,885
Total Liabilities	<u>314,837</u>	<u>13,565</u>	<u>332</u>	<u>832</u>	<u>329,566</u>
Noncurrent Liabilities:					
Compensated absences payable (net current portion)		40,772		2,168	42,940
Total noncurrent liabilities	-	40,772	-	2,168	42,940
Total liabilities	<u>314,837</u>	<u>54,337</u>	<u>332</u>	<u>3,000</u>	<u>372,506</u>
NET POSITION					
Net investment in capital assets	3,926,732				3,926,732
Restricted		133,299			133,299
Unrestricted	596,529	292,417	213,999	151,458	1,254,403
TOTAL NET POSITION	<u>4,523,261</u>	<u>425,716</u>	<u>213,999</u>	<u>151,458</u>	<u>5,314,434</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 4,838,098</u>	<u>\$ 480,053</u>	<u>\$ 214,331</u>	<u>\$ 154,458</u>	<u>\$ 5,686,940</u>

Schedule of Revenues, Expenses and Changes in Fund Net Position - Discretely Presented Component Unit - Housing Focus Year Ended December 31, 2013

	Sunshine Terrace	Program C4043V	Housing Loan	Town Square	Total
Operating revenues:					
Charges for services	\$ 188,641		\$ 40,901		\$ 229,542
Intergovernmental		\$ 1,557,545			1,557,545
Other	18,911	10,823			29,734
Total operating revenues	<u>207,552</u>	<u>1,568,368</u>	<u>40,901</u>	<u>-</u>	<u>1,816,821</u>
Operating expenses:					
Community development:					
Personal services	109,150	185,334	4,000	\$ 11,405	309,889
Supplies	1,399	1,892			3,291
Contractual services	3,103	5,299			8,402
Depreciation	140,881				140,881
Housing payments		1,537,965			1,537,965
Other expenditures	213,377	21,361	230	2,269	237,237
Total operating expenses	<u>467,910</u>	<u>1,751,851</u>	<u>4,230</u>	<u>13,674</u>	<u>2,237,665</u>
Operating income (loss)	<u>(260,358)</u>	<u>(183,483)</u>	<u>36,671</u>	<u>(13,674)</u>	<u>(420,844)</u>
Nonoperating revenues (expenses):					
Intergovernmental	203,426				203,426
Interest revenue		1,168			1,168
Interest expense	(7,359)		(1,646)		(9,005)
Total nonoperating revenues (expenses)	<u>196,067</u>	<u>1,168</u>	<u>(1,646)</u>	<u>-</u>	<u>195,589</u>
Income (loss) before transfers	(64,291)	(182,315)	35,025	(13,674)	(225,255)
Transfers out	<u>(1,260)</u>	<u>(19,643)</u>		<u>(3,939)</u>	<u>(24,842)</u>
Change in net position	(65,551)	(201,958)	35,025	(17,613)	(250,097)
Net position at beginning of year	4,588,812	627,674	178,974	169,071	5,564,531
Net position at end of year	<u>\$ 4,523,261</u>	<u>\$ 425,716</u>	<u>\$ 213,999</u>	<u>\$ 151,458</u>	<u>\$ 5,314,434</u>

STATISTICAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

Statistical Information

(Unaudited)

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

Contents

Financial Trends

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

- Net 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.



(This page left blank intentionally)

Net Position by Component Last Ten Fiscal Years

(Accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	\$ 117,234,890
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	7,660,112
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	7,298,268
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>	<u>\$ 132,193,270</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	\$ 49,494,333
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	16,609,284
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>	<u>\$ 66,103,617</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	\$ 166,729,223
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	7,660,112
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	23,907,552
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>	<u>\$ 198,296,887</u>

Changes in Net Position Last Ten Fiscal Years

(Accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	\$ 1,000,841
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	3,841,070
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	2,759,795
Transit	248,024	234,577	243,157	359,459	276,189	283,898	278,476	365,385	401,470	343,947
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	2,636,031
Community development	783,810	337,161	284,342	286,303	254,056	181,624	166,045	173,235	227,832	122,563
Cemetery	36,796	27,977	61,136	35,256	50,467	47,105	52,476	57,228	60,463	299,909
Interest on long-term debt	282,711	428,803	473,946	472,223	513,782	505,820	566,395	612,504	533,736	502,385
Total governmental activities expenses	9,164,646	10,042,480	10,214,336	11,666,588	11,777,562	11,608,476	11,680,425	11,603,014	13,099,906	11,506,541
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	13,182,980
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	2,152,305
Sewer utility	529,054	553,626	587,568	629,832	665,582	703,260	785,645	964,063	901,603	918,483
City mall	479,526	460,350	412,999	428,359	358,227	350,600	365,121	631,066	324,547	335,128
Storm Water					477,935	907,291	956,736	804,162	499,046	561,522
Refuse collection	589,603	626,148	651,538	788,955	919,920	812,010	838,236	854,222	866,266	912,945
Total business-type activities expenses	11,442,545	11,944,818	12,824,988	14,259,041	16,175,849	16,053,474	16,809,682	17,617,811	18,141,418	18,063,363
Total primary government expenses	\$ 20,607,191	\$ 21,987,298	\$ 23,039,324	\$ 25,925,629	\$ 27,953,411	\$ 27,661,950	\$ 28,490,107	\$ 29,220,825	\$ 31,241,324	\$ 29,569,904
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	\$ 77,324
Public safety	213,850	286,779	252,713	296,028	316,428	314,829	246,507	459,160	306,445	301,040
Public works	295,704	287,309	321,362	214,208	218,778	219,704	266,398	273,836		298,163
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	514,163
Community development	218,706	908,823	306,409	197,578	98,500	93,745	137,975	36,000		106,024
Cemetery	51,310	36,530	47,690	34,410	65,265	46,352	41,793	55,832		39,295
Operating grants and contributions	370,534	493,345	581,575	632,310	625,375	654,364	611,611	742,997	3,380,925	3,753,816
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		532,698
Total governmental activities program revenues	6,924,519	21,719,047	28,282,676	6,002,447	3,440,416	4,151,159	4,685,624	2,719,588	4,615,105	5,622,523

(continued)

Changes in Net Position Last Ten Fiscal Years (continued)

(Accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
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	13,587,455
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	2,700,640
Sewer utility	559,830	564,904	564,768	566,828	627,070	968,208	988,491	976,454	1,279,097	1,428,483
City mall	275,568	203,205	163,496	147,836	160,238	178,530	189,072	197,095	190,915	176,714
Storm Water					176,337	178,686	179,305	213,691	233,899	233,105
Refuse collection	595,020	582,935	622,841	885,621	776,659	752,588	872,984	829,018	840,565	850,212
Operating grants and contributions	76,516	460,680	475,612	15,000	15,000	442,829	129,937	303,931	20,215	15,427
Capital grants and contributions	1,785,652	608,127	639,846	279,612		215,248	96,704			
Total business-type activities program revenues	14,684,855	14,460,300	15,116,665	15,123,190	15,732,060	16,470,307	17,286,435	17,513,771	18,967,183	18,992,036
Total primary government program revenues	\$ 21,609,374	\$ 36,179,347	\$ 43,399,341	\$ 21,125,637	\$ 19,172,476	\$ 20,621,466	\$ 21,972,060	\$ 20,233,359	\$ 23,562,288	\$ 24,614,559
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)	\$ (5,884,018)
Business-type activities	3,242,310	2,515,482	2,291,677	864,148	(443,790)	416,833	431,752	(104,040)	825,765	928,673
Total primary government net expense	\$ 1,002,183	\$ 14,192,049	\$ 20,360,017	\$ (4,799,994)	\$ (8,780,937)	\$ (7,040,484)	\$ (6,563,048)	\$ (8,987,466)	\$ (7,659,036)	\$ (4,955,345)
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	\$ 2,982,817
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	1,430,795
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	361,744
Investment earnings	202,124	274,097	508,965	530,674	406,526	272,807	160,728	361,923	288,304	229,366
Other	665,541	570,257	441,320	196,165	323,082	105,452	180,527	106,954	267,103	140,017
Transfers	1,134,388	116,644	253,438	53,856	(14,185,931)	188,618	108,484	456,816	(250,000)	249,639
Total governmental activities	7,447,101	6,827,585	7,381,248	7,562,496	(6,920,359)	7,284,440	6,877,700	7,578,457	7,280,997	5,394,378
Business-type activities										
Investment earnings	199,852	347,965	624,051	777,218	558,394	432,172	333,528	328,644	237,356	(246,259)
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	(249,639)
Total business-type activities	(934,536)	238,071	255,873	726,157	14,744,325	243,554	228,644	(128,172)	487,356	(495,898)
Total primary government	\$ 6,512,565	\$ 7,065,656	\$ 7,637,121	\$ 8,288,653	\$ 7,823,966	\$ 7,527,994	\$ 7,106,344	\$ 7,450,285	\$ 7,768,353	\$ 4,898,480
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)	\$ (489,640)
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	432,775
Total primary government	\$ 7,514,748	\$ 21,257,705	\$ 27,997,138	\$ 3,488,659	\$ (956,971)	\$ 487,511	\$ 543,296	\$ (1,537,181)	\$ 109,317	\$ (56,865)

Fund Balances of Governmental Funds Last Ten Years

(Modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Nondspendable	\$ 16,521	\$ 12,686	\$ 14,562	\$ 21,708	\$ 5,854	\$ 22,738	\$ 33,224	\$ 35,397	\$ 39,005	\$ 33,820
Unassigned	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	3,144,775
Total general fund	<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>	<u>\$ 3,178,595</u>
All other governmental funds										
Nondspendable								\$ 244,951	\$ 233,684	\$ 221,958
Restricted	\$ 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	5,937,406
Unassigned	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)	(1,594,585)
Total all other governmental funds	<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>	<u>\$ 4,564,779</u>

Changes in Fund Balances of Governmental Funds Last Ten Years

(Modified accrual basis of accounting)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
General Taxes	\$ 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	\$ 3,925,470
Special Assessments	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	1,603,911
Licenses and Permits	121,159	160,845	119,220	117,951	138,252	113,350	122,642	105,201	125,530	131,642
Intergovernmental	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	4,648,258
Charges for Services	920,381	1,330,712	1,161,857	927,973	910,654	873,350	966,506	1,051,260	1,234,180	1,336,009
Fines and Forfeitures	100,672	102,307	97,340	141,044	127,544	151,845	119,522	106,954	123,841	107,304
Investment Earnings & Other Revenues	838,301	713,869	833,116	637,201	554,041	397,743	238,902	361,923	288,304	226,369
Total Revenues	10,790,949	20,666,485	14,066,920	13,112,477	11,153,198	11,389,444	11,604,264	10,935,957	13,266,922	11,978,963
Expenditures										
General Government	791,374	840,766	822,532	912,481	959,898	877,116	839,360	833,241	896,494	989,127
Public Safety	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	3,635,336
Public Works	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	1,417,606
Transit	238,827	225,379	233,959	268,674	252,780	261,246	262,526	344,381	371,403	311,685
Culture and Recreation	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	2,065,514
Community Development	783,810	337,161	283,554	284,137	254,056	181,624	166,045	171,953	227,832	122,563
Cemetery	34,220	24,852	57,243	31,363	46,574	43,434	49,139	54,721	57,956	53,936
Other	179,406	203,321	215,799	308,366	277,249	251,187	287,772	216,905	180,205	243,466
Capital Outlay	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	2,126,674
Debt Service										
Principal	495,000	965,000	1,245,000	440,000	1,785,000	885,000	940,000	1,593,000	1,695,577	999,000
Interest	251,995	365,107	380,455	530,829	513,802	504,413	525,259	587,668	561,487	495,591
Other Charges	15,473								41,962	11,891
Total All Other Governmental Funds	18,264,954	24,828,152	18,273,305	14,297,312	15,241,128	15,366,578	14,153,737	12,026,284	14,381,592	12,472,389
Excess (Deficiency) of Revenues Over (Under) Expenditures	<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>	<u>(493,426)</u>
Other Financing Sources (Uses)										
Transfers In	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	1,333,855
Transfers Out	(935,701)	(2,318,551)	(2,078,858)	(1,556,626)	(2,309,428)	(2,452,212)	(1,495,971)	(641,196)	(909,925)	(1,084,216)
Bond Issue Proceeds										
Refunding Bonds Issues	260,000									
Long-term Debt Issued	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	(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)	6,089,385	141,732	4,348,762	3,577,451	2,162,286	3,125,520	2,423,352	1,030,062	867,732	249,639
Net Change in Fund Balances	<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>	<u>\$ (243,787)</u>
Debt Service as % of Noncapital Expenditures	7.5%	10.7%	18.2%	10.4%	17.9%	12.1%	14.4%	20.6%	18.8%	15.6%

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
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
2013	2,486,461	1,190,744	87,544	135,245	25,476	3,925,470
Change 2004-2013	53.5%	15.1%	-8.1%	103.1%	-51.2%	36.8%

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
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
2013	2,471,550	61	514,600	150,801	74,518	3,211,530
Change 2004-2013	23.2%	-100.0%	56.5%	2.7%	18.6%	15.9%

Notes: General Fund only.

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

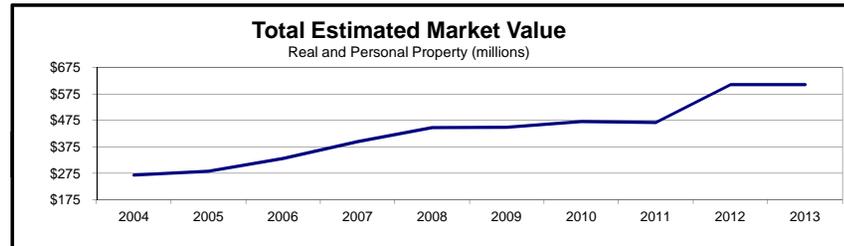
Source: Administration and Finance

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

(Unaudited)

Year	Real Property		Personal Property		Total		Direct Tax Rate	Tax Cap % of Mkt Value
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value		
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%
2013	4,898,069	607,213,600	63,080	3,239,100	4,961,149	610,452,700	58.98	0.8%

Source: County Assessor



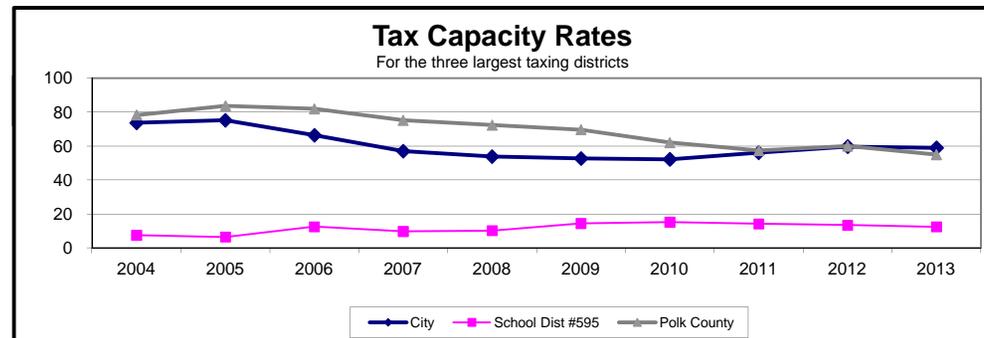
Note: The county assessor is occasionally required to make city wide adjustments to estimated market values. The State of Minnesota will instruct the county assessor to make these type of adjustments when data comparing actual sales to assessed values warrant such actions. In 1997 and again in 2001, 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
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
2013	55.70	3.28	58.98	12.52	54.99	5.38	0.25	0.93	133.05

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	2013			2004		
	Tax Capacity	Rank	% of Total Tax Capacity of \$4,961,149	Tax Capacity	Rank	% of Total Tax Capacity of \$3,143,267
American Crystal	\$ 473,660	1	9.55%	\$ 217,500	1	6.9%
Pierce Investments LLC	72,594	2	1.46%			
Burlington Northern	62,692	3	1.26%	28,784	6	0.9%
Xcel Energy	60,368	4	1.22%	46,310	4	1.5%
Cabela's	56,034	5	1.13%	53,498	3	1.7%
Valley Markets	53,770	6	1.08%	55,850	2	1.8%
Riverview Terrace	51,131	7	1.03%	18,107	10	0.6%
Green Acres	51,223	8	1.03%	24,935	7	0.8%
City of EGF	40,092	9	0.8%	32,991	5	1.0%
Town Square	21,104	10	0.4%	22,698	8	0.7%
Iret Properties				19,018	9	0.6%
	<u>\$ 942,668</u>		<u>19.0%</u>	<u>\$ 519,691</u>		<u>16.5%</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.

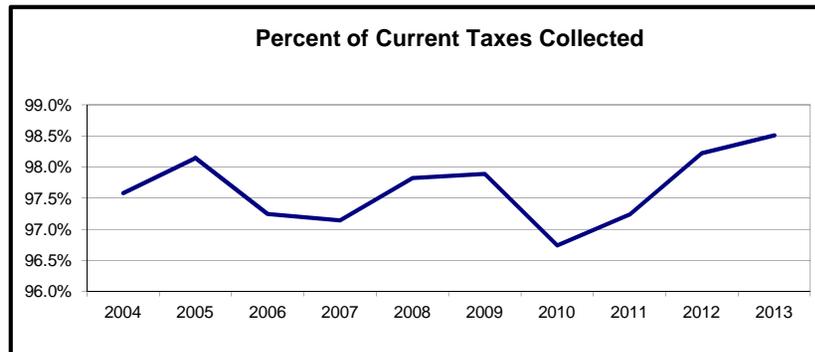
Source: County Auditor

Property Tax Levies and Tax Collections Last Ten Years

(Unaudited)

Year	Collected Within the Year of Levy		Percent of Levy	Collections in Subsequent Years	Total Tax Collection	Total as % or Current Levy	Total Collections	
	Net Tax Levy	Current Tax Collection					Amount	% of Levy
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%
2013	2,476,976	2,440,098	98.5%	56,303	2,496,401	100.8%	2,440,098	98.5%

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				
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%	8,912,124	99,666	1.1%	1,624,792
2012	1,467,787	1,472,402	100.3%	7,840,748	415,770	5.0%	1,888,172
2013	1,432,775	1,413,281	98.6%	6,803,225	156,586	2.2%	1,569,867

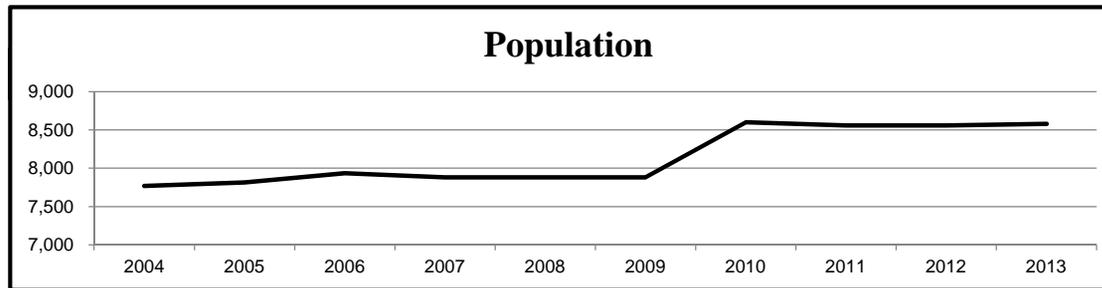
Source: Administration and Finance

- 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							
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
2013	8,581	4,961,149	12,383,707	3,276,000	15,659,707	2,450,443	13,209,264	266.3%	na	2.2%	1,825



Notes: (1) The annual population estimates are obtained from the state demographer. 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, 2013

(Unaudited)

Jurisdiction	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City (1)	Overlapping Debt	Amount Applicable to City
DIRECT DEBT:				
City of East Grand Forks	\$ 12,374,000	100.0%		\$ 12,374,000
OVERLAPPING DEBT:				
I.S.D. 595	5,396,742	48.0%	\$ 2,589,153	
Polk County	28,375,000	10.8%	3,056,611	
Total Overlapping Debt				5,645,764
Total direct and overlapping debt				\$ 18,019,764

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>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>	<u>2013</u>
Estimated market value	<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>	<u>\$ 610,452,700</u>
Total debt	\$ 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	\$ 15,650,000
Deductions:										
Bonds:										
G.O. improvement bonds	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	8,260,000
Certificates of participation	560,000	525,000								
G.O. water revenue bonds	1,545,000	1,480,000	1,415,000	1,345,000	1,275,000	1,200,000				
Electric revenue bonds	2,465,000	2,365,000								
MIF-DRLF mall loan	447,638									
MN PFA GO Clean Water Improv Bonds					1,923,788	3,562,211	3,790,000	3,623,000	3,452,000	3,276,000
MN PFA GO Transportation Improv Bonds						1,237,881	3,115,251	3,393,577	3,318,000	3,239,000
GMHF & MHFA Deferred Loans										
Debt service funds:										
Cash, securities, and restricted cash	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	2,414,922
Less amount applicable to excluded bonds	<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>	<u>(2,414,922)</u>
Total net debt applicable to debt limit	<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>	<u>\$ 875,000</u>
Debt limit is 2% of estimated market value	\$ 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	\$ 12,209,054
Legal Debt Margin	\$ 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	\$ 11,334,054
Total net debt applicable to limit as a percentage of debt limit	3.5%	2.2%	1.0%	8.8%	6.4%	4.8%	3.0%	1.6%	7.2%	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	A	B			A/B Coverage	Debt Outstanding	Deferred Revenue
			Assessment Collections (1)	Debt Service Requirements		Total			
				Principal	Interest (2)				
4-1-04 \$260,000	527	2005	\$ 60,917	\$ 530,000	\$ 28,303	\$ 558,303	0	\$ 260,000	\$ 329,235
		2006	51,386	35,000	8,170	43,170	1	225,000	302,892
		2007	49,856	30,000	7,276	37,276	1	195,000	275,353
		2008	51,486	35,000	6,383	41,383	1	160,000	244,264
		2009	59,090	35,000	5,420	40,420	1	125,000	203,614
		2010	50,312	35,000	4,396	39,396	1	90,000	168,351
		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
		2013	43,315	10,000	2,765	12,765	3	35,000	72,579
		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
2013	269,182			240,000	127,198	367,198	1	2,935,000	1,480,198
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
		2013	370,292	445,000	77,665	522,665	1	1,625,000	522,643
		12-01-07 \$ 3,560,000	535	2007					
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
2013	349,118			225,000	113,213	338,213	1	2,565,000	1,748,714
11-01-12 \$440,000	532	2012						440,000	530,982
		2013						440,000	
11-01-12 \$660,000	414/435	2012						660,000	
		2013						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	
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
2013	2,700,640	1,601,488	1,099,152				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.

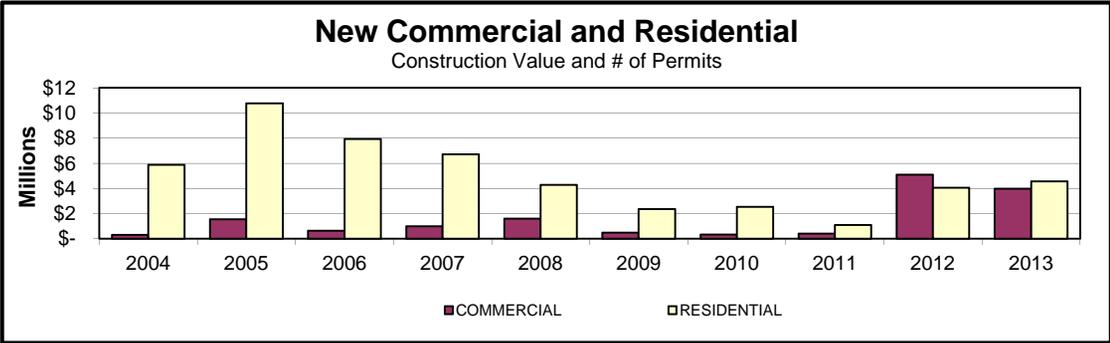
Source: Administration and Finance

Construction Last Ten Years

(Unaudited)

Year	CONSTRUCTION (1)				Total
	COMMERCIAL		RESIDENTIAL		
	Permits	Value	Permits	Value	
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
2013	2	3,974,000	22	4,568,000	8,542,000

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)
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	na	na	na	na	2,162	5.2%
2013	8,581	na	na	na	na	2,212	3.0%

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	2013			Taxpayer	2004		
	Employees	Rank	% of Total City Employment 2,550		Employees	Rank	% of Total City Employment 2,500
ISD 595	307	1	12.04%	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	158	4	6.20%	Vigen Construction	125	4	5.0%
Valley Markets	138	5	5.41%	Valley Markets	115	5	4.6%
R. J. Zavoral and Sons, Inc.	115	6	4.51%	Northwest Technical College	107	6	4.3%
City of East Grand Forks	83	7	3.25%	Whitey's Café	70	7	2.8%
Blue Moose	80	8	3.14%	McDonald's	65	8	2.6%
Northern Valley	70	9	2.75%	Mayo Manufacturing	35	9	1.4%
Sacred Heart	52	10	2.04%	Lumber Mart	35	10	1.4%
	<u>1,601</u>		<u>62.8%</u>		<u>1,420</u>		<u>56.8%</u>

Source: Telephone survey of individual employers, April 2013

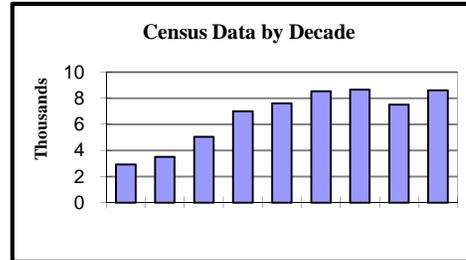
Demographic Statistics

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:

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,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government:										
Administration and Finance	5	5	5	5	4	5	5	5	4	5
Building	1	1	1	1	1	0	0	0	0	0
Public Safety:										
Building Official	3	3	3	3	3	2	2	2	1	2
Fire	11	11	10	10	10	10	10	10	9	10
Police	23	23	23	24	24	23	24	26	23	22
Public Works:										
Refuse	6	6	6	6	6	6	6	6	5	5
Sewage	2	2	2	2	2	2	2	2	2	2
Streets	8	8	8	7	7	7	7	6	6	6
Culture and Recreation:										
Administration	3	3	3	2	3	3	3	3	3	3
Parks	2	2	2	2	2	2	2	1	1	1
Arenas	2	2	2	2	2	2	2	2	2	3
Library	2	3	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	6	6	6	5	5
Electric	11	11	11	10	10	10	10	11	12	12
Water	8	8	8	8	8	8	8	8	8	8
Total	93	94	93	91	91	90	91	92	85	88

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
On Sale Liquor license by entity	14	13	11	10	11	10	11	14	13	13
Off Sale Liquor license by entity	4	4	4	3	4	4	4	4	3	3
Number of AP checks written	2,986	3,033	3,055	3,075	3,224	3,184	3,321	3,491	3,063	2,980
Police										
DUI arrests	135	85	102	124	93	126	125	121	109	67
Traffic violations	1,367	1,107	898	1,044	918	1,041	1,274	1,001	686	716
No. of dog/cat licenses	93	111	111	106	123	132	160	111	103	38
Fire										
No. of rescue & EMS incidents	387	383	405	435	454	539	529	512	751	887
No. of fire calls	99	106	96	44	33	22	21	87	92	136
Building Official										
Building permits issued	246	308	302	379	117	343	454	315	300	253
Other permits issued	253	314	226	266	335	302	253	247	283	288
Refuse collection										
Refuse collected annually (tons)	3,875	3,864	4,003	3,905	3,482	3,713	3,983	3,995	4,107	4,232
Recyclables collected annually (tons)	1,370	4,740	820	449	521	604	698	676	687	667
Recreation and culture										
Number of summer registrants	429	680	708	748	601	601	473	501	583	475
Number of winter registrants	270	403	405	285	380	426	422	434	439	576
Attendance for general swim	10,101	10,326	11,098	11,278	8,963	7,142	10,450	9,866	10,217	9,853
Library										
Volumes in collection	43,114	44,595	47,641	49,972	49,341	45,259	50,719	52,498	52,364	54,496
Total volumes borrowed	80,064	83,288	88,451	74,045	80,830	76,329	83,777	89,692	67,692	37,423
Water										
Annual tap water billed (millions)	363	374	383	377	358	348	318	324	329	360
Average number of monthly meters	2,571	2,629	2,692	2,734	2,763	2,793	2,810	2,816	2,820	2,843
Electric										
Annual Kwhs billed (millions)	138	139	139	146	154	156	157	157	165	159
Maximum Demand Kwhs (millions)	26.40	25.55	26.49	29.21	30.79	32.33	32.01	30.53	31.40	33.12
Cemetery										
No. of Lots Sold	46	31	48	26	52	43	33	27	13	40
No. of Interments	29	22	42	21	52	43	37	44	22	41
Transit										
Total route miles	16	16	16	16	16	16	16	16	16	16
Passengers	14,147	16,785	16,324	16,772	20,840	23,616	24,809	28,789	37,758	36,453

Source: Various city departments

Schedule of Insurance in Force December 31, 2013

(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	1/1/13-1/1/14	General Limit of Coverage excluding flood.	\$99,604,420 \$50,000,000 Terrorism Activity \$500,000 Valuable Papers
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/13-1/1/14	Boiler and Machinery	\$95,650,543
BONDS				
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/13-1/1/14	Public Officials	\$100,000 Clerk-Treasurer \$100,000 Public Employees
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/13-1/1/14	Commercial Blanket Bond Commercial Crime	\$100,000 Forgery 250,000 Per Occurrence
LIABILITY				
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/13-1/1/14	Comprehensive General/ Public Officials Liability	\$1,500,000 Public Officials
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/13-1/1/14	Comprehensive General/ Auto Liability	\$1,500,000 Per Occurrence
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/13-1/1/14	General Liability (Bodily injury, employee benefits, host liquor liability)	\$1,500,000 Per Occurrence
League of Minnesota Cities (C&H Insurance)	MEL7545	1/1/13-1/1/14	Municipal Excess Liability	\$1,000,000 Aggregate
League of Minnesota Cities (C&H Insurance)	VL00011407	1/13/13-1/13/14	Accident Plan for Volunteers	\$500,000 Per Accident
OPEN MEETING LAW				
League of Minnesota Cities (C&H Insurance)	OML8095	1/1/13-1/1/14	Open Meeting Law Defense Cost Reimbursement	\$50,000 Per City Official
WORKERS COMPENSATION				
League of Minnesota Cities (Berkley Risk Administrators)	200011431	1/13/13-1/13/14	Workers Compensation Comprehensive Managed Care Retro-rated 40% to 130%	\$1,500,000 Bodily Injury Each Occurrence \$1,500,000 Bodily Injury by Disease

Miscellaneous Statistical Information

(Unaudited)

	<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>	<u>2013</u>
Number of employees	95	95	95	95	91	90	91	92	85	83
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	70	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	3	3	3	3
Parks	11	11	11	11	11	12	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	218	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	10	10	11	11	11	11
Number of full-time Firefighters	11	11	11	10	10	10	9	9	9	10
Number of volunteer Firefighters	15	15	15	20	25	25	14	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	24	21	21	21	21	21	20
Number of patrol units	6	6	6	6	5	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	42	42	53.2	53.2	53.2	53.2
Number of lift stations	9	9	9	12	12	12	12	12	12	12
Number of storm sewer lift stations	4	4	4	13	14	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	461	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	4,000,000	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	4	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	28.47	28.61	26.49	26.49	30.79	30.79	31.611	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	A1						

**SIGNIFICANT MINNESOTA TAX POLICIES
DECEMBER 31, 2013**

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	2013 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 \$2,657 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: 2013 Property Tax Refund Booklet

TAX RATES AND LEVIES

Tax Limitation by Statute:

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

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

Taxes Due Date:

First Monday in January

Taxes Delinquent Date:

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

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

No Discount Allowed

Penalties for Late Payments:

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

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

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

Homestead	10%	Non-Homestead	14%
-----------	-----	---------------	-----

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

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

Source: County Auditor, Polk County.

SINGLE AUDIT

SECTION



CITY OF EAST GRAND FORKS , M INNESOTA

**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, 2013, 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 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of East Grand Forks' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 we have not identified. We did identify a certain deficiency in internal control, described in the Schedule of Findings and Questioned Costs as item 2013-001.

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 State Auditor 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 Political Subdivisions, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of East Grand Forks failed to comply with the provisions of the Minnesota Legal Compliance Audit Guide for Political Subdivisions. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

The City's Response to Finding

The City's response to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



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

June 25, 2014

**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, 2013. The City of East Grand Forks' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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, 2013.

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 25, 2014, 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 25, 2014

CITY OF EAST GRAND FORKS, MINNESOTA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2013

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		\$ 1,553,552
<u>Department of Transportation</u>			
Direct Programs:			
Federal Transit Formula Grants	20.507	MN-90-X303-00	240,343
Federal Transit Formula Grants-ARRA	20.507	MN-96-X003-00	729
Federal Transit Cluster			241,072
Passed Through State of Minnesota			
State and Community Highway Safety	20.600	F-ENFORCE-2013-00908	23,865
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFORCE-2013-00763	17,419
Total DOT Passed through the State of Minnesota			41,284
Total Department of Transportation			282,356
<u>Department of Justice</u>			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607		2,478
<u>Department of Commerce</u>			
Direct Programs:			
Investments for Public Works and Economic Development Facilities	11.300		202,954
<u>Department of Homeland Security</u>			
Direct Programs:			
Disaster Grants	97.036	06-01-05577	26,311
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2013-FH-01067	1,294
			27,605
Passed Through State of Minnesota			
Disaster Grants - Public Assistance (FEMA)	97.036	DR-1830 DISASTER	427
Total Department of Homeland Security			28,032
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,069,372

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, 2013.

Program Title	CFDA	Amount Outstanding
Capitalization Grants for Clean Water SRF	66.458	\$3,276,000

CITY OF EAST GRAND FORKS, MINNESOTA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended December 31, 2013

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? x yes 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

2013-001 Finding

Criteria

Segregation of Duties

Condition

The City has one employee who is responsible for performing the bank reconciliation and also makes most of the journal entries without a secondary review by someone requiring additional training in this area.

Cause

Cross-training of finance personnel to perform these tasks has not been done.

Effect

Internal controls are not as effective with one person performing these duties.

Recommendation

The City should train another individual that could perform the bank reconciliation and journal entry function to provide more than one person performing these tasks with the ability to properly review them.

Management's Response

Management agrees and will implement the recommendation.

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, 2013

No prior year audit findings noted.



(This page left blank intentionally)