

City of East Grand Forks

Minnesota



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2014

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended December 31, 2014



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

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**INDEPENDENT AUDITOR’S REPORTING REQUIREMENTS AND OTHER COMMUNICATIONS REQUIRED UNDER
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Administration and Finance

June 26, 2015

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, 2014.

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, 2014, are free of misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of East Grand Forks' financial

statements for the fiscal year ended December 31, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

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

The City of East Grand Forks is governed by home rule charter city under Minnesota Statutes with a council-mayor form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor, the council president and six other council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing commissions, authorities, and committees, and hiring both the city administrator and city attorney. The city administrator is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the city government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Two council members and the mayor are elected at large and five council members are elected to represent wards. Council members and the mayor serve staggered four year terms, with elections occurring every even year. Council members for wards 1, 3, and 5, the mayor, and one at large council member are elected in one even year. Council members for wards 2 and 4 and one at large council member are elected the next even year. The council members select a council president every two years.

The City of East Grand Forks provides a full range of services, including police and fire protection; construction and maintenance of streets and infrastructure; recreational facilities, library, and senior center; water, sewer, electric, refuse, and transit services. Additionally, the city owns two commercial properties leased for shopping, dining, and professional service activities. The City has a purchase agreement for the sale of one of the commercial properties, the Riverwalk Centre for \$950,000, with a closing date of December 15, 2014. However, the closing date did not occur until early 2015.

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 23 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 59.

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 3.8% unemployment rate (Polk County), while the state and the country have unemployment rates of 3.6% and 5.6%, respectively. The City of Grand Forks, located just across the river in North Dakota, has an unemployment rate of 4.0%.

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 was completed 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 has been working on a plan for either updating or replacing the current Waste Water system. The decision was made June 16, 2015 to do the Interconnect project, which is sending the waste water to the City of Grand Forks, ND for treatment. The estimated construction cost of the project is \$9,422,431. Waste Water charges for customers have been increased in the past few years, so the fixed rate will not change when the interconnect system is put into operation. The usage rate has a yearly 3% inflation factored in, which is tied to the water rate. The city Swimming Pool is in need of repairs and options have been reviewed. A decision was made to not open the pool this summer in anticipation of upgrading it. The council approved in June 2015 to upgrade 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. The council is looking at trying to get a city sales tax to fund the pool 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; however, in 2014 we received a slight increase in the LGA. Historically, LGA has composed approximately one third of the city's total general fund revenues. The city addressed the past LGA cuts through a combination of increased user fees, reduced staffing through attrition, and freezes in non-fixed operating expenses. Recent legislation was passed that made 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 has adjusted sewer utility rates in anticipation of a new \$9 million waste water project.

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 has undertaken approximately \$20 million of street replacement, water line replacement, sewer line replacement and maintenance. The city is planning a mill and overlay project in 2015 for part of the city's streets and will continue to do so for the next few years. The Waste Water Phase II project is expected to be over \$9 million. The swimming pool project is expected to be over \$1.8 million.

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 2014 were 2%. The city negotiated a 2% increase 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. The City and Water and Light will negotiate in 2015 for increases for the years 2016 and 2017.

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 ended December 31, 2013. This is the 21st 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

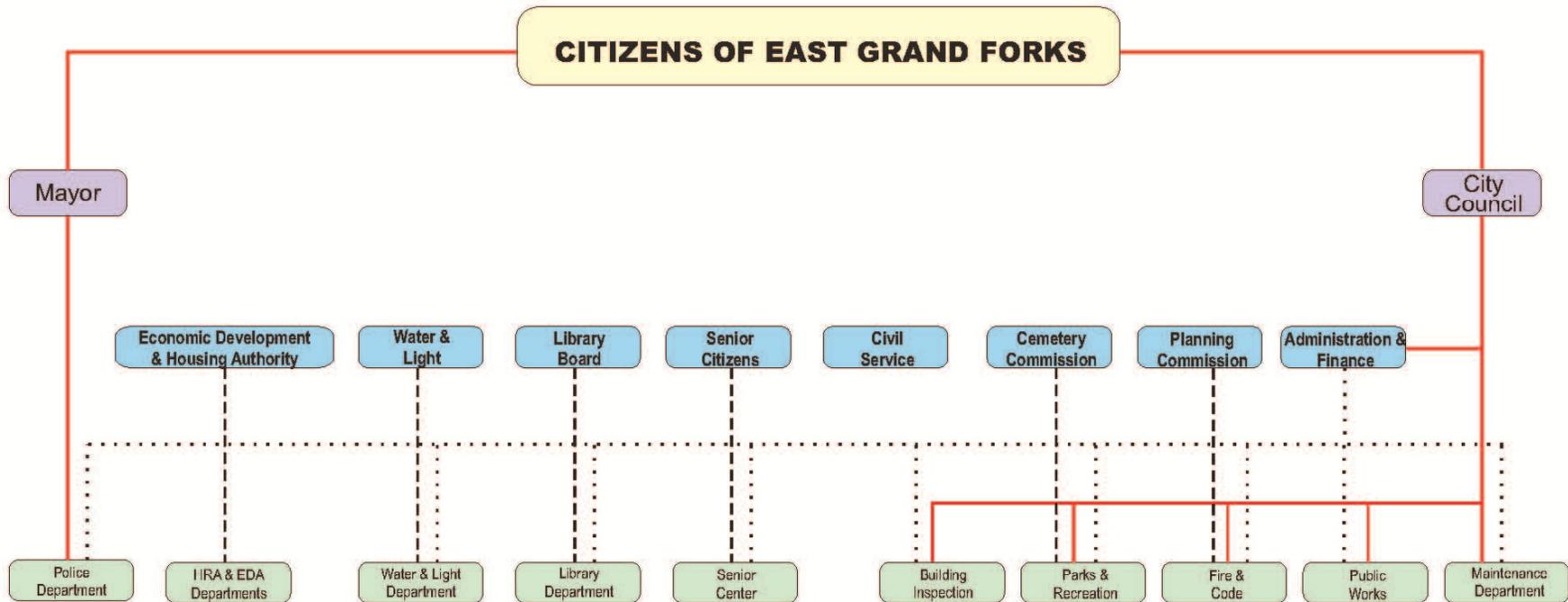
**City of East Grand Forks
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

Executive Director/CEO

CITY OF EAST GRAND FORKS ORGANIZATION CHART



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



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<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	Marc Demers	4 Years	12/31/18
Council member - 1st Ward	Clarence Vetter	4 Years	12/31/16
Council member - 2nd Ward	Mike Pokrzywinski	4 Years	12/31/18
Council member - 3rd Ward	Craig Buckalew	4 Years	12/31/16
Council member - 4th Ward	Henry Tweten	4 Years	12/31/18
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	Vacant
Senior Center Director	Lynda Vanderhoof
City Attorney	Ronald Galstad
City Engineer	Widseth, Smith & Nolting
Commissioner	Tim Loven
Commissioner	Marilynn Ogden
Commissioner	Mike Quirk
Commissioner	Henry Tweten
General Manager	Dan Boyce
Electric Distribution Superintendent	Scott Gravseth
Water Plant Superintendent	Randy Rapacz

FINANCIAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of and for the year ended December 31, 2014, 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 audits. We conducted our audits 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, 2014, 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.

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 2013 financial statements and, in our report dated June 25, 2014; we expressed unmodified 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 26, 2015, 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

BRADY, MARTZ & ASSOCIATES, P.C.

June 26, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF EAST GRAND FORKS, MINNESOTA

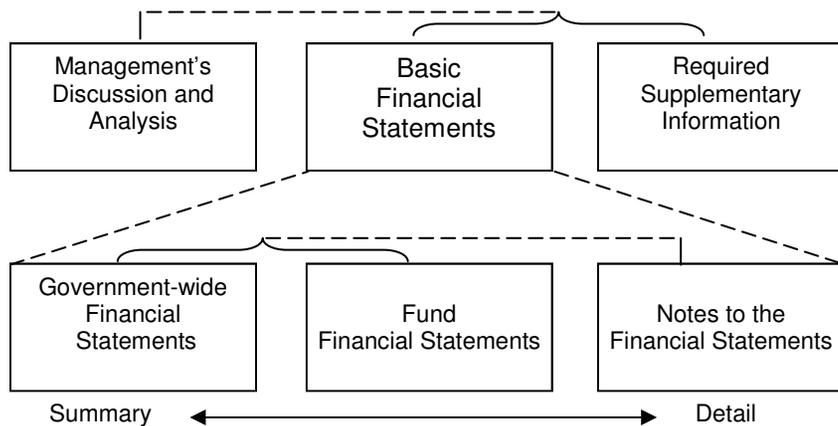
MANAGEMENT'S DISCUSSION
AND ANALYSIS

As management of the City of East Grand Forks (City), we offer readers of the City’s basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-3 of this report.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

COMPONENTS OF THE ANNUAL FINANCIAL REPORT



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

The statement of net position presents information on all of the City’s assets, liabilities, and deferred inflows/outflows of resources 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 17-18 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 four 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, capital

projects fund, and two debt service funds, all of which are considered major funds. Data from the other 23 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 the general fund and special revenue funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 19-23 of this report.

Proprietary funds. The City of East Grand Forks maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer, refuse, 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 24-28 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 29 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 30-48 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 50-71.

FINANCIAL HIGHLIGHTS

- The City's net position (assets plus deferred outflows minus liabilities and deferred inflows) increased by 0.7% as a result of this year's operations. The net position of the City's governmental activities increased \$216,240 (0.2%) and net position of the City's business type activities increased \$1,076,697, (1.6%).
- Capital assets increased \$1,699,245, 1.0%, with most of the increase due to city projects.
- The City's long-term liabilities decreased \$1,185,324 (6.9%) during the fiscal year ended December 31, 2014. Governmental long-term liabilities decreased \$1,161,751, (8.7%), 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 \$7,725,084, a decrease of \$18,290, 0.2%.
- The General Fund's fund balance decreased \$230,035 (7.2%) to \$2,948,560. The unassigned fund balance is 32.2% of expenditures.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS
NET POSITION**

	Governmental Activities		Business-type Activities		Total Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 17,806,350	\$ 17,295,093	\$ 19,962,635	\$ 19,250,936	\$ 37,768,985	\$ 36,546,029
Capital assets	128,103,692	129,618,597	52,386,648	52,770,333	180,490,340	182,388,930
Total assets	<u>145,910,042</u>	<u>146,913,690</u>	<u>72,349,283</u>	<u>72,021,269</u>	<u>218,259,325</u>	<u>218,934,959</u>
Other liabilities	1,260,712	1,318,849	1,485,574	2,210,684	2,746,286	3,529,533
Long-term liabilities	12,239,820	13,401,571	3,683,395	3,706,968	15,923,215	17,108,539
Total Liabilities	<u>13,500,532</u>	<u>14,720,420</u>	<u>5,168,969</u>	<u>5,917,652</u>	<u>18,669,501</u>	<u>20,638,072</u>
Net position:						
Net Investment in Capital Assets	116,911,181	117,234,890	49,290,648	49,494,333	166,201,829	166,729,223
Restricted	8,957,932	7,660,112	-	-	8,957,932	7,660,112
Unrestricted	6,540,397	7,298,268	17,889,666	16,609,284	24,430,063	23,907,552
Total Net position	<u>\$ 132,409,510</u>	<u>\$ 132,193,270</u>	<u>\$ 67,180,314</u>	<u>\$ 66,103,617</u>	<u>\$ 199,589,824</u>	<u>\$ 198,296,887</u>

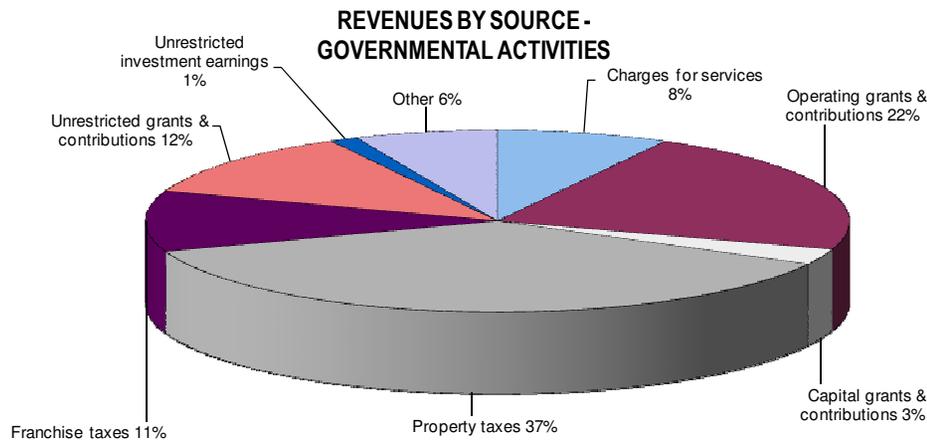
By far the largest portion of the City’s net position (83.3%) reflects investments in capital assets (e.g. land, buildings, structures, systems, machinery, equipment and infrastructure) used to acquire those assets that is still outstanding. The City uses assets to provide services to citizens; consequently, 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 (4.5%) represents resources that are subject to external restrictions on how they can be used. The remaining unrestricted net position \$24,430,063 may be used to meet the ongoing obligations to citizens and creditors. Of the unrestricted net position, \$17,889,666 is attributable to business-type activities.

Unrestricted governmental activities net position decreased \$757,871 (10.4%), while business-type activities unrestricted net position increased \$1,280,382 (7.7%). Government-wide total unrestricted net position increased \$522,511, (2.2%).

CHANGE IN NET POSITION

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program revenues:						
Charges for services	\$ 1,070,052	\$ 1,336,009	\$ 19,976,314	\$ 18,976,609	\$ 21,046,366	\$ 20,312,618
Operating grants and contributions	3,001,462	3,753,816	15,000	15,427	3,016,462	3,769,243
Capital grants and contributions	377,027	532,698	-	-	377,027	532,698
General revenues:						
Property taxes	4,970,612	2,982,817	-	-	4,970,612	2,982,817
Franchise taxes	1,466,924	1,430,795	-	-	1,466,924	1,430,795
Unrestricted grants and contributions	1,597,294	361,744	-	-	1,597,294	361,744
Unrestricted investment earnings	174,674	229,366	470,668	(246,259)	645,342	(16,893)
Other	888,472	140,017	-	-	888,472	140,017
Total revenues	13,546,517	10,767,262	20,461,982	18,745,777	34,008,499	29,513,039
EXPENSES						
Program activities:						
Governmental activities:						
General government	1,300,311	1,000,841	-	-	1,300,311	1,000,841
Public safety	3,919,550	3,841,070	-	-	3,919,550	3,841,070
Public works	4,896,908	2,759,795	-	-	4,896,908	2,759,795
Transit	385,912	343,947	-	-	385,912	343,947
Recreation and culture	2,748,617	2,636,031	-	-	2,748,617	2,636,031
Community development	132,490	122,563	-	-	132,490	122,563
Cemetery	43,389	299,909	-	-	43,389	299,909
Interest on long-term debt	458,606	502,385	-	-	458,606	502,385
Business-type activities						
Electric	-	-	13,796,998	13,182,980	13,796,998	13,182,980
Water	-	-	2,290,490	2,152,305	2,290,490	2,152,305
Sewer	-	-	868,049	918,483	868,049	918,483
Storm Water	-	-	621,122	561,522	621,122	561,522
City mall	-	-	346,560	335,128	346,560	335,128
Refuse	-	-	906,560	912,945	906,560	912,945
Total expenses	13,885,783	11,506,541	18,829,779	18,063,363	32,715,562	29,569,904
Excess (deficiency) before transfers	(339,266)	(739,279)	1,632,203	682,414	1,292,937	(56,865)
Transfers in (out)	555,506	249,639	(555,506)	(249,639)	-	-
Increase (decrease) in net position	216,240	(489,640)	1,076,697	432,775	1,292,937	(56,865)
Net position at the beginning of the year	132,193,270	132,682,910	66,103,617	65,670,842	198,296,887	198,353,752
Net position at the end of the year	\$ 132,409,510	\$ 132,193,270	\$ 67,180,314	\$ 66,103,617	\$ 199,589,824	\$ 198,296,887



Public works (35.3%) expenses are the most significant, followed by public safety (28.2%), recreation and culture (19.8%), general government (9.4%) and cemetery (0.3%). Interest on long-term debt and transit expenses accounted for 4.4% and 3.3% of total expenses, respectively. Included in these amounts is depreciation expense of \$3,316,099, which is 23.9% of the total expenses for governmental activities.

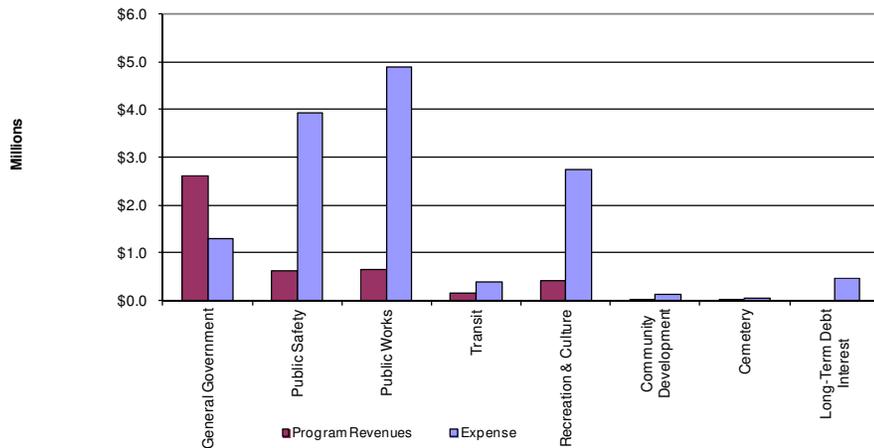
Governmental revenues increased \$2,779,255 (25.8%) in the current year, with the most significant portion of the increase attributable to a special assessment revenue increase, and an increase in investment market values in 2014, leading to higher interest earnings.

Governmental activities expenses increased \$2,379,242 (20.7%) in the current year. The most significant changes in program expenses were as follows:

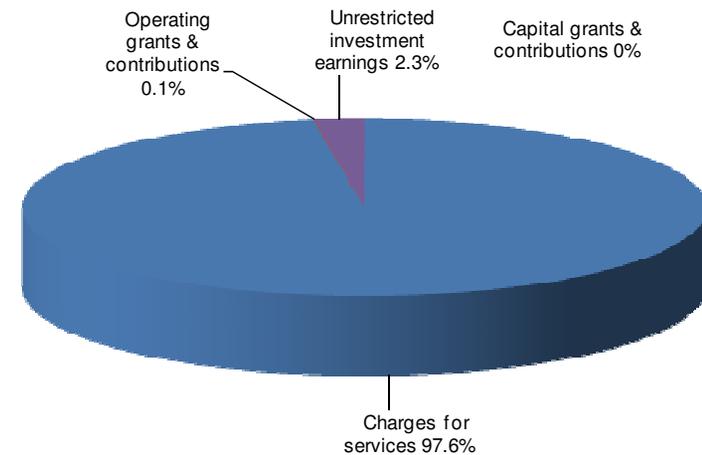
- Public work expenses increased \$2,137,113 due to less expenditures requiring capitalization in the current year than in the prior year

There were no other programs with significant or unusual changes.

EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES

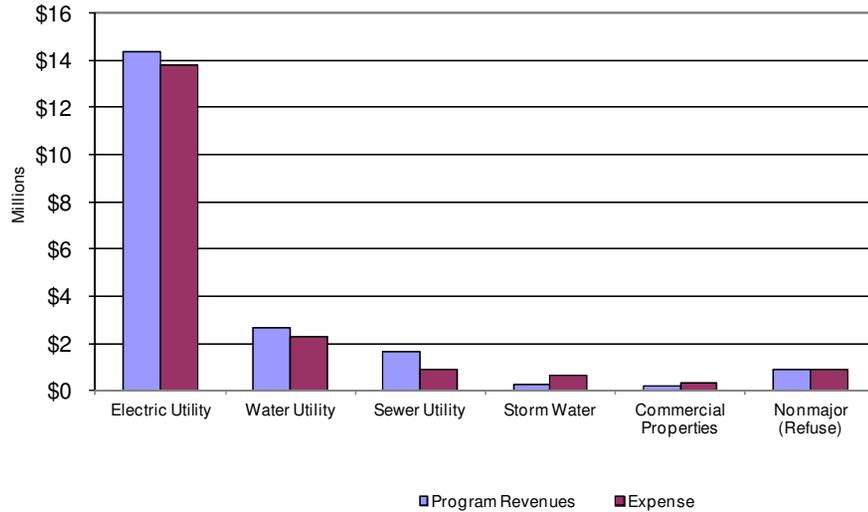


REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



Governmental Activities. A significant share of revenues of the governmental activities is operating grants and contributions, 22%, with most of that amount attributed to local share of additions to the infrastructure. Property taxes and franchise taxes accounted for 37% and 11% of total revenues, respectively. Unrestricted grants and contributions in the form of local government aid and other State aids contributed 12% to total revenues. Charges for services brought in 8%.

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



Business-type activities. Business-type activities increased the City’s net position by \$1,076,697 from the prior fiscal year. Key elements of the change are as follows:

Investment income increased by \$716,927, which was reflective of market value fluctuations due to interest rate changes.

Program expenses increased by \$766,416 largely because of higher operating and maintenance cost in the electric fund.

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 2014, the City’s governmental funds reported total ending fund balances of \$7,725,084, a decrease of \$18,290 in comparison with the prior year. About 30% of the total ending fund balances constituted unassigned fund balances \$2,323,270, 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 \$2,948,560, decreasing \$230,035 from the previous year. General fund revenues were \$77,026 (0.8%) higher than in the prior fiscal year and expenditures increased by \$250,208 (2.9%). General taxes, including property taxes and franchise fees, increased \$628,440 (16%). Intergovernmental revenue decreased \$435,858 (13%) and charges for services increased \$117,441 (10.8%).

The 12-1-07 Assessment Bond Fund (ABF) fund balance increased \$14,910 as assessment collections were more than debt payments.

The Capital Projects Fund experienced a \$39,589 fund balance decrease over the prior year due to current projects in excess of current year contributions and collections of special assessments.

The 12-1-04 Assessment Bond Fund (ABF) fund balance increased \$25,674 to \$234,140 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 increased \$504,283 (1.9%). Operating revenues increased \$742,403 (5.5%) to \$14,329,858. Wholesale purchased power costs increased \$124,274 (1.4%). Transfers out were \$421,402. 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 \$401,154 (3.3%) in the current year. Operating income decreased \$8,996 (0.3%) and operating expenses increased \$138,184 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 \$727,320 (7.1%) due to an increase in operating revenues.

The storm water utilities net position decreased \$385,900 primarily due to operating losses.

The Commercial Properties Fund contains the operations of two commercial properties: River Walk Center and Infill Building. The decreased in net position of \$149,254 was the result of a loss from operations.

The Refuse Fund net position decreased \$20,906. Operating revenue increased \$17,791 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues were \$459,085 more than budget primarily due to more property taxes and intergovernmental revenue than budgeted for. General Fund expenditures overall were more than budget by \$405,629, the result of increased costs of personnel.

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
				2014	2,948,560

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

(Net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 31,203,471	\$ 31,203,471	\$ 749,178	\$ 707,178	\$ 31,952,649	\$ 31,910,649
Construction in progress	288,761	663,164	257,448	-	546,209	663,164
Building, structures, & improvements	59,955,463	61,524,645	51,270,955	52,102,741	111,226,418	113,627,386
Machinery and equipment	3,798,482	3,753,676	109,069	(39,585)	3,907,551	3,714,091
Infrastructure	32,857,515	32,473,641	-	-	32,857,515	32,473,641
Total	<u>\$ 128,103,692</u>	<u>\$ 129,618,597</u>	<u>\$ 52,386,650</u>	<u>\$ 52,770,334</u>	<u>\$ 180,490,342</u>	<u>\$ 182,388,931</u>

Capital assets. The City's investment in capital assets for its governmental and business-type activities at December 31, 2014 totaled \$180,490,342 (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 40-41.

LONG-TERM LIABILITIES

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 7,231,200	\$ 8,245,169	\$ -	\$ -	\$ 7,231,200	\$ 8,245,169
General obligation PFA Improv bonds	3,158,000	3,239,000	3,096,000	3,276,000	6,254,000	6,515,000
General obligation cert of indebtedness	803,311	899,538	-	-	803,311	899,538
Compensated absences payable	1,047,309	1,017,864	587,395	430,968	1,634,704	1,448,832
OPEB	226,751	186,855	-	-	226,751	186,855
Total	<u>\$ 12,466,571</u>	<u>\$ 13,588,426</u>	<u>\$ 3,683,395</u>	<u>\$ 3,706,968</u>	<u>\$ 16,149,966</u>	<u>\$ 17,295,394</u>

Long-term liabilities. The City's outstanding long-term liabilities, including bonds, certificates of indebtedness, capital leases, notes payable, compensated absences and

other post employment benefits totaled \$16,149,966 at December 31, 2014. Of this total, \$12,466,571 (77.2%) is in governmental activities and \$3,683,395 (22.8%) is in

business-type activities. The City's outstanding long-term liabilities decreased \$1,145,428 (6.6%) in 2014.

Additional information on the City's long-term liabilities can be found in the notes to the financial statements on pages 41-43 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the Polk County, Minnesota area for December 31, 2014 was 3.8%, which is above the state average (3.6%) and below the national average (5.6%). The Grand Forks County unemployment rate was 2.7%. The Grand Forks-East Grand Forks metropolitan statistical area unemployment rate was 4.0%. 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 54,932.

- 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 \$2.55 million in local government aid in 2014, 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) did not raise wholesale power costs in 2014 or 2015. The electric utility purchases approximately 44% 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

**BASIC FINANCIAL
STATEMENTS**

**Statement of Net Position
December 31, 2014**

CITY OF EAST GRAND FORKS

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		EDHA
ASSETS				
Cash and cash equivalents	\$ 4,789,850	\$ 4,405,449	\$ 9,195,299	\$ 2,354,277
Investments	4,914,608	12,010,409	16,925,017	-
Accrued interest receivable	23,777	24,977	48,754	-
Accounts receivable, net	19,994	1,423,065	1,443,059	147,077
Notes receivable, net	190,792	46,252	237,044	2,103,311
Taxes receivable - property	34,274	-	34,274	-
Taxes receivable - other	123,446	-	123,446	-
Special assessments receivable	7,478,490	-	7,478,490	-
Internal balances (net)	(701,954)	701,954	-	-
Due from other government units	527,139	21,869	549,008	743
Prepaid Items	-	7,563	7,563	-
Land held for resale	372,173	-	372,173	60,777
Materials and supplies	33,761	881,373	915,134	-
Restricted cash and investments	-	87,950	87,950	643,748
Customer acquisition costs	-	351,774	351,774	-
Capital assets:				
Nondepreciable	31,492,232	1,006,626	32,498,858	50,300
Depreciable, net	96,611,460	51,380,022	147,991,482	3,768,699
TOTAL ASSETS	145,910,042	72,349,283	218,259,325	9,128,932
LIABILITIES				
Accounts payable	422,110	1,210,503	1,632,613	18,463
Retainage payable	12,728	6,838	19,566	-
Accrued wages payable	349,237	81,169	430,406	5,753
Due to other government units	86,271	69,048	155,319	152,950
Accrued interest payable	163,615	30,066	193,681	1,689
Customer deposits	-	87,950	87,950	24,516
Noncurrent liabilities:				
Due within one year	840,000	230,000	1,070,000	64,609
Due in more than one year	11,399,820	3,453,395	14,853,215	288,207
Net other postemployment benefit liability	226,751	-	226,751	-
TOTAL LIABILITIES	13,500,532	5,168,969	18,669,501	556,187
NET POSITION				
Net investment in capital assets	116,911,181	49,290,648	166,201,829	3,818,999
Restricted for:				
Economic Development	-	-	-	120,672
Housing	-	-	-	471,519
Debt service	7,316,072	-	7,316,072	-
Public works	705,111	-	705,111	-
Capital projects	860,749	-	860,749	-
Library - nonexpendable	76,000	-	76,000	-
Unrestricted	6,540,397	17,889,666	24,430,063	4,161,555
TOTAL NET POSITION	\$ 132,409,510	\$ 67,180,314	\$ 199,589,824	\$ 8,572,745

The Notes to the Financial Statements are an Integral Part of this Statement.



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Statement of Activities
For the Year Ended December 31, 2014

CITY OF EAST GRAND FORKS

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 1,300,311	\$ 64,999	\$ 2,555,834	\$ -	\$ 1,320,522	\$ -	\$ 1,320,522	\$ -
Public safety	3,919,550	308,152	321,923	-	(3,289,475)	-	(3,289,475)	-
Public works	4,896,908	305,410	-	326,470	(4,265,028)	-	(4,265,028)	-
Transit	385,912	-	97,256	50,557	(238,099)	-	(238,099)	-
Recreation and culture	2,748,617	382,199	26,449	-	(2,339,969)	-	(2,339,969)	-
Community development	132,490	1,417	-	-	(131,073)	-	(131,073)	-
Cemetery	43,389	7,875	-	-	(35,514)	-	(35,514)	-
Interest on long-term debt	458,606	-	-	-	(458,606)	-	(458,606)	-
Total governmental activities	<u>13,885,783</u>	<u>1,070,052</u>	<u>3,001,462</u>	<u>377,027</u>	<u>(9,437,242)</u>	<u>-</u>	<u>(9,437,242)</u>	<u>-</u>
Business-type activities								
Electric Utility	13,796,998	14,329,858	-	-	-	532,860	532,860	-
Water Utility	2,290,490	2,691,644	-	-	-	401,154	401,154	-
Sewer Utility	868,049	1,659,431	-	-	-	791,382	791,382	-
Storm Water	621,122	235,222	-	-	-	(385,900)	(385,900)	-
Commercial Properties	346,560	192,156	-	-	-	(154,404)	(154,404)	-
Nonmajor (Refuse)	906,560	868,003	15,000	-	-	(23,557)	(23,557)	-
Total business-type activities	<u>18,829,779</u>	<u>19,976,314</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>1,161,535</u>	<u>1,161,535</u>	<u>-</u>
Total primary government	<u>\$ 32,715,562</u>	<u>\$ 21,046,366</u>	<u>\$ 3,016,462</u>	<u>\$ 377,027</u>	<u>(9,437,242)</u>	<u>1,161,535</u>	<u>(8,275,707)</u>	<u>-</u>
Component unit:								
Community development	\$ 2,770,278	\$ 461,243	\$ 1,705,420	\$ -				(603,615)
General Revenues:								
Property taxes					4,970,612	-	4,970,612	112,350
Franchise taxes					1,466,924	-	1,466,924	-
Unrestricted grants and contributions					1,597,294	-	1,597,294	-
Unrestricted investment income					174,674	470,668	645,342	45,095
Other					728,173	-	728,173	99,697
Gain on sale of asset					160,299	-	160,299	-
Transfers					555,506	(555,506)	-	-
Total general revenues					<u>9,653,482</u>	<u>(84,838)</u>	<u>9,568,644</u>	<u>257,142</u>
Change in Net Position					216,240	1,076,697	1,292,937	(346,473)
Net Position - January 1					132,193,270	66,103,617	198,296,887	8,919,218
Net Position - December 31					<u>\$ 132,409,510</u>	<u>\$ 67,180,314</u>	<u>\$ 199,589,824</u>	<u>\$ 8,572,745</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**Balance Sheet
Governmental Funds
As of December 31, 2014**

CITY OF EAST GRAND FORKS

	General	Capital Projects Fund	12-1-07 Assessment Bonds	12-1-04 Assessment Bonds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 954,965	\$ 73,288	\$ 77,650	\$ 23,283	\$ 3,497,319	\$ 4,626,505
Investments	1,947,325	277,144	698,851	209,549	311,640	3,444,509
Interest receivable	23,777	-	-	-	-	23,777
Accounts receivable	3,934	-	-	-	16,060	19,994
Taxes receivable - property taxes	34,274	-	-	-	-	34,274
Taxes receivable - other	123,446	-	-	-	-	123,446
Special assessments receivable	3,898	2,385,730	1,681,744	1,357,524	2,049,593	7,478,489
Due from other funds	318,694	-	-	-	7,772	326,466
Due from other government units	153,767	127,380	3,118	1,308	241,567	527,140
Land held for resale	-	-	-	-	372,173	372,173
Notes receivable	57,038	-	-	-	133,754	190,792
Materials and supplies	33,761	-	-	-	-	33,761
TOTAL ASSETS	\$ 3,654,879	\$ 2,863,542	\$ 2,461,363	\$ 1,591,664	\$ 6,629,878	\$ 17,201,326
LIABILITIES						
Accounts payable	\$ 128,358	\$ 3,513	\$ -	\$ -	\$ 215,428	\$ 347,299
Accrued expenses	12,728	-	-	-	-	12,728
Accrued wages payable	348,102	-	-	-	1,135	349,237
Due to other funds	102,888	934,777	-	-	73,241	1,110,906
Due to other government units	19,033	102	-	-	67,136	86,271
Unearned revenue	57,038	-	-	-	-	57,038
Total Liabilities	668,147	938,392	-	-	356,940	1,963,479
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - Property Taxes and Spec. Assessments	38,172	2,385,730	1,681,744	1,357,524	2,049,593	7,512,763
Total Deferred Inflows of Resources	38,172	2,385,730	1,681,744	1,357,524	2,049,593	7,512,763
FUND BALANCE						
Nonspendable	90,799	-	-	-	209,754	300,553
Restricted	-	-	779,619	234,140	4,087,502	5,101,261
Unassigned	2,857,761	(460,580)	-	-	(73,911)	2,323,270
Total Fund Balance	2,948,560	(460,580)	779,619	234,140	4,223,345	7,725,084
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,654,879	\$ 2,863,542	\$ 2,461,363	\$ 1,591,664	\$ 6,629,878	\$ 17,201,326

The Notes to the Financial Statements are an Integral Part of this Statement.

**Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
As of December 31, 2014**

CITY OF EAST GRAND FORKS

Total fund balances - governmental funds \$ 7,725,084

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

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

Land	31,203,471	
Construction in progress	288,761	
Buildings, structures and improvements	78,489,691	
Machinery and equipment	5,713,629	
Infrastructure	49,029,603	
Accumulated depreciation	<u>(37,949,394)</u>	126,775,761

Other long-term assets are not available to pay for current period expenditures and, therefore, are unearned in the governmental funds. 57,038

Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds. 7,512,763

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 position.

Cash and cash equivalents	163,345	
Investments	1,470,099	
Machinery and equipment	2,903,908	
Accumulated depreciation	(1,575,977)	
Due from other funds	82,486	
Accounts payable	(74,812)	
Accrued Interest payable	(6,486)	
Compensated absences payable	(1,047,309)	
Revenue bonds payable	(780,000)	
Premium on revenue bond	<u>(23,311)</u>	1,111,943

Long-term liabilities of the 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	(10,389,199)	
Accrued interest payable	(157,129)	
Other post employment benefit obligations	<u>(226,751)</u>	<u>(10,773,079)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 132,409,510

The Notes to the Financial Statements are an Integral Part of this Statement.

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>General</u>	<u>Capital Projects Fund</u>	<u>12-1-07 Assessment Bonds</u>	<u>12-1-04 Assessment Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
General taxes	\$ 4,548,543	\$ -	\$ -	\$ -	\$ -	\$ 4,548,543
Special assessments	5,367	341,304	311,311	271,624	355,355	1,284,961
Licenses and permits	119,602	-	-	-	-	119,602
Intergovernmental	2,909,203	803,312	-	-	1,197,258	4,909,773
Charges for services	969,941	-	-	-	100,111	1,070,052
Fines and forfeitures	110,954	-	-	-	-	110,954
Interest and other revenues	126,877	35,910	11,320	723	175,371	350,201
Total revenues	<u>8,790,487</u>	<u>1,180,526</u>	<u>322,631</u>	<u>272,347</u>	<u>1,828,095</u>	<u>12,394,086</u>
Expenditures:						
Current:						
General government	960,902	-	-	-	-	960,902
Public safety	3,681,664	-	-	-	-	3,681,664
Public works	1,514,544	-	-	-	49,218	1,563,762
Transit	-	-	-	-	350,484	350,484
Recreation and culture	2,084,534	-	-	-	-	2,084,534
Community development	11,864	-	-	-	120,627	132,491
Cemetery	-	-	-	-	43,389	43,389
Other expenditures	240,002	-	-	-	-	240,002
Capital outlay	375,283	1,057,249	-	-	1,060,738	2,493,270
Debt service:						
Principal retirement	-	-	225,000	250,000	621,000	1,096,000
Interest and fiscal agent charges	-	42,866	100,254	116,673	199,612	459,405
Total expenditures	<u>8,868,793</u>	<u>1,100,115</u>	<u>325,254</u>	<u>366,673</u>	<u>2,445,068</u>	<u>13,105,903</u>
Excess (deficiency) of revenues over expenditures	<u>(78,306)</u>	<u>80,411</u>	<u>(2,623)</u>	<u>(94,326)</u>	<u>(616,973)</u>	<u>(711,817)</u>
Other financing sources (uses):						
Proceeds from sale of capital assets	48,948	-	-	-	89,075	138,023
Transfers in	303,266	-	17,533	120,000	1,193,892	1,634,691
Transfers out	(503,943)	(120,000)	-	-	(455,244)	(1,079,187)
Total other financing sources (uses)	<u>(151,729)</u>	<u>(120,000)</u>	<u>17,533</u>	<u>120,000</u>	<u>827,723</u>	<u>555,504</u>
Net change in Fund Balances	(230,035)	(39,589)	14,910	25,674	210,750	(18,290)
Fund balance at beginning of year	3,178,595	(420,991)	764,709	208,466	4,012,595	7,743,374
Fund balance at end of year	<u>\$ 2,948,560</u>	<u>\$ (460,580)</u>	<u>\$ 779,619</u>	<u>\$ 234,140</u>	<u>\$ 4,223,345</u>	<u>\$ 7,725,084</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
For the Year Ended December 31, 2014**

CITY OF EAST GRAND FORKS

Net change in fund balances - total governmental funds		\$ (18,290)
Amounts reported for the 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 are allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	1,620,361	
Depreciation	<u>(3,159,192)</u>	(1,538,831)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position		1,096,000
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Unearned Revenue - December 31, 2013	-	
Unearned Revenue - December 31, 2014	57,038	
Unavailable Revenue - December 31, 2013	(6,893,556)	
Unavailable Revenue - December 31, 2014	<u>7,512,763</u>	676,245
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 discounts	(3,930)	
Amortization of bond premiums	2,899	
Other postemployment benefit obligations	<u>(39,895)</u>	(40,926)
Changes in long-term debt interest payable.		16,363
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 on the statement of activities.		<u>25,679</u>
Change in net position of governmental activities		<u>\$ 216,240</u>

The Notes to the Financial Statements are an Integral Part of this Statement.



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**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget to Actual - General Fund
For the Year Ended December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
General taxes	\$ 4,337,688	\$ 4,553,910	\$ 216,222
Licenses and permits	115,225	119,602	4,377
Intergovernmental	2,829,224	2,909,203	79,979
Charges for services	875,990	969,941	93,951
Fines and forfeitures	116,300	110,954	(5,346)
Interest and other revenues	56,975	126,877	69,902
Total revenues	<u>8,331,402</u>	<u>8,790,487</u>	<u>459,085</u>
Expenditures:			
Current:			
General government	893,800	960,902	(67,102)
Public safety	3,598,737	3,681,664	(82,927)
Public works	1,274,159	1,514,544	(240,385)
Recreation and culture	1,942,239	2,084,534	(142,295)
Community development	60,000	11,864	48,136
Other expenditures	245,670	240,002	5,668
Capital outlay	448,559	375,283	73,276
Total expenditures	<u>8,463,164</u>	<u>8,868,793</u>	<u>(405,629)</u>
Excess (deficiency) of revenues over expenditures	<u>(131,762)</u>	<u>(78,306)</u>	<u>53,456</u>
Other financing sources (uses)			
Proceeds from sale of capital asset	-	48,948	48,948
Transfers in	160,000	303,266	143,266
Transfers out	(238,012)	(503,943)	(265,931)
Total other financing sources (uses)	<u>(78,012)</u>	<u>(151,729)</u>	<u>(73,717)</u>
Net change in Fund Balances	(209,774)	(230,035)	(20,261)
Fund balance at beginning of year	3,178,595	3,178,595	-
Fund balance at end of year	<u>\$ 2,968,821</u>	<u>\$ 2,948,560</u>	<u>\$ (20,261)</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**Statement of Net Position
Proprietary Funds
As of December 31, 2014**

CITY OF EAST GRAND FORKS

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	Commercial Properties	Nonmajor (Refuse)		Totals
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 2,910,093	\$ 754,144	\$ 383,616	\$ -	\$ 220,385	\$ 137,211	\$ 4,405,449	\$ 163,345
Investments	8,557,862	-	3,452,547	-	-	-	12,010,409	1,470,099
Restricted cash and investments:								
Cash in customer deposits	87,950	-	-	-	-	-	87,950	-
Interest receivable	24,977	-	-	-	-	-	24,977	-
Accounts receivable (net)	1,418,028	-	-	-	4,060	977	1,423,065	-
Notes Receivable	-	-	-	-	46,252	-	46,252	-
Materials and supplies	784,754	96,619	-	-	-	-	881,373	-
Prepaid items	6,716	847	-	-	-	-	7,563	-
Due from other funds	1,142,360	167,197	120,113	19,883	-	72,256	1,521,809	82,486
Due from other government units	6,062	807	-	-	-	15,000	21,869	-
Total current assets	<u>14,938,802</u>	<u>1,019,614</u>	<u>3,956,276</u>	<u>19,883</u>	<u>270,697</u>	<u>225,444</u>	<u>20,430,716</u>	<u>1,715,930</u>
Noncurrent assets:								
Capital assets:								
Land	305,394	44,000	257,184	-	142,600	-	749,178	-
Buildings and systems	27,015,418	24,481,811	15,264,768	16,350,107	5,729,707	-	88,841,811	-
Machinery and equipment	3,620,659	125,799	751,745	281,383	81,766	727,194	5,588,546	2,903,908
Construction in progress	-	-	257,448	-	-	-	257,448	-
Total capital assets	<u>30,941,471</u>	<u>24,651,610</u>	<u>16,531,145</u>	<u>16,631,490</u>	<u>5,954,073</u>	<u>727,194</u>	<u>95,436,983</u>	<u>2,903,908</u>
Less accumulated depreciation	<u>(16,265,432)</u>	<u>(12,848,279)</u>	<u>(6,381,745)</u>	<u>(4,381,501)</u>	<u>(2,561,785)</u>	<u>(611,593)</u>	<u>(43,050,335)</u>	<u>(1,575,977)</u>
Total capital assets (net)	<u>14,676,039</u>	<u>11,803,331</u>	<u>10,149,400</u>	<u>12,249,989</u>	<u>3,392,288</u>	<u>115,601</u>	<u>52,386,648</u>	<u>1,327,931</u>
Customer acquisition costs	268,106	83,668	-	-	-	-	351,774	-
Total noncurrent assets	<u>14,944,145</u>	<u>11,886,999</u>	<u>10,149,400</u>	<u>12,249,989</u>	<u>3,392,288</u>	<u>115,601</u>	<u>52,738,422</u>	<u>1,327,931</u>
TOTAL ASSETS	<u>29,882,947</u>	<u>12,906,613</u>	<u>14,105,676</u>	<u>12,269,872</u>	<u>3,662,985</u>	<u>341,045</u>	<u>73,169,138</u>	<u>3,043,861</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**Statement of Net Position
Proprietary Funds
As of December 31, 2014 (Continued)**

CITY OF EAST GRAND FORKS

	Business-Type Activities - Enterprise Funds						Totals	Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	Storm Water	Commercial Properties	Nonmajor (Refuse)		
LIABILITIES								
Current liabilities:								
Accounts payable	1,101,823	24,792	40,751	2,672	9,517	30,948	1,210,503	74,812
Retainage payable	3,090	3,748	-	-	-	-	6,838	-
Due to other funds	606,821	25,962	9,359	172,328	4,993	392	819,855	-
Due to other government units	46,025	-	417	620	(170)	22,156	69,048	-
Accrued interest payable	-	-	30,066	-	-	-	30,066	6,486
Accrued wages payable	49,755	18,886	4,732	2,088	-	5,708	81,169	-
Customer deposits	87,950	-	-	-	-	-	87,950	-
Compensated absences payable - current	32,000	13,000	-	-	-	-	45,000	41,000
G.O. revenue bonds payable - current	-	-	185,000	-	-	-	185,000	90,000
Total current liabilities	<u>1,927,464</u>	<u>86,388</u>	<u>270,325</u>	<u>177,708</u>	<u>14,340</u>	<u>59,204</u>	<u>2,535,429</u>	<u>212,298</u>
Noncurrent liabilities:								
Compensated absences payable	420,941	97,451	3,178	-	-	20,825	542,395	1,006,309
G.O. revenue bonds payable, net	-	-	2,911,000	-	-	-	2,911,000	713,311
Total noncurrent liabilities	<u>420,941</u>	<u>97,451</u>	<u>2,914,178</u>	<u>-</u>	<u>-</u>	<u>20,825</u>	<u>3,453,395</u>	<u>1,719,620</u>
TOTAL LIABILITIES	<u>2,348,405</u>	<u>183,839</u>	<u>3,184,503</u>	<u>177,708</u>	<u>14,340</u>	<u>80,029</u>	<u>5,988,824</u>	<u>1,931,918</u>
NET POSITION								
Net investment in capital assets	14,676,039	11,803,331	7,053,400	12,249,989	3,392,288	115,601	49,290,648	524,620
Unrestricted	12,858,503	919,443	3,867,773	(157,825)	256,357	145,415	17,889,666	587,323
TOTAL NET POSITION	<u>\$ 27,534,542</u>	<u>\$ 12,722,774</u>	<u>\$ 10,921,173</u>	<u>\$ 12,092,164</u>	<u>\$ 3,648,645</u>	<u>\$ 261,016</u>	<u>\$ 67,180,314</u>	<u>\$ 1,111,943</u>

The Notes to the Financial Statements are an Integral Part of this Statement.



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Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014

CITY OF EAST GRAND FORKS

	Business-Type Activities – Enterprise Funds						Totals	Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	Storm Water	Commercial Properties	Nonmajor (Refuse)		
Operating revenues:								
Electric charges	\$ 14,048,564	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,048,564	\$ -
Water charges	-	2,691,644	-	-	-	-	2,691,644	-
Sewer charges	-	-	1,659,431	-	-	-	1,659,431	-
Rental charges	-	-	-	-	190,632	-	190,632	-
Refuse charges	-	-	-	-	-	829,880	829,880	-
Storm Water charges	-	-	-	235,222	-	-	235,222	-
Other	281,294	-	-	-	1,524	38,123	320,941	299,981
Total operating revenues	<u>14,329,858</u>	<u>2,691,644</u>	<u>1,659,431</u>	<u>235,222</u>	<u>192,156</u>	<u>868,003</u>	<u>19,976,314</u>	<u>299,981</u>
Operating expenses:								
Purchased power	8,782,578	-	-	-	-	-	8,782,578	-
Operations and maintenance	2,792,982	1,379,338	341,375	267,775	179,717	854,696	5,815,883	-
Administration	-	281,295	76,163	-	-	17,114	374,572	-
Compensated absences	-	-	-	-	-	-	-	114,787
Flood related costs	-	-	-	170	-	-	170	-
Depreciation	1,002,801	629,857	366,172	353,177	166,843	34,751	2,553,601	156,908
Tax and tax equivalents	1,218,637	-	-	-	-	-	1,218,637	-
Total operating expenses	<u>13,796,998</u>	<u>2,290,490</u>	<u>783,710</u>	<u>621,122</u>	<u>346,560</u>	<u>906,561</u>	<u>18,745,441</u>	<u>271,695</u>
Operating income (loss)	<u>532,860</u>	<u>401,154</u>	<u>875,721</u>	<u>(385,900)</u>	<u>(154,404)</u>	<u>(38,558)</u>	<u>1,230,873</u>	<u>28,286</u>
Nonoperating revenues (expenses)								
Interest income	392,825	-	70,042	-	5,150	2,652	470,669	15,908
Interest expense	-	-	(84,339)	-	-	-	(84,339)	(14,536)
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	(3,979)
Intergovernmental	-	-	-	-	-	15,000	15,000	-
Total Nonoperating revenues (expenses)	<u>392,825</u>	<u>-</u>	<u>(14,297)</u>	<u>-</u>	<u>5,150</u>	<u>17,652</u>	<u>401,330</u>	<u>(2,607)</u>
Income (loss) before transfers and contributions	925,685	401,154	861,424	(385,900)	(149,254)	(20,906)	1,632,203	25,679
Transfers out	(421,402)	-	(134,104)	-	-	-	(555,506)	-
Change in net position	504,283	401,154	727,320	(385,900)	(149,254)	(20,906)	1,076,697	25,679
Total net position - January 1	27,030,259	12,321,620	10,193,853	12,478,064	3,797,899	281,922	66,103,617	1,086,264
Total net position - December 31	<u>\$ 27,534,542</u>	<u>\$ 12,722,774</u>	<u>\$ 10,921,173</u>	<u>\$ 12,092,164</u>	<u>\$ 3,648,645</u>	<u>\$ 261,016</u>	<u>\$ 67,180,314</u>	<u>\$ 1,111,943</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014**

CITY OF EAST GRAND FORKS

	Business-Type Activities – Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	Commercial Properties	Nonmajor (Refuse)		Totals
Cash flows from operating activities:								
Cash received from customers and users	\$ 13,689,917	\$ 2,626,294	\$ 1,600,243	\$ 235,222	\$ 188,096	\$ 855,710	\$ 19,195,482	\$ -
Cash received from interfund activities	797,917	65,350	59,188	-	-	11,835	934,290	299,981
Cash paid to suppliers for goods and services	(10,632,852)	(1,213,659)	(307,168)	(179,932)	(126,950)	(787,110)	(13,247,671)	-
Cash paid for interfund activities	(73,575)	(128,205)	(46,880)	(61,035)	(60,093)	(561)	(370,349)	-
Cash paid to employees	(1,108,819)	(462,088)	(154,102)	(52,068)	-	(94,803)	(1,871,880)	(85,342)
Cash paid for taxes and tax equivalents	(1,221,439)	-	417	609	(170)	20,342	(1,200,241)	-
Net cash provided (used) by operating activities	<u>1,451,149</u>	<u>887,692</u>	<u>1,151,698</u>	<u>(57,204)</u>	<u>883</u>	<u>5,413</u>	<u>3,439,631</u>	<u>214,639</u>
Cash flows from noncapital financing activities:								
Intergovernmental revenues	-	-	-	-	-	15,000	15,000	-
Transfers to other funds	(421,402)	-	(134,104)	-	-	-	(555,506)	-
Interfund receivable	(133,760)	(167,197)	(120,113)	(19,883)	-	(72,256)	(513,209)	16,149
Interfund payable	606,821	25,962	9,359	73,693	4,993	392	721,220	-
Net cash provided (used) by noncapital financing activities	<u>51,659</u>	<u>(141,235)</u>	<u>(244,858)</u>	<u>53,810</u>	<u>4,993</u>	<u>(56,864)</u>	<u>(332,495)</u>	<u>16,149</u>
Cash flows from capital and related financing activities:								
Acquisition of capital assets	(698,024)	(695,320)	(749,261)	(21,624)	-	(5,690)	(2,169,919)	(140,000)
Proceeds from sale of capital assets	-	-	-	-	-	-	-	30,000
Principal payments on long-term debt	-	-	(180,000)	-	-	-	(180,000)	(95,000)
Interest and fiscal charges on bonds	-	-	(88,026)	-	-	-	(88,026)	(16,593)
Proceeds from contract for deed	-	-	-	-	6,199	-	6,199	-
Net cash provided (used) by capital and related financing activities	<u>(698,024)</u>	<u>(695,320)</u>	<u>(1,017,287)</u>	<u>(21,624)</u>	<u>6,199</u>	<u>(5,690)</u>	<u>(2,431,746)</u>	<u>(221,593)</u>
Cash flows from investing activities:								
Interest received on investments	392,510	-	70,042	-	5,150	2,652	470,354	15,908
Proceeds from sales and maturities of investments	192,000	-	-	-	-	-	192,000	(664,989)
Purchase of investments	(1,576,545)	-	(545,121)	-	-	-	(2,121,666)	-
Net cash provided (used) by investing activities	<u>(992,035)</u>	<u>-</u>	<u>(475,079)</u>	<u>-</u>	<u>5,150</u>	<u>2,652</u>	<u>(1,459,312)</u>	<u>(649,081)</u>
Net increase (decrease) in cash and cash equivalents	(187,251)	51,137	(585,526)	(25,018)	17,225	(54,489)	(783,922)	(639,886)
Cash and cash equivalents - January 1	<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>
Cash and cash equivalents - December 31	<u>\$ 2,998,043</u>	<u>\$ 754,144</u>	<u>\$ 383,616</u>	<u>\$ -</u>	<u>\$ 220,385</u>	<u>\$ 137,211</u>	<u>\$ 4,493,399</u>	<u>\$ 163,345</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014 (Continued)

CITY OF EAST GRAND FORKS

	Business-Type Activities – Enterprise Funds						Totals	Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	Storm Water	Commercial Properties	Nonmajor (Refuse)		
Reconciliation of operating income to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 532,860	\$ 401,154	\$ 875,721	\$ (385,900)	\$ (154,404)	\$ (38,558)	\$ 1,230,873	\$ 28,286
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	1,002,801	629,857	366,172	353,177	166,843	34,751	2,553,601	156,908
Changes in assets and liabilities:								
Accounts receivable	159,888	-	-	-	(4,060)	(458)	155,370	-
Materials and supplies	16,569	4,915	-	-	-	-	21,484	-
Prepaid items	48,487	871	-	-	-	-	49,358	-
Due from other government units	(6,062)	-	-	-	-	-	(6,062)	-
Accounts payable	(351,309)	(157,047)	(89,748)	(26,366)	(7,326)	(15,104)	(646,900)	-
Retainage payable	3,090	3,748	-	-	-	-	6,838	-
Accrued wages payable	(59,675)	(25,078)	(4,042)	1,276	-	(16,385)	(103,904)	-
Accrued compensated absences	103,152	29,272	3,178	-	-	20,825	156,427	29,445
Due to other government units	(2,802)	-	417	609	(170)	20,342	18,396	-
Customer deposits	4,150	-	-	-	-	-	4,150	-
Net cash provided (used) by operating activities	<u>\$ 1,451,149</u>	<u>\$ 887,692</u>	<u>\$ 1,151,698</u>	<u>\$ (57,204)</u>	<u>\$ 883</u>	<u>\$ 5,413</u>	<u>\$ 3,439,631</u>	<u>\$ 214,639</u>
Schedule of noncash investing, capital and financing activities:								
Increase (Decrease) in fair value of investments	\$ 1,384,545	\$ -	\$ 545,121	\$ -	\$ -	\$ -	\$ 1,929,666	\$ -
Cash and cash equivalents are shown on the balance sheet under the following captions:								
Cash and cash equivalents	2,910,093	754,144	383,616	-	220,385	137,211	4,405,449	163,345
Restricted assets:								
Cash in customer deposits	87,950	-	-	-	-	-	87,950	-
Total cash and cash equivalents - December 31	<u>\$ 2,998,043</u>	<u>\$ 754,144</u>	<u>\$ 383,616</u>	<u>\$ -</u>	<u>\$ 220,385</u>	<u>\$ 137,211</u>	<u>\$ 4,493,399</u>	<u>\$ 163,345</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**Statement of Fiduciary Net Position
Agency Fund – Flexible Benefits
As of December 31, 2014**

CITY OF EAST GRAND FORKS

ASSETS:

Cash and cash equivalents

\$ 17,747

LIABILITIES:

Due to employees

\$ 17,747

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 even-numbered year. The council consists of two at-large members and five ward members.

In accordance with GASB Statement No. 61, *The Financial Reporting Entity Omnibus*, 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. 61 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 position and the statement of activities) 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 statements. 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 position and the change in net position.

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, restrictions, 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.

Capital Projects Fund. This capital projects fund accounts for construction of infrastructure projects financed by special assessments, state grants and city funds.

12-1-07, and 12-1-04 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.

Commercial Properties 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, deferred outflows, liabilities, deferred inflows and net position 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, 2014, 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, Structures & Improvements	10-50 Years
Infrastructure	20-50 Years
Machinery and Equipment	5-15 Years

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 \$110,451 for 2,385 accumulated sick leave hours; the Electric Fund has accrued a liability of \$452,941 for 9,709 accumulated sick leave hours. Additionally, the EDHA has accrued a liability of \$36,925 for 1,052 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 \$1,047,309 is recorded in this fund, reflecting 35,682 accumulated sick leave hours. Sick leave hours exceeding the eligible reimbursement limit of 1,280 hours totaled 188.

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 position. 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 governmental 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

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.

Net Position Flow Assumption

Sometimes the government will fund outlays for particular purposes for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Deferred Outflows/Inflows of Resources

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 property taxes and special assessments. 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 homestead, 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 2014, 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 is 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 30, 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, 2014, expenditures and other uses were over appropriations in the General fund and Insect Control Fund by \$405,629 and \$1,445, respectively.

C. Deficit Fund Equity

At December 31, 2014, there are four governmental funds with a deficit fund balance. The \$747 deficit fund balance in the 125th Anniversary Celebration Fund, \$73,016 deficit fund balance in the Transit fund, \$148 deficit in the Grants fund, and \$460,580 in Capital Projects Fund. In addition, the Benefit Accrual internal service fund has a deficit of \$187,532. These will be eliminated with future revenues, and transfers from governmental and enterprise funds.

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments at December 31, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 9,195,299
Investments	16,925,017
Restricted cash and cash equivalents	87,950
Statement of fiduciary assets and liabilities:	
Cash and cash equivalents	17,747
Total cash and investments	<u>\$ 26,226,013</u>

Cash and investments at December 31, 2014 consist of the following:

Cash:	
Cash on hand	\$ 600
Deposit with financial institutions	838,113
Cash equivalents:	
4M - Local Government Investment Pool	3,117,477
Money Market Funds	550,974
Investments:	
Various	21,718,849
Total cash, cash equivalents, and investments	<u>\$ 26,226,013</u>

Investments Authorized by Minnesota Statutes and the City's Investment Policy

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>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, 2014, 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	\$ 4,313,960	7.74
Federal National Mortgage Assn.	1,374,066	8.53
Negotiable certificates of deposit	14,737,121	3.57
Non-negotiable certificates of deposit	1,293,702	0.33
Money Market Funds	550,974	0.03
Local Government Investment Pool	3,117,477	0.03
	<u>\$ 25,387,300</u>	
Portfolio weighted average maturity		3.37

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	\$ 4,313,960	17.0%
Federal National Mortgage Assn.	1,374,066	5.4%

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	\$ 954,965	\$ 1,947,325	\$ -	\$ 2,902,290
Capital Projects	73,288	277,144	-	350,432
12-1-07 Assessment Bonds	77,650	698,851	-	776,501
12-1-04 Assessment Bonds	23,283	209,549	-	232,832
Nonmajor governmental	3,497,319	311,640	-	3,808,959
Internal service funds	163,345	1,470,099	-	1,633,444
Total	<u>4,789,850</u>	<u>4,914,608</u>	<u>-</u>	<u>9,704,458</u>
Business-type				
Activities:				
Electric	2,910,093	8,557,862	87,950	11,555,905
Water	754,144	-	-	754,144
Sewage	383,616	3,452,547	-	3,836,163
Storm Water	-	-	-	-
Commercial Properties	220,385	-	-	220,385
Nonmajor (Refuse)	137,211	-	-	137,211
Total	<u>4,405,449</u>	<u>12,010,409</u>	<u>87,950</u>	<u>16,503,808</u>
Government-wide total	<u>9,195,299</u>	<u>16,925,017</u>	<u>87,950</u>	<u>26,208,266</u>
Fiduciary fund	17,747	-	-	17,747
Total cash and investments	<u>\$ 9,213,046</u>	<u>\$ 16,925,017</u>	<u>\$ 87,950</u>	<u>\$ 26,226,013</u>

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At December 31, 2014, 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.

Notes to the Financial Statements
December 31, 2014

CITY OF EAST GRAND FORKS

Transfers. The following interfund transfers are reflected in the fund financial statements at December 31, 2014:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Electric Fund	\$ 171,402
12-1-07 Assessment Bonds Fund	General Fund	17,533
12-1-04 Debt Service Fund	Capital Projects Fund	120,000
Nonmajor Governmental Funds	Electric Fund	250,000
Nonmajor Governmental Funds	General Fund	286,409
Nonmajor Governmental Funds	Sewage	134,104
Nonmajor Governmental Funds	Nonmajor Governmental Funds	323,379
Nonmajor Governmental Funds	General Fund	200,000
General Fund	Nonmajor Governmental Funds	131,864
		<u>\$ 1,634,691</u>

Due From Other Funds. The following due from other funds are reflected on the financial statements at December 31, 2014:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 73,131
General Fund	Electric Fund	219,600
General Fund	Water Fund	25,962
Nonmajor Governmental Funds	Electric Fund	7,772
Internal Service Fund	Storm Water Fund	82,486
Electric Fund	Capital Projects Fund	934,777
Electric Fund	General Fund	102,888
Electric Fund	Nonmajor Governmental Funds	110
Electric Fund	Refuse Fund	392
Electric Fund	Sewage Fund	9,359
Electric Fund	Storm Water Fund	89,842
Electric Fund	Commercial Properties	4,993
Water Fund	Electric Fund	167,197
Sewage Fund	Electric Fund	120,113
Storm Water Fund	Electric Fund	19,883
Refuse Fund	Electric Fund	72,256
		<u>\$ 1,930,761</u>

Accounts Receivable. The following accounts receivables are reflected in the fund financial statements at December 31, 2014:

	Current	Days Delinquent		Total	Allowance for Doubtful Accounts	Net Accounts Receivable
		31-120	Over 120			
Governmental funds:						
General	\$ 3,934	\$ -	\$ -	\$ 3,934	\$ -	\$ 3,934
Nonmajor funds	16,060	-	-	16,060	-	16,060
Total Governmental	<u>19,994</u>	<u>-</u>	<u>-</u>	<u>19,994</u>	<u>-</u>	<u>19,994</u>
Enterprise funds:						
Electric	1,432,450	33,578	-	1,466,028	(48,000)	1,418,028
City Mall	4,060	-	-	4,060	-	4,060
Nonmajor (Refuse)	977	-	-	977	-	977
Total enterprise	<u>1,437,487</u>	<u>33,578</u>	<u>-</u>	<u>1,471,065</u>	<u>(48,000)</u>	<u>1,423,065</u>
Total	<u>\$ 1,457,481</u>	<u>\$ 33,578</u>	<u>\$ -</u>	<u>\$ 1,491,059</u>	<u>\$ (48,000)</u>	<u>\$ 1,443,059</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	
2015	\$ 6,452
2016	6,715
2017	6,989
2018	7,273
2019	7,570
2020-2021	11,253
Total	<u>\$ 46,252</u>

NOTE 5. CAPITAL ASSETS

Capital asset activities for the year ended December 31, 2014, 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	663,164	288,761	(663,164)	288,761	-	288,761	-	288,761
Total	<u>31,866,635</u>	<u>288,761</u>	<u>(663,164)</u>	<u>31,492,232</u>	<u>-</u>	<u>31,492,232</u>	<u>-</u>	<u>288,761</u>
Depreciable capital assets:								
Buildings, structures, and improvements	78,463,238	26,453	-	78,489,691	-	78,489,691	-	26,453
Machinery and equipment	8,300,288	453,180	(135,931)	8,617,537	2,903,908	5,713,629	214,815	238,365
Infrastructure	47,299,657	1,729,946	-	49,029,603	-	49,029,603	-	1,729,946
Total	<u>134,063,183</u>	<u>2,209,579</u>	<u>(135,931)</u>	<u>136,136,831</u>	<u>2,903,908</u>	<u>133,232,923</u>	<u>214,815</u>	<u>1,994,764</u>
Total capital assets	<u>165,929,818</u>	<u>2,498,340</u>	<u>(799,095)</u>	<u>167,629,063</u>	<u>2,903,908</u>	<u>164,725,155</u>	<u>214,815</u>	<u>2,283,525</u>
Less accumulated depreciation for:								
Buildings, structures and improvements	(16,938,593)	(1,595,635)	-	(18,534,228)	-	(18,534,228)	-	(1,595,635)
Machinery and equipment	(4,546,612)	(374,392)	101,949	(4,819,055)	(1,575,977)	(3,243,078)	(156,908)	(217,484)
Infrastructure	(14,826,016)	(1,346,072)	-	(16,172,088)	-	(16,172,088)	-	(1,346,072)
Total accumulated depreciation	<u>(36,311,221)</u>	<u>(3,316,099)</u>	<u>101,949</u>	<u>(39,525,371)</u>	<u>(1,575,977)</u>	<u>(37,949,394)</u>	<u>(156,908)</u>	<u>(3,159,191)</u>
Total governmental activities capital assets, net	<u>\$ 129,618,597</u>	<u>\$ (817,759)</u>	<u>\$ (901,044)</u>	<u>\$ 128,103,692</u>	<u>\$ 1,327,931</u>	<u>\$ 126,775,761</u>	<u>\$ 57,907</u>	<u>\$ (875,666)</u>
Business-type activities:								
Nondepreciable capital assets								
Land	\$ 707,178	\$ 42,000	\$ -	\$ 749,178				
Construction in progress	-	257,448	-	257,448				
Total	<u>707,178</u>	<u>299,448</u>	<u>-</u>	<u>1,006,626</u>				
Depreciable capital assets:								
Buildings, structures, and improvements	87,293,560	1,548,253	-	88,841,813				
Machinery and equipment	5,266,326	322,220	-	5,588,546				
Total	<u>92,559,886</u>	<u>1,870,473</u>	<u>-</u>	<u>94,430,359</u>				
Total capital assets	<u>93,267,064</u>	<u>2,169,921</u>	<u>-</u>	<u>95,436,985</u>				
Less accumulated depreciation for:								
Buildings, structures, and improvements	(35,316,617)	(2,254,241)	-	(37,570,858)				
Machinery and equipment	(5,180,113)	(299,364)	-	(5,479,477)				
Total accumulated depreciation	<u>(40,496,730)</u>	<u>(2,553,605)</u>	<u>-</u>	<u>(43,050,335)</u>				
Total business-type activities capital assets, net	<u>\$ 52,770,334</u>	<u>\$ (383,684)</u>	<u>\$ -</u>	<u>\$ 52,386,650</u>				

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

Governmental Activities:	
General Government	\$ 184,727
Public Safety	175,719
Public Works	2,345,930
Culture and Recreation	574,295
Transit	31,655
Cemetery	<u>3,773</u>
Total Depreciation Expenses - Governmental Activities	3,316,099
Internal Service Fund Depreciation on Capital Assets	<u>(156,908)</u>
Depreciation expense excluding internal service fund	<u>\$ 3,159,191</u>
Business-Type Activities:	
Electric Fund	\$ 1,002,801
Water Fund	629,857
Sewer Fund	366,172
Storm Water Fund	353,177
City Mall Fund	166,843
Refuse Fund	<u>34,751</u>
Total Depreciation Expenses - Business-Type Activities:	<u>\$ 2,553,601</u>

Discretely presented component units

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 50,300	\$ -	\$ -	\$ 50,300
Total	<u>50,300</u>	<u>-</u>	<u>-</u>	<u>50,300</u>
Depreciable capital assets:				
Buildings, structures, and improvements	5,503,577	-	-	5,503,577
Machinery and equipment	185,672	20,094	-	205,766
Total	<u>5,689,249</u>	<u>20,094</u>	<u>-</u>	<u>5,709,343</u>
Total capital assets	<u>5,739,549</u>	<u>20,094</u>	<u>-</u>	<u>5,759,643</u>
Less accumulated depreciation for:				
Buildings, structures and improvements	(1,629,827)	(136,686)	-	(1,766,513)
Machinery and equipment	<u>(171,105)</u>	<u>(3,026)</u>	<u>-</u>	<u>(174,131)</u>
Total accumulated depreciation	<u>(1,800,932)</u>	<u>(139,712)</u>	<u>-</u>	<u>(1,940,644)</u>
Total governmental activities capital assets, net	<u>\$ 3,938,617</u>	<u>\$ (119,618)</u>	<u>\$ -</u>	<u>\$ 3,818,999</u>

NOTE 6. LONG-TERM LIABILITIES.

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

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

**Notes to the Financial Statements
December 31, 2014**

CITY OF EAST GRAND FORKS

Governmental activities

General obligation Improvement bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/14
12/1/12 Refunding	02/01/20	2.0%-2.75%	\$ 440,000	\$ 435,000
12/01/12	02/01/34	2.0%-2.75%	660,000	600,000
04/01/04 Refunding	02/01/16	2.8%-4.3%	260,000	20,000
12/01/04	02/01/25	3.0%-4.4%	4,655,000	2,685,000
03/01/06	02/01/27	3.3%-4.3%	4,075,000	1,165,000
12/01/07	02/01/28	3.4%-4.25%	3,560,000	2,340,000
				<u>\$ 7,245,000</u>
Mn PFA-Transportation Loan Total \$ 3,466,567				
advanced \$ 3,446,567	08/20/38	3.645%	3,466,567	\$ 3,158,000
GO Certificate of Indebtedness	02/01/22	2.0%	875,000	780,000
Total governmental activities				<u>\$ 11,183,000</u>

Business-type activities

Revenue bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/14
Mn PFA-Clean Water Loan Total \$ 4,012,598				
advanced \$ 4,012,598	08/20/28	2.687%	\$ 4,012,598	\$ 3,096,000

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.

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.

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

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
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	917,000	272,602	206,000	62,500
2020-2024	3,460,000	944,564	1,115,000	226,514
2025-2029	1,765,000	436,394	1,005,000	68,411
2030-2034	968,000	229,035	-	-
2035-2038	731,000	67,833	-	-
Total	<u>\$ 11,183,000</u>	<u>\$ 3,346,562</u>	<u>\$ 3,096,000</u>	<u>\$ 659,820</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, 2014:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation	\$ 8,260,000	\$ -	\$ (1,015,000)	\$ 7,245,000	\$ 625,000
Unamortized Premium	40,141	-	(2,899)	37,242	-
Unamortized Discount	(54,972)	-	3,930	(51,042)	-
Total	<u>8,245,169</u>	<u>-</u>	<u>(1,013,969)</u>	<u>7,231,200</u>	<u>625,000</u>
PFA Bonds Payable:					
MN PFA Transportation Bond	3,239,000	-	(81,000)	3,158,000	84,000
G. O. certificates of indebtedness	875,000	-	(95,000)	780,000	90,000
Unamortized Premium	24,538	-	(1,227)	23,311	-
Compensated absences	1,002,340	192,161	(147,192)	1,047,309	41,000
OPEB	186,855	82,875	(42,979)	226,751	-
Governmental activities total:	<u>13,572,902</u>	<u>275,036</u>	<u>(1,381,367)</u>	<u>12,466,571</u>	<u>840,000</u>
Business-type activities:					
Bonds payable:					
MN PFA Clean Water Bond	3,276,000	-	(180,000)	3,096,000	185,000
Compensated absences	430,968	205,056	(48,629)	587,395	45,000
Business-type activities total	<u>3,706,968</u>	<u>205,056</u>	<u>(228,629)</u>	<u>3,683,395</u>	<u>230,000</u>
Government-wide total	<u>\$ 17,279,870</u>	<u>\$ 480,092</u>	<u>\$ (1,609,996)</u>	<u>\$ 16,149,966</u>	<u>\$ 1,070,000</u>

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

INTERMEDIARY RELENDING NOTES. These notes are a liability of the U.S. government as of the EDHA's Intermediary Relending Program. The notes are payable with loan repayments from businesses. Further, loan repayments are restricted to either building a revolving loan fund or making payments to the U.S.

government for borrowed funds. The EDHA is charged a one percent interest rate on the notes.

CHANGES IN LONG-TERM LIABILITIES. Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Component Unit activities:					
Intermediary relending notes	\$ 343,301	\$ -	\$ (27,410)	\$ 315,891	\$ 27,684
Compensated absences	67,650	1,949	(32,674)	36,925	36,925
Special assessments	11,885	-	(11,885)	-	-
Component Unit activities total	<u>\$ 422,836</u>	<u>\$ 1,949</u>	<u>\$ (71,969)</u>	<u>\$ 352,816</u>	<u>\$ 64,609</u>

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

Year Ending December 31	Intermediary Relending	
	Principal	Interest
2015	\$ 27,684	\$ 3,159
2016	27,961	2,882
2017	28,240	30,843
2018	28,523	30,843
2019	28,808	30,843
2020-24	148,418	5,797
2025	26,258	263
	<u>\$ 315,891</u>	<u>\$ 104,631</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, 2014 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 ended on December 31 is presented below:

	2012	2013	2014
Paid Losses	\$ 9,156	\$ 9,619	\$ 5,775
Paid Expenses	17,998	-	53,315
Reserve Losses	31,000	-	112,000
Reserve Expenses	32,002	-	173,629
Total Incurred	90,156	9,619	344,719
Deductible Recovery	-	(3,763)	(5,155)

The City's commercial insurance carrier has no set reserve losses or reserve expenses for claims filed after December 31, 2014, 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, 2014, 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 plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) 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.

GERF 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 five 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 PEPFF, and GERF 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 members 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 be 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the web at www.mnpera.org, 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. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.2% of their annual covered salary in 2014.

The City of East Grand Forks is required to contribute the following percentages of annual covered payroll: 11.78% for basic plan members, 7.25% for Coordinated Plan members, and 15.3% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ended December 31, 2014, 2013, and 2012, were \$275,779, \$285,562, and \$246,445, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ended December 31, 2014, 2013, and 2012 were \$322,892, \$260,336, and \$269,277, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute. Contribution rates will increase on January 1, 2015 in the coordinated Plan (6.5% for members and 7.5% for employers) and the Police and Fire Fund (10.8% for members and 16.2% for employers).

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 plan provisions, including 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. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. 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 twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City during the fiscal year 2014 were:

Amount		Percentage of Covered Payroll		Required Rates
Employees	Employer	Employees	Employer	
\$ 17,505	\$ 17,505	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 42.5% 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 \$545,533 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. A purchase agreement for the sale of the Riverwalk Center was signed with an intent to close on December 31, 2014, this date was subsequently changed to February of 2015.

Details for properties under lease agreements are as follows:

	Historical Carrying Cost	Accumulated Depreciation	Annual Depreciation
Commercial Properties			
Riverwalk Center	\$ 4,487,773	\$ 2,065,605	\$ 127,842
Infill Building	1,466,300	496,180	39,001
	<u>\$ 5,954,073</u>	<u>\$ 2,561,785</u>	<u>\$ 166,843</u>

NOTE 13. RESTRICTED FUNDS

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

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

NOTE 14. FUND BALANCE

	General Fund	Capital Projects Fund	12/1/2007 Assessment Bond	12/1/2004 Assessment Bond	Nonmajor Governmental Funds
Fund Balances:					
Nonspendable:					
Materials and Supplies	\$ 33,761	\$ -	\$ -	\$ -	\$ -
Notes Receivable	57,038	-	-	-	133,754
Campbell Library	-	-	-	-	76,000
Restricted:					
Debt Service	-	-	779,619	234,140	1,213,452
Community Growth	-	-	-	-	127,671
State Aid Street	-	-	-	-	705,111
New Home Incentive	-	-	-	-	621,680
Cemetery	-	-	-	-	7,776
Insect Control	-	-	-	-	257,499
Perpetual Care	-	-	-	-	189,611
Greenway Maint.	-	-	-	-	100,304
Levee Projects	-	-	-	-	143,383
1997 Community Development	-	-	-	-	55,732
1997 Downtown Development	-	-	-	-	190,802
08 PFA Loan 23rd Street	-	-	-	-	184,215
Current City Projects	-	-	-	-	54,961
Building Improvements	-	-	-	-	231,656
Campbell Olson	-	-	-	-	3,649
Unassigned:	<u>2,857,761</u>	<u>(460,580)</u>	<u>-</u>	<u>-</u>	<u>(73,911)</u>
TOTAL FUND BALANCE	<u>\$ 2,948,560</u>	<u>\$ (460,580)</u>	<u>\$ 779,619</u>	<u>\$ 234,140</u>	<u>\$ 4,223,345</u>

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 \$4,623 for electricity sold to the customers in the annexed service territory during 2014.

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:

2014	\$ 7,990
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, 2014, two series of Industrial Revenue Bonds were outstanding with remaining principal balances of \$1,380,000 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, 2014, there are no amounts for arbitrage rebates.

NOTE 18. NEW PRONOUNCEMENTS

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. This 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.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68, requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning new pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014.

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining fair value measurement for reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement periods beginning after June 15, 2015. Earlier application is encouraged.

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 \$82,875 for fiscal year 2014. The annual employer contributions for fiscal year 2014 were \$42,979.

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	\$ 86,208
Interest on net OPEB obligation	8,408
Adjustment to annual required contribution	(11,741)
Annual OPEB cost (expense)	<u>82,875</u>
Estimated Contributions made	(42,979)
Increase (decrease) in net OPEB obligation	<u>39,896</u>
Net OPEB obligation, beginning of year	186,855
Net OPEB obligation, end of year	<u><u>\$ 226,751</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, 2014, 2013, 2012, 2011 and 2010 were as follows:

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage of Annual Required Contribution Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2014	\$ 86,208	49.90%	\$ 226,751
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, 2014, the most recent actuarial date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$716,547, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$716,547. For the fiscal year ended December 31, 2014, the covered payroll (annual payroll of active employees covered by the plan) was \$5,289,542, and the ratio of the UAAL to the covered payroll was 13.5%.

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, 2014 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 7.5% initially, reduced by decrements to an ultimate rate of 5.00% over 10 years. Both rates include a 2.5% 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 a percentage of projected payroll of 13.5% 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, 2014 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>
12/31/14	\$86,208	49.9%
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 \$479,750 at December 31, 2014. 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.

NOTE 21. SUBSEQUENT EVENTS

On February 17, 2015 the City sold the Riverwalk Center to River Cinema. The Riverwalk Center is contained within the proprietary fund "Commercial Properties".

On January 1, 2015, the Northwest Minnesota Multi-County Housing and Redevelopment Authority took over the Section 8 Housing Choice Voucher Program.

**Other Postemployment Benefits Plan
Schedule of Funding Progress
As of December 31, 2014**

CITY OF EAST GRAND FORKS

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]
1/1/2014	\$ -	\$ 716,547	\$ 716,547	-	\$ 5,289,542	13.55%
1/1/2011	-	723,000	723,000	-	4,810,832	15.03%
1/1/2008	-	562,881	562,881	-	4,142,858	13.59%

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%
2014	42,979	86,208	49.9%

NONMAJOR GOVERNMENTAL FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

NONMAJOR GOVERNMENTAL
FUNDS

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, 3-1-06, 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 This fund is used to account for locally funded projects with multiple year construction periods.

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

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

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

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

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

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

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



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**Combining Balance Sheet
Nonmajor Governmental Funds by Fund Type
As of December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Debt Service Funds</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Nonmajor Permanent Campbell- Olson Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,670,893	\$ 881,557	\$ 865,220	\$ 79,649	\$ 3,497,319
Investments	-	311,640	-	-	311,640
Accounts receivable	11,400	-	4,660	-	16,060
Due from other funds	7,772	-	-	-	7,772
Due from other government units	34,082	20,255	187,230	-	241,567
Special assessments receivable:					
Delinquent	-	2,049,593	-	-	2,049,593
Notes Receivable	133,754	-	-	-	133,754
Land held for resale	372,173	-	-	-	372,173
Total Assets	<u>\$ 2,230,074</u>	<u>\$ 3,263,045</u>	<u>\$ 1,057,110</u>	<u>\$ 79,649</u>	<u>\$ 6,629,878</u>
LIABILITIES					
Accounts payable	\$ 19,706	\$ -	\$ 195,722	\$ -	\$ 215,428
Accrued wages payable	1,095	-	40	-	1,135
Due to other funds	72,494	-	747	-	73,241
Due to other government units	67,136	-	-	-	67,136
Total Liabilities	<u>160,431</u>	<u>-</u>	<u>196,509</u>	<u>-</u>	<u>356,940</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes and Spec. Assessments	-	2,049,593	-	-	2,049,593
Total Deferred Inflows of Resources	<u>-</u>	<u>2,049,593</u>	<u>-</u>	<u>-</u>	<u>2,049,593</u>
FUND BALANCES					
Nonspendable	133,754	-	-	76,000	209,754
Restricted	2,009,652	1,213,452	860,749	3,649	4,087,502
Unassigned	(73,763)	-	(148)	-	(73,911)
Total Fund Balances	<u>2,069,643</u>	<u>1,213,452</u>	<u>860,601</u>	<u>79,649</u>	<u>4,223,345</u>
Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 2,230,074</u>	<u>\$ 3,263,045</u>	<u>\$ 1,057,110</u>	<u>\$ 79,649</u>	<u>\$ 6,629,878</u>

**Combining Statement of Revenues, Expenditures and Change in Fund Balances
Nonmajor Governmental Funds by Fund Type
For the Year Ended December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Debt Service Funds</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Nonmajor Permanent Campbell- Olson Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:					
Intergovernmental	\$ 549,947	\$ -	\$ 647,311	\$ -	\$ 1,197,258
Special assessments	-	355,355	-	-	355,355
Charges for services	100,111	-	-	-	100,111
Interest and other revenues	99,137	17,642	57,216	1,376	175,371
Total Revenues	<u>749,195</u>	<u>372,997</u>	<u>704,527</u>	<u>1,376</u>	<u>1,828,095</u>
Expenditures:					
Current:					
Public works	49,218	-	-	-	49,218
Transit	350,484	-	-	-	350,484
Community development	120,627	-	-	-	120,627
Cemetery	43,389	-	-	-	43,389
Capital outlay	150,783	-	909,955	-	1,060,738
Debt service:					
Principal retirement	-	540,000	81,000	-	621,000
Interest and fiscal agent fees	-	81,550	118,062	-	199,612
Total expenditures	<u>714,501</u>	<u>621,550</u>	<u>1,109,017</u>	<u>-</u>	<u>2,445,068</u>
Excess (deficiency) of revenues over expenditures	<u>34,694</u>	<u>(248,553)</u>	<u>(404,490)</u>	<u>1,376</u>	<u>(616,973)</u>
Other financing sources (uses)					
Proceeds from sale of capital asset	89,075	-	-	-	89,075
Transfers in	319,219	-	874,673	-	1,193,892
Transfers out	(376,656)	(15,263)	(63,325)	-	(455,244)
Total other financing sources (uses)	<u>31,638</u>	<u>(15,263)</u>	<u>811,348</u>	<u>-</u>	<u>827,723</u>
Net Change in Fund Balances	<u>66,332</u>	<u>(263,816)</u>	<u>406,858</u>	<u>1,376</u>	<u>210,750</u>
Fund balance at beginning of year	2,003,311	1,477,268	453,743	78,273	4,012,595
Fund balance at end of year	<u>\$ 2,069,643</u>	<u>\$ 1,213,452</u>	<u>\$ 860,601</u>	<u>\$ 79,649</u>	<u>\$ 4,223,345</u>

**Combining Balance Sheet
Nonmajor Special Revenue Funds
As of December 31, 2014**

CITY OF EAST GRAND FORKS

	Community Growth	State Aid Street	Transit	New Home Incentive	Cemetery	Insect Control	Perpetual Care	Greenway Maintenance	125th Anniversary Celebration	Total
ASSETS										
Cash and cash equivalents	\$ 127,671	\$ 706,518	\$ -	\$ 259,507	\$ 37,555	\$ 253,613	\$ 189,611	\$ 96,418	\$ -	\$ 1,670,893
Accounts receivable	-	-	-	-	11,400	-	-	-	-	11,400
Due from other funds	-	-	-	-	-	3,886	-	3,886	-	7,772
Due from other governments	-	-	34,082	-	-	-	-	-	-	34,082
Notes receivable	-	-	-	133,754	-	-	-	-	-	133,754
Land held for resale	-	-	-	372,173	-	-	-	-	-	372,173
Total Assets	<u>\$ 127,671</u>	<u>\$ 706,518</u>	<u>\$ 34,082</u>	<u>\$ 765,434</u>	<u>\$ 48,955</u>	<u>\$ 257,499</u>	<u>\$ 189,611</u>	<u>\$ 100,304</u>	<u>\$ -</u>	<u>\$ 2,230,074</u>
LIABILITIES										
Accounts payable	\$ -	\$ 1,407	\$ 5,412	\$ 10,000	\$ 2,887	\$ -	\$ -	\$ -	\$ -	\$ 19,706
Accrued wages payable	-	-	468	-	627	-	-	-	-	1,095
Due to other funds	-	-	34,082	-	37,665	-	-	-	747	72,494
Due to other government units	-	-	67,136	-	-	-	-	-	-	67,136
Total Liabilities	<u>-</u>	<u>1,407</u>	<u>107,098</u>	<u>10,000</u>	<u>41,179</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>747</u>	<u>160,431</u>
FUND BALANCES										
Nonspendable	-	-	-	133,754	-	-	-	-	-	133,754
Restricted	127,671	705,111	-	621,680	7,776	257,499	189,611	100,304	-	2,009,652
Unassigned	-	-	(73,016)	-	-	-	-	-	(747)	(73,763)
Total fund balances	<u>127,671</u>	<u>705,111</u>	<u>(73,016)</u>	<u>755,434</u>	<u>7,776</u>	<u>257,499</u>	<u>189,611</u>	<u>100,304</u>	<u>(747)</u>	<u>2,069,643</u>
Total liabilities and fund balances	<u>\$ 127,671</u>	<u>\$ 706,518</u>	<u>\$ 34,082</u>	<u>\$ 765,434</u>	<u>\$ 48,955</u>	<u>\$ 257,499</u>	<u>\$ 189,611</u>	<u>\$ 100,304</u>	<u>\$ -</u>	<u>\$ 2,230,074</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>Community Growth</u>	<u>State Aid Street</u>	<u>Transit</u>	<u>New Home Incentive</u>	<u>Cemetery</u>	<u>Insect Control</u>	<u>Perpetual Care</u>	<u>Greenway Maintenance</u>	<u>125th Anniversary Celebration</u>	<u>Total</u>
Revenues:										
Intergovernmental	\$ -	\$ 147,813	\$ 402,134	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 549,947
Charges for services	-	-	-	-	7,875	46,123	-	46,113	-	100,111
Other revenue:										
Donations	-	-	-	-	-	-	-	-	50	50
Interest revenue	2,208	9,556	-	6,571	-	4,424	3,106	1,268	-	27,133
Other	-	-	5,578	55,796	-	-	10,580	-	-	71,954
Total revenues	<u>2,208</u>	<u>157,369</u>	<u>407,712</u>	<u>62,367</u>	<u>7,875</u>	<u>50,547</u>	<u>13,686</u>	<u>47,381</u>	<u>50</u>	<u>749,195</u>
Expenditures:										
Current:										
Public works	-	9,218	-	-	-	40,000	-	-	-	49,218
Community development	341	-	-	120,286	-	-	-	-	-	120,627
Transit	-	-	350,484	-	-	-	-	-	-	350,484
Cemetery	-	-	-	-	43,389	-	-	-	-	43,389
Capital outlay	-	-	129,193	-	21,590	-	-	-	-	150,783
Total expenditures	<u>341</u>	<u>9,218</u>	<u>479,677</u>	<u>120,286</u>	<u>64,979</u>	<u>40,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>714,501</u>
Excess (deficiency) of revenues over expenditures	<u>1,867</u>	<u>148,151</u>	<u>(71,965)</u>	<u>(57,919)</u>	<u>(57,104)</u>	<u>10,547</u>	<u>13,686</u>	<u>47,381</u>	<u>50</u>	<u>34,694</u>
Other financing sources (uses):										
Proceeds from sale of Capital Asset	-	-	-	66,405	22,670	-	-	-	-	89,075
Transfers in	-	200,000	81,664	-	37,555	-	-	-	-	319,219
Transfers out	-	(94,459)	(150,333)	(131,864)	-	-	-	-	-	(376,656)
Total other financing sources (uses)	<u>-</u>	<u>105,541</u>	<u>(68,669)</u>	<u>(65,459)</u>	<u>60,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,638</u>
Net Change in Fund Balances	1,867	253,692	(140,634)	(123,378)	3,121	10,547	13,686	47,381	50	66,332
Fund balance at beginning of year	125,804	451,419	67,618	878,812	4,655	246,952	175,925	52,923	(797)	2,003,311
Fund balance at end of year	<u>\$ 127,671</u>	<u>\$ 705,111</u>	<u>\$ (73,016)</u>	<u>\$ 755,434</u>	<u>\$ 7,776</u>	<u>\$ 257,499</u>	<u>\$ 189,611</u>	<u>\$ 100,304</u>	<u>\$ (747)</u>	<u>\$ 2,069,643</u>

Combining Balance Sheet
 Nonmajor Debt Service Funds
 As of December 31, 2014

CITY OF EAST GRAND FORKS

	2012 Improvement & Refunding Bonds	12-1-01 Assessment Bonds	04-1-04 Assessment Bonds	12-1-03 Assessment Bonds	3-1-06 Assessment Bonds	Total
ASSETS						
Cash and cash equivalents	\$ 203,262	\$ 173,524	\$ 207,675	\$ 17,313	\$ 279,783	\$ 881,557
Investments	-	-	-	155,820	155,820	311,640
Due from other government units	-	16,043	2,032	1,514	666	20,255
Special assessments receivable:						
Delinquent	504,653	254,144	38,586	471,304	780,906	2,049,593
Total assets	<u>707,915</u>	<u>443,711</u>	<u>248,293</u>	<u>645,951</u>	<u>1,217,175</u>	<u>3,263,045</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue-Special Assessments	504,653	254,144	38,586	471,304	780,906	2,049,593
Total deferred inflows of resources	<u>504,653</u>	<u>254,144</u>	<u>38,586</u>	<u>471,304</u>	<u>780,906</u>	<u>2,049,593</u>
FUND BALANCES						
Restricted	203,262	189,567	209,707	174,647	436,269	1,213,452
Total fund balances	<u>203,262</u>	<u>189,567</u>	<u>209,707</u>	<u>174,647</u>	<u>436,269</u>	<u>1,213,452</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 707,915</u>	<u>\$ 443,711</u>	<u>\$ 248,293</u>	<u>\$ 645,951</u>	<u>\$ 1,217,175</u>	<u>\$ 3,263,045</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>2012 Improvement & Refunding Bonds</u>	<u>12-1-01 Special Assessment Bonds</u>	<u>04-1-04 Special Assessment Bonds</u>	<u>12-1-03 Assessment Bonds</u>	<u>3-1-06 Assessment Bonds</u>	<u>Total</u>
Revenues:						
Special assessments	\$ 64,784	\$ 60,915	\$ 38,981	\$ 86,149	\$ 104,526	\$ 355,355
Interest on investments	29	2,035	3,509	3,037	9,032	17,642
Total revenues	<u>64,813</u>	<u>62,950</u>	<u>42,490</u>	<u>89,186</u>	<u>113,558</u>	<u>372,997</u>
Expenditures:						
Debt service:						
Principal retirement	5,000	-	15,000	60,000	460,000	540,000
Interest and fiscal agent fees	15,688	-	1,619	8,200	56,043	81,550
Total expenditures	<u>20,688</u>	<u>-</u>	<u>16,619</u>	<u>68,200</u>	<u>516,043</u>	<u>621,550</u>
Excess (deficiency) of revenues over expenditures	<u>44,125</u>	<u>62,950</u>	<u>25,871</u>	<u>20,986</u>	<u>(402,485)</u>	<u>(248,553)</u>
Other financing sources (uses):						
Transfers Out	<u>(15,263)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,263)</u>
Total other financing sources and (uses)	<u>(15,263)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,263)</u>
Net Change in Net Position	28,862	62,950	25,871	20,986	(402,485)	(263,816)
Fund balance at beginning of year	174,400	126,617	183,836	153,661	838,754	1,477,268
Total Net Position - End of Year	<u>\$ 203,262</u>	<u>\$ 189,567</u>	<u>\$ 209,707</u>	<u>\$ 174,647</u>	<u>\$ 436,269</u>	<u>\$ 1,213,452</u>

**Combining Balance Sheet
Nonmajor Capital Projects Funds
As of December 31, 2014**

CITY OF EAST GRAND FORKS

	<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	\$ 7,403	\$ 143,383	\$ 62,095	\$ 186,142	\$ -	\$ 184,215	\$ -	\$ 20,808	\$ 261,174	\$ -	\$ 865,220
Accounts receivable	-	-	-	4,660	-	-	-	-	-	-	4,660
Due from other Governmental Units	117,791	-	-	-	-	-	-	69,439	-	-	187,230
Total Assets	<u>\$ 125,194</u>	<u>\$ 143,383</u>	<u>\$ 62,095</u>	<u>\$ 190,802</u>	<u>\$ -</u>	<u>\$ 184,215</u>	<u>\$ -</u>	<u>\$ 90,247</u>	<u>\$ 261,174</u>	<u>\$ -</u>	<u>\$ 1,057,110</u>
LIABILITIES											
Accounts payable	\$ 125,302	\$ -	\$ 6,363	\$ -	\$ -	\$ -	\$ -	\$ 34,539	\$ 29,518	\$ -	\$ 195,722
Wages payable	40	-	-	-	-	-	-	-	-	-	40
Due to Other Funds	-	-	-	-	-	-	-	747	-	-	747
Total liabilities	<u>125,342</u>	<u>-</u>	<u>6,363</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,286</u>	<u>29,518</u>	<u>-</u>	<u>196,509</u>
FUND BALANCES											
Restricted	-	143,383	55,732	190,802	-	184,215	-	54,961	231,656	-	860,749
Unassigned	(148)	-	-	-	-	-	-	-	-	-	(148)
Total fund balances	<u>(148)</u>	<u>143,383</u>	<u>55,732</u>	<u>190,802</u>	<u>-</u>	<u>184,215</u>	<u>-</u>	<u>54,961</u>	<u>231,656</u>	<u>-</u>	<u>860,601</u>
Total liabilities and fund balances	<u>\$ 125,194</u>	<u>\$ 143,383</u>	<u>\$ 62,095</u>	<u>\$ 190,802</u>	<u>\$ -</u>	<u>\$ 184,215</u>	<u>\$ -</u>	<u>\$ 90,247</u>	<u>\$ 261,174</u>	<u>\$ -</u>	<u>\$ 1,057,110</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2014**

CITY OF EAST GRAND FORKS

	<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>
Revenues:											
Intergovernmental	\$ 123,254	\$ -	\$ -	\$ -	\$ -	\$ 197,586	\$ -	\$ 326,471	\$ -	\$ -	\$ 647,311
Other Income	874	10,829	1,244	3,511	-	-	-	40,758	-	-	57,216
Total revenues	<u>124,128</u>	<u>10,829</u>	<u>1,244</u>	<u>3,511</u>	<u>-</u>	<u>197,586</u>	<u>-</u>	<u>326,471</u>	<u>40,758</u>	<u>-</u>	<u>704,527</u>
Expenditures:											
Capital outlay:	135,378	78,917	19,394	19,348	-	-	-	448,008	208,479	431	909,955
Debt Service:											
Principal retirement	-	-	-	-	-	81,000	-	-	-	-	81,000
Interest and fiscal agent charges	-	-	-	-	-	118,062	-	-	-	-	118,062
Total expenditures	<u>135,378</u>	<u>78,917</u>	<u>19,394</u>	<u>19,348</u>	<u>-</u>	<u>199,062</u>	<u>-</u>	<u>448,008</u>	<u>208,479</u>	<u>431</u>	<u>1,109,017</u>
Excess (deficiency) of revenues over expenditures	<u>(11,250)</u>	<u>(68,088)</u>	<u>(18,150)</u>	<u>(15,837)</u>	<u>-</u>	<u>(1,476)</u>	<u>-</u>	<u>(121,537)</u>	<u>(167,721)</u>	<u>(431)</u>	<u>(404,490)</u>
Other financing sources (uses):											
Transfers in	-	-	-	-	-	-	37,400	572,010	250,000	15,263	874,673
Transfers out	-	-	-	-	(63,325)	-	-	-	-	-	(63,325)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(63,325)</u>	<u>-</u>	<u>37,400</u>	<u>572,010</u>	<u>250,000</u>	<u>15,263</u>	<u>811,348</u>
Net Change in Fund Balances	(11,250)	(68,088)	(18,150)	(15,837)	(63,325)	(1,476)	37,400	450,473	82,279	14,832	406,858
Fund balance at beginning of year	11,102	211,471	73,882	206,639	63,325	185,691	(37,400)	(395,512)	149,377	(14,832)	453,743
Fund balance at end of year	<u>\$ (148)</u>	<u>\$ 143,383</u>	<u>\$ 55,732</u>	<u>\$ 190,802</u>	<u>\$ -</u>	<u>\$ 184,215</u>	<u>\$ -</u>	<u>\$ 54,961</u>	<u>\$ 231,656</u>	<u>\$ -</u>	<u>\$ 860,601</u>

Community Growth Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget to Actual
 For the Year Ended December 31, 2014

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Other revenues:			
Interest revenue	\$ 3,000	\$ 2,208	\$ (792)
Total revenues	<u>3,000</u>	<u>2,208</u>	<u>(792)</u>
Expenditures:			
Community development:			
Contractual services	10,000	341	(9,659)
Other expenditures	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>
Total expenditures	<u>110,000</u>	<u>341</u>	<u>(109,659)</u>
Net Changes in Fund Balances	<u>(107,000)</u>	<u>1,867</u>	<u>108,867</u>
Fund balance at beginning of year	<u>125,804</u>	<u>125,804</u>	<u>-</u>
Fund balance at end of year	<u>\$ 18,804</u>	<u>\$ 127,671</u>	<u>\$ 108,867</u>

State Aid Street Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget to Actual
 For the Year Ended December 31, 2014

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 309,304	\$ 147,813	\$ (161,491)
Other revenues:			
Interest revenue	2,200	9,556	7,356
Total revenue	<u>311,504</u>	<u>157,369</u>	<u>(154,135)</u>
Expenditures:			
Public works:			
Contractual services	190,862	9,218	(181,644)
Total expenditures	<u>190,862</u>	<u>9,218</u>	<u>(181,644)</u>
Excess (deficiency) of revenues over expenditures	<u>120,642</u>	<u>148,151</u>	<u>27,509</u>
Other financing sources (uses):			
Transfers In	-	200,000	200,000
Transfers out	-	(94,459)	(94,459)
Total other financing sources (uses)	<u>-</u>	<u>105,541</u>	<u>105,541</u>
Net Changes in Fund Balances	120,642	253,692	133,050
Fund balance at beginning of year	451,419	451,419	-
Fund balance at end of year	<u>\$ 572,061</u>	<u>\$ 705,111</u>	<u>\$ 133,050</u>

Transit Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2014

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 380,049	\$ 402,134	\$ 22,085
Other revenues:			
Other	40,400	5,578	(34,822)
Total Revenues	<u>420,449</u>	<u>407,712</u>	<u>(12,737)</u>
Expenditures:			
Transit:			
Contractual services	359,438	350,484	(8,954)
Capital outlay	-	129,193	129,193
Other expenditures	134,500	-	(134,500)
Total expenditures	<u>493,938</u>	<u>479,677</u>	<u>(14,261)</u>
Excess (deficiency) of revenues over expenditures	<u>(73,489)</u>	<u>(71,965)</u>	<u>1,524</u>
Other financing sources (uses):			
Transfers In	73,489	81,664	8,175
Transfers Out	-	(150,333)	(150,333)
Total other financing sources (uses)	<u>73,489</u>	<u>(68,669)</u>	<u>(142,158)</u>
Net Changes in Fund Balances	-	(140,634)	(140,634)
Fund balance at beginning of year	67,618	67,618	-
Fund balance at end of year	<u>\$ 67,618</u>	<u>\$ (73,016)</u>	<u>\$ (140,634)</u>

**New Home Incentive Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Other revenues:			
Interest revenue	\$ 7,000	\$ 6,571	\$ (429)
Other	30,000	55,796	25,796
Total revenues	<u>37,000</u>	<u>62,367</u>	<u>25,367</u>
Expenditures:			
Community development:			
Contractual services	8,500	7,517	(983)
Other expenditures	121,500	112,769	(8,731)
Total expenditures	<u>130,000</u>	<u>120,286</u>	<u>(9,714)</u>
Excess (deficiency) of revenues over expenditures	(93,000)	(57,919)	35,081
Other financing sources (uses):			
Proceeds from sale of capital asset	90,000	66,405	(23,595)
Transfers out	(180,000)	(131,864)	48,136
Total other financing sources (uses)	<u>(90,000)</u>	<u>(65,459)</u>	<u>24,541</u>
Net Changes in Fund Balances	(183,000)	(123,378)	59,622
Fund balance at beginning of year	878,812	878,812	-
Fund balance at end of year	<u>\$ 695,812</u>	<u>\$ 755,434</u>	<u>\$ 59,622</u>

Cemetery Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2014

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Charges for services	\$ 20,500	\$ 7,875	\$ (12,625)
Total revenues	<u>20,500</u>	<u>7,875</u>	<u>(12,625)</u>
Expenditures:			
Other:			
Personal services	19,739	27,618	7,879
Supplies	1,700	5,401	3,701
Contractual services	6,000	7,456	1,456
Capital outlay	19,000	21,590	2,590
Other expenditures	22,350	2,914	(19,436)
Total expenditures	<u>68,789</u>	<u>64,979</u>	<u>(3,810)</u>
Excess (deficiency) of revenues over expenditures	<u>(48,289)</u>	<u>(57,104)</u>	<u>(8,815)</u>
Other financing sources (uses):			
Proceeds from sale of capital asset	20,000	22,670	2,670
Transfers in	28,289	37,555	9,266
Total other financing sources (uses)	<u>48,289</u>	<u>60,225</u>	<u>11,936</u>
Net Changes in Fund Balances	-	3,121	3,121
Fund balance at beginning of year	4,655	4,655	-
Fund balance at end of year	<u>\$ 4,655</u>	<u>\$ 7,776</u>	<u>\$ 3,121</u>

Insect Control Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2014

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Charges for services	\$ 45,000	\$ 46,123	\$ 1,123
Other revenue:			
Interest revenue	1,500	4,424	4,424
Total revenues	<u>46,500</u>	<u>50,547</u>	<u>5,547</u>
Expenditures:			
Public Works:			
Personal services	4,055	10,155	6,100
Supplies	20,000	25,000	5,000
Capital outlay	10,000	-	(10,000)
Other expenditures	4,500	4,845	345
Total expenditures	<u>38,555</u>	<u>40,000</u>	<u>1,445</u>
Net Changes in Fund Balances	7,945	10,547	4,102
Fund balance at beginning of year	246,952	246,952	-
Fund balance at end of year	<u>\$ 254,897</u>	<u>\$ 257,499</u>	<u>\$ 4,102</u>

Perpetual Care Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2014

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Other revenue:			
Interest revenue	\$ 1,000	\$ 3,106	\$ 2,106
Other	10,000	10,580	580
Total revenues	<u>11,000</u>	<u>13,686</u>	<u>2,686</u>
 Net Change in Fund Balances	 11,000	 13,686	 2,686
 Fund balance at beginning of year	 <u>175,925</u>	 <u>175,925</u>	 <u>-</u>
Fund balance at end of year	<u>\$ 186,925</u>	<u>\$ 189,611</u>	<u>\$ 2,686</u>

Greenway Maintenance Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget to Actual
 For the Year Ended December 31, 2014

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Charges for services	\$ 45,000	\$ 46,113	\$ 1,113
Other revenue:			
Interest revenue	-	1,268	1,268
Total revenues	<u>45,000</u>	<u>47,381</u>	<u>2,381</u>
Expenditures:			
Public Works:			
Capital outlay	45,000	-	(45,000)
Total expenditures	<u>45,000</u>	<u>-</u>	<u>(45,000)</u>
Net Change in Fund Balances	-	47,381	47,381
Fund balance at beginning of year	52,923	52,923	-
Fund balance at end of year	<u>\$ 52,923</u>	<u>\$ 100,304</u>	<u>\$ 47,381</u>

125th Anniversary Celebration Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget to Actual
 For the Year Ended December 31, 2014

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Other revenue:			
Donations	\$ -	\$ 50	\$ 50
Total revenues	<u>-</u>	<u>50</u>	<u>50</u>
 Net Change in Fund Balances	 -	 50	 50
 Fund balance at beginning of year	 (797)	 (797)	 -
Fund balance at end of year	<u>\$ (797)</u>	<u>\$ (747)</u>	<u>\$ 50</u>



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INTERNAL SERVICE FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

INTERNAL SERVICE
FUNDS

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

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

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



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**Combining Statement of Net Position
Internal Service Funds
As of December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 85,978	\$ 77,367	\$ 163,345
Investments	773,799	696,300	1,470,099
Interfund receivable	-	82,486	82,486
Total current assets	<u>859,777</u>	<u>856,153</u>	<u>1,715,930</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	-	2,903,908	2,903,908
Less accumulated depreciation	-	(1,575,977)	(1,575,977)
Capital assets (net)	<u>-</u>	<u>1,327,931</u>	<u>1,327,931</u>
TOTAL ASSETS	<u>859,777</u>	<u>2,184,084</u>	<u>3,043,861</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	74,812	74,812
Compensated absences payable	41,000	-	41,000
Accrued Interest Payable	-	6,486	6,486
G.O. revenue bonds payable - current	-	90,000	90,000
Total current liabilities	<u>41,000</u>	<u>171,298</u>	<u>212,298</u>
Noncurrent liabilities:			
Compensated absences payable - net current portion	1,006,309	-	1,006,309
Notes Payable - net current portion	-	713,311	713,311
Total noncurrent liabilities	<u>1,006,309</u>	<u>713,311</u>	<u>1,719,620</u>
TOTAL LIABILITIES	<u>1,047,309</u>	<u>884,609</u>	<u>1,931,918</u>
NET POSITION			
Net investment in capital assets	-	524,620	524,620
Unrestricted	(187,532)	774,855	587,323
TOTAL NET POSITION	<u>\$ (187,532)</u>	<u>\$ 1,299,475</u>	<u>\$ 1,111,943</u>

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ -	\$ 299,981	\$ 299,981
Total operating revenues	<u>-</u>	<u>299,981</u>	<u>299,981</u>
Operating expenses:			
Compensated absences	114,787	-	114,787
Depreciation	-	156,908	156,908
Total operating expenses	<u>114,787</u>	<u>156,908</u>	<u>271,695</u>
Operating income (loss)	<u>(114,787)</u>	<u>143,073</u>	<u>28,286</u>
Nonoperating revenues (expenses)			
Interest revenue	15,908	-	15,908
Interest expense	-	(14,536)	(14,536)
Gain (loss) on disposal of assets	-	(3,979)	(3,979)
Total nonoperating revenues (expenses)	<u>15,908</u>	<u>(18,515)</u>	<u>(2,607)</u>
Change in net position	(98,879)	124,558	25,679
Net position at beginning of year	(88,653)	1,174,917	1,086,264
Net position at end of year	<u>\$ (187,532)</u>	<u>\$ 1,299,475</u>	<u>\$ 1,111,943</u>

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2014

CITY OF EAST GRAND FORKS

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Cash flow from operating activities:			
Receipts from interfund service provided	\$ -	\$ 299,981	\$ 299,981
Payments for compensated absences	(85,342)	-	(85,342)
Net cash provided by operating activities	<u>(85,342)</u>	<u>299,981</u>	<u>214,639</u>
Cash flows from capital financing activities:			
Acquisition of capital assets	-	(140,000)	(140,000)
Cash proceeds from sale of capital asset	-	30,000	30,000
Change in interfund receivable	-	16,149	16,149
Principal payments on long-term debt	-	(95,000)	(95,000)
Interest payments on long-term debt	-	(16,593)	(16,593)
Net cash provided by capital financing activities	<u>-</u>	<u>(205,444)</u>	<u>(205,444)</u>
Cash flows from investing activities			
Interest on investments	15,908	-	15,908
Sale of investments	(260,684)	(404,305)	(664,989)
Net cash provided by investing activities	<u>(244,776)</u>	<u>(404,305)</u>	<u>(649,081)</u>
Increase (decrease) in cash and cash equivalents	(330,118)	(309,768)	(639,886)
Cash and cash equivalents - January 1	416,096	387,135	803,231
Cash and cash equivalents - December 31	<u>\$ 85,978</u>	<u>\$ 77,367</u>	<u>\$ 163,345</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (114,787)	\$ 143,073	\$ 28,286
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	-	156,908	156,908
Changes in assets and liabilities:			
Compensated absences	29,445	-	29,445
Net cash provided by operating activities	<u>\$ (85,342)</u>	<u>\$ 299,981</u>	<u>\$ 214,639</u>



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OTHER SUPPLEMENTARY SCHEDULES



CITY OF EAST GRAND FORKS, MINNESOTA

OTHER SUPPLEMENTARY
SCHEDULES

**Schedule of Revenues and Other Sources
Budget to Actual – General Fund
For the Year Ended December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Taxes:				
Property taxes	\$ 2,925,988	\$ 3,062,285	\$ 136,297	\$ 2,486,461
Mobile home taxes	6,000	4,159	(1,841)	5,217
Tax increment taxes	200	-	(200)	2
Hotel/Motel taxes	11,000	15,175	4,175	17,260
Franchise taxes	1,382,500	1,466,924	84,424	1,413,533
Penalties and interest	-	-	-	2,997
Special Assessments	12,000	5,367	(6,633)	
Total taxes	<u>4,337,688</u>	<u>4,553,910</u>	<u>216,222</u>	<u>3,925,470</u>
Licenses and permits:				
Liquor and malt licenses	49,725	49,713	(12)	50,263
Tobacco licenses	500	450	(50)	500
Plumbing licenses	2,000	2,100	100	2,850
Amusement center licenses	-	20	20	40
Pet licenses	1,000	814	(186)	1,072
Other licenses	6,000	6,614	614	5,260
Building permits	50,000	51,208	1,208	59,997
Excavation permits	2,000	2,160	160	3,375
Plumbing permits	1,000	3,008	2,008	3,440
Other permits	3,000	3,515	515	4,845
Total Licenses & Permits	<u>115,225</u>	<u>119,602</u>	<u>4,377</u>	<u>131,642</u>
Intergovernmental:				
Federal grants	55,388	97,755	42,367	68,325
Local government aid	2,546,148	2,554,616	8,468	2,471,550
Disparity reduction credit	-	-	-	514,600
Market value credit	-	-	-	61
PERA aid	15,688	15,688	-	15,668
Police state aid	150,000	145,338	(4,662)	150,801
Fire state aid	35,000	58,794	23,794	58,850
Ambulance subsidy	22,000	20,111	(1,889)	21,939
Other	5,000	16,901	11,901	43,267
Total Intergovernmental	<u>2,829,224</u>	<u>2,909,203</u>	<u>79,979</u>	<u>3,345,061</u>
Charges for services:				
General Government	12,900	26,523	13,623	1,825
Accounting Other Funds	18,000	18,034	34	18,000
Rescue Unit	234,000	239,998	5,998	235,881

**Schedule of Revenues and Other Sources
Budget to Actual – General Fund
For the Year Ended December 31, 2014 (Continued)**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Charges for services (continued):				
Police services	-	1,000	1,000	1,843
Protective inspection services	16,000	16,305	305	14,145
Rural fire service	49,140	49,758	618	48,029
Public safety - other	2,000	1,091	(909)	1,142
Streets and highways	1,500	-	(1,500)	403
Street lights	206,400	205,231	(1,169)	206,072
Swimming pool	20,000	15,818	(4,182)	15,586
Summer recreation programs	40,800	47,860	7,060	44,283
Winter recreation programs	79,150	85,245	6,095	82,673
Recreation - other	16,000	84,913	68,913	219,556
Senior Center	3,900	4,754	854	9,211
City hall rent	25,000	28,725	3,725	25,285
Blue Line Arena rent	17,000	9,260	(7,740)	16,295
VFW arena rent	21,500	25,570	4,070	24,823
Civic center rent	105,000	101,305	(3,695)	99,327
Zoning	-	920	920	23,003
Library	7,700	7,631	(69)	-
Total charges for services	<u>875,990</u>	<u>969,941</u>	<u>93,951</u>	<u>1,087,382</u>
Fines and forfeits:				
Court fines	90,000	80,228	(9,772)	87,219
Parking fines	10,000	2,974	(7,026)	3,395
Other fees and fines	1,000	18,654	17,654	1,547
Impound fees	5,300	3,671	(1,629)	4,269
Sale of seized property	10,000	5,427	(4,573)	10,874
Total fines and forfeits	<u>116,300</u>	<u>110,954</u>	<u>(5,346)</u>	<u>107,304</u>
Miscellaneous revenues:				
Interest revenue	17,375	56,579	39,204	(20,316)
Donations	7,000	24,329	17,329	8,529
Insurance dividends and proceeds	30,000	37,474	7,474	113,035
Other	2,600	8,495	5,895	15,354
Total miscellaneous	<u>56,975</u>	<u>126,877</u>	<u>69,902</u>	<u>116,602</u>
Total revenues	<u>8,331,402</u>	<u>8,790,487</u>	<u>459,085</u>	<u>8,713,461</u>
Other financing sources:				
Proceeds from sale of capital asset	-	48,948	48,948	-
Transfers in	160,000	303,266	143,266	172,726
Total other financing sources	<u>160,000</u>	<u>352,214</u>	<u>192,214</u>	<u>172,726</u>
Total revenues and other financing sources	<u>\$ 8,491,402</u>	<u>\$ 9,142,701</u>	<u>\$ 651,299</u>	<u>\$ 8,886,187</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
General government:				
Council:				
Personal services	\$ 47,300	\$ 45,606	\$ 1,694	\$ 50,656
Other expenditures	6,931	3,062	3,869	5,333
Total	<u>54,231</u>	<u>48,668</u>	<u>5,563</u>	<u>55,989</u>
Ordinances and proceedings:				
Contractual services	3,000	1,195	1,805	1,566
Total	<u>3,000</u>	<u>1,195</u>	<u>1,805</u>	<u>1,566</u>
Mayor:				
Personal services	10,800	10,761	39	10,761
Supplies	186	-	186	-
Contractual services	773	241	532	777
Other expenditures	2,431	1,105	1,326	1,783
Total	<u>14,190</u>	<u>12,107</u>	<u>2,083</u>	<u>13,321</u>
Elections:				
Personal services	8,000	9,188	(1,188)	-
Other expenditures	186	(10)	196	-
Total	<u>8,186</u>	<u>9,178</u>	<u>(992)</u>	<u>-</u>
City administration:				
Personal services	299,110	302,096	(2,986)	300,964
Supplies	7,450	5,168	2,282	6,222
Contractual services	34,657	21,994	12,663	56,089
Other expenditures	14,725	18,082	(3,357)	11,160
Capital outlay	-	-	-	-
Total	<u>355,942</u>	<u>347,340</u>	<u>8,602</u>	<u>374,435</u>
Accounting and auditing:				
Contractual services	35,000	35,097	(97)	33,777
Total	<u>35,000</u>	<u>35,097</u>	<u>(97)</u>	<u>33,777</u>
City assessor:				
Contractual services	29,000	29,200	(200)	29,208
Total	<u>29,000</u>	<u>29,200</u>	<u>(200)</u>	<u>29,208</u>
City attorney:				
Contractual services	127,500	146,612	(19,112)	155,240
Other expenditures	2,500	-	2,500	1,801
Total	<u>130,000</u>	<u>146,612</u>	<u>(16,612)</u>	<u>157,041</u>
Planning and zoning:				
Personal services	30,430	34,559	(4,129)	30,495
Contractual services	466	45,974	(45,508)	53,194
Other expenditures	511	994	(483)	3,198
Total	<u>31,407</u>	<u>81,527</u>	<u>(50,120)</u>	<u>86,887</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2014 (Continued)**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
General government (continued)				
Civil service commission:				
Personal Services	3,230	3,230	-	3,095
Other expenditures	233	-	233	-
Total	<u>3,463</u>	<u>3,230</u>	<u>233</u>	<u>3,095</u>
Finance and accounting:				
Personal services	114,731	108,382	6,349	107,043
Supplies	-	-	-	67
Other expenditures	5,397	4,806	591	2,919
Capital outlay	559	-	559	-
Total	<u>120,687</u>	<u>113,188</u>	<u>7,499</u>	<u>110,029</u>
Building:				
Personal services	-	89	(89)	-
Supplies	2,328	2,983	(655)	2,113
Contractual services	16,263	17,882	(1,619)	121,584
Other expenditures	90,662	112,606	(21,944)	82
Total	<u>109,253</u>	<u>133,560</u>	<u>(24,307)</u>	<u>123,779</u>
Summary:				
Current	893,800	960,902	(67,102)	989,127
Capital outlay	559	-	559	-
Total general government	<u>\$ 894,359</u>	<u>\$ 960,902</u>	<u>\$ (66,543)</u>	<u>\$ 989,127</u>
Public safety:				
Police:				
Personal services	\$ 1,998,085	\$ 2,077,867	\$ (79,782)	\$ 1,993,037
Supplies	85,390	84,712	678	89,831
Contractual services	110,740	130,752	(20,012)	118,455
Other expenditures	16,519	14,737	1,782	12,887
Capital outlay	58,000	60,459	(2,459)	70,757
Total	<u>2,268,734</u>	<u>2,368,527</u>	<u>(99,793)</u>	<u>2,284,967</u>
Fire:				
Personal services	962,331	999,987	(37,656)	963,538
Supplies	2,794	1,586	1,208	26,095
Contractual services	206,686	134,873	71,813	183,071
Other expenditures	6,563	3,383	3,180	4,106
Capital outlay	-	-	-	7,418
Total	<u>1,178,374</u>	<u>1,139,829</u>	<u>38,545</u>	<u>1,184,228</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2014 (Continued)**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Public safety (continued)				
Building inspection:				
Personal services	91,577	92,264	(687)	81,804
Supplies	652	1,190	(538)	885
Contractual services	56,838	88,807	(31,969)	104,366
Other expenditures	4,481	3,745	736	3,636
Capital outlay	-	1,709	(1,709)	1,280
Total	<u>153,548</u>	<u>187,715</u>	<u>(34,167)</u>	<u>191,971</u>
Emergency Management:				
Other expenditures	-	-	-	690
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>690</u>
Traffic engineering:				
Personal services	20,108	16,168	3,940	18,387
Supplies	13,504	10,866	2,638	13,706
Contractual services	14,073	13,444	629	15,305
Other expenditures	1,396	2,081	(685)	110
Total	<u>49,081</u>	<u>42,559</u>	<u>6,522</u>	<u>47,508</u>
Animal control:				
Contractual services	7,000	5,202	1,798	5,427
Total	<u>7,000</u>	<u>5,202</u>	<u>1,798</u>	<u>5,427</u>
Summary:				
Current	3,598,737	3,681,664	(82,927)	3,635,336
Capital outlay	58,000	62,168	(4,168)	79,455
Total public safety	<u>\$ 3,656,737</u>	<u>\$ 3,743,832</u>	<u>\$ (87,095)</u>	<u>\$ 3,714,791</u>
Public works:				
Administration:				
Personal services	\$ 93,414	\$ 93,246	\$ 168	\$ 85,089
Supplies	1,397	1,700	(303)	1,611
Contractual services	2,676	1,274	1,402	2,600
Other expenditures	5,294	4,655	639	2,678
Total	<u>102,781</u>	<u>100,875</u>	<u>1,906</u>	<u>91,978</u>
Streets:				
Personal services	278,844	270,329	8,515	202,952
Supplies	5,122	4,365	757	12,786
Contractual services	500	-	500	-
Other expenditures	15,367	22,557	(7,190)	11,709
Capital outlay	250,000	49,797	200,203	125,558
Total	<u>549,833</u>	<u>347,048</u>	<u>202,785</u>	<u>353,005</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2014 (Continued)**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Public works (continued)				
Engineering Services:				
Other professional services	30,000	62,790	(32,790)	32,363
Total	<u>30,000</u>	<u>62,790</u>	<u>(32,790)</u>	<u>32,363</u>
Downtown parking lots:				
Personal services	5,515	6,407	(892)	10,218
Contractual services	932	-	932	896
Total	<u>6,447</u>	<u>6,407</u>	<u>40</u>	<u>11,114</u>
Ice and snow removal:				
Personal services	96,963	86,931	10,032	116,381
Supplies	466	-	466	16,179
Contractual services	92,313	118,532	(26,219)	97,742
Other expenditures	931	945	(14)	1,253
Total	<u>190,673</u>	<u>206,408</u>	<u>(15,735)</u>	<u>231,555</u>
Equipment:				
Supplies	64,725	83,474	(18,749)	111,320
Contractual services	186,588	240,849	(54,261)	229,556
Other expenditures	466	128	338	58
Capital outlay	-	-	-	102,931
Total	<u>251,779</u>	<u>324,451</u>	<u>(72,672)</u>	<u>443,865</u>
Equipment building:				
Supplies	15,970	13,543	2,427	18,399
Contractual services	67,568	59,224	8,344	61,433
Other expenditures	8,325	9,929	(1,604)	10,990
Total	<u>91,863</u>	<u>82,696</u>	<u>9,167</u>	<u>90,822</u>
City shop:				
Personal services	142,103	168,019	(25,916)	150,735
Charged back	(90,000)	(83,442)	(6,558)	(80,845)
Supplies	180,000	235,763	(55,763)	232,004
Charged back	(180,000)	(235,158)	55,158	(244,420)
Other expenditures	1,500	500	1,000	1,165
Total	<u>53,603</u>	<u>85,682</u>	<u>(32,079)</u>	<u>58,639</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2014 (Continued)**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Public works (continued)				
Storm sewers:				
Miscellaneous	-	-	-	5,864
Total	-	-	-	5,864
Street lighting:				
Contractual services	180,000	182,861	(2,861)	195,653
Total	180,000	182,861	(2,861)	195,653
Street cleaning:				
Personal services	24,129	25,485	(1,356)	21,598
Contractual services	18,100	95,223	(77,123)	18,100
Total	42,229	120,708	(78,479)	39,698
Weed control:				
Personal services	23,555	42,645	(19,090)	33,510
Supplies	465	359	106	482
Other expenditures	931	1,411	(480)	441
Total	24,951	44,415	(19,464)	34,433
Summary:				
Current	1,274,159	1,514,544	(240,385)	1,360,500
Capital outlay	250,000	49,797	200,203	228,489
Total public works	<u>\$ 1,524,159</u>	<u>\$ 1,564,341</u>	<u>\$ (40,182)</u>	<u>\$ 1,588,989</u>
Recreation and culture:				
Parks and recreation administration				
Personal services	\$ 227,635	\$ 236,256	\$ (8,621)	\$ 219,346
Supplies	3,259	2,910	349	2,486
Contractual services	5,726	5,315	411	4,204
Other expenditures	3,931	4,882	(951)	3,989
Total	240,551	249,363	(8,812)	230,025
Playgrounds:				
Personal services	4,728	5,587	(859)	6,589
Supplies	559	534	25	547
Other expenditures	326	168	158	324
Capital outlay	15,000	12,913	2,087	24,313
Total	20,613	19,202	1,411	31,773

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2014 (Continued)**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Recreation and culture (continued)				
Swimming pool:				
Personal services	43,484	58,019	(14,535)	53,193
Supplies	12,107	11,052	1,055	11,822
Contractual services	5,215	6,246	(1,031)	51,831
Other expenditures	30,267	44,875	(14,608)	3,325
Capital outlay	-	-	-	14,286
Total	<u>91,073</u>	<u>120,192</u>	<u>(29,119)</u>	<u>134,457</u>
Tennis:				
Personal services	2,907	3,044	(137)	3,513
Supplies	466	270	196	175
Other expenditures	2,141	275	1,866	246
Total	<u>5,514</u>	<u>3,589</u>	<u>1,925</u>	<u>3,934</u>
Skating rinks:				
Personal services	6,997	7,024	(27)	1,284
Supplies	1,118	1,042	76	625
Other expenditures	465	-	465	-
Total	<u>8,580</u>	<u>8,066</u>	<u>514</u>	<u>1,909</u>
Hockey:				
Personal services	37,678	36,837	841	34,041
Supplies	1,863	2,494	(631)	2,417
Other expenditures	6,793	5,448	1,345	5,290
Total	<u>46,334</u>	<u>44,779</u>	<u>1,555</u>	<u>41,748</u>
Figure skating:				
Personal services	35,525	27,327	8,198	32,366
Supplies	3,260	2,082	1,178	2,801
Other expenditures	965	7,278	(6,313)	1,714
Total	<u>39,750</u>	<u>36,687</u>	<u>3,063</u>	<u>36,881</u>
Baseball:				
Personal services	36,601	28,710	7,891	35,125
Supplies	12,851	13,825	(974)	13,301
Other expenditures	4,760	3,585	1,175	12,147
Total	<u>54,212</u>	<u>46,120</u>	<u>8,092</u>	<u>60,573</u>
Softball:				
Personal services	11,842	12,873	(1,031)	11,820
Supplies	2,701	3,044	(343)	1,411
Other expenditures	942	163	779	604
Total	<u>15,485</u>	<u>16,080</u>	<u>(595)</u>	<u>13,835</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2014 (Continued)**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Recreation and culture (continued)				
Civic center:				
Personal services	119,278	105,313	13,965	102,938
Supplies	17,469	14,062	3,407	18,775
Contractual services	108,896	145,823	(36,927)	190,965
Other expenditures	1,466	1,761	(295)	1,618
Capital outlay	22,000	24,538	(2,538)	-
Total	<u>269,109</u>	<u>291,497</u>	<u>(22,388)</u>	<u>314,296</u>
VFW arena:				
Personal services	114,726	91,702	23,024	88,717
Supplies	15,607	12,682	2,925	16,778
Contractual services	72,706	102,278	(29,572)	101,541
Other expenditures	1,368	1,695	(327)	281
Total	<u>204,407</u>	<u>208,357</u>	<u>(3,950)</u>	<u>207,317</u>
Library:				
Personal services	364,375	359,434	4,941	328,447
Supplies	7,300	7,450	(150)	49,147
Other expenditures	101,500	125,193	(23,693)	66,678
Total	<u>473,175</u>	<u>492,077</u>	<u>(18,902)</u>	<u>444,272</u>
Senior Center:				
Personal services	72,514	77,706	(5,192)	75,401
Supplies	4,191	4,910	(719)	5,041
Other expenditures	20,623	25,715	(5,092)	33,427
Total	<u>97,328</u>	<u>108,331</u>	<u>(11,003)</u>	<u>113,869</u>
Blue Line Arena:				
Personal services	10,765	9,195	1,570	10,499
Supplies	3,000	3,814	(814)	4,495
Contractual services	23,626	36,533	(12,907)	42,145
Total	<u>37,391</u>	<u>49,542</u>	<u>(12,151)</u>	<u>57,139</u>
Park areas:				
Personal services	138,437	161,463	(23,026)	140,932
Supplies	48,298	53,258	(4,960)	42,640
Contractual services	74,091	106,875	(32,784)	87,239
Other expenditures	4,725	2,009	2,716	2,661
Capital outlay	53,000	46,512	6,488	-
Total	<u>318,551</u>	<u>370,117</u>	<u>(51,566)</u>	<u>273,472</u>
Campground-Recreation Area:				
Personal services	81,700	82,727	(1,027)	80,361
Supplies	12,000	14,204	(2,204)	9,618
Contractual services	10,642	4,317	6,325	-
Other expenditures	5,824	3,250	2,574	10,999
Capital outlay	-	5,825	(5,825)	-
Total	<u>110,166</u>	<u>110,323</u>	<u>(157)</u>	<u>100,978</u>
Summary:				
Current	1,942,239	2,084,534	(146,033)	2,027,879
Capital outlay	90,000	89,788	3,950	38,599
Total Recreation and culture	<u>\$ 2,032,239</u>	<u>\$ 2,174,322</u>	<u>\$ (142,083)</u>	<u>\$ 2,066,478</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2014 (Continued)**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Community Development:				
Residential tax abatement	\$ 60,000	\$ 11,864	\$ 48,136	\$ -
Total	<u>60,000</u>	<u>11,864</u>	<u>48,136</u>	<u>-</u>
Summary:				
Current	60,000	11,864	48,136	-
Total Community Development	<u>\$ 60,000</u>	<u>\$ 11,864</u>	<u>\$ 48,136</u>	<u>\$ -</u>
Other expenditures:				
Workers compensation	\$ 10,000	\$ 3,222	\$ 6,778	\$ 5,679
General liability and other insurance	150,000	171,376	(21,376)	156,912
Promotional(Lodging)	10,670	14,625	(3,955)	16,397
Memberships and dues	20,000	21,892	(1,892)	21,031
Miscellaneous	25,000	28,887	(3,887)	28,013
Contributed services	30,000	-	30,000	-
Contributed capital outlay	30,000	171,402	(141,402)	36,639
Capital outlay	20,000	2,128	17,872	(5,471)
Total	<u>295,670</u>	<u>413,532</u>	<u>(117,862)</u>	<u>259,200</u>
Summary:				
Current	245,670	240,002	5,668	228,032
Capital outlay	50,000	173,530	(123,530)	31,168
Total other expenditures	<u>\$ 295,670</u>	<u>\$ 413,532</u>	<u>\$ (117,862)</u>	<u>\$ 259,200</u>
Total expenditures	<u>\$ 8,463,164</u>	<u>\$ 8,868,793</u>	<u>\$ (405,629)</u>	<u>\$ 8,618,585</u>
Other financing uses:				
Operating transfer out:				
Special revenue funds	\$ 238,012	\$ 503,943	\$ (265,931)	\$ 284,162
Total other financing uses	<u>238,012</u>	<u>503,943</u>	<u>(265,931)</u>	<u>284,162</u>
Total expenditures and other financing uses	<u>\$ 8,701,176</u>	<u>\$ 9,372,736</u>	<u>\$ (671,560)</u>	<u>\$ 8,902,747</u>

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Sources
As of December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>2014</u>	<u>2013</u>
Governmental funds capital assets		
Land and Land Improvements	\$ 31,203,471	\$ 31,203,471
Building, Systems, and Structures	78,489,691	78,463,239
Machinery and equipment	8,617,537	8,300,288
Street Network/ Infrastructure	49,029,603	47,299,658
Construction in progress	288,761	663,164
Total governmental funds capital assets	<u>\$ 167,629,063</u>	<u>\$ 165,929,820</u>
 Investments in governmental funds capital assets by source:		
General Fund	\$ 118,437,544	\$ 118,437,544
Special revenue funds	1,626,766	1,475,983
Internal service funds	2,903,908	2,798,762
Capital project funds	44,660,845	43,217,531
Total investments in governmental funds capital assets by source	<u>\$ 167,629,063</u>	<u>\$ 165,929,820</u>

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
As of December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>Land and Land Improvements</u>	<u>Buildings, Systems, and Structures</u>	<u>Machinery and Equipment</u>	<u>Street Network/ Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government:						
Government center	\$ 453,500	\$ 7,069,133	\$ -	\$ -	\$ -	\$ 7,522,633
Other	-	-	161,911	-	-	161,911
Total general government	<u>453,500</u>	<u>7,069,133</u>	<u>161,911</u>	<u>-</u>	<u>-</u>	<u>7,684,544</u>
Public safety:						
Police	94,000	1,895,400	652,609	-	-	2,642,009
Fire	45,500	1,773,051	1,742,397	-	-	3,560,948
Total public safety	<u>139,500</u>	<u>3,668,451</u>	<u>2,395,006</u>	<u>-</u>	<u>-</u>	<u>6,202,957</u>
Public works:						
Infrastructure (street network)	-	-	-	49,029,603	-	49,029,603
Storm protection network	28,441,616	50,773,446	934,341	-	-	80,149,403
Other	1,527,610	1,912,185	2,355,861	-	288,761	6,084,417
Total public works	<u>29,969,226</u>	<u>52,685,631</u>	<u>3,290,202</u>	<u>49,029,603</u>	<u>288,761</u>	<u>135,263,423</u>
Recreation and culture:						
Parks	539,840	11,521,495	1,630,002	-	-	13,691,337
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>2,284,449</u>	<u>-</u>	<u>-</u>	<u>17,803,934</u>
Transit	-	24,077	446,294	-	-	470,371
Cemetery	63,705	100,454	39,675	-	-	203,834
Total governmental fund capital assets	<u>\$ 31,203,471</u>	<u>\$ 78,489,691</u>	<u>\$ 8,617,537</u>	<u>\$ 49,029,603</u>	<u>\$ 288,761</u>	<u>\$ 167,629,063</u>

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
As of December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and transfers, net</u>	<u>Ending Balance</u>
General government				
Government center	\$ 7,522,633	\$ -	\$ -	\$ 7,522,633
Other	161,911	-	-	161,911
Total general government	<u>7,684,544</u>	<u>-</u>	<u>-</u>	<u>7,684,544</u>
Public safety:				
Police	3,265,401	-	(623,392)	2,642,009
Fire	2,816,936	1,367,404	623,392	3,560,948
Total public safety	<u>6,082,337</u>	<u>1,367,404</u>	<u>-</u>	<u>6,202,957</u>
Public works:				
Infrastructure (street network)	47,299,658	1,729,945	-	49,029,603
Storm protection network	80,149,403	-	-	80,149,403
Other	6,446,233	437,279	(799,095)	6,084,417
Total public works	<u>133,895,294</u>	<u>2,167,224</u>	<u>(799,095)</u>	<u>135,263,423</u>
Recreation or culture				
Parks	13,629,266	62,071	-	13,691,337
Library	3,891,362	-	-	3,891,362
Senior center	221,235	-	-	221,235
Total recreation and culture	<u>17,741,863</u>	<u>62,071</u>	<u>-</u>	<u>17,803,934</u>
Transit	<u>343,538</u>	<u>126,833</u>	<u>-</u>	<u>470,371</u>
Cemetery	<u>182,244</u>	<u>21,590</u>	<u>-</u>	<u>203,834</u>
Total governmental funds capital assets	<u>\$ 165,929,820</u>	<u>\$ 3,745,122</u>	<u>\$ (799,095)</u>	<u>\$ 167,629,063</u>

Statement of Changes in Fiduciary Net Position
 Agency Fund – Flexible Benefits
 As of December 31, 2014

CITY OF EAST GRAND FORKS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS:				
Restricted cash and cash equivalents	<u>\$ 20,223</u>	<u>\$ 170,037</u>	<u>\$ (172,513)</u>	<u>\$ 17,747</u>
LIABILITIES:				
Due to employees	<u>\$ 20,223</u>	<u>\$ 170,037</u>	<u>\$ (172,513)</u>	<u>\$ 17,747</u>

**Combining Statement of Net Position
Discretely Presented Component Unit – by Focus
As of December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,041,959	\$ 1,312,318	\$ 2,354,277
Accounts receivable	263	-	263
Due from other funds	9,485	137,329	146,814
Due from other government units	-	743	743
Notes receivable (current portion)	15,332	-	15,332
Restricted cash and cash equivalents	523,076	120,672	643,748
Total current assets	<u>1,590,115</u>	<u>1,571,062</u>	<u>3,161,177</u>
Noncurrent assets:			
Capital assets:			
Land	50,300	-	50,300
Buildings and systems	5,503,577	-	5,503,577
Machinery and equipment	196,017	9,749	205,766
Total capital assets	<u>5,749,894</u>	<u>9,749</u>	<u>5,759,643</u>
Less accumulated depreciation	<u>(1,930,895)</u>	<u>(9,749)</u>	<u>(1,940,644)</u>
Total capital assets (net)	<u>3,818,999</u>	<u>-</u>	<u>3,818,999</u>
Land held for resale	-	60,777	60,777
Notes receivable (net current portion)	-	2,665,841	2,665,841
Allowance for uncollectible	-	<u>(577,862)</u>	<u>(577,862)</u>
Total noncurrent assets	<u>-</u>	<u>2,148,756</u>	<u>2,148,756</u>
TOTAL ASSETS	<u>5,409,114</u>	<u>3,719,818</u>	<u>9,128,932</u>
LIABILITIES			
Current liabilities:			
Accounts payable	15,805	2,658	18,463
Accrued wages payable	5,270	483	5,753
Due to other funds	-	137,329	137,329
Due to other government units	14,917	704	15,621
Notes payable - current	-	27,684	27,684
Compensated absences payable - current	36,925	-	36,925
Accrued interest payable	-	1,689	1,689
Total current liabilities	<u>72,917</u>	<u>170,547</u>	<u>243,464</u>
Noncurrent liabilities:			
Customer deposits	24,516	-	24,516
Notes payable (net current portion)	-	288,207	288,207
Total noncurrent liabilities	<u>24,516</u>	<u>288,207</u>	<u>312,723</u>
NET POSITION			
Net investment in capital assets	3,818,999	-	3,818,999
Restricted	471,519	120,672	592,191
Unrestricted	1,021,163	3,140,392	4,161,555
TOTAL NET POSITION	<u>\$ 5,311,681</u>	<u>\$ 3,261,064</u>	<u>\$ 8,572,745</u>

**Statement of Revenues, Expenses and Changes in Fund Net Position
Discretely Presented Component Unit – by Focus
For the Year Ended December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 405,604	\$ 55,639	\$ 461,243
Intergovernmental	1,705,420	-	1,705,420
Other	24,963	74,734	99,697
Total operating revenues	<u>2,135,987</u>	<u>130,373</u>	<u>2,266,360</u>
Operating expenses:			
Community development:			
Administration	501,449	44,512	545,961
Depreciation	139,712	-	139,712
Other:			
Business development	-	564,915	564,915
Housing programs	1,515,678	-	1,515,678
Total operating expenses	<u>2,156,839</u>	<u>609,427</u>	<u>2,766,266</u>
Operating income (loss)	<u>(20,852)</u>	<u>(479,054)</u>	<u>(499,906)</u>
Nonoperating revenues (expenses):			
Interest revenue	18,874	26,221	45,095
Tax increment revenue	-	112,350	112,350
Interest expense	(775)	(3,237)	(4,012)
Total nonoperating revenues (expenses)	<u>18,099</u>	<u>135,334</u>	<u>153,433</u>
Income (loss) before transfers in (out)	(2,753)	(343,720)	(346,473)
Transfers in	-	522,000	522,000
Transfers out	-	(522,000)	(522,000)
Change in net position	(2,753)	(343,720)	(346,473)
Net position at beginning of year	5,314,434	3,604,784	8,919,218
Net position at end of year	<u>\$ 5,311,681</u>	<u>\$ 3,261,064</u>	<u>\$ 8,572,745</u>

**Combining Schedule of Net Position
Discretely Presented Component Unit – Economic Development Focus
As of December 31, 2014**

CITY OF EAST GRAND FORKS

	<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>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ -	\$ 453,636	\$ 3,880	\$ 644,415	\$ 210,387	\$ 1,312,318
Due from other funds	-	-	-	137,329	-	137,329
Due from other government units	-	-	743	-	-	743
Restricted cash and cash equivalents	120,672	-	-	-	-	120,672
Total current assets	<u>120,672</u>	<u>453,636</u>	<u>4,623</u>	<u>781,744</u>	<u>210,387</u>	<u>1,571,062</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	-	18,777	42,000	-	-	60,777
Notes receivable (net current portion)	510,000	-	218,276	-	1,937,565	2,665,841
Allowance for uncollectible	(510,000)	-	-	-	(67,862)	(577,862)
Total noncurrent assets	-	18,777	260,276	-	1,869,703	2,148,756
TOTAL ASSETS	<u>120,672</u>	<u>472,413</u>	<u>264,899</u>	<u>781,744</u>	<u>2,080,090</u>	<u>3,719,818</u>
LIABILITIES						
Current liabilities:						
Accounts payable	2,020	638	-	-	-	2,658
Accrued wages payable	483	-	-	-	-	483
Due to other funds	137,329	-	-	-	-	137,329
Due to other governments	704	-	-	-	-	704
Notes payable - current	-	-	-	27,684	-	27,684
Accrued interest payable	-	-	-	1,689	-	1,689
Total current liabilities	<u>140,536</u>	<u>638</u>	<u>-</u>	<u>29,373</u>	<u>-</u>	<u>170,547</u>
Noncurrent liabilities:						
Notes payable (net current portion)	-	-	-	288,207	-	288,207
Total noncurrent liabilities	-	-	-	288,207	-	288,207
Total liabilities	<u>140,536</u>	<u>638</u>	<u>-</u>	<u>317,580</u>	<u>-</u>	<u>458,754</u>
NET POSITION						
Restricted	120,672	-	-	-	-	120,672
Unrestricted	(140,536)	471,775	264,899	464,164	2,080,090	3,140,392
TOTAL NET POSITION	<u>\$ (19,864)</u>	<u>\$ 471,775</u>	<u>\$ 264,899</u>	<u>\$ 464,164</u>	<u>\$ 2,080,090</u>	<u>\$ 3,261,064</u>

**Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Discretely Presented Component Unit – Economic Development Focus
For the Year Ended December 31, 2014**

CITY OF EAST GRAND FORKS

	<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	\$ -	\$ -	\$ -	\$ 14	\$ 55,625	\$ 55,639
Other revenues:						
Business development	-	-	7,144	-	-	7,144
Other	67,590	-	-	-	-	67,590
Total operating revenues	<u>67,590</u>	<u>-</u>	<u>7,144</u>	<u>14</u>	<u>55,625</u>	<u>130,373</u>
Operating expenses:						
Administration	44,512	-	-	-	-	44,512
Business development	9,605	321,394	581	-	233,335	564,915
Total operating expenses	<u>54,117</u>	<u>321,394</u>	<u>581</u>	<u>-</u>	<u>233,335</u>	<u>609,427</u>
Operating income (loss)	<u>13,473</u>	<u>(321,394)</u>	<u>6,563</u>	<u>14</u>	<u>(177,710)</u>	<u>(479,054)</u>
Nonoperating revenues (expenses):						
Interest revenue	-	12,200	-	7,025	6,996	26,221
Tax increment revenue	-	94,117	18,233	-	-	112,350
Interest expense	-	-	-	(3,237)	-	(3,237)
Total nonoperating revenues (expenses)	<u>-</u>	<u>106,317</u>	<u>18,233</u>	<u>3,788</u>	<u>6,996</u>	<u>135,334</u>
Income (loss) before transfers	13,473	(215,077)	24,796	3,802	(170,714)	(343,720)
Transfers in	-	-	522,000	-	-	522,000
Transfers out	<u>-</u>	<u>(522,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(522,000)</u>
Change in net position	13,473	(737,077)	546,796	3,802	(170,714)	(343,720)
Net position at beginning of year	<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>
Net position at end of year	<u>\$ (19,864)</u>	<u>\$ 471,775</u>	<u>\$ 264,899</u>	<u>\$ 464,164</u>	<u>\$ 2,080,090</u>	<u>\$ 3,261,064</u>

**Combining Schedule of Net Position
Discretely Presented Component Unit – Housing Focus
As of December 31, 2014**

CITY OF EAST GRAND FORKS

	<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	\$ 686,796	\$ -	\$ 200,653	\$ 154,510	\$ 1,041,959
Investments	-	-	-	-	-
Accounts Receivable	-	263	-	-	263
Due from other funds	9,485	-	-	-	9,485
Notes Receivable	-	-	15,332	-	15,332
Restricted cash and cash equivalents	-	523,076	-	-	523,076
Total Current Assets	<u>696,281</u>	<u>523,339</u>	<u>215,985</u>	<u>154,510</u>	<u>1,590,115</u>
Noncurrent Assets:					
Capital assets:					
Land	50,300	-	-	-	50,300
Buildings and systems	5,503,577	-	-	-	5,503,577
Machinery and equipment	137,110	58,907	-	-	196,017
Total capital assets	5,690,987	58,907	-	-	5,749,894
Less accumulated depreciation	(1,871,988)	(58,907)	-	-	(1,930,895)
Total capital assets (net)	3,818,999	-	-	-	3,818,999
Total noncurrent assets	3,818,999	-	-	-	3,818,999
TOTAL ASSETS	<u>4,515,280</u>	<u>523,339</u>	<u>215,985</u>	<u>154,510</u>	<u>5,409,114</u>
LIABILITIES					
Current liabilities:					
Accounts payable	10,899	4,906	-	-	15,805
Accrued wages payable	2,681	2,589	-	-	5,270
Due to other government units	5,277	9,640	-	-	14,917
Customer deposits	24,516	-	-	-	24,516
Compensated absences payable - current	2,240	34,685	-	-	36,925
Special assessments payable - current portion	-	-	-	-	-
Total Liabilities	<u>45,613</u>	<u>51,820</u>	<u>-</u>	<u>-</u>	<u>97,433</u>
NET POSITION					
Net investment in capital assets	3,818,999	-	-	-	3,818,999
Restricted	-	471,519	-	-	471,519
Unrestricted	650,668	-	215,985	154,510	1,021,163
TOTAL NET POSITION	<u>\$ 4,469,667</u>	<u>\$ 471,519</u>	<u>\$ 215,985</u>	<u>\$ 154,510</u>	<u>\$ 5,311,681</u>

**Combining Schedule of Revenues, Expenses and Change in Fund Net Position
Discretely Presented Component Unit – Housing Focus
For the Year Ended December 31, 2014**

CITY OF EAST GRAND FORKS

	<u>Sunshine Terrace</u>	<u>Program C4043V</u>	<u>Housing Loan</u>	<u>Town Square</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 405,604	\$ -	\$ -	\$ -	\$ 405,604
Intergovernmental	-	1,705,420	-	-	1,705,420
Other	13,863	11,100	-	-	24,963
Total operating revenues	<u>419,467</u>	<u>1,716,520</u>	<u>-</u>	<u>-</u>	<u>2,135,987</u>
Operating expenses:					
Community development:					
Personal services	96,289	122,838	2,107	-	221,234
Supplies	1,589	3,578	-	-	5,167
Contractual services	62,920	24,895	-	-	87,815
Depreciation	139,712	-	-	-	139,712
Housing payments	-	1,515,678	-	-	1,515,678
Other expenditures	183,458	3,729	46	-	187,233
Total operating expenses	<u>483,968</u>	<u>1,670,718</u>	<u>2,153</u>	<u>-</u>	<u>2,156,839</u>
Operating income (loss)	<u>(64,501)</u>	<u>45,802</u>	<u>(2,153)</u>	<u>-</u>	<u>(20,852)</u>
Nonoperating revenues (expenses):					
Interest revenue	11,682	1	4,139	3,052	18,874
Interest expense	(775)	-	-	-	(775)
Total nonoperating revenues (expenses)	<u>10,907</u>	<u>1</u>	<u>4,139</u>	<u>3,052</u>	<u>18,099</u>
Change in net position	(53,594)	45,803	1,986	3,052	(2,753)
Net position at beginning of year	4,523,261	425,716	213,999	151,458	5,314,434
Net position at end of year	<u>\$ 4,469,667</u>	<u>\$ 471,519</u>	<u>\$ 215,985</u>	<u>\$ 154,510</u>	<u>\$ 5,311,681</u>

STATISTICAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

STATISTICAL SECTION

Statistical Information

(Unaudited)

CITY OF EAST GRAND FORKS

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

Contents

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

- Construction
- Principal Employers
- Demographic & Economic Statistics

Operating Information

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

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

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



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**Net Position by Component
Last Ten Years**
(Accrual basis of accounting)

CITY OF EAST GRAND FORKS

	<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>	<u>2014</u>
Governmental activities										
Net investment in capital assets	\$ 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	\$ 116,911,181
Restricted	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	8,957,932
Unrestricted	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	6,540,397
Total governmental activities net position	<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>\$ 135,191,684</u>	<u>\$ 133,886,715</u>	<u>\$ 132,682,910</u>	<u>\$ 132,193,270</u>	<u>\$ 132,409,510</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 49,290,648
Restricted	413,247	67,713	67,710	72,029	72,233	-	-	-	-	-
Unrestricted	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	17,889,666
Total business-type activities net position	<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>\$ 64,589,930</u>	<u>\$ 64,357,718</u>	<u>\$ 65,670,840</u>	<u>\$ 66,103,617</u>	<u>\$ 67,180,314</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 166,201,829
Restricted	8,466,889	11,519,286	11,585,083	12,628,208	11,706,834	10,977,442	9,888,840	9,445,754	7,660,112	8,957,932
Unrestricted	23,589,810	23,587,669	26,951,550	23,462,051	24,432,485	24,191,873	25,656,822	25,010,603	23,907,552	24,430,063
Total primary government net position	<u>\$ 168,221,978</u>	<u>\$ 196,219,116</u>	<u>\$ 199,707,779</u>	<u>\$ 198,750,808</u>	<u>\$ 199,238,317</u>	<u>\$ 199,781,614</u>	<u>\$ 198,244,433</u>	<u>\$ 198,353,750</u>	<u>\$ 198,296,887</u>	<u>\$ 199,589,824</u>

Changes in Net Position
Last Ten Years
(Accrual basis of accounting)

CITY OF EAST GRAND FORKS

	<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>	<u>2014</u>
Expenses										
Governmental activities:										
General government	\$ 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	\$ 1,300,311
Public safety	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	3,919,550
Public works	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	4,896,908
Transit	234,577	243,157	359,459	276,189	283,898	278,476	365,385	401,470	343,947	385,912
Recreation and culture	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	2,748,617
Community development	337,161	284,342	286,303	254,056	181,624	166,045	173,235	227,832	122,563	132,490
Cemetery	27,977	61,136	35,256	50,467	47,105	52,476	57,228	60,463	299,909	43,389
Interest on long-term debt	428,803	473,946	472,223	513,782	505,820	566,395	612,504	533,736	502,385	458,606
Total governmental activities expenses	<u>10,042,480</u>	<u>10,214,336</u>	<u>11,666,588</u>	<u>11,777,562</u>	<u>11,608,476</u>	<u>11,680,425</u>	<u>11,603,014</u>	<u>13,099,906</u>	<u>11,506,541</u>	<u>13,885,783</u>
Business-type activities										
Electric utility	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	13,796,998
Water utility	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	2,290,490
Sewer utility	553,626	587,568	629,832	665,582	703,260	785,645	964,063	901,603	918,483	868,049
City mall	460,350	412,999	428,359	358,227	350,600	365,121	631,066	324,547	335,128	346,560
Storm Water	-	-	-	477,935	907,291	956,736	804,162	499,046	561,522	621,122
Refuse collection	626,148	651,538	788,955	919,920	812,010	838,236	854,222	866,266	912,945	906,560
Total business-type activities expenses	<u>11,944,818</u>	<u>12,824,988</u>	<u>14,259,041</u>	<u>16,175,849</u>	<u>16,053,474</u>	<u>16,809,682</u>	<u>17,617,811</u>	<u>18,141,418</u>	<u>18,063,363</u>	<u>18,829,779</u>
Total primary government expenses	<u>\$ 21,987,298</u>	<u>\$ 23,039,324</u>	<u>\$ 25,925,629</u>	<u>\$ 27,953,411</u>	<u>\$ 27,661,950</u>	<u>\$ 28,490,107</u>	<u>\$ 29,220,825</u>	<u>\$ 31,241,324</u>	<u>\$ 29,569,904</u>	<u>\$ 32,715,562</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 166,572	\$ 130,597	\$ 111,003	\$ 117,172	\$ 102,704	\$ 125,833	\$ 118,710	\$ 301,653	\$ 77,324	\$ 64,999
Public safety	286,779	252,713	296,028	316,428	314,829	246,507	459,160	306,445	301,040	308,152
Public works	287,309	321,362	214,208	218,778	219,704	266,398	273,836	-	298,163	305,410
Transit	12,588	4,000	4,000	19,398	2,446	4,500	-	214,771	-	-
Recreation and culture	221,331	330,258	331,153	340,909	406,660	386,664	319,877	411,311	514,163	382,199
Community development	908,823	306,409	197,578	98,500	93,745	137,975	36,000	-	106,024	1,417
Cemetery	36,530	47,690	34,410	65,265	46,352	41,793	55,832	-	39,295	7,875
Operating grants and contributions	493,345	581,575	632,310	625,375	654,364	611,611	742,997	3,380,925	3,753,816	3,001,462
Capital grants and contributions	19,305,770	26,308,072	4,181,757	1,638,591	2,310,356	2,864,343	713,176	-	532,698	377,027
Total governmental activities program revenues	<u>21,719,047</u>	<u>28,282,676</u>	<u>6,002,447</u>	<u>3,440,416</u>	<u>4,151,159</u>	<u>4,685,624</u>	<u>2,719,588</u>	<u>4,615,105</u>	<u>5,622,523</u>	<u>4,448,541</u>

Changes in Net Position
Last Ten Years (Continued)
(Accrual basis of accounting)

CITY OF EAST GRAND FORKS

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Business-type activities:										
Charges for services:										
Electric utility	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	14,329,858
Water utility	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	2,691,644
Sewer utility	564,904	564,768	566,828	627,070	968,208	988,491	976,454	1,279,097	1,428,483	1,659,431
Commercial Properties	203,205	163,496	147,836	160,238	178,530	189,072	197,095	190,915	176,714	192,156
Storm Water	-	-	-	176,337	178,686	179,305	213,691	233,899	233,105	235,222
Refuse collection	582,935	622,841	885,621	776,659	752,588	872,984	829,018	840,565	850,212	868,003
Operating grants and contributions	460,680	475,612	15,000	15,000	442,829	129,937	303,931	20,215	15,427	15,000
Capital grants and contributions	608,127	639,846	279,612	-	215,248	96,704	-	-	-	-
Total business-type activities program revenues	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	19,991,314
Total primary government program revenues	\$ 36,179,347	\$ 43,399,341	\$ 21,125,637	\$ 19,172,476	\$ 20,621,466	\$ 21,972,060	\$ 20,233,359	\$ 23,582,288	\$ 24,614,559	\$ 24,439,855
Net (expense)/revenue										
Governmental activities	\$ 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)	\$ (9,437,242)
Business-type activities	2,515,482	2,291,677	864,148	(443,790)	416,833	431,752	(104,040)	825,765	928,673	1,161,535
Total primary government net expense	\$ 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)	\$ (8,275,707)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 4,970,612
Franchise taxes	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	1,466,924
Unrestricted grants and contributions	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	1,597,294
Investment earnings	274,097	508,965	530,674	406,526	272,807	160,728	361,923	288,304	229,366	174,674
Other	570,257	441,320	196,165	323,082	105,452	180,527	106,954	267,103	140,017	888,472
Transfers	116,644	253,438	53,856	(14,185,931)	188,618	108,484	456,816	(250,000)	249,639	555,506
Total governmental activities	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	9,653,482
Business-type activities										
Investment earnings	347,965	624,051	777,218	558,394	432,172	333,528	328,644	237,356	(246,259)	470,668
Other	6,750	(114,740)	2,795	-	-	3,600	-	-	-	-
Transfers	(116,644)	(253,438)	(53,856)	14,185,931	(188,618)	(108,484)	(456,816)	250,000	(249,639)	(555,506)
Total business-type activities	238,071	255,873	726,157	14,744,325	243,554	228,644	(128,172)	487,356	(495,898)	(84,838)
Total primary government	\$ 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	\$ 9,568,644
Changes in Net Position										
Governmental activities	\$ 18,504,152	\$ 25,449,588	\$ 1,898,354	\$ (15,257,506)	\$ (172,876)	\$ (117,100)	\$ (1,304,969)	\$ (1,203,804)	\$ (489,640)	\$ 216,240
Business-type activities	2,753,553	2,547,550	1,590,305	14,300,535	660,387	660,396	(232,212)	1,313,121	432,775	1,076,697
Total primary government	\$ 21,257,705	\$ 27,997,138	\$ 3,488,659	\$ (956,971)	\$ 487,511	\$ 543,296	\$ (1,537,181)	\$ 109,317	\$ (56,865)	\$ 1,292,937

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

(Modified accrual basis of accounting)

CITY OF EAST GRAND FORKS

	<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>	<u>2014</u>
General Fund										
Nonspendable	\$ 12,686	\$ 14,562	\$ 21,708	\$ 5,854	\$ 22,738	\$ 33,224	\$ 35,397	\$ 39,005	\$ 33,820	\$ 90,799
Unassigned	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	2,857,761
Total general fund	<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>	<u>\$ 2,948,560</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,951	\$ 233,684	\$ 221,958	\$ 209,754
Restricted	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	5,101,261
Unassigned	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)	(534,491)
Total all other governmental funds	<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>	<u>\$ 4,776,524</u>

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

(Modified accrual basis of accounting)

CITY OF EAST GRAND FORKS

	<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>	<u>2014</u>
Revenues										
General Taxes	\$ 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	\$ 4,548,543
Special Assessments	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	1,284,961
Licenses and Permits	160,845	119,220	117,951	138,252	113,350	122,642	105,201	125,530	131,642	119,602
Intergovernmental	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	4,909,773
Charges for Services	1,330,712	1,161,857	927,973	910,654	873,350	966,506	1,051,260	1,234,180	1,336,009	1,070,052
Fines and Forfeitures	102,307	97,340	141,044	127,544	151,845	119,522	106,954	123,841	107,304	110,954
Investment Earnings & Other Revenues	713,869	833,116	637,201	554,041	397,743	238,902	361,923	288,304	226,369	350,201
Total Revenues	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	12,394,086
Expenditures										
General Government	840,766	822,532	912,481	959,898	877,116	839,360	833,241	896,494	989,127	960,902
Public Safety	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	3,681,664
Public Works	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	1,563,762
Transit	225,379	233,959	268,674	252,780	261,246	262,526	344,381	371,403	311,685	350,484
Culture and Recreation	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	2,084,534
Community Development	337,161	283,554	284,137	254,056	181,624	166,045	171,953	227,832	122,563	132,491
Cemetery	24,852	57,243	31,363	46,574	43,434	49,139	54,721	57,956	53,936	43,389
Other	203,321	215,799	308,366	277,249	251,187	287,772	216,905	180,205	243,466	240,002
Capital Outlay	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	2,493,270
Debt Service										
Principal	965,000	1,245,000	440,000	1,785,000	885,000	940,000	1,593,000	1,695,577	999,000	1,096,000
Interest	365,107	380,455	530,829	513,802	504,413	525,259	587,668	561,487	495,591	459,405
Other Charges								41,962	11,891	-
Total All Other Governmental Funds	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	13,105,903
Excess (Deficiency) of Revenues Over (Under) Expenditures	<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>	<u>(711,817)</u>
Other Financing Sources (Uses)										
Transfers In	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	1,634,691
Transfers Out	(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)	(1,079,187)
Long-term Debt Issued	-	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	-	-	-	-	-	-	-	17,732	-	-
Discount on Long-term Debt	-	(32,600)	(45,986)	-	-	-	-	-	-	-
Sale of Capital Assets	25,088	52,924	8,040	117,746	-	47,709	-	-	-	138,023
Total Other Financing Sources (Uses)	141,732	4,348,762	3,577,451	2,162,286	3,125,520	2,423,352	1,030,062	867,732	249,639	693,527
Net Change in Fund Balances	<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>	<u>\$ (18,290)</u>
Debt Service as % of Noncapital Expenditures	10.7%	18.2%	10.4%	17.9%	12.1%	14.4%	20.6%	18.8%	15.6%	13.5%

**Tax Revenues by Source
Last Ten Years**

(Modified accrual basis of accounting)

CITY OF EAST GRAND FORKS

<u>Year</u>	<u>Property Taxes</u>	<u>Electric Franchise (1)</u>	<u>Gas Franchise(2)</u>	<u>Cable TV Franchise(3)</u>	<u>Other</u>	<u>Total</u>
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
2014	3,062,285	1,216,484	110,593	139,847	19,334	4,548,543
Change 2005-2014	74.0%	16.6%	-1.3%	93.6%	-68.5%	49.2%

- 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)

CITY OF EAST GRAND FORKS

<u>Year</u>	<u>Local Government Aid</u>	<u>Market Value Credit (1)</u>	<u>Disparity Reduction Credit</u>	<u>Police State Aid</u>	<u>PERA and Fire Aid</u>	<u>Total</u>
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
2014	2,514,149	-	620,651	145,338	74,482	3,354,620
Change 2005-2014	13.0%	-100.0%	81.3%	-0.9%	23.0%	11.5%

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.

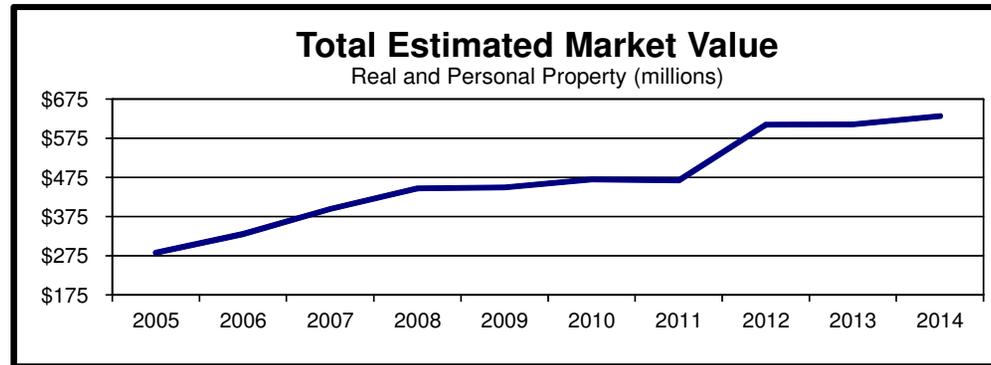
Source: Administration and Finance

**Tax Capacity and Estimated Market Value of all Taxable Property
Last Ten Years**
(Unaudited)

CITY OF EAST GRAND FORKS

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		
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%
2014	5,085,984	628,323,900	64,158	3,293,000	5,150,142	631,616,900	57.53	0.8%

Source: County Assessor



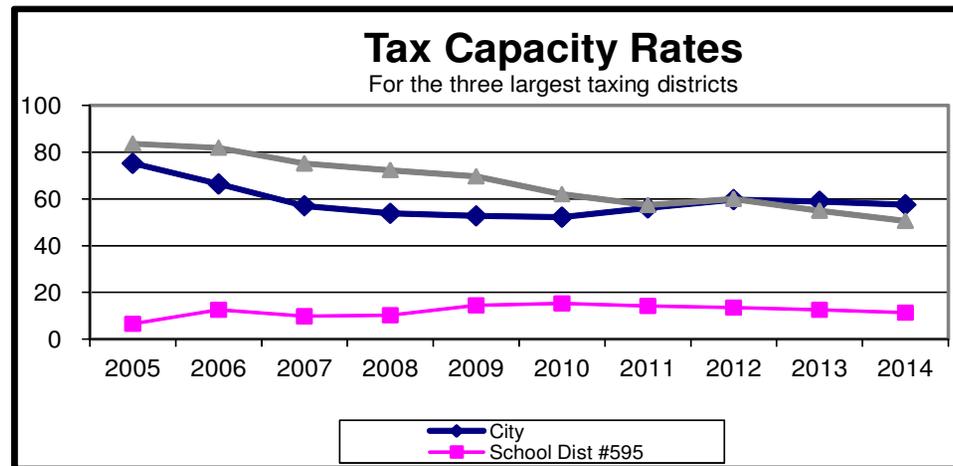
Note: The county assessor is occasionally required to make city wide adjustments to estimated market values. The State of Minnesota will instruct the county assessor to make these type of adjustments when data comparing actual sales to assessed values warrant such actions. In 1997 and again in 2001,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

**Property Tax Rates – All Direct and Overlapping Governments
Last Ten Years**
(Unaudited)

CITY OF EAST GRAND FORKS

Year	General	Debt	Tax Rates per \$1,000 of Tax Capacity						Total
			Total City	School Dist #595	Polk County	Watershed Value	NWRDC	Ambulance District	
2005	71.88	3.36	75.24	6.54	83.63	5.12	0.41	1.42	172.36
2006	61.56	4.88	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
2014	55.04	2.49	57.53	11.37	50.61	5.28	0.24	0.90	125.93

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)

CITY OF EAST GRAND FORKS

<u>Taxpayer</u>	<u>2014</u>			<u>2005</u>		
	<u>Tax Capacity</u>	<u>Rank</u>	<u>% of Total Tax Capacity of \$4,888,351</u>	<u>Tax Capacity</u>	<u>Rank</u>	<u>% of Total Tax Capacity of \$3,296,995</u>
American Crystal	\$ 451,124	1	9.23%	\$ 217,511	1	6.6%
Burlington Northern	67,316	2	1.38%			0.0%
Xcel Energy	61,010	3	1.25%	49,802	4	1.5%
Pierce Investments LLC	57,348	4	1.17%			
Riverview Terrace	56,309	5	1.15%			0.0%
Cabela's	55,146	6	1.13%	56,210	3	1.7%
Green Acres	54,095	7	1.11%	24,935	7	0.8%
Valley Markets	52,728	8	1.08%	58,680	2	1.8%
City of EGF	29,583	9	0.6%	27,139	6	0.8%
RJ Zavoral & Sons Inc	28,388	10	0.6%			
EGF Economic Dev Authority				32,476	5	1.0%
Sterling Development Group				24,888	8	0.8%
Town Square				22,701	9	0.7%
IRET Properties				20,046	10	0.6%
	<u>\$ 913,047</u>		<u>18.7%</u>	<u>\$ 534,388</u>		<u>16.2%</u>

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

**Property Tax Levies and Tax Collections
Last Ten Years**
(Unaudited)

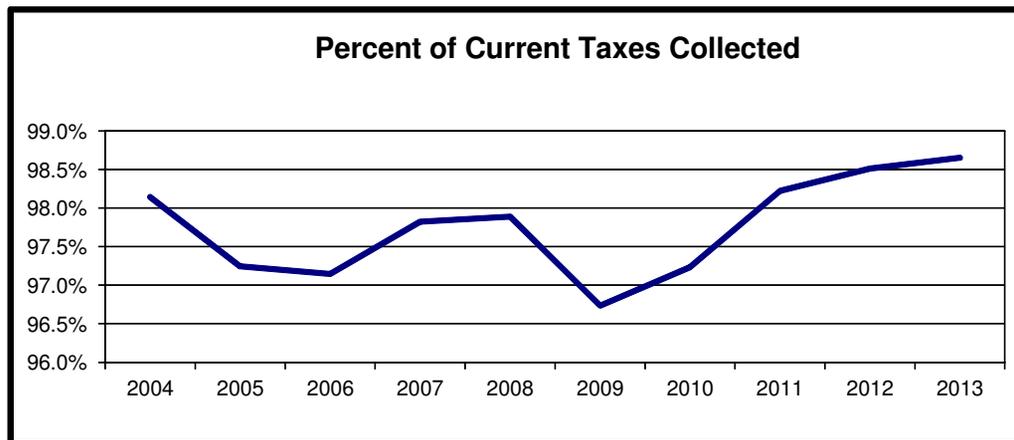
CITY OF EAST GRAND FORKS

Levy Year (1)	Collected Within the Year of Levy		Percent of Levy	Collections in Subsequent Years	Total Tax Collection	Total as % of Current Levy	Outstanding Delinquent Taxes (2)	Outstanding Delinquent Taxes as a % of Levy
	Net Tax Levy	Current Tax Collection						
2004	\$1,752,128	\$1,719,623	98.1%	\$ 32,985	\$1,752,608	100.0%	\$ -	0.0%
2005	1,865,108	1,813,713	97.2%	44,408	1,858,121	99.6%	-	0.0%
2006	1,953,185	1,897,420	97.1%	32,146	1,929,566	98.8%	-	0.0%
2007	2,120,415	2,074,229	97.8%	48,892	2,123,121	100.1%	99,716	4.7%
2008	2,097,718	2,053,418	97.9%	39,005	2,092,423	99.7%	99,401	4.7%
2009	2,214,089	2,141,845	96.7%	40,954	2,182,799	98.6%	136,487	6.2%
2010	2,332,839	2,268,370	97.2%	41,993	2,310,363	99.0%	125,699	5.4%
2011	2,490,328	2,446,018	98.2%	56,303	2,502,321	100.5%	104,926	4.2%
2012	2,476,976	2,440,098	98.5%	46,363	2,486,461	100.4%	96,723	3.9%
2013	2,424,552	2,391,898	98.7%	49,735	2,441,633	100.7%	111,449	4.6%

(1) Collection year is on year later (i.e., Levy Year 2013 Collection Year 2014)

(2) Information was not readily available for Levy years 2004 - 2006 therefore information has been omitted.

Source: County Auditor



**Special Assessment Levies and Collections
Last Ten Years**
(Unaudited)

CITY OF EAST GRAND FORKS

<u>Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collections</u>		<u>Uncertified (2) Special Assessments</u>	<u>Prepayment of Special Assessments</u>	<u>Prepayment Ratio (3) as a % of Uncertified</u>	<u>Total Special Assessments Collected</u>
		<u>Amount(1)</u>	<u>% of Billings</u>				
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
2014	1,150,497	1,133,817	98.6%	6,739,704	161,588	2.3%	1,295,405

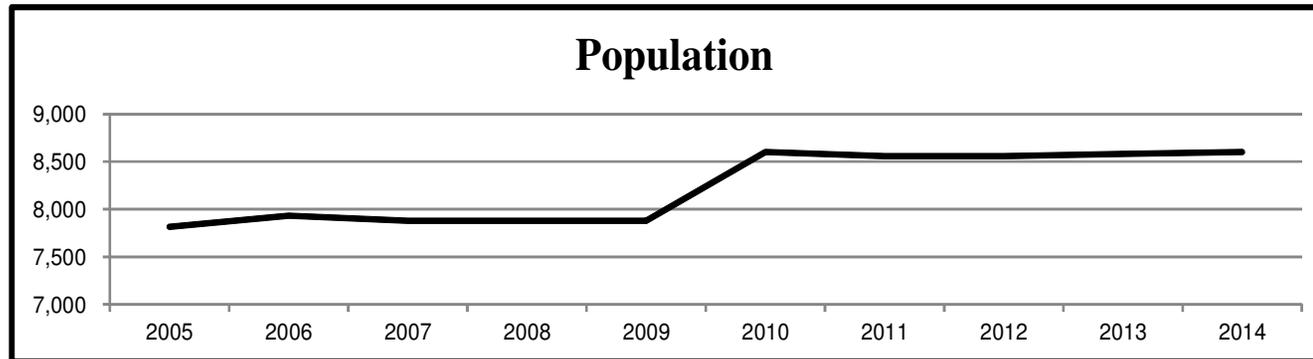
Source: Administration and Finance

- 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)

CITY OF EAST GRAND FORKS

Year	Popu- lation(1)	Tax Capacity	Bonded Debt Type		Total Gross Bonded Debt	Less Amount for Retirement	Net Bonded Debt	As a % of Tax Capacity	As a % of Personal Income	Estimated Market Values	Bonded Debt Per Capita
			Governmental	Business							
2005	7,816	\$ 3,296,995	\$ 8,355,000	\$ 3,845,000	\$ 12,200,000	\$ 2,453,241	\$ 9,746,759	370.0%	202.6%	3.4%	1,561
2006	7,934	3,801,667	11,710,000	1,415,000	13,125,000	2,002,701	11,122,299	345.2%	211.8%	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	343.9%	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	312.1%	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	347.7%	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	331.1%	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	310.3%	na	2.9%	1,953
2012	8,560	4,948,833	13,382,730	3,452,000	16,834,730	1,963,735	14,870,995	340.2%	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	315.6%	na	2.2%	1,825
2014	8,601	5,150,142	11,192,511	3,096,000	14,288,511	2,227,211	12,061,300	277.4%	na	1.9%	1,661



Notes: (1) The annual population estimates are obtained from the state demographer. When current year populations 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, 2014
(Unaudited)

CITY OF EAST GRAND FORKS

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City (1)</u>	<u>Overlapping Debt</u>	<u>Amount Applicable to City</u>
DIRECT DEBT:				
City of East Grand Forks	<u>\$ 14,288,511</u>	<u>100.0%</u>		<u>\$ 14,288,511</u>
OVERLAPPING DEBT:				
I.S.D. 595	5,081,742	44.2%	\$ 2,246,130	
Polk County	<u>26,735,000</u>	<u>9.7%</u>	<u>2,593,295</u>	
Total Overlapping Debt				<u>4,839,425</u>
Total direct and overlapping debt				<u><u>\$ 19,127,936</u></u>

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

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of 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)

CITY OF EAST GRAND FORKS

	<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>	<u>2014</u>
Estimated market value	<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>	<u>\$ 631,616,900</u>
Total debt	\$ 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	\$ 14,279,000
Deductions:										
Bonds:										
G.O. improvement bonds	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	7,245,000
Certificates of participation	525,000									
G.O. water revenue bonds	1,480,000	1,415,000	1,345,000	1,275,000	1,200,000					
Electric revenue bonds	2,365,000									
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	3,096,000
MN PFA GO Transportation Improv Bonds					1,237,881	3,115,251	3,393,577	3,318,000	3,239,000	3,158,000
Debt service funds:										
Cash, securities, and restricted cash	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	2,202,530
Less amount applicable to excluded bonds	<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>	<u>(2,202,530)</u>
Total net debt applicable to debt limit	<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>	<u>\$ 780,000</u>
Debt limit is 2% of estimated market value	\$ 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	\$ 12,632,338
Legal Debt Margin	\$ 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	\$ 11,852,338
Total net debt applicable to limit as a percentage of debt limit	2.2%	1.0%	8.8%	6.4%	4.8%	3.0%	1.6%	7.2%	7.2%	6.2%

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)

CITY OF EAST GRAND FORKS

Improvement Bond	Fund	Year	A			B			A/B Coverage	Debt Outstanding	Deferred Revenue
			Assessment Collections (1)	Debt Service Requirements Principal	Debt Service Requirements Interest (2)	Debt Service Requirements Total					
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	107,999		
		2014	38,981	15,000	1,619	16,619	2	20,000	38,586		
		12-1-04 \$4,655,000	533	2005	87,469	-	125,974	125,974	1	4,655,000	1,675,095
				2006	184,881	170,000	186,204	356,204	1	4,485,000	2,306,453
				2007	217,172	205,000	179,554	384,554	1	4,280,000	2,269,211
				2008	254,689	210,000	171,254	381,254	1	4,070,000	2,153,910
2009	229,429			215,000	162,754	377,754	1	3,855,000	2,085,952		
2010	354,489			220,000	154,054	374,054	1	3,635,000	1,871,421		
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		
2014	271,624			250,000	116,673	366,673	1	2,685,000	1,357,524		
03-1-06 \$ 4,075,000	534	2007	436,739	-	211,104	211,104	2	4,075,000	2,451,574		
		2008	450,556	375,000	142,954	517,954	1	3,700,000	2,140,087		
		2009	386,705	385,000	130,221	515,221	1	3,315,000	1,889,256		
		2010	392,647	400,000	116,676	516,676	1	2,915,000	1,609,108		
		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		
		2014	104,526	460,000	56,043	516,043	0	1,165,000	780,906		
12-01-07 \$ 3,560,000	535	2007	-	-	-	-	-	3,560,000	2,625,490		
		2008	347,090	-	75,772	75,772	5	3,560,000	2,625,490		
		2009	319,020	160,000	135,985	295,985	1	3,400,000	2,511,853		
		2010	372,558	190,000	129,988	319,988	1	3,210,000	2,333,149		
		2011	362,416	205,000	123,123	328,123	1	3,005,000	2,126,518		
		2012	368,437	215,000	116,204	331,204	1	2,790,000	1,930,901		
		2013	349,118	225,000	113,213	338,213	1	2,565,000	1,748,714		
		2014	311,311	225,000	100,254	325,254	1	2,340,000	1,681,744		
11-01-12 \$440,000	532	2012	-	-	-	-	0	440,000	530,982		
		2013	90,332	-	-	-	0	440,000	530,982		
		2014	86,149	5,000	8,200	13,200	7	435,000	471,304		
11-01-12 \$660,000	414/435	2012	-	-	-	-	0	660,000	-		
		2013	10,173	-	-	-	0	660,000	-		
		2014	64,784	60,000	15,688	75,688	1	600,000	504,653		

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)

CITY OF EAST GRAND FORKS

Water Fund:

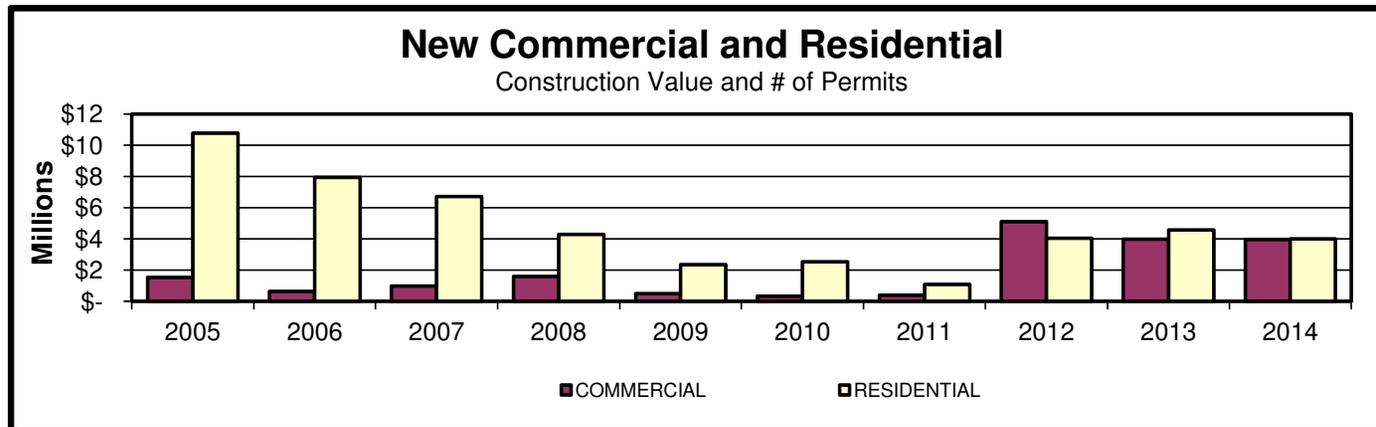
<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements (3)</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2006	\$ 2,176,681	\$ 1,399,418	\$ 777,263	\$ 65,000	\$ 71,603	\$ 136,603	6
2007	2,094,122	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
2014	2,691,644	1,660,633	1,031,011	-	-	-	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

Year	CONSTRUCTION (1)				Total
	COMMERCIAL		RESIDENTIAL		
	Permits	Value	Permits	Value	
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
2014	2	3,965,000	17	3,993,700	7,958,700

Source: City Planner



Notes: (1) Only new construction permits.

Demographic and Economic Statistics
Last Ten Years
(Unaudited)

CITY OF EAST GRAND FORKS

Calendar Year	Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	Median Age (2)	Population 25 yrs & over-Bachelor's degree or higher (1)	School Enrollment (3)	Unemployment Rate (1)
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	*8581	na	na	na	na	2,212	3.0%
2014	*8601	na	25,885	35	2,098	2,239	3.1%

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.
 *Estimated Projection

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

CITY OF EAST GRAND FORKS

Taxpayer	2014			Taxpayer	2005		
	Employees	Rank	% of Total City Employment 2,550		Employees	Rank	% of Total City Employment 2,500
ISD 595	308	1	12.08%	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%
Valley Markets	140	4	5.49%	Valley Markets	115	4	4.6%
Cabela's	126	5	4.94%	Northwest Technical College	107	5	4.3%
R. J. Zavoral and Sons, Inc.	105	6	4.12%	Whitey's Café	70	6	2.8%
City of East Grand Forks	81	7	3.18%	McDonald's	65	7	2.6%
Blue Moose	80	8	3.14%	Mayo Manufacturing	35	8	1.4%
Northern Valley	71	9	2.78%	Lumber Mart	35	9	1.4%
Sacred Heart	65	10	2.55%	Vigen Construction	33	10	1.3%
	<u>1,574</u>		<u>61.7%</u>		<u>1,328</u>		<u>53.1%</u>

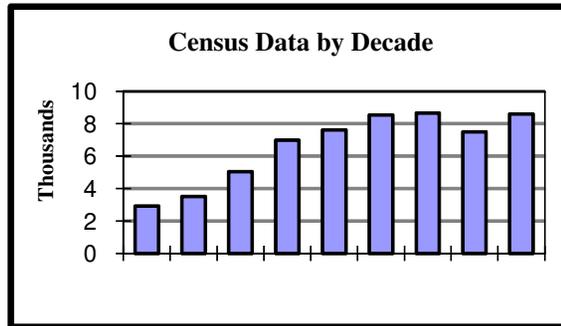
Source: Telephone survey of individual employers, April 2015

Demographic Statistics
U.S. Census Data
(Unaudited)

CITY OF EAST GRAND FORKS

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

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%

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

**Full-time Employees by Function/Program
Last Ten Years**
(Unaudited)

CITY OF EAST GRAND FORKS

Function	Full-time Employees as of December 31,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government:										
Administration and Finance	5	5	5	4	5	5	5	4	5	5
Building	1	1	1	1	-	-	-	-	-	2
Public Safety:										
Building Official	3	3	3	3	2	2	2	1	2	-
Fire	11	10	10	10	10	10	10	9	10	10
Police	23	23	24	24	23	24	26	23	22	23
Public Works:										
Refuse	6	6	6	6	6	6	6	5	5	5
Sewage	2	2	2	2	2	2	2	2	2	2
Streets	8	8	7	7	7	7	6	6	6	6
Culture and Recreation:										
Administration	3	3	2	3	3	3	3	3	3	3
Parks	2	2	2	2	2	2	1	1	1	2
Arenas	2	2	2	2	2	2	2	2	3	3
Library	3	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	6	6	6	5	5	5
Electric	11	11	10	10	10	10	11	12	12	12
Water	8	8	8	8	8	8	8	8	8	8
Total	94	93	91	91	90	91	92	85	88	90

Note: Excludes seasonal and part-time positions.

Source: Administration and Finance

Operating Indicators by Function
Last Ten Years
(Unaudited)

CITY OF EAST GRAND FORKS

Function	Year Ended December 31									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
On Sale Liquor license by entity	13	11	10	11	10	11	14	13	13	13
Off Sale Liquor license by entity	4	4	3	4	4	4	4	3	3	3
Number of AP checks written	3,033	3,055	3,075	3,224	3,184	3,321	3,491	3,063	2,980	2,980
Police										
DUI arrests	85	102	124	93	126	125	121	109	67	98
Traffic violations	1,107	898	1,044	918	1,041	1,274	1,001	686	716	600
No. of dog/cat licenses	111	111	106	123	132	160	111	103	38	99
Fire										
No. of rescue & EMS incidents	383	405	435	454	539	529	512	751	887	736
No. of fire calls	106	96	44	33	22	21	87	92	136	99
Building Official										
Building permits issued	308	302	379	117	343	454	315	300	253	285
Other permits issued	314	226	266	335	302	253	247	283	288	189
Refuse collection										
Refuse collected annually (tons)	3,864	4,003	3,905	3,482	3,713	3,983	3,995	4,107	4,232	4,265
Recyclables collected annually (tons)	4,740	820	449	521	604	698	676	687	667	530
Recreation and culture										
Number of summer registrants	680	708	748	601	601	473	501	583	475	620
Number of winter registrants	403	405	285	380	426	422	434	439	576	480
Attendance for general swim	10,326	11,098	11,278	8,963	7,142	10,450	9,866	10,217	9,853	9,853
Library										
Volumes in collection	44,595	47,641	49,972	49,341	45,259	50,719	52,498	52,364	54,496	55,071
Total volumes borrowed	83,288	88,451	74,045	80,830	76,329	83,777	89,692	67,692	37,423	34,929
Water										
Annual tap water billed (millions)	374	383	377	358	348	318	324	329	360	337
Average number of monthly meters	2,629	2,692	2,734	2,763	2,793	2,810	2,816	2,820	2,843	2,867
Electric										
Annual Kwhs billed (millions)	139	139	146	154	156	157	157	165	159	161
Maximum Demand Kwhs (millions)	25.55	26.49	29.21	30.79	32.33	32.01	30.53	31.40	33.12	33.10
Cemetery										
No. of Lots Sold	31	48	26	52	43	33	27	13	40	40
No. of Interments	22	42	21	52	43	37	44	22	41	24
Transit										
Total route miles	16	16	16	16	16	16	16	16	16	16
Passengers	16,785	16,324	16,772	20,840	23,616	24,809	28,789	37,758	36,453	37,426

Source: Various city departments

**Schedule of Insurance in Force
As of December 31, 2014
(Unaudited)**

CITY OF EAST GRAND FORKS

<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	1/1/14-1/1/15	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	1/1/14-1/1/15	Boiler and Machinery	\$95,650,543
BONDS				
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/14-1/1/15	Public Officials	\$100,000 Clerk-Treasurer \$100,000 Public Employees
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/14-1/1/15	Commercial Blanket Bond Commercial Crime	\$100,000 Forgery \$250,000 Per Occurrence
LIABILITY				
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/14-1/1/15	Comprehensive General/ Public Officials Liability	\$1,500,000 Public Officials
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/14-1/1/15	Comprehensive General/ Auto Liability	\$1,500,000 Per Occurrence
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/14-1/1/15	General Liability (Bodily injury, employee benefits, host liquor liability)	\$1,500,000 Per Occurrence
League of Minnesota Cities (C&H Insurance)	VL00011407	1/14/14-1/14/15	Accident Plan for Volunteers	\$500,000 Per Accident
OPEN MEETING LAW				
League of Minnesota Cities (C&H Insurance)	OML8095	1/1/14-1/1/15	Open Meeting Law Defense Cost Reimbursement	\$50,000 Per City Official
WORKERS COMPENSATION				
League of Minnesota Cities (Berkley Risk Administrators)	200011431	1/14/14-1/14/15	Workers Compensation Comprehensive Managed Care Retro-rated 40% to 130%	\$1,500,000 Bodily Injury Each Occurrence \$1,500,000 Bodily Injury by Disease

Source: League of Minnesota Cities Insurance Trust.

Miscellaneous Statistical Information

(Unaudited)

CITY OF EAST GRAND FORKS

	<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>	<u>2014</u>
Number of employees	95	95	95	91	90	91	92	85	83	81
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	70	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	3	3	3	3	3
Parks	11	11	11	11	12	12	12	12	12	14
Park acreage owned	278	278	278	278	278	278	278	278	278	278
Park acreage developed	18	18	18	18	218	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	3
Pickle Ball Courts	-	-	-	-	-	-	-	-	-	2
Fire Protection:										
Number of stations	2	2	2	2	2	2	2	2	2	2
Number of vehicles	7	7	7	10	10	11	11	11	11	14
Number of full-time Firefighters	11	11	10	10	10	9	9	9	10	10
Number of volunteer Firefighters	15	15	20	25	25	14	14	14	14	24
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	24	21	21	21	21	21	20	22
Number of patrol units	6	6	6	5	5	5	5	5	5	5
Sewage System:										
Miles of force mains	8	8	8	8	8	8	8	8	8	9
Miles of sewer mains	45	45	45	45	45	45	45	45	45	40
Miles of storm sewers	30	30	30	42	42	53	53	53	53	54
Number of lift stations	9	9	12	12	12	12	12	12	12	12
Number of storm sewer lift stations	4	4	13	14	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	461	461	461	461	461
Gallons of Storage Capacity	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	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	4	4	4	4	4
Electric System:										
Number of substations	4	4	4	4	4	4	4	4	4	3
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	28.61	26.49	26.49	30.79	30.79	31.61	31.61	31.61	31.61	33.10
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	A3	A3	A3	A3	A3	A1	A1	A1	A1

**SIGNIFICANT MINNESOTA TAX POLICIES
DECEMBER 31, 2014**

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	2014 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:	
First \$100,000	0.75%
Over \$100,000	0.25%

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 \$2,620 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 2014-2015, and the increase was \$100 or more. The maximum refund allowed is \$1,000.

Source: 2014 Property Tax Refund Booklet And Minnesota Department of Revenue website.

TAX RATES AND LEVIES

Source: County Auditor, Polk County.

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 the above limitation.

Taxes Due Date:

First Monday in January

Taxes Delinquent Date:

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

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

No Discount Allowed

Penalties for Late Payments:

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

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

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

Homestead	10%	Non-Homestead	14%
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Tax Sale can take place anytime after Judgment has been in effect for 5 years on Homestead Properties and 3 years on Non-Homestead Properties.

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

SINGLE AUDIT

SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

SINGLE AUDIT
SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of and for the year ended December 31, 2014, 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 26, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, 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 that we consider to be a significant deficiency listed as item 2014-001.

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 standards applicable to financial audits contained in *Governmental 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 as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated June 26, 2015.

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 is 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.

A handwritten signature in black ink that reads 'Brady Martz'.

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

June 26, 2015

**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, 2014. 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, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2014-002. Our opinion on each major federal program is not modified with respect to this matter.

The City of East Grand Forks, Minnesota's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of East Grand Forks, Minnesota's response was not subjected to accounting procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-002, that we consider to be a significant deficiency.

City of East Grand Forks' response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. City of East Grand Forks' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 26, 2015, 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

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

June 26, 2015

CITY OF EAST GRAND FORKS, MINNESOTA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

FEDERAL GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Identifying Number	Expenditures
<hr/>			
Department of Housing & Urban Development			
Direct Programs:			
Lower-Income Housing Assistance Program Section 8 Housing Choice Vouchers	14.871		\$ 1,697,754
<hr/>			
Department of Transportation			
Direct Programs:			
Federal Transit Formula Grants	20.507	MN-90-X303-00	145,288
Passed Through State of Minnesota			
State and Community Highway Safety	20.600	F-ENFORCE-2013-00908	19,477
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	F-ENFORCE-2013-00763	2,703
National Priority Safety Programs	20.616		1,121
Total DOT Passed through the State of Minnesota			<u>23,301</u>
Total Department of Transportation			<u>168,589</u>
<hr/>			
Department of Homeland Security			
Direct Programs:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2013-FH-01067	74,454
Disaster Grants - Public Assistance (FEMA)	97.044	EMW-2012-FO-02834	117,791
Total Department of Homeland Security			<u>192,245</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,058,588</u>

NOTE 1 Basis of Presentation

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

NOTE 2 Loans Outstanding

The City has the following loan balance outstanding at December 31, 2014.

<u>Program Title</u>	<u>CFDA</u>	<u>Amount Outstanding</u>
Capitalization Grants for Clean Water SRF	66.458	\$3,096,000

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? x yes 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? x yes no

Identification of major programs:

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

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

Auditee qualified as low-risk auditee? x yes no

Section II - Financial Statement Findings

2014-001 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.

Views of Responsible Officials and Planned Corrective Actions
Management agrees and will implement the recommendation.

Section III - Federal Award Findings and Questioned Costs

2014-002 Finding

Federal Program – Section 8 Housing Voucher Program CFDA #14.871 – Eligibility

Criteria

The City must follow eligibility determinations set forth by HUD to determine that participants are eligible to participate in the program.

Condition

Forty participant files were tested for compliance with Section 8 Housing Choice Voucher Program eligibility requirements. The following discrepancies in eligibility requirements were found:

- 11 instances of errors in income determination and verification
- 3 instances where the payment standards were being used at incorrect amounts.
- 2 instances where a signed leases was not provided

Questions Costs

Unknown.

Context

Based on forty participant files reviewed, 16 were found to have compliance issues with eligibility.

Effect

The City is not consistently in compliance with the eligibility requirements of the Section 8 Housing Choice Voucher Program.

Cause

The City did not have compensating controls to identify errors in eligibility requirements.

Recommendation

We recommend the City review staff training requirements for eligibility.

Corrective Action Plan

Corrective Action Plan:	The Section 8 Choice Voucher program will be transferred to the Northwest Minnesota Multi-County Housing and Redevelopment Authority on January 1, 2015.
Explanation of Disagreement:	There is essentially no disagreement.
Official Responsible:	The City Administrator is responsible for carrying out the corrective action plan.
Completion Date:	Ongoing.
Monitor Plan:	Not applicable as the program is no longer managed by the City.

No prior year audit findings noted.