

City of East Bethel

City Council Agenda

Regular Council Meeting – 7:30 p.m.

Date: February 5, 2014



Item

7:30 PM 1.0 Call to Order

7:31 PM 2.0 Pledge of Allegiance

7:32 PM 3.0 Adopt Agenda

7:34 PM 4.0 2010 B Bond Refinance Proposal

7:50 PM 5.0 Public Forum

8:15 PM 6.0 Consent Agenda

Any item on the consent agenda may be removed for consideration by request of any one Council Member and put on the regular agenda for discussion and consideration

Page 111-115 A. Approve Bills

Page 116-133 B. Meeting Minutes, January 22, 2014, Regular Meeting

Page 134-137 C. Jackson Street Reconstruction Final Payment

New Business

7.0 Commission, Association and Task Force Reports

A. Economic Development Authority

B. Planning Commission

8:20 PM
Page 138-147 1. Ordinance 49, Second Series, An Ordinance Amending Appendix A, Zoning Section 1, General Provisions of Administration and Section 14. Detached Accessory Structures

C. Park Commission

D. Road Commission

8.0 Department Reports

A. Community Development

B. Engineer

C. Attorney

D. Finance

E. Public Works

F. Fire Department

G. City Administrator

8:30 PM
Page 148-149 1. SAC and WAC Loan Program Extension

Page 150-151 2. Local Board of Appeals and Equalization Training

Page 152-153 3. Schedule Special City Council Meeting for February 12, 2013 to Review City Council Vacancy Applicants

Page 154-155 4. Set Date for Spring Town Hall Meeting

8:45 PM

9.0

Other

A. Staff Report

B. Council Reports

C. Other

D. Closed Session- Purchase of Real Property- Minn. Stat. § 13D.05, subd. 3 (c).

9:15 PM

10.0

Adjourn



City of East Bethel City Council Agenda Information

Date:

February 5, 2014

Agenda Item Number:

Item 4.0

Agenda Item:

Resolution 2014-04, 2014 G.O. Refunding Bonds Series A

Requested Action:

Consider adopting Resolution 2014-04 Authorizing Issuance, Awarding Sale, Prescribing the Form and Details providing for \$5,590,000 General Obligation Refunding Bonds, Series 2014A

Background Information:

At the January 22, 2014 City Council Meeting, Council authorized Ehlers and Associates to solicit proposals for the sale of refunding bonds 2014A with a par amount of \$5,590,000. These bonds will be used to refund the 2010B GO Utility Bonds.

Ehlers, Inc. will compile the bid results for this bond issue and provide the tabulations for Council consideration on February 5, 2014.

We have provided the Resolution, less the award information, for your review

Attachment(s):

1. Resolution 2014-04 Authorizing Issuance, Awarding Sale, Prescribing the Form and Details and Providing for the Payment of \$5,590,000 General Obligation Refunding Bonds, Series 2014A. Ehlers will revise the resolution with the sale results once they become available.
2. Official Statement

Fiscal Impact:

Ehlers, Inc. will provide additional information regarding the interest and debt service schedules during the presentation on February 5, 2014.

Recommendation(s):

Pending an acceptable sales proposal, staff is seeking direction from City Council regarding adoption of Resolution 2014-04.

City Council Action

Motion by: _____

Second by: _____

Vote Yes: _____

Vote No: _____

No Action Required: _____

CERTIFICATION OF MINUTES RELATING TO
\$5,590,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014A

Issuer: City of East Bethel, Minnesota

Governing Body: City Council

Kind, date, time and place of meeting: A regular meeting held February 5, 2014, at 7:30 p.m., at the City offices in East Bethel, Minnesota.

Members present:

Members absent:

Documents Attached:

Minutes of said meeting (including):

RESOLUTION NO. 2014-04

RESOLUTION AUTHORIZING ISSUANCE, AWARDING
SALE, PRESCRIBING THE FORM AND DETAILS AND
PROVIDING FOR THE PAYMENT OF \$5,590,000 GENERAL
OBLIGATION REFUNDING BONDS, SERIES 2014A

I, the undersigned, being the duly qualified and acting recording officer of the public corporation issuing the bonds referred to in the title of this certificate, certify that the documents attached hereto, as described above, have been carefully compared with the original records of said corporation in my legal custody, from which they have been transcribed; that said documents are a correct and complete transcript of the minutes of a meeting of the governing body of said corporation, and correct and complete copies of all resolutions and other actions taken and of all documents approved by the governing body at said meeting, so far as they relate to said bonds; and that said meeting was duly held by the governing body at the time and place and was attended throughout by the members indicated above, pursuant to call and notice of such meeting given as required by law.

WITNESS my hand officially as such recording officer on February __, 2014.

City Administrator

It was reported that _____ proposals for the purchase of \$5,590,000 General Obligation Refunding Bonds, Series 2014A were received prior to 11:00 a.m., Central time, pursuant to the Preliminary Official Statement distributed to potential purchasers of the Bonds by Ehlers & Associates, Inc., financial consultants to the City. The proposals have been publicly opened, read and tabulated and were found to be as follows:

See Attached

Councilmember _____ introduced the following resolution and moved its adoption, which motion was seconded by Councilmember _____:

RESOLUTION AUTHORIZING ISSUANCE, AWARDING
SALE, PRESCRIBING THE FORM AND DETAILS AND
PROVIDING FOR THE PAYMENT OF \$5,590,000 GENERAL
OBLIGATION REFUNDING BONDS, SERIES 2014A

BE IT RESOLVED by the City Council of the City of East Bethel, Minnesota (the “City”), as follows:

SECTION 1. AUTHORIZATION AND SALE.

1.01. Authorization. This Council hereby determines that it is in the best interests of the City to issue its General Obligation Refunding Bonds, Series 2014A (the “Bonds”) in the principal amount of \$5,590,000, pursuant to Minnesota Statutes, Sections 444.075 and 115.46 and Chapter 475. The proceeds of the Bonds will be used, together with funds on hand as may be required, to refund in a current refunding the City’s \$6,100,000 Taxable General Obligation Utility Revenue Bonds, Series 2010B (Build America Bonds - Direct Pay), dated as originally issued, as of December 15, 2010, maturing in the years 2016 through 2040 and outstanding in the principal amount of \$6,100,000 (the “Refunded Bonds”), pursuant to the extraordinary redemption provisions contained in Section 2.04 of the resolution authorizing the issuance of the Refunded Bonds. The Refunded Bonds shall be called for redemption and prepayment on April 1, 2014 (the “Redemption Date”). The refunding of the Refunded Bonds is being carried out for the purpose described in Minnesota Statutes, Section 475.67, subdivision 3, section (b)(2)(i) and in compliance with Minnesota Statutes, Chapter 475.

1.02. Sale. Pursuant to the Terms of Proposal and the Preliminary Official Statement prepared on behalf of the City by Ehlers & Associates, Inc., financial consultants to the City, sealed or electronic proposals for the purchase of the Bonds were received at or before the time specified for receipt of proposals. The proposals have been opened and publicly read and considered and the purchase price, interest rates and net interest cost under the terms of each proposal have been determined. The most favorable proposal received is that of _____, in _____, _____ (the “Purchaser”), to purchase the Bonds at a price of \$_____ plus accrued interest on all Bonds to the day of delivery and payment, on the further terms and conditions hereinafter set forth.

1.03. Award. The sale of the Bonds is hereby awarded to the Purchaser, and the Mayor and City Administrator are hereby authorized and directed to execute a contract on the part of the City with the Purchaser for the sale of the Bonds in accordance with the Terms of Proposal. The good faith deposit of the Purchaser shall be retained and deposited by the City until the Bonds have been delivered and shall be deducted from the purchase price paid at settlement.

SECTION 2. BOND TERMS; REGISTRATION; EXECUTION AND DELIVERY.

2.01. Issuance of Bonds. All acts, conditions and things which are required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be performed precedent to and in the valid issuance of the Bonds having been done, now existing,

having happened and having been performed, it is now necessary for the Council to establish the form and terms of the Bonds, to provide security therefore and to issue the Bonds forthwith.

2.02. Maturities; Interest Rates; Denominations and Payment. The Bonds shall be originally dated as of March 4, 2014, shall be in the denomination of \$5,000 each, or any integral multiple thereof, of single maturities, shall mature on February 1 in the years and amounts stated below, and shall bear interest from date of original issue until paid or duly called for redemption at the annual rates set forth opposite such years and amounts, as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>
2019	\$240,000		2030	\$260,000	
2020	235,000	%	2031	270,000	%
2021	185,000		2032	285,000	
2022	185,000		2033	300,000	
2023	200,000		2034	315,000	
2024	205,000		2035	330,000	
2025	210,000		2036	269,000	
2026	220,000		2037	275,000	
2027	225,000		2038	290,000	
2028	235,000		2039	305,000	
2029	245,000		2040	315,000	

[REVISE MATURITY SCHEDULE FOR ANY TERM BONDS]

The Bonds shall be issuable only in fully registered form. The interest thereon and, upon surrender of each Bond at the principal office of the Registrar described herein, the principal amount thereof, shall be payable by check or draft issued by the Registrar described herein; provided that, so long as the Bonds are registered in the name of a securities depository, or a nominee thereof, in accordance with Section 2.08 hereof, principal and interest shall be payable in accordance with the operational arrangements of the securities depository.

2.03. Dates and Interest Payment Dates. Upon initial delivery of the Bonds pursuant to Section 2.07 and upon any subsequent transfer or exchange pursuant to Section 2.06, the date of authentication shall be noted on each Bond so delivered, exchanged or transferred. Interest on the Bonds shall be payable on February 1 and August 1, commencing August 1, 2014, each such date being referred to herein as an Interest Payment Date, to the person in whose name the Bonds are registered on the Bond Register, as hereinafter defined, at the Registrar’s close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date, whether or not such day is a business day. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

2.04. Redemption. Bonds maturing in 2024 and later years shall be subject to redemption and prepayment at the option of the City, in whole or in part, in such order of maturity dates as the City may select and, within a maturity, by lot as selected by the Registrar (or, if applicable, by the bond depository in accordance with its customary procedures) in

multiples of \$5,000, on February 1, 2023, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption. The City Administrator shall cause notice of the call for redemption thereof to be published if and as required by law and, at least thirty days prior to the designated redemption date, shall cause notice of call for redemption to be mailed, by first class mail, to the registered holders of any Bond to be redeemed at their addresses as they appear on the bond register described in Section 2.06 hereof, provided that notice shall be given to any securities depository in accordance with its operational arrangements. No defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

[COMPLETE THE FOLLOWING PROVISIONS IF THERE ARE TERM BONDS -
ADD ADDITIONAL PROVISIONS IF THERE ARE MORE THAN TWO TERM BONDS]

[Bonds maturing on February 1, 20__ and 20__ (the "Term Bonds") shall be subject to mandatory redemption prior to maturity pursuant to the sinking fund requirements of this Section 2.04 at a redemption price equal to the stated principal amount thereof plus interest accrued thereon to the redemption date, without premium. The Registrar shall select for redemption, by lot or other manner deemed fair, on February 1 in each of the following years the following stated principal amounts of such Bonds:

<u>Year</u>	<u>Principal Amount</u>
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The remaining \$_____ stated principal amount of such Bonds shall be paid at maturity on February 1, 20__.

<u>Year</u>	<u>Principal Amount</u>
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The remaining \$_____ stated principal amount of such Bonds shall be paid at maturity on February 1, 20__.

Notice of redemption shall be given as provided in the preceding paragraph.]

2.05. Appointment of Initial Registrar. The City hereby appoints Bond Trust Services Corporation, in Roseville, Minnesota, as the initial bond registrar, transfer agent and paying agent (the “Registrar”). The Mayor and City Administrator are authorized to execute and deliver, on behalf of the City, a contract with the Registrar. Upon merger or consolidation of the Registrar with another corporation, if the resulting corporation is a bank or trust company authorized by law to conduct such business, such corporation shall be authorized to act as successor Registrar. The City agrees to pay the reasonable and customary charges of the Registrar for the services performed. The City reserves the right to remove the Registrar upon thirty days’ notice and upon the appointment of a successor Registrar, in which event the predecessor Registrar shall deliver all cash and Bonds in its possession to the successor Registrar and shall deliver the bond register to the successor Registrar.

2.06. Registration. The effect of registration and the rights and duties of the City and the Registrar with respect thereto shall be as follows:

(a) Register. The Registrar shall keep at its principal corporate trust office a bond register in which the Registrar shall provide for the registration of ownership of Bonds and the registration of transfers and exchanges of Bonds entitled to be registered, transferred or exchanged.

(b) Transfer of Bonds. Upon surrender for transfer of any Bond duly endorsed by the registered owner thereof or accompanied by a written instrument of transfer, in form satisfactory to the Registrar, duly executed by the registered owner thereof or by an attorney duly authorized by the registered owner in writing, the Registrar shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of a like aggregate principal amount and maturity, as requested by the transferor. The Registrar may, however, close the books for registration of any transfer after the fifteenth day of the month preceding each interest payment date and until such interest payment date.

(c) Exchange of Bonds. Whenever any Bonds are surrendered by the registered owner for exchange the Registrar shall authenticate and deliver one or more new Bonds of a like aggregate principal amount and maturity, as requested by the registered owner or the owner’s attorney in writing.

(d) Cancellation. All Bonds surrendered upon any transfer or exchange shall be promptly canceled by the Registrar and thereafter disposed of as directed by the City.

(e) Improper or Unauthorized Transfer. When any Bond is presented to the Registrar for transfer, the Registrar may refuse to transfer the same until it is satisfied that the endorsement on such Bond or separate instrument of transfer is valid and genuine and that the requested transfer is legally authorized. The Registrar shall incur no liability for the refusal, in good faith, to make transfers which it, in its judgment, deems improper or unauthorized.

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Bond is at any time registered in the bond register as the absolute owner

of the Bond, whether the Bond shall be overdue or not, for the purpose of receiving payment of or on account of, the principal of and interest on the Bond and for all other purposes; and all payments made to any registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon Bond to the extent of the sum or sums so paid.

(g) Taxes, Fees and Charges. For every transfer or exchange of Bonds (except for an exchange upon a partial redemption of a Bond), the Registrar may impose a charge upon the owner thereof sufficient to reimburse the Registrar for any tax, fee or other governmental charge required to be paid with respect to such transfer or exchange.

(h) Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Registrar shall deliver a new Bond of like amount, number, maturity date and tenor in exchange and substitution for and upon cancellation of any such mutilated Bond or in lieu of and in substitution for any Bond destroyed, stolen or lost, upon the payment of the reasonable expenses and charges of the Registrar in connection therewith; and, in the case of a Bond destroyed, stolen or lost, upon filing with the Registrar of evidence satisfactory to it that the Bond was destroyed, stolen or lost, and of the ownership thereof, and upon furnishing to the Registrar of an appropriate bond or indemnity in form, substance and amount satisfactory to it, in which both the City and the Registrar shall be named as obligees. All Bonds so surrendered to the Registrar shall be canceled by it and evidence of such cancellation shall be given to the City. If the mutilated, destroyed, stolen or lost Bond has already matured or been called for redemption in accordance with its terms it shall not be necessary to issue a new Bond prior to payment.

(i) Authenticating Agent. The Registrar is hereby designated authenticating agent for the Bonds, within the meaning of Minnesota Statutes, Section 475.55, Subdivision 1, as amended.

(j) Valid Obligations. All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the City, evidencing the same debt, and entitled to the same benefits under this Resolution as the Bonds surrendered upon such transfer or exchange.

2.07. Execution, Authentication and Delivery. The Bonds shall be prepared under the direction of the City Administrator and shall be executed on behalf of the City by the signatures of the Mayor and City Administrator, provided that the signatures may be printed, engraved or lithographed facsimiles of the originals. In case any officer whose signature or a facsimile of whose signature shall appear on the Bonds shall cease to be such officer before the delivery of any Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. Notwithstanding such execution, no Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Resolution unless and until a certificate of authentication on the Bond has been duly executed by the manual signature of an authorized representative of the Registrar. Certificates of authentication on different Bonds need not be signed by the same representative. The executed certificate of authentication on each Bond shall be conclusive evidence that it has

been authenticated and delivered under this Resolution. When the Bonds have been prepared, executed and authenticated, the City Administrator shall deliver them to the Purchaser upon payment of the purchase price in accordance with the contract of sale heretofore executed, and the Purchaser shall not be obligated to see to the application of the purchase price.

2.08. Securities Depository. (a) For purposes of this section the following terms shall have the following meanings:

“Beneficial Owner” shall mean, whenever used with respect to a Bond, the person in whose name such Bond is recorded as the beneficial owner of such Bond by a Participant on the records of such Participant, or such person’s subrogee.

“Cede & Co.” shall mean Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Bonds.

“DTC” shall mean The Depository Trust Company of New York, New York.

“Participant” shall mean any broker-dealer, bank or other financial institution for which DTC holds Bonds as securities depository.

“Representation Letter” shall mean the Representation Letter pursuant to which the sender agrees to comply with DTC’s Operational Arrangements.

(b) The Bonds shall be initially issued as separately authenticated fully registered bonds, and one Bond shall be issued in the principal amount of each stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the bond register in the name of Cede & Co., as nominee of DTC. The Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Bonds under this resolution, registering the transfer of Bonds, and for all other purposes whatsoever, and neither the Registrar nor the City shall be affected by any notice to the contrary. Neither the Registrar nor the City shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the bond register as being a registered owner of any Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Bonds, with respect to any notice which is permitted or required to be given to owners of Bonds under this resolution, with respect to the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Bonds. So long as any Bond is registered in the name of Cede & Co., as nominee of DTC, the Registrar shall pay all principal of and interest on such Bond, and shall give all notices with respect to such Bond, only to Cede & Co. in accordance with DTC’s Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the City’s obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Bond for each separate

stated maturity evidencing the obligation of the City to make payments of principal and interest. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Bonds will be transferable to such new nominee in accordance with paragraph (e) hereof.

(c) In the event the City determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bonds in the form of bond certificates, the City may notify DTC and the Registrar, whereupon DTC shall notify the Participants of the availability through DTC of Bonds in the form of certificates. In such event, the Bonds will be transferable in accordance with paragraph (e) hereof. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and the Registrar and discharging its responsibilities with respect thereto under applicable law. In such event the Bonds will be transferable in accordance with paragraph (e) hereof.

(d) The execution and delivery of the Representation Letter to DTC by the Mayor or City Administrator, if not previously filed, is hereby authorized and directed.

(e) In the event that any transfer or exchange of Bonds is permitted under paragraph (b) or (c) hereof, such transfer or exchange shall be accomplished upon receipt by the Registrar of the Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee in accordance with the provisions of this resolution. In the event Bonds in the form of certificates are issued to owners other than Cede & Co., its successor as nominee for DTC as owner of all the Bonds, or another securities depository as owner of all the Bonds, the provisions of this resolution shall also apply to all matters relating thereto, including, without limitation, the printing of such Bonds in the form of bond certificates and the method of payment of principal of and interest on such Bonds in the form of bond certificates.

2.09. Form of Bonds. The Bonds shall be prepared in substantially the following form:

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF ANOKA

CITY OF EAST BETHEL

GENERAL OBLIGATION REFUNDING BOND,
SERIES 2014A

No. R-____ \$_____

Rate Maturity Date Date of Original Issue CUSIP No.

February 1, 20__ March 4, 2014

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THOUSAND DOLLARS

CITY OF EAST BETHEL, MINNESOTA (the “City”), acknowledges itself to be indebted and hereby promises to pay to the registered owner named above, or registered assigns, the principal amount specified above on the maturity date specified above and promises to pay interest thereon from the date of original issue specified above or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, at the annual rate specified above, payable on February 1 and August 1 of each year, commencing August 1, 2014 (each such date, an “Interest Payment Date”). The interest so payable on any Interest Payment Date shall be paid to the person in whose name this Bond is registered at the close of business on the fifteenth day (whether or not a business day) of the immediately preceding month. Interest hereon shall be computed on the basis of a 360-day year composed of twelve 30-day months. The interest hereon and, upon presentation and surrender hereof at the principal office of the Registrar described below, the principal hereof are payable in lawful money of the United States of America drawn on Bond Trust Services Corporation, in Roseville, Minnesota, as bond registrar, transfer agent and paying agent (the “Registrar”), or its successor designated under the Resolution described herein.

This Bond is one of an issue in the aggregate principal amount of \$5,590,000 issued pursuant to a resolution adopted by the City Council on February 5, 2014 (the “Resolution”), to refinance improvements to the City’s sanitary sewer and water system (the “System”), and is issued by authority of and in strict accordance with the provisions of the Constitution and laws of the State of Minnesota thereunto enabling, including Minnesota Statutes, Sections 115.46 and 444.075 and Chapter 475. For the full and prompt payment of the principal of and interest on the Bonds as the same become due, the full faith, credit and taxing power of the City have been and are hereby irrevocably pledged. The Bonds are issuable only in fully registered form, in denominations of \$5,000 or any multiple thereof, of single maturities.

Bonds maturing in 2024 and later years are each subject to redemption and prepayment at the option of the City, in whole or in part, and if in part in such order of maturity dates as the City may select and by lot as selected by the Registrar (or, if applicable, by the bond depository in accordance with its customary procedures) in multiples of \$5,000 as to Bonds maturing on the same date, on February 1, 2023, and on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption. Prior to the date specified for the redemption of any Bond prior to its stated maturity date, the City will cause notice of the call for redemption to be published if and as required by law, and, at least thirty days prior to the designated redemption date, will cause notice of the call to be mailed by first class mail (or, if applicable, provided in accordance with the operational arrangements of the bond depository), to the registered owner of any Bond to be redeemed at the owner’s address as it appears on the bond register maintained by the Registrar, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of such Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

[COMPLETE THE FOLLOWING PROVISIONS IF THERE ARE TERM BONDS -
ADD ADDITIONAL PROVISIONS IF THERE ARE MORE THAN TWO TERM BONDS]

[Bonds maturing in the years 20__ and 20__ shall be subject to mandatory redemption, at a redemption price equal to their principal amount plus interest accrued thereon to the redemption date, without premium, on February 1 in each of the years shown below, in an amount equal to the following principal amounts:

<u>Term Bonds Maturing in 20--</u>		<u>Term Bonds Maturing in 20--</u>	
<u>Sinking Fund</u> <u>Payment Date</u>	<u>Aggregate</u> <u>Principal Amount</u>	<u>Sinking Fund</u> <u>Payment Date</u>	<u>Aggregate</u> <u>Principal Amount</u>
	\$		\$

Notice of redemption shall be given as provided in the preceding paragraph.]

As provided in the Resolution and subject to certain limitations set forth therein, this Bond is transferable upon the books of the City at the principal office of the Registrar, by the registered owner hereof in person or by the owner's attorney duly authorized in writing upon surrender hereof together with a written instrument of transfer satisfactory to the Registrar, duly executed by the registered owner or the owner's attorney; and may also be surrendered in exchange for Bonds of other authorized denominations. Upon such transfer or exchange the City will cause a new Bond or Bonds to be issued in the name of the transferee or registered owner, of the same aggregate principal amount, bearing interest at the same rate and maturing on the same date, subject to reimbursement for any tax, fee or governmental charge required to be paid with respect to such transfer or exchange.

The City and the Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof, whether this Bond is overdue or not, for the purpose of receiving payment and for all other purposes, and neither the City nor the Registrar shall be affected by any notice to the contrary.

Notwithstanding any other provisions of this Bond, so long as this Bond is registered in the name of Cede & Co., as nominee of The Depository Trust Company, or in the name of any other nominee of The Depository Trust Company or other securities depository, the Registrar shall pay all principal of and interest on this Bond, and shall give all notices with respect to this Bond, only to Cede & Co. or other nominee in accordance with the operational arrangements of The Depository Trust Company or other securities depository as agreed to by the City.

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be performed preliminary to and in the issuance of this Bond in order to make it a valid and binding general obligation of the City in accordance with its terms, have been done, do exist, have happened and have been performed as so required; that, prior to the issuance hereof, the City Council has by the Resolution covenanted and agreed to collect and

apply to payment of the Bonds certain net revenues of the System and ad valorem taxes levied on all taxable property in the City, which revenues and taxes are estimated to be collectible in years and amounts sufficient to produce sums not less than 5% in excess of the principal of and interest on the Bonds when due, and has appropriated such revenues and taxes to its General Obligation Refunding Bonds, Series 2014A Bond Fund for the payment of such principal and interest; that if necessary for the payment of such principal and interest, additional ad valorem taxes are required to be levied upon all taxable property in the City, without limitation as to rate or amount; that all proceedings relative to the improvements financed by this Bond have been or will be taken according to law and that the issuance of this Bond, together with all other indebtedness of the City outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of the City to exceed any constitutional or statutory limitation of indebtedness.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Resolution until the Certificate of Authentication hereon shall have been executed by the Registrar by manual signature of one of its authorized representatives.

IN WITNESS WHEREOF, the City of East Bethel, Minnesota, by its City Council, has caused this Bond to be executed on its behalf by the facsimile signatures of the Mayor and City Administrator.

CITY OF EAST BETHEL, MINNESOTA

(Facsimile Signature City Administrator) (Facsimile Signature Mayor)

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds delivered pursuant to the Resolution mentioned within.

Dated _____

BOND TRUST SERVICES CORPORATION,
as Registrar

By _____
Authorized Representative

SECTION 3. USE OF PROCEEDS. Upon payment for the Bonds by the Purchaser, the City Administrator shall deposit and apply proceeds of the Bonds in the amount of \$_____ to the sinking fund established for the Refunded Bonds to be applied to their redemption and prepayment on the Redemption Date in accordance with the provisions of the resolution authorizing their issuance, \$_____ to costs of issuance of the Bonds as provided in Section 9.04 hereof and \$_____ to the Bond Fund described in Section 4 hereof.

SECTION 4. GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014A BOND FUND. The Bonds shall be payable from a separate General Obligation Refunding Bonds, Series 2014A Bond Fund (the "Bond Fund") of the City, which shall be created and maintained on the books of the City as a separate debt redemption fund until the Bonds, and all interest thereon, are fully paid. Into the Bond Fund shall be paid (a) the amounts specified in Section 3 above, (b) all amounts on deposit in the bond funds maintained for the payment of the Refunded Bonds upon the retirement of the Refunded Bonds, (c) System net revenues pledged pursuant to Section 6 hereof, (d) any taxes collected pursuant to Section 5 hereof, and (e) any other funds appropriated by the City Council for the payment of the Bonds. The principal of and interest on the Bonds shall be payable from the Bond Fund, and the money on hand in the Bond Fund from time to time shall be used only to pay the principal of and interest on the Bonds. If the balance in the Bond Fund is at any time insufficient to pay all interest and principal then due on all Bonds payable therefrom, the payment shall be made from any fund of the City which is available for that purpose, subject to reimbursement from the Bond Fund when the balance therein is sufficient, and the City covenants and agrees that it will each year levy a sufficient amount of ad valorem taxes to take care of any accumulated or anticipated deficiency, which levy is not subject to any constitutional or statutory limitation. On or before each principal and interest payment date for the Bonds, the City Administrator is directed to remit to the Registrar from funds on deposit in the Bond Fund the amount needed to pay principal and interest on the Bonds on the next succeeding principal and interest payment date.

There are hereby established two accounts in the Bond Fund, designated as the "Debt Service Account" and the "Surplus Account." There shall initially be deposited into the Debt Service Account upon the issuance of the Bonds the amount set forth in (a) above. Thereafter, during each Bond Year (i.e., each twelve month period commencing on February 2 and ending on the following February 1), as monies are received into the Bond Fund, the City Administrator shall first deposit such monies into the Debt Service Account until an amount has been appropriated thereto sufficient to pay all principal and interest due on the Bonds through the end of the Bond Year. All subsequent monies received in the Bond Fund during the Bond Year shall be appropriated to the Surplus Account. If at any time the amount on hand in the Debt Service Account is insufficient for the payment of principal and interest then due, the City Administrator shall transfer to the Debt Service Account amounts on hand in the Surplus Account to the extent necessary to cure such deficiency. Investment earnings (and losses) on amounts from time to time held in the Debt Service Account and Surplus Account shall be credited or charged to said accounts.

SECTION 5. PLEDGE OF TAXING POWERS. For the prompt and full payment of the principal of and interest on the Bonds as such payments respectively become due, the full faith, credit and unlimited taxing powers of the City shall be and are hereby irrevocably pledged. In order to produce aggregate amounts which, together with the collections of net revenues of the

System as set forth in Section 6, will produce amounts not less than 5% in excess of the amounts needed to meet when due the principal and interest payments on the Bonds, ad valorem taxes are hereby levied on all taxable property in the City. The taxes will be levied and collected in years and amounts shown on the attached levy computation. Said taxes shall be irrevocable as long as any of the Bonds are outstanding and unpaid, provided that the City reserves the right and power to reduce said levies in accordance with the provisions of Minnesota Statutes, Section 475.61. Property taxes will be used only, and then on a temporary basis, to meet when due the principal and interest payments on the portion of the Bonds allocable to the water utility system when other revenues are insufficient for the payment thereof, and the City shall reduce such temporary levies if System revenues are sufficient for the payment thereof. Nothing herein shall preclude the City from levying taxes for the payment of the Bonds allocable to the sewer utility system as permitted by Minnesota Statutes, Section 115.46.

SECTION 6. PLEDGE OF NET REVENUES. It is hereby found, determined and declared that the City owns and operates the municipal sewer and water utility system (the "System") as a revenue-producing utility and convenience; and that the net operating revenues of the System, after deducting from the gross receipts derived from charges for the service, use and availability of the System the normal, current and reasonable expenses of operation and maintenance thereof, will be sufficient, together with any other pledged funds, for the payment when due of the principal of and interest on the Bonds herein authorized, and on any other bonds to which such revenues are pledged.

Pursuant to Minnesota Statutes, Section 444.075, the City hereby covenants and agrees with the registered owners from time to time of the Bonds, that until the Bonds and the interest thereon are discharged as provided in Section 7 or paid in full, the City will impose and collect reasonable charges in accordance with said Section 444.075 for the service, use and availability of the System according to schedules sufficient to produce net revenues sufficient, with other funds pledged to payment of the Bonds, to pay the Bonds and any other bonds to which said net revenues have been pledged; and the net revenues, to the extent necessary, are hereby irrevocably pledged and appropriated to the payment of the Bonds herein authorized and interest thereon when due. Nothing herein shall preclude the City from hereafter making further pledges and appropriations of the net revenues of the System for payment of additional obligations of the City hereafter authorized if the City Council determines before the authorization of such additional obligations that the estimated net revenues of the System will be sufficient, together with any other sources pledged to the payment of the outstanding and additional obligations, for payment of the outstanding bonds and such additional obligations. Such further pledges and appropriations of net revenues may be made superior or subordinate to or on a parity with, the pledge and appropriation herein made.

SECTION 7. DEFEASANCE. When all of the Bonds have been discharged as provided in this section, all pledges, covenants and other rights granted by this Resolution to the registered owners of the Bonds shall cease. The City may discharge its obligations with respect to any Bonds which are due on any date by depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full; or, if any Bond should not be paid when due, it may nevertheless be discharged by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued from the due date to the date of such deposit. The City may also discharge its obligations with respect to any prepayable Bonds called for redemption on any

date when they are prepayable according to their terms by depositing with the Registrar on or before that date an amount equal to the principal, redemption premium, if any, and interest then due, provided that notice of such redemption has been duly given as provided herein. The City may also at any time discharge its obligations with respect to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a bank or trust company qualified by law as an escrow agent for this purpose, cash or securities which are authorized by law to be so deposited, bearing interest payable at such time and at such rates and maturing or callable at the holder's option on such dates as shall be required to pay all principal and interest to become due thereon to maturity or earlier designated redemption date, provided, however, that if such deposit is made more than ninety days before the maturity date of the Bonds to be discharged, the City shall have received a written opinion of Bond Counsel to the effect that such deposit does not adversely affect the exemption of interest on any Bonds from federal income taxation and a written report of an accountant or investment banking firm verifying that the deposit is sufficient to pay when due all of the principal and interest on the Bonds to be discharged on and before their maturity dates.

SECTION 8. TAX COVENANTS; ARBITRAGE MATTERS AND CONTINUING DISCLOSURE.

8.01. General Covenant. The City covenants and agrees with the owners from time to time of the Bonds, that it will not take, or permit to be taken by any of its officers, employees or agents, any action which would cause the interest on the Bonds to become includable in gross income of the recipient under the Code and applicable Regulations, and covenants to take any and all affirmative actions within its powers to ensure that the interest on the Bonds will not become includable in gross income of the recipient under the Code and applicable Regulations. The City represents and covenants that all improvements financed from the proceeds of the Bonds are and will be owned and operated by the City and available for use by members of the general public on a substantially equal basis. The City has not and will not enter into any lease, management contract, operating agreement, use agreement or other contract relating to the use, operation or maintenance of the City facilities financed by the Bonds which would cause the Bonds to be considered "private activity bonds" or "private loan bonds" pursuant to Section 141 of the Code.

8.02. Arbitrage Certification. The Mayor and City Administrator being the officers of the City charged with the responsibility for issuing the Bonds pursuant to this Resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in accordance with the provisions of Section 148 of the Code and applicable Regulations, stating that on the basis of facts, estimates and circumstances in existence on the date of issue and delivery of the Bonds, it is reasonably expected that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be "arbitrage bonds" within the meaning of the Code and the applicable Regulations.

8.03. Arbitrage Rebate. The City acknowledges that the Bonds are subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Regulations to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes, unless the

Bonds qualify for an exception from the rebate requirement pursuant to one of the spending exceptions set forth in Section 1.148-7 of the Regulations and no “gross proceeds” of the Bonds (other than amounts constituting a “bona fide debt service fund”) arise during or after the expenditure of the original proceeds thereof.

8.04. Qualified Tax-Exempt Obligations. The Council hereby designates the Bonds as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code relating to the disallowance of interest expense for financial institutions, and hereby finds that the reasonably anticipated amount of tax-exempt obligations which will be issued by the City and all subordinate entities during calendar year 2013 does not exceed \$10,000,000.

8.05. Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefore and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the “Rule”), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bond owner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2013, the following financial information and operating data in respect of the City (the “Disclosure Information”):

- (A) the audited financial statements of the City for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and
- (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: Current Property Valuations, Direct Debt, Tax Levies and Collections, Population Trend and Employment/Unemployment.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been filed with the SEC or have been made available to the public on the Internet Web site of the Municipal Securities Rulemaking Board (“MSRB”). The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events (each a “Material Fact”):
 - (A) Principal and interest payment delinquencies;
 - (B) Non-payment related defaults, if material;

- (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (E) Substitution of credit or liquidity providers, or their failure to perform;
- (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (G) Modifications to rights of security holders, if material;
- (H) Bond calls (other than scheduled mandatory redemptions), if material, and tender offers;
- (I) Defeasances;
- (J) Release, substitution, or sale of property securing repayment of the securities, if material;
- (K) Rating changes;
- (L) Bankruptcy, insolvency, receivership or similar event of the obligated person;
- (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (N) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

As used herein, for those events that must be reported if material, an event is “material” if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also “material” if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental

authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (3) In a timely manner, notice of the occurrence of any of the following events or conditions:
 - (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
 - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
 - (C) the termination of the obligations of the City under this section pursuant to subsection (d);
 - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
 - (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to

customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bond owners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

(3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

SECTION 9. CERTIFICATION OF PROCEEDINGS.

9.01. Registration and Levy of Taxes. The City Administrator is hereby authorized and directed to file a certified copy of this Resolution with the County Auditor of Anoka County, together with such other information as the County Auditor shall require, and to obtain a certificate that the Bonds have been entered on the County Auditor's bond register and the tax required by law has been levied.

9.02. Authentication of Transcript. The officers of the City are hereby authorized and directed to prepare and furnish to the Purchaser and to Dorsey & Whitney LLP, Bond Counsel, certified copies of all proceedings and records of the City relating to the Bonds and to the financial condition and affairs of the City, and such other affidavits, certificates and information as may be required to show the facts relating to the legality and marketability of the Bonds as the same appear from the books and records in their custody and control or as otherwise known to them, and all such certified copies, certificates and affidavits, including any heretofore furnished, shall be deemed representations of the City as to the correctness of all statements contained therein.

9.03. Official Statement. The Preliminary Official Statement relating to the Bonds, dated as of January 28, 2014, prepared and distributed by Ehlers & Associates, Inc., is hereby approved. Ehlers & Associates, Inc., is hereby authorized on behalf of the City to prepare and distribute to the Purchaser within seven business days from the date hereof, a Final Official Statement listing the offering price, the interest rates, selling compensation, delivery date, the underwriters and such other information relating to the Bonds required to be included in the Official Statement by Rule 15c2-12 adopted by the Securities and Exchange Commission under

the Securities Exchange Act of 1934. The officers of the City are hereby authorized and directed to execute such certificates as may be appropriate concerning the accuracy, completeness and sufficiency of the Official Statement.

9.04. Authorization of Payment of Certain Costs of Issuance of the Bonds. The City authorizes the Purchaser to forward the amount of Bond proceeds allocable to the payment of issuance expenses to Klein Bank on the closing date for further distribution as directed by the City's financial advisor, Ehlers & Associates, Inc.

9.05. Effective Date. This resolution shall be in full force and effect from and after its passage.

SECTION 10. REFUNDED BONDS CALL. The City Administrator is hereby directed to advise U.S. Bank National Association, in St. Paul, Minnesota, as paying agent for the Refunded Bonds, to call the Refunded Bonds for redemption and prepayment on the Redemption Date using the form attached hereto, in accordance with the provisions of the respective resolutions authorizing issuance of the Refunded Bonds.

Upon vote being taken thereon the following voted in favor thereof:

and the following voted against the same:

whereupon the resolution was declared duly passed and adopted.

APPENDIX I

Levy Schedule

CERTIFICATE OF ANOKA COUNTY AUDITOR
AS TO REGISTRATION

The undersigned, being the duly qualified and acting County Auditor of Anoka County, Minnesota, hereby certifies that there has been filed in my office a certified copy of a resolution duly adopted on February 5, 2014, by the City Council of the City of East Bethel, Minnesota, setting forth the form and details of an issue of \$5,590,000 General Obligation Refunding Bonds, Series 2014A, dated as of March 4, 2014.

I further certify that the issue has been entered on my bond register as required by Minnesota Statutes, Sections 475.62 and 475.63.

WITNESS my hand and official seal on _____, 2014.

County Auditor

(SEAL)

NOTICE OF REDEMPTION

\$6,100,000 Taxable General Obligation Utility Revenue Bonds, Series 2010B
 (Build America Bonds - Direct Pay)
 Dated as of December 15, 2010
 City of East Bethel, Minnesota

NOTICE IS HEREBY GIVEN THAT there have been called for redemption and prepayment on April 1, 2014, all outstanding Bonds of the above-referenced issue, dated, as originally issued, as of December 15, 2010, maturing February 1 in the following years and having the interest rates listed below:

<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>CUSIP No.</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>CUSIP No.</u>
2016	\$ 90,000	3.10%	271074 GR1	2021	\$ 170,000	4.70%	271074 GW0
2017	120,000	3.50	271074 GS9	2025	765,000	5.60	271074 HA7
2018	210,000	3.80	271074 GT7	2030	1,190,000	6.50	271074 HF6
2019	220,000	4.25	271074 GU4	2035	1,555,000	6.75	271074 HL3
2020	220,000	4.50	271074 GV2	2040	1,560,000	7.00	271074 HT6

The Bonds will be redeemed at a price of 100% of their principal amount (\$6,100,000) plus accrued interest to the date of redemption. Holders of the Bonds should present them for payment to U.S. Bank National Association, St. Paul, Minnesota, on or before said date, when they will cease to bear interest, in the following manner:

If by Mail:

U.S. Bank National Association
 Corporate Trust Operations, 3rd Floor
 P.O. Box 64111
 St. Paul, MN 55164-0111

If by Hand or Overnight Mail:

U.S. Bank National Association
 60 Livingston Avenue
 EP-MN-WS3C
 Bond Drop Window, 1st Floor
 St. Paul, MN 55107

In compliance with the Interest and Dividend Compliance Act of 1983 and Broker Reporting Requirements, the redeeming institutions are required to withhold 31% of the principal amount of your holdings redeemed unless they are provided with your social security number or federal employer identification number, properly certified. This requirement is fulfilled by submitting a W-9 Form, which may be obtained at a bank or other financial institution.

Additional information may be obtained from the undersigned.

Dated: _____, 2014.

U.S. BANK NATIONAL ASSOCIATION

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on current law, interest on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. Such interest is included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions and in adjusted current earnings of corporations for federal alternative minimum tax purposes. See "Tax Exemption and Related Tax Considerations" herein.

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. Sections 265(a)(2) and 291 of the Code impose additional limitations on the deductibility of such interest expense.

New Issue

Rating: Standard & Poor's "AA"

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 28, 2014

**CITY OF EAST BETHEL, MINNESOTA
(Anoka County)**

\$5,590,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014A

PROPOSAL OPENING: February 5, 2014, 10:00 A.M., C.T.

CONSIDERATION: February 5, 2014, 7:30 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The \$5,590,000 General Obligation Refunding Bonds, Series 2014A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapters 115, 444, and Section 475.67, by the City of East Bethel, Minnesota (the "City"), for the purpose of effecting a current refunding of certain outstanding general obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota.

DATE OF BONDS: March 4, 2014

MATURITY: February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$240,000	2027	\$225,000	2035	\$330,000
2020	235,000	2028	235,000	2036	260,000
2021	185,000	2029	245,000	2037	275,000
2022	185,000	2030	260,000	2038	290,000
2023	200,000	2031	270,000	2039	305,000
2024	205,000	2032	285,000	2040	315,000
2025	210,000	2033	300,000		
2026	220,000	2034	315,000		

MATURITY ADJUSTMENTS: * The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2014 and semiannually thereafter.

OPTIONAL REDEMPTION: Bonds maturing February 1, 2024 and thereafter are subject to call for prior redemption on February 1, 2023 and any date thereafter, at par.

MINIMUM PROPOSAL: \$5,550,870.

GOOD FAITH DEPOSIT: \$111,800.

PAYING AGENT: Bond Trust Services Corporation, Roseville, Minnesota.

BOOK-ENTRY-ONLY: See "Book-Entry-Only System" herein (unless otherwise specified by the purchaser).

This Preliminary Official Statement will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date, and Syndicate Manager and Syndicate Members, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as defined in S.E.C. Rule 15c2-12.

REPRESENTATIONS

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained in this Preliminary Official Statement and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. ***This Preliminary Official Statement does not constitute an offer to sell or a solicitation of an offer to buy any of these Bonds in any jurisdiction to any person to whom it is unlawful to make such an offer or solicitation in such jurisdiction.***

This Preliminary Official Statement is not to be construed as a contract with the Syndicate Manager or Syndicate Members. Statements contained herein which involve estimates or matters of opinion are intended solely as such and are not to be construed as representations of fact. Ehlers prepared this Preliminary Official Statement and any addenda thereto relying on information of the City and other sources for which there is reasonable basis for believing the information is accurate and complete. Bond Counsel has not participated in the preparation of this Preliminary Official Statement except as described herein and is not expressing any opinion as to the completeness or accuracy of the information contained therein. Compensation of Ehlers, payable entirely by the City, is contingent upon the sale of the issue.

COMPLIANCE WITH S.E.C. RULE 15c2-12

Certain municipal obligations (issued in an aggregate amount over \$1,000,000) are subject to General Rules and Regulations, Securities Exchange Act of 1934, Rule 15c2-12 Municipal Securities Disclosure (the "Rule").

Preliminary Official Statement: This Preliminary Official Statement was prepared for the City for dissemination to potential customers. Its primary purpose is to disclose information regarding these Bonds to prospective underwriters in the interest of receiving competitive proposals in accordance with the sale notice contained herein. Unless an addendum is posted prior to the sale, this Preliminary Official Statement shall be deemed nearly final for purposes of the Rule subject to completion, revision and amendment in a Final Official Statement as defined below.

Review Period: This Preliminary Official Statement has been distributed to members of the legislative body and other public officials of the City as well as to prospective bidders for an objective review of its disclosure. Comments or requests for the correction of omissions or inaccuracies must be submitted to Ehlers at least two business days prior to the sale. Requests for additional information or corrections in the Preliminary Official Statement received on or before this date will not be considered a qualification of a proposal received from an underwriter. If there are any changes, corrections or additions to the Preliminary Official Statement, interested bidders will be informed by an addendum at least one business day prior to the sale.

Final Official Statement: Upon award of sale of these Bonds, the Preliminary Official Statement together with any previous addendum of corrections or additions will be further supplemented by an addendum specifying the offering prices, interest rates, aggregate principal amount, principal amount per maturity, anticipated delivery date, and Syndicate Manager and Syndicate Members, together with any other information required by law, and, as supplemented, shall constitute a "Final Official Statement" of the City with respect to the Bonds, as defined in the Rule. Copies of the Final Official Statement will be delivered to the underwriter (Syndicate Manager) within seven business days following the proposal acceptance.

Continuing Disclosure: Subject to certain exemptions, issues in an aggregate amount over \$1,000,000 may be required to comply with provisions of the Rule which require that underwriters obtain from the issuers of municipal securities (or other obligated party) an agreement for the benefit of the owners of the securities to provide continuing disclosure with respect to those securities. This Preliminary Official Statement describes the conditions under which these Bonds are exempt or required to comply with the Rule.

CLOSING CERTIFICATES

Upon delivery of these Bonds, the purchaser (underwriter) will be furnished with the following items: (1) a certificate of the appropriate officials to the effect that at the time of the sale of these Bonds and all times subsequent thereto up to and including the time of the delivery of these Bonds, this Preliminary Official Statement did not and does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (2) a receipt signed by the appropriate officer evidencing payment for these Bonds; (3) a certificate evidencing the due execution of these Bonds, including statements that (a) no litigation of any nature is pending, or to the knowledge of signers, threatened, restraining or enjoining the issuance and delivery of these Bonds, (b) neither the corporate existence or boundaries of the City nor the title of the signers to their respective offices is being contested, and (c) no authority or proceedings for the issuance of these Bonds have been repealed, revoked or rescinded; and (4) a certificate setting forth facts and expectations of the City which indicates that the City does not expect to use the proceeds of these Bonds in a manner that would cause them to be arbitrage bonds within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended, or within the meaning of applicable Treasury Regulations.

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CITY COUNCIL

		<u>Term Expires</u>
Robert DeRoche	Mayor	January 2015
Ron Koller	Council Member	January 2017
Heidi Moegerle	Council Member	January 2015
Tom Ronning	Council Member	January 2017
Vacant	Council Member	--

ADMINISTRATION

Jack Davis, City Administrator-Clerk-Treasurer

Mike Jeziorski, Finance Director

PROFESSIONAL SERVICES

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, Minnesota

Ehlers & Associates, Inc., Financial Advisors, Roseville, Minnesota

(Other offices located in Brookfield, Wisconsin and Lisle, Illinois)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of East Bethel, Minnesota (the "City") and the issuance of its \$5,590,000 General Obligation Refunding Bonds, Series 2014A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the sale of the Bonds ("Award Resolution") to be adopted by the City Council on February 5, 2014.

Inquiries may be directed to Ehlers & Associates, Inc. ("Ehlers" or the "Financial Advisor"), Roseville, Minnesota, (651) 697-8500, the City's Financial Advisor. A copy of this Preliminary Official Statement may be downloaded from Ehlers' web site at www.ehlers-inc.com by connecting to the link to the Bond Sales and following the directions at the top of the site.

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of \$5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of March 4, 2014. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2014, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

Unless otherwise specified by the purchaser the Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). (See "Book-Entry-Only System" herein.) As long as the Bonds are held under the book-entry system, beneficial ownership interests in the Bonds may be acquired in book-entry form only, and all payments of principal of, premium, if any, and interest on the Bonds shall be made through the facilities of DTC and its Participants. If the book-entry system is terminated, principal of, premium, if any, and interest on the Bonds shall be payable as provided in the Award Resolution.

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, Bonds maturing on or after February 1, 2024 shall be subject to redemption prior to maturity on February 1, 2023 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not fewer than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

AUTHORITY; PURPOSE

The Bonds are being issued by the City, pursuant to Minnesota Statutes, Chapters 115, 444 and Section 475.67, for the purpose of effecting a current refunding of the 2016 through 2040 maturities of the City’s \$6,100,000 Taxable General Obligation Utility Revenue Bonds, Series 2010B (Build America Bonds - Direct Pay) (the “Series 2010B Bonds”), dated December 15, 2010. The Series 2010B Bonds are being called pursuant to extraordinary redemption.

Following are the maturities of the Series 2010B Bonds which are being refunded by this issue:

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 271074
Series 2010B Bonds	12/15/10	4/01/14	Par	2016	3.10%	\$ 90,000	GR1
				2017	3.50%	120,000	GS9
				2018	3.80%	210,000	GT7
				2019	4.25%	220,000	GU4
				2020	4.50%	220,000	GV2
				2021	4.70%	170,000	GW0
				(Term) 2025	5.60%	765,000	HA7
				(Term) 2030	6.50%	1,190,000	HF6
				(Term) 2035	6.75%	1,555,000	HL3
				(Term) 2040	7.00%	<u>1,560,000</u>	HT6
Total Series 2010B Bonds Being Refunded						<u>\$6,100,000</u>	

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance. The City will pay the interest payment due on February 1, 2014 from the Debt Service Fund for the Series 2010B Bonds.

ESTIMATED SOURCES AND USES

Sources		
Par Amount of the Bonds	\$5,590,000	
Other Contributions	<u>670,000</u>	
Total Sources		\$6,260,000
Uses		
Deposit to Current Refunding Fund	\$6,162,760	
Contingency	135	
Discount Allowance	39,130	
Finance Related Expenses	<u>57,975</u>	
Total Uses		\$6,260,000

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. Principal and interest on the Bonds will be paid from net revenues of the water and sewer systems which are owned and operated by the City and from ad valorem taxes. Should the revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy a tax for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

Standard & Poor’s has assigned a “AA” rating to this issue. This rating reflects only the view of the rating agency and any explanation of the significance of such rating may only be obtained from Standard & Poor's. There is no assurance that such rating will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of the rating may have an effect on the market price of the Bonds.

CONTINUING DISCLOSURE

In order to permit bidders for the Bonds and other participating underwriters in the primary offering of the Bonds, to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the "Rule"), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Bonds, in the Award Resolution, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the "Disclosure Covenants"). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix D to this Official Statement. *The City has complied in all material respects with any previous undertaking under the Rule.*

Breach of the Disclosure Covenants will not constitute a default or an "Event of Default" under the Bonds or the Award Resolution. A broker or dealer is to consider a known breach of the Disclosure Covenants, however, before recommending the purchase or sale of the Bonds in the secondary market. Thus, a failure on the part of the City to observe the Disclosure Covenants may adversely affect the transferability and liquidity of the Bonds and their market price.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP, Minneapolis, Minnesota, bond counsel to the City.

TAX EXEMPTION AND RELATED TAX CONSIDERATIONS

Tax Exemption

It is the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel, based on current law, and on certifications to be furnished at closing, and assuming compliance by the City with certain covenants (the "Tax Covenants"), that interest on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes. Interest on the Bonds is included in taxable income for purposes of Minnesota franchise taxes imposed on corporations and financial institutions. Interest on the Bonds is not an item of tax preference for federal or Minnesota alternative minimum tax purposes, but it is included in adjusted current earnings of corporations for purposes of the federal alternative minimum tax.

The Code establishes certain requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds; restrictions on the investment of Bond proceeds and other amounts; and provisions requiring that certain investment earnings be rebated periodically to the federal government. Noncompliance with such requirements may cause interest on the Bonds to be included in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Compliance with the Tax Covenants will satisfy the current requirements of the Code with respect to exclusion of interest on the Bonds from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the Bonds is included in federal gross income or in Minnesota taxable net income.

Original Issue Discount

Certain maturities of the Bonds may be issued at a discount from the principal amount payable on such Bonds at maturity (collectively, the "Discount Bonds"). The difference between the price at which a substantial amount of the Discount Bonds of a given maturity is first sold to the public (the "Issue Price") and the principal amount payable at maturity constitutes "original issue discount" under the Code. The amount of original issue discount that accrues to a holder of a Discount Bond under section 1288 of the Code is excluded from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts to the same extent that stated interest on such Discount Bond would be so excluded. The amount of the original issue discount that accrues with respect to a Discount Bond under section 1288 is added to the owner's federal and Minnesota tax basis in determining gain or loss upon disposition of such Discount Bond (whether by sale, exchange, redemption or payment at maturity). Original issue discount is taxable under the Minnesota franchise tax on corporations and financial institutions.

Interest in the form of original issue discount accrues under section 1288 pursuant to a constant yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of original issue discount that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Bonds, over (2) the amount of stated interest actually payable. For purposes of the preceding sentence, the adjusted issue price is determined by adding to the Issue Price for such Bonds the original issue discount that is treated as having accrued during all prior semiannual accrual periods. If a Discount Bond is sold or otherwise disposed of between semiannual compounding dates, then the original issue discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the Issue Price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Bond. If such excess is greater than the amount of remaining original issue discount, the Code's basis reduction rules for amortizable Bond premium might result in taxable gain upon sale, redemption or maturity of the Bonds, even if the Bonds are sold, redeemed or retired for an amount equal to or less than their cost.

Except for the Minnesota rules described above, no opinion is expressed as to state and local income tax treatment of original issue discount. It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual, and may be deemed to accrue differently than under federal law.

Holders of Discount Bonds should consult their tax advisors with respect to the computation and accrual of original issue discount and with respect to the other federal, state and local tax consequences associated with the purchase, ownership, redemption, sale or other disposition of Discount Bonds.

Bond Premium

Certain maturities of the Bonds may be issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire Bonds at a premium, even Bonds that were not initially offered at a premium, must, from time to time, reduce their federal and Minnesota tax bases for the Bonds for purposes of determining gain or loss on the sale or payment of such Bonds. Premium generally is amortized for federal and Minnesota income and franchise tax purposes on the basis of a Bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, Bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if such Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or Minnesota income tax purposes.

Bondholders who acquire Bonds at a premium should consult their tax advisors concerning the calculation of Bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling Bonds acquired at a premium.

Related Tax Considerations

Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain social security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits. Passive investment income, including interest on the Bonds, may be subject to taxation under section 1375 of the Code, and corresponding provisions of Minnesota law, for an S corporation that has accumulated earnings and profits at the close of the taxable year, if more than 25 percent of its gross receipts is passive investment income. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds. Federal and Minnesota laws also restrict the deductibility of other expenses allocable to the Bonds. Because of the Code's basis reduction rules for amortizable Bond premium, Bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds, even if the Bonds are sold for an amount equal to or less than their original cost. In the case of an insurance company subject to the tax imposed by section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under section 832(b)(5) of the Code must be reduced by an amount equal to 15 percent of the interest on the Bonds that is received or accrued during the taxable year. Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by section 884 of the Code, and is included in net investment income of foreign insurance companies under section 842(b) of the Code.

The market value and marketability of the Bonds may be adversely affected by future changes in federal or Minnesota tax treatment of interest on the Bonds or by future reductions in income tax rates.

THE FOREGOING IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF COLLATERAL TAX CONSEQUENCES ARISING FROM OWNERSHIP OR DISPOSITION OF THE BONDS OR RECEIPT OF INTEREST ON THE BONDS. PROSPECTIVE PURCHASERS OR BOND HOLDERS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO APPLICABLE FEDERAL, STATE AND LOCAL TAX RULES.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. Sections 265(a)(2) and 291 of the Code impose additional limitations on the deductibility of such interest expense.

FINANCIAL ADVISOR

Ehlers has served as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor will not participate in the underwriting of the Bonds. The financial information included in this Preliminary Official Statement has been compiled by the Financial Advisor. Such information does not purport to be a review, audit or certified forecast of future events and may not conform with accounting principles applicable to compilations of financial information. Ehlers is not a firm of certified public accountants. Ehlers is registered with the Securities and Exchange Commission and the Municipal Securities Rulemaking Board as a Municipal Advisor.

PURCHASER

Prior to delivery, the purchaser will be required to furnish the City, at closing, certifications that (i) all of the Bonds have been the subject of a bona fide initial offering to the general public (excluding bond houses, brokers, or other persons or organizations acting in the capacity of underwriters or wholesalers) (the "Public") at the prices set forth in the Official Statement, and (ii) as of the date of award of the Bonds to the purchaser, the purchaser reasonably expected that at least 10% of each maturity of the Bonds would be sold to the Public at such public offering prices or lower prices; in addition to certifications with respect to actual sales of the Bonds that are in form and substance satisfactory to the City and bond counsel.

RISK FACTORS

Following is a description of possible risks to holders of these Bonds without weighting as to probability. This description of risks is not intended to be all-inclusive, and there may be other risks not now perceived or listed here.

Taxes: The Bonds of this offering are general obligations of the City, the ultimate payment of which rests in the City's ability to levy and collect sufficient taxes to pay debt service should other revenue (water and sewer revenues) be insufficient.

State Actions: Many elements of local government finance, including the issuance of debt and the levy of property taxes, are controlled by state government. Past and future actions of the State may affect the overall financial condition of the City, the taxable value of property within the City, and the ability of the City to levy property taxes.

Ratings; Interest Rates: In the future, the City's credit rating may be reduced or withdrawn, or interest rates for this type of obligation may rise generally, either possibility resulting in a reduction in the value of the Bonds for resale prior to maturity.

Tax Exemption: If the federal government or the State of Minnesota taxes all or a portion of the interest on municipal obligations, directly or indirectly, or if there is a change in federal or state tax policy, the value of the Bonds may fall for purposes of resale. Noncompliance following the issuance of the Bonds with certain requirements of the Code and covenants of the bond resolution may result in the inclusion of interest on the Bonds in gross income of the recipient for United States or in taxable net income of individuals, estates or trusts for State of Minnesota income tax purposes. No provision has been made for redemption of the Bonds, or for an increase in the interest rate on the Bonds, in the event that interest on the Bonds becomes subject to United States or State of Minnesota income taxation, retroactive to the date of issuance.

Continuing Disclosure: A failure by the City to comply with the Undertaking for continuing disclosure (see "Continuing Disclosure") will not constitute an event of default on the Bonds. Any such failure must be reported in accordance with the Rule and must be considered by any broker, dealer, or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

State Economy; State Aids: State of Minnesota cash flow problems could affect local governments and possibly increase property taxes.

Book-Entry-Only System: The timely credit of payments for principal and interest on the Bonds to the accounts of the Beneficial Owners of the Bonds may be delayed due to the customary practices, standing instructions or for other unknown reasons by DTC participants or indirect participants. Since the notice of redemption or other notices to holders of these obligations will be delivered by the City to DTC only, there may be a delay or failure by DTC, DTC participants or indirect participants to notify the Beneficial Owners of the Bonds.

Economy: A combination of economic, climatic, political or civil disruptions or terrorist actions could affect the local economy and result in reduced tax collections and/or increased demands upon local government.

VALUATIONS

OVERVIEW

All non-exempt property is subject to taxation by local taxing districts. Exempt real property includes Indian lands, public property, and educational, religious and charitable institutions. Most personal property is exempt from taxation (except investor-owned utility mains, generating plants, etc.).

The valuation of property in Minnesota consists of three elements. (1) The estimated market value is set by city or county assessors. Not less than 20% of all real properties are to be appraised by local assessors each year. (2) The taxable market value is the estimated market value adjusted by all legislative exclusions. (3) The tax capacity (taxable) value of property is determined by class rates set by the State Legislature. The tax capacity rate varies according to the classification of the property. Tax capacity represents a percent of taxable market value.

The property tax rate for a local taxing jurisdiction is determined by dividing the total tax capacity or market value of property within the jurisdiction into the dollars to be raised from the levy. State law determines whether a levy is spread on tax capacity or market value. Major classifications and the percentages by which tax capacity is determined are:

Type of Property	2010/11	2011/12	2012/13
Residential homestead ¹	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%	First \$500,000 - 1.00% Over \$500,000 - 1.25%
Agricultural homestead ¹	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,140,000 - 0.50% ² Over \$1,140,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,210,000 - 0.50% ² Over \$1,210,000 - 1.00% ²	First \$500,000 HGA - 1.00% Over \$500,000 HGA - 1.25% First \$1,290,000 - 0.50% ² Over \$1,290,000 - 1.00% ²
Agricultural non-homestead	Land - 1.00% ²	Land - 1.00% ²	Land - 1.00% ²
Seasonal recreational residential	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³	First \$500,000 - 1.00% ³ Over \$500,000 - 1.25% ³
Residential non-homestead:	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25%	1 unit - 1st \$500,000 - 1.00% Over \$500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City ⁴ - 1.25%
Industrial/Commercial/Utility ⁵	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%	First \$150,000 - 1.50% Over \$150,000 - 2.00%

¹ A residential property qualifies as "homestead" if it is occupied by the owner or a relative of the owner on the assessment date.

² Applies to land and buildings. Exempt from referendum market value tax.

³ Exempt from referendum market value tax.

⁴ Cities of 5,000 population or less and located entirely outside the seven-county metropolitan area and the adjacent nine-county area and whose boundaries are 15 miles or more from the boundaries of a Minnesota city with a population of over 5,000.

⁵ The estimated market value of utility property is determined by the Minnesota Department of Revenue.

CURRENT PROPERTY VALUATIONS

2012/13 Economic Market Value \$829,932,761¹

	2012/13 Assessor's Estimated Market Value	2012/13 Net Tax Capacity
Real Estate	\$ 810,085,600	\$7,543,781
Personal Property	9,183,200	181,832
Total Valuation	<u>\$ 819,268,800</u>	<u>\$7,725,613</u>
Less: Fiscal Disparities Contribution ²		<u>(395,562)</u>
Taxable Net Tax Capacity		\$7,330,051
Plus: Fiscal Disparities Distribution ²		<u>1,754,411</u>
Adjusted Taxable Net Tax Capacity		<u>\$9,084,462</u>

¹ According to the Minnesota Department of Revenue, the Economic Market Value (the "EMV") for the City of East Bethel is about 98.7% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the Assessor's Estimated Market Value (the "AEMV"). Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an EMV for the City of \$829,932,761.

² Each community in the seven-county metropolitan area contributes 40% of the growth in its commercial-industrial property tax base since 1972 to an area pool which is then distributed among the municipalities on the basis of population, special needs, etc. Each governmental unit makes a contribution and receives a distribution--sometimes gaining and sometimes contributing net tax capacity for tax purposes.

2012/13 NET TAX CAPACITY BY CLASSIFICATION

	2012/13 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	\$ 5,751,135	74.44%
Agricultural	225,359	2.92%
Commercial/industrial	732,789	9.49%
Public utility	2,220	0.03%
Railroad operating property	968	0.01%
Non-homestead residential	771,063	9.98%
Commercial & residential seasonal/rec.	60,247	0.78%
Personal property	<u>181,832</u>	<u>2.35%</u>
 Total	 <u><u>\$ 7,725,613</u></u>	 <u><u>100.00%</u></u>

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity ¹	Adjusted Taxable Net Tax Capacity ²	Percent +/- in Estimated Market Value
2008/09	\$1,114,069,000	\$1,088,316,900	\$11,444,758	\$12,859,922	- 2.96%
2009/10	1,033,801,500	1,015,785,900	10,693,956	12,241,186	- 7.20%
2010/11	916,468,400	901,424,900	9,486,806	11,064,256	- 11.35%
2011/12	882,069,500	797,957,993 ³	8,433,841 ³	9,866,102	- 3.75%
2012/13	819,268,800	733,712,259	7,725,613	9,084,462	- 7.12%

¹ Net Tax Capacity is before fiscal disparities adjustments.

² Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments.

³ Beginning with taxes 2011/12, a portion of the Estimated Market Value is excluded from the calculation of Taxable Market Value and Net Tax Capacity for residential homesteads valued at \$413,800 or less.

LARGER TAXPAYERS

Taxpayer	Type of Property	2012/13 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Connexus Energy	Utility	\$100,208	1.30%
Village Green North	Mobile home park	49,297	0.64%
Xcel Energy	Utility	45,924	0.59%
Bethel Properties, Inc.	Mobile home park	37,578	0.49%
Muller Properties of East Bethel LLC	Commercial	33,642	0.44%
Minnegasco, Inc.	Utility	30,166	0.39%
GJDS Inc.	Residential/commercial	26,688	0.35%
Firebird Land LLC	Residential	26,543	0.34%
Village Bank	Commercial	25,370	0.33%
Individual	Residential/commercial	21,464	0.28%
Total		\$396,880	5.14%

City's Total 2012/13 Net Tax Capacity \$7,725,613

Source: Current Property Valuations, Net Tax Capacity by Classification, Trend of Valuations and Larger Taxpayers have been furnished by Anoka County.

DEBT

DIRECT DEBT¹

General Obligation Debt (see schedules following)

Total g.o. debt being paid from revenues	\$ 13,919,589
Total g.o. debt being paid from special assessments	115,000
Total g.o. debt being paid from taxes	1,250,000
Total g.o. debt being paid from revenues and taxes (the Bonds of this offering)	<u>5,590,000</u>
 Total General Obligation Debt	 <u><u>\$ 20,874,589</u></u>

¹ Outstanding debt is as of the dated date of the Bonds.

CITY OF EAST BETHEL, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues
(As of 3/04/14)

Fiscal Year Ending	Sewer Series 2008A		MPFA Loan Drinking Water 2010		(RZEDB) Taxable Water Series 2010A		Taxable GO Bonds Series 2010C		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
	Dated Amount	Maturity	Principal	Interest	Principal	Interest	Principal	Interest						
2014	0	5/01/08	3,000	288	0	383,536	0	20,986	426,762	850,976	429,762	13,916,589	0.02%	2014
2015	155,000	5/01/08	3,000	566	0	767,073	0	41,733	850,976	850,976	1,008,976	13,758,589	1.16%	2015
2016	135,000	5/01/08	3,000	536	0	767,073	695,000	30,613	834,943	834,943	1,667,943	12,925,589	7.14%	2016
2017	140,000	5/01/08	3,000	506	0	767,073	585,000	9,746	808,865	808,865	1,516,865	12,217,589	12.23%	2017
2018	155,000	5/01/08	4,000	476	0	767,073	0	0	952,208	952,208	952,208	12,058,589	13.37%	2018
2019	170,000	5/01/08	4,000	436	0	767,073	0	0	786,668	786,668	960,668	11,884,589	14.62%	2019
2020	175,000	5/01/08	4,000	386	115,000	764,485	0	0	777,141	777,141	1,071,141	11,590,589	16.73%	2020
2021	125,000	5/01/08	4,000	366	120,000	759,078	0	0	765,663	765,663	1,014,663	11,341,589	18.52%	2021
2022	10,000	5/01/08	4,000	316	170,000	751,498	0	0	939,338	939,338	939,338	11,157,589	19.84%	2022
2023	10,000	5/01/08	4,000	276	140,000	742,818	0	0	900,148	900,148	900,148	11,003,589	20.95%	2023
2024	10,000	5/01/08	4,000	236	190,000	733,578	0	0	746,148	746,148	940,398	10,799,589	22.41%	2024
2025	10,000	5/01/08	4,000	196	220,000	722,098	0	0	724,408	724,408	958,408	10,565,589	24.10%	2025
2026	10,000	5/01/08	4,000	156	275,000	707,000	0	0	688,466	688,466	937,801	10,276,589	26.17%	2026
2027	10,000	5/01/08	4,000	116	335,000	687,175	0	0	663,906	663,906	1,027,466	9,927,589	28.68%	2027
2028	10,000	5/01/08	4,000	76	405,000	663,125	0	0	601,538	601,538	1,118,548	9,506,589	35.16%	2028
2029	10,000	5/01/08	4,000	36	470,000	634,688	0	0	561,388	561,388	1,221,388	8,475,000	39.11%	2029
2030	10,000	5/01/08	3,589	36	550,000	601,538	0	0	513,651	513,651	1,151,538	7,815,000	43.86%	2030
2031	10,000	5/01/08	3,589	36	660,000	561,388	0	0	461,825	461,825	1,241,825	7,060,000	49.28%	2031
2032	10,000	5/01/08	3,589	36	755,000	513,651	0	0	408,331	408,331	1,213,331	6,290,000	54.88%	2032
2033	10,000	5/01/08	3,589	36	805,000	461,825	0	0	352,961	352,961	1,187,961	5,475,000	60.67%	2033
2034	10,000	5/01/08	3,589	36	835,000	408,331	0	0	294,525	294,525	1,159,525	4,640,000	66.67%	2034
2035	10,000	5/01/08	3,589	36	865,000	352,961	0	0	232,925	232,925	1,127,925	3,775,000	72.88%	2035
2036	10,000	5/01/08	3,589	36	895,000	294,525	0	0	169,225	169,225	1,093,225	2,880,000	85.96%	2036
2037	10,000	5/01/08	3,589	36	925,000	232,925	0	0	103,250	103,250	1,063,250	1,955,000	92.85%	2037
2038	10,000	5/01/08	3,589	36	960,000	169,225	0	0	34,825	34,825	1,029,825	995,000	100.00%	2038
2039	10,000	5/01/08	3,589	36	995,000	103,250	0	0	0	0	1,000,000	0	100.00%	2039
2040	10,000	5/01/08	3,589	36	1,135,000	210,329	11,465,000	15,118,883	13,919,589	15,437,145	29,356,734	0	100.00%	2040

CITY OF EAST BETHEL, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Special Assessments
(As of 3/04/14)

		Improvement Series 2005B					
Dated Amount	9/15/05 \$495,000						
Maturity	2/01						
Fiscal Year Ending	Principal	Interest	Total Principal	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2014	0	2,158	0	2,158	115,000	0.00%	2014
2015	55,000	3,298	55,000	58,298	60,000	47.83%	2015
2016	60,000	1,140	60,000	61,140	0	100.00%	2016
	115,000	6,595	115,000	121,595			

CITY OF EAST BETHEL, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes
(As of 3/04/14)

Refunding 1)
Series 2013A

Fiscal Year Ending	Dated Amount	Maturity	Principal		Interest		Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Interest	Total Principal	Total Interest				
	11/13/13	2/01								
	\$1,250,000									
2014			0	26,875	0	26,875	1,250,000	0.00%	2014	
2015			75,000	36,375	75,000	36,375	1,175,000	6.00%	2015	
2016			90,000	33,900	90,000	33,900	1,085,000	13.20%	2016	
2017			90,000	31,200	90,000	31,200	995,000	20.40%	2017	
2018			95,000	28,425	95,000	28,425	900,000	28.00%	2018	
2019			100,000	25,500	100,000	25,500	800,000	36.00%	2019	
2020			100,000	22,500	100,000	22,500	700,000	44.00%	2020	
2021			110,000	19,350	110,000	19,350	590,000	52.80%	2021	
2022			110,000	16,050	110,000	16,050	480,000	61.60%	2022	
2023			115,000	12,675	115,000	12,675	365,000	70.80%	2023	
2024			120,000	9,150	120,000	9,150	245,000	80.40%	2024	
2025			120,000	5,550	120,000	5,550	125,000	90.00%	2025	
2026			125,000	1,875	125,000	1,875	0	100.00%	2026	
			1,250,000	269,425	1,250,000	269,425	1,519,425			

1) This issue refunded the 2015 through 2026 maturities of the City's \$1,900,000 General Obligation Public Safety Bonds, Series 2005A, dated September 15, 2005.

CITY OF EAST BETHEL, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues and Taxes
(As of 3/04/14)

This Issue 1)
Series 2014A

Fiscal Year Ending	Dated Amount	Maturity	3/04/14		Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
			Principal	Estimated Interest						
2014	\$5,590,000	2/01	0	78,094	0	78,094	5,590,000	0.00%	2014	
2015			0	187,425	0	187,425	5,590,000	0.00%	2015	
2016			0	187,425	0	187,425	5,590,000	0.00%	2016	
2017			0	187,425	0	187,425	5,590,000	0.00%	2017	
2018			0	187,425	0	187,425	5,590,000	0.00%	2018	
2019			240,000	185,745	240,000	185,745	5,350,000	4.29%	2019	
2020			235,000	182,009	235,000	182,009	5,115,000	8.50%	2020	
2021			185,000	178,056	185,000	178,056	4,930,000	11.81%	2021	
2022			185,000	173,986	185,000	173,986	4,745,000	15.12%	2022	
2023			200,000	169,263	200,000	169,263	4,545,000	18.69%	2023	
2024			205,000	163,894	205,000	163,894	4,340,000	22.36%	2024	
2025			210,000	158,030	210,000	158,030	4,130,000	26.12%	2025	
2026			220,000	151,630	220,000	151,630	3,910,000	30.05%	2026	
2027			225,000	144,675	225,000	144,675	3,685,000	34.08%	2027	
2028			235,000	137,139	235,000	137,139	3,450,000	38.28%	2028	
2029			245,000	128,976	245,000	128,976	3,205,000	42.67%	2029	
2030			260,000	120,135	260,000	120,135	2,945,000	47.32%	2030	
2031			270,000	110,593	270,000	110,593	2,675,000	52.15%	2031	
2032			285,000	100,321	285,000	100,321	2,390,000	57.25%	2032	
2033			300,000	89,278	300,000	89,278	2,090,000	62.61%	2033	
2034			315,000	77,514	315,000	77,514	1,775,000	68.25%	2034	
2035			330,000	65,015	330,000	65,015	1,445,000	74.15%	2035	
2036			260,000	53,445	260,000	53,445	1,185,000	78.80%	2036	
2037			275,000	42,810	275,000	42,810	910,000	83.72%	2037	
2038			290,000	31,365	290,000	31,365	620,000	88.91%	2038	
2039			305,000	19,168	305,000	19,168	315,000	94.36%	2039	
2040			315,000	6,458	315,000	6,458	0	100.00%	2040	
			5,590,000	3,317,296	5,590,000	3,317,296	8,907,296			

1) This issue is refunding the 2016 through 2040 maturities of the City's \$6,100,000 Taxable General Obligation Utility Revenue Bonds, Series 2010B (Build America Bonds - Direct Pay), dated December 15, 2010. The refunded maturities will be called for prior redemption on April 1, 2014 and have not been included in the calculation of debt ratios.

DEBT LIMIT

The statutory limit on debt of Minnesota municipalities other than school districts or cities of the first class (Minnesota Statutes, Section 475.53, subd. 1) is 3% of the Assessor's Estimated Market Value of all taxable property within its boundaries. "Net debt" (Minnesota Statutes, Section 475.51, subd. 4) is the amount remaining after deducting from gross debt: (1) obligations payable wholly or partly from special assessments levied against benefitted property; (2) warrants or orders having no definite or fixed maturity; (3) obligations issued to finance any public revenue producing convenience (e.g. the Bonds of this offering); (4) obligations issued to create or maintain a permanent improvement revolving fund; (5) funds held as sinking funds for payment of principal and interest on debt other than those deductible under 1-4 above; and (6) other obligations which are not to be included in computing the net debt of a municipality under the provisions of the law authorizing their issuance.

Assessor's Estimated Market Value	\$819,268,800
Multiply by 3%	<u>0.03</u>
Statutory Debt Limit	\$ 24,578,064
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	<u>(1,250,000)</u>
Unused Debt Limit	<u><u>\$ 23,328,064</u></u>

OVERLAPPING DEBT¹

Taxing District	2012/13 Adjusted Taxable Net Tax Capacity	% In City	Total G.O. Debt	City's Proportionate Share
Anoka County	\$ 269,455,126	3.3714%	\$131,805,000	\$ 4,443,699
I.S.D. No. 15 (St. Francis)	24,895,956	31.0734%	32,035,000	9,954,352
I.S.D. No. 831 (Forest Lake)	44,049,942	3.0612%	26,740,000	818,561
Metropolitan Council	2,964,890,691	0.3064%	189,450,000 ²	<u>580,475</u>
City's Share of Total Overlapping Debt				<u><u>\$15,797,087</u></u>

¹ Only those taxing jurisdictions with general obligation debt outstanding are included in this section. Does *not* include non-general obligation debt, self-supporting general obligation revenue debt, short-term general obligation debt, or general obligation tax/aid anticipation certificates of indebtedness.

² The above debt includes all outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding all of which are supported entirely by revenues and have not been included in the Overlapping Debt or Debt Ratios sections.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value (\$829,932,761)	Debt/ Current Population Estimate (11,783)
Direct G.O. Debt Being Paid From:			
Revenues	\$ 13,919,589		
Special Assessments	115,000		
Taxes	1,250,000		
Revenues & Taxes	<u>5,590,000</u>		
Total General Obligation Debt	\$ 20,874,589		
Less: G.O. Debt Paid Entirely from Revenues ¹	<u>(12,784,589)</u>		
Tax Supported General Obligation Debt	\$ 8,090,000	0.97%	\$686.58
 City's Share of Total Overlapping Debt	 \$ 15,797,087	 1.90%	 \$1,340.67
 Total	 \$ 23,887,087	 2.88%	 \$2,027.25

DEBT PAYMENT HISTORY

The City has never defaulted in the payment of principal and interest on its debt.

FUTURE FINANCING

The City reports no plans for additional financing in the next three months.

¹ Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt. Does not include the City's \$1,715,000 General Obligation Sewer Revenue Bonds, Series 2008A (\$1,135,000 currently outstanding), which has been paid from taxes the last three years.

TAX RATES, LEVIES AND COLLECTIONS

TAX COLLECTIONS

Tax Year	Net Tax Levy ¹	Total Collected Following Year	Collected to Date ²	% Collected
2008/09	\$ 4,461,426	\$ 4,340,870	\$ 4,448,404	99.71%
2009/10	4,778,432	4,635,230	4,757,794	99.57%
2010/11	4,676,275	4,548,247	4,638,144	99.18%
2011/12	4,491,209	4,396,078	4,396,078	97.88%
2012/13	4,447,150	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15. Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

¹ This reflects the Final Levy Certification of the City after all adjustments have been made.

² Collections are through December 31, 2012.

TAX CAPACITY RATES¹

	2008/09	2009/10	2010/11	2011/12	2012/13
Anoka County w/ Library	32.078%	35.189%	39.952%	41.146%	44.411%
Anoka County/City Radio	0.367%	0.385%	0.424%	0.469%	0.350%
City of East Bethel	35.795%	40.611%	43.908%	43.807%	48.224%
I.S.D. No. 15 (St. Francis)	20.965%	24.859%	28.793%	32.835%	33.707%
I.S.D. No. 831 (Forest Lake)	13.455%	12.642%	15.702%	17.329%	22.018%
Anoka County RR Authority	1.148%	1.281%	1.332%	0.650%	0.777%
East Bethel EDA	0.000%	0.000%	0.000%	2.035%	1.487%
East Bethel HRA	0.000%	0.000%	1.397%	0.000%	0.000%
Metropolitan Council	0.797%	0.811%	0.854%	0.983%	1.053%
Metropolitan Mosquito	0.476%	0.471%	0.508%	0.559%	0.587%

Referendum Market Value Rates:

City of East Bethel	0.01365%	0.01496%	0.01658%	0.01755%	0.01919%
I.S.D. No. 15 (St. Francis)	0.02697%	0.11086%	0.10293%	0.08594%	0.09764%
I.S.D. No. 831 (Forest Lake)	0.13385%	0.13628%	0.15387%	0.15388%	0.17389%

Source: Tax Collections and Tax Capacity Rates have been furnished by Anoka County.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. In 2013, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. These limitations do not apply to taxes levied to pay debt service. While these limitations apply for one year, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers & Associates.

¹ After reduction for state aids. Does not include the statewide general property tax against commercial/industrial, non-homestead resorts and seasonal recreational residential property.

THE ISSUER

CITY GOVERNMENT

The City of East Bethel was organized as a municipality in 1958. The City operates under a statutory form of government consisting of a five-member City Council of which the Mayor is a voting member. The City Administrator-Clerk-Treasurer and Finance Director are responsible for administrative details and financial records.

EMPLOYEES; PENSIONS; UNIONS

The City currently has 19 full-time, 1 part-time, and 2 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee 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. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

Bargaining Unit	Expiration Date of Current Contract
Minnesota Public Employees Association	December 31, 2016

LIABILITIES FOR OTHER POST EMPLOYMENT BENEFITS

The City does not pay directly for retirees' post-employment benefits. The City has some obligations for post-employment benefits as mandated by State Statutes. Specifically, the City is required to allow retirees to be covered by the City's health care plan as long as the retiree pays his/her premiums. Retiree membership in a health care plan typically increases costs of the premiums. This increased cost is commonly known as implicit price subsidy.

LITIGATION

There is no litigation threatened or pending questioning the organization or boundaries of the City or the right of any of its officers to their respective offices or in any manner questioning their rights and power to execute and deliver these Bonds or otherwise questioning the validity of these Bonds.

FUNDS ON HAND (As of October 31, 2013)

Fund	Total Cash and Investments
General	\$ 1,738,723
Special Revenue	728,937
Debt Service	(77,377) ¹
Capital Projects	6,071,646
Enterprise Funds	<u>(320,866)</u>
Total Funds on Hand	<u><u>\$8,141,063</u></u>

ENTERPRISE FUNDS

Cash flows for the City's enterprise funds have been as follows as of December 31 each year:

	2010	2011	2012
Water Utility			
Total Operating Revenues	\$ 33,163	\$ 33,014	\$ 34,445
Less: Operating Expenses	<u>(55,180)</u>	<u>(50,302)</u>	<u>(53,320)</u>
Operating Income	\$ (22,017)	\$ (17,288)	\$ (18,875)
Plus: Depreciation	<u>22,195</u>	<u>22,195</u>	<u>22,195</u>
Revenues Available for Debt Service	<u><u>\$ 178</u></u>	<u><u>\$ 4,907</u></u>	<u><u>\$ 3,320</u></u>
Sewer Utility			
Total Operating Revenues	\$ 80,247	\$ 79,123	\$ 63,785
Less: Operating Expenses	<u>(79,983)</u>	<u>(93,820)</u>	<u>(97,737)</u>
Operating Income	\$ 264	\$ (14,697)	\$ (33,952)
Plus: Depreciation	<u>23,050</u>	<u>23,050</u>	<u>23,050</u>
Revenues Available for Debt Service	<u><u>\$ 23,314</u></u>	<u><u>\$ 8,353</u></u>	<u><u>\$ (10,902)</u></u>
Ice Arena			
Total Operating Revenues	\$292,734	\$275,200	\$256,338
Less: Operating Expenses	<u>(292,691)</u>	<u>(268,950)</u>	<u>(295,144)</u>
Operating Income	\$ 43	\$ 6,250	\$ (38,806)
Plus: Depreciation	<u>82,361</u>	<u>82,361</u>	<u>131,272</u>
Revenues Available for Debt Service	<u><u>\$ 82,404</u></u>	<u><u>\$ 88,611</u></u>	<u><u>\$ 92,466</u></u>

¹ Does not include second-half property tax collections.

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund for the past five fiscal years. These summaries are not purported to be the complete audited financial statements of the City. Copies of the complete audited financial statements are available upon request. See Appendix A for excerpts from the City's 2012 audited financial statement.

COMBINED STATEMENT	FISCAL YEAR ENDING DECEMBER 31				
	2008	2009	2010	2011	2012
Revenues:					
General property taxes	\$ 3,993,491	\$ 4,383,879	\$ 4,583,900	\$ 4,428,762	\$ 4,225,660
Licenses and permits	148,663	118,516	106,387	109,366	144,895
Intergovernmental	204,867	210,176	210,639	239,189	230,565
Charges for services	57,034	35,042	88,133	75,010	153,840
Fines and forfeitures	47,735	60,100	58,519	49,792	52,870
Investment income	40,002	7,544	3,982	1,586	2,100
Other	66,938	73,881	78,905	78,710	89,612
Total Revenues	<u>\$ 4,558,730</u>	<u>\$ 4,889,138</u>	<u>\$ 5,130,465</u>	<u>\$ 4,982,415</u>	<u>\$ 4,899,542</u>
Expenditures					
Current:					
General government	\$ 1,223,111	\$ 1,348,803	\$ 1,350,215	\$ 1,325,655	\$ 1,240,416
Public safety	1,515,216	1,758,850	1,803,345	1,781,927	1,598,718
Public works	594,793	735,019	750,946	679,882	719,920
Parks and recreation	394,665	363,171	314,541	372,692	376,067
Capital outlay	24,434	10,000	0	0	16,931
Total Expenditures	<u>\$ 3,752,219</u>	<u>\$ 4,215,843</u>	<u>\$ 4,219,047</u>	<u>\$ 4,160,156</u>	<u>\$ 3,952,052</u>
Excess of revenues over (under) expenditures	\$ 806,511	\$ 673,295	\$ 911,418	\$ 822,259	\$ 947,490
Other Financing Sources (Uses)					
Operating transfers in	\$ 266,800	\$ 0	\$ 0	\$ 0	\$ 0
Operating transfers out	(752,600)	(546,851)	(763,196)	(552,604)	(580,000)
Total Other Financing Sources (Uses)	<u>\$ (485,800)</u>	<u>\$ (546,851)</u>	<u>\$ (763,196)</u>	<u>\$ (552,604)</u>	<u>\$ (580,000)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	\$ 320,711	\$ 126,444	\$ 148,222	\$ 269,655	\$ 367,490
General Fund Balance January 1	1,389,372	1,710,083	1,836,527	1,984,749	2,254,404
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance December 31	<u>\$ 1,710,083</u>	<u>\$ 1,836,527</u>	<u>\$ 1,984,749</u>	<u>\$ 2,254,404</u>	<u>\$ 2,621,894</u>
DETAILS OF DECEMBER 31 FUND BALANCE					
Reserved	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Unreserved:					
Designated	0	0	0	0	0
Undesignated	1,710,083	1,836,527	1,984,749	0	0
Nonspendable	0	0	0	1,526	1,214
Restricted	0	0	0	0	0
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	0	0	0	2,252,878	2,620,680
Total	<u>\$ 1,710,083</u>	<u>\$ 1,836,527</u>	<u>\$ 1,984,749</u>	<u>\$ 2,254,404</u>	<u>\$ 2,621,894</u>

GENERAL INFORMATION

LOCATION

The City of East Bethel, with a 2010 U.S. Census population of 11,626 and a current population estimate of 11,555, and comprising an area of 48 square miles, is located approximately 30 miles north of the Minneapolis-St. Paul metropolitan area. For additional information regarding the City, please visit its website at www.ci.east-bethel.mn.us/.

LARGER EMPLOYERS

Larger employers in the City of East Bethel include the following:

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 15 (St. Francis)	Elementary and secondary education	759
Classic Construction, Inc.	General contractor	37
Rivard Companies ¹	Tree removal, trimming and land clearing service	36
Viking Meadows Golf Club	Golf course	25
East Bethel 10 Theater	Movie theater	24
City of East Bethel	Municipal government and services	22
Teddy Bear Care On 65	Child care services	12
Marathon Gas Station	Gas and convenience store	10
Top Notch Fence Co.	Fence installation	10
Village Bank	Bank	9

Source: *Infogroup (www.salesgenie.com), written and telephone survey (May 2013), and the Minnesota Department of Employment and Economic Development.*

¹ Includes Rivard Contracting, Central Wood Products, Gronomics, and ECO Bales.

BUILDING PERMITS

	2009	2010	2011	2012	2013 ¹
<u>No. of All Building Permits</u> <i>(including additions and remodelings)</i>	85	91	100	91	114
<u>Valuation of All Building Permits</u> <i>(including additions and remodelings)</i>	\$2,588,927	\$2,354,998	\$2,960,470	\$8,466,808	\$4,394,947
<u>New Single Family Homes</u>					
No. of building permits	5	4	4	5	12
Valuation	\$993,162	\$949,260	\$665,000	\$1,110,900	\$2,300,352
<u>New Commercial/Industrial</u>					
No. of building permits	0	2	1	3	1
Valuation	\$0	\$403,000	\$1,072,000	\$5,612,510	\$25,000

¹ As of October 31, 2013.

U.S. CENSUS DATA

Population Trend: City of East Bethel, Minnesota

2000 U.S. Census population	10,941
2010 U.S. Census population	11,626
2012 State Demographer's Estimate	11,555
Percent of Change 2000 - 2010	+ 6.26%

Income and Age Statistics

	City of East Bethel	Anoka County	State of Minnesota	United States
2011 per capita income	\$31,731	\$30,299	\$30,656	\$28,051
2011 median household income	\$81,004	\$69,916	\$59,126	\$53,046
2011 median family income	\$89,289	\$81,380	\$74,032	\$64,585
2012 median gross rent	\$1,250	\$937	\$802	\$889
2012 median value owner-occupied units	\$219,600	\$203,700	\$194,300	\$181,400
2012 median age	40.3 yrs.	37.1 yrs.	37.4 yrs.	37.2 yrs.

	State of Minnesota	United States
City % of 2011 per capita income	103.51%	113.12%
City % of 2011 median family income	120.61%	138.25%

Housing Statistics

	<u>City of East Bethel</u>		Percent of Change
	2000	2011	
All Housing Units	3,718	4,237	13.96%

Source: 2000 and 2010 Census of Population and Housing, and 2011 American Community Survey, U.S. Census Bureau (www.factfinder2.census.gov).

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

Year	<u>Average Employment</u>		<u>Average Unemployment</u>	
	Anoka County	Anoka County	State of Minnesota	State of Minnesota
2009	174,956	8.6%	8.0%	
2010	174,098	7.9%	7.4%	
2011	176,506	6.7%	6.5%	
2012	178,955	5.8%	5.6%	
2013, November	183,358	4.1%	4.1%	

Source: Minnesota Department of Employment and Economic Development.

APPENDIX A

EXCERPTS FROM FINANCIAL STATEMENTS

Reproduced on the following pages are excerpts from the City's audited Financial Statements for the fiscal year ending December 31, 2012. The Financial Statements have been prepared by the City and audited by a certified public accountant. The Management's Discussion and Analysis and the Notes to Financial Statements are an integral part of the audit and any judgment of the Financial Statements should be based on the Financial Statements as a whole.

Copies of the complete audited financial statements for the past three years and the current budget are available upon request from Ehlers.



5201 Eden Avenue
Suite 250
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of East Bethel, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of East Bethel, Minnesota (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2011 financial statements and, in our report dated May 25, 2012 we express unqualified opinions on the respective proprietary fund financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves 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 policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the 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

Change in Accounting Standards

As described in the Note 7 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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.

Supplementary Information in Relation to the Financial Statements as a Whole

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section has 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2013, on our consideration of the City'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

May 29, 2013
Minneapolis, Minnesota

Abdo Eick & Meyers, LLP

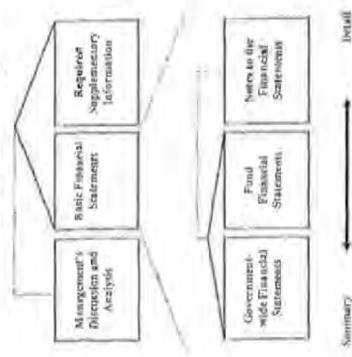
ABDO, EICK & MEYERS, LLP
Certified Public Accountants

Overview of the 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.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide fund financial statements that include details about (nonmajor) special revenue governmental funds, which are added together and presented in single columns in the basic financial statements.

**Figure 1
Organization of East Bethel
Annual Financial Report**



Management's Discussion and Analysis

As management of the City of East Bethel, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012.

Financial and Development Highlights

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by \$34,648,552 (net position). Of this amount, \$2,474,003 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$687,241. Of the total, governmental activities decreased \$551,002 and the business-type activities decreased \$136,239.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$11,584,923, a decrease of \$4,376,190 from the prior fiscal year. Continued construction payments for water and sewer infrastructure from bond proceeds received in the prior year contributed significantly to the decrease in fund balance.
- At the end of the fiscal year the General fund had a fund balance of \$2,021,894.

Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major features of the Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government and the City's component units.	The activities of the City that are not proprietary or fiduciary, such as police, public works and parks system.	Activities the City operates similar to private businesses, such as the water and sewer system.
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of "in flow/out flow" information	All revenues and expenses during year, regardless of when cash is received or paid when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid when cash is received or paid

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

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

The statement of activities presents information showing how the City's net position changes 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 that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are included to recover all or a significant portion of their costs through user fees and charges (business-type activities). The government-wide financial statements of the City include general government, public safety, streets and highways, and parks and recreation. The business-type activities of the City include an arena, wastewater treatment, and water provision.

The government-wide financial statements start on page 23 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses funds accounting to ensure and demonstrate compliance with financially-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary 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 statement. 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.

For 2012, the City maintains four individual 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 following major funds:

- General fund
- Municipal State And Street Improvements fund
- Water Infrastructure fund
- Utility Infrastructure fund

Data from the other 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 annually appropriated budget for its General fund and many of its special revenue funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements start on page 26 of this report.

Proprietary funds. The City maintains three enterprise funds and two internal service funds of the proprietary fund type. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Internal service funds are used to accumulate and allocate costs internally among the City's various functions. Because the internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The City uses enterprise funds to account for its water utility, sewer utility and arena operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary funds financial statements provide separate information for the following funds:

- | | |
|--------------------|----------------------------|
| Enterprise funds | Internal service funds |
| Water utility fund | Compensated absences fund |
| Sewer utility fund | Equipment replacement fund |
| Ice arena fund | |

The 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 start on page 33 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 start on page 36 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules start on page 66 of this report.

Government-wide Financial Analysis

As noted earlier, net position may vary over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$34,646,562 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$21,170,323) or 61 percent reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, sewer main lines and storm sewers, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of East Bethel, Minnesota's Net Position

	Governmental Activities			Business-type Activities			Total
	2012	2011	2010	2012	2011	2010	
Current and other assets:							
Capital assets	\$ 15,990,633	\$ 20,796,243	\$ 13,647,319	\$ 34,072	\$ 13,647,319	\$ 20,830,315	
	19,328,835	33,557,816	4,171,307	1,488,289	40,399,782	39,240,289	
Total assets	55,319,668	58,148,057	1,221,091	1,522,541	96,147,101	60,670,644	
Liap-term liabilities outstanding	19,564,217	22,664,655	-	-	19,564,217	22,664,655	
Other liabilities	5,967,708	2,145,223	2,546,395	594,405	4,914,300	2,658,126	
Total liabilities	25,531,925	24,810,278	2,546,395	594,405	24,478,517	25,322,781	
Net assets							
Net investment in capital assets	19,888,371	15,765,573	1,211,923	1,488,289	21,790,323	17,242,664	
Percolated	8,251,025	12,272,281	-	-	8,251,025	12,272,281	
Unrestricted	5,667,169	3,784,559	1,435,553	1,470,811	5,286,646	5,513,726	
Total net position	\$ 32,796,167	\$ 34,315,105	\$ 181,199	\$ 1,017,684	\$ 34,646,562	\$ 34,335,862	

A portion of the of the City's net position (\$3,004,226) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,474,003) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for its governmental activities. The business-type activities have a deficit of unrestricted net position.

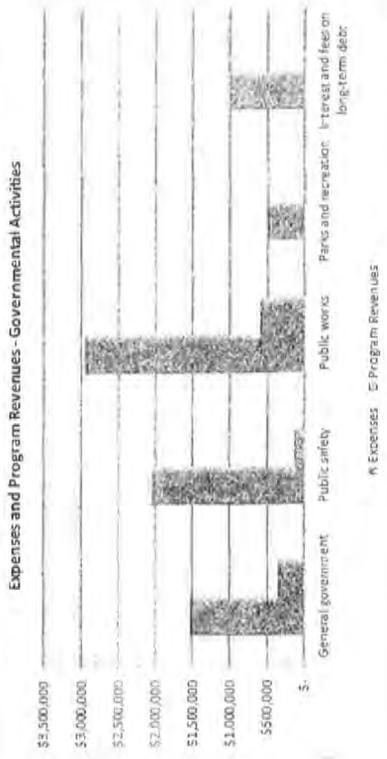
Governmental Activities

Governmental activities decreased the City's net position by \$551,002. Business-type net position decreased by \$1,017,684. Key elements of the changes in net position are as follows:

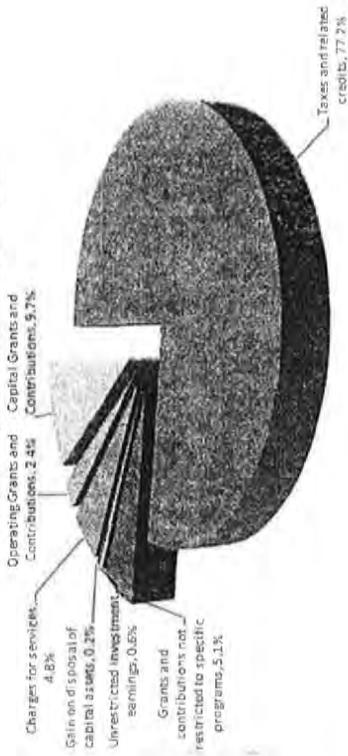
City of East Bethel's Changes in Net Positions

	Governmental Activities			Business-type Activities			Total
	2012	2011	2010	2012	2011	2010	
Revenues:							
Program revenues:							
Charge for services	\$ 513,937	\$ 398,257	\$ 354,548	\$ 517,237	\$ 364,566	\$ 665,894	
Operating grants and contributions	105,871	150,000	-	-	168,971	100,000	
Capital grants and contributions	1,231,039	590,680	-	-	1,131,089	690,000	
General revenues	4,658,456	4,329,977	-	-	4,658,456	4,627,687	
Taxes:							
Gross & contribution on							
merchandise	488,707	318,239	-	-	488,707	318,239	
(in specific programs)	34,646	38,584	-	-	34,646	34,384	
Unspecified investment earnings	3,512	10,327	-	-	3,512	10,327	
Gain on disposal of capital assets	2,896	-	-	-	2,896	-	
Marshallments	7,191,994	4,239,125	7,564,268	917,137	8,066,473	6,117,562	
Total revenues	13,533,702	14,079,896	14,079,896	-	13,533,702	14,256,890	
Expenses:							
General government:	1,835,446	2,033,651	-	-	1,835,446	2,033,651	
Public safety	3,073,567	3,982,570	-	-	3,073,567	3,982,570	
Public works	896,806	866,101	-	-	896,806	896,101	
Police and recreation	-	-	97,453	92,416	97,453	92,416	
Water	-	-	46,033	94,461	46,033	94,461	
Street	-	-	205,213	260,306	205,213	260,306	
Interest and (on or long-term debt)	1,493,553	587,547	-	-	1,493,553	587,547	
Total expenses	8,245,368	7,971,899	499,806	412,977	8,153,313	8,985,824	
Change in net position	(511,022)	(1,721,634)	(1,356,239)	(245,640)	(687,241)	(1,746,274)	
Net position as retained, January 1	34,315,105	36,036,739	1,811,638	1,044,278	35,325,093	37,084,077	
Net position, December 31	\$ 33,804,083	\$ 34,315,105	\$ 455,399	\$ 1,017,684	\$ 34,646,562	\$ 35,337,803	

Below are specific graphs which provide comparisons of the governmental activities program revenues and expenditures:

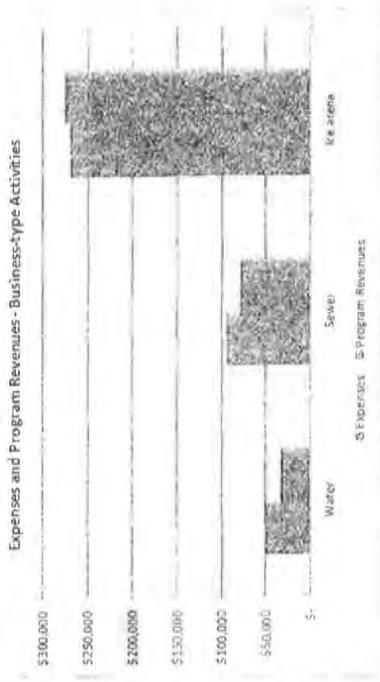


Revenues by Source - Governmental Activities



Business-type Activities

Business-type activities decreased net position by \$26,640 including depreciation expenses of \$127,506. The results reflect the continuing start-up costs of the City's utility services and the continuing challenges at the City's Ice Arena. Below are graphs showing the business-type activities revenue and expense comparisons:



All of the revenues from Business-type activities come from charges for services.

Financial Analysis of the Government'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 balance 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 the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,584,923. Approximately 69 percent of this total amount (\$8,004,236) constitutes restricted fund balances, indicating that it is not available for new spending because it must be used only for debt retirement or other restricted purposes. The assigned fund balance (\$397,785) reflects the City's intended use. The unassigned fund balance is \$2,586,688.

The General fund balance increased by \$167,469 in 2012. This was a result of the City's decision to delay any discretionary spending in light of lower revenues related to depressed building activity and lower interest earnings.

The Municipal State Aid Street Improvement fund increased \$236,465 by receiving intergovernmental revenues that were expended in a prior year.

The Water Infrastructure fund decreased \$3,545,247 and the Utility Construction fund decreased \$672,008 due to the expending of bond proceeds received in a prior year for the construction of water and sewer infrastructure.

Nonmajor Governmental Funds decreased by \$1,022,550 primarily due to the interest charges on bonds.

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

The unaccrued net position in the respective proprietary funds are water (\$149,877), sewer (\$196,384) and fee areas (\$84,292). The utility operations began in 2004, as the number of customers continue to grow, financial results will improve, as fixed costs will not increase appreciably. Uniformly, 2012 was a year with no new homes constructed which already affects the number of utility customers. Consequently, net position of the utility funds did not improve. Utility rates were increased appreciably in 2010 to improve operating results. The fee area fund had a decrease in net position in 2012 of \$38,863 including depreciation of \$131,272.

General Fund Budgetary Highlights

The General fund budget was amended during 2012 without any change to total expenditures or revenues. Several different areas were affected by the budget changes.

During the year, revenues were more than budgetary estimates by \$103,644, and expenditures were less than budgetary estimates by \$271,101. The net result was a \$320,745 increase in the General fund. The favorable expenditure budget variance was attributable to changes in City's staffing and delaying or discretionary spending.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2012, amounts to \$43,459,721 (net of accumulated depreciation). This investment in capital assets includes land, building, machinery and equipment, sewer main lines, water lines and wells, storm sewers, and infrastructure.

**East Bethel's Capital Assets
(net of accumulated depreciation)**

	Governmental Activities			Business-type Activities			Total
	2012	2011	2010	2012	2011	2010	
Land	\$ 892,346	\$ 887,540	\$ 20,000	\$ 80,000	\$ 80,000	\$ 917,540	\$ 917,540
Construction in progress	6,671,359	6,878,949	-	-	9,511,339	6,878,949	6,878,969
Buildings and fixtures	3,180,336	2,975,075	-	356,186	3,189,396	1,126,120	1,126,120
Machinery and equipment	1,349,365	1,335,492	-	-	1,349,583	1,345,402	1,345,402
Park improvements	729,402	702,008	-	-	729,408	702,008	702,008
Sewer main lines and storm sewers	1,227,759	1,202,154	-	1,227,758	1,295,154	1,295,154	1,295,154
Infrastructure	20,333,923	22,149,846	4,412,397	702,255	26,379,519	24,855,176	24,855,176
Total capital assets	\$ 39,728,455	\$ 38,351,890	\$ 4,171,307	\$ 1,483,698	\$ 43,469,263	\$ 39,840,264	\$ 39,840,264

Additional information on the City's capital assets can be found in Note 3C.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$22,329,499 a decrease of \$258,786 from 2011.

All debt outstanding at year-end is general obligation debt, which are backed by the full faith and credit of the City. Some of the general obligation bonds have specific revenues pledged other than property taxes, but in the event those other sources were insufficient, the City would be required to be the shortfall through property taxes.

City of East Bethel's Outstanding Debt

The City's long-term debt at December 31, 2012 is as follows:

	Governmental Activities		Business-type Activities	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
General obligation improvement bonds	\$ 2,995,000	\$3,300,935	\$ -	\$ -
General obligation revenue bonds	16,475,084	15,457,292	2,659,355	-
Total	\$ 19,470,084	\$22,588,225	\$ 2,659,355	\$ -

Monday's Investor Services maintained the City's rating of A2 for it's most current debt issue.

State Statutes limit the amount of general obligation debt a Minnesota city may issue to three percent of total Estimated Market Value. The current debt limitation for the City is \$23,938,740. Of the City's outstanding debt, \$1,310,000 is covered within the statutory limitation.

Additional information on the City's long-term debt can be found in Note 2D.

Economic Factors and Next Year's Budgets and Rates

The City is anticipating an increase in commercial building activity during 2013 as water and sewer services become available along Minnesota State Highway 65, which is the City's main transportation route.

The City's Adopted Budget includes a property tax levy of \$4,452,953 which is a decrease of \$41,943 (1 percent) over the 2012 levy. Property tax valuations within the City decreased in 2012 and have continued to decrease in 2013, however appear to be stabilizing.

Requests for Information. This Financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 2241 221st Avenue N.E., East Bethel, Minnesota 55011.

CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 13,834,426	\$ -	\$ 13,834,426
Receivables			
Accrued Interest	2,883	-	2,883
Delinquent Taxes	237,630	-	237,630
Accounts	8,266	16,519	24,785
Special Assessments	275,479	7,326	282,805
Internal balances	367,539	(367,539)	-
Due from other governments	1,226,016	-	1,226,016
Prepaid items	38,394	380	38,774
Capital assets, nondepreciable	887,546	30,000	917,546
Capital assets, construction in progress	9,611,559	-	9,611,559
Capital assets, net of accumulated depreciation	28,829,350	4,141,307	32,970,657
TOTAL ASSETS	55,319,088	3,827,993	59,147,081
LIABILITIES			
Accounts payable	1,538,580	23,211	1,561,791
Salaries payable	64,515	1,586	66,101
Accrued interest payable	302,407	43,950	346,357
Deposits payable	43,087	-	43,087
Unearned revenue	19,119	18,492	37,611
Compensated absences payable			
Due within one year	80,100	-	80,100
Due in more than one year	34,033	-	34,033
Bonds payable			
Due within one year	283,000	-	283,000
Due in more than one year	19,187,084	2,859,355	22,046,439
TOTAL LIABILITIES	21,551,925	2,946,594	24,498,519
NET POSITION			
Net investment in capital assets	19,858,371	1,311,952	21,170,323
Restricted for			
Street Improvements	219,448	-	219,448
Water Infrastructure Construction	4,532,523	-	4,532,523
Utility Infrastructure Construction	1,737,128	-	1,737,128
Debt service	849,478	-	849,478
Recycling	29,665	-	29,665
Donations	6,848	-	6,848
Housing & Redevelopment	800,567	-	800,567
Economic Development	39,919	-	39,919
Park Development	26,047	-	26,047
Unrestricted	5,667,169	(430,553)	5,236,616
TOTAL NET POSITION	\$ 33,767,163	\$ 881,399	\$ 34,648,562

CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Government activities				
General government	\$ 1,533,702	\$ 408,449	\$ 59,428	\$ 40,227
Public safety	1,835,446	-	109,443	-
Public works	2,973,597	10,824	-	1,790,862
Parks and recreation	494,806	5,064	-	-
Interest and fees on long-term debt	1,405,355	89,600	-	-
Total government activities	<u>\$ 8,242,906</u>	<u>\$ 513,937</u>	<u>\$ 168,871</u>	<u>\$ 1,831,089</u>
Business-type activities				
Water	\$ 97,453	\$ 34,445	\$ -	\$ -
Sewer	98,031	63,785	-	-
Ice arena	295,323	256,338	-	-
Total business-type activities	<u>490,807</u>	<u>354,568</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 8,733,713</u>	<u>\$ 868,505</u>	<u>\$ 168,871</u>	<u>\$ 1,831,089</u>

General revenues

- Taxes and related credits
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Gain on disposal of capital assets
- Miscellaneous

Total general revenues and special items

Change in net position

Net position as restated, January 1

Net position, December 31

Net (Expense) Revenue and
Changes in Net position

Governmental Activities	Business-Type Activities	Total
\$ (1,025,598)	\$ -	\$ (1,025,598)
(1,726,003)	-	(1,726,003)
(1,171,911)	-	(1,171,911)
(489,742)	-	(489,742)
<u>(1,315,755)</u>	<u>-</u>	<u>(1,315,755)</u>
<u>\$ (5,729,009)</u>	<u>\$ -</u>	<u>\$ (5,729,009)</u>
\$ -	\$ (63,008)	\$ (63,008)
-	(34,246)	(34,246)
<u>-</u>	<u>(38,985)</u>	<u>(38,985)</u>
<u>-</u>	<u>(136,239)</u>	<u>(136,239)</u>
<u>(5,729,009)</u>	<u>(136,239)</u>	<u>(5,865,248)</u>
4,658,456	-	4,658,456
486,703	-	486,703
24,646	-	24,646
5,312	-	5,312
<u>2,890</u>	<u>-</u>	<u>2,890</u>
<u>5,178,007</u>	<u>-</u>	<u>5,178,007</u>
(551,002)	(136,239)	(687,241)
<u>34,318,165</u>	<u>1,017,638</u>	<u>35,335,803</u>
<u>\$ 33,767,163</u>	<u>\$ 881,399</u>	<u>\$ 34,648,562</u>

CITY OF EAST BETHEL, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	Municipal State Aid Street Improvement Fund	Water Infrastructure Fund	Utility Infrastructure Fund
ASSETS				
Cash and investments	\$ 2,805,374	\$ 353,476	\$ 4,733,822	\$ 1,467,553
Taxes receivable	231,200	-	-	-
Special assessments receivable	5,658	-	-	-
Accounts receivable	5,622	-	-	-
Accrued interest and other receivables	2,269	-	-	-
Due from other funds	-	-	-	-
Due from other governments	4,133	-	-	1,159,441
Prepaid items	1,214	-	-	-
TOTAL ASSETS	<u>\$ 3,055,470</u>	<u>\$ 353,476</u>	<u>\$ 4,733,822</u>	<u>\$ 2,626,994</u>
LIABILITIES				
Accounts and contracts payable	\$ 130,778	\$ 134,028	\$ 201,299	\$ 889,866
Salaries payable	64,515	-	-	-
Due to other funds	-	-	-	-
Deposits payable	43,087	-	-	-
Interfund loan	-	-	-	-
Unearned revenue - other	-	-	-	-
TOTAL LIABILITIES	<u>238,380</u>	<u>134,028</u>	<u>201,299</u>	<u>889,866</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	189,538	-	-	-
Unavailable revenue - special assessments	5,658	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>195,196</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable	1,214	-	-	-
Restricted	-	219,448	4,532,523	1,737,128
Assigned	-	-	-	-
Unassigned	2,620,680	-	-	-
TOTAL FUND BALANCES	<u>2,621,894</u>	<u>219,448</u>	<u>4,532,523</u>	<u>1,737,128</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 3,055,470</u>	<u>\$ 353,476</u>	<u>\$ 4,733,822</u>	<u>\$ 2,626,994</u>

Other Governmental Funds	Total Governmental Funds
\$ 2,872,792	\$ 12,233,017
6,430	237,630
269,820	275,478
1,440	7,062
614	2,883
2,543	2,543
62,442	1,226,016
-	1,214
<u>\$ 3,216,081</u>	<u>\$ 13,985,843</u>
\$ 182,609	\$ 1,538,580
-	64,515
25,740	25,740
-	43,087
240,000	240,000
19,119	19,119
<u>467,468</u>	<u>1,931,041</u>
4,905	194,443
269,778	275,436
<u>274,683</u>	<u>469,879</u>
-	1,214
1,515,137	8,004,236
992,785	992,785
(33,992)	2,586,688
<u>2,473,930</u>	<u>11,584,923</u>
<u>\$ 3,216,081</u>	<u>\$ 13,985,843</u>

CITY OF EAST BETHEL, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

Total fund balances - governmental funds	\$11,584,923
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	38,260,778
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable in the funds:	
Delinquent property taxes	194,443
Special assessments not yet due or delinquent	275,436
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds payable	(19,193,234)
Premium on bonds	(276,850)
Accrued interest payable	(302,407)
Internal service funds are used by management to charge the cost of compensated absences to individual funds and to set aside funds for capital equipment acquisition. The assets and liabilities are included in the governmental statement of net position	<u>3,224,074</u>
Net position of governmental activities	<u><u>\$ 33,767,163</u></u>

CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Municipal State Aid Street Improvement Fund	Water Infrastructure Fund	Utility Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
General property taxes	\$ 4,225,660	\$ -	\$ -	\$ -	\$ 467,800	\$ 4,693,460
Special assessments	-	-	-	-	69,852	69,852
Licenses and permits	144,895	-	-	-	-	144,895
Intergovernmental	230,565	1,328,885	-	-	604,954	2,164,404
Charges for services	153,840	-	-	-	-	153,840
Fines and forfeitures	52,870	-	-	-	-	52,870
Investment income	2,100	-	-	-	19,842	21,942
Other	89,612	-	-	-	107,538	197,150
TOTAL REVENUES	4,899,542	1,328,885	-	-	1,269,986	7,498,413
EXPENDITURES						
Current						
General government	1,240,416	-	-	-	53,173	1,293,589
Public safety	1,598,718	-	-	-	69,283	1,668,001
Public works	719,920	17,797	-	-	222,860	960,577
Parks and recreation	376,067	-	-	-	41,255	417,322
Economic Development	-	-	-	-	125,511	125,511
Capital outlay	16,931	1,074,683	3,545,447	612,088	795,406	6,044,555
Debt service	-	-	-	-	248,000	248,000
Principal and debt extinguishment	-	-	-	-	248,000	248,000
Interest and fiscal charges	-	-	-	-	1,317,048	1,317,048
TOTAL EXPENDITURES	3,952,052	1,092,480	3,545,447	612,088	2,872,536	12,074,603
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	947,490	236,405	(3,545,447)	(612,088)	(1,602,550)	(4,576,190)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	585,000	585,000
Transfers out	(580,000)	-	-	-	(5,000)	(585,000)
TOTAL OTHER FINANCING SOURCES (USES)	(580,000)	-	-	-	580,000	-
NET CHANGE IN FUND BALANCES	367,490	236,405	(3,545,447)	(612,088)	(1,022,550)	(4,576,190)
FUND BALANCE, JANUARY 1	2,254,404	(16,957)	8,077,970	2,349,216	3,496,480	16,161,113
FUND BALANCES, DECEMBER 31	\$ 2,621,894	\$ 219,448	\$ 4,532,523	\$ 1,737,128	\$ 2,473,930	\$ 11,584,923

CITY OF EAST BETHEL, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	2012
Amounts reported for governmental activities in the statement of activities (statement 2) are different because:	
Net changes in fund balances - total governmental funds (statement 4)	\$ (4,576,190)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense	
Depreciation	(2,228,787)
Capital outlay	6,044,555
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	
Change in delinquent taxes	(39,740)
Change in deferred and delinquent special assessments	(49,614)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
The amounts of these differences are	
Premium on bond issued	10,786
Principal payments on bonds payable	248,000
Internal service funds are used by management to charge the cost of compensated absences and certain capital assets to individual funds. The net revenue of certain activities of internal services funds are reported with governmental activities	
Franchise fees	4,736
Investment income	2,704
Gain on sale of capital assets	5,312
Transfer - net	262,200
Consolidation of internal service fund activities with governmental activities	(135,872)
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 governmental funds. Expenses are reported in the statement of activities include the effects of the changes in these expense accruals as follows	
Change in accrued interest payable	(99,092)
Change in net position of governmental activities (statement 2)	\$ (551,002)

CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012

	Business-Type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Ice Arenas	Total	
ASSETS					
CURRENT ASSETS					
Cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 1,601,409
Special assessments					
Current	3,248	1,851	-	5,099	-
Delinquent	1,328	899	-	2,227	-
Accounts receivable	8,025	8,494	-	16,519	1,204
Due from other funds	-	-	-	-	390,736
Interfund loan	-	-	-	-	240,000
Prepaid items	-	-	380	380	37,180
TOTAL CURRENT ASSETS	12,601	11,244	380	24,225	2,270,529
NONCURRENT ASSETS					
Capital assets					
Land	-	-	30,000	30,000	-
Buildings and structures	-	-	1,480,690	1,480,690	-
Machinery and equipment	-	-	25,000	25,000	1,603,865
Utility infrastructure	3,525,202	691,511	-	4,216,713	-
Total capital assets	3,525,202	691,511	1,535,690	5,752,403	1,603,865
Less accumulated depreciation	(283,412)	(416,865)	(880,819)	(1,581,096)	(536,187)
Net capital assets	3,241,790	274,646	654,871	4,171,307	1,067,678
TOTAL ASSETS	3,254,391	285,890	655,251	4,195,532	3,338,207
LIABILITIES					
CURRENT LIABILITIES					
Due to other funds	115,508	204,834	47,197	367,539	-
Accounts payable	2,270	1,958	18,983	23,211	-
Salaries payable	750	836	-	1,586	-
Accrued interest payable	43,950	-	-	43,950	-
Compensated absences - current portion	-	-	-	-	80,100
Unearned revenue - other	-	-	18,492	18,492	-
TOTAL CURRENT LIABILITIES	162,478	207,628	84,672	454,778	80,100
NONCURRENT LIABILITIES					
Compensated absences payable - noncurrent portion	-	-	-	-	34,033
Bonds payable - noncurrent portion	2,859,355	-	-	2,859,355	-
TOTAL NONCURRENT LIABILITIES	2,859,355	-	-	2,859,355	34,033
TOTAL LIABILITIES	3,021,833	207,628	84,672	3,314,133	114,133
NET POSITION					
Net investment in capital assets	382,435	274,646	654,871	1,311,952	1,067,678
Unrestricted	(149,877)	(196,384)	(84,292)	(430,553)	2,156,396
TOTAL NET POSITION	\$ 232,558	\$ 78,262	\$ 570,579	\$ 881,399	\$ 3,224,074

CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Ice Arena	Total	
OPERATING REVENUES					
Ice rentals and related revenue	\$ -	\$ -	\$ 195,025	\$ 195,025	\$ -
Rentals, signs, lockers and tower	-	-	46,713	46,713	-
Dry floor events	-	-	1,500	1,500	-
Concession revenue	-	-	12,282	12,282	-
Customer charges	34,445	63,785	-	98,230	279,903
Franchise Fees	-	-	-	-	4,736
Donations/refunds	-	-	818	818	7,890
TOTAL OPERATING REVENUES	<u>34,445</u>	<u>63,785</u>	<u>256,338</u>	<u>354,568</u>	<u>292,529</u>
OPERATING EXPENSES					
Wages and fringe benefits	18,501	18,640	-	37,141	17,703
Maintenance and repairs	962	11,258	19,219	31,439	-
Utilities	9,499	12,391	50,356	72,246	-
Professional services	154	7,403	80,555	88,112	-
Supplies	1,594	22,945	12,607	37,146	1,747
Other	415	2,050	1,135	3,600	-
Depreciation	22,195	23,050	131,272	176,517	142,015
TOTAL OPERATING EXPENSES	<u>53,320</u>	<u>97,737</u>	<u>295,144</u>	<u>446,201</u>	<u>161,465</u>
OPERATING INCOME (LOSS)	<u>(18,875)</u>	<u>(33,952)</u>	<u>(38,806)</u>	<u>(91,633)</u>	<u>131,064</u>
NONOPERATING REVENUES (EXPENSES)					
Sale of capital assets	-	-	-	-	5,312
Investment income	-	-	-	-	2,704
Interest expense	(44,133)	(294)	(179)	(44,606)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(44,133)</u>	<u>(294)</u>	<u>(179)</u>	<u>(44,606)</u>	<u>8,016</u>
CHANGE IN NET POSITION	<u>(63,008)</u>	<u>(34,246)</u>	<u>(38,985)</u>	<u>(136,239)</u>	<u>139,080</u>
NET POSITION, JANUARY 1	<u>295,566</u>	<u>112,508</u>	<u>609,564</u>	<u>1,017,638</u>	<u>3,084,994</u>
NET POSITION, DECEMBER 31	<u>\$ 232,558</u>	<u>\$ 78,262</u>	<u>\$ 570,579</u>	<u>\$ 881,399</u>	<u>\$ 3,224,074</u>

CITY OF EAST DETROIT, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water Utility	Sewer Utility	Ice Arena	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 38,967	\$ 65,610	\$ 255,974	\$ 360,551	\$ 294,935
Receipts from other funds	-	9,010	-	9,010	-
Payment to suppliers	(11,240)	(55,905)	(168,975)	(236,120)	(38,927)
Payment to employees	(18,368)	(18,421)	-	(36,789)	-
Payment to other funds	(9,176)	-	(87,638)	(96,814)	-
Miscellaneous revenue	-	-	818	818	-
NET CASH FLOWS FROM OPERATING ACTIVITIES	183	294	179	656	256,008
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Due from other funds	-	-	-	-	219,273
Internal interest expense	(183)	(294)	(179)	(656)	-
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	(183)	(294)	(179)	(656)	219,273
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	-	-	-	-	(162,257)
Proceeds from sale of capital assets	-	-	-	-	5,312
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	-	-	(156,945)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income	-	-	-	-	2,704
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	-	-	-	321,040
CASH AND CASH EQUIVALENTS, JANUARY 1	-	-	-	-	1,280,369
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ -	\$ -	\$ -	\$ -	\$ 1,601,409
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating income (loss)	(18,875)	(33,952)	(38,806)	(91,633)	131,064
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Miscellaneous revenue					
Depreciation expense	22,195	23,050	131,272	176,517	142,015
Change in assets and liabilities					
Decrease (increase) in receivables and inventory	4,522	1,825	3,200	9,547	2,406
Decrease in prepayments	-	300	-	300	(37,180)
Decrease (increase) in due from other funds	(9,176)	9,010	-	(166)	-
Increase (decrease) in accounts payable	1,384	(158)	(5,103)	(3,877)	17,703
Decrease in salaries payable	133	219	-	352	-
Decrease in due to other funds	-	-	(87,638)	(87,638)	-
Decrease in unearned revenue	-	-	(2,746)	(2,746)	-
Total adjustments	19,058	34,246	38,985	92,289	124,944
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 183	\$ 294	\$ 179	\$ 656	\$ 256,008
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Transfer of capital assets from governmental activities	\$ 2,859,355	\$ -	\$ -	\$ 2,859,355	\$ -
Transfer of debt from governmental activities	2,859,355	-	-	2,859,355	-

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City of East Bethel, Minnesota (the City) was incorporated in 1938 and has operated under the State of Minnesota Statutory Form A form of government since 1974. The governing body consists of a five-member City Council elected by voters of the City.

The financial statements of the City of East Bethel have been prepared in conformity with generally accepted accounting principles as applied to governmental units by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies.

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.

A. Financial reporting entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of East Bethel (the primary government) and its component units, entities which the City is considered to be financially accountable.

The City has two component units – the Housing and Redevelopment Authority (HRA) and the Economic Development Authority (EDA). The HRA is considered component unit because the governing board is the same as that of the City. Both the EDA and HRA are considered component units because the City is in a relationship of financial benefit with each of the entities.

The financial position and results of operations of the HRA and EDA component units are presented using the blended method. The blended component units, although legally separate entities, are, in substance, part of the City's operations. The component units include Governmental funds using the modified accrual basis of accounting, and as such are reported as a special revenue fund. Separate financial statements for the HRA and EDA are not prepared.

K. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *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 business-type activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not 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.

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 to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers all revenues, except reimbursements and grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursements are considered available if they are collected within one year of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be 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 government.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources as a condition for receipt, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also reported as unearned revenue.

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 certain reported amounts and disclosures. Accordingly, actual results could differ from these estimates.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Description of funds

The government reports the following major governmental funds:

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.

The *Municipal State Aid Street Improvement fund* is maintained according to Minnesota statutes for the construction of municipal State aid street projects throughout the City.

The *Water Infrastructure fund* is used to account for the bond proceeds that will be used to finance water infrastructure improvements.

The *Utility Infrastructure fund* is used to account for the bond proceeds that will be used to finance water and sewer infrastructure improvements.

The government reports the following major proprietary funds:

The *Water Utility fund* accounts for water service activities to operate the water utility system.

The *Sewer Utility fund* accounts for sewer service activities to operate the sanitary sewer system.

The *Ten Arena fund* accounts for operations of the City's ice arena.

Additionally, the City reports the following funds type:

Internal service funds are used to account for the costs associated with employees' compensated absences and to account for the funding of major equipment necessary for City operations.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City. Elimination of these charges would distort the direct costs and program revenues reported for 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 revenue*, rather than as program revenues. (License, penalty) revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 water, sewer, and arena enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for an allowable use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets

Budgets are legally adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are legally adopted for the General fund and some special revenue funds. Budgeted expenditures appropriations lapse at year end. Debt Service funds' financial activities are governed by bond covenants. Capital projects funds' expenditures are approved by the City Council before projects are undertaken.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the appropriation, is not employed by the City because it is at present not considered necessary to assure effective budgetary control or to facilitate effective cash management.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Legal compliance - budgets

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget and makes appropriate changes.
3. Public meetings are conducted to obtain taxpayer comments.
4. The budget is legally enacted through passage of a resolution on a departmental basis for the General fund and on a fund basis for other funds and can be expended by each department (or fund) based upon detailed budget estimates for individual expenditure accounts.
5. Interdepartmental, intradepartmental or interfund appropriations and deletions are authorized by the City Council via fund contingency reserves or additional revenues.
6. Formal budgetary integration is employed as a management control device during the year for all funds. Legal debt obligation incurrence determines the appropriation level of debt service tax levies for the Debt Service funds. Amounts annually budgeted for capital funds are consistent with the relevant five-year capital improvement program. A capital improvement program is reviewed annually by the City Council for the capital project funds.
7. The legal level of budgetary control is at the department level for the General fund and the fund level for other funds. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services, materials and supplies, contractual services, and capital outlay) within each program. All amounts over budget were approved by the City Council through the disbursement process.
8. The City Council may authorize transfer of budgeted amounts between City funds. The City Council may also supplement budgetary appropriations throughout the year.

F. Cash and investments

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments. Investment income (expense) is allocated to individual funds on the basis of the fund's equity in the cash and investment pool. The City provides temporary advances to funds that have insufficient cash balances by means of an advance from another fund show as due from other funds in the advancing fund, and due to other funds in the fund with the deficit, until adequate resources are received. These interfund balances are eliminated on the government-wide financial statements. Investments are stated at fair value, based upon quoted market prices. Investment income is accrued at the balance sheet date.

For purposes of the statement of cash flows the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

G. Receivables and payables

Property taxes and special assessments have been reported net of estimated uncollectible amounts. (See Note 1, H, and M) Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables and have not been reported.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Property tax revenue recognition

The City Council annually adopts a tax levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable by property owners on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 1 and December 1 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

Government-wide financial statements

The City recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

Governmental fund financial statements

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 and remitted to the City the following January are shown as unremitted taxes. Taxes and credits not received a year-end are classified as delinquent taxes receivable. The portion of delinquent taxes not collected by the City is fully offset by a deferred inflow of resources because they are not available to finance current expenditures.

4. Special assessment revenue recognition

Special assessments are levied against identified properties for the cost or a portion of the cost of special assessment, improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay 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 forfeiture sale. Proceeds of sales from tax forfeit properties are allocated first to the County's costs of administering all tax forfeit properties. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is horticultural, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

Government-wide financial statements

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

L. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. As year-end, each employee's accrued obligation is expensed to their home department and revenue is recognized in the compensated absences internal service fund to fund the City's obligation. The compensated absences internal service fund is typically used to liquidate governmental compensated absences payable. It is assumed that these amounts will be payable only upon employees' severance from employment. Vacations and sick leave used during employees' tenure with the City is assumed to closely match the leave earned during that year. In accordance with the provisions of Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. A liability is recognized in the internal service fund for the portion of accumulating sick leave benefits that is vested as severance pay.

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M. Long-term obligations

In the government-wide financial statements and proprietary funds 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 funds statements at net positions. Bond premiums and discounts, as well as issuance costs, are considered immaterial and are expensed in the year of bond issuance.

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N. Fund balance classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose commitments for which amounts in those funds can be spent. These classifications are as follows:

- Nonspendable** - consists of amounts that are not in spendable form, such as prepaid items
- Restricted** - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors, or constraints imposed by State statutory provisions.
- Committed** - consists of internally imposed constraints. These constraints are established by Resolution of the City Council.
- Assigned** - consists of internally imposed constraints. These constraints reflect the specific purposes for which in the City's intended use. These constraints are established by the City Council and/or management. Pursuant to City Council Resolution, the City Administrator is to assign fund balance that reflects the City Council's intended use of these funds and approved by motion of the City Council.
- Unassigned** - is the residual classification for the General fund and also reflects negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City's policy is to maintain a minimum assigned fund balance of 25 percent of the next year's property tax levy for cash-flow timing needs.

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J. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

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K. Capital assets

Capital assets, which include property, plant, 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 at least \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Pursuant to GASB Statement 34, in the case of the initial capitalization of general infrastructure assets, i.e., those reported by governmental activities, the City chose to include all such items regardless of their acquisition date. These assets are reported at historical cost. The City estimated historical cost for the initial reporting of these assets through backtracking - remaining the current replacement cost and adjusting an appropriate price-level index to deflate the cost to the acquisition year. As the City constructs or acquires additional infrastructure assets each period, they will be capitalized and reported at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is capitalized to the value of the assets constructed. For the year ended December 31, 2012, no interest was capitalized in connection with construction in progress. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives and are capitalized according to the following thresholds:

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Assets	10 to 15 Years
Miscellaneous office equipment, copiers, computer hardware, light trucks	5
Shovels, attachments, other light equipment	10
Loaders, dump trucks, graders, rollers, other heavy equipment, generators and radio systems, pumps, generators	20
Fire rigs, purge-and equipment, irrigation systems	24
Buildings, park shelters, fences, paved areas, sidewalks, parking lots, signs	30
Water tanks, manholes, sewer, water mains, lift stations, storm drainage tanks, ponds, pools	
Asset Category	
All assets not referenced in this schedule	Year
Parking lots, sidewalks, fencing, park shelters, ball improvements	5
Buildings and building improvements	24,000
Infrastructure improvements, water, sewer, storm drainage, streets	100,000
	195,000

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Q. Interfund transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

R. Use of estimates

The preparation of financial statements in accordance with generally accepted accounting principles (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

Q. Inventories

Governmental funds

The original costs of materials and supplies have been recorded as expenditures at the time of purchase. These funds do not maintain material amounts of inventories.

Proprietary funds

Inventories of the proprietary funds are stated at cost, which approximates market, using the first-in, first-out (FIFO) valuation methodology.

R. Deferred inflows of resources

In addition to liabilities, the statement of financial position and fund financial statement will sometimes report a separate section of the 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 government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

S. Net position

In the government-wide financial statements, net position represents the difference between assets, liabilities and deferred inflows of resources. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation depleted by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of "restricted" or "net investment in capital assets"

Note 2: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council, all of which are members of the Federal Reserve System. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. Minnesota Statutes require that securities pledged as collateral be held in subcustody by the City Treasurer or in a financial institution other than one furnishing the collateral. Authorized collateral includes the following:

- a) United States government treasury bills, treasury notes, treasury bonds, U.S. issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- b) General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "A," or better by a national bond rating service;
- c) Unrated general obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- d) Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipally accompanied by written evidence that the bank's public debt is rated "A," or better by Moody's Investors Service, Inc. or Standard & Poor's Corporation; and
- e) Time deposits that are fully insured by any Federal agency.

At December 31, 2012, the carrying amount of the City's deposits with financial institutions was insured by FDIC insurance or protected by collateral provided by the financial institution.

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

Minnesota Statutes authorize the City to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies, its instrumentalities or organizations created by an act of Congress, including mortgage-backed securities defined as high risk.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above, general obligation tax-exempt securities, or repurchase or reverse repurchase agreements.
- c) Obligations of the State of Minnesota or any of its municipalities as follows:
 - 1) any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating service;
 - 2) any security which is a revenue obligation of any state or local government with taxing powers which is rated "A,A" or better by a national bond rating service; and
 - 3) a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- d) Bankers acceptance of United States banks eligible for purchase by the Federal Reserve System
- e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; a primary reporting dealer in U.S. government securities in the Federal Reserve Bank of New York; certain Minnesota securities broker-dealers; or a bank qualified as a depository.
- g) General obligation temporary bonds of the same governmental entity issued under section 429.091, subdivision 7, 469.178, subdivision 5; or 475.61, subdivision 6.

Rollback as of December 31, 2012:

Investment Type	Fair Value	Investment maturities (in years)		
		Less than 1 year	Between 1 and 3 yrs	Between 6 and 10 yrs
External investment pool - 4M Fund	\$ 12,706,343	\$ 12,706,343	\$ -	\$ -
		Total Investments	12,706,343	
		Deposits	(1,129,801)	
		Prey cash	200	
		Total cash and investments	\$ 11,576,742	

Investments for the City are reported at fair market value. The Minnesota Municipal Money Market Fund (MMF) operates in accordance with appropriate State laws and regulations. The 4M Fund is an external pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. The reported value of the pool is the same as the fair value of the pool shares. Financial statement of the 4M Fund can be obtained by contacting RBC Global Asset Management (U.S.) Inc. at 160 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investment risk

The City's investment policy is to follow Minnesota State Statutes as described above which reduces the City's exposure to credit, custodial credit, and interest rate risks. Specific risk information for the City is as follows:

Interest Rate Risk. The City's investment policy requires the City to diversify its investment portfolio to eliminate the risk of loss resulting from over concentration of assets in a specific maturity. The policy also states the City's investment portfolio will remain sufficiently liquid to enable the City to meet all operating requirements which might be reasonably anticipated.

Counter Risk. As of December 31, 2012, the City's external investment pool investment is with the 4M Fund which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M Fund is an unsecured 247-like pool and the fair value of the position in the pool is the same as the value of pool shares.

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. 87 percent of the City's cash and investments are with the 4M Fund.

Custodial Credit Risk. For investments in securities, custodial credit is the risk that in the event of a failure of the counterparty, the City will not be able to recover the value of its investments that are in the possession of an outside party. As of December 31, 2012, all investments of the City were insured, registered and held by the City or its agent in the City's name. Investments in mutual funds are not evidenced by securities that exist in physical or book entry form, and therefore are not subject to custodial credit risk.

B. Receivables

Significant receivables balances not expected to be collected within one year of December 31, 2012 are as follows:

	Major Fund		Nonmajor Fund		Total
	General		Funds		
Special assessments receivable	\$ 3,455		\$ 269,716		\$ 273,171
Delinquent property taxes receivable	189,338		4,905		194,243
Total	\$ 192,793		\$ 274,621		\$ 467,414

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
Capital assets, net being depreciated	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Land	20,000	-	-	-	20,000
Total capital assets, net being depreciated	20,000	-	-	-	20,000
Capital assets, none depreciated					
Buildings and improvements	1,486,299	-	-	-	1,486,299
Departmental equipment	21,603	-	-	-	21,603
Utility infrastructure	1,575,258	-	-	-	1,575,258
Total capital assets, being depreciated	2,863,660	-	-	-	2,863,660
Loss accumulated depreciation for					
Buildings and improvements	729,545	1,312,171	-	-	455,817
Departmental equipment	23,500	-	-	-	23,500
Utility infrastructure	655,054	45,248	-	-	700,279
Total accumulated depreciation	1,408,119	1,767,419	-	-	3,175,538
Total capital assets being depreciated - net	1,455,541	1,767,419	-	-	3,222,960
Business-type activities capital assets - net	\$ 1,435,541	\$ 1,767,419	\$ -	\$ -	\$ 3,202,960

Depreciation expense was charged to functional programs of the City as follows:

Governmental activities	
General government	\$ 130,347
Public safety	154,099
Public works	1,571,960
Parks and recreation	92,387
Depreciation on capital assets held by governmental internal service activities charged to each function based on use	142,015
Total depreciation expense - governmental activities	\$ 2,090,808
Business-type activities	
Water utility	\$ 22,195
Sewer utility	25,050
Airport	131,272
Total depreciation expense - business-type activities	\$ 178,517

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

In accordance with GASB Statement No. 34, the City has reported all capital assets including infrastructure in the governmental wide statement of net position. Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
Capital assets, net being depreciated	\$ 887,546	\$ -	\$ -	\$ -	\$ 887,546
Land	5,478,907	2,911,945	-	(2,850,155)	9,511,255
Construction in progress	7,366,513	5,991,845	-	(2,859,255)	10,499,103
Total capital assets, net being depreciated	13,732,966	8,902,790	-	-	22,635,756
Capital assets, being depreciated					
Buildings and improvements	2,542,255	-	-	-	2,542,255
Park improvements	1,233,197	-	-	-	1,233,197
Departmental equipment	3,103,379	169,268	(78,361)	-	3,194,286
Streets	47,913,886	15,179	-	-	47,929,065
Sewer sewers	2,012,144	-	-	-	2,012,144
Total capital assets being depreciated	59,845,671	154,867	(78,361)	-	60,922,177
Loss accumulated depreciation for					
Buildings and improvements	2,148,720	204,579	-	-	2,353,299
Park improvements	457,265	81,722	-	-	538,987
Departmental equipment	1,744,211	212,263	(78,361)	-	1,878,113
Streets	21,791,340	1,729,222	-	-	23,520,562
Sewer sewers	715,990	65,296	-	-	781,286
Total accumulated depreciation	28,468,526	2,392,860	(78,361)	-	30,783,025
Total capital assets being depreciated - net	31,377,145	152,007	-	-	31,529,152
Governmental activities capital assets - net	\$ 31,377,145	\$ 152,007	\$ -	\$ -	\$ 31,529,152

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Long-term liabilities

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital items.

Governmental activities

	Issue Date	Maturity Date	Interest Rate	Original Issue	Payable December 31, 2012
Governmental Activities					
2009A Public Safety Bonds	9/15/2009	2/1/2029	2.85 - 4.30%	\$ 1,820,000	\$ 1,820,000
2009B G.O. Improvement Bonds	9/15/2009	2/1/2016	2.75 - 3.80%	437,600	221,000
2012C Taxable G.O. Bonds	12/15/2010	2/1/2017	3.25 - 3.45%	1,351,000	1,350,000
Total G.O. Improvement Bonds				3,608,600	3,391,000
2006A G.O. Sewer Revenue Bonds	5/1/2006	2/1/2029	3.00 - 4.70%	1,715,000	1,430,000
2010 G.O. Water Revenue Note	2/17/2012	6/20/2029	1.00%	60,190	62,589
2010A Taxable G.O. Water Revenue Bonds	12/15/2010	2/1/2040	4.30 - 7.00%	8,603,645	8,208,644
2010B Taxable G.O. Utility Revenue Bonds	12/15/2010	2/1/2040	3.00 - 7.00%	4,100,000	4,100,000
Total G.O. Revenue Bonds				16,488,835	16,101,234
Total Bonds Payable				20,144,835	19,170,268
Bond Issuance Premium				300,000	276,450
Total City Indebtedness				\$ 20,444,835	\$ 19,446,718

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

Year Ending December 31,	Governmental Activities		G.O. Revenue Bonds & Notes	
	Principal	Interest	Principal	Interest
2013	\$ 135,000	\$ 107,902	\$ 148,000	\$ 1,003,842
2014	140,000	103,020	153,000	999,023
2015	140,000	97,910	158,000	994,037
2016	845,000	81,350	228,000	987,730
2017	660,000	55,805	262,000	975,045
2018-2022	545,000	169,138	1,953,750	4,663,341
2023-2027	320,000	46,198	1,970,000	4,185,745
2028-2032	-	-	3,477,589	3,339,916
2033-2037	-	-	4,695,000	1,921,309
2038-2040	-	-	2,151,895	336,350
Total	\$ 2,995,000	\$ 681,323	\$ 16,198,234	\$ 19,410,339

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

Business-type activities

The following bond was issued to finance major capital facilities in the enterprise funds. They will be repaid from net future revenues from the Water fund and are backed by the taxing power of the City.

Business-type Activities	Issue Date	Maturity Date	Interest Rate	Original Issue	Payable December 31, 2012
2010A Taxable G.O. Water Revenue Bonds	12/15/2010	4/30/2036	4.00 - 7.00%	\$ 2,695,355	\$ 2,695,355
Total G.O. Revenue Bonds				\$ 2,695,355	\$ 2,695,355

Year Ending December 31,	Business-type Activities	
	Principal	Interest
2013	\$ -	\$ -
2014	-	191,768
2015	-	191,768
2016	-	191,768
2017	-	191,768
2018-2022	101,250	952,391
2023-2027	290,000	898,167
2028-2032	710,000	743,592
2033-2037	1,045,000	457,647
2038-2040	313,165	75,825
Total	\$ 2,859,355	\$ 4,067,372

Note 3: DEFINED BENEFIT PENSION PLANS-STATEWIDE
A. Public Employees Retirement Association (PERA)

1. Plan description

All full-time and certain part-time employees of the City of East Bethel 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 public officers, fire-fighters and police officers who qualify for membership by date 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 Minnesota statute and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member 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 members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members 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 56. 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. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

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

2. Funding policy

Minnesota Statute Chapter 353 sets the rates for employer and employee contributions. These rates are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statute. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2012. MLCF members are required to contribute 3.83 percent of their annual covered salary. In 2012, the City of East Bethel was required to contribute the following percentages of annual covered payroll: 31.08 percent for Basic Plan GERF members, 7.25 percent for Coordinated Plan GERF members, and 14.40 percent for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2012, 2011, and 2010 were

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

Governmental Activities	Funding Sources	Addressed	Reduction	Provision	Ending Balance	Due Within One Year
Bonds Payable						
G.O. Improvements bonds	\$ 3,120,000	\$ -	\$ (125,600)	\$ -	\$ 2,994,400	\$ 1,512,000
G.O. revenue bonds & notes	(9,100,000)	-	(125,600)	(2,870,318)	1,008,234	1,008,234
Deferred amount	287,656	(107,965)	-	-	279,691	-
Interest on bonds payable	24,388,223	-	(258,766)	(2,853,355)	16,470,884	243,800
Capitalized interest	96,048	97,794	(80,081)	-	1,512,000	96,048
Total governmental activities	\$ 22,688,656	\$ 97,829	\$ (338,871)	\$ 2,879,342	\$ 2,045,335	\$ 3,660,082
Business-type activities						
Bonds Payable						
G.O. revenue bonds	\$ -	\$ -	\$ -	\$ 2,450,353	\$ 2,450,353	\$ -
Business-type activities						
Minnesota I&N	\$ -	\$ -	\$ -	\$ 2,450,353	\$ 2,450,353	\$ -

E. Revenues pledged

Bond Issue	Use of Proceeds	Rate	Revenue Pledged		Term of Pledge	Amount Pledged and Interest Paid	Cash Year Principal and Interest Paid	Weighted Average Maturity
			100%	100%				
G.O. Improvement, 2007	Street Improvements	1.00%	100%	100%	2007-2016	\$ 243,669	\$ 88,918	\$ 92,460
G.O. Sewer Revenue, 2004	Application of State System	6.00%	100%	100%	2004-2016	(1,763,140)	1,152,810	10,300
G.O. Water Revenue, 2007	Water System	1.00%	100%	100%	2007-2016	60,000	1,168	4,800
G.O. Water Revenue, 2004	Water System	6.00%	100%	100%	2004-2016	2,200,242	-	11,771
G.O. Water Revenue, 2004	Water System	6.00%	100%	100%	2004-2016	1,000,000	1,000,000	10,000
G.O. Water Revenue, 2004	Water System	6.00%	100%	100%	2004-2016	1,000,000	1,000,000	10,000
G.O. Water Revenue, 2004	Water System	6.00%	100%	100%	2004-2016	1,000,000	1,000,000	10,000

Note 3: DEFINED BENEFIT PENSION PLANS-STATEWIDE - CONTINUED

\$74,743,114, \$75,085,527, and \$85,451,777, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota law.

Note 4: OTHER INFORMATION

A. Interfund receivables, payables, transfers and loans

Interfund payables and receivables are representative of lending/borrowing arrangements to cover deficit cash balances at the end of the fiscal year. Interfund receivables and payables of the City are as follows:

	Interfund Receivables	Interfund Payables
Due from/ due to:		
Nonmajor governmental funds		
Special revenue fund		
SAFER Grant Fund		\$ 20,148
Economic Development fund	3,543	
Capital project fund		
Improvements of 2003 fund		3,649
Tax Increment District No. 1-1		3,543
Proprietary funds		
Water		115,508
Sewer		304,834
Ice Arena		47,197
Internal service fund		
Equipment replacement	390,136	
	\$ 393,279	\$ 393,279

Interfund transfers allow the City to allocate financial resources between funds. Interfund transfers were as follows:

	Transfer In	Transfer Out
Governmental Activities		
Governmental funds		
Major Funds		
General Fund	\$ 585,000	\$ 585,000
Nonmajor Funds		
Total governmental funds	\$ 585,000	\$ 585,000
Total governmental activities	\$ 585,000	\$ 585,000
Total interfund transfers	\$ 585,000	\$ 585,000

On December 31, 2012, one interfund loan is outstanding. In 2010, the 2010A Revenue Bond fund and the 2010B Utility Revenue Bond fund borrowed \$150,361 and \$89,639, respectively, from the Equipment Replacement fund to finance bond issuance costs. In accordance with Resolution 2010-74, the loan will be paid back to 10 years with future utility revenues. No interest will be charged.

Note 5: OTHER INFORMATION - CONTINUED

B. Deficit fund balances/net position

The City has deficit fund balances/net position at December 31, 2012 as follows:

Fund	Amount
Governmental activities	
2010B Utility Revenue Bond	\$ 28,326
Improvements of 2003 fund	5,123
Tax Increment District No. 1-1	2,543

C. Risk management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. 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 the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. For workers compensation, the City has no deductible. The City has selected the regular premium option for its coverage. Under this option, the City's premium is calculated based on City payroll, by class. The premium is adjusted by an experience modification factor, which reflects the City's previous loss experience. This option is a "fully insured" option; premium payments are the City's only liability. Property, casualty, and automobile insurance coverage are also provided through a pooled self-insurance program through the LMCIT. The City pays an annual premium to the LMCIT. The City is subject to supplemental assessments if deemed necessary by the LMCIT. The LMCIT reinsures through commercial companies for claims in excess of various amounts. The City retains risk for the deductible portions. These deductibles are considered immaterial to the financial statements. The City continues to carry commercial insurance for all other risks of loss, including employee health and disability insurance. There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

D. Litigation

The City attorney has indicated that existing and pending lawsuits, claims and other actions in which the City is a defendant are either covered by insurance of an immaterial amount, or, in the judgment of the City attorney, are not recoverable by plaintiffs.

E. Federal and State funds

The City receives financial assistance from county and state governmental agencies primarily in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at December 31, 2012.

F. Construction commitments

At December 31, 2012, the City was committed under various contracts related to the construction of water and sewer infrastructure. Total contract price is approximately \$13.5 million, with the remaining commitment being approximately \$2.1 million. The project is financed by General Obligation Recovery Zone Economic Development Bonds and Build America Bonds.

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Notes: OTHER INFORMATION - CONTINUED

G. Deferred ad valorem tax levies - bonded debt

General obligation bond issues sold by the City are financed by ad valorem tax levies and special assessment bond issues sold by the City are partially financed by ad valorem tax levies in addition to special assessments levied against the benefiting properties. When a bond issue is to be financed partially or completely by ad valorem tax levies is sold, specific annual amounts of such tax levies are stated in the bond resolution and the County Auditor is notified and instructed to levy these taxes over the appropriate years. The future tax levies are subject to cancellation when and if the City has provided alternative sources of financing. The City Council is required to levy any additional taxes found necessary for full payment of principal and interest. These future scheduled tax levies are not shown as assets in the accompanying financial statements at December 31, 2012. Future scheduled tax levies for all bonds outstanding at December 31, 2012 totaled \$1,874,146.

H. Postemployment benefits

In accordance with State statute, the City provides the opportunity for retired employees to maintain insurance coverage with the City until age 65. The retired employee is responsible for 100 percent of the cost. The City does not pool insurance costs among employees; all insurance premiums are age-rated. No cross subsidy exists between different age groupings. Consequently, the City has no liability for post employment benefits. No reporting activity is necessary for the City with regard to GASB Statement No. 43 Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans or GASB Statement No. 45 Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pension Plans.

Note 6: COMPONENTS OF FUND BALANCE

All December 31, 2012, portions of the city's fund balances are not available for appropriation because amounts are not in spendable form (Non-spendable), are not available due to legal restrictions (Restricted), City Council policy and/or future (Assigned). The following is a summary of the components of fund balance:

Fund Balance	Write			Utility		Other		Total
	General Fund	Infrastructure Fund	Infrastructure Fund	Enterprise Fund	Governmental Funds	Governmental Funds		
Non-spendable								
Prepayments	\$ 1,214	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,214
Total Non-spendable	\$ 1,214	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,214
Restricted								
Water Infrastructure Commission	\$ -	\$ 4,533,021	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,533,021
Utility Infrastructure Commission	-	-	1,737,128	-	-	-	-	1,737,128
Debt Service Fund	-	-	-	-	616,598	-	-	616,598
Recycling	-	-	-	-	29,665	-	-	29,665
Donations	-	-	-	-	6,848	-	-	6,848
Housing and Redevelopment Authority	-	-	-	-	799,217	-	-	799,217
Economic Development Authority	-	-	-	-	36,764	-	-	36,764
Park Development	-	-	-	-	26,947	-	-	26,947
Municipal State Air Streets	-	-	-	-	219,443	-	-	219,443
Total Restricted	\$ -	\$ 4,533,021	\$ 1,737,128	\$ -	\$ 1,774,584	\$ -	\$ -	\$ 6,044,733
Assigned to								
State Land Projects	\$ -	\$ -	\$ -	\$ -	\$ 212,664	\$ -	\$ -	\$ 212,664
Broad Capital Projects	-	-	-	-	675,257	-	-	675,257
Other Capital Projects	-	-	-	-	61,077	-	-	61,077
Total Assigned	\$ -	\$ -	\$ -	\$ -	\$ 948,998	\$ -	\$ -	\$ 948,998

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 7: ACCOUNTING CHANGE

During fiscal year 2012, the City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and Statement No. 65, "Items Previously Reported as Assets and Liabilities". These standards required a retrospective implementation which resulted in the restatement of beginning balances in the December 31, 2012 financial statements. Changes related to these standards are reflected in the finance statements and schedules and related disclosures are included in Note 1.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2010 balances to the December 31, 2012 financial statements:

Activities/Fund	Net Position		Net Position
	December 31, 2010	as Previously Reported	
Governmental activities	\$ 36,664,637	(1) Restatement	\$ 36,039,799

(1) Write-off of unamortized bond issuance cost balances at December 31, 2010.

Activities/Fund	Net Position		Net Position
	December 31, 2011	as Previously Reported	
Governmental activities	\$ 34,617,595	(2) Restatement	\$ 34,218,165

(2) Write-off of unamortized bond issuance cost balances at December 31, 2011.

CITY OF EAST BETHEL, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - CONTINUED ON THE FOLLOWING PAGES
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUE				
Taxes	\$ 4,191,470	\$ 4,191,470	\$ 4,225,660	\$ 34,190
Licenses and permits	117,350	117,350	144,895	27,545
Intergovernmental				
Other aid	228,648	228,648	230,565	1,917
Charges for services	121,830	121,830	153,840	32,010
Fines and forfeitures	58,100	58,100	52,870	(5,230)
Investment income	5,000	5,000	2,100	(2,900)
Franchise fees	35,000	35,000	40,227	5,227
Refunds and reimbursements	38,500	38,500	49,385	10,885
TOTAL REVENUES	4,795,898	4,795,898	4,899,542	103,644
EXPENDITURES				
General government				
Mayor and Council				
Current				
Personal services	33,526	33,526	31,701	1,825
Other charges	52,078	52,078	44,306	7,772
Total Mayor and Council	85,604	85,604	76,007	9,597
Elections				
Current				
Materials and supplies	200	200	277	(77)
Contractual services	10,991	10,991	8,432	2,559
Total elections	11,191	11,191	8,709	2,482
Planning and zoning				
Current				
Personal services	192,134	192,134	151,902	40,232
Materials and supplies	150	150	758	(608)
Contractual services	16,958	16,958	16,601	357
Total planning and zoning	209,242	209,242	169,261	39,981
Administration/support				
Current				
Personal services	511,248	511,248	512,073	(825)
Materials and supplies	500	500	411	89
Contractual services	29,120	29,120	22,821	6,299
Total administration/support	540,868	540,868	535,305	5,563

CITY OF EAST BETHEL, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures - continued				
General government - continued				
General government buildings				
Current				
Materials and supplies	\$ 4,200	\$ 4,200	\$ 2,177	\$ 2,023
Contractual services	42,060	42,060	39,762	2,298
Total current	46,260	46,260	41,939	4,321
Capital outlay	-	-	5,167	(5,167)
Total general government buildings	46,260	46,260	47,106	(846)
Miscellaneous				
Current				
Contractual services	250,500	258,000	232,727	25,273
Total general government	1,143,665	1,151,165	1,069,115	82,050
Public safety				
Fire protection				
Current				
Personal services	296,966	296,966	297,568	(602)
Materials and supplies	38,875	38,875	32,919	5,956
Contractual services	187,750	187,750	168,895	18,855
Total current	523,591	523,591	499,382	24,209
Capital outlay	16,000	16,000	11,764	4,236
Total fire protection	539,591	539,591	511,146	28,445
Police protection				
Current				
Contractual services	959,272	960,772	959,924	848
Building inspection				
Current				
Personal services	175,437	166,437	112,620	53,817
Materials and supplies	3,390	3,390	5,183	(1,793)
Contractual services	10,005	10,005	21,609	(11,604)
Total building inspection	188,832	179,832	139,412	40,420
Total public safety	1,687,695	1,680,195	1,610,482	69,713

CITY OF EAST BETHEL, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures - continued				
Public works				
Street maintenance				
Current				
Personal services	\$ 372,027	\$ 372,027	\$ 380,401	\$ (8,374)
Materials and supplies	126,560	126,560	130,093	(3,533)
Contractual services	234,000	234,000	209,426	24,574
Total public works	<u>732,587</u>	<u>732,587</u>	<u>719,920</u>	<u>12,667</u>
Parks and recreation				
Current				
Personal services	311,230	311,230	301,467	9,763
Materials and supplies	42,000	42,000	36,715	5,285
Contractual services	50,550	50,550	37,885	12,665
Total parks and recreation	<u>403,780</u>	<u>403,780</u>	<u>376,067</u>	<u>27,713</u>
Miscellaneous				
Current				
Materials and supplies	9,500	9,500	9,044	456
Contractual services	191,926	191,926	167,424	24,502
Total miscellaneous	<u>201,426</u>	<u>201,426</u>	<u>176,468</u>	<u>24,958</u>
TOTAL EXPENDITURES	<u>4,169,153</u>	<u>4,169,153</u>	<u>3,952,052</u>	<u>217,101</u>
EXCESS REVENUE OVER EXPENDITURES	<u>626,745</u>	<u>626,745</u>	<u>947,490</u>	<u>320,745</u>
OTHER FINANCING USES				
Transfers out	<u>(580,000)</u>	<u>(580,000)</u>	<u>(580,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	46,745	46,745	367,490	320,745
FUND BALANCE, JANUARY 1	<u>2,254,404</u>	<u>2,254,404</u>	<u>2,254,404</u>	<u>-</u>
FUND BALANCE, DECEMBER 31	<u>\$ 2,301,149</u>	<u>\$ 2,301,149</u>	<u>\$ 2,621,894</u>	<u>\$ 320,745</u>

FORM OF LEGAL OPINION



City of East Bethel, Minnesota
[Original Purchaser]

Re: \$_____ General Obligation Refunding Bonds, Series 2014A
City of East Bethel, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by the City of East Bethel, Minnesota (the “City”), of the obligations described above, dated, as originally issued, as of March __, 2014 (the “Bonds”), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the City, enforceable in accordance with their terms.
2. The principal of and interest on the Bonds are payable primarily from net revenues of the City’s water and sanitary sewer systems and ad valorem taxes to be levied on all taxable property within the City, but if necessary for the payment of such principal and interest, additional ad valorem taxes are required by law to be levied on all taxable property in the City without limitation of rate or amount
3. Interest on the Bonds (a) is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax; (c) is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and (d) is included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations.
4. The City has designated the Bonds as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the Code), and financial institutions described in Section 265(b)(5) of the Code may treat the Bonds for purposes of Sections 265(b)(2) and 291(e)(1)(B) of the Code as if they were acquired on August 7, 1986.



The opinions expressed in paragraphs 1 and 2 above are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium or creditors' rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 3 and 4 above are subject to the condition of the City's compliance with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with these continuing requirements. Its failure to do so could result in the inclusion of interest on the Bonds in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Bonds. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to holders of the Bonds.

We have not been engaged, and have not undertaken, to review the accuracy, completeness or sufficiency of any offering materials relating to the Bonds, and, accordingly, we express no opinion with respect thereto.

Dated this ____ day of March, 2014.

Very truly yours,

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]
2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.
3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.
4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]
6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.
7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).
8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.
9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.
10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.
11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.
12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

FORM OF CONTINUING DISCLOSURE COVENANTS

(Excerpts from sale resolution)

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2013, the following financial information and operating data in respect of the City (the “Disclosure Information”):
 - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and
 - (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: Current Property Valuations, Direct Debt, Tax Levies and Collections, Population Trend and Employment/Unemployment.

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been filed with the SEC or have been made available to the public on the Internet Web site of the Municipal Securities Rulemaking Board (“MSRB”). The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be a Material Fact (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events (each a Material Fact):
 - (A) Principal and interest payment delinquencies;
 - (B) Non-payment related defaults, if material;
 - (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
 - (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
 - (E) Substitution of credit or liquidity providers, or their failure to perform;
 - (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
 - (G) Modifications to rights of security holders, if material;
 - (H) Bond calls (other than scheduled mandatory redemptions), if material, and tender offers;
 - (I) Defeasances;
 - (J) Release, substitution, or sale of property securing repayment of the securities, if material;
 - (K) Rating changes;
 - (L) Bankruptcy, insolvency, receivership or similar event of the obligated person;
 - (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (N) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

As used herein, for those events that must be reported if material, an event is “material” if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also “material” if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(3) In a timely manner, notice of the occurrence of any of the following events or conditions:

- (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
- (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
- (C) the termination of the obligations of the City under this section pursuant to subsection (d);
- (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
- (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.
- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that

the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

APPENDIX E

TERMS OF PROPOSAL

\$5,590,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2014A CITY OF EAST BETHEL, MINNESOTA

Proposals for the purchase of \$5,590,000 General Obligation Refunding Bonds, Series 2014A (the "Bonds") of the City of East Bethel, Minnesota (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Financial Advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on February 5, 2014, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:30 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

The Bonds are being issued by the City, pursuant to Minnesota Statutes, Chapters 115, 444, and Section 475.67, for the purpose of effecting a current refunding of certain outstanding general obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged.

DATES AND MATURITIES

The Bonds will be dated March 4, 2014, will be issued as fully registered Bonds in the denomination of \$5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>	<u>Year</u>	<u>Amount*</u>
2019	\$240,000	2027	\$225,000	2035	\$330,000
2020	235,000	2028	235,000	2036	260,000
2021	185,000	2029	245,000	2037	275,000
2022	185,000	2030	260,000	2038	290,000
2023	200,000	2031	270,000	2039	305,000
2024	205,000	2032	285,000	2040	315,000
2025	210,000	2033	300,000		
2026	220,000	2034	315,000		

ADJUSTMENT OPTION

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

TERM BOND OPTION

Proposals for the Bonds may contain a maturity schedule providing for any combination of serial bonds and term bonds, subject to mandatory redemption, so long as the amount of principal maturing or subject to mandatory redemption in each year conforms to the maturity schedule set forth above. All dates are inclusive.

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2014, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

Unless otherwise specified by the purchaser, the Bonds will be designated in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds, and will be responsible for maintaining a book-entry system for recording the interests of its participants and the transfers of interests between its participants. The participants will be responsible for maintaining records regarding the beneficial interests of the individual purchasers of the Bonds. So long as Cede & Co. is the registered owner of the Bonds, all payments of principal and interest will be made to the depository which, in turn, will be obligated to remit such payments to its participants for subsequent disbursement to the beneficial owners of the Bonds.

PAYING AGENT

The City has selected Bond Trust Services Corporation, Roseville, Minnesota ("BTSC"), to act as paying agent (the "Paying Agent"). BTSC and Ehlers are affiliate companies. The City will pay the charges for Paying Agent services. The City reserves the right to remove the Paying Agent and to appoint a successor.

OPTIONAL REDEMPTION

At the option of the City, Bonds maturing on or after February 1, 2024 shall be subject to redemption prior to maturity on February 1, 2023 and on any date thereafter, at a price of par plus accrued interest.

Redemption may be in whole or in part of the Bonds subject to prepayment. If redemption is in part, the selection of the amounts and maturities of the Bonds to be redeemed shall be at the discretion of the City. If only part of the Bonds having a common maturity date are called for redemption, then the City or Paying Agent, if any, will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interest in such maturity to be redeemed.

Notice of redemption shall be sent by mail not more than 60 days and not fewer than 30 days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.

DELIVERY

On or about March 4, 2014, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

An opinion in substantially the form attached hereto as Appendix B will be furnished by Dorsey & Whitney LLP, Minneapolis, Minnesota, bond counsel to the City.

SUBMISSION OF PROPOSALS

Proposals must not be for less than \$5,550,870 plus accrued interest on the principal sum of \$5,590,000 from date of original issue of the Bonds to date of delivery. A signed proposal form must be submitted to Ehlers prior to the time established above for the opening of proposals as follows:

- 1) In a sealed envelope as described herein; or
- 2) A facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or
- 3) Electronically via **PARITY** in accordance with this Terms of Proposal until 10:00 A.M. Central Time, but no proposal will be received after the time for receiving proposals specified above. To the extent any instructions or directions set forth in **PARITY** conflict with this Terms of Proposal, the terms of this Terms of Proposal shall control. For further information about **PARITY**, potential bidders may contact Ehlers or i-Deal LLC at 1359 Broadway, 2nd Floor, New York, New York 10018, Telephone (212) 849-5021.

Proposals must be submitted to Ehlers via one of the methods described above and must be received prior to the time established above for the opening of proposals. Each proposal must be unconditional except as to legality. Neither the City nor Ehlers shall be responsible for any failure to receive a facsimile submission.

A good faith deposit (the "Deposit") in the amount of \$111,800, complying with the provisions below, must be submitted with each proposal. The Deposit must be in the form of a certified or cashier's check, or a financial surety bond or a wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the bidder fails to comply therewith. The Deposit will be returned to the winning bidder at the closing for the Bonds.

The Deposit, payable to the City, shall be retained in the offices of Ehlers with the same effect as if delivered to the City. Alternatively, bidders may wire the Deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. The City and any bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the losing bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the bidder; 5) Ehlers shall not be an insurer of the Deposit amount and shall have no liability hereunder except if it willfully fails to perform, or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to \$250,000 per bidder.

If a financial surety bond is used, it must be from an insurance company licensed to issue such a bond in the State of Minnesota, and preapproved by the City. Such bond must be submitted to Ehlers prior to the opening of the proposals. Such bond must identify each bidder whose Deposit is guaranteed by such financial surety bond. If the Bonds are awarded to a bidder using a financial surety bond, then that bidder is required to submit its Deposit to Ehlers in the form of a certified or cashier's check or wire transfer as instructed by Ehlers not later than 3:00 P.M., Central Time, on the next business day following the award. If such Deposit is not received by that time, the financial surety bond may be drawn by the City to satisfy the Deposit requirement. The amount securing the successful proposal will be retained as liquidated damages if the proposal is accepted and the bidder fails to comply therewith. No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

The Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a True Interest Cost (TIC) basis. The City's computation of the interest rate of each proposal, in accordance with customary practice, will be controlling. In the event of a tie, the sale of the Bonds will be awarded by lot. The City reserves the right to reject any and all proposals and to waive any informality in any proposal.

BOND INSURANCE

If the Bonds are qualified for any bond insurance policy, the purchase of such policy shall be at the sole option and expense of the winning bidder. Any cost for such insurance policy is to be paid by the winning bidder, except that, if the City requested and received a rating on the Bonds from a rating agency, the City will pay that rating fee. Any rating agency fees not requested by the City are the responsibility of the winning bidder.

Failure of the municipal bond insurer to issue the policy after the Bonds are awarded to the winning bidder shall not constitute cause for failure or refusal by the winning bidder to accept delivery of the Bonds.

CUSIP NUMBERS

The City will assume no obligation for the assignment or printing of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon, but will permit such numbers to be printed at the expense of the winning bidder, if the winning bidder waives any delay in delivery occasioned thereby.

QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

CONTINUING DISCLOSURE

In order to permit bidders for the Bonds and other participating underwriters, in the primary offering of the Bonds, to comply with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (the "Rule"), the City will covenant and agree, for the benefit of the registered holders and beneficial owners from time to time of the outstanding Bonds, in the resolution awarding the sale and prescribing the terms of the Bonds, to provide annual reports of specified information and notice of the occurrence of certain events. The City is the only "obligated person" in respect of the Bonds within the meaning of the Rule for the purposes of disclosing information on an ongoing basis. A description of the undertaking is set forth in the Official Statement. Failure of the City to enter into an undertaking substantially similar to that described in the Official Statement would relieve the successful bidder of its obligation to purchase the Bonds. *The City has complied in all material respects with any undertaking previously entered into by it under the Rule.*

INFORMATION FROM WINNING BIDDER

The winning bidder will be required to provide, in a timely manner, certain information relating to the initial offering prices of the Bonds necessary to compute the yield on the Bonds pursuant to the provisions of the Internal Revenue Code of 1986, as amended.

PRELIMINARY OFFICIAL STATEMENT

Bidders may obtain a copy of the Preliminary Official Statement relating to the Bonds prior to the proposal opening by request from Ehlers at www.ehlers-inc.com by connecting to the link to the Bond Sales. The Syndicate Manager will be provided with an electronic copy and up to 10 printed copies upon request of the Final Official Statement within seven business days of the proposal acceptance. Additional copies of the Final Official Statement will be available at a cost of \$10.00 per copy.

Information for bidders and proposal forms may be obtained from Ehlers at 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Telephone (651) 697-8500.

By Order of the City Council

City of East Bethel, Minnesota

PROPOSAL FORM

The City Council
City of East Bethel, Minnesota

February 5, 2014

RE: \$5,590,000* General Obligation Refunding Bonds, Series 2014A
DATED: March 4, 2014

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Preliminary Official Statement, we will pay you \$_____ (not less than \$5,550,870) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____ % due 2019	_____ % due 2027	_____ % due 2035
_____ % due 2020	_____ % due 2028	_____ % due 2036
_____ % due 2021	_____ % due 2029	_____ % due 2037
_____ % due 2022	_____ % due 2030	_____ % due 2038
_____ % due 2023	_____ % due 2031	_____ % due 2039
_____ % due 2024	_____ % due 2032	_____ % due 2040
_____ % due 2025	_____ % due 2033	
_____ % due 2026	_____ % due 2034	

* The City reserves the right to increase or decrease the principal amount of the Bonds on the day of sale, in increments of \$5,000 each. Increases or decreases may be made in any maturity. If any principal amounts are adjusted, the purchase price proposed will be adjusted to maintain the same gross spread per \$1,000.

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2023 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our good faith deposit in the amount of \$111,800, to be held by you pending delivery and payment. Alternatively, we have provided a financial surety bond or have wired our good faith deposit to the **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. If our proposal is not accepted, said deposit shall be promptly returned to us. If the good faith deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the good faith deposit, pursuant to the Preliminary Official Statement dated January 28, 2014. This proposal is for prompt acceptance and is conditional upon deposit of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about March 4, 2014.

This proposal is subject to the City's agreement to enter into a written undertaking to provide continuing disclosure under Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 as described in the Preliminary Official Statement for this Issue.

We have received and reviewed the Preliminary Official Statement and have submitted our requests for additional information or corrections to the Final Official Statement. As Syndicate Manager, we agree to provide the City with the reoffering price of the Bonds within 24 hours of the proposal acceptance.

Account Manager: _____ By: _____

Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from March 4, 2014 of the above proposal is \$_____ and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of East Bethel, Minnesota, on February 5, 2014.

By: _____ By: _____
Title: _____ Title: _____



City of East Bethel City Council Agenda Information

Date:

February 5, 2014

Agenda Item Number:

Item 6.0 A-C

Agenda Item:

Consent Agenda

Requested Action:

Consider approving Consent Agenda as presented

Background Information:

Item A

Bills/Claims

Item B

Meeting Minutes, January 22, 2014 Regular City Council

Meeting minutes from the January 22, 2014 Regular City Council Meeting are attached for your review and approval.

Item C

Resolution 2014-05 Accepting Work

The Contractor has completed all construction and punch list items for the Jackson Street Reconstruction Project and has submitted all the required documentation to consider this project for final payment. All costs associated with this project are paid 100% by the Municipal State Aid Construction Fund. Staff recommends final payment of \$57,010.21. A copy of the final payment form and resolution accepting the work are attached.

Fiscal Impact:

As noted above.

Recommendation(s):

Recommend approval of the Consent Agenda as presented.

City Council Action

Motion by: _____

Second by: _____

Vote Yes: _____

Vote No: _____

No Action Required: _____



Payments for Council Approval February 5, 2014

Bills to be Approved for Payment	\$83,336.98
Electronic Payroll Payments	\$26,956.24
Payroll City Staff - January 30, 2014	\$35,956.42
Total to be Approved for Payment	\$146,249.64

City of East Bethel

February 5, 2014

Payment Summary

Department	Description	Invoice	Vendor	Fund	Dept	Amount
Arena Operations	Gas Utilities	398413533	Xcel Energy	615	49851	\$4,156.51
Building Inspection	Cafeteria Contribution	02 2014	Dearborn National Life Ins Co.	101	42410	\$145.41
Building Inspection	Dues and Subscriptions	012714	AMBO	101	42410	\$200.00
Building Inspection	Motor Fuels	2318669	Lubricant Technologies, Inc.	101	42410	\$411.64
Building Inspection	Telephone	332373310-146	Nextel Communications	101	42410	\$18.59
Building Inspection	Worker s Comp Insurance Prem	26732	League of MN Cities Ins Trust	101	42410	\$27.15
Central Services/Supplies	Cleaning Supplies	695234320001	Office Depot	101	48150	\$73.77
Central Services/Supplies	Information Systems	B140121K	Anoka County Treasury Dept	101	48150	\$225.00
Central Services/Supplies	Office Supplies	681541921001	Office Depot	101	48150	\$52.20
Central Services/Supplies	Office Supplies	695234245001	Office Depot	101	48150	\$5.78
Central Services/Supplies	Telephone	11658554	Integra Telecom	101	48150	\$211.31
City Administration	Cafeteria Contribution	02 2014	Dearborn National Life Ins Co.	101	41320	\$127.28
City Administration	Conferences/Meetings	012914	Jack Davis	101	41320	\$5.00
City Administration	Telephone	332373310-146	Nextel Communications	101	41320	\$4.10
City Administration	Travel Expenses	012914	Jack Davis	101	41320	\$107.52
City Administration	Worker s Comp Insurance Prem	26732	League of MN Cities Ins Trust	101	41320	\$18.71
City Clerk	Cafeteria Contribution	02 2014	Dearborn National Life Ins Co.	101	41430	\$62.55
City Clerk	Workers Comp Insurance Prem	26732	League of MN Cities Ins Trust	101	41430	\$9.35
Economic Development Authority	Commissions and Boards	011514	Brian Bezanson	232	23200	\$200.00
Economic Development Authority	Commissions and Boards	010814	John Landwehr	232	23200	\$160.00
Economic Development Authority	Commissions and Boards	011414	Julie Lux	232	23200	\$160.00
Engineering	Architect/Engineering Fees	32610	Hakanson Anderson Assoc. Inc.	101		\$920.62
Engineering	Architect/Engineering Fees	32617	Hakanson Anderson Assoc. Inc.	101	43110	\$308.71
Engineering	Architect/Engineering Fees	32617	Hakanson Anderson Assoc. Inc.	101	43110	\$706.29
Engineering	Architect/Engineering Fees	32617	Hakanson Anderson Assoc. Inc.	101	43110	\$481.29
Finance	Cafeteria Contribution	02 2014	Dearborn National Life Ins Co.	101	41520	\$141.91
Finance	Conferences/Meetings	194931	League of MN Cities	101	41520	\$20.00
Finance	Worker s Comp Insurance Prem	26732	League of MN Cities Ins Trust	101	41520	\$18.71
Fire Department	Bldgs/Facilities Repair/Maint	9334647899	Grainger	101	42210	\$230.88
Fire Department	Cafeteria Contribution	02 2014	Dearborn National Life Ins Co.	101	42210	\$76.45
Fire Department	Dues and Subscriptions	8F8A054C77	AMEM - Assn of MN Emergency	101	42210	\$100.00
Fire Department	Dues and Subscriptions	2014	MN Chapter IAAI	101	42210	\$25.00
Fire Department	Gas Utilities	398413533	Xcel Energy	101	42210	\$2,910.07
Fire Department	Motor Fuels	2318669	Lubricant Technologies, Inc.	101	42210	\$654.86
Fire Department	Motor Fuels	2318669	Lubricant Technologies, Inc.	101	42210	\$541.25
Fire Department	Motor Vehicle Services (Lic d)	1539-264992	O'Reilly Auto Stores Inc.	101	42210	\$118.76
Fire Department	Motor Vehicle Services (Lic d)	1539-265142	O'Reilly Auto Stores Inc.	101	42210	(\$15.00)
Fire Department	Personnel/Labor Relations	199284	First Advantage LNS Screening	101	42210	\$447.80
Fire Department	Repairs/Maint Machinery/Equip	42783	Ancom Communications	101	42210	\$78.50
Fire Department	Repairs/Maint Machinery/Equip	42784	Ancom Communications	101	42210	\$50.00
Fire Department	Telephone	11658554	Integra Telecom	101	42210	\$132.08
Fire Department	Telephone	332373310-146	Nextel Communications	101	42210	\$38.47
Fire Department	Worker s Comp Insurance Prem	26732	League of MN Cities Ins Trust	101	42210	\$385.16
General Govt Buildings/Plant	Bldg/Facility Repair Supplies	44111	Menards Cambridge	101	41940	\$80.24
General Govt Buildings/Plant	Bldg/Facility Repair Supplies	44426	Menards Cambridge	101	41940	\$177.94

City of East Bethel

February 5, 2014

Payment Summary

Department	Description	Invoice	Vendor	Fund	Dept	Amount
General Govt Buildings/Plant	Gas Utilities	398413533	Xcel Energy	101	41940	\$1,149.04
General Govt Buildings/Plant	General Operating Supplies	012114	Jackie Campbell	101	41940	\$29.97
General Govt Buildings/Plant	Repairs/Maint Machinery/Equip	10923	Betz Mechanical, Inc.	101	41940	\$411.78
Mayor/City Council	Commissions and Boards	2014-04	Sunrise River WMO	101	41110	\$7,785.31
Mayor/City Council	Conferences/Meetings	194650	League of MN Cities	101	41110	\$225.00
Mayor/City Council	Other Advertising	66057	ECM Publishers, Inc.	101	41110	\$98.40
Mayor/City Council	Other Advertising	67754	ECM Publishers, Inc.	101	41110	\$41.00
Mayor/City Council	Worker s Comp Insurance Prem	26732	League of MN Cities Ins Trust	101	41110	\$1.67
MSA Street Construction	Architect/Engineering Fees	32611	Hakanson Anderson Assoc. Inc.	402	40200	\$1,151.10
MSA Street Construction	Architect/Engineering Fees	32613	Hakanson Anderson Assoc. Inc.	402	40200	\$2,755.00
Park Maintenance	Auto/Misc Licensing Fees/Taxes	2012-0088	MN DNR Eco-Water-Res	101	43201	\$164.95
Park Maintenance	Auto/Misc Licensing Fees/Taxes	2012-0089	MN DNR Eco-Water-Res	101	43201	\$157.23
Park Maintenance	Cafeteria Contribution	02 2014	Dearborn National Life Ins Co.	101	43201	\$201.93
Park Maintenance	Clothing & Personal Equipment	1182111629	G&K Services - St. Paul	101	43201	\$18.21
Park Maintenance	Clothing & Personal Equipment	1182123007	G&K Services - St. Paul	101	43201	\$18.21
Park Maintenance	Conferences/Meetings	1314919	University of Minnesota	101	43201	\$180.00
Park Maintenance	Motor Fuels	2318669	Lubricant Technologies, Inc.	101	43201	\$561.30
Park Maintenance	Motor Fuels	2318669	Lubricant Technologies, Inc.	101	43201	\$1,040.86
Park Maintenance	Telephone	11658554	Integra Telecom	101	43201	\$48.42
Park Maintenance	Telephone	332373310-146	Nextel Communications	101	43201	\$73.46
Park Maintenance	Worker s Comp Insurance Prem	26732	League of MN Cities Ins Trust	101	43201	\$140.34
Payroll	Insurance Premiums	02 2014	NCPERS Minnesota	101		\$128.00
Payroll	Union Dues	01 2014	MN Public Employees Assn	101		\$458.00
Planning and Zoning	Cafeteria Contribution	02 2014	Dearborn National Life Ins Co.	101	41910	\$97.28
Planning and Zoning	Commissions and Boards	010214	Brian Mundle, Jr.	101	41910	\$250.00
Planning and Zoning	Commissions and Boards	010314	Eldon Holmes	101	41910	\$200.00
Planning and Zoning	Commissions and Boards	123113	Glenn Terry	101	41910	\$250.00
Planning and Zoning	Commissions and Boards	010514	Lorraine Bonin	101	41910	\$250.00
Planning and Zoning	Commissions and Boards	010814	Randy Plaisance	101	41910	\$210.00
Planning and Zoning	Commissions and Boards	010214	Tanner Balfany	101	41910	\$250.00
Planning and Zoning	Worker s Comp Insurance Prem	26732	League of MN Cities Ins Trust	101	41910	\$15.59
Police	Professional Services Fees	91257	Gopher State One-Call	101	42110	\$100.00
Recycling Operations	Gas Utilities	398413533	Xcel Energy	226	43235	\$247.26
Sewer Operations	Cafeteria Contribution	02 2014	Dearborn National Life Ins Co.	602	49451	\$13.15
Sewer Operations	Worker s Comp Insurance Prem	26732	League of MN Cities Ins Trust	602	49451	\$10.32
Street Capital Projects	Architect/Engineering Fees	32612	Hakanson Anderson Assoc. Inc.	406	40600	\$180.00
Street Capital Projects	Architect/Engineering Fees	32614	Hakanson Anderson Assoc. Inc.	406	40600	\$1,113.18
Street Maintenance	Bldg/Facility Repair Supplies	44112	Menards Cambridge	101	43220	\$19.97
Street Maintenance	Bldgs/Facilities Repair/Maint	37729	Aker Doors, Inc.	101	43220	\$169.00
Street Maintenance	Bldgs/Facilities Repair/Maint	1182111629	G&K Services - St. Paul	101	43220	\$5.33
Street Maintenance	Bldgs/Facilities Repair/Maint	1182123007	G&K Services - St. Paul	101	43220	\$5.33
Street Maintenance	Cafeteria Contribution	02 2014	Dearborn National Life Ins Co.	101	43220	\$254.98
Street Maintenance	Clothing & Personal Equipment	592665	Chet's Shoes, Inc.	101	43220	\$164.00
Street Maintenance	Clothing & Personal Equipment	1182111629	G&K Services - St. Paul	101	43220	\$17.70
Street Maintenance	Clothing & Personal Equipment	1182123007	G&K Services - St. Paul	101	43220	\$17.70

City of East Bethel

February 5, 2014

Payment Summary

Department	Description	Invoice	Vendor	Fund	Dept	Amount
Street Maintenance	Equipment Parts	FP154091	Crysteel Truck Equipment	101	43220	\$640.16
Street Maintenance	Equipment Parts	8341	Plow World, Inc.	101	43220	\$59.30
Street Maintenance	Gas Utilities	398413533	Xcel Energy	101	43220	\$1,687.86
Street Maintenance	Lubricants and Additives	1539-266001	O'Reilly Auto Stores Inc.	101	43220	\$80.57
Street Maintenance	Motor Fuels	2318669	Lubricant Technologies, Inc.	101	43220	\$2,581.36
Street Maintenance	Motor Fuels	2318669	Lubricant Technologies, Inc.	101	43220	\$243.23
Street Maintenance	Motor Fuels	1539-265998	O'Reilly Auto Stores Inc.	101	43220	\$51.96
Street Maintenance	Motor Fuels	1539-265999	O'Reilly Auto Stores Inc.	101	43220	\$77.94
Street Maintenance	Motor Vehicle Services (Lic d)	42858	Ancom Communications	101	43220	\$930.00
Street Maintenance	Motor Vehicle Services (Lic d)	42862	Ancom Communications	101	43220	\$288.50
Street Maintenance	Motor Vehicles Parts	C241159342:01	I State Truck Inc.	101	43220	\$115.84
Street Maintenance	Motor Vehicles Parts	1539-266007	O'Reilly Auto Stores Inc.	101	43220	\$20.30
Street Maintenance	Motor Vehicles Parts	1539-267036	O'Reilly Auto Stores Inc.	101	43220	\$54.92
Street Maintenance	Motor Vehicles Parts	1539-267054	O'Reilly Auto Stores Inc.	101	43220	\$45.98
Street Maintenance	Motor Vehicles Parts	263013	S & S Industrial Supply	101	43220	\$119.91
Street Maintenance	Street Maint Materials	71102530	North American Salt Co.	101	43220	\$7,975.22
Street Maintenance	Telephone	11658554	Integra Telecom	101	43220	\$48.42
Street Maintenance	Telephone	332373310-146	Nextel Communications	101	43220	\$162.91
Street Maintenance	Worker s Comp Insurance Prem	26732	League of MN Cities Ins Trust	101	43220	\$290.45
Water Construction Fund	Due from Other Governments	163075	Bolton & Menk, Inc.	433		\$3,458.00
Water Utility Capital Projects	Architect/Engineering Fees	163075	Bolton & Menk, Inc.	433	49405	\$600.50
Water Utility Capital Projects	Architect/Engineering Fees	32615	Hakanson Anderson Assoc. Inc.	433	49405	\$1,123.31
Water Utility Capital Projects	Architect/Engineering Fees	32616	Hakanson Anderson Assoc. Inc.	433	49405	\$26,415.05
Water Utility Operations	Cafeteria Contribution	02 2014	Dearborn National Life Ins Co.	601	49401	\$13.15
Water Utility Operations	Chemicals and Chem Products	233803	USA BlueBook	601	49401	\$113.31
Water Utility Operations	Chemicals and Chem Products	233819	USA BlueBook	601	49401	\$45.18
Water Utility Operations	Gas Utilities	011614	CenterPoint Energy	601	49401	\$235.97
Water Utility Operations	Gas Utilities	011614	CenterPoint Energy	651	49401	\$156.30
Water Utility Operations	Worker s Comp Insurance Prem	26732	League of MN Cities Ins Trust	601	49401	\$9.55
						\$83,336.98

City of East Bethel

February 5, 2014

Payment Summary

Department	Description	Invoice	Vendor	Fund	Dept	Amount
Electronic Payroll Payments						
Payroll	PERA					\$5,958.78
Payroll	Federal Withholding					\$6,496.60
Payroll	Medicare Withholding					\$1,606.88
Payroll	FICA Tax Withholding					\$6,870.68
Payroll	State Withholding					\$2,587.09
Payroll	MSRS/HCSP					\$3,436.21
						\$26,956.24

EAST BETHEL CITY COUNCIL MEETING

January 22, 2014

The East Bethel City Council met on January 22, 2014 at 7:30 PM for their regular meeting at City Hall.

MEMBERS PRESENT: Bob DeRoche Ron Koller Heidi Moegerle
 Tom Ronning

ALSO PRESENT: Jack Davis, City Administrator
 Mark Vierling, City Attorney
 Craig Jochum, City Engineer

Call to Order **The January 22, 2014 City Council meeting was called to order by Mayor DeRoche at 7:30 PM.**

Adopt **Moegerle made a motion to adopt the January 22, 2014 City Council agenda ending immediately after the Public Forum because this Council has been illegally reduced in number and any actions that we would take to pass any motions would be unlawful. Mayor DeRoche called for a seconded. There wasn't a second so the motion failed for a lack of a second.**

Ronning made a motion to adopt the January 22, 2014 City Council agenda with an addition of 9.0 E Addressing comments that were made at the December 18, 2013 City Council meeting regarding staff's performance that were improper. Koller seconded. DeRoche, Koller and Ronning, aye; Moegerle, nay; motion carries.

DeRoche made a motion to amend the agenda to add the Supplemental Payment List for the insurance premiums as submitted by staff. Koller seconded. DeRoche, Koller and Ronning, aye; Moegerle, nay; motion carries.

2010 B Bond Davis explained that at the November 20, 2013 City Council Meeting, Council authorized Refinance Ehlers and Associates to develop proposals for the sale of refunding bonds 2013A. These Proposal, bonds will be used to refund the 2010B GO Utility Bonds. These proposals were scheduled Stacie to be presented to City Council on December 18, 2013 but due to the bond market at that Kvivlang time and the potential for a limited number of bidders for the refunding, the presentation was tabled and scheduled for January 18, 2014. If there is a successful refunding the 2010B Bonds would be designated as the 2014A Bonds

Council's goals for this refunding were as follows:

1. Refund the 2010B Build America Bonds (BAB's) and remove the City from uncertainties of the federal tax credits associated with these issues. The original federal tax credit the City received on the 2010B Bonds was 35% but this reduced to 32% in 2013 and could be subject to further reduction in the future.
2. Maximize the savings in the first 5 years of the refunding to address the Cities need for immediate relief in the early years of financing the bond payments for the Municipal Utilities Project and/or;
3. Maximize total savings over the term of the bond payments.

Three options will be presented for Council consideration. All three options meet the goal of separating ourselves from the BAB's and the federal tax credits. The difference in the options is in their savings structure with two options providing optimal savings in the first four to six years and the third option providing equal savings over the term of the refunding.

Mr. Todd Hagen from Ehlers, Inc. will present the proposals for this bond issue and provide the details on the three options included in the packet.

At the conclusion of the presentation by Mr. Hagen and pending an acceptable proposal, staff is requesting City Council approve the preferred savings option and direct Ehlers to proceed as to the bidding of the refunding of the 2014A Bonds.

Todd Hagen of Ehlers and Associates, "You have seen my before, Stacie and I are both financial advisors to the City. Stacie was called away to another meeting and I had some time to talk to you about this bond proposals. Jack did a great job of summarizing these documents and what is in the pre-sale report. And again, it is an updated pre-sale report from what you have seen in the past. He talked about the delay in sending this out to bid. Through December 18th until tonight. To reschedule this until the next possible sale date, which would be February 5th, that would be our target date. "

"In the pre-sale report we have the three options of restructuring the bond issue. It is not only a restricting, but an interest savings at the end of the day. The pre-sale report adds another statute to the authorizing issuance, Chapter 115 of Minnesota Statutes and that allows the City to establish a tax levy on prepayment of the bonds and net revenue second. This is a little bit different than a straight Chapter 444 bond that the bonds are paid off by sewer and water first. So, we have added that flexibility on the sewer side of the bond and hopefully that will help with the repayment of the bond issue. The City is applying about \$670,000 of unused bond funds towards the funds, to reduce this bond issue. That was approved by the Bond Attorneys, Dorsey and Whitney out of Minneapolis to be taken from Recovery Zone Bonds, which is another 2010 bond and applied to the direct pay of the Build America Bonds to help finance the bond that is under consideration tonight.

"Also tonight, we have three points, or questions that Council has brought forth that we would like to try to answer tonight." Moegerle, "I got your e-mail, when was the last time Stacie was out here. Because the last time Stacie was here, we got many more documents than we have tonight. And in those documents, it indicated that we owned a sewer and a water utility. We don't own a sewer utility. We have sewer pipes. I have read Stacie's responses, but, I think there is a bigger issue that is facing us tonight than those three issues. And, that is a letter that I received at 4:52 p.m. Has that been shared with you?" Mayor DeRoche, "Council Member Moegerle, you are not going to side-step this issue and the times of badmouthing contractor's is over." Moegerle, "I am not sidetracking it." Mayor DeRoche, "You are sidetracking it." Moegerle, "I want to make him aware that this says that this group may have illegally reduced its numbers and appointed a Mayor." Ronning, "Point of Order, Mr. Mayor." Moegerle, "So that anything they may do may be illegal and that may affect our bond rating." Ronning, "Point of Order, there is nothing concerning this within the agenda that I have seen. And if I am in error, please correct me, otherwise, let it stop." Moegerle, "They are important facts that need to be brought forward." Ronning, "It is not on the agenda. You will have to bring it up sometime when it is." Moegerle, "So it doesn't matter."

Mayor DeRoche, "Council Member Moegerle, these have been brought up more than one time and you have had more than ample time to discuss this. And, we are not going down that road this evening." Moegerle, "This is new fact as of 4:52 p.m." DeRoche, "No it is not, I have copies of your e-mails as a result of a Public Data Request and this is not a new issue. Every time you come up here and bad mouth a contractor or City staff you are putting us at risk. And, it looks bad and we are not going to do that anymore." Moegerle, "We have never done that, except at your end of the table. But this is something that may

put the City's bond at risk." Ronning, "You haven't explained anything about where this is on the agenda." Moegerle, "This is a new fact." Ronning, "You are talking about a seat, you are not about bonds. If this doesn't stop, I am going to move for censorship."

Ronning made a motion to Censor Council Member Moegerle. DeRoche seconded. Moegerle, "Here smack my hand." Mayor DeRoche, "Mr. Hagen, you may continue."

Hagen, "There were three questions submitted and I want to go through them real quick. Does the city own the utility system? It is our understanding they do. This is a refunding bond and the findings made from the original bond, the legal findings don't necessarily have to be for the refinancing of the bond issue. There is also a question of levying for 5% more than what is actually owed. That is a requirement of Minnesota Statute Chapter 475; school districts also fall under that category as well as municipalities. That is an extra 5% that doesn't necessarily have to be a levy, but it can be a combination of levy, system revenue, special assessments, and things like that. It is an annual test and it doesn't have to be accumulated, it can be carried over from year to year. The idea of that is most municipalities taxes are not 100% collected so it actually gives a little room in there for those non-collected taxes. Also, I think I answered the question at the beginning about the pre-sale about the actual levy of taxes to pay the bond issue. We added Chapter 115 to allow the levy of taxes first and net revenue second. So we think we answered the questions."

"Now we have the three options to look at. In the back of the presale report is Option 1, Option 2 and Option 3. Option 1 is the original structure we went out with. We want you to take another look at that. It is a structure that has a higher savings in the first six years. There is some negative savings in the future years. If on February 5th we take bids and if the rates are a little higher, that negative stream may be a little higher. So, we just want to make sure the Council understands that. If we get better bids that could possibly be neutral or a positive stream at the end of those higher first six years of savings. That particular structure the principal starts in 2021. So we have delayed the principal on that. The call date is in 2023. So we are not locking the prepayment date out, they will be prepayable in 2023. So, we can do this again."

"Option 2 had the principal starting in 2019 so it shortens the higher savings to the first four years of the bond. What this does in a positive sense is increases the cash flows below. What this does is it has a higher positive savings the first four years and no negative savings beyond the first four years. The call date is still 2023. So you would have an option to refinance at that point."

"Option 3 keeps the same principal structure as original 2010 bond. This is an interest cost savings. Somewhere between \$16,000 to \$60,000 savings. The call date again is 2023. Can see the future value savings at the bottom of each of the columns that is highlighted. Do sacrifice a little total savings for the options that have more savings upfront. So, Option 1 is a little over \$1,000,000 in savings, Option 2 is a little over \$1,200,000 and Option 3 is a little over \$1,500,000 over the term. It is up to Council, if the idea is to maximize your savings upfront in the four to six years. So, it is up to the Council to reacquaint yourselves with the idea of idea on here that we have been looking at."

Davis, "Can you go over how the net present value savings is calculated for the Council please?" Hagen, "The net present value savings is the time value of money. So, it is present value to the bond yield. We are estimating the bond yield at 3.665%. It is discounted over that number of years. If you are achieving some negative savings, your net

present savings will be lower. So you Option 1 is at \$940,000 and that has those higher savings in the first six years and then either negative or neutral savings after 2021 and thereafter. Option 2, the first four years of uniform savings and then at least \$30,000 positive savings thereafter. Uniform savings will give you the highest net yield. Your present value is a little higher at has a present value at \$991,000 and discounted at 3.585% bond yield. Option 3, the uniform savings will give you the highest net value of savings, because it is uniform the whole way down. It is 3.258% and it is a little over \$1,000,000 present value savings. The one that you see in the right column highlighted, that is future value, dollar for dollar. That has the time value for money discount in the savings, which is sometimes easier for me to understand.”

“I think at the end of the day you look at what you are trying to achieve as far as cash flow. Your opportunity if the revenues aren’t coming in the way you expect in four to six years, you don’t have to wait too long to refinance this again. It is kind of a workout plan at the moment. You really want to make sure that it is achieving your goals at this point.”

Ronning, “We are the only ones that can see the numbers and the coding is. At first glance \$1,000,000 is worth a lot more than \$900,000. However, to make the savings, you have to stay in the game 25 years. If you leave early, your savings are decreased, or am I mistaken?” Hagen, “You are exactly right.” Ronning, “And, with Option 2 we would have savings for four years and then it drops down to 10% for the rest of the savings. For Option 1 there are six years, which puts us at 2021, as far as being able to come up with a better deal? Is that correct?” Hagen, “Yes, that is correct. It might not be the overall savings; it is more of an annual cash flow savings. And, then you have to look at what is the opportunity after that. Do you have an opportunity to do something else.” Ronning, “Is it time adjusted savings? You have to stay the 25 years to make the biggest savings.” Hagen, “Yes, it is a fixed rate bond for the full term.”

DeRoche, “When the discussion first started on this we were looking for something to take the weight off the City for the first five or six years when hopefully development picks up. My personal thought when looking at all three of these options is I think we are better off starting with the highest savings in the first couple years, because if we wait and spread it out further, then the levies are going to increase even more. And with the savings in the first couple years, like Tom said, we as a City have to think in the now. We have to beware of what is down the road, but we can’t not commit.”

Moegerle, “If we take Option 1 or 2, and then we refinance again when we can, we are just going to continue to kick this down the road. We are going to lose savings every time we refinance because our financial consultants will want a fee and so will the people that sell the bonds.” Hagen, “And we don’t know what the interest rates will be at that time.” Moegerle, “One of the things I heard when the taxes were raised was, “Quit jerking my taxes around. You dropped them and now you are going to raise them.” My concern is if we don’t follow through on Option 3 we are going to refinance again and we are going to jerk the taxes around again and again. And that is just going to irritate the taxpayers. While I appreciate what this attempts to do, I think that what the solution is, we work harder, we are more friendly to our businesses, and we don’t make them cry when they come before us. And we have a steady predictable tax rate on these bond issues from the time that we refinance until 2040.”

DeRoche, “Even though it is nice to help the businesses, we also have residents that are living here and their pocketbooks are pretty well stretched. And, they are looking for any kind of relief that they can get. Again, we have to think in the now. I don’t have a crystal

ball. One question I would like to ask is, it is always brought up that the funds were co-mingled. Is there any basis for that?" Moegerle, "Andy Pratt said that and it was in the write-up for the special meeting." Hagen, "Are we talking bond proceeds? Or bond issue to bond issue? Coming from different bond sources to pay?" Moegerle, "It was the whole issue of how we separated the bonds. And the fact that we did and Andy Pratt was very matter of fact about it and so that is a minor issue, there were other issues that were brought up." Hagen, "Dorsey and Whitney, your bond counsel, (this is where the \$670,000 comes from) it is my understanding that as long as you could have issued the Recovery Zone Bonds could be moved over to this bond issue. It has to do with the project itself. Had the project been financed with the same type of bond issue, that's what the answer was." Moegerle, "Andy explained that the bond proceeds could be co-mingled for a total of three years, but then they had to be divided at the end. I think that was very clear in the write-up for the October 23rd meeting."

DeRoche, "I don't believe that was my question." Ronning, "Before this gets off, I believe this came up before and I believe Mr. Vierling contacted Mr. Pratt to verify." Vierling, "The implication was that the City had done something incorrect and that is simply not true. All your funds are co-mingled into a common account, that is a common practice. So the implication that the City had done something wrong is incorrect. I am sure that if Ehlers and Associates, or if Dorsey and Whitney had seen anything that was inappropriate, they would have called it out because it would have affected their going forward. Obviously that is not the case so those implications simply do not bear any water." Moegerle, "Well, and the documents say you shouldn't do it, but, the federal regulations allow it. So there is no harm no foul."

DeRoche, "The question came to me because again it has been taken out of an e-mail that has been put out to the people." Moegerle, "I don't think that is the case, but, whatever." Ronning, "You take these two pitchers of water and pour them into a glass and you are not going to be able to tell which water came out of which pitcher. If you put money into your pocket when it comes out it is all the same money." Hagen, "On a bond issue, they are bookkeeping accounts and they don't have to be deposited into separate checking accounts. They never do, so, typically the money gets put into a pot and the bookkeeping is the tracking of it. And to go one step further, as long as that project could have been financed by these bonds then that money could go from the Recovery Zone Bonds to the Build America bonds and help prepay these bonds. It is a sewer and water project and that has been approved by Dorsey and Whitney that it was fine to do. And, your City Attorney is correct, if there was any doubt in our minds we couldn't go forward. So we have done our homework on this." Moegerle, "Your right, the whole line of that was the shocking news that we only had to spend 85% of the bond funds on projects and we could have taken that 15% and defeased it. The documents say that and it was quite surprising that we could have sent back four times the \$600,000 and saved \$5,000,000." Ronning asked Hagen, "Are you familiar with what she is talking about?" Hagen, "Not really."

Ronning, "Pardon me for interrupting you, Bob." Mayor DeRoche, "I was just going to ask Mr. Vierling what he legal opinion was on what he has heard and his possible conversations with Mr. Pratt. It is kind of being brushed over, but the fact of the matter is, in another meeting I could pull all the minutes out as to what has been said and produce the e-mails of what has been said. And, I was going to approach you or Stacie and ask the same questions. "Do you see anything inappropriate that was done and do you think you have watched out for the City's best interest?" Hagen, "No and yes."

DeRoche made a motion approve the preferred savings Option 2 and direct Ehlers to

proceed as to the bidding of the refunding of the 2014A Bonds. Koller seconded.

Moegerle, "This body is not legally qualified to vote on any issues tonight." Vierling, "And your authority on that?" Moegerle, "The letter that we all got at 4:52 p.m." Vierling, "The letter that was sent out by your attorney and Mr. Lawrence's attorney? I appreciate that you don't much care for what has transpired on the Council. But, the fact of the matter is, until such time that you want to take a district court action to challenge this body's action at the last meeting, this body's action stands." Moegerle, "But the ordinance indicates that when the Mayor is not there, that the Acting Mayor." Vierling, "That is an emergency matter and you are citing that just like the rest of it is out of line. You already have a motion for censure pending, I don't think you want to obstruct the Council Meeting moving forward, because you might end up with a disorderly conduct charge."

Ronning, "So we all understand, what is the logic in Option 2?" DeRoche, "The higher savings in the first four years of the bond, which we were originally looking for. That is what we directed Stacie from Ehlers to do. If I recall the conversation, we were looking to try and get some savings up front and get development and get the ball rolling and alleviate some of this levy. That didn't happen, so here we are back in this boat and I just think it is the best option." Ronning, "I favor Option 1 myself because it buys more time. I agree that there is a greater savings quicker with Option 2." DeRoche, "The problem I have with Option 1 is the negative savings in the future years. And, depending on the rate of growth and development, that could turn around and really bite us." Ronning, "That is true." Koller, "I don't want to make the future Council's, put them in the negative right off the bat." **Moegerle, nay; DeRoche, Koller and Ronning, aye; motion carries.**

Vierling, "You have a motion of censure pending. Do you want to take care of that now, or would you like to table that until later in the meeting?" **DeRoche made a motion to table the censure of Council Member Moegerle until later in the meeting. Ronning seconded.** Ronning, "I don't want to cut anybody off. Everybody has something to add up here. We don't all get along and we are not supposed to all get along. But, the fact of the matter is we are supposed to have an orderly meeting and we can't have any one person try to control what is happening and I would rather not have any censorship. I would like to hear what Heidi has to say myself." Vierling, "There is a motion to table at the call of the chair and a second." **DeRoche, Koller and Ronning, aye; Moegerle, abstain, motion carries.**

Sheriff's
Report &
Introduction of
the 2014
Deputies

James Stuart, Anoka County Sheriff, "It is my privilege to by your sheriff. I wanted to come up here, it has been a while. I see our East Bethel Deputies are here and our partners in public safety, the fire service is also here tonight. It is always a privilege to be standing shoulder to shoulder with them. In the past three years I have been able to share the vision and talk about the attitudes we wanted to instill in community partners, as ambassadors, as an organization that wanted to have positive impacts in the community. I think we have had a lot of success in those arenas as a progressive law enforcement agency. Some current trends, things we are working on are getting our regional forensics lab internationally accredited, our DNA labs went live recently, we are currently working with ASLABS, the accrediting agency and they will be coming out in March. We are already performing to all of those standards, but, once we get accredited it will open up a lot of possibilities for us such as grants and things like that. We will be excited to announce when we get our international accreditation."

"Another thing we have been working on it the Human Trafficking Task Force. Unfortunately this is alive and well not only in Minnesota, but in Anoka County. We have had several cases we have investigated recently with successful outcomes. One case we had

with two traffickers that impacted the lives of approximately 40 young females. This case originated in Fridley and 10 months of two individuals working full-time on this case and over 4 GBs of data and both of the traffickers were federally indicted. There are 40 lives in the meantime that we are looking to get back on track. These are twisted individuals that are looking to profit off of modern day slavery. In short, knowing resources are very tight, contacted the municipalities and asked if we could provide some resources for them. We have trained all of our school resource officers in what to look for throughout the county and with our local police department, provided that training for their detectives. And, if anything new comes up, we call out this task force and they go out and chase down these bottom feeders and get them locked up.”

“We have also been working on our Prescription Drug Take Back program for a few years. We have boxes at the Anoka County Sheriff’s Office, the Blaine, Saint Francis, Fridley, Centennial Lakes and Columbia Heights Police Departments. We said as a sheriff’s office that, “We recognize that prescription drugs are consistently the gateway to Heroin and other opiate based drugs. We want to get the prescriptions out of the youth hands and off the streets. We have taken over 300 lbs off the streets. We have recently participated in some local community forums which is helpful to bring people up to speed on some of the challenges we are facing. Our job is to protect and serve but we will not be successful without the partnership of the community. Reason I am here tonight is to introduce your 2014 team, and first we will introduce your liaison. But, do you have any questions?”

DeRoche, “I have one. Did the group that had the display at the church, did they finally reach out to you and get you involved?” Sheriff Stuart, “Yes, they did. They had the ball rolling at the same time we did and they already had it locked down. So, we had representative there and presented as well. We also brought Minnesota Team Challenge to the table and we will also be bringing in some families that have been impacted and addicts. We are trying to make clear that the heroin we are seeing is some of the purest in the nation. We are seeing high school kids, college kids using this and it is a matter of them taking some bad advice or something that was given to them and it is the last mistake they are allowed to make. We are trying to be proactive.” Ronning, “I wanted to say thanks for your service and I think we take you for granted sometimes and don’t realize all that you do. So again, thank you for your service.” Sheriff Stuart, “Our mission statement is to protect and serve in a manner that preserves the public trust. We take that very seriously, we have vision talks and mission talks with all of our staff. They embrace the role to protect and serve, that is kind of a given. We also want to make sure they embrace the concept of maintaining the public trust. Without that we have no reason to exist.” DeRoche, “I get a lot of compliments on the East Bethel Deputies, people say they work with them.” Sheriff Stuart, “Thank you. I am very proud of our staff.”

Sheriff Stuart, “And now your liaison Commander Shelly Orlando. I know she has been with you for a couple years. She has been with our department for 19 years, this is her sixth year as the liaison for the City. She has seen changes as a resident and a liaison. Recently promoted to Commander in the justice services division she wears a lot of different hats. She not only over sees our support services, but also the bailiff unit, transport unit, warrants unit, civil unit, there is a lot of different specialty teams and units under this division. Prior to that she was a Lieutenant overseeing daily operation in our patrol division, prior to that a criminal investigations detective responsible for the significant crimes all over Anoka County, prior to that a Patrol Sergeant overseeing our Deputies and the daily functions they deal with and prior to that she was a Patrol Deputy Investigator and of course she started out as a Patrol Deputy 19 years ago. She has had a wide variety of roles, worn a lot of hats and had a lot of great experiences. I have no doubt she will continue to wear her best hat

whenever she needs to represent you and answer your questions. And she will introduce your team.”

Commander Orlando, “Start with Eric Danarsky, he works the day shift and is in his 9th year with us and his 5th year working the East Bethel contract, there must be something he likes in the City, because he keeps coming back. Next is Rollie Sorenson he is your other day shift deputy, he has been with our office for 11 years. He did have six years with law enforcement with another City. This is his 2nd year working the East Bethel contract, he had last worked in 2009 and so he is getting reacquainted with the hot spots. He is also a field training officer and an explorer advisor. So if you have any questions about our explorer program, give him a call and he will answer any questions you have. Next to him is Rhianna Nienow, she works the power shift and this is her 5th year with our office and her 2nd year working the East Bethel contract although she didn’t work last year. Rhianna is kind of an over achiever, she is a use of force instructor, Taser instructor and firearms instructor. She also is an explorer advisor and she is an honor guard member for our office. She is also a Major in the National Guard and she has been in the National Guard for 13+ years. Next is Travis Wold, he is in his 9th year with our office and his 6th year working the East Bethel contract. So he does really enjoy East Bethel, although he didn’t want me to say anything about him taking long walks in Booster Park. Then we have Deputy Peter Mueller and he works the night shift, this is his 2nd year with our office so he is relatively new, but seems to find himself in all kind of good situations and it is his 1st year working the East Bethel contract but he did fill in on relief shifts so he has been in the City before. And, then finally, we have Ryan Rockets, he is working the night shift and this is his 7th year in our office and 4th year working the East Bethel contract. I know that every once in a while Jack meets up with him early in the morning to discuss what is going on in the City and they keep it quiet at night. Those are your East Bethel Deputies for 2014.”

Commander Orlando for December 2013 the report is as follows:

Thefts: There were seven reported thefts in December. One involved a business reporting a battery charger was stolen from their property. There was a purse taken from a vehicle that was parked on the street. The owner thought she had locked the vehicle, however there were no signs of forced entry. There was an iPad and a wallet taken from a vehicle in a driveway. Credit cards that were in the wallet were used in Elk River. This case is under investigation. A taxi driver made a report of a patron who failed to pay his cab fare and had gone into a house, with no one answering the door. A deputy was able to follow up at the house and the fare was paid. There was a theft of an aluminum ramp from the lakeshore on Coon Lake. One male reported a Discover Card had been opened fraudulently using his name and social security number. The Discover Card listed to an address in Arizona.

Burglaries: There were two reports of burglary. Both reports involved estranged family members entering residences where they had no ownership and taking property. One case is under investigation.

2nd Degree Assault / Terroristic Threats: On December 15, 2013 deputies responded to a call of a male with a gun threatening to shoot people. Upon arriving, the male with the gun had left the residence. The homeowner and his grandson reported two males had come to the residence to fight the grandson about an alleged assault that had occurred. The grandfather told the males to leave the property and picked up a snow shovel. One of the males pulled out a gun and threatened to “end it all”. The other male got the male with the gun to get into the car and leave. Deputies located the vehicle with the two males, who were taken into custody.

Arrest Breakdowns:**Felony: 5****2nd Degree Assault / Terroristic Threats – 4 (from same incident)****5th Degree Possession of Controlled Substance-1****Misdemeanors:****Small amount of marijuana in motor vehicle-1****Disorderly Conduct-1****Littering-1**

Fire Dept.
Report &
introduction of
2014 Officers

Mayor DeRoche, “Fire Chief Mark DuCharme will introduce the East Bethel Fire Department Officers and present the Fire Department report for December 2013.”

Chief DuCharme, “Thank you for letting me be here and our fire officers. First one I will introduce is Ardie Anderson, Deputy Fire Chief, he is working his third decade and is a longtime resident. Definitely a great leader. Next is Todd Bennett, he is our District Chief out of Station 1 and is in charge of our personnel there and does a great job. He has been with us for 16/17 years. Then we have Dan Berry, District Chief out of Station 2 and he does a great job running the crew over there and he has been with us for 15 years. Rod Sanow, Caption out of Station 2, one of our finest line officers. Rod has been with the fire department for multiple decades. Mark Prachor isn’t here tonight, but he is the Captain out of Station 1. He is also one of our great people to go to when you want something done. Tammy Gimpl, is a Lieutenant out of Station 1, also she is the Director of our Explorer Post. Tammy is one of our top responders. She makes it to just about every call she can go to. Adam Arneson is also a Lieutenant out of Station 1, he also has been here about 10 years. Gary Shultz couldn’t be here tonight, but he is one of our Lieutenants out of Station 1. And we have Mark Duchene, our Fire Inspector, he goes to all of our commercial businesses. He is a great performer, makes sure our businesses are safe. These are our officers for 2014.”

“In 2013 we have responded to 233 calls. I have used a seven year comparison. It was dramatically higher than last year, but not quite as high as some other years. In 2007 we helped the police with a lot of meth labs and it was dry and we had a lot of grass fires. Also in 2010 that was a drier year, we had a lot of grass fires. Of those 533 calls, 325 of those calls were EMS related. The rest were call accidents, CO alarms and those types of calls. And you can compare how we fit in, we have been running about 55-60% are EMS where we go assist the public. Our calls are pretty evenly dispersed during the day. Busiest times are noon to 8:00 p.m. Although in March or April are our high months, all of our calls are pretty standard. We talked about this last year, we divide the City into grids. Within the grids makes each part of the City a little smaller and helps us identify where we are going on the calls a little faster. Within each grid number we put the number of calls here and it is not surprising the higher number of calls is where we have the higher population density. Next we have the average response by fire fighters per call. And, typically Station 2 at night we average 11 people, Station 1 at night we average 8, during the day, Monday through Friday we average 9. Then when we have an all call, like last night when we were out on a Mutual Aid Fire to a neighboring City we average about 16. This is our 2013 fire loss and it was up a bit, mostly because we had a couple major fires that happened early on. Our property loss was estimated at \$433,500. When you add in contents the total loss estimated loss that is being reported is \$680,500. It is a little higher than 2012. One of the bigger accomplishments in 2013 was the ISO Rating where we were able to reduce that from a 7 to a 6. And, that might make a difference for some peoples insurance.”

“The Fire Department Report for December of 2013, we had 42 calls and of those calls 31 were medical related. We saw a lot of flu calls in December and if you haven’t gotten your flu shot we are recommending that. Most of all the calls we go out on for medicals end up being transported by ambulance. There are a couple things as a group that we need to talk about. Believe it or not, storm season isn’t that far away. We need to finish up the work on the Emergency Operation Plan. I also know there will be a new Council person appointed in February and after that it will be a good time to do this. It might be wise to start thinking about March some time to do a work session to finish that up. The Emergency Management Plan hasn’t been adopted yet, so we need to finish that up.” Mayor DeRoche, “That was one of the questions I was going to ask you tonight.” Chief DuCharme, “I don’t know if Council is ready to set a date, or if you want to wait until February. But, we are probably going to need at least a couple hours to finish it up.”

Public Forum Mayor DeRoche, “Before we open the Public Forum I want to say a few things. We are going to limit it to about three minutes. I don’t want it to turn into a soap box. We are not going to redo the entire residency vacancy thing. I am more than happy to hear what you have to say.” The Public Forum was opened for any items that are not on the agenda.

Sharon Lawrence, 4126 Viking Boulevard NE, “I just wanted to come tonight to set a couple things straight from the last meeting. When Mr. Butler got up here and mentioned to Dick that he was deceitful and he implied that he was dishonest. I want to set the record straight that Dick is one of the most honest and honorable people I know. And, we didn’t just lose our house, we lost our home and the place where we had our business for 18 years. We finally moved out in October and found our new address at 4126 Viking. And, I talked to our landlady, Mrs. Nelson who is a really nice person. I don’t know which one of you had the sheriff’s department come and talked to her neighbors about her and us. She is such a nice lady, the sheriff could have just come and talked to her.”

Mrs. Lawrence, “I would like to thank the Council Members that I did get to talk to about the issue I want to talk about. I didn’t get to talk to you Mr. DeRoche, I did leave you a message but you didn’t return my call. The thing is, our final check Dick received only a parcel check for being Mayor in January. For three years we have been paid on the 15th for the whole month, he only got paid for eight days. I am asking the Council to review this, we paid a lame duck Council Member for a whole year and he only attended about three meetings. But, he got his full check and nobody questioned that he didn’t show up for the Council meetings. We found what we thought was acceptable living arrangements and I am just asking the Council to look at this issue and see if you can’t to decide to move to pay us the balance of the month.”

Richard Lawrence of 4126 Viking Boulevard NE, “Basically I have always pushed people on the Council to do better. And, to reach out and figure out things before they got out of hand. You gave me no time, zero, to find a place. And, on the same day you cancelled my term as Mayor, I think you could have done better. However, one of the big complaints I heard from residents was someone is complaining about paying taxes. I know Bob doesn’t pay any taxes.” Mayor DeRoche, “We are not going down that road again Richard.” Mr. Lawrence, “Yes we are Bob, we are because it is Public Forum.” Mayor DeRoche, “The Public Forum is for.” Mr. Lawrence, “I am going to tell you what the Public Forum is for. Anybody that wants to speak. Stop it.” Mayor DeRoche, “I am not going to stop it Richard. We are not going down that road and if it continues I am going to ask that you be removed.” Mr. Lawrence, “You want to boot me out, go ahead and boot me out, but I got something to say. And I think I deserve to say it because I am a resident of East Bethel. And just because

you weasel into the Mayor's slot, doesn't mean you get to say what you want to say." Mayor DeRoche, "I think we have heard enough of that." Mr. Lawrence, "No you haven't. I have one more thing to ask and I think I should be able to say it. The question is felony. If you are convicted of a felon, you are not allowed to serve." Mayor DeRoche, "I want to get a legal opinion on this." Mr. Lawrence, "No, this is my turn to talk and the City Attorney does not get to talk to me when it is my turn to talk to you." Mark Vierling, City Attorney, "If you are going to accuse somebody up here of something, you better have good facts behind it." Mr. Lawrence, "I have the right facts." Vierling, "Then you better lay them out." Mr. Lawrence, "It was told to me by the person that did it, how much more do you want? Can I finish or can't I?" Vierling, "You better come up with citation, chapter and verse sir." Mr. Lawrence, "Can I finish my comments?" Vierling, "At your risk." Mr. Lawrence, "At my risk, wow. First you attack Heidi. You personally attacked her." Vierling, "There was no attack, that was fact." Mr. Lawrence, "He attacked her." Mayor DeRoche, "Richard nobody is attacking anyone." Mr. Lawrence, "Everybody is attacking Heidi, I can see it going on, you would be blind not to see it. What the point is, is this. In the State of Minnesota if you are convicted of a felony you may not serve as any elected official. We know that Tom has been convicted of a felony and in order to be able to be eligible to run, he would have to have a paper saying it has been removed. I am asking for that paper." Mayor DeRoche, "I think you need to approach staff with that." Vierling, "It is not a staff issue. The gentleman either has his proof or he doesn't. At one time he wants to make an allegation, then he says he wants a document in order to prove it. I am sorry but you don't have any document." Mr. Lawrence, "You just twisted it around." Vierling, "No, that is the facts. I think this is done." Mr. Lawrence, "All I stated is if you are a convicted felon, which Tom has told me he was." Vierling, "If you have an action to challenge, you do so in the court which is where it is proper to do so. Your time is done." Mayor DeRoche, "Richard you are done." Ronning, "What are you trying to accomplish, what is your point?" Mr. Lawrence, "If you are a convicted felon and you have not cleared the felon you are illegally sitting in the seat." Ronning, "You should go back and read the statutes again." Mr. Lawrence, "I did, the State of Minnesota, Secretary of State, are they wrong? You will produce a paper saying it has been cleared. That you go one when they cleared it." Mayor DeRoche, "Richard you are done." Mr. Lawrence, "All I want is the facts." Mayor DeRoche, "Well this isn't the forum for that." Mr. Lawrence, "What do you mean, it is the Public Forum. It is the public's chance to come here and say what they want to say." Mayor DeRoche, "These meetings have gotten out of control for too long, this is not going to be a soapbox for you. If you want to contact Tom on the side and he wants to present something to you, fine. Otherwise, I am going to ask you to sit down or I am going to ask to have you escorted out." Mr. Lawrence, "Wow, you aren't packing a gun again, are you?" Mayor DeRoche, "That's none of your business." Ronning, "You have accomplished your mission. You have caused as much harm as you can." Mr. Lawrence, "Tom you are not even allowed to speak at this, so you are out of order." Mayor DeRoche, "Commander Orlando, can you deal with this?" Commander Orlando tried to get Mr. Lawrence to take a seat, he refused. She had to remove him from the chambers.

Patrick Swartzwald of 4516 Fawn Lake Drive NE, "I don't know if this is the place to do it, but I have a few questions to ask on my taxes. I have been to a few meetings. I was affected by the transmission change. My taxes have went up almost 20%. I know there is a bond sale, is that bond sale to pay for that water and sewer stuff?" DeRoche, "Yes." Swartzwald, "These other local levies, are these part to pay for my taxes?" DeRoche, "No, Jack aren't some of them paying for the fire sirens and the fire station?" Davis, "I would have to take a lot at that to see. Some of them could be school levies." Swartzwald, "There is the St. Francis voters approved levy. It was reduced from \$487.53 to \$329.58. Other local levies, which I am assuming is East Bethel went from \$327.13 in 2013 to \$423.76 in 2014.

My taxes alone increased from \$922.26 to \$1,111.40. Which is approximately 20%, my house didn't increase by 20% in value property. Why did it go up so much?"

"I have a few other questions. A while back in the downsizing or downslide of the work, your City inspectors you cut hours. Is that correct?" Davis, "That is correct." Swartzwald, "Have they been put back to full time?" Davis, "Yes they have." Swartzwald, "Have you added any other administration to your staff?" Davis, "No we haven't. And in fact we have added extra work with another position posted. You didn't hire someone else here full-time?" Davis, "We have a building official and a building inspector." Swartzwald, "Has there been an increase in the City on building permits being pulled, the reasoning on reinstating them full-time?" Davis, "There has been an increase in the workload, the number of building permits issued in the City increased from three in 2012 to 15 in 2013. Plus we do the work for Oak Grove of which there were approximately 50 permits pulled there. As far as generating income, we generated more in permit fees than what it costs to run the department." Swartzwald, "You subcontract for Oak Grove?" Davis, "Yes." Swartzwald, "Where does that money come from?" Davis, "Oak Grove pays us for that service."

Swartzwald, "I have talked to my neighbor this evening and it is my understanding that the people affected that are going to have to accept this City sewer and water are the people around Coon Lake. And once they sell, is that not correct?" DeRoche, "That is not correct. What it is going to affect is mile and ½ corridor of Highway 65 from 187th and 1 mile and ½ north, ¾ of a mile on the west side. It is not coming around Coon Lake. Probably not in my lifetime." Swartzwald, "What is Council's position in reducing taxes for residents, as far as seeing them increase year after year? Have you explored other options besides bond sales to reduce taxes?" DeRoche, "We had 19 budget meetings." Swartzwald, "I am new to this. I was a union official, dealing with HR, dealing with management and the state and I just came forward because of what I seen happen with that transmission line was unacceptable to me. I accept it, I am a resident, I pay taxes, and you voted on it, you approved it, I have to accept it. I lost a third of an acre to Great River Energy, they paid me a price, and money wasn't the issue. It was what I moved up here for, privacy. And then somehow it got twisted, you spent more money. I don't know what was involved in the cost, roads, legal fees, the cost of Great River Energy to spend more."

Davis, "To answer your question from the City side, the City general fund levy has been decreased in the last four years by over \$900,000. The increase in your City taxes is due to solely and exclusively to we need to make the bond payments for the sewer project of which no one on this Council was present when that project was approved." Swartzwald, "Can you please tell me what it cost in legal fees for the transmission line that Great River Energy is installing?" Davis, "I don't know that figure right off the top of my head." Swartzwald, "That did cost the taxpayer's money." DeRoche, "Most of that was paid by the League of Minnesota Cities. They were our representation in that." Swartzwald, "Where does that money come from?" Davis, "The LMC is our insurer. We have an insurance policy with them on legal representation and they pay a certain percentage of the cost." Swartzwald, "So, where does that money come from?" Davis, "We pay a premium per year." Swartzwald, "And that isn't very much." Davis, "I think it is about \$9,000." Swartzwald, "And where does that money come from?" Davis, "Everything here comes from the taxpayers. But, to answer your question, I would have to look it up how much has been spent. If you leave me a phone number and address, I would be glad to look it up." Ronning, "The tax rate that he is discussing, the final comes out in March. What he saw was a preliminary. We managed to reduce it about 2%." Davis, "The final will be in March and there will be a reduction. The rate will go down." DeRoche, "You should get a hold of Jack and he can help you look at all the different parts of it. The state, county, city, fiscal

disparities. Council Person Moegerle said a couple meetings ago that she opened hers and it was about 1.5% increase.” Moegerle, “No, it was 5.6% overall. I don’t recall for sure, I am sure it is in the minutes, but I think it was like 18% originally on East Bethel’s line alone. It is not something I have written down yet, but I am sure Bob has got it.”

There were no additional comments so the Public Forum was closed.

Consent
Agenda

Ronning made a motion to approve the consent agenda including the following: 1) Approve Bills; 2) Meeting Minutes, January 8, 2014, Regular Meeting; 3) Meeting Minutes, September 25, 2013 Special Meeting; 4) Meeting Minutes, September 25, 2013, Work Meeting; 5) Meeting Minutes, November 21, 2013, Town Hall Meeting, 6) Res. 2014-02 Setting Local Board of Appeals and Equalization Meeting Date; 7) Set Dates for Recycling Day and Supplemental Bill List as submitted. DeRoche seconded. DeRoche, Koller and Ronning, aye; Moegerle, nay; motion carries.

Revised
Concept Plan
Viking
Preserve
Planned Unit
Development,
Zoning R1,
R2 and CC

Davis explained that the Preliminary Plat for Viking Preserve, a single family residential Planned Unit Development was approved by the City Council on December 4, 2013. As part of the review process several outside agencies submit their comments and the City works with the Developer to incorporate those changes into the Final Plat and as part of the Developers Agreement. Any permits that are required from outside agencies, such as stormwater permitting, access permits, etc. are the responsibility of the Developer. The City also holds a pre-application meeting with the Developer and City Staff to go through the Development process and make the Developer aware of all of the upcoming timelines and walk them through the process, including identifying what outside agencies would be involved. The pre-application meeting took place on October 8th.

In the case of Viking Preserve there were several identified wetlands on their project and so the City pulled together their Technical Evaluation Panel (TEP) that is responsible to review all wetland issues. This panel consists of representatives from the City (Becky Wozney, wetland specialist with Hakanson Anderson), Anoka County Soil and Water Conservation District, Board of Water and Soil Resources, and Army Corps of Engineers. Just as the City has a pre-application meeting with the Developer, the TEP also meets with the Developer to go through the process and identify what permits and requirements are needed from each agency. In the case of Viking Preserve the TEP met several times through the period of October and January. At the time the Army Corp of Engineers indicated that a General Permit is all that would be required for this project. On January 6, 2014 there was a letter from the Corps received by Developer, copy sent to city outlining process for standard permit review, this is not the same process that was indicated by the Corps earlier. City Staff discussed this project with the Corps on the phone and a conference call was set up between the Developer, Corps, and City representatives on January 9, 2014. Corps did not waiver from their stance that a standard permit was required and gave every indication that it would not be approved.

Based on the Army Corps of Engineers concerns, the Developer decided to substantially revise their project so that they minimized the Army Corps of Engineers involvement in the process. The new Concept Plan is included with this write up and basically the new layout changes from 60 lots to 49 single family lots. The Developer may submit both his revised preliminary and final plat at the same time. There will be a loss of 11 total SAC and WAC units that will reduce these fees from \$336,000 to \$274,400.

Staff is providing this as an update an informational item at this time. If you have any questions, either I or Colleen can elaborate on them further.

Koller, “This updated plan has been approved by everyone? The DNR, all of the entities that have to review it?” Winter, “Because they have revised this, they have to do the recalculations for the wetland impacts and they have to prepare a new report. It is our assumption that once they prepare that report they will be under that half acre impact and that the process we have to go through with the Corp is much simpler. They have until February 3rd to get that in to us.”

JPA Street Maintenance Projects

Davis explained that the Cities of Coon Rapids, Andover, Anoka, Brooklyn Center, Columbia Heights, Ham Lake, Mahtomedi, and Fridley entered into a Joint Powers Agreement (JPA) on February 1, 2005 for the purpose of collective bidding certain street maintenance services. The North Metro Street Maintenance Program JPA allows smaller cities to achieve more economies of scale in the bidding process and potentially achieve lower bids from contractors for crack sealing, seal coating, striping and other street maintenance services. The City East Bethel joined the group in February, 2008.

The City of Coon Rapids is the lead agency by agreement for this group. As the lead agency, they draft the specifications, solicit bids and provide the necessary documents for member cities to sign to participate in the program. The agreement is structured such that it permits each member city to accept or reject the bids for their portion of the proposed contract. Each city will pay the contractor directly for their share of the work and contracts will be awarded separately for the various items.

The City of East Bethel has realized savings of up to 20% over previous costs for these services through participation in the JPA Street Maintenance program.

The following projects are recommended to be bid as part of the 2014 JPA Street Maintenance program. These projects have been identified in the 2014-2018 Street Capital Improvement Plan (CIP) by the Roads Commission and approved by City Council on July 17, 2013.

1. Seal coat 65,000 sq yds of City streets including Washington and 7th St., Monroe St. and 238th Ln., 235th Ave., 231st Ln., Buchanan St., Taylor St., 229th Ln., Goodhue St., and Davenport St.
2. Crack-seal 100,000 LF as part of the annual street maintenance program. Crack sealing will be performed prior to any seal coating applications. Streets proposed for crack sealing are indicated on the attached map.
3. 150,000 LF of striping as indicated on the attached map.

The estimated budget for seal coating, crack sealing and striping the above listed streets is \$299,000. These projects will be funded from the Street Capital Fund as identified in the 2014-2018 Capital Improvement Plan and the 2014 Street Maintenance Budget.

Staff recommends consideration of the proposed City projects for bidding as part of 2014 North Metro Street Maintenance Program JPA. Bids for the work will be presented to City Council for final approval at the March 19, 2014 meeting.

DeRoche made a motion to approve the 2014 North Metro Street Maintenance Program JPA. Koller seconded. DeRoche, Koller and Ronning, aye; Moegerle, nay; motion carries.

Update on
Johnson
Street Service
Road and
Other City
Projects

The City Engineer will provide an update on the Johnson Street Service Road Project, Whispering Aspen/Castle Towers Force Main and other City Projects.

Jochum, "Castle Towers Forcemain Project, the City's portion of this project has been suspended until spring. The only portion of this project left is the lift station pumps, generator, some pavement and site restoration and about 500 feet of forcemain east of the lift station. Of course to put this project into production, the Met Council has to finish their portion of the project. They are scheduled to be finished on June 25th. They are ahead of schedule, so early July is the earliest it will be put together."

"Next is the 221st Service road. As you are aware, this project was awarded a \$702,000 grant from MnDOT. We put together plans and specs and sent through the review process at the State office. Once all the plans were reviewed, the MnDOT State Office sent the plans to the MnDOT Central Office for signatures, which is fairly standard procedure. However, the MnDOT Central office does not agree with the grant amount of \$702,000. The MnDOT State Office and Central Office are currently working to resolve the dispute and a final decision is expected on the matter in 3 to 4 weeks. So, in short, the project is on hold until we actually know what the funding is."

"Whispering Aspen Street and Utility Repair, this project included replacement of some curb and gutter and sidewalks. Also, utility repair and overlaying of the streets in Whispering Aspen. There was also sewer and water extensions for the once the new plant is operational. All that work has been completed except the overlay which is anticipated to be completed this spring once road restrictions are off."

"Lincoln, Laurel and Longfellow. That project is moving to the final design phases. We expect to come to Council on February 5th with the appraisals. And we will be asking Council for permission to present those appraised values to the land owners."

Ronning, "Did you say appraisals were completed?" Jochum, "Correct." Ronning, "What kind of money do we have invested in surveying, easement cost, the 221st to 215th Service Road project?" Jochum, "Yes, there is money invested in that project." Ronning, "I would like us all to see what the increments and aggregate is." Jochum, "I don't have the exact number off hand, but I can get the number for you."

December 18,
2013 CC
Meeting
Comments
about Staff

Mayor DeRoche, "Council Member Ronning, I think you added something to the agenda." Ronning, "Are we there?" Mayor DeRoche, "Yes." Ronning, "I am hunting for it." Mayor DeRoche, "I know what it was, it was a comment about." Koller, "Staff performance?" Mayor DeRoche, "There you go, that were made at the last meeting or something?" Moegerle, "Actually he said December 18th." Mayor DeRoche, "So that would be two meetings ago." Moegerle, "Didn't you figure that out before you got here?" Mayor DeRoche, "Who? I think you are a little out of order there Heidi. I think we need to stop these accusations until there is proof." Moegerle, "I didn't accuse anybody of anything."

Ronning, "I can't find it in the minutes. But, in the December 18th meeting there were comments made about the Finance Directors performance. I believe they were erroneous and improper and I am not satisfied with leaving them sit. The reason I say that is we do not have the authority to make evaluations. We had a recommendation from staff to approve the conclusion of a probationary period. Which we did, four to one or three to one. And the comments that were made I think put us in jeopardy as far as someone coming back and saying, "You don't have the authority to do that, you have harmed my career. You

have caused me personal harm. It is my intention that whatever it takes that we make a public statement that we do not have an opinion about anyone's performance on staff or the administrator. We don't have the authority to do that, the comment that was made I am sure will not be retracted. But, as far as a Council action, I would like that repaired."

Ronning, "At the December 18th meeting we had an effort to postpone an employee's probation. Remarks were made that were improper, erroneous. We do not have the authority to evaluate the janitor. We make request of the administrator to do those things for us. For one of us to go on record criticizing someone, could be harmful to a person's career." **Ronning made a motion to go on record with whatever it takes to remove that. With some guidance, that this Council accepted the staff recommendation that the probation be concluded. Koller seconded for discussion.**

Moegerle, "When I brought this up, I said it in a calm way. I wasn't accusatory or anything. The first thing is my colleague says it was accusatory and it wasn't. The fact is that what Mr. Pratt said in the write-up for the co-mingling for funds was something that occurred. It was part of our financial history. While it was something our documents say we shouldn't do, but the federals allowed us. And that is okay, but I thought it should have been brought to our attention. I said, "He is a great guy". I like all of our staff. I really do, but what is the point of having the probation come before the Council if we are going to just rubber stamp every one. If that is the way it is going to be, when staff recommends the Council hires somebody (I have been told we are the employers here and we act upon the recommendation of the administrator), but there is no value to that. That is a losery. I wanted to bring up in a reasonable rationale tone concerns that I had. I think he is a great guy, and I think he will get where he needs to be with some guidance. That was my point. I did not say he was deficit in any way, I just said this was an employee like all employee's everywhere that requires some development. I am an employee and I require development. I don't know any employee anywhere that doesn't require direction and my view was and I still think it has merit, we have this major bond sale and that has been approved. And I think that additional time should be continued. And reasonable people can disagree. But, I am up here representing residents and we are up here to speak and what we think and to make the best decisions for the City. That was what I felt my duty was. If my duty is to say yes all the time, and this was not a real issue of whether he would pass his probation or not, why was it even on the agenda. There is a reason it is on the agenda, it is a point of discussion. I said I like him, he is a fine man, he needs some development."

DeRoche, "The way the City is set up is we direct Jack and Jack directs City staff. If there is a problem, we get a hold of Jack and say, these are my problems can you talk to this employee about it. It is not something that should have been done in open public, that is something that should have been brought to Jack. Then Jack could sit down with Mike and say, "You know Mike we have a concern from a Council Member." Ronning, "I am asking for guidance." Vierling, "I will come back with some guidance for you." DeRoche called the question. Ronning seconded.

DeRoche, Koller and Ronning, aye; Moegerle, nay, motion carries.

Commission/
Committee
Assignments
for 2014

DeRoche, "We are looking at Commission appointments and with that being said, I am going to make the appointment for acting mayor and table the rest until we get another Council Member up here. I would like to give that person the opportunity to get on one of the Commissions, be a liaison, depending on what kind of experience they have.

DeRoche made a motion to appoint Tom Ronning Acting Mayor. Koller seconded.

DeRoche, Koller and Ronning, aye; Moegerle, nay, motion carries.

DeRoche made a motion to table the balance of the Commission appointments for 2014 until the City Council meeting on February 19th. Koller seconded. **DeRoche, Koller and Ronning, aye; Moegerle, nay, motion carries.**

Check
Signatory

Davis explained that has presented Resolution 2014-03 which designated officials for City check signing purposes. Staff recommends approval as presented.

DeRoche made a motion to approve Resolution 2014-03 Designating Check Signatories. Koller seconded. DeRoche, Koller and Ronning, aye; Moegerle, nay, motion carries.

Staff Reports
– Jack Davis,
City
Administrator

Davis, “I just want to remind everyone that there are a couple meetings coming up next week. The Local Government Officials meeting is on January 29th in Blaine. If you wish to attend that, please let me know and we will RSVP on your behalf and post notice that there will be more than two members in attendance. Also, the Metro North Chamber of Commerce is hosting a Legislative Session on January 28th from 4:30 to 6:00 p.m. at the Courtyards in Andover. If anyone wishes to attend that meeting, please let me know so we can RSVP your attendance for that meeting. Colleen is putting together a legislative forum with our two legislators, Michelle Benson and Tom Hackbarth and they will be present at our February 5th meeting, 6 to 6:30 p.m. it will have to be posted as a special meeting. To discuss what we would have to do to be considered on a future state bonding bill, MnDOT issues or any other issues.”

DeRoche made a motion to have a special meeting on February 5th with our legislative leaders. Koller seconded. DeRoche, Koller and Ronning, aye; Moegerle, nay; motion carries.

Council
Reports -
Moegerle

Moegerle, “Finally today I got my email open after about a month and a half. Responding to my e-mails again, thank you for your support, keep the cards and e-mails coming. On January 25th there is an ice fishing event on Coon Lake held by CLIA and then afterwards it is off to a raffle held at Smokey’s. It is always a good time had by all. I have already RSVP’d to the event being held by the Chamber in Anoka and I will also be attending the LGO meeting on Wednesday. In a week and a half is the League of Minnesota Cities training for Council Members. It is always a really good training, they train you in some really important facts, it is good to have that refresher because I think you come back with a better prospective on things. I wasn’t allowed to speak about e-mail we got earlier. Mr. Vierling made a statement that I am represented by this gentleman and I am not, I am a witness. However, in the past, and I realize this is no longer the past, but an important letter like this would have been put on the agenda to have been discussed and evaluated and that did not occur tonight.” Davis, “That letter was not received by any staff member.” Moegerle, “Oh, it doesn’t have a hyphen in it. I see that now. In any case, this letter has been received and it needs to be addressed, like we would have in the past addressed any other issues. And so, I think it makes for the smooth transition if there is, to get this resolved. It came up again in the public forum and I think it is in the best interest that this matter needs to be completely resolved and disposed of as promptly as possible with minimal expense to the City as well. And, based upon what I read in here, that is my reason for not voting on anything in tonight. Thank you for your patience.”

Council
Member
Report -
Ronning
Council
Member
Report -
Koller
Mayor's
Report -
DeRoche

Nothing tonight.

Koller, "I had a Sunrise River Watershed meeting they are working on getting projects ready for the spring. A carp trap for Coon Lake, which will be an expensive one."

DeRoche, "I have a couple announcements here. First, the Energy Assistance Program, help is available. Winter is here and so are the high heating bills. The Energy Assistance Program is designed to assist low-income households with energy costs during the winter months. Families, seniors, single people; homeowners and renters may apply. Anoka County residents may contact 763-783-4712 to request an application. Applications and information are also available on our website at www.accap.org."

"And second, the City Council has declared a vacancy for a City Council seat for a term ending December 31, 2014. Applications for this position will be taken at City Hall until 12:00 Noon on Wednesday, February 12, 2014. For information on application requirements, please call City Hall at 763-367-7840 or e-mail your name, complete street address and phone number to wendy.warren@ci.east-bethel.mn.us."

"On a personal note, Tuesday was my first meeting at Anoka County. On the 17th of December the Commissioners voted to put me on the Community Corrections Committee. It is made up of Judges, Lawyers, Residents, Human Services, Probation Officers, Corrections. They had a great lunch and it was a really interesting committee, a lot of good information comes out of that. Like Heidi said there is a fishing tournament on Coon Lake on January 25th. The Mayor's Ride is on February 1st. I am going to the Mayor's meeting down at the League of Minnesota Cities. I don't know if it is for a Council Person to go down there and bill the City again, it is the same information. I am going down there in light of the fact that Council person Moegerle suggested I should do so a few meeting ago." Moegerle, "When did I do that?" DeRoche, "It was a few meetings ago when you said, Bob is the new Mayor he should go to the Mayor's training at the LMC." I apologize to the residents, these meetings need to be about taking care of business. These personal attacks have to stop. I continue to be slandered out in the public and there is fact backing that up. I would hope the party that is doing that stops. Because it is not a good idea."

Attendance at
LMC
Conference

Davis, "Council Member Moegerle had requested to go to LMC meeting. And at our September 18th meeting we required pre-approval for conferences and so I am just asking for direction on how to handle that." Moegerle, "I apparently have a lot to learn. Good that we will both be going if you will allow me to go."

Koller made a motion to allow Council Member Moegerle to attend the League of Minnesota Cities Conference for Elected Officials. Moegerle seconded. Koller, Moegerle and Ronning, aye; DeRoche, nay; motion carries.

Adjourn

DeRoche made a motion to adjourn at 9:32 PM. Koller seconded; all in favor; motion carries.

Attest:

Wendy Warren
Deputy City Clerk

**FINAL PAYMENT
CITY OF EAST BETHEL
Jackson Street Reconstruction Project**

January 6, 2014

Honorable Mayor & City Council
City of East Bethel
2241 - 221st Avenue N.E.
East Bethel, MN 55011-9631

RE: Jackson Street Reconstruction Project
Contractor: Rum River Contracting Co.
Award Date: August 15, 2012

Dear Honorable Mayor and Council Members:

The following work has been completed on the above-referenced project by Rum River Contracting Co.

ITEM NO.	ITEM DESCRIPTION	UNIT	CONTRACT UNIT PRICE	USED TO DATE	EXTENSION
1	MOBILIZATION	LUMP SUM	\$50,000.00	1	\$ 50,000.00
2	CLEARING	ACRE	\$3,900.00	2.80	\$ 10,920.00
3	GRUBBING	ACRE	\$1,000.00	2.80	\$ 2,800.00
4	REMOVE CURB AND GUTTER	LIN FT	\$4.00	313	\$ 1,252.00
5	REMOVE PIPE CULVERTS	LIN FT	\$5.00	467	\$ 2,335.00
6	REMOVE CONCRETE GUTTER	LIN FT	\$4.00	72	\$ 288.00
7	REMOVE BITUMINOUS PAVEMENT	SQ YD	\$2.50	1,581	\$ 3,952.50
8	REMOVE CONCRETE DRIVEWAY PAVEMENT	SQ YD	\$4.00	50	\$ 200.00
9	REMOVE CATCH BASIN	EACH	\$237.50	2	\$ 475.00
10	REMOVE SIGN	EACH	\$25.00	24	\$ 600.00
11	SAWING CONCRETE PAVEMENT (FULL DEPTH)	LIN FT	\$4.00	55	\$ 220.00
12	SAWING BITUMINOUS PAVEMENT (FULL DEPTH)	LIN FT	\$3.00	826	\$ 2,478.00
13	SALVAGE FENCE	LIN FT	\$2.00		\$ -
14	REMOVE MISCELLANEOUS STRUCTURES	LUMP SUM	\$500.00	1	\$ 500.00
15	COMMON EXCAVATION, EV	CU YD	\$4.95	8,361	\$ 41,386.95
16	MUCK EXCAVATION, EV	CU YD	\$6.90	5,260	\$ 36,294.00
17	GRANULAR BORROW, LV	CU YD	\$9.10	12,589	\$ 114,559.90
18	TOPSOIL BORROW, LV	CU YD	\$0.01	208	\$ 2.08
19	SALVAGED TOPSOIL FROM STOCKPILE, CV	CU YD	\$4.30	2,954	\$ 12,702.20
20	GEOTEXTILE FABRIC TYPE IV	SQ YD	\$2.00	80	\$ 160.00
21	GEOTEXTILE FABRIC TYPE VI	SQ YD	\$3.60	0	\$ -
22	HAUL AND STOCKPILE EXCESS MATERIAL, LV	CU YD	\$7.00	1,520	\$ 10,640.00
23	AGGREGATE BASE CLASS 5	TON	\$15.35	2,328	\$ 35,734.80
24	MILL BITUMINOUS SURFACE (2")	SQ YD	\$10.00	62	\$ 620.00
25	BITUMINOUS PAVEMENT RECLAMATION	SQ YD	\$1.05	24,600	\$ 25,830.00
26	HAUL BITUMINOUS PAVEMENT RECLAMATION, CV	CU YD	\$6.20	4,888	\$ 30,305.60
27	TYPE MV 3 WEARING COURSE MIXTURE (B)	TON	\$64.00	4,127	\$ 264,128.00
28	TYPE MV 3 NON WEARING COURSE MIXTURE (B)	TON	\$60.00	3,832	\$ 229,920.00
29	BITUMINOUS MATERIAL FOR TACK COAT	GAL	\$2.00	1,750	\$ 3,500.00
30	MODULAR BLOCK RETAINING WALL	SQ YD	\$169.00	120	\$ 20,280.00
31	15" CS PIPE CULVERT	LIN FT	\$32.25	192	\$ 6,192.00
32	15" RC PIPE APRON	EACH	\$467.30	8	\$ 3,738.40
33	18" RC PIPE APRON	EACH	\$492.00	2	\$ 984.00
34	24" RC PIPE APRON	EACH	\$539.30	2	\$ 1,078.60
35	15" CS SAFETY APRON	EACH	\$327.00	10	\$ 3,270.00
36	INSTALL CULVERT MARKER	EACH	\$50.00	11	\$ 550.00
37	TRASH GUARD FOR 15" PIPE APRON	EACH	\$311.00	8	\$ 2,488.00
38	TRASH GUARD FOR 18" PIPE APRON	EACH	\$333.00	2	\$ 666.00

**FINAL PAYMENT
CITY OF EAST BETHEL
Jackson Street Reconstruction Project**

ITEM NO.	ITEM DESCRIPTION	UNIT	CONTRACT UNIT PRICE	USED TO DATE	EXTENSION
39	TRASH GUARD FOR 24" PIPE APRON	EACH	\$633.00	2	\$ 1,266.00
40	15" RC PIPE SEWER DESIGN 3006, CL V	LIN FT	\$28.50	2,053	\$ 58,510.50
41	18" RC PIPE SEWER DESIGN 3006, CL V	LIN FT	\$30.50	86	\$ 2,623.00
42	24" RC PIPE SEWER DESIGN 3006, CL III	LIN FT	\$34.50	103	\$ 3,553.50
43	CONSTRUCT DRAINAGE STRUCTURE DESIGN 48 - 4020	LIN FT	\$200.05	158.7	\$ 31,747.94
44	CONSTRUCT DRAINAGE STRUCTURE DESIGN 54 - 4020	LIN FT	\$280.00		\$ -
45	CONSTRUCT DRAINAGE STRUCTURE DESIGN H	LIN FT	\$279.00	2.5	\$ 697.50
46	CASTING ASSEMBLIES TYPE 1	EACH	\$627.05	22	\$ 13,795.10
47	CASTING ASSEMBLIES TYPE 2	EACH	\$669.00	1	\$ 669.00
48	CASTING ASSEMBLIES TYPE 3	EACH	\$728.00		\$ -
49	RANDOM RIPRAP CLASS II	CU YD	\$105.00	31	\$ 3,255.00
50	RANDOM RIPRAP CLASS III	CU YD	\$105.00	45	\$ 4,725.00
51	CONCRETE CURB & GUTTER DESIGN B618	LIN FT	\$8.50	11,898	\$ 101,133.00
52	6" CONCRETE DRIVEWAY PAVEMENT	SQ YD	\$40.00	382	\$ 15,280.00
53	BITUMINOUS CURB	LIN FT	\$5.00	21	\$ 105.00
54	MAIL BOX SUPPORT	EACH	\$125.00	35	\$ 4,375.00
55	TRAFFIC CONTROL	LUMP SUM	\$15,000.00	1	\$ 15,000.00
56	SIGN PANELS TYPE C	SQ FT	\$31.00	355	\$ 11,005.00
57	CONIFEROUS TREE 6' HT B&B	TREE	\$225.00	12	\$ 2,700.00
58	PERENNIAL PLUGS	PLANT	\$8.50	940	\$ 7,990.00
59	TREE PRUNING	HOUR	\$150.00	18	\$ 2,700.00
60	BALE BARRIER	LIN FT	\$5.00	30	\$ 150.00
61	SILT FENCE, TYPE MACHINE SLICED	LIN FT	\$1.10	11,333	\$ 12,466.30
62	STORM DRAIN INLET PROTECTION	EACH	\$90.00	29	\$ 2,610.00
63	TEMPORARY ROCK CONSTRUCTION ENTRANCE	EACH	\$500.00	2	\$ 1,000.00
64	EROSION CONTROL BLANKETS CATEGORY 2	SQ YD	\$3.00	1,043	\$ 3,129.00
65	EROSION CONTROL BLANKETS CATEGORY 5	SQ YD	\$3.00	350	\$ 1,050.00
66	TURF ESTABLISHMENT	ACRE	\$1,000.00	9.9	\$ 9,900.00
67	4" SOLID LINE WHITE - EPOXY	LIN FT	\$0.20	16,040	\$ 3,208.00
68	4" BROKEN LINE YELLOW - EPOXY	LIN FT	\$0.20	920	\$ 184.00
69	4" DOUBLE SOLID LINE YELLOW - EPOXY	LIN FT	\$0.40	5,137	\$ 2,054.80
70	4" SOLID LINE YELLOW - EPOXY	LIN FT	\$0.20	2,711	\$ 542.20
71	24" STOP LINE WHITE - EPOXY	LIN FT	\$6.00	121	\$ 726.00

TOTAL WORK COMPLETED TO DATE	\$ 1,239,201.87
LESS PAY ESTIMATE #1:	\$ 335,926.97
LESS PAY ESTIMATE #2:	\$ 470,850.97
LESS PAY ESTIMATE #3:	\$ 63,109.61
LESS PAY ESTIMATE #4:	\$ 255,011.06
LESS PAY ESTIMATE #5:	\$ 57,293.05
WE RECOMMEND FINAL PAYMENT OF:	\$ 57,010.21

Please verify the amount of previous payments and the receipt of the following items prior to making payment.

1. Certificate of claims payment (lien waiver).
2. Affidavit of payment of state taxes (MN State Tax Form IC 134).
3. Letter of consent from surety firm.

**FINAL PAYMENT
CITY OF EAST BETHEL
Jackson Street Reconstruction Project**

APPROVALS:

CONTRACTOR: RUM RIVER CONTRACTING CO.

Certification by Contractor: I certify that all items and amounts are correct for the work completed.

Signed:  _____

Title: V.P. Date 1-15-14

ENGINEER: HAKANSON ANDERSON

Certification by Engineer: We recommend payment for work and quantities as shown.

Signed:  _____

Title: City Engineer Date 1/14/14

OWNER: CITY OF EAST BETHEL

Signed: _____

Title: _____ Date _____

**CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA**

RESOLUTION NO. 2014-05

RESOLUTION ACCEPTING WORK

WHEREAS, pursuant to a written contract signed with the City on August 20, 2012, Rum River Contracting of Princeton, Minnesota has satisfactorily completed the Jackson Street Reconstruction Project in accordance with such contract,

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF EAST BETHEL, MINNESOTA THAT:

The work completed under said contract is hereby accepted and approved, and that the City Administrator and Mayor are authorized to issue a proper order for the final payment on such contract, taking the Contractor's receipt in full.

Adopted this 5th day of February, 2014 by the City Council of the City of East Bethel.

CITY OF EAST BETHEL

Robert DeRoche, Mayor

ATTEST:

Jack Davis, City Administrator



City of East Bethel City Council Agenda Information

Date:

February 5, 2014

Agenda Item Number:

Item 7.0 B.1

Agenda Item:

Amendment to the Zoning Code

Requested Action:

Review of Ordinance 49, Second Series Amending the Zoning Code Relating to Accessory Structures in the City and consider approval or modification of the sidewall heights for accessory structures

Background Information:

On September 25, 2013 City Council adopted Ordinance 46, Second Series amending the Zoning Code relating to accessory structures. Council also directed staff to have Planning Commission look at some additional items in the zoning code relating to Section 14. Detached Accessory Structures.

Planning Commission discussed this item at their October 22, 2013 meeting. A public hearing was held at the November 26, 2013 Planning Commission meeting for the Zoning Code changes and the approval provided at the October 22, 2013 Planning Commission meeting was reaffirmed.

At the January 8, 2014 City Council Meeting, Staff presented those changes that were recommended by the Planning Commission as Ordinance 48. Mayor DeRoche made a motion to table Ordinance 48, Second Series, Amending Appendix A, Zoning, Section 1, General Provisions of Administration and Section 14. Detached Accessory Structures. Councilperson Ronning seconded; all voted in favor and the motion carried. The motion to table was made due to a previous Council request to re-examine the wall height requirements for accessory structures and furnish Council with information on the regulations of surrounding Cities.

Included in the attachments is a spreadsheet of the sidewall height regulations and the narrative description of each City's requirements. Our current regulations are similar to those of our surrounding Cities. The changes that have been approved for Ordinance 49 are attached and the table in the Ordinance that lists sidewall heights that are our current standards.

Attachments:

1. Sidewall Height Requirement Spreadsheet
2. Sidewall Height Requirement Narrative
3. Proposed Ordinance 49, Second Series, Amending Appendix A, Zoning, Section 1, General Provisions of Administration and Section 14. Detached Accessory Structures

Fiscal Impact:

Recommendation(s):

Staff is seeking direction from Council as to approval as is or with modifications to Ordinance 49, Second Series, Amending Appendix A, Zoning, Section 1, General Provisions of Administration and Section 14. Detached Accessory Structures and direction to publish.

City Council Action

Motion by: _____

Second by: _____

Vote Yes: _____

Vote No: _____

No Action Required: _____

Sidewall Height	8 feet	10 feet	12 feet	14 feet	16 feet	18 feet	25 feet	equal to the height of the dwelling unit, or 25 feet, whichever is less.	30 feet	No limit
Oak Grove			1.49 acres or less	1.5 acres or more						
Nowthen *							2.5 acres but less than 5 acres		more than 5 acres but less than 10 acres	More than 10 acres
Ham Lake *								5 acres or less		
Cambridge *		See exceptions								
Isanti *	Less than 1 acre	1.01 acres +								
St. Francis* Rural		Less than 1 acre	1 to 2.5 acres	2.5 to 5 acres	5 to 10 acres		10+ acres			

* See attached notes

Sidewall Heights and other Requirements for Accessory Guide

City of Nowthen - ACCESSORY STRUCTURES:

A. Detached accessory structures shall be located in the side or rear yards. They shall comply with all setback requirements of the principal structure. They shall not be located nearer the front lot line than the principal structure or three hundred (300) feet setback from centerline of local, collector or arterial streets. If the Principal Structure is closer than the required setback, any additional accessory structure shall comply with the setback requirements for the principal structure, except that one (1) accessory structure may be located in the front yard, closer to the front lot line than the principal structure, provided it meets the following criteria:

1. The accessory structure shall comply with the minimum setback requirements for the principal structure.
2. The overall floor area of the accessory structure may not exceed eight hundred (800) square feet, with sidewall height not to exceed ten (10) feet.
3. The exterior, such as roofing, siding and trim of the accessory structure must be similar in color and materials to the principal structure, as well as the roof pitch and other design elements.
4. The building may not be located more than sixty (60) feet from the principal structure, nor directly in front of it.

B. An Accessory Structure shall not be constructed on any lot prior to the principle structure. Color and design is to compliment the principle structure, and unpainted galvanized metal shall not be used. A minimum 3/12-roof pitch is required. Elliptical roof shapes are only permitted for agricultural uses (as defined in this Chapter).

C. Number of Accessory Structures:

1. On lots ten (10) acres or more, there is no limit to the number or maximum square footage of accessory structures.
2. On lots of five (5) acres but less than ten (10), a maximum of three (3) accessory structures are allowed, with a total floor area not to exceed Six thousand Four Hundred (6,400) square feet in size, and maximum height of thirty (30) feet.
3. On lots two and one half (2.5) acres but less than five (5) acres, a maximum of two (2) accessory structures are allowed, with a total floor area not to exceed three thousand two hundred (3,200) square feet in

size and a maximum height of twenty-five (25) feet.

4. On lots less than two and one half (2.5) acres, a maximum of one (1) accessory structure is allowed, with a total floor area not to exceed two thousand four hundred (2,400) square feet in size and a maximum height of twenty five (25) feet.

5. On lots in Planned Unit Developments a maximum of one (1) accessory structure is allowed with a total floor area not to exceed one thousand six hundred (1,600) square feet in size and twenty-five (25) feet in height.

6. One (1) additional garden shed/playhouse type structure, not exceeding one hundred twenty (120) square feet is permitted.

D. If property is split with existing buildings, the size of any parcel must be large enough to accommodate the number and square footage of accessory structures as stated previously in this Section. (Ordinance #3, adopted November 9, 2010)

City of Cambridge - Accessory Structures

Accessory buildings or structures shall not have sidewalls exceeding ten feet in height, except that in the Rural Residential/Agricultural District accessory buildings or structures shall not have sidewalls exceeding 12 feet in height on lots two acres or larger in size.”

City of Isanti – Accessory Structures

TABLE 3: Size Requirements for Accessory Structures

Parcel Size	Maximum Square Feet	Maximum Sidewall Height
Less than 1.0 acres	580 sq/ft	8 feet
1.01 to 2.0 acres	960 sq/ft	10 feet
2.01 to 3.0 acres	1,200 sq/ft	10 feet
3.01 to 4.99 acres	1,800 sq/ft	10 feet
5.0 or more acres	2,400 sq/ft plus an additional 240 sq/ft or increment thereof, for each additional acre	10 feet

City of St. Francis – Accessory Structures

Rural Service Area

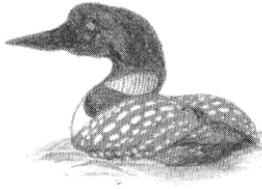
Less than 1 acre – 1 building allowed – 600 sq ft max – 10 feet sidewall height

1-2.5 acres – 1 building allowed – 1200 sq ft max – 12 feet sidewall height

2.5 – 5 acres– 2 buildings allowed – 1500 sq ft max (total) – 14 feet sidewall
5-10 acres – 2 buildings allowed – 4000 sq ft max (total) – 16 feet sidewall
10 + - 2 buildings allowed – 5000 sq ft max (total) – 18 feet sidewall

In the Urban Service Area no detached accessory building can exceed 20 feet in height or the height of the house (whichever is less). A second detached accessory building up to 200 sq ft in size is permitted up to 16 feet in height. In the Urban Area we use a standard for the entire building height and not just the sidewall.

http://stfrancismn.org/uploads/Ch_18_Acc_Bldg_June_2013.pdf



City of Ham Lake

15544 Central Avenue NE • Ham Lake, MN 55304
Building Dept. 763-235-1691
Fax 763-235-1697

ACCESSORY BUILDING INFORMATION

9-370 Accessory Buildings, Farm Buildings and Permits An *Accessory Building* is any structure located or proposed to be located in any *Residential Land Use* in the R-1, R-A and PUD zoning districts, which is not the *dwelling unit*, and which is not a *garage*, which is not a *Farm Building*, and which has a floor size of more than 120 square feet. A building or structure meeting the above definition except for the size is a *yard shed*. A single *Accessory Building* and a single *yard shed* may be constructed on a *Residential Land Use* lot in the R-1, R-A and PUD zoning districts, under the conditions outlined below. A *Farm Building* is a structure located in an R-A District which is used for bona fide agricultural purposes, including farm machinery storage, crop storage or housing livestock, poultry or horses. It is the intention of this code that for *Residential Land Uses* in the R-1 and PUD districts, there shall be a maximum of four structures allowed on a given lot: a *dwelling unit*; a *garage* (attached or detached no larger than 2000 square feet); an *Accessory Building* (freestanding over 120 square feet); and a *yard shed* (under 120 square feet). If a *garage* was originally attached to a *dwelling unit*, and has since been converted to become living space in the *dwelling unit*, then that portion so used shall no longer be deemed a *garage*.

9-370.1 Accessory Building Permit An *Accessory Building Permit* is a permit issued by the *Zoning Officer*, in addition to and not in place of a building permit, for an *Accessory Building*. An *Accessory Building Permit* shall be required of any *Accessory Building* in an R-1, R-A or PUD district. No *Accessory Building Permit* shall be issued for any lot upon which there is no *dwelling unit*.

9-370.2 Size Limitations An *Accessory Building* shall be **no more than one story** in height, and the following size limitations shall apply to *Accessory Buildings*:

<u>Lot Size</u>	<u>Maximum Accessory Building Size</u>	<u>Permit Fee</u>
One acre or less	676 square feet at foundation level	\$333.71
1+ acre to 2.5 acres	720 square feet at foundation level *	\$363.83
2.5+ acres to 5 acres	800 square feet at foundation level **	\$394.45
5+ acres to 10 acres	1200 square feet at foundation level ***	\$529.30
10+ acres	As approved by City Council	to be calculated

* If all neighbors within 300 feet of the proposed structure consent in writing, size may be up to 1080 square feet (Permit Fee \$495.37)

** If all neighbors within 300 feet of the proposed structure consent in writing, size may be up to 1200 square feet (Permit Fee \$529.30)

*** If all neighbors within 300 feet of the proposed structure consent in writing, size may be up to 1800 square feet (Permit Fee \$715.20)

9-370.3 Building Materials For lots which are 5 acres or less in size, the outside surface materials of an *Accessory Building* shall, as closely as practical, match the color, texture and style of the like surfaces on the *dwelling unit*. Pole-type construction shall be permitted only on lots exceeding 5 acres.

9-370.4 Height Restriction For lots which are less than 5 acres in size, the maximum height of an *Accessory Building* shall be equal to the height of the *dwelling unit*, or 25 feet, whichever is less.

9-370.5 Setbacks and Building Codes The locations and building standards for *Accessory Buildings* and *yard sheds* shall be as found in setback standards and the building code for other

structures, except that no *Accessory Building* or *yard shed* shall be located forward of what is considered the front of the *dwelling unit*.

(see additional setback information below)

9-370.6 Submittal Requirements In addition to building plans, the *Zoning Officer* may require the submission of a scaled site plan, rendering or pictorial representations, and other data deemed necessary by the *Zoning Officer*.

9-370.7 Usage *Accessory Buildings* and *yard sheds* shall be used only for purposes related to the residential use of the parcel, and shall not be used for the conducting of any business or the storage of any business-related property, such as business equipment, business inventory or business supplies.

9-370.8 Farm Buildings A *Farm Building* is a structure located on land zoned R-A, which is not a *dwelling unit*. No *Farm Building* may be constructed at a distance closer than 100 feet from any lot line.

ADDITIONAL SETBACK INFORMATION:

1. Front yard minimum setback of 30 feet from road right-of-way/property line (nothing in front of dwelling unit)
2. Side yard minimum setback of 10 feet from property line
3. Corner street minimum setback of 30 feet from each road right-of-way/property line (50 feet from county road)
4. County Road minimum setback of 50 feet from road right-of-way/property line (nothing in front of dwelling unit)
5. No construction allowed in any easements or in existing or future septic areas

ACCESSORY BUILDING NOTES:

1. Accessory building to be for **private use only – no business, etc.**
2. **Floating slab** minimum thickness is 3.5 inches
3. Bottom sill to be treated wood
4. **Anchor bolts** – maximum 6' on center and 12" maximum from plate ends, doors and corners (minimum 2 per plate)
5. **Plate straps** to be installed per manufacture specifications. (Minimum 2 per plate)
6. **NO ANCHORS IN HEAD JOINTS OF BLOCK**
7. Ice and water barrier **recommended** from eaves to 24" inside exterior wall lines
8. Roof and soffit ventilation required when attic is enclosed
9. Gable end bracing @ 45 degrees
10. Hard Surface Driveway is required – either asphalt or concrete
11. See code for stud width requirements
12. Call GOPHER STATE ONE CALL 651-454-0002 ("It's Free") or www.call811.com - call at **least two full business days** before you dig.

REQUIRED SUBMITTALS FOR YOUR PERMIT:

1. Building Permit Application (heating, plumbing, electrical, etc. require separate permits)
2. Site plan showing all improvements (including buildings, well location and existing and back-up septic location) and distances from lot lines and all other improvements
3. Two detailed copies of construction drawings
4. Escrow for driveway or driveway agreement

Revised 9/1/05, 4/06, 6/06, 1/08, 5/08, 8/10, 1/12, 8/12

ORDINANCE NUMBER 49, Second Series

An Ordinance Amending Appendix A, Zoning,
Section 1, General Provisions of Administration and Section 14. Detached Accessory
Structures

The City Council of the City of East Bethel ordains:

Section 1. General Provisions of Administration is amended to provide as follows:

9. Definitions

Add after Platted area: A parcel of land described by block and lot.

Pole building. A building with no foundation and with sides consisting of corrugated steel or aluminum panels supported by poles set in the ground typically at eight-foot intervals.

Section 14. Detached Accessory Structures is amended to provide as follows:

2. General regulations.

A. No accessory building or structure shall be constructed on any lot prior to construction of the principal structure **without prior approval of the City Council.**

~~J. Fish houses shall be included in the calculation of the gross maximum square footage for detached accessory structures. No more than one fish house shall be permitted on a lot. Fish houses must meet all required accessory structure setbacks.~~

L. For purposes of accessing storage, accessory structures may have exterior stairs to a second story **in a side or rear yard** and six foot by six foot (6' x 6') landing at the top of the stairs.

4. Size and number of accessory structures.

A. Size of accessory structure:

1) All accessory structures greater than 120 square feet must comply with the following regulations:

Parcel Size	Maximum Square Feet	Maximum Sidewall Height RR & A Districts	Maximum Sidewall Height R-1 & R-2 Districts
1.0 acre or less	580 square feet	10 feet*	XX feet*
1.01 to 2.0 acres	960 square feet	12 feet*	XX feet*

2.01 to 3.0 acres	1,200 square feet	12 feet*	XX feet*
3.01 to 4.99 acres	1,800 square feet	14 feet*	XX feet*
5.0 or more acres	2,400 sq. ft., plus an additional 240 sq. ft., or increment thereof, for each additional acre	14 feet*	XX feet*

*Maximum height is measured from the floor surface to the underside of the ceiling member.

- a) Roof pitch shall be the minimum required by the International Building Code and shall not be the focal point of the property.
 - b) Accessory structures shall be of similar design and building materials as the principal building.
 - c) Accessory structures less than 120 square feet in all districts shall be limited to a sidewall height no greater than eight feet.
- C. Fire escapes, landing places, open terraces, outside stairways, cornices, canopies, eaves, window protrusions, and other similar architectural features that extend no more than two (2) feet into the required front, side, and rear yard setback are exempt from the detached accessory structure square footage calculation.

Adopted this the day of February_____, 2014 by the City Council of the City of East Bethel.

For the City:

Robert DeRoche Jr., Mayor

ATTEST:

Jack Davis, City Administrator

Adopted:
Published:
Effective:



City of East Bethel City Council Agenda Information

Date:

February 5, 2014

Agenda Item Number:

Item 8.0 G.1

Agenda Item:

Utility Infrastructure Loan Program Extension

Requested Action:

Consider extending the expiration date for the Utility Infrastructure Loan Program

Background Information:

The City’s portion of the Municipal Utility Project is complete and there are 13 businesses that were required to connect to the system. There is a substantial cost to these businesses owners for accessing the new utilities and City Council and the Economic Development Authority discussed ways to minimize the financial impact. As a result, “The Utility Infrastructure Loan Program” was approved by City Council on April 17, 2013 to address this situation.

The program provides for loan amounts to cover up to 4 City SAC and WAC and MCES SAC charges and an additional \$5,000 toward costs for the physical connection to the system. Approved loans are for a five year period at an interest rate of 4%. Eligibility for the loan requires that all eligible applicants must be in good standing with the City and all property taxes, applicable city licenses, and utilities must be current and paid. This program expired on December 31, 2013. Three of the affected properties in the service area have not paid their SAC and WAC fees and/or have not applied for these loan funds.

The expiration of the Utility Infrastructure Loan Program was discussed at the January 22, 2014 HRA meeting and it was recommended that City Council extend this program for an additional 90 days. This extension would enable any remaining property owners to address any eligibility issues for loan applications that are outstanding. One loan has been approved from this a fund and a second loan was tabled due to issues with eligibility.

Fiscal Impact:

The original loan amount was capped at \$37,800 for 2013 and is itemized as follows:

- Up to 4 City SAC (\$2,000) and WAC (\$3,600) units.....\$22,400
- Up to 4 MCES SAC (\$2,600) units.....\$10,400*
- Up to \$5,000 to be applied to connection costs.....\$ 5,000
- Maximum Loan Amount.....\$37,800

The MCES SAC charges are subject to a 4.9% annual increase and the charges for 2014 for this fee have increased from the 2013 fee of \$2,600 to \$2,727.40

Recommendation(s):

Staff recommends City Council consider extending the deadline for the Utility Infrastructure Loan Program for an additional 90 days with an expiration for May 6, 2014 and increase the maximum loan amount from \$37,800 to \$38,309.60 to reflect the increased costs of the MCES SAC charges.

City Council Action

Motion by: _____

Second by: _____

Vote Yes: _____

Vote No: _____

No Action Required: _____



City of East Bethel City Council Agenda Information

Date:

February 5, 2014

Agenda Item Number:

Item 8.0 G.2

Agenda Item:

Local Board of Appeal and Equalization Training (LBAE)

Requested Action:

Consider designating two Councilpersons for LBAE training

Background Information:

Per Mn. Statute 274.014 at least one voting member of each Local Board of Appeal and Equalization (LBAE) must have attended and equalization training course within the last four years. The local LBAE, which is the City Council, hears all appeals for property tax objections and requests for adjustments at an annual LBAE meeting. This year's LBAE meeting is scheduled for April 16, 2014 at 6:30 PM at City Hall.

The Minnesota Department of Revenue teaches the course and provides the training for those LBAE members who require certification. Traditionally, the City has selected two Council persons, who have a majority of their terms remaining, as the City's designees for the training. Mayor DeRoche and Councilperson Moegerle completed the training in 2011 and their certifications expire at the end of 2014.

The local board's duties will be transferred to the county for the current year's assessment if the training is not completed or if only one member is trained and is absent from the LBAE meeting. The schedule for the training will be announced in March. It is recommended that Councilpersons Koller and Ronning attend the training. Upon completion of the course their certification will be valid for four years.

We will provide the information on the training schedule as soon as it is released.

Attachments:

Fiscal Impact:

Recommendation(s):

Staff requests that City Council designate Councilpersons Ron Koller and Tom Ronning as the LBAE Councilpersons for the required LBAE training.

City Council Action

Motion by:_____

Second by:_____

Vote Yes:_____

Vote No:_____

No Action Required:_____



City of East Bethel City Council Agenda Information

Date:

February 5, 2014

Agenda Item Number:

Item 8.0 G.3

Agenda Item: Special City Council Meeting for February 12, 2013 to Review
City Council Vacancy Applicants

Requested Action:

Consider scheduling a Special Meeting for February 12, 2014 to review applications for the vacant City Council seat and discuss the impact of the Army Corps of Engineers permit decision on the Viking Preserve Project

Background Information:

At the January 8, 2014 City Council Meeting, a vacancy was declared for the Council seat which was previously held by Bob DeRoche. Council directed that applications be taken for this position and be accepted until noon on February 12, 2014. It was further directed that Council would consider calling a Special Meeting at 6:30 PM on February 12, 2014 to review the applications and select those that would be extended an invitation for interview at the February 19, 2014 meeting.

A second agenda item for consideration for this meeting is a discussion of and a proposal to address the financial impact of the lot of reduction for the Viking Preserve Project and its impact on the feasibility of the project.

Attachments:

Fiscal Impact:

Recommendation(s):

Staff recommends that City Council schedule a Special Meeting for February 12, 2014 at 6:30 PM to review the Council vacancy applications, select applicants for interviews and discuss the Viking Preserve Project's feasibility issues as a result of the proposed lot reduction.

City Council Action

Motion by: _____

Second by: _____

Vote Yes: _____

Vote No: _____

No Action Required: _____



City of East Bethel City Council Agenda Information

Date:

February 5, 2014

Agenda Item Number:

Item 8.0 G.4

Agenda Item:

Town Hall Meeting

Requested Action:

Consider approval of a date for the Spring Town Hall Meeting

Background Information:

The Spring Town Hall Meeting has been held since 2005. The meeting is generally held in April and is designed to be scheduled on a date that doesn't conflict with any other municipal or school district meetings. ISD # 15 and ISD #831 don't list any meetings for Thursday April 10th or 17th, 2014. Other potential dates that don't appear to pose any scheduling problems for the City Town Hall meeting are Tuesday April 15th and Thursday April, 24th 2014.

In the past the Question and Answer/Public Forum presentation in Council Chambers has focused primarily by citizen questions for City Council. While the number of participants for this part of the program has declined since 2010, it still presents a valuable opportunity for residents to express concerns and present questions to City Council.

We need to set the date for this meeting so we can place the notice in our Spring Newsletter. The newsletter will be sent to the printer on or before February 28, 2014 and be distributed to City residents by mid-March.

Fiscal Impact:

Recommendation(s):

Staff is requesting that City Council set a date in April for the Spring Town Hall Meeting.

City Council Action

Motion by:_____

Second by:_____

Vote Yes: _____

Vote No: _____

No Action Required: _____