

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF EAST BETHEL, MINNESOTA
ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF EAST BETHEL, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2013

CITY COUNCIL

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Richard Lawrence	Mayor	01/01/15
Robert DeRoche, Jr.	Council Member	01/01/15
Ron Koller	Council Member	01/01/17
Heidi Moegerle	Council Member	01/01/15
Tom Ronning	Council Member	01/01/17

CITY OFFICIALS

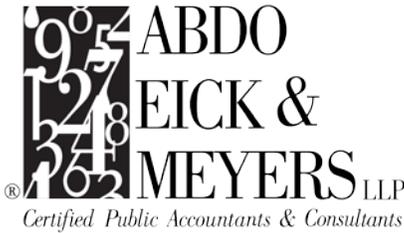
Jack Davis	City Administrator
Nate Ayshford	Public Works Manager
Mark DuCharme	Fire Chief
Nick Schmitz	Building Official
Mike Jeziorski	Finance Director
Colleen Winter	Community Development Director

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FINANCIAL SECTION
CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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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, 2013 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2012 financial statements and, in our report dated May 29, 2013 we expressed unmodified 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2013, 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.

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Other Matters

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

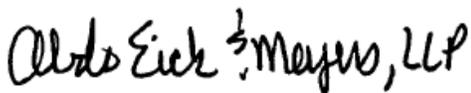
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 2, 2014, 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.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 2, 2014

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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, 2013.

Financial Highlights

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by \$33,297,170 (net position). Of this amount, \$2,230,368 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$1,351,392. Of the total, governmental activities decreased \$1,277,447 and the business-type activities decreased \$73,945.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$6,486,756, a decrease of \$5,098,167 from the prior fiscal year. Continued construction payments for water and sewer projects contributed significantly to the decrease in fund balance.
- At the end of the fiscal year the General fund had a fund balance of \$2,982,714.
- The City's total noncurrent liabilities decreased \$389,363 during the current fiscal year as a result of regular scheduled payments on debt.

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

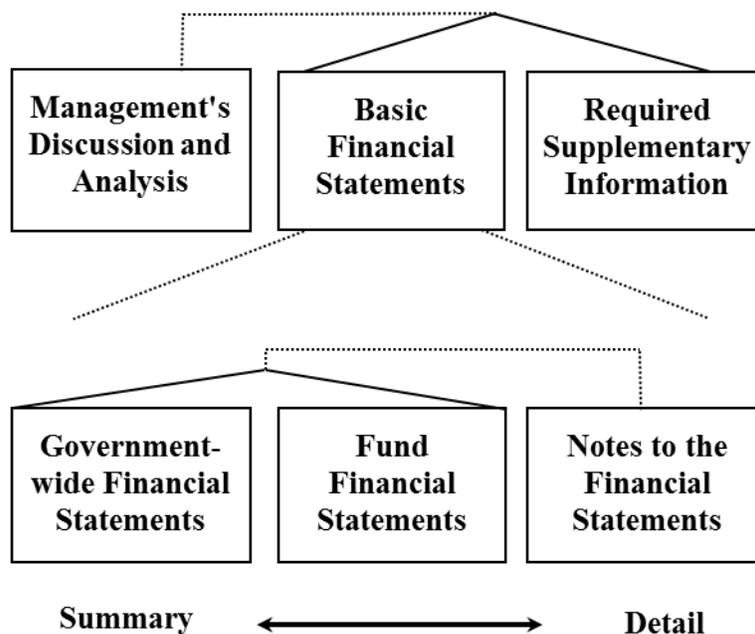


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	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	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"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Net Position • Statements 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 deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of 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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, miscellaneous, and interest on long-term debt. The business-type activities of the City include an arena, wastewater treatment and water utility.

The government-wide financial statements start on page 25 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 fund accounting to ensure and demonstrate compliance with finance-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.

The City maintains 28 individual governmental funds, seven of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund, Water Infrastructure fund, and Utility Infrastructure fund, all of which are considered to be major funds. Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* 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 30 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. The City uses internal services funds for compensated absences and equipment replacement.

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 38 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 47 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 serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$33,297,170 at the close of the most recent fiscal year.

The largest portion of the City's net position \$28,322,682 or 85.1 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.

	Governmental Activities			Business-type Activities		
	2013	Restated 2012	Increase (Decrease)	2013	Restated 2012	Increase (Decrease)
Current and other assets	\$ 9,342,101	\$ 15,990,632	\$ (6,648,531)	\$ (207,478)	\$ (343,314)	\$ 135,836
Capital assets	43,434,846	39,328,456	4,106,390	3,968,558	4,171,307	(202,749)
Total assets	<u>52,776,947</u>	<u>55,319,088</u>	<u>(2,542,141)</u>	<u>3,761,080</u>	<u>3,827,993</u>	<u>(66,913)</u>
Long-term liabilities outstanding	22,058,622	22,443,573	(384,951)	-	-	-
Other liabilities	1,131,914	2,011,657	(879,743)	50,321	43,289	7,032
Total liabilities	<u>23,190,536</u>	<u>24,455,230</u>	<u>(1,264,694)</u>	<u>50,321</u>	<u>43,289</u>	<u>7,032</u>
Net assets						
Net investment in capital assets	24,354,124	16,955,066	7,399,058	3,968,558	1,311,952	2,656,606
Restricted	2,744,120	7,905,985	(5,161,865)	-	-	-
Unrestricted	<u>2,488,167</u>	<u>6,002,807</u>	<u>(3,514,640)</u>	<u>(257,799)</u>	<u>2,472,752</u>	<u>(2,730,551)</u>
Total net position	<u>\$ 29,586,411</u>	<u>\$ 30,863,858</u>	<u>\$ (1,277,447)</u>	<u>\$ 3,710,759</u>	<u>\$ 3,784,704</u>	<u>\$ (73,945)</u>

A portion of the of the City's net position \$2,744,120 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$2,230,368 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

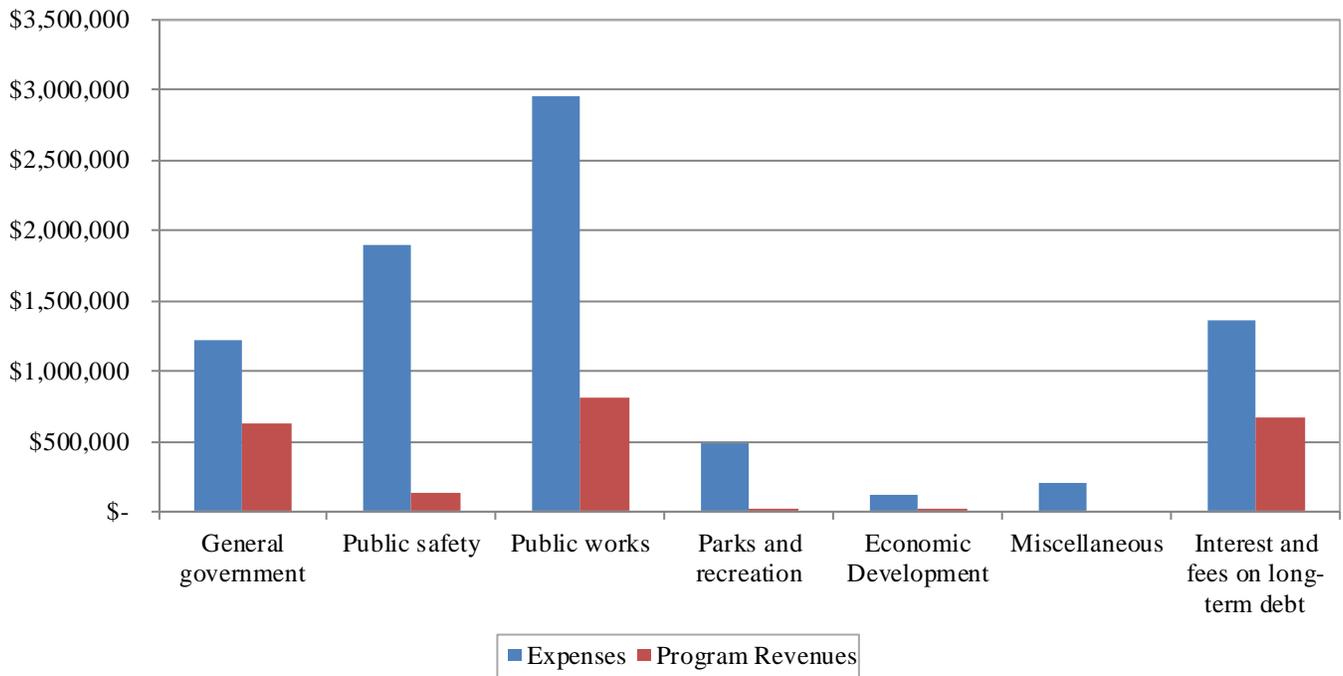
Governmental activities decreased the City's net position \$1,277,447. Business-type net position decreased by \$73,945 during the year. Key elements of the changes in net position are as follows:

City of East Bethel's Changes in Net Position

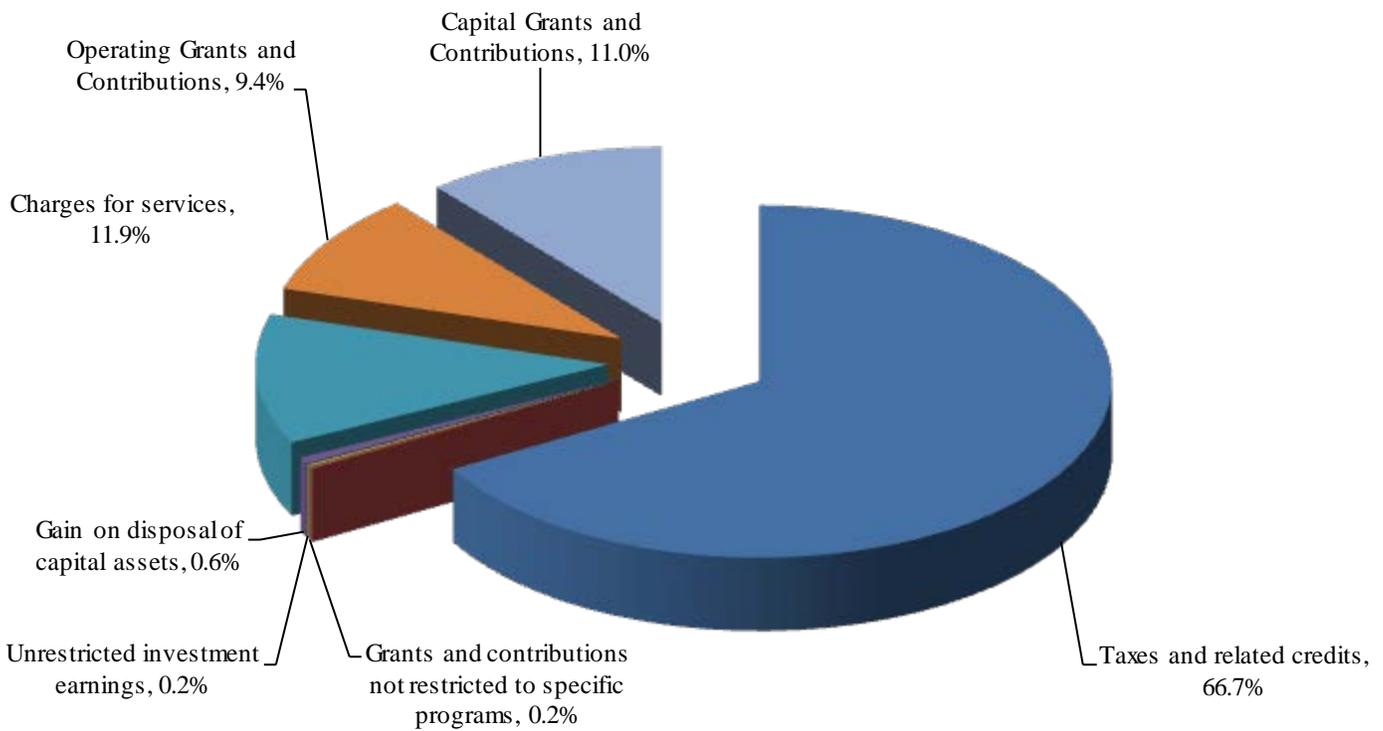
	Governmental Activities			Business-type Activities		
	2013	Restated 2012	Increase (Decrease)	2013	Restated 2012	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	832,459	\$ 513,935	\$ 318,524	\$ 412,905	\$ 354,568	\$ 58,337
Operating grants and contributions	657,281	168,871	488,410	-	-	-
Capital grants and contributions	769,954	1,831,089	(1,061,135)	-	-	-
General revenues						
Taxes	4,640,963	4,658,457	(17,494)	-	-	-
Grants & contribution not restricted to specific programs	15,413	486,703	(471,290)	-	-	-
Unrestricted investment earnings	10,553	24,652	(14,099)	6	-	6
Gain on disposal of capital assets	41,353	5,313	36,040	-	-	-
Miscellaneous	-	2,890	(2,890)	-	-	-
Total revenues	6,967,976	7,691,910	(723,934)	412,911	354,568	58,343
Expenses						
General government	1,224,698	1,234,266	(9,568)	-	-	-
Public safety	1,901,644	1,835,446	66,198	-	-	-
Public works	2,957,072	2,971,055	(13,983)	-	-	-
Parks and recreation	480,400	494,806	(14,406)	-	-	-
Economic Development	113,534	125,511	(11,977)	-	-	-
Miscellaneous	211,112	176,468	34,644	-	-	-
Water	-	-	-	174,408	97,452	76,956
Sewer	-	-	-	88,815	98,029	(9,214)
Ice arena	-	-	-	223,633	295,324	(71,691)
Interest and fees on long-term debt	1,356,963	1,405,360	(48,397)	-	-	-
Total expenses	8,245,423	8,242,912	2,511	486,856	490,805	(3,949)
Change in net position	(1,277,447)	(551,002)	(726,445)	(73,945)	(136,237)	62,292
Net position as restated, January 1	30,863,858	31,414,860	(551,002)	3,784,704	3,920,941	(136,237)
Net position, December 31	\$ 29,586,411	\$ 30,863,858	\$ (1,277,447)	\$ 3,710,759	\$ 3,784,704	\$ (73,945)

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

Expenses and Program Revenues - Governmental Activities

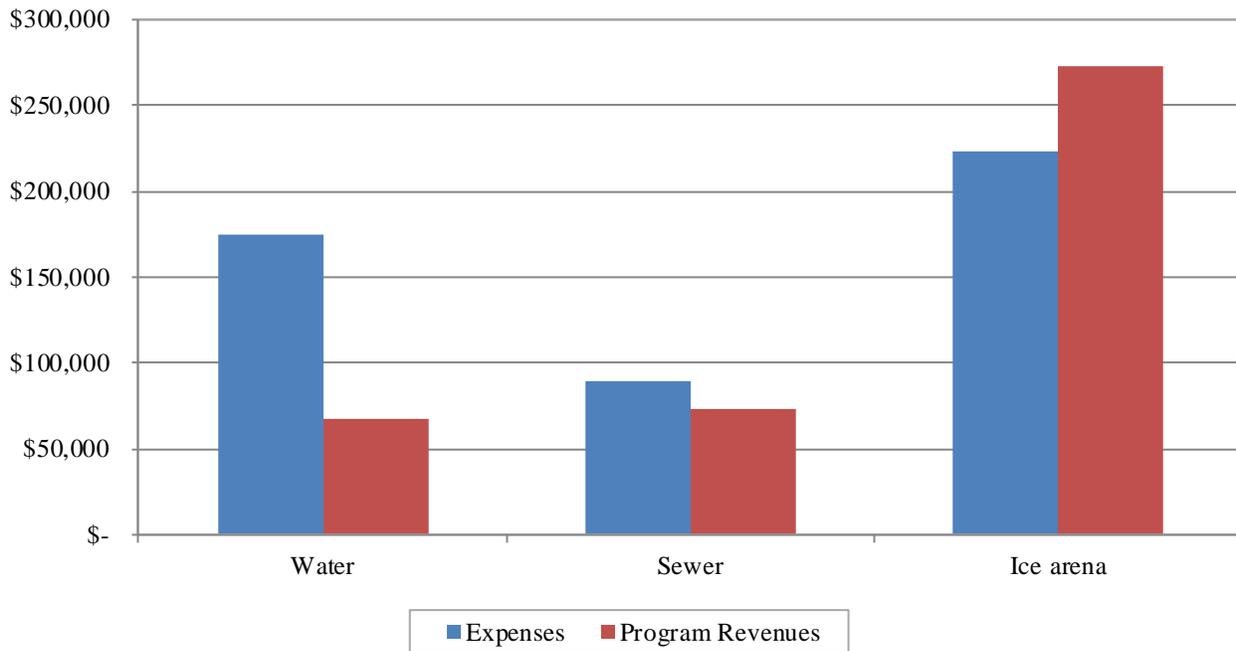


Revenues by Source - Governmental Activities



Business-type activities. Business-type activities decreased net position by \$73,945 including depreciation expenses of \$212,454. The results reflect the continuing start-up mode 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:

Expenses and Program Revenues - Business-type Activities



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.

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$6,486,756, a decrease of \$5,098,167 in comparison with the prior year. Approximately 38.8percent of this total amount (\$2,514,952) constitutes *unassigned fund balance*, which is available for spending at the City’s discretion. The remainder of fund balance (\$3,907,775) is not available for new spending because it is either 1) restricted (\$2,775,562) or 2) assigned (\$1,132,213). For further classification refer to Note 3F on page 61 of this report.

The General fund balance increased by \$360,820 in 2013. The fund also transferred \$550,000 out to other funds as budgeted.

The Debt Service fund has a total fund balance of \$54,891 which is entirely restricted for the payment of debt service. The net decrease in fund balance of \$533,779 was a result regularly scheduled debt payments.

The Water Infrastructure fund decreased \$2,684,416 and the Utility Construction fund decreased \$1,737,128 due to the construction of water and sewer infrastructure.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to a deficit of \$257,799. The total decrease in net position for the funds was \$92,289. Other factors concerning the finances of this fund have already been addressed in the discussion of the City’s business-type activities.

General Fund Budgetary Highlights

The General fund budget was not amended during 2013, which called for no increase or decrease in fund balance.

During the year, revenues were more than budget by \$252,916, and expenditures were less than budgetary estimates by \$107,904. The net result was a \$360,820 increase in the General fund. Some of the significant variances can be briefly summarized as follows:

- The most significant revenue variance was in licenses and permits, which exceeded budget by \$170,165. This was due to more than anticipated development.
- All expenditure departments were under budget, except for public safety and public works. The departments were over budget by \$2,325 and \$3,280, respectively.

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, 2013, amounts to \$47,403,404 (net of accumulated depreciation). This investment in capital assets includes land, buildings, 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		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
Land	\$ 887,546	\$ 887,546	\$ -	\$ 30,000	\$ 30,000	\$ -
Construction in progress	13,965,272	9,611,559	4,353,713	-	-	-
Buildings and structures	2,984,817	3,189,396	(204,579)	553,946	624,873	(70,927)
Machinery and equipment	2,158,795	1,344,118	814,677	8,734	-	8,734
Park improvements	766,307	729,877	36,430	-	-	-
Sewer main lines and storm sewers	1,162,362	1,227,758	(65,396)	-	-	-
Infrastructure	21,509,747	22,338,202	(828,455)	3,375,878	3,516,434	(140,556)
Total capital assets	<u>\$ 43,434,846</u>	<u>\$ 39,328,456</u>	<u>\$ 4,106,390</u>	<u>\$ 3,968,558</u>	<u>\$ 4,171,307</u>	<u>\$ (202,749)</u>

Additional information on the City's capital assets can be found in Note 3C starting on page 56 of this report.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$21,940,077 an increase of \$389,363 from 2012.

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 revenue sourced pledged other than property taxes, but in the event those other sources were insufficient, the City would be required to the he shortfall through property taxes.

The City’s long-term debt at December 31, 2013 is as follows:

City of East Bethel’s Outstanding Debt

	Governmental Activities			Business-type Activities		
	2013	2012	Increase (Decrease)	2013	2012	Increase (Decrease)
General obligation improvement bonds	\$ 2,765,000	\$ 2,995,000	\$ (230,000)	\$ -	\$ -	\$ -
General obligation revenue bonds	19,175,077	16,475,085	2,699,992	-	2,859,355	(2,859,355)
Totals	\$ 21,940,077	\$19,470,085	\$ 2,469,992	\$ -	\$ 2,859,355	\$ (2,859,355)

Standard and Poors upgraded the City’s bond rating to AA for its latest bond 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 \$24,578,064. Of the City's outstanding debt, \$1,335,000 is counted within the statutory limitation.

Additional information on the City’s long-term debt can be found in Note 3E starting on page 59 of this report.

Economic Factors and next year’s budget

- Residential building activity is expected to show improvement as the overall housing market improves.
- The discontinued Market Value Homestead Credit program will shift property tax burdens to higher valued parcels, but will allow the City to receive all dollars levied.

All of these factors were considered in preparing the City’s budget for the 2014 fiscal year.

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.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 8,281,340	\$ (232,662)	\$ 8,048,678
Receivables			
Taxes	262,711	-	262,711
Accounts	25,278	19,262	44,540
Special assessments	385,836	4,358	390,194
Loan	16,400	-	16,400
Due from other governments	306,507	-	306,507
Prepaid items	64,029	1,564	65,593
Capital assets			
Land and construction in progress	14,852,818	30,000	14,882,818
Depreciable assets (net of accumulated depreciation)	28,582,028	3,938,558	32,520,586
TOTAL ASSETS	52,776,947	3,761,080	56,538,027
LIABILITIES			
Accounts payable	447,732	31,877	479,609
Contracts and retainage payable	147,571	-	147,571
Salaries payable	72,525	1,424	73,949
Accrued interest payable	413,657	-	413,657
Deposits payable	50,429	-	50,429
Unearned revenue	-	17,020	17,020
Noncurrent liabilities			
Due within one year	392,028	-	392,028
Due in more than one year	21,666,594	-	21,666,594
TOTAL LIABILITIES	23,190,536	50,321	23,240,857
NET POSITION			
Net investment in capital assets	24,354,124	3,968,558	28,322,682
Restricted for			
Water infrastructure construction	1,848,107	-	1,848,107
Debt service	2,389	-	2,389
Recycling	51,707	-	51,707
Donations	7,464	-	7,464
Housing & redevelopment	786,108	-	786,108
Economic development	22,281	-	22,281
Park development	26,064	-	26,064
Unrestricted	2,488,167	(257,799)	2,230,368
TOTAL NET POSITION	\$ 29,586,411	\$ 3,710,759	\$ 33,297,170

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

CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
Government activities				
General government	\$ 1,224,698	\$ 583,083	\$ 47,255	\$ -
Public safety	1,901,644	-	137,395	-
Public works	2,957,072	36,820	-	769,954
Culture and recreation	480,400	450	-	-
Housing and economic development	113,534	200	16,400	-
Miscellaneous	211,112	-	-	-
Interest on long-term debt	1,356,963	211,906	456,231	-
Total government activities	\$ 8,245,423	\$ 832,459	\$ 657,281	\$ 769,954
Business-type activities				
Water	\$ 174,408	\$ 67,729	\$ -	\$ -
Sewer	88,815	73,013	-	-
Ice arena	223,633	272,163	-	-
Total business-type activities	486,856	412,905	-	-
Total primary government	\$ 8,732,279	\$ 1,245,364	\$ 657,281	\$ 769,954

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on disposal of capital assets

Total general revenues and special items

Change in net position

Net position as restated, January 1

Net position, December 31

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

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (594,360)	\$ -	\$ (594,360)
(1,764,249)	-	(1,764,249)
(2,150,298)	-	(2,150,298)
(479,950)	-	(479,950)
(96,934)	-	(96,934)
(211,112)	-	(211,112)
(688,826)	-	(688,826)
<u>\$ (5,985,729)</u>	<u>\$ -</u>	<u>\$ (5,985,729)</u>
\$ -	\$ (106,679)	\$ (106,679)
-	(15,802)	(15,802)
-	48,530	48,530
<u>-</u>	<u>(73,951)</u>	<u>(73,951)</u>
<u>(5,985,729)</u>	<u>(73,951)</u>	<u>(6,059,680)</u>
4,259,695	-	4,259,695
329,729	-	329,729
51,539	-	51,539
15,413	-	15,413
10,553	6	10,559
41,353	-	41,353
<u>4,708,282</u>	<u>6</u>	<u>4,708,288</u>
(1,277,447)	(73,945)	(1,351,392)
<u>30,863,858</u>	<u>3,784,704</u>	<u>34,648,562</u>
<u>\$ 29,586,411</u>	<u>\$ 3,710,759</u>	<u>\$ 33,297,170</u>

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FUND FINANCIAL STATEMENTS

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

CITY OF EAST BETHEL, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

	101	300's	433
	General	Debt Service	Water Infrastructure Fund
ASSETS			
Cash and investments	\$ 3,109,631	\$ 267,755	\$ 2,006,738
Receivables			
Taxes	249,819	5,682	-
Special assessments	4,785	361,155	-
Accounts	12,553	11,200	-
Loans	-	-	-
Due from other funds	-	-	-
Due from other governments	28,229	10,254	128,420
Prepaid items	64,029	-	-
	<u>3,469,046</u>	<u>656,046</u>	<u>2,135,158</u>
TOTAL ASSETS	\$ 3,469,046	\$ 656,046	\$ 2,135,158
LIABILITIES			
Accounts and contracts payable	\$ 196,714	\$ -	\$ 287,051
Salaries payable	72,914	-	-
Due to other funds	-	-	-
Deposits payable	38,806	-	-
Advance from other funds	-	240,000	-
	<u>308,434</u>	<u>240,000</u>	<u>287,051</u>
TOTAL LIABILITIES	308,434	240,000	287,051
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	173,113	-	-
Unavailable revenue - special assessments	4,785	361,155	-
Unavailable revenue - loans	-	-	-
	<u>177,898</u>	<u>361,155</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	177,898	361,155	-
FUND BALANCES			
Nonspendable	64,029	-	-
Restricted	-	54,891	1,848,107
Assigned	-	-	-
Unassigned	2,918,685	-	-
	<u>2,982,714</u>	<u>54,891</u>	<u>1,848,107</u>
TOTAL FUND BALANCES	2,982,714	54,891	1,848,107
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 3,469,046	\$ 656,046	\$ 2,135,158

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

434			
Utility Infrastructure Fund	Other Governmental Funds	Total Governmental Funds	
\$ 10,806	\$ 1,568,879	\$ 6,963,809	
-	7,210	262,711	
-	19,896	385,836	
-	1,525	25,278	
-	16,400	16,400	
-	16,400	16,400	
-	139,604	306,507	
-	-	64,029	
<u>\$ 10,806</u>	<u>\$ 1,769,914</u>	<u>\$ 8,040,970</u>	
\$ 10,806	\$ 100,343	\$ 594,914	
-	-	72,914	
-	19,043	19,043	
-	11,623	50,429	
-	-	240,000	
<u>10,806</u>	<u>131,009</u>	<u>977,300</u>	
-	4,660	177,773	
-	16,801	382,741	
-	16,400	16,400	
-	37,861	576,914	
-	-	64,029	
-	872,564	2,775,562	
-	1,132,213	1,132,213	
-	(403,733)	2,514,952	
-	1,601,044	6,486,756	
<u>\$ 10,806</u>	<u>\$ 1,769,914</u>	<u>\$ 8,040,970</u>	

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CITY OF EAST BETHEL, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2013

Total fund balances - governmental	\$ 6,486,756
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 as assets in governmental funds.	
Cost of capital assets	73,968,094
Less accumulated depreciation	(32,483,430)
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year-end consist of	
Premium on bonds	(265,487)
Bonds payable	(21,674,590)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes receivable	177,773
Special assessments receivable	382,741
Loans receivable	16,400
Governmental funds do not report a liability for accrued interest until due and payable.	(413,657)
Internal service funds are used by management to charge the cost of services to individual funds. The assets and liabilities are included in the governmental statement of net position	3,391,811
Net position of governmental activities	\$29,586,411

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

CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013

	101	300's	433
	General	Debt Service	Water Infrastructure Fund
REVENUES			
Taxes	\$ 4,180,911	\$ 329,729	\$ -
Licenses and permits	340,095	-	-
Intergovernmental	257,400	456,231	-
Charges for services	128,543	211,906	-
Fines and forfeitures	53,574	-	-
Special assessments	1,318	138,125	-
Interest on investments	1,166	4,256	2,647
Other	54,042	-	-
TOTAL REVENUES	5,017,049	1,140,247	2,647
EXPENDITURES			
Current			
General government	1,085,090	-	-
Public safety	1,678,192	-	-
Public works	762,351	-	-
Culture and recreation	367,895	-	-
Housing and economic Development	-	-	-
Miscellaneous	211,112	-	-
Capital outlay			
General government	1,589	-	-
Public works	-	-	2,687,063
Culture and recreation	-	-	-
Debt service			
Principal	-	373,000	-
Interest and other	-	1,301,026	-
TOTAL EXPENDITURES	4,106,229	1,674,026	2,687,063
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	910,820	(533,779)	(2,684,416)
OTHER FINANCING SOURCES (USES)			
Bonds proceeds	-	1,250,000	-
Payment to refunding bond escrow agent	-	(1,255,000)	-
Transfers in	-	5,000	-
Transfers out	(550,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(550,000)	-	-
NET CHANGE IN FUND BALANCES	360,820	(533,779)	(2,684,416)
FUND BALANCE, JANUARY 1	2,621,894	588,670	4,532,523
FUND BALANCES, DECEMBER 31	\$ 2,982,714	\$ 54,891	\$ 1,848,107

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

434			
Utility Infrastructure Fund	Other Governmental Funds	Total	
\$ -	\$ 144,944	\$ 4,655,584	
-	-	340,095	
-	184,240	897,871	
-	-	340,449	
-	-	53,574	
-	23,248	162,691	
-	1,373	9,442	
-	42,981	97,023	
-	<u>396,786</u>	<u>6,556,729</u>	
-	7,631	1,092,721	
-	81,172	1,759,364	
-	26,374	788,725	
-	5,806	373,701	
-	113,534	113,534	
-	-	211,112	
-	-	1,589	
1,737,128	1,014,397	5,438,588	
-	114,996	114,996	
-	-	373,000	
-	-	1,301,026	
<u>1,737,128</u>	<u>1,363,910</u>	<u>11,568,356</u>	
<u>(1,737,128)</u>	<u>(967,124)</u>	<u>(5,011,627)</u>	
-	-	1,250,000	
-	-	(1,255,000)	
-	550,000	555,000	
-	(86,540)	(636,540)	
-	<u>463,460</u>	<u>(86,540)</u>	
(1,737,128)	(503,664)	(5,098,167)	
<u>1,737,128</u>	<u>2,104,708</u>	<u>11,584,923</u>	
<u>\$ -</u>	<u>\$ 1,601,044</u>	<u>\$ 6,486,756</u>	

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, 2013

Net changes in fund balances - total governmental funds	\$ (5,098,167)
Amounts reported for governmental activities in the statement of activities are different because	
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	(2,245,662)
Capital outlay	5,490,796
Loss on disposal of capital assets	(21,248)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of 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 premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.	
Amortization of bond premium	11,364
Debt issued	(1,250,000)
Principal payments on bonds payable	1,628,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	(67,301)
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	(16,670)
Special assessments	107,304
Loans issued	16,400
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds are reported with governmental activities	
Consolidation of internal service fund activities with governmental activities	167,737
Change in net position of governmental activities	\$ (1,277,447)

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

CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,160,317	\$ 4,160,317	\$ 4,180,911	\$ 20,594
Licenses and permits	169,930	169,930	340,095	170,165
Intergovernmental	220,506	220,506	257,400	36,894
Charges for services	122,780	122,780	128,543	5,763
Fines and forfeitures	50,600	50,600	53,574	2,974
Special assessments	-	-	1,318	1,318
Interest on investments	2,000	2,000	1,166	(834)
Other	38,000	38,000	54,042	16,042
TOTAL REVENUES	4,764,133	4,764,133	5,017,049	252,916
EXPENDITURES				
Current				
General government	1,133,023	1,133,023	1,085,090	47,933
Public safety	1,675,867	1,675,867	1,678,192	(2,325)
Public works	759,071	759,071	762,351	(3,280)
Culture and recreation	394,467	394,467	367,895	26,572
Miscellaneous	241,705	241,705	211,112	30,593
Capital outlay	10,000	10,000	1,589	8,411
TOTAL EXPENDITURES	4,214,133	4,214,133	4,106,229	107,904
EXCESS OF REVENUES OVER EXPENDITURES	550,000	550,000	910,820	360,820
OTHER FINANCING USE				
Transfers out	(550,000)	(550,000)	(550,000)	-
NET CHANGE IN FUND BALANCES	-	-	360,820	360,820
FUND BALANCES, JANUARY 1	2,621,894	2,621,894	2,621,894	-
FUND BALANCES, DECEMBER 31	\$ 2,621,894	\$ 2,621,894	\$ 2,982,714	\$ 360,820

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

CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2013	restated 2012	2013	2012
ASSETS				
CURRENT ASSETS				
Cash and investments	\$ (103,490)	\$ (115,508)	\$ (196,864)	\$ (204,834)
Receivables				
Special assessments	2,179	4,576	2,179	2,750
Accounts	10,091	8,025	9,171	8,494
Due from other funds	-	-	-	-
Prepaid items	569	-	615	-
TOTAL CURRENT ASSETS	(90,651)	(102,907)	(184,899)	(193,590)
NONCURRENT ASSETS				
Advance to other funds	-	-	-	-
Capital assets				
Land	-	-	-	-
Buildings and structures	-	-	-	-
Machinery and equipment	-	-	-	-
Infrastructure	3,525,202	3,525,202	691,511	691,511
Total capital assets	3,525,202	3,525,202	691,511	691,511
Less accumulated depreciation	(400,919)	(283,412)	(439,916)	(416,865)
Net capital assets	3,124,283	3,241,790	251,595	274,646
TOTAL NONCURRENT ASSETS	3,124,283	3,241,790	251,595	274,646
TOTAL ASSETS	3,033,632	3,138,883	66,696	81,056
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	3,732	2,270	3,524	1,958
Salaries payable	712	750	712	836
Compensated absences - current portion	-	-	-	-
Unearned revenue	-	-	-	-
TOTAL CURRENT LIABILITIES	4,444	3,020	4,236	2,794
NONCURRENT LIABILITIES				
Compensated absences payable - noncurrent portion	-	-	-	-
TOTAL LIABILITIES	4,444	3,020	4,236	2,794
NET POSITION				
Investment in capital assets	3,124,283	3,241,790	251,595	274,646
Unrestricted	(95,095)	(105,927)	(189,135)	(196,384)
TOTAL NET POSITION	\$ 3,029,188	\$ 3,135,863	\$ 62,460	\$ 78,262

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

Business-type Activities - Enterprise Funds

615				Governmental Activities - Internal Service Funds
Ice Arena		Totals		
2013	2012	2013	2012	
\$ 67,692	\$ (47,197)	\$ (232,662)	\$ (367,539)	\$ 1,317,531
-	-	4,358	7,326	-
-	-	19,262	16,519	-
-	-	-	-	2,643
380	380	1,564	380	-
68,072	(46,817)	(207,478)	(343,314)	1,320,174
-	-	-	-	240,000
30,000	30,000	30,000	30,000	-
1,480,690	1,480,690	1,480,690	1,480,690	-
9,705	25,000	9,705	25,000	2,697,052
-	-	4,216,713	4,216,713	-
1,520,395	1,535,690	5,737,108	5,752,403	2,697,052
(927,715)	(880,819)	(1,768,550)	(1,581,096)	(746,870)
592,680	654,871	3,968,558	4,171,307	1,950,182
592,680	654,871	3,968,558	4,171,307	2,190,182
660,752	608,054	3,761,080	3,827,993	3,510,356
24,621	18,983	31,877	23,211	-
-	-	1,424	1,586	-
-	-	-	-	99,028
17,020	18,492	17,020	18,492	-
41,641	37,475	50,321	43,289	99,028
-	-	-	-	19,517
41,641	37,475	50,321	43,289	118,545
592,680	654,871	3,968,558	4,171,307	1,950,182
26,431	(84,292)	(257,799)	(386,603)	1,441,629
<u>\$ 619,111</u>	<u>\$ 570,579</u>	<u>\$ 3,710,759</u>	<u>\$ 3,784,704</u>	<u>\$ 3,391,811</u>

CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility	Sewer Utility	Water Utility	Sewer Utility
	2013	Restated 2012	2013	2012
OPERATING REVENUES				
Ice rentals and related revenue	\$ -	\$ -	\$ -	\$ -
Rentals, signs, lockers and tower	-	-	-	-
Dry floor events	-	-	-	-
Concession revenue	-	-	-	-
Charges for services	67,729	34,445	73,013	63,785
Franchise Fees	-	-	-	-
Miscellaneous	-	-	-	-
TOTAL OPERATING REVENUES	67,729	34,445	73,013	63,785
OPERATING EXPENSES				
Personnel services	18,501	18,501	18,610	18,640
Repairs and maintenance	835	962	7,452	11,258
Utilities	23,745	9,499	13,542	12,391
Professional services	953	154	6,671	7,403
Supplies	12,446	1,594	18,038	22,945
Other services and charges	421	415	1,450	2,050
Depreciation	117,507	22,195	23,051	23,050
TOTAL OPERATING EXPENSES	174,408	53,320	88,814	97,737
OPERATING INCOME (LOSS)	(106,679)	(18,875)	(15,801)	(33,952)
NONOPERATING REVENUES (EXPENSES)				
Sale of capital assets	-	-	-	-
Interest on investments	4	-	-	-
Interest expense	-	(183)	(1)	(294)
TOTAL NONOPERATING REVENUES (EXPENSES)	4	(183)	(1)	(294)
INCOME (LOSS) BEFORE TRANSFERS	(106,675)	(19,058)	(15,802)	(34,246)
TRANSFERS IN	-	-	-	-
CHANGE IN NET POSITION	(106,675)	(19,058)	(15,802)	(34,246)
NET POSITION, JANUARY 1	3,135,863	3,154,921	78,262	112,508
NET POSITION, DECEMBER 31	\$ 3,029,188	\$ 3,135,863	\$ 62,460	\$ 78,262

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

Business-type Activities - Enterprise Funds

615				Governmental Activities - Internal Service Funds
Ice Arena		Total		
2013	2012	2013	2012	
\$ 191,300	\$ 195,025	\$ 191,300	\$ 195,025	\$ -
77,013	46,713	77,013	46,713	-
1,350	1,500	1,350	1,500	-
2,500	12,282	2,500	12,282	-
-	-	140,742	98,230	264,186
-	-	-	-	2,049
-	819	-	819	-
<u>272,163</u>	<u>256,339</u>	<u>412,905</u>	<u>354,569</u>	<u>266,235</u>
-	-	37,111	37,141	4,486
8,610	19,219	16,897	31,439	-
54,081	50,355	91,368	72,245	-
86,072	80,556	93,696	88,113	-
2,599	12,607	33,083	37,146	1,864
375	1,135	2,246	3,600	-
71,896	131,272	212,454	176,517	216,152
<u>223,633</u>	<u>295,144</u>	<u>486,855</u>	<u>446,201</u>	<u>222,502</u>
<u>48,530</u>	<u>(38,805)</u>	<u>(73,950)</u>	<u>(91,632)</u>	<u>43,733</u>
-	-	-	-	41,353
2	-	6	-	1,111
-	(180)	(1)	(657)	-
<u>2</u>	<u>(180)</u>	<u>5</u>	<u>(657)</u>	<u>42,464</u>
48,532	(38,985)	(73,945)	(92,289)	86,197
-	-	-	-	81,540
48,532	(38,985)	(73,945)	(92,289)	167,737
<u>570,579</u>	<u>609,564</u>	<u>3,784,704</u>	<u>3,876,993</u>	<u>3,224,074</u>
<u>\$ 619,111</u>	<u>\$ 570,579</u>	<u>\$ 3,710,759</u>	<u>\$ 3,784,704</u>	<u>\$ 3,391,811</u>

CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 68,060	\$ 38,967	\$ 72,908	\$ 65,610
Payments to suppliers	(37,507)	(11,240)	(46,202)	(55,906)
Payments to employees	(18,539)	(18,368)	(18,734)	(18,421)
Miscellaneous revenue	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	12,014	9,359	7,972	(8,717)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments received on interfund loan	-	-	-	-
Interfund loan issued	-	-	-	-
Transfers in	-	-	-	-
Internal interest expense	-	(183)	(2)	(293)
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	(183)	(2)	(293)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
NET CASH FLOWS USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	4	-	-	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,018	9,176	7,970	(9,010)
CASH AND CASH EQUIVALENTS, JANUARY 1	(115,508)	(124,684)	(204,834)	(195,824)
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ (103,490)	\$ (115,508)	\$ (196,864)	\$ (204,834)

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

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
615				
Ice Arena		Total		
2013	2012	2013	2012	
\$ 270,691	\$ 255,974	\$ 411,659	\$ 360,551	\$ 267,365
(146,099)	(168,974)	(229,808)	(236,120)	35,316
-	-	(37,273)	(36,789)	-
-	819	-	819	-
<u>124,592</u>	<u>87,819</u>	<u>144,578</u>	<u>88,461</u>	<u>302,681</u>
-	-	-	-	390,736
-	-	-	-	(2,643)
-	-	-	-	81,540
-	(181)	(2)	(657)	-
<u>-</u>	<u>(181)</u>	<u>(2)</u>	<u>(657)</u>	<u>469,633</u>
(9,705)	-	(9,705)	-	(1,102,303)
-	-	-	-	45,000
<u>(9,705)</u>	<u>-</u>	<u>(9,705)</u>	<u>-</u>	<u>(1,057,303)</u>
<u>2</u>	<u>-</u>	<u>6</u>	<u>-</u>	<u>1,111</u>
114,889	87,638	134,877	87,804	(283,878)
(47,197)	(134,835)	(367,539)	(455,343)	1,601,409
<u>\$ 67,692</u>	<u>\$ (47,197)</u>	<u>\$ (232,662)</u>	<u>\$ (367,539)</u>	<u>\$ 1,317,531</u>

CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2013	2012	2013	2012
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ (106,679)	\$ (18,875)	\$ (15,801)	\$ (33,952)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Depreciation expense	117,507	22,195	23,051	23,049
(Increase) decrease in assets				
Accounts receivable	(2,066)	1,376	(677)	550
Special assessments receivable	2,397	3,146	572	1,275
Prepays	(569)	-	(615)	300
Inventory	-	-	-	-
Increase (decrease) in liabilities				
Accounts payable	1,462	1,384	1,566	(158)
Accrued salaries payable	(38)	133	(124)	219
Unearned revenue	-	-	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 12,014</u>	<u>\$ 9,359</u>	<u>\$ 7,972</u>	<u>\$ (8,717)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Disposal of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transfer of capital assets from governmental activities	<u>\$ -</u>	<u>\$ 2,859,355</u>	<u>\$ -</u>	<u>\$ -</u>

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

Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
615		Total		
Ice Arena				
2013	2012	2013	2012	
\$ 48,530	\$ (38,805)	\$ (73,950)	\$ (91,632)	\$ 43,733
71,896	131,272	212,454	176,516	216,152
-	200	(2,743)	2,126	1,204
-	-	2,969	4,421	-
-	-	(1,184)	300	37,180
-	3,000	-	3,000	-
5,638	(5,102)	8,666	(3,876)	4,412
-	-	(162)	352	-
(1,472)	(2,746)	(1,472)	(2,746)	-
<u>\$ 124,592</u>	<u>\$ 87,819</u>	<u>\$ 144,578</u>	<u>\$ 88,461</u>	<u>\$ 302,681</u>
<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ 3,647</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,859,355</u>	<u>\$ -</u>

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CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of East Bethel, Minnesota (the City) was incorporated in 1958 and has operated under the State of Minnesota Statutory Plan A form of government since 1974. The governing body consists of a five-member City Council elected by voters of the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. Included in the City's reporting entity, based upon the application of these criteria, are the following blended component units.

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 as well as 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 funds. Separate financial statements for the HRA and EDA are not prepared.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. *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 segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered 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 reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to 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 to be used for a specified purpose, 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 recorded 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 those estimates.

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

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 *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

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

Additionally, the City reports the following fund 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.

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.

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.

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, liabilities, deferred inflows of resources, and net position/fund balance

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, commercial paper, government securities and short-term investments with original maturities of three months or less from the date of acquisition.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Investments for the City are reported at fair value. Earnings on investments are allocated to the individual funds based upon the average of month-end cash and investment balances. The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, 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 to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Minnesota Municipal Money Market (4M) fund operates in accordance with appropriate state laws and regulations. The 4M fund is an external investment 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 statements of the 4M fund can be obtained by contacting RBC Global Asset Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

Property taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and December each year. Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the governmental fund financial statements.

CITY OF EAST BETHEL, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2013. The City annually certifies delinquent water, sewer and storm sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivable upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statement, are offset by a nonspendable fund balance account in applicable governmental fund to indicate that they are not available for appropriation and are not expendable available financial resources.

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.

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 City as assets with an initial, individual cost of more than the amounts defined below (amount not rounded) and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are 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, 2013, 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:

Asset Category	Value Threshold
All assets not referenced in this schedule	\$ 5,000
Parking lots, sidewalks, fencing, park shelters, land improvements	25,000
Buildings and building improvements	50,000
Infrastructure improvements: water, sewer, storm drainage, streets	100,000

CITY OF EAST BETHEL, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Life in Years
Miscellaneous office equipment, copiers, computer hardware, light trucks, mowers, attachments, other light equipment	5
Loaders, dump trucks, graders, trailers, other heavy equipment, telephone and radio systems, pumps, generators	10
Fire rigs, playground equipment, irrigation systems	20
Buildings, park shelters, fences, paved streets, sidewalks, parking lots, signs	25
Water trunks, mains, towers; sewer trunks, mains, lift stations; storm drainage trunks, mains, ponds	30

Deferred inflows of resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting 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: taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. At 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. Vacation 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 that portion of accumulating sick leave benefits that is vested as severance pay.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. The recognition of bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints 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 contributions; 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 purpose for which it is 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 those 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 35 percent of the next year's property tax levy for cash-flow timing needs.

Net position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consist of net position 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 that do not meet the definition of "restricted" or "net investment in capital assets".

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

Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year presentation.

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund, Recycling fund, Safer Grant fund, HRA fund, and the EDA fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. There were no budget amendments made during 2013.

B. Deficit fund equity

The following fund had fund balance deficits at December 31, 2013: Municipal State Aid Street Improvement (\$400,023) and Tax Increment District No. 1-1 (\$3,710). These deficits will be eliminated with future state aid payments, certified special assessments and future tax increment.

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, 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.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- 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 "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$1,717,803 and the bank balance was \$1,739,079. The bank balance was fully covered by federal depository insurance.

CITY OF EAST BETHEL, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

As of December 31, 2013, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name:

Investment Type	Credit Quality/ Rating (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled investments			
4M fund	N/A	less than 6 months	<u>\$ 6,330,725</u>

(1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A indicates not applicable or available

The investments of the City are subject to the following risks:

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments to the list on page 50 of the notes.
- *Custodial Credit Risk* for investments is the risk that, in the event of the failure of the counterparty to a transaction, a governmental will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The City's investment policy limits its exposure by obtaining collateral or bond for all uninsured amounts on deposit and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.
- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by disallowing purchases of investments that, at the time of investment, cannot be held to maturity. The City's investment policy states the City's investment portfolio, as much as possible, will contain both short-term and long-term investments. The City attempts to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields.
- *Concentration of Credit Risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not address concentration of credit risk, placing no limit on the amount that may be invested in any one issuer.

A reconciliation of cash and temporary investments as shown on the Statement of Net Position for the City follows:

Carrying amount of deposits	\$ 1,717,803
Investments	6,330,725
Cash on hand	<u>150</u>
 Total	 <u>\$ 8,048,678</u>

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Loan receivable

The City has issued a loan to a local business to finance water and sewer access charges. The loan will be amortized for five years at 5 percent.

C. Capital assets

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Increases	Decrease	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 887,546	\$ -	\$ -	\$ 887,546
Construction in progress	9,611,559	5,187,792	(834,079)	13,965,272
Total capital assets, not being depreciated	10,499,105	5,187,792	(834,079)	14,852,818
Capital assets, being depreciated				
Buildings and improvements	5,542,755	-	-	5,542,755
Park improvements	1,278,662	103,317	-	1,381,979
Machinery and equipment	3,222,253	1,102,303	(409,237)	3,915,319
Streets	47,926,365	1,033,766	-	48,960,131
Storm sewers	2,012,144	-	-	2,012,144
Total capital assets, being depreciated	59,982,179	2,239,386	(409,237)	61,812,328
Less accumulated depreciation for				
Buildings and improvements	(2,353,359)	(204,579)	-	(2,557,938)
Park improvements	(548,785)	(66,887)	-	(615,672)
Machinery and equipment	(1,878,135)	(262,731)	384,342	(1,756,524)
Streets	(25,588,163)	(1,862,221)	-	(27,450,384)
Storm sewers	(784,386)	(65,396)	-	(849,782)
Total accumulated depreciation	(31,152,828)	(2,461,814)	384,342	(33,230,300)
Total capital assets being depreciated, net	28,829,351	4,701,200	(793,579)	28,582,028
Governmental activities capital assets, net	\$ 39,328,456	\$ 9,888,992	\$ (1,627,658)	\$ 43,434,846

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Governmental activities	
General government	\$ 128,525
Public safety	121,032
Public works	1,901,085
Parks and recreation	95,020
Depreciation on capital assets held by governmental internal service activities charged to each function based on use	216,152
Total depreciation expense - governmental activities	\$ 2,461,814

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decrease	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Total capital assets, not being depreciated	30,000	-	-	30,000
Capital assets, being depreciated				
Buildings and improvements	1,480,690	-	-	1,480,690
Machinery and equipment	25,000	9,705	(25,000)	9,705
Infrastructure	4,216,713	-	-	4,216,713
Total capital assets, being depreciated	5,722,403	9,705	(25,000)	5,707,108
Less accumulated depreciation for				
Buildings and improvements	(855,817)	(70,927)	-	(926,744)
Machinery and equipment	(25,000)	(971)	25,000	(971)
Infrastructure	(700,279)	(140,556)	-	(840,835)
Total accumulated depreciation	(1,581,096)	(212,454)	25,000	(1,768,550)
Business-type activities capital assets, net	<u>\$ 4,171,307</u>	<u>\$ 222,159</u>	<u>\$ (50,000)</u>	<u>\$ 3,968,558</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities	
Water utility	\$ 117,507
Sewer utility	23,051
Arena	71,896
Total depreciation expense - business-type activities	<u>\$ 212,454</u>

Construction commitments

As of December 31, 2013, the City has signed contracts in place for three construction projects. The following summarizes these commitments:

Project	Spent to date	Remaining Commitment
Jackson Street Reconstruction	\$1,182,192	\$ 57,010
Whispering Aspen Overlay Project	205,117	10,796
Water Utility Infrastructure	1,515,538	80,065
Total	<u>\$2,902,847</u>	<u>\$ 147,871</u>

CITY OF EAST BETHEL, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund receivables, payables and transfers

The composition of internal balances as of December 31, 2013 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount
Due from/to other funds			
Internal Service Fund	Governmental		
Equipment Replacement	Nonmajor	Deficit cash	\$ 2,643
Governmental	Governmental		
Nonmajor	Nonmajor	Deficit cash	<u>16,400</u>
Total due from/to other funds and advances			\$19,043
Advance to/from other funds			
Internal Service Fund	Governmental		
Equipment Replacement	Debt service	Deficit cash	<u>240,000</u>
Interfund activity eliminated from government-wide statements			<u>(259,043)</u>
Total internal balances government-wide statements			<u><u>\$ -</u></u>

Interfund transfers

The composition of interfund transfers for the year ended December 31, 2013 is as follows:

Fund	Transfer in			Total
	Nonmajor Capital Project Fund	Internal Service Equipment Replacement	Debt Service Fund	
Transfer out				
General	\$ 550,000	\$ -	\$ -	\$ 550,000
Nonmajor governmental	<u>-</u>	<u>81,540</u>	<u>5,000</u>	<u>86,540</u>
Total	<u><u>\$ 550,000</u></u>	<u><u>\$ 81,540</u></u>	<u><u>\$ 5,000</u></u>	<u><u>\$ 636,540</u></u>

The City annually budgets transfers for specific purposes. Annual transfers included transfer for debt service and transfers made as part of capital improvement plans. For the year ended December 31, 2013, the City made the following one-time non-budgeted transfers:

- The EDA nonmajor governmental fund transferred \$81,540 to the Equipment Replacement Internal Service fund for the cost of new City signs.

CITY OF EAST BETHEL, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term debt

G.O. improvement bonds

The following bonds were used to finance improvements and buildings. They will be repaid with ad valorem taxes and special assessments levied against the properties. The bonds are backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds, Series 2005B	\$ 495,000	2.95-3.80 %	9/15/2005	2/1/2016	\$ 170,000
G.O. Improvement Bonds, Series 2010C	1,260,000	3.20-3.45	12/15/2010	2/1/2017	1,260,000
Public Safety Bonds, Series 2005A	1,900,000	2.95-4.30	9/15/2005	2/1/2026	85,000
G.O. Public Safety Bonds, Series 2013A	1,250,000	3.00	11/13/2013	2/1/2026	<u>1,250,000</u>
Total G.O. Improvement Bonds					<u><u>\$ 2,765,000</u></u>

Annual requirements to maturity for the G.O. improvement bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Principal
2014	\$ 140,000	\$ 102,669	\$ 242,669
2015	130,000	81,405	211,405
2016	845,000	65,653	910,653
2017	655,000	40,946	695,946
2018	95,000	28,425	123,425
2019-2023	535,000	96,075	631,075
2024-2026	<u>365,000</u>	<u>16,575</u>	<u>381,575</u>
Total	<u><u>\$ 2,765,000</u></u>	<u><u>\$ 431,748</u></u>	<u><u>\$ 3,196,748</u></u>

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. revenue bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future tax levies and/or sewer and water access charges.

Governmental activities

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer Revenue Bonds, Series 2008A	\$ 1,715,000	3.00-47.70 %	5/1/2008	2/1/2029	\$ 1,285,000
G.O. Water Revenue Bonds Series 2010A	8,605,645	4.50-7.00	12/15/2010	2/1/2040	11,465,000
G.O. Utility Revenue Bonds Series 2010B	6,100,000	3.10-7.00	12/15/2010	2/1/2040	6,100,000
G.O. Water Revenue Note Series 2010	69,190	1.00	2/17/2010	8/20/2029	<u>59,590</u>
Total G.O. Revenue Bonds					<u><u>\$ 18,909,590</u></u>

Annual requirements to maturity for the G.O. revenue bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 153,000	\$ 1,190,791	\$ 1,343,791
2015	158,000	1,185,839	1,343,839
2016	228,000	1,179,498	1,407,498
2017	263,000	1,170,811	1,433,811
2018	369,000	1,158,791	1,527,791
2019-2023	2,030,000	5,522,232	7,552,232
2024-2028	2,570,000	4,937,710	7,507,710
2029-2033	4,623,590	3,791,377	8,414,967
2034-2038	5,885,000	1,959,231	7,844,231
2039-2040	<u>2,630,000</u>	<u>185,850</u>	<u>2,815,850</u>
Total	<u><u>\$ 18,909,590</u></u>	<u><u>\$ 22,282,130</u></u>	<u><u>\$ 41,191,720</u></u>

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Restatement	Ending Balance	Due Within One Year
Governmental Activities						
Bonds Payable						
G.O. improvement bonds	\$ 2,995,000	\$ 1,250,000	\$ (1,480,000)	\$ -	\$ 2,765,000	\$ 140,000
G.O. revenue bonds & notes	16,198,235	-	(148,000)	2,859,355	18,909,590	153,000
Issuance premium	276,850	-	(11,363)	-	265,487	-
Total bonds payable	19,470,085	1,250,000	(1,639,363)	2,859,355	21,940,077	293,000
Compensated absences	114,133	103,854	(99,442)	-	118,545	99,028
Total governmental activity long-term debt	<u>\$ 19,584,218</u>	<u>\$ 1,353,854</u>	<u>\$ (1,738,805)</u>	<u>\$ 2,859,355</u>	<u>\$ 22,058,622</u>	<u>\$ 392,028</u>
Business-type activities						
Bonds Payable						
G.O. revenue bonds	<u>\$ 2,859,355</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,859,355)</u>	<u>\$ -</u>	<u>\$ -</u>

F. Components of fund balance

At December 31, 2013, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

Purpose	General Fund	Debt Service	Water Infrastructure Fund	Other Governmental Funds	Total
Fund Balances					
Nonspendable					
Prepayments	<u>\$ 64,029</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 64,029</u>
Restricted					
Water Infrastructure Construction	\$ -	\$ -	\$ 1,848,107	\$ -	\$ 1,848,107
Debt Service Fund	-	54,891	-	-	54,891
Recycling	-	-	-	51,707	51,707
Donations	-	-	-	7,464	7,464
Housing and Redevelopment Authority	-	-	-	785,564	785,564
Economic Development Authority	-	-	-	1,765	1,765
Park Development	-	-	-	26,064	26,064
Total Restricted	<u>\$ -</u>	<u>\$ 54,891</u>	<u>\$ 1,848,107</u>	<u>\$ 872,564</u>	<u>\$ 2,775,562</u>
Assigned to					
Park Capital Projects	\$ -	\$ -	\$ -	\$ 181,018	\$ 181,018
Street Capital Projects	-	-	-	785,993	785,993
Other Capital Projects	-	-	-	165,202	165,202
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,132,213</u>	<u>\$ 1,132,213</u>

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 4: DEFINED BENEFIT PENSION PLANS-STATEWIDE

A. 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 police officers, fire fighters and peace officers who qualify for membership by Minnesota statute are covered by 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. GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 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 web at www.mnpera.org, by writing to PERA at 60 Empire Street, #200, St. Paul, Minnesota 55102 or by calling (651) 296-7460 or (800) 652-9026.

B. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. 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 2013. PEPFF members are required to contribute 9.60 percent of their annual covered salary in 2013. In 2013, the City of Long Lake was required to contribute the following percentages of annual covered payroll: 11.78 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 GERF for the years ending December 31, 2013, 2012 and 2011 were \$80,271, \$74,743, \$79,086, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2013

Note 5: OTHER INFORMATION

A. 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.

B. 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, 2013.

Note 6: SUBSEQUENT EVENT

On March 4, 2014, the City issued \$5,485,000 General Obligation Refunding Bonds, Series 2014A. The refunding bonds will mature on February 1, 2040 and carries an average coupon rate of 3.46 percent. The issue will refund the General Obligation Utility Revenue Bonds, Series 2010B.

Note 7: RESTATEMENT

The City restated the beginning balance of the Water enterprise fund as well as the beginning fund balance of the Governmental and Business-type government-wide funds. The restatement was a result of a change in expectation of the revenue sources to pay a bond issued for infrastructure improvements will come from. The City reclassified the bond to governmental type activities rather than business-type activities.

Activities/Fund	Net Position December 31, 2012 as Previously Reported	Restatement	Net Position December 31, 2012 Restated
Governmental activities	\$ 33,767,163	\$ (2,903,305)	\$ 30,863,858
Business-type activities			
Water	\$ 232,558	\$ 2,903,305	\$ 3,135,863
Sewer	78,262	-	78,262
Ice Arena	570,579	-	570,579
	<u>\$ 881,399</u>	<u>\$ 2,903,305</u>	<u>\$ 3,784,704</u>

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

CITY OF EAST BETHEL, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	Special Revenue	Capital Projects	Total
ASSETS			
Cash and investments	\$ 765,129	\$ 803,750	\$ 1,568,879
Receivables			
Taxes	7,210	-	7,210
Special assessments	-	19,896	19,896
Accounts	-	1,525	1,525
Loans	16,400	-	16,400
Due from other funds	16,400	-	16,400
Due from other governments	83,791	55,813	139,604
	<u>\$ 888,930</u>	<u>\$ 880,984</u>	<u>\$ 1,769,914</u>
TOTAL ASSETS			
LIABILITIES			
Accounts and contracts payable	\$ 4,970	\$ 95,373	\$ 100,343
Due to other funds	16,400	2,643	19,043
Deposits payable	-	11,623	11,623
	<u>21,370</u>	<u>109,639</u>	<u>131,009</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	4,660	-	4,660
Unavailable revenue - special assessments	-	16,801	16,801
Unavailable revenue - loans	16,400	-	16,400
	<u>21,060</u>	<u>16,801</u>	<u>37,861</u>
TOTAL DEFERRED INFLOWS OF RESOURCES			
FUND BALANCES			
Restricted	846,500	26,064	872,564
Assigned	-	1,132,213	1,132,213
Unassigned	-	(403,733)	(403,733)
	<u>846,500</u>	<u>754,544</u>	<u>1,601,044</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 888,930</u>	<u>\$ 880,984</u>	<u>\$ 1,769,914</u>

CITY OF EAST BETHEL, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2013

	Special Revenue	Capital Projects	Total
REVENUES			
General property taxes	\$ 144,944	\$ -	\$ 144,944
Special assessments	-	23,248	23,248
Intergovernmental	128,427	55,813	184,240
Interest on investments	533	840	1,373
Other	5,711	37,270	42,981
	<u>279,615</u>	<u>117,171</u>	<u>396,786</u>
EXPENDITURES			
Current			
General government	-	7,631	7,631
Public safety	81,172	-	81,172
Public works	26,374	-	26,374
Culture and recreation	3,756	2,050	5,806
Housing and economic development	112,367	1,167	113,534
Capital outlay			
Public works	-	1,014,397	1,014,397
Culture and recreation	-	114,996	114,996
	<u>223,669</u>	<u>1,140,241</u>	<u>1,363,910</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>55,946</u>	<u>(1,023,070)</u>	<u>(967,124)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	550,000	550,000
Transfers out	(81,540)	(5,000)	(86,540)
	<u>(81,540)</u>	<u>545,000</u>	<u>463,460</u>
NET CHANGES IN FUND BALANCES	(25,594)	(478,070)	(503,664)
FUND BALANCE, JANUARY 1	<u>872,094</u>	<u>1,232,614</u>	<u>2,104,708</u>
FUND BALANCE, DECEMBER 31	<u>\$ 846,500</u>	<u>\$ 754,544</u>	<u>\$ 1,601,044</u>

CITY OF EAST BETHEL, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	226	227	231
	Recycling Fund	Miscellaneous Grants/ Donations Fund	SAFER Grant Fund
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and investments	\$ 30,510	\$ 7,464	\$ (58,144)
Taxes receivable	-	-	-
Due from other funds	-	-	-
Due from other governments	25,647	-	58,144
Loans receivable	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 56,157</u>	<u>\$ 7,464</u>	<u>\$ -</u>
LIABILITIES			
Accounts payable	\$ 4,450	\$ -	\$ -
Due to other funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>4,450</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	-	-	-
Unavailable revenue - loans	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE			
Restricted	<u>51,707</u>	<u>7,464</u>	<u>-</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 56,157</u>	<u>\$ 7,464</u>	<u>\$ -</u>

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<u>HRA Fund</u>	<u>EDA Fund</u>	<u>Total</u>
\$ 769,124	\$ 16,175	\$ 765,129
584	6,626	7,210
16,400	-	16,400
-	-	83,791
<u>-</u>	<u>16,400</u>	<u>16,400</u>
<u>\$ 786,108</u>	<u>\$ 39,201</u>	<u>\$ 888,930</u>
\$ -	\$ 520	\$ 4,970
-	16,400	16,400
<u>-</u>	<u>16,920</u>	<u>21,370</u>
544	4,116	4,660
<u>-</u>	<u>16,400</u>	<u>16,400</u>
<u>544</u>	<u>20,516</u>	<u>21,060</u>
<u>785,564</u>	<u>1,765</u>	<u>846,500</u>
<u>\$ 786,108</u>	<u>\$ 39,201</u>	<u>\$ 888,930</u>

CITY OF EAST BETHEL, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2013

	226	227	231
	Recycling Fund	Miscellaneous Grants/ Donations Fund	SAFER Grant Fund
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	47,255	-	81,172
Interest on investments	15	7	-
Other	1,146	4,365	-
TOTAL REVENUES	<u>48,416</u>	<u>4,372</u>	<u>81,172</u>
EXPENDITURES			
Current			
Public safety	-	-	81,172
Public works	26,374	-	-
Culture and recreation	-	3,756	-
Housing and economic development	-	-	-
TOTAL EXPENDITURES	<u>26,374</u>	<u>3,756</u>	<u>81,172</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	22,042	616	-
OTHER FINANCING USES			
Transfers out	-	-	-
NET CHANGE IN FUND BALANCE	22,042	616	-
FUND BALANCE, JANUARY 1	<u>29,665</u>	<u>6,848</u>	<u>-</u>
FUND BALANCE, DECEMBER 31	<u>\$ 51,707</u>	<u>\$ 7,464</u>	<u>\$ -</u>

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<u>HRA Fund</u>	<u>EDA Fund</u>	<u>Total</u>
\$ 479	\$ 144,465	\$ 144,944
-	-	128,427
511	-	533
200	-	5,711
<u>1,190</u>	<u>144,465</u>	<u>279,615</u>
-	-	81,172
-	-	26,374
-	-	3,756
<u>15,143</u>	<u>97,224</u>	<u>112,367</u>
<u>15,143</u>	<u>97,224</u>	<u>223,669</u>
(13,953)	47,241	55,946
<u>-</u>	<u>(81,540)</u>	<u>(81,540)</u>
(13,953)	(34,299)	(25,594)
<u>799,517</u>	<u>36,064</u>	<u>872,094</u>
<u>\$ 785,564</u>	<u>\$ 1,765</u>	<u>\$ 846,500</u>

CITY OF EAST BETHEL, MINNESOTA
SPECIAL REVENUE FUND - RECYCLING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative totals for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUE					
Intergovernmental	\$ 30,300	\$ 30,300	\$ 47,255	\$ 16,955	\$ 59,428
Interest on investments	-	-	15	15	-
Other	2,175	2,175	1,146	(1,029)	2,329
TOTAL REVENUE	32,475	32,475	48,416	15,941	61,757
EXPENDITURES					
Current					
Public works	32,475	32,475	26,374	6,101	29,547
Capital outlay					
Public works	-	-	-	-	22,636
TOTAL EXPENDITURES	32,475	32,475	26,374	6,101	52,183
NET CHANGE IN FUND BALANCE	-	-	22,042	22,042	9,574
FUND BALANCE, JANUARY 1	29,665	29,665	29,665	-	20,091
FUND BALANCE, DECEMBER 31	<u>\$ 29,665</u>	<u>\$ 29,665</u>	<u>\$ 51,707</u>	<u>\$ 22,042</u>	<u>\$ 29,665</u>

CITY OF EAST BETHEL, MINNESOTA
SPECIAL REVENUE FUND - SAFER GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative totals for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUE					
Intergovernmental	\$ 84,500	\$ 84,500	\$ 81,172	\$ (3,328)	\$ 68,548
EXPENDITURES					
Current					
Public safety	84,500	84,500	81,172	3,328	68,548
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE, JANUARY 1	-	-	-	-	-
FUND BALANCE, DECEMBER 31	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF EAST BETHEL, MINNESOTA
SPECIAL REVENUE FUND - HRA FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative totals for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUE					
Taxes	\$ -	\$ -	\$ 479	\$ 479	\$ 2,484
Interest on investments	-	-	511	511	1,187
Miscellaneous	-	-	200	200	-
TOTAL REVENUE	-	-	1,190	1,190	3,671
EXPENDITURES					
Current					
Housing and economic development	22,900	22,900	15,143	7,757	15,000
NET CHANGE IN FUND BALANCE	(22,900)	(22,900)	(13,953)	8,947	(11,329)
FUND BALANCE, JANUARY 1	799,517	799,517	799,517	-	810,846
FUND BALANCE, DECEMBER 31	<u>\$ 776,617</u>	<u>\$ 776,617</u>	<u>\$ 785,564</u>	<u>\$ 8,947</u>	<u>\$ 799,517</u>

CITY OF EAST BETHEL, MINNESOTA
SPECIAL REVENUE FUND - EDA FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative totals for the year ended December 31, 2012)

	2013				2012
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUE					
Taxes	\$ 144,670	\$ 144,670	\$ 144,465	\$ (205)	\$ 159,988
EXPENDITURES					
Current					
Housing and economic development	144,670	144,670	97,224	47,446	122,968
EXCESS OF REVENUES OVER EXPENDITURES	-	-	47,241	47,241	37,020
OTHER FINANCING USE					
Transfers out	-	-	(81,540)	(81,540)	-
NET CHANGE IN FUND BALANCE	-	-	(34,299)	(34,299)	37,020
FUND BALANCE, JANUARY 1	36,064	36,064	36,064	-	(956)
FUND BALANCE, DECEMBER 31	<u>\$ 36,064</u>	<u>\$ 36,064</u>	<u>\$ 1,765</u>	<u>\$ (34,299)</u>	<u>\$ 36,064</u>

CITY OF EAST BETHEL, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	404	410	411	506, 588	402
	Park Acquisition Fund	Park Trails Fund	Minard Street Fund	Improvements of 2003 Fund	Municipal State Aid Street Improvement Fund
ASSETS					
Cash and investments	\$ 26,064	\$ 144,088	\$ 27,712	\$ 6,830	\$ (372,993)
Receivables					
Special assessments	-	-	-	13,402	-
Accounts	-	-	-	-	-
Due from other governments	-	-	-	-	55,813
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,813</u>
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 26,064</u>	<u>\$ 144,088</u>	<u>\$ 27,712</u>	<u>\$ 20,232</u>	<u>\$ (317,180)</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 71,220
Due to other funds	-	-	-	-	-
Contracts payable	-	-	-	-	-
Deposits payable	-	-	-	-	11,623
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,623</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,843</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - special assessments	-	-	-	12,410	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,410</u>	<u>-</u>
FUND BALANCES					
Restricted	26,064	-	-	-	-
Assigned	-	144,088	27,712	7,822	-
Unassigned	-	-	-	-	(400,023)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(400,023)</u>
TOTAL FUND BALANCES	<u>26,064</u>	<u>144,088</u>	<u>27,712</u>	<u>7,822</u>	<u>(400,023)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 26,064</u>	<u>\$ 144,088</u>	<u>\$ 27,712</u>	<u>\$ 20,232</u>	<u>\$ (317,180)</u>

406	407	408, 409	401	502	435	
Street Capital Fund	Park Capital Fund	Utility Improvement Fund	Building Fund	Lunde/Jewell Street Fund	Tax Increment District No. 1-1	Total
\$ 731,587	\$ 40,144	\$ 23,723	\$ 132,132	\$ 44,463	\$ -	\$ 803,750
2,761	-	-	-	3,733	-	19,896
-	-	1,525	-	-	-	1,525
-	-	-	-	-	-	55,813
<u>\$ 734,348</u>	<u>\$ 40,144</u>	<u>\$ 25,248</u>	<u>\$ 132,132</u>	<u>\$ 48,196</u>	<u>\$ -</u>	<u>\$ 880,984</u>
\$ 9,076	\$ 3,214	\$ -	\$ -	\$ -	\$ 1,067	\$ 84,577
-	-	-	-	-	2,643	2,643
10,796	-	-	-	-	-	10,796
-	-	-	-	-	-	11,623
<u>19,872</u>	<u>3,214</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,710</u>	<u>109,639</u>
<u>658</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,733</u>	<u>-</u>	<u>16,801</u>
-	-	-	-	-	-	26,064
713,818	36,930	25,248	132,132	44,463	-	1,132,213
-	-	-	-	-	(3,710)	(403,733)
<u>713,818</u>	<u>36,930</u>	<u>25,248</u>	<u>132,132</u>	<u>44,463</u>	<u>(3,710)</u>	<u>754,544</u>
<u>\$ 734,348</u>	<u>\$ 40,144</u>	<u>\$ 25,248</u>	<u>\$ 132,132</u>	<u>\$ 48,196</u>	<u>\$ -</u>	<u>\$ 880,984</u>

CITY OF EAST BETHEL, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2013

	404	410	411	506, 588	402
	Park Acquisition Fund	Park Trails Fund	Minard Street Fund	Improvements of 2003 Fund	Municipal State Aid Street Improvement Fund
REVENUES					
Special assessments	\$ -	\$ -	\$ -	\$ 10,942	\$ -
Intergovernmental	-	-	-	-	55,813
Interest on investments	17	94	16	3	-
Other	-	-	8,000	-	-
TOTAL REVENUES	17	94	8,016	10,945	55,813
EXPENDITURES					
Current					
General government	-	-	-	-	-
Culture and recreation	-	2,050	-	-	-
Economic development	-	-	-	-	-
Capital outlay					
Public works	-	-	-	-	675,284
Culture and recreation	-	-	-	-	-
TOTAL EXPENDITURES	-	2,050	-	-	675,284
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	17	(1,956)	8,016	10,945	(619,471)
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	17	(1,956)	8,016	10,945	(619,471)
FUND BALANCE, JANUARY 1	26,047	146,044	19,696	(3,123)	219,448
FUND BALANCE, DECEMBER 31	<u>\$ 26,064</u>	<u>\$ 144,088</u>	<u>\$ 27,712</u>	<u>\$ 7,822</u>	<u>\$ (400,023)</u>

406	407	408, 409	401	502	435	
Street Capital Fund	Park Capital Fund	Utility Improvement Fund	Building Fund	Lunde/Jewell Street Fund	Tax Increment District No. 1-1	Total
\$ 8,224	\$ -	\$ -	\$ -	\$ 4,082	\$ -	\$ 23,248
-	-	-	-	-	-	55,813
532	56	16	78	28	-	840
-	450	28,820	-	-	-	37,270
<u>8,756</u>	<u>506</u>	<u>28,836</u>	<u>78</u>	<u>4,110</u>	<u>-</u>	<u>117,171</u>
-	-	-	7,631	-	-	7,631
-	-	-	-	-	-	2,050
-	.	-	-	-	1,167	1,167
339,113	-	-	-	-	-	1,014,397
-	114,996	-	-	-	-	114,996
<u>339,113</u>	<u>114,996</u>	<u>-</u>	<u>7,631</u>	<u>-</u>	<u>1,167</u>	<u>1,140,241</u>
<u>(330,357)</u>	<u>(114,490)</u>	<u>28,836</u>	<u>(7,553)</u>	<u>4,110</u>	<u>(1,167)</u>	<u>(1,023,070)</u>
425,000	75,000	-	50,000	-	-	550,000
-	-	(5,000)	-	-	-	(5,000)
<u>425,000</u>	<u>75,000</u>	<u>(5,000)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>545,000</u>
94,643	(39,490)	23,836	42,447	4,110	(1,167)	(478,070)
<u>619,175</u>	<u>76,420</u>	<u>1,412</u>	<u>89,685</u>	<u>40,353</u>	<u>(2,543)</u>	<u>1,232,614</u>
<u>\$ 713,818</u>	<u>\$ 36,930</u>	<u>\$ 25,248</u>	<u>\$ 132,132</u>	<u>\$ 44,463</u>	<u>\$ (3,710)</u>	<u>\$ 754,544</u>

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CITY OF EAST BETHEL, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative totals for the year ended December 31, 2012)

	2013			2012	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUE					
Taxes					
Property	\$ 4,123,317	\$ 4,123,317	\$ 4,131,421	\$ 8,104	\$ 4,225,660
Franchise	37,000	37,000	49,490	12,490	40,227
Total	<u>4,160,317</u>	<u>4,160,317</u>	<u>4,180,911</u>	<u>20,594</u>	<u>4,265,887</u>
Licenses and permits					
Business	33,200	33,200	31,560	(1,640)	36,570
Nonbusiness	136,730	136,730	308,535	171,805	108,325
Total	<u>169,930</u>	<u>169,930</u>	<u>340,095</u>	<u>170,165</u>	<u>144,895</u>
Intergovernmental					
State					
MSA	175,000	175,000	185,764	10,764	179,946
Property tax credits	-	-	5,690	5,690	-
PERA	2,123	2,123	2,123	-	2,123
Other state aid	4,000	4,000	7,600	3,600	7,600
Fire aid	39,383	39,383	56,223	16,840	40,896
Total	<u>220,506</u>	<u>220,506</u>	<u>257,400</u>	<u>36,894</u>	<u>230,565</u>
Charges for services	<u>122,780</u>	<u>122,780</u>	<u>128,543</u>	<u>5,763</u>	<u>153,840</u>
Fines and forfeitures	<u>50,600</u>	<u>50,600</u>	<u>53,574</u>	<u>2,974</u>	<u>52,870</u>
Interest on investments	<u>2,000</u>	<u>2,000</u>	<u>1,166</u>	<u>(834)</u>	<u>2,100</u>
Special Assessments	<u>-</u>	<u>-</u>	<u>1,318</u>	<u>1,318</u>	<u>-</u>
Miscellaneous					
Refunds and reimbursements	<u>38,000</u>	<u>38,000</u>	<u>54,042</u>	<u>16,042</u>	<u>49,385</u>
TOTAL REVENUES	<u>4,764,133</u>	<u>4,764,133</u>	<u>5,017,049</u>	<u>252,916</u>	<u>4,899,542</u>
EXPENDITURES					
General government					
Mayor and Council					
Personnel services	33,526	33,526	31,659	1,867	31,701
Other services and charges	53,533	53,533	38,139	15,394	44,306
Total Mayor and Council	<u>87,059</u>	<u>87,059</u>	<u>69,798</u>	<u>17,261</u>	<u>76,007</u>
Elections					
Supplies	-	-	-	-	277
Other services and charges	2,170	2,170	1,687	483	8,432
Total elections	<u>2,170</u>	<u>2,170</u>	<u>1,687</u>	<u>483</u>	<u>8,709</u>

CITY OF EAST BETHEL, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative totals for the year ended December 31, 2012)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
General government - continued					
Planning and zoning					
Personnel services	\$ 193,198	\$ 193,198	\$ 180,634	\$ 12,564	\$ 151,902
Supplies	150	150	165	(15)	758
Other services and charges	14,458	14,458	10,821	3,637	16,601
Total planning and zoning	207,806	207,806	191,620	16,186	169,261
Administration/support					
Personnel services	515,518	515,518	528,613	(13,095)	512,073
Supplies	500	500	336	164	411
Other services and charges	27,020	27,020	27,749	(729)	22,821
Total administration/support	543,038	543,038	556,698	(13,660)	535,305
General government buildings					
Supplies	4,200	4,200	1,876	2,324	2,177
Other services and charges	40,550	40,550	36,206	4,344	39,762
Total general government buildings	44,750	44,750	38,082	6,668	41,939
Miscellaneous					
Contractual services	248,200	248,200	227,205	20,995	232,727
Total general government	1,133,023	1,133,023	1,085,090	47,933	1,063,948
Public safety					
Fire protection					
Personnel services	302,548	302,548	315,819	(13,271)	297,568
Supplies	37,025	37,025	43,203	(6,178)	32,919
Other services and charges	188,210	188,210	184,971	3,239	168,895
Total fire protection	527,783	527,783	543,993	(16,210)	499,382
Police protection					
Other services and charges	961,144	961,144	959,256	1,888	959,924
Building inspection					
Personnel services	175,390	175,390	159,672	15,718	112,620
Supplies	4,200	4,200	6,813	(2,613)	5,183
Other services and charges	7,350	7,350	8,458	(1,108)	21,609
Total building inspection	186,940	186,940	174,943	11,997	139,412
Total public safety	1,675,867	1,675,867	1,678,192	(2,325)	1,598,718

CITY OF EAST BETHEL, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2013
(With comparative totals for the year ended December 31, 2012)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Public works					
Street maintenance					
Personnel services	\$ 392,171	\$ 392,171	\$ 379,817	\$ 12,354	\$ 380,401
Supplies	132,950	132,950	165,389	(32,439)	130,093
Other services and charges	233,950	233,950	217,145	16,805	209,426
Total public works	759,071	759,071	762,351	(3,280)	719,920
Culture and recreation					
Personnel services	301,317	301,317	286,391	14,926	301,467
Supplies	42,400	42,400	43,666	(1,266)	36,715
Other services and charges	50,750	50,750	37,838	12,912	37,885
Total culture and recreation	394,467	394,467	367,895	26,572	376,067
Miscellaneous					
Supplies	10,300	10,300	9,628	672	9,044
Other services and charges	231,405	231,405	201,484	29,921	167,424
Total miscellaneous	241,705	241,705	211,112	30,593	176,468
Capital outlay					
General government	-	-	1,589	(1,589)	5,167
Public safety	10,000	10,000	-	10,000	11,764
Total capital outlay	10,000	10,000	1,589	8,411	16,931
TOTAL EXPENDITURES	4,214,133	4,214,133	4,106,229	107,904	3,952,052
EXCESS REVENUE OVER EXPENDITURES	550,000	550,000	910,820	360,820	947,490
OTHER FINANCING USES					
Transfers out	(550,000)	(550,000)	(550,000)	-	(580,000)
NET CHANGE IN FUND BALANCE	-	-	360,820	360,820	367,490
FUND BALANCE, JANUARY 1	2,621,894	2,621,894	2,621,894	-	2,254,404
FUND BALANCE, DECEMBER 31	\$ 2,621,894	\$ 2,621,894	\$ 2,982,714	\$ 360,820	\$ 2,621,894

CITY OF EAST BETHEL, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2013

	301 2005/2013A Safety Bond	303 2005B Street Improvement Debt	308 2008A Sewer Revenue Bond
ASSETS			
Cash and investments	\$ 94,885	\$ 268,225	\$ (1,628)
Receivables			
Taxes	2,462	-	3,220
Special assessments	-	50,155	150,000
Accounts	-	-	-
Due from other governments	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 97,347</u></u>	<u><u>\$ 318,380</u></u>	<u><u>\$ 151,592</u></u>
LIABILITIES			
Advance from other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments	<u>-</u>	<u>50,155</u>	<u>150,000</u>
FUND BALANCE			
Restricted	<u>97,347</u>	<u>268,225</u>	<u>1,592</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u><u>\$ 97,347</u></u>	<u><u>\$ 318,380</u></u>	<u><u>\$ 151,592</u></u>

309 2010 Water Revenue Note	310 2010A Revenue Bond	311 2010B Utility Revenue Bond	312 2010C Improvement Bond	Total
\$ 4,127	\$ (53,748)	\$ (128,011)	\$ 83,905	\$ 267,755
-	-	-	-	5,682
-	161,000	-	-	361,155
-	-	11,200	-	11,200
-	10,254	-	-	10,254
<u>\$ 4,127</u>	<u>\$ 117,506</u>	<u>\$ (116,811)</u>	<u>\$ 83,905</u>	<u>\$ 656,046</u>
<u>\$ -</u>	<u>\$ 150,361</u>	<u>\$ 89,639</u>	<u>\$ -</u>	<u>\$ 240,000</u>
<u>-</u>	<u>161,000</u>	<u>-</u>	<u>-</u>	<u>361,155</u>
<u>4,127</u>	<u>(193,855)</u>	<u>(206,450)</u>	<u>83,905</u>	<u>54,891</u>
<u>\$ 4,127</u>	<u>\$ 117,506</u>	<u>\$ (116,811)</u>	<u>\$ 83,905</u>	<u>\$ 656,046</u>

CITY OF EAST BETHEL, MINNESOTA
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2013

	301	303	308
	2005/2013A	2005B Street	2008A Sewer
	Safety	Improvement	Revenue
	Bond	Debt	Bond
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 150,559	\$ -	\$ 179,170
Special assessments	-	28,125	18,000
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest on investments	64	165	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL REVENUES	150,623	28,290	197,170
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES			
Debt service			
Principal	170,000	55,000	145,000
Interest and other charges	54,315	7,661	51,779
	<u> </u>	<u> </u>	<u> </u>
TOTAL EXPENDITURES	224,315	62,661	196,779
	<u> </u>	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(73,692)	(34,371)	391
	<u> </u>	<u> </u>	<u> </u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds	1,250,000	-	-
Payment to refunding bond escrow agent	(1,255,000)	-	-
Transfers in	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL OTHER FINANCING SOURCES (USES)	(5,000)	-	-
	<u> </u>	<u> </u>	<u> </u>
NET CHANGE IN FUND BALANCES	(78,692)	(34,371)	391
FUND BALANCE, JANUARY 1	176,039	302,596	1,201
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCE, DECEMBER 31	<u>\$ 97,347</u>	<u>\$ 268,225</u>	<u>\$ 1,592</u>

309 2010 Water Revenue Note	310 2010A Revenue Bond	311 2010B Utility Revenue Bond	312 2010C Improvement Bond	Total
\$ -	\$ -	\$ -	\$ -	\$ 329,729
-	92,000	-	-	138,125
-	330,167	126,064	-	456,231
-	139,106	72,800	-	211,906
<u>3</u>	<u>3,964</u>	<u>1</u>	<u>59</u>	<u>4,256</u>
<u>3</u>	<u>565,237</u>	<u>198,865</u>	<u>59</u>	<u>1,140,247</u>
3,000	-	-	-	373,000
<u>626</u>	<u>767,498</u>	<u>376,989</u>	<u>42,158</u>	<u>1,301,026</u>
<u>3,626</u>	<u>767,498</u>	<u>376,989</u>	<u>42,158</u>	<u>1,674,026</u>
<u>(3,623)</u>	<u>(202,261)</u>	<u>(178,124)</u>	<u>(42,099)</u>	<u>(533,779)</u>
-	-	-	-	1,250,000
-	-	-	-	(1,255,000)
<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,377	(202,261)	(178,124)	(42,099)	(533,779)
<u>2,750</u>	<u>8,406</u>	<u>(28,326)</u>	<u>126,004</u>	<u>588,670</u>
<u>\$ 4,127</u>	<u>\$ (193,855)</u>	<u>\$ (206,450)</u>	<u>\$ 83,905</u>	<u>\$ 54,891</u>

CITY OF EAST BETHEL, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2013

	702		701	
	Compensated Absences		Equipment Replacement	
	2013	2012	2013	2012
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	\$ 118,619	\$ 113,334	\$ 1,198,912	\$ 1,488,075
Accounts receivable	-	799	-	405
Due from other funds	-	-	2,643	390,736
Prepaid items	-	-	-	37,180
TOTAL CURRENT ASSETS	118,619	114,133	1,201,555	1,916,396
NONCURRENT ASSETS				
Advance to other funds	-	-	240,000	240,000
Capital assets				
Machinery and equipment	-	-	2,697,052	1,603,865
Less accumulated depreciation	-	-	(746,870)	(536,187)
Net capital assets	-	-	1,950,182	1,067,678
TOTAL NONCURRENT ASSETS	-	-	2,190,182	1,307,678
TOTAL ASSETS	118,619	114,133	3,391,737	3,224,074
LIABILITIES				
CURRENT LIABILITIES				
Compensated absences - current portion	99,028	80,100	-	-
NONCURRENT LIABILITIES				
Compensated absences payable - noncurrent portion	19,517	34,033	-	-
TOTAL LIABILITIES	118,545	114,133	-	-
NET POSITION				
Investment in capital assets	-	-	1,950,182	1,067,678
Unrestricted	74	-	1,441,555	2,156,396
TOTAL NET POSITION	\$ 74	\$ -	\$ 3,391,737	\$ 3,224,074

<u>Total</u>	
<u>2013</u>	<u>2012</u>
\$ 1,317,531	\$ 1,601,409
-	1,204
2,643	390,736
-	37,180
<u>1,320,174</u>	<u>2,030,529</u>
<u>240,000</u>	<u>240,000</u>
2,697,052	1,603,865
(746,870)	(536,187)
<u>1,950,182</u>	<u>1,067,678</u>
<u>2,190,182</u>	<u>1,307,678</u>
<u>3,510,356</u>	<u>3,338,207</u>
99,028	80,100
<u>19,517</u>	<u>34,033</u>
<u>118,545</u>	<u>114,133</u>
1,950,182	1,067,678
<u>1,441,629</u>	<u>2,156,396</u>
<u>\$ 3,391,811</u>	<u>\$ 3,224,074</u>

CITY OF EAST BETHEL, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2013

	702		701	
	Compensated Absences		Equipment Replacement	
	2013	2012	2013	2012
OPERATING REVENUES				
Departmental billings	\$ 4,486	\$ 17,702	\$ 259,700	\$ 262,200
Franchise Fees	-	-	2,049	4,736
Miscellaneous	-	-	-	7,890
TOTAL OPERATING REVENUES	4,486	17,702	261,749	274,826
OPERATING EXPENSES				
Personnel services	4,486	17,702	-	-
Supplies	-	-	1,864	1,747
Depreciation	-	-	216,152	142,016
TOTAL OPERATING EXPENSES	4,486	17,702	218,016	143,763
OPERATING INCOME	-	-	43,733	131,063
NONOPERATING REVENUES				
Sale of capital assets	-	-	41,353	5,313
Interest on investments	74	-	1,037	2,704
TOTAL NONOPERATING REVENUES	74	-	42,390	8,017
INCOME BEFORE TRANSFERS	74	-	86,123	139,080
TRANSFERS IN	-	-	81,540	-
CHANGE IN FUND BALANCES	74	-	167,663	139,080
NET POSITION, JANUARY 1	-	-	3,224,074	3,084,994
NET POSITION, DECEMBER 31	\$ 74	\$ -	\$ 3,391,737	\$ 3,224,074

Totals

<u>2013</u>	<u>2012</u>
\$ 264,186	\$ 279,902
2,049	4,736
-	7,890
266,235	292,528
4,486	17,702
1,864	1,747
216,152	142,016
222,502	161,465
43,733	131,063
41,353	5,313
1,111	2,704
42,464	8,017
86,197	139,080
81,540	-
167,737	139,080
3,224,074	3,084,994
\$ 3,391,811	\$ 3,224,074

CITY OF EAST BETHEL, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013

	702		701	
	<u>Compensated Absences</u>		<u>Equipment Replacement</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 5,211	\$ 20,135	\$ 262,154	\$ 274,799
Payments to suppliers	-	-	35,316	(38,927)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>5,211</u>	<u>20,135</u>	<u>297,470</u>	<u>235,872</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Payments received on interfund loan	-	-	390,736	219,273
Interfund loan issued	-	-	(2,643)	-
Transfers in	-	-	81,540	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>469,633</u>	<u>219,273</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from sale of capital assets	-	-	45,000	5,313
Acquisition of capital assets	-	-	(1,102,303)	(162,257)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>(1,057,303)</u>	<u>(156,944)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	74	-	1,037	2,704
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,285	20,135	(289,163)	300,905
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>113,334</u>	<u>93,199</u>	<u>1,488,075</u>	<u>1,187,170</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 118,619</u>	<u>\$ 113,334</u>	<u>\$ 1,198,912</u>	<u>\$ 1,488,075</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income	\$ -	\$ -	\$ 43,733	\$ 131,063
Adjustments to reconcile operating income to net cash flows from operating activities				
Depreciation expense	-	-	216,152	142,016
(Increase) decrease in assets				
Accounts receivable	799	2,433	405	(27)
Prepaid items	-	-	37,180	(37,180)
Increase in liabilities				
Accounts payable	4,412	17,702	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 5,211</u>	<u>\$ 20,135</u>	<u>\$ 297,470</u>	<u>\$ 235,872</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Loss on disposal of capital assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,647</u>	<u>\$ -</u>

Total

2013	2012
\$ 267,365	\$ 294,934
35,316	(38,927)
<u>302,681</u>	<u>256,007</u>
390,736	219,273
(2,643)	-
81,540	-
<u>469,633</u>	<u>219,273</u>
45,000	5,313
(1,102,303)	(162,257)
<u>(1,057,303)</u>	<u>(156,944)</u>
<u>1,111</u>	<u>2,704</u>
(283,878)	321,040
<u>1,601,409</u>	<u>1,280,369</u>
<u>\$ 1,317,531</u>	<u>\$ 1,601,409</u>
\$ 43,733	\$ 131,063
216,152	142,016
1,204	2,406
37,180	(37,180)
<u>4,412</u>	<u>17,702</u>
<u>\$ 302,681</u>	<u>\$ 256,007</u>
<u>\$ 3,647</u>	<u>\$ -</u>

CITY OF EAST BETHEL, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2013 AND 2012

	Total		Percent Increase (Decrease)
	2013	2012	
REVENUES			
Taxes	\$ 4,655,584	\$ 4,693,460	(0.01) %
Licenses and permits	340,095	144,895	1.35
Intergovernmental	897,871	2,164,404	(0.59)
Charges for services	340,449	153,840	1.21
Fines and forfeitures	53,574	52,870	0.01
Special assessments	162,691	69,852	1.33
Interest on investments	9,442	21,942	(0.57)
Other	97,023	197,150	(0.51)
	<u> </u>	<u> </u>	
TOTAL REVENUES	<u>\$ 6,556,729</u>	<u>\$ 7,498,413</u>	(0.13) %
Per Capita	\$ 567	\$ 636	(0.11) %
EXPENDITURES			
Current			
General government	\$ 1,092,721	\$ 1,293,589	(0.16) %
Public safety	1,759,364	1,668,001	0.05
Public works	788,725	960,577	(0.18)
Culture and recreation	373,701	417,322	(0.10)
Housing and economic Development	113,534	125,511	(0.10)
Miscellaneous	211,112	-	100.00
Capital outlay			
General government	1,589	5,167	(0.69)
Public safety	-	11,764	(1.00)
Public works	5,438,588	6,027,624	(0.10)
Parks and recreation	114,996	-	-
Debt service			
Principal	373,000	248,000	0.50
Interest and other charges	1,301,026	1,317,048	(0.01)
	<u> </u>	<u> </u>	
TOTAL EXPENDITURES	<u>\$ 11,568,356</u>	<u>\$ 12,074,603</u>	(0.04) %
Per Capita	\$ 1,001	\$ 1,025	(0.02) %
Total Long-term Indebtedness	\$ 21,940,077	\$ 19,470,085	0.13 %
Per Capita	1,899	1,652	0.15
General Fund Balance - December 31	\$ 2,982,714	\$ 2,621,894	0.14 %
Per Capita	258	223	0.16

The purpose of this report is to provide a summary of financial information concerning the City of East Bethel to interested citizens. The complete financial statements may be examined at City Hall, 2241 221st Avenue NE, East Bethel, MN 55011. Questions about this report should be directed to Mike Jeziorski, Finance Director at (763) 367-7852.

OTHER REQUIRED REPORTS

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2013

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of East Bethel, Minnesota

We have audited, 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 the 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, 2013, and the related notes to the financial statements, and have issued our report thereon dated April 2, 2014.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 2, 2014



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

Honorable Mayor and City Council
City of East Bethel, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 2, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

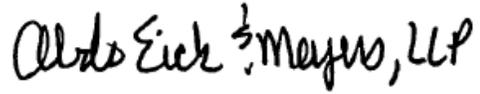
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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



ABDO, EICK & MEYERS, LLP

Minneapolis, Minnesota

April 2, 2014