City of East Bethel
City Council Agenda

Regular Council Meeting – 7:00 p.m.
Date: April 1, 2015

	Item	
7:00 PM	**1.0**	**Call to Order**
7:01 PM	**2.0**	**Pledge of Allegiance**
7:02 PM	**3.0**	**Adopt Agenda**
7:03 PM	**4.0**	**Presentations**
Page 3-115	A.	2015A Bond Refinance—Ehlers and Associations Resolution 2015-21 Awarding Bond Sale
Page 116-227	B.	2014 Audit Presentation—Abdo Eick and Meyers Resolutions 2015-22 Accepting 2014 Audit
7:25 PM	**5.0**	**Public Forum**
7:35 PM	**6.0**	**Consent Agenda**

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

Page 230-233	A.	Approve Bills
Page 234-261	B.	Meeting Minutes, March 18, 2015, City Council Meeting
Page 262-266	C.	Approval of Assessor Contract 2016, 2017 and 2018
Page 267-269	D.	Resolution 2015-23 Accepting Work
Page 270	E.	Resolution 2015-24 Declaring April 25, 2015 Arbor Day

		New Business
7:40 PM	**7.0**	Commission, Association and Task Force Reports
	A.	Planning Commission
Page 271-277		1. Beaverbrook CUP
	B.	Economic Development Authority
Page 278-280		1. BR & E Contract
	C.	Parks Commission
Page 281-283		1. East Bethel Tree City USA Award
	D.	Road Commission
7:45 PM	**8.0**	**Department Reports**
	A.	Community Development
	B.	Engineer
	C.	City Attorney
	D.	Finance
	E.	Public Works
	F.	Fire Department
	G.	City Administrator
Page 284-318		1. Verizon Cell Tower Contract
Page 319-322		2. 2016 URRWMO Budget
8:30PM	**9.0**	**Other**

A. Staff Report
B. Council Reports
C. Other
D. Closed Session – Code Enforcement Legal Action

9:00 PM **10.0 Adjourn**

City of East Bethel
City Council
Agenda Information

* *

Date:
April 1, 2015
* *

Agenda Item Number:
Item 4.0 A.1
* *

Agenda Item:
Resolution 2015-21, 2015 G.O. Refunding Bonds Series A
* *

Requested Action:
Consider adopting Resolution 2015-21 Authorizing Issuance, Awarding Sale, Prescribing the Form and Details providing for $11,815,000 General Obligation Refunding Bonds, Series 2015A
* *

Background Information:
At the March 4, 2015 City Council Meeting, Council authorized Ehlers and Associates to solicit proposals for the sale of refunding bonds 2015A with a par amount of $11,815,000. These bonds will be used to refund the 2010A GO Utility Bonds.

Ehlers, Inc. will compile the bid results for this bond issue and provide the tabulations for Council consideration on April 1, 2015.

We have provided the Resolution, less the award information, for your review
Attachment(s):

1. Resolution 2015-21 Authorizing Issuance, Awarding Sale, Prescribing the Form and Details and Providing for the Payment of $11,815,000 General Obligation Refunding Bonds, Series 2015A. Ehlers will revise the resolution with the sale results once they become available.
2. Official Statement

* *

Fiscal Impact:
Ehlers, Inc. will provide additional information regarding the interest and debt service schedules during the presentation on April 1, 2015.
* *

Recommendation(s):
Upon completion of the Ehlers presentation and pending an <u>acceptable sales proposal</u>, Staff is requesting consideration of City Council regarding adoption of Resolution 2015-21.
* *

City Council Action

Motion by: _____ Second by: _____

_____

Vote Yes: _____ Vote No: _____

No Action Required: _____

CERTIFICATION OF MINUTES RELATING TO
$11,815,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015A

Issuer: City of East Bethel, Minnesota

Governing Body: City Council

Kind, date, time and place of meeting: A regular meeting held April 1, 2015, at 7:00 p.m., at the City offices in East Bethel, Minnesota.

Members present:

Members absent:

Documents Attached:

Minutes of said meeting (including):

RESOLUTION NO. 2015-__

RESOLUTION AUTHORIZING ISSUANCE, AWARDING SALE, PRESCRIBING THE FORM AND DETAILS AND PROVIDING FOR THE PAYMENT OF $11,815,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015A

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

WITNESS my hand officially as such recording officer on April __, 2015.

_____
City Administrator

It was reported that [___] proposals for the purchase of $11,815,000 General Obligation Refunding Bonds, Series 2015A, were received prior to 10:00 a.m., Central time, pursuant to the Preliminary Official Statement distributed to potential purchasers of the Bonds by Ehlers & Associates, Inc., financial consultants to the City. The proposals have been publicly opened, read and tabulated and were found to be as follows:

[SEE ATTACHED]

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

RESOLUTION AUTHORIZING ISSUANCE, AWARDING SALE, PRESCRIBING THE FORM AND DETAILS AND PROVIDING FOR THE PAYMENT OF $11,815,000 GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015A

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

SECTION 1. AUTHORIZATION AND SALE.

1.01. Authorization. This Council hereby determines that it is in the best interests of the City to issue its General Obligation Refunding Bonds, Series 2015A (the "Bonds") in the principal amount of $11,815,000, pursuant to Minnesota Statutes, Chapter 475.67. The proceeds of the Bonds will be used, together with funds on hand as may be required, to refund in a current refunding the City's $11,465,000 Taxable General Obligation Water Utility Revenue Bonds, Series 2010A (Recovery Zone Economic Development Bonds), dated as originally issued, as of December 15, 2010, maturing in the years 2020 through 2040 and outstanding in the principal amount of $11,465,000 (the "Refunded Bonds"), pursuant to the extraordinary redemption provisions contained in Section 2.04 of the resolution of the City authorizing the issuance of the Refunded Bonds. The Refunded Bonds shall be called for redemption and prepayment on May 7, 2015 (the "Redemption Date"). The refunding of the Refunded Bonds is being carried out for the purpose described in Minnesota Statutes, Section 475.67, subdivision 3, section (b)(2)(i) and in compliance with Minnesota Statutes, Chapter 475.

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

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

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

2.01. Issuance of Bonds. All acts, conditions and things which are required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be

performed precedent to and in the valid issuance of the Bonds having been done, now existing, having happened and having been performed, it is now necessary for the Council to establish the form and terms of the Bonds, to provide security therefor and to issue the Bonds forthwith.

2.02. Maturities; Interest Rates; Denominations and Payment. The Bonds shall be originally dated as of April 23, 2015, shall be in the denomination of $5,000 each, or any integral multiple thereof, of single maturities, shall mature on February 1 in the years and amounts stated below, and shall bear interest from date of original issue until paid or duly called for redemption at the annual rates set forth opposite such years and amounts, as follows:

Year	Amount	Rate	Year	Amount	Rate
2016	$215,000		2029	$465,000	
2017	120,000		2030	545,000	
2018	120,000		2031	650,000	
2019	120,000		2032	740,000	
2020	135,000		2033	760,000	
2021	135,000		2034	775,000	
2022	185,000		2035	800,000	
2023	155,000		2036	830,000	
2024	200,000		2037	860,000	
2025	230,000		2038	885,000	
2026	285,000		2039	915,000	
2027	340,000		2040	945,000	
2028	405,000				

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

2.03. Dates and Interest Payment Dates. Upon initial delivery of the Bonds pursuant to Section 2.07 and upon any subsequent transfer or exchange pursuant to Section 2.06, the date of authentication shall be noted on each Bond so delivered, exchanged or transferred. Interest on the Bonds shall be payable on February 1 and August 1, commencing August 1, 2015 (each such date, an "Interest Payment Date"), to the person in whose name the Bonds are registered on the Bond Register (as hereinafter defined), at the Registrar's close of business on the fifteenth day of the calendar month next preceding such Interest Payment Date, whether or not such day is a business day. Interest shall be computed on the basis of a 360-day year composed of twelve 30-day months.

2.04. Redemption. Bonds maturing in 2024 and later years shall be subject to redemption and prepayment at the option of the City, in whole or in part, in such order of maturity dates as the City may select and, within a maturity, by lot as selected by the Registrar

(or, if applicable, by the bond depository in accordance with its customary procedures) in multiples of $5,000, on February 1, 2023, and on any date thereafter, at a price equal to the principal amount thereof and accrued interest to the date of redemption. The City Administrator shall cause notice of the call for redemption thereof to be published if and as required by law and, at least thirty days, but not more than 60 days, prior to the designated redemption date, shall cause notice of call for redemption to be mailed, by first class mail, to the registered holders of any Bond to be redeemed at their addresses as they appear on the Bond Register, provided that notice shall be given to any securities depository in accordance with its operational arrangements. No defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

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

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

Term Bonds Maturing on February 1, 20__

Sinking Fund Payment Date	Aggregate Principal Amount

The remaining $_____ stated principal amount shall be paid at maturity on February 1, 20__.

Term Bonds Maturing on February 1, 20__

Sinking Fund Payment Date	Aggregate Principal Amount

The remaining $_____ stated principal amount shall be paid at maturity on February 1, 20__.

Term Bonds Maturing on February 1, 20__

Sinking Fund Payment Date	Aggregate Principal Amount

The remaining $_____ stated principal amount shall be paid at maturity on February 1, 20__.

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

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

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

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

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

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

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

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

(f) Persons Deemed Owners. The City and the Registrar may treat the person in whose name any Bond is at any time registered in the Bond Register as the absolute owner of the Bond, whether the Bond shall be overdue or not, for the purpose of receiving payment of or on account of, the principal of and interest on the Bond and for all other purposes; and all payments made to any registered owner or upon the owner's order shall be valid and effectual to satisfy and discharge the liability upon Bond to the extent of the sum or sums so paid.

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

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

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

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

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

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

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

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

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

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

"Representation Letter" shall mean the Representation Letter pursuant to which the sender agrees to comply with DTC's Operational Arrangements.

(b) The Bonds shall be initially issued as separately authenticated fully registered bonds, and one Bond shall be issued in the principal amount of each stated maturity of the Bonds. Upon initial issuance, the ownership of such Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC. The Registrar and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the principal of or interest on the Bonds, selecting the Bonds or portions thereof to be redeemed, if any, giving any notice permitted or required to be given to registered owners of Bonds under this resolution, registering the transfer of Bonds, and for all other purposes whatsoever, and neither the Registrar nor the City shall be affected by any notice to the contrary. Neither the Registrar nor the City shall have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the Bond Register as being a registered

owner of any Bonds, with respect to the accuracy of any records maintained by DTC or any Participant, with respect to the payment by DTC or any Participant of any amount with respect to the principal of or interest on the Bonds, with respect to any notice which is permitted or required to be given to owners of Bonds under this resolution, with respect to the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Bonds, or with respect to any consent given or other action taken by DTC as registered owner of the Bonds. So long as any Bond is registered in the name of Cede & Co., as nominee of DTC, the Registrar shall pay all principal of and interest on such Bond, and shall give all notices with respect to such Bond, only to Cede & Co. in accordance with DTC's Operational Arrangements, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to the principal of and interest on the Bonds to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Bond for each separate stated maturity evidencing the obligation of the City to make payments of principal and interest. Upon delivery by DTC to the Registrar of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., the Bonds will be transferable to such new nominee in accordance with paragraph (e) hereof.

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

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

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

2.09. Form of Bonds. The Bonds shall be prepared in substantially the form attached hereto as Exhibit A.

SECTION 3. USE OF PROCEEDS. Upon payment for the Bonds by the Purchaser, the City Administrator shall apply the proceeds of the Bonds in the amount of $[_____] as follows:

(i) $[_____] to the redemption and prepayment of the Refunded Bonds on the Redemption Date, in accordance with the provisions of the resolution authorizing their issuance;

(ii) $[_____] to costs of issuance of the Bonds in accordance with Section 9.04 hereof; and

(iii) $[_____] to the Bond Fund described in Section 4 hereof.

SECTION 4. GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015A BOND FUND. The Bonds shall be payable from the General Obligation Refunding Bonds, Series 2015A Bond Fund (the "Bond Fund") of the City, which Bond Fund shall be created and maintained on the books of the City as a separate debt redemption fund until the Bonds, and all interest thereon, are fully paid. Into the Bond Fund shall be paid (a) the amounts specified in Section 3 above, (b) all amounts on deposit in the bond fund maintained for the payment of the Refunded Bonds upon the retirement of the Refunded Bonds, (c) net revenues of the System (as hereinafter defined) pledged pursuant to Section 6 hereof, (d) any taxes collected pursuant to Section 5 hereof, and (e) any other funds appropriated by the City Council for the payment of the Bonds. The principal of and interest on the Bonds shall be payable from the Bond Fund, and the money on hand in the Bond Fund from time to time shall be used only to pay the principal of and interest on the Bonds. If the balance in the Bond Fund is at any time insufficient to pay all interest and principal then due on all Bonds payable therefrom, the payment shall be made from any fund of the City which is available for that purpose, subject to reimbursement from the Bond Fund when the balance therein is sufficient, and the City covenants and agrees that it will each year levy a sufficient amount of ad valorem taxes to take care of any accumulated or anticipated deficiency, which levy is not subject to any constitutional or statutory limitation. On or before each principal and interest payment date for the Bonds, the City Administrator is directed to remit to the Registrar from funds on deposit in the Bond Fund the amount needed to pay principal and interest on the Bonds on the next succeeding principal and interest payment date.

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

SECTION 5. PLEDGE OF TAXING POWERS. For the prompt and full payment of the principal of and interest on the Bonds as such payments respectively become due, the full faith,

credit and unlimited taxing powers of the City shall be and are hereby irrevocably pledged. In order to produce aggregate amounts which, together with the collections of net revenues of the System as set forth in Section 6, will produce amounts not less than 5% in excess of the amounts needed to meet when due the principal and interest payments on the Bonds, ad valorem taxes are hereby levied on all taxable property in the City. The taxes will be levied and collected in years and amounts shown on the levy computation attached as Schedule I. Said taxes shall be irrepealable as long as any of the Bonds are outstanding and unpaid, provided that the City reserves the right and power to reduce said levies in accordance with the provisions of Minnesota Statutes, Section 475.61.

SECTION 6. PLEDGE OF NET REVENUES. It is hereby found, determined and declared that the City owns and operates the municipal sewer and water utility system (the "System") as a revenue-producing utility and convenience. The City hereby covenants and agrees with the registered owners from time to time of the Bonds, that until the Bonds and the interest thereon are discharged as provided in Section 7 or paid in full, the City will impose and collect reasonable charges in accordance with Minnesota Statutes, Section 444.075 for the service, use and availability of the System and that the net operating revenues of the System, after deducting from the gross receipts derived from charges for the service, use and availability of the System the normal, current and reasonable expenses of operation and maintenance thereof, will be sufficient, together with the taxes pledged under Section 5 hereof, to pay when due, all the principal of and interest on the Bonds herein authorized and on any other bonds to which such net revenues are pledged.

Nothing herein shall preclude the City from hereafter making further pledges and appropriations of the net revenues of the System for payment of additional obligations of the City hereafter authorized if the City Council determines before the authorization of such additional obligations that the estimated net revenues of the System will be sufficient, together with any other sources pledged to the payment of the outstanding and additional obligations, for payment of the outstanding bonds and such additional obligations. Such further pledges and appropriations of net revenues may be made superior or subordinate to or on a parity with, the pledge and appropriation herein made.

SECTION 7. DEFEASANCE. When all of the Bonds have been discharged as provided in this section, all pledges, covenants and other rights granted by this Resolution to the registered owners of the Bonds shall cease. The City may discharge its obligations with respect to any Bonds which are due on any date by depositing with the Registrar on or before that date a sum sufficient for the payment thereof in full; or, if any Bond should not be paid when due, it may nevertheless be discharged by depositing with the Registrar a sum sufficient for the payment thereof in full with interest accrued from the due date to the date of such deposit. The City may also discharge its obligations with respect to any prepayable Bonds called for redemption on any date when they are prepayable according to their terms by depositing with the Registrar on or before that date an amount equal to the principal, redemption premium, if any, and interest then due, provided that notice of such redemption has been duly given as provided herein. The City may also at any time discharge its obligations with respect to any Bonds, subject to the provisions of law now or hereafter authorizing and regulating such action, by depositing irrevocably in escrow, with a bank or trust company qualified by law as an escrow agent for this purpose, cash or securities which are authorized by law to be so deposited, bearing interest

payable at such time and at such rates and maturing or callable at the holder's option on such dates as shall be required to pay all principal and interest to become due thereon to maturity or earlier designated redemption date, provided, however, that if such deposit is made more than ninety days before the maturity date of the Bonds to be discharged, the City shall have received a written opinion of Bond Counsel to the effect that such deposit does not adversely affect the exemption of interest on any Bonds from federal income taxation and a written report of an accountant or investment banking firm verifying that the deposit is sufficient to pay when due all of the principal and interest on the Bonds to be discharged on and before their maturity dates.

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

8.01. General Covenant. The City covenants and agrees with the owners from time to time of the Bonds, that it will not take, or permit to be taken by any of its officers, employees or agents, any action which would cause the interest on the Bonds to become includable in gross income of the recipient under the Internal Revenue Code of 1986, as amended (the "Code") and applicable Treasury Regulations promulgated thereunder (the "Regulations"), and covenants to take any and all affirmative actions within its powers to ensure that the interest on the Bonds will not become includable in gross income of the recipient under the Code and applicable Regulations. The City represents and covenants that all improvements financed from the proceeds of the Bonds are and will be owned and operated by the City and available for use by members of the general public on a substantially equal basis. The City has not and will not enter into any lease, management contract, operating agreement, use agreement or other contract relating to the use, operation or maintenance of the City facilities financed by the Bonds which would cause the Bonds to be considered "private activity bonds" or "private loan bonds" pursuant to Section 141 of the Code.

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

8.03. Arbitrage Rebate. The City acknowledges that the Bonds are subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Regulations to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes, unless the Bonds qualify for an exception from the rebate requirement pursuant to one of the spending exceptions set forth in Section 1.148-7 of the Regulations and no "gross proceeds" of the Bonds (other than amounts constituting a "bona fide debt service fund") arise during or after the expenditure of the original proceeds thereof.

8.04. Not Designated Qualified Tax-Exempt Obligations. The Bonds are not designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

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

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

(1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2014, the following financial information and operating data in respect of the City (the "Disclosure Information"):

(A) the audited financial statements of the City for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the

effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: Current Property Valuations, Direct Debt, Tax Levies and Collections, U.S. Census Data-Population Trend and Employment/Unemployment.

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

(2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events (each a "Material Fact"):

(A) Principal and interest payment delinquencies;
(B) Non-payment related defaults, if material;
(C) Unscheduled draws on debt service reserves reflecting financial difficulties;
(D) Unscheduled draws on credit enhancements reflecting financial difficulties;
(E) Substitution of credit or liquidity providers, or their failure to perform;
(F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with

respect to the tax status of the security, or other material events affecting the tax status of the security;

(G) Modifications to rights of security holders, if material;

(H) Bond calls (other than scheduled mandatory redemptions), if material, and tender offers;

(I) Defeasances;

(J) Release, substitution, or sale of property securing repayment of the securities, if material;

(K) Rating changes;

(L) Bankruptcy, insolvency, receivership or similar event of the obligated person;

(M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(N) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

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

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

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

(A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;

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

(c) Manner of Disclosure.

(1) The City agrees to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, the information described in subsection (b).

(2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

(1) The covenants of the City in this section shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under

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

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

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

SECTION 9. CERTIFICATION OF PROCEEDINGS.

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

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

9.03. Official Statement. The Preliminary Official Statement relating to the Bonds, dated as of [March 19, 2015], prepared and distributed by Ehlers & Associates, Inc., is hereby approved. Ehlers & Associates, Inc., is hereby authorized on behalf of the City to prepare and distribute to the Purchaser within seven business days from the date hereof, a Final Official Statement listing the offering price, the interest rates, selling compensation, delivery date, the underwriters and such other information relating to the Bonds required to be included in the Official Statement by Rule l5c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The officers of the City are hereby authorized and directed to execute such certificates as may be appropriate concerning the accuracy, completeness and sufficiency of the Preliminary Official Statement and Final Official Statement.

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

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

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

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

and the following voted against the same:

whereupon the resolution was declared duly passed and adopted.

SCHEDULE I

Levy Schedule

EXHIBIT A

UNITED STATES OF AMERICA
STATE OF MINNESOTA
COUNTY OF ANOKA

CITY OF EAST BETHEL

GENERAL OBLIGATION REFUNDING BOND,
SERIES 2015A

No. R-___ $_____

Rate	Maturity Date	Date of Original Issue	CUSIP No.
_____%	February 1, 20__	April 23, 2015	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: THOUSAND DOLLARS

CITY OF EAST BETHEL, MINNESOTA (the "City"), acknowledges itself to be indebted and hereby promises to pay to the registered owner named above, or registered assigns, the principal amount specified above on the maturity date specified above and promises to pay interest thereon from the date of original issue specified above or from the most recent Interest Payment Date (as hereinafter defined) to which interest has been paid or duly provided for, at the annual rate specified above, payable on February 1 and August 1 of each year, commencing August 1, 2015 (each such date, an "Interest Payment Date"). The interest so payable on any Interest Payment Date shall be paid to the person in whose name this Bond is registered at the close of business on the fifteenth day (whether or not a business day) of the immediately preceding month. Interest hereon shall be computed on the basis of a 360-day year composed of twelve 30-day months. The interest hereon and, upon presentation and surrender hereof at the principal office of the Registrar described below, the principal hereof are payable in lawful money of the United States of America drawn on Bond Trust Services Corporation, in Roseville, Minnesota, as bond registrar, transfer agent and paying agent (the "Registrar"), or its successor designated under the Resolution described herein.

This Bond is one of an issue in the aggregate principal amount of $11,815,000 issued pursuant to a resolution adopted by the City Council on April 1, 2015 (the "Resolution"), to refinance improvements to the City's sanitary sewer and water system (the "System"), and is issued by authority of and in strict accordance with the provisions of the Constitution and laws of the State of Minnesota thereunto enabling, including Minnesota Statutes, Chapter 475.67. For the full and prompt payment of the principal of and interest on the Bonds as the same become due, the full faith, credit and taxing power of the City have been and are hereby irrevocably pledged. The Bonds are issuable only in fully registered form, in denominations of $5,000 or any multiple thereof, of single maturities.

Bonds maturing in 2024 and later years are each subject to redemption and prepayment at the option of the City, in whole or in part, and if in part in such order of maturity dates as the City may select and by lot as selected by the Registrar (or, if applicable, by the bond depository in accordance with its customary procedures) in multiples of $5,000 as to Bonds maturing on the same date, on February 1, 2023, and on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date of redemption. Prior to the date specified for the redemption of any Bond prior to its stated maturity date, the City will cause notice of the call for redemption to be published if and as required by law, and, at least thirty days, but not more than 60 days, prior to the designated redemption date, will cause notice of the call to be mailed by first class mail (or, if applicable, provided in accordance with the operational arrangements of the bond depository), to the registered owner of any Bond to be redeemed at the owner's address as it appears on the bond register maintained by the Registrar, but no defect in or failure to give such mailed notice of redemption shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the City shall default in the payment of the redemption price) such Bonds or portions of such Bonds shall cease to bear interest. Upon partial redemption of any Bond, a new Bond or Bonds will be delivered to the registered owner without charge, representing the remaining principal amount outstanding.

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

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

Term Bonds Maturing on February 1, 20__

Sinking Fund Payment Date	Aggregate Principal Amount

The remaining $_____ stated principal amount shall be paid at maturity on February 1, 20__.

Term Bonds Maturing on February 1, 20__

Sinking Fund Payment Date	Aggregate Principal Amount

The remaining $_____ stated principal amount shall be paid at maturity on February 1, 20__.

Term Bonds Maturing on February 1, 20__

Sinking Fund Payment Date	Aggregate Principal Amount

The remaining $_____ stated principal amount shall be paid at maturity on February 1, 20__.

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

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

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

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

IT IS HEREBY CERTIFIED, RECITED, COVENANTED AND AGREED that all acts, conditions and things required by the Constitution and laws of the State of Minnesota to be done, to exist, to happen and to be performed preliminary to and in the issuance of this Bond in order to make it a valid and binding general obligation of the City in accordance with its terms, have been done, do exist, have happened and have been performed as so required; that, prior to the issuance hereof, the City Council has by the Resolution covenanted and agreed to collect and apply to payment of the Bonds certain net revenues of the System and ad valorem taxes levied on all taxable property in the City, which revenues and taxes are estimated to be collectible in years and amounts sufficient to produce sums not less than 5% in excess of the principal of and interest

on the Bonds when due, and has appropriated such revenues and taxes to its General Obligation Refunding Bonds, Series 2015A Bond Fund for the payment of such principal and interest; that if necessary for the payment of such principal and interest, additional ad valorem taxes are required to be levied upon all taxable property in the City, without limitation as to rate or amount; that all proceedings relative to the improvements financed by this Bond have been or will be taken according to law and that the issuance of this Bond, together with all other indebtedness of the City outstanding on the date hereof and on the date of its actual issuance and delivery, does not cause the indebtedness of the City to exceed any constitutional or statutory limitation of indebtedness.

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

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

CITY OF EAST BETHEL, MINNESOTA

(Facsimile Signature City Administrator) (Facsimile Signature Mayor)

CERTIFICATE OF AUTHENTICATION

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

Dated _____

BOND TRUST SERVICES CORPORATION,
as Registrar

By _____
Authorized Representative

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to the applicable laws or regulations:

TEN COM — as tenants in common

UTMA ..... as Custodian for .....
(Cust) (Minor)

TEN ENT — as tenants by the entireties

under Uniform Transfers to Minors Act .....
(State)

JT TEN — as joint tenants with right of survivorship and not as tenants in common

Additional abbreviations may also be used.

_____

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ the within Bond and all rights thereunder, and does hereby irrevocably constitute and appoint _____ attorney to transfer the said Bond on the books kept for registration of the within Bond, with full power of substitution in the premises.

Dated: _____

_____

NOTICE: The assignor's signature to this assignment must correspond with the name as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed:

_____

Signature(s) must be guaranteed by an "eligible guarantor institution" meeting the requirements of the Registrar, which requirements include membership or participation in STAMP or such other "signature guaranty program" as may be determined by the Registrar in addition to or in substitution for STAMP, all in accordance with the Securities Exchange Act of 1934, as amended.

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFYING NUMBER OF ASSIGNEE:

_____

EXHIBIT B

NOTICE OF REDEMPTION

$11,465,000 Taxable General Obligation Water Utility Revenue Bonds, Series 2010A
(Recovery Zone Economic Development Bonds)
Dated as of December 15, 2010
City of East Bethel, Minnesota

NOTICE IS HEREBY GIVEN THAT there have been called for redemption and prepayment on May 7, 2015, all outstanding Bonds of the above-referenced issue, dated, as originally issued, as of December 15, 2010, maturing February 1 in the following years and having the interest rates listed below:

Maturity	Amount	Rate	CUSIP No.	Maturity	Amount	Rate	CUSIP No.
2020	$115,000	4.50%	271074 FU5	2030	$2,035,000	6.50%	271074 GE0
2021	120,000	4.70	271074 FV3	2035	3,835,000	6.75	271074 GK6
2025	720,000	5.60	271074 FZ4	2040	1,190,000	7.00	271074 GQ3

The Bonds will be redeemed at a price of 100% of their principal amount ($11,465,000) plus accrued interest to the date of redemption. Holders of the Bonds should present them for payment to U.S. Bank National Association, St. Paul, Minnesota, on or before said date, when they will cease to bear interest, in the following manner:

If by Mail:

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

If by Hand or Overnight Mail:

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

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

Additional information may be obtained from the undersigned.

Dated: _____, 2015.

U.S. BANK NATIONAL ASSOCIATION

CERTIFICATE OF ANOKA COUNTY AUDITOR
AS TO REGISTRATION AND TAX LEVY

I, the undersigned, being the duly qualified and acting County Auditor of Anoka County, Minnesota, do hereby certify that there has been filed in my office a certified copy of a resolution duly adopted on April 1, 2015, by the City Council of the City of East Bethel, Minnesota, setting forth the form and details of an issue of $11,815,000 General Obligation Refunding Bonds, Series 2015A, dated as of April 23, 2015, and levying taxes for the payment of the Bonds.

I further certify that the issue has been entered on my bond register and the tax levy has been filed as required by Minnesota Statutes, Sections 475.61 to 475.63.

_____
County Auditor

(SEAL)

In the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain requirements of the Internal Revenue Code of 1986, as amended, (the "Code"), and certain covenants, interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes, and is not an item of tax preference for federal or Minnesota alternative minimum tax purposes. Such interest is included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions and in adjusted current earnings of corporations for federal alternative minimum tax purposes. The Bonds are not designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code. See "TAX EXEMPTION" and "RELATED TAX CONSIDERATIONS".

New Issue **Rating Application Made: Standard & Poor's**

PRELIMINARY OFFICIAL STATEMENT DATED MARCH 19, 2015

CITY OF EAST BETHEL, MINNESOTA
(Anoka County)

$11,815,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015A

PROPOSAL OPENING: April 1, 2015, 10:00 A.M., C.T. **CONSIDERATION**: April 1, 2015, 7:00 P.M., C.T.

PURPOSE/AUTHORITY/SECURITY: The $11,815,000 General Obligation Refunding Bonds, Series 2015A (the "Bonds") are being issued pursuant to Minnesota Statutes, Chapter 444, and Section 475.67, by the City of East Bethel, Minnesota (the "City"), for the purpose of effecting a current refunding of certain outstanding general obligations of the City as more fully described herein. The Bonds will be general obligations of the City for which its full faith, credit and taxing powers are pledged. Delivery is subject to receipt of an approving legal opinion of Dorsey & Whitney LLP, Minneapolis, MN.

DATE OF BONDS: April 23, 2015

MATURITY: February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2016	$215,000	2025	$230,000	2034	$775,000
2017	120,000	2026	285,000	2035	800,000
2018	120,000	2027	340,000	2036	830,000
2019	120,000	2028	405,000	2037	860,000
2020	135,000	2029	465,000	2038	885,000
2021	135,000	2030	545,000	2039	915,000
2022	185,000	2031	650,000	2040	945,000
2023	155,000	2032	740,000		
2024	200,000	2033	760,000		

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

TERM BONDS: See "Term Bond Option" herein.

INTEREST: August 1, 2015 and semiannually thereafter.

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

MINIMUM PROPOSAL: $11,720,480

GOOD FAITH DEPOSIT: A cashier's check in the amount of $236,300 may be submitted contemporaneously with the proposal or, alternatively, a good faith deposit shall be made by the winning bidder by wire transfer of funds.

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

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

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

REPRESENTATIONS

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

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

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

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

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

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

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

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

CLOSING CERTIFICATES

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

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CITY COUNCIL

		Term Expires
Steve Voss	Mayor	January 2017
Tim Harrington	Council Member	January 2019
Ron Koller	Council Member	January 2017
Brian Mundle	Council Member	January 2019
Tom Ronning	Council Member	January 2017

ADMINISTRATION

Jack Davis, City Administrator-Clerk-Treasurer
Mike Jeziorski, Finance Director

PROFESSIONAL SERVICES

Dorsey & Whitney LLP, Bond Counsel, Minneapolis, MN

Ehlers & Associates, Inc., Financial Advisors, Roseville, MN
(*Other offices located in Pewaukee, WI and Lisle, IL*)

INTRODUCTORY STATEMENT

This Preliminary Official Statement contains certain information regarding the City of East Bethel, Minnesota (the "City") and the issuance of its $11,815,000 General Obligation Refunding Bonds, Series 2015A (the "Bonds"). Any descriptions or summaries of the Bonds, statutes, or documents included herein are not intended to be complete and are qualified in their entirety by reference to such statutes and documents and the form of the Bonds to be included in the resolution authorizing the sale of the Bonds ("Award Resolution") to be adopted by the City Council on April 1, 2015.

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

THE BONDS

GENERAL

The Bonds will be issued in fully registered form as to both principal and interest in denominations of $5,000 each or any integral multiple thereof, and will be dated, as originally issued, as of April 23, 2015. The Bonds will mature on February 1 in the years and amounts set forth on the cover of this Preliminary Official Statement. Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2015, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

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

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

OPTIONAL REDEMPTION

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

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

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

AUTHORITY; PURPOSE

The Bonds are being issued by the City, pursuant to Minnesota Statutes, Chapter 444 and Section 475.67, for the purpose of effecting a current refunding of the 2020 through 2040 maturities of the City‘s $11,465,000 Taxable General Obligation Water and Utility Bonds, Series 2010A (Recovery Zone Economic Development Bonds), (the “Series 2010A Bonds”), dated December 15, 2010.

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

Issue Being Refunded	Date of Refunded Issue	Call Date	Call Price	Maturities Being Refunded	Interest Rates	Principal to be Refunded	CUSIP Base 271074
Series 2010A Bonds	12/15/10	5/7/15	Par	2020	4.50%	$115,000	FU5
				2021	4.70%	120,000	FV3
				2025 (term)	5.60%	720,000	FZ4
				2030 (term)	6.50%	2,035,000	GE0
				2035(term)	6.75%	3,835,000	GK6
				2040 (term)	7.00%	4,640,000	GQ3
Total Series 2010A Bonds Being Refunded						$11,465,000	

Proceeds of the Bonds will be used to call and prepay the maturities described above and to pay all or most of the costs of issuance.

ESTIMATED SOURCES AND USES

Sources		
Par Amount of Bonds	$11,815,000	
Total Sources		**$11,815,000**
Uses		
Deposit to Current Refunding Fund	$11,639,722	
Contingency	1,758	
Discount Allowance	94,520	
Finance Related Expenses	79,000	
Total Uses		**$11,815,000**

SECURITY

The Bonds are general obligations of the City for which its full faith, credit and taxing powers are pledged without limitation as to rate or amount. The City anticipates that the debt service will be paid from a combination net revenues of the water system which is owned and operated by the City and from ad valorem property taxes. Receipt of revenues and collection of ad valorem taxes will be sufficient to provide not less than 105% of principal and interest on the Bonds as required by Minnesota law.

Should the revenues pledged for payment of the Bonds be insufficient to pay the principal and interest as the same shall become due, the City is required to pay maturing principal and interest from moneys on hand in any other fund of the City not pledged for another purpose and/or to levy additional taxes for this purpose upon all the taxable property in the City, without limitation as to rate or amount.

RATING

General obligation debt of the City, with the exception of any outstanding credit enhanced issues, is currently rated “AA” by Standard & Poor’s.

The City has requested a rating on this issue from Standard & Poor's, and bidders will be notified as to the assigned rating prior to the sale. Such a rating, if and when received, will reflect only the view of the rating agency and any explanation of the significance of such rating may only be obtained from Standard & Poor's. There is no assurance that such rating, if and when received, will continue for any period of time or that it will not be revised or withdrawn. Any revision or withdrawal of the rating may have an effect on the market price of the Bonds.

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (hereinafter the "Rule"), the City shall covenant to take certain actions pursuant to a Resolution adopted by the City Council by entering into a Continuing Disclosure Undertaking (the “Disclosure Undertaking”) for the benefit of holders, including beneficial holders. The Disclosure Undertaking requires the City to provide electronically or in the manner otherwise prescribed certain financial information annually and to provide notices of the occurrence of certain events enumerated in the Rule. The details and terms of the Disclosure Undertaking for this issue are set forth in Appendix D to be executed and delivered by

the City at the time of delivery of the Bonds. Such Disclosure Undertaking will be in substantially the form attached hereto.

The City failed to file a rating change notice for Moody's rating recalibration in April of 2010. The failure notice has been filed on EMMA. The City filed their annual report for fiscal year ending December 31, 2013 timely however, the report was missing two reporting categories. An amended annual report was filed March 16, 2015. Except to the extent the preceding is deemed to be material, in the past five years the City has never failed to comply in any material respect with any prior undertakings under the Rule.

A failure by the City to comply with any Disclosure Undertaking will not constitute an event of default on this issue or any issue outstanding. However, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. Due to widespread industry knowledge of bond insurance rating changes, bond insurance rating changes are not listed.

The City will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system or any system that may be prescribed in the future. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

LEGAL OPINION

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

TAX EXEMPTION AND RELATED TAX CONSIDERATIONS

The following discussion is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership or disposition of the Bonds or receipt of interest on the Bonds. Prospective purchasers should consult their tax advisors with respect to collateral tax consequences, including, without limitation, the determination of gain or loss on the sale of a Bond, the calculation of alternative minimum tax liability, the inclusion of Social Security or other retirement payments in taxable income, the disallowance of deductions for certain expenses attributable to the Bonds, and applicable state and local tax rules in states other than Minnesota. The form of the approving opinion of Dorsey & Whitney LLP, Bond Counsel, is attached as Appendix B hereto.

Tax Exemption

It is the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, Bond Counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and on certifications to be furnished at closing, and assuming compliance by the City with certain covenants (the "Tax Covenants"), that interest to be paid on the Bonds is excluded from gross income for federal income tax purposes and from taxable net income of individuals, estates, and trusts for Minnesota income tax purposes. Such interest is, however, included in taxable income for purposes of the Minnesota franchise tax on corporations and financial institutions.

Certain provisions of the Internal Revenue Code of 1986, as amended (the "Code"), however, impose continuing requirements that must be met after the issuance of the Bonds in order that interest on the Bonds be and remain excludable from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. These requirements include, but are not limited to, provisions regarding the use of Bond proceeds and the facilities financed or refinanced with such proceeds; restrictions on the investment of Bond proceeds and other amounts; and provisions requiring that certain investment earnings be rebated periodically to the federal government. Noncompliance with such requirements of the Code may cause interest on the Bonds to be includable in federal gross income or in Minnesota taxable net income retroactively to their date of issue. Compliance with the Tax Covenants will satisfy the current requirements of the Code with respect to exclusion of interest on the Bonds from federal gross income and from Minnesota taxable net income of individuals, estates, and trusts. No provision has been made for redemption of or for an increase in the interest rate on the Bonds in the event that interest on the same becomes includable in federal gross income or in Minnesota taxable net income.

Not Qualified Tax-Exempt Bonds

The Bonds will not be designated as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. Sections 265(a)(2) and 291 of the Code impose additional limitations on the deductibility of such interest expense.

Original Issue Discount

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

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

discount that would have accrued for that semiannual accrual period for federal income tax purposes is allocated ratably to the days in such accrual period.

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

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

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

Bond Premium

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

Related Tax Considerations

Interest on the Bonds is not an item of tax preference for federal or Minnesota alternative minimum tax purposes, but is includable in adjusted current earnings of corporations for purposes of the federal alternative minimum tax. Section 86 of the Code and corresponding provisions of Minnesota law require recipients of certain Social Security and railroad retirement benefits to take interest on the Bonds into account in determining the taxability of such benefits. Passive investment income, including interest on the Bonds, may be subject to taxation under section 1375 of the Code, and corresponding provisions of Minnesota law, for an S corporation that has accumulated earnings and profits at the close of the taxable year, if more than 25 percent of its gross receipts is passive investment income. Section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds, and Minnesota law similarly denies a deduction for such interest in the case of individuals, estates, and trusts. Indebtedness may be allocated to the Bonds for this purpose even though not directly traceable to the purchase of the Bonds. Federal and Minnesota laws also restrict the deductibility of other expenses allocable to the Bonds. **Because of the basis reduction rules in the Code for amortizable Bond premium, Bondholders who acquire Bonds at a premium might recognize taxable gain upon sale of the Bonds even if the Bonds are sold for an amount equal to or less than their original cost.** In the case of an insurance company subject to the tax imposed by section 831of the Code, the amount which otherwise would be taken into account as losses incurred under section

832(b)(5) of the Code must be reduced by an amount equal to 15 percent of the interest on the Bonds that is received or accrued during the taxable year. Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by section 884 of the Code, and is included in net investment income of foreign insurance companies under section 842(b) of the Code. In the case of an insurance company subject to the tax imposed by section 831 of the Code, the amount which otherwise would be taken into account as losses incurred under section 832(b)(5) of the Code must be reduced by an amount equal to 15 percent of the interest on the Bonds that is received or accrued during the taxable year. Interest on the Bonds may be included in the income of a foreign corporation for purposes of the branch profits tax imposed by section 884 of the Code, and is included in net investment income of foreign insurance companies under section 842(b) of the Code.

Proposed Changes in Federal and State Law

From time to time, there are Presidential proposals, proposals of various federal committees and legislative proposals in Congress and in the sate that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. For example, both President Obama and the Chairman of the Committee on Ways and Means of the U.S. House of Representatives have proposed legislation that effectively would impose a partial tax on otherwise tax exempt interest for certain higher income taxpayers. In addition, regulatory and administrative actions may from time to time be announced that could adversely affect the market value, marketability or tax status of the Bonds.

No prediction is made concerning future events. The opinions expressed by Bond Counsel in connection with the issuance of the Bonds are based upon existing law only. Purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed legislation, regulatory action, or litigation.

THE FOREGOING IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF COLLATERAL TAX CONSEQUENCES ARISING FROM OWNERSHIP OR DISPOSITION OF THE BONDS OR RECEIPT OF INTEREST ON THE BONDS. PROSPECTIVE PURCHASERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF, OR TAX CONSIDERATIONS FOR, PURCHASING OR HOLDING THE BONDS.

FINANCIAL ADVISOR

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

PURCHASER

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

RISK FACTORS

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

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

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

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

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

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

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

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

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

VALUATIONS

OVERVIEW

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

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

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

Type of Property	2011/12	2012/13	2013/14
Residential homestead[1]	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%	First $500,000 - 1.00% Over $500,000 - 1.25%
Agricultural homestead[1]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,210,000 - 0.50% [2] Over $1,210,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,290,000 - 0.50% [2] Over $1,290,000 - 1.00% [2]	First $500,000 HGA - 1.00% Over $500,000 HGA - 1.25% First $1,500,000 - 0.50% [2] Over $1,500,000 - 1.00% [2]
Agricultural non-homestead	Land - 1.00% [2]	Land - 1.00% [2]	Land - 1.00% [2]
Seasonal recreational residential	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]	First $500,000 - 1.00% [3] Over $500,000 - 1.25% [3]
Residential non-homestead:	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25%	1 unit - 1st $500,000 - 1.00% Over $500,000 - 1.25% 2-3 units - 1.25% 4 or more - 1.25% Small City [4] - 1.25%
Industrial/Commercial/Utility[5]	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%	First $150,000 - 1.50% Over $150,000 - 2.00%

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

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

[3] Exempt from referendum market value tax.

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

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

CURRENT PROPERTY VALUATIONS

2013/14 Economic Market Value[1] $861,043,430[2]

	2014/15 Assessor's Estimated Market Value	2014/15 Net Tax Capacity
Real Estate	$857,028,500	$8,059,543
Personal Property	8,419,300	167,101
Total Valuation	$865,447,800	$8,226,644
Less: Captured Tax Increment Tax Capacity[3]		(46,859)
Fiscal Disparities Contribution[4]		(342,521)
Taxable Net Tax Capacity		$7,837,264
Plus: Fiscal Disparities Distribution[3]		1,719,767
Adjusted Taxable Net Tax Capacity		$9,557,031

1 The most recent data available from the Minnesota Department of Revenue.

2 According to the Minnesota Department of Revenue, the Economic Market Value (the "EMV") for the City of East Bethel is about 92.26% of the actual selling prices of property most recently sold in the City. The sales ratio was calculated by comparing the selling prices with the Assessor's Estimated Market Value (the "AEMV"). Dividing the AEMV of real estate by the sales ratio and adding the AEMV of personal property and utility, railroads and minerals, if any, results in an EMV for the City of $861,043,430.

3 The captured tax increment value shown above represents the captured net tax capacity of tax increment financing districts in the City of East Bethel.

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

2014/15 NET TAX CAPACITY BY CLASSIFICATION

	2014/15 Net Tax Capacity	Percent of Total Net Tax Capacity
Residential homestead	$ 6,174,044	75.05%
Agricultural	248,179	3.02%
Commercial/industrial	766,500	9.32%
Public utility	1,740	0.02%
Railroad operating property	1,086	0.01%
Non-homestead residential	815,420	9.91%
Commercial & residential seasonal/rec.	52,574	0.64%
Personal property	167,101	2.03%
Total	$ 8,226,644	100.00%

TREND OF VALUATIONS

Levy Year	Assessor's Estimated Market Value	Assessor's Taxable Market Value	Net Tax Capacity[1]	Adjusted Taxable Net Tax Capacity[2]	Percent +/- in Estimated Market Value
2010/11	$916,468,400	$901,424,900	$9,486,806	$11,064,256	-11.35%
2011/12	882,069,500	797,957,993 [3]	8,433,841 [3]	9,866,102	-3.75%
2012/13	819,268,800	733,712,259	7,725,613	9,084,462	-7.12%
2013/14	794,991,100	709,725,618	7,465,001	8,785,832	-2.96%
2014/15	865,447,800	783,529,493	8,226,644	9,557,031	8.86%

[1] Net Tax Capacity is before fiscal disparities adjustments and includes tax increment values.

[2] Adjusted Taxable Net Tax Capacity is after fiscal disparities adjustments and does not include tax increment values.

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

LARGER TAXPAYERS

Taxpayer	Type of Property	2014/15 Net Tax Capacity	Percent of City's Total Net Tax Capacity
Connexus Energy	Utility	$ 80,516	0.98%
AHI Investments LLC	Commercial	74,628	0.91%
Xcel Energy	Utility	47,336	0.58%
Village Green North	Apartments	43,248	0.53%
Muller Property of E. Bethel, LLC	Commercial	34,890	0.42%
Minnegasco, Inc.	Utility	33,248	0.40%
Greystone, LLC	MH Park	28,990	0.35%
Firebird Land, LLC	Residential	23,863	0.29%
Viking Meadows, Inc.	Commercial	21,733	0.26%
Village Bank	Commercial	21,510	0.26%
Total		**$409,962**	**4.98%**

City's Total 2014/15 Net Tax Capacity $8,226,644

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

DEBT

DIRECT DEBT[1]

General Obligation Debt (see schedules following)

Total g.o. debt being paid from revenues	$ 2,296,589
Total g.o. debt being paid from special assessments	60,000
Total g.o. debt being paid from taxes	1,175,000
Total g.o. debt being paid from revenues and taxes (includes the Bonds of this offering)	17,300,000
Total General Obligation Debt	$20,831,589

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

CITY OF EAST BETHEL, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues
(As of 4/23/15)

	Sewer Series 2008A		MPFA Loan Drinking Water 2010		Taxable GO Bonds Series 2010C							
Dated	5/01/08		2/17/10		12/15/10							
Amount	$1,715,000		$69,190		$1,260,000							
Maturity	2/01		8/20		2/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2015	0	19,543	3,000	283	0	20,866	3,000	40,692	43,692	2,293,589	0.13%	**2015**
2016	135,000	36,723	3,000	536	695,000	30,613	833,000	67,871	900,871	1,460,589	36.40%	**2016**
2017	140,000	31,560	3,000	506	565,000	9,746	708,000	41,812	749,812	752,589	67.23%	**2017**
2018	155,000	25,660	4,000	476			159,000	26,136	185,136	593,589	74.15%	**2018**
2019	170,000	19,160	4,000	436			174,000	19,596	193,596	419,589	81.73%	**2019**
2020	175,000	12,260	4,000	396			179,000	12,656	191,656	240,589	89.52%	**2020**
2021	125,000	6,260	4,000	356			129,000	6,616	135,616	111,589	95.14%	**2021**
2022	10,000	3,525	4,000	316			14,000	3,841	17,841	97,589	95.75%	**2022**
2023	10,000	3,055	4,000	276			14,000	3,331	17,331	83,589	96.36%	**2023**
2024	10,000	2,585	4,000	236			14,000	2,821	16,821	69,589	96.97%	**2024**
2025	10,000	2,115	4,000	196			14,000	2,311	16,311	55,589	97.58%	**2025**
2026	10,000	1,645	4,000	156			14,000	1,801	15,801	41,589	98.19%	**2026**
2027	10,000	1,175	4,000	116			14,000	1,291	15,291	27,589	98.80%	**2027**
2028	10,000	705	4,000	76			14,000	781	14,781	13,589	99.41%	**2028**
2029	10,000	235	3,589	36			13,589	271	13,860	0	100.00%	**2029**
	980,000	166,205	56,589	4,396	1,260,000	61,225	2,296,589	231,826	2,528,415			

CITY OF EAST BETHEL, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Special Assessments
(As of 4/23/15)

	Improvement Series 2005B							
Dated	9/15/05							
Amount	$495,000							
Maturity	2/01							
Fiscal Year Ending	**Principal**	**Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2015	0	1,140	0	1,140	1,140	60,000	0.00%	**2015**
2016	60,000	1,140	60,000	1,140	61,140	0	100.00%	**2016**
	60,000	2,280	60,000	2,280	62,280			

CITY OF EAST BETHEL, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Taxes
(As of 4/23/15)

Refunding 1)
Series 2013A

Dated	11/13/13
Amount	$1,250,000
Maturity	2/01

Fiscal Year Ending	Principal	Interest	Total Principal	Total Interest	Total P & I	Principal Outstanding	% Paid	Fiscal Year Ending
2015	0	17,625	0	17,625	17,625	1,175,000	0.00%	**2015**
2016	90,000	33,900	90,000	33,900	123,900	1,085,000	7.66%	**2016**
2017	90,000	31,200	90,000	31,200	121,200	995,000	15.32%	**2017**
2018	95,000	28,425	95,000	28,425	123,425	900,000	23.40%	**2018**
2019	100,000	25,500	100,000	25,500	125,500	800,000	31.91%	**2019**
2020	100,000	22,500	100,000	22,500	122,500	700,000	40.43%	**2020**
2021	110,000	19,350	110,000	19,350	129,350	590,000	49.79%	**2021**
2022	110,000	16,050	110,000	16,050	126,050	480,000	59.15%	**2022**
2023	115,000	12,675	115,000	12,675	127,675	365,000	68.94%	**2023**
2024	120,000	9,150	120,000	9,150	129,150	245,000	79.15%	**2024**
2025	120,000	5,550	120,000	5,550	125,550	125,000	89.36%	**2025**
2026	125,000	1,875	125,000	1,875	126,875	0	100.00%	**2026**
	1,175,000	223,800	1,175,000	223,800	1,398,800			

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

CITY OF EAST BETHEL, MINNESOTA
Schedule of Bonded Indebtedness
General Obligation Debt Being Paid From Revenues and Taxes
(As of 4/23/15)

	Refunding 1) Series 2014A		(This Issue) Refunding 2) Series 2015A							
Dated	3/04/14		4/23/15							
Amount	$5,485,000		$11,815,000							
Maturity	2/01		2/01							
Fiscal Year Ending	**Principal**	**Interest**	**Principal**	**Estimated Interest**	**Total Principal**	**Total Interest**	**Total P & I**	**Principal Outstanding**	**% Paid**	**Fiscal Year Ending**
2015	0	93,838	0	103,576	0	197,414	197,414	17,300,000	0.00%	**2015**
2016	0	187,675	215,000	380,055	215,000	567,730	782,730	17,085,000	1.24%	**2016**
2017	0	187,675	120,000	379,205	120,000	566,880	686,880	16,965,000	1.94%	**2017**
2018	0	187,675	120,000	378,245	120,000	565,920	685,920	16,845,000	2.63%	**2018**
2019	230,000	184,225	120,000	377,045	350,000	561,270	911,270	16,495,000	4.65%	**2019**
2020	230,000	177,325	135,000	375,474	365,000	552,799	917,799	16,130,000	6.76%	**2020**
2021	180,000	171,175	135,000	373,483	315,000	544,658	859,658	15,815,000	8.58%	**2021**
2022	185,000	165,700	185,000	370,784	370,000	536,484	906,484	15,445,000	10.72%	**2022**
2023	200,000	159,925	155,000	367,693	355,000	527,618	882,618	15,090,000	12.77%	**2023**
2024	200,000	154,575	200,000	364,120	400,000	518,695	918,695	14,690,000	15.09%	**2024**
2025	210,000	149,338	230,000	359,375	440,000	508,713	948,713	14,250,000	17.63%	**2025**
2026	220,000	143,425	285,000	353,239	505,000	496,664	1,001,664	13,745,000	20.55%	**2026**
2027	225,000	137,025	340,000	345,158	565,000	482,183	1,047,183	13,180,000	23.82%	**2027**
2028	230,000	130,200	405,000	334,796	635,000	464,996	1,099,996	12,545,000	27.49%	**2028**
2029	245,000	122,463	465,000	322,050	710,000	444,513	1,154,513	11,835,000	31.59%	**2029**
2030	255,000	113,713	545,000	306,628	800,000	420,340	1,220,340	11,035,000	36.21%	**2030**
2031	265,000	104,613	650,000	287,618	915,000	392,230	1,307,230	10,120,000	41.50%	**2031**
2032	280,000	95,075	740,000	264,660	1,020,000	359,735	1,379,735	9,100,000	47.40%	**2032**
2033	295,000	85,013	760,000	239,155	1,055,000	324,168	1,379,168	8,045,000	53.50%	**2033**
2034	310,000	74,425	775,000	211,901	1,085,000	286,326	1,371,326	6,960,000	59.77%	**2034**
2035	320,000	62,600	800,000	182,958	1,120,000	245,558	1,365,558	5,840,000	66.24%	**2035**
2036	255,000	51,100	830,000	152,595	1,085,000	203,695	1,288,695	4,755,000	72.51%	**2036**
2037	265,000	40,700	860,000	120,908	1,125,000	161,608	1,286,608	3,630,000	79.02%	**2037**
2038	280,000	29,800	885,000	87,968	1,165,000	117,768	1,282,768	2,465,000	85.75%	**2038**
2039	295,000	18,300	915,000	53,768	1,210,000	72,068	1,282,068	1,255,000	92.75%	**2039**
2040	310,000	6,200	945,000	18,191	1,255,000	24,391	1,279,391	0	100.00%	**2040**
	5,485,000	3,033,775	11,815,000	7,110,644	17,300,000	10,144,419	27,444,419			

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

2) This issue is refunding the 2020 through 2040 maturities of the City's $11,465,000 Taxable General Obligation Utility Revenue Bonds, Series 2010A (RZDEB), dated December 15, 2010. The refunded maturities will be called for prior redemption on April 23, 2015 and have not been included in the calculation of debt ratios.

DEBT LIMIT

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

Assessor's Estimated Market Value	$865,447,800
Multiply by 3%	0.03
Statutory Debt Limit	$ 25,963,434
Less: Long-Term Debt Outstanding Being Paid Solely from Taxes	(1,175,000)
Unused Debt Limit	$ 24,788,434

OVERLAPPING DEBT[1]

Taxing District	2014/15 Adjusted Taxable Net Tax Capacity	% In City	Total G.O. Debt	City's Proportionate Share
Anoka County	$ 304,499,149	3.1386%	$ 106,810,000	$ 3,352,346
I.S.D. No. 15 (St. Francis)	26,972,946	30.4345%	23,190,000	7,057,763
I.S.D. No. 831 (Forest Lake)	48,947,058	2.7539%	20,040,000	551,879
Metropolitan Council	3,141,156,422	0.2797%	155,020,000 [2]	433,592
City's Share of Total Overlapping Debt				$11,395,580

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

[2] The above debt includes all 2013/14 outstanding general obligation debt supported by taxes of the Metropolitan Council. The Council also has general obligation sewer revenue, wastewater revenue, and radio revenue bonds and lease obligations outstanding all of which are supported entirely by revenues and have not been included in the Overlapping Debt or Debt Ratios sections.

DEBT RATIOS

	G.O. Debt	Debt/Economic Market Value ($861,043,430)	Debt/ Current Population Estimate (11,588)
Direct G.O. Debt Being Paid From:			
Revenues	$ 2,296,589		
Special Assessments	60,000		
Taxes	1,175,000		
Revenues & Taxes	17,300,000		
Total General Obligation Debt	$ 20,831,589		
Less: G.O. Debt Paid Entirely from Revenues[1]	(1,316,589)		
Tax Supported General Obligation Debt	$ 19,515,000	2.27%	$1,684.07
City's Share of Total Overlapping Debt	$ 11,395,580	1.32%	$983.39
Total	$ 30,910,580	3.59%	$2,667.46

DEBT PAYMENT HISTORY

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

FUTURE FINANCING

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

[1] Debt service on the City's general obligation revenue debt is being paid entirely from revenues and therefore is considered self-supporting debt. Does not include the City's $1,715,000 General Obligation Sewer Revenue Bonds, Series 2008A ($980,000 currently outstanding), which has been paid from taxes the last three years.

TAX RATES, LEVIES AND COLLECTIONS

TAX LEVIES AND COLLECTIONS

Tax Year	Net Tax Levy[1]	Total Collected Following Year	Collected to Date[2]	% Collected
2010/11	$4,676,275	$4,548,247	$4,658,822	99.63%
2011/12	4,491,209	4,396,078	4,471,031	99.55%
2012/13	4,447,150	4,360,557	4,417,373	99.33%
2013/14	5,120,091	5,042,347	5,042,347	98.48%
2014/15	5,166,241	In process of collection		

Property taxes are collected in two installments in Minnesota--the first by May 15 and the second by October 15.[3] Mobile home taxes are collectible in full by August 31. Minnesota Statutes require that levies (taxes and special assessments) for debt service be at least 105% of the actual debt service requirements to allow for delinquencies.

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

[2] Collections are through December 31, 2014.

[3] Second half tax payments on agricultural property are due on November 15th of each year.

TAX CAPACITY RATES[1]

	2010/11	2011/12	2012/13	2013/14	2014/15
Anoka County w/ Library	39.952%	41.146%	44.411%	43.239%	38.123%
Anoka County/City Radio	0.424%	0.469%	0.350%	0.374%	0.320%
City of East Bethel	43.908%	43.807%	48.224%	58.983%	51.462%
I.S.D. No. 15 (St. Francis)	28.793%	32.835%	33.707%	33.635%	29.449%
I.S.D. No. 831 (Forest Lake)	15.702%	17.329%	22.018%	23.896%	21.145%
Anoka County RR Authority	1.332%	0.650%	0.777%	0.882%	0.941%
East Bethel EDA	0.000%	2.035%	1.487%	1.380%	1.267%
East Bethel HRA	1.397%	0.000%	0.000%	0.000%	0.000%
Metropolitan Council	0.854%	0.983%	1.053%	1.061%	N/A
Metropolitan Mosquito	0.508%	0.559%	0.587%	0.555%	N/A
Referendum Market Value Rates:					
City of East Bethel	0.01658%	0.01755%	0.01919%	0.01673%	0.01541%
I.S.D. No. 15 (St. Francis)	0.10293%	0.08594%	0.09764%	0.11313%	0.10140%
I.S.D. No. 831 (Forest Lake)	0.15387%	0.15388%	0.17389%	0.14626%	0.13350%

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

Note: The 2014/15 Metropolitan Council and Metropolitan Mosquito Tax Rates are not available at this time.

LEVY LIMITS

The State Legislature has periodically imposed limitations on the ability of municipalities to levy property taxes. For taxes levied in 2013, payable in 2014, only, the Legislature imposed a one year levy limit on all counties with a population greater than 5,000, and all cities with a population greater than 2,500. These limitations do not apply to taxes levied to pay debt service. While these limitations apply for one year, the potential exists for future legislation to limit the ability of local governments to levy property taxes. All previous limitations have not limited the ability to levy for the payment of debt service on bonded indebtedness. For more detailed information about Minnesota levy limits, contact the Minnesota Department of Revenue or Ehlers & Associates.

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

THE ISSUER

CITY GOVERNMENT

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

EMPLOYEES; PENSIONS; UNIONS

The City currently has 19 full-time, 2 part-time, and 3 seasonal employees. All full-time and certain part-time employees of the City are covered by defined benefit pension plans administered by the Public Employee Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF) which are cost-sharing multiple-employer retirement plans. PERA members belong to either the Coordinated Plan or the Basic Plan. Coordinated members are covered by Social Security. See the Notes to Financial Statements in Appendix A for a detailed description of the Plans.

Recognized and Certified Bargaining Units

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

LIABILITIES FOR OTHER POST EMPLOYMENT BENEFITS

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

LITIGATION

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

FUNDS ON HAND (As of February 28, 2015)

Fund	Total Cash and Investments
General	$ 1,023,438
Special Revenue	776,488
Debt Service	899,781
Capital Projects	3,856,112
Enterprise Funds	(80,356)
Total Funds on Hand	$ 6,475,463

ENTERPRISE FUNDS

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

	2011	2012	2013
Water			
Total Operating Revenues	$ 33,014	$ 34,445	$ 67,729
Less: Operating Expenses	(50,302)	(53,320)	(174,408)
Operating Income	$ (17,288)	$ (18,875)	$ (106,679)
Plus: Depreciation	22,195	22,195	117,507
Revenues Available for Debt Service	$ 4,907	$ 3,320	$ 10,828
Sewer			
Total Operating Revenues	$ 79,123	$ 63,785	$ 73,013
Less: Operating Expenses	(93,820)	(97,737)	(88,814)
Operating Income	$ (14,697)	$ (33,952)	$ (15,801)
Plus: Depreciation	23,050	23,050	23,051
Revenues Available for Debt Service	$ 8,353	$ (10,902)	$ 7,250
Ice Arena			
Total Operating Revenues	$ 275,200	$ 256,338	$ 272,163
Less: Operating Expenses	(268,950)	(295,144)	(223,633)
Operating Income	$ 6,250	$ (38,806)	$ 48,530
Plus: Depreciation	82,361	131,272	71,896
Revenues Available for Debt Service	$ 88,611	$ 92,466	$ 120,426

SUMMARY GENERAL FUND INFORMATION

Following are summaries of the revenues and expenditures and fund balances for the City's General Fund for the past five fiscal years. These summaries are not purported to be the complete audited financial statements of the City. Copies of the complete audited financial statements are available upon request. See Appendix A for excerpts from the City's 2013 audited financial statement.

	FISCAL YEAR ENDING DECEMBER 31				
COMBINED STATEMENT	**2009**	**2010**	**2011**	**2012**	**2013**
Revenues					
General property taxes	$ 4,383,879	$ 4,583,900	$ 4,428,762	$ 4,225,660	$ 4,180,911
License and permits	118,516	106,387	109,366	144,895	340,095
Intergovernmental	210,176	210,639	239,189	230,565	257,400
Charges for services	35,042	88,133	75,010	153,840	128,543
Fines and forfeitures	60,100	58,519	49,792	52,870	53,574
Special assessments	0	0	0	0	1,318
Investment income	7,544	3,982	1,586	2,100	1,166
Other	73,881	78,905	78,710	89,612	54,042
Total Revenues	$ 4,889,138	$ 5,130,465	$ 4,982,415	$ 4,899,542	$ 5,017,049
Expenditures					
Current:					
General government	$ 1,348,803	$ 1,350,215	$ 1,325,655	$ 1,240,416	$ 1,085,090
Public safety	1,758,850	1,803,345	1,781,927	1,598,718	1,678,192
Public works	735,019	750,946	679,882	719,920	762,351
Parks and recreation	363,171	314,541	372,692	376,067	367,895
Miscellaneous	0	0	0	0	211,112
Capital outlay	10,000	0	0	16,931	1,589
Total Expenditures	$ 4,215,843	$ 4,219,047	$ 4,160,156	$ 3,952,052	$ 4,106,229
Excess of revenues over (under) expenditures	$ 673,295	$ 911,418	$ 822,259	$ 947,490	$ 910,820
Other Financing Sources (Uses)					
Operating transfers in	$ 0	$ 0	$ 0	$ 0	$ 0
Operating transfers out	(546,851)	(763,196)	(552,604)	(580,000)	(550,000)
Total Other Financing Sources (Uses)	$ (546,851)	$ (763,196)	$ (552,604)	$ (580,000)	$ (550,000)
Net Changes in Fund Balances	$ 126,444	$ 148,222	$ 269,655	$ 367,490	$ 360,820
General Fund Balance January 1	1,710,083	1,836,527	1,984,749	2,254,404	2,621,894
Prior Period Adjustment	0	0	0	0	0
Residual Equity Transfer in (out)	0	0	0	0	0
General Fund Balance December 31	$ 1,836,527	$ 1,984,749	$ 2,254,404	$ 2,621,894	$ 2,982,714
DETAILS OF DECEMBER 31 FUND BALANCE					
Reserved	$ 0	$ 0	$ 0	$ 0	$ 0
Unreserved:					
Designated	0	0	0	0	0
Undesignated	1,836,527	1,984,749	0	0	0
Nonspendable	0	0	1,526	1,214	64,029
Restricted	0	0	0	0	0
Committed	0	0	0	0	0
Assigned	0	0	0	0	0
Unassigned	0	0	2,252,878	2,620,680	2,918,685
Total	$ 1,836,527	$ 1,984,749	$ 2,254,404	$ 2,621,894	$ 2,982,714

GENERAL INFORMATION

LOCATION

The City of East Bethel, with a 2010 U.S. Census population of 11,626 and a current population estimate of 11,588, and comprising an area of 48 square miles, is located approximately 30 miles north of the Minneapolis-St. Paul metropolitan area. For additional information regarding the City, please visit its website at www.ci.east-bethel.mn.us.

LARGER EMPLOYERS

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

Firm	Type of Business/Product	Estimated No. of Employees
I.S.D. No. 15 (St. Francis)	Elementary and secondary education	197
Classic Construction, Inc.	General contractor	50
Rivard Companies[1]	Tree removal, trimming and land clearing service	36
Viking Meadows Golf Club	Golf course	25
City of East Bethel	Municipal government and services	22
East Bethel 10 Theater	Movie theater	21
Teddy Bear Care On 65	Child care services	12
American Tool Grinding & Manufacturing	Grinding and manufacturing	12
Northern Asphalt LLC	Asphalt	11
Village Bank	Bank	11

Source: *ReferenceUSA, written and telephone survey (September 2014), and the Minnesota Department of Employment and Economic Development.*

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

BUILDING PERMITS

	2011	2012	2013	2014	2015[1]
All Building Permits *(includes additions and remodels)*					
No. of building permits	100	91	351	326	30
Valuations	$2,960,470	$8,466,808	$4,384,132	$4,537,164	$486,969
New Single Family Homes					
No. of building permits	4	5	15	15	1
Valuation	$665,000	$1,110,900	$2,830,352	$2,652,391	$232,000
New Commercial/Industrial					
No. of building permits	1	3	1	0	0
Valuation	$1,072,000	$5,612,510	$25,000	$0	$0

[1] As of March 4, 2015.

U.S. CENSUS DATA

Population Trend: City of East Bethel, Minnesota

2000 U.S. Census population		10,941
2010 U.S. Census population		11,626
2013 State Demographer's Estimate		11,588
Percent of Change 2000 - 2010	+	6.26%

Income and Age Statistics

	City of East Bethel	Anoka County	State of Minnesota	United States
2012 per capita income	$32,625	$30,647	$30,913	$28,155
2012 median household income	$82,106	$70,380	$59,836	$53,046
2012 median family income	$92,548	$81,798	$74,683	$64,719
2013 median gross rent	$1,168	$938	$819	$904
2013 median value owner-occupied units	$205,100	$192,300	$187,900	$176,700
2013 median age	40.5 yrs.	37.4 yrs.	37.6 yrs.	37.3 yrs.

	State of Minnesota	United States
City % of 2012 per capita income	105.54%	115.88%
City % of 2012 median family income	123.92%	143.00%

Housing Statistics

	City of East Bethel		
	2000	2013	Percent of Change
All Housing Units	3,718	4,321	16.22%

Source: *2000 and 2010 Census of Population and Housing, and 2013 American Community Survey, U.S. Census Bureau (www.factfinder2.census.gov).*

EMPLOYMENT/UNEMPLOYMENT DATA

Rates are not compiled for individual communities within counties.

	Average Employment	Average Unemployment	
Year	Anoka County	Anoka County	State of Minnesota
2010	174,101	7.9%	7.4%
2011	176,411	6.7%	6.5%
2012	178,035	5.8%	5.6%
2013	180,800	5.1%	5.1%
2014	183,870	4.3%	4.3%

Source: *Minnesota Department of Employment and Economic Development.*

APPENDIX A

EXCERPTS FROM FINANCIAL STATEMENTS

Reproduced on the following pages are excerpts from the City's audited Financial Statements for the fiscal year ending December 31, 2013. The Financial Statements have been prepared by the City and audited by a certified public accountant. The Management's Discussion and Analysis and the Notes to Financial Statements are an integral part of the audit and any judgment of the Financial Statements should be based on the Financial Statements as a whole.

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

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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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Edina, MN 55436
952.835.9090 | Fax 952.835.3261

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

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

People + Process. Going Beyond the Numbers

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 $5,098,167from 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 combing 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

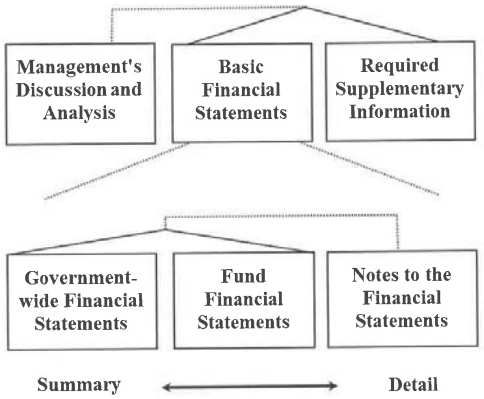


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• 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	52,776,947	55,319,088	(2,542,141)	3,761,080	3,827,993	(66,913)
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	23,190,536	24,455,230	(1,264,694)	50,321	43,289	7,032
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	2,488,167	6,002,807	(3,514,640)	(257,799)	2,472,752	(2,730,551)
Total net position	$ 29,586,411	$ 30,863,858	$ (1,277,447)	$ 3,710,759	$ 3,784,704	$ (73,945)

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

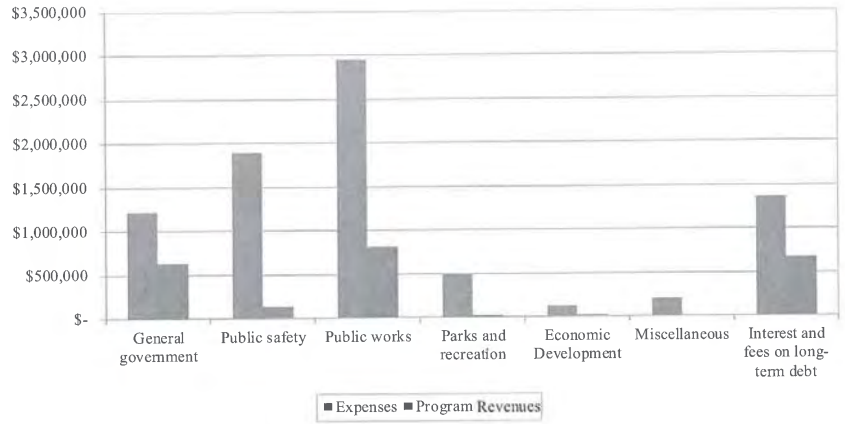
Governmental activities decreased the City's net position $1,277,447. Business-type net position decreased by $73,945 during the year. Key elements of the changes in net position are as follows:

City of East Bethel's Changes in Net Position

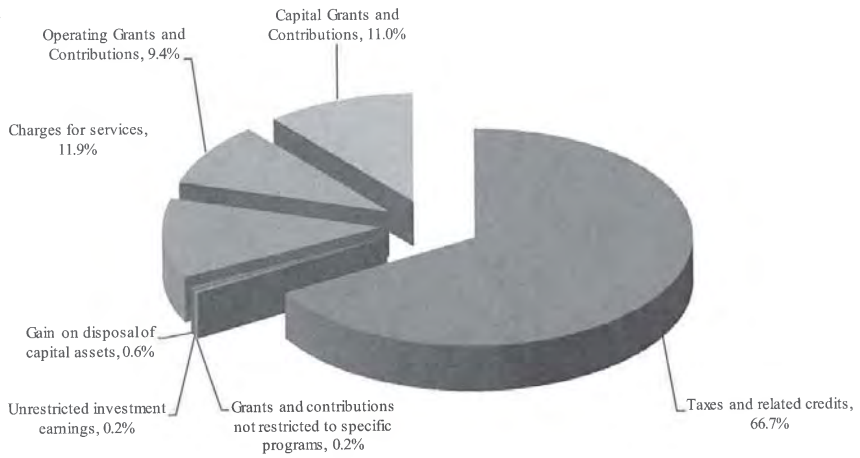
	Governmental Activities			Business-type Activities		
	2013	Restated 2012	Increase (Decrease)	2013	Restated 2012	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	832,459	$ 513,935	$ 318,524	$ 412,905	$ 354,568	$ 58,337
Operating grants and contributions	657,281	168,871	488,410	-	-	-
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

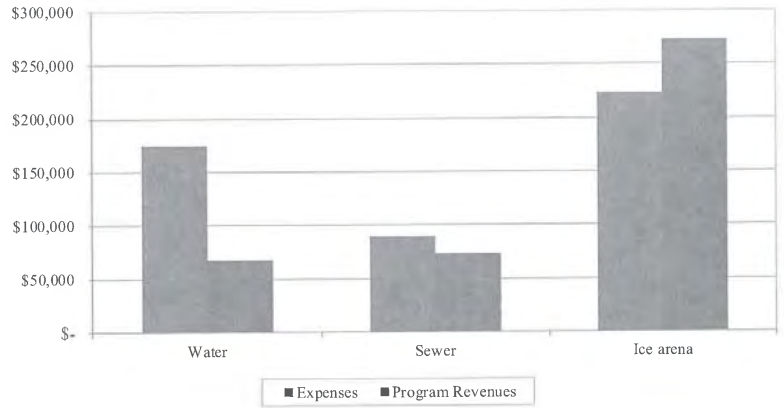


Revenues by Source - Governmental Activities



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	$ 43,434,846	$ 39,328,456	$ 4,106,390	$ 3,968,558	$ 4,171,307	$ (202,749)

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.

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	Program Revenues: Operating Grants and Contributions	Program Revenues: 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		
Governmental Activities	Business-Type Activities	Total
$ (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)
$ (5,985,729)	$ -	$ (5,985,729)
$ -	$ (106,679)	$ (106,679)
-	(15,802)	(15,802)
-	48,530	48,530
-	(73,951)	(73,951)
(5,985,729)	(73,951)	(6,059,680)
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
4,708,282	6	4,708,288
(1,277,447)	(73,945)	(1,351,392)
30,863,858	3,784,704	34,648,562
$ 29,586,411	$ 3,710,759	$ 33,297,170

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

	101 General	300's Debt Service	433 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	-	-
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	-
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	-	-	-
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	-	-
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
$ 10,806	$ 1,769,914	$ 8,040,970
$ 10,806	$ 100,343	$ 594,914
-	-	72,914
-	19,043	19,043
-	11,623	50,429
-	-	240,000
10,806	131,009	977,300
-	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
$ 10,806	$ 1,769,914	$ 8,040,970

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 General	300's Debt Service	433 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
-	396,786	6,556,729
-	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
1,737,128	1,363,910	11,568,356
(1,737,128)	(967,124)	(5,011,627)
-	-	1,250,000
-	-	(1,255,000)
-	550,000	555,000
-	(86,540)	(636,540)
-	463,460	(86,540)
(1,737,128)	(503,664)	(5,098,167)
1,737,128	2,104,708	11,584,923
$ -	$ 1,601,044	$ 6,486,756

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	Variance with
	Original	Final	Amounts	Final Budget
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 Water Utility		602 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				Governmental Activities - Internal Service Funds
615 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
$ 619,111	$ 570,579	$ 3,710,759	$ 3,784,704	$ 3,391,811

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 Water Utility		**602** 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				Governmental Activities - Internal Service Funds
615 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	-
272,163	256,339	412,905	354,569	266,235
-	-	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
223,633	295,144	486,855	446,201	222,502
48,530	(38,805)	(73,950)	(91,632)	43,733
-	-	-	-	41,353
2	-	6	-	1,111
-	(180)	(1)	(657)	-
2	(180)	5	(657)	42,464
48,532	(38,985)	(73,945)	(92,289)	86,197
-	-	-	-	81,540
48,532	(38,985)	(73,945)	(92,289)	167,737
570,579	609,564	3,784,704	3,876,993	3,224,074
$ 619,111	$ 570,579	$ 3,710,759	$ 3,784,704	$ 3,391,811

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 Water Utility		**602** 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	-
124,592	87,819	144,578	88,461	302,681
-	-	-	-	390,736
-	-	-	-	(2,643)
-	-	-	-	81,540
-	(181)	(2)	(657)	-
-	(181)	(2)	(657)	469,633
(9,705)	-	(9,705)	-	(1,102,303)
-	-	-	-	45,000
(9,705)	-	(9,705)	-	(1,057,303)
2	-	6	-	1,111
114,889	87,638	134,877	87,804	(283,878)
(47,197)	(134,835)	(367,539)	(455,343)	1,601,409
$ 67,692	$ (47,197)	$ (232,662)	$ (367,539)	$ 1,317,531

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 Water Utility		**602** 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
Prepaids	(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	$ 12,014	$ 9,359	$ 7,972	$ (8,717)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIVES				
Disposal of capital assets	$ -	$ -	$ -	$ -
Transfer of capital assets from governmental activities	$ -	$ 2,859,355	$ -	$ -

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	
$ 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)	-
$ 124,592	$ 87,819	$ 144,578	$ 88,461	$ 302,681
$ 25,000	$ -	$ 25,000	$ -	$ 3,647
$ -	$ -	$ -	$ 2,859,355	$ -

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.

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.

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

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.

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.

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.

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	$ 6,330,725

(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	150
Total	$ 8,048,678

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

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	$ 4,171,307	$ 222,159	$ (50,000)	$ 3,968,558

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	$ 212,454

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	$2,902,847	$ 147,871

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

Interfund transfers

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

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

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.

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	1,250,000
Total G.O. Improvement Bonds					$ 2,765,000

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	365,000	16,575	381,575
Total	$ 2,765,000	$ 431,748	$ 3,196,748

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	59,590
Total G.O. Revenue Bonds					$ 18,909,590

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	2,630,000	185,850	2,815,850
Total	$ 18,909,590	$ 22,282,130	$ 41,191,720

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	$ 19,584,218	$ 1,353,854	$ (1,738,805)	$ 2,859,355	$ 22,058,622	$ 392,028
Business-type activities						
Bonds Payable						
G.O. revenue bonds	$ 2,859,355	$ -	$ -	$ (2,859,355)	$ -	$ -

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	$ 64,029	$ -	$ -	$ -	$ 64,029
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	$ -	$ 54,891	$ 1,848,107	$ 872,564	$ 2,775,562
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	$ -	$ -	$ -	$ 1,132,213	$ 1,132,213

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.

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 reclassed 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
	$ 881,399	$ 2,903,305	$ 3,784,704

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	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
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	4,160,317	4,160,317	4,180,911	20,594	4,265,887
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	169,930	169,930	340,095	170,165	144,895
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	220,506	220,506	257,400	36,894	230,565
Charges for services	122,780	122,780	128,543	5,763	153,840
Fines and forfeitures	50,600	50,600	53,574	2,974	52,870
Interest on investments	2,000	2,000	1,166	(834)	2,100
Special Assessments	-	-	1,318	1,318	-
Miscellaneous					
Refunds and reimbursements	38,000	38,000	54,042	16,042	49,385
TOTAL REVENUES	4,764,133	4,764,133	5,017,049	252,916	4,899,542
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	87,059	87,059	69,798	17,261	76,007
Elections					
Supplies	-	-	-	-	277
Other services and charges	2,170	2,170	1,687	483	8,432
Total elections	2,170	2,170	1,687	483	8,709

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	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
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	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
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

APPENDIX B

FORM OF LEGAL OPINION

DORSEY
DORSEY & WHITNEY LLP

City of East Bethel, Minnesota

[Original Purchaser]

Re: $_____ General Obligation Refunding Bonds, Series 2015A
City of East Bethel, Minnesota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by the City of East Bethel, Minnesota (the "City"), of the obligations described above, dated, as originally issued, as of April __, 2015 (the "Bonds"), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding general obligations of the City, enforceable in accordance with their terms.

2. The principal of and interest on the Bonds are payable primarily from net revenues of the City's water and sanitary sewer systems and ad valorem taxes to be levied on all taxable property within the City, but if necessary for the payment of such principal and interest, additional ad valorem taxes are required by law to be levied on all taxable property in the City without limitation of rate or amount

3. Interest on the Bonds (a) is not includable in gross income for federal income tax purposes or in taxable net income of individuals, estates or trusts for Minnesota income tax purposes; (b) is includable in taxable income of corporations and financial institutions for purposes of the Minnesota franchise tax; (c) is not an item of tax preference includable in alternative minimum taxable income for purposes of the federal alternative minimum tax applicable to all taxpayers or the Minnesota alternative minimum tax applicable to individuals, estates and trusts; and (d) is included in adjusted current earnings for purposes of the federal alternative minimum tax imposed on corporations.

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

The opinions expressed in paragraphs 3 above are subject to the condition of the City's compliance with all requirements of the Internal Revenue Code of 1986, as amended, that must be satisfied subsequent to the issuance

of the Bonds in order that interest thereon may be, and continue to be, excluded from gross income for federal income tax purposes. The City has covenanted to comply with these continuing requirements. Its failure to do so could result in the inclusion of interest on the Bonds in federal gross income and in Minnesota taxable net income, retroactive to the date of issuance of the Bonds. Except as stated in this opinion, we express no opinion regarding federal, state or other tax consequences to holders of the Bonds.

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

Dated this ____ Day of April, 2015.

Very truly yours,

APPENDIX C

BOOK-ENTRY-ONLY SYSTEM

1. The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of such issue, and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds $500 million, one certificate will be issued with respect to each $500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to the City or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

APPENDIX D

FORM OF CONTINUING DISCLOSURE COVENANTS (EXCERPTS FROM SALE RESOLUTION)

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

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

(1) on or before twelve (12) months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2015, the following financial information and operating data in respect of the City (the "Disclosure Information"):

(A) the audited financial statements of the City for such fiscal year, prepared in accordance with generally accepted accounting principles in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under Minnesota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and

(B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under headings: Current Property Valuations, Direct Debt, Tax Levies and Collections, U.S. Census Data-Population Trend and Employment/Unemployment Data.

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

(2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events (each a Material Fact):

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

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

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

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

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

(c) Manner of Disclosure

(1) The City agrees to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, the information described in subsection (b).

(2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

(1) The covenants of the City in this section shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

(2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have

complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

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

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

APPENDIX E

TERMS OF PROPOSAL

$11,815,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2015A
CITY OF EAST BETHEL, MINNESOTA

Proposals for the purchase of $11,815,000 General Obligation Refunding Bonds, Series 2015A (the "Bonds") of the City of East Bethel, Minnesota (the "City") will be received at the offices of Ehlers & Associates, Inc. ("Ehlers"), 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, Financial Advisors to the City, until 10:00 A.M., Central Time, and **ELECTRONIC PROPOSALS** will be received via **PARITY**, in the manner described below, until 10:00 A.M. Central Time, on April 1, 2015, at which time they will be opened, read and tabulated. The proposals will be presented to the City Council for consideration for award by resolution at a meeting to be held at 7:00 P.M., Central Time, on the same date. The proposal offering to purchase the Bonds upon the terms specified herein and most favorable to the City will be accepted unless all proposals are rejected.

PURPOSE

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

DATES AND MATURITIES

The Bonds will be dated April 23, 2015, will be issued as fully registered Bonds in the denomination of $5,000 each, or any integral multiple thereof, and will mature on February 1 as follows:

Year	Amount*	Year	Amount*	Year	Amount*
2016	$215,000	2025	$230,000	2034	$775,000
2017	120,000	2026	285,000	2035	800,000
2018	120,000	2027	340,000	2036	830,000
2019	120,000	2028	405,000	2037	860,000
2020	135,000	2029	465,000	2038	885,000
2021	135,000	2030	545,000	2039	915,000
2022	185,000	2031	650,000	2040	945,000
2023	155,000	2032	740,000		
2024	200,000	2033	760,000		

ADJUSTMENT OPTION

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

TERM BOND OPTION

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

INTEREST PAYMENT DATES AND RATES

Interest will be payable on February 1 and August 1 of each year, commencing August 1, 2015, to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the 15th day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB. **The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.)** All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

BOOK-ENTRY-ONLY FORMAT

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

PAYING AGENT

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

OPTIONAL REDEMPTION

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

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

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

DELIVERY

On or about April 23, 2015, the Bonds will be delivered without cost to the winning bidder at DTC. On the day of closing, the City will furnish to the winning bidder the opinion of bond counsel hereinafter described, an arbitrage certification, and certificates verifying that no litigation in any manner questioning the validity of the Bonds is then pending or, to the best knowledge of officers of the City, threatened. Payment for the Bonds must be received by the City at its designated depository on the date of closing in immediately available funds.

LEGAL OPINION

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

SUBMISSION OF PROPOSALS

Proposals must not be for less than $11,720,480 plus accrued interest on the principal sum of $11,815,000 from date of original issue of the Bonds to date of delivery. A signed proposal form must be submitted to Ehlers prior to the time established above for the opening of proposals as follows:

1) In a sealed envelope as described herein; or

2) A facsimile submission to Ehlers, Facsimile Number (651) 697-8555; or

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

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

A cashier's check in the amount of $236,300 may be submitted contemporaneously with the proposal or, alternatively, a good faith deposit in the amount of $236,300 shall be made by the winning bidder by wire transfer of funds to **KleinBank, 1550 Audubon Road, Chaska, MN, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138**. Such good faith deposit ("Deposit") shall be received by Ehlers & Associates no later than two hours after the proposal opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received by such time. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. The Deposit will be retained by the City as liquidated damages if the proposal is accepted and the Purchaser fails to comply therewith. The Deposit will be returned to the Purchaser at the closing for the Bonds.

The City and the winning bidder who chooses to so wire the Deposit hereby agree irrevocably that Ehlers shall be the escrow holder of the Deposit wired to such account subject only to these conditions and duties: 1) All income earned thereon shall be retained by the escrow holder as payment for its expenses; 2) If the proposal is not accepted, Ehlers shall, at its expense, promptly return the Deposit amount to the winning bidder; 3) If the proposal is accepted, the Deposit shall be returned to the winning bidder at the closing; 4) Ehlers shall bear all costs of maintaining the escrow account and returning the funds to the winning bidder; 5) Ehlers shall not be an insurer of the Deposit amount

and shall have no liability hereunder except if it willfully fails to perform or recklessly disregards, its duties specified herein; and 6) FDIC insurance on deposits within the escrow account shall be limited to $250,000 per bidder.

No proposal can be withdrawn after the time set for receiving proposals unless the meeting of the City scheduled for award of the Bonds is adjourned, recessed, or continued to another date without award of the Bonds having been made.

AWARD

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

BOND INSURANCE

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

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

CUSIP NUMBERS

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

NON-QUALIFIED TAX-EXEMPT OBLIGATIONS

The City will ***not*** designate the Bonds as qualified tax-exempt obligations for purposes of Section 265(b)(3).

CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with the provisions of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 the City will enter into an undertaking for the benefit of the holders of the Bonds. A description of the details and terms of the undertaking is set forth in Appendix D of the Preliminary Official Statement.

INFORMATION FROM WINNING BIDDER

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

PRELIMINARY OFFICIAL STATEMENT

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

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

By Order of the City Council

City of East Bethel, Minnesota

PROPOSAL FORM

The City Council **April 1, 2015**
City of East Bethel, Minnesota

RE: $11,815,000* General Obligation Refunding Bonds, Series 2015A
DATED: April 23, 2015

For all or none of the above Bonds, in accordance with the Terms of Proposal and terms of the Global Book-Entry System (unless otherwise specified by the Purchaser) as stated in this Preliminary Official Statement, we will pay you $_____ (not less than $11,720,480) plus accrued interest to date of delivery for fully registered Bonds bearing interest rates and maturing in the stated years as follows:

_____	% due	2016	_____	% due	2025	_____	% due	2034
_____	% due	2017	_____	% due	2026	_____	% due	2035
_____	% due	2018	_____	% due	2027	_____	% due	2036
_____	% due	2019	_____	% due	2028	_____	% due	2037
_____	% due	2020	_____	% due	2029	_____	% due	2038
_____	% due	2021	_____	% due	2030	_____	% due	2039
_____	% due	2022	_____	% due	2031	_____	% due	2040
_____	% due	2023	_____	% due	2032			
_____	% due	2024	_____	% due	2033			

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

The rate for any maturity may not be more than 1.00% less than the rate for any preceding maturity. (For example, if a rate of 4.50% is proposed for the 2017 maturity, then the lowest rate that may be proposed for any later maturity is 3.50%.) All Bonds of the same maturity must bear interest from date of issue until paid at a single, uniform rate. Each rate must be expressed in an integral multiple of 5/100 or 1/8 of 1%.

We enclose our good faith deposit in the amount of $236,300, to be held by you pending delivery and payment. Alternatively, if we are the winning bidder, we will wire our good faith deposit to **KleinBank, 1550 Audubon Road, Chaska, Minnesota, ABA No. 091915654 for credit: Ehlers & Associates Good Faith Account No. 3208138.** Such good faith deposit shall be received by Ehlers & Associates no later than two hours after the proposal opening time. The City reserves the right to award the Bonds to a winning bidder whose wire transfer is initiated but not received by such time provided that such winning bidder's federal wire reference number has been received. In the event the Deposit is not received as provided above, the City may award the Bonds to the bidder submitting the next best proposal provided such bidder agrees to such award. If our proposal is not accepted, said deposit shall be promptly returned to us. If the good faith deposit is wired to such escrow account, we agree to the conditions and duties of Ehlers & Associates, Inc., as escrow holder of the good faith deposit, pursuant to the Terms of Proposal. This proposal is for prompt acceptance and is conditional upon delivery of said Bonds to The Depository Trust Company, New York, New York, in accordance with the Terms of Proposal. Delivery is anticipated to be on or about April 23, 2015.

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

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

Account Manager: _____ By: _____
Account Members:

Award will be on a true interest cost basis. According to our computations (the correct computation being controlling in the award), the total dollar interest cost (including any discount or less any premium) computed from April 23, 2015 of the above proposal is $_____and the true interest cost (TIC) is _____%.

The foregoing offer is hereby accepted by and on behalf of the City Council of the City of East Bethel, Minnesota, on April 1, 2015.

By: _____ By: _____

Title: _____ Title: _____

City of East Bethel
City Council
Agenda Information

* *

Date:
April 1, 2015

* *

Agenda Item Number:
Item 4.0 B.1

* *

Agenda Item:
Resolution 2015-22 Accepting Annual Financial Statements and Auditor's Annual Report

* *

Requested Action:
Consider adopting Resolution 2015-22, accepting the 2014 Annual Financial Report and Annual Auditor's Report

* *

Background Information:
The 2014 Annual Financial Report (AFR) has been prepared, audited and is presented for your review and approval.

Resolution 2015-22 formally accepts and adopts the 2014 Annual Financial Report and directs the submission of the Annual Financial Report to the State Auditor.

* *

Fiscal Impact:
None

* *

Recommendation(s):
Upon completion of the City Auditors report, Staff recommends adoption of Resolution 2015-22, accepting the 2014 Annual Financial Report for operations and activities of the City of East Bethel for fiscal year 2014 and direction to submit the report to the state Auditor.

* *

City Council Action

Motion by: _____ Second by: _____

_____

_____

_____

Vote Yes: _____ Vote No: _____

No Action Required: _____

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

RESOLUTION NO. 2015-22

RESOLUTION ACCEPTING AND ADOPTING THE 2014 CITY OF EAST BETHEL ANNUAL FINANCIAL REPORT

WHEREAS, City staff has prepared the 2014 Annual Financial Report of the City; and

WHEREAS, the City's auditing firm, Abdo, Eick & Meyers LLP, has completed its review of the financial report; and

WHEREAS, the audit opinion finds that the financial report presents fairly, in all material respects, the financial position of the City as of December 31, 2014.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF EAST BETHEL, MINNESOTA THAT: the City Council hereby accepts and adopts the 2014 Annual Financial Report and directs its submission to the State Auditor.

Adopted this 1st day of April, 2015 by the City Council of the City of East Bethel.

CITY OF EAST BETHEL

_____

Steven R. Voss, Mayor

ATTEST:

_____

Jack Davis, City Administrator

Management Letter

City of East Bethel

East Bethel, Minnesota

For the Year Ended
December 31, 2014

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

People + Process.
Going Beyond the Numbers

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

March 19, 2015

Management, Honorable Mayor and City Council
City of East Bethel, Minnesota

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), for the year ended December 31, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 20, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and *Government Auditing Standards*

As stated in our engagement letter, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control over financial reporting (internal control) of the City. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Significant Audit Findings

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.

5201 Eden Avenue, Suite 250
Edina, MN 55436
952.835.9090 | Fax 952.835.3261

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* or statues set forth by the State of Minnesota.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2014. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were depreciation on capital assets and allocation of payroll and compensated absences.

- Management's estimate of depreciation is based on estimated useful lives of the assets. Depreciation is calculated using the straight-line method.

- Allocations of gross wages and payroll benefits are approved by City Council within the City's budget and are derived from each employee's estimated time to be spent servicing the respective functions of the City. These allocations are also used in allocating accrued compensated absences payable.

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole. The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

People + Process.
Going Beyond the Numbers

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 19, 2015.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Financial Position and Results of Operations

Our principal observations and recommendations are summarized on the following pages. These recommendations resulted from our observations made in connection with our audit of the City's financial statements for the year ended December 31, 2014.

General Fund

The General fund is used to account for resources traditionally associated with government, which are not required legally or by sound principal management to be accounted for in another fund. The General fund balance decreased $687,612 from 2013. The fund balance of $2,295,102 is 47.3 percent of the 2015 budgeted expenditures and transfers out. We recommend that the fund balance be maintained at a level sufficient to fund operations until the major revenue sources are received in June. The City's fund balance policy for the General fund identifies that a minimum unassigned fund balance of 40 percent of the following year's budgeted expenditures be maintained for cash-flow timing needs. The City's ending fund balance is above this target level from the policy as shown in the chart on the following page.

The purposes and benefits of a fund balance are as follows:

- Expenditures are incurred somewhat evenly throughout the year. However, property tax and State aid revenues are not received until the second half of the year. An adequate fund balance will provide the cash flow required to finance the governmental fund expenditures.

- The City is vulnerable to legislative actions at the State and Federal level. The State continually adjusts the local government aid formulas. An adequate fund balance will provide a temporary buffer against aid adjustments.

- Expenditures not anticipated at the time the annual budget was adopted may need immediate City Council action. These would include capital outlay, replacement, lawsuits and other items. An adequate fund balance will provide the financing needed for such expenditures.

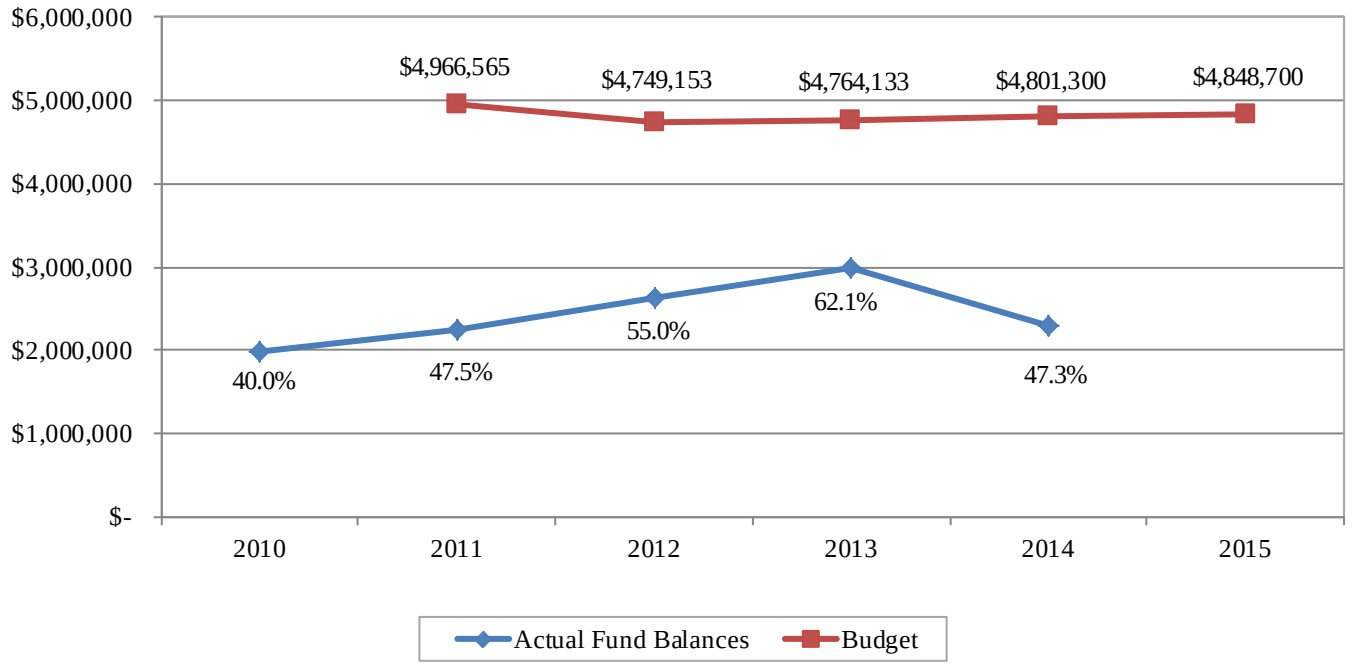
- A strong fund balance will assist the City in maintaining, improving or obtaining its bond rating. The result will be better interest rates in future bond sales.

People + Process. Going Beyond the Numbers

A table summarizing the General fund balance in relation to budgeted expenditures and transfers out follows:

Year	Fund Balance December 31	Budget Year	General Fund Budget	Percent of Fund Balance to Budget
2010	$ 1,984,749	2011	$ 4,966,565	40.0 %
2011	2,254,404	2012	4,749,153	47.5
2012	2,621,894	2013	4,764,133	55.0
2013	2,982,714	2014	4,801,300	62.1
2014	2,295,102	2015	4,848,700	47.3

Fund Balance as a Percent of Next Year's Budgeted Expenditures and Transfers Out



We have compiled a peer group average derived from information we request from the Office of the State Auditor for Cities of the 3rd class which have populations of 10,000-20,000. In 2013 and 2014, the average General fund balance as a percentage of expenditures was 62 percent and 47, percent, respectively.

People + Process. Going Beyond the Numbers

The 2014 General fund operations are summarized as follows:

	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget
Revenues	$ 4,781,300	$ 4,925,321	$ 144,021
Expenditures	4,256,300	4,100,029	156,271
Excess of revenues over expenditures	525,000	825,292	300,292
Other financing sources (uses)			
Transfer in	-	48,526	48,526
Transfers out	(545,000)	(1,561,430)	(1,016,430)
Total other financing sources (uses)	(545,000)	(1,512,904)	(967,904)
Net change in fund balances	(20,000)	(687,612)	(667,612)
Fund balances, January 1	2,982,714	2,982,714	-
Fund balances, December 31	$ 2,962,714	$ 2,295,102	$ (667,612)

The City's budget was not amended in 2014 and called for a decrease in fund balance of $20,000. Some of the line items with significant variances from the final budget are highlighted below:

During the year, revenues were more than budget by $144,021 , and expenditures were less than budgetary estimates by $156,271. The transfer out budget was $1,016,430 over budget for the year. The net result was a $687,612 decrease in the General fund. Some of the significant variances can be briefly summarized as follows:

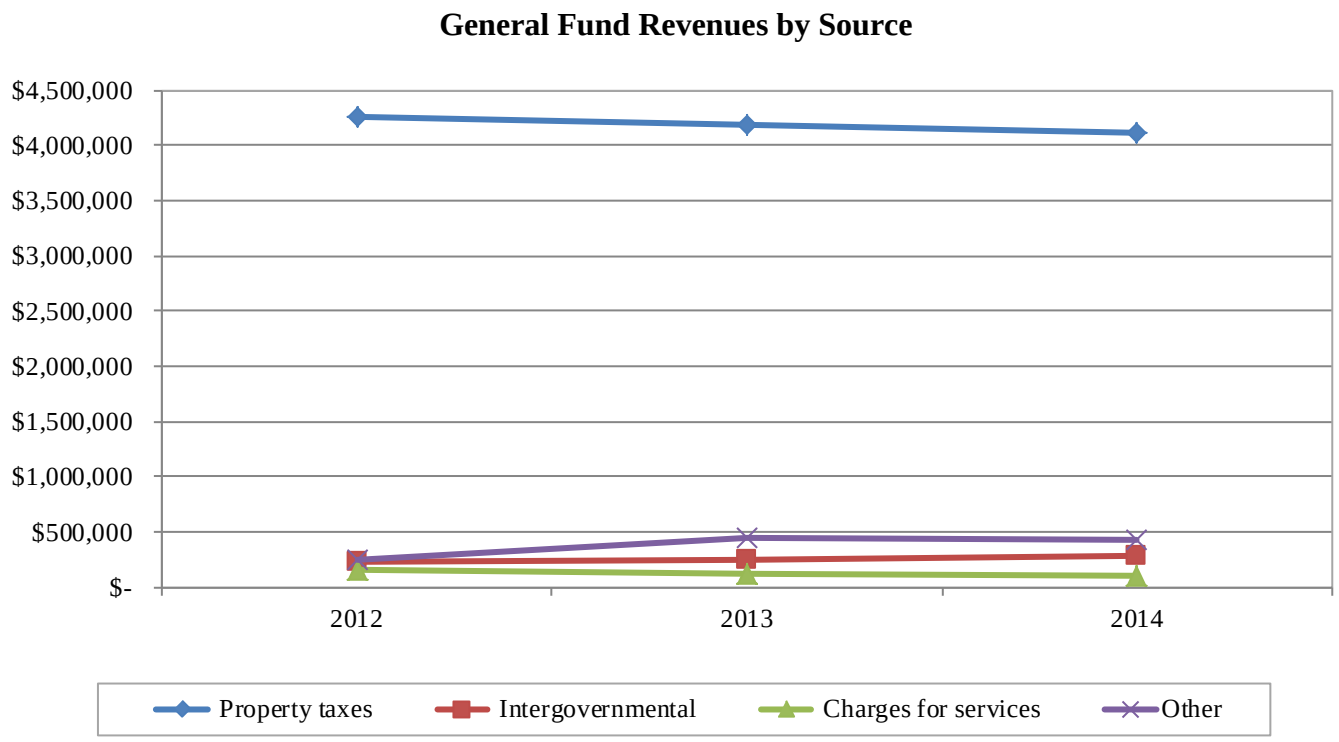
- The most significant revenue variance was in licenses and permits, which exceeded budget by $73,883. This was due to more than anticipated development.
- All expenditure departments were under budget.
- Transfers out were over budget due to approved transfers for debt service payments and to close funds.

People + Process. Going Beyond the Numbers

A comparison of General fund among 2012, 2013 and 2014 revenues are presented below:

Source	2012	2013	2014	Percent of Total	Per Capita
Property taxes	$ 4,225,660	$ 4,131,421	$ 4,048,832	81.4 %	$ 349
Franchise taxes	40,227	49,490	56,160	1.1	5
Licenses and permits	144,895	340,095	297,783	6.0	26
Intergovernmental	230,565	257,400	286,389	5.8	25
Charges for services	153,840	128,543	109,988	2.2	9
Fines and forfeitures	52,870	53,574	50,514	1.0	4
Investment income	2,100	1,166	1,164	-	-
Miscellaneous	49,385	55,360	74,491	1.5	6
Transfers in	-	-	48,526	1.0	4
Total revenues and transfers	$ 4,899,542	$ 5,017,049	$ 4,973,847	100.0 %	$ 428

A graphical presentation of 2012, 2013 and 2014 revenues and transfers in follows:



Some of the line items with significant changes are highlighted below:

- Revenues have stayed fairly consist over the past three years. As you can see from the chart, the City's main source of revenue is from property taxes.

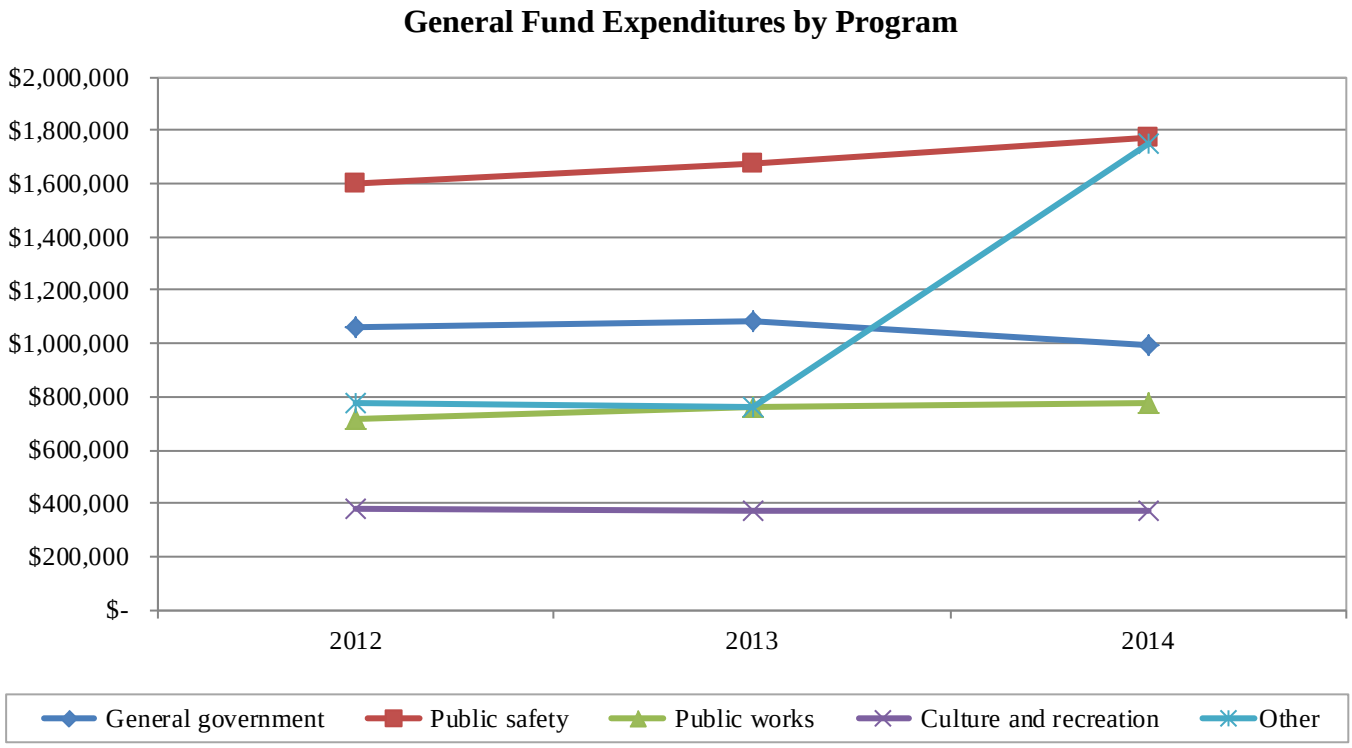
People + Process. Going Beyond the Numbers

A comparison of General fund expenditures among 2012, 2013 and 2014 are presented below:

Program	2012	2013	2014	Percent of Total	Per Capita	Peer Group
Current						
General government	$ 1,063,948	$ 1,085,090	$ 992,582	17.5 %	$ 86	$ 113
Public safety	1,598,718	1,678,192	1,769,896	31.3	153	221
Public works	719,920	762,351	777,733	13.7	67	108
Culture and recreation	376,067	367,895	369,140	6.5	32	63
Miscellaneous	176,468	211,112	190,678	3.4	16	12
Total current	3,935,121	4,104,640	4,100,029	72.4	354	517
Capital outlay	16,931	1,589	-	-	-	16
Transfers out	580,000	550,000	1,561,430	27.6	135	-
Total expenditures	$ 4,532,052	$ 4,656,229	$ 5,661,459	100.0 %	$ 489	$ 533

The above chart compares the amount the City spends per capita in comparison to a peer group. The peer group average is compiled from 2013 information we have requested from the Office of the State Auditor and the complied data for Cities of the third class which populations between 10,000 and 20,000.

The expenditures and transfers out summarized above are presented graphically as follows:



Some of the line items with significant changes are highlighted below:

- The public safety line item has increase over the past three years due to higher expenditures related to fire and police protection, along with increased expenditures in building inspections due to the increase in building permits.

- Transfers increased due to approved transfers for debt service payments and to close funds.

People + Process. Going Beyond the Numbers

Special Revenue Funds

A summary of the special revenue fund balances is shown below:

Fund	Fund Balances December 31, 2014	Fund Balances December 31, 2013	Increase (Decrease)
Nonmajor			
Recycling	$ 57,320	$ 51,707	$ 5,613
Miscellaneous Grants/Donations	3,537	7,464	(3,927)
HRA	771,260	785,564	(14,304)
EDA	78,205	1,765	76,440
Total	$ 910,322	$ 846,500	$ 63,822

In 2013, the EDA fund transferred the funds to the equipment replacement fund for a share capital purchases. With no capital purchases in 2014, the fund saw an increase due to less than anticipated expenditures.

Capital Projects Funds

The fund balances of all capital projects funds are summarized below:

Capital Projects Fund	Fund Balances December 31, 2014	Fund Balances December 31, 2013	Increase (Decrease)
Major			
Water Infrastructure	$ 324,474	$ 1,848,107	$ (1,523,633)
Nonmajor			
Park Acquisition	26,082	26,064	18
Park Trails	-	144,088	(144,088)
Minard Street	33,734	27,712	6,022
Improvements of 2003	21,078	7,822	13,256
Municipal State Aid Street Improvement	3,974	(400,023)	403,997
Street Capital	786,852	713,818	73,034
Park Capital	86,980	36,930	50,050
Utility Improvement	29,360	25,248	4,112
Building	182,247	132,132	50,115
Lunde/Jewell Street	-	44,463	(44,463)
TIF No. 1.1	(2,922)	(3,710)	788
Total nonmajor	1,167,385	754,544	412,841
Total	$ 1,491,859	$ 2,602,651	$ (1,110,792)

The Water Infrastructure fund decreased due to costs associated with the utility infrastructure project. The Park Trail's funds and Lunde/Jewell Street were closed during the year and closed into funds as approved. The Municipal State Aid Street Improvement fund increased due to the City receiving MSA monies for street projects.

People + Process. Going Beyond the Numbers

Debt Service Funds

Debt Service funds are a type of governmental fund to account for the accumulation of resources for the payment of interest and principal on debt (other than enterprise fund debt). Debt Service funds may have one or a combination of the following revenue sources pledged to retire debt as follows:

- Property taxes - Primarily for general City benefit projects such as parks and municipal buildings. Property taxes may also be used to fund special assessment bonds which are not fully assessed.
- Tax increments - Pledged exclusively for tax increment/economic development districts.
- Capitalized interest portion of bond proceeds - After the sale of bonds, the project may not produce revenue (tax increments or special assessments) for a period of one to two years. Bonds are issued with this timing difference considered in the form of capitalized interest.
- Special assessments - Charges to benefited properties for various improvements.

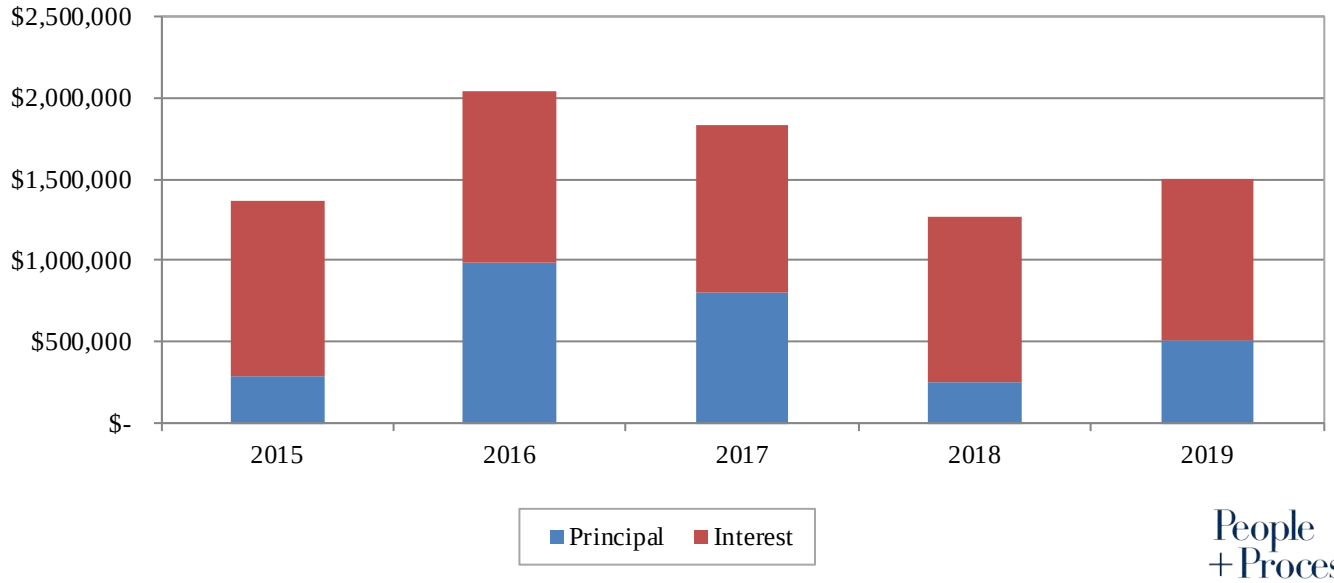
In addition to the above pledged assets, other funding sources may be received by Debt Service funds as follows:

- Residual project proceeds from the related capital projects fund
- Investment earnings
- State or Federal grants
- Transfers from other funds

The following is a summary of the cash, total assets and bonds outstanding for each issue of the City:

Debt Service Fund	Cash and Investments	Total Assets	Bonds Outstanding	Final Maturity Date
2013A Public Safety Bonds	$ 85,096	$ 86,794	$ 1,250,000	02/01/26
2008A Sewer Revenue Bond	(2,465)	140,125	1,135,000	02/01/29
2010C Improvement Bond	1,344,334	1,344,334	1,260,000	02/01/17
2005B Street Improvement Debt	93,697	119,739	115,000	02/01/16
2010 Water Revenue Note	5,536	5,536	56,590	08/20/29
2010A Revenue Bond	6,267	170,375	11,465,000	02/01/40
2014A Water Revenue Note	16,061	20,378	5,485,000	02/01/40
Total Debt Service Funds	$ 1,548,526	$ 1,887,281	$ 20,766,590	

Debt Service Scheduled Principal and Interest for the Next 5 Years



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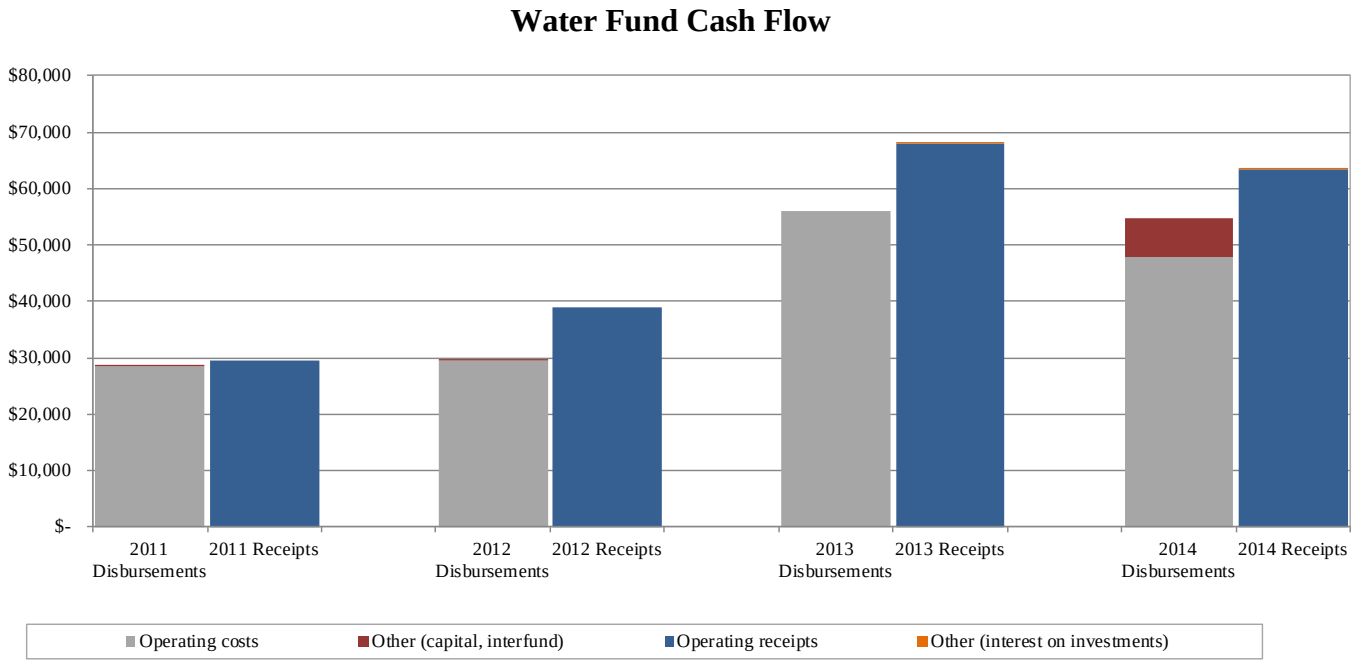
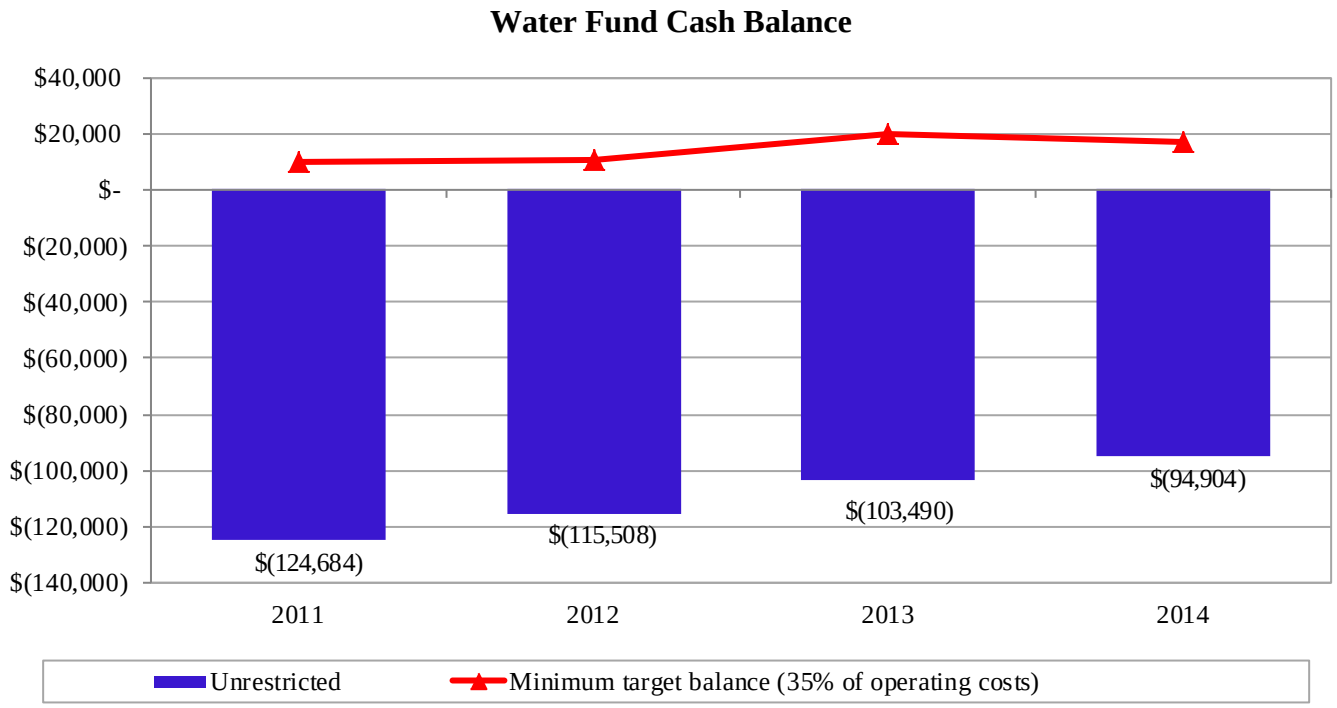
Enterprise Funds

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises-where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The results of the operations in terms of cash flow and the breakdown of the cash balances for the past four years are as follows:





Some of the items with significant changes in the above charts are highlighted below:

- Operating receipts (blue) were sufficient to cover operating costs (gray) the past four years, which has led to an increase in cash balance of almost $30,000.
- With the deficit cash balance, the fund has been borrowing from other funds to operate.

We recommend that the rates be reviewed annually to ensure that they are sufficient to cover operating costs and future capital needs.

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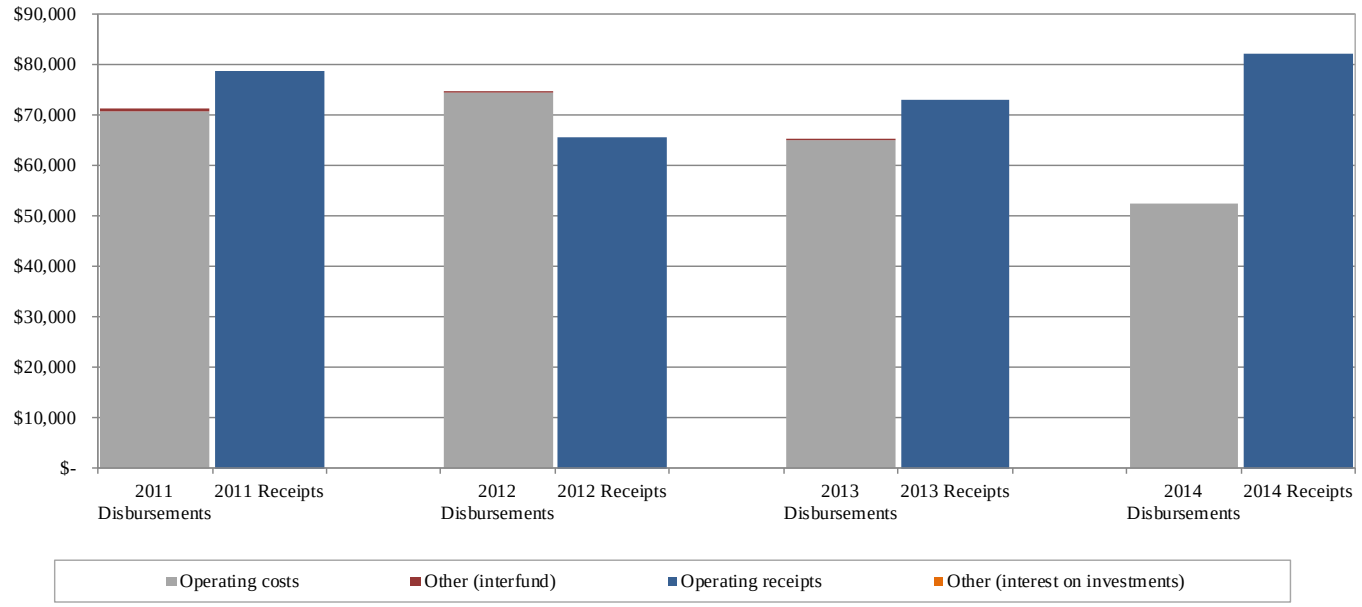
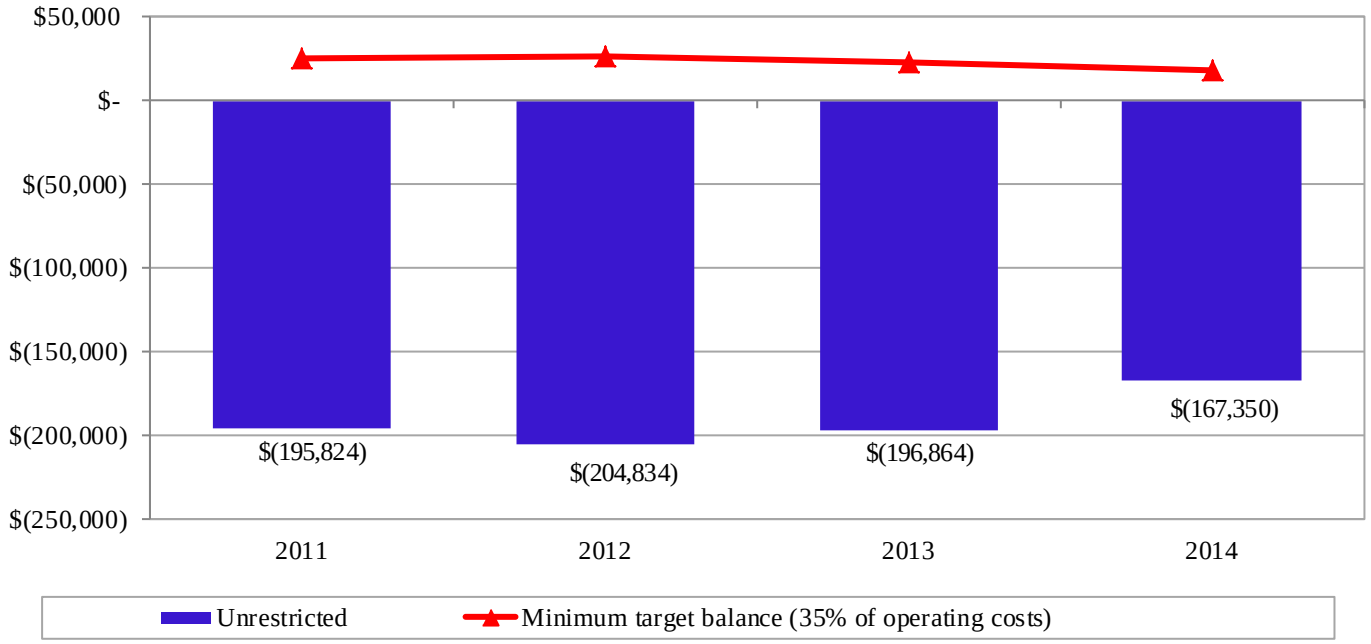
Sewer Fund Cash Flow



Sewer Fund Cash Balance



Some of the items with significant changes in the above charts are highlighted below

- Operating receipts (blue) were sufficient to cover operating costs (gray) the two of the past four years. However, the cash balance has increased roughly $28,000 from 2011.
- With the deficit cash balance, the fund has been borrowing from other funds to operate.

We recommend that the rates be reviewed annually to ensure that they are sufficient to cover operating costs and future capital needs.

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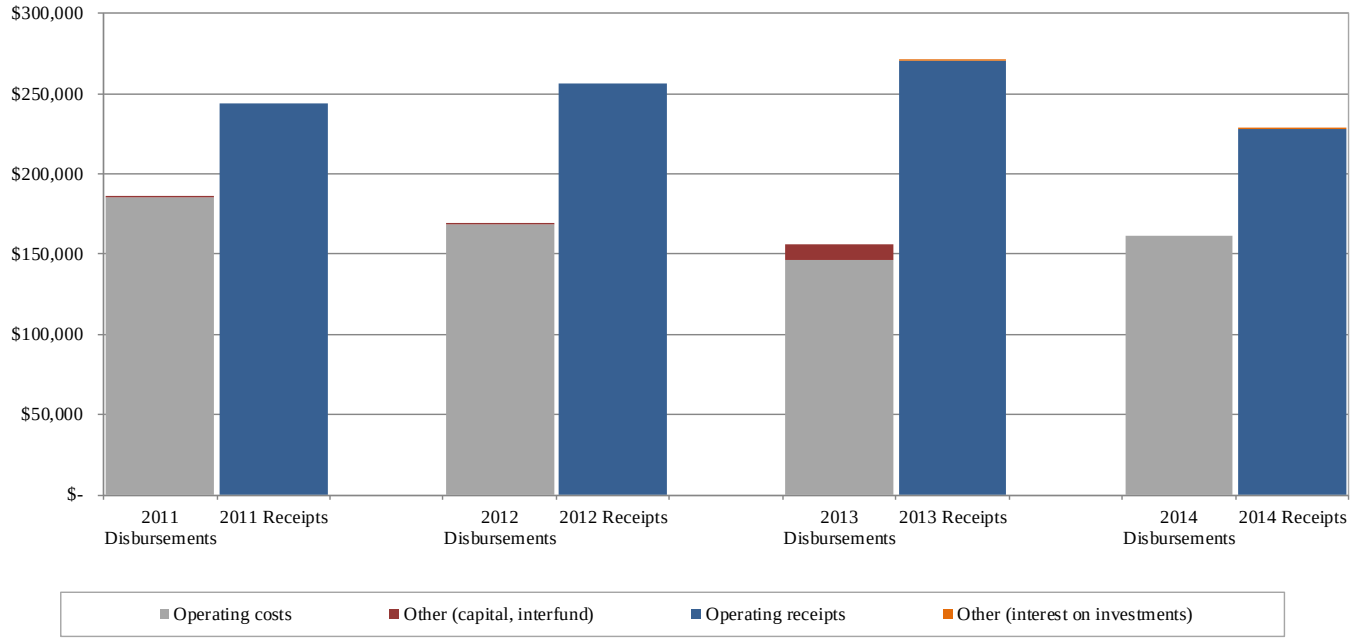
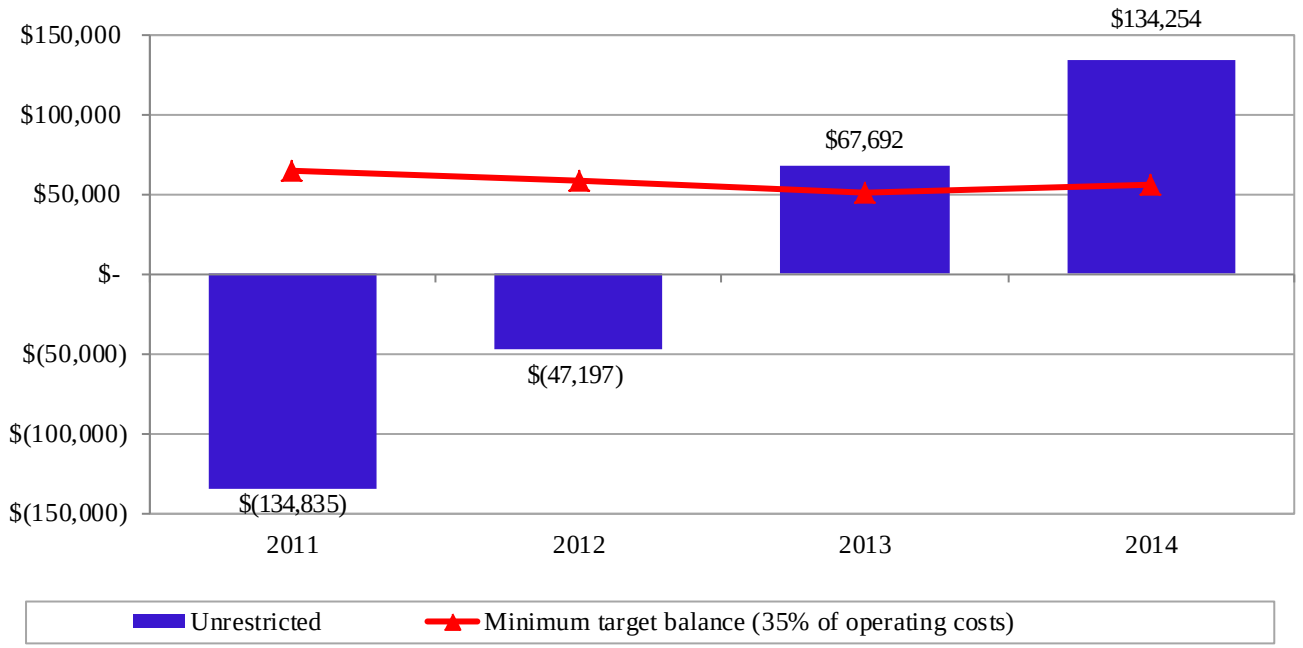
Ice Arena Cash Flow



Ice Arena Cash Balance



Some of the items with significant changes in the above charts are highlighted below:

- Operating receipts (blue) were sufficient to cover operating costs (gray) the past four years, which has led to double the cash balance the fund had in 2011.

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Ratio Analysis

The following captures a few ratios from the City's financial statements that give some additional information for trend and peer group analysis. The peer group average is derived from information we have requested from the Office of the State Auditor for cities of the 3rd class (10,000 to 20,000). The majority of these ratios facilitate the use of economic resources focus and accrual basis of accounting at the government-wide level. A combination of liquidity (ability to pay its most immediate obligations), solvency (ability to pay its long-term obligations), funding (comparison of financial amounts and economic indicators to measure changes in financial capacity over time) and common-size (comparison of financial data with other cities regardless of size) ratios are shown below.

Ratio	Calculation	Source	2011	2012	2013	2014
Debt to assets	Total liabilities/total assets	Government-wide	41%	42%	41%	40%
			32%	*33%*	*32%*	*N/A*
Debt per capita	Bonded debt/population	Government-wide	$ 1,943	$ 1,917	$ 1,862	$ 1,807
			$ 2,253	*$ 2,641*	*$ 2,637*	*N/A*
Taxes per capita	Tax revenues/population	Government-wide	$ 415	$ 395	$ 394	$ 457
			$ 442	*$ 465*	*$ 485*	*N/A*
Current expenditures per capita	Governmental fund current expenditures/population	Governmental funds	$ 426	$ 379	$ 368	$ 370
			$ 636	*$ 601*	*$ 633*	*N/A*
Capital expenditures per capita	Governmental fund capital outlay/population	Governmental funds	$ 418	$ 513	$ 471	$ 108
			$ 257	*$ 295*	*$ 267*	*N/A*
Capital assets % left to depreciate - Governmental	Net capital assets/ gross capital assets	Government-wide	57%	54%	59%	56%
			63%	*60%*	*59%*	*N/A*
Capital assets % left to depreciate - Business-type	Net capital assets/ gross capital assets	Government-wide	51%	72%	69%	66%
			68%	*62%*	*61%*	*N/A*

Represents the City of East Bethel
Represents Peer Group Average

Debt-to-Assets Leverage Ratio (Solvency Ratio)

The debt-to-assets leverage ratio is a comparison of a City's total liabilities to its total assets or the percentage of total assets that are provided by creditors. It indicates the degree to which the City's assets are financed through borrowings and other long-term obligations (i.e. a ratio of 50 percent would indicate half of the assets are financed with outstanding debt).

Bonded Debt per Capita (Funding Ratio)

This dollar amount is arrived at by dividing the total bonded debt by the population of the City and represents the amount of bonded debt obligation for each citizen of the City at the end of the year. The higher the amount, the more resources are needed in the future to retire these obligations through taxes, assessments or user fees.

Taxes per Capita (Funding Ratio)

This dollar amount is arrived at by dividing the total tax revenues by the population of the City and represents the amount of taxes for each citizen of the City for the year. The higher this amount is, the more reliant the City is on taxes to fund its operations.

Current Expenditures per Capita (Funding Ratio)

This dollar amount is arrived at by dividing the total current governmental expenditures by the population of the City and represents the amount of governmental expenditures for each citizen of the City during the year. Since this is generally based on ongoing expenditures, we would expect consistent annual per capita results.

Capital Expenditures per Capita (Funding Ratio)

This dollar amount is arrived at by dividing the total governmental capital outlay expenditures by the population of the City and represents the amount of capital expenditures for each citizen of the City during the year. Since projects are not always recurring, the per capita amount will fluctuate from year to year.

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Capital Assets Percentage (Common-size Ratio)

This percentage represents the percent of governmental or business-type capital assets that are left to be depreciated. The lower this percentage, the older the City's capital assets are and may need major repairs or replacements in the near future. A higher percentage may indicate newer assets being constructed or purchased and may coincide with higher debt ratios or bonded debt per capita.

Future Accounting Standard Changes

The following Governmental Accounting Standards Board (GASB) Statements have been issued and may have an impact on future City financial statements: [(1)]

GASB Statement No. 68 - *The Accounting and Financial Reporting of Pensions- an Amendment of GASB Statement No. 27*

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

This Statement is effective for fiscal years beginning after June 15, 2014. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. Decision-usefulness and accountability also will be enhanced through new note disclosures and required supplementary information.

GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measure Date - an Amendment of GASB Statement No. 68*

Summary

The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

Statement No. 68 requires a state or local government employer (or nonemployer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. In addition, Statement No. 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement No. 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, paragraph 137 of Statement No. 68 required that beginning balances for deferred outflows of resources and deferred inflows of resources not be reported.

Consequently, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition. This could have resulted in a significant understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

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This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts.

The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual-basis financial statements of employers and nonemployer contributing entities. This benefit will be achieved without the imposition of significant additional costs.

GASB Statement No. 72 - *Fair Value Measurement and Application*

Summary

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

Fair Value Measurement

Fair value is described as an exit price. Fair value measurements assume a transaction takes place in a government's principal market, or a government's most advantageous market in the absence of a principal market. The fair value also should be measured assuming that general market participants would act in their economic best interest. Fair value should not be adjusted for transaction costs.

To determine a fair value measurement, a government should consider the unit of account of the asset or liability. The unit of account refers to the level at which an asset or a liability is aggregated or disaggregated for measurement, recognition, or disclosure purposes as provided by the accounting standards. For example, the unit of account for investments held in a brokerage account is each individual security, whereas the unit of account for an investment in a mutual fund is each share in the mutual fund held by a government.

This Statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. The techniques should be consistent with one or more of the following approaches: the market approach, the cost approach, or the income approach. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The cost approach reflects the amount that would be required to replace the present service capacity of an asset. The income approach converts future amounts (such as cash flows or income and expenses) to a single current (discounted) amount. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

This Statement establishes a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs - other than quoted prices - included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

A fair value measurement takes into account the highest and best use for a nonfinancial asset. A fair value measurement of a liability assumes that the liability would be transferred to a market participant and not settled with the counterparty. In the absence of a quoted price for the transfer of an identical or similar liability and if another party holds an identical item as an asset, a government should be able to use the fair value of that asset to measure the fair value of the liability.

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Future Accounting Standard Changes - Continued

This Statement requires additional analysis of fair value if the volume or level of activity for an asset or liability has significantly decreased. It also requires identification of transactions that are not orderly. Quoted prices provided by third parties are permitted, as long as a government determines that those quoted prices are developed in accordance with the provisions of this Statement.

Fair Value Application

This Statement generally requires investments to be measured at fair value. An *investment* is defined as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. Investments not measured at fair value continue to include, for example, money market investments, 2a7-like external investment pools, investments in life insurance contracts, common stock meeting the criteria for applying the equity method, unallocated insurance contracts, and synthetic guaranteed investment contracts. A government is permitted in certain circumstances to establish the fair value of an investment that does not have a readily determinable fair value by using the net asset value per share (or its equivalent) of the investment.

This Statement requires measurement at acquisition value (an entry price) for donated capital assets, donated works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement. These assets were previously required to be measured at fair value.

Fair Value Disclosures

This Statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. Governments should organize these disclosures by type of asset or liability reported at fair value. It also requires additional disclosures regarding investments in certain entities that calculate net asset value per share (or its equivalent).

The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

(1) *Note*. From GASB Pronouncements Summaries. Copyright 2014 by the Financial Accounting Foundation, 401 Merritt 7, Norwalk, CT 06856, USA, and is reproduced with permission.

* * * * * *

This communication is intended solely for the information and use of City Council, management, others within the City, and the Minnesota Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

Our audit would not necessarily disclose all weaknesses in the system because it was based on selected tests of the accounting records and related data. The comments and recommendation in this report are purely constructive in nature, and should be read in this context.

If you have any questions or wish to discuss any of the items contained in this letter, please feel free to contact us at your convenience. We wish to thank you for the opportunity to be of service and for the courtesy and cooperation extended to us by your staff.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 19, 2015

People + Process. Going Beyond the Numbers

Annual Financial Report

City of East Bethel

East Bethel, Minnesota

For the Year Ended
December 31, 2014

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2014

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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, 2014

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CITY OF EAST BETHEL, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2014

CITY COUNCIL

Name	Title	Term Expires
Robert DeRoche, Jr.	Mayor	01/01/15
Tim Harrington	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, 2014

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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, 2014 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit 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 presentation of the financial statements.

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, 2014, 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 accordance with accounting principles generally accepted in the United States of America.

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Edina, MN 55436
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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 starting of page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City'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 March 19, 2015, 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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 19, 2015

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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, 2014.

Financial Highlights

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by $32,607,849 (net position). Of this amount, $2,095,102 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position decreased $689,321. Of the total, governmental activities decreased $609,428 and the business-type activities decreased $79,893.

- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of $6,261,177, a decrease of $225,579 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 $2,295,102. The ending fund balance is 47.3 percent of the 2015 budget.

- The City's total noncurrent liabilities decreased $1,003,966 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 combing 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

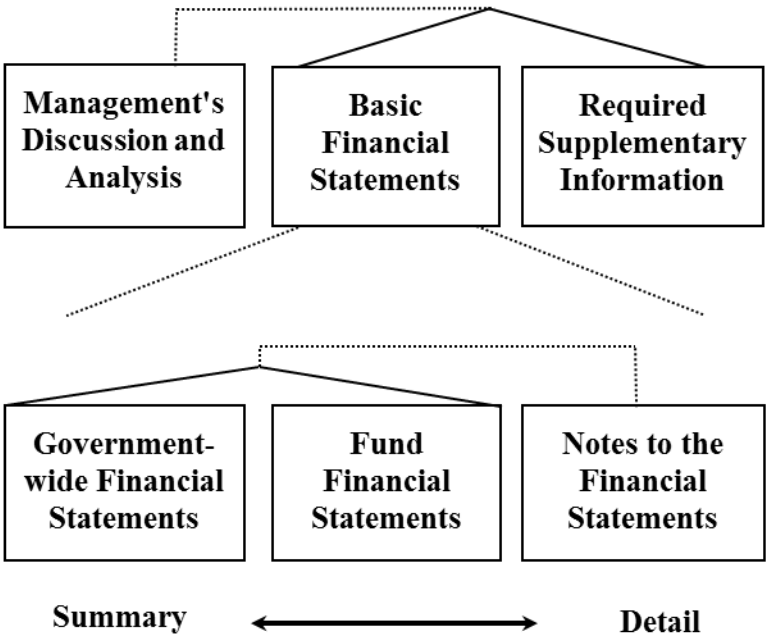


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• 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 26 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, and Water Infrastructure fund, all of which are considered to be major funds. Data from the other 17 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 c*ombining statements* elsewhere in this report.

The basic proprietary fund financial statements start on page 35 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 41 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 60 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 $32,607,849 at the close of the most recent fiscal year.

The largest portion of the City's net position $27,812,043 or 85.3 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		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Current and other assets	$ 8,578,004	$ 9,342,101	$ (764,097)	$ (97,819)	$ (207,478)	$ 109,659
Capital assets	42,316,722	43,434,846	(1,118,124)	3,762,701	3,968,558	(205,857)
Total assets	50,894,726	52,776,947	(1,882,221)	3,664,882	3,761,080	(96,198)
Long-term liabilities outstanding	21,063,323	22,058,622	(995,299)	-	-	-
Other liabilities	854,420	1,131,914	(277,494)	34,016	50,321	(16,305)
Total liabilities	21,917,743	23,190,536	(1,272,793)	34,016	50,321	(16,305)
Net assets						
Net investment in capital assets	24,049,342	24,354,124	(304,782)	3,762,701	3,968,558	(205,857)
Restricted	2,700,704	2,744,120	(43,416)	-	-	-
Unrestricted	2,226,937	2,488,167	(261,230)	(131,835)	(257,799)	125,964
Total net position	$ 28,976,983	$ 29,586,411	$ (609,428)	$ 3,630,866	$ 3,710,759	$ (79,893)

A portion of the of the City's net position $2,700,704 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position $2,095,102 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.

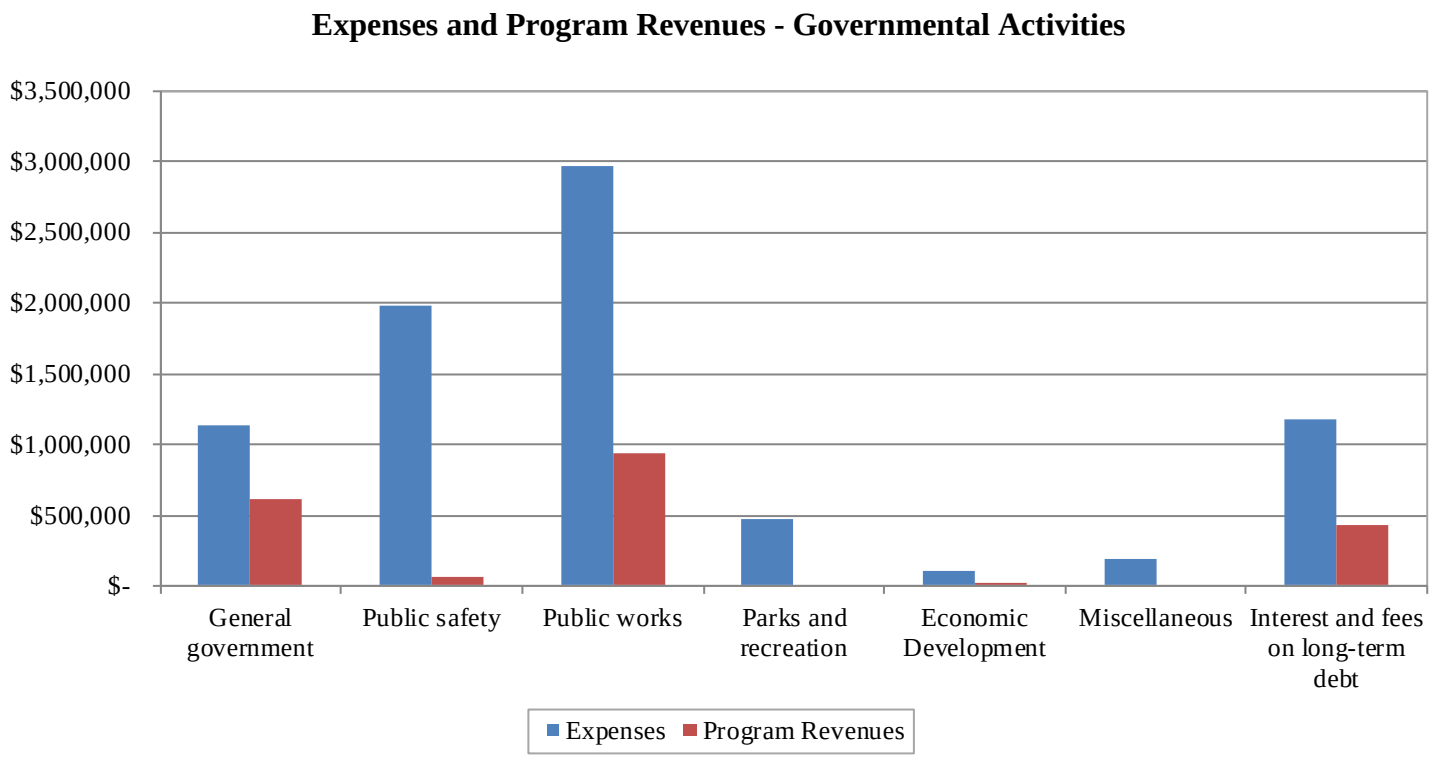
Governmental Activities

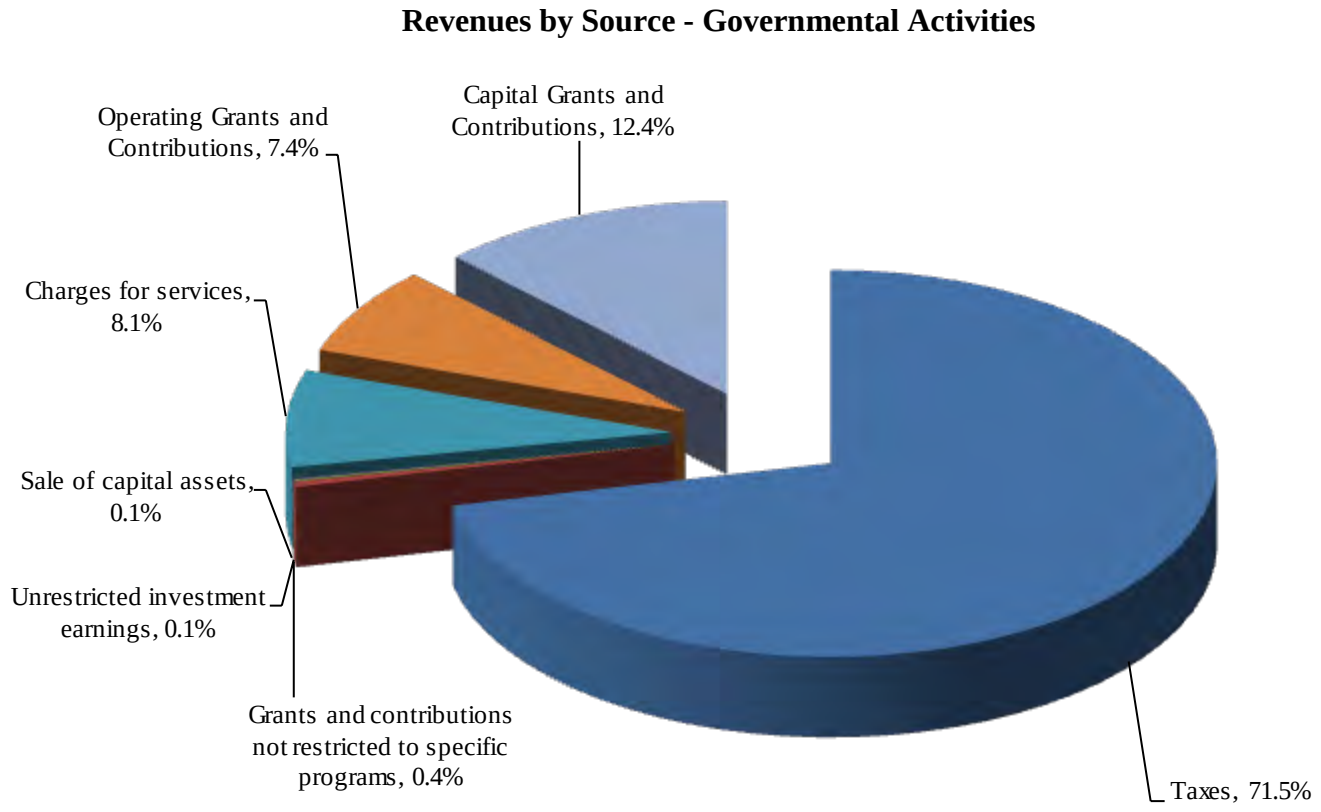
Governmental activities decreased the City's net position $609,428 and business-type net position decreased by $79,893 during the year. Key elements of the changes in net position are as follows:

City of East Bethel's Changes in Net Position

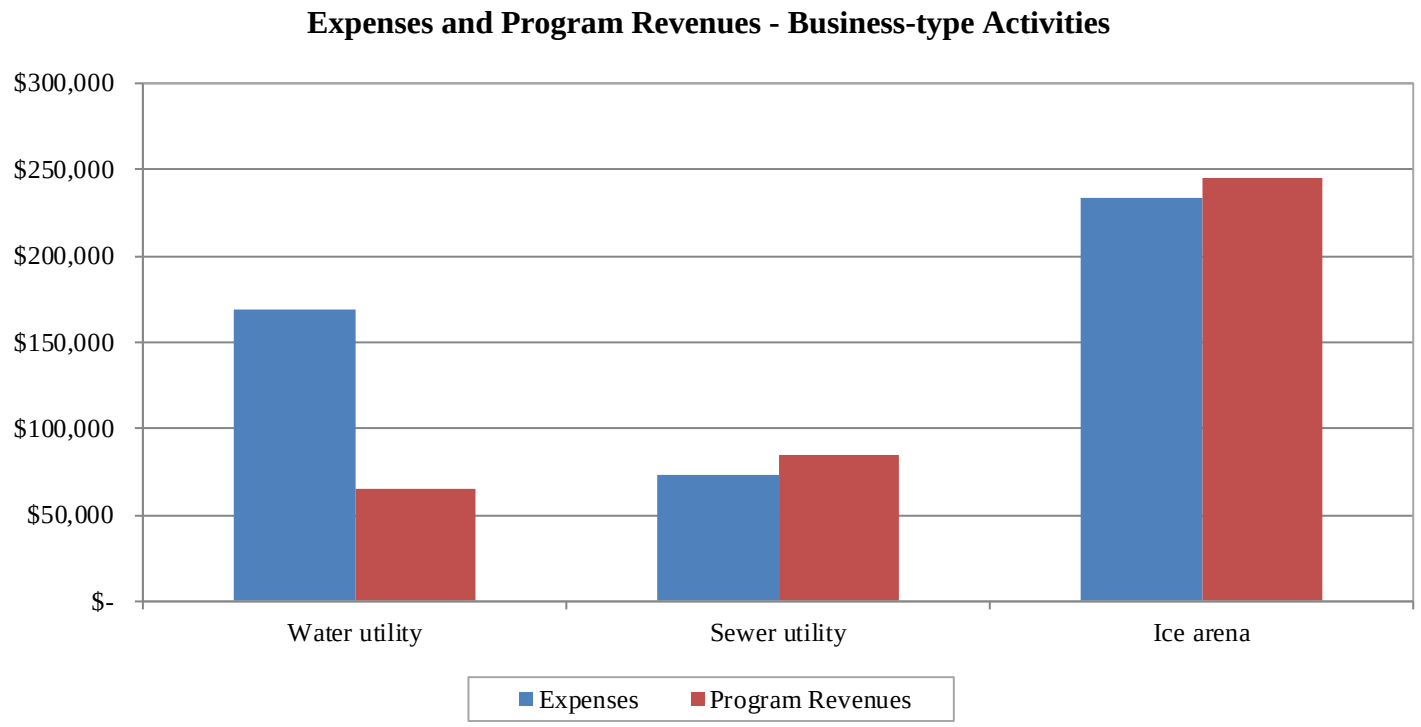
	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	$600,465	$ 832,459	$ (231,994)	$ 395,230	$ 412,905	$ (17,675)
Operating grants and contributions	545,666	657,281	(111,615)	-	-	-
Capital grants and contributions	918,042	769,954	148,088	-	-	-
General revenues						
Taxes	5,295,305	4,640,963	654,342	-	-	-
Grants and contributions not restricted to specific programs	32,071	15,413	16,658	-	-	-
Unrestricted investment earnings	6,148	10,553	(4,405)	68	6	62
Sale of capital assets	8,027	41,353	(33,326)	-	-	-
Total revenues	7,405,724	6,967,976	437,748	395,298	412,911	(17,613)
Expenses						
General government	1,128,363	1,224,698	(96,335)	-	-	-
Public safety	1,972,600	1,901,644	70,956	-	-	-
Public works	2,967,530	2,957,072	10,458	-	-	-
Parks and recreation	465,194	480,400	(15,206)	-	-	-
Economic Development	111,832	113,534	(1,702)	-	-	-
Miscellaneous	190,678	211,112	(20,434)	-	-	-
Water utility	-	-	-	169,060	174,408	(5,348)
Sewer utility	-	-	-	72,572	88,815	(16,243)
Ice arena	-	-	-	233,559	223,633	9,926
Interest on long-term debt	1,178,955	1,356,963	(178,008)	-	-	-
Total expenses	8,015,152	8,245,423	(230,271)	475,191	486,856	(11,665)
Change in net position	(609,428)	(1,277,447)	668,019	(79,893)	(73,945)	(5,948)
Net position, January 1	29,586,411	30,863,858	(1,277,447)	3,710,759	3,784,704	(73,945)
Net position, December 31	$ 28,976,983	$ 29,586,411	$ (609,428)	$ 3,630,866	$ 3,710,759	$ (79,893)

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





Business-type activities. Business-type activities decreased net position by $79,893 including depreciation expenses of $212,679. The results reflect the continuing start-up mode of the City's utility services. Below are graphs showing the business-type activities revenue and expense comparisons:



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

Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $6,261,177, a decrease of $225,579 in comparison with the prior year. Approximately 35.5 percent of this total amount ($2,223,703) constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance ($4,037,474) is not available for new spending because it is either 1) nonspendable $68,477 2) restricted ($2,824,772) or 3) assigned ($1,144,225). For further classification refer to Note 3F on page 55 of this report.

The General fund balance decreased by $687,612 in 2014. The fund also transferred $1,561,430 out to other funds as noted in Note 3D of this report.

The Debt Service fund has a total fund balance of $1,563,894 which is entirely restricted for the payment of debt service. The net increase in fund balance of $1,509,003 was a result of transfers in of $2,095,186 for debt service requirements.

The Water Infrastructure fund decreased $1,523,633 due to the construction of water 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 $131,835. The total decrease in net position for the funds was $79,893. 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 City's budget was not amended in 2014 and called for a decrease in fund balance of $20,000. Some of the line items with significant variances from the final budget are highlighted below:

During the year, revenues were more than budget by $144,021 , and expenditures were less than budgetary estimates by $156,271. The transfer out budget was $1,016,430 over budget for the year. The net result was a $687,612 decrease 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 $73,883. This was due to more than anticipated development.
- All expenditure departments were under budget.
- Transfers out were over budget due to approved transfers for debt service payments and to close funds.

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, 2014, amounts to $46,079,423 (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		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Land	$ 887,546	$ 887,546	$ -	$ 30,000	$ 30,000	$ -
Construction in progress	13,170,422	13,965,272	(794,850)	-	-	-
Buildings and structures	2,780,238	2,984,817	(204,579)	483,022	553,946	(70,924)
Machinery and equipment	2,063,698	2,158,795	(95,097)	7,763	8,734	(971)
Park improvements	699,419	766,307	(66,888)	-	-	-
Sewer main lines and storm sewers	1,096,966	1,162,362	(65,396)	-	-	-
Infrastructure	21,618,433	21,509,747	108,686	3,241,916	3,375,878	(133,962)
Total capital assets	$ 42,316,722	$ 43,434,846	$ (1,118,124)	$ 3,762,701	$ 3,968,558	$ (205,857)

Additional information on the City's capital assets can be found in Note 3C starting on page 50 of this report.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of $20,936,111 a decrease of $1,003,966 from 2013.

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, 2014 is as follows:

City of East Bethel's Outstanding Debt

	Governmental Activities		
	2014	2013	Increase (Decrease)
General obligation improvement bonds	$ 2,625,000	$ 2,765,000	$ (140,000)
General obligation revenue bonds	18,311,111	19,175,077	(863,966)
Totals	$ 20,936,111	$21,940,077	$ (1,003,966)

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 $23,849,733. Of the City's outstanding debt, $1,250,000 is counted within the statutory limitation.

Additional information on the City's long-term debt can be found in Note 3E starting on page 53 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.
- The City will look to refinance their 2010A debt issue during 2015.

All of these factors were considered in preparing the City's budget for the 2015 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, 2014

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CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 7,804,444	$ (128,000)	$ 7,676,444
Receivables			
Taxes	241,186	-	241,186
Special assessments	329,099	5,080	334,179
Accounts	8,990	23,365	32,355
Loans	49,680	-	49,680
Due from other governments	76,128	-	76,128
Prepaid items	68,477	1,736	70,213
Capital assets			
Land and construction in progress	14,057,968	30,000	14,087,968
Depreciable assets (net of accumulated depreciation)	28,258,754	3,732,701	31,991,455
TOTAL ASSETS	50,894,726	3,664,882	54,559,608
LIABILITIES			
Accounts and contracts payable	266,733	32,454	299,187
Salaries payable	79,631	1,562	81,193
Accrued interest payable	451,244	-	451,244
Deposits payable	56,812	-	56,812
Noncurrent liabilities			
Due within one year	398,412	-	398,412
Due in more than one year	20,664,911	-	20,664,911
TOTAL LIABILITIES	21,917,743	34,016	21,951,759
NET POSITION			
Net investment in capital assets	24,049,342	3,762,701	27,812,043
Restricted for			
Water infrastructure construction	324,474	-	324,474
Debt service	1,436,037	-	1,436,037
Recycling	57,320	-	57,320
Donations	3,537	-	3,537
Housing & redevelopment	771,740	-	771,740
Economic development	81,514	-	81,514
Park development	26,082	-	26,082
Unrestricted	2,226,937	(131,835)	2,095,102
TOTAL NET POSITION	$ 28,976,983	$ 3,630,866	$ 32,607,849

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, 2014

Functions/Programs	Expenses	Program Revenues: Charges For Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Government activities				
General government	$ 1,128,363	$ 535,357	$ 73,357	$ -
Public safety	1,972,600	-	67,201	-
Public works	2,967,530	15,094	-	918,042
Culture and recreation	465,194	-	-	-
Housing and economic development	111,832	16,800	3,241	-
Miscellaneous	190,678	-	-	-
Interest on long-term debt	1,178,955	33,214	401,867	-
Total government activities	8,015,152	600,465	545,666	918,042
Business-type activities				
Water utility	169,060	65,589	-	-
Sewer utility	72,572	84,518	-	-
Ice arena	233,559	245,123	-	-
Total business-type activities	475,191	395,230	-	-
Total primary government	$ 8,490,343	$ 995,695	$ 545,666	$ 918,042

General revenues
Taxes
Property taxes, levied for general purposes
Property taxes, levied for debt service
Tax increment
Franchise taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Sale of capital assets

Total general revenues and special items

Change in net position

Net position, 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		
Governmental Activities	Business-Type Activities	Total
$ (519,649)	$ -	$ (519,649)
(1,905,399)	-	(1,905,399)
(2,034,394)	-	(2,034,394)
(465,194)	-	(465,194)
(91,791)	-	(91,791)
(190,678)	-	(190,678)
(743,874)	-	(743,874)
(5,950,979)	-	(5,950,979)
-	(103,471)	(103,471)
-	11,946	11,946
-	11,564	11,564
-	(79,961)	(79,961)
(5,950,979)	(79,961)	(6,030,940)
4,160,913	-	4,160,913
1,063,437	-	1,063,437
14,795	-	14,795
56,160	-	56,160
32,071	-	32,071
6,148	68	6,216
8,027	-	8,027
5,341,551	68	5,341,619
(609,428)	(79,893)	(689,321)
29,586,411	3,710,759	33,297,170
$ 28,976,983	$ 3,630,866	$ 32,607,849

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FUND FINANCIAL STATEMENTS

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF EAST BETHEL, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	101 General	300's Debt Service	433 Water Infrastructure Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 2,366,830	$ 1,548,526	$ 474,381	$ 1,993,893	$ 6,383,630
Receivables					
Taxes	220,342	15,368	-	5,476	241,186
Special assessments	4,785	323,387	-	927	329,099
Accounts	7,351	-	-	1,639	8,990
Loans	-	-	-	49,680	49,680
Due from other funds	-	-	-	49,680	49,680
Due from other governments	14,460	-	-	61,668	76,128
Prepaid items	68,477	-	-	-	68,477
TOTAL ASSETS	$ 2,682,245	$ 1,887,281	$ 474,381	$ 2,162,963	$ 7,206,870
LIABILITIES					
Accounts and contracts payable	$ 100,498	$ -	$ 133,282	$ 27,938	$ 261,718
Salaries payable	78,613	-	-	-	78,613
Due to other funds	-	-	-	52,602	52,602
Deposits payable	40,187	-	16,625	-	56,812
TOTAL LIABILITIES	219,298	-	149,907	80,540	449,745
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	163,060	-	-	3,789	166,849
Unavailable revenue - special assessments	4,785	323,387	-	927	329,099
TOTAL DEFERRED INFLOWS OF RESOURCES	167,845	323,387	-	4,716	495,948
FUND BALANCES					
Nonspendable	68,477	-	-	-	68,477
Restricted	-	1,563,894	324,474	936,404	2,824,772
Assigned	-	-	-	1,144,225	1,144,225
Unassigned	2,226,625	-	-	(2,922)	2,223,703
TOTAL FUND BALANCES	2,295,102	1,563,894	324,474	2,077,707	6,261,177
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 2,682,245	$ 1,887,281	$ 474,381	$ 2,162,963	$ 7,206,870

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

CITY OF EAST BETHEL, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

Total fund balances - governmental	$ 6,261,177
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	75,215,178
Less accumulated depreciation	(34,789,454)
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	(169,522)
Bonds payable	(20,766,589)
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	166,849
Special assessments receivable	329,099
Governmental funds do not report a liability for accrued interest until due and payable.	(451,244)
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	3,181,489
Net position of governmental activities	$28,976,983

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, 2014

	101 General	300's Debt Service	433 Water Infrastructure Fund	Other Governmental Funds	Total
REVENUES					
Taxes	$ 4,104,992	$ 1,063,437	$ -	$ 137,800	$ 5,306,229
Licenses and permits	297,783	-	-	-	297,783
Intergovernmental	286,389	401,867	-	536,374	1,224,630
Charges for services	109,988	31,414	-	-	141,402
Fines and forfeitures	50,514	-	-	-	50,514
Special assessments	-	58,881	-	17,613	76,494
Interest on investments	1,164	1,751	711	1,538	5,164
Miscellaneous	74,491	1,800	-	34,475	110,766
TOTAL REVENUES	4,925,321	1,559,150	711	727,800	7,212,982
EXPENDITURES					
Current					
General government	992,582	-	-	-	992,582
Public safety	1,769,896	-	-	2,000	1,771,896
Public works	777,733	-	-	69,351	847,084
Culture and recreation	369,140	-	-	2,931	372,071
Housing and economic development	-	-	-	111,832	111,832
Miscellaneous	190,678	-	-	-	190,678
Capital outlay					
Public works	-	-	854,344	392,741	1,247,085
Debt service					
Principal	-	908,000	-	-	908,000
Interest and other	-	1,237,333	-	-	1,237,333
TOTAL EXPENDITURES	4,100,029	2,145,333	854,344	578,855	7,678,561
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	825,292	(586,183)	(853,633)	148,945	(465,579)
OTHER FINANCING SOURCES (USES)					
Refunding bonds issued	-	5,485,000	-	-	5,485,000
Principal paid on refunded bonds	-	(5,485,000)	-	-	(5,485,000)
Transfers in	48,526	2,095,186	-	525,430	2,669,142
Transfers out	(1,561,430)	-	(670,000)	(197,712)	(2,429,142)
TOTAL OTHER FINANCING SOURCES (USES)	(1,512,904)	2,095,186	(670,000)	327,718	240,000
NET CHANGE IN FUND BALANCES	(687,612)	1,509,003	(1,523,633)	476,663	(225,579)
FUND BALANCE, JANUARY 1	2,982,714	54,891	1,848,107	1,601,044	6,486,756
FUND BALANCES, DECEMBER 31	$ 2,295,102	$ 1,563,894	$ 324,474	$ 2,077,707	$ 6,261,177

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

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, 2014

Net changes in fund balances - total governmental funds	$ (225,579)
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	(2,306,024)
Capital outlay	1,247,085
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	95,965
Debt issued	(5,485,000)
Principal payments on bonds payable	6,393,000
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.	(37,587)
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	(10,924)
Special assessments	(53,642)
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	(210,322)
Change in net position of governmental activities	$ (609,428)

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, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	$ 4,091,450	$ 4,091,450	$ 4,104,992	$ 13,542
Licenses and permits	223,900	223,900	297,783	73,883
Intergovernmental	258,000	258,000	286,389	28,389
Charges for services	109,350	109,350	109,988	638
Fines and forfeitures	55,100	55,100	50,514	(4,586)
Interest on investments	2,000	2,000	1,164	(836)
Miscellaneous	41,500	41,500	74,491	32,991
TOTAL REVENUES	4,781,300	4,781,300	4,925,321	144,021
EXPENDITURES				
Current				
General government	1,093,700	1,093,700	992,582	101,118
Public safety	1,775,300	1,775,300	1,769,896	5,404
Public works	791,100	791,100	777,733	13,367
Culture and recreation	390,600	390,600	369,140	21,460
Miscellaneous	205,600	205,600	190,678	14,922
TOTAL EXPENDITURES	4,256,300	4,256,300	4,100,029	156,271
EXCESS OF REVENUES OVER EXPENDITURES	525,000	525,000	825,292	300,292
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	48,526	48,526
Transfers out	(545,000)	(545,000)	(1,561,430)	(1,016,430)
TOTAL OTHER FINANCING SOURCES (USES)	(545,000)	(545,000)	(1,512,904)	(967,904)
NET CHANGE IN FUND BALANCES	(20,000)	(20,000)	(687,612)	(667,612)
FUND BALANCES, JANUARY 1	2,982,714	2,982,714	2,982,714	-
FUND BALANCES, DECEMBER 31	$ 2,962,714	$ 2,962,714	$ 2,295,102	$ (667,612)

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, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	**602** Sewer Utility	**615** Ice Arena	Total	
ASSETS					
CURRENT ASSETS					
Cash and investments	$ (94,904)	$ (167,350)	$ 134,254	$ (128,000)	$ 1,420,814
Receivables					
Special assessments	2,540	2,540	-	5,080	-
Accounts	12,000	11,365	-	23,365	-
Due from other funds	-	-	-	-	2,922
Prepaid items	652	704	380	1,736	-
TOTAL CURRENT ASSETS	(79,712)	(152,741)	134,634	(97,819)	1,423,736
NONCURRENT ASSETS					
Capital assets					
Land	-	-	30,000	30,000	-
Buildings and structures	-	-	1,480,690	1,480,690	-
Machinery and equipment	-	-	9,705	9,705	2,873,505
Infrastructure	3,532,024	691,511	-	4,223,535	-
Less accumulated depreciation	(518,653)	(462,967)	(999,609)	(1,981,229)	(982,507)
Total capital assets (net of accumulated depreciation)	3,013,371	228,544	520,786	3,762,701	1,890,998
TOTAL ASSETS	2,933,659	75,803	655,420	3,664,882	3,314,734
LIABILITIES					
CURRENT LIABILITIES					
Accounts payable	7,152	616	24,686	32,454	6,033
Salaries payable	781	781	-	1,562	-
Compensated absences - current portion	-	-	-	-	110,412
TOTAL CURRENT LIABILITIES	7,933	1,397	24,686	34,016	116,445
NONCURRENT LIABILITIES					
Compensated absences payable - noncurrent portion	-	-	-	-	16,800
TOTAL LIABILITIES	7,933	1,397	24,686	34,016	133,245
NET POSITION					
Net investment in capital assets	3,013,371	228,544	520,786	3,762,701	1,890,998
Unrestricted	(87,645)	(154,138)	109,948	(131,835)	1,290,491
TOTAL NET POSITION	$ 2,925,726	$ 74,406	$ 630,734	$ 3,630,866	$ 3,181,489

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

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CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	**602** Sewer Utility	**615** Ice Arena	Total	
OPERATING REVENUES					
Ice rentals and related revenue	$ -	$ -	$ 190,841	$ 190,841	$ -
Rentals, signs, lockers and tower	-	-	49,066	49,066	-
Dry floor events	-	-	1,397	1,397	-
Concession revenue	-	-	3,267	3,267	-
Charges for services	65,589	84,518	552	150,659	268,448
TOTAL OPERATING REVENUES	65,589	84,518	245,123	395,230	268,448
OPERATING EXPENSES					
Personnel services	18,818	19,121	-	37,939	8,748
Repairs and maintenance	1,305	789	13,921	16,015	-
Utilities	20,386	11,278	52,546	84,210	-
Professional services	3,952	4,366	89,755	98,073	-
Supplies	6,812	12,518	4,622	23,952	8,393
Other services and charges	53	1,449	821	2,323	-
Depreciation	117,734	23,051	71,894	212,679	235,637
TOTAL OPERATING EXPENSES	169,060	72,572	233,559	475,191	252,778
OPERATING INCOME (LOSS)	(103,471)	11,946	11,564	(79,961)	15,670
NONOPERATING REVENUES					
Sale of capital assets	-	-	-	-	8,027
Interest on investments	9	-	59	68	984
Intergovernmental	-	-	-	-	4,997
TOTAL NONOPERATING REVENUES	9	-	59	68	14,008
INCOME (LOSS) BEFORE TRANSFERS	(103,462)	11,946	11,623	(79,893)	29,678
TRANSFERS OUT	-	-	-	-	(240,000)
CHANGE IN NET POSITION	(103,462)	11,946	11,623	(79,893)	(210,322)
NET POSITION, JANUARY 1	3,029,188	62,460	619,111	3,710,759	3,391,811
NET POSITION, DECEMBER 31	$ 2,925,726	$ 74,406	$ 630,734	$ 3,630,866	$ 3,181,489

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

CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	**602** Sewer Utility	**615** Ice Arena	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	$ 63,319	$ 81,963	$ 228,103	$ 373,385	$ -
Receipts from interfund services provided	-	-	-	-	268,367
Payments to suppliers	(29,171)	(33,397)	(161,600)	(224,168)	(2,360)
Payments to employees	(18,749)	(19,052)	-	(37,801)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	15,399	29,514	66,503	111,416	266,007
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Payments received on interfund loan	-	-	-	-	240,000
Interfund loan issued	-	-	-	-	(279)
Transfer out	-	-	-	-	(240,000)
Intergovernmental	-	-	-	-	4,997
NET CASH FLOWS PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	-	-	-	4,718
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(6,822)	-	-	(6,822)	(176,453)
Proceeds from sale of capital assets	-	-	-	-	8,027
NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(6,822)	-	-	(6,822)	(168,426)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received on investments	9	-	59	68	984
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,586	29,514	66,562	104,662	103,283
CASH AND CASH EQUIVALENTS, JANUARY 1	(103,490)	(196,864)	67,692	(232,662)	1,317,531
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ (94,904)	$ (167,350)	$ 134,254	$ (128,000)	$ 1,420,814

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

CITY OF EAST BETHEL, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds - Continued				Governmental Activities - Internal Service Funds
	601 Water Utility	**602** Sewer Utility	**615** Ice Arena	Total	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	$ (103,471)	$ 11,946	$ 11,564	$ (79,961)	$ 15,670
Adjustments to reconcile operating income (loss) to net cash provided (used) operating activities					
Depreciation expense	117,734	23,051	71,894	212,679	235,637
(Increase) decrease in assets					
Accounts receivable	(1,909)	(2,194)	-	(4,103)	-
Special assessments receivable	(361)	(361)	-	(722)	-
Prepaids	(83)	(89)	-	(172)	-
Increase (decrease) in liabilities					
Accounts payable	3,420	(2,908)	65	577	6,033
Accrued salaries/compensated absences payable	69	69	-	138	8,667
Unearned revenue	-	-	(17,020)	(17,020)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 15,399	$ 29,514	$ 66,503	$ 111,416	$ 266,007

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

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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), both of which are considered blended component units.

Housing and Redevelopment Authority

The HRA was created by the City to carry out certain redevelopment projects. The five-member Board of Directors is appointed by the City Council and currently is comprised of the members of the City Council. The City can significantly influence the programs and activities and the City has a financial benefit and burden related to the HRA. The HRA is accounted for using the modified accrual basis of accounting, and as such are reported as a special revenue funds. Separate financial statements for the HRA are not prepared.

Economic Development Authority

The EDA was created by the City to carry out economic development with the City. The seven-member Board consists of two city council members and five appointed members. The City can significantly influence the program and activities and the City has a financial benefit and burden related to the EDA. The EDA is accounted for using the modified accrual basis of accounting, and as such are reported as a special revenue funds. Separate financial statements for the 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.

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.

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 government reports the following major proprietary funds

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

The S*ewer 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.

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. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statements of Cash Flows.

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 regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and 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.

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 2014. 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, 2014, 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

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.

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 40 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 - Consists 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.

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, 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 2014.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

B. Excess of expenditures over appropriations

For the year ended December 31, 2014, expenditures exceeded appropriations in the Recycling fund by $35,851, which was funded by actual revenues in excess of budget.

C. Deficit fund equity

The following fund had fund balance deficits at December 31, 2014: Tax Increment District No. 1-1 ($2,922). The deficit will be eliminated with 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 $1,427,612 and the bank balance was $1,453,240. Of the bank balance, $462,390 was covered by federal depository insurance. The remaining balance was covered by collateral held by the pledging financial institution's trust department in the City's name.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

As of December 31, 2014, 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	$ 5,798,682
Certificates of deposits	N/A	1 to 3 years	450,000
Total investments			$ 6,248,682

(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 44 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	$ 1,427,612
Investments	6,248,682
Cash on hand	150
Total	$ 7,676,444

B. Loan receivable

The City has issued three loans to a local business to finance water and sewer access charges totaling $49,680. The loans will be amortized for five years at 5 percent.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decrease	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	$ 887,546	$ -	$ -	$ 887,546
Construction in progress	13,965,272	1,069,625	(1,864,475)	13,170,422
Total capital assets, not being depreciated	14,852,818	1,069,625	(1,864,475)	14,057,968
Capital assets, being depreciated				
Buildings and improvements	5,542,755	-	-	5,542,755
Park improvements	1,381,979	-	-	1,381,979
Machinery and equipment	3,915,319	176,453		4,091,772
Streets	48,960,131	2,041,934	-	51,002,065
Storm sewers	2,012,144	-	-	2,012,144
Total capital assets, being depreciated	61,812,328	2,218,387	-	64,030,715
Less accumulated depreciation for				
Buildings and improvements	(2,557,938)	(204,579)	-	(2,762,517)
Park improvements	(615,672)	(66,888)	-	(682,560)
Machinery and equipment	(1,756,524)	(271,550)	-	(2,028,074)
Streets	(27,450,384)	(1,933,248)	-	(29,383,632)
Storm sewers	(849,782)	(65,396)	-	(915,178)
Total accumulated depreciation	(33,230,300)	(2,541,661)	-	(35,771,961)
Total capital assets being depreciated, net	28,582,028	(323,274)	-	28,258,754
Governmental activities capital assets, net	$ 43,434,846	$ 746,351	$ (1,864,475)	$ 42,316,722

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

Governmental activities	
General government	126,025
Public safety	121,032
Public works	1,965,749
Culture and recreation	93,218
Depreciation on capital assets held by governmental internal service activities charged to each function based on use	235,637
Total depreciation expense - governmental activities	$ 2,541,661

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	9,705	-	-	9,705
Infrastructure	4,216,713	6,822	-	4,223,535
Total capital assets, being depreciated	5,707,108	6,822	-	5,713,930
Less accumulated depreciation for				
Buildings and improvements	(926,744)	(70,924)	-	(997,668)
Machinery and equipment	(971)	(971)	-	(1,942)
Infrastructure	(840,835)	(140,784)	-	(981,619)
Total accumulated depreciation	(1,768,550)	(212,679)	-	(1,981,229)
Total capital assets being depreciated, net	3,938,558	(205,857)	-	3,732,701
Business-type activities capital assets, net	$ 3,968,558	$ (205,857)	$ -	$ 3,762,701

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

Business-type activities	
Water utility	$ 117,734
Sewer utility	23,051
Ice Arena	71,894
Total depreciation expense - business-type activities	$ 212,679

Construction commitments

As of December 31, 2014, the City has signed contracts in place for two construction projects. The following summarizes these commitments:

Project	Spent to date	Remaining Commitment
Whispering Aspen Overlay Project	384,620	19,231
Water Utility Infrastructure	2,268,066	113,404
Total	$2,652,686	$ 132,635

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund receivables, payables and transfers

The composition of internal balances as of December 31, 2014 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount
Due from/to other funds			
Internal Service Fund	Governmental		
Equipment Replacement	Nonmajor	Deficit cash	$ 2,922
Governmental	Governmental		
Nonmajor	Nonmajor	Loan receivables	49,200
Interfund activity eliminated from government-wide statements			(52,122)
Total internal balances government-wide statements			$ -

Interfund transfers

The composition of interfund transfers for the year ended December 31, 2014 is as follows:

	Transfer in			
Fund	General Fund	Debt Service Fund	Nonmajor Capital Project Fund	Total
Transfer out				
General	$ -	$ 1,036,000	$ 525,430	$ 1,561,430
Water infrastructure fund	-	670,000	-	670,000
Nonmajor governmental	48,526	149,186	-	197,712
Internal service fund	-	240,000	-	240,000
Total	$ 48,526	$ 2,095,186	$ 525,430	$ 2,669,142

The City annually budgets transfers for specific purposes. Annual transfers included transfer for debt service and transfers made as part of capital improvement plans. The City made the following one-time non-budgeted transfers for the year ended December 31, 2014:

- The General fund, Water Infrastructure fund, and nonmajor governmental funds transferred $1,016,000, $670,000 and $144,186, respectively to the Debt Service fund for future debt service requirements.
- The Equipment Replacement internal service fund transferred $240,000 to the Debt service fund to dissolve the interfund loan between the funds.
- The General fund transferred $430 to a nonmajor governmental fund to close one of two funds that combine to make up the Improvements of 2003 fund.
- A nonmajor governmental fund transferred $48,526 to the General fund to close the fund due to the project being completed.

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	$ 115,000
G.O. Improvement Bonds, Series 2010C	1,260,000	3.20-3.45	12/15/2010	2/1/2017	1,260,000
G.O. Public Safety Bonds, Series 2013A	1,250,000	3.00	11/13/2013	2/1/2026	1,250,000
Total G.O. Improvement Bonds					$ 2,625,000

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Principal
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	100,000	25,500	125,500
2020-2024	555,000	79,725	634,725
2025-2026	245,000	7,425	252,425
Total	$ 2,625,000	$ 329,079	$ 2,954,079

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.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer Revenue Bonds, Series 2008A	$ 1,715,000	3.00-4.70 %	5/1/2008	2/1/2029	$ 1,135,000
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. Water Revenue Note Series 2010	69,190	1.00	2/17/2010	8/20/2029	56,590
G.O Refunding Bond Series 2014A	5,485,000	3.00-4.00	3/4/2014	2/1/2040	5,485,000
Total G.O. Revenue Bonds					$ 18,141,590

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Year Ending December 31,	Governmental Activities Principal	Interest	Total
2015	$ 158,000	$ 996,951	$ 1,154,951
2016	138,000	992,006	1,130,006
2017	143,000	986,813	1,129,813
2018	159,000	980,883	1,139,883
2019	404,000	970,893	1,374,893
2020-2024	2,080,000	4,609,420	6,689,420
2025-2029	2,904,590	4,102,990	7,007,580
2030-2034	4,955,000	3,019,550	7,974,550
2035-2039	5,895,000	1,355,407	7,250,407
2040	1,305,000	41,025	1,346,025
Total	$ 18,141,590	$ 18,055,938	$ 36,197,528

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. improvement bonds	$ 2,765,000	$ -	(140,000)	$ 2,625,000	$ 130,000
G.O. revenue bonds	18,909,590	5,485,000	(6,253,000)	18,141,590	158,000
Issuance premium	265,487	-	(95,966)	169,521	-
Total bonds payable	21,940,077	5,485,000	(6,488,966)	20,936,111	288,000
Compensated absences	118,545	119,079	(110,412)	127,212	110,412
Total governmental activity long-term debt	$ 22,058,622	$ 5,604,079	$ (6,599,378)	$ 21,063,323	$ 398,412

Refunding bond

On March 4, 2014 the City issued $5,485,000 of General Obligation Refunding Bonds, Series 2014 A. The bond issued refunded the Taxable General Obligation Utility Revenue Bonds, Series 2010B on April 1, 2014. As a result of the refunding issue, the City will save $1,541,625 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of $1,139,858.

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Components of fund balance

At December 31, 2014, 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					
Prepaid items	$ 68,477	$ -	$ -	$ -	$ 68,477
Restricted					
Water Infrastructure Construction	$ -	$ -	$ 324,474	$ -	$ 324,474
Debt Service Fund	-	1,563,894	-	-	1,563,894
Recycling	-	-	-	57,320	57,320
Donations	-	-	-	3,537	3,537
Housing and Redevelopment Authority	-	-	-	771,260	771,260
Economic Development Authority	-	-	-	78,205	78,205
Park Development	-	-	-	26,082	26,082
Total Restricted	$ -	$ 1,563,894	$ 324,474	$ 936,404	$ 2,824,772
Assigned to					
Park Capital Projects	$ -	$ -	$ -	$ 86,980	$ 86,980
Street Capital Projects	-	-	-	824,560	824,560
Other Capital Projects	-	-	-	232,685	232,685
Total Assigned	$ -	$ -	$ -	$ 1,144,225	$ 1,144,225

Note 4: DEFINED BENEFIT PENSION PLANS-STATEWIDE

A. Plan description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. The plan is 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.

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 five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

Two methods are used to compute benefits for 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. 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.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088 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 Basis Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2014. In 2014, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members and 7.25 percent for Coordinated Plan members. The City's contributions to the Public Employees Retirement Fund for the years ended December 31, 2014, 2013 and 2012 were $78,532, $80,271, and $74,743, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and Fire fund (10.80 percent for members and 16.20 percent for employers).

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, 2014.

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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, 2014

CITY OF EAST BETHEL, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	Special Revenue	Capital Projects	Total
ASSETS			
Cash and investments	$ 817,888	$ 1,176,005	$ 1,993,893
Receivables			
Taxes	5,476	-	5,476
Special assessments	-	927	927
Accounts	-	1,639	1,639
Loans	49,680	-	49,680
Due from other funds	49,680	-	49,680
Due from other governments	46,637	15,031	61,668
TOTAL ASSETS	$ 969,361	$ 1,193,602	$ 2,162,963
LIABILITIES			
Accounts and contracts payable	$ 5,570	$ 22,368	$ 27,938
Due to other funds	49,680	2,922	52,602
TOTAL LIABILITIES	55,250	25,290	80,540
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	3,789	-	3,789
Unavailable revenue - special assessments	-	927	927
TOTAL DEFERRED INFLOWS OF RESOURCES	3,789	927	4,716
FUND BALANCES			
Restricted	910,322	26,082	936,404
Assigned	-	1,144,225	1,144,225
Unassigned	-	(2,922)	(2,922)
TOTAL FUND BALANCES	910,322	1,167,385	2,077,707
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 969,361	$ 1,193,602	$ 2,162,963

CITY OF EAST BETHEL, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue	Capital Projects	Total
REVENUES			
Taxes	$ 123,005	$ 14,795	$ 137,800
Intergovernmental	73,357	463,017	536,374
Special assessments	-	17,613	17,613
Interest on investments	545	993	1,538
Miscellaneous	19,381	15,094	34,475
TOTAL REVENUES	216,288	511,512	727,800
EXPENDITURES			
Current			
Public safety	2,000	-	2,000
Public works	69,351	-	69,351
Culture and recreation	2,931	-	2,931
Housing and economic development	78,184	33,648	111,832
Capital outlay			
Public works	-	392,741	392,741
TOTAL EXPENDITURES	152,466	426,389	578,855
EXCESS OF REVENUE OVER EXPENDITURES	63,822	85,123	148,945
OTHER FINANCING SOURCES (USES)			
Transfers in	-	525,430	525,430
Transfers out	-	(197,712)	(197,712)
TOTAL OTHER FINANCING SOURCES (USES)	-	327,718	327,718
NET CHANGES IN FUND BALANCES	63,822	412,841	476,663
FUND BALANCE, JANUARY 1	846,500	754,544	1,601,044
FUND BALANCE, DECEMBER 31	$ 910,322	$ 1,167,385	$ 2,077,707

CITY OF EAST BETHEL, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	226 Recycling Fund	227 Miscellaneous Grants/ Donations Fund	230 HRA Fund	232 EDA Fund	Total
ASSETS					
Cash and investments	$ 15,933	$ 3,537	$ 721,557	$ 76,861	$ 817,888
Taxes receivable	-	-	503	4,973	5,476
Due from other funds	-	-	49,680	-	49,680
Due from other governments	46,637	-	-	-	46,637
Loans receivable	-	-	-	49,680	49,680
TOTAL ASSETS	$ 62,570	$ 3,537	$ 771,740	$ 131,514	$ 969,361
LIABILITIES					
Accounts payable	$ 5,250	$ -	$ -	$ 320	$ 5,570
Due to other funds	-	-	-	49,680	49,680
TOTAL LIABILITIES	5,250	-	-	50,000	55,250
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	-	-	480	3,309	3,789
FUND BALANCE					
Restricted	57,320	3,537	771,260	78,205	910,322
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	$ 62,570	$ 3,537	$ 771,740	$ 131,514	$ 969,361

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, 2014

	226 Recycling Fund	227 Miscellaneous Grants/ Donations Fund	230 HRA Fund	232 EDA Fund	Total
REVENUES					
Taxes	$ -	$ -	$ 63	$ 122,942	$ 123,005
Intergovernmental	73,357	-	-	-	73,357
Interest on investments	26	4	503	12	545
Miscellaneous	1,581	1,000	400	16,400	19,381
TOTAL REVENUES	74,964	1,004	966	139,354	216,288
EXPENDITURES					
Current					
Public safety	-	2,000	-	-	2,000
Public works	69,351	-	-	-	69,351
Culture and recreation	-	2,931	-	-	2,931
Housing and economic development	-	-	15,270	62,914	78,184
TOTAL EXPENDITURES	69,351	4,931	15,270	62,914	152,466
NET CHANGE IN FUND BALANCE	5,613	(3,927)	(14,304)	76,440	63,822
FUND BALANCE, JANUARY 1	51,707	7,464	785,564	1,765	846,500
FUND BALANCE, DECEMBER 31	$ 57,320	$ 3,537	$ 771,260	$ 78,205	$ 910,322

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, 2014
(With comparative totals for the year ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUE					
Intergovernmental	$ 31,000	$ 31,000	$ 73,357	$ 42,357	$ 47,255
Interest on investments	-	-	26	26	15
Miscellaneous	2,500	2,500	1,581	(919)	1,146
TOTAL REVENUE	33,500	33,500	74,964	41,464	48,416
EXPENDITURES					
Current					
Public works	33,500	33,500	69,351	(35,851)	26,374
NET CHANGE IN FUND BALANCE	-	-	5,613	5,613	22,042
FUND BALANCE, JANUARY 1	51,707	51,707	51,707	-	29,665
FUND BALANCE, DECEMBER 31	$ 51,707	$ 51,707	$ 57,320	$ 5,613	$ 51,707

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, 2014
(With comparative totals for the year ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUE					
Property taxes	$ -	$ -	$ 63	$ 63	$ 479
Interest on investments	-	-	503	503	511
Miscellaneous	-	-	400	400	200
TOTAL REVENUE	-	-	966	966	1,190
EXPENDITURES					
Current					
Housing and economic development	22,900	22,900	15,270	7,630	15,143
NET CHANGE IN FUND BALANCE	(22,900)	(22,900)	(14,304)	8,596	(13,953)
FUND BALANCE, JANUARY 1	785,564	785,564	785,564	-	799,517
FUND BALANCE, DECEMBER 31	$ 762,664	$ 762,664	$ 771,260	$ 8,596	$ 785,564

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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, 2014
(With comparative totals for the year ended December 31, 2012)

	2014				2013
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUE					
Property taxes	$ 123,022	$ 123,022	$ 122,942	$ (80)	$ 144,465
Interest on investments	-	-	12	(12)	-
Miscellaneous	-	-	16,400	(16,400)	-
TOTAL REVENUE	123,022	123,022	139,354	(16,492)	144,465
EXPENDITURES					
Current					
Housing and economic development	123,022	123,022	62,914	60,108	97,224
EXCESS OF REVENUES OVER EXPENDITURES	-	-	76,440	43,616	47,241
OTHER FINANCING USE					
Transfers out	-	-	-	-	(81,540)
NET CHANGE IN FUND BALANCE	-	-	76,440	43,616	(34,299)
FUND BALANCE, JANUARY 1	1,765	1,765	1,765	-	36,064
FUND BALANCE, DECEMBER 31	$ 1,765	$ 1,765	$ 78,205	$ 43,616	$ 1,765

CITY OF EAST BETHEL, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	404 Park Acquisition Fund	410 Park Trails Fund	411 Minard Street Fund	506, 588 Improvements of 2003 Fund	402 Municipal State Aid Street Improvement Fund
ASSETS					
Cash and investments	$ 26,082	$ -	$ 33,734	$ 21,078	$ 7,111
Receivables					
Special assessments	-	-	-	927	-
Accounts	-	-	-	-	-
Due from other governments	-	-	-	-	-
					-
TOTAL ASSETS	$ 26,082	$ -	$ 33,734	$ 22,005	$ 7,111
LIABILITIES					
Accounts and contracts payable	$ -	$ -	$ -	$ -	$ 3,137
Due to other funds	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	3,137
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - special assessments	-	-	-	927	-
FUND BALANCES					
Restricted	26,082	-	-	-	-
Assigned	-	-	33,734	21,078	3,974
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	26,082	-	33,734	21,078	3,974
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 26,082	$ -	$ 33,734	$ 22,005	$ 7,111

406	407	408, 409	401	502	435	233	
Street Capital Fund	Park Capital Fund	Utility Improvement Fund	Building Fund	Lunde/Jewell Street Fund	TIF No. 1-1	Anoka County CDBG Grant Fund	Total
$ 806,083	$ 86,980	$ 27,721	$ 182,247	$ -	$ -	$ (15,031)	$ 1,176,005
-	-	-	-	-	-	-	927
-	-	1,639	-	-	-	-	1,639
-	-	-	-	-	-	15,031	15,031
$ 806,083	$ 86,980	$ 29,360	$ 182,247	$ -	$ -	$ -	$ 1,193,602
$ 19,231	$ -	$ -	$ -	$ -	$ -	$ -	$ 22,368
-	-	-	-	-	2,922	-	2,922
19,231	-	-	-	-	2,922	-	25,290
-	-	-	-	-	-	-	927
-	-	-	-	-	-	-	26,082
786,852	86,980	29,360	182,247	-	-	-	1,144,225
-	-	-	-	-	(2,922)	-	(2,922)
786,852	86,980	29,360	182,247	-	(2,922)	-	1,167,385
$ 806,083	$ 86,980	$ 29,360	$ 182,247	$ -	$ -	$ -	$ 1,193,602

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, 2014

	404 Park Acquisition Fund	**410** Park Trails Fund	**411** Minard Street Fund	**506, 588** Improvements of 2003 Fund	**402** Municipal State Aid Street Improvement Fund
REVENUES					
Taxes	$ -	$ -	$ -	$ -	$ -
Special assessments	-	-	-	12,818	-
Intergovernmental	-	-	-	-	443,376
Interest on investments	18	98	22	8	13
Miscellaneous	-	-	6,000	-	-
TOTAL REVENUES	18	98	6,022	12,826	443,389
EXPENDITURES					
Current					
Economic development	-	-	-	-	-
Capital outlay					
Public works	-	-	-	-	39,392
TOTAL EXPENDITURES	-	-	-	-	39,392
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	18	98	6,022	12,826	403,997
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	430	-
Transfers out	-	(144,186)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(144,186)	-	430	-
NET CHANGE IN FUND BALANCES	18	(144,088)	6,022	13,256	403,997
FUND BALANCE, JANUARY 1	26,064	144,088	27,712	7,822	(400,023)
FUND BALANCE, DECEMBER 31	$ 26,082	$ -	$ 33,734	$ 21,078	$ 3,974

406 Street Capital Fund	407 Park Capital Fund	408, 409 Utility Improvement Fund	401 Building Fund	502 Lunde/Jewell Street Fund	435 TIF No. 1-1	233 Anoka County CDBG Grant Fund	Total
$ -	$ -	$ -	$ -	$ -	$ 14,795	$ -	$ 14,795
763	-	-	-	4,032	-	-	17,613
-	-	-	-	-	-	19,641	463,017
620	50	18	115	31	-	-	993
-	-	9,094	-	-	-	-	15,094
1,383	50	9,112	115	4,063	14,795	19,641	511,512
-	.	-	-	-	14,007	19,641	33,648
353,349	-	-	-	-	-	-	392,741
353,349	-	-	-	-	14,007	19,641	426,389
(351,966)	50	9,112	115	4,063	788	-	85,123
425,000	50,000	-	50,000	-	-	-	525,430
-	-	(5,000)	-	(48,526)	-	-	(197,712)
425,000	50,000	(5,000)	50,000	(48,526)	-	-	327,718
73,034	50,050	4,112	50,115	(44,463)	788	-	412,841
713,818	36,930	25,248	132,132	44,463	(3,710)	-	754,544
$ 786,852	$ 86,980	$ 29,360	$ 182,247	$ -	$ (2,922)	$ -	$ 1,167,385

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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, 2014
(With comparative totals for the year ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUE					
Taxes					
Property	$ 4,050,450	$ 4,050,450	$ 4,048,832	$ (1,618)	$ 4,131,421
Franchise	41,000	41,000	56,160	15,160	49,490
Total	4,091,450	4,091,450	4,104,992	13,542	4,180,911
Licenses and permits					
Business	33,400	33,400	34,935	1,535	31,560
Nonbusiness	190,500	190,500	262,848	72,348	308,535
Total	223,900	223,900	297,783	73,883	340,095
Intergovernmental					
State					
Local government aid	23,500	23,500	23,470	(30)	-
MSA	185,000	185,000	192,114	7,114	185,764
Agricultural market value credit	-	-	6,478	6,478	5,690
PERA	2,100	2,100	2,123	23	2,123
Fire aid	47,400	47,400	62,204	14,804	63,823
Total	258,000	258,000	286,389	28,389	257,400
Charges for services	109,350	109,350	109,988	638	128,543
Fines and forfeitures	55,100	55,100	50,514	(4,586)	53,574
Interest on investments	2,000	2,000	1,164	(836)	1,166
Special Assessments	-	-	-	-	1,318
Miscellaneous					
Refunds and reimbursements	41,500	41,500	74,491	32,991	54,042
TOTAL REVENUES	4,781,300	4,781,300	4,925,321	144,021	5,017,049
EXPENDITURES					
General government					
Mayor and Council					
Personnel services	33,500	33,500	31,003	2,497	31,659
Other services and charges	50,300	50,300	42,047	8,253	38,139
Total mayor and council	83,800	83,800	73,050	10,750	69,798
Elections					
Supplies	250	250	235	15	-
Other services and charges	13,150	13,150	9,242	3,908	1,687
Total elections	13,400	13,400	9,477	3,923	1,687

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, 2014
(With comparative totals for the year ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
General government - continued					
Planning and zoning					
Personnel services	$ 150,100	$ 150,100	$ 140,605	$ 9,495	$ 180,634
Supplies	150	150	584	(434)	165
Other services and charges	15,650	15,650	15,602	48	10,821
Total planning and zoning	165,900	165,900	156,791	9,109	191,620
Administration/support					
Personnel services	516,450	516,450	459,693	56,757	528,613
Supplies	500	500	110	390	336
Other services and charges	27,650	27,650	42,432	(14,782)	27,749
Total administration/support	544,600	544,600	502,235	42,365	556,698
General government buildings					
Supplies	4,200	4,200	3,227	973	1,876
Other services and charges	39,600	39,600	28,987	10,613	36,206
Total general government buildings	43,800	43,800	32,214	11,586	38,082
Miscellaneous					
Contractual services	242,200	242,200	218,815	23,385	227,205
Total general government	1,093,700	1,093,700	992,582	101,118	1,085,090
Public safety					
Fire protection					
Personnel services	318,850	318,850	319,541	(691)	315,819
Supplies	46,875	46,875	49,070	(2,195)	43,203
Other services and charges	188,575	188,575	186,641	1,934	184,971
Total fire protection	554,300	554,300	555,252	(952)	543,993
Police protection					
Other services and charges	990,000	990,000	986,330	3,670	959,256
Building inspection					
Personnel services	217,500	217,500	214,530	2,970	159,672
Supplies	6,100	6,100	5,878	222	6,813
Other services and charges	7,400	7,400	7,906	(506)	8,458
Total building inspection	231,000	231,000	228,314	2,686	174,943
Total public safety	1,775,300	1,775,300	1,769,896	5,404	1,678,192

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, 2014
(With comparative totals for the year ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Public works					
Street maintenance					
Personnel services	$ 411,600	$ 411,600	$ 390,917	$ 20,683	$ 379,817
Supplies	145,750	145,750	148,154	(2,404)	165,389
Other services and charges	233,750	233,750	238,662	(4,912)	217,145
Total public works	791,100	791,100	777,733	13,367	762,351
Culture and recreation					
Personnel services	298,850	298,850	297,287	1,563	286,391
Supplies	44,600	44,600	36,297	8,303	43,666
Other services and charges	47,150	47,150	35,556	11,594	37,838
Total culture and recreation	390,600	390,600	369,140	21,460	367,895
Miscellaneous					
Supplies	10,500	10,500	8,536	1,964	9,628
Other services and charges	195,100	195,100	182,142	12,958	201,484
Total miscellaneous	205,600	205,600	190,678	14,922	211,112
Capital outlay					
General government	-	-	-	-	1,589
Total capital outlay	-	-	-	-	1,589
TOTAL EXPENDITURES	4,256,300	4,256,300	4,100,029	156,271	4,106,229
EXCESS REVENUE OVER EXPENDITURES	525,000	525,000	825,292	300,292	910,820
OTHER FINANCING USES					
Transfers in	-	-	48,526	48,526	-
Transfers out	(545,000)	(545,000)	(1,561,430)	(1,016,430)	(550,000)
TOTAL OTHER FINANCING SOURCES (USES)	(545,000)	(545,000)	(1,512,904)	(967,904)	(550,000)
NET CHANGE IN FUND BALANCE	(20,000)	(20,000)	(687,612)	(667,612)	360,820
FUND BALANCE, JANUARY 1	2,982,714	2,982,714	2,982,714	-	2,621,894
FUND BALANCE, DECEMBER 31	$ 2,962,714	$ 2,962,714	$ 2,295,102	$ (667,612)	$ 2,982,714

CITY OF EAST BETHEL, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	301 2005/2013A Safety Bond	**303** 2005B Street Improvement Debt	**308** 2008A Sewer Revenue Bond
ASSETS			
Cash and investments	$ 85,096	$ 93,697	$ (2,465)
Receivables			
Taxes	1,698	-	2,590
Special assessments	-	26,042	140,000
TOTAL ASSETS	$ 86,794	$ 119,739	$ 140,125
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments	$ -	$ 26,042	$ 140,000
FUND BALANCE			
Restricted	86,794	93,697	125
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 86,794	$ 119,739	$ 140,125

309 2010 Water Revenue Note	**310** 2010A Revenue Bond	**311** 2014A GO Refunding Bond	**312** 2010C Improvement Bond	Total
$ 5,536	$ 6,267	$ 16,061	$ 1,344,334	$ 1,548,526
-	6,763	4,317	-	15,368
-	157,345	-	-	323,387
$ 5,536	$ 170,375	$ 20,378	$ 1,344,334	$ 1,887,281
$ -	$ 157,345	$ -	$ -	$ 323,387
5,536	13,030	20,378	1,344,334	1,563,894
$ 5,536	$ 170,375	$ 20,378	$ 1,344,334	$ 1,887,281

CITY OF EAST BETHEL, MINNESOTA
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 2014

	301 2005/2013A Safety Bond	**303** 2005B Street Improvement Debt	**308** 2008A Sewer Revenue Bond
REVENUES			
Property taxes	$ 127,461	$ -	$ 177,343
Intergovernmental	-	-	-
Charges for services	-	-	-
Special assessments	-	28,125	18,200
Interest on investments	1,267	77	-
Miscellaneous	1,800	-	-
TOTAL REVENUES	130,528	28,202	195,543
EXPENDITURES			
Debt service			
Principal	85,000	55,000	150,000
Interest and other charges	56,081	5,730	47,010
TOTAL EXPENDITURES	141,081	60,730	197,010
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(10,553)	(32,528)	(1,467)
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	-	-
Principal paid on refunded bonds	-	-	-
Transfers in	-	-	-
Transfers out	-	(142,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(142,000)	-
NET CHANGE IN FUND BALANCES	(10,553)	(174,528)	(1,467)
FUND BALANCE, JANUARY 1	97,347	268,225	1,592
FUND BALANCE, DECEMBER 31	$ 86,794	$ 93,697	$ 125

309 2010 Water Revenue Note	310 2010A Revenue Bond	311 2014A GO Refunding Bond	312 2010C Improvement Bond	Total
$ -	$ 463,062	$ 295,571	$ -	$ 1,063,437
-	320,329	81,538	-	401,867
-	8,074	23,340	-	31,414
-	12,556	-	-	58,881
5	-	1	401	1,751
-	-	-	-	1,800
5	804,021	400,450	401	1,559,150
3,000	-	615,000	-	908,000
596	767,497	318,261	42,158	1,237,333
3,596	767,497	933,261	42,158	2,145,333
(3,591)	36,524	(532,811)	(41,757)	(586,183)
-	-	5,485,000	-	5,485,000
-	-	(5,485,000)	-	(5,485,000)
5,000	170,361	759,639	1,302,186	2,237,186
-	-	-	-	(142,000)
5,000	170,361	759,639	1,302,186	2,095,186
1,409	206,885	226,828	1,260,429	1,509,003
4,127	(193,855)	(206,450)	83,905	54,891
$ 5,536	$ 13,030	$ 20,378	$ 1,344,334	$ 1,563,894

CITY OF EAST BETHEL, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2014

	702 Compensated Absences	**701** Equipment Replacement	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	$ 127,367	$ 1,293,447	$ 1,420,814
Due from other funds	-	2,922	2,922
TOTAL CURRENT ASSETS	127,367	1,296,369	1,423,736
NONCURRENT ASSETS			
Capital assets			
Machinery and equipment	-	2,873,505	2,873,505
Less accumulated depreciation	-	(982,507)	(982,507)
Net capital assets	-	1,890,998	1,890,998
TOTAL ASSETS	127,367	3,187,367	3,314,734
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	-	6,033	6,033
Compensated absences - current portion	110,412	-	110,412
TOTAL CURRENT LIABILITIES	110,412	6,033	116,445
NONCURRENT LIABILITIES			
Compensated absences payable - noncurrent portion	16,800	-	16,800
TOTAL LIABILITIES	127,212	6,033	133,245
NET POSITION			
Net investment in capital assets	-	1,890,998	1,890,998
Unrestricted	155	1,290,336	1,290,491
TOTAL NET POSITION	$ 155	$ 3,181,334	$ 3,181,489

CITY OF EAST BETHEL, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

	702 Compensated Absences	**701** Equipment Replacement	Total
OPERATING REVENUES			
Charges for services			
Services to departments	$ 8,748	$ 259,700	$ 268,448
OPERATING EXPENSES			
Personnel services	8,748	-	8,748
Supplies	-	8,393	8,393
Depreciation	-	235,637	235,637
TOTAL OPERATING EXPENSES	8,748	244,030	252,778
OPERATING INCOME	-	15,670	15,670
NONOPERATING REVENUES			
Sale of capital assets	-	8,027	8,027
Interest on investments	81	903	984
Intergovernmental	-	4,997	4,997
TOTAL NONOPERATING REVENUES	81	13,927	14,008
INCOME BEFORE TRANSFERS	81	29,597	29,678
TRANSFERS OUT	-	(240,000)	(240,000)
CHANGE IN FUND BALANCES	81	(210,403)	(210,322)
NET POSITION, JANUARY 1	74	3,391,737	3,391,811
NET POSITION, DECEMBER 31	$ 155	$ 3,181,334	$ 3,181,489

CITY OF EAST BETHEL, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

	702 Compensated Absences	701 Equipment Replacement	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from interfund services provided	$ 8,667	$ 259,700	$ 268,367
Payments to suppliers	-	(2,360)	(2,360)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	8,667	257,340	266,007
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Payments received on interfund loan	-	240,000	240,000
Interfund loan issued	-	(279)	(279)
Transfer out	-	(240,000)	(240,000)
Intergovernmental	-	4,997	4,997
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	-	4,718	4,718
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(176,453)	(176,453)
Proceeds from sale of capital assets	-	8,027	8,027
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	-	(168,426)	(168,426)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received on investments	81	903	984
NET INCREASE IN CASH AND CASH EQUIVALENTS	8,748	94,535	103,283
CASH AND CASH EQUIVALENTS, JANUARY 1	118,619	1,198,912	1,317,531
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 127,367	$ 1,293,447	$ 1,420,814
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income	$ -	$ 15,670	$ 15,670
Adjustments to reconcile operating income to net cash provided (used) operating activities			
Depreciation expense	-	235,637	235,637
Increase (decrease) in liabilities			
Accounts payable	-	6,033	6,033
Compensated absences	8,667	-	8,667
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 8,667	$ 257,340	$ 266,007

CITY OF EAST BETHEL, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014 AND 2013

	Total		Percent Increase
	2014	2013	(Decrease)
REVENUES			
Taxes	$ 5,306,229	$ 4,655,584	13.98 %
Licenses and permits	297,783	340,095	(12.44)
Intergovernmental	1,224,630	897,871	36.39
Charges for services	141,402	340,449	(58.47)
Fines and forfeitures	50,514	53,574	(5.71)
Special assessments	76,494	162,691	(52.98)
Interest on investments	5,164	9,442	(45.31)
Miscellaneous	110,766	97,023	14.16
TOTAL REVENUES	$ 7,212,982	$ 6,556,729	10.01 %
Per Capita	$ 622	$ 567	9.70 %
EXPENDITURES			
Current			
General government	$ 992,582	$ 1,092,721	(9.16) %
Public safety	1,771,896	1,759,364	0.71
Public works	847,084	788,725	7.40
Culture and recreation	372,071	373,701	(0.44)
Housing and economic Development	111,832	113,534	(1.50)
Miscellaneous	190,678	211,112	(9.68)
Capital outlay			
General government	-	1,589	(100.00)
Public works	1,247,085	5,438,588	(77.07)
Parks and recreation	-	114,996	(100.00)
Debt service			
Principal	908,000	373,000	143.43
Interest and other charges	1,237,333	1,301,026	(4.90)
TOTAL EXPENDITURES	$ 7,678,561	$ 11,568,356	(33.62) %
Per Capita	$ 663	$ 1,001	(33.77) %
Total Long-term Indebtedness	$ 20,936,111	$ 21,940,077	(4.58) %
Per Capita	1,807	1,899	(4.84)
General Fund Balance - December 31	$ 2,295,102	$ 2,982,714	(23.05) %
Per Capita	198	258	(23.26)

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.

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OTHER REQUIRED REPORTS

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 19, 2015.

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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
March 19, 2015

5201 Eden Avenue, Suite 250
Edina, MN 55436
952.835.9090 | Fax 952.835.3261

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 19, 2015.

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.*

5201 Eden Avenue, Suite 250
Edina, MN 55436
952.835.9090 | Fax 952.835.3261

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
March 19, 2015

People + Process.
Going Beyond the Numbers

City of East Bethel
City Council
Agenda Information

* *

Date:
April 1, 2015
* *

Agenda Item Number:
Item 6.0 A- E
* *

Agenda Item:
Consent Agenda
* *

Requested Action:
Consider approval of the Consent Agenda
* *

Background Information:

Item A

Approve Bills

Item B

March 18, 2015 City Council Minutes

Meeting minutes from the March 18, 2015 City Council Meeting are attached for your review.

Item C

Approval of Assessor Contract 2016, 2017, and 2018

The City Assessors contract expires on January 2, 2016. In order to prepare the 2016 Budget, Staff is in need of the cost of this service by no later than June 30, 2015. In 2012 the City advertised for Request for Proposals (RFP's) for this service but received only one proposal with that coming from our current Assessor, Ken Tolzmann. Mr. Tolzmann's proposal was approximately $20,000 per year less than the cost of contracting with Anoka County for assessments for that period.

Mr. Tolzmann has indicated that he is interested in extending his contract with the City and would offer the same price per parcel for 2016-2018 as was provided in his 2013-2015 contract. Should the number of parcels remain unchanged Mr. Tolzmann's proposal for 2016 would be roughly $54,500. The County's cost for providing this service for 2016 is estimated to be a minimum of $68,000 with an additional one time charge to review and establish a basis for the assessments. The updated contract is attached.

Item D

Resolution 2015-23 Accepting Work

The Contractor has completed all construction and punchlist items for the Lift Station No. 1 Reconstruction Project and has submitted all the required documentation to consider this project

for final payment. The total original contract amount for this project was $370,578.15. The final contract amount is $342,533.22. Staff recommends final payment of $17,126.66. A copy of the final payment form and resolution accepting the work are attached.

Final Contract Amount	$ 342,533.22
Less Previous Payments	$ 325,406.56
Total Payment	$ 17,126.66

Item E

Resolution 2015-24 Declaring April 25, 2015 Arbor Day in East Bethel

In 2014, the City of East Bethel held its first Arbor Day at Booster Park where a tree was planted with help from local Cub Scouts to replace trees that have been lost to disease and wind within the park. The Arbor Day Celebration, along with other tree specific criteria the City performs, allowed the City to apply for and be awarded as a Tree City USA.

Staff and the Park Commission would like to see this as an annual event to promote the benefits of trees and a healthy urban forest. The Park Commission and staff have recommended holding an Arbor Day celebration in Booster Park on April 25, 2015 at 10:00 am which is also the Spring Recycle Day. The local scout group that has adopted Booster Park would be invited to attend and help with a tree planting.

Staff and the Park Commission recommend adoption of Resolution 2015-24 Declaring April 25, 2015 Arbor Day in East Bethel.

* *

Fiscal Impact:

As noted above.

* *

Recommendation(s):

Staff recommends approval of the Consent Agenda as presented.

* *

Payments for Council Approval April 1, 2015

Bills to be approved for payment	$73,155.22
Electronic payroll payments	$25,679.71
Payroll - City Staff - March 26, 2015	$35,467.91

Total to be Approved for Payment	$134,302.84

City of East Bethel
April 1, 2015
Payment Summary

Dept Descr	Object Descr	Invoice	Check Name	Fund	Dept	Amount
Anoka County CDBG	Professional Services Fees	1342	Lashinski Septic Service	233	23300	$625.00
Arena Operations	Auto/Misc Licensing Fees/Taxes	173323430003	Anoka County	615	49851	$155.53
Arena Operations	Gas Utilities	449526634	Xcel Energy	615	49851	$2,884.90
Arena Operations	Professional Services Fees	10008	Gibson's Management Company	615	49851	$9,000.00
Arena Operations	Telephone	332373310-160	Sprint Nextel Communications	615	49851	$11.55
Assessing	Professional Services Fees	1st Qtr 16	Kenneth A. Tolzmann	101	41550	$13,581.75
Building Inspection	Motor Fuels	319863	Mansfield Oil Company	101	42410	$132.15
Building Inspection	Motor Vehicle Services (Lic d)	900134086	North Metro Auto Glass	101	42410	$260.00
Building Inspection	Motor Vehicles Parts	1539-356657	O'Reilly Auto Stores Inc.	101	42410	$71.51
Building Inspection	Motor Vehicles Parts	1539-356813	O'Reilly Auto Stores Inc.	101	42410	($15.80)
Building Inspection	Telephone	332373310-160	Sprint Nextel Communications	101	42410	$5.60
Central Services/Supplies	Office Equipment Rental	7217052-MR15	Pitney Bowes	101	48150	$151.32
Central Services/Supplies	Office Supplies	14977	Norseman Awards	101	48150	$24.72
Central Services/Supplies	Telephone	12831610	Integra Telecom	101	48150	$210.39
City Administration	Professional Services Fees	M21177	TimeSaver Off Site Secretarial	101	41320	$223.00
City Administration	Telephone	332373310-160	Sprint Nextel Communications	101	41320	$84.00
City Administration	Travel Expenses	032515	Jack Davis	101	41320	$208.73
Economic Development Authority	Software Licensing	2015-0051	PermitWorks, LLC	232	23200	$6,241.00
Fire Department	Auto/Misc Licensing Fees/Taxes	273323230008	Anoka County	101	42210	$545.16
Fire Department	Auto/Misc Licensing Fees/Taxes	363323240084	Anoka County	101	42210	$53.23
Fire Department	Gas Utilities	449526634	Xcel Energy	101	42210	$2,453.48
Fire Department	Motor Fuels	319863	Mansfield Oil Company	101	42210	$210.20
Fire Department	Motor Fuels	319891	Mansfield Oil Company	101	42210	$296.07
Fire Department	Small Tools and Minor Equip	86142	Menards - Forest Lake	101	42210	$111.39
Fire Department	Telephone	12831610	Integra Telecom	101	42210	$131.51
Fire Department	Telephone	332373310-160	Sprint Nextel Communications	101	42210	$38.70
General Govt Buildings/Plant	Gas Utilities	449526634	Xcel Energy	101	41940	$1,028.29
Mayor/City Council	Commissions and Boards	040115	Sunrise River WMO	101	41110	$7,501.90
Park Maintenance	Auto/Misc Licensing Fees/Taxes	043323430001	Anoka County	101	43201	$155.53
Park Maintenance	Auto/Misc Licensing Fees/Taxes	353323130003	Anoka County	101	43201	$25.00
Park Maintenance	Auto/Misc Licensing Fees/Taxes	353323310005	Anoka County	101	43201	$25.00
Park Maintenance	Clothing & Personal Equipment	1182792796	G&K Services - St. Paul	101	43201	$19.00
Park Maintenance	Clothing & Personal Equipment	1182804200	G&K Services - St. Paul	101	43201	$19.00
Park Maintenance	Equipment Parts	02-266574	Lano Equipment, Inc.	101	43201	$715.72
Park Maintenance	Equipment Parts	P41172	MN Equipment	101	43201	$55.66
Park Maintenance	Motor Fuels	319863	Mansfield Oil Company	101	43201	$180.17
Park Maintenance	Motor Fuels	319891	Mansfield Oil Company	101	43201	$569.35
Park Maintenance	Other Equipment Rentals	86510	Jimmy's Johnnys, Inc.	101	43201	$70.00
Park Maintenance	Personnel Advertising	195544	ECM Publishers, Inc.	101	43201	$120.00
Park Maintenance	Small Tools and Minor Equip	78993	Menards Cambridge	101	43201	$213.76
Park Maintenance	Telephone	12831610	Integra Telecom	101	43201	$48.21
Park Maintenance	Telephone	332373310-160	Sprint Nextel Communications	101	43201	$38.70
Payroll	Insurance Premiums	04 2015	Dearborn National Life Ins Co.	101		$1,251.44
Payroll	Insurance Premiums	04 2015	NCPERS Minnesota	101		$144.00
Payroll	Union Dues	03 2015	MN Public Employees Assn	101		$429.00
Planning and Zoning	Legal Notices	196858	ECM Publishers, Inc.	101	41910	$53.75

City of East Bethel
April 1, 2015
Payment Summary

Dept Descr	Object Descr	Invoice	Check Name	Fund	Dept	Amount
Planning and Zoning	Professional Services Fees	918	Flat Rock Geographics, LLC	101	41910	$1,787.50
Planning and Zoning	Small Tools and Minor Equip	328072	St. Paul Stamp Works Inc.,	101	41910	$24.30
Recycling Operations	Auto/Misc Licensing Fees/Taxes	273323240010	Anoka County	226	43235	$21.29
Recycling Operations	Bldg/Facility Repair Supplies	B023670	Braun Intertec Corporation	226	43235	$1,046.50
Recycling Operations	Gas Utilities	449526634	Xcel Energy	226	43235	$279.52
Recycling Operations	Other Equipment Rentals	86510	Jimmy's Johnnys, Inc.	226	43235	$70.00
Recycling Operations	Professional Services Fees	04 2015	Cedar East Bethel Lions	226	43235	$1,200.00
Recycling Operations	Travel Expenses	031915	Karen White	226	43235	$21.44
Sewer Operations	Auto/Misc Licensing Fees/Taxes	293423220142	Anoka County	602	49451	$53.23
Street Capital Projects	Legal Notices	199025	ECM Publishers, Inc.	406	40600	$107.50
Street Capital Projects	Legal Notices	742084333	Finance and Commerce	406	40600	$91.51
Street Maintenance	Bldg/Facility Repair Supplies	53336	Aker Doors, Inc.	101	43220	$139.00
Street Maintenance	Bldg/Facility Repair Supplies	79352	Menards Cambridge	101	43220	$45.35
Street Maintenance	Bldgs/Facilities Repair/Maint	1182792796	G&K Services - St. Paul	101	43220	$5.33
Street Maintenance	Bldgs/Facilities Repair/Maint	1182804200	G&K Services - St. Paul	101	43220	$5.33
Street Maintenance	Cleaning Supplies	2862976	Dalco	101	43220	$258.80
Street Maintenance	Clothing & Personal Equipment	1182792796	G&K Services - St. Paul	101	43220	$19.40
Street Maintenance	Clothing & Personal Equipment	1182804200	G&K Services - St. Paul	101	43220	$19.40
Street Maintenance	Equipment Parts	F-250700088	Allstate Peterbilt North	101	43220	$30.83
Street Maintenance	Equipment Parts	F-250700145	Allstate Peterbilt North	101	43220	$15.28
Street Maintenance	Equipment Parts	F-250780012	Allstate Peterbilt North	101	43220	$67.41
Street Maintenance	Equipment Parts	10146323	Aspen Equipment	101	43220	$147.62
Street Maintenance	Equipment Parts	AW022615-4	Emergency Automotive	101	43220	$165.60
Street Maintenance	Gas Utilities	449526634	Xcel Energy	101	43220	$1,297.92
Street Maintenance	General Operating Supplies	274404	S & S Industrial Supply	101	43220	$2.01
Street Maintenance	Lubricants and Additives	1539-355358	O'Reilly Auto Stores Inc.	101	43220	$129.99
Street Maintenance	Motor Fuels	319863	Mansfield Oil Company	101	43220	$78.07
Street Maintenance	Motor Fuels	319891	Mansfield Oil Company	101	43220	$1,411.98
Street Maintenance	Motor Vehicles Parts	24604	Hayford Ford	101	43220	$30.24
Street Maintenance	Motor Vehicles Parts	1539-355335	O'Reilly Auto Stores Inc.	101	43220	$25.39
Street Maintenance	Other Equipment Rentals	02-266573	Lano Equipment, Inc.	101	43220	$600.00
Street Maintenance	Safety Supplies	9687119728	Grainger	101	43220	$90.45
Street Maintenance	Small Tools and Minor Equip	1BJNZTJ	CDW Government, Inc.	101	43220	$227.52
Street Maintenance	Small Tools and Minor Equip	1539-355453	O'Reilly Auto Stores Inc.	101	43220	$39.99
Street Maintenance	Street Maint Materials	71317787	Compass Minerals	101	43220	$11,245.38
Street Maintenance	Telephone	12831610	Integra Telecom	101	43220	$48.21
Street Maintenance	Telephone	332373310-160	Sprint Nextel Communications	101	43220	$129.01
Street Maintenance	Tires	1-50686	Steve's Tire Inc.	101	43220	$238.84
Water Utility Operations	Bldg/Facility Repair Supplies	1901201002802	Interstate All Battery Center	601	49401	$37.90
Water Utility Operations	Conferences/Meetings	031315	MN Dept of Health	601	49401	$23.00
Water Utility Operations	Conferences/Meetings	031315	MN Dept of Health	601	49401	$23.00
Water Utility Operations	Gas Utilities	031715	CenterPoint Energy	601	49401	$119.39
Water Utility Operations	Gas Utilities	031715	CenterPoint Energy	601	49401	$193.12
Water Utility Operations	Repairs/Maint Machinery/Equip	20983	Generator Power Systems	601	49401	$915.45
Water Utility Operations	Utility Maint Supplies	127086	Ferguson Waterworks #2516	601	49401	$267.65
						$73,155.22

City of East Bethel
April 1, 2015
Payment Summary

Dept Descr	Object Descr	Invoice	Check Name	Fund	Dept	Amount
Electronic Payroll Payments						
Payroll	PERA					$6,175.79
Payroll	Federal Withholding					$5,453.73
Payroll	Medicare Withholding					$1,525.64
Payroll	FICA Tax Withholding					$6,523.30
Payroll	State Withholding					$2,203.68
Payroll	MSRS/HCSP					$3,797.57
						$25,679.71

EAST BETHEL CITY COUNCIL MEETING

MARCH 18, 2015

The East Bethel City Council met on March 18, 2015, at 7:00 p.m. for the regular City Council meeting at City Hall.

MEMBERS PRESENT:	Steve Voss	Ron Koller	Tim Harrington
	Brian Mundle	Tom Ronning	

ALSO PRESENT: Jack Davis, City Administrator
Mark Vierling, City Attorney
Mark DuCharme, Fire Chief

1.0 Call to Order

The March 18, 2015, City Council meeting was called to order by Mayor Voss at 7:00 p.m.

2.0 Pledge of Allegiance

The Pledge of Allegiance was recited.

3.0 Adopt Agenda

Harrington stated I'll make a motion to adopt tonight's agenda and under the Consent Agenda, I'd like to add Line H, Supplement Payment Summary. Mundle stated I'll second. Voss stated any discussion? All in favor say aye?" **All in favor.** Voss stated opposed? Hearing none motion passes. **Motion passes unanimously.**

4.0 Presentation

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Davis stated we have with us tonight Mr. Dan Nelson, Director of Governmental Affairs with MidContinent who will address the Council and report on the current cable service area and future expansion plans within the City and other areas that relate to MidContinent. Dan, thank you for coming. Voss stated welcome.

Nelson stated thank you. Mr. Mayor and members of the Council, Dan Nelson representing MidContinent Communications. Thank you for the opportunity to come here to talk about our tenure and our plans. If I might, I have a handout. Voss stated absolutely.

Nelson stated what I'm passing out is a general piece of information for MidContinent's operations in Minnesota. The major feature, as you unfold it, is a schematic of our fiber network in Minnesota and in the Dakotas. This community and the others in the neighborhood are part of that larger regional network that is proving to be, by objective outside measures, one of the first-class networks operating in the United States today in terms of services delivered and resiliency, speed, capacity, and so on.

Nelson stated that network was actually strengthened since we took over in 2011. A fiber backbone addition was made from Little Falls, Minnesota, through this area down to what's called the 511 in Minneapolis, which is a national point of presence for the internet backbone. So, we've done that. We've also split the head ends that provide services in this area, essentially doubling the capacity. When we got here in 2011, all the communities were being served by one. Those were split into two so we're giving better services, more concentrated services, to all the communities as a result. Nelson stated that's new facility, so we have one in Cambridge and then one in Forest Lake.

Nelson stated specifically about the City of East Bethel, we pay a 5% franchise fee on our services plus PEG fees. As a measure of our success, the amounts of those franchise fees

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have increased. In 2012, the annual payment was just short of $45,000. In 2013, it was $51,500 roughly. Last year it was $55,500. I think that means we're selling more services to more people. There's a percentage fee that's collected on those transactions and remitted to the City. It's a healthy sign to see revenues going in that direction.

Nelson stated in terms of future plans and construction plans, extension of service, and so on, you folks are far more familiar than I with the geography you have within your community. You have setbacks, big setbacks, big lots, a lot of distance between subdivisions. It's a challenging environment to operate an infrastructure system but the rewards are pretty good because you have good customers, you've got a good community, you've got good solid citizens that want good services. So, we think that's reflected in our record here.

Nelson stated the question I'm sure is, 'How do we get more people hooked up?' In anticipation of what specific direction you can give us, and hopefully tonight it's not just me talking, if you can give us some direction on things you want more information on, things you want checked out more closely, that's why I brought my colleagues from the operations in this area. We want to find out how we can give you more information. So tonight we view it as just the start of the process of getting us up-to-date and current with each other on what each party's wishes and desires are.

Nelson stated since we got notified to come, we did have our crew members go out and look at areas in town and there are areas that we are going to submit in our construction process for 2015. Now, I don't have maps to show you and address lists and I would kind of be hesitant to do that on the record at a public meeting. But we will share with you and do want to converse with you, absolutely, on what our plans are and our intentions for 2015.

Nelson stated what I think I'll do is stop right there and ask if there are any questions I can speak to. Voss stated I think the basic question is, what it comes down to, what is it going to take to make sure that we have cable coverage throughout the City, understanding that there're some neighborhoods that are maybe more remote. Perhaps those neighborhoods aren't requesting it, but I'm hearing requests from people that I'm just totally surprised.

Voss asked Tim, your neighborhood doesn't have cable. Right? Harrington answered no cable. Voss stated this is surprising, and you're right off Viking and that's a major line. Mundle stated yeah, my community doesn't either. Voss stated I think having that map, it's something that I assume you would have fairly easily so we can better understand what coverage we have, what coverage we don't. I appreciate the fact that your approach says one of the first steps and then it comes down to how we get that done then.

Nelson stated yes, and as I, again to drill down a little bit on what I said earlier as I started about the nature of the way the town is laid out with setbacks and so on. We use a formula to try and…the service address established, there's a certain cost target that we're looking for. If we sell you services anywhere from $75 to $150 a month as a target range, for instance, you can understand how long it takes to capitalize an investment to establish service that might be a couple of thousand dollars. It just doesn't work out. Then not every customer takes your services either. But having said that, we want new customers. That's the business that we're in and we look to the franchise for guidance. The absolute measure is 25 homes per cable mile. When we're in a situation like that, it's not a question of us reasoning together. It's a questioning of you saying and us doing. So, there are the bottom line criteria.

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Nelson stated we don't believe a lot of the areas where there might be some desire actually meet that threshold. But, throughout this area, and John Adams is our manager here on the end, we've had meetings with folks where there, it's not a relationship, it's one that has to be negotiated. Because at a certain point, individual property owners start saying, 'I might be willing to contribute a share.' Because we make them understand the cost per service address and this is the same principle that is used with rural water systems and others. The homeowners might have a choice to say, 'I want to make a capital contribution on the front end to make sure I get the service for this address.' Now, that's the last thing we want to do to get a service established but in some cases, that's the only alternative.

Nelson stated there are other things we can do. For instance, if you're talking about your neighborhood and it's 85% of the people, just an arbitrary figure, are willing to come to us on a summer evening at a block party and say, 'We want your services.' Those kinds of market responses can be very compelling. If the neighborhood gets organized to say, 'Let's all get together and sign up so that we can get cable.' Now, cable video is what the City regulates.

Nelson stated but, I think we also understand that a lot of what we're talking about here is people's access to data service. Voss answered yes.

Nelson stated I won't dance around that but this is a cable/video franchise but our most desired product in most instances is our cable data service because the video market is competitive with satellite and what not. You can get that service. But, we are also aware through the process and the State of Minnesota, the boarder-to-boarder brand initiative, that DSL service in those relatively slower speeds are increasingly being viewed as unsatisfactory by community leaders, by individual consumers, certainly business owners. And, cable modem service and in particular, sorry to stop for a little bit of a plug, in particular MidContinent's cable modem service is vastly superior to what most people have available through DSL. Therefore, people say, 'How can I get it to my house or business?'

Nelson stated it's a good problem for us to have. But, it is not a 'snap our fingers' solution to provide it. Because if it doesn't make sense from a capital investment, it's hard to convince our lenders and the financial people in our own organization to make a capital investment that we can't recover with the services we sell.

Mundle asked what kind of internet speeds so you have compared to DSL? Nelson answered right now our three service tiers, and if I mis-state them we have the…we call them extreme broadband. Tier 1 is 60 download. Tier 2 is 100 download. Extreme is 200. DSL is generally up to 10. I've seen them say up to 20 in some areas on a download. So, exponentially faster than DSL.

Mundle asked for about the same price? Nelson answered I've seen them on a…first of all we don't do contracts so we offer a monthly price and we earn your business every month for residential service. We do contracts for business locations. Those DSL services are generally available for less than we charge per month but it's also reflective of the relative speed. Voss stated it is kind of linear with the speed of your service. Nelson answered yeah.

Nelson stated so, a bit of a spoiler alert, starting in mid-April, I don't have all our price and service sheets in front of me tonight, starting in mid-April we do have a minor price

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adjustment coming for those services. In compliance with the franchise and FCC regulations, we do 30-days advanced notice and so on. We're trying to get you a good internet product at around that $50 range. You can, I've seen DSL advertised for $19 but it's a two-year contract and I think it might have some escalation steps in it too.

Ronning asked if it's in adjoining areas, say you have 25 per mile, if say you have 35 or 50 or something like that, is there a formula to expand into a lower area? I understand you aren't going to put service in for one house two miles away or something. Nelson answered our first criteria is, can we serve the house for an upfront capital investment on our part that we can foresee a return. Ronning stated and you wouldn't from one person. Nelson stated again if it costs too much we won't and if, theoretically, if it falls within our cost parameters then we will. But, two things motivate us. What we're required to do is not, again, not the position we want to be in but it says right in this agreement there's a density requirement that we have to serve so we will make sure we will do that. Secondly, we want to respond to the market. So in those areas that may not be 25 homes per cable mile, that doesn't mean our people don't want to talk with those neighbors and with the community leaders to say, 'Who's interested? What are the costs? Is a City street project going to be done where the right-of-way is going to be opened up and we can lay a conduit in and we can do some cost sharing and so on?' If we're trying to get service to a market that wants us, we try to take accommodating steps as well. That's a dialogue process where we have to sit down and work together. Communities all across the area are doing that more and more.

Ronning stated I was thinking along the lines of when the rural electric came through in what, the 40s and 50s or something. The 'big guys' paid for the 'little guys' is what it amounted to. A larger area pays for a smaller area. Do you follow what I'm…there would never have been electricity in the countryside if they hadn't done the rural electric program. What was it called? Rural Electric Cooperative or something? Nelson stated I'm somewhat familiar with the rural electrification process. There is also, in rural telephone service, which we are not by definition a rural telephone provider, but there has been throughout history of getting those services extended, federal revenue sharing things where the 'big' collect money from everyone and share with the 'small.' There have been federal loan guarantees. There have been federal grants.

Nelson stated Minnesota did a limited grant program last year within the State's borders of $20 million to get services to the un-served. We applied for three different projects in the State of Minnesota. None of them were granted because all of ours that we applied would have been like East Bethel. You're not un-served, but you certainly have a lot of areas that by definition would be under-served. The grants all went to places that had nothing. When 'push comes to shove,' even though it may be unsatisfactory to your constituents, the broadband hierarchy says you have DSL so you have something. Now, as they put the 'bar' higher, DSL doesn't get over it. You know what I mean? So, the government that says 'We want everybody to have a certain level of broadband' is not going to accommodate DSL at 10 or 20 forever. That 'bar' is being raised.

Ronning stated I wasn't implying that you should go out and expand in places where there's no market probably ever. Just whether there's any kind of a formula or any way they discuss that kind of process. When you said $45,000 to $55,500 is the range? Nelson answered yes, in the last three years. Ronning asked is that from bundling? Our population hasn't changed a whole lot. Nelson answered some of that would be. Since we took over in 2011, we've offered more services, video on demand movies for instance. Your 5% fee is applied to those. They weren't for sale before we got here. We would like to think because

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our service across-the-board with digital, HD content, that type of thing, premium services, that more people took more things. People who maybe had satellite and had gone away from cable came back. So, we believe we secure more customers and we believe we sold them more things.

Ronning stated the internet is working well for me. I checked the other day and I'm 35, 30.5. That's never expected to be that well, that good. Nelson stated Netflix streams at under 10. I'm not very technical but I know that one.

Davis stated Dan, we've been working with Jason Sachs to get some kind of a rough map showing your service area. It would be very helpful, I think, for us and maybe we could help you identify certain areas within the City that may offer some market potential for you. We'll be glad to do that. Nelson stated I'd love to have that discussion. Davis stated Jason has said that he would provide me with those as soon as he can get those developed.

Nelson stated we've started the process of going out and surveying some of the areas that we thought were likely prospects. Again, we have already identified one. I know there's a lot of interest in what the City does on an ongoing basis. Let's not consider tonight an announcement on that. I'll have John and Jason come in, in the next couple weeks, when we firm that up and inform you what that neighborhood is where we're making that. But, we also want to talk and explore the other ones.

Nelson stated on the subject of maps, and I know your background in Public Works, we should have with the City for your Public Works, a schematic so you know where our plant is and isn't. I also understand you are talking about a different thing where you're talking about coverage areas. Yes, we do want to have that discussion. We would like to come in when we get those maps in proper shape. A map that shows our plant and a map that I'm going to show you where we are and where we aren't. They look a lot different. The one map engineers understand. The other one is people look at a shaded area and go, 'That's where I live, okay, thank you.' So that's our goal.

Voss stated I think having both of those is actually advantageous to us. Jack's probably already talked to Jason but the fact is we have a new GIS coming on line here pretty soon. I think that would be a layer that the public would be interested in seeing. Davis agreed it would be and it helps them answer questions too about availability of service. Voss stated right, exactly.

Voss stated I imagine you get calls from people that don't have service asking for service. Do you track those calls at all? Nelson stated we've talked about that this evening before we came in and John, did we have, you had one call? Adams responded I've personally only had one but that was 2012. I know our construction department gets calls a lot. *(Off mic, inaudible.)*

Voss asked do you keep track of those addresses? Adams responded yup. Voss stated I think there are two things fundamentally we don't have an understanding of: Where it is in the City? How many people are really asking for it? I think that helps both of us to know that.

Nelson stated we're prepared to work with you in a process that draws people out. They might not have called you and we're getting the feeling that maybe not enough people have called us, but they've sat at home and said, 'I wished I had it, I wished I had it.' Well, let's

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explore ways together to find out about that market positioning. With summer coming up, let's do it when it's warm and not in the middle of winter.

Voss stated I can see it being a newsletter item too. Davis agreed. Nelson responded let us know.

Ronning stated I'm asking about the criteria, not necessarily for myself. Tomorrow we're going to start getting questions, 'Am I getting it?' We don't have anything to say anybody. If there's a 25 per mile, say you had 15 in a half mile, would that kind of come up? Nelson stated reactions are yeah, yes. Ronning stated not a commitment type thing, a consideration. Those are, if somebody isn't 25 in a mile it doesn't mean they're forever out.

Nelson stated I think it's safe to say, by in large, in an informal survey in preparation for this meeting, not a formal walkout as we call it, we're not sure that there's much geography in town that would fit that criteria. Now, we have discovered one, we believe. We want to verify it. But, again, the discussion amongst us is by the time we come back to you, I think that project will already be submitted in our capital expenditure process. John, you and I talked about this earlier, but assuming that we get that scheduled, we have bids out for that by around the first of June and generally those are a 30- to a 60-day process to go into a neighborhood. Putting extension into back yards or along a right-of-way into a neighborhood is a lot less intrusive than major fiber backbones along major thoroughfares. Again, the one area we're looking at we're confident that we can probably get it done, to have people watching football in the fall.

Voss asked any other questions from the Council? Nelson stated I'll leave my business card with you. I've been reachable since we started this process and my contact information is on the back of the pamphlets I gave you. I only have one, sorry, I left out one of our featured items. By the end of 2017, our CEO has pledged to make our entire system one gigabyte downloads. That would include East Bethel as part of that. So, in the next couple years, those numbers that I said were exponentially greater than our competitors, will be exponentially greater than themselves. Here's a little, kind of a background piece on our gigabyte initiative. We pledge to improve the system and hopefully expand it after we work with you this summer. Thanks for the time.

Ronning stated this stuff that was going on, I think it was Verizon and somebody, about paying for different levels of data transmission. Is there a potential for you to be affected by any legislation from that? I think they've turned it down but they're trying to raise it again. Nelson stated now, the FCC just put in a doctrine called 'Net Neutrality' and the principle's that everybody agrees about net neutrality is you don't discriminate against traffic and you don't throttle specific kinds of traffic. But, at the same time, you do allow a company like MidContinent reasonable network management. If the system is starting to get clogged, you have to do something to unclog it. Now, the method that the FCC chose and our company has gone on record, by putting internet services under the same regulatory regimen as telephone services for the 1934 Telecommunications Act, we don't agree with that. But, it's only just been issued. Everybody's still trying to understand what's in the order. We're not happy with it but in terms of what immediate effect it will have in East Bethel, certainly in the next six months none and I would predict even a year. I think it's probably going to get tied up in court.

Ronning asked would a company like MidContinent get locked out of? Nelson answered no, we're actually the ones that people are afraid are going to lock other people out because

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we have the pipes. So, they're saying we can't discriminate in who has access to the pipes. We don't want to. Every once in a while we have to say we're getting too much from the 'left' we've got to slow that down so we can accommodate the 'right.' And, 'slow that down' is not the right term. Manage that so that it, I don't want to get myself in trouble with the FCC from this far away. For another night, I guess. It's a complicated subject. We're not happy to have Washington impose new regulations this week that were there two weeks ago.

Voss asked anything else? Nelson stated thanks. The Council thanked Nelson.

Informational; no action required.

4.0B Sheriff's Report

Commander Shelly Orlando stated good evening and presented the February 2015 Sheriff's Report.

DWI's: There were three DWI arrests in February. One arrest was a wrong way driver on Highway 65. This occurred at 2:40 a.m. Thankfully there were no crashes associated with it. The suspect's blood alcohol content (bac) was .26. The two other arrests were for traffic violations.

Burglary / Possession of Stolen Property: On February 3rd, a deputy was approached by a male wanting to make a theft report. He advised that he had a jar of change taken from his bedroom while he was gone from his residence. There was a suspect based on him paying a debt back in coins. One of the residents went to the suspect's house and confronted him. He denied taking the jar, but it was visible to the resident. She pointed it out to him at which time he threw the jar at her, breaking it. Deputies were not notified until four days later of the incident. The suspect had been known to the victim and witness and was known to walk into their residence uninvited. A deputy spoke with the suspect who denied stealing the change jar and made up an excuse for why he had paid his debt in change. The male was charged with possession of stolen property.

3rd Degree Controlled Substance: On February 4th, a deputy conducted a traffic stop on a vehicle leaving a known drug house. The deputy smelled marijuana upon speaking with the driver. The driver and three passengers all had licenses that were either suspended or revoked. In searching the vehicle, the deputy located four bags stuffed into a seat located in front of one of the rear passengers. The substance appeared to be methamphetamine. Hypodermic needles were located on the driver and one passenger. Both were charged by citation. The rear-seat passenger suspect was taken to jail. Charges were dismissed by the County Attorney's Office after a report from the Regional Forensic Lab finding the substance in the baggies was not a controlled substance.

2nd Degree Assault / Terroristic Threats: On February 5th, deputies were called to a residence on an ex-husband who had just threatened his ex-wife with a knife. The victim had locked herself into a vehicle in the driveway and the suspect was in the residence. Upon deputies' arrival, they were able to take the suspect into custody. The victim reported the suspect had been drinking and was angry with her after she confronted him about it and threw his drink away. The victim reported the suspect grabbed a butcher's knife from the kitchen and threatened to kill her, while holding the knife over her chest area. The victim was very afraid and pleaded with him not to kill her. The suspect did back away at which time the victim called 911 and ran outside to lock herself in a car.

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5th Degree Controlled Substance: On February 20th, a deputy stopped a vehicle for having expired tabs. Upon approaching the vehicle, the deputy could smell marijuana. The deputy asked about the marijuana and the passenger handed him a small baggie. The driver advised he had a bottle of Percocet that did not belong to him. He advised he had been given the pills in return for work he did on someone's vehicle. The deputy confiscated a bottle of 13 Oxycodone tablets. The deputy in searching the vehicle also found 31 grams of marijuana in the passenger's purse. The driver went to jail; the passenger was issued a citation.

Arrest Breakdowns: There were 5 felony arrests: 1 for 5th Degree Controlled Substance; 1 for 2nd Degree Assault & Terroristic Threats; 1 for Burglary; and 1 for 3rd Degree Controlled Substance.

Gross Misdemeanor: There was 1 for selling alcohol to a minor.

Misdemeanor: There were 8 misdemeanor arrests: 1 for a Barking Dog; 2 for a Small Amount of Marijuana in Motor Vehicle; 2 for Ordinance Violation – Failure to Hook Up to Sewer System; 1 for a 5th Degree Assault; 2 for Possession of Hypodermic Needles, which were from the same incident; and, 1 for Possess Stolen Property.

Voss asked any questions from Council? Harrington asked do you have any early statistics on last night at all? Orlando responded I do not have anything as of yet on last night. Harrington stated I know the State was pushing for like a 50% reduction in DWI. Orlando stated I know with our Towards Zero Death Grant that we are awarded, Anoka County as a whole is awarded, to work alcohol enforcement and speed enforcement, those types of things. St. Patrick's Day is one of the days that they do go out and enforce. And, as you are pretty aware of I'm sure, Metro Transit and the Light Rail was offering free rides to people. I think things of that nature do help people in making better decisions and getting home safely. Harrington stated good, thank you.

Voss asked any questions from the audience? Thanks Shelly.

Informational; no action required.

5.0 Public Forum

Heidi Moegerle, 179 Forest Road, stated good evening. I'm here tonight because I wanted to bring to your attention the Northeast Metro Ground Water Management Area Plan. This Plan was put together and published on February 2nd and the comment period for this just recently completed. This is a document that initially was created with a group of people, public, officials, and appointed and elected, for an area that includes the eastern portion of Minnesota from the northern boundary of Washington County down to the point where it meets the Mississippi, up to Mississippi, includes Blaine, includes Columbus. But, notably, does not include Ham Lake or East Bethel, which was perfectly fine. This is a 73-page document that you can find at www.dnrstate.us.gwmp@html.

Moegerle stated the important point for this evening is the information you find at page 217 and 219. I mentioned this to Steve in an e-mail that I sent earlier, which was shortly before the Blaine open meeting. I was unable to attend that meeting but Doug Tierney who is also interested and engaged in this meeting did attend. He reported that the concern that we share was mentioned also by a resident of Ham Lake. The concern that we have is that groundwater has hydro-geological system and the groundwater management area is concerned with managing the wells in this area. What is important, and it come up on page

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219, which you can see, is that little Ham Lake and Coon Lake are included in that hydro-geological system.

Moegerle stated the point is that when they drill a deep well in this area, it can effect, in fact does affect this Lake. Specifically it is stated that according to the key, that Coon Lake is both connected and vulnerable to groundwater pumping. This comes from a survey that was done by the Metropolitan Council in 2010. So, this is information that has been out there for some time but is now really becoming important. The group of the Northeast Groundwater Management Area Plan is trying to design a sustainable way of using groundwater. Partially, I understand, that this comes from Minneapolis wanting to drill some groundwater wells for the purpose of 'backup' water as they try to trend away from using the surface water of the Mississippi for their water source.

Moegerle stated it's rather unexpected that East Bethel would be involved in this. I think it was kind of a surprise to the group. What I do know from the report from Doug is that both Doug and the person from Ham Lake, and I don't know if that was an elected or an appointed official, spoke and said, 'Hey, why aren't we involved with this?' This document says that we didn't include municipalities that weren't entirely involved with this issue. However, I think that it's important that an elected or appointed official from the City of East Bethel contact the DNR and the members of this group and say, 'We have a horse in this race. Coon Lake is the largest lake in Anoka County. It is one of our major assets and we want to have it protected and we want to have a representative attend these meetings and speak up.'

Moegerle stated I am asking for the Council to move in a direction to either have someone appointed or at least contact DNR and ask for that appointment. If they don't agree to have someone attend these meetings in an official capacity to report back and also to report back to the citizenry because certainly when I'm reading from this, although the Prairie du Chien aquifer does not appear to reach out under the lake, the fact is that the aquifers are bowl shaped. They are not equal all around. So, if they pull water down from the middle of the bowl, what happens is the water effects the outer edges and we are on the outer edges. So if the water gets pulled down, it can very well affect Coon Lake So, I wanted to bring this matter to your attention and for some action.

Voss asked Jack, have you or Craig talked about this? We had a short conversation a month ago about it. Davis answered we had a brief conversation and there was also an article in the *Forest Lake Times* a couple of weeks ago. There are actually three agencies that are involved with this: the Met Council; the DNR; and, the US Geological Survey. At this time, there's some conflicting information from all three. I don't think all three of them have come together and come up with a consensus on the problem.

Davis explained that in Forest Lake's opinion, their not effected by this. Columbus has also taken the same position. Whether this is a political position or an actual physical reality, I don't know at this point. I think part of it stems from the fact that this would be part of an overall plan to have their water source replaced by water from the Mississippi River to alleviate some of the pumping of deep wells in this area for public consumption. From what I've read, the 'jury's still out on this.' Certainly it doesn't hurt to keep up-to-date on the information with it. As Heidi mentioned, this mainly affects the Prairie du Chien aquifer. Currently the aquifers that we're in here are the Fig and the Mt. Simon, the ones that we'd draw water from. So, Craig and I have spoken briefly about this but not in any great detail and especially, I think Craig would be the first to admit too that he's not a

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qualified hydrologist that can speak directly to the issue. He can give us some basic information but we certainly can make some contacts and get some more information and bring it back to Council if that's your directive.

Moegerle stated perhaps it would be helpful. The Project Advisory Team of elected and appointed officials that met included: Bailey Nurseries, Barrett Drilling, City of Hugo, City of Columbus, US Geological Survey, Washington County, Met Council, City of White Bear, City of Lino Lakes, the Rice Creek Watershed District, White Bear Lake Conservation District, Minnesota Department of Agriculture, Cottage Grove, Shoreview, White Bear Lake Homeowners, White Bear Restoration, and Ramsey County. Anoka County isn't listed on here. There's DNR, Washington County Conservation District, the Department of Health, White Bear Township, Rockton, and City of Woodbury. So, this is a broad-based group that is meeting and is appointed to this.

Moegerle stated it's a situation where, if you read this document, they're planning on how to manage these groundwater sources in a sustainable manner. The idea is if they hit upon what works here, then it's going to be generalized to other groundwater management areas throughout the State. So, if this doesn't affect us today, what comes from this will affect us tomorrow.

Voss stated I think we'll have Jack have a discussion with Craig. You have a copy of the Plan, right? I think I sent you a copy. Jack responded yes. Voss stated I guess my suggestion is to get a first impression. I read the document as well but I think talk with the Engineer first. Jack stated I'll have that discussion and bring some information back at the next meeting.

Ronning stated that Forest Lake article implied there's a law suit protesting the involvement, they don't have any evidence that they've produced that it affects Forest Lake, Columbus, but I think they're listed on the report so there…maybe I read the article wrong. Voss stated I think their response was there's no scientific proof of that. Jack stated that was their position, that there's no actual evidence that they can really document. Ronning stated they're not named as being involved. They're just kind of 'thrown in the bag.'

Voss stated the concern I think we have too is it going to stifle potential future development. When we met with the Chair of the Met Council I brought it up, this report and the fact that what we are withdrawing is technically going back into the groundwater and that's how it's designed. At least the reps that were there agreed that's definitely something that would have to be considered in the whole process.

Davis stated and you know, no matter if it doesn't affect us now, at some point water issues are going to affect all of us. It's something that we at least need to be abreast of the situation and be in a position to react, hopefully, proactively rather than reactively. Voss stated right, and I think that's the whole basis behind this study, it has been going on for quite a long time.

Moegerle stated Kate Drewry of the DNR was at the February 26th Blaine meeting so she heard the conversations about adding Ham Lake and East Bethel for further reference. So, thank you for your time. I appreciate it. Voss stated thanks Heidi.

Scott Tahtinen, 2108 229th Avenue, stated I live one mile out from here and I am the one who wrote the letter about the internet service. I've had multiple conversations with them

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5.0
Public Forum

and my fiancé is an attorney. She owns her own business and she's been calling them. She actually wrote that letter. So, I guess they kind of 'pushed me under the rug' with this. They came out a year and a half ago and told me that it would cost me a little bit extra because I have a long driveway. I agreed to that, like an extra $500. Then they called me in the spring and said, 'No, we can't do it. We can't get an easement through.' Because they were going to come in through the back of my house on that power line. So, it kind of bothers me when they say that they're not hearing from anybody. That's why we're here. She couldn't be here tonight. She had a meeting. But, I guess I'd like to wrap this up a little more. I'd like to start coming to these meetings, I'm finding out, because I just can't believe that if I can have natural gas at my house that I can't get internet. They're telling me it will cost $5,000 to bring internet to my house.

Voss stated we're not in Montana, we're not rural. Tahtinen stated that's what I kept telling her. It's 300 feet from the fiber optic. I just can't believe that there's no easement behind the house.

Voss stated I think the first step is to get an understanding of the entire City, which I've got to think they've got that map already. I don't think it's that big of a deal. If we've got that understanding of where it's available because I know there's other people in the City that have it closer to their house than they do and they can't get it. It's crazy. New developments and high density developments that don't have it.

Tahtinen stated the other thing is that my neighbor next to me, they strung it across the road. But they won't do that for my house. I have to have it trenched underneath the road. I asked. I'm an electrician so I asked if, okay, I'll trench in and conduit it so you can run whatever you need under that road there. I'm just looking for options. Voss stated we all appreciate the fact that you, among others, have alerted us to the issue and that's how things get moving. I think we'll have this issue going for a little while here.

Davis stated that's one thing we've been pressing them on, is this map because I think if we have this then we can put some additional pressures on them to show that there's reasonable justification for extension of service in certain areas. What did you say your address was again? Tahtinen answered 2108 229th Avenue NE. Davis asked is that east or west of 65? Tahtinen stated if you go to the end of the road here on Palisade and turn left, it's the second driveway on the left.

Voss stated I remember when we went through a franchise battle with these folks last time and it was a battle. I'm not sure why it has to be that way but ten years ago, internet access was something a handful of people had. Now you have to when it comes down to it. Dan's correct in that our cable franchise is TV and video. We can't control the internet. We tried to do that but it didn't work. My suggestion is to keep on us and I think we need to find out just how many people, as yourself, have that desire to have that service because it is part of the community. Tahtinen stated okay, thank you I appreciate it.

Voss asked is anyone else here tonight for Public Forum? If not, we will close Public Forum.

6.0
Consent
Agenda

Item A <u>Approve Bills</u>

Item B <u>March 4, 2015 City Council Minutes</u>

Meeting minutes from the March 4, 2015 City Council Meeting are attached for your

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6.0 Consent Agenda

review.

~~Item C Approve Resolution 2015-16 Permanent Fund Transfer~~

~~Item D Accept Resignation of Fire Fighter~~

Item E Resolution 2015-17 Adopt-A-Park: Hidden Creek Park

The City has received an application for the Adopt-A-Park Program to adopt Hidden Creek Park from Doug, Megan and Cole Johansen. Staff recommends adoption of Resolution 2015-17 recognizing the Johansen Family's commitment to help maintain Hidden Creek Park as part of the Adopt-A-Park program.

Item F Insurance Agency Services

The City's existing insurance agency agreement with Bearence Management Group expires at the end of 2015. Professional services should be advertised periodically to solicit quotes to ensure that the City is receiving the best value for its investment. Staff requests approval to issue an RFP for insurance agency services.

Item G Resolution 2015-18 Approving Application for Raffle Permit for Cedar Creek Community School

Approval of this resolution and application allows a no waiting period for an exempt permit for Cedar Creek Community School PTO to hold a raffle on Saturday, April 18, 2015 at the Cedar Creek Community School.

Item H Supplemental Payment Schedule

Koller stated I'll make a motion to approve the Consent Agenda. Ronning stated I'd like to pull C. Mundle stated I'd like to pull D. Voss stated so C and D and then we already had the Supplemental Payment item added as H. Was there a second to the motion? **Harrington stated I'll second with the two pulls.** Voss stated any discussion? All in favor say aye?" **All in favor.** Voss stated opposed? Hearing none motion passes. **Motion passes unanimously.**

6.0C Approve Resolution 2015-16 Permanent Fund Transfer

It was noted that Fund 408 was set up to collect fees from the home owners in the Whispering Aspen development to pay for the debt incurred to finance the construction of their new well. The City collects these fees on a monthly basis and records them in fund 408 and then annually transfers $5,000 to Fund 309 to pay the MN Public Facilities Authority (PFA) debt for the well project. In order to streamline this process, staff is recommending closing fund 408 and recording the revenue directly to fund 309.

Ronning stated Fund 408 to 309; I see it's for a development paid debt on the finance. What is the title of 408 and 309? Davis answered 408 is a fund that was set up to receive payments from Whispering Aspen residents to pay off the PFA loan portion of the well that was constructed up there in 2008. 408 is a fund that's really an archaic accounting function because what we do, when the money's collected we deposit it in 408 and then we keep it there until the end of the year and then we redeposit it in 309 to make the payment. So, we're just trying to eliminate an extra step that we feel is not necessary. The auditors have no issue with eliminating that fund.

Ronning stated when Brian's done with D, I move to adopt C as is.

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6.0D Accept Resignation of Fire Fighter

It was noted that Kalli Haapoja has submitted her resignation as Fire Fighter for the City of East Bethel. Due to other commitments, Kalli is currently unable to dedicate the time and effort needed to be part of the Fire Department. Kalli has been a great asset to the City of East Bethel and the East Bethel Fire Department.

Mundle stated with D, I just want to formally recognize Firefighter Kalli Haapoja and thank her for her services for the City of East Bethel as a Firefighter. We are sad to see her go.

Ronning stated I make a motion to pass both C and D. Harrington stated I'll second. Voss stated any discussion? All in favor say aye?" **Harrington, Koller Ronning and Voss-Aye; Mundle-Abstain motion passes.**

7.0 New Business

Commission Association and Task Force Reports

7.0A Planning Commission

None.

7.0B Economic Development Authority

None.

7.0C Park Commission

None.

7.0D Road Commission

None.

7.0D.1 Resolution 2015-19 Supporting Dedicated Funding for City Streets

Davis presented the staff report indicating the League of Minnesota Cities Board of Directors voted on January 15, 2015 to support a 2015 transportation funding bill that would include a *new* State funding source for city streets. Their directive is a change in the League's transportation advocacy strategy and directs that the League will support and advocate only for transportation funding bills that contain a *new* funding source for city streets *outside* the constitutional formula for these roads.

Counties have secured additional wheelage tax authority, as well as local option sales taxes for transportation improvements. The Legislature has increased the gas tax and other revenues distributed by a constitutional formula through the Highway User Tax Distribution Fund (HUTDF), but those revenues provide discretionary funds to only 147 of Minnesota's 852 cities. State bonding investments have helped, but have very limited applications. Currently, 84 percent of city streets are funded with property taxes and special assessments. Further, when State and county highway investments occur, cities may have the added burden of cost participation, which diverts dollars from city streets.

The League of Minnesota Cities (LMC) Board of Directors adopted a resolution on February 19, 2015, demonstrating support for *new* dedicated State funding source for city streets. The resolution, which is aimed at formalizing the directive enacted by their Board in January, supports 'a transportation funding bill that would provide *additional* dedicated State funding for city streets including funding that can be used for non-MSA (Municipal State Aid) city street maintenance, construction and reconstruction.' The resolution

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recommended for adoption by cities will be presented to legislators and Governor Dayton. This legislation is a top priority for the LMC during this legislative session.

7.0D.1 Resolution 2015-19 Supporting Dedicated Funding for City Streets

Davis stated the Roads Commission discussed the proposed resolution at their March 10, 2015, meeting and recommend that City Council consider approving Resolution 2015-19.

Voss stated I don't have any questions. Does anyone have questions on it? **Ronning stated I'll move to adopt Resolution 2015-19. Harrington stated I'll second.**

Voss stated any discussion? Jack, have we tried to look at this at all about what effect it has for us as a City? Davis explained the effect it would have; we don't have the details as how the formula would break down as to funding. But, it will not effect our MSA funding or any other funding we receive. This is a totally new funding source that's recommended by the League.

Voss asked we don't think it will replace something else? Davis answered no. The only thing we currently get now is MSA funds and those are for cities over 5,000 and this would include all cities that the League represents. And, they are abundantly clear that this is a new source and is not a replacement for any existing funds.

Ronning asked that would be in addition to? Jack answered in addition to, that's correct. Voss stated so it can only help. Davis answered that's correct. Voss stated more discussion? Hearing none all in favor say aye?" **All in favor.** Voss stated opposed? Hearing none motion passes. **Motion passes unanimously.**

8.0 Department Reports

None.

8.0A Community Development

8.0B Engineer

None.

8.0C City Attorney

8.0C.1 Nuisance Property Declaration 24054 Johnson Street NE

Davis presented the staff report indicating at 24054 Johnson Street on April 27, 2013, a fire resulted in a total loss of the home. The property, at the time of the fire, was owned by Bradley and Joanna Bartell.

Nick Schmitz, City Building Official, met with the Bartells on site in 2013 to discuss their intentions with the house and the property. At that time, Mr. Schmitz was informed that they were working with their insurance company but were having difficulty reaching a settlement. This was the last conversation the City had with the Bartells. Staff received several complaints regarding the condition of the structure and began to initiate the process of addressing this matter.

Staff found that the Law Office of Thomas W. Rutledge, APC of Poway, California represents Select Portfolio Servicing, Inc. ("SPS"), a national mortgage services headquartered in Salt Lake City, Utah, in respect to the hazard insurance claim on this property. Staff found that 24054 Johnson Street address was in foreclosure and SPS is the lien holder for the property.

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8.0C.1 Nuisance Property Declaration 24054 Johnson Street NE

After e-mail exchanges between staff and the attorney representing SPS between October 2014 and February 2015 that attempted to resolve the ownership status of this property, we were informed that SPS does not take measures regarding the repair or demolition of a property until the property becomes real estate owned. The property referenced above is in foreclosure, but there is no set foreclosure sale date as of now. SPS will not take any measures regarding the repair or demolition of this property until the property becomes real estate owned and sells back to SPS.

As this matter has not been resolved, staff considers this property a nuisance and a hazard under Section 26-309 of the City Code. The City Attorney has been requested to prepare an order declaring the property a nuisance and will present his findings to City Council. Davis stated at this time I will ask Mr. Vierling to update us on this matter.

Vierling stated members of the Council, you have in your packet this evening what's been prepared for you as to Order of the City requiring the clean up of the property because it is vacant, uninhabited, open, and exposed to the elements, with high grass and debris around. You have a number of photographs that have been taken by City staff depicting the burned out interior of the property, the existence of mold, and other hazard situations.

Vierling stated we are proposing with this Order to proceed under Minnesota Statute 463.19, which will require after its adoption by the Council that a summons be attached, be served upon the property owners and the lien holders of the property. They are given a statutory time to respond. If they do not and we suspect they probably will not, the City will then apply to the Anoka County Court for a Summary Order allowing you to clean up the property. If that Order is granted, the City may then go on the property, raze or remove the structure, re-grade, and fill the hole, and otherwise clean the property up.

Vierling stated your cost for doing that, by Statute, are allowed to you as an assessment against the property. You will note in Attachment B to the Order that we prepared, we have done a title report on the property identifying the property owners and the two mortgage lenders. Your assessment has priority by law, which means that the mortgage lenders will have their interest being subordinated to the City's interest. Effectively, the property will have to pay your assessment before it can be transferred or transacted in any way.

Vierling stated the good news is the property has property taxes through 2014 paid in full. The only thing that makes me nervous as a City Attorney in some of these circumstances is the properties, sometimes we see, are on the precipice of tax forfeiture in which case assessments can be lost. That is not the case here. The property would not forfeit unless or until you have four years of neglected or unpaid taxes. So I think the City is in a secure position to go into the property, remove the structure, level the lot, and clean it up and in an excellent position to get your funds back on an assessment. We would include in there your staff time as part of that cost as well as making request for attorney's fees. The only downside for the City is you have to advance those funds before they come back your way and it may be a year or two before the property sells.

Vierling explained you'll notice from the mortgage debt that's listed in the property that the mortgage combined is well above the tax assessor's value on this property. I suspect that may have had an influence on both the mortgage lenders as well as the property owners in terms of what has not happened on the property since the fire. But in any event, you are authorized by Statute to proceed if you wish and the property certainly qualifies as a hazardous structure both under your ordinances and under the Statutory definition.

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8.0C.1 Nuisance Property Declaration 24054 Johnson Street NE

Voss asked is there, I would guess it would be down the road, but if that were to ever happen, that it goes to forfeiture, is there any position the City can take against the insurance company? Vierling advised probably not; however, the forfeiture laws are such that if there is a forfeiture, typically the State Auditor's office and the County Treasurer/Assessor places a property that goes forfeit up for bid. The bid amount minimum is usually the delinquent taxes and assessments of all the communities that have any tax debt to be paid from that property. The County acts on behalf of the State and will set a presumptive level at which they expect the bids to come in. Unless there's a situation where the total combined taxes of all the local government units exceed the value of the property, usually those taxes are returned to the local communities. Every now and then, there's a situation where the taxes of all the local government units combined and the delinquencies and the penalties can exceed the value of the property. But we don't see that often.

Ronning asked is there any action we are looking for? Vierling answered we are requesting that the Council formally adopt the Order within your package and authorize the Mayor and the City Administrator to sign.

Mundle stated when going to raze the building, etc., will you be taking out the foundation? Vierling stated that will be, certainly, the Building Inspector's recommendation. But, typically, in what I have seen in most circumstances such as this, yes. They remove the property foundation and all.

Mundle asked the well and septic, will that be removed? Vierling stated the well would be capped, the septic removed. Mundle stated there is an accessory structure on there right now that, from all appearances, was not affected by the fire. Would that be left? Vierling explained because you cannot have an accessory structure when there is no primary structure, under your Code that would be noncompliant and would be removed as well.

Ronning stated I'll move that the City take the necessary actions in compliance with Minnesota Statute 463.15, 412.221, 429.021, and 429.11 and authorize the Order to be signed by the Mayor and City Administrator. Koller stated I'll second.

Voss stated any discussion? Harrington stated I've just got one question. When they take this building down, with the mold, is there going to be some kind of abatement? You know, don't just go in there and tear the building down because that mold is a concern. Davis answered that will have to be determined and we'll have to get a ruling on that if there's any abatement that will be required. Harrington stated the pictures that Mark handed out, the mold was really bad.

Koller asked what about personal property? Vierling answered that according to the Statutes provides if there is personal property that has value, they'll try to salvage it for a period of time. But, there's a balancing test that you get with that. You have to take a look at the cost that it's going to cost the City to store it to offer it back and whether or not those costs are going to outweigh the value of it. Usually personal property, especially used personal items on a property, have marginal, if any, value.

Koller stated I know there's a garage there that probably has stuff in it and there's a 5th wheel camper parked there too. If the people vacated it two years ago. Mundle stated if it's still in foreclosure they may be able to come back and get it. Vierling stated we can locate

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8.0C.1 Nuisance Property Declaration 24054 Johnson Street NE

them and have them remove personal property. We would much prefer to do that as opposed to try to salvage it and then try to auction it or something.

Voss stated you bid it out; a lot of times whatever contractor does it takes that as part of their bid. So, it factors into their bid. They'll take possession. Or, if there's other things that are salvageable on the property. I don't think we're going to get in the business to try and sell things.

Koller stated if the people want their property back, they better get it before we tear the place down. Voss stated they'll have proper notice. Vierling stated we'll do our very best. Voss stated I've seen that house for a while and boy, you wouldn't think the inside was as bad as it is. It is nasty. Koller stated there is only half a roof. Voss stated yeah, it's bad.

Voss stated any more discussion? Hearing none, all in favor say aye?" **All in favor.** Voss stated opposed? That motion passes. **Motion passes unanimously.**

Voss asked how soon do you think this'll come back to us? Next meeting? Vierling stated I don't think it will be coming back your way for a while. I would expect probably not for 60 days.

8.0D Finance

None.

8.0E Public Works 8.0E.1 Street Maintenance JPA Bids

Davis presented the staff report, stating I have updated this report and passed it out to you. At the time the packet went out, the City of Coon Rapids had not opened the bids. They didn't open them until 10 a.m. on Friday and we didn't get the results until after the packet was sent out to you. The updated write up includes the results of those bids.

The following projects were recommended to bid as part of the 2015 JPA Street Maintenance Program by City Council approval on January 21, 2015. These projects have been identified in the 2015-2019 Street Capital Improvement Plan (CIP) and include:

1. Seal coating of 50,000 square yards of City streets;
2. Crack sealing of 100,000 linear feet of City streets; and,
3. 125,000 linear feet of striping to be determined.

Bidding these items does not obligate the City to accept the bid. The bid for individual items can be rejected or amended as to quantities to accommodate the project budget should bid costs exceed the estimates.

The estimated budget for seal coating, crack sealing and striping the above listed streets was $235,000. These projects will be funded from the Street Capital Fund as identified in the 2015-2019 CIP and the 2015 Street Maintenance Budget.

The bid costs that we received for the projects were $157,992.23. This represents a savings of $77,007.77 from the project estimates. Staff and the Roads Commission have reviewed the bids and recommend acceptance on the 2015 JPA Street Maintenance Agreement in the amount of $157,992.23 and the authorization to submit a letter of concurrence to the City of Coon Rapids indicating our participation in this project.

Harrington stated I'll make a motion to recommend acceptance of the 2015 JPA Street Maintenance Agreement bids in the amount of $157,992.23 and authorize to submit a

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8.0E.1 Street Maintenance JPA Bids

letter of concurrence to the City of Coon Rapids indicating our participation in this project. Koller stated I'll second.

Voss stated any discussion? It sure seems like every year this Agreement gets more attractive because it's been such a good program. Davis agreed it really does. We were really the benefactors this year of low oil prices for the tack material for the seal coating, which was a huge portion of this. So, we've really saved a considerable amount of money since our participation in this program in 2008. It's been a very, very worthwhile endeavor for the City.

Voss stated any other discussion? Hearing none, all in favor say aye?" **All in favor.** Voss stated opposed? None opposed, that motion passes. **Motion passes unanimously.**

8.0E.2 2015 Class 5 Road Projects

Davis presented the staff report indicating the 2015 Street Maintenance Budget calls for $35,000 to be used on gravel road maintenance. The City has been rotating improvements to the City's sixteen miles of gravel roads over a seven year cycle. For 2015, staff is recommending the Class 5 improvements be used on the 1¾ mile of gravel road portion of Klondike Drive. Before the Class 5 is placed, the Public Works Department will shape and grade the road surface to allow for better drainage and begin the process of returning the road to its approximate original width. Klondike Drive is the only unpaved MSA Street in the City system.

Because of the traffic volume and vehicle speeds on Klondike Drive, the road surface dries out and rapidly creates washboard and severe dust conditions. The City applied magnesium chloride in 2012 during the construction of the Viking Boulevard project and traffic levels increased on Klondike Drive from 300 to 1,500 vehicles per day. The road held up well and required little grading during this period. The cost for the application at that time was approximately $4,500.

Currently, the Public Works Department grades Klondike Drive twice a week for a total of five hours of total maintenance time per week. Using the current rate of $95.00 an hour for the motor grader, the weekly equipment costs are approximately $500 without the cost of labor. The total estimated grading costs projected for 2015 is 120 hours or $6,000.

The Roads Commission has reviewed the Class 5 projects and recommends Klondike Drive be resurfaced in 2015 with approximately 2,500 tons of Class 5 material. They also recommend the application of chloride to improve the road surface, reduce maintenance costs, and reduce the amount of dust generated. The Roads Commission recommends funding this project through the 2015 Street Maintenance Budget.

The Road Commission and staff recommend Klondike Drive for Class 5 resurfacing in 2015 and request authorization to advertise for bids.

Mundle stated I'll make a motion to recommend Klondike Drive for Class 5 resurfacing in 2015 and give authorization to advertise for bids. Ronning stated second.

Voss stated any discussion? Harrington stated I just have one question. We had a meeting Monday with the gal and they'd like to see the magnesium chloride done on other roads. Is this something that should go in front of the Roads Commission and then be brought to us? Davis responded if there's a request for the chloride application, they should bring everything to the Roads Commission first so they can take a look at it and then make a

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8.0E.2
2015 Class 5
Road Projects

recommendation to City Council.

Harrington stated they were complaining about the dust up north. Voss stated I've talked to other neighbors too. They've had it in the past and they'd like to see it again. I made the same comment, 'Make the request.' Harrington stated okay. Ronning stated clarification of the motion? **Does that include chloride with the Class 5? Mundle answered yes.** Ronning stated thank you.

Voss stated any other discussion? Timing? Do you have an idea on timing? Davis answered we'll advertise for bids. This is one thing we'll probably get this advertisement out ASAP so we can get the Class 5 down and the chloride applied by, hopefully, no later than the end of May. If we wait until after that, then we're not getting the benefits of the full season.

Voss stated all in favor say aye?" **All in favor.** Voss stated opposed? None opposed, motion passes. **Motion passes unanimously.**

8.0F
Fire
Department
8.0F.1
February Fire
Department
Report

DuCharme stated thank you Mr. Mayor and Councilmembers. First thing I want to bring up, not only to the Council but to our residents, is that March 25th, that morning next week, we'll be starting our springtime burning restrictions. The DNR has informed us that they'll start at 8 o'clock in the morning. Those restrictions are going to last until the green-up. That's a yearly thing that goes on, making sure that we get green growth before people start burning once again. It does not include rec fires. Rec fires are allowed and they will be allowed unless we enter an extremely dry period of time where we would have to curtail those.

Voss asked Mark, on that, are we issuing burning permits now? Or not? DuCharme answered we are. There was a two-day period when we were not and the humidity in the air was such that the DNR lifted the restrictions. So, the new restrictions right now are planned, as I said, for March 25th, 8 o'clock in the morning. If people are going to burn, they still have to get a permit and right now with the weather, it looks favorable to continue to be able to offer permits until March 25th, that morning.

DuCharme stated one thing about rec fires I like to say is, remember what we can burn and remember what you can't burn. What you can't burn is the yard waste, dimensional lumber, you cannot burn shingles, you cannot burn treated lumber. You can burn logs and that type of thing that are used for a recreational fire. Remember it's a recreational fire; it's not a fire to burn yard waste. Every year, we have that situation. Last week we had a situation where the DNR requested the help of East Bethel Fire to go out and extinguish a fire that a resident did have a permit for but, unfortunately, he was burning all the wrong materials. He was burning carpet, he was burning dimensional lumber, and he was also burning a goat that had died during the winter that was frozen, the carcass. He was burning that. The DNR had asked the Sheriff to issue a tag and also asked East Bethel to furnish what that cost was for us to go out there because they will charge the homeowner. So, just remember that.

DuCharme stated the other thing is when we do rec fires, almost all of us like to sit around a campfire, but sometimes it's a good idea just to let your neighbor know that you're going to have a campfire because if it's a warmer evening, sometimes we'll leave our windows open and if they know that you're going to have a campfire, sometimes the neighbors will close the windows so the smoke doesn't come in. It helps being, as we could call it, neighborly.

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8.0F.1 February Fire Department Report

DuCharme stated with that said, I'll get into our February 2015 report. Our calls are running ahead of last year. In February, we answered 46 calls and of those 46, 57% were medical related or 34 calls. A couple calls that I will immediately talk about. One was a chimney fire. The fire was contained to the chimney. There was no other building damage so that was actually a good thing. And, then we did have a boiler in a house that was malfunctioning and did smoke it up pretty good. We did have 34 medical calls and of those 34, we assisted in the transportation by ambulance of 26 of those residents. If you look under 'assists,' we had some lift assists by some very sick people. The flu is still around so wash those hands and 'sneeze in your sleeve,' so to speak. Any questions at all? Voss asked any questions from our audience?

DuCharme stated so next month I'd like to come back and we'll talk maybe a little bit about the first quarter of the year and see where we're at, if that's all right.

Ronning asked is there a burning ban in the whole State? DuCharme answered that would be the whole State, right. That burning restriction, they don't like to all it 'bans' anymore, they like to call it 'restrictions.' But the burning restriction will be State wide. Then you'll start seeing areas where it gets really dry that they'll start banning rec fires also and camp fires. So, if we can get some moisture, we should have the restrictions lifted in four weeks. If we don't, it's probably more like eight weeks. All right? Thank you.

The Council thanked Chief DuCharme.

8.0G City Administrator
8.0G.1 Resolution 2015-20 Early Voting

Davis presented the staff report indicating Minnesota now allows no-excuse absentee voting by mail and in-person. Many Minnesotans consider the current in-person absentee voting system 'early voting' though there are significant administrative differences between the two systems. In absentee voting, after the voter has completed their ballot, it is placed in a sealed envelope to be processed by election administrators after the voter has left. Early voting allows the in-person voter the same experience as voting in their polling place on Election Day, by inserting their ballot into a ballot tabulator. If necessary, the voter is then able to correct mistakes made by the voter when marking the ballot such as party cross-over voting in a primary election or over voting. These mistakes can be discovered by the ballot tabulator, the same as on Election Day. Election results are not known until the polls close on Election Day from the tabulators.

If this legislation were approved, East Bethel residents using the Early Voting System would have the benefit of a faster processing time for each ballot issued and the availability or access to the voting process due to the additional service hours that each polling place would be open.

However, the Early Voting System would increase our Election costs and create serious election judge staffing issues. The problems we foresee with this process are as follows:

- At least 17.5 hours of election staff time at City Hall would be required beyond additional time already required for Absentee ballot voting.
- Additional time/wages will be required for election judges. Up to 102.5 hours total per judge for Early Voting activities would be required, not including any necessary training and assuming only one polling place would be open. This estimate of time for election judges would be for only one judge. Balancing party affiliations would require two judges or requesting either Carrie Frost or Karen White of City staff to serve as a judge and register as a member of the opposite party of the person serving as the other election

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8.0G.1 Resolution 2015-20 Early Voting

judge capacity.

- Precinct Election Judges have been difficult to enlist when the obligation is only for 2 days (1 day of training and 1 day of service). Finding available judges for a 15-day Early Voting period, plus training, will be even less likely.
- Designated registration and voting areas would need to be set up in City Hall. If a line of waiting voters were to form anywhere within City Hall, it may disrupt access to other departments and services.

The League of Minnesota Cities supports the establishment of the Early Voting System and is requesting approval of the attached resolution. The League's Board of Director's adopted this issue as one of its 2015 legislative priorities. A proposed bill would establish early voting 15 days prior to Election Day through 5 p.m. on the third day before the Election. Pending certification of Statewide systems and voting equipment to administer Early Voting by the Secretary of State, the law would be effective for elections held on or after August 1, 2015. Co-authors of the bill include: Senators Jeff Hayden, Kent Eken, John Hoffman, and Jim Carlson. Early Voting would be an addition to and not an elimination or replacement of absentee balloting.

Davis stated approval of this bill could result in an increase of our election costs of up to an additional $4,000 for the 2016 Election. Due to the additional cost to City staff and staffing issues, staff does not recommend endorsing or supporting the League's request and is seeking direction from Council for consideration of Resolution 2015-20. Davis stated you have two resolutions in front of you, one supporting and one in opposition to. So, we're asking what your pleasure is on this issue.

Voss stated this is essentially an unfunded mandate if it went through. Davis stated correct. Voss stated we're not getting funding from the State. This is coming out of our taxes. Davis stated absolutely and the biggest issue that I see is finding election judges to be here for two weeks. That's going to be an almost impossible task. Voss stated Minnesota's already got one of the best accessibility of any state for voting and with the way absentee ballots are being done now, there's no excuse for not voting.

Davis stated I did call Senator Benson's office today and they said this bill was still in committee and the session is over in mid-May. So, they are looking for some input from cities on this as soon as possible.

Voss stated the League is asking for support. If we pass this other resolution in front of us in opposition, is it going to the League? Or, are we going to send it directly to the State? Davis stated I would recommend we send it to both. Voss stated okay.

Koller stated I will make a motion to oppose Resolution 2015-20. Mundle stated not to interrupt but you stated there are two resolutions? Davis answered yes. There's one in your packet and one that I distributed at your seat prior to the meeting. Mundle stated but they're both Resolution 2015-20. Davis confirmed they are both Resolution 2015-20. Voss stated okay, just to clarify, your motion was to oppose the resolution. You are **moving to approve the resolution that opposes? Koller answered yes.** Mundle stated proceed now, I didn't mean to interrupt. Voss asked is there a second to the motion to oppose? **Mundle stated I'll second.**

Voss stated any discussion? Ronning stated out of curiosity, is the staff person for a second party, is that a challenger? Davis answered no but you have the election judges, you have to

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8.0G.1 Resolution 2015-20 Early Voting

have a judge from each party to balance it out. Voss stated the major parties. Davis stated yeah.

Harrington asked what is it on an absentee? Do they get 30 days? Or, is it 45 days? Davis answered 45 days. Absentee balloting starts 45 days prior to the General Election.

Voss asked do we have an idea, I mean it sounds like the reason they stated is you get reject absentee ballots and this is a way to reduce the rejects. Do we know what the percentage is on rejects on absentee ballots? Davis stated we haven't been told. We processed 140 absentee ballots in the last Election. The only issue with the absentee ballots is the number of hands that they go through. A person can come in here and get the absentee ballot or they can take it home. They bring it back; it's put in a sealed envelope so it's touched by Carrie Frost or Karen White to put in the envelope. Approximately once a week, these ballots are then taken to the County so in the transport they are touched by one other person. Then when they get to the County, they are handled by one other person. Whether this is an attempt to prevent voter fraud on absentee ballots, I'm not sure. Or, it's just a means of making sure that if people do make a mistake on their ballot, it can be corrected. If a mistake's made on an absentee ballot, we don't have any information on what happens to it. If it's made and caught early when the County opens it, the County does sometimes notify people that there's a mistake on their absentee ballot and they are permitted to resubmit it. But if they vote late, there's probably no chance of them even looking at it and it's probably just discarded. The benefit of this Early Voting System would be if you do make a mistake, it can be corrected on the spot.

Voss stated and being one that's made mistakes in voting before, it happens. So, we don't have any numbers on how many get rejected. Davis answered no; we haven't been supplied with that. Voss stated is there any more discussion? All in favor of this motion say aye?" **All in favor.** Voss stated opposed? None opposed, that motion passes. **Motion passes unanimously.**

Voss stated so this will go to the League and then to the Senate Committee. Davis stated we'll send it to our representatives. There's also another bill in the House that's parallel with this one so we'll send it to Mr. Hackbarth and Senator Benson.

8.0G.2 Assessor Services Contract

Davis presented the staff report indicating the City Assessor's contract expires on January 2, 2016. In order to prepare the 2016 Budget, staff is in need of the cost of this service by no later than June 30, 2015. In 2012, the City advertised for this service but received only one proposal with that coming from our current Assessor, Ken Tolzmann. Mr. Tolzmann's proposal was approximately $20,000 per year less than the cost of contracting with Anoka County for assessments for that period.

Mr. Tolzmann has indicated that he is interested in extending his contract with the City and would offer the same price per parcel for the 2016-2018 term as was provided in his 2013-2015 contract. Should the number of parcels remain unchanged, Mr. Tolzmann's proposal for 2016 would be $52,119. The County's cost for providing this service for 2016 is estimated to be a minimum of $68,000 with an additional one-time charge to review and establish a basis for the assessments.

Staff is seeking direction as to accepting Mr. Tolzmann's proposal or requesting RFPs for this service.

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8.0G.2 Assessor Services Contract

Voss stated direction to staff? How long have we used the Assessor since? Davis answered as far as I know; Mr. Tolzmann has been used as long as I've been here. Voss agreed, yeah, it's been quite a while. Motion by anyone? **Voss stated I'll move that we accept Mr. Tolzmann's proposal. Mundle stated I'll second.**

Voss stated discussion? Ronning stated $52,000, do we make quarterly payments? Or, semi annual? Davis stated we make quarterly payments to him. Ronning stated okay, the ones I remember are $13,000 something. Davis stated yeah, that's correct. Ronning stated so that would be quarterly.

Voss stated any other discussion? Hearing none, all in favor say aye?" **All in favor.** Voss stated opposed? That motion passes. **Motion passes unanimously.**

8.0G.3 March 25, 2015 Work Meeting Agenda

Davis presented the staff report indicating items that have been scheduled or proposed for discussion at the March 25, 2015 City Council Work Meeting are as follows:

1. Receive Ice Arena Management Services Proposals
2. Review Draft Rental Ordinance
3. Discuss City Goals for 2015
4. Discuss Council and Commission Roles and Duties
5. Discuss Upper Rum River WMO Audit and Water Management Plan
6. Discuss the City Role for Booster Day
7. Discuss a Proposed Modification to our MCES Wastewater Services Agreement
8. Discuss the Current Zoning Situation we have where only a 1 in 10 Density is allowed on Rural Residential Lots.

Davis stated that's quite an order for an agenda to be accomplished in one evening. I would recommend that Receive Ice Arena Management Services Proposal be the first item on that agenda. And, if we want to discuss some of the others, I would like to recommend the Draft Rental Ordinance be reviewed. I would also like to recommend that we discuss the Upper Rum River WMO Audit and I'd like to recommend we discuss the 1 in 10 Zoning Requirement for Rural Residential.

Mundle stated well, we should take care of the big stuff first. The other ones we can discuss at another meeting.

Davis stated and the proposed modification on the MCES Contract, we're still waiting word from Met Council so we may not have anything definitive on that. I'll issue an update on where we are with this at the end of the week and we can discuss that once it comes in. But, those are the ones that I would recommend that we include on the agenda for the next meeting.

Ronning asked, could you state that again please? Davis stated Receive the Ice Arena Management Proposal for Services; Review the Draft Rental Ordinance; Discuss the Upper Rum River WMO Audit and Water Management Plan; and, Discuss the current Zoning Requirement of 1 in 10 for Rural Residential Densities.

Mundle stated that sounds fine to me. Ronning stated that's pretty aggressive. Voss stated I don't think we'll get through all four of those right now if the Work Meeting is limited to two hours. We're not really going to get through that. Davis stated and I would also, maybe we could discuss about the next Work Meeting or if there's a need to have one even before the end of April.

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8.0G.3 March 25, 2015 Work Meeting Agenda

Voss asked for the Arena bids, have they come in yet? Davis answered yes; the proposals had to be submitted by 10 a.m. today. We received two proposals. Voss asked from who? Davis answered from Gibson Management and Victory Management.

Voss stated unfortunately, I won't be there next week. I had a business thing come up so I'll be traveling all next week so I won't be there. I already talked to Jack. I'll get a copy of the DVD of the meeting so I'll be able to see the discussion, particularly on the Arena bid.

Harrington asked are we going to get some information on this Rental Ordinance again too? Davis stated we'll have that ready to go out in your packet on Friday. Harrington stated okay.

Voss stated that's the one thing, well, I'd like to be here for all of it but that's the one thing I've been kind of behind for a while is the Rental Ordinance. I'm fine with you having the discussion at the Work Meeting so that's not a problem. I'll get the packet and go through it too. That meeting's set for 6? Davis stated it's set for 7 but we can change the time, whatever time we want. Actually, the presenters have been notified to be here at 7. Voss stated okay. Koller stated 7 is fine.

Voss stated so what I've heard in order is the Arena Bids, the Rental Ordinance, the Upper Rum River, and then the 1 in 10 Zoning, if you're lucky. That's a half hour piece so good luck.

Harrington asked you don't need a motion, do you? Davis answered not necessarily. Voss asked what's that? Harrington stated I just asked if he needed a motion or anything on those four.

Ronning stated 'food for thought,' as time goes, perhaps keep in mind, just a suggestion, get through the first one and see if you have interest in reorganizing the order. Voss stated yeah, I mean you can't take any action anyway on what you talk about. Ronning stated right but when you named those, they might not necessarily be prioritized.

Davis stated the issue about the 1 in 10 is if there are feelings on taking another look at that then we'd want to give some direction to have that on the next Planning Commission meeting.

Mundle asked wasn't that already discussed by the Planning Commission? Davis answered we would ask for them to adopt a formal motion on that. Have they already done that? Mundle stated I know we already discussed it. Davis stated I think it was brought up but I think it was just discussed and I'm not sure there was any formal action taken on it as a recommendation. That could be incorrect. Mundle stated you may want to review that just to be safe. Davis responded okay. Mundle stated I know we discussed it but I can't remember the outcome. But I know that we were all in agreement of having it changed. Davis stated I'll take a look at that and if there was a formal agreement on that, then I stand corrected and we'll move on with that then. Mundle stated okay.

Ronning asked if there's data identifying how much and what would be affected by this? What areas of the City? Davis stated of the 1 in 10, I have a rough map that identified properties that were over 25 acres or over 20 acres. I think there was maybe 600-700 acres

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8.0G.3 March 25, 2015 Work Meeting Agenda

total. I'd have to look at that just to be sure of that number. But, there are several. Another reason we bring this up is within the past year now, we've had four people approach us that have been interested in doing rural subdivisions, thinking that they could still do the 2.5 acre lots. Colleen said there have been three of these that have come in, in the last month. So, there is starting to be some more interest in this and it is something we need to address and get clarified.

Voss stated that is one discussion if it's at a Work Meeting that I'd really like to be in because I have some history on that back when I was established then, in my opinion, messed up somehow. All right. Anything else for the Work Meeting?

9.0 Other

9.0A Staff Reports

Davis stated I'd just like to remind everyone that our Pet Clinic is scheduled for this Saturday, 9 a.m. to noon, at the Arena. It will be for dogs and cats. They can get their vaccinations, distemper shots, certain shots for rabbis and another shot for a word that I cannot pronounce. Also, too, if you bring your pet to the Clinic and you don't have a license, the City will issue a license at no charge.

9.0B Council Report – Member Harrington

Harrington stated the two fund raisers tomorrow night, the East Bethel Scholarship Program next door, the spaghetti dinner from 5:30 to 8. The Empty Bowl fundraiser at St. Pat's Church from 5 to 7:30.

I had a request about Firearms Safety Class. I've got a person here you can contact. Call Bob, 612 327-6631 and they'll let you know where their Firearms Safety Class is held.

Council Ronning

Ronning stated most of what I would say is covered by tonight in the road projects that went through the Street Capital Fund and such. But, there was one thing that isn't in here. There was a reference map with another alternative to Viking between what would be Taylor and 65. Voss asked you mean a frontage road? Ronning stated no a road from 189th out to Viking.

Harrington asked was that the reference where the guy that owns the lot on 22 and 65 wants a road to kind of curl around to come out to his entrance if he does build a grocery store? Ronning stated yeah, East Bethel Properties. Harrington stated instead of going straight down the power lines now they are looking at maybe …" Ronning stated East Bethel Properties is requesting that consideration. Davis responded they have mentioned that. That's a discussion we'll have with him to see how critical that is but that's not a proposal at this time. Ronning stated it was interesting to see.

Council Member Koller

Koller stated I don't have anything.

Council Member Mundle

Mundle stated the EDA meeting last Monday, talked about the Business Retention and Expansion Program. We had another presentation from the U of M and that should be coming up in front of Council pretty soon about actually spending some money on it. We also talked about Open to Business that there's a representative that will come out and help local businesses, start up businesses, with either establishing financing or setting up some business plans, or whatever kind of help you need to get off the round. So, if anybody has more interest on that, you can contact City Hall.

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Council Member Mundle

Mundle stated a word to residents to help keep East Bethel beautiful with all the snow that has melted, there is litter sometimes that has accumulated and been reveled by that snow being melted so just saying take a couple minutes and look along your property line, along the roadways, and pick up any litter that you may see. Voss stated and the goats too. Mundle stated yes, the goats too. Mundle stated on a side note, back in Cub Scouts, we did roadside cleanup and we found a frozen cat. It was frozen just as it was taking a step. Some of the young kids found it amusing.

Mundle stated and a note for Tim on the Firearm Safety Classes, I know a local Boy Scout Troop does put them on, Troop #733. Harrington stated someone was looking and that's the only information I could find. Mundle stated okay, that's fine.

Mayor Voss

Voss stated to add onto the EDA discussion about the Business Retention and Expansion Program, the reason why it came back to EDA is, if you recall the last time I talked about it, the University said they wouldn't be able to implement it until 2016. The reason why they came back is they can implement it now. I remember that was our, kind of the chagrin about it, was that we had to wait a year to start it. They can actually start now and basically it's because the person within the Extension Program who was going to head it up became available. Whereas before, he wasn't available. So it's a good thing and kind of stepped that up. The Chamber was at the meeting too, some members of the Chamber, and I think they're embracing it too.

Ronning asked is there a source they can contact? Or, did you say City Hall for curiosity about the questions and such? Mundle responded for the Business Retention and Expansion Program? Or, the Open to Business? They are two different. Ronning answered either. Mundle stated I'm sure you can contact City Hall for either one. The Open to Business that I mentioned to contact City Hall for help for our local businesses. Voss stated and there's a link on the website for the Open to Business too. Mundle stated yes.

Voss stated just one question. Have we started street sweeping yet? Davis answered yes. Mundle stated they did mine. Voss stated usually they do around the lakes first and I haven't noticed so I was just curious. So, try not to park in the street. I made that mistake last year and had a big pile of dirt in front of my house I had to sweep up myself.

Voss stated another thing I just want to throw out too is I don't know if any of you have been contacted, kind of jarred my memory when you talked about the Early Voting, was ranked choice voting. If you've heard of it, basically it's what Minneapolis did. I think St. Paul has it too where you rank your choices for voting so we have multiple candidates. There are two that you like, you can't decide between the two, so there are a lot of advantages to it.

Ronning asked at the primaries? Voss responded both. I think the primary probably more importantly because when you've got like Minneapolis I think they have like 12 candidates and it narrows it down. But, that's something that I've been hearing more of and I don't think we're in a position to be ready for that yet. But, I know that some municipalities are looking into it. But, I just wanted to throw that out.

9.0C Other Update on Verizon Cell Tower

Vierling stated before we get to the Closed Meeting, I would note to the Council last time we were gathered, you reviewed the issues that we were having with Verizon on the cell tower that they were proposing. The Council authorized the staff to issue a directive to them that they were to have a last, final, and best offer to the City no later than the close of

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9.0C Other Update on Verizon Cell Tower

business day on the 13th of March. I can tell you that as of last Friday, shortly after 4 o'clock in the afternoon, we received an e-mail from Verizon counsel with a singular line that said, 'We will abide by the staff recommendation of December 29, 2014.' So, given that, we are preparing the package of contracts that we will forward off to them suggesting that they sign and return it with their securities and then we will present it to you at your April meeting for your review and approval, if you choose. Just to let you know that is the response we received.

Mundle asked and that's the response that you wanted? Vierling responded that was the staff proposal that we sent to them on the 29th of December and you'll recall they got back to us about February 20 something or other with a complete redline and a redraft of it. So, yes, that is what we proposed. Mundle stated fantastic. Vierling stated fantastic.

9.0D Closed Session 9.0D.1 Property Acquisition & Union Contract

Vierling stated for the benefit of the members of the public and for the minutes, we will note at the present time the Council is considering going into Closed Session to deal with two matters. The first dealing with property acquisition authorized under Statute 13D.05 and the second dealing with union contracts under Minnesota 13D.03. Pursuant to Statute, the portion of the Closed Session, if implemented by the Council dealing with the union contract, will be tape recorded as is required by law with the tape being maintained for a period of two years. The other portion will not be tape recorded.

That being said Mr. Mayor and Council, I recommend that a motion be made at the present time to go into Closed Session for the purposes I've indicated.

Move to Closed Session

Ronning stated so moved to go into Closed Session at 8:50 p.m. Harrington stated I'll second. Voss stated any discussion? All in favor say aye?" **All in favor.** Voss stated opposed? Hearing none motion passes. **Motion passes unanimously.**

Reconvene Open Session

Vierling stated thank you Mr. Mayor. For the members of the public as well as for the benefit of the record, we note the Council is back in Open Session after having concluded a Closed Executive Session that was attended by the Mayor and all members of the Council as well as City Administrator Jack Davis and myself, Mark Vierling as City Attorney.

Vierling stated on the first Closed Session matter, the property identified by Property Identification No. 36-33-23-14-0003 was reviewed by the Council. A motion was made and passed to allow the staff to modify the settlement package relative to that property in terms of concluding negotiations with the property owner.

Vierling stated with regard to the second matter, the matter dealing with the union contract, it was recorded in the manner required by law. That tape will be recorded and kept again for a period of two years. A motion was made during that Closed Session to allow the City staff to make an accommodation to the union relative to a negotiation specifically dealing with benefits of medical insurance. That motion was passed during the Closed Session as well.

Vierling stated with that being said Mr. Mayor, that concludes the report of the Closed Session.

9.0E Schedule Fin. Comm.

Davis stated before you adjourn, one item that I failed to mention in the staff reports is when would you and Mr. Ronning have time to schedule a Finance Committee meeting? Voss stated you're just going to drop that on us are you? He asked how soon would you

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9.0E Schedule Finance Committee Meeting

like the meeting? Davis answered if we could meet within the next week or ten days or within the next two weeks.

Voss stated I certainly can within the next two weeks. I can do it but I'm out pretty much all next week. Davis stated okay. The following week if you just send me a time that's convenient for you and both of you and we'll work a schedule out.

Ronning stated Monday and Wednesday mornings are bad for me. Otherwise, day or night. Davis responded okay. Voss stated I'll look at my schedule.

10.0 Adjourn

Harrington stated I'll make a motion to adjourn. Koller stated I'll second. Voss stated any discussion? All in favor say aye?" **All in favor.** Voss stated opposed? Hearing none motion passes. **Motion passes unanimously.**

Meeting adjourned at 8:52 p.m.

Submitted by:
Carla Wirth
TimeSaver Off Site Secretarial Inc.

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Agreement for Assessor Services

This Agreement made and entered into this 1st day of April 2015, by and between the City of East Bethel, 2241 221st Ave. NE, East Bethel, Minnesota 55011, (a municipal corporation under the laws of Minnesota) hereinafter referred to as the "City", and Kenneth A. Tolzmann, Senior Accredited Minnesota Assessor #1939, 24738 Hamlet Ave. N. Forest Lake, Minnesota 55025, hereinafter referred to as the "City Assessor".

WITNESSETH:

WHEREAS, the City of East Bethel is a statutory city constituting a separate assessment district lying wholly within Anoka County, Minnesota; and

WHEREAS, pursuant to Minnesota Statutes 273.05, city assessors shall be appointed by City Council; and

WHEREAS, it is the wish of the City Council to re-appoint Kenneth A. Tolzmann the East Bethel City Assessor; and

WHEREAS, it is the wish of Kenneth A. Tolzmann to serve as the East Bethel City Assessor and to cooperate with the City to perform fair and equitable assessments of the real property within the City.

NOW, THEREFORE, in consideration of the mutual covenants herein contained, it is agreed as follows:

I. The effective date of this Agreement will be January 2, 2016, and it will terminate January 2, 2019, unless earlier terminated as provided herein.

II. The City Assessor represents that he is a resident of the State of Minnesota, possesses the knowledge and training in the field of property taxation necessary to perform the duties of a local assessor, is duly licensed to perform such duties in compliance with Minnesota Statutes 270.48 and Minnesota Department of Revenue Standards, is capable of performing analyses and projections utilizing assessment data, has a working knowledge of spreadsheet and presentation software and is proficient in their use as it relates to presentations.

III. All real property within the geographical boundaries of the City will be assessed by the City Assessor for taxation beginning with the assessment for tax year 2017 payable in 2018.

IV. When requested, and provided that the necessary data to make such request is readily available, the City Assessor will, given timely notice, provide reports, projections or analysis to City officials in a timely fashion. The Assessor will

provide to the City and Public prior to the Board of Review, an Annual Report to include but not limited to; a statistical summary of valuation changes from the prior assessment year to include new construction valuations by property type, comparison of property groupings and types from year to year or over an extended period of time, market data reflecting trends in the industry, current trends in property valuations and implications of changes in current property tax legislation, if any.

V. The duties of the City Assessor will be carried out consistently and in accordance with the provisions of Minnesota Statutes 273.05, 273.064 & 273.08.

VI. In consideration of such assessment services, the City will pay to the City Assessor quarterly payments based on an invoice presented by the City Assessor to the City in a timely manner (unless earlier terminated as herein provided) as follows:

a) Quarterly payments shall be made by the City, based upon the timely submission of an invoice by the City Assessor. Timely submission of an invoice shall mean the invoice is received no earlier than the first day of the month following the end of a calendar quarter and no later than the tenth day of the month following the calendar quarter.

b) The parties understand and agree that to accomplish the delivery of the tax year 2017 (payable in 2018) assessment on or before January 2, 2017 (the statutory due date), all work specific to the generation of that assessment must be done during the 2016 calendar year; the same will be true for subsequent tax year assessments, i.e. all work for the tax year 2018 assessment must be done in calendar year 2017; all work for the tax year 2019 must be completed in calendar year 2018.

VI. For tax year 2017 assessment, the City will pay to the City Assessor as follows:

a) Nine Dollars ($9.00) for each improved parcel of residential, seasonal recreational residential and agricultural type of property.

b) Two and 50/100 ($2.50) for each unimproved parcel of residential, seasonal recreational residential, and agricultural type of property.

c) Fifty Five Dollars ($55.00) for each improved and unimproved parcel of commercial, industrial, and public utility type of property.

d) Fifty Five Dollars ($55.00) for each improved and unimproved parcel of apartment or mobile/manufactured Home Park type of property.

VII. The same procedure and rates will be followed in the frequency and computation of payments for assessment services for subsequent years (in calendar years 2017 and 2018 for the following tax year assessment in each case).

VIII. The City Assessor will remit quarterly billings to the City as provided above, detailing the number of parcels of each type of property assessed and charged to the City, with a complete breakdown for that specific quarter. Additionally, a summary of activity and accomplishments for each quarter will also be provided.

IX. Notwithstanding Section I above, the City Assessor and/or City have the right to terminate this Agreement by providing six months written notice prior to the beginning of the assessment work for a tax year. Such notice to terminate must be sent by certified mail to the other party at the address set forth above. For example, to terminate effective as of the tax year 2018 assessment, the party must provide written notice of termination to the other party not later than July 16, 2016, the work on the tax year 2018 assessment to commence on January 2, 2017, (the anniversary date of this agreement).

Provided further, that this Agreement may be terminated at any time by the City on charges by the Minnesota Commissioner of Revenue of inefficiency or neglect of duty on the part of the City Assessor.

X. The relationship between the parties is that of an independent contractor. Nothing contained in this Agreement is intended to or should be construed as creating the relationship of copartners or joint ventures between the City and the City Assessor. No tenure or any rights or benefits, including Workers' Compensation, Unemployment Insurance, medical care, sick leave, vacation leave, severance pay, PERA, or other benefits available to City employees will accrue to the City Assessor or employees of the City Assessor performing services under this Agreement.

XI. The City Assessor agrees he will defend, indemnify, and hold harmless the City, its officers and employees, against any and all liability, loss, costs, damages, and expenses which the City, its officers or employees, may hereafter sustain, incur, or be required to pay arising out of the City Assessor's performance or failure to adequately perform his obligations pursuant to this Agreement.

XII. All data collected, created, received, maintained, or disseminated for any purposes by the activities of the City Assessor because of this Agreement is governed by the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as amended, the Minnesota Rules implementing such act now in force or as adopted, as well as federal regulations on data privacy.

XIII. Pursuant to Minnesota Statutes I 6B.06 subd.4, the City Assessor agrees that the City, the State Auditor, or any of their duly authorized representatives at any time during normal business hours and as often as they may reasonably deem necessary will have access to and the 1ight to examine, audit, excerpt, and transcribe any books, documents, papers, records, etc., which are pertinent to the accounting practices and procedures of the City Assessor and involve transactions relating to this Agreement.

XIV. During the perfom1ance of this Agreement, the City Assessor agrees to the following:

a. No person will, on the grounds of race, color, religion, age, sex, disability, marital status, public assistance status, criminal record, creed, or national origin be excluded from full employment rights in, participation in, be denied **the** benefits of, or be otherwise subjected to discrimination under any and all applicable federal and state laws against discrimination.

XV. City Assessor Licensure

a. The City Assessor warrants and represents that he/she is currently licensed as a Minnesota Assessor by the State of Minnesota. In the event said license is cancelled, revoked, suspended, or expires during the term of the contract, the City Assessor agrees to inform the City within ten (10) days of such action against the license. The City will pay only for services provided while appropriately licensed by the State of Minnesota.

b. The City Assessor will comply with all applicable federal and state statutes and regulations as well as local ordinances not in effect or hereafter adopted.

c. Failure to meet the requirements of Paragraphs a. and b. above may be cause for cancellation of this Agreement effective the date of receipt of a notice of cancellation, notwithstanding the provisions of Sections I and IX above.

XV. Any reports, studies, photographs, negatives, or other documents prepared by the City Assessor in the performance of his obligations under this Agreement will be the exclusive property of the City; and all such materials will be remitted to the City by the City Assessor upon completion, termination, or cancellation of this Agreement. The City Assessor will not use, willingly allow, or cause to have such materials used for any purpose other than performance of the City Assessor's obligations under this Agreement without the prior written consent of the City. The City will not unreasonably withhold its consent.

IN WITNESS THEREOF, the City and City Assessor have hereby executed this Agreement this first day of April 2015

_____

CITY OF EAST BETHEL

Signed By:_____
Title: Mayor
Date:

Signed By:_____
Title: City Administrator
Date:

ASSESSOR

Signed By:_____
Title: City Assessor Kenneth A. Tolzmann, SAMA
Senior Accredited MN Assessor #1939
Date:

FINAL PAYMENT
CITY OF EAST BETHEL
Lift Station No. 1 Reconstruction Project

Februrary 25, 2015

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

RE: Lift Station No. 1 Reconstruction Project
Contractor: LaTour Construction, Inc.
Award Date: September 18, 2013

The following work has been completed on the above-referenced project by LaTour Construction, Inc.

Base Bid

ITEM NO.	ITEM DESCRIPTION	ESTIMATED QUANTITY	UNIT	CONTRACT UNIT PRICE	USED TO DATE	EXTENSION
1	MOBILIZATION	1	LUMP SUM	$3,800.00	1	$ 3,800.00
2	GENERAL CONSTRUCTION ALLOWANCE	1	LUMP SUM	$10,000.00	0.85	$ 8,527.27
3	SYSTEM INTEGRATOR ALLOWANCE	1	LUMP SUM	$10,000.00		$ -
4	CLEARING	0.15	ACRE	$4,280.00	0.50	$ 2,140.00
5	GRUBBING	0.15	ACRE	$4,280.00	0.50	$ 2,140.00
6	SALVAGE CHAIN LINK FENCE	200	LIN FT	$25.25	218	$ 5,504.50
7	REMOVE BITUMINOUS PAVEMENT	194	SQ YD	$4.00	194	$ 776.00
8	REMOVE CONCRETE CURB & GUTTER	83	LIN FT	$5.25	150	$ 787.50
9	REMOVE CONCRETE SIDEWALK	344	SQ FT	$0.75	600	$ 450.00
10	REMOVE WATERMAIN, HYDRANT, GATE VALVE, AND BOX	1	LUMP SUM	$1,500.00		$ -
11	REMOVE FORCEMAIN	78	LIN FT	$5.25	79	$ 414.75
12	REMOVE EXISTING WET WELL	0	LUMP SUM	$6,935.00	0	$ -
13	ABANDON EXISTING DRY WELL	1	LUMP SUM	$3,745.00	1	$ 3,745.00
14	CAP EXISTING FORCEMAIN PIPE	1	LUMP SUM	$630.00	1	$ 630.00
15	CONNECT TO EXISTING SANITARY SEWER MANHOLE	1	EACH	$3,000.00	1	$ 3,000.00
16	8" PVC SANITARY SEWER PIPE - SDR 26	0	LIN FT	$136.00		$ -
17	8" PVC SANITARY SEWER PIPE - SDR 35	38	LIN FT	$78.50	42	$ 3,297.00
18	CONSTRUCT SANITARY STRUCTURE DESIGN 48-4007	6.2	LIN FT	$240.00	6.2	$ 1,488.00
19	CASTING ASSEMBLY - SANITARY SEWER	1	EACH	$1,145.00	1	$ 1,145.00
20	CONNECT TO EXISTING SANITARY SEWER PIPE	0	EACH	$6,000.00		$ -
21	6" PVC SEWER FORCEMAIN (DR 18)	145	LIN FT	$31.50	157	$ 4,945.50
22	DUCTILE IRON FITTINGS	250	POUND	$5.60	135	$ 756.00
23	6" WATERMAIN DUCTILE IRON CL 52	60	LIN FT	$37.25		$ -
24	CONNECT TO EXISTING WATERMAIN	2	EACH	$945.00		$ -
25	HYDRANT AND 6 INCH GATE VALVE AND BOX	1	EACH	$5,475.00		$ -
26	FIBER OPTIC CABLE WITH SCHEDULE 40 CONDUIT	0	LIN FT	$19.75		$ -
27	TRACER WIRE FOR BURIED FIBER OPTIC CABLE	0	LIN FT	$0.01		$ -
28	ACCESS BOXES FOR TRACER WIRE	0	EACH	$0.01		$ -
29	MARKER POSTS FOR ACCESS BOXES AND STRUCTURES	0	EACH	$134.00		$ -
30	METER MANHOLE	1	EACH	$9,800.00	1	$ 9,800.00
31	72" DIAMETER SANITARY SEWER LIFT STATION STRUCTURE AND APPURTENANCES	1	EACH	$116,325.00	1	$ 116,325.00
32	SUBMERSIBLE LIFT STATION PUMP AND DISCHARGE ELBOW	2	EACH	$5,325.00	2	$ 10,650.00
33	PUMP RAILS, CHAINS, GUIDE BRACKETS AND APPURTENANCES	1	LUMP SUM	$2,845.00	1	$ 2,845.00
34	PORTABLE DAVIT CRANE WITH POWER WINCH	1	EACH	$4,555.00	1	$ 4,555.00
35	CONTROL PANEL, LEVEL FLOATS AND TRANSDUCER	1	LUMP SUM	$36,800.00	1	$ 36,800.00
36	ELECTRICAL AND START UP	1	LUMP SUM	$13,725.00	1	$ 13,725.00
37	AGGREGATE BASE CLASS 5	214	TON	$33.45	180	$ 6,021.00
38	BITUMINOUS MATERIAL FOR TACK COAT	81	GALLON	$4.50	30	$ 135.00
39	TYPE SP 9.5 WEARING COURSE MIXTURE (2,B)	155	TON	$124.50	27.04	$ 3,366.48
40	TYPE SP 12.5 NON WEARING COURSE MIXTURE (2,B)	62	TON	$118.00	74.79	$ 8,825.22

FINAL PAYMENT
CITY OF EAST BETHEL
Lift Station No. 1 Reconstruction Project

Base Bid (Continued)

ITEM NO.	ITEM DESCRIPTION	ESTIMATED QUANTITY	UNIT	CONTRACT UNIT PRICE	USED TO DATE	EXTENSION
41	4" CONCRETE WALK	344	SQ FT	$7.00	600	$ 4,200.00
42	CONCRETE CURB & GUTTER DESIGN B612	143	LIN FT	$22.50	168	$ 3,780.00
43	CONCRETE CURB & GUTTER DESIGN SURMOUNTABLE	83	LIN FT	$22.50	150	$ 3,375.00
44	CONCRETE FLUME	1	LUMP SUM	$1,100.00	1	$ 1,100.00
45	6" CONCRETE PAVEMENT	501	SQ FT	$7.50	521	$ 3,907.50
46	BOLLARD	4	EACH	$875.00	4	$ 3,500.00
47	SITE GRADING	1	LUMP SUM	$2,400.00	1.0	$ 2,400.00
48	GRANULAR BORROW (LV)	15	CU YD	$16.50	15	$ 247.50
49	TOPSOIL BORROW (LV)	50	CU YD	$23.00	48	$ 1,104.00
50	RANDOM RIPRAP CLASS II	5	CU YD	$162.00	5	$ 810.00
51	WIRE FENCE DESIGN 72-9322	0	LIN FT	$25.25		$ -
52	72" BY 10 FOOT CHAIN LINK GATES	2	EACH	$1,075.00	2	$ 2,150.00
53	4" POLYSTYRENE INSULATION	17	SQ YD	$50.00	9	$ 450.00
54	DEWATERING	1	LUMP SUM	$58,000.00	1	$ 58,000.00
55	TURF ESTABLISHMENT	0.30	ACRE	$3,050.00	0.30	$ 915.00

TOTAL WORK COMPLETED	**$ 342,533.22**
LESS PAY ESTIMATE #1	**$ 18,273.96**
LESS PAY ESTIMATE #2	**$ 255,413.91**
LESS PAY ESTIMATE #3	**$ 45,968.13**
LESS PAY ESTIMATE #4	**$ 5,750.56**
WE RECOMMEND FINAL PAYMENT OF:	**$ 17,126.66**

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

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

APPROVALS:

CONTRACTOR: LATOUR CONSTRUCTION, INC.

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

Signed: _____

Title: PROJECT MANAGER Date 3/9/15

ENGINEER: HAKANSON ANDERSON

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

Signed: _____

Title: City Engineer Date 3/17/15

OWNER: CITY OF EAST BETHEL

Signed: _____

Title: _____ Date _____

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

RESOLUTION NO. 2015-23

RESOLUTION ACCEPTING WORK

WHEREAS, pursuant to a written contract signed with the City on November 20, 2013, LaTour Construction, Inc. of Maple Lake, Minnesota has satisfactorily completed the reconstruction of Lift Station No. 1 in accordance with such contract,

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

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

Adopted this 1st day of April, 2015 by the City Council of the City of East Bethel.

CITY OF EAST BETHEL

_____

Steven Voss, Mayor

ATTEST:

_____

Jack Davis, City Administrator

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

RESOLUTION NO. 2015-24

RESOLUTION DESIGNATING APRIL 25TH, 2015 ARBOR DAY

WHEREAS, Arbor Day has been an occasion for recognizing the value of trees and woodlands to human welfare since 1872; and

WHEREAS, trees in our city increase property values, provide shade and wind barriers that conserve energy, provide habitat for wildlife, enhance the economic vitality of our business areas and create beautiful landscapes in our parks to make our community even more livable; and

WHEREAS, trees are a renewable resource giving us paper, wood for our homes, fuel for our fires and countless other wood products; and

WHEREAS, we gratefully acknowledge the vision of leaders past who gave us the gift of the trees we enjoy today; and

WHEREAS, Arbor Day is an opportunity for us to plant and maintain trees for the future, and we urge all of our citizens to plant trees, celebrate Arbor Day and support efforts to protect our trees and urban forest.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF EAST BETHEL, MINNESOTA THAT: April 25, 2015 be recognized as Arbor Day in the City of East Bethel.

Adopted this 1st day of April, 2015 by the City Council of the City of East Bethel.

CITY OF EAST BETHEL

_____

Steven R. Voss, Mayor

ATTEST:

_____

Jack Davis, City Administrator

City of East Bethel
City Council
Agenda Information

* *

Date:
April 1, 2015

* *

Agenda Item Number:
Item 7.0 A.1

* *

Agenda Item:
Conditional Use Permit
Property Owner: Beaverbrook Sportsmen's Club
Applicant: Bill Dubats (Club representative)
Address: 20500 Palisade St NE, Cedar MN 55011
PIN(s): 16-33-23-43-0001, 21-33-23-11-0001, 21-33-23-13-0001
Zoning: Rural Residential (RR)

* *

Requested Action:
Consider approving Conditional Use Permit (CUP) to the Beaverbrook Sportsmen's Club to operate a gun club, and make improvements to improve safety and mitigate noise.

* *

Background Information:
The Beaverbrook Sportsmen's Club is interested in improving the gun club by creating additional shooting ranges. These ranges will not only provide the gun club with some additional tournament opportunities, but will enhance the experience for the existing members while improving safety and mitigating noise.

As part of their proposed project, a 700' x 160' berm with 7 shooting ranges for pistol, muzzleloader, and shotgun is proposed. The main berm will be 20 feet in height and the sides will be 10 feet in height and 10 feet off the east property line. The property to the east is a heavily wooded area and there are no homes located in this area.

A wetland delineation was completed and the area where the shooting range will be located is outside of any wetland areas. It should be noted that there is a Significant Natural Environment Area located to the east of proposed shooting range and the Gun Club will be working with Anoka Conservation District to install signs relating to Blanding turtles habitat.

The Gun Club was established in 1968 through a Special Use permit and received subsequent approval to construct a large shooting range and variance for the clubhouse. In discussions with representatives from Beaverbrook, it was determined that a Conditional Use Permit would be needed to address the new shooting range.

****

Attachments:
Attachment #1 – Proposed CUP
Attachment #2 – Aerial photo

* *

Fiscal Impact:

.

* *

Recommendation(s):

At their regular meeting on March 24, 2015 the Planning Commission recommended approval of the Conditional Use Permit (CUP) to Beaverbrook Sportsmen's Club to permit the addition of a shooting range and for future improvements that enhance the safety of the gun club, mitigate noise and improve the overall gun club operations subject to the following conditions:

1. All improvements are subject to Wetland review and recommendations

2. All Significant Natural Environment areas will be protected

3. Property Owner and applicant shall meet City, State, and Federal regulations for the protection of air quality, erosion control, dust control, and noise.

4. All building codes, and zoning regulations imposed by the City of East Bethel will be applicable for future development as required.

* *

City Council Action

Motion by: ________________ Second by: ________________

____

____

____

Vote Yes: _____ Vote No: _____

No Action Required: _____

CITY OF EAST BETHEL
ANOKA COUNTY, MINNESOTA
CONDITIONAL USE PERMIT (CUP)

CUP-15-02

Dated:	March 25, 2015
Property Owner:	Beaverbrook Sportsman's Club
Property Owner/Applicant:	Bill Dubats (Club representative)
Parcel Numbers:	16-33-23-43-0001, 21-33-23-11-0001, and 21-33-23-13-0001
Parcel Location:	20500 Palisade St NE, Cedar, MN 55011
Legal Descriptions:	GOVT LOT 8 SEC 16 TWP 33 RGE 23, EX THAT PRT OF SD GOVT LOT LYG E OF NLY EXTN OF E LINE OF NW1/4 OF NE1/4 OF SEC 21 SD TWP & RGE, SUBJ TO EASE OF REC
Present Zoning District:	RR – Rural Residential

CONDITIONAL USE PERMIT (CUP): to allow Beaverbrook Sportsmen's Club to operate a gun club, and make improvements to improve safety and mitigate noise.

GENERAL DESCRIPTION

Mr. Bill Dubats representing Beaverbrook Sportsmen's Club is interested in improving the gun club by creating additional shooting ranges. These ranges will not only provide the gun club with some additional tournament opportunities, but will enhance the experience for the existing members while improving safety and mitigating noise.

Enclosed in your packet you will find several attachments that outline the planned improvements, which is to construct a 700' x 160' berm as part of 7 shooting ranges for pistol, muzzleloader, and shotgun. The main berm will be 20 feet in height and the sides will be 10 feet in height. It will be located in what is right now an open field. It will be 10 feet off the east property line. The property to the east is a heavily wooded area and there are no homes located in this area.

A wetland delineation was completed and the area where the shooting range will be located is outside of any wetland areas. It should be noted that there is a Significant Natural Environment Area located to the east of where the shooting range will be (see

DRAFT

attachment 4.7) and the Gun Club will be working with Anoka Conservation District on preserving this property.

PLANNING COMMISSION ACTION

A public hearing was held by the Planning Commission of the City of East Bethel on March 24, 2015 at which all persons interested were given an opportunity to be heard. The Planning Commission recommended approval of the CUP with conditions.

CITY COUNCIL ACTION

The City Council considered the matter at its meeting on _____ and approved the recommendation of the Planning Commission.

DECISION

The City Council hereby grants the CUP to allow for the addition of a shooting range, and for future improvements that enhance the safety of the gun club, mitigate noise and improve the overall gun club operations.

CONDITIONS AND REQUIREMENTS

The granting of this CUP to Beaverbrook Sportsmen's Club is subject to the following conditions and requirements:

1. All improvements are subject to Wetland review and recommendations

2. All Significant Natural Environment areas will be protected

3. Property Owner and applicant shall meet City, State, and Federal regulations for the protection of air quality, erosion control, dust control, and noise.

4. All building codes, and zoning regulations imposed by the City of East Bethel will be applicable for future development as required.

DRAFT

ACCEPTANCE

IN WITNESS WHEREOF, the parties have executed this Conditional Use Permit and the owners and lessees acknowledge their acceptance of the above conditions.

Dated: _____, 2015

CITY OF EAST BETHEL

By: _____ _____

Steve Voss, Mayor Jack Davis, City Administrator

STATE OF MINNESOTA)
) ss.
COUNTY OF ANOKA)

On this _____ day of _____, 2015, before me a notary public, personally appeared Steve Voss and Jack Davis, the Mayor and City Administrator of the City of East Bethel, a municipal corporation under the laws of the State of Minnesota, who signed the foregoing instrument and acknowledged said instrument to be the free act and deed of the City.

_____

Notary Public

DRAFT

The undersigned representative for Beaverbrook Sportsmen's Club hereby accepts the foregoing conditions and agreed to be bound thereby.

REPRESENTATIVE/APPLICANT:

_____
Bill Dubats
Beaverbrook Sportsmen's Club

STATE OF MINNESOTA)
) ss.
COUNTY OF ANOKA)

On this _____ day of _____, 2015, before me a notary public, personally appeared Bill Dubats who signed the foregoing instrument and acknowledged said instrument to be the free act and deed of the City.

_____
Notary Public

THIS INSTRUMENT WAS DRAFTED BY:
PLANNING DEPARTMENT
CITY OF EAST BETHEL
2241 – 221ST AVENUE NE
EAST BETHEL, MN 55011
763-434-9544

CERTIFICATION

STATE OF MINNESOTA)
) ss.
COUNTY OF ANOKA)

I, the undersigned, being the duly qualified and acting Clerk of the City of East Bethel, do hereby certify that I have carefully compared the foregoing Conditional Use Permit dated the _____ day of _____, 2015, with the original on file in my office and the same is a full, true and complete transcript thereof.

Witness my hand as such City Clerk and the corporate seal of the City of East Bethel this _____ day of _____, 2015.

_____
Jack Davis
Deputy Clerk/City Administrator
City of East Bethel

DRAFT

Beaverbrook Sportsmen's Club

March 27, 2015

1:9,028

0 0.075 0.15 0.3 mi

0 0.1 0.2 0.4 km

Map Powered by DataLink
from WSB & Associates

City of East Bethel
City Council
Agenda Information

* *

Date:
April 1, 2015
* *

Agenda Item Number:
Item 7.0 B.1
* *

Agenda Item:
Business Retention and Expansion Program
* *

Requested Action:
Consider approving participation in the University of Minnesota Extension Service Business Retention and Expansion program (BR&E).
* *

Background Information:
City Staff and the East Bethel EDA have investigated and recommend entering into an agreement with the University of Minnesota's Extension Service to initiate a Business Retention and Expansion (BR&E) project for businesses in East Bethel. The program is designed to meet the following goals:

- **Demonstrate** to local businesses that the community appreciates their contribution to the economy
- **Help** existing businesses solve problems
- **Assist** businesses in using programs aimed at helping them become more competitive
- **Develop** strategic plans for long-range BR&E activities
- **Build** community capacity to sustain growth and development

This is a two year program and requires an application that would be submitted to the University of Minnesota. The total cost of the program is $12,000.00. Connexus Energy has committed $5,000.00 towards the program and the City would be required to appropriate $7,000.00 to complete the funding. The $12,000 covers the cost of extension staff, promotional materials, development and analysis of a survey and expert guidance throughout the process. Funds for this program are available in the 2015 EDA Budget.

Should Council approve participation in the program, activities could commence upon approval of the City's application. This approval is anticipated within 30 days of submission to the University's Extension Service.

The BR & E has been endorsed by the East Bethel Chamber of Commerce and the Chamber has pledged to partner and assist the City in the implementation of the program. The EDA, at their March 16, 2015 meeting, also recommended that Council consider participation in the program.
****

Attachments:
Attachment #1 – Connexus Energy Commitment of $5,000 to the program
* *

Fiscal Impact:
As noted above.

* *

Recommendation(s):
The Economic Development Authority and Staff recommended that Council consider approving and funding participation in the BR&E program.
* *

City Council Action

Motion by: ________________ Second by: ________________

____

____

____

Vote Yes: _____ Vote No: _____

No Action Required: _____

Colleen Winter

From: Bruce Sayler [bruce.sayler@connexusenergy.com]
Sent: Friday, March 27, 2015 10:07 AM
To: Colleen Winter
Subject: Connexus Energy

Connexus Energy is pleased to provide $5,000 towards the Business Retention and Expansion project for the City of East Bethel in 2015. We can also provide labor resources for the project as you see fit.

Please call me if you have any questions.

Bruce Sayler

City of East Bethel
City Council
Agenda Information

* *

Date:
April 1, 2015

* *

Agenda Item Number:
Item 7.0 C.2

* *

Agenda Item:
Tree City USA Award

* *

Requested Action:
Informational Item

* *

Background Information:
The City of East Bethel has been awarded as a Tree City USA for 2014 by the Arbor Day Foundation. To qualify as a Tree City USA community, a town or city must meet four standards established by the Arbor Day Foundation and the National Association of State Foresters. These standards were established to ensure that every qualifying community would have a viable tree management plan and program.

1. A Tree Board or Department
2. A Tree Care Ordinance
3. A Community Forestry Program with an Annual Budget of at Least $2 per Capita
4. An Arbor Day Observance and Proclamation

The City of East Bethel met these requirements by having a Park Commission that discusses urban forestry and green space issues, a tree care ordinance, an Arbor Day observance that was held on April 26, 2014, and an annual forestry budget that exceeded the $2 per capita requirement. The forestry budget included any activities relating to trees that are already performed by the Public Works staff. The only additional funding required was the cost of a tree to plant for the Arbor Day observance.

Attachments:

1.) 15 Reasons for becoming a Tree City

* *

Fiscal Impact:
None

* *

Recommendation(s):
A plaque for City Hall and 2 highway signs recognizing the award will be presented to City Council.

City Council Action

Motion by: _____ Second by: _____

_____

_____

_____

Vote Yes: _____ Vote No: _____

No Action Required: _____

15 Reasons to Become a Tree City

Becoming a Tree City:

1. Encourages better care of community forests.
2. Touches the lives of people within the community who benefit daily from cleaner air, shadier streets, and aesthetic beauty that healthy, well-managed urban forests provide.
3. Recognizes and rewards communities for annual advancements in urban forestry practices.
4. Increases public awareness of the many social, economical and environmental benefits urban forestry practices.
5. Provides education to improve current urban forestry practices.
6. Builds cooperation between public and private sectors to effectively manage urban forests.
7. Encourages, supports, and strengthens effective urban forestry programs in diverse communities nationwide.
8. Can make a strong contribution to a community's pride.
9. Serves as a blueprint for planting and maintaining a community's trees.
10. Puts people in touch with other communities and resources that can help them improve their program.
11. Brings solid benefits to a community such as helping to gain financial support for tree projects and contributing to safer and healthier urban forests.
12. Helps present the kind of image that most citizens want to have for the place they live or conduct business.
13. Tells visitors, through signage, that here is a community that cares about its environment.
14. Sometimes gives preference over other communities when allocations of grant money are made for trees or forestry programs.
15. Provides a way to reach large numbers of people with information about tree care.

City of East Bethel
City Council
Agenda Information

* *

Date:
April 1, 2015

* *

Agenda Item Number:
Item 8.0 G.1

* *

Agenda Item:
Verizon Cell Tower Lease

* *

Requested Action:
Recommend approval of the Verizon Cell Tower Lease

* *

Background Information:
Verizon is proposing to locate a cellular transmission tower at 2243 221st Avenue on a site just southwest of the City Public Works Building. The proposed lease site would be 100'x55' and within this area would be a gravel access pad and a190' monopole tower with an equipment shelter site enclosed by a 6' chain link fence. The location of the facility at this site would not interfere with any activities of the Public Works Department. An Interim Use Permit was granted to Verizon for this location In July 2014, of which final approval was conditioned on the execution of the lease agreement. After many months of negotiations, the City and Verizon have reached agreement on a lease contract.

Attachments:

1. Verizon Lease

* *

Fiscal Impact:
Lease revenue from Verizon will be $24,000 and additional revenue will be generated through future co-locators on the tower.

* *

Recommendation(s):
Staff is requesting City Council consider approving the Lease Agreement as attached with Verizon.

* *

City Council Action

Motion by:_____ Second by:_____

_____

_____

Vote Yes:_____ Vote No:_____

No Action Required:_____

ECKBERG LAMMERS
ATTORNEYS AT LAW

www.eckberglammers.com

Writer's Direct Dial:
(651) 351-2118

Writer's E-mail:
mvierling@eckberglammers.com

Reply to Stillwater

March 25, 2015

VIA UPS

Mr. Rodney W. Carter
Davis & Kuelthau, S.C.
300 North Corporate Drive, Suite 150
Brookfield, WI 53045

Re: *City of East Bethel City Hall*
Verizon Site Lease Agreement
Our File No.: 23746-25294

Dear Mr. Carter:

Enclosed herewith you will find three (3) original sets of the Verizon Site Lease Agreement with the City of East Bethel (Minnesota). I am asking that you forward these on to the Verizon officials that will be executing them on behalf of the Company, and thereafter, return them directly to the City offices of the City of East Bethel, to the attention of Ms. Colleen Winter, 2241 221st Avenue NE, East Bethel, MN 55011.

The final attachment of all exhibits will be confirmed by Ms. Winter with your representatives before the City signs off; a fully-executed copy will then be provided to your representative from the City. We will also follow-up as a professional courtesy with a digital or electronic copy for your files.

The City Council has this matter placed on their Agenda for Wednesday, April 1, 2015, and thus, we would appreciate you turning this matter around promptly.

Yours very truly,

Mark J. Vierling

MJV/ndf
Enclosures
c: City of East Bethel

Stillwater Office
1809 Northwestern Avenue
Stillwater, MN 55082
Phone: 651-439-2878
Fax: 651-439-2923

Hudson Office
430 Second Street
Hudson, WI 54016
Phone: 715-386-3733
Fax: 715-386-6456

SITE LEASE AGREEMENT

FOR

CITY OF EAST BETHEL, MINNESOTA
2241-221st Ave N.E.

(Site #_____)

WITH

VERIZON WIRELESS, LLC

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ATTACHMENTS:

Exhibit A Landlord's Property Legal Description
Exhibit B Leased Premises Legal Description
Exhibit C Plans and Specifications
Exhibit D Memorandum of Lease
Exhibit E Survey

SITE LEASE AGREEMENT

THIS SITE LEASE AGREEMENT ("Lease"), made this _____ day of _____, 2015 ("Effective Date") between City of East Bethel ("Landlord"), and Verizon Wireless (VAW) LLC d/b/a Verizon Wireless, a limited liability company organized and existing under the laws of Delaware ("Tenant"), with its principal offices located at One Verizon Way, Mail Stop 4AW100, Basking Ridge, New Jersey 07920. The Landlord and Tenant are at times collectively referred to hereinafter as the "Parties" or individually as the "Party".

For good and valuable consideration, the Parties agree as follows:

1. **Leased Premises.** Subject to the terms and conditions of this Lease, Landlord hereby leases to Tenant and Tenant leases from Landlord a portion of Landlord's property, containing approximately ___ square feet, including the non-exclusive access to the air space above such ground space for the placement of Tenant's monopole, radio cabinets and/or equipment shelter, located at 2241-221st Avenue N.E., City of EAST BETHEL, County of Anoka, State of Minnesota, legally described in Exhibit A attached hereto, subject to any and all existing easements ("Landlord's Property") together with non-exclusive easements for utility lines, poles, conduits, cable lines, and non-exclusive ingress and egress, seven (7) days a week, twenty-four (24) hours a day, for necessary vehicle and pedestrian access, including trucks, over or along a (SEE EXHIBIT E) non-exclusive license or right-of-way extending from the nearest public right of way, to the Leased Premises, as defined below. In the event any public utility is unable to use the rights of way granted under this Lease, the Landlord hereby agrees to grant an additional non-exclusive license or right-of-way either to the Tenant or to the public utility at no additional cost to the Tenant. The ground space, the non-exclusive ingress and egress easement and the utility easements are collectively referred to herein as the "Leased Premises", and is more particularly shown in Exhibit B attached hereto. The same will consist of, among other things, the following:

   Transmission lines, monopole and mounting and grounding hardware.

   A concrete pad and a communications equipment shelter ("Communications Equipment Shelter") containing, without limitation, telecommunication equipment consisting of base stations(s), wireless communication equipment, switch(es), power supply(ies), battery(ies), and accessories.

   An emergency generator shall be located within the Communications Equipment Shelter, adjacent to the Communications Equipment Shelter, or within a separate shelter adjacent to the Communication Equipment Shelter. The fuel for the generator (gasoline, diesel, butane, propane, LPG or other) shall be located inside the shelter(s) unless otherwise dictated by applicable building codes, state and federal law.

Landlord also hereby grants to Tenant the right to survey the Landlord's Property and the Leased Premises, and said survey, if approved by Landlord, shall then become part of Exhibit "E" which shall be attached hereto and made a part hereof, and shall control in

the event of boundary and access discrepancies. Cost for such survey work shall be borne by the Tenant.

2. **Rent.**

(a) Amount, Adjustments. As consideration for this Lease, commencing in the month following the date that Tenant commences installation of equipment on the Leased Premises (the "Rent Commencement Date"), Tenant shall pay Landlord an annual rent in the amount of $24,000.00 (the "Rent") for the initial year, which shall be increased each year on January 1, by three percent (3%) of the previous year's annualized Rent. Any future wireless carrier seeking to collocate on the monopole must obtain a separate non-exclusive lease with the Landlord. The Commencement Date shall be acknowledged in writing by the Parties.

(b) Rental Documentation. Landlord hereby agrees to provide to Tenant certain documentation (the "Rental Documentation") evidencing Landlord's interest in, and right to receive payments under, this Lease, including a complete and fully executed Internal Revenue Service Form W-9, or equivalent, in a form reasonably acceptable to Tenant, for any party, other than Landlord, to whom rental payments are to be made pursuant to this Lease. From time to time during the Term of this Lease and within thirty (30) days of a written request from Tenant, Landlord agrees to provide updated Rental Documentation in a form reasonably acceptable to Tenant. The Rental Documentation shall be provided to Tenant in accordance with the provisions of and at the address given in Paragraph 21. Delivery of Rental Documentation to Tenant shall be a prerequisite for the payment of any rent by Tenant and notwithstanding anything to the contrary herein, Tenant shall have no obligation to make any rental payments until Rental Documentation has been supplied to Tenant as provided herein.

Within fifteen (15) days of obtaining an interest in the Landlord's Property or this Lease, any assignee(s), transferee(s) or other successor(s) in interest of Landlord shall provide to Tenant Rental Documentation in the manner set forth in the preceding paragraph. From time to time during the Term of this Lease and within thirty (30) days of a written request from Tenant, any assignee(s) or transferee(s) of Landlord agrees to provide updated Rental Documentation in a form reasonably acceptable to Tenant. Delivery of Rental Documentation to Tenant by any assignee(s), transferee(s) or other successor(s) in interest of Landlord shall be a prerequisite for the payment of any rent by Tenant to such party and notwithstanding anything to the contrary herein, Tenant shall have no obligation to make any rental payments to any assignee(s), transferee(s) or other successor(s) in interest of Landlord until Rental Documentation has been supplied to Tenant as provided herein.

(c) Time of Payment. The annual Rent shall be payable by Tenant in advance on or before January 1st of each year. For the first year, the Rent shall be prorated through December 31 and shall be paid to Landlord in full within forty-five (45) days after the

Rent Commencement Date. If the Tenant does not meet the requirements referenced in Subparagraph 3(a) below within sixty (60) days following the Effective Date, Landlord shall refund the Tenant any Rent payment made, and this Lease shall terminate.

(d) Taxes. Tenant shall have the responsibility to pay any personal property, real estate taxes, assessments, or charges owed on the Landlord's Property which Landlord demonstrates is the result of Tenant's use of the Leased Premises and/or the installation, maintenance, and operation of the Tenant's improvements, and any sales tax imposed on the rent (except to the extent that Tenant is or may become exempt from the payment of sales tax in the jurisdiction in which the Landlord's Property is located), including any increase in real estate taxes at the Landlord's Property which Landlord demonstrates arises from the Tenant's improvements and/or Tenant's use of the Leased Premises. Landlord's production of a statement from the taxing authority that it has computed and assessed any tax, levy, assessment or charge as a result of Tenants operations on the site shall be presumptive evidence that the tax or fee is due and owing under this lease. Tenant shall be responsible for the payment of any taxes, levies, assessments and other charges imposed including franchise and similar taxes imposed upon the Tenant at the Landlord's Property. Notwithstanding the foregoing, Tenant shall not have the obligation to pay any tax, assessment, or charge that Tenant is disputing in good faith in appropriate proceedings prior to a final determination that such tax is properly assessed provided that no lien attaches to the Landlord's Property. Under no circumstances shall Tenant allow the land to forfeit to the State for non-payment of taxes.

Tenant shall have the right, at its sole option and at its sole cost and expense, to appeal, challenge or seek modification of any tax assessment or billing for which Tenant is wholly or partly responsible for payment. Landlord shall reasonably allow Tenant at Tenant's expense to file, prosecute and perfect any appeal or challenge to taxes as set forth in the preceding sentence, including but not limited to, executing any consent, or other similar document. In the event that as a result of any appeal or challenge by Tenant, there is a reduction, credit or repayment received by the Landlord for any taxes previously paid by Tenant, Landlord agrees to promptly reimburse to Tenant the amount of said reduction, credit or repayment. In the event that Tenant does not have the standing rights to pursue a good faith and reasonable dispute of any taxes under this paragraph, Landlord will pursue such dispute at Tenant's sole cost and expense upon written request of Tenant.

3. **Governmental Approval Contingency.**

(a) Tenant Application. Tenant's right to use the Leased Premises is expressly made contingent upon the suitability of the Leased Premises and Landlord's Property for Tenant's Permitted Use and upon its obtaining, at its own expense, all the certificates, permits, zoning and other approvals that may be required by any federal, state, or local authority. This shall include the engineering study specified in Subparagraph 3(b) below on the Structure to be conducted at Tenant's expense. Landlord shall cooperate with Tenant in its efforts to obtain and retain such approvals and shall take no action which

would adversely affect the status of the Leased Premises with respect to the Tenant's proposed use thereof. In addition, Tenant shall have the right to initiate the ordering and/or scheduling of necessary utilities at its own expense.

(b) Non-approval. It is understood that Tenant's ability to use the Leased Premises is contingent upon its obtaining after the after the execution date of this Lease all of the certificates, permits and other approvals (collectively the "Governmental Approvals") that may be required by any Federal, State or Local authorities as well as satisfactory soil boring tests which will permit Tenant use of the Leased Premises as set forth above. Landlord shall cooperate with Tenant in its effort to obtain such approvals and shall take no unreasonable action which would adversely affect the status of the Landlord's Property with respect to the proposed use thereof by Tenant unless the same is reasonably required to protect or further another legitimate function of Landlords business. In the event that: (i) any application necessary under Subparagraph 3(a) above is finally rejected or any certificate, permit, license, or approval issued to Tenant is cancelled, expires, lapses, or is otherwise withdrawn or terminated by governmental authority; (ii) Tenant reasonably determines that such Governmental Approvals may not be obtained in a timely manner; (iii) Tenant reasonably determines that any soil boring tests are unsatisfactory for its intended use; (iv) Tenant reasonably determines that the Leased Premises is no longer technically compatible for its intended use, or (v) Tenant, will be unable to use the Leased Premises for its intended purposes, Tenant shall have the right to terminate this Lease and be reimbursed for any Rent payment made. Notice of Tenant's exercise of its right to terminate shall be given to Landlord in writing as provided in Section 21 below Except as required under Subparagraph 13(d) below, upon such termination, this Lease shall become null and void and the Parties shall have no further obligations to each other.

(c) Compliance with IUP. Lessee agrees to comply with all conditions of the IUP as originally approved on July 2, 2015 and as subsequently amended on January 14, 2015. A copy of the IUP conditions has been attached hereto as Exhibit F

4. **Term and Renewals**. The "Initial Term" of this Lease shall commence on the Effective Date and end on December 31st of the fifth (5th) calendar year of the Lease. Subject to the terms and conditions of this Lease, Tenant shall have the right to extend this Lease for four (4) additional five (5) year renewal periods ("Renewal Term") commencing on January 1 following the expiration date of the Initial Term or of any subsequent Renewal Term. This Lease shall be automatically renewed for each successive Renewal Term unless Tenant sends written notice of non-renewal to Landlord no later than ninety (90) days prior to the expiration of the Initial Term or any Renewal Term, such notice to be provided in accordance with Paragraph 21 of this Lease. If, at least ninety (90) days prior to the end of the final Renewal Term, either Landlord or Tenant has not given the other written notice of its desire that the term of this Lease end at the expiration of the final Renewal Term, then upon the final Renewal Term, this Lease shall continue in force upon the same covenants, terms and conditions for a further term of one (1) year, and for

annual terms thereafter ("Annual Term") until terminated by either Party by giving to the other written notice of its intention to so terminate at least six (6) months prior to the end of any such Annual Term. Monthly rental during such annual terms shall be equal to the rent paid for the last month of the final Renewal Term. The Initial Term, any Renewal Terms and any Annual Terms are collectively referred to as the "Term."

5. **Interference.**

(a) Interference and Structural Study. Within thirty (30) days following the Effective Date, Tenant must deposit an amount of Three Thousand Dollars ($3,000.00) with the Landlord to pay for the reasonable cost of the following: (i) a radio frequency interference study carried out by an independent and qualified professional retained by the Landlord showing that Tenant's intended use will not interfere with any existing communications facilities on Landlord's Property, (ii) legal fees directly incurred by the Landlord in association of the Antenna Facilities installation. Landlord may apply the deposit against any or all of the expenses incurred in the studies and expenses specified above in (i), (ii) and (iii) and will remit any excess funds to Tenant. If the study finds that there is a potential for interference that cannot be reasonably remedied or the Monopole structure cannot reasonably accommodate the Antenna Facilities, Landlord may terminate this Lease immediately and refund the initial Rent to Tenant.

(b) No Interference. Tenant agrees to install equipment of the type and frequency which will not cause harmful interference which is measurable in accordance with then existing industry standards to any equipment of Landlord or other lessees of the Landlord's Property which existed on the Landlord's Property prior to the date this Lease is executed by the Parties. In the event any after-installed Tenant 's equipment causes such interference, and after Landlord has notified Tenant in writing of such interference, Tenant will take all commercially reasonable steps necessary to correct and eliminate the interference, including but not limited to, powering down such equipment and later powering up such equipment for intermittent testing. Landlord agrees that Landlord and/or any other tenants of the Landlord's Property who currently have or in the future take possession of the Landlord's Property will be permitted to install only such equipment that is of the type and frequency which will not cause harmful interference which is measurable in accordance with then existing industry standards to the then existing equipment of Tenant however, this provision shall not apply to equipment of Landlord or other tenants providing police, fire or other civil defense emergency services. The Parties acknowledge that there will not be an adequate remedy at law for noncompliance with the provisions of this Paragraph and therefore, either Party shall have the right to equitable remedies, such as, without limitation, injunctive relief and specific performance.

(c) Interference Study - New Occupants. Upon written notice by Landlord that it has a bona fide request from any other party to lease space on Landlord's Property or the Monopole Structure, Tenant agrees to provide Landlord, within sixty (60) days, the radio frequencies currently in operation or to be operated in the future of each transmitter and receiver installed and operational by Tenant on the Leased Premises at the time of such request. Landlord may then have an independent, registered professional engineer of Landlord's choosing perform the necessary interference studies to determine if the new applicant's frequencies will cause harmful radio interference to Tenant. Landlord shall require the new applicant to pay for such interference studies.

(d) Interference - New Occupants. Landlord agrees that it will not grant a future lease on Landlord's Property or Structure to any party who is of equal or lower priority to Tenant, if such party's use is reasonably anticipated to interfere with Tenant's operation of its Antenna Facilities. Landlord agrees further that any future lease of Landlord's Property or Structure will prohibit a user of equal or lower priority from interfering with Tenant's Antenna Facilities, will require that future lessees correct or modify any future equipment which results in technical interference problems with existing equipment and that future lessees shall be responsible for correcting interference problems which may arise with existing users. Tenant agrees to cooperate with all future lessees to correct interference problems which may arise. Landlord agrees that it will require any subsequent occupants of Landlord's Property or Structure of equal or lower priority to Tenant to provide Tenant these same assurances against interference. Landlord shall have the obligation to eliminate any interference with the operations of Tenant caused by such subsequent occupants within forty-eight (48) hours after receiving Tenant's written notice of the interference. If such interference is not eliminated, Tenant shall have the right to terminate this Lease or seek injunctive relief against the interfering occupant, at Tenant's expense. If Tenant terminates this Lease, Landlord shall reimburse Tenant for unused pre-paid rent on a pro-rata basis.

(e) User Priority. Tenant agrees that the following priorities of use, in descending order, shall apply in the event of communication interference or other conflict while this Lease is in effect, and Tenant's use shall be subordinate accordingly:

1. Landlord;
2. Public safety agencies, including law enforcement, fire, and ambulance services, that are not part of the Landlord;
3. Other governmental agencies where use is not related to public safety;
4, Tenant; and
5. Other government-regulated entities whose antennae offer a service to the general public for a fee, in a manner similar to a public utility, such as long distance and cellular telephone, not including radio or television broadcasters.

6. **Emergency Facilities.** In the event of a declared City Emergency or a natural or man-made disaster, in order to protect the health, welfare, and safety of the community, Tenant may erect additional Antenna Facilities and install additional equipment (including a cell-on-wheels) on a temporary basis on the Leased Premises or other mutually acceptable location on Landlord's Property to assure continuation of service. Such temporary operation shall not exceed 90 days unless Tenant obtains written approval from the Landlord, which approval shall not be unreasonably withheld, conditioned or delayed.

7. **General Provisions.**

(a) Purposes. Tenant may use the Leased Premises for the transmission and reception of its communications signals and the installation, construction, maintenance, operation, repair, replacement and upgrade of its communications fixtures and related equipment, cables, accessories and improvements, which may include a suitable support structure (monopole), associated antennas, equipment shelters or cabinets and fencing and any other items necessary to the successful and secure use of the Leased Premises (collectively, the "Antenna Facilities"); Tenant further has the right but not the obligation to repair, add, modify and/or replace Antenna Facilities equipment and the frequencies over which the equipment operates, whether the equipment, antennas, conduits or frequencies are specified or not on any exhibit attached hereto, as long as the alterations do not conflict with Landlord's operations, communications equipment and frequencies during the Term, all with Landlords consent, which shall not be unreasonably withheld, in order to be in compliance with any current or future federal, state or local mandated application, including, but not limited to, emergency 911 communication services, at no additional cost to Tenant or Landlord (collectively, the "Permitted Use"). If Exhibit B or Exhibit C includes drawings of the initial installation of the Antenna Facilities, Landlord's execution of this Lease will signify Landlord's approval of Exhibits B and C. For a period of ninety (90) days following the start of construction, Landlord grants Tenant, its subtenants, licensees and sublicensees, the right to use such portions of Landlord's contiguous, adjoining or surrounding property (the "Surrounding Property") as may reasonably be required during construction and installation of the Antenna Facility as long as they do not interfere with Landlord's operations. Tenant shall be liable for any damage it causes to the Surrounding Property or persons or property thereon during the ninety (90) days following the start of construction and shall return the Surrounding to its original or better condition. Tenant has the right to install and operate transmission cables from the equipment shelter or cabinet to the antennas, electric lines from the main feed to the equipment shelter or cabinet and communication lines from Landlord's Property's main entry point to the equipment shelter or cabinet ("Tenant Changes"). Tenant has the right to perform routine maintenance, repairs, replacements, and upgrades as necessary. Tenant changes include the right to construct a fence around the Leased Premises at Tenant's expense. Tenant shall use the Leased Premises only for the purpose of installing, maintaining, and operating the Antenna Facilities and uses

incidental thereto. Tenant's use of the Monopole Structure shall be non-exclusive, and Landlord specifically reserves the right to allow the Landlord's Property to be used by other parties and to make additions, deletions, or modifications to its own facilities on the Landlord's Property Tenant shall comply with all laws, orders, rules, ordinances, statutes and regulations of local, state and federal government agencies ("Laws") applicable to Tenant's use of the Antenna Facilities on Landlord's Property. Landlord agrees to comply with all Laws relating to Landlord's ownership and use of Landlord's Property and any improvements on Landlord's Property.

(b) Construction. Tenant may erect and operate a monopole and antenna array for it's business purposes of with up to four (4) antennas in accordance with its approved construction drawings attached as Exhibit C and associated cables, appurtenances and accessory building or cabinets. Tenant may not increase the number of antennas beyond one (1) without first securing the approval of Landlord by written amendment to this Lease. Tenant shall also construct its facilities so as to have the capability of adding not less than 5 additional antenna from non-affiliated users in the future

(c) Operation. Tenant shall have the right, at its sole cost and expense, to operate and maintain the Antenna Facilities on the Leased Premises in accordance with good engineering practices, with all applicable FCC rules and regulations. Tenant's installation of all Antenna Facilities shall be done according to plans attached hereto as Exhibit C. Any damage done to the Leased Premises or other Landlord property during installation or during operations, shall be repaired at Tenant's expense within 30 days after notification of damage. The Antenna Facilities shall remain the exclusive property of the Tenant, unless otherwise provided in this Lease.

(d) Maintenance, Improvement Expenses. All modifications to the Leased Premises and all improvements made for Tenant's benefit shall be at the Tenant's expense and such improvements, including antenna, facilities and equipment, shall be maintained in a good state of repair and secured by Tenant.

Tenant shall pay for the evaluation and review of any plans to improve or modify their equipment on the Leased Premises pursuant to Section 5 (c) (i), by an outside consultant selected by the City of EAST BETHEL. Tenant shall pay any additional legal fees incurred by the City of EAST BETHEL in review of the Lease. Tenant shall pay for construction over-sight and inspection by an outside consultant selected by the City of EAST BETHEL. A deposit of Two Thousand Five Hundred and No/100 Dollars ($2,500.00) shall be collected at the time of submittal of the plans and may be used by the City to pay these costs. An additional deposit of Five Thousand and no/100 Dollars ($5,000.00) shall be made prior to start of construction to apply to construction and inspection costs. Upon final installation completion to City of EAST BETHEL standards, any unused moneys or additional costs shall be adjusted and paid to the Landlord or returned to the Tenant within 45 days.

(e) Replacements. The Tenant may update or replace the Antenna Facilities or related equipment provided that Tenant may not make significant external changes to any equipment on the Leased Premises without the prior written consent of Landlord. Tenant shall submit to Landlord a detailed proposal for any such replacement facilities on the Structure together with any other information reasonably requested by Landlord regarding such requested update or replacement, including but not limited to a technical study, all of which will be carried out at Tenant's expense. Landlord may not unreasonably withhold approval.

(f) Ground Leases of Future Collocators. Lessee acknowledges that for purposes of collocation, any future lessee collocating on Lessee's tower must negotiate and enter into a separate ground lease with Lessor.

(g) Drawings. Tenant shall provide Landlord with as-built drawings of the equipment and improvements installed on the Leased Premises, which show the actual location of all Antenna Facilities. These drawings shall become Exhibit C to this Lease.

(h) Payment of Utilities. Tenant shall separately meter charges for the consumption of electricity and other utilities associated with its use of the Leased Premises and shall promptly pay all costs associated therewith.

8. **As is:** Tenant acknowledges that it has made an independent investigation of the condition of the Leased Premises and accepts the Leased Premises in an "as is, where is, and with all its faults" condition, subject to Landlord's obligations to maintain Landlord's Property and to comply with applicable law, and no warranties or representations have been made by Landlord regarding Leased Premises, including any warranties or representations regarding the physical condition of the Leased Premises or the suitability of the Leased Premises for the Tenant's Purposes, except as expressly provided herein. Tenant shall make commercially reasonable efforts to provide Landlord with the results of these tests and reports, subject to Landlord's execution of a confidentiality agreement regarding same.

9. **Additional Buildings.** Tenant acknowledges that Landlord may permit additional buildings to be constructed on Landlord's Property. At such time as this may occur, Tenant will permit said buildings to be placed immediately adjacent to Tenant's building. Said attachments will be made at no cost to Tenant and will not compromise the structural integrity of Tenant's building, the operation of the Antenna Facilities or Tenant's rights hereunder.

10. **Defense and Indemnification.**

(a) General. Subject to Paragraph 11 below, each Party agrees to defend, indemnify and hold the other harmless from and against any and all claims, costs, losses, expenses, demands, actions, or causes of action, including reasonable attorneys' fees and other

costs and expenses of litigation arising directly from any claim of negligence or willful misconduct of the Indemnifying Party, its employees, contractors or agents, except to the extent such claims or damages may be due to the negligence or willful misconduct of the Party, or its employees, contractors or agents.

(b) Hazardous Materials. Without limiting the scope of Subparagraph 10(a) above, Tenant will be solely responsible for and will defend, indemnify, and hold Landlord, its agents, and employees harmless from and against any and all claims, costs, and liabilities, including attorney's fees and costs, arising out of or in connection with, the cleanup or restoration of the Leased Premises resulting from Tenant's use of Hazardous Materials in violation of applicable law. For purposes of this Lease, "Hazardous Materials" shall be interpreted broadly and specifically includes, without limitation, asbestos, fuel, batteries or any hazardous substance, waste, or materials as defined in any federal, state, or local environmental or safety law or regulations including, but not limited to, CERCLA.

(c) Tenant's Warranty. Tenant represents and warrants that its use of the Leased Premises will not generate and Tenant will not store or dispose of on the Leased Premises, nor transport to or over the Leased Premises in violation of applicable law, any hazardous materials. The obligations of this Paragraph 10 shall survive the expiration or other termination of this Lease. Tenant will be solely responsible for any and all claims, costs, and liabilities, including reasonable attorney's fees and costs, arising out of or in connection with the cleanup or restoration of the Leased Premises associated with the Tenant's use of hazardous materials. To the extent permitted by applicable law, Tenant agrees to hold harmless and indemnify Landlord from, and to assume all duties, responsibilities and liabilities at the sole cost and expense of Tenant for, payment of penalties, sanctions, forfeitures, losses, costs or damages, and for responding to any action, notice, claim, order, summons, citation, directive, litigation, investigation or proceeding, to the extent arising from subsurface or other contamination of Landlord's Property with hazardous substances from and following the Effective Date or from such contamination caused by the acts or omission of Tenant during the Initial Term or any Renewal Term of this Lease.

(d) Landlord's Warranty. Landlord represents that (1) that neither Landlord nor, to Landlord's knowledge, any third party has used, generated, stored or disposed of, or permitted the use, generation, storage or disposal of, any hazardous material on, under, about or within Landlord's Property in violation of any law or regulation, and (2) that Landlord will not, and will not permit any third party to use, generate, store or dispose of any hazardous material on, under, about or within Landlord's Property in violation of any law or regulation. Landlord will be solely responsible for any and all claims, costs, and liabilities, including reasonable attorney's fees and costs, arising out of or in connection with the cleanup or restoration of the Leased Premises associated with the Landlord's use of hazardous materials. To the extent permitted by applicable law, Landlord agrees to hold harmless and indemnify Tenant from, and to assume all duties, responsibilities and

liabilities at the sole cost and expense of Landlord for, payment of penalties, sanctions, forfeitures, losses, costs or damages, and for responding to any action, notice, claim, order, summons, citation, directive, litigation, investigation or proceeding, to the extent arising from subsurface or other contamination of Landlord's Property with hazardous substances prior to the Effective Date or from such contamination caused by the acts or omission of Landlord during the Initial Term or any Renewal Term.

11. **Insurance.**

(a) Workers' Compensation. The Tenant must maintain Workers' Compensation insurance in compliance with all applicable statutes. The policy shall also provide Employer's Liability coverage with limits of not less than Five Hundred Thousand and no/100 dollars ($500,000) Bodily Injury each accident, Five Hundred Thousand and no/100 dollars ($500,000) Bodily injury by disease, policy limit, and Five Hundred Thousand and no/100 dollars ($500,000) Bodily Injury by disease, each employee.

(b) General Liability. The Tenant must maintain commercial general liability coverage with limits of liability not less than One Million Five Hundred Thousand and no/100 Dollars ($1,500,000) each occurrence; One Million and no/100 Dollars ($1,000,000) personal and advertising injury; and Two Million and no/100 Dollars ($2,000,000) general aggregate, and Two Million and no/100 Dollars ($2,000,000) products and completed operations aggregate. These limits may be satisfied by the commercial general liability coverage or in combination with an umbrella or excess liability policy, provided coverage afforded by the umbrella or excess policy is no less than the underlying comprehensive general liability coverages.

(c) Automobile Liability. The Tenant must carry Commercial Automobile Liability coverage. Coverage shall afford total liability limits in the amount of One Million and no/100 Dollars ($1,000,000) per accident. The liability limits may be afforded under the Commercial Policy, or in combination with an Umbrella or Excess Liability Policy provided coverages afforded by the Umbrella Excess Policy are no less than the underlying Commercial Automobile Liability coverage.

Coverage shall be provided for Bodily Injury and Property Damage for the ownership, use, maintenance or operation of all owned, non-owned and hired automobiles.

The Commercial Automobile Policy shall include at least statutory personal injury protection.

(d) Adjustment to Insurance Coverage Limits. The coverage limits set forth herein shall be subject to reasonable increases as mutually agreed to by Tenant and Landlord. The Parties agree to reasonably cooperate with each other in determining coverage limits.

(e) Additional Insured - Certificate of Insurance. The Tenant shall provide, prior to tenancy, evidence of the required insurance in the form of a Certificate of Insurance issued by a company (rated A- or better) by Best Insurance Guide, authorized to do business in the state of Minnesota, which includes all coverages required in this Paragraph 11. Tenant will include Landlord as an Additional Insured on the General Liability and Commercial Automobile Liability Policies. Tenant shall provide Landlord with at least thirty (30) days' prior written notice of any required policy that is cancelled or non-renewed and is not replaced. Such additional insured coverage:

(i) shall be limited to bodily injury, property damage or personal and advertising injury caused, in whole or in part, by Tenant, its employees, agents or independent contractors;

(ii) shall not extend to claims for punitive or exemplary damages arising out of the acts or omissions of Landlord, its employees, agents or independent contractors or where such coverage is prohibited by law or to claims arising out of the gross negligence of Landlord, its employees, agents or independent contractors; and

(iii) shall not exceed Tenant's indemnification obligation under this Lease, if any.

Notwithstanding the foregoing, Tenant shall have the right to self-insure the coverages required in subsection (a). In the event Tenant elects to self-insure its obligation to include Landlord as an additional insured, the following provisions shall apply (in addition to those set forth in subsection (a)):

(i) Landlord shall promptly and no later than thirty (30) days after notice thereof provide Tenant with written notice of any claim, demand, lawsuit, or the like for which it seeks coverage pursuant to this Section and provide Tenant with copies of any demands, notices, summonses, or legal papers received in connection with such claim, demand, lawsuit, or the like;

(ii) Landlord shall not settle any such claim, demand, lawsuit, or the like without the prior written consent of Tenant; and

(iii) Landlord shall fully cooperate with Tenant in the defense of the claim, demand, lawsuit, or the like.

12. **Damage or Destruction.** If the Leased Premises is destroyed or damaged, without contributory fault of the Tenant or its agents, so as, in Tenant's judgment, to hinder its effective use of the Antenna Facilities, Tenant may elect to terminate this Lease upon 30

days' written notice to Landlord. In the event Tenant elects to terminate the Lease, Tenant shall be entitled to reimbursement of prepaid rent covering the period subsequent to the date of damage to or destruction of the Leased Premises.

13. **Lease Termination.**

(a) Events of Termination. Except as otherwise provided herein, this Lease may be terminated upon sixty (60) days written notice to the other Party as follows:

(i) by either Party upon sixty (60) days prior written notice if the other Party remains in default under Section 30 hereof after applicable cure periods;

(ii) by Tenant for cause if it is unable to obtain or maintain any license, permit or other governmental approval necessary for the construction and/or operation of the Antenna Facilities or Tenant's business;

(iii) by Tenant for cause if the Leased Premises is or becomes unacceptable for technological reasons under Tenant's Antenna Facilities, design or engineering specifications or the communications systems to which the Antenna Facilities belong;

(iv) by Landlord, upon one (1) year's prior written notice to Tenant at any time following the conclusion of the first 5 year term of this lease, if its City Council decides, for any reason, to redevelop the Leased Premises in a manner inconsistent with continued use of the Leased Premises by Tenant;

(v) by Landlord if it determines by professional engineering analysis that the Structure is structurally unsound, including, but not limited to, consideration of age of the Structure, damage or destruction of all or part of the Structure on the Leased Premises from any source, or factors relating to condition of the Leased Premises;

(vii) by Landlord if it determines that a potential user with a higher priority under Subparagraph 5(e) above cannot find another adequate location, or the Antenna Facilities unreasonably interferes with another user with a higher priority, regardless of whether or not such interference was predicted in the initial interference study that was part of the application process, provided that, Landlord shall not, at any time over the balance of the then existing Term and all unexpired Renewal Terms, lease the Leased Premises to another party with equal or lesser priority for the same use as that of Tenant, unless such other party would not cause or contribute to the type of interference giving rise to the Antenna Facilities' interference with a higher priority.

(b) Notice of Termination. The Parties shall give notice of termination in writing as provided in Section 21 hereof. Such notice shall be effective upon receipt as evidenced by the return receipt, or such later date as stated in the notice. All Rent paid for the Lease

prior to said termination date shall be retained by Landlord, but Landlord shall reimburse Tenant for periods following the effective date of termination.

(c) Tenant's Liability for Early Termination. If Tenant terminates this Lease other than of right as provided in this Lease, Tenant shall pay to Landlord as liquidated damages for early termination, 150% of the annual rent for the year in which Tenant terminates, unless Tenant terminates during the last year of any Term under Paragraph 3 and Tenant has paid the annual Rent for that year.

(d) Site Restoration. In the event that this Lease is terminated or not renewed, Tenant shall have 90 days from the termination or expiration date to remove its Antenna Facilities, and related equipment from the Leased Premises. In the event that the Antenna Facilities and related equipment are not removed, they shall be deemed abandoned and become the property of the Landlord and Tenant shall have no further rights thereto. Landlord agrees and acknowledges that all of the equipment, conduits, fixtures and personal property of Tenant shall remain the personal property of Tenant and Tenant shall have the right to remove the same at any time during the Term, whether or not said items are considered fixtures and attachments to real property under applicable laws. If such time for removal causes Tenant to remain on the Leased Premises after termination of this Lease, Tenant shall pay rent at the then existing monthly rate or on the existing monthly pro-rata basis if based upon a longer payment term, until such time as the removal of the building, antenna structure, fixtures and all personal property are completed. If the Antenna Facilities and related equipment are not removed by Tenant under this Paragraph 13(d), Landlord may remove the Antenna Facilities or related equipment. In such case, Landlord must give written notice to Tenant at the addresses provided in Section 21, informing them that Antenna Facilities or related property have been removed and will be deemed abandoned if not claimed and the storage fees and other reasonable costs paid within thirty (30) days.

(e) Holdover. Tenant has no right to retain possession of the Leased Premises or any part thereof beyond the expiration of that removal period set forth in Paragraph 13(d) herein, If Tenant holds over in violation of Paragraph 13(d) and this Paragraph 13(e), then the rent then in effect payable from and after the time of the expiration or earlier removal period set forth in Paragraph 13(d) shall equal to the rent applicable during the month immediately preceding such expiration or earlier termination.

14. **Limitation of Liability.** If Landlord terminates this Lease other than as of right as provided in this Lease, or Landlord causes interruption of the business of Tenant or for any other Landlord breach of this Lease, Landlord's liability for damages to Tenant shall be limited to the actual and direct costs of equipment removal, relocation or repair and shall specifically exclude any recovery for value of the business of Tenant as a going concern. Except for the indemnity obligations set forth in this Lease, and otherwise notwithstanding anything to the contrary in this Lease, the Parties, their respective agents,

representatives, and employees waive any claims that each may have against the other with respect to consequential, incidental or special damages, however caused, based on any theory of liability. Neither Party, their respective agents, representatives, and employees, shall be liable to the other for future expectation of profits, loss of business or profit or related damages, incidental, punitive, indirect, special or consequential damages, loss of date, or interruption or loss of use of service, even if advised of the possibility of such damages, whether under theory of contract, tort (including negligence), strict liability or otherwise.

15. **Temporary Interruptions of Service.** If Landlord reasonably determines that continued operation of the Antenna Facilities would cause or contribute to an immediate threat to public security, health and/or safety (except for any issues associated with human exposure to radio frequency omissions, which is regulated by the federal government), Landlord may order Tenant to discontinue its operation. Tenant shall immediately comply with such an order. Service shall be discontinued only for the period that the immediate threat exists. If Landlord does not give prior notice to Tenant, Landlord shall notify Tenant as soon as possible after its action and give its reason for taking the action. Landlord shall not be liable to Tenant or any other party for any interruption in Tenant's service or interference with Tenant's operation of its Antenna Facilities, except as may be caused by the willful misconduct of the Landlord, its employees or agents. If the discontinuance extends for a period greater than three days, either consecutively or cumulatively, Tenant shall have the right to terminate this Lease within its sole discretion without the payment of any damages. Upon such termination, Landlord shall reimburse Tenant for the unused pre-paid Rent on a pro-rata basis.

16. **Deleted**

17. **Assignment.** This Lease, or rights thereunder, may not be sold, assigned, or transferred at any time by Tenant except to Tenant's Affiliate, any party that merges or consolidates with Tenant or any entity which acquires substantially all the assets of Tenant in the market as defined by the Federal Communications Commission in which the Leased Premises is located, with notice to Landlord. As to other parties, this Lease may not be sold, assigned, or transferred without the written consent of the Landlord, such consent not to be unreasonably withheld. For purposes of this paragraph, "Affiliate" means with respect to a party to this Lease, any person or entity that (directly or indirectly) controls, is controlled by, or under common control with, that party. "Control" of a person or entity means the power (directly or indirectly) to direct the management or policies of that person or entity, whether through the ownership of voting securities, by contract, by agency or otherwise. Landlord hereby consents to the assignment by Tenant of its rights under this Lease as collateral to any entity, which provides financing for the purchase of the equipment to be installed at the Leased Premises.

18. **Condemnation.** In the event the whole of the Leased Premises is taken by eminent domain, this Lease shall terminate as of the date title to the Leased Premises vests in the condemning authority. In event a portion of the Leased Premises is taken by eminent domain, Tenant, in Tenant's sole discretion, shall have the right to terminate this Lease as of said date of title transfer, by giving thirty (30) days' written notice to the Landlord. In the event of any taking under the power of eminent domain, Tenant shall not be entitled to any portion of the reward paid for the taking and the Landlord shall receive full amount of such award. Tenant hereby expressly waives any right or claim to any portion thereof. Although all damages, whether awarded as compensation for diminution in value of the leasehold or to the fee of the Leased Premises, shall belong to Landlord, Tenant shall have the right to claim and recover from the condemning authority, but not from Landlord, such compensation as may be separately awarded or recoverable by Tenant on account of any and all damage to Tenant's business and any costs or expenses incurred by Tenant in moving/removing its equipment, personal property, Antenna Facilities, and leasehold improvements. If Tenant does not terminate this Lease in accordance with the forgoing, this Lease shall remain in full force and effect as to the portion of the Leased Premises remaining, except that the rent shall be reduced in the same proportion as the rentable area of the Leased Premises taken bears to the total rentable area of the Leased Premises.

19. **Alternative Dispute Resolution.** Any claim, controversy or dispute arising out of this Lease not resolved within thirty (30) days following notice of the dispute, shall be submitted first and promptly to mediation or non-binding arbitration conducted by the American Arbitration Association (Minneapolis Minnesota) unless the parties agree to another provider. Each Party shall bear its own costs of mediation and shall share equally the common costs of mediation. If mediation or non-binding arbitration does not result in settlement within forty-five (45) days after the matter was submitted to mediation, or if the nature of the dispute reasonably requires immediate resolution to avoid irreparable harm or emergency action to preserve public emergency services, either Party may pursue all available remedies in any court of competent jurisdiction.

20. **Enforcement and Attorneys' Fees.** In the event that either party to this Lease shall bring a claim to enforce any rights hereunder, the prevailing party shall be entitled to recover costs and reasonable attorneys' fees incurred as a result of such claim.

21. **Notices**. All notices hereunder must be in writing and shall be deemed validly given if delivered personally or if sent by certified mail, return receipt requested, or by a nationally recognized overnight courier, addressed as follows (or any other address that the Party to be notified may have designated to the sender by like notice):

If to Landlord, to: City of EAST BETHEL
221st Avenue NE
EAST BETHEL, MN 55011

Attn: City Administrator

If to Tenant, to: Verizon Wireless (VAW) LLC
d/b/a Verizon Wireless
180 Washington Valley Road
Bedminster, New Jersey 07921
Attention: Network Real Estate

22. **Quiet Enjoyment, Title, & Authority.** Each of the individuals executing this Lease on behalf of the Tenant or the Landlord represents to the other Party that such individual is authorized to do so by requisite action of the Party to this Lease. Landlord covenants and warrants to Tenant that Landlord has authority over Landlord's Property; execution and performance of this Lease will not violate any laws, ordinances, covenants, or the provisions of any mortgage, lease, or other agreements binding on the Landlord; and Tenant's quiet enjoyment of the Leased Premises shall not be disturbed.

23. **Binding Effect.** This Lease shall run with Landlord's Property. This Lease shall extend to and bind the heirs, personal representatives, successors and assigns of the Parties hereto.

24. **Complete Lease: Amendments.** This Lease constitutes the entire agreement and understanding of the Parties and supersedes all offers, negotiations, and other agreements of any kind. There are no representations or understandings of any kind not set forth herein. Any modification of or amendment to this Lease must be in writing and executed by both Parties.

25. **Governing Law.** This Lease shall be construed in accordance with the laws of the State of Minnesota.

26. **Limitation of Liability.** Nothing in the Lease shall be deemed a waiver of any limitation of liability or defenses under Minnesota Statutes Chapter 466 or any other provision of law.

27. **Severability**. If any term of this Lease is found be void or invalid, such invalidity shall not affect the remaining terms of this Lease, which shall continue in full force and effect.

28. **Memorandum.** The Parties agree to promptly execute and deliver a recordable Memorandum of this Lease substantially in a form attached hereto as Exhibit D, which shall be recorded by the Tenant.

29. **Waiver of Landlord's Lien**.

(a) Waiver by Landlord. Landlord waives any lien rights it may have concerning the Antenna Facilities which are deemed Tenant's personal property and not fixtures, and Tenant has the right to remove the same at any time without Landlord's consent.

(b) Exemption of Collateral. Landlord acknowledges that Tenant has entered into a financing arrangement including promissory notes and financial and security agreements for the financing of the Antenna Facilities (the "Collateral") with a third party financing entity (and may in the future enter into additional financing arrangements with other financing entities). In connection therewith, Landlord (i) consents to the installation of the Collateral; (ii) disclaims any interest in the Collateral, as fixtures or otherwise; and (iii) agrees that the Collateral shall be exempt from execution, foreclosure, sale, levy, attachment, or distress for any Rent due or to become due and that such Collateral may be removed at any time without recourse to legal proceedings.

30. **Default and Right to Cure/Remedies.**

(a) Default by Tenant. The following will be deemed a default by Tenant and a breach of this Lease: (i) non-payment of Rent if such Rent remains unpaid for more than thirty (30) days after receipt of written notice from Landlord of such failure to pay; or (ii) Tenant's failure to perform any other term or condition under this Lease within forty-five (45) days after receipt of written notice from Landlord specifying the failure. No such failure, however, will be deemed to exist if Tenant has commenced to cure such default within such period if the nature of the cure is such that it reasonably requires more than forty-five (45) days and Tenant commences the cure within the forty-five (45) day period and thereafter continuously and diligently pursues the cure to completion. If Tenant remains in default beyond any applicable cure period, Landlord will have the right to exercise any and all rights and remedies available to it under law, equity, and this Lease.

(b) Default by Landlord. The following will be deemed a default by Landlord and a breach of this Lease: Landlord's failure to perform any other term or condition under this Lease within forty-five (45) days after receipt of written notice from Tenant specifying the failure. No such failure, however, will be deemed to exist if Landlord has commenced to cure the default within such period if the nature of the cure is such that it reasonably requires more than forty-five (45) days and Landlord commences the cure within the forty-five (45) day period and thereafter continuously and diligently pursues the cure to completion. If Landlord remains in default beyond any applicable cure period, Tenant will have the right to exercise any and all rights and remedies available to it under law, equity, and this Lease.

31. **Waiver**. It is agreed and understood that this Lease contains all agreements, promises and understandings between Landlord and Tenant and that no verbal or oral agreements, promises or understandings shall be binding upon either Landlord or Tenant in any dispute, controversy or proceeding at law, and any addition, variation or modification to this Lease shall be void and ineffective unless made in writing signed by the Parties. In

the event any provision of this Lease is found to be invalid or unenforceable, such finding will not affect the enforceability of the remaining portions of the Lease. The failure of either Party to this Lease to insist upon the performance of any of the terms and conditions of this Lease, or the waiver of any breach of any of the terms and conditions of this Lease, shall not be construed as thereafter waiving any such terms and conditions, but the same shall continue and remain in full force and effect as if no such forbearance or waiver had occurred

32. **Casualty**. If any portion of the Landlord's Property is damaged by any casualty and such damage adversely affects Tenant's use of Landlord's Property, this Lease shall terminate as of the date of the casualty if Tenant gives written notice of the same within thirty (30) days after Tenant receives notice of such casualty. If Landlord undertakes to restore Landlord's Property or if this Lease is terminated, Landlord agrees to permit Tenant to place temporary transmission and reception facilities on Landlord's Property at a mutually agreeable location for no additional Rent until such time as Tenant is able to activate a replacement transmission facility at another location, as applicable but not to exceed 90 days. Any such notice of termination shall cause this Lease to expire with the same force and effect as though the date set forth in such notice were the date originally set as the expiration date of this Lease and the Parties shall make an appropriate adjustment, as of such termination date, with respect to payments due to the other under this Lease. Notwithstanding the foregoing, the rent shall abate during the period of repair following such fire or other casualty in proportion to the degree to which Tenant's use of the Leased Premises is impaired.

33. **Deleted**

34. **Deleted**

35. **Title**. Landlord represents and warrants to Tenant as of the execution date of this Lease, and covenants during the Term that Landlord is seized of good and sufficient title and interest to the Landlord's Property and has full authority to enter into and execute this Lease36.

36. **Deleted**

37. **Submission of Lease**. The submission of this Lease for examination does not constitute an offer to lease the Leased Premises and this Lease becomes effective only upon the full execution of this Lease by the Parties.

38. **Applicable Laws**. During the Term, Landlord shall maintain the Landlord's Property in compliance with all applicable laws, rules, regulations, ordinances, directives, covenants, easements, zoning and land use regulations, and restrictions of record, permits, building codes, and the requirements of any applicable fire insurance underwriter or rating bureau, now in effect or which may hereafter come into effect (including, without limitation, the Americans with Disabilities Act and laws regulating hazardous substances) (collectively

"Laws"). Tenant shall, in respect to the condition of the Leased Premises and at Tenant's sole cost and expense, comply with (a) all Laws relating solely to Tenant's specific and unique nature of use of the Leased Premises (other than general office use); and (b) all building codes requiring modifications to the Leased Premises due to the improvements being made by Tenant in the Leased Premises.

39. **Survival**. The provisions of the Lease relating to indemnification from one Party to the other Party shall survive any termination or expiration of this Lease. Additionally, any provisions of this Lease which require performance subsequent to the termination or expiration of this Lease shall also survive such termination or expiration.

40. **Captions**. The captions contained in this Lease are inserted for convenience only and are not intended to be part of the Lease. They shall not affect or be utilized in the construction or interpretation of the Lease.

IN WITNESS WHEREOF, the Parties hereto have set their hands and affixed their respective seals the day and year first above written.

LANDLORD**:**

CITY OF EAST BETHEL, a municipal corporation

By _____

Date: _____, 2015
Steven Voss - Its Mayor

By _____
Date: _____, 2015
Jack Davis - Its City Administrator

Approving the Agreement as to form

By: _____
Date: _____, 2015

Print Name: Mark J. Vierling

Its: City Attorney

TENANT:
Verizon Wireless (VAW), LLC
d/b/a Verizon Wireless

By _____
Date _____, 2015
Name: Lynn Ramsey
Title: Area Vice President Network

STATE OF MINNESOTA)
)SS
COUNTY OF _____)

The foregoing instrument was acknowledged before me this day of_____, 2015, by Steven Voss and Jack Davis, the Mayor and City Administrator respectively of the City of East Bethel, a Minnesota Statutory City, on behalf of the City.

_____
Notary Public

STATE OF ILLINOIS)
)SS
COUNTY OF COOK)

The foregoing instrument was acknowledged before me this ____ day of_____, 2015, by _____, the _____ of_____, the Manager of Verizon Wireless (VAW) LLC, a Delaware limited liability company on behalf of the company.

_____
Notary Public

Exhibit A

Landlord's Property Legal Description

All those parts of the Northwest Quarter of the Northwest Quarter (NW ¼ of NW 1/4) of Section Four (4), Township Twenty-Nine (29) North, Range Twenty (20) West, Anoka County, Minnesota, described as follows, to wit:

Commence at the Northeast corner of the Northwest Quarter of the Northwest Quarter (NW 1/4 of NW 1/4) of said Section Four (4); thence South along the East line of said Northwest Quarter of the Northwest Quarter (NW ¼ of NW 1/4) of Section Four (4) for Five Hundred Fifty-Five and Sixty-Two Hundredths (555.62) feet to the point of beginning of this description; thence continuing South along said East line for Six Hundred Fifty-Two (652) feet to the Southeast Corner of said Northwest Quarter of the Northwest Quarter (NW 1/4 of NW 1/4) of said Section Four (4); thence West along the South line of said Northwest Quarter of Northwest Quarter (NW 1/4 of NW 1/4) of Section Four (4) for Eight Hundred Ninety-Two and Seven Tenths (892.7) feet to a line drawn parallel and Four Hundred Twenty-Nine (429) feet East of the West line of Section Four (4); thence North and parallel with said West line of Section Four (4) for Five Hundred Fifty (550) feet; thence East and parallel with said North line of Section Four (4) for Two Hundred Four (204) feet; thence North and parallel with said West line of Section Four (4) for One Hundred and Nine Tenths (100.9) feet; thence East and parallel with said North line of Section Four (4) for Six Hundred Eight-Eight and Five Tenths (688.5) feet to the point of beginning. SUBJECT, however to easements of record to the Northern States Power Company as granted by Alvin H. Mooney, Irving A. and Jane K. Underwood and Albert Peter Klein and Mable A. Klein.

Exhibit B

Leased Premises
Legal Description

City of East Bethel
City Hall Verizon Tower Site

Exhibit C

Plans and Specifications

City of East Bethel
City Hall Verizon Tower Site

Exhibit D

FORM OF
MEMORANDUM OF AGREEMENT

DRAFTED BY
AND RETURN TO:
Mark J. Vierling
Eckberg, Lammers, Briggs Wolff & Vierling PLLP
1809 Northwestern Ave
Stillwater MN 55082

(Space above this line for Recorder's use.)

MEMORANDUM OF SITE LEASE AGREEMENT

THIS MEMORANDUM OF SITE LEASE AGREEMENT is made this _____ day of _____, 2015, between the City of East Bethel, a Minnesota municipal corporation, with a mailing address of 2241- 221st Ave NE, East Bethel, Minnesota 55011, hereinafter referred to as ("LESSOR"), and Verizon Wireless (VAW) LLC d/b/a Verizon Wireless, with its address for notice located at 180 Washington Valley Road, Bedminster, New Jersey 07921, hereinafter referred to as ("LESSEE"). LESSOR and LESSEE are at times collectively referred to hereinafter as the "Parties".

1. LESSOR and LESSEE entered into a Site Lease Agreement (the "Agreement") on _____, 2015, for an initial term expiring on December 31, _____ (the "Primary Term").

2. Pursuant to the Agreement, LESSOR leased to LESSEE a portion of that certain parcel of property (the entirety of LESSOR's property is referred to hereinafter as the "Property") located at_____, in the City of East Bethel, County of Washington, State of Minnesota and being legally described on Exhibit "A", together with the non-exclusive right for ingress and egress, seven (7) days a week, twenty-four (24) hours a day, on foot or motor vehicle, including trucks, and for the installation and maintenance of utility wires, poles, cables, conduits, and pipes over, under, or along a right-of-way extending from the nearest public right-of-way, _____, to the demised premises. The demised premises and right-of-way are referred to as the "Premises." In the event any public utility is unable to use the aforementioned right-of-way, LESSOR has agreed to grant an additional right-of-way either to the LESSEE or to the public utility at no cost to the LESSEE.

3. This Agreement shall be effective as of the date of execution by both Parties.

4. The terms, covenants and provisions of the Agreement, the terms of which are hereby incorporated by reference into this Memorandum, shall extend to and be binding upon the respective executors, administrators, heirs, successors and assigns of LESSOR and LESSEE.

IN WITNESS WHEREOF, hereunto and to a duplicate hereof, LESSOR and LESSEE have caused this Memorandum to be duly executed on the date written herein below.

LESSOR:

City of East Bethel,
a Minnesota municipal corporation

By: _____
Steven Voss
Its Mayor

By: _____
Jack Davis
Its City Administrator

Date: _____

LESSEE:

Verizon Wireless (VAW) LLC
d/b/a Verizon Wireless

By: _____
Lynn Ramsey
Its: Area Vice President Network

Date:_____

ACKNOWLEDGMENTS
LESSOR ACKNOWLEDGMENT

STATE OF MINNESOTA)
) ss.
COUNTY OF WASHINGTON)

The foregoing instrument was acknowledged before me this _____day of _____, 2015, by Steven Voss and Jack Davis, the Mayor and the City Administrator, respectively, of the City of East Bethel, a Minnesota municipal corporation, on behalf of the corporation.

_____
Notary Public

LESSEE ACKNOWLEDGMENT

STATE OF ILLINOIS)
) ss.
COUNTY OF COOK)

On this _____ day of _____, 2015, before me, the undersigned, a Notary Public in and for the State of Illinois, duly commissioned and sworn, personally appeared Lynn Ramsey, to me known to be the Area Vice President Network of Verizon Wireless (VAW) LLC d/b/a Verizon Wireless, that executed the foregoing instrument, and acknowledged said instrument to be the free and voluntary act and deed of Verizon Wireless (VAW) LLC d/b/a Verizon Wireless, for the uses and purposes therein mentioned.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year first above written.

_____
Print or Type Name:_____
Notary Public in and for the State of Illinois
My appointment expires:_____

Exhibit E

Survey

City of East Bethel
City Council
Agenda Information

* *

Date:
April 1, 2015
* *

Agenda Item Number:
Item 8.0 G.2
* *

Agenda Item:
Upper Rum River Water Management Organization (URRWMO) Proposed 2016 Budget
* *

Requested Action:
* *

Background Information:
The Upper Rum River Watershed Management Organization (URRWMO) is in the process of developing their 2016 budget. As part of their budget process they are requesting our review and comments on their draft budget. They are requesting comments prior to their May 7, 2015 meeting.

The URRWMO has expressed frustration with a state mandate over a requirement to perform a revised ten year plan at cost that could be as high as $ 35,000.00. Half of this amount is included in the proposed budget and the second half will be included in the proposed 2017 budget. The URRWMO will do everything possible to try to reduce this cost so that the budget requests can be reduced and costs for this activity can be reduced for the members.

The City of Ham Lake has requested to be removed from the URRWMO. At this time no determination has been made by the Bureau of Water and Soil Resources (BWSR) as to whether URR drainage area of their city will be left in the URRWMO or it will be absorbed by the Coon Creek Watershed. If Ham Lake were removed from the URRWMO the portion of their contributions would have to be absorbed by remaining five member cities. Ham Lake's budget charge to the URRWMO is projected to be $1,014.12 for 2016.

The draft budget attached is for discussion purposes and review. Revisions are anticipated by the URRWMO after comments from member cities are received. The final budget will be provided in early May for consideration for approval.

The URRWMO has stated reservations regarding an audit requirement by BWSR for 2014. This is now a state mandate and non-compliance along with other non-performance issues could result in action by BWSR to abolish the local board. If this action were taken, the County would then assume the WMO's responsibilities. The County could, and in all probability, would either combine the URRWMO with the Lower Rum River WMO or create a Water Management District with levy powers. Both of these options would be detrimental to the current member's constituents both in terms of representation, local control and additional costs.

Attachments:
Proposed URRWMO 2016 Budget
* *

Fiscal Impact:
The URRWMO completed fiscal year 2014 with a $6,500 cash balance. These funds are more than sufficient to cover the cost of an audit for 2014.
* *

Recommendation(s):
Staff recommends that Council discuss and provide comment on the proposed 2016 URRWMO Budget and the proposed 2014 URRWMO Audit.
* *

City Council Action

Motion by:________________ Second by:________________

____

____

____

Vote Yes:_____ Vote No:_____

No Action Required:_____

2016 Budgeting Information

for the

Upper Rum River

Watershed Management

Organization

DRAFT

2016 URRWMO Budgeting Summary

Draft March 3, 2015

Category	Type	2013 Budget	2014 Budget	2015 Budget	2016 Estimate
ACD	Administrative	$700	$1,000	$1,000	$1,000
	Watershed Plan Implementation	$7,465	$8,580	$8,740	$8,758
Other	Administrative	$3,825	$3,425	$3,525	$3,525
	Watershed Plan Implementation	$0	$0	$0	$17,500
	Paid by Reserve Funds	$0	$0	-$260	$0
TOTAL		$11,9900	$13,005	$13,005	$30,783

2016 Cost Breakdown By Community

Draft March 3, 2015

Community	% of Admin Expenses	2016 Admin Expenses	% of Watershed Plan Implementation Expenses	2016 Watershed Plan Implementation Expenses	2016 Total
Bethel	16.67%	$754.17	1.08%	$283.59	$1,037.76
East Bethel	16.67%	$754.17	24.21%	$6,357.06	$7,111.23
Ham Lake	16.67%	$754.17	0.99%	$259.95	$1,014.12
Nowthen	16.67%	$754.17	23.66%	$6,212.64	$6,966.81
Oak Grove	16.67%	$754.17	29.69%	$7,796.00	$8,550.17
St. Francis	16.67%	$754.17	20.37%	$5,348.75	$6,102.92
Total		$4,525.02		$26,257.99	$30,783.01

Date of this draft: March 3, 2015

ACD PROPOSAL

TASK	SITES/ELEMENTS	2016 Estimate
Administrative Expenses (costs split equally among member cities)		
Annual Report to BWSR		$700
Annual Financial Report to State Auditor		$300
SUBTOTAL OF ADMINISTRATIVE EXPENSES		**$1,000**
Watershed Plan Implementation Expenses (costs split among member cities by unique percentage)		
Water Condition Monitoring		
Lake Level Monitoring		$1,000
	Lake George	
	East Twin Lake	
	Coopers Lake	
	Minard Lake	
Stream Water Quality Monitoring - basic suite	Data collection only	$4,200
	Rum R at CR 24	
	Rum R at CR 7	
	Seelye Br at CR 7	
	Cedar Cr at CR 9	
	Ford Br at CR63	
High School River Biomonitoring, St. Francis High School		$825
	Rum River at CR 24	
Reference Wetland Hydrology Monitoring		$1,725
	East Twin Reference Wetland	
	Lake George Reference Wetland	
	Cedar Creek Reference Wetland	
Studies and Investigations		
Water Quality Improvement Projects		
Matching Fund for Future Grants		$0
Education and Public Outreach		
Website – Annual Operations		$508
	Hosting fee (Joomla Inc) = $128	
	Domain name fee = $10	
	Maintenance fee = $250	
	Posting minutes x 6 = $60	
	Posting agendas x 6 = $60	
URRWMO Annual Education Publication/Newsletter Article	Topic TBD. Distribution in member city newsletters.	$500
SUBTOTAL OF NON-OPERATING EXPENSES		**$8,758**
TOTAL ACD PROPOSAL		**$9,758**

OTHER EXPENSES

TASK	2016 Estimate
Administrative Expenses (costs split equally among member cities)	
Secretarial Service	$1,200
Liability Insurance	$2,300
Copies and Postage	$25
Legal	$0
Advertise Bids for Pro Services	$0
SUBTOTAL OF OPERATING EXPENSES	**$3,525**
Watershed Plan Implementation Expenses (costs split among member cities by unique percentage)	
Legal	$0
Advertise Bids for Pro Services (odd yrs)	$0
3rd Generation Watershed Management Plan ($17,500 in both 2016 & 2017)	$17,500
SUBTOTAL of Non-Operating Administrative	**$17,500**
TOTAL OTHER COSTS	**$21,025**