

Annual Financial Report

City of East Bethel
East Bethel, Minnesota

For the Year Ended
December 31, 2014

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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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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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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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Other Matters

Required Supplementary Information

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

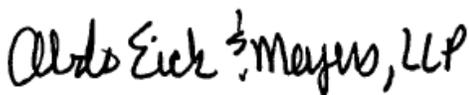
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and 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
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 combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide fund financial statements that include details about nonmajor special revenue governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Organization of East Bethel
Annual Financial Report

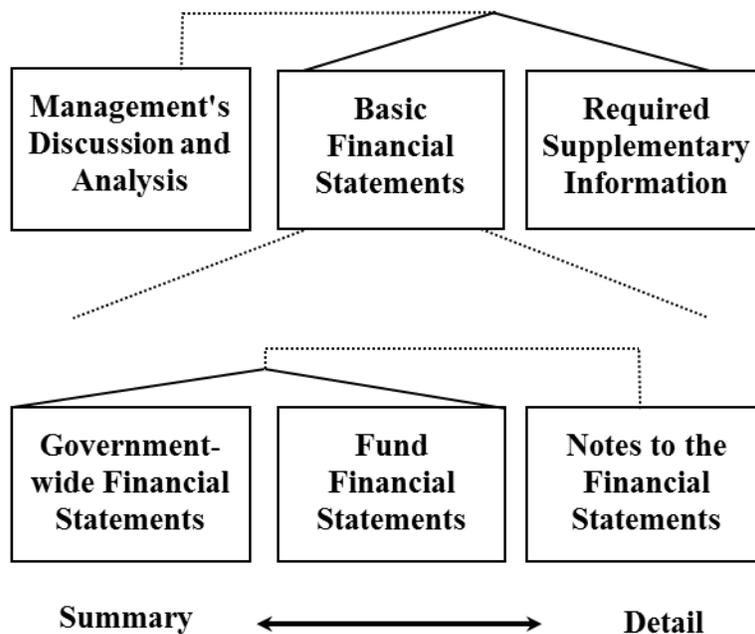


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

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

The government-wide financial statements start on page 25 of this report.

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

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

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

The City maintains 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 *combining 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	<u>\$ 28,976,983</u>	<u>\$ 29,586,411</u>	<u>\$ (609,428)</u>	<u>\$ 3,630,866</u>	<u>\$ 3,710,759</u>	<u>\$ (79,893)</u>

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

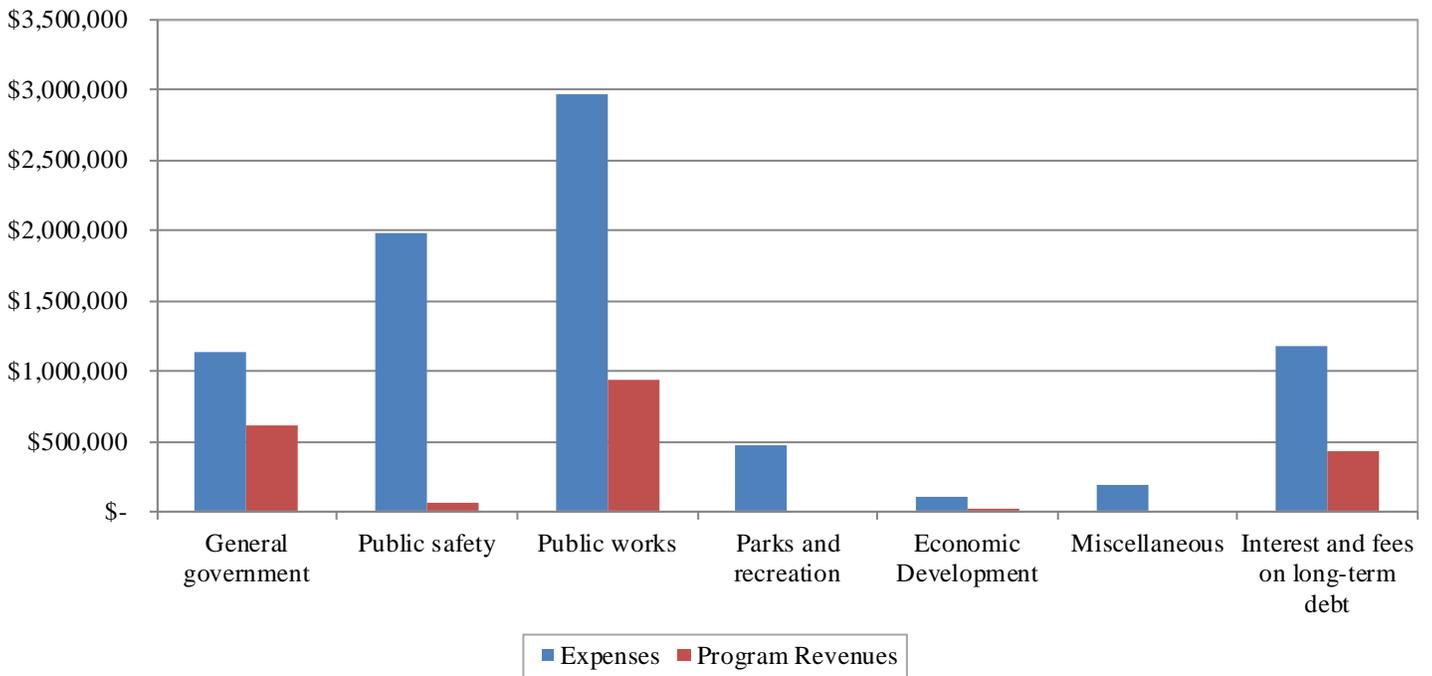
Governmental activities decreased the City's net position \$609,428 and business-type net position decreased by \$79,893 during the year. Key elements of the changes in net position are as follows:

City of East Bethel's Changes in Net Position

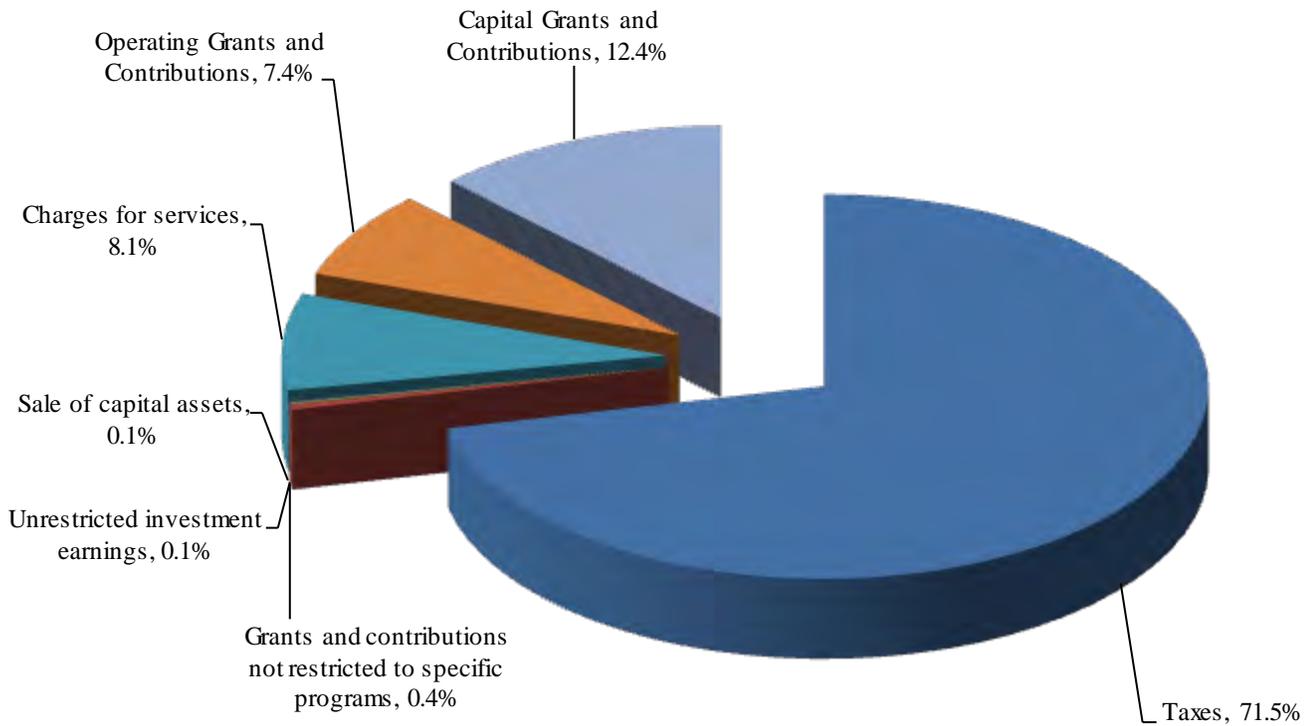
	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$600,465	\$ 832,459	\$ (231,994)	\$ 395,230	\$ 412,905	\$ (17,675)
Operating grants and contributions	545,666	657,281	(111,615)	-	-	-
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:

Expenses and Program Revenues - Governmental Activities

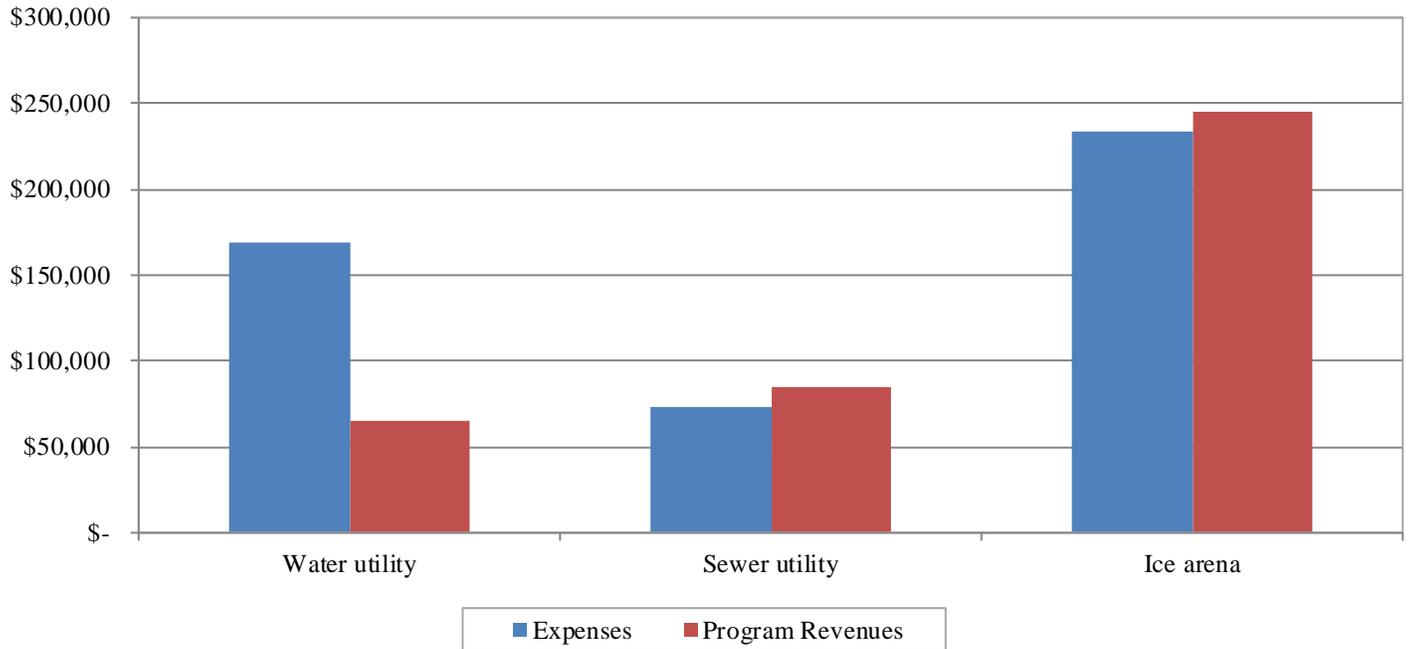


Revenues by Source - Governmental Activities



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:

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 \$6,261,177, 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	<u>\$ 42,316,722</u>	<u>\$ 43,434,846</u>	<u>\$ (1,118,124)</u>	<u>\$ 3,762,701</u>	<u>\$ 3,968,558</u>	<u>\$ (205,857)</u>

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	Operating Grants and Contributions	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

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (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)
<u>(5,950,979)</u>	<u>-</u>	<u>(5,950,979)</u>
-	(103,471)	(103,471)
-	11,946	11,946
-	11,564	11,564
<u>-</u>	<u>(79,961)</u>	<u>(79,961)</u>
<u>(5,950,979)</u>	<u>(79,961)</u>	<u>(6,030,940)</u>
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
<u>5,341,551</u>	<u>68</u>	<u>5,341,619</u>
(609,428)	(79,893)	(689,321)
<u>29,586,411</u>	<u>3,710,759</u>	<u>33,297,170</u>
<u>\$ 28,976,983</u>	<u>\$ 3,630,866</u>	<u>\$ 32,607,849</u>

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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	300's	433		
	General	Debt Service	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	<u>\$ 2,682,245</u>	<u>\$ 1,887,281</u>	<u>\$ 474,381</u>	<u>\$ 2,162,963</u>	<u>\$ 7,206,870</u>
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	<u>219,298</u>	<u>-</u>	<u>149,907</u>	<u>80,540</u>	<u>449,745</u>
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	<u>167,845</u>	<u>323,387</u>	<u>-</u>	<u>4,716</u>	<u>495,948</u>
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	<u>2,295,102</u>	<u>1,563,894</u>	<u>324,474</u>	<u>2,077,707</u>	<u>6,261,177</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,682,245</u>	<u>\$ 1,887,281</u>	<u>\$ 474,381</u>	<u>\$ 2,162,963</u>	<u>\$ 7,206,870</u>

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	300's	433		
	General	Debt Service	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 Amounts	Variance with Final Budget
	Original	Final		
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	<u>15,399</u>	<u>29,514</u>	<u>66,503</u>	<u>111,416</u>	<u>266,007</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,718</u>
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	<u>(6,822)</u>	<u>-</u>	<u>-</u>	<u>(6,822)</u>	<u>(168,426)</u>
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	<u>(103,490)</u>	<u>(196,864)</u>	<u>67,692</u>	<u>(232,662)</u>	<u>1,317,531</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ (94,904)</u>	<u>\$ (167,350)</u>	<u>\$ 134,254</u>	<u>\$ (128,000)</u>	<u>\$ 1,420,814</u>

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)	-
Prepays	(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	 <u>\$ 15,399</u>	 <u>\$ 29,514</u>	 <u>\$ 66,503</u>	 <u>\$ 111,416</u>	 <u>\$ 266,007</u>

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

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CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, special assessments, intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 *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, 2014

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.

CITY OF EAST BETHEL, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

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

CITY OF EAST BETHEL, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Deferred inflows of resources

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

Compensated absences

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

Long-term obligations

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

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

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.

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

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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	<u>450,000</u>
Total investments			<u>\$ 6,248,682</u>

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

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

N/A indicates not applicable or available

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

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments to the list on page 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	<u>150</u>
Total	<u>\$ 7,676,444</u>

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.

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decrease</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Total capital assets, not being depreciated	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Capital assets, being depreciated				
Buildings and improvements	1,480,690	-	-	1,480,690
Machinery and equipment	9,705	-	-	9,705
Infrastructure	<u>4,216,713</u>	<u>6,822</u>	<u>-</u>	<u>4,223,535</u>
Total capital assets, being depreciated	<u>5,707,108</u>	<u>6,822</u>	<u>-</u>	<u>5,713,930</u>
Less accumulated depreciation for				
Buildings and improvements	(926,744)	(70,924)	-	(997,668)
Machinery and equipment	(971)	(971)	-	(1,942)
Infrastructure	<u>(840,835)</u>	<u>(140,784)</u>	<u>-</u>	<u>(981,619)</u>
Total accumulated depreciation	<u>(1,768,550)</u>	<u>(212,679)</u>	<u>-</u>	<u>(1,981,229)</u>
Total capital assets being depreciated, net	<u>3,938,558</u>	<u>(205,857)</u>	<u>-</u>	<u>3,732,701</u>
Business-type activities capital assets, net	<u>\$ 3,968,558</u>	<u>\$ (205,857)</u>	<u>\$ -</u>	<u>\$ 3,762,701</u>

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	<u>71,894</u>
Total depreciation expense - business-type activities	<u>\$ 212,679</u>

Construction commitments

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

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

CITY OF EAST BETHEL, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

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
			<u>49,200</u>
		Interfund activity eliminated from government-wide statements	<u>(52,122)</u>
		Total internal balances government-wide statements	<u>\$ -</u>

Interfund transfers

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

Fund	Transfer in			Total
	General Fund	Debt Service Fund	Nonmajor Capital Project Fund	
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
	<u>48,526</u>	<u>2,095,186</u>	<u>525,430</u>	<u>2,669,142</u>
Total	<u>\$ 48,526</u>	<u>\$ 2,095,186</u>	<u>\$ 525,430</u>	<u>\$ 2,669,142</u>

The City annually budgets transfers for specific purposes. Annual transfers included transfer for debt service and transfers made as part of capital improvement plans. 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.

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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	<u>1,250,000</u>
Total G.O. Improvement Bonds					<u><u>\$ 2,625,000</u></u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Principal
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	<u>245,000</u>	<u>7,425</u>	<u>252,425</u>
Total	<u><u>\$ 2,625,000</u></u>	<u><u>\$ 329,079</u></u>	<u><u>\$ 2,954,079</u></u>

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	<u>5,485,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 18,141,590</u></u>

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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	<u>\$ 18,141,590</u>	<u>\$ 18,055,938</u>	<u>\$ 36,197,528</u>

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	<u>\$ 22,058,622</u>	<u>\$ 5,604,079</u>	<u>\$ (6,599,378)</u>	<u>\$ 21,063,323</u>	<u>\$ 398,412</u>

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.

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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).

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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
	<u>\$ 969,361</u>	<u>\$ 1,193,602</u>	<u>\$ 2,162,963</u>
TOTAL ASSETS			
LIABILITIES			
Accounts and contracts payable	\$ 5,570	\$ 22,368	\$ 27,938
Due to other funds	49,680	2,922	52,602
	<u>55,250</u>	<u>25,290</u>	<u>80,540</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	3,789	-	3,789
Unavailable revenue - special assessments	-	927	927
	<u>3,789</u>	<u>927</u>	<u>4,716</u>
TOTAL DEFERRED INFLOWS OF RESOURCES			
FUND BALANCES			
Restricted	910,322	26,082	936,404
Assigned	-	1,144,225	1,144,225
Unassigned	-	(2,922)	(2,922)
	<u>910,322</u>	<u>1,167,385</u>	<u>2,077,707</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
	<u>\$ 969,361</u>	<u>\$ 1,193,602</u>	<u>\$ 2,162,963</u>

CITY OF EAST BETHEL, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 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
	<u>216,288</u>	<u>511,512</u>	<u>727,800</u>
TOTAL REVENUES			
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
	<u>152,466</u>	<u>426,389</u>	<u>578,855</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUE OVER EXPENDITURES	<u>63,822</u>	<u>85,123</u>	<u>148,945</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	525,430	525,430
Transfers out	-	(197,712)	(197,712)
	<u>-</u>	<u>327,718</u>	<u>327,718</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGES IN FUND BALANCES	63,822	412,841	476,663
FUND BALANCE, JANUARY 1	<u>846,500</u>	<u>754,544</u>	<u>1,601,044</u>
FUND BALANCE, DECEMBER 31	<u>\$ 910,322</u>	<u>\$ 1,167,385</u>	<u>\$ 2,077,707</u>

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

	226	227	230	232	
	Recycling	Miscellaneous Grants/ Donations	HRA	EDA	Total
	Fund	Fund	Fund	Fund	
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	227	230	232	
	Recycling	Miscellaneous Grants/ Donations	HRA	EDA	Total
	Fund	Fund	Fund	Fund	
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	<u>\$ 51,707</u>	<u>\$ 51,707</u>	<u>\$ 57,320</u>	<u>\$ 5,613</u>	<u>\$ 51,707</u>

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	<u>\$ 762,664</u>	<u>\$ 762,664</u>	<u>\$ 771,260</u>	<u>\$ 8,596</u>	<u>\$ 785,564</u>

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

406	407	408, 409	401	502	435	233	Total
Street Capital Fund	Park Capital Fund	Utility Improvement Fund	Building Fund	Lunde/Jewell Street Fund	TIF No. 1-1	Anoka County CDBG Grant Fund	
\$ 806,083	\$ 86,980	\$ 27,721	\$ 182,247	\$ -	\$ -	\$ (15,031)	\$ 1,176,005
-	-	-	-	-	-	-	927
-	-	1,639	-	-	-	-	1,639
-	-	-	-	-	-	15,031	15,031
<u>\$ 806,083</u>	<u>\$ 86,980</u>	<u>\$ 29,360</u>	<u>\$ 182,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,193,602</u>
\$ 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
<u>\$ 806,083</u>	<u>\$ 86,980</u>	<u>\$ 29,360</u>	<u>\$ 182,247</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,193,602</u>

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

	404	410	411	506,588	402
	Park Acquisition Fund	Park Trails Fund	Minard Street Fund	Improvements of 2003 Fund	Municipal State Aid Street Improvement Fund
REVENUES					
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	<u>\$ 26,082</u>	<u>\$ -</u>	<u>\$ 33,734</u>	<u>\$ 21,078</u>	<u>\$ 3,974</u>

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

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CITY OF EAST BETHEL, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2014
(With comparative totals for the year ended December 31, 2013)

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			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	<u>4,091,450</u>	<u>4,091,450</u>	<u>4,104,992</u>	<u>13,542</u>	<u>4,180,911</u>
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	<u>223,900</u>	<u>223,900</u>	<u>297,783</u>	<u>73,883</u>	<u>340,095</u>
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	<u>258,000</u>	<u>258,000</u>	<u>286,389</u>	<u>28,389</u>	<u>257,400</u>
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	<u>4,781,300</u>	<u>4,781,300</u>	<u>4,925,321</u>	<u>144,021</u>	<u>5,017,049</u>
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	<u>83,800</u>	<u>83,800</u>	<u>73,050</u>	<u>10,750</u>	<u>69,798</u>
Elections					
Supplies	250	250	235	15	-
Other services and charges	13,150	13,150	9,242	3,908	1,687
Total elections	<u>13,400</u>	<u>13,400</u>	<u>9,477</u>	<u>3,923</u>	<u>1,687</u>

CITY OF EAST BETHEL, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
(With comparative totals for the year ended December 31, 2013)

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		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			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		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	<u>\$ 2,962,714</u>	<u>\$ 2,962,714</u>	<u>\$ 2,295,102</u>	<u>\$ (667,612)</u>	<u>\$ 2,982,714</u>

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

	301	303	308
	2005/2013A Safety Bond	2005B Street Improvement Debt	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
	<u>86,794</u>	<u>119,739</u>	<u>140,125</u>
TOTAL ASSETS	<u><u>\$ 86,794</u></u>	<u><u>\$ 119,739</u></u>	<u><u>\$ 140,125</u></u>
 DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments	\$ -	\$ 26,042	\$ 140,000
 FUND BALANCE			
Restricted	<u>86,794</u>	<u>93,697</u>	<u>125</u>
	<u><u>\$ 86,794</u></u>	<u><u>\$ 119,739</u></u>	<u><u>\$ 140,125</u></u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 86,794</u></u>	<u><u>\$ 119,739</u></u>	<u><u>\$ 140,125</u></u>

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
<u>\$ 5,536</u>	<u>\$ 170,375</u>	<u>\$ 20,378</u>	<u>\$ 1,344,334</u>	<u>\$ 1,887,281</u>
\$ -	\$ 157,345	\$ -	\$ -	\$ 323,387
<u>5,536</u>	<u>13,030</u>	<u>20,378</u>	<u>1,344,334</u>	<u>1,563,894</u>
<u>\$ 5,536</u>	<u>\$ 170,375</u>	<u>\$ 20,378</u>	<u>\$ 1,344,334</u>	<u>\$ 1,887,281</u>

CITY OF EAST BETHEL, MINNESOTA
DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED DECEMBER 31, 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	-	-
	<u>130,528</u>	<u>28,202</u>	<u>195,543</u>
TOTAL REVENUES			
EXPENDITURES			
Debt service			
Principal	85,000	55,000	150,000
Interest and other charges	56,081	5,730	47,010
	<u>141,081</u>	<u>60,730</u>	<u>197,010</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(10,553)</u>	<u>(32,528)</u>	<u>(1,467)</u>
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	-	-
Principal paid on refunded bonds	-	-	-
Transfers in	-	-	-
Transfers out	-	(142,000)	-
	<u>-</u>	<u>(142,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(10,553)	(174,528)	(1,467)
FUND BALANCE, JANUARY 1	<u>97,347</u>	<u>268,225</u>	<u>1,592</u>
FUND BALANCE, DECEMBER 31	<u>\$ 86,794</u>	<u>\$ 93,697</u>	<u>\$ 125</u>

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
<u>5</u>	<u>804,021</u>	<u>400,450</u>	<u>401</u>	<u>1,559,150</u>
3,000	-	615,000	-	908,000
<u>596</u>	<u>767,497</u>	<u>318,261</u>	<u>42,158</u>	<u>1,237,333</u>
<u>3,596</u>	<u>767,497</u>	<u>933,261</u>	<u>42,158</u>	<u>2,145,333</u>
<u>(3,591)</u>	<u>36,524</u>	<u>(532,811)</u>	<u>(41,757)</u>	<u>(586,183)</u>
-	-	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)
<u>5,000</u>	<u>170,361</u>	<u>759,639</u>	<u>1,302,186</u>	<u>2,095,186</u>
1,409	206,885	226,828	1,260,429	1,509,003
<u>4,127</u>	<u>(193,855)</u>	<u>(206,450)</u>	<u>83,905</u>	<u>54,891</u>
<u>\$ 5,536</u>	<u>\$ 13,030</u>	<u>\$ 20,378</u>	<u>\$ 1,344,334</u>	<u>\$ 1,563,894</u>

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

	<u>702</u>	<u>701</u>	
	Compensated Absences	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
	<u>127,367</u>	<u>1,296,369</u>	<u>1,423,736</u>
NONCURRENT ASSETS			
Capital assets			
Machinery and equipment	-	2,873,505	2,873,505
Less accumulated depreciation	-	(982,507)	(982,507)
	<u>-</u>	<u>1,890,998</u>	<u>1,890,998</u>
Net capital assets	-	1,890,998	1,890,998
	<u>127,367</u>	<u>3,187,367</u>	<u>3,314,734</u>
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	-	6,033	6,033
Compensated absences - current portion	110,412	-	110,412
	<u>110,412</u>	<u>6,033</u>	<u>116,445</u>
NONCURRENT LIABILITIES			
Compensated absences payable - noncurrent portion	16,800	-	16,800
	<u>127,212</u>	<u>6,033</u>	<u>133,245</u>
NET POSITION			
Net investment in capital assets	-	1,890,998	1,890,998
Unrestricted	155	1,290,336	1,290,491
	<u>155</u>	<u>3,181,334</u>	<u>3,181,489</u>
TOTAL NET POSITION	<u>\$ 155</u>	<u>\$ 3,181,334</u>	<u>\$ 3,181,489</u>

CITY OF EAST BETHEL, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 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 (Decrease)
	2014	2013	
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
	<u> </u>	<u> </u>	
TOTAL REVENUES	<u>\$ 7,212,982</u>	<u>\$ 6,556,729</u>	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)
	<u> </u>	<u> </u>	
TOTAL EXPENDITURES	<u>\$ 7,678,561</u>	<u>\$ 11,568,356</u>	(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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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of East Bethel, Minnesota

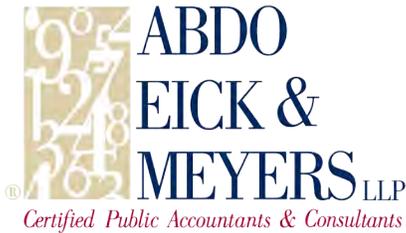
We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental 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
Minneapolis, Minnesota
March 19, 2015



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.

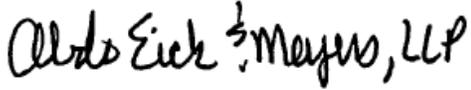
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

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