

# Annual Financial Report

## City of East Bethel

East Bethel, Minnesota

For the Year Ended

December 31, 2015

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CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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CITY OF EAST BETHEL, MINNESOTA  
 ANNUAL FINANCIAL REPORT  
 TABLE OF CONTENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Page No.
<b>INTRODUCTORY SECTION</b>	
City Council and Officials	7
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	11
Management's Discussion and Analysis	15
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	27
Statement of Activities	28
Fund Financial Statements	
Governmental Funds	
Balance Sheet	32
Reconciliation of the Balance Sheet to the Statement of Net Position	33
Statement of Revenues, Expenditures and Changes in Fund Balances	34
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	35
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	36
Proprietary Funds	
Statement of Net Position	37
Statement of Revenues, Expenses and Changes in Net Position	39
Statement of Cash Flows	40
Notes to the Financial Statements	43
<b>Required Supplementary Information</b>	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability -	
General Employees Retirement Fund	68
Schedule of Employer's Public Employees Retirement Association Contributions -	
General Employees Retirement Fund	68
Schedule of Employer's Fire Relief Association Contributions	68
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	70
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	71
Nonmajor Special Revenue Funds	
Combining Balance Sheet	72
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	73
Special Revenue Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Recycling Fund	74
HRA Fund	75
EDA Fund	77
Nonmajor Capital Projects Funds	
Combining Balance Sheet	78
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	80
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	83
Debt Service Funds	
Combining Balance Sheet	86
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	88
Internal Service Funds	
Combining Statement of Net Position	90
Combining Statement of Revenues, Expenses and Changes in Net Position	91
Combining Statement of Cash Flows	92
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	93

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CITY OF EAST BETHEL, MINNESOTA  
ANNUAL FINANCIAL REPORT  
TABLE OF CONTENTS - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015

Page No.

**OTHER REQUIRED REPORTS**

Independent Auditor's Report on Minnesota Legal Compliance	97
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 <i>Government Auditing Standards</i>	98

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**INTRODUCTORY SECTION**

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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CITY OF EAST BETHEL, MINNESOTA  
CITY COUNCIL AND OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**CITY COUNCIL**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steven Voss	Mayor	12/31/16
Tim Harrington	Council Member	12/31/18
Ron Koller	Council Member	12/31/16
Brian Mundle	Council Member	12/31/18
Tom Ronning	Council Member	12/31/16

**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, 2015**

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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, 2015 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, 2015, 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

### *Change in Accounting Standards*

As described in Note 7 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedule of Employer's Shares of the Net Pension Liability and the Schedule of Employer's Contributions starting on page 68 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*

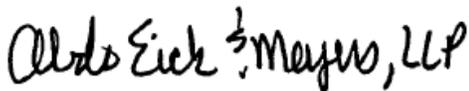
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and 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 it.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2016, 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 22, 2016

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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, 2015.

### **Financial Highlights**

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$31,321,437 (net position). Of this amount, \$2,069,188 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$620,072. Of the total, governmental activities decreased \$12,777,707 and the business-type activities increased \$12,157,635. The large decrease and increase was due to governmental activities capital contribution of capital assets to the business-type activities of \$12,871,707.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$6,970,977, an increase of \$709,800 from the prior fiscal year.
- At the end of the fiscal year the General fund had a fund balance of \$2,625,807. The ending fund balance is 52.8 percent of the 2016 budget.
- The City's total noncurrent liabilities increased \$1,163,140 during the current fiscal year as a result of implemented GASB 68 and the related pension liability.

## 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**

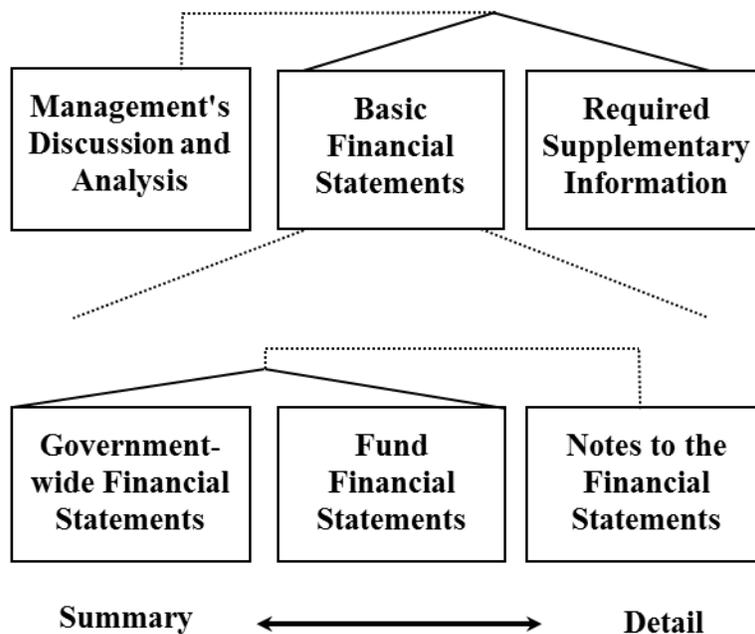


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	<b>Fund Financial Statements</b>		
	<b>Government-wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
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"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Position</li> <li>• Statements of Revenues, Expenses and Changes in Net Position</li> <li>• Statements of Cash Flows</li> </ul>
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, deferred outflows or resources, liabilities and deferred inflows of resources, with the difference between the them 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 27 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 24 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 the Municipal State Aid Street Improvement fund, all of which are considered to be major funds. Data from the other 15 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 32 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 37 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 43 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 70 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 and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$31,321,437 at the close of the most recent fiscal year.

The largest portion of the City's net position \$26,048,271 or 83.2 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		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Current and other assets	\$ 9,629,140	\$ 8,578,004	\$ 1,051,136	\$ 65,454	\$ (97,819)	\$ 163,273
Capital assets	28,633,569	42,316,722	(13,683,153)	15,866,279	3,762,701	12,103,578
Total assets	38,262,709	50,894,726	(12,632,017)	15,931,733	3,664,882	12,266,851
Deferred outflows of resources	208,063	-	208,063	-	-	-
Long-term liabilities outstanding	22,145,926	21,063,323	1,082,603	99,940	-	99,940
Other liabilities	562,726	854,420	(291,694)	43,292	34,016	9,276
Total liabilities	22,708,652	21,917,743	790,909	143,232	34,016	109,216
Deferred inflows of resources	229,184	-	229,184	-	-	-
Net assets						
Net investment in capital assets	10,181,992	24,049,342	(13,867,350)	15,866,279	3,762,701	12,103,578
Restricted	3,203,978	2,700,704	503,274	-	-	-
Unrestricted	2,146,966	2,226,937	(79,971)	(77,778)	(131,835)	54,057
Total net position	<u>\$ 15,532,936</u>	<u>\$ 28,976,983</u>	<u>\$(13,444,047)</u>	<u>\$ 15,788,501</u>	<u>\$ 3,630,866</u>	<u>\$ 12,157,635</u>

A portion of the of the City's net position \$3,203,978 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$2,069,188 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.

## Governmental Activities

Governmental activities decreased the City's net position \$12,777,707 and business-type net position increased by \$12,157,635 during the year. Key elements of the changes in net position are as follows:

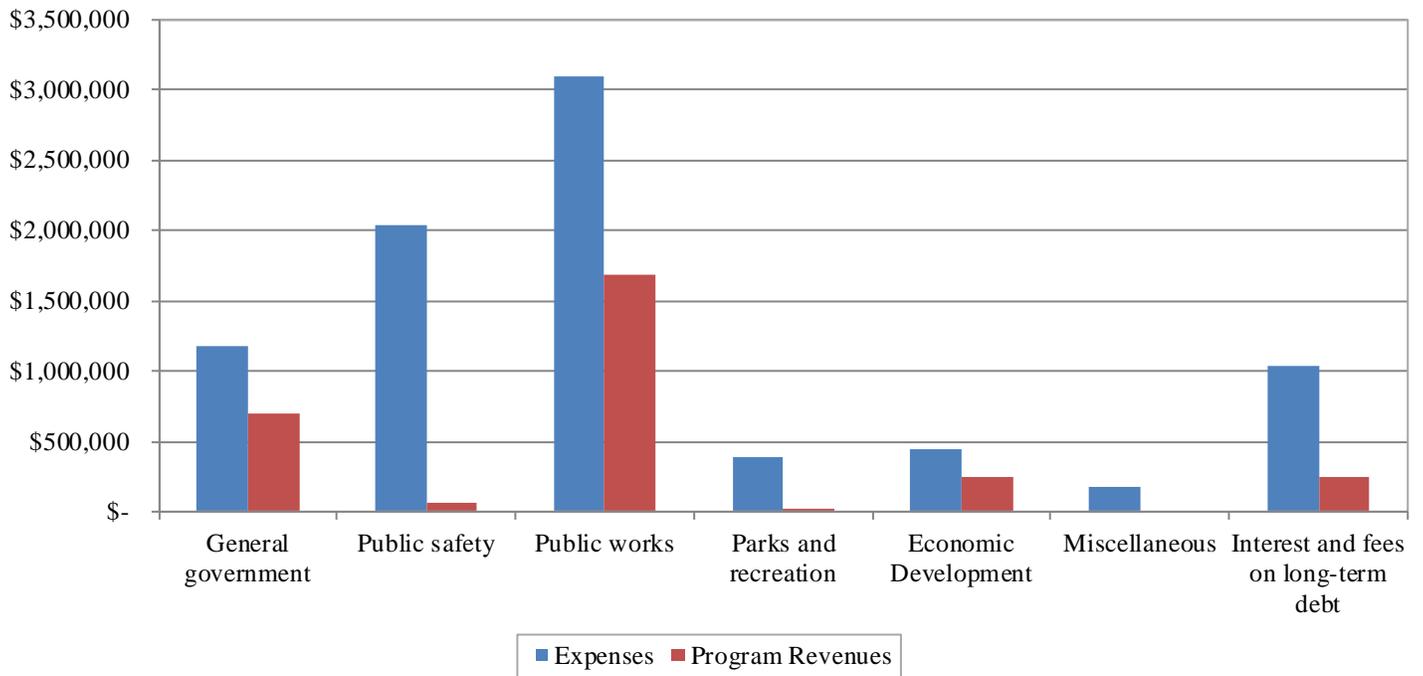
### City of East Bethel's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 625,831	\$ 600,465	\$ 25,366	\$ 403,772	\$ 395,230	\$ 8,542
Operating grants and contributions	635,455	545,666	89,789	-	-	-
Capital grants and contributions	1,676,343	918,042	758,301	45,292	-	45,292
General revenues						
Taxes	5,441,716	5,295,305	146,411	-	-	-
Grants and contributions not restricted to specific programs	24,210	32,071	(7,861)	-	-	-
Unrestricted investment earnings	20,257	6,148	14,109	161	68	93
Sale of capital assets	26,592	8,027	18,565	1,669	-	1,669
<b>Total revenues</b>	<b>8,450,404</b>	<b>7,405,724</b>	<b>1,044,680</b>	<b>450,894</b>	<b>395,298</b>	<b>55,596</b>
<b>Expenses</b>						
General government	1,183,009	1,128,363	54,646	-	-	-
Public safety	2,040,870	1,972,600	68,270	-	-	-
Public works	3,093,318	2,967,530	125,788	-	-	-
Parks and recreation	383,017	465,194	(82,177)	-	-	-
Economic Development	443,350	111,832	331,518	-	-	-
Miscellaneous	180,256	190,678	(10,422)	-	-	-
Water utility	-	-	-	326,508	169,060	157,448
Sewer utility	-	-	-	610,060	72,572	537,488
Ice arena	-	-	-	228,398	233,559	(5,161)
Interest on long-term debt	1,032,584	1,178,955	(146,371)	-	-	-
<b>Total expenses</b>	<b>8,356,404</b>	<b>8,015,152</b>	<b>341,252</b>	<b>1,164,966</b>	<b>475,191</b>	<b>689,775</b>
Change in net position before transfers	94,000	(609,428)	703,428	(714,072)	(79,893)	(634,179)
Capital transfer	(12,871,707)	-	(12,871,707)	12,871,707	-	12,871,707
Change in net position	(12,777,707)	(609,428)	(12,168,279)	12,157,635	(79,893)	12,237,528
Net position, January 1 as restated (Note 7)*	28,310,643	29,586,411	(1,275,768)	3,630,866	3,710,759	(79,893)
Net position, December 31	<u>\$ 15,532,936</u>	<u>\$ 28,976,983</u>	<u>\$(13,444,047)</u>	<u>\$ 15,788,501</u>	<u>\$ 3,630,866</u>	<u>\$ 12,157,635</u>

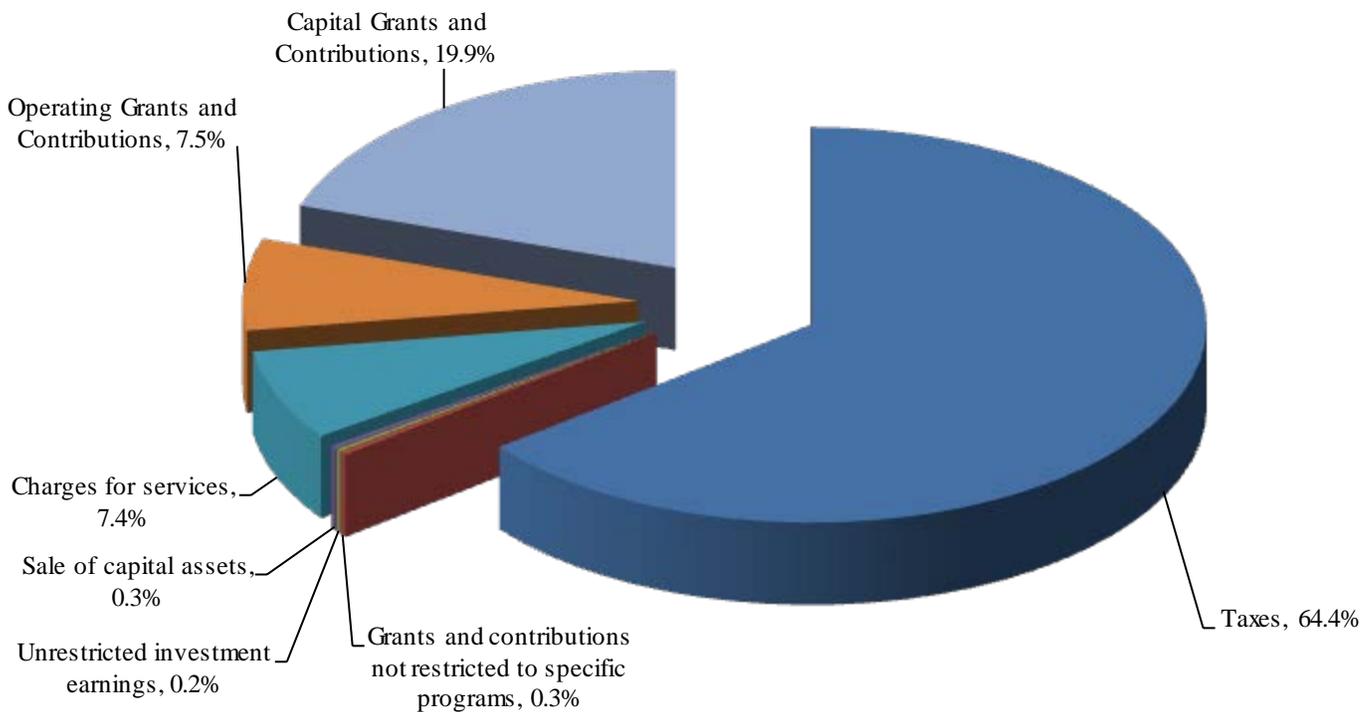
\* GASB Statement No. 68 was implemented for the year ended December 31, 2015 and required a restatement of beginning governmental activities net position. Prior year amounts were not restated causing a variance in ending net position at December 31, 2014 and beginning net position on January 1, 2015. See Note 7.

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

### Expenses and Program Revenues - Governmental Activities

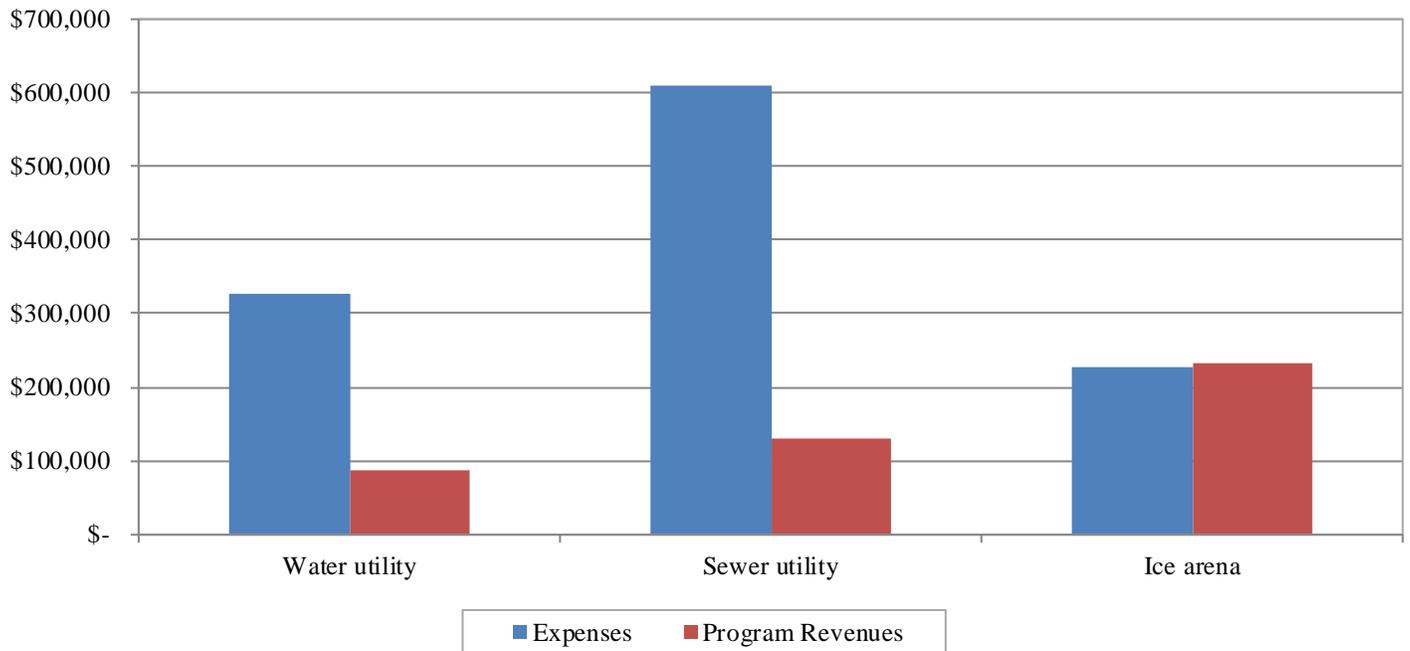


### Revenues by Source - Governmental Activities



**Business-type activities.** Business-type activities increased net position by \$12,157,635. 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 \$6,970,977, an increase of \$709,800 in comparison with the prior year. Approximately 37.5 percent of this total amount (\$2,612,481) constitutes *unassigned fund balance*, which is available for spending at the City’s discretion. The remainder of fund balance (\$4,358,496) is not available for new spending because it is either 1) nonspendable \$13,326 2) restricted (\$3,167,049) or 3) assigned (\$1,178,121). For further classification refer to Note 3F on page 58 of this report.

The General fund balance increased by \$330,705 in 2015. The fund also transferred \$525,000 to fund future capital projects.

The Debt Service fund has a total fund balance of \$1,941,617 which is entirely restricted for the payment of debt service. The fund balance increased by \$377,723 in 2015.

The Municipal State Aid Street Improvement fund increased \$35,610 MSA monies exceeding costs associated with street projects.

**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 -\$77,778. The total increase in net position for the funds was \$12,157,635. 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 2015 and called for no change in fund balance. Some of the line items with significant variances from the final budget are highlighted below:

During the year, revenues were more than budget by \$193,290 and expenditures were less than budgetary estimates by \$114,118. The net result was a \$330,705 increase in the General fund. Some of the significant variances can be briefly summarized as follows:

- All revenues classifications were over budget, with the exception of fine and forfeitures which was under budget by \$10,151.
- All expenditure departments were under budget with the exception of public safety which was over budget by \$14,899.
- The General fund had transfers in of \$23,297 which was due to the closing of 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, 2015, amounts to \$44,499,848 (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		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	\$ 887,546	\$ 887,546	\$ -	\$ 30,000	\$ 30,000	\$ -
Construction in progress	1,168,651	13,170,422	(12,001,771)	-	-	-
Buildings and structures	2,575,659	2,780,238	(204,579)	464,110	483,022	(18,912)
Machinery and equipment	1,916,194	2,063,698	(147,504)	11,808	7,763	4,045
Park improvements	644,917	699,419	(54,502)	-	-	-
Sewer main lines and storm sewers	1,075,029	1,096,966	(21,937)	-	-	-
Infrastructure	20,365,573	21,618,433	(1,252,860)	15,360,361	3,241,916	12,118,445
Total capital assets	<u>\$ 28,633,569</u>	<u>\$ 42,316,722</u>	<u>\$(13,683,153)</u>	<u>\$ 15,866,279</u>	<u>\$ 3,762,701</u>	<u>\$ 12,103,578</u>

Additional information on the City's capital assets can be found in Note 3C starting on page 53 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$22,099,251 an increase of \$1,163,140 from 2014.

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, 2015 is as follows:

**City of East Bethel’s Outstanding Debt**

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
General obligation improvement bonds	\$ 2,495,000	\$ 2,625,000	\$ (130,000)	\$ -	\$ -	\$ -
General obligation revenue bonds	18,529,997	18,311,111	218,886	-	-	-
Loan payable	-	-	-	99,940	-	99,940
Pension liability	974,314	-	974,314	-	-	-
<b>Totals</b>	<b>\$ 21,999,311</b>	<b>\$20,936,111</b>	<b>\$ 1,063,200</b>	<b>\$ 99,940</b>	<b>\$ -</b>	<b>\$ 99,940</b>

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 \$25,963,434. Of the City's outstanding debt, \$1,175,000 is counted within the statutory limitation.

Additional information on the City’s long-term debt can be found in Note 3E starting on page 55 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 City adopted a General Fund Budget for 2016 that was 2.6 percent higher than 2015.
- The City adopted an Overall City Levy for 2016 that was 1.5 percent higher than 2015.

**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 221<sup>st</sup> Avenue N.E., East Bethel, Minnesota 55011.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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CITY OF EAST BETHEL, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 8,614,598	\$ 39,447	\$ 8,654,045
Receivables			
Accrued Interest	7,812	-	7,812
Taxes	231,224	-	231,224
Special assessments	306,866	8,100	314,966
Accounts	8,411	17,832	26,243
Loans	10,223	-	10,223
Due from other governments	85,994	-	85,994
Prepaid items	13,326	75	13,401
Net pension asset	350,686	-	350,686
Capital assets			
Land and construction in progress	2,056,197	30,000	2,086,197
Depreciable assets (net of accumulated depreciation)	26,577,372	15,836,279	42,413,651
<b>TOTAL ASSETS</b>	<b>38,262,709</b>	<b>15,931,733</b>	<b>54,194,442</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension resources	208,063	-	208,063
<b>LIABILITIES</b>			
Accounts and contracts payable	172,319	14,988	187,307
Due to other governments	-	11,400	11,400
Salaries payable	37,153	504	37,657
Accrued interest payable	295,441	-	295,441
Deposits payable	54,784	-	54,784
Unearned revenue	3,029	16,400	19,429
Noncurrent liabilities			
Due within one year	1,294,531	20,735	1,315,266
Due in more than one year	20,851,395	79,205	20,930,600
<b>TOTAL LIABILITIES</b>	<b>22,708,652</b>	<b>143,232</b>	<b>22,851,884</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension resources	229,184	-	229,184
<b>NET POSITION</b>			
Net investment in capital assets	10,181,992	15,866,279	26,048,271
Restricted for			
Municipal state aid streets	39,584	-	39,584
Water infrastructure construction	270,146	-	270,146
Debt service	1,940,550	-	1,940,550
Recycling	55,566	-	55,566
Equipment	3,745	-	3,745
Housing and redevelopment	747,508	-	747,508
Economic development	116,758	-	116,758
Park development	30,121	-	30,121
Unrestricted	2,146,966	(77,778)	2,069,188
<b>TOTAL NET POSITION</b>	<b>\$ 15,532,936</b>	<b>\$ 15,788,501</b>	<b>\$ 31,321,437</b>

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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Government activities</b>				
General government	\$ 1,183,009	\$ 609,239	\$ 84,000	\$ -
Public safety	2,040,870	-	66,249	-
Public works	3,093,318	6,049	-	1,676,343
Culture and recreation	383,017	4,870	-	-
Housing and economic development	443,350	-	239,885	-
Miscellaneous	180,256	-	-	-
Interest on long-term debt	1,032,584	5,673	245,321	-
<b>Total government activities</b>	<b>8,356,404</b>	<b>625,831</b>	<b>635,455</b>	<b>1,676,343</b>
<b>Business-type activities</b>				
Water utility	326,508	65,163	-	23,100
Sewer utility	610,060	106,888	-	22,192
Ice arena	228,398	231,721	-	-
<b>Total business-type activities</b>	<b>1,164,966</b>	<b>403,772</b>	<b>-</b>	<b>45,292</b>
<b>Total primary government</b>	<b>\$ 9,521,370</b>	<b>\$ 1,029,603</b>	<b>\$ 635,455</b>	<b>\$ 1,721,635</b>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increment

Franchise taxes

Gambling tax

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Sale of capital assets

Capital transfer

Total general revenues and capital transfers

Change in net position

Net position, January 1 as restated (Note 7)

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>
\$ (489,770)	\$ -	\$ (489,770)
(1,974,621)	-	(1,974,621)
(1,410,926)	-	(1,410,926)
(378,147)	-	(378,147)
(203,465)	-	(203,465)
(180,256)	-	(180,256)
(781,590)	-	(781,590)
<u>(5,418,775)</u>	<u>-</u>	<u>(5,418,775)</u>
-	(238,245)	(238,245)
-	(480,980)	(480,980)
-	3,323	3,323
<u>-</u>	<u>(715,902)</u>	<u>(715,902)</u>
<u>(5,418,775)</u>	<u>(715,902)</u>	<u>(6,134,677)</u>
4,174,710	-	4,174,710
1,125,510	-	1,125,510
57,420	-	57,420
58,877	-	58,877
25,199	-	25,199
24,210	-	24,210
20,257	161	20,418
26,592	1,669	28,261
(12,871,707)	12,871,707	-
<u>(7,358,932)</u>	<u>12,873,537</u>	<u>5,514,605</u>
(12,777,707)	12,157,635	(620,072)
<u>28,310,643</u>	<u>3,630,866</u>	<u>31,941,509</u>
<u>\$ 15,532,936</u>	<u>\$ 15,788,501</u>	<u>\$ 31,321,437</u>

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**FUND FINANCIAL STATEMENTS**

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF EAST BETHEL, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	<b>101</b>	<b>300's</b>	<b>402</b>		
	General	Debt Service	Municipal State Aid Street Improvement Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and investments	\$ 2,678,837	\$ 1,923,107	\$ 109,801	\$ 2,314,563	\$ 7,026,308
Receivables					
Taxes	185,957	40,048	-	5,219	231,224
Special assessments	-	272,115	-	34,751	306,866
Accounts	7,690	721	-	-	8,411
Loans	7,812	-	-	10,223	18,035
Due from other governments	13,393	-	-	72,601	85,994
Prepaid items	13,326	-	-	-	13,326
<b>TOTAL ASSETS</b>	<b>\$ 2,907,015</b>	<b>\$ 2,235,991</b>	<b>\$ 109,801</b>	<b>\$ 2,437,357</b>	<b>\$ 7,690,164</b>
<b>LIABILITIES</b>					
Accounts and contracts payable	\$ 88,919	\$ -	\$ 70,217	\$ 18,767	\$ 177,903
Salaries payable	31,569	-	-	-	31,569
Deposits payable	38,159	-	-	16,625	54,784
Unearned revenue	3,029	-	-	-	3,029
<b>TOTAL LIABILITIES</b>	<b>161,676</b>	<b>-</b>	<b>70,217</b>	<b>35,392</b>	<b>267,285</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	119,532	23,318	-	3,245	146,095
Unavailable revenue - special assessments	-	271,056	-	34,751	305,807
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>119,532</b>	<b>294,374</b>	<b>-</b>	<b>37,996</b>	<b>451,902</b>
<b>FUND BALANCES</b>					
Nonspendable	13,326	-	-	-	13,326
Restricted	-	1,941,617	39,584	1,185,848	3,167,049
Assigned	-	-	-	1,178,121	1,178,121
Unassigned	2,612,481	-	-	-	2,612,481
<b>TOTAL FUND BALANCES</b>	<b>2,625,807</b>	<b>1,941,617</b>	<b>39,584</b>	<b>2,363,969</b>	<b>6,970,977</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,907,015</b>	<b>\$ 2,235,991</b>	<b>\$ 109,801</b>	<b>\$ 2,437,357</b>	<b>\$ 7,690,164</b>

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, 2015

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

Total fund balances - governmental	\$ 6,970,977
Long-term assets from pensions reported in governmental activities are not financial and therefore are not reported as assets in governmental funds.	350,686
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	63,588,231
Less accumulated depreciation	(36,733,402)
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	(161,407)
Bonds payable	(20,863,590)
Pension liability	(974,314)
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	146,095
Special assessments receivable	305,807
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	208,063
Deferred inflows of pension resources	(229,184)
Governmental funds do not report a liability for accrued interest until due and payable.	(295,441)
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	<u>3,220,415</u>
Net position of governmental activities	<u><u>\$15,532,936</u></u>

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, 2015

	101	300's	402		
	General	Debt Service	Municipal State Aid Street Improvement Fund	Other Governmental Funds	Total
<b>REVENUES</b>					
Taxes	\$ 4,156,080	\$ 1,125,510	\$ -	\$ 180,880	\$ 5,462,470
Licenses and permits	298,966	-	-	-	298,966
Intergovernmental	291,525	245,321	1,167,454	342,605	2,046,905
Charges for services	185,579	5,673	-	4,000	195,252
Fines and forfeitures	45,049	-	-	-	45,049
Special assessments	-	70,355	-	1,060	71,415
Interest on investments	10,377	2,073	313	5,116	17,879
Miscellaneous	54,414	-	-	13,430	67,844
<b>TOTAL REVENUES</b>	<b>5,041,990</b>	<b>1,448,932</b>	<b>1,167,767</b>	<b>547,091</b>	<b>8,205,780</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
General government	1,047,189	-	-	3,898	1,051,087
Public safety	1,843,799	-	-	-	1,843,799
Public works	760,421	-	-	105,724	866,145
Culture and recreation	377,917	-	-	5,099	383,016
Housing and economic development	-	-	-	389,615	389,615
Miscellaneous	180,256	-	-	-	180,256
<b>Capital outlay</b>					
Public works	-	-	1,132,157	483,631	1,615,788
Culture and recreation	-	-	-	13,038	13,038
Housing and economic development	-	-	-	53,735	53,735
<b>Debt service</b>					
Principal	-	288,000	-	-	288,000
Interest and other	-	1,017,434	-	-	1,017,434
Bond issuance costs	-	179,067	-	-	179,067
<b>TOTAL EXPENDITURES</b>	<b>4,209,582</b>	<b>1,484,501</b>	<b>1,132,157</b>	<b>1,054,740</b>	<b>7,880,980</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>832,408</b>	<b>(35,569)</b>	<b>35,610</b>	<b>(507,649)</b>	<b>324,800</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Refunding bonds issued	-	11,850,000	-	-	11,850,000
Principal paid on refunded bonds	-	(11,465,000)	-	-	(11,465,000)
Transfers in	23,297	29,419	-	525,000	577,716
Transfers out	(525,000)	(1,127)	-	(51,589)	(577,716)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(501,703)</b>	<b>413,292</b>	<b>-</b>	<b>473,411</b>	<b>385,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>330,705</b>	<b>377,723</b>	<b>35,610</b>	<b>(34,238)</b>	<b>709,800</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>2,295,102</b>	<b>1,563,894</b>	<b>3,974</b>	<b>2,398,207</b>	<b>6,261,177</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 2,625,807</b>	<b>\$ 1,941,617</b>	<b>\$ 39,584</b>	<b>\$ 2,363,969</b>	<b>\$ 6,970,977</b>

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, 2015

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

Net changes in fund balances - total governmental funds	\$ 709,800
<p>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.</p>	
Depreciation	(2,310,744)
Capital outlay	1,611,556
Capital contribution to enterprise funds	(12,871,707)
<p>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.</p>	
Amortization of bond premium	8,114
Debt issued	(11,850,000)
Principal payments on bonds payable	11,753,000
<p>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.</p>	
	155,803
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	21,591
<p>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.</p>	
Property taxes	(20,754)
Special assessments	(23,292)
<p>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</p>	
Consolidation of internal service fund activities with governmental activities	38,926
Change in net position of governmental activities	\$ (12,777,707)

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 4,093,500	\$ 4,093,500	\$ 4,156,080	\$ 62,580
Licenses and permits	246,500	246,500	298,966	52,466
Intergovernmental	248,600	248,600	291,525	42,925
Charges for services	161,400	161,400	185,579	24,179
Fines and forfeitures	55,200	55,200	45,049	(10,151)
Interest on investments	2,000	2,000	10,377	8,377
Miscellaneous	41,500	41,500	54,414	12,914
<b>TOTAL REVENUES</b>	<b>4,848,700</b>	<b>4,848,700</b>	<b>5,041,990</b>	<b>193,290</b>
<b>EXPENDITURES</b>				
Current				
General government	1,074,900	1,074,900	1,047,189	27,711
Public safety	1,828,900	1,828,900	1,843,799	(14,899)
Public works	816,400	816,400	760,421	55,979
Culture and recreation	396,500	396,500	377,917	18,583
Miscellaneous	207,000	207,000	180,256	26,744
<b>TOTAL EXPENDITURES</b>	<b>4,323,700</b>	<b>4,323,700</b>	<b>4,209,582</b>	<b>114,118</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>525,000</b>	<b>525,000</b>	<b>832,408</b>	<b>307,408</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	23,297	23,297
Transfers out	(525,000)	(525,000)	(525,000)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(525,000)</b>	<b>(525,000)</b>	<b>(501,703)</b>	<b>23,297</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>-</b>	<b>330,705</b>	<b>330,705</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>2,295,102</b>	<b>2,295,102</b>	<b>2,295,102</b>	<b>-</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 2,295,102</b>	<b>\$ 2,295,102</b>	<b>\$ 2,625,807</b>	<b>\$ 330,705</b>

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, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601	602	615	Total	
	Water Utility	Sewer Utility	Ice Arena		
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and investments	\$ (63,984)	\$ (53,265)	\$ 156,696	\$ 39,447	\$ 1,588,290
Receivables					
Special assessments	5,679	2,421	-	8,100	-
Accounts	6,586	11,246	-	17,832	-
Prepaid items	-	-	75	75	-
<b>TOTAL CURRENT ASSETS</b>	<b>(51,719)</b>	<b>(39,598)</b>	<b>156,771</b>	<b>65,454</b>	<b>1,588,290</b>
<b>NONCURRENT ASSETS</b>					
Capital assets					
Land	-	-	30,000	30,000	-
Buildings and structures	-	-	1,535,440	1,535,440	-
Machinery and equipment	-	-	15,278	15,278	3,008,395
Infrastructure	8,021,242	8,775,139	-	16,796,381	-
Less accumulated depreciation	(790,131)	(645,890)	(1,074,799)	(2,510,820)	(1,229,655)
<b>Total capital assets (net of accumulated depreciation)</b>	<b>7,231,111</b>	<b>8,129,249</b>	<b>505,919</b>	<b>15,866,279</b>	<b>1,778,740</b>
<b>TOTAL ASSETS</b>	<b>7,179,392</b>	<b>8,089,651</b>	<b>662,690</b>	<b>15,931,733</b>	<b>3,367,030</b>
<b>LIABILITIES</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	2,441	-	12,072	14,513	-
Due to other governments	-	11,875	-	11,875	-
Salaries payable	252	252	-	504	-
Compensated absences payable- current portion	-	-	-	-	121,531
Unearned revenue	-	-	16,400	16,400	-
Loan payable - current portion	-	20,735	-	20,735	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,693</b>	<b>32,862</b>	<b>28,472</b>	<b>64,027</b>	<b>121,531</b>
<b>NONCURRENT LIABILITIES</b>					
Compensated absences payable - noncurrent portion	-	-	-	-	25,084
Loan payable - noncurrent portion	-	79,205	-	79,205	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>-</b>	<b>79,205</b>	<b>-</b>	<b>79,205</b>	<b>25,084</b>
<b>TOTAL LIABILITIES</b>	<b>2,693</b>	<b>112,067</b>	<b>28,472</b>	<b>143,232</b>	<b>146,615</b>
<b>NET POSITION</b>					
Net investment in capital assets	7,231,111	8,129,249	505,919	15,866,279	1,778,740
Unrestricted	(54,412)	(151,665)	128,299	(77,778)	1,441,675
<b>TOTAL NET POSITION</b>	<b>\$ 7,176,699</b>	<b>\$ 7,977,584</b>	<b>\$ 634,218</b>	<b>\$ 15,788,501</b>	<b>\$ 3,220,415</b>

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, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	602 Sewer Utility	615 Ice Arena	Total	
<b>OPERATING REVENUES</b>					
Ice rentals and related revenue	\$ -	\$ -	\$ 183,387	\$ 183,387	\$ -
Rentals, signs, lockers and tower	-	-	8,175	8,175	-
Dry floor events	-	-	5,430	5,430	-
Concession revenue	-	-	2,229	2,229	-
Charges for services	65,163	106,888	32,500	204,551	279,290
<b>TOTAL OPERATING REVENUES</b>	<b>65,163</b>	<b>106,888</b>	<b>231,721</b>	<b>403,772</b>	<b>279,290</b>
<b>OPERATING EXPENSES</b>					
Personnel services	19,360	19,412	-	38,772	19,590
Repairs and maintenance	4,039	167	11,301	15,507	-
Utilities	19,525	3,767	49,031	72,323	-
Professional services	801	-	80,232	81,033	-
Supplies	9,825	295	12,453	22,573	2,595
Other services and charges	1,480	4,695	191	6,366	-
Depreciation	271,478	292,505	75,190	639,173	247,149
<b>TOTAL OPERATING EXPENSES</b>	<b>326,508</b>	<b>320,841</b>	<b>228,398</b>	<b>875,747</b>	<b>269,334</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(261,345)</b>	<b>(213,953)</b>	<b>3,323</b>	<b>(471,975)</b>	<b>9,956</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Sale of capital assets	-	1,669	-	1,669	26,592
Interest on investments	-	-	161	161	2,378
Loss on disposal of capital asset	-	(189,279)	-	(189,279)	-
Financing charge	-	(99,940)	-	(99,940)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>-</b>	<b>(287,550)</b>	<b>161</b>	<b>(287,389)</b>	<b>28,970</b>
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS</b>	<b>(261,345)</b>	<b>(501,503)</b>	<b>3,484</b>	<b>(759,364)</b>	<b>38,926</b>
<b>CAPITAL CONTRIBUTIONS</b>	<b>4,512,318</b>	<b>8,404,681</b>	<b>-</b>	<b>12,916,999</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>4,250,973</b>	<b>7,903,178</b>	<b>3,484</b>	<b>12,157,635</b>	<b>38,926</b>
<b>NET POSITION, JANUARY 1</b>	<b>2,925,726</b>	<b>74,406</b>	<b>630,734</b>	<b>3,630,866</b>	<b>3,181,489</b>
<b>NET POSITION, DECEMBER 31</b>	<b>\$ 7,176,699</b>	<b>\$ 7,977,584</b>	<b>\$ 634,218</b>	<b>\$ 15,788,501</b>	<b>\$ 3,220,415</b>

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, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	602 Sewer Utility	615 Ice Arena	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers and users	\$ 67,438	\$ 107,126	\$ 248,121	\$ 422,685	\$ -
Receipts from interfund services provided	-	-	-	-	279,103
Payments to suppliers	(39,729)	3,039	(165,517)	(202,207)	(8,628)
Payments to employees	(19,889)	(19,941)	-	(39,830)	-
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>7,820</u>	<u>90,224</u>	<u>82,604</u>	<u>180,648</u>	<u>270,475</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Payments received on interfund loan	-	-	-	-	2,922
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Acquisition of capital assets	-	-	(60,323)	(60,323)	(134,890)
Connection fees received	23,100	22,192	-	-	-
Proceeds from sale of capital assets	-	1,669	-	1,669	26,592
<b>NET CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>23,100</u>	<u>23,861</u>	<u>(60,323)</u>	<u>(6,822)</u>	<u>(108,298)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Interest received on investments	-	-	161	161	2,377
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	30,920	114,085	22,442	167,447	167,476
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>(94,904)</u>	<u>(167,350)</u>	<u>134,254</u>	<u>(128,000)</u>	<u>1,420,814</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ (63,984)</u>	<u>\$ (53,265)</u>	<u>\$ 156,696</u>	<u>\$ 39,447</u>	<u>\$ 1,588,290</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, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	602 Sewer Utility	615 Ice Arena	Total	
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (261,345)	\$ (213,953)	\$ 3,323	\$ (471,975)	\$ 9,956
Adjustments to reconcile operating income (loss) to net cash provided (used) operating activities					
Depreciation expense	271,478	292,505	75,190	639,173	247,149
(Increase) decrease in assets					
Accounts receivable	5,414	119	-	5,533	-
Special assessments receivable	(3,139)	119	-	(3,020)	-
Prepays	652	704	305	1,661	-
Increase (decrease) in liabilities					
Accounts payable	(4,711)	11,259	(12,614)	(6,066)	(6,033)
Accrued salaries/compensated absences payable	(529)	(529)	-	(1,058)	19,403
Unearned revenue	-	-	16,400	16,400	-
<b>Total adjustments</b>	<b>269,165</b>	<b>304,177</b>	<b>79,281</b>	<b>652,623</b>	<b>260,519</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 7,820</b>	<b>\$ 90,224</b>	<b>\$ 82,604</b>	<b>\$ 180,648</b>	<b>\$ 270,475</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>					
Disposal of capital assets	\$ -	\$ 189,279	\$ -	\$ 189,279	\$ -
Transfer of capital assets from governmental activities	\$ 4,489,218	\$ 8,382,489	\$ -	\$ 12,871,707	\$ -
Financing charge	\$ -	\$ 99,940	\$ -	\$ 99,940	\$ -

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, 2015

**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 is reported as a special revenue fund. 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 is reported as a special revenue fund. 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, 2015

**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, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Description of funds*

The City 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 *Municipal State Aid Street Improvement fund* is used to account for municipal state aid received for street improvement projects.

The City 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, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. Assets, deferred outflows of resources, 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 Statement 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. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. 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.
8. 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.
9. 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.

CITY OF EAST BETHEL, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*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.

*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 2015. 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.

*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 (amounts 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, 2015, 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, 2015

**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 outflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statement of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by East Bethel Fire Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value.

CITY OF EAST BETHEL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*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.

*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.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

CITY OF EAST BETHEL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**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 2015.

CITY OF EAST BETHEL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED**

**B. Excess of expenditures over appropriations**

For the year ended December 31, 2015, expenditures exceeded appropriations in the Recycling fund by \$72,224, which was funded by actual revenues in excess of budget and fund balance. Expenditures exceeded appropriations in the EDA fund by \$1,433 which was funded by actual revenues in excess of budget.

**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, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

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 \$1,267,615 and the bank balance was \$1,303,226. Of the bank balance, \$462,621 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, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Investments***

As of December 31, 2015, 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	\$ 5,588,871
Certificates of deposits	N/A	1 to 3 years	<u>1,797,409</u>
Total investments			<u>\$ 7,386,280</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 46 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	\$ 1,267,615
Investments	7,386,280
Cash on hand	<u>150</u>
Total	<u>\$ 8,654,045</u>

**B. Loan receivable**

The City has issued one loan to a local business to finance water and sewer access charges totaling \$10,223. The loan will be amortized for five years at 5 percent.

CITY OF EAST BETHEL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**C. Capital assets**

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decrease	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 887,546	\$ -	\$ -	\$ 887,546
Construction in progress	13,170,422	1,179,047	(13,180,818)	1,168,651
Total capital assets, not being depreciated	14,057,968	1,179,047	(13,180,818)	2,056,197
Capital assets, being depreciated				
Buildings and improvements	5,542,755	-	-	5,542,755
Park improvements	1,381,979	13,038	-	1,395,017
Machinery and equipment	4,091,772	140,410	(366,797)	3,865,385
Streets	51,002,065	678,105	-	51,680,170
Storm sewers	2,012,144	44,958	-	2,057,102
Total capital assets, being depreciated	64,030,715	876,511	(366,797)	64,540,429
Less accumulated depreciation for				
Buildings and improvements	(2,762,517)	(204,579)	-	(2,967,096)
Park improvements	(682,560)	(67,540)	-	(750,100)
Machinery and equipment	(2,028,074)	(287,914)	366,797	(1,949,191)
Streets	(29,383,632)	(1,930,965)	-	(31,314,597)
Storm sewers	(915,178)	(66,895)	-	(982,073)
Total accumulated depreciation	(35,771,961)	(2,557,893)	366,797	(37,963,057)
Total capital assets being depreciated, net	28,258,754	(1,681,382)	(733,594)	26,577,372
Governmental activities capital assets, net	\$ 42,316,722	\$ (502,335)	\$ (13,914,412)	\$ 28,633,569

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

<b>Governmental activities</b>	
General government	\$ 128,075
Public safety	125,332
Public works	1,963,468
Culture and recreation	93,869
Depreciation on capital assets held by governmental internal service activities charged to each function based on use	247,149
Total depreciation expense - governmental activities	\$ 2,557,893

CITY OF EAST BETHEL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	Beginning Balance	Increases	Decrease	Ending Balance
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Capital assets, being depreciated				
Buildings and improvements	1,480,690	54,750	-	1,535,440
Machinery and equipment	9,705	5,573	-	15,278
Infrastructure	4,223,535	12,871,707	(298,861)	16,796,381
Total capital assets, being depreciated	5,713,930	12,932,030	(298,861)	18,347,099
Less accumulated depreciation for				
Buildings and improvements	(997,668)	(73,662)	-	(1,071,330)
Machinery and equipment	(1,942)	(1,528)	-	(3,470)
Infrastructure	(981,619)	(563,983)	109,582	(1,436,020)
Total accumulated depreciation	(1,981,229)	(639,173)	109,582	(2,510,820)
Total capital assets being depreciated, net	3,732,701	12,292,857	(408,443)	15,836,279
Business-type activities capital assets, net	\$ 3,762,701	\$ 12,292,857	\$ (408,443)	\$ 15,866,279

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

<b>Business-type activities</b>	
Water utility	\$ 271,478
Sewer utility	292,505
Ice Arena	75,190
Total depreciation expense - business-type activities	\$ 639,173

**Construction commitments**

As of December 31, 2015, the City has signed contracts in place for one construction projects. The following summarizes these commitments:

Project	Spent to date	Remaining Commitment
Lincoln, Laurel, Longfellow Reconstruction Project	\$ 888,304	\$ 27,473

CITY OF EAST BETHEL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**D. Interfund transfers**

The composition of interfund transfers for the year ended December 31, 2015 is as follows:

Fund	Transfer in			Total
	General Fund	Debt Service Fund	Nonmajor Capital Project Fund	
Transfer out				
General	\$ -	\$ -	\$ 525,000	\$ 525,000
Debt Service Fund	1,127	-	-	1,127
Nonmajor governmental	22,170	29,419	-	51,589
Total	\$ 23,297	\$ 29,419	\$ 525,000	\$ 577,716

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, 2015:

- Nonmajor governmental funds and Debt Service funds transferred \$22,170 and \$1,127, respectively to the General fund to close the funds.

**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	\$ 60,000
G.O. Improvement Bonds, Series 2010C	1,260,000	3.20-3.45	12/15/2010	2/1/2017	1,260,000
G.O. Public Safety Bonds, Series 2013A	1,250,000	3.00	11/13/2013	2/1/2026	1,175,000
Total G.O. Improvement Bonds					\$ 2,495,000

CITY OF EAST BETHEL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Principal
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	100,000	22,500	122,500
2021-2025	575,000	62,775	637,775
2026	125,000	1,875	126,875
Total	<u>\$ 2,495,000</u>	<u>\$ 247,674</u>	<u>\$ 2,742,674</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	\$ 980,000
G.O. Water Revenue Note Series 2010	69,190	1.00	2/17/2010	8/20/2029	53,590
G.O Refunding Bond Series 2014A	5,485,000	3.00-4.00	3/4/2014	2/1/2040	5,485,000
G.O Refunding Bond Series 2015A	11,850,000	3.50-4.00	4/23/2015	2/1/2040	<u>11,850,000</u>
Total G.O. Revenue Bonds					<u>\$ 18,368,590</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 328,000	\$ 623,633	\$ 951,633
2017	248,000	612,541	860,541
2018	269,000	602,311	871,311
2019	514,000	587,921	1,101,921
2020	529,000	569,481	1,098,481
2021-2025	2,060,000	2,624,532	4,684,532
2026-2030	3,325,590	2,206,094	5,531,684
2031-2035	5,260,000	1,508,100	6,768,100
2036-2040	5,835,000	539,988	6,374,988
Total	<u>\$ 18,368,590</u>	<u>\$ 9,874,601</u>	<u>\$ 28,243,191</u>

CITY OF EAST BETHEL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Loan payable

In 2015, the City entered into an agreement with Met Council for a reserve capacity loan related to sewer infrastructure constructed. The City has annual connection requirements and revenue in order to meet the required payments to Met Council. Any shortfalls on a yearly basis, will be added to the reserve capacity loan and capped at \$2,000,000. Once the balance reaches the \$2,000,000, the City will begin paying this amount back with interest over a period of 10 to 20 years at 2.73 percent.

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
G.O. improvement bonds	\$ 2,625,000	\$ -	\$ (130,000)	\$ 2,495,000	\$ 845,000
G.O. revenue bonds	18,141,590	11,850,000	(11,623,000)	18,368,590	328,000
Issuance premium	169,521	-	(8,114)	161,407	-
Total bonds payable	20,936,111	11,850,000	(11,761,114)	21,024,997	1,173,000
Pension liability	-	1,102,689 *	(128,375)	974,314	-
Compensated absences	127,212	140,934	(121,531)	146,615	121,531
Total governmental activity long-term debt	<u>\$ 21,063,323</u>	<u>\$ 13,093,623</u>	<u>\$(12,011,020)</u>	<u>\$ 22,145,926</u>	<u>\$ 1,294,531</u>
 <b>Business-type activities</b>					
Loan payable	<u>\$ -</u>	<u>\$ 99,940</u>	<u>\$ -</u>	<u>\$ 99,940</u>	<u>\$ 20,735</u>

\* Includes 1/1/2015 pension liability balance related to GASB Statement No. 68 implementation. See Note 7 for further detail.

***Refunding bond***

On April 23, 2015 the City issued \$11,850,000 of General Obligation Refunding Bonds, Series 2015A. The bond issued refunded the Taxable General Obligation Water Utility Revenue Bonds, Series 2010A on May 7, 2015. As a result of the refunding issue, the City will save \$1,178,293 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$695,192.

CITY OF EAST BETHEL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**F. Components of fund balance**

At December 31, 2015, 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	Municipal State Aid Street Improvement Fund	Other Governmental Funds	Total
<b>Fund Balances</b>					
<b>Nonspendable</b>					
Prepaid items	\$ 13,326	\$ -	\$ -	\$ -	\$ 13,326
<b>Restricted</b>					
Water infrastructure construction	\$ -	\$ -	\$ -	\$ 270,146	\$ 270,146
Debt service	-	1,941,617	-	-	1,941,617
Recycling	-	-	-	55,566	55,566
Equipment	-	-	-	3,745	3,745
Housing and redevelopment authority	-	-	-	747,215	747,215
Economic development authority	-	-	-	79,055	79,055
Park development	-	-	-	30,121	30,121
Municipal state aid streets	-	-	39,584	-	39,584
<b>Total Restricted</b>	<b>\$ -</b>	<b>\$ 1,941,617</b>	<b>\$ 39,584</b>	<b>\$ 1,185,848</b>	<b>\$ 3,167,049</b>
<b>Assigned to</b>					
Park capital projects	\$ -	\$ -	\$ -	\$ 125,001	\$ 125,001
Street capital projects	-	-	-	824,444	824,444
Other capital projects	-	-	-	228,676	228,676
<b>Total Assigned</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,178,121</b>	<b>\$ 1,178,121</b>

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**A. Plan description**

The City participates in the following defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

General Employees Retirement Plan (GERF)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

CITY OF EAST BETHEL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**B. Benefits provided**

PERA provides retirement, disability and death benefits. Benefit provisions are established by Minnesota statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1 percent increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF benefits

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 ten 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 ten years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**C. Contributions**

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in calendar year 2014. Coordinated Plan members contributed 6.50 percent of pay in 2015. In calendar year 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 of Coordinated Plan members. In 2015, employer rates increased to 7.5 percent in the Coordinated Plan. The City's contributions to the GERF for the year ending December 31, 2015, 2014 and 2013 were \$89,225, \$78,532 and \$80,271. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

CITY OF EAST BETHEL, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**D. Pension costs**

At December 31, 2015, the City reported a liability of \$974,314 for its proportionate share of the GERS' net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.0188 percent which was a decrease of 0.0023 percent from its proportion measured as of June 30, 2014.

For the year ended June 30, 2015, the City recognized pension expense of \$73,854 for its proportionate share of GERS' pension expense.

At June 30, 2015, the City reported its proportionate share of GERS' deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,141	\$ 49,122
Changes in actuarial assumptions	59,571	-
Net difference between projected and actual earnings on plan investments	-	86,731
Changes in proportion	-	93,331
Contributions to GERS subsequent to the measurement date	46,467	-
Total	\$ 116,179	\$ 229,184

Deferred outflows of resources totaling \$46,467 related to pensions resulting from the City's contributions to GERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

2016	\$ 49,226
2017	49,226
2018	84,082
2019	(23,062)
2020	-

CITY OF EAST BETHEL, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**E. Actuarial assumptions**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1<sup>st</sup> until 2034, then 2.5 percent for GERF

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	<u>2.00</u>	0.50
Total	<u><u>100.00 %</u></u>	

**F. Discount rate**

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF EAST BETHEL, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**G. Pension liability sensitivity**

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
	GERF	\$ 1,531,967	\$ 974,314

**H. Pension plan fiduciary net position**

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org); by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION**

**A. Plan description**

All members of the East Bethel Department (the Department) are covered by a defined benefit plan administered by the East Bethel Fire Relief Association (the Association). As of December 31, 2015, the plan covered 36 active firefighters and 4 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

**B. Benefits provided**

A fire fighter who completes at least 20 years as an active member of the Department is entitled, after age 50 to 100 percent of the pension amount.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed a minimum of 10 years of service.

**C. Contributions**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$59,194 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2015, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2015 were \$14,000. The City's contributions were equal to the required contributions as set by Minnesota statute. The City made no voluntary contributions to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

CITY OF EAST BETHEL, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED**

**D. Pension costs**

At December 31, 2015, the City reported a net pension asset of \$350,686 for the plan. The net pension asset was measured as of December 31, 2014. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by VanIwaarden applying an actuarial formula to specific census data certified by the Department as of December 31, 2015. The following table presents the changes in net pension liability (asset) during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
	<u>          </u>	<u>          </u>	<u>          </u>
Beginning balance January 1, 2015	\$ 1,361,706	\$ 1,798,055	\$ (436,349)
Changes for the year			
Service cost	62,875	-	62,875
Interest on pension liability (asset)	81,913	(9,494)	91,407
Contributions (employer)	-	14,000	(14,000)
Contributions (State)	-	59,194	(59,194)
Administrative costs	-	(4,575)	4,575
	<u>          </u>	<u>          </u>	<u>          </u>
Total net changes	144,788	59,125	85,663
	<u>          </u>	<u>          </u>	<u>          </u>
Ending balance December 31, 2015	<u>\$ 1,506,494</u>	<u>\$ 1,857,180</u>	<u>\$ (350,686)</u>

For the year ended December 31, 2015, the City recognized pension expense of \$6,221.

**E. Actuarial assumptions**

The total pension liability at December 31, 2015 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at 50 percent of age 50-64 with 20-29 year of service, 100 percent at 30 years of service	
Retirement eligibility at 100 percent over the age of 65.	
Salary increases	2.75% per year
Cost of living increases	4.00% per year
Investment rate of return	5.75%
20 year municipal bond yield	3.57%

There were no changes in actuarial assumptions in 2015.

The 5.75 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

CITY OF EAST BETHEL, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities	54.54 %	5.25 %
Fixed income	37.89	1.75
Cash	7.57	0.25
Total	100.00 %	

**F. Discount rate**

The discount rate used to measure the total pension liability was 5.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension liability sensitivity**

The following presents the City's net pension liability (asset) for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (5.00%)	Current (6.00%)	1 Percent Increase (7.00%)
Defined benefit plan	\$ (315,196)	\$ (350,686)	\$ (384,799)

**H. Pension plan fiduciary net position**

The Association issues a publicly available financial report. The report may be obtained by writing to the East Bethel Fire Relief Association, 2241 221<sup>st</sup> Ave NE, East Bethel, MN 55011.

CITY OF EAST BETHEL, MINNESOTA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2015

**Note 6: 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, 2015.

**Note 7: CHANGE IN ACCOUNTING STANDARDS**

During 2015, the City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 4.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements:

Fund	December 31, 2015		
	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
Governmental activities	\$ 28,976,983	\$ (666,340)	\$ 28,310,643

(1) To record beginning net pension liability, deferred inflows or resources, and deferred outflow of resources at December 31, 2014.

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**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF EAST BETHEL, MINNESOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2015

**Schedule of employer's share of PERA net pension liability**

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.018800 %	\$ 974,314	\$ -	\$ 974,314	\$ 1,189,667	81.9 %	78.2 %

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**Schedule of employer's PERA contributions**

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15	\$ 89,225	\$ 89,225	\$ -	\$ 1,189,667	7.5 %

*Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.*

**Schedule of employer's Fire Relief Association contributions**

Year Ending	Required Supplementary Information		
	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/15	\$ 73,194	\$ 73,194	\$ -
12/31/14	69,354	69,354	-

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

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF EAST BETHEL, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	Special Revenue	Capital Projects	Total
<b>ASSETS</b>			
Cash and investments	\$ 806,102	\$ 1,508,461	\$ 2,314,563
Receivables			
Taxes	5,219	-	5,219
Special assessments	34,751	-	34,751
Loans	10,223	-	10,223
Due from other governments	72,601	-	72,601
 TOTAL ASSETS	 \$ 928,896	 \$ 1,508,461	 \$ 2,437,357
 <b>LIABILITIES</b>			
Accounts and contracts payable	\$ 6,084	\$ 12,683	\$ 18,767
Deposits payable	-	16,625	16,625
 TOTAL LIABILITIES	 6,084	 29,308	 35,392
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	3,245	-	3,245
Unavailable revenue - special assessments	34,751	-	34,751
 TOTAL DEFERRED INFLOWS OF RESOURCES	 37,996	 -	 37,996
 <b>FUND BALANCES</b>			
Restricted	884,816	301,032	1,185,848
Assigned	-	1,178,121	1,178,121
 TOTAL FUND BALANCES	 884,816	 1,479,153	 2,363,969
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 \$ 928,896	 \$ 1,508,461	 \$ 2,437,357

CITY OF EAST BETHEL, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Special Revenue	Capital Projects	Total
REVENUES			
Taxes	\$ 123,460	\$ 57,420	\$ 180,880
Intergovernmental	102,720	239,885	342,605
Special assessments	-	1,060	1,060
Charges for services	-	4,000	4,000
Interest on investments	2,356	2,760	5,116
Miscellaneous	6,511	6,919	13,430
	<u>235,047</u>	<u>312,044</u>	<u>547,091</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	-	3,898	3,898
Public works	105,724	-	105,724
Culture and recreation	5,099	-	5,099
Housing and economic development	149,730	239,885	389,615
Capital outlay			
Public works	-	483,631	483,631
Culture and recreation	-	13,038	13,038
Economic development	-	53,735	53,735
	<u>260,553</u>	<u>794,187</u>	<u>1,054,740</u>
TOTAL EXPENDITURES			
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(25,506)</u>	<u>(482,143)</u>	<u>(507,649)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	525,000	525,000
Transfers out	-	(51,589)	(51,589)
	<u>-</u>	<u>473,411</u>	<u>473,411</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGES IN FUND BALANCES	(25,506)	(8,732)	(34,238)
FUND BALANCE, JANUARY 1	<u>910,322</u>	<u>1,487,885</u>	<u>2,398,207</u>
FUND BALANCE, DECEMBER 31	<u>\$ 884,816</u>	<u>\$ 1,479,153</u>	<u>\$ 2,363,969</u>

CITY OF EAST BETHEL, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<b>226</b>	<b>227</b>	<b>230</b>	<b>232</b>	
	Recycling	Miscellaneous Grants/ Donations	HRA	EDA	Total
	Fund	Fund	Fund	Fund	
<b>ASSETS</b>					
Cash and investments	\$ (12,951)	\$ 3,745	\$ 747,159	\$ 68,149	\$ 806,102
Taxes receivable	-	-	349	4,870	5,219
Special assessments	-	-	-	34,751	34,751
Due from other governments	72,601	-	-	-	72,601
Loans receivable	-	-	-	10,223	10,223
<b>TOTAL ASSETS</b>	<b>\$ 59,650</b>	<b>\$ 3,745</b>	<b>\$ 747,508</b>	<b>\$ 117,993</b>	<b>\$ 928,896</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 4,084	\$ -	\$ -	\$ 2,000	\$ 6,084
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable revenue - property taxes	-	-	293	2,952	3,245
Unavailable revenue - special assessments	-	-	-	34,751	34,751
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>-</b>	<b>-</b>	<b>293</b>	<b>37,703</b>	<b>37,996</b>
<b>FUND BALANCE</b>					
Restricted	55,566	3,745	747,215	78,290	884,816
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE</b>	<b>\$ 59,650</b>	<b>\$ 3,745</b>	<b>\$ 747,508</b>	<b>\$ 117,993</b>	<b>\$ 928,896</b>

CITY OF EAST BETHEL, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>226</b>	<b>227</b>	<b>230</b>	<b>232</b>	
	Recycling	Miscellaneous Grants/ Donations	HRA	EDA	Total
	Fund	Fund	Fund	Fund	
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ 185	\$ 123,275	\$ 123,460
Intergovernmental	102,720	-	-	-	102,720
Interest on investments	39	7	1,045	1,265	2,356
Miscellaneous	1,211	5,300	-	-	6,511
<b>TOTAL REVENUES</b>	<b>103,970</b>	<b>5,307</b>	<b>1,230</b>	<b>124,540</b>	<b>235,047</b>
<b>EXPENDITURES</b>					
Current					
Public works	105,724	-	-	-	105,724
Culture and recreation	-	5,099	-	-	5,099
Housing and economic development	-	-	25,275	124,455	149,730
<b>TOTAL EXPENDITURES</b>	<b>105,724</b>	<b>5,099</b>	<b>25,275</b>	<b>124,455</b>	<b>260,553</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(1,754)</b>	<b>208</b>	<b>(24,045)</b>	<b>85</b>	<b>(25,506)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>57,320</b>	<b>3,537</b>	<b>771,260</b>	<b>78,205</b>	<b>910,322</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 55,566</b>	<b>\$ 3,745</b>	<b>\$ 747,215</b>	<b>\$ 78,290</b>	<b>\$ 884,816</b>

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, 2015  
(With comparative totals for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Intergovernmental	\$ 31,000	\$ 31,000	\$ 102,720	\$ 71,720	\$ 73,357
Interest on investments	-	-	39	39	26
Miscellaneous	2,500	2,500	1,211	(1,289)	1,581
<b>TOTAL REVENUES</b>	<b>33,500</b>	<b>33,500</b>	<b>103,970</b>	<b>70,470</b>	<b>74,964</b>
EXPENDITURES					
Current					
Public works	33,500	33,500	105,724	(72,224)	69,351
NET CHANGE IN FUND BALANCES	-	-	(1,754)	(1,754)	5,613
FUND BALANCES, JANUARY 1	57,320	57,320	57,320	-	51,707
FUND BALANCES, DECEMBER 31	<u>\$ 57,320</u>	<u>\$ 57,320</u>	<u>\$ 55,566</u>	<u>\$ (1,754)</u>	<u>\$ 57,320</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, 2015  
(With comparative totals for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ -	\$ -	\$ 185	\$ 185	\$ 63
Interest on investments	-	-	1,045	1,045	503
Miscellaneous	-	-	-	-	400
TOTAL REVENUES	-	-	1,230	1,230	966
EXPENDITURES					
Current					
Housing and economic development	26,600	26,600	25,275	1,325	15,270
NET CHANGE IN FUND BALANCES	(26,600)	(26,600)	(24,045)	2,555	(14,304)
FUND BALANCES, JANUARY 1	771,260	771,260	771,260	-	785,564
FUND BALANCES, DECEMBER 31	\$ 744,660	\$ 744,660	\$ 747,215	\$ 2,555	\$ 771,260

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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, 2015  
(With comparative totals for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Property taxes	\$ 123,022	\$ 123,022	\$ 123,275	\$ 253	\$ 122,942
Interest on investments	-	-	1,265	1,265	12
Miscellaneous	-	-	-	-	16,400
TOTAL REVENUES	123,022	123,022	124,540	1,518	139,354
EXPENDITURES					
Current					
Housing and economic development	123,022	123,022	124,455	(1,433)	62,914
NET CHANGE IN FUND BALANCES	-	-	85	85	76,440
FUND BALANCES, JANUARY 1	78,205	78,205	78,205	-	1,765
FUND BALANCES, DECEMBER 31	<u>\$ 78,205</u>	<u>\$ 78,205</u>	<u>\$ 78,290</u>	<u>\$ 85</u>	<u>\$ 78,205</u>

CITY OF EAST BETHEL, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<b>404</b>	<b>411</b>	<b>506, 588</b>	<b>433</b>	<b>406</b>
	Park Acquisition Fund	Minard Street Fund	Improvements of 2003 Fund	Water Infrastructure Fund	Street Capital Fund
<b>ASSETS</b>					
Cash and investments	\$ 30,121	\$ 39,787	\$ -	\$ 288,305	\$ 795,806
<b>LIABILITIES</b>					
Accounts and contracts payable	\$ -	\$ -	\$ -	\$ 1,534	\$ 11,149
Deposits payable	-	-	-	16,625	-
<b>TOTAL LIABILITIES</b>	-	-	-	18,159	11,149
<b>FUND BALANCES</b>					
Restricted	30,121	-	-	270,146	-
Assigned	-	39,787	-	-	784,657
<b>TOTAL FUND BALANCES</b>	30,121	39,787	-	270,146	784,657
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 30,121</u>	<u>\$ 39,787</u>	<u>\$ -</u>	<u>\$ 288,305</u>	<u>\$ 795,806</u>

<b>407</b>	<b>408, 409</b>	<b>401</b>	<b>435</b>	<b>233</b> Anoka County CDBG Grant	Total
Park Capital Fund	Utility Improvement Fund	Building Fund	TIF No. 1-1	Fund	
<u>\$ 125,001</u>	<u>\$ -</u>	<u>\$ 228,676</u>	<u>\$ 765</u>	<u>\$ -</u>	<u>\$ 1,508,461</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,683
-	-	-	-	-	16,625
-	-	-	-	-	29,308
-	-	-	765	-	301,032
<u>125,001</u>	<u>-</u>	<u>228,676</u>	<u>-</u>	<u>-</u>	<u>1,178,121</u>
<u>125,001</u>	<u>-</u>	<u>228,676</u>	<u>765</u>	<u>-</u>	<u>1,479,153</u>
<u>\$ 125,001</u>	<u>\$ -</u>	<u>\$ 228,676</u>	<u>\$ 765</u>	<u>\$ -</u>	<u>\$ 1,508,461</u>

CITY OF EAST BETHEL, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>404</b>	<b>411</b>	<b>506, 588</b>	<b>433</b>	<b>406</b>
	Park Acquisition Fund	Minard Street Fund	Improvements of 2003 Fund	Water Infrastructure Fund	Street Capital Fund
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	1,060	-	-
Intergovernmental	-	-	-	-	-
Interest on investments	39	53	32	576	1,532
Charges for services	4,000	-	-	-	-
Miscellaneous	-	6,000	-	-	-
<b>TOTAL REVENUES</b>	<b>4,039</b>	<b>6,053</b>	<b>1,092</b>	<b>576</b>	<b>1,532</b>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	-	-
Housing and economic development	-	-	-	-	-
Capital outlay					
Public works	-	-	-	54,904	428,727
Culture and recreation	-	-	-	-	-
Housing and economic development	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>54,904</b>	<b>428,727</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>4,039</b>	<b>6,053</b>	<b>1,092</b>	<b>(54,328)</b>	<b>(427,195)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	425,000
Transfers out	-	-	(22,170)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>-</b>	<b>(22,170)</b>	<b>-</b>	<b>425,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>4,039</b>	<b>6,053</b>	<b>(21,078)</b>	<b>(54,328)</b>	<b>(2,195)</b>
<b>FUND BALANCES, JANUARY 1</b>	<b>26,082</b>	<b>33,734</b>	<b>21,078</b>	<b>324,474</b>	<b>786,852</b>
<b>FUND BALANCES, DECEMBER 31</b>	<b>\$ 30,121</b>	<b>\$ 39,787</b>	<b>\$ -</b>	<b>\$ 270,146</b>	<b>\$ 784,657</b>

<b>407</b>	<b>408, 409</b>	<b>401</b>	<b>435</b>	<b>233</b> Anoka County CDBG Grant	<b>Total</b>
Park Capital Fund	Utility Improvement Fund	Building Fund	TIF No. 1-1	Fund	
\$ -	\$ -	\$ -	\$ 57,420	\$ -	\$ 57,420
-	-	-	-	-	1,060
-	-	-	-	239,885	239,885
189	10	327	2	-	2,760
-	-	-	-	-	4,000
870	49	-	-	-	6,919
<u>1,059</u>	<u>59</u>	<u>327</u>	<u>57,422</u>	<u>239,885</u>	<u>312,044</u>
-	-	3,898	-	-	3,898
.	-	-	-	239,885	239,885
-	-	-	-	-	483,631
13,038	-	-	-	-	13,038
-	-	-	53,735	-	53,735
<u>13,038</u>	<u>-</u>	<u>3,898</u>	<u>53,735</u>	<u>239,885</u>	<u>794,187</u>
<u>(11,979)</u>	<u>59</u>	<u>(3,571)</u>	<u>3,687</u>	<u>-</u>	<u>(482,143)</u>
50,000	-	50,000	-	-	525,000
-	(29,419)	-	-	-	(51,589)
<u>50,000</u>	<u>(29,419)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>473,411</u>
38,021	(29,360)	46,429	3,687	-	(8,732)
<u>86,980</u>	<u>29,360</u>	<u>182,247</u>	<u>(2,922)</u>	<u>-</u>	<u>1,487,885</u>
<u>\$ 125,001</u>	<u>\$ -</u>	<u>\$ 228,676</u>	<u>\$ 765</u>	<u>\$ -</u>	<u>\$ 1,479,153</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, 2015  
(With comparative totals for the year ended December 31, 2014)

	2015			2014	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
<b>REVENUE</b>					
Taxes					
Property	\$ 4,050,500	\$ 4,050,500	\$ 4,072,004	\$ 21,504	\$ 4,048,832
Franchise	43,000	43,000	58,877	15,877	56,160
Gambling	-	-	25,199	25,199	-
Total	<u>4,093,500</u>	<u>4,093,500</u>	<u>4,156,080</u>	<u>62,580</u>	<u>4,104,992</u>
Licenses and permits					
Business	34,000	34,000	40,967	6,967	34,935
Nonbusiness	212,500	212,500	257,999	45,499	262,848
Total	<u>246,500</u>	<u>246,500</u>	<u>298,966</u>	<u>52,466</u>	<u>297,783</u>
Intergovernmental					
State					
Local government aid	14,000	14,000	13,940	(60)	23,470
MSA	185,000	185,000	201,066	16,066	192,114
Agricultural market value credit	-	-	8,147	8,147	6,478
PERA	2,100	2,100	2,123	23	2,123
Fire aid	47,500	47,500	66,249	18,749	62,204
Total	<u>248,600</u>	<u>248,600</u>	<u>291,525</u>	<u>42,925</u>	<u>286,389</u>
Charges for services	<u>161,400</u>	<u>161,400</u>	<u>185,579</u>	<u>24,179</u>	<u>109,988</u>
Fines and forfeitures	<u>55,200</u>	<u>55,200</u>	<u>45,049</u>	<u>(10,151)</u>	<u>50,514</u>
Interest on investments	<u>2,000</u>	<u>2,000</u>	<u>10,377</u>	<u>8,377</u>	<u>1,164</u>
Miscellaneous					
Refunds and reimbursements	<u>41,500</u>	<u>41,500</u>	<u>54,414</u>	<u>12,914</u>	<u>74,491</u>
TOTAL REVENUES	<u>4,848,700</u>	<u>4,848,700</u>	<u>5,041,990</u>	<u>193,290</u>	<u>4,925,321</u>
<b>EXPENDITURES</b>					
General government					
Mayor and Council					
Personnel services	33,600	33,600	31,434	2,166	31,003
Other services and charges	45,700	45,700	38,845	6,855	42,047
Total Mayor and Council	<u>79,300</u>	<u>79,300</u>	<u>70,279</u>	<u>9,021</u>	<u>73,050</u>
Elections					
Supplies	-	-	-	-	235
Other services and charges	2,000	2,000	2,560	(560)	9,242
Total elections	<u>2,000</u>	<u>2,000</u>	<u>2,560</u>	<u>(560)</u>	<u>9,477</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, 2015  
(With comparative totals for the year ended December 31, 2014)

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
<b>EXPENDITURES - CONTINUED</b>					
General government - continued					
Planning and zoning					
Personnel services	\$ 154,100	\$ 154,100	\$ 145,975	\$ 8,125	\$ 140,605
Supplies	100	100	193	(93)	584
Other services and charges	14,300	14,300	4,891	9,409	15,602
Total planning and zoning	168,500	168,500	151,059	17,441	156,791
Administration/support					
Personnel services	509,200	509,200	501,277	7,923	459,693
Supplies	500	500	53	447	110
Other services and charges	33,900	33,900	39,513	(5,613)	42,432
Total administration/support	543,600	543,600	540,843	2,757	502,235
General government buildings					
Supplies	3,500	3,500	2,112	1,388	3,227
Other services and charges	39,500	39,500	35,415	4,085	28,987
Total general government buildings	43,000	43,000	37,527	5,473	32,214
Miscellaneous					
Contractual services	238,500	238,500	244,921	(6,421)	218,815
Total general government	1,074,900	1,074,900	1,047,189	27,711	992,582
Public safety					
Fire protection					
Personnel services	320,600	320,600	334,495	(13,895)	319,541
Supplies	49,200	49,200	44,329	4,871	49,070
Other services and charges	196,200	196,200	211,952	(15,752)	186,641
Total fire protection	566,000	566,000	590,776	(24,776)	555,252
Police protection					
Other services and charges	1,024,000	1,024,000	1,018,494	5,506	986,330
Building inspection					
Personnel services	224,700	224,700	218,075	6,625	214,530
Supplies	6,500	6,500	4,966	1,534	5,878
Other services and charges	7,700	7,700	11,488	(3,788)	7,906
Total building inspection	238,900	238,900	234,529	4,371	228,314
Total public safety	1,828,900	1,828,900	1,843,799	(14,899)	1,769,896

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, 2015  
(With comparative totals for the year ended December 31, 2014)

	2015			Variance with Final Budget	2014
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>EXPENDITURES - CONTINUED</b>					
Public works					
Street maintenance					
Personnel services	\$ 423,000	\$ 423,000	\$ 420,510	\$ 2,490	\$ 390,917
Supplies	162,800	162,800	113,452	49,348	148,154
Other services and charges	230,600	230,600	226,459	4,141	238,662
Total public works	<u>816,400</u>	<u>816,400</u>	<u>760,421</u>	<u>55,979</u>	<u>777,733</u>
Culture and recreation					
Personnel services	306,100	306,100	289,392	16,708	297,287
Supplies	44,100	44,100	48,214	(4,114)	36,297
Other services and charges	46,300	46,300	40,311	5,989	35,556
Total culture and recreation	<u>396,500</u>	<u>396,500</u>	<u>377,917</u>	<u>18,583</u>	<u>369,140</u>
Miscellaneous					
Supplies	10,000	10,000	6,693	3,307	8,536
Other services and charges	197,000	197,000	173,563	23,437	182,142
Total miscellaneous	<u>207,000</u>	<u>207,000</u>	<u>180,256</u>	<u>26,744</u>	<u>190,678</u>
TOTAL EXPENDITURES	<u>4,323,700</u>	<u>4,323,700</u>	<u>4,209,582</u>	<u>114,118</u>	<u>4,100,029</u>
EXCESS REVENUES OVER EXPENDITURES	<u>525,000</u>	<u>525,000</u>	<u>832,408</u>	<u>307,408</u>	<u>825,292</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	23,297	23,297	48,526
Transfers out	(525,000)	(525,000)	(525,000)	-	(1,561,430)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(525,000)</u>	<u>(525,000)</u>	<u>(501,703)</u>	<u>23,297</u>	<u>(1,512,904)</u>
NET CHANGE IN FUND BALANCES	-	-	330,705	330,705	(687,612)
FUND BALANCES, JANUARY 1	<u>2,295,102</u>	<u>2,295,102</u>	<u>2,295,102</u>	-	<u>2,982,714</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,295,102</u>	<u>\$ 2,295,102</u>	<u>\$ 2,625,807</u>	<u>\$ 330,705</u>	<u>\$ 2,295,102</u>

CITY OF EAST BETHEL, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<b>301</b> 2005/2013A Safety Bond	<b>303</b> 2005B Street Improvement Debt	<b>308</b> 2008A Sewer Revenue Bond
<b>ASSETS</b>			
Cash and investments	\$ 100,469	\$ 61,140	\$ (3,460)
Receivables			
Taxes	6,385	-	6,078
Special assessments	-	-	130,000
Accounts	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 106,854</u></u>	<u><u>\$ 61,140</u></u>	<u><u>\$ 132,618</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	\$ 4,455	\$ -	\$ 3,406
Unavailable revenue - special assessments	-	-	130,000
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	4,455	-	133,406
<b>FUND BALANCES</b>			
Restricted	<u>102,399</u>	<u>61,140</u>	<u>(788)</u>
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL DEFERRED INFLOWS     OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 106,854</u></u>	<u><u>\$ 61,140</u></u>	<u><u>\$ 132,618</u></u>

<b>309</b> 2010 Water Revenue Note	<b>310</b> 2015A Revenue Bond	<b>311</b> 2014A GO Refunding Bond	<b>312</b> 2010C Improvement Bond	Total
\$ 36,382	\$ 268,943	\$ 156,562	\$ 1,303,071	\$ 1,923,107
-	16,443	11,142	-	40,048
-	142,115	-	-	272,115
721	-	-	-	721
<u>\$ 37,103</u>	<u>\$ 427,501</u>	<u>\$ 167,704</u>	<u>\$ 1,303,071</u>	<u>\$ 2,235,991</u>
-	\$ 9,214	\$ 6,243	\$ -	\$ 23,318
-	141,056	-	-	271,056
-	150,270	6,243	-	294,374
<u>37,103</u>	<u>277,231</u>	<u>161,461</u>	<u>1,303,071</u>	<u>1,941,617</u>
<u>\$ 37,103</u>	<u>\$ 427,501</u>	<u>\$ 167,704</u>	<u>\$ 1,303,071</u>	<u>\$ 2,235,991</u>

CITY OF EAST BETHEL, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>301</b> 2005/2013A Safety Bond	<b>303</b> 2005B Street Improvement Debt	<b>308</b> 2008A Sewer Revenue Bond
<b>REVENUES</b>			
Property taxes	\$ 128,283	\$ -	\$ 180,041
Intergovernmental	-	-	-
Charges for services	-	-	-
Special assessments	-	28,125	17,000
Interest on investments	47	68	-
	<u>128,330</u>	<u>28,193</u>	<u>197,041</u>
<b>TOTAL REVENUES</b>			
	<u>128,330</u>	<u>28,193</u>	<u>197,041</u>
<b>EXPENDITURES</b>			
Debt service			
Principal	75,000	55,000	155,000
Interest and other charges	37,725	4,623	42,954
Bond issuance costs	-	-	-
	<u>112,725</u>	<u>59,623</u>	<u>197,954</u>
<b>TOTAL EXPENDITURES</b>			
	<u>112,725</u>	<u>59,623</u>	<u>197,954</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>15,605</u>	<u>(31,430)</u>	<u>(913)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding bonds issued	-	-	-
Principal paid on refunded bonds	-	-	-
Transfers in	-	-	-
Transfers out	-	(1,127)	-
	<u>-</u>	<u>(1,127)</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>			
	<u>-</u>	<u>(1,127)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	15,605	(32,557)	(913)
<b>FUND BALANCES, JANUARY 1</b>	<u>86,794</u>	<u>93,697</u>	<u>125</u>
<b>FUND BALANCES, DECEMBER 31</b>	<u>\$ 102,399</u>	<u>\$ 61,140</u>	<u>\$ (788)</u>

<b>309</b> 2010 Water Revenue Note	<b>310</b> 2015A Revenue Bond	<b>311</b> 2014A GO Refunding Bond	<b>312</b> 2010C Improvement Bond	Total
\$ -	\$ 487,111	\$ 330,075	\$ -	\$ 1,125,510
-	245,321	-	-	245,321
5,673	-	-	-	5,673
-	25,230	-	-	70,355
41	64	33	1,820	2,073
<u>5,714</u>	<u>757,726</u>	<u>330,108</u>	<u>1,820</u>	<u>1,448,932</u>
3,000	-	-	-	288,000
566	699,458	189,025	43,083	1,017,434
-	179,067	-	-	179,067
<u>3,566</u>	<u>878,525</u>	<u>189,025</u>	<u>43,083</u>	<u>1,484,501</u>
<u>2,148</u>	<u>(120,799)</u>	<u>141,083</u>	<u>(41,263)</u>	<u>(35,569)</u>
-	11,850,000	-	-	11,850,000
-	(11,465,000)	-	-	(11,465,000)
29,419	-	-	-	29,419
-	-	-	-	(1,127)
<u>29,419</u>	<u>385,000</u>	<u>-</u>	<u>-</u>	<u>413,292</u>
31,567	264,201	141,083	(41,263)	377,723
<u>5,536</u>	<u>13,030</u>	<u>20,378</u>	<u>1,344,334</u>	<u>1,563,894</u>
<u>\$ 37,103</u>	<u>\$ 277,231</u>	<u>\$ 161,461</u>	<u>\$ 1,303,071</u>	<u>\$ 1,941,617</u>

CITY OF EAST BETHEL, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2015

	<b>702</b>	<b>701</b>	
	Compensated Absences	Equipment Replacement	Total
	<u>          </u>	<u>          </u>	<u>          </u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 146,957	\$ 1,441,333	\$ 1,588,290
NONCURRENT ASSETS			
Capital assets			
Machinery and equipment	-	3,008,395	3,008,395
Less accumulated depreciation	<u>-</u>	<u>(1,229,655)</u>	<u>(1,229,655)</u>
Net capital assets	<u>-</u>	<u>1,778,740</u>	<u>1,778,740</u>
TOTAL ASSETS	<u>146,957</u>	<u>3,220,073</u>	<u>3,367,030</u>
LIABILITIES			
CURRENT LIABILITIES			
Compensated absences payable - current portion	121,531	-	121,531
NONCURRENT LIABILITIES			
Compensated absences payable - noncurrent portion	<u>25,084</u>	<u>-</u>	<u>25,084</u>
TOTAL LIABILITIES	<u>146,615</u>	<u>-</u>	<u>146,615</u>
NET POSITION			
Investment in capital assets	-	1,778,740	1,778,740
Unrestricted	<u>342</u>	<u>1,441,333</u>	<u>1,441,675</u>
TOTAL NET POSITION	<u>\$ 342</u>	<u>\$ 3,220,073</u>	<u>\$ 3,220,415</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, 2015

	<b>702</b>	<b>701</b>	
	<u>Compensated Absences</u>	<u>Equipment Replacement</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services			
Services to departments	<u>\$ 19,590</u>	<u>\$ 259,700</u>	<u>\$ 279,290</u>
OPERATING EXPENSES			
Personnel services	19,590	-	19,590
Supplies	-	2,595	2,595
Depreciation	-	247,149	247,149
TOTAL OPERATING EXPENSES	<u>19,590</u>	<u>249,744</u>	<u>269,334</u>
OPERATING INCOME	<u>-</u>	<u>9,956</u>	<u>9,956</u>
NONOPERATING REVENUES			
Sale of capital assets	-	26,592	26,592
Interest on investments	187	2,191	2,378
TOTAL NONOPERATING REVENUES	<u>187</u>	<u>28,783</u>	<u>28,970</u>
CHANGE IN NET POSITION	187	38,739	38,926
NET POSITION, JANUARY 1	<u>155</u>	<u>3,181,334</u>	<u>3,181,489</u>
NET POSITION, DECEMBER 31	<u>\$ 342</u>	<u>\$ 3,220,073</u>	<u>\$ 3,220,415</u>

CITY OF EAST BETHEL, MINNESOTA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>702</b> Compensated Absences	<b>701</b> Equipment Replacement	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from interfund services provided	\$ 19,403	\$ 259,700	\$ 279,103
Payments to suppliers	-	(8,628)	(8,628)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>19,403</u>	<u>251,072</u>	<u>270,475</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Payments received on interfund loan	-	2,922	2,922
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	-	(134,890)	(134,890)
Proceeds from sale of capital assets	-	26,592	26,592
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<u>-</u>	<u>(108,298)</u>	<u>(108,298)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received on investments	187	2,190	2,377
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	19,590	147,886	167,476
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u>127,367</u>	<u>1,293,447</u>	<u>1,420,814</u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u>\$ 146,957</u>	<u>\$ 1,441,333</u>	<u>\$ 1,588,290</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
Operating income	\$ -	\$ 9,956	\$ 9,956
Adjustments to reconcile operating income to net cash provided (used) operating activities			
Depreciation expense	-	247,149	247,149
Increase (decrease) in liabilities			
Accounts payable	-	(6,033)	(6,033)
Compensated absences	19,403	-	19,403
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<u>\$ 19,403</u>	<u>\$ 251,072</u>	<u>\$ 270,475</u>

CITY OF EAST BETHEL, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015 AND 2014

	Total		Percent Increase (Decrease)
	2015	2014	
<b>REVENUES</b>			
Taxes	\$ 5,462,470	\$ 5,306,229	2.94 %
Licenses and permits	298,966	297,783	0.40
Intergovernmental	2,046,905	1,224,630	67.14
Charges for services	195,252	141,402	38.08
Fines and forfeitures	45,049	50,514	(10.82)
Special assessments	71,415	76,494	(6.64)
Interest on investments	17,879	5,164	246.22
Miscellaneous	67,844	110,766	(38.75)
	<u>                    </u>	<u>                    </u>	
<b>TOTAL REVENUES</b>	<u>\$ 8,205,780</u>	<u>\$ 7,212,982</u>	13.76 %
Per Capita	\$ 708	\$ 622	13.83 %
<b>EXPENDITURES</b>			
Current			
General government	\$ 1,051,087	\$ 992,582	5.89 %
Public safety	1,843,799	1,771,896	4.06
Public works	866,145	847,084	2.25
Culture and recreation	383,016	372,071	2.94
Housing and economic Development	389,615	111,832	248.39
Miscellaneous	180,256	190,678	(5.47)
Capital outlay			
Public works	1,615,788	1,247,085	29.57
Parks and recreation	13,038	-	N/A
Debt service			
Principal	288,000	908,000	(68.28)
Interest and other charges	1,017,434	1,237,333	(17.77)
Bond issuance costs	179,067	-	N/A
	<u>                    </u>	<u>                    </u>	
<b>TOTAL EXPENDITURES</b>	<u>\$ 7,880,980</u>	<u>\$ 7,678,561</u>	2.64 %
Per Capita	\$ 680	\$ 663	2.56 %
Total Long-term Indebtedness	\$ 21,024,997	\$ 20,936,111	0.42 %
Per Capita	1,814	1,807	0.39
General Fund Balance - December 31	\$ 2,625,807	\$ 2,295,102	14.41 %
Per Capita	227	198	14.65

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.

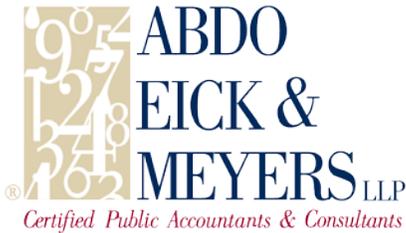
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**OTHER REQUIRED REPORTS**

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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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, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 22, 2016.

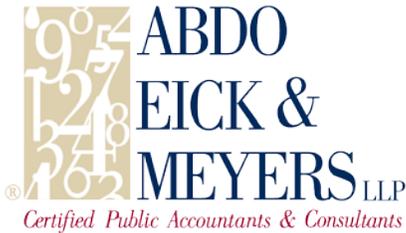
The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous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

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. 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.

*Albdo Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 22, 2016



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, 2015, 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 22, 2016.

**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.

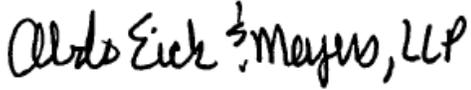
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 22, 2016