

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

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2012**

CITY OF EAST BETHEL, MINNESOTA
ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

CITY OF EAST BETHEL, MINNESOTA
CITY COUNCIL AND OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2012

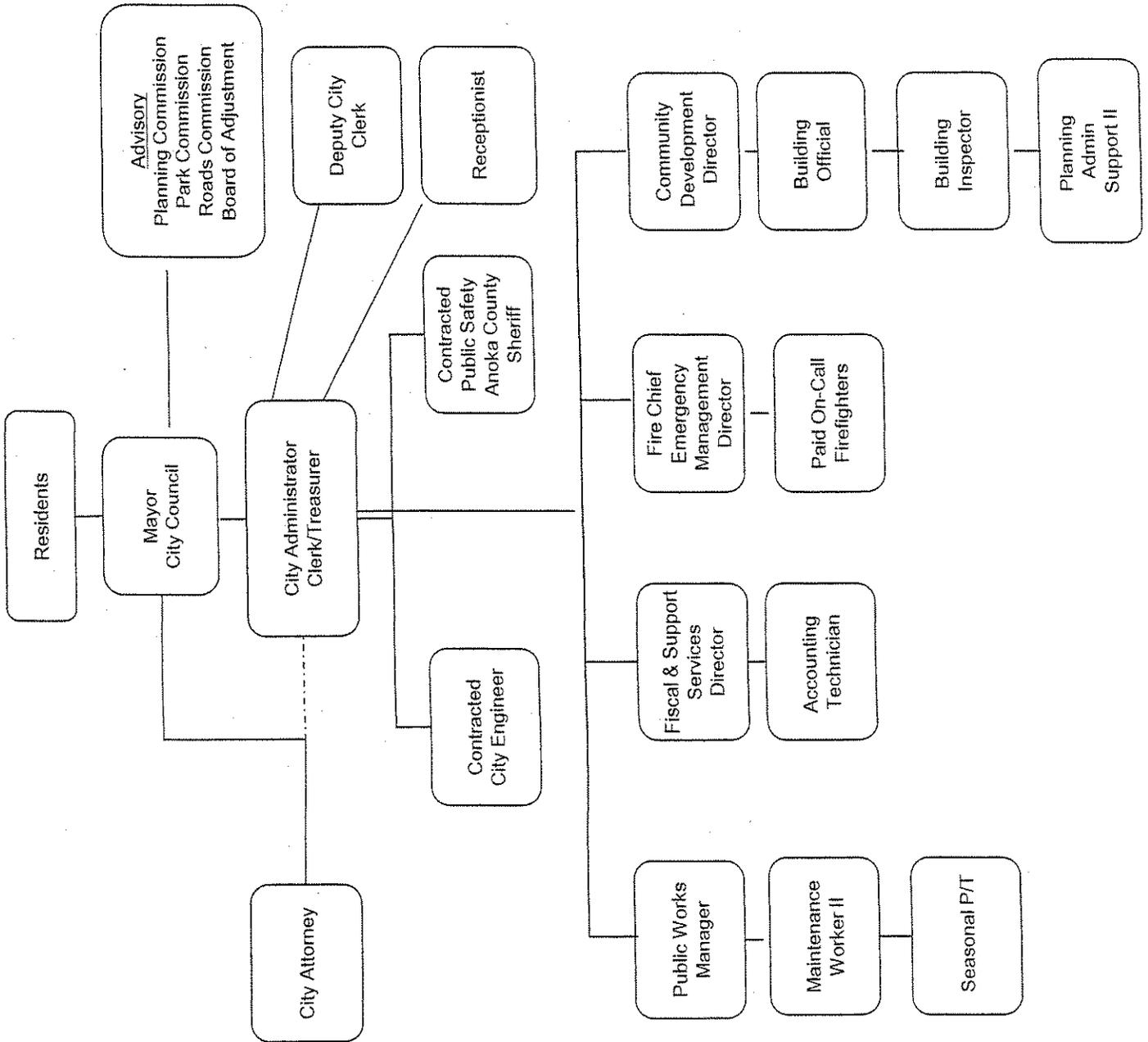
CITY COUNCIL

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

CITY OFFICIALS

Jack Davis	City Administrator
Nate Ayshford	Public Works Manager
Mark DuCharme	Fire Chief
Nick Schmitz	Building Official
Rita Pierce	Director of Fiscal & Support Services
Colleen Winter	Community Development Director

Organizational Chart



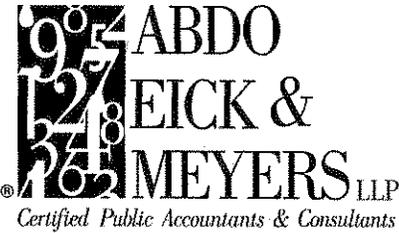
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FINANCIAL SECTION

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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5201 Eden Avenue.
Suite 250
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of East Bethel, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Other Matters

Change in Accounting Standards

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

Required Supplementary Information

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

Supplementary Information in Relation to the Financial Statements as a Whole

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 29, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

May 29, 2013
Minneapolis, Minnesota

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

Management's Discussion and Analysis

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

Financial and Development Highlights

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by \$34,648,562 (net position). Of this amount, \$5,474,003 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$687,241. Of the total, governmental activities decreased \$551,002 and the business-type activities decreased \$136,239.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$11,584,923, a decrease of \$4,576,190 from the prior fiscal year. Continued construction payments for water and sewer infrastructure from bond proceeds received in the prior year contributed significantly to the decrease in fund balance.
- At the end of the fiscal year the General fund had a fund balance of \$2,621,894.

Overview of the Financial Statements

The discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

Figure 1
Organization of East Bethel
Annual Financial Report

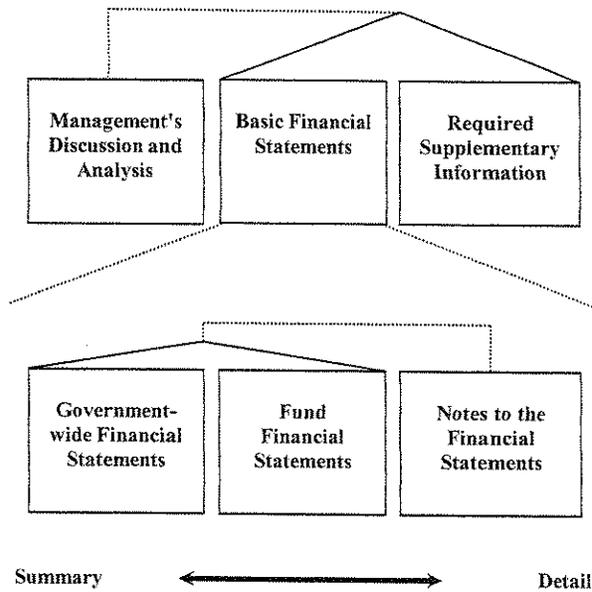


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

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

The statement of activities presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, vacation leave). Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets and highways, and parks and recreation. The business-type activities of the City include an arena, wastewater treatment and water provision.

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses 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.

For 2012, the City maintains four individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the following major funds:

- General fund
- Municipal State Aid Street Improvement fund
- Water Infrastructure fund
- Utility Infrastructure fund

Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annually appropriated budget for its General fund and many of its special revenue funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements start on page 28 of this report.

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

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

<u>Enterprise funds</u>	<u>Internal service funds</u>
Water utility fund	Compensated absences fund
Sewer utility fund	Equipment replacement fund
Ice arena fund	

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements start on page 33 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 36 of this report.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$34,648,562 at the close of the most recent fiscal year.

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

City of East Bethel, Minnesota's Net Position

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 15,990,633	\$ 20,796,243	\$ (343,314)	\$ 34,072	\$ 15,647,319	\$ 20,830,315
Capital assets	39,328,455	38,351,800	4,171,307	1,488,469	43,499,762	39,840,269
Total assets	55,319,088	59,148,043	3,827,993	1,522,541	59,147,081	60,670,584
Long-term liabilities outstanding	19,584,217	22,684,655	-	-	19,584,217	22,684,655
Other liabilities	1,967,708	2,145,223	2,946,594	504,903	4,914,302	2,650,126
Total liabilities	21,551,925	24,829,878	2,946,594	504,903	24,498,519	25,334,781
Net assets						
Net investment in capital assets	19,858,371	15,763,575	1,311,952	1,488,469	21,170,323	17,252,044
Restricted	8,241,623	12,770,031	-	-	8,241,623	12,770,031
Unrestricted	5,667,169	5,784,559	(430,553)	(470,831)	5,236,616	5,313,728
Total net position	\$ 33,767,163	\$ 34,318,165	\$ 881,399	\$ 1,017,638	\$ 34,648,562	\$ 35,335,803

A portion of the of the City's net position (\$8,004,236) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$5,474,003) may be used to meet the City's ongoing obligations to citizens and creditors.

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

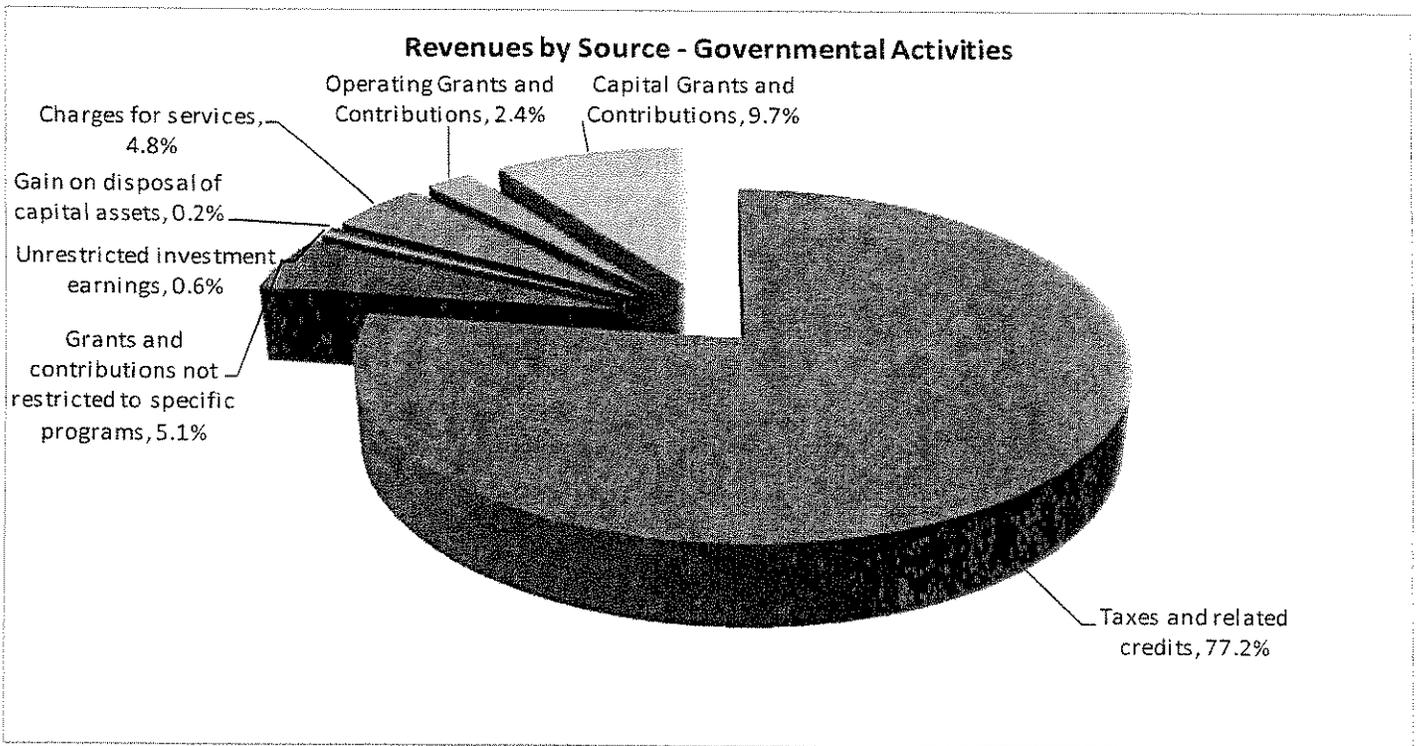
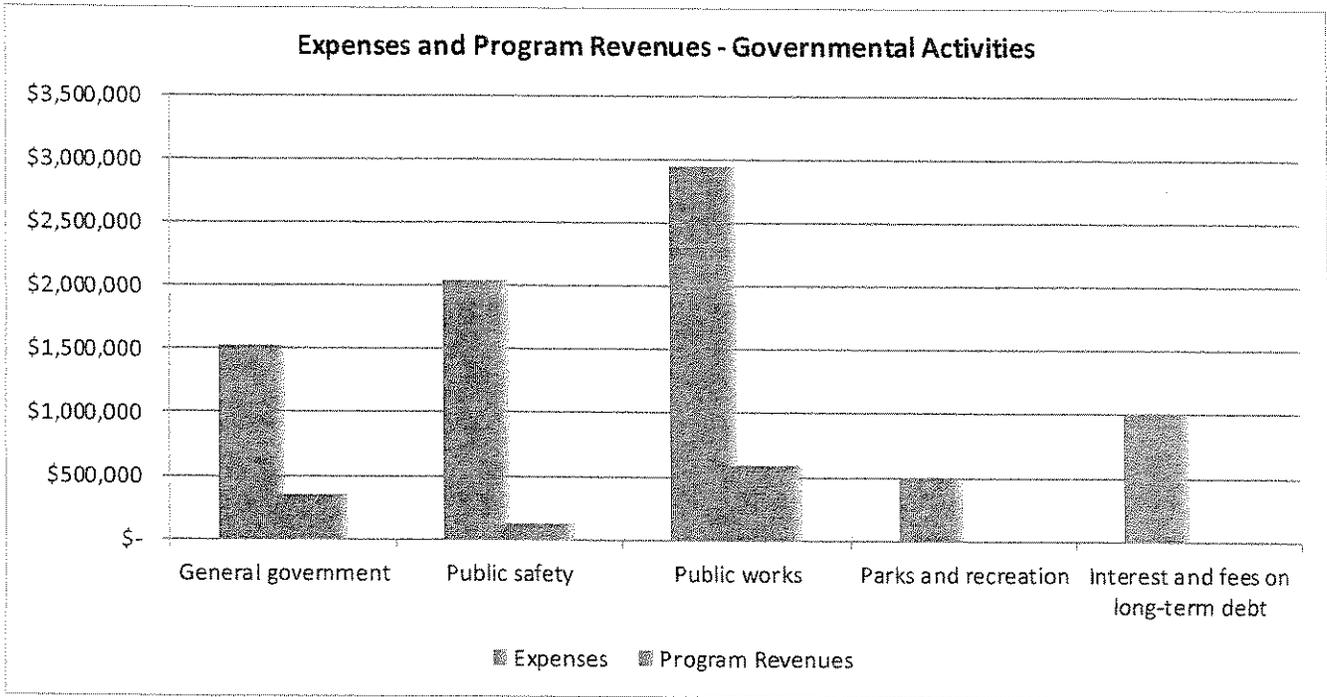
Governmental Activities

Governmental activities decreased the City's net position by \$551,002. Business type net position decreased by \$136,239. Key elements of the changes in net position are as follows:

City of East Bethel's Changes in Net Position

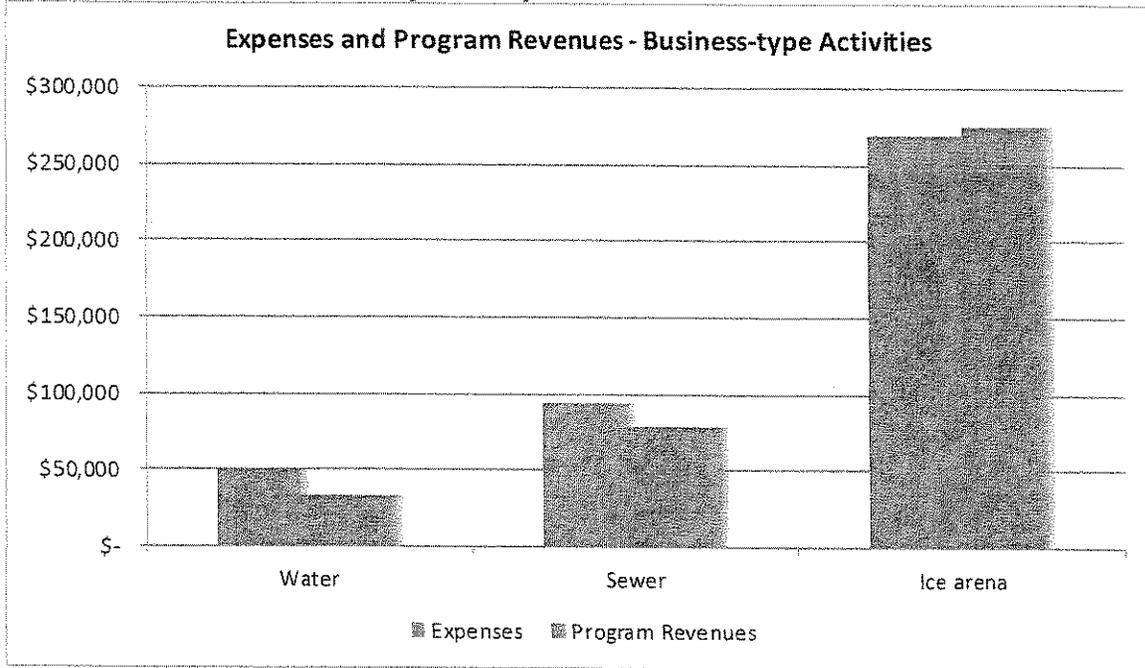
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	\$ 513,937	\$ 298,257	\$ 354,568	\$ 387,337	\$ 868,505	\$ 685,594
Operating grants and contributions	168,871	150,080	-	-	168,871	150,080
Capital grants and contributions	1,831,089	606,060	-	-	1,831,089	606,060
General revenues						
Taxes	4,658,456	4,829,697	-	-	4,658,456	4,829,697
Grants & contribution not restricted						
to specific programs	486,703	316,820	-	-	486,703	316,820
Unrestricted investment earnings	24,646	38,584	-	-	24,646	38,584
Gain on disposal of capital assets	5,312	10,827	-	-	5,312	10,827
Miscellaneous	2,890	-	-	-	2,890	-
Total revenues	7,691,904	6,250,325	354,568	387,337	8,046,472	6,637,662
Expenses						
General government	1,533,702	1,529,890	-	-	1,533,702	1,529,890
Public safety	1,835,446	2,033,451	-	-	1,835,446	2,033,451
Public works	2,973,597	2,942,970	-	-	2,973,597	2,942,970
Parks and recreation	494,806	496,101	-	-	494,806	496,101
Water	-	-	97,453	50,516	97,453	50,516
Sewer	-	-	98,031	94,161	98,031	94,161
Ice arena	-	-	295,323	269,300	295,323	269,300
Interest and fees on long-term debt	1,405,355	969,547	-	-	1,405,355	969,547
Total expenses	8,242,906	7,971,959	490,807	413,977	8,733,713	8,385,936
Change in net position	(551,002)	(1,721,634)	(136,239)	(26,640)	(687,241)	(1,748,274)
Net position as restated, January 1	34,318,165	36,039,799	1,017,638	1,044,278	35,335,803	37,084,077
Net position, December 31	\$ 33,767,163	\$ 34,318,165	\$ 881,399	\$ 1,017,638	\$ 34,648,562	\$ 35,335,803

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



Business-type Activities

Business-type activities decreased net position by \$26,640 including depreciation expenses of \$127,606. The results reflect the continuing start-up mode of the City's utility services and the continuing challenges at the City's Ice Arena. Below are graphs showing the business-type activities revenue and expense comparisons:



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

Financial Analysis of the Government's Funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,584,923. Approximately 69 percent of this total amount (\$8,004,236) constitutes restricted fund balance, indicating that it is not available for new spending because it must be used only for debt retirement or other restricted purposes. The assigned fund balance (\$992,785) reflects the City's intended use. The unassigned fund balance is \$2,586,688.

The General fund balance increased by \$367,490 in 2012. This was a result of the City's decision to delay any discretionary spending in light of lower revenues related to depressed building activity and lower interest earnings.

The Municipal State Aid Street Improvement fund increased \$236,405 by receiving intergovernmental revenues that were expended in a prior year.

The Water Infrastructure fund decreased \$3,545,447 and the Utility Construction fund decreased \$612,088 due to the expending of bond proceeds received in a prior year for the construction of water and sewer infrastructure.

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

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

The unrestricted net position in the respective proprietary funds are water (\$149,877), sewer (\$196,384) and ice arena (\$84,292). The utility operations began in 2004; as the number of customers continue to grow, financial results will improve, as fixed costs will not increase appreciably. Unfortunately, 2012 was a year with no new homes constructed which directly affects the number of utility customers. Consequently, net position of the utility funds did not improve. Utility rates were increased appreciably in 2010 to improve operating results. The ice arena fund had a decrease in net position in 2012 of \$38,985 including depreciation of \$131,272.

General Fund Budgetary Highlights

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

During the year, revenues were more than budgetary estimates by \$103,644, and expenditures were less than budgetary estimates by \$217,101. The net result was a \$320,745 increase in the General fund. The favorable expenditure budget variance was attributable to changes in City's staffing and delaying of discretionary spending.

Capital Asset and Debt Administration

Capital assets. The City's, investment in capital assets for its governmental and business type activities as of December 31, 2012, amounts to \$43,499,762 (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		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 887,546	\$ 887,546	\$ 30,000	\$ 30,000	\$ 917,546	\$ 917,546
Construction in progress	9,611,559	6,478,969	-	-	9,611,559	6,478,969
Buildings and structures	3,189,396	3,393,975	-	756,145	3,189,396	4,150,120
Machinery and equipment	1,349,585	1,385,402	-	-	1,349,585	1,385,402
Park improvements	724,408	762,908	-	-	724,408	762,908
Sewer main lines and storm sewers	1,227,758	1,293,154	-	-	1,227,758	1,293,154
Infrastructure	22,338,203	24,149,846	4,141,307	702,324	26,479,510	24,852,170
Total capital assets	\$ 39,328,455	\$ 38,351,800	\$ 4,171,307	\$ 1,488,469	\$ 43,499,762	\$ 39,840,269

Additional information on the City's capital assets can be found in Note 2C.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$22,329,439 a decrease of \$258,786 from 2011.

All debt outstanding at year-end is general obligation debt, which are backed by the full faith and credit of the City. Some of the general obligation bonds have specific 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.

City of East Bethel's Outstanding Debt

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

	Governmental Activities		Business-type Activities	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011
General obligation improvement bonds	\$ 2,995,000	\$3,130,933	\$ -	\$ -
General obligation revenue bonds	16,475,084	19,457,292	2,859,355	-
Totals	\$ 19,470,084	\$22,588,225	\$ 2,859,355	\$ -

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

State Statutes limit the amount of general obligation debt a Minnesota city may issue to three percent of total Estimated Market Value. The current debt limitation for the City is \$23,938,740. Of the City's outstanding debt, \$1,510,000 is counted within the statutory limitation.

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

Economic Factors and Next Year's Budgets and Rates

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

The City's Adopted budget includes a property tax levy of \$4,452,955 which is a decrease of \$43,843 (1 percent) over the 2012 levy.

Property tax valuations within the City decreased in 2012 and have continued to decrease in 2013; however appear to be stabilizing.

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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

Statement 1

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

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, 2012

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

General revenues

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

Total general revenues and special items

Change in net position

Net position as restated, January 1

Net position, December 31

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

Statement 2

Net (Expense) Revenue and
Changes in Net position

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

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FUND FINANCIAL STATEMENTS

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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

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

Statement 3

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

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

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

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

Statement 4

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

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, 2012

Statement 5

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

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, 2012

Statement 6

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

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

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

Statement 7

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

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, 2012

Statement 6

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial reporting entity

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

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

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

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or business-type activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Description of funds

The government reports the following major governmental funds

The *General fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

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

The government reports the following major proprietary funds

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

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

The *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.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, and arena enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for an allowable use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Legal compliance - budgets

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

1. The City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. The City Council reviews the proposed budget and makes appropriate changes.
3. Public meetings are conducted to obtain taxpayer comments.
4. The budget is legally enacted through passage of a resolution on a departmental basis for the General fund and on a fund basis for other funds and can be expended by each department (or fund) based upon detailed budget estimates for individual expenditure accounts.
5. Interdepartmental, intradepartmental or interfund appropriations and deletions are authorized by the City Council with fund contingency reserves or additional revenues.
6. Formal budgetary integration is employed as a management control device during the year for all funds. Legal debt obligation indentures determine the appropriation level of debt service tax levies for the Debt Service funds. Amounts annually budgeted for capital funds are consistent with the relevant five-year capital improvement program. A capital improvement program is reviewed annually by the City Council for the capital project funds.
7. The legal level of budgetary control is at the department level for the General fund and the fund level for other funds. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services; materials and supplies; contractual services; and capital outlay) within each program. All amounts over budget were approved by the City Council through the disbursement process.
8. The City Council may authorize transfer of budgeted amounts between City funds. The City Council made no supplemental budgetary appropriations throughout the year.

F. Cash and investments

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

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

G. Receivables and payables

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

H. Property tax revenue recognition

The City Council annually adopts a tax levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 7 and December 2 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

Government-wide financial statements

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

Governmental fund financial statements

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

I. Special assessment revenue recognition

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties. Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are allocated first to the County's costs of administering all tax forfeit properties. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

Government-wide financial statements

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Governmental fund financial statements

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments that are collected by the County by December 31 and remitted to the City the following January (unremitted taxes) are also recognized as revenue for the current year. Special assessments due to be collected in future years are classified as noncurrent assessments receivable. All remaining delinquent and noncurrent assessments receivable in governmental funds are completely offset by deferred inflows of resources.

J. Prepaid items

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

K. Capital assets

Capital assets, which include property, plant, equipment and infrastructure assets, e.g., roads, bridges, sidewalks, and similar items, are reported in the applicable governmental or business type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of at least \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of donation. Pursuant to GASB Statement 34, in the case of the initial capitalization of general infrastructure assets, i.e., those reported by governmental activities, the City chose to include all such items regardless of their acquisition date. These assets are reported at historical cost. The City estimated historical cost for the initial reporting of these assets through backtrending - estimating the current replacement cost and utilizing an appropriate price-level index to deflate the cost to the acquisition year. As the City constructs or acquires additional infrastructure assets each period, they will be capitalized and reported at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend 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, 2012, no interest was capitalized in connection with construction in progress. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives and are capitalized according to the following thresholds:

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

L. 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.

M. Long-term obligations

In the government-wide financial statements and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary funds statement of net position. Bond premiums and discounts, as well as issuance costs, are considered immaterial and are expensed in the year of bond issuance.

In the fund financial statements, governmental funds recognize 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.

N. Fund balance classifications

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

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributions; or constraints imposed by State statutory provisions.

Committed - consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management. Pursuant to City Council Resolution, the City Administrator is to assign fund balance that reflects the City Council's intended use of those funds and approved by motion of the City Council.

Unassigned - is the residual classification for the General fund and also reflects negative residual amounts in other funds.

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

The City's policy is to maintain a minimum assigned fund balance of 35 percent of the next year's property tax levy for cash-flow timing needs.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

O. Interfund transactions

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

P. Use of estimates

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

Q. Inventories

Governmental funds

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

Proprietary funds

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

R. Deferred inflows of resources

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

S. Net position

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

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

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

Note 2: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

- a) United States government treasury bills, treasury notes, treasury bonds;
- b) Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- c) 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;
- d) Unrated general obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- e) 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
- f) Time deposits that are fully insured by any Federal agency.

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

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

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

Minnesota Statutes authorize the City to invest in the following:

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

Balances at December 31, 2012

Investment Type	Fair Value	Investment maturities (in years)		
		less than 1 year	between 1 and 5 yrs.	Between 6 and 10 yrs.
External investment pool - 4M Fund	\$ 12,704,345	\$ 12,704,345	\$ -	\$ -
		Total investments		12,704,345
		Deposits		1,129,881
		Petty cash		200
		Total cash and investments		<u>\$ 13,834,426</u>

Investments for the City are reported at fair market value. The Minnesota Municipal Money Market Fund (4M) operates in accordance with appropriate State laws and regulations. The 4M fund is an external pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. The reported value of the pool is the same as the fair value of the pool shares. Financial statement of the 4M Fund can be obtained by contacting RBC Global Asset management (U.S.) Inc. at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

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

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investment risk

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

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

Credit Risk. As of December 31, 2012, the City's external investment pool investment is with the 4M fund which is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities. The 4M fund is an unrated 2a7-like pool and the fair value of the position in the pool is the same as the value of pool shares.

Concentration of Credit Risk. The City places no limit on the amount the City may invest in any one issuer. 97 percent of the City's cash and investments are with the 4M fund.

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

B. Receivables

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

	Major Fund General	Nonmajor Funds	Total
Special assessments receivable	\$ 5,658	\$ 269,778	\$ 275,436
Delinquent property taxes receivable	189,538	4,905	194,443
Total	<u>\$ 195,196</u>	<u>\$ 274,683</u>	<u>\$ 469,879</u>

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

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

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

	Beginning Balance	Increases	Decrease	Transfer	Ending Balance
Governmental activities					
Capital assets, not being depreciated					
Land	\$ 887,546	\$ -	\$ -	\$ -	\$ 887,546
Construction in progress	6,478,969	5,991,945	-	(2,859,355)	9,611,559
Total capital assets, not being depreciated	7,366,515	5,991,945	-	(2,859,355)	10,499,105
Capital assets, being depreciated					
Buildings and improvements	5,542,755	-	-	-	5,542,755
Park improvements	1,273,193	-	-	-	1,273,193
Departmental equipment	3,106,393	199,688	(78,361)	-	3,227,720
Streets	47,911,186	15,179	-	-	47,926,365
Storm sewers	2,012,144	-	-	-	2,012,144
Total capital assets, being depreciated	59,845,671	214,867	(78,361)	-	59,982,177
Less accumulated depreciation for					
Buildings and improvements	2,148,780	204,579	-	-	2,353,359
Park improvements	487,063	61,722	-	-	548,785
Departmental equipment	1,744,213	212,283	(78,361)	-	1,878,135
Streets	23,761,340	1,826,822	-	-	25,588,162
Storm sewers	718,990	65,396	-	-	784,386
Total accumulated depreciation	28,860,386	2,370,802	(78,361)	-	31,152,827
Total capital assets being depreciated - net	30,985,285	(2,155,935)	-	-	28,829,350
Governmental activities capital assets - net	\$ 38,351,800	\$ 3,836,010	\$ -	\$ (2,859,355)	\$ 39,328,455

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

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decrease	Transfer	Ending Balance
Business-type activities					
Capital assets, not being depreciated					
Land	\$ 30,000	\$ -	\$ -	\$ -	\$ 30,000
Total capital assets, not being depreciated	30,000	-	-	-	30,000
Capital assets, being depreciated					
Buildings and improvements	1,480,690	-	-	-	1,480,690
Department equipment	25,000	-	-	-	25,000
Utility infrastructure	1,357,358	-	-	2,859,355	4,216,713
Total capital assets, being depreciated	2,863,048	-	-	2,859,355	5,722,403
Less accumulated depreciation for					
Buildings and improvements	724,545	131,272	-	-	855,817
Department equipment	25,000	-	-	-	25,000
Utility infrastructure	655,034	45,245	-	-	700,279
Total accumulated depreciation	1,404,579	176,517	-	-	1,581,096
Total capital assets being depreciated - net	1,458,469	(176,517)	-	2,859,355	4,141,307
Business-type activities capital assets - net	<u>\$ 1,488,469</u>	<u>\$ (176,517)</u>	<u>\$ -</u>	<u>\$ 2,859,355</u>	<u>\$ 4,171,307</u>

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

Governmental activities

General government	\$ 130,341
Public safety	134,099
Public works	1,871,960
Parks and recreation	92,387
Depreciation on capital assets held by governmental internal service activities charged to each function based on use	<u>142,015</u>
Total depreciation expense – governmental activities	<u>\$ 2,370,802</u>

Business-type activities

Water utility	\$ 22,195
Sewer utility	23,050
Arena	<u>131,272</u>
Total depreciation expense - business-type activities	<u>\$ 176,517</u>

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

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Long-term liabilities

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

Governmental activities

	Issue Date	Maturity Date	Interest Rate	Original Issue	Payable 12/31/12
Governmental Activities					
2005A Public Safety Bonds	9/15/2005	2/1/2026	2.95 - 4.30%	\$ 1,900,000	\$ 1,510,000
2005B G.O. Improvement Bonds	9/15/2005	2/1/2016	2.95 - 3.80%	495,000	225,000
2010C Taxable G.O. Bonds	12/15/2010	2/1/2017	3.20 - 3.45%	1,260,000	1,260,000
Total G.O. Improvement Bonds				<u>3,655,000</u>	<u>2,995,000</u>
2008A G.O. Sewer Revenue Bonds	5/1/2008	2/1/2029	3.00 - 4.70%	1,715,000	1,430,000
2010 G.O. Water Revenue Note	2/17/2010	8/20/2029	1.00%	69,190	62,589
2010A Taxable G.O. Water Revenue Bonds	12/15/2010	2/1/2040	4.50 - 7.00%	8,605,645	8,605,645
2010B Taxable G.O. Utility Revenue Bonds	12/15/2010	2/1/2040	3.10 - 7.00%	6,100,000	6,100,000
Total G.O. Revenue Bonds				<u>16,489,835</u>	<u>16,198,234</u>
Total Bonds Payables				20,144,835	19,193,234
Bond Issuance Premium				<u>299,000</u>	<u>276,850</u>
Total City Indebtedness				<u>\$ 20,443,835</u>	<u>\$ 19,470,084</u>

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

Year Ending December 31,	Governmental Activities			
	G.O. Improvement Bonds		G.O. Revenue Bonds & Notes	
	Principal	Interest	Principal	Interest
2013	\$ 135,000	\$ 107,902	\$ 148,000	\$ 1,003,847
2014	140,000	103,020	153,000	999,023
2015	140,000	97,910	158,000	994,037
2016	845,000	81,350	228,000	987,730
2017	660,000	55,805	263,000	979,043
2018-2022	545,000	169,138	1,953,750	4,663,341
2023-2027	530,000	46,198	1,970,000	4,185,743
2028-2032	-	-	3,477,589	3,339,916
2033-2037	-	-	4,695,000	1,921,309
2038-2040	-	-	3,151,895	336,350
Total	<u>\$ 2,995,000</u>	<u>\$ 661,323</u>	<u>\$ 16,198,234</u>	<u>\$ 19,410,339</u>

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

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

Business-type activities

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

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Payable 12/31/12</u>
Business-type Activities					
2010A Taxable G.O. Water Revenue Bonds	12/15/2010	2/1/2040	4.50 - 7.00%	\$ 2,859,355	\$ 2,859,355
Total G.O. Revenue Bonds				<u>\$ 2,859,355</u>	<u>\$ 2,859,355</u>

<u>Year Ending December 31,</u>	<u>Business-type Activities</u>	
	<u>G.O. Revenue Bonds & Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ -	\$ 191,768
2014	-	191,768
2015	-	191,768
2016	-	191,768
2017	-	191,768
2018-2022	101,250	952,301
2023-2027	290,000	898,167
2028-2032	710,000	743,592
2033-2037	1,045,000	437,647
2038-2040	713,105	76,825
Total	<u>\$ 2,859,355</u>	<u>\$ 4,067,372</u>

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

Note 2: DETAILED NOTES ON ALL FUNDS - CONTINUED

Change in long-term liabilities

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

	Beginning Balance	Additions	Reductions	Transfers	Ending Balance Balance	Due Within One Year
Governmental Activities						
Bonds Payable						
G.O. improvement bonds	\$ 3,120,000	\$ -	\$ (125,000)	\$ -	\$ 2,995,000	\$ 135,000
G.O. revenue bonds & notes	19,180,589	-	(123,000)	(2,859,355)	16,198,234	148,000
Deferred amount						
Issuance premium	287,636	-	(10,786)	-	276,850	-
Total bonds payable	22,588,225	-	(258,786)	(2,859,355)	19,470,084	283,000
Compensated absences	96,430	97,794	(80,091)	-	114,133	80,100
Total governmental activity long-term debt	\$ 22,684,655	\$ 97,794	\$ (338,877)	\$ (2,859,355)	\$ 19,584,217	\$ 363,100
Business-type activities						
Bonds Payable						
G.O. revenue bonds	\$ -	\$ -	\$ -	\$ 2,859,355	\$ 2,859,355	\$ -
Business-type activities long-term debt	\$ -	\$ -	\$ -	\$ 2,859,355	\$ 2,859,355	\$ -

E. Revenues pledged

Bond Issue	Use of Proceeds	Type	Revenue Pledged		Remaining Principal and Interest	Current Year Principal and Interest Paid	Pledged Revenue Received
			Percent of Total Debt Service	Term of Pledge			
G.O. Improvement, 2005B	Street improvements	Special assessments	100%	2006- 2015	\$ 242,000	\$ 59,070	\$ 28,561
G.O. Sewer Revenue, 2008A	Acquisition of Sewer System	Utility revenues special assessments	86% 14%	2009- 2028	1,716,180	175,510	18,500
G.O. Water Revenue Note, 2010	Infrastructure improvements	Utility Revenues	100%	2010- 2029	68,490	3,656	5,000
G.O. Water Revenue, 2010A (Recovery Zone Economic Development Bonds)	Infrastructure improvements	Utility revenues Federal credit	70% 27%	2012- 2040	27,734,491	767,073	425,783
G.O. Utility Revenue, 2010B (Build America Bonds)	Infrastructure improvements	Utility revenues Federal credit	80% 17%	2012- 2040	13,016,139	376,563	140,796
G.O., 2010C	Infrastructure improvements	Utility revenues	88%	2013- 2017	1,425,556	41,733	-

Note 3: DEFINED BENEFIT PENSION PLANS-STATEWIDE

A. Public Employees Retirement Association (PERA)

1. Plan description

All full-time and certain part-time employees of the City of East Bethel are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF. PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.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.

2. Funding policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2012. PEPFF members are required to contribute 5.83 percent of their annual covered salary. In 2012, the City of East Bethel was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members, 7.25 percent for Coordinated Plan GERF members, and 14.40 percent for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2012, 2011 and 2010 were

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

Note 3: DEFINED BENEFIT PENSION PLANS-STATEWIDE - CONTINUED

\$74,743.14, \$79,085.52, and \$85,451.77, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

Note 4: OTHER INFORMATION

A. Interfund receivables, payables, transfers and loans

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

	Interfund Receivables	Interfund Payables
Due from/due to		
Nonmajor governmental funds		
Special revenue fund		
SAFER Grant fund	\$ -	\$ 20,148
Economic Development fund	2,543	-
Capital project fund		
Improvements of 2003 fund	-	3,049
Tax Increment District No. 1-1	-	2,543
Proprietary funds		
Water	-	115,508
Sewer	-	204,834
Ice Arena	-	47,197
Internal service fund		
Equipment replacement	390,736	-
	\$ 393,279	\$ 393,279

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

	Transfer In	Transfer Out
Governmental Activities		
Governmental funds		
Major Funds		
General Fund	\$ -	\$ 580,000
Nonmajor Funds	585,000	5,000
	585,000	585,000
Total governmental funds	585,000	585,000
Total governmental activities	585,000	585,000
Total interfund transfers	\$ 585,000	\$ 585,000

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

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

Note 5: OTHER INFORMATION - CONTINUED

B. Deficit fund balances/net position

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

Fund	Amount
Governmental activities	
2010B Utility Revenue Bond	\$ 28,326
Improvements of 2003 fund	3,123
Tax Increment District No. 1-1	2,543

C. Risk management

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

D. Litigation

The City attorney has indicated that existing and pending lawsuits, claims and other actions in which the City is a defendant are either covered by insurance; of an immaterial amount; or, in the judgment of the City attorney, remotely recoverable by plaintiffs.

E. Federal and State funds

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

F. Construction commitments

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

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

Note 5: OTHER INFORMATION - CONTINUED

G. Deferred ad valorem tax levies - bonded debt

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

H. Postemployment benefits

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

Note 6: COMPONENTS OF FUND BALANCE

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

	General Fund	Water Infrastructure Fund	Utility Infrastructure Fund	Other Governmental Funds	Total
Fund Balances					
Nonspendable					
Prepayments	\$ 1,214	\$ -	\$ -	\$ -	\$ 1,214
Total Nonspendable	\$ 1,214	\$ -	\$ -	\$ -	\$ 1,214
Restricted					
Water Infrastructure Construction	\$ -	\$ 4,532,523	\$ -	\$ -	\$ 4,532,523
Utility Infrastructure Construction	-	-	1,737,128	-	1,737,128
Debt Service Fund	-	-	-	616,996	616,996
Recycling	-	-	-	29,665	29,665
Donations	-	-	-	6,848	6,848
Housing and Redevelopment Authority	-	-	-	799,517	799,517
Economic Development Authority	-	-	-	36,064	36,064
Park Development	-	-	-	26,047	26,047
Municipal State Aid Streets	-	-	-	219,448	219,448
Total Restricted	\$ -	\$ 4,532,523	\$ 1,737,128	\$ 1,734,585	\$ 8,004,236
Assigned to					
Park Capital Projects	\$ -	\$ -	\$ -	\$ 222,464	\$ 222,464
Street Capital Projects	-	-	-	679,224	679,224
Other Capital Projects	-	-	-	91,097	91,097
Total Assigned	\$ -	\$ -	\$ -	\$ 992,785	\$ 992,785

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

Note 7: ACCOUNTING CHANGE

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

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

Activities/Fund	Net Position December 31, 2010 as Previously Reported	(1) Restatement	Net Position January 1, 2011 as Restated
Governmental activities	\$ 36,664,637	\$ (624,838)	\$ 36,039,799

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

Activities/Fund	Net Position December 31, 2011 as Previously Reported	(2) Restatement	Net Position January 1, 2012 as Restated
Governmental activities	\$ 34,917,595	\$ (599,430)	\$ 34,318,165

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

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2012

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

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

Statement 9

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

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

Statement 9

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

CITY OF EAST BETHEL, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012

Note 1: Budgetary reporting

A. The schedule

The budgetary comparison schedule presents the comparison of the original and legally amended budget with actual amounts on a departmental level for the General fund. The departmental level budgets are adopted on a basis with generally accepted accounting principles.

B. Summary of significant budget procedures

The City Administrator submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. The City Council reviews the proposed budget and makes appropriate changes. Public meetings are conducted to obtain taxpayer comments. Minnesota State Law requires that the preliminary budget and proposed tax levy be approved by the City Council prior to September 15 of each year. State statutes require the preliminary property and proposed tax levy be certified to the County Auditor by September 15. Once the City adopts the proposed tax levy, the final tax levy can be decreased, but not increased, over the certified proposed tax levy. The City Council is required to adopt the final tax levy and submit the levy to the County Auditor by December 28. The budget is legally enacted through passage of a resolution on a departmental basis for the General fund.

C. Budget amendments

Interdepartmental, intradepartmental or interfund appropriations and deletions are authorized by the City Council with fund contingency reserves or additional revenues. The City Council may authorize transfer of budgeted amounts between City funds. The City Council made no supplemental budgetary appropriations throughout the year.

D. Budgetary compliance

The legal level of budgetary control is at the department level for the General fund. Monitoring of budgets is maintained at the expenditure category level (i.e., personal services; materials and supplies; contractual services; and capital outlay) within each program. All amounts over budget were approved by the City Council through the disbursement process.

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

CITY OF EAST BETHEL
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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

Statement 10

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and investments	\$ 858,346	\$ 828,093	\$ 1,186,353	\$ 2,872,792
Taxes receivable	6,430	-	-	6,430
Accounts receivable	-	-	1,440	1,440
Due from other funds	2,543	-	-	2,543
Due from other governments	62,442	-	-	62,442
Special assessments receivable	-	232,482	37,338	269,820
Accrued interest and other receivables	-	614	-	614
	<u>\$ 929,761</u>	<u>\$ 1,061,189</u>	<u>\$ 1,225,131</u>	<u>\$ 3,216,081</u>
LIABILITIES				
Accounts and contracts payable	\$ 32,614	\$ 37	\$ 149,958	\$ 182,609
Due to other funds	20,148	-	5,592	25,740
Interfund loan	-	240,000	-	240,000
Unearned revenue - other	-	-	19,119	19,119
	<u>52,762</u>	<u>240,037</u>	<u>174,669</u>	<u>467,468</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	4,905	-	-	4,905
Unavailable revenue - special assessments	-	232,482	37,296	269,778
	<u>4,905</u>	<u>232,482</u>	<u>37,296</u>	<u>274,683</u>
FUND BALANCES				
Restricted	872,094	616,996	26,047	1,515,137
Assigned	-	-	992,785	992,785
Unassigned	-	(28,326)	(5,666)	(33,992)
	<u>872,094</u>	<u>588,670</u>	<u>1,013,166</u>	<u>2,473,930</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 929,761</u>	<u>\$ 1,061,189</u>	<u>\$ 1,225,131</u>	<u>\$ 3,216,081</u>

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

Statement 11

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
General property taxes	\$ 162,472	\$ 305,328	\$ -	\$ 467,800
Special assessments	-	46,625	23,227	69,852
Intergovernmental	127,975	476,979	-	604,954
Investment income	1,187	16,586	2,069	19,842
Other	7,459	89,600	10,479	107,538
TOTAL REVENUES	<u>299,093</u>	<u>935,118</u>	<u>35,775</u>	<u>1,269,986</u>
EXPENDITURES				
Current				
General government	53,173	-	-	53,173
Public safety	69,283	-	-	69,283
Public works	-	-	222,860	222,860
Parks and recreation	2,080	-	39,175	41,255
Economic Development	122,968	-	2,543	125,511
Capital outlay	15,032	-	780,374	795,406
Principal and debt extinguishment	-	248,000	-	248,000
Interest and fiscal charges	-	1,317,032	16	1,317,048
TOTAL EXPENDITURES	<u>262,536</u>	<u>1,565,032</u>	<u>1,044,968</u>	<u>2,872,536</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>36,557</u>	<u>(629,914)</u>	<u>(1,009,193)</u>	<u>(1,602,550)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	5,000	580,000	585,000
Transfers out	-	-	(5,000)	(5,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>5,000</u>	<u>575,000</u>	<u>580,000</u>
NET CHANGE IN FUND BALANCES	36,557	(624,914)	(434,193)	(1,022,550)
FUND BALANCE, JANUARY 1	<u>835,537</u>	<u>1,213,584</u>	<u>1,447,359</u>	<u>3,496,480</u>
FUND BALANCE, DECEMBER 31	<u>\$ 872,094</u>	<u>\$ 588,670</u>	<u>\$ 1,013,166</u>	<u>\$ 2,473,930</u>

CITY OF EAST BETHEL, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
SUBCOMBINING BALANCE SHEET
DECEMBER 31, 2012

	Recycling Fund	Miscellaneous Grants/ Donations Fund	SAFER Grant Fund	HRA Fund
ASSETS				
Cash and investments	\$ 13,358	\$ 6,848	\$ -	\$ 796,961
Taxes receivable	-	-	-	1,063
Due from other funds	-	-	-	2,543
Due from other governments	41,432	-	21,010	-
 TOTAL ASSETS	 \$ 54,790	 \$ 6,848	 \$ 21,010	 \$ 800,567
 LIABILITIES				
Accounts and contracts payable	\$ 25,125	\$ -	\$ 862	\$ -
Due to other funds	-	-	20,148	-
 TOTAL LIABILITIES	 25,125	 -	 21,010	 -
 DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	1,050
 FUND BALANCES				
Restricted	29,665	6,848	-	799,517
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	 \$ 54,790	 \$ 6,848	 \$ 21,010	 \$ 800,567

Statement 12

EDA Fund	Totals Nonmajor Special Revenue Funds
\$ 41,179	\$ 858,346
5,367	6,430
-	2,543
-	62,442
<u>\$ 46,546</u>	<u>\$ 929,761</u>
\$ 6,627	\$ 32,614
-	20,148
6,627	52,762
3,855	4,905
<u>36,064</u>	<u>872,094</u>
<u>\$ 46,546</u>	<u>\$ 929,761</u>

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

	Recycling Fund	Miscellaneous Grants/ Donations Fund	SAFER Grant Fund	HRA Fund
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 2,484
Intergovernmental	59,428	-	68,547	-
Interest income	-	-	-	1,187
Other	2,329	5,130	-	-
	<u>61,757</u>	<u>5,130</u>	<u>68,547</u>	<u>3,671</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	37,151	1,022	-	15,000
Public safety	-	736	68,547	-
Parks and recreation	-	2,080	-	-
Economic Development	-	-	-	-
Capital outlay	15,032	-	-	-
	<u>52,183</u>	<u>3,838</u>	<u>68,547</u>	<u>15,000</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	<u>9,574</u>	<u>1,292</u>	<u>-</u>	<u>(11,329)</u>
NET CHANGE IN FUND BALANCE	9,574	1,292	-	(11,329)
FUND BALANCE, JANUARY 1	<u>20,091</u>	<u>5,556</u>	<u>-</u>	<u>810,846</u>
FUND BALANCE, DECEMBER 31	<u>\$ 29,665</u>	<u>\$ 6,848</u>	<u>\$ -</u>	<u>\$ 799,517</u>

Statement 13

EDA Fund	Totals Nonmajor Special Revenue Funds
\$ 159,988	\$ 162,472
-	127,975
-	1,187
-	7,459
<u>159,988</u>	<u>299,093</u>
-	53,173
-	69,283
-	2,080
122,968	122,968
-	15,032
<u>122,968</u>	<u>262,536</u>
<u>37,020</u>	<u>36,557</u>
37,020	36,557
<u>(956)</u>	<u>835,537</u>
<u>\$ 36,064</u>	<u>\$ 872,094</u>

CITY OF EAST BETHEL, MINNESOTA
NONMAJOR DEBT SERVICE FUNDS
SUBCOMBINING BALANCE SHEET
DECEMBER 31, 2012

	<u>2005 Public Safety Bond</u>	<u>2005B Street Improvement Debt</u>	<u>2008A Sewer Revenue Bond</u>
ASSETS			
Cash and investments	\$ 176,039	\$ 302,596	\$ 1,238
Noncurrent special assessments	-	72,482	160,000
Accrued interest receivable	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 176,039</u></u>	<u><u>\$ 375,078</u></u>	<u><u>\$ 161,238</u></u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ 37
Internal loan	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u> </u>	<u> </u>	<u> 37</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - special assessments	-	72,482	160,000
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES			
Restricted	176,039	302,596	1,201
Unassigned	-	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>176,039</u>	<u>302,596</u>	<u>1,201</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 176,039</u></u>	<u><u>\$ 375,078</u></u>	<u><u>\$ 161,238</u></u>

2010 Water Revenue Note	2010A Revenue Bond	2010B Utility Revenue Bond	2010C Bond	Totals Debt Service Funds
\$ 2,750	\$ 158,153	\$ 61,313	\$ 126,004	\$ 828,093
-	-	-	-	232,482
-	614	-	-	614
<u>\$ 2,750</u>	<u>\$ 158,767</u>	<u>\$ 61,313</u>	<u>\$ 126,004</u>	<u>\$ 1,061,189</u>
\$ -	\$ -	\$ -	\$ -	\$ 37
-	150,361	89,639	-	240,000
-	150,361	89,639	-	240,037
-	-	-	-	232,482
2,750	8,406	-	126,004	616,996
-	-	(28,326)	-	(28,326)
<u>2,750</u>	<u>8,406</u>	<u>(28,326)</u>	<u>126,004</u>	<u>588,670</u>
<u>\$ 2,750</u>	<u>\$ 158,767</u>	<u>\$ 61,313</u>	<u>\$ 126,004</u>	<u>\$ 1,061,189</u>

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

	2005 Public Safety Bond	2005B Street Improvement Debt	2008A Sewer Revenue Bond	2010 Water Revenue Note
REVENUES				
Property taxes	\$ 147,328	\$ -	\$ 158,000	\$ -
Special assessments	-	28,125	18,500	-
Intergovernmental	-	-	-	-
Investment income	142	436	-	-
Other	-	-	-	-
TOTAL REVENUES	<u>147,470</u>	<u>28,561</u>	<u>176,500</u>	<u>-</u>
EXPENDITURES				
Current				
Principal	75,000	50,000	120,000	3,000
Interest and fiscal charges	61,990	9,472	55,972	656
TOTAL EXPENDITURES	<u>136,990</u>	<u>59,472</u>	<u>175,972</u>	<u>3,656</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>10,480</u>	<u>(30,911)</u>	<u>528</u>	<u>(3,656)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	5,000
NET CHANGE IN FUND BALANCES	10,480	(30,911)	528	1,344
FUND BALANCE, JANUARY 1	<u>165,559</u>	<u>333,507</u>	<u>673</u>	<u>1,406</u>
FUND BALANCE, DECEMBER 31	<u>\$ 176,039</u>	<u>\$ 302,596</u>	<u>\$ 1,201</u>	<u>\$ 2,750</u>

2010A Revenue Bond	2010B Utility Revenue Bond	2010C Bond	Total Debt Service Funds
\$ -	\$ -	\$ -	\$ 305,328
-	-	-	46,625
345,183	131,796	-	476,979
7,581	4,345	4,082	16,586
80,600	9,000	-	89,600
<u>433,364</u>	<u>145,141</u>	<u>4,082</u>	<u>935,118</u>
-	-	-	248,000
<u>768,264</u>	<u>377,754</u>	<u>42,924</u>	<u>1,317,032</u>
<u>768,264</u>	<u>377,754</u>	<u>42,924</u>	<u>1,565,032</u>
<u>(334,900)</u>	<u>(232,613)</u>	<u>(38,842)</u>	<u>(629,914)</u>
-	-	-	5,000
<u>(334,900)</u>	<u>(232,613)</u>	<u>(38,842)</u>	<u>(624,914)</u>
<u>343,306</u>	<u>204,287</u>	<u>164,846</u>	<u>1,213,584</u>
<u>\$ 8,406</u>	<u>\$ (28,326)</u>	<u>\$ 126,004</u>	<u>\$ 588,670</u>

CITY OF EAST BETHEL, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
SUBCOMBINING BALANCE SHEET
DECEMBER 31, 2012

	Park Acquisition Fund	Park Trails Fund	Minard Street Fund	Improvements of 2003 Fund
ASSETS				
Cash and investments	\$ 26,047	\$ 146,044	\$ 19,696	\$ -
Accounts receivable	-	-	-	-
Special assessments receivable				
Unremitted	-	-	-	-
Delinquent	-	-	-	1,544
Noncurrent	-	-	-	20,033
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 26,047</u>	<u>\$ 146,044</u>	<u>\$ 19,696</u>	<u>\$ 21,577</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 74
Contracts payable	-	-	-	-
Due to other funds	-	-	-	3,049
Unearned revenue - other	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,123</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	-	-	-	21,577
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES				
Restricted	26,047	-	-	-
Assigned	-	146,044	19,696	-
Unassigned	-	-	-	(3,123)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>26,047</u>	<u>146,044</u>	<u>19,696</u>	<u>(3,123)</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 26,047</u>	<u>\$ 146,044</u>	<u>\$ 19,696</u>	<u>\$ 21,577</u>

Street Capital Fund	Park Capital Fund	Utility Improvement Fund	Building Fund	Lunde/Jewell Street Fund	Tax Increment District No. 1-1	Totals Nonmajor Capital Projects Funds
\$ 768,980	\$ 76,420	\$ 19,091	\$ 89,685	\$ 40,390	\$ -	\$ 1,186,353
-	-	1,440	-	-	-	1,440
42	-	-	-	-	-	42
1,430	-	625	-	-	-	3,599
6,474	-	-	-	7,190	-	33,697
<u>\$ 776,926</u>	<u>\$ 76,420</u>	<u>\$ 21,156</u>	<u>\$ 89,685</u>	<u>\$ 47,580</u>	<u>\$ -</u>	<u>\$ 1,225,131</u>
\$ 115,347	\$ -	\$ -	\$ -	\$ 37	\$ -	115,458
34,500	-	-	-	-	-	34,500
-	-	-	-	-	2,543	5,592
-	-	19,119	-	-	-	19,119
<u>149,847</u>	<u>-</u>	<u>19,119</u>	<u>-</u>	<u>37</u>	<u>2,543</u>	<u>174,669</u>
7,904	-	625	-	7,190	-	37,296
-	-	-	-	-	-	26,047
619,175	76,420	1,412	89,685	40,353	-	992,785
-	-	-	-	-	(2,543)	(5,666)
<u>619,175</u>	<u>76,420</u>	<u>1,412</u>	<u>89,685</u>	<u>40,353</u>	<u>(2,543)</u>	<u>1,013,166</u>
<u>\$ 776,926</u>	<u>\$ 76,420</u>	<u>\$ 21,156</u>	<u>\$ 89,685</u>	<u>\$ 47,580</u>	<u>\$ -</u>	<u>\$ 1,225,131</u>

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

	Park Acquisition Fund	Park Trails Fund	Minard Street Fund	Improvements of 2003 Fund
REVENUES				
Special assessments	\$ -	\$ -	\$ -	\$ 9,898
Investment income	39	213	29	-
Donations	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	<u>39</u>	<u>213</u>	<u>29</u>	<u>9,898</u>
EXPENDITURES				
Current				
Public works	-	-	-	74
Parks and recreation	-	685	-	-
Economic Development	-	-	-	-
Capital outlay	-	-	-	-
Interest and fiscal charges	-	-	-	16
TOTAL EXPENDITURES	<u>-</u>	<u>685</u>	<u>-</u>	<u>90</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>39</u>	<u>(472)</u>	<u>29</u>	<u>9,808</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	5,000	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	39	4,528	29	9,808
FUND BALANCE, JANUARY 1	<u>26,008</u>	<u>141,516</u>	<u>19,667</u>	<u>(12,931)</u>
FUND BALANCE, DECEMBER 31	<u>\$ 26,047</u>	<u>\$ 146,044</u>	<u>\$ 19,696</u>	<u>\$ (3,123)</u>

Street Capital Fund	Park Capital Fund	Utility Improvement Fund	Building Fund	Lunde/Jewell Street Fund	Tax Increment District No. 1-1	Totals Nonmajor Capital Projects Funds
\$ 7,892	\$ -	\$ -	\$ -	\$ 5,437	\$ -	\$ 23,227
1,584	39	36	75	54	-	2,069
-	300	-	-	-	-	300
-	4,764	5,415	-	-	-	10,179
<u>9,476</u>	<u>5,103</u>	<u>5,451</u>	<u>75</u>	<u>5,491</u>	<u>-</u>	<u>35,775</u>
222,749	-	-	-	37	-	222,860
-	38,490	-	-	-	-	39,175
-	-	-	-	-	2,543	2,543
774,905	5,469	-	-	-	-	780,374
-	-	-	-	-	-	16
<u>997,654</u>	<u>43,959</u>	<u>-</u>	<u>-</u>	<u>37</u>	<u>2,543</u>	<u>1,044,968</u>
<u>(988,178)</u>	<u>(38,856)</u>	<u>5,451</u>	<u>75</u>	<u>5,454</u>	<u>(2,543)</u>	<u>(1,009,193)</u>
425,000	100,000	-	50,000	-	-	580,000
-	-	(5,000)	-	-	-	(5,000)
<u>425,000</u>	<u>100,000</u>	<u>(5,000)</u>	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>575,000</u>
(563,178)	61,144	451	50,075	5,454	(2,543)	(434,193)
<u>1,182,353</u>	<u>15,276</u>	<u>961</u>	<u>39,610</u>	<u>34,899</u>	<u>-</u>	<u>1,447,359</u>
<u>\$ 619,175</u>	<u>\$ 76,420</u>	<u>\$ 1,412</u>	<u>\$ 89,685</u>	<u>\$ 40,353</u>	<u>\$ (2,543)</u>	<u>\$ 1,013,166</u>

CITY OF EAST BETHEL, MINNESOTA
SPECIAL REVENUE FUND - RECYCLING FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

Statement 18

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUE				
Intergovernmental	\$ 30,721	\$ 30,721	\$ 59,428	\$ 28,707
Miscellaneous revenues	2,000	2,000	2,329	329
TOTAL REVENUE	<u>32,721</u>	<u>32,721</u>	<u>61,757</u>	<u>29,036</u>
EXPENDITURES				
Current				
General government	32,721	32,721	37,151	(4,430)
Capital outlay	-	-	15,032	(15,032)
TOTAL EXPENDITURES	<u>32,721</u>	<u>32,721</u>	<u>52,183</u>	<u>(19,462)</u>
NET CHANGE IN FUND BALANCE	-	-	9,574	9,574
FUND BALANCE, JANUARY 1	<u>20,091</u>	<u>20,091</u>	<u>20,091</u>	<u>-</u>
FUND BALANCE, DECEMBER 31	<u>\$ 20,091</u>	<u>\$ 20,091</u>	<u>\$ 29,665</u>	<u>\$ 9,574</u>

CITY OF EAST BETHEL, MINNESOTA
SPECIAL REVENUE FUND - SAFER GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

Statement 19

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUE				
Intergovernmental	\$ 90,750	\$ 90,750	\$ 68,547	\$ (22,203)
TOTAL REVENUE	<u>90,750</u>	<u>90,750</u>	<u>68,547</u>	<u>(22,203)</u>
EXPENDITURES				
Current				
Public safety	90,750	90,750	68,547	22,203
TOTAL EXPENDITURES	<u>90,750</u>	<u>90,750</u>	<u>68,547</u>	<u>22,203</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
FUND BALANCE, JANUARY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, DECEMBER 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SPECIAL REVENUE FUND - HRA FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUE				
Taxes	\$ -	\$ -	\$ 2,484	\$ 2,484
Interest Income	-	-	1,187	1,187
TOTAL REVENUE	-	-	3,671	3,671
EXPENDITURES				
Current				
General Government	37,100	37,100	15,000	22,100
NET CHANGE IN FUND BALANCE	(37,100)	(37,100)	(11,329)	25,771
FUND BALANCE, JANUARY 1	810,846	810,846	810,846	-
FUND BALANCE, DECEMBER 31	<u>\$ 773,746</u>	<u>\$ 773,746</u>	<u>\$ 799,517</u>	<u>\$ 25,771</u>

CITY OF EAST BETHEL, MINNESOTA
SPECIAL REVENUE FUND - EDA FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012

Statement 21

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUE				
Taxes	\$ 163,428	\$ 163,428	\$ 159,988	\$ (3,440)
EXPENDITURES				
Current				
Economic development	140,940	140,940	122,968	17,972
NET CHANGE IN FUND BALANCE	22,488	22,488	37,020	14,532
FUND BALANCE, JANUARY 1	(956)	(956)	(956)	-
FUND BALANCE, DECEMBER 31	<u>\$ 21,532</u>	<u>\$ 21,532</u>	<u>\$ 36,064</u>	<u>\$ 14,532</u>

CITY OF EAST BETHEL, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2012

Statement 22

	<u>Compensated Absences</u>	<u>Equipment Replacement</u>	<u>Total Internal Service Funds</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 113,334	\$ 1,488,075	\$ 1,601,409
Accounts receivable	799	405	1,204
Due from other funds	-	390,736	390,736
Interfund loan	-	240,000	240,000
Prepaid items	-	37,180	37,180
	<u>114,133</u>	<u>2,156,396</u>	<u>2,270,529</u>
TOTAL CURRENT ASSETS			
NONCURRENT ASSETS			
Capital assets			
Machinery and equipment	-	1,603,865	1,603,865
Less accumulated depreciation	-	(536,187)	(536,187)
	<u>-</u>	<u>1,067,678</u>	<u>1,067,678</u>
Net capital assets	<u>-</u>	<u>1,067,678</u>	<u>1,067,678</u>
	<u>114,133</u>	<u>3,224,074</u>	<u>3,338,207</u>
TOTAL ASSETS			
LIABILITIES			
CURRENT LIABILITIES			
Compensated absences - current portion	80,100	-	80,100
NONCURRENT LIABILITIES			
Compensated absences payable - noncurrent portion	34,033	-	34,033
	<u>114,133</u>	<u>-</u>	<u>114,133</u>
TOTAL LIABILITIES			
NET POSITION			
Net investment in capital assets	-	1,067,678	1,067,678
Unrestricted	-	2,156,396	2,156,396
	<u>-</u>	<u>2,156,396</u>	<u>2,156,396</u>
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 3,224,074</u>	<u>\$ 3,224,074</u>

CITY OF EAST BETHEL, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2012

Statement 23

	<u>Compensated Absences</u>	<u>Equipment Replacement</u>	<u>Totals Internal Service Funds</u>
OPERATING REVENUES			
Departmental billings	\$ 17,703	\$ 262,200	\$ 279,903
Franchise Fees	-	4,736	4,736
Donations/refunds	-	7,890	7,890
	<u>17,703</u>	<u>274,826</u>	<u>292,529</u>
TOTAL OPERATING REVENUES			
OPERATING EXPENSES			
Wages and fringe benefits	17,703	-	17,703
Supplies	-	1,747	1,747
Depreciation	-	142,015	142,015
	<u>17,703</u>	<u>143,762</u>	<u>161,465</u>
TOTAL OPERATING EXPENSES			
OPERATING INCOME	<u>-</u>	<u>131,064</u>	<u>131,064</u>
NONOPERATING REVENUES			
Sale of capital assets	-	5,312	5,312
Investment income	-	2,704	2,704
	<u>-</u>	<u>8,016</u>	<u>8,016</u>
TOTAL NONOPERATING REVENUES			
CHANGE IN NET ASSETS	<u>-</u>	<u>139,080</u>	<u>139,080</u>
NET POSITION, JANUARY 1	<u>-</u>	<u>3,084,994</u>	<u>3,084,994</u>
NET POSITION, DECEMBER 31	<u>\$ -</u>	<u>\$ 3,224,074</u>	<u>\$ 3,224,074</u>

CITY OF EAST BETHEL, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012

Statement 24

	Compensated Absences	Equipment Replacement	Total Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers and users	\$ 20,136	\$ 274,799	\$ 294,935
Payment to suppliers	-	(38,927)	(38,927)
NET CASH FLOWS FROM OPERATING ACTIVITIES	20,136	235,872	256,008
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Decrease in due from other funds	-	219,273	219,273
NET CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-	219,273	219,273
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Proceeds from capital equipment sales	-	5,312	5,312
Capital equipment purchase	-	(162,257)	(162,257)
NET CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-	(156,945)	(156,945)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	-	2,704	2,704
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,136	300,904	321,040
CASH AND CASH EQUIVALENTS, JANUARY 1	93,198	1,187,171	1,280,369
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 113,334	\$ 1,488,075	\$ 1,601,409
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income	\$ -	\$ 131,064	\$ 131,064
Adjustments to reconcile operating income to net cash flows from operating activities			
Depreciation expense	-	142,015	142,015
Change in assets and liabilities			
Decrease (increase) in receivables	2,433	(27)	2,406
Increase in prepayments	-	(37,180)	(37,180)
Decrease in accounts payable	17,703	-	17,703
TOTAL ADJUSTMENTS	20,136	104,808	124,944
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 20,136	\$ 235,872	\$ 256,008