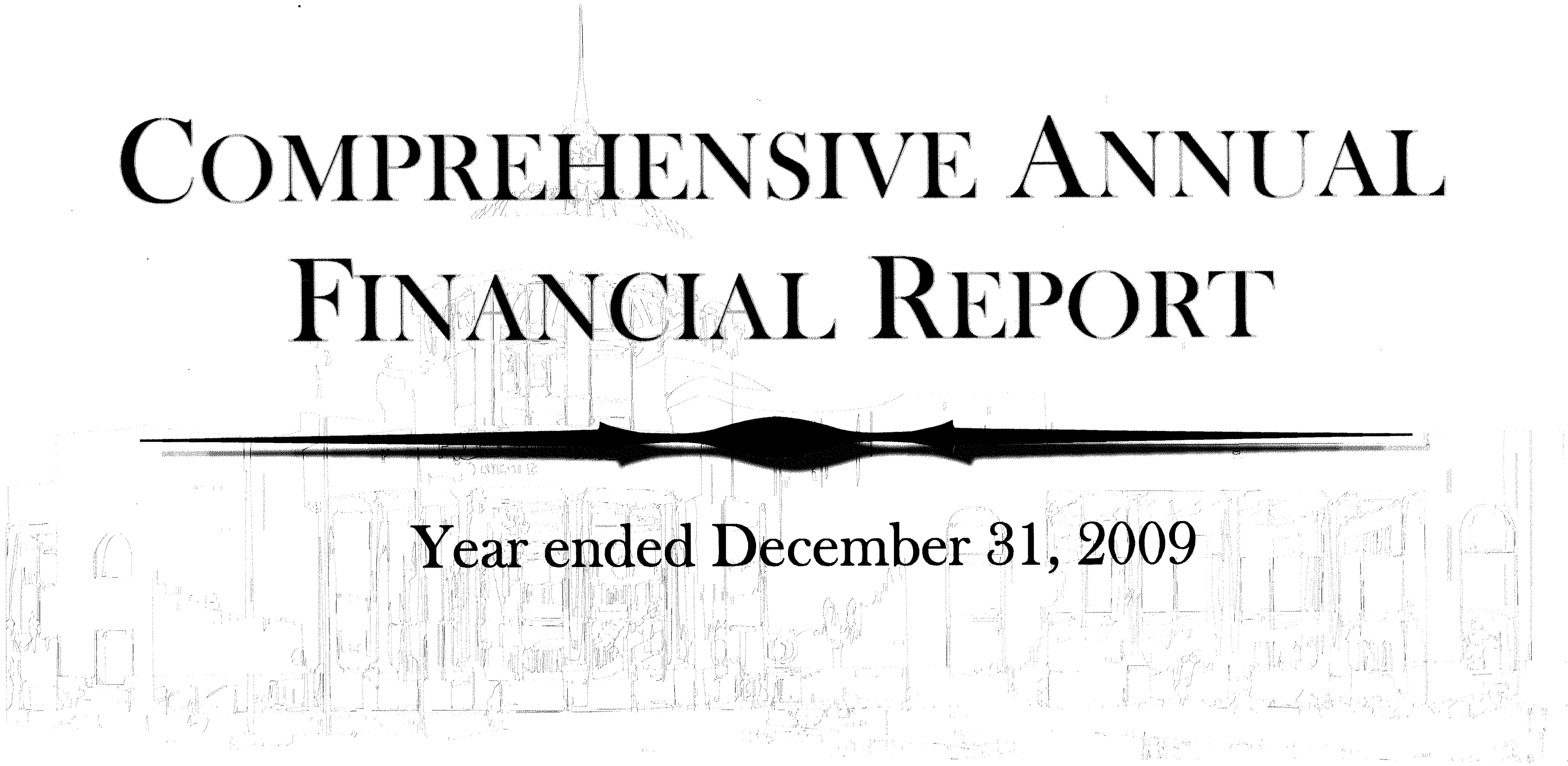
City of East Grand Forks

Minnesota

Comprehensive Annual Financial Report

Year Ended December 31, 2009

COMPREHENSIVE ANNUAL FINANCIAL REPORT



Year ended December 31, 2009

CITY OF EAST GRAND FORKS, MINNESOTA
Prepared by Department of Administration & Finance

SCOTT HUIZENGA
CITY ADMINISTRATOR

JERRY LUCKE
FINANCE DIRECTOR

INTRODUCTORY
SECTION

CITY OF EAST GRAND FORKS, MINNESOTA

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Administration and Finance

June 18, 2010

To the Honorable Mayor, Members of the City Council, and the Citizens of the City of East Grand Forks:

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants or the Office of State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of East Grand Forks for the fiscal year ended December 31, 2009.

The report consists of management's representations concerning the finances of the City of East Grand Forks. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City of East Grand Forks has established a comprehensive internal control framework that is designed both to protect the city's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of East Grand Forks' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of East Grand Forks comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of East Grand Forks' financial statements have been audited by Brady Martz and Associates, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of East Grand Forks for the fiscal year ended December 31, 2009, are free of misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of East Grand Forks' financial statements for the fiscal year ended December 31, 2009, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of East Grand Forks' MD&A can be found immediately following the report of the independent auditor.

PROFILE OF THE GOVERNMENT

The City of East Grand Forks, incorporated on April 13, 1887, is located in Polk County on the Minnesota and North Dakota border 70 miles south of the Canadian border. The city currently has a land area of nearly six square miles and a service population of 7,900. The City of East Grand Forks is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

The City of East Grand Forks is governed by home rule charter city under Minnesota Statutes with a council-mayor form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor, the council president and six other council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing commissions, authorities, and committees, and hiring both the city administrator and city attorney. The city administrator is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the city government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Two council members and the mayor are elected at large and five council members are elected to represent wards. Council members and the mayor serve staggered four year terms, with elections occurring every even year. Council members for wards 1, 3, and 5, the mayor, and one at large council member are elected in one even year.

Council members for wards 2 and 4 and one at large council member are elected the next even year. The council members select a council president every two years.

The City of East Grand Forks provides a full range of services, including police and fire protection; construction and maintenance of streets and infrastructure; recreational facilities, library, and senior center; water, sewer, electric, refuse, and transit services. Additionally, the city owns three commercial properties leased for shopping, dining, and professional service activities.

The annual budget serves as the foundation for the City of East Grand Forks' financial planning and control. All departments, authorities, and commissions of the city submit requests for appropriation to the city administrator in July of each year. The city administrator uses these requests as the starting point for developing a proposed budget. The city manager then presents this proposed budget to the council for review prior to August 31. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the City of East Grand Forks' fiscal year. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police). Department heads may make transfers of appropriation within a department. Transfers of appropriations between funds, however, require the special approval of the city council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 29 as part of the basic financial statements of the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is present in the governmental fund subsection of this report, which starts on page 84.

FACTOR AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of East Grand Forks operates.

Local economy. The City of East Grand Forks is located on the Minnesota side of the intersection of U.S. Highway 2 and I-29. The City serves as part of a regional shopping hub for northwest Minnesota and northeast North Dakota. The city's main shopping attractions are the 60,000 square-foot Cabela's retail outlet and the 65,000 square-foot Riverwalk Center. Additionally, along the well maintained shores of the scenic Red River of the North, the city has a popular boardwalk section where several restaurants and entertainment facilities are located. Led by American Crystal Sugar and Ryan Potato Company, agribusinesses are a major portion of the city's economy. The American Crystal Sugar plant in East Grand Forks is the largest sugar processing plant in North America and employees over 400 people.

The City of East Grand Forks' employment picture is healthy with a 5.2% unemployment rate (Polk County), while the state and the country have unemployment rates of 7.4% and 10.0%, respectively. The City of Grand Forks, located just across the river in North Dakota, has an unemployment rate of 4.3%.

East Grand Forks has worked hard to provide more affordable housing in the community. Record low mortgage interest rates, affordable lot prices, and deferred loan/grant programs have created a residential construction boom within the city. The city expects the trend to continue as it develops city-owned land near a golf course over the next several years.

FINANCIAL INFORMATION

Management of the city is responsible for establishing and maintaining internal control designed to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data are complied to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

This report consists of management's representations concerning the finance of the city. As a result, management assumes full responsibility for the completeness and reliability of all the information presented in this report. Management asserts that, to the best of their knowledge and belief, this financial report is complete and reliable in all material respects.

Long-term financial planning. As an ongoing project started in 1998, the city continues to add to its storm protection network (storm water lift stations, levees, etc.). According to state law, the city is required to contribute 2% to the projects overall cost. Additionally, the city is adding 180 new residential lots that will be surrounding a golf course. The development will provide more variety to an already broad base of housing options available to current and new residents.

State Budget. The State of Minnesota political structures are aligned in a redistributive manner in which a large portion of the tax burden is affixed at the state level. Cities receive formulaic disbursements of state general fund appropriations known as Local Government Aid (LGA). Recent recessionary trends in the national economy have resulted in reduced state revenues. The State, in turn, reduced LGA disbursements for fiscal years 2008, 2009 and 2010. Historically, LGA has composed approximately one third of the City's total general fund revenues. LGA cuts of between six percent and 21 percent in the last three fiscal years have reduced LGA's total portion of general fund revenues to less than 30 percent. The City has addressed these cuts through a combination of increased user fees, reduced staffing through attrition, and delayed equipment purchases. The State anticipates another budget deficit for the 2011-2012 biennium of $5-8 billion, or approximately 15-24 percent of the State's General Fund expenditures. As such, the City will continue to develop strategies that address the potential of further-reduced LGA.

Revenue. In addition to LGA cuts, the State of Minnesota has limited the percentage of allowable City property tax increases to an index known as the Implicit Price Deflator (IPD). In 2009, the IPD was less than one percent. Therefore, City has broadened its use of user fees and utility rates to compensate for the decrease in LGA funding and the corresponding cap on property tax revenues. The City increased recreation fees and refuse fees, and instituted a new Greenway Maintenance Fee in 2009 to provide for the ongoing maintenance of approximately nine miles of asphalt walking and biking trails that are adjacent to the City's levee system.

Fund Balance. Despite decreased state aid, the City's General Fund balance and its total governmental funds balance meets or exceeds the recommendations proscribed by the Office of the State Auditor. The City has positive cash flow relative to its peer cities in Minnesota as a result of proactive fiscal management and its breadth of special revenue funds. The City's fund balance in all major categories increased in 2009 despite state cuts to the LGA program.

Capital Investment. The City has reinvested significantly in capital reinvestment despite fiscal challenges at the state level. The City Council has asserted the position that an ounce of prevention is worth a pound of cure. As such, the City's annual street repair budget as quadrupled since 2008. Since 2008, the City has undertaken approximately $14 million of street replacement, water line replacement, sewer line replacement and maintenance.

The City has begun replaced its aging vehicle fleet with newer vehicles that are more fuel efficient and require much less maintenance costs. For example, the City reduced its police patrol vehicle life cycle from four years to three years. The City believes that dramatically reduced maintenance costs will offset additional vehicle purchases while increasing street time for the patrol vehicles.

The City established a Building Maintenance Fund in 2010 to address large-scale maintenance concerns.

The City continues to market its investments in City-owned properties that the City acquired as a result of the US Corps of Engineers levee project. The City also anticipates a major street and utilities addition to its Industrial Park in 2010. The local share of the estimated $850,000 project will be 25 percent. The federal Economic Development Administration (EDA) will fund 50 percent of the cost. And, the City anticipates that the state Department of Employment and Economic Development (DEED) will fund 25 percent.

Labor. Salaries and benefits compose over half the City's General Fund budget. The five distinct unionized bargaining groups work with the City. The City has adopted a unified compensation plan for all bargaining groups that addresses the City's compliance with state Pay Equity and Comparable Worth guidelines. Additionally, the new compensation plan freezes cost of living allowances (COLAs) through fiscal year 2012. The City has reduced total employment by nearly six percent since 2008 through a combination of outsourcing services and eliminating vacant positions.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of East Grand Forks, Minnesota for its comprehensive financial report for the fiscal year ending December 31, 2008. This is the 16th year the city has received this prestigious award. In order to be awarded the Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished without the professional, efficient services of the staff in the Administration and Finance Office. We would like to express our appreciation to all members of the office who assisted and contributed to the preparation of this report. Due credit also should be given to the mayor and the council for their support in planning and conducting the operations of the government in a responsible and progressive manner.

Scott Huizenga
City Administrator

Gerald Lucke, CPA,
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of East Grand Forks Minnesota

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate for Excellence in Financial Reporting to the City of East Grand Forks, Minnesota for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2008. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government reports.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to Certificate of Achievement program requirements, and we are submitting it to the GFOA.

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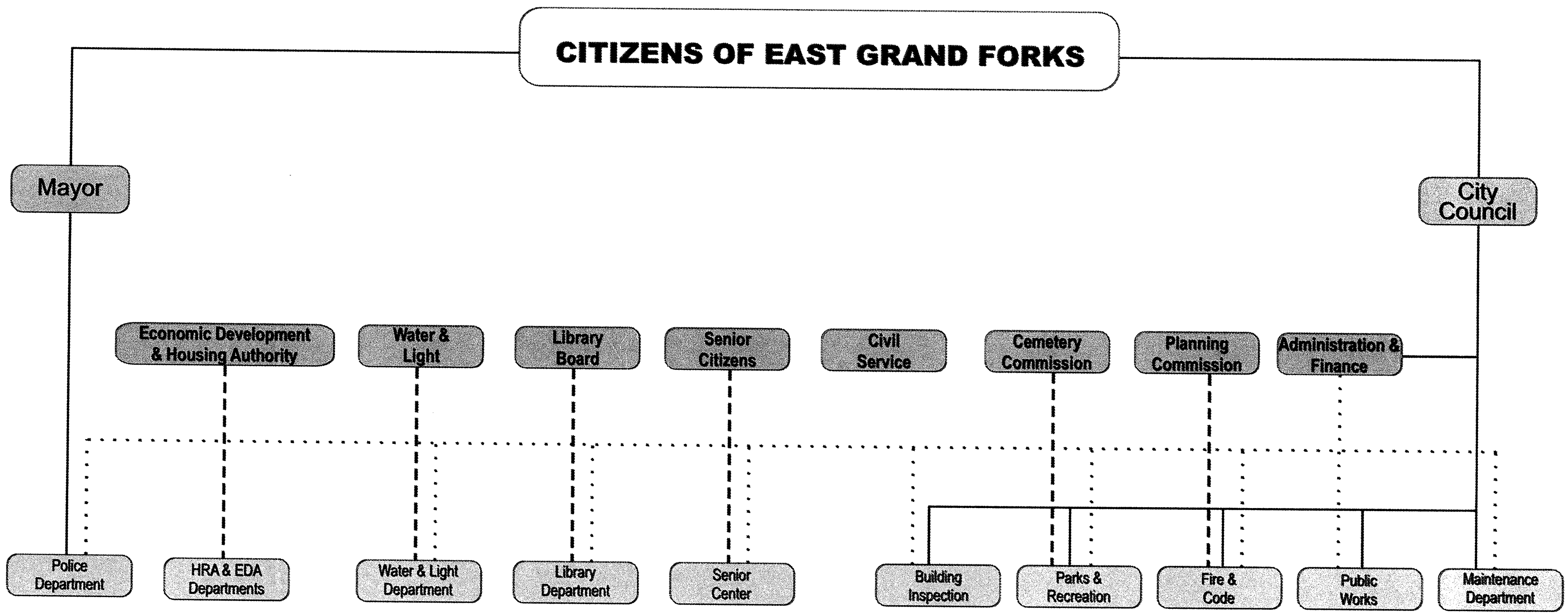
City of East Grand Forks Organization Chart



Direct Responsibility

Commissions Direct Responsibility

Communicate Council Policy, Orders, and Budget Enforcement

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Elected Officials and Administrative Personnel

ELECTED OFFICIALS:		Term	Term Expires
Mayor	Lynn Stauss	4 Years	12/31/12
Council member at Large	Mike Pokrzywinski	4 Years	12/31/12
Council member at Large	Greg Leigh	4 Years	12/31/10
Council member - 1st Ward	Marc Demers	4 Years	12/31/12
Council member - 2nd Ward	Richard L. Grassel	4 Years	12/31/10
Council member - 3rd Ward	Craig Buckalew	4 Years	12/31/12
Council member - 4th Ward	Henry Tweten	4 Years	12/31/10
Council member - 5th Ward	Wayne Gregoire	4 Years	12/31/12

OFFICIALS NOT ELECTED:	
City Administrator/Clerk-Treasurer	Scott Huizenga
Finance Director	Gerald Lucke
Police Chief	Michael Hedlund
Fire Chief	Randall Gust
Parks & Recreation Superintendent	David Aker
Public Works Superintendent	John Wachter
Library Director	Charlotte Helgeson
EDHA Director	James Richter
Senior Center Director	Lynda Vanderhoof
City Attorney	Ronald Galstad
City Engineer	Floan Sanders, Inc.
Water & Light Department	
Commissioner	Marilynn Ogden
Commissioner	Mike Quirk
Commissioner	Mark Brickson
Commissioner	Henry Tweten
General Manager	Dan Boyce
Electric Distribution Superintendent	Scott Gravseth
Water Plant Superintendent	Gary Hultberg

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FINANCIAL
SECTION

CITY OF EAST GRAND FORKS, MINNESOTA

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of East Grand Forks, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of East Grand Forks' management. Our responsibility is to express opinions on these financial statements based on our audit.

The prior year partial comparative information has been derived from the City's 2008 financial statements and, in our report dated June 26, 2009; we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of December 31, 2009, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 18, 2010, on our consideration of the City of East Grand Forks, Minnesota's internal control over financial reporting and 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 and should be considered in assessing the results of our audit.

The management's discussion and analysis as listed in the table of contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Grand Forks, Minnesota's financial statements. The combining, individual nonmajor fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

BRADY, MARTZ & ASSOCIATES, P.C.
401 Demers Avenue Suite 300 P.O. Box 14296
Grand Forks, ND 58208-4296 (701) 775-4685 Fax (701) 795-7498

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

June 18, 2010

Management's
Discussion and Analysis

City of East Grand Forks, Minnesota

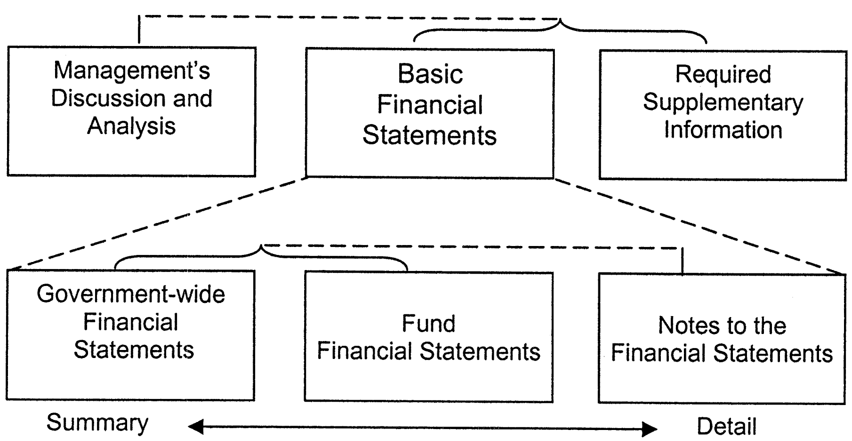
Management's Discussion and Analysis

As management of the City of East Grand Forks (city), we offer readers of the city's basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2009. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-3 of this report.

OVERVIEW OF THE BASIC 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.

**COMPONENTS OF
THE ANNUAL FINANICAL REPORT**



Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of East Grand Forks' finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the city's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 function of the City of East Grand Forks that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the city include general government, public safety, public works, community development, and culture and recreation. The business-type activities of the city include electric, water, sewage, refuse, and commercial rental property.

The government-wide financial statements can be found on pages 23-25 of this report.

Fund financial statements. The fund financial statements focus on current available resources and are organized and operate on the basis of funds, each which is defined as fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific or attaining certain objectives in accordance with special regulations, restriction or limitations. 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 three categories: governmental funds, proprietary funds, and fiduciary 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 statements. By doing so, readers may better understand the long-term impact of the city's near term financial decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and change in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The city maintains six 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 general fund, two capital projects funds, and three debt service funds, all of which are considered major funds. Data from the other 21 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The city adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for those funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 26-29 of this report.

Proprietary funds. The City of East Grand Forks maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The city uses enterprise funds to account for its electric, water, sewer, refuse, storm water protection and commercial rental property operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the city's various functions. The city uses internal service funds to account for its central equipment and benefit accrual operations. Because both of these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for electric, water, sewage, storm water protection, city mall (commercial property operations), and refuse. All except the refuse fund are considered major funds of the city. Conversely, both 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 can be found on pages 32-37 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of East Grand Forks' own programs.

The fiduciary fund financial statement can be found on page 38 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-58 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor funds and internal service funds can be found immediately following the footnotes. Combining and individual fund statements can be found on pages 59-70 and 81-85.

FINANCIAL HIGHLIGHTS

- The city's net assets (asset minus liabilities) increased by .25% as a result of this year's operations. The net assets of the city's governmental activities decreased $172,875 (.13%) and net assets of the city's business type activities increased $660,384 (1.04%).

- Capital assets increased $2,225,436 (1%), with most of the increase comprised of additions to the city's infrastructure.

- The city's long-term liabilities increased $1,672,416 (9.1%) during the fiscal year ending December 31, 2009. Governmental long-term liabilities increased $148,252 (1%). The key factor behind the increase was proceeds on new lending of $ 1,237,881 exceeding principal payments of $895,000 on Bonds. Additionally the Business-type net increase of $1,524,164 was mainly due to $1,699,021, the proceeds of a PFA bond issue.

- At the close of the current fiscal, the city's governmental funds reported total ending fund balances of $8,420,481, a decrease of $851,616 (9.2%).

- The General Fund's fund balance, reserved and unreserved, increased $162,697 (6.3%) to $2,727,342. The unreserved fund balance is 33% of expenditures and other uses.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

NET ASSETS

	Governmental Activities		Business-type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
Current and other assets	$ 22,060,887	$ 22,791,832	$ 18,858,004	$ 17,958,448	$ 40,918,891	$ 40,750,280
Capital assets	129,635,566	128,590,858	52,001,077	50,820,349	181,636,643	179,411,207
Total assets	151,696,453	151,382,690	70,859,081	68,778,797	222,555,534	220,161,487
Other liabilities	1,695,249	1,356,864	1,513,259	1,617,525	3,208,508	2,974,389
Long-term liabilities	14,692,421	14,544,169	5,416,288	3,892,124	20,108,709	18,436,293
Total Liabilities	16,387,670	15,901,033	6,929,547	5,509,649	23,317,217	21,410,682
Net assets:						
Invested in capital assets, net of related debt	116,078,462	115,326,956	47,020,536	47,333,593	163,098,998	162,660,549
Restricted	11,634,601	12,556,179	72,233	72,029	11,706,834	12,628,208
Unrestricted	7,595,720	7,598,523	16,836,765	15,863,528	24,432,484	23,462,051
Total net assets	$135,308,783	$135,481,657	$ 63,929,534	$ 63,269,150	$199,238,317	$198,750,808

By far the largest portion of the city's net assets (82%) reflects investments in capital assets (e.g. land, buildings, structures, systems, machinery, equipment and infrastructure), net of any related debt used to acquire those assets that is still outstanding. The city uses assets to provide services to citizens; consequently, these assets are not available for future spending. Although the city's investment in capital assets is reported net of related debt, it should be noted that resources need to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

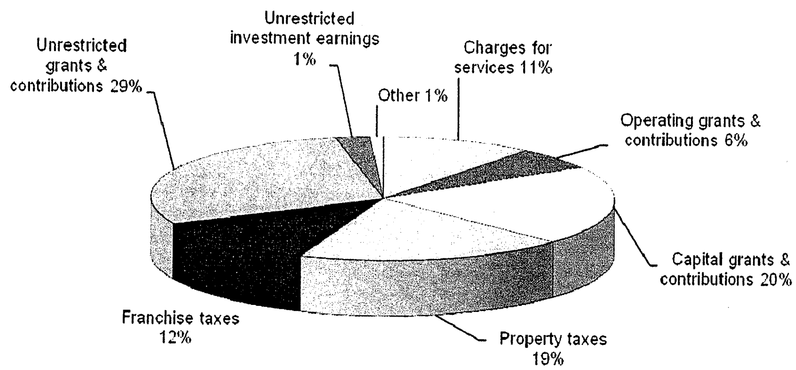
A small portion of the city's net assets (about 6%) represents resources that are subject to external restrictions on how they can be used. The remaining unrestricted net assets $24,432,484 may be used to meet the ongoing obligations to citizens and creditors. Of the unrestricted net assets, $16,836,765 is attributable to business-type activities.

Unrestricted governmental activities net assets decreased $2,803 (.04%), while business-type activities unrestricted net assets increased $973,237 (6%). Government-wide total unrestricted net assets increased $970,433 (4%). The $ 921,578 (7.3%) decrease in governmental activities restricted net assets is from net reduction in special assessments. The $438,449 (.27%) Invested in Capital Assets increase is the result of additions exceeding depreciation for the year.

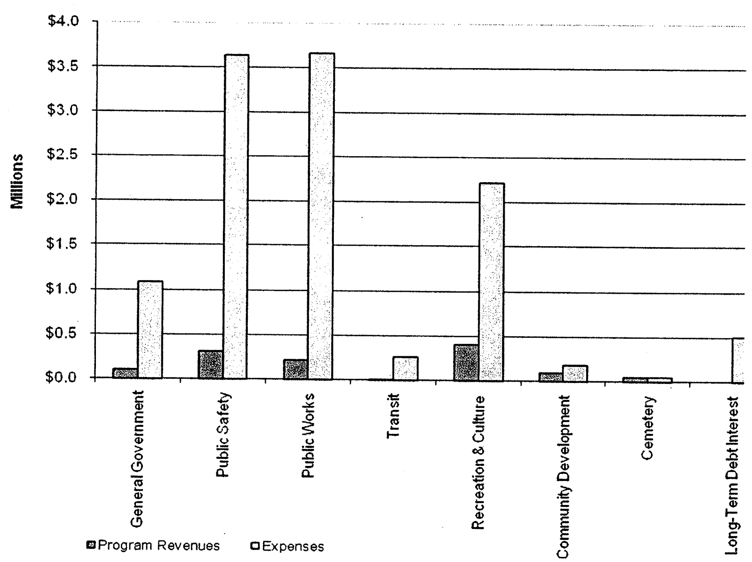
CHANGE IN NET ASSETS

	Governmental Activities		Business-type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
REVENUES						
Program revenues:						
Charges for services	$ 1,186,440	$ 1,176,450	$ 15,812,229	$ 15,717,060	$ 16,998,669	$ 16,893,510
Operating grants and contributions	654,364	625,375	442,829	15,000	1,097,193	640,375
Capital grants and contributions	2,310,356	1,638,591	215,248		2,525,604	1,638,591
General revenues:						
Property taxes	2,116,388	2,163,693			2,116,388	2,163,693
Franchise taxes	1,361,673	1,309,050			1,361,673	1,309,050
Unrestricted grants and contributions	3,239,503	3,063,221			3,239,503	3,063,221
Unrestricted investment earnings	272,807	406,526	432,172	558,393	704,979	964,919
Gain on disposal of assets						
Other	105,452	323,082			105,452	323,082
Total revenues	11,246,981	10,705,988	16,902,479	16,290,453	28,149,460	26,996,441
EXPENSES						
Program activities:						
Governmental activities:						
General government	1,091,832	1,195,452			1,091,832	1,195,452
Public safety	3,638,645	3,932,137			3,638,645	3,932,137
Public works	3,667,210	3,218,356			3,667,210	3,218,356
Transit	263,059	276,189			263,059	276,189
Recreation and culture	2,213,181	2,337,123			2,213,181	2,337,123
Community development	181,624	254,056			181,624	254,056
Cemetery	47,105	50,467			47,105	50,467
Interest on long-term debt	505,821	513,783			505,821	513,783
Business-type activities						
Electric			11,271,252	11,589,832	11,271,252	11,589,832
Water			2,009,061	2,164,353	2,009,061	2,164,353
Sewer			703,260	665,582	703,260	665,582
Storm Water			907,291	477,935	907,291	477,935
City mall			350,600	358,227	350,600	358,227
Refuse			812,010	919,920	812,010	919,920
Total expenses	11,608,477	11,777,563	16,053,474	16,175,849	27,661,951	27,953,412
Excess (deficiency) before transfers	(361,495)	(1,071,575)	849,005	114,604	487,509	(956,971)
Transfers in (out)	188,618	(14,185,931)	(188,618)	14,185,931		
Increase (decrease in net assets)	(172,877)	(15,257,506)	660,387	14,300,535	487,509	(956,971)
Net assets at the beginning of the year	150,739,165	150,739,165	63,269,148	48,968,613	214,008,313	199,707,778
Net assets at the end of the year	$150,566,288	$135,481,659	$ 63,929,534	$ 63,269,148	$214,495,822	$198,750,807

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



Governmental Activities. A significant share of revenues of the governmental activities is capital grants and contributions (20%), with most of that amount attributed to local share of additions to the infrastructure. Property taxes and franchise taxes accounted for 19% and 12% of total revenues, respectively. Unrestricted grants and contributions in the form of local government aid and other State aids contributed 29% to total revenues. Charges for services brought in 11%.

Public works (31.6%) expenses are the most significant , followed by public safety (31.3%), parks and recreation (19.1%), general government (9.4%), and community development (1.6%). Interest on long-term debt and transit expenses accounted for 4.4% and 2.3% of total expenses, respectively. Included in these amounts is depreciation expense, which is 24.1% of the total expenses for governmental activities.

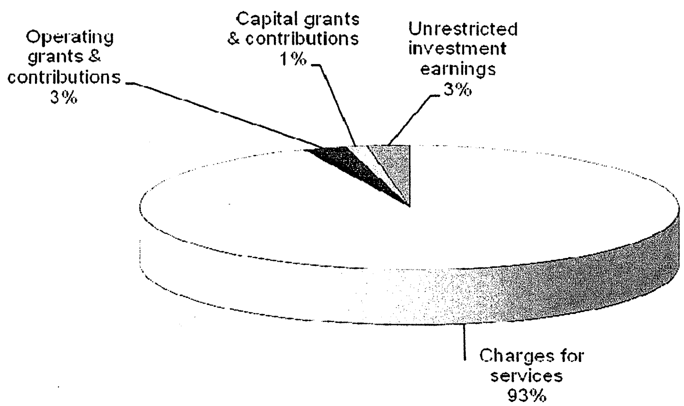
Governmental revenues increased $540,993 (5%) in the current year, with the most significant portion of the increase attributable to larger amounts of capital grants and contributions. Property taxes decreased by 2.2% and charges for services increased by 1%. Unrestricted grants and contributions increased by 5.8%, despite the decrease by unallotment in local government aid.

Governmental activities expenses decreased $ 169,087 (1%) in the current year. The most significant changes in program expenses were as follows:

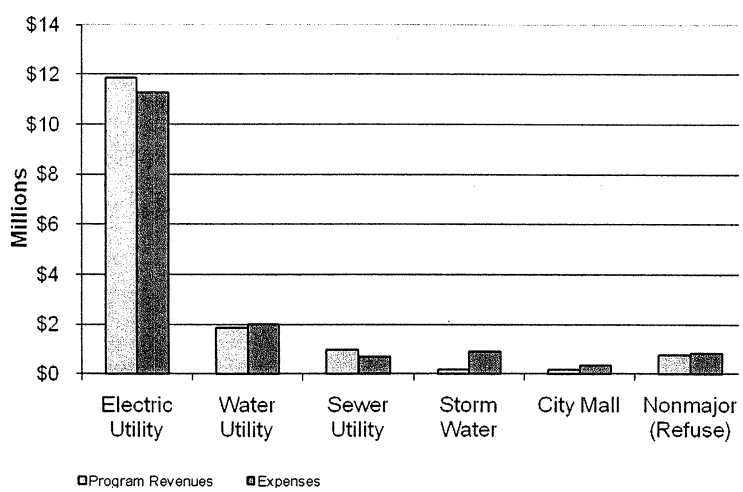
- Public Works expenses increased $ 448,854 (14%). The increase is the result of more infrastructure projects undertaken.
- Public Safety expenses decreased $293,492 (7.5%). The decrease is primarily attributable to enacted cost control policies.
- Recreation and culture expenses decreased $123,942 (5%), primarily due to cost control policies.
- General Government expenses decreased $103,620 (8.7%), also due to the cost control policies.

There were not any other programs with significant or unusual changes.

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE EXPENSES



Business-type activities. Business-type activities increased the city's net assets by $660,387 which is $13,640,149 (95%) less than the prior fiscal year increase. Key elements of the change are as follows:

Storm water fixed assets totaling $ 14,306,683 were transferred to that fund in the prior year in an unusual transaction from the Governmental Activities group. Charges for services increased $95,169 (1%). The increase is primarily due to Sewage rate increases offset by sales consumption reductions in the water and electric utilities. Other utility rates did not increase over the prior year.

Capital grants and contributions increased by $427,829. Interest income decreased by $126,221 which was reflective of rate declines.

Program expenses decreased by $122,375 (1%) largely because of decreases in operating costs offset by increases in grant supported flood fight expenditures.

FINANCIAL ANALYSIS OF THE CITY'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 balances 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 2009, the city's governmental funds reported total ending fund balances of $8,420,481, a decrease of $851,616 (9.2%) in comparison with the prior year. Nearly 60% of the total ending fund balances constituted unreserved fund balances ($4,892,471), which are considered available for appropriation. The remainder of the fund balances is reserved to indicate that it is not available for new spending because it has already been committed 1) to pay debt service ($2,784,372), 2) to off-set non-current financial resources that are not anticipated to be liquidated in the near term ($454,720; 190,180; and $22,738), 3) to generate income to pay for library books ($76,000). The city has designated $955,028 of the unreserved fund balances for working capital purposes.

At the end of the current year, the General Fund reported a fund balance of $2,727,342, increasing $162,697 from the previous year. General fund revenues were $160,894 (2.0%) more than in the prior fiscal year and expenditures decreased by $310,613 (4.0%). Transfers out decreased by $50,515 (6.4%). Local government aid increased $199,843 (8%) yet was still $173,338 less than was budgeted. General taxes, including property taxes and franchise fees, increased $5,319 (.2%). Intergovernmental revenue increased $202,244 (6%)

and charges for services increased $6,851 (1%). Property taxes decreased $29,691 (1.4%) and franchise fees increased $31,403 (2%). Public safety expenditures decreased $306,436 (8%) which was largely the result of lower employee cost due to cost control and vacation costs reversal involving software conversion policy changes. Public works expenditures decreased $ 171,438 (14%) for similar reasons. Other departmental differences were within about 5% and/or the expected vacation cost decrease.

The Residential Infrastructure Fund (RIF) experienced a $15,717 (5%) revenue increase over the prior year along with an $ 865,000 increase in transfers out in part leading to the decrease of $1,124,816 in the fund balance for the year. The RIF's transfer increase is due to larger special assessment projects assumed.

The 2008 PFA Loan Sewer Projects Fund incurred costs of $1,793,024 which were covered by $ 1,699,021 of bond proceeds leaving $(267,183) in ending fund balance deficit.

The 12-01-07 Assessment Bond Fund increased to $546,632, due to assessment collections, interest and a transfer in of $ 101,113 exceeding debt service costs by $131,793.

The 3-1-06 Assessment Bond Fund (ABF) fund balance decreased by $94,100, due to assessment collections and interest income being less than debt service payments by $ 107,696 combined with net transfers in of $ 13,696.

The 12-1-04 Assessment Bond Fund (ABF) fund balance decreased $146,593 to $184,754 as debt payments exceeded assessment collections.

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

The electric utility's net assets increased $636,459 (2.5%). Operating income increased $212,059 (57.5%) to $580,665. Wholesale purchased power costs decreased $701,376 (9.1%). Transfers out increased by $124,602 to $275,354.

Other factors of the changes in income from operations have previously been discussed in the government-wide financial analysis of business-type activities.

The water utility's net assets decreased $4,876 (.05%) in the current year. Operating income decreased $136,180 (6.7%) and operating expenses decreased $151,393 (7.2%) from the prior year. Other significant factors of the changes in income from operations have been previously discussed in the government-wide financial analysis of business-type activities.

The sewer utility's net assets increased $413,208 (2%). Operating revenue increased $341,138 (54%) due to rate increases and operating expenses remained the same.

The storm water utilities decreased $196,136 primarily due to operating losses which included depreciation expense of 331,087.

The City Mall Fund contains the operations of three commercial properties: River Walk Center (Mall), DeMers Professional building, Infill Building. The decrease in net assets of $149,197 was the result of about $ 18,000 less in rent income and $7,000 less in operating expenses which included depreciation of 179,056. The general fund transfer in for 2009 was $21,900, down $8,100 from the prior year.

The Refuse Fund net assets decreased $39,071. Operating revenue decreased $24,070 (3%) and operating expenses decreased $101,802 (11%) from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original budget and the final amended budget varied for 2009, mainly to provide for acceptance of grants. The changes are shown on pages 84-93.

General taxes exceeded budget by $40,319 (1.2%), primarily due to higher franchise fees collections. Intergovernmental revenues were $181,791 less than budget primarily due to the State unalloting $ 173,338 of expected LGA revenue. Government expenditures overall were less than budget by $ 258,757 largely the result of lower employee cost involving software conversion policy change and other cost control measures.

The General Fund year end fund balances since 2001 are as follows:

2001	$ 687,401	2004	$2,433,581	2007	$ 2,841,939
2002	1,549,287	2005	2,574,386	2008	2,564,645
2003	2,158,880	2006	2,200,961	2009	2,727,342

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS
(Net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
Land	$ 31,007,286	$ 31,007,286	$ 715,378	$ 715,378	$ 31,722,664	$ 31,722,664
Construction in progress	2,317,020	832,902	3,708,064	2,977,385	6,025,084	3,810,287
Building, structures, & improvements	66,748,059	67,726,532	45,128,575	45,025,731	111,876,634	112,752,263
Machinery and equipment	2,960,234	3,188,293	2,449,060	2,101,855	5,409,294	5,290,148
Infrastructure	26,602,967	25,835,845			26,602,967	25,835,845
Total	$129,635,566	$128,590,858	$ 52,001,078	$ 50,820,349	$181,636,644	$179,411,207

Capital assets. The city's investment in capital assets for its governmental and business-type activities at December 31, 2009 totaled $181,636,644 (net of accumulated depreciation). This investment in capital assets included land, construction in progress, structures, systems, machinery and equipment, infrastructure. The total increase in the city's investment in capital assets resulted from many various projects throughout the city. The total increase over the prior fiscal year is approximately 1.24%, of which governmental activities increased .81% and business-type activities increased 2.32%.

Additional information on the city's capital assets can be found in the notes to the financial statements on page 49.

LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities		Total Government	
	2009	2008	2009	2008	2009	2008
General obligation bonds	$ 12,112,447	$ 12,994,525			$ 12,112,447	$ 12,994,525
General obligation water revenue bonds			$ 1,188,000	$ 1,262,250	1,188,000	1,262,250
General obligation PFA Improvement bonds	1,237,881		3,562,211	1,923,788	4,800,092	1,923,788
General obligation certificates of indebteness	206,776	269,377	230,327	300,718	437,103	570,095
Compensated absences payable	1,135,317	1,280,267	435,747	405,367	1,571,064	1,685,634
Total	$ 14,692,421	$ 14,544,169	$ 5,416,285	$ 3,892,123	$ 20,108,706	$ 18,436,292

Long-term liabilities. The city's outstanding long-term liabilities, including bonds, certificates of indebtedness, capital leases, notes payable, compensated absences, and due to component unit totaled $20,108,706 at December 31, 2009. Of this total, $14,692,421 (73.1%) is in governmental activities and $5,416,285 (26.9%) is in business-type activities. The city's outstanding long-term liabilities increased $ 1,672,414 (9.1%) in 2009.

Additional information on the city's long-term liabilities can be found in the notes to the financial statements on pages 50-52 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The unemployment rate for the Polk County, Minnesota area for December 31, 2009 was 5.2%, which is below the state average (7.4%) and the national average (10.0%). The Grand Forks County area unemployment rate was 4.3%, which is below the North Dakota state average. The City of Grand Forks, located in Grand Forks County, is located across the Red River of the North and has a population of approximately 50,000.

- The state's economy is precarious and the budgeted deficit may result in continuing reductions in local government aid (LGA) funding. The city received $2.66 million in local government aid in 2009, which is about 32% of budgeted General Fund revenues.

- The city's electric utility continues to experience increases in wholesale power costs. The costs are passed to the customer through monthly power costs adjustments. There have not been any power supply interruptions and none are expected.

- The occupancy rate of the city's central business district has remained constant over the last three years, but the city's commercial properties continue to be a draw on other revenue sources for support.

- Inflationary trends in the region compare favorably to national indices.

- The city expects residential housing growth of 10 to 20 units (1%) per year, as long as interest rates remain low.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the city's finances for all those interested in government's finances. Questions concerning any information in the report or requests for additional information should be addressed to the Office of Administration and Finance, City of East Grand Forks, 600 DeMers Avenue NW, East Grand Forks, MN 56721.

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BASIC FINANCIAL
STATEMENTS

CITY OF EAST GRAND FORKS, MINNESOTA

Statement of Net Assets
December 31, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	EDHA
ASSETS				
Cash and cash equivalents	$ 6,875,789	$ 4,061,197	$ 10,936,986	$ 1,335,222
Investments	4,489,075	10,128,185	14,617,260	2,360,516
Accrued interest receivable	39,068	85,286	124,354	
Accounts receivable, net	27,119	1,344,313	1,371,432	
Notes receivable	267,079		267,079	1,608,876
Taxes receivable - property	51,079		51,079	
Taxes receivable - other	107,083		107,083	
Special assessments receivable	10,471,360		10,471,360	
Internal balances (net)	(1,560,000)	1,560,000	-	
Due from other government units	709,896	15,000	724,896	198
Prepaid Items		36,885	36,885	
Land held for resale	454,720		454,720	207,180
Materials and Supplies	22,738	1,178,976	1,201,714	
Restricted cash and Investments		175,498	175,498	767,977
Unamortized debt issuance costs	105,881	4,558	110,439	
Customer acquisition costs		268,106	268,106	
Capital assets:				
Nondepreciable	33,324,306	4,423,442	37,747,748	50,300
Depreciable, net	96,311,260	47,577,635	143,888,895	4,445,189
TOTAL ASSETS	151,696,453	70,859,081	222,555,534	10,775,457
LIABILITIES				
Accounts payable	1,130,937	1,214,805	2,345,741	47,047
Accrued wages payable	230,249	129,879	360,128	21,042
Due to other government units	84,528	65,310	149,838	260,812
Accrued interest payable	169,584	24,911	194,495	266
Customer deposits		78,354	78,354	21,571
Noncurrent liabilities:				
Due within one year	1,051,903	218,643	1,270,546	43,145
Due in more than one year	13,640,518	5,197,645	18,838,163	545,246
Net other postemployment benefit liability	79,952		79,952	
TOTAL LIABILITIES	16,387,670	6,929,547	23,317,217	939,128
NET ASSETS				
Invested in capital assets, net of related debt	116,078,462	47,020,536	163,098,998	4,442,905
Restricted for:				
Housing				254,049
Debt service	10,732,523	72,233	10,804,756	
Public works	174,039		174,039	
Capital projects	652,040		652,040	
Library - nonexpendable	76,000		76,000	
Unrestricted	7,595,720	16,836,765	24,432,484	5,139,375
TOTAL NET ASSETS	$ 135,308,783	$ 63,929,534	$ 199,238,317	$ 9,836,330

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

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Statement of Activities
Year Ended December 31, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit
Governmental activities:								
General government	$ 1,091,832	$ 102,704			$ (989,128)		$ (989,128)	
Public safety	3,638,645	314,829	$ 345,688		(2,978,128)		(2,978,128)	
Public works	3,667,210	219,704	102,272	$ 2,310,356	(1,034,878)		(1,034,878)	
Transit	263,059	2,446	205,434		(55,179)		(55,179)	
Recreation and culture	2,213,181	406,660	970		(1,805,551)		(1,805,551)	
Community development	181,624	93,745			(87,879)		(87,879)	
Cemetery	47,105	46,352			(753)		(753)	
Interest on long-term debt	505,820				(505,820)		(505,820)	
Total governmental activities	11,608,476	1,186,440	654,364	2,310,356	(7,457,316)		(7,457,316)	
Business-type activities								
Electric Utility	11,271,252	11,850,730				$ 579,478	579,478	
Water Utility	2,009,061	1,883,487		63,336		(62,237)	(62,237)	
Sewer Utility	703,260	968,208		112,110		377,058	377,058	
Storm Water	907,291	178,686	427,829	39,802		(260,974)	(260,974)	
City Mall	350,600	178,530				(172,070)	(172,070)	
Nonmajor (Refuse)	812,010	752,588	15,000			(44,422)	(44,422)	
Total business-type activities	16,053,474	15,812,229	442,829	215,248		416,833	416,833	
Total primary government	$ 27,661,950	$ 16,998,669	$ 1,097,193	$ 2,525,604	(7,457,316)	416,833	(7,040,485)	
Component unit:								
Community development	$ 2,312,935	$ 352,113	$ 1,815,018					$ (145,804)
General Revenues:								
Property taxes					2,116,388		2,116,388	121,791
Franchise taxes					1,361,673		1,361,673	
Unrestricted grants and contributions					3,239,503		3,239,503	82,739
Unrestricted investment earnings					272,807	432,172	704,979	81,394
Other					105,452		105,452	28,028
Transfers					188,618	(188,618)	0	
Total general revenues					7,284,440	243,554	7,527,994	313,952
Change in Net Assets					(172,876)	660,387	487,511	168,148
Net Assets - January 1					135,481,659	63,269,148	198,750,807	9,668,182
Net Assets - December 31					$ 135,308,783	$ 63,929,534	$ 199,238,317	$ 9,836,330

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

Balance Sheet
Governmental Funds
December 31, 2009

	General	Residential Infrastructure	08 PFA Loan Sewer PROJECTS	12-1-07 Assessment Bonds	12-1-04 Assessment Bonds	3-1-06 Assessment Bonds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	$ 1,946,563	$ 136,690	$ 1,434	$ 542,783	$ 176,097	$ 569,606	$ 2,781,149	$ 6,154,322
Investments	1,037,396	259,678				660,645	1,763,349	3,721,068
Interest receivable	39,068							39,068
Accounts receivable	8,649						18,470	27,119
Taxes receivable - property taxes	51,079							51,079
Taxes receivable - other	107,083							107,083
Special assessments receivable	22,706	2,500,503		2,511,853	2,085,952	1,889,256	1,461,090	10,471,360
Interfund receivable		446,000						446,000
Due from other government units	195,524	3,875		3,848	8,657	10,997	486,994	709,896
Land held for resale							454,720	454,720
Notes Receivable	76,899						190,180	267,079
Materials and supplies	22,738							22,738
TOTAL ASSETS	$ 3,507,706	$ 3,346,746	$ 1,434	$ 3,058,484	$ 2,270,706	$ 3,130,504	$ 7,155,953	$ 22,471,533
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	388,422		182,618				559,897	1,130,937
Accrued wages payable	216,074						14,175	230,249
Interfund payable		1,275,000	86,000				645,000	2,006,000
Due to other government units	25,186						59,342	84,528
Deferred revenue	150,684	2,500,503		2,511,853	2,085,952	1,889,256	1,461,090	10,599,338
Total liabilities	780,366	3,775,503	268,618	2,511,853	2,085,952	1,889,256	2,739,504	14,051,052
Fund balance:								
Reserved for materials and supplies	22,738							22,738
Reserved for land held for resale							454,720	454,720
Reserved for notes receivable							190,180	190,180
Reserved for library							76,000	76,000
Reserved for debt service				546,631	184,754	1,241,248	811,739	2,784,372
Unreserved, designated for working capital	955,028							955,028
Unreserved, undesignated reported in:								
General fund	1,749,574							1,749,574
Special revenue funds							1,534,202	1,534,202
Permanent funds							1,627	1,627
Capital projects funds		(428,757)	(267,183)				1,347,980	652,040
Total fund balance	2,727,340	(428,757)	(267,183)	546,631	184,754	1,241,248	4,416,448	8,420,481
TOTAL LIABILITIES AND FUND BALANCE	$ 3,507,706	$ 3,346,746	$ 1,434	$ 3,058,484	$ 2,270,706	$ 3,130,504	$ 7,155,953	$ 22,471,533

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

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets December 31, 2009

Total fund balances - governmental funds		$ 8,420,481
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Land	$ 31,007,286	
Construction in progress	2,317,020	
Buildings, structures and improvements	77,493,220	
Machinery and equipment	4,939,914	
Infrastructure	36,946,364	
Accumulated depreciation	(23,966,522)	128,737,282
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		10,599,338
Internal service funds are used by management to charge the costs of central equipment and compensated absences to individual funds. These assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets:		
Cash and cash equivalents	$ 721,467	
Investments	768,007	
Machinery and equipment	1,720,172	
Accumulated depreciation	(821,888)	
Accounts Payable	-	
Compensated absences payable	(1,135,317)	
Notes payable	(206,776)	1,045,665
Long-term liabilties of governmental funds, including bonds, certificates of participation, equipment certificates of indebtedness, notes and loans payable, and accrued interest payable, are not due in the current period and therefore are not reported in the funds.		
Long-term liabilities	$ (13,350,328)	
Unamortized bond issuance costs	105,881	
Accrued interest payable	(169,584)	
Other post employment benefit obligations	(79,952)	(13,493,983)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		$135,308,783

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

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended December 31, 2009

	General	Residential Infrastructure	08 PFA Loan Sewer PROJECTS	12-1-07 Assessment Bonds	12-1-04 Assessment Bonds	3-1-06 Assessment Bonds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:								
General taxes	$ 3,478,061		$ -					$ 3,478,061
Special assessments		$ 314,306		$ 319,020	$ 229,429	$ 386,705	$ 427,344	1,676,805
Licenses and permits	113,350							113,350
Intergovernmental	3,585,191						1,113,099	4,698,290
Charges for services	676,253						197,097	873,350
Fines and forfeitures	151,845							151,845
Interest and other revenues	134,015	15,878	-	7,644	1,731	20,720	217,755	397,743
Total revenues	8,138,716	330,184		326,664	231,160	407,425	1,955,294	11,389,444
Expenditures:								
Current:								
General government	877,116							877,116
Public safety	3,313,255							3,313,255
Public works	1,200,054						22,536	1,222,589
Transit							261,246	261,246
Recreation and culture	1,256,457						450,123	1,706,580
Community development	56,113						125,510	181,624
Cemetery							43,434	43,434
Other expenditures	251,187							251,187
Capital outlay	473,928		1,793,024				3,853,182	6,120,134
Debt service:								
Principal retirement				160,000	215,000	385,000	125,000	885,000
Interest and fiscal agent charges				135,985	162,754	130,221	75,453	504,413
Total expenditures	7,428,111		1,793,024	295,985	377,754	515,221	4,956,483	15,366,578
Excess (deficiency) of revenues over expenditures	710,605	330,184	(1,793,024)	30,679	(146,593)	(107,796)	(3,001,190)	(3,977,134)
Other financing sources (uses):								
Proceeds from asset sales								
Transfers in	186,467			101,113		13,696	2,339,554	2,640,830
Transfers out	(734,375)	(1,455,000)					(262,837)	(2,452,212)
Discount on long-term debt issued								
Long-term debt issued			1,699,021				1,237,881	2,936,902
Total other financing sources (uses)	(547,908)	(1,455,000)	1,699,021	101,113		13,696	3,314,598	3,125,520
Excess (deficiency) of revenues over expenditures and other sources (uses)	162,697	(1,124,816)	(94,003)	131,793	(146,593)	(94,100)	313,409	(851,616)
Fund balance at beginning of year	2,564,645	696,059	(173,180)	414,839	331,347	1,335,348	4,103,039	9,272,097
Fund balance at end of year	$ 2,727,342	$ (428,757)	$ (267,183)	$ 546,632	$ 184,754	$ 1,241,248	$ 4,416,447	$ 8,420,481

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2009

Net change in fund balances--total governmental funds		$ (851,616)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds reported 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. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlays	$ 3,843,451	
Depreciation	(2,633,113)	1,210,338
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		885,000
Proceeds from long-term debt provide financial resources to governmental funds, but the issuing of debt increases long-term liabilities in the Statement of Net Assets.		(1,237,881)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Deferred Revenue - December 31, 2008	$ (10,770,210)	
Deferred Revenue - December 31, 2009	10,599,338	(170,872)
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 the governmental funds.		
Amortization of bond issuance costs	$ (7,710)	
Amortization of bond discounts	(4,873)	
Amortization of bond premiums	1,951	
Other postemployment benefit obligations	(39,976)	(50,608)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities.		28,076
Changes in long-term debt interest payable		14,688
Change in net assets of governmental activities		$ (172,876)

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

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Statement of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual - General Fund
Year Ended December 31, 2009

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
General taxes	$4,002,926	$ 3,437,742	$ 3,478,061	$ 40,319
Licenses and permits	108,800	108,800	113,350	4,550
Intergovernmental	3,113,527	3,766,982	3,585,191	(181,791)
Charges for services	691,560	691,560	676,253	(15,307)
Fines and forfeitures	121,300	121,300	151,845	30,545
Interest and other revenues	121,200	121,200	134,015	12,815
Total revenues	8,159,313	8,247,584	8,138,716	(108,868)
Expenditures:				
Current:				
General government	930,720	930,720	877,116	53,604
Public safety	3,321,666	3,373,054	3,313,255	59,799
Public works	1,131,300	1,131,300	1,200,054	(68,754)
Recreation and culture	1,335,752	1,335,752	1,256,457	79,295
Community development	80,000	80,000	56,113	23,887
Other expenditures	250,000	250,000	251,187	(1,187)
Capital outlay	550,500	586,042	473,928	112,114
Debt service:				
Principal retirement				
Interest and fiscal agent charges				
Total expenditures	7,599,938	7,686,868	7,428,111	258,757
Excess (deficiency) of revenues over expenditures	559,375	560,716	710,605	149,889
Other financing sources (uses)				
Proceeds from sale of assets				
Transfers in	175,000	175,000	186,467	11,467
Transfers out	(734,375)	(734,375)	(734,375)	
Total other financing sources (uses)	(559,375)	(559,375)	(547,908)	11,467
Excess (deficiency) of revenues over expenditures and other sources (uses)		1,341	162,697	161,356
Fund balance at beginning of year	2,564,645	2,564,645	2,564,645	
Fund balance at end of year	$2,564,645	$ 2,565,986	$ 2,727,342	$ 161,356

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

Statement of Net Assets
Proprietary Funds
December 31, 2009

	Business-Type Activities - Enterprise Funds							Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)	Totals	
ASSETS								
Current assets:								
Cash and cash equivalents	$ 893,266	$ 1,763,016	$ 952,756	$ 154,370	$ 53,899	$ 243,890	$ 4,061,197	$ 721,467
Investments	8,975,551		1,152,634				10,128,185	768,007
Restricted cash and investments:							-	
Cash in bond accounts		97,144					97,144	
Cash in customer deposits	78,354						78,354	
Interest receivable	85,286						85,286	
Account receivable (net)	1,344,039					274	1,344,313	
Materials and supplies	982,910	196,066					1,178,976	
Prepaid items	36,561	324					36,885	
Interfund receivable	1,560,000						1,560,000	
Due from other government units						15,000	15,000	
Total current assets	13,955,967	2,056,550	2,105,390	154,370	53,899	259,164	18,585,340	1,489,474
							-	
Noncurrent assets:							-	
Capital assets:							-	
Land	305,394	44,000	215,184		150,800		715,378	
Buildings and systems	22,086,517	16,988,835	10,702,747	16,350,107	6,177,307		72,305,513	
Machinery and equipment	3,142,206	2,105,127	563,520	48,042	81,766	818,134	6,758,795	1,720,172
Construction in progress		85,255	3,622,809				3,708,064	
Total capital assets	25,534,117	19,223,217	15,104,260	16,398,150	6,409,873	818,134	83,487,751	1,720,172
Less accumulated depreciation	(11,872,235)	(10,052,681)	(4,666,295)	(2,664,119)	(1,790,398)	(440,945)	(31,486,673)	(821,888)
Total capital assets (net)	13,661,882	9,170,536	10,437,965	13,734,031	4,619,475	377,188	52,001,077	898,284
Unamortized debt issuance costs		4,558					4,558	
Customer acquisition costs	268,106						268,106	
Total noncurrent assets	13,929,988	9,175,094	10,437,965	13,734,031	4,619,475	377,188	52,273,741	898,284
TOTAL ASSETS	27,885,955	11,231,644	12,543,355	13,888,401	4,673,374	636,352	70,859,081	2,387,758

(continued)

Statement of Net Assets
Proprietary Funds
December 31, 2009 (continued)

	Business-Type Activities - Enterprise Funds							Governmental Activities -
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)	Totals	Internal Service Funds
LIABILITIES								
Current liabilities:								
Accounts payable	$ 1,081,556	$ 37,974	$ 40,569	$ 7,143	$ 5,853	$ 41,710	$ 1,214,805	$ -
Due to other government units	59,022					6,288	65,310	
Accrued wages payable	75,293	26,289	7,709	513		20,075	129,879	
Customer deposits	78,354						78,354	
Compensated absences payable - current	28,600	12,500					41,100	47,680
Notes payable - current						73,490	73,490	65,816
G.O. revenue bonds payable - current		75,000	29,053				104,053	
Accrued bond interest payable		24,911					24,911	
Total current liabilities	1,322,825	176,674	77,331	7,656	5,853	141,562	1,731,902	113,496
Noncurrent liabilities:								
Compensated absences payable - net current portion	272,353	122,294					394,647	1,087,637
G.O. revenue bonds payable - net current portion		1,113,000	3,533,158			156,840	4,802,998	140,960
Total noncurrent liabilities	272,353	1,235,294	3,533,158			156,840	5,197,645	1,228,597
TOTAL LIABILITIES	1,595,178	1,411,968	3,610,489	7,656	5,853	298,403	6,929,547	1,342,093
NET ASSETS								
Invested in capital assets, net of related debt	13,661,882	7,982,536	6,875,754	13,734,031	4,619,475	146,858	47,020,536	691,508
Restricted for debt service		72,233					72,233	
Unrestricted	12,628,895	1,764,907	2,057,112	146,714	48,046	191,092	16,836,765	354,157
TOTAL NET ASSETS	$ 26,290,777	$ 9,819,676	$ 8,932,866	$ 13,880,745	$ 4,667,520	$ 337,950	$ 63,929,534	$ 1,045,665

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

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Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year Ended December 31, 2009

	Business-Type Activities – Enterprise Funds							Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)	Totals	
Operating revenues:								
Electric charges	$11,715,322						$11,715,322	
Water charges		$1,875,322					1,875,322	
Sewer charges			$ 965,217				965,217	
Rental charges					$ 174,548		174,548	
Refuse charges						$ 745,862	745,862	
Storm Water charges				178,686			178,686	
Other	135,408	8,165	2,991		3,981	6,726	157,272	$ 246,950
Total operating revenues	11,850,730	1,883,487	968,208	178,686	178,530	752,588	15,812,229	246,950
Operating expenses:								
Purchased power	6,986,559						6,986,559	
Operations and maintenance	1,827,714	1,200,117	350,758	209,997	171,544	689,612	4,449,742	
Administration	474,002	233,101	53,390			39,587	800,080	
Compensated absences								68,483
Flood related costs				366,207			366,207	
Depreciation	826,563	514,101	261,391	331,087	179,056	69,555	2,181,754	165,630
Tax and tax equivalents	1,155,227						1,155,227	
Total operating expenses	11,270,065	1,947,319	665,540	907,291	350,600	798,753	15,939,568	234,113
Operating income (loss)	580,665	(63,831)	302,668	(728,605)	(172,070)	(46,165)	(127,339)	12,837
Nonoperating revenues (expenses)								
Interest income	332,335	57,361	36,150		973	5,353	432,172	28,411
Interest expense	(1,187)	(61,742)	(37,720)			(13,257)	(113,906)	(13,172)
Intergovernmental				427,829		15,000	442,829	
Total Nonoperating revenes (expenses)	331,148	(4,381)	(1,570)	427,829	973	7,096	761,095	15,239
Income (loss) before transfers and contributions	911,813	(68,212)	301,098	(300,776)	(171,097)	(39,071)	633,756	28,076
Capital contributions		63,336	112,110	39,802			215,248	
Transfers in				64,836	21,900		86,736	
Transfers out	(275,354)						(275,354)	
Change in net assets	636,459	(4,876)	413,208	(196,138)	(149,197)	(39,071)	660,386	28,076
Total net assets - January 1	25,654,318	9,824,551	8,519,658	14,076,883	4,816,717	377,021	63,269,148	1,017,589
Total net assets - December 31	$ 26,290,777	$ 9,819,676	$ 8,932,866	$ 13,880,745	$ 4,667,520	$ 337,950	$ 63,929,534	$ 1,045,665

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

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2009

	Business-Type Activities – Enterprise Funds							Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)	Totals	
Cash flows from operating activities:								
Cash received from customers and users	$11,240,453	$1,817,190	$ 936,234	$178,686	$ 178,530	$ 734,516	$15,085,608	
Cash received from interfund activities	621,172	58,132	28,983			16,451	724,739	$ 246,950
Cash paid to suppliers for goods and services	(7,761,155)	(755,802)	(193,478)	(418,754)	(109,003)	(502,030)	(9,740,221)	
Cash paid for interfund activities	(89,611)	(110,902)	(40,113)		(66,844)	(33,690)	(341,160)	
Cash paid to employees	(1,322,178)	(595,704)	(141,507)	(162,458)		(199,886)	(2,421,733)	(213,432)
Cash paid for taxes and tax equivalents	(1,155,227)						(1,155,227)	
Other operating revenues (expenses)	46,985	8,165	2,991			6,726	64,868	
Net cash provided (used) by operating activities	1,580,440	421,079	593,110	(402,526)	2,682	22,088	2,216,874	33,518
Cash flows from noncapital financing activities:								
Intergovernmental revenues				427,829		15,000	442,829	
Transfers from other funds				64,836	21,900		86,736	
Transfers to other funds	(275,354)						(275,354)	
Interfund receivable	(1,155,000)						(1,155,000)	
Net cash provided (used) by noncapital financing activities	(1,430,354)			492,665	21,900	15,000	(900,789)	
Cash flows from capital and related financing activities:								
Acquisition of capital assets	(1,093,050)	(355,165)					(1,448,215)	(4,875)
Principal payments on long-term debt		(75,000)	(60,598)			(70,391)	(205,989)	(62,601)
Interest and fiscal charges on bonds	(1,187)	(61,943)	(37,720)			(13,257)	(114,107)	(13,172)
Net cash (used) by capital and related financing activities	(1,094,237)	(492,108)	(98,318)			(83,648)	(1,768,311)	(80,648)
Cash flows from investing activities:								
Interest received on investments	343,514	57,361	36,150		973	5,353	443,351	28,411
Proceeds from sales and maturities of investments	3,847,000		78,411				3,925,411	
Purchase of investments	(4,524,552)						(4,524,552)	235,929
Net cash provided (used) by investing activities	(334,038)	57,361	114,561		973	5,353	(155,790)	264,340
Net increase (decrease) in cash and cash equivalents	(1,278,188)	(13,668)	609,353	90,140	25,555	(41,207)	(608,016)	217,210
Cash and cash equivalents - January 1	2,249,809	1,873,828	343,403	64,234	28,343	285,097	4,844,713	504,257
Cash and cash equivalents - December 31	$ 971,620	$ 1,860,160	$ 952,756	$ 154,374	$ 53,899	$ 243,890	$ 4,236,697	$ 721,467

(continued)

Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2009 (continued)

	Business-Type Activities – Enterprise Funds							Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	Storm Water	City Mall	Nonmajor (Refuse)	Totals	
Reconciliation of operating income to net cash provided (used) by operating activities:								
Operating income (loss)	$ 580,665	$ (63,831)	$ 302,668	$ (728,603)	$ (172,070)	$ (46,165)	$ (127,337)	$ 12,837
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	826,563	514,101	261,391	331,087	179,056	69,555	2,181,754	165,630
Changes in assets and liabilities:								
Accounts receivable	54,977					5,105	60,082	
Materials and supplies	166,867	(823)					166,044	
Prepaid items	(4,050)	12,627					8,577	
Accounts payable	(46,433)	(17,338)	36,237	(3,384)	(4,303)	22,154	(13,067)	
Accrued wages payable	(29,708)	(14,386)	(7,186)	(1,626)		(22,223)	(75,129)	
Accrued compensated absences	39,651	(9,271)					30,380	(144,949)
Due to other government units	(10,996)					(6,337)	(17,333)	
Customer deposits	2,904						2,904	
Net cash provided (used) by operating activities	1,580,440	421,079	593,110	(402,526)	2,682	22,088	2,216,874	33,518
Schedule of noncash investing, capital and financing activities:								
Increase (Decrease) in fair value of investments	$ 35,392						$ 35,392	
Capital contributions		$ 63,336	$ 1,811,131	$ 39,802			1,914,269	
MN PFA debt assumed			(1,699,021)				(1,699,021)	
Cash and cash equivalents are shown on the balance sheet under the following captions:								
Cash and cash equivalents	$893,266	$ 1,763,016	$ 952,756	$ 154,374	$ 53,899	$ 243,890	$ 4,061,201	$ 721,467
Restricted assets:								
Cash in bond accounts		97,144					97,144	
Cash in customer deposits	78,354						78,354	
Total cash and cash equivalents - December 31	$ 971,620	$ 1,860,160	$ 952,756	$ 154,374	$ 53,899	$ 243,890	$ 4,236,697	$ 721,467

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

Statement of Fiduciary Assets and Liabilities
Agency Fund - Flexible Benefits
December 31, 2009

ASSETS:	
Cash and cash equivalents	$ 12,198
LIABILITIES:	
Due to employees	$ 12,198

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of East Grand Forks, Minnesota (the city) have been prepared in conformity with accounting principles (GAAP) generally accepted in the United States of America as applied to governmental units, as applied by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting entity

The City of East Grand Forks was incorporated April 13, 1987, and is a home rule charter city under Minnesota Statutes with a Council-Mayor form of government. The seven-member council and mayor are elected on staggered, four terms in each odd-numbered year. The council consists of two at-large members and five ward members.

In accordance with GASB Statement No. 14, *The Reporting Entity*, the financial statements present the city and its component units. The city includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from it. Component units are legally separate organizations for which the elected officials of the city are financially accountable and are included within the basic statements because of the significance of their operational or financial relationships to the city.

The city is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and the city is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the city.

As a result of applying the component unit definition criteria above, one organization has been defined in accordance with GASB Statement No. 14 and is presented in this report as follows:

Discretely Presented Component Unit

Economic and Development and Housing Authority (EDHA). The EDHA is the creation resulting from the merger of the Economic Development Authority and the Housing and Redevelopment Authority. Prior to the merger, the EDHA promoted economic development through the use of various city, state and federal programs; the HRA provided administration for certain redevelopment and low income rent assistance programs. The entire governing board of both authorities was appointed by the city council. The combined board of the EDHA is also appointed by the city council. Although it is legally separate from the city, the EHDA is reported as if it were part of the city because its sole purpose is to provide services for the city's businesses and residents.

The majority of operating funds for economic development programs is provided through tax increment financing and local government aid. Any bonded debt issued by the EDHA would be general obligation debt.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund 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. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

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

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. Revenue 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 available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the city considers revenue to be available if they are collected within 60 days 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 claims and judgments, are recorded when payment is due. Compensated absences, except for the Electric and Water Funds, are recorded as liabilities in an Internal Service Fund.

Agency funds statements use neither the economic resources nor the current financial resources measurement focuses.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current period is considered 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 city.

Since governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net assets and the change in net assets.

In the fund financial statements, financial transactions and accounts of the city are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restriction, or limitations.

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

Major Governmental Funds – The major governmental funds reported by the city are as follows:

General Fund. 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.

Residential Infrastructure Projects Fund. This capital projects fund accounts for construction of infrastructure projects financed by special assessments from projects originally funded by state grants.

2008 PFA Loan Sewer Projects Fund. This capital projects fund is used to account for sewer system improvements financed by a PFA bond issue.

12-1-07 and 12-1-04 and 3-1-06 Assessment Bonds Funds. These funds are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs. Debt issued for and serviced by enterprise funds is not included in this fund.

Major Proprietary Funds – The city reports the following major proprietary funds:

Electric Fund. This enterprise fund accounts for the operations of the city-owned electric distribution system.

Water Fund. This enterprise fund accounts for the operations of the city-owned water treatment and distribution system.

Sewage Fund. This enterprise fund accounts for the operations of the city-owned sewage collection and treatment system.
Storm Water Fund. This enterprise fund accounts for the operations of the city-owned storm water system

City Mall Fund. This enterprise fund accounts for the operations of three city-owned commercial rental properties.

Additionally, the city reports the following fund types:

Internal Service Funds. The operations of the Benefit Accrual Fund and the Central Equipment Fund are reported in internal service funds because they provide services to other departments of the city on a cost reimbursement basis.

Agency Fund. The City is the paying agent for the employees voluntary flexible benefit program, funded solely by employee contributions. The Flexible Benefit Agency Fund has been established to account for receipts and disbursements for the program.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standard Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitations. The city has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of (franchise) taxes, which are reported as taxes and tax equivalents, and other charges between the city's enterprise funds and various other functions of the city. Elimination of these charges would distort the direct costs and program revenues of 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 expense from non-operating 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 city's enterprise funds are charges to customers for sales and services. Operating expenses include cost of sales and services, administrative expenses, depreciation, and taxes and tax equivalents. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Cash (including cash equivalents) and investments

Cash balances from all funds, except the Electric and Water Fund, are combined to the extent available investments authorized by state statutes. Earnings from such investments are allocated to respective funds on the basis of applicable cash balance participation by each fund. Likewise, the Electric and Water Fund are combined for investment purposes.

Investments for the city, as well as for its component units, are reported at fair value. The Minnesota Municipal Investment Pool is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the city's position in this pool is the same value as the pool shares.

The city's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments with original maturities of three months or less.

2. Receivables

Account (trade) receivables are carried at original billing amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a regular basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

A receivable is considered past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is charged on receivables that are outstanding for more than 30 days. Accrual of interest is not suspended until a receivable is determined to be uncollectible.

Interest receivable is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Revenues from electric energy sales are accrued to accounts receivable only at the time meters are read. Accordingly, the revenues related to energy delivered, but not metered, are not accrued. The city has three billing cycles per month: North End, South End, and Large Commercial Electric. The North End cycle is billed at the end of each month, with meter readings taken between the 11th and 25th day of the same month. The South End cycle is billed in the middle of each month, with meter readings taken between the 26th of the previous month and the 10th day of the current billing month.

The Large Commercial Electric cycle is billed in the middle of the month, with meter readings taken on the last day of the previous month. Large Commercial Electric sales revenues are accrued to the month of the meter readings. North End and South End sales revenues are recognized in the month billed, which is consistent with current and past revenue recognition practices.

3. Short-term inter-fund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term inter-fund loans are classified as "inter-fund receivables/ payables".

4. Materials & supplies inventories

Materials and supplies are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The consumption method is used to account for inventories. Inventory costs are recorded as expenditures when individual inventory items are consumed. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The net change in reserved fund balances is not presented because the combined statements of revenues, expenditures, and changes in fund balances reflects the changes in total fund balances rather than just the unreserved fund balances.

5. Prepaid items

Payments made to vendors for services that will benefit periods beyond December 31, 2009, are recorded as prepaid items.

6. Restricted assets

The Water and Light Fund and the Economic Development Housing Authority Fund maintain customer deposit accounts that are restricted assets. These deposits are applied against the customer's account when services to them are discontinued. The Water and Light Fund and Economic Development Housing Authority Fund, based on certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and cash equivalents) that can be used only to service outstanding debt.

7. Capital assets (property, plant and equipment)

Capital assets, including property, plant, and 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 more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation.

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 as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets:

Buildings	10-50
Distribution Systems	20-50
Infrastructure	20-50
Machinery and Equipment	5-15
Other Improvements	5-99

GASB Statement No. 34 requires the city to report and depreciate new infrastructure assets effective with the beginning of the current year.

Infrastructure assets include road, bridges, underground pipes (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the city. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

8. Customer Acquisition Costs

On June 21, 2005, the city purchased electric service territory from Red River Valley Power Cooperative. And, in December 2006, the city purchased electric service territory from PKM Electric. Accordingly, under FASB Statement No. 142, Goodwill and Other Intangible Assets, the Department will periodically reassess the useful life of these costs (and all other capital asset costs) to determine if any impairment losses should be recognized.

9. Compensated absences

The city compensates all employees upon termination for unused vacation pay and for unused sick pay, up to a limit of 1,280 hours. Vacation is accrued as an expenditure or expense as earned in all funds. Accumulated sick leave in the Water Fund and the Electric Fund are recorded as expenses and liabilities in those funds as the benefits accrue to their employees. The Water Fund has accrued a liability of $134,794 for 4,498 accumulated sick leave hours; the Electric Fund has accrued a liability of $300,953 for 9,309 accumulated sick leave hours. Additionally, the EDHA has accrued a liability of $83,392 for 3,604 accumulated sick leave hours. All other accrued sick leave expenses are charged to specific funds and departments, with the liability maintained in a Benefit Accrual Fund.

The Benefit Accrual Fund, an internal service fund, was added to pay for those benefits actually used by governmental fund employees or employees which split their time between proprietary and governmental funds. A liability for unpaid accumulated sick leave of $1,135,317 is recorded in this fund, reflecting 41,572 accumulated sick leave hours. Sick leave hours exceeding the eligible reimbursement limit of 1,280 hours totaled 718.

10. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. 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 the 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 actual debt proceeds received, are reported as debt service expenditures.

11. Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

12. Comparative data

Comparative total data for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data have not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

13. Property taxes

Property tax levies are set by the city council in October each year and are certified to the county for collection the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads the levies over all taxable property in the city. Such taxes become receivables of the city as of January 1.

Property taxes are payable in equal installments by property owners to the county as follows: Personal Property - February 28 and June 30; and Real Property - May 15 and October 15.

The county remits the collections to the city and other taxing districts three times a year, in January, July and December.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. The receivable is fully offset by deferred revenue as it is not available to finance current expenditures.

Taxes payable on homestead property (as defined by Minnesota Statutes) are partially reduced by a homestead credit. This credit is paid to the city by the state in lieu of taxes levied against homestead property. The state remits this credit in two equal installments in July and December each year.

14. Special assessments receivables

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with Minnesota Statutes. The city usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue.

Collection of annual installments (including interest) is handled by the county in the same manner as property taxes. Property owners are allowed to prepay total 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 forfeited sale and the first proceeds of that sale (after costs, penalties, and expenses of sale) are remitted to the city in payment of delinquent special assessments. Generally, the city will collect the full amount of its special assessments not adjusted by city council or court action. Pursuant to state statutes, a property shall be subject to tax forfeit sale after three years of delinquency except for homesteaded, agricultural or seasonal recreational property, which is subject to sale after five years.

Special assessments receivable includes the following components:

Delinquent - amounts billed to property owners but not paid.
Deferred - assessment installments which will be billed to property owners in future years.

Unremitted special assessment amounts collected by Polk County are recorded in due from other government units.

15. Power cost

The wholesale power suppliers bill monthly on meter readings taken at the end of each month. The expense related to power delivered is the accrued amount billed by the supplier.

16. Use of estimates

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

E. Federal Audit Requirements

The U.S. Office of Management and Budget (OMB) issued Circular A-133, which establishes uniform audit requirements for non-Federal entities that administer Federal awards and implements the Single Audit Act Amendments of 1996, which were signed into law July 5, 1996 (Public Law 104-156)

The purposes of the Single Audit Act Amendments of 1996 are as follows:

1. promote sound financial management, including effective internal controls, with respect to Federal awards;
2. promote the efficient and effective use of audit resources;
3. reduce burdens on state and local governments, Indian tribes and nonprofit organizations;
4. ensure that Federal departments and agencies, to the maximum extent practicable, rely upon and use audit work done pursuant to Chapter 75 of Title 31, United States Code (the "Single Audit Act").

For 2009, the City of East Grand Forks' audit was performed in accordance with Circular A-133. The auditor's report on consideration of the City's internal control over financial reporting and tests of other matters are issued with this report.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by council resolution for the General and Special Revenue Funds with the exception Economic and Community Develop Fund, which adopts project length budgets.

Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternately achieved through general obligation bond indenture provisions. Budgetary control for Capital Project Funds is based on a project completion time cycle rather than an annual basis, therefore, budgetary comparisons on an annual basis would not present meaningful information.

The city follows these legal compliance procedures in establishing the budgetary data reflected in the financial statements:

1. The city administrator submits a proposed operating budget to the city council prior to the end of the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to December 28, the budget is legally enacted through the passage of a budget resolution.

4. Management may not legally exceed budgeted expenditures at the department level. Monitoring of budgets is maintained at the sub-department level (i.e., police administration, police investigations, police patrols, etc.) and the category level (i.e., personal services; supplies; other services and charges; capital outlay) within each department. Management can alter the budget at the category or activity level within their department but cannot exceed the total budgeted expenditures for the department that was approved by the city council. Management cannot amend the budget at the department level. During the year, no formal supplementary appropriations were made. However, the city council approves all payments of vouchers and payroll at its regular meetings held twice a month, even though budgets may have been exceeded.

5. All budgeted appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the department level.

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2009, expenditures and other uses were less than appropriations in all budgeted funds.

C. Deficit Fund Equity

At December 31, 2009, there are five governmental funds with a deficit fund balance. The $304,606 deficit fund balance in the 2005 City Projects Fund, $267,183 deficit in the 08 PFA Sewer Projects Fund, $418,655 deficit in the 08 PFA Street Construction Fund, $ 18,064 in the Transit Fund, and the $428,757 deficit in the Residential Infrastructure Fund will decrease with future PFA loan draws, revenues and transfers from governmental and enterprise funds.

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments at December 31, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and cash equivalents	$ 10,936,986
Investments	14,617,260
Restricted cash and cash equivalents	175,498
Statement of fiduciary assets and liabilities:	
Cash and cash equivalents	12,198
Total cash and investments	$ 25,741,942

Cash and investments at December 31, 2009 consist of the following:

Cash:	
Cash on hand	$ 615
Deposit with financial institutions	3,841,824
Cash equivalents:	
4M - Local Government Investment Pool	4,977,134
Money Market Funds	552,602
Investments:	
Various	16,369,767
Total cash, cash equivalents, and investments	$ 25,741,942

Investments Authorized by Minnesota Statutes and the city's investment policy

The table below identifies the investment types that are authorized for the city by Minnesota state statute. The city's investment policy does not restrict investment types beyond the limits set forth by state statute. The table also identifies any provisions in state statutes that address interest rate risk, credit risk, and concentration risk. This table also applies to investments of debt proceeds held by bond trustee that are governed by provisions of debt agreements and similarly restricted by state statute.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. treasury obligations	None	None	None
U.S. agency securities	None	None	None
Banker's acceptances	None	None	None
Commercial paper	270 days	None	None
Negotiable certificates of deposit	None	None	$100,000
Non-negotiable certificates of deposit	None	None	None
MN state or municipal obligations	None	None	None
Repurchase agreements	None	None	None

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2007, the city's investments in U.S. Agencies are rated AAA by Standard & Poor's and AAA by Moody's Investors Service. The city's investments in negotiable certificates of deposit are below the F.D.I.C. $250,000 insurance limit per institution. Non-negotiable certificates of deposits exceeding $250,000 per institution must be collateralized by the limits defined in the custodial credit risk section of this footnote. The city's investment in the 4M – Local Government Investment Pool is unrated. The city has no formal investment policy.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One way the city manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments. The city also manages this risk by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide cash flow and liquidity for operations. Further, the city purchases some securities that have interest rates that step-up over time. The city monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The city has no specific limitations with respect to this metric.

Investment Type	Fair Value	Weighted Average Maturity (in years)
Federal Agencies:		
Federal Home Loan Bank	$ 1,048,689	6.82
Federal Home Loan Mortgage	2,430,258	5.87
Federal National Mortgage Assn.	2,288,510	8.46
Negotiable certificates of deposit	10,402,376	2.32
Non-negotiable certificates of deposit	199,935	0.61
Money Market Funds	552,602	0.12
Local Government Investment Pool	4,977,134	0.12
	$ 21,899,504	
Portfolio weighted average maturity		3.00

Concentration of Credit Risk

State statutes contain no limitations on the amount that can be invested in any one issuer. Investments in any one issuer representing 5% or more of the city's total investments are as follows:

Investment Type	Fair Value	Percent of Investment Portfolio
Federal Agencies:		
Federal Home Loan Bank	$ 1,048,689	4.8%
Federal Home Loan Mortgage	2,430,258	11.1%
Federal National Mortgage Assn.	2,288,510	10.5%

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to cover the value of its investment or collateral securities that are in possession of another party. Minnesota statutes do not contain legal requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: Minnesota statutes require that all city deposits be protected by insurance, surety bond, or collateral. The market value of the collateral must be a minimum of 110% of deposits not covered by insurance or bonds (140% in the case of mortgage backed collateral). Authorized collateral includes the legal investment described earlier, as well as certain first mortgage notes, and certain other state or local obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the clerk-treasurer or in a financial institution. The City was under collateralized for a short time during 2009, but was adequately collateralized at December 31, 2009. The City has no formal policy relating to custodial credit risk.

Cash, cash equivalents, and investments are presented in the government-wide financial statements as follows:

	Cash and Cash Equivalents	Investments	Restricted Cash and Cash Equivalents	Total
Governmental				
Activities:				
General Fund	$ 1,946,563	$ 1,037,396		$ 2,983,959
Residential Infrastructure	136,690	259,678		396,368
08 PFA Loan Sewer Projects	1,434	-		1,434
12-1-07 Assessment Bonds	542,783	-		542,783
12-1-04 Assessment Bonds	176,097			176,097
3-1-06 Assessment Bonds	569,606	660,645		1,230,251
Nonmajor governmental	2,781,149	1,763,349		4,544,498
Internal service funds	721,467	768,007		1,489,474
Total	6,875,789	4,489,075		11,364,864
Business-type				
Activities:				
Electric	893,266	8,975,551	$ 78,354	9,947,171
Water	1,763,016		97,144	1,860,160
Sewage	952,756	1,152,634		2,105,390
Storm Water	154,370	-		154,370
City Mall	53,899			53,899
Nonmajor (Refuse)	243,890	-		243,890
Total	4,061,197	10,128,185	175,498	14,364,880
Government-wide total	10,936,986	14,617,260	175,498	25,729,744
Fiduciary fund	12,198			12,198
Total cash and investments	$ 10,949,184	$ 14,617,260	$ 175,498	$ 25,741,942

NOTE 4. RECEIVABLES AND DEFERRED REVENUES

Interfund Receivables, Payables, and Transfers. At December 31, 2009, there are interfund balances that are generally short-term loans used to cover temporary cash deficits in various funds. The interfund transfers generally are made for the purposes of debt service payments made from a debt service fund but funded from an operating fund or subsidy transfers. There were no significant transfers during the fiscal year that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

Deferred Revenues. Government funds report deferred revenue in connection with receivables of revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. Unremitted special assessments are recorded in due from other government units. At the end of the current fiscal year, the various components of deferred revenue reported in governmental funds were as follows:

	Property Taxes	Special Assessments	Notes Receivable	Total
Governmental Activities:				
General Fund	$ 51,079	$ 22,706	$ 76,899	$ 150,684
Residential Infrastructure		2,500,503		2,500,503
12-1-04 Assessment Bonds		2,085,952		2,085,952
3-1-06 Assessment Bonds		1,889,256		1,889,256
12-1-07 Assessment Bonds		2,511,853		2,511,853
Nonmajor govermental		1,461,090		1,461,090
Total	$ 51,079	$ 10,471,360	$ 76,899	10,599,338
Less:				
Property taxes				$ (51,079)
Special assessments				(10,471,360)
Notes receivable				(76,899)
Total Government-wide deferred revenue				$ 0

Interfund Receivables. The following is the interfund receivables/payables at December 31, 2009:

Receivable Fund	Payable Fund	Amount
Electric Fund	2005 City Projects Fund	$ 285,000
Electric Fund	Residential Infrastructure	$ 1,275,000
Residential Infrastructure	08 PFA Loan Sewer Project Fund	$ 86,000
Residential Infrastructure	08 PFA Loan Street Improv Project Fund	$ 184,000
Residential Infrastructure	Current City projects	$ 176,000

Transfers. The following interfund transfers are reflected in the fund financial statements at December 31, 2009:

	Transfers In	Transfers Out
Governmental funds:		
General Fund	$186,467	$734,375
Residential Infrastructure		1,455,000
12-1-07 Assessment Bonds	101,113	
3-1-06 Assessment Bonds	13,696	
Nonmajor governmental	2,339,554	262,837
Total governmental funds	2,640,830	2,452,212
Enterprise funds:		
Electric		275,354
Strm w tr	64,836	
City Mall	21,900	
Total enterprise funds	86,736	275,354
Total	$2,727,566	$2,727,566

Accounts Receivables. The following accounts receivables are reflected in the fund financial statements at December 31, 2009:

	Current	Days deliquent 31-120	Days deliquent Over 120	Total	Allowance for doubtful Accounts	Net Accounts Receivable
Governmental funds:						
General	$ 8,649			$ 8,649		$ 8,649
Nonmajor funds	18,470			18,470		18,470
Total Governmental	27,119			27,119		27,119
Enterprise funds:						
Electric	1,254,523	$ 90,690	$ 46,826	1,392,039	$ (48,000)	1,344,039
Nonmajor (Refuse)	274			274		274
Total enterprise	1,254,797	90,690	46,826	1,392,313	(48,000)	1,344,313
Total	$1,281,916	$ 90,690	$ 46,826	$1,419,432	$ (48,000)	$1,371,432

NOTE 5. CAPITAL ASSETS

Capital asset activities for the year ended December 31, 2009, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Internal Service Fund Assets	Governmental Funds Total	Internal Service Fund Additons	Governmental Fund Additions
Governmental activities:								
Nondepreciable capital assets								
Land	$ 31,007,286			$ 31,007,286		$ 31,007,286		$ -
Construction in progress	832,902	$1,484,118		2,317,020		2,317,020		1,484,118
Total	31,840,188	1,484,118		33,324,306		33,324,306		1,484,118
Depreciable capital assets:								
Buildings, structures, and improvements	76,984,219	509,001		77,493,220		77,493,220		509,001
Machinery and equipment	6,516,979	143,107		6,660,086	$ 1,720,172	4,939,914		143,107
Infrastructure	35,239,139	1,707,225		36,946,364		36,946,364		1,707,225
Total	118,740,337	2,359,333		121,099,670	1,720,172	119,379,498		2,359,333
Total capital assets	150,580,525	3,843,451		154,423,976	1,720,172	152,703,804		3,843,451
Less accumulated depreciation for:								
Buildings, structures and improvements	(9,257,687)	(1,487,474)		(10,745,161)		(10,745,161)		(1,487,474)
Machinery and equipment	(3,328,686)	(371,166)		(3,699,852)	(821,888)	(2,877,964)	(165,630)	(205,536)
Infrastructure	(9,403,294)	(940,103)		(10,343,397)		(10,343,397)		(940,103)
Total accumulated depreciation	(21,989,667)	(2,798,743)		(24,788,410)	(821,888)	(23,966,522)	(165,630)	(2,633,113)
Total governmental activities capital assets, net	$ 128,590,858	$ 1,044,708	$ -	$ 129,635,566	$ 898,284	$ 128,737,282	$ (165,630)	$ 1,210,338
Business-type activities:								
Nondepreciable capital assets								
Land	$ 715,378			$ 715,378				
Construction in progress	2,977,385	$ 730,679	-	3,708,064				
Total	3,692,763	730,679		4,423,442				
Depreciable capital assets:								
Buildings, structures, and improvements	70,841,923	1,463,590		$ 72,305,513				
Machinery and equipment	5,590,580	1,168,215		6,758,795				
Total	76,432,503	2,631,806		79,064,309				
Total capital assets	80,125,266	3,362,485		83,487,751				
Less accumulated depreciation for:								
Buildings, structures, and improvements	(25,816,192)	(1,360,746)		(27,176,938)				
Machinery and equipment	(3,488,725)	(821,010)		(4,309,735)				
Total accumulated depreciation	(29,304,917)	(2,181,756)		(31,486,673)				
Total business-type activities capital assets, net	$ 50,820,349	$ 1,180,729	$ -	$ 52,001,078				

Depreciation was charged to function/programs of the city as follows:

Governmental acitivities:	
General government	$ 177,993
Public safety	189,791
Public Works	1,933,347
Culture and Recreation	473,274
Transit	20,667
Cemetery	3,671
Total depreciation expenses - governmental activities	2,798,743
Internal service fund depreciation on capital assets charged to the various functions based on usage.	(165,630)
Depreciation expense excluding internal service fund.	$2,633,113
Business-type activities:	
Electric Fund	$ 826,563
Water Fund	514,101
Sewer Fund	261,391
Storm Water Fund	331,087
City Mall Fund	179,056
Refuse Fund	69,555
Total depreciation expenses - business-type activities	$2,181,754

Discretely presented component units

Economic Development & Housing Authority (EDHA)	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Nondepreciable capital assets				
Land	$ 50,300			$ 50,300
Total	50,300			50,300
Depreciable capital assets:				
Buildings, structures and improvements	5,503,577			5,503,577
Machinery and equipment	174,765	497	(1,130)	174,132
Total	5,678,342	497	(1,130)	5,677,709
Total capital assets	5,728,642	497	(1,130)	5,728,009
Less accumulated depreciation for:				
Buildings, structures and improvements	(907,119)	(138,365)		(1,045,484)
Machinery and equipment	(177,600)	(65,791)		(243,391)
Total accumulated depreciation	(1,084,719)	(204,156)		(1,288,875)
Total governmental activities capital assets, net	$4,643,923	$ (203,659)	$ (1,130)	$4,439,134

NOTE 6. LONG-TERM LIABILITIES.

GENERAL OBLIGATION BONDS. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. In addition, general obligation bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds, except for refunding issues. General obligation bonds currently outstanding are as follows:

Governmental activities

General obligation Improvement bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/09
12/01/01	02/01/14	4.0%-5.0%	700,000	520,000
12/01/01 Refunding	12/01/22	4.0%-5.0%	345,000	135,000
12/01/03	12/01/24	3.1%-4.8%	1,000,000	810,000
04/01/04 Refunding	02/01/16	2.8%-4.3%	260,000	125,000
12/01/04	02/01/25	3.0%-4.4%	4,655,000	3,855,000
03/01/06	02/01/27	3.3%-4.3%	4,075,000	3,315,000
12/01/07	02/01/28	3.4%-4.25%	3,560,000	3,400,000
				12,160,000
Mn PFA-Transportation Loan Total $ 3,467,000 advanced 1,237,881	08/20/38	3.645%	3,467,000	1,237,881
Total governmental activities				$ 13,397,881

Business-type activities

Revenue bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/09
General obligation-water revenue (2001)	02/01/21	4.6%-5.2%	$ 1,750,000	1,200,000
Mn PFA-Clean Water Loan Total $ 4,012,598 advanced 3,622,809	08/20/28	2.687%	$ 4,012,598	3,562,211
Total business-type activities				$ 4,762,211

The $3,622,809 was originally received and expended in the 2008 PFA Loan Sewer Project Fund. Subsequently, the capital assets and related debt were transferred to the Sewage Enterprise Fund.

The outstanding GO Water Bond was called and $ 1,200,000 was paid in full In February, 2010.

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

Year Ending December 31	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2010	$ 940,000	$ 488,075	$ 221,022	$ 153,779
2011	1,001,064	479,059	230,529	146,190
2012	1,017,136	441,802	239,134	138,144
2013	1,058,207	402,940	248,641	129,760
2014	1,088,921	362,286	162,246	79,344
2015-19	3,512,099	1,363,916	1,409,736	463,455
2020-24	3,069,590	647,808	1,255,027	217,047
2025-29	1,172,080	181,216	905,876	61,664
2030-34	277,782	78,659		
2035-38	261,001	24,220		
Total	$13,397,881	$4,469,979	$4,672,211	$ 1,389,382

Special assessment bonds are backed by the full faith and credit of the city. Currently all governmental activities general obligation bonds are supported by special assessments.

G.O. CERTIFICATES OF INDEBTEDNESS. In 2007, the city issued general obligation certificates of indebtedness to finance the acquisition of garbage trucks, fire equipment, and a snowblower unit. Annual debt service requirements for this debt are as follows:

Year Ending December 31	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2010	65,764	10,010	73,487	10,160
2011	68,822	6,952	76,728	6,919
2012	72,190	3,584	80,112	3,535
Total	$ 206,776	$ 20,545	$ 230,327	$ 20,614

DEFEASANCE. On June 1, 2006, the city defeased the remaining $2,265,000 in outstanding electric revenue bonds, Series 2001, dated June 1, 2001. The defeasance required the Electric Fund to purchase $2,380,593 in U.S. government securities, which were deposited in an irrevocable trust with an escrow agent. The escrow agent will make all future debt service payments, including the full redemption occurring on February 1, 2010. The average interest rate on the defeased bonds is 5.9% and the average yield on escrowed U.S. government securities is 4.96%. The negative arbitrage until the bonds are redeemed equals $59,342 and the interest payments foregone after redemption total $657,122.

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2009:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation	13,045,000		(885,000)	12,160,000	940,000
Unamortized Premium	36,931		(1,951)	34,980	
Unamortized Discount	(87,406)		4,873	(82,533)	
Total	12,994,525		(882,078)	12,112,447	940,000
Notes Payable:					
MN PFA Transportation Bond		1,237,881		1,237,881	
G. O. certificates of indebtedness	269,377		(62,601)	206,776	64,223
Compensated absensces	1,280,267	68,482	(213,432)	1,135,317	47,680
Governmental activities total:	14,544,169	1,306,363	(1,158,111)	14,692,421	1,051,903
Business-type activities:					
Bonds payable:					
G.O. water revenue	1,275,000		(75,000)	1,200,000	75,000
Unamortized bond discount	(12,750)		750	(12,000)	
MN PFA Clean Water Bond	1,923,788	1,699,021	(60,598)	3,562,211	146,022
Total	3,186,038	1,699,021	(134,848)	4,750,211	221,022
Cert of Indbtness-Refuse	300,718		(70,391)	230,327	70,385
Compensated absensces	405,367	30,380		435,747	41,100
Business-type activities total	3,892,123	1,729,401	(205,239)	5,416,285	332,507
Government-wide total	18,436,292	3,035,764	(1,363,350)	20,108,706	1,384,410

Discretely presented component unit – Economic Development and Housing Authority (EDHA)

INTERMEDIARY RELENDING NOTES. These notes are a liability of the U.S. government as of the EDHA's Intermediary Relending Program. The notes are payable with loan repayments from businesses. Further, loan repayments are restricted to either building a revolving loan fund or making payments to the U.S. government for borrowed funds. The EDHA is charged a one percent interest rate on the notes.

CHANGES IN LONG-TERM LIABILITIES. Long-term liability activity for the year ended December 31, 2009, was as follows:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Business-type activities:					
Intermediary relending notes	$ 476,297		$ (23,881)	$ 452,416	$ 26,319
Compensated absences	79,029	$ 4,363		83,392	8,866
Special assessments	61,250		$ (8,667)	52,583	7,960
Business-type activities total	$ 616,576	$ 4,363	$ (32,548)	$ 588,391	$ 43,145

Presented below is a summary of debt service requirements to maturity by years:

Year Ending December 31	Intermediary Relending Principal	Intermediary Relending Interest
2010	$ 26,319	$ 4,524
2011	26,582	4,261
2012	26,848	3,995
2013	27,116	3,727
2014	27,387	3,456
2015-19	141,101	13,114
2020-24	148,298	5,917
2025-29	28,764	288
	$ 452,416	$ 39,281

NOTE 7. RISK MANAGEMENT AND LITIGATION

The city is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years, the city obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs.

Additionally, the city self-insures the electric distribution assets in the Electric Fund because the deductible for such coverage is $50,000 per loss for maximum coverage of $500,000 per loss.

All risk management activities are accounted for in the appropriate fund. Expenditures and claims are recognized when it is probable that a loss has occurred, the amount of the loss can be reasonably estimated, and the loss amount exceeds insurance coverage. In determining claims, events that might create claims, but for which none have been reported, are considered.

The city attorney estimates that the amount of actual or potential claims against the city as of December 31, 2009 will not materially affect the financial condition of the city.

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 LMCIT. If deemed necessary, LMCIT may require the city to pay supplemental assessments. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. The city's coverage is retrospectively rated, where final premiums are determined after loss experience is known. Property, casualty, and liability insurances are provided by LMCIT through a pooled self-insurance program.

An analysis of claims activities for the last three fiscal periods ending on December 31 is presented below:

	2007	2008	2009
Paid Losses	$7,052	$26,651	$17,514
Paid Expenses	43,767	0	0
Reserve Losses	0	0	0
Reserve Expenses	0	0	0
Total Incurred	50,819	26,651	17,514
Salvage/Subrogate	-151	0	0
Deductible Recovery	-3,000	-2,950	-5732

The city's commercial insurance carrier has no set reserve losses or reserve expenses for claims filed after December 31, 2009, for incidents occurring prior to that date.

There were no significant reductions in insurance from the previous year and there were no settlements in excess of insurance coverage in each of the past three years.

NOTE 8. CLAIMS AND JUDGEMENTS

The city participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the city may be required to reimburse the grantor government.

As of December 31, 2009, significant amounts of grant expenditures have not been audited, but the city believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the city. Additionally, deferred revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan Description

All full-time and certain part-time employees of the City of East Grand Forks are covered by defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the Public Employees Retirement Fund (PERF) 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.

PERF 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, firefighters 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 State 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 Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for Basic Plan members 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 the annuity accrual rate is 3.0 percent for each year of service. For all PERF and PEPFF 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 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 reduce the monthly normal annuity amount, because the annuity is 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 PERF and PEPFF. That report may be obtained on the web at www.mnpera.com, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statues are established and amended by the state legislature. The city makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members are required to contribute 9.10% and 6.00%, respectively, of their annual covered salary in 2008. PEPFF members were required to contribute 8.6% of their annual covered salary in 2008.

The City of East Grand Forks is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 6.75% for Coordinated Plan members, and 14.1% for PEPFF members. The city's contributions to the Public Employees Retirement Fund for the years ending December 31, 2009, 2008, and 2007, were $238,252, $207,311, and $195,621, respectively. The city's contributions to the Pubic Employees Police & Fire Fund for the years ending December 31, 2009, 2008, and 2007 were $281,550, $239,066, and $203,050, respectively. The city's contributions were equal to the contractually required contributions for each year as set by state statute.

NOTE 10. DEFINED CONTRIBUTION PLAN - STATEWIDE

Six city council members and the mayor are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amount contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and one-fourth of one percent of the assets in each member's account annually.

Total contributions made by the city during the fiscal year 2009 were:

Amount		Percentage of Covered Payroll		Required
Employees	Employer	Employees	Employer	Rates
$2,598	$2,598	5.00%	5.00%	5.00%

NOTE 11. CONCENTRATION OF SALES AND REVENUES

American Crystal Sugar Company is the largest customer of the Water and Electric Fund. The company's power purchases account for $5,187,851, or 44%, of the Electric Fund's operating revenue; the company's water purchases account for $357,071, or 19%, of the Water Fund's operating revenue. The city collected $513,077 in franchise fees from the Electric Fund for sales to American Crystal. The fee, calculated at $.0075 per KWH sold, is classified as general tax revenue in the General Fund and is classified as tax and tax equivalent expense in the Electric Fund.

NOTE 12. LEASE COMMITMENTS

The city has entered into lease agreements with various tenants in the City owned River Walk Center mall, the Infill Building and the Demers Professional Building. Tenant payments are based on square, ranging from $2.00 to $12.50 per square foot annually. Lease terms are from one to ten years. The remaining annual lease payments are as follows:

Year Ending December 31,	
2010	$ 137,084
2011	110,112
2012	63,372
2013	40,572
2014	19,881
Thereafter	54,000
Total	$ 425,021

Details for properties under lease agreements are as follows:

City Mall Fund properties	Historical Carrying Cost	Accumulated Depreciation	Annual Depreciation
Riverwalk Center	$4,487,773	$1,404,050	$128,952
Infill Building	1,466,300	301,177	39,076
DeMers Professional	455,800	85,171	11,027
	$6,409,873	$1,790,398	$ 179,055

NOTE 13. RESTRICTED FUNDS

Bond covenants and resolutions in both the Electric Fund and Water Fund require the city to deposit specific amounts into designated accounts for specified purposes. At December 31, all funds were in compliance with the requirements of the respective bond resolutions. The funds are invested in cash and cash equivalents and restricted for the following purpose:

- Debt service funds - These funds include (1) debt service accounts, which are restricted for payment of the current portion of bond principal and interest and (2) debt service reserve accounts, which are to include sufficient funds to cover the maximum annual principal and interest requirements of the respective related issues.

NOTE 14. COMMITTED CONTRACTS

At December 31, 2009, the city had the following remaining commitments for uncompleted construction contracts:

Fund/Project	2009
PFA Street Improvement	$373,032
2009 Assessment Job 4	
Curb, gutter & paving	375,123

The city entered into a joint membership agreement, through the Minnesota Municipal Utility Association (MMUA), with the Midcontinent Area Power Pool (MAAP). The agreement will provide the Department with useful information regarding transmission assets and schedules. The Department would be liable for four annual installments of $8,000 if it decides to discontinue participation in the joint membership.

The city entered into an agreement in 2004 with PKM to acquire electric service territory. The Department will pay PKM ½ cent per kilowatt hour sold on every meter in the newly acquired area for 10 years. The Department paid to PKM $2,880 for electricity sold to the customers in the annexed service territory during 2008.

The city entered into a joint membership agreement with the Minnesota Municipal Power Agency (MMPA) in 2004. The agreement is in effect until December 31, 2040 and requires the Department to purchase all required power above the Western Area Power Association (WAPA) allocation from the MMPA.

The city has entered into an agreement to acquire electric service territory from Red River Valley Power Coop (RRVPC). The agreement, entered into January 2003, will be in effect for 5 years. The city paid to RRVPC the following amounts for electricity sold to the customers in the annexed service territory:

2009	$ 38,788
2008	24,803
2007	25,768
2006	22,999
2005	20,478
2004	19,591
2003	20,492

NOTE 15. CONDUIT DEBT OBLIGATION

The city has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial and industrial facilities which are deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issue. The city is not obligated in any manner for the payment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2009, three series of Industrial Revenue Bonds were outstanding with remaining principal balances of $3,500,000, $1,000,000, and 34,350,000.

NOTE 16. ARBITRAGE REBATE

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. As of December 31, 2009, there are no amounts for arbitrage rebates.

NOTE 17. NEW PRONOUNCEMENTS

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* will be effective for the entity beginning with its year ending December 31, 2010. This Statement provides guidance regarding how to identify, account for and report intangible assets. The new standard characterizes an intangible asset as an asset that lacks physical substance, is nonfinancial in nature and has an initial useful life extending beyond a single reporting period.

The requirements of GASB 51 are effective for financial statements for periods beginning after June 15, 2009, and, for the most part, require retroactive application. Management has not yet determined the effect this statement will have on its financial statements.

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* will be effective for the entity for periods beginning after June 15, 2009. This statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transaction. A key provision of this Statement is the derivative instruments covered in its scope, with the exception of synthetic guaranteed investment contracts (SGIC's) that are fully benefit-responsive, are reported at fair value. The provisions of this Statement will be effective for beginning with the year ending December 31, 2010. Management has not yet determined the effect this statement will have on its financial statements.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* will be effective for the entity for period beginning after June 15, 2010. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. Management has not yet determined the effect this statement will have on its financial statements.

NOTE 18. OTHER POSTEMPLOYMENT BENEFITS

Plan Description:
Other postemployment benefits provided by the City include allowing retirees to continue their health insurance coverage through the City group plan at their own cost. This plan was established under the authority of the City Council and is of the single-employer defined benefit variety. Any amendments to the plan must be approved by the City Council. There is not a separate audited plan financial report.

Summary of Significant Accounting Policies:
Postemployment healthcare expenditures are paid as they come due.

Funding Policy:
The City Council establishes employer contribution rates for plan participants and determines how the plan will be funded as part of the budgetary process each year. Retirees pay the full budgeted rates for coverage under the medical plan. The City Council has chosen to fund the healthcare benefits on a pay as you go basis.

Annual OPEB Cost and Net OPEB Obligation:
The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is $19,102 for fiscal year 2009. The annual employer contributions for fiscal year 2009 were $-0-. The annual benefit cost for fiscal year 2009 was $19,102.

The City Council has elected not to pre-fund OPEB liabilities. The City Council is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	$ 59,078
Interest on net OPEB obligation	
Adjustment to annual required contribution	
Annual OPEB cost (expense)	
Estimated Contributions made	(19,102)
Increase (decrease) in net OPEB obligation	$ 39,976
Net OPEB obligation, beginning of year	39,976
Net OPEB obligation, end of year	$ 79,952

Trend Information:
The City's annual OPEB cost, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for the years ended December 31, 2009 and 2008 were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/09	$59,078	32.3%	$79,952
12/31/08	$59,078	32.3%	$39,976

Funded Status and Funding Progress:
As of January 1, 2008, the most recent actuarial date, the plan was 0 percent funded. The actuarial accrued liability for benefits was $562,881, and the actuarial value of assets was $0, resulting in an unfunded actuarial accrued liability (UAAL) of $562,881. For the fiscal year ended December 31, 2008, the covered payroll (annual payroll of active employees covered by the plan) was $4,142,858, and the ratio of the UAAL to the covered payroll was 13.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents trend information that shows the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan

members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the January 1, 2008 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 4.50% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employers' own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare trend rate of 9.00% percent initially, reduced by decrements to an ultimate rate of 5.00% percent after 8 years. Both rates include a 3.0% inflation assumption.

The actuarial value of assets, if any, was determined using techniques that spread the effects of the short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as percentage of projected payroll of 13.6% based on a zero population growth assumption. The open amortization method and a 30 year amortization period are being used. The remaining amortization period at January 1, 2008 was 30 years.

A schedule of employer contributions for the Retiree Health Insurance Premium Contribution Plan is provided below:

Fiscal Year	Annual Required Contribution	Percentage Contributed
12/31/09	$59,078	32.3%
12/31/08	$59,078	32.3%

NOTE 19. GUARANTEE OF DEBT

In connection with the Riverwalk Center, the City of East Grand Forks Economic Development Housing Authority has guaranteed debt for River Cinema, Inc., a tenant of the Riverwalk Center. There are four separate guarantees totaling approximately $1,621,400 at December 31, 2009. The guarantees expire upon satisfaction of the mortgages by River Cinema, Inc. or the release of the lien on the property by the Economic Development Administration (EDA). Examples of events that would require the EDHA to provide a cash payment pursuant to the guarantees include a loan default, which would result from River Cinema's failure to service its debt when due or noncompliance with financial covenants, and inadequacy of asset collateral. There is currently no recorded liability for potential losses under these guarantees, nor is there any liability for the EDHA's obligation to "stand ready" to fund such guarantee. Based on information gathered as part of its monitoring of risks, the EDHA believes there is only a remote possibility River Cinema, Inc. will not remain current with its debt payments and the EDHA will be required to perform under the guarantees.

NONMAJOR GOVERNMENTAL
FUNDS

CITY OF EAST GRAND FORKS, MINNESOTA

SPECIAL REVENUE FUNDS are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, charter provisions, or local ordinance to finance particular functions or activities of government.

Community and Economic Growth Fund. This fund is used to account for various programs that promote community and economic growth. These programs often have external revenue sources with spending restrictions.

State Aid Street. This fund is used to account for the receipt and disbursement of Minnesota State Aid for streets.

Transit. This fund is used to account for providing contracted transportation services to the community. The services are contracted from the City of Grand Forks, which are funded mostly by state and federal grants.

New Home Incentive. This fund is used to account for the disbursement of deferred loans for new home construction to residents that meet certain income limits. The fund is supported with proceeds from the sale of city owned residential lots.

Library. This fund is used to account for library activities and is primarily supported by an annual General Fund transfer.

Senior Citizens Center. This fund is used to account for the activities of the Senior Citizens Center and is primarily supported by an annual General Fund transfer.

Cemetery Fund. This fund is used to account for the activities of the Cemetery Fund, which is funded by revenue from plot sales.

Insect Control. . This fund is used to account for the activities of the Insect Control Fund, supported by $1.00 per month from each utility customer.

Perpetual Care Fund. This fund is used to accumulate resources to maintain the cemetery operations after all the plots are sold. A portion of the revenue from each plot sold is attributed to this fund.

DEBT SERVICE FUNDS are used to account for the accumulation of resources for, and payment of, general long term debt principal, interest and related costs. Debt issued for and serviced by an enterprise fund is not included in this category.

General obligation bond debt service funds presently established are as follows: 8-1-98, 12-1-01, 12-1-03, 4-1-04 Special Assessment Bonds.

CAPITAL PROJECTS FUNDS are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Levee City Projects This fund has been used to account for the construction of the flood control infrastructure which is winding down but is still uncompleted.

1997 Community Development Projects. This fund is used to account for the activities involved with improving single family, rental, and commercial properties through small cities development program grants.

1997 Downtown Development Projects. This fund is used to account for the construction of new and public facilities, which is primarily funded with a United States Housing and Urban Development grant.

2005 City Projects – Cemetery Road, Point Bridge Rehabilitation, Civic Center Renovations. This fund is used to account for locally funded projects with multiple year construction periods.

08 PFA Loan 23rd St Project. This fund is used to account for the improvements to be made on the 23rd Street project which will be financed with a MN PFA loan..

Current Assessment Projects. This fund is used to account for the construction of water, sewer, curb, gutter and paving benefiting City properties.

Current City Projects This fund is used to account for locally funded projects with multiple year construction periods.

PERMANENT FUNDS are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Campbell – Olson Fund. This fund is used to account for the principal and interest on endowments for the benefit of the library.

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Combining Balance Sheet
Nonmajor Governmental Funds by Fund Type
December 31, 2009

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Campbell-Olson Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	$ 967,474	$ 545,558	$ 1,190,489	$ 77,627	$ 2,781,149
Investments	597,139	260,926	905,284		1,763,349
Accounts receivable	16,100		2,370		18,470
Due from other government units	43,974	5,255	437,766		486,994
Special assessments receivable:					
Delinquent		16,101			16,101
Deferred		1,444,989			1,444,989
Notes Receivable	190,180				190,180
Land held for resale	454,720				454,720
Total Assets	2,269,588	2,272,829	2,535,909	77,627	7,155,953
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	16,969		542,929		559,897
Accrued wages payable	14,175				14,175
Due to other government units	59,342				59,342
Interfund payable			645,000		645,000
Deferred revenue		1,461,090			1,461,090
Total Liabilities	90,486	1,461,090	1,187,929		2,739,504
Fund balances:					
Reserved for debt service		811,739			811,739
Reserved for library				76,000	76,000
Reserved for land held for resale	454,720				454,720
Reserved for notes receivable	190,180				190,180
Unreserved, undesignated	1,534,202		1,347,980	1,627	2,883,809
Total Fund Balances	2,179,102	811,739	1,347,980	77,627	4,416,448
Total Liabilities and Fund Balances	$ 2,269,588	$ 2,272,829	$ 2,535,909	$ 77,627	$ 7,155,953

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds by Fund Type
Year Ended December 31, 2009

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Campbell-Olson Fund	Total Nonmajor Governmental Funds
Revenues:					
Intergovernmental	$ 308,676		$ 804,423		$ 1,113,099
Special assessments		$ 277,344	150,000		427,344
Charges for services	197,097				197,097
Interest and other revenues	81,071	13,266	121,790	$ 1,627	217,755
Total Revenues	586,844	290,610	1,076,213	1,627	1,955,294
Expenditures:					
Current:					
Public works	22,536				22,536
Recreation and culture	450,123				450,123
Transit	261,246				261,246
Community development	125,510				125,510
Cemetery	43,434				43,434
Capital outlay	11,652		3,841,530		3,853,182
Debt service:					
Principal retirement		125,000			125,000
Interest and fiscal agent fees		75,453			75,453
Total expenditures	914,500	200,453	3,841,530		4,956,483
Excess (deficiency) of revenues over expenditures	(327,657)	90,157	(2,765,317)	1,627	(3,001,190)
Other financing sources (uses)					
Transfers in	484,554		1,855,000		2,339,554
Transfers out	(160,221)	(99,554)		(3,062)	(262,837)
Long-term debt issued			1,237,881		1,237,881
Total other financing sources (uses)	324,333	(99,554)	3,092,881	(3,062)	3,314,598
Excess (deficiency) of revenues over expenditures and other sources (uses)	(3,324)	(9,397)	327,564	(1,435)	313,409
Fund balance at beginning of year	2,182,425	821,136	1,020,416	79,062	4,103,039
Fund balance at end of year	$ 2,179,101	$ 811,739	$ 1,347,980	$ 77,627	$ 4,416,447

Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2009

	Community Growth	State Aid Street	Transit	New Home Incentive	Library
ASSETS					
Cash and cash equivalents	$ 215,530	$ 174,039	$ 1,092	$ 159,257	$ 70,867
Investments				597,139	
Accounts receivable					
Notes Receivable				190,180	
Due from other government units			43,974		
Land held for resale				454,720	
Total Assets	215,530	174,039	45,066	1,401,296	70,867
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable		-	3,788	180	7,408
Accrued wages payable					9,737
Due to other government units			59,342		
Deferred Revenue					
Total liabilities			63,130	180	17,146
Fund balances:					
Reserved for land held for resale				454,720	
Reserved for notes receivable				190,180	
Unreserved, undesignated	215,530	174,039	(18,064)	756,216	53,721
Total fund balances	215,530	174,039	(18,064)	1,401,116	53,721
Total liabilities and fund balances	$ 215,530	$ 174,039	$ 45,066	$1,401,296	$ 70,867

(continued)

Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2009 (continued)

	Senior Center	Cemetery	Insect Control	Perpetual Care	Total
ASSETS					
Cash and cash equivalents	$ 57,350	$ 4,627	$ 148,383	$ 136,330	$ 967,474
Investments					597,139
Accounts receivable		16,100			16,100
Notes Receivable					190,180
Due from other government units					43,974
Land held for resale					454,720
Total Assets	57,350	20,727	148,383	136,330	2,269,588
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	5,066	528			16,969
Accrued wages payable	4,167	271			14,175
Due to other government units					59,342
Deferred Revenue					
Total liabilities	9,233	798			90,486
Fund balances:					
Reserved for land held for resale					454,720
Reserved for notes receivable					190,180
Unreserved, undesignated	48,118	19,929	148,383	136,330	1,534,202
Total fund balances	48,118	19,929	148,383	136,330	2,179,102
Total liabilities and fund balances	$ 57,350	$ 20,727	$ 148,383	$ 136,330	$2,269,588

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds
Year Ended December 31, 2009

	Community Growth	State Aid Street	Transit	New Home Incentive	Library
Revenues:					
Intergovernmental	$ -	$ 102,272	$ 205,434		$ 970
Charges for services			2,446	$ 93,745	1,754
Other revenue:					
Program income					
Interest revenue	4,346	3,522	146	18,742	378
Other					39,571
Total revenues	4,346	105,794	208,026	112,487	42,673
Expenditures:					
Current:					
Public works		13,697			
Recreation and culture					356,238
Community development				125,510	
Transit			261,246		
Cemetery					
Capital outlay			11,652		
Total expenditures		13,697	272,898	125,510	356,238
Excess (deficiency) of revenues over expenditures	4,346	92,097	(64,872)	(13,023)	(313,565)
Other financing sources (uses):					
Transfers in			35,000		343,082
Transfers out		(35,000)		(120,949)	
Total other financing sources (uses)		(35,000)	35,000	(120,949)	343,082
Excess (deficiency) of revenues over expenditures and other sources (uses)	4,346	57,097	(29,872)	(133,972)	29,517
Fund balance at begining of year	211,184	116,942	11,808	1,535,088	24,205
Fund balance at end of year	$ 215,530	$ 174,039	$ (18,064)	$1,401,116	$ 53,722

(continued)

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Special Revenue Funds Year Ended December 31, 2009 (continued)

	Senior Center	Cemetery	Insect Control	Perpetual Care	Total
Revenues:					
Intergovernmental					$ 308,676
Charges for services	$ 8,252	$ 36,912	$ 44,547	$ 9,440	197,097
Other revenue:					
Program income	8,325				8,325
Interest revenue	790	65	2,555	2,632	33,176
Other					39,571
Total revenues	17,367	36,977	47,102	12,072	586,844
Expenditures:					
Current:					
Public works			8,839		22,536
Recreation and culture	93,885				450,123
Community development					125,510
Transit					261,246
Cemetery		43,434			43,434
Capital outlay					11,652
Total expenditures	93,885	43,434	8,839		914,500
Excess (deficiency) of revenues over expenditures	(76,518)	(6,457)	38,264	12,072	(327,657)
Other financing sources (uses):					
Transfers in	96,950	9,522			484,554
Transfers out				(4,272)	(160,221)
Total other financing sources (uses)	96,950	9,522		(4,272)	324,333
Excess (deficiency) of revenues over expenditures and other sources (uses)	20,432	3,065	38,264	7,800	(3,324)
Fund balance at begining of year	27,686	16,863	110,119	128,530	2,182,425
Fund balance at end of year	$ 48,118	$ 19,928	$ 148,383	$ 136,330	$2,179,101

Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2009

	8-1-98 Assessment Bonds	12-1-01 Assessment Bonds	12-1-03 Assessment Bonds	04-1-04 Assessment Bonds	Total
ASSETS					
Cash and cash equivalents	$ -	$ 202,486	$ 237,165	$ 105,907	$ 545,558
Investments		260,926	-	-	260,926
Due from other government units:					
Unremitted special assessments		1,376	2,788	1,091	5,255
Special assessments receivable:			-		
Delinquent		9,987	4,903	1,211	16,101
Deferred		522,476	720,110	202,403	1,444,989
Total assets	$ -	$ 997,251	$ 964,966	$ 310,613	$ 2,272,829
LIABILITIES AND FUND BALANCES					
Liabilities:					
Deferred Revenue:					
Special Assessments	$ -	$ 532,463	$ 725,013	$ 203,614	$ 1,461,090
Total liabilities		532,463	725,013	203,614	1,461,090
Fund balances:					
Reserved debt service		464,788	239,953	106,998	811,739
Total fund balances		464,788	239,953	106,998	811,739
Total liabilities and fund balances	$ -	$ 997,251	$ 964,966	$ 310,613	$ 2,272,829

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Debt Service Funds
Year Ended December 31, 2009

	8-1-98 Special Assessment Bonds	12-1-01 Special Assessment Bonds	12-1-03 Special Assessment Bonds	04-1-04 Special Assessment Bonds	Total
Revenues:					
Special assessments	$ -	$ 111,915	$ 106,339	$ 59,090	$ 277,344
Other revenue:	-				
Interest on investments	-	8,183	3,649	1,434	13,266
Total revenues		120,098	109,988	60,524	290,610
	-				
Expenditures:	-				
Debt service:	-				
Principal retirement	-	50,000	40,000	35,000	125,000
Interest and fiscal agent fees	432	33,895	35,706	5,420	75,453
Other debt expenditures	-				
Total expenditures	432	83,895	75,706	40,420	200,453
	-				
Excess (deficiency) of	-				
revenues over expenditures	(432)	36,204	34,282	20,104	90,157
Other financing sources (uses):	-				
Long-term debt issued	-				
Transfers out	(99,554)				(99,554)
Total other financing sources and (uses)	(99,554)				(99,554)
Excess (deficiency) of revenues over expenditures and other sources (uses)	(99,986)	36,204	34,282	20,104	(9,397)
	-				
Fund balance at beginning of year	99,986	428,584	205,671	86,895	821,136
	-				
Fund balance at end of year	$ -	$ 464,788	$ 239,953	$ 106,999	$ 811,739

Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2009

	Levee Projects	1997 Community Development	1997 Downtown Development	2005 City Projects	Current Assessment Projects	08 PFA Loan 23rd Street Project	Current City Projects	Total
ASSETS								
Cash and cash equivalents	$ 165,607	$ 182,241	$ 116,911	$ 24,664	$ 526,223	$ 173,576	$1,266	$ 1,190,489
Investments	652,887	252,397			-	-		905,284
Accounts receivable			2,370			-		2,370
Due from other Governmental Units					187,487		250,278	437,766
Total Assets	818,494	434,638	119,281	24,664	713,710	173,576	251,545	2,535,909
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	32,908		-	44,270	34,910	408,231	22,610	542,929
Due to Other Government Units				-				
Interfund Payable				285,000		184,000	176,000	645,000
Total liabilities	32,908			329,270	34,910	592,231	198,610	1,187,929
Fund balances:								
Unreserved, undesignated	785,586	434,638	119,281	(304,606)	678,801	(418,655)	52,934	1,347,980
Total fund balances	785,586	434,638	119,281	(304,606)	678,801	(418,655)	52,934	1,347,980
Total liabilities and fund balances	$ 818,494	$ 434,638	$ 119,281	$ 24,664	$ 713,710	$ 173,576	$ 251,545	$ 2,535,909

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Capital Projects Funds
Year Ended December 31, 2009

	Levee Projects	1997 Community Development	1997 Downtown Development	2005 City Projects	Current Assessment Projects	08 PFA Loan 23rd Street Project	Current City Projects	Total
Revenues:								
Special Assessments					$ 150,000			$ 150,000
Intergovernmental				$ 366,657	187,487		$ 250,278	804,423
Program income	$ 4,015	$ 91,000	$ -				4,500	99,515
Interest	11,971	7,916	2,388			$ -		22,275
Other								
Total revenues	15,986	98,916	2,388	366,657	337,487		254,778	1,076,213
Expenditures:								
Current:								
Other expenditures								
Capital outlay:								
Land and buildings								
Infrastructure construction	65,334		3,843	711,916	1,048,285	1,564,536	447,616	3,841,530
Total expenditures	65,334		3,843	711,916	1,048,285	1,564,536	447,616	3,841,530
Excess (deficiency) of revenues over expenditures	(49,348)	98,916	(1,455)	(345,259)	(710,798)	(1,564,536)	(192,837)	(2,765,317)
Other financing sources (uses):								
Transfers in				300,000	1,275,000		280,000	1,855,000
Transfers out								
Long-term debt issued						1,237,881		1,237,881
Total other financing sources (uses)	-			300,000	1,275,000	1,237,881	280,000	3,092,881
Excess (deficiency) of revenues over expenditures and other sources (uses)	(49,348)	98,916	(1,455)	(45,259)	564,202	(326,655)	87,163	327,564
Fund balance at beginning of year	834,934	335,722	120,736	(259,347)	114,599	(92,000)	(34,228)	1,020,416
Fund balance at end of year	$ 785,586	$ 434,638	$ 119,281	$ (304,606)	$ 678,801	$ (418,655)	$ 52,935	$ 1,347,980

Community Growth Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2009

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Intergovernmental		$ -	$ -	$ -
Other revenues:				
Program income	$ 5,000	5,000		(5,000)
Interest revenue	5,000	$ 5,000	4,346	(654)
Total revenues	10,000	10,000	4,346	(5,654)
Expenditures:				
Community development:				
Contractual services	10,000	10,000		(10,000)
Other expenditures				
Total expenditures	10,000	10,000		(10,000)
Excess (deficiency) of revenues over expenditures			4,346	4,346
Fund balance at beginning of year	211,184	211,184	211,184	
Fund balance at end of year	$ 211,184	$ 211,184	$ 215,530	$ 4,346

State Aid Street Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2009

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	$ 100,000	$ 100,000	$ 102,272	$ 2,272
Other revenues:				
Interest revenue	10,000	10,000	3,522	(6,478)
Total revenue	110,000	110,000	105,794	(4,206)
Expenditures:				
Public works:				
Contractual services	30,000	30,000	13,697	16,303
Capital outlay				
Total expenditures	30,000	30,000	13,697	16,303
Excess (deficiency) of revenues over expenditures	80,000	80,000	92,097	12,097
Other financing sources (uses):				
Transfers out	(80,000)	(80,000)	(35,000)	45,000
Total other financing sources (uses)	(80,000)	(80,000)	(35,000)	45,000
Excess (deficiency) of revenues over expenditures and other sources (uses)			57,097	57,097
Fund balance at beginning of year	116,942	116,942	116,942	
Fund balance at end of year	$ 116,942	$ 116,942	$ 174,039	$ 57,097

Transit Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2009

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Intergovernmental	$ 290,400	$ 290,400	$ 205,434	$ (84,966)
Charges for services	4,000	4,000	2,446	(1,554)
Other revenues:		-		
Interest revenue	2,000	2,000	146	(1,854)
Total Revenues	296,400	296,400	208,026	(88,374)
Expenditures:				
Transit:				
Contractual services	262,400	262,400	261,246	(1,154)
Capital outlay	80,000	80,000	11,652	(68,348)
Other expenditures	3,600	3,600		(3,600)
Total expenditures	346,000	346,000	272,898	(73,102)
Excess (deficiency) of revenues over expenditures	(49,600)	(49,600)	(64,872)	(15,272)
Other financing sources (uses):				
Transfers in	44,000	44,000	35,000	(9,000)
Total other financing sources (uses)	44,000	44,000	35,000	(9,000)
Excess (deficiency) of revenues over expenditures and other sources (uses)	(5,600)	(5,600)	(29,872)	(24,272)
Fund balance at beginning of year	11,808	11,808	11,808	
Fund balance at end of year	$ 6,208	$ 6,208	$ (18,064)	$ (24,272)

New Home Incentive Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2009

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Charges for services	$ 280,000	$ 280,000	$93,745	($186,255)
Other revenues:				
Interest revenue	20,000	20,000	18,742	(1,258)
Total revenues	300,000	300,000	112,487	(187,513)
Expenditures:				
Community development:				
Contractual services	60,000	36,500	30,148	(6,352)
Other expenditures	160,000	265,000	95,363	(169,637)
Total expenditures	220,000	301,500	125,510	(175,990)
Excess (deficiency) of revenues over expenditures	80,000	(1,500)	(13,023)	(11,523)
Other financing sources (uses):				
Transfers in				
Transfers out	(80,000)	(80,000)	(120,949)	(40,949)
Total other financing sources (uses)	(80,000)	(80,000)	(120,949)	(40,949)
Excess (deficiency) of revenues over expenditures and other sources (uses)		(81,500)	(133,972)	(52,472)
Fund balance at beginning of year	1,535,088	1,535,088	1,535,088	
Fund balance at end of year	$ 1,535,088	$ 1,453,588	$ 1,401,116	$ (52,472)

Library Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2009

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Intergovernmental			$ 970	$ 970
Charges for services	$ 1,600	$ 1,600	1,754	154
Other revenues:				
Interest revenue	500	500	378	(122)
Other	16,100	44,750	39,571	(5,179)
Total revenues	18,200	46,850	42,673	(4,177)
Expenditures:				
Culture and recreation:				
Personal services	256,370	256,370	264,312	7,942
Supplies	43,000	43,000	37,512	(5,488)
Contractual services	59,250	62,950	52,311	(10,639)
Capital outlay		24,950		(24,950)
Other expenditures	1,600	1,600	2,104	504
Total expenditures	360,220	388,870	356,238	(32,632)
Excess (deficiency) of revenues over expenditures	(342,020)	(342,020)	(313,565)	28,455
Other financing sources (uses):				
Transfers in	342,020	342,020	343,082	1,062
Total other financing sources (uses)	342,020	342,020	343,082	1,062
Excess (deficiency) of revenues over expenditures and other sources (uses)			29,517	29,517
Fund balance at beginning of year	24,205	24,205	24,205	
Fund balance at end of year	$ 24,205	$ 24,205	$ 53,722	$ 29,517

Senior Center Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2009

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Charges for services	$ 11,000	$ 11,000	$ 8,252	$ (2,748)
Other revenues:				
Interest revenue	300	300	790	490
Other	3,500	3,500	8,325	4,825
Total revenues	14,800	14,800	17,367	2,567
Expenditures:				
Culture and recreation:				
Personal services	76,100	76,100	67,690	(8,410)
Supplies	4,500	4,500	4,989	489
Contractual services	19,650	19,650	16,285	(3,365)
Capital outlay	5,000	5,000		(5,000)
Other expenditures	6,500	6,500	4,921	(1,579)
Total expenditures	111,750	111,750	93,885	(17,865)
Excess (deficiency) of revenues over expenditures	(96,950)	(96,950)	(76,518)	20,432
Other financing sources (uses):				
Transfers in	96,950	96,950	96,950	
Total other financing sources (uses)	96,950	96,950	96,950	
Excess (deficiency) of revenues over expenditures and other sources (uses)			20,432	20,432
Fund balance at beginning of year	27,686	27,686	27,686	
Fund balance at end of year	$ 27,686	$ 27,686	$ 48,118	$ 20,432

Cemetery Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2009

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Charges for services	$ 42,100	$ 42,100	$ 36,912	$ (5,188)
Other revenues:				
Interest revenue			65	65
Total revenues	42,100	42,100	36,977	(5,123)
Expenditures:				
Other:				
Personal services	20,600	20,600	18,918	(1,682)
Supplies	2,750	2,750	1,071	(1,679)
Contractual services	21,000	21,000	23,093	2,093
Capital outlay	2,000	2,000		(2,000)
Other expenditures	1,000	1,000	352	(648)
Total expenditures	47,350	47,350	43,434	(3,916)
Excess (deficiency) of revenues over expenditures	(5,250)	(5,250)	(6,457)	(1,207)
Other financing sources (uses):				
Transfers in	5,250	5,250	9,522	4,272
Total other financing sources (uses)	5,250	5,250	9,522	4,272
Excess (deficiency) of revenues over expenditures and other sources (uses)			3,065	3,065
Fund balance at beginning of year	16,863	16,863	16,863	
Fund balance at end of year	$ 16,863	$ 16,863	$ 19,928	$ 3,065

Insect Control Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2009

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Charges for services	$ 41,000	$ 41,000	$ 44,547	$ 3,547
Other revenue:				
Interest revenue			2,555	2,555
Total revenues	41,000	41,000	47,102	6,102
Expenditures:				
Public Works:				
Personal services	9,200	9,200	3,547	(5,653)
Supplies	15,000	15,000	5,147	(9,853)
Contractual services	3,000	3,000	144	(2,856)
Capital outlay				
Other expenditures	1,000	1,000		(1,000)
Total expenditures	28,200	28,200	8,839	(19,361)
Excess (deficiency) of revenues over expenditures	12,800	12,800	38,264	25,464
Fund balance at beginning of year	110,119	110,119	110,119	
Fund balance at end of year	$ 122,919	$ 122,919	$ 148,383	$ 25,464

Perpetual Care Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended December 31, 2009

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget
Revenues:				
Charges for services	$ 14,000	$ 14,000	$ 9,440	$ (4,560)
Other revenue:				
Interest revenue	2,000	2,000	2,632	632
Total revenues	16,000	16,000	12,072	(3,928)
Other financing sources (uses):				
Operating transfers in				
Operating transfers out			(4,272)	$ (4,272)
Total other financing sources (uses)			(4,272)	(4,272)
Excess (deficiency) of revenues over expenditures and other sources (uses)	16,000	16,000	7,800	344
Fund balance at beginning of year	128,530	128,530	128,530	
Fund balance at end of year	$ 144,530	$ 144,530	$ 136,330	$ 344

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INTERNAL SERVICE
FUNDS

CITY OF EAST GRAND FORKS, MINNESOTA

INTERNAL SERVICE FUNDS are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Benefit Accrual Fund. This fund is used to account for the expenses associated with accrual of fringe benefits, primarily sick leave accumulations.

Central Equipment Fund. This fund is used to account for purchases of capital equipment and the subsequent rental of that equipment to various city departments.

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Combining Statement of Net Assets
Internal Service Funds
December 31, 2009

	Benefit Accrual	Central Equipment	Total
ASSETS			
Current assets:			
Cash and Cash Equivalents	$ 390,915	$ 330,552	$ 721,467
Investments	768,007		768,007
Total current assets	1,158,922	330,552	1,489,474
Noncurrent assets:			
Capital assets:			
Machinery and equipment		1,720,172	1,720,172
Less accumulated depreciation		(821,888)	(821,888)
Capital assets (net)		898,284	898,284
TOTAL ASSETS	1,158,922	1,228,836	2,387,758
LIABILITIES			
Current Liabilities:			
Accounts Payable			
Compensated absences payable	47,680		47,680
Notes payable - current		65,816	65,816
Total current liabilities	47,680	65,816	113,496
Noncurrent liabilities:			
Compensated absences payable - net current portion	1,087,637		1,087,637
Notes Payable - net current portion		140,960	140,960
Total noncurrent liabilities	1,087,637	140,960	1,228,597
TOTAL LIABILITIES	1,135,317	206,776	1,342,093
NET ASSETS			
Investment in capital assets, net of related debt		691,508	691,508
Unrestricted	23,605	330,552	354,157
TOTAL NET ASSETS	$ 23,605	$ 1,022,060	$ 1,045,665

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds
Year Ended December 31, 2009

	Benefit Accrual	Central Equipment	Total
Operating revenues:			
Charges for services	$ 40,450	$ 206,500	$ 246,950
Total operating revenues	40,450	206,500	246,950
Operating expenses:			
Compensated absences	68,483		68,483
Depreciation		165,630	165,630
Total operating expenses	68,483	165,630	234,113
Operating income (loss)	(28,033)	40,870	12,837
Nonoperating revenues (expenses)			
Interest revenue	24,023	4,388	28,411
Interest expense		(13,172)	(13,172)
Total nonoperating revenues (expenses)	24,023	(8,784)	15,239
Change in net assets	(4,010)	32,086	28,076
Net assets at beginning of year	27,615	989,974	1,017,589
Net assets at end of year	$ 23,605	$ 1,022,060	$ 1,045,665

Combining Statement of Cash Flows
Internal Service Funds
Year Ended December 31, 2009

	Benefit Accrual	Central Equipment	Total
Cash flow from operating activities:			
Receipts from interfund service provided	$ 40,450	$ 206,500	$ 246,950
Payments for compensated absences	(213,432)		(213,432)
Net cash provided by operating activities	(172,982)	206,500	33,518
Cash flows from capital financing activities:			
Acquisition of capital assets		(4,875)	(4,875)
Principal payments on long-term debt		(62,601)	(62,601)
Interest payments on long-term debt		(13,172)	(13,172)
Proceeds from Long-term Debt			
Net cash provided by capital financing activities		(80,648)	(80,648)
Cash flows from investing activities			
Interest on investments	24,023	4,388	28,411
Sale of investments			
Purchase of investments	235,929		235,929
Net cash provided by investing activities	259,952	4,388	264,340
Increase (decrease) in cash and cash equivalents	86,970	130,240	217,210
Cash and cash equivalents - January 1	303,946	200,312	504,258
Cash and cash equivalents - December 31	$ 390,916	$ 330,552	$ 721,468
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$ (28,033)	$ 40,870	$ 12,837
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization		165,630	165,630
Changes in assets and liabilities:			
Increase (decrease) in compensated absences	(144,949)		(144,949)
Net cash provided by operating activities	$ (172,982)	$ 206,500	$ 33,518

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OTHER SUPPLEMENTARY
SCHEDULES

CITY OF EAST GRAND FORKS, MINNESOTA

Schedule of Revenues and Other Sources
Budget to Actual - General Fund
Year Ended December 31, 2009

	Budgeted Amounts		Current Year	Variance with	Prior Year
	Original	Final	Actual	Final Budget	Actual
Taxes:					
Property taxes	$ 2,662,926	$ 2,097,742	$ 2,092,423	$ (5,319)	$ 2,122,114
Mobile home taxes	6,000	6,000	8,552	2,552	5,452
Tax increment taxes	11,000	11,000	1,013	(9,987)	1,574
Payment in lieu of taxes	-				
Hotel/Motel taxes	10,000	10,000	11,500	1,500	11,633
Franchise taxes	1,310,000	1,310,000	1,361,673	51,673	1,330,270
Penalties and interest	3,000	3,000	2,900	(100)	1,699
Total taxes	4,002,926	3,437,742	3,478,061	40,319	3,472,742
Licenses and permits:					
Liquor and malt licenses	42,450	42,450	42,475	25	42,250
Tobacco licenses	400	400	400		450
Plumbing licenses	2,000	2,000	3,300	1,300	1,750
Amusement center licenses	200	200	60	(140)	100
Pet licenses	1,000	1,000	1,201	201	1,054
Other licenses	3,000	3,000	4,632	1,632	3,942
Building permits	50,000	50,000	52,217	2,217	79,865
Excavation permits	3,150	3,150	3,645	495	2,890
Plumbing permits	3,600	3,600	2,095	(1,505)	2,364
Other permits	3,000	3,000	3,326	326	3,587
Total Licenses & Permits	108,800	108,800	113,350	4,550	138,252
Intergovernmental:					
Federal grants	-	88,271	108,221	19,950	60,902
Local government aid	2,831,969	2,831,969	2,658,631	(173,338)	2,458,788
Disparity reduction credit	-	375,889	375,889	(0)	396,003
Market value credit	-	189,295	189,295	0	192,742
PERA aid	15,700	15,700	15,688	(12)	15,688
Police state aid	154,000	154,000	147,593	(6,407)	154,113
Fire state aid	44,000	44,000	32,064	(11,936)	37,217
Ambulance subsidy	21,958	21,958	21,939	(19)	21,939
Other	45,900	45,900	35,872	(10,028)	45,555
Total Intergovernmental	3,113,527	3,766,982	3,585,191	(181,791)	3,382,947
Charges for services:					
General Government	25,100	25,100	9,141	(15,959)	29,339
Accounting Other Funds	22,000	22,000	18,000	(4,000)	12,900
Rescue Unit	4,000	4,000	5,999	1,999	7,489

Schedule of Revenues and Other Sources
Budget to Actual - General Fund
Year Ended December 31, 2008 (continued)

	Budgeted Amounts		Current Year	Variance with	Prior Year
	Original	Final	Actual	Final Budget	Actual
Charges for services (continued):					
Police services	30,000	30,000	33,027	3,027	31,845
Protective inspection services	16,000	16,000	14,929	(1,071)	15,825
Rural fire service	35,000	35,000	35,144	144	40,464
Public safety - other	3,000	3,000	12,602	9,602	4,555
Streets and highways	8,000	8,000	9,745	1,745	10,479
Street lights	165,000	165,000	165,412	412	164,409
Storm sewers	-				
Swimming pool	24,000	24,000	20,671	(3,329)	21,702
Summer recreation programs	45,525	45,525	39,655	(5,870)	35,550
Winter recreation programs	77,375	77,375	61,943	(15,432)	62,909
Recreation - other	97,060	97,060	105,152	8,092	98,707
City hall rent	24,500	24,500	23,496	(1,004)	25,387
Blue Line Arena rent			103	103	
VFW arena rent	20,000	20,000	21,364	1,364	17,317
Civic center rent	95,000	95,000	99,872	4,872	90,525
Total charges for services	691,560	691,560	676,253	(15,307)	669,402
Fines and forfeits:					
Court fines	90,000	90,000	102,016	12,016	105,687
Parking fines	5,000	5,000	4,335	(665)	6,970
Court fees	8,000	8,000	2,546	(5,454)	1,684
Impound fees	6,300	6,300	3,659	(2,641)	5,906
Sale of seized property	12,000	12,000	39,289	27,289	7,297
Total fines and forfeits	121,300	121,300	151,845	30,545	127,544
Miscellaneous revenues:					
Interest revenue	85,000	85,000	33,064	(51,936)	93,244
Donations	-		-		39,875
Insurance dividends	-		72,781	72,781	16,871
Park dedication fees	-				
Other	36,200	36,200	28,171	(8,030)	36,945
Total miscellaneous	121,200	121,200	134,015	12,815	186,935
Total revenues	8,159,313	8,247,584	8,138,716	(108,868)	7,977,822
Other financiang sources:					
Proceeds from sale of assets			-		117,746
Transfers in:					
Enterprise fund projects	60,000	60,000	95,354	35,354	150,752
Other funds	115,000	115,000	91,113	(23,887)	
Total other financing sources	175,000	175,000	186,467	11,467	268,498
Total revenues and other financing sources	$ 8,334,313	$ 8,422,584	$ 8,325,183	$ (97,401)	$ 8,246,320

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2009

	Budgeted Amounts				
	Original	Final	Current Year Actual	Variance with Final Budget	Prior Year Actual
General government:					
Council:					
Personal services	$ 46,600	$ 46,600	$ 47,313	$ (713)	$ 50,467
Other expenditures	4,500	4,500	5,842	(1,342)	6,017
Total	51,100	51,100	53,155	(2,055)	56,484
Ordinances and proceedings:					
Contractual services	10,000	10,000	3,652	6,348	8,972
Total	10,000	10,000	3,652	6,348	8,972
Mayor:					
Personal services	10,800	10,800	10,929	(129)	11,123
Supplies	200	200	19	181	
Contractual services	1,100	1,100	381	719	1,003
Other expenditures	5,000	5,000	3,723	1,277	2,077
Total	17,100	17,100	15,052	2,048	14,203
Elections:					
Personal services			490	(490)	6,927
Supplies					161
Other expenditures					373
Total			490	(490)	7,461
City administration:					
Personal services	266,600	266,600	279,794	(13,194)	231,579
Supplies	12,000	12,000	6,349	5,651	8,043
Contractual services	14,000	14,000	32,616	(18,616)	32,343
Other expenditures	6,500	6,500	6,808	(308)	16,001
Capital outlay					
Total	299,100	299,100	325,568	(26,468)	287,966
Accounting and auditing:					
Contractual services	30,000	30,000	34,750	(4,750)	107,734
Total	30,000	30,000	34,750	(4,750)	107,734
City assessor:					
Contractual services	29,000	29,000	28,936	64	28,928
Total	29,000	29,000	28,936	64	28,928
City attorney:					
Personal services					
Supplies			2,151	(2,151)	2,881
Contractual services	120,800	120,800	128,758	(7,958)	150,196
Other expenditures	7,500	7,500	326	7,174	7,509
Total	128,300	128,300	131,235	(2,935)	160,586
Planning and zoning:					
Personal services					
Contractual services	56,700	56,700	54,073	2,627	73,760
Other expenditures	1,100	1,100	310	790	723
Total	57,800	57,800	54,383	3,417	74,483

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2009 (continued)

	Budgeted Amounts Original	Budgeted Amounts Final	Current Year Actual	Variance with Final Budget	Prior Year Actual
General government (continued)					
Water and light commission:					
Personal services		-	-		11,949
Total					11,949
Civil service commission:					
Personal Services	3,230	3,230	2,691	539	2,099
Other expenditures	500	500	78	422	544
Total	3,730	3,730	2,769	961	2,643
Finance and accounting:					
Personal services	85,700	85,700	86,181	(481)	6,672
Supplies	1,500	1,500	3,939	(2,439)	692
Contractual services	9,500	9,500		9,500	
Other expenditures	1,000	1,000	1,828	(828)	165
Capital outlay					
Total	97,700	97,700	91,948	5,752	7,529
Building:					
Personal services	54,290	54,290	10,174	44,116	56,843
Supplies	10,600	10,600	3,096	7,504	4,188
Contractual services	141,000	141,000	121,909	19,091	129,913
Other expenditures	1,000	1,000		1,000	16
Capital outlay	7,500	7,500		7,500	
Total	214,390	214,390	135,179	79,211	190,960
Summary:					
Current	930,720	930,720	877,116	53,604	959,898
Capital outlay	7,500	7,500		7,500	
Total general government	$ 938,220	$ 938,220	$ 877,116	$ 61,104	$ 959,898
Public safety:					
Police:					
Personal services	$ 1,828,000	$ 1,828,000	$ 1,853,205	$ (25,205)	$ 1,977,597
Supplies	84,600	84,600	70,563	14,037	82,321
Contractual services	133,400	133,400	113,300	20,100	152,078
Other expenditures	12,500	12,500	11,007	1,493	15,009
Capital outlay	115,000	150,542	133,016	17,526	115,520
Total	2,173,500	2,209,042	2,181,091	27,951	2,342,525

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2009 (continued)

	Budgeted Amounts Original	Budgeted Amounts Final	Current Year Actual	Variance with Final Budget	Prior Year Actual
Public safety (continued)					
Fire:					
Personal services	890,000	890,000	872,335	17,665	910,003
Supplies	25,700	77,087	67,993	9,094	70,992
Contractual services	98,700	98,700	80,316	18,384	86,345
Other expenditures	3,600	3,600	3,247	353	3,298
Capital outlay	35,000	35,000	6,934	28,066	32,149
Total	1,053,000	1,104,387	1,030,825	73,562	1,102,787
Building inspection:					
Personal services	179,667	179,667	171,388	8,279	250,186
Supplies	4,000	4,000	2,909	1,091	1,517
Contractual services	5,100	5,100	3,434	1,666	6,609
Other expenditures	1,600	1,600	1,511	89	1,806
Capital outlay					
Total	190,367	190,367	179,241	11,126	260,118
Civil defense:					
Supplies	900	900		900	
Contractual services	5,100	5,100	4,431	669	4,693
Other expenditures	1,600	1,600	1,181	419	202
Equipment					
Total	7,600	7,600	5,612	1,988	4,895
Traffic engineering:					
Personal services	16,000	16,000	19,726	(3,726)	22,814
Supplies	10,500	10,500	14,389	(3,889)	10,154
Contractual services	15,600	15,600	16,865	(1,265)	9,611
Other expenditures	500	500	290	210	382
Total	42,600	42,600	51,269	(8,669)	42,961
Animal control:					
Contractual services	4,600	4,600	5,166	(566)	6,355
Total	4,600	4,600	5,166	(566)	6,355
Summary:					
Current	3,321,667	3,373,054	3,313,255	59,799	3,611,972
Capital outlay	150,000	185,542	139,950	45,592	147,669
Total public safety	$ 3,471,667	$ 3,558,596	$ 3,453,205	$ 105,391	$ 3,759,641
Public works:					
Administration:					
Personal services	$ 43,500	$ 43,500	$ 51,292	$ (7,792)	$ 41,694
Supplies	2,000	2,000	1,587	413	1,461
Contractual services	1,100	1,100	2,001	(901)	2,636
Other expenditures	1,500	1,500	3,074	(1,574)	1,564
Total	48,100	48,100	57,954	(9,854)	47,355

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2009 (continued)

	Budgeted Amounts		Current Year	Variance with	Prior Year
	Original	Final	Actual	Final Budget	Actual
Streets:					
Personal services	221,000	221,000	240,179	(19,179)	247,810
Supplies	14,500	14,500	15,147	(647)	22,699
Contractual services	51,000	51,000	52,869	(1,869)	14,512
Other expenditures	3,500	3,500	33,413	(29,913)	17,941
Capital outlay	200,000	200,000	181,181	18,819	35,040
Total	490,000	490,000	522,788	(32,788)	338,002
Downtown parking lots:					
Personal services	9,200	9,200	3,397	5,803	5,254
Supplies			1,049	(1,049)	
Contractual services	1,000	1,000	140	860	298
Other expenditures			589	(589)	
Total	10,200	10,200	5,176	5,024	5,552
Ice and snow removal:					
Personal services	80,100	80,100	56,092	24,008	49,529
Supplies	12,500	12,500	4,839	7,661	13,153
Contractual services	34,000	34,000	91,630	(57,630)	71,263
Other expenditures	1,000	1,000	30,520	(29,520)	1,360
Total	127,600	127,600	183,080	(55,480)	135,305
Equipment:					
Supplies	55,600	55,600	38,628	16,972	52,566
Contractual services	146,500	146,500	136,632	9,868	144,636
Other expenditures	2,000	2,000	146	1,854	213
Capital outlay	45,000	45,000	27,320	17,680	
Total	249,100	249,100	202,726	46,374	197,415
Demolition:					
Personal services					172
Contractual services					
Other expenditures					
Total					172
Equipment building:					
Supplies	17,800	17,800	13,981	3,819	20,355
Contractual services	75,000	75,000	69,585	5,415	58,925
Other expenditures	1,000	1,000	1,032	(32)	798
Capital outlay	60,000	60,000		60,000	49,125
Total	153,800	153,800	84,598	69,202	129,203

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2009 (continued)

	Budgeted Amounts		Current Year	Variance with	Prior Year
	Original	Final	Actual	Final Budget	Actual
Public works (continued)					
City shop:					
Personal services	141,300	141,300	137,323	3,977	155,642
Charged back	(53,000)	(53,000)	(43,925)	(9,075)	(48,834)
Supplies	300,000	300,000	276,457	23,543	358,958
Charged back	(281,000)	(281,000)	(272,579)	(8,421)	(350,490)
Contractual services					
Other expenditures	1,000	1,000		1,000	538
Total	108,300	108,300	97,276	11,024	115,814
Street lighting:					
Contractual services	165,000	165,000	161,457	3,543	163,932
Total	165,000	165,000	161,457	3,543	163,932
Street cleaning:					
Personal services	22,900	22,900	26,488	(3,588)	23,677
Contractual services	28,600	28,600	28,600		28,600
Other expenditures	500	500	3,885	(3,385)	900
Total	52,000	52,000	58,973	(6,973)	53,177
Weed control:					
Personal services	17,200	17,200	16,555	645	35,332
Supplies					938
Contractual services	14,000	14,000	14,000		14,000
Other expenditures	1,000	1,000	3,971	(2,971)	920
Total	32,200	32,200	34,527	(2,327)	51,190
Summary:					
Current	1,131,300	1,131,300	1,200,054	(68,754)	1,152,952
Capital outlay	305,000	305,000	208,501	96,499	84,165
Total public works	$ 1,436,300	$ 1,436,300	$ 1,408,555	$ 27,745	$ 1,237,117
Recreation and culture:					
Parks and recreation administration					
Personal services	$ 194,000	$ 194,000	$ 202,607	$ (8,607)	$ 176,876
Supplies	3,000	3,000	6,269	(3,269)	2,089
Contractual services	7,100	7,100	5,353	1,747	9,309
Other expenditures	5,200	5,200	3,474	1,726	4,413
Capital outlay					
Total	209,300	209,300	217,704	(8,404)	192,687

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2009 (continued)

	Budgeted Amounts		Current Year	Variance with	Prior Year
	Original	Final	Actual	Final Budget	Actual
Recreation and culture (continued)					
Playgrounds:					
Personal services	5,700	5,700	5,158	542	4,661
Supplies	1,000	1,000	295	706	634
Other expenditures	600	600	5	595	274
Capital outlay	20,000	20,000	19,990	10	
Total	27,300	27,300	25,448	1,853	5,569
Swimming pool:					
Personal services	46,400	46,400	43,613	2,787	42,134
Supplies	12,700	12,700	13,112	(412)	11,545
Contractual services	30,700	30,700	28,240	2,460	28,056
Other expenditures	700	700		700	222
Capital outlay	5,000	5,000		5,000	
Total	95,500	95,500	84,965	10,535	81,957
Tennis:					
Personal services	2,900	2,900	2,584	316	2,815
Supplies	300	300	140	160	266
Other expenditures	500	500	35	465	274
Total	3,700	3,700	2,759	941	3,355
Skating rinks:					
Personal services	9,400	9,400	5,326	4,074	7,281
Supplies	2,000	2,000		2,000	400
Other expenditures	500	500	420	80	1,020
Total	11,900	11,900	5,746	6,154	8,701
Hockey:					
Personal services	44,200	44,200	26,022	18,178	30,944
Supplies	5,000	5,000	2,577	2,424	755
Contractual services					
Other expenditures	8,000	8,000	6,038	1,962	9,423
Total	57,200	57,200	34,636	22,564	41,122
Figure skating:					
Personal services	27,990	27,990	33,851	(5,861)	28,799
Supplies	4,300	4,300	3,814	486	3,310
Other expenditures	3,000	3,000	1,946	1,054	298
Total	35,290	35,290	39,610	(4,320)	32,407
Baseball:					
Personal services	36,320	36,320	30,313	6,007	30,781
Supplies	13,000	13,000	12,242	758	21,111
Other expenditures	7,500	7,500	5,086	2,414	6,364
Total	56,820	56,820	47,640	9,180	58,256

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2009 (continued)

	Budgeted Amounts		Current Year	Variance with	Prior Year
	Original	Final	Actual	Final Budget	Actual
Recreation and culture (continued)					
Softball:					
Personal services	13,600	13,600	13,743	(143)	15,874
Supplies	2,700	2,700	2,014	686	1,788
Other expenditures	3,500	3,500	1,357	2,143	1,822
Total	19,800	19,800	17,114	2,686	19,484
Civic center:					
Personal services	88,600	88,600	75,334	13,266	70,374
Supplies	17,200	17,200	13,355	3,845	20,226
Contractual services	136,600	136,600	89,276	47,324	125,713
Other expenditures	1,100	1,100	1,539	(439)	773
Capital outlay					3,000
Total	243,500	243,500	179,504	63,996	220,086
VFW arena:					
Personal services	87,200	87,200	100,045	(12,845)	105,516
Supplies	17,200	17,200	10,439	6,761	16,558
Contractual services	93,300	93,300	80,004	13,296	79,844
Other expenditures	1,400	1,400	837	563	1,032
Capital outlay	25,000	25,000	30,828	(5,828)	4,624
Total	224,100	224,100	222,152	1,948	207,574
Blue Line Arena:					
Personal services			2,217	(2,217)	
Supplies			209	(209)	
Contractual services			2,258	(2,258)	
Other expenditures					
Capital outlay					
Total			4,685	(4,685)	
Park areas:					
Personal services	176,642	176,642	199,749	(23,107)	198,061
Supplies	43,300	43,300	36,308	6,992	46,274
Contractual services	75,900	75,900	75,224	676	89,675
Other expenditures	2,500	2,500	4,245	(1,745)	973
Capital outlay					11,674
Total	298,342	298,342	315,525	(17,183)	346,657
Campground-Recreation Area					
Personal services	71,500	71,500	61,340	10,160	74,159
Supplies	5,000	5,000	22,306	(17,306)	8,210
Other expenditures	26,500	26,500	26,141	359	21,570
Capital outlay					
Total	103,000	103,000	109,788	(6,788)	103,939
Summary:					
Current	1,335,752	1,335,752	1,256,457	79,305	1,302,496
Capital outlay	50,000	50,000	50,818	(828)	19,298
Total Recreation and culture	$ 1,385,752	$ 1,385,752	$ 1,307,275	$ 78,477	$ 1,321,794

Schedule of Expenditures and Other Uses
Budget to Actual - General Fund
Year Ended December 31, 2009 (continued)

	Budgeted Amounts		Current Year	Variance with	Prior Year
	Original	Final	Actual	Final Budget	Actual
Community Development:					
Residential tax abatement	$80,000	$ 80,000	$ 56,113	$23,887	$ 75,007
Total	80,000	80,000	56,113	23,887	75,007
Summary:					
Current	80,000	80,000	56,113	23,887	75,007
Capital outlay					
Total Community Development	$ 80,000	$ 80,000	$ 56,113	$ 23,887	$ 75,007
Other expenditures:					
Workers compensation	$ 4,100	$ 4,100	$ 3,939	$ 161	$ 4,743
General liability and other insurance	149,400	149,400	154,838	(5,438)	122,554
Donations	1,000	1,000		1,000	
Promotional(Lodging)	9,500	9,500	9,918	(418)	10,582
Memberships and dues	25,000	25,000	29,195	(4,195)	26,276
Miscellaneous	31,000	31,000	23,979	7,021	68,684
Contributed services	30,000	30,000	29,318	682	44,410
Contributed capital outlay	30,000	30,000	66,034	(36,034)	104,848
Capital outlay	8,000	8,000	8,625	(625)	3,170
Total	288,000	288,000	325,846	(37,846)	385,267
Summary:					
Current	250,000	250,000	251,187	(1,187)	277,249
Capital outlay	38,000	38,000	74,659	(36,659)	108,018
Total other expenditures	$ 288,000	$ 288,000	$ 325,846	$ (37,846)	$ 385,267
Total expenditures	$ 7,599,939	$ 7,686,868	$ 7,428,111	$ 258,757	$ 7,738,724
Other financing uses:					
Operating transfer out:					
Special revenue funds	$477,220	$477,220	$477,220		$473,300
Capital project funds	100,000	100,000	100,000		186,100
Debt service funds	135,255	135,255	135,255		95,490
Enterprise funds	21,900	21,900	21,900		30,000
Total other financing uses	734,375	734,375	734,375		784,890
Total expenditures and other financing uses	$ 8,334,314	$ 8,421,243	$ 8,162,486	$ 258,757	$ 8,523,614

Capital Assets Used in the Operation of Governmental Funds
Schedule by Sources
December 31, 2009

	2009	2008
Governmental funds capital assets		
Land and Land Improvements	$ 58,424,661	$ 58,424,661
Building, Systems, and Structures	50,075,845	49,566,844
Machinery and equipment	6,660,087	6,516,979
Street Network	36,946,364	35,239,139
Construction in progress	2,317,019	832,902
Total governmental funds capital assets	154,423,976	150,580,525
Investments in governmental funds capital assets by source:		
General Fund	117,975,208	117,837,288
Special revenue funds	822,131	810,479
Internal service funds	1,720,172	1,720,172
Capital project funds	33,906,465	30,212,586
Total investments in governmental funds capital assets by source	$ 154,423,976	$ 150,580,525

Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2009

	Land and Land Improvements	Buildings, Systems, and Structures	Machinery and Equipment	Infrastructure	Construction in Progress	Total
General government:						
Government center	$ 453,500	$ 7,069,134				$ 7,522,634
Other			$ 170,910			170,910
Total general government	453,500	7,069,134	170,910			7,693,544
Public safety:						
Police	94,000	1,362,112	638,119			2,094,231
Fire	45,500	1,773,051	962,867			2,781,418
Total public safety	139,500	3,135,163	1,600,986			4,875,649
Public works:						
Infrastructure (street network)				$ 36,946,364		36,946,364
Storm protection network	55,628,589	23,500,159	934,341			80,063,089
Other	1,527,610	1,885,732	2,125,837		$ 2,317,019	7,856,198
Total public works	57,156,199	25,385,891	3,060,178	36,946,364	2,317,019	124,865,651
Recreation and culture:						
Parks	574,057	11,224,774	1,034,060			12,832,891
Library	32,000	2,925,571	631,890			3,589,461
Senior center	5,700	215,535				221,235
Total recreation	611,757	14,365,880	1,665,950			16,643,587
Transit		30,541	143,979			174,520
Cemetery	63,705	89,236	18,084			171,025
Total governmental fund capital assets	$ 58,424,661	$ 50,075,845	$ 6,660,087	$ 36,946,364	$ 2,317,019	$ 154,423,976

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
December 31, 2009

	Beginning Balance	Additions	Retirements and transfers, net	Ending Balance
General government				
Government center	$ 7,522,634			$ 7,522,634
Other	170,910			170,910
Total general government	7,693,544			7,693,544
Public safety:				
Police	2,014,459	$ 79,772		2,094,231
Fire	2,781,418	-		2,781,418
Total public safety	4,795,877	79,772		4,875,649
Public works:				
Infrastructure (street network)	35,239,139	1,707,225		36,946,364
Storm protection network	79,990,297	72,792		80,063,089
Other	6,344,762	1,511,437		7,856,199
Total public works	121,574,198	3,291,454		124,865,652
Recreation or culture				
Parks	12,372,317	460,573		12,832,890
Library	3,589,461			3,589,461
Senior center	221,235			221,235
Total recreation and culture	16,183,013	460,573		16,643,586
Transit	162,868	11,652		174,520
Cemetery	171,025			171,025
Total governmental funds capital assets	$ 150,580,525	$ 3,843,451	$ -	$ 154,423,976

Statement of Changes in Fiduciary Assets and Liabilities
Agency Fund - Flexible Benefits
Year Ended December 31, 2009

	Beginning Balance	Additions	Deductions	Ending Balance
ASSETS:				
Restricted cash and cash equivalents	$ 11,033	$ 104,829	$ (103,664)	$ 12,198
LIABILITIES:				
Due to employees	$ 11,033	$ 104,829	$ (103,664)	$ 12,198

Combining Statement of Net Assets
Discretely Presented Component Unit - by Focus
December 31, 2009

	Housing	Economic Development	Total
ASSETS			
Current assets:			
Cash and cash equivalents	$ 487,360	$ 847,862	$ 1,335,222
Investments	463,424	1,897,092	2,360,516
Restricted Cash in customer deposits	767,977		767,977
Restricted Cash in escrow			
Interest receivable			
Due from other government units		198	198
Notes receivable (current portion)		385,903	385,903
Total current assets	1,718,761	3,131,055	4,849,816
Noncurrent assets:			
Capital assets:			
Land	50,300		50,300
Buildings and systems	5,503,577		5,503,577
Machinery and equipment	164,383	9,749	174,132
Total capital assets	5,718,260	9,749	5,728,009
Less accumulated depreciation	(1,223,022)	(9,498)	(1,232,520)
Total capital assets (net)	4,495,238	251	4,495,489
Land held for resale		207,180	207,180
Notes receivable (net current portion)		1,494,812	1,494,812
Allowance for uncollectible		(271,839)	(271,839)
Unamortized debt issuance costs			
Total noncurrent assets		1,430,153	1,430,153
TOTAL ASSETS	6,213,999	4,561,459	10,775,457
LIABILITIES			
Current liabilities:			
Accounts payable	3,739	43,307	47,047
Accrued wages payable	14,899	6,143	21,042
Due to other government units	260,812		260,812
Special assessments - current	7,960		7,960
Notes payable - current		26,319	26,319
Compensated absences payable - current	4,866	4,000	8,866
Accrued interest payable		266	266
Total current liabilities	292,276	80,034	372,311
Noncurrent liabilities:			
Customer deposits	21,571		21,571
Compensated absences payable (net current portion)	45,221	29,305	74,526
Special assessments (net current portion)	44,623		44,623
Notes payable (net current portion)	-	426,097	426,097
Total noncurrent liabilities	111,415	455,402	566,817
NET ASSETS			
Invested in capital assets, net of related debt	4,442,654	251	4,442,905
Restricted	254,049		254,049
Unrestricted	1,113,604	4,025,772	5,139,375
TOTAL NET ASSETS	$ 5,810,307	$ 4,026,023	$ 9,836,330

Statement of Revenues, Expenses and Changes in Fund Net Assets - Discretely Presented Component Units by Focus Year Ended December 31, 2009

	Housing	Economic Development	Total
Operating revenues:			
Charges for services	$ 289,424	$ 62,689	$ 352,113
Intergovernmental	1,661,050		1,661,050
Other	22,653	5,375	28,028
Total operating revenues	1,973,128	68,064	2,041,192
Operating expenses:			
Community development:			
Administration	542,340	62,203	604,543
Depreciation	204,052	104	204,156
Other:			
Business development		165,128	165,128
Housing programs	1,330,367		1,330,367
Total operating expenses	2,076,759	227,435	2,304,193
Operating income (loss)	(103,631)	(159,371)	(263,002)
Nonoperating revenues (expenses):			
Interest revenue	31,306	50,088	81,394
Tax increment revenue		121,791	121,791
Intergovernmental	153,968	82,739	236,707
Interest expense	(3,993)	(4,749)	(8,742)
Total nonoperating revenues (expenses)	181,280	249,869	431,150
Income (loss) before transfers in (out)	77,649	90,499	168,148
Transfers in		90,000	90,000
Transfers out	(90,000)		(90,000)
Change in net assets	(12,351)	180,499	168,148
Net assets at beginning of year	5,822,658	3,845,524	9,668,182
Net assets at end of year	$ 5,810,307	$ 4,026,023	$ 9,836,330

Combining Schedule of Net Assets
Discretely Presented Component Unit - Economic Development Focus
December 31, 2009

	General	TIF #1-1 Triangle	TIF #1-2 E. DeMers	IRP Loan	DRLF Loan	Total
ASSETS						
Current assets:						
Cash and cash equivalents	$ 4,744	$ 366,702	$ 154,101	$268,082	$ 54,232	$ 847,862
Investments		455,018	263,494	485,926	692,654	1,897,092
Restricted cash and cash equivalents						
Interactivity receivable						
Interest receivable						
Due from other government units			198			198
Notes receivable (current portion)	2,100			72,400	311,403	385,903
Total current assets	6,844	821,720	417,793	826,408	1,058,289	3,131,055
Noncurrent assets:						
Capital assets:						
Machinery and equipment	9,749					9,749
Total capital assets	9,749					9,749
Less accumulated depreciation	(9,498)					(9,498)
Total capital assets (net)	251					251
Unamortized debt issuance costs						
Land held for resale	28,828	80,352	98,000			207,180
Notes receivable (net current portion)	2,250			73,948	1,418,614	1,494,812
Allowance for uncollectible	(1,200)				(270,639)	(271,839)
Due from primary government unit						
Total noncurrent assets	30,129	80,352	98,000	73,948	1,147,975	1,430,404
TOTAL ASSETS	36,973	902,072	515,793	900,356	2,206,264	4,561,459
LIABILITIES						
Current liabilities:						
Accounts payable	1,109	42,198				43,307
Accrued wages payable	6,143					6,143
Notes payable - current				26,319		26,319
Compensated absences payable - current	4,000					4,000
Accrued interest payable				266		266
Total current liabilities	11,252	42,198		26,585		80,034
Noncurrent liabilities:						
Compensated absences payable (net current)	29,305					29,305
Notes payable (net current portion)				426,097		426,097
Total noncurrent liabilities	29,305			426,097		455,402
Total liabilities	40,557	42,198		452,682		535,436
NET ASSETS						
Invested in capital assets	251					251
Unrestricted	(3,834)	859,874	515,793	447,674	2,206,264	4,025,772
TOTAL NET ASSETS	$ (3,583)	$ 859,874	$ 515,793	$ 447,674	$ 2,206,264	$ 4,026,023

Schedule of Revenues, Expenses and Changes in Fund Net Assets - Discretely Presented Component Unit - Economic Development Focus
Year Ended December 31, 2009

	General	TIF #1-1 Triangle	TIF #1-2 Triangle	IRP Loan	DRLF Loan	Total
Operating revenues:						
Charges for services:						
Interest on loans	$ 348	$ -		$ 7,937	$ 54,404	$ 62,689
Other revenues:						
Business development	5,375					5,375
Other						
Total operating revenues	5,723			7,937	54,404	68,064
Operating expenses:						
Administration	62,203					62,203
Business development	23,787	63,952	39,428	37,961		165,128
Depreciation	104					104
Total operating expenses	86,094	63,952	39,428	37,961		227,435
Operating income (loss)	(80,371)	(63,952)	(39,428)	(30,024)	54,404	(159,371)
Nonoperating revenues (expenses):						
Interest revenue		14,271	8,264	15,238	12,315	50,088
Tax increment revenue		98,942	22,849			121,791
Intergovernmental		67,182	15,557			82,739
Interest expense				(4,749)		(4,749)
Total nonoperating revenues (expenses)		180,395	46,670	10,489	12,315	249,869
Income (loss) before transfers	(80,371)	116,444	7,241	(19,534)	66,719	90,499
Transfers in	90,000					90,000
Change in net assets	9,629	116,444	7,241	(19,534)	66,719	180,499
Net assets at beginning of year	(13,212)	743,430	508,552	467,208	2,139,546	3,845,524
Net assets at end of year	$ (3,583)	$ 859,874	$ 515,793	$ 447,674	$ 2,206,265	$ 4,026,023

Combining Schedule of Net Assets
Discretely Presented Component Unit - Housing Focus
December 31, 2009

	Sunshine Terrace	Program C4043V	Housing Loan	Town Square	Totals
ASSETS					
Current assets:					
Cash and cash equivalents	$ 205,926	$ -	$ 116,097	$ 165,337	$ 487,360
Investments	463,424				463,424
Restricted cash and cash equivalents	21,571	746,406			767,977
Due from other government units					
Total Current Assets	690,921	746,406	116,097	165,337	1,718,761
Noncurrent Assets:					
Capital assets:					
Land	50,300				50,300
Buildings and systems	5,503,577				5,503,577
Machinery and equipment	104,346	60,037			164,383
Total capital assets	5,658,223	60,037			5,718,260
Less accumulated depreciation	(1,163,069)	(59,953)			(1,223,022)
Total capital assets (net)	4,495,154	83			4,495,238
Total noncurrent assets	4,495,154	83			4,495,238
TOTAL ASSETS	5,186,076	746,489	116,097	165,337	6,213,999
LIABILITIES					
Current liabilities:					
Accounts payable	2,893	361		485	3,739
Accrued wages payable	11,861	1,997	64	977	14,899
Due to other government units	260,812				260,812
Customer deposits	21,571				21,571
Compensated absences payable - current		4,866			4,866
Special assessments payable - current portion	7,960				7,960
Total Liabilities	305,097	7,224	64	1,462	313,847
Noncurrent Liabilities:					
Compensated absences payable (net current portion)		45,221			45,221
Special assessments payable (net current portion)	44,623				44,623
Total noncurrent liabilities	44,623	45,221			89,844
Total liabilities	349,720	52,445	64	1,462	403,691
NET ASSETS					
Invested in capital assets, net related debt	4,442,571	83			4,442,654
Restricted		254,049			254,049
Unrestricted	393,784	439,912	116,033	163,874	1,113,604
TOTAL NET ASSETS	$ 4,836,356	$ 694,044	$ 116,033	$ 163,874	$ 5,810,307

Schedule of Revenues, Expenses and Changes in Fund Net Assets - Discretely Presented Component Unit - Housing Focus
Year Ended December 31, 2009

	Sunshine Terrace	Program C4043V	Housing Loan	Town Square	Total
Operating revenues:					
Charges for services	$ 180,326		$ 17,562	$ 91,536	$ 289,424
Intergovernmental		$ 1,661,050			1,661,050
Other	9,537	13,116			22,653
Total operating revenues	189,863	1,674,167	17,562	91,536	1,973,128
Operating expenses:					
Community development:					
Personal services	74,336	140,996	3,572	74,021	292,925
Supplies	1,658	9,754		813	12,224
Contractual services	106,344	3,370		4,338	114,050
Depreciation	203,375	677			204,052
Housing payments		1,330,367			1,330,367
Other expenditures	32,413	7,669	82,741	316	123,140
Total operating expenses	418,126	1,492,833	86,313	79,487	2,076,759
Operating income (loss)	(228,263)	181,334	(68,751)	12,049	(103,631)
Nonoperating revenues (expenses):					
Intergovernmental	153,968				153,968
Interest revenue	12,227	13,332	3,107	2,640	31,306
Interest expense	(3,993)				(3,993)
Total nonoperating revenues (expenses)	162,201	13,332	3,107	2,640	181,280
Income (loss) before transfers	(66,062)	194,666	(65,644)	14,689	77,649
Transfers out	(90,000)				(90,000)
Change in net assets	(156,062)	194,666	(65,644)	14,689	(12,351)
Net assets at beginning of year	4,992,418	499,378	181,677	149,185	5,822,658
Net assets at end of year	$ 4,836,356	$ 694,044	$ 116,033	$ 163,874	$ 5,810,307

STATISTICAL

SECTION

CITY OF EAST GRAND FORKS, MINNESOTA

Statistical Information

(unaudited)

The Statistical Section is included to provide financial statement users with additional historical perspective, context, and detail for them to use in evaluating the information contained within the financial statements, notes to the financial statements, and required supplementary information with the goal of providing the user a better understanding of the City's economic condition.

Contents

Financial Trends

These schedules contain information to help the reader understand how the City's financial performance and well-being have changed over time.

- Net Assets by Component
- Changes in Net Assets
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds

Revenue capacity

These schedules contain information to help the reader assess the City's most significant local revenue sources.

- Tax Revenues by Source
- State Intergovenmental Revenues by Program
- Tax Capacity and Estimated Market Value of all Taxable Property
- Property Tax Rates - All Direct and Overlapping Governments
- Principal Property Tax Payers
- Property Tax Levies and Collections
- Special Assessment Levies and Collections

Debt capacity

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

- Ratio of Net Bonded Debt to Tax Capacity and Estimated Values, and Net Bonded Debt per Capita
- Direct and Overlapping Debt
- Legal Debt Margin Information
- Schedule of Improvement Bond Coverage
- Schedule of Revenue Bond Coverage

Demographic and economic information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

- Construction and Bank Deposits
- Demographic & Economic Statistics

Operating information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and activities it performs.

- Full-time Equivalent City Government Employees by Function/Program
- Operating Indicators by Function
- Schedule of Insurance in Force
- Miscellaneous Statistical Information
- Significant Minnesota Tax Policies

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

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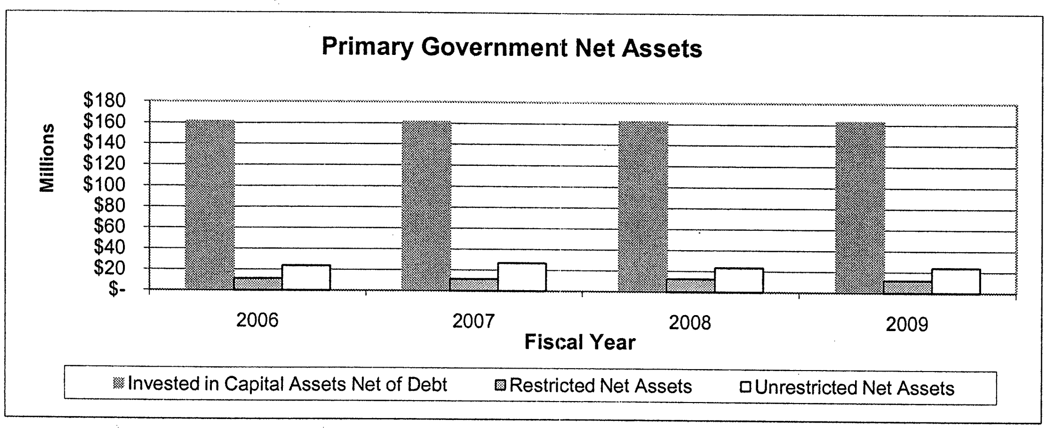
Net Assets by Component
Last Four Fiscal Years
(accrual basis of accounting)

	2006	2007	2008	2009
Governmental activities				
Invested in capital assets, net of related debt	$ 129,002,253	$ 127,824,706	$ 115,326,956	$ 116,078,462
Restricted	11,451,573	11,517,373	12,556,179	11,899,457
Unrestricted	8,386,984	11,397,087	7,598,523	7,330,864
Total governmental activities net assets	$ 148,840,810	$ 150,739,166	$ 135,481,658	$ 135,308,783
Business-type activities				
Invested in capital assets, net of related debt	$ 32,109,908	$ 33,346,440	$ 47,333,593	$ 47,020,536
Restricted	67,713	67,710	72,029	72,233
Unrestricted	15,200,685	15,554,463	15,863,528	16,836,765
Total business-type activates net assets	$ 47,378,306	$ 48,968,613	$ 63,269,150	$ 63,929,534
Primary government				
Invested in capital assets, net of related debt	$ 161,112,161	$ 161,171,146	$ 162,660,549	$ 163,098,998
Restricted	11,519,286	11,585,083	12,628,208	11,971,690
Unrestricted	23,587,669	26,951,550	23,462,050	24,167,629
Total primary government net assets	$ 196,219,116	$ 199,707,779	$ 198,750,807	$ 199,238,317



Note: The city implemented GASB 34 for the financial reporting period ending December 31, 2003.

Changes in Net Assets
Last Four Fiscal Years
(accrual basis of accounting)

	2006	2007	2008	2009
Expenses				
Governmental activities:				
General government	$ 1,050,378	$ 1,155,532	$ 1,195,452	$ 1,091,832
Public safety	3,232,573	3,273,535	3,932,137	3,638,645
Public works	2,851,905	3,958,548	3,218,356	3,667,210
Transit	243,157	359,459	276,189	263,059
Recreation and culture	2,016,899	2,125,732	2,337,123	2,213,181
Community development	284,342	286,303	254,056	181,624
Cemetery	61,136	35,256	50,467	47,105
Interest on long-term debt	473,946	472,223	513,782	505,820
Total governmental activities expenses	10,214,336	11,666,588	11,777,562	11,608,476
Business-type activities				
Electric utility	9,193,839	10,450,476	11,589,832	11,271,252
Water utility	1,979,044	1,961,418	2,164,353	2,009,061
Sewer utility	587,568	629,832	665,582	703,260
City mall	412,999	428,359	358,227	350,600
Storm Water		100,637	477,935	907,291
Refuse collection	651,538	688,319	919,920	812,010
Total business-type activities expenses	12,824,988	14,259,041	16,175,849	16,053,474
Total primary government expenses	$ 23,039,324	$ 25,925,629	$ 27,953,411	$ 27,661,950
Program Revenues				
Governmental activities:				
Charges for services:				
General government	$ 130,597	$ 111,003	$ 117,172	$ 102,704
Public safety	252,713	296,028	316,428	314,829
Public works	321,362	214,208	218,778	219,704
Transit	4,000	4,000	19,398	2,446
Recreation and culture	330,258	331,153	340,909	406,660
Community development	306,409	197,578	98,500	93,745
Cemetery	47,690	34,410	65,265	46,352
Operating grants and contributions	581,575	632,310	625,375	654,364
Capital grants and contributions	26,308,072	4,181,757	1,638,591	2,310,356
Total governmental activities program revenues	28,282,676	6,002,447	3,440,416	4,151,159

(continued)

Changes in Net Assets
Last Four Fiscal Years

(accrual basis of accounting)

	2006	2007	2008	2009
Business-type activities:				
Charges for services:				
Electric utility	10,556,891	11,240,822	11,957,089	11,850,730
Water utility	2,093,211	1,987,471	2,019,667	1,883,487
Sewer utility	564,768	566,828	627,070	968,208
City mall	163,496	147,836	160,238	178,530
Storm Water		168,045	176,337	178,686
Refuse collection	622,841	717,576	776,659	752,588
Operating grants and contributions	475,612	15,000	15,000	442,829
Capital grants and contributions	639,846	279,612	0	215,248
Total business-type activities program revenues	15,116,665	15,123,190	15,732,060	16,470,307
Total primary government program revenues	$ 43,399,341	$ 21,125,637	$ 19,172,476	$ 20,621,466
Net (expense)/revenue				
Governmental activities	$ 18,068,340	$ (5,664,142)	$ (8,337,147)	$ (7,457,316)
Business-type activities	2,291,677	864,148	(443,790)	416,833
Total primary government net expense	$ 20,360,017	$ (4,799,994)	$ (8,780,937)	$ (7,040,484)
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
Property taxes	$ 1,889,815	$ 1,954,979	$ 2,163,693	$ 2,116,388
Franchise taxes	1,237,084	1,309,050	1,309,050	1,361,673
Unrestricted grants and contributions	3,050,626	3,517,772	3,063,221	3,239,503
Investment earnings	508,965	530,674	406,526	272,807
Other	441,320	196,165	323,082	105,452
Transfers	253,438	53,856	(14,185,931)	188,618
Total governmental activities	7,381,248	7,562,496	(6,920,359)	7,284,440
Business-type activities				
Investment earnings	624,051	777,218	558,394	432,172
Other	(114,740)	2,795	0	0
Transfers	(253,438)	(53,856)	14,185,931	(188,618)
Total business-type activities	255,873	726,157	14,744,325	243,554
Total primary government	$ 7,637,121	$ 8,288,653	$ 7,823,966	$ 7,527,994
Changes in Net Assets				
Governmental activities	$ 25,449,588	$ 1,898,354	$ (15,257,506)	$ (172,876)
Business-type activities	2,547,550	1,590,305	14,300,535	660,387
Total primary government	$ 27,997,138	$ 3,488,659	$ (956,971)	$ 487,511

Note: The city implemented GASB 34 for the financial reporting period ending December 31, 2003.

Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	$ 14,262	$ 13,227	$ 15,947	$ 9,087	$ 16,521	$ 12,686	$ 14,562	$ 21,708	$ 5,854	$ 22,738
Unreserved	433,299	674,174	1,533,340	2,149,793	2,417,060	2,561,700	2,186,399	2,820,231	2,558,791	2,704,602
Total general fund	447,561	687,401	1,549,287	2,158,880	2,433,581	2,574,386	2,200,961	2,841,939	2,564,645	2,727,340
All other governmental funds										
Reserved	728,993	76,000	89,200	2,167,103	2,541,649	2,578,650	2,329,387	4,526,721	3,372,325	3,315,092
Unreserved, reported in:										
Special revenue funds	1,731,515	1,896,102	681,028	1,262,348	1,046,766	1,800,674	2,122,569	1,980,802	1,788,770	1,534,202
Capital project funds	9,536,203	7,824,399	9,591,359	8,477,383	6,658,494	1,706,604	2,148,471	1,843,929	1,543,295	652,040
Permanent funds	1,390	2,608	1,644	1,589	2,193	2,434	3,737	4,350	3,062	1,627
Total all other governmental funds	$11,998,101	$ 9,799,109	$ 10,363,231	$11,908,423	$ 10,249,102	$ 6,088,362	$ 6,604,164	$ 8,355,802	$ 6,707,452	$ 5,502,961

Changes in Fund Balances of Governmental Funds
Last Ten Years
(modified accrual basis of accounting)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues										
General Taxes	$ 2,453,438	$ 2,545,506	$ 2,515,381	$ 2,742,704	$ 2,868,452	$ 3,049,232	$ 3,126,899	$ 3,264,030	$ 3,472,742	$ 3,478,061
Special assessments	712,142	1,003,401	685,595	717,086	1,029,251	807,464	1,210,207	1,443,814	1,570,234	1,676,805
Licenses and permits	84,346	85,463	100,450	141,298	121,159	160,845	119,220	117,951	138,252	113,350
Intergovernmental	25,862,537	14,558,160	17,009,505	10,123,756	4,912,733	14,502,056	7,518,281	6,580,465	4,379,731	4,698,290
Charges for services	382,523	555,666	856,702	1,393,366	920,381	1,330,712	1,161,857	927,973	910,654	873,350
Fines and forfeitures	124,432	86,329	103,768	90,898	100,672	102,307	97,340	141,044	127,544	151,845
Investment earnings & other revenues	1,885,814	1,309,990	875,975	746,314	838,301	713,869	833,116	637,201	554,041	397,743
Total revenues	31,505,232	20,144,515	22,147,376	15,955,422	10,790,949	20,666,485	14,066,920	13,112,477	11,153,198	11,389,444
Expenditures										
General government	686,586	738,377	857,830	854,076	791,374	840,766	822,532	912,481	959,898	877,116
Public Safety	2,775,965	2,690,807	2,822,727	2,791,387	2,813,772	2,910,756	2,978,326	2,999,380	3,621,972	3,313,255
Public Works	837,442	960,102	852,004	991,067	995,493	1,177,123	1,159,593	1,178,059	1,298,076	1,222,589
Transit				200,551	238,827	225,379	233,959	268,674	252,780	240,407
Culture and recreation	1,342,398	1,474,103	1,376,185	1,320,261	1,269,802	1,405,334	1,566,894	1,593,285	1,805,030	1,706,580
Community development		122,522	471,052	854,555	783,810	337,161	283,554	284,137	254,056	181,624
Cemetery				38,393	34,220	24,852	57,243	31,363	46,574	43,434
Other	766,383	608,845	771,652	335,301	179,406	203,321	215,799	308,366	277,249	251,187
Capital outlay	16,760,217	15,854,753	13,113,999	8,275,091	10,395,782	16,373,353	9,329,950	5,750,739	4,426,691	6,140,973
Debt service										
Principal	672,075	1,005,000	610,000	295,000	495,000	965,000	1,245,000	440,000	1,785,000	885,000
Interest	308,952	258,784	255,255	245,038	251,995	365,107	380,455	530,829	513,802	504,413
Other charges					15,473					
Total all other governmental funds	24,150,018	23,713,293	21,130,704	16,200,720	18,264,954	24,828,152	18,273,305	14,297,312	15,241,128	15,366,578
Excess (deficiency) of revenues over (under) expenditures	7,355,214	(3,568,778)	1,016,672	(245,298)	(7,474,005)	(4,161,667)	(4,206,385)	(1,184,835)	(4,087,930)	(3,977,134)
Other financing sources (uses)										
Transfers in	2,186,119	3,632,418	5,083,905	2,129,091	2,070,089	2,435,195	2,332,296	1,610,482	2,430,180	2,640,830
Transfers out	(1,600,970)	(3,041,556)	(4,686,805)	(1,449,908)	(935,701)	(2,318,551)	(2,078,858)	(1,556,626)	(2,309,428)	(2,452,212)
Bond Issue Proceeds		1,017,546								
Insurance Loss Proceeds										
Refunding bonds issues					260,000					
Long-term debt issued				1,000,000	4,655,000		4,075,000	3,561,541	1,923,788	2,936,902
Premium on long-term debt					42,239					
Discount on long-term debt				(13,600)	(2,242)		(32,600)	(45,986)	-	-
Sale of capital assets						25,088	52,924	8,040	117,746	-
Total other financing sources (uses)	585,149	1,608,408	397,100	1,665,583	6,089,385	141,732	4,348,762	3,577,451	2,162,286	3,125,520
Net change in fund balances	$ 7,940,363	$(1,960,370)	$ 1,413,772	$ 1,420,285	$(1,384,620)	$(4,019,935)	$ 142,377	$ 2,392,616	$(1,925,646)	$ (851,616)
Debt service as % of noncapital expenditures	13.3%	16.1%	10.8%	6.8%	7.5%	10.7%	18.2%	10.4%	17.9%	12.1%

Tax Revenues by Source
Last Ten Years
(modified accrual basis of accounting)

Year	Property Taxes	Electric Franchise (1)	Gas Franchise(2)	Cable TV Franchise(3)	Other	Total
2000	$ 1,158,421	$ 989,523	$ 65,980	$ 50,920	$ 54,219	$ 2,319,063
2001	1,367,707	985,114	92,852	57,369	42,464	2,545,506
2002	1,405,133	952,123	69,227	47,332	41,566	2,515,381
2003	1,527,020	1,022,548	91,382	58,283	43,471	2,742,704
2004	1,620,212	1,034,158	95,303	66,593	52,186	2,868,452
2005	1,760,249	1,043,375	112,071	72,248	61,289	3,049,232
2006	1,858,143	1,040,895	116,443	79,746	31,672	3,126,899
2007	1,929,978	1,085,474	120,895	89,768	37,915	3,264,030
2008	2,122,114	1,099,474	127,349	103,447	20,358	3,472,742
2009	2,092,423	1,151,321	97,010	113,343	23,964	3,478,061
Change 2000-2009	80.6%	16.4%	47.0%	122.6%	-55.8%	50.0%

Notes: General Fund only.
(1) The electric franchise fee is $.0075 per kwh sold by the city-owned utility.
(2) The gas franchise fee is 3% of gross revenues generated by NSP/Xcel Energy.
(3) The cable franchise fee is 5% of gross revenues.

Source: Administration and Finance

State Intergovernmental Revenues by Program
Last Ten Years
(modified accrual basis of accounting)

Year	Local Government Aid	Market Value Credit (1)	Disparity Reduction Credit	Police State Aid	Other	Total
2000	$ 1,690,477	$ 419,427	$ 253,059	$ 136,721	$ 47,102	$ 2,546,786
2001	1,708,781	213,642	316,089	151,678	47,406	2,437,596
2002	2,384,154	213,642	316,089	151,678	47,406	3,112,969
2003	2,006,237	223,799	318,669	149,259	53,346	2,751,310
2004	2,006,237	225,945	328,726	146,904	62,808	2,770,620
2005	2,224,117	235,246	342,304	146,603	60,531	3,008,801
2006	2,456,818	212,727	365,393	152,950	63,112	3,251,000
2007	2,701,018	374,053	427,013	155,224	60,352	3,717,660
2008	2,458,788	192,742	396,003	154,113	52,905	3,254,551
2009	2,658,631	189,295	375,889	147,593	47,752	3,419,160
Change 2000-2009	57.3%	-54.9%	48.5%	8.0%	1.4%	34.3%

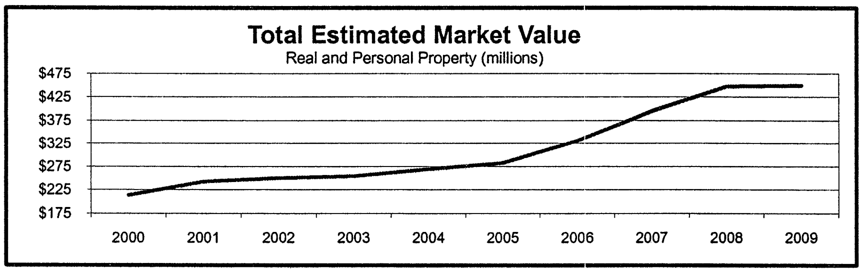
Notes: General Fund only.
(1) The state of Minnesota discontinued the homestead credit program and replaced it with the market value credit program in 2001.

Source: Administration and Finance

Tax Capacity and Estimated Market Value of all Taxable Property
Last Ten Years
(Unaudited)

	Real Property		Personal Property		Total			
Year	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Direct Tax Rate	Tax Cap % of Mkt Value
2000	$ 3,208,277	$ 211,076,000	$ 74,135	$ 2,239,700	$ 3,282,412	$ 213,315,700	154.50	1.5%
2001	3,369,176	239,959,200	75,971	2,288,400	3,445,147	242,247,600	151.95	1.4%
2002	2,920,491	247,457,900	44,485	2,274,600	2,964,976	249,732,500	159.74	1.2%
2003	2,938,950	251,901,800	47,567	2,428,700	2,986,517	254,330,500	165.39	1.2%
2004	3,096,636	266,609,000	46,631	2,381,900	3,143,267	268,990,900	166.48	1.2%
2005	3,247,089	280,077,300	49,906	2,543,300	3,296,995	282,620,600	172.36	1.2%
2006	3,749,080	328,061,200	52,587	2,678,500	3,801,667	330,739,700	167.14	1.1%
2007	4,649,507	392,040,400	53,460	2,723,900	4,702,967	394,764,300	147.95	1.2%
2008	5,151,146	444,605,200	53,064	2,704,100	5,204,210	447,309,300	142.56	1.2%
2009	5,219,626	449,130,700	2,697	175,900	5,222,323	449,306,600	143.13	1.2%

Source: County Assessor

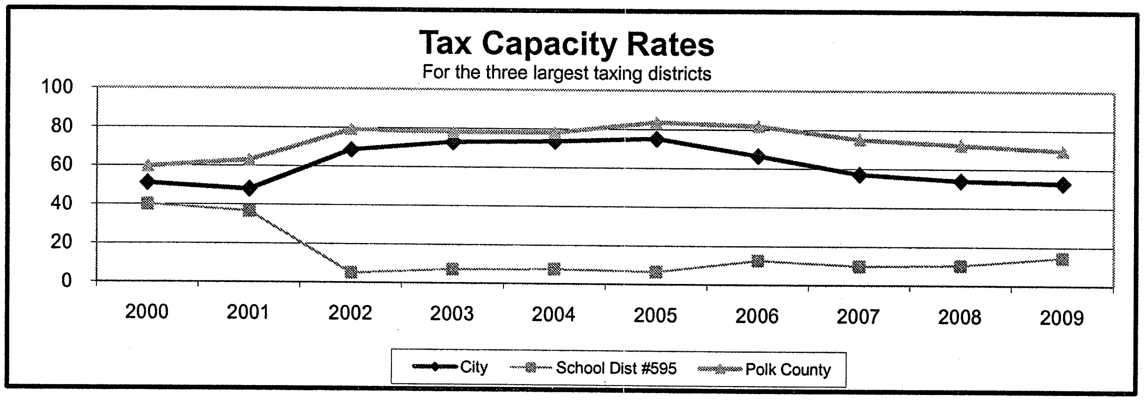


Note: The county assessor is occassionally required to make city wide adjustments to estimated market values. The State of Minnesota will instruct the county assessor to make these type of adjustments when data comparing actual sales to assessed values warrant such actions. In 1997 and again in 2001, estimated market values for residential buildings were increased city wide by 15%.

Property Tax Rates - All Direct and Overlapping Governments
Last Ten Years
(Unaudited)

	Tax Rates per $1,000 of Tax Capacity						
Year	City	School Dist #595	Polk County	Watershed Value	NWRDC	Ambulance District	Total
2000	50.96	40.12	59.64	2.13	0.21	1.44	154.50
2001	47.96	36.56	62.94	3.00	0.20	1.29	151.95
2002	68.60	5.00	79.20	5.03	0.35	1.56	159.74
2003	72.95	7.18	78.12	5.17	0.42	1.55	165.39
2004	73.67	7.52	78.23	5.14	0.42	1.48	166.48
2005	75.24	6.54	83.63	5.12	0.41	1.42	172.36
2006	66.43	12.55	81.89	4.70	0.37	1.19	167.14
2007	57.09	9.77	75.17	4.61	0.34	0.97	147.95
2008	53.84	10.26	72.37	4.89	0.33	0.87	142.56
2009	52.78	14.46	69.65	5.05	0.32	0.87	143.13

Source: County Auditor



Notes: State paid tax credits comprise the difference between the city's gross and net tax levies. In 2002, the State of Minnesota replaced the local school levy with state aid. Total includes rounding errors.

Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

	2009			2000		
Taxpayer	Tax Capacity	Rank	% of Total Tax Capacity of $ 5,067,378	Tax Capacity	Rank	% of Total Tax Capacity of $ 3,282,412
American Crystal	$ 593,734	1	11.72%	$354,382	1	10.8%
Cabela's	57,706	2	1.14%	---		---
Sterling Development	56,910	3	1.12%	---		---
Valley Markets	53,298	4	1.05%	92,874	2	2.8%
Pierce Investments LLC	52,534	5	1.04%	---		---
Riverview Terrace	52,485	6	1.04%	---		---
Northern States Power	52,020	7	1.03%	75,758	3	2.3%
Green Acres	51,471	8	1.02%	46,821	4	1.4%
EGF EDA Sunshine Terrace	38,705	9	0.76%	---		---
Burlington Northern RR	34,844	10	0.69%	40,147	5	1.2%
Redevco-Town Square	-		---	---		---
Simplot Potato	-		---	25,819	9	0.8%
One Forty-Four Assoc	-		---	33,958	6	1.0%
M & M Company	-		---	25,655	8	0.8%
Pamida, Inc	-		---	30,021	7	1.0%
Hawkes Manufacturing	-		---	23,308	10	0.8%
	$ 1,043,707		20.6%	$ 748,743		22.9%

Note: Tax capacity is calculated by multiplying the estimated market value by property classification rates prescribed by Minnesota state law. Total includes rounding errors.

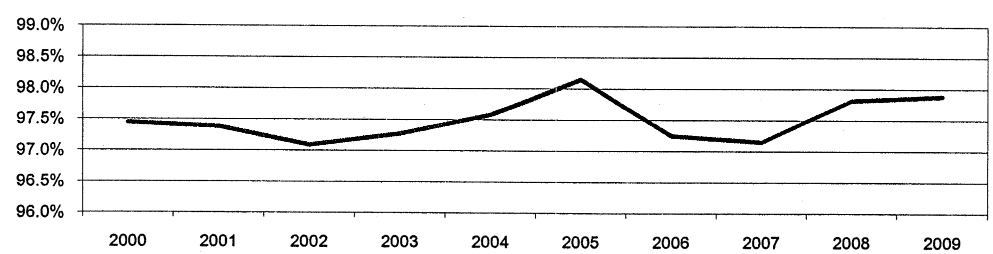
Source: County Auditor

Property Tax Levies and Tax Collections
Last Ten Years
(Unaudited)

Year	Net Tax Levy	Current Tax Collection	Percent of Levy	Delinquent Tax Collection	Total Tax Collection	Total as % or Current Levy	Total Collections Amount	Total Collections % of Levy
2000	1,306,967	1,273,544	97.4%	19,133	1,292,677	98.9%	1,306,967	100.0%
2001	1,384,465	1,348,182	97.4%	19,523	1,367,705	98.8%	1,384,465	100.0%
2002	1,406,729	1,365,758	97.1%	32,275	1,398,033	99.4%	1,406,729	100.0%
2003	1,530,097	1,488,323	97.3%	29,127	1,517,450	99.2%	1,530,097	100.0%
2004	1,624,123	1,584,866	97.6%	35,344	1,620,210	99.8%	1,622,622	99.9%
2005	1,752,128	1,719,623	98.1%	32,985	1,752,608	100.0%	1,750,384	99.9%
2006	1,865,108	1,813,713	97.2%	44,408	1,858,121	99.6%	1,856,439	99.5%
2007	1,953,185	1,897,420	97.1%	32,146	1,929,566	98.8%	1,939,902	99.3%
2008	2,120,415	2,074,229	97.8%	48,892	2,123,121	100.1%	2,101,135	99.1%
2009	2,097,718	2,053,418	97.9%	39,005	2,092,423	99.7%	2,053,418	97.9%

Source: County Auditor

Percent of Current Taxes Collected



Special Assessment Levies and Collections
Last Ten Years
(Unaudited)

Year	Special Assessment Billings	Special Assessment Collections Amount(1)	Special Assessment Collections % of Billings	Uncertified (2) Special Assessments	Prepayment of Special Assessments	Prepayment Ratio (3) as a % of Uncertified	Total Special Assessments Collected
2000	658,199	656,601	99.8%	5,356,042	63,557	1.2%	720,158
2001	687,114	662,339	96.4%	5,042,035	166,978	3.2%	829,317
2002	642,151	633,185	98.6%	4,924,970	111,282	2.2%	744,467
2003	640,898	626,121	97.7%	5,463,256	138,711	2.5%	764,832
2004	696,139	714,896	102.7%	5,937,659	204,089	3.3%	918,985
2005	755,885	746,945	98.8%	7,152,073	81,459	1.1%	828,404
2006	920,374	943,194	102.5%	10,671,065	235,031	2.2%	1,178,225
2007	1,410,342	1,323,689	93.9%	10,963,152	129,986	1.2%	1,453,675
2008	1,461,352	1,322,012	90.5%	10,514,965	109,880	1.0%	1,431,892
2009	1,486,917	1,444,914	97.2%	10,305,749	237,680	2.3%	1,682,594

Source: Administration and Finance

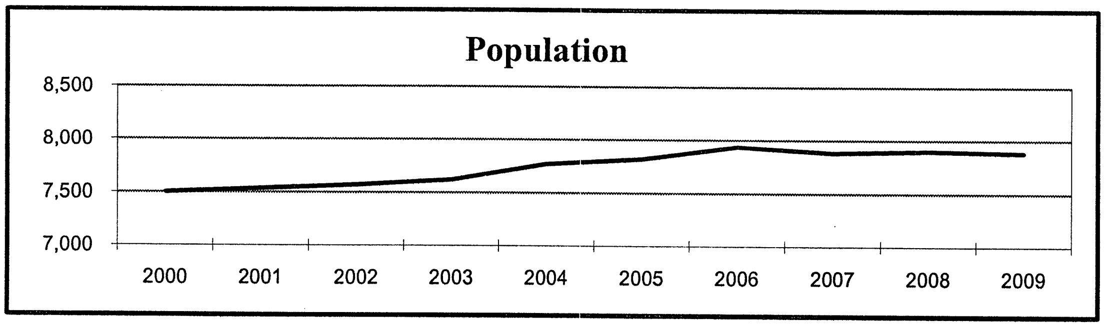
Notes (1) Includes current and delinquent assessments, and assessments collected by the general fund after debt service obligations have been satisfied (miscellaneous revenues - other).

(2) In 1999, the city deferred $730,732 in uncertified special assessments on city-owned residentially zoned property. These assessments will be added back to the assessment rolls as the lots are sold. In 2004, the city deferred $ 3,197,276 on city-owned residentially zoned property, which will be assessed as the lots are sold.

(3) Prepayment ratio is calculated by dividing the prepayments by the sum of uncertified special assessments and prepayments.

Ratio of Net Bonded Debt to Tax Capacity and Estimated Values, and Net Bonded Debt per Capita
Last Ten Years
(Unaudited)

Year	Population(1)	Tax Capacity	Bonded Debt Type Governmental	Bonded Debt Type Business	Total Gross Bonded Debt	Less Amount for Retirement	Net Bonded Debt	As a % of Tax Capacity	Estimated Market Values	Bonded Debt Per Capita
2000	7,501	3,282,412	4,310,000		4,310,000	1,023,617	3,286,383	100.1%	1.5%	575
2001	7,535	3,444,968	4,875,000	4,530,000	9,405,000	2,018,407	7,386,593	214.4%	3.0%	1,248
2002	7,569	2,964,976	4,905,000	4,315,000	9,220,000	1,603,628	7,616,372	256.9%	3.0%	1,218
2003	7,616	2,986,517	4,830,000	4,165,000	8,995,000	1,856,553	7,138,447	239.0%	2.8%	1,181
2004	7,769	3,143,267	9,285,000	4,010,000	13,295,000	2,191,957	11,103,043	353.2%	4.1%	1,711
2005	7,816	3,296,995	8,355,000	3,845,000	12,200,000	2,453,241	9,746,759	295.6%	3.4%	1,561
2006	7,934	3,801,667	11,710,000	1,415,000	13,125,000	2,002,701	11,122,299	292.6%	3.4%	1,654
2007	7,879	4,702,967	14,830,000	1,345,000	16,175,000	4,212,406	11,962,594	254.4%	3.0%	2,053
2008	7,897	5,204,210	13,045,000	3,198,788	16,243,788	3,001,252	13,242,536	254.5%	3.0%	2,057
2009	7,879	5,222,323	13,397,881	4,762,211	18,160,092	2,978,660	15,181,432	290.7%	3.4%	2,305



Notes: (1) The annual population estimates are obtained from the state demographer, with the exception of the 2000 census year. When current year population are not available, previous year estimates are carried forward.

Source: Administration and Finance and Polk County Auditor

Computation of Direct and Overlapping Debt
As of December 31, 2009
(Unaudited)

Jurisdiction	Net general obligation bonded debt outstanding	Percentage applicable to city	Overlapping debt	Amount applicable to city
DIRECT DEBT:				
City of East Grand Forks	$ 18,597,195	100.0%		$ 18,597,195
OVERLAPPING DEBT:				
I.S.D. 595	$ -	71.9%	$ -	
Polk County	30,785,000	21.4%	6,602,340	
Total Overlapping Debt				6,602,340
Total direct and overlapping debt				$ 25,199,535

Source: County Auditor

Legal Debt Margin Information
Last Ten Years
(Unaudited)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Estimated market value	$213,315,700	$242,247,600	$249,732,500	$254,330,500	$268,990,900	$282,620,600	$330,739,700	$394,764,300	$442,849,900	$449,306,600
Total debt	$ 6,497,867	$ 10,678,218	$ 9,624,292	$ 10,305,377	$ 14,488,901	$ 12,851,286	$ 13,189,223	$ 16,870,000	$ 16,813,883	$ 18,597,195
Deductions:										
Bonds:										
G.O. improvement bonds	4,610,000	4,675,000	4,095,000	4,830,000	9,285,000	8,355,000	11,710,000	14,830,000	13,045,000	12,160,000
G.O. tax increment bonds	225,000	200,000								
Certificates of participation	677,064	652,728	625,000	595,000	560,000	525,000				
G.O. water revenue bonds		1,750,000	1,665,000	1,605,000	1,545,000	1,480,000	1,415,000	1,345,000	1,275,000	1,200,000
Electric revenue bonds		2,780,000	2,650,000	2,560,000	2,465,000	2,365,000				
MIF-DRLF mall loan	538,977	517,266	494,670	471,154	447,638					
MN PFA GO Clean Water Improv Bonds									1923788	3,562,211
MN PFA GO Transportation Improv Bonds										1,237,881
GMHF & MHFA Deferred Loans	335,000									
City share of special assessments	111,826	103,224	94,622							
Debt service funds:										
Cash, securities, and restricted cash	1,639,224	2,371,950	1,603,628	1,356,603	2,235,996	1,933,482	1,786,948	4,093,507	2,874,751	2,755,615
Less amount applicable to excluded bonds	(1,639,224)	(2,371,950)	(1,603,628)	(1,356,603)	(2,235,996)	(1,933,482)	(1,786,948)	(4,093,507)	(2,874,751)	(2,755,615)
Total net debt applicable to debt limit	$ -	$ -	$ -	$ 244,223	$ 186,263	$ 126,286	$ 64,223	$ 695,000	$ 570,095	$ 437,103
Debt limit is 2% of estimated market value	$ 4,266,314	$ 4,844,952	$ 4,994,650	$ 5,086,610	$ 5,379,818	$ 5,652,412	$ 6,614,794	$ 7,895,286	$ 8,856,998	$ 8,986,132
Legal Debt Margin	$ 4,266,314	$ 4,844,952	$ 4,994,650	$ 4,842,387	$ 5,193,555	$ 5,526,126	$ 6,550,571	$ 7,200,286	$ 8,286,903	$ 8,549,029
Total net debt applicable to limit as a precentage of debt limit	0.0%	0.0%	0.0%	4.8%	3.5%	2.2%	1.0%	8.8%	6.4%	4.9%

COMPUTATION OF LEGAL DEBT MARGIN (continued)
DECEMBER 31, 2009

NOTE (A): **Minnesota Statutes 475.53 et seq.**

Limit on Net Debt

"Subdivision 1. Generally, except as otherwise provided in sections 475.51 to 475.75, no municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of 2% of the market value of taxable property in the municipality."

NOTE (B): **Minnesota Statutes 475.51**

"Subdivision 4. 'Net Debt' means the amount remaining after deducting from its gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt, and the aggregate of the principal of the following:

(1) Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursements in whole or in part from the proceeds of the special assessments.

(2) Warrants or orders having no definite or fixed maturity.

(3) Obligations payable wholly from the income from revenue-producing conveniences.

(4) Obligations to create or maintain a permanent improvement revolving fund.

(5) Obligations issued for the acquisition and betterment of public water-works systems and public lighting, heating, or power systems, and of any combination thereof or for any other public convenience from which revenue is or may be derived.

Schedule of Improvement Bond Coverage
Debt Service Funds
(Unaudited)

Improvement Bond	Fund	Year	Assessment Collections(1)	Debt Service Requirements Principal	Interest(2)	Total	Coverage	Debt Outstanding	Deferred Revenue
12-1-01 $1,045,000	531	2002	$ 92,797	$ 370,000	$ 46,317	$ 416,317	0	$ 1,045,000	$ 657,593
		2003	108,075	55,000	47,712	102,712	1	990,000	826,568
		2004	114,612	65,000	45,311	110,311	1	925,000	767,213
		2005	90,666	60,000	42,811	102,811	1	865,000	725,245
		2006	128,126	55,000	40,569	95,569	1	810,000	684,260
		2007	87,119	55,000	38,369	93,369	1	755,000	645,771
		2008	89,754	50,000	36,143	86,143	1	705,000	601,879
		2009	111,915	50,000	33,895	83,895	1	655,000	532,463
12-1-03 $1,000,000	532	2004	79,678	-	27,824	27,824	3	1,000,000	2,189,184
		2005	103,079	30,000	40,583	70,583	1	970,000	925,216
		2006	75,345	40,000	39,526	79,526	1	930,000	903,952
		2007	141,496	40,000	38,266	78,266	2	890,000	822,918
		2008	102,382	40,000	36,986	76,986	1	850,000	778,042
		2009	106,339	40,000	35,706	75,706	1	810,000	725,013
4-1-04 $260,000	527	2005	60,917	530,000	28,303	558,303	0	260,000	329,235
		2006	51,386	35,000	8,170	43,170	1	225,000	302,892
		2007	49,856	30,000	7,276	37,276	1	195,000	275,353
		2008	51,486	35,000	6,383	41,383	1	160,000	244,264
		2009	59,090	35,000	5,420	40,420	1	125,000	203,614
12-1-04 $4,655,000	533	2005	87,469	-	125,974	125,974	1	4,655,000	1,675,095
		2006	184,881	170,000	186,204	356,204	1	4,485,000	2,306,453
		2007	217,172	205,000	179,554	384,554	1	4,280,000	2,269,211
		2008	254,689	210,000	171,254	381,254	1	4,070,000	2,153,910
		2009	229,429	215,000	162,754	377,754	1	3,855,000	2,085,952
03-1-06 $ 4,075,000	534	2007	436,739	-	211,104	211,104	2	4,075,000	2,451,574
		2008	450,556	375,000	142,954	517,954	1	3,700,000	2,140,087
		2009	386,705	385,000	130,221	515,221	1	3,315,000	1,889,256
12-01-07 $ 3,560,000	535	2007						3,560,000	2,625,490
		2008	347,090		75,772	75,772	5	3,560,000	2,625,490
		2009	319,020	160,000	135,985	295,985	1	3,400,000	2,511,853

Note: (1) Includes penalties and interest on delinquent assessment.
(2) Includes fiscal agent fees.
(3) Issue was paid off in January '08 with available cash in the fund.

Source: Administration and Finance

Schedule of Revenue Bond Coverage
Water Fund
(Unaudited)

Water Fund:

Year	Gross Revenues (1)	Operating Expenses(2)	Net Revenue Available for Debt Service	Debt Service Requirements (3) Principal	Interest	Total	Coverage
2004	$ 1,983,680	$ 1,291,804	$ 691,876	$ 60,000	$ 77,038	$ 137,038	5
2005	2,108,390	1,285,178	823,212	65,000	74,566	139,566	6
2006	2,176,681	1,399,418	777,263	65,000	71,603	136,603	6
2007	2,094,122	1,392,146	701,976	70,000	68,500	138,500	5
2008	2,095,935	1,583,565	512,370	70,000	65,642	135,642	4
2009	1,940,848	1,433,218	507,631	75,000	61,742	136,742	4

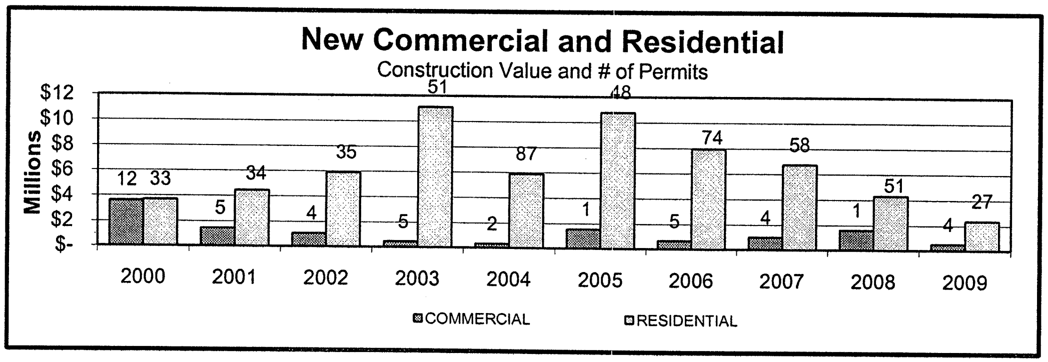
Notes (1) Total revenues including interest.
(2) Total operating expenses excluding depreciation.
(3) The first year of bonds payments was 2002.

Source: Administration and Finance

Construction and Bank Deposits
Last Ten Years
(Unaudited)

	CONSTRUCTION (1)					Bank Deposit	
	COMMERCIAL		RESIDENTIAL				
Year	Permits	Value	Permits	Value	Total	Total	Percent of Change
2000	5	3,618,000	34	3,681,000	7,299,000	119,293,990	3.9%
2001	4	1,443,000	35	4,443,000	5,886,000	136,751,218	14.6%
2002	5	1,046,000	51	5,891,000	6,937,000	147,072,813	7.5%
2003	2	447,000	87	11,094,000	11,541,000	99,875,799	-32.1%
2004	1	301,000	48	5,877,000	6,178,000	99,350,241	-0.5%
2005	5	1,540,000	74	10,781,000	12,321,000	104,735,589	5.4%
2006	4	641,000	58	7,943,000	8,584,000	98,335,162	-6.1%
2007	1	980,000	51	6,719,000	7,699,000	95,122,014	-3.3%
2008	4	1,583,000	27	4,278,000	5,861,000	102,824,812	8.1%
2009	4	489,000	12	2,350,000	2,839,000	111,528,128	8.5%

Source: Building Official, Local Banks



Notes: (1) Only new construction permits.

Demographic and Economic Statistics
Last Ten Calendar Years
(unaudited)

Calendar Year	Population (1)	Personal Income (2) (thousands of dollars)	Per Capita Personal Income (2)	Median Age (3)	Population 25 yrs & over-Bachelor's degree or higher (3)	School Enrollment (4)	Unemployment Rate (5)
2000	7,501	5,167,790	24,244	34.1	19.5%	1,898	3.4%
2001	7,535	5,133,247	24,381	na	na	1,897	3.2%
2002	7,569	5,256,878	25,161	na	na	1,858	3.9%
2003	7,616	5,827,255	27,968	na	na	1,814	3.5%
2004	7,769	5,659,000	27,024	na	na	1,773	2.8%
2005	7,816	6,023,000	28,974	na	na	1,756	3.0%
2006	7,934	6,196,000	29,919	na	na	1,746	3.8%
2007	7,897	na	na	na	na	2,165	3.3%
2008	7,879	na	na	na	na	2,092	5.0%
2009	7,879	na	na	na	na	2,072	5.2%

Data Sources: (1) State of Minnesota, State Demographic Center. 2000 is actual census; if current year information is not available, previous year's estimates are carried forward.
(2) Bureau of Economic Analysis, U.S. Department of Commerce. This information is for Grand Forks, ND-MN (EA)
(3) U.S. Census Data. Yearly data not maintained.
(4) East Grand Forks Public School District, East Grand Forks private schools.
(5) North Dakota Job Service. This information is for Grand Forks, ND-MN (MSA)

Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

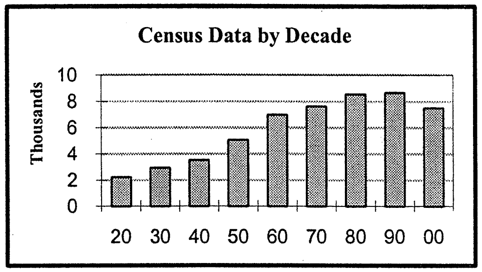
	2009			2000		
Taxpayer	Tax Capacity	Rank	% of Total Tax Capacity of $ 5,067,378	Tax Capacity	Rank	% of Total Tax Capacity of $ 3,282,412
American Crystal	$ 593,734	1	11.72%	$354,382	1	10.8%
Cabela's	57,706	2	1.14%	---		---
Sterling Development	56,910	3	1.12%	---		---
Valley Markets	53,298	4	1.05%	92,874	2	2.8%
Pierce Investments LLC	52,534	5	1.04%	---		---
Riverview Terrace	52,485	6	1.04%	---		---
Northern States Power	52,020	7	1.03%	75,758	3	2.3%
Green Acres	51,471	8	1.02%	46,821	4	1.4%
EGF EDA Sunshine Terrace	38,705	9	0.76%	---		---
Burlington Northern RR	34,844	10	0.69%	40,147	5	1.2%
Redevco-Town Square	-		---	---		---
Simplot Potato	-		---	25,819	9	0.8%
One Forty-Four Assoc	-		---	33,958	6	1.0%
M & M Company	-		---	25,655	8	0.8%
Pamida, Inc	-		---	30,021	7	1.0%
Hawkes Manufacturing	-		---	23,308	10	0.8%
	$ 1,043,707		20.6%	$ 748,743		22.9%

Note: Tax capacity is calculated by multiplying the estimated market value by property classification rates prescribed by Minnesota state law.
Total includes rounding errors.

Source: County Auditor

Demographic Statistics
U.S. Census Data
(Unaudited)

Population Changes:	
1920	2,249
1930	2,922
1940	3,511
1950	5,049
1960	6,988
1970	7,607
1980	8,537
1990	8,658
2000	7,501



Population Characteristic:	1990	% Total	2000	% Total
Under 20	5,786	67%	5,053	67%
20 and over	2,872	33%	2,448	33%
	8,658	100%	7,501	100%

Miscellaneous:	1990	2000
Median Age:	31.30 years	34.10 years
Household size:	2.69 people	2.54 people
Number of households:	3,159.00 units	2,929.00 units

	1990		2000	
Age Characteristics:	Total	% Total	Total	% Total
Under 5 years	755	9%	516	7%
5-9 years	811	9%	580	8%
10-14 years	703	8%	646	9%
15-19 years	603	7%	706	9%
20-24 years	604	7%	526	7%
25-34 years	1,407	16%	865	12%
35-44 years	1,251	14%	1,219	16%
45-54 years	768	9%	971	13%
55-59 years	258	3%	324	4%
60-64 years	393	5%	269	4%
65-74 years	556	6%	456	6%
75-84 years	393	5%	321	4%
85 years and older	156	2%	102	1%
Total	8,658	100%	7,501	100%

Source: U.S. Census Bureau

Full-time Employees by Function/Program
Last Ten Fiscal Years

(Unaudited)

Function	Full-time Employees as of December 31, 2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government:										
Administration and Finance	5	5	5	5	5	5	5	5	4	5
Building	1	1	1	1	1	1	1	1	1	0
Public Safety:										
Building Official	3	3	3	3	3	3	3	3	3	2
Fire	11	11	11	11	11	11	10	10	10	10
Police	25	25	24	24	23	23	23	24	24	23
Public Works:										
Refuse	7	7	6	6	6	6	6	6	6	6
Sewage	2	2	2	2	2	2	2	2	2	2
Streets	9	9	8	8	8	8	8	7	7	7
Culture and Recreation:										
Administration	3	3	3	3	3	3	3	2	3	3
Parks	2	2	2	2	2	2	2	2	2	2
Arenas	2	2	2	2	2	2	2	2	2	2
Library	2	2	2	2	2	3	3	3	3	3
Senior center	1	1	1	1	1	1	1	1	1	1
Water and Light										
Administration	5	5	5	5	5	5	5	5	5	6
Electric	13	13	13	13	11	11	11	10	10	10
Water	8	8	8	8	8	8	8	8	8	8
Total	99	99	96	96	93	94	93	91	91	90

Note: Excludes seasonal and part-time positions.

Source: Administration and Finance

Operating Indicators by Function
Last Ten Fiscal Years
(Unaudited)

	Year Ending December 31,									
Function	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Government										
On Sale Liquor license by entity	12	11	14	13	14	13	11	10	11	10
Off Sale Liquor license by entity	4	5	4	4	4	4	4	3	4	4
Number of AP checks written	4,677	3,386	3,323	3,036	2,986	3,033	3,055	3,075	3,224	3,184
Police										
DUI arrests	143	124	107	116	135	85	102	124	93	126
Traffic violations	2,398	1,679	1,768	1,386	1,367	1,107	898	1,044	918	1,041
No. of dog/cat licenses	42	78	87	97	93	111	111	106	123	132
Fire										
No. of rescue & EMS incidents	359	323	347	372	387	383	405	435	454	539
No. of fire calls	120	124	100	96	99	106	96	44	33	22
Building Official										
Building permits issues	246	257	340	358	246	308	302	379	420	343
Other permits issued	134	165	184	275	253	314	226	266	335	302
Refuse collection										
Refuse collected annually (tons)	3,780	3,735	3,734	3,859	3,875	3,864	4,003	3,905	3,482	3,713
Recyclables collected annually (tons)	4,809	4,571	4,443	5,277	1,370	4,740	820	449	521	604
Recreation and culture										
Number of summer registrants	814	874	563	340	429	680	708	748	601	601
Number of winter registrants	374	401	352	265	270	403	405	285	380	426
Attendance for general swim	na	na	na	9,976	10,101	10,326	11,098	11,278	8,963	7,142
Library										
Volumes in collection	29,700	34,655	38,680	41,037	43,114	44,595	47,641	49,972	49,341	45,259
Total volumes borrowed	35,001	48,554	72,702	65,367	80,064	83,288	88,451	74,045	80,830	76,329
Water										
Annual tap water billed (millions)	385	345	313	350	363	374	383	377	358	348
Average number of monthly meters	2,386	2,418	2,445	2,501	2,571	2,629	2,692	2,734	2,763	2,793
Electric										
Annual Kwhs billed (millions)	132	131	127	136	138	139	139	146	154	156
Maximum Demand Kwhs (millions)	27.84	25.55	28.47	26.63	26.40	25.55	26.49	29.21	30.79	32.33
Cemetery										
No. of Lots Sold	66	39	127	58	46	31	48	26	52	43
No. of Interments	43	29	26	34	29	22	42	21	52	43
Transit										
Total route miles	16	16	16	16	16	16	16	16	16	16
Passengers	19,306	20,052	17,919	16,833	14,147	16,785	16,324	16,772	20,840	23,616

Source: Various city departments

Schedule of Insurance in Force
December 31, 2009
(Unaudited)

Name of Company	Policy Number	Policy Period	Type of Coverage	Liability Limits
PROPERTY				
League of Minnesota Cities (C&H Insurance)	CMC30314	01/01/09 - 01/01/10	All Risk Blanket Property, excluding flood.	$87,797,833 Blanket $5,000,000 Terrorism Activity $500,000 Valuable Papers
Fidelity	227701415551 02	5/25/09-5/25/10	Flood	$262,500 Content $500,000 Building
League of Minnesota Cities (C&H Insurance)	CMC30314	01/01/09 - 01/01/10	Boiler and Machinery	$5,000,000
BONDS				
League of Minnesota Cities (C&H Insurance)	CMC30314	01/01/09 - 01/01/10	Public Officials	$100,000 Clerk-Treasurer $100,000 Public Employees
League of Minnesota Cities (C&H Insurance)	CMC30314	01/01/09 - 01/01/10	Commercial Blanket Bond Commercial Crime	$100,000 Forgery 250,000 Per Occurance
LIABILITY				
League of Minnesota Cities (C&H Insurance)	CMC30314	01/01/09 - 01/01/10	Comprehensive General/ Public Officials Liablity	$1,200,000 Public Officials
League of Minnesota Cities (C&H Insurance)	CMC30314	01/01/09 - 01/01/10	Comprehensive General/ Auto Liability	$1,200,000 per occurrence
League of Minnesota Cities (C&H Insurance)	CMC30314	01/01/09 - 01/01/10	General Liability (Bodily injury, employee benefits, host liquour liablitiy)	$1,200,000 per occurrence
OPEN MEETING LAW				
League of Minnesota Cities (C&H Insurance)	OML5307	01/01/09 - 01/01/10	Open Meeting Law Defense Cost Reimbursement	$50,000 per city official
WORKERS COMPENSATION				
League of Minnesota Cities (Berkley Risk Administrators)	200011428	1/13/09-01/13/10	Workers Compensation Comprehensive Managed Care Retro-rated 40% to 130%	$1,000,000 Bodily Injury by accident $1,000,000 Bodily Injury by disease

Miscellaneous Statistical Information

(Unaudited)

Adoption of City Charter	1975
Form of Government	Home Rule Charter
Number of employees	90
Area in square miles	6
Developed	4.5
Undeveloped	1
Name of Government facilities and services:	
Miles of streets	70
Culture and Recreation:	
Senior Center	1
Library	1
Arenas	2
Parks	12
Park acreage owned	278
Park acreage developed	218
Swimming Pools	1
Tennis Courts	2
Fire Protection:	
Number of stations	2
Number of vehicles	10
Number of full-time Firefighters	10
Number of volunteer Firefighters	25
Fire Insurance Rating	4
Police Protection:	
Number of stations	1
Number of police officers	21
Number of patrol units	5

Sewage System:	
Miles of force mains	52
Miles of sewer mains	7.2
Miles of storm sewers	42
Number of lift stations	12
Number of storm sewer lift stations	14
Water System:	
Miles of water mains	52
Number of fire hydrants	342
Gallons of Storage Capacity	4,100,000
Daily treatment capacity	4,000,000
Towers and reservoirs	5
Electric System:	
Number of substations	4
Miles of distribution lines	60.3
Peak Demand in MW	30.79
Public education facilities and services not included in reporting entity:	
Number of elementary schools	2
Number of middle schools	1
Number of senior high schools	1
Northwest Technical College	1
Bond rating	A3

SIGNIFICANT MINNESOTA TAX POLICIES
DECEMBER 31, 2009

GENERAL

All non-exempt property in Minnesota is subject to taxation by local taxing districts. The tax levied on a property is determined by computing its tax capacity, which is the property's market value multiplied by the appropriate class rates. The taxes on a property are computed by multiplying the tax rate by the property's tax capacity. The tax rate is determined by the County Auditor, dividing each tax levy by the taxing jurisdiction adjusted net tax capacity.

Properties are physically reviewed by assessors at least once every four years.

The Minnesota Department of Revenue analyzes sales of properties annually, comparing sales prices with the local assessor's market value. This establishes a sales ratio. The sales ratio is also used in determining municipal and school district state aids.

The assessor's market value is multiplied by the appropriate class rates to arrive at the Adjusted Net Tax Capacity (taxable value). The class rates vary by class of property. The schedule below shows some of the major classes of property and their applicable class rate:

TYPE OF PROPERTY	2009 TAXES PAYABLE
Residential Homestead	
First $500,000	1.00%
Over $500,000	1.25%
Commercial/Industrial	
First $150,000	1.50%
Over $150,000	2.00%
Rentals	
Regular (4 or more units)	1.25%
Low income	1.00%

Property Tax Refund. Residential property tax credits are gauged by percentages of the net property tax to household income: homeowners may receive up to a $1,700 in refund.

Special Refund. Residential property taxpayers may be entitled to a special property tax refund if the net property tax on their homestead increased by more than 12% from 2008 to 2009, and the increase was $100 or more. The refund was set at 60% of the increase over the greater of 12% or $100. The maximum refund allowed is $1,000.

Source: 2008 Property Tax Refund Booklet

TAX RATES AND LEVIES

Tax Limitation by Statute:

The City Tax Levy is pursuant to the limitations instituted by Minnesota Statue 275.51.

Debt Service, certain special levies and special assessments for local improvements are not included in above limitation.

Taxes Due Date:

First Monday in January

Taxes Delinquent Date:

Personal Property, amounts less than $50.00 - May 1; Amounts over $50.00 First Half, May 15; Second Half, October 15.

Real Estate - First Half, May 15; Second Half, October 15.

No Discount Allowed

Penalties for Late Payments:

If the tax is not paid by the due date of the installment, a late penalty will be assessed at the percentage rate provided by law. The following table shows the rate of penalty if the tax installment remains unpaid on the 16th of each month:

Penalty Month of:	May	June	July	Aug	Sep	Oct	Nov	Dec
On Homestead Property:								
1st half installment...	2%	4%	5%	6%	7%	8%	8%	8%
2nd half installment..						2%	6%	8%
On Non-Homestead Property								
1st half installment..	4%	8%	9%	10%	11%	12%	12%	12%
2nd half installment...						4%	8%	12%

On the first Monday in January, following the year in which taxes were due, the penalty will increase to a maximum of:

Homestead 10% Non-Homestead 14%

Tax Sale can take place anytime after Judgment has been in effect for 5 years on Homestead Properties and 3 years on Non-Homestead Properties.

Taxes are certified to Polk County and collected by the county treasurer and remitted to the city.

Source: County Auditor, Polk County.

SINGLE AUDIT
SECTION

CITY OF EAST GRAND FORKS, MINNESOTA

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

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

To the Honorable Mayor and
Members of the City Council
City of East Grand Forks, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 18, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of East Grand Forks' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting for the limited purpose described in the first paragraph of this section would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the City of East Grand Forks in a separate letter dated June 18, 2010.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minnesota Legal Compliance Audit Guide for Local Government, promulgated by the Legal Compliance Task Force pursuant to Minnesota Statutes Section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

The Minnesota Legal Compliance Audit Guide for Local Government covers seven main categories of compliance to be tested: Contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, tax increment financing and city miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City complied with the material items and conditions of applicable legal provisions, except for the provision for the required declaration on the back of the City's checks. Per this provision, the check should have the following printed on the reverse side of the check, above the space for the endorsement, the following statement: "The undersigned payee, in endorsing this check declares that the same is received in

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payment of a just and correct claim against the city, and that no part of it has heretofore been paid."

This report is intended solely for the information of the Honorable Mayor and Members of the City Council, management and state and Federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

June 18, 2010

BRADY MARTZ
CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the City Council
City of East Grand Forks, Minnesota

Compliance

We have audited the compliance of the City of East Grand Forks with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended December 31, 2009. The City of East Grand Forks' major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance 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; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of East Grand Forks complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2009-1.

Internal Control Over Compliance

The management of the City of East Grand Forks is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis

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BRADY MARTZ

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2009-1. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information of the Honorable Mayor and Members of the City Council, management and state and Federal agencies and is not intended to be and should not be used by anyone other than these specified parties.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

June 18, 2010

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CITY OF EAST GRAND FORKS, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2009

FEDERAL GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Identifying Number	Expenditures
Department of Housing & Urban Development			
Direct Programs:			
Lower-Income Housing Assistance Program			
Section 8 Housing Choice Vouchers	14.871		$ 1,321,120
Department of Transportation			
Direct Programs:			
Federal Transit Administration- Capital and Operating Assistance Formula Grants	20.507		$ 67,300
ARRA Capital Purchase	20.500	MN-96-X003-00	9,476
Passed Through State of Minnesota			
Highway Planning and Construction	20.205	119-080-008	386,131
State and Community Highway Safety	20.600	09/10 Safe and Sober	8,165
Safe and Sober	20.608	09/10 Safe and Sober	8,383
Total DOT			$ 479,455
Environmental Protection Agency			
Passed Through State of Minnesota			
Capitalization Grants for Clean Water State Revolving Funds	66.458	MPFA-07-0056-R-FY09	$ 1,699,021
Department of Justice			
COPS Police Vests	16.unk		$ 938
COPS Safe School Grant	16.unk	2007CKWX0145	35,542
Total Department of Justice			$ 36,480
Department of Homeland Security			
Assistance to Firefighters Grant	97.044		52,729
Passed Through State of Minnesota			
Disaster Grants - Public Assistance	97.036	DR-1830 DISASTER	427,829
Total FEMA			$ 480,558
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 4,016,634

NOTE 1 Basis of Presentation

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the City of East Grand Forks and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 Loans Outstanding

The City has the following loan balance outstanding at December 31, 2009. The loan proceeds received during 2009 totals $1,699,021, the proceeds were reported on the schedule of expenditures of federal awards.

Program Title	CFDA	Amount Outstanding
Capitalization Grants for Clean Water SRF	66.458	$3,562,211

CITY OF EAST GRAND FORKS, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	___ yes _x_ no
• Significant deficiencies identified that are not considered to be material weaknesses?	___ yes _x_ none reported
Noncompliance material to financial statements noted?	___ yes _x_ no

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	___ yes _x_ no
• Significant deficiencies identified that are not considered to be material weaknesses?	_x_ yes ___ none reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	_x_ yes ___ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
14.871	Section 8 Cluster
20.205	Highway Planning and Const.
97.036	Disaster Grants – Public Asst.

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	_x_ yes ___ no

Section II - Financial Statement Findings

There are no findings to be reported in this section.

Section III - Federal Award Findings and Questioned Costs

2009-1

Federal Program
Section 8 Housing Voucher Program (CFDA # 14.871)

Criteria
To provide reasonable assurance that all program expenditures are allowable and that all tenants assisted are eligible for assistance.

Condition
In our review of the Section 8 Housing Voucher Program tenant files, one of the forty randomly selected tenant files was unable to be found.

Questioned Costs
Undeterminable

Context
In our review of the Section 8 Housing Voucher Program tenant files, one of the forty randomly selected tenant files was unable to be found. We were unable to verify if the tenant assisted was eligible and if the assistance received should have been an allowable cost.

Effect
We were unable to verify if the tenant assisted was eligible and if the assistance received should have been an allowable cost.

Cause
Missing Section 8 Housing Voucher File

Recommendation
We recommend that procedures be put in place to ensure that all tenant files are able to be readily located.

Management's Response
Management agrees. After review of procedural error, we are considering an electronic back-up file system in conjunction with the hard files that are to be held for 3 years. The file will be reproduced.

CITY OF EAST GRAND FORKS, MINNESOTA
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended December 31, 2009

There are no findings to be reported in this section.

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