

# Annual Financial Report

## City of East Bethel

East Bethel, Minnesota

For the Year Ended  
December 31, 2019

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of East Bethel, Minnesota  
Annual Financial Report  
Table of Contents  
For the Year Ended December 31, 2019

	<u>Page No.</u>
<b>Introductory Section</b>	
City Council and Officials	9
<b>Financial Section</b>	
Independent Auditor's Report	13
Management's Discussion and Analysis	17
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	29
Statement of Activities	30
Fund Financial Statements	
Governmental Funds	
Balance Sheet	34
Reconciliation of the Balance Sheet to the Statement of Net Position	35
Statement of Revenues, Expenditures and Changes in Fund Balances	36
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	37
General Fund	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	38
Proprietary Funds	
Statement of Net Position	39
Statement of Revenues, Expenses and Changes in Net Position	40
Statement of Cash Flows	41
Notes to the Financial Statements	43
<b>Required Supplementary Information</b>	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Plan	68
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Plan	68
Notes to the Required Supplementary Information - General Employees Retirement Plan	69
Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios	70
Schedule of Employer's Fire Relief Association Contributions	71
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	74
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	75
Nonmajor Special Revenue Funds	
Combining Balance Sheet	76
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	77
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Recycling Fund	79
HRA Fund	80
EDA Fund	81
Nonmajor Capital Projects Funds	
Combining Balance Sheet	82
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	84
General Fund	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	87
Debt Service Funds	
Combining Balance Sheet	90
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	91

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of East Bethel, Minnesota  
Annual Financial Report  
Table of Contents (Continued)  
For the Year Ended December 31, 2019

	<u>Page No.</u>
<b>Combining and Individual Fund Financial Statements and Schedules (Continued)</b>	
Internal Service Funds	
Combining Statement of Net Position	92
Combining Statement of Revenues, Expenses and Changes in Net Position	93
Combining Statement of Cash Flows	94
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	95
<b>Other Required Reports</b>	
Independent Auditor's Report on Minnesota Legal Compliance	99
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	100

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

INTRODUCTORY SECTION  
CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of East Bethel, Minnesota  
City Council and Officials  
For the Year Ended December 31, 2019

**CITY COUNCIL**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Steven Voss	Mayor	12/31/20
Tim Harrington	Council Member	12/31/22
Suzanne Erkel	Council Member	12/31/22
Randy Plaisance	Council Member	12/31/20
Tom Ronning	Council Member	12/31/20

**CITY OFFICIALS**

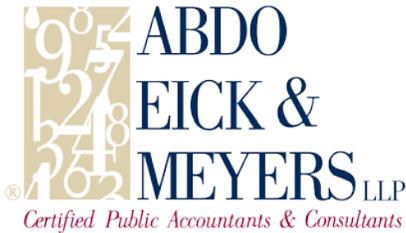
Jack Davis	City Administrator
Nate Ayshford	Public Works Manager
Mark DuCharme	Fire Chief
Nick Schmitz	Building Official
Mike Jeziorski	Finance Director
Stephanie Hanson	Community Development Director

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

FINANCIAL SECTION  
CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of East Bethel, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of East Bethel, Minnesota (the City), as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

## Other Matters

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting of page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios starting on page 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other information**

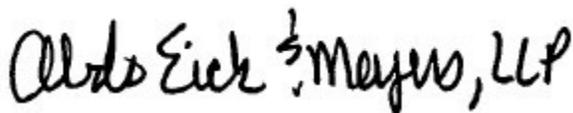
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
April 7, 2020

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

## Management's Discussion and Analysis

As management of the City of East Bethel, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$29,984,551 (net position). Of this amount, \$4,439,095 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased \$434,416. Of the total, governmental activities increased \$129,470 and the business-type activities increased \$304,946.
- As of the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,051,491, a decrease of \$216,642 from the prior fiscal year.
- At the end of the fiscal year, the General fund had a fund balance of \$3,161,126. The ending fund balance is 55.1 percent of the 2020 budget.
- The City's total noncurrent liabilities decreased \$697,413 during the current fiscal year as a result of regular schedule debt principal payments.

## Overview of the Financial Statements

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

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

**Figure 1  
Organization of East Bethel  
Annual Financial Report**

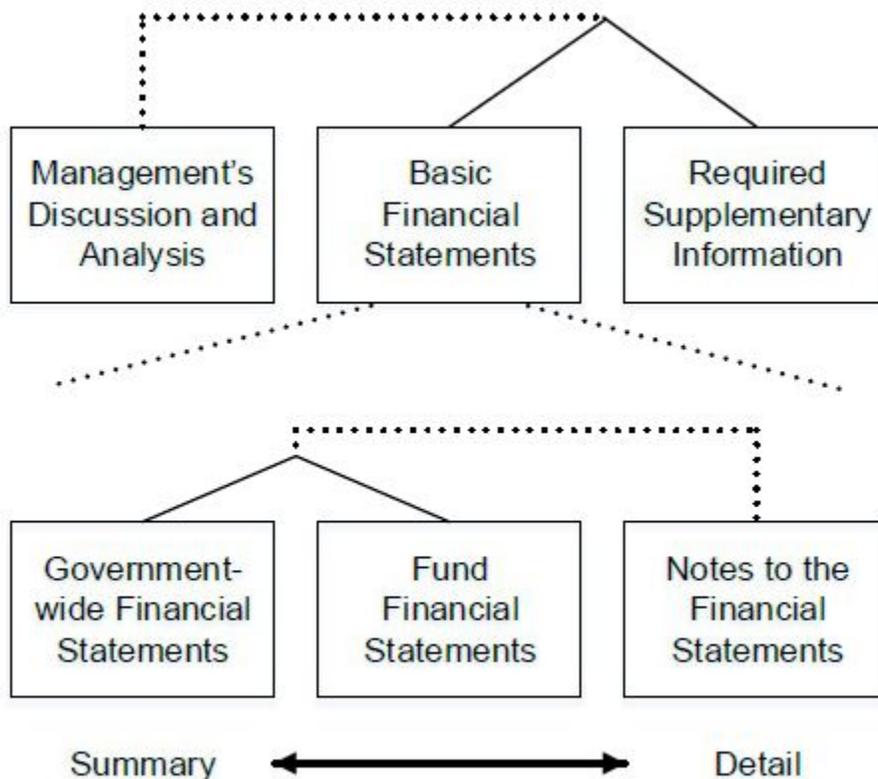


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

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

The government-wide financial statements start on page 29 of this report.

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

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

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

The City maintains numerous individual governmental funds, four of which are Debt Service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, Debt Service fund, and the Street Capital fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

The basic governmental fund financial statements start on page 34 of this report.

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

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

The basic proprietary fund financial statements start on page 39 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 43 of this report.

**Required Supplementary Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pensions to its employees. The required supplementary information starts on page 68.

**Other Information.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on budgetary comparisons. Combining and individual fund statements and schedules start on page 74 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$29,984,551 at the close of the most recent fiscal year.

The largest portion of the City's net position \$24,244,193 or 80.9 percent reflects its investment in capital assets (e.g. land, buildings, machinery and equipment, sewer main lines and storm sewers, and infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of East Bethel's Summary of Net Position**

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Current and Other Assets	\$ 8,775,283	\$ 8,170,840	\$ 604,443	\$ 1,371,880	\$ 550,314	\$ 821,566
Capital Assets	26,895,842	27,883,363	(987,521)	13,542,150	14,141,000	(598,850)
Total Assets	<u>35,671,125</u>	<u>36,054,203</u>	<u>(383,078)</u>	<u>14,914,030</u>	<u>14,691,314</u>	<u>222,716</u>
Deferred Outflows of Resources	173,616	310,276	(136,660)	-	-	-
Long-term Liabilities Outstanding	18,981,344	19,595,581	(614,237)	615,971	703,384	(87,413)
Other Liabilities	702,981	826,932	(123,951)	37,256	32,073	5,183
Total Liabilities	<u>19,684,325</u>	<u>20,422,513</u>	<u>(738,188)</u>	<u>653,227</u>	<u>735,457</u>	<u>(82,230)</u>
Deferred Inflows of Resources	436,668	347,688	88,980	-	-	-
Net Assets						
Net investment in capital assets	11,318,014	12,236,159	(918,145)	12,926,179	13,437,616	(511,437)
Restricted	1,301,263	1,458,443	(157,180)	-	-	-
Unrestricted	<u>3,104,471</u>	<u>1,899,676</u>	<u>1,204,795</u>	<u>1,334,624</u>	<u>518,241</u>	<u>816,383</u>
Total Net Position	<u>\$ 15,723,748</u>	<u>\$ 15,594,278</u>	<u>\$ 129,470</u>	<u>\$ 14,260,803</u>	<u>\$ 13,955,857</u>	<u>\$ 304,946</u>

A portion of the City's net position \$1,301,263 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$4,439,095 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for its governmental activities. The increase in business-type net position is due to additional water and sewer hookups during 2019.

## Governmental Activities and Business-type Activities

Governmental activities increased the City's net position \$129,470 and business-type net position increased by \$304,946 during the year. Key elements of the changes in net position are as follows:

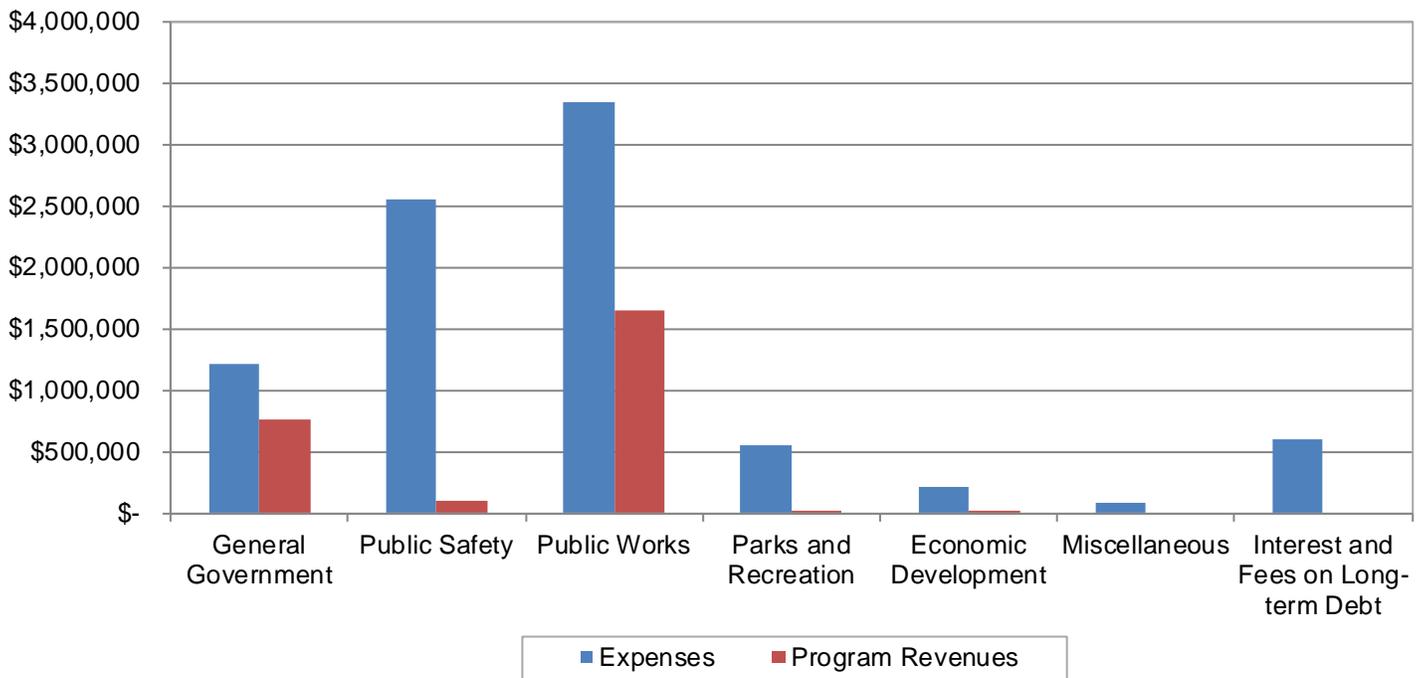
### City of East Bethel's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 734,651	\$ 768,572	\$ (33,921)	\$ 452,544	\$ 422,582	\$ 29,962
Operating grants and contributions	171,476	157,998	13,478	-	-	-
Capital grants and contributions	1,635,943	1,344,860	291,083	854,313	184,124	670,189
General revenues						
Taxes	6,014,135	5,811,181	202,954	-	-	-
Grants and contributions not restricted to specific programs	26,118	27,400	(1,282)	-	-	-
Unrestricted investment earnings	114,585	84,529	30,056	13,743	5,078	8,665
Sale of capital assets	6,934	54,971	(48,037)	-	-	-
<b>Total Revenues</b>	<b>8,703,842</b>	<b>8,249,511</b>	<b>454,331</b>	<b>1,320,600</b>	<b>611,784</b>	<b>708,816</b>
<b>Expenses</b>						
General government	1,214,234	1,145,366	68,868	-	-	-
Public safety	2,559,192	2,471,865	87,327	-	-	-
Public works	3,341,691	3,154,854	186,837	-	-	-
Parks and recreation	554,894	540,159	14,735	-	-	-
Economic Development	209,618	189,235	20,383	-	-	-
Miscellaneous	85,425	81,218	4,207	-	-	-
Water utility	-	-	-	364,552	333,517	31,035
Sewer utility	-	-	-	384,189	566,308	(182,119)
Ice arena	-	-	-	266,913	256,992	9,921
Interest on long-term debt	609,318	629,731	(20,413)	-	-	-
<b>Total Expenses</b>	<b>8,574,372</b>	<b>8,212,428</b>	<b>361,944</b>	<b>1,015,654</b>	<b>1,156,817</b>	<b>(141,163)</b>
<b>Change in Net Position</b>	<b>129,470</b>	<b>37,083</b>	<b>92,387</b>	<b>304,946</b>	<b>(545,033)</b>	<b>849,979</b>
<b>Net Position, January 1</b>	<b>15,594,278</b>	<b>15,557,195</b>	<b>37,083</b>	<b>13,955,857</b>	<b>14,500,890</b>	<b>(545,033)</b>
<b>Net Position, December 31</b>	<b>\$ 15,723,748</b>	<b>\$ 15,594,278</b>	<b>\$ 129,470</b>	<b>\$ 14,260,803</b>	<b>\$ 13,955,857</b>	<b>\$ 304,946</b>

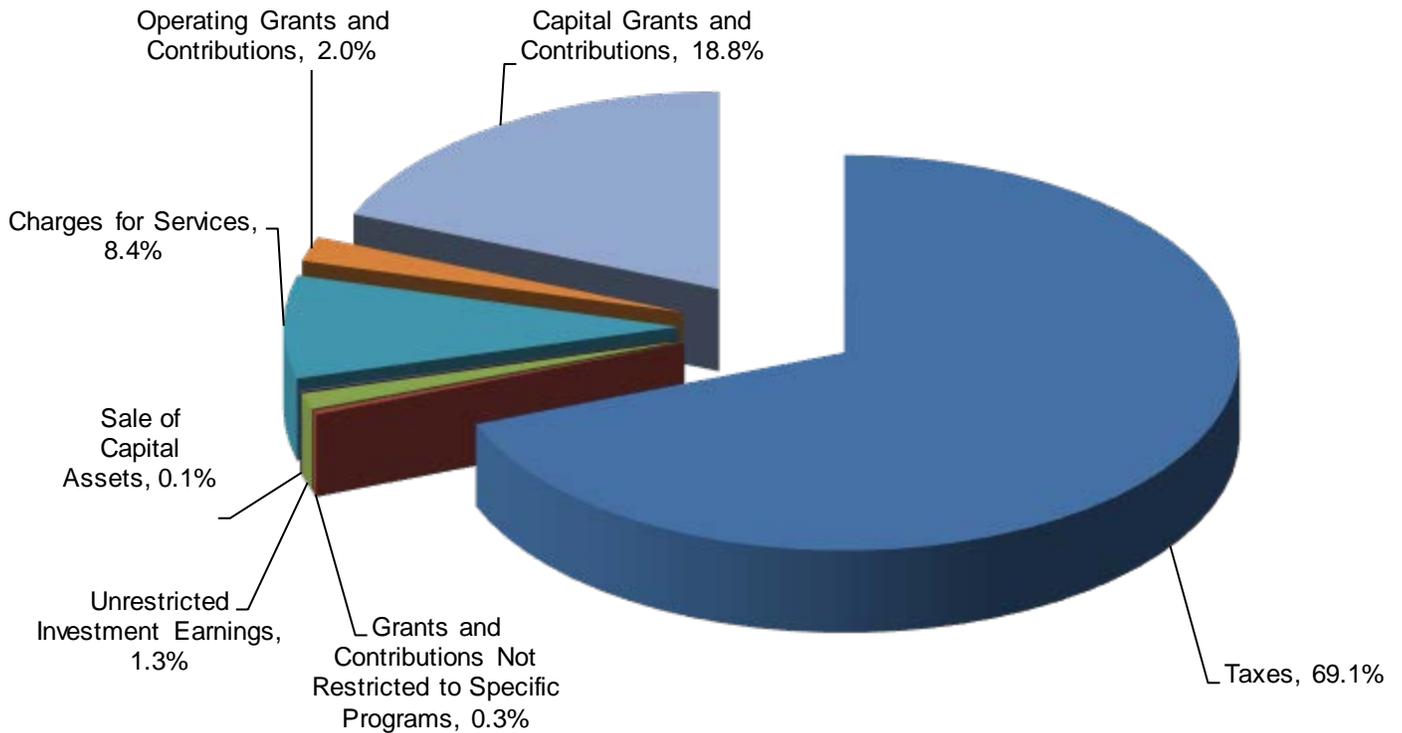
Capital grants and contributions increased in the business-type activities due to additional water and sewer hookups during 2019.

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

### Expenses and Program Revenues - Governmental Activities

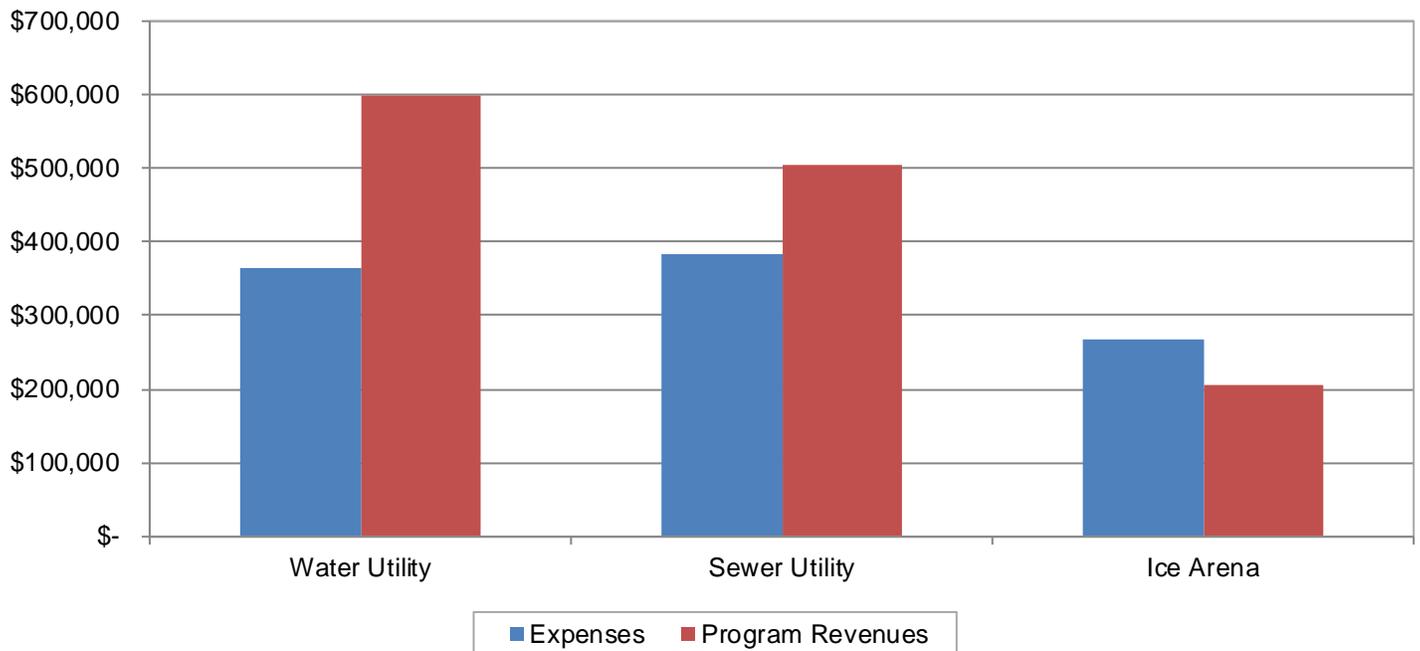


### Revenues by Source - Governmental Activities



**Business-type Activities.** Business-type activities increased net position by \$304,946. Below are graphs showing the business-type activities revenue and expense comparisons:

### Expenses and Program Revenues - Business-type Activities



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

### Financial Analysis of the Government's Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,051,491, a decrease of \$216,642 in comparison with the prior year. Approximately 62.3 percent of this total amount (\$3,146,321) constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance (\$1,905,170) is not available for new spending because it is either 1) restricted (\$1,314,595) or 2) assigned (\$590,575). For further classification refer to Note 3E on page 58 of this report.

The General fund balance increased by \$49,007 in 2019. The fund also transferred \$580,000 to fund future capital projects which was budgeted for.

The Debt Service fund has a total fund balance of \$1,054,845 which is entirely restricted for the payment of debt service. The fund balance decreased by \$7,990 in 2019 due to excess tax revenue over debt service payments.

The Street Capital fund decreased fund balance by \$265,470 compared to the prior year due to ongoing projects.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail on page 39 of this report.

Unrestricted net position of the enterprise funds at the end of the year amounted to a balance of \$1,334,624. The total increase in net position for the funds was \$304,946. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

The City's budget was not amended in 2019 and called for no change in fund balance. Some of the line items with significant variances from the final budget are highlighted below:

During the year, revenues were more than budget by \$172,557 and expenditures were more than budgetary estimates by \$123,550. The net result was a \$49,007 increase in the General fund balance. Some of the significant variances can be briefly summarized as follows:

- All revenues classifications were over budget, with the exception of fine and forfeitures which was under budget by \$11,913.
- The largest revenue variance was in the intergovernmental revenues with \$46,550 more revenue than budgeted.
- The largest expenditure variance was in public safety capital outlay which was over budget by \$157,833.

## Capital Asset and Debt Administration

**Capital Assets.** The City's, investment in capital assets for its governmental and business type activities as of December 31, 2019, amounts to \$40,437,992 (net of accumulated depreciation). This investment in capital assets includes land, buildings, machinery and equipment, sewer main lines, water lines and wells, storm sewers, and infrastructure.

### City of East Bethel's Capital Assets (Net of Accumulated Depreciation)

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
Land	\$ 1,212,950	\$ 1,055,117	\$ 157,833	\$ 30,000	\$ 30,000	\$ -
Construction in Progress	978,599	4,132,011	(3,153,412)	-	-	-
Buildings and Structures	1,877,222	2,070,707	(193,485)	251,199	291,937	(40,738)
Machinery and Equipment	1,981,971	2,243,616	(261,645)	106,884	122,708	(15,824)
Park Improvements	603,608	656,205	(52,597)	-	-	-
Sewer Main Lines and Storm Sewers	820,516	880,877	(60,361)	-	-	-
Infrastructure	19,420,976	16,844,830	2,576,146	13,154,067	13,696,355	(542,288)
<b>Total Capital Assets</b>	<b>\$ 26,895,842</b>	<b>\$ 27,883,363</b>	<b>\$ (987,521)</b>	<b>\$ 13,542,150</b>	<b>\$ 14,141,000</b>	<b>\$ (598,850)</b>

Additional information on the City's capital assets can be found in Note 3B starting on page 54 of this report.

**Long-term Debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$18,385,971 which was a decrease of \$697,413 from 2018.

All debt outstanding at year-end is general obligation debt, which are backed by the full faith and credit of the City. Some of the general obligation bonds have specific revenue sourced pledged other than property taxes, but in the event those other sources were insufficient, the City would be required to the he shortfall through property taxes.

The City's long-term debt at December 31, 2019 is as follows:

### City of East Bethel's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2019	2018	Increase (Decrease)	2019	2018	Increase (Decrease)
General Obligation Improvement Bonds	\$ 800,000	\$ 900,000	\$ (100,000)	\$ -	\$ -	\$ -
General Obligation Revenue Bonds	16,970,000	17,480,000	(510,000)	-	-	-
Loan Payable	-	-	-	615,971	703,384	(87,413)
<b>Totals</b>	<b><u>\$ 17,770,000</u></b>	<b><u>\$18,380,000</u></b>	<b><u>\$ (610,000)</u></b>	<b><u>\$ 615,971</u></b>	<b><u>\$ 703,384</u></b>	<b><u>\$ (87,413)</u></b>

Standard and Poors upgraded the City's bond rating to AA for its latest bond issue.

State statutes limit the amount of general obligation debt a Minnesota city may issue to three percent of total Estimated Market Value. Of the City's outstanding debt, \$800,000 is counted within the statutory limitation which is under the City's Estimated Market Value.

Additional information on the City's long-term debt can be found in Note 3D starting on page 56 of this report.

#### **Economic Factors and Next Year's Budget**

- The Pandemic Crisis of 2020 has an unknown effect on the City Finances, but its impact will be monitored closely.
- The City adopted a General Fund Budget for 2020 that was 4 percent higher than 2019.
- The City adopted an Overall City Levy for 2020 that was 2.8 percent higher than 2019.

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of East Bethel, Minnesota  
Statement of Net Position  
December 31, 2019

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 6,868,720	\$ 1,339,854	\$ 8,208,574
Receivables			
Accrued interest	33,166	-	33,166
Taxes	217,088	-	217,088
Special assessments	1,001,904	5,688	1,007,592
Accounts	11,982	26,338	38,320
Due from other governments	24,486	-	24,486
Net pension asset	617,937	-	617,937
Capital assets			
Land and construction in progress	2,191,549	30,000	2,221,549
Depreciable assets (net of accumulated depreciation)	24,704,293	13,512,150	38,216,443
Total Assets	<u>35,671,125</u>	<u>14,914,030</u>	<u>50,585,155</u>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	<u>173,616</u>	<u>-</u>	<u>173,616</u>
<b>Liabilities</b>			
Accounts and contracts payable	107,318	11,702	119,020
Due to other governments	-	3,185	3,185
Salaries payable	57,395	-	57,395
Accrued interest payable	251,015	-	251,015
Deposits payable	284,268	-	284,268
Unearned revenue	2,985	22,369	25,354
Noncurrent liabilities			
Due within one year	777,461	-	777,461
Due in more than one year	17,181,059	615,971	17,797,030
Net pension liability	1,022,824	-	1,022,824
Total Liabilities	<u>19,684,325</u>	<u>653,227</u>	<u>20,337,552</u>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	<u>436,668</u>	<u>-</u>	<u>436,668</u>
<b>Net Position</b>			
Net investment in capital assets	11,318,014	12,926,179	24,244,193
Restricted for			
Debt service	1,034,028	-	1,034,028
Recycling	1,139	-	1,139
Housing and redevelopment	63,520	-	63,520
Economic development	101,823	-	101,823
Park development	100,753	-	100,753
Unrestricted	<u>3,104,471</u>	<u>1,334,624</u>	<u>4,439,095</u>
Total Net Position	<u>\$ 15,723,748</u>	<u>\$ 14,260,803</u>	<u>\$ 29,984,551</u>

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

City of East Bethel, Minnesota  
Statement of Activities  
For the Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Government Activities</b>				
General government	\$ 1,214,234	\$ 703,051	\$ 65,158	\$ -
Public safety	2,559,192	-	102,415	-
Public works	3,341,691	8,000	-	1,635,943
Culture and recreation	554,894	23,600	-	-
Housing and economic development	209,618	-	3,903	-
Miscellaneous	85,425	-	-	-
Interest on long-term debt	609,318	-	-	-
<b>Total Government Activities</b>	<u>8,574,372</u>	<u>734,651</u>	<u>171,476</u>	<u>1,635,943</u>
<b>Business-type Activities</b>				
Water utility	364,552	126,779	-	471,000
Sewer utility	384,189	119,942	-	383,313
Ice arena	266,913	205,823	-	-
<b>Total Business-type Activities</b>	<u>1,015,654</u>	<u>452,544</u>	<u>-</u>	<u>854,313</u>
<b>Total Primary Government</b>	<u>\$ 9,590,026</u>	<u>\$ 1,187,195</u>	<u>\$ 171,476</u>	<u>\$ 2,490,256</u>

General Revenues

Taxes

  Property taxes, levied for general purposes

  Property taxes, levied for debt service

  Tax increment

  Franchise taxes

  Gambling tax

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

**Total General Revenues**

Change in Net Position

Net Position, January 1

Net Position, December 31

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

Net (Expenses) Revenues and  
Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (446,025)	\$ -	\$ (446,025)
(2,456,777)	-	(2,456,777)
(1,697,748)	-	(1,697,748)
(531,294)	-	(531,294)
(205,715)	-	(205,715)
(85,425)	-	(85,425)
(609,318)	-	(609,318)
<u>(6,032,302)</u>	<u>-</u>	<u>(6,032,302)</u>
-	233,227	233,227
-	119,066	119,066
-	<u>(61,090)</u>	<u>(61,090)</u>
<u>-</u>	<u>291,203</u>	<u>291,203</u>
<u>(6,032,302)</u>	<u>291,203</u>	<u>(5,741,099)</u>
4,653,942	-	4,653,942
1,185,750	-	1,185,750
61,218	-	61,218
66,772	-	66,772
46,453	-	46,453
26,118	-	26,118
114,585	13,743	128,328
6,934	-	6,934
<u>6,161,772</u>	<u>13,743</u>	<u>6,175,515</u>
129,470	304,946	434,416
<u>15,594,278</u>	<u>13,955,857</u>	<u>29,550,135</u>
<u>\$ 15,723,748</u>	<u>\$ 14,260,803</u>	<u>\$ 29,984,551</u>

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

FUND FINANCIAL STATEMENTS

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

City of East Bethel, Minnesota

Balance Sheet

Governmental Funds

December 31, 2019

	101	300's	406	Other	Total
	General	Debt Service	Street Capital	Governmental Funds	Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 3,448,286	\$ 1,040,794	\$ 132,620	\$ 735,500	\$ 5,357,200
Receivables					
Taxes	167,584	43,510	-	5,994	217,088
Special assessments	-	200,739	797,412	3,753	1,001,904
Accounts	11,982	-	-	-	11,982
Accrued interest	33,166	-	-	-	33,166
Due from other funds	2,527	-	-	-	2,527
Due from other governments	2,771	-	-	21,715	24,486
	<u>3,666,316</u>	<u>1,285,043</u>	<u>930,032</u>	<u>766,962</u>	<u>6,648,353</u>
<b>Total Assets</b>	<b>\$ 3,666,316</b>	<b>\$ 1,285,043</b>	<b>\$ 930,032</b>	<b>\$ 766,962</b>	<b>\$ 6,648,353</b>
<b>Liabilities</b>					
Accounts and contracts payable	\$ 53,268	\$ -	\$ 10,728	\$ 43,322	\$ 107,318
Salaries payable	57,395	-	-	-	57,395
Due to other funds	-	-	-	2,527	2,527
Deposits payable	284,268	-	-	-	284,268
<b>Total Liabilities</b>	<b>394,931</b>	<b>-</b>	<b>10,728</b>	<b>45,849</b>	<b>451,508</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	110,259	29,459	-	3,732	143,450
Unavailable revenue - special assessments	-	200,739	797,412	3,753	1,001,904
<b>Total Deferred Inflows of Resources</b>	<b>110,259</b>	<b>230,198</b>	<b>797,412</b>	<b>7,485</b>	<b>1,145,354</b>
<b>Fund Balances</b>					
Restricted	-	1,054,845	-	259,750	1,314,595
Assigned	-	-	121,892	468,683	590,575
Unassigned	3,161,126	-	-	(14,805)	3,146,321
<b>Total Fund Balances</b>	<b>3,161,126</b>	<b>1,054,845</b>	<b>121,892</b>	<b>713,628</b>	<b>5,051,491</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 3,666,316</b>	<b>\$ 1,285,043</b>	<b>\$ 930,032</b>	<b>\$ 766,962</b>	<b>\$ 6,648,353</b>

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

City of East Bethel, Minnesota  
 Reconciliation of the Balance Sheet  
 to the Statement of Net Position  
 Governmental Funds  
 December 31, 2019

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

Total Fund Balances - Governmental	\$ 5,051,491
<p>Long-term assets from pensions reported in governmental activities are not financial and therefore are not reported as assets in governmental funds.</p>	
Pension asset	617,937
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.</p>	
Cost of capital assets	70,864,574
Less accumulated depreciation	(45,855,005)
<p>Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year-end consist of</p>	
Bonds payable	(17,770,000)
Pension liability	(1,022,824)
<p>Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.</p>	
Delinquent taxes receivable	140,465
Special assessments receivable	1,001,904
<p>Governmental funds do not report long-term amounts related to pensions.</p>	
Deferred outflows of pension resources	173,616
Deferred inflows of pension resources	(436,668)
Governmental funds do not report a liability for accrued interest until due and payable.	(251,015)
<p>Internal service funds are used by management to charge the cost of services to individual funds. The assets and liabilities are included in the governmental statement of net position</p>	
	<u>3,209,273</u>
Net Position of Governmental Activities	<u><u>\$15,723,748</u></u>

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

City of East Bethel, Minnesota  
Statement of Revenues, Expenditures and  
Changes in Fund Balance  
Governmental Funds  
For the Year Ended December 31, 2019

	101	300's	406	Other Governmental Funds	Total
	General	Debt Service	Street Capital		
Revenues					
Taxes	\$ 4,587,113	\$ 1,185,750	\$ -	\$ 231,136	\$ 6,003,999
Licenses and permits	282,572	-	-	-	282,572
Intergovernmental	325,550	-	-	657,012	982,562
Charges for services	342,908	-	-	31,600	374,508
Fines and forfeitures	29,087	-	-	-	29,087
Special assessments	-	26,067	54,115	3,903	84,085
Interest on investments	53,731	8,303	9,647	15,979	87,660
Miscellaneous	47,096	-	-	1,388	48,484
Total Revenues	<u>5,668,057</u>	<u>1,220,120</u>	<u>63,762</u>	<u>941,018</u>	<u>7,892,957</u>
Expenditures					
Current					
General government	1,218,615	-	-	4,000	1,222,615
Public safety	2,172,751	-	-	-	2,172,751
Public works	948,230	-	-	96,273	1,044,503
Culture and recreation	456,196	-	-	-	456,196
Housing and economic development	-	-	-	147,394	147,394
Miscellaneous	85,425	-	-	-	85,425
Capital outlay					
Public safety	157,833	-	-	-	157,833
Public works	-	-	949,232	544,041	1,493,273
Culture and recreation	-	-	-	39,275	39,275
Housing and economic development	-	-	-	62,224	62,224
Debt service					
Principal	-	610,000	-	-	610,000
Interest and other	-	618,110	-	-	618,110
Total Expenditures	<u>5,039,050</u>	<u>1,228,110</u>	<u>949,232</u>	<u>893,207</u>	<u>8,109,599</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>629,007</u>	<u>(7,990)</u>	<u>(885,470)</u>	<u>47,811</u>	<u>(216,642)</u>
Other Financing Sources (Uses)					
Transfers in	-	-	620,000	130,000	750,000
Transfers out	<u>(580,000)</u>	<u>-</u>	<u>-</u>	<u>(170,000)</u>	<u>(750,000)</u>
Total Other Financing Sources (Uses)	<u>(580,000)</u>	<u>-</u>	<u>620,000</u>	<u>(40,000)</u>	<u>-</u>
Net Change in Fund Balances	49,007	(7,990)	(265,470)	7,811	(216,642)
Fund Balances, January 1	<u>3,112,119</u>	<u>1,062,835</u>	<u>387,362</u>	<u>705,817</u>	<u>5,268,133</u>
Fund Balances, December 31	<u>\$ 3,161,126</u>	<u>\$ 1,054,845</u>	<u>\$ 121,892</u>	<u>\$ 713,628</u>	<u>\$ 5,051,491</u>

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

City of East Bethel, Minnesota  
Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances to the Statement of Activities  
to the Statement of Activities  
Governmental Funds  
For the Year Ended December 31, 2019

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

Net Changes in Fund Balances - Total Governmental Funds	\$ (216,642)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation	(2,426,367)
Capital outlay	1,671,658
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The amounts below are the effects of these differences in the treatment of long-term debt and related items.	
Principal payments on bonds payable	610,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	
	8,792
Long-term pension activity is not reported in governmental funds.	
Pension expense	(653)
Pension revenue	2,384
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	10,136
Special assessments	484,506
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds are reported with governmental activities.	
Consolidation of internal service fund activities with governmental activities	(14,344)
Change in Net Position of Governmental Activities	\$ 129,470

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

City of East Bethel, Minnesota  
Statement of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
General Fund  
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 4,564,500	\$ 4,564,500	\$ 4,587,113	\$ 22,613
Licenses and permits	251,500	251,500	282,572	31,072
Intergovernmental	279,000	279,000	325,550	46,550
Charges for services	332,500	332,500	342,908	10,408
Fines and forfeitures	41,000	41,000	29,087	(11,913)
Interest on investments	12,000	12,000	53,731	41,731
Miscellaneous	15,000	15,000	47,096	32,096
Total Revenues	<u>5,495,500</u>	<u>5,495,500</u>	<u>5,668,057</u>	<u>172,557</u>
Expenditures				
Current				
General government	1,296,800	1,296,800	1,218,615	78,185
Public safety	2,145,300	2,145,300	2,172,751	(27,451)
Public works	937,900	937,900	948,230	(10,330)
Culture and recreation	440,500	440,500	456,196	(15,696)
Miscellaneous	95,000	95,000	85,425	9,575
Capital outlay	-	-	157,833	(157,833)
Total Expenditures	<u>4,915,500</u>	<u>4,915,500</u>	<u>5,039,050</u>	<u>(123,550)</u>
Excess of Revenues Over Expenditures	580,000	580,000	629,007	49,007
Other Financing Uses				
Transfers out	<u>(580,000)</u>	<u>(580,000)</u>	<u>(580,000)</u>	<u>-</u>
Net Change in Fund Balances	-	-	49,007	49,007
Fund Balances, January 1	<u>3,112,119</u>	<u>3,112,119</u>	<u>3,112,119</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 3,112,119</u>	<u>\$ 3,112,119</u>	<u>\$ 3,161,126</u>	<u>\$ 49,007</u>

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

City of East Bethel, Minnesota  
Statement of Net Position  
Proprietary Funds  
December 31, 2019 and 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	602 Sewer Utility	615 Ice Arena	Total	
<b>Assets</b>					
<b>Current Assets</b>					
Cash and investments	\$ 615,204	\$ 534,578	\$ 190,072	\$ 1,339,854	\$ 1,511,520
Receivables					
Special assessments	2,844	2,844	-	5,688	-
Accounts	14,006	12,332	-	26,338	-
Total Current Assets	<u>632,054</u>	<u>549,754</u>	<u>190,072</u>	<u>1,371,880</u>	<u>1,511,520</u>
<b>Noncurrent Assets</b>					
<b>Capital assets</b>					
Land	-	-	30,000	30,000	-
Buildings and structures	-	-	1,541,440	1,541,440	-
Machinery and equipment	-	-	158,237	158,237	4,128,469
Infrastructure	8,027,491	8,775,139	-	16,802,630	-
Less accumulated depreciation	<u>(1,858,832)</u>	<u>(1,789,731)</u>	<u>(1,341,594)</u>	<u>(4,990,157)</u>	<u>(2,242,196)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>6,168,659</u>	<u>6,985,408</u>	<u>388,083</u>	<u>13,542,150</u>	<u>1,886,273</u>
<b>Total Assets</b>	<u>6,800,713</u>	<u>7,535,162</u>	<u>578,155</u>	<u>14,914,030</u>	<u>3,397,793</u>
<b>Liabilities</b>					
<b>Current Liabilities</b>					
Accounts payable	2,981	260	8,461	11,702	-
Due to other governments	-	3,185	-	3,185	-
Compensated absences payable - current portion	-	-	-	-	152,461
Unearned revenue	-	-	22,369	22,369	-
Total Current Liabilities	<u>2,981</u>	<u>3,445</u>	<u>30,830</u>	<u>37,256</u>	<u>152,461</u>
<b>Noncurrent Liabilities</b>					
Compensated absences payable - noncurrent portion	-	-	-	-	36,059
Loan payable - noncurrent portion	-	615,971	-	615,971	-
Total Noncurrent Liabilities	<u>-</u>	<u>615,971</u>	<u>-</u>	<u>615,971</u>	<u>36,059</u>
<b>Total Liabilities</b>	<u>2,981</u>	<u>619,416</u>	<u>30,830</u>	<u>653,227</u>	<u>188,520</u>
<b>Net Position</b>					
Net investment in capital assets	6,168,659	6,369,437	388,083	12,926,179	1,886,273
Unrestricted	<u>629,073</u>	<u>546,309</u>	<u>159,242</u>	<u>1,334,624</u>	<u>1,323,000</u>
<b>Total Net Position</b>	<u>\$ 6,797,732</u>	<u>\$ 6,915,746</u>	<u>\$ 547,325</u>	<u>\$ 14,260,803</u>	<u>\$ 3,209,273</u>

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

City of East Bethel, Minnesota  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	602 Sewer Utility	615 Ice Arena	Total	
Operating Revenues					
Ice rentals and related revenue	\$ -	\$ -	\$ 191,295	\$ 191,295	\$ -
Rentals, signs, lockers and tower	-	-	9,000	9,000	-
Dry floor events	-	-	3,260	3,260	-
Concession revenue	-	-	2,268	2,268	-
Charges for services	126,779	119,942	-	246,721	299,038
Total Operating Revenues	<u>126,779</u>	<u>119,942</u>	<u>205,823</u>	<u>452,544</u>	<u>299,038</u>
Operating Expenses					
Personnel services	-	-	-	-	19,038
Repairs and maintenance	15,854	9,855	71,803	97,512	7,076
Utilities	24,003	3,059	45,688	72,750	-
Professional services	620	33,109	85,724	119,453	-
Supplies	29,884	-	4,243	34,127	-
Other services and charges	31,319	25,641	2,893	59,853	-
Depreciation	262,872	279,416	56,562	598,850	321,127
Total Operating Expenses	<u>364,552</u>	<u>351,080</u>	<u>266,913</u>	<u>982,545</u>	<u>347,241</u>
Operating Loss	<u>(237,773)</u>	<u>(231,138)</u>	<u>(61,090)</u>	<u>(530,001)</u>	<u>(48,203)</u>
Nonoperating Revenues (Expenses)					
Gain on sale of capital assets	-	-	-	-	6,934
Interest on investments	5,089	5,877	2,777	13,743	26,925
Financing charge	-	(33,109)	-	(33,109)	-
Total Nonoperating Revenues (Expenses)	<u>5,089</u>	<u>(27,232)</u>	<u>2,777</u>	<u>(19,366)</u>	<u>33,859</u>
Loss Before Contributions	(232,684)	(258,370)	(58,313)	(549,367)	(14,344)
Capital Contributions	<u>471,000</u>	<u>383,313</u>	<u>-</u>	<u>854,313</u>	<u>-</u>
Change in Net Position	238,316	124,943	(58,313)	304,946	(14,344)
Net Position, January 1	<u>6,559,416</u>	<u>6,790,803</u>	<u>605,638</u>	<u>13,955,857</u>	<u>3,223,617</u>
Net Position, December 31	<u>\$ 6,797,732</u>	<u>\$ 6,915,746</u>	<u>\$ 547,325</u>	<u>\$ 14,260,803</u>	<u>\$ 3,209,273</u>

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

City of East Bethel, Minnesota  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2019

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	601 Water Utility	602 Sewer Utility	615 Ice Arena	Total	
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 121,049	\$ 117,278	\$ 211,920	\$ 450,247	\$ -
Receipts from interfund services provided	-	-	-	-	299,038
Payments to suppliers	(101,684)	(71,798)	(214,312)	(387,794)	(15,040)
Payments to employees	-	-	-	-	(3,152)
Net Cash Provided (Used) by Operating Activities	<u>19,365</u>	<u>45,480</u>	<u>(2,392)</u>	<u>62,453</u>	<u>280,846</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	-	-	-	-	(117,774)
Connection fees received	471,000	383,313	-	854,313	-
Proceeds from sale of capital assets	-	-	-	-	6,934
Principal paid on loan payable	-	(120,522)	-	(120,522)	-
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>471,000</u>	<u>262,791</u>	<u>-</u>	<u>733,791</u>	<u>(110,840)</u>
Cash Flows from Investing Activities					
Interest received on investments	<u>5,089</u>	<u>5,877</u>	<u>2,777</u>	<u>13,743</u>	<u>26,925</u>
Net Increase in Cash and Cash Equivalents	495,454	314,148	385	809,987	196,931
Cash and Cash Equivalents, January 1	<u>119,750</u>	<u>217,245</u>	<u>189,687</u>	<u>526,682</u>	<u>1,314,589</u>
Cash and Cash Equivalents, December 31	<u>\$ 615,204</u>	<u>\$ 531,393</u>	<u>\$ 190,072</u>	<u>\$ 1,336,669</u>	<u>\$ 1,511,520</u>
Reconciliation of Operating Loss to Net Cash Used by Operating Activities					
Operating loss	\$ (237,773)	\$ (231,138)	\$ (61,090)	\$ (530,001)	\$ (48,203)
Adjustments to reconcile operating loss to net cash provided (used) operating activities					
Depreciation expense	262,872	279,416	56,562	598,850	321,127
Increase in assets					
Accounts receivable	(4,648)	(1,582)	-	(6,230)	-
Special assessments receivable	(1,082)	(1,082)	-	(2,164)	-
Increase (decrease) in liabilities					
Accounts payable	(4)	(134)	(3,961)	(4,099)	(7,964)
Accrued salaries/compensated absences payable	-	-	-	-	15,886
Unearned revenue	-	-	6,097	6,097	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 19,365</u>	<u>\$ 45,480</u>	<u>\$ (2,392)</u>	<u>\$ 62,453</u>	<u>\$ 280,846</u>
Noncash Investing, Capital and Financing Activities					
Financing charge	<u>\$ -</u>	<u>\$ 33,109</u>	<u>\$ -</u>	<u>\$ 33,109</u>	<u>\$ -</u>

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

## Note 1: Summary of Significant Accounting Policies

### A. Reporting Entity

The City of East Bethel, Minnesota (the City) was incorporated in 1958 and has operated under the State of Minnesota Statutory Plan A form of government since 1974. The governing body consists of a five-member City Council elected by voters of the City.

The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. As required by accounting principles generally accepted in the United States of America, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Component units for which the City has been determined to be financially accountable can be blended with the primary government or be included as a discrete presentation. Included in the City's reporting entity, based upon the application of these criteria, are the following blended component units.

The City has two component units - the Housing and Redevelopment Authority (HRA) and the Economic Development Authority (EDA), both of which are considered blended component units.

#### ***Housing and Redevelopment Authority***

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

#### ***Economic Development Authority***

The EDA was created by the City to carry out economic development with the City. The seven-member Board consists of two city council members and five appointed members. The City can significantly influence the program and activities and the City has a financial benefit and burden related to the EDA. The EDA is accounted for using the modified accrual basis of accounting, and as such is reported as a special revenue fund. Separate financial statements for the EDA are not prepared.

### B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## Note 1: Summary of Significant Accounting Policies (Continued)

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

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

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

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

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

## Note 1: Summary of Significant Accounting Policies (Continued)

### **Description of Funds**

The City reports the following major governmental funds

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

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The *Street Capital* is used to account for the costs associated with the street projects completed within the City.

The City reports the following major proprietary funds

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

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

The *Ice Arena fund* accounts for operations of the City's ice arena.

Additionally, the City reports the following fund type:

*Internal service funds* are used to account for the costs associated with employees' compensated absences and to account for the funding of major equipment necessary for City operations.

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

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

## Note 1: Summary of Significant Accounting Policies (Continued)

### D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balance

#### *Deposits and Investments*

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, commercial paper, government securities and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the Statement of Cash Flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings on investments are allocated to the individual funds based upon the average of month-end cash and investment balances.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's recurring fair value measurements are listed in detail on page 53 and are valued using quoted market prices (Level 1 inputs).

The City has the following recurring fair value measurements as of December 31, 2019:

- Negotiable certificates of deposits of \$1,414,300 are valued using quoted market prices (Level 2 inputs).

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

***Property Taxes***

The City Council annually adopts a tax levy and certifies it to the County in December for collection in the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and December each year. Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for taxes not received within 60 days after year end in the governmental fund financial statements.

***Accounts Receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2019. The City annually certifies delinquent water, sewer and storm sewer accounts to the County for collection in the following year. Therefore, there has been no allowance for doubtful accounts established.

***Special Assessments***

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivable upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

***Prepaid Items***

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

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Capital Assets**

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than the amounts defined below (amounts not rounded) and an estimated useful life in excess of one year. Donated capital assets are recorded at acquisition value at 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 capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is capitalized to the value of the assets constructed. For the year ended December 31, 2019, no interest was capitalized in connection with construction in progress. Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives and are capitalized according to the following thresholds:

Asset Category	Value Threshold
All Assets not Referenced in this Schedule	\$ 5,000
Parking Lots, Sidewalks, Fencing, Park Shelters, Land Improvements	25,000
Buildings and Building Improvements	50,000
Infrastructure Improvements: Water, Sewer, Storm Drainage, Streets	100,000

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

Assets	Life in Years
Miscellaneous Office Equipment, Copiers, Computer Hardware, Light Trucks, Mowers, Attachments, Other Light Equipment	5
Loaders, Dump Trucks, Graders, Trailers, Other Heavy Equipment, Telephone And Radio Systems, Pumps, Generators	10
Fire Rigs, Playground Equipment, Irrigation Systems	20
Buildings, Park Shelters, Fences, Paved Streets, Sidewalks, Parking Lots, Signs	25
Water Trunks, Mains, Towers; Sewer Trunks, Mains, Lift Stations; Storm Drainage Trunks, Mains, Ponds	30

**Deferred Outflows of Resources**

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

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

***Pensions***

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

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

The total pension expense for the GERP and East Bethel Fire Relief Association is as follows:

	GERP	FRA	Total Pension Expense
Pension Expense	\$ 126,991	\$ 58,193	\$ 185,184

***Compensated Absences***

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

***Long-term Obligations***

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

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

## Note 1: Summary of Significant Accounting Policies (Continued)

### *Deferred Inflows of Resources*

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

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

### *Fund Balance Classifications*

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

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

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

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

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

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

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

The City's policy is to maintain a minimum assigned fund balance of 40 percent of the next year's property tax levy for cash-flow timing needs.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Net Position**

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

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

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

**Note 2: Stewardship, Compliance and Accountability**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund, Recycling fund, HRA fund and the EDA fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

The appropriated budget is prepared by fund, function and department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the fund level. There were no budget amendments made during 2019.

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2019, expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General Fund	\$ 4,915,500	\$ 5,039,050	\$ 123,550
Special Revenue - Nonmajor Funds			
Recycling Fund	66,400	96,273	29,873
EDA Fund	118,600	120,099	1,499

Theses excess expenditures were funded by excess fund balance and greater than anticipated revenues.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 2: Stewardship, Compliance and Accountability (Continued)**

**C. Deficit Fund Balance**

For the year ended December 31, 2019, the following funds had deficit fund balances.

Fund	Amount
Nonmajor Capital Project Funds	
Municipal State Aid Street Improvement	\$ 12,278
TIF No. 1-3	2,527

The Municipal State Aid Street Improvement fund deficit will be eliminated with future MSA monies. TIF No. 1-3 deficit fund balance will be eliminated with future tax increment financing.

**Note 3: Detailed Notes on All Funds**

**A. Deposits and Investments**

***Deposits***

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the City Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$349,307 and the bank balance was \$391,917. Of the bank balance, \$391,917 was covered by federal depository insurance.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

**Investments**

As of December 31, 2019, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name:

Types of Investments	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
<b>Pooled Investments at Amortized Costs</b>						
4M Fund	N/A	less than 6 months	\$ 4,954,277	\$ -	\$ -	\$ -
4M Plus Fund	N/A	less than 6 months	1,490,540	-	-	-
<b>Non-pooled Investments at Fair Value</b>						
Negotiable certificates of deposits	N/A	less than 6 months	490,900	-	490,900	-
Negotiable certificates of deposits	N/A	6 months to 1 year	923,400	-	923,400	-
<b>Total Investments</b>			<b>\$ 7,859,117</b>	<b>\$ -</b>	<b>\$ 1,414,300</b>	<b>\$ -</b>

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

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

N/A Indicates not applicable or available.

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

- *Credit Risk* is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments to the list on page 46 of the notes.
- *Custodial Credit Risk* for investments is the risk that, in the event of the failure of the counterparty to a transaction, a governmental will not be able to recover the value of investment or collateral securities that are in possession of an outside party. The City's investment policy limits its exposure by obtaining collateral or bond for all uninsured amounts on deposit and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.
- *Interest Rate Risk* is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair values by disallowing purchases of investments that, at the time of investment, cannot be held to maturity. The City's investment policy states the City's investment portfolio, as much as possible, will contain both short-term and long-term investments. The City attempts to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields.
- *Concentration of Credit Risk* is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy does not address concentration of credit risk, placing no limit on the amount that may be invested in any one issuer.

A reconciliation of cash and temporary investments as shown on the statement of net position for the City follows:

Carrying Amount of Deposits	\$ 349,307
Investments	7,859,117
Cash on Hand	<u>150</u>
<b>Total</b>	<b><u>\$ 8,208,574</u></b>

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

**B. Capital Assets**

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decrease	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 1,055,117	\$ 157,833	\$ -	\$ 1,212,950
Construction in progress	4,132,011	1,493,272	(4,646,684)	978,599
Total Capital Assets not being Depreciated	<u>5,187,128</u>	<u>1,651,105</u>	<u>(4,646,684)</u>	<u>2,191,549</u>
Capital Assets being Depreciated				
Buildings and improvements	5,663,493	-	-	5,663,493
Park improvements	1,623,715	20,553	-	1,644,268
Machinery and equipment	4,710,936	88,315	(51,842)	4,747,409
Streets	54,042,538	4,646,684	-	58,689,222
Storm sewers	2,057,102	-	-	2,057,102
Total Capital Assets being Depreciated	<u>68,097,784</u>	<u>4,755,552</u>	<u>(51,842)</u>	<u>72,801,494</u>
Less Accumulated Depreciation for				
Buildings and improvements	(3,592,786)	(193,485)	-	(3,786,271)
Park improvements	(967,510)	(73,150)	-	(1,040,660)
Machinery and equipment	(2,467,320)	(349,960)	51,842	(2,765,438)
Streets	(37,197,708)	(2,070,538)	-	(39,268,246)
Storm sewers	(1,176,225)	(60,361)	-	(1,236,586)
Total Accumulated Depreciation	<u>(45,401,549)</u>	<u>(2,747,494)</u>	<u>51,842</u>	<u>(48,097,201)</u>
Total Capital Assets being Depreciated, Net	<u>22,696,235</u>	<u>2,008,058</u>	<u>(103,684)</u>	<u>24,704,293</u>
Governmental Activities Capital Assets, Net	<u>\$ 27,883,363</u>	<u>\$ 3,659,163</u>	<u>\$ (4,750,368)</u>	<u>\$ 26,895,842</u>

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

<b>Governmental Activities</b>	
General government	\$ 131,827
Public safety	111,524
Public works	2,103,040
Culture and recreation	79,976
Depreciation on capital assets held by governmental internal service activities charged to each function based on use	<u>321,127</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 2,747,494</u>

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

	Beginning Balance	Increases	Decrease	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not being Depreciated				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Capital Assets being Depreciated				
Buildings and improvements	1,541,440	-	-	1,541,440
Machinery and equipment	158,237	-	-	158,237
Infrastructure	16,802,630	-	-	16,802,630
Total Capital Assets being Depreciated	<u>18,502,307</u>	<u>-</u>	<u>-</u>	<u>18,502,307</u>
Less Accumulated Depreciation for				
Buildings and improvements	(1,249,503)	(40,738)	-	(1,290,241)
Machinery and equipment	(35,529)	(15,824)	-	(51,353)
Infrastructure	(3,106,275)	(542,288)	-	(3,648,563)
Total Accumulated Depreciation	<u>(4,391,307)</u>	<u>(598,850)</u>	<u>-</u>	<u>(4,990,157)</u>
Total Capital Assets being Depreciated, Net	<u>14,111,000</u>	<u>(598,850)</u>	<u>-</u>	<u>13,512,150</u>
Business-type Activities Capital Assets, Net	<u>\$ 14,141,000</u>	<u>\$ (598,850)</u>	<u>\$ -</u>	<u>\$ 13,542,150</u>

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

<b>Business-type Activities</b>		
Water utility		\$ 262,872
Sewer utility		279,416
Ice Arena		<u>56,562</u>
Total Depreciation Expense - Business-type Activities		<u>\$ 598,850</u>

**C. Interfund Transfers**

The composition of interfund transfers for the year ended December 31, 2019 is as follows:

Fund	Transfer in		Total
	Street Capital Fund	Nonmajor Governmental Funds	
Transfer Out			
General	\$ 450,000	\$ 130,000	\$ 580,000
Nonmajor governmental	<u>170,000</u>	<u>-</u>	<u>170,000</u>
Total	<u>\$ 620,000</u>	<u>\$ 130,000</u>	<u>\$ 750,000</u>

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

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

**D. Long-term Debt**

G.O. Improvement Bonds

The following bonds were used to finance improvements and buildings. They will be repaid with ad valorem taxes and special assessments levied against the properties. The bonds are backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Public Safety Bonds, Series 2013A	\$ 1,250,000	3.00 %	11/13/2013	2/1/2026	<u>\$ 800,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 100,000	\$ 22,500	\$ 122,500
2021	110,000	19,350	129,350
2022	110,000	16,050	126,050
2023	115,000	12,675	127,675
2024	120,000	9,150	129,150
2025 - 2026	<u>245,000</u>	<u>7,425</u>	<u>252,425</u>
Total	<u>\$ 800,000</u>	<u>\$ 87,150</u>	<u>\$ 887,150</u>

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future tax levies and/or sewer and water access charges.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Sewer Revenue Bonds, Series 2008A	\$ 1,715,000	3.00 - 4.70 %	5/1/2008	2/1/2029	\$ 380,000
G.O Refunding Bond Series 2014A	5,485,000	3.00 - 4.00	3/4/2014	2/1/2040	5,255,000
G.O Refunding Bond Series 2015A	11,850,000	3.50 - 4.00	4/23/2015	2/1/2040	<u>11,335,000</u>
Total G.O. Revenue Bonds					<u>\$ 16,970,000</u>

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2020	\$ 525,000	\$ 569,085	\$ 1,094,085
2021	435,000	551,935	986,935
2022	375,000	537,525	912,525
2023	360,000	524,680	884,680
2024	415,000	511,760	926,760
2025 - 2029	2,955,000	2,305,575	5,260,575
2030 - 2034	4,935,000	1,676,209	6,611,209
2035 - 2039	5,725,000	746,703	6,471,703
2040	1,245,000	22,563	1,267,563
<b>Total</b>	<b>\$ 16,970,000</b>	<b>\$ 7,446,035</b>	<b>\$ 24,416,035</b>

Loan Payable

In 2015, the City entered into an agreement with Met Council for a reserve capacity loan related to sewer infrastructure constructed. The City has annual connection requirements and revenue in order to meet the required payments to Met Council. Any shortfalls on a yearly basis, will be added to the reserve capacity loan and capped at \$2,000,000. Once the balance reaches the \$2,000,000, the City will begin paying this amount back with interest over a period of 10 to 20 years at 2.73 percent. The balance at December 31, 2019 totaled \$615,971.

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
G.O. improvement bonds	\$ 900,000	\$ -	\$ (100,000)	\$ 800,000	\$ 100,000
G.O. revenue bonds	17,480,000	-	(510,000)	16,970,000	525,000
Total Bonds Payable	18,380,000	-	(610,000)	17,770,000	625,000
Compensated Absences	172,634	168,348	(152,462)	188,520	152,461
Total Governmental Activity					
Long-term Debt	<u>\$ 18,552,634</u>	<u>\$ 168,348</u>	<u>\$ (762,462)</u>	<u>\$ 17,958,520</u>	<u>\$ 777,461</u>
<b>Business-type Activities</b>					
Loan payable	<u>\$ 703,384</u>	<u>\$ -</u>	<u>\$ (87,413)</u>	<u>\$ 615,971</u>	<u>\$ -</u>

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 3: Detailed Notes on All Funds (Continued)**

**E. Components of Fund Balance**

At December 31, 2019, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

Purpose	General Fund	Debt Service	Street Capital Fund	Other Governmental Funds	Total
Fund Balances					
Restricted					
Debt service	\$ -	\$ 1,054,845	\$ -	\$ -	\$ 1,054,845
Recycling	-	-	-	1,139	1,139
Housing and redevelopment authority	-	-	-	62,444	62,444
Economic development authority	-	-	-	95,414	95,414
Park development	-	-	-	100,753	100,753
Total Restricted	<u>\$ -</u>	<u>\$ 1,054,845</u>	<u>\$ -</u>	<u>\$ 259,750</u>	<u>\$ 1,314,595</u>
Assigned to					
Park capital projects	\$ -	\$ -	\$ -	\$ 110,451	\$ 110,451
Street capital projects	-	-	121,892	90,795	212,687
Other capital projects	-	-	-	267,437	267,437
Total Assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 121,892</u>	<u>\$ 468,683</u>	<u>\$ 590,575</u>

**Note 4: Defined Benefit Pension Plans - Statewide**

**A. Plan Description**

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

General Employees Retirement Plan (GERP)

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Plan (GERP). GERP members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**B. Benefits Provided**

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

## Note 4: Defined Benefit Pension Plans - Statewide (Continued)

### GERP Benefits

GERP benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years of service. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

### **C. Contributions**

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

### General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members. City's contributions to the General Employees Fund for the year ending December 31, 2019, 2018 and 2017 were \$100,563, \$95,295 and \$91,668, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

### **D. Pension Costs**

### General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,022,824 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$31,832. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportionate share was 0.0185 percent which was a decrease of 0.0003 percent from its proportion measured as of June 30, 2018.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

City's Proportionate Share of the Net Pension Liability	\$ 1,022,824
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>31,832</u>
Total	<u><u>\$ 1,054,656</u></u>

For the year ended December 31, 2019, the City recognized pension expense of \$124,607 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$2,384 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 31,122	\$ 761
Changes in Actuarial Assumptions	1,600	82,487
Net Difference Between Projected and Actual Earnings on Plan Investments	-	105,433
Changes in Proportion	3,221	27,720
Contributions Paid to PERA Subsequent to the Measurement Date	<u>49,518</u>	<u>-</u>
Total	<u><u>\$ 85,461</u></u>	<u><u>\$ 216,401</u></u>

The \$49,518 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ (70,730)
2021	(85,477)
2022	(25,901)
2023	1,650

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2019 actuarial valuation was determined using an individual entry-age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabled members were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for General Employees Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions and provisions occurred in 2019:

General Employees Fund

Changes in Actuarial Assumptions

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	35.50 %	5.10 %
Private Markets	25.00	5.90
Fixed Income	20.00	0.75
International Equity	17.50	5.90
Cash Equivalents	2.00	-
Total	100.00 %	

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
	General Employees Fund	\$ 1,681,467	\$ 1,022,824

**H. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**Note 5: Defined Benefit Pension Plans - Fire Relief Association**

**A. Plan Description**

All members of the East Bethel Department (the Department) are covered by a defined benefit plan administered by the East Bethel Fire Relief Association (the Association). As of December 31, 2019, the plan covered 38 active firefighters and 3 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

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

**B. Benefits Provided**

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

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

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

**C. Contributions**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$66,203 in fire state aid to the plan on behalf of the Department for the year ended December 31, 2019, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City had no statutorily-required contribution to the plan for the year ended December 31, 2019. The City made a \$14,000 voluntary contribution to the plan. Furthermore, the firefighter has no obligation to contribute to the plan.

**D. Pension Costs**

At December 31, 2019, the City reported a net pension asset of \$617,937 for the plan. The net pension asset was measured as of December 31, 2019. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by Van Iwaarden Associates applying an actuarial formula to specific census data certified by the Department as of December 31, 2019. The following table presents the changes in net pension liability (asset) during the year.

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning Balance January 1, 2019	\$ 1,536,721	\$ 1,947,411	\$ (410,690)
Changes for the Year			
Service cost	56,538	-	56,538
Interest on pension liability (asset)	103,017	-	103,017
Differences between expected and actual experience	(72,989)	-	(72,989)
Changes of assumptions	93,619	-	93,619
Changes in benefit terms	37,639	-	37,639
Contributions (employer)	-	14,000	(14,000)
Contributions (State)	-	69,203	(69,203)
Net investment income	-	348,776	(348,776)
Benefit payouts	(134,176)	(134,176)	-
Administrative costs	-	(6,908)	6,908
Total Net Changes	<u>83,648</u>	<u>290,895</u>	<u>(207,247)</u>
Ending Balance December 31, 2019	<u>\$ 1,620,369</u>	<u>\$ 2,238,306</u>	<u>\$ (617,937)</u>

For the year ended December 31, 2019, the City recognized pension expense of \$58,193.

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

At December 31, 2019, the City reported its deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 101,221
Changes in Actuarial Assumptions	88,155	21,626
Net Difference Between Projected and Actual Earnings on Plan Investments	-	97,420
Total	\$ 88,155	\$ 220,267

Amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2020	\$ (29,462)
2021	(33,262)
2022	(6,474)
2023	(51,512)
2024	(6,548)
Thereafter	(4,854)

**E. Actuarial Assumptions**

The total pension liability at December 31, 2019 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement Eligibility at 50 Percent of Age 50, 20 Percent at Ages 51-54 and 100 Percent at Age 55	
Discount Rate	6.25% per year
Cost of Living Increases	2.50% per year
Investment Rate of Return	6.25%

In 2018, actuarial assumptions changed by increasing the investment rate of return from 6.75 percent to 6.25 percent.

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

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	53.00 %	4.76 %
International Equity	17.00	5.41
Fixed Income	26.00	2.01
Real Estate	-	4.53
Cash	<u>4.00</u>	0.74
Total	<u><u>100.00 %</u></u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability was 6.25 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension Liability Sensitivity**

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

	<u>1 Percent Decrease (5.25%)</u>	<u>Current (6.25%)</u>	<u>1 Percent Increase (7.25%)</u>
Defined Benefit Plan	<u>\$ (576,426)</u>	<u>(\$617,937)</u>	<u>\$ (658,085)</u>

**H. Pension Plan Fiduciary Net Position**

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

City of East Bethel, Minnesota  
Notes to the Financial Statements  
December 31, 2019

**Note 6: Other Information**

**A. Risk Management**

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

**B. Federal and State Funds**

The City receives financial assistance from county and state governmental agencies primarily in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements included herein or on the overall financial position of the City at December 31, 2019.

**Note 7: Subsequent Event**

In December 2019, a novel strain of coronavirus (COVID-19) surfaced. The spread of COVID-19 around the world in the first quarter of 2020 has caused significant volatility in U.S. and international markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies and, as such, the City is unable to determine if it will have a material impact to its operations.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

City of East Bethel, Minnesota  
 Required Supplementary Information  
 For the Year Ended December 31, 2019

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/19	0.0185 %	\$ 1,022,824	\$ 31,832	\$ 1,054,656	\$ 1,308,728	78.2 %	80.2 %
06/30/18	0.0188	1,042,947	34,181	1,077,128	1,261,833	82.7	79.5
06/30/17	0.0187	1,193,796	15,026	1,208,822	1,205,930	99.0	75.9
06/30/16	0.0196	1,591,423	20,831	1,612,254	1,217,428	130.7	68.9
06/30/15	0.0188	974,314	-	974,314	570,114	170.9	78.2

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

**Schedule of Employer's PERA Contributions - General Employees Fund**

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/19	\$ 100,563	\$ 100,563	\$ -	\$ 1,340,840	7.5 %
12/31/18	95,295	95,295	-	1,270,600	7.5
12/31/17	91,668	91,668	-	1,222,240	7.5
12/31/16	90,070	90,070	-	1,200,933	7.5
12/31/15	89,225	89,225	-	1,189,667	7.5

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

City of East Bethel, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2019

**Notes to the Required Supplementary Information - General Employees Fund**

Changes in Actuarial Assumptions

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

City of East Bethel, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2019

**Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios**

	2019 (Fire Relief Report Date 2019)	2018 (Fire Relief Report Date 2018)	2017 (Fire Relief Report Date 2017)	2016 (Fire Relief Report Date 2016)	2015 (Fire Relief Report Date 2015)
<b>Total Pension Liability</b>					
Service cost	\$ 56,538	\$ 56,769	\$ 59,100	\$ 68,319	\$ 62,875
Interest on pension liability (asset)	103,017	94,644	94,271	84,026	81,913
Changes of benefit terms	-	-	37,036	9,614	-
Differences between expected and actual experience	(72,989)	-	(54,839)	-	-
Changes of assumptions	93,619	(7,477)	6,807	(29,843)	-
Changes of benefit terms	37,639	-	-	-	-
Benefit payments	(134,176)	(13,000)	(148,200)	(227,000)	-
<b>Net Change in Total Pension Liability</b>	<u>83,648</u>	<u>130,936</u>	<u>(5,825)</u>	<u>(94,884)</u>	<u>144,788</u>
<b>Total Pension Liability - January 1</b>	<u>1,536,721</u>	<u>1,405,785</u>	<u>1,411,610</u>	<u>1,506,494</u>	<u>1,361,706</u>
<b>Total Pension Liability - December 31 (a)</b>	<u>\$ 1,620,369</u>	<u>\$ 1,536,721</u>	<u>\$ 1,405,785</u>	<u>\$ 1,411,610</u>	<u>\$ 1,506,494</u>
<b>Plan Fiduciary Net Position</b>					
Employer contributions	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000	\$ 14,000
Nonemployer contributions	69,203	64,229	62,446	62,370	59,194
Projected investment return	348,776	(95,247)	247,596	119,082	(9,494)
Benefit payments	(134,176)	(13,000)	(148,200)	(227,000)	-
Administrative expenses	(6,908)	(8,170)	(7,075)	(8,800)	(4,575)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>290,895</u>	<u>(38,188)</u>	<u>168,767</u>	<u>(40,348)</u>	<u>59,125</u>
<b>Plan Fiduciary Net Position - January 1</b>	<u>1,947,411</u>	<u>1,985,599</u>	<u>1,816,832</u>	<u>1,857,180</u>	<u>1,798,055</u>
<b>Plan Fiduciary Net Position - December 31 (b)</b>	<u>\$ 2,238,306</u>	<u>\$ 1,947,411</u>	<u>\$ 1,985,599</u>	<u>\$ 1,816,832</u>	<u>\$ 1,857,180</u>
<b>Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)</b>	<u>\$ (617,937)</u>	<u>\$ (410,690)</u>	<u>\$ (579,814)</u>	<u>\$ (405,222)</u>	<u>\$ (350,686)</u>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)</b>	138.14%	126.73%	141.24%	128.71%	123.28%
<b>Covered-employee Payroll</b>	N/A	N/A	N/A	N/A	N/A
<b>Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-employee Payroll</b>	N/A	N/A	N/A	N/A	N/A

**Notes to Schedule:**

*Benefit Changes.* In 2017, the benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

*Changes of Assumptions.* The expected investment return and discount rate increased from 6.50% to 6.75% to reflect updated capital market. The mortality and withdrawal assumption were updated from the rates used in the July 1, 2016 Minnesota PERA Police & Fire Plan actuarial valuation to the rates used in the July 1, 2017 Minnesota PERA Police & Fire Plan actuarial valuation.

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

City of East Bethel, Minnesota  
 Required Supplementary Information (Continued)  
 For the Year Ended December 31, 2019

**Schedule of Employer's Fire Relief Association Contributions**

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/19	\$ 83,203	\$ 83,203	\$ -
12/31/18	78,229	78,229	-
12/31/17	76,446	76,446	-
12/31/16	76,370	76,370	-
12/31/15	73,194	73,194	-
12/31/14	69,354	69,354	-

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

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

City of East Bethel, Minnesota  
 Nonmajor Governmental Funds  
 Combining Balance Sheet  
 December 31, 2019

	Special Revenue	Capital Projects	Total
<b>Assets</b>			
Cash and investments	\$ 125,896	\$ 609,604	\$ 735,500
Receivables			
Taxes	5,994	-	5,994
Special assessments	3,753	-	3,753
Due from other governments	21,715	-	21,715
	<u>157,358</u>	<u>609,604</u>	<u>766,962</u>
Total Assets	<u>\$ 157,358</u>	<u>\$ 609,604</u>	<u>\$ 766,962</u>
<b>Liabilities</b>			
Accounts and contracts payable	\$ 1,603	\$ 41,719	\$ 43,322
Due to other funds	-	2,527	2,527
Total Liabilities	<u>1,603</u>	<u>44,246</u>	<u>45,849</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue - property taxes	3,732	-	3,732
Unavailable revenue - special assessments	3,753	-	3,753
Total Deferred Inflows of Resources	<u>7,485</u>	<u>-</u>	<u>7,485</u>
<b>Fund Balances</b>			
Restricted	148,270	111,480	259,750
Assigned	-	468,683	468,683
Unassigned	-	(14,805)	(14,805)
Total Fund Balances	<u>148,270</u>	<u>565,358</u>	<u>713,628</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 157,358</u>	<u>\$ 609,604</u>	<u>\$ 766,962</u>

City of East Bethel, Minnesota  
 Nonmajor Governmental Funds  
 Combining Statement of Revenues, Expenditures and  
 Changes in Fund Balance  
 For the Year Ended December 31, 2019

	Special Revenue	Capital Projects	Total
Revenues			
Taxes	\$ 169,918	\$ 61,218	\$ 231,136
Intergovernmental	65,158	591,854	657,012
Special assessments	3,903	-	3,903
Charges for services	-	31,600	31,600
Interest on investments	2,457	13,522	15,979
Miscellaneous	1,388	-	1,388
Total Revenues	<u>242,824</u>	<u>698,194</u>	<u>941,018</u>
Expenditures			
Current			
General government	-	4,000	4,000
Public works	96,273	-	96,273
Housing and economic development	147,394	-	147,394
Capital outlay			
Public works	-	544,041	544,041
Culture and recreation	-	39,275	39,275
Housing and economic development	-	62,224	62,224
Total Expenditures	<u>243,667</u>	<u>649,540</u>	<u>893,207</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(843)</u>	<u>48,654</u>	<u>47,811</u>
Other Financing Sources (Uses)			
Transfers in	-	130,000	130,000
Transfers out	(170,000)	-	(170,000)
Total Other Financing Sources (Uses)	<u>(170,000)</u>	<u>130,000</u>	<u>(40,000)</u>
Net Changes in Fund Balances	(170,843)	178,654	7,811
Fund Balance, January 1	<u>319,113</u>	<u>386,704</u>	<u>705,817</u>
Fund Balance, December 31	<u>\$ 148,270</u>	<u>\$ 565,358</u>	<u>\$ 713,628</u>

City of East Bethel, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Balance Sheet  
 December 31, 2019

	<b>226</b>	<b>230</b>	<b>232</b>	
	<u>Recycling</u>	<u>HRA</u>	<u>EDA</u>	<u>Total</u>
<b>Assets</b>				
Cash and investments	\$ (19,048)	\$ 61,698	\$ 83,246	\$ 125,896
Receivables				
Taxes	-	1,822	4,172	5,994
Special assessments	-	-	3,753	3,753
Due from other governments	<u>21,715</u>	<u>-</u>	<u>-</u>	<u>21,715</u>
 Total Assets	 <u>\$ 2,667</u>	 <u>\$ 63,520</u>	 <u>\$ 91,171</u>	 <u>\$ 157,358</u>
<b>Liabilities</b>				
Accounts payable	<u>\$ 1,528</u>	<u>\$ -</u>	<u>\$ 75</u>	<u>\$ 1,603</u>
 Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	1,076	2,656	3,732
Unavailable revenue - special assessments	<u>-</u>	<u>-</u>	<u>3,753</u>	<u>3,753</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>1,076</u>	<u>6,409</u>	<u>7,485</u>
 Fund Balances				
Restricted	<u>1,139</u>	<u>62,444</u>	<u>84,687</u>	<u>148,270</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	 <u>\$ 2,667</u>	 <u>\$ 63,520</u>	 <u>\$ 91,171</u>	 <u>\$ 157,358</u>

City of East Bethel, Minnesota  
 Nonmajor Special Revenue Funds  
 Combining Statement of Revenues,  
 Expenditures and Changes in Fund Balances  
 For the Year Ended December 31, 2019

	<b>226</b>	<b>230</b>	<b>232</b>	
	<u>Recycling</u>	<u>HRA</u>	<u>EDA</u>	<u>Total</u>
Revenues				
Taxes	\$ -	\$ 56,502	\$ 113,416	\$ 169,918
Intergovernmental	65,158	-	-	65,158
Special assessments	-	-	3,903	3,903
Interest on investments	166	1,325	966	2,457
Miscellaneous	1,388	-	-	1,388
Total Revenues	<u>66,712</u>	<u>57,827</u>	<u>118,285</u>	<u>242,824</u>
Expenditures				
Current				
Public works	96,273	-	-	96,273
Housing and economic development	-	27,295	120,099	147,394
Total Expenditures	<u>96,273</u>	<u>27,295</u>	<u>120,099</u>	<u>243,667</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(29,561)	30,532	(1,814)	(843)
Other Financing Uses				
Transfers out	-	(100,000)	(70,000)	(170,000)
Net Change in Fund Balances	(29,561)	(69,468)	(71,814)	(170,843)
Fund Balances, January 1	<u>30,700</u>	<u>131,912</u>	<u>156,501</u>	<u>319,113</u>
Fund Balances, December 31	<u>\$ 1,139</u>	<u>\$ 62,444</u>	<u>\$ 84,687</u>	<u>\$ 148,270</u>

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of East Bethel, Minnesota  
Special Revenue Fund - Recycling Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended December 31, 2019  
(With Comparative Totals for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Intergovernmental	\$ 63,500	\$ 63,500	\$ 65,158	\$ 1,658	\$ 74,093
Interest on investments	500	500	166	(334)	320
Miscellaneous	2,400	2,400	1,388	(1,012)	2,108
Total Revenues	<u>66,400</u>	<u>66,400</u>	<u>66,712</u>	<u>312</u>	<u>76,521</u>
Expenditures					
Current					
Public works	<u>66,400</u>	<u>66,400</u>	<u>96,273</u>	<u>(29,873)</u>	<u>98,599</u>
Net Change in Fund Balances	-	-	(29,561)	(29,561)	(22,078)
Fund Balances, January 1	<u>30,700</u>	<u>30,700</u>	<u>30,700</u>	-	<u>52,778</u>
Fund Balances, December 31	<u>\$ 30,700</u>	<u>\$ 30,700</u>	<u>\$ 1,139</u>	<u>\$ (29,561)</u>	<u>\$ 30,700</u>

City of East Bethel, Minnesota  
Special Revenue Fund - HRA Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended December 31, 2019  
(With Comparative Totals for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 56,600	\$ 56,600	\$ 56,502	\$ (98)	\$ 51,514
Interest on investments	1,000	1,000	1,325	325	1,393
Total Revenues	<u>57,600</u>	<u>57,600</u>	<u>57,827</u>	<u>227</u>	<u>52,907</u>
Expenditures					
Current					
Housing and economic development	28,600	28,600	27,295	1,305	29,705
Capital outlay					
Public works	-	-	-	-	2,181
Total Expenditures	<u>28,600</u>	<u>28,600</u>	<u>27,295</u>	<u>1,305</u>	<u>31,886</u>
Excess of Revenues Over Expenditures	<u>29,000</u>	<u>29,000</u>	<u>30,532</u>	<u>1,532</u>	<u>21,021</u>
Other Financing Uses					
Transfers out	-	-	(100,000)	(100,000)	-
Net Change in Fund Balances	29,000	29,000	(69,468)	(98,468)	21,021
Fund Balances, January 1	<u>131,912</u>	<u>131,912</u>	<u>131,912</u>	<u>-</u>	<u>110,891</u>
Fund Balances, December 31	<u>\$ 160,912</u>	<u>\$ 160,912</u>	<u>\$ 62,444</u>	<u>\$ (98,468)</u>	<u>\$ 131,912</u>

City of East Bethel, Minnesota  
Special Revenue Fund - EDA Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual  
For the Year Ended December 31, 2019  
(With Comparative Totals for the Year Ended December 31, 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Property taxes	\$ 113,500	\$ 113,500	\$ 113,416	\$ (84)	\$ 97,626
Special assessments	4,000	4,000	3,903	(97)	3,903
Interest on investments	1,100	1,100	966	(134)	1,448
Total Revenues	<u>118,600</u>	<u>118,600</u>	<u>118,285</u>	<u>(315)</u>	<u>102,977</u>
Expenditures					
Current					
Housing and economic development	<u>118,600</u>	<u>118,600</u>	<u>120,099</u>	<u>(1,499)</u>	<u>113,130</u>
Deficiency of Revenues Under Expenditures	-	-	(1,814)	(1,814)	(10,153)
Other Financing Use					
Transfers out	<u>-</u>	<u>-</u>	<u>(70,000)</u>	<u>(70,000)</u>	<u>-</u>
Net Change in Fund Balances	-	-	(71,814)	(71,814)	(10,153)
Fund Balances, January 1	<u>156,501</u>	<u>156,501</u>	<u>156,501</u>	<u>-</u>	<u>166,654</u>
Fund Balances, December 31	<u>\$ 156,501</u>	<u>\$ 156,501</u>	<u>\$ 84,687</u>	<u>\$ (71,814)</u>	<u>\$ 156,501</u>

City of East Bethel, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Balance Sheet  
 December 31, 2019

	<b>402</b>	<b>404</b>	<b>411</b>	<b>407</b>
	Municipal State Aid Street Improvement	Park Acquisition	Minard Street	Park Capital
<b>Assets</b>				
Cash and investments	\$ 29,441	\$ 100,753	\$ 90,795	\$ 110,451
<b>Liabilities</b>				
Accounts and contracts payable	\$ 41,719	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Total Liabilities	41,719	-	-	-
<b>Fund Balances</b>				
Restricted	-	100,753	-	-
Assigned	-	-	90,795	110,451
Unassigned	(12,278)	-	-	-
Total Fund Balances	(12,278)	100,753	90,795	110,451
Total Liabilities and Fund Balance	\$ 29,441	\$ 100,753	\$ 90,795	\$ 110,451

401	435	436	437	
Building	TIF No. 1-1	TIF No. 1-2	TIF No. 1-3	Total
<u>\$ 267,437</u>	<u>\$ 9,295</u>	<u>\$ 1,432</u>	<u>\$ -</u>	<u>\$ 609,604</u>
\$ -	\$ -	\$ -	\$ -	\$ 41,719
-	-	-	2,527	2,527
-	-	-	2,527	44,246
-	9,295	1,432	-	111,480
267,437	-	-	-	468,683
-	-	-	(2,527)	(14,805)
<u>267,437</u>	<u>9,295</u>	<u>1,432</u>	<u>(2,527)</u>	<u>565,358</u>
<u>\$ 267,437</u>	<u>\$ 9,295</u>	<u>\$ 1,432</u>	<u>\$ -</u>	<u>\$ 609,604</u>

City of East Bethel, Minnesota  
 Nonmajor Capital Projects Funds  
 Combining Statement of Revenues,  
 Expenditures and Changes in Fund Balances  
 For the Year Ended December 31, 2019

	<b>402</b>	<b>404</b>	<b>411</b>	<b>407</b>
	Municipal State Aid Street Improvement	Park Acquisition	Minard Street	Park Capital
Revenues				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	591,854	-	-	-
Charges for services	-	23,600	8,000	-
Interest on investments	3,167	1,681	1,521	2,267
Total Revenues	<u>595,021</u>	<u>25,281</u>	<u>9,521</u>	<u>2,267</u>
Expenditures				
Current				
General government	-	-	-	-
Capital outlay				
Public works	544,041	-	-	-
Culture and recreation	-	-	-	39,275
Housing and economic development	-	-	-	-
Total Expenditures	<u>544,041</u>	<u>-</u>	<u>-</u>	<u>39,275</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,980	25,281	9,521	(37,008)
Other Financing Sources				
Transfers in	-	-	-	80,000
Net Change in Fund Balances	50,980	25,281	9,521	42,992
Fund Balances, January 1	<u>(63,258)</u>	<u>75,472</u>	<u>81,274</u>	<u>67,459</u>
Fund Balances, December 31	<u>\$ (12,278)</u>	<u>\$ 100,753</u>	<u>\$ 90,795</u>	<u>\$ 110,451</u>

401	435	436	437	
Building	TIF No. 1-1	TIF No. 1-2	TIF No. 1-3	Total
\$ -	\$ 58,140	\$ 3,078	\$ -	\$ 61,218
-	-	-	-	591,854
-	-	-	-	31,600
4,708	172	6	-	13,522
<u>4,708</u>	<u>58,312</u>	<u>3,084</u>	<u>-</u>	<u>698,194</u>
4,000	-	-	-	4,000
-	-	-	-	544,041
-	-	-	-	39,275
-	58,045	1,652	2,527	62,224
<u>4,000</u>	<u>58,045</u>	<u>1,652</u>	<u>2,527</u>	<u>649,540</u>
708	267	1,432	(2,527)	48,654
50,000	-	-	-	130,000
50,708	267	1,432	(2,527)	178,654
<u>216,729</u>	<u>9,028</u>	<u>-</u>	<u>-</u>	<u>386,704</u>
<u>\$ 267,437</u>	<u>\$ 9,295</u>	<u>\$ 1,432</u>	<u>\$ (2,527)</u>	<u>\$ 565,358</u>

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

City of East Bethel, Minnesota  
 General Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances -  
 Budget and Actual (Continued on the Following Pages)  
 For the Year Ended December 31, 2019  
 (With Comparative Totals for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual
	Original	Final			Amounts
Revenue					
Taxes					
Property	\$ 4,466,500	\$ 4,466,500	\$ 4,473,888	\$ 7,388	\$ 4,333,502
Franchise	63,000	63,000	66,772	3,772	67,741
Gambling	35,000	35,000	46,453	11,453	42,652
Total taxes	<u>4,564,500</u>	<u>4,564,500</u>	<u>4,587,113</u>	<u>22,613</u>	<u>4,443,895</u>
Licenses and permits					
Business	36,000	36,000	38,656	2,656	38,513
Nonbusiness	215,500	215,500	243,916	28,416	270,029
Total licenses and permits	<u>251,500</u>	<u>251,500</u>	<u>282,572</u>	<u>31,072</u>	<u>308,542</u>
Intergovernmental					
State					
Local government aid	-	-	-	-	19,643
MSA	200,000	200,000	199,401	(599)	202,666
Agricultural market value credit	7,000	7,000	6,895	(105)	5,634
PERA	2,000	2,000	2,123	123	2,123
Fire aid	70,000	70,000	117,131	47,131	72,031
Total intergovernmental	<u>279,000</u>	<u>279,000</u>	<u>325,550</u>	<u>46,550</u>	<u>302,097</u>
Charges for services	<u>332,500</u>	<u>332,500</u>	<u>342,908</u>	<u>10,408</u>	<u>348,178</u>
Fines and forfeitures	<u>41,000</u>	<u>41,000</u>	<u>29,087</u>	<u>(11,913)</u>	<u>35,497</u>
Interest on investments	<u>12,000</u>	<u>12,000</u>	<u>53,731</u>	<u>41,731</u>	<u>32,335</u>
Miscellaneous					
Refunds and reimbursements	<u>15,000</u>	<u>15,000</u>	<u>47,096</u>	<u>32,096</u>	<u>23,247</u>
Total Revenues	<u>5,495,500</u>	<u>5,495,500</u>	<u>5,668,057</u>	<u>172,557</u>	<u>5,493,791</u>
Expenditures					
Current					
General government					
Mayor and Council					
Personnel services	31,400	31,400	31,467	(67)	31,401
Other services and charges	48,900	48,900	42,822	6,078	41,487
Total Mayor and Council	<u>80,300</u>	<u>80,300</u>	<u>74,289</u>	<u>6,011</u>	<u>72,888</u>
Elections					
Supplies	-	-	-	-	314
Other services and charges	3,800	3,800	2,629	1,171	12,277
Total elections	<u>3,800</u>	<u>3,800</u>	<u>2,629</u>	<u>1,171</u>	<u>12,591</u>

City of East Bethel, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Continued)  
For the Year Ended December 31, 2019  
(With Comparative Totals for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Planning and zoning					
Personnel services	\$ 213,700	\$ 213,700	\$ 183,312	\$ 30,388	\$ 167,810
Supplies	100	100	1,499	(1,399)	951
Other services and charges	46,500	46,500	17,585	28,915	33,366
Total planning and zoning	<u>260,300</u>	<u>260,300</u>	<u>202,396</u>	<u>57,904</u>	<u>202,127</u>
Administration/support					
Personnel services	595,300	595,300	587,021	8,279	577,875
Supplies	1,100	1,100	2,687	(1,587)	2,310
Other services and charges	79,300	79,300	73,715	5,585	73,887
Total administration/support	<u>675,700</u>	<u>675,700</u>	<u>663,423</u>	<u>12,277</u>	<u>654,072</u>
General government buildings					
Supplies	3,500	3,500	3,135	365	2,094
Other services and charges	38,200	38,200	42,105	(3,905)	35,671
Total general government buildings	<u>41,700</u>	<u>41,700</u>	<u>45,240</u>	<u>(3,540)</u>	<u>37,765</u>
Miscellaneous					
Contractual services	235,000	235,000	230,638	4,362	221,796
Total general government	<u>1,296,800</u>	<u>1,296,800</u>	<u>1,218,615</u>	<u>78,185</u>	<u>1,201,239</u>
Public safety					
Fire protection					
Personnel services	377,000	377,000	397,108	(20,108)	380,999
Supplies	75,800	75,800	76,061	(261)	47,780
Other services and charges	260,900	260,900	275,004	(14,104)	246,800
Total fire protection	<u>713,700</u>	<u>713,700</u>	<u>748,173</u>	<u>(34,473)</u>	<u>675,579</u>
Police protection					
Other services and charges	1,109,200	1,109,200	1,104,882	4,318	1,059,508
Building inspection					
Personnel services	298,800	298,800	301,092	(2,292)	256,774
Supplies	8,300	8,300	5,150	3,150	5,336
Other services and charges	15,300	15,300	13,454	1,846	16,371
Total building inspection	<u>322,400</u>	<u>322,400</u>	<u>319,696</u>	<u>2,704</u>	<u>278,481</u>
Total public safety	<u>2,145,300</u>	<u>2,145,300</u>	<u>2,172,751</u>	<u>(27,451)</u>	<u>2,013,568</u>

City of East Bethel, Minnesota  
General Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances -  
Budget and Actual (Continued)  
For the Year Ended December 31, 2019  
(With Comparative Totals for the Year Ended December 31, 2018)

	2019			Variance with Final Budget	2018
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Public works					
Street maintenance					
Personnel services	\$ 522,700	\$ 522,700	\$ 520,051	\$ 2,649	\$ 484,671
Supplies	168,000	168,000	186,856	(18,856)	162,019
Other services and charges	247,200	247,200	241,323	5,877	247,765
Total public works	<u>937,900</u>	<u>937,900</u>	<u>948,230</u>	<u>(10,330)</u>	<u>894,455</u>
Culture and recreation					
Personnel services	352,300	352,300	358,019	(5,719)	316,167
Supplies	42,200	42,200	57,980	(15,780)	59,523
Other services and charges	46,000	46,000	40,197	5,803	44,177
Total culture and recreation	<u>440,500</u>	<u>440,500</u>	<u>456,196</u>	<u>(15,696)</u>	<u>419,867</u>
Miscellaneous					
Other services and charges	95,000	95,000	85,425	9,575	81,218
Total current	<u>4,915,500</u>	<u>4,915,500</u>	<u>4,881,217</u>	<u>34,283</u>	<u>81,218</u>
Capital outlay					
Public safety	-	-	157,833	(157,833)	167,571
Total Expenditures	<u>4,915,500</u>	<u>4,915,500</u>	<u>5,039,050</u>	<u>(123,550)</u>	<u>4,777,918</u>
Excess of Revenues Over Expenditures	580,000	580,000	629,007	49,007	715,873
Other Financing Uses					
Transfers out	<u>(580,000)</u>	<u>(580,000)</u>	<u>(580,000)</u>	-	<u>(1,232,000)</u>
Net Change in Fund Balances	-	-	49,007	49,007	(516,127)
Fund Balances, January 1	<u>3,112,119</u>	<u>3,112,119</u>	<u>3,112,119</u>	-	<u>3,628,246</u>
Fund Balances, December 31	<u>\$ 3,112,119</u>	<u>\$ 3,112,119</u>	<u>\$ 3,161,126</u>	<u>\$ 49,007</u>	<u>\$ 3,112,119</u>

City of East Bethel, Minnesota  
Debt Service Funds  
Combining Balance Sheet  
December 31, 2019

	<b>301</b> 2005/2013A Safety Bond	<b>308</b> 2008A Sewer Revenue Bond	<b>310</b> 2015A Revenue Bond	<b>311</b> 2014A G.O. Refunding Bond	Total
<b>Assets</b>					
Cash and investments	\$ 120,966	\$ 61,813	\$ 347,856	\$ 510,159	\$ 1,040,794
Receivables					
Taxes	5,256	6,418	20,132	11,704	43,510
Special assessments	-	90,000	110,739	-	200,739
<b>Total Assets</b>	<b>\$ 126,222</b>	<b>\$ 158,231</b>	<b>\$ 478,727</b>	<b>\$ 521,863</b>	<b>\$ 1,285,043</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - property taxes	\$ 3,708	\$ 4,293	\$ 13,662	\$ 7,796	\$ 29,459
Unavailable revenue - special assessments	-	90,000	110,739	-	200,739
<b>Total Deferred Inflows of Resources</b>	<b>3,708</b>	<b>94,293</b>	<b>124,401</b>	<b>7,796</b>	<b>230,198</b>
<b>Fund Balances</b>					
Restricted	122,514	63,938	354,326	514,067	1,054,845
<b>Total Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 126,222</b>	<b>\$ 158,231</b>	<b>\$ 478,727</b>	<b>\$ 521,863</b>	<b>\$ 1,285,043</b>

City of East Bethel, Minnesota  
Debt Service Funds  
Combining Statement of Revenues,  
Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2019

	<b>301</b> 2005/2013A Safety Bond	<b>308</b> 2008A Sewer Revenue Bond	<b>310</b> 2015A Revenue Bond	<b>311</b> 2014A G.O. Refunding Bond	Total
Revenues					
Property taxes	\$ 129,232	\$ 179,578	\$ 546,716	\$ 330,224	\$ 1,185,750
Special assessments	-	15,000	11,067	-	26,067
Interest on investments	798	39	1,409	6,057	8,303
Total Revenues	<u>130,030</u>	<u>194,617</u>	<u>559,192</u>	<u>336,281</u>	<u>1,220,120</u>
Expenditures					
Debt service					
Principal	100,000	170,000	110,000	230,000	610,000
Interest and other charges	26,776	20,460	385,375	185,499	618,110
Total Expenditures	<u>126,776</u>	<u>190,460</u>	<u>495,375</u>	<u>415,499</u>	<u>1,228,110</u>
Net Change in Fund Balances	3,254	4,157	63,817	(79,218)	(7,990)
Fund Balances, January 1	<u>119,260</u>	<u>59,781</u>	<u>290,509</u>	<u>593,285</u>	<u>1,062,835</u>
Fund Balances, December 31	<u>\$ 122,514</u>	<u>\$ 63,938</u>	<u>\$ 354,326</u>	<u>\$ 514,067</u>	<u>\$ 1,054,845</u>

City of East Bethel, Minnesota  
Internal Service Funds  
Combining Statement of Net Position  
December 31, 2019

	<b>702</b>	<b>701</b>	
	Compensated Absences	Equipment Replacement	Total
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 195,665	\$ 1,315,855	\$ 1,511,520
<b>Noncurrent Assets</b>			
<b>Capital assets</b>			
Machinery and equipment	-	4,128,469	4,128,469
Less accumulated depreciation	-	(2,242,196)	(2,242,196)
Net Capital Assets	-	1,886,273	1,886,273
<b>Total Assets</b>	<b>195,665</b>	<b>3,202,128</b>	<b>3,397,793</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Compensated absences payable - current portion	152,461	-	152,461
Total Current Liabilities	152,461	-	152,461
<b>Noncurrent Liabilities</b>			
Compensated absences payable - noncurrent portion	36,059	-	36,059
Total Liabilities	188,520	-	188,520
<b>Net Position</b>			
Investment in capital assets	-	1,886,273	1,886,273
Unrestricted	7,145	1,315,855	1,323,000
<b>Total Net Position</b>	<b>\$ 7,145</b>	<b>\$ 3,202,128</b>	<b>\$ 3,209,273</b>

City of East Bethel, Minnesota  
Internal Service Funds  
Combining Statement of Revenues, Expenses and  
Changes in Net Position  
For the Year Ended December 31, 2019

	<b>702</b>	<b>701</b>	
	Compensated Absences	Equipment Replacement	Total
Operating Revenues			
Charges for services			
Services to departments	\$ 19,038	\$ 280,000	\$ 299,038
Operating Expenses			
Personnel services	19,038	-	19,038
Maintenance and repairs	-	7,076	7,076
Depreciation	-	321,127	321,127
Total Operating Expenses	<u>19,038</u>	<u>328,203</u>	<u>347,241</u>
Operating Loss	<u>-</u>	<u>(48,203)</u>	<u>(48,203)</u>
Nonoperating Revenues			
Gain sale of capital assets	-	6,934	6,934
Interest on investments	3,152	23,773	26,925
Total Nonoperating Revenues	<u>3,152</u>	<u>30,707</u>	<u>33,859</u>
Change in Net Position	3,152	(17,496)	(14,344)
Net Position, January 1	<u>3,993</u>	<u>3,219,624</u>	<u>3,223,617</u>
Net Position, December 31	<u>\$ 7,145</u>	<u>\$ 3,202,128</u>	<u>\$ 3,209,273</u>

City of East Bethel, Minnesota  
Internal Service Funds  
Combining Statement of Cash Flows  
For the Year Ended December 31, 2019

	<b>702</b>	<b>701</b>	Total
	Compensated Absences	Equipment Replacement	
Cash Flows from Operating Activities			
Receipts from interfund services provided	\$ 19,038	\$ 280,000	\$ 299,038
Payments to suppliers	-	(15,040)	(15,040)
Payments to employees	(3,152)	-	(3,152)
Net Cash Provided by Operating Activities	15,886	264,960	280,846
Cash Flows from Capital and Related Financing Activities			
Acquisition of capital assets	-	(117,774)	(117,774)
Proceeds from sale of capital assets	-	6,934	6,934
Net Cash Used by Capital and Related Financing Activities	-	(110,840)	(110,840)
Cash Flows from Investing Activities			
Interest received on investments	3,152	23,773	26,925
Net Increase in Cash and Cash Equivalents	19,038	177,893	196,931
Cash and Cash Equivalents, January 1	176,627	1,137,962	1,314,589
Cash and Cash Equivalents, December 31	\$ 195,665	\$ 1,315,855	\$ 1,511,520
Reconciliation of Operating Loss to Net Cash Provided (Used) by Operating Activities			
Operating loss	\$ -	\$ (48,203)	\$ (48,203)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities			
Depreciation expense	-	321,127	321,127
Increase (decrease) in liabilities			
Accounts payable	-	(7,964)	(7,964)
Compensated absences	15,886	-	15,886
Net Cash Provided by Operating Activities	\$ 15,886	\$ 264,960	\$ 280,846

City of East Bethel, Minnesota  
 Summary Financial Report  
 Revenues and Expenditures For General Operations  
 Governmental Funds  
 For the Year Ended December 31, 2019 and 2018

	Total		Percent Increase (Decrease)
	2019	2018	
<b>Revenues</b>			
Taxes	\$ 6,003,999	\$ 5,813,592	3.28 %
Licenses and permits	282,572	308,542	(8.42)
Intergovernmental	982,562	961,211	2.22
Charges for services	374,508	399,178	(6.18)
Fines and forfeitures	29,087	35,497	(18.06)
Special assessments	84,085	34,662	142.59
Interest on investments	87,660	64,611	35.67
Miscellaneous	48,484	25,355	91.22
	<u>\$ 7,892,957</u>	<u>\$ 7,642,648</u>	
Total Revenues	<u>\$ 7,892,957</u>	<u>\$ 7,642,648</u>	3.28 %
Per Capita	\$ 656	\$ 633	3.63 %
<b>Expenditures</b>			
Current			
General government	\$ 1,222,615	\$ 1,213,913	0.72 %
Public safety	2,172,751	2,013,568	7.91
Public works	1,044,503	993,054	5.18
Culture and recreation	456,196	419,867	8.65
Housing and economic development	147,394	142,835	3.19
Miscellaneous	85,425	81,218	5.18
Capital outlay			
Public safety	157,833	167,571	(5.81)
Public works	1,493,273	1,390,061	7.42
Parks and recreation	39,275	103,035	(61.88)
Housing and economic development	62,224	46,400	34.10
Debt service			
Principal	610,000	360,000	69.44
Interest and other charges	618,110	635,335	(2.71)
	<u>\$ 8,109,599</u>	<u>\$ 7,566,857</u>	
Total Expenditures	<u>\$ 8,109,599</u>	<u>\$ 7,566,857</u>	7.17 %
Per Capita	\$ 674	\$ 627	7.50 %
<b>Total Long-term Indebtedness</b>	\$ 17,770,000	\$ 18,380,000	(3.32) %
Per Capita	1,477	1,522	(2.96)
<b>General Fund Balance - December 31</b>	\$ 3,161,126	\$ 3,112,119	1.57 %
Per Capita	263	258	1.94

The purpose of this report is to provide a summary of financial information concerning the City of East Bethel to interested citizens. The complete financial statements may be examined at City Hall, 2241 221st Avenue NE, East Bethel, MN 55011. Questions about this report should be directed to Mike Jeziorski, Finance Director at (763) 367-7852.

THIS PAGE IS LEFT  
BLANK INTENTIONALLY

OTHER REQUIRED REPORTS

CITY OF EAST BETHEL  
EAST BETHEL, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2019

THIS PAGE IS LEFT  
BLANK INTENTIONALLY



INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

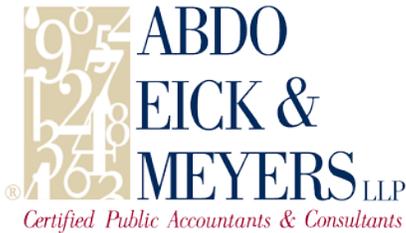
Honorable Mayor and City Council  
City of East Bethel, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of East Bethel, Minnesota (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 7, 2020.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
April 7, 2020



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

Honorable Mayor and City Council  
City of East Bethel, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of East Bethel, Minnesota (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 7, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

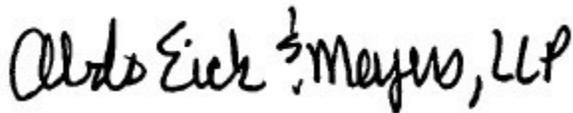
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

## Compliance and Other Matters

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

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
April 7, 2020