

BEMIDJI CITY COUNCIL
Special Work Session Agenda
Monday, June 22, 2015

City Hall
Conference Room
5:30 P.M.



1. CALL TO ORDER / ROLL CALL

2. 2014 AUDIT REPORT (MILLER MCDONALD)

3. PAUL BUNYAN PLAZA

4. ADJOURNMENT

NOTE: All cellular telephones, pagers and BlackBerry devices to be switched to a non-audible function during Council and Committee meetings.

CITY OF BEMIDJI, MINNESOTA
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2014

CITY OF BEMIDJI, MINNESOTA
FOR THE YEAR ENDED DECEMBER 31, 2014

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FOR THE YEAR ENDED DECEMBER 31, 2014

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FOR THE YEAR ENDED DECEMBER 31, 2014

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CITY OF BEMIDJI, MINNESOTA
OFFICIAL DIRECTORY
DECEMBER 31, 2014
 (Unaudited)

		<u>Term Expires</u>
Mayor	Rita Albrecht	12-31-2014
Council	Michael Meehlhause	12-31-2016
	Roger Hellquist	12-31-2014
	Ron Johnson	12-31-2016
	Reed Olson	12-31-2014
	Nancy Erickson	12-31-2016
	Jim Thompson	12-31-2014
City Manager	John M. Chattin	Appointive (Retired 12-31-14)
City Clerk	Kay Murphy	Appointive
City Finance Director	Ron Eischens	Appointive
City Attorney	Alan R. Felix	Appointive



*Bemidji City Hall • 317 4th Street NW
Bemidji, Minnesota 56601-3116*

June 11, 2015

**Honorable Mayor and Council Members
City of Bemidji, MN 56601**

Mayor and Council Members:

The annual audit report of the City of Bemidji, Minnesota for the year ended December 31, 2014 is hereby submitted. The report was prepared in accordance with accounting principles generally accepted in the United States (GAAP) as established by the Government Accounting Standards Board and meets the requirements of the State Auditor's Office.

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

The City's financial statements have been audited by Miller, McDonald, Inc. The goal of the audit was to provide reasonable assurance the financial statements are free of material misstatement. The audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Based upon the audit, the independent auditor concluded there was reasonable basis for rendering an unmodified opinion the City's financial statements are fairly presented in conformity with GAAP.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis

(MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found in the financial section of this report immediately following the report of the independent auditors.

The Reporting Entity and Its Services

The City of Bemidji (City) was incorporated as a municipality in 1898 and operates under a home rule charter adopted in 1952 and subsequently amended. The City has a council-manager form of government with legislative power vested in the council and executive power vested in the manager. The City Council consists of a mayor and six Council members.

The financial reporting entity includes all the funds of the primary government as well as its component unit, the City of Bemidji Economic Development Authority.

With a staff of approximately 92 regular full-time employees, the City provides its residents and businesses a full range of municipal services consisting of public safety (police and fire), public works (streets, engineering and GIS), parks, recreation, library, and general government services. It also operates five enterprises: public water and sanitary sewer utility, residential refuse services, storm water utility, municipal liquor stores and The Sanford Center.

Economic Condition and Outlook

Bemidji is a growing regional community in the heart of the lakes and forests of northern Minnesota located 220 miles north of the Twin Cities metro area in Beltrami County. The City has a land area of fifteen square miles and its 2014 population estimate was 14,435. Bemidji enjoys an excellent location, with convenient access to major state highways 71 and 2, which are primary north/south and east/west travel routes.

Bemidji serves as a center for retail, educational, medical and government services. Bemidji is the home of Bemidji State University, Northwest Technical College and Sanford Health Services. Major national retail chains including Wal-Mart, Target, Home Depot and Menards contribute to the growing retail trade for Bemidji.

Bemidji experienced decreased construction activity during 2014 as building permits were issued for \$32 million representing a decrease of 2%, or \$707,000 from 2013. Commercial and governmental construction amounted to 64% of the total while new residential units and remodeling consisted of 36%.

The City's tax base increased \$56 million or approximately 9% during 2014. A measure of economic stability is provided by the state university. Sound financial operations and debt burden with rapid amortization helped maintain the City's bond rating of A3 status based on Moody's Investment Services analysis.

Bemidji's local sales tax collections increased \$25,000 or 1% in 2014.

A significant financial challenge for the City continues to be its tax-exempt property base. Over 50% of the City's property value is non-taxable. A 1% levy increase only generates \$45,000 in new property tax revenue. The City continues to search for alternative revenue sources, including hospitality and local sales tax, as a means to reduce the burden on local property tax payers.

Important Events and Future Prospects

The Sanford Center hosted over 161,000 attendees for 454 events during 2014. The Sanford Center is a multi-purpose 185,000 square foot City owned facility located on a 140 acre development on the southeast shore of Lake Bemidji. It serves the broader regional community and has an estimated \$22 million annual impact on the economy. The building includes a 4,700 seat arena, a 10,000 square foot ballroom and 4,000 square feet of breakout meeting space. The facility is managed by an outside consulting firm and employs 16 full time and 200 part time employees. The arena is home to the Bemidji State University Division I hockey program which is also the primary tenant. In addition to hockey, the facility hosts concerts, conventions, family events, trade shows, weddings and many other activities for the benefit of the north central Minnesota area. An attached hotel was completed and operational in fall 2014.

An agreement for orderly growth, annexation and land use planning for a 72 square mile area is an on-going process with two adjacent townships. The first phase was implemented in May 2012. A portion of this annexation in Bemidji Township was detached in January 2015.

Other Financial Information

Accounting System and Reporting – During the year, the City’s accounting system is maintained on a modified cash basis with certain accruals to provide financial controls. This system provides budgetary control at minimum cost. At year-end, journal entries are prepared by the City’s Finance Staff in preparation for the annual audit. The auditor’s report on these financial statements accompanies this letter. It should be noted the audit was conducted in accordance with generally accepted accounting principles and an unmodified opinion was issued.

The maintenance and development of the City’s accounting system requires consideration be given to the adequacy of internal controls. These controls are designed to safeguard assets against loss or unauthorized use and produce fair, reliable and accurate financial data. These controls are designed to provide reasonable but not absolute assurances. The concept of reasonable controls recognizes that the cost of controls should not exceed the benefits likely to be gained. We believe the City’s internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Cash Management - The City practices the “pooled cash” concept of investing, which means all funds with cash balances participate in an investment pool. This concept provides for investing greater amounts of money at more favorable rates. Interest earnings are allocated monthly to funds based on their proportionate share.

Risk Management – The City belongs to two organizations for insurance purposes. The Northwest Minnesota Service Cooperative (NWSC) is an organization representing over 90 cities, counties, school districts and non-profits for the pooling of health insurance. Premiums are based on premiums paid and claims history. NWSC annually reviews coverage and costs for health insurance. The League of Minnesota Cities Insurance Trust was founded to provide general liability, workers’ compensation and property coverage to its member cities.

Long Term Financial Planning – The City annually prepares an updated five-year capital improvement plan that supports achievement of the City’s long-term strategic goals of providing and maintaining public facilities and infrastructure balanced against the constraint of available resources. Funding needs for capital replacements are reflected in tax levies, special assessments for capital assets and are reflected in user fees established for the Water, Sewer, Storm Water and Refuse Funds.

Independent Audit

Section 2.08 of the City’s charter requires an annual audit of city accounts. Independent auditors examine the City’s financial records each year and their report has been included in this report.

Acknowledgments

We wish to express our appreciation to the Mayor and City Council for their continued interest and support in planning and conducting financial operations of the City in a responsible and progressive manner. This report would not be possible without the dedicated work of the finance department staff throughout the year.

Respectfully submitted,



Ron Eischens
Finance Director



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, Members of the City Council,
 and City Manager
 City of Bemidji
 Bemidji, 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 Bemidji, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 of Bemidji, Minnesota, as of December 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 10 through 17 and 56 through 60 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 of Bemidji, Minnesota's basic financial statements. The introductory section, pages 1 through 6, the combining financial statements, pages 61 through 71, and comparative financial statements, pages 72 through 83, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and comparative financial statements 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 comparative financial statements 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 June 11, 2015, on our consideration of the City of Bemidji, Minnesota'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 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 of Bemidji, Minnesota's internal control over financial reporting and compliance.

Miller McDonald, Inc.

June 11, 2015
Bemidji, Minnesota

CITY OF BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

As the management of the City of Bemidji (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with the transmittal letter, which is presented in the introductory section of this report.

Financial Highlights

- The assets of the City exceeded liabilities by \$98 million. Of this amount, \$24 million may be used to meet the government's ongoing obligations in accordance with the City's fund designations and fiscal policies.
- The City's governmental funds reported combined ending fund balances of \$15.4 million. Of this amount, approximately 29%, or \$4.6 million is committed or assigned for specific purposes.
- At the end of the year, unassigned fund balance for the General Fund was \$5.3 million which the City maintains for cash flow and capital needs.
- Total outstanding debt obligations were \$69.5 million at the end of the year. General obligation debt amounts to \$16.5 million, of which \$7.3 million has primary sources to cover debt payments from revenue other than property taxes.

Overview of the Financial Section

This annual report consists of a series of financial statements. This discussion is intended to serve as an introduction to the City's basic financial statements. The statements consist of three components:

- **Government-wide Financial Statements** which provide information about the activities of the City as a whole and present a longer-term view of City finances.
- **Fund Financial Statements** providing detailed information on significant City funds.
- **Notes to Financial Statements**, providing additional information essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements themselves. Explanation of these sections of the financial statements follows.

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

CITY OF BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

The *Statement of Net Position* presents information on all of the City of Bemidji assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. You will need to consider other nonfinancial factors, however, to assess the *overall health* of the City.

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 the related cash flows*.

Both of the governmental-wide financial statements distinguish functions of the City of Bemidji that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions intended to recover all or a significant portion of their costs through user fees (*business-type activities*). The governmental activities include general government, public safety, streets, library and parks. Business-type activities include municipal liquor, public utilities (water, sewer, storm water and refuse), and The Sanford Center.

The government-wide financial statements can be found on pages 18-19 of this report.

Fund Financial Statements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities. Fund financial statements provide detail information about the most significant funds – not the City as a whole. All of the funds of the City of Bemidji can be divided into two categories – *governmental and proprietary* each using different accounting approaches.

Governmental Funds – Most of the City of Bemidji basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial* assets that can be readily converted to cash. The governmental fund statements provide a detailed *short-term view* of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance City services. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in reconciliations that follow each statement.

The basic governmental fund financial statements can be found on pages 20-23 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds; enterprise and internal service.

- *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds

CITY OF BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

to account for its municipal liquor operations, public utility (water, sewer, storm water and refuse) services, and the Sanford Center (multi-purpose regional event center).

- *Internal service funds* are an accounting device used to accumulate and allocate administrative costs internally among the City's various functions.

Proprietary funds provide the same information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Fiduciary Fund. The City is the trustee, or fiduciary, for assets that belong to others. The City is responsible for ensuring that only those to whom the assets belong use the assets reported in these funds. The City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position found on page 27. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

Notes to Financial Statements. The notes provide additional information essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 28-55 of this report.

Government-wide Financial Analysis

Over time, net position can serve as a useful indicator of the City's financial position. The City's *combined* net position remains nearly the same as a year ago. Our analysis below focuses on the net position and changes in net position of the City's governmental and business-type activities.

	December 31, 2014			December 31, 2013		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Current and other assets	\$ 22,717,232	\$ 15,262,136	\$ 37,979,368	\$ 21,032,121	\$ 14,845,993	\$ 35,878,114
Capital assets	54,927,226	83,890,989	138,818,215	55,773,841	86,280,971	142,054,812
Total assets	77,644,458	99,153,125	176,797,583	76,805,962	101,126,964	177,932,926
Deferred Outflows of Resources	15,812	23,700	39,512	-	-	-
Current payables	3,725,346	4,372,337	8,097,683	4,049,997	5,028,971	9,078,968
Long-term liabilities:						
Due within one year	1,794,405	582,047	2,376,452	7,483,960	663,292	8,147,252
Due after one year	17,640,374	50,475,018	68,115,392	11,422,774	50,964,171	62,386,945
Total liabilities	23,160,125	55,429,402	78,589,527	22,956,731	56,656,434	79,613,165
Net Position						
Net Investment in Capital Assets	36,366,045	33,044,161	69,410,206	37,728,841	34,844,969	72,573,810
Restricted	4,710,804	-	4,710,804	3,350,222	-	3,350,222
Unrestricted	13,423,296	10,703,262	24,126,558	12,770,168	9,625,561	22,395,729
Total net position	\$ 54,500,145	\$ 43,747,423	\$ 98,247,568	\$ 53,849,231	\$ 44,470,530	\$ 98,319,761

A large portion of the City's net position, \$69.5 million, or 71%, reflects its net investment in capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

CITY OF BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

A portion of the City's net position, \$4.7 million (5%) represents resources subject to external restrictions on how they may be used. These restricted resources are reserved for future debt service payments. The remaining balance of *unrestricted net position*, \$24 million, or 24% may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City of Bemidji is able to report positive balances in all categories of net position, both for the government as a whole, as well as for its business-type activities.

Governmental Activities. Net position of the City's governmental activities increased by \$651,000 due primarily to revenues and transfers in excess of expenditures.

Restricted net position – assets whose use is limited to specified purposes increased \$1.4 million primarily due to lease purchase agreement for the Honeywell Energy Savings Project.

Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints increased by \$1.7 million primarily due to the decrease in net investment in capital assets net position.

Business-type Activities. Business-type activities decreased net position by \$723,000 due to expenditures and transfers in excess of revenues.

	For the Year Ended December 31, 2014			For the Year Ended December 31, 2013		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Revenues:						
Program Revenues:						
Charges for Services	\$ 2,553,217	\$ 14,898,070	\$ 17,451,287	\$ 2,497,188	\$ 13,965,003	\$ 16,462,191
Operating Grants and Contributions	823,045	5,534	828,579	720,445	14,479	734,924
Capital Grants and Contributions	456,532	-	456,532	847,745	-	847,745
General Revenues:						
Taxes	5,309,908	251,093	5,561,001	5,173,378	251,097	5,424,475
Grants and Aids Not Restricted	3,211,280	-	3,211,280	2,906,194	-	2,906,194
Special Assessments	478,682	83,339	562,021	653,046	80,257	733,303
Investment Earnings	135,282	96,002	231,284	126,246	69,560	195,806
Other Revenue	1,267,284	423,556	1,690,840	436,697	1,505,550	1,942,247
Total Revenues	14,235,230	17,982,281	32,217,511	13,360,939	17,954,778	31,315,717
Expenses:						
General Government	1,592,426	-	1,592,426	1,517,195	-	1,517,195
Public Safety	5,449,790	-	5,449,790	5,290,086	-	5,290,086
Streets and Highways	4,163,638	-	4,163,638	4,323,696	-	4,323,696
Culture and Recreation	2,188,862	-	2,188,862	1,922,745	-	1,922,745
Economic Development	483,744	-	483,744	159,963	-	159,963
Cemetery	1,038	-	1,038	1,238	-	1,238
Other	290,515	-	290,515	1,174,225	-	1,174,225
Interest on Long-term Debt	871,802	-	871,802	1,050,549	-	1,050,549
Municipal Liquor	-	4,765,064	4,765,064	-	4,520,664	4,520,664
Public Utilities	-	4,478,864	4,478,864	-	4,045,310	4,045,310
The Sanford Center	-	8,003,961	8,003,961	-	8,626,452	8,626,452
Total Expenses	15,041,815	17,247,889	32,289,704	15,439,697	17,192,426	32,632,123
Transfers from (to) Other Funds	1,457,499	(1,457,499)	-	2,457,145	(2,457,145)	-
Change in Net Position	650,914	(723,107)	(72,193)	378,387	(1,694,793)	(1,316,406)
Net Position - Beginning of Year (as previously stated)	53,849,231	44,470,530	98,319,761	53,190,285	46,165,323	99,355,608
Prior Period Adjustment	-	-	-	280,559	-	280,559
Net Position - Beginning of Year (as restated)	53,849,231	44,470,530	98,319,761	53,470,844	46,165,323	99,636,167
Net Position - End of Year	\$ 54,500,145	\$ 43,747,423	\$ 98,247,568	\$ 53,849,231	\$ 44,470,530	\$ 98,319,761

CITY OF BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

Governmental Activities

Revenues

Major sources of revenue for governmental activities continue to be property taxes and state aid. Revenue for the City's governmental activities increased by \$874,000, or 6.5%. The major component of this change was an increase in other revenue of \$830,000 due to FMV gain on investments for the current year.

Expenses

Expenses for governmental activities decreased \$398,000, or 1% due to:

- \$75,000 increase in general government
- \$160,000 increase in public safety
- \$160,000 decrease in streets and highways
- \$266,000 increase in culture and recreation
- \$324,000 increase in economic development
- \$884,000 decrease in other
- \$179,000 decrease in interest on long-term debt

Business-Type Activities

Revenues

The City's business-type revenues increased by \$27,000, or less than 1% due primarily to:

- \$933,000 increase in charges for services due to rate increases and increased sales
- \$1.1 million decrease in other revenue due primarily to land sale proceeds in prior year

Expenses

The City's expenses for business-type activities increased \$55,000, or less than 1% due primarily to decreased Sanford Center interest expense (\$985,000), this was partially offset by operating expenses increasing (\$365,000) and Municipal Liquor cost of goods sold and operating expenses increasing (\$222,000) and Public Utilities increasing depreciation (\$313,000) and utilities (\$101,000).

User fees or charges for services support business-type activities. Since all business-type activities require significant physical assets to operate, any excess revenues are held for future capital expenditures to keep pace with the growing demand for services and regularly scheduled maintenance and repairs.

CITY OF BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

Water, sewer, refuse and storm water rates are reviewed annually to insure they are sufficient to cover operational, debt service and capital costs. Prioritizing capital projects based on need coupled with inflationary increases is the primary method the City utilizes to maintain the financial health of its enterprise funds.

Financial Analysis of the Government's Funds

The City of Bemidji uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

At the end of the 2014 fiscal year, the City governmental funds reported combined fund balances of \$15.4 million. Approximately 25% of this amount, or \$3.8 million, constitutes *assigned fund balance*, which is available for spending for specific purposes including capital projects. *Nonspendable fund balance* of \$145,850 relates to resources to cover prepaid expenditures. *Restricted fund balance* of \$5.3 million is for Parks and Trail improvements, PEG cable capital expenditures and debt service. See audit pages 36 to 37 for further detail.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the City had adequate fund balance to meet the unassigned fund balance policy described in Note 1. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balances for cash flow to total general fund expenditures. Unassigned fund balance for cash flow and unplanned expenses represents 50% of 2015 budgeted general fund expenditures which is city policy.

Proprietary Funds. The City of Bemidji proprietary funds statements found on pages 24-26 provide the same type of information found in the government-wide financial statements, but in more detail.

Net position in the respective proprietary funds are Public Utilities \$28.8 million, Municipal Liquor \$2.3 million and The Sanford Center \$12.7 million. The Public Utility and Municipal Liquor Fund had similar net position as the previous year. The Sanford Center net position decreased \$1.8 million due to operating losses and long term debt interest payments.

User fees were changed in all proprietary funds during 2014 except storm water.

CITY OF BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

General Fund Budgetary Highlights

The City revised its budget several times during the year to account for:

- Adjusting revenues and expenses to reflect actual or projected activity
- Reclassifying expenses between line items
- Changes in timing for capital asset construction and related funding

Capital Assets

At the end of 2014 the City of Bemidji had invested in broad range of capital assets for its governments and business-type activities amounting to \$139 million (net of accumulated depreciation) representing a decrease of \$3 million from the previous year. Capital asset additions and construction of \$4.4 million were offset by depreciation of \$7.5 million. This investment includes land, buildings, improvements, equipment and infrastructure as shown below.

City of Bemidji, Minnesota's Capital Assets

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
Land, Buildings and Improvements	\$ 25,994,817	\$ 33,875,346	\$ 75,696,926	\$ 75,290,531	\$ 101,691,743	\$ 109,165,877
Furniture, Fixtures and Equipment	7,062,546	6,795,933	14,408,302	14,035,185	21,470,848	20,831,118
Other Improvements	-	-	27,355,502	26,493,164	27,355,502	26,493,164
Infrastructure	55,143,431	53,912,657	-	-	55,143,431	53,912,657
Infrastructure in Progress	168,804	16,438	-	-	168,804	16,438
Construction in Progress	784,842	113,793	92,558	203,348	877,400	317,141
Less Accumulated Depreciation	<u>(42,314,614)</u>	<u>(38,940,326)</u>	<u>(33,662,299)</u>	<u>(29,741,257)</u>	<u>(75,976,913)</u>	<u>(68,681,583)</u>
Total	<u>\$ 46,839,826</u>	<u>\$ 55,773,841</u>	<u>\$ 83,890,989</u>	<u>\$ 86,280,971</u>	<u>\$ 130,730,815</u>	<u>\$ 142,054,812</u>

Additional information on the City of Bemidji, Minnesota's capital assets can be found in the notes to financial statements on pages 43 to 44 of this report.

Long Term Debt

The City finances capital projects with general obligation bonds, revenue bonds, lease purchases, grants and cash. At the end of the current fiscal year, the City of Bemidji had \$69.4 million in bonds, lease purchases and notes outstanding. The full faith and credit of the government back this entire debt. Primary sources for the repayment of the majority of this debt include tax increment, special assessment, lease revenue, energy savings and utility user fees.

CITY OF BEMIDJI, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014

City of Bemidji, Minnesota's Outstanding Debt
 General Obligation and Revenue Bonds

	Governmental Activities		Business-Type Activities		Totals	
	2014	2013	2014	2013	2014	2013
General Obligation Bonds	\$ 16,510,000	\$ 18,045,000	\$ -	\$ -	\$ 16,510,000	\$ 18,045,000
Lease Purchase	2,051,181	-	-	-	2,051,181	-
Revenue Bonds	-	-	50,795,000	51,430,000	50,795,000	51,430,000
Total	<u>\$ 18,561,181</u>	<u>\$ 18,045,000</u>	<u>\$ 50,795,000</u>	<u>\$ 51,430,000</u>	<u>\$ 69,356,181</u>	<u>\$ 69,475,000</u>

A total of \$7 million was retired. A more detailed breakdown of these obligations can be found in the notes to financial statements on pages 44 to 46.

The City of Bemidji's bond rating is Aa3 as of 2014.

Economic Factors and Next Year's Budget and Rates

The City of Bemidji elected officials and staff considered many factors when setting the fiscal year 2014 budget, rates, tax levy and fees. The most important factor considered in the city's budget is the amount of local government aid the City receives. The uncertainty of this revenue stream causes concern for long term planning purposes.

Utility fees adjustments were examined with increases projected for 2014 and beyond to properly maintain and expand current water, sewer and storm water infrastructure.

To deal with swings in the economy and to plan for future capital expansion, the City routinely puts aside resources. The City strives for revenue diversification and reviews user fees as a means to maintain control on a larger percentage of revenues at the local level as well as to access the tax exempt property values (51%) within the City.

New development activity completed in 2014 includes a hotel connected to The Sanford Center as well as residential development on the South Shore.

Requests for Information

This financial report is designed to provide a general overview of the City of Bemidji finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, City of Bemidji, 317 4th St NW, Bemidji, MN 56601, or roneischens@ci.bemidji.mn.us.

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>ASSETS</u>			
Pooled Cash and Investments	\$ 14,997,474	\$ 10,406,069	\$ 25,403,543
Cash with Fiscal Agent	1,504,625	-	1,504,625
Receivables:			
Accounts Receivable	514,118	3,121,431	3,635,549
Taxes Receivable	113,687	-	113,687
Special Assessments Receivable	1,742,930	652,995	2,395,925
Interest Receivable	20,776	19,008	39,784
Due From Other Governments	2,621,643	10,701	2,632,344
Notes Receivable	1,061,090	-	1,061,090
Internal Balances	(12,356)	12,356	-
Inventories	-	820,736	820,736
Prepaid Expenses	153,245	218,840	372,085
Capital Assets:			
Non-Depreciable Assets	9,041,046	5,494,100	14,535,146
Depreciable Capital Assets, Net of Depreciation	<u>45,886,180</u>	<u>78,396,889</u>	<u>124,283,069</u>
Total Assets	<u>77,644,458</u>	<u>99,153,125</u>	<u>176,797,583</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred Charge on Refunding	<u>15,812</u>	<u>23,700</u>	<u>39,512</u>
<u>LIABILITIES</u>			
Accounts Payable	575,785	913,400	1,489,185
Customer Deposits	-	66,218	66,218
Accrued Interest	172,134	1,096,066	1,268,200
Due To Other Governments	5,558	13,535	19,093
Unearned Revenues	2,707,480	2,162,390	4,869,870
Accrued Payroll	264,389	120,728	385,117
Long-term Liabilities:			
Portion Due Within One Year	1,794,405	582,047	2,376,452
Portion Due After One Year	<u>17,640,374</u>	<u>50,475,018</u>	<u>68,115,392</u>
Total Liabilities	<u>23,160,125</u>	<u>55,429,402</u>	<u>78,589,527</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	36,366,045	33,044,161	69,410,206
Restricted For:			
Debt Service	2,947,861	-	2,947,861
Lease Purchase Agreement	1,762,943	-	1,762,943
Unrestricted	<u>13,423,296</u>	<u>10,703,262</u>	<u>24,126,558</u>
Total Net Position	<u>\$ 54,500,145</u>	<u>\$ 43,747,423</u>	<u>\$ 98,247,568</u>

See Accompanying Notes to Financial Statements.

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues			Net Revenue (Expense) and Change in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	\$ 1,592,426	\$ 272,396	\$ 10,724	\$ 106,039	\$ (1,203,267)	\$ -	\$ (1,203,267)
Public Safety	5,449,790	1,012,934	639,971	-	(3,796,885)	-	(3,796,885)
Streets and Highways	4,163,638	-	-	350,493	(3,813,145)	-	(3,813,145)
Culture and Recreation	2,188,862	221,286	172,350	-	(1,795,226)	-	(1,795,226)
Economic Development	483,744	-	-	-	(483,744)	-	(483,744)
Public Transportation	1,038	-	-	-	(1,038)	-	(1,038)
Other	290,515	1,046,601	-	-	756,086	-	756,086
Interest on Long-Term Debt	871,802	-	-	-	(871,802)	-	(871,802)
Total Governmental Activities	<u>15,041,815</u>	<u>2,553,217</u>	<u>823,045</u>	<u>456,532</u>	<u>(11,209,021)</u>	<u>-</u>	<u>(11,209,021)</u>
Business-Type Activities							
Municipal Liquor	4,765,064	5,556,520	2,024	-	-	793,480	793,480
Public Utilities	4,478,864	6,340,976	3,510	-	-	1,865,622	1,865,622
The Sanford Center	8,003,961	3,000,574	-	-	-	(5,003,387)	(5,003,387)
Total Business-Type Activities	<u>17,247,889</u>	<u>14,898,070</u>	<u>5,534</u>	<u>-</u>	<u>-</u>	<u>(2,344,285)</u>	<u>(2,344,285)</u>
Total	<u>\$ 32,289,704</u>	<u>\$ 17,451,287</u>	<u>\$ 828,579</u>	<u>\$ 456,532</u>	<u>(11,209,021)</u>	<u>(2,344,285)</u>	<u>(13,553,306)</u>
General Revenues:							
					5,309,908	251,093	5,561,001
					3,211,280	-	3,211,280
					478,682	83,339	562,021
					-	2,224,687	2,224,687
					135,282	96,002	231,284
					1,267,284	423,556	1,690,840
					1,457,499	(1,457,499)	-
					<u>11,859,935</u>	<u>1,621,178</u>	<u>13,481,113</u>
					<u>650,914</u>	<u>(723,107)</u>	<u>(72,193)</u>
					<u>53,568,672</u>	<u>44,470,530</u>	<u>98,039,202</u>
					<u>280,559</u>	<u>-</u>	<u>280,559</u>
					<u>53,849,231</u>	<u>44,470,530</u>	<u>98,319,761</u>
					<u>\$ 54,500,145</u>	<u>\$ 43,747,423</u>	<u>\$ 98,247,568</u>

See Accompanying Notes to Financial Statements.

CITY OF BEMIDJI, MINNESOTA
BALANCE SHEET -
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General Fund	Permanent Improvement Fund	2007 Improvement Bond Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>					
Current Assets:					
Pooled Cash and Investments	6,842,699	\$ 3,215,254	\$ 306,276	\$ 4,484,294	\$ 14,848,523
Cash with Fiscal Agent	-	-	-	1,504,625	1,504,625
Accounts Receivable	288,020	833	22,176	203,089	514,118
Taxes Receivable	94,227	8,831	9,598	1,031	113,687
Special Assessments Receivable	20,719	1,365,062	-	357,149	1,742,930
Interest Receivable	8,799	7,047	-	4,930	20,776
Due From Other Funds	19,964	-	-	-	19,964
Due From Other Governments	164,133	21,393	3,344	2,432,773	2,621,643
Notes Receivable	-	-	-	1,061,090	1,061,090
Prepaid Expenses	129,687	5,411	-	10,752	145,850
Total Assets	7,568,248	4,623,831	341,394	10,059,733	22,593,206
Deferred Outflows of Resources:					
Deferred Charge on Refunding	-	-	15,812	-	15,812
Total Assets and Deferred Outflows of Resources	\$ 7,568,248	\$ 4,623,831	\$ 357,206	\$ 10,059,733	\$ 22,609,018
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>					
Liabilities:					
Accounts Payable	\$ 413,918	\$ 2,333	-	\$ 126,338	\$ 542,589
Due To Other Funds	-	-	-	32,320	32,320
Due To Other Governments	-	-	-	5,558	5,558
Unearned Revenues	22,786	11,318	-	2,497,662	2,531,766
Accrued Wages Payable	194,023	-	-	12,725	206,748
Accrued Payroll Liabilities	51,959	-	-	3,254	55,213
Compensated Absences	703,201	-	-	38,189	741,390
Total Liabilities	1,385,887	13,651	-	2,716,046	4,115,584
Deferred Inflows of Resources:					
Unavailable Revenue	114,946	1,373,893	9,598	1,589,270	3,087,707
Fund Balances:					
Nonspendable	129,687	5,411	-	10,752	145,850
Restricted	-	-	347,608	4,955,032	5,302,640
Committed	-	-	-	743,622	743,622
Assigned	588,425	3,230,876	-	16,445	3,835,746
Unassigned	5,349,303	-	-	28,566	5,377,869
Total Fund Balances	6,067,415	3,236,287	347,608	5,754,417	15,405,727
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,568,248	\$ 4,623,831	\$ 357,206	\$ 10,059,733	\$ 22,609,018

See Accompanying Notes to Financial Statements.

CITY OF BEMIDJI, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$	15,405,727
 Amounts reported for governmental activities in the statement of net position are different because:		
 Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds (excluding internal service fund):		
Governmental Capital Assets	\$	96,587,546
Less Accumulated Depreciation		<u>(42,205,218)</u>
		54,382,328
 Unearned and unavailable revenues in governmental funds is susceptible to full accrual on the government-wide statements.		
		2,911,993
 Long-term liabilities are not payable with current financial resources and are therefore not reported in the governmental funds (excludes internal service fund).		
Bonds Payable		(16,510,000)
Lease Payable		(2,051,181)
Compensated Absences		<u>(103,771)</u>
		(18,664,952)
 Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.		
		(172,134)
 The City uses an internal service fund to charge costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		
		<u>637,183</u>
 NET POSITION OF GOVERNMENTAL ACTIVITIES	 \$	 <u><u>54,500,145</u></u>

See Accompanying Notes to Financial Statements.

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General Fund	Permanent Improvement Fund	2007 Improvement Bond Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes	\$ 4,276,955	\$ 353,093	\$ 324,253	\$ 358,735	\$ 5,313,036
Special Assessments	210	339,554	-	436,985	776,749
Licenses and Permits	273,741	-	-	416,762	690,503
Intergovernmental	3,918,791	210,000	-	362,066	4,490,857
Charges for Services	699,330	-	-	948,033	1,647,363
Fines and Forfeits	178,029	-	-	37,322	215,351
Interest Income	67,345	31,797	1,830	34,310	135,282
Other Revenues	82,238	30,101	-	234,295	346,634
Total Revenues	9,496,639	964,545	326,083	2,828,508	13,615,775
Expenditures					
Current:					
General Government	1,489,533	5,885	-	-	1,495,418
Public Safety	4,615,552	-	-	583,568	5,199,120
Streets and Highways	1,835,928	152,966	-	9,447	1,998,341
Culture and Recreation	1,081,161	-	-	501,017	1,582,178
Housing and Economic Development	118,101	551	-	202,902	321,554
Public Transportation	10,891	-	-	-	10,891
Miscellaneous	28,928	26,699	31,795	10,851	98,273
Capital Outlay	899,928	1,347,035	-	197,916	2,444,879
Debt Service:					
Principal Retirement	-	-	3,365,000	1,310,000	4,675,000
Interest and Fiscal Charges	-	-	87,291	823,194	910,485
Total Expenditures	10,080,022	1,533,136	3,484,086	3,638,895	18,736,139
Revenues Over (Under) Expenditures	(583,383)	(568,591)	(3,158,003)	(810,387)	(5,120,364)
Other Financing Sources (Uses)					
Proceeds from Sale of Long-term Debt	-	-	3,140,000	2,051,181	5,191,181
Proceeds from Sale of Capital Asset	15,157	-	-	-	15,157
Transfers In	1,632,850	674,621	244	1,108,385	3,416,100
Other Sources (Uses)	942,521	-	-	16,250	958,771
Transfers Out	(868,681)	-	-	(1,346,687)	(2,215,368)
Total Other Financing Sources (Uses)	1,721,847	674,621	3,140,244	1,829,129	7,365,841
Change in Fund Balance	1,138,464	106,030	(17,759)	1,018,742	2,245,477
Fund Balance - Beginning of Year (as previously stated)	4,928,951	3,130,257	365,367	5,664,289	14,088,864
Prior Period Adjustment	-	-	-	(928,614)	(928,614)
Fund Balance - Beginning of Year (as restated)	4,928,951	3,130,257	365,367	4,735,675	13,160,250
Fund Balance - End of Year	\$ 6,067,415	\$ 3,236,287	\$ 347,608	\$ 5,754,417	\$ 15,405,727

See Accompanying Notes to Financial Statements.

CITY OF BEMIDJI, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	2,245,477
 Amounts reported for governmental activities in the statement of activities are different because:		
 Capital outlay is reported as expenditures in governmental funds. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are (excluding internal service fund):		
Capital Outlay		2,680,762
Depreciation		<u>(3,545,447)</u>
Excess Capital Outlay Over (Under) Depreciation		(864,685)
 Disposal of fixed assets are only reported in the governmental funds when cash is received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(112,020)
 In the statement of activities compensated absences is measured by the amounts earned each year. In the governmental funds, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).		
This year compensated absences used exceeded the amount earned		12,527
 Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
		(344,433)
 Proceeds from the sale of long-term debt are reported as revenue in governmental funds, but the proceeds increase the long-term liabilities on the statement of net assets. In the current period this consisted of:		
Bond Proceeds		(5,191,181)
 Repayment of long-term debt are reported as an expenditure in governmental funds, but the repayment reduces the long-term liabilities on the statement of net position. In the current period these amounts consisted of:		
Bond Principal Retirement		4,675,000
 Interest is recognized as expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due.		
		37,340
 An internal service fund is used to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		
		<u>192,889</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u><u>650,914</u></u>

See Accompanying Notes to Financial Statements.

CITY OF BEMIDJI, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Public Utilities Fund	Municipal Liquor Store Fund	The Sanford Center Fund	Totals	Governmental Activities- Internal Service Fund
<u>ASSETS AND DEFERRED OUTFLOWS</u>					
<u>OF RESOURCES</u>					
<u>Current Assets</u>					
Cash and Cash Equivalents	\$ 7,747,110	\$ 1,389,807	\$ 1,269,152	\$ 10,406,069	\$ 148,951
Accounts Receivable	3,046,457	1,363	73,611	3,121,431	-
Special Assessments Receivable	646,720	-	6,275	652,995	-
Accrued Interest Receivable	17,419	1,589	-	19,008	-
Due from Other Funds	12,356	-	-	12,356	-
Due from Other Governments	8,170	-	2,531	10,701	-
Inventory	-	760,438	60,298	820,736	-
Prepaid Expenses	38,541	13,944	166,355	218,840	7,395
Total Current Assets	11,516,773	2,167,141	1,578,222	15,262,136	156,346
<u>Capital Assets</u>					
Land	1,372,496	295,954	3,733,092	5,401,542	-
Buildings and Improvements	17,796,741	765,301	51,733,342	70,295,384	-
Other Improvements	27,355,502	-	-	27,355,502	-
Machinery and Equipment	3,393,996	130,343	10,883,963	14,408,302	505,657
Construction in Process	48,685	4,948	38,925	92,558	148,637
Total Capital Assets	49,967,420	1,196,546	66,389,322	117,553,288	654,294
Less Accumulated Depreciation	23,497,229	580,677	9,584,393	33,662,299	109,396
Capital Assets, Depreciated Value	26,470,191	615,869	56,804,929	83,890,989	544,898
Total Assets	37,986,964	2,783,010	58,383,151	99,153,125	701,244
<u>Deferred Outflows of Resources</u>					
Deferred Charge on Refunding	23,700	-	-	23,700	-
Total Assets and Deferred Outflows of Resources	\$ 38,010,664	\$ 2,783,010	\$ 58,383,151	\$ 99,176,825	\$ 701,244
<u>LIABILITIES AND NET POSITION</u>					
<u>Current Liabilities</u>					
Accounts Payable	\$ 207,321	\$ 447,781	\$ 258,298	\$ 913,400	\$ 33,196
Customer Deposits	-	-	66,218	66,218	-
Due to Other Governments	27	-	13,508	13,535	-
Unearned Revenue	1,819,996	627	341,767	2,162,390	-
Accrued Payroll Liabilities	34,838	25,745	60,145	120,728	2,428
Accrued Interest Payable	110,423	-	985,643	1,096,066	-
Current Portion of Compensated Absences	32,728	9,319	-	42,047	5,687
Bonds, Notes, and Loans Payable	540,000	-	-	540,000	-
Total Current Liabilities	2,745,333	483,472	1,725,579	4,954,384	41,311
<u>Long-term Liabilities, Net of Current Maturities</u>					
Compensated Absences	163,640	46,597	-	210,237	28,437
Less: Current Portion	(32,728)	(9,319)	-	(42,047)	(5,687)
Bonds, Notes, and Loans Payable	6,795,000	-	44,000,000	50,795,000	-
Bond Premium	51,828	-	-	51,828	-
Less: Current Portion	(540,000)	-	-	(540,000)	-
Total Long-term Liabilities	6,437,740	37,278	44,000,000	50,475,018	22,750
Total Liabilities	9,183,073	520,750	45,725,579	55,429,402	64,061
<u>Net Position</u>					
Net Investment in Capital Assets	19,623,363	615,869	12,804,929	33,044,161	544,898
Unrestricted	9,204,228	1,646,391	(147,357)	10,703,262	92,285
Total Net Position	28,827,591	2,262,260	12,657,572	43,747,423	637,183
Total Liabilities and Net Position	\$ 38,010,664	\$ 2,783,010	\$ 58,383,151	\$ 99,176,825	\$ 701,244

See Accompanying Notes to Financial Statements.

CITY OF BEMIDJI, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014

	Public Utilities Fund	Municipal Liquor Store Fund	The Sanford Center Fund	Totals	Governmental Activities- Internal Service Fund
Sales and Cost of Sales					
Sales	\$ -	\$ 5,556,520	\$ 3,000,574	\$ 8,557,094	\$ -
Cost of Sales	-	(3,905,273)	(343,919)	(4,249,192)	-
Gross Profit	-	1,651,247	2,656,655	4,307,902	-
Operating Revenues					
Charges for Services	6,253,373	-	-	6,253,373	278,112
Utility Late Charges	44,257	-	-	44,257	-
Connection Charges	43,346	-	-	43,346	-
Other	127,503	-	-	127,503	1,649
Total Operating Revenues	6,468,479	-	-	6,468,479	279,761
Total Gross Profit and Operating Revenues	6,468,479	1,651,247	2,656,655	10,776,381	279,761
Operating Expenses					
Personal Services	1,002,687	564,984	1,677,924	3,245,595	69,052
Contractual and Professional Services	114,520	-	256,766	371,286	-
Repairs and Maintenance	692,523	16,850	27,281	736,654	83,467
Insurance	68,301	24,057	71,284	163,642	-
Utilities	420,780	41,390	400,650	862,820	138,647
Supplies	6,300	42,334	110,565	159,199	-
Other Expenses	72,470	104,966	564,788	742,224	29,756
Administrative Allocation	119,508	-	36,319	155,827	-
Depreciation	1,721,860	43,234	2,155,948	3,921,042	23,611
Total Operating Expenses	4,218,949	837,815	5,301,525	10,358,289	344,533
Operating Income (Loss)	2,249,530	813,432	(2,644,870)	418,092	(64,772)
Nonoperating Revenues (Expenses)					
Special Assessments and Sales Tax	83,339	-	2,224,687	2,308,026	-
Property Tax	-	-	251,093	251,093	-
Intergovernmental Revenues					
PERA Aid	3,510	2,024	-	5,534	250
Interest Income	81,635	10,407	3,960	96,002	644
Other Revenue	2,030	1,519	292,504	296,053	-
Interest Expense	(259,915)	-	(2,358,517)	(2,618,432)	-
Other Expense	-	(21,976)	-	(21,976)	-
Total Nonoperating Revenues (Expenses)	(89,401)	(8,026)	413,727	316,300	894
Net Income (Loss) Before Transfers	2,160,129	805,406	(2,231,143)	734,392	(63,878)
Other Financing Sources (Uses)					
Transfer In	160,486	4,948	393,666	559,100	256,767
Transfer Out	(1,615,841)	(400,758)	-	(2,016,599)	-
Total Other Financing Sources (Uses)	(1,455,355)	(395,810)	393,666	(1,457,499)	256,767
Change in Net Position	704,774	409,596	(1,837,477)	(723,107)	192,889
Net Position, Beginning of Year	28,122,817	1,852,664	14,495,049	44,470,530	444,294
Net Position, End of Year	\$ 28,827,591	\$ 2,262,260	\$ 12,657,572	\$ 43,747,423	\$ 637,183

See Accompanying Notes to Financial Statements.

CITY OF BEMIDJI, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2014

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	Public Utilities Fund	Municipal Liquor Store Fund	The Sanford Center Fund	Totals	Governmental Activities- Internal Service Fund
<u>Cash Flows from Operating Activities</u>					
Cash Received from Customers and for Services	\$ 6,327,753	\$ 5,555,879	\$ 3,335,428	\$ 15,219,060	\$ 279,761
Cash Paid to Employees and Suppliers	(2,540,684)	(4,741,961)	(4,241,369)	(11,524,014)	(325,411)
Net Cash Provided by (Used in) Operating Activities	<u>3,787,069</u>	<u>813,918</u>	<u>(905,941)</u>	<u>3,695,046</u>	<u>(45,650)</u>
<u>Cash Flows from Noncapital Financing Activities</u>					
Intergovernmental and Other Revenues	3,510	3,543	2,767,234	2,774,287	250
Other Non-Operating Expenses	-	(21,976)	-	(21,976)	-
Transfers From (To) Other Funds	(1,455,355)	(395,810)	393,666	(1,457,499)	256,767
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(1,451,845)</u>	<u>(414,243)</u>	<u>3,160,900</u>	<u>1,294,812</u>	<u>257,017</u>
<u>Cash Flows from Capital and Related Financing Activities</u>					
Purchase of Property and Equipment	(1,348,375)	(11,475)	(171,210)	(1,531,060)	(153,701)
Proceeds from Sale of Property and Equipment	2,030	-	-	2,030	-
Principal Paid on Bond Maturities	(2,660,000)	-	-	(2,660,000)	-
Proceeds from Special Assessments	141,404	-	-	141,404	-
Bond Proceeds	2,025,000	-	-	2,025,000	-
Loss on Refunding	(23,700)	-	-	(23,700)	-
Interest Paid on Bonds	(222,718)	-	(2,358,517)	(2,581,235)	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(2,086,359)</u>	<u>(11,475)</u>	<u>(2,529,727)</u>	<u>(4,627,561)</u>	<u>(153,701)</u>
<u>Cash Flows from Investing Activities</u>					
Interest Income	75,251	9,931	3,960	89,142	644
Payments From Other Funds	7,258	-	-	7,258	-
Net Cash Provided by Investing Activities	<u>82,509</u>	<u>9,931</u>	<u>3,960</u>	<u>96,400</u>	<u>644</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	331,374	398,131	(270,808)	458,697	58,310
<u>Balance - Beginning of the Year</u>	7,415,736	991,676	1,539,960	9,947,372	90,641
<u>Balance - End of the Year</u>	\$ 7,747,110	\$ 1,389,807	\$ 1,269,152	\$ 10,406,069	\$ 148,951

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:

Operating Income (Loss)	\$ 2,249,530	\$ 813,432	\$ (2,644,870)	\$ 418,092	\$ (64,772)
Depreciation	1,721,860	43,234	2,155,948	3,921,042	23,611
(Increase) Decrease in Assets:					
Accounts Receivable	(139,672)	(1,001)	322,307	181,634	-
Due from Other Governments	(1,054)	-	-	(1,054)	-
Inventory	-	(86,445)	(335)	(86,780)	-
Prepaid Expenses	(3,153)	(1,344)	(97,887)	(102,384)	(351)
Increase (Decrease) in Liabilities:					
Accounts Payable	(52,960)	37,488	(47,990)	(63,462)	10,556
Deferred Revenue	-	360	-	360	-
Customer Deposits	-	-	18,822	18,822	-
Due to Other Governments	27	-	(416)	(389)	-
Unearned Revenue	(7,763)	-	(656,380)	(664,143)	-
Deferred Charges	-	-	(6,275)	(6,275)	-
Accrued Expenses	4,808	4,864	51,135	60,807	(15,016)
Compensated Absences	15,446	3,330	-	18,776	322
Net Cash Provided by (Used in) Operating Activities	<u>\$ 3,787,069</u>	<u>\$ 813,918</u>	<u>\$ (905,941)</u>	<u>\$ 3,695,046</u>	<u>\$ (45,650)</u>

See Accompanying Notes to Financial Statements.

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION -
AGENCY FUND
DECEMBER 31, 2014

ASSETS

Due from Other Governments

\$ 439,797

LIABILITIES

Accounts Payable

\$ 439,797

See Accompanying Notes to Financial Statements.

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 - Summary of Significant Accounting Policies

A. Introduction

The City of Bemidji, Minnesota (the City) was incorporated as a municipality in 1898 and operates under a home rule charter adopted in 1952 and subsequently amended. The City has a council-manager form of government with legislative power vested in the council and executive power vested in the manager. The City Council consists of a Mayor and six Council Members. The Mayor serves a two year term and an at-large councilperson serve for a term of four years. The other five councilpersons serve for a four-year term.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United State of America (GAAP) as applied to government units by the Governmental Accounting Standards Board (GASB). The City's significant accounting policies are described below:

B. Financial Reporting Entity – Basis of Presentation

1. Component Units

As required by generally accepted accounting principles, these financial statements present the City of Bemidji, Minnesota (the primary government) and its component units. The component units discussed in the following paragraphs are included in the City's reporting entity because of the significance of their operational and financial relationship with the City.

a. Individual Component Units

City of Bemidji, Minnesota Economic Development Authority - The City of Bemidji, Minnesota Economic Development Authority's governing body consists of the City Council Members. The budget and bond issuance authorizations are approved by the primary government's governing body and any operating deficits are the responsibility of the City; therefore, the Bemidji Economic Development Authority is reported as a blended component unit of the primary government.

There are no other component units of the City of Bemidji, Minnesota requiring either blended or discrete presentation.

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

b. **Related Organizations**

Bemidji Fire Relief Association - This Association is organized as a non-profit organization by its members to provide pension and other benefits to such members in accordance with Minnesota Statutes. Its Board of Directors is appointed by the membership of the Association. All funding is conducted in accordance with Minnesota Statutes, whereby state aids flow to the Association, tax levies are determined by the Association and are only reviewed by the City, and the Association pays benefits directly to its members. The Association may certify tax levies to the County directly if the City does not carry out this function. Because the Association is able to fund its program independently of the City, it is excluded from the reporting entity.

City of Bemidji Housing and Redevelopment Authority - The City of Bemidji Housing and Redevelopment Authority (HRA) was established by Minnesota Statutes in 1967. Even though the HRA's governing board is appointed by the government's governing body, the management and operation of the HRA are the exclusive responsibilities of the HRA's governing body. Additionally, the government does not hold title to any of the HRA's assets, nor does it have any right to the HRA's surpluses.

c. **Joint Powers Agreement**

Greater Bemidji Area Joint Planning Board – The Greater Bemidji Area Joint Planning Board (GBAJPB) was created on December 19, 2007 when the City of Bemidji and the Townships of Northern and Bemidji entered into an agreement to establish and jointly administer a comprehensive planning and zoning authority. The GBAJPB promotes efficient and effective delivery of planning, zoning and subdivision services to residents in the participating jurisdictions. The GBAJPB is governed by a board consisting of eight members. The City Council appoints four of those members, and each Township appoints two members.

2. **Government-wide and Fund Financial Statements**

a. **Government-wide Financial Statements**

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the City as a whole. The primary governmental and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and city

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

b. Fund Financial Statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP).

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: special assessments, property taxes, intergovernmental revenues, charges for services, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as nonoperating in the financial statements.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, 3) unassigned.

Allocation of Indirect Expenses

The City allocates indirect expenses, primarily comprised of central governmental services, to operating functions and programs benefiting from those services. Central services include finance, legal, information technology, and administrative expenses. Allocations are based on estimates of personnel time spent providing services to programs.

C. Fund Types and Major Funds

1. Governmental Funds

The City reports the following major funds:

General Fund - used to account for all financial resources except those required to be accounted for in another fund.

Permanent Improvement Special Revenue Fund – used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally assigned to expenditures for this specified purpose, usually construction or capital in nature.

2007 Improvements Bond Fund – used to account for the repayment of General Obligation Special Assessment Improvement Bond, Series 2007.

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

2. Proprietary Funds

The City reports the following major funds:

Municipal Liquor Store Fund - The Municipal Liquor Store Fund accounts for the activities of two liquor stores.

Public Utilities Fund - The Public Utilities Fund accounts for the activities related to water, sewer, refuse and storm water.

The Sanford Center Fund – The Sanford Center Fund accounts for the activities related to the operation of the regional event center.

3. Other Fund Types

Internal Service Fund - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other department or agencies of the City, or to other governments, on a cost-reimbursement basis.

Agency Fund – The Agency Fund is a Fiduciary Fund that received grant money and paid expenditures for the building construction project for Northern Minnesota Public Television, Inc.

D. Measurement Focus and Basis of Accounting

The accounting and reporting treatment applied to a fund is determined by its measurement focus.

1. Governmental Funds

Measurement Focus - Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Reported fund balance is considered a measure of “available spendable resources.” Governmental fund operating statements represent increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in fund balance.

Basis of Accounting - Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Revenues - Major revenues that are susceptible to accrual include property taxes, excluding delinquent taxes received over 60 days after year-end, special assessments, intergovernmental revenues, charges for services, and interest on investments. Major revenues that are not susceptible to accrual include fees and miscellaneous revenues; such revenues are recorded only as received because they are not measurable until collected.

Unearned Revenues - Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when all revenue recognition criteria are met, the liability for unearned revenue is removed and revenue is recognized.

Expenditures - Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due.

2. Proprietary Funds and Internal Service Fund

Measurement Focus - Proprietary funds are accounted for on a flow of economic resources measurement focus. This means that all assets, including fixed assets, and all liabilities, including long-term liabilities, associated with fund activity are included on the balance sheets. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Basis of Accounting - Proprietary funds and Internal Service Fund are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded at the time liabilities are incurred. Unbilled utility service receivables are recorded at year-end. All applicable GASB pronouncements have been applied to the Proprietary Funds.

Operating versus Nonoperating Items - 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 revenue of the City’s enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service fund include the cost of sales and services, administrative

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

E. Assets, Liabilities, and Net Position

1. Cash and Investments

Cash and investment balances of the primary government are pooled and invested to the extent available in authorized investments. Earnings from investments are allocated to individual funds on the basis of the fund's equity in the cash and investment pool.

Investments in governmental funds are stated at fair value, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Material purchase discounts and premiums are amortized over the term of the investment. Investment earnings are accrued at the balance sheet date.

For the purposes of the statement of cash flows of the proprietary fund type, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All of the pooled cash and investments allocated to the primary government's proprietary fund types are considered to be cash and cash equivalents.

2. Inventories and Prepaid Expenses

Proprietary fund inventories are recorded at cost, which approximates market on a first-in, first-out basis. Prepaid expenses record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Prepaid expenses are similarly reported in government-wide and fund financial statements.

3. Capital Assets and Depreciation

The City's capital assets with useful lives of more than one year are stated at estimated historical cost and comprehensively reported in the government-wide financial statements. Infrastructure with useful lives of more than one year are stated at estimated historical cost – current replacement cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are reported in their respective fund and combining proprietary financial statements. Donated assets are stated at estimated fair market value on the date donated. The City generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

capitalized. Capital assets, including those of component units, are depreciated using the Alternative Depreciation System. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5-40
Other improvements	3-50
Furniture, fixtures, and equipment	3-12
Infrastructure	20

4. Capitalization of Interest

In accordance with FASC 835.20, the City adopted the policy of capitalizing net interest costs on funds borrowed to finance the construction of Proprietary Fund capital assets. For the year ended December 31, 2014, no interest was capitalized in connection with construction in progress of Proprietary Fund capital assets.

5. Long-Term Debt and Bond Discounts/Premiums

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability. Bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

6. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet 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 therefore will not be recognized as an outflow of resources (expenditure/expense) until then. Currently, the City has only one item that qualifies for reporting in this category. The deferred charge on refunding debt resulting from the difference in the carrying value of the refunded debt and its reacquisition price is deferred and amortized over the shorter of the life of the refunded or refunding debt.

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

In addition to liabilities, the statement of financial position 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 City 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. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources are reported in the governmental funds for unavailable revenues are as follows:

	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>2007 Improvement Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Property Taxes	\$ 94,227	\$ 8,831	\$ 9,598	\$ 1,031	\$ 113,687
Special Assessments	20,719	1,365,062	-	357,149	1,742,930
Notes Receivable	-	-	-	1,061,090	1,061,090
Connection Charges	-	-	-	170,000	170,000
Total	<u>\$ 114,946</u>	<u>\$ 1,373,893</u>	<u>\$ 9,598</u>	<u>\$ 1,589,270</u>	<u>\$ 3,087,707</u>

7. Fund Equity

The following classifications describe the relative strength of the spending constraints placed on the City's fund balances:

- **Nonspendable** – amounts are in a nonspendable form such as inventory or prepaid items.
- **Restricted** – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- **Committed** – amounts constrained to specific purposes by the City, using its highest level of decision-making authority (i.e., city council). To be reported as committed, amounts cannot be used for any purpose unless the City takes the same highest level action to remove or change the constraint.
- **Assigned** – amounts the City intends to use for a specific purpose. Intent can be expressed by the city council or by an official to which the city council delegates the authority.
- **Unassigned** – amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

The City Council establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. Assigned fund balance is established by the City Council through adoption or amendment of the budget as intended for specific purpose.

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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The Council also delegates the power to assign fund balances to the City Finance Director and/or City Manager.

The City would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

The City adopted a formal fund balance policy in 2011 that strives to maintain an unassigned fund balance amounting to 50% of the subsequent years General Fund budget. Any fund balance amount in excess of this requirement is considered unreserved. Fund balance amounts are reviewed annually. If the balance falls below 50%, a plan will be developed to replenish the funds by the end of the subsequent year. This policy protects the City in the event of temporary revenue shortfalls or unpredicted expenditures and provides time to react to permanent changes in the City's operating environment. At the end of 2014 the City's fund balance did meet the policy required 50% level.

As of December 31, 2014, fund equity consists of the following balances:

	<u>Major Funds</u>			<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Permanent Improvement Fund</u>	<u>2007 Improvement Bond Fund</u>		
Nonspendable:					
Prepaid Expenditures	\$ 129,687	\$ 5,411	\$ -	\$ 10,752	\$ 145,850
Restricted:					
Parks and Trail Improvements	-	-	-	851,494	851,494
PEG Cable Access Capital Improvements	-	-	-	90,174	90,174
Debt Service	-	-	347,608	4,013,364	4,360,972
Total Restricted Fund Balances	-	-	347,608	4,955,032	5,302,640
Committed:					
Building and Rental Activities	-	-	-	269,734	269,734
Economic Development	-	-	-	178,613	178,613
Library Services	-	-	-	53,839	53,839
Public Safety	-	-	-	68,120	68,120
Capital Projects - Grant Matching	-	-	-	2,957	2,957
Capital Projects - Parking Improvements	-	-	-	170,359	170,359
Total Committed Fund Balances	-	-	-	743,622	743,622
Assigned:					
Severance Pay	103,771	-	-	-	103,771
Tax Increment Districts	-	-	-	16,445	16,445
Capital Projects - Equipment	384,654	695,816	-	-	1,080,470
Capital Projects - Carnegie	100,000	-	-	-	100,000
Capital Projects - Parking Improvements	-	350,000	-	-	350,000
Capital Projects - Infrastructure	-	2,018,060	-	-	2,018,060
Grant Match	-	167,000	-	-	167,000
Total Assigned Fund Balances	588,425	3,230,876	-	16,445	3,835,746
Unassigned	5,349,303	-	-	28,566	5,377,869
Total Fund Balances	\$ 6,067,415	\$ 3,236,287	\$ 347,608	\$ 5,754,417	\$ 15,405,727

CITY OF BEMIDJI, MINNESOTA
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8. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Fund Balance Deficits

The following governmental funds had a deficit fund balance at December 31, 2014:

Paul Bunyan Narcotics Task Force Fund - The fund has a deficit fund balance of \$2,208.

Simpkins Tax Increment Special Revenue Fund – The fund has a deficit fund balance of \$12,356.

Greater MN Park & Trails Fund – The fund has a deficit fund balance of \$28,367.

The above fund balance deficits will be eliminated either by future revenue sources or operating transfers.

Expenditures in Excess of Budget

Expenditures exceed the budget in the following major funds for the year ended December 31, 2014:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 10,080,022	\$ 9,783,486	\$ 296,536
Permanent Improvements Fund	1,533,136	1,354,000	179,136

The above overages were considered by City management to be the result of necessary expenditures that are critical to operations and were approved by the City Council.

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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Note 3 - Detailed Notes on Funds and Component Units

A. Assets and Liabilities

1. Deposits and Investments

a. Deposits

Authority

In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City Council. All such depositories are members of the Federal Reserve System.

Custodial Credit Risk

The custodial credit risk for deposits is the risk that in the event of bank failure, the City's deposits may not be recovered. The City's policy for custodial credit risk is to maintain compliance with Minnesota Statutes.

Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

The City's deposits at December 31, 2014 are completely protected and, therefore, there is no custodial credit risk for deposits.

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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b. Investments

Authority

The City may invest funds as authorized by Minnesota Statutes, as follows:

- a. Governmental bonds, notes, bills, mortgages, and other securities, which were direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations as created by an act of Congress, excluding mortgage-backed securities defined as “high risk”;
- b. General obligations of a state or local government with taxing powers which was rated “A” or better by a national bond rating service;
- c. Revenue obligations of a state or local government with taxing powers which was rated “AA” or better by a national bond rating service;
- d. General obligations of the Minnesota Housing Finance Agency which was a moral obligation of the State of Minnesota and is rated “A” or better by a national bond rating service;
- e. Commercial paper issued by a United States corporation or its Canadian subsidiary and that:
 - a. Was rated in the highest quality category by at least two national recognized agencies, and
 - b. Matures in 270 days or less;
- f. Time deposits fully insured by the Federal Deposit Insurance Corporation;
- g. Bankers’ acceptances issued by United States banks; or
- h. Its own temporary obligations issued under Minn. Stat. 429.091, subd. 7, 469.178, subd. 5, or 475.61, subd. 6.
- i. Any security which is an obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by the national bond rating service or (ii) enrolled in the credit enhancement program pursuant to section 126C.55.

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the City will not be able to recover the value of the investment or the collateral securities in the possession of an outside party.

None of the underlying securities for the City's investments at December 31, 2014 are subject to custodial credit risk, as they are held in an account in the City's name, and by an agent who is not the counterparty to the investment transactions.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

The City manages its exposure to fair value of loss arising from changing interest rates by having fixed income investments with varying maturity dates.

At December 31, 2014, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities in Years</u>			<u>Credit Rating Moody/S&P</u>
		<u>Less than 1</u>	<u>1-5</u>	<u>5-10</u>	
U.S. Sponsored					
Agency Obligation	\$ 13,788,743	\$ -	\$ -	\$ 13,788,743	Aaa/AA+
Certificates of Deposit	<u>3,803,914</u>	<u>-</u>	<u>3,613,486</u>	<u>190,428</u>	Not Rated
Totals	<u>\$ 17,592,657</u>	<u>\$ -</u>	<u>\$ 3,613,486</u>	<u>\$ 13,979,171</u>	

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates of foreign currencies relative to the U.S. dollar adversely affects the fair value of an investment or a deposit. The City does not hold any investments subject to foreign currency risk.

Concentration of Credit Risk

Concentration of credit risk is required to be reported if the City's investments in any one issuer represent 5% or more of its' total investments. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investments pools, and other pooled investments are excluded from this requirement. The City's investments as of December 31, 2014 were below these limits or exempt from the requirement.

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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B. Receivables

Receivables are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has been concluded that bad debt losses on balances outstanding at year-end will be immaterial.

C. Notes Receivable – Long-Term

Notes receivable at December 31, 2014 are as follows:

<u>Note Dated</u>	<u>Authorized/ Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Balance</u>
Special Revenue Funds:				
8/24/2006	\$ 300,000	08/24/26	6.25%	\$ 175,714
4/26/2004	400,000	07/01/16	0.00%	88,885
5/19/2013	250,000	06/01/15	1.50%	250,000
7/2/2013	65,000	07/1/18	4.00%	50,158
5/3/2011	125,200	04/01/16	5.50%	108,896
10/21/2014	<u>396,774</u>	10/01/18	1.50%	<u>387,437</u>
Total	<u>\$ 1,536,974</u>			<u>\$ 1,061,090</u>

The aforementioned notes receivable are offset by unavailable revenues to indicate their long-term status. The receivable amounts are, therefore, not included in ending fund balance and are not available for spendable resources.

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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D. Capital Assets

The City of Bemidji, Minnesota reports the following changes in capital assets:

	1/1/2014			12/31/2014
	<u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u>
<u>Governmental Activities</u>				
Non-Depreciable Capital Assets				
Land	\$ 8,087,400	\$ -	\$ -	\$ 8,087,400
Infrastructure in Progress	16,438	168,804	(16,438)	168,804
Construction in Progress	113,793	671,049	-	784,842
Total Non-Depreciable Capital Assets	8,217,631	839,853	(16,438)	9,041,046
Depreciable Capital Assets				
Buildings, and Improvements	25,787,946	206,871	-	25,994,817
Furniture, Fixtures, and Equipment	6,795,933	573,404	(306,791)	7,062,546
Infrastructure	53,912,657	1,230,774	-	55,143,431
Total Depreciable Capital Assets	86,496,536	2,011,049	(306,791)	88,200,794
Less Accumulated Depreciation	(38,940,326)	(3,569,059)	194,771	(42,314,614)
Depreciable Capital Assets, Net	47,556,210	(1,558,010)	(112,020)	45,886,180
Total Governmental Activities Capital Assets, Net	\$ 55,773,841	\$ (718,157)	\$ (128,458)	\$ 54,927,226
<u>Business-Type Activities</u>				
Non-Depreciable Capital Assets				
Land	\$ 5,401,542	\$ -	\$ -	\$ 5,401,542
Construction in Progress	203,348	84,351	(195,141)	92,558
Total Non-Depreciable Capital Assets	5,604,890	84,351	(195,141)	5,494,100
Depreciable Capital Assets				
Buildings, and Improvements	69,888,989	406,395	-	70,295,384
Furniture, Fixtures, and Equipment	14,035,185	373,117	-	14,408,302
Other Improvements	26,493,164	862,338	-	27,355,502
Total Depreciable Capital Assets	110,417,338	1,641,850	-	112,059,188
Less Accumulated Depreciation	(29,741,257)	(3,921,042)	-	(33,662,299)
Depreciable Capital Assets, Net	80,676,081	(2,279,192)	-	78,396,889
Total Business-Type Activities Capital Assets, Net	\$ 86,280,971	\$ (2,194,841)	\$ (195,141)	\$ 83,890,989

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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E. Depreciation Expense

Depreciation expense was charged to function of primary government as follows:

Governmental Activities:	
General Government	\$ 64,552
Public Safety	275,806
Highways and Streets	2,548,139
Culture and Recreation	679,852
Economic Development	709
Total Governmental Activities Depreciation	<u><u>\$ 3,569,058</u></u>
Business-Type Activities:	
Municipal Liquor	\$ 43,234
Public Utilities	1,721,860
The Sanford Center	2,155,948
Total Business-Type Activities Depreciation	<u><u>\$ 3,921,042</u></u>

F. Long-Term Liabilities

The following is a schedule of changes in long-term liabilities for the year ended December 31, 2014:

	<u>1/1/2014</u> <u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>12/31/2014</u> <u>Balance</u>
<u>Primary Government:</u>				
Governmental Activities:				
General Obligation Issues:				
General Obligation Bonds	\$ 9,940,000	\$ 3,140,000	\$ 3,880,000	\$ 9,200,000
Special Assessment Bonds	3,760,000	-	325,000	3,435,000
Lease Revenue Bonds	4,345,000	-	470,000	3,875,000
Total General Obligation Issues	<u>18,045,000</u>	<u>3,140,000</u>	<u>4,675,000</u>	<u>16,510,000</u>
Lease Purchase	-	2,051,181	-	2,051,181
Compensated Absences	861,734	48,019	36,155	873,598
Total Governmental Activities	<u><u>\$18,906,734</u></u>	<u><u>\$ 5,239,200</u></u>	<u><u>\$ 4,711,155</u></u>	<u><u>\$19,434,779</u></u>
Business-Type Activities				
General Obligation Revenue Bonds	\$ 7,430,000	\$ 2,025,000	\$ 2,660,000	\$ 6,795,000
Sales Tax Revenue Bonds	44,000,000	-	-	44,000,000
Total Revenue Bonds	<u>51,430,000</u>	<u>2,025,000</u>	<u>2,660,000</u>	<u>50,795,000</u>
Compensated Absences	191,461	25,770	6,994	210,237
Unamortized Bond Premium	6,002	45,826	-	51,828
Total Business-Type Activities	<u><u>\$51,627,463</u></u>	<u><u>\$ 2,096,596</u></u>	<u><u>\$ 2,666,994</u></u>	<u><u>\$51,057,065</u></u>

CITY OF BEMIDJI, MINNESOTA
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The annual requirements to amortize long-term debt outstanding as of December 31, 2014 including interest are as follows:

	Primary Government							
	Governmental Activities							
	G.O Bonds		Lease Revenue Bonds		Special Assessment Bonds		Lease Purchase	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 755,000	\$ 300,452	\$ 490,000	\$ 165,344	\$ 340,000	\$ 133,590	\$ 34,685	\$ 81,842
2016	735,000	219,698	510,000	145,744	355,000	119,690	39,576	80,458
2017	655,000	204,610	525,000	125,344	365,000	105,290	44,766	78,879
2018	615,000	191,535	550,000	103,688	380,000	90,390	50,273	77,092
2019	615,000	178,741	575,000	81,000	395,000	74,830	56,111	75,087
2020-2024	3,170,000	663,131	600,000	55,125	1,600,000	132,330	380,939	336,693
2025-2029	2,655,000	182,673	625,000	28,125	-	-	587,141	245,150
2030-2034	-	-	-	-	-	-	857,690	107,579
Totals	<u>\$ 9,200,000</u>	<u>\$ 1,940,840</u>	<u>\$ 3,875,000</u>	<u>\$ 704,370</u>	<u>\$ 3,435,000</u>	<u>\$ 656,120</u>	<u>\$ 2,051,181</u>	<u>\$ 1,082,780</u>

	Primary Government			
	Business-Type Activities			
	G.O. Revenue Bonds		Sales Tax Revenue Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 540,000	\$ 422,037	\$ -	\$ 2,357,812
2016	570,000	347,856	100,000	2,356,313
2017	585,000	314,031	120,000	2,353,013
2018	600,000	278,600	190,000	2,348,363
2019	615,000	241,763	265,000	2,340,875
2020-2024	1,555,000	711,675	2,700,000	11,418,650
2025-2029	1,360,000	374,716	5,805,000	10,304,950
2030-2034	970,000	69,303	10,100,000	8,318,438
2035-2039	-	-	16,045,000	4,983,845
2040-2041	-	-	8,675,000	532,050
Totals	<u>\$ 6,795,000</u>	<u>\$ 2,759,981</u>	<u>\$ 44,000,000</u>	<u>\$ 47,314,309</u>

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
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City indebtedness at December 31, 2014 is composed of the following:

	Interest Rates	Issue Date	Maturity Date	Amount		Amounts Due in 2015	
				Authorized and Issued	Amount Outstanding	Principal	Interest
Primary Government:							
General Obligation Bonds:							
Street Reconstruction and Ref, Series 2009	2.0-3.5	05/26/09	02/01/17	\$ 1,855,000	\$ 310,000	\$ 130,000	\$ 7,925
Capital Improvement Bonds, Series 2007	3.70-4.15	09/27/07	02/01/28	4,810,000	230,000	230,000	66,692
Refunding Bonds, Series 2014	2.00-3.00	05/21/14	02/01/28	3,140,000	3,140,000	-	73,550
BEDA Refunding, Series 2012	2.00-3.90	08/01/12	02/01/28	5,915,000	5,520,000	395,000	152,285
Total General Obligation Bonds				<u>\$ 15,720,000</u>	<u>\$ 9,200,000</u>	<u>\$ 755,000</u>	<u>\$ 300,452</u>
Lease Purchase 2014	3.99	08/27/14	08/27/34	<u>\$ 2,051,181</u>	<u>\$ 2,051,181</u>	<u>\$ 34,685</u>	<u>\$ 81,842</u>
General Obligation Special Assessment Bonds:							
Improvement Bonds, Series 2005	3.50-4.20	10/26/05	02/01/21	770,000	415,000	55,000	15,880
Improvement Bonds, Series 2008	3.75-4.25	08/20/08	02/01/23	4,310,000	3,020,000	285,000	117,710
Total General Obligation Special Assessment Bonds				<u>\$ 5,080,000</u>	<u>\$ 3,435,000</u>	<u>\$ 340,000</u>	<u>\$ 133,590</u>
General Obligation Revenue Bonds:							
BCA Lease Revenue Bonds, Refunding Series 2008	5.25-5.80	04/04/00	12/01/21	\$ 6,300,000	\$ 3,875,000	\$ 490,000	\$ 165,344
Water & Sewer Revenue Bonds, Series 2005	3.00-3.85	10/26/05	02/01/20	4,970,000	360,000	360,000	45,255
Water & Sewer Revenue Bonds, Refunding Series 2014	2.00-3.00	05/21/14	02/01/20	2,025,000	2,025,000	-	40,500
Public Utility Revenue Bonds, Series 2011B	3.00-4.75	05/05/11	02/01/32	4,755,000	4,410,000	180,000	170,938
Total General Obligation Revenue Bonds				<u>\$ 18,050,000</u>	<u>\$ 10,670,000</u>	<u>\$ 1,030,000</u>	<u>\$ 422,037</u>
Sales Tax Revenue Bonds, Series 2011	3.00-6.00	02/15/11	02/01/41	<u>\$ 44,000,000</u>	<u>\$ 44,000,000</u>	<u>\$ -</u>	<u>\$ 2,357,813</u>

General obligation bonded debt of all Minnesota cities is issued in accordance with state statutes. When a bond issue to be financed by ad valorem tax levy is sold, specific annual amounts of such tax levies are stated in the bond resolution and the County Auditor is notified and instructed to levy these taxes over the appropriate years. These future tax levies are subject to cancellation when and if the City has provided alternative financing. Alternatively, the City Council is required to levy any additional taxes found necessary for the full payment of principal and interest.

G. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused paid time off and sick pay benefits. Amounts that are expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental fund that will pay them. Amounts that are not expected to be liquidated with expendable available financial resources are reported as long-term liability. Vacation leave and other employee benefit amounts are recorded as an expense and liability of those funds as the benefits accrue to employees. In accordance with the provisions of Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is vested as severance pay.

The City offers its employees the option of taking 50% of vested sick leave as a lump sum severance payment upon retirement.

CITY OF BEMIDJI, MINNESOTA
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H. Post-Employment Health Benefits

The City has post-employment health benefits available to certain employees solely at its discretion on a case by case basis.

The Bemidji City Council adopted a resolution to amend the original policy as it relates to retirees, new employees hired after April 15, 2002, and “current active employees”. A “current active employee” is defined as a full-time employee hired prior to April 15, 2002, working at least 40 hours per week. Part-time employees and temporary employees are not eligible for city contribution to retiree health insurance benefits.

In addition, the Council further amended the policy as follows:

- a. To eliminate early retirement health insurance benefits for current active employees effective May 6, 2002, so that current active employees will not routinely be eligible for City contribution to health insurance benefits following their retirement.
- b. The City Council, at its discretion, reserves the right to offer health insurance benefits at any contribution level it desires to any City employee at any time as a separation package. There are no post-employment health benefits payables at December 31, 2014.

Note 4 - Revenues

A. Municipal State Aid Allotments for Street Construction

Municipal State Aid (MSA) is recognized as revenue in the period the funds are designated for specific construction projects.

B. Local Government Aid Revenue Recognition

Local government aid is provided to the City by the State as a shared tax based upon a statutory formula and without restrictions. Payment from the State is generally received during each calendar year for that calendar year. The City recognizes local government aid revenue when it becomes both measurable and available to finance current operations. In practice, local government aid is recognized as revenue as it is received in cash.

CITY OF BEMIDJI, MINNESOTA
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C. Property Tax Revenue Recognition

The City Council annually adopts a tax levy and certifies it to the County in December for collection in the following year. Such taxes become a lien on January 1 and are recorded as a receivable by the City at that date. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. These taxes are payable by May 15 and October 15 of each calendar year by the property owners. These taxes are collected by the County and remitted to the City by approximately July 15 and December 15. Additionally, delinquent collections (November through December) are remitted to the City each January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land (as defined in State Statutes) in which event the property is subject to such sale after five years.

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and homestead credits received by the City are recognized as revenue for the current year. Additionally, taxes collected by the County by December 31 (remitted to the City the following January) and credits not received at the normal time are recognized as revenue for the current year.

Unpaid delinquent taxes are generally measurable but not available to finance the expenditures of the current year. Accordingly, these taxes are not recognized as revenue until they are collected by the County. Unpaid delinquent property taxes are reflected in the balance sheets at December 31 subject to a 100% deferral of revenue.

D. Special Assessments Receivable

Special assessments receivable include the following components:

1. Unremitted – includes amounts held by the County as collection agent.
2. Delinquent – includes amounts billed to property owners but not paid as of December 31, 2014.
3. Unearned – includes assessment installments which will be billed to property owners in future years.

Special assessment-principal revenues are recognized as installments become measurable and available. Special assessment-interest revenues are recognized when due, net of delinquencies. Unearned revenue in governmental activities is susceptible to full accrual on the government-wide statements.

CITY OF BEMIDJI, MINNESOTA
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Note 5 - 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 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 is subject to a deductible of \$2,500 per occurrence. The City's workers compensation coverage is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

Property and casualty insurance coverage is 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. For property and casualty coverage, the City has a \$5,000 deductible per occurrence with no annual maximum.

The City carries commercial insurance for all other risks of loss, including life, employee health and accident 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.

Note 6 - Interfund Assets/Liabilities and Transfers

Advances to and from individual funds as of December 31, 2014 are as follows:

	<u>Advances To Other Funds</u>	<u>Advances From Other Funds</u>
General Fund	\$ 19,964	\$ -
Special Revenue Funds:		
Paul Bunyan Narcotics Task Force Fund	-	13,346
Greater MN Parks & Trails Fund	-	6,618
Simpkins TIF District	-	12,356
Business-Type Activities:		
Public Utilities	12,356	-
Totals	<u>\$ 32,320</u>	<u>\$ 32,320</u>

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Public Utilities originally paid for the construction of utility infrastructure for the Simpkins Tax Increment Housing Project. Future tax increment collections are being used to repay those costs, including interest at 6%. Also the Paul Bunyan Narcotics Task Force Fund and Greater MN Parks & Trail Fund had cash deficits at December 31, 2014.

Transfers between funds are as follows:

		Transfers From				
		General	Non-Major Governmental	Municipal Liquor Store	Public Utilities	Totals
Transfers To	Operating Transfers					
	General Fund	\$ -	\$ 417,588	\$ 400,758	\$ 814,504	\$ 1,632,850
	Non-Major Governmental	372,810	635,575	-	100,000	1,108,385
	Permanent Improvement Fund	33,000	60,292	-	581,329	674,621
	2007 Improvement Bond Fund	-	244	-	-	244
	Internal Service Fund	108,130	148,637	-	-	256,767
	The Sanford Center	354,741	38,925	-	-	393,666
	Municipal Liquor Store	-	4,948	-	-	4,948
	Public Utilities	-	40,478	-	120,008	160,486
	Total Operating Transfers	<u>\$ 868,681</u>	<u>\$ 1,346,687</u>	<u>\$ 400,758</u>	<u>\$ 1,615,841</u>	<u>\$ 4,231,967</u>

Majority of transfers relate to moving funding for capital projects to the fund responsible for construction of the asset. Transfers to the General Fund of \$1,308,115 are reimbursement for operating activities occurring within the General Fund and \$324,735 relate to capital project costs. Transfers of \$120,008 within Public Utilities are transfers within individual funds of Public Utilities. Transfers were all budgeted with the exception of the \$618,015 transferred from the Honeywell Energy Savings Project Fund related to capital project costs.

Note 7 - Defined Benefit Pension Plans

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

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

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes.

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.2% of their annual covered salary in 2014. In 2014, the City of Bemidji, Minnesota was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 15.3% for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013, and 2012 were \$223,842, \$212,343, and \$201,318, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2014, 2013, and 2012 were \$374,087, \$338,098, and \$316,501, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.5% for members and 7.5% for employers) and the Police and Fire Fund (10.8% for members and 16.2% for employers).

Note 8 - Defined Contribution Plan

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specified plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make members contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

Total contributions made by the City of Bemidji, Minnesota during fiscal year 2014 were:

<u>Contribution Amount</u>		<u>% of Covered Payroll</u>		<u>Required</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Rates</u>
\$ 1,690	\$ 1,690	5.0%	5.0%	5.0%

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 9 - Segment Information

The City maintains three Business-Type Activities which provide 1) liquor, 2) water, sewer, refuse, and storm water services, and 3) The Sanford Center. Segment information is as follows:

	<u>Liquor</u> <u>Store</u>	<u>Public</u> <u>Utilities</u>	<u>The Sanford</u> <u>Center</u>
Total Assets	\$ 2,783,010	\$ 37,986,964	\$ 58,383,151
Current Assets	2,167,141	11,516,773	1,578,222
Capital Assets, Net	615,869	26,470,191	56,804,929
Total Liabilities	520,750	9,183,073	45,725,579
Current Liabilities	483,472	2,745,333	1,725,579
Long-Term Liabilities	37,278	6,437,740	44,000,000
Total Net Position	2,262,260	28,827,591	12,657,572
Unreserved	1,646,391	9,204,228	(147,357)
Net Investment in Capital Assets	615,869	19,623,363	12,804,929
Gross Profit and Operating Revenues	1,651,247	6,468,479	2,656,655
Operating Expenses	837,815	4,218,949	5,301,525
Depreciation and Amortization	43,234	1,721,860	2,155,948
Operating Income (Loss)	813,432	2,249,530	(2,644,870)
Non-Operating Revenues (Expenses)	(8,026)	(89,401)	413,727
Operating Transfers In (Out)	(395,810)	(1,455,355)	393,666
Increase (Decrease) in Net Position	409,596	704,774	(1,837,477)
Beginning Net Position	1,852,664	28,122,817	14,495,049
Ending Net Position	2,262,260	28,827,591	12,657,572
Net Cash Provided by (Used in)			
Operating Activities	813,918	3,787,069	(905,941)
Non-Capital Financing Activities	(414,243)	(1,451,845)	3,160,900
Capital and Related Financing Activities	(11,475)	(2,086,359)	(2,529,727)
Investing Activities	9,931	82,509	3,960
Beginning Cash and Cash Equivalents	991,676	7,415,736	1,539,960
Ending Cash and Cash Equivalents	1,389,807	7,747,110	1,269,152

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 10 - Commitments and Contingencies

General Programs

The City participates in numerous State and Federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grant, refunds of money received may be required and the collectability of any related receivable at December 31, 2014 may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

Construction Contracts

The City entered into several construction contracts during 2014, which includes an energy savings project. As of December 31, 2014, the City had outstanding construction contracts totaling \$1,832,069.

Litigation

The City is the defendant in several lawsuits arising principally in the normal course of operations. In the opinion of management, the outcome of these lawsuits will not have a material adverse effect on the accompanying combined financial statements and accordingly, no provision for losses has been recorded.

Note 11 - Subsequent Event

In January of 2015, the court ruled on the lawsuit relating to the Birchmont Drive special assessments, which required the City to vacate the 3rd Assessment Roll and perform a re-assessment of the project in conformity with the assessment procedures outlined in the Joint Resolution for Orderly Annexation, Section 8 B. In February of 2015, the court ordered the City to refund all payments made by the affected property owners pursuant to the 3rd Assessment Roll, whether they were specifically named in the appeals or not.

Note 12 - Prior Period Adjustment

The City has determined that certain transactions were recorded incorrectly in prior years.

Government-wide Statements: The beginning net position of the governmental activities has been restated on the government-wide statements to record a prior period adjustment to correct the elimination of unavailable revenue in prior years. The governmental activities net position will increase \$280,559.

CITY OF BEMIDJI, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

Fund Financial Statements: The beginning fund balance of the governmental funds has been restated on the fund financial statements to record a prior period adjustment to record unavailable revenue that was not recorded in prior years. The governmental funds fund balance will decrease \$928,614.

A reconciliation of the prior period ending net position and fund balance to the current year beginning net position and fund balance is as follows:

	<u>Governmental Activities</u>	<u>Governmental Funds</u>
Beginning Net Position/Fund Balance (as previously stated) \$	53,568,672	\$ 14,088,864
Unavailable Revenue	<u>280,559</u>	<u>(928,614)</u>
Beginning Net Position/Fund Balance (as restated)	<u>\$ 53,849,231</u>	<u>\$ 13,160,250</u>

CITY OF BEMIDJI, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Taxes	\$ 4,126,645	\$ 4,155,645	\$ 4,276,955	\$ 121,310
Special Assessments	-	-	210	210
Licenses and Permits	261,500	270,500	273,741	3,241
Intergovernmental	3,660,280	3,882,280	3,918,791	36,511
Charges for Services	672,940	781,440	699,330	(82,110)
Fines and Forfeits	193,000	194,000	178,029	(15,971)
Interest	65,000	53,000	67,345	14,345
Other Revenue	43,245	42,245	82,238	39,993
Total Revenues	9,022,610	9,379,110	9,496,639	117,529
Expenditures				
General Government				
Current				
Mayor and Council	138,870	138,870	136,649	2,221
City Clerk and Treasurer	877,222	881,222	826,992	54,230
Elections	12,400	12,400	11,183	1,217
Professional Services	529,680	537,180	514,709	22,471
Capital Outlay	17,000	13,000	271,672	(258,672)
Total General Government	1,575,172	1,582,672	1,761,205	(178,533)
Public Safety				
Current				
Police Protection	3,489,206	3,477,106	3,681,478	(204,372)
Fire Protection	909,671	909,671	934,074	(24,403)
Capital Outlay	628,000	269,100	318,479	(49,379)
Total Public Safety	5,026,877	4,655,877	4,934,031	(278,154)
Streets and Highways				
Current				
Street Maintenance	1,430,887	1,572,887	1,447,128	125,759
Street Engineering	436,957	431,457	388,800	42,657
Capital Outlay	235,000	231,500	206,219	25,281
Total Streets and Highways	2,102,844	2,235,844	2,042,147	193,697
Culture and Recreation				
Libraries				
Current	193,875	207,875	200,965	6,910
Parks and Recreation				
Current	857,333	887,333	880,196	7,137
Capital Outlay	59,000	49,000	103,558	(54,558)
Total Culture and Recreation	1,110,208	1,144,208	1,184,719	(40,511)
Housing and Economic Development				
Current				
Economic Development	151,385	127,385	118,101	9,284

CITY OF BEMIDJI, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Other Expenditures</u>				
Public Transportation				
Current	15,500	10,500	10,891	(391)
Contingencies	37,805	27,000	28,928	(1,928)
Total Other Expenditures	<u>53,305</u>	<u>37,500</u>	<u>39,819</u>	<u>(2,319)</u>
<u>Total Expenditures</u>	<u>10,019,791</u>	<u>9,783,486</u>	<u>10,080,022</u>	<u>(296,536)</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>(997,181)</u>	<u>(404,376)</u>	<u>(583,383)</u>	<u>(179,007)</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from Sale of Capital Asset	-	(7,500)	15,157	22,657
Transfers In	1,308,115	1,308,115	1,632,850	324,735
Other Sources (Uses)	369,210	-	942,521	942,521
Transfers Out	(668,940)	(913,940)	(868,681)	45,259
Total Other Financing Sources (Uses)	<u>1,008,385</u>	<u>386,675</u>	<u>1,721,847</u>	<u>1,335,172</u>
<u>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</u>	<u>11,204</u>	<u>(17,701)</u>	<u>1,138,464</u>	<u>1,156,165</u>
<u>Fund Balance - Beginning of Year</u>	<u>4,928,951</u>	<u>4,928,951</u>	<u>4,928,951</u>	<u>-</u>
<u>Fund Balance - End of Year</u>	<u>\$ 4,940,155</u>	<u>\$ 4,911,250</u>	<u>\$ 6,067,415</u>	<u>\$ 1,156,165</u>

See Accompanying Notes to Required Supplementary Information.

CITY OF BEMIDJI, MINNESOTA
PERMANENT IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
<u>Revenues</u>				
Taxes	\$ 350,000	\$ 350,000	\$ 353,093	\$ 3,093
Special Assessments	-	312,000	339,554	27,554
Intergovernmental	-	170,000	210,000	40,000
Charges for Services	-	70,000	-	(70,000)
Interest	32,000	27,000	31,797	4,797
Other Revenue	20,200	20,200	30,101	9,901
Total Revenues	402,200	949,200	964,545	15,345
<u>Expenditures</u>				
<u>General Government</u>				
Current				
Professional Services	19,000	19,000	5,885	13,115
<u>Streets and Highways</u>				
Current				
Street Engineering	-	13,000	152,966	(139,966)
Capital Outlay	1,110,000	1,275,000	1,327,082	(52,082)
Total Streets and Highways	1,110,000	1,288,000	1,480,048	(192,048)
<u>Culture and Recreation</u>				
Capital Outlay	22,000	22,000	19,953	2,047
<u>Housing and Economic Development</u>				
Current				
Economic Development	-	-	551	(551)
<u>Other Expenditures</u>				
Current				
Other	25,000	25,000	26,699	(1,699)
Total Expenditures	1,176,000	1,354,000	1,533,136	(179,136)
Excess of Revenues Over (Under) Expenditures	(773,800)	(404,800)	(568,591)	(163,791)
<u>Other Financing Sources (Uses)</u>				
Transfers In	633,000	633,000	674,621	41,621
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(140,800)	228,200	106,030	(122,170)
Fund Balance - Beginning of Year	3,130,257	3,130,257	3,130,257	-
Fund Balance - End of Year	\$ 2,989,457	\$ 3,358,457	\$ 3,236,287	\$ (122,170)

See Accompanying Notes to Required Supplementary Information.

CITY OF BEMIDJI, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2014

Note 1 - Budgetary Data

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General and certain special revenue funds.

Budgeted amounts are reported as originally adopted, or as amended by the City Council. The City of Bemidji, Minnesota made amendments to its budget during the year. Budgeted expenditure appropriations lapse at year-end.

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

Legal Compliance – Budgets

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

1. Prior to September 15 of each year, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and certain Special Revenue Funds. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
5. Budgets for the General Fund and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
6. As required by City Charter, the Council sets the level of budgetary control, which is legally adopted on a fund basis. Budgetary control over expenditures in the General, Special Revenue Funds and Enterprise Funds is exercised on a departmental basis for management purposes.
7. The City Manager is authorized to transfer budget amounts within departments; however, any revisions that alter the total expenditures of any department must be approved by the City Council.

CITY OF BEMIDJI, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2014

8. Budgeted amounts presented are as originally adopted and as amended. Budgeted expenditures appropriations lapse at year-end.

Note 2 – Expenditures in Excess of Budget

Expenditures exceed the budget in the following major funds for the year ended December 31, 2014:

	<u>Expenditures</u>	<u>Budget</u>	<u>Excess</u>
General Fund	\$ 10,080,022	\$ 9,783,486	\$ 296,536
Permanent Improvements Fund	1,533,136	1,354,000	179,136

The above overages were considered by City management to be the result of necessary expenditures that are critical to operations and were approved by the City Council.

CITY OF BEMIDJI, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2014

<u>ASSETS</u>	<u>Total Special Revenue Funds</u>	<u>Total Debt Service Funds</u>	<u>Totals</u>
Current Assets:			
Pooled Cash and Investments	\$ 1,984,094	\$ 2,500,200	\$ 4,484,294
Cash with Fiscal Agent	-	1,504,625	1,504,625
Accounts Receivable	33,089	170,000	203,089
Taxes Receivable	-	1,031	1,031
Special Assessments Receivable	-	357,149	357,149
Interest Receivable	1,487	3,443	4,930
Due From Other Governments	136,390	2,296,383	2,432,773
Notes Receivable	1,061,090	-	1,061,090
Prepaid Expenses	10,752	-	10,752
	<u> </u>	<u> </u>	<u> </u>
Total Assets	\$ 3,226,902	\$ 6,832,831	\$ 10,059,733
	<u> </u>	<u> </u>	<u> </u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts Payable	\$ 126,338	\$ -	\$ 126,338
Due To Other Funds	32,320	-	32,320
Due To Other Governments	5,558	-	5,558
Unearned Revenues	206,375	2,291,287	2,497,662
Accrued Wages Payable	12,725	-	12,725
Accrued Payroll Liabilities	3,254	-	3,254
Compensated Absences	38,189	-	38,189
Total Liabilities	<u>424,759</u>	<u>2,291,287</u>	<u>2,716,046</u>
Deferred Inflows of Resources:			
Unavailable Revenue	<u>1,061,090</u>	<u>528,180</u>	<u>1,589,270</u>
Fund Balances:			
Nonspendable	10,752	-	10,752
Restricted	941,668	4,013,364	4,955,032
Committed	743,622	-	743,622
Assigned	16,445	-	16,445
Unassigned	28,566	-	28,566
Total Fund Balances	<u>1,741,053</u>	<u>4,013,364</u>	<u>5,754,417</u>
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 3,226,902	\$ 6,832,831	\$ 10,059,733
	<u> </u>	<u> </u>	<u> </u>

CITY OF BEMIDJI, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	<u>Total Special Revenue Funds</u>	<u>Total Debt Service Funds</u>	<u>Totals</u>
<u>Revenues</u>			
Taxes	\$ 41,431	\$ 317,304	\$ 358,735
Special Assessments	-	436,985	436,985
Licenses and Permits	416,762	-	416,762
Intergovernmental	362,066	-	362,066
Charges for Services	239,277	708,756	948,033
Fines and Forfeits	37,322	-	37,322
Interest	14,433	19,877	34,310
Other Revenues	227,204	7,091	234,295
	<u>1,338,495</u>	<u>1,490,013</u>	<u>2,828,508</u>
<u>Total Revenues</u>			
<u>Expenditures</u>			
Public Safety	583,568	-	583,568
Streets and Highways	9,447	-	9,447
Parks and Recreation	501,017	-	501,017
Housing and Economic Development	202,902	-	202,902
Other	500	10,351	10,851
Construction and Capital Outlay	197,916	-	197,916
Debt Service:			
Principal Retirement	-	1,310,000	1,310,000
Interest and Fiscal Charges	35,417	787,777	823,194
	<u>1,530,767</u>	<u>2,108,128</u>	<u>3,638,895</u>
<u>Total Expenditures</u>			
<u>Excess of Revenues Over (Under)</u>			
<u>Expenditures</u>	<u>(192,272)</u>	<u>(618,115)</u>	<u>(810,387)</u>
<u>Other Financing Sources (Uses)</u>			
Proceeds from Sale of Long-term Debt	-	2,051,181	2,051,181
Other Sources	16,250	-	16,250
Transfers In	749,347	359,038	1,108,385
Transfers Out	(699,390)	(647,297)	(1,346,687)
Total Other Financing Sources (Uses)	<u>66,207</u>	<u>1,762,922</u>	<u>1,829,129</u>
<u>Excess of Revenues Over (Under)</u>			
<u>Expenditures and Other Financing Uses</u>	<u>(126,065)</u>	<u>1,144,807</u>	<u>1,018,742</u>
<u>Fund Balances - Beginning of Year (as previously stated)</u>	<u>2,795,732</u>	<u>2,868,557</u>	<u>5,664,289</u>
<u>Prior Period Adjustment</u>	<u>(928,614)</u>	<u>-</u>	<u>(928,614)</u>
<u>Fund Balances - Beginning of Year (as restated)</u>	<u>1,867,118</u>	<u>2,868,557</u>	<u>4,735,675</u>
<u>Fund Balances - End of Year</u>	<u>\$ 1,741,053</u>	<u>\$ 4,013,364</u>	<u>\$ 5,754,417</u>

CITY OF BEMIDJI, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
DECEMBER 31, 2014

<u>ASSETS</u>	<u>Building and Planning Fund</u>	<u>Kraus Anderson SCDP Loan Fund</u>	<u>Development Fund</u>	<u>UDAG Loan Fund</u>	<u>SCDP Westside Fund</u>	<u>DUI Penalty Assessment Fund</u>	<u>Paul Bunyan Narcotics Task Force Fund</u>	<u>PEG Cable Fee Fund</u>	<u>Parking Development and Maintenance Fund</u>	<u>OPC Rent Fund</u>
Current Assets:										
Pooled Cash and Investments	\$ 420,024	\$ 5,122	\$ 177,126	\$ 70,655	\$ 2,957	\$ 68,120	\$ -	\$ 86,786	\$ 149,348	\$ 111,044
Accounts Receivable	287	-	-	-	-	-	96	3,388	21,011	1,493
Interest Receivable	-	-	1,487	-	-	-	-	-	-	-
Due From Other Governments	-	-	-	-	-	-	21,215	-	-	-
Notes Receivable	-	-	673,653	387,437	-	-	-	-	-	-
Prepaid Expenses	2,637	-	-	-	-	-	-	-	-	-
Total Assets	\$ 422,948	\$ 5,122	\$ 852,266	\$ 458,092	\$ 2,957	\$ 68,120	\$ 21,311	\$ 90,174	\$ 170,359	\$ 112,537
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>										
Liabilities:										
Accounts Payable	\$ 43,733	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 362	\$ -	\$ -	\$ -
Due To Other Funds	-	-	-	-	-	-	13,346	-	-	-
Due To Other Governments	5,558	-	-	-	-	-	-	-	-	-
Unearned Revenues	106,375	-	-	-	-	-	-	-	-	-
Accrued Wages Payable	7,284	-	-	-	-	-	2,340	-	-	-
Accrued Payroll Liabilities	1,899	-	-	-	-	-	710	-	-	-
Compensated Absences	30,753	-	-	-	-	-	6,761	-	-	-
Total Liabilities	195,602	-	-	-	-	-	23,519	-	-	-
Deferred Inflows of Resources:										
Unavailable Revenue	-	-	673,653	387,437	-	-	-	-	-	-
Fund Balances:										
Nonspendable	2,637	-	-	-	-	-	-	-	-	-
Restricted	-	-	-	-	-	-	-	90,174	-	112,537
Committed	224,709	-	178,613	-	2,957	68,120	-	-	170,359	-
Assigned	-	-	-	-	-	-	-	-	-	-
Unassigned	-	5,122	-	70,655	-	-	(2,208)	-	-	-
Total Fund Balances	227,346	5,122	178,613	70,655	2,957	68,120	(2,208)	90,174	170,359	112,537
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 422,948	\$ 5,122	\$ 852,266	\$ 458,092	\$ 2,957	\$ 68,120	\$ 21,311	\$ 90,174	\$ 170,359	\$ 112,537

CITY OF BEMIDJI, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
DECEMBER 31, 2014

<u>ASSETS</u>	<u>Sales Tax Fund</u>	<u>Parkland Dedication Fund</u>	<u>KRL Library Supplies Fund</u>	<u>Greater MN Parks & Trails Fund</u>	<u>Simpkins Tax Increment Fund</u>	<u>Pace Housing Tax Increment Fund</u>	<u>Arena Fund</u>	<u>Totals</u>
Current Assets:								
Pooled Cash and Investments	\$ 688,755	\$ 54,883	\$ 59,862	\$ -	\$ -	\$ 16,445	\$ 72,967	\$ 1,984,094
Accounts Receivable	-	-	-	-	-	-	6,814	33,089
Interest Receivable	-	-	-	-	-	-	-	1,487
Due From Other Governments	-	-	-	115,175	-	-	-	136,390
Notes Receivable	-	-	-	-	-	-	-	1,061,090
Prepaid Expenses	-	-	-	4,280	-	-	3,835	10,752
Total Assets	\$ 688,755	\$ 54,883	\$ 59,862	\$ 119,455	\$ -	\$ 16,445	\$ 83,616	\$ 3,226,902
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>								
Liabilities:								
Accounts Payable	\$ 4,681	\$ -	\$ 6,023	\$ 41,204	\$ -	\$ -	\$ 30,335	\$ 126,338
Due To Other Funds	-	-	-	6,618	12,356	-	-	32,320
Due To Other Governments	-	-	-	-	-	-	-	5,558
Unearned Revenues	-	-	-	100,000	-	-	-	206,375
Accrued Wages Payable	-	-	-	-	-	-	3,101	12,725
Accrued Payroll Liabilities	-	-	-	-	-	-	645	3,254
Compensated Absences	-	-	-	-	-	-	675	38,189
Total Liabilities	4,681	-	6,023	147,822	12,356	-	34,756	424,759
Deferred Inflows of Resources:								
Unavailable Revenue	-	-	-	-	-	-	-	1,061,090
Fund Balances:								
Nonspendable	-	-	-	4,280	-	-	3,835	10,752
Restricted	684,074	54,883	-	-	-	-	-	941,668
Committed	-	-	53,839	-	-	-	45,025	743,622
Assigned	-	-	-	-	-	16,445	-	16,445
Unassigned	-	-	-	(32,647)	(12,356)	-	-	28,566
Total Fund Balances	684,074	54,883	53,839	(28,367)	(12,356)	16,445	48,860	1,741,053
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 688,755	\$ 54,883	\$ 59,862	\$ 119,455	\$ -	\$ 16,445	\$ 83,616	\$ 3,226,902

CITY OF BEMIDJI, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Building and Planning Fund	Kraus Anderson SCDP Loan Fund	Development Fund	UDAG Loan Fund	SCDP Westside Fund	DUI Penalty Assessment Fund	Paul Bunyan Narcotics Task Force Fund	PEG Cable Fee Fund	Parking Development and Maintenance Fund	OPC Rent Fund
Revenues										
Taxes	\$ -	-	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and Permits	416,762	-	-	-	-	-	-	-	-	-
Intergovernmental	885	-	-	-	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-	-	19,426	52,005	17,770
Fines and Forfeits	-	-	-	-	-	37,322	-	-	-	-
Interest	3,256	58	4,881	852	69	550	-	806	1,318	1,007
Other	1,803	-	72,519	10,040	-	-	70,767	-	-	-
Total Revenues	422,706	58	77,400	10,892	69	37,872	70,767	20,232	53,323	18,777
Expenditures										
Public Safety										
Current	323,099	-	-	-	-	-	71,638	-	-	-
Capital Outlay	-	-	-	-	-	4,723	-	-	-	-
Streets and Highways										
Current	-	-	-	-	-	-	-	-	9,447	-
Parks and Recreation										
Current	-	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-	-
Housing and Economic Development										
Current	-	15,000	-	150,000	27,000	-	-	10,902	-	-
Other										
Current	-	-	-	-	-	-	-	-	-	-
Debt Service										
Interest and Fiscal Charges	-	-	1,343	-	-	-	-	-	-	-
Total Expenditures	323,099	15,000	1,343	150,000	27,000	4,723	71,638	10,902	9,447	-
Excess of Revenues Over (Under) Expenditures	99,607	(14,942)	76,057	(139,108)	(26,931)	33,149	(871)	9,330	43,876	18,777
Other Financing Sources (Uses)										
Other Sources	-	16,250	-	-	-	-	-	-	-	-
Transfers In	-	-	-	606,537	-	-	-	-	-	-
Transfers Out	(79,000)	-	(606,537)	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	(79,000)	16,250	(606,537)	606,537	-	-	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	20,607	1,308	(530,480)	467,429	(26,931)	33,149	(871)	9,330	43,876	18,777
Fund Balances - Beginning of Year (as previously stated)	206,739	3,814	1,240,933	-	29,888	34,971	(1,337)	80,844	126,483	93,760
Prior Period Adjustment	-	-	(531,840)	(396,774)	-	-	-	-	-	-
Fund Balances - Beginning of Year (as restated)	206,739	3,814	709,093	(396,774)	29,888	34,971	(1,337)	80,844	126,483	93,760
Fund Balances - End of Year	\$ 227,346	\$ 5,122	\$ 178,613	\$ 70,655	\$ 2,957	\$ 68,120	\$ (2,208)	\$ 90,174	\$ 170,359	\$ 112,537

CITY OF BEMIDJI, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Fireman's Relief Fund	Sales Tax Fund	Parkland Dedication Fund	KRL Library Supplies Fund	Greater MN Parks & Trails Fund	Simpkins Tax Increment Fund	Pace Housing Tax Increment Fund	Arena Fund	Totals
Revenues									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,653	\$ 32,778	\$ -	\$ 41,431
Licenses and Permits	-	-	-	-	-	-	-	-	416,762
Intergovernmental	188,831	-	-	-	171,994	-	-	356	362,066
Charges for Services	-	-	-	-	-	-	-	150,076	239,277
Fines and Forfeits	-	-	-	-	-	-	-	-	37,322
Interest	-	-	509	-	-	33	56	1,038	14,433
Other	-	12,500	24,800	32,282	-	-	-	2,493	227,204
Total Revenues	188,831	12,500	25,309	32,282	171,994	8,686	32,834	153,963	1,338,495
Expenditures									
Public Safety									
Current	188,831	-	-	-	-	-	-	-	583,568
Capital Outlay	-	-	-	-	-	-	-	-	4,723
Streets and Highways									
Current	-	-	-	-	-	-	-	-	9,447
Parks and Recreation									
Current	-	-	-	42,100	200,361	-	-	258,556	501,017
Capital Outlay	-	193,193	-	-	-	-	-	-	193,193
Housing and Economic Development									
Current	-	-	-	-	-	-	-	-	202,902
Other									
Current	-	-	-	-	-	250	250	-	500
Debt Service									
Interest and Fiscal Charges	-	-	-	-	-	1,178	32,896	-	35,417
Total Expenditures	188,831	193,193	-	42,100	200,361	1,428	33,146	258,556	1,530,767
Excess of Revenues Over (Under) Expenditures	-	(180,693)	25,309	(9,818)	(28,367)	7,258	(312)	(104,593)	(192,272)
Other Financing Sources (Uses)									
Other Sources	-	-	-	-	-	-	-	-	16,250
Transfers In	-	15,000	-	-	-	-	-	127,810	749,347
Transfers Out	-	-	-	-	-	-	-	(13,853)	(699,390)
Total Other Financing Sources (Uses)	-	15,000	-	-	-	-	-	113,957	66,207
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	(165,693)	25,309	(9,818)	(28,367)	7,258	(312)	9,364	(126,065)
Fund Balances - Beginning of Year (as previously stated)	-	849,767	29,574	63,657	-	(19,614)	16,757	39,496	2,795,732
Prior Period Adjustment	-	-	-	-	-	-	-	-	(928,614)
Fund Balances - Beginning of Year (as restated)	-	849,767	29,574	63,657	-	(19,614)	16,757	39,496	1,867,118
Fund Balances - End of Year	\$ -	\$ 684,074	\$ 54,883	\$ 53,839	\$ (28,367)	\$ (12,356)	\$ 16,445	\$ 48,860	\$ 1,741,053

CITY OF BEMIDJI, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	2008 Taxable GO Bond Fund	2009 Street Improvement Bond Fund	BCA Lab Fund	1998 GO Bond Fund	2005 Improvement Bond Fund	2008 Improvement Bond Fund	Irvingboro Tax Increment Fund	Honeywell Energy Savings Project Fund	Totals
<u>ASSETS</u>									
Current Assets:									
Pooled Cash and Investments	\$ 868,854	\$ 386,130	\$ -	\$ 69,040	\$ 423,169	\$ 242,407	\$ 182,427	\$ 328,173	\$ 2,500,200
Cash with Fiscal Agent	-	-	69,855	-	-	-	-	1,434,770	1,504,625
Accounts Receivable	-	-	-	170,000	-	-	-	-	170,000
Taxes Receivable	-	1,031	-	-	-	-	-	-	1,031
Special Assessments Receivable	-	-	-	-	-	357,149	-	-	357,149
Interest Receivable	2,197	158	-	-	1,088	-	-	-	3,443
Due From Other Governments	-	29	-	-	-	2,295,549	805	-	2,296,383
Total Assets	\$ 871,051	\$ 387,348	\$ 69,855	\$ 239,040	\$ 424,257	\$ 2,895,105	\$ 183,232	\$ 1,762,943	\$ 6,832,831
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>									
Liabilities:									
Unearned Revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,291,287	\$ -	\$ -	\$ 2,291,287
Deferred Inflows of Resources:									
Unavailable Revenue	-	1,031	-	170,000	-	357,149	-	-	528,180
Fund Balances:									
Restricted for:									
Debt Service	871,051	386,317	69,855	69,040	424,257	246,669	183,232	1,762,943	4,013,364
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 871,051	\$ 387,348	\$ 69,855	\$ 239,040	\$ 424,257	\$ 2,895,105	\$ 183,232	\$ 1,762,943	\$ 6,832,831

CITY OF BEMIDJI, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR DEBT SERVICE GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	2008 Taxable GO Bond Fund	2009 Street Improvement Bond Fund	BCA Lab Fund	1998 GO Bond Fund	Paul Bunyan Industrial Park Bond Fund	2005 Improvement Bond Fund	2008 Improvement Bond Fund	Irvingboro Tax Increment Fund	Honeywell Energy Savings Project Fund	Totals
Revenues										
Taxes	\$ -	\$ 892	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 316,412	\$ -	\$ 317,304
Special Assessments	-	-	-	-	-	-	436,985	-	-	436,985
Charges for Services	-	-	708,756	-	-	-	-	-	-	708,756
Interest	9,437	3,102	-	-	-	4,420	676	1,020	1,222	19,877
Other Miscellaneous	-	-	-	-	-	-	-	-	7,091	7,091
Total Revenues	9,437	3,994	708,756	-	-	4,420	437,661	317,432	8,313	1,490,013
Expenditures										
Other										
Current	-	-	-	-	-	-	-	1,815	8,536	10,351
Debt Service										
Principal Retirement	395,000	120,000	470,000	-	-	50,000	275,000	-	-	1,310,000
Interest and Fiscal Charges	160,710	12,175	185,594	-	-	18,305	128,966	282,027	-	787,777
Total Expenditures	555,710	132,175	655,594	-	-	68,305	403,966	283,842	8,536	2,108,128
Excess of Revenues Over (Under)										
Expenditures	(546,273)	(128,181)	53,162	-	-	(63,885)	33,695	33,590	(223)	(618,115)
Other Financing Sources (Uses)										
Proceeds from Sale of Long-term Debt	-	-	-	-	-	-	-	-	2,051,181	2,051,181
Transfers In	-	29,038	-	-	-	-	-	-	330,000	359,038
Transfers Out	-	-	-	-	(244)	-	-	(29,038)	(618,015)	(647,297)
Total Other Financing Sources (Uses)	-	29,038	-	-	(244)	-	-	(29,038)	1,763,166	1,762,922
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(546,273)	(99,143)	53,162	-	(244)	(63,885)	33,695	4,552	1,762,943	1,144,807
Fund Balances - Beginning of Year	1,417,324	485,460	16,693	69,040	244	488,142	212,974	178,680	-	2,868,557
Fund Balances - End of Year	\$ 871,051	\$ 386,317	\$ 69,855	\$ 69,040	\$ -	\$ 424,257	\$ 246,669	\$ 183,232	\$ 1,762,943	\$ 4,013,364

CITY OF BEMIDJIL, MINNESOTA
COMBINING STATEMENT OF NET POSITION
ENTERPRISE FUNDS
DECEMBER 31, 2014

	Public Utilities Fund	Municipal Liquor Store Fund	The Sanford Center Fund	Totals
<u>ASSETS AND DEFERRED OUTFLOWS</u>				
<u>OF RESOURCES</u>				
<u>Current Assets</u>				
Cash and Cash Equivalents	\$ 7,747,110	\$ 1,389,807	\$ 1,269,152	\$ 10,406,069
Accounts Receivable	3,046,457	1,363	73,611	3,121,431
Special Assessments Receivable	646,720	-	6,275	652,995
Accrued Interest Receivable	17,419	1,589	-	19,008
Due from Other Funds	12,356	-	-	12,356
Due from Other Governments	8,170	-	2,531	10,701
Inventory	-	760,438	60,298	820,736
Prepaid Expenses	38,541	13,944	166,355	218,840
Total Current Assets	<u>11,516,773</u>	<u>2,167,141</u>	<u>1,578,222</u>	<u>15,262,136</u>
<u>Capital Assets</u>				
Land	1,372,496	295,954	3,733,092	5,401,542
Buildings and Improvements	17,796,741	765,301	51,733,342	70,295,384
Water and Wastewater Systems	27,355,502	-	-	27,355,502
Machinery and Equipment	3,393,996	130,343	10,883,963	14,408,302
Construction in Process	48,685	4,948	38,925	92,558
Total Capital Assets	<u>49,967,420</u>	<u>1,196,546</u>	<u>66,389,322</u>	<u>117,553,288</u>
Less Accumulated Depreciation	<u>23,497,229</u>	<u>580,677</u>	<u>9,584,393</u>	<u>33,662,299</u>
Capital Assets, Depreciated Value	<u>26,470,191</u>	<u>615,869</u>	<u>56,804,929</u>	<u>83,890,989</u>
Total Assets	<u>37,986,964</u>	<u>2,783,010</u>	<u>58,383,151</u>	<u>99,153,125</u>
<u>Deferred Outflows of Resources</u>				
Deferred Charge on Refunding	<u>23,700</u>	<u>-</u>	<u>-</u>	<u>23,700</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 38,010,664</u>	<u>\$ 2,783,010</u>	<u>\$ 58,383,151</u>	<u>\$ 99,176,825</u>
<u>LIABILITIES AND NET POSITION</u>				
<u>Current Liabilities</u>				
Accounts Payable	\$ 207,321	\$ 447,781	\$ 258,298	\$ 913,400
Customer Deposits	-	-	66,218	66,218
Due to Other Governments	27	-	13,508	13,535
Unearned Revenue	1,819,996	627	341,767	2,162,390
Accrued Payroll Liabilities	34,838	25,745	1,045,788	1,106,371
Accrued Interest Payable	110,423	-	-	110,423
Current Portion of Compensated Absences	32,728	9,319	-	42,047
Bonds, Notes, and Loans Payable	540,000	-	-	540,000
Total Current Liabilities	<u>2,745,333</u>	<u>483,472</u>	<u>1,725,579</u>	<u>4,954,384</u>
<u>Long-term Debt, Net of Current Maturities</u>				
Compensated Absences	163,640	46,597	-	210,237
Less: Current Portion	(32,728)	(9,319)	-	(42,047)
Bonds, Notes, and Loans Payable	6,795,000	-	44,000,000	50,795,000
Bond Premium	51,828	-	-	51,828
Less: Current Portion	(540,000)	-	-	(540,000)
Total Long-term Debt	<u>6,437,740</u>	<u>37,278</u>	<u>44,000,000</u>	<u>50,475,018</u>
Total Liabilities	<u>9,183,073</u>	<u>520,750</u>	<u>45,725,579</u>	<u>55,429,402</u>
<u>Net Position</u>				
Net Investment in Capital Assets	19,623,363	615,869	12,804,929	33,044,161
Unrestricted	9,204,228	1,646,391	(147,357)	10,703,262
Total Net Position	<u>28,827,591</u>	<u>2,262,260</u>	<u>12,657,572</u>	<u>43,747,423</u>
Total Liabilities and Net Position	<u>\$ 38,010,664</u>	<u>\$ 2,783,010</u>	<u>\$ 58,383,151</u>	<u>\$ 99,176,825</u>

CITY OF BEMIDJI, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Public Utilities Fund	Municipal Liquor Store Fund	The Sanford Center Fund	Totals
<u>Sales and Cost of Sales</u>				
Sales	\$ -	\$ 5,556,520	\$ 3,000,574	\$ 8,557,094
Cost of Sales	-	(3,905,273)	(343,919)	(4,249,192)
Gross Profit	-	1,651,247	2,656,655	4,307,902
<u>Operating Revenues</u>				
Charges for Services	6,253,373	-	-	6,253,373
Utility Late Charges	44,257	-	-	44,257
Connection Charges	43,346	-	-	43,346
Other	127,503	-	-	127,503
Total Operating Revenues	6,468,479	-	-	6,468,479
<u>Total Gross Profit and Operating Revenues</u>				
	6,468,479	1,651,247	2,656,655	10,776,381
<u>Operating Expenses</u>				
Personal Services	1,002,687	564,984	1,677,924	3,245,595
Contractual and Professional Services	114,520	-	256,766	371,286
Repairs and Maintenance	692,523	16,850	27,281	736,654
Insurance	68,301	24,057	71,284	163,642
Utilities	420,780	41,390	400,650	862,820
Supplies	6,300	42,334	110,565	159,199
Other Expenses	72,470	104,966	564,788	742,224
Administrative Allocation	119,508	-	36,319	155,827
Depreciation	1,721,860	43,234	2,155,948	3,921,042
Total Operating Expenses	4,218,949	837,815	5,301,525	10,358,289
<u>Operating Income (Loss)</u>				
	2,249,530	813,432	(2,644,870)	418,092
<u>Nonoperating Revenues (Expenses)</u>				
Special Assessments and Sales Tax	83,339	-	2,224,687	2,308,026
Property Tax	-	-	251,093	251,093
<u>Intergovernmental Revenues</u>				
PERA Aid	3,510	2,024	-	5,534
Interest Income	81,635	10,407	3,960	96,002
Other Revenue	2,030	1,519	292,504	296,053
Interest Expense	(259,915)	-	(2,358,517)	(2,618,432)
Other Expense	-	(21,976)	-	(21,976)
Total Nonoperating Revenues (Expenses)	(89,401)	(8,026)	413,727	316,300
<u>Net Income (Loss) Before Transfers</u>				
	2,160,129	805,406	(2,231,143)	734,392
<u>Other Financing Sources (Uses)</u>				
Transfer In	160,486	4,948	393,666	559,100
Transfer Out	(1,615,841)	(400,758)	-	(2,016,599)
Total Other Financing Sources (Uses)	(1,455,355)	(395,810)	393,666	(1,457,499)
<u>Change in Net Position</u>				
	704,774	409,596	(1,837,477)	(723,107)
<u>Net Position, Beginning of Year</u>				
	28,122,817	1,852,664	14,495,049	44,470,530
<u>Net Position, End of Year</u>				
	\$ 28,827,591	\$ 2,262,260	\$ 12,657,572	\$ 43,747,423

CITY OF BEMIDJI, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>Public Utilities Fund</u>	<u>Municipal Liquor Store Fund</u>	<u>The Sanford Center Fund</u>	<u>Totals</u>
<u>Cash Flows from Operating Activities</u>				
Cash Received from Customers and for Services	\$ 6,327,753	\$ 5,555,879	\$ 3,335,428	\$ 15,219,060
Cash Paid to Employees and Suppliers	<u>(2,540,684)</u>	<u>(4,741,961)</u>	<u>(4,241,369)</u>	<u>(11,524,014)</u>
Net Cash Provided by (Used in) Operating Activities	<u>3,787,069</u>	<u>813,918</u>	<u>(905,941)</u>	<u>3,695,046</u>
<u>Cash Flows from Noncapital Financing Activities</u>				
Intergovernmental and Other Revenues	3,510	3,543	2,767,234	2,774,287
Other Non-Operating Expenses	-	(21,976)	-	(21,976)
Transfers From (To) Other Funds	<u>(1,455,355)</u>	<u>(395,810)</u>	<u>393,666</u>	<u>(1,457,499)</u>
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>(1,451,845)</u>	<u>(414,243)</u>	<u>3,160,900</u>	<u>1,294,812</u>
<u>Cash Flows from Capital and Related Financing Activities</u>				
Purchase of Property and Equipment	(1,348,375)	(11,475)	(171,210)	(1,531,060)
Proceeds from Sale of Property and Equipment	2,030	-	-	2,030
Principal Paid on Bond Maturities	<u>(2,660,000)</u>	<u>-</u>	<u>-</u>	<u>(2,660,000)</u>
Proceeds from Special Assessments	141,404	-	-	141,404
Bond Proceeds	2,025,000	-	-	2,025,000
Loss on Refunding	(23,700)	-	-	(23,700)
Interest Paid on Bonds	<u>(222,718)</u>	<u>-</u>	<u>(2,358,517)</u>	<u>(2,581,235)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(2,086,359)</u>	<u>(11,475)</u>	<u>(2,529,727)</u>	<u>(4,627,561)</u>
<u>Cash Flows from Investing Activities</u>				
Interest Income	75,251	9,931	3,960	89,142
Payments from Other Funds	<u>7,258</u>	<u>-</u>	<u>-</u>	<u>7,258</u>
Net Cash Provided by Investing Activities	<u>82,509</u>	<u>9,931</u>	<u>3,960</u>	<u>96,400</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	331,374	398,131	(270,808)	458,697
<u>Balance - Beginning of the Year</u>	<u>7,415,736</u>	<u>991,676</u>	<u>1,539,960</u>	<u>9,947,372</u>
<u>Balance - End of the Year</u>	<u>\$ 7,747,110</u>	<u>\$ 1,389,807</u>	<u>\$ 1,269,152</u>	<u>\$ 10,406,069</u>

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED BY (USED IN) OPERATING ACTIVITIES:**

Operating Income (Loss)	\$ 2,249,530	\$ 813,432	\$ (2,644,870)	\$ 418,092
Depreciation	1,721,860	43,234	2,155,948	3,921,042
(Increase) Decrease in Assets:				
Accounts Receivable	(139,672)	(1,001)	322,307	181,634
Due from Other Governments	(1,054)	-	-	(1,054)
Inventory	-	(86,445)	(335)	(86,780)
Prepaid Expenses	(3,153)	(1,344)	(97,887)	(102,384)
Increase (Decrease) in Liabilities:				
Accounts Payable	(52,960)	37,488	(47,990)	(63,462)
Deferred Revenue	-	360	-	360
Customer Deposits	-	-	18,822	18,822
Due to Other Governments	27	-	(416)	(389)
Unearned Revenue	(7,763)	-	(656,380)	(664,143)
Deferred Charges	-	-	(6,275)	(6,275)
Accrued Payroll	4,808	4,864	51,135	60,807
Compensated Absences	15,446	3,330	-	18,776
Net Cash Provided by (Used in) Operating Activities	<u>\$ 3,787,069</u>	<u>\$ 813,918</u>	<u>\$ (905,941)</u>	<u>\$ 3,695,046</u>

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF NET POSITION
MUNICIPAL LIQUOR STORE FUND
DECEMBER 31, 2014

With Comparative Balances at December 31, 2013

	<u>2014</u>	<u>2013</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 1,389,807	\$ 991,676
Accounts Receivable	1,363	362
Accrued Interest Receivable	1,589	1,113
Inventory	760,438	673,993
Prepaid Expenses	13,944	12,600
Total Current Assets	<u>2,167,141</u>	<u>1,679,744</u>
<u>Capital Assets</u>		
Land	295,954	295,954
Buildings and Improvements	765,301	758,774
Machinery and Equipment	130,343	130,343
Construction in Process	4,948	-
Total Capital Assets	<u>1,196,546</u>	<u>1,185,071</u>
Less Accumulated Depreciation	<u>580,677</u>	<u>537,443</u>
Capital Assets, Depreciated Value	<u>615,869</u>	<u>647,628</u>
<u>Total Assets</u>	<u>\$ 2,783,010</u>	<u>\$ 2,327,372</u>
<u>LIABILITIES AND NET POSITION</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 447,781	\$ 410,293
Unearned Revenue	627	267
Accrued Salaries	20,956	-
Accrued Expenses	4,789	20,881
Current Portion of Compensated Absences	9,319	8,653
Total Current Liabilities	<u>483,472</u>	<u>440,094</u>
<u>Long-term Liabilities</u>		
Compensated Absences	46,597	43,267
Less: Current Portion of Compensated Absences	<u>(9,319)</u>	<u>(8,653)</u>
Total Long-term Liabilities	<u>37,278</u>	<u>34,614</u>
<u>Total Liabilities</u>	<u>520,750</u>	<u>474,708</u>
<u>Net Position</u>		
Net Investment in Capital Assets	615,869	647,628
Unrestricted	<u>1,646,391</u>	<u>1,205,036</u>
Total Net Position	<u>2,262,260</u>	<u>1,852,664</u>
<u>Total Liabilities and Net Position</u>	<u>\$ 2,783,010</u>	<u>\$ 2,327,372</u>

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
MUNICIPAL LIQUOR STORE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
 With Comparative Amounts For Year Ended December 31, 2013

	<u>2014</u>	<u>2013</u>
<u>Operating Revenue</u>		
Sales	\$ 5,556,520	\$ 5,340,120
Less: Cost of Sales	<u>(3,905,273)</u>	<u>(3,800,335)</u>
<u>Gross Profit</u>	<u>1,651,247</u>	<u>1,539,785</u>
<u>Operating Expenses</u>		
Personal Services	564,984	484,205
Repairs and Maintenance	16,850	7,866
Insurance	24,057	21,953
Utilities	41,390	33,894
Supplies	42,334	42,131
Other Expenses	104,966	88,778
Depreciation	43,234	41,502
Total Operating Expenses	<u>837,815</u>	<u>720,329</u>
<u>Operating Income</u>	<u>813,432</u>	<u>819,456</u>
<u>Nonoperating Revenues (Expense)</u>		
Intergovernmental Revenues	2,024	1,937
Interest Income	10,407	7,532
Other Revenue	1,519	2,509
Miscellaneous Expense	<u>(21,976)</u>	<u>-</u>
Total Nonoperating Revenues (Expense)	<u>(8,026)</u>	<u>11,978</u>
<u>Net Income Before Transfers</u>	<u>805,406</u>	<u>831,434</u>
<u>Other Financing Sources (Uses)</u>		
Transfer In	4,948	-
Transfer Out	<u>(400,758)</u>	<u>(400,758)</u>
Other Financing Sources (Uses)	<u>(395,810)</u>	<u>(400,758)</u>
<u>Change in Net Position</u>	409,596	430,676
<u>Net Position, Beginning of Year</u>	<u>1,852,664</u>	<u>1,421,988</u>
<u>Net Position, End of Year</u>	<u>\$ 2,262,260</u>	<u>\$ 1,852,664</u>

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF CASH FLOWS
MUNICIPAL LIQUOR STORE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

With Comparative Amounts For Year Ended December 31, 2013

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 5,555,879	\$ 5,340,803
Cash Paid to Suppliers and Employees	(4,741,961)	(4,542,233)
Net Cash Provided by (Used in) Operating Activities	<u>813,918</u>	<u>798,570</u>
<u>Cash Flows from Non-Capital Financing Activities</u>		
Operating Transfers (Out)	(395,810)	(400,758)
Intergovernmental and Other Revenues	3,543	4,446
Other Non-Operating Expenses	(21,976)	-
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(414,243)</u>	<u>(396,312)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchase of Property and Equipment	<u>(11,475)</u>	<u>(7,667)</u>
<u>Cash Flows from Investing Activities</u>		
Interest Income	<u>9,931</u>	<u>6,419</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>398,131</u>	<u>401,010</u>
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>991,676</u>	<u>590,666</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 1,389,807</u>	<u>\$ 991,676</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY (USED IN) OPERATING ACTIVITIES

<u>Operating Income</u>	\$ 813,432	\$ 819,456
<u>Adjustments to Reconcile Operating Income to Net Cash</u>		
<u>Provided by (Used in) Operating Activities</u>		
Depreciation	43,234	41,502
Changes in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	(1,001)	416
(Increase) Decrease in Inventories	(86,445)	(63,448)
(Increase) Decrease in Prepaid Expenses	(1,344)	(1,465)
Increase (Decrease) in Accounts Payable	37,488	(140)
Increase (Decrease) in Deferred Revenue	360	267
Increase (Decrease) in Accrued Salaries	20,956	
Increase (Decrease) in Payroll Liabilities	(16,092)	2,086
Increase (Decrease) in Accrued Compensated Absences	3,330	(104)
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>\$ 813,918</u>	<u>\$ 798,570</u>

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF NET POSITION
PUBLIC UTILITIES FUND
DECEMBER 31, 2014

With Comparative Balances at December 31, 2013

	2014	2013
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 7,747,110	\$ 7,415,736
Accounts Receivable	3,046,457	2,906,785
Special Assessments Receivable	646,720	704,785
Accrued Interest Receivable	17,419	11,035
Due from Other Funds	12,356	19,614
Due from Other Governments	8,170	7,116
Prepaid Expenses	38,541	35,388
Total Current Assets	11,516,773	11,100,459
<u>Capital Assets</u>		
Land	1,372,496	1,372,496
Buildings	17,796,741	17,396,874
Buildings, Improvements and Distribution System	27,355,502	26,493,165
Equipment and Furniture	3,393,996	3,276,612
Construction in Process	48,685	79,898
Total Capital Assets	49,967,420	48,619,045
Less Accumulated Depreciation	23,497,229	21,775,369
Capital Assets, Depreciated Value	26,470,191	26,843,676
Total Assets	37,986,964	37,944,135
<u>Deferred Outflows of Resources</u>		
Deferred Loss on Refunding	23,700	-
<u>Total Assets and Deferred Outflows of Resources</u>	\$ 38,010,664	\$ 37,944,135
<u>LIABILITIES AND NET POSITION</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 207,321	\$ 260,281
Due to Other Governments	27	-
Unearned Revenue	1,819,996	1,827,759
Accrued Salaries	26,927	-
Accrued Payroll Liabilities	7,911	30,030
Accrued Interest Payable	110,423	119,052
Current Portion of Compensated Absences	32,728	29,639
Current Portion of Bonds, Notes, and Loans Payable	540,000	625,000
Total Current Liabilities	2,745,333	2,891,761
<u>Long-term Liabilities, Net of Current Maturities</u>		
Compensated Absences	163,640	148,194
Less: Current Portion of Compensated Absences	(32,728)	(29,639)
Bonds, Notes, and Loans Payable	6,795,000	7,430,000
Bond Premium	51,828	6,002
Less: Current Portion	(540,000)	(625,000)
Total Long-term Liabilities	6,437,740	6,929,557
Total Liabilities	9,183,073	9,821,318
<u>Net Position</u>		
Net Investment in Capital Assets	19,623,363	26,837,674
Unrestricted	9,204,228	1,285,143
Total Net Position	28,827,591	28,122,817
<u>Total Liabilities and Net Position</u>	\$ 38,010,664	\$ 37,944,135

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PUBLIC UTILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Amounts For Year Ended December 31, 2013

	Departments				Totals	
	Refuse	Water	Sewer	Storm Water	2014	2013
Operating Revenues						
Charges for Services	\$ 404,822	\$ 1,753,979	\$ 2,762,953	\$ 1,331,619	\$ 6,253,373	\$ 5,897,114
Utility Late Charges	6,511	14,657	23,089	-	44,257	43,476
Connection Charges	-	16,832	26,514	-	43,346	5,849
Other Revenue	536	48,426	76,282	2,259	127,503	117,054
Total Operating Revenues	411,869	1,833,894	2,888,838	1,333,878	6,468,479	6,063,493
Operating Expenses						
Personal Services	96,546	222,079	684,062	-	1,002,687	932,807
Contractual and Professional Services	-	41,010	73,510	-	114,520	78,531
Repairs and Maintenance	65,674	204,401	348,199	74,249	692,523	702,886
Insurance	4,344	14,314	48,014	1,629	68,301	58,073
Utilities	597	77,744	341,961	478	420,780	319,655
Supplies	-	-	-	6,300	6,300	5,212
Other Expenses	8,043	19,621	29,993	14,813	72,470	66,346
Administrative Allocation	-	27,361	47,001	45,146	119,508	117,347
Depreciation	69,843	446,215	1,076,312	129,490	1,721,860	1,408,177
Total Operating Expenses	245,047	1,052,745	2,649,052	272,105	4,218,949	3,689,034
Operating Income (Loss)	166,822	781,149	239,786	1,061,773	2,249,530	2,374,459
Nonoperating Revenues (Expenses)						
Special Assessments	-	31,643	49,846	1,850	83,339	80,257
Intergovernmental Revenues						
PERA Aid	368	1,220	1,922	-	3,510	3,517
Interest Income	5,588	26,797	42,213	7,037	81,635	61,456
Other Revenue	-	788	1,242	-	2,030	1
Interest Expense	-	(129,958)	(129,957)	-	(259,915)	(356,276)
Total Nonoperating Revenues (Expenses)	5,956	(69,510)	(34,734)	8,887	(89,401)	(211,045)
Net Income (Loss) Before Transfers	172,778	711,639	205,052	1,070,660	2,160,129	2,163,414
Other Financing Sources (Uses)						
Transfer In	-	62,319	98,167	-	160,486	320,008
Transfer Out	(103,756)	(361,672)	(442,823)	(707,590)	(1,615,841)	(1,745,302)
Other Financing Sources (Uses)	(103,756)	(299,353)	(344,656)	(707,590)	(1,455,355)	(1,425,294)
Change in Net Position	69,022	412,286	(139,604)	363,070	704,774	738,120
Net Position, Beginning of Year	790,401	9,103,266	15,313,493	2,915,657	28,122,817	27,384,697
Net Position, End of Year	\$ 859,423	\$ 9,515,552	\$ 15,173,889	\$ 3,278,727	\$ 28,827,591	\$ 28,122,817

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF CASH FLOWS
PUBLIC UTILITIES FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Amounts For Year Ended December 31, 2013

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Users and Customers	\$ 6,327,753	\$ 6,062,216
Cash Paid to Suppliers and Employees	<u>(2,540,684)</u>	<u>(2,743,262)</u>
Net Cash Provided by (Used in) Operating Activities	<u>3,787,069</u>	<u>3,318,954</u>
<u>Cash Flows from Non-Capital Financing Activities</u>		
Operating Transfers In	160,486	320,008
Operating Transfers Out	(1,615,841)	(1,745,302)
Intergovernmental and Other Revenues	<u>3,510</u>	<u>3,517</u>
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>(1,451,845)</u>	<u>(1,421,777)</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchase of Property and Equipment	(1,348,375)	(1,772,535)
Proceeds from Sale of Property and Equipment	2,030	-
Principal Paid on Bond Maturities	(2,660,000)	(845,000)
Proceeds from Special Assessments	141,404	150,527
Bond Proceeds	2,025,000	-
Loss on Refunding	(23,700)	-
Interest Paid on Bonds	<u>(222,718)</u>	<u>(299,408)</u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(2,086,359)</u>	<u>(2,766,416)</u>
<u>Cash Flows from Investing Activities</u>		
Interest Income	75,251	81,791
Payments from Other Funds	<u>7,258</u>	<u>6,832</u>
Net Cash Provided by (Used in) Investing Activities	<u>82,509</u>	<u>88,623</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>331,374</u>	<u>(780,616)</u>
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>7,415,736</u>	<u>8,196,352</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 7,747,110</u>	<u>\$ 7,415,736</u>

RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY (USED IN) OPERATING ACTIVITIES

<u>Operating Income</u>	\$ 2,249,530	\$ 2,374,459
<u>Adjustments to Reconcile Operating Income to Net Cash</u>		
<u>Provided by (Used in) Operating Activities</u>		
Depreciation	1,721,860	1,408,177
Changes in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	(139,672)	1,251
(Increase) Decrease in Prepaid Expenses	(3,153)	(4,784)
(Increase) Decrease in Due from Other Governments	(1,054)	(2,528)
Increase (Decrease) in Accounts Payable	(52,960)	(457,355)
Increase (Decrease) in Due to Other Governments	27	-
Increase (Decrease) in Accrued Expenses	4,808	6,038
Increase (Decrease) in Accrued Compensated Absences	15,446	10,140
Increase (Decrease) in Unearned Revenue	<u>(7,763)</u>	<u>(16,444)</u>
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>\$ 3,787,069</u>	<u>\$ 3,318,954</u>

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF NET POSITION
THE SANFORD CENTER FUND
DECEMBER 31, 2014

With Comparative Balances at December 31, 2013

	2014	2013
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 1,269,152	\$ 1,539,960
Accounts Receivable	73,611	395,918
Special Assessments Receivable	6,275	5,427
Due from Other Governments	2,531	1,481
Deferred Charges	-	(5,427)
Inventory	60,298	59,963
Prepaid Expenses	166,355	68,468
Total Current Assets	1,578,222	2,065,790
<u>Capital Assets</u>		
Land	3,733,092	3,733,092
Buildings	51,733,342	51,733,342
Equipment and Furniture	10,883,963	10,628,228
Construction in Process	38,925	123,450
Total Capital Assets	66,389,322	66,218,112
Less Accumulated Depreciation	9,584,393	7,428,445
Capital Assets, Depreciated Value	56,804,929	58,789,667
<u>Total Assets</u>	\$ 58,383,151	\$ 60,855,457
<u>LIABILITIES AND NET POSITION</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 258,298	\$ 306,288
Customer Deposits	66,218	47,396
Due to Other Governments	13,508	13,924
Unearned Revenue	341,767	998,147
Accrued Payroll Liabilities	60,145	9,010
Accrued Interest Payable	985,643	985,643
Total Current Liabilities	1,725,579	2,360,408
<u>Long-term Liabilities</u>		
Bonds, Notes, and Loans Payable	44,000,000	44,000,000
<u>Total Liabilities</u>	45,725,579	46,360,408
<u>Net Position</u>		
Net Investment in Capital Assets	12,804,929	14,789,667
Unrestricted	(147,357)	(294,618)
Total Net Position	12,657,572	14,495,049
<u>Total Liabilities and Net Position</u>	\$ 58,383,151	\$ 60,855,457

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
THE SANFORD CENTER FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
 With Comparative Amounts For Year Ended December 31, 2013

	<u>2014</u>	<u>2013</u>
<u>Operating Revenues</u>		
Sales	\$ 3,000,574	\$ 2,678,444
Cost of Sales	<u>(343,919)</u>	<u>(346,219)</u>
Gross Profit on Sales	2,656,655	2,332,225
Other Revenues	<u>-</u>	<u>16</u>
Total Operating Revenues	<u>2,656,655</u>	<u>2,332,241</u>
<u>Operating Expenses</u>		
Personal Services	1,677,924	1,533,399
Contractual and Professional Services	256,766	256,981
Repairs and Maintenance	27,281	31,241
Insurance	71,284	65,674
Utilities	400,650	381,834
Supplies	110,565	94,547
Other Expenses	564,788	389,018
Administrative Allocation	36,319	40,847
Depreciation	<u>2,155,948</u>	<u>2,142,736</u>
Total Operating Expenses	<u>5,301,525</u>	<u>4,936,277</u>
<u>Operating Income (Loss)</u>	<u>(2,644,870)</u>	<u>(2,604,036)</u>
<u>Nonoperating Revenues (Expense)</u>		
Sales Tax	2,224,687	2,068,832
Property Tax	251,093	251,097
Intergovernmental Revenues	-	9,025
Interest Income	3,960	572
Other Revenue	292,504	1,385,970
Interest Expense	<u>(2,358,517)</u>	<u>(3,343,956)</u>
Total Nonoperating Revenues (Expense)	<u>413,727</u>	<u>371,540</u>
<u>Net Income (Loss) Before Transfers</u>	<u>(2,231,143)</u>	<u>(2,232,496)</u>
<u>Operating Transfers In (Out)</u>		
Transfer In	393,666	371,690
Transfer Out	<u>-</u>	<u>(1,002,783)</u>
Operating Transfers In (Out)	<u>393,666</u>	<u>(631,093)</u>
<u>Change in Net Position</u>	(1,837,477)	(2,863,589)
<u>Net Position, Beginning of Year</u>	<u>14,495,049</u>	<u>17,358,638</u>
<u>Net Position, End of Year</u>	<u>\$ 12,657,572</u>	<u>\$ 14,495,049</u>

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF CASH FLOWS
THE SANFORD CENTER FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Amounts For Year Ended December 31, 2013

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Customers	\$ 3,335,428	\$ 2,697,073
Cash Paid to Suppliers and Employees	(4,241,369)	(1,941,034)
Net Cash Provided by (Used in) Operating Activities	<u>(905,941)</u>	<u>756,039</u>
<u>Cash Flows from Non-Capital Financing Activities</u>		
Operating Transfers From Other Funds	393,666	371,690
Operating Transfers From (To) Other Funds	-	(1,002,783)
Intergovernmental and Other Revenues	<u>2,767,234</u>	<u>3,715,044</u>
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>3,160,900</u>	<u>3,083,951</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Interest Paid on Bonds	(2,358,517)	(3,343,956)
Purchase of Property and Equipment	(171,210)	(123,450)
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>(2,529,727)</u>	<u>(3,467,406)</u>
<u>Cash Flows from Investing Activities</u>		
Interest Income	<u>3,960</u>	<u>3,164</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	<u>(270,808)</u>	<u>375,748</u>
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>1,539,960</u>	<u>1,164,212</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 1,269,152</u>	<u>\$ 1,539,960</u>
<u>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH</u> <u>PROVIDED BY (USED IN) OPERATING ACTIVITIES</u>		
<u>Operating Income (Loss)</u>	\$ (2,644,870)	\$ (2,604,036)
<u>Adjustments to Reconcile Operating Income (Loss) to Net Cash</u>		
<u>Provided by (Used in) Operating Activities</u>		
Depreciation	2,155,948	2,142,736
Changes in Assets and Liabilities		
(Increase) Decrease in Accounts Receivable	322,307	(3,169)
(Increase) Decrease in Inventories	(335)	(8,120)
(Increase) Decrease in Prepaid Expenses	(97,887)	(26,648)
Increase (Decrease) in Accounts Payable	(47,990)	172,927
Increase (Decrease) in Customer Deposits	18,822	21,782
Increase (Decrease) in Due to Other Governments	(416)	5,261
Increase (Decrease) in Payroll Liabilities	51,135	(283)
Increase (Decrease) in Accrued Interest Payable	-	985,643
Increase (Decrease) in Deferred Charges	(6,275)	-
Increase (Decrease) in Unearned Revenue	<u>(656,380)</u>	<u>69,946</u>
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>\$ (905,941)</u>	<u>\$ 756,039</u>

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF NET POSITION
CENTRAL SERVICES - INTERNAL SERVICE FUND
DECEMBER 31, 2014

With Comparative Balances at December 31, 2013

	2014	2013
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 148,951	\$ 90,641
Prepaid Expenses	7,395	7,044
Total Current Assets	156,346	97,685
<u>Capital Assets</u>		
Furniture, Fixtures and Equipment	505,657	500,593
Construction in Progress	148,637	-
Less: Accumulated Depreciation	(109,396)	(85,785)
Capital Assets, net	544,898	414,808
<u>Total Assets</u>	\$ 701,244	\$ 512,493
<u>LIABILITIES AND NET POSITION</u>		
<u>Current Liabilities</u>		
Accounts Payable	\$ 33,196	\$ 22,640
Payroll Liabilities	2,428	17,444
Current Portion of Compensated Absences	5,687	5,623
Total Current Liabilities	41,311	45,707
<u>Long-term Liabilities</u>		
Compensated Absences	28,437	28,115
Less: Current Portion	(5,687)	(5,623)
Total Long-term Liabilities	22,750	22,492
<u>Total Liabilities</u>	64,061	68,199
<u>Net Position</u>		
Net Investment in Capital Assets	544,898	414,808
Unrestricted	92,285	29,486
<u>Total Net Position</u>	637,183	444,294
<u>Total Liabilities and Net Position</u>	\$ 701,244	\$ 512,493

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
CENTRAL SERVICES - INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014
 With Comparative Amounts For Year Ended December 31, 2013

	<u>2014</u>	<u>2013</u>
<u>Operating Revenues</u>		
Charges for Services	\$ 278,112	\$ 274,086
Other	<u>1,649</u>	<u>2,013</u>
Total Operating Revenues	<u>279,761</u>	<u>276,099</u>
<u>Operating Expenses</u>		
Personal Services	69,052	72,005
Utilities	138,647	111,376
Repairs and Maintenance	83,467	112,442
Other Expenses	29,756	32,512
Depreciation	<u>23,611</u>	<u>21,034</u>
Total Operating Expenses	<u>344,533</u>	<u>349,369</u>
<u>Operating Income (Loss)</u>	<u>(64,772)</u>	<u>(73,270)</u>
<u>Nonoperating Revenues (Expenses)</u>		
Intergovernmental Revenues	250	253
Interest Income	<u>644</u>	<u>1,197</u>
Total Nonoperating Revenues (Expenses)	<u>894</u>	<u>1,450</u>
<u>Net Income (Loss) Before Operating Transfers</u>	(63,878)	(71,820)
<u>Operating Transfers In (Out)</u>		
Transfer In	<u>256,767</u>	<u>108,130</u>
<u>Change in Net Position</u>	192,889	36,310
<u>Net Position, Beginning of Year</u>	<u>444,294</u>	<u>407,984</u>
<u>Net Position, End of Year</u>	<u>\$ 637,183</u>	<u>\$ 444,294</u>

CITY OF BEMIDJI, MINNESOTA
STATEMENT OF CASH FLOWS
CENTRAL SERVICES - INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

With Comparative Amounts For Year Ended December 31, 2013

INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

	<u>2014</u>	<u>2013</u>
<u>Cash Flows from Operating Activities</u>		
Cash Received from Billings	\$ 279,761	\$ 276,099
Cash Paid to Suppliers and Employees	(325,411)	(318,095)
Net Cash Provided by (Used in) Operating Activities	<u>(45,650)</u>	<u>(41,996)</u>
<u>Cash Flows from Non-Capital Financing Activities</u>		
Intergovernmental Revenues	250	253
Operating Transfers From (To) Other Funds	256,767	108,130
Net Cash Provided by (Used in) Non-Capital Financing Activities	<u>257,017</u>	<u>108,383</u>
<u>Cash Flows from Capital and Related Financing Activities</u>		
Purchase of Property and Equipment	<u>(153,701)</u>	<u>(15,286)</u>
<u>Cash Flows from Investing Activities</u>		
Interest Income	<u>644</u>	<u>1,197</u>
<u>Net Increase (Decrease) in Cash and Cash Equivalents</u>	58,310	52,298
<u>Cash and Cash Equivalents, Beginning of Year</u>	<u>90,641</u>	<u>38,343</u>
<u>Cash and Cash Equivalents, End of Year</u>	<u>\$ 148,951</u>	<u>\$ 90,641</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES

<u>Operating Income (Loss)</u>	\$ (64,772)	\$ (73,270)
<u>Adjustments to Reconcile Operating Income (Loss) to</u> <u>Net Cash Provided by (Used in) Operating Activities</u>		
Depreciation	23,611	21,034
Changes in Assets and Liabilities		
(Increase) Decrease in Prepaid Expenses	(351)	(429)
Increase (Decrease) in Accounts Payable	10,556	(9,488)
Increase (Decrease) in Accrued Liabilities	(15,016)	15,596
Increase (Decrease) in Accrued Compensated Absences	322	4,561
<u>Net Cash Provided by (Used in) Operating Activities</u>	<u>\$ (45,650)</u>	<u>\$ (41,996)</u>



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

Honorable Mayor, Members of the City Council,
 and City Manager
 City of Bemidji, 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 Bemidji, Minnesota, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City of Bemidji, Minnesota’s basic financial statements and have issued our report thereon dated June 11, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Bemidji, Minnesota'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 of Bemidji, Minnesota’s internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Bemidji, Minnesota’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 over financial reporting such that there is a reasonable possibility that a material misstatement of the City’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 over financial reporting that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 07-1, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bemidji, Minnesota's financial statements are free of 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*.

Minnesota Legal Compliance

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

In connection with our audit, nothing came to our attention that caused us to believe that the City of Bemidji, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Bemidji, Minnesota's noncompliance with the above referenced provisions.

City of Bemidji, Minnesota's Response to Findings

The City of Bemidji, Minnesota's response to the internal control finding identified in our audit is described in the accompanying schedule of findings and responses. The City of Bemidji, Minnesota's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely 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 effectiveness of the City of Bemidji, Minnesota'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 of Bemidji, Minnesota's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Miller McDonald, Inc.

June 11, 2015
Bemidji, Minnesota

CITY OF BEMIDJI, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR YEAR ENDED DECEMBER 31, 2014

A. Findings Related to Financial Statements Audited in Accordance with *Government Audit Standards*.

Previously Reported Item Not Resolved During the Year

07-1 – Preparation of Financial Statements by Auditor

The City's Auditor prepares the financial statements. The City's management and governance personnel should be aware that even though they assume responsibility for the financial statements they do not have effective controls to prevent, detect and correct misstatements in the financial statements, indicating a significant deficiency by management.

Managements Response

The City has noted the finding and will take this recommendation under advisement. Due to the level of knowledge required and time necessary to prepare the financial statements, the Council does not feel it has the resources to resolve the finding at this time. Management and the Council are satisfied with continuing to have the audit firm prepare the financial statements. When or if the audit firm is no longer able to provide this service because of a violation of their ethics, generally accepted auditing standards or law, we will then consider other options.

B. Findings Related to the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*

Previously Reported Items Resolved During the Year

13-1 – Insufficient Pledged Collateral

Condition

The City had insufficient pledged collateral for deposits held as of December 31, 2013.

Resolution

The City obtained sufficient pledged collateral for the deposits held as of December 31, 2014

CITY OF BEMIDJI, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR YEAR ENDED DECEMBER 31, 2014

13-2 – Late Disbursement Payments

Condition

The City had several disbursements that were paid after the 35 days and without interest during the year ended December 31, 2013.

Resolution

The City's disbursements were paid within the required 35 days for the year ended December 31, 2014.