

**CITY OF OAK GROVE
Anoka County, Minnesota**

AUDITED FINANCIAL STATEMENTS

For the Year Ended December 31, 2014

CITY OF OAK GROVE

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CITY OF OAK GROVE
ELECTED OFFICIALS AND ADMINISTRATION
December 31, 2014

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Mark Korin	Mayor	December 31, 2014
Dan Denno	Council Member	December 31, 2014
Scott Lawrence	Council Member	December 31, 2016
Mike Wylie	Council Member	December 31, 2014
Sean Sullivan	Council Member	December 31, 2016
<u>Administration</u>		
Rick Juba	City Administrator	
AEM Financial Solutions, LLC	Consulting Finance Manager	
Tim Smith	Director of Public Works	
Curt Hallerman	Fire Chief	



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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Oak Grove
Oak Grove, 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 Oak Grove, 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 from material misstatement.

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Oak Grove, Minnesota, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter 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 (GASB) 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 Oak Grove's basic financial statements. The Supplementary Information as identified in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.



The Supplementary Information is the responsibility of management and was derived from and relates 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 Supplementary Information is fairly stated, in all material respects in relation to the financial statements as a whole.

Report on Summarized Comparative Information

The financial statements and supplementary information include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's basic financial statements for the year ended December 31, 2013, from which such partial information was derived.

We have previously audited the City's 2013 financial statements and our report, dated April 7, 2014, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2015, on our consideration of the City of Oak Grove'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 Oak Grove's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Kern DeWenter, Viero Ltd".

KERN, DEWENTER, VIERO, LTD.
Minneapolis, Minnesota
March 16, 2015

CITY OF OAK GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2014

As management of the City of Oak Grove, Minnesota (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended December 31, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent year by \$ 25,157,516 (net position). Of this amount, \$ 9,787,030 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$ 140,744. A further breakdown of net position is chronicled under government-wide financial statement analysis.
- As of the close of the current year, the City's governmental funds reported a combined ending fund balance of \$ 9,520,671, an increase of \$ 121,763 in comparison with the prior year.
- At the end of the current year, total fund balance for the General Fund was \$ 1,293,705, or 56%, of the budgeted 2014 General Fund expenditures.
- The City's total debt decreased \$ 160,300 during the current year. The decrease was mainly due to yearly principal and interest payments on general obligation (G.O.) bonds.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Discussion and Analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) Notes to the Financial Statements. This analysis contains other supplemental information in addition to the basic financial statements themselves.

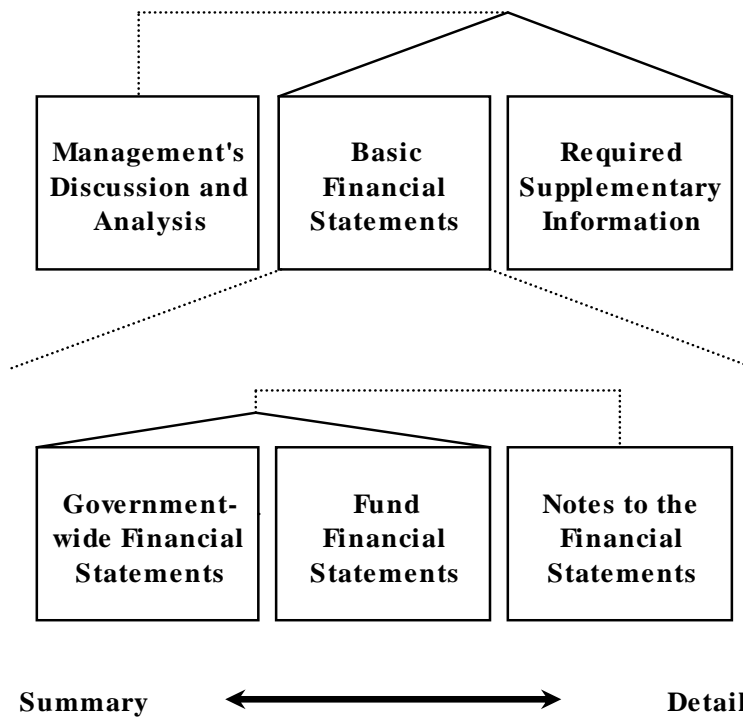
CITY OF OAK GROVE

**MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

**Figure 1
Required Components of the
City's Annual Financial Report**



CITY OF OAK GROVE

**MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014**

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

	Fund Financial Statements		
	Government-Wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required Financial Statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting Basis and Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of Asset/Liability Information	All assets and liabilities, both financial and capital and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital and short-term and long-term

CITY OF OAK GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2014

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

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

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

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

The government-wide financial statements start on page 18 of this report.

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

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

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

CITY OF OAK GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2014

Governmental Funds – The City maintains 15 individual governmental funds, 3 of which are Debt Service Funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Asset Replacement Fund, MSA Construction Fund and Road Improvement Fund. Data from the 11 other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements or schedules elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 20 of this report.

Proprietary Fund – The City maintains one type of proprietary fund. 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 to account for its water, sewer and street lights.

The proprietary fund financial statements provide separate information for the water, sewer and street lights, which are considered to be major funds of the City.

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

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 34 of this report.

Notes to the Financial Statements – The Notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements start on page 35 of this report.

Other Information – The combining statements referred to earlier, in connection with non-major governmental funds, are presented following the Notes to the Financial Statements. Combining and individual fund statements and schedules start on page 60 of this report.

CITY OF OAK GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2014

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities and deferred inflows of resources by \$ 25,157,516 at the close of the most recent year.

By far, the largest portion of the City's net position (58.1%) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Summary of Net Position

	Governmental Activities			Business-Type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
ASSETS						
Current and Other Assets	\$ 9,753,592	\$ 9,940,194	\$ (186,602)	\$ 967,682	\$ 759,053	\$ 208,629
Capital Assets	12,663,759	12,817,373	(153,614)	3,911,308	4,076,109	(164,801)
Total Assets	<u>\$ 22,417,351</u>	<u>\$ 22,757,567</u>	<u>\$ (340,216)</u>	<u>\$ 4,878,990</u>	<u>\$ 4,835,162</u>	<u>\$ 43,828</u>
LIABILITIES						
Other Liabilities	\$ 271,150	\$ 317,491	\$ (46,341)	\$ 57,675	\$ 53,555	\$ 4,120
Long-Term Liabilities Outstanding	1,465,000	1,608,548	(143,548)	345,000	367,000	(22,000)
Total liabilities	<u>\$ 1,736,150</u>	<u>\$ 1,926,039</u>	<u>\$ (189,889)</u>	<u>\$ 402,675</u>	<u>\$ 420,555</u>	<u>\$ (17,880)</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenue - MSA State Aid	\$ -	\$ 229,363	\$ (229,363)	\$ -	\$ -	\$ -
NET POSITION						
Net Investment in Capital Assets	\$ 11,083,759	\$ 11,098,073	\$ (14,314)	\$ 3,544,308	\$ 3,688,109	\$ (143,801)
Restricted	742,419	790,533	(48,114)	-	-	-
Unrestricted	8,855,023	8,713,559	141,464	932,007	726,498	205,509
Total Net Position	<u>\$ 20,681,201</u>	<u>\$ 20,602,165</u>	<u>\$ 79,036</u>	<u>\$ 4,476,315</u>	<u>\$ 4,414,607</u>	<u>\$ 61,708</u>

An additional portion of the City's net position (3.0%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, (38.9%), may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City's net position increased by \$ 140,744 during the current year.

CITY OF OAK GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2014

GOVERNMENTAL ACTIVITIES.

Governmental activities increased the City's net position by \$ 79,036. Key elements of this increase are as follows:

	Changes in Net Position					
	Governmental Activities			Business-Type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
REVENUES						
Program revenues:						
Charges for services	\$ 267,601	\$ 288,574	\$ (20,973)	\$ 337,313	\$ 296,222	\$ 41,091
Operating grants and contributions	98,389	131,914	(33,525)	-	-	-
Capital grants and contributions	664,580	639,032	25,548	93,096	126,877	(33,781)
General revenues:						
Taxes						
Property taxes	1,974,331	2,112,597	(138,266)	-	-	-
Property taxes, levied for debt service	213,098	213,179	(81)	-	-	-
Franchise taxes	-	16,855	(16,855)	-	-	-
Tax increments	7,279	8,295	(1,016)	-	-	-
Intergovernmental	85,002	3,688	81,314	-	-	-
Unrestricted investment earnings	185,731	(61,968)	247,699	16,635	(4,960)	21,595
Gain on sale of property	-	9,200	(9,200)	-	-	-
Miscellaneous	1,100	6	1,094	-	-	-
Special Item - Decrease in Land Held for Resale	-	(421,778)	421,778	-	-	-
Total revenues and special item	<u>3,497,111</u>	<u>2,939,594</u>	<u>557,517</u>	<u>447,044</u>	<u>418,139</u>	<u>28,905</u>
EXPENSES						
General government	719,095	725,320	(6,225)	-	-	-
Public safety	1,024,102	1,104,372	(80,270)	-	-	-
Public works	1,444,776	1,755,651	(310,875)	-	-	-
Sanitation	25,104	21,322	3,782	-	-	-
Parks and recreation	66,812	70,791	(3,979)	-	-	-
Economic development	48,809	8,867	39,942	-	-	-
Interest on long-term debt	89,377	95,514	(6,137)	-	-	-
Water	-	-	-	163,269	207,639	(44,370)
Sewer	-	-	-	213,424	243,601	(30,177)
Street Light	-	-	-	8,643	7,958	685
Total expenses	<u>3,418,075</u>	<u>3,781,837</u>	<u>(363,762)</u>	<u>385,336</u>	<u>459,198</u>	<u>(73,862)</u>
Change in net position	79,036	(842,243)	921,279	61,708	(41,059)	102,767
Net Position - January 1, as Previously Stated	20,602,165	22,255,322	(1,653,157)	4,414,607	4,437,066	(22,459)
Prior Period Adjustment	-	(810,914)	810,914	-	18,600	(18,600)
Net position - January 1, as Restated	<u>20,602,165</u>	<u>21,444,408</u>	<u>(842,243)</u>	<u>4,414,607</u>	<u>4,455,666</u>	<u>(41,059)</u>
Net position - December 31	<u>\$ 20,681,201</u>	<u>\$ 20,602,165</u>	<u>\$ 79,036</u>	<u>\$ 4,476,315</u>	<u>\$ 4,414,607</u>	<u>\$ 61,708</u>

The line item with the most significant change was a special item relating to a decrease in value of land held for resale in 2013. A large portion of the 2013 change is related to a prior period adjustment related to the timing of revenue recognition. The increase in 2014 is mostly due to an increase in revenues coupled with a decrease in expenditures.

CITY OF OAK GROVE

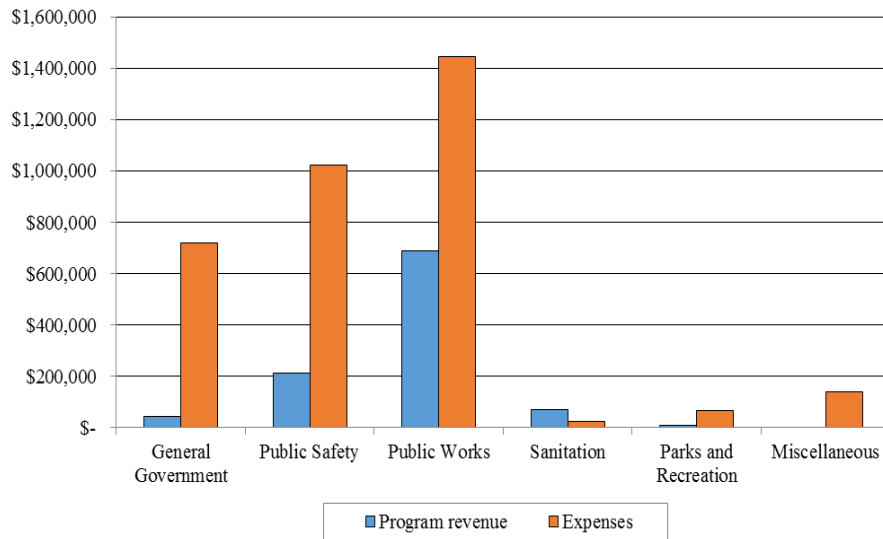
MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2014

GOVERNMENTAL ACTIVITIES

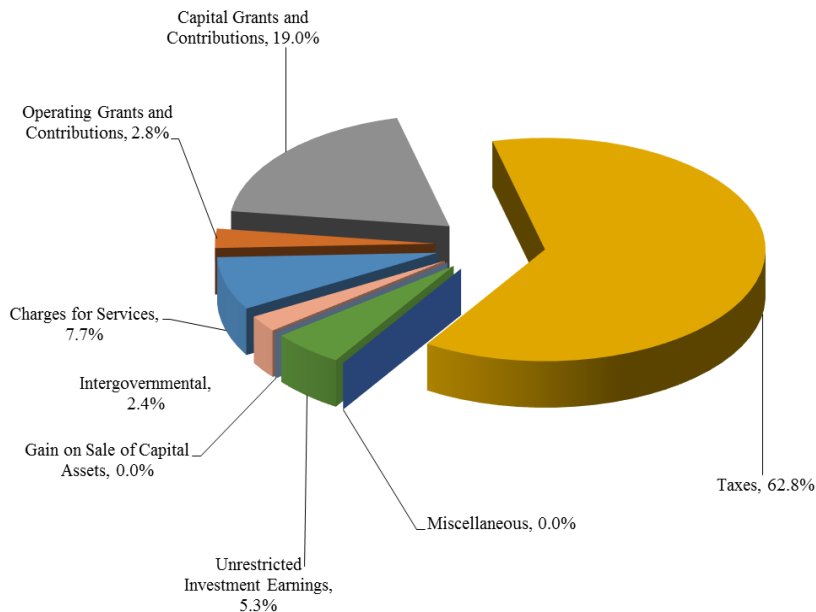
The following graph depicts various governmental activities and shows the program revenues and expenses directly related to those activities.

Governmental Activities – Net position in the governmental activities increased \$ 79,036.

Expenses and Program Revenues – Governmental Activities



Revenues by Source – Governmental Activities



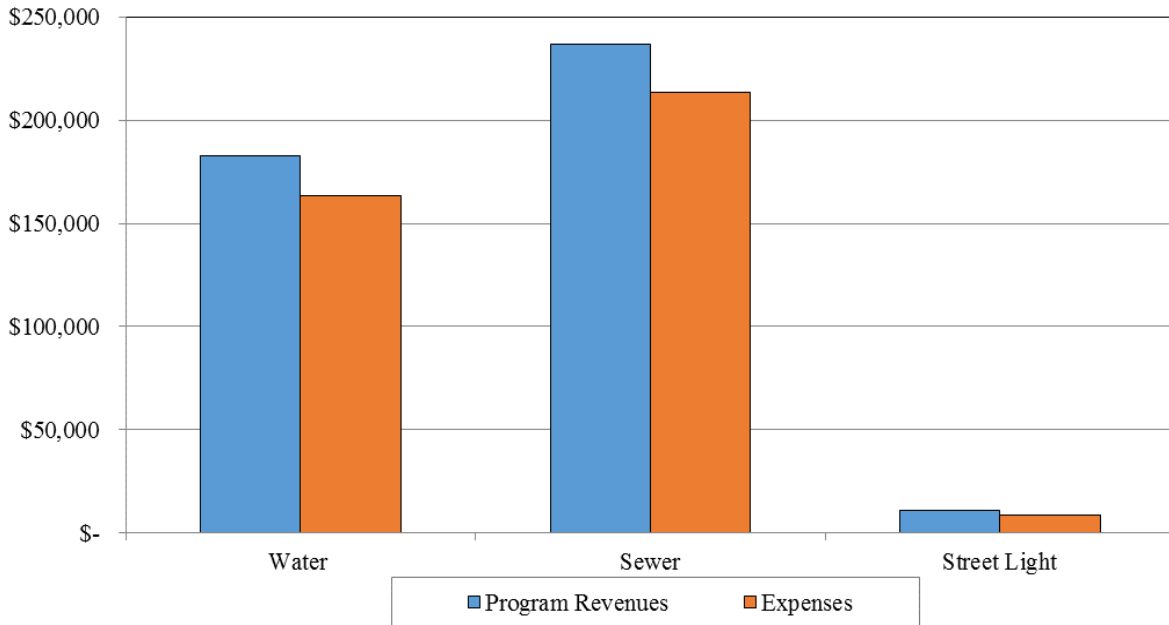
CITY OF OAK GROVE

**MANAGEMENT’S DISCUSSION AND ANALYSIS
For the Year Ended December 31, 2014**

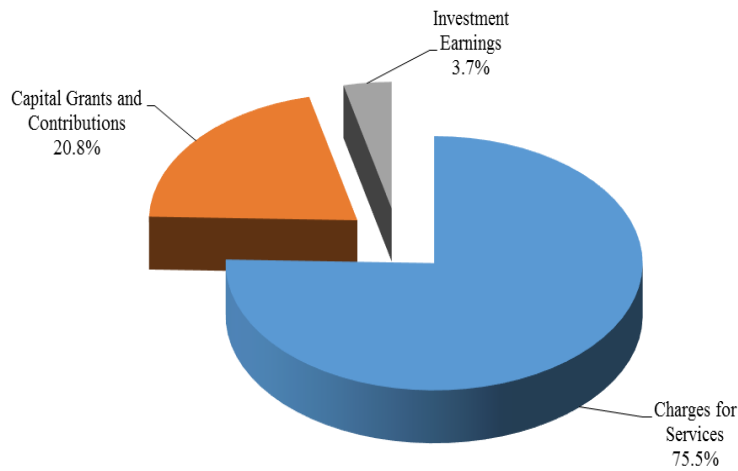
BUSINESS-TYPE ACTIVITIES

Business-type activities increased the City’s net position by \$ 61,708.

Expenses and Program Revenues – Business-Type Activities



Revenues by Source – Business-type Activities



CITY OF OAK GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2014

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

Activity in the City's major governmental funds is discussed below:

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$ 9,520,671, an increase of \$ 121,763 in comparison with the prior year. Approximately 9.4% percent of this total amount, or \$ 890,389, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is either: 1) nonspendable (\$ 36,988), 2) restricted (\$ 779,065), 3) committed (\$ 229,892) or assigned (\$ 7,584,337).

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2014	2013	
General:			
The primary reason for the increase in fund balance was due to a decrease in transfers from General Fund reserves to various capital replacement funds for future capital purchases.	\$ 1,293,705	\$ 1,131,163	\$ 162,542
Asset Replacement Fund:			
This decrease is primarily due to capital purchases made throughout the year.	3,597,574	3,692,240	(94,666)
MSA Construction:			
This increase is primarily due to an increase in intergovernmental revenues received and no prior period adjustment in current year.	(366,339)	(413,869)	47,530
Road Improvement:			
This increase relates primarily due to an increase in investment income.	3,694,636	3,680,415	14,221

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$ 932,007. The total increase in net position for the funds was \$ 61,708.

CITY OF OAK GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2014

GENERAL FUND BUDGETARY HIGHLIGHTS

No budget amendments were made during the year. The budget called for no change in fund balance. Actual revenues were over budget by \$ 36,487, and expenditures were under budget by \$ 97,939.

Some of the significant variances can be briefly summarized as follows:

- License and permits revenues resulted in a surplus of \$ 40,856, due to an increase in new home construction.
- Property Taxes resulted in a surplus of \$ 11,099.
- All department expenditures resulted in positive variances due to conscious spending by City management. The largest of the variance being in General Government, which resulted in a \$ 77,336 positive variance.
- Public safety, along with Public works current expenditures resulted in a deficit of \$ 6,563 and \$ 9,041 respectively, mainly due to an increase in building inspection which is offset with the increase in building permit revenues described above.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – The City's investment in capital assets for its governmental and business-type activities as of December 31, 2014 amounted to \$ 16,575,067 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, roads, highways and bridges. The total decrease in the City's investment in capital assets for the current year was \$ 318,415, which represents a 1.9% overall decrease.

Major capital asset events during the current year included the following:

- A Grader was purchased for \$ 204,790 during 2014.
- New Fire Air Packs were purchased for \$ 25,301 during 2014.

Additional information on the City's capital assets can be found in Note 5 starting on page 50.

Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Land	\$ 1,747,139	\$ 1,747,139	\$ -	\$ 1,521	\$ 1,521	\$ -
Buildings and Improvements	1,797,224	1,839,989	(42,765)	13,996	14,322	(326)
Machinery and Equipment	1,160,397	1,070,526	89,871	24,426	27,178	(2,752)
Furniture and Fixtures	23,941	28,859	(4,918)	-	-	-
Infrastructure	7,522,215	7,025,894	496,321	3,871,365	4,033,088	(161,723)
Construction in Progress	412,843	1,104,966	(692,123)	-	-	-
Total	\$ 12,663,759	\$ 12,817,373	\$ (153,614)	\$ 3,911,308	\$ 4,076,109	\$ (164,801)

CITY OF OAK GROVE

MANAGEMENT'S DISCUSSION AND ANALYSIS For the Year Ended December 31, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION

Long-Term Debt – At the end of the current year, the City had total bonded debt outstanding of \$ 1,947,000. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

Outstanding Debt

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
302 G.O. Capital Improvement Plan Bonds, Series 2007A	\$ 210,000	\$ 255,000	\$ (45,000)	\$ -	\$ -	\$ -
303 Taxable G.O. Tax Increment Bonds, Series 2007B	1,370,000	1,435,000	(65,000)	-	-	-
Total G.O. Bonds	<u>1,580,000</u>	<u>1,690,000</u>	<u>(110,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
305 G.O. Improvement Bonds, Series 2004B	-	29,300	(29,300)	-	-	-
Total G.O. Improvement Bonds	<u>-</u>	<u>29,300</u>	<u>(29,300)</u>	<u>-</u>	<u>-</u>	<u>-</u>
611 G.O. Sewer Revenue Note Series 2010A	-	-	-	367,000	388,000	(21,000)
Compensated Absences Payable	45,063	58,918	(13,855)	-	-	-
Other Post Employment Benefits (OPEB) Obligation	-	-	-	-	-	-
Total City Indebtedness	<u>\$ 1,625,063</u>	<u>\$ 1,778,218</u>	<u>\$ (153,155)</u>	<u>\$ 367,000</u>	<u>\$ 388,000</u>	<u>\$ (21,000)</u>

The City's total bonded debt decreased by \$ 160,300 (7.6%) during the current year. This was due to scheduled debt service principal payments.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3% of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes.

Additional information on the City's long-term debt can be found in Note 6 starting on page 52 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The overall tax levy decreased in 2014 by \$ 145,444 and the Council expects continuing monitoring of City finances and looking for opportunities to minimize the tax effect of City operations.
- Property tax values are expected to increase for the 2016 budget cycle and this will result in positive changes in the City's tax rate. This will be considered when planning the 2016 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Administrator, City of Oak Grove, 19900 Nightingale Street NW, Oak Grove, Minnesota, 55011.

BASIC FINANCIAL STATEMENTS

CITY OF OAK GROVE

**STATEMENT OF NET POSITION
December 31, 2014
With Comparative Totals as of December 31, 2013**

	Governmental Activities	Business-Type Activities	Totals	
			2014	2013
ASSETS				
Cash and Investments (Including Cash Equivalents)	\$ 9,186,980	\$ 792,948	\$ 9,979,928	\$ 9,753,118
Receivables:				
Accounts Receivable	6,694	63,351	70,045	78,295
Interest Receivable	24,992	-	24,992	26,176
Due from Other Governments	24,253	-	24,253	-
Taxes Receivable:				
Unremitted	32,768	-	32,768	29,066
Delinquent	47,159	-	47,159	59,339
Special Assessments Receivable:				
Unremitted	1,137	453	1,590	678
Delinquent	383	-	383	415
Deferred	110,938	110,192	221,130	252,727
Prepaid Items	36,988	738	37,726	38,533
Land Held for Resale	281,300	-	281,300	460,900
Capital Assets not being Depreciated:				
Land	1,747,139	1,521	1,748,660	1,748,660
Construction in Progress	412,843	-	412,843	1,104,966
Capital Assets (Net of Accumulated Depreciation):				
Buildings and Improvements	1,797,224	13,996	1,811,220	1,854,311
Furniture and Fixtures	23,941	-	23,941	28,859
Machinery and Equipment	1,160,397	24,426	1,184,823	1,097,704
Infrastructure	7,522,215	3,871,365	11,393,580	11,058,982
	<u>\$ 22,417,351</u>	<u>\$ 4,878,990</u>	<u>\$ 27,296,341</u>	<u>\$ 27,592,729</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Accounts Payable	\$ 13,322	\$ 4,092	\$ 17,414	\$ 65,032
Due to Other Governments	17,970	29,076	47,046	39,398
Salaries and Benefits Payable	43,149	176	43,325	34,303
Interest Payable	36,646	2,331	38,977	41,643
Bond Principal Payable:				
Payable Within One Year	115,000	22,000	137,000	160,300
Payable After One Year	1,465,000	345,000	1,810,000	1,947,000
Compensated Absences Payable:				
Payable Within One Year	45,063	-	45,063	30,370
Payable After One Year	-	-	-	28,548
Total Liabilities	<u>1,736,150</u>	<u>402,675</u>	<u>2,138,825</u>	<u>2,346,594</u>
Deferred Inflows of Resources				
Unavailable Revenue - MSA State Aid	-	-	-	229,363
Net Position				
Net Investment in Capital Assets	11,083,759	3,544,308	14,628,067	14,786,182
Restricted				
Debt Service	165,851	-	165,851	209,267
Tax Increment	211,746	-	211,746	229,680
Subordinate Service District	3,607	-	3,607	3,607
Cable TV - PEG	7,083	-	7,083	7,019
Park Dedication	354,132	-	354,132	340,960
Unrestricted	8,855,023	932,007	9,787,030	9,440,057
Total Net Position	<u>20,681,201</u>	<u>4,476,315</u>	<u>25,157,516</u>	<u>25,016,772</u>
	<u>\$ 22,417,351</u>	<u>\$ 4,878,990</u>	<u>\$ 27,296,341</u>	<u>\$ 27,592,729</u>

The Notes to the Financial Statements are an integral part of this statement.

CITY OF OAK GROVE

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2014
With Comparative Totals for the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenues and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
							2014	2013
Governmental Activities								
General Government	\$ 719,095	\$ 42,287	\$ 2,375	\$ -	\$ (674,433)	\$ -	\$ (674,433)	\$ (642,372)
Public Safety	1,024,102	203,524	6,475	4,300	(809,803)	-	(809,803)	(812,319)
Public Works	1,444,776	10,000	26,535	654,280	(753,961)	-	(753,961)	(1,107,158)
Sanitation	25,104	11,790	60,865	-	47,551	-	47,551	10,142
Parks and Recreation	66,812	-	2,139	6,000	(58,673)	-	(58,673)	(66,229)
Economic Development	48,809	-	-	-	(48,809)	-	(48,809)	(8,867)
Interest on Long-Term Debt	89,377	-	-	-	(89,377)	-	(89,377)	(95,514)
Total Governmental Activities	3,418,075	267,601	98,389	664,580	(2,387,505)	-	(2,387,505)	(2,722,317)
Business-Type Activities								
Water	163,269	144,459	-	38,500	-	19,690	19,690	(19,493)
Sewer	213,424	182,072	-	54,596	-	23,244	23,244	(16,634)
Street Light	8,643	10,782	-	-	-	2,139	2,139	28
Total Business-Type Activities	385,336	337,313	-	93,096	-	45,073	45,073	(36,099)
Total Governmental and Business-Type Activities	\$ 3,803,411	\$ 604,914	\$ 98,389	\$ 757,676	(2,387,505)	45,073	(2,342,432)	(2,758,416)
General Revenues								
Property Taxes					1,974,331	-	1,974,331	2,112,597
Property Taxes Levied for Debt Service					213,098	-	213,098	213,179
Franchise Taxes					-	-	-	16,855
Tax Increments					7,279	-	7,279	8,295
Intergovernmental					85,002	-	85,002	3,688
Unrestricted Investment Earnings					185,731	16,635	202,366	(66,928)
Other General Revenue					1,100	-	1,100	6
Gain on Sale of Capital Assets					-	-	-	9,200
Special Item - Decrease in Land Held for Resale					-	-	-	(421,778)
Total General Revenues and Special Item					2,466,541	16,635	2,483,176	1,875,114
Change in Net Position					79,036	61,708	140,744	(883,302)
Net Position - Beginning					20,602,165	4,414,607	25,016,772	26,692,388
Prior Period Adjustment					-	-	-	(792,314)
Net Position - Beginning, As Restated					20,602,165	4,414,607	25,016,772	25,900,074
Net Position - Ending					\$ 20,681,201	\$ 4,476,315	\$ 25,157,516	\$ 25,016,772

CITY OF OAK GROVE

BALANCE SHEET - GOVERNMENTAL FUNDS

December 31, 2014

With Comparative Totals as of December 31, 2013

		Capital Projects	
	General Fund	Asset Replacement	MSA Construction
	(101, 203, 204, 205)	Fund (410, 411, 412, 413)	Fund (402)
ASSETS			
Cash and Investments	\$ 1,244,002	\$ 3,612,574	\$ -
Accounts Receivable	6,694	-	-
Interest Receivable	24,992	-	-
Due from Other Funds	-	-	-
Due from Other Governments	3,555	-	-
Taxes Receivable:			
Unremitted	32,768	-	-
Delinquent	47,159	-	-
Special Assessment Receivable:			
Unremitted	698	-	-
Delinquent	383	-	-
Deferred	74,283	-	-
Prepaid Items	36,977	-	-
Land Held for Resale	-	-	-
Total Assets	\$ 1,471,511	\$ 3,612,574	\$ -
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities			
Accounts Payable	\$ 10,312	\$ -	\$ 2,534
Due to Other Funds	-	-	363,805
Due to Other Governments	2,970	15,000	-
Salaries and Benefits Payable	42,699	-	-
Total Liabilities	55,981	15,000	366,339
Deferred Inflows of Resources			
Unavailable Revenue - Property Taxes	47,159	-	-
Unavailable Revenue - Special Assessments	74,666	-	-
Unavailable Revenue - MSA State Aid	-	-	-
Total Deferred Inflows of Resources	121,825	-	-
Fund Balances			
Nonspendable	36,977	-	-
Restricted	-	-	-
Committed	-	-	-
Assigned	-	3,597,574	-
Unassigned	1,256,728	-	(366,339)
Total Fund Balances	1,293,705	3,597,574	(366,339)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 1,471,511	\$ 3,612,574	\$ -

Capital Projects

Road Improvement Fund (403)	Nonmajor Governmental Funds	Total Governmental Funds	
		2014	2013
\$ 3,330,392	\$ 1,000,012	\$ 9,186,980	\$ 9,175,988
-	-	6,694	7,753
-	-	24,992	26,176
363,805	-	363,805	253,367
-	20,698	24,253	-
-	-	32,768	29,066
-	-	47,159	59,339
439	-	1,137	506
-	-	383	415
36,655	-	110,938	143,526
-	11	36,988	36,525
-	281,300	281,300	460,900
<u>\$ 3,731,291</u>	<u>\$ 1,302,021</u>	<u>\$ 10,117,397</u>	<u>\$ 10,193,561</u>
\$ -	\$ 476	\$ 13,322	\$ 51,265
-	-	363,805	253,367
-	-	17,970	23,237
-	450	43,149	34,141
<u>-</u>	<u>926</u>	<u>438,246</u>	<u>362,010</u>
-	-	47,159	59,339
36,655	-	111,321	143,941
-	-	-	229,363
<u>36,655</u>	<u>-</u>	<u>158,480</u>	<u>432,643</u>
-	11	36,988	36,525
-	779,065	779,065	801,680
-	229,892	229,892	218,646
3,694,636	292,127	7,584,337	7,661,271
-	-	890,389	680,786
<u>3,694,636</u>	<u>1,301,095</u>	<u>9,520,671</u>	<u>9,398,908</u>
<u>\$ 3,731,291</u>	<u>\$ 1,302,021</u>	<u>\$ 10,117,397</u>	<u>\$ 10,193,561</u>

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CITY OF OAK GROVE

**RECONCILIATION OF THE BALANCE SHEET TO
THE STATEMENT OF NET POSITION - GOVERNMENTAL FUNDS
December 31, 2014
With Comparative Totals for the Year Ended December 31, 2013**

	2014	2013
Total Fund Balances - Governmental Funds	\$ 9,520,671	\$ 9,398,908
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 as assets in governmental funds.		
Capital Assets	23,783,189	23,185,399
Less Accumulated Depreciation	(11,119,430)	(10,368,026)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bond Principal Payable	(1,580,000)	(1,719,300)
Compensated Absences Payable	(45,063)	(58,918)
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.		
Property Taxes	47,159	59,339
Special Assessments	383	415
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred Special Assessments	110,938	143,526
Governmental funds do not report a liability for accrued interest until due and payable.	(36,646)	(39,178)
Total Net Position - Governmental Activities	\$ 20,681,201	\$ 20,602,165

CITY OF OAK GROVE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2014
With Comparative Totals for the Year Ended December 31, 2013**

		Capital Projects	
		Asset	
	General Fund (101, 203, 204, 205)	Replacement Fund (410, 411, 412, 413)	MSA Construction Fund (402)
REVENUES			
Property Taxes	\$ 1,972,992	\$ -	\$ -
Tax Increments	-	-	-
Special Assessments	13,245	-	-
Licenses and Permits	198,256	-	-
Intergovernmental	261,056	-	476,036
Charges for Services	14,719	-	-
Fines and Forfeitures	32,836	-	-
Miscellaneous:			
Investment Income	16,222	77,295	-
Contributions and Donations	12,839	-	-
Franchise Fees	-	-	-
Other	26,610	-	1,100
Total Revenues	<u>2,548,775</u>	<u>77,295</u>	<u>477,136</u>
EXPENDITURES			
Current			
General Government	682,803	-	-
Public Safety	878,567	-	-
Public Works	489,916	-	10,486
Sanitation	-	-	-
Parks and Recreation	42,067	-	-
Economic Development	-	-	-
Debt Service			
Principal	-	-	-
Interest and Other Charges	-	-	-
Capital Outlay			
General Government	-	9,487	-
Public Safety	25,644	33,837	-
Public Works	95,352	228,637	419,120
Sanitation	-	-	-
Total Expenditures	<u>2,214,349</u>	<u>271,961</u>	<u>429,606</u>
Excess of Revenues Over (Under) Expenditures	334,426	(194,666)	47,530
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Asset	-	-	-
Transfers In	28,116	100,000	-
Transfers Out	(200,000)	-	-
Total Other Financing Sources (Uses)	<u>(171,884)</u>	<u>100,000</u>	<u>-</u>
SPECIAL ITEM			
Decrease in Land Held for Resale	-	-	-
Net Change in Fund Balances	<u>162,542</u>	<u>(94,666)</u>	<u>47,530</u>
FUND BALANCES			
Beginning of Year, As Previously Stated	1,131,163	3,692,240	(413,869)
Prior Period Adjustment	-	-	-
Beginning of Year, As Restated	<u>1,131,163</u>	<u>3,692,240</u>	<u>(413,869)</u>
End of Year	<u>\$ 1,293,705</u>	<u>\$ 3,597,574</u>	<u>\$ (366,339)</u>

The Notes to the Financial Statements are an integral part of this statement.

Capital Projects

Road Improvement Fund (403)	Nonmajor Governmental Funds	Total Governmental Funds	
		2014	2013
\$ -	\$ 226,617	\$ 2,199,609	\$ 2,374,028
-	7,279	7,279	8,295
3,232	20,708	37,185	52,100
10,000	-	208,256	227,584
-	60,865	797,957	696,890
-	11,790	26,509	23,175
-	-	32,836	37,815
75,424	16,790	185,731	(61,968)
-	6,000	18,839	54,062
-	-	-	16,855
-	-	27,710	17,717
<u>88,656</u>	<u>350,049</u>	<u>3,541,911</u>	<u>3,446,553</u>
-	2,500	685,303	691,114
-	-	878,567	955,221
10,310	-	510,712	508,066
-	25,104	25,104	20,948
-	-	42,067	46,153
-	48,809	48,809	8,867
-	139,300	139,300	134,300
-	91,909	91,909	97,926
-	-	9,487	9,959
-	-	59,481	394,173
186,300	-	929,409	830,979
-	-	-	374
<u>196,610</u>	<u>307,622</u>	<u>3,420,148</u>	<u>3,698,080</u>
(107,954)	42,427	121,763	(251,527)
-	-	-	9,200
122,175	-	250,291	2,909,799
-	(50,291)	(250,291)	(2,909,799)
<u>122,175</u>	<u>(50,291)</u>	<u>-</u>	<u>9,200</u>
-	-	-	(421,778)
14,221	(7,864)	121,763	(664,105)
3,680,415	1,308,959	9,398,908	10,873,927
-	-	-	(810,914)
<u>3,680,415</u>	<u>1,308,959</u>	<u>9,398,908</u>	<u>10,063,013</u>
<u>\$ 3,694,636</u>	<u>\$ 1,301,095</u>	<u>\$ 9,520,671</u>	<u>\$ 9,398,908</u>

CITY OF OAK GROVE

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES TO
THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2014

With Comparative Totals for the Year Ended December 31, 2013

	<u>2014</u>	<u>2013</u>
Net Change in Fund Balances - Total Governmental Funds:	\$ 121,763	\$ (664,105)
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital Outlay	998,377	1,235,485
Expenses not Capitalized	(304,540)	(602,064)
Depreciation Expense	(847,451)	(843,239)
Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		
	13,855	(10,651)
OPEB costs are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities.		
	-	-
Principal payments on long-term debt are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.		
	139,300	134,300
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and thus requires use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		
	2,532	2,412
Certain revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Deferred Special Assessments	(32,588)	(43,164)
Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are not revenues in the funds.		
Delinquent Special Assessments	(32)	(2,965)
Delinquent Property Taxes	(12,180)	(48,252)
Change in Net Position of Governmental Activities	<u>\$ 79,036</u>	<u>\$ (842,243)</u>

CITY OF OAK GROVE

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u> Original and Final	<u>Actual</u>	<u>Variance with Final Budget - Over (Under)</u>
REVENUES			
Property Taxes	\$ 1,961,893	\$ 1,972,992	\$ 11,099
Special Assessments	15,000	13,245	(1,755)
Licenses and Permits	157,400	198,256	40,856
Intergovernmental	267,046	261,056	(5,990)
Charges for Services	8,050	14,719	6,669
Fines and Forfeitures	35,000	32,836	(2,164)
Miscellaneous:			
Investment Income	30,000	16,222	(13,778)
Contributions and Donations	20,194	12,839	(7,355)
Other	17,705	26,610	8,905
Total Miscellaneous	67,899	55,671	(12,228)
Total Revenues	2,512,288	2,548,775	36,487
EXPENDITURES			
Current			
General Government	760,139	682,803	(77,336)
Public Safety	872,004	878,567	6,563
Public Works	480,875	489,916	9,041
Parks and Recreation	53,530	42,067	(11,463)
Capital Outlay			
Public Safety	32,740	25,644	(7,096)
Public Works	113,000	95,352	(17,648)
Total Expenditures	2,312,288	2,214,349	(97,939)
Excess of Revenues Over Expenditures	200,000	334,426	134,426
OTHER FINANCING SOURCES (USES)			
Transfers In	-	28,116	28,116
Transfers Out	(200,000)	(200,000)	-
Net Change in Fund Balances	\$ -	162,542	\$ 162,542
FUND BALANCES			
Beginning of Year		1,131,163	
End of Year		\$ 1,293,705	

CITY OF OAK GROVE

STATEMENT OF NET POSITION - PROPRIETARY FUNDS

December 31, 2014

With Comparative Totals as of December 31, 2013

	<u>Sewer - Lake George (611)</u>	<u>Sewer - The Ponds (612)</u>	<u>Water - Lake George (621)</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 449,937	\$ 49,906	\$ -
Accounts Receivable	17,730	18,996	2,302
Special Assessment Receivable:			
Unremitted	453	-	-
Deferred	110,192	-	-
Due from Other Funds	177,569	-	-
Prepaid Items	190	395	110
Total Current Assets	<u>756,071</u>	<u>69,297</u>	<u>2,412</u>
Noncurrent Assets			
Capital Assets:			
Land	1,521	-	-
Buildings and Improvements	16,276	-	-
Machinery and Equipment	14,344	-	10,073
Infrastructure	2,922,313	2,209,959	836,072
Total Capital Assets	<u>2,954,454</u>	<u>2,209,959</u>	<u>846,145</u>
Less Accumulated Depreciation	(1,644,995)	(953,140)	(128,070)
Net Capital Assets	<u>1,309,459</u>	<u>1,256,819</u>	<u>718,075</u>
 Total Assets	 <u>\$ 2,065,530</u>	 <u>\$ 1,326,116</u>	 <u>\$ 720,487</u>
LIABILITIES AND NET POSITION			
Current Liabilities			
Accounts Payable	\$ 1,552	\$ 2,241	\$ 5
Salaries and Benefits Payable	129	-	47
Interest Payable	2,331	-	-
Due to Other Funds	-	-	177,569
Due to Other Governments	-	-	157
Amount Due Within One Year	22,000	-	-
Total Current Liabilities	<u>26,012</u>	<u>2,241</u>	<u>177,778</u>
Noncurrent Liabilities			
Bonds Payable	367,000	-	-
Less Amount Due Within One Year	(22,000)	-	-
Total Noncurrent Liabilities	<u>345,000</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>371,012</u>	<u>2,241</u>	<u>177,778</u>
Net Position			
Net Investment in Capital Assets	942,459	1,256,819	718,075
Unrestricted	752,059	67,056	(175,366)
Total Net Position	<u>1,694,518</u>	<u>1,323,875</u>	<u>542,709</u>
 Total Liabilities and Net Position	 <u>\$ 2,065,530</u>	 <u>\$ 1,326,116</u>	 <u>\$ 720,487</u>

The Notes to the Financial Statements are an integral part of this statement.

Water - The Ponds (622)	Street Light (601)	Total Proprietary Funds	
		2014	2013
\$ 242,023	\$ 51,082	\$ 792,948	\$ 577,130
21,746	2,577	63,351	70,542
-	-	453	172
-	-	110,192	109,201
-	-	177,569	208,269
43	-	738	2,008
<u>263,812</u>	<u>53,659</u>	<u>1,145,251</u>	<u>967,322</u>
-	-	1,521	1,521
-	-	16,276	16,276
8,464	-	32,881	32,881
<u>802,300</u>	<u>-</u>	<u>6,770,644</u>	<u>6,770,644</u>
810,764	-	6,821,322	6,821,322
(183,809)	-	(2,910,014)	(2,745,213)
<u>626,955</u>	<u>-</u>	<u>3,911,308</u>	<u>4,076,109</u>
<u>\$ 890,767</u>	<u>\$ 53,659</u>	<u>\$ 5,056,559</u>	<u>\$ 5,043,431</u>
\$ 70	\$ 224	\$ 4,092	\$ 13,767
-	-	176	162
-	-	2,331	2,465
-	-	177,569	208,269
28,919	-	29,076	16,161
-	-	22,000	21,000
<u>28,989</u>	<u>224</u>	<u>235,244</u>	<u>261,824</u>
-	-	367,000	388,000
-	-	(22,000)	(21,000)
-	-	345,000	367,000
<u>28,989</u>	<u>224</u>	<u>580,244</u>	<u>628,824</u>
626,955	-	3,544,308	3,688,109
<u>234,823</u>	<u>53,435</u>	<u>932,007</u>	<u>726,498</u>
<u>861,778</u>	<u>53,435</u>	<u>4,476,315</u>	<u>4,414,607</u>
<u>\$ 890,767</u>	<u>\$ 53,659</u>	<u>\$ 5,056,559</u>	<u>\$ 5,043,431</u>

CITY OF OAK GROVE

**STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION - PROPRIETARY FUNDS
For the Year Ended December 31, 2014
With Comparative Totals for the Year Ended December 31, 2013**

	<u>Sewer - Lake George (611)</u>	<u>Sewer - The Ponds (612)</u>	<u>Water - Lake George (621)</u>
OPERATING REVENUES			
Charges for Services	\$ 94,228	\$ 87,383	\$ 28,057
Miscellaneous Operating Revenues	-	336	675
Total Operating Revenues	<u>94,228</u>	<u>87,719</u>	<u>28,732</u>
OPERATING EXPENSES			
Wages and Salaries	5,569	4,541	2,369
Employee Benefits	1,669	1,828	832
Materials and Supplies	3,014	6,885	999
Water Purchases	-	-	-
Repairs and Maintenance	5,475	31,422	2,739
Professional Services	1,447	10,058	366
Utilities	5,388	12,161	3,700
Depreciation	71,166	46,362	30,380
Miscellaneous	-	-	139
Total Operating Expenses	<u>93,728</u>	<u>113,257</u>	<u>41,524</u>
Operating Income (Loss)	500	(25,538)	(12,792)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	10,718	619	-
Special Assessments	16,096	-	-
Refunds and Reimbursements	-	-	-
Connection Charges	10,500	28,000	10,500
Connection Charge Fees	-	-	-
Miscellaneous Revenue	125	-	129
Interest Expense	(6,439)	-	-
Total Nonoperating Revenues (Expenses)	<u>31,000</u>	<u>28,619</u>	<u>10,629</u>
Change in Net Position	31,500	3,081	(2,163)
NET POSITION			
Beginning of Year, as Previously Stated	1,663,018	1,320,794	544,872
Prior Period Adjustment	-	-	-
Beginning of Year, as Restated	<u>1,663,018</u>	<u>1,320,794</u>	<u>544,872</u>
End of Year	<u>\$ 1,694,518</u>	<u>\$ 1,323,875</u>	<u>\$ 542,709</u>

The Notes to the Financial Statements are an integral part of this statement.

Water - The Ponds (622)	Street Light (601)	Total Proprietary Funds	
		2014	2013
\$ 112,884	\$ 10,782	\$ 333,334	\$ 288,723
2,714	-	3,725	6,536
<u>115,598</u>	<u>10,782</u>	<u>337,059</u>	<u>295,259</u>
176	-	12,655	20,336
586	-	4,915	7,326
4,271	-	15,169	25,218
74,864	-	74,864	94,436
-	-	39,636	26,046
875	2,747	15,493	49,203
-	5,896	27,145	25,480
16,893	-	164,801	161,396
80	-	219	362
<u>97,745</u>	<u>8,643</u>	<u>354,897</u>	<u>409,803</u>
17,853	2,139	(17,838)	(114,544)
4,250	1,048	16,635	(4,960)
-	-	16,096	14,877
-	-	-	688
28,000	-	77,000	112,000
(24,000)	-	(24,000)	(42,600)
-	-	254	275
-	-	(6,439)	(6,795)
<u>8,250</u>	<u>1,048</u>	<u>79,546</u>	<u>73,485</u>
26,103	3,187	61,708	(41,059)
835,675	50,248	4,414,607	4,437,066
-	-	-	18,600
<u>835,675</u>	<u>50,248</u>	<u>4,414,607</u>	<u>4,455,666</u>
<u>\$ 861,778</u>	<u>\$ 53,435</u>	<u>\$ 4,476,315</u>	<u>\$ 4,414,607</u>

CITY OF OAK GROVE

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Year Ended December 31, 2014
With Comparative Totals for the Year Ended December 31, 2013**

	<u>Sewer - Lake George (611)</u>	<u>Sewer - The Ponds (612)</u>	<u>Water - Lake George (621)</u>
CASH FLOWS - OPERATING ACTIVITIES			
Receipts from Customers and Users	\$ 102,422	\$ 86,012	\$ 30,666
Payments to Suppliers	(15,768)	(69,381)	(7,393)
Payments to Employees	(7,223)	(6,369)	(3,202)
Net Cash Flows - Operating Activities	<u>79,431</u>	<u>10,262</u>	<u>20,071</u>
CASH FLOWS - NONCAPITAL FINANCING ACTIVITIES			
Refunds and Reimbursements	-	-	-
Miscellaneous Revenue	125	-	129
Payment of Due From/To Other Funds	30,700	-	(30,700)
Net Cash Flows - Noncapital Financing Activities	<u>30,825</u>	<u>-</u>	<u>(30,571)</u>
CASH FLOWS - CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal Paid on Debt	(21,000)	-	-
Interest Paid on Debt	(6,573)	-	-
Special Assessments	14,824	-	-
Connection Charges	10,500	28,000	10,500
Connection Charge Fees	-	-	-
Acquisition of Capital Assets	-	-	-
Net Cash Flows - Capital and Related Financing Activities	<u>(2,249)</u>	<u>28,000</u>	<u>10,500</u>
CASH FLOWS - INVESTING ACTIVITIES			
Interest and Dividends Received	10,718	619	-
Net Change in Cash and Cash Equivalents	118,725	38,881	-
CASH AND CASH EQUIVALENTS			
January 1	<u>331,212</u>	<u>11,025</u>	<u>-</u>
December 31	<u>\$ 449,937</u>	<u>\$ 49,906</u>	<u>\$ -</u>
RECONCILIATION OF OPERATING GAIN (LOSS) TO NET CASH FLOWS - OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 500	\$ (25,538)	\$ (12,792)
Adjustments to Reconcile Operating Gain (Loss) to Net Cash Flows -			
Depreciation Expense	71,166	46,362	30,380
Accounts Receivable	8,194	(1,707)	1,934
Prepaid Items	312	107	392
Accounts Payable	(756)	(8,962)	1
Due to Other Governmental Units	-	-	157
Salaries Payable	15	-	(1)
Total Adjustments	<u>78,931</u>	<u>35,800</u>	<u>32,863</u>
Net Cash Flows - Operating Activities	<u>\$ 79,431</u>	<u>\$ 10,262</u>	<u>\$ 20,071</u>

The Notes to the Financial Statements are an integral part of this statement.

Water - The Ponds (622)	Street Light (601)	Total Proprietary Funds	
		2014	2013
\$ 115,120	\$ 10,030	\$ 344,250	\$ 280,794
(66,863)	(8,611)	(168,016)	(225,259)
(762)	-	(17,556)	(28,044)
<u>47,495</u>	<u>1,419</u>	<u>158,678</u>	<u>27,491</u>
-	-	-	688
-	-	254	275
-	-	-	-
-	-	254	963
-	-	(21,000)	(21,000)
-	-	(6,573)	(6,928)
-	-	14,824	21,952
28,000	-	77,000	112,000
(24,000)	-	(24,000)	(42,600)
-	-	-	(78,370)
<u>4,000</u>	<u>-</u>	<u>40,251</u>	<u>(14,946)</u>
<u>4,250</u>	<u>1,048</u>	<u>16,635</u>	<u>(4,960)</u>
55,745	2,467	215,818	8,548
<u>186,278</u>	<u>48,615</u>	<u>577,130</u>	<u>568,582</u>
<u>\$ 242,023</u>	<u>\$ 51,082</u>	<u>\$ 792,948</u>	<u>\$ 577,130</u>
\$ 17,853	\$ 2,139	\$ (17,838)	\$ (114,544)
16,893	-	164,801	161,396
(478)	(752)	7,191	(14,465)
459	-	1,270	(2,008)
10	32	(9,675)	(10,267)
12,758	-	12,915	7,761
-	-	14	(382)
<u>29,642</u>	<u>(720)</u>	<u>176,516</u>	<u>142,035</u>
<u>\$ 47,495</u>	<u>\$ 1,419</u>	<u>\$ 158,678</u>	<u>\$ 27,491</u>

CITY OF OAK GROVE

STATEMENT OF FIDUCIARY NET POSITION

December 31, 2014

With Comparative Totals as of December 31, 2013

	<u>Agency Fund</u>	
	<u>Developer Escrow (801)</u>	
	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and Investments	<u>\$ 64,565</u>	<u>\$ 73,588</u>
LIABILITIES		
Deposits Payable	<u>\$ 64,565</u>	<u>\$ 73,588</u>

CITY OF OAK GROVE

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Oak Grove (the “City”) is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

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

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

Blended Component Unit – Reported as if they were part of the City.

Joint Ventures and Jointly Governed Organizations – The relationship of the City with the entity is disclosed.

For each of the categories above, the specific entities are identified as follows:

1. Blended Component Unit

The Oak Grove Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Oak Grove EDA is reported as if it were part of the primary government because the Commissioners consist of the Mayor and each member of the City Council. Each Commissioner’s term coincides with their term as Mayor or member of the City Council.

2. Joint Ventures and Jointly Governed Organizations

The Upper Rum River Watershed Management Organization (URRWMO). The URRWMO is a joint powers organization including the Cities of St. Francis, Oak Grove, Nowthen, Bethel and portions of the City of East Bethel. A small corner of the City of Ham Lake also falls within the URRWMO. The URRWMO Board is made up of representatives from each of these cities and townships. The organization seeks to maintain the quality of area lakes, rivers, streams, groundwater and other water resources across municipal boundaries. During 2014, the City made payments of \$ 4,927 to the organization. Additional financial information can be obtained in the URRWMO’s annual reports, which are available at <http://www.urrwmo.org/watershed-plans-reports>.

CITY OF OAK GROVE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity (Continued)

2. Joint Ventures and Jointly Governed Organizations (Continued)

Anoka County Fire Protection Council (ACFPC). The ACFPC is a joint powers organization including the Cities of Andover, Anoka, Bethel, Blaine, Centerville, Champlin, Circle Pines, Columbia Heights, Coon Rapids, East Bethel, Fridely, Ham Lake, Hilltop, Lexington, Lino Lakes, Mounds View, Nowthen, Oak Grove, Ramsey, Spring Lake Park and St. Francis and the Township of Linwood. The ACFPC Board is made up of two joint decision-making bodies: Fire Chief Directors for day-to-day operations and programmatic decisions and Elected Official Directors for major financial decisions of ACFPC, which is defined as expenditures totaling \$ 50,000 or more. The purpose of ACFPC is to join together to improve the efficiency and effectiveness of fire and emergency services to the public within the geographic service area of the Members. Specifically, ACFPC will cooperatively address the Members' long term needs for fire-fighting and emergency equipment, fire records data systems, fire-fighter and EMS training, fire prevention, fire inspection, fire related public education and other fire and emergency related essentials. Each Member shall pay an annual fee as well as pay its percentage share of ACFPC's annual expenses. During 2014, the City made payments of \$ 210 to the organization.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the City. The fiduciary funds are only reported in the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position at the fund financial statement level. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

Separate financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Aggregate information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements. Fiduciary funds are presented in the fiduciary fund financial statements by type, pension (or other benefit) trust and agency.

CITY OF OAK GROVE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Government-Wide and Fund Financial Statements (Continued)

The Agency Fund is presented in the fiduciary fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, this Fund is not incorporated into the government-wide statements.

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

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

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

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

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

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

CITY OF OAK GROVE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have been reported as deferred inflow of resources.

Description of Funds:

Major Governmental Funds:

General Fund – This Fund is the City’s primary operating fund. It accounts for all financial resources of the general City, except those required to be accounted for in another fund.

Asset Replacement Fund – This Fund is used to account for funds set aside primarily from taxes and used for the replacement of the City’s capital assets.

MSA Construction Fund – This Fund is used to account for the accumulation of resources used for Minnesota State Aid construction projects.

Road Improvement Fund – This Fund is used to account for funds set aside from property taxes for the construction and seal coating of City roads.

Proprietary Funds:

Sewer – Lake George Fund – This Fund is used to account for the activities related to the operation of the Lake George sewer distribution system.

Sewer – The Ponds Fund – This Fund is used to account for the activities related to the operation of The Ponds sewer distribution system.

Water – Lake George Fund – This Fund accounts for the operations of the City’s water utility in the Lake George area.

Water – The Ponds Fund – This Fund accounts for the operations of the City’s water utility in The Ponds.

Street Light Fund – This Fund accounts for the operations of the City’s street light utility.

Agency Fund:

Agency Fund – This Fund is used to account for the monies on behalf of developers’ escrow accounts.

CITY OF OAK GROVE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water, Sewer and Street Light Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Liabilities and Net Position or Fund Balance

1. Deposits and Investments

Minnesota Statutes authorizes the City to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool.

The City had formal policies in place as of December 31, 2014 to address the risks identified below and on the following page.

Custodial Credit Risk – Deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City has adopted a deposit policy to address custodial risk for deposits that states all depositories approved by the City Council must maintain a sufficient level of depository insurance and collateralized securities to cover deposits made by the City.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy refers to *Minnesota Statutes* 118A. *Minnesota Statutes* 118A.04 and 118A.05 limit investments to those that are in the top two ratings issued by nationally recognized statistical rating organizations.

CITY OF OAK GROVE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

1. Deposits and Investments (Continued)

Interest Rate Risk: The City's investment policy addresses diversification of maturity dates and liquidity of the investment portfolio to limit exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk – Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states all investments of City funds must be covered by security investor protection or other acceptable brokerage insurance to limit the City's exposure to custodial credit risk.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of a City's investment in a single issuer. The City's investment policy states that the portfolio will be diversified so the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the City are reported at fair value.

2. Property Taxes

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

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

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 state credits received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City the following January) and taxes and credits not received at year end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures.

CITY OF OAK GROVE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

3. Special Assessments

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with *Minnesota Statutes*. These assessments are collectible by the City over a term usually consistent with the terms of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City.

If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are remitted to the City in payment of delinquent special assessments. Pursuant to *Minnesota Statutes*, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

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

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. All remaining delinquent and deferred assessments receivable in governmental funds are offset by deferred inflows of resources. In the proprietary funds all special assessment receivables are shown as revenue in the year they are recorded.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as an expense or expenditure at the time of consumption.

5. Land Held for Resale

Land is acquired by the City for subsequent resale for redevelopment purposes. Land held for resale is reported as an asset at the lower of cost or estimated realizable value in the fund that acquired it.

CITY OF OAK GROVE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

6. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost as noted on the table below and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The City has not reported infrastructure for all streets and bridges, etc. retroactively. The City reports as street infrastructure only those streets financed by assessments since Oak Grove became a city in 1993. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Assets	Threshold
Land/Land Improvements	\$ 10,000
Buildings and Improvements	25,000
Machinery and Equipment	1,000
Vehicles	5,000
Infrastructure	100,000
Other Assets	5,000

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

Assets	Years
Buildings	25-40
Building Improvements	5-30
Wastewater Sewer Systems	25-50
Streets	25-50
Vehicles and Equipment	3-50
Furniture	15
Office Equipment	7-15
Park Improvements	10-30

CITY OF OAK GROVE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

7. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 presents deferred inflows of resources on the Governmental Fund Balance Sheet and Statement of Net Position as unavailable revenue. The governmental funds report deferred inflows from three sources: property taxes, special assessments and MSA state aid. The government-wide statements report deferred inflows from one source: MSA state aid. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available or timing requirements are met.

8. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. In July 2007, the City's policy was amended to a paid time off (PTO) leave policy where vacation and sick were combined into one type of leave pay. All compensatory pay and PTO benefits that are vested as severance pay are accrued when incurred in the government-wide and proprietary fund financial statements.

A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive extended medical benefits (EMB).

All compensated absences pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured as a result of employee termination or similar circumstances. These liabilities are paid by the governmental fund the employee provided most of its service to. The liability for accrued compensated absences including compensatory pay and PTO leave was estimated at \$ 45,063 at December 31, 2014.

CITY OF OAK GROVE

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

9. Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bond issuance costs are reported as an expense in the year the bond is issued. Bonds payable are reported net of the applicable bond premium or discount.

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

10. Fund Balance

a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- Nonspendable Fund Balances – These are amounts that cannot be spent because they are not in spendable form or are legally or contractually required to be maintained intact.
- Restricted Fund Balances – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors or laws or regulations of other governments or b) imposed by law through enabling legislation.
- Committed Fund Balances – These are amounts comprised of unrestricted funds used for a specific purpose pursuant to constraints imposed by formal action of the City Council and that remain binding unless removed by the City Council by subsequent formal action.
- Assigned Fund Balances – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted or committed. The City Council has delegated authority to assign and remove fund balance assignments to the Finance Department.

CITY OF OAK GROVE

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

10. Fund Balance (Continued)

a. Classification (Continued)

- Unassigned Fund Balance – These are residual amounts in the General Fund not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

b. Minimum Fund Balance

The City's target General Fund balance is to maintain an unrestricted fund balance of an amount not less than 35% of the next year's budgeted expenditures of the General Fund.

11. Net Position

Net position represents the difference between assets and liabilities and deferred inflows in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

13. Comparative Data/Reclassifications

Comparative total data for the prior year have been presented by fund types and in total in the fund financial statements and government-wide statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with this year's presentation.

CITY OF OAK GROVE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the General Fund and the Oak Grove EDA Special Revenue Fund. Budgeted expenditure appropriations lapse at year-end. Financial controls for debt service funds are achieved through bond indenture provisions. Project-length financial plans are adopted for all capital project funds.

B. Legal Compliance – Budgets

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

1. The City's Consulting Finance Manager submits to the City Council a proposed operating budget, which includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. The preliminary property tax levy is legally enacted through passage of a resolution and certified to the County by September 15 of each year.
4. The final budget is legally adopted through the passage of a resolution by December 20 of each year.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Oak Grove EDA Special Revenue Fund.
6. The City Council may authorize the transfer of budgeted amounts between funds.
7. The legal level of budgetary control (i.e., the level at which expenditures may not exceed appropriations) is the department level. For management purposes, budgetary control is maintained within the department level. Also, inherent in this controlling function is the management philosophy that the existence of a particular item or appropriation in the approved budget does not automatically mean it will be spent. The budget process is flexible in that, where the need has been properly demonstrated, the City Administrator can make an adjustment within the department budget. Therefore, there is a constant review process, and expenditures are not approved until it has been determined that 1) adequate funds were appropriated, 2) the expenditure is still necessary and 3) funds are available.

Both the original and final budgeted amounts as adopted by the City Council are presented in the basic financial statements. Revenues exceeding budgeted amounts are sometimes used for supplemental appropriations during the year. Neither the revenue nor the expenditure budget is adjusted to reflect these items. The City did not make any supplemental appropriations during the year.

CITY OF OAK GROVE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014**

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

C. Excess of Expenditures Over Appropriations

Budgetary control for governmental funds is established by each fund’s total appropriations. Expenditures exceeded appropriations in the following fund for the year ending December 31, 2014.

	<u>Appropriations</u>	<u>Expenditures</u>
General Fund Oak Grove EDA Special Revenue Fund	\$ 13,519	\$ 23,493

D. Deficit Fund Balance

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

MSA Construction Capital Projects Fund	\$ (366,339)
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NOTE 3 – DEPOSITS AND INVESTMENTS

Cash balances of the City’s funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund’s portion of this pool (or pools) is displayed in the financial statements as “cash and cash equivalents” or “investments.” For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

A. Deposits

Custodial Credit Risk: This is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. As of December 31, 2014, the City’s bank balance of \$ 2,103,898 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution’s trust department or agent and in the City’s name. The book balance as of December 31, 2014 for deposits was as follows:

Checking Accounts	\$ 2,012,814
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B. Investments

Investment Type	Fair Value	Investment Maturities		
		Less than 1 Year	1-5 Years	6-10 Years
Mutual Money Market	\$ 809,498	\$ 809,498	\$ -	\$ -
Brokered Certificates of Deposit	5,322,282	1,121,515	3,530,441	670,326
Federal National Loan Mortgage Corporation	249,538	-	249,538	-
Federal Home Loan Bank Conventional	1,650,361	-	-	1,650,361
Total	\$ 8,031,679	\$ 1,931,013	\$ 3,779,979	\$ 2,320,687

CITY OF OAK GROVE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014**

NOTE 3 – DEPOSITS AND INVESTMENTS

B. Investments (Continued)

Concentration of Credit Risk – Investments: As of December 31, 2014, the City’s investments in Federal Home Loan Bank Conventional (21.6%) were exposed to concentration of credit risk as they exceeded 5% of the City’s total investments.

Credit Risk: As of December 31, 2014, the U.S. Government Agency obligations were rated AA+ by Standard & Poor’s (S&P) and Aaa by Moody’s Investors Services. Money market mutual funds and certificates of deposit are not rated.

Custodial Credit Risk – Securities held by the City’s broker-dealer are not registered to the City, but are in an insured account. The account is insured up to \$ 500,000 by Securities Investor Protection Corporation (SIPC) insurance and the broker-dealer provides an additional \$ 1 billion aggregate policy for all of its customers as a group, not individually. It is not known what portion of this policy is applicable to the City’s portfolio.

C. Deposits and Investments

Summary of cash deposits and investments as of December 31, 2014 were as follows:

Deposits (Note 3.A.)	\$ 2,012,814
Investments (Note 3.B.)	<u>8,031,679</u>
Total	<u><u>\$ 10,044,493</u></u>

Deposits and investments are presented in the December 31, 2014 basic financial statements as follows:

Statement of Net Position:	
Cash and Investments	\$ 9,979,928
Statement of Fiduciary Net Position	<u>64,565</u>
Total Deposits and Investments	<u><u>\$ 10,044,493</u></u>

CITY OF OAK GROVE
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 4 – INTERFUND ACTIVITY

A. Interfund Receivables and Payables

At December 31, 2014, the composition of interfund balances was as follows:

Fund Type and Fund	Due from Other Funds	Due to Other Funds
MSA Construction Capital Projects Fund	\$ -	\$ 363,805
Road Improvement Capital Projects Fund	363,805	-
Sewer - Lake George	177,569	-
Water - Lake George	-	177,569
Total	<u>\$ 541,374</u>	<u>\$ 541,374</u>

The interfund balances payable are short-term borrowings to cover negative cash balances at the end of the year.

B. Interfund Transfers

Transfers during the year ended December 31, 2014 were as follows:

Transfers In	Transfers Out	Amount	Description
Road Improvement Fund	General Fund	\$ 100,000	Future road improvement projects
Road Improvement Fund	Nonmajor Governmental Funds	22,175	Close G.O. Improvement Bonds, Series 2004B
Asset Replacement Fund	General Fund	100,000	Future capital purchases
General Fund	Nonmajor Governmental Funds	28,116	Reimburse General Fund for use of vehicles
	Total Transfers	<u>\$ 250,291</u>	

CITY OF OAK GROVE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital Assets not being Depreciated:				
Land	\$ 1,747,139	\$ -	\$ -	\$ 1,747,139
Construction in Progress	<u>1,104,966</u>	<u>419,826</u>	<u>1,111,949</u>	<u>412,843</u>
Total Capital Assets not being Depreciated	<u>2,852,105</u>	<u>419,826</u>	<u>1,111,949</u>	<u>2,159,982</u>
Capital Assets being Depreciated:				
Buildings and Improvements	2,979,644	40,367	-	3,020,011
Furniture and Fixtures	71,581	-	-	71,581
Machinery and Equipment	3,612,406	274,011	96,047	3,790,370
Infrastructure	<u>13,669,663</u>	<u>1,071,582</u>	<u>-</u>	<u>14,741,245</u>
Total Capital Assets being Depreciated	<u>20,333,294</u>	<u>1,385,960</u>	<u>96,047</u>	<u>21,623,207</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	1,139,655	83,132	-	1,222,787
Furniture and Fixtures	42,722	4,918	-	47,640
Machinery and Equipment	2,541,880	184,140	96,047	2,629,973
Infrastructure	<u>6,643,769</u>	<u>575,261</u>	<u>-</u>	<u>7,219,030</u>
Total Accumulated Depreciation	<u>10,368,026</u>	<u>847,451</u>	<u>96,047</u>	<u>11,119,430</u>
Total Capital Assets being Depreciated, Net	<u>9,965,268</u>	<u>538,509</u>	<u>-</u>	<u>10,503,777</u>
Governmental Activities Capital Assets, Net	<u>\$12,817,373</u>	<u>\$ 958,335</u>	<u>\$ 1,111,949</u>	<u>\$12,663,759</u>
Business-Type Activities:				
Capital Assets not being Depreciated:				
Land	<u>\$ 1,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,521</u>
Capital Assets being Depreciated:				
Buildings and Improvements	16,276	-	-	16,276
Machinery and Equipment	32,881	-	-	32,881
Infrastructure	<u>6,770,644</u>	<u>-</u>	<u>-</u>	<u>6,770,644</u>
Total Capital Assets being Depreciated	<u>6,819,801</u>	<u>-</u>	<u>-</u>	<u>6,819,801</u>

CITY OF OAK GROVE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014**

NOTE 5 – CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 1,954	\$ 326	\$ -	\$ 2,280
Machinery and Equipment	5,703	2,752	-	8,455
Infrastructure	2,737,556	161,723	-	2,899,279
Total Accumulated Depreciation	2,745,213	164,801	-	2,910,014
 Total Capital Assets being Depreciated, Net	 4,074,588	 (164,801)	 -	 3,909,787
 Business-Type Activities Capital Assets, Net	 \$ 4,076,109	 \$ (164,801)	 \$ -	 \$ 3,911,308

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

Governmental Activities:		
General Government		\$ 31,691
Public Safety		131,426
Public Works		659,589
Parks and Recreation		24,745
Total Depreciation Expense - Governmental Activities		\$ 847,451
 Business-Type Activities:		
Sewer - Lake George		\$ 71,166
Sewer - The Ponds		46,362
Water - Lake George		30,380
Water - The Ponds		16,893
Total Depreciation Expense - Governmental Activities		\$ 164,801

CITY OF OAK GROVE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014**

NOTE 6 – LONG-TERM DEBT

A. General Obligation Bonds

The City issues G.O. bonds to provide for financing tax increment projects and street improvements. Debt service is covered respectively by tax increments and special assessments against benefited properties with any shortfalls being paid from general taxes.

G.O. bonds are direct obligations and pledge the full faith and credit of the City.

B. Components of Long-Term Liabilities

	<u>Issue Date</u>	<u>Interest Rates</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>	<u>Due Within One Year</u>
Governmental Activities:						
G.O. Bonds:						
G.O. Capital Improvement Plan Bond, Series 2007A	11/15/07	3.55%-4.00%	465,000	11/05/18	\$ 210,000	\$ 50,000
Taxable G.O. Tax Increment Bond, Series 2007B	11/15/07	4.75%-6.00%	1,690,000	11/15/28	<u>1,370,000</u>	<u>65,000</u>
Total G. O. Bonds					<u>1,580,000</u>	<u>115,000</u>
Compensated Absences	N/A	N/A	N/A	N/A	<u>45,063</u>	<u>45,063</u>
Total Governmental Activities					<u>\$ 1,625,063</u>	<u>\$ 160,063</u>
Business-Type Activities:						
G.O. Sewer Revenue Note Series 2010A	04/20/10	1.69%	\$ 490,429	08/20/29	<u>\$ 367,000</u>	<u>\$ 22,000</u>

On April 1, 2010, the City entered into a loan agreement for the G.O. Sewer Revenue Note for \$ 490,429 with the Minnesota Public Facilities Authority (PFA), with an interest rate of 1.694%. The first interest payment on the Note was due August 20, 2010 and semi-annually on February 20 and August 20, thereafter. Principal on the Note will be due on August 20 in the years 2010 through 2029. The Note financed improvements to the City's wastewater treatment system to connect the Northeast Treatment System to the West Treatment System and to eliminate the Northeast Treatment System. The Note is to be repaid from net revenues of the sewer system and special assessments levied on property specially benefited from the improvements. Should net revenues and assessments be insufficient to pay principal and interest when due, the City agrees to levy an ad valorem tax upon all taxable property in the City sufficient to pay such principal and interest.

CITY OF OAK GROVE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014**

NOTE 6 – LONG-TERM DEBT

C. Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2014 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Governmental Activities:				
Bonds Payable:				
G.O. Improvement Bonds	\$ 29,300	\$ -	\$ 29,300	\$ -
G. O. Bonds	<u>1,690,000</u>	<u>-</u>	<u>110,000</u>	<u>1,580,000</u>
Total Bonds Payable	<u>1,719,300</u>	<u>-</u>	<u>139,300</u>	<u>1,580,000</u>
Compensated Absences	<u>58,918</u>	<u>42,159</u>	<u>56,014</u>	<u>45,063</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 1,778,218</u>	<u>\$ 42,159</u>	<u>\$ 195,314</u>	<u>\$ 1,625,063</u>
Business-Type Activities:				
Notes Payable	<u>\$ 388,000</u>	<u>\$ -</u>	<u>\$ 21,000</u>	<u>\$ 367,000</u>

The General Fund typically liquidates the liability related to compensated absences.

D. Minimum Debt Payments

Minimum annual principal and interest payments required to retire long-term liabilities:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>G.O. Bonds</u>		<u>G.O. Revenue Note</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 115,000	\$ 85,275	\$ 22,000	\$ 6,217
2016	120,000	79,706	22,000	5,844
2017	130,000	73,650	22,000	5,472
2018	135,000	67,187	23,000	5,099
2019	85,000	61,444	23,000	4,709
2020-2024	495,000	226,475	122,000	17,516
2025-2029	<u>500,000</u>	<u>62,100</u>	<u>133,000</u>	<u>6,810</u>
Total	<u>\$ 1,580,000</u>	<u>\$ 655,837</u>	<u>\$ 367,000</u>	<u>\$ 51,667</u>

CITY OF OAK GROVE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 7 – FUND BALANCES/NET POSITION

A. Fund Balances

Fund balances are classified as listed below to reflect the limitations and restrictions of the respective funds.

	General Fund	Asset Replacement Fund	MSA Construction Fund	Road Improvement Fund	Nonmajor Governmental Funds	Total
Nonspendable:						
Prepaid Items	\$ 36,977	\$ -	\$ -	\$ -	\$ 11	\$ 36,988
Restricted:						
TIF West Lake George	-	-	-	-	211,746	211,746
Debt Service	-	-	-	-	202,497	202,497
Cable TV - PEG	-	-	-	-	7,083	7,083
Subordinate Service						
District	-	-	-	-	3,607	3,607
Park Redevelopment	-	-	-	-	354,132	354,132
Committed:						
Recycling Services	-	-	-	-	51,004	51,004
EDA	-	-	-	-	178,888	178,888
Assigned:						
Asset Replacement	-	3,597,574	-	-	-	3,597,574
Road Construction/ Repair	-	-	-	3,694,636	-	3,694,636
Trail Maintenance	-	-	-	-	50,965	50,965
Public Benefit	-	-	-	-	241,162	241,162
Unassigned	1,256,728	-	(366,339)	-	-	890,389
 Total Fund Balance	 <u>\$ 1,293,705</u>	 <u>\$ 3,597,574</u>	 <u>\$ (366,339)</u>	 <u>\$ 3,694,636</u>	 <u>\$ 1,301,095</u>	 <u>\$ 9,520,671</u>

B. Net Position

Restricted net position is comprised of the total restricted fund balances in the governmental funds plus the effect of the conversion to the government-wide net position.

NOTE 8 – 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.

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three years.

CITY OF OAK GROVE

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

NOTE 8 – RISK MANAGEMENT

The City's workers' compensation coverage is provided through a pooled self-insurance program through LMCIT. The City pays an annual premium to LMCIT and is subject to supplemental assessments if deemed necessary by LMCIT. For workers compensation, the City enrolls with a state-certified managed care organization and has a \$ 500 deductible per occurrence to further decrease the cost of coverage. Final premiums are determined after an audit of payroll subsequent to the close of the agreement year and are subject to revisions in rates, payrolls and experience modification. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid.

At December 31, 2014, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 9 – PENSION PLANS

Public Employees' Retirement Association

A. Plan Description

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees' Retirement Association of Minnesota (PERA). PERA administers the General Employees' Retirement Fund (GERF), which is a cost-sharing, multiple-employer retirement plan. This Plan is established and administered in accordance with *Minnesota Statutes* Chapters 353 and 356.

GERF members belong to either the Coordinated or 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.

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% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For all 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 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

CITY OF OAK GROVE

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

NOTE 9 – PENSION PLANS

Public Employees' Retirement Association (Continued)

A. Plan Description (Continued)

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. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive, #200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

B. 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. 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. In 2014, the City was required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members and 7.25% for Coordinated Plan members. The City's contributions to the Public Employees' Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$ 36,121, \$ 34,750 and \$ 38,687, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Defined Contribution Plan

Three Council Members of the City are covered by the Public Employee's Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by 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.

CITY OF OAK GROVE

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014**

NOTE 9 – PENSION PLANS

Defined Contribution Plan (Continued)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes* Chapter 353D.03 specifies 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 5% of salary which is matched by the elected official’s employer. For ambulance service personnel, employer contributions are determined by the employer and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member 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 2% of employer contributions and twenty-five hundredths of 1% of the assets in each member’s account annually.

Total contributions made by the City during 2014 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rates
\$ 615	\$ 615	5.0%	5.0%	5.0%

NOTE 10 – SUBSEQUENT EVENTS

On February 9, 2015, the City approved the purchase of a new rescue truck through from Custom Fire Apparatus, Inc. through the HGAC-Buy program for an amount not to exceed \$ 280,000.

CITY OF OAK GROVE

NOTES TO THE FINANCIAL STATEMENTS December 31, 2014

NOTE 11 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB Statement 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68, requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning new pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement 68 which is effective for periods beginning after June 15, 2014.

SUPPLEMENTARY INFORMATION

CITY OF OAK GROVE
COMBINING BALANCE SHEET -
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2014
With Comparative Totals as of December 31, 2013

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	
				2014	2013
ASSETS					
Cash and Investments	\$ 97,027	\$ 202,497	\$ 700,488	\$ 1,000,012	\$ 917,726
Due from Other Governments	20,698	-	-	20,698	-
Special Assessment Receivable:					
Unremitted	-	-	-	-	506
Deferred	-	-	-	-	28,031
Prepaid Items	11	-	-	11	17
Land Held for Resale	116,700	-	164,600	281,300	460,900
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 234,436</u>	<u>\$ 202,497</u>	<u>\$ 865,088</u>	<u>\$ 1,302,021</u>	<u>\$ 1,407,180</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 476	\$ -	\$ -	\$ 476	\$ -
Due to Other Funds	-	-	-	-	69,620
Salaries and Benefits Payable	450	-	-	450	570
Total Liabilities	<u>926</u>	<u>-</u>	<u>-</u>	<u>926</u>	<u>70,190</u>
 Deferred Inflows of Resources					
Unavailable Revenue - Special Assessments	-	-	-	-	28,031
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
 Fund Balances					
Nonspendable	11	-	-	11	17
Restricted	3,607	202,497	572,961	779,065	801,680
Committed	229,892	-	-	229,892	218,646
Assigned	-	-	292,127	292,127	288,616
Total Fund Balances	<u>233,510</u>	<u>202,497</u>	<u>865,088</u>	<u>1,301,095</u>	<u>1,308,959</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 234,436</u>	<u>\$ 202,497</u>	<u>\$ 865,088</u>	<u>\$ 1,302,021</u>	<u>\$ 1,407,180</u>

CITY OF OAK GROVE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
NONMAJOR GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2014

With Comparative Totals for the Year Ended December 31, 2013

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds	
				2014	2013
REVENUES					
Property Taxes	\$ 13,519	\$ 213,098	\$ -	\$ 226,617	\$ 226,698
Tax Increments	-	-	7,279	7,279	8,295
Special Assessments	-	20,708	-	20,708	22,571
Intergovernmental	60,865	-	-	60,865	22,070
Charges for Services	11,790	-	-	11,790	9,394
Miscellaneous:					
Investment Income	1,779	1,661	13,350	16,790	(5,400)
Contributions and Donations	-	-	6,000	6,000	44,000
Other	-	-	-	-	6
Total Revenues	<u>87,953</u>	<u>235,467</u>	<u>26,629</u>	<u>350,049</u>	<u>327,634</u>
EXPENDITURES					
Current					
General Government	-	-	2,500	2,500	2,500
Sanitation					
Recycling	25,104	-	-	25,104	20,948
Parks and Recreation	-	-	-	-	2,525
Economic Development	23,493	-	25,316	48,809	8,867
Debt Service					
Principal	-	139,300	-	139,300	134,300
Interest and Other Charges	-	91,909	-	91,909	97,926
Capital Outlay					
General Government	-	-	-	-	545
Sanitation	-	-	-	-	374
Total Expenditures	<u>48,597</u>	<u>231,209</u>	<u>27,816</u>	<u>307,622</u>	<u>267,985</u>
Excess of Revenues Over (Under) Expenditures	39,356	4,258	(1,187)	42,427	59,649
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	42,512
Transfers Out	<u>(28,116)</u>	<u>(22,175)</u>	<u>-</u>	<u>(50,291)</u>	<u>(34,469)</u>
Total Other Financing Sources (Uses)	<u>(28,116)</u>	<u>(22,175)</u>	<u>-</u>	<u>(50,291)</u>	<u>8,043</u>
SPECIAL ITEM					
Decrease in Land Held for Resale	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(421,778)</u>
Net Change in Fund Balances	11,240	(17,917)	(1,187)	(7,864)	(354,086)
FUND BALANCES					
Beginning of Year	<u>222,270</u>	<u>220,414</u>	<u>866,275</u>	<u>1,308,959</u>	<u>1,663,045</u>
End of Year	<u>\$ 233,510</u>	<u>\$ 202,497</u>	<u>\$ 865,088</u>	<u>\$ 1,301,095</u>	<u>\$ 1,308,959</u>

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SPECIAL REVENUE FUNDS

CITY OF OAK GROVE
COMBINING BALANCE SHEET -
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2014
With Comparative Totals as of December 31, 2013

	Special Revenue	
	Recycling Fund (202)	General Fund Oak Grove EDA (210)
ASSETS		
Cash and Investments	\$ 30,613	\$ 62,807
Due from Other Governments	20,698	-
Prepaid Items	-	11
Land Held for Resale	-	116,700
	\$ 51,311	\$ 179,518
Total Assets	\$ 51,311	\$ 179,518
 LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts Payable	\$ 307	\$ 169
Salaries and Benefits Payable	-	450
Total Liabilities	307	619
 Fund Balances		
Nonspendable	-	11
Restricted	-	-
Committed	51,004	178,888
Total Fund Balances	51,004	178,899
Total Liabilities and Fund Balances	\$ 51,311	\$ 179,518

Special Revenue

Subordinate Service District (209)	Total	
	2014	2013
\$ 3,607	\$ 97,027	\$ 61,223
-	20,698	-
-	11	17
-	116,700	161,600
<u>\$ 3,607</u>	<u>\$ 234,436</u>	<u>\$ 222,840</u>
\$ -	\$ 476	\$ -
-	450	570
-	926	570
-	11	17
3,607	3,607	3,607
-	229,892	218,646
<u>3,607</u>	<u>233,510</u>	<u>222,270</u>
<u>\$ 3,607</u>	<u>\$ 234,436</u>	<u>\$ 222,840</u>

CITY OF OAK GROVE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended December 31, 2014
With Comparative Totals for the Year Ended December 31, 2013**

	Special Revenue	
	Recycling Fund (202)	General Fund Oak Grove EDA (210)
REVENUES		
Property Taxes	\$ -	\$ 13,519
Intergovernmental	60,865	-
Charges for Services	11,790	-
Miscellaneous:		
Investment Income	1,014	765
Other	-	-
Total Revenues	73,669	14,284
 EXPENDITURES		
Current		
Sanitation:		
Recycling	25,104	-
Economic Development	-	23,493
Capital Outlay		
Sanitation	-	-
Total Expenditures	25,104	23,493
 Excess of Revenues Over (Under) Expenditures	48,565	(9,209)
 OTHER FINANCING SOURCES (USES)		
Transfers Out	(28,116)	-
 SPECIAL ITEM		
Decrease in Land Held for Resale	-	-
 Net Change in Fund Balances	20,449	(9,209)
 FUND BALANCES		
Beginning of Year	30,555	188,108
 End of Year	\$ 51,004	\$ 178,899

<u>Special Revenue</u>			
Subordinate		Total	
Service District		2014	2013
(209)			
\$ -	\$	13,519	\$ 13,519
-		60,865	22,070
-		11,790	9,394
-		1,779	(172)
-		-	6
-		<u>87,953</u>	<u>44,817</u>
-		25,104	20,948
-		23,493	8,520
-		-	374
-		<u>48,597</u>	<u>29,842</u>
-		39,356	14,975
-		<u>(28,116)</u>	<u>-</u>
-		-	<u>(158,000)</u>
-		11,240	(143,025)
3,607		<u>222,270</u>	<u>365,295</u>
<u>\$ 3,607</u>	<u>\$</u>	<u>233,510</u>	<u>\$ 222,270</u>

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DEBT SERVICE FUNDS

CITY OF OAK GROVE
COMBINING BALANCE SHEET -
NONMAJOR DEBT SERVICE FUNDS
December 31, 2014
With Comparative Totals as of December 31, 2013

	Debt Service Improvement Plan Bonds, Series 2007A (302)
ASSETS	
Cash and Investments	\$ 66,864
Special Assessment Receivable:	
Unremitted	-
Deferred	-
	-
Total Assets	\$ 66,864
 DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	
Deferred Inflows of Resources	
Unavailable Revenue - Special Assessments	\$ -
 Fund Balances	
Restricted	66,864
Total Deferred Inflows of Resources and Fund Balances	\$ 66,864

<u>Debt Service</u> Taxable G.O. Tax Increment Bonds, Series 2007B (303)	<u>Total</u>	
	<u>2014</u>	<u>2013</u>
\$ 135,633	\$ 202,497	\$ 219,908
-	-	506
-	-	28,031
<u>\$ 135,633</u>	<u>\$ 202,497</u>	<u>\$ 248,445</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,031</u>
<u>135,633</u>	<u>202,497</u>	<u>220,414</u>
<u>\$ 135,633</u>	<u>\$ 202,497</u>	<u>\$ 248,445</u>

CITY OF OAK GROVE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - NONMAJOR DEBT SERVICE FUNDS**

For the Year Ended December 31, 2014

With Comparative Totals for the Year Ended December 31, 2013

	Debt Service	
	G.O. Improvement Bonds, Series 2004B (305)	G.O. Capital Improvement Plan Bonds, Series 2007A (302)
REVENUES		
Property Taxes	\$ -	\$ 61,189
Special Assessments	20,708	-
Miscellaneous:		
Investment Income	550	367
Total Revenues	21,258	61,556
EXPENDITURES		
Debt Service		
Principal	29,300	45,000
Interest and Other Charges	1,334	9,169
Total Expenditures	30,634	54,169
Excess of Revenues Over (Under) Expenditures	(9,376)	7,387
OTHER FINANCING USES		
Transfers Out	(22,175)	-
Net Change in Fund Balances	(31,551)	7,387
FUND BALANCES		
Beginning of Year	31,551	59,477
End of Year	\$ -	\$ 66,864

Debt Service Taxable G.O. Tax Increment Bonds, Series 2007B (303)	Total	
	2014	2013
	\$ 151,909	\$ 213,098
-	20,708	22,571
744	1,661	(677)
<u>152,653</u>	<u>235,467</u>	<u>235,073</u>
65,000	139,300	134,300
81,406	91,909	97,926
<u>146,406</u>	<u>231,209</u>	<u>232,226</u>
6,247	4,258	2,847
-	(22,175)	(34,469)
6,247	(17,917)	(31,622)
<u>129,386</u>	<u>220,414</u>	<u>252,036</u>
<u>\$ 135,633</u>	<u>\$ 202,497</u>	<u>\$ 220,414</u>

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CAPITAL PROJECTS FUNDS

CITY OF OAK GROVE

**COMBINING BALANCE SHEET -
NONMAJOR CAPITAL PROJECTS FUNDS**

December 31, 2014

With Comparative Totals as of December 31, 2013

	Capital Projects		
	Trail Maintenance Fund (404)	TIF West Lake George Administration Fund (405)	Park Redevelopment Fund (207)
ASSETS			
Cash and Investments	\$ 50,965	\$ 47,146	\$ 354,132
Land Held for Resale	-	164,600	-
 Total Assets	 <u>\$ 50,965</u>	 <u>\$ 211,746</u>	 <u>\$ 354,132</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Due to Other Funds	\$ -	\$ -	\$ -
 Fund Balances			
Restricted	-	211,746	354,132
Assigned	50,965	-	-
Total Fund Balances	<u>50,965</u>	<u>211,746</u>	<u>354,132</u>
 Total Liabilities and Fund Balances	 <u>\$ 50,965</u>	 <u>\$ 211,746</u>	 <u>\$ 354,132</u>

Capital Projects

Cable TV Franchise Grant Fund (206)	Public Benefit Fund (208)	Total	
		2014	2013
\$ 7,083	\$ 241,162	\$ 700,488	\$ 636,595
<u>-</u>	<u>-</u>	<u>164,600</u>	<u>299,300</u>
<u>\$ 7,083</u>	<u>\$ 241,162</u>	<u>\$ 865,088</u>	<u>\$ 935,895</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,620</u>
7,083	-	572,961	577,659
<u>-</u>	<u>241,162</u>	<u>292,127</u>	<u>288,616</u>
<u>7,083</u>	<u>241,162</u>	<u>865,088</u>	<u>866,275</u>
<u>\$ 7,083</u>	<u>\$ 241,162</u>	<u>\$ 865,088</u>	<u>\$ 935,895</u>

CITY OF OAK GROVE

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR CAPITAL PROJECTS FUNDS**

For the Year Ended December 31, 2014

With Comparative Totals for the Year Ended December 31, 2013

	Capital Projects		
	Trail Maintenance Fund (404)	TIF West Lake George Administration Fund (405)	Park Redevelopment Fund (207)
REVENUES			
Tax Increments	\$ -	\$ 7,279	\$ -
Miscellaneous:			
Investment Income	1,043	103	7,172
Contributions and Donations	-	-	6,000
Total Revenues	<u>1,043</u>	<u>7,382</u>	<u>13,172</u>
EXPENDITURES			
Current			
General Government	-	-	-
Park and Recreation	-	-	-
Economic Development	-	25,316	-
Capital Outlay			
General Government	-	-	-
Total Expenditures	<u>-</u>	<u>25,316</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	1,043	(17,934)	13,172
OTHER FINANCING SOURCES			
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
SPECIAL ITEM			
Decrease in Land Held for Resale	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	1,043	(17,934)	13,172
FUND BALANCES			
Beginning of Year	<u>49,922</u>	<u>229,680</u>	<u>340,960</u>
End of Year	<u>\$ 50,965</u>	<u>\$ 211,746</u>	<u>\$ 354,132</u>

<u>Capital Projects</u>		<u>Total</u>	
Cable TV Franchise Grant Fund (206)	Public Benefit Fund (208)	2014	2013
\$ -	\$ -	\$ 7,279	\$ 8,295
64	4,968	13,350	(4,551)
-	-	6,000	44,000
<u>64</u>	<u>4,968</u>	<u>26,629</u>	<u>47,744</u>
-	2,500	2,500	2,500
-	-	-	2,525
-	-	25,316	347
-	-	-	545
<u>-</u>	<u>2,500</u>	<u>27,816</u>	<u>5,917</u>
64	2,468	(1,187)	41,827
-	-	-	42,512
<u>-</u>	<u>-</u>	<u>-</u>	<u>(263,778)</u>
64	2,468	(1,187)	(179,439)
<u>7,019</u>	<u>238,694</u>	<u>866,275</u>	<u>1,045,714</u>
<u>\$ 7,083</u>	<u>\$ 241,162</u>	<u>\$ 865,088</u>	<u>\$ 866,275</u>

CITY OF OAK GROVE

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2014**

	<u>Budgeted Amounts</u>		<u>Variance with Final Budget - Over (Under)</u>
	<u>Original and Final</u>	<u>Actual Amounts</u>	
REVENUES			
Property Taxes	\$ 1,961,893	\$ 1,972,992	\$ 11,099
Special Assessments	15,000	13,245	(1,755)
Licenses and Permits	157,400	198,256	40,856
Intergovernmental Revenue:			
MSA Maintenance	140,000	158,679	18,679
Local Government Aid	81,633	81,555	(78)
Market Value Credit	-	3,447	3,447
PERA Aid	-	2,375	2,375
Fire Aid	30,413	-	(30,413)
Other Grants and Aids	15,000	15,000	-
Total Intergovernmental Revenue	<u>267,046</u>	<u>261,056</u>	<u>(5,990)</u>
Charges for Services:			
General Government	50	3	(47)
Public Works	8,000	14,716	6,716
Total Charges for Services	<u>8,050</u>	<u>14,719</u>	<u>6,669</u>
Fines and Forfeitures	35,000	32,836	(2,164)
Miscellaneous Revenues:			
Investment Income	30,000	16,222	(13,778)
Contributions and Donations	20,194	12,839	(7,355)
Other	17,705	26,610	8,905
Total Miscellaneous Revenues	<u>67,899</u>	<u>55,671</u>	<u>(12,228)</u>
Total Revenues	<u>2,512,288</u>	<u>2,548,775</u>	<u>36,487</u>
EXPENDITURES			
General Government			
Mayor and Council:			
Current	38,739	36,529	(2,210)
Administrative:			
Current	354,210	318,742	(35,468)
Finance:			
Current	202,585	191,974	(10,611)
Elections:			
Current	19,182	14,305	(4,877)
Planning and Zoning:			
Current	31,250	21,646	(9,604)

CITY OF OAK GROVE

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2014**

	<u>Budgeted Amounts Original and Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget - Over (Under)</u>
EXPENDITURES			
General Government (Continued)			
Other General Government:			
Current	\$ 114,173	\$ 99,607	\$ (14,566)
Total General Government	<u>760,139</u>	<u>682,803</u>	<u>(77,336)</u>
Public Safety			
Police:			
Current	528,744	527,073	(1,671)
Fire:			
Current	257,260	211,255	(46,005)
Capital Outlay	32,740	25,644	(7,096)
Total Fire	<u>290,000</u>	<u>236,899</u>	<u>(53,101)</u>
Building and Inspections:			
Current	86,000	140,239	54,239
Total Public Safety	<u>904,744</u>	<u>904,211</u>	<u>(533)</u>
Public Works			
Streets and Highways:			
Current:			
Street Maintenance	384,375	388,263	3,888
Snow and Ice Removal	74,800	86,985	12,185
Street Engineering	18,000	9,612	(8,388)
Watershed	3,700	5,056	1,356
Total Current	<u>480,875</u>	<u>489,916</u>	<u>9,041</u>
Capital Outlay	113,000	95,352	(17,648)
Total Public Works	<u>593,875</u>	<u>585,268</u>	<u>(8,607)</u>
Parks and Recreation			
Current	<u>53,530</u>	<u>42,067</u>	<u>(11,463)</u>
Total Expenditures	<u>2,312,288</u>	<u>2,214,349</u>	<u>(97,939)</u>
Excess of Revenues Over Expenditures	200,000	334,426	134,426

CITY OF OAK GROVE

**DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2014**

	Budgeted Amounts Original and Final	Actual Amounts	Variance with Final Budget - Over (Under)
OTHER FINANCING SOURCES (USES)			
Transfers In	\$ -	\$ 28,116	\$ 28,116
Transfers Out	(200,000)	(200,000)	-
Net Change in Fund Balance	\$ -	162,542	\$ 162,542
FUND BALANCE			
Beginning of Year		1,131,163	
End of Year		\$ 1,293,705	

CITY OF OAK GROVE

**STATEMENT OF CHANGES IN AGENCY FUND ASSETS AND LIABILITIES
For the Year Ended December 31, 2014**

	Developer Escrow (801)			
	<u>01/01/14</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/14</u>
ASSETS				
Cash and Investments	<u>\$ 73,588</u>	<u>\$ 11,047</u>	<u>\$ 20,070</u>	<u>\$ 64,565</u>
LIABILITIES				
Deposits Payable	<u>\$ 73,588</u>	<u>\$ 11,047</u>	<u>\$ 20,070</u>	<u>\$ 64,565</u>

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

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Oak Grove
Oak Grove, 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 Oak Grove, 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, and have issued our report thereon dated March 16, 2015.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Kern DeWenter, Viero Ltd".

KERN, DEWENTER, VIERE, LTD.
Minneapolis, Minnesota
March 16, 2015



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REPORT ON LEGAL COMPLIANCE

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
of the City Council
City of Oak Grove
Anoka County, 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 Oak Grove, Minnesota, as of and for the year ended December 31, 2014, and the related Notes to the Financial Statements, and have issued our report thereon dated March 16, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to *Minnesota Statutes* § 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 Oak Grove 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's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the City and the Office of the State Auditor, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Kern DeWenter, Vice Ltd".

KERN, DEWENTER, VIERE, LTD.
Minneapolis, Minnesota
March 16, 2015