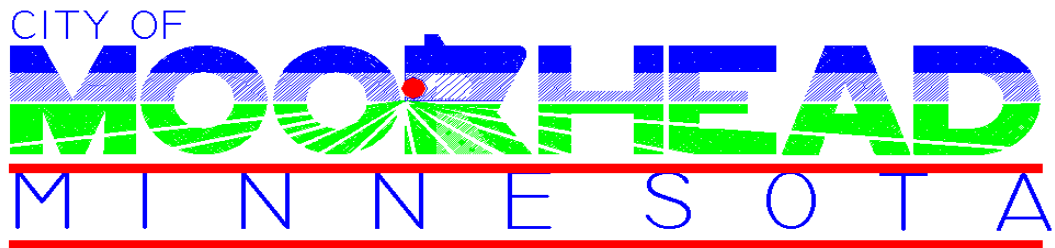


CITY OF
MOORHEAD
MINNESOTA



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED **DECEMBER 31, 2005**
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**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2005**

**PREPARED BY:
FINANCE DIVISION**

HARLYN AULT, FINANCE DIRECTOR

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**INTRODUCTORY
SECTION**

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**CITY OF MOORHEAD, MINNESOTA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED DECEMBER 31, 2005**

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MOORHEAD

MINNESOTA

500 Center Avenue, Box 779 • Moorhead, MN 56561
(218) 299-5301 • TDD: (218) 299-5370
www.ci.moorhead.mn.us

June 19, 2006

To the Honorable Mayor, City Council, City Manager and Citizens of the City of Moorhead:

Minnesota statutes require that all cities issue an annual report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the state auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Moorhead for the fiscal year ended December 31, 2005.

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

The City of Moorhead's financial statements have been audited by EideBaily LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2005, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The City of Moorhead is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including the schedule of expenditures of federal awards, findings and recommendations, and auditor's report on the internal control and compliance with applicable laws, regulations, contracts and grants, are provided under separate cover.

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

PROFILE OF THE CITY OF MOORHEAD

The City of Moorhead, incorporated in 1881, is situated in the heart of the Red River Valley, 250 miles northwest of Minneapolis. It is the county seat of Clay County and a community rich in history, tradition and diversity. While Moorhead is part of a growing metropolitan region, it is distinct because of its liberal arts based college atmosphere, quality educational system, plentiful parks and strong, diverse neighborhoods. The city is approximately 16.887 square miles and has a population of 32,177 per the 2000 census.

The City of Moorhead has operated under the council-manager form of government since 1985. Policy-making and legislative authority are vested in a city council consisting of the mayor and eight other members. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the city manager. The city manager is responsible for carrying out the policies and ordinances of the council, for overseeing the day-to-day operations of the city government and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with four council members elected every four years and the mayor and four council members elected in staggered four-year terms. The mayor is elected at large and the council members are elected by ward.

The City of Moorhead provides a full range of services. The general governmental functions include police and fire protection, emergency medical services, street maintenance, engineering, planning and zoning, neighborhood services, transit, parks and recreation, economic and community development and general legislative and administrative services. The City also operates as enterprise funds the following services: electric, water, wastewater treatment, broadband, storm water collection, sanitation, sports center, golf course, pest control, forestry and airport. Vehicles and equipment, radio and computer services are provided through internal service funds. The Moorhead Public Housing Agency is included as a component unit of the reporting entity because the City Council appoints the governing body and is able to impose its will on the agency. Independent School District No. 152, which is located in Moorhead and operates elementary and secondary education, has not met the established criteria for inclusion in the reporting entity, and accordingly is excluded from this report.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City of Moorhead prepare departmental budgets, which are submitted to the city manager by the end of June of each year. The city manager uses these to develop a citywide proposed budget. The city manager then presents this proposed budget to the council for review prior to September 1. The council is required to hold public hearings on the proposed budget and to adopt a final budget prior to December 31, the close of the City's fiscal year. After the budget resolution has been adopted, the Council does not increase the amounts fixed in the budget beyond the estimated receipts except to the extent that actual receipts exceed the estimate. The City maintains an encumbrance accounting system for major purchases in excess of \$500 as one technique of accomplishing budgetary control. Open encumbrances are reported as reservations of fund balance at December 31, 2005.

The appropriated budget is prepared by fund, department and activity. Department heads may make adjustments of appropriations within a department. Adjustments of appropriations between funds, however, require the special approval of the city council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 15 as part of the basic financial statements for the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is presented in the governmental fund subsection of this report, which starts on page 40.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local Economy. The City of Moorhead is located at a natural crossing point of the Red River of the North, a place where Minnesota and the Dakotas meet and where one enjoys easy access to business, markets and recreation. Moorhead has access to the major market areas of North America with the intersection of Interstates 94 and 29 lying just west of the city limits. Trucking with overnight delivery from Minneapolis/St. Paul, Duluth, Sioux Falls, Omaha, Bismarck and Winnipeg is also available. Hector International Airport is located nearby in Fargo, ND with multiple non-stop flights to Minneapolis, Chicago and Denver, and the Moorhead Municipal Airport is just 3 miles southeast of the city, which is staffed sunrise to sunset by HFI Aviation Services, offering flight instruction, aircraft maintenance, fuel and onsite management. In addition, mainline rail services from Canada to Mexico and from west coast ports to the Great Lakes and daily Amtrak passenger services are nearby. The Metropolitan Area Transit serves all Moorhead residents and major shopping and educational facilities.

While distribution and transfer industries remain a vital part of the business environment, education and service industries have played an increasingly important role. The Moorhead public school's enrollment of over 6,000 students places it among the largest 10% of school districts in Minnesota and is known for its superior academic achievement, far-reaching extracurricular activities and efficiency in operating costs. In addition, Moorhead offers St. Joseph's Catholic School, an elementary Catholic school, and Park Christian School, a K-12 interdenominational Christian school. Moorhead is also home to Minnesota State University Moorhead, a comprehensive liberal arts university with 7,600 students and over 470 full- and part-time faculty; Concordia College, a four-year private liberal arts college with approximately 3,000 students, known for its outstanding choral and instrumental music and world language instruction; and Minnesota State Community and Technical College providing "hands-on" training to 2,300 students.

Long - term Financial Planning. The City of Moorhead has seen record-breaking growth in housing construction in recent years, with 320 single family homes constructed in 2005, following 293 units in 2004. Including multi-family projects, Moorhead has gained a total of 989 housing units in the past two years.

Engineering work is continuing on the 34th Street South interchange at Interstate-94. The \$11 million project is scheduled to be bid late in 2006, with construction completed by 2008. This interchange will greatly enhance commercial development in this area and complement the Horizon Shores development that will ultimately accommodate 1000 housing units around a 30-acre lake. The first phase of the lake was constructed in 2005, including streets and utilities for the project's first addition.

Redevelopment continues in Downtown Moorhead west of Fourth Street, near the Main Avenue Bridge. A parking structure and new retail and loft apartments were constructed in 2005. Phases in 2006 will include construction of additional housing and mixed use facilities both north and south of Main Avenue.

In addition, downtown redevelopment is occurring at 900 East Main Avenue with a new \$2.3 million Walgreen's under construction. The project included the demolition of several aged structures and the landscaping of the site will be enhanced.

The Moorhead Industrial Park experienced considerable new construction in 2005. RDO Equipment completed a \$5 million headquarters facility and Midwest Concrete Pumping, Drywall Supply, and Elliott Transport Systems expanded their facilities. Land has been sold to accommodate new construction in 2006 by D & M Industries and Unishippers.

Orderly annexation began in 2005 and was completed in February, 2006 for a 23-acre former truck stop site at Moorhead's east entrance on Interstate-94 at Clay County 11. Titan Machinery will be clearing the site and constructing a \$2 million farm implement dealership in 2006.

The cities of Moorhead and Fargo broke ground in September, 2005 at 650 23rd Street North in Fargo, for construction of a new joint maintenance and vehicle storage facility for the Metro Area Transit (MAT). The estimated cost for the facility is \$7 million. Federal grant funds will cover 80% of the cost and Fargo will pay 2/3 and Moorhead 1/3 of the remainder. The new facility will hold 37 buses and the Fargo-Moorhead MAT administrative offices. There will also be room for expansion to hold up to 50 buses. The new garage is expected to be completed in November, 2006.

The Moorhead Public Service Commission unanimously approved the addition of GoMoorhead!, a new broadband services division to the existing utility. GoMoorhead! incorporates wireless fidelity (or Wi-Fi) technologies, which uses a spectrum of radio waves to transmit signals similar to many remote control devices, including cell phones. In the spring of 2005 nearly 300 radio transceivers were installed on utility poles and streetlights and the installation of the network was completed in July. Moorhead Public Service (MPS) worked with nearly 200 beta testers to ensure the network's reliability and security. Almost 2,000 customers pre-registered for the high-speed Internet service. GoMoorhead! is also the Internet Service Provider for the nearly 2,000 students who reside in Minnesota State University Moorhead's residence halls, making its debut in August, 2005.

Cash Management Policies and Practices. The City maintains deposits in a demand deposit account in the form of an investment pool through which the City's investments are handled. The exceptions to this are those funds that are invested separately to take advantage of favorable interest rates. This concept provides for an efficient and profitable use of the City's cash resources. Interest income is allocated to various funds based on their month end cash balances.

The City's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, most deposits were either insured by federal depository insurance or collateralized. All collateral on deposits was held either by the City or its agent in the City's name. Remaining investments were held in the City's name by the counterparty's trust department or agent.

Risk Management. The City of Moorhead is committed to providing a safe and healthy environment for all of its employees and has instituted several measures to accomplish this goal. The Human Resource Director appoints a Safety Committee who creates and maintains a safety program in compliance with all applicable federal, state and local laws.

The Safety Committee, which includes members from management and all employee groups, conducts work site inspections, ensures the correction of hazards, and coordinates safety training. It also investigates every injury and every incident resulting in damage to property. The Safety Committee designs safety handbooks, which provide specific safety requirements for each employee group and guidelines to follow to prevent accidents.

Additional information on the City's risk management activity can be found in Note 5c of the notes to the financial statements.

AWARDS AND ACKNOWLEDGEMENTS

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Moorhead, Minnesota, for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2004. This was the 22nd consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated January 1, 2005. In order to qualify for this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. The award is valid for a period of one year only.

Acknowledgements. The preparation of the comprehensive annual financial report on a timely basis was made possible by the dedicated service of the finance and administrative departments. Members of these departments have my sincere appreciation for their contributions made in the preparation of this report. I would also like to express my appreciation to members of the City Council and the City Manager for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Harlyn Ault
Finance Director

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Moorhead,
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

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



Carla E. Perry

President

Jeffrey R. Emen

Executive Director

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CITY OF MOORHEAD
LISTING OF CITY OFFICIALS
AS OF DECEMBER 31, 2005

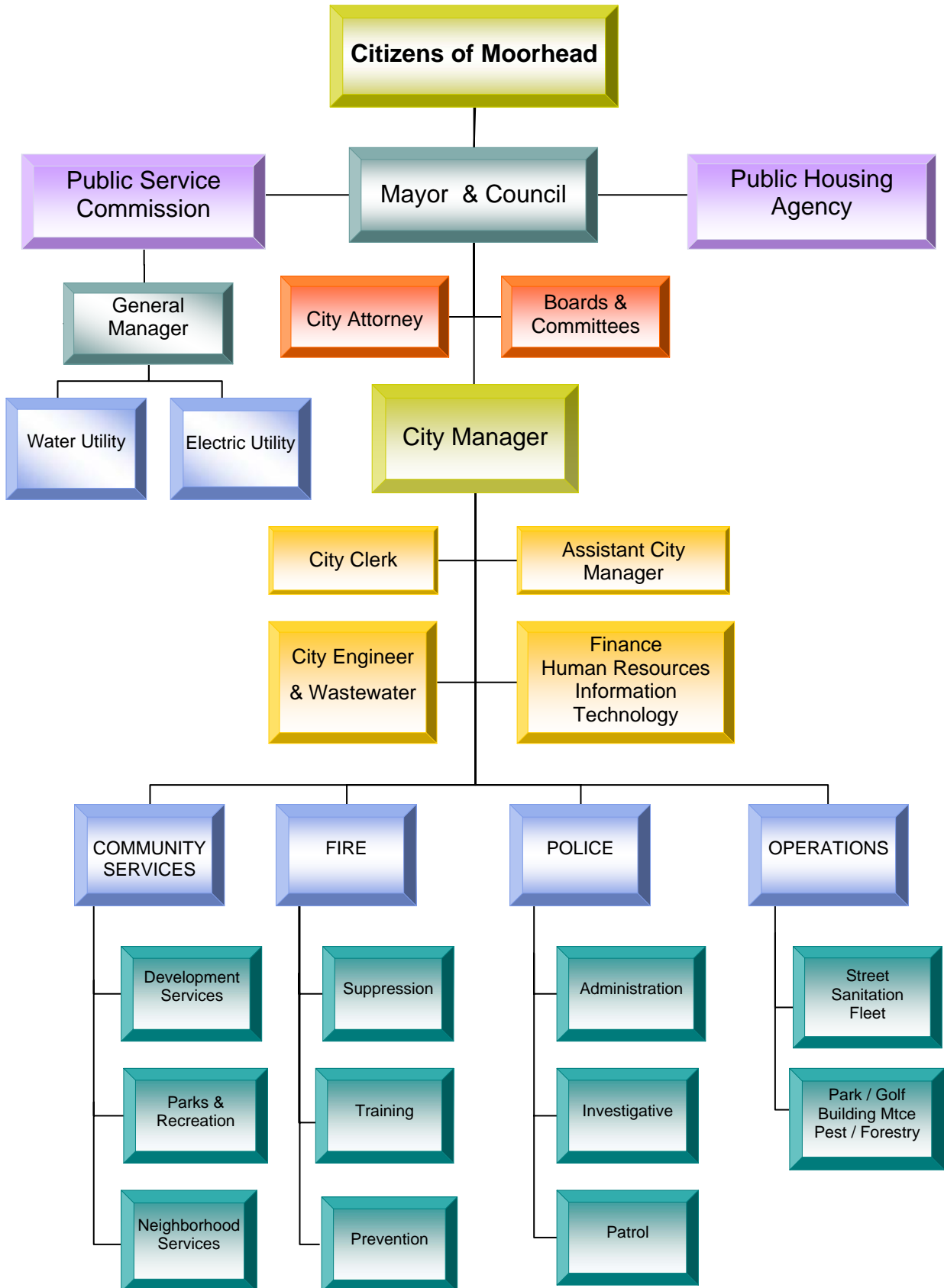
ELECTED OFFICIALS

MARK VOXLAND	MAYOR
NANCY OTTO	COUNCIL MEMBER
MORRIS KELSVEN	COUNCIL MEMBER
DIANE WRAY WILLIAMS	COUNCIL MEMBER
JOHN ROWELL	COUNCIL MEMBER
DAN HUNT	COUNCIL MEMBER
LAURI WINTERFELDT-SHANKS	COUNCIL MEMBER
JIM DANIELSON	COUNCIL MEMBER
GREG LEMKE	COUNCIL MEMBER

APPOINTED OFFICIALS

BRUCE A. MESSELT	CITY MANAGER
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ORGANIZATION CHART



FINANCIAL

SECTION

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CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council
City of Moorhead
Moorhead, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and the remaining fund information of **City of Moorhead, Moorhead, Minnesota**, as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of **City of Moorhead, Moorhead, Minnesota** management. Our responsibility is to express an opinion 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 obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate discretely presented component unit and the remaining fund information of the **City of Moorhead, Moorhead, Minnesota**, as of December 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 9 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United State of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

PEOPLE. PRINCIPLES. POSSIBILITIES.

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In accordance with *Government Auditing Standards*, we have also issued our reports dated March 24, 2006 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion of the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and schedules have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Eide Bailly LLP

Fargo, North Dakota
March 24, 2006

CITY OF MOORHEAD, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

This section of the comprehensive annual financial report of the City of Moorhead (the City) presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2005. We encourage readers to consider the information presented here in conjunction with the transmittal letter at the front of this report and the City's basic financial statements following this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded liabilities at the close of the most recent fiscal year by \$159,753,441.
- The City's total net assets increased by \$12,245,367.
- The City's governmental funds reported combined ending fund balances of \$44,967,218, an increase of \$5,516,494 in comparison with the prior year. Of this total amount, \$24,938,559 is available for spending at the City's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$10,797,691 or 71.2% of total general fund expenditures of \$15,175,443.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Moorhead that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include police and fire protection, emergency medical services, street maintenance, engineering, planning and zoning, neighborhood services, transit, library, parks and recreation, economic and community development and general legislative and administrative services. The business-type activities of the City include Electric, Water, Wastewater, Broadband, Storm Water, Sanitation, Sports Center, Golf Course, Pest Control, Forestry and Airport.

The government-wide financial statements include not only the City of Moorhead itself, but also a legally separate Public Housing Agency for which the City Council appoints the governing body and on which is able to impose its will. Financial information for the Public Housing Agency is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 10 & 11 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 of Moorhead, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

The City of Moorhead maintains four individual major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Special Assessment Debt Service, Special Assessment Capital Projects and Permanent Improvement Funds, which are all considered major funds. Data from the other ten governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Moorhead adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for all of these funds to demonstrate compliance with the approved budget.

The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

Proprietary funds. 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 Electric, Water, Wastewater Treatment, Broadband, Storm Water, Sanitation, Golf Course, Sports Center, Pest Control, Forestry and Municipal Airport. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses three internal service funds to account for Vehicles & Equipment, Computers and Radios. Because the internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for Electric, Water and Wastewater Treatment, which are considered to be major funds of the City of Moorhead. Data from the other eight enterprise funds are combined into a single, aggregated presentation, with individual data available elsewhere in this report. The three internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 16 -18 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement 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 statement can be found on page 19 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 20 - 35 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 36 - 55 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Moorhead, assets exceeded liabilities by \$159,753,441 at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (60%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related outstanding debt used to acquire those assets. The City of Moorhead 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.

The following two tables present condensed financial information on the City's Net Assets and Changes in Net Assets for the fiscal year ending December 31, 2005.

CITY OF MOORHEAD'S NET ASSETS

	Governmental Activities		Business-type Activities		Total 2005
	2005	2004	2005	2004	
Current and other assets	\$72,054,060	\$ 65,733,418	\$24,161,653	\$ 29,053,276	\$ 96,215,713
Capital assets	117,028,826	90,052,658	106,456,711	96,013,033	223,485,537
Total assets	189,082,886	155,786,076	130,618,364	125,066,309	319,701,250
Long-term liabilities outstanding	104,722,124	78,466,947	50,098,942	47,876,861	154,821,066
Other liabilities	2,439,415	3,375,696	2,687,328	3,624,807	5,126,743
Total liabilities	107,161,539	81,842,643	52,786,270	51,501,668	159,947,809
Net assets:					
Invested in capital assets, net of related debt	37,143,826	38,357,658	58,250,974	53,727,430	95,394,800
Restricted	56,195,491	46,024,002	4,683,585	9,464,867	60,879,076
Unrestricted	(11,417,970)	(10,438,227)	14,897,535	10,372,344	3,479,565
Total net assets	\$ 81,921,347	\$ 73,943,433	\$ 77,832,094	\$ 73,564,641	\$ 159,753,441

A portion of the City's net assets (29%) represents resources that are subject to external restrictions on how they may be used.

Current and other assets in governmental activities increased by over \$6 million mainly due to unspent bond proceeds in special assessment capital projects and an increase of \$1.7 million in the special assessments receivable.

The increase in capital assets in governmental activities reflects considerable investment in infrastructure and construction in progress. This investment was mainly financed by bonds, which accounts for the increase in long-term liabilities and in restricted net assets.

The decrease in restricted net assets in business-type activities resulted from removal of restrictions on certain assets for capital projects in the wastewater treatment fund. Investment in capital assets, net of related debt, increased by almost \$6 million in the major proprietary funds, with \$4.8 million of the increase attributed to the water fund.

CITY OF MOORHEAD'S CHANGES IN NET ASSETS

	Governmental Activities		Business-type Activities		Total
	2005	2004	2005	2004	2005
Revenues:					
Program revenues:					
Charges for services	\$ 5,111,834	\$ 4,616,897	\$ 36,155,358	\$ 33,689,955	\$ 41,267,192
Operating grants and contributions	2,458,483	2,449,551	159,919	160,800	2,618,402
Capital grants and contributions	15,553,890	15,732,505	63,588	83,979	15,617,478
General Revenues:					
Taxes	2,668,210	2,515,819			2,668,210
Tax Increments	1,143,203	982,184			1,143,203
Franchise Fees	764,240	614,920			764,240
State aid	9,923,838	9,223,467	11,560	561,560	9,935,398
Grants and contributions not					
restricted to specific programs	171,832	185,850			171,832
Investment earnings	981,612	262,534	558,412	317,664	1,540,024
Miscellaneous	803,712	868,016	345,731	132,819	1,149,443
Gain on disposal of equipment			221,442		221,442
Total revenues	39,580,854	37,451,743	37,516,010	34,946,777	77,096,864
Expenses:					
General government	3,068,861	3,066,155			3,068,861
Public safety	8,500,960	8,345,480			8,500,960
Highways and streets	8,289,232	5,525,656			8,289,232
Parks and recreation	2,307,467	1,968,787			2,307,467
Library	756,504	743,284			756,504
Community development	648,950	762,062			648,950
Mass transit	1,578,325	1,530,756			1,578,325
Economic development	364,786	474,216			364,786
Interest on long-term debt	4,639,084	3,394,926			4,639,084
Electric			15,518,350	14,583,939	15,518,350
Water			3,800,261	3,566,389	3,800,261
Wastewater treatment			4,375,795	4,180,626	4,375,795
Broadband			964,255		964,255
Storm water			714,622	807,234	714,622
Sanitation			2,639,545	2,909,471	2,639,545
Golf Course			1,632,361	1,489,146	1,632,361
Sports Center			736,355	713,564	736,355
Pest Control			245,941	182,626	245,941
Forestry			380,369	372,130	380,369
Municipal airport			284,251	247,469	284,251
Total expenses	30,154,169	25,811,322	31,292,105	29,052,594	61,446,274
Increase in net assets before transfers	9,426,685	11,640,421	6,223,905	5,894,183	15,650,590
Transfers	1,956,451	3,074,995	(1,956,451)	(3,074,995)	
Change in net assets	11,383,136	14,715,416	4,267,454	2,819,188	15,650,590
Net assets - 1/1/05 as restated	73,943,433	59,228,017	73,564,640	70,745,453	147,508,073
Prior period adjustment	(3,405,222)				
Net assets - 12/31/05	\$ 81,921,347	\$ 73,943,433	\$ 77,832,094	\$ 73,564,641	\$ 159,753,441

Governmental activities. The governmental activities' net assets increased by \$7,977,914 during the current fiscal year, accounting for 65% of the total increase in the net assets of the City of Moorhead. Charges for services increased by a moderate 10.7% in comparison to 2004. Increases in expenses were due mainly to increased engineering, maintenance, and fuel costs in highway and streets and the increase of interest on long-term debt.

Business-type activities. Business-type activities increased the City's net assets by \$4,267,453 accounting for 35% of the total growth in the government's net assets. Charges for services for business-type activities increased by 7.3%. Expenses for business-type activities increased by 7.7%.

The \$550,000 decrease in state aid was due to discontinuing the allocation of local government aid to the sports center and golf course funds. In 2005, \$3,492,246 of water mains financed in the special assessment capital projects fund was recognized as a transfer in the water fund.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City of Moorhead 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, unreserved fund balance serves as a useful measure of a government's net resources available for spending during the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$44,967,218, an increase of \$5,516,494 in comparison with the prior year. Fund balance has been reserved to indicate those funds not available for new spending because it has already been reserved to liquidate contracts and purchase orders of the prior period (\$6,600,375).

The General Fund is the chief operating fund of the City of Moorhead. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$10,797,691. As a measure of the General Fund's liquidity, it may be useful to compare unreserved fund balance to total fund expenditures. Unreserved fund balance represents 71.2% percent of total General Fund expenditures.

The General Fund balance increased by \$1,514,381 during the current fiscal year. The key factor in this growth was that overall revenues were over approved budget by 12.3%.

The Special Assessment Debt Service and Special Assessment Capital Projects fund balances increased by \$1,873,223 and \$4,908,844, respectively. The primary reason for the increase in debt service was a combination of capitalized interest and an increase in special assessment collections, and the increase in capital projects was primarily due to unspent bond proceeds. The increase in the Permanent Improvement fund balance of \$431,600 was due primarily to transfers from other funds for reimbursement of construction expenditures.

The debt service funds have a total fund balance of \$19,580,146 all of which is reserved for the payment of future debt service. The net decrease in fund balance during the current year in the debt service funds was \$1,510,669 due to increased bond principal payments.

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

Unrestricted net assets of the enterprise funds at the end of the year amounted to \$14,897,535. All major enterprise funds reported increases in net assets.

The Public Service Utility's combined net assets increased over \$5 million or 12.3%. This included an increase in the net assets of the electric division of \$1,121,223 and the water division of \$4,656,239. However, total liabilities of the newly created broadband division exceeded total assets by \$743,718 for the year.

The electric division increased rates by 3.0% and the water division increased rates by 3.5% in 2005.

GENERAL FUND BUDGETARY HIGHLIGHTS

The budget amendments between the original budget and the final budget for the general fund decreased the positive budgeted net change in fund balance by \$1,311,999. Actual budget variances were both positive in revenues and other financing sources (uses) and negative in expenditures resulting in an increase to fund balance of \$2,286,380. This was mainly the result of positive variances of \$348,640 in franchise fees, \$280,543 in licenses and permits, \$387,111 in charges for services and \$923,436 in transfers from other funds.

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, 2005, amounts to \$223,485,537 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure.

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

- In conjunction with the Main Avenue Bridge project, buildings along the west side of Fourth Street immediately north of Main Avenue were demolished and the land was prepared for development to begin in 2006.
- Capital assets increased \$1,429,500 and \$4,029,450 in the electric and water divisions respectively from 2004 to 2005.
- The Moorhead Public Service Utility's newly created broadband service accounted for an increase in total assets of \$1,610,642. Capital investment dollars for the broadband service were provided by a public finance company and a loan from the electric fund. The broadband utility was created in order to provide high speed wireless internet service to the residents of Moorhead.
- The \$4 million MCCARA Industrial Park expansion was completed in 2005, which provides lots from ten to twenty acres each for manufacturing and distribution facilities.

CITY OF MOORHEAD'S CAPITAL ASSETS
(net of depreciation)

	Governmental Activities 2005	Business-type Activities 2005	Total
Land	\$ 6,855,091	\$ 7,265,713	\$ 14,120,804
Construction in progress	30,643,879	16,055,860	46,699,739
Buildings	8,035,717	67,347,435	75,383,152
Improvements other than buildings	251,959	12,756,087	13,008,046
Machinery and equipment	8,704,677	3,031,616	11,736,293
Infrastructure	62,537,503		62,537,503
Total	\$ 117,028,826	\$ 106,456,711	\$ 223,485,537

Additional information on the City's capital assets can be found in Note 4.B. on pages 27 & 28 of this report.

Long-Term Debt. At the end of the current fiscal year, the City of Moorhead had total bonded debt and notes outstanding of \$151,684,671. Of this amount, \$49,627,890 comprises debt backed by the full faith and credit of the government and \$76,100,000 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City's net increase in bonded debt was \$24,830,390 (19.9%) during the current fiscal year.

During the current fiscal year, the City sold \$16,580,000 of general obligation improvement bonds series A dated July 1, 2005 and \$16,445,000 of general obligation improvement bonds series B dated December 15, 2005 to finance the construction of various infrastructure improvements.

The City of Moorhead maintained an "A2" rating from Moody's Investors Service for general obligation debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 2% of estimated market value of real and personal property. The current debt limitation for the City of Moorhead is \$28,108,194, which is significantly in excess of our outstanding general obligation debt.

CITY OF MOORHEAD'S OUTSTANDING DEBT
 General Obligation Bonds, Revenue Bonds, Long-Term Notes and Compensated Absences

Type of Issue	Governmental Activities	Business- type Activities	Total
Special assessment	\$ 76,100,000	\$	\$ 76,100,000
General obligation debt	1,890,000		1,890,000
G.O. Tax Increment	14,070,000		14,070,000
G.O. Municipal Improvement Revenue	9,325,859		9,325,859
G.O. Revenue		11,965,000	11,965,000
G.O. Revenue Refunding		565,000	565,000
Public Facilities Authority		11,812,031	11,812,031
Revenue Refunding		18,680,000	18,680,000
Revenue		5,085,000	5,085,000
Long-term notes	2,175,782	1,653,034	3,828,816
Compensated absences	1,160,483	826,612	1,987,095
Total	\$ 104,722,124	\$ 50,586,677	\$ 155,308,801

Additional information on the City's long-term debt can be found in Note 4.D. on pages 29 - 32 of this report.

Economic Factors and Next Year's Budgets and Rates

The 2006 City Budget totals \$51,605,170 and represents a \$7,424,176 increase over the Adopted 2005 Budget. Major justification for the increase in revenues includes anticipated receipt of major state and federal grants for both capital and operating activities of the City, including Fire, Transit, and Engineering/Transportation; a projected \$474,200 increase in Local Government Aid allocation from the State of Minnesota; a proposed increase of \$233,567 in the City's property tax levy, estimated to result in little or no increase in the effective tax rate for taxes payable in 2006; modest fee increases in the Sanitation Fund (to cover higher County tipping fees), Forestry Fund (for additional work crews), and Golf Course Fund (for higher operating costs); and adoption of the third of a four-year rate increase in the Wastewater Treatment Fund, pursuant to council action taken in 2003.

Major justification for the increase in expenditures includes \$2,299,333 in capital spending in the Mass Transit Fund for the City's share of a Joint Transit Facility in Fargo; \$1,809,018 in scheduled capital replacements in the Vehicles & Equipment, Computer, and Radio Internal Service Funds; increased operating expenditures of 3%, plus supplemental support for fuel and consumable costs, as well as a citywide 2% Cost of Living Adjustment (COLA) for employee wages; proposed staffing increase of 11 full-time equivalent (FTE) employees, as well as resulting capital expenditures, to address new community growth and development; \$1,321,054 in increased debt service for G.O. Special Assessment Bonds used to provide funding for expanding infrastructure needs (and repaid via special assessment collections).

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 500 Center Avenue, Moorhead, MN 56560 or visit the City's web site at www.cityofmoorhead.com.

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**CITY OF MOORHEAD, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2005**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and investments	\$ 45,340,647	\$ 12,228,554	\$ 57,569,201	\$ 1,574,455
Receivables (net of allowance for uncollectibles):				
Accounts and notes	259,497	1,939,562	2,199,059	142,332
Accrued interest	83,010	62,573	145,583	
Internal balances	1,337,111	(1,337,111)		
Due from other governmental units	1,962,811	133,434	2,096,245	
Inventories		892,713	892,713	
Prepaid items		26,116	26,116	
Restricted Assets:				
Cash and cash equivalents		9,905,102	9,905,102	
Long-Term Receivables:				
Special assessments	19,888,080	299,720	20,187,800	
Notes receivable, less current portion	3,182,904	10,990	3,193,894	
Capital Assets:				
Intangible plant		255,373	255,373	
Land	6,855,091	7,265,713	14,120,804	464,977
Buildings	14,548,026	113,166,795	127,714,821	8,172,761
Improvements other than buildings	6,906,860	18,425,915	25,332,775	
Machinery and equipment	20,479,260	14,232,682	34,711,942	438,269
Infrastructure	99,447,731		99,447,731	
Construction in progress	30,643,879	16,055,860	46,699,739	
Less accumulated depreciation	(61,852,021)	(62,945,627)	(124,797,648)	(5,007,682)
Total assets	<u>189,082,886</u>	<u>130,618,364</u>	<u>319,701,250</u>	<u>5,785,112</u>
LIABILITIES				
Accounts payable	778,513	1,835,242	2,613,755	619
Due to other governmental units	8,837	24,500	33,337	
Customer deposits		95,512	95,512	48,133
Deferred revenue	4,800	241,987	246,787	
Other liabilities	201,247	85,402	286,649	25,100
Accrued interest payable	1,446,018	404,686	1,850,704	
Long-term liabilities:				
Due within one year	4,216,397	3,966,755	8,183,152	125,000
Accrued compensated absences	592,676	699,688	1,292,364	39,189
Notes payable	1,907,192	1,300,320	3,207,512	
Bonds payable	98,005,859	44,132,178	142,138,037	255,000
Total liabilities	<u>107,161,539</u>	<u>52,786,270</u>	<u>159,947,809</u>	<u>493,041</u>
NET ASSETS				
Invested in capital assets net of related debt	37,143,826	58,250,974	95,394,800	3,688,325
Restricted for debt service	41,726,936	4,683,585	46,410,521	
Restricted for capital projects	14,468,555		14,468,555	
Unrestricted	(11,417,970)	14,897,535	3,479,565	1,603,746
Total net assets	<u>\$ 81,921,347</u>	<u>\$ 77,832,094</u>	<u>\$ 159,753,441</u>	<u>\$ 5,292,071</u>

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

**CITY OF MOORHEAD, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental	Primary Government		Total
					Activities	Business-type Activities		
Primary Government								
Governmental activities:								
General government	\$ 3,068,861	\$ 979,078	\$ 1,010,893	\$	\$ (2,089,783)	\$ (2,089,783)		
Public safety	8,500,960	924,696	25,496	14,674,934	(6,565,371)	(6,565,371)		
Highways and streets	8,289,232	1,707,573	19,494	115,902	8,118,771	8,118,771		
Parks and recreation	2,307,467	464,607	2,838		(1,707,464)	(1,707,464)		
Library	756,504		400,438		(753,666)	(753,666)		
Community development	648,950	404,187	999,092	529,985	155,675	155,675		
Mass transit	1,578,325	229,338	232	233,069	180,090	180,090		
Economic development	364,786	402,355			270,870	270,870		
Interest on long-term debt	4,639,084				(4,639,084)	(4,639,084)		
Total governmental activities	<u>30,154,169</u>	<u>5,111,834</u>	<u>2,458,483</u>	<u>15,553,890</u>	<u>(7,029,962)</u>	<u>(7,029,962)</u>		
Business-type activities:								
Electric	15,518,350	20,655,002			\$ 5,136,652	5,136,652		
Water	3,800,261	4,956,975	2,394	63,588	1,156,714	1,156,714		
Wastewater treatment	4,375,795	4,373,641			63,828	63,828		
Broadband	964,255	216,746			(747,509)	(747,509)		
Storm water	714,622	840,347			125,725	125,725		
Sanitation	2,639,545	2,691,426	132,856		184,737	184,737		
Golf Course	1,632,361	1,131,125			(501,236)	(501,236)		
Sports Center	736,355	430,168			(306,187)	(306,187)		
Pest Control	245,941	367,167			121,226	121,226		
Forestry	380,369	447,954			67,585	67,585		
Municipal airport	284,251	44,807	24,669		(214,775)	(214,775)		
Total business-type activities	<u>31,292,105</u>	<u>36,155,358</u>	<u>159,919</u>	<u>63,588</u>	<u>5,086,760</u>	<u>5,834,269</u>		
Total primary government	<u>\$ 61,446,274</u>	<u>\$ 41,267,192</u>	<u>\$ 2,618,402</u>	<u>\$ 15,617,478</u>	<u>(7,029,962)</u>	<u>(1,195,693)</u>		
Component Unit:								
Public Housing Agency	<u>\$ 1,638,286</u>	<u>\$ 449,782</u>	<u>\$ 1,080,481</u>	<u>\$ 323,896</u>			<u>\$ 215,873</u>	
General revenues:								
Property taxes levied for general purposes					2,662,256	2,662,256		
Property taxes levied for debt service					5,954	5,954		
Tax increments					1,143,203	1,143,203		
Franchise fees					764,240	764,240		
State aid unrestricted					9,923,838	9,935,398		
Grants and contributions not restricted to specific programs					171,832	171,832		
Unrestricted investment earnings					981,612	1,540,024	11,454	
Miscellaneous					803,712	1,149,443	51,208	
Gain on disposal of equipment					221,442	221,442		
Transfers					(1,956,451)			
Total general revenues and transfers					(819,306)	17,593,792	62,662	
Changes in net assets					4,267,454	16,398,099	278,535	
Net assets - beginning					73,943,433	147,508,073	5,013,536	
Prior Period Adjustment					(3,405,222)	(3,405,222)		
Net assets - ending					\$ 81,921,347	\$ 159,753,441	\$ 5,292,071	

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

CITY OF MOORHEAD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	General	Special Assessment Debt Service	Special Assessment Capital Projects	Permanent Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 6,313,487	\$ 10,363,605	\$ 10,806,409	\$	\$ 14,707,679	\$ 42,191,180
Receivables, net:						
Accounts	216,243	964	13,813	2,317	26,077	259,414
Notes	48,513	17,708			3,388,777	3,454,998
Special assessments		21,819,281	2,018,474		345,217	24,182,972
Accrued interest	4,612	56,000			19,996	80,608
Due from other funds	4,444,758	31,767	32,091	181,891	116,000	4,592,849
Due from other governmental units	176,866		1,125,758		446,031	1,962,313
Advances to other funds	400,000					400,000
Total Assets	\$ 11,604,479	\$ 32,289,325	\$ 13,996,545	\$ 184,208	\$ 19,049,777	\$ 77,124,334
LIABILITIES & FUND BALANCE						
Liabilities:						
Accounts payable	\$ 137,791	\$ 1,484	\$ 143,261	\$ 32,033	\$ 414,876	\$ 729,445
Due to other funds			209	2,124,963	1,130,566	3,255,738
Advances from other funds	7,289				400,000	400,000
Due to other governmental units	750	2,000		927	1,548	8,837
Other liabilities	1,268	21,819,281	2,018,474	400	197,570	201,247
Deferred revenue	147,098	21,822,765	2,161,944	2,158,323	3,722,426	27,561,849
Total Liabilities						32,157,116
Fund Balance (Deficit):						
Reserved for encumbrances	211,197		5,918,360		470,818	6,600,375
Reserved for notes receivable	48,513	17,708				66,221
Reserved for advances	400,000					400,000
Reserved for debt service		10,448,852			9,113,586	19,562,438
Unreserved:						
Designated for working capital	6,760,000				762,000	7,522,000
Undesignated, reported in:						
General fund	4,037,671					4,037,671
Special revenue funds						
Capital projects funds			5,916,241	(1,974,115)	1,629,473	1,629,473
Total Fund Balance (Deficit)	11,457,381	10,466,560	11,834,601	(1,974,115)	13,182,791	44,967,218
Total Liabilities and Fund Balance	\$ 11,604,479	\$ 32,289,325	\$ 13,996,545	\$ 184,208	\$ 19,049,777	\$ 77,124,334

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.
Other assets are not available to pay for current-period expenditures and, therefore, are either not recognized as a receivable or are deferred in the funds.
Long-term liabilities, including bonds payable, compensated absences and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.
Internal service funds are used by management to charge the costs of vehicle and equipment replacement, computer services and radio equipment replacement to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.

Net assets of governmental activities

\$ 81,921,347

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

**CITY OF MOORHEAD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2005**

	<u>General</u>	<u>Special Assessment Debt Service</u>	<u>Special Assessment Capital Projects</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes:						
Property	\$ 3,367,224		816	173	\$ 1,257,875	\$ 4,626,088
Franchise	764,240					764,240
Licenses and permits	823,636					823,636
Intergovernmental revenues:						
Federal	277,100		496,914	87,610	1,197,371	2,058,995
State	4,344,294	938,784	1,715,069	3,101,445	5,168,354	15,267,946
Other	98,758		464,600	38,996	98,690	701,044
Charges for services	2,037,194		480		339,249	2,376,923
Fines and forfeits	573,335					573,335
Facility rentals				12,147	197,933	210,080
Interest on investments	96,083			587	288,635	926,472
Special Assessments		3,154,592	161,018		66,282	3,381,892
Miscellaneous	268,917	578,018	868,837	425,562	868,861	3,010,195
Total revenues	<u>12,650,781</u>	<u>5,212,561</u>	<u>3,707,734</u>	<u>3,666,520</u>	<u>9,483,250</u>	<u>34,720,846</u>
EXPENDITURES						
Current:						
General government	3,000,556				4,312	3,004,868
Public safety	8,478,832				117,405	8,596,237
Highways and streets	3,679,053		1,864,275	697,503	3,008	6,243,839
Parks and recreation				111,655	2,022,545	2,134,200
Library					702,232	702,232
Community development					642,060	642,060
Mass transit					1,299,561	1,299,561
Economic development					287,747	287,747
Capital outlay	15,292		27,153,341	4,324,030	1,220,608	32,713,271
Debt Service:						
Bond and note principal	1,467				4,903,741	8,420,208
Bond and note interest	243				1,250,803	3,027,011
Fiscal and other charges					321,309	1,098,099
Total expenditures	<u>15,175,443</u>	<u>5,677,289</u>	<u>29,408,082</u>	<u>5,133,188</u>	<u>12,775,331</u>	<u>68,169,333</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>(2,524,662)</u>	<u>(464,728)</u>	<u>(25,700,348)</u>	<u>(1,466,668)</u>	<u>(3,292,081)</u>	<u>(33,448,487)</u>
OTHER FINANCING SOURCES (USES):						
Bond and note proceeds		2,415,808		1,007,500		34,032,500
Transfers from other funds	5,378,906	39,753	30,609,192	1,798,980	1,865,834	9,083,473
Transfers to other funds	(1,339,863)	(117,610)		(908,212)	(1,785,307)	(4,150,992)
Total other financing sources (uses)	<u>4,039,043</u>	<u>2,337,951</u>	<u>30,609,192</u>	<u>1,898,268</u>	<u>80,527</u>	<u>38,964,981</u>
NET CHANGE IN FUND BALANCE	1,514,381	1,873,223	4,908,844	431,600	(3,211,554)	5,516,494
FUND BALANCE - BEGINNING	9,943,000	8,593,337	6,925,757	(2,405,715)	16,394,345	39,450,724
FUND BALANCE - ENDING	<u>\$ 11,457,381</u>	<u>\$ 10,466,560</u>	<u>\$ 11,834,601</u>	<u>\$ (1,974,115)</u>	<u>\$ 13,182,791</u>	<u>\$ 44,967,218</u>

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

**CITY OF MOORHEAD, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005**

Amounts reported for governmental activities in the statement of activities (page 11) are different from the statement of revenues, expenditures and changes in fund balances because:

Net change in fund balances - total governmental funds (page 13)		\$ 5,516,494
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	\$ 29,221,025		
Depreciation expense	<u>(2,897,221)</u>		26,323,804

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		4,804,868
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The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Bonded debt issued	\$ (34,032,500)		
Bond & note principal payments	<u>8,420,208</u>		(25,612,292)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated absences	\$ (15,049)		
Accrued interest	(366,999)		
Capital Appreciation Bond accretion	<u>(143,779)</u>		(525,827)

Internal service funds are used by management to charge the costs of radio, vehicle and computer services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities.

876,089

Change in net assets of governmental activities (page 11)		<u>\$ 11,383,136</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF MOORHEAD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$ 3,324,243	\$ 3,324,243	\$ 3,367,224	\$ 42,981
Franchise	415,600	415,600	764,240	348,640
Licenses and permits	543,093	543,093	823,636	280,543
Intergovernmental:				
Federal	208,201	208,201	277,100	68,899
State	4,334,677	4,385,677	4,344,294	(41,383)
County	32,000	32,000	52,859	20,859
Other	44,800	44,800	45,899	1,099
Charges for services	1,439,019	1,650,083	2,037,194	387,111
Fines and forfeitures	506,500	507,500	573,335	66,835
Interest on investments	50,000	50,000	96,083	46,083
Miscellaneous	90,800	95,100	268,917	173,817
Total revenues	<u>10,988,933</u>	<u>11,256,297</u>	<u>12,650,781</u>	<u>1,394,484</u>
EXPENDITURES				
Current:				
General government	2,924,182	3,161,019	3,000,556	160,463
Public safety	8,233,702	8,385,047	8,478,832	(93,785)
Highways and streets	3,228,769	3,459,444	3,679,053	(219,609)
Capital outlay		70,000	15,292	54,708
Debt Service:				
Note principal	1,557	1,557	1,467	90
Note Interest	243	243	243	
Total expenditures	<u>14,388,453</u>	<u>15,077,310</u>	<u>15,175,443</u>	<u>(98,133)</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>(3,399,520)</u>	<u>(3,821,013)</u>	<u>(2,524,662)</u>	<u>1,296,351</u>
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	4,392,370	4,455,470	5,378,906	923,436
Transfers to other funds	(452,850)	(1,406,456)	(1,339,863)	66,593
Total other financing sources and uses	<u>3,939,520</u>	<u>3,049,014</u>	<u>4,039,043</u>	<u>990,029</u>
NET CHANGE IN FUND BALANCE	540,000	(771,999)	1,514,381	2,286,380
FUND BALANCE - BEGINNING	<u>9,943,000</u>	<u>9,943,000</u>	<u>9,943,000</u>	
FUND BALANCE - ENDING	<u>\$ 10,483,000</u>	<u>\$ 9,171,001</u>	<u>\$ 11,457,381</u>	<u>\$ 2,286,380</u>

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

**CITY OF MOORHEAD, MINNESOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2005**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Electric	Water	Wastewater Treatment	Other Enterprise Funds	Total	
ASSETS						
Current Assets:						
Cash and investments	\$ 1,195,153	\$ 200,000	\$ 6,610,402	\$ 4,222,999	\$ 12,228,554	\$ 3,149,467
Receivables (net of allowance for uncollectibles):						
Accounts and notes	1,115,142	223,687	286,618	314,115	1,939,562	83
Accrued interest	34,040	18,000	8,053	2,480	62,573	2,402
Due from other city funds	744,742	209	374,574	368,186	1,487,711	
Due from other governmental units			578	132,856	133,434	498
Inventories	628,524	117,639		146,550	892,713	
Prepaid items		26,116			26,116	
Total current assets	<u>3,717,601</u>	<u>585,651</u>	<u>7,280,225</u>	<u>5,187,186</u>	<u>16,770,663</u>	<u>3,152,450</u>
Long-term Assets:						
Restricted Assets:						
Cash and cash equivalents	5,555,412	3,365,105		984,585	9,905,102	
Long-Term Receivables:						
Special assessments		59,713	236,573	3,434	299,720	
Notes receivable, less current portion	10,990				10,990	
Capital Assets:						
Intangible plant	255,373				255,373	
Land	541,882	574,942	1,736,870	4,412,019	7,265,713	
Buildings	38,881,514	41,714,344	22,887,161	9,683,776	113,166,795	
Improvements other than buildings			10,130,060	8,295,855	18,425,915	
Machinery and equipment	2,355,527	801,407	8,912,365	2,163,383	14,232,682	15,542,063
Construction in progress			16,055,860		16,055,860	
Less accumulated depreciation	(17,181,144)	(11,414,538)	(26,155,566)	(8,194,379)	(62,945,627)	(9,866,074)
Total long-term assets	<u>30,419,554</u>	<u>35,100,973</u>	<u>33,803,323</u>	<u>17,348,673</u>	<u>116,672,523</u>	<u>5,675,989</u>
Total assets	<u>34,137,155</u>	<u>35,686,624</u>	<u>41,083,548</u>	<u>22,535,859</u>	<u>133,443,186</u>	<u>8,828,439</u>
LIABILITIES						
Current liabilities:						
Accounts payable	1,605,636	55,540	65,000	109,066	1,835,242	49,068
Due to other city funds	1,159,548	61,704		1,603,570	2,824,822	
Due to other governmental units				24,500	24,500	
Customer deposits	87,212			8,300	95,512	
Deferred revenue				1,980	1,980	
Other liabilities	65,445			19,957	85,402	
Accrued interest payable	60,600	91,400	225,516	27,170	404,686	
Current maturities of long-term debt	668,633	1,586,367	1,037,117	547,714	3,839,831	
Total current liabilities	<u>3,647,074</u>	<u>1,795,011</u>	<u>1,327,633</u>	<u>2,342,257</u>	<u>9,111,975</u>	<u>49,068</u>
Long-term liabilities:						
Accrued compensated absences	370,000	180,000	93,735	182,877	826,612	8,440
Notes payable				1,300,320	1,300,320	
Bonds payable	7,422,454	9,666,097	23,144,249	3,899,378	44,132,178	
Deferred revenue			236,573	3,434	240,007	
Total long-term liabilities	<u>7,792,454</u>	<u>9,846,097</u>	<u>23,474,557</u>	<u>5,386,009</u>	<u>46,499,117</u>	<u>8,440</u>
Total liabilities	<u>11,439,528</u>	<u>11,641,108</u>	<u>24,802,190</u>	<u>7,728,266</u>	<u>55,611,092</u>	<u>57,508</u>
NET ASSETS						
Invested in capital assets, net of related debt	16,701,465	20,332,291	9,621,957	11,595,261	58,250,974	5,675,989
Restricted for debt service	1,084,000	2,615,000		984,585	4,683,585	
Unrestricted	4,912,162	1,098,225	6,659,401	2,227,747	14,897,535	3,094,942
Total net assets	<u>\$ 22,697,627</u>	<u>\$ 24,045,516</u>	<u>\$ 16,281,358</u>	<u>\$ 14,807,593</u>	<u>\$ 77,832,094</u>	<u>\$ 8,770,931</u>

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

CITY OF MOORHEAD, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2005

	Business-type Activities - Enterprise Funds				Total	Governmental Activities - Internal Service Funds
	Electric	Water	Wastewater Treatment	Other Enterprise Funds		
OPERATING REVENUES						
Charges for services	\$ 20,333,074	\$ 4,928,972	\$ 4,270,403	\$ 5,944,229	\$ 35,476,678	\$ 1,905,304
Other	<u>321,928</u>	<u>28,003</u>	<u>176,630</u>	<u>403,176</u>	<u>929,737</u>	<u>5,843</u>
Total operating revenue	<u>20,655,002</u>	<u>4,956,975</u>	<u>4,447,033</u>	<u>6,347,405</u>	<u>36,406,415</u>	<u>1,911,147</u>
OPERATING EXPENSES						
Personal services	1,474,779	1,139,091	835,917	2,600,365	6,050,152	327,011
Purchased power	10,554,918				10,554,918	
Disposal fee				827,246	827,246	
Professional services	96,393	1,020	38,005	260,473	395,891	17,159
Insurance	128,017	80,835	104,996	107,279	421,127	3,196
Repair and maintenance	376,512	378,466	585,928	526,838	1,867,744	124,312
Supplies	801,577	674,259	265,208	776,764	2,517,808	40,000
Utilities			349,151	307,715	656,866	
Equipment rental			85,541	393,634	479,175	
Depreciation	1,252,004	812,242	977,268	797,160	3,838,674	1,199,766
Miscellaneous	<u>439,631</u>	<u>78,448</u>	<u>257,109</u>	<u>692,961</u>	<u>1,468,149</u>	<u>72,478</u>
Total operating expenses	<u>15,123,831</u>	<u>3,164,361</u>	<u>3,499,123</u>	<u>7,290,435</u>	<u>29,077,750</u>	<u>1,783,922</u>
Operating income (loss)	<u>5,531,171</u>	<u>1,792,614</u>	<u>947,910</u>	<u>(943,030)</u>	<u>7,328,665</u>	<u>127,225</u>
NONOPERATING REVENUE (EXPENSE)						
Interest on investments	195,981	78,453	187,103	96,875	558,412	55,140
Interest on indebtedness	(394,519)	(635,900)	(876,672)	(307,264)	(2,214,355)	(3,196)
Gain (loss) on disposal of equipment	209,787	11,655			221,442	(12,126)
Miscellaneous	<u>146,803</u>	<u>170,171</u>	<u>3,870</u>	<u>8,897</u>	<u>329,741</u>	<u>192,830</u>
Total nonoperating revenue (expense)	<u>158,052</u>	<u>(375,621)</u>	<u>(685,699)</u>	<u>(201,492)</u>	<u>(1,104,760)</u>	<u>232,648</u>
Income (loss) before contributions and transfers	<u>5,689,223</u>	<u>1,416,993</u>	<u>262,211</u>	<u>(1,144,522)</u>	<u>6,223,905</u>	<u>359,873</u>
Transfers from other funds		3,492,246		371,904	3,864,150	516,216
Transfers to other funds	<u>(4,568,000)</u>	<u>(253,000)</u>	<u>(230,388)</u>	<u>(769,213)</u>	<u>(5,820,601)</u>	
Total contributions and transfers	<u>(4,568,000)</u>	<u>3,239,246</u>	<u>(230,388)</u>	<u>(397,309)</u>	<u>(1,956,451)</u>	<u>516,216</u>
CHANGE IN NET ASSETS	1,121,223	4,656,239	31,823	(1,541,831)	4,267,454	876,089
TOTAL NET ASSETS - BEGINNING	<u>21,576,404</u>	<u>19,389,277</u>	<u>16,249,535</u>	<u>16,349,424</u>	<u>73,564,640</u>	<u>7,894,842</u>
TOTAL NET ASSETS - ENDING	<u>\$ 22,697,627</u>	<u>\$ 24,045,516</u>	<u>\$ 16,281,358</u>	<u>\$ 14,807,593</u>	<u>\$ 77,832,094</u>	<u>\$ 8,770,931</u>

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

**CITY OF MOORHEAD, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2005**

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Funds
	Electric	Water	Wastewater Treatment	Other Enterprise Funds	Total	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 21,049,661	\$ 4,975,174	\$ 4,224,444	\$ 5,771,170	\$ 36,020,449	\$ 1,906,300
Payments to suppliers	(12,273,121)	(1,913,576)	(2,354,882)	(3,446,661)	(19,988,240)	(254,655)
Payments to employees	(1,303,180)	(472,202)	(831,599)	(2,657,852)	(5,264,833)	(324,344)
Other receipts (payments)	(448,977)	(62,165)	(76,609)	1,037,601	449,850	198,673
Net cash provided by operating activities	<u>7,024,383</u>	<u>2,527,231</u>	<u>961,354</u>	<u>704,258</u>	<u>11,217,226</u>	<u>1,525,974</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds				316,720	316,720	10,624
Transfers to other funds	(4,568,000)	(253,000)	(230,388)	(542,456)	(5,593,844)	
Net cash provided by (used in) noncapital financing activities	<u>(4,568,000)</u>	<u>(253,000)</u>	<u>(230,388)</u>	<u>(225,736)</u>	<u>(5,277,124)</u>	<u>10,624</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Bond and note proceeds			3,135,095	189,358	3,324,453	
Purchase of assets	(2,439,894)	(513,095)	(6,188,652)	(295,584)	(9,437,225)	(1,369,839)
Proceeds from sale of assets	209,787	11,655			221,442	11,175
Principal payments - bonds and notes	(637,633)	(1,496,367)	(903,486)	(363,965)	(3,401,451)	(65,000)
Interest payments - bonds and notes	(398,919)	(647,700)	(815,480)	(299,053)	(2,161,152)	(3,448)
Net cash used in capital and related financing activities	<u>(3,266,659)</u>	<u>(2,645,507)</u>	<u>(4,772,523)</u>	<u>(769,244)</u>	<u>(11,453,933)</u>	<u>(1,427,112)</u>
CASH FLOWS FROM INVESTING ACTIVITY						
Interest received	182,741	69,453	190,034	96,685	538,913	54,396
Net increase (decrease) in cash and cash equivalents	(627,535)	(301,823)	(3,851,523)	(194,037)	(4,974,918)	163,882
Cash and cash equivalents at beginning of year	7,378,100	3,866,928	10,461,925	5,401,621	27,108,574	2,985,585
Cash and cash equivalents at end of year	<u>\$ 6,750,565</u>	<u>\$ 3,565,105</u>	<u>\$ 6,610,402</u>	<u>\$ 5,207,584</u>	<u>\$ 22,133,656</u>	<u>\$ 3,149,467</u>
Reconciliation of operating income to net cash provided by operating activities:						
Operating income (loss)	\$ 5,531,171	\$ 1,792,614	\$ 947,910	\$ (943,030)	\$ 7,328,665	\$ 127,225
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation accruals	1,459,780	696,992	977,268	797,160	3,931,200	1,199,766
Miscellaneous nonoperating income	146,803	170,171	3,870	8,897	329,741	192,830
Change in assets and liabilities:						
Accounts receivable	39,369	(22,944)	(46,950)	(72,745)	(103,270)	48
Due from other funds	(736,456)	4,961	1,119	(26,911)	(757,287)	
Due from other governments			(128)	10,097	9,969	948
Inventories	(102,946)	(30,603)		(146,550)	(280,099)	
Prepaid items	2,935	(302)			2,633	
Accounts payable	337,314	(2,751)	(926,053)	22,884	(568,606)	2,490
Compensated absences payable	13,000		4,318	(15,156)	2,162	2,667
Due to other funds	300,045	(80,907)		1,068,346	1,287,484	
Due to other governments				2,897	2,897	
Deferred revenue				(6,020)	(6,020)	
Other current liabilities	33,368			4,389	37,757	
Net cash provided by operating activities	<u>\$ 7,024,383</u>	<u>\$ 2,527,231</u>	<u>\$ 961,354</u>	<u>\$ 704,258</u>	<u>\$ 11,217,226</u>	<u>\$ 1,525,974</u>
Noncash capital financing activities:						
Contributions of capital assets from government		<u>\$ 3,492,246</u>		<u>\$ 55,184</u>	<u>\$ 3,547,430</u>	
Contributions of capital assets to internal service funds				<u>\$ (226,757)</u>	<u>\$ (226,757)</u>	

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

CITY OF MOORHEAD, MINNESOTA
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 YEAR ENDED DECEMBER 31, 2005

	AGENCY FUNDS
ASSETS	
Cash and investments	\$ 62,376
Taxes receivable	20,000
Accrued interest	32
Due from other governmental units	3
Total Assets	\$ 82,411
LIABILITIES	
Due to other agencies	\$ 13,829
Due to other governmental units	68,582
Total Liabilities	\$ 82,411

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

CITY OF MOORHEAD
Notes to the Financial Statements
December 31, 2005

NOTE 1: - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Moorhead, Minnesota (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

A. Reporting entity

The City of Moorhead was incorporated February 24, 1881, and is a home rule charter city under Minnesota Statutes. The City operates under a Council/Manager form of government.

For financial reporting purposes, the City's financial statements include all funds of the city as well as component units, entities for which the City is considered financially accountable.

The financial statements include the discrete presentation of the Moorhead Public Housing Agency located at 800 2nd Avenue North, Moorhead, MN 56560 as a component unit of the reporting entity because the City Council appoints the governing body and is able to impose its will on the Agency. The financial information reported for this component unit is for their fiscal year ending June 30, 2005. Separate audited financial statements for the year ended June 30, 2005 are available from the agency. The component unit is discretely presented to emphasize its legal separation from the city.

Services provided by the City under general governmental functions include police and fire protection, emergency medical services, street maintenance, planning and zoning, neighborhood services, recreation and parks and general administrative services. The City also operates as enterprise funds the following services: electric, water, wastewater treatment, broadband, storm water, pest control, forestry, sports center, golf course, airport and sanitation services. Vehicles and equipment, radio and computer services are provided through internal service funds.

B. Government-wide and fund financial statements

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

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

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

C. Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the 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 fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Agency funds use the accrual basis of accounting for reporting assets and liabilities. Since they do not present results of operations, there is no measurement focus.

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

The City reports the following major governmental funds:

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

Special Assessment Debt Service funds - Account for resources accumulated and payments for principal and interest on long term general obligation special assessment debt.

Permanent Improvement and Special Assessment Capital Projects funds - Account for the construction of public improvements or services deemed to benefit the properties against which special assessments are levied or in the case of permanent improvement projects, funded by municipal state aid and other city funds.

The City reports the following major proprietary funds:

Electric and Water funds - Account for the activities related to the operation and maintenance of the City's electric and water utilities.

Wastewater Treatment fund - Accounts for the operation and maintenance of the City's wastewater treatment facility, sewage pumping stations, sewer lines and sanitary sewer system.

Additionally, the City reports the following fund types:

Internal Service funds - Account for data processing, mobile communications and fleet management services provided to other departments of the City on a cost reimbursement basis.

Agency funds - The Armory fund reports taxes levied by the City pursuant to and as authorized by Minnesota Statute Section 193.145, Subdivision 2 to be paid to the Minnesota State Armory Building Commission in order to pay part of the principal and interest requirements of bonds issued by the Commission to construct a new national guard armory within the city limits of Moorhead. Levies are authorized for the years 1987 through 2006, payable to the Commission 1988 through 2007. The City acts as a fiscal agent only for the following non-profit agencies: Community Access Television and Armory.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The City has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are payments in-lieu of taxes and other charges between the City's electric, water and sewer utilities and other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported from the various functions concerned.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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, and then unrestricted resources as they are needed.

D. Assets, liabilities and net assets or equity

1. Deposits and Investments

The City maintains a cash and investment pool that is used by all funds. Each fund's portion of the pool is displayed on the statements as "Cash and Investments". Interest income on such investments is allocated to certain funds on the basis of the participating funds balance in the cash and investments pool. In addition, investments are separately held by various funds.

Investments are reported at fair value. The City's cash and cash equivalents are considered to be cash on hand, demand deposits and investments with an original maturity of less than three months.

Minnesota state statutes authorize investments in the following instruments:

- any security which is a direct obligation of or guaranteed by the United States or any of its agencies
- shares of registered investment companies whose investments consist only of those type described above
- any security which is a general obligation of the state or its municipalities
- bankers acceptances
- commercial paper issued by United States corporations of the highest quality.

2. Receivables and payables

All outstanding balances between funds are reported as "due to/from other funds" (current portion) or "advances to/from other funds" (non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The City calculates its allowance for uncollectible accounts using historical collection data. Accounts receivables of the City are considered to be fully collectible and, therefore, an allowance for uncollectible accounts is not provided.

Property taxes are submitted to the County Auditor by December 31st of each year, to be levied on January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due on October 15. The County remits taxes collected to the City in July and December of each year.

Unpaid taxes at December 31 become liens on the respective property and are reflected in the financial statements as delinquent taxes receivable net of allowance for uncollectibles.

3. Inventories and prepaid items

Inventory is valued at the lower of cost (first-in, first-out) or market. The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in proprietary funds when used.

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.

4. Restricted assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "operating reserve account" may be used to pay operating deficits whereas monies in the "reserve account" are to be used only when other sources are insufficient to pay the principal and interest on the bonds.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$5,000, except for infrastructure networks which are capitalized in their entirety. Such assets are recorded at historical cost or estimated historical cost. 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 lives are not capitalized.

Property, plant and equipment of the government is depreciated using the straight line method over the following estimated useful lives.

Asset	Years
Buildings	20 – 50
Improvements other than buildings	10 – 20
Infrastructure	20 – 50
Vehicles	2 – 30
Equipment	3 – 20
Office Equipment	5 – 15
Computer Equipment	3 – 5

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees vest in sick leave accumulated to a maximum of 960 hours, which is paid out at 50% upon death or retirement. All vacation pay and vested sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. In the governmental funds, a liability would be reported only if they have matured, for example, as a result of employee retirements or resignations.

7. Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums, discounts and issuance costs are deferred and amortized over the life of the bonds on a straight-line basis over the term of the related issue. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental 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 are reported as debt service expenditures.

8. Fund equity

Reserves represent those portions of fund equity not available for appropriation or are legally segregated for a specific future use. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2: - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government – wide statement of net assets. One element of that reconciliation explains that “other assets are not available to pay for current-period expenditures and, therefore, are either not recognized as a receivable or are deferred in the funds”.

The details of this \$22,990,063 difference are as follows:

Special assessments receivable	\$19,888,080
Notes receivable	3,182,904
Current notes receivable	<u>(80,921)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u><u>\$ 22,990,063</u></u>

Another element of that reconciliation explains that “long-term liabilities, including bonds payable, compensated absences and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds”.

The details of this \$106,168,142 difference are as follows:

Bonds payable	\$101,385,859
Notes payable	2,175,782
Accrued interest payable	1,446,018
Compensated absences payable	<u>1,160,483</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ 106,168,142</u>

Another element of that reconciliation explains that “internal service funds are used by management to charge costs of vehicle and equipment replacement, computer services and radio equipment replacement to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets”.

The details of this \$3,103,382 difference are as follows:

Internal service fund net assets	\$9,488,904
Net capital assets included in governmental activities	(6,393,962)
Bonds payable, accrued compensated absences and accrued interest payable included in governmental activities	<u>8,440</u>
Net adjustment to increase fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$3,103,382</u>

NOTE 3: - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds except the contribution, debt service and capital projects funds. For those funds without budgets, effective control is alternatively achieved through general obligation bond indenture provisions and capital project contracts. All annual appropriations lapse at fiscal year end.

Prior to September 1, the City Manager is required to submit to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted as required to obtain taxpayer comments and prior to December 31, the budget is legally enacted by Council resolution.

Once the budget resolution has been adopted, the City Council shall not increase the amounts fixed in the budget beyond the estimated receipts except to the extent that actual receipts exceed the estimate. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Generally, department heads can make amendments from one expenditure line item to another line item within their departmental budgets without City Council approval. All other budget amendments for adjustments from one fund to another, capital outlay, personal services, and all unbudgeted expenditures must have approval of the City Council. Budgeted amounts are as originally adopted, or as amended by the City Council. Individual amendments were not material in relation to original appropriations.

B. Excess of expenditures over appropriations

For the year ended December 31, 2005, expenditures exceeded appropriations in the General Fund by \$98,133. This over expenditure was funded by available fund balance.

For the year ended December 31, 2005, expenditures exceeded appropriations in the Community Development Fund by \$117,284. This over expenditure was funded by available fund balance.

C. Deficit fund equity

The Permanent Improvement capital projects fund has a deficit fund balance of \$1,974,115 which will be recovered primarily with Municipal State Aid.

NOTE 4:- DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits - At year-end, the carrying amount of the City's deposits was \$2,105,772, which approximates the bank balance. The bank balance is covered by federal depository insurance or by collateral held by the City's agent in the City's name. The market value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance. At December 31, 2005, the City's deposits at Gate City Bank were under collateralized by \$99,226, which has since been corrected with pledged securities.

Investments - The City is allowed to invest in those obligations permitted by Minnesota Statute Chapter 118A.04. Permissible investments include U.S. government obligations, federal agencies, mutual funds investing exclusively in U.S. government and agency issues, State of Minnesota or Minnesota municipalities, bankers acceptances of U.S. banks, highest quality commercial paper, insured interest-bearing deposits and repurchase agreements.

As of December 31, 2005, the City has the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)			
		<1	1 - 5	>5 - 10	>10
U.S. Agencies	\$ 6,230,879	\$ 2,571,330	\$ 2,591,351	\$ 631,402	\$ 436,796
U.S. Treasuries	12,700,180	2,974,650	9,725,530		
Money Market Investments	48,072,480	48,072,480			
Total Investments	<u>\$ 67,003,539</u>	<u>\$ 53,618,460</u>	<u>\$ 12,316,881</u>	<u>\$ 631,402</u>	<u>\$ 436,796</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the City's investment procedures provide guidelines for maximum maturities. The investments in U.S. Agencies are mortgage-backed securities. Due to interest rate changes, how quickly homeowners pay off their mortgages can fluctuate, resulting in varying repayment streams and uncertain final maturities.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City minimizes its credit risk by investing primarily in U.S. government backed securities.

Custodial Credit Risk

Custodial credit risk 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 possession of an outside party. The City does not have a formal policy to limit exposure to investment custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City has no limits on securities backed by the full faith and credit of the U.S. government or any of its instrumentalities.

B. Capital Assets

Capital asset activity for the year ended December 31, 2005 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 4,972,621	\$ 1,882,470		\$ 6,855,091
Construction in progress	7,859,597	27,153,342	(4,369,060)	30,643,879
Total capital assets, not being depreciated	12,832,218	29,035,812	(4,369,060)	37,498,970
Capital assets, being depreciated:				
Buildings	13,613,861	934,165		14,548,026
Improvements other than buildings	6,819,962	86,898		6,906,860
Machinery and equipment	19,243,887	2,090,267	(854,894)	20,479,260
Infrastructure	96,129,358	3,318,373		99,447,731
Total capital assets being depreciated	135,807,068	6,429,703	(854,894)	141,381,877
Less accumulated depreciation for:				
Buildings	(6,196,619)	(315,690)		(6,512,309)
Improvements other than buildings	(6,493,183)	(161,718)		(6,654,901)
Machinery and equipment	(11,060,153)	(1,546,024)	831,594	(11,774,583)
Infrastructure	(34,836,673)	(2,073,555)		(36,910,228)
Total accumulated depreciation	(58,586,628)	(4,096,987)	831,594	(61,852,021)
Total capital assets, being depreciated, net	77,220,440	2,332,716	(23,300)	79,529,856
Governmental activities capital assets, net	\$ 90,052,658	\$ 31,368,528	\$ (4,392,360)	\$ 117,028,826
Business-type activities:				
Capital assets, not being depreciated				
Land	7,265,713			7,265,713
Construction in progress	9,867,208	6,188,652		16,055,860
Total capital assets, not being depreciated	17,132,921	6,188,652	-	23,321,573
Capital assets, being depreciated:				
Intangible plant	255,373			255,373
Buildings	107,981,436	6,272,651	(1,087,292)	113,166,795
Improvements other than buildings	18,412,291	13,624		18,425,915
Machinery and equipment	12,238,063	2,252,856	(258,237)	14,232,682
Total capital assets being depreciated	138,887,163	8,539,131	(1,345,529)	146,080,765
Less accumulated depreciation for:				
Intangible plant	(255,373)			(255,373)
Buildings	(43,746,833)	(2,953,251)	880,723	(45,819,361)
Improvements other than buildings	(5,121,138)	(548,690)		(5,669,828)
Machinery and equipment	(10,883,707)	(425,567)	108,209	(11,201,065)
Total accumulated depreciation	(60,007,051)	(3,927,508)	988,932	(62,945,627)
Total capital assets, being depreciated, net	78,880,112	4,611,623	(356,597)	83,135,138
Business-type activities capital assets, net	\$ 96,013,033	\$ 10,800,275	\$ (356,597)	\$ 106,456,711

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

Governmental activities:		
General Government	\$	73,578.
Public Safety		67,925
Highways & Streets, including depreciation of general infrastructure assets		2,128,534
Parks & Recreation		210,219
Library		54,272
Economic Development		77,039
Community Development		6,890
Mass Transit		<u>278,764</u>
Subtotal		2,897,221
Internal Service		<u>1,199,766</u>
Total depreciation expense – governmental activities	\$	<u>4,096,987</u>
Business-type activities:		
Electric	\$	1,252,004
Water		812,242
Wastewater		977,268
Broadband		160,000
Storm water		17,518
Golf Course		206,939
Sanitation		29,440
Sports Center		234,076
Airport		<u>149,187</u>
Total depreciation expense – business-type activities	\$	<u>3,838,674</u>

C. Interfund receivables, payables, advances and transfers

Interfund receivables/payables are used when a fund has a cash deficit or to record accrued obligations between funds. The composition of inter-fund balances as of December 31, 2005, is as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 4,444,758	
Governmental activities:		
Capital Improvement Fund	110,000	
Economic Development	6,000	
Special Assessment Fund	32,091	209
Permanent Improvement Fund		2,124,963
Tax Increment Debt Fund		1,130,566
	<u>148,091</u>	<u>3,255,738</u>
Business-type activities:		
Electric Fund	209	1,159,548
Water Fund		61,704
Wastewater Fund	374,574	
Storm Water Fund	64,134	
Sanitation Fund	225,688	
Golf Course Fund		811,488
Forestry Fund	37,113	
Pest Control Fund	41,251	
Airport Fund		47,340
	<u>742,969</u>	<u>2,080,080</u>
	\$ 5,335,818	\$ 5,335,818

A \$400,000 advance from the general fund to the tax increment debt service funds will be repaid with future tax increment collections.

Enterprise fund transfers to the general fund are authorized by City charter. All other transfers are recurring subsidies for specific programs.

	Transfers In							
	Transfers Out	Major Funds:				Nonmajor Funds:		
		General	Water	Special Assmt Debt	Permanent Improvement	Governmental	Enterprise	Internal Service
<u>Major Funds</u>								
General	\$ 1,339,863	\$	\$	\$	\$ 987,702	\$ 250,000	\$ 49,350	\$ 52,811
Special Assmt Debt	117,610						117,610	
Special Assmt Capital	3,492,246		3,492,246					
Permanent Improvement	908,212	864,212		39,753			4,247	
Electric	4,568,000	3,484,000				1,084,000		
Water	253,000	253,000						
Wastewater	230,388	230,388						
Totals	<u>10,909,319</u>	<u>4,831,600</u>	<u>3,492,246</u>	<u>39,753</u>	<u>987,702</u>	<u>1,334,000</u>	<u>171,207</u>	<u>52,811</u>
<u>Non-Major Funds</u>								
Governmental	1,785,307	63,100			811,278	531,834	142,447	236,648
Enterprise	769,213	484,206					58,250	226,757
Totals	<u>2,554,520</u>	<u>547,306</u>			<u>811,278</u>	<u>531,834</u>	<u>200,697</u>	<u>463,405</u>
	<u>\$ 13,463,839</u>	<u>\$ 5,378,906</u>	<u>\$ 3,492,246</u>	<u>\$ 39,753</u>	<u>\$ 1,798,980</u>	<u>\$ 1,865,834</u>	<u>\$ 371,904</u>	<u>\$ 516,216</u>

D. Long-term debt

Changes in long-term liabilities

Type of Bonds	Balance at January 1, 2005	Additions	Reductions	Balance at December 31, 2005	Due Within One Year
<u>Governmental Activities:</u>					
Bonds Payable					
G.O. Special Assessment	\$ 46,590,000	\$ 33,025,000	\$ 3,515,000	\$ 76,100,000	\$ 1,700,000
G.O. Debt	3,655,000		1,765,000	1,890,000	325,000
G.O. Tax Increment	15,160,000		1,090,000	14,070,000	1,130,000
G.O. Municipal Improvement Revenue	11,027,080	143,779	1,845,000	9,325,859	225,000
Total Bonds Payable	<u>76,432,080</u>	<u>33,168,779</u>	<u>8,215,000</u>	<u>101,385,859</u>	<u>3,380,000</u>
Notes Payable	1,438,490	1,007,500	270,208	2,175,782	268,590
Compensated Absences	1,142,767	573,997	556,281	1,160,483	567,807
Governmental Activity Long-Term Liabilities	<u>79,013,337</u>	<u>34,750,276</u>	<u>9,041,489</u>	<u>104,722,124</u>	<u>4,216,397</u>
<u>Business-Type Activities:</u>					
Bonds Payable					
Electric Utility	8,636,222		628,614	8,007,608	668,633
Water Utility	13,153,778		1,541,386	11,612,392	1,586,367
Wastewater	22,110,420	3,135,096	903,485	24,342,031	1,037,117
Golf Course	3,945,000		145,000	3,800,000	150,000
Sports Center	385,000		40,000	345,000	45,000
Total Bonds Payable	<u>48,230,420</u>	<u>3,135,096</u>	<u>3,258,485</u>	<u>48,107,031</u>	<u>3,487,117</u>
Notes Payable	31,999	1,800,000	178,965	1,653,034	352,714
Compensated Absences	824,450	141,232	139,070	826,612	126,924
Business-Type Activity Long-Term Liabilities	<u>\$ 49,086,869</u>	<u>\$ 5,076,328</u>	<u>\$ 3,576,520</u>	<u>\$ 50,586,677</u>	<u>\$ 3,966,755</u>

The City's debt limit is \$ 28,108,194 and the legal debt margin is \$ 26,754,170.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Special assessment bonds, municipal improvement bonds and general obligation bonds together comprise the governmental activity bonds payable. General Obligation includes tax increment bonds. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

If special assessments are not adequate to retire the outstanding debt, the City's full faith and credit are pledged for their redemption.

There is \$19,580,146 available in the Debt Service Funds to service the special assessment, general obligation and municipal improvement bonds. These bonds are direct obligations and pledge the full faith and credit of the city. Certain Enterprise Funds (Electric, Water, Golf Course, Sports Center and Wastewater Treatment) will be used to repay revenue bonds.

Unamortized bond discounts of \$487,736 related to revenue bonds in the Enterprise Funds have been netted against revenue bonds payable on the accompanying balance sheet.

The annual requirement to amortize notes outstanding as of December 31, 2005, follows:

Year	Governmental Activities		Business -Type Activities	
	Principal	Interest	Principal	Interest
2006	\$ 268,590	\$ 81,482	\$ 352,714	\$ 68,055
2007	297,837	151,091	351,625	53,145
2008	245,123	96,934	367,194	37,576
2009	263,151	78,907	383,454	21,316
2010	276,424	59,518	198,047	4,337
2011 - 2015	339,568	170,719	0	0
2016 - 2020	435,312	74,975	0	0
2021 - 2025	49,777	1,252	0	0
Totals	<u>\$ 2,175,782</u>	<u>\$ 714,878</u>	<u>\$ 1,653,034</u>	<u>\$ 184,429</u>

General obligation notes payable at December 31, 2005 is the combination of a Minnesota Municipal Energy Conservation Loan with 5.5% interest, maturing November 2007, a \$1,375,000 Economic Development Authority Tax Increment Note issued August 20, 1998 at 7.5% interest, maturing February 2015, and a promissory note for industrial park land acquisition, with 3% interest maturing April 10, 2007. The business-type notes are a combination of a 0% interest 10-year Minnesota Department of Transportation hangar loan issued January 1, 1997 and a note for the purchase of broadband equipment with a 4.38% interest rate maturing June 1, 2010.

The requirement to amortize all bonded debt outstanding as of December 31, 2005, follows:

Year ended December 31	Governmental Activities		Business - Type Activities		Total
	Principal	Interest	Principal	Interest	
2006	\$ 3,380,000	\$ 4,087,187	\$ 3,469,117	\$ 2,007,133	\$ 12,943,437
2007	3,485,000	4,175,541	3,454,073	1,860,648	12,975,262
2008	6,637,161	4,296,224	3,317,395	1,720,964	15,971,744
2009	6,463,698	4,061,801	3,473,097	1,579,188	15,577,784
2010	4,945,000	3,570,130	3,255,196	1,428,247	13,198,573
2011-2015	23,745,000	14,658,781	13,184,883	5,117,457	56,706,121
2016-2020	20,785,000	9,712,468	8,380,524	2,919,059	41,797,051
2021-2025	20,565,000	5,180,898	5,512,746	1,529,263	32,787,907
2026-2030	9,760,000	1,148,338	4,060,000	484,840	15,453,178
2031-2033	1,620,000	122,000			1,742,000
	<u>\$ 101,385,859</u>	<u>\$ 51,013,368</u>	<u>\$ 48,107,031</u>	<u>\$ 18,646,799</u>	<u>\$ 219,153,057</u>

Bonds payable at December 31, 2005 are comprised of the following individual issues:

Type of Issue	Issue Date	Maturity Date	Interest Rate	Original Issue	Principal Outstanding 12/31/2005
Governmental Activities					
G.O. Special Assessment					
1993 Series A	06/01/93	02/01/06	3.25-5.25	\$ 2,430,000	125,000
1994 Series B	10/01/94	02/01/07	4.20-5.80	820,000	150,000
1996 Series C	09/01/96	02/01/08	5.00-5.10	305,000	145,000
1998 Series C	12/01/98	02/01/09	3.90-4.00	1,245,000	515,000
1999 Series A	10/01/99	02/01/20	4.50-5.60	1,890,000	1,280,000
2000 Series A	11/15/00	02/01/21	4.60-6.11	1,545,000	1,215,000
2001 Series E	12/01/01	02/01/22	3.25-5.26	2,835,000	2,365,000
2002 Series B	07/01/02	02/01/23	4.20-5.81	4,985,000	4,435,000
2003 Series B	05/01/03	02/01/33	2.00-5.00	12,775,000	12,600,000
2003 Series C	09/01/03	02/01/24	2.50-4.75	2,465,000	2,365,000
2004 Series A	10/01/04	02/01/27	4.00-4.50	16,795,000	16,795,000
2004 Series B	12/01/04	08/01/18	3.00-4.30	1,085,000	1,085,000
2005 Series A	07/01/05	02/01/27	3.5-5.0	16,580,000	16,580,000
2005 Series B	12/15/05	02/01/27	4.00-4.75	16,445,000	16,445,000
				<u>82,200,000</u>	<u>76,100,000</u>
G.O. Debt					
1993 Refunding Bond Series E	11/01/93	02/01/08	3.50-4.70	1,120,000	390,000
2004 Facility Refunding Series C	12/15/04	02/01/12	3.00-4.00	1,500,000	1,500,000
				<u>2,620,000</u>	<u>1,890,000</u>
G.O Tax Increment					
1993 Downtown Refunding Series D	11/01/93	02/01/09	3.25-4.90	1,140,000	410,000
1999 Downtown Refunding Series B	11/01/99	02/01/13	4.75-5.35	925,000	545,000
2002 Conference Refunding Series D	12/01/02	02/01/10	2.25-4.00	4,745,000	6,950,000
2001 Regency/Holiday Mall Series A	05/15/01	02/01/28	4.25-5.25	7,000,000	1,565,000
2001 Regency/Holiday Mall Series B	05/15/01	02/01/28	4.25-5.30	1,590,000	1,380,000
2001 Regency/Holiday Mall Series C	05/15/01	02/01/18	3.25-5.00	1,605,000	3,220,000
				<u>17,005,000</u>	<u>14,070,000</u>
G.O Municipal Improvement Revenue					
1996 Taxable Industrial Development Series A	09/01/96	12/01/15	7.40-7.875	4,260,000	4,260,000
2001 Improvement Revenue Series D	09/01/01	12/01/16	3.75-4.80	1,900,000	1,530,000
1996 Taxable Industrial Development Series B	09/12/96	06/01/09	8.00	940,783	1,905,859
2004 G.O. Ice Arena Refunding Series D	12/15/04	01/01/18	2.25-4.30	720,000	720,000
2004 G.O. East Highway 10 Refunding Series E	12/15/04	02/01/16	2.250-4.10	910,000	910,000
				<u>8,730,783</u>	<u>9,325,859</u>
Total Governmental Activities				<u>\$ 110,555,783</u>	<u>\$ 101,385,859</u>
Business-Type Activities					
1993 G.O. Wastewater Refunding Series B	11/01/93	03/01/07	3.00-4.60	\$ 2,845,000	\$ 565,000
1994 Public Facilities Authority	09/29/94	02/20/15	4.10	2,478,112	1,414,165
1995 Public Facilities Authority	06/29/95	08/20/16	4.11	1,774,857	1,033,506
1997 Public Facilities Authority	06/29/97	02/20/18	3.49	426,290	296,615
2002 Public Facilities Authority	05/06/02	08/20/22	3.13	3,389,288	3,045,000
2003 G.O. Wastewater Revenue Series A	05/01/03	11/01/29	3.00-4.60	12,050,000	11,965,000
2004 Public Facilities Authority	06/21/04	08/20/23	1.98	6,230,719	6,022,745
1998 Golf Revenue Refunding Series B	06/01/98	12/01/21	4.25-5.875	4,785,000	3,800,000
2001 Gross Revenue Facility Series A	05/01/01	05/01/12	4.85-4.95	505,000	345,000
1995 Electric Revenue Refunding Series B	09/01/95	11/01/09	3.90-5.50	1,366,667	493,333
1998 Electric Revenue Refunding Series A	06/01/98	12/01/21	4.70-5.10	1,326,500	855,775
1998 Electric Revenue Refunding Series A	06/01/98	12/01/21	4.70-5.11	3,862,800	2,773,500
2002 Public Utility Revenue Series C	08/01/02	11/01/17	2.50-4.25	4,570,000	3,885,000
1993 Revenue Refunding Series C	11/01/93	11/01/06	3.875-4.50	1,665,000	205,000
1995 Water Revenue Refunding Series B	09/01/95	11/01/09	3.90-5.50	2,733,333	986,667
1998 Water Revenue Refunding Series A	06/01/98	12/01/21	4.70-5.10	11,938,500	9,114,225

Business-Type Activities (cont.)	Issue	Maturity	Interest	Original	Principal
Type of Issue	Date	Date	Rate	Issue	Outstanding
					12/31/2005
1998 Water Revenue Refunding Series A	06/01/98	12/01/21	4.70-5.11	577,200	451,500
2002 Water Revenue Series C	08/01/02	11/01/17	2.50-4.25	1,005,000	855,000
Total Business-Type Activities				\$ 63,529,266	\$ 48,107,031

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2005, there were 6 Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$12,364,953.

NOTE 5: - OTHER INFORMATION

A. Employee retirement system pension plans - Statewide

1. Defined Benefit

a. Plan Description

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

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire fighters and peace officers who qualify for membership by statute are covered by the PEPFF. Members who are employed in a county correctional institution as a correctional guard or officer, a joint jailer/dispatcher, or as a supervisor of correctional guards or officers or of joint jailers/dispatchers and are directly responsible for the direct security, custody, and control of the county correctional institution and its inmates are covered by the PECF.

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

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

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

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.

PERF Basic Plan members, Coordinated Plan member and PEPFF members are required to contribute the following percentages of their annual covered salary.

Public Employees Retirement Fund	
Basic Plan members	9.10%
Coordinated Plan members	5.10%
Public Employees Police and Fire Fund	6.20%

The City of Moorhead is required to contribute the following percentages of annual covered payroll.

Public Employees Retirement Fund	
Basic Plan members	11.78%
Coordinated Plan members	5.53%
Public Employees Police and Fire Fund	9.30%

The City's contributions for the years ending December 31, 2005, 2004, and 2003, for the Public Employees Retirement Fund and the Public Employees Police & Fire Fund were:

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Public Employees Retirement Fund	\$516,334	\$ 506,696	\$ 493,335
Public Employees Police and Fire Fund	\$402,802	\$ 381,836	\$ 365,585

The City's contributions were equal to the contractually required contributions for each year as set by state statute.

2. Defined Contribution

a. Plan Description

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

b. Funding Policy

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

receives 2 percent of employer contributions and four-tenths of one percent of the assets in each member's account annually.

<u>Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rates</u>
<u>Employees</u>	<u>Employer</u>	<u>Employees</u>	<u>Employer</u>	
\$4,286	\$4,286	5.00%	5.00%	5.00%

B. Commitments

Wholesale power agreements - Under its wholesale power agreement, the City of Moorhead is committed to purchase a fixed amount of electric power and energy requirements from the Western Area Power Administration until December 31, 2046. In 2006 and 2011 the Western Area Power Administration has the option of reducing the allocation by another 1 percent each year. The City of Moorhead is also committed to purchase its supplemental power from the Missouri River Energy Services. The agreement, which runs until January 1, 2046, provides that the City purchase electric power in excess of that available from Western Area Power Administration, up to the level required in 2020. Beginning in 2017, and each 5th year thereafter, the City has the opportunity to continue receiving 100% of its supplemental power from Missouri River Energy Services or establish a maximum rate of delivery in 2020 or each 5th year thereafter.

The City of Moorhead has a four-year contract with Red River Trails, Inc. to provide City bus service that runs through April 30, 2006. At that time, the City will exercise its option to renew this contract until the end of 2006 for a maximum cost to the City of \$634,994 in 2006. It is being proposed that at the end of 2006 the Cities of Moorhead and Fargo will jointly contract for driver services and Moorhead will relocate their vehicles and maintenance to the new Joint Transit Facility currently being constructed.

The City of Moorhead has a lease agreement through April 1, 2011 with Independent School District No. 152 whereby the school will lease a portion of the Sports Center facility at an annual rate of \$68,400. On December 31, 2005, the total of future payments under this lease is \$410,400.

The City of Moorhead entered into an agreement with the Uplink Corporation to provide its distance measurement, tracking, communications system and hardware at the Meadows Golf Course. The Uplink system will be a lease/purchase in the amount of \$206,648 with an interest rate of 6.051% over five years. Annual payments of \$47,493 began in May 2005. The total of future payments under this lease is \$189,974.

C. Risk Management

The City is exposed to various risks of loss related to torts; theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and disasters. The City participates in a group workers' compensation plan with the League of Minnesota Cities Insurance Trust (LMCIT), which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota cities. The plan is administered by Berkley Administrators.

The workers' compensation plan is self-sustaining based on the premiums charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claims liabilities and other expenses. The City has entered into a regular premium plan with LMCIT. The City pays its premium in quarterly installments based on current year budgeted salaries with a premium adjustment after annual actual salaries are determined. All charges are distributed to each City department based upon salary and workers' compensation class code. LMCIT is responsible for Worker's Compensation Reinsurance Association premiums and for general administrative and claims expenses.

The general insurance plan with LMCIT provides the City's liability, property and auto coverage, except that a separate property policy is required to cover the wastewater facility and the public utility's power plant and substations, which is obtained through Unitech.

The City continues to carry commercial insurance for employee health, dental and life insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years. There has been no substantial change in coverage from the prior year.

D. Joint Powers Agreement – Regional Dispatch Center

In December of 2002, the City of Moorhead, Minnesota, City of Fargo, North Dakota, Clay County of Minnesota and Cass County of North Dakota entered into a joint powers agreement to establish a framework that allows for the joint operation of dispatch functions by the two aforementioned cities and the two aforementioned counties. Combining the communications and dispatch of these four agencies benefits each one by reducing and/or eliminating duplication of equipment and staff time. The goal is to reduce the financial burden to the respective

governments' taxpayers through the sharing of one communications center, as well as to improve communications services.

Each governmental entity contributes to the joint operations in the following percentages:

City of Fargo	-	53%
City of Moorhead	-	22%
Cass County	-	15%
Clay County	-	10%

The equity of the Red River Regional Dispatch Center at 12/31/05 was \$713,824 which would be shared in the same percentages above should the organization be dissolved. There is no outstanding debt for which the city is obligated.

This joint powers agreement remains in effect unless terminated by action of all of its members during the first five years. Thereafter, any governmental entity may elect to withdraw from participation upon giving a 6-month written notice. Financial information may be obtained from the Red River Regional Dispatch Center located at 300 NP Avenue, Suite 206, Fargo, ND 58102.

E. Prior Period Adjustments

Beginning net assets on the Statement of Activities has been adjusted to remove special assessment revenue in the amount of \$3,370,222 recognized in prior years as a receivable that did not meet the criteria of earned revenue. An adjustment was also made in the amount of \$35,000 to correct the beginning balance of Municipal Improvement Bonds Payable which was incorrectly stated on the initial GASB 34 formatted city-wide statements. These adjustments had no effect on the change in net assets for 2005.

Beginning net assets on the Internal Service Funds Combining Statement of Revenues, Expenses and Changes in Fund Net Assets has been adjusted to correct 2004 depreciation expense which was incorrectly reported between the Computer and Radio funds. This adjustment had no effect on the change in net assets for 2005.

F. Issued But Not-Effective Accounting Pronouncement

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the City. The statements issued but not implemented that will significantly affect the City are statement No. 44 "Economic Condition Reporting: The Statistical Section" and statement No. 45 "Accounting and Financial Reporting by Employers for Post employment benefits other than Pensions."

Statement No. 44

This statement will update the statistical section of the comprehensive annual financial report (CAFR) to encompass the new information resulting from GASB statement No. 34 and other developments in government finance over the past two decades. The statistical section provides crucial data to many different kinds of consumers of governmental financial information, ranging from municipal credit analysts to state legislators, city council members, oversight bodies, and citizen and taxpayer organizations. This statement will be implemented at the City in the year ending December 31, 2006.

Statement No. 45

This statement will affect the way the City accounts for and reports their post employment healthcare and other non-pension benefits. This statement will be implemented at the City in the year ending December 31, 2008.

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenue sources (other than special assessments, or major capital projects) that are legally restricted to expenditures for particular purposes.

Park - account for recreational programs offered to the citizens of Moorhead.

Library - account for City aid to the Lake Agassiz Regional Library.

Community Development - account for Federal Community Development Block Grant entitlements.

Mass Transit - account for the operation of the City bus system.

Economic Development - account for the preparation of recreational, commercial and cultural activities.

Contributions - account for the collection and distribution of donations made to the City.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

G.O. Bond - account for the accumulation of resources for payment of general obligation bond principal and interest. Provisions are made annually within the City's general property tax levy to provide sufficient money to meet these requirements.

Tax Increment - account for the accumulation of resources for payment of tax increment general obligation bond principal and interest. Tax increments are received by the City to meet these requirements.

Municipal Improvement - account for the accumulation of resources for payment of municipal improvement bond principal and interest. Transfers are made annually from the Capital Improvement Fund to provide sufficient money to meet these requirements.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of capital assets (other than those financed by Proprietary Funds).

Capital Improvement - account for capital outlay related to City buildings, improvements and equipment.

**CITY OF MOORHEAD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005**

	Special Revenue					
	Park	Library	Community Development	Mass Transit	Economic Development	Contributions
ASSETS						
Cash and investments	\$ 1,283,583	\$ 302,917	\$ 455,215	\$ 270,544	\$ 537,757	\$ 94,100
Receivables (net of allowance for uncollectibles):						
Accounts	5,279			17,184		
Notes			3,101,983		272,094	
Special Assessments						
Accrued interest	654	155		34	601	48
Due from other funds					6,000	
Due from other governmental units	14,243	69	14,572	368,269	1,656	50
Total Assets	<u>\$ 1,303,759</u>	<u>\$ 303,141</u>	<u>\$ 3,571,770</u>	<u>\$ 656,031</u>	<u>\$ 818,108</u>	<u>\$ 94,198</u>
LIABILITIES & FUND BALANCE						
Liabilities:						
Accounts payable	\$ 10,434	\$ 2,383	\$ 9,921	\$ 329,264	\$ 2,891	\$
Due to other funds						
Advances from other funds						
Due to other governmental units			1,548			
Other liabilities	5,595		191,975			
Deferred revenue			3,105,115		272,094	
Total Liabilities	<u>16,029</u>	<u>2,383</u>	<u>3,308,559</u>	<u>329,264</u>	<u>274,985</u>	
Fund Balance:						
Reserved for encumbrances	11,143		80,396	326,767	6,008	
Reserved for debt service						
Unreserved:						
Designated for working capital	762,000					
Undesignated	514,587	300,758	182,815		537,115	94,198
Total Fund Balance	<u>1,287,730</u>	<u>300,758</u>	<u>263,211</u>	<u>326,767</u>	<u>543,123</u>	<u>94,198</u>
Total Liabilities and Fund Balance	<u>\$ 1,303,759</u>	<u>\$ 303,141</u>	<u>\$ 3,571,770</u>	<u>\$ 656,031</u>	<u>\$ 818,108</u>	<u>\$ 94,198</u>

**CITY OF MOORHEAD, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
DECEMBER 31, 2005**

<u>Total</u>	<u>Debt Service</u>			<u>Total</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>G.O. Bond</u>	<u>Tax Increment</u>	<u>Municipal Improvement</u>		<u>Capital Improvement</u>	
\$ 2,944,116	\$ 535,196	\$ 4,054,435	\$ 6,010,574	\$ 10,600,205	\$ 1,163,358	\$ 14,707,679
22,463	375		3,239	3,614		26,077
3,374,077					14,700	3,388,777
		345,217		345,217		345,217
1,492	273	1,865	15,670	17,808	696	19,996
6,000					110,000	116,000
398,859	132	22,393		22,525	24,647	446,031
<u>\$ 6,747,007</u>	<u>\$ 535,976</u>	<u>\$ 4,423,910</u>	<u>\$ 6,029,483</u>	<u>\$ 10,989,369</u>	<u>\$ 1,313,401</u>	<u>\$ 19,049,777</u>
\$ 354,893	\$	\$	\$	\$	\$ 59,983	\$ 414,876
		1,130,566		1,130,566		1,130,566
		400,000		400,000		400,000
1,548						1,548
197,570						197,570
3,377,209		345,217		345,217		3,722,426
<u>3,931,220</u>		<u>1,875,783</u>		<u>1,875,783</u>	<u>59,983</u>	<u>5,866,986</u>
424,314					46,504	470,818
	535,976	2,548,127	6,029,483	9,113,586		9,113,586
762,000						762,000
1,629,473					1,206,914	2,836,387
<u>2,815,787</u>	<u>535,976</u>	<u>2,548,127</u>	<u>6,029,483</u>	<u>9,113,586</u>	<u>1,253,418</u>	<u>13,182,791</u>
<u>\$ 6,747,007</u>	<u>\$ 535,976</u>	<u>\$ 4,423,910</u>	<u>\$ 6,029,483</u>	<u>\$ 10,989,369</u>	<u>\$ 1,313,401</u>	<u>\$ 19,049,777</u>

CITY OF MOORHEAD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2005

Special Revenue

	<u>Park</u>	<u>Library</u>	<u>Community Development</u>	<u>Mass Transit</u>	<u>Economic Development</u>	<u>Contributions</u>
REVENUES						
Property taxes	\$ 418	\$ 559	\$	\$ 139	\$ 107,602	\$
Special assessments						
Intergovernmental revenues						
Federal			391,438	805,933		
State	1,528,608	699,508	1,310	767,249	217,236	
County					232	
Charges for services	126,941			212,308		
Facility rentals	190,733					
Donations						19,194
Interest on investments	13,267		7,017	622	18,124	1,653
Miscellaneous	163,544	66	413,376	17,030	59,802	
Total revenues	<u>2,023,511</u>	<u>700,133</u>	<u>813,141</u>	<u>1,803,281</u>	<u>402,996</u>	<u>20,847</u>
EXPENDITURES						
Current:						
General government						607
Public safety						10,013
Highways and streets						
Parks and recreation	1,785,377					5,539
Library		698,508				1,346
Community development			642,060			
Mass transit				1,299,561		
Economic development					287,747	
Capital outlay				565,750		
Debt Service:						
Bond and note principal	880	1,322			100,000	
Bond and note interest	146	218			9,000	
Fiscal and other charges						
Total expenditures	<u>1,786,403</u>	<u>700,048</u>	<u>642,060</u>	<u>1,865,311</u>	<u>396,747</u>	<u>17,505</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>237,108</u>	<u>85</u>	<u>171,081</u>	<u>(62,030)</u>	<u>6,249</u>	<u>3,342</u>
OTHER FINANCING SOURCES (USES):						
Transfers from other funds				214,939	190,000	
Transfers to other funds	(96,510)				(14,500)	
Total other financing sources (uses)	<u>(96,510)</u>			<u>214,939</u>	<u>175,500</u>	
NET CHANGE IN FUND BALANCE	140,598	85	171,081	152,909	181,749	3,342
FUND BALANCE - BEGINNING	<u>1,147,132</u>	<u>300,673</u>	<u>92,130</u>	<u>173,858</u>	<u>361,374</u>	<u>90,856</u>
FUND BALANCE - ENDING	<u>\$ 1,287,730</u>	<u>\$ 300,758</u>	<u>\$ 263,211</u>	<u>\$ 326,767</u>	<u>\$ 543,123</u>	<u>\$ 94,198</u>

CITY OF MOORHEAD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2005

Total	Debt Service			Total	Capital Projects	Total Nonmajor Governmental Funds
	G.O. Bond	Tax Increment	Municipal Improvement		Capital Improvement	
\$ 108,718	\$ 5,685	\$ 1,143,472 66,282	\$	\$ 1,149,157 66,282	\$	\$ 1,257,875 66,282
1,197,371						1,197,371
3,213,911	391,572	1,521,371		1,912,943	41,500	5,168,354
232			98,458	98,458		98,690
339,249						339,249
190,733		7,200		7,200		197,933
19,194					29,908	49,102
40,683	6,607	41,920	171,170	219,697	28,255	288,635
653,818	375	87,292	73,374	161,041	4,900	819,759
<u>5,763,909</u>	<u>404,239</u>	<u>2,867,537</u>	<u>343,002</u>	<u>3,614,778</u>	<u>104,563</u>	<u>9,483,250</u>
607					3,705	4,312
10,013					107,392	117,405
					3,008	3,008
1,790,916					231,629	2,022,545
699,854					2,378	702,232
642,060						642,060
1,299,561						1,299,561
287,747						287,747
565,750					654,858	1,220,608
102,202	1,765,000	1,256,539	1,780,000	4,801,539		4,903,741
9,364	96,217	671,655	473,567	1,241,439		1,250,803
	80	313,909	7,320	321,309		321,309
<u>5,408,074</u>	<u>1,861,297</u>	<u>2,242,103</u>	<u>2,260,887</u>	<u>6,364,287</u>	<u>1,002,970</u>	<u>12,775,331</u>
355,835	(1,457,058)	625,434	(1,917,885)	(2,749,509)	(898,407)	(3,292,081)
404,939			176,895	176,895	1,284,000	1,865,834
(111,010)		(811,278)		(811,278)	(863,019)	(1,785,307)
293,929		(811,278)	176,895	(634,383)	420,981	80,527
649,764	(1,457,058)	(185,844)	(1,740,990)	(3,383,892)	(477,426)	(3,211,554)
2,166,023	1,993,034	2,733,971	7,770,473	12,497,478	1,730,844	16,394,345
<u>\$ 2,815,787</u>	<u>\$ 535,976</u>	<u>\$ 2,548,127</u>	<u>\$ 6,029,483</u>	<u>\$ 9,113,586</u>	<u>\$ 1,253,418</u>	<u>\$ 13,182,791</u>

**CITY OF MOORHEAD, MINNESOTA
PARK FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$	\$	\$ 418	\$ 418
Intergovernmental:				
State	1,531,769	1,531,769	1,528,608	(3,161)
Charges for services	112,710	112,710	126,941	14,231
Facility rentals	162,986	162,986	190,733	27,747
Interest on investments	20,500	20,500	13,267	(7,233)
Miscellaneous	82,447	82,447	163,544	81,097
Total revenues	<u>1,910,412</u>	<u>1,910,412</u>	<u>2,023,511</u>	<u>113,099</u>
EXPENDITURES				
Current:				
Personal services	966,417	966,417	941,199	25,218
Supplies	152,823	155,728	154,882	846
Other services & charges	678,636	675,836	689,296	(13,460)
Debt Service:				
Note principal	1,026	880	880	
Note interest		146	146	
Total expenditures	<u>1,798,902</u>	<u>1,799,007</u>	<u>1,786,403</u>	<u>12,604</u>
REVENUE OVER EXPENDITURES	<u>111,510</u>	<u>111,405</u>	<u>237,108</u>	<u>125,703</u>
OTHER FINANCING USES:				
Transfers to other funds	(91,510)	(96,510)	(96,510)	
Total other financing uses	<u>(91,510)</u>	<u>(96,510)</u>	<u>(96,510)</u>	
NET CHANGE IN FUND BALANCE	20,000	14,895	140,598	125,703
FUND BALANCE - BEGINNING	<u>1,147,132</u>	<u>1,147,132</u>	<u>1,147,132</u>	
FUND BALANCE - ENDING	<u>\$ 1,167,132</u>	<u>\$ 1,162,027</u>	<u>\$ 1,287,730</u>	<u>\$ 125,703</u>

**CITY OF MOORHEAD, MINNESOTA
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$	\$	\$ 559	\$ 559
Intergovernmental:				
State	699,508	699,508	699,508	
Interest on investments	1,000	1,000		(1,000)
Miscellaneous			66	66
Total revenues	<u>700,508</u>	<u>700,508</u>	<u>700,133</u>	<u>(375)</u>
EXPENDITURES				
Current:				
Personal services	39,295	39,295	38,591	704
Supplies	4,850	4,850	2,553	2,297
Other services & charges	654,823	654,823	657,364	(2,541)
Debt Service:				
Note principal	1,540	1,322	1,322	
Note interest		218	218	
Total expenditures	<u>700,508</u>	<u>700,508</u>	<u>700,048</u>	<u>460</u>
NET CHANGE IN FUND BALANCE			85	85
FUND BALANCE - BEGINNING	<u>300,673</u>	<u>300,673</u>	<u>300,673</u>	
FUND BALANCE - ENDING	<u>\$ 300,673</u>	<u>\$ 300,673</u>	<u>\$ 300,758</u>	<u>\$ 85</u>

**CITY OF MOORHEAD, MINNESOTA
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget - Positive (Negative)
REVENUES				
Intergovernmental:				
Federal	\$ 339,000	\$ 339,000	\$ 391,438	\$ 52,438
State			1,310	1,310
Interest on investments	130	130	7,017	6,887
Miscellaneous:				
Economic development loans	173,106	173,106	401,401	228,295
Rehabilitation inspection fees	2,000	2,000	1,700	(300)
Rental housing registration fees	10,000	10,000	8,790	(1,210)
Other			1,485	1,485
Total revenues	<u>524,236</u>	<u>524,236</u>	<u>813,141</u>	<u>288,905</u>
EXPENDITURES				
Current:				
Personal services	181,262	181,262	132,435	48,827
Supplies	200	200	1,265	(1,065)
Other services & charges	<u>342,774</u>	<u>342,774</u>	<u>508,360</u>	<u>(165,586)</u>
Total expenditures	<u>524,236</u>	<u>524,236</u>	<u>642,060</u>	<u>(117,824)</u>
NET CHANGE IN FUND BALANCE			171,081	171,081
FUND BALANCE - BEGINNING	<u>92,130</u>	<u>92,130</u>	<u>92,130</u>	
FUND BALANCE - ENDING	<u>\$ 92,130</u>	<u>\$ 92,130</u>	<u>\$ 263,211</u>	<u>\$ 171,081</u>

**CITY OF MOORHEAD, MINNESOTA
 MASS TRANSIT FUND
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 YEAR ENDED DECEMBER 31, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
General property taxes	\$	\$	\$ 139	\$ 139
Intergovernmental:				
Federal grants	287,339	1,233,235	805,933	(427,302)
State grants	799,767	515,582	484,156	(31,426)
State transit aid		283,093	283,093	
Charges for services	185,730	185,730	212,308	26,578
Interest on investments			622	622
Miscellaneous	7,400	7,500	17,030	9,530
Total revenues	<u>1,280,236</u>	<u>2,225,140</u>	<u>1,803,281</u>	<u>(421,859)</u>
EXPENDITURES				
Current:				
Personal services	116,741	118,184	115,654	2,530
Supplies	173,460	240,641	230,147	10,494
Other services & charges	940,435	966,640	953,760	12,880
Capital outlay	62,000	1,157,375	565,750	591,625
Total expenditures	<u>1,292,636</u>	<u>2,482,840</u>	<u>1,865,311</u>	<u>617,529</u>
REVENUE UNDER EXPENDITURES	<u>(12,400)</u>	<u>(257,700)</u>	<u>(62,030)</u>	<u>195,670</u>
OTHER FINANCING SOURCES:				
Transfers from other funds	12,400	214,939	214,939	
Total other financing sources	<u>12,400</u>	<u>214,939</u>	<u>214,939</u>	
NET CHANGE IN FUND BALANCE		(42,761)	152,909	195,670
FUND BALANCE - BEGINNING	<u>173,858</u>	<u>173,858</u>	<u>173,858</u>	
FUND BALANCE - ENDING	<u>\$ 173,858</u>	<u>\$ 131,097</u>	<u>\$ 326,767</u>	<u>\$ 195,670</u>

**CITY OF MOORHEAD, MINNESOTA
ECONOMIC DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2005**

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
General property taxes	\$ 140,000	\$ 140,000	\$ 107,602	\$ (32,398)
Intergovernmental:				
Federal grants				
State grants	175,958	175,958	217,236	41,278
County aid			232	232
Interest on investments	12,000	12,000	18,124	6,124
Miscellaneous	62,750	62,750	59,802	(2,948)
Total revenues	<u>390,708</u>	<u>390,708</u>	<u>402,996</u>	<u>12,288</u>
EXPENDITURES				
Current:				
Personal services	160,928	160,928	154,705	6,223
Supplies	5,000	5,000	3,731	1,269
Other services & charges	103,030	156,203	129,311	26,892
Debt Service:				
Note principal	100,000	100,000	100,000	
Note interest	9,000	9,000	9,000	
Total expenditures	<u>377,958</u>	<u>431,131</u>	<u>396,747</u>	<u>34,384</u>
REVENUE OVER (UNDER) EXPENDITURES	<u>12,750</u>	<u>(40,423)</u>	<u>6,249</u>	<u>46,672</u>
OTHER FINANCING SOURCES:				
Transfers from other funds	190,000	190,000	190,000	
Transfers to other funds		(14,500)	(14,500)	
Total other financing sources	<u>190,000</u>	<u>175,500</u>	<u>175,500</u>	
NET CHANGE IN FUND BALANCE	202,750	135,077	181,749	46,672
FUND BALANCE - BEGINNING	<u>361,374</u>	<u>361,374</u>	<u>361,374</u>	
FUND BALANCE - ENDING	<u>\$ 564,124</u>	<u>\$ 496,451</u>	<u>\$ 543,123</u>	<u>\$ 46,672</u>

NONMAJOR PROPRIETARY FUNDS

Proprietary Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Broadband - account for the operation and maintenance of the City's wireless internet service.

Storm Water - account for the operation and maintenance of the City's storm water pumping stations, ditches and water retention system.

Sanitation - account for the operation and maintenance of the City's solid waste collection system.

Golf Course - account for the operation and maintenance of the City's Golf Courses.

Sports Center - account for the operation and maintenance of the City's recreation and indoor hockey facility.

Pest Control - account for the operation and maintenance of the City's animal control system.

Forestry - account for the operation and maintenance of the City's Shade Tree and Disease Control Program.

Municipal Airport - account for the operation and maintenance of the City's airport facility.

CITY OF MOORHEAD, MINNESOTA
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS
 DECEMBER 31, 2005

	Broadband	Storm Water	Sanitation	Golf Course	Sports Center	Pest Control	Forestry	Municipal Airport	Total
ASSETS									
Current assets:									
Cash and investments	\$	\$ 605,773	\$ 1,730,424	\$	\$ 1,436,081	\$ 172,800	\$	\$	\$ 4,222,999
Receivables (net of allowance for uncollectibles):									
Accounts	53,326	67	243,857	610	11,317		308	4,630	314,115
Accrued interest		310	884		1,052	92	142		2,480
Due from other city funds		64,134	225,688			41,251	37,113		368,186
Due from other governmental units			132,856						132,856
Inventories	146,550								146,550
Total current assets	<u>199,876</u>	<u>670,284</u>	<u>2,333,709</u>	<u>610</u>	<u>1,448,450</u>	<u>214,143</u>	<u>315,484</u>	<u>4,630</u>	<u>5,187,186</u>
Long-term assets:									
Restricted Assets:									
Cash and cash equivalents				813,730	170,855				984,585
Long-Term Receivables:						560	2,874		3,434
Special assessments									
Capital Assets:									
Land			155,647	3,954,534				301,838	4,412,019
Buildings		2,305	560,138	1,733,336	6,597,232			790,765	9,683,776
Improvements other than buildings		271,264	450,676	3,996,383	86,391			3,491,141	8,295,855
Machinery and equipment	1,610,642	146,535	51,188	178,112	99,988			76,918	2,163,383
Less accumulated depreciation	(160,000)	(250,633)	(644,034)	(2,283,090)	(3,823,663)			(1,032,959)	(8,194,379)
Total long-term assets	<u>1,450,642</u>	<u>169,471</u>	<u>573,615</u>	<u>8,393,005</u>	<u>3,130,803</u>	<u>560</u>	<u>2,874</u>	<u>3,627,703</u>	<u>17,348,673</u>
Total assets	<u>1,650,518</u>	<u>839,755</u>	<u>2,907,324</u>	<u>8,393,615</u>	<u>4,579,253</u>	<u>214,703</u>	<u>318,358</u>	<u>3,632,333</u>	<u>22,535,859</u>
LIABILITIES									
Current liabilities:									
Accounts payable	6,000			8,674	2,568	181		13,927	109,066
Due to other city funds	744,742	4,834	72,636	811,488			246	47,340	1,603,570
Due to other governmental units			24,500						24,500
Customer deposits					1,000			7,300	8,300
Deferred revenue								1,980	1,980
Other liabilities			745	19,188				24	19,957
Accrued interest payable	6,000			18,368	2,802				27,170
Current maturities of long-term debt	336,715		150,000	150,000	45,000			15,999	547,714
Total current liabilities	<u>1,093,457</u>	<u>4,834</u>	<u>97,881</u>	<u>1,007,718</u>	<u>51,370</u>	<u>181</u>	<u>246</u>	<u>86,570</u>	<u>2,342,257</u>

CITY OF MOORHEAD, MINNESOTA
 COMBINING STATEMENT OF NET ASSETS
 NONMAJOR PROPRIETARY FUNDS (CONTINUED)
 DECEMBER 31, 2005

	Broadband	Storm Water	Sanitation	Golf Course	Sports Center	Pest Control	Forestry	Municipal Airport	Total
Long-term liabilities:									
Accrued compensated absences	459	4,822	112,650	25,115	17,258	7,013	15,560		182,877
Notes payable	1,300,320								1,300,320
Bonds payable				3,599,378	300,000	560	2,874		3,899,378
Deferred revenue		4,822	112,650	3,624,493	317,258	7,573	18,434		3,434
Total long-term liabilities	<u>1,300,779</u>	<u>4,822</u>	<u>112,650</u>	<u>3,624,493</u>	<u>317,258</u>	<u>7,573</u>	<u>18,434</u>		<u>5,386,009</u>
Total liabilities	<u>2,394,236</u>	<u>9,656</u>	<u>210,531</u>	<u>4,632,211</u>	<u>368,628</u>	<u>7,754</u>	<u>18,680</u>	<u>86,570</u>	<u>7,728,266</u>
NET ASSETS									
Invested in capital assets, net of related debt	(192,393)	169,471	573,615	4,643,627	2,785,803	560	2,874	3,611,704	11,595,261
Restricted for debt service	(551,325)	660,628	2,123,178	813,730	170,855	206,389	296,804	(65,941)	984,585
Unrestricted				(1,695,953)	1,253,967				2,227,747
Total net assets	<u>\$ (743,718)</u>	<u>\$ 830,099</u>	<u>\$ 2,696,793</u>	<u>\$ 3,761,404</u>	<u>\$ 4,210,625</u>	<u>\$ 206,949</u>	<u>\$ 299,678</u>	<u>\$ 3,545,763</u>	<u>\$ 14,807,593</u>

**CITY OF MOORHEAD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2005**

	Broadband	Storm Water	Sanitation	Golf Course	Sports Center	Pest Control	Forestry	Municipal Airport	Total
OPERATING REVENUES									
Charges for services	\$ 216,746	\$ 840,347	\$ 2,623,486	\$ 1,045,223	\$ 368,094	\$ 364,704	\$ 445,768	\$ 39,861	\$ 5,944,229
Other		490	208,526	92,272	65,424	3,073	3,396	29,995	403,176
Total operating revenue	<u>216,746</u>	<u>840,837</u>	<u>2,832,012</u>	<u>1,137,495</u>	<u>433,518</u>	<u>367,777</u>	<u>449,164</u>	<u>69,856</u>	<u>6,347,405</u>
OPERATING EXPENSES									
Personal services	173,654	150,065	1,063,807	623,996	214,741	138,645	235,457		2,600,365
Disposal fee			827,246						827,246
Professional services	89,808	78,265	6,832	28,157	3,914	2,340	176	50,981	260,473
Insurance	5,396	5,496	28,615	38,663	11,236	2,892	5,692	9,289	107,279
Repair and maintenance	77,627	142,693	149,971	42,695	39,154	12,742	31,338	30,618	526,838
Supplies	242,241	10,277	204,513	148,057	47,943	59,517	59,511	4,705	776,764
Utilities		72,029	24,901	57,232	144,421			9,132	307,715
Equipment rental		8,980	199,603	127,054	5,893	19,179	28,249	4,676	393,634
Depreciation	160,000	17,518	29,440	206,939	234,076			149,187	797,160
Miscellaneous	161,809	229,299	104,617	125,957	15,044	10,626	19,946	25,663	692,961
Total operating expenses	<u>910,535</u>	<u>714,622</u>	<u>2,639,545</u>	<u>1,398,750</u>	<u>716,422</u>	<u>245,941</u>	<u>380,369</u>	<u>284,251</u>	<u>7,290,435</u>
Operating income (loss)	<u>(693,789)</u>	<u>126,215</u>	<u>192,467</u>	<u>(261,255)</u>	<u>(282,904)</u>	<u>121,836</u>	<u>68,795</u>	<u>(214,395)</u>	<u>(943,030)</u>
NONOPERATING INCOME (EXPENSE)									
Interest on investments	2,584	8,567	32,396	14,651	29,409	3,561	5,707		96,875
Interest on indebtedness	(53,720)			(233,611)	(19,933)				(307,264)
Miscellaneous	1,207		4,790	1,420	520	690	270		8,897
Total nonoperating income (expense)	<u>(49,929)</u>	<u>8,567</u>	<u>37,186</u>	<u>(217,540)</u>	<u>9,996</u>	<u>4,251</u>	<u>5,977</u>		<u>(201,492)</u>
Income (loss) before contributions and transfers	<u>(743,718)</u>	<u>134,782</u>	<u>229,653</u>	<u>(478,795)</u>	<u>(272,908)</u>	<u>126,087</u>	<u>74,772</u>	<u>(214,395)</u>	<u>(1,144,522)</u>
Transfers from other funds				211,684	110,870			49,350	371,904
Transfers to other funds		(195,835)	(367,189)			(103,938)	(102,251)		(769,213)
Total transfers		<u>(195,835)</u>	<u>(367,189)</u>	<u>211,684</u>	<u>110,870</u>	<u>(103,938)</u>	<u>(102,251)</u>	<u>49,350</u>	<u>(397,309)</u>
CHANGE IN NET ASSETS	<u>(743,718)</u>	<u>(61,053)</u>	<u>(137,536)</u>	<u>(267,111)</u>	<u>(162,038)</u>	<u>22,149</u>	<u>(27,479)</u>	<u>(165,045)</u>	<u>(1,541,831)</u>
TOTAL NET ASSETS - BEGINNING		891,152	2,834,329	4,028,515	4,372,663	184,800	327,157	3,710,808	16,349,424
TOTAL NET ASSETS - ENDING	<u>\$ (743,718)</u>	<u>\$ 830,099</u>	<u>\$ 2,696,793</u>	<u>\$ 3,761,404</u>	<u>\$ 4,210,625</u>	<u>\$ 206,949</u>	<u>\$ 299,678</u>	<u>\$ 3,545,763</u>	<u>\$ 14,807,593</u>

**CITY OF MOORHEAD, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2005**

	Broadband	Storm Water	Sanitation	Golf Course	Sports Center	Pest Control	Forestry	Municipal Airport	Total
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts from customers	\$ 164,627	\$ 765,622	\$ 2,580,658	\$ 1,048,843	\$ 382,604	\$ 351,747	\$ 444,192	\$ 32,877	\$ 5,771,170
Payments to suppliers	(675,100)	(327,726)	(1,432,058)	(438,247)	(251,555)	(96,695)	(125,100)	(100,180)	(3,446,661)
Payments to employees	(215,526)	(162,469)	(1,064,303)	(631,073)	(211,326)	(138,483)	(234,672)		(2,657,852)
Other receipts (payments)	744,742	(156,098)	112,341	274,906	50,900	(6,863)	(16,280)	33,953	1,037,601
Net cash provided by (used in) operating activities	<u>18,743</u>	<u>119,329</u>	<u>196,638</u>	<u>254,429</u>	<u>(29,377)</u>	<u>109,706</u>	<u>68,140</u>	<u>(33,350)</u>	<u>704,256</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Transfers from other funds		(97,069)	(367,189)	175,860	91,510	(55,470)	(22,728)	49,350	316,720
Transfers to other funds		(97,069)	(367,189)	175,860	91,510	(55,470)	(22,728)	49,350	(542,456)
Net cash provided by (used in) noncapital financing activities									<u>(225,736)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Bond and note proceeds	189,358								189,358
Purchase of assets		(120,098)		(47,495)		(48,468)	(79,523)		(295,584)
Principal payments - bonds and notes	(162,965)			(145,000)	(40,000)			(16,000)	(363,965)
Interest payments - bonds and notes	(47,720)			(231,076)	(20,257)				(299,053)
Net cash used in capital and related financing activities	<u>(21,327)</u>	<u>(120,098)</u>		<u>(423,571)</u>	<u>(60,257)</u>	<u>(48,468)</u>	<u>(79,523)</u>	<u>(16,000)</u>	<u>(769,244)</u>
CASH FLOWS FROM INVESTING ACTIVITY									
Interest received	2,584	8,591	32,409	14,651	29,187	3,551	5,712		96,685
Net increase (decrease) in cash and cash equivalents	(89,247)	(89,247)	(138,142)	21,369	31,063	9,319	(28,399)		(194,037)
Cash and cash equivalents at beginning of year		695,020	1,868,566	792,361	1,575,873	163,481	306,320		5,401,621
Cash and cash equivalents at end of year	<u>\$</u>	<u>\$ 605,773</u>	<u>\$ 1,730,424</u>	<u>\$ 813,730</u>	<u>\$ 1,606,936</u>	<u>\$ 172,800</u>	<u>\$ 277,921</u>	<u>\$</u>	<u>\$ 5,207,584</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:									
Operating income (loss)	\$ (693,789)	\$ 126,215	\$ 192,467	\$ (261,255)	\$ (282,904)	\$ 121,836	\$ 68,795	\$ (214,395)	\$ (943,030)
Adjustments to reconcile operating income to net cash provided by operating activities:									
Depreciation accruals	160,000	17,518	29,440	206,939	234,076	690	270	149,187	797,160
Miscellaneous nonoperating income	1,207		4,790	1,420	520				8,897
Change in assets and liabilities:									
Accounts receivable	(53,326)	(67)	(28,927)	(246)	14,510	(12,957)	(158)	(4,531)	(72,745)
Due from other city funds		(1,947)	(10,589)				(1,418)		(26,911)
Due from other governments			(3,312)						10,097
Inventories	(146,550)								(146,550)
Accounts payable	6,000	(9,986)	9,623	3,611	1,006	(25)	(134)	12,789	22,884
Compensated absences payable	459	(12,404)	(496)	(7,077)	3,415	162	785		(15,156)
Due to other funds				307,417					1,068,346
Due to other governments	744,742		2,897						2,897
Deferred revenue									(6,020)
Other current liabilities			745	3,620		24			4,389
Net cash provided by (used in) operating activities	<u>\$ 18,743</u>	<u>\$ 119,329</u>	<u>\$ 196,638</u>	<u>\$ 254,429</u>	<u>\$ (29,377)</u>	<u>\$ 109,706</u>	<u>\$ 68,140</u>	<u>\$ (33,350)</u>	<u>\$ 704,256</u>
Noncash capital financing activities:									
Contributions of capital assets from government									\$ 55,184
Contributions of capital assets to internal service funds									<u>\$ (226,757)</u>

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INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing of services provided to other departments or agencies of the City, on a cost-reimbursement basis.

Vehicles and Equipment - account for the rental of motor vehicles and maintenance equipment to other departments.

Computer - account for the accumulation and allocation of costs associated with electronic data processing.

Radio - account for the accumulation and allocation of costs associated with mobile communications.

**CITY OF MOORHEAD, MINNESOTA
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 DECEMBER 31, 2005**

	<u>Vehicles & Equipment</u>	<u>Computer</u>	<u>Radio</u>	<u>Total</u>
ASSETS				
Current Assets:				
Cash and investments	\$ 1,035,310	\$ 1,654,591	\$ 459,566	\$ 3,149,467
Receivables (net of allowance for uncollectibles):				
Accounts	83			83
Accrued interest	1,322	845	235	2,402
Due from other governmental units	249		249	498
Total current assets	<u>1,036,964</u>	<u>1,655,436</u>	<u>460,050</u>	<u>3,152,450</u>
Long-term Assets:				
Capital Assets:				
Machinery and equipment	12,352,888	1,990,126	1,199,049	15,542,063
Less accumulated depreciation	<u>(7,447,825)</u>	<u>(1,725,858)</u>	<u>(692,391)</u>	<u>(9,866,074)</u>
Net capital assets	<u>4,905,063</u>	<u>264,268</u>	<u>506,658</u>	<u>5,675,989</u>
Total assets	<u>5,942,027</u>	<u>1,919,704</u>	<u>966,708</u>	<u>8,828,439</u>
LIABILITIES				
Current liabilities:				
Accounts payable	2,308	43,426	3,334	49,068
Accrued compensated absences		8,440		8,440
Total liabilities	<u>2,308</u>	<u>51,866</u>	<u>3,334</u>	<u>57,508</u>
NET ASSETS				
Invested in capital assets, net of related debt	4,905,063	264,268	506,658	5,675,989
Unrestricted	<u>1,034,656</u>	<u>1,603,570</u>	<u>456,716</u>	<u>3,094,942</u>
Total net assets	<u>\$ 5,939,719</u>	<u>\$ 1,867,838</u>	<u>\$ 963,374</u>	<u>\$ 8,770,931</u>

CITY OF MOORHEAD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2005

	<u>Vehicles & Equipment</u>	<u>Computer</u>	<u>Radio</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 928,234	\$ 855,474	\$ 121,596	\$ 1,905,304
Other		5,833	10	5,843
Total operating revenue	<u>928,234</u>	<u>861,307</u>	<u>121,606</u>	<u>1,911,147</u>
OPERATING EXPENSES				
Personal services		327,011		327,011
Supplies	2,830	32,993	4,177	40,000
Professional services		17,159		17,159
Insurance		2,756	440	3,196
Repair and maintenance	1,403	97,385	25,524	124,312
Depreciation	847,519	257,300	94,947	1,199,766
Miscellaneous	6,799	61,883	3,796	72,478
Total operating expenses	<u>858,551</u>	<u>796,487</u>	<u>128,884</u>	<u>1,783,922</u>
Operating income (loss)	<u>69,683</u>	<u>64,820</u>	<u>(7,278)</u>	<u>127,225</u>
NONOPERATING INCOME (EXPENSE)				
Interest on investments	20,233	28,652	6,255	55,140
Interest on indebtedness	(3,196)			(3,196)
Gain (loss) on disposal of equipment	837		(12,963)	(12,126)
Miscellaneous		1,130	191,700	192,830
Total nonoperating income	<u>17,874</u>	<u>29,782</u>	<u>184,992</u>	<u>232,648</u>
Income before transfers	<u>87,557</u>	<u>94,602</u>	<u>177,714</u>	<u>359,873</u>
Transfers from other funds	458,828	13,370	44,018	516,216
Total transfers	<u>458,828</u>	<u>13,370</u>	<u>44,018</u>	<u>516,216</u>
CHANGE IN NET ASSETS	546,385	107,972	221,732	876,089
TOTAL NET ASSETS - BEGINNING	5,393,334	1,910,118	591,390	7,894,842
PRIOR PERIOD ADJUSTMENT		<u>(150,252)</u>	<u>150,252</u>	
TOTAL NET ASSETS - ENDING	<u>\$ 5,939,719</u>	<u>\$ 1,867,838</u>	<u>\$ 963,374</u>	<u>\$ 8,770,931</u>

**CITY OF MOORHEAD, MINNESOTA
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
YEAR ENDED DECEMBER 31, 2005**

	<u>Vehicles & Equipment</u>	<u>Computer</u>	<u>Radio</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 928,347	\$ 855,474	\$ 122,479	\$ 1,906,300
Payments to suppliers	(27,113)	(195,514)	(32,028)	(254,655)
Payments to employees		(324,344)		(324,344)
Other receipts (payments)		6,963	191,710	198,673
Net cash provided by operating activities	<u>901,234</u>	<u>342,579</u>	<u>282,161</u>	<u>1,525,974</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITY				
Transfers from other funds	10,624			10,624
Net cash provided by noncapital financing activities	<u>10,624</u>			<u>10,624</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchase of assets	(794,324)	(258,205)	(317,310)	(1,369,839)
Proceeds from sale of assets	11,175			11,175
Principal payments - bonds	(65,000)			(65,000)
Interest payments - bonds	(3,448)			(3,448)
Net cash used in capital and related financing activities	<u>(851,597)</u>	<u>(258,205)</u>	<u>(317,310)</u>	<u>(1,427,112)</u>
CASH FLOWS FROM INVESTING ACTIVITY				
Interest received	19,601	28,542	6,253	54,396
Net cash provided by investing activities	<u>19,601</u>	<u>28,542</u>	<u>6,253</u>	<u>54,396</u>
Net increase (decrease) in cash and cash equivalents	79,862	112,916	(28,896)	163,882
Cash and cash equivalents at beginning of year	<u>955,448</u>	<u>1,541,675</u>	<u>488,462</u>	<u>2,985,585</u>
Cash and cash equivalents at end of year	<u>\$ 1,035,310</u>	<u>\$ 1,654,591</u>	<u>\$ 459,566</u>	<u>\$ 3,149,467</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 69,683	\$ 64,820	\$ (7,278)	\$ 127,225
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation accruals	847,519	257,300	94,947	1,199,766
Miscellaneous nonoperating income		1,130	191,700	192,830
Change in assets and liabilities:				
Accounts receivable	48			48
Due from other governments	65		883	948
Accounts payable	(16,081)	16,662	1,909	2,490
Compensated absences payable		2,667		2,667
Net cash provided by operating activities	<u>\$ 901,234</u>	<u>\$ 342,579</u>	<u>\$ 282,161</u>	<u>\$ 1,525,974</u>

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the City in a trustee or agency capacity for individuals, private organizations, other governments and/or other funds

Agency Funds

Agency - The City maintained two agency funds during the year.

Community Access Television
Armory

**CITY OF MOORHEAD, MINNESOTA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUNDS
 YEAR ENDED DECEMBER 31, 2005**

	BALANCE JANUARY 1, 2005	ADDITIONS	DEDUCTIONS	BALANCE DECEMBER 31 2005
<u>COMMUNITY ACCESS TELEVISION</u>				
ASSETS				
Cash and investments	\$ 29,395	\$ 44,924	\$ 60,497	\$ 13,822
Accrued interest	14	7	14	7
Total Assets	<u>\$ 29,409</u>	<u>\$ 44,931</u>	<u>\$ 60,511</u>	<u>\$ 13,829</u>
LIABILITIES				
Due to other agencies	\$ 29,409	\$ 44,917	\$ 60,497	\$ 13,829
Total Liabilities	<u>\$ 29,409</u>	<u>\$ 44,917</u>	<u>\$ 60,497</u>	<u>\$ 13,829</u>
 <u>ARMORY</u>				
ASSETS				
Cash and investments	\$ 52,029	\$ 21,525	\$ 25,000	\$ 48,554
Taxes receivable	20,000	20,000	20,000	20,000
Accrued interest	25	25	25	25
Due from other governmental units	313		310	3
Total Assets	<u>\$ 72,367</u>	<u>\$ 41,550</u>	<u>\$ 45,335</u>	<u>\$ 68,582</u>
LIABILITIES				
Due to other governmental units	\$ 72,367	\$ 21,215	\$ 25,000	\$ 68,582
Total Liabilities	<u>\$ 72,367</u>	<u>\$ 21,215</u>	<u>\$ 25,000</u>	<u>\$ 68,582</u>
 <u>TOTAL AGENCY FUNDS</u>				
ASSETS				
Cash and investments	\$ 81,424	\$ 66,449	\$ 85,497	\$ 62,376
Taxes receivable	20,000	20,000	20,000	20,000
Accrued interest	39	32	39	32
Due from other governmental units	313		310	3
Total Assets	<u>\$ 101,776</u>	<u>\$ 86,481</u>	<u>\$ 105,846</u>	<u>\$ 82,411</u>
LIABILITIES				
Due to other agencies	\$ 29,409	\$ 44,917	\$ 60,497	\$ 13,829
Due to other governmental units	72,367	21,215	25,000	68,582
Total Liabilities	<u>\$ 101,776</u>	<u>\$ 66,132</u>	<u>\$ 85,497</u>	<u>\$ 82,411</u>

CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS

CITY OF MOORHEAD, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE ¹
DECEMBER 31, 2005

GOVERNMENTAL FUNDS CAPITAL ASSETS:

Land	\$ 6,855,091
Buildings	14,548,026
Improvements other than buildings	6,906,860
Machinery and equipment	4,937,197
Infrastructure	99,447,731
Construction in progress	<u>30,643,879</u>
 Total governmental funds capital assets	 <u><u>\$ 163,338,784</u></u>

INVESTMENTS IN GOVERNMENTAL FUNDS CAPITAL ASSETS BY SOURCE:

Capital Project Funds	\$ 154,369,597
General Fund	556,598
Special Revenue Funds	7,876,804
Enterprise Funds	952
Gifts	<u>534,833</u>
 Total governmental funds capital assets	 <u><u>\$ 163,338,784</u></u>

¹ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF MOORHEAD, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY¹
DECEMBER 31, 2005

<u>FUNCTION AND ACTIVITY</u>	<u>TOTAL</u>	<u>LAND</u>	<u>BUILDINGS</u>	<u>IMPROVEMENTS OTHER THAN BUILDINGS</u>	<u>MACHINERY AND EQUIPMENT</u>	<u>INFRA- STRUCTURE</u>	<u>CONSTRUCTION IN PROGRESS</u>
GENERAL GOVERNMENT:							
City Clerk	\$ 74,595	\$	\$	\$	\$ 74,595	\$	\$
City Manager	10,187				10,187		
Accounting	30,841				30,841		
General Government Building	<u>3,678,975</u>	<u>457,912</u>	<u>3,124,401</u>	<u>46,908</u>	<u>49,754</u>		
Total General Government	<u>3,794,598</u>	<u>457,912</u>	<u>3,124,401</u>	<u>46,908</u>	<u>165,377</u>	-	-
PUBLIC SAFETY:							
Police Protection	811,220		672,951		138,269		
Fire Protection	<u>1,281,484</u>	<u>56,168</u>	<u>882,197</u>	<u>2,524</u>	<u>340,595</u>		
Total Public Safety	<u>2,092,704</u>	<u>56,168</u>	<u>1,555,148</u>	<u>2,524</u>	<u>478,864</u>	-	-
HIGHWAYS & STREETS	132,710,716	108,181	2,383,056	45,510	82,359	99,447,731	30,643,879
PARKS & RECREATION	10,255,445	2,115,911	848,798	6,640,373	650,363		
LIBRARY	2,269,631	103,000	1,908,455	149,323	108,853		
COMMUNITY DEVELOPMENT	158,399	84,108		22,222	52,069		
MASS TRANSIT	3,980,869		586,890		3,393,979		
PLAINS ART MUSEUM	357,351		357,351				
ECONOMIC DEVELOPMENT	<u>7,719,071</u>	<u>3,929,811</u>	<u>3,783,927</u>		<u>5,333</u>		
Total governmental funds capital assets	<u>\$ 163,338,784</u>	<u>\$ 6,855,091</u>	<u>\$ 14,548,026</u>	<u>\$ 6,906,860</u>	<u>\$ 4,937,197</u>	<u>\$ 99,447,731</u>	<u>\$ 30,643,879</u>

¹ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF MOORHEAD, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY¹
YEAR ENDED DECEMBER 31, 2005

<u>FUNCTION AND ACTIVITY</u>	<u>CAPITAL ASSETS 1/1/05</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>CAPITAL ASSETS 12/31/05</u>
GENERAL GOVERNMENT:				
City Clerk	\$ 85,495	\$	\$ 10,900	\$ 74,595
City Manager	10,187			10,187
Accounting	30,841			30,841
General Government Building	<u>3,313,442</u>	<u>365,533</u>		<u>3,678,975</u>
Total General Government	<u>3,439,965</u>	<u>365,533</u>	<u>10,900</u>	<u>3,794,598</u>
PUBLIC SAFETY:				
Police Protection	784,503	26,717		811,220
Fire Protection	<u>1,264,702</u>	<u>16,782</u>		<u>1,281,484</u>
Total Public Safety	<u>2,049,205</u>	<u>43,499</u>	<u>-</u>	<u>2,092,704</u>
HIGHWAYS & STREETS	98,708,652	3,358,185		102,066,837
PARKS & RECREATION	8,988,337	1,267,108		10,255,445
LIBRARY	2,269,631			2,269,631
COMMUNITY DEVELOPMENT	158,399			158,399
MASS TRANSIT	3,840,657	565,748	425,536	3,980,869
PLAINS ART MUSEUM	357,351			357,351
ECONOMIC DEVELOPMENT	6,882,401	836,670		7,719,071
CONSTRUCTION IN PROGRESS	<u>7,859,597</u>	<u>27,153,342</u>	<u>4,369,060</u>	<u>30,643,879</u>
Total governmental funds capital assets	<u>\$ 134,554,195</u>	<u>\$ 33,590,085</u>	<u>\$ 4,805,496</u>	<u>\$ 163,338,784</u>

¹ This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**STATISTICAL
SECTION**

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**CITY OF MOORHEAD, MINNESOTA
GOVERNMENT-WIDE EXPENSES BY FUNCTION
(Unaudited)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
GENERAL GOVERNMENT	\$ 3,854,182	2,739,259	3,068,861
PUBLIC SAFETY	8,275,403	8,345,480	8,500,960
HIGHWAYS AND STREETS	4,848,743	5,525,656	8,289,232
PARKS AND RECREATION	1,833,295	1,968,787	2,307,467
LIBRARY	714,973	743,284	756,504
COMMUNITY DEVELOPMENT	667,880	762,062	648,950
MASS TRANSIT	1,220,122	1,530,756	1,578,325
ECONOMIC DEVELOPMENT	875,652	801,112	364,786
INTEREST ON LONG-TERM DEBT	2,982,298	3,394,926	4,639,084
ELECTRIC	13,683,907	14,583,939	15,518,350
WATER	3,568,788	3,566,389	3,800,261
WASTEWATER TREATMENT	4,098,377	4,180,626	4,375,795
BROADBAND			964,255
STORM WATER	539,198	807,234	714,622
SANITATION	2,459,090	2,909,471	2,639,545
GOLF COURSE	1,409,675	1,489,146	1,632,361
SPORTS CENTER	638,733	713,564	736,355
PEST CONTROL	152,884	182,626	245,941
FORESTRY	336,682	372,130	380,369
MUNICIPAL AIRPORT	<u>242,272</u>	<u>247,469</u>	<u>284,251</u>
TOTAL	<u>\$ 52,402,154</u>	<u>\$ 54,863,916</u>	<u>\$ 61,446,274</u>

Due to the implementation of GASB #34, information prior to 2003 is not available.

**CITY OF MOORHEAD, MINNESOTA
GOVERNMENT-WIDE REVENUES
(Unaudited)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>
PROGRAM REVENUES:			
CHARGES FOR SERVICES	\$ 35,494,621	\$ 38,306,852	\$ 41,267,192
OPERATING GRANTS AND CONTRIBUTIONS	2,616,690	2,610,351	2,618,402
CAPITAL GRANTS AND CONTRIBUTIONS	11,455,525	15,816,484	15,617,478
GENERAL REVENUES:			
PROPERTY TAXES	2,019,211	2,515,819	2,668,210
TAX INCREMENTS	1,534,608	982,184	1,143,203
FRANCHISE FEES	638,140	614,920	764,240
STATE AID – UNRESTRICTED	9,261,749	9,785,027	9,935,398
GRANTS AND CONTRIBUTIONS NOT RESTRICTED TO SPECIFIC PROGRAMS	446,511	185,850	171,832
UNRESTRICTED INVESTMENT EARNINGS	698,952	580,198	1,540,024
MISCELLANEOUS	776,602	1,000,835	1,149,443
GAIN ON DISPOSAL OF EQUIPMENT	<u>0</u>	<u>0</u>	<u>221,442</u>
 TOTAL	 <u>\$ 64,942,609</u>	 <u>\$72,398,520</u>	 <u>\$ 77,096,864</u>

Due to the implementation of GASB #34, information prior to 2003 is not available.

**CITY OF MOORHEAD, MINNESOTA
GENERAL, SPECIAL REVENUE, DEBT SERVICE AND CAPITAL PROJECTS FUND EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
(Unaudited)**

<u>FISCAL YEAR</u>	<u>GENERAL GOV'T</u>	<u>PUBLIC SAFETY</u>	<u>HIGHWAYS AND STREETS</u>	<u>PARKS & RECREATION</u>	<u>ECONOMIC DEVELOPMENT</u>	<u>LIBRARY</u>
1996	\$ 2,389,706	\$ 6,067,208	\$ 2,649,068	\$ 1,372,756	\$ 3,364,787	\$ 525,852
1997	2,535,135	6,481,281	2,713,081	1,166,224	567,543	569,034
1998	2,686,242	6,846,705	2,545,654	1,267,844	331,946	558,557
1999	2,477,252	7,074,434	2,586,900	1,331,132	405,912	586,009
2000	2,613,238	7,728,203	2,796,998	1,495,934	280,084	608,718
2001	2,463,427	7,922,198	2,971,482	1,918,639	783,469	639,595
2002	2,625,642	8,206,586	2,991,588	1,984,846	282,186	664,131
2003	3,798,292	8,185,498	3,048,879	1,675,120	798,613	661,302
2004	2,700,074	8,279,955	3,426,796	1,804,906	722,288	689,012
2005	3,004,868	8,596,237	6,243,839	2,134,200	287,747	702,232

<u>FISCAL YEAR</u>	<u>COMMUNITY DEVELOPMENT</u>	<u>MASS TRANSIT</u>	<u>CULTURAL</u>	<u>CAPITAL PROJECTS</u>	<u>DEBT SERVICE</u>	<u>TOTAL</u>
1996	\$ 1,103,292	\$ 875,693	\$ 7,700	\$ 4,451,268	\$ 4,941,986	\$ 27,749,316
1997	1,020,260	840,792	32,841	6,409,089	4,376,942	26,712,222
1998	715,084	887,506	14	11,857,202	5,776,722	33,473,476
1999	573,544	977,732		6,978,181	5,303,055	28,294,151
2000	636,363	978,885		6,729,606	8,414,527	32,282,556
2001	772,808	1,066,284		31,988,710	4,388,080	54,914,692
2002	733,961	1,130,281		6,838,976	8,465,903	33,924,100
2003	660,990	1,112,003		15,061,647	11,190,956	46,193,300
2004	753,387	1,212,967		22,411,536	6,627,926	48,628,847
2005	642,060	1,299,561		32,713,271	12,545,318	68,169,333

CITY OF MOORHEAD, MINNESOTA
GENERAL, SPECIAL REVENUE, DEBT SERVICE AND CAPITAL PROJECTS FUND REVENUE BY SOURCE
LAST TEN FISCAL YEARS
(Unaudited)

<u>FISCAL YEAR</u>	<u>PROPERTY TAXES</u>	<u>SPECIAL ASSESSMENTS</u>	<u>LICENSES & PERMITS</u>	<u>INTER GOVERNMENTAL REVENUE</u>	<u>CHARGES FOR SERVICES</u>	<u>FINES AND FORFEITS</u>	<u>INTEREST</u>	<u>OTHER</u>	<u>TOTAL</u>
1996	\$ 3,059,308	\$ 1,540,515	\$ 237,793	\$ 9,847,649	\$1,150,120	\$ 320,301	\$ 1,618,303	\$ 2,514,438	\$ 20,288,427
1997	3,146,033	1,325,560	216,350	14,644,386	1,487,004	280,938	1,856,613	2,469,012	25,425,896
1998	3,439,217	1,663,679	244,475	13,865,196	1,216,265	313,713	1,806,679	2,315,678	24,864,902
1999	3,363,447	1,681,212	281,803	13,164,617	1,397,841	376,243	707,426	2,292,220	23,264,809
2000	3,508,571	1,626,441	264,685	10,139,095	1,559,581	448,144	1,848,608	2,176,234	21,571,359
2001	3,828,343	1,538,338	375,139	13,832,844	1,705,715	478,509	1,108,152	2,301,216	25,168,256
2002	2,557,270	1,783,553	518,434	14,154,094	1,782,010	460,517	731,288	10,572,498	32,559,664
2003	3,287,213	2,551,601	596,295	16,567,437	1,508,195	513,018	286,181	2,374,241	27,684,181
2004	3,498,003	3,380,047	637,763	20,008,396	2,119,288	527,158	236,490	3,351,496	33,758,641
2005	3,811,413	3,381,892	823,636	18,842,660	2,376,923	573,335	926,472	3,984,515	34,720,846

**CITY OF MOORHEAD, MINNESOTA
SPECIAL ASSESSMENTS COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

<u>YEAR</u>	<u>CURRENT ASSESSMENTS DUE</u>	<u>CURRENT ASSESSMENTS COLLECTED</u>	<u>RATIO OF COLLECTIONS TO AMOUNT DUE</u>	<u>TOTAL OUTSTANDING ASSESSMENTS</u>
1996	\$ 1,100,830	\$ 1,035,582	94.1%	\$ 7,969,043
1997	980,192	911,697	93.0%	9,625,220
1998	1,133,767	1,065,114	93.9%	9,270,707
1999	1,077,908	1,061,304	98.4%	9,757,119
2000	924,903	918,525	99.3%	9,513,267
2001	1,119,317	1,097,396	98.0%	8,646,370
2002	1,070,270	1,047,721	97.8%	13,329,432
2003	1,288,774	1,277,001	99.0%	14,631,411
2004	1,462,264	1,433,127	98.0%	18,375,485
2005	1,918,903	1,761,138	91.8%	20,248,701

**CITY OF MOORHEAD, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(Unaudited)**

<u>COLLECTION YEAR</u>	<u>TOTAL TAX LEVY</u> ¹	<u>TAX COLLECTIONS</u>	<u>PERCENT OF LEVY COLLECTED</u>	<u>DELINQUENT TAXES RECEIVABLE</u>
1996	\$ 2,129,133	\$ 2,092,625	98.2%	\$ 66,395
1997	2,262,835	2,221,204	98.1%	106,076
1998	2,588,844	2,557,347	98.7%	60,925
1999	2,698,172	2,660,816	98.6%	77,310
2000	2,920,301	2,885,497	98.8%	53,932
2001	3,254,556	3,233,074	99.3%	64,345
2002	2,120,941	2,115,940	99.7%	78,436
2003	2,832,626	2,781,723	98.2%	109,200
2004	2,948,945	2,902,601	98.4%	116,753
2005	3,153,816	3,097,700	98.2%	77,690

1 - Net levy after reduction for Market Value Homestead Credit and Disparity Reduction Aid.

CITY OF MOORHEAD, MINNESOTA
ASSESSED VALUE AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(Unaudited)

FISCAL YEAR	REAL PROPERTY		PERSONAL PROPERTY		TOTAL		RATIO OF TOTAL TAX CAPACITY TO TOTAL ESTIMATED MARKET VALUE
	TAX CAPACITY	ESTIMATED MARKET VALUE	TAX CAPACITY	ESTIMATED MARKET VALUE	TAX CAPACITY	ESTIMATED MARKET VALUE	
1996	\$ 13,330,738	\$ 706,116,000	\$ 278,515	\$ 6,426,500	\$ 13,609,253	\$ 712,542,500	1.91%
1997	12,615,135	742,887,500	238,548	6,370,600	12,853,683	749,258,100	1.71%
1998	11,883,374	760,849,200	217,848	6,606,000	12,101,222	767,455,200	1.56%
1999	12,374,334	809,763,600	221,635	6,893,100	12,595,169	816,656,700	1.54%
2000	13,070,226	850,734,300	218,901	6,768,600	13,289,127	857,502,900	1.55%
2001	10,930,529	916,288,300	120,430	6,265,200	11,050,959	922,553,500	1.20%
2002	11,691,431	991,922,000	132,174	6,840,600	11,823,605	998,762,600	1.18%
2003	12,660,403	1,082,312,500	127,804	6,562,100	12,788,207	1,088,874,600	1.17%
2004	14,245,641	1,226,704,800	133,236	6,815,700	14,378,877	1,233,520,500	1.17%
2005	16,180,464	1,398,305,000	138,687	7,104,700	16,319,151	1,405,409,700	1.16%

Data Source: County Assessor

**CITY OF MOORHEAD, MINNESOTA
PROPERTY TAX RATES AND TAX LEVIES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS
(Unaudited)**

TAX RATES

<u>FISCAL YEAR</u>	<u>CITY</u>	<u>SCHOOL</u>	<u>COUNTY</u>	<u>BUFFALO WATERSHED DISTRICT</u>	<u>ECONOMIC DEVELOPMENT AUTHORITY</u>	<u>TOTAL</u>
1996	23.032%	57.069%	52.319%	1.801%		134.221%
1997	26.219%	55.239%	57.880%	2.219%		141.557%
1998	29.782%	46.006%	61.389%	2.427%		139.604%
1999	29.921%	45.391%	61.439%	2.474%		139.225%
2000	32.020%	45.643%	63.443%	3.472%		144.578%
2001	27.554%	16.490%	81.769%	5.345%		131.158%
2002	29.805%	33.696%	80.326%	.923%		144.750%
2003	28.731%	35.355%	76.458%	1.157%		141.701%
2004	26.095%	32.808%	67.769%	1.383%		128.055%
2005	24.980%	36.840%	63.504%	1.574%	1.356%	128.254%

TAX LEVIES

1996	2,868,391	8,728,439	12,063,473	441,557		24,101,860
1997	3,103,645	8,034,561	12,714,225	522,258		24,374,689
1998	3,350,075	7,180,282	13,172,119	559,606		24,262,082
1999	3,579,365	7,551,750	13,763,086	598,163		25,492,364
2000	4,017,157	7,123,057	14,916,170	884,294		26,940,678
2001 ¹	2,847,112	2,128,407	15,917,864	1,161,308	22,054,691	
2002 ²	3,266,768	4,683,034	16,900,284	211,977		25,061,982
2003	3,373,230	5,180,514	17,285,455	242,332		26,081,531
2004	3,464,243	5,424,413	17,230,252	326,587		26,445,495
2005	3,776,800	6,962,104	18,447,500	424,092	205,000	29,815,496

1 – In 2001, the Minnesota legislature provided for the assumption by the state of the general education property tax. The tax bill also imposed levy limits on cities with populations over 2,500 and increased their appropriation for local government aid.

2 – For comparative purposes, beginning in 2002 the city levy excludes a special levy to be used for tax increment debt service imposed only on properties with classifications of 3A or 3B. This levy is the result of special legislation passed by the Minnesota legislature in 2001.

Data Source: County Auditor

**CITY OF MOORHEAD
COMPARATIVE RATIO OF GENERAL BONDED DEBT TO
ASSESSED VALUE AND GENERAL BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS
(Unaudited)**

<u>FISCAL YEAR</u>	<u>POPULATION</u>	<u>TAX CAPACITY OF REAL ESTATE</u>	<u>BONDED DEBT</u>	<u>RATIO OF BONDED DEBT TO TAX CAPACITY</u>	<u>BONDED DEBT PER CAPITA</u>
1996	32,295	\$ 13,609,253	\$ 30,990,783	227.77%	\$ 959.62
1997	32,295	12,853,683	31,907,547	248.23%	988.00
1998	32,295	12,101,222	29,515,582	243.91%	913.94
1999	32,295	12,595,969	28,885,390	229.32%	894.42
2000	32,177	13,289,127	24,132,527	181.60%	749.99
2001	32,177	11,050,959	34,997,593	316.70%	1,087.66
2002	32,177	11,823,605	35,231,277	297.97%	1,094.92
2003	32,177	12,788,207	28,049,142	219.34%	871.71
2004	32,177	14,378,877	29,807,080	207.30%	926.35
2005	32,177	16,319,151	25,285,859	154.95%	785.84

**CITY OF MOORHEAD, MINNESOTA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2005
(Unaudited)**

<u>GOVERNMENTAL UNIT</u>	<u>NET DEBT OUTSTANDING</u>	<u>PERCENTAGE APPLICABLE TO CITY</u>	<u>CITY'S SHARE OF DEBT</u>
<u>Direct and Overlapping Debt</u>			
<u>Direct Debt:</u>			
City of Moorhead	<u>\$ 149,492,890</u>	100%	<u>\$ 149,492,890</u>
<u>Overlapping Debt:</u>			
Moorhead Public Housing Agency	380,000	100%	380,000
Independent School District #152	112,353,768	80%	89,883,014
Clay County	4,095,000	53%	2,170,350
Clay County HRA	<u>14,020,000</u>	53%	<u>7,430,600</u>
Total Overlapping Debt	<u>130,848,768</u>		<u>99,863,964</u>
Total Direct and Overlapping Debt	<u><u>\$ 280,341,658</u></u>		<u><u>\$ 249,356,854</u></u>

NOTE: If any debt is for assessments, this portion must be borne in total by jurisdiction making assessment.

**CITY OF MOORHEAD, MINNESOTA
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2005
(Unaudited)**

Estimated Market Value - Real and Personal Property		<u>\$ 1,405,409,700</u>
Debt Limit 2% of Estimated Market Value		28,108,194
Amount of Debt Applicable to Debt Limit		
Total Bonded Debt	\$	149,492,890
Less:		
Debt Redemption (General	\$	535,976
Obligation Bonds) Fund Assets		76,100,000
Special Assessment Bonds		24,342,031
Sewage Disposal Plant Bonds		345,000
Sports Center Facility Bond		3,800,000
Golf Course Bond		6,165,859
Taxable Industrial Development Bond		8,007,608
Electric Utility Bond		11,612,392
Water Utility Bonds		3,160,000
Municipal Improvement Revenue Bonds		14,070,000
Tax Increment Bonds	<u></u>	<u>148,138,866</u>
Total Debt Applicable to Debt Limit		<u>1,354,024</u>
Legal Debt Margin		<u><u>\$ 26,754,170</u></u>

Minnesota Statutes:

475.53 LIMIT ON NET DEBT. Subdivision I. Generally. Except as otherwise provided in section 475.51 to 475.75, no municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of 2 percent of the estimated market value of real and personal property.

**CITY OF MOORHEAD, MINNESOTA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS
(Unaudited)**

FISCAL YEAR	PRINCIPAL	INTEREST	TOTAL DEBT ¹ SERVICE	TOTAL GENERAL ² EXPENDITURES	RATIO OF DEBT SERVICE TO GENERAL EXPENDITURES
1996	\$ 2,195,000 ³	\$ 2,069,651	\$ 4,264,651	\$ 26,775,318 ³	15.928%
1997	2,085,000	2,291,942	4,376,942	26,712,222	16.385%
1998	2,406,000 ⁴	2,277,678	4,683,678	32,393,476 ⁴	13.992%
1999	2,775,000	2,483,238	5,258,238	28,294,151	18.584%
2000	2,540,000 ⁵	2,537,474	5,077,474	29,052,556 ⁵	15.728%
2001	2,230,000	2,114,935	4,344,935	54,914,692	7.912%
2002	2,430,000 ⁶	2,783,685	5,213,685	30,384,100 ⁶	15.368%
2003	2,240,000 ⁷	2,666,278	4,906,278	39,913,300 ⁷	10.621%
2004	2,800,000	3,192,168	5,992,168	48,628,847	12.322%
2005	3,250,000 ⁸	4,098,862	7,348,862	63,273,580 ⁸	11.614%

- 1 - For general obligation bonds payable from ad valorem taxes. Does not include Revenue Bonds which are paid from Enterprise Fund Revenues.
- 2 - Includes General, Special Revenue, Debt Service and Capital Projects Funds.
- 3 - For comparative purposes, these figures excludes a \$1,140,000 principal payment made by a fiscal agent to retire General Obligation Tax Increment Bond of 1988, Series C resulting from the General Obligation Tax Increment Refunding Bond of 1993, Series D, a cross-over refunding issue. Also excluded is a \$200,000 principal payment to call General Obligation Improvement Bond 1980, Series A.
- 4 - For comparative purposes, these figures exclude a \$1,080,000 principal payment made by a fiscal agent to retire General Obligation Library Bond of 1987, Series A resulting from the General Obligation Library Refunding Bond of 1993, Series E, a cross-over refunding issue.
- 5 - For comparative purposes, these figures exclude a \$2,195,000 principal payment made by a fiscal agent to retire General Obligation Recreation Facility Bond of 1991, Series A resulting from the General Obligation Recreation Facility Refunding Bond of 1995, Series C, a cross-over refunding issue. Also excluded are \$120,000 and \$915,000 principal payments to call General Obligation Tax Increment Bonds of 1985, Series E, and General Obligation Tax Increment Bonds of 1991, Series B.
- 6 - For comparative purposes, these figures exclude a \$3,240,000 principal payment to call Taxable Industrial Development Bonds of 1993, Series A.
- 7 - For comparative purposes, these figures exclude a \$6,280,000 principal payment to retire General Obligation Tax Increment Bonds of 1994, Series A resulting from the General Obligation Tax Increment Refunding Bonds of 2002, Series D, a current refunding.
- 8 - For comparative purposes, these figures exclude principal payments totaling \$4,900,000 to retire General Obligation Improvement Bonds of 1995, Series A (\$615,000); General Obligation Improvement Bonds of 1997, Series B (\$1,225,000); General Obligation Recreation Facility Refunding Bonds of 1995, Series C (\$1,480,000); General Obligation Ice Arena Bonds of 1997, Series C (\$695,000); and General Obligation Tax Increment Bonds of 1997, Series C (\$885,000) all resulting from the following current refundings: General Obligation Improvement Refunding Bonds of 2004, Series B; General Obligation Recreation Facility Refunding Bonds of 2004, Series C; General Obligation Ice Arena Refunding Bonds of 2004, Series D; and General Obligation Refunding Bonds of 2004, Series E.

**CITY OF MOORHEAD, MINNESOTA
SCHEDULE OF ELECTRIC FUND BOND COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)**

FISCAL YEAR	GROSS REVENUE	DIRECT OPERATING EXPENSES ¹	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENT			COVERAGE ²
				PRINCIPAL	INTEREST	TOTAL	
1996	\$ 15,590,292	\$ 11,285,044	4,305,248	\$ 358,883 ³	\$ 208,514	\$ 567,397	7.59
1997	15,396,507	10,297,633	5,098,874	145,500	169,265	314,765	16.20
1998	15,346,104	10,052,045	5,294,059	151,833	222,138	373,971	14.16
1999	15,605,260	10,097,716	5,507,544	288,667	342,606	631,273	8.72
2000	16,552,182	10,603,243	5,984,939	304,600	329,815	632,415	9.46
2001	16,818,254	11,240,364	5,577,890	308,996	321,787	630,783	8.84
2002	17,346,470	11,726,600	5,619,870	319,948 ⁴	307,990	627,938	8.95
2003	18,520,237	12,164,361	6,355,876	550,173	457,079	1,007,252	6.31
2004	19,611,385	12,969,932	6,641,453	609,533	423,258	1,032,791	6.43
2005	21,207,573	13,871,827	7,335,746	637,633	398,919	1,036,552	7.08

1 - Expenses exclude depreciation and amortization.

2 - High coverage is due to City Charter Section 12.11.

3 - For comparative purposes, this figure excludes a \$1,335,000 principal payment made by a fiscal agent to retire Public Utility Revenue Bond of 1989, Series A resulting from the Public Utility Revenue Refunding Bond of 1995, Series B, a cross-over refunding issue.

4 - For comparative purposes, this figure excludes a \$1,309,000 principal payment made by a fiscal agent to retire Public Utility Revenue Bond of 1992, Series A resulting from the Public Utility Revenue Refunding Bond of 1998, Series A, a cross-over refunding issue.

City Charter Section 12.11. City use of utilities: transfer of funds . Subdivision 1. The council and the commission may agree on reasonable rates and charges to the city for utility products and services, but the rates and charges may not be higher than those imposed upon similar classes of customers.

Subd. 2. The commission's charge to the city for the use and availability of fire hydrants for municipal fire protection may not exceed \$40.00 for each hydrant in the city unless otherwise provided by written agreement between the city and the commission.

Subd. 3. The city may not levy taxes of any nature on utilities under the control of the commission or on the revenues of the commission.

Subd. 4. The council may by a vote of six members transfer in any fiscal year to the general revenue fund of the city from the net revenues of a utility or service under the control of the commission and from the net revenues of any city owned utility the following amounts:

- (a) from the electric utility, an amount not to exceed 20 percent of gross revenues,
- (b) from the district heating utility, an amount not to exceed 10 percent of gross revenues,
- (c) from any other city owned utility, an amount not to exceed 5 percent of gross revenues, and
- (d) any amount authorized by law to be so transferred.

Subd. 5. In this chapter the term "gross revenues" means all operating and non-operating revenues of a utility from whatever source derived; the term "net revenues" means gross revenues less current expenses of the operation of the utilities. The amounts of gross revenues and net revenues must be determined by the commission in accordance with generally accepted accounting principles. Transfers made pursuant to this section must be consistent with covenants with bondholders in city resolutions authorizing the issuance of obligations payable from revenues of the utilities.

**CITY OF MOORHEAD, MINNESOTA
SCHEDULE OF WATER FUND BOND COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)**

<u>FISCAL YEAR</u>	<u>GROSS REVENUE</u>	<u>DIRECT OPERATING EXPENSES¹</u>	<u>NET REVENUE AVAILABLE FOR DEBT SERVICE</u>	<u>DEBT SERVICE REQUIREMENT</u>			<u>COVERAGE</u>
				<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	
1996	\$ 4,171,796	\$ 1,688,015	\$ 2,483,781	\$ 606,117 ²	\$ 1,275,890	\$ 1,882,007	1.32
1997	3,944,332	1,677,977	2,266,355	919,500	1,148,876	2,068,376	1.10
1998	4,088,883	1,778,806	2,310,077	963,167	1,134,712	2,097,879	1.10
1999	4,055,463	1,710,425	2,345,038	1,031,333	1,085,632	2,116,965	1.11
2000	4,283,631	1,846,859	2,436,772	1,080,400	1,035,879	2,116,279	1.15
2001	4,422,315	1,859,713	2,562,602	1,106,371	1,008,826	2,115,197	1.21
2002	4,435,526	1,933,646	2,501,880	1,166,367 ³	961,346	2,127,713	1.18
2003	4,573,788	2,071,466	2,502,322	1,359,766	786,343	2,146,109	1.17
2004	4,702,062	2,107,619	2,594,443	1,434,467	715,126	2,149,593	1.21
2005	5,217,254	2,352,119	2,865,135	1,496,367	647,700	2,144,067	1.34

1 - Expenses exclude depreciation and amortization.

2 - For comparative purposes, this figure excludes a \$1,595,000 principal payment made by a fiscal agent to retire Public Utility Revenue Bond of 1986, Series C resulting from the Public Utility Revenue Refunding Bond of 1993, Series C, a cross-over refunding issue. Also excluded is a \$2,670,000 principal payment made by a fiscal agent to retire Public Utility Revenue Bond of 1989, Series A resulting from the Public Utility Revenue Refunding Bond of 1995, Series B, a cross-over refunding issue.

3 - For comparative purposes, this figure excludes a \$11,781,000 principal payment made by a fiscal agent to retire Public Utility Revenue Bond of 1992, Series A resulting from the Public Utility Revenue Refunding Bond of 1998, Series A, a cross-over refunding issue.

**CITY OF MOORHEAD, MINNESOTA
SCHEDULE OF WASTEWATER FUND BOND COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)**

<u>FISCAL YEAR</u>	<u>GROSS REVENUE</u>	<u>DIRECT OPERATING EXPENSES¹</u>	<u>NET REVENUE AVAILABLE FOR DEBT SERVICE</u>	<u>DEBT SERVICE REQUIREMENT</u>			<u>COVERAGE</u>
				<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	
1996	\$ 2,876,992	\$ 2,010,866	\$ 866,126	\$ 291,616	\$ 218,700	\$ 510,316	1.69
1997	3,304,445	2,074,692	1,229,753	345,158	260,939	606,097	2.03
1998	3,371,168	2,140,247	1,230,921	358,998	256,814	615,812	2.00
1999	3,203,698	2,153,757	1,049,941	376,937	251,064	628,001	1.67
2000	3,680,636	2,596,245	1,084,391	393,825	236,431	630,256	1.72
2001	4,023,734	2,853,406	1,170,328	415,337	221,264	636,601	1.84
2002	4,107,691	2,938,020	1,169,671	427,670	204,491	632,161	1.85
2003	4,104,726	2,475,070	1,629,656	530,590	496,222	1,026,812	1.59
2004	4,074,498	2,427,653	1,646,845	593,245	790,895	1,384,140	1.19
2005	4,638,006	2,521,855	2,116,151	903,486	815,480	1,718,966	1.23

1 - Expenses exclude depreciation and amortization.

CITY OF MOORHEAD, MINNESOTA
SCHEDULE OF SPORTS CENTER FUND BOND COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

FISCAL YEAR	GROSS REVENUE	DIRECT OPERATING EXPENSES ¹	NET REVENUE AVAILABLE FOR DEBT SERVICE	DEBT SERVICE REQUIREMENT			COVERAGE
				PRINCIPAL	INTEREST	TOTAL	
1996	\$ 383,701	\$ 400,320	\$ (16,619)	\$ 25,000	\$ 49,358	\$ 74,358	(.22)
1997	390,453	424,327	(33,874)	25,000	47,984	72,984	(.46)
1998	452,151	401,024	51,127	25,000	46,655	71,655	.71
1999	355,901	406,106	(50,205)	30,000	44,617	74,617	(.67)
2000	403,316	459,015	(55,699)	30,000	42,784	72,784	(.77)
2001	477,312	466,685	10,627	35,000 ²	41,014	76,014	.14
2002	374,752 ³	406,910	(32,158)	40,000	23,624	63,624	(.50)
2003	402,548 ⁴	404,022	(1,474)	40,000	22,036	62,036	(.02)
2004	432,828 ⁵	461,835	(29,007)	40,000	20,183	60,183	(.48)
2005	463,447	482,346	(18,899)	40,000	20,257	60,257	(.31)

1 - Expenses exclude depreciation and amortization.

2 - For comparative purposes, this figure excludes a \$565,000 principal payment to retire Gross Revenue Recreation Facility Bond of 1991, Series C resulting from the Gross Revenue Recreation Facility Refunding Bonds of 2001, Series A, a current refunding issue.

3 - For comparative purposes, this figure excludes \$850,000 in state Local Government Aid allocated to reduce the retained earnings deficit.

4 - For comparative purposes, this figure excludes \$370,700 in state Local Government Aid allocated to reduce the retained earnings deficit in the Sports Center fund and \$78,404 advance from the General Fund, which was forgiven in 2003.

5 - For comparative purposes, this figure excludes \$370,700 in state Local Government Aid allocated to reduce the retained earnings deficit in the Sports Center fund.

**CITY OF MOORHEAD, MINNESOTA
SCHEDULE OF GOLF COURSE FUND BOND COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)**

<u>FISCAL YEAR</u>	<u>GROSS REVENUE</u>	<u>DIRECT OPERATING EXPENSES¹</u>	<u>NET REVENUE AVAILABLE FOR DEBT SERVICE</u>	<u>DEBT SERVICE REQUIREMENT</u>			<u>COVERAGE</u>
				<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	
1996	\$ 887,692	\$ 756,052	\$ 131,640	\$ 130,000	\$ 430,425	\$ 560,425	.23
1997	1,105,706	818,219	287,487	145,000	415,615	560,615	.51
1998	1,387,870	960,607	426,963	255,000	539,118	792,118	.54
1999	1,391,342	930,494	460,848	275,000	658,503	933,503	.49
2000	1,423,779	1,019,902	403,877	290,000	642,060	932,060	.43
2001	1,435,505	972,417	463,088	305,000 ²	624,626	929,626	.50
2002	1,061,780	1,022,337	39,443	125,000	247,878	372,878	.11
2003	1,024,417 ²	992,796	31,621	130,000	241,724	371,724	.08
2004	1,005,062 ³	1,039,083	(34,021)	140,000	235,866	375,866	(.10)
2005	1,153,566	1,191,811	(38,245)	145,000	231,076	376,076	(.10)

1 - Expenses exclude depreciation and amortization.

2 - For comparative purposes, this figure excludes a \$4,675,000 principal payment made by a fiscal agent to retire Golf Course Gross Revenue Bond of 1992, Series A resulting from the Golf Course Gross Revenue Refunding Bonds of 1998, Series B, a cross-over refunding issue.

3 - For comparative purposes, this figure excludes \$179,300 in state Local Government Aid allocated to reduce the retained earnings deficit in the Golf Course fund.

CITY OF MOORHEAD, MINNESOTA
SCHEDULE OF VEHICLE FUND BOND COVERAGE¹
(Unaudited)

<u>FISCAL YEAR</u>	<u>GROSS REVENUE</u>	<u>DIRECT OPERATING EXPENSES²</u>	<u>NET REVENUE AVAILABLE FOR DEBT SERVICE</u>	<u>DEBT SERVICE REQUIREMENT</u>			<u>COVERAGE</u>
				<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	
2000	\$ 804,054	\$ 17,671	\$ 786,383	\$	\$	\$	
2001	918,259	8,311	909,948	50,000	14,056	64,056	14.21
2002	1,000,394	12,241	988,153	55,000	11,103	66,103	14.95
2003	871,052	15,070	855,952	60,000	8,816	68,816	12.44
2004	865,856	11,583	854,273	60,000	6,215	66,215	12.90
2005	949,304	11,032	938,272	65,000	3,448	68,448	13.71

1 - Equipment Certificates issued November 15, 2000.

2 - Expenses exclude depreciation and amortization.

CITY OF MOORHEAD, MINNESOTA
SCHEDULE OF MUNICIPAL IMPROVEMENT FUND BOND COVERAGE
LAST TEN FISCAL YEARS
(Unaudited)

<u>FISCAL YEAR</u>	<u>GROSS REVENUE</u>	<u>EXPENSES</u>	<u>NET REVENUE AVAILABLE FOR DEBT SERVICE</u>	<u>DEBT SERVICE REQUIREMENT</u>			<u>COVERAGE</u>
				<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>	
1996	\$ 328,627	\$ 358	\$ 328,269	\$ 215,000	\$ 79,305	\$ 294,305	1.12
1997	340,725	552	340,173	230,000	64,060	294,060	1.16
1998	394,401	552	393,849	245,000	144,820	389,820	1.01
1999	134,954	1,875	133,079	315,000	138,810	453,810	.29
2000 ¹	1,255,204	4,127	1,251,077	775,000	754,236	1,529,236	.82
2001	1,355,593	31,135	1,324,458	520,000	741,953	1,261,953	1.05
2002	1,349,554 ²	40,624	1,308,930	630,000 ²	720,556	1,350,556	.97
2003	339,415	3,052	336,363	185,000	495,308	680,308	.49
2004	420,352 ³	50,719	369,633	190,000	487,406	677,406	.55
2005	519,897	7,320	512,577	200,000 ⁴	473,567	673,567	.76

1 – Effective 2000 the General Obligation Taxable Industrial Development Bonds Series 1993A is accounted for within the municipal improvement fund.

2 – For comparative purposes this revenue figure excludes payoff of a long-term note in the amount of \$8,093,213 and a principal payment in the amount of \$3,240,000 to retire Taxable Industrial Development Bonds of 1993, Series A, debt associated with this note.

3 – For comparative purposes this revenue figure excludes bond proceeds from General Obligation Ice Arena Refunding Bonds of 2004, Series D (\$720,000) and General Obligation Refunding Bonds of 2004, Series E (\$910,000) to be used in 2006 to retire General Obligation Ice Arena Bonds of 1997 Series A and General Obligation Tax Increment Bonds of 1997, Series C, both current refundings.

4 – For comparative purposes this figure excludes principal payments to retire General Obligation Ice Arena Bonds of 1997 Series A (\$695,000) and General Obligation Tax Increment Bonds of 1997, Series C (\$885,000) resulting from General Obligation Ice Arena Refunding Bonds of 2004, Series D and General Obligation Refunding Bonds of 2004, Series E, both current refundings.

**CITY OF MOORHEAD
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS
(Unaudited)**

<u>FISCAL YEAR</u>	<u>POPULATION</u> ¹	<u>PER HOUSEHOLD INCOME</u> ²	<u>RETAIL SALES</u> ²	<u>MEDIAN AGE</u> ²	<u>SCHOOL ENROLLMENT</u> ³	
					<u>K-12</u>	<u>POST SECONDARY</u>
1995	32,295	\$ 26,662	\$ 291,246,000	31.0	6,035	10,703
1996	32,295	28,316	276,170,000	31.3	5,906	10,579
1997	32,295	29,526	283,761,000	31.2	5,841	10,610
1998	32,295	30,813	293,959,000	31.8	5,832	10,968
1999	32,295	32,083	340,233,000	32.0	5,761	11,433
2000	32,177	32,629	391,728,000	32.2	5,622	11,765
2001	32,177	31,660	452,724,000	31.9	5,503	11,777
2002	32,177	31,829	505,449,000	32.6	5,400	11,734
2003	32,177	30,886	526,858,000	N/A	5,272	12,025
2004	32,177	32,280	524,968,000	N/A	5,266	15,702

Data Sources:

- 1 - Official US Census
- 2 - Sales and Marketing Management Survey of Buying Power (2005 statistics not available until September 2006).
- 3 - School Board Census

**CITY OF MOORHEAD, MINNESOTA
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS
(Unaudited)**

FISCAL YEAR	NEW COMMERCIAL CONSTRUCTION		NEW RESIDENTIAL CONSTRUCTION		ESTIMATED MARKET VALUE			BANK DEPOSITS ¹ (000)
	PERMITS	VALUE	PERMITS	VALUE	COMMERCIAL & OTHER	RESIDENTIAL	NONTAXABLE	
1996	23	\$ 2,327,304	62	\$ 6,511,300	\$ 143,281,500	\$ 438,556,400	\$ 339,792,600	\$ 337,654
1997	22	5,111,900	47	6,009,000	184,580,500	524,782,500	342,392,100	348,255
1998	18	2,060,022	94	10,182,600	192,989,800	567,859,400	401,003,000	339,412
1999	30	6,606,054	92	15,796,000	196,601,800	613,161,800	401,003,000	318,600
2000	36	6,041,590	108	13,012,097	204,474,500	646,259,800	401,003,000	288,725
2001	54	17,740,644	113	21,790,500	216,420,000	699,868,300	401,003,000	392,420
2002	24	4,794,700	221	33,628,128	238,961,900	752,960,100	401,003,000	408,945
2003	26	32,495,794	205	32,307,000	260,982,700	821,329,800	401,003,000	429,461
2004	28	4,519,100	308	49,697,640	287,480,400	939,224,400	401,003,000	472,115
2005	28	13,621,419	350	57,788,265	327,046,000	1,071,259,000	401,003,000	462,946

1 - Data obtained from the FDIC and NCUA websites reflects bank deposits on 06/30/05.

**CITY OF MOORHEAD, MINNESOTA
PRINCIPAL TAXPAYERS
December 31, 2005
(Unaudited)**

<u>TAXPAYER</u>	<u>TYPE OF PROPERTY</u>	<u>TAX CAPACITY</u>	<u>PERCENTAGE OF TOTAL TAX CAPACITY OF \$16,319,151</u>
Anheuser-Busch	Malting Plant	\$ 363,575	2.2%
American Crystal Sugar	Sugar Processing	254,761	1.6%
Moorhead Hospitality	Hotel & Conference Center	179,250	1.1%
Moorhead Holiday Associates	Strip Mall	168,633	1.0%
Easten LLC	Shopping Mall	143,922	0.9%
TRE Investments	Shopping Mall	121,529	0.7%
Xcel Energy	Electric Utility	105,832	0.6%
Eventide	Nursing/Retirement Home	101,874	0.6%
South Moorhead Associates	Retail - Grocery & Mall	98,990	0.6%
Second Skaff Apts	Apartments	<u>89,688</u>	<u>0.5%</u>
Total Tax Capacity of Principal Taxpayers		<u><u>\$ 1,628,054</u></u>	<u><u>9.80%</u></u>

Source: Clay County GIS Department

**CITY OF MOORHEAD, MINNESOTA
 MISCELLANEOUS STATISTICAL DATA
 December 31, 2005
 (Unaudited)**

Date of Incorporation	February 24, 1881
First Charter Adopted	1900
Date Present Charter Adopted	September 14, 1983
Form of Government	Council-Manager

Area in Square Miles:

1996	11.83
1997	11.93
1998	11.93
1999	12.19
2000	12.19
2001	13.85
2002	14.06
2003	14.41
2004	16.89
2005	16.89

Miles of City Streets:

1996	159.13
1997	159.13
1998	160.36
1999	161.43
2000	161.43
2001	170.35
2002	174.89
2003	175.47
2004	184.60
2005	197.72

Miles of Sewers:

Storm	113.80
Sanitary	136.73
Force Mains	14.29

Fire Protection:

Number of Stations	2
Number of Firefighters	30

Police Protection:

Number of Stations	1
Number of Sworn Officers	49

Permanent Employees (Full-Time Equivalents)	233.525
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Source: Above information provided by City of Moorhead Administration, Engineering and Human Resource Departments

**CITY OF MOORHEAD, MINNESOTA
 PRINCIPAL CITY OFFICIALS
 AND SURETY BONDS
 December 31, 2005
 (Unaudited)**

<u>NAME</u>	<u>OFFICIAL TITLE</u>
Mayor and Council:	
Mark Voxland	Mayor
Nancy Otto	Council Member
Jim Danielson	Council Member
Lauri Winterfeldt-Shanks	Council Member
Diane Wray Williams	Council Member
Morris Kelsven	Council Member
John Rowell	Council Member
Greg Lemke	Council Member
Dan Hunt	Council Member
Public Service Commissioners:	
Kenneth Norman	President
Robert Swenson	Secretary
Brenda Elmer	Commissioner
Kelli Poehls	Commissioner
Corinne Stefanson	Commissioner
Public Housing Agency Board of Commissioners:	
Michael Pehler	Chair
Donald Dale	Vice Chair
Patricia Frazee	Secretary
Abner Arauza	Commissioner
John Keating	Resident Commissioner
Economic Development Authority Board of Commissioners:	
Kay Parries	Chair
Corey Elmer	Vice-Chair
Rev. Ernest Mancini	Secretary
Gane' Skatvold	Member
Morris Kelsven	Member
Neil Qualey	Member
Lauri Winterfeldt-Shanks	Member
Kelli Poehls	Member
James Welch	Member
John Rogalla	Member
John Riewer	Member
Administration:	
Bruce Messelt	City Manager
Chad Martin	Director of Operations
Scott Hutchins	Director of Community Services
Grant Weyland	Chief of Police
Joel Hewitt	Fire Chief
William E. Schwandt	General Manager of Public Utilities
Byron Brink	PHA Executive Director

SURETY BOND

All employees and board members are covered by a \$700,000 Faithful Performance Blanket and Public Employee Dishonesty Bond.