

**CITY OF WANAMINGO, MINNESOTA**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**



**CITY OF WANAMINGO, MINNESOTA**

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**CITY OF WANAMINGO, MINNESOTA**

**INTRODUCTORY SECTION**

**DECEMBER 31, 2011**

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**CITY OF WANAMINGO, MINNESOTA**

**CITY OFFICIALS**

**DECEMBER 31, 2011**

Ron Berg	Mayor
Daniel Benson	Council Member
Ryan Holmes	Council Member
Larry Van De Walker	Council Member
Jennifer Berquam	Council Member
Michael Boulton	City Administrator

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**CITY OF WANAMINGO, MINNESOTA**

**FINANCIAL SECTION**

**DECEMBER 31, 2011**

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members  
of the City Council  
**City of Wanamingo, Minnesota**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wanamingo, Minnesota as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2010 financial statements and, in our report dated April 1, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wanamingo, Minnesota as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, 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.

As discussed in the notes to the financial statements, City of Wanamingo, Minnesota adopted the provisions of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as of and for the year ended December 31, 2011. This statement results in the City reporting non-spendable, restricted, committed, assigned and unassigned fund balances in its governmental funds.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2012, on our consideration of the City of Wanamingo, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 read in conjunction with this report in considering the results of our audit.

**Honorable Mayor and Members  
of the City Council**

Page Two

The Management's Discussion and Analysis on pages 3 through 13, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wanamingo, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and supplementary information listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in 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 supplementary information 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.

A handwritten signature in cursive script that reads "Smith, Schafer and Associates, Ltd.".

Rochester, Minnesota  
March 28, 2012

## CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Wanamingo, Minnesota, we offer readers of the City of Wanamingo's financial statements this narrative overview and analysis of the financial activities of the City of Wanamingo for the fiscal year ended December 31, 2011.

### FINANCIAL HIGHLIGHTS

- The assets of the City of Wanamingo exceeded its liabilities at the close of the most recent fiscal year by \$2,060,116 (*net assets*). Of this amount, \$389,058 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets increased by \$82,385.
- As of the close of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$1,192,308.
- At the end of the current fiscal year, unassigned fund balance for the general fund was (\$83,067).
- The City of Wanamingo decreased total outstanding debt obligations by \$438,975 during the current fiscal year.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Wanamingo's basic financial statements. The City of Wanamingo's basic financial statements comprise three components:

1. Government-wide financial statements, providing information for the City as a whole.
2. Fund financial statements, providing detailed information for the City's significant funds.
3. Notes to the financial statements, providing additional information that is essential to understanding the government-wide and fund statements.

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

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

The *statement of net assets* presents information on all of the City of Wanamingo'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 Wanamingo is improving or deteriorating.

## CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the 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 not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Wanamingo 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 of Wanamingo include general government, public safety, public works, culture and recreation, and economic development. The business-type activities of the City of Wanamingo include the water, waste water, sanitation and, medical center funds. The government-wide financial statements can be found on pages 14-16 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 Wanamingo, 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 of Wanamingo can be divided into two categories: governmental funds and proprietary funds.

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

GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, implemented this year have redefined the fund balance classifications. Fund balance is now classified as non-spendable, restricted, committed, assigned or unassigned according to the following definitions:

Non-spendable – representing that portion of fund balance that is not in a spendable form. Included in this category are advances to other funds, prepaid items and inventory.

Restricted – reports resources that have external constraints placed upon their use.

Committed – reports those resources for a specific purpose by Council action. The constraints cannot be changed or removed without Council action.

Assigned – represents the portion of fund balance that reflects the amounts the City intends to use for a specific purpose. The Council has authorized the City Administrator to assign fund balance.

Unassigned – comparable to the old unreserved, undesignated classification of fund balance, this represents the amount available for any purpose. However, only the General Fund may report a positive fund balance. Fund balance in other governmental funds will fall into one or more of the categories listed above, unless a fund has a negative fund balance.

Detailed information regarding the fund balance classifications are found in Note 7 in the Notes to Financial Statements.

## CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Wanamingo maintains twenty-eight individual 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, 2009A G.O. Tax Increment, 2002 G.O. Improvement, and 2007 Refunding funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Wanamingo adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund (pages 23-28) to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 17-22 of this report.

**Proprietary funds.** The City of Wanamingo maintains one type of proprietary funds – enterprise funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Wanamingo uses enterprise funds to account for its water, wastewater and sanitation utilities as well as the operation of the medical center.

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 the water, waste water, sanitation, and medical center funds, all of which are considered to be major funds of the City of Wanamingo.

The basic proprietary fund financial statements can be found on pages 29-32 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 33-53 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 54-61 of this report.

**CITY OF WANAMINGO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**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 Wanamingo, assets exceeded liabilities by \$2,060,116 at the close of the most recent fiscal year.

**City of Wanamingo's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 2,794,852	2,802,305	\$ 241,819	\$ 277,175	\$ 3,036,671	\$ 3,079,480
Capital assets	3,438,481	3,434,286	4,197,914	4,377,181	7,636,395	7,811,467
Total assets	<u>6,233,333</u>	<u>6,236,591</u>	<u>4,439,733</u>	<u>4,654,356</u>	<u>10,673,066</u>	<u>10,890,947</u>
Long-term liabilities						
outstanding	5,588,546	5,860,712	2,228,574	2,393,584	7,817,120	8,254,296
Other liabilities	576,894	370,282	218,936	288,638	795,830	658,920
Total liabilities	<u>6,165,440</u>	<u>6,230,994</u>	<u>2,447,510</u>	<u>2,682,222</u>	<u>8,612,950</u>	<u>8,913,216</u>
Net assets:						
Invested in capital assets, net of related debt	(1,185,631)	(1,464,859)	1,818,540	1,820,184	632,909	355,325
Restricted	1,038,149	1,371,681			1,038,149	1,371,681
Unrestricted	215,375	98,775	173,683	151,950	389,058	250,725
Total net assets	<u>\$ 67,893</u>	<u>\$ 5,597</u>	<u>\$ 1,992,223</u>	<u>\$ 1,972,134</u>	<u>\$ 2,060,116</u>	<u>\$ 1,977,731</u>

A portion of the City of Wanamingo's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* of \$389,058 may be used to meet the government's ongoing obligations to citizens and creditors.

The city reports a negative net asset balance for the category of *invested in capital assets, net of related debt* for its governmental activities. This is the result of having debt used to finance prior year's infrastructure improvements that are not included in capital assets.

**Governmental activities.** Governmental activities increased the City of Wanamingo's net assets by \$62,296.

**CITY OF WANAMINGO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Business-type activities.** Business-type activities increased the City of Wanamingo's net assets by \$20,089. This increase is primarily the result from income in the water and waste water funds following recent rate increases.

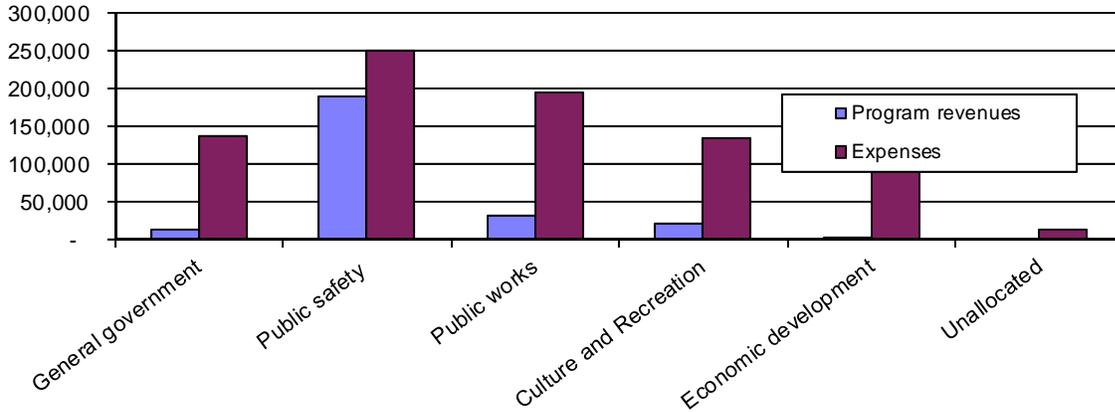
A condensed version of the Statement of Activities follows:

	<b>City of Wanamingo's Change in Net Assets</b>					
	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>Revenue:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 97,952	86,362	\$ 610,685	\$ 577,672	\$ 708,637	\$ 664,034
Operating grants and contributions	129,246	17,751			129,246	17,751
Capital grants and contributions	33,271	8,955			33,271	8,955
<b>General revenues:</b>						
Property taxes	525,629	404,981			525,629	404,981
Tax increments	102,328	43,761			102,328	43,761
Grants and contributions not restricted to specific programs	214,172	212,986			214,172	212,986
Other	70,306	88,039	20,975	18,817	91,281	106,856
<b>Total revenues</b>	<b>1,172,904</b>	<b>862,835</b>	<b>631,660</b>	<b>596,489</b>	<b>1,804,564</b>	<b>1,459,324</b>
<b>Expenses:</b>						
General government	137,316	153,083			137,316	153,083
Public safety and transportation	251,895	239,153			251,895	239,153
Public works	194,723	223,350			194,723	223,350
Culture and recreation	133,961	137,438			133,961	137,438
Economic development	148,746	33,193			148,746	33,193
Interest on long-term debt	229,957	261,472			229,957	261,472
Unallocated	14,010	11,006			14,010	11,006
Water			249,624	227,063	249,624	227,063
Waste water			251,722	237,282	251,722	237,282
Sanitation			51,888	50,858	51,888	50,858
Medical Center			58,337	56,726	58,337	56,726
<b>Total expenses</b>	<b>1,110,608</b>	<b>1,058,695</b>	<b>611,571</b>	<b>571,929</b>	<b>1,722,179</b>	<b>1,630,624</b>
Increase (Decrease) in net assets before transfers	62,296	(195,860)	20,089	24,560	82,385	(171,300)
Transfers		10,000		(10,000)		
Decrease in net assets	62,296	(185,860)	20,089	14,560	82,385	(171,300)
Net assets, beginning of year	5,597	191,457	1,972,134	1,957,574	1,977,731	2,149,031
<b>Net assets, end of year</b>	<b>\$ 67,893</b>	<b>\$ 5,597</b>	<b>\$ 1,992,223</b>	<b>\$ 1,972,134</b>	<b>\$ 2,060,116</b>	<b>\$ 1,977,731</b>

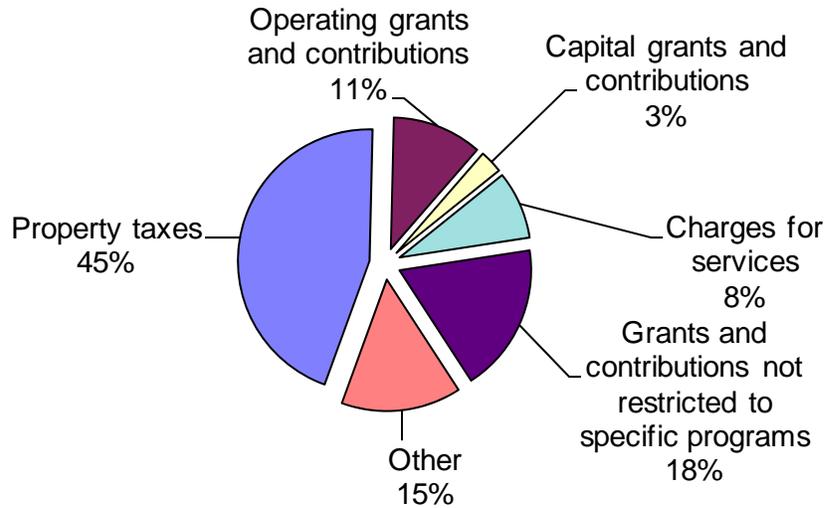
**CITY OF WANAMINGO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

Below are specific graphs that provide comparisons of the governmental activities direct program revenues with their expenses. Any shortfalls in direct revenues are primarily supported by property tax levy or general state aid.

**Expenses and Program Revenues - Governmental Activities**



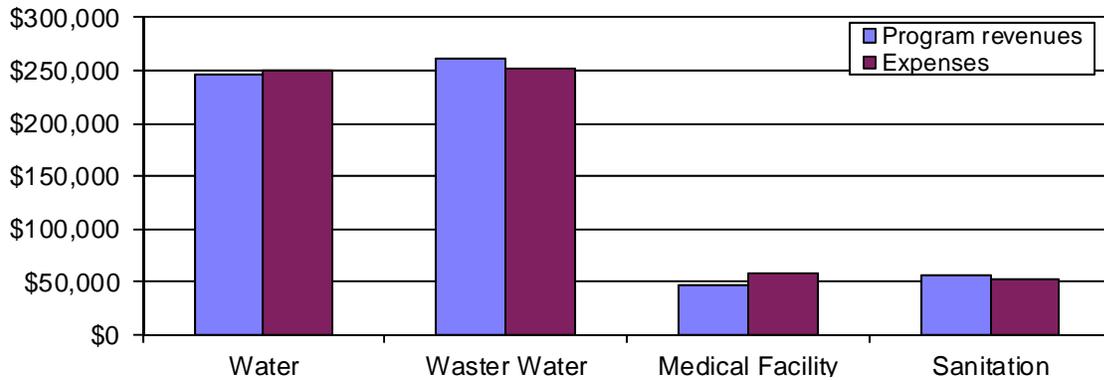
**Revenues by Source - Governmental Activities**



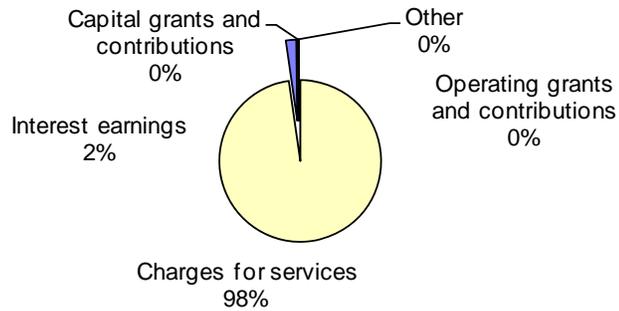
**CITY OF WANAMINGO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their expenses. Since all five of these activities require significant physical assets to operate, any excess revenues are held for planned capital expenses to keep pace with growing demand for services.

**Expenses and Program Revenues - Business-Type Activities**



**Revenues by Source - Business-Type Activities**



## CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

### Financial Analysis of the Government's Funds

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

**Governmental funds.** The focus of the City of Wanamingo'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 of Wanamingo's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$1,192,308, an increase of \$74,057. Approximately 1 percent of this total amount or \$7,782 constitutes *unassigned, assigned and committed fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it has already been committed to repay interfund advances or other debt.

The general fund is the chief operating fund of the City of Wanamingo. At the end of the current fiscal year, unassigned fund balance of the general fund was (\$83,067).

The general fund's total fund balance increased by \$62,889 during the current fiscal year as a result of an increase in the general property tax levy and by closing the Capital Improvement Fund and transferring the remaining fund balance back into the general fund.

## **CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Proprietary funds.** The City of Wanamingo's proprietary funds statements found on pages 29-32 provide the same type of information found in the government-wide financial statements, but in more detail.

The unrestricted net assets in the respective proprietary funds are Water - \$7,131, Waste water - \$180,913, Sanitation - \$20,990, and Medical center - (\$17,192).

The water utility fund's increase of \$10,052 was due to a rate increase that took effect in April 2011. The excess earnings are paying back interfund loans.

The wastewater utility fund's increase of \$10,021 was a planned effort to increase cash reserves.

The senior housing fund was closed due to the management contract/sale of the facility in 2009. The facility was sold to minimize future operating liabilities as a result of vacancies. Additional obligations as a result of the sale are further discussed in Note 11 on page 53 of this report. The City has an obligation to keep the fund balance of operating reserves at \$50,000 until the full sale is complete. It is anticipated that the sale transaction will occur in 2014.

### **General Fund Budgetary Highlights**

The City approved the 2011 general fund budget anticipating a slight deficit in general fund reserves. The City did not amend its budget during the year.

At the close of the year, general fund total expenditures were \$127,207 below final budget while actual revenues exceeded final budget by \$84,824. The fund showed an increase in net assets totaling \$62,889 for the year ending December 31, 2011.

General fund revenues were over budget by \$84,824 primarily due to a Fire Department grant for the acquisition of equipment.

General fund expenditures were over budget by \$127,207 primarily due to the following reasons:

- The park department was over budget by \$83,265 as a result of expenditures from the 2010 flood damage offset by FEMA grant proceeds.
- Snow removal was under budget by \$9,720 primarily due to a light snow season.
- The fire department purchased a grass fire truck and air packs in 2011.

**CITY OF WANAMINGO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Capital Asset and Debt Administration**

**Capital assets.** The City of Wanamingo's investment in capital assets for its governmental and business-type activities as of December 31, 2011, amounts to \$7,636,395 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads and highways. The total decrease in the City of Wanamingo's reported investment in capital assets for the current fiscal year was \$175,072 , or 2 percent.

**City of Wanamingo's Capital Assets**  
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 114,068	\$ 114,068	\$ 10,000	\$ 10,000	\$ 124,068	\$ 124,068
Work in process	41,500				41,500	
Buildings and improvements	977,419	1,010,111	4,145,010	4,310,823	5,122,429	5,320,934
Improvements other than buildings	2,012,600	2,075,838			2,012,600	2,075,838
Machinery and equipment	292,894	234,269	42,904	56,358	335,798	290,627
<b>Total</b>	<b>\$ 3,438,481</b>	<b>\$ 3,434,286</b>	<b>\$ 4,197,914</b>	<b>\$ 4,377,181</b>	<b>\$ 7,636,395</b>	<b>\$ 7,811,467</b>

Additional information on the City of Wanamingo's capital assets can be found in Note 4 on pages 42-43 of this report.

**Long-term debt.** At the end of the current fiscal year, the City of Wanamingo had \$8,002,472 in bonds and notes outstanding. Of this amount, \$7,482,222 comprises debt backed by the full faith and credit of the government and \$520,250 represents bonds or notes secured solely by specified revenue sources.

**City of Wanamingo's Outstanding Debt**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 4,163,200	\$ 4,297,400	\$ 1,474,800	\$ 1,556,600	\$ 5,638,000	\$ 5,854,000
General obligation TIF bonds	670,000	705,000			670,000	705,000
Revenue bonds	520,250	615,750			520,250	615,750
General obligation equipment certificates	67,000	106,500			67,000	106,500
Capital lease obligation	185,222	155,197			185,222	155,197
General obligation notes			922,000	1,005,000	922,000	1,005,000
<b>Total</b>	<b>\$ 5,605,672</b>	<b>\$ 5,879,847</b>	<b>\$ 2,396,800</b>	<b>\$ 2,561,600</b>	<b>\$ 8,002,472</b>	<b>\$ 8,441,447</b>

**CITY OF WANAMINGO, MINNESOTA  
MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Long-term debt (continued).** The City of Wanamingo's total bonds and notes payable decreased by \$438,975 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 5, beginning on page 43.

**Economic Factors and Next Year's Budgets and Rates**

- The City anticipates some growth in the commercial and residential housing market when the golf course club house is built.
- The City anticipates maintenance/painting needed for the water tower and pump house. The costs for the project will be paid for by a bond. Water rates were increased in anticipation of these bond payments. Additional levies could be used in the future for these costs.
- The City is exploring the sale of the medical facility in an effort to reduce costs and increase income through TIF funds.
- The City is considering reducing the policing contract/ attorney costs to offset losses in the general fund.
- The City is considering charging for snow removal from entities that push parking lot snow in the streets in order to offset costs of City snow removal. An ordinance has been drafted for these purposes.
- A combination of state aid reductions and increasing debt service requirements could have a continued upward impact on the general tax levy.

All of these factors were considered in preparing the City of Wanamingo's budget for the 2012 fiscal year.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Wanamingo's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City Administrator, City Hall, Wanamingo, MN 55983.

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**CITY OF WANAMINGO, MINNESOTA**

**BASIC FINANCIAL STATEMENTS**

**DECEMBER 31, 2011**

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**CITY OF WANAMINGO, MINNESOTA**  
**STATEMENT OF NET ASSETS**

December 31, 2011

*With Comparative Totals for December 31, 2010*

	Governmental Activities	Business-Type Activities	Totals	
			2011	2010
<b>ASSETS</b>				
Cash and investments	\$ 489,284	\$ 193,811	\$ 683,095	\$ 374,983
Cash in escrow	964,434		964,434	961,567
Receivables	1,165,971	135,217	1,301,188	1,593,287
Deposits	50,000		50,000	50,000
Due from other governmental units	37,954		37,954	14,886
Internal balances	87,209	(87,209)		
Capital assets:				
Nondepreciable	155,568	10,000	165,568	124,068
Depreciable, net	3,282,913	4,187,914	7,470,827	7,687,399
<b>Total Assets</b>	<b>6,233,333</b>	<b>4,439,733</b>	<b>10,673,066</b>	<b>10,806,190</b>
<b>LIABILITIES</b>				
Accounts payable	124,120	19,217	143,337	84,429
Accrued liabilities	5,326	6,263	11,589	11,704
Accrued interest payable	86,887	24,497	111,384	106,365
Compensated absences	10,561	18,159	28,720	22,865
General obligation tax/aid anticipation- certificate of indebtedness	350,000		350,000	200,000
Noncurrent liabilities				
Due within one year	326,608	150,800	477,408	472,090
Due in more than one year	5,261,938	2,228,574	7,490,512	7,931,006
<b>Total Liabilities</b>	<b>6,165,440</b>	<b>2,447,510</b>	<b>8,612,950</b>	<b>8,828,459</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	(1,185,631)	1,818,540	632,909	369,938
Restricted for:				
Debt service	1,038,149		1,038,149	1,134,015
Unrestricted	215,375	173,683	389,058	473,778
<b>Total Net Assets</b>	<b>\$ 67,893</b>	<b>\$ 1,992,223</b>	<b>\$ 2,060,116</b>	<b>\$ 1,977,731</b>

**See Notes to Financial Statements**

**CITY OF WANAMINGO, MINNESOTA  
STATEMENT OF ACTIVITIES**

For the Year Ended December 31, 2011  
With Comparative Totals for the Year Ended December 31, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 137,316	\$ 12,802	\$	\$
Public safety	251,895	70,203	120,530	
Public works	194,723			33,271
Culture and recreation	133,961	13,747	8,716	
Economic development	148,746	1,200		
Unallocated	14,010			
Interest on long-term debt	229,957			
Total governmental activities	<u>1,110,608</u>	<u>97,952</u>	<u>129,246</u>	<u>33,271</u>
Business-Type activities:				
Water	249,624	246,391		
Waste water	251,722	260,836		
Sanitation	51,888	56,923		
Medical center	58,337	46,535		
Total business-type activities	<u>611,571</u>	<u>610,685</u>		
Total	<u>\$ 1,722,179</u>	<u>\$ 708,637</u>	<u>\$ 129,246</u>	<u>\$ 33,271</u>

General revenues:  
    General property taxes  
    Tax increments  
    Grants and contributions not restricted to specific programs  
    Interest earnings  
    Miscellaneous  
    Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

FORM A-2

Net (Expense) Revenue  
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals 2011	2010
\$ (124,514)	\$	\$ (124,514)	\$ (142,744)
(61,162)		(61,162)	(168,684)
(161,452)		(161,452)	(214,395)
(111,498)		(111,498)	(115,533)
(147,546)		(147,546)	(31,793)
(14,010)		(14,010)	(11,006)
<u>(229,957)</u>		<u>(229,957)</u>	<u>(261,472)</u>
<u>(850,139)</u>		<u>(850,139)</u>	<u>(945,627)</u>
	(3,233)	(3,233)	5,380
	9,114	9,114	11,162
	5,035	5,035	3,989
	<u>(11,802)</u>	<u>(11,802)</u>	<u>(14,788)</u>
	<u>(886)</u>	<u>(886)</u>	<u>5,743</u>
<u>(850,139)</u>	<u>(886)</u>	<u>(851,025)</u>	<u>(939,884)</u>
525,629		525,629	404,981
102,328	6,783	109,111	51,684
214,172		214,172	212,986
8,737	12,875	21,612	10,901
<u>61,569</u>	<u>1,317</u>	<u>62,886</u>	<u>88,032</u>
<u>912,435</u>	<u>20,975</u>	<u>933,410</u>	<u>768,584</u>
62,296	20,089	82,385	(171,300)
<u>5,597</u>	<u>1,972,134</u>	<u>1,977,731</u>	<u>2,149,031</u>
<u>\$ 67,893</u>	<u>\$ 1,992,223</u>	<u>\$ 2,060,116</u>	<u>\$ 1,977,731</u>

**CITY OF WANAMINGO, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS**

December 31, 2011

*With Comparative Totals for December 31, 2010*

	101 General	306 2009A G.O. Tax Increment Refunding	316 2002 G.O. Improvement
<b>ASSETS</b>			
Cash and investments	\$ 87,199	\$	\$
Cash in escrow			964,434
Accounts receivable	41,501		
Taxes receivable delinquent	20,395	10,004	1,391
Special assessments receivable:			
Deferred	31,326	448,535	62,145
Delinquent			423
Loan receivable			
Deposits			
Advance to other funds	24,290		
Due from other funds	205,061		
Due from other governmental units	37,954		
	<u>\$ 447,726</u>	<u>\$ 458,539</u>	<u>\$ 1,028,393</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 447,726</b></u>	<u><b>\$ 458,539</b></u>	<u><b>\$ 1,028,393</b></u>
 <b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ 124,084	\$	\$
Accrued expenses	4,988		
Deferred revenue	51,721	458,539	63,959
General obligation tax/aid anticipation- certificate of indebtedness	350,000		
Advance from other funds			
Due to other funds		12,305	37,992
	<u>530,793</u>	<u>470,844</u>	<u>101,951</u>
Total Liabilities	<u>530,793</u>	<u>470,844</u>	<u>101,951</u>
Fund Balance:			
Nonspendable:			
Advances to other funds	24,290		
Restricted:			
Creditors			926,442
Committed			
Assigned			
Unassigned	(107,357)	(12,305)	
	<u>(83,067)</u>	<u>(12,305)</u>	<u>926,442</u>
Total Fund Balance	<u>(83,067)</u>	<u>(12,305)</u>	<u>926,442</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><b>\$ 447,726</b></u>	<u><b>\$ 458,539</b></u>	<u><b>\$ 1,028,393</b></u>

**See Notes to Financial Statements**

FORM B-1

328 2007 G.O. Refunding	Other Governmental Funds	Total Governmental Funds	
		2011	2010
\$ 39,229	\$ 362,856	\$ 489,284	\$ 238,944
		964,434	961,567
	1,372	42,873	48,259
2,319	10,296	44,405	106,411
300,469	199,089	1,041,564	1,175,513
77	3,401	3,901	86,234
	33,228	33,228	35,734
	50,000	50,000	50,000
		24,290	24,290
		205,061	331,444
		37,954	14,886
<u>\$ 342,094</u>	<u>\$ 660,242</u>	<u>\$ 2,936,994</u>	<u>\$ 3,073,282</u>
\$	\$ 36	\$ 124,120	\$ 74,969
	338	5,326	5,193
302,865	246,014	1,123,098	1,403,892
		350,000	200,000
	24,290	24,290	24,290
	67,555	117,852	246,687
<u>302,865</u>	<u>338,233</u>	<u>1,744,686</u>	<u>1,955,031</u>
		24,290	24,290
39,229	194,565	1,160,236	1,262,542
	55,867	55,867	52,867
	163,422	163,422	168,837
	(91,845)	(211,507)	(390,285)
<u>39,229</u>	<u>322,009</u>	<u>1,192,308</u>	<u>1,118,251</u>
<u>\$ 342,094</u>	<u>\$ 660,242</u>	<u>\$ 2,936,994</u>	<u>\$ 3,073,282</u>

**CITY OF WANAMINGO, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2011

*With Comparative Totals for the Year Ended December 31, 2010*

	101 General	306 2009A G.O. Tax Increment Refunding	316 2002 G.O. Improvement
<b>REVENUES</b>			
General property taxes	\$ 292,288	\$ 75,749	\$ 14,203
Tax increment		3,923	
Special assessments			10,726
Licenses and permits	10,182		
Intergovernmental revenues	323,831	1,807	339
Charges for services	82,944		
Fines and forfeits	3,626		
Investment income	4,686		2,867
Miscellaneous revenues	66,947		
	<u>784,504</u>	<u>81,479</u>	<u>28,135</u>
Total Revenues			
<b>EXPENDITURES</b>			
General government	113,973		
Public safety	306,787		
Public works	118,480		
Culture and recreation	171,926		
Unallocated	27,286		
Economic development			
Debt service		60,699	36,204
Capital outlay			
	<u>738,452</u>	<u>60,699</u>	<u>36,204</u>
Total Expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>46,052</u>	<u>20,780</u>	<u>(8,069)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	49,115		
Transfers in	89,370	97,398	
Transfers out	(121,648)		
	<u>16,837</u>	<u>97,398</u>	
Total other financing sources (uses)			
Net change in fund balances	62,889	118,178	(8,069)
Fund Balance - beginning	(145,956)	(130,483)	934,511
Fund Balance - ending	<u>\$ (83,067)</u>	<u>\$ (12,305)</u>	<u>\$ 926,442</u>

**See Notes to Financial Statements**

FORM B-2

328 2007 G.O. Refunding	Other Governmental Funds	Total Governmental Funds	
		2011	2010
\$ 23,672	\$ 170,458	\$ 576,370	\$ 379,551
	111,989	115,912	43,761
107,979	33,451	152,156	63,875
		10,182	6,821
564	3,161	329,702	260,253
		82,944	75,002
		3,626	3,139
	1,184	8,737	2,693
	9,724	76,671	65,649
<u>132,215</u>	<u>329,967</u>	<u>1,356,300</u>	<u>900,744</u>
		113,973	131,338
		306,787	170,567
		118,480	133,038
		171,926	136,148
		27,286	17,374
	51,348	51,348	33,193
113,910	325,275	536,088	570,847
	5,470	5,470	6,652
<u>113,910</u>	<u>382,093</u>	<u>1,331,358</u>	<u>1,199,157</u>
<u>18,305</u>	<u>(52,126)</u>	<u>24,942</u>	<u>(298,413)</u>
		49,115	995,000
	154,117	340,885	209,434
	(219,237)	(340,885)	(199,434)
	(65,120)	49,115	1,005,000
18,305	(117,246)	74,057	706,587
20,924	439,255	1,118,251	411,664
<u>\$ 39,229</u>	<u>\$ 322,009</u>	<u>\$ 1,192,308</u>	<u>\$ 1,118,251</u>

**CITY OF WANAMINGO, MINNESOTA**  
**RECONCILIATION OF NET ASSETS IN THE**  
**GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES**  
**IN THE FUND BASIS FINANCIAL STATEMENTS**  
December 31, 2011

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

Total governmental fund balances (page 18)		\$ 1,192,308
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 5,528,883	
Less: Accumulated depreciation	<u>(2,090,402)</u>	3,438,481
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent property taxes and special assessments	\$ 48,306	
Deferred special assessments	1,041,564	
Leases and notes receivable	<u>33,228</u>	1,123,098
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$ (5,605,672)	
Unamortized bond issuance costs	17,126	
Compensated absences	(10,561)	
Accrued interest	<u>(86,887)</u>	<u>(5,685,994)</u>
Net assets of governmental activities (page 14)		<u><u>\$ 67,893</u></u>

**CITY OF WANAMINGO, MINNESOTA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2011

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

Net change in fund balances - total governmental funds (page 20)	\$	74,057
<p>Governmental funds reported capital outlays as expenditures.  However, in the statement of activities the cost of those assets  is allocated over their estimated useful lives and reported as  depreciation expense.</p>		
Capital outlay	\$	179,358
Depreciation expense	<u>(175,163)</u>	4,195
<p>Revenues in the statement of activities that do not provide current  financial resources are not reported as revenues in the funds.</p>		
Deferred revenue, December 31, 2011	\$	1,123,098
Deferred revenue, December 31, 2010	<u>(1,403,892)</u>	(280,794)
<p>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.</p>		
Compensated absences, December 31, 2011	\$	(10,561)
Compensated absences, December 31, 2010	<u>8,252</u>	(2,309)
<p>Bond proceeds provide current financial resources to governmental  funds, but issuing debt increases long-term liabilities in the  statement of net assets. Repayment of bond principal is an  expenditure in the governmental funds, but the repayment  reduces long-term liabilities in the statement of net assets.</p>		
Change in accrued interest	\$	(5,019)
Capital lease proceeds	(49,115)	
Amortization of bond issuance costs	(2,009)	
Principal retirement on long-term debt	<u>323,290</u>	<u>267,147</u>
Change in net assets of governmental activities (pages 15 and 16)	\$	<u><u>62,296</u></u>

**CITY OF WANAMINGO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENTS OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2011  
*With Comparative Totals for the Year Ended December 31, 2010*

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
<b>REVENUES</b>					
<b>Property Taxes</b>	\$ 245,300	\$ 245,300	\$ 292,288	\$ 46,988	\$ 217,427
<b>Licenses and Permits</b>					
Business	2,400	2,400	2,920	520	3,185
Nonbusiness	8,750	8,750	7,262	(1,488)	3,636
Total Licenses and Permits	11,150	11,150	10,182	(968)	6,821
<b>Intergovernmental Revenues</b>					
Local government aid	202,730	202,730	182,565	(20,165)	182,565
Market value credit	17,000	17,000	7,678	(9,322)	7,595
Other state aid	2,400	2,400	4,349	1,949	2,818
Federal grant	70,000	70,000	115,530	45,530	47,267
Fire aid	19,000	19,000	13,709	(5,291)	14,146
Total Intergovernmental Revenues	311,130	311,130	323,831	12,701	254,391
<b>Charges For Services</b>					
Township fire contributions	64,000	64,000	66,577	2,577	58,130
Swimming pool fees	10,650	10,650	13,747	3,097	13,354
Other	2,700	2,700	2,620	(80)	3,518
Total Charges For Services	77,350	77,350	82,944	5,594	75,002
<b>Fines and Forfeits</b>					
Court fines	1,500	1,500	3,626	2,126	3,139
<b>Investment Income</b>					
	1,500	1,500	4,686	3,186	1,228
<b>Miscellaneous Revenues</b>					
Fire department contribution	13,000	13,000	20,726	7,726	11,850
Other contributions	6,500	6,500	8,716	2,216	8,551
Other refunds and reimbursements	1,000	1,000	24,878	23,878	6,507
Other	31,250	31,250	12,627	(18,623)	27,786
Total Miscellaneous Revenues	51,750	51,750	66,947	15,197	54,694
<b>TOTAL REVENUES</b>	\$ 699,680	\$ 699,680	\$ 784,504	\$ 84,824	\$ 612,702

**See Notes to Financial Statements**

**CITY OF WANAMINGO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENTS OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2011  
*With Comparative Totals for the Year Ended December 31, 2010*

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
<b>General Government</b>					
<b>Mayor and Council</b>					
Employee services	\$ 11,700	\$ 11,700	\$ 10,971	\$ 729	\$ 11,000
Insurance	75	75	130	(55)	
Total Mayor and Council	<u>11,775</u>	<u>11,775</u>	<u>11,101</u>	<u>674</u>	<u>11,000</u>
<b>Election and Voter Registration</b>	<u>1,275</u>	<u>1,275</u>	<u>377</u>	<u>898</u>	<u>1,925</u>
<b>City Administration</b>					
Employee services	23,200	23,200	25,060	(1,860)	27,285
Employee benefits and retirement	5,000	5,000	957	4,043	7,420
Materials and supplies	3,800	3,800	3,585	215	2,848
Telephone	2,250	2,250	3,565	(1,315)	2,890
Printing and publishing	2,500	2,500	2,007	493	2,585
Contracted services	2,500	2,500	1,724	776	2,536
Insurance	24,600	24,600	11,308	13,292	10,108
Other charges	13,850	13,850	6,909	6,941	13,318
Capital outlay	8,500	8,500	2,247	6,253	5,548
Total City Administration	<u>86,200</u>	<u>86,200</u>	<u>57,362</u>	<u>28,838</u>	<u>74,538</u>
<b>Professional Services</b>					
Legal	10,000	10,000	27,983	(17,983)	26,725
Accounting and audit	17,000	17,000	17,150	(150)	17,150
Total Professional Services	<u>27,000</u>	<u>27,000</u>	<u>45,133</u>	<u>(18,133)</u>	<u>43,875</u>
Total General Government	<u>\$ 126,250</u>	<u>\$ 126,250</u>	<u>\$ 113,973</u>	<u>\$ 12,277</u>	<u>\$ 131,338</u>

**See Notes to Financial Statements**

**CITY OF WANAMINGO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENTS OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2011  
*With Comparative Totals for the Year Ended December 31, 2010*

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
<b>Public Safety</b>					
<b>Police Protection</b>					
Contractual services	\$ 92,045	\$ 92,045	\$ 92,044	\$ 1	\$ 104,897
Legal services	10,000	10,000	7,105	2,895	4,109
Utilities					142
Total Police Protection	<u>102,045</u>	<u>102,045</u>	<u>99,149</u>	<u>2,896</u>	<u>109,148</u>
<b>Ambulance</b>					
Contractual services	<u>4,000</u>	<u>4,000</u>	<u>3,021</u>	<u>979</u>	<u>3,021</u>
<b>Fire Protection</b>					
State fire aid	19,000	19,000	13,709	5,291	14,290
Materials and supplies	8,500	8,500	13,092	(4,592)	7,307
Utilities	10,300	10,300	7,325	2,975	6,972
Repairs and maintenance	25,000	25,000	10,903	14,097	6,035
Insurance	9,200	9,200	8,457	743	8,140
Other charges	5,150	5,150	8,379	(3,229)	4,717
Capital outlay	70,000	70,000	137,857	(67,857)	8,558
Total Fire Protection	<u>147,150</u>	<u>147,150</u>	<u>199,722</u>	<u>(52,572)</u>	<u>56,019</u>
<b>Building Inspection</b>					
Contractual services	<u>6,800</u>	<u>6,800</u>	<u>4,895</u>	<u>1,905</u>	<u>2,379</u>
Total Public Safety	<u>\$ 259,995</u>	<u>\$ 259,995</u>	<u>\$ 306,787</u>	<u>\$ (46,792)</u>	<u>\$ 170,567</u>

**CITY OF WANAMINGO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENTS OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2011  
*With Comparative Totals for the Year Ended December 31, 2010*

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
<b>Public Works</b>					
<b>Highways, Streets and Alleys</b>					
Employee services	\$ 39,000	\$ 39,000	\$ 39,953	\$ (953)	\$ 47,234
Employee benefits and retirement	11,500	11,500	9,420	2,080	14,854
Materials and supplies	6,000	6,000	10,735	(4,735)	6,285
Repairs and maintenance	9,800	9,800	10,801	(1,001)	7,176
Utilities	6,450	6,450	7,050	(600)	6,091
Telephone	1,100	1,100	1,623	(523)	1,557
Insurance	6,450	6,450	5,498	952	6,886
Other charges	2,200	2,200	2,899	(699)	4,688
Total Highways Streets and Alleys	82,500	82,500	87,979	(5,479)	94,771
<b>Snow Removal</b>	15,000	15,000	5,280	9,720	17,210
<b>Street Lights</b>	21,000	21,000	25,221	(4,221)	21,057
Total Public Works	\$ 118,500	\$ 118,500	\$ 118,480	\$ 20	\$ 133,038

**See Notes to Financial Statements**

**CITY OF WANAMINGO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENTS OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2011  
*With Comparative Totals for the Year Ended December 31, 2010*

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
<b>Culture and Recreation</b>					
<b>Community center</b>					
Material and supplies	\$ 200	\$ 200	\$ 72	\$ 128	\$ 107
Utilities	3,000	3,000	3,512	(512)	4,128
Other charges	3,300	3,300	2,517	783	5,588
Total Community center	6,500	6,500	6,101	399	9,823
<b>Parks</b>					
Employee services	2,500	2,500	2,557	(57)	886
Employee benefits and retirement	500	500	381	119	130
Materials and supplies	400	400	13	387	85
Repairs and maintenance	750	750	935	(185)	1,077
Utilities	1,250	1,250	1,617	(367)	674
Insurance	2,750	2,750	2,038	712	2,074
Contracted services	20,000	20,000	17,933	2,067	21,887
Capital outlay			85,941	(85,941)	45,185
Total Parks	28,150	28,150	111,415	(83,265)	71,998
<b>Swimming Pool</b>					
Employee services	28,000	28,000	30,354	(2,354)	30,688
Employee benefits and retirement	1,900	1,900	2,880	(980)	2,786
Materials and supplies	4,200	4,200	3,703	497	4,317
Repairs and maintenance	3,500	3,500	3,687	(187)	3,224
Utilities	5,300	5,300	7,912	(2,612)	7,196
Insurance	2,750	2,750	2,717	33	2,728
Other charges	1,350	1,350	3,157	(1,807)	3,388
Capital outlay	4,500	4,500		4,500	
Total Swimming Pool	51,500	51,500	54,410	(2,910)	54,327
Total Culture and Recreation	\$ 86,150	\$ 86,150	\$ 171,926	\$ (85,776)	\$ 136,148

**See Notes to Financial Statements**

**CITY OF WANAMINGO, MINNESOTA**  
**GENERAL FUND**  
**STATEMENTS OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
For the Year Ended December 31, 2011  
*With Comparative Totals for the Year Ended December 31, 2010*

	Budgeted Amounts		2011 Actual Amounts	Variance with Final Budget - Positive (Negative)	2010 Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
<b>Unallocated Expense</b>					
Professional Services	\$ 5,500	\$ 5,500	\$ 4,970	\$ 530	\$ 1,920
Debt service	5,350	5,350	9,631	(4,281)	3,368
Miscellaneous	9,500	9,500	12,685	(3,185)	12,086
Total Unallocated	20,350	20,350	27,286	(6,936)	17,374
<b>TOTAL EXPENDITURES</b>	611,245	611,245	738,452	(127,207)	588,465
Excess (deficiency) of revenues over (under) expenditures	88,435	88,435	46,052	(42,383)	24,237
<b>Other Financing Sources (Uses)</b>					
Capital lease			49,115	(49,115)	
Transfers in			89,370	(89,370)	20,000
Transfers out	(135,000)	(135,000)	(121,648)	13,352	(130,000)
Total other financing sources (uses)	(135,000)	(135,000)	16,837	(125,133)	(110,000)
Net change in fund balances	(46,565)	(46,565)	62,889	109,454	(85,763)
<b>FUND BALANCE - beginning</b>	(145,956)	(145,956)	(145,956)		(60,193)
<b>FUND BALANCE - ending</b>	\$ (192,521)	\$ (192,521)	\$ (83,067)	\$ 109,454	\$ (145,956)

**See Notes to Financial Statements**

**CITY OF WANAMINGO, MINNESOTA  
PROPRIETARY FUNDS  
STATEMENT OF NET ASSETS**

For the Year Ended December 31, 2011

*With Comparative Totals for the Year Ended December 31, 2010*

	Business - Type Activities - Enterprise Funds					
	Water	Waste		Medical Center	Totals	
		Water	Sanitation		2011	2010
<b>ASSETS</b>						
<b>Current Assets</b>						
Cash and investments	\$	\$ 181,973	\$ 11,838	\$	\$ 193,811	\$ 136,039
Accounts receivable	26,012	25,800	9,152		60,964	59,900
Taxes receivable delinquent						
Special assessments receivable current	7,187				7,187	11,840
Special assessments receivable delinquent	2,674				2,674	2,750
<b>Total Current Assets</b>	<b>35,873</b>	<b>207,773</b>	<b>20,990</b>		<b>264,636</b>	<b>210,529</b>
<b>Noncurrent Assets</b>						
Capital assets						
Nondepreciable		10,000			10,000	10,000
Depreciable	3,652,467	2,745,688		619,586	7,017,741	7,017,741
Less: Accumulated depreciation	1,370,240	1,316,307		143,280	2,829,827	2,650,560
<b>Total Capital Assets</b>	<b>2,282,227</b>	<b>1,439,381</b>		<b>476,306</b>	<b>4,197,914</b>	<b>4,377,181</b>
Other Assets						
Special assessments receivable long-term	64,392				64,392	66,646
<b>Total Noncurrent Assets</b>	<b>2,346,619</b>	<b>1,439,381</b>		<b>476,306</b>	<b>4,262,306</b>	<b>4,443,827</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,382,492</b>	<b>\$ 1,647,154</b>	<b>\$ 20,990</b>	<b>\$ 476,306</b>	<b>\$ 4,526,942</b>	<b>\$ 4,654,356</b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts payable	\$ 3,343	\$ 15,743	\$	\$ 131	\$ 19,217	\$ 9,460
Accrued expenses	19,643	11,117			30,760	31,008
Due to other funds	70,148			17,061	87,209	84,757
Current maturities of bonds payable	35,800	30,000			65,800	65,800
Current maturities of note payable	85,000				85,000	83,000
<b>Total Current Liabilities</b>	<b>213,934</b>	<b>56,860</b>		<b>17,192</b>	<b>287,986</b>	<b>274,025</b>
<b>Noncurrent Liabilities</b>						
Bonds payable, net of current maturities discount, and issuance costs	374,551	459,023		558,000	1,391,574	1,471,584
Note payable, net of current maturities	837,000				837,000	922,000
Compensated absences payable	9,074	9,085			18,159	14,613
<b>Total Noncurrent Liabilities</b>	<b>1,220,625</b>	<b>468,108</b>		<b>558,000</b>	<b>2,246,733</b>	<b>2,408,197</b>
<b>TOTAL LIABILITIES</b>	<b>1,434,559</b>	<b>524,968</b>		<b>575,192</b>	<b>2,534,719</b>	<b>2,682,222</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	940,802	941,273		(81,694)	1,800,381	1,820,184
Unrestricted	7,131	180,913	20,990	(17,192)	191,842	151,950
<b>TOTAL NET ASSETS</b>	<b>\$ 947,933</b>	<b>\$ 1,122,186</b>	<b>\$ 20,990</b>	<b>\$ (98,886)</b>	<b>\$ 1,992,223</b>	<b>\$ 1,972,134</b>

**See Notes to Financial Statements**

**CITY OF WANAMINGO, MINNESOTA  
PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN FUND NET ASSETS**

For the Year Ended December 31, 2011

*With Comparative Totals for the Year Ended December 31, 2010*

	Business - Type Activities - Enterprise Funds					
	Water	Waste	Sanitation	Medical	Total	
		Water		Center	2011	2010
<b>Operating Revenues</b>						
Sales	\$ 246,371	\$ 260,836	\$ 56,923	\$ 46,535	\$ 610,665	\$ 577,672
<b>Operating Expenses</b>						
Employee services	42,757	50,442			93,199	90,668
Employee benefits and retirements	11,716	18,349			30,065	25,954
Materials and supplies	4,503	398			4,901	5,856
Repairs and maintenance	24,869	19,743		517	45,129	17,127
Utilities	9,474	20,181		5,436	35,091	28,301
Depreciation	102,372	61,405		15,490	179,267	178,495
Contracted services	5,123	30,000	51,888		87,011	88,241
Other charges	10,323	24,658		12,400	47,381	41,935
Total Operating Expenses	<u>211,137</u>	<u>225,176</u>	<u>51,888</u>	<u>33,843</u>	<u>522,044</u>	<u>476,577</u>
Operating Income	<u>35,234</u>	<u>35,660</u>	<u>5,035</u>	<u>12,692</u>	<u>88,621</u>	<u>101,095</u>
<b>Nonoperating Revenues (Expenses)</b>						
Interest income	12,875				12,875	8,208
Tax increment				6,783	6,783	7,923
Miscellaneous income	410	907			1,317	2,686
Water meter fee	20				20	
Interest expense	(38,487)	(26,546)		(24,494)	(89,527)	(95,352)
Total Nonoperating Revenues (Expenses)	<u>(25,182)</u>	<u>(25,639)</u>		<u>(17,711)</u>	<u>(68,532)</u>	<u>(76,535)</u>
<b>Net Income Before Transfers</b>	10,052	10,021	5,035	(5,019)	20,089	24,560
Transfers out						(10,000)
<b>Net Increase in Net Assets</b>	10,052	10,021	5,035	(5,019)	20,089	14,560
<b>TOTAL NET ASSETS - Beginning of Year</b>	<u>937,881</u>	<u>1,112,165</u>	<u>15,955</u>	<u>(93,867)</u>	<u>1,972,134</u>	<u>1,957,574</u>
<b>TOTAL NET ASSETS - End of Year</b>	<u>\$ 947,933</u>	<u>\$ 1,122,186</u>	<u>\$ 20,990</u>	<u>\$ (98,886)</u>	<u>\$ 1,992,223</u>	<u>\$ 1,972,134</u>

**See Notes to the Financial Statements**

**CITY OF WANAMINGO, MINNESOTA**  
**PROPRIETARY FUND**  
**STATEMENT OF CASH FLOW**  
For the Year Ended December 31, 2011  
*With Comparative Totals for the Year Ended December 31, 2010*

	Business - Type Activities - Enterprise Funds					
	Water	Waste		Medical Center	Total	
		Water	Sanitation		2011	2010
<b>Cash Flows From Operating Activities</b>						
Cash received from customers	\$ 245,914	\$ 262,328	\$ 54,824	46,535	\$ 609,601	\$ 596,905
Cash paid to suppliers	(52,490)	(85,005)	(51,888)	(18,235)	(207,618)	(174,861)
Cash paid to employees	(54,473)	(67,631)			(122,104)	(114,271)
Net Cash Provided By Operating Activities	138,951	109,692	2,936	28,300	279,879	307,773
<b>Cash Flows From Noncapital Financing Activities</b>						
Other income (expense)	430				430	
Increase (decrease) in due to other funds	(2,959)			5,411	2,452	(18,597)
Net Cash Used In Noncapital Financing Activities	(2,529)			5,411	2,882	(18,597)
<b>Cash Flows From Capital and Related Financing Activities</b>						
Special assessment collections	6,983				6,983	9,068
Tax increment collections				6,783	6,783	7,960
Acquisition of capital assets						(8,177)
Principal paid on long-term debt	(118,800)	(30,000)		(16,000)	(164,800)	(169,400)
Interest and fiscal agent fees	(37,480)	(25,763)		(24,494)	(87,737)	(119,232)
Transfer in from (out to) other funds						(10,000)
Net Cash Used In Capital and Related Financing Activities	(149,297)	(55,763)		(33,711)	(238,771)	(289,781)
<b>Cash Flows From Investing Activities</b>						
Investment income	12,875	907			13,782	10,894
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		54,836	2,936		57,772	10,289
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>		127,137	8,902		136,039	125,750
<b>CASH AND CASH EQUIVALENTS - End of Year</b>	\$	\$ 181,973	\$ 11,838	\$	\$ 193,811	\$ 136,039

**See Notes to the Financial Statements**

**RECONCILIATION OF OPERATING INCOME  
TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

	Business - Type Activities - Enterprise Funds					
	Water	Waste Water	Sanitation	Medical Center	Total	
					2011	2010
<b>Operating Income</b>	\$ 35,234	\$ 35,660	\$ 5,035	\$ 12,692	\$ 88,621	\$ 101,095
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	102,372	61,405		15,490	179,267	178,495
(Increase) Decrease In:						
Accounts receivable	(457)	1,492	(2,099)		(1,064)	19,233
Increase (Decrease) In:						
Accounts payable	(336)	9,975		118	9,757	3,371
Accrued expenses	2,138	1,160			3,298	5,579
 Net Cash Provided By Operating Activities	 \$ 138,951	 \$ 109,692	 \$ 2,936	 \$ 28,300	 \$ 279,879	 \$ 307,773

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**CITY OF WANAMINGO, MINNESOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2011**

# CITY OF WANAMINGO, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS

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### 1. Summary of Significant Accounting Policies

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The City of Wanamingo, Minnesota was first incorporated in 1917. The City operates under the “optional Plan A” form of government as defined by Minnesota State Statutes which prescribes a Mayor-Council form of government. Five Council members and the Mayor are each elected to four year terms.

The accounting policies of the City of Wanamingo’s conform to generally accepted accounting principles applicable to governmental units. The following is a summary of the more significant accounting policies.

#### Reporting Entity

In accordance with GASB Statement No. 14 the City's financial statements include the primary government and the component units of the City of Wanamingo, defined as follows:

*Primary Government* - Includes all funds, account groups, organizations, institutions, agencies, departments, or offices which are not legally separate from the City of Wanamingo.

*Component Units* - Component units are legally separate organizations for which the elected officials of the City of Wanamingo are financially accountable or for which the nature or significance of their relationship with the City of Wanamingo would, if excluded, cause the financial statements to be misleading or incomplete.

The Economic Development Authority of the City was created pursuant to Minnesota Statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. The EDA activities are blended and reported in a separate Special Revenue Fund. Separate financial statements are not issued for this component unit.

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City. 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.

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*.

# CITY OF WANAMINGO, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

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#### Government-wide and Fund Financial Statements (continued)

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

Property taxes, licenses and permits, 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:

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

The *2009A G.O. Tax Increment Refunding fund* accounts for the financial resources to be used for repayment of bonds with interest.

The *2002 G.O. Improvement fund* accounts for the financial resources to be used for repayment of bonds with interest.

The *2007 G.O. Refunding fund* accounts for the financial resources to be used for repayment of bonds with interest.

# CITY OF WANAMINGO, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

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#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

The City reports the following major proprietary funds:

- The *Water fund* accounts for the operation of the City owned water utility system.
- The *Waste water fund* accounts for the operation of the City owned sewer utility system.
- The *Sanitation fund* accounts for the operation of the City sanitary enterprise.
- The *Medical center fund* accounts for the operation of the Wanamingo medical facility.

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. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. 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 general rule are payments-in-lieu of taxes and other charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for 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 revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

# CITY OF WANAMINGO, MINNESOTA

## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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### 1. Summary of Significant Accounting Policies (Continued)

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#### Assets, Liabilities, and Net Assets or Equity

#### Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Formal budgetary accounting is employed as a management control for funds of the City. Annual operating budgets are adopted each fiscal year through passage of an annual budget ordinance and may be amended by formal council action. All budget appropriations lapse at the end of the budget year.

#### Cash and Investments

Except where otherwise required, the City maintains all deposits in bank accounts in the name of the City. These deposits are invested on a short-term basis with interest income allocated to each fund based upon their relative account balance. The balances shown in each fund represents an equity interest in the commingled pool of cash and temporary cash investments which is under the management of the City. Temporary cash investments are stated at cost, which approximates market.

The City has designated cash and cash equivalents as demand deposits and all investments with an original maturity of three months or less.

#### Property Taxes

Property tax levies are set by the City Council each year and are certified to the County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1, following, and are recorded as receivables by the City at that date. Revenues from property taxes are accrued and recognized in the year collectible, net of delinquencies.

Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts normally during the months of January, April, June and November.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable. The amount of delinquent taxes receivable are fully offset by deferred revenue in the governmental fund types because they are not known to be available to finance current expenditures.

#### Special Assessments

Assessments are levied at various times by City resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to twenty five years with interest charges of 6.0% to 8.0%. Revenue from these assessments is recognized as the annual installments become collectible. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The amount of delinquent assessments receivable are fully offset by deferred revenue in the governmental fund types because they are not known to be available to finance current expenditures.

**CITY OF WANAMINGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

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*Assets, Liabilities, and Net Assets or Equity (Continued)*

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

	<u>Useful Life in Years</u>
Buildings	20 - 40
Improvements other than buildings	20 - 40
Furniture and fixtures	5 - 10
Machinery and Equipment	5 - 10

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective as of January 1, 2004. Infrastructure assets include roads, bridges, underground pipe (other than related to utilities), traffic signals, etc. These financial statements do not include the historical cost of related depreciation of infrastructure constructed prior to 2004.

Market Value Credit (MVC)

Property taxes on homestead property (as defined by State Statutes) are partially reduced by MVC. This credit is paid to the City by the State in lieu of taxes levied against homestead property. The State remits this credit through installments each year. The intergovernmental revenue is recognized as revenue by the City at the time of receipt.

**CITY OF WANAMINGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

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Assets, Liabilities, and Net Assets or Equity (Continued)

Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund of the fund financial statements that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported as an expense and liability in the government wide financial statements. Vested or accumulated vacation leave of enterprise funds is recorded as an expense and liability of those funds as the benefits accrue to employees.

Long-term Obligations

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

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Concentration of Credit Risk

Financial instruments which expose the City to a concentration of credit risk consist primarily of cash investments and accounts receivable. Credit risk associated with cash and investments are discussed in Note 2.

The City's accounts receivable are concentrated geographically, as for the most part, amounts are due from individuals residing in and businesses located in the City of Wanamingo.

**CITY OF WANAMINGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**1. Summary of Significant Accounting Policies (Continued)**

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Net Assets / Fund Balance

In the government-wide and proprietary financial statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Assets – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Assets – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets”

In accordance with Government Accounting Standards Board 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual restraints.

Restricted – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City Council through formal action and remain binding unless removed by the City Council by subsequent formal action.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. The City Council, by majority vote, may assign fund balances to be used for specific purposes when appropriate. The Council also delegates the power to assign fund balances to the following: City Administrator.

Unassigned – includes positive fund balances within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring for dollar spending. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

**CITY OF WANAMINGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**2. Cash and Investments**

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*Summary of Cash and Investments*

As of December 31, 2011, the City's cash and investments consisted of the following items, all of which are held in an internal cash and investment pool:

<u>Cash and Investments</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
Cash	None	Unrated	\$ 652,655
Money Market Mutual Fund	None	Unrated	30,441
United States Treasury Securities	February 2012	Unrated	<u>964,433</u>
			<u>\$ 1,647,529</u>

*Investments Authorized by Minnesota Statutes*

The City is authorized by Minnesota Statutes to invest idle funds as follows:

- (a) Direct obligations or obligations guaranteed by the United States or its agencies.
- (b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in (a) above.
- (c) General obligations of the State of Minnesota or its municipalities.
- (d) Bankers acceptances of United States banks eligible for purchase by the Federal Reserve System.
- (e) Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- (f) Repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a reporting dealer to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- (g) Money market funds with institutions that have portfolios consisting exclusively of United States Treasury obligations and Federal Agency issues.

*Collateralization of Cash Deposits*

The City's deposits are entirely covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name

Minnesota Statutes require that all City deposits be insured, secured by surety bonds or be collateralized. Except for notes secured by first mortgages of future maturity, the market value of collateral pledged by the custodial bank must equal 110% of the deposits not covered by insurance or surety bonds.

**CITY OF WANAMINGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**2. Cash and Investments (Continued)**

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*Collateralization of Cash Deposits (Continued)*

Authorized collateral includes certain state of local government obligations and legal investments. Minnesota Statutes also require that securities pledged as collateral be held in safekeeping by the Treasurer, or in a financial institution other than the institution furnishing the collateral.

*Interest Rate Risk*

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk*

The City has no investment policy that would limit its investment choices. The city's investment ratings are from Standard & Poor Investors Service.

*Concentration of Credit Risk*

The city places no limit on the amount the city may invest in any one issuer. Investments that are more than 5 percent of the City's total investments are as follows:

<u>Investment</u>	<u>Ratings</u>	<u>Percent of Total</u>
United States Treasury Securities	Unrated	100%

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**3. Due From Other Governmental Units**

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Amounts due from other governmental units as of December 31, 2011 are as follows:

<u>Fund</u>	<u>Goodhue County</u>
General	<u>\$ 37,954</u>

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**CITY OF WANAMINGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**4. Capital Assets**

Capital asset activity for the year ended December 31, 2011 was as follows:

<b>Governmental Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 114,068	\$	\$	\$ 114,068
Work in progress		41,500		41,500
Total capital assets, not being depreciated	114,068	41,500		155,568
Capital assets, being depreciated:				
Buildings	1,636,650			1,636,650
Improvements other than buildings	2,445,243			2,445,243
Machinery and equipment	1,153,564	137,858		1,291,422
Total capital assets, being depreciated	5,235,457	137,858		5,373,315
Less accumulated depreciation for:				
Buildings	626,539	32,692		659,231
Improvements other than buildings	369,405	63,238		432,643
Machinery and equipment	919,295	79,233		998,528
Total accumulated depreciation	1,915,239	175,163		2,090,402
Total capital assets, being depreciated, net	3,320,218	(37,305)		3,282,913
 Governmental activities capital assets, net	 \$ 3,434,286	 \$ 4,195	 \$	 \$ 3,438,481

<b>Business-Type Activities</b>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 10,000	\$	\$	\$ 10,000
Total capital assets, not being depreciated	10,000			10,000
Capital assets, being depreciated:				
Buildings and improvements	6,747,360			6,747,360
Machinery and equipment	270,381			270,381
Total capital assets, being depreciated	7,017,741			7,017,741
Less accumulated depreciation for:				
Buildings and improvements	2,436,537	165,813		2,602,350
Machinery and equipment	214,023	13,454		227,477
Total accumulated depreciation	2,650,560	179,267		2,829,827
Total capital assets, being depreciated, net	4,367,181	(179,267)		4,187,914
 Business-type activities capital assets, net	 \$ 4,377,181	 \$ (179,267)	 \$	 \$ 4,197,914

**CITY OF WANAMINGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**4. Capital Assets (Continued)**

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<b>Governmental Activities:</b>	
General government	\$ 17,289
Public safety	82,966
Public works	71,373
Culture and recreation	<u>3,535</u>
Total depreciation expense - governmental activities	<u>\$ 175,163</u>
<b>Business-Type Activities:</b>	
Water	\$ 102,372
Sewer	61,405
Medical Facility	<u>15,490</u>
Total depreciation expense - business-type activities	<u>\$ 179,267</u>

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**5. Long-Term Debt**

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The long-term debt obligations outstanding and related maturities and interest rates are summarized in the schedule of bonds payable and compensated absences.

**General Obligation Improvement Bonds:**

The bonds are payable primarily from special assessments levied on the properties benefiting from the improvements and/or ad valorem tax levies. They are backed by the full faith and credit of the City.

**General Obligation Tax Increment Bonds:**

General Obligation Tax Increment Bonds provide funds for the acquisition and construction of major capital improvements. These bonds are payable primarily from tax increments, and are backed by the full faith and credit of the City.

**Revenue Bonds:**

The 2004 Refunding Bonds were issued by the Economic Development Authority (a blended component unit) to refund bonds issued in 2000 to construct a fire facility. The 2006B bond was issued to acquire a new city shop. These bonds are payable solely from revenues generated from a long-term lease agreement between the blended component unit and the primary government. The 2007B public project lease revenue bond is payable primarily from ad valorem tax levies and are backed by the full faith and credit of the city.

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**CITY OF WANAMINGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**5. Long-Term Debt (Continued)**

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**General Obligation Equipment Certificates:**

During 2006, the City issued two general obligation equipment certificates. These notes are payable primarily from ad valorem tax levies and are backed by the full faith and credit of the City.

**General Obligation Revenue Bonds:**

The Water Refunding Bonds are payable primarily from the revenues generated through charges to customers for water service. They are recorded as liabilities in the Water Enterprise Fund and are backed by the full faith and credit of the City.

The Medical Facility bonds were issued by the Economic Development Authority (a blended component unit) to provide funds for construction of a medical facility. These bonds are payable primarily from building lease revenues.

**General Obligation Revenue Notes:**

During 2001, the City issued a \$1,660,000 Public Facilities Authority Drinking Water Revolving Loan note for certain drinking water improvements within the City. The note is payable primarily from the revenues generated through charges to customers for water service. The note is recorded as a liability in the Water Enterprise Fund and is backed by the full faith and credit of the City.

**Capital Lease Obligation:**

The City has entered into various capital lease arrangements for the acquisition of equipment. These agreements are payable primarily from ad valorem tax levies and are backed by the full faith and credit of the City.

**CITY OF WANAMINGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**5. Long-Term Debt (Continued)**

A summary of interest rates, maturities and December 31, 2011 balances are as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2011
General Obligation Improvement Bonds:			
Series 1999 Refunding	4.0%-5.0%	5/1/2014	\$ 90,000
Series 2002	3.15%-5.25%	2/1/2023	990,000
Series 2005A Refunding	4.2%-4.6%	2/1/2023	285,000
Series 2005B	3.1%-4.75%	2/1/2026	765,000
Series 2007A Refunding	4.0%-4.85%	2/1/2037	1,705,000
Series 2010B Refunding	4.0%-4.85%	2/1/2037	995,000
General Obligation Tax Increment Bonds:			
Series 2009A Refunding	2.2%-4.55%	5/1/2025	670,000
Revenue Bonds:			
Series 2004 Refunding	1.75%-4.5%	3/1/2015	290,000
Series 2006B	4.5%-4.75%	2/1/2017	124,250
Series 2007B	4.70%	2/1/2018	106,000
General Obligation Equipment Certificate:			
Series 2006D	4.50%	2/1/2016	67,000
Capital Lease Obligation:			
Series 2007	4.75%	8/1/2017	136,107
Series 2011	5.00%	5/4/2016	49,115
General Obligation Revenue Bonds:			
Medical Facility Bonds, series 2003	4.25%	1/1/2033	558,000
2006C Water Refunding	3.85%-4.2%	2/1/2020	250,000
General Obligation Revenue Notes:			
2001 Public Facilities Authority Water	1.81%	8/20/2021	922,000
Compensated Absences			28,720
Total			8,031,192
Less: Unamortized Discount and Issue Costs			(34,552)
Total Long Term Debt			\$ 7,996,640

**CITY OF WANAMINGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**5. Long-Term Debt (Continued)**

A summary of the changes in long-term debt for the year ended December 31, 2011 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General Obligation Improvement Bonds:					
Series 1999 Refunding	\$ 115,000	\$	\$ 25,000	\$ 90,000	\$ 30,000
Series 2002	342,400		19,200	323,200	19,200
Series 2005A Refunding	305,000		20,000	285,000	20,000
Series 2005B	800,000		35,000	765,000	40,000
Series 2007A Refunding	1,740,000		35,000	1,705,000	35,000
Series 2010B Refunding	995,000			995,000	
Revenue Bonds:					
Series 2004 Refunding - Fire Hall	355,000		65,000	290,000	70,000
Series 2006B	141,750		17,500	124,250	18,500
Series 2007B	119,000		13,000	106,000	13,000
General Obligation Tax Increment Bonds:					
Series 2009A Refunding	705,000		35,000	670,000	40,000
General Obligation Equipment Certificates:					
Series 2006A	28,000		28,000		
Series 2006D	78,500		11,500	67,000	12,000
Capital Lease Obligation:					
Series 2007	155,197		19,090	136,107	20,035
Series 2011		49,115		49,115	8,873
Unamortized Discount and Issue Costs	(19,135)		(2,009)	(17,126)	
Compensated Absences	8,252	2,309		10,561	
<b>Governmental Activities</b>					
Long-term Liabilities	5,868,964	51,424	321,281	5,599,107	326,608
<b>BUSINESS-TYPE ACTIVITIES</b>					
General Obligation Improvement Bonds:					
Series 2002	707,600		40,800	666,800	40,800
General Obligation Revenue Bonds:					
Medical Facility Bonds, series 2003	574,000		16,000	558,000	
2006C Water Refunding	275,000		25,000	250,000	25,000
General Obligation Revenue Notes:					
2001 Public Facilities Authority Water	1,005,000		83,000	922,000	85,000
Unamortized Discount and Issue Costs	(19,216)		(1,790)	(17,426)	
Compensated Absences	14,613	3,546		18,159	
<b>Business-type Activities</b>					
Long-term Liabilities	2,556,997	3,546	163,010	2,397,533	150,800
<b>Total</b>	<b>\$ 8,425,961</b>	<b>\$ 54,970</b>	<b>\$ 484,291</b>	<b>\$ 7,996,640</b>	<b>\$ 477,408</b>

**CITY OF WANAMINGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**5. Long-Term Debt (Continued)**

The annual requirements to amortize all long-term debt outstanding as of December 31, 2011 are summarized below:

Years	General Obligation		General Obligation Tax		General Obligation Revenue		Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<b>Governmental Activities</b>								
2012	\$ 144,200	\$ 168,787	\$ 40,000	\$ 32,180	\$ 12,000	\$ 2,475	\$ 130,408	\$ 31,658
2013	230,800	162,055	40,000	30,535	13,000	1,890	133,601	25,906
2014	230,800	154,396	40,000	28,890	13,500	1,282	141,117	19,890
2015	207,400	146,942	40,000	27,245	14,000	653	144,457	13,412
2016	214,000	139,717	40,000	25,305	14,500		73,129	6,618
2017-2021	1,234,000	565,105	235,000	94,547			82,760	3,413
2022-2026	932,000	317,389	235,000	30,250				
2027-2031	380,000	187,328						
2032-2036	480,000	86,341						
2037-2041	110,000	2,668						
<b>Totals</b>	<b>\$ 4,163,200</b>	<b>\$ 1,930,727</b>	<b>\$ 670,000</b>	<b>\$ 268,952</b>	<b>\$ 67,000</b>	<b>\$ 6,300</b>	<b>\$ 705,472</b>	<b>\$ 100,897</b>
<b>Business-Type Activities</b>								
2012	\$ 40,800	\$ 33,352			\$ 110,000	\$ 26,410		
2013	44,200	31,331			128,000	47,605		
2014	44,200	29,165			131,000	44,325		
2015	47,600	26,892			133,000	40,968		
2016	51,000	24,427			140,000	37,472		
2017-2021	306,000	78,162			712,000	130,908		
2022-2026	133,000	7,407			135,000	68,850		
2027-2031					165,000	37,683		
2032-2036					76,000	4,887		
<b>Totals</b>	<b>\$ 666,800</b>	<b>\$ 230,736</b>			<b>\$ 1,730,000</b>	<b>\$ 439,108</b>		

**CITY OF WANAMINGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**6. Individual Fund Disclosures**

As of December 31, 2011, the following funds had deficit fund balances:

General Fund	\$ 83,067
Debt Service Funds:	
1999 G.O. Refunding Improvement	13,895
2009A G.O. Tax Increment Refunding	12,305
City Hall Lease Purchase	21
Capital Projects Funds	
Tax Increment District #4-2 Fulton	73,896
Tax Increment District #4-3 Masters	4,033
Enterprise Funds:	
Medical Center	98,886

Transfers during the year ended December 31, 2011 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 89,370	\$ 121,648
Debt Service:		
1994 G.O. Improvement	6,648	
1998 G.O. Tax Increment	97,398	
2004 Public Project Refunding	85,000	
Pumper Lease	27,000	
2006A Equipment Certificate	5,469	
Capital Project:		
Capital Improvement Fund		94,736
Fire Capital	30,000	27,000
TIF District #1-1 Masters		103
TIF District #2-2 Benson		16,077
TIF District #2-4 Doffing		11,609
TIF District #2-5 Meyers		51,488
TIF District #2-6 Vertical Limit		18,224
Totals	<u>\$ 340,885</u>	<u>\$ 340,885</u>

**CITY OF WANAMINGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**6. Individual Fund Disclosures (Continued)**

The amounts due to and due from other funds as of December 31, 2011 follow below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 205,061	\$
Debt Service Funds:		
1999 G.O. Refunding Improvement		13,895
2002 G.O. Improvement		37,992
2009A G.O. Tax Increment Refunding		12,305
City Hall Lease Purchase		21
Capital Project Funds:		
Tax Increment District #4-2 Fulton		49,606
Tax Increment District #4-3 Masters		4,033
Enterprise Funds:		
Water fund		70,148
Medical center		17,061
	<u>\$ 205,061</u>	<u>\$ 205,061</u>

The amounts advanced to and advanced from other funds as of December 31, 2011 follow below:

	Advances From Other Funds	Advances To Other Funds
Capital Project Funds		
General	\$	\$ 24,290
Tax Increment District #4-2 Fulton	24,290	
	<u>\$ 24,290</u>	<u>\$ 24,290</u>

**CITY OF WANAMINGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**7. Fund Equity**

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Committed fund balance in the fund financial statements at December 31, 2011 consists of the follows:

	<u>Fire Capital</u>
<b>Committed Fund Balance</b>	
Equipment Replacement	
Fire	\$ 55,867

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**8. Defined Benefit Pension Plans - Statewide**

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*Plan Description*

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

GERF members belong to either the Coordinated 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. 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.

## CITY OF WANAMINGO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 8. Defined Benefit Pension Plans - Statewide (continued)

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Two methods are used to compute benefits for GERS's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for 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% 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 PERA members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 65 for Basic and coordinated 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 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 GERS. That report may be obtained on the web at [www.mnpera.com](http://www.mnpera.com), by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

#### 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. GERS Basic plan members and Coordinated Plan members are required to contribute 9.1% and 6.0%, respectively, of their annual covered salary in 2009. PEPFF members were required to contribute 9.4% of their annual covered salary in 2011. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERS members and 7.0% for Coordinated PERA Plan Members, 14.1% for PEPFF members. The City's contributions to Public Employees Retirement Fund for the years ending December 31, 2011, 2010, and 2009 were \$12,509, \$12,808, and \$12,605 respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

## CITY OF WANAMINGO, MINNESOTA

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

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#### 9. Defined Benefit Pension Plan - Volunteer Fire Relief Association

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##### Plan Description

The Wanamingo Fireman's Relief Association is the administrator of a single employer Public Employee Retirement System (PERS) established to provide benefits to members of the Wanamingo Volunteer Fire Department.

The Fireman's Relief Association maintains a separate Special Fund to accumulate assets to fund the retirement benefits earned by the Fire Department's membership. Funding for the Relief Association is derived primarily from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Associations Financial Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statutes 1980).

The financial requirements of the Special Fund are determined in accordance with Section 69.772 of the Minnesota Statutes, which requires the payment of pension benefits in a lump sum or optionally in annual installments. The benefits are payable after age 50, 20 years of service and 10 years of Association membership or upon death.

Insurance premium taxes received and interest earned on the Special Fund assets are allocated equally among the members of the Association each year. Therefore, the assets of the Association are equal to the liability of the Association.

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#### 10. Risk Management

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The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There were no reductions in insurance coverage in 2011.

The City participates in a group workers' compensation plan of the LMCIT, which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota Cities. All cities participating in the plan are jointly and severally liable for all claims and expenses of the plan. The LMCIT workers' compensation plan is self-sustaining based on the premiums charged, so that total contributions plus compounded earnings on those contributions will be sufficient to satisfy claims, liabilities and other expenses of the plan. The LMCIT plan participates in the Workers' Compensation Reinsurance Association with coverage of \$1,000,000 per claim for plan year 2011. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

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**CITY OF WANAMINGO, MINNESOTA**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

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**11. Contribution and Reimbursement Agreement - SEMMCHRA**

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In 2009, the City sold the Heritage Hills Senior Housing Facility to the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA). As part of the sale agreement, the City has pledged its full faith, credit and taxing powers to the payment of bonds issued by SEMMCHRA to finance the acquisition of the facility. The City is obligated to pay the difference between the required annual debt service and the net facility operating cash flow through the maturity or repayment of the SEMMCHRA facility bonds. The balance outstanding on these bonds at December 31, 2011 totaled **\$1,145,000**.

In addition, the City has agreed to fund an operating reserve totaling \$50,000 which was recorded by the City as a deposit in the Senior Housing Reserve Fund. The City is required to replenish this reserve fund annually upon usage of any of the funds for operations. The City's obligation to maintain this reserve fund shall continue as long as the facility bonds remain outstanding. At the time of payment in full or refunding of the bonds, the balance of the operating reserve fund will be returned to the City.

No liability relative to this agreement has been accrued in these financial statements at December 31, 2011 because of the uncertainty and determination of required future payments, if any.

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**12. Subsequent Events**

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In preparing these financial statements, the City of Wanamingo, Minnesota has evaluated events and transactions for potential recognition of disclosures through March 28, 2012, the date the financial statements were available to be issued.

**CITY OF WANAMINGO, MINNESOTA**

**COMBINING AND INDIVIDUAL FUND  
STATEMENTS AND SCHEDULES**

**DECEMBER 31, 2011**

**CITY OF WANAMINGO, MINNESOTA  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2011**

	Special Revenue					
	251 Economic Development	210 Revolving Loan	230 Senior Housing Reserve			
<b>ASSETS</b>						
Cash and investments	\$ 515	\$ 26,552	\$	\$	\$	\$ 75,024
Accounts receivable						
Taxes receivable delinquent					2,783	1,391
Special assessments receivable:						
Deferred					4,416	82,513
Delinquent						735
Loan receivable		27,617				
Operating Reserve			50,000			
<b>TOTAL ASSETS</b>	<b>\$ 515</b>	<b>\$ 54,169</b>	<b>\$ 50,000</b>	<b>\$</b>	<b>\$ 7,199</b>	<b>\$ 159,663</b>
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities:						
Accounts payable	\$ 36	\$	\$	\$	\$	\$
Accrued expenses	338					
Deferred revenue		27,617			7,199	84,639
Advance from other funds						
Due to other funds					13,895	
<b>Total Liabilities</b>	<b>374</b>	<b>27,617</b>			<b>21,094</b>	<b>84,639</b>
Fund Balance:						
Restricted:						
Creditors						75,024
Contributors						
Regulations						
Committed						
Assigned	141	26,552	50,000			
Unassigned					(13,895)	
<b>Total Fund Balance (Deficit)</b>	<b>141</b>	<b>26,552</b>	<b>50,000</b>		<b>(13,895)</b>	<b>75,024</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 515</b>	<b>\$ 54,169</b>	<b>\$ 50,000</b>	<b>\$</b>	<b>\$ 7,199</b>	<b>\$ 159,663</b>

307 2004 Public Project Refunding	323 2005 Improvement	326 City Shop Lease Purchase	327 Pumper Lease	329 City Hall Lease Purchase	324 2006A Equipment Certificate	325 2006D Equipment Certificate
\$ 39,079	\$ 46,274	\$ 29,462	\$ 2,089	\$	\$	\$ 2,637
		2,968		1,670		1,484
	112,160 2,666					
<u>\$ 39,079</u>	<u>\$ 161,100</u>	<u>\$ 32,430</u>	<u>\$ 2,089</u>	<u>\$ 1,670</u>	<u>\$</u>	<u>\$ 4,121</u>
\$	\$	\$	\$	\$	\$	\$
	114,826	2,968		1,670		1,484
				21		
	114,826	2,968		1,691		1,484
39,079	46,274	29,462	2,089			2,637
				(21)		
39,079	46,274	29,462	2,089	(21)		2,637
<u>\$ 39,079</u>	<u>\$ 161,100</u>	<u>\$ 32,430</u>	<u>\$ 2,089</u>	<u>\$ 1,670</u>	<u>\$</u>	<u>\$ 4,121</u>

**CITY OF WANAMINGO, MINNESOTA  
COMBINING BALANCE SHEET (CONTINUED)  
NONMAJOR GOVERNMENTAL FUNDS  
December 31, 2011**

	401 Capital Improvement Fund	220 Fire Capital	448 Storm Sewer	449 WAC / SAC	470 Tax Increment District #1-1 Masters
<b>ASSETS</b>					
Cash and investments	\$	\$ 55,867	\$ 26,527	\$ 58,830	\$
Accounts receivable			1,372		
Taxes receivable delinquent					
Special basements receivable:					
Delinquent					
Deferred					
Loan receivable					
Operating Reserve					
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>\$ 55,867</b>	<b>\$ 27,899</b>	<b>\$ 58,830</b>	<b>\$</b>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Accounts payable	\$	\$	\$	\$	\$
Accrued expenses					
Deferred revenue					
Advance from other funds					
Due to other funds					
<b>Total Liabilities</b>					
Fund Balance:					
Restricted:					
Creditors					
Contributors					
Regulations					
Committed		55,867			
Assigned			27,899	58,830	
Unassigned					
<b>Total Fund Balance (Deficit)</b>		<b>55,867</b>	<b>27,899</b>	<b>58,830</b>	
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$</b>	<b>\$ 55,867</b>	<b>\$ 27,899</b>	<b>\$ 58,830</b>	<b>\$</b>

FORM E-1

475 Tax Increment District #2-2 Benson	473 Tax Increment District #4-2 Fulton	474 Tax Increment District #4-3 Masters	477 Tax Increment District #2-4 Doffing	478 Tax Increment District #2-5 Meyers	479 Tax Increment District #2-6 Vertical Limit	Total Nonmajor Governmental Funds 2011
\$	\$	\$	\$	\$	\$	\$ 362,856
						1,372
						10,296
						199,089
						3,401
		5,611				33,228
						50,000
\$	\$	\$ 5,611	\$	\$	\$	\$ 660,242
\$	\$	\$	\$	\$	\$	\$ 36
						338
		5,611				246,014
	24,290					24,290
	49,606	4,033				67,555
	73,896	9,644				338,233
						194,565
						55,867
						163,422
	(73,896)	(4,033)				(91,845)
	(73,896)	(4,033)				322,009
\$	\$	\$ 5,611	\$	\$	\$	\$ 660,242

**CITY OF WANAMINGO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2011**

	Special Revenue			304 1994 G.O. Improvement	305 1999 G.O. Refunding Improvement	308 2005A G.O. Improvement Refunding
	251 Economic Development	210 Revolving Loan	230 Senior Housing Reserve			
<b>REVENUES</b>						
Property taxes	\$ 20,000		\$ 17,896	\$	\$ 28,406	\$ 14,203
Tax increments						
Special assessments						20,626
Intergovernmental revenue					677	339
Investment income		1,184				
Miscellaneous revenues	1,200	1,816				
<b>Total Revenues</b>	<b>21,200</b>	<b>3,000</b>	<b>17,896</b>		<b>29,083</b>	<b>35,168</b>
<b>EXPENDITURES</b>						
Economic development	18,188		33,160			
Debt service					30,507	33,305
Capital outlay						
<b>Total Expenditures</b>	<b>18,188</b>		<b>33,160</b>		<b>30,507</b>	<b>33,305</b>
Excess (deficiency) of revenues over (under) expenditures	3,012	3,000	(15,264)		(1,424)	1,863
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in				6,648		
Transfers out						
<b>Total other financing sources (uses)</b>				<b>6,648</b>		
<b>Net change in fund balances</b>	<b>3,012</b>	<b>3,000</b>	<b>(15,264)</b>	<b>6,648</b>	<b>(1,424)</b>	<b>1,863</b>
Fund Balance - beginning	(2,871)	23,552	65,264	(6,648)	(12,471)	73,161
Fund Balance - ending	\$ 141	\$ 26,552	\$ 50,000	\$	\$ (13,895)	\$ 75,024

307 2004 Public Project Refunding	323 2005 Improvement	326 City Shop Lease Purchase	327 Pumper Lease	329 City Hall Lease Purchase	324 2006A Equipment Certificate	325 2006D Equipment Certificate
\$	\$	\$ 30,300	\$	\$ 17,044	\$ 27,459	\$ 15,150
	12,825	723		406	655	361
	12,825	31,023		17,450	28,114	15,511
78,955	70,206	23,749	26,772	18,287	28,574	14,820
78,955	70,206	23,749	26,772	18,287	28,574	14,820
(78,955)	(57,381)	7,274	(26,772)	(837)	(460)	691
85,000			27,000		5,469	
85,000			27,000		5,469	
6,045	(57,381)	7,274	228	(837)	5,009	691
33,034	103,655	22,188	1,861	816	(5,009)	1,946
\$ 39,079	\$ 46,274	\$ 29,462	\$ 2,089	\$ (21)	\$	\$ 2,637

**CITY OF WANAMINGO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES (CONTINUED)**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2011**

	401 Capital Improvement Fund	220 Fire Capital	448 Storm Sewer	449 WAC / SAC	470 Tax Increment District #1-1 Masters
<b>REVENUES</b>					
Property taxes	\$	\$	\$	\$	\$
Tax increments					2,033
Special assessments					
Intergovernmental revenue					
Investment income					
Miscellaneous revenues			6,708		
<b>Total Revenues</b>			<b>6,708</b>		<b>2,033</b>
<b>EXPENDITURES</b>					
Economic development					
Debt service					
Capital outlay					1,930
<b>Total Expenditures</b>					<b>1,930</b>
Excess (deficiency) of revenues over (under) expenditures			6,708		103
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in		30,000			
Transfers out	(94,736)	(27,000)			(103)
<b>Total other financing sources (uses)</b>	<b>(94,736)</b>	<b>3,000</b>			<b>(103)</b>
<b>Net change in fund balances</b>	<b>(94,736)</b>	<b>3,000</b>	<b>6,708</b>		
Fund Balance - beginning	94,736	52,867	21,191	58,830	
Fund Balance - ending	\$	\$ 55,867	\$ 27,899	\$ 58,830	\$

475 Tax Increment District #2-2 Benson	473 Tax Increment District #4-2 Fulton	474 Tax Increment District #4-3 Masters	477 Tax Increment District #2-4 Doffing	478 Tax Increment District #2-5 Meyers	479 Tax Increment District #2-6 Vertical Limit	Total Nonmajor Governmental Funds 2011
\$ 16,177	\$ 4,931	\$ 7,227	\$ 11,709	\$ 51,588	\$ 18,324	\$ 170,458
						111,989
						33,451
						3,161
						1,184
						9,724
16,177	4,931	7,227	11,709	51,588	18,324	329,967
					100	51,348
100	100	3,140	100	100		325,275
100	100	3,140	100	100	100	5,470
16,077	4,831	4,087	11,609	51,488	18,224	382,093
						(52,126)
(16,077)			(11,609)	(51,488)	(18,224)	154,117
						(219,237)
(16,077)			(11,609)	(51,488)	(18,224)	(65,120)
	4,831	4,087				(117,246)
	(78,727)	(8,120)				439,255
\$	\$ (73,896)	\$ (4,033)	\$	\$	\$	\$ 322,009

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**CITY OF WANAMINGO, MINNESOTA**

**SUPPLEMENTAL INFORMATION**

**DECEMBER 31, 2011**

**CITY OF WANAMINGO, MINNESOTA  
WATER FUND  
Balance Sheet  
December 31, 2011 and 2010**

	2011	2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Accounts receivable	\$ 26,012	\$ 25,555
Special assessments receivable current	7,187	11,840
Special assessments receivable delinquent	2,674	2,750
Total Current Assets	35,873	40,145
<b>Noncurrent Assets</b>		
Capital assets		
Depreciable	3,652,467	3,652,467
Less: Accumulated depreciation	1,370,240	1,267,868
Total Capital Assets	2,282,227	2,384,599
<b>Other Assets</b>		
Special assessments receivable long-term	64,392	66,646
Total Noncurrent Assets	2,346,619	2,451,245
<b>TOTAL ASSETS</b>	<b>\$ 2,382,492</b>	<b>\$ 2,491,390</b>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 3,343	\$ 3,679
Accrued expenses	19,643	19,276
Due to other funds	70,148	73,107
Current maturities of bonds payable	35,800	35,800
Current maturities of note payable	85,000	83,000
Total Current Liabilities	213,934	214,862
<b>Noncurrent Liabilities</b>		
Bonds payable, net of current maturities, discount, and issuance costs	374,551	409,344
Compensated absences payable	9,074	7,303
Note payable, net of current maturities	837,000	922,000
Total Noncurrent Liabilities	1,220,625	1,338,647
Total Liabilities	1,434,559	1,553,509
<b>Net Assets</b>		
Invested in capital assets, net of related debt	949,876	934,455
Unrestricted	(1,943)	3,426
Total Net Assets	<b>\$ 947,933</b>	<b>\$ 937,881</b>

**CITY OF WANAMINGO, MINNESOTA  
WATER FUND  
Statement of Revenues, Expenses  
and Changes in Net Assets  
For the Years Ended December 31, 2011 and 2010**

	2011	2010
<b>Operating Revenue</b>		
User fees	\$ 116,008	\$ 102,967
Debt service charge	130,363	129,476
Total	<u>246,371</u>	<u>232,443</u>
<b>Operating Expenses</b>		
Employee services	42,757	40,666
Employee benefits and retirements	11,716	9,807
Materials and supplies	4,503	5,318
Repairs and maintenance	24,869	4,372
Utilities	9,474	4,300
Depreciation	102,372	102,372
Contractual services	5,123	9,671
Other charges	10,323	8,996
Total	<u>211,137</u>	<u>185,502</u>
Operating Income	<u>35,234</u>	<u>46,941</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	12,875	8,208
Miscellaneous income	410	
Water meter fee	20	
Interest expense	<u>(38,487)</u>	<u>(41,561)</u>
Total Nonoperating Revenues (Expenses)	<u>(25,182)</u>	<u>(33,353)</u>
<b>Net Income</b>	10,052	13,588
<b>TOTAL NET ASSETS - Beginning of Year</b>	<u>937,881</u>	<u>924,293</u>
<b>TOTAL NET ASSETS - End of Year</b>	<u>\$ 947,933</u>	<u>\$ 937,881</u>

**CITY OF WANAMINGO, MINNESOTA  
WASTEWATER FUND  
Balance Sheet  
December 31, 2011 and 2010**

	2011	2010
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and investments	\$ 181,973	\$ 127,137
Accounts receivable	25,800	27,292
Total Current Assets	<u>207,773</u>	<u>154,429</u>
<b>Noncurrent Assets</b>		
Capital assets		
Nondepreciable	10,000	10,000
Depreciable	2,745,688	2,745,688
Less: Accumulated depreciation	<u>1,316,307</u>	<u>1,254,902</u>
Total Capital Assets	<u>1,439,381</u>	<u>1,500,786</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,647,154</u>	<u>\$ 1,655,215</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 15,743	\$ 5,768
Accrued expenses	11,117	11,732
Current maturities of bonds payable	<u>30,000</u>	<u>30,000</u>
Total Current Liabilities	<u>56,860</u>	<u>47,500</u>
<b>Noncurrent Liabilities</b>		
Bonds payable, net of discount and issuance costs	459,023	488,240
Compensated absences payable	<u>9,085</u>	<u>7,310</u>
Total Liabilities	<u>524,968</u>	<u>543,050</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	950,358	982,546
Unrestricted	<u>171,828</u>	<u>129,619</u>
Total Net Assets	<u>\$ 1,122,186</u>	<u>\$ 1,112,165</u>

**CITY OF WANAMINGO, MINNESOTA  
WASTEWATER FUND  
Statement of Revenues, Expenses  
and Changes in Net Assets  
For the Years Ended December 31, 2011 and 2010**

	2011	2010
<b>Operating Revenue</b>		
Sales	\$ 154,745	\$ 143,226
Debt service charge	106,091	105,218
Total	<u>260,836</u>	<u>248,444</u>
<b>Operating Expenses</b>		
Employee services	50,442	50,002
Employee benefits and retirements	18,349	16,147
Materials and supplies	398	538
Repairs and maintenance	19,743	11,308
Utilities	20,181	15,921
Depreciation	61,405	60,633
Contractual services	30,000	27,738
Other charges	24,658	26,939
Total	<u>225,176</u>	<u>209,226</u>
Operating Income	<u>35,660</u>	<u>39,218</u>
<b>Nonoperating Revenues (Expenses)</b>		
Interest expense	(26,546)	(28,056)
Miscellaneous income	907	2,686
Total Nonoperating Revenues (Expenses)	<u>(25,639)</u>	<u>(25,370)</u>
<b>Net Income</b>	10,021	13,848
<b>TOTAL NET ASSETS - Beginning of Year</b>	<u>1,112,165</u>	<u>1,098,317</u>
<b>TOTAL NET ASSETS - End of Year</b>	<u>\$ 1,122,186</u>	<u>\$ 1,112,165</u>

**CITY OF WANAMINGO, MINNESOTA**  
**SANITATION FUND**  
**Balance Sheet**  
**December 31, 2011 and 2010**

	2011	2010
<hr/>		
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and investments	\$ 11,838	\$ 8,902
Accounts receivable	9,152	7,053
	<hr/>	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 20,990</b>	<b>\$ 15,955</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Net Assets</b>		
Unrestricted	\$ 20,990	\$ 15,955
	<hr/> <hr/>	<hr/> <hr/>

**CITY OF WANAMINGO, MINNESOTA  
SANITATION FUND  
Statement of Revenues, Expenses  
and Changes in Net Assets  
For the Years Ended December 31, 2011 and 2010**

	2011	2010
<b>Operating Revenues</b>		
Sales	\$ 56,923	\$ 54,847
<b>Operating Expenses</b>		
Contracted services	51,888	50,832
Other charges		26
Total	51,888	50,858
Operating Income	5,035	3,989
Transfers out		(10,000)
<b>Net Income (Loss)</b>	5,035	(6,011)
<b>TOTAL NET ASSETS - Beginning of Year</b>	15,955	21,966
<b>TOTAL NET ASSETS - End of Year</b>	\$ 20,990	\$ 15,955

**CITY OF WANAMINGO, MINNESOTA  
MEDICAL CENTER  
Balance Sheet  
December 31, 2011 and 2010**

	2011	2010
<b>ASSETS</b>		
<b>Noncurrent Assets</b>		
Capital assets		
Depreciable	\$ 619,586	\$ 619,586
Less: Accumulated depreciation	143,280	127,790
Total Capital Assets	<u>476,306</u>	<u>491,796</u>
<b>TOTAL ASSETS</b>	<u>\$ 476,306</u>	<u>\$ 491,796</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 131	\$ 13
Due to other funds	17,061	11,650
Total Current Liabilities	<u>17,192</u>	<u>11,663</u>
<b>Noncurrent Liabilities</b>		
Bonds payable, net of current maturities	<u>558,000</u>	<u>574,000</u>
Total Liabilities	<u>575,192</u>	<u>585,663</u>
<b>Net Assets</b>		
Invested in capital assets, net of related debt	(81,694)	(82,204)
Unrestricted	(17,192)	(11,663)
Total Net Assets	<u>\$ (98,886)</u>	<u>\$ (93,867)</u>

**CITY OF WANAMINGO, MINNESOTA  
MEDICAL CENTER  
Statement of Revenues, Expenses  
and Changes in Net Assets  
For the Years Ended December 31, 2011 and 2010**

	2011	2010
<b>Operating Revenues</b>		
Facility rent	\$ 46,535	\$ 41,938
<b>Operating Expenses</b>		
Repairs and maintenance	517	1,447
Utilities	5,436	8,080
Depreciation	15,490	15,490
Other charges	12,400	5,974
Total Operating Expenses	33,843	30,991
Operating Income	12,692	10,947
<b>Other Revenues (Expenses)</b>		
Tax increment	6,783	7,923
Interest expense	(24,494)	(25,735)
Total Other Revenues (Expenses)	(17,711)	(17,812)
<b>Net Income (Loss)</b>	(5,019)	(6,865)
<b>TOTAL NET ASSETS - Beginning of Year</b>	(93,867)	(87,002)
<b>TOTAL NET ASSETS - End of Year</b>	\$ (98,886)	\$ (93,867)