

CITY OF WANAMINGO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2012

CITY OF WANAMINGO, MINNESOTA

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CITY OF WANAMINGO, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2012

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CITY OF WANAMINGO, MINNESOTA

CITY OFFICIALS

DECEMBER 31, 2012

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, 2012

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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, 2012, 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 2011 financial statements and, in our report dated March 28, 2012, 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.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wanamingo, Minnesota as of December 31, 2012, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wanamingo, Minnesota's basic financial statements. The introductory section, combining and individual non-major 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 non-major funds financial statements have been subjected to the auditing procedures applied in our 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 or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2013, 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* in considering City of Wanamingo, Minnesota's internal control over financial reporting and compliance.

Smith, Schafu and Associates, Ltd.

CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Wanamingo, Minnesota, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012.

New Accounting Pronouncement. The City implemented GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, in fiscal year 2012. This standard provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The reader will notice a change in terminology from "net assets" to "net position."

FINANCIAL HIGHLIGHTS

- The assets of the City of Wanamingo exceeded its liabilities at the close of the most recent fiscal year by \$2,464,552 (*net position*). Of this amount, \$317,590 (unrestricted net position) 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 position increased by \$341,483.
- As of the close of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$328,349.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$51,822.
- The City of Wanamingo decreased total outstanding debt obligations by \$1,424,408 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 position* presents information on all of the City of Wanamingo's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. 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.

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-five 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, 2010 Refunding, 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.

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

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 rental of the medical center building.

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 33-54 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 55-62 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Wanamingo, assets exceeded liabilities by \$2,464,552 at the close of the most recent fiscal year.

City of Wanamingo's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 1,587,037	2,794,852	\$ 295,028	\$ 329,028	\$ 1,882,065	\$ 3,123,880
Capital assets	3,501,951	3,438,481	4,023,031	4,197,914	7,524,982	7,636,395
Total assets	<u>5,088,988</u>	<u>6,233,333</u>	<u>4,318,059</u>	<u>4,526,942</u>	<u>9,407,047</u>	<u>10,760,275</u>
Long-term liabilities						
outstanding	4,959,906	5,588,546	1,486,719	2,228,574	6,446,625	7,817,120
Other liabilities	336,209	513,941	159,661	306,145	495,870	820,086
Total liabilities	<u>5,296,115</u>	<u>6,102,487</u>	<u>1,646,380</u>	<u>2,534,719</u>	<u>6,942,495</u>	<u>8,637,206</u>
Net position:						
Invested in capital assets, net of related debt	(1,457,955)	(1,167,472)	2,425,312	1,800,381	967,357	632,909
Restricted	1,179,605	1,038,149			1,179,605	1,038,149
Unrestricted	71,223	260,169	246,367	191,842	317,590	452,011
Total net position	<u>\$ (207,127)</u>	<u>\$ 130,846</u>	<u>\$ 2,671,679</u>	<u>\$ 1,992,223</u>	<u>\$ 2,464,552</u>	<u>\$ 2,123,069</u>

A portion of the City of Wanamingo's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$317,590 may be used to meet the government's ongoing obligations to citizens and creditors.

The city reports a negative net position 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.

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

Governmental activities. Governmental activities decreased the City of Wanamingo's net position by \$337,973.

Business-type activities. Business-type activities increased the City of Wanamingo's net position by \$679,456. This increase is primarily the result of transfer in from a debt service fund to refund a portion of the bond allocated to the enterprise funds. There was also operating in the water and waste water funds following recent rate increases.

A condensed version of the Statement of Activities follows:

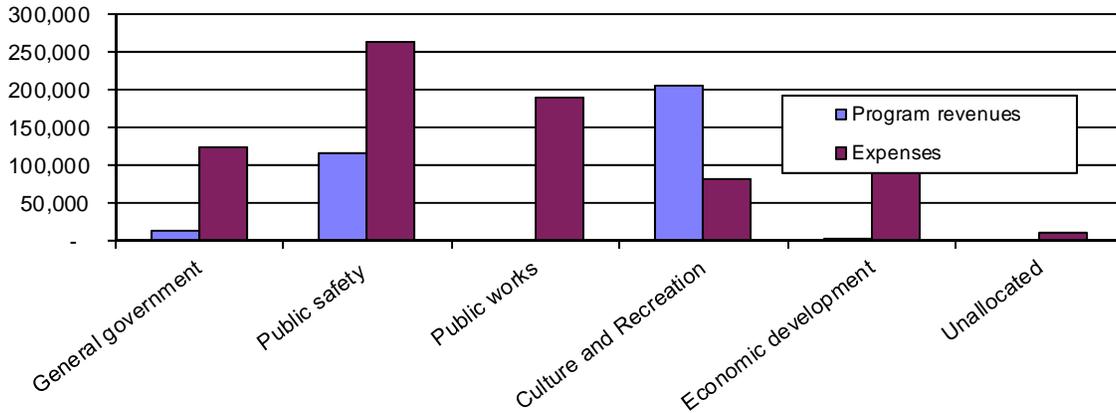
City of Wanamingo's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenue:						
Program revenues:						
Charges for services	\$ 101,131	97,952	\$ 619,835	\$ 610,665	\$ 720,966	\$ 708,617
Operating grants and contributions	42,260	129,246			42,260	129,246
Capital grants and contributions	194,988	33,271			194,988	33,271
General revenues:						
Property taxes	628,312	525,629			628,312	525,629
Tax increments	63,878	102,328			63,878	102,328
Grants and contributions not restricted to specific programs	199,963	214,172			199,963	214,172
Other	43,541	70,306	17,901	20,995	61,442	91,301
Total revenues	<u>1,274,073</u>	<u>1,172,904</u>	<u>637,736</u>	<u>631,660</u>	<u>1,911,809</u>	<u>1,804,564</u>
Expenses:						
General government	124,567	121,303			124,567	121,303
Public safety and transportation	265,316	249,854			265,316	249,854
Public works	191,310	191,896			191,310	191,896
Culture and recreation	81,932	95,525			81,932	95,525
Economic development	128,479	148,746			128,479	148,746
Interest on long-term debt	223,591	229,957			223,591	229,957
Unallocated	12,744	10,374			12,744	10,374
Water			210,663	249,624	210,663	249,624
Waste water			222,875	251,722	222,875	251,722
Sanitation			56,218	51,888	56,218	51,888
Medical Center			52,631	58,337	52,631	58,337
Total expenses	<u>1,027,939</u>	<u>1,047,655</u>	<u>542,387</u>	<u>611,571</u>	<u>1,570,326</u>	<u>1,659,226</u>
Increase in net position before transfers	246,134	125,249	95,349	20,089	341,483	145,338
Transfers	(584,107)		584,107			
Increase (Decrease) in net position	<u>(337,973)</u>	<u>125,249</u>	<u>679,456</u>	<u>20,089</u>	<u>341,483</u>	<u>145,338</u>
Net position, beginning of year (as restated, note 14)	130,846	5,597	1,992,223	1,972,134	2,123,069	1,977,731
Net position, end of year	<u>\$ (207,127)</u>	<u>\$ 130,846</u>	<u>\$ 2,671,679</u>	<u>\$ 1,992,223</u>	<u>\$ 2,464,552</u>	<u>\$ 2,123,069</u>

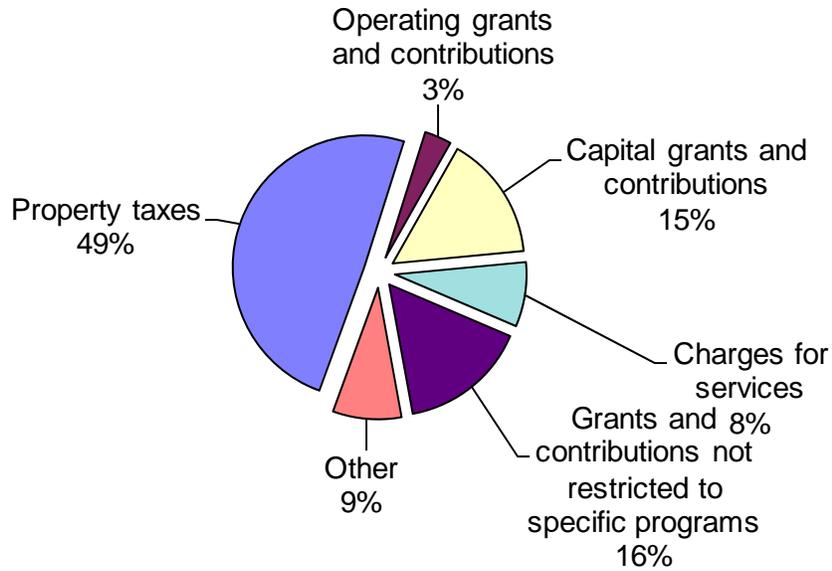
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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



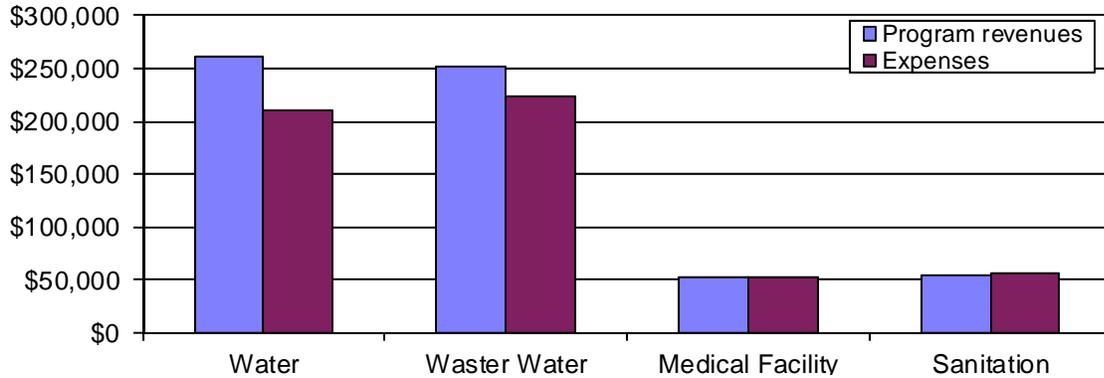
Revenues by Source - Governmental Activities



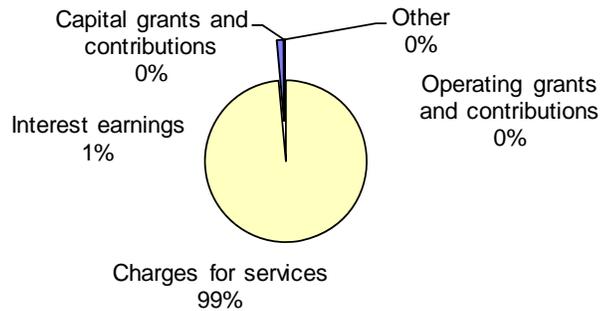
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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.

GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, requires fund balances to be classified as follows:

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.

As of the end of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$328,349, a decrease of \$926,912 as a result of using escrow cash to refund outstanding bonds at their call date. Approximately 19 percent of this total amount or \$63,496 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 \$51,822.

The general fund's total fund balance increased by \$96,226 during the current fiscal year as a result of maintaining prior year(s) increased general property tax levy, transfer of funds from storm sewer fund, grant money from FEMA for past year(s) flooding projects, City charges for snow removal from entities that push parking lot snow in the streets in order to offset costs of City snow removal, and by reducing scheduled general fund transfers to funds that had sufficient balances.

**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 position in the respective proprietary funds are Water - (\$9,786), Waste water - \$269,155, Sanitation - \$19,260, and Medical center - (\$10,027).

The water utility fund's increase before transfers of \$59,067 was partially due to a rate increase that took effect in April 2011. The excess earnings are paying back interfund loans. The water fund also received a transfer of escrow proceeds from a debt service fund to refund a portion of outstanding bonds allocated to the water fund.

The wastewater utility fund's increase before transfers of \$29,337 was a planned effort to increase cash reserves. The wastewater fund also received a transfer of escrow proceeds from a debt service fund to refund a portion of outstanding bonds allocated to the water fund.

General Fund Budgetary Highlights

The City approved the 2012 general fund budget anticipating an increase of \$33,751 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 \$231,617 higher than final budget while actual revenues exceeded final budget by \$282,092 both primarily the result of a flood recovery project. The fund showed an increase in net position totaling \$96,226 for the year ending December 31, 2012.

General fund revenues were over budget by \$282,092 primarily due to a Fire Department grant for the acquisition of equipment and FEMA grant funds from prior year flooding.

General fund expenditures were over budget by \$231,617 primarily due to the following reasons:

- The park department was over budget by \$192,387 as a result of expenditures from the 2010 flood damage offset by FEMA grant proceeds.
- Snow removal was under budget by \$1,600 primarily due to a light snow season.
- The fire department was over budget by \$35,686 due to an unbudgeted purchase of a gator and lease payments on air packs.

**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, 2012, amounts to \$7,524,982 (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 \$111,413 , or 1 percent.

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

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 114,068	\$ 114,068	\$ 10,000	\$ 10,000	\$ 124,068	\$ 124,068
Work in process		41,500				41,500
Buildings and improvements	944,727	977,419	3,979,197	4,145,010	4,923,924	5,122,429
Improvements other than buildings	2,198,596	2,012,600			2,198,596	2,012,600
Machinery and equipment	244,560	292,894	33,834	42,904	278,394	335,798
Total	\$ 3,501,951	\$ 3,438,481	\$ 4,023,031	\$ 4,197,914	\$ 7,524,982	\$ 7,636,395

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 \$6,578,064 in bonds and notes outstanding. Of this amount, \$6,159,314 comprises debt backed by the full faith and credit of the government and \$418,750 represents bonds or notes secured solely by specified revenue sources.

City of Wanamingo's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 3,715,000	\$ 4,163,200	\$ 766,000	\$ 1,474,800	\$ 4,481,000	\$ 5,638,000
General obligation TIF bonds	630,000	670,000			630,000	670,000
Revenue bonds	418,750	520,250			418,750	520,250
General obligation equipment certificates	55,000	67,000			55,000	67,000
Capital lease obligation	156,314	185,222			156,314	185,222
General obligation notes			837,000	922,000	837,000	922,000
Total	\$ 4,975,064	\$ 5,605,672	\$ 1,603,000	\$ 2,396,800	\$ 6,578,064	\$ 8,002,472

The City of Wanamingo's total bonds and notes payable decreased by \$1,424,408 during the current fiscal year in part due to escrow proceeds used to call bonds associated with an advance crossover refunding. A more detailed breakdown of these obligations can be found in Note 5, beginning on page 43.

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

Economic Factors and Next Year's Budgets and Rates

- The City anticipates some growth in the commercial and residential housing market as the Regional, State, and National economy improves.
- The City anticipates maintenance/painting for the water tower and pump house in 2014. The costs for the project will be paid for by a Minnesota Rural Water micro loan (bond). Water debt service rates will be increased in 2014 to supplement additional servicing of a new bond. Current rates will cover the shortfall.
- The City is exploring the sale of the medical facility in an effort to reduce costs and increase income through TIF funds.
- A combination of additional state aid and decreasing debt service obligations could have an impact on the general tax levy in future years.

All of these factors were considered in preparing the City of Wanamingo's budget for the 2013 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, 2012

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

December 31, 2012

With Comparative Totals for December 31, 2011

	Governmental Activities	Business-Type Activities	Totals	
			2012	2011
ASSETS				
Cash and investments	\$ 407,359	\$ 269,680	\$ 677,039	\$ 683,095
Cash in escrow				964,434
Receivables	1,066,899	55,873	1,122,772	1,301,188
Deposits	50,000		50,000	50,000
Due from other governmental units	32,254		32,254	37,954
Internal balances	30,525	(30,525)		
Capital assets:				
Nondepreciable	114,068	10,000	124,068	165,568
Depreciable, net	3,387,883	4,013,031	7,400,914	7,470,827
Total Assets	5,088,988	4,318,059	9,407,047	10,673,066
LIABILITIES				
Accounts payable	67,120	11,705	78,825	80,384
Accrued liabilities		5,420	5,420	11,589
Accrued interest payable	81,118	9,301	90,419	111,384
Compensated absences	12,971	22,235	35,206	28,720
General obligation tax/aid anticipation- certificate of indebtedness	175,000		175,000	350,000
Noncurrent liabilities				
Due within one year	396,601	111,000	507,601	477,408
Due in more than one year	4,563,305	1,486,719	6,050,024	7,490,512
Total Liabilities	5,296,115	1,646,380	6,942,495	8,549,997
NET POSITION				
Invested in capital assets, net of related debt	(1,457,955)	2,425,312	967,357	632,909
Restricted for:				
Debt service	1,179,605		1,179,605	1,038,149
Unrestricted	71,223	246,367	317,590	452,011
Total Net Position	\$ (207,127)	\$ 2,671,679	\$ 2,464,552	\$ 2,123,069

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 124,567	\$ 14,092	\$	\$
Public safety	265,316	68,615	32,551	14,370
Public works	191,310			
Culture and recreation	81,932	16,624	9,709	180,618
Economic development	128,479	1,800		
Unallocated	12,744			
Interest on long-term debt	223,591			
Total governmental activities	1,027,939	101,131	42,260	194,988
Business-Type activities:				
Water	210,663	261,150		
Waste water	222,875	251,746		
Sanitation	56,218	54,488		
Medical center	52,631	52,451		
Total business-type activities	542,387	619,835		
Total	\$ 1,570,326	\$ 720,966	\$ 42,260	\$ 194,988

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

Change in net position

Net position - beginning (as restated, note 14)

Net position - ending

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals 2012	2011
\$ (110,475)	\$	\$ (110,475)	\$ (108,501)
(149,780)		(149,780)	(59,121)
(191,310)		(191,310)	(158,625)
125,019		125,019	(73,062)
(126,679)		(126,679)	(147,546)
(12,744)		(12,744)	(10,374)
<u>(223,591)</u>		<u>(223,591)</u>	<u>(229,957)</u>
<u>(689,560)</u>		<u>(689,560)</u>	<u>(787,186)</u>
	50,487	50,487	(3,233)
	28,871	28,871	9,114
	(1,730)	(1,730)	5,035
	<u>(180)</u>	<u>(180)</u>	<u>(11,802)</u>
	<u>77,448</u>	<u>77,448</u>	<u>(886)</u>
<u>(689,560)</u>	<u>77,448</u>	<u>(612,112)</u>	<u>(788,072)</u>
628,312		628,312	525,629
63,878	8,855	72,733	109,111
199,963		199,963	214,172
3,780	8,454	12,234	21,612
39,761	592	40,353	62,886
<u>(584,107)</u>	<u>584,107</u>		
<u>351,587</u>	<u>602,008</u>	<u>953,595</u>	<u>933,410</u>
(337,973)	679,456	341,483	145,338
<u>130,846</u>	<u>1,992,223</u>	<u>2,123,069</u>	<u>1,977,731</u>
<u>\$ (207,127)</u>	<u>\$ 2,671,679</u>	<u>\$ 2,464,552</u>	<u>\$ 2,123,069</u>

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

December 31, 2012

With Comparative Totals for December 31, 2011

	101 General	306 2009A G.O. Tax Increment Refunding	316 2010 G.O. Refunding
ASSETS			
Cash and investments	\$ 37,731	\$ 52,335	\$
Cash in escrow			
Accounts receivable	49,727		
Taxes receivable delinquent	17,871	4,905	1,635
Special assessments receivable:			
Deferred	30,008	369,568	119,767
Delinquent			2,126
Loan receivable			
Deposits			
Advance to other funds	24,290		
Due from other funds	174,265		
Due from other governmental units	32,254		
	<u>\$ 366,146</u>	<u>\$ 426,808</u>	<u>\$ 123,528</u>
TOTAL ASSETS	<u>\$ 366,146</u>	<u>\$ 426,808</u>	<u>\$ 123,528</u>
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 67,155	\$	\$
Accrued expenses			
Deferred revenue	47,879	374,473	123,528
General obligation tax/aid anticipation- certificate of indebtedness	175,000		
Advance from other funds			
Due to other funds			51,004
	<u>290,034</u>	<u>374,473</u>	<u>174,532</u>
Total Liabilities	<u>290,034</u>	<u>374,473</u>	<u>174,532</u>
Fund Balance:			
Nonspendable:			
Advances to other funds	24,290		
Restricted:			
Creditors		52,335	
Committed			
Assigned			
Unassigned	51,822		(51,004)
	<u>76,112</u>	<u>52,335</u>	<u>(51,004)</u>
Total Fund Balance	<u>76,112</u>	<u>52,335</u>	<u>(51,004)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 366,146</u>	<u>\$ 426,808</u>	<u>\$ 123,528</u>

See Notes to Financial Statements

328 2007 G.O. Refunding	Other Governmental Funds	Total Governmental Funds	
		2012	2011
\$	\$ 317,328	\$ 407,394	\$ 489,284
	604	50,331	964,434
2,725	11,772	38,908	42,873
			44,405
242,308	182,765	944,416	1,041,564
74	1,397	3,597	3,901
	29,647	29,647	33,228
	50,000	50,000	50,000
		24,290	24,290
		174,265	205,061
		32,254	37,954
<u>\$ 245,107</u>	<u>\$ 593,513</u>	<u>\$ 1,755,102</u>	<u>\$ 2,936,994</u>
\$	\$	\$ 67,155	\$ 61,167
			5,326
245,107	225,581	1,016,568	1,123,098
		175,000	350,000
	24,290	24,290	24,290
23,036	69,700	143,740	117,852
<u>268,143</u>	<u>319,571</u>	<u>1,426,753</u>	<u>1,681,733</u>
		24,290	24,290
	188,228	240,563	1,160,236
	14,370	14,370	55,867
	165,334	165,334	163,422
<u>(23,036)</u>	<u>(93,990)</u>	<u>(116,208)</u>	<u>(148,554)</u>
<u>(23,036)</u>	<u>273,942</u>	<u>328,349</u>	<u>1,255,261</u>
<u>\$ 245,107</u>	<u>\$ 593,513</u>	<u>\$ 1,755,102</u>	<u>\$ 2,936,994</u>

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

For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	101 General	306 2009A G.O. Tax Increment Refunding	316 2010 G.O. Refunding
REVENUES			
General property taxes	\$ 397,442	\$ 47,971	\$ 15,990
Tax increment		2,574	
Special assessments			11,919
Licenses and permits	10,497		
Intergovernmental revenues	421,572		
Charges for services	85,266		
Fines and forfeits	3,568		
Investment income	1,592		
Miscellaneous revenues	50,115		
	<u>970,052</u>	<u>50,545</u>	<u>27,909</u>
Total Revenues			
EXPENDITURES			
General government	105,023		
Public safety	213,107		
Public works	124,411		
Culture and recreation	286,759		
Unallocated	21,526		
Economic development			
Debt service		64,872	355,940
Capital outlay			
	<u>750,826</u>	<u>64,872</u>	<u>355,940</u>
Total Expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>219,226</u>	<u>(14,327)</u>	<u>(328,031)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds			
Transfers in	10,000	78,967	
Transfers out	(133,000)		(649,415)
	<u>(123,000)</u>	<u>78,967</u>	<u>(649,415)</u>
Total other financing sources (uses)			
Net change in fund balances	96,226	64,640	(977,446)
Fund Balance - beginning (as restated, note 14)	<u>(20,114)</u>	<u>(12,305)</u>	<u>926,442</u>
Fund Balance - ending	<u>\$ 76,112</u>	<u>\$ 52,335</u>	<u>\$ (51,004)</u>

See Notes to Financial Statements

328 2007 G.O. Refunding	Other Governmental Funds	Total Governmental Funds	
		2012	2011
\$ 26,650	\$ 115,129	\$ 603,182	\$ 576,370
	91,931	94,505	115,912
23,595	33,339	68,853	152,156
		10,497	10,182
		421,572	329,702
		85,266	82,944
		3,568	3,626
	2,188	3,780	8,737
	25,606	75,721	76,671
<u>50,245</u>	<u>268,193</u>	<u>1,366,944</u>	<u>1,356,300</u>
		105,023	101,503
		213,107	304,746
		124,411	115,653
		286,759	129,947
		21,526	23,650
	49,512	49,512	51,348
112,510	305,000	838,322	536,088
	5,781	5,781	5,470
<u>112,510</u>	<u>360,293</u>	<u>1,644,441</u>	<u>1,268,405</u>
<u>(62,265)</u>	<u>(92,100)</u>	<u>(277,497)</u>	<u>87,895</u>
			49,115
	188,867	277,834	340,885
	(144,834)	(927,249)	(340,885)
	44,033	(649,415)	49,115
(62,265)	(48,067)	(926,912)	137,010
39,229	322,009	1,255,261	1,118,251
<u>\$ (23,036)</u>	<u>\$ 273,942</u>	<u>\$ 328,349</u>	<u>\$ 1,255,261</u>

CITY OF WANAMINGO, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2012

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

Total governmental fund balances (page 18)		\$ 328,349
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 5,749,409	
Less: Accumulated depreciation	<u>(2,247,458)</u>	3,501,951
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	\$ 42,505	
Deferred special assessments	944,416	
Leases and notes receivable	<u>29,647</u>	1,016,568
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	\$ (4,975,064)	
Unamortized bond issuance costs	15,158	
Compensated absences	(12,971)	
Accrued interest	<u>(81,118)</u>	<u>(5,053,995)</u>
Net position of governmental activities (page 14)		<u><u>\$ (207,127)</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, 2012

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

Net change in fund balances - total governmental funds (page 20)		\$ (926,912)
<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	\$ 238,203	
Depreciation expense	<u>(174,733)</u>	63,470
<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, 2012	\$ 1,016,568	
Deferred revenue, December 31, 2011	<u>(1,123,098)</u>	(106,530)
<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, 2012	\$ (12,971)	
Compensated absences, December 31, 2011	<u>10,561</u>	(2,410)
<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	\$ 5,769	
Amortization of bond issuance costs	(1,968)	
Principal retirement on long-term debt	<u>630,608</u>	<u>634,409</u>
Change in net position of governmental activities (pages 15 and 16)		<u><u>\$ (337,973)</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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
REVENUES					
Property Taxes	\$ 394,000	\$ 394,000	\$ 397,442	\$ 3,442	\$ 292,288
Licenses and Permits					
Business	2,400	2,400	2,920	520	2,920
Nonbusiness	11,000	11,000	7,577	(3,423)	7,262
Total Licenses and Permits	13,400	13,400	10,497	(2,903)	10,182
Intergovernmental Revenues					
Local government aid	160,000	160,000	183,518	23,518	182,565
Market value credit					7,678
Other state aid	2,500	2,500	1,517	(983)	4,349
Federal grant			221,609	221,609	115,530
Fire aid	17,000	17,000	14,928	(2,072)	13,709
Total Intergovernmental Revenues	179,500	179,500	421,572	242,072	323,831
Charges For Services					
Township fire contributions	62,500	62,500	65,047	2,547	66,577
Swimming pool fees	10,700	10,700	16,624	5,924	13,747
Other	2,600	2,600	3,595	995	2,620
Total Charges For Services	75,800	75,800	85,266	9,466	82,944
Fines and Forfeits					
Court fines	2,000	2,000	3,568	1,568	3,626
Investment Income					
	750	750	1,592	842	4,686
Miscellaneous Revenues					
Fire department contribution	10,000	10,000	6,500	(3,500)	20,726
Other contributions	6,500	6,500	9,709	3,209	8,716
Other refunds and reimbursements	1,000	1,000	20,704	19,704	24,878
Other	5,010	5,010	13,202	8,192	12,627
Total Miscellaneous Revenues	22,510	22,510	50,115	27,605	66,947
TOTAL REVENUES	\$ 687,960	\$ 687,960	\$ 970,052	\$ 282,092	\$ 784,504

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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Employee services	\$ 11,820	\$ 11,820	\$ 11,277	\$ 543	\$ 10,971
Insurance	75	75	1,853	(1,778)	130
Total Mayor and Council	<u>11,895</u>	<u>11,895</u>	<u>13,130</u>	<u>(1,235)</u>	<u>11,101</u>
Election and Voter Registration	<u>530</u>	<u>530</u>	<u>1,312</u>	<u>(782)</u>	<u>377</u>
City Administration					
Employee services	24,900	24,900	27,020	(2,120)	25,060
Employee benefits and retirement	5,450	5,450	5,284	166	957
Materials and supplies	3,800	3,800	3,037	763	3,585
Telephone	2,700	2,700	4,095	(1,395)	3,565
Printing and publishing	2,000	2,000	2,151	(151)	2,007
Contracted services	2,500	2,500	1,213	1,287	1,724
Insurance	23,300	23,300	10,799	12,501	11,308
Other charges	8,700	8,700	9,201	(501)	6,639
Capital outlay	16,000	16,000	2,270	13,730	2,247
Total City Administration	<u>89,350</u>	<u>89,350</u>	<u>65,070</u>	<u>24,280</u>	<u>57,092</u>
Professional Services					
Legal	10,000	10,000	8,061	1,939	15,783
Accounting and audit	17,000	17,000	17,450	(450)	17,150
Total Professional Services	<u>27,000</u>	<u>27,000</u>	<u>25,511</u>	<u>1,489</u>	<u>32,933</u>
Total General Government	<u>\$ 128,775</u>	<u>\$ 128,775</u>	<u>\$ 105,023</u>	<u>\$ 23,752</u>	<u>\$ 101,503</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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Safety					
Police Protection					
Contractual services	\$ 92,045	\$ 92,045	\$ 92,044	\$ 1	\$ 92,044
Legal services			8,000	(8,000)	5,324
Total Police Protection	92,045	92,045	100,044	(7,999)	97,368
Ambulance					
Contractual services	3,021	3,021	3,258	(237)	3,021
Fire Protection					
State fire aid	17,000	17,000	14,928	2,072	13,565
Materials and supplies	8,700	8,700	18,254	(9,554)	13,092
Utilities	10,100	10,100	6,877	3,223	7,325
Repairs and maintenance	15,000	15,000	14,021	979	10,903
Insurance	9,100	9,100	10,034	(934)	8,457
Other charges	5,200	5,200	8,299	(3,099)	8,263
Debt service			11,373	(11,373)	
Capital outlay			17,000	(17,000)	137,857
Total Fire Protection	65,100	65,100	100,786	(35,686)	199,462
Building Inspection					
Contractual services	7,000	7,000	9,019	(2,019)	4,895
Total Public Safety	\$ 167,166	\$ 167,166	\$ 213,107	\$ (45,941)	\$ 304,746

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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Works					
Highways, Streets and Alleys					
Employee services	\$ 39,000	\$ 39,000	\$ 41,743	\$ (2,743)	\$ 39,953
Employee benefits and retirement	12,000	12,000	9,538	2,462	9,420
Materials and supplies	7,000	7,000	5,931	1,069	10,735
Repairs and maintenance	10,000	10,000	7,910	2,090	7,974
Utilities	7,100	7,100	8,276	(1,176)	7,050
Telephone	1,150	1,150	1,841	(691)	1,623
Insurance	5,600	5,600	5,806	(206)	5,498
Other charges	2,200	2,200	3,318	(1,118)	2,899
Capital outlay			3,758	(3,758)	
Total Highways Streets and Alleys	84,050	84,050	88,121	(4,071)	85,152
Snow Removal	15,000	15,000	13,400	1,600	5,280
Street Lights	21,000	21,000	22,890	(1,890)	25,221
Total Public Works	\$ 120,050	\$ 120,050	\$ 124,411	\$ (4,361)	\$ 115,653

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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
EXPENDITURES					
Culture and Recreation					
Community center					
Material and supplies	\$ 200	\$ 200	\$ 106	\$ 94	\$ 72
Utilities	3,000	3,000	3,296	(296)	3,512
Other charges	3,875	3,875	2,588	1,287	2,517
Total Community center	7,075	7,075	5,990	1,085	6,101
Parks					
Employee services	2,500	2,500	3,039	(539)	2,557
Employee benefits and retirement	520	520	453	67	381
Materials and supplies	450	450	50	400	13
Repairs and maintenance	750	750	736	14	935
Utilities	1,150	1,150	1,883	(733)	1,617
Insurance	2,750	2,750	2,370	380	2,038
Contracted services	20,500	20,500	17,530	2,970	17,596
Capital outlay			194,946	(194,946)	44,299
Total Parks	28,620	28,620	221,007	(192,387)	69,436
Swimming Pool					
Employee services	29,500	29,500	34,525	(5,025)	30,354
Employee benefits and retirement	2,100	2,100	3,130	(1,030)	2,880
Materials and supplies	4,700	4,700	3,019	1,681	3,703
Repairs and maintenance	2,000	2,000	3,842	(1,842)	3,687
Utilities	7,300	7,300	9,015	(1,715)	7,912
Insurance	2,750	2,750	2,457	293	2,717
Other charges	2,873	2,873	3,774	(901)	3,157
Total Swimming Pool	51,223	51,223	59,762	(8,539)	54,410
Total Culture and Recreation	\$ 86,918	\$ 86,918	\$ 286,759	\$ (199,841)	\$ 129,947

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, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Budgeted Amounts		2012 Actual Amounts	Variance with Final Budget - Positive (Negative)	2011 Actual Amounts
	Original	Final			
EXPENDITURES					
Unallocated Expense					
Professional Services	\$ 3,250	\$ 3,250	\$ 3,241	\$ 9	\$ 4,970
Debt service	3,750	3,750	7,705	(3,955)	9,631
Miscellaneous	9,300	9,300	10,580	(1,280)	9,049
Total Unallocated	<u>16,300</u>	<u>16,300</u>	<u>21,526</u>	<u>(5,226)</u>	<u>23,650</u>
TOTAL EXPENDITURES	<u>519,209</u>	<u>519,209</u>	<u>750,826</u>	<u>(231,617)</u>	<u>675,499</u>
Excess (deficiency) of revenues over (under) expenditures	<u>168,751</u>	<u>168,751</u>	<u>219,226</u>	<u>50,475</u>	<u>109,005</u>
Other Financing Sources (Uses)					
Capital lease					49,115
Transfers in			10,000	(10,000)	89,370
Transfers out	(135,000)	(135,000)	(133,000)	2,000	(121,648)
Total other financing sources (uses)	<u>(135,000)</u>	<u>(135,000)</u>	<u>(123,000)</u>	<u>(8,000)</u>	<u>16,837</u>
Net change in fund balances	33,751	33,751	96,226	62,475	125,842
FUND BALANCE - beginning (as restated, note 14)	<u>(20,114)</u>	<u>(20,114)</u>	<u>(20,114)</u>		<u>(145,956)</u>
FUND BALANCE - ending	<u>\$ 13,637</u>	<u>\$ 13,637</u>	<u>\$ 76,112</u>	<u>\$ 62,475</u>	<u>\$ (20,114)</u>

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Business - Type Activities - Enterprise Funds					
	Water	Waste Water	Sanitation	Medical Center	Totals	
					2012	2011
ASSETS						
Current Assets						
Cash and investments	\$	\$ 249,246	\$ 20,434	\$	\$ 269,680	\$ 193,811
Accounts receivable		27,723	22,348	5,802	55,873	60,964
Special assessments receivable current						7,187
Special assessments receivable delinquent						2,674
Total Current Assets		27,723	271,594	26,236	325,553	264,636
Noncurrent Assets						
Capital assets						
Nondepreciable		10,000			10,000	10,000
Depreciable		3,650,578	2,743,799	619,586	7,013,963	7,017,741
Less: Accumulated depreciation		1,466,572	1,375,590	158,770	3,000,932	2,829,827
Total Capital Assets		2,184,006	1,378,209	460,816	4,023,031	4,197,914
Other Assets						
Special assessments receivable long-term						64,392
Total Noncurrent Assets		2,184,006	1,378,209	460,816	4,023,031	4,262,306
TOTAL ASSETS	\$ 2,211,729	\$ 1,649,803	\$ 26,236	\$ 460,816	\$ 4,348,584	\$ 4,526,942
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 1,715	\$ 2,439	\$ 6,976	\$ 575	\$ 11,705	\$ 19,217
Accrued expenses		5,420			5,420	6,263
Accrued interest		9,301			9,301	24,497
Due to other funds		21,073		9,452	30,525	87,209
Current maturities of bonds payable		25,000			25,000	65,800
Current maturities of note payable		86,000			86,000	85,000
Total Current Liabilities		148,509	2,439	6,976	10,027	167,951
Noncurrent Liabilities						
Bonds payable, net of current maturities discount, and issuance costs		194,719		541,000	735,719	1,391,574
Note payable, net of current maturities		751,000			751,000	837,000
Compensated absences payable		11,111	11,124		22,235	18,159
Total Noncurrent Liabilities		956,830	11,124	541,000	1,508,954	2,246,733
TOTAL LIABILITIES		1,105,339	13,563	6,976	551,027	1,676,905
NET POSITION						
Invested in capital assets, net of related debt	1,116,176	1,367,085		(80,184)	2,403,077	1,800,381
Unrestricted	(9,786)	269,155	19,260	(10,027)	268,602	191,842
TOTAL NET POSITION	\$ 1,106,390	\$ 1,636,240	\$ 19,260	\$ (90,211)	\$ 2,671,679	\$ 1,992,223

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
For the Year Ended December 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Business - Type Activities - Enterprise Funds					
	Water	Waste		Medical Center	Total	
		Water	Sanitation		2012	2011
Operating Revenues						
Sales	\$ 260,150	\$ 251,746	\$ 54,488	\$ 52,451	\$ 618,835	\$ 610,665
Operating Expenses						
Employee services	40,336	51,031			91,367	93,199
Employee benefits and retirements	10,796	17,896			28,692	30,065
Materials and supplies	2,005	111			2,116	4,901
Repairs and maintenance	6,123	2,422		2,023	10,568	45,129
Utilities	9,170	22,410		5,758	37,338	35,091
Depreciation	98,221	61,172		15,490	174,883	179,267
Contracted services		18,562	56,215		74,777	87,011
Other charges	7,499	21,215	3	5,545	34,262	47,381
Total Operating Expenses	<u>174,150</u>	<u>194,819</u>	<u>56,218</u>	<u>28,816</u>	<u>454,003</u>	<u>522,044</u>
Operating Income (Loss)	<u>86,000</u>	<u>56,927</u>	<u>(1,730)</u>	<u>23,635</u>	<u>164,832</u>	<u>88,621</u>
Nonoperating Revenues (Expenses)						
Interest income	8,454				8,454	12,875
Tax increment				8,855	8,855	6,783
Miscellaneous income	126	466			592	1,317
Water meter fee	1,000				1,000	20
Interest expense	(36,513)	(28,056)		(23,815)	(88,384)	(89,527)
Total Nonoperating Revenues (Expenses)	<u>(26,933)</u>	<u>(27,590)</u>		<u>(14,960)</u>	<u>(69,483)</u>	<u>(68,532)</u>
Net Income (Loss) Before Transfers	59,067	29,337	(1,730)	8,675	95,349	20,089
Transfers in	99,390	484,717			584,107	
Net Increase (Decrease) in Net Position	158,457	514,054	(1,730)	8,675	679,456	20,089
NET POSITION - Beginning of Year	947,933	1,122,186	20,990	(98,886)	1,992,223	1,972,134
NET POSITION - End of Year	<u>\$ 1,106,390</u>	<u>\$ 1,636,240</u>	<u>\$ 19,260</u>	<u>\$ (90,211)</u>	<u>\$ 2,671,679</u>	<u>\$ 1,992,223</u>

See Notes to the Financial Statements

**CITY OF WANAMINGO, MINNESOTA
 PROPRIETARY FUND
 STATEMENT OF CASH FLOW**

For the Year Ended December 31, 2012

With Comparative Totals for the Year Ended December 31, 2011

	Business - Type Activities - Enterprise Funds					
	Water	Waste		Medical Center	Total	
		Water	Sanitation		2012	2011
Cash Flows From Operating Activities						
Cash received from customers	\$ 258,439	\$ 255,198	\$ 57,838	52,451	\$ 623,926	\$ 609,601
Cash paid to suppliers	(24,585)	(78,024)	(49,242)	(12,882)	(164,733)	(207,618)
Cash paid to employees	(51,132)	(67,534)			(118,666)	(122,104)
Net Cash Provided By Operating Activities	182,722	109,640	8,596	39,569	340,527	279,879
Cash Flows From Noncapital Financing Activities						
Other income (expense)	1,126				1,126	430
Increase (decrease) in due to other funds	(49,075)			(7,609)	(56,684)	2,452
Net Cash Provided By (Used In) Noncapital Financing Activities	(47,949)			(7,609)	(55,558)	2,882
Cash Flows From Capital and Related Financing Activities						
Special assessment collections	8,945				8,945	6,983
Tax increment collections				8,855	8,855	6,783
Principal paid on long-term debt	(279,300)	(497,500)		(17,000)	(793,800)	(164,800)
Interest and fiscal agent fees	(37,570)	(30,050)		(23,815)	(91,435)	(87,737)
Transfer in from (out to) other funds	164,698	484,717			649,415	
Net Cash Used In Capital and Related Financing Activities	(143,227)	(42,833)		(31,960)	(218,020)	(238,771)
Cash Flows From Investing Activities						
Investment income	8,454	466			8,920	13,782
NET INCREASE IN CASH AND CASH EQUIVALENTS		67,273	8,596		75,869	57,772
CASH AND CASH EQUIVALENTS - Beginning of Year		181,973	11,838		193,811	136,039
CASH AND CASH EQUIVALENTS - End of Year	\$	\$ 249,246	\$ 20,434	\$	\$ 269,680	\$ 193,811

See Notes to the Financial Statements

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

	Business - Type Activities - Enterprise Funds					
	Water	Waste Water	Sanitation	Medical Center	Total	
					2012	2011
Operating Income	\$ 86,000	\$ 56,927	\$ (1,730)	\$ 23,635	\$ 164,832	\$ 88,621
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	98,221	61,172		15,490	174,883	179,267
(Increase) Decrease In:						
Accounts receivable	(1,711)	3,452	3,350		5,091	(1,064)
Increase (Decrease) In:						
Accounts payable	(1,628)	(13,304)	6,976	444	(7,512)	9,757
Accrued expenses	1,840	1,393			3,233	3,298
 Net Cash Provided By Operating Activities	 \$ 182,722	 \$ 109,640	 \$ 8,596	 \$ 39,569	 \$ 340,527	 \$ 279,879

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CITY OF WANAMINGO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2012

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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 position 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*.

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.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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 *2010 G.O. Refunding 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)

1. Summary of Significant Accounting Policies (Continued)

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.

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)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position 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)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position 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

These financial statements do not include the historical cost of related depreciation of infrastructure constructed prior to 2004.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position 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 position. 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)

1. Summary of Significant Accounting Policies (Continued)

Net Position / Fund Balance

In the government-wide and proprietary financial statements, net position is 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 Position – This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

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

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)

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2012, 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	\$ 646,595
Money Market Mutual Fund	None	Unrated	30,444
			<u>\$ 677,039</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)

2. Cash and Investments (Continued)

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.

3. Due From Other Governmental Units

Amounts due from other governmental units as of December 31, 2012 are as follows:

<u>Fund</u>	<u>Goodhue County</u>	<u>State of Minnesota</u>
General	<u>\$ 17,326</u>	<u>\$ 14,928</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets

Capital asset activity for the year ended December 31, 2012 was as follows:

Governmental Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 114,068	\$	\$	\$ 114,068
Work in progress	41,500		41,500	
Total capital assets, not being depreciated	<u>155,568</u>		<u>41,500</u>	<u>114,068</u>
Capital assets, being depreciated:				
Buildings	1,636,650			1,636,650
Improvements other than buildings	2,445,243	258,945		2,704,188
Machinery and equipment	1,291,422	20,758	17,677	1,294,503
Total capital assets, being depreciated	<u>5,373,315</u>	<u>279,703</u>	<u>17,677</u>	<u>5,635,341</u>
Less accumulated depreciation for:				
Buildings	659,231	32,692		691,923
Improvements other than buildings	432,643	72,949		505,592
Machinery and equipment	998,528	69,092	17,677	1,049,943
Total accumulated depreciation	<u>2,090,402</u>	<u>174,733</u>	<u>17,677</u>	<u>2,247,458</u>
Total capital assets, being depreciated, net	<u>3,282,913</u>	<u>104,970</u>		<u>3,387,883</u>
 Governmental activities capital assets, net	 <u>\$ 3,438,481</u>	 <u>\$ 104,970</u>	 <u>\$ 41,500</u>	 <u>\$ 3,501,951</u>

Business-Type Activities	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 10,000	\$	\$	\$ 10,000
Total capital assets, not being depreciated	<u>10,000</u>			<u>10,000</u>
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	<u>7,017,741</u>			<u>7,017,741</u>
Less accumulated depreciation for:				
Buildings and improvements	2,602,350	165,813		2,768,163
Machinery and equipment	227,477	9,070		236,547
Total accumulated depreciation	<u>2,829,827</u>	<u>174,883</u>		<u>3,004,710</u>
Total capital assets, being depreciated, net	<u>4,187,914</u>	<u>(174,883)</u>		<u>4,013,031</u>
 Business-type activities capital assets, net	 <u>\$ 4,197,914</u>	 <u>\$ (174,883)</u>	 <u>\$</u>	 <u>\$ 4,023,031</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (Continued)

Governmental Activities:	
General government	\$ 15,957
Public safety	84,340
Public works	61,818
Culture and recreation	<u>12,618</u>
Total depreciation expense - governmental activities	<u>\$ 174,733</u>
Business-Type Activities:	
Water	\$ 98,221
Sewer	61,172
Medical Facility	<u>15,490</u>
Total depreciation expense - business-type activities	<u>\$ 174,883</u>

5. Long-Term Debt

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.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

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, 2012 balances are as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2012
General Obligation Improvement Bonds:			
Series 1999 Refunding	4.0%-5.00%	5/1/2014	\$ 60,000
Series 2005A Refunding	4.2%-4.60%	2/1/2023	265,000
Series 2005B	3.1%-4.75%	2/1/2026	725,000
Series 2007A Refunding	4.0%-4.85%	2/1/2037	1,670,000
Series 2010B Refunding	1.0%-3.70%	2/1/2023	995,000
General Obligation Tax Increment Bonds:			
Series 2009A Refunding	2.2%-4.55%	5/1/2025	630,000
Revenue Bonds:			
Series 2004 Refunding	1.75%-4.5%	3/1/2015	220,000
Series 2006B - City Shop	4.5%-4.75%	2/1/2017	105,750
Series 2007B - City Hall	4.70%	2/1/2018	93,000
General Obligation Equipment Certificate:			
Series 2006D - Fire Truck / Pumper	4.50%	2/1/2016	55,000
Capital Lease Obligation:			
Series 2007 - Pumper	4.75%	8/1/2017	116,072
Series 2011 - Fire Equipment	5.00%	5/4/2016	40,242
General Obligation Revenue Bonds:			
Medical Facility Bonds, series 2003	4.25%	1/1/2033	541,000
2006C Water Refunding	3.85%-4.2%	2/1/2020	225,000
General Obligation Revenue Notes:			
2001 Public Facilities Authority Water	1.81%	8/20/2021	837,000
Compensated Absences			<u>35,206</u>
	Total		6,613,270
Less: Unamortized Discount and Issue Costs			<u>(20,439)</u>
	Total Long Term Debt		<u><u>\$ 6,592,831</u></u>

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, 2012 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Improvement Bonds:					
Series 1999 Refunding	\$ 90,000	\$	\$ 30,000	\$ 60,000	\$ 30,000
Series 2002	323,200		323,200		
Series 2005A Refunding	285,000		20,000	265,000	20,000
Series 2005B	765,000		40,000	725,000	40,000
Series 2007A Refunding	1,705,000		35,000	1,670,000	40,000
Series 2010B Refunding	995,000			995,000	80,000
Revenue Bonds:					
Series 2004 Refunding - Fire Hall	290,000		70,000	220,000	70,000
Series 2006B - City Shop	124,250		18,500	105,750	19,250
Series 2007B - City Hall	106,000		13,000	93,000	14,000
General Obligation Tax Increment Bonds:					
Series 2009A Refunding	670,000		40,000	630,000	40,000
General Obligation Equipment Certificates:					
Series 2006D - Fire Truck / Pumper	67,000		12,000	55,000	13,000
Capital Lease Obligation:					
Series 2007 - Pumper	136,107		20,035	116,072	21,027
Series 2011 - Fire Equipment	49,115		8,873	40,242	9,324
Unamortized Discount and Issue Costs	(17,126)		(1,968)	(15,158)	
Compensated Absences	10,561	2,410		12,971	
Governmental Activities					
Long-term Liabilities	5,599,107	2,410	628,640	4,972,877	396,601
BUSINESS-TYPE ACTIVITIES					
General Obligation Improvement Bonds:					
Series 2002	666,800		666,800		
General Obligation Revenue Bonds:					
Medical Facility Bonds, series 2003	558,000		17,000	541,000	
2006C Water Refunding	250,000		25,000	225,000	25,000
General Obligation Revenue Notes:					
2001 Public Facilities Authority Water	922,000		85,000	837,000	86,000
Unamortized Discount and Issue Costs	(17,426)		(12,145)	(5,281)	
Compensated Absences	18,159	4,076		22,235	
Business-type Activities					
Long-term Liabilities	2,397,533	4,076	781,655	1,619,954	111,000
Total	\$ 7,996,640	\$ 6,486	\$ 1,410,295	\$ 6,592,831	\$ 507,601

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, 2012 are summarized below:

Years	General Obligation		General Obligation Tax		General Obligation Revenue		Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>								
2013	\$ 210,000	\$ 147,311	\$ 40,000	\$ 30,535	\$ 13,000	\$ 1,890	\$ 133,601	\$ 25,906
2014	210,000	140,672	40,000	28,890	13,500	1,282	141,117	19,890
2015	185,000	134,287	40,000	27,245	14,000	653	144,457	13,412
2016	190,000	128,222	40,000	25,305	14,500		73,129	6,618
2017	205,000	121,645	45,000	23,365			82,760	3,413
2018-2022	1,125,000	486,106	245,000	82,932				
2023-2027	690,000	278,912	180,000	18,500				
2028-2032	400,000	169,085						
2033-2037	500,000	86,341						
2038-2042								
Totals	<u>\$ 3,715,000</u>	<u>\$ 1,692,582</u>	<u>\$ 630,000</u>	<u>\$ 236,772</u>	<u>\$ 55,000</u>	<u>\$ 3,825</u>	<u>\$ 575,064</u>	<u>\$ 69,239</u>
<u>Business-Type Activities</u>								
2013					\$ 111,000	\$ 47,605		
2014					131,000	44,325		
2015					133,000	40,968		
2016					140,000	37,472		
2017					143,000	33,789		
2018-2022					594,000	113,099		
2023-2027					140,000	90,553		
2028-2032					172,000	30,770		
2033-2037					39,000	1,657		
Totals					<u>\$ 1,603,000</u>	<u>\$ 440,238</u>		

6. Individual Fund Disclosures

The amounts advanced to and advanced from other funds as of December 31, 2012 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>

During 2012, the General Fund had excess expenditures over appropriations of \$231,617.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures (Continued)

As of December 31, 2012, the following funds had deficit fund balances:

Debt Service Funds:	
1999 G.O. Refunding Improvement	\$ 10,804
2010 G.O. Refunding	51,004
2007 G.O. Refunding	23,036
2005 Improvement	12,440
Capital Projects Funds	
Tax Increment District #4-2 Fulton	67,859
Tax Increment District #4-3 Masters	2,887
Enterprise Funds:	
Medical Center	90,211

Transfers during the year ended December 31, 2012 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 10,000	\$ 133,000
Special Revenue:		
Economic Development	23,000	
Senior Housing Reserve	25,000	
Debt Service:		
1998 G.O. Tax Increment	78,967	
2004 Public Project Refunding	85,000	
Pumper Lease	55,867	
2010 G.O. Refunding		649,415
Capital Project:		
Fire Capital		55,867
Storm Water		10,000
TIF District #1-1 Masters		84
TIF District #2-2 Benson		9,987
TIF District #2-4 Doffing		10,746
TIF District #2-5 Meyers		22,882
TIF District #2-6 Vertical Limit		35,268
Enterprise:		
Water	99,390	
Waste Water	484,717	
Assessments transferred from enterprise fund to governmental funds and deferred at the fund level	65,308	
Totals	<u>\$ 927,249</u>	<u>\$ 927,249</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, 2012 follow below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 174,265	\$
Debt Service Funds:		
1999 G.O. Refunding Improvement		10,804
2010 G.O. Refunding		51,004
2007 G.O. Refunding		23,036
2005 Improvement		12,440
Capital Project Funds:		
Tax Increment District #4-2 Fulton		43,569
Tax Increment District #4-3 Masters		2,887
Enterprise Funds:		
Water fund		21,073
Medical center		9,452
	\$ 174,265	\$ 174,265

7. Fund Equity

The City has committed and assigned portions of the fund equity in the governmental funds. A summary of the committed and assigned portion of the fund equity at December 31, 2012 is as follows:

Committed Fund Balance	Fire Capital
Equipment Replacement	
Fire	\$ 14,370

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Fund Equity

The City has restricted portions of fund balance in the fund financial statements and fund equity in the government-wide financial statements. The restricted fund balance / equity represents the portion not available for expenditure or legally segregated for specific use. A summary of the restricted portion of the fund balance / equity at December 31, 2012 is as follows:

Specific Purpose	Restriction Imposed By			
	Contributors	Grantors	Creditors	Regulations
Restricted Fund Balance				
Debt Service Funds:				
Debt service requirements	\$	\$	\$ 240,563	\$
Total Restricted Fund Balance	\$	\$	\$ 240,563	\$
Restricted Net Position				
Debt service requirements	\$	\$	\$ 1,179,605	\$
Total Restricted Net Position	\$	\$	\$ 1,179,605	\$

Specific Purpose	Economic Development	Revolving Loan	Senior Housing Reserve	Storm Sewer	WAC / SAC
Assigned Fund Balance					
Economic development	\$ 429	\$ 31,552	\$	\$	\$
Senior housing			50,000		
Public works				24,523	58,830
Total Assigned Fund Balance	\$ 429	\$ 31,552	\$ 50,000	\$ 24,523	\$ 58,830

8. Defined Benefit Pension Plans - Statewide

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.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans – Statewide (continued)

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.

Two methods are used to compute benefits for GERF'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 PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 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 GERF. That report may be obtained on the web at 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. GERF 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 2012. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members and 7.0% for Coordinated PERF Plan Members, 14.1% for PEPFF members. The City's contributions to Public Employees Retirement Fund for the years ending December 31, 2012, 2011, and 2010 were \$14,108, \$12,509, and \$12,808 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)

9. Defined Benefit Pension Plan - Volunteer Fire Relief Association

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.

10. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City 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 2012.

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 2012. 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.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Contribution and Reimbursement Agreement - SEMMCHRA

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, 2012 totaled \$1,090,000.

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, 2012 because of the uncertainty and determination of required future payments, if any.

12. Subsequent Events

In preparing these financial statements, the City of Wanamingo, Minnesota has evaluated events and transactions for potential recognition of disclosures through March 22, 2013, the date the financial statements were available to be issued.

13. New Accounting Pronouncements

GASB 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, implemented this year provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The Statement of Net Assets is renamed the Statement of Net Position and includes four components: assets, deferred outflows of resources, liabilities and deferred inflows of resources. The City has determined they have no deferred outflows or inflows as defined by this standard.

Management has not currently determined what, if any, impact implementation of the following statements may have on the financial statements of the City.

GASB 65, *Items Previously Reported as Assets and Liabilities*, will be effective for the City beginning with its year ending December 31, 2013. This statement requires certain items that are currently reported as assets and liabilities to be reclassified as deferred outflows resources, deferred inflows of resources, or current-period outflows and inflows.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

14. Prior Period Adjustment

A prior period adjustment has been made to correct the accounts payable balance reported in the general fund for the year ended December 31, 2011. A summary of the prior period adjustment is as follows:

	<u>12/31/2011</u>
<u>Fund Financial Statements</u>	
General Fund - Ending fund balance, as previously reported	\$ (83,067)
Restatement to adjust accounts payable	<u>62,953</u>
General Fund - Ending fund balance, as restated	<u><u>\$ (20,114)</u></u>
 <u>Government Wide Financial Statements</u>	
General Fund - Ending fund balance, as previously reported	\$ 67,893
Restatement to adjust accounts payable	<u>62,953</u>
General Fund - Ending fund balance, as restated	<u><u>\$ 130,846</u></u>

The prior year comparative totals in the government wide financial statements, fund financial statements and management discussion and analysis have been updated to reflect the prior period correction.

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CITY OF WANAMINGO, MINNESOTA

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

DECEMBER 31, 2012

**CITY OF WANAMINGO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012**

	Special Revenue			Debt Service	
	251 Economic Development	210 Revolving Loan	230 Senior Housing Reserve	305 1999 G.O. Refunding Improvement	308 2005A G.O. Improvement Refunding
ASSETS					
Cash and investments	\$ 429	\$ 31,552	\$	\$	\$ 76,801
Accounts receivable					
Taxes receivable delinquent				3,815	1,635
Special assessments receivable:					
Deferred				4,014	71,467
Delinquent					686
Loan receivable		24,805			
Operating Reserve			50,000		
TOTAL ASSETS	\$ 429	\$ 56,357	\$ 50,000	\$ 7,829	\$ 150,589
LIABILITIES AND FUND BALANCE					
Liabilities:					
Deferred revenue	\$	\$ 24,805	\$	\$ 7,829	\$ 73,788
Advance from other funds					
Due to other funds				10,804	
Total Liabilities		24,805		18,633	73,788
Fund Balance:					
Restricted:					
Creditors					76,801
Committed					
Assigned	429	31,552	50,000		
Unassigned				(10,804)	
Total Fund Balance (Deficit)	429	31,552	50,000	(10,804)	76,801
TOTAL LIABILITIES AND FUND BALANCE	\$ 429	\$ 56,357	\$ 50,000	\$ 7,829	\$ 150,589

Debt Service

307 2004 Public Project Refunding	323 2005 Improvement	326 City Shop Lease Purchase	327 Pumper Lease	329 City Hall Lease Purchase	325 2006D Equipment Certificate
\$ 42,743	\$	\$ 32,173	\$ 31,183	\$ 1,490	\$ 3,838
		2,725		1,962	1,635
	107,284 711				
\$ 42,743	\$ 107,995	\$ 34,898	\$ 31,183	\$ 3,452	\$ 5,473
	\$ 107,995	\$ 2,725		\$ 1,962	\$ 1,635
	12,440				
	120,435	2,725		1,962	1,635
42,743		32,173	31,183	1,490	3,838
	(12,440)				
42,743	(12,440)	32,173	31,183	1,490	3,838
\$ 42,743	\$ 107,995	\$ 34,898	\$ 31,183	\$ 3,452	\$ 5,473

**CITY OF WANAMINGO, MINNESOTA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2012**

	Capital Projects			
	220	448	449	470
	Fire	Storm	WAC /	Tax Increment
	Capital	Sewer	SAC	District #1-1 Masters
ASSETS				
Cash and investments	\$ 14,370	\$ 23,919	\$ 58,830	\$
Accounts receivable		604		
Taxes receivable delinquent				
Special basements receivable:				
Delinquent				
Deferred				
Loan receivable				
Operating Reserve				
TOTAL ASSETS	\$ 14,370	\$ 24,523	\$ 58,830	\$
LIABILITIES AND FUND BALANCE				
Liabilities:				
Deferred revenue	\$	\$	\$	\$
Advance from other funds				
Due to other funds				
Total Liabilities				
Fund Balance:				
Restricted:				
Creditors				
Committed	14,370			
Assigned		24,523	58,830	
Unassigned				
Total Fund Balance (Deficit)	14,370	24,523	58,830	
TOTAL LIABILITIES AND FUND BALANCE	\$ 14,370	\$ 24,523	\$ 58,830	\$

Capital Projects						Total Nonmajor Governmental Funds 2012
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	
\$	\$	\$	\$	\$	\$	\$ 317,328 604 11,772 182,765 1,397 29,647 50,000
		4,842				
\$	\$	\$ 4,842	\$	\$	\$	\$ 593,513
\$	\$	\$ 4,842	\$	\$	\$	\$ 225,581 24,290 69,700
	24,290 43,569	2,887				
	67,859	7,729				319,571
						188,228 14,370 165,334 (93,990)
	(67,859)	(2,887)				
	(67,859)	(2,887)				273,942
\$	\$	\$ 4,842	\$	\$	\$	\$ 593,513

**CITY OF WANAMINGO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2012**

	Special Revenue			Debt Service	
	251 Economic Development	210 Revolving Loan	230 Senior Housing Reserve	305 1999 G.O. Refunding Improvement	308 2005A G.O. Improvement Refunding
REVENUES					
Property taxes	\$	\$	\$	\$ 37,311	\$ 15,990
Tax increments					
Special assessments					18,252
Intergovernmental revenue					
Investment income		2,188			
Miscellaneous revenues	1,800	2,812			
Total Revenues	1,800	5,000		37,311	34,242
EXPENDITURES					
Economic development	24,512		25,000		
Debt service				34,220	32,465
Capital outlay					
Total Expenditures	24,512		25,000	34,220	32,465
Excess (deficiency) of revenues over (under) expenditures	(22,712)	5,000	(25,000)	3,091	1,777
OTHER FINANCING SOURCES (USES)					
Transfers in	23,000		25,000		
Transfers out					
Total other financing sources (uses)	23,000		25,000		
Net change in fund balances	288	5,000		3,091	1,777
Fund Balance - beginning	141	26,552	50,000	(13,895)	75,024
Fund Balance - ending	\$ 429	\$ 31,552	\$ 50,000	\$ (10,804)	\$ 76,801

Debt Service

307 2004 Public Project Refunding	323 2005 Improvement	326 City Shop Lease Purchase	327 Pumper Lease	329 City Hall Lease Purchase	325 2006D Equipment Certificate
\$	\$	\$ 26,650	\$	\$ 19,188	\$ 15,990
	15,087				
	15,087	26,650		19,188	15,990
81,336	73,801	23,939	26,773	17,677	14,789
81,336	73,801	23,939	26,773	17,677	14,789
(81,336)	(58,714)	2,711	(26,773)	1,511	1,201
85,000			55,867		
85,000			55,867		
3,664	(58,714)	2,711	29,094	1,511	1,201
39,079	46,274	29,462	2,089	(21)	2,637
\$ 42,743	\$ (12,440)	\$ 32,173	\$ 31,183	\$ 1,490	\$ 3,838

CITY OF WANAMINGO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Capital Projects			
	220	448	449	470
	Fire	Storm	WAC /	Tax Increment
	Capital	Sewer	SAC	District #1-1 Masters
REVENUES				
Property taxes	\$	\$	\$	\$
Tax increments				1,834
Special assessments				
Intergovernmental revenue				
Investment income				
Miscellaneous revenues	14,370	6,624		
Total Revenues	14,370	6,624		1,834
EXPENDITURES				
Economic development				
Debt service				
Capital outlay				1,750
Total Expenditures				1,750
Excess (deficiency) of revenues over (under) expenditures	14,370	6,624		84
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out	(55,867)	(10,000)		(84)
Total other financing sources (uses)	(55,867)	(10,000)		(84)
Net change in fund balances	(41,497)	(3,376)		
Fund Balance - beginning	55,867	27,899	58,830	
Fund Balance - ending	\$ 14,370	\$ 24,523	\$ 58,830	\$

Capital Projects							Total Nonmajor Governmental Funds 2012
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		
\$ 10,087	\$ 6,137	\$ 4,677	\$ 10,846	\$ 22,982	\$ 35,368	\$ 115,129	
						91,931	
						33,339	
						2,188	
						25,606	
10,087	6,137	4,677	10,846	22,982	35,368	268,193	
						49,512	
100	100	3,531	100	100	100	305,000	
						5,781	
100	100	3,531	100	100	100	360,293	
9,987	6,037	1,146	10,746	22,882	35,268	(92,100)	
(9,987)			(10,746)	(22,882)	(35,268)	188,867	
						(144,834)	
(9,987)			(10,746)	(22,882)	(35,268)	44,033	
	6,037	1,146				(48,067)	
	(73,896)	(4,033)				322,009	
\$	\$ (67,859)	\$ (2,887)	\$	\$	\$	\$ 273,942	

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CITY OF WANAMINGO, MINNESOTA

SUPPLEMENTAL INFORMATION

DECEMBER 31, 2012

**CITY OF WANAMINGO, MINNESOTA
WATER FUND
Balance Sheet
December 31, 2012 and 2011**

	2012	2011
ASSETS		
Current Assets		
Accounts receivable	\$ 27,723	\$ 26,012
Special assessments receivable current		7,187
Special assessments receivable delinquent		2,674
Total Current Assets	27,723	35,873
Noncurrent Assets		
Capital assets		
Depreciable	3,650,578	3,652,467
Less: Accumulated depreciation	1,466,572	1,370,240
Total Capital Assets	2,184,006	2,282,227
Other Assets		
Special assessments receivable long-term		64,392
Total Noncurrent Assets	2,184,006	2,346,619
TOTAL ASSETS	\$ 2,211,729	\$ 2,382,492
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 1,715	\$ 3,343
Accrued expenses	5,420	5,617
Accrued interest	9,301	14,026
Due to other funds	21,073	70,148
Current maturities of bonds payable	25,000	35,800
Current maturities of note payable	86,000	85,000
Total Current Liabilities	148,509	213,934
Noncurrent Liabilities		
Bonds payable, net of current maturities, discount, and issuance costs	194,719	374,551
Compensated absences payable	11,111	9,074
Note payable, net of current maturities	751,000	837,000
Total Noncurrent Liabilities	956,830	1,220,625
Total Liabilities	1,105,339	1,434,559
Net Position		
Invested in capital assets, net of related debt	1,127,287	949,876
Unrestricted	(20,897)	(1,943)
Total Net Position	\$ 1,106,390	\$ 947,933

**CITY OF WANAMINGO, MINNESOTA
WATER FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2012 and 2011**

	2012	2011
Operating Revenue		
User fees	\$ 130,740	\$ 116,008
Debt service charge	129,410	130,363
Total	260,150	246,371
Operating Expenses		
Employee services	40,336	42,757
Employee benefits and retirements	10,796	11,716
Materials and supplies	2,005	4,503
Repairs and maintenance	6,123	24,869
Utilities	9,170	9,474
Depreciation	98,221	102,372
Contractual services		5,123
Other charges	7,499	10,323
Total	174,150	211,137
Operating Income	86,000	35,234
Nonoperating Revenues (Expenses)		
Interest income	8,454	12,875
Miscellaneous income	126	410
Water meter fee	1,000	20
Interest expense	(36,513)	(38,487)
Total Nonoperating Revenues (Expenses)	(26,933)	(25,182)
Net Income Before Transfers	59,067	10,052
Transfers in	99,390	
Net Income	158,457	10,052
NET POSITION - Beginning of Year	947,933	937,881
NET POSITION - End of Year	\$ 1,106,390	\$ 947,933

**CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Balance Sheet
December 31, 2012 and 2011**

	2012	2011
ASSETS		
Current Assets		
Cash and investments	\$ 249,246	\$ 181,973
Accounts receivable	22,348	25,800
Total Current Assets	271,594	207,773
Noncurrent Assets		
Capital assets		
Nondepreciable	10,000	10,000
Depreciable	2,743,799	2,745,688
Less: Accumulated depreciation	1,375,590	1,316,307
Total Capital Assets	1,378,209	1,439,381
TOTAL ASSETS	\$ 1,649,803	\$ 1,647,154
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 2,439	\$ 15,743
Accrued expenses		646
Accrued interest		10,471
Current maturities of bonds payable		30,000
Total Current Liabilities	2,439	56,860
Noncurrent Liabilities		
Bonds payable, net of discount and issuance costs		459,023
Compensated absences payable	11,124	9,085
Total Liabilities	13,563	524,968
Net Position		
Invested in capital assets, net of related debt	1,378,209	950,358
Unrestricted	258,031	171,828
Total Net Position	\$ 1,636,240	\$ 1,122,186

**CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2012 and 2011**

	2012	2011
Operating Revenue		
Sales	\$ 146,369	\$ 154,745
Debt service charge	105,377	106,091
Total	<u>251,746</u>	<u>260,836</u>
Operating Expenses		
Employee services	51,031	50,442
Employee benefits and retirements	17,896	18,349
Materials and supplies	111	398
Repairs and maintenance	2,422	19,743
Utilities	22,410	20,181
Depreciation	61,172	61,405
Contractual services	18,562	30,000
Other charges	21,215	24,658
Total	<u>194,819</u>	<u>225,176</u>
Operating Income	<u>56,927</u>	<u>35,660</u>
Nonoperating Revenues (Expenses)		
Interest expense	(28,056)	(26,546)
Miscellaneous income	466	907
Total Nonoperating Revenues (Expenses)	<u>(27,590)</u>	<u>(25,639)</u>
Net Income Before Transfers	29,337	10,021
Transfers in	<u>484,717</u>	
Net Income	514,054	10,021
NET POSITION - Beginning of Year	<u>1,122,186</u>	<u>1,112,165</u>
NET POSITION - End of Year	<u>\$ 1,636,240</u>	<u>\$ 1,122,186</u>

**CITY OF WANAMINGO, MINNESOTA
SANITATION FUND
Balance Sheet
December 31, 2012 and 2011**

	2012	2011
<hr/>		
ASSETS		
Current Assets		
Cash and investments	\$ 20,434	\$ 11,838
Accounts receivable	5,802	9,152
	<hr/>	<hr/>
TOTAL ASSETS	\$ 26,236	\$ 20,990
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 6,976	\$
	<hr/>	<hr/>
Net Position		
Unrestricted	\$ 19,260	\$ 20,990
	<hr/> <hr/>	<hr/> <hr/>

**CITY OF WANAMINGO, MINNESOTA
SANITATION FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2012 and 2011**

	2012	2011
Operating Revenues		
Sales	\$ 54,488	\$ 56,923
Operating Expenses		
Contracted services	56,215	51,888
Other charges	3	
Total	<u>56,218</u>	<u>51,888</u>
Net Income (Loss)	(1,730)	5,035
NET POSITION - Beginning of Year	<u>20,990</u>	<u>15,955</u>
NET POSITION - End of Year	<u><u>\$ 19,260</u></u>	<u><u>\$ 20,990</u></u>

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Balance Sheet
December 31, 2012 and 2011**

	2012	2011
ASSETS		
Noncurrent Assets		
Capital assets		
Depreciable	\$ 619,586	\$ 619,586
Less: Accumulated depreciation	158,770	143,280
Total Capital Assets	460,816	476,306
TOTAL ASSETS	\$ 460,816	\$ 476,306
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 575	\$ 131
Due to other funds	9,452	17,061
Total Current Liabilities	10,027	17,192
 Noncurrent Liabilities		
Bonds payable, net of current maturities	541,000	558,000
Total Liabilities	551,027	575,192
 Net Position		
Invested in capital assets, net of related debt	(80,184)	(81,694)
Unrestricted	(10,027)	(17,192)
Total Net Position	\$ (90,211)	\$ (98,886)

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2012 and 2011**

	2012	2011
Operating Revenues		
Facility rent	\$ 52,451	\$ 46,535
Operating Expenses		
Repairs and maintenance	2,023	517
Utilities	5,758	5,436
Depreciation	15,490	15,490
Other charges	5,545	12,400
Total Operating Expenses	28,816	33,843
Operating Income	23,635	12,692
Other Revenues (Expenses)		
Tax increment	8,855	6,783
Interest expense	(23,815)	(24,494)
Total Other Revenues (Expenses)	(14,960)	(17,711)
Net Income (Loss)	8,675	(5,019)
NET POSITION - Beginning of Year	(98,886)	(93,867)
NET POSITION - End of Year	\$ (90,211)	\$ (98,886)

AUDITOR'S REPORT ON COMPLIANCE

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

We have audited the financial statements of the City of Wanamingo, Minnesota as of and for the year ended December 31, 2012 and have issued our report thereon dated March 22, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Local Governments*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Local Government* covers seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City of Wanamingo, Minnesota complied with the material terms and conditions of applicable legal provisions.

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

Smith, Schafner and Associates, Ltd.

Rochester, Minnesota
March 22, 2013