

CITY OF WANAMINGO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2008

CITY OF WANAMINGO, MINNESOTA

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CITY OF WANAMINGO, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2008

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CITY OF WANAMINGO, MINNESOTA

**CITY OFFICIALS
DECEMBER 31, 2008**

John Simonson	Mayor
Daniel Benson	Council Member
Ryan Holmes	Council Member
Larry Van De Walker	Council Member
Ron Berg	Council Member
Pat Christopherson	City Administrator

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CITY OF WANAMINGO, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2008

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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, 2008, 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 2007 financial statements and, in our report dated March 21, 2008, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wanamingo, Minnesota as of December 31, 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2009, on our consideration of the City of Wanamingo, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Page Two

The Management's Discussion and Analysis on pages 3 through 13, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wanamingo, Minnesota's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and supplementary information listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Smith, Schafer and Associates, Ltd.

Rochester, Minnesota
March 24, 2009

CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Wanamingo, Minnesota, we offer readers of the City of Wanamingo's financial statements this narrative overview and analysis of the financial activities of the City of Wanamingo for the fiscal year ended December 31, 2008.

FINANCIAL HIGHLIGHTS

- The assets of the City of Wanamingo exceeded its liabilities at the close of the most recent fiscal year by \$2,089,257 (*net assets*). Of this amount, \$326,516 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net assets decreased by \$187,383.
- As of the close of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$874,858. Approximately 45 percent of this total amount or \$384,499 is available for use within the City's designations and policies.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$188,574 or 32 percent of total general fund expenditures.
- The City of Wanamingo decreased total outstanding debt obligations by \$1,063,761 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of the related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned, but not used, compensated absences).

Both of the government-wide financial statements distinguish functions of the City of Wanamingo that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Wanamingo include general government, public safety, public works, culture and recreation, and economic development. The business-type activities of the City of Wanamingo include the water, waste water, sanitation, medical center, and senior housing 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-six 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, 1998 G.O. Tax Increment, 2000 G.O. Improvement, and 2007 Refunding funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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, medical center, and senior housing 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 33-55 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 56-63 of this report.

IMPORTANT REMINDERS:

Infrastructure Assets. When the City of Wanamingo implemented GASB Statement No. 34 for its fiscal year ended December 31, 2004, the City elected not to record retroactive infrastructure for general government activities as allowed by Statement No. 34. Historically, governmental fixed assets, particularly infrastructure assets, have only been accounted for using the current financial resources (budgeted resources) method, and have not been expensed annually through depreciation or accounted for otherwise. Additionally, significant infrastructure assets have been constructed by developers and contributed to the City over the years but have never been recorded. Nonetheless, the City of Wanamingo has reserves in the general and capital projects funds and an ongoing program for repairs, reconditioning, and replacement of these assets with annual funding sources continually earmarked for these specific purposes. All 2004 and future acquisitions of infrastructure assets have and will be recorded under the new reporting model.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Wanamingo, assets exceeded liabilities by \$2,089,257 at the close of the most recent fiscal year.

City of Wanamingo's Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 2,350,974	\$ 3,302,811	\$ (7,254)	\$ (55,838)	\$ 2,343,720	\$ 3,246,973
Capital assets	3,777,939	3,928,235	5,575,047	5,786,094	9,352,986	9,714,329
Total assets	<u>6,128,913</u>	<u>7,231,046</u>	<u>5,567,793</u>	<u>5,730,256</u>	<u>11,696,706</u>	<u>12,961,302</u>
Long-term liabilities						
outstanding	5,470,192	6,349,667	3,721,234	3,910,643	9,191,426	10,260,310
Other liabilities	147,400	153,428	268,623	270,924	416,023	424,352
Total liabilities	<u>5,617,592</u>	<u>6,503,095</u>	<u>3,989,857</u>	<u>4,181,567</u>	<u>9,607,449</u>	<u>10,684,662</u>
Net assets:						
Invested in capital assets, net of related debt	(1,692,253)	(2,415,272)	1,660,813	1,683,451	(31,440)	(731,821)
Restricted	1,794,181	2,654,393			1,794,181	2,654,393
Unrestricted	409,393	488,830	(82,877)	(134,762)	326,516	354,068
Total net assets	<u>\$ 511,321</u>	<u>\$ 727,951</u>	<u>\$ 1,577,936</u>	<u>\$ 1,548,689</u>	<u>\$ 2,089,257</u>	<u>\$ 2,276,640</u>

A portion of the City of Wanamingo's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* of \$326,516 may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities decreased the City of Wanamingo's net assets by \$216,630.

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

Business-type activities. Business-type activities increased the City of Wanamingo's net assets by \$29,247. This increase is primarily the result from income in the water fund following recent rate increases. The income is offset by a net loss in the Senior Housing fund due to vacancies at the complex.

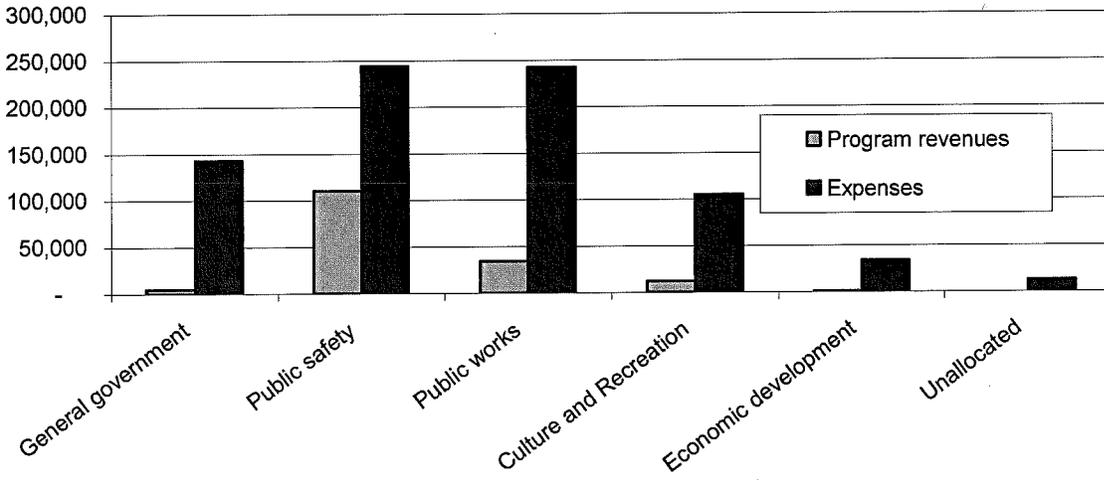
A condensed version of the Statement of Activities follows:

	City of Wanamingo's Change in Net Assets					
	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue:						
Program revenues:						
Charges for services	\$ 110,011	\$ 99,459	\$ 694,473	\$ 658,332	\$ 804,484	\$ 757,791
Operating grants and contributions	18,000	95,995			18,000	95,995
Capital grants and contributions	33,973	65,491			33,973	65,491
General revenues:						
Property taxes	330,166	336,690	27,847		358,013	336,690
Tax increments	56,308	39,076			56,308	39,076
Grants and contributions not restricted to specific programs	238,424	278,627	2,866		241,290	278,627
Other	47,021	112,890	17,165	24,326	64,186	137,216
Total revenues	<u>833,903</u>	<u>1,028,228</u>	<u>742,351</u>	<u>682,658</u>	<u>1,576,254</u>	<u>1,710,886</u>
Expenses:						
General government	143,160	128,348			143,160	128,348
Public safety and transportation	244,472	219,300			244,472	219,300
Public works	242,818	244,360			242,818	244,360
Culture and recreation	105,055	93,445			105,055	93,445
Economic development	33,695	110,241			33,695	110,241
Interest on long-term debt	268,591	337,463			268,591	337,463
Unallocated	12,742	19,449			12,742	19,449
Water			222,728	237,754	222,728	237,754
Waste water			236,027	223,735	236,027	223,735
Sanitation			48,527	44,788	48,527	44,788
Medical Center			61,070	58,454	61,070	58,454
Senior housing			144,752	142,334	144,752	142,334
Total expenses	<u>1,050,533</u>	<u>1,152,606</u>	<u>713,104</u>	<u>707,065</u>	<u>1,763,637</u>	<u>1,859,671</u>
Decrease in net assets	(216,630)	(124,378)	29,247	(24,407)	(187,383)	(148,785)
Net assets, beginning of year	727,951	852,329	1,548,689	1,573,096	2,276,640	2,425,425
Net assets, end of year	<u>\$ 511,321</u>	<u>\$ 727,951</u>	<u>\$ 1,577,936</u>	<u>\$ 1,548,689</u>	<u>\$ 2,089,257</u>	<u>\$ 2,276,640</u>

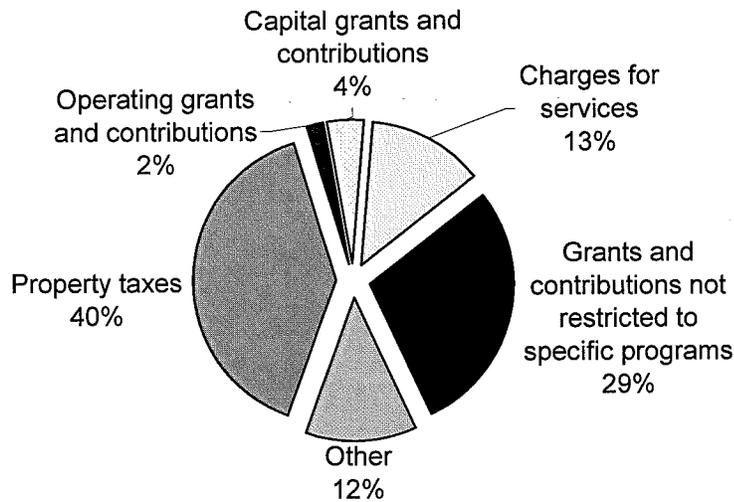
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Governmental Activities



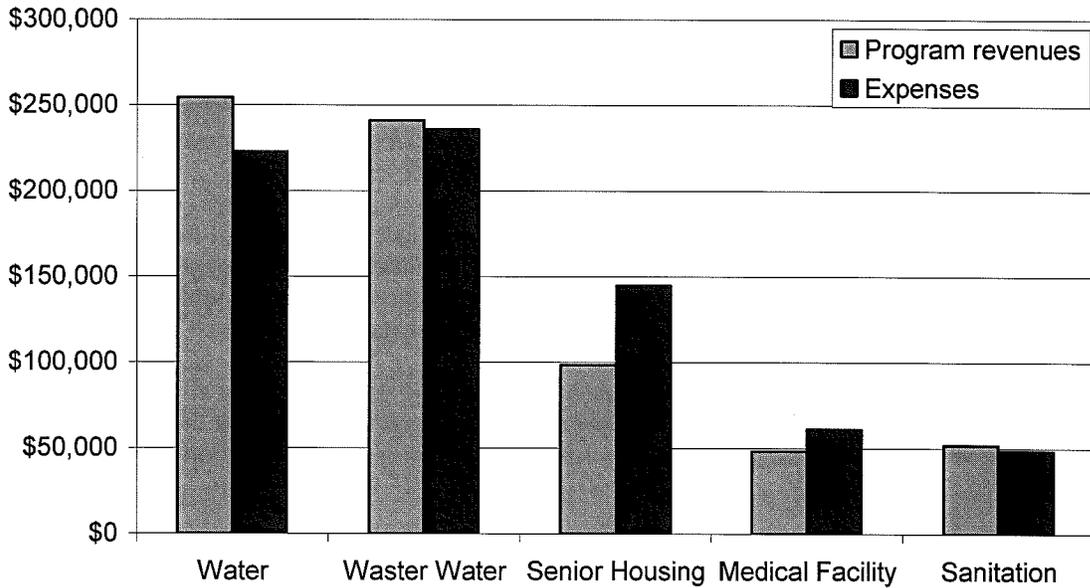
Revenues by Source - Governmental Activities



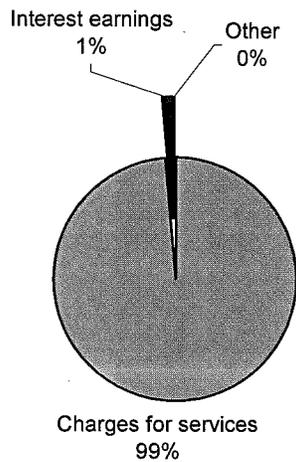
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following graphs relate the various business-type activities' program revenues with their expenditures. Since all five of these activities require significant physical assets to operate, any excess revenues are held for planned capital expenditures 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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$874,858, a decrease of \$948,621. Approximately 45 percent of this total amount or \$384,499 constitutes *unreserved fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *reserved* 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, unreserved fund balance of the general fund was \$188,574. As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 32 percent of total general fund expenditures.

The general fund's total fund balance decreased by \$130,854 during the current fiscal year as a result of a decrease in local government aid, fire department gambling donations, and property taxes coming in under budget. Also, there were unallocated expenses incurred to contractual services performed within the street department.

The 1998 G.O. Tax Increment Fund increased its fund balance by \$3,683 for the year as current year income transfers were sufficient to cover debt service requirements.

The 2000 G.O. Improvement Fund decreased its fund balance by \$647,293 due to paying off the series 2000 refunding bond.

The 2007 Refunding Fund decreased its fund balance by \$45,196 as the result of property taxes and special assessments not being sufficient to cover debt service requirements.

CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The unrestricted net assets in the respective proprietary funds are Water - \$(18,025), Waste water - \$17,404, Sanitation - \$17,659, Medical center - \$8,505, and Senior housing - \$(103,841). The Medical Center and Senior Housing had decreases in total net assets for the year.

The water utility fund's increase of \$35,963 was due to a rate increase that took effect January 2008.

The wastewater utility fund's increase of \$8,482 was due to a rate increase that took effect January 2008.

The senior housing fund's decrease of \$14,303 was primarily due to a revenue shortfall as a result of vacancies at the complex.

General Fund Budgetary Highlights

The City approved the 2008 general fund budget anticipating no increase or decrease 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 \$112,988 above final budget while actual revenues were under final budget by \$54,102. The fund showed a decrease in net assets totaling \$130,854 for the year ending December 31, 2008.

General fund revenues were under budget by \$54,102 primarily due to a cut in local government aid and a decrease in Fire Department contributions (specifically through a decrease in charitable gambling proceeds).

General fund expenditures were over budget by \$112,988 primarily due to the following reasons:

- The park department was over budget by \$22,583 as a result of unbudgeted contractual services allocated to the park department along with capital outlay for the volleyball court.
- City administration was over budget by \$23,471 primarily due to transitioning new employees.
- Police protection was over budget by \$18,736 primarily due to legal services (fees assigned for prosecution services).
- There were also unbudgeted repair and maintenance and capital outlay expenditures in 2008.

**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, 2008, amounts to \$9,352,986 (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 \$361,343, or 4 percent.

City of Wanamingo's Capital Assets

(net of depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 114,068	\$ 114,068	\$ 85,977	\$ 85,977	\$ 200,045	\$ 200,045
Buildings and improvements	1,075,495	1,108,260	5,395,977	5,600,542	6,471,472	6,708,802
Improvements other than buildings	2,198,448	2,238,440			2,198,448	2,238,440
Machinery and equipment	389,928	467,467	93,093	99,575	483,021	567,042
Total	\$ 3,777,939	\$ 3,928,235	\$ 5,575,047	\$ 5,786,094	\$ 9,352,986	\$ 9,714,329

Additional information on the City of Wanamingo's capital assets can be found in Note 4 on pages 43-44 of this report.

Long-term debt. At the end of the current fiscal year, the City of Wanamingo had \$9,449,319 in bonds and notes outstanding. Of this amount, \$8,462,100 comprises debt backed by the full faith and credit of the government and \$745,000 represents bonds or notes secured solely by specified revenue sources.

City of Wanamingo's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds	\$ 3,581,000	\$ 4,317,000	\$ 2,788,000	\$ 2,897,000	\$ 6,369,000	\$ 7,214,000
General obligation TIF bonds	745,000	775,000			745,000	775,000
Revenue bonds	796,500	872,000			796,500	872,000
General obligation equipment certificates	181,000	205,500			181,000	205,500
Capital lease obligation	190,719	200,480			190,719	200,480
General obligation notes			1,167,100	1,246,100	1,167,100	1,246,100
Total	\$ 5,494,219	\$ 6,369,980	\$ 3,955,100	\$ 4,143,100	\$ 9,449,319	\$ 10,513,080

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

Long-term debt (continued). The City of Wanamingo's total bonds and notes payable decreased by \$1,063,761 during the current fiscal year. A more detailed breakdown of these obligations can be found in Note 5, beginning on page 45.

Economic Factors and Next Year's Budgets and Rates

- The City anticipates little growth in the residential housing market.
- The City is reviewing staffing needs in an effort to reduce costs.
- The City is considering selling non-productive properties to relieve a portion of the City's debt.

All of these factors were considered in preparing the City of Wanamingo's budget for the 2009 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, 2008

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CITY OF WANAMINGO, MINNESOTA
STATEMENT OF NET ASSETS
December 31, 2008
With Comparative Totals for December 31, 2007

	Governmental Activities	Business-Type Activities	Totals	
			2008	2007
ASSETS				
Cash and investments	\$ 672,580	\$ 23,763	\$ 696,343	\$ 990,576
Investment with fiscal agent				620,947
Receivables	1,430,882	173,477	1,604,359	1,609,613
Due from other governmental units	40,837	2,181	43,018	25,837
Internal balances	206,675	(206,675)		
Capital assets:				
Nondepreciable	114,068	85,977	200,045	200,045
Depreciable, net	3,663,871	5,489,070	9,152,941	9,514,284
Total Assets	6,128,913	5,567,793	11,696,706	12,961,302
LIABILITIES				
Accounts payable	42,654	2,335	44,989	27,306
Accrued liabilities	3,560	5,115	8,675	6,231
Accrued interest payable	91,687	57,070	148,757	192,625
Compensated absences	9,499	4,579	14,078	10,649
Customer deposits		6,524	6,524	6,190
Noncurrent liabilities				
Due within one year	235,761	193,000	428,761	452,761
Due in more than one year	5,234,431	3,721,234	8,955,665	9,988,900
Total Liabilities	5,617,592	3,989,857	9,607,449	10,684,662
NET ASSETS				
Invested in capital assets, net of related debt	(1,692,253)	1,660,813	(31,440)	(731,821)
Restricted for:				
Debt service	1,794,181		1,794,181	2,654,393
Unrestricted	409,393	(82,877)	326,516	354,068
Total Net Assets	\$ 511,321	\$ 1,577,936	\$ 2,089,257	\$ 2,276,640

CITY OF WANAMINGO, MINNESOTA
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 143,160	\$ 4,730	\$	\$
Public safety	244,472	92,147	18,000	
Public works	242,818			33,973
Culture and recreation	105,055	12,122		
Economic development	33,695	1,012		
Unallocated	12,742			
Interest on long-term debt	268,591			
Total governmental activities	1,050,533	110,011	18,000	33,973
Business-Type activities:				
Water	222,728	254,535		
Waste water	236,027	241,228		
Sanitation	48,527	51,856		
Medical center	61,070	48,348		
Senior housing	144,752	98,506		
Total business-type activities	713,104	694,473		
Total	\$ 1,763,637	\$ 804,484	\$ 18,000	\$ 33,973

General revenues:

General property taxes

Tax increments

Grants and contributions not restricted to specific programs

Interest earnings

Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See Notes to Financial Statements

FORM A-2

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Totals 2008	2007
\$ (138,430)		\$ (138,430)	\$ (124,524)
(134,325)		(134,325)	(50,910)
(208,845)		(208,845)	(244,360)
(92,933)		(92,933)	(83,421)
(32,683)		(32,683)	(31,534)
(12,742)		(12,742)	(19,449)
(268,591)		(268,591)	(337,463)
<u>(888,549)</u>		<u>(888,549)</u>	<u>(891,661)</u>
	31,807	31,807	(2,547)
	5,201	5,201	(6,562)
	3,329	3,329	3,129
	(12,722)	(12,722)	(9,992)
	(46,246)	(46,246)	(32,761)
	<u>(18,631)</u>	<u>(18,631)</u>	<u>(48,733)</u>
<u>(888,549)</u>	<u>(18,631)</u>	<u>(907,180)</u>	<u>(940,394)</u>
330,166	27,847	358,013	336,690
56,308	8,195	64,503	47,797
238,424	2,866	241,290	278,627
19,675	8,418	28,093	81,063
27,346	552	27,898	47,432
<u>671,919</u>	<u>47,878</u>	<u>719,797</u>	<u>791,609</u>
(216,630)	29,247	(187,383)	(148,785)
<u>727,951</u>	<u>1,548,689</u>	<u>2,276,640</u>	<u>2,425,425</u>
<u>\$ 511,321</u>	<u>\$ 1,577,936</u>	<u>\$ 2,089,257</u>	<u>\$ 2,276,640</u>

CITY OF WANAMINGO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008
With Comparative Totals for December 31, 2007

	101 General	306 1998 G.O. Tax Increment	308 2000 G.O. Improvement
ASSETS			
Cash and investments	\$	\$ 7,942	\$ 66,324
Investment with fiscal agent			
Accounts receivable			
Taxes receivable delinquent	25,004	7,105	
Special assessments receivable:			
Delinquent			560
Deferred	3,685	545,933	128,657
Loan receivable			
Advance to other funds			
Due from other funds	203,331		
Due from other governmental units	31,014	2,181	
TOTAL ASSETS	\$ 263,034	\$ 563,161	\$ 195,541
 LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 42,654	\$	\$
Accrued expenses	3,117		
Deferred revenue	28,689	553,038	129,217
Advance from other funds			
Due to other funds		130,713	
Total Liabilities	74,460	683,751	129,217
Fund Balance:			
Reserved for:			
Interfund advances			
Debt service		(120,590)	66,324
Unreserved, undesignated, reported in:			
General fund	188,574		
Special revenue fund			
Capital projects fund			
Total Fund Balance	188,574	(120,590)	66,324
TOTAL LIABILITIES AND FUND BALANCE	\$ 263,034	\$ 563,161	\$ 195,541

See Notes to Financial Statements

FORM B-1

328 2007 Refunding	Other Governmental Funds	Total Governmental Funds	
		2008	2007
\$ 133,584	\$ 464,730	\$ 672,580	\$ 969,821
			620,947
	8,388	8,388	9,402
2,724	8,292	43,125	21,828
45,424	1,690	47,674	33,473
357,187	261,028	1,296,490	1,357,364
	35,205	35,205	35,770
	27,601	27,601	31,056
82,482	142,600	428,413	445,529
1,889	5,753	40,837	21,532
<u>\$ 623,290</u>	<u>\$ 955,287</u>	<u>\$ 2,600,313</u>	<u>\$ 3,546,722</u>
\$	\$	\$ 42,654	\$ 19,879
	443	3,560	2,384
405,334	313,624	1,429,902	1,457,069
	27,601	27,601	31,056
	91,025	221,738	212,855
<u>405,334</u>	<u>432,693</u>	<u>1,725,455</u>	<u>1,723,243</u>
	27,601	27,601	31,056
217,956	299,068	462,758	1,297,029
		188,574	319,428
	16,701	16,701	18,412
	179,224	179,224	157,554
<u>217,956</u>	<u>522,594</u>	<u>874,858</u>	<u>1,823,479</u>
<u>\$ 623,290</u>	<u>\$ 955,287</u>	<u>\$ 2,600,313</u>	<u>\$ 3,546,722</u>

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

For the Year Ended December 31, 2008

With Comparative Totals for the Year Ended December 31, 2007

	101 General	306 1998 G.O. Tax Increment	308 2000 G.O. Improvement
REVENUES			
General property taxes	\$ 191,821	\$ 25,760	\$ 543
Tax increment		13,100	
Special assessments			24,602
Licenses and permits	16,095		
Intergovernmental revenues	240,623	2,868	
Charges for services	71,652		
Fines and forfeits	6,143		
Investment income	6,252		504
Miscellaneous revenues	34,746		
	567,332	41,728	25,649
EXPENDITURES			
General government	132,394		
Public safety	179,174		
Public works	156,521		
Culture and recreation	112,555		
Economic development			
Unallocated	12,742		
Debt service		67,162	672,942
Capital outlay		1,460	
	593,386	68,622	672,942
Excess (deficiency) of revenues over (under) expenditures	(26,054)	(26,894)	(647,293)
OTHER FINANCING SOURCES (USES)			
Bond proceeds			
Transfers in		30,577	
Transfers out	(104,800)		
	(104,800)	30,577	
Net change in fund balances	(130,854)	3,683	(647,293)
Fund Balance - beginning	319,428	(124,273)	713,617
Fund Balance - ending	\$ 188,574	\$ (120,590)	\$ 66,324

See Notes to Financial Statements

FORM B-2

328 2007 Refunding	Other Governmental Funds	Total Governmental Funds	
		2008	2007
\$ 22,325	\$ 68,420	\$ 308,869	\$ 327,103
	43,208	56,308	39,076
23,732	32,312	80,646	34,323
		16,095	15,870
2,484	7,558	253,533	439,099
		71,652	62,695
		6,143	2,196
9,767	3,152	19,675	69,545
	12,177	46,923	70,911
<u>58,308</u>	<u>166,827</u>	<u>859,844</u>	<u>1,060,818</u>
		132,394	114,453
		179,174	246,627
		156,521	155,891
		112,555	91,037
	23,739	23,739	97,759
		12,742	19,449
103,504	337,776	1,181,384	2,215,180
	8,496	9,956	46,496
<u>103,504</u>	<u>370,011</u>	<u>1,808,465</u>	<u>2,986,892</u>
<u>(45,196)</u>	<u>(203,184)</u>	<u>(948,621)</u>	<u>(1,926,074)</u>
			1,952,000
	104,800	135,377	490,354
	<u>(30,577)</u>	<u>(135,377)</u>	<u>(490,354)</u>
	74,223		1,952,000
(45,196)	(128,961)	(948,621)	25,926
<u>263,152</u>	<u>651,555</u>	<u>1,823,479</u>	<u>1,797,553</u>
<u>\$ 217,956</u>	<u>\$ 522,594</u>	<u>\$ 874,858</u>	<u>\$ 1,823,479</u>

**CITY OF WANAMINGO, MINNESOTA
RECONCILIATION OF NET ASSETS IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2008**

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

Total governmental fund balances (page 18)	\$	874,858
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$	5,351,577
Less: Accumulated depreciation		<u>(1,573,638)</u>
		3,777,939
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	\$	90,799
Deferred special assessments		1,296,490
Leases and notes receivable		<u>42,613</u>
		1,429,902
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$	(5,479,691)
Accrued interest		<u>(91,687)</u>
		<u>(5,571,378)</u>
Net assets of governmental activities (page 14)	\$	<u><u>511,321</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, 2008

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

Net change in fund balances - total governmental funds (page 20)		\$ (948,621)
<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-capital project funds	\$ 9,956	
Capital outlay-other governmental funds	32,182	
Depreciation expense	(177,855)	(135,717)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets.</p>		
		(15,805)
<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, 2008	\$ 1,431,128	
Deferred revenue, December 31, 2007	(1,457,069)	(25,941)
<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		(3,339)
<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	\$ 39,478	
Principal retirement on long-term debt	873,315	912,793
		912,793
Change in net assets of governmental activities (pages 15 and 16)		\$ (216,630)

CITY OF WANAMINGO, MINNESOTA
GENERAL FUND
STATEMENTS OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
REVENUES					
Property Taxes	\$ 207,242	\$ 207,242	\$ 191,821	\$ (15,421)	\$ 202,086
Licenses and Permits					
Business	3,100	3,100	3,100		4,248
Nonbusiness	20,250	20,250	12,995	(7,255)	11,622
Total Licenses and Permits	23,350	23,350	16,095	(7,255)	15,870
Intergovernmental Revenues					
Local government aid	239,607	239,607	204,066	(35,541)	239,607
Market value credit	19,258	19,258	19,258		20,867
Other state aid	2,658	2,658	2,190	(468)	3,653
Fire aid	19,025	19,025	15,109	(3,916)	17,486
Federal grant					65,491
Total Intergovernmental Revenues	280,548	280,548	240,623	(39,925)	347,104
Charges For Services					
Township fire contributions	47,889	47,889	54,800	6,911	48,847
Swimming pool fees	9,150	9,150	12,122	2,972	10,024
Other	1,700	1,700	4,730	3,030	3,824
Total Charges For Services	58,739	58,739	71,652	12,913	62,695
Fines and Forfeits					
Court fines	1,000	1,000	6,143	5,143	2,196
Investment Income	2,500	2,500	6,252	3,752	1,694
Miscellaneous Revenues					
Fire department contribution	35,000	35,000	18,000	(17,000)	18,500
Other contributions	6,000	6,000	3,025	(2,975)	6,000
Other refunds and reimbursements			2,316	2,316	9,921
Other	7,055	7,055	11,405	4,350	6,290
Total Miscellaneous Revenues	48,055	48,055	34,746	(13,309)	40,711
TOTAL REVENUES	\$ 621,434	\$ 621,434	\$ 567,332	\$ (54,102)	\$ 672,356

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, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Employee services	\$ 10,875	\$ 10,875	\$ 11,591	\$ (716)	\$ 11,795
Insurance	484	484		484	875
Total Mayor and Council	<u>11,359</u>	<u>11,359</u>	<u>11,591</u>	<u>(232)</u>	<u>12,670</u>
Election and Voter Registration	<u>2,441</u>	<u>2,441</u>	<u>965</u>	<u>1,476</u>	<u>696</u>
City Administration					
Employee services	28,585	28,585	28,611	(26)	28,871
Employee benefits and retirement	4,590	4,590	5,091	(501)	4,626
Materials and supplies	5,700	5,700	6,830	(1,130)	5,971
Telephone	800	800	3,378	(2,578)	3,144
Printing and publishing	5,000	5,000	5,785	(785)	4,118
Contracted services			3,126	(3,126)	1,391
Insurance	10,336	10,336	12,416	(2,080)	10,995
Other charges	10,070	10,070	15,093	(5,023)	10,216
Capital outlay	3,500	3,500	11,722	(8,222)	5,560
Total City Administration	<u>68,581</u>	<u>68,581</u>	<u>92,052</u>	<u>(23,471)</u>	<u>74,892</u>
Professional Services					
Legal	6,000	6,000	8,716	(2,716)	7,825
Accounting and audit	16,000	16,000	19,070	(3,070)	18,370
Total Professional Services	<u>22,000</u>	<u>22,000</u>	<u>27,786</u>	<u>(5,786)</u>	<u>26,195</u>
Total General Government	<u>\$ 104,381</u>	<u>\$ 104,381</u>	<u>\$ 132,394</u>	<u>\$ (28,013)</u>	<u>\$ 114,453</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, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Safety					
Police Protection					
Contractual services	\$ 88,294	\$ 88,294	\$ 92,396	\$ (4,102)	\$ 88,294
Legal services			13,362	(13,362)	13,038
Utilities			1,272	(1,272)	1,359
Total Police Protection	88,294	88,294	107,030	(18,736)	102,691
Ambulance					
Contractual services	4,028	4,028	4,028		4,028
Fire Protection					
State fire aid	19,000	19,000	15,109	3,891	17,461
Materials and supplies	3,900	3,900	4,869	(969)	9,314
Utilities	5,600	5,600	7,536	(1,936)	7,671
Repairs and maintenance	4,000	4,000	15,567	(11,567)	12,355
Insurance	6,840	6,840	9,177	(2,337)	8,769
Other charges	1,000	1,000	5,311	(4,311)	7,329
Capital outlay	3,000	3,000		3,000	67,168
Total Fire Protection	43,340	43,340	57,569	(14,229)	130,067
Building Inspection					
Contractual services	16,000	16,000	10,547	5,453	9,841
Total Public Safety	\$ 151,662	\$ 151,662	\$ 179,174	\$ (27,512)	\$ 246,627

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, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Works					
Highways, Streets and Alleys					
Employee services	\$ 55,500	\$ 55,500	\$ 33,675	\$ 21,825	\$ 52,280
Employee benefits and retirement	16,650	16,650	9,497	7,153	14,888
Materials and supplies	5,000	5,000	14,493	(9,493)	6,987
Repairs and maintenance	12,000	12,000	29,573	(17,573)	14,652
Utilities	4,000	4,000	5,929	(1,929)	6,785
Telephone	900	900	1,242	(342)	1,218
Insurance	4,270	4,270	5,748	(1,478)	8,996
Other charges	2,700	2,700	3,140	(440)	4,860
Capital outlay	1,000	1,000	9,878	(8,878)	2,221
Total Highways, Streets and Alleys	102,020	102,020	113,175	(11,155)	112,887
Snow Removal	10,000	10,000	23,525	(13,525)	18,066
Street Lights	22,500	22,500	19,821	2,679	24,938
Total Public Works	\$ 134,520	\$ 134,520	\$ 156,521	\$ (22,001)	\$ 155,891

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, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
EXPENDITURES					
Culture and Recreation					
Community center					
Material and supplies	\$ 1,100	\$ 1,100	\$ 96	\$ 1,004	\$ 1,022
Utilities	2,000	2,000	2,997	(997)	2,136
Capital outlay			13,313	(13,313)	15,503
Other charges	2,065	2,065	7,525	(5,460)	3,957
Total Community center	5,165	5,165	23,931	(18,766)	22,618
Parks					
Employee services	9,900	9,900	3,914	5,986	5,787
Employee benefits and retirement	1,380	1,380	546	834	792
Materials and supplies	1,400	1,400	94	1,306	369
Repairs and maintenance	1,800	1,800	935	865	2,428
Utilities	900	900	593	307	771
Insurance	1,960	1,960	2,438	(478)	2,379
Contracted services			21,321	(21,321)	340
Capital outlay	500	500	10,582	(10,082)	1,333
Total Parks	17,840	17,840	40,423	(22,583)	14,199
Swimming Pool					
Employee services	28,650	28,650	23,547	5,103	25,056
Employee benefits and retirement	2,990	2,990	2,144	846	2,425
Materials and supplies	5,450	5,450	4,960	490	5,826
Repairs and maintenance	6,000	6,000	5,010	990	4,243
Utilities	6,500	6,500	8,160	(1,660)	6,738
Insurance	1,540	1,540	2,655	(1,115)	2,329
Other charges	700	700	1,725	(1,025)	5,026
Capital outlay	6,000	6,000		6,000	2,577
	57,830	57,830	48,201	9,629	54,220
Total Culture and Recreation	\$ 80,835	\$ 80,835	\$ 112,555	\$ (31,720)	\$ 91,037

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, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Budgeted Amounts		2008 Actual Amounts	Variance with Final Budget - Positive (Negative)	2007 Actual Amounts
	Original	Final			
EXPENDITURES					
Unallocated Expense					
Professional Services	\$ 1,000	\$ 1,000	\$ 4,942	\$ (3,942)	\$ 12,086
Miscellaneous	8,000	8,000	7,800	200	7,363
Total Unallocated	9,000	9,000	12,742	(3,742)	19,449
TOTAL EXPENDITURES	480,398	480,398	593,386	(112,988)	627,457
Excess (deficiency of revenues over (under) expenditures	141,036	141,036	(26,054)	58,886	44,899
Other Financing Sources (Uses)					
Transfers in					1,386
Transfers out	(141,036)	(141,036)	(104,800)	(36,236)	(68,847)
Total other financing sources (uses)	(141,036)	(141,036)	(104,800)	(36,236)	(67,461)
Net change in fund balances			(130,854)	(130,854)	(22,562)
FUND BALANCE - beginning	319,428	319,428	319,428		341,990
FUND BALANCE - ending	\$ 319,428	\$ 319,428	\$ 188,574	\$ (130,854)	\$ 319,428

CITY OF WANAMINGO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
For the Year Ended December 31, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Business - Type Activities - Enterprise Funds						
	Water	Waste Water	Sanitation	Medical Center	Senior Housing	Totals	
						2008	2007
ASSETS							
Current Assets							
Cash and investments	\$	\$ 2,719	\$ 11,648	\$ 9,396	\$	\$ 23,763	\$ 20,755
Accounts receivable	38,844	29,782	6,011			74,637	46,258
Taxes receivable delinquent					3,143	3,143	
Special assessments receivable current	10,465					10,465	9,295
Special assessments receivable delinquent	1,182					1,182	936
Due from other governmental units					2,181	2,181	4,305
Total Current Assets	50,491	32,501	17,659	9,396	5,324	115,371	81,549
Noncurrent Assets							
Capital assets							
Nondepreciable		10,000			75,977	85,977	85,977
Depreciable	3,652,467	2,737,511		619,586	1,129,973	8,139,537	8,139,537
Less: Accumulated depreciation	1,063,124	1,132,524		96,810	358,009	2,650,467	2,439,420
Total Capital Assets	2,589,343	1,614,987		522,776	847,941	5,575,047	5,786,094
Other Assets							
Special assessments receivable long-term	84,050					84,050	95,287
Total Noncurrent Assets	2,673,393	1,614,987		522,776	847,941	5,659,097	5,881,381
TOTAL ASSETS	\$ 2,723,884	\$ 1,647,488	\$ 17,659	\$ 532,172	\$ 853,265	\$ 5,774,468	\$ 5,962,930
LIABILITIES							
Current Liabilities							
Accounts payable	\$ 222	\$ 1,001	\$	\$ 891	\$ 221	\$ 2,335	\$ 7,427
Accrued expenses	25,086	14,096			23,003	62,185	65,307
Customer deposits					6,524	6,524	6,190
Due to other funds	127,258				79,417	206,675	232,674
Current maturities of bonds payable	24,000	25,000		15,000	50,000	114,000	113,000
Current maturities of note payable	79,000					79,000	79,000
Total Current Liabilities	255,566	40,097		15,891	159,165	470,719	503,598
Noncurrent Liabilities							
Bonds payable, net of current maturities discount, and issuance costs	502,030	544,174		589,000	1,021,930	2,657,134	2,739,054
Note payable, net of current maturities	1,064,100					1,064,100	1,167,100
Compensated absences payable	2,056	2,523				4,579	4,489
Total Noncurrent Liabilities	1,568,186	546,697		589,000	1,021,930	3,725,813	3,910,643
TOTAL LIABILITIES	1,823,752	586,794		604,891	1,181,095	4,196,532	4,414,241
NET ASSETS							
Invested in capital assets, net of related debt	918,157	1,043,290		(81,224)	(223,989)	1,656,234	1,683,451
Unrestricted	(18,025)	17,404	17,659	8,505	(103,841)	(78,298)	(134,762)
TOTAL NET ASSETS	\$ 900,132	\$ 1,060,694	\$ 17,659	\$ (72,719)	\$ (327,830)	\$ 1,577,936	\$ 1,548,689

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Business - Type Activities - Enterprise Funds					Total	
	Water	Waste Water	Sanitation	Medical Center	Senior Housing	2008	2007
Operating Revenues							
Sales	\$ 254,035	\$ 241,228	\$ 51,856	\$ 48,348	\$ 98,506	\$ 693,973	\$ 657,832
Operating Expenses							
Employee services	35,964	67,588			12,423	115,975	117,769
Employee benefits and retirements	7,474	15,970			1,854	25,298	21,783
Materials and supplies	1,863				187	2,050	4,710
Repairs and maintenance	13,821	10,008		774	5,483	30,086	18,264
Utilities	6,679	22,026		7,171	20,084	55,960	53,667
Depreciation	102,828	63,036		15,490	29,693	211,047	212,521
Contracted services			48,487			48,487	44,582
Other charges	8,024	27,341	40	10,653	17,659	63,717	56,378
Total Operating Expenses	176,653	205,969	48,527	34,088	87,383	552,620	529,674
Operating Income	77,382	35,259	3,329	14,260	11,123	141,353	128,158
Nonoperating Revenues (Expenses)							
Interest income	4,120	2,765		303	1,230	8,418	11,518
Tax increment				8,195		8,195	8,721
Miscellaneous income	36	516				552	4,087
Water meter fee	500					500	500
Property taxes					27,847	27,847	
Intergovernmental					2,866	2,866	
Interest expense	(46,075)	(30,058)		(26,982)	(57,369)	(160,484)	(177,391)
Total Nonoperating Revenues (Expenses)	(41,419)	(26,777)		(18,484)	(25,426)	(112,106)	(152,565)
Net Increase (Decrease) in Net Assets	35,963	8,482	3,329	(4,224)	(14,303)	29,247	(24,407)
TOTAL NET ASSETS - Beginning of Year	864,169	1,052,212	14,330	(68,495)	(313,527)	1,548,689	1,573,096
TOTAL NET ASSETS - End of Year	\$ 900,132	\$ 1,060,694	\$ 17,659	\$ (72,719)	\$ (327,830)	\$ 1,577,936	\$ 1,548,689

See Notes to the Financial Statements

CITY OF WANAMINGO, MINNESOTA
PROPRIETARY FUND
STATEMENT OF CASH FLOW
For the Year Ended December 31, 2008
With Comparative Totals for the Year Ended December 31, 2007

	Business - Type Activities - Enterprise Funds						
	Water	Waste Water	Sanitation	Medical Center	Senior Housing	Total	
						2008	2007
Cash Flows From Operating Activities							
Cash received from customers	\$ 239,634	\$ 229,803	\$ 50,488	48,895	\$ 98,840	\$ 667,660	\$ 664,839
Cash received from other sources	(6,587)					(6,587)	4,087
Cash paid to suppliers	(32,923)	(61,318)	(48,527)	(18,082)	(47,810)	(208,660)	(179,648)
Cash paid to employees	(43,438)	(83,269)			(12,423)	(139,130)	(137,999)
Net Cash Provided By Operating Activities	156,686	85,216	1,961	30,813	38,607	313,283	351,279
Cash Flows From Noncapital Financing Activities							
Increase (decrease) in due to other funds	(32,255)	(31,503)			37,759	(25,999)	79,380
Cash Flows From Capital and Related Financing Activities							
Special assessment collections	19,017					19,017	11,462
Tax increment collections				8,195		8,195	8,721
Water meter fee collections	500					500	500
Principal paid on long-term debt	(103,000)	(25,000)		(14,000)	(45,000)	(187,000)	(521,000)
Interest and fiscal agent fees	(45,068)	(29,275)		(26,983)	(57,985)	(159,311)	(174,148)
Property tax collections					25,389	25,389	
Acquisition and construction of capital assets							(19,690)
Net Cash Used In Capital and Related Financing Activities	(128,551)	(54,275)		(32,788)	(77,596)	(293,210)	(694,155)
Cash Flows From Investing Activities							
Investment income	4,120	3,281		303	1,230	8,934	11,518
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,719	1,961	(1,672)		3,008	(251,978)
CASH AND CASH EQUIVALENTS - Beginning of Year			9,687	11,068		20,755	272,733
CASH AND CASH EQUIVALENTS - End of Year	\$	\$ 2,719	\$ 11,648	\$ 9,396	\$	\$ 23,763	\$ 20,755

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	Senior Housing	Total	
						2008	2007
Operating Income	\$ 77,382	\$ 35,259	\$ 3,329	\$ 14,260	\$ 11,123	\$ 141,353	\$ 128,158
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:							
Depreciation	102,828	63,036		15,490	29,693	211,047	212,521
Other Income	(6,587)					(6,587)	4,087
(Increase) Decrease In:							
Accounts receivable	(14,401)	(11,425)	(1,368)	547		(26,647)	7,692
Increase (Decrease) In:							
Accounts payable	(1,298)	(1,943)		516	(2,543)	(5,268)	(1,641)
Customer deposits					334	334	(685)
Accrued expenses	(1,238)	289				(949)	1,147
Net Cash Provided By Operating Activities	\$ 156,686	\$ 85,216	\$ 1,961	\$ 30,813	\$ 38,607	\$ 313,283	\$ 351,279

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CITY OF WANAMINGO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The City of Wanamingo's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issues after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City is discussed below.

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.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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)

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 *1998 G.O. Tax Increment fund* accounts for the financial resources to be used for repayment of bonds with interest.

The *2000 G.O. Improvement fund* accounts for the financial resources to be used for repayment of bonds with interest.

The *2007 Refinancing 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.
- The *Senior housing fund* accounts for the operation of a Senior Housing facility.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

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

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

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Budgets and Budgetary Accounting

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

Cash and Investments

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

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

Property Taxes

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

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

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

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.

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.

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets (Continued)

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

Market Value Credit (MVC)

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

Compensated Absences

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

Long-term Obligations

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

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Fund Equity

In the fund financial statements, governmental fund types report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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)

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2008, 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	\$ 384,900
Money Market Mutual Fund	None	Unrated	120,363
Negotiable CD's	May 2009 - November 2010	Unrated	<u>191,080</u>
			<u>\$ 696,343</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. Investments that are more than 5 percent of the City's total investments are as follows:

<u>Investment</u>	<u>Ratings</u>	<u>Percent of Total</u>
Certificate of Deposit	Unrated	52%
Certificate of Deposit	Unrated	48%

3. Due From Other Governmental Units

Amounts due from other governmental units as of December 31, 2008 are as follows:

<u>Fund</u>	<u>Goodhue County</u>
General	\$ 31,014
Debt Service	9,823
Proprietary	<u>2,181</u>
Totals	<u>\$ 43,018</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets

Capital asset activity for the year ended December 31, 2008 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 114,068	\$	\$	\$ 114,068
Total capital assets, not being depreciated	114,068			114,068
Capital assets, being depreciated:				
Buildings	1,636,650			1,636,650
Improvements other than buildings	2,421,011	21,332		2,442,343
Machinery and equipment	1,193,289	6,227	41,000	1,158,516
Total capital assets, being depreciated	5,250,950	27,559	41,000	5,237,509
Less accumulated depreciation for:				
Buildings	528,390	32,765		561,155
Improvements other than buildings	182,571	61,324		243,895
Machinery and equipment	725,822	83,766	41,000	768,588
Total accumulated depreciation	1,436,783	177,855	41,000	1,573,638
Total capital assets, being depreciated, net	3,814,167	(150,296)		3,663,871
Governmental activities capital assets, net	\$ 3,928,235	\$ (150,296)	\$	\$ 3,777,939
Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 85,977	\$	\$	\$ 85,977
Total capital assets, not being depreciated	85,977			85,977
Capital assets, being depreciated:				
Buildings and improvements	7,858,375			7,858,375
Machinery and equipment	281,162			281,162
Total capital assets, being depreciated	8,139,537			8,139,537
Less accumulated depreciation for:				
Buildings and improvements	2,258,939	203,459		2,462,398
Machinery and equipment	180,481	7,588		188,069
Total accumulated depreciation	2,439,420	211,047		2,650,467
Total capital assets, being depreciated, net	5,700,117	(211,047)		5,489,070
Business-type activities capital assets, net	\$ 5,786,094	\$ (211,047)	\$	\$ 5,575,047

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (Continued)

Governmental Activities:

General government	\$ 16,951
Public safety	71,525
Public works	86,297
Culture and recreation	<u>3,082</u>

Total depreciation expense - governmental activities \$ 177,855

Business-Type Activities:

Water	\$ 102,828
Sewer	63,036
Senior Housing	29,694
Medical Facility	<u>15,489</u>

Total depreciation expense - business-type activities \$ 211,047

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 Housing Development Revenue Bonds were issued for the construction of a senior housing facility. The bonds are payable primarily from the revenues generated through rental charges to tenants. They are recorded as liabilities in the Senior Housing Enterprise Fund.

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:

During 2007, the City entered into a capital lease for the acquisition of equipment. This agreement 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)

A summary of interest rates, maturities and December 31, 2008 balances are as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2008
General Obligation Improvement Bonds:			
Series 1994A	5.6%-6.0%	10/1/2009	\$ 25,000
Series 1999 Refunding	4.0%-5.0%	5/1/2014	165,000
Series 2002	3.15%-5.25%	2/1/2023	1,155,000
Series 2005A Refunding	4.2%-4.6%	2/1/2023	335,000
Series 2005B	3.1%-4.75%	2/1/2026	870,000
Series 2007A Refunding	4.0%-4.85%	2/1/2037	1,810,000
General Obligation Tax Increment Bonds:			
Series 1998	4.0%-5.0%	5/1/2025	745,000
Revenue Bonds:			
Series 2004 Refunding	1.75%-4.5%	3/1/2015	480,000
Series 2006B	4.5%-4.75%	2/1/2017	174,500
Series 2007B	4.70%	2/1/2018	142,000
General Obligation Equipment Certificates:			
Series 2006A	4.10%	2/1/2011	81,000
Series 2006D	4.50%	2/1/2016	100,000
Capital Lease Obligation:			
Series 2007	4.75%	8/1/2017	190,719
General Obligation Revenue Bonds:			
1999 Housing Development Refunding	4.2%-5.15%	8/1/2023	1,090,000
Medical Facility Bonds, series 2003	4.25%	1/1/2033	604,000
2006C Water Refunding	3.85%-4.2%	2/1/2020	315,000
General Obligation Revenue Notes:			
2001 Public Facilities Authority Water	1.81%	8/20/2021	1,167,100
Compensated Absences			<u>14,078</u>
		Total	9,463,397
Less: Unamortized Discount and Issue Costs			<u>(64,893)</u>
		Total Long Term Debt	<u>\$ 9,398,504</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, 2008 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Improvement Bonds:					
Series 1994A	\$ 45,000		\$ 20,000	\$ 25,000	\$ 20,000
Series 1999 Refunding	190,000		25,000	165,000	25,000
Series 2000 Refunding	640,000		640,000		
Series 2002	392,000		16,000	376,000	16,000
Series 2005A Refunding	335,000			335,000	
Series 2005B	905,000		35,000	870,000	35,000
Series 2007A Refunding	1,810,000			1,810,000	
Revenue Bonds:					
Series 2004 Refunding - Fire Hall	540,000		60,000	480,000	60,000
Series 2006B	190,000		15,500	174,500	15,500
Series 2007B	142,000			142,000	
General Obligation Tax Increment Bonds:					
Series 1998	775,000		30,000	745,000	30,000
General Obligation Equipment Certificates:					
Series 2006A	105,500		24,500	81,000	24,500
Series 2006D	100,000			100,000	
Capital Lease Obligation:					
Series 2007	200,480		9,761	190,719	9,761
Unamortized Discount and Issue Costs	(26,473)		(2,446)	(24,027)	
Compensated Absences	6,160	3,339		9,499	
Governmental Activities Long-term Liabilities	<u>6,349,667</u>	<u>3,339</u>	<u>873,315</u>	<u>5,479,691</u>	<u>235,761</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Improvement Bonds:					
Series 2002	813,000		34,000	779,000	34,000
General Obligation Revenue Bonds:					
1999 Housing Development Refunding	1,135,000		45,000	1,090,000	50,000
Medical Facility Bonds, series 2003	619,000		15,000	604,000	15,000
2006C Water Refunding	330,000		15,000	315,000	15,000
General Obligation Revenue Notes:					
2001 Public Facilities Authority Water	1,246,100		79,000	1,167,100	79,000
Unamortized Discount and Issue Costs	(43,946)		(3,080)	(40,866)	
Compensated Absences	4,489	90		4,579	
Business-type Activities Long-term Liabilities	<u>4,103,643</u>	<u>90</u>	<u>184,920</u>	<u>3,918,813</u>	<u>193,000</u>
Total	<u>\$ 10,453,310</u>	<u>\$ 3,429</u>	<u>\$ 1,058,235</u>	<u>\$ 9,398,504</u>	<u>\$ 428,761</u>

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, 2008 are summarized below:

Years	General Obligation Improvement Bonds		General Obligation Tax Increment Bonds		General Obligation Revenue Bonds / Notes		Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
Governmental Activities								
2009	151,000	160,009	30,000	36,260	36,500	7,349	104,332	42,580
2010	127,600	153,544	30,000	34,940	38,000	5,787	111,940	38,496
2011	134,200	148,171	30,000	33,590	39,500	4,163	114,590	33,962
2012	144,200	142,335	35,000	32,180	12,000	2,475	121,535	29,158
2013	150,800	136,003	35,000	30,535	13,000	1,890	124,277	23,858
2014-2018	700,000	587,994	205,000	125,987	42,000	1,935	410,545	40,133
2019-2023	828,200	419,248	255,000	70,750				
2024-2028	520,000	250,636	125,000	9,500				
2029-2033	415,000	149,921						
2034-2038	410,000	40,884						
Totals	\$ 3,581,000	\$ 2,188,745	\$ 745,000	\$ 373,742	\$ 181,000	\$ 23,599	\$ 987,219	\$ 208,185
Business-Type Activities								
2009	34,000	38,202			165,000	114,563		
2010	37,400	36,961			167,000	108,557		
2011	40,800	34,459			179,000	103,271		
2012	40,800	33,352			182,000	97,543		
2013	44,200	31,331			189,000	91,661		
2014-2018	255,000	121,126			1,052,000	357,535		
2019-2023	326,800	44,927			944,100	165,791		
2024-2028					152,000	50,858		
2029-2033					146,000	15,852		
Totals	\$ 779,000	\$ 340,358			\$ 3,176,100	\$ 1,105,631		

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Segment Information for Enterprise Funds

The City maintains five enterprise funds including water, waste water, sanitation, medical center, and senior housing funds. Segment information for the year ended December 31, 2008 is as follows:

	Water Fund	Waste Water Fund	Sanitation Fund	Medical Center Fund	Senior Housing Fund
Operating Revenues	\$ 254,035	\$ 241,228	\$ 51,856	\$ 48,348	\$ 98,506
Operating Expenses:					
Depreciation	102,828	63,036		15,490	29,693
Other	73,825	142,933	48,527	18,598	57,690
Operating Income (loss)	77,382	35,259	3,329	14,260	11,123
Net Income (Loss)	35,963	8,482	3,329	(4,224)	(14,303)
Property and Equipment Additions					
Net Working Capital	(205,075)	(7,596)	17,659	(6,495)	(153,841)
Total Assets	2,723,884	1,647,488	17,659	532,172	853,265
Bonds and Notes Payable	1,669,130	569,174		604,000	1,071,930
Total Equity	900,132	1,060,694	17,659	(72,719)	(327,830)

7. Individual Fund Disclosures

As of December 31, 2008, the following funds had deficit fund balances:

Debt Service Funds:	
1998 G.O. Tax Increment	120,590
2002 G.O. Improvement	11,778
1994 G.O. Improvement	4,216
1999 G.O. Refunding Improvement	4,220
2006A Equipment Certificate	885
Capital Projects Funds	
Tax Increment District #4-2 Fulton	85,932
Tax Increment District #4-3 Masters	8,470

During 2008, the General Fund had excess expenditures over appropriations of \$97,489.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Individual Fund Disclosures (Continued)

Transfers during the year ended December 31, 2008 were as follows:

	Transfers In	Transfers Out
General Fund	\$	\$ 104,800
Special Revenue:		
Economic Development	20,000	
Debt Service:		
2000 Public Project Revenue	54,800	
1998 G.O. Tax Increment	30,577	
Pumper Lease	27,000	
Capital Project:		
TIF District #2-2 Benson		7,804
TIF District #2-4 Doffing		8,080
TIF District #2-5 Meyers		14,693
Fire Captial	3,000	
Totals	<u>\$ 135,377</u>	<u>\$ 135,377</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Individual Fund Disclosures (Continued)

The amounts due to and due from other funds as of December 31, 2008 follow below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 203,331	\$
Debt Service Funds:		
2007 G.O Refinancing	82,482	
1998 G.O. Tax Increment		130,713
1994 G.O. Improvement		5,488
1999 G.O. Refunding Improvement		4,620
2002 G.O. Improvement		13,231
2006 Equipment Certificate		885
2005 Improvement	119,305	
Capital Project Funds:		
WAC/SAC	23,295	
Tax Increment District #4-2 Fulton		58,331
Tax Increment District #4-3 Masters		8,470
Enterprise Funds:		
Water fund		127,258
Senior housing fund		79,417
	<u>\$ 428,413</u>	<u>\$ 428,413</u>

The amounts advanced to and advanced from other funds as of December 31, 2008 follow below:

	Advances From Other Funds	Advances To Other Funds
Capital Project Funds		
Capital Improvement	\$ 27,601	\$ 27,601
Tax Increment District #4-2 Fulton		
	<u>\$ 27,601</u>	<u>\$ 27,601</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Fund Equity

The City has reserved portions of the fund equity in certain funds. The reserved fund equity represents the portion not available for expenditures or legally segregated for specific future use. A summary of reserved fund equity at December 31, 2008 is as follows:

Reserved for Debt Service

Debt Service Funds	
1998 G.O. Tax Increment	(120,590)
2000 Public Project Revenue	78,685
2000 G.O. Improvement	66,324
City Shop Lease Purchase	10,829
1994 G.O. Improvement	(4,216)
1999 G.O. Refunding Improvement	(4,220)
2002 G.O. Improvement	(11,778)
2005 Improvement	224,780
City Hall Lease Purchase	3,461
2007 G.O. Refunding Improvement	217,956
Pumper Lease	227
2006A Equipment Certificate	(885)
2006D Equipment Certificate	2,185

Reserved for Interfund Advances

Capital Projects Fund	
Fire Equipment Fund	27,601

9. 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 Public Employees Retirement Fund (PERF), 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)

9. Defined Benefit Pension Plans - Statewide (continued)

PERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of 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 PERF. 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.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Defined Benefit Pension Plans - Statewide (Continued)

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic plan members and Coordinated Plan members are required to contribute 9.10% and 6.0%, respectively, of their annual covered salary in 2008. PEPFF members were required to contribute 8.6% of their annual covered salary in 2008. That rate will increase to 9.4% in 2009. The City of Wanamingo is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members and 6.5% for Coordinated PERF Plan Members, 12.9% for PEPFF members. Employer contribution rates for the Coordinated Plan and PEPFF will increase to 6.75% and 14.1% respectively, effective January 1, 2009. The City's contributions to Public Employees Retirement Fund for the years ending December 31, 2008, 2007, and 2006 were \$12,155, \$10,936, and \$9,990 respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

10. 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.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. 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 2008.

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 2008. 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

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

DECEMBER 31, 2008

**CITY OF WANAMINGO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2008**

	Special Revenue		Debt Service		
	251 Economic Development	210 Revolving Loan	304 1994 G.O. Improvement	305 1999 G.O. Refunding Improvement	316 2002 G.O. Improvement
ASSETS					
Cash and investments	\$ 2,359	\$ 14,785	\$	\$	\$
Accounts receivable					
Taxes receivable delinquent			1,836	576	2,095
Special basements receivable:					
Delinquent					114
Deferred			29,588		99,774
Loan receivable		35,205			
Advance to other funds					
Due from other funds					
Due from other governmental units			1,272	400	1,454
TOTAL ASSETS	\$ 2,359	\$ 49,990	\$ 32,696	\$ 976	\$ 103,437
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$	\$	\$	\$	\$
Accrued expenses	443				
Due to other funds			5,488	4,620	13,231
Advance from other funds					
Deferred revenue		35,205	31,424	576	101,984
Total Liabilities	443	35,205	36,912	5,196	115,215
Fund Balance:					
Reserved for interfund advances					
Reserved for debt service			(4,216)	(4,220)	(11,778)
Unreserved	1,916	14,785			
Total Fund Balance (Deficit)	1,916	14,785	(4,216)	(4,220)	(11,778)
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,359	\$ 49,990	\$ 32,696	\$ 976	\$ 103,437

307 2004 Public Project Refunding	323 2005 Improvement	326 City Shop Lease Purchase	327 Pumper Lease	329 City Hall Lease Purchase	324 2006A Equipment Certificate	325 2006D Equipment Certificate
\$ 78,685	\$ 105,476	\$ 9,058	\$ 227	\$ 2,974	\$	\$ 1,816
		2,551		702		532
	1,576					
	131,666					
	119,305					
		1,771		487		369
<u>\$ 78,685</u>	<u>\$ 358,023</u>	<u>\$ 13,380</u>	<u>\$ 227</u>	<u>\$ 4,163</u>	<u>\$</u>	<u>\$ 2,717</u>
\$	\$	\$	\$	\$	\$	\$
					885	
	133,243	2,551		702		532
	133,243	2,551		702	885	532
78,685	224,780	10,829	227	3,461	(885)	2,185
78,685	224,780	10,829	227	3,461	(885)	2,185
<u>\$ 78,685</u>	<u>\$ 358,023</u>	<u>\$ 13,380</u>	<u>\$ 227</u>	<u>\$ 4,163</u>	<u>\$</u>	<u>\$ 2,717</u>

**CITY OF WANAMINGO, MINNESOTA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2008**

	Capital Projects				
	401 Capital Improvement Fund	220 Fire Capital	448 Storm Sewer	449 WAC / SAC	470 Tax Increment District #1-1 Masters
ASSETS					
Cash and investments	\$ 116,969	\$ 79,867	\$ 16,979	\$ 35,535	\$
Accounts receivable			981		
Taxes receivable delinquent					
Special basements receivable:					
Delinquent					
Deferred					
Loan receivable					
Advance to other funds	27,601				
Due from other funds				23,295	
Due from other governmental units					
TOTAL ASSETS	\$ 144,570	\$ 79,867	\$ 17,960	\$ 58,830	\$
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$	\$	\$	\$	\$
Accrued expenses					
Due to other funds					
Advance from other funds					
Deferred revenue					
Total Liabilities					
Fund Balance:					
Reserved for interfund advances	27,601				
Reserved for debt service					
Unreserved	116,969	79,867	17,960	58,830	
Total Fund Balance (Deficit)	144,570	79,867	17,960	58,830	
TOTAL LIABILITIES AND FUND BALANCE	\$ 144,570	\$ 79,867	\$ 17,960	\$ 58,830	\$

FORM E-1

475 Tax Increment District #2-2 Benson	473 Tax Increment District #4-2 Fulton	474 Tax Increment District #4-3 Masters	477 Tax Increment District #2-4 Doffing	478 Tax Increment District #2-5 Meyers	Total Nonmajor Governmental Funds 2008
\$	\$	\$	\$	\$	\$
		7,407			464,730
					8,388
					8,292
					1,690
					261,028
					35,205
					27,601
					142,600
					5,753
\$	\$	\$	\$	\$	\$
		7,407			955,287
\$	\$	\$	\$	\$	\$
					443
	58,331	8,470			91,025
	27,601				27,601
		7,407			313,624
	85,932	15,877			432,693
					27,601
					299,068
	(85,932)	(8,470)			195,925
	(85,932)	(8,470)			522,594
\$	\$	\$	\$	\$	\$
		7,407			955,287

CITY OF WANAMINGO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2008

	Special Revenue		Debt Service		
	251 Economic Development	210 Revolving Loan	304 1994 G.O. Improvement	305 1999 G.O. Refunding Improvement	316 2002 G.O. Improvement
REVENUES					
Tax increments	\$	\$	\$	\$	\$
Property taxes			15,026	4,722	17,173
Special assessments			105	28	19,889
Intergovernmental revenue			1,673	526	1,910
Investment income	17	368	200	107	
Miscellaneous revenues	1,012	565			
Total Revenues	1,029	933	17,004	5,383	38,972
EXPENDITURES					
Economic development	23,739				
Debt service			23,200	33,440	36,721
Capital outlay					
Total Expenditures	23,739		23,200	33,440	36,721
Excess (deficiency) of revenues over (under) expenditures	(22,710)	933	(6,196)	(28,057)	2,251
OTHER FINANCING SOURCES (USES)					
Transfers in	20,000				
Transfers out					
Total other financing sources (uses)	20,000				
Net change in fund balances	(2,710)	933	(6,196)	(28,057)	2,251
Fund Balance - beginning	4,626	13,852	1,980	23,837	(14,029)
Fund Balance - ending	\$ 1,916	\$ 14,785	\$ (4,216)	\$ (4,220)	\$ (11,778)

307 2004 Public Project Refunding	323 2005 Improvement	326 City Shop Lease Purchase	327 Pumper Lease	329 City Hall Lease Purchase	324 2006A Equipment Certificate	325 2006D Equipment Certificate
\$	\$	\$	\$	\$	\$	\$
	12,290	20,939		5,753	449	4,358
1,654	520	2,326		639		484
1,654	12,810	23,265		6,392	449	4,842
80,299	73,824	23,966	26,773	6,655	28,323 260	4,575
80,299	73,824	23,966	26,773	6,655	28,583	4,575
(78,645)	(61,014)	(701)	(26,773)	(263)	(28,134)	267
54,800			27,000			
54,800			27,000			
(23,845)	(61,014)	(701)	227	(263)	(28,134)	267
102,530	285,794	11,530		3,724	27,249	1,918
\$ 78,685	\$ 224,780	\$ 10,829	\$ 227	\$ 3,461	\$ (885)	\$ 2,185

**CITY OF WANAMINGO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2008**

	Capital Projects				
	401 Capital Improvement Fund	220 Fire Capital	448 Storm Sewer	449 WAC / SAC	470 Tax Increment District #1-1 Masters
REVENUES					
Tax increments	\$	\$	\$	\$	\$ 2,009
Property taxes					
Special assessments					
Intergovernmental revenue					
Investment income	286				
Miscellaneous revenues			6,900	3,700	
Total Revenues	286		6,900	3,700	2,009
EXPENDITURES					
Economic development					
Debt service					
Capital outlay			18		1,943
Total Expenditures			18		1,943
Excess (deficiency) of revenues over (under) expenditures	286		6,882	3,700	66
OTHER FINANCING SOURCES (USES)					
Transfers in		3,000			
Transfers out					
Total other financing sources (uses)		3,000			
Net change in fund balances	286	3,000	6,882	3,700	66
Fund Balance - beginning	144,284	76,867	11,078	55,130	(66)
Fund Balance - ending	\$ 144,570	\$ 79,867	\$ 17,960	\$ 58,830	\$

FORM E-2

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	Total Nonmajor Governmental Funds 2008
\$ 8,671	\$ 3,766	\$ 3,458	\$ 8,978	\$ 16,326	\$ 43,208
					68,420
					32,312
					7,558
					3,152
					12,177
8,671	3,766	3,458	8,978	16,326	166,827
					23,739
867	377	2,500	898	1,633	337,776
					8,496
867	377	2,500	898	1,633	370,011
7,804	3,389	958	8,080	14,693	(203,184)
(7,804)			(8,080)	(14,693)	104,800
					(30,577)
(7,804)			(8,080)	(14,693)	74,223
	3,389	958			(128,961)
	(89,321)	(9,428)			651,555
\$	\$ (85,932)	\$ (8,470)	\$	\$	\$ 522,594

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CITY OF WANAMINGO, MINNESOTA

SUPPLEMENTAL INFORMATION

DECEMBER 31, 2008

**CITY OF WANAMINGO, MINNESOTA
WATER FUND
Balance Sheet
December 31, 2008 and 2007**

	2008	2007
ASSETS		
Current Assets		
Accounts receivable	\$ 38,844	\$ 24,443
Special assessments receivable current	10,465	9,295
Special assessments receivable delinquent	1,182	936
Due from other governmental units		2,573
Total Current Assets	<u>50,491</u>	<u>37,247</u>
Noncurrent Assets		
Capital assets		
Depreciable	3,652,467	3,652,467
Less: Accumulated depreciation	1,063,124	960,296
Total Capital Assets	<u>2,589,343</u>	<u>2,692,171</u>
Other Assets		
Special assessments receivable long-term	84,050	95,287
Total Noncurrent Assets	<u>2,673,393</u>	<u>2,787,458</u>
TOTAL ASSETS	<u>\$ 2,723,884</u>	<u>\$ 2,824,705</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 222	\$ 1,520
Accrued expenses	25,086	26,410
Due to other funds	127,258	159,513
Current maturities of bonds payable	24,000	24,000
Current maturities of note payable	79,000	79,000
Total Current Liabilities	<u>255,566</u>	<u>290,443</u>
Noncurrent Liabilities		
Bonds payable, net of current maturities, discount, and issuance costs	502,030	501,023
Compensated absences payable	2,056	1,970
Note payable, net of current maturities	1,064,100	1,167,100
Total Noncurrent Liabilities	<u>1,568,186</u>	<u>1,670,093</u>
Total Liabilities	<u>1,823,752</u>	<u>1,960,536</u>
Net Assets		
Invested in capital assets, net of related debt	920,213	921,048
Unrestricted	(20,081)	(56,879)
Total Net Assets	<u>\$ 900,132</u>	<u>\$ 864,169</u>

CITY OF WANAMINGO, MINNESOTA
WATER FUND
Statement of Revenues, Expenses
and Changes in Net Assets
For the Years Ended December 31, 2008 and 2007

	2008	2007
Operating Revenue		
User fees	\$ 120,452	\$ 104,763
Debt service charge	133,583	129,944
Total	<u>254,035</u>	<u>234,707</u>
Operating Expenses		
Employee services	35,964	38,692
Employee benefits and retirements	7,474	6,577
Materials and supplies	1,863	4,344
Repairs and maintenance	13,821	7,716
Depreciation	102,828	104,010
Utilities	6,679	8,634
Other charges	8,024	11,206
Total	<u>176,653</u>	<u>181,179</u>
Operating Income	<u>77,382</u>	<u>53,528</u>
Nonoperating Revenues (Expenses)		
Interest income	4,120	7,417
Miscellaneous income	36	4,087
Water meter fee	500	500
Interest expense	(46,075)	(56,575)
Total Nonoperating Revenues (Expenses)	<u>(41,419)</u>	<u>(44,571)</u>
Net Income	35,963	8,957
TOTAL NET ASSETS - Beginning of Year	<u>864,169</u>	<u>855,212</u>
TOTAL NET ASSETS - End of Year	<u>\$ 900,132</u>	<u>\$ 864,169</u>

**CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Balance Sheet
December 31, 2008 and 2007**

	2008	2007
ASSETS		
Current Assets		
Cash and investments	\$ 2,719	\$ 16,625
Accounts receivable	29,782	1,732
Due from other governmental units		1,732
Total Current Assets	<u>32,501</u>	<u>18,357</u>
Noncurrent Assets		
Capital assets		
Nondepreciable	10,000	10,000
Depreciable	2,737,511	2,737,511
Less: Accumulated depreciation	1,132,524	1,069,488
Total Capital Assets	<u>1,614,987</u>	<u>1,678,023</u>
TOTAL ASSETS	<u>\$ 1,647,488</u>	<u>\$ 1,696,380</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 1,001	\$ 2,944
Accrued expenses	14,096	13,987
Due to other funds		31,503
Current maturities of bonds payable	25,000	25,000
Total Current Liabilities	<u>40,097</u>	<u>73,434</u>
Noncurrent Liabilities		
Bonds payable, net of discount and issuance costs	544,174	568,391
Compensated absences payable	2,523	2,343
Total Liabilities	<u>586,794</u>	<u>644,168</u>
Net Assets		
Invested in capital assets, net of related debt	1,045,813	1,084,632
Unrestricted	14,881	(32,420)
Total Net Assets	<u>\$ 1,060,694</u>	<u>\$ 1,052,212</u>

CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Statement of Revenues, Expenses
and Changes in Net Assets
For the Years Ended December 31, 2008 and 2007

	2008	2007
Operating Revenue		
Sales	\$ 132,612	\$ 111,356
Debt service charge	108,616	105,817
Total	<u>241,228</u>	<u>217,173</u>
Operating Expenses		
Employee services	67,588	66,473
Employee benefits and retirements	15,970	13,416
Materials and supplies		256
Repairs and maintenance	10,008	5,898
Depreciation	63,036	63,254
Utilities	22,026	20,415
Other charges	27,341	23,156
Total	<u>205,969</u>	<u>192,868</u>
Operating Income	<u>35,259</u>	<u>24,305</u>
Nonoperating Revenues (Expenses)		
Interest income	2,765	3,609
Interest expense	(30,058)	(30,867)
Miscellaneous income	516	
Total Nonoperating Revenues (Expenses)	<u>(26,777)</u>	<u>(27,258)</u>
Net Income (Loss)	8,482	(2,953)
TOTAL NET ASSETS - Beginning of Year	<u>1,052,212</u>	<u>1,055,165</u>
TOTAL NET ASSETS - End of Year	<u>\$ 1,060,694</u>	<u>\$ 1,052,212</u>

**CITY OF WANAMINGO, MINNESOTA
SANITATION FUND
Balance Sheet
December 31, 2008 and 2007**

	2008	2007
ASSETS		
Current Assets		
Cash and investments	\$ 11,648	\$ 9,687
Accounts receivable	6,011	4,643
TOTAL ASSETS	<u>\$ 17,659</u>	<u>\$ 14,330</u>
 Net Assets		
Unrestricted	<u>\$ 17,659</u>	<u>\$ 14,330</u>

CITY OF WANAMINGO, MINNESOTA
SANITATION FUND
Statement of Revenues, Expenses
and Changes in Net Assets
For the Years Ended December 31, 2008 and 2007

	2008	2007
Operating Revenues		
Sales	\$ 51,856	\$ 47,917
Operating Expenses		
Contracted services	48,487	43,838
Other charges	40	950
Total	<u>48,527</u>	<u>44,788</u>
Operating Income	<u>3,329</u>	<u>3,129</u>
Nonoperating Revenues		
Interest income		<u>53</u>
Net Income	3,329	3,182
TOTAL NET ASSETS - Beginning of Year	<u>14,330</u>	<u>11,148</u>
TOTAL NET ASSETS - End of Year	<u>\$ 17,659</u>	<u>\$ 14,330</u>

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Balance Sheet
December 31, 2008 and 2007**

	2008	2007
ASSETS		
Current Assets		
Cash and investments	\$ 9,396	\$ 11,068
Accounts receivable		547
Total Current Assets	<u>9,396</u>	<u>11,615</u>
Noncurrent Assets		
Capital assets		
Depreciable	619,586	619,586
Less: Accumulated depreciation	96,810	81,321
Total Capital Assets	<u>522,776</u>	<u>538,265</u>
TOTAL ASSETS	<u>\$ 532,172</u>	<u>\$ 549,880</u>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 891	\$ 375
Current maturities of bonds payable	15,000	14,000
Total Current Liabilities	<u>15,891</u>	<u>14,375</u>
Noncurrent Liabilities		
Bonds payable, net of current maturities	<u>589,000</u>	<u>604,000</u>
Total Liabilities	<u>604,891</u>	<u>618,375</u>
Net Assets		
Invested in capital assets, net of related debt	(81,224)	(79,735)
Unrestricted	8,505	11,240
Total Net Assets	<u>\$ (72,719)</u>	<u>\$ (68,495)</u>

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Statement of Revenues, Expenses
and Changes in Net Assets
For the Years Ended December 31, 2008 and 2007**

	2008	2007
Operating Revenues		
Facility rent	\$ 48,348	\$ 48,462
Operating Expenses		
Repairs and maintenance	774	1,494
Utilities	7,171	3,561
Depreciation	15,490	15,490
Other charges	10,653	10,385
Total Operating Expenses	<u>34,088</u>	<u>30,930</u>
Operating Income	<u>14,260</u>	<u>17,532</u>
Other Revenues (Expenses)		
Tax increment	8,195	8,721
Interest income	303	283
Interest expense	(26,982)	(27,524)
Total Other Revenues (Expenses)	<u>(18,484)</u>	<u>(18,520)</u>
Net Loss	(4,224)	(988)
TOTAL NET ASSETS - Beginning of Year	<u>(68,495)</u>	<u>(67,507)</u>
TOTAL NET ASSETS - End of Year	<u>\$ (72,719)</u>	<u>\$ (68,495)</u>

CITY OF WANAMINGO, MINNESOTA
SENIOR HOUSING FUND
Balance Sheet
December 31, 2008 and 2007

	2008	2007
ASSETS		
Current Assets		
Delinquent taxes recievable	\$ 3,143	\$
Due from other governmental units	2,181	
	<hr/>	
Total Noncurrent Assets	5,324	
	<hr/>	
Noncurrent Assets		
Capital assets		
Nondepreciable	75,977	75,977
Depreciable	1,129,973	1,129,973
Less: Accumulated depreciation	358,009	328,315
Net Capital Assets	<hr/> 847,941	<hr/> 877,635
	<hr/>	
TOTAL ASSETS	\$ 853,265	\$ 877,635
	<hr/>	
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 221	\$ 2,588
Accrued expenses	23,003	24,910
Customer deposits	6,524	6,190
Due to other funds	79,417	41,658
Current maturities of bonds payable	50,000	50,000
Total Current Liabilities	<hr/> 159,165	<hr/> 125,346
	<hr/>	
Noncurrent Liabilities		
Bonds payable, net of current maturities discount, and issuance costs	1,021,930	1,065,640
Compensated absences payable		176
	<hr/>	
Total Liabilities	1,181,095	1,191,162
	<hr/>	
Net Assets		
Unrestricted	<hr/> \$ (327,830)	<hr/> \$ (313,527)
	<hr/>	

CITY OF WANAMINGO, MINNESOTA
SENIOR HOUSING FUND
Statement of Revenues, Expenses
and Changes in Net Assets
For the Years Ended December 31, 2008 and 2007

	2008	2007
Operating Revenue		
Rental income	\$ 98,506	\$ 109,573
Operating Expenses		
Employee services	12,423	12,604
Employee benefits and retirements	1,854	1,790
Materials and supplies	187	110
Repairs and maintenance	5,483	3,156
Utilities	20,084	21,057
Depreciation	29,693	29,767
Other charges	17,659	11,425
Total	87,383	79,909
Operating Income	11,123	29,664
Nonoperating Revenues (Expenses)		
Property taxes	27,847	
Intergovernmental	2,866	
Interest income	1,230	156
Interest expense	(57,369)	(62,425)
Total Nonoperating Revenues (Expenses)	(25,426)	(62,269)
Net Loss	(14,303)	(32,605)
TOTAL NET ASSETS - Beginning of Year	(313,527)	(280,922)
TOTAL NET ASSETS - End of Year	\$ (327,830)	\$ (313,527)

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

In planning and performing our audit of the financial statements of City of Wanamingo, Minnesota as and for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City of Wanamingo, Minnesota's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

Accounting and Financial Reporting

A City of this size has an inherent limitation in its ability to effectively segregate its accounting duties and to prepare annual full disclosure financial statements in accordance with generally accepted accounting principles. It would not be practical for the City to devote the resources required to overcome this limitation.

In addition to these matters, during our audit we became aware of the following matters that is an opportunity for strengthening internal controls and operating efficiency:

Documentation of Accounting Policies and Procedures

The City should document its accounting policies and procedures in a written policy manual which spells out the accounting policies and procedures that make up the City's internal control system. The documentation should describe the procedures as they are intended to be performed and indicate which employees are to perform which procedures.

This communication is intended solely for the information and use of management, the City Council, and others within the City, and is not intended to be and should not be used by anyone other than these specified parties.

Smith, Schaefer and Associates, Ltd.

Rochester, Minnesota
March 24, 2009

