

CITY OF WANAMINGO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2019

CITY OF WANAMINGO, MINNESOTA

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CITY OF WANAMINGO, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2019

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CITY OF WANAMINGO, MINNESOTA

CITY OFFICIALS

DECEMBER 31, 2019

Ryan Holmes	Mayor
Stuart Ohr	Council Member
Larry Van De Walker	Council Member
Jeremiah Flotterud	Council Member
Eric Dierks	Council Member
Michael Boulton	City Administrator
Karen Masters	Deputy Clerk

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CITY OF WANAMINGO, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wanamingo, Minnesota as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wanamingo, Minnesota as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the required supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wanamingo, Minnesota's basic financial statements. The introductory section and combining, individual non-major fund financial statements and the supplementary information 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 and the supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statement for the year ended December 31, 2018, from which such partial information was derived.

We have previously audited the City's 2018 financial statements and our report, dated April 1, 2019, expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 5, 2020, on our consideration of the City of Wanamingo, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Wanamingo, Minnesota's internal control over financial reporting and compliance.

Smith, Schafu and Associates, Ltd.

Rochester, Minnesota
May 5, 2020

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CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Wanamingo, Minnesota, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2019.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Wanamingo exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$4,730,212 (*net position*). Of this amount, \$1,672,377 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$519,273.
- As of the close of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$1,377,921.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$451,590.
- The City of Wanamingo decreased total outstanding debt obligations by \$545,000 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Both of the government-wide financial statements distinguish functions of the City of Wanamingo that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Wanamingo include general government, public safety, public works, culture and recreation, and economic development. The business-type activities of the City of Wanamingo include the water, waste water, sanitation and, medical center funds. The government-wide financial statements can be found on pages 14-16 of this report.

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

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

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

The City of Wanamingo maintains twenty-seven 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, MIF Revolving Loan, 2014C G.O. Improvement Bond, and 2007 G.O. Refunding, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, waste water, sanitation, and medical center funds, all of which are considered to be major funds of the City of Wanamingo.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-58 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 60-67 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Wanamingo, assets and deferred outflows of resources and exceeded liabilities and deferred inflows of resources by \$4,730,212 at the close of the most recent fiscal year.

City of Wanamingo's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 1,923,258	1,839,191	\$ 585,733	\$ 566,414	\$ 2,508,991	\$ 2,405,605
Capital assets	4,055,879	4,038,869	3,023,969	3,186,356	7,079,848	7,225,225
Total assets	5,979,137	5,878,060	3,609,702	3,752,770	9,588,839	9,630,830
Deferred outflows of resources	8,358	13,702	9,642	16,001	18,000	29,703
Long-term liabilities outstanding	3,872,981	4,242,288	777,411	797,195	4,650,392	5,039,483
Other liabilities	121,326	155,047	72,273	207,022	193,599	362,069
Total liabilities	3,994,307	4,397,335	849,684	1,004,217	4,843,991	5,401,552
Deferred inflows of resources	15,295	22,517	17,341	25,525	32,636	48,042
Net position:						
Net investment in capital assets	265,820	(122,816)	2,340,557	2,332,532	2,606,377	2,209,716
Restricted	451,458	984,909			451,458	984,909
Unrestricted	1,260,615	609,817	411,762	406,497	1,672,377	1,016,314
Total net position	\$ 1,977,893	\$ 1,471,910	\$ 2,752,319	\$ 2,739,029	\$ 4,730,212	\$ 4,210,939

A portion of the City of Wanamingo's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$1,672,377 may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities increased the City of Wanamingo's net position by \$505,983.

Business-type activities. Business-type activities increased the City of Wanamingo's net position by \$13,290.

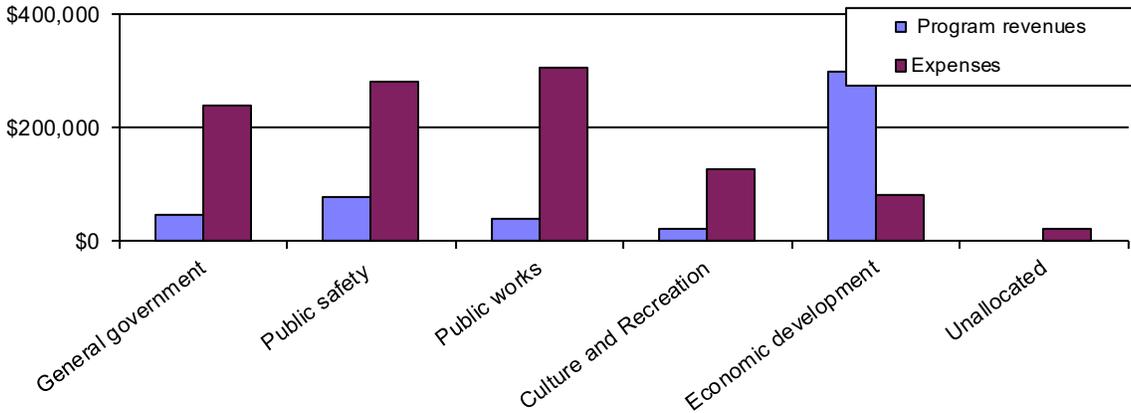
A condensed version of the Statement of Activities follows:

	City of Wanamingo's Change in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue:						
Program revenues:						
Charges for services	\$ 110,743	\$ 109,284	\$ 658,896	\$ 652,424	\$ 769,639	\$ 761,708
Operating grants and contributions	306,750	6,250			306,750	6,250
Capital grants and contributions	68,034	86,169			68,034	86,169
General revenues:						
Property taxes	738,684	674,527			738,684	674,527
Tax increments	81,515	78,702			81,515	78,702
Grants and contributions not restricted to specific programs	293,417	279,085			293,417	279,085
Other	77,409	137,586	15,783	13,295	93,192	150,881
Total revenues	<u>1,676,552</u>	<u>1,371,603</u>	<u>674,679</u>	<u>665,719</u>	<u>2,351,231</u>	<u>2,037,322</u>
Expenses:						
General government	241,459	232,403			241,459	232,403
Public safety and transportation	282,317	249,080			282,317	249,080
Public works	307,217	276,813			307,217	276,813
Culture and recreation	125,968	133,628			125,968	133,628
Economic development	80,656	62,234			80,656	62,234
Interest on long-term debt	112,281	122,373			112,281	122,373
Unallocated	20,671	14,298			20,671	14,298
Water			259,470	243,745	259,470	243,745
Waste water			279,624	242,577	279,624	242,577
Sanitation			69,502	66,717	69,502	66,717
Medical center			52,793	46,592	52,793	46,592
Total expenses	<u>1,170,569</u>	<u>1,090,829</u>	<u>661,389</u>	<u>599,631</u>	<u>1,831,958</u>	<u>1,690,460</u>
Increase (Decrease) in net position	505,983	280,774	13,290	66,088	519,273	346,862
Net position, beginning of year,	<u>1,471,910</u>	<u>1,191,136</u>	<u>2,739,029</u>	<u>2,672,941</u>	<u>4,210,939</u>	<u>3,864,077</u>
Net position, end of year	<u>\$ 1,977,893</u>	<u>\$ 1,471,910</u>	<u>\$ 2,752,319</u>	<u>\$ 2,739,029</u>	<u>\$ 4,730,212</u>	<u>\$ 4,210,939</u>

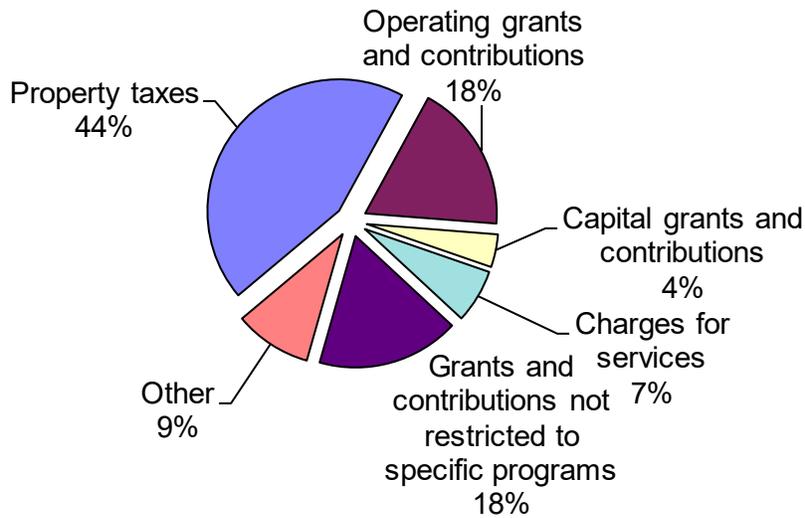
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Governmental Activities



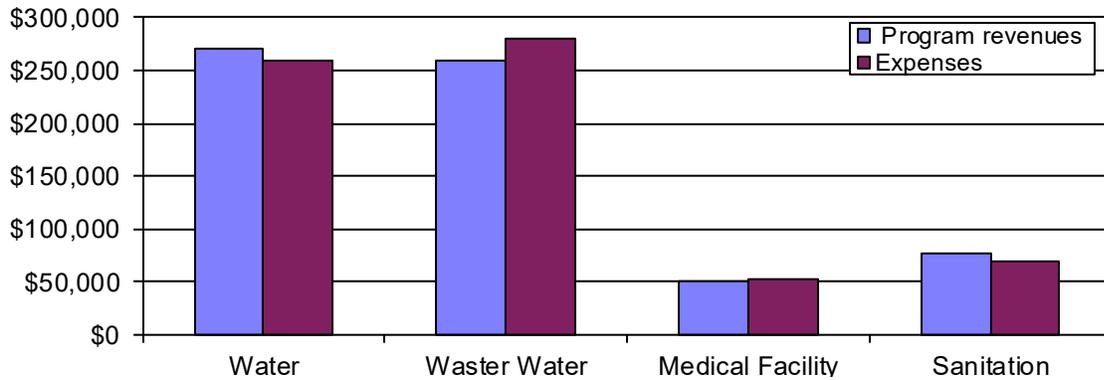
Revenues by Source - Governmental Activities



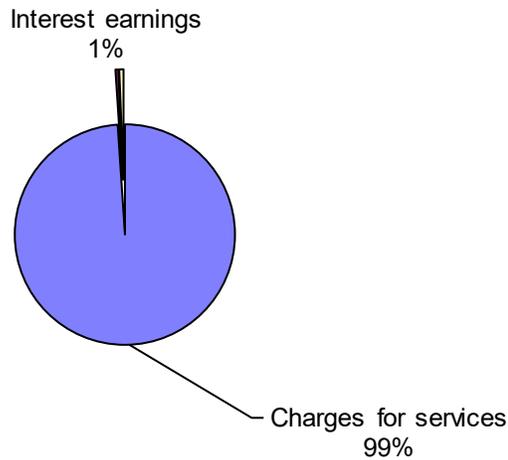
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

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

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

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

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

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

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

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

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

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

At the end of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$1,377,921, a decrease of \$109,230 as the City spent down reserves on 2019 Stormwater Project, had unforeseen culvert replacement costs, and created a third maintenance position. Approximately 44 percent of this total amount or \$603,413 constitutes *unassigned, assigned and committed fund balance*, which is available for spending at the government's discretion. The remainder of this fund balance is *nonspendable or restricted* to indicate that it is not available for new spending because it has already been committed to repay interfund advances or other debt.

The general fund is the chief operating fund of the City of Wanamingo. At the end of the current fiscal year, unassigned fund balance of the general fund was \$451,590.

The general fund's total fund balance decreased by \$18,380 during the current fiscal year as a result of street portions of the 2019 Stormwater Project, an unforeseen culvert replacement costs, crack sealing, log cabin roof replacement, new branding/logo work, and the creation of a third maintenance position.

CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The unrestricted net position in the respective proprietary funds are Water - \$45,405, Waste water - \$319,437, Sanitation - \$61,253, and Medical center - (\$14,333) .

The water utility fund's increase of \$16,096 is planned budgeting. The City plans to increase user rates in future years to build up cash fund balance in water fund. The three water debt service bonds will be paid off in 2020, 2021, and 2022, respectively. The City anticipates the need for a new water tower, new well house/chemical treatment facility, and additional water line looping in the next few years which will be financed with current debt service dollars financing new debt service dollars.

The wastewater utility fund's decrease of \$17,163 was due to depreciation while cash reserves increased. The City plans to increase user rates in future years to build up cash fund balance in wastewater fund. The City anticipates a \$4 to \$7 million upgrade to the waste water treatment plant within the next ten years.

General Fund Budgetary Highlights

The City approved the 2019 general fund budget anticipating an increase of \$58,876 before transfers in general fund reserves. The City did not amend its budget during the year. The City is working toward achievement of and then maintaining a 30% to 65% reserve balance of expenditures, or a \$500,000 General Fund cash reserve, whichever is greater, set forth by City policy. The City is positioning itself in order to receive an anticipated increased bond rating with adherence to the amended policy.

At the close of the year, general fund total expenditures were \$110,779 more than final budget while actual revenues exceeded final budget by \$61,321. The increase in expenditures were a result of an increase in building permit activity, a shift in legal expenditures from hourly to contracted, street portions of the 2019 Stormwater Project, an unforeseen culvert replacement costs, crack sealing, log cabin roof replacement, new branding/logo work, the creation of a third maintenance position, and additional fire department purchases. Revenues exceeded the final budget due to increased property tax collections, increased building permit activity, and fire department grants and contributions. The fund showed a decrease in fund balance totaling \$18,380 for the year ended December 31, 2019.

**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, 2019, amounts to \$7,079,848 (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 \$145,377.

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 122,866	\$ 115,761	\$ 10,000	\$ 10,000	\$ 132,866	\$ 125,761
Buildings and improvements	746,571	771,498	2,998,182	3,157,399	3,744,753	3,928,897
Improvements other than buildings	2,792,519	2,718,869			2,792,519	2,718,869
Machinery and equipment	393,923	432,741	15,787	18,957	409,710	451,698
Total	\$ 4,055,879	\$ 4,038,869	\$ 3,023,969	\$ 3,186,356	\$ 7,079,848	\$ 7,225,225

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 \$4,494,000 in bonds and notes outstanding.

City of Wanamingo's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
General obligation bonds	\$ 3,089,000	\$ 3,413,000	\$ 486,000	\$ 561,000	\$ 3,575,000	\$ 3,974,000
General obligation TIF bonds	345,000	395,000			345,000	395,000
General obligation equipment certificates	376,000	376,000			376,000	376,000
General obligation notes			198,000	294,000	198,000	294,000
Total	\$ 3,810,000	\$ 4,184,000	\$ 684,000	\$ 855,000	\$ 4,494,000	\$ 5,039,000

The City of Wanamingo's total bonds and notes payable decreased by \$545,000. A more detailed breakdown of these obligations can be found in Note 5, beginning on page 44.

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

Economic Factors and Next Year's Budgets and Rates

- The City anticipates some growth in the commercial and residential housing market even as the Regional, State, and National economy falters with COVID-19 response.
- The City anticipates additional general fund budgeting maintenance and reconstruction of street surfaces in the near future based on the pavement management plan adopted by the City Council in December of 2016. The next phases are schedule to occur in 2020 and 2023.
- A combination of additional state aid and decreasing debt service obligations could have an impact on the general tax levy in future years.
- The Council has set a priority of general fund dollars, beyond the 30-65% (or \$500,000 whichever is greater) City reserve policy, to be directed towards street equipment purchases and street maintenance. Maintenance includes crack sealing, sealing coating, and mill/overlay projects.
- The Council expects to increase the water and sewer rates each of the next few years with the intention of building up reserves. A future water tower, water chemical building, and sewer plant upgrade are in the 10-year capital improvements plan.
- The City Council captured the 2019 increase in tax capacity and went beyond by increasing the levy by 6.85% in order to meet additional debt service obligations and dedicate additional funds to street maintenance. The Council has been willing to increase levy in preparation for capital needs the last three years with anticipation of an increased levy from 2020 to 2021.

All of these factors were considered in preparing the City of Wanamingo's budget for the 2020 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.

CITY OF WANAMINGO, MINNESOTA

BASIC FINANCIAL STATEMENTS

DECEMBER 31, 2019

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CITY OF WANAMINGO, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2019
With Comparative Totals for December 31, 2018

	Governmental	Business-Type	Totals	
	Activities	Activities	2019	2018
ASSETS				
Cash and investments	\$ 1,327,502	\$ 544,293	\$ 1,871,795	\$ 1,958,620
Receivables	515,223	54,744	569,967	353,225
Deposits	50,000		50,000	50,000
Due from other governmental units	17,229		17,229	43,760
Internal balances	13,304	(13,304)		
Capital assets:				
Nondepreciable	122,866	10,000	132,866	125,761
Depreciable, net	3,933,013	3,013,969	6,946,982	7,099,464
Total Assets	5,979,137	3,609,702	9,588,839	9,630,830
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	8,358	9,642	18,000	29,703
LIABILITIES				
Accounts payable	13,304	44,520	57,824	63,033
Accrued liabilities	3,306	1,913	5,219	3,794
Accrued interest payable	73,161	2,344	75,505	85,489
Due to other governmental units	1,822		1,822	24,479
Compensated absences	17,205	23,496	40,701	37,274
Unearned revenue	12,528		12,528	
Noncurrent liabilities				
Due within one year	417,000	145,000	562,000	522,000
Due in more than one year	3,373,059	538,412	3,911,471	4,493,509
Net pension liability	82,922	93,999	176,921	171,974
Total Liabilities	3,994,307	849,684	4,843,991	5,401,552
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	15,295	17,341	32,636	48,042
NET POSITION				
Net investment in capital assets	265,820	2,340,557	2,606,377	2,209,716
Restricted for:				
Debt service	429,025		429,025	969,261
Tax increment financing	22,433		22,433	15,648
Unrestricted	1,260,615	411,762	1,672,377	1,016,314
Total Net Position	\$ 1,977,893	\$ 2,752,319	\$ 4,730,212	\$ 4,210,939

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2019
 With Comparative Totals for the Year Ended December 31, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 241,459	\$ 48,533	\$	\$
Public safety	282,317	47,712		29,250
Public works	307,217			38,784
Culture and recreation	125,968	14,498	6,750	
Economic development	80,656		300,000	
Unallocated	20,671			
Interest on long-term debt	112,281			
Total governmental activities	1,170,569	110,743	306,750	68,034
Business-Type activities:				
Water	259,470	271,254		
Waste water	279,624	259,795		
Sanitation	69,502	77,059		
Medical center	52,793	50,788		
Total business-type activities	661,389	658,896		
Total	\$ 1,831,958	\$ 769,639	\$ 306,750	\$ 68,034

General revenues:

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

Change in net position

Net position - beginning

Net position - ending

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals 2019	2018
\$ (192,926)	\$	\$ (192,926)	\$ (182,734)
(205,355)		(205,355)	(176,566)
(268,433)		(268,433)	(216,955)
(104,720)		(104,720)	(113,966)
219,344		219,344	(62,234)
(20,671)		(20,671)	(14,298)
(112,281)		(112,281)	(122,373)
(685,042)		(685,042)	(889,126)
	11,784	11,784	30,450
	(19,829)	(19,829)	6,695
	7,557	7,557	7,314
	(2,005)	(2,005)	8,334
	(2,493)	(2,493)	52,793
(685,042)	(2,493)	(687,535)	(836,333)
738,684		738,684	674,527
81,515	8,805	90,320	87,079
293,417		293,417	279,085
15,076	2,916	17,992	5,772
62,333	4,062	66,395	136,732
1,191,025	15,783	1,206,808	1,183,195
505,983	13,290	519,273	346,862
1,471,910	2,739,029	4,210,939	3,864,077
\$ 1,977,893	\$ 2,752,319	\$ 4,730,212	\$ 4,210,939

CITY OF WANAMINGO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019
With Comparative Totals for December 31, 2018

	101 General	211 MIF Revolving Loan
ASSETS		
Cash and investments	\$ 402,269	\$ 6,682
Accounts receivable		
Taxes receivable delinquent	6,225	
Special assessments receivable:		
Deferred	30,792	
Delinquent		
Loan receivable		291,810
Deposits		
Advance to other funds	24,290	
Due from other funds	60,716	
Due from other governmental units	17,229	
TOTAL ASSETS	\$ 541,521	\$ 298,492
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE		
Liabilities		
Accounts payable	\$ 13,158	\$
Accrued expenses	2,938	
Unearned revenue	12,528	
Advance from other funds		
Due to other governments		1,822
Due to other funds		
Total Liabilities	28,624	1,822
 Deferred Inflows of Resources		
Unavailable:		
Delinquent property taxes	6,225	
Special assessments	30,792	
Loans receivable		291,810
Total Deferred Inflows of Resources	37,017	291,810
 Fund Balance		
Nonspendable:		
Advances to other funds	24,290	
Restricted:		
Creditors		
Regulations		4,860
Committed		
Assigned		
Unassigned	451,590	
Total Fund Balance	475,880	4,860
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	 \$ 541,521	 \$ 298,492

See Notes to Financial Statements

328 2007 G.O. Refunding (2015A Refunding)	331 2014C G.O. Improvement Bond	Other Governmental Funds	Total Governmental Funds	
			2019	2018
\$ 5,096	\$ 408,161	\$ 505,294	\$ 1,327,502	\$ 1,438,740
		846	846	6,922
2,559		6,106	14,890	11,671
57,002		119,191	206,985	274,408
526		166	692	1,264
		50,000	291,810	7,908
			50,000	50,000
			24,290	24,290
			60,716	63,803
			17,229	43,760
<u>\$ 65,183</u>	<u>\$ 408,161</u>	<u>\$ 681,603</u>	<u>\$ 1,994,960</u>	<u>\$ 1,922,766</u>
\$	\$	\$ 146	\$ 13,304	\$ 29,225
		368	3,306	3,085
			12,528	
		24,290	24,290	24,290
			1,822	24,479
		47,412	47,412	59,285
		<u>72,216</u>	<u>102,662</u>	<u>140,364</u>
		6,106	14,890	11,671
2,559		119,357	207,677	275,672
57,528			291,810	7,908
<u>60,087</u>		<u>125,463</u>	<u>514,377</u>	<u>295,251</u>
			24,290	24,290
5,096	408,161	309,668	722,925	728,098
		22,433	27,293	15,648
		51,793	51,793	81,741
		171,400	171,400	246,683
		(71,370)	380,220	390,691
<u>5,096</u>	<u>408,161</u>	<u>483,924</u>	<u>1,377,921</u>	<u>1,487,151</u>
<u>\$ 65,183</u>	<u>\$ 408,161</u>	<u>\$ 681,603</u>	<u>\$ 1,994,960</u>	<u>\$ 1,922,766</u>

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

For the Year Ended December 31, 2019

With Comparative Totals for the Year Ended December 31, 2018

	101 General	211 MIF Revolving Loan
REVENUES		
General property taxes	\$ 312,745	
Tax increment		
Special assessments	1,551	
Licenses and permits	45,023	
Intergovernmental revenues	294,627	300,000
Charges for services	62,649	
Fines and forfeits	3,071	
Investment income	15,060	
Miscellaneous revenues	17,276	12,149
Total Revenues	752,002	312,149
EXPENDITURES		
General government	108,448	
Public safety	245,507	
Public works	164,809	
Culture and recreation	110,859	
Unallocated	20,983	
Economic development		307,289
Debt service		
Capital outlay	91,978	
Total Expenditures	742,584	307,289
Excess (deficiency) of revenues over (under) expenditures	9,418	4,860
OTHER FINANCING SOURCES (USES)		
Certificate proceeds		
Transfers in	6,289	
Transfers out	(34,087)	
Total other financing sources (uses)	(27,798)	
Net change in fund balances	(18,380)	4,860
Fund Balance - beginning	494,260	
Fund Balance - ending	\$ 475,880	\$ 4,860

See Notes to Financial Statements

328 2007 G.O. Refunding (2015A Refunding)	331 2014C Improvement Bond	Other Governmental Funds	Total Governmental Funds	
			2019	2018
115,751		\$ 306,969	\$ 735,465	\$ 684,904
		81,515	81,515	78,702
12,398	9,017	85,364	108,330	430,455
			45,023	46,744
			594,627	292,586
			62,649	59,709
			3,071	2,831
		16	15,076	5,184
		66,147	95,572	162,811
<u>128,149</u>	<u>9,017</u>	<u>540,011</u>	<u>1,741,328</u>	<u>1,763,926</u>
			108,448	120,638
			245,507	251,853
			164,809	162,362
			110,859	109,920
			20,983	14,865
		119,203	426,492	116,825
116,108	44,197	332,218	492,523	474,118
		188,959	280,937	398,602
<u>116,108</u>	<u>44,197</u>	<u>640,380</u>	<u>1,850,558</u>	<u>1,649,183</u>
<u>12,041</u>	<u>(35,180)</u>	<u>(100,369)</u>	<u>(109,230)</u>	<u>114,743</u>
				371,250
	38,678	34,087	79,054	1,455
		(44,967)	(79,054)	(1,455)
	<u>38,678</u>	<u>(10,880)</u>		<u>371,250</u>
12,041	3,498	(111,249)	(109,230)	485,993
(6,945)	404,663	595,173	1,487,151	1,001,158
<u>\$ 5,096</u>	<u>\$ 408,161</u>	<u>\$ 483,924</u>	<u>\$ 1,377,921</u>	<u>\$ 1,487,151</u>

CITY OF WANAMINGO, MINNESOTA
RECONCILIATION OF NET POSITION IN THE
GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND BALANCES
IN THE FUND BASIS FINANCIAL STATEMENTS
December 31, 2019

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

Total governmental fund balances (page 18)		\$ 1,377,921
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 7,353,059	
Less: Accumulated depreciation	<u>(3,297,180)</u>	4,055,879
Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 14,890	
Deferred and delinquent special assessments	207,677	
Loans receivable	<u>291,810</u>	514,377
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	\$ (3,810,000)	
Unamortized bond discount	19,941	
Net pension liability	(89,859)	
Compensated absences	(17,205)	
Accrued interest	<u>(73,161)</u>	<u>(3,970,284)</u>
Net position of governmental activities (page 14)		<u>\$ 1,977,893</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, 2019

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

Net change in fund balances - total governmental funds (page 20) \$ (109,230)

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.

Capital outlay	\$ 239,264	
Depreciation expense	(222,254)	
		17,010

Certain revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.

Property taxes	\$ 3,219	
Special assessments	(67,995)	
Loans receivable	283,902	
		219,126

The governmental funds report bond proceeds as financing sources, while repayment of bond principal is report as an expenditure. In the statement of net position, however, issuing debt increases long term liabilities and does not affect the statement of activities and repayment of principal reduces the liability. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, however, interest expense is recognized as it accrues, regardless of when it is due. The net effect of these differences in the treatment of general obligation bonds and related items is as follows.

Change in accrued interest	\$ 8,916	
Amortization of bond discount	(2,374)	
Principal retirement on long-term debt	374,000	
		380,542

In the statement of activities, certain operating expenses - compensated absences and net pension liability - are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

Change in accrued compensated absences	\$ (1,024)	
Change in net pension liability	(441)	
		(1,465)

Change in net position of governmental activities (pages 15 and 16) \$ 505,983

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, 2019

With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
REVENUES					
Property Taxes	\$ 309,000	\$ 309,000	\$ 312,745	\$ 3,745	\$ 313,440
Special Assessments	1,500	1,500	1,551	51	1,007
Licenses and Permits					
Business	2,680	2,680	5,400	2,720	2,720
Nonbusiness	17,500	17,500	39,623	22,123	44,024
Total Licenses and Permits	20,180	20,180	45,023	24,843	46,744
Intergovernmental Revenues					
Local government aid	258,636	258,636	246,047	(12,589)	245,543
Other state aid	3,650	3,650	16,593	12,943	18,469
Other State/Federal grant			1,210	1,210	1,145
Fire aid	18,000	18,000	30,777	12,777	27,429
Total Intergovernmental Revenues	280,286	280,286	294,627	14,341	292,586
Charges For Services					
Township fire contributions	43,315	43,315	44,641	1,326	44,434
Swimming pool fees	15,200	15,200	14,498	(702)	12,350
Other	2,700	2,700	3,510	810	2,925
Total Charges For Services	61,215	61,215	62,649	1,434	59,709
Fines and Forfeits					
Court fines	2,500	2,500	3,071	571	2,831
Investment Income	1,900	1,900	15,060	13,160	5,176
Miscellaneous Revenues					
Other contributions	8,500	8,500	6,750	(1,750)	6,250
Other refunds and reimbursements	5,000	5,000	9,864	4,864	12,092
Other	600	600	662	62	1,506
Total Miscellaneous Revenues	14,100	14,100	17,276	3,176	19,848
TOTAL REVENUES	\$ 690,681	\$ 690,681	\$ 752,002	\$ 61,321	\$ 741,341

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, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Employee services	\$ 11,300	\$ 11,300	\$ 11,077	\$ 223	\$ 11,040
Insurance	1,250	1,250	1,053	197	1,204
Total Mayor and Council	12,550	12,550	12,130	420	12,244
Election and Voter Registration	300	300	537	(237)	2,814
City Administration					
Employee services	32,800	32,800	34,773	(1,973)	33,291
Employee benefits and retirement	8,900	8,900	7,037	1,863	6,559
Materials and supplies	4,800	4,800	2,699	2,101	7,299
Telephone	3,450	3,450	3,727	(277)	3,505
Printing and publishing	2,500	2,500	4,593	(2,093)	3,000
Contracted services	1,000	1,000	546	454	587
Insurance	11,550	11,550	5,264	6,286	6,040
Other charges	11,800	11,800	11,462	338	11,058
Capital outlay	2,500	2,500	6,545	(4,045)	3,151
Total City Administration	79,300	79,300	76,646	2,654	74,490
Professional Services					
Legal	8,000	8,000	3,980	4,020	10,090
Accounting and audit	21,000	21,000	21,700	(700)	21,000
Total Professional Services	29,000	29,000	25,680	3,320	31,090
Total General Government	\$ 121,150	\$ 121,150	\$ 114,993	\$ 6,157	\$ 120,638

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, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Safety					
Police Protection					
Contractual services	\$ 108,045	\$ 108,045	\$ 108,045	\$	\$ 104,898
Legal services	5,000	5,000	12,000	(7,000)	12,000
Total Police Protection	113,045	113,045	120,045	(7,000)	116,898
Ambulance					
Contractual services	5,430	5,430	10,880	(5,450)	5,430
Fire Protection					
State fire aid	18,000	18,000	28,277	(10,277)	24,479
Materials and supplies	18,500	18,500	16,949	1,551	15,854
Utilities	8,600	8,600	7,845	755	8,676
Repairs and maintenance	12,000	12,000	10,083	1,917	9,645
Insurance	9,500	9,500	7,974	1,526	8,355
Other charges	10,300	10,300	18,449	(8,149)	8,568
Capital outlay			12,332	(12,332)	9,022
Total Fire Protection	76,900	76,900	101,909	(25,009)	84,599
Building Inspection					
Contractual services	12,500	12,500	25,005	(12,505)	44,926
Total Public Safety	\$ 207,875	\$ 207,875	\$ 257,839	\$ (49,964)	\$ 251,853

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, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Works					
Highways, Streets and Alleys					
Employee services	\$ 46,000	\$ 46,000	\$ 50,398	\$ (4,398)	\$ 35,774
Employee benefits and retirement	27,800	27,800	17,613	10,187	12,952
Materials and supplies	8,200	8,200	14,455	(6,255)	12,718
Repairs and maintenance	12,500	12,500	17,050	(4,550)	13,017
Utilities	7,100	7,100	5,870	1,230	6,044
Telephone	1,800	1,800	1,834	(34)	1,822
Insurance	7,470	7,470	7,110	360	7,783
Other charges	1,950	1,950	3,522	(1,572)	5,129
Capital outlay	15,000	15,000	66,451	(51,451)	24,687
Total Highways Streets and Alleys	127,820	127,820	184,303	(56,483)	119,926
Snow Removal	15,000	15,000	20,830	(5,830)	14,028
Street Lights	27,000	27,000	26,127	873	28,408
Total Public Works	\$ 169,820	\$ 169,820	\$ 231,260	\$ (61,440)	\$ 162,362

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, 2019

With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
EXPENDITURES					
Culture and Recreation					
Community center					
Material and supplies	\$ 250	\$ 250	\$ 150	\$ 100	\$ 135
Utilities	3,900	3,900	6,637	(2,737)	3,948
Other charges	5,110	5,110	4,999	111	5,947
Total Community center	9,260	9,260	11,786	(2,526)	10,030
Parks					
Employee services	4,200	4,200	2,421	1,779	2,823
Employee benefits and retirement	600	600	272	328	321
Materials and supplies	550	550	2,310	(1,760)	484
Repairs and maintenance	3,700	3,700	11,983	(8,283)	502
Utilities	2,750	2,750	1,433	1,317	1,645
Insurance	3,300	3,300	3,250	50	3,322
Contracted services	20,000	20,000	18,240	1,760	16,500
Capital outlay	5,000	5,000	6,650	(1,650)	893
Total Parks	40,100	40,100	46,559	(6,459)	26,490
Swimming Pool					
Employee services	41,500	41,500	34,222	7,278	42,644
Employee benefits and retirement	3,700	3,700	3,122	578	3,763
Materials and supplies	4,500	4,500	3,253	1,247	4,883
Repairs and maintenance	2,000	2,000	3,864	(1,864)	7,392
Utilities	8,000	8,000	6,817	1,183	5,808
Insurance	5,200	5,200	5,129	71	5,616
Other charges	4,200	4,200	2,757	1,443	3,294
Total Swimming Pool	69,100	69,100	59,164	9,936	73,400
Total Culture and Recreation	\$ 118,460	\$ 118,460	\$ 117,509	\$ 951	\$ 109,920

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, 2019

With Comparative Totals for the Year Ended December 31, 2018

	Budgeted Amounts		2019 Actual Amounts	Variance with Final Budget - Positive (Negative)	2018 Actual Amounts
	Original	Final			
EXPENDITURES					
Unallocated Expense					
Professional Services	\$ 3,500	\$ 3,500	\$ 9,571	\$ (6,071)	\$ 3,973
Miscellaneous	11,000	11,000	11,412	(412)	10,892
Total Unallocated	14,500	14,500	20,983	(6,483)	14,865
TOTAL EXPENDITURES	631,805	631,805	742,584	(110,779)	659,638
Excess of revenues over expenditures	58,876	58,876	9,418	(49,458)	81,703
Other Financing Uses					
Transfers in			6,289	6,289	
Transfers out	(14,087)	(14,087)	(34,087)	(20,000)	(1,455)
Net change in fund balances	44,789	44,789	(18,380)	(63,169)	80,248
FUND BALANCE - beginning	494,260	494,260	494,260		414,012
FUND BALANCE - ending	\$ 539,049	\$ 539,049	\$ 475,880	\$ (63,169)	\$ 494,260

See Notes to Financial Statements

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

For the Year Ended December 31, 2019

With Comparative Totals for the Year Ended December 31, 2018

	Business - Type Activities - Enterprise Funds					
	Water	Waste		Medical Center	Totals	
		Water	Sanitation		2019	2018
ASSETS						
Current Assets						
Cash and investments	\$ 82,337	\$ 366,914	\$ 95,042	\$	\$ 544,293	\$ 519,880
Accounts receivable	25,951	23,012	5,781		54,744	51,052
Total Current Assets	108,288	389,926	100,823		599,037	570,932
Noncurrent Assets						
Capital assets						
Nondepreciable		10,000			10,000	10,000
Depreciable	3,842,831	2,773,420		637,043	7,253,294	7,234,069
Less: Accumulated depreciation	2,186,650	1,783,906		268,769	4,239,325	4,057,713
Total Capital Assets	1,656,181	999,514		368,274	3,023,969	3,186,356
TOTAL ASSETS	1,764,469	1,389,440	100,823	368,274	3,623,006	3,757,288
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows from pension activity	4,174	5,468			9,642	16,001
LIABILITIES						
Current Liabilities						
Accounts payable	1,480	2,441	39,570	1,029	44,520	33,808
Accrued expenses	1,216	697			1,913	709
Accrued interest	2,344				2,344	3,412
Due to other funds				13,304	13,304	4,518
Current maturities of bonds payable	47,000				47,000	52,000
Current maturities of note payable	98,000				98,000	96,000
Total Current Liabilities	150,040	3,138	39,570	14,333	207,081	190,447
Noncurrent Liabilities						
Bonds payable, net of current maturities and discount	38,412			400,000	438,412	507,824
Note payable, net of current maturities	100,000				100,000	198,000
Compensated absences payable	11,718	11,778			23,496	21,093
Net pension liability	42,466	51,533			93,999	91,371
Total Noncurrent Liabilities	192,596	63,311		400,000	655,907	818,288
TOTAL LIABILITIES	342,636	66,449	39,570	414,333	862,988	1,008,735
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows from pension activity	7,833	9,508			17,341	25,525
NET POSITION						
Net investment in capital assets	1,372,769	999,514		(31,726)	2,340,557	2,332,532
Unrestricted	45,405	319,437	61,253	(14,333)	411,762	406,497
TOTAL NET POSITION	\$ 1,418,174	\$ 1,318,951	\$ 61,253	\$ (46,059)	\$ 2,752,319	\$ 2,739,029

See Notes to Financial Statements

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

For the Year Ended December 31, 2019

With Comparative Totals for the Year Ended December 31, 2018

	Business - Type Activities - Enterprise Funds						
	Water	Waste		Medical		Total	
		Water	Sanitation	Center	2019	2018	
Operating Revenues							
Sales	\$ 271,254	\$ 259,795	\$ 77,059	\$ 50,788	\$ 658,896	\$ 652,424	
Operating Expenses							
Employee services	55,102	77,330			132,432	119,955	
Employee benefits and retirements	23,742	45,025			68,767	55,394	
Materials and supplies	16,266	503			16,769	8,007	
Repairs and maintenance	8,912	5,995		6,075	20,982	18,770	
Utilities	14,306	20,548		5,979	40,833	40,399	
Depreciation	110,189	59,615		16,215	186,019	187,982	
Contracted services	4,177	25,957	69,479		99,613	95,982	
Other charges	18,823	44,651	23	6,511	70,008	43,715	
Total Operating Expenses	251,517	279,624	69,502	34,780	635,423	570,204	
Operating Income	19,737	(19,829)	7,557	16,008	23,473	82,220	
Nonoperating Revenues (Expenses)							
Special assessments	332	2,584			2,916	588	
Tax increment				8,805	8,805	8,377	
Miscellaneous income		82			82	310	
Water meter fee	3,980				3,980	4,020	
Interest expense	(7,953)			(18,013)	(25,966)	(29,427)	
Total Nonoperating Revenues (Expenses)	(3,641)	2,666		(9,208)	(10,183)	(16,132)	
Net Increase in Net Position	16,096	(17,163)	7,557	6,800	13,290	66,088	
NET POSITION - Beginning of Year	1,402,078	1,336,114	53,696	(52,859)	2,739,029	2,672,941	
NET POSITION - End of Year	\$ 1,418,174	\$ 1,318,951	\$ 61,253	\$ (46,059)	\$ 2,752,319	\$ 2,739,029	

See Notes to the Financial Statements

CITY OF WANAMINGO, MINNESOTA
PROPRIETARY FUND
STATEMENT OF CASH FLOW
For the Year Ended December 31, 2019
With Comparative Totals for the Year Ended December 31, 2018

	Business - Type Activities - Enterprise Funds					
	Water	Waste		Medical Center	Total	
		Water	Sanitation		2019	2018
Cash Flows From Operating Activities						
Cash received from customers	\$ 269,053	\$ 257,393	\$ 77,970	\$ 50,788	\$ 655,204	\$ 657,485
Cash paid to suppliers	(58,827)	(95,712)	(62,941)	(17,726)	(235,206)	(209,523)
Cash paid to employees	(78,181)	(120,895)			(199,076)	(177,905)
Net Cash Provided By Operating Activities	132,045	40,786	15,029	33,062	220,922	270,057
Cash Flows From Noncapital Financing Activities						
Other income	3,980				3,980	4,020
Increase (Decrease) in due to other funds				8,786	8,786	(10,067)
Net Cash Provided By (Used In) Noncapital Financing Activities	3,980			8,786	12,766	(6,047)
Cash Flows From Capital and Related Financing Activities						
Acquisition of capital assets	(13,992)			(9,640)	(23,632)	(2,933)
Tax increment collections				8,805	8,805	8,377
Principal paid on long-term debt	(147,412)			(23,000)	(170,412)	(167,412)
Interest and fiscal agent fees	(9,021)	2,584		(18,013)	(24,450)	(30,681)
Net Cash Used In Capital and Related Financing Activities	(170,425)	2,584		(41,848)	(209,689)	(192,649)
Cash Flows From Investing Activities						
Investment income	332	82			414	898
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(34,068)	43,452	15,029		24,413	72,259
CASH AND CASH EQUIVALENTS - Beginning of Year	116,405	323,462	80,013		519,880	447,621
CASH AND CASH EQUIVALENTS - End of Year	\$ 82,337	\$ 366,914	\$ 95,042		\$ 544,293	\$ 519,880

See Notes to the Financial Statements

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

	Business - Type Activities - Enterprise Funds					
	Water	Waste Water	Sanitation	Medical Center	Total	
					2019	2018
Operating Income (Loss)	\$ 19,737	\$ (19,829)	\$ 7,557	\$ 16,008	\$ 23,473	\$ 82,220
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	110,189	59,615		16,215	186,019	187,982
Change in net pension liability	663	140			803	(3,001)
(Increase) Decrease In:						
Accounts receivable	(2,201)	(2,402)	911		(3,692)	5,061
Increase (Decrease) In:						
Accounts payable	1,370	1,942	6,561	839	10,712	2,391
Accrued expenses	2,287	1,320			3,607	(4,596)
 Net Cash Provided By Operating Activities	 \$ 132,045	 \$ 40,786	 \$ 15,029	 \$ 33,062	 \$ 220,922	 \$ 270,057

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CITY OF WANAMINGO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

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

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

Reporting Entity

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

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

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

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

Government-wide and Fund Financial Statements

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

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

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

Unearned revenue is recorded when assets are recognized before revenue recognition criteria have been satisfied. Grants received before eligibility requirements other than time requirements are met and recorded as unearned revenue. Grants received before time requirements are met are recorded as a deferred inflow of resources.

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 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 *2014C G.O. Improvement Bond fund* accounts for the financial resources to be used to for repayment of bonds with interest.

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

The *MIF Revolving Loan fund* accounts for the financial resources related to the Minnesota Investment Fund loan issued in 2019.

The City reports the following major proprietary funds:

The *Water fund* accounts for the operation of the City owned water utility system.

The *Waste water fund* accounts for the operation of the City owned sewer utility system.

The *Sanitation fund* accounts for the operation of the City sanitary enterprise.

The *Medical center fund* accounts for the operation of the Wanamingo medical facility.

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

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

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

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Budgets and Budgetary Accounting

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

Cash and Investments

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

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

Property Taxes

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

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

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

Special Assessments

Assessments are levied at various times by City resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to twenty-five years with interest charges of 6.0% to 8.0%. Revenue from these assessments is recognized as the annual installments become collectible. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The amount of delinquent assessments receivable are fully offset by deferred inflow of resources 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, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Capital Assets

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

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

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

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

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

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

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.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (Continued)

Long-term Obligations

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

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

Interfund Transactions

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

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

Concentration of Credit Risk

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

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

Net Position / Fund Balance

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

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

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

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Net Position / Fund Balance (continued)

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

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

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

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

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

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

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

The City has adopted a minimum fund balance policy to maintain fund balance in the General Fund between 30% and 65% as a percentage of total General Fund expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one type and is pension related and is reported on the statement of net position.

Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City recognized two types. The first type of deferred inflows of resources occurs because governmental fund revenues are not recognized until available under the modified accrual basis of accounting. The second type is pension related and reported in the statement of net position.

Reclassifications

Certain amounts in the 2018 financial statements have been reclassified to conform with the 2019 presentation.

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2019, 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	\$ 1,349,960
Mutual Funds	None	Unrated	420,781
Certificate of Deposit	December 2020	Unrated	101,054
			<u>\$ 1,871,795</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

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.

Fair Value Measurements

Fair value measurements are determined utilizing the framework established by the Governmental Accounting Standards Board. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2: Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets
 - Quoted prices for identical assets or liabilities in inactive markets
 - Inputs other than quoted prices that are observable for the asset or liability
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other meansIf the asset or liability has a specific (contractual) term, Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

There were no assets or liabilities measured at fair value on a recurring basis noted at the City in 2019.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Collateralization of Cash Deposits

The City's deposits are 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.

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

The city places no limit on the amount the city may invest in any one issuer.

3. Due From Other Governmental Units

Amounts due from other governmental units as of December 31, 2019 are as follows:

<u>Fund</u>	<u>Goodhue County</u>
General	<u>\$ 17,229</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 114,068	\$	\$	\$ 114,068
Work in progress	1,693	8,798	1,693	8,798
Total capital assets, not being depreciated	115,761	8,798	1,693	122,866
Capital assets, being depreciated:				
Buildings	1,580,118	9,799	2,786	1,587,131
Improvements other than buildings	3,829,083	201,825		4,030,908
Machinery and equipment	1,595,746	20,535	4,127	1,612,154
Total capital assets, being depreciated	7,004,947	232,159	6,913	7,230,193
Less accumulated depreciation for:				
Buildings	808,620	34,726	2,786	840,560
Improvements other than buildings	1,110,214	128,175		1,238,389
Machinery and equipment	1,163,005	59,353	4,127	1,218,231
Total accumulated depreciation	3,081,839	222,254	6,913	3,297,180
Total capital assets, being depreciated, net	3,923,108	9,905		3,933,013
Governmental activities capital assets, net	\$ 4,038,869	\$ 18,703	\$ 1,693	\$ 4,055,879

Business-Type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 10,000	\$	\$	\$ 10,000
Total capital assets, not being depreciated	10,000			10,000
Capital assets, being depreciated:				
Buildings and improvements	6,969,149	23,632	4,407	6,988,374
Machinery and equipment	264,920			264,920
Total capital assets, being depreciated	7,234,069	23,632	4,407	7,253,294
Less accumulated depreciation for:				
Buildings and improvements	3,811,750	182,849	4,407	3,990,192
Machinery and equipment	245,963	3,170		249,133
Total accumulated depreciation	4,057,713	186,019	4,407	4,239,325
Total capital assets, being depreciated, net	3,176,356	(162,387)		3,013,969
Business-type activities capital assets, net	\$ 3,186,356	\$ (162,387)	\$	\$ 3,023,969

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (Continued)

Governmental Activities:	
General government	\$ 17,358
Public safety	46,372
Public works	133,659
Culture and recreation	<u>24,865</u>
Total depreciation expense - governmental activities	<u>\$ 222,254</u>
Business-Type Activities:	
Water	\$ 110,189
Sewer	59,615
Medical Facility	<u>16,215</u>
Total depreciation expense - business-type activities	<u>\$ 186,019</u>

5. Long-Term Debt

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

General Obligation Improvement Bonds:

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

General Obligation Tax Increment Bonds:

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

Revenue Bonds:

The 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 Revenue Bonds:

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

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

The 2014B Water Tower 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.

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.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

A summary of interest rates, maturities and December 31, 2019 balances are as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2019
General Obligation Improvement Bonds:			
Series 2010B Refunding	1.0%-3.70%	2/1/2023	\$ 395,000
Series 2014A Refunding	1.0%-3.55%	2/1/2026	540,000
Series 2014C - Construction	1.75%-3.60%	2/1/2031	445,000
Series 2015A Refunding	2.0%-3.3%	2/1/2035	1,425,000
Series 2016A	2.50%	2/1/2025	132,000
Series 2017A	2.50%	2/1/2026	182,000
General Obligation Tax Increment Bonds:			
Series 2015A Refunding	2.0%-2.5%	2/1/2025	345,000
General Obligation Revenue Bonds:			
Medical Facility Bonds, series 2003	4.25%	1/1/2033	400,000
Series 2014B - Water Tower Painting	2.35%	2/1/2022	56,000
General Obligation Equipment Certificate:			
Series 2018A	4.50%	2/1/2027	376,000
General Obligation Revenue Notes:			
2001 Public Facilities Authority Water	1.81%	8/20/2021	198,000
Compensated Absences			<u>40,701</u>
	Total		4,534,701
Less: Unamortized Discount			<u>(20,529)</u>
	Total Long Term Debt		<u><u>\$ 4,514,172</u></u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

A summary of the changes in long-term debt for the year ended December 31, 2019 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Improvement Bonds:					
Series 2010B Refunding	\$ 490,000	\$	\$ 95,000	\$ 395,000	\$ 95,000
Series 2014A Refunding	590,000		80,000	510,000	75,000
Series 2014C	475,000		30,000	445,000	30,000
Series 2015A Refunding	1,500,000		75,000	1,425,000	75,000
Series 2016A	152,000		20,000	132,000	21,000
Series 2017A	206,000		24,000	182,000	24,000
General Obligation Tax Increment Bonds:					
Series 2015A Refunding	395,000		50,000	345,000	55,000
General Obligation Equipment Certificates:					
Series 2018A	376,000			376,000	42,000
Unamortized Discount	(22,315)		(2,374)	(19,941)	
Compensated Absences	16,181	1,428	404	17,205	
Governmental Activities					
Long-term Liabilities	4,177,866	1,428	372,030	3,807,264	417,000
BUSINESS-TYPE ACTIVITIES					
General Obligation Revenue Bonds:					
Medical Facility Bonds, series 2003	423,000		23,000	400,000	
2014A Refunding	60,000		30,000	30,000	25,000
2014B Water	78,000		22,000	56,000	22,000
General Obligation Revenue Notes:					
2001 Public Facilities Authority Water	294,000		96,000	198,000	98,000
Unamortized Discount	(1,176)		(588)	(588)	
Compensated Absences	21,093	2,823	420	23,496	
Business-type Activities					
Long-term Liabilities	874,917	2,823	170,832	706,908	145,000
Total	\$ 5,052,783	\$ 4,251	\$ 542,862	\$ 4,514,172	\$ 562,000

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, 2019 are summarized below:

Years	General Obligation Improvement Bonds		General Obligation Tax Increment Bonds		General Obligation Revenue Bonds / Notes		General Obligation Equipment Certificate	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>								
2020	\$ 320,000	\$ 86,264	\$ 55,000	\$ 6,975	\$	\$	\$ 42,000	\$ 11,360
2021	336,000	77,748	55,000	5,875			43,000	10,000
2022	347,000	68,437	55,000	4,735			45,000	8,592
2023	353,000	58,589	55,000	3,675			46,000	7,136
2024	225,000	50,426	60,000	1,745			48,000	5,632
2025 - 2029	813,000	158,408	65,000	182			152,000	7,392
2030 - 2034	585,000	62,715						
2035	110,000	1,815						
Totals	<u>\$ 3,089,000</u>	<u>\$ 564,401</u>	<u>\$ 345,000</u>	<u>\$ 23,187</u>	<u>\$</u>	<u>\$</u>	<u>\$ 376,000</u>	<u>\$ 50,112</u>
<u>Business-Type Activities</u>								
2020					\$ 150,000	\$ 23,048		
2021					146,000	19,480		
2022					37,000	16,121		
2023					26,000	14,917		
2024					27,000	13,813		
2025 - 2029					152,000	50,858		
2030 - 2034					146,000	15,852		
Totals					<u>\$ 684,000</u>	<u>\$ 154,089</u>		

6. Individual Fund Disclosures

The amounts advanced to and advanced from other funds as of December 31, 2019 follow below:

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

During 2019, the General Fund had excess expenditures over appropriations of \$110,779.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures (Continued)

As of December 31, 2019, the following funds had deficit fund balances/net position:

Special Revenue Funds:	
Economic Development	\$ 2,536
Debt Service Funds:	
2020 Roadway Utility Improvement Project	8,861
Capital Projects Funds	
Tax Increment District #4-2 Fulton	30,036
Tax Increment District #2-6 Vertical Limit	19
Tax Increment District #2-7 St. Marc	8,357
Tax Increment District #2-8 Parrot Head	13,466
Prairie Ridge Construction	1,417
Storm Sewer	6,678
Enterprise Funds:	
Medical Center	46,059

Transfers during the year ended December 31, 2019 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 6,289	\$ 34,087
Debt Service:		
2014C Improvement Bond	38,678	
2018 Equipment Certificates	34,087	
Capital Project:		
Cenex #4 Construction		38,678
TIF District #1-1 Masters		518
TIF District #4-3 Masters		5,771
Totals	<u>\$ 79,054</u>	<u>\$ 79,054</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures (Continued)

The amounts due to and due from other funds as of December 31, 2019 follow below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 60,716	\$
Special Revenue Funds		
Economic Development		2,022
Capital Project Funds:		
2020 Roadway Utility Improvement		8,861
Prairie Ridge Construction		1,417
Tax Increment District #4-2 Fulton		5,746
Tax Increment District #2-6 Vertical Limit		19
Tax Increment District #2-7 St. Marc		8,357
Tax Increment District #2-8 Parrot Head		13,466
Storm Sewer		7,524
Enterprise Funds:		
Medical center		13,304
	<u>\$ 60,716</u>	<u>\$ 60,716</u>

7. Fund Equity

The City has committed and assigned portions of the fund equity in the governmental funds. A summary of the committed and assigned portion of the fund equity at December 31, 2019 is as follows:

Committed Fund Balance	<u>Fire Capital</u>
Equipment Replacement	
Fire	\$ 51,793

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Fund Equity (Continued)

Specific Purpose	Revolving Loan	Senior Housing Reserve	WAC / SAC
Assigned Fund Balance			
Economic development	\$ 62,570	\$	\$
Senior housing		50,000	
Public works			58,830
Total Assigned Fund Balance	<u>\$ 62,570</u>	<u>\$ 50,000</u>	<u>\$ 58,830</u>

The City has restricted portions of fund balance in the fund financial statements and fund equity in the government-wide financial statements. The restricted fund balance / equity represents the portion not available for expenditure or legally segregated for specific use. A summary of the restricted portion of the fund balance / equity at December 31, 2019 is as follows:

Specific Purpose	Restriction Imposed By			
	Contributors	Grantors	Creditors	Regulations
Restricted Fund Balance				
Debt Service Funds:				
Debt service requirements	\$	\$	\$ 722,925	\$
Special Revenue Funds:				
MIF Revolving Loan				4,860
Capital Project Funds:				
Tax increment financing				22,433
Total Restricted Fund Balance	<u>\$</u>	<u>\$</u>	<u>\$ 722,925</u>	<u>\$ 27,293</u>
Restricted Net Position				
Debt service requirements	\$	\$	\$ 429,025	\$
MIF Revolving Loan				4,860
Tax increment financing				22,433
Total Restricted Net Position	<u>\$</u>	<u>\$</u>	<u>\$ 429,025</u>	<u>\$ 22,433</u>

8. Defined Benefit Pension Plans - Statewide

Plan Description

The City of Wanamingo, Minnesota participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota *Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans - Statewide

General Employees Retirement Plan

All full-time and certain part-time employees of the City of Wanamingo, Minnesota are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the State Legislature. 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.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

Coordinated Plan members were required to contribute 6.50 percent of their annual covered salary in fiscal year 2019 and the City was required to contribute 7.50 percent for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2019, were \$16,750. The City's contributions were equal to the required contributions as set by state statute.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans - Statewide (Continued)

Pension Costs

At December 31, 2019, the City reported a liability of \$176,921 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2019. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$5,500. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0032 percent which was an increase of 0.0001 percent from its proportion measured as of June 30, 2018.

City's proportionate share of net pension liability	\$ 176,921
State of Minnesota's proportionate share of the net pension liability associated with the City	5,500

For the year ended December 31, 2019, the City recognized pension expense of \$1,244 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$412 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Difference between expected and actual economic experience	\$ 4,826	\$
Changes in actuarial assumptions		13,564
Difference between projected and actual investment earnings		17,042
Changes in proportion	4,161	2,030
Contributions paid to GERF subsequent to the measurement date	<u>9,013</u>	
Total	<u>\$ 18,000</u>	<u>\$ 32,636</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans - Statewide (Continued)

Pension Costs (Continued)

The \$9,013 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability during the year ended December 31, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
2020	\$ (9,488)
2021	(12,403)
2022	(2,039)
2023	281

Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50 percent per year
Active Member Payroll Growth	3.25 percent per year
Investment Rate of Return	7.50 percent

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans - Statewide (Continued)

Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions.

There following changes in actuarial assumptions and plan provisions occurred in 2019:

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	35.5%	5.10%
Private Markets	25.0%	5.90%
Fixed Income	20.0%	0.75%
International Equity	17.5%	5.90%
Cash Equivalents	2.0%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statute. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans - Statewide (Continued)

Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the [entity's] proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Sensitivity Analysis			
<i>Net Pension Liability at Different Discount Rates</i>			
	General Employees Fund		
1% Lower	6.50%	\$	290,848
Current Discount Rate	7.50%	\$	1,769
1% Higher	8.50%	\$	82,851

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Defined Contribution Pension Plan - Volunteer Fire Relief Association

Plan Description

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

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

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

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

10. Tax Abatement – Pay-As-You-Go Tax Increment

The City may enter into tax abatement agreements as authorized by Minnesota Abatement Laws under State Statutes Sections 469.174 to 469.1794 through a pay-as-you-go tax increment financing program. Any parcel of property in the City could qualify for tax abatement under this program. The City negotiates tax increment financing agreements on an individual basis generally with the purpose of promoting economic development within the City.

The City has made no commitments, other than tax abatement, under the agreements. Under the program, the City agrees to abate real estate taxes based on the increased property value from improvements on the subject property. Generally, the agreements require 95% of the property tax increments collected to be returned to the property owner as reimbursement of certain improvement costs. The remaining 5% is retained by the City for administrative costs.

The City has 2 pay-as-you-go tax increment financing districts. For the year ended December 31, 2019, the City paid tax increments totaling \$60,383 related to these agreements.

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 2019.

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 2019. 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.

12. Contribution and Reimbursement Agreement - SEMMCHRA

In 2009, the City sold the Heritage Hills Senior Housing Facility to the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA). As part of the sale agreement, the City has pledged its full faith, credit and taxing powers to the payment of bonds issued by SEMMCHRA to finance the acquisition of the facility. The City is obligated to pay the difference between the required annual debt service and the net facility operating cash flow through the maturity or repayment of the SEMMCHRA facility bonds. The balance outstanding on these bonds at December 31, 2019 totaled \$855,000.

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

No liability relative to this agreement has been accrued in these financial statements at December 31, 2019 because of the uncertainty and determination of required future payments, if any.

13. Subsequent Event

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 5, 2020, the date the financial statements were available to be issued. As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which are likely to impact future operations, however, the potential impact is unknown at this time.

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CITY OF WANAMINGO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2019

**Schedule of City's and Non-Employer Proportionate Share of Net Pension Liability
Public Employees PERA
Last Ten Years (presented prospectively)**

Fiscal Year Ended June 30	City's Proportionate (Percentage) of Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	City's Proportionate Share of State of Minnesota's Proportionate Share of the Net Pension Liability (b)	Share of the Net Pension Liability and City's Share of Minnesota's Share of the Net Pension Liability (a+b)	City's Covered Payroll (c)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll (a+b)/c	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0039%	\$ 183,202	\$	\$ 183,202	\$ 197,341	93%	78.70%
2015	0.0033%	171,023		171,023	204,954	83%	78.20%
2016	0.0032%	259,824	3,350	263,174	202,291	128%	68.90%
2017	0.0031%	197,902	2,476	200,378	198,540	100%	75.90%
2018	0.0031%	171,974	5,638	177,612	203,893	84%	79.53%
2019	0.0032%	176,921	5,500	182,421	216,193	82%	80.23%
2020							
2021							
2022							
2023							

**Schedule of City's Contributions
GERF Retirement Funds
Last Ten Years**

Fiscal Year Ended December 31	Statutorily Required Contribution (a)	Contributions in Relation to Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contribution as a Percentage of City's Covered Payroll
2014	\$ 14,747	\$ 14,747	\$	\$ 206,235	7.15%
2015	14,403	14,403		203,672	7.07%
2016	14,876	14,876		198,347	7.50%
2017	14,905	14,905		198,733	7.50%
2018	15,679	15,679		209,053	7.50%
2019	16,750	16,750		223,333	7.50%
2020					
2021					
2022					
2023					

CITY OF WANAMINGO, MINNESOTA

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

DECEMBER 31, 2019

**CITY OF WANAMINGO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2019**

	Special Revenue			Debt Service	
	251 Economic Development	210 Revolving Loan	230 Senior Housing Reserve	306 2009A G.O. Tax Increment Refunding	308 2005A G.O. Improvement Refunding (2014A Refunding)
ASSETS					
Cash and investments	\$	\$ 62,570	\$	\$ 88,396	\$ 10,104
Accounts receivable					
Taxes receivable delinquent	662			333	111
Special assessments receivable:					
Deferred					6,003
Delinquent					
Loan receivable					
Operating Reserve			50,000		
TOTAL ASSETS	\$ 662	\$ 62,570	\$ 50,000	\$ 88,729	\$ 16,218
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 146	\$	\$	\$	\$
Accrued expenses	368				
Advance from other funds					
Due to other governments					
Due to other funds	2,022				
Total Liabilities	2,536				
Deferred Inflows of Resources					
Unavailable:					
Property taxes	662			333	111
Special assessments					6,003
Loans receivable					
Total Deferred Inflows of Resources	662			333	6,114
Fund Balance					
Restricted:					
Creditors				88,396	10,104
Regulations					
Committed					
Assigned		62,570	50,000		
Unassigned	(2,536)				
Total Fund Balance (Deficit)	(2,536)	62,570	50,000	88,396	10,104
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 662	\$ 62,570	\$ 50,000	\$ 88,729	\$ 16,218

Debt Service

330					
316 2010 G.O. Refunding Bond	323 2005 Improvement (2014A Refunding)	2016A G.O. Improvement Bonds (2016 Roadway)	332 2017 Roadway Improvement Project	333 2018 Equipment Certificates	
\$ 3,102	\$ 33,201	\$ 64,905	\$ 47,189	\$ 62,771	
2,403	1,221	155	333	888	
15,739 166	37,024	31,996	28,429		
<u>\$ 21,410</u>	<u>\$ 71,446</u>	<u>\$ 97,056</u>	<u>\$ 75,951</u>	<u>\$ 63,659</u>	

\$ \$ \$ \$ \$

2,403	1,221	155	333	888	
15,905	37,024	31,996	28,429		
<u>18,308</u>	<u>38,245</u>	<u>32,151</u>	<u>28,762</u>	<u>888</u>	
3,102	33,201	64,905	47,189	62,771	
<u>3,102</u>	<u>33,201</u>	<u>64,905</u>	<u>47,189</u>	<u>62,771</u>	
<u>\$ 21,410</u>	<u>\$ 71,446</u>	<u>\$ 97,056</u>	<u>\$ 75,951</u>	<u>\$ 63,659</u>	

**CITY OF WANAMINGO, MINNESOTA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2019**

Capital Projects

	220	335	422	425	448	449	470
	Fire Capital	2020 Roadway Utility Improvement Project	Cenex #4 Construction	Prairie Ridge Construction	Storm Sewer	WAC / SAC	Tax Increment District #1-1 Masters
ASSETS							
Cash and investments	\$ 51,793					\$ 58,830	
Accounts receivable					846		
Taxes receivable delinquent							
Special assessments receivable:							
Delinquent							
Deferred							
Loan receivable							
Operating Reserve							
TOTAL ASSETS	\$ 51,793				\$ 846	\$ 58,830	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE							
Liabilities							
Accounts payable	\$	\$	\$	\$	\$	\$	\$
Accrued expenses							
Advance from other funds							
Due to other governments							
Due to other funds		8,861		1,417	7,524		
Total Liabilities		8,861		1,417	7,524		
Deferred Inflows of Resources							
Unavailable:							
Property taxes							
Special assessments							
Loans receivable							
Total Deferred Inflows of Resources							
Fund Balance							
Restricted:							
Creditors							
Regulations							
Committed	51,793						
Assigned						58,830	
Unassigned		(8,861)		(1,417)	(6,678)		
Total Fund Balance (Deficit)	51,793	(8,861)		(1,417)	(6,678)	58,830	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 51,793				\$ 846	\$ 58,830	

Capital Projects

473 Tax Increment District #4-2 Fulton	474 Tax Increment District #4-3 Masters	479 Tax Increment District #2-6 Vertical Limit	480 Tax Increment District #3-1 Maple Island	481 Tax Increment District #2-7 St. Marc	482 Tax Increment District #2-8 J&S Repair	Total Nonmajor Governmental Funds 2019
\$	\$	\$	\$ 22,433	\$	\$	\$ 505,294 846 6,106 119,191 166 50,000
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 22,433</u>	<u>\$</u>	<u>\$</u>	<u>\$ 681,603</u>
\$	\$	\$	\$	\$	\$	\$ 146 368 24,290
24,290						24,290
5,746		19		8,357	13,466	47,412
<u>30,036</u>		<u>19</u>		<u>8,357</u>	<u>13,466</u>	<u>72,216</u>
						6,106 119,357
						<u>125,463</u>
			22,433			309,668 22,433 51,793 171,400 (71,370)
<u>(30,036)</u>		<u>(19)</u>		<u>(8,357)</u>	<u>(13,466)</u>	<u>(71,370)</u>
<u>(30,036)</u>		<u>(19)</u>	<u>22,433</u>	<u>(8,357)</u>	<u>(13,466)</u>	<u>483,924</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 22,433</u>	<u>\$</u>	<u>\$</u>	<u>\$ 681,603</u>

**CITY OF WANAMINGO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2019**

	Special Revenue			Debt Service	
	251 Economic Development	210 Revolving Loan	230 Senior Housing Reserve	306 2009A G.O. Tax Increment Refunding (2015A Refunding)	308 2005A G.O. Improvement Refunding (2014A Refunding)
REVENUES					
Property taxes	\$ 35,654		\$ 25,000	\$ 15,065	\$ 5,022
Tax increments					
Special assessments					8,850
Investment income					
Miscellaneous revenues		7,000		211	
Total Revenues	35,654	7,000	25,000	15,276	13,872
EXPENDITURES					
Economic development	31,814	80	25,000		
Debt service:					
Principal				50,000	25,000
Interest and fiscal				8,521	3,272
Capital outlay					
Total Expenditures	31,814	80	25,000	58,521	28,272
Excess (deficiency) of revenues over (under) expenditures	3,840	6,920		(43,245)	(14,400)
OTHER FINANCING SOURCES					
Transfers in					
Transfers out					
Net change in fund balances	3,840	6,920		(43,245)	(14,400)
Fund Balance - beginning	(6,376)	55,650	50,000	131,641	24,504
Fund Balance - ending	\$ (2,536)	\$ 62,570	\$ 50,000	\$ 88,396	\$ 10,104

Debt Service

330				
316 2010 G.O. Refunding Bond	323 2005 Improvement (2014A Refunding)	2016A G.O. Improvement Bonds (2016 Roadway)	332 2017 Roadway Improvement Project	333 2018 Equipment Certificates
\$ 108,720	\$ 55,239	\$ 7,030	\$ 15,065	\$ 40,174
12,617	14,268	9,629		
121,337	69,507	16,659	15,065	40,174
95,000	55,000	20,000	24,000	
15,709	12,510	3,551	4,850	14,805
110,709	67,510	23,551	28,850	14,805
10,628	1,997	(6,892)	(13,785)	25,369
				34,087
10,628	1,997	(6,892)	(13,785)	59,456
(7,526)	31,204	71,797	60,974	3,315
\$ 3,102	\$ 33,201	\$ 64,905	\$ 47,189	\$ 62,771

**CITY OF WANAMINGO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2019**

	Capital Projects						
	220	335	422	425	448	449	470
	Fire Capital	2020 Roadway Utility Improvement Project	Cenex #4 Construction	Prairie Ridge Construction	Storm Sewer	WAC / SAC	Tax Increment District #1-1 Masters
REVENUES							
Property taxes	\$	\$	\$	\$	\$	\$	\$
Tax increments							2,298
Special assessments					40,000		
Investment income	16						
Miscellaneous revenues	29,250			5,152	24,534		
Total Revenues	29,266			5,152	64,534		2,298
EXPENDITURES							
Economic development							8
Debt service:							
Principal							
Interest and fiscal							
Capital outlay	20,536	8,861		6,511	152,280		332
Total Expenditures	20,536	8,861		6,511	152,280		340
Excess (deficiency) of revenues over (under) expenditures	8,730	(8,861)		(1,359)	(87,746)		1,958
OTHER FINANCING SOURCES							
Transfers in							
Transfers out			(38,678)				(518)
Net change in fund balances	8,730	(8,861)	(38,678)	(1,359)	(87,746)		1,440
Fund Balance - beginning	43,063		38,678	(58)	81,068	58,830	(1,440)
Fund Balance - ending	\$ 51,793	\$ (8,861)	\$	\$ (1,417)	\$ (6,678)	\$ 58,830	\$

Capital Projects

473 Tax Increment District #4-2 Fulton	474 Tax Increment District #4-3 Masters	479 Tax Increment District #2-6 Vertical Limit	480 Tax Increment District #3-1 Maple Island	481 Tax Increment District #2-7 St. Marc	482 Tax Increment District #2-8 J&S Repair	Total Nonmajor Governmental Funds 2019
\$ 5,318	\$ 4,975	\$	\$ 68,924	\$	\$	306,969
						81,515
						85,364
						16
						66,147
5,318	4,975		68,924			540,011
						119,203
8		8	62,139	127	19	269,000
						63,218
100	339					188,959
108	339	8	62,139	127	19	640,380
5,210	4,636	(8)	6,785	(127)	(19)	(100,369)
						34,087
	(5,771)					(44,967)
5,210	(1,135)	(8)	6,785	(127)	(19)	(111,249)
(35,246)	1,135	(11)	15,648	(8,230)	(13,447)	595,173
\$ (30,036)	\$	\$ (19)	\$ 22,433	\$ (8,357)	\$ (13,466)	\$ 483,924

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CITY OF WANAMINGO, MINNESOTA

SUPPLEMENTAL INFORMATION

DECEMBER 31, 2019

**CITY OF WANAMINGO, MINNESOTA
WATER FUND
Balance Sheet
December 31, 2019 and 2018**

	2019	2018
ASSETS		
Current Assets		
Cash and investments	\$ 82,337	\$ 116,405
Accounts receivable	25,951	23,750
Total Current Assets	108,288	140,155
Noncurrent Assets		
Capital assets		
Depreciable	3,842,831	3,829,796
Less: Accumulated depreciation	2,186,650	2,077,418
Total Capital Assets	1,656,181	1,752,378
TOTAL ASSETS	1,764,469	1,892,533
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	4,174	7,348
LIABILITIES		
Current Liabilities		
Accounts payable	1,480	110
Accrued expenses	1,216	123
Accrued interest	2,344	3,412
Current maturities of bonds payable	47,000	52,000
Current maturities of note payable	98,000	96,000
Total Current Liabilities	150,040	151,645
Noncurrent Liabilities		
Bonds payable, net of current maturities, and discount	38,412	84,824
Compensated absences payable	11,718	10,524
Note payable, net of current maturities	100,000	198,000
Net pension liability	42,466	41,279
Total Noncurrent Liabilities	192,596	334,627
Total Liabilities	342,636	486,272
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	7,833	11,531
Net Position		
Net investment in capital assets	1,372,769	1,321,554
Unrestricted	45,405	80,524
Total Net Position	\$ 1,418,174	\$ 1,402,078

CITY OF WANAMINGO, MINNESOTA
WATER FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2019 and 2018

	2019	2018
Operating Revenue		
User fees	\$ 120,624	\$ 126,520
Debt service charge	150,630	147,675
Total	271,254	274,195
Operating Expenses		
Employee services	55,102	57,291
Employee benefits and retirements	23,742	19,580
Materials and supplies	16,266	7,238
Repairs and maintenance	8,912	7,872
Utilities	14,306	12,766
Depreciation	110,189	112,500
Contractual services	4,177	5,616
Other charges	18,823	10,468
Total	251,517	233,331
Operating Income	19,737	40,864
Nonoperating Revenues (Expenses)		
Special assessments	332	588
Water meter fee	3,980	4,020
Interest expense	(7,953)	(10,414)
Total Nonoperating Revenues (Expenses)	(3,641)	(5,806)
Net Income	16,096	35,058
NET POSITION - Beginning of Year	1,402,078	1,367,020
NET POSITION - End of Year	\$ 1,418,174	\$ 1,402,078

**CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Balance Sheet
December 31, 2019 and 2018**

	2019	2018
ASSETS		
Current Assets		
Cash and investments	\$ 366,914	\$ 323,462
Accounts receivable	23,012	20,610
Total Current Assets	389,926	344,072
Noncurrent Assets		
Capital assets		
Nondepreciable	10,000	10,000
Depreciable	2,773,420	2,776,870
Less: Accumulated depreciation	1,783,906	1,727,741
Total Capital Assets	999,514	1,059,129
TOTAL ASSETS	1,389,440	1,403,201
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	5,468	8,653
LIABILITIES		
Current Liabilities		
Accounts payable	2,441	499
Accrued expenses	697	586
Total Current Liabilities	3,138	1,085
Noncurrent Liabilities		
Net pension liability	51,533	50,092
Compensated absences payable	11,778	10,569
Total Liabilities	66,449	61,746
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	9,508	13,994
Net Position		
Net investment in capital assets	999,514	1,059,129
Unrestricted	319,437	276,985
Total Net Position	\$ 1,318,951	\$ 1,336,114

**CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2019 and 2018**

	2019	2018
Operating Revenue		
Sales	\$ 152,355	\$ 150,022
Debt service charge	107,440	99,250
Total	259,795	249,272
Operating Expenses		
Employee services	77,330	62,664
Employee benefits and retirements	45,025	35,814
Materials and supplies	503	769
Repairs and maintenance	5,995	9,481
Utilities	20,548	21,022
Depreciation	59,615	59,601
Contractual services	25,957	23,649
Other charges	44,651	29,577
Total	279,624	242,577
Operating Income	(19,829)	6,695
Nonoperating Revenues		
Special assessments	2,584	
Miscellaneous income	82	310
Total Nonoperating Revenues (Expenses)	2,666	310
Change in Net Position	(17,163)	7,005
NET POSITION - Beginning of Year	1,336,114	1,329,109
NET POSITION - End of Year	\$ 1,318,951	\$ 1,336,114

**CITY OF WANAMINGO, MINNESOTA
SANITATION FUND
Balance Sheet
December 31, 2019 and 2018**

	2019	2018
<hr/>		
ASSETS		
Current Assets		
Cash and investments	\$ 95,042	\$ 80,013
Accounts receivable	5,781	6,692
	<hr/>	<hr/>
TOTAL ASSETS	\$ 100,823	\$ 86,705
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 39,570	\$ 33,009
	<hr/>	<hr/>
Net Position		
Unrestricted	\$ 61,253	\$ 53,696
	<hr/> <hr/>	<hr/> <hr/>

**CITY OF WANAMINGO, MINNESOTA
SANITATION FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2019 and 2018**

	2019	2018
Operating Revenues		
Sales	\$ 77,059	\$ 74,031
Operating Expenses		
Contracted services	69,479	66,717
Net Income	7,557	7,314
NET POSITION - Beginning of Year	53,696	46,382
NET POSITION - End of Year	\$ 61,253	\$ 53,696

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Balance Sheet
December 31, 2019 and 2018**

	2019	2018
ASSETS		
Noncurrent Assets		
Capital assets		
Depreciable	\$ 637,043	\$ 627,403
Less: Accumulated depreciation	268,769	252,554
Total Capital Assets	368,274	374,849
TOTAL ASSETS	\$ 368,274	\$ 374,849
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 1,029	\$ 190
Due to other funds	13,304	4,518
Total Current Liabilities	14,333	4,708
Noncurrent Liabilities		
Bonds payable, net of current maturities	400,000	423,000
Total Liabilities	414,333	427,708
Net Position		
Net investment in capital assets	(31,726)	(48,151)
Unrestricted	(14,333)	(4,708)
Total Net Position	\$ (46,059)	\$ (52,859)

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2019 and 2018**

	2019	2018
Operating Revenues		
Facility rent	\$ 50,788	\$ 54,926
Operating Expenses		
Repairs and maintenance	6,075	1,417
Utilities	5,979	6,611
Depreciation	16,215	15,881
Other charges	6,511	3,670
Total Operating Expenses	34,780	27,579
Operating Income	16,008	27,347
Other Revenues (Expenses)		
Tax increment	8,805	8,377
Interest expense	(18,013)	(19,013)
Total Other Revenues (Expenses)	(9,208)	(10,636)
Net Income	6,800	16,711
NET POSITION - Beginning of Year	(52,859)	(69,570)
NET POSITION - End of Year	\$ (46,059)	\$ (52,859)

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

To the City Council
City of Wanamingo, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wanamingo, Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Wanamingo, Minnesota's basic financial statements, and have issued our report thereon dated May 5, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, finding 2019-001 described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

Compliance and Other Matters

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

To the City Council
City of Wanamingo, Minnesota

Minnesota Legal Compliance

The Minnesota Legal Compliance Audit Guide for Cities, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven main categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interests, public indebtedness, claims and disbursements, uniform financial accounting and reporting standards for cities, and miscellaneous provisions. Our study included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the Minnesota Legal Compliance Audit Guide for Cities. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

City of Wanamingo, Minnesota's Response to Findings

City of Wanamingo, Minnesota's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. City of Wanamingo, Minnesota's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Smith, Schafu and Associates, Ltd.

Rochester, Minnesota
May 5, 2020

**CITY OF WANAMINGO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2019-001 Limited Segregation of Duties

Condition: A limited number of personnel are primarily responsible for the accounting and financial duties relating to the revenue and receipt cycle and the purchase and disbursement cycle.

Criteria: The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. An important element of internal accounting controls is an adequate segregation of duties that minimizes the opportunities for any one individual to be in a position to both perpetrate and conceal errors or irregularities in the normal course of business.

Effect: Because of the limited size of the City's administrative staff, there is not an adequate segregation of duties.

Cause: There is a limited number of administrative staff.

Recommendation: We recommend that the City continue to segregate duties as best it can within the limits of what the City considers to be cost beneficial.

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CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with the Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Findings:

Our City employs a limited number of individuals to provide the accounting services for the City. The City will continue to segregate duties as best it can within the limits of what it considers to be cost beneficial.

Official Responsible for Ensuring CAP:

City Administrator Michael Boulton is the official responsible for ensuring correction action of the deficiency.

Planned Completion Date of CAP:

The City will continue to segregate duties the best it can within the limits of what it considers to be cost beneficial.

Plan to Monitor Completion of CAP:

Mayor and Members of the City Council will monitor this process.



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**CITY OF WANAMINGO, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2019**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

**2011-001
2012-001
2013-001
2014-001
2015-001
2016-001
2017-001
2018-001**

Limited Segregation of Duties

Condition: A limited number of personnel are primarily responsible for the accounting and financial duties relating to the revenue and receipt cycle and the purchase and disbursement cycle.

Criteria: The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements. An important element of internal accounting controls is an adequate segregation of duties that minimizes the opportunities for any one individual to be in a position to both perpetrate and conceal errors or irregularities in the normal course of business.

Effect: Because of the limited size of the City's administrative staff, there is not an adequate segregation of duties.

Cause: There is a limited number of administrative staff.

Recommendation: We recommend that the City continue to segregate duties as best it can within the limits of what the City considers to be cost beneficial.