

CITY OF WANAMINGO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2013

CITY OF WANAMINGO, MINNESOTA

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CITY OF WANAMINGO, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2013

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CITY OF WANAMINGO, MINNESOTA

CITY OFFICIALS

DECEMBER 31, 2013

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

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CITY OF WANAMINGO, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2013

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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, 2013, 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, 2013, 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.

Emphasis of Matter

As described in Note 12 to the financial statements, in 2013, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wanamingo, Minnesota's basic financial statements. The introductory section and combining and individual non-major fund financial statements 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 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory 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, 2012, from which such partial information was derived.

We have previously audited the City's 2012 financial statements and our report, dated March 22, 2013, 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, 2012, 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 March 28, 2014, 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
March 28, 2014

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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, 2013.

New Accounting Pronouncement. The City implemented GASB 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2013. This Statement established accounting and financial reporting standards that retroactively reclassify, as deferred inflows of resources, certain items previously reported as liabilities. In addition, debt issuance costs are no longer reported in the Statement of Net Position under the new Standard.

FINANCIAL HIGHLIGHTS

- The assets of the City of Wanamingo exceeded its liabilities at the close of the most recent fiscal year by \$2,651,134 (*net position*). Of this amount, \$451,803 (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 \$186,582.
- As of the close of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$247,203.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$105,359.
- The City of Wanamingo decreased total outstanding debt obligations by \$525,601 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

The City of Wanamingo maintains twenty-five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, 2009A G.O. Tax Increment Refunding, 2010 G.O. Refunding, and 2007 G.O. Refunding funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-53 of this report.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Wanamingo, assets exceeded liabilities by \$2,651,134 at the close of the most recent fiscal year.

City of Wanamingo's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 1,230,138	1,587,037	\$ 466,065	\$ 325,553	\$ 1,696,203	\$ 1,912,590
Capital assets	3,330,396	3,501,951	3,852,113	4,023,031	7,182,509	7,524,982
Total assets	<u>4,560,534</u>	<u>5,088,988</u>	<u>4,318,178</u>	<u>4,348,584</u>	<u>8,878,712</u>	<u>9,437,572</u>
Long-term liabilities						
outstanding	4,565,273	4,959,906	1,356,456	1,486,719	5,921,729	6,446,625
Other liabilities	141,477	336,209	164,372	190,186	305,849	526,395
Total liabilities	<u>4,706,750</u>	<u>5,296,115</u>	<u>1,520,828</u>	<u>1,676,905</u>	<u>6,227,578</u>	<u>6,973,020</u>
Net position:						
Net investment in capital assets	(1,234,877)	(1,435,720)	2,382,657	2,403,077	1,147,780	967,357
Restricted	1,051,551	1,179,605			1,051,551	1,179,605
Unrestricted	37,110	48,988	414,693	268,602	451,803	317,590
Total net position	<u>\$ (146,216)</u>	<u>\$ (207,127)</u>	<u>\$ 2,797,350</u>	<u>\$ 2,671,679</u>	<u>\$ 2,651,134</u>	<u>\$ 2,464,552</u>

A portion of the City of Wanamingo's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$451,803 may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Governmental activities. Governmental activities increased the City of Wanamingo's net position by \$60,911.

Business-type activities. Business-type activities increased the City of Wanamingo's net position by \$125,671.

A condensed version of the Statement of Activities follows:

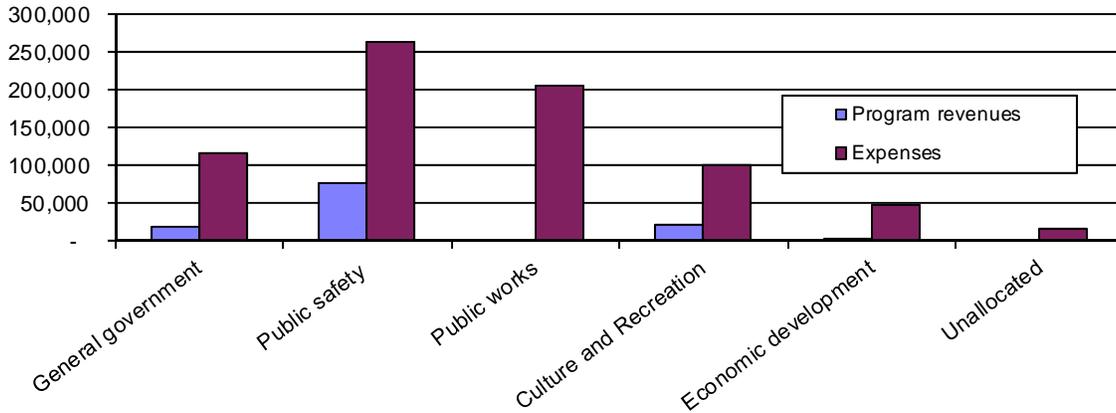
City of Wanamingo's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenue:						
Program revenues:						
Charges for services	\$ 104,644	101,131	\$ 620,419	\$ 618,835	\$ 725,063	\$ 719,966
Operating grants and contributions	9,157	42,260			9,157	42,260
Capital grants and contributions	6,499	194,988			6,499	194,988
General revenues:						
Property taxes	616,165	628,312			616,165	628,312
Tax increments	48,583	63,878			48,583	63,878
Grants and contributions not restricted to specific programs	207,847	199,963			207,847	199,963
Other	16,317	43,541	8,826	18,901	25,143	62,442
Total revenues	<u>1,009,212</u>	<u>1,274,073</u>	<u>629,245</u>	<u>637,736</u>	<u>1,638,457</u>	<u>1,911,809</u>
Expenses:						
General government	116,404	124,567			116,404	124,567
Public safety and transportation	263,628	265,316			263,628	265,316
Public works	205,199	191,310			205,199	191,310
Culture and recreation	100,873	81,932			100,873	81,932
Economic development	48,182	128,479			48,182	128,479
Interest on long-term debt	197,222	223,591			197,222	223,591
Unallocated	16,793	12,744			16,793	12,744
Water			198,593	210,663	198,593	210,663
Waste water			198,822	222,875	198,822	222,875
Sanitation			52,672	56,218	52,672	56,218
Medical center			53,487	52,631	53,487	52,631
Total expenses	<u>948,301</u>	<u>1,027,939</u>	<u>503,574</u>	<u>542,387</u>	<u>1,451,875</u>	<u>1,570,326</u>
Increase in net position before transfers	60,911	246,134	125,671	95,349	186,582	341,483
Transfers		(584,107)		584,107		
Increase (Decrease) in net position	<u>60,911</u>	<u>(337,973)</u>	<u>125,671</u>	<u>679,456</u>	<u>186,582</u>	<u>341,483</u>
Net position, beginning of year	(207,127)	130,846	2,671,679	1,992,223	2,464,552	2,123,069
Net position, end of year	<u>\$ (146,216)</u>	<u>\$ (207,127)</u>	<u>\$ 2,797,350</u>	<u>\$ 2,671,679</u>	<u>\$ 2,651,134</u>	<u>\$ 2,464,552</u>

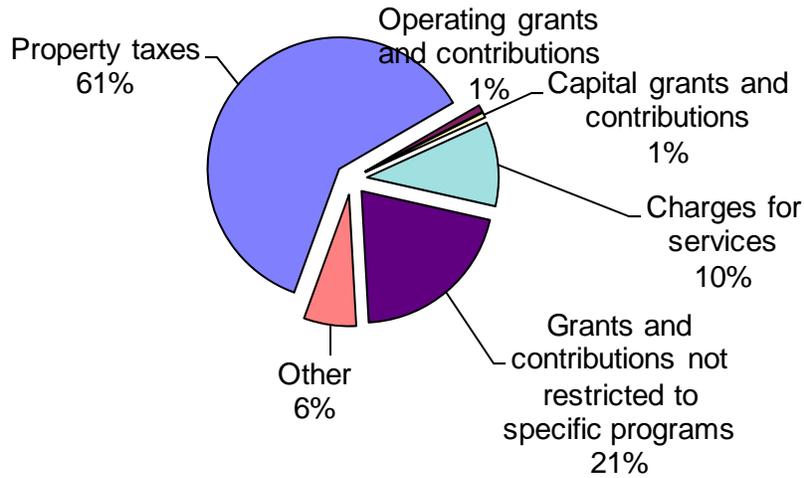
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Governmental Activities



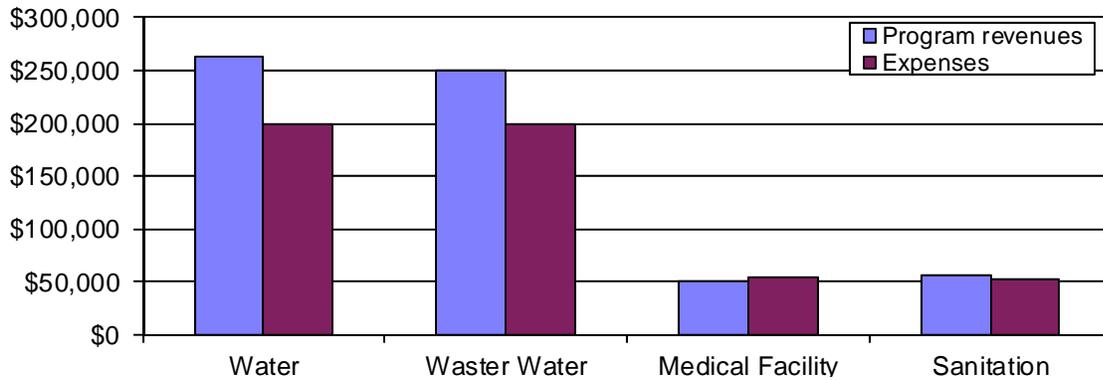
Revenues by Source - Governmental Activities



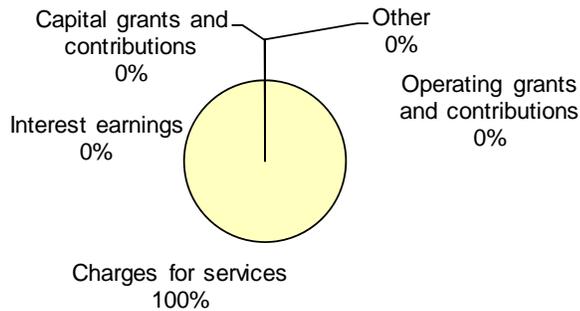
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

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

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

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

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

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

Committed – reports those resources for a specific purpose by 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.

As of the end of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$247,203, a decrease of \$81,146 as the City continues to pay down debt, some of which came from reserves. Approximately 3 percent of this total amount or \$7,230 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 \$105,359.

The general fund's total fund balance increased by \$53,537 during the current fiscal year as a result of maintaining prior year(s) increased general property tax levy and by reducing scheduled general fund transfers to funds that had sufficient balances.

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

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

The unrestricted net position in the respective proprietary funds are Water - \$39,570 , Waste water - \$382,192, Sanitation - \$22,736, and Medical center - (\$6,599) .

The water utility fund's increase before transfers of \$64,807 was partially due to a rate increase that took effect in April 2011. The fund paid back the interfund loans that were owed.

The wastewater utility fund's increase before transfers of \$51,449 was a planned effort to increase cash reserves. Future capital projects will be taking place in the next few years.

General Fund Budgetary Highlights

The City approved the 2013 general fund budget anticipating an increase of \$119,200 before transfers in general fund reserves. The City did not amend its budget during the year.

At the close of the year, general fund total expenditures were \$978 less than final budget while actual revenues exceeded final budget by \$42,345 primarily result of more than expected state aid and keeping spending within the amount that was budgeted. The fund showed an increase in net position totaling \$53,537 for the year ending December 31, 2013.

General fund revenues were over budget by \$42,345 primarily due to additional state aid, increase in fee revenue, and collection of delinquent property taxes.

**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, 2013, amounts to \$7,182,509 (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 \$342,473 , or 5 percent.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 114,068	\$ 114,068	\$ 10,000	\$ 10,000	\$ 124,068	\$ 124,068
Work in process						
Buildings and improvements	835,850	944,727	3,813,384	3,979,197	4,649,234	4,923,924
Improvements other than buildings	2,198,596	2,198,596			2,198,596	2,198,596
Machinery and equipment	181,882	244,560	28,729	33,834	210,611	278,394
Total	\$ 3,330,396	\$ 3,501,951	\$ 3,852,113	\$ 4,023,031	\$ 7,182,509	\$ 7,524,982

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

Long-term debt. At the end of the current fiscal year, the City of Wanamingo had \$6,052,463 in bonds and notes outstanding. Of this amount, \$5,736,963 comprises debt backed by the full faith and credit of the government and \$315,500 represents bonds or notes secured solely by specified revenue sources.

City of Wanamingo's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 3,505,000	\$ 3,715,000	\$ 723,000	\$ 766,000	\$ 4,228,000	\$ 4,481,000
General obligation TIF bonds	590,000	630,000			590,000	630,000
Revenue bonds	315,500	418,750			315,500	418,750
General obligation equipment certificates	42,000	55,000			42,000	55,000
Capital lease obligation	125,963	156,314			125,963	156,314
General obligation notes			751,000	837,000	751,000	837,000
Total	\$ 4,578,463	\$ 4,975,064	\$ 1,474,000	\$ 1,603,000	\$ 6,052,463	\$ 6,578,064

The City of Wanamingo's total bonds and notes payable decreased by \$525,601 due to timely scheduled payments. A more detailed breakdown of these obligations can be found in Note 5, beginning on page 43.

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

Economic Factors and Next Year's Budgets and Rates

- The City anticipates some growth in the commercial and residential housing market as the Regional, State, and National economy improves.
- The City anticipates maintenance/painting for the water tower and pump house in 2014. The costs for the project will be paid for by a Minnesota Rural Water micro loan (bond). Water debt service rates will be increased in 2014 to supplement additional servicing of a new bond.
- The City is exploring the sale of the medical facility in an effort to reduce costs and increase income through TIF funds.
- A combination of additional state aid and decreasing debt service obligations could have an impact on the general tax levy in future years.
- Harsh weather conditions in 2013-2014 may force unanticipated expenditures on infrastructure.

All of these factors were considered in preparing the City of Wanamingo's budget for the 2014 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, 2013

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CITY OF WANAMINGO, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2013

With Comparative Totals for December 31, 2012

	Governmental Activities	Business-Type Activities	Totals	
			2013	2012
ASSETS				
Cash and investments	\$ 235,311	\$ 409,682	\$ 644,993	\$ 677,039
Cash in escrow				
Receivables	929,885	62,396	992,281	1,122,772
Deposits	50,000		50,000	50,000
Due from other governmental units	8,929		8,929	32,254
Internal balances	6,013	(6,013)		
Capital assets:				
Nondepreciable	114,068	10,000	124,068	124,068
Depreciable, net	3,216,328	3,842,113	7,058,441	7,400,914
Total Assets	4,560,534	4,318,178	8,878,712	9,407,047
LIABILITIES				
Accounts payable	11,395	17,203	28,598	78,825
Accrued liabilities		2,639	2,639	5,420
Accrued interest payable	73,435	8,324	81,759	90,419
Compensated absences	14,191	23,206	37,397	35,206
Unearned revenue	42,456		42,456	
General obligation tax/aid anticipation- certificate of indebtedness				175,000
Noncurrent liabilities				
Due within one year	404,617	113,000	517,617	507,601
Due in more than one year	4,160,656	1,356,456	5,517,112	6,050,024
Total Liabilities	4,706,750	1,520,828	6,227,578	6,942,495
NET POSITION				
Net investment in capital assets	(1,234,877)	2,382,657	1,147,780	967,357
Restricted for:				
Debt service	1,051,551		1,051,551	1,179,605
Unrestricted	37,110	414,693	451,803	317,590
Total Net Position	\$ (146,216)	\$ 2,797,350	\$ 2,651,134	\$ 2,464,552

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 116,404	\$ 19,076	\$	\$
Public safety	263,628	68,355	2,114	6,499
Public works	205,199			
Culture and recreation	100,873	15,413	7,043	
Economic development	48,182	1,800		
Unallocated	16,793			
Interest on long-term debt	197,222			
Total governmental activities	948,301	104,644	9,157	6,499
Business-Type activities:				
Water	198,593	263,400		
Waste water	198,822	250,058		
Sanitation	52,672	56,148		
Medical center	53,487	50,813		
Total business-type activities	503,574	620,419		
Total	\$ 1,451,875	\$ 725,063	\$ 9,157	\$ 6,499

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 2013	2012
\$ (97,328)	\$	\$ (97,328)	\$ (110,475)
(186,660)		(186,660)	(149,780)
(205,199)		(205,199)	(191,310)
(78,417)		(78,417)	125,019
(46,382)		(46,382)	(126,679)
(16,793)		(16,793)	(12,744)
(197,222)		(197,222)	(223,591)
<u>(828,001)</u>		<u>(828,001)</u>	<u>(689,560)</u>
	64,807	64,807	50,487
	51,236	51,236	28,871
	3,476	3,476	(1,730)
	<u>(2,674)</u>	<u>(2,674)</u>	<u>(180)</u>
	116,845	116,845	77,448
<u>(828,001)</u>	<u>116,845</u>	<u>(711,156)</u>	<u>(612,112)</u>
616,165		616,165	628,312
48,583	8,613	57,196	72,733
207,847		207,847	199,963
4,430		4,430	12,234
11,887	213	12,100	40,353
<u>888,912</u>	<u>8,826</u>	<u>897,738</u>	<u>953,595</u>
60,911	125,671	186,582	341,483
<u>(207,127)</u>	<u>2,671,679</u>	<u>2,464,552</u>	<u>2,123,069</u>
<u>\$ (146,216)</u>	<u>\$ 2,797,350</u>	<u>\$ 2,651,134</u>	<u>\$ 2,464,552</u>

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

December 31, 2013

With Comparative Totals for December 31, 2012

	101 General	306 2009A G.O. Tax Increment Refunding	316 2010 G.O. Refunding
ASSETS			
Cash and investments	\$ 50	\$ 56,689	\$
Accounts receivable			
Taxes receivable delinquent	19,996	717	1,075
Special assessments receivable:			
Deferred	29,798	311,713	106,652
Delinquent	370		2,519
Loan receivable			
Deposits			
Advance to other funds	24,290		
Due from other funds	150,266		
Due from other governmental units	8,929		
TOTAL ASSETS	\$ 233,699	\$ 369,119	\$ 110,246
 LIABILITIES, DEFERRED INFLOWS OF REOURCES, AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 11,430	\$	\$
Unearned revenue	42,456		
General obligation tax/aid anticipation- certificate of indebtedness			
Advance from other funds			
Due to other funds			115,896
Total Liabilities	53,886		115,896
 Deferred Inflows of Resources			
Unavailable:			
Property taxes	19,996	717	1,075
Special assessments	30,168	311,713	109,171
Loans receivables			
Total Deferred Inflows of Resources	50,164	312,430	110,246
 Fund Balance			
Nonspendable:			
Advances to other funds	24,290		
Restricted:			
Creditors		56,689	
Committed			
Assigned			
Unassigned	105,359		(115,896)
Total Fund Balance	129,649	56,689	(115,896)
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 233,699	\$ 369,119	\$ 110,246

See Notes to Financial Statements

328 2007 G.O. Refunding	Other Governmental Funds	Total Governmental Funds	
		2013	2012
\$	\$ 178,607	\$ 235,346	\$ 407,394
	801	801	50,331
1,792	11,543	35,123	38,908
231,294	168,565	848,022	944,416
13,891	1,234	18,014	3,597
	27,925	27,925	29,647
	50,000	50,000	50,000
		24,290	24,290
	125,677	275,943	174,265
		8,929	32,254
<u>\$ 246,977</u>	<u>\$ 564,352</u>	<u>\$ 1,524,393</u>	<u>\$ 1,755,102</u>

\$	\$	\$ 11,430	\$ 67,155
		42,456	
			175,000
	24,290	24,290	24,290
100,190	53,844	269,930	143,740
<u>100,190</u>	<u>78,134</u>	<u>348,106</u>	<u>410,185</u>

1,792	11,543	35,123	38,908
245,185	169,799	866,036	948,013
	27,925	27,925	29,647
<u>246,977</u>	<u>209,267</u>	<u>929,084</u>	<u>1,016,568</u>

		24,290	24,290
	158,994	215,683	240,563
	20,869	20,869	14,370
	175,222	175,222	165,334
<u>(100,190)</u>	<u>(78,134)</u>	<u>(188,861)</u>	<u>(116,208)</u>
<u>(100,190)</u>	<u>276,951</u>	<u>247,203</u>	<u>328,349</u>

<u>\$ 246,977</u>	<u>\$ 564,352</u>	<u>\$ 1,524,393</u>	<u>\$ 1,755,102</u>
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**CITY OF WANAMINGO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	<u>101</u> General	<u>306</u> 2009A G.O. Tax Increment Refunding	<u>316</u> 2010 G.O. Refunding
REVENUES			
General property taxes	\$ 346,776	\$ 10,492	\$ 15,738
Tax increment			
Special assessments			25,918
Licenses and permits	14,101		
Intergovernmental revenues	207,847		
Charges for services	86,670		
Fines and forfeits	2,073		
Investment income	3,349		
Miscellaneous revenues	28,574		
	<hr/>	<hr/>	<hr/>
Total Revenues	<u>689,390</u>	<u>10,492</u>	<u>41,656</u>
 EXPENDITURES			
General government	100,240		
Public safety	194,790		
Public works	130,986		
Culture and recreation	84,942		
Unallocated	17,865		
Economic development			
Debt service		63,993	106,548
Capital outlay			
	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>528,823</u>	<u>63,993</u>	<u>106,548</u>
Excess (deficiency) of revenues over (under) expenditures	<u>160,567</u>	<u>(53,501)</u>	<u>(64,892)</u>
 OTHER FINANCING SOURCES (USES)			
Bond proceeds			
Transfers in		57,855	
Transfers out	(107,030)		
	<hr/>	<hr/>	<hr/>
Total other financing sources (uses)	<u>(107,030)</u>	<u>57,855</u>	<hr/>
Net change in fund balances	53,537	4,354	(64,892)
Fund Balance - beginning	<u>76,112</u>	<u>52,335</u>	<u>(51,004)</u>
Fund Balance - ending	<u>\$ 129,649</u>	<u>\$ 56,689</u>	<u>\$ (115,896)</u>

See Notes to Financial Statements

328 2007 G.O. Refunding	Other Governmental Funds	Total Governmental Funds	
		2013	2012
\$ 26,230	\$ 191,517	\$ 590,753	\$ 603,182
	77,780	77,780	94,505
12,626	26,200	64,744	68,853
		14,101	10,497
		207,847	421,572
		86,670	85,266
		2,073	3,568
	1,081	4,430	3,780
	17,535	46,109	75,721
<u>38,856</u>	<u>314,113</u>	<u>1,094,507</u>	<u>1,366,944</u>
		100,240	105,023
		194,790	213,107
		130,986	124,411
		84,942	286,759
		17,865	21,526
	48,182	48,182	49,512
116,010	299,002	585,553	838,322
	13,095	13,095	5,781
<u>116,010</u>	<u>360,279</u>	<u>1,175,653</u>	<u>1,644,441</u>
<u>(77,154)</u>	<u>(46,166)</u>	<u>(81,146)</u>	<u>(277,497)</u>
	107,030	164,885	277,834
	(57,855)	(164,885)	(927,249)
	<u>49,175</u>		<u>(649,415)</u>
(77,154)	3,009	(81,146)	(926,912)
<u>(23,036)</u>	<u>273,942</u>	<u>328,349</u>	<u>1,255,261</u>
<u>\$ (100,190)</u>	<u>\$ 276,951</u>	<u>\$ 247,203</u>	<u>\$ 328,349</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, 2013

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

Total governmental fund balances (page 18)		\$ 247,203
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 5,749,598	
Less: Accumulated depreciation	<u>(2,419,202)</u>	3,330,396
Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 35,123	
Deferred and delinquent special assessments	866,036	
Loans receivable	<u>27,925</u>	929,084
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	\$(4,578,463)	
Unamortized bond discount	13,190	
Compensated absences	(14,191)	
Accrued interest	<u>(73,435)</u>	<u>(4,652,899)</u>
Net position of governmental activities (page 14)		<u><u>\$ (146,216)</u></u>

CITY OF WANAMINGO, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

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

Net change in fund balances - total governmental funds (page 20)		\$ (81,146)
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	\$ 2,189	
Depreciation expense	<u>(173,744)</u>	(171,555)
Certain revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	\$ (3,785)	
Special assessments	(81,977)	
Loans receivable	<u>(1,722)</u>	(87,484)
Some expenses reported in the statement of activities do not require the use of current financial resources and , therefore, are not reported as expenditures in governmental funds.		
Compensated absences, December 31, 2013	\$ (14,191)	
Compensated absences, December 31, 2012	<u>12,971</u>	(1,220)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Change in accrued interest	\$ 7,683	
Amortization of bond discount	(1,968)	
Principal retirement on long-term debt	<u>396,601</u>	<u>402,316</u>
Change in net position of governmental activities (pages 15 and 16)		<u><u>\$ 60,911</u></u>

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
GENERAL FUND
STATEMENTS OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
REVENUES					
Property Taxes	\$ 342,000	\$ 342,000	\$ 346,776	\$ 4,776	\$ 397,442
Licenses and Permits					
Business	2,920	2,920	240	(2,680)	2,920
Nonbusiness	8,275	8,275	13,861	5,586	7,577
Total Licenses and Permits	11,195	11,195	14,101	2,906	10,497
Intergovernmental Revenues					
Local government aid	171,000	171,000	182,565	11,565	183,518
Other state aid	2,450	2,450	2,852	402	1,517
Federal grant					195,558
Fire aid	15,000	15,000	22,430	7,430	14,928
Total Intergovernmental Revenues	188,450	188,450	207,847	19,397	395,521
Charges For Services					
Township fire contributions	65,000	65,000	66,282	1,282	65,047
Swimming pool fees	12,900	12,900	15,413	2,513	16,624
Other	2,800	2,800	4,975	2,175	3,595
Total Charges For Services	80,700	80,700	86,670	5,970	85,266
Fines and Forfeits					
Court fines	2,500	2,500	2,073	(427)	3,568
Investment Income					
	700	700	3,349	2,649	1,592
Miscellaneous Revenues					
Fire department contribution	8,500	8,500	2,114	(6,386)	32,551
Other contributions	6,500	6,500	7,043	543	9,709
Other refunds and reimbursements	1,500	1,500	13,439	11,939	20,704
Other	5,000	5,000	5,978	978	13,202
Total Miscellaneous Revenues	21,500	21,500	28,574	7,074	76,166
TOTAL REVENUES	\$ 647,045	\$ 647,045	\$ 689,390	\$ 42,345	\$ 970,052

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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Employee services	\$ 11,925	\$ 11,925	\$ 11,093	\$ 832	\$ 11,277
Insurance	600	600	1,144	(544)	1,853
Total Mayor and Council	<u>12,525</u>	<u>12,525</u>	<u>12,237</u>	<u>288</u>	<u>13,130</u>
Election and Voter Registration	<u>775</u>	<u>775</u>	<u>390</u>	<u>385</u>	<u>1,312</u>
City Administration					
Employee services	25,900	25,900	28,311	(2,411)	27,020
Employee benefits and retirement	5,975	5,975	5,148	827	5,284
Materials and supplies	3,500	3,500	1,862	1,638	3,037
Telephone	2,650	2,650	3,699	(1,049)	4,095
Printing and publishing	2,000	2,000	1,774	226	2,151
Contracted services	2,500	2,500	450	2,050	1,213
Insurance	14,200	14,200	11,562	2,638	10,799
Other charges	9,750	9,750	9,777	(27)	9,201
Capital outlay	9,000	9,000	2,844	6,156	2,270
Total City Administration	<u>75,475</u>	<u>75,475</u>	<u>65,427</u>	<u>10,048</u>	<u>65,070</u>
Professional Services					
Legal	8,000	8,000	3,436	4,564	8,061
Accounting and audit	17,150	17,150	18,750	(1,600)	17,450
Total Professional Services	<u>25,150</u>	<u>25,150</u>	<u>22,186</u>	<u>2,964</u>	<u>25,511</u>
Total General Government	<u>\$ 113,925</u>	<u>\$ 113,925</u>	<u>\$ 100,240</u>	<u>\$ 13,685</u>	<u>\$ 105,023</u>

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
GENERAL FUND
STATEMENTS OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Safety					
Police Protection					
Contractual services	\$ 94,806	\$ 94,806	\$ 93,628	\$ 1,178	\$ 92,044
Legal services	12,000	12,000	12,000		8,000
Total Police Protection	106,806	106,806	105,628	1,178	100,044
Ambulance					
Contractual services	3,258	3,258	3,258		3,258
Fire Protection					
State fire aid	15,000	15,000	22,430	(7,430)	14,928
Materials and supplies	8,800	8,800	8,120	680	18,254
Utilities	10,100	10,100	7,192	2,908	6,877
Repairs and maintenance	8,000	8,000	11,657	(3,657)	14,021
Insurance	9,000	9,000	8,319	681	10,034
Other charges	5,300	5,300	6,933	(1,633)	8,299
Debt service	11,373	11,373	11,372	1	11,373
Capital outlay					17,000
Total Fire Protection	67,573	67,573	76,023	(8,450)	100,786
Building Inspection					
Contractual services	6,000	6,000	9,881	(3,881)	9,019
Total Public Safety	\$ 183,637	\$ 183,637	\$ 194,790	\$ (11,153)	\$ 213,107

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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Works					
Highways, Streets and Alleys					
Employee services	\$ 44,000	\$ 44,000	\$ 44,975	\$ (975)	\$ 41,743
Employee benefits and retirement	12,950	12,950	9,663	3,287	9,538
Materials and supplies	6,800	6,800	8,056	(1,256)	5,931
Repairs and maintenance	9,600	9,600	9,370	230	7,910
Utilities	6,950	6,950	4,430	2,520	8,276
Telephone	1,400	1,400	1,715	(315)	1,841
Insurance	5,675	5,675	5,895	(220)	5,806
Other charges	1,800	1,800	4,495	(2,695)	3,318
Capital outlay					3,758
Total Highways Streets and Alleys	89,175	89,175	88,599	576	88,121
Snow Removal	15,000	15,000	11,270	3,730	13,400
Street Lights	22,000	22,000	31,117	(9,117)	22,890
Total Public Works	\$ 126,175	\$ 126,175	\$ 130,986	\$ (4,811)	\$ 124,411

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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
EXPENDITURES					
Culture and Recreation					
Community center					
Material and supplies	\$ 200	\$ 200	\$ 178	\$ 22	\$ 106
Utilities	3,600	3,600	3,767	(167)	3,296
Other charges	3,745	3,745	2,930	815	2,588
Total Community center	7,545	7,545	6,875	670	5,990
Parks					
Employee services	2,600	2,600	2,202	398	3,039
Employee benefits and retirement	400	400	329	71	453
Materials and supplies	300	300	72	228	50
Repairs and maintenance	750	750	1,142	(392)	736
Utilities	1,500	1,500	1,586	(86)	1,883
Insurance	2,550	2,550	2,388	162	2,370
Contracted services	18,500	18,500	15,953	2,547	17,530
Capital outlay			351	(351)	194,946
Total Parks	26,600	26,600	24,023	2,577	221,007
Swimming Pool					
Employee services	32,000	32,000	33,317	(1,317)	34,525
Employee benefits and retirement	2,500	2,500	2,998	(498)	3,130
Materials and supplies	4,750	4,750	2,676	2,074	3,019
Repairs and maintenance	2,000	2,000	1,376	624	3,842
Utilities	7,300	7,300	7,066	234	9,015
Insurance	2,500	2,500	2,411	89	2,457
Other charges	3,350	3,350	4,200	(850)	3,774
Total Swimming Pool	54,400	54,400	54,044	356	59,762
Total Culture and Recreation	\$ 88,545	\$ 88,545	\$ 84,942	\$ 3,603	\$ 286,759

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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Budgeted Amounts		2013 Actual Amounts	Variance with Final Budget - Positive (Negative)	2012 Actual Amounts
	Original	Final			
EXPENDITURES					
Unallocated Expense					
Professional Services	\$ 3,500	\$ 3,500	\$ 6,961	\$ (3,461)	\$ 3,241
Debt service	2,263	2,263	2,013	250	7,705
Miscellaneous	9,800	9,800	8,891	909	10,580
Total Unallocated	15,563	15,563	17,865	(2,302)	21,526
TOTAL EXPENDITURES	527,845	527,845	528,823	(978)	750,826
Excess (deficiency) of revenues over (under) expenditures	119,200	119,200	160,567	41,367	219,226
Other Financing Sources (Uses)					
Transfers in					10,000
Transfers out	(140,000)	(140,000)	(107,030)	32,970	(133,000)
Total other financing sources (uses)	(140,000)	(140,000)	(107,030)	32,970	(123,000)
Net change in fund balances	(20,800)	(20,800)	53,537	74,337	96,226
FUND BALANCE - beginning	76,112	76,112	76,112		(20,114)
FUND BALANCE - ending	\$ 55,312	\$ 55,312	\$ 129,649	\$ 74,337	\$ 76,112

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
For the Year Ended December 31, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Business - Type Activities - Enterprise Funds				Totals	
	Water	Waste Water	Sanitation	Medical Center	2013	2012
ASSETS						
Current Assets						
Cash and investments	\$ 20,957	\$ 359,487	\$ 29,238	\$	\$ 409,682	\$ 269,680
Accounts receivable	31,623	24,645	6,128		62,396	55,873
Total Current Assets	<u>52,580</u>	<u>384,132</u>	<u>35,366</u>		<u>472,078</u>	<u>325,553</u>
Noncurrent Assets						
Capital assets						
Nondepreciable		10,000			10,000	10,000
Depreciable	3,650,578	2,743,799		619,586	7,013,963	7,013,963
Less: Accumulated depreciation	1,560,896	1,436,695		174,259	3,171,850	3,000,932
Total Capital Assets	<u>2,089,682</u>	<u>1,317,104</u>		<u>445,327</u>	<u>3,852,113</u>	<u>4,023,031</u>
TOTAL ASSETS	<u>\$ 2,142,262</u>	<u>\$ 1,701,236</u>	<u>\$ 35,366</u>	<u>\$ 445,327</u>	<u>\$ 4,324,191</u>	<u>\$ 4,348,584</u>
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 2,047	\$ 1,940	\$ 12,630	\$ 586	\$ 17,203	\$ 11,705
Accrued expenses	2,639				2,639	5,420
Accrued interest	8,324				8,324	9,301
Due to other funds				6,013	6,013	30,525
Current maturities of bonds payable	25,000				25,000	25,000
Current maturities of note payable	88,000				88,000	86,000
Total Current Liabilities	<u>126,010</u>	<u>1,940</u>	<u>12,630</u>	<u>6,599</u>	<u>147,179</u>	<u>167,951</u>
Noncurrent Liabilities						
Bonds payable, net of current maturities and discount	170,456			523,000	693,456	735,719
Note payable, net of current maturities	663,000				663,000	751,000
Compensated absences payable	11,599	11,607			23,206	22,235
Total Noncurrent Liabilities	<u>845,055</u>	<u>11,607</u>		<u>523,000</u>	<u>1,379,662</u>	<u>1,508,954</u>
TOTAL LIABILITIES	<u>971,065</u>	<u>13,547</u>	<u>12,630</u>	<u>529,599</u>	<u>1,526,841</u>	<u>1,676,905</u>
NET POSITION						
Net investment in capital assets	1,131,627	1,305,497		(77,673)	2,359,451	2,403,077
Unrestricted	39,570	382,192	22,736	(6,599)	437,899	268,602
TOTAL NET POSITION	<u>\$ 1,171,197</u>	<u>\$ 1,687,689</u>	<u>\$ 22,736</u>	<u>\$ (84,272)</u>	<u>\$ 2,797,350</u>	<u>\$ 2,671,679</u>

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, 2013
With Comparative Totals for the Year Ended December 31, 2012

	Business - Type Activities - Enterprise Funds					
	Water	Waste		Medical Center	Total	
		Water	Sanitation		2013	2012
Operating Revenues						
Sales	\$ 262,650	\$ 250,058	\$ 56,148	\$ 50,813	\$ 619,669	\$ 618,835
Operating Expenses						
Employee services	41,599	53,089			94,688	91,367
Employee benefits and retirements	11,030	18,281			29,311	28,692
Materials and supplies	2,833	32			2,865	2,116
Repairs and maintenance	5,184	713		2,175	8,072	10,568
Utilities	9,749	23,202		6,197	39,148	37,338
Depreciation	94,324	61,105		15,489	170,918	174,883
Contracted services		21,450	52,670		74,120	74,777
Other charges	9,729	20,950	2	6,533	37,214	34,262
Total Operating Expenses	<u>174,448</u>	<u>198,822</u>	<u>52,672</u>	<u>30,394</u>	<u>456,336</u>	<u>454,003</u>
Operating Income	<u>88,202</u>	<u>51,236</u>	<u>3,476</u>	<u>20,419</u>	<u>163,333</u>	<u>164,832</u>
Nonoperating Revenues (Expenses)						
Interest income						8,454
Tax increment				8,613	8,613	8,855
Miscellaneous income		213			213	592
Water meter fee	750				750	1,000
Interest expense	(24,145)			(23,093)	(47,238)	(88,384)
Total Nonoperating Revenues (Expenses)	<u>(23,395)</u>	<u>213</u>		<u>(14,480)</u>	<u>(37,662)</u>	<u>(69,483)</u>
Net Income Before Transfers	<u>64,807</u>	<u>51,449</u>	<u>3,476</u>	<u>5,939</u>	<u>125,671</u>	<u>95,349</u>
Transfers in						<u>584,107</u>
Net Increase in Net Position	<u>64,807</u>	<u>51,449</u>	<u>3,476</u>	<u>5,939</u>	<u>125,671</u>	<u>679,456</u>
NET POSITION - Beginning of Year	<u>1,106,390</u>	<u>1,636,240</u>	<u>19,260</u>	<u>(90,211)</u>	<u>2,671,679</u>	<u>1,992,223</u>
NET POSITION - End of Year	<u>\$ 1,171,197</u>	<u>\$ 1,687,689</u>	<u>\$ 22,736</u>	<u>\$ (84,272)</u>	<u>\$ 2,797,350</u>	<u>\$ 2,671,679</u>

See Notes to the Financial Statements

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

For the Year Ended December 31, 2013

With Comparative Totals for the Year Ended December 31, 2012

	Business - Type Activities - Enterprise Funds					
	Water	Waste Water	Sanitation	Medical Center	Total	
					2013	2012
Cash Flows From Operating Activities						
Cash received from customers	\$ 258,750	\$ 247,761	\$ 55,822	50,813	\$ 613,146	\$ 623,926
Cash paid to suppliers	(29,456)	(66,846)	(47,018)	(14,894)	(158,214)	(164,733)
Cash paid to employees	(52,629)	(70,887)			(123,516)	(118,666)
Net Cash Provided By Operating Activities	176,665	110,028	8,804	35,919	331,416	340,527
Cash Flows From Noncapital Financing Activities						
Other income (expense)	750				750	1,126
Increase (decrease) in due to other funds	(21,073)			(3,439)	(24,512)	(56,684)
Net Cash Used In Noncapital Financing Activities	(20,323)			(3,439)	(23,762)	(55,558)
Cash Flows From Capital and Related Financing Activities						
Special assessment collections						8,945
Tax increment collections				8,613	8,613	8,855
Principal paid on long-term debt	(111,000)			(18,000)	(129,000)	(793,800)
Interest and fiscal agent fees	(24,385)			(23,093)	(47,478)	(91,435)
Transfer in from (out to) other funds						649,415
Net Cash Used In Capital and Related Financing Activities	(135,385)			(32,480)	(167,865)	(218,020)
Cash Flows From Investing Activities						
Investment income		213			213	8,920
NET INCREASE IN CASH AND CASH EQUIVALENTS	20,957	110,241	8,804		140,002	75,869
CASH AND CASH EQUIVALENTS - Beginning of Year		249,246	20,434		269,680	193,811
CASH AND CASH EQUIVALENTS - End of Year	\$ 20,957	\$ 359,487	\$ 29,238	\$	\$ 409,682	\$ 269,680

See Notes to the Financial Statements

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

	Business - Type Activities - Enterprise Funds					
	Water	Waste	Sanitation	Medical	Total	
		Water		Center	2013	2012
Operating Income	\$ 88,202	\$ 51,236	\$ 3,476	\$ 20,419	\$ 163,333	\$ 164,832
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	94,324	61,105		15,489	170,918	174,883
(Increase) Decrease In:						
Accounts receivable	(3,900)	(2,297)	(326)		(6,523)	5,091
Increase (Decrease) In:						
Accounts payable	332	(499)	5,654	11	5,498	(7,512)
Accrued expenses	(2,293)	483			(1,810)	3,233
 Net Cash Provided By Operating Activities	 \$ 176,665	 \$ 110,028	 \$ 8,804	 \$ 35,919	 \$ 331,416	 \$ 340,527

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CITY OF WANAMINGO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013

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

The *2010 G.O. Refunding fund* accounts for the financial resources to be used for repayment of bonds with interest.

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

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.

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)

Compensated Absences

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

Long-term Obligations

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Net Position / Fund Balance

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

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 “invested in capital assets, net of related debt” or “restricted net position”

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

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

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

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the City Council through formal action (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.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2013, 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	\$ 639,547
Money Market Mutual Fund	None	Unrated	5,446
			<u>\$ 644,993</u>

Investments Authorized by Minnesota Statutes

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

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

Collateralization of Cash Deposits

The City's deposits are covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name. At times during the year ended December 31, 2013, the City did not consistently maintain adequate collateral to properly insure deposits.

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Collateralization of Cash Deposits (Continued)

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

3. Due From Other Governmental Units

Amounts due from other governmental units as of December 31, 2013 are as follows:

<u>Fund</u>	<u>Goodhue County</u>
General	<u>\$ 8,929</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets

Capital asset activity for the year ended December 31, 2013 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 114,068	\$	\$	\$ 114,068
Total capital assets, not being depreciated	114,068			114,068
Capital assets, being depreciated:				
Buildings	1,636,650			1,636,650
Improvements other than buildings	2,704,188			2,704,188
Machinery and equipment	1,294,503	2,189	2,000	1,294,692
Total capital assets, being depreciated	5,635,341	2,189	2,000	5,635,530
Less accumulated depreciation for:				
Buildings	691,923	108,877		800,800
Improvements other than buildings	505,592			505,592
Machinery and equipment	1,049,943	64,867	2,000	1,112,810
Total accumulated depreciation	2,247,458	173,744	2,000	2,419,202
Total capital assets, being depreciated, net	3,387,883	(171,555)		3,216,328
 Governmental activities capital assets, net	 \$ 3,501,951	 \$ (171,555)	 \$	 \$ 3,330,396
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	6,747,360			6,747,360
Machinery and equipment	270,381		3,778	266,603
Total capital assets, being depreciated	7,017,741		3,778	7,013,963
Less accumulated depreciation for:				
Buildings and improvements	2,768,163	165,813		2,933,976
Machinery and equipment	236,547	5,105	3,778	237,874
Total accumulated depreciation	3,004,710	170,918	3,778	3,171,850
Total capital assets, being depreciated, net	4,013,031	(170,918)		3,842,113
 Business-type activities capital assets, net	 \$ 4,023,031	 \$ (170,918)	 \$	 \$ 3,852,113

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (Continued)

Governmental Activities:	
General government	\$ 15,785
Public safety	80,210
Public works	61,818
Culture and recreation	<u>15,931</u>
Total depreciation expense - governmental activities	<u>\$ 173,744</u>
Business-Type Activities:	
Water	\$ 94,324
Sewer	61,105
Medical Facility	<u>15,489</u>
Total depreciation expense - business-type activities	<u>\$ 170,918</u>

5. Long-Term Debt

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

General Obligation Improvement Bonds:

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

General Obligation Tax Increment Bonds:

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

Revenue Bonds:

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

General Obligation Equipment Certificates:

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

General Obligation Revenue Bonds:

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

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

General Obligation Revenue Notes:

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

Capital Lease Obligation:

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

A summary of interest rates, maturities and December 31, 2013 balances are as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2013
General Obligation Improvement Bonds:			
Series 1999 Refunding	4.0%-5.00%	5/1/2014	\$ 30,000
Series 2005A Refunding	4.2%-4.60%	2/1/2023	245,000
Series 2005B	3.1%-4.75%	2/1/2026	685,000
Series 2007A Refunding	4.0%-4.85%	2/1/2037	1,630,000
Series 2010B Refunding	1.0%-3.70%	2/1/2023	915,000
General Obligation Tax Increment Bonds:			
Series 2009A Refunding	2.2%-4.55%	5/1/2025	590,000
Revenue Bonds:			
Series 2004 Refunding	1.75%-4.5%	3/1/2015	150,000
Series 2006B - City Shop	4.5%-4.75%	2/1/2017	86,500
Series 2007B - City Hall	4.70%	2/1/2018	79,000
General Obligation Equipment Certificate:			
Series 2006D - Fire Truck / Pumper	4.50%	2/1/2016	42,000
Capital Lease Obligation:			
Series 2007 - Pumper	4.75%	8/1/2017	95,045
Series 2011 - Fire Equipment	5.00%	5/4/2016	30,918
General Obligation Revenue Bonds:			
Medical Facility Bonds, series 2003	4.25%	1/1/2033	523,000
2006C Water Refunding	3.85%-4.2%	2/1/2020	200,000
General Obligation Revenue Notes:			
2001 Public Facilities Authority Water	1.81%	8/20/2021	751,000
Compensated Absences			37,397
Total			6,089,860
Less: Unamortized Discount			(17,734)
Total Long Term Debt			\$ 6,072,126

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, 2013 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Improvement Bonds:					
Series 1999 Refunding	\$ 60,000	\$	\$ 30,000	\$ 30,000	\$ 30,000
Series 2005A Refunding	265,000		20,000	245,000	20,000
Series 2005B	725,000		40,000	685,000	40,000
Series 2007A Refunding	1,670,000		40,000	1,630,000	40,000
Series 2010B Refunding	995,000		80,000	915,000	80,000
Revenue Bonds:					
Series 2004 Refunding - Fire Hall	220,000		70,000	150,000	75,000
Series 2006B - City Shop	105,750		19,250	86,500	20,250
Series 2007B - City Hall	93,000		14,000	79,000	14,000
General Obligation Tax Increment Bonds:					
Series 2009A Refunding	630,000		40,000	590,000	40,000
General Obligation Equipment Certificates:					
Series 2006D - Fire Truck / Pumper	55,000		13,000	42,000	13,500
Capital Lease Obligation:					
Series 2007 - Pumper	116,072		21,027	95,045	22,068
Series 2011 - Fire Equipment	40,242		9,324	30,918	9,799
Unamortized Discount	(15,158)		(1,968)	(13,190)	
Compensated Absences	12,971	1,220		14,191	
Governmental Activities Long-term Liabilities	<u>4,972,877</u>	<u>1,220</u>	<u>394,633</u>	<u>4,579,464</u>	<u>404,617</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Revenue Bonds:					
Medical Facility Bonds, series 2003	541,000		18,000	523,000	
2006C Water Refunding	225,000		25,000	200,000	25,000
General Obligation Revenue Notes:					
2001 Public Facilities Authority Water	837,000		86,000	751,000	88,000
Unamortized Discount	(5,281)		(737)	(4,544)	
Compensated Absences	22,235	971		23,206	
Business-type Activities Long-term Liabilities	<u>1,619,954</u>	<u>971</u>	<u>128,263</u>	<u>1,492,662</u>	<u>113,000</u>
Total	<u>\$ 6,592,831</u>	<u>\$ 2,191</u>	<u>\$ 522,896</u>	<u>\$ 6,072,126</u>	<u>\$ 517,617</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2013 are summarized below:

Years	General Obligation Improvement Bonds		General Obligation Tax Increment Bonds		General Obligation Revenue Bonds / Notes		Other	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
<u>Governmental Activities</u>								
2014	\$ 210,000	\$ 140,672	\$ 40,000	\$ 28,890	\$ 13,500	\$ 1,282	\$ 141,117	\$ 19,890
2015	185,000	134,287	40,000	27,245	14,000	653	144,457	13,412
2016	190,000	128,222	40,000	25,305	14,500		73,129	6,618
2017	205,000	121,645	45,000	23,365			65,760	3,014
2018	215,000	114,167	45,000	21,182			17,000	400
2019-2023	1,155,000	441,304	255,000	70,750				
2024-2028	520,000	250,636	125,000	9,500				
2029-2033	415,000	149,921						
2034-2038	410,000	40,884						
Totals	<u>\$ 3,505,000</u>	<u>\$ 1,521,738</u>	<u>\$ 590,000</u>	<u>\$ 206,237</u>	<u>\$ 42,000</u>	<u>\$ 1,935</u>	<u>\$ 441,463</u>	<u>\$ 43,333</u>
<u>Business-Type Activities</u>								
2014					\$ 113,000	\$ 44,325		
2015					133,000	40,968		
2016					140,000	37,472		
2017					143,000	33,789		
2018					146,000	29,995		
2019-2023					474,000	98,021		
2024-2028					146,000	57,063		
2029-2033					179,000	23,460		
Totals					<u>\$ 1,474,000</u>	<u>\$ 365,093</u>		

6. Individual Fund Disclosures

The amounts advanced to and advanced from other funds as of December 31, 2013 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 2013, the General Fund had excess expenditures over appropriations of \$978.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures (Continued)

As of December 31, 2013, the following funds had deficit fund balances:

Special Revenue Funds:	
Economic Development	\$ 1,326
Debt Service Funds:	
1999 G.O. Refunding Improvement	12,078
2010 G.O. Refunding	115,896
2007 G.O. Refunding	100,190
City Hall Lease Purchase	814
Capital Projects Funds	
Tax Increment District #4-2 Fulton	62,199
Tax Increment District #4-3 Masters	1,717
Enterprise Funds:	
Medical Center	84,272

Transfers during the year ended December 31, 2013 were as follows:

	Transfers In	Transfers Out
General Fund	\$	\$ 107,030
Special Revenue:		
Senior Housing Reserve	22,030	
Debt Service:		
1998 G.O. Tax Increment	57,855	
2004 Public Project Refunding	85,000	
Capital Project:		
TIF District #1-1 Masters		77
TIF District #2-2 Benson		2,226
TIF District #2-4 Doffing		10,006
TIF District #2-5 Meyers		16,449
TIF District #2-6 Vertical Limit		29,097
Totals	<u>\$ 164,885</u>	<u>\$ 164,885</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures (Continued)

The amounts due to and due from other funds as of December 31, 2013 follow below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 150,266	\$
Special Revenue Funds		
Economic Development		1,326
Debt Service Funds:		
2005A G.O. Improvement Refunding	69,787	
1999 G.O. Refunding Improvement		12,078
2010 G.O. Refunding		115,896
2007 G.O. Refunding		100,190
City Hall Lease Purchase		814
Capital Project Funds:		
Storm sewer	32,039	
WAC/SAC	23,851	
Tax Increment District #4-2 Fulton		37,909
Tax Increment District #4-3 Masters		1,717
Enterprise Funds:		
Medical center		6,013
	\$ 275,943	\$ 275,943

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, 2013 is as follows:

Committed Fund Balance	Fire Capital
Equipment Replacement	
Fire	\$ 20,869

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Fund Equity

The City has restricted portions of fund balance in the fund financial statements and fund equity in the government-wide financial statements. The restricted fund balance / equity represents the portion not available for expenditure or legally segregated for specific use. A summary of the restricted portion of the fund balance / equity at December 31, 2013 is as follows:

Specific Purpose	Restriction Imposed By			
	Contributors	Grantors	Creditors	Regulations
Restricted Fund Balance				
Debt Service Funds:				
Debt service requirements	\$	\$	\$ 215,683	\$
Total Restricted Fund Balance	\$	\$	\$ 215,683	\$

Restricted Net Position				
Debt service requirements	\$	\$	\$ 1,051,551	\$
Total Restricted Net Position	\$	\$	\$ 1,051,551	\$

Specific Purpose	Revolving Loan	Senior Housing Reserve	Storm Sewer	WAC / SAC
Assigned Fund Balance				
Economic development	\$ 33,552	\$	\$	\$
Senior housing		50,000		
Public works			32,840	58,830
Total Assigned Fund Balance	\$ 33,552	\$ 50,000	\$ 32,840	\$ 58,830

8. Defined Benefit Pension Plans - Statewide

Plan Description

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans – Statewide (continued)

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

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

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

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

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

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic plan members and Coordinated Plan members are required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2009. PEPFF members were required to contribute 9.4% of their annual covered salary in 2013. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan GERF members and 7.25% for Coordinated GERF Plan Members, 14.1% for PEPFF members. The City's contributions to Public Employees Retirement Fund for the years ending December 31, 2013, 2012, and 2011 were \$13,847, \$14,108, and \$12,509 respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Defined Benefit Pension Plan - Volunteer Fire Relief Association

Plan Description

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

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

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

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

10. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There were no reductions in insurance coverage in 2013.

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 2013. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Contribution and Reimbursement Agreement - SEMMCHRA

In 2009, the City sold the Heritage Hills Senior Housing Facility to the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA). As part of the sale agreement, the City has pledged its full faith, credit and taxing powers to the payment of bonds issued by SEMMCHRA to finance the acquisition of the facility. The City is obligated to pay the difference between the required annual debt service and the net facility operating cash flow through the maturity or repayment of the SEMMCHRA facility bonds. The balance outstanding on these bonds at December 31, 2013 totaled \$1,065,000.

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, 2013 because of the uncertainty and determination of required future payments, if any.

12. Change in Accounting Standards

During the year ended December 31, 2013, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 65 "Items Previously Reported as Assets and Liabilities." This standard required retroactive implementation which did not result in the restatement of beginning balances in the December 31, 2013 financial statements.

13. New Accounting Pronouncements

GASB 68, *Accounting and Financial Reporting for Pensions* will be effective for the City beginning with its year ending December 31, 2015. This statement requires the reporting of unfunded pension liabilities in the government-wide and proprietary financial statements. Management has not determined the impact on adoption of this new standard will have on the City's financial position.

CITY OF WANAMINGO, MINNESOTA

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

DECEMBER 31, 2013

**CITY OF WANAMINGO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2013**

	Special Revenue			Debt Service	
	251 Economic Development	210 Revolving Loan	230 Senior Housing Reserve	305 1999 G.O. Refunding Improvement	308 2005A G.O. Improvement Refunding
ASSETS					
Cash and investments	\$		\$ 33,552	\$	\$
Accounts receivable					
Taxes receivable delinquent				2,151	717
Special assessments receivable:					
Deferred				3,613	62,545
Delinquent					888
Loan receivable		23,886			
Operating Reserve			50,000		
Due from other funds					69,787
TOTAL ASSETS	\$	\$ 57,438	\$ 50,000	\$ 5,764	\$ 133,937
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Advance from other funds	\$	\$	\$	\$	\$
Due to other funds		1,326		12,078	
Total Liabilities		1,326		12,078	
Deferred Inflows of Resources					
Unavailable:					
Property taxes	\$	\$	\$	\$ 2,151	\$ 717
Special assessments				3,613	63,433
Loans receivable		23,886			
Total Deferred Inflows of Resources		23,886		5,764	64,150
Fund Balance					
Restricted:					
Creditors					69,787
Committed					
Assigned		33,552	50,000		
Unassigned	(1,326)			(12,078)	
Total Fund Balance (Deficit)	(1,326)	33,552	50,000	(12,078)	69,787
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$	\$ 57,438	\$ 50,000	\$ 5,764	\$ 133,937

Debt Service

307 2004 Public Project Refunding	323 2005 Improvement	326 City Shop Lease Purchase	327 Pumper Lease	329 City Hall Lease Purchase	325 2006D Equipment Certificate
\$ 49,259	\$ 784	\$ 29,341	\$ 4,410	\$	\$ 5,413
	5,019	1,434		1,075	1,147
	102,407 346				
<u>\$ 49,259</u>	<u>\$ 108,556</u>	<u>\$ 30,775</u>	<u>\$ 4,410</u>	<u>\$ 1,075</u>	<u>\$ 6,560</u>
\$	\$	\$	\$	\$	\$
				814	
				<u>814</u>	
\$	\$ 5,019 102,753	\$ 1,434	\$	\$ 1,075	\$ 1,147
	<u>107,772</u>	<u>1,434</u>		<u>1,075</u>	<u>1,147</u>
49,259	784	29,341	4,410		5,413
				(814)	
<u>49,259</u>	<u>784</u>	<u>29,341</u>	<u>4,410</u>	<u>(814)</u>	<u>5,413</u>
<u>\$ 49,259</u>	<u>\$ 108,556</u>	<u>\$ 30,775</u>	<u>\$ 4,410</u>	<u>\$ 1,075</u>	<u>\$ 6,560</u>

**CITY OF WANAMINGO, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2013**

	Capital Projects			
	220	448	449	470
	Fire	Storm	WAC /	Tax Increment
	Capital	Sewer	SAC	District #1-1 Masters
ASSETS				
Cash and investments	\$ 20,869	\$ 3,439	\$ 31,540	\$
Accounts receivable		801		
Taxes receivable delinquent				
Special basements receivable:				
Delinquent				
Deferred				
Loan receivable				
Operating Reserve				
Due from other funds		32,039	23,851	
TOTAL ASSETS	\$ 20,869	\$ 36,279	\$ 55,391	\$
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Advance from other funds	\$	\$	\$	\$
Due to other funds				
Total Liabilities				
Deferred Inflows of Resources				
Unavailable:				
Property taxes	\$	\$	\$	\$
Special assessments				
Loans receivable				
Total Deferred Inflows of Resources				
Fund Balance				
Restricted:				
Creditors				
Committed	20,869			
Assigned		32,840	58,830	
Unassigned				
Total Fund Balance (Deficit)	20,869	32,840	58,830	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 20,869	\$ 32,840	\$ 58,830	\$

Capital Projects						Total Nonmajor Governmental Funds 2013
475 Tax Increment District #2-2 Benson	473 Tax Increment District #4-2 Fulton	474 Tax Increment District #4-3 Masters	477 Tax Increment District #2-4 Doffing	478 Tax Increment District #2-5 Meyers	479 Tax Increment District #2-6 Vertical Limit	
\$	\$	\$	\$	\$	\$	\$ 178,607 801 11,543
		4,039				168,565 1,234 27,925 50,000 125,677
\$	\$	\$ 4,039	\$	\$	\$	\$ 564,352
\$	\$ 24,290 37,909 62,199	\$ 1,717 1,717	\$	\$	\$	\$ 24,290 53,844 78,134
\$	\$	\$	\$	\$	\$	\$ 11,543 169,799 27,925 209,267
	(62,199) (62,199)	(1,717) (1,717)				158,994 20,869 175,222 (78,134) 276,951
\$	\$	\$ 4,039	\$	\$	\$	\$ 564,352

**CITY OF WANAMINGO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2013**

	Special Revenue			Debt Service	
	251 Economic Development	210 Revolving Loan	230 Senior Housing Reserve	305 1999 G.O. Refunding Improvement	308 2005A G.O. Improvement Refunding
REVENUES					
Property taxes	\$ 22,597			\$ 31,476	\$ 10,492
Tax increments					
Special assessments					14,119
Investment income		1,081			
Miscellaneous revenues	1,800	919			
Total Revenues	24,397	2,000		31,476	24,611
EXPENDITURES					
Economic development	26,152		22,030		
Debt service				32,750	31,625
Capital outlay					
Total Expenditures	26,152		22,030	32,750	31,625
Excess (deficiency) of revenues over (under) expenditures	(1,755)	2,000	(22,030)	(1,274)	(7,014)
OTHER FINANCING SOURCES (USES)					
Transfers in			22,030		
Transfers out					
Total other financing sources (uses)			22,030		
Net change in fund balances	(1,755)	2,000		(1,274)	(7,014)
Fund Balance - beginning	429	31,552	50,000	(10,804)	76,801
Fund Balance - ending	\$ (1,326)	\$ 33,552	\$ 50,000	\$ (12,078)	\$ 69,787

Debt Service

307 2004 Public Project Refunding	323 2005 Improvement	326 City Shop Lease Purchase	327 Pumper Lease	329 City Hall Lease Purchase	325 2006D Equipment Certificate
\$	\$ 73,443	\$ 20,984	\$	\$ 15,738	\$ 16,787
	12,081				
	85,524	20,984		15,738	16,787
78,484	72,300	23,816	26,773	18,042	15,212
78,484	72,300	23,816	26,773	18,042	15,212
(78,484)	13,224	(2,832)	(26,773)	(2,304)	1,575
85,000					
85,000					
6,516	13,224	(2,832)	(26,773)	(2,304)	1,575
42,743	(12,440)	32,173	31,183	1,490	3,838
\$ 49,259	\$ 784	\$ 29,341	\$ 4,410	\$ (814)	\$ 5,413

**CITY OF WANAMINGO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2013**

	Capital Projects			
	220	448	449	470
	Fire	Storm	WAC /	Tax Increment
	Capital	Sewer	SAC	District #1-1 Masters
REVENUES				
Property taxes	\$	\$	\$	\$
Tax increments				1,779
Special assessments				
Investment income				
Miscellaneous revenues	6,499	8,317		
Total Revenues	6,499	8,317		1,779
EXPENDITURES				
Economic development				
Debt service				
Capital outlay				1,702
Total Expenditures				1,702
Excess (deficiency) of revenues over (under) expenditures	6,499	8,317		77
OTHER FINANCING SOURCES (USES)				
Transfers in				
Transfers out				(77)
Total other financing sources (uses)				(77)
Net change in fund balances	6,499	8,317		
Fund Balance - beginning	14,370	24,523	58,830	
Fund Balance - ending	\$ 20,869	\$ 32,840	\$ 58,830	\$

Capital Projects						Total Nonmajor Governmental Funds 2013
475 Tax Increment District #2-2 Benson	473 Tax Increment District #4-2 Fulton	474 Tax Increment District #4-3 Masters	477 Tax Increment District #2-4 Doffing	478 Tax Increment District #2-5 Meyers	479 Tax Increment District #2-6 Vertical Limit	
\$ 9,625	\$ 5,760	\$ 4,764	\$ 10,106	\$ 16,549	\$ 29,197	\$ 191,517
						77,780
						26,200
						1,081
						17,535
9,625	5,760	4,764	10,106	16,549	29,197	314,113
						48,182
7,399	100	3,594	100	100	100	299,002
						13,095
7,399	100	3,594	100	100	100	360,279
2,226	5,660	1,170	10,006	16,449	29,097	(46,166)
						107,030
(2,226)			(10,006)	(16,449)	(29,097)	(57,855)
(2,226)			(10,006)	(16,449)	(29,097)	49,175
	5,660	1,170				3,009
	(67,859)	(2,887)				273,942
\$	\$ (62,199)	\$ (1,717)	\$	\$	\$	\$ 276,951

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CITY OF WANAMINGO, MINNESOTA

SUPPLEMENTAL INFORMATION

DECEMBER 31, 2013

**CITY OF WANAMINGO, MINNESOTA
WATER FUND
Balance Sheet
December 31, 2013 and 2012**

	2013	2012
ASSETS		
Current Assets		
Cash and investments	\$ 20,957	\$ 27,723
Accounts receivable	31,623	27,723
Total Current Assets	52,580	27,723
Noncurrent Assets		
Capital assets		
Depreciable	3,650,578	3,650,578
Less: Accumulated depreciation	1,560,896	1,466,572
Total Capital Assets	2,089,682	2,184,006
TOTAL ASSETS	\$ 2,142,262	\$ 2,211,729
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 2,047	\$ 1,715
Accrued expenses	2,639	5,420
Accrued interest	8,324	9,301
Due to other funds		21,073
Current maturities of bonds payable	25,000	25,000
Current maturities of note payable	88,000	86,000
Total Current Liabilities	126,010	148,509
Noncurrent Liabilities		
Bonds payable, net of current maturities, and discount	170,456	194,719
Compensated absences payable	11,599	11,111
Note payable, net of current maturities	663,000	751,000
Total Noncurrent Liabilities	845,055	956,830
Total Liabilities	971,065	1,105,339
Net Position		
Net investment in capital assets	1,143,226	1,127,287
Unrestricted	27,971	(20,897)
Total Net Position	\$ 1,171,197	\$ 1,106,390

**CITY OF WANAMINGO, MINNESOTA
WATER FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2013 and 2012**

	2013	2012
Operating Revenue		
User fees	\$ 133,008	\$ 130,740
Debt service charge	129,642	129,410
Total	262,650	260,150
Operating Expenses		
Employee services	41,599	40,336
Employee benefits and retirements	11,030	10,796
Materials and supplies	2,833	2,005
Repairs and maintenance	5,184	6,123
Utilities	9,749	9,170
Depreciation	94,324	98,221
Other charges	9,729	7,499
Total	174,448	174,150
Operating Income	88,202	86,000
Nonoperating Revenues (Expenses)		
Interest income		8,454
Miscellaneous income		126
Water meter fee	750	1,000
Interest expense	(24,145)	(36,513)
Total Nonoperating Revenues (Expenses)	(23,395)	(26,933)
Net Income Before Transfers	64,807	59,067
Transfers in		99,390
Net Income	64,807	158,457
NET POSITION - Beginning of Year	1,106,390	947,933
NET POSITION - End of Year	\$ 1,171,197	\$ 1,106,390

**CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Balance Sheet
December 31, 2013 and 2012**

	2013	2012
ASSETS		
Current Assets		
Cash and investments	\$ 359,487	\$ 249,246
Accounts receivable	24,645	22,348
Total Current Assets	384,132	271,594
Noncurrent Assets		
Capital assets		
Nondepreciable	10,000	10,000
Depreciable	2,743,799	2,743,799
Less: Accumulated depreciation	1,436,695	1,375,590
Total Capital Assets	1,317,104	1,378,209
TOTAL ASSETS	\$ 1,701,236	\$ 1,649,803
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 1,940	\$ 2,439
Noncurrent Liabilities		
Compensated absences payable	11,607	11,124
Total Liabilities	13,547	13,563
Net Position		
Net investment in capital assets	1,317,104	1,378,209
Unrestricted	370,585	258,031
Total Net Position	\$ 1,687,689	\$ 1,636,240

**CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2013 and 2012**

	2013	2012
Operating Revenue		
Sales	\$ 144,472	\$ 146,369
Debt service charge	105,586	105,377
Total	<u>250,058</u>	<u>251,746</u>
Operating Expenses		
Employee services	53,089	51,031
Employee benefits and retirements	18,281	17,896
Materials and supplies	32	111
Repairs and maintenance	713	2,422
Utilities	23,202	22,410
Depreciation	61,105	61,172
Contractual services	21,450	18,562
Other charges	20,950	21,215
Total	<u>198,822</u>	<u>194,819</u>
Operating Income	<u>51,236</u>	<u>56,927</u>
Nonoperating Revenues (Expenses)		
Interest expense		(28,056)
Miscellaneous income	213	466
Total Nonoperating Revenues (Expenses)	<u>213</u>	<u>(27,590)</u>
Net Income Before Transfers	51,449	29,337
Transfers in		<u>484,717</u>
Net Income	51,449	514,054
NET POSITION - Beginning of Year	<u>1,636,240</u>	<u>1,122,186</u>
NET POSITION - End of Year	<u>\$ 1,687,689</u>	<u>\$ 1,636,240</u>

**CITY OF WANAMINGO, MINNESOTA
SANITATION FUND
Balance Sheet
December 31, 2013 and 2012**

	2013	2012
ASSETS		
Current Assets		
Cash and investments	\$ 29,238	\$ 20,434
Accounts receivable	6,128	5,802
	\$ 35,366	\$ 26,236
TOTAL ASSETS	\$ 35,366	\$ 26,236
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 12,630	\$ 6,976
	\$ 12,630	\$ 6,976
Net Position		
Unrestricted	\$ 22,736	\$ 19,260
	\$ 22,736	\$ 19,260

**CITY OF WANAMINGO, MINNESOTA
SANITATION FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2013 and 2012**

	2013	2012
Operating Revenues		
Sales	\$ 56,148	\$ 54,488
Operating Expenses		
Contracted services	52,670	56,215
Other charges	2	3
Total	<u>52,672</u>	<u>56,218</u>
Net Income (Loss)	3,476	(1,730)
NET POSITION - Beginning of Year	<u>19,260</u>	<u>20,990</u>
NET POSITION - End of Year	<u><u>\$ 22,736</u></u>	<u><u>\$ 19,260</u></u>

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Balance Sheet
December 31, 2013 and 2012**

	2013	2012
ASSETS		
Noncurrent Assets		
Capital assets		
Depreciable	\$ 619,586	\$ 619,586
Less: Accumulated depreciation	174,259	158,770
Total Capital Assets	445,327	460,816
TOTAL ASSETS	\$ 445,327	\$ 460,816
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 586	\$ 575
Due to other funds	6,013	9,452
Total Current Liabilities	6,599	10,027
 Noncurrent Liabilities		
Bonds payable, net of current maturities	523,000	541,000
Total Liabilities	529,599	551,027
 Net Position		
Net investment in capital assets	(77,673)	(80,184)
Unrestricted	(6,599)	(10,027)
Total Net Position	\$ (84,272)	\$ (90,211)

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2013 and 2012**

	2013	2012
Operating Revenues		
Facility rent	\$ 50,813	\$ 52,451
Operating Expenses		
Repairs and maintenance	2,175	2,023
Utilities	6,197	5,758
Depreciation	15,489	15,490
Other charges	6,533	5,545
Total Operating Expenses	30,394	28,816
Operating Income	20,419	23,635
Other Revenues (Expenses)		
Tax increment	8,613	8,855
Interest expense	(23,093)	(23,815)
Total Other Revenues (Expenses)	(14,480)	(14,960)
Net Income	5,939	8,675
NET POSITION - Beginning of Year	(90,211)	(98,886)
NET POSITION - End of Year	\$ (84,272)	\$ (90,211)

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AUDITOR'S REPORT ON COMPLIANCE

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

We have audited the financial statements of the City of Wanamingo, Minnesota as of and for the year ended December 31, 2013 and have issued our report thereon dated March 28, 2014.

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

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

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

Pursuant to Minnesota Statutes, the City of Wanamingo, Minnesota, is required to collateralize cash investments in excess of the federally insured limit. During 2013, the City did not consistently maintain adequate collateral to properly insure deposits.

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

Smith, Schaffer and Associates, Ltd.

Rochester, Minnesota
March 28, 2014