

CITY OF WANAMINGO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2014

CITY OF WANAMINGO, MINNESOTA

TABLE OF CONTENTS

	<u>PAGE</u>
INTRODUCTORY SECTION	
City Officials	i
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-13
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	14
Statement of Activities	15-16
Fund Financial Statements	
Balance Sheet - Governmental Funds	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	19
Reconciliation of Net Position in the Government-wide Financial Statements and Fund Balances in the Fund Basis Financial Statements	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	23-28
Statement of Net Position - Proprietary Funds	29
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	30
Combining Statement of Cash Flows - Proprietary Funds	31-32
Notes to Financial Statements	33-53
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Nonmajor Governmental Funds	54-57
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	58-61
Supplemental Information	
Balance Sheet - Water Fund	62
Statement of Revenues, Expenses and Changes in Net Position - Water Fund	63
Balance Sheet - Wastewater Fund	64
Statement of Revenues, Expenses and Changes in Net Position - Wastewater Fund	65
Balance Sheet - Sanitation Fund	66
Statement of Revenues, Expenses and Changes in Net Position - Sanitation Fund	67
Balance Sheet - Medical Facility	68
Statement of Revenues, Expenses and Changes in Net Position - Medical Facility	69
Auditor's Report on Compliance	70

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CITY OF WANAMINGO, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2014

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CITY OF WANAMINGO, MINNESOTA

CITY OFFICIALS

DECEMBER 31, 2014

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, 2014

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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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 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, 2013, from which such partial information was derived.

We have previously audited the City's 2013 financial statements and our report, dated March 28, 2014, 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, 2013, 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 27, 2015, 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 27, 2015

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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, 2014.

FINANCIAL HIGHLIGHTS

- The assets of the City of Wanamingo exceeded its liabilities at the close of the most recent fiscal year by \$3,085,411 (*net position*). Of this amount, \$677,613 (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 \$434,277.
- As of the close of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$562,053.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$224,716.
- The City of Wanamingo increased total outstanding debt obligations by \$174,264 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-seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, 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 \$3,085,411 at the close of the most recent fiscal year.

City of Wanamingo's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 1,443,862	1,230,138	\$ 415,291	\$ 472,078	\$ 1,859,153	\$ 1,702,216
Capital assets	3,781,739	3,330,396	3,827,294	3,852,113	7,609,033	7,182,509
Total assets	<u>5,225,601</u>	<u>4,560,534</u>	<u>4,242,585</u>	<u>4,324,191</u>	<u>9,468,186</u>	<u>8,884,725</u>
Long-term liabilities						
outstanding	4,696,092	4,565,273	1,363,472	1,356,456	6,059,564	5,921,729
Other liabilities	143,577	141,477	179,634	170,385	323,211	311,862
Total liabilities	<u>4,839,669</u>	<u>4,706,750</u>	<u>1,543,106</u>	<u>1,526,841</u>	<u>6,382,775</u>	<u>6,233,591</u>
Net position:						
Net investment in capital assets	(914,353)	(1,211,671)	2,326,822	2,359,451	1,412,469	1,147,780
Restricted	995,329	1,051,551			995,329	1,051,551
Unrestricted	304,956	13,904	372,657	437,899	677,613	451,803
Total net position	<u>\$ 385,932</u>	<u>\$ (146,216)</u>	<u>\$ 2,699,479</u>	<u>\$ 2,797,350</u>	<u>\$ 3,085,411</u>	<u>\$ 2,651,134</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 \$677,613 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 \$532,148.

Business-type activities. Business-type activities decreased the City of Wanamingo's net position by \$97,871.

A condensed version of the Statement of Activities follows:

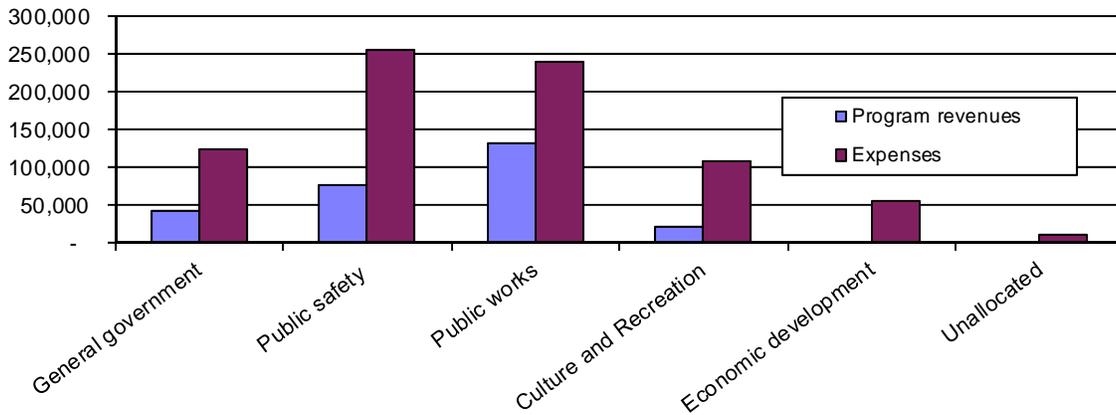
City of Wanamingo's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenue:						
Program revenues:						
Charges for services	\$ 126,979	104,644	\$ 625,551	\$ 619,669	\$ 752,530	\$ 724,313
Operating grants and contributions	9,107	9,157			9,107	9,157
Capital grants and contributions	138,505	6,499			138,505	6,499
General revenues:						
Property taxes	620,764	616,165			620,764	616,165
Tax increments	46,401	48,583			46,401	48,583
Grants and contributions not restricted to specific programs	254,246	207,847			254,246	207,847
Other	129,966	16,317	16,709	9,576	146,675	25,893
Total revenues	<u>1,325,968</u>	<u>1,009,212</u>	<u>642,260</u>	<u>629,245</u>	<u>1,968,228</u>	<u>1,638,457</u>
Expenses:						
General government	124,068	116,404			124,068	116,404
Public safety and transportation	257,739	263,628			257,739	263,628
Public works	239,950	205,199			239,950	205,199
Culture and recreation	109,441	100,873			109,441	100,873
Economic development	55,812	48,182			55,812	48,182
Interest on long-term debt	194,806	197,222			194,806	197,222
Unallocated	12,004	16,793			12,004	16,793
Water			221,276	198,593	221,276	198,593
Waste water			212,850	198,822	212,850	198,822
Sanitation			51,510	52,672	51,510	52,672
Medical center			54,495	53,487	54,495	53,487
Total expenses	<u>993,820</u>	<u>948,301</u>	<u>540,131</u>	<u>503,574</u>	<u>1,533,951</u>	<u>1,451,875</u>
Increase in net position before transfers	332,148	60,911	102,129	125,671	434,277	186,582
Transfers	200,000		(200,000)			
Increase (Decrease) in net position	<u>532,148</u>	<u>60,911</u>	<u>(97,871)</u>	<u>125,671</u>	<u>434,277</u>	<u>186,582</u>
Net position, beginning of year	(146,216)	(207,127)	2,797,350	2,671,679	2,651,134	2,464,552
Net position, end of year	<u>\$ 385,932</u>	<u>\$ (146,216)</u>	<u>\$ 2,699,479</u>	<u>\$ 2,797,350</u>	<u>\$ 3,085,411</u>	<u>\$ 2,651,134</u>

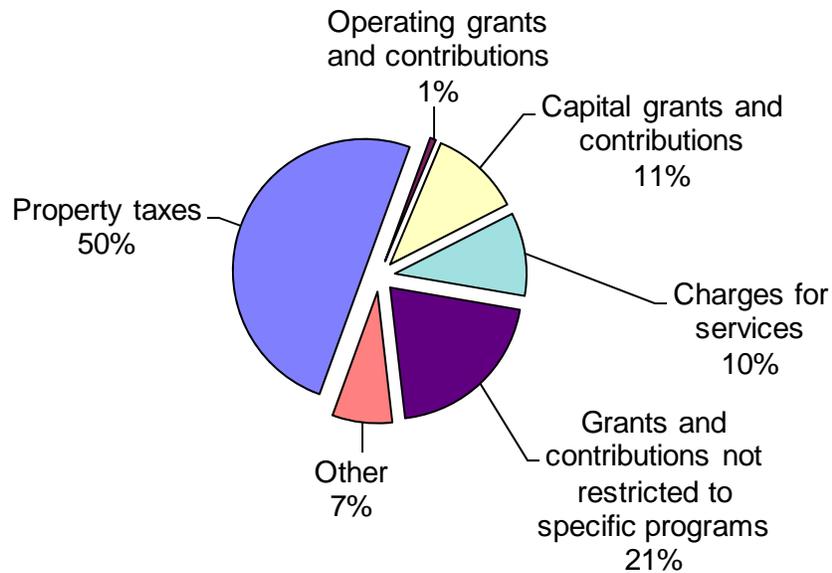
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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



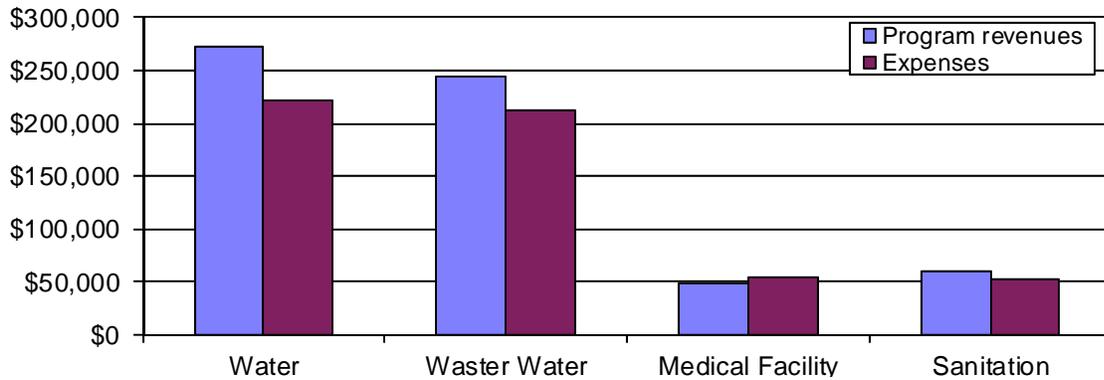
Revenues by Source - Governmental Activities



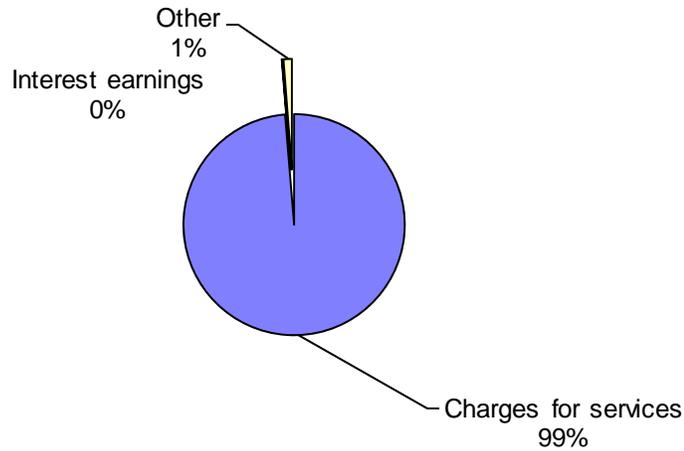
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$562,053, a increase of \$314,850 as the City continues to pay down debt, some of which came from a transfer from the sewer fund. Approximately 47 percent of this total amount or \$264,887 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 \$224,716.

The general fund's total fund balance increased by \$119,357 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 - \$93,689 , Waste water - \$272,936, Sanitation - \$31,078, and Medical center - (\$6,330) .

The water utility fund's increase before transfers of \$59,056 was partially due to a rate increase that took effect in April 2011. The fund paid back the interfund loans that were owed. There is a planned effort to increase cash reserves for future capital projects that will be taking place in the near future.

The wastewater utility fund's increase before transfers of \$168,048 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 2014 general fund budget anticipating an increase of \$118,098 before transfers in general fund reserves. The City did not amend its budget during the year. The City is working toward achievement of and then maintaining a 30% to 60% reserve balance set forth by City policy.

At the close of the year, general fund total expenditures were \$25,056 more than final budget while actual revenues exceeded final budget by \$96,829 primarily result of increased building permit activity and early pay-off of the fire equipment lease. The fund showed an increase in net position totaling \$119,357 for the year ending December 31, 2014.

General fund revenues were over budget by \$96,829 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, 2014, amounts to \$7,609,033 (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 increase in the City of Wanamingo's reported investment in capital assets for the current fiscal year was \$426,524 , which primarily relates to the Cenex #4 project.

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 114,068	\$ 114,068	\$ 10,000	\$ 10,000	\$ 124,068	\$ 124,068
Work in process	605,722				605,722	
Buildings and improvements	879,344	912,036	3,788,454	3,813,384	4,667,798	4,725,420
Improvements other than buildings	2,046,224	2,122,410			2,046,224	2,122,410
Machinery and equipment	136,381	181,882	28,840	28,729	165,221	210,611
Total	\$ 3,781,739	\$ 3,330,396	\$ 3,827,294	\$ 3,852,113	\$ 7,609,033	\$ 7,182,509

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 \$6,226,727 in bonds and notes outstanding. Of this amount, \$6,020,477 comprises debt backed by the full faith and credit of the government and \$206,250 represents bonds or notes secured solely by specified revenue sources.

City of Wanamingo's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds	\$ 3,865,000	\$ 3,505,000	\$ 841,000	\$ 723,000	\$ 4,706,000	\$ 4,228,000
General obligation TIF bonds	550,000	590,000			550,000	590,000
Revenue bonds	206,250	315,500			206,250	315,500
General obligation equipment certificates	28,500	42,000			28,500	42,000
Capital lease obligation	72,977	125,963			72,977	125,963
General obligation notes			663,000	751,000	663,000	751,000
Total	\$ 4,722,727	\$ 4,578,463	\$ 1,504,000	\$ 1,474,000	\$ 6,226,727	\$ 6,052,463

The City of Wanamingo's total bonds and notes payable increased by \$174,264 due to the bond issuance for the Cenex #4 project. 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 waste water plant digesters' roofs in 2015. The City plans to replace the blower building roof at the waste water plant as well. The costs for the project will be paid for by existing reserves in the waste water fund.
- 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 2014-2015 may force unanticipated expenditures on infrastructure.

All of these factors were considered in preparing the City of Wanamingo's budget for the 2015 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, 2014

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CITY OF WANAMINGO, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2014

With Comparative Totals for December 31, 2013

	Governmental Activities	Business-Type Activities	Totals	
			2014	2013
ASSETS				
Cash and investments	\$ 409,237	\$ 359,884	\$ 769,121	\$ 644,993
Cash in escrow				
Receivables	813,205	61,731	874,936	992,281
Deposits	50,000		50,000	50,000
Due from other governmental units	165,096		165,096	8,929
Internal balances	6,324	(6,324)		
Capital assets:				
Nondepreciable	719,790	10,000	729,790	124,068
Depreciable, net	3,061,949	3,817,294	6,879,243	7,058,441
Total Assets	5,225,601	4,242,585	9,468,186	8,878,712
LIABILITIES				
Accounts payable	68,112	15,235	83,347	28,598
Accrued liabilities	1,296	921	2,217	2,639
Accrued interest payable	61,703	7,762	69,465	81,759
Compensated absences	12,466	18,716	31,182	37,397
Unearned revenue				42,456
General obligation tax/aid anticipation- certificate of indebtedness				
Noncurrent liabilities				
Due within one year	388,160	137,000	525,160	517,617
Due in more than one year	4,307,932	1,363,472	5,671,404	5,517,112
Total Liabilities	4,839,669	1,543,106	6,382,775	6,227,578
NET POSITION				
Net investment in capital assets	(914,353)	2,326,822	1,412,469	1,147,780
Restricted for:				
Debt service	995,329		995,329	1,051,551
Unrestricted	304,956	372,657	677,613	451,803
Total Net Position	\$ 385,932	\$ 2,699,479	\$ 3,085,411	\$ 2,651,134

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2014
With Comparative Totals for the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 124,068	\$ 43,516	\$	\$
Public safety	257,739	69,550	2,000	6,715
Public works	239,950			131,790
Culture and recreation	109,441	13,913	7,107	
Economic development	55,812			
Unallocated	12,004			
Interest on long-term debt	194,806			
Total governmental activities	993,820	126,979	9,107	138,505
Business-Type activities:				
Water	221,276	272,226		
Waste water	212,850	244,613		
Sanitation	51,510	59,852		
Medical center	54,495	48,860		
Total business-type activities	540,131	625,551		
Total	\$ 1,533,951	\$ 752,530	\$ 9,107	\$ 138,505

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

Change in net position

Net position - beginning

Net position - ending

See Notes to Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals 2014	2013
\$ (80,552)	\$	\$ (80,552)	\$ (97,328)
(179,474)		(179,474)	(186,660)
(108,160)		(108,160)	(205,199)
(88,421)		(88,421)	(78,417)
(55,812)		(55,812)	(46,382)
(12,004)		(12,004)	(16,793)
(194,806)		(194,806)	(197,222)
<u>(719,229)</u>		<u>(719,229)</u>	<u>(828,001)</u>
	50,950	50,950	64,057
	31,763	31,763	51,236
	8,342	8,342	3,476
	<u>(5,635)</u>	<u>(5,635)</u>	<u>(2,674)</u>
	<u>85,420</u>	<u>85,420</u>	<u>116,095</u>
<u>(719,229)</u>	<u>85,420</u>	<u>(633,809)</u>	<u>(711,906)</u>
620,764		620,764	616,165
46,401	8,414	54,815	57,196
254,246		254,246	207,847
1,567	504	2,071	4,430
85,000		85,000	
43,399	7,791	51,190	12,850
200,000	(200,000)		
<u>1,251,377</u>	<u>(183,291)</u>	<u>1,068,086</u>	<u>898,488</u>
532,148	(97,871)	434,277	186,582
<u>(146,216)</u>	<u>2,797,350</u>	<u>2,651,134</u>	<u>2,464,552</u>
<u>\$ 385,932</u>	<u>\$ 2,699,479</u>	<u>\$ 3,085,411</u>	<u>\$ 2,651,134</u>

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

December 31, 2014

With Comparative Totals for December 31, 2013

	101 General	306 2009A G.O. Tax Increment Refunding	316 2010 G.O. Refunding
ASSETS			
Cash and investments	\$ 91,487	\$ 136,153	\$
Accounts receivable			
Taxes receivable delinquent	16,738	589	1,569
Special assessments receivable:			
Deferred	32,799	253,404	86,902
Delinquent			2,789
Loan receivable			
Deposits			
Advance to other funds	24,290		
Due from other funds	142,998		
Due from other governmental units	7,229		
TOTAL ASSETS	\$ 315,541	\$ 390,146	\$ 91,260
 LIABILITIES, DEFERRED INFLOWS OF REOURCES, AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 15,827	\$	\$
Accrued expenses	1,171		
Unearned revenue			
Advance from other funds			
Due to other funds			58,202
Total Liabilities	16,998		58,202
 Deferred Inflows of Resources			
Unavailable:			
Property taxes	16,738	589	1,569
Special assessments	32,799	253,404	89,691
Loans receivables			
Total Deferred Inflows of Resources	49,537	253,993	91,260
 Fund Balance			
Nonspendable:			
Advances to other funds	24,290		
Restricted:			
Creditors		136,153	
Committed			
Assigned			
Unassigned	224,716		(58,202)
Total Fund Balance	249,006	136,153	(58,202)
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 315,541	\$ 390,146	\$ 91,260

See Notes to Financial Statements

328 2007 G.O. Refunding	Other Governmental Funds	Total Governmental Funds	
		2014	2013
\$	\$ 181,597	\$ 409,237	\$ 235,346
	804	804	801
1,099	10,004	29,999	35,123
220,280	131,341	724,726	848,022
27,389	348	30,526	18,014
	27,150	27,150	27,925
	50,000	50,000	50,000
		24,290	24,290
	102,518	245,516	275,943
	157,867	165,096	8,929
<u>\$ 248,768</u>	<u>\$ 661,629</u>	<u>\$ 1,707,344</u>	<u>\$ 1,524,393</u>
\$	\$ 52,285	\$ 68,112	\$ 11,430
	125	1,296	
			42,456
	24,290	24,290	24,290
<u>75,732</u>	<u>105,258</u>	<u>239,192</u>	<u>269,930</u>
<u>75,732</u>	<u>181,958</u>	<u>332,890</u>	<u>348,106</u>
1,099	10,004	29,999	35,123
247,669	131,689	755,252	866,036
	27,150	27,150	27,925
<u>248,768</u>	<u>168,843</u>	<u>812,401</u>	<u>929,084</u>
		24,290	24,290
	136,723	272,876	215,683
	9,821	9,821	20,869
	243,928	243,928	175,222
<u>(75,732)</u>	<u>(79,644)</u>	<u>11,138</u>	<u>(188,861)</u>
<u>(75,732)</u>	<u>310,828</u>	<u>562,053</u>	<u>247,203</u>
<u>\$ 248,768</u>	<u>\$ 661,629</u>	<u>\$ 1,707,344</u>	<u>\$ 1,524,393</u>

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

For the Year Ended December 31, 2014

With Comparative Totals for the Year Ended December 31, 2013

	101 General	306 2009A G.O. Tax Increment Refunding	316 2010 G.O. Refunding
REVENUES			
General property taxes	\$ 337,952	\$ 14,269	\$ 38,050
Tax increment			
Special assessments	14,092		25,131
Licenses and permits	39,746		
Intergovernmental revenues	254,246		
Charges for services	85,008		
Fines and forfeits	2,225		
Investment income	1,553		
Miscellaneous revenues	30,846	85,000	
	<u>765,668</u>	<u>99,269</u>	<u>63,181</u>
Total Revenues			
EXPENDITURES			
General government	108,907		
Public safety	225,643		
Public works	134,879		
Culture and recreation	93,364		
Unallocated	13,004		
Economic development		7,805	
Debt service		70,309	105,487
Capital outlay			
	<u>575,797</u>	<u>78,114</u>	<u>105,487</u>
Total Expenditures			
Excess (deficiency) of revenues over (under) expenditures	<u>189,871</u>	<u>21,155</u>	<u>(42,306)</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds			
Transfers in	17,777	58,309	100,000
Transfers out	(88,291)		
	<u>(70,514)</u>	<u>58,309</u>	<u>100,000</u>
Total other financing sources (uses)			
Net change in fund balances	119,357	79,464	57,694
Fund Balance - beginning	<u>129,649</u>	<u>56,689</u>	<u>(115,896)</u>
Fund Balance - ending	<u>\$ 249,006</u>	<u>\$ 136,153</u>	<u>\$ (58,202)</u>

See Notes to Financial Statements

328 2007 G.O. Refunding	Other Governmental Funds	Total Governmental Funds	
		2014	2013
\$ 26,635	\$ 178,833	\$ 595,739	\$ 590,753
	76,550	76,550	77,780
12,302	47,274	98,799	64,744
		39,746	14,101
	157,867	412,113	207,847
		85,008	86,670
		2,225	2,073
	14	1,567	4,430
	15,058	130,904	46,109
<u>38,937</u>	<u>475,596</u>	<u>1,442,651</u>	<u>1,094,507</u>
		108,907	100,240
		225,643	194,790
		134,879	130,986
		93,364	84,942
		13,004	17,865
	74,518	82,323	48,182
114,480	1,199,412	1,489,688	585,553
	619,993	619,993	13,095
<u>114,480</u>	<u>1,893,923</u>	<u>2,767,801</u>	<u>1,175,653</u>
<u>(75,543)</u>	<u>(1,418,327)</u>	<u>(1,325,150)</u>	<u>(81,146)</u>
	1,440,000	1,440,000	
100,000	88,291	364,377	164,885
	(76,086)	(164,377)	(164,885)
<u>100,000</u>	<u>1,452,205</u>	<u>1,640,000</u>	
24,457	33,878	314,850	(81,146)
<u>(100,189)</u>	<u>276,950</u>	<u>247,203</u>	<u>328,349</u>
<u>\$ (75,732)</u>	<u>\$ 310,828</u>	<u>\$ 562,053</u>	<u>\$ 247,203</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, 2014

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

Total governmental fund balances (page 18)		\$ 562,053
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 6,360,015	
Less: Accumulated depreciation	<u>(2,578,276)</u>	3,781,739
Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 29,999	
Deferred and delinquent special assessments	755,252	
Loans receivable	<u>27,150</u>	812,401
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	\$(4,722,727)	
Unamortized bond discount	26,635	
Compensated absences	(12,466)	
Accrued interest	<u>(61,703)</u>	<u>(4,770,261)</u>
Net position of governmental activities (page 14)		<u><u>\$ 385,932</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, 2014

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

Net change in fund balances - total governmental funds (page 20)		\$ 314,850
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	\$ 610,417	
Depreciation expense	<u>(159,074)</u>	451,343
Certain revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	\$ (5,124)	
Special assessments	(110,784)	
Loans receivable	<u>(775)</u>	(116,683)
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, 2014	\$ (12,466)	
Compensated absences, December 31, 2013	<u>14,191</u>	1,725
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	\$ 11,732	
Amortization of bond discount	13,445	
Proceeds from issuance of bonds	(1,440,000)	
Principal retirement on long-term debt	<u>1,295,736</u>	(119,087)
Change in net position of governmental activities (pages 15 and 16)		<u><u>\$ 532,148</u></u>

CITY OF WANAMINGO, MINNESOTA
GENERAL FUND
STATEMENTS OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2014
With Comparative Totals for the Year Ended December 31, 2013

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
REVENUES					
Property Taxes	\$ 304,000	\$ 304,000	\$ 337,952	\$ 33,952	\$ 346,776
Special Assessments	1,000	1,000	14,092	13,092	1,476
Licenses and Permits					
Business	2,920	2,920	5,185	2,265	240
Nonbusiness	9,800	9,800	34,561	24,761	13,861
Total Licenses and Permits	12,720	12,720	39,746	27,026	14,101
Intergovernmental Revenues					
Local government aid	227,211	227,211	227,213	2	182,565
Other state aid	2,400	2,400	3,290	890	2,852
Fire aid	14,800	14,800	23,743	8,943	22,430
Total Intergovernmental Revenues	244,411	244,411	254,246	9,835	207,847
Charges For Services					
Township fire contributions	67,098	67,098	67,325	227	66,282
Swimming pool fees	13,400	13,400	13,913	513	15,413
Other	2,600	2,600	3,770	1,170	4,975
Total Charges For Services	83,098	83,098	85,008	1,910	86,670
Fines and Forfeits					
Court fines	2,000	2,000	2,225	225	2,073
Investment Income	1,100	1,100	1,553	453	3,349
Miscellaneous Revenues					
Fire department contribution	7,000	7,000	2,000	(5,000)	2,114
Other contributions	6,500	6,500	7,107	607	7,043
Other refunds and reimbursements	1,500	1,500	20,377	18,877	13,439
Other	5,510	5,510	1,362	(4,148)	4,502
Total Miscellaneous Revenues	20,510	20,510	30,846	10,336	27,098
TOTAL REVENUES	\$ 668,839	\$ 668,839	\$ 765,668	\$ 96,829	\$ 689,390

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, 2014
With Comparative Totals for the Year Ended December 31, 2013

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Employee services	\$ 11,800	\$ 11,800	\$ 11,282	\$ 518	\$ 11,093
Insurance	700	700	502	198	1,144
Total Mayor and Council	<u>12,500</u>	<u>12,500</u>	<u>11,784</u>	<u>716</u>	<u>12,237</u>
Election and Voter Registration	<u>1,300</u>	<u>1,300</u>	<u>1,717</u>	<u>(417)</u>	<u>390</u>
City Administration					
Employee services	28,950	28,950	30,673	(1,723)	28,311
Employee benefits and retirement	6,700	6,700	5,496	1,204	5,148
Materials and supplies	3,250	3,250	2,005	1,245	1,862
Telephone	3,700	3,700	2,950	750	3,699
Printing and publishing	2,000	2,000	2,760	(760)	1,774
Contracted services	1,800	1,800	477	1,323	450
Insurance	13,100	13,100	12,584	516	11,562
Other charges	10,490	10,490	10,804	(314)	9,777
Capital outlay	9,000	9,000	328	8,672	2,844
Total City Administration	<u>78,990</u>	<u>78,990</u>	<u>68,077</u>	<u>10,913</u>	<u>65,427</u>
Professional Services					
Legal	8,000	8,000	8,479	(479)	3,436
Accounting and audit	18,750	18,750	18,850	(100)	18,750
Total Professional Services	<u>26,750</u>	<u>26,750</u>	<u>27,329</u>	<u>(579)</u>	<u>22,186</u>
Total General Government	<u>\$ 119,540</u>	<u>\$ 119,540</u>	<u>\$ 108,907</u>	<u>\$ 10,633</u>	<u>\$ 100,240</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, 2014
With Comparative Totals for the Year Ended December 31, 2013

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Safety					
Police Protection					
Contractual services	\$ 96,205	\$ 96,205	\$ 96,205	\$	\$ 93,628
Legal services	12,000	12,000	12,000		12,000
Total Police Protection	108,205	108,205	108,205		105,628
Ambulance					
Contractual services	3,258	3,258	3,258		3,258
Fire Protection					
State fire aid	15,000	15,000	23,743	(8,743)	22,430
Materials and supplies	8,800	8,800	3,301	5,499	8,120
Utilities	9,800	9,800	9,899	(99)	7,192
Repairs and maintenance	8,200	8,200	2,925	5,275	11,657
Insurance	9,000	9,000	7,536	1,464	8,319
Other charges	5,950	5,950	8,103	(2,153)	6,933
Debt service	11,373	11,373	32,827	(21,454)	11,372
Total Fire Protection	68,123	68,123	88,334	(20,211)	76,023
Building Inspection					
Contractual services	7,000	7,000	25,846	(18,846)	9,881
Total Public Safety	\$ 186,586	\$ 186,586	\$ 225,643	\$ (39,057)	\$ 194,790

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, 2014
With Comparative Totals for the Year Ended December 31, 2013

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Works					
Highways, Streets and Alleys					
Employee services	\$ 45,000	\$ 45,000	\$ 42,315	\$ 2,685	\$ 44,975
Employee benefits and retirement	13,900	13,900	9,350	4,550	9,663
Materials and supplies	6,950	6,950	9,809	(2,859)	8,056
Repairs and maintenance	9,100	9,100	12,162	(3,062)	9,370
Utilities	7,300	7,300	7,986	(686)	4,430
Telephone	1,600	1,600	1,703	(103)	1,715
Insurance	5,970	5,970	5,531	439	5,895
Other charges	1,800	1,800	1,197	603	4,495
Capital outlay	5,000	5,000	4,695	305	
Total Highways Streets and Alleys	96,620	96,620	94,748	1,872	88,599
Snow Removal	15,000	15,000	12,000	3,000	11,270
Street Lights	23,000	23,000	28,131	(5,131)	31,117
Total Public Works	\$ 134,620	\$ 134,620	\$ 134,879	\$ (259)	\$ 130,986

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, 2014
With Comparative Totals for the Year Ended December 31, 2013

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
EXPENDITURES					
Culture and Recreation					
Community center					
Material and supplies	\$ 200	\$ 200	\$ 146	\$ 54	\$ 178
Utilities	3,800	3,800	3,802	(2)	3,767
Other charges	3,930	3,930	3,588	342	2,930
Total Community center	7,930	7,930	7,536	394	6,875
Parks					
Employee services	3,200	3,200	3,096	104	2,202
Employee benefits and retirement	400	400	462	(62)	329
Materials and supplies	300	300	146	154	72
Repairs and maintenance	3,250	3,250	3,418	(168)	1,142
Utilities	1,700	1,700	1,317	383	1,586
Insurance	2,400	2,400	2,337	63	2,388
Contracted services	18,450	18,450	17,040	1,410	15,953
Capital outlay			1,160	(1,160)	351
Total Parks	29,700	29,700	28,976	724	24,023
Swimming Pool					
Employee services	35,000	35,000	30,747	4,253	33,317
Employee benefits and retirement	2,750	2,750	2,850	(100)	2,998
Materials and supplies	4,800	4,800	2,689	2,111	2,676
Repairs and maintenance	2,000	2,000	3,914	(1,914)	1,376
Utilities	7,800	7,800	9,077	(1,277)	7,066
Insurance	2,550	2,550	2,185	365	2,411
Other charges	3,865	3,865	5,294	(1,429)	4,200
Capital outlay			96	(96)	
Total Swimming Pool	58,765	58,765	56,852	1,913	54,044
Total Culture and Recreation	\$ 96,395	\$ 96,395	\$ 93,364	\$ 3,031	\$ 84,942

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, 2014
With Comparative Totals for the Year Ended December 31, 2013

	Budgeted Amounts		2014 Actual Amounts	Variance with Final Budget - Positive (Negative)	2013 Actual Amounts
	Original	Final			
EXPENDITURES					
Unallocated Expense					
Professional Services	\$ 3,500	\$ 3,500	\$ 2,005	\$ 1,495	\$ 6,961
Debt service					2,013
Miscellaneous	10,100	10,100	10,999	(899)	8,891
Total Unallocated	13,600	13,600	13,004	596	17,865
TOTAL EXPENDITURES	550,741	550,741	575,797	(25,056)	528,823
Excess (deficiency) of revenues over (under) expenditures	118,098	118,098	189,871	71,773	160,567
Other Financing Sources (Uses)					
Transfers in			17,777	(17,777)	
Transfers out	(110,000)	(110,000)	(88,291)	21,709	(107,030)
Total other financing sources (uses)	(110,000)	(110,000)	(70,514)	3,932	(107,030)
Net change in fund balances	8,098	8,098	119,357	111,259	53,537
FUND BALANCE - beginning	129,649	129,649	129,649		76,112
FUND BALANCE - ending	\$ 137,747	\$ 137,747	\$ 249,006	\$ 111,259	\$ 129,649

See Notes to Financial Statements

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

For the Year Ended December 31, 2014

With Comparative Totals for the Year Ended December 31, 2013

	Business - Type Activities - Enterprise Funds				Totals	
	Water	Waste Water	Sanitation	Medical Center	2014	2013
ASSETS						
Current Assets						
Cash and investments	\$ 74,896	\$ 248,506	\$ 36,482	\$	\$ 359,884	\$ 409,682
Accounts receivable	29,813	25,517	6,401		61,731	62,396
Total Current Assets	<u>104,709</u>	<u>274,023</u>	<u>42,883</u>		<u>421,615</u>	<u>472,078</u>
Noncurrent Assets						
Capital assets						
Nondepreciable		10,000			10,000	10,000
Depreciable	3,801,337	2,743,799		619,586	7,164,722	7,013,963
Less: Accumulated depreciation	1,659,951	1,497,728		189,749	3,347,428	3,171,850
Total Capital Assets	<u>2,141,386</u>	<u>1,256,071</u>		<u>429,837</u>	<u>3,827,294</u>	<u>3,852,113</u>
TOTAL ASSETS	<u>\$ 2,246,095</u>	<u>\$ 1,530,094</u>	<u>\$ 42,883</u>	<u>\$ 429,837</u>	<u>\$ 4,248,909</u>	<u>\$ 4,324,191</u>
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 2,615	\$ 809	\$ 11,805	\$ 6	\$ 15,235	\$ 17,203
Accrued expenses	643	278			921	2,639
Accrued interest	7,762				7,762	8,324
Due to other funds				6,324	6,324	6,013
Current maturities of bonds payable	47,000				47,000	25,000
Current maturities of note payable	90,000				90,000	88,000
Total Current Liabilities	<u>148,020</u>	<u>1,087</u>	<u>11,805</u>	<u>6,330</u>	<u>167,242</u>	<u>147,179</u>
Noncurrent Liabilities						
Bonds payable, net of current maturities and discount	285,472			505,000	790,472	693,456
Note payable, net of current maturities	573,000				573,000	663,000
Compensated absences payable	9,350	9,366			18,716	23,206
Total Noncurrent Liabilities	<u>867,822</u>	<u>9,366</u>		<u>505,000</u>	<u>1,382,188</u>	<u>1,379,662</u>
TOTAL LIABILITIES	<u>1,015,842</u>	<u>10,453</u>	<u>11,805</u>	<u>511,330</u>	<u>1,549,430</u>	<u>1,526,841</u>
NET POSITION						
Net investment in capital assets	1,136,564	1,246,705		(75,163)	2,308,106	2,359,451
Unrestricted	93,689	272,936	31,078	(6,330)	391,373	437,899
TOTAL NET POSITION	<u>\$ 1,230,253</u>	<u>\$ 1,519,641</u>	<u>\$ 31,078</u>	<u>\$ (81,493)</u>	<u>\$ 2,699,479</u>	<u>\$ 2,797,350</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, 2014
With Comparative Totals for the Year Ended December 31, 2013

	Business - Type Activities - Enterprise Funds				Total	
	Water	Waste Water	Sanitation	Medical Center	2014	2013
Operating Revenues						
Sales	\$ 272,226	\$ 244,613	\$ 59,852	\$ 48,860	\$ 625,551	\$ 619,669
Operating Expenses						
Employee services	46,656	61,966			108,622	94,688
Employee benefits and retirements	12,399	20,407			32,806	29,311
Materials and supplies	3,295	400			3,695	2,865
Repairs and maintenance	8,928	2,841		3,280	15,049	8,072
Utilities	4,851	19,842		7,154	31,847	39,148
Depreciation	99,055	61,033		15,490	175,578	170,918
Contracted services	1,422	23,400	51,510		76,332	74,120
Other charges	17,995	22,961		6,243	47,199	37,214
Total Operating Expenses	194,601	212,850	51,510	32,167	491,128	456,336
Operating Income	77,625	31,763	8,342	16,693	134,423	163,333
Nonoperating Revenues (Expenses)						
Interest income	504				504	
Tax increment				8,414	8,414	8,613
Miscellaneous income	7,500	189			7,689	213
Water meter fee	102				102	750
Interest expense	(26,675)			(22,328)	(49,003)	(47,238)
Total Nonoperating Revenues (Expenses)	(18,569)	189		(13,914)	(32,294)	(37,662)
Net Income Before Transfers	59,056	31,952	8,342	2,779	102,129	125,671
Transfers in		(200,000)			(200,000)	
Net Increase in Net Position	59,056	(168,048)	8,342	2,779	(97,871)	125,671
NET POSITION - Beginning of Year	1,171,197	1,687,689	22,736	(84,272)	2,797,350	2,671,679
NET POSITION - End of Year	\$ 1,230,253	\$ 1,519,641	\$ 31,078	\$ (81,493)	\$ 2,699,479	\$ 2,797,350

See Notes to the Financial Statements

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

For the Year Ended December 31, 2014

With Comparative Totals for the Year Ended December 31, 2013

	Business - Type Activities - Enterprise Funds					
	Water	Waste		Medical Center	Total	
		Water	Sanitation		2014	2013
Cash Flows From Operating Activities						
Cash received from customers	\$ 274,036	\$ 243,741	\$ 59,579	\$ 48,860	\$ 626,216	\$ 613,146
Cash paid to suppliers	(40,168)	(70,575)	(52,335)	(17,257)	(180,335)	(158,214)
Cash paid to employees	(59,055)	(84,336)			(143,391)	(123,516)
Net Cash Provided By Operating Activities	174,813	88,830	7,244	31,603	302,490	331,416
Cash Flows From Noncapital Financing Activities						
Other income (expense)	7,602				7,602	750
Increase (decrease) in due to other funds				311	311	(24,512)
Net Cash Used In Noncapital Financing Activities	7,602			311	7,913	(23,762)
Cash Flows From Capital and Related Financing Activities						
Acquisition of capital assets	(150,759)				(150,759)	
Tax increment collections				8,414	8,414	8,613
Proceeds from bond issuance	161,000				161,000	
Principal paid on long-term debt	(113,000)			(18,000)	(131,000)	(129,000)
Interest and fiscal agent fees	(26,221)			(22,328)	(48,549)	(47,478)
Transfer in from (out to) other funds		(200,000)			(200,000)	
Net Cash Used In Capital and Related Financing Activities	(128,980)	(200,000)		(31,914)	(360,894)	(167,865)
Cash Flows From Investing Activities						
Investment income	504	189			693	213
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	53,939	(110,981)	7,244		(49,798)	140,002
CASH AND CASH EQUIVALENTS - Beginning of Year	20,957	359,487	29,238		409,682	269,680
CASH AND CASH EQUIVALENTS - End of Year	\$ 74,896	\$ 248,506	\$ 36,482	\$	\$ 359,884	\$ 409,682

See Notes to the Financial Statements

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

	Business - Type Activities - Enterprise Funds					
	Water	Waste Water	Sanitation	Medical Center	Total	
					2014	2013
Operating Income	\$ 77,625	\$ 31,763	\$ 8,342	\$ 16,693	\$ 134,423	\$ 163,333
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	99,055	61,033		15,490	175,578	170,918
(Increase) Decrease In:						
Accounts receivable	1,810	(872)	(273)		665	(6,523)
Increase (Decrease) In:						
Accounts payable	568	(1,131)	(825)	(580)	(1,968)	5,498
Accrued expenses	(4,245)	(1,963)			(6,208)	(1,810)
 Net Cash Provided By Operating Activities	 \$ 174,813	 \$ 88,830	 \$ 7,244	 \$ 31,603	 \$ 302,490	 \$ 331,416

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CITY OF WANAMINGO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014

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.

	Useful Life in Years
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 “net investment in capital assets 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, 2014, 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	\$ 763,675
Money Market Mutual Fund	None	Unrated	5,446
			<u>\$ 769,121</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, 2014, 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, 2014 are as follows:

<u>Fund</u>	<u>Goodhue County</u>	<u>State of Minnesota</u>
General	<u>\$ 7,229</u>	<u>\$ 157,867</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets

Capital asset activity for the year ended December 31, 2014 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 114,068	\$	\$	\$ 114,068
Work in progress		605,722		605,722
Total capital assets, not being depreciated	114,068	605,722		719,790
Capital assets, being depreciated:				
Buildings	1,636,650			1,636,650
Improvements other than buildings	2,704,188			2,704,188
Machinery and equipment	1,294,692	4,695		1,299,387
Total capital assets, being depreciated	5,635,530	4,695		5,640,225
Less accumulated depreciation for:				
Buildings	724,614	32,692		757,306
Improvements other than buildings	581,778	76,186		657,964
Machinery and equipment	1,112,810	50,196		1,163,006
Total accumulated depreciation	2,419,202	159,074		2,578,276
Total capital assets, being depreciated, net	3,216,328	(154,379)		3,061,949
 Governmental activities capital assets, net	 \$ 3,330,396	 \$ 451,343	 \$	 \$ 3,781,739

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	145,264		6,892,624
Machinery and equipment	266,603	5,495		272,098
Total capital assets, being depreciated	7,013,963	150,759		7,164,722
Less accumulated depreciation for:				
Buildings and improvements	2,933,976	170,194		3,104,170
Machinery and equipment	237,874	5,384		243,258
Total accumulated depreciation	3,171,850	175,578		3,347,428
Total capital assets, being depreciated, net	3,842,113	(24,819)		3,817,294
 Business-type activities capital assets, net	 \$ 3,852,113	 \$ (24,819)	 \$	 \$ 3,827,294

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (Continued)

Governmental Activities:	
General government	\$ 15,786
Public safety	64,923
Public works	62,288
Culture and recreation	<u>16,077</u>
Total depreciation expense - governmental activities	<u>\$ 159,074</u>
Business-Type Activities:	
Water	\$ 99,055
Sewer	61,033
Medical Facility	<u>15,490</u>
Total depreciation expense - business-type activities	<u>\$ 175,578</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, 2014 balances are as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2014
General Obligation Improvement Bonds:			
Series 2007A Refunding	4.0%-4.85%	2/1/2037	\$ 1,590,000
Series 2010B Refunding	1.0%-3.70%	2/1/2023	835,000
Series 2014A Refunding	1.0%-3.55%	2/1/2026	1,085,000
Series 2014C - Construction	1.75%-3.60%	2/1/2031	535,000
General Obligation Tax Increment Bonds:			
Series 2009A Refunding	2.2%-4.55%	5/1/2025	550,000
Revenue Bonds:			
Series 2004 Refunding	1.75%-4.5%	3/1/2015	75,000
Series 2006B - City Shop	4.5%-4.75%	2/1/2017	66,250
Series 2007B - City Hall	4.70%	2/1/2018	65,000
Series 2014B - Water Tower Painting	2.35%	2/1/2022	156,000
General Obligation Equipment Certificate:			
Series 2006D - Fire Truck / Pumper	4.50%	2/1/2016	28,500
Capital Lease Obligation:			
Series 2007 - Pumper	4.75%	8/1/2017	72,977
General Obligation Revenue Bonds:			
Medical Facility Bonds, series 2003	4.25%	1/1/2033	505,000
General Obligation Revenue Notes:			
2001 Public Facilities Authority Water	1.81%	8/20/2021	663,000
Compensated Absences			31,182
Total			6,257,909
Less: Unamortized Discount			(30,163)
Total Long Term Debt			\$ 6,227,746

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, 2014 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Improvement Bonds:					
Series 1999 Refunding	\$ 30,000	\$	\$ 30,000	\$	\$
Series 2005A Refunding	245,000		245,000		
Series 2005B	685,000		685,000		
Series 2007A Refunding	1,630,000		40,000	1,590,000	40,000
Series 2010B Refunding	915,000		80,000	835,000	80,000
Series 2014A Refunding		905,000		905,000	80,000
Series 2014C		535,000		535,000	
Revenue Bonds:					
Series 2004 Refunding - Fire Hall	150,000		75,000	75,000	75,000
Series 2006B - City Shop	86,500		20,250	66,250	21,000
Series 2007B - City Hall	79,000		14,000	65,000	15,000
General Obligation Tax Increment Bonds:					
Series 2009A Refunding	590,000		40,000	550,000	40,000
General Obligation Equipment Certificates:					
Series 2006D - Fire Truck / Pumper	42,000		13,500	28,500	14,000
Capital Lease Obligation:					
Series 2007 - Pumper	95,045		22,068	72,977	23,160
Series 2011 - Fire Equipment	30,918		30,918		
Unamortized Discount	(13,190)	(26,129)	(12,684)	(26,635)	
Compensated Absences	14,191		1,725	12,466	
Governmental Activities					
Long-term Liabilities	4,579,464	1,413,871	1,284,777	4,708,558	388,160
BUSINESS-TYPE ACTIVITIES					
General Obligation Revenue Bonds:					
Medical Facility Bonds, series 2003	523,000		18,000	505,000	
2006C Water Refunding	200,000		200,000		
2014A Refunding		180,000		180,000	30,000
2014B Water		156,000		156,000	17,000
General Obligation Revenue Notes:					
2001 Public Facilities Authority Water	751,000		88,000	663,000	90,000
Unamortized Discount	(4,544)	(3,528)	(4,544)	(3,528)	
Compensated Absences	23,206		4,490	18,716	
Business-type Activities					
Long-term Liabilities	1,492,662	332,472	305,946	1,519,188	137,000
Total	\$ 6,072,126	\$ 1,746,343	\$ 1,590,723	\$ 6,227,746	\$ 525,160

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, 2014 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>								
2015	\$ 200,000	\$ 126,680	\$ 40,000	\$ 27,245	\$ 14,000	\$ 653	\$ 134,160	\$ 12,337
2016	205,000	126,062	40,000	25,305	14,500		62,307	6,067
2017	240,000	121,246	45,000	23,365			65,760	3,014
2018	250,000	115,895	45,000	21,182			17,000	400
2019	255,000	102,918	45,000	19,000				
2020-2024	1,225,000	425,695	270,000	58,000				
2025-2029	655,000	257,446	65,000	3,250				
2030-2034	520,000	132,978						
2035-2039	315,000	23,376						
2040-2042								
Totals	<u>\$ 3,865,000</u>	<u>\$ 1,432,294</u>	<u>\$ 550,000</u>	<u>\$ 177,347</u>	<u>\$ 28,500</u>	<u>\$ 653</u>	<u>\$ 279,227</u>	<u>\$ 21,817</u>
<u>Business-Type Activities</u>								
2015					\$ 137,000	\$ 18,735		
2016					160,000	36,916		
2017					163,000	33,693		
2018					167,000	30,344		
2019					170,000	26,784		
2020-2024					409,000	87,379		
2025-2029					152,000	50,858		
2030-2034					146,000	15,852		
2035-2037								
Totals					<u>\$ 1,504,000</u>	<u>\$ 300,561</u>		

6. Individual Fund Disclosures

The amounts advanced to and advanced from other funds as of December 31, 2014 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 2014, the General Fund had excess expenditures over appropriations of \$25,056.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures (Continued)

As of December 31, 2014, the following funds had deficit fund balances/net position:

Special Revenue Funds:	
Economic Development	\$ 9,309
Debt Service Funds:	
2010 G.O. Refunding	58,202
2007 G.O. Refunding	75,732
City Hall Lease Purchase	1,551
Capital Projects Funds	
Tax Increment District #4-2 Fulton	59,369
Tax Increment District #4-3 Masters	577
Tax Increment District #3-1 Maple Island	8,838
Enterprise Funds:	
Medical Center	81,493

Transfers during the year ended December 31, 2014 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 17,777	\$ 88,291
Special Revenue:		
Senior Housing Reserve	25,000	
Debt Service:		
2009A G.O. Tax Increment Refunding	58,309	
1999 G.O. Refunding Improvement	8,291	
2004 Public Project Refunding	55,000	
2010 G.O. Refunding	100,000	
2007 G.O. Refunding	100,000	
Capital Project:		
Fire Capital		17,777
TIF District #1-1 Masters		78
TIF District #2-2 Benson		963
TIF District #2-4 Doffing		10,007
TIF District #2-5 Meyers		17,212
TIF District #2-6 Vertical Limit		30,049
Enterprise:		
Waste Water		200,000
Totals	<u>\$ 364,377</u>	<u>\$ 364,377</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, 2014 follow below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 142,998	\$
Special Revenue Funds		
Economic Development		9,176
Debt Service Funds:		
2005A G.O. Improvement Refunding	69,787	
2010 G.O. Refunding		58,202
2007 G.O. Refunding		75,732
City Hall Lease Purchase		1,551
Capital Project Funds:		
Storm sewer	32,039	
WAC/SAC	692	
Cenex #4 Construction		45,227
Tax Increment District #4-2 Fulton		35,079
Tax Increment District #4-3 Masters		5,387
Tax Increment District #3-1 Maple Island		8,838
Enterprise Funds:		
Medical center		6,324
	<u>\$ 245,516</u>	<u>\$ 245,516</u>

7. Fund Equity

The City has committed and assigned portions of the fund equity in the governmental funds. A summary of the committed and assigned portion of the fund equity at December 31, 2014 is as follows:

Committed Fund Balance	<u>Fire Capital</u>
Equipment Replacement	
Fire	\$ 9,821

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, 2014 is as follows:

Specific Purpose	Restriction Imposed By			
	Contributors	Grantors	Creditors	Regulations
Restricted Fund Balance				
Debt Service Funds:				
Debt service requirements	\$	\$	\$ 272,876	\$
Total Restricted Fund Balance	\$	\$	\$ 272,876	\$
Restricted Net Position				
Debt service requirements	\$	\$	\$ 995,329	\$
Total Restricted Net Position	\$	\$	\$ 995,329	\$

Specific Purpose	Revolving Loan	Senior Housing Reserve	Storm Sewer	WAC / SAC	Cenex #4
Assigned Fund Balance					
Economic development	\$ 33,552	\$	\$	\$	\$ 60,363
Senior housing		50,000			
Public works			41,183	58,830	
Total Assigned Fund Balance	\$ 33,552	\$ 50,000	\$ 41,183	\$ 58,830	\$ 60,363

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 2014. 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, 2014, 2013, and 2012 were \$14,494, \$13,847, and \$14,108 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 2014.

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 2014. 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, 2014 totaled \$1,040,000.

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, 2014 because of the uncertainty and determination of required future payments, if any.

12. 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, 2014

**CITY OF WANAMINGO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2014**

	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	\$	\$ 7,434
Accounts receivable					
Taxes receivable delinquent	942		863		392
Special assessments receivable:					
Deferred					44,712
Delinquent					348
Loan receivable		23,886			
Operating Reserve			50,000		
Due from other governmental units					
Due from other funds					69,787
TOTAL ASSETS	\$ 942	\$ 57,438	\$ 50,863	\$	\$ 122,673
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 8	\$	\$	\$	\$
Accrued expenses	125				
Advance from other funds					
Due to other funds	9,176				
Total Liabilities	9,309				
Deferred Inflows of Resources					
Unavailable:					
Property taxes	942		863		392
Special assessments					45,060
Loans receivable		23,886			
Total Deferred Inflows of Resources	942	23,886	863		45,452
Fund Balance					
Restricted:					
Creditors					77,221
Committed					
Assigned		33,552	50,000		
Unassigned	(9,309)				
Total Fund Balance (Deficit)	(9,309)	33,552	50,000		77,221
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 942	\$ 57,438	\$ 50,863	\$	\$ 122,673

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
\$ 23,821	\$ 8,528	\$ 19,732	\$ 2,370	\$	\$ 5,051
	1,962	589	1,020	687	608
	86,629				
<u>\$ 23,821</u>	<u>\$ 97,119</u>	<u>\$ 20,321</u>	<u>\$ 3,390</u>	<u>\$ 687</u>	<u>\$ 5,659</u>
\$	\$	\$	\$	\$	\$
				1,551	
				<u>1,551</u>	
	1,962	589	1,020	687	608
	86,629				
	<u>88,591</u>	<u>589</u>	<u>1,020</u>	<u>687</u>	<u>608</u>
23,821	8,528	19,732	2,370		5,051
				(1,551)	
<u>23,821</u>	<u>8,528</u>	<u>19,732</u>	<u>2,370</u>	<u>(1,551)</u>	<u>5,051</u>
<u>\$ 23,821</u>	<u>\$ 97,119</u>	<u>\$ 20,321</u>	<u>\$ 3,390</u>	<u>\$ 687</u>	<u>\$ 5,659</u>

**CITY OF WANAMINGO, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2014**

	Capital Projects				
	220	422	448	449	470
	Fire Capital	Cenex #4 Construction	Storm Sewer	WAC / SAC	Tax Increment District #1-1 Masters
ASSETS					
Cash and investments	\$ 9,821		\$ 8,340	\$ 58,138	\$
Accounts receivable			804		
Taxes receivable delinquent					
Special assessments receivable:					
Delinquent					
Deferred					
Loan receivable					
Operating Reserve					
Due from other governmental units		157,867			
Due from other funds			32,039	692	
TOTAL ASSETS	\$ 9,821	\$ 157,867	\$ 41,183	\$ 58,830	\$
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable	\$	\$ 52,277	\$	\$	\$
Accrued expenses					
Advance from other funds					
Due to other funds		45,227			
Total Liabilities		97,504			
 Deferred Inflows of Resources					
Unavailable:					
Property taxes					
Special assessments					
Loans receivable					
Total Deferred Inflows of Resources					
 Fund Balance					
Restricted:					
Creditors					
Committed	9,821				
Assigned		60,363	41,183	58,830	
Unassigned					
Total Fund Balance (Deficit)	9,821	60,363	41,183	58,830	
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 9,821	\$ 157,867	\$ 41,183	\$ 58,830	\$

Capital Projects							Total Nonmajor Governmental Funds 2014
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	480 Tax Increment District #3-1 Maple Island	
\$	\$	\$ 4,810	\$	\$	\$	\$	\$ 181,597
	2,941						804
							10,004
							131,341
							348
		3,264					27,150
							50,000
							157,867
							102,518
<u>\$</u>	<u>\$ 2,941</u>	<u>\$ 8,074</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 661,629</u>
\$	\$	\$	\$	\$	\$	\$	\$ 52,285
							125
	24,290						24,290
	35,079	5,387				8,838	105,258
	59,369	5,387				8,838	181,958
							10,004
	2,941						131,689
		3,264					27,150
	2,941	3,264					168,843
							136,723
							9,821
	(59,369)	(577)				(8,838)	243,928
	(59,369)	(577)				(8,838)	(79,644)
							310,828
<u>\$</u>	<u>\$ 2,941</u>	<u>\$ 8,074</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 661,629</u>

**CITY OF WANAMINGO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2014**

	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	\$ 22,830			\$ 28,537	\$ 9,512
Tax increments					
Special assessments				6,000	23,585
Intergovernmental revenue					
Investment income					
Miscellaneous revenues					
Total Revenues	22,830			34,537	33,097
EXPENDITURES					
Economic development	30,812		25,000		
Debt service				30,750	260,663
Capital outlay					
Total Expenditures	30,812		25,000	30,750	260,663
Excess (deficiency) of revenues over (under) expenditures	(7,982)		(25,000)	3,787	(227,566)
OTHER FINANCING SOURCES (USES)					
Transfers in			25,000	8,291	
Transfers out					
Bond proceeds					235,000
Total other financing sources (uses)			25,000	8,291	235,000
Net change in fund balances	(7,982)			12,078	7,434
Fund Balance - beginning	(1,327)	33,552	50,000	(12,078)	69,787
Fund Balance - ending	\$ (9,309)	\$ 33,552	\$ 50,000	\$	\$ 77,221

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
\$	\$ 47,562	\$ 14,269	\$ 24,732	\$ 16,647	\$ 14,744
	17,689				
	65,251	14,269	24,732	16,647	14,744
80,438	727,507	23,878	26,772	17,384	15,106
80,438	727,507	23,878	26,772	17,384	15,106
(80,438)	(662,256)	(9,609)	(2,040)	(737)	(362)
55,000					
	670,000				
55,000	670,000				
(25,438)	7,744	(9,609)	(2,040)	(737)	(362)
49,259	784	29,341	4,410	(814)	5,413
\$ 23,821	\$ 8,528	\$ 19,732	\$ 2,370	\$ (1,551)	\$ 5,051

**CITY OF WANAMINGO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2014**

	Capital Projects				
	220	422	448	449	470
	Fire Capital	Cenex #4 Construction	Storm Sewer	WAC / SAC	Tax Increment District #1-1 Masters
REVENUES					
Property taxes	\$	\$	\$	\$	\$
Tax increments					1,772
Special assessments					
Intergovernmental revenue		157,867			
Investment income	14				
Miscellaneous revenues	6,715		8,343		
Total Revenues	6,729	157,867	8,343		1,772
EXPENDITURES					
Economic development		9,868			
Debt service		16,914			
Capital outlay		605,722			1,694
Total Expenditures		632,504			1,694
Excess (deficiency) of revenues over (under) expenditures	6,729	(474,637)	8,343		78
OTHER FINANCING SOURCES (USES)					
Transfers in					
Transfers out	(17,777)				(78)
Bond proceeds		535,000			
Total other financing sources (uses)	(17,777)	535,000			(78)
Net change in fund balances	(11,048)	60,363	8,343		
Fund Balance - beginning	20,869		32,840	58,830	
Fund Balance - ending	\$ 9,821	\$ 60,363	\$ 41,183	\$ 58,830	\$

Capital Projects							Total Nonmajor Governmental Funds
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	480 Tax Increment District #3-1 Maple Island	
\$ 9,626	\$ 2,930	\$ 4,654	\$ 10,107	\$ 17,312	\$ 30,149	\$	\$ 178,833
							76,550
							47,274
							157,867
							14
							15,058
9,626	2,930	4,654	10,107	17,312	30,149		475,596
						8,838	74,518
8,663	100	3,514	100	100	100		1,199,412
							619,993
8,663	100	3,514	100	100	100	8,838	1,893,923
963	2,830	1,140	10,007	17,212	30,049	(8,838)	(1,418,327)
(963)			(10,007)	(17,212)	(30,049)		88,291
							(76,086)
							1,440,000
(963)			(10,007)	(17,212)	(30,049)		1,452,205
	2,830	1,140				(8,838)	33,878
	(62,199)	(1,717)					276,950
\$	\$ (59,369)	\$ (577)	\$	\$	\$	\$ (8,838)	\$ 310,828

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CITY OF WANAMINGO, MINNESOTA

SUPPLEMENTAL INFORMATION

DECEMBER 31, 2014

**CITY OF WANAMINGO, MINNESOTA
WATER FUND
Balance Sheet
December 31, 2014 and 2013**

	2014	2013
ASSETS		
Current Assets		
Cash and investments	\$ 74,896	\$ 20,957
Accounts receivable	29,813	31,623
Total Current Assets	104,709	52,580
Noncurrent Assets		
Capital assets		
Depreciable	3,801,337	3,650,578
Less: Accumulated depreciation	1,659,951	1,560,896
Total Capital Assets	2,141,386	2,089,682
TOTAL ASSETS	\$ 2,246,095	\$ 2,142,262
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 2,615	\$ 2,047
Accrued expenses	643	2,639
Accrued interest	7,762	8,324
Current maturities of bonds payable	47,000	25,000
Current maturities of note payable	90,000	88,000
Total Current Liabilities	148,020	126,010
Noncurrent Liabilities		
Bonds payable, net of current maturities, and discount	285,472	170,456
Compensated absences payable	9,350	11,599
Note payable, net of current maturities	573,000	663,000
Total Noncurrent Liabilities	867,822	845,055
Total Liabilities	1,015,842	971,065
Net Position		
Net investment in capital assets	1,145,914	1,143,226
Unrestricted	84,339	27,971
Total Net Position	\$ 1,230,253	\$ 1,171,197

**CITY OF WANAMINGO, MINNESOTA
WATER FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2014 and 2013**

	2014	2013
Operating Revenue		
User fees	\$ 129,321	\$ 133,008
Debt service charge	142,905	129,642
Total	272,226	262,650
Operating Expenses		
Employee services	46,656	41,599
Employee benefits and retirements	12,399	11,030
Materials and supplies	3,295	2,833
Repairs and maintenance	8,928	5,184
Utilities	4,851	9,749
Depreciation	99,055	94,324
Contractual services	1,422	
Other charges	17,995	9,729
Total	194,601	174,448
Operating Income	77,625	88,202
Nonoperating Revenues (Expenses)		
Interest income	504	
Miscellaneous income	7,500	
Water meter fee	102	750
Interest expense	(26,675)	(24,145)
Total Nonoperating Revenues (Expenses)	(18,569)	(23,395)
Net Income	59,056	64,807
NET POSITION - Beginning of Year	1,171,197	1,106,390
NET POSITION - End of Year	\$ 1,230,253	\$ 1,171,197

**CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Balance Sheet
December 31, 2014 and 2013**

	2014	2013
ASSETS		
Current Assets		
Cash and investments	\$ 248,506	\$ 359,487
Accounts receivable	25,517	24,645
Total Current Assets	274,023	384,132
Noncurrent Assets		
Capital assets		
Nondepreciable	10,000	10,000
Depreciable	2,743,799	2,743,799
Less: Accumulated depreciation	1,497,728	1,436,695
Total Capital Assets	1,256,071	1,317,104
TOTAL ASSETS	\$ 1,530,094	\$ 1,701,236
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 809	\$ 1,940
Accrued expenses	278	
Total Current Liabilities	1,087	1,940
Noncurrent Liabilities		
Compensated absences payable	9,366	11,607
Total Liabilities	10,453	13,547
Net Position		
Net investment in capital assets	1,256,071	1,317,104
Unrestricted	263,570	370,585
Total Net Position	\$ 1,519,641	\$ 1,687,689

**CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2014 and 2013**

	2014	2013
Operating Revenue		
Sales	\$ 148,463	\$ 144,472
Debt service charge	96,150	105,586
Total	244,613	250,058
Operating Expenses		
Employee services	61,966	53,089
Employee benefits and retirements	20,407	18,281
Materials and supplies	400	32
Repairs and maintenance	2,841	713
Utilities	19,842	23,202
Depreciation	61,033	61,105
Contractual services	23,400	21,450
Other charges	22,961	20,950
Total	212,850	198,822
Operating Income	31,763	51,236
Nonoperating Revenues (Expenses)		
Miscellaneous income	189	213
Total Nonoperating Revenues (Expenses)	189	213
Net Income Before Transfers	31,952	51,449
Transfers out	(200,000)	
Change in Net Position	(168,048)	51,449
NET POSITION - Beginning of Year	1,687,689	1,636,240
NET POSITION - End of Year	\$ 1,519,641	\$ 1,687,689

**CITY OF WANAMINGO, MINNESOTA
SANITATION FUND
Balance Sheet
December 31, 2014 and 2013**

	2014	2013
<hr/>		
ASSETS		
Current Assets		
Cash and investments	\$ 36,482	\$ 29,238
Accounts receivable	6,401	6,128
	<hr/>	<hr/>
TOTAL ASSETS	\$ 42,883	\$ 35,366
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 11,805	\$ 12,630
	<hr/>	<hr/>
Net Position		
Unrestricted	\$ 31,078	\$ 22,736
	<hr/> <hr/>	<hr/> <hr/>

**CITY OF WANAMINGO, MINNESOTA
SANITATION FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2014 and 2013**

	2014	2013
Operating Revenues		
Sales	\$ 59,852	\$ 56,148
Operating Expenses		
Contracted services	51,510	52,670
Other charges		2
Total	<u>51,510</u>	<u>52,672</u>
Net Income	8,342	3,476
NET POSITION - Beginning of Year	<u>22,736</u>	<u>19,260</u>
NET POSITION - End of Year	<u><u>\$ 31,078</u></u>	<u><u>\$ 22,736</u></u>

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Balance Sheet
December 31, 2014 and 2013**

	2014	2013
ASSETS		
Noncurrent Assets		
Capital assets		
Depreciable	\$ 619,586	\$ 619,586
Less: Accumulated depreciation	189,749	174,259
Total Capital Assets	429,837	445,327
TOTAL ASSETS	\$ 429,837	\$ 445,327
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 6	\$ 586
Due to other funds	6,324	6,013
Total Current Liabilities	6,330	6,599
 Noncurrent Liabilities		
Bonds payable, net of current maturities	505,000	523,000
Total Liabilities	511,330	529,599
 Net Position		
Net investment in capital assets	(75,163)	(77,673)
Unrestricted	(6,330)	(6,599)
Total Net Position	\$ (81,493)	\$ (84,272)

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2014 and 2013**

	2014	2013
Operating Revenues		
Facility rent	\$ 48,860	\$ 50,813
Operating Expenses		
Repairs and maintenance	3,280	2,175
Utilities	7,154	6,197
Depreciation	15,490	15,489
Other charges	6,243	6,533
Total Operating Expenses	32,167	30,394
Operating Income	16,693	20,419
Other Revenues (Expenses)		
Tax increment	8,414	8,613
Interest expense	(22,328)	(23,093)
Total Other Revenues (Expenses)	(13,914)	(14,480)
Net Income	2,779	5,939
NET POSITION - Beginning of Year	(84,272)	(90,211)
NET POSITION - End of Year	\$ (81,493)	\$ (84,272)

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AUDITOR'S REPORT ON COMPLIANCE

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

We have audited, 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 the financial statements of the City of Wanamingo, Minnesota as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven 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 audit considered all of the listed categories.

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

Pursuant to Minnesota Statutes, the City of Wanamingo, Minnesota is required to collateralize cash investments in excess of the federally insured limit. During 2014, the City did not consistently maintain adequate collateral to properly insure deposits.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Smith, Schaffer and Associates, Ltd.

Rochester, Minnesota
March 27, 2015