

CITY OF WANAMINGO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2017

CITY OF WANAMINGO, MINNESOTA

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CITY OF WANAMINGO, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2017

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CITY OF WANAMINGO, MINNESOTA

CITY OFFICIALS

DECEMBER 31, 2017

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

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CITY OF WANAMINGO, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2017

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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, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wanamingo, Minnesota's basic financial statements. The introductory section and combining, individual non-major fund financial statements and the supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Report on Summarized Comparative Information

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in accordance with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the City's financial statement for the year ended December 31, 2016, from which such partial information was derived.

We have previously audited the City's 2016 financial statements and our report, dated March 24, 2017, 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, 2016, 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 23, 2018, 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 23, 2018

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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, 2017.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Wanamingo exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,864,077 (*net position*). Of this amount, \$914,485 (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 decreased by \$38,494.
- As of the close of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$1,001,158.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$389,722.
- The City of Wanamingo decreased total outstanding debt obligations by \$2,198,760 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

The City of Wanamingo maintains twenty-six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, 2009A G.O. Tax Increment Refunding, 2014C G.O. Improvement Bond, 2007 G.O. Refunding, and 2017 Roadway Improvement Project 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 33-57 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds can be found on pages 59-66 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Wanamingo, assets and deferred outflows of resources and exceeded liabilities and deferred inflows of resources by \$3,864,077 at the close of the most recent fiscal year.

City of Wanamingo's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 1,727,194	3,905,261	\$ 489,149	\$ 435,149	\$ 2,216,343	\$ 4,340,410
Capital assets	3,828,860	3,791,574	3,371,405	3,556,480	7,200,265	7,348,054
Total assets	<u>5,556,054</u>	<u>7,696,835</u>	<u>3,860,554</u>	<u>3,991,629</u>	<u>9,416,608</u>	<u>11,688,464</u>
Deferred outflows of resources	11,108	50,573	13,169	57,484	24,277	108,057
Long-term liabilities outstanding	4,238,067	6,299,474	1,126,382	1,179,694	5,364,449	7,479,168
Other liabilities	127,446	176,922	62,481	198,599	189,927	375,521
Total liabilities	<u>4,365,513</u>	<u>6,476,396</u>	<u>1,188,863</u>	<u>1,378,293</u>	<u>5,554,376</u>	<u>7,854,689</u>
Deferred inflows of resources	10,513	18,402	11,919	20,859	22,432	39,261
Net position:						
Net investment in capital assets	(316,451)	(454,531)	2,350,169	2,351,001	2,033,718	1,896,470
Restricted	915,874	1,188,793			915,874	1,188,793
Unrestricted	591,713	518,348	322,772	298,960	914,485	817,308
Total net position	<u>\$ 1,191,136</u>	<u>\$ 1,252,610</u>	<u>\$ 2,672,941</u>	<u>\$ 2,649,961</u>	<u>\$ 3,864,077</u>	<u>\$ 3,902,571</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 \$914,485 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 pre GASB #34 infrastructure improvements that are not included in capital assets.

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

Governmental activities. Governmental activities decreased the City of Wanamingo's net position by \$61,474.

Business-type activities. Business-type activities increased the City of Wanamingo's net position by \$22,980.

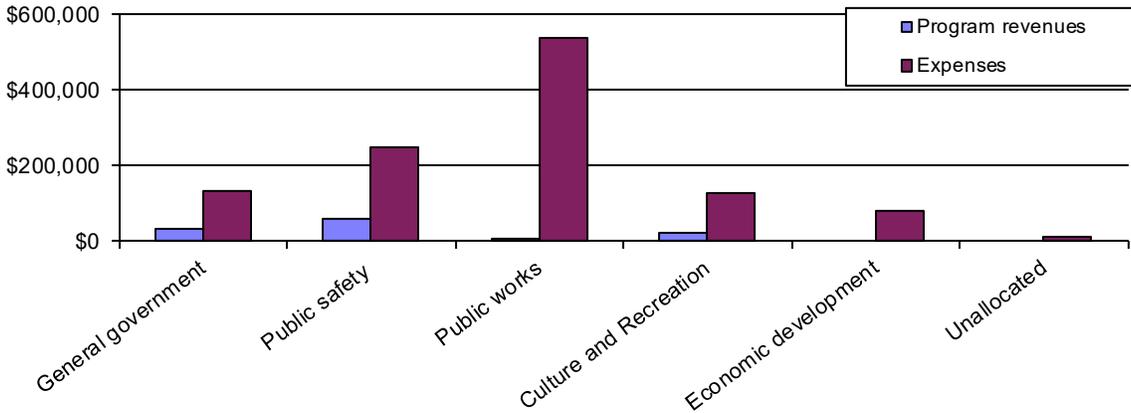
A condensed version of the Statement of Activities follows:

	City of Wanamingo's Change in Net Position					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue:						
Program revenues:						
Charges for services	\$ 87,599	\$ 92,773	\$ 644,621	\$ 609,527	\$ 732,220	\$ 702,300
Operating grants and contributions	25,305	139,974			25,305	139,974
Capital grants and contributions	3,287	72,587			3,287	72,587
General revenues:						
Property taxes	656,542	614,437			656,542	614,437
Tax increments	112,856	90,031			112,856	90,031
Grants and contributions not restricted to specific programs	266,556	260,052			266,556	260,052
Other	52,934	64,595	18,938	37,647	71,872	102,242
Total revenues	<u>1,205,079</u>	<u>1,334,449</u>	<u>663,559</u>	<u>647,174</u>	<u>1,868,638</u>	<u>1,981,623</u>
Expenses:						
General government	132,844	146,648			132,844	146,648
Public safety and transportation	248,653	265,325			248,653	265,325
Public works	538,315	393,847			538,315	393,847
Culture and recreation	129,286	122,262			129,286	122,262
Economic development	81,665	181,359			81,665	181,359
Interest on long-term debt	163,241	300,073			163,241	300,073
Unallocated	12,549	18,447			12,549	18,447
Water			242,064	234,156	242,064	234,156
Waste water			242,656	235,216	242,656	235,216
Sanitation			65,613	59,440	65,613	59,440
Medical center			50,246	47,358	50,246	47,358
Total expenses	<u>1,306,553</u>	<u>1,427,961</u>	<u>600,579</u>	<u>576,170</u>	<u>1,907,132</u>	<u>2,004,131</u>
Increase in net position before transfers	(101,474)	(93,512)	62,980	71,004	(38,494)	(22,508)
Transfers	40,000	75,000	(40,000)	(75,000)		
Increase (Decrease) in net position	<u>(61,474)</u>	<u>(18,512)</u>	<u>22,980</u>	<u>(3,996)</u>	<u>(38,494)</u>	<u>(22,508)</u>
Net position, beginning of year,	<u>1,252,610</u>	<u>1,271,122</u>	<u>2,649,961</u>	<u>2,653,957</u>	<u>3,902,571</u>	<u>3,925,079</u>
Net position, end of year	<u>\$ 1,191,136</u>	<u>\$ 1,252,610</u>	<u>\$ 2,672,941</u>	<u>\$ 2,649,961</u>	<u>\$ 3,864,077</u>	<u>\$ 3,902,571</u>

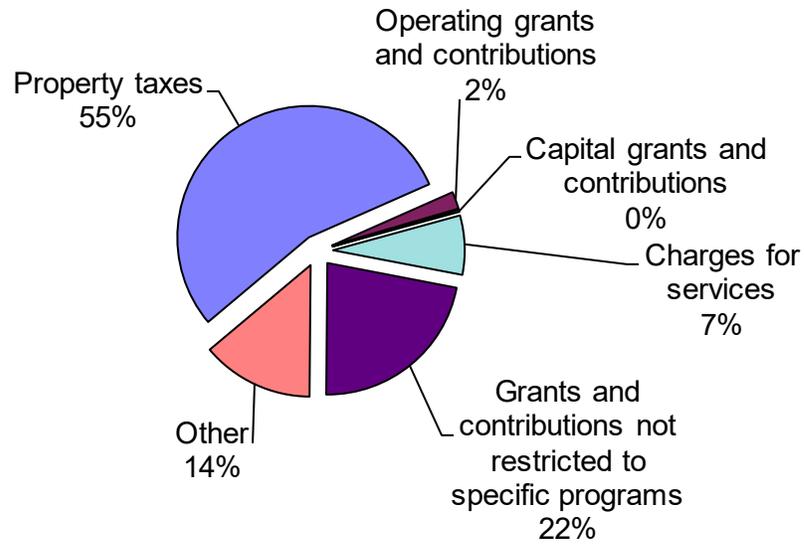
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Governmental Activities



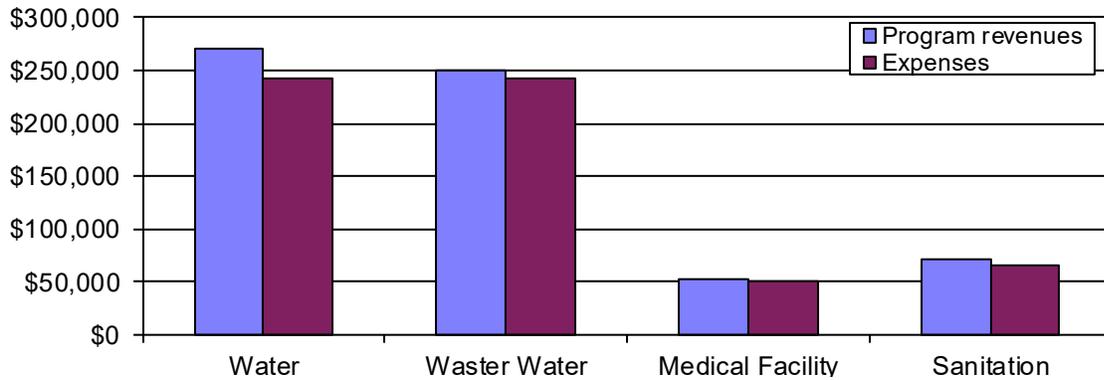
Revenues by Source - Governmental Activities



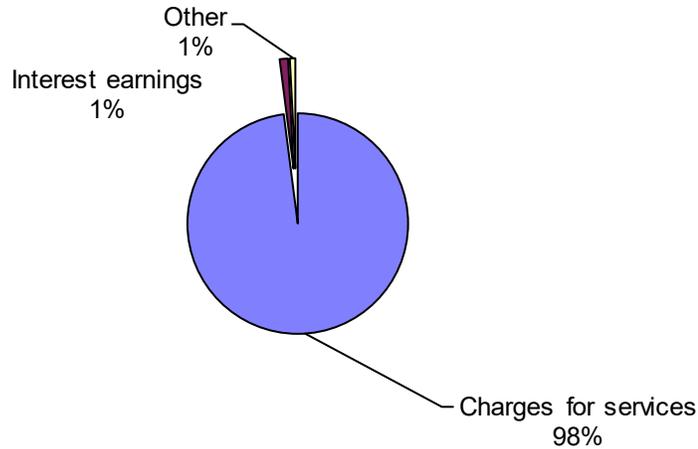
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds

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

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

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

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

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

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

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

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

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

At the end of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$1,001,158, a decrease of \$1,763,953 as the City paid off refunded bonds and paid down debt while shifting levy dollars within funds. Approximately 63 percent of this total amount or \$635,346 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 \$389,722.

The general fund's total fund balance increased by \$54,644 during the current fiscal year as a result of budgeted surplus and delayed crack sealing until 2018 due to the 2017 Roadway Improvement project.

**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 - \$80,418, Waste water - \$211,272, Sanitation - \$46,382, and Medical center - (\$15,300).

The water utility fund's increase before transfers of \$41,790 was partially due to a planned effort to increase cash reserves for future capital projects. Future capital projects will be taking place in the next few years.

The wastewater utility fund's increase before transfers of \$7,240 was a planned effort to increase cash reserves. 2017 was the final year of expected transfers from the wastewater fund to help service the debt service funds. This will increase net position in future years compared to the last four years due to transfers. Future capital projects will be taking place in the next few years.

General Fund Budgetary Highlights

The City approved the 2017 general fund budget anticipating an increase of \$44,360 before transfers in general fund reserves. The City did not amend its budget during the year. The City is working toward achievement of and then maintaining a 30% to 65% reserve balance set forth by City policy. The City is considering amending the reserve fund balance policy to include a \$500,000 general fund balance or a 30% to 65% whichever is greater. The City is positioning itself in order to receive an anticipated increased bond rating with adherence to the amended policy.

At the close of the year, general fund total expenditures were \$6,817 more than final budget while actual revenues exceeded final budget by \$71,881 was a result of an increase in building permit activity, small cities assistance aid, budgeted increase in reserves, and fire department grants and contributions which caused expenditures to be over budget. The fund showed an increase in fund balance totaling \$54,644 for the year ending December 31, 2017.

**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, 2017, amounts to \$7,200,265 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads and highways. The total decrease in the City of Wanamingo's reported investment in capital assets for the current fiscal year was \$147,789.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 287,969	\$ 114,068	\$ 10,000	\$ 10,000	\$ 297,969	\$ 124,068
Buildings and improvements	798,176	817,824	3,341,755	3,522,720	4,139,931	4,340,544
Improvements other than buildings	2,673,847	2,797,405			2,673,847	2,797,405
Machinery and equipment	68,868	62,277	19,650	23,760	88,518	86,037
Total	\$ 3,828,860	\$ 3,791,574	\$ 3,371,405	\$ 3,556,480	\$ 7,200,265	\$ 7,348,054

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

Long-term debt. At the end of the current fiscal year, the City of Wanamingo had \$5,193,000 in bonds and notes outstanding. Of this amount, \$5,176,000 comprises debt backed by the full faith and credit of the government and \$17,000 represents bonds or notes secured solely by specified revenue sources.

City of Wanamingo's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 3,708,000	\$ 5,207,000	\$ 634,000	\$ 705,000	\$ 4,342,000	\$ 5,912,000
General obligation TIF bonds	445,000	915,000			445,000	915,000
Revenue bonds	17,000	57,250			17,000	57,250
Capital lease obligation		25,510				25,510
General obligation notes			389,000	482,000	389,000	482,000
Total	\$ 4,170,000	\$ 6,204,760	\$ 1,023,000	\$ 1,187,000	\$ 5,193,000	\$ 7,391,760

The City of Wanamingo's total bonds and notes payable decreased by \$2,198,760. A more detailed breakdown of these obligations can be found in Note 5, beginning on page 44.

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

Economic Factors and Next Year's Budgets and Rates

- The City anticipates some growth in the commercial and residential housing market as the Regional, State, and National economy improves.
- The City anticipates additional general fund budgeting maintenance and reconstruction of street surfaces in the near future based on the pavement management plan adopted by the City Council in December of 2016. The next phase will occur in 2019 or 2020.
- 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.
- The Council has set a priority of general fund dollars, beyond the 30-65% City reserve policy, to be directed towards street maintenance. Maintenance includes crack sealing, sealing coating, and mill/overlay projects.
- The City Council captured the 2017 increase in tax capacity (10.2) by increasing the levy by 10% in order to dedicate additional funds to street maintenance. The Council has been willing to increase levy in preparation for capital needs the last two years with anticipation of an increased levy from 2018 to 2019.

All of these factors were considered in preparing the City of Wanamingo's budget for the 2018 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, 2017

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CITY OF WANAMINGO, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2017
With Comparative Totals for December 31, 2016

	Governmental	Business-Type	Totals	
	Activities	Activities	2017	2016
ASSETS				
Cash and investments	\$ 899,478	\$ 447,621	\$ 1,347,099	\$ 1,182,704
Cash in escrow				1,910,760
Receivables	694,572	56,113	750,685	1,114,624
Deposits	50,000		50,000	50,000
Due from other governmental units	68,559		68,559	82,322
Internal balances	14,585	(14,585)		
Capital assets:				
Nondepreciable	287,969	10,000	297,969	124,068
Depreciable, net	3,540,891	3,361,405	6,902,296	7,223,986
Total Assets	5,556,054	3,860,554	9,416,608	11,688,464
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	11,108	13,169	24,277	108,057
LIABILITIES				
Accounts payable	31,135	31,417	62,552	94,464
Accrued liabilities	1,327	5,741	7,068	6,019
Accrued interest payable	79,246	4,666	83,912	83,405
Compensated absences	15,738	20,657	36,395	36,112
Unearned revenue				12,521
Noncurrent liabilities				
Due within one year	412,000	146,000	558,000	493,760
Due in more than one year	3,733,311	875,236	4,608,547	6,868,584
Net pension liability	92,756	105,146	197,902	259,824
Total Liabilities	4,365,513	1,188,863	5,554,376	7,854,689
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	10,513	11,919	22,432	39,261
NET POSITION				
Net investment in capital assets	(316,451)	2,350,169	2,033,718	1,896,470
Restricted for:				
Debt service	906,777		906,777	1,186,710
Tax increment financing	9,097		9,097	2,083
Unrestricted	591,713	322,772	914,485	817,308
Total Net Position	\$ 1,191,136	\$ 2,672,941	\$ 3,864,077	\$ 3,902,571

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$ 132,844	\$ 30,925	\$	\$
Public safety	248,653	41,593	16,750	2,400
Public works	538,315			887
Culture and recreation	129,286	15,081	8,555	
Economic development	81,665			
Unallocated	12,549			
Interest on long-term debt	163,241			
Total governmental activities	<u>1,306,553</u>	<u>87,599</u>	<u>25,305</u>	<u>3,287</u>
Business-Type activities:				
Water	242,064	270,501		
Waste water	242,656	249,896		
Sanitation	65,613	71,806		
Medical center	50,246	52,418		
Total business-type activities	<u>600,579</u>	<u>644,621</u>		
Total	<u>\$ 1,907,132</u>	<u>\$ 732,220</u>	<u>\$ 25,305</u>	<u>\$ 3,287</u>

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

Change in net position

Net position - beginning

Net position - ending

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals 2017	2016
\$ (101,919)	\$	\$ (101,919)	\$ (117,285)
(187,910)		(187,910)	(200,247)
(537,428)		(537,428)	(392,323)
(105,650)		(105,650)	(38,747)
(81,665)		(81,665)	(55,505)
(12,549)		(12,549)	(18,447)
(163,241)		(163,241)	(300,073)
<u>(1,190,362)</u>		<u>(1,190,362)</u>	<u>(1,122,627)</u>
	28,437	28,437	29,169
	7,240	7,240	8,886
	6,193	6,193	5,202
	2,172	2,172	(9,900)
	<u>44,042</u>	<u>44,042</u>	<u>33,357</u>
<u>(1,190,362)</u>	<u>44,042</u>	<u>(1,146,320)</u>	<u>(1,089,270)</u>
656,542		656,542	614,437
112,856	5,585	118,441	97,311
266,556		266,556	260,052
1,661	8,090	9,751	18,878
51,273	5,263	56,536	76,084
40,000	(40,000)		
<u>1,128,888</u>	<u>(21,062)</u>	<u>1,107,826</u>	<u>1,066,762</u>
(61,474)	22,980	(38,494)	(22,508)
<u>1,252,610</u>	<u>2,649,961</u>	<u>3,902,571</u>	<u>3,925,079</u>
<u>\$ 1,191,136</u>	<u>\$ 2,672,941</u>	<u>\$ 3,864,077</u>	<u>\$ 3,902,571</u>

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

December 31, 2017

With Comparative Totals for December 31, 2016

	101 General	306 2009A G.O. Tax Increment Refunding	331 2014C G.O. Improvement Bond
ASSETS			
Cash and investments	\$ 273,309	\$ 113,539	\$ 86,619
Cash in escrow			
Accounts receivable			
Taxes receivable delinquent	9,236	486	
Special assessments receivable:			
Deferred	31,595		317,936
Delinquent			
Loan receivable			
Deposits			
Advance to other funds	24,290		
Due from other funds	70,446		
Due from other governmental units	68,559		
TOTAL ASSETS	\$ 477,435	\$ 114,025	\$ 404,555
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 21,455	\$	\$
Accrued expenses	1,137		
Unearned revenue			
Advance from other funds			
Due to other governments			
Due to other funds			
Total Liabilities	22,592		
 Deferred Inflows of Resources			
Unavailable:			
Delinquent property taxes	9,236	486	
Special assessments	31,595		317,936
Loans receivable			
Total Deferred Inflows of Resources	40,831	486	317,936
 Fund Balance			
Nonspendable:			
Advances to other funds	24,290		
Restricted:			
Creditors		113,539	86,619
Bond refunding			
Regulations			
Committed			
Assigned			
Unassigned	389,722		
Total Fund Balance	414,012	113,539	86,619
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 477,435	\$ 114,025	\$ 404,555

See Notes to Financial Statements

328 2007 G.O. Refunding	332 2017 Roadway Improvement Project	Other Governmental Funds	Total Governmental Funds	
			2017	2016
\$ 2,800	\$ 53,352	\$ 369,859	\$ 899,478	\$ 787,137
				1,910,760
		998	998	1,000
3,288		7,240	20,250	20,802
76,492	53,469	178,973	658,465	961,457
61		890	951	53,838
		13,908	13,908	20,690
		50,000	50,000	50,000
			24,290	24,290
			70,446	121,354
			68,559	82,322
<u>\$ 82,641</u>	<u>\$ 106,821</u>	<u>\$ 621,868</u>	<u>\$ 1,807,345</u>	<u>\$ 4,033,650</u>

\$	\$	\$ 871	\$ 22,326	\$ 19,267
		190	1,327	1,261
				12,521
		24,290	24,290	24,290
		8,809	8,809	50,314
		55,861	55,861	104,099
		<u>90,021</u>	<u>112,613</u>	<u>211,752</u>

3,288		7,240	20,250	20,802
76,553	53,469	179,863	659,416	1,015,295
		13,908	13,908	20,690
<u>79,841</u>	<u>53,469</u>	<u>201,011</u>	<u>693,574</u>	<u>1,056,787</u>

			24,290	24,290
2,800		129,467	332,425	342,985
		9,097	9,097	1,910,760
		17,806	17,806	2,083
	53,352	255,653	309,005	15,380
		(81,187)	308,535	263,105
<u>2,800</u>	<u>53,352</u>	<u>330,836</u>	<u>1,001,158</u>	<u>206,508</u>
<u>\$ 82,641</u>	<u>\$ 106,821</u>	<u>\$ 621,868</u>	<u>\$ 1,807,345</u>	<u>\$ 4,033,650</u>

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

For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	101 General	306 2009A G.O. Tax Increment Refunding	331 2014C Improvement Bond
REVENUES			
General property taxes	\$ 296,929	\$ 15,918	\$
Tax increment			
Special assessments	4,448		
Licenses and permits	28,525		
Intergovernmental revenues	286,635		
Charges for services	55,982		
Fines and forfeits	3,092		
Investment income	1,635		
Miscellaneous revenues	42,625	5,849	
Total Revenues	719,871	21,767	
EXPENDITURES			
General government	111,288		
Public safety	251,114		
Public works	126,011		
Culture and recreation	109,111		
Unallocated	12,923		
Economic development			
Debt service		487,304	45,248
Capital outlay			
Total Expenditures	610,447	487,304	45,248
Excess (deficiency) of revenues over (under) expenditures	109,424	(465,537)	(45,248)
OTHER FINANCING SOURCES (USES)			
Bond proceeds			
Transfers in		21,792	
Transfers out	(54,780)		
Total other financing sources (uses)	(54,780)	21,792	
Net change in fund balances	54,644	(443,745)	(45,248)
Fund Balance - beginning	359,368	557,284	131,867
Fund Balance - ending	\$ 414,012	\$ 113,539	\$ 86,619

See Notes to Financial Statements

328 2007 G.O. Refunding	332 2017 Roadway Improvement Project	Other Governmental Funds	Total Governmental Funds	
			2017	2016
\$ 107,711	\$	\$ 236,536	\$ 657,094	\$ 609,514
		112,856	112,856	90,031
10,628	26,583	104,432	146,091	112,032
			28,525	26,126
			286,635	448,693
			55,982	62,801
			3,092	3,846
		26	1,661	17,587
		18,564	67,038	73,302
<u>118,339</u>	<u>26,583</u>	<u>472,414</u>	<u>1,358,974</u>	<u>1,443,932</u>
			111,288	148,422
			251,114	207,394
			126,011	150,796
			109,111	188,719
			12,923	139,432
		173,958	173,958	168,047
1,585,183		277,293	2,395,028	556,756
	173,901	10,263	184,164	173,622
<u>1,585,183</u>	<u>173,901</u>	<u>461,514</u>	<u>3,363,597</u>	<u>1,733,188</u>
<u>(1,466,844)</u>	<u>(147,318)</u>	<u>10,900</u>	<u>(2,004,623)</u>	<u>(289,256)</u>
	200,670		200,670	172,000
30,000		64,780	116,572	164,634
		(21,792)	(76,572)	(89,634)
<u>30,000</u>	<u>200,670</u>	<u>42,988</u>	<u>240,670</u>	<u>247,000</u>
(1,436,844)	53,352	53,888	(1,763,953)	(42,256)
<u>1,439,644</u>		<u>276,948</u>	<u>2,765,111</u>	<u>2,807,367</u>
<u>\$ 2,800</u>	<u>\$ 53,352</u>	<u>\$ 330,836</u>	<u>\$ 1,001,158</u>	<u>\$ 2,765,111</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, 2017

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

Total governmental fund balances (page 18)		\$ 1,001,158
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 6,757,807	
Less: Accumulated depreciation	<u>(2,928,947)</u>	3,828,860
Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 20,250	
Deferred and delinquent special assessments	659,416	
Loans receivable	<u>13,908</u>	693,574
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	\$ (4,170,000)	
Unamortized bond discount	24,689	
Net pension liability	(92,161)	
Compensated absences	(15,738)	
Accrued interest	<u>(79,246)</u>	<u>(4,332,456)</u>
Net position of governmental activities (page 14)		<u><u>\$ 1,191,136</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, 2017

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

Net change in fund balances - total governmental funds (page 20)		\$ (1,763,953)
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$ 239,175	
Depreciation expense	<u>(201,889)</u>	37,286
<p>Certain revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	\$ (552)	
Special assessments	(355,879)	
Loans receivable	<u>(6,782)</u>	(363,213)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences, December 31, 2017	\$ (15,738)	
Compensated absences, December 31, 2016	<u>15,281</u>	(457)
<p>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.</p>		
Change in accrued interest	\$ (968)	
Amortization of bond discount	(2,375)	
Change in net pension liability	(2,554)	
Proceeds from issuance of bonds	(206,000)	
Principal retirement on long-term debt	<u>2,240,760</u>	<u>2,028,863</u>
Change in net position of governmental activities (pages 15 and 16)		<u>\$ (61,474)</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, 2017

With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
REVENUES					
Property Taxes	\$ 276,000	\$ 276,000	\$ 296,929	\$ 20,929	\$ 268,933
Special Assessments	1,000	1,000	4,448	3,448	2,892
Licenses and Permits					
Business	2,680	2,680	2,720	40	2,737
Nonbusiness	12,500	12,500	25,805	13,305	23,389
Total Licenses and Permits	15,180	15,180	28,525	13,345	26,126
Intergovernmental Revenues					
Local government aid	261,159	261,159	235,514	(25,645)	234,705
Other state aid	3,050	3,050	18,839	15,789	127,280
Other State/Federal grant			7,492	7,492	62,787
Fire aid	18,000	18,000	24,790	6,790	23,921
Total Intergovernmental Revenues	282,209	282,209	286,635	4,426	448,693
Charges For Services					
Township fire contributions	38,501	38,501	38,501		44,196
Swimming pool fees	14,700	14,700	15,081	381	15,368
Other	3,200	3,200	2,400	(800)	3,237
Total Charges For Services	56,401	56,401	55,982	(419)	62,801
Fines and Forfeits					
Court fines	2,000	2,000	3,092	1,092	3,846
Investment Income	1,600	1,600	1,635	35	1,268
Miscellaneous Revenues					
Fire department contribution	2,000	2,000	16,750	14,750	8,500
Other contributions	5,500	5,500	8,555	3,055	5,620
Other refunds and reimbursements	3,000	3,000	13,752	10,752	33,635
Other	3,100	3,100	3,568	468	921
Total Miscellaneous Revenues	13,600	13,600	42,625	29,025	48,676
TOTAL REVENUES	\$ 647,990	\$ 647,990	\$ 719,871	\$ 71,881	\$ 863,235

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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Employee services	\$ 11,300	\$ 11,300	\$ 11,228	\$ 72	\$ 9,842
Insurance	750	750	1,375	(625)	1,753
Total Mayor and Council	12,050	12,050	12,603	(553)	11,595
Election and Voter Registration	420	420	657	(237)	2,966
City Administration					
Employee services	30,100	30,100	31,730	(1,630)	33,007
Employee benefits and retirement	6,900	6,900	6,496	404	6,955
Materials and supplies	3,600	3,600	5,826	(2,226)	3,557
Telephone	3,650	3,650	3,255	395	3,576
Printing and publishing	2,000	2,000	2,761	(761)	2,720
Contracted services	1,500	1,500	508	992	419
Insurance	12,300	12,300	10,322	1,978	11,544
Other charges	11,350	11,350	10,330	1,020	11,754
Capital outlay	2,000	2,000	3,061	(1,061)	33,221
Total City Administration	73,400	73,400	74,289	(889)	106,753
Professional Services					
Legal	10,000	10,000	3,239	6,761	7,208
Accounting and audit	19,500	19,500	20,500	(1,000)	19,900
Total Professional Services	29,500	29,500	23,739	5,761	27,108
Total General Government	\$ 115,370	\$ 115,370	\$ 111,288	\$ 4,082	\$ 148,422

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, 2017

With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Safety					
Police Protection					
Contractual services	\$ 102,841	\$ 102,841	\$ 102,841	\$	\$ 100,825
Legal services	12,000	12,000	12,000		12,000
Total Police Protection	114,841	114,841	114,841		112,825
Ambulance					
Contractual services	4,344	4,344	4,344		4,344
Fire Protection					
State fire aid	18,000	18,000	24,790	(6,790)	23,921
Materials and supplies	7,000	7,000	4,877	2,123	18,231
Utilities	10,800	10,800	7,658	3,142	8,390
Repairs and maintenance	9,500	9,500	8,952	548	10,903
Insurance	8,800	8,800	8,924	(124)	9,404
Other charges	10,300	10,300	6,967	3,333	5,952
Capital outlay	11,000	11,000	51,206	(40,206)	
Total Fire Protection	75,400	75,400	113,374	(37,974)	76,801
Building Inspection					
Contractual services	8,500	8,500	18,555	(10,055)	13,424
Total Public Safety	\$ 203,085	\$ 203,085	\$ 251,114	\$ (48,029)	\$ 207,394

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, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Works					
Highways, Streets and Alleys					
Employee services	\$ 46,000	\$ 46,000	\$ 30,605	\$ 15,395	\$ 34,095
Employee benefits and retirement	16,900	16,900	12,288	4,612	19,238
Materials and supplies	7,800	7,800	7,877	(77)	6,840
Repairs and maintenance	11,000	11,000	15,784	(4,784)	15,986
Utilities	7,300	7,300	6,337	963	5,734
Telephone	1,900	1,900	1,792	108	1,923
Insurance	7,070	7,070	7,044	26	7,557
Other charges	1,900	1,900	2,749	(849)	7,889
Capital outlay	20,000	20,000	3,232	16,768	9,087
Total Highways Streets and Alleys	119,870	119,870	87,708	32,162	108,349
Snow Removal	15,000	15,000	9,393	5,607	15,068
Street Lights	28,000	28,000	28,910	(910)	27,379
Total Public Works	\$ 162,870	\$ 162,870	\$ 126,011	\$ 36,859	\$ 150,796

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, 2017

With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
EXPENDITURES					
Culture and Recreation					
Community center					
Material and supplies	\$ 250	\$ 250	\$ 137	\$ 113	\$ 199
Utilities	4,100	4,100	3,828	272	3,408
Other charges	4,635	4,635	4,079	556	4,063
Total Community center	8,985	8,985	8,044	941	7,670
Parks					
Employee services	3,600	3,600	3,715	(115)	5,137
Employee benefits and retirement	500	500	463	37	723
Materials and supplies	350	350	217	133	394
Repairs and maintenance	3,200	3,200	508	2,692	1,176
Utilities	1,800	1,800	1,691	109	1,138
Insurance	2,650	2,650	3,095	(445)	2,937
Contracted services	19,170	19,170	19,980	(810)	20,440
Capital outlay	5,000	5,000	2,913	2,087	84,527
Total Parks	36,270	36,270	32,582	3,688	116,472
Swimming Pool					
Employee services	36,200	36,200	40,635	(4,435)	39,472
Employee benefits and retirement	3,300	3,300	3,544	(244)	3,458
Materials and supplies	4,700	4,700	3,847	853	3,972
Repairs and maintenance	2,000	2,000	6,947	(4,947)	2,640
Utilities	8,900	8,900	5,881	3,019	5,887
Insurance	2,900	2,900	5,064	(2,164)	5,456
Other charges	4,750	4,750	2,567	2,183	3,692
Total Swimming Pool	62,750	62,750	68,485	(5,735)	64,577
Total Culture and Recreation	\$ 108,005	\$ 108,005	\$ 109,111	\$ (1,106)	\$ 188,719

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, 2017

With Comparative Totals for the Year Ended December 31, 2016

	Budgeted Amounts		2017 Actual Amounts	Variance with Final Budget - Positive (Negative)	2016 Actual Amounts
	Original	Final			
EXPENDITURES					
Unallocated Expense					
Professional Services	\$ 3,500	\$ 3,500	\$ 2,379	\$ 1,121	\$ 129,515
Miscellaneous	10,800	10,800	10,544	256	9,917
Total Unallocated	14,300	14,300	12,923	1,377	139,432
TOTAL EXPENDITURES	603,630	603,630	610,447	(6,817)	834,763
Excess (deficiency) of revenues over (under) expenditures	44,360	44,360	109,424	65,064	28,472
Other Financing Sources (Uses)					
Transfers in					31,999
Transfers out	(25,000)	(25,000)	(54,780)	(29,780)	(57,635)
Total other financing sources (uses)	(25,000)	(25,000)	(54,780)	(29,780)	(25,636)
Net change in fund balances	19,360	19,360	54,644	35,284	2,836
FUND BALANCE - beginning	359,368	359,368	359,368		356,532
FUND BALANCE - ending	\$ 378,728	\$ 378,728	\$ 414,012	\$ 35,284	\$ 359,368

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

For the Year Ended December 31, 2017

With Comparative Totals for the Year Ended December 31, 2016

	Business - Type Activities - Enterprise Funds						
	Water	Waste Water		Sanitation	Medical Center	Totals	
						2017	2016
ASSETS							
Current Assets							
Cash and investments	\$ 123,859	\$ 257,596	\$ 66,166	\$	\$ 447,621	\$ 395,567	
Accounts receivable	26,142	22,117	7,854		56,113	56,837	
Total Current Assets	<u>150,001</u>	<u>279,713</u>	<u>74,020</u>		<u>503,734</u>	<u>452,404</u>	
Noncurrent Assets							
Capital assets							
Nondepreciable		10,000			10,000	10,000	
Depreciable	3,827,756	2,777,172		627,403	7,232,331	7,264,285	
Less: Accumulated depreciation	1,964,918	1,669,335		236,673	3,870,926	3,717,805	
Total Capital Assets	<u>1,862,838</u>	<u>1,117,837</u>		<u>390,730</u>	<u>3,371,405</u>	<u>3,556,480</u>	
TOTAL ASSETS	<u>2,012,839</u>	<u>1,397,550</u>	<u>74,020</u>	<u>390,730</u>	<u>3,875,139</u>	<u>4,008,884</u>	
DEFERRED OUTFLOWS OF RESOURCES							
Deferred outflows from pension activity	5,834	7,335			13,169	57,484	
LIABILITIES							
Current Liabilities							
Accounts payable	2,176	888	27,638	715	31,417	24,883	
Accrued expenses	5,375	366			5,741	4,758	
Accrued interest	4,666				4,666	5,127	
Due to other funds				14,585	14,585	17,255	
Current maturities of bonds payable	51,000				51,000	50,000	
Current maturities of note payable	95,000				95,000	93,000	
Total Current Liabilities	<u>158,217</u>	<u>1,254</u>	<u>27,638</u>	<u>15,300</u>	<u>202,409</u>	<u>195,023</u>	
Noncurrent Liabilities							
Bonds payable, net of current maturities and discount	136,236			445,000	581,236	652,648	
Note payable, net of current maturities	294,000				294,000	389,000	
Compensated absences payable	10,313	10,344			20,657	20,831	
Net pension liability	47,502	57,644			105,146	138,046	
Total Noncurrent Liabilities	<u>488,051</u>	<u>67,988</u>		<u>445,000</u>	<u>1,001,039</u>	<u>1,200,525</u>	
TOTAL LIABILITIES	<u>646,268</u>	<u>69,242</u>	<u>27,638</u>	<u>460,300</u>	<u>1,203,448</u>	<u>1,395,548</u>	
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows from pension activity	5,385	6,534			11,919	20,859	
NET POSITION							
Net investment in capital assets	1,286,602	1,117,837		(54,270)	2,350,169	2,351,001	
Unrestricted	80,418	211,272	46,382	(15,300)	322,772	298,960	
TOTAL NET POSITION	<u>\$ 1,367,020</u>	<u>\$ 1,329,109</u>	<u>\$ 46,382</u>	<u>\$ (69,570)</u>	<u>\$ 2,672,941</u>	<u>\$ 2,649,961</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, 2017

With Comparative Totals for the Year Ended December 31, 2016

	Business - Type Activities - Enterprise Funds					
	Water	Waste		Medical Center	Total	
		Water	Sanitation		2017	2016
Operating Revenues						
Sales	\$ 270,501	\$ 249,896	\$ 71,806	\$ 52,418	\$ 644,621	\$ 609,527
Operating Expenses						
Employee services	48,506	65,680			114,186	112,056
Employee benefits and retirements	19,702	36,483			56,185	51,719
Materials and supplies	7,158	20			7,178	6,499
Repairs and maintenance	3,766	9,182		1,126	14,074	14,025
Utilities	11,801	22,421		5,653	39,875	35,442
Depreciation	112,373	61,381		15,879	189,633	186,371
Contracted services	8,743	23,400	65,613		97,756	82,155
Other charges	16,310	24,089		7,683	48,082	51,401
Total Operating Expenses	228,359	242,656	65,613	30,341	566,969	539,668
Operating Income	42,142	7,240	6,193	22,077	77,652	69,859
Nonoperating Revenues (Expenses)						
Interest income	8,090				8,090	1,291
Tax increment				5,585	5,585	7,280
Miscellaneous income	2,563				2,563	28,412
Water meter fee	2,700				2,700	664
Interest expense	(13,705)			(19,905)	(33,610)	(36,502)
Total Nonoperating Revenues (Expenses)	(352)			(14,320)	(14,672)	1,145
Net Income (Loss) Before Transfers	41,790	7,240	6,193	7,757	62,980	71,004
Transfers out		(40,000)			(40,000)	(75,000)
Net Increase (Decrease) in Net Position	41,790	(32,760)	6,193	7,757	22,980	(3,996)
NET POSITION - Beginning of Year	1,325,230	1,361,869	40,189	(77,327)	2,649,961	2,653,957
NET POSITION - End of Year	\$ 1,367,020	\$ 1,329,109	\$ 46,382	\$ (69,570)	\$ 2,672,941	\$ 2,649,961

See Notes to the Financial Statements

CITY OF WANAMINGO, MINNESOTA
PROPRIETARY FUND
STATEMENT OF CASH FLOW
For the Year Ended December 31, 2017
With Comparative Totals for the Year Ended December 31, 2016

	Business - Type Activities - Enterprise Funds					
	Water	Waste		Medical Center	Total	
		Water	Sanitation		2017	2016
Cash Flows From Operating Activities						
Cash received from customers	\$ 271,631	\$ 250,448	\$ 70,848	\$ 52,418	\$ 645,345	\$ 609,476
Cash paid to suppliers	(45,495)	(79,664)	(59,979)	(14,428)	(199,566)	(178,547)
Cash paid to employees	(67,113)	(100,839)			(167,952)	(155,178)
Net Cash Provided By Operating Activities	159,023	69,945	10,869	37,990	277,827	275,751
Cash Flows From Noncapital Financing Activities						
Other income (expense)	5,263				5,263	28,980
Increase (decrease) in due to other funds				(2,670)	(2,670)	14,368
Net Cash Provided By Noncapital Financing Activities	5,263			(2,670)	2,593	43,348
Cash Flows From Capital and Related Financing Activities						
Acquisition of capital assets	(4,558)				(4,558)	(53,774)
Tax increment collections				5,585	5,585	7,280
Principal paid on long-term debt	(142,412)			(21,000)	(163,412)	(160,412)
Interest and fiscal agent fees	(14,166)			(19,905)	(34,071)	(37,338)
Transfer in from (out to) other funds		(40,000)			(40,000)	(75,000)
Net Cash Used In Capital and Related Financing Activities	(161,136)	(40,000)		(35,320)	(236,456)	(319,244)
Cash Flows From Investing Activities						
Investment income	8,090				8,090	1,387
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	11,240	29,945	10,869		52,054	1,242
CASH AND CASH EQUIVALENTS - Beginning of Year	112,619	227,651	55,297		395,567	394,325
CASH AND CASH EQUIVALENTS - End of Year	\$ 123,859	\$ 257,596	\$ 66,166	\$	\$ 447,621	\$ 395,567

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	
					2017	2016
Operating Income	\$ 42,142	\$ 7,240	\$ 6,193	\$ 22,077	\$ 77,652	\$ 69,859
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	112,373	61,381		15,879	189,633	186,371
Change in net pension liability	1,095	1,380			2,475	7,384
(Increase) Decrease In:						
Accounts receivable	1,130	552	(958)		724	(51)
Increase (Decrease) In:						
Accounts payable	1,418	(552)	5,634	34	6,534	6,692
Accrued expenses	865	(56)			809	5,496
 Net Cash Provided By Operating Activities	 \$ 159,023	 \$ 69,945	 \$ 10,869	 \$ 37,990	 \$ 277,827	 \$ 275,751

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CITY OF WANAMINGO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017

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

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

The *2017 Roadway Improvement fund* accounts for the financial resources to be used to pay for the 2017 street improvement project.

The City reports the following major proprietary funds:

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

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

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

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

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

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

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

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Budgets and Budgetary Accounting

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

Cash and Investments

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

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

Property Taxes

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

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

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

Special Assessments

Assessments are levied at various times by City resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to twenty five years with interest charges of 6.0% to 8.0%. Revenue from these assessments is recognized as the annual installments become collectible. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. The amount of delinquent assessments receivable are fully offset by deferred inflow of resources in the governmental fund types because they are not known to be available to finance current expenditures.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Capital Assets

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

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

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

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

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

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

Compensated Absences

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

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

Long-term Obligations

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

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

Interfund Transactions

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

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

Concentration of Credit Risk

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

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

Net Position / Fund Balance

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

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

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

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Net Position / Fund Balance (continued)

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

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

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

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

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

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

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

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

Pensions

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

1. Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

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

Deferred Inflows of Resources

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

Reclassifications

Certain amounts in the 2016 financial statements have been reclassified to conform with the 2017 presentation.

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2017, the City's cash and investments consisted of the following items, all of which are held in an internal cash and investment pool:

<u>Cash and Investments</u>	<u>Maturities</u>	<u>Ratings</u>	<u>Fair Value</u>
Cash	None	Unrated	\$ 1,347,099
			<u>\$ 1,347,099</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Investments Authorized by Minnesota Statutes

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

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

Fair Value Measurements

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

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

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

There were no assets or liabilities measured at fair value on a recurring basis noted at the City in 2017.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Collateralization of Cash Deposits

The City's deposits are covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name.

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

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

3. Due From Other Governmental Units

Amounts due from other governmental units as of December 31, 2017 are as follows:

<u>Fund</u>	<u>Goodhue County</u>	<u>State of Minnesota</u>	<u>Total</u>
General	\$ 53,406	\$ 15,153	\$ 68,559

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 114,068	\$	\$	\$ 114,068
Work in progress		173,901		173,901
Total capital assets, not being depreciated	114,068	173,901		287,969
Capital assets, being depreciated:				
Buildings	1,640,035	13,242	79,907	1,573,370
Improvements other than buildings	3,653,545	1,637		3,655,182
Machinery and equipment	1,317,305	50,395	126,414	1,241,286
Total capital assets, being depreciated	6,610,885	65,274	206,321	6,469,838
Less accumulated depreciation for:				
Buildings	822,211	32,890	79,907	775,194
Improvements other than buildings	856,140	125,195		981,335
Machinery and equipment	1,255,028	43,804	126,414	1,172,418
Total accumulated depreciation	2,933,379	201,889	206,321	2,928,947
Total capital assets, being depreciated, net	3,677,506	(136,615)		3,540,891
Governmental activities capital assets, net	\$ 3,791,574	\$ 37,286	\$	\$ 3,828,860

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	6,988,687	4,558	24,096	6,969,149
Machinery and equipment	275,598		12,416	263,182
Total capital assets, being depreciated	7,264,285	4,558	36,512	7,232,331
Less accumulated depreciation for:				
Buildings and improvements	3,465,967	185,523	24,096	3,627,394
Machinery and equipment	251,838	4,110	12,416	243,532
Total accumulated depreciation	3,717,805	189,633	36,512	3,870,926
Total capital assets, being depreciated, net	3,546,480	(185,075)		3,361,405
Business-type activities capital assets, net	\$ 3,556,480	\$ (185,075)	\$	\$ 3,371,405

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (Continued)

Governmental Activities:	
General government	\$ 18,321
Public safety	54,452
Public works	103,812
Culture and recreation	<u>25,304</u>
Total depreciation expense - governmental activities	<u>\$ 201,889</u>
Business-Type Activities:	
Water	\$ 112,373
Sewer	61,381
Medical Facility	<u>15,879</u>
Total depreciation expense - business-type activities	<u>\$ 189,633</u>

5. Long-Term Debt

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

General Obligation Improvement Bonds:

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

General Obligation Tax Increment Bonds:

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

Revenue Bonds:

The 2007B public project lease revenue bond is payable primarily from ad valorem tax levies and are backed by the full faith and credit of the city.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

General Obligation Revenue Bonds:

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

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

The 2014B Water Tower Bonds are payable primarily from the revenues generated through charges to customers for water service. They are recorded as liabilities in the Water Enterprise Fund and are backed by the full faith and credit of the City.

General Obligation Revenue Notes:

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

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, 2017 balances are as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2017
General Obligation Improvement Bonds:			
Series 2010B Refunding	1.0%-3.70%	2/1/2023	\$ 580,000
Series 2014A Refunding	1.0%-3.55%	2/1/2026	760,000
Series 2014C - Construction	1.75%-3.60%	2/1/2031	505,000
Series 2015A Refunding	2.0%-3.3%	2/1/2035	1,575,000
Series 2016A	2.50%	2/1/2025	172,000
Series 2017A	2.50%	2/1/2026	206,000
General Obligation Tax Increment Bonds:			
Series 2015A Refunding	2.0%-2.5%	2/1/2025	445,000
General Obligation Revenue Bonds:			
Medical Facility Bonds, series 2003	4.25%	1/1/2033	445,000
Series 2007B - City Hall	4.70%	2/1/2018	17,000
Series 2014B - Water Tower Painting	2.35%	2/1/2022	99,000
General Obligation Revenue Notes:			
2001 Public Facilities Authority Water	1.81%	8/20/2021	389,000
Compensated Absences			<u>36,395</u>
	Total		5,229,395
Less: Unamortized Discount			<u>(26,453)</u>
	Total Long Term Debt		<u>\$ 5,202,942</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

A summary of the changes in long-term debt for the year ended December 31, 2017 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Improvement Bonds:					
Series 2007A Refunding	\$ 1,510,000	\$	\$ 1,510,000	\$	\$
Series 2010B Refunding	670,000		90,000	580,000	90,000
Series 2014A Refunding	745,000		75,000	670,000	80,000
Series 2014C	535,000		30,000	505,000	30,000
Series 2015A Refunding	1,575,000			1,575,000	125,000
Series 2016A	172,000			172,000	20,000
Series 2017A		206,000		206,000	
Revenue Bonds:					
Series 2006B - City Shop	23,250		23,250		
Series 2007B - City Hall	34,000		17,000	17,000	17,000
General Obligation Tax Increment Bonds:					
Series 2009A Refunding	470,000		470,000		
Series 2015A Refunding	445,000			445,000	50,000
Capital Lease Obligation:					
Series 2007 - Pumper	25,510		25,510		
Unamortized Discount	(27,064)		(2,375)	(24,689)	
Compensated Absences	15,281	457		15,738	
Governmental Activities					
Long-term Liabilities	6,192,977	206,457	2,238,385	4,161,049	412,000
BUSINESS-TYPE ACTIVITIES					
General Obligation Revenue Bonds:					
Medical Facility Bonds, series 2003	466,000		21,000	445,000	
2014A Refunding	120,000		30,000	90,000	30,000
2014B Water	119,000		20,000	99,000	21,000
General Obligation Revenue Notes:					
2001 Public Facilities Authority Water	482,000		93,000	389,000	95,000
Unamortized Discount	(2,352)		(588)	(1,764)	
Compensated Absences	20,831		174	20,657	
Business-type Activities					
Long-term Liabilities	1,205,479		163,586	1,041,893	146,000
Total	\$ 7,398,456	\$ 206,457	\$ 2,401,971	\$ 5,202,942	\$ 558,000

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2017 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>								
2018	\$ 295,000	\$ 100,878	\$ 50,000	\$ 9,385	\$	\$	\$ 17,000	\$ 400
2019	324,000	87,368	50,000	8,385				
2020	320,000	86,264	55,000	6,975				
2021	336,000	77,748	55,000	5,875				
2022	347,000	68,437	55,000	4,735				
2023-2027	1,131,000	223,903	180,000	5,602				
2028-2032	640,000	92,217						
2033-2037	315,000	15,833						
2038-2040								
Totals	<u>\$ 3,708,000</u>	<u>\$ 752,646</u>	<u>\$ 445,000</u>	<u>\$ 40,957</u>	<u>\$</u>	<u>\$</u>	<u>\$ 17,000</u>	<u>\$ 400</u>
<u>Business-Type Activities</u>								
2018					\$ 146,000	\$ 30,344		
2019					170,000	26,784		
2020					173,000	23,048		
2021					146,000	19,480		
2022					37,000	16,121		
2023-2027					140,000	63,013		
2028-2032					172,000	30,770		
2033-2037					39,000	1,657		
Totals					<u>\$ 1,023,000</u>	<u>\$ 211,217</u>		

6. Individual Fund Disclosures

The amounts advanced to and advanced from other funds as of December 31, 2017 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 2017, the General Fund had excess expenditures over appropriations of \$6,817.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures (Continued)

As of December 31, 2017, the following funds had deficit fund balances/net position:

Special Revenue Funds:	
Economic Development	\$ 10,053
Debt Service Funds:	
2010 G.O. Refunding	8,578
City Hall Lease Purchase	495
Capital Projects Funds	
Tax Increment District #4-2 Fulton	40,174
Tax Increment District #1-1 Masters	1,566
Tax Increment District #2-7 St. Marc	7,917
Tax Increment District #2-8 Parrot Head	12,404
Enterprise Funds:	
Medical Center	69,570

Transfers during the year ended December 31, 2017 were as follows:

	Transfers In	Transfers Out
General Fund	\$	\$ 54,780
Special Revenue:		
Senior Housing Reserve	25,000	
Debt Service:		
2009A G.O. Tax Increment Refunding	21,792	
City Shop Lease Purchase	5,853	
2010 G.O. Refunding	10,000	
2007 G.O. Refunding	30,000	
Pumper Lease	23,927	
Capital Project:		
TIF District #4-3 Masters		1,145
TIF District #2-6 Vertical Limit		20,647
Enterprise:		
Waste Water		40,000
Totals	<u>\$ 116,572</u>	<u>\$ 116,572</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, 2017 follow below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 70,446	\$
Special Revenue Funds		
Economic Development		9,863
Debt Service Funds:		
2010 G.O. Refunding		8,578
City Hall Lease Purchase		495
Capital Project Funds:		
Tax Increment District #1-1 Masters		1,566
Tax Increment District #4-2 Fulton		15,884
Tax Increment District #2-7 St. Marc		7,917
Tax Increment District #2-8 Parrot Head		11,558
Enterprise Funds:		
Medical center		14,585
	<u>\$ 70,446</u>	<u>\$ 70,446</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, 2017 is as follows:

Committed Fund Balance	<u>Fire Capital</u>
Equipment Replacement	
Fire	\$ 17,806

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

7. Fund Equity

Specific Purpose	Revolving Loan	Senior Housing Reserve	Storm Sewer	WAC / SAC	Cenex #4	2017 Roadway Improvement Project
Assigned Fund Balance						
Economic development	\$ 49,650	\$	\$	\$	\$ 38,678	\$
Senior housing		50,000				
Public works			58,495	58,830		53,352
Total Assigned Fund Balance	\$ 49,650	\$ 50,000	\$ 58,495	\$ 58,830	\$ 38,678	\$ 53,352

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, 2017 is as follows:

Specific Purpose	Restriction Imposed By			
	Contributors	Grantors	Creditors	Regulations
Restricted Fund Balance				
Debt Service Funds:				
Debt service requirements	\$	\$	\$ 332,425	\$
Capital Project Funds:				
Tax increment financing				9,097
Total Restricted Fund Balance	\$	\$	\$ 332,425	\$ 9,097
Restricted Net Position				
Debt service requirements	\$	\$	\$ 906,777	\$
Tax increment financing				9,097
Total Restricted Net Position	\$	\$	\$ 906,777	\$ 9,097

8. Defined Benefit Pension Plans - Statewide

Plan Description

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans - Statewide

Plan Description (Continued)

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund)) - All full-time and certain part-time employees of the City of Wanamingo are covered by the General Employees Plan. General Employee Plan 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan

Benefits Provided

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following 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.

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a 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% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

Contributions

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

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employee Plan for the year ended December 31, 2017, were \$14,905. The City's contributions were equal to the required contributions as set by state statute.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans - Statewide (Continued)

Pension Costs (Continued)

\$7,557 reported as deferred outflows of resources related to pensions from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
2018	\$ (874)
2019	9,047
2020	(5,485)
2021	(8,400)

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be one percent for the General Employees Plan through 2044 and then 2.5 percent thereafter.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans - Statewide (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%
Total	100%	

Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rate specified in statute. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF Discount Rate	6.5%	7.5%	8.5%
City's proportionate share of the GERF net pension liability	\$ 306,961	\$ 197,902	\$ 108,618

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans - Statewide (Continued)

Pension Plan Fiduciary Net Position

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

9. Defined Contribution Pension Plan - Volunteer Fire Relief Association

Plan Description

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

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

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

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

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

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

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

The City has 2 pay-as-you-go tax increment financing districts. For the year ended December 31, 2017, the City paid tax increments totaling \$72,101 related to these agreements.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries insurance for liability, property, and automotive insurance through the League of Minnesota Cities Insurance Trust (LMCIT). The City provides employee health insurance through a private insurance carrier. Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years. There were no reductions in insurance coverage in 2017.

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 2017. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

12. Contribution and Reimbursement Agreement - SEMMCHRA

In 2009, the City sold the Heritage Hills Senior Housing Facility to the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA). As part of the sale agreement, the City has pledged its full faith, credit and taxing powers to the payment of bonds issued by SEMMCHRA to finance the acquisition of the facility. The City is obligated to pay the difference between the required annual debt service and the net facility operating cash flow through the maturity or repayment of the SEMMCHRA facility bonds. The balance outstanding on these bonds at December 31, 2017 totaled \$935,000.

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, 2017 because of the uncertainty and determination of required future payments, if any.

CITY OF WANAMINGO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

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

Fiscal Year Ended June 30	City's Portion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered- Employee Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0039%	\$ 183,202	\$ 197,341	93%	78.7%
2015	0.0033%	171,023	204,954	83%	78.2%
2016	0.0032%	259,824	202,291	128%	68.9%
2017	0.0031%	197,902	198,540	100%	75.9%
2018					
2019					
2020					
2021					
2022					
2023					

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

Fiscal Year Ended December 31	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City Covered Employee Payroll	Contributions as a Percentage of Covered Employee Payroll
2014	\$ 14,747	\$ 14,747	\$	\$ 206,235	7.15%
2015	14,403	14,403		203,672	7.07%
2016	14,876	14,876		198,347	7.50%
2017	14,905	14,905		198,733	7.50%
2018					
2019					
2020					
2021					
2022					
2023					

CITY OF WANAMINGO, MINNESOTA

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

DECEMBER 31, 2017

**CITY OF WANAMINGO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017**

	Special Revenue			Debt Service
	251	210	230	308
	Economic	Revolving	Senior	2005A G.O.
	Development	Loan	Housing	Improvement
			Reserve	Refunding
				(2014A Refunding)
ASSETS				
Cash and investments	\$	\$ 49,650	\$	\$ 38,704
Accounts receivable				
Taxes receivable delinquent	1,004			162
Special assessments receivable:				
Deferred				19,781
Delinquent				310
Loan receivable		13,000		
Operating Reserve			50,000	
TOTAL ASSETS	\$ 1,004	\$ 62,650	\$ 50,000	\$ 58,957
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Accounts payable	\$	\$	\$	\$
Accrued expenses	190			
Advance from other funds				
Due to other governments				
Due to other funds	9,863			
Total Liabilities	10,053			
Deferred Inflows of Resources				
Unavailable:				
Property taxes	1,004			162
Special assessments				20,091
Loans receivable		13,000		
Total Deferred Inflows of Resources	1,004	13,000		20,253
Fund Balance				
Restricted:				
Creditors				38,704
Regulations				
Committed				
Assigned		49,650	50,000	
Unassigned	(10,053)			
Total Fund Balance (Deficit)	(10,053)	49,650	50,000	38,704
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 1,004	\$ 62,650	\$ 50,000	\$ 58,957

Debt Service

323 2005 Improvement (2014A Refunding)	326 City Shop Lease Purchase	327 Pumper Lease	329 City Hall Lease Purchase	330 2016A G.O. Improvement Bonds (2016 Roadway)	316 2010 G.O. Refunding Bond
\$ 36,078	\$	\$	\$	\$ 54,685	\$
1,782	437		567	227	3,061
55,196				59,269 398	44,727 182
\$ 93,056	\$ 437	\$	\$ 567	\$ 114,579	\$ 47,970
\$	\$	\$	\$	\$	\$
			495		8,578
			495		8,578
1,782	437		567	227	3,061
55,196				59,667	44,909
56,978	437		567	59,894	47,970
36,078				54,685	
			(495)		(8,578)
36,078			(495)	54,685	(8,578)
\$ 93,056	\$ 437	\$	\$ 567	\$ 114,579	\$ 47,970

**CITY OF WANAMINGO, MINNESOTA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2017**

	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	\$ 17,806	\$ 38,678	\$ 57,497	\$ 58,830	\$
Accounts receivable			998		
Taxes receivable delinquent					
Special assessments receivable:					
Delinquent					
Deferred					
Loan receivable					
Operating Reserve					
TOTAL ASSETS	\$ 17,806	\$ 38,678	\$ 58,495	\$ 58,830	\$
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE					
Liabilities					
Accounts payable	\$	\$	\$	\$	\$
Accrued expenses					
Advance from other funds					
Due to other governments					
Due to other funds					1,566
Total Liabilities					1,566
Deferred Inflows of Resources					
Unavailable:					
Property taxes					
Special assessments					
Loans receivable					
Total Deferred Inflows of Resources					
Fund Balance					
Restricted:					
Creditors					
Regulations					
Committed	17,806				
Assigned		38,678	58,495	58,830	
Unassigned					(1,566)
Total Fund Balance (Deficit)	17,806	38,678	58,495	58,830	(1,566)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 17,806	\$ 38,678	\$ 58,495	\$ 58,830	\$

Capital Projects

473 Tax Increment District #4-2 Fulton	474 Tax Increment District #4-3 Masters	479 Tax Increment District #2-6 Vertical Limit	480 Tax Increment District #3-1 Maple Island	481 Tax Increment District #2-7 St. Marc	482 Tax Increment District #2-8 Parrot Head	Total Nonmajor Governmental Funds 2017
\$	\$	\$ 8,834	\$ 9,097	\$	\$	\$ 369,859 998 7,240 178,973 890 13,908 50,000
	908					
\$	\$ 908	\$ 8,834	\$ 9,097	\$	\$	\$ 621,868
\$	\$	\$ 25	\$	\$	\$ 846	\$ 871 190 24,290 8,809 55,861 90,021
24,290		8,809		7,917	11,558	
15,884				7,917	12,404	
40,174		8,834				
	908					7,240 179,863 13,908 201,011
	908					
			9,097			129,467 9,097 17,806 255,653 (81,187) 330,836
(40,174)				(7,917)	(12,404)	
(40,174)			9,097	(7,917)	(12,404)	
\$	\$ 908	\$ 8,834	\$ 9,097	\$	\$	\$ 621,868

**CITY OF WANAMINGO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017**

	Special Revenue			Debt Service
	251 Economic Development	210 Revolving Loan	230 Senior Housing Reserve	308 2005A G.O. Improvement Refunding (2014A Refunding)
REVENUES				
Property taxes	\$ 32,256	\$	\$	\$ 5,306
Tax increments				
Special assessments				10,602
Investment income				
Miscellaneous revenues		6,000		
Total Revenues	32,256	6,000		15,908
EXPENDITURES				
Economic development	28,880		25,000	
Debt service				28,928
Capital outlay				
Total Expenditures	28,880		25,000	28,928
Excess (deficiency) of revenues over (under) expenditures	3,376	6,000	(25,000)	(13,020)
OTHER FINANCING SOURCES				
Transfers in			25,000	
Transfers out				
Net change in fund balances	3,376	6,000		(13,020)
Fund Balance - beginning	(13,429)	43,650	50,000	51,724
Fund Balance - ending	\$ (10,053)	\$ 49,650	\$ 50,000	\$ 38,704

Debt Service

323 2005 Improvement (2014A Refunding)	326 City Shop Lease Purchase	327 Pumper Lease	329 City Hall Lease Purchase	330 2016A G.O. Improvement Bonds (2016 Roadway)	316 2010 G.O. Refunding Bond
\$ 58,366	\$ 14,326	\$	\$ 18,571	\$ 7,428	\$ 100,283
18,686				33,157	15,241
77,052	14,326		18,571	40,585	115,524
63,928	23,802	26,773	18,199	5,017 3,285	110,646
63,928	23,802	26,773	18,199	8,302	110,646
13,124	(9,476)	(26,773)	372	32,283	4,878
	5,853	23,927			10,000
13,124	(3,623)	(2,846)	372	32,283	14,878
22,954	3,623	2,846	(867)	22,402	(23,456)
\$ 36,078	\$	\$	\$ (495)	\$ 54,685	\$ (8,578)

CITY OF WANAMINGO, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

	Capital Projects				
	220 Fire Capital	422 Cenex #4 Construction	448 Storm Sewer	449 WAC / SAC	470 Tax Increment District #1-1 Masters
REVENUES					
Property taxes	\$	\$	\$	\$	\$
Tax increments					2,100
Special assessments		26,746			
Investment income	26				
Miscellaneous revenues	2,400		10,164		
Total Revenues	2,426	26,746	10,164		2,100
EXPENDITURES					
Economic development		26,746			6
Debt service					
Capital outlay			1,214		1,990
Total Expenditures		26,746	1,214		1,996
Excess (deficiency) of revenues over (under) expenditures	2,426		8,950		104
OTHER FINANCING SOURCES					
Transfers in					
Transfers out					
Net change in fund balances	2,426		8,950		104
Fund Balance - beginning	15,380	38,678	49,545	58,830	(1,670)
Fund Balance - ending	\$ 17,806	\$ 38,678	\$ 58,495	\$ 58,830	\$ (1,566)

Capital Projects

473 Tax Increment District #4-2 Fulton	474 Tax Increment District #4-3 Masters	479 Tax Increment District #2-6 Vertical Limit	480 Tax Increment District #3-1 Maple Island	481 Tax Increment District #2-7 St. Marc	482 Tax Increment District #2-8 Parrot Head	Total Nonmajor Governmental Funds 2017
\$ 5,277	\$ 4,694	\$ 29,587	\$ 71,198			\$ 236,536
						112,856
						104,432
						26
						18,564
5,277	4,694	29,587	71,198			472,414
6		8,815	64,184	7,917	12,404	173,958
100	3,549	125				277,293
106	3,549	8,940	64,184	7,917	12,404	10,263
5,171	1,145	20,647	7,014	(7,917)	(12,404)	461,514
						10,900
	(1,145)	(20,647)				64,780
						(21,792)
5,171			7,014	(7,917)	(12,404)	53,888
(45,345)			2,083			276,948
\$ (40,174)	\$	\$	\$ 9,097	\$ (7,917)	\$ (12,404)	\$ 330,836

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CITY OF WANAMINGO, MINNESOTA

SUPPLEMENTAL INFORMATION

DECEMBER 31, 2017

CITY OF WANAMINGO, MINNESOTA
WATER FUND
Balance Sheet
December 31, 2017 and 2016

	2017	2016
ASSETS		
Current Assets		
Cash and investments	\$ 123,859	\$ 112,619
Accounts receivable	26,142	27,272
Total Current Assets	150,001	139,891
Noncurrent Assets		
Capital assets		
Depreciable	3,827,756	3,847,294
Less: Accumulated depreciation	1,964,918	1,876,641
Total Capital Assets	1,862,838	1,970,653
TOTAL ASSETS	2,012,839	2,110,544
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	5,834	25,831
LIABILITIES		
Current Liabilities		
Accounts payable	2,176	758
Accrued expenses	5,375	4,416
Accrued interest	4,666	5,127
Current maturities of bonds payable	51,000	50,000
Current maturities of note payable	95,000	93,000
Total Current Liabilities	158,217	153,301
Noncurrent Liabilities		
Bonds payable, net of current maturities, and discount	136,236	186,648
Compensated absences payable	10,313	10,407
Note payable, net of current maturities	294,000	389,000
Net pension liability	47,502	62,366
Total Noncurrent Liabilities	488,051	648,421
Total Liabilities	646,268	801,722
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	5,385	9,423
Net Position		
Net investment in capital assets	1,286,602	1,252,005
Unrestricted	80,418	73,225
Total Net Position	\$ 1,367,020	\$ 1,325,230

**CITY OF WANAMINGO, MINNESOTA
WATER FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2017 and 2016**

	2017	2016
Operating Revenue		
User fees	\$ 124,902	\$ 118,939
Debt service charge	145,599	144,386
Total	270,501	263,325
Operating Expenses		
Employee services	48,506	49,719
Employee benefits and retirements	19,702	18,746
Materials and supplies	7,158	3,757
Repairs and maintenance	3,766	5,182
Utilities	11,801	10,603
Depreciation	112,373	109,311
Contractual services	8,743	1,265
Other charges	16,310	19,826
Total	228,359	218,409
Operating Income	42,142	44,916
Nonoperating Revenues (Expenses)		
Interest income	8,090	1,291
Miscellaneous income	2,563	28,316
Water meter fee	2,700	664
Interest expense	(13,705)	(15,747)
Total Nonoperating Revenues (Expenses)	(352)	14,524
Net Income	41,790	59,440
NET POSITION - Beginning of Year	1,325,230	1,265,790
NET POSITION - End of Year	\$ 1,367,020	\$ 1,325,230

**CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Balance Sheet
December 31, 2017 and 2016**

	2017	2016
ASSETS		
Current Assets		
Cash and investments	\$ 257,596	\$ 227,651
Accounts receivable	22,117	22,669
Total Current Assets	279,713	250,320
Noncurrent Assets		
Capital assets		
Nondepreciable	10,000	10,000
Depreciable	2,777,172	2,789,588
Less: Accumulated depreciation	1,669,335	1,620,370
Total Capital Assets	1,117,837	1,179,218
TOTAL ASSETS	1,397,550	1,429,538
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	7,335	31,653
LIABILITIES		
Current Liabilities		
Accounts payable	888	1,440
Accrued expenses	366	342
Total Current Liabilities	1,254	1,782
Noncurrent Liabilities		
Net pension liability	57,644	75,680
Compensated absences payable	10,344	10,424
Total Liabilities	69,242	87,886
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	6,534	11,436
Net Position		
Net investment in capital assets	1,117,837	1,179,218
Unrestricted	211,272	182,651
Total Net Position	\$ 1,329,109	\$ 1,361,869

**CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2017 and 2016**

	2017	2016
Operating Revenue		
Sales	\$ 152,003	\$ 147,097
Debt service charge	97,893	97,005
Total	249,896	244,102
Operating Expenses		
Employee services	65,680	62,337
Employee benefits and retirements	36,483	32,973
Materials and supplies	20	2,742
Repairs and maintenance	9,182	7,778
Utilities	22,421	19,806
Depreciation	61,381	61,505
Contractual services	23,400	21,450
Other charges	24,089	26,625
Total	242,656	235,216
Operating Income	7,240	8,886
Nonoperating Revenues (Expenses)		
Miscellaneous income		96
Net Income Before Transfers	7,240	8,982
Transfers out	(40,000)	(75,000)
Change in Net Position	(32,760)	(66,018)
NET POSITION - Beginning of Year	1,361,869	1,427,887
NET POSITION - End of Year	\$ 1,329,109	\$ 1,361,869

**CITY OF WANAMINGO, MINNESOTA
SANITATION FUND
Balance Sheet
December 31, 2017 and 2016**

	2017	2016
<hr/>		
ASSETS		
Current Assets		
Cash and investments	\$ 66,166	\$ 55,297
Accounts receivable	7,854	6,896
	<hr/>	<hr/>
TOTAL ASSETS	\$ 74,020	\$ 62,193
	<hr/>	<hr/>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 27,638	\$ 22,004
	<hr/>	<hr/>
Net Position		
Unrestricted	\$ 46,382	\$ 40,189
	<hr/>	<hr/>

**CITY OF WANAMINGO, MINNESOTA
SANITATION FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2017 and 2016**

	2017	2016
Operating Revenues		
Sales	\$ 71,806	\$ 64,642
Operating Expenses		
Contracted services	65,613	59,440
Net Income	6,193	5,202
NET POSITION - Beginning of Year	40,189	34,987
NET POSITION - End of Year	\$ 46,382	\$ 40,189

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Balance Sheet
December 31, 2017 and 2016**

	2017	2016
ASSETS		
Noncurrent Assets		
Capital assets		
Depreciable	\$ 627,403	\$ 627,403
Less: Accumulated depreciation	236,673	220,794
Total Capital Assets	390,730	406,609
TOTAL ASSETS	\$ 390,730	\$ 406,609
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 715	\$ 681
Due to other funds	14,585	17,255
Total Current Liabilities	15,300	17,936
Noncurrent Liabilities		
Bonds payable, net of current maturities	445,000	466,000
Total Liabilities	460,300	483,936
Net Position		
Net investment in capital assets	(54,270)	(59,391)
Unrestricted	(15,300)	(17,936)
Total Net Position	\$ (69,570)	\$ (77,327)

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2017 and 2016**

	2017	2016
Operating Revenues		
Facility rent	\$ 52,418	\$ 37,458
Operating Expenses		
Repairs and maintenance	1,126	1,065
Utilities	5,653	5,033
Depreciation	15,879	15,555
Other charges	7,683	4,950
Total Operating Expenses	30,341	26,603
Operating Income	22,077	10,855
Other Revenues (Expenses)		
Tax increment	5,585	7,280
Interest expense	(19,905)	(20,755)
Total Other Revenues (Expenses)	(14,320)	(13,475)
Net Income (Loss)	7,757	(2,620)
NET POSITION - Beginning of Year	(77,327)	(74,707)
NET POSITION - End of Year	\$ (69,570)	\$ (77,327)

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

To the City Council
City of Wanamingo, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wanamingo, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Wanamingo, Minnesota's basic financial statements, and have issued our report thereon dated March 23, 2018.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, finding 2016-001 described in the accompanying schedule of findings and responses that we consider to be significant deficiencies.

Compliance and Other Matters

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

To the City Council
City of Wanamingo, Minnesota

City of Wanamingo, Minnesota's Response to Findings

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

Purpose of this Report

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

Smith, Schafu and Associates, Ltd.

Rochester, Minnesota
March 23, 2018

**CITY OF WANAMINGO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2017-001 Limited Segregation of Duties

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

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

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

Cause: There is a limited number of administrative staff.

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

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with the Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Findings:

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

Official Responsible for Ensuring CAP:

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

Planned Completion Date of CAP:

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

Plan to Monitor Completion of CAP:

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

**CITY OF WANAMINGO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2017**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2011-001

2012-001

2013-001

2014-001

2015-001

2016-001

Limited Segregation of Duties

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

MINNESOTA LEGAL COMPLIANCE

Independent Auditor's Report

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, the financial statements of the City of Wanamingo, Minnesota, as of and for the year ended December 31, 2017 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 23, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, 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 of Wanamingo, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Wanamingo, Minnesota's noncompliance with the above referenced provisions.

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, Schafner and Associates, Ltd.

Rochester, Minnesota
March 23, 2018