

CITY OF WANAMINGO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2016

CITY OF WANAMINGO, MINNESOTA

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CITY OF WANAMINGO, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2016

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CITY OF WANAMINGO, MINNESOTA

CITY OFFICIALS

DECEMBER 31, 2016

Ryan Holmes	Mayor
Todd Kylo	Council Member (Resigned)
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, 2016

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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, 2016, 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, 2016, 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 supplement 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, 2015, from which such partial information was derived.

We have previously audited the City's 2015 financial statements and our report, dated March 28, 2016, 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, 2015, 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 24, 2017, 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 24, 2017

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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, 2016.

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 \$3,902,571 (*net position*). Of this amount, \$817,308 (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 \$22,508
- As of the close of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$2,765,111.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$335,078.
- The City of Wanamingo decreased total outstanding debt obligations by \$310,807 during the current fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF WANAMINGO, MINNESOTA MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

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

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

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

The City of Wanamingo maintains twenty-seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, 2009A G.O. Tax Increment Refunding, 2014C G.O. Improvement Bond, and 2007 G.O. Refunding funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-57 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 \$3,902,571 at the close of the most recent fiscal year.

City of Wanamingo's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 3,905,261	4,029,041	\$ 435,149	\$ 448,224	\$ 4,340,410	\$ 4,477,265
Capital assets	3,791,574	3,734,413	3,556,480	3,689,077	7,348,054	7,423,490
Total assets	7,696,835	7,763,454	3,991,629	4,137,301	11,688,464	11,900,755
Deferred outflows of resources	50,573	10,774	57,484	12,642	108,057	23,416
Long-term liabilities outstanding	6,299,474	6,405,285	1,322,694	1,297,926	7,622,168	7,703,211
Other liabilities	176,922	83,873	55,599	182,247	232,521	266,120
Total liabilities	6,476,396	6,489,158	1,378,293	1,480,173	7,854,689	7,969,331
Deferred inflows of resources	18,402	13,948	20,859	15,813	39,261	29,761
Net position:						
Net investment in capital assets	(475,362)	(603,278)	2,371,832	2,325,601	1,896,470	1,722,323
Restricted	1,188,793	1,494,020			1,188,793	1,494,020
Unrestricted	539,179	380,380	278,129	328,356	817,308	708,736
Total net position	\$ 1,252,610	\$ 1,271,122	\$ 2,649,961	\$ 2,653,957	\$ 3,902,571	\$ 3,925,079

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 \$817,308 may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Governmental activities. Governmental activities decreased the City of Wanamingo's net position by \$18,512.

Business-type activities. Business-type activities decreased the City of Wanamingo's net position by \$3,996.

A condensed version of the Statement of Activities follows:

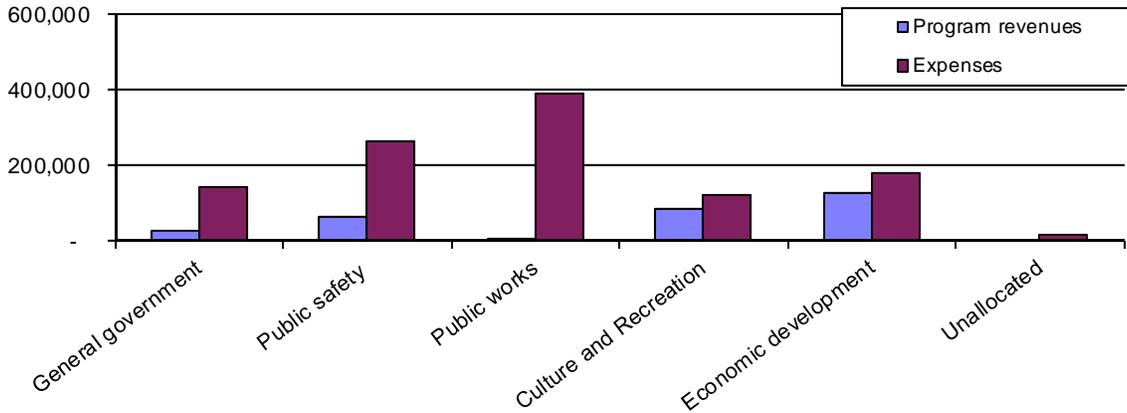
City of Wanamingo's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenue:						
Program revenues:						
Charges for services	\$ 92,773	\$ 105,268	\$ 609,527	\$ 622,012	\$ 702,300	\$ 727,280
Operating grants and contributions	139,974	419,409			139,974	419,409
Capital grants and contributions	72,587	731,628			72,587	731,628
General revenues:						
Property taxes	614,437	607,096			614,437	607,096
Tax increments	90,031	71,922			90,031	71,922
Grants and contributions not restricted to specific programs	260,052	259,651			260,052	259,651
Other	64,595	89,525	37,647	37,854	102,242	127,379
Total revenues	<u>1,334,449</u>	<u>2,284,499</u>	<u>647,174</u>	<u>659,866</u>	<u>1,981,623</u>	<u>2,944,365</u>
Expenses:						
General government	146,648	129,381			146,648	129,381
Public safety and transportation	265,325	267,777			265,325	267,777
Public works	393,847	205,835			393,847	205,835
Culture and recreation	122,262	112,083			122,262	112,083
Economic development	181,359	463,788			181,359	463,788
Interest on long-term debt	300,073	204,422			300,073	204,422
Unallocated	18,447	12,123			18,447	12,123
Water			234,156	219,216	234,156	219,216
Waste water			235,216	214,147	235,216	214,147
Sanitation			59,440	58,284	59,440	58,284
Medical center			47,358	49,302	47,358	49,302
Total expenses	<u>1,427,961</u>	<u>1,395,409</u>	<u>576,170</u>	<u>540,949</u>	<u>2,004,131</u>	<u>1,936,358</u>
Increase in net position before transfers	(93,512)	889,090	71,004	118,917	(22,508)	1,008,007
Transfers	75,000	75,000	(75,000)	(75,000)		
Increase (Decrease) in net position	<u>(18,512)</u>	<u>964,090</u>	<u>(3,996)</u>	<u>43,917</u>	<u>(22,508)</u>	<u>1,008,007</u>
Net position, beginning of year,	<u>1,271,122</u>	<u>307,032</u>	<u>2,653,957</u>	<u>2,610,040</u>	<u>3,925,079</u>	<u>2,917,072</u>
Net position, end 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>

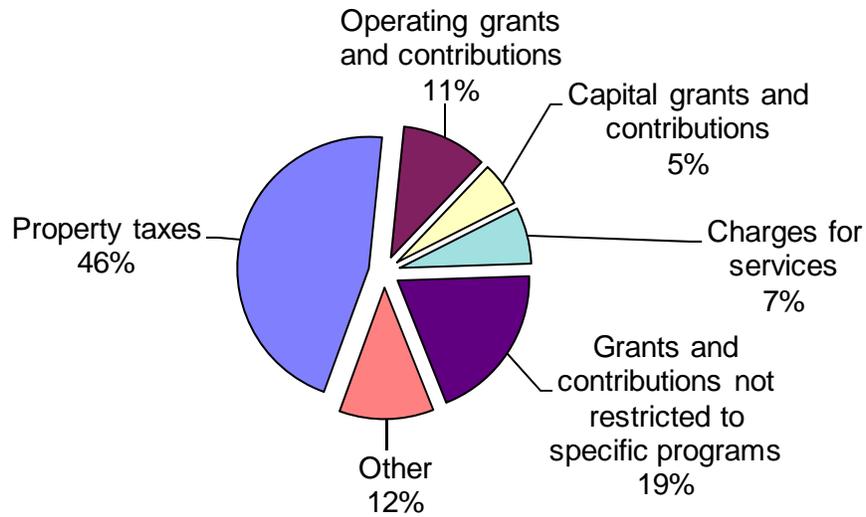
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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



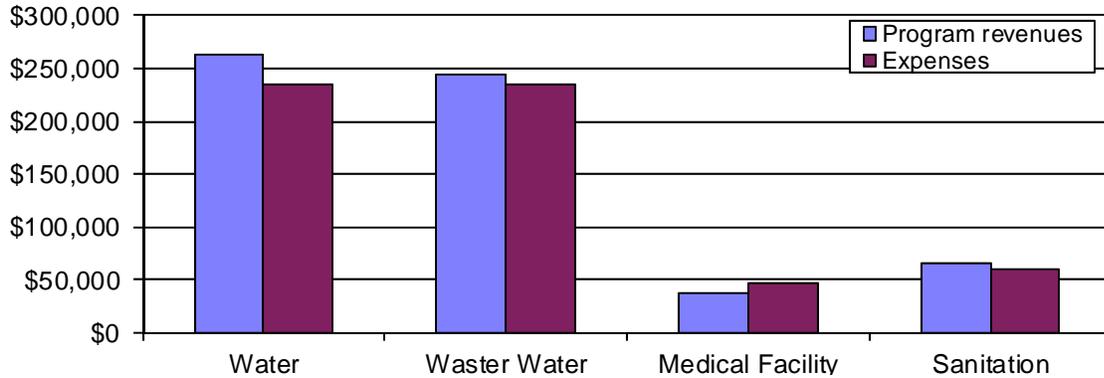
Revenues by Source - Governmental Activities



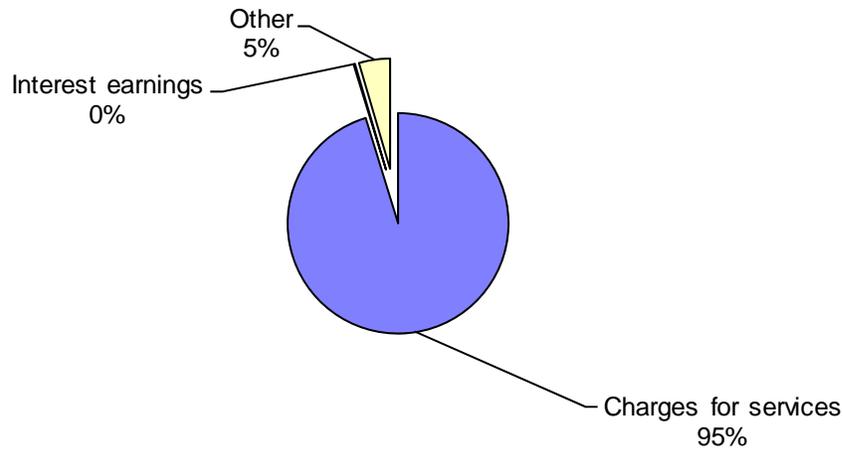
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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 \$2,765,111, a decrease of \$42,256 as the City paid down debt while shifting levy dollars within funds. Approximately 18 percent of this total amount or \$484,993 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 \$335,078.

The general fund's total fund balance increased by \$2,836 during the current fiscal year as a result of budgeting. The City had budgeted/anticipated a higher increase in the fund balance, but due to 2016 flood damage that was not eligible for FEMA reimbursement the general fund was forced to cover over \$20,000.

**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 - \$73,225 , Waste water - \$182,651, Sanitation - \$40,189, and Medical center - (\$17,936) .

The water utility fund's increase before transfers of \$59,440 was partially due to due to a planned effort to increase cash reserves for future capital projects that will be taking place in the near future.

The wastewater utility fund's increase before transfers of \$8,982 was a planned effort to increase cash reserves. Future capital projects will be taking place in the next few years.

General Fund Budgetary Highlights

The City approved the 2016 general fund budget anticipating an increase of \$19,808 before transfers in general fund reserves. The City did not amend its budget during the year. The City is working toward achievement of and then maintaining a 30% to 60% reserve balance set forth by City policy.

At the close of the year, general fund total expenditures were \$244,944 more than final budget while actual revenues exceeded final budget by \$253,608 was a result of a Minnesota DEED Small Cities Development Grant. 2016 flood damage reimbursed by FEMA, the installation of a new emergency siren, and an increase in building permit activity. The fund showed an increase in fund balance totaling \$2,836 for the year ending December 31, 2016.

**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, 2016, amounts to \$7,348,054 (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 \$75,436.

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

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 114,068	\$ 114,068	\$ 10,000	\$ 10,000	\$ 124,068	\$ 124,068
Buildings and improvements	814,439	846,774	3,522,720	3,655,168	4,337,159	4,501,942
Improvements other than buildings	2,797,405	2,670,217			2,797,405	2,670,217
Machinery and equipment	65,662	103,354	23,760	23,909	89,422	127,263
Total	\$ 3,791,574	\$ 3,734,413	\$ 3,556,480	\$ 3,689,077	\$ 7,348,054	\$ 7,423,490

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 \$7,391,760 in bonds and notes outstanding. Of this amount, \$7,334,510 comprises debt backed by the full faith and credit of the government and \$57,250 represents bonds or notes secured solely by specified revenue sources.

City of Wanamingo's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 5,207,000	\$ 5,240,000	\$ 705,000	\$ 775,000	\$ 5,912,000	\$ 6,015,000
General obligation TIF bonds	915,000	955,000			915,000	955,000
Revenue bonds	57,250	95,250			57,250	95,250
General obligation equipment certificates		14,500				14,500
Capital lease obligation	25,510	49,817			25,510	49,817
General obligation notes			482,000	573,000	482,000	573,000
Total	\$ 6,204,760	\$ 6,354,567	\$ 1,187,000	\$ 1,348,000	\$ 7,391,760	\$ 7,702,567

The City of Wanamingo's total bonds and notes payable decreased by \$310,807. 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 first phase will occur in the 2017 Roadway Improvement Project.
- 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

All of these factors were considered in preparing the City of Wanamingo's budget for the 2017 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, 2016

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CITY OF WANAMINGO, MINNESOTA
STATEMENT OF NET POSITION

December 31, 2016

With Comparative Totals for December 31, 2015

	Governmental Activities	Business-Type Activities	Totals	
			2016	2015
ASSETS				
Cash and investments	\$ 787,137	\$ 395,567	\$ 1,182,704	\$ 1,177,021
Cash in escrow	1,910,760		1,910,760	1,969,021
Receivables	1,057,787	56,837	1,114,624	1,263,853
Deposits	50,000		50,000	50,000
Due from other governmental units	82,322		82,322	17,370
Internal balances	17,255	(17,255)		
Capital assets:				
Nondepreciable	114,068	10,000	124,068	124,068
Depreciable, net	3,677,506	3,546,480	7,223,986	7,299,422
Total Assets	7,696,835	3,991,629	11,688,464	11,900,755
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	50,573	57,484	108,057	23,416
LIABILITIES				
Accounts payable	69,581	24,883	94,464	32,292
Accrued liabilities	1,261	4,758	6,019	2,980
Accrued interest payable	78,278	5,127	83,405	61,084
Compensated absences	15,281	20,831	36,112	31,764
Noncurrent liabilities				
Due within one year	350,760	143,000	493,760	459,807
Due in more than one year	5,826,936	1,041,648	6,868,584	7,210,381
Net pension liability	121,778	138,046	259,824	171,023
Total Liabilities	6,476,396	1,378,293	7,854,689	7,969,331
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	18,402	20,859	39,261	29,761
NET POSITION				
Net investment in capital assets	(475,362)	2,371,832	1,896,470	1,722,323
Restricted for:				
Debt service	1,186,710		1,186,710	1,461,004
Tax increment financing	2,083		2,083	33,016
Unrestricted	539,179	278,129	817,308	708,736
Total Net Position	\$ 1,252,610	\$ 2,649,961	\$ 3,902,571	\$ 3,925,079

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 146,648	\$ 29,363	\$	\$
Public safety	265,325	48,042	8,500	8,536
Public works	393,847			1,524
Culture and recreation	122,262	15,368	5,620	62,527
Economic development	181,359		125,854	
Unallocated	18,447			
Interest on long-term debt	300,073			
Total governmental activities	1,427,961	92,773	139,974	72,587
Business-Type activities:				
Water	234,156	263,325		
Waste water	235,216	244,102		
Sanitation	59,440	64,642		
Medical center	47,358	37,458		
Total business-type activities	576,170	609,527		
Total	\$ 2,004,131	\$ 702,300	\$ 139,974	\$ 72,587

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

Change in net position

Net position - beginning

Net position - ending

See Notes to Financial Statements

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Totals 2016	2015
\$ (117,285)	\$	\$ (117,285)	\$ (106,392)
(200,247)		(200,247)	(195,448)
(392,323)		(392,323)	524,293
(38,747)		(38,747)	(89,227)
(55,505)		(55,505)	(55,785)
(18,447)		(18,447)	(12,123)
(300,073)		(300,073)	(204,422)
<u>(1,122,627)</u>		<u>(1,122,627)</u>	<u>(139,104)</u>
	29,169	29,169	47,087
	8,886	8,886	31,929
	5,202	5,202	3,909
	<u>(9,900)</u>	<u>(9,900)</u>	<u>(1,862)</u>
	<u>33,357</u>	<u>33,357</u>	<u>81,063</u>
<u>(1,122,627)</u>	<u>33,357</u>	<u>(1,089,270)</u>	<u>(58,041)</u>
614,437		614,437	607,096
90,031	7,280	97,311	80,570
260,052		260,052	259,651
17,587	1,291	18,878	2,033
			41,600
47,008	29,076	76,084	75,098
75,000	<u>(75,000)</u>		
<u>1,104,115</u>	<u>(37,353)</u>	<u>1,066,762</u>	<u>1,066,048</u>
(18,512)	(3,996)	(22,508)	1,008,007
<u>1,271,122</u>	<u>2,653,957</u>	<u>3,925,079</u>	<u>2,917,072</u>
<u>\$ 1,252,610</u>	<u>\$ 2,649,961</u>	<u>\$ 3,902,571</u>	<u>\$ 3,925,079</u>

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

December 31, 2016

With Comparative Totals for December 31, 2015

	101 General	306 2009A G.O. Tax Increment Refunding	331 2014C G.O. Improvement Bond
ASSETS			
Cash and investments	\$ 199,745	\$ 129,971	\$ 131,867
Cash in escrow		427,313	
Accounts receivable	31		
Taxes receivable delinquent	10,795	468	
Special assessments receivable:			
Deferred	84,312	164,328	330,472
Delinquent			
Loan receivable			
Deposits			
Advance to other funds	24,290		
Due from other funds	83,397		
Due from other governmental units	82,322		
TOTAL ASSETS	\$ 484,892	\$ 722,080	\$ 462,339
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 16,816	\$	\$
Accrued expenses	1,080		
Unearned revenue	12,521		
Advance from other funds			
Due to other governments			
Due to other funds			
Total Liabilities	<u>30,417</u>		
Deferred Inflows of Resources			
Unavailable:			
Delinquent property taxes	10,795	468	
Special assessments	84,312	164,328	330,472
Loans receivable			
Total Deferred Inflows of Resources	<u>95,107</u>	<u>164,796</u>	<u>330,472</u>
Fund Balance			
Nonspendable:			
Advances to other funds	24,290		
Restricted:			
Creditors		129,971	131,867
Bond refunding		427,313	
Regulations			
Committed			
Assigned			
Unassigned	335,078		
Total Fund Balance	<u>359,368</u>	<u>557,284</u>	<u>131,867</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 484,892	\$ 722,080	\$ 462,339

See Notes to Financial Statements

328 2007 G.O. Refunding	Other Governmental Funds	Total Governmental Funds	
		2016	2015
\$	\$ 325,554	\$ 787,137	\$ 782,696
1,483,447		1,910,760	1,969,021
	969	1,000	797
2,556	6,983	20,802	15,879
141,699	240,646	961,457	1,121,861
53,309	529	53,838	41,050
	20,690	20,690	27,480
	50,000	50,000	50,000
		24,290	24,290
	37,957	121,354	157,362
		82,322	17,370
<u>\$ 1,681,011</u>	<u>\$ 683,328</u>	<u>\$ 4,033,650</u>	<u>\$ 4,207,806</u>

\$	\$ 2,451	\$ 19,267	\$ 14,101
	181	1,261	1,303
		12,521	
	24,290	24,290	24,290
	50,314	50,314	
43,803	60,296	104,099	154,475
<u>43,803</u>	<u>137,532</u>	<u>211,752</u>	<u>194,169</u>

2,556	6,983	20,802	15,879
195,008	241,175	1,015,295	1,162,911
	20,690	20,690	27,480
<u>197,564</u>	<u>268,848</u>	<u>1,056,787</u>	<u>1,206,270</u>

		24,290	24,290
	81,147	342,985	385,712
1,483,447		1,910,760	1,969,021
	2,083	2,083	33,016
	15,380	15,380	6,830
	263,105	263,105	235,636
(43,803)	(84,767)	206,508	152,862
<u>1,439,644</u>	<u>276,948</u>	<u>2,765,111</u>	<u>2,807,367</u>
<u>\$ 1,681,011</u>	<u>\$ 683,328</u>	<u>\$ 4,033,650</u>	<u>\$ 4,207,806</u>

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

For the Year Ended December 31, 2016

With Comparative Totals for the Year Ended December 31, 2015

	101 General	306 2009A G.O. Tax Increment Refunding	331 2014C Improvement Bond
REVENUES			
General property taxes	\$ 268,933	\$ 15,365	\$
Tax increment			
Special assessments	2,892		
Licenses and permits	26,126		
Intergovernmental revenues	448,693		
Charges for services	62,801		
Fines and forfeits	3,846		
Investment income	1,268	3,587	
Miscellaneous revenues	48,676		
Total Revenues	863,235	18,952	
EXPENDITURES			
General government	148,422		
Public safety	207,394		
Public works	150,796		
Culture and recreation	188,719		
Unallocated	139,432		
Economic development			
Debt service		73,572	16,005
Capital outlay			
Total Expenditures	834,763	73,572	16,005
Excess (deficiency) of revenues over (under) expenditures	28,472	(54,620)	(16,005)
OTHER FINANCING SOURCES (USES)			
Bond proceeds			
Transfers in	31,999	31,809	
Transfers out	(57,635)		
Total other financing sources (uses)	(25,636)	31,809	
Net change in fund balances	2,836	(22,811)	(16,005)
Fund Balance - beginning	356,532	580,095	147,872
Fund Balance - ending	<u>\$ 359,368</u>	<u>\$ 557,284</u>	<u>\$ 131,867</u>

See Notes to Financial Statements

328 2007 G.O. Refunding	Other Governmental Funds	Total Governmental Funds	
		2016	2015
\$ 83,996	\$ 241,220	\$ 609,514	\$ 621,216
	90,031	90,031	71,922
15,916	93,224	112,032	222,726
		26,126	19,965
		448,693	769,677
		62,801	83,311
		3,846	1,992
12,718	14	17,587	1,266
	24,626	73,302	107,723
<u>112,630</u>	<u>449,115</u>	<u>1,443,932</u>	<u>1,899,798</u>
		148,422	110,260
		207,394	204,305
		150,796	132,458
		188,719	95,180
		139,432	420,203
	168,047	168,047	174,181
172,262	294,917	556,756	602,811
	173,622	173,622	10,086
<u>172,262</u>	<u>636,586</u>	<u>1,733,188</u>	<u>1,749,484</u>
<u>(59,632)</u>	<u>(187,471)</u>	<u>(289,256)</u>	<u>150,314</u>
	172,000	172,000	2,020,000
40,000	60,826	164,634	196,686
	(31,999)	(89,634)	(121,686)
<u>40,000</u>	<u>200,827</u>	<u>247,000</u>	<u>2,095,000</u>
(19,632)	13,356	(42,256)	2,245,314
<u>1,459,276</u>	<u>263,592</u>	<u>2,807,367</u>	<u>562,053</u>
<u>\$ 1,439,644</u>	<u>\$ 276,948</u>	<u>\$ 2,765,111</u>	<u>\$ 2,807,367</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, 2016

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

Total governmental fund balances (page 18)		\$ 2,765,111
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 6,724,953	
Less: Accumulated depreciation	<u>(2,933,379)</u>	3,791,574
Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 20,802	
Deferred and delinquent special assessments	1,015,295	
Loans receivable	<u>20,690</u>	1,056,787
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	\$ (6,204,760)	
Unamortized bond discount	27,064	
Net pension liability	(89,607)	
Compensated absences	(15,281)	
Accrued interest	<u>(78,278)</u>	<u>(6,360,862)</u>
Net position of governmental activities (page 14)		<u><u>\$ 1,252,610</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, 2016

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

Net change in fund balances - total governmental funds (page 20)	\$	(42,256)
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay	\$ 249,598	
Depreciation expense	<u>(192,437)</u>	57,161
Certain revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	\$ 4,923	
Special assessments	(147,616)	
Loans receivable	<u>(6,790)</u>	(149,483)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences, December 31, 2016	\$ (15,281)	
Compensated absences, December 31, 2015	<u>13,348</u>	(1,933)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Change in accrued interest	\$ (23,157)	
Amortization of bond discount	(2,375)	
Change in net pension liability	(6,276)	
Proceeds from issuance of bonds	(172,000)	
Principal retirement on long-term debt	<u>321,807</u>	117,999
Change in net position of governmental activities (pages 15 and 16)	\$	<u><u>(18,512)</u></u>

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
GENERAL FUND
STATEMENTS OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
REVENUES					
Property Taxes	\$ 258,000	\$ 258,000	\$ 268,933	\$ 10,933	\$ 309,765
Special Assessments	1,000	1,000	2,892	1,892	2,280
Licenses and Permits					
Business	2,520	2,520	2,737	217	57
Nonbusiness	12,300	12,300	23,389	11,089	19,908
Total Licenses and Permits	14,820	14,820	26,126	11,306	19,965
Intergovernmental Revenues					
Local government aid	234,000	234,000	234,705	705	232,873
Other state aid	3,000	3,000	127,280	124,280	430,229
Federal grant			62,787	62,787	
Fire aid	18,000	18,000	23,921	5,921	24,221
Total Intergovernmental Revenues	255,000	255,000	448,693	193,693	687,323
Charges For Services					
Township fire contributions	44,197	44,197	44,196	(1)	64,416
Swimming pool fees	14,700	14,700	15,368	668	15,871
Other	3,200	3,200	3,237	37	3,024
Total Charges For Services	62,097	62,097	62,801	704	83,311
Fines and Forfeits					
Court fines	2,000	2,000	3,846	1,846	1,992
Investment Income	2,100	2,100	1,268	(832)	1,257
Miscellaneous Revenues					
Fire department contribution	2,500	2,500	8,500	6,000	4,421
Other contributions	6,500	6,500	5,620	(880)	6,985
Other refunds and reimbursements	2,500	2,500	33,425	30,925	22,696
Other	3,110	3,110	1,131	(1,979)	3,303
Total Miscellaneous Revenues	14,610	14,610	48,676	34,066	37,405
TOTAL REVENUES	\$ 609,627	\$ 609,627	\$ 863,235	\$ 253,608	\$ 1,143,298

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, 2016
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Employee services	\$ 11,300	\$ 11,300	\$ 9,842	\$ 1,458	\$ 8,953
Insurance	750	750	1,753	(1,003)	645
Total Mayor and Council	<u>12,050</u>	<u>12,050</u>	<u>11,595</u>	<u>455</u>	<u>9,598</u>
Election and Voter Registration	<u>1,420</u>	<u>1,420</u>	<u>2,966</u>	<u>(1,546)</u>	<u>959</u>
City Administration					
Employee services	29,800	29,800	33,007	(3,207)	31,230
Employee benefits and retirement	6,950	6,950	6,955	(5)	5,919
Materials and supplies	3,600	3,600	3,557	43	3,511
Telephone	3,050	3,050	3,576	(526)	2,602
Printing and publishing	2,050	2,050	2,720	(670)	1,927
Contracted services	1,500	1,500	419	1,081	454
Insurance	12,100	12,100	11,544	556	15,402
Other charges	11,250	11,250	11,754	(504)	10,840
Capital outlay	2,000	2,000	33,221	(31,221)	4,910
Total City Administration	<u>72,300</u>	<u>72,300</u>	<u>106,753</u>	<u>(34,453)</u>	<u>76,795</u>
Professional Services					
Legal	10,000	10,000	7,208	2,792	3,508
Accounting and audit	18,750	18,750	19,900	(1,150)	19,400
Total Professional Services	<u>28,750</u>	<u>28,750</u>	<u>27,108</u>	<u>1,642</u>	<u>22,908</u>
Total General Government	<u>\$ 114,520</u>	<u>\$ 114,520</u>	<u>\$ 148,422</u>	<u>\$ (33,902)</u>	<u>\$ 110,260</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, 2016
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Safety					
Police Protection					
Contractual services	\$ 100,825	\$ 100,825	\$ 100,825	\$	\$ 98,848
Legal services	12,000	12,000	12,000		12,000
Total Police Protection	112,825	112,825	112,825		110,848
Ambulance					
Contractual services	4,344	4,344	4,344		4,344
Fire Protection					
State fire aid	17,500	17,500	23,921	(6,421)	24,221
Materials and supplies	17,000	17,000	18,231	(1,231)	3,580
Utilities	10,000	10,000	8,390	1,610	8,418
Repairs and maintenance	9,000	9,000	10,903	(1,903)	10,365
Insurance	8,700	8,700	9,404	(704)	8,762
Other charges	10,000	10,000	5,952	4,048	8,629
Capital outlay					8,921
Total Fire Protection	72,200	72,200	76,801	(4,601)	72,896
Building Inspection					
Contractual services	8,500	8,500	13,424	(4,924)	16,217
Total Public Safety	\$ 197,869	\$ 197,869	\$ 207,394	\$ (9,525)	\$ 204,305

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, 2016
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Works					
Highways, Streets and Alleys					
Employee services	\$ 45,500	\$ 45,500	\$ 34,095	\$ 11,405	\$ 37,191
Employee benefits and retirement	13,900	13,900	19,238	(5,338)	10,934
Materials and supplies	7,700	7,700	6,840	860	5,871
Repairs and maintenance	12,900	12,900	15,986	(3,086)	12,475
Utilities	7,500	7,500	5,734	1,766	6,161
Telephone	1,700	1,700	1,923	(223)	1,633
Insurance	6,970	6,970	7,557	(587)	7,033
Other charges	1,900	1,900	7,889	(5,989)	11,949
Capital outlay	20,000	20,000	9,087	10,913	
Total Highways Streets and Alleys	118,070	118,070	108,349	9,721	93,247
Snow Removal	15,000	15,000	15,068	(68)	12,290
Street Lights	26,000	26,000	27,379	(1,379)	26,921
Total Public Works	\$ 159,070	\$ 159,070	\$ 150,796	\$ 8,274	\$ 132,458

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, 2016
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
EXPENDITURES					
Culture and Recreation					
Community center					
Material and supplies	\$ 200	\$ 200	\$ 199	\$ 1	\$ 198
Utilities	4,000	4,000	3,408	592	3,806
Other charges	3,660	3,660	4,063	(403)	4,994
Total Community center	7,860	7,860	7,670	190	8,998
Parks					
Employee services	3,400	3,400	5,137	(1,737)	2,779
Employee benefits and retirement	500	500	723	(223)	331
Materials and supplies	350	350	394	(44)	164
Repairs and maintenance	3,500	3,500	1,176	2,324	1,004
Utilities	1,800	1,800	1,138	662	1,472
Insurance	2,550	2,550	2,937	(387)	2,604
Contracted services	17,700	17,700	20,440	(2,740)	18,720
Capital outlay	5,000	5,000	84,527	(79,527)	3,385
Total Parks	34,800	34,800	116,472	(81,672)	30,459
Swimming Pool					
Employee services	35,000	35,000	39,472	(4,472)	31,556
Employee benefits and retirement	3,300	3,300	3,458	(158)	2,967
Materials and supplies	4,600	4,600	3,972	628	3,654
Repairs and maintenance	2,000	2,000	2,640	(640)	3,437
Utilities	8,900	8,900	5,887	3,013	5,969
Insurance	2,900	2,900	5,456	(2,556)	4,347
Other charges	4,700	4,700	3,692	1,008	3,793
Total Swimming Pool	61,400	61,400	64,577	(3,177)	55,723
Total Culture and Recreation	\$ 104,060	\$ 104,060	\$ 188,719	\$ (84,659)	\$ 95,180

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, 2016
With Comparative Totals for the Year Ended December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
EXPENDITURES					
Unallocated Expense					
Professional Services	\$ 3,500	\$ 3,500	\$ 129,515	\$ (126,015)	\$ 410,436
Miscellaneous	10,800	10,800	9,917	883	9,767
Total Unallocated	14,300	14,300	139,432	(125,132)	420,203
TOTAL EXPENDITURES	589,819	589,819	834,763	(244,944)	962,406
Excess (deficiency) of revenues over (under) expenditures	19,808	19,808	28,472	8,664	180,892
Other Financing Sources (Uses)					
Transfers in			31,999	31,999	4,500
Transfers out			(57,635)	(57,635)	(77,866)
Total other financing sources (uses)			(25,636)	(25,636)	(73,366)
Net change in fund balances	19,808	19,808	2,836	(16,972)	107,526
FUND BALANCE - beginning	356,532	356,532	356,532		249,006
FUND BALANCE - ending	\$ 376,340	\$ 376,340	\$ 359,368	\$ (16,972)	\$ 356,532

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
For the Year Ended December 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

	Business - Type Activities - Enterprise Funds				Totals	
	Water	Waste Water	Sanitation	Medical Center	2016	2015
ASSETS						
Current Assets						
Cash and investments	\$ 112,619	\$ 227,651	\$ 55,297	\$	\$ 395,567	\$ 394,325
Accounts receivable	27,272	22,669	6,896		56,837	56,786
Total Current Assets	<u>139,891</u>	<u>250,320</u>	<u>62,193</u>		<u>452,404</u>	<u>451,111</u>
Noncurrent Assets						
Capital assets						
Nondepreciable		10,000			10,000	10,000
Depreciable	3,847,294	2,789,588		627,403	7,264,285	7,210,511
Less: Accumulated depreciation	1,876,641	1,620,370		220,794	3,717,805	3,531,434
Total Capital Assets	<u>1,970,653</u>	<u>1,179,218</u>		<u>406,609</u>	<u>3,556,480</u>	<u>3,689,077</u>
TOTAL ASSETS	<u>2,110,544</u>	<u>1,429,538</u>	<u>62,193</u>	<u>406,609</u>	<u>4,008,884</u>	<u>4,140,188</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows from pension activity	25,831	31,653			57,484	12,642
LIABILITIES						
Current Liabilities						
Accounts payable	758	1,440	22,004	681	24,883	18,191
Accrued expenses	4,416	342			4,758	1,677
Accrued interest	5,127				5,127	5,963
Due to other funds				17,255	17,255	2,887
Current maturities of bonds payable	50,000				50,000	47,000
Current maturities of note payable	93,000				93,000	91,000
Total Current Liabilities	<u>153,301</u>	<u>1,782</u>	<u>22,004</u>	<u>17,936</u>	<u>195,023</u>	<u>166,718</u>
Noncurrent Liabilities						
Bonds payable, net of current maturities and discount	186,648			466,000	652,648	725,060
Note payable, net of current maturities	389,000				389,000	482,000
Compensated absences payable	10,407	10,424			20,831	18,416
Net pension liability	62,366	75,680			138,046	90,866
Total Noncurrent Liabilities	<u>648,421</u>	<u>86,104</u>		<u>466,000</u>	<u>1,200,525</u>	<u>1,316,342</u>
TOTAL LIABILITIES	<u>801,722</u>	<u>87,886</u>	<u>22,004</u>	<u>483,936</u>	<u>1,395,548</u>	<u>1,483,060</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows from pension activity	9,423	11,436			20,859	15,813
NET POSITION						
Net investment in capital assets	1,252,005	1,179,218		(59,391)	2,371,832	2,325,601
Unrestricted	73,225	182,651	40,189	(17,936)	278,129	328,356
TOTAL NET POSITION	<u>\$ 1,325,230</u>	<u>\$ 1,361,869</u>	<u>\$ 40,189</u>	<u>\$ (77,327)</u>	<u>\$ 2,649,961</u>	<u>\$ 2,653,957</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, 2016
With Comparative Totals for the Year Ended December 31, 2015

	Business - Type Activities - Enterprise Funds				Total	
	Water	Waste Water	Sanitation	Medical Center	2016	2015
Operating Revenues						
Sales	\$ 263,325	\$ 244,102	\$ 64,642	\$ 37,458	\$ 609,527	\$ 622,012
Operating Expenses						
Employee services	49,719	62,337			112,056	108,189
Employee benefits and retirements	18,746	32,973			51,719	34,604
Materials and supplies	3,757	2,742			6,499	6,119
Repairs and maintenance	5,182	7,778		1,065	14,025	10,001
Utilities	10,603	19,806		5,033	35,442	33,620
Depreciation	109,311	61,505		15,555	186,371	184,006
Contracted services	1,265	21,450	59,440		82,155	81,684
Other charges	19,826	26,625		4,950	51,401	43,098
Total Operating Expenses	218,409	235,216	59,440	26,603	539,668	501,321
Operating Income	44,916	8,886	5,202	10,855	69,859	120,691
Nonoperating Revenues (Expenses)						
Interest income	1,291				1,291	767
Tax increment				7,280	7,280	8,648
Miscellaneous income	28,316	96			28,412	28,112
Water meter fee	664				664	327
Interest expense	(15,747)			(20,755)	(36,502)	(39,628)
Total Nonoperating Revenues (Expenses)	14,524	96		(13,475)	1,145	(1,774)
Net Income (Loss) Before Transfers	59,440	8,982	5,202	(2,620)	71,004	118,917
Transfers out		(75,000)			(75,000)	(75,000)
Net Increase (Decrease) in Net Position	59,440	(66,018)	5,202	(2,620)	(3,996)	43,917
NET POSITION - Beginning of Year	1,265,790	1,427,887	34,987	(74,707)	2,653,957	2,610,040
NET POSITION - End of Year	\$ 1,325,230	\$ 1,361,869	\$ 40,189	\$ (77,327)	\$ 2,649,961	\$ 2,653,957

See Notes to the Financial Statements

CITY OF WANAMINGO, MINNESOTA
PROPRIETARY FUND
STATEMENT OF CASH FLOW
For the Year Ended December 31, 2016
With Comparative Totals for the Year Ended December 31, 2015

	Business - Type Activities - Enterprise Funds					
	Water	Waste Water	Sanitation	Medical Center	Total	
					2016	2015
Cash Flows From Operating Activities						
Cash received from customers	\$ 263,013	\$ 244,483	\$ 64,522	\$ 37,458	\$ 609,476	\$ 626,957
Cash paid to suppliers	(36,508)	(77,443)	(54,062)	(10,534)	(178,547)	(171,019)
Cash paid to employees	(65,142)	(90,036)			(155,178)	(138,286)
Net Cash Provided By Operating Activities	161,363	77,004	10,460	26,924	275,751	317,652
Cash Flows From Noncapital Financing Activities						
Other income (expense)	28,980				28,980	28,089
Increase (decrease) in due to other funds				14,368	14,368	(3,437)
Net Cash Provided By Noncapital Financing Activities	28,980			14,368	43,348	24,652
Cash Flows From Capital and Related Financing Activities						
Acquisition of capital assets	(45,957)			(7,817)	(53,774)	(45,789)
Tax increment collections				7,280	7,280	8,648
Principal paid on long-term debt	(140,412)			(20,000)	(160,412)	(155,412)
Interest and fiscal agent fees	(16,583)			(20,755)	(37,338)	(41,427)
Transfer in from (out to) other funds		(75,000)			(75,000)	(75,000)
Net Cash Used In Capital and Related Financing Activities	(202,952)	(75,000)		(41,292)	(319,244)	(308,980)
Cash Flows From Investing Activities						
Investment income	1,291	96			1,387	1,117
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(11,318)	2,100	10,460		1,242	34,441
CASH AND CASH EQUIVALENTS - Beginning of Year	123,937	225,551	44,837		394,325	359,884
CASH AND CASH EQUIVALENTS - End of Year	\$ 112,619	\$ 227,651	\$ 55,297	\$	\$ 395,567	\$ 394,325

See Notes to the Financial Statements

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

	Business - Type Activities - Enterprise Funds					
	Water	Waste		Medical Center	Total	
		Water	Sanitation		2016	2015
Operating Income	\$ 44,916	\$ 8,886	\$ 5,202	\$ 10,855	\$ 69,859	\$ 120,691
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	109,311	61,505		15,555	186,371	184,006
Change in net pension liability	3,323	4,061			7,384	4,598
(Increase) Decrease In:						
Accounts receivable	(312)	381	(120)		(51)	4,945
Increase (Decrease) In:						
Accounts payable	(158)	958	5,378	514	6,692	2,956
Accrued expenses	4,283	1,213			5,496	456
 Net Cash Provided By Operating Activities	 \$ 161,363	 \$ 77,004	 \$ 10,460	 \$ 26,924	 \$ 275,751	 \$ 317,652

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CITY OF WANAMINGO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 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)

Implementation of New Accounting Principles

The City adopted the provision of Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. This statement generally requires investment to be measured at fair value and requires disclosures to be made about fair value measurements including the level of hierarchy and the valuation techniques utilized by the City.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 76, *Hierarchy of Generally Accepted Accounting Principles of the State and Local Governments*. This statement established the order and priority of pronouncements and other sources of accounting and financial reporting guidance that governments should apply. This statement did not impact the preparation of these financial statements.

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 82, *Pension Issues – an amendment of GASB statements No. 67, No. 68, No. 73*. The objective of this statement is to improve consistency in the application of pension accounting and financial reporting requirements by addressing certain issues that have been raised during implementations of the three standards listed above. One of the significant changes included in this statement clarifies the presentation covered payroll in the required supplementary information to reflect the amount of payroll in which contributions made to the pension plan are based.

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2016, 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	\$ 1,182,704
Investments held by trustee	None	Unrated	<u>1,910,760</u>
			<u>\$ 3,093,464</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.

The following is a description of the methodologies used for measuring assets at fair value. There have been no changes in the methodologies in 2015 or 2016.

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, 2016 are as follows:

<u>Fund</u>	<u>Goodhue County</u>	<u>State of Minnesota</u>	<u>Total</u>
General	\$ 19,795	\$ 62,527	\$ 82,322

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 114,068	\$	\$	\$ 114,068
Total capital assets, not being depreciated	114,068			114,068
Capital assets, being depreciated:				
Buildings	1,636,650			1,636,650
Improvements other than buildings	3,413,034	240,511		3,653,545
Machinery and equipment	1,316,603	9,087	5,000	1,320,690
Total capital assets, being depreciated	6,366,287	249,598	5,000	6,610,885
Less accumulated depreciation for:				
Buildings	789,876	32,335		822,211
Improvements other than buildings	742,817	113,323		856,140
Machinery and equipment	1,213,249	46,779	5,000	1,255,028
Total accumulated depreciation	2,745,942	192,437	5,000	2,933,379
Total capital assets, being depreciated, net	3,620,345	57,161		3,677,506
 Governmental activities capital assets, net	 \$ 3,734,413	 \$ 57,161	 \$	 \$ 3,791,574
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	6,938,413	50,274		6,988,687
Machinery and equipment	272,098	3,500		275,598
Total capital assets, being depreciated	7,210,511	53,774		7,264,285
Less accumulated depreciation for:				
Buildings and improvements	3,283,245	182,722		3,465,967
Machinery and equipment	248,189	3,649		251,838
Total accumulated depreciation	3,531,434	186,371		3,717,805
Total capital assets, being depreciated, net	3,679,077	(132,597)		3,546,480
 Business-type activities capital assets, net	 \$ 3,689,077	 \$ (132,597)	 \$	 \$ 3,556,480

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (Continued)

Governmental Activities:	
General government	\$ 17,636
Public safety	57,931
Public works	99,411
Culture and recreation	<u>17,459</u>
Total depreciation expense - governmental activities	<u>\$ 192,437</u>
Business-Type Activities:	
Water	\$ 109,311
Sewer	61,505
Medical Facility	<u>15,555</u>
Total depreciation expense - business-type activities	<u>\$ 186,371</u>

5. Long-Term Debt

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

General Obligation Improvement Bonds:

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

General Obligation Tax Increment Bonds:

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

Revenue Bonds:

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

General Obligation Equipment Certificates:

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

General Obligation Revenue Bonds:

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

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

General Obligation Revenue Notes:

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

Capital Lease Obligation:

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

A summary of interest rates, maturities and December 31, 2016 balances are as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2016
General Obligation Improvement Bonds:			
Series 2007A Refunding	4.0%-4.85%	2/1/2037	\$ 1,510,000
Series 2010B Refunding	1.0%-3.70%	2/1/2023	670,000
Series 2014A Refunding	1.0%-3.55%	2/1/2026	865,000
Series 2014C - Construction	1.75%-3.60%	2/1/2031	535,000
Series 2015A Refunding	2.0%-3.3%	2/1/2035	1,575,000
Series 2016A	2.50%	2/1/2025	172,000
General Obligation Tax Increment Bonds:			
Series 2009A Refunding	2.2%-4.55%	5/1/2025	470,000
Series 2015A Refunding	2.0%-2.5%	2/1/2025	445,000
Revenue Bonds:			
Series 2006B - City Shop	4.5%-4.75%	2/1/2017	23,250
Series 2007B - City Hall	4.70%	2/1/2018	34,000
Series 2014B - Water Tower Painting	2.35%	2/1/2022	119,000
Capital Lease Obligation:			
Series 2007 - Pumper	4.75%	8/1/2017	25,510
General Obligation Revenue Bonds:			
Medical Facility Bonds, series 2003	4.25%	1/1/2033	466,000
General Obligation Revenue Notes:			
2001 Public Facilities Authority Water	1.81%	8/20/2021	482,000
Compensated Absences			36,112
Total			7,427,872
Less: Unamortized Discount			(29,416)
Total Long Term Debt			\$ 7,398,456

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, 2016 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Improvement Bonds:					
Series 2007A Refunding	\$ 1,550,000	\$	\$ 40,000	\$ 1,510,000	\$ 45,000
Series 2010B Refunding	755,000		85,000	670,000	90,000
Series 2014A Refunding	825,000		80,000	745,000	75,000
Series 2014C	535,000			535,000	30,000
Series 2015A Refunding	1,575,000			1,575,000	
Series 2016A		172,000		172,000	
Revenue Bonds:					
Series 2006B - City Shop	45,250		22,000	23,250	23,250
Series 2007B - City Hall	50,000		16,000	34,000	17,000
General Obligation Tax Increment Bonds:					
Series 2009A Refunding	510,000		40,000	470,000	45,000
Series 2015A Refunding	445,000			445,000	
General Obligation Equipment Certificates:					
Series 2006D - Fire Truck / Pumper	14,500		14,500		
Capital Lease Obligation:					
Series 2007 - Pumper	49,817		24,307	25,510	25,510
Unamortized Discount	(29,439)		(2,375)	(27,064)	
Compensated Absences	13,348	1,933		15,281	
Governmental Activities					
Long-term Liabilities	6,338,476	173,933	319,432	6,192,977	350,760
BUSINESS-TYPE ACTIVITIES					
General Obligation Revenue Bonds:					
Medical Facility Bonds, series 2003	486,000		20,000	466,000	
2014A Refunding	150,000		30,000	120,000	30,000
2014B Water	139,000		20,000	119,000	20,000
General Obligation Revenue Notes:					
2001 Public Facilities Authority Water	573,000		91,000	482,000	93,000
Unamortized Discount	(2,940)		(588)	(2,352)	
Compensated Absences	18,416	2,415		20,831	
Business-type Activities					
Long-term Liabilities	1,363,476	2,415	160,412	1,205,479	143,000
Total	\$ 7,701,952	\$ 176,348	\$ 479,844	\$ 7,398,456	\$ 493,760

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, 2016 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>								
2017	\$ 240,000	\$ 169,373	\$ 45,000	\$ 32,890	\$	\$	\$ 65,760	\$ 3,014
2018	345,000	162,305	95,000	30,567			17,000	400
2019	350,000	147,328	95,000	27,385				
2020	346,000	144,674	105,000	23,725				
2021	361,000	134,595	105,000	20,125				
2022-2026	1,515,000	516,070	470,000	40,587				
2027-2031	1,040,000	300,193						
2032-2036	900,000	114,301						
2036-2040	110,000	2,668						
Totals	<u>\$5,207,000</u>	<u>\$1,691,505</u>	<u>\$ 915,000</u>	<u>\$ 175,279</u>	<u>\$</u>	<u>\$</u>	<u>\$ 82,760</u>	<u>\$ 3,413</u>
<u>Business-Type Activities</u>								
2017					\$ 143,000	\$ 33,693		
2018					167,000	30,344		
2019					170,000	26,784		
2020					173,000	23,048		
2021					146,000	19,480		
2022-2026					147,000	68,991		
2027-2031					165,000	37,683		
2032-2036					76,000	4,887		
Totals					<u>\$1,187,000</u>	<u>\$ 244,910</u>		

6. Individual Fund Disclosures

The amounts advanced to and advanced from other funds as of December 31, 2016 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 2016, the General Fund had excess expenditures over appropriations of \$244,944.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures (Continued)

As of December 31, 2016, the following funds had deficit fund balances/net position:

Special Revenue Funds:	
Economic Development	\$ 13,429
Debt Service Funds:	
2010 G.O. Refunding	23,456
City Hall Lease Purchase	867
Capital Projects Funds	
Tax Increment District #4-2 Fulton	45,345
Tax Increment District #1-1 Masters	1,670
Enterprise Funds:	
Medical Center	77,327

Transfers during the year ended December 31, 2016 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 31,999	\$ 57,635
Special Revenue:		
Senior Housing Reserve	25,000	
Debt Service:		
2009A G.O. Tax Increment Refunding	31,809	
2006D Equipment Certificate		190
2010 G.O. Refunding	35,000	
2007 G.O. Refunding	40,000	
Capital Project:		
TIF District #4-3 Masters		2,896
TIF District #2-4 Doffing	826	
TIF District #2-6 Vertical Limit		28,913
Enterprise:		
Waste Water		75,000
Totals	<u>\$ 164,634</u>	<u>\$ 164,634</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, 2016 follow below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 83,397	\$
Special Revenue Funds		
Economic Development		13,248
Debt Service Funds:		
2005A G.O. Improvement Refunding	37,957	
2010 G.O. Refunding		23,456
2007 G.O. Refunding		43,803
City Hall Lease Purchase		867
Capital Project Funds:		
Tax Increment District #1-1 Masters		1,670
Tax Increment District #4-2 Fulton		21,055
Enterprise Funds:		
Medical center		17,255
	<u>\$ 121,354</u>	<u>\$ 121,354</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, 2016 is as follows:

Committed Fund Balance	Fire Capital
Equipment Replacement	
Fire	\$ 15,380

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	2016 Roadway Improvement Project
Assigned Fund Balance						
Economic development	\$ 43,650	\$	\$	\$	\$ 38,678	\$
Senior housing		50,000				
Public works			49,545	58,830		22,402
Total Assigned Fund Balance	\$ 43,650	\$ 50,000	\$ 49,545	\$ 58,830	\$ 38,678	\$ 22,402

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, 2016 is as follows:

Specific Purpose	Restriction Imposed By			
	Contributors	Grantors	Creditors	Regulations
Restricted Fund Balance				
Debt Service Funds:				
Debt service requirements	\$	\$	\$ 342,985	\$
Bond refunding			1,910,760	
Capital Project Funds:				
Tax increment financing				2,083
Total Restricted Fund Balance	\$	\$	\$ 2,253,745	\$ 2,083
Restricted Net Position				
Debt service requirements	\$	\$	\$ 1,186,710	\$
Tax increment financing				2,083
Total Restricted Net Position	\$	\$	\$ 1,186,710	\$ 2,083

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

General Employees Retirement Fund (GERF) - All full-time and certain part-time employees of the City are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

GERF 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.

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.

GERF 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 2016. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The City's contributions to the GERF for the year ended December 31, 2016, were \$14,876. 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)

GERF Pension Costs

At December 31, 2016, the City reported a liability of \$259,824 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was 0.0032% at the end of the measurement period and 0.0033% for the beginning of the period.

For the year ended December 31, 2016, the City recognized pension expense of \$34,717 for its proportionate share of the GERF's pension expense.

At December 31, 2016, the City reported its proportionate share of the GERF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$	\$ 21,281
Changes in actuarial assumptions	50,874	
Difference between projected and actual investment earnings	49,683	
Changes in proportion		17,980
Contributions paid to GERF subsequent to the measurement date	<u>7,500</u>	
Total	<u>\$ 108,057</u>	<u>\$ 39,261</u>

Included in deferred outflows of resources related to pensions is \$7,500 resulting 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, 2017. 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:	<u>Pension Expense Amount</u>
2017	\$ 13,997
2018	13,996
2019	23,917
2020	9,386

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans - Statewide (Continued)

Actuarial Assumptions

The total pension liability in the June 30, 2016, 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-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be one percent per year for all future years for the General Employees Plan.

Actuarial assumptions used in the June 30, 2016, 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 2016:

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by .25% to 3.25% for payroll growth and 2.5% for inflation

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	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Total	100%	

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans - Statewide (Continued)

Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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:

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF Discount Rate	6.5%	7.5%	8.5%
City's proportionate share of the GERF net pension liability	\$ 369,027	\$ 259,824	\$ 169,870

Pension Plan Fiduciary Net Position

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

9. Defined Contribution Pension Plan - Volunteer Fire Relief Association

Plan Description

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

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

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

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

10. 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 2016.

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 2016. The amount of any liability in excess of plan assets may be assessed to participating Cities in a method and amount determined by the LMCIT.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

11. Contribution and Reimbursement Agreement - SEMMCHRA

In 2009, the City sold the Heritage Hills Senior Housing Facility to the Southeastern Minnesota Multi-County Housing and Redevelopment Authority (SEMMCHRA). As part of the sale agreement, the City has pledged its full faith, credit and taxing powers to the payment of bonds issued by SEMMCHRA to finance the acquisition of the facility. The City is obligated to pay the difference between the required annual debt service and the net facility operating cash flow through the maturity or repayment of the SEMMCHRA facility bonds. The balance outstanding on these bonds at December 31, 2016 totaled \$955,000.

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, 2016 because of the uncertainty and determination of required future payments, if any.

CITY OF WANAMINGO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016

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

Fiscal Year Ending 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					
2018					
2019					
2020					
2021					
2022					
2023					

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

Fiscal Year Ending 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					
2018					
2019					
2020					
2021					
2022					
2023					

CITY OF WANAMINGO, MINNESOTA

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

DECEMBER 31, 2016

**CITY OF WANAMINGO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2016**

	Special Revenue			Debt Service
	251 Economic Development	210 Revolving Loan	230 Senior Housing Reserve	308 2005A G.O. Improvement Refunding (2014A Refunding)
ASSETS				
Cash and investments	\$	\$ 43,650	\$	\$ 13,767
Accounts receivable				
Taxes receivable delinquent	873			156
Special assessments receivable:				
Deferred				28,193
Delinquent				300
Loan receivable		19,000		
Operating Reserve			50,000	
Due from other funds				37,957
TOTAL ASSETS	\$ 873	\$ 62,650	\$ 50,000	\$ 80,373
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Accounts payable	\$	\$	\$	\$
Accrued expenses	181			
Advance from other funds				
Due to other governments				
Due to other funds	13,248			
Total Liabilities	13,429			
 Deferred Inflows of Resources				
Unavailable:				
Property taxes	873			156
Special assessments				28,493
Loans receivable		19,000		
Total Deferred Inflows of Resources	873	19,000		28,649
 Fund Balance				
Restricted:				
Creditors				51,724
Regulations				
Committed				
Assigned		43,650	50,000	
Unassigned	(13,429)			
Total Fund Balance (Deficit)	(13,429)	43,650	50,000	51,724
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 873	\$ 62,650	\$ 50,000	\$ 80,373

Debt Service

323 2005 Improvement (2014A Refunding)	326 City Shop Lease Purchase	327 Pumper Lease	329 City Hall Lease Purchase	325 2006D Equipment Certificate	316 2010 G.O. Refunding Bond
\$ 22,954	\$ 3,623	\$ 2,846	\$	\$	\$
1,870	468	810	546		2,260
68,888 9					56,307 220
<u>\$ 93,721</u>	<u>\$ 4,091</u>	<u>\$ 3,656</u>	<u>\$ 546</u>	<u>\$</u>	<u>\$ 58,787</u>
\$	\$	\$	\$	\$	\$
			867		23,456
			<u>867</u>		<u>23,456</u>
1,870 68,897	468	810	546		2,260 56,527
<u>70,767</u>	<u>468</u>	<u>810</u>	<u>546</u>		<u>58,787</u>
22,954	3,623	2,846			
			(867)		(23,456)
<u>22,954</u>	<u>3,623</u>	<u>2,846</u>	<u>(867)</u>		<u>(23,456)</u>
<u>\$ 93,721</u>	<u>\$ 4,091</u>	<u>\$ 3,656</u>	<u>\$ 546</u>	<u>\$</u>	<u>\$ 58,787</u>

**CITY OF WANAMINGO, MINNESOTA
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2016**

	Capital Projects					
	220	422	448	449	470	475
	Fire	Cenex #4	Storm	WAC /	Tax Increment	Tax Increment
	Capital	Construction	Sewer	SAC	District #1-1	District #2-2
					Masters	Benson
ASSETS						
Cash and investments	\$ 15,380	\$ 38,678	\$ 48,576	\$ 58,830	\$	\$ 5,849
Accounts receivable			969			
Taxes receivable delinquent						
Special assessments receivable:						
Delinquent						
Deferred						
Loan receivable						
Operating Reserve						
Due from other funds						
TOTAL ASSETS	\$ 15,380	\$ 38,678	\$ 49,545	\$ 58,830	\$	\$ 5,849
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
Liabilities						
Accounts payable	\$	\$	\$	\$	\$	\$
Accrued expenses						
Advance from other funds						
Due to other governments						5,849
Due to other funds					1,670	
Total Liabilities					1,670	5,849
Deferred Inflows of Resources						
Unavailable:						
Property taxes						
Special assessments						
Loans receivable						
Total Deferred Inflows of Resources						
Fund Balance						
Restricted:						
Creditors						
Regulations						
Committed	15,380					
Assigned		38,678	49,545	58,830		
Unassigned					(1,670)	
Total Fund Balance (Deficit)	15,380	38,678	49,545	58,830	(1,670)	(1,670)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 15,380	\$ 38,678	\$ 49,545	\$ 58,830	\$	\$ 5,849

Capital Projects

473 Tax Increment District #4-2 Fulton	474 Tax Increment District #4-3 Masters	477 Tax Increment District #2-4 Doffing	478 Tax Increment District #2-5 Meyers	479 Tax Increment District #2-6 Vertical Limit	480 Tax Increment District #3-1 Maple Island	330 2016 Roadway Improvements Project	Total Nonmajor Governmental Funds 2016
\$	\$	\$ 817	\$ 45,282	\$ 817	\$ 2,083	\$ 22,402	\$ 325,554 969 6,983
	1,690					87,258	240,646 529 20,690 50,000 37,957
<u>\$</u>	<u>\$ 1,690</u>	<u>\$ 817</u>	<u>\$ 45,282</u>	<u>\$ 817</u>	<u>\$ 2,083</u>	<u>\$ 109,660</u>	<u>\$ 683,328</u>
\$	\$	\$ 817	\$ 817	\$ 817	\$		\$ 2,451 181 24,290 50,314 60,296
			44,465				137,532
24,290							
21,055							
<u>45,345</u>		<u>817</u>	<u>45,282</u>	<u>817</u>			
	1,690					87,258	6,983 241,175 20,690
	<u>1,690</u>					<u>87,258</u>	<u>268,848</u>
					2,083		81,147 2,083 15,380 263,105 (84,767)
(45,345)						22,402	276,948
<u>(45,345)</u>					<u>2,083</u>	<u>22,402</u>	
<u>\$</u>	<u>\$ 1,690</u>	<u>\$ 817</u>	<u>\$ 45,282</u>	<u>\$ 817</u>	<u>\$ 2,083</u>	<u>\$ 109,660</u>	<u>\$ 683,328</u>

**CITY OF WANAMINGO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2016**

	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	\$ 29,181			\$ 5,122
Tax increments				
Special assessments				10,848
Investment income				
Miscellaneous revenues		6,000		
Total Revenues	29,181	6,000		15,970
EXPENDITURES				
Economic development	31,920		25,000	
Debt service				29,012
Capital outlay				
Total Expenditures	31,920		25,000	29,012
Excess (deficiency) of revenues over (under) expenditures	(2,739)	6,000	(25,000)	(13,042)
OTHER FINANCING SOURCES (USES)				
Transfers in			25,000	
Transfers out				
Bond proceeds				
Total other financing sources			25,000	
Net change in fund balances	(2,739)	6,000		(13,042)
Fund Balance - beginning	(10,690)	37,650	50,000	64,766
Fund Balance - ending	\$ (13,429)	\$ 43,650	\$ 50,000	\$ 51,724

Debt Service

323 2005 Improvement (2014A Refunding)	326 City Shop Lease Purchase	327 Pumper Lease	329 City Hall Lease Purchase	325 2006D Equipment Certificate	316 2010 G.O. Refunding Bond
\$ 61,461	\$ 15,365	\$ 26,633	\$ 17,926	\$ 11,267	\$ 74,265
19,539					15,861
81,000	15,365	26,633	17,926	11,267	90,126
69,619	23,627	26,773	17,974	14,832	107,907
69,619	23,627	26,773	17,974	14,832	107,907
11,381	(8,262)	(140)	(48)	(3,565)	(17,781)
					35,000
				(190)	
				(190)	35,000
11,381	(8,262)	(140)	(48)	(3,755)	17,219
11,573	11,885	2,986	(819)	3,755	(40,675)
\$ 22,954	\$ 3,623	\$ 2,846	\$ (867)	\$	\$ (23,456)

**CITY OF WANAMINGO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2016**

	Capital Projects					
	220	422	448	449	470	475
	Fire	Cenex #4	Storm	WAC /	Tax Increment	Tax Increment
	Capital	Construction	Sewer	SAC	District #1-1	District #2-2
					Masters	Benson
REVENUES						
Property taxes	\$	\$	\$	\$	\$	\$
Tax increments					1,789	
Special assessments		30,416				
Investment income	14					
Miscellaneous revenues	8,536		10,090			
Total Revenues	8,550	30,416	10,090		1,789	
EXPENDITURES						
Economic development		31,331			9	5,849
Debt service						
Capital outlay			10,108		3,450	
Total Expenditures		31,331	10,108		3,459	5,849
Excess (deficiency) of revenues over (under) expenditures	8,550	(915)	(18)		(1,670)	(5,849)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers out						
Bond proceeds						
Total other financing sources						
Net change in fund balances	8,550	(915)	(18)		(1,670)	(5,849)
Fund Balance - beginning	6,830	39,593	49,563	58,830		5,849
Fund Balance - ending	\$ 15,380	\$ 38,678	\$ 49,545	\$ 58,830	\$ (1,670)	\$

Capital Projects

473 Tax Increment District #4-2 Fulton	474 Tax Increment District #4-3 Masters	477 Tax Increment District #2-4 Doffing	478 Tax Increment District #2-5 Meyers	479 Tax Increment District #2-6 Vertical Limit	480 Tax Increment District #3-1 Maple Island	330 2016 Roadway Improvements Project	Total Nonmajor Governmental Funds 2016
\$ 5,671	\$ 4,745	\$	\$ 18,124	\$ 29,839	\$ 29,863	\$ 16,560	\$ 241,220
							90,031
							93,224
							14
							24,626
5,671	4,745		18,124	29,839	29,863	16,560	449,115
9		826	45,291	826	26,986		168,047
						5,173	294,917
100	1,849			100		158,015	173,622
109	1,849	826	45,291	926	26,986	163,188	636,586
5,562	2,896	(826)	(27,167)	28,913	2,877	(146,628)	(187,471)
		826					60,826
	(2,896)			(28,913)			(31,999)
						172,000	172,000
	(2,896)	826		(28,913)		172,000	200,827
5,562			(27,167)		2,877	25,372	13,356
(50,907)			27,167		(794)	(2,970)	263,592
\$ (45,345)	\$	\$	\$	\$	\$ 2,083	\$ 22,402	\$ 276,948

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CITY OF WANAMINGO, MINNESOTA

SUPPLEMENTAL INFORMATION

DECEMBER 31, 2016

**CITY OF WANAMINGO, MINNESOTA
WATER FUND
Balance Sheet
December 31, 2016 and 2015**

	2016	2015
ASSETS		
Current Assets		
Cash and investments	\$ 112,619	\$ 123,937
Accounts receivable	27,272	26,960
Total Current Assets	139,891	150,897
Noncurrent Assets		
Capital assets		
Depreciable	3,847,294	3,801,337
Less: Accumulated depreciation	1,876,641	1,767,330
Total Capital Assets	1,970,653	2,034,007
TOTAL ASSETS	2,110,544	2,184,904
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	25,831	5,560
LIABILITIES		
Current Liabilities		
Accounts payable	758	916
Accrued expenses	4,416	1,342
Accrued interest	5,127	5,963
Current maturities of bonds payable	50,000	47,000
Current maturities of note payable	93,000	91,000
Total Current Liabilities	153,301	146,221
Noncurrent Liabilities		
Bonds payable, net of current maturities, and discount	186,648	239,060
Compensated absences payable	10,407	9,198
Note payable, net of current maturities	389,000	482,000
Net pension liability	62,366	41,051
Total Noncurrent Liabilities	648,421	771,309
Total Liabilities	801,722	917,530
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	9,423	7,144
Net Position		
Net investment in capital assets	1,252,005	1,174,947
Unrestricted	73,225	90,843
Total Net Position	\$ 1,325,230	\$ 1,265,790

**CITY OF WANAMINGO, MINNESOTA
WATER FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2016 and 2015**

	2016	2015
Operating Revenue		
User fees	\$ 118,939	\$ 122,452
Debt service charge	144,386	143,851
Total	263,325	266,303
Operating Expenses		
Employee services	49,719	45,209
Employee benefits and retirements	18,746	13,501
Materials and supplies	3,757	6,119
Repairs and maintenance	5,182	3,937
Utilities	10,603	9,481
Depreciation	109,311	107,379
Contractual services	1,265	
Other charges	19,826	15,525
Total	218,409	201,151
Operating Income	44,916	65,152
Nonoperating Revenues (Expenses)		
Interest income	1,291	767
Miscellaneous income	28,316	27,762
Water meter fee	664	327
Interest expense	(15,747)	(18,065)
Total Nonoperating Revenues (Expenses)	14,524	10,791
Net Income	59,440	75,943
NET POSITION - Beginning of Year	1,265,790	1,189,847
NET POSITION - End of Year	\$ 1,325,230	\$ 1,265,790

**CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Balance Sheet
December 31, 2016 and 2015**

	2016	2015
ASSETS		
Current Assets		
Cash and investments	\$ 227,651	\$ 225,551
Accounts receivable	22,669	23,050
Total Current Assets	250,320	248,601
Noncurrent Assets		
Capital assets		
Nondepreciable	10,000	10,000
Depreciable	2,789,588	2,789,588
Less: Accumulated depreciation	1,620,370	1,558,865
Total Capital Assets	1,179,218	1,240,723
TOTAL ASSETS	1,429,538	1,489,324
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	31,653	7,082
LIABILITIES		
Current Liabilities		
Accounts payable	1,440	482
Accrued expenses	342	335
Total Current Liabilities	1,782	817
Noncurrent Liabilities		
Net pension liability	75,680	49,815
Compensated absences payable	10,424	9,218
Total Liabilities	87,886	59,850
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	11,436	8,669
Net Position		
Net investment in capital assets	1,179,218	1,190,908
Unrestricted	182,651	236,979
Total Net Position	\$ 1,361,869	\$ 1,427,887

**CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2016 and 2015**

	2016	2015
Operating Revenue		
Sales	\$ 147,097	\$ 149,444
Debt service charge	97,005	96,632
Total	<u>244,102</u>	<u>246,076</u>
Operating Expenses		
Employee services	62,337	62,980
Employee benefits and retirements	32,973	21,103
Materials and supplies	2,742	
Repairs and maintenance	7,778	4,739
Utilities	19,806	18,068
Depreciation	61,505	61,137
Contractual services	21,450	23,400
Other charges	26,625	22,720
Total	<u>235,216</u>	<u>214,147</u>
Operating Income	8,886	31,929
Nonoperating Revenues (Expenses)		
Miscellaneous income	<u>96</u>	<u>350</u>
Net Income Before Transfers	8,982	32,279
Transfers out	<u>(75,000)</u>	<u>(75,000)</u>
Change in Net Position	(66,018)	(42,721)
NET POSITION - Beginning of Year	<u>1,427,887</u>	<u>1,470,608</u>
NET POSITION - End of Year	<u>\$ 1,361,869</u>	<u>\$ 1,427,887</u>

**CITY OF WANAMINGO, MINNESOTA
SANITATION FUND
Balance Sheet
December 31, 2016 and 2015**

	2016	2015
<hr/>		
ASSETS		
Current Assets		
Cash and investments	\$ 55,297	\$ 44,837
Accounts receivable	6,896	6,776
	<hr/>	<hr/>
TOTAL ASSETS	\$ 62,193	\$ 51,613
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 22,004	\$ 16,626
	<hr/>	<hr/>
Net Position		
Unrestricted	\$ 40,189	\$ 34,987
	<hr/> <hr/>	<hr/> <hr/>

**CITY OF WANAMINGO, MINNESOTA
SANITATION FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2016 and 2015**

	2016	2015
Operating Revenues		
Sales	\$ 64,642	\$ 62,193
Operating Expenses		
Contracted services	59,440	58,284
Net Income	5,202	3,909
NET POSITION - Beginning of Year	34,987	31,078
NET POSITION - End of Year	\$ 40,189	\$ 34,987

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Balance Sheet
December 31, 2016 and 2015**

	2016	2015
ASSETS		
Noncurrent Assets		
Capital assets		
Depreciable	\$ 627,403	\$ 619,586
Less: Accumulated depreciation	220,794	205,239
Total Capital Assets	406,609	414,347
TOTAL ASSETS	\$ 406,609	\$ 414,347
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 681	\$ 167
Due to other funds	17,255	2,887
Total Current Liabilities	17,936	3,054
Noncurrent Liabilities		
Bonds payable, net of current maturities	466,000	486,000
Total Liabilities	483,936	489,054
Net Position		
Net investment in capital assets	(59,391)	(71,653)
Unrestricted	(17,936)	(3,054)
Total Net Position	\$ (77,327)	\$ (74,707)

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2016 and 2015**

	2016	2015
Operating Revenues		
Facility rent	\$ 37,458	\$ 47,440
Operating Expenses		
Repairs and maintenance	1,065	1,325
Utilities	5,033	6,071
Depreciation	15,555	15,490
Other charges	4,950	4,853
Total Operating Expenses	26,603	27,739
Operating Income	10,855	19,701
Other Revenues (Expenses)		
Tax increment	7,280	8,648
Interest expense	(20,755)	(21,563)
Total Other Revenues (Expenses)	(13,475)	(12,915)
Net Income (Loss)	(2,620)	6,786
NET POSITION - Beginning of Year	(74,707)	(81,493)
NET POSITION - End of Year	\$ (77,327)	\$ (74,707)

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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, 2016, 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 24, 2017.

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 24, 2017

**CITY OF WANAMINGO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2016**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2016-001 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, 2016**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2011-001

2012-001

2013-001

2014-001

2015-001

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.

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, 2016 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 24, 2017.

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, Schaffer and Associates, Ltd.

Rochester, Minnesota
March 24, 2017