

CITY OF WANAMINGO, MINNESOTA

FINANCIAL STATEMENTS

DECEMBER 31, 2015

CITY OF WANAMINGO, MINNESOTA

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CITY OF WANAMINGO, MINNESOTA

INTRODUCTORY SECTION

DECEMBER 31, 2015

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CITY OF WANAMINGO, MINNESOTA

CITY OFFICIALS

DECEMBER 31, 2015

Ryan Holmes	Mayor
Todd Kylo	Council Member
Stuart Ohr	Council Member
Larry Van De Walker	Council Member
Jeremiah Flotterud	Council Member
Jamie Majerus	Resigned (9/14/2015)
Jennifer Berquam	Resigned (11/30/2015)
Michael Boulton	City Administrator

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CITY OF WANAMINGO, MINNESOTA

FINANCIAL SECTION

DECEMBER 31, 2015

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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, 2015, 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 12 to the financial statements, in 2015 the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 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, 2014, from which such partial information was derived.

We have previously audited the City's 2014 financial statements and our report, dated March 27, 2015, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2016, on our consideration of the City of Wanamingo, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Wanamingo, Minnesota's internal control over financial reporting and compliance.

Smith, Schafu and Associates, Ltd.

Rochester, Minnesota
March 28, 2016

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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, 2015.

New Accounting Pronouncement. The City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transitions for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These Statements established accounting and financial reporting standards for pensions.

FINANCIAL HIGHLIGHTS

- The assets of the City of Wanamingo exceeded its liabilities at the close of the most recent fiscal year by \$3,925,079 (*net position*). Of this amount, \$708,736 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's total net position increased by \$1,008,007.
- As of the close of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$2,807,367.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$332,242.
- The City of Wanamingo increased total outstanding debt obligations by \$1,475,840 during the current fiscal year as a result of an advanced refunding.

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-eight 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 exceeded liabilities by \$3,925,079 at the close of the most recent fiscal year.

City of Wanamingo's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 4,029,041	1,443,862	\$ 448,224	\$ 415,291	\$ 4,477,265	\$ 1,859,153
Capital assets	3,734,413	3,781,739	3,689,077	3,827,294	7,423,490	7,609,033
Total assets	<u>7,763,454</u>	<u>5,225,601</u>	<u>4,137,301</u>	<u>4,242,585</u>	<u>11,900,755</u>	<u>9,468,186</u>
Deferred outflows of resources	10,774		12,642		23,416	
Long-term liabilities outstanding	6,405,285	4,696,092	1,435,926	1,363,472	7,841,211	6,059,564
Other liabilities	83,873	143,577	44,247	179,634	128,120	323,211
Total liabilities	<u>6,489,158</u>	<u>4,839,669</u>	<u>1,480,173</u>	<u>1,543,106</u>	<u>7,969,331</u>	<u>6,382,775</u>
Deferred inflows of resources	13,948		15,813		29,761	
Net position:						
Net investment in capital assets	(621,694)	(914,353)	2,344,017	2,326,822	1,722,323	1,412,469
Restricted	1,494,020	995,329			1,494,020	995,329
Unrestricted	398,796	304,956	309,940	372,657	708,736	677,613
Total net position	<u>\$ 1,271,122</u>	<u>\$ 385,932</u>	<u>\$ 2,653,957</u>	<u>\$ 2,699,479</u>	<u>\$ 3,925,079</u>	<u>\$ 3,085,411</u>

A portion of the City of Wanamingo's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* of \$708,736 may be used to meet the government's ongoing obligations to citizens and creditors.

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

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

Governmental activities. Governmental activities increased the City of Wanamingo's net position by \$964,090.

Business-type activities. Business-type activities increased the City of Wanamingo's net position by \$43,917.

A condensed version of the Statement of Activities follows:

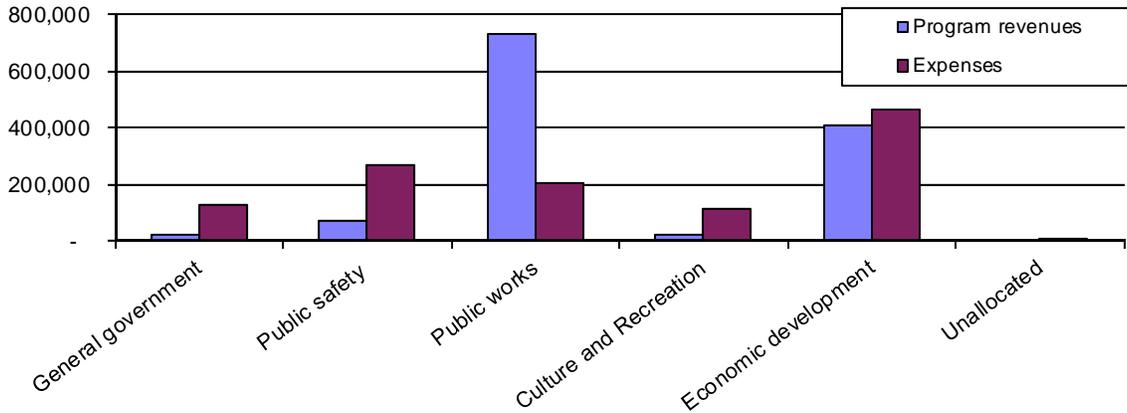
City of Wanamingo's Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue:						
Program revenues:						
Charges for services	\$ 105,268	126,979	\$ 622,012	\$ 625,551	\$ 727,280	\$ 752,530
Operating grants and contributions	419,409	9,107			419,409	9,107
Capital grants and contributions	731,628	138,505			731,628	138,505
General revenues:						
Property taxes	636,935	620,764			636,935	620,764
Tax increments	42,083	46,401			42,083	46,401
Grants and contributions not restricted to specific programs	259,651	254,246			259,651	254,246
Other	89,525	129,966	37,854	16,709	127,379	146,675
Total revenues	<u>2,284,499</u>	<u>1,325,968</u>	<u>659,866</u>	<u>642,260</u>	<u>2,944,365</u>	<u>1,968,228</u>
Expenses:						
General government	129,381	124,068			129,381	124,068
Public safety and transportation	267,777	257,739			267,777	257,739
Public works	205,835	239,950			205,835	239,950
Culture and recreation	112,083	109,441			112,083	109,441
Economic development	463,788	55,812			463,788	55,812
Interest on long-term debt	204,422	194,806			204,422	194,806
Unallocated	12,123	12,004			12,123	12,004
Water			219,216	221,276	219,216	221,276
Waste water			214,147	212,850	214,147	212,850
Sanitation			58,284	51,510	58,284	51,510
Medical center			49,302	54,495	49,302	54,495
Total expenses	<u>1,395,409</u>	<u>993,820</u>	<u>540,949</u>	<u>540,131</u>	<u>1,936,358</u>	<u>1,533,951</u>
Increase in net position before transfers	889,090	332,148	118,917	102,129	1,008,007	434,277
Transfers	75,000	200,000	(75,000)	(200,000)		
Increase (Decrease) in net position	<u>964,090</u>	<u>532,148</u>	<u>43,917</u>	<u>(97,871)</u>	<u>1,008,007</u>	<u>434,277</u>
Net position, beginning of year, as restated	<u>307,032</u>	<u>(146,216)</u>	<u>2,610,040</u>	<u>2,797,350</u>	<u>2,917,072</u>	<u>2,651,134</u>
Net position, end of year	<u>\$ 1,271,122</u>	<u>\$ 385,932</u>	<u>\$ 2,653,957</u>	<u>\$ 2,699,479</u>	<u>\$ 3,925,079</u>	<u>\$ 3,085,411</u>

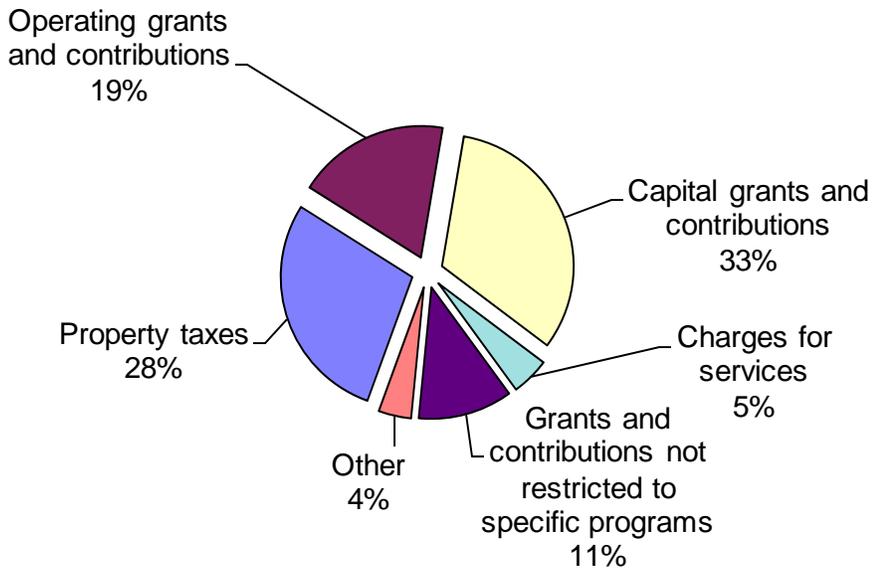
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Governmental Activities



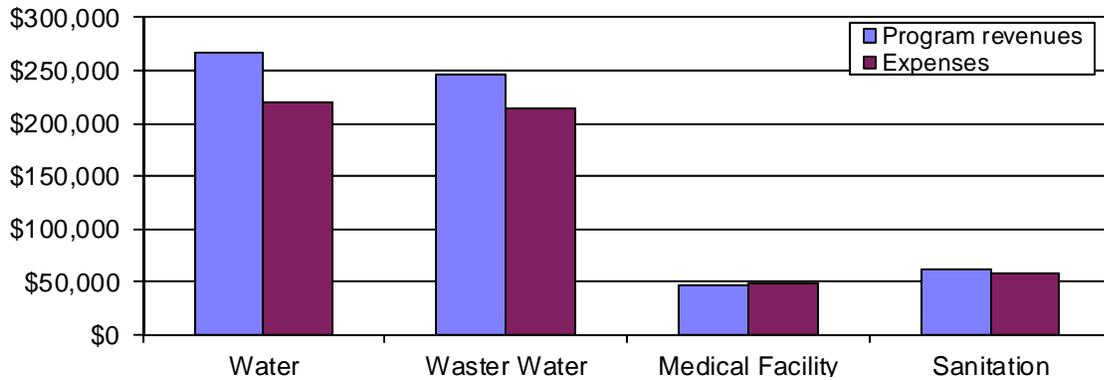
Revenues by Source - Governmental Activities



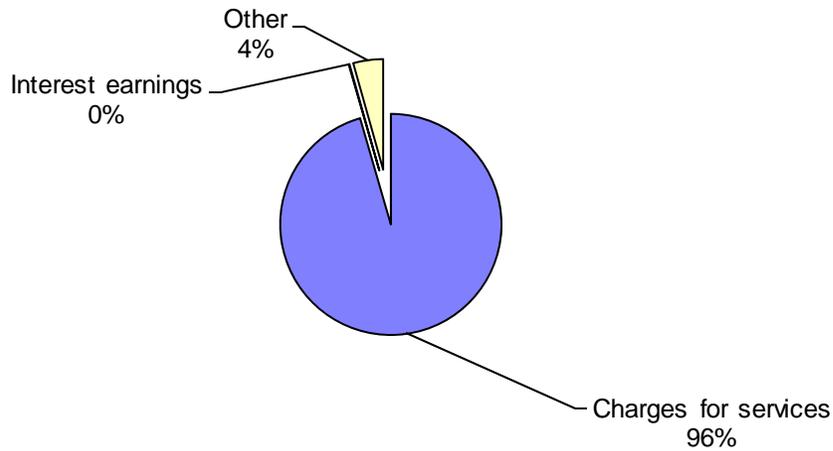
**CITY OF WANAMINGO, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

Expenses and Program Revenues - Business-Type Activities



Revenues by Source - Business-Type Activities



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

Financial Analysis of the Government's Funds

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

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

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

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

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

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

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

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

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

At the end of the current fiscal year, the City of Wanamingo's governmental funds reported combined ending fund balances of \$2,807,367, an increase of \$2,245,314 as the City issued refunding bonds that are not callable until future years and the City's effort to conserve spending. Approximately 14 percent of this total amount or \$395,328 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 \$332,242.

The general fund's total fund balance increased by \$107,526 during the current fiscal year as a result of maintaining prior year(s) increased general property tax levy and by placing emphasis on conservative spending to get the City within the City's reserves policy.

**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 - \$100,041 , Waste water - \$196,382, Sanitation - \$34,987, and Medical center - (\$3,054) .

The water utility fund's increase before transfers of \$75,943 was partially due to a rate increase that took effect in April 2011. The fund paid back the interfund loans that were owed. There is a planned effort to increase cash reserves for future capital projects that will be taking place in the near future.

The wastewater utility fund's increase before transfers of \$32,279 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 2015 general fund budget anticipating an increase of \$104,269 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 \$414,415 more than final budget while actual revenues exceeded final budget by \$491,038 primarily result of a Minnesota DEED Small Cities Development Grant. The fund showed an increase in net position totaling \$107,526 for the year ending December 31, 2015.

**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, 2015, amounts to \$7,423,490 (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 \$185,543.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 114,068	\$ 114,068	\$ 10,000	\$ 10,000	\$ 124,068	\$ 124,068
Work in process		605,722				605,722
Buildings and improvements	846,774	879,344	3,656,408	3,788,454	4,503,182	4,667,798
Improvements other than buildings	2,670,217	2,046,224			2,670,217	2,046,224
Machinery and equipment	103,354	136,381	22,669	28,840	126,023	165,221
Total	\$ 3,734,413	\$ 3,781,739	\$ 3,689,077	\$ 3,827,294	\$ 7,423,490	\$ 7,609,033

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

Long-term debt. At the end of the current fiscal year, the City of Wanamingo had \$7,702,567 in bonds and notes outstanding. Of this amount, \$7,607,317 comprises debt backed by the full faith and credit of the government and \$95,250 represents bonds or notes secured solely by specified revenue sources.

City of Wanamingo's Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 5,240,000	\$ 3,865,000	\$ 775,000	\$ 841,000	\$ 6,015,000	\$ 4,706,000
General obligation TIF bonds	955,000	550,000			955,000	550,000
Revenue bonds	95,250	206,250			95,250	206,250
General obligation equipment certificates	14,500	28,500			14,500	28,500
Capital lease obligation	49,817	72,977			49,817	72,977
General obligation notes			573,000	663,000	573,000	663,000
Total	\$ 6,354,567	\$ 4,722,727	\$ 1,348,000	\$ 1,504,000	\$ 7,702,567	\$ 6,226,727

The City of Wanamingo's total bonds and notes payable increased by \$1,475,840 due to the bond issuance for the crossover refunding bonds. A more detailed breakdown of these obligations can be found in Note 5, beginning on page 43.

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

Economic Factors and Next Year's Budgets and Rates

- The City anticipates some growth in the commercial and residential housing market as the Regional, State, and National economy improves.
- The City anticipates maintenance for the above ground water tower/storage tank in 2016. The City plans to rehab the tank in addition to the installation of a circulation pump. This circulation pump should mitigate freezing from occurring in the tank. Because of freezing, damage took place to the tank during the 2015-2016 winter. The costs for the maintenance will be paid through insurance and the remainder by the water fund.
- The City is exploring the sale of the medical facility in an effort to reduce costs and increase income through TIF funds.
- A combination of additional state aid and decreasing debt service obligations could have an impact on the general tax levy in future years.
- 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 2016 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, 2015

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CITY OF WANAMINGO, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2015
With Comparative Totals for December 31, 2014

	Governmental Activities	Business-Type Activities	Totals	
			2015	2014
ASSETS				
Cash and investments	\$ 782,696	\$ 394,325	\$ 1,177,021	\$ 769,121
Cash in escrow	1,969,021		1,969,021	
Receivables	1,207,067	56,786	1,263,853	874,936
Deposits	50,000		50,000	50,000
Due from other governmental units	17,370		17,370	165,096
Internal balances	2,887	(2,887)		
Capital assets:				
Nondepreciable	114,068	10,000	124,068	729,790
Depreciable, net	3,620,345	3,679,077	7,299,422	6,879,243
Total Assets	7,763,454	4,137,301	11,900,755	9,468,186
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows from pension activity	10,774	12,642	23,416	
LIABILITIES				
Accounts payable	14,101	18,191	32,292	83,347
Accrued liabilities	1,303	1,677	2,980	2,217
Accrued interest payable	55,121	5,963	61,084	69,465
Compensated absences	13,348	18,416	31,764	31,182
Noncurrent liabilities				
Due within one year	321,807	138,000	459,807	525,160
Due in more than one year	6,003,321	1,207,060	7,210,381	5,671,404
Net pension liability	80,157	90,866	171,023	
Total Liabilities	6,489,158	1,480,173	7,969,331	6,382,775
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows from pension activity	13,948	15,813	29,761	
NET POSITION				
Net investment in capital assets	(621,694)	2,344,017	1,722,323	1,412,469
Restricted for:				
Debt service	1,461,004		1,461,004	995,329
Tax increment financing	33,016		33,016	
Unrestricted	398,796	309,940	708,736	677,613
Total Net Position	\$ 1,271,122	\$ 2,653,957	\$ 3,925,079	\$ 3,085,411

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 129,381	\$ 22,989	\$	\$
Public safety	267,777	66,408	4,421	1,500
Public works	205,835			730,128
Culture and recreation	112,083	15,871	6,985	
Economic development	463,788		408,003	
Unallocated	12,123			
Interest on long-term debt	204,422			
Total governmental activities	1,395,409	105,268	419,409	731,628
Business-Type activities:				
Water	219,216	266,303		
Waste water	214,147	246,076		
Sanitation	58,284	62,193		
Medical center	49,302	47,440		
Total business-type activities	540,949	622,012		
Total	\$ 1,936,358	\$ 727,280	\$ 419,409	\$ 731,628

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, as originally stated

Restatement (Note 12)

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 2015	2014
\$ (106,392)	\$	\$ (106,392)	\$ (80,552)
(195,448)		(195,448)	(179,474)
524,293		524,293	(108,160)
(89,227)		(89,227)	(88,421)
(55,785)		(55,785)	(55,812)
(12,123)		(12,123)	(12,004)
(204,422)		(204,422)	(194,806)
<u>(139,104)</u>		<u>(139,104)</u>	<u>(719,229)</u>
	47,087	47,087	50,950
	31,929	31,929	31,763
	3,909	3,909	8,342
	(1,862)	(1,862)	(5,635)
	<u>81,063</u>	<u>81,063</u>	<u>85,420</u>
<u>(139,104)</u>	<u>81,063</u>	<u>(58,041)</u>	<u>(633,809)</u>
636,935		636,935	620,764
42,083	8,648	50,731	54,815
259,651		259,651	254,246
1,266	767	2,033	2,071
41,600		41,600	85,000
46,659	28,439	75,098	51,190
75,000	(75,000)		
<u>1,103,194</u>	<u>(37,146)</u>	<u>1,066,048</u>	<u>1,068,086</u>
964,090	43,917	1,008,007	434,277
385,932	2,699,479		
(78,900)	(89,439)		
<u>307,032</u>	<u>2,610,040</u>	<u>2,917,072</u>	<u>2,651,134</u>
<u>\$ 1,271,122</u>	<u>\$ 2,653,957</u>	<u>\$ 3,925,079</u>	<u>\$ 3,085,411</u>

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

December 31, 2015

With Comparative Totals for December 31, 2014

	101 General	306 2009A G.O. Tax Increment Refunding	331 2014C G.O. Improvement Bond
ASSETS			
Cash and investments	\$ 209,694	\$ 143,437	\$ 147,872
Cash in escrow		437,220	
Accounts receivable			
Taxes receivable delinquent	8,598	370	
Special assessments receivable:			
Deferred	87,619	196,137	497,282
Delinquent			
Loan receivable			
Deposits			
Advance to other funds	24,290		
Due from other funds	119,405		
Due from other governmental units	17,370		
TOTAL ASSETS	\$ 466,976	\$ 777,164	\$ 645,154
LIABILITIES, DEFERRED INFLOWS OF REOURCES, AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 13,089	\$ 562	\$
Accrued expenses	1,138		
Advance from other funds			
Due to other funds			
Total Liabilities	14,227	562	
Deferred Inflows of Resources			
Unavailable:			
Property taxes	8,598	370	
Special assessments	87,619	196,137	497,282
Loans receivable			
Total Deferred Inflows of Resources	96,217	196,507	497,282
Fund Balance			
Nonspendable:			
Advances to other funds	24,290		
Restricted:			
Creditors		142,875	147,872
Bond refunding		437,220	
Regulations			
Committed			
Assigned			
Unassigned	332,242		
Total Fund Balance	356,532	580,095	147,872
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 466,976	\$ 777,164	\$ 645,154

See Notes to Financial Statements

328 2007 G.O. Refunding	Other Governmental Funds	Total Governmental Funds	
		2015	2014
\$	\$ 281,693	\$ 782,696	\$ 409,237
1,531,801		1,969,021	
	797	797	804
1,851	5,060	15,879	29,999
154,045	186,778	1,121,861	724,726
40,523	527	41,050	30,526
	27,480	27,480	27,150
	50,000	50,000	50,000
		24,290	24,290
	37,957	157,362	245,516
		17,370	165,096
<u>\$ 1,728,220</u>	<u>\$ 590,292</u>	<u>\$ 4,207,806</u>	<u>\$ 1,707,344</u>
\$	\$ 450	\$ 14,101	\$ 68,112
	165	1,303	1,296
	24,290	24,290	24,290
<u>72,525</u>	<u>81,950</u>	<u>154,475</u>	<u>239,192</u>
<u>72,525</u>	<u>106,855</u>	<u>194,169</u>	<u>332,890</u>
1,851	5,060	15,879	29,999
194,568	187,305	1,162,911	755,252
	27,480	27,480	27,150
<u>196,419</u>	<u>219,845</u>	<u>1,206,270</u>	<u>812,401</u>
		24,290	24,290
	94,965	385,712	272,876
1,531,801		1,969,021	
	33,016	33,016	
	6,830	6,830	9,821
	235,636	235,636	243,928
<u>(72,525)</u>	<u>(106,855)</u>	<u>152,862</u>	<u>11,138</u>
<u>1,459,276</u>	<u>263,592</u>	<u>2,807,367</u>	<u>562,053</u>
<u>\$ 1,728,220</u>	<u>\$ 590,292</u>	<u>\$ 4,207,806</u>	<u>\$ 1,707,344</u>

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

For the Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	101 General	306 2009A G.O. Tax Increment Refunding	331 2014C Improvement Bond
REVENUES			
General property taxes	\$ 309,765	\$ 15,801	\$
Tax increment			
Special assessments	2,280		160,000
Licenses and permits	19,965		
Intergovernmental revenues	687,323		
Charges for services	83,311		
Fines and forfeits	1,992		
Investment income	1,257		
Miscellaneous revenues	37,405	46,600	
Total Revenues	<u>1,143,298</u>	<u>62,401</u>	<u>160,000</u>
EXPENDITURES			
General government	110,260		
Public safety	204,305		
Public works	132,458		
Culture and recreation	95,180		
Unallocated	420,203		
Economic development		14,894	
Debt service		71,316	12,128
Capital outlay			
Total Expenditures	<u>962,406</u>	<u>86,210</u>	<u>12,128</u>
Excess (deficiency) of revenues over (under) expenditures	<u>180,892</u>	<u>(23,809)</u>	<u>147,872</u>
OTHER FINANCING SOURCES (USES)			
Bond proceeds		445,000	
Transfers in	4,500	22,751	
Transfers out	(77,866)		
Total other financing sources (uses)	<u>(73,366)</u>	<u>467,751</u>	
Net change in fund balances	107,526	443,942	147,872
Fund Balance - beginning	<u>249,006</u>	<u>136,153</u>	
Fund Balance - ending	<u>\$ 356,532</u>	<u>\$ 580,095</u>	<u>\$ 147,872</u>

See Notes to Financial Statements

328 2007 G.O. Refunding	Other Governmental Funds	Total Governmental Funds	
		2015	2014
\$ 79,005	\$ 216,645	\$ 621,216	\$ 595,739
	71,922	71,922	76,550
12,052	48,394	222,726	98,799
		19,965	39,746
	82,354	769,677	412,113
		83,311	85,008
		1,992	2,225
	9	1,266	1,567
	23,718	107,723	130,904
<u>91,057</u>	<u>443,042</u>	<u>1,899,798</u>	<u>1,442,651</u>
		110,260	108,907
		204,305	225,643
		132,458	134,879
		95,180	93,364
		420,203	13,004
	159,287	174,181	82,323
156,049	363,318	602,811	1,489,688
	10,086	10,086	619,993
<u>156,049</u>	<u>532,691</u>	<u>1,749,484</u>	<u>2,767,801</u>
<u>(64,992)</u>	<u>(89,649)</u>	<u>150,314</u>	<u>(1,325,150)</u>
1,575,000		2,020,000	1,440,000
25,000	144,435	196,686	364,377
	(43,820)	(121,686)	(164,377)
<u>1,600,000</u>	<u>100,615</u>	<u>2,095,000</u>	<u>1,640,000</u>
1,535,008	10,966	2,245,314	314,850
<u>(75,732)</u>	<u>252,626</u>	<u>562,053</u>	<u>247,203</u>
<u>\$ 1,459,276</u>	<u>\$ 263,592</u>	<u>\$ 2,807,367</u>	<u>\$ 562,053</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, 2015

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

Total governmental fund balances (page 18)		\$ 2,807,367
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	\$ 6,480,355	
Less: Accumulated depreciation	<u>(2,745,942)</u>	3,734,413
Some receivables are not available soon enough to pay for current period expenditures and, therefore, are unavailable in the funds.		
Delinquent property taxes	\$ 15,879	
Deferred and delinquent special assessments	1,162,911	
Loans receivable	<u>27,480</u>	1,206,270
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	\$ (6,354,567)	
Unamortized bond discount	29,439	
Net pension liability	(83,331)	
Compensated absences	(13,348)	
Accrued interest	<u>(55,121)</u>	<u>(6,476,928)</u>
Net position of governmental activities (page 14)		<u><u>\$ 1,271,122</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, 2015

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

Net change in fund balances - total governmental funds (page 20)		\$ 2,245,314
<p>Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital outlay	\$ 120,340	
Depreciation expense	<u>(167,666)</u>	(47,326)
<p>Certain revenues in the statement of activities do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	\$ (14,120)	
Special assessments	407,659	
Loans receivable	<u>330</u>	393,869
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and , therefore, are not reported as expenditures in governmental funds.</p>		
Compensated absences, December 31, 2015	\$ (13,348)	
Compensated absences, December 31, 2014	<u>12,466</u>	(882)
<p>Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Change in accrued interest	\$ 6,582	
Amortization of bond discount	2,804	
Change in net pension liability	(4,431)	
Proceeds from issuance of bonds	(2,020,000)	
Principal retirement on long-term debt	<u>388,160</u>	<u>(1,626,885)</u>
Change in net position of governmental activities (pages 15 and 16)		<u><u>\$ 964,090</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, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
REVENUES					
Property Taxes	\$ 285,000	\$ 285,000	\$ 309,765	\$ 24,765	\$ 337,952
Special Assessments	1,000	1,000	2,280	1,280	14,092
Licenses and Permits					
Business	2,520	2,520	57	(2,463)	5,185
Nonbusiness	10,550	10,550	19,908	9,358	34,561
Total Licenses and Permits	13,070	13,070	19,965	6,895	39,746
Intergovernmental Revenues					
Local government aid	232,873	232,873	232,873		227,213
Other state aid	2,800	2,800	430,229	427,429	3,290
Fire aid	15,000	15,000	24,221	9,221	23,743
Total Intergovernmental Revenues	250,673	250,673	687,323	436,650	254,246
Charges For Services					
Township fire contributions	64,417	64,417	64,416	(1)	67,325
Swimming pool fees	14,800	14,800	15,871	1,071	13,913
Other	2,700	2,700	3,024	324	3,770
Total Charges For Services	81,917	81,917	83,311	1,394	85,008
Fines and Forfeits					
Court fines	2,000	2,000	1,992	(8)	2,225
Investment Income	3,600	3,600	1,257	(2,343)	1,553
Miscellaneous Revenues					
Fire department contribution	3,000	3,000	4,421	1,421	2,000
Other contributions	6,500	6,500	6,985	485	7,107
Other refunds and reimbursements	2,000	2,000	22,696	20,696	20,377
Other	3,500	3,500	3,303	(197)	1,362
Total Miscellaneous Revenues	15,000	15,000	37,405	22,405	30,846
TOTAL REVENUES	\$ 652,260	\$ 652,260	\$ 1,143,298	\$ 491,038	\$ 765,668

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, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
EXPENDITURES					
General Government					
Mayor and Council					
Employee services	\$ 11,800	\$ 11,800	\$ 8,953	\$ 2,847	\$ 11,282
Insurance	700	700	645	55	502
Total Mayor and Council	<u>12,500</u>	<u>12,500</u>	<u>9,598</u>	<u>2,902</u>	<u>11,784</u>
Election and Voter Registration			959	(959)	1,717
City Administration					
Employee services	29,500	29,500	31,230	(1,730)	30,673
Employee benefits and retirement	6,750	6,750	5,919	831	5,496
Materials and supplies	2,700	2,700	3,511	(811)	2,005
Telephone	3,500	3,500	2,602	898	2,950
Printing and publishing	1,800	1,800	1,927	(127)	2,760
Contracted services	1,500	1,500	454	1,046	477
Insurance	12,200	12,200	15,402	(3,202)	12,584
Other charges	10,690	10,690	10,840	(150)	10,804
Capital outlay	9,000	9,000	4,910	4,090	328
Total City Administration	<u>77,640</u>	<u>77,640</u>	<u>76,795</u>	<u>845</u>	<u>68,077</u>
Professional Services					
Legal	8,000	8,000	3,508	4,492	8,479
Accounting and audit	18,750	18,750	19,400	(650)	18,850
Total Professional Services	<u>26,750</u>	<u>26,750</u>	<u>22,908</u>	<u>3,842</u>	<u>27,329</u>
Total General Government	<u>\$ 116,890</u>	<u>\$ 116,890</u>	<u>\$ 110,260</u>	<u>\$ 6,630</u>	<u>\$ 108,907</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, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Safety					
Police Protection					
Contractual services	\$ 98,848	\$ 98,848	\$ 98,848	\$	\$ 96,205
Legal services	12,000	12,000	12,000		12,000
Total Police Protection	110,848	110,848	110,848		108,205
Ambulance					
Contractual services	3,258	3,258	4,344	(1,086)	3,258
Fire Protection					
State fire aid	16,000	16,000	24,221	(8,221)	23,743
Materials and supplies	14,000	14,000	3,580	10,420	3,301
Utilities	9,900	9,900	8,418	1,482	9,899
Repairs and maintenance	8,200	8,200	10,365	(2,165)	2,925
Insurance	8,200	8,200	8,762	(562)	7,536
Other charges	9,000	9,000	8,629	371	8,103
Debt service					32,827
Capital outlay			8,921	(8,921)	
Total Fire Protection	65,300	65,300	72,896	(7,596)	88,334
Building Inspection					
Contractual services	6,000	6,000	16,217	(10,217)	25,846
Total Public Safety	\$ 185,406	\$ 185,406	\$ 204,305	\$ (18,899)	\$ 225,643

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, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
EXPENDITURES					
Public Works					
Highways, Streets and Alleys					
Employee services	\$ 45,500	\$ 45,500	\$ 37,191	\$ 8,309	\$ 42,315
Employee benefits and retirement	13,900	13,900	10,934	2,966	9,350
Materials and supplies	7,200	7,200	5,871	1,329	9,809
Repairs and maintenance	9,000	9,000	12,475	(3,475)	12,162
Utilities	7,300	7,300	6,161	1,139	7,986
Telephone	1,600	1,600	1,633	(33)	1,703
Insurance	5,970	5,970	7,033	(1,063)	5,531
Other charges	1,800	1,800	11,949	(10,149)	1,197
Capital outlay	5,000	5,000		5,000	4,695
Total Highways Streets and Alleys	97,270	97,270	93,247	4,023	94,748
Snow Removal	15,000	15,000	12,290	2,710	12,000
Street Lights	24,000	24,000	26,921	(2,921)	28,131
Total Public Works	\$ 136,270	\$ 136,270	\$ 132,458	\$ 3,812	\$ 134,879

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, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
EXPENDITURES					
Culture and Recreation					
Community center					
Material and supplies	\$ 200	\$ 200	\$ 198	\$ 2	\$ 146
Utilities	3,800	3,800	3,806	(6)	3,802
Other charges	3,980	3,980	4,994	(1,014)	3,588
Total Community center	7,980	7,980	8,998	(1,018)	7,536
Parks					
Employee services	3,100	3,100	2,779	321	3,096
Employee benefits and retirement	400	400	331	69	462
Materials and supplies	300	300	164	136	146
Repairs and maintenance	3,250	3,250	1,004	2,246	3,418
Utilities	1,700	1,700	1,472	228	1,317
Insurance	2,400	2,400	2,604	(204)	2,337
Contracted services	17,450	17,450	18,720	(1,270)	17,040
Capital outlay			3,385	(3,385)	1,160
Total Parks	28,600	28,600	30,459	(1,859)	28,976
Swimming Pool					
Employee services	35,000	35,000	31,556	3,444	30,747
Employee benefits and retirement	3,300	3,300	2,967	333	2,850
Materials and supplies	4,200	4,200	3,654	546	2,689
Repairs and maintenance	2,000	2,000	3,437	(1,437)	3,914
Utilities	7,900	7,900	5,969	1,931	9,077
Insurance	2,480	2,480	4,347	(1,867)	2,185
Other charges	4,065	4,065	3,793	272	5,294
Capital outlay					96
Total Swimming Pool	58,945	58,945	55,723	3,222	56,852
Total Culture and Recreation	\$ 95,525	\$ 95,525	\$ 95,180	\$ 345	\$ 93,364

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, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Budgeted Amounts		2015 Actual Amounts	Variance with Final Budget - Positive (Negative)	2014 Actual Amounts
	Original	Final			
EXPENDITURES					
Unallocated Expense					
Professional Services	\$ 3,500	\$ 3,500	\$ 410,436	\$ (406,936)	\$ 2,005
Miscellaneous	10,400	10,400	9,767	633	10,999
Total Unallocated	13,900	13,900	420,203	(406,303)	13,004
TOTAL EXPENDITURES	547,991	547,991	962,406	(414,415)	575,797
Excess (deficiency) of revenues over (under) expenditures	104,269	104,269	180,892	76,623	189,871
Other Financing Sources (Uses)					
Transfers in			4,500	(4,500)	17,777
Transfers out	(110,000)	(110,000)	(77,866)	32,134	(88,291)
Total other financing sources (uses)	(110,000)	(110,000)	(73,366)	27,634	(70,514)
Net change in fund balances	(5,731)	(5,731)	107,526	113,257	119,357
FUND BALANCE - beginning	249,006	249,006	249,006		129,649
FUND BALANCE - ending	\$ 243,275	\$ 243,275	\$ 356,532	\$ 113,257	\$ 249,006

See Notes to Financial Statements

CITY OF WANAMINGO, MINNESOTA
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
For the Year Ended December 31, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Business - Type Activities - Enterprise Funds					
	Water	Waste Water	Sanitation	Medical Center	Totals	
					2015	2014
ASSETS						
Current Assets						
Cash and investments	\$ 123,937	\$ 225,551	\$ 44,837	\$	\$ 394,325	\$ 359,884
Accounts receivable	26,960	23,050	6,776		56,786	61,731
Total Current Assets	<u>150,897</u>	<u>248,601</u>	<u>51,613</u>		<u>451,111</u>	<u>421,615</u>
Noncurrent Assets						
Capital assets						
Nondepreciable		10,000			10,000	10,000
Depreciable	3,801,337	2,789,588		619,586	7,210,511	7,164,722
Less: Accumulated depreciation	1,767,330	1,558,865		205,239	3,531,434	3,347,428
Total Capital Assets	<u>2,034,007</u>	<u>1,240,723</u>		<u>414,347</u>	<u>3,689,077</u>	<u>3,827,294</u>
TOTAL ASSETS	<u>2,184,904</u>	<u>1,489,324</u>	<u>51,613</u>	<u>414,347</u>	<u>4,140,188</u>	<u>4,248,909</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows from pension activity	5,560	7,082			12,642	
LIABILITIES						
Current Liabilities						
Accounts payable	916	482	16,626	167	18,191	15,235
Accrued expenses	1,342	335			1,677	921
Accrued interest	5,963				5,963	7,762
Due to other funds				2,887	2,887	6,324
Current maturities of bonds payable	47,000				47,000	47,000
Current maturities of note payable	91,000				91,000	90,000
Total Current Liabilities	<u>146,221</u>	<u>817</u>	<u>16,626</u>	<u>3,054</u>	<u>166,718</u>	<u>167,242</u>
Noncurrent Liabilities						
Bonds payable, net of current maturities and discount	239,060			486,000	725,060	790,472
Note payable, net of current maturities	482,000				482,000	573,000
Compensated absences payable	9,198	9,218			18,416	18,716
Net pension liability	41,051	49,815			90,866	
Total Noncurrent Liabilities	<u>771,309</u>	<u>59,033</u>		<u>486,000</u>	<u>1,316,342</u>	<u>1,382,188</u>
TOTAL LIABILITIES	<u>917,530</u>	<u>59,850</u>	<u>16,626</u>	<u>489,054</u>	<u>1,483,060</u>	<u>1,549,430</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows from pension activity	7,144	8,669			15,813	
NET POSITION						
Net investment in capital assets	1,165,749	1,231,505		(71,653)	2,325,601	2,326,822
Unrestricted	100,041	196,382	34,987	(3,054)	328,356	372,657
TOTAL NET POSITION	<u>\$ 1,265,790</u>	<u>\$ 1,427,887</u>	<u>\$ 34,987</u>	<u>\$ (74,707)</u>	<u>\$ 2,653,957</u>	<u>\$ 2,699,479</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, 2015
With Comparative Totals for the Year Ended December 31, 2014

	Business - Type Activities - Enterprise Funds					
	Water	Waste		Medical Center	Total	
		Water	Sanitation		2015	2014
Operating Revenues						
Sales	\$ 266,303	\$ 246,076	\$ 62,193	\$ 47,440	\$ 622,012	\$ 625,551
Operating Expenses						
Employee services	45,209	62,980			108,189	108,622
Employee benefits and retirements	13,501	21,103			34,604	32,806
Materials and supplies	6,119				6,119	3,695
Repairs and maintenance	3,937	4,739		1,325	10,001	15,049
Utilities	9,481	18,068		6,071	33,620	31,847
Depreciation	107,379	61,137		15,490	184,006	175,578
Contracted services		23,400	58,284		81,684	76,332
Other charges	15,525	22,720		4,853	43,098	47,199
Total Operating Expenses	201,151	214,147	58,284	27,739	501,321	491,128
Operating Income	65,152	31,929	3,909	19,701	120,691	134,423
Nonoperating Revenues (Expenses)						
Interest income	767				767	504
Tax increment				8,648	8,648	8,414
Miscellaneous income	27,762	350			28,112	7,689
Water meter fee	327				327	102
Interest expense	(18,065)			(21,563)	(39,628)	(49,003)
Total Nonoperating Revenues (Expenses)	10,791	350		(12,915)	(1,774)	(32,294)
Net Income Before Transfers	75,943	32,279	3,909	6,786	118,917	102,129
Transfers out		(75,000)			(75,000)	(200,000)
Net Increase (Decrease) in Net Position	75,943	(42,721)	3,909	6,786	43,917	(97,871)
NET POSITION - Beginning of Year, originally stated	1,230,253	1,519,641	31,078	(81,493)	2,699,479	
RESTATEMENT (Note 12)	(40,406)	(49,033)			(89,439)	
NET POSITION - Beginning of Year	1,189,847	1,470,608	31,078	(81,493)	2,610,040	2,797,350
NET POSITION - End of Year	\$ 1,265,790	\$ 1,427,887	\$ 34,987	\$ (74,707)	\$ 2,653,957	\$ 2,699,479

See Notes to the Financial Statements

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

For the Year Ended December 31, 2015

With Comparative Totals for the Year Ended December 31, 2014

	Business - Type Activities - Enterprise Funds					
	Water	Waste		Medical Center	Total	
		Water	Sanitation		2015	2014
Cash Flows From Operating Activities						
Cash received from customers	\$ 269,156	\$ 248,543	\$ 61,818	\$ 47,440	\$ 626,957	\$ 626,216
Cash paid to suppliers	(36,214)	(69,254)	(53,463)	(12,088)	(171,019)	(180,335)
Cash paid to employees	(56,481)	(81,805)			(138,286)	(143,391)
Net Cash Provided By Operating Activities	176,461	97,484	8,355	35,352	317,652	302,490
Cash Flows From Noncapital Financing Activities						
Other income (expense)	28,089				28,089	7,602
Increase (decrease) in due to other funds				(3,437)	(3,437)	311
Net Cash Provided By (Used In) Noncapital Financing Activities	28,089			(3,437)	24,652	7,913
Cash Flows From Capital and Related Financing Activities						
Acquisition of capital assets		(45,789)			(45,789)	(150,759)
Tax increment collections				8,648	8,648	8,414
Proceeds from bond issuance						161,000
Principal paid on long-term debt	(136,412)			(19,000)	(155,412)	(131,000)
Interest and fiscal agent fees	(19,864)			(21,563)	(41,427)	(48,549)
Transfer in from (out to) other funds		(75,000)			(75,000)	(200,000)
Net Cash Used In Capital and Related Financing Activities	(156,276)	(120,789)		(31,915)	(308,980)	(360,894)
Cash Flows From Investing Activities						
Investment income	767	350			1,117	693
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	49,041	(22,955)	8,355		34,441	(49,798)
CASH AND CASH EQUIVALENTS - Beginning of Year	74,896	248,506	36,482		359,884	409,682
CASH AND CASH EQUIVALENTS - End of Year	\$ 123,937	\$ 225,551	\$ 44,837	\$	\$ 394,325	\$ 359,884

See Notes to the Financial Statements

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

	Business - Type Activities - Enterprise Funds					
	Water	Waste	Sanitation	Medical	Total	
		Water		Center	2015	2014
Operating Income	\$ 65,152	\$ 31,929	\$ 3,909	\$ 19,701	\$ 120,691	\$ 134,423
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	107,379	61,137		15,490	184,006	175,578
Change in net pension liability	2,229	2,369			4,598	
(Increase) Decrease In:						
Accounts receivable	2,853	2,467	(375)		4,945	665
Increase (Decrease) In:						
Accounts payable	(1,699)	(327)	4,821	161	2,956	(1,968)
Accrued expenses	547	(91)			456	(6,208)
 Net Cash Provided By Operating Activities	 \$ 176,461	 \$ 97,484	 \$ 8,355	 \$ 35,352	 \$ 317,652	 \$ 302,490

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CITY OF WANAMINGO, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

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. 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)

2. Cash and Investments

Summary of Cash and Investments

As of December 31, 2015, 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	\$ 1,171,575
Investments held by trustee	None	Unrated	1,969,021
Money Market Mutual Fund	None	Unrated	<u>5,446</u>
			<u>\$ 3,146,042</u>

Investments Authorized by Minnesota Statutes

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

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

Collateralization of Cash Deposits

The City's deposits are covered by federal depository insurance or by collateral held by the City's custodial banks in the City's name. At times during the year ended December 31, 2015, the City did not consistently maintain adequate collateral to properly insure deposits.

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

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2. Cash and Investments (Continued)

Collateralization of Cash Deposits (Continued)

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

Interest Rate Risk

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

Credit Risk

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

Concentration of Credit Risk

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

3. Due From Other Governmental Units

Amounts due from other governmental units as of December 31, 2015 are as follows:

<u>Fund</u>	<u>Goodhue County</u>
General	<u>\$ 17,370</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

Governmental Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 114,068	\$	\$	\$ 114,068
Work in progress	605,722	103,124	708,846	
Total capital assets, not being depreciated	719,790	103,124	708,846	114,068
Capital assets, being depreciated:				
Buildings	1,636,650			1,636,650
Improvements other than buildings	2,704,188	708,846		3,413,034
Machinery and equipment	1,299,387	17,216		1,316,603
Total capital assets, being depreciated	5,640,225	726,062		6,366,287
Less accumulated depreciation for:				
Buildings	757,306	32,570		789,876
Improvements other than buildings	657,964	84,853		742,817
Machinery and equipment	1,163,006	50,243		1,213,249
Total accumulated depreciation	2,578,276	167,666		2,745,942
Total capital assets, being depreciated, net	3,061,949	558,396		3,620,345
 Governmental activities capital assets, net	 \$ 3,781,739	 \$ 661,520	 \$ 708,846	 \$ 3,734,413
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	6,892,624	45,789		6,938,413
Machinery and equipment	272,098			272,098
Total capital assets, being depreciated	7,164,722	45,789		7,210,511
Less accumulated depreciation for:				
Buildings and improvements	3,104,170	177,835		3,282,005
Machinery and equipment	243,258	6,171		249,429
Total accumulated depreciation	3,347,428	184,006		3,531,434
Total capital assets, being depreciated, net	3,817,294	(138,217)		3,679,077
 Business-type activities capital assets, net	 \$ 3,827,294	 \$ (138,217)	 \$	 \$ 3,689,077

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

4. Capital Assets (Continued)

Governmental Activities:	
General government	\$ 16,104
Public safety	63,472
Public works	71,618
Culture and recreation	<u>16,472</u>
Total depreciation expense - governmental activities	<u>\$ 167,666</u>
Business-Type Activities:	
Water	\$ 107,379
Sewer	61,137
Medical Facility	<u>15,490</u>
Total depreciation expense - business-type activities	<u>\$ 184,006</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, 2015 balances are as follows:

	Range of Interest Rates	Final Maturity	Balance December 31, 2015
General Obligation Improvement Bonds:			
Series 2007A Refunding	4.0%-4.85%	2/1/2037	\$ 1,550,000
Series 2010B Refunding	1.0%-3.70%	2/1/2023	755,000
Series 2014A Refunding	1.0%-3.55%	2/1/2026	975,000
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
General Obligation Tax Increment Bonds:			
Series 2009A Refunding	2.2%-4.55%	5/1/2025	510,000
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	45,250
Series 2007B - City Hall	4.70%	2/1/2018	50,000
Series 2014B - Water Tower Painting	2.35%	2/1/2022	139,000
General Obligation Equipment Certificate:			
Series 2006D - Fire Truck / Pumper	4.50%	2/1/2016	14,500
Capital Lease Obligation:			
Series 2007 - Pumper	4.75%	8/1/2017	49,817
General Obligation Revenue Bonds:			
Medical Facility Bonds, series 2003	4.25%	1/1/2033	486,000
General Obligation Revenue Notes:			
2001 Public Facilities Authority Water	1.81%	8/20/2021	573,000
Compensated Absences			<u>31,764</u>
	Total		7,734,331
Less: Unamortized Discount			<u>(32,379)</u>
	Total Long Term Debt		<u>\$ 7,701,952</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

A summary of the changes in long-term debt for the year ended December 31, 2015 are as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General Obligation Improvement Bonds:					
Series 2007A Refunding	\$ 1,590,000	\$	\$ 40,000	\$ 1,550,000	\$ 40,000
Series 2010B Refunding	835,000		80,000	755,000	85,000
Series 2014A Refunding	905,000		80,000	825,000	80,000
Series 2014C	535,000			535,000	
Series 2015A Refunding		1,575,000		1,575,000	
Revenue Bonds:					
Series 2004 Refunding - Fire Hall	75,000		75,000		
Series 2006B - City Shop	66,250		21,000	45,250	22,000
Series 2007B - City Hall	65,000		15,000	50,000	16,000
General Obligation Tax Increment Bonds:					
Series 2009A Refunding	550,000		40,000	510,000	40,000
Series 2015A Refunding		445,000		445,000	
General Obligation Equipment Certificates:					
Series 2006D - Fire Truck / Pumper	28,500		14,000	14,500	14,500
Capital Lease Obligation:					
Series 2007 - Pumper	72,977		23,160	49,817	24,307
Unamortized Discount	(26,635)	(17,032)	(14,228)	(29,439)	
Compensated Absences	12,466	882		13,348	
Governmental Activities Long-term Liabilities	<u>4,708,558</u>	<u>2,003,850</u>	<u>373,932</u>	<u>6,338,476</u>	<u>321,807</u>
BUSINESS-TYPE ACTIVITIES					
General Obligation Revenue Bonds:					
Medical Facility Bonds, series 2003	505,000		19,000	486,000	
2014A Refunding	180,000		30,000	150,000	30,000
2014B Water	156,000		17,000	139,000	17,000
General Obligation Revenue Notes:					
2001 Public Facilities Authority Water	663,000		90,000	573,000	91,000
Unamortized Discount	(3,528)		(588)	(2,940)	
Compensated Absences	18,716		300	18,416	
Business-type Activities Long-term Liabilities	<u>1,519,188</u>		<u>155,712</u>	<u>1,363,476</u>	<u>138,000</u>
Total	<u>\$ 6,227,746</u>	<u>\$ 2,003,850</u>	<u>\$ 529,644</u>	<u>\$ 7,701,952</u>	<u>\$ 459,807</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

5. Long-Term Debt (Continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2015 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
Governmental Activities								
2016	\$ 205,000	\$ 169,172	\$ 40,000	\$ 34,830	\$ 14,500	\$ 326	\$ 62,307	\$ 6,067
2017	240,000	164,356	45,000	32,890			65,760	3,014
2018	325,000	158,255	95,000	30,567			17,000	400
2019	330,000	143,778	95,000	27,385				
2020	325,000	141,636	105,000	23,725				
2021-2025	1,520,000	558,525	575,000	60,712				
2026-2030	1,065,000	338,957						
2031-2035	1,015,000	152,733						
2035-2040	215,000	10,549						
Totals	\$5,240,000	\$1,837,960	\$ 955,000	\$ 210,109	\$ 14,500	\$ 326	\$ 145,067	\$ 9,480
Business-Type Activities								
2016					\$ 141,000	\$ 36,916		
2017					163,000	33,693		
2018					167,000	30,344		
2019					170,000	26,784		
2020					173,000	23,048		
2021-2025					264,000	76,996		
2026-2030					158,000	44,398		
2031-2035					112,000	9,647		
Totals					\$1,348,000	\$ 281,826		

6. Individual Fund Disclosures

The amounts advanced to and advanced from other funds as of December 31, 2015 follow below:

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

During 2015, the General Fund had excess expenditures over appropriations of \$414,415.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

6. Individual Fund Disclosures (Continued)

As of December 31, 2015, the following funds had deficit fund balances/net position:

Special Revenue Funds:	
Economic Development	\$ 10,690
Debt Service Funds:	
2010 G.O. Refunding	40,675
City Hall Lease Purchase	819
Capital Projects Funds	
Tax Increment District #4-2 Fulton	50,907
Tax Increment District #3-1 Maple Island	794
2016 Roadway Improvements Project	2,970
Enterprise Funds:	
Medical Center	74,707

Transfers during the year ended December 31, 2015 were as follows:

	Transfers In	Transfers Out
General Fund	\$ 4,500	\$ 77,866
Special Revenue:		
Senior Housing Reserve	25,000	
Debt Service:		
2009A G.O. Tax Increment Refunding	22,751	
2004 Public Project Refunding	52,866	
2010 G.O. Refunding	50,000	
2007 G.O. Refunding	25,000	
Capital Project:		
Fire Capital		4,500
TIF District #1-1 Masters		84
TIF District #2-2 Benson	5,849	
TIF District #4-3 Masters		578
TIF District #2-4 Doffing		9,419
TIF District #2-5 Meyers	10,720	
TIF District #2-6 Vertical Limit		29,239
Enterprise:		
Waste Water		75,000
Totals	<u>\$ 196,686</u>	<u>\$ 196,686</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, 2015 follow below:

	Due From Other Funds	Due To Other Funds
General Fund	\$ 119,405	\$
Special Revenue Funds		
Economic Development		10,506
Debt Service Funds:		
2005A G.O. Improvement Refunding	37,957	
2010 G.O. Refunding		40,675
2007 G.O. Refunding		72,525
City Hall Lease Purchase		819
Capital Project Funds:		
Tax Increment District #4-2 Fulton		26,617
Tax Increment District #3-1 Maple Island		794
2016 Roadway Improvements project		2,539
Enterprise Funds:		
Medical center		2,887
	<u>\$ 157,362</u>	<u>\$ 157,362</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, 2015 is as follows:

Committed Fund Balance	Fire Capital
Equipment Replacement	
Fire	\$ 6,830

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
Assigned Fund Balance					
Economic development	\$ 37,650	\$	\$	\$	\$ 39,593
Senior housing		50,000			
Public works			49,563	58,830	
Total Assigned Fund Balance	\$ 37,650	\$ 50,000	\$ 49,563	\$ 58,830	\$ 39,593

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, 2015 is as follows:

Specific Purpose	Restriction Imposed By			
	Contributors	Grantors	Creditors	Regulations
Restricted Fund Balance				
Debt Service Funds:				
Debt service requirements	\$	\$	\$ 385,712	\$
Bond refunding			1,969,021	
Capital Project Funds:				
Tax increment financing				33,016
Total Restricted Fund Balance	\$	\$	\$ 2,354,733	\$ 33,016
Restricted Net Position				
Debt service requirements	\$	\$	\$ 1,461,004	\$
Tax increment financing				33,016.0
Total Restricted Net Position	\$	\$	\$ 1,461,004	\$ 33,016

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

1. 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.

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.

1.GERF Benefits

Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members and are based upon years of service and average high-five salary.

Contributions

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

1. GERF Contributions

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 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the year ended December 31, 2015, were \$14,403. The City's contributions were equal to the required contributions as set by state statute.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans - Statewide (Continued)

Pension Costs

1. GERF Pension Costs

At December 31, 2015, the City reported a liability of \$171,023 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.0033% at the end of the measurement period and 0.0039% for the beginning of the period.

For the year ended December 31, 2015, the City recognized pension expense of \$15,751 for its proportionate share of the GERF's pension expense.

At December 31, 2015, 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	\$	\$ 8,622
Changes in actuarial assumptions		
Difference between projected and actual investment earnings	16,190	
Changes in proportion		21,139
Contributions paid to GERF subsequent to the measurement date	<u>7,226</u>	
Total	<u>\$ 23,416</u>	<u>\$ 29,761</u>

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans - Statewide (Continued)

Pension Costs (continued)

Included in deferred outflows of resources related to pensions is \$7,226 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, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2016	\$ (5,872)
2017	(5,872)
2018	(5,873)
2019	4,046

Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

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. Benefit increases for retirees are assumed to be 1% effective every January 1st through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

The long-term expected rate of return on pension plan investments is 7.9%. 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.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

8. Defined Benefit Pension Plans - Statewide (Continued)

Actuarial Assumptions (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%	

Discount Rate

The discount rate used to measure the total pension liability was 7.9%. 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	6.9%	7.9%	8.9%
City's proportionate share of the GERF net pension liability	\$ 268,909	\$ 171,023	\$ 90,184

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 (Continued)

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 2015.

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 2015. 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, 2015 totaled \$1,040,000.

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

No liability relative to this agreement has been accrued in these financial statements at December 31, 2015 because of the uncertainty and determination of required future payments, if any.

CITY OF WANAMINGO, MINNESOTA

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

12. New Accounting Pronouncements

During the Year Ended December 31, 2015, the City implemented Governmental Accounting standards (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board (GASB) Statements No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. Restatement of all prior periods presented is not practical, therefore the cumulative effect of applying this statement is reported as a restatement of beginning net position for the current period.

Following is a reconciliation of the previously reported December 31, 2014 balances with the amounts reported on the December 31, 2015 financial statements:

<u>Activities/Fund</u>	<u>Net Position December 31, 2014 as Previously Reported</u>	<u>Restatement For Net Pension Liability</u>	<u>Net Position December 31, 2014 as Restated</u>
Governmental Activities	\$ 385,932	\$ (78,900)	\$ 307,032
Business-Type Activities	\$ 2,699,479	\$ (89,439)	\$ 2,610,040
Proprietary Funds:			
Water Fund	\$ 1,230,253	\$ (40,406)	\$ 1,189,847
Sewer Fund	1,519,641	(49,033)	1,470,608
Sanitation Fund	31,078		31,078
Mecial Center	(81,493)		(81,493)
	<u>\$ 2,699,479</u>	<u>\$ (89,439)</u>	<u>\$ 2,610,040</u>

CITY OF WANAMINGO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

**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					
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					
2017					
2018					
2019					
2020					
2021					
2022					
2023					

CITY OF WANAMINGO, MINNESOTA

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

DECEMBER 31, 2015

**CITY OF WANAMINGO, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2015**

	Special Revenue			Debt Service
	251 Economic Development	210 Revolving Loan	230 Senior Housing Reserve	308 2005A G.O. Improvement Refunding
ASSETS				
Cash and investments	\$		\$ 37,650	\$ 26,809
Accounts receivable				
Taxes receivable delinquent	642			123
Special assessments receivable:				
Deferred				36,286
Delinquent				
Loan receivable		25,000		
Operating Reserve			50,000	
Due from other funds				37,957
TOTAL ASSETS	<u>\$ 642</u>	<u>\$ 62,650</u>	<u>\$ 50,000</u>	<u>\$ 101,175</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE				
Liabilities				
Accounts payable	\$ 19		\$	\$
Accrued expenses	165			
Advance from other funds				
Due to other funds	10,506			
Total Liabilities	<u>10,690</u>			
Deferred Inflows of Resources				
Unavailable:				
Property taxes	642			123
Special assessments				36,286
Loans receivable		25,000		
Total Deferred Inflows of Resources	<u>642</u>	<u>25,000</u>		<u>36,409</u>
Fund Balance				
Restricted:				
Creditors				64,766
Regulations				
Committed				
Assigned		37,650	50,000	
Unassigned	(10,690)			
Total Fund Balance (Deficit)	<u>(10,690)</u>	<u>37,650</u>	<u>50,000</u>	<u>64,766</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	<u>\$ 642</u>	<u>\$ 62,650</u>	<u>\$ 50,000</u>	<u>\$ 101,175</u>

**CITY OF WANAMINGO, MINNESOTA
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 December 31, 2015**

	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	\$ 6,830	\$ 39,593	\$ 48,766	\$ 58,830	\$	\$ 5,849
Accounts receivable			797			
Taxes receivable delinquent						
Special assessments receivable:						
Delinquent						
Deferred						
Loan receivable						
Operating Reserve						
Due from other funds						
TOTAL ASSETS	\$ 6,830	\$ 39,593	\$ 49,563	\$ 58,830	\$	\$ 5,849
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE						
Liabilities						
Accounts payable	\$	\$	\$	\$	\$	\$
Accrued expenses						
Advance from other funds						
Due to other funds						
Total Liabilities						
Deferred Inflows of Resources						
Unavailable:						
Property taxes						
Special assessments						
Loans receivable						
Total Deferred Inflows of Resources						
Fund Balance						
Restricted:						
Creditors						
Regulations						5,849
Committed	6,830					
Assigned		39,593	49,563	58,830		
Unassigned						
Total Fund Balance (Deficit)	6,830	39,593	49,563	58,830		5,849
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 6,830	\$ 39,593	\$ 49,563	\$ 58,830	\$	\$ 5,849

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 2015
\$	\$	\$	\$ 27,167	\$	\$	\$	\$ 281,693
							797
							5,060
							186,778
	2,480						527
							27,480
							50,000
							37,957
<u>\$</u>	<u>\$ 2,480</u>	<u>\$</u>	<u>\$ 27,167</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 590,292</u>
\$	\$	\$	\$	\$	\$	\$ 431	\$ 450
							165
24,290							24,290
26,617					794	2,539	81,950
<u>50,907</u>					<u>794</u>	<u>2,970</u>	<u>106,855</u>
							5,060
							187,305
	2,480						27,480
	<u>2,480</u>						<u>219,845</u>
							94,965
			27,167				33,016
							6,830
							235,636
(50,907)					(794)	(2,970)	(106,855)
<u>(50,907)</u>			<u>27,167</u>		<u>(794)</u>	<u>(2,970)</u>	<u>263,592</u>
<u>\$</u>	<u>\$ 2,480</u>	<u>\$</u>	<u>\$ 27,167</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 590,292</u>

**CITY OF WANAMINGO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2015**

	Special Revenue			Debt Service
	251 Economic Development	210 Revolving Loan	230 Senior Housing Reserve	308 2005A G.O. Improvement Refunding
REVENUES				
Property taxes	\$ 28,086			\$ 5,267
Tax increments				
Special assessments				11,706
Intergovernmental revenue				
Investment income				
Miscellaneous revenues		5,000		
Total Revenues	28,086	5,000		16,973
EXPENDITURES				
Economic development	29,467	902	25,000	
Debt service				29,428
Capital outlay				
Total Expenditures	29,467	902	25,000	29,428
Excess (deficiency) of revenues over (under) expenditures	(1,381)	4,098	(25,000)	(12,455)
OTHER FINANCING SOURCES (USES)				
Transfers in			25,000	
Transfers out				
Total other financing sources (uses)			25,000	
Net change in fund balances	(1,381)	4,098		(12,455)
Fund Balance - beginning	(9,309)	33,552	50,000	77,221
Fund Balance - ending	\$ (10,690)	\$ 37,650	\$ 50,000	\$ 64,766

Debt Service

307 2004 Public Project Refunding	323 2005 Improvement	326 City Shop Lease Purchase	327 Pumper Lease	329 City Hall Lease Purchase	325 2006D Equipment Certificate	316 2010 G.O. Refunding Bond						
\$	\$	63,204	\$	15,801	\$	27,388	\$	18,435	\$	13,694	\$	44,770
	9,843					26,845						
	73,047	15,801	27,388	18,435	13,694	71,615						
76,687	70,002	23,648	26,772	17,703	14,990	104,088						
76,687	70,002	23,648	26,772	17,703	14,990	104,088						
(76,687)	3,045	(7,847)	616	732	(1,296)	(32,473)						
52,866						50,000						
52,866						50,000						
(23,821)	3,045	(7,847)	616	732	(1,296)	17,527						
23,821	8,528	19,732	2,370	(1,551)	5,051	(58,202)						
\$	\$	11,573	\$	11,885	\$	2,986	\$	(819)	\$	3,755	\$	(40,675)

**CITY OF WANAMINGO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended December 31, 2015**

	Capital Projects					
	220	422	448	449	470	475
	Fire Capital	Cenex #4 Construction	Storm Sewer	WAC / SAC	Tax Increment District #1-1 Masters	Tax Increment District #2-2 Benson
REVENUES						
Property taxes	\$	\$	\$	\$	\$	
Tax increments					1,844	
Special assessments						
Intergovernmental revenue		82,354				
Investment income	9					
Miscellaneous revenues	1,500		8,380			
Total Revenues	1,509	82,354	8,380		1,844	
EXPENDITURES						
Economic development		103,124				
Debt service						
Capital outlay					1,760	
Total Expenditures		103,124			1,760	
Excess (deficiency) of revenues over (under) expenditures	1,509	(20,770)	8,380		84	
OTHER FINANCING SOURCES (USES)						
Transfers in						5,849
Transfers out	(4,500)				(84)	
Total other financing sources (uses)	(4,500)				(84)	5,849
Net change in fund balances	(2,991)	(20,770)	8,380			5,849
Fund Balance - beginning	9,821	60,363	41,183	58,830		
Fund Balance - ending	\$ 6,830	\$ 39,593	\$ 49,563	\$ 58,830	\$	\$ 5,849

473	474	477	478	479	480	330	Total Nonmajor Governmental Funds 2015
Tax Increment District #4-2 Fulton	Tax Increment District #4-3 Masters	Tax Increment District #2-4 Doffing	Tax Increment District #2-5 Meyers	Tax Increment District #2-6 Vertical Limit	Tax Increment District #3-1 Maple Island	2016 Roadway Improvements Project	
\$ 8,562	\$ 4,711	\$ 9,919	\$ 17,047	\$ 29,839		\$	\$ 216,645
							71,922
							48,394
							82,354
							9
						8,838	23,718
8,562	4,711	9,919	17,047	29,839	8,838		443,042
						794	159,287
100	3,556	500	600	600		2,970	363,318
							10,086
100	3,556	500	600	600	794	2,970	532,691
8,462	1,155	9,419	16,447	29,239	8,044	(2,970)	(89,649)
			10,720				144,435
	(578)	(9,419)		(29,239)			(43,820)
	(578)	(9,419)	10,720	(29,239)			100,615
8,462	577		27,167		8,044	(2,970)	10,966
(59,369)	(577)				(8,838)		252,626
\$ (50,907)	\$	\$	\$ 27,167	\$	\$ (794)	\$ (2,970)	\$ 263,592

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CITY OF WANAMINGO, MINNESOTA

SUPPLEMENTAL INFORMATION

DECEMBER 31, 2015

**CITY OF WANAMINGO, MINNESOTA
WATER FUND
Balance Sheet
December 31, 2015 and 2014**

	2015	2014
ASSETS		
Current Assets		
Cash and investments	\$ 123,937	\$ 74,896
Accounts receivable	26,960	29,813
Total Current Assets	150,897	104,709
Noncurrent Assets		
Capital assets		
Depreciable	3,801,337	3,801,337
Less: Accumulated depreciation	1,767,330	1,659,951
Total Capital Assets	2,034,007	2,141,386
TOTAL ASSETS	2,184,904	2,246,095
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	5,560	
LIABILITIES		
Current Liabilities		
Accounts payable	916	2,615
Accrued expenses	1,342	643
Accrued interest	5,963	7,762
Current maturities of bonds payable	47,000	47,000
Current maturities of note payable	91,000	90,000
Total Current Liabilities	146,221	148,020
Noncurrent Liabilities		
Bonds payable, net of current maturities, and discount	239,060	285,472
Compensated absences payable	9,198	9,350
Note payable, net of current maturities	482,000	573,000
Net pension liability	41,051	
Total Noncurrent Liabilities	771,309	867,822
Total Liabilities	917,530	1,015,842
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	7,144	
Net Position		
Net investment in capital assets	1,174,947	1,145,914
Unrestricted	90,843	84,339
Total Net Position	\$ 1,265,790	\$ 1,230,253

**CITY OF WANAMINGO, MINNESOTA
WATER FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2015 and 2014**

	2015	2014
Operating Revenue		
User fees	\$ 122,452	\$ 129,321
Debt service charge	143,851	142,905
Total	266,303	272,226
Operating Expenses		
Employee services	45,209	46,656
Employee benefits and retirements	13,501	12,399
Materials and supplies	6,119	3,295
Repairs and maintenance	3,937	8,928
Utilities	9,481	4,851
Depreciation	107,379	99,055
Contractual services		1,422
Other charges	15,525	17,995
Total	201,151	194,601
Operating Income	65,152	77,625
Nonoperating Revenues (Expenses)		
Interest income	767	504
Miscellaneous income	27,762	7,500
Water meter fee	327	102
Interest expense	(18,065)	(26,675)
Total Nonoperating Revenues (Expenses)	10,791	(18,569)
Net Income	75,943	59,056
NET POSITION - Beginning of Year, as originally stated	1,230,253	
RESTATEMENT (Note 12)	(40,406)	
NET POSITION - Beginning of Year, as restated	1,189,847	1,171,197
NET POSITION - End of Year	\$ 1,265,790	\$ 1,230,253

**CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Balance Sheet
December 31, 2015 and 2014**

	2015	2014
ASSETS		
Current Assets		
Cash and investments	\$ 225,551	\$ 248,506
Accounts receivable	23,050	25,517
Total Current Assets	248,601	274,023
Noncurrent Assets		
Capital assets		
Nondepreciable	10,000	10,000
Depreciable	2,789,588	2,743,799
Less: Accumulated depreciation	1,558,865	1,497,728
Total Capital Assets	1,240,723	1,256,071
TOTAL ASSETS	1,489,324	1,530,094
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows from pension activity	7,082	
LIABILITIES		
Current Liabilities		
Accounts payable	482	809
Accrued expenses	335	278
Total Current Liabilities	817	1,087
Noncurrent Liabilities		
Net pension liability	49,815	
Compensated absences payable	9,218	9,366
Total Liabilities	59,850	10,453
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows from pension activity	8,669	
Net Position		
Net investment in capital assets	1,190,908	1,256,071
Unrestricted	236,979	263,570
Total Net Position	\$ 1,427,887	\$ 1,519,641

**CITY OF WANAMINGO, MINNESOTA
WASTEWATER FUND
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2015 and 2014**

	2015	2014
Operating Revenue		
Sales	\$ 149,444	\$ 148,463
Debt service charge	96,632	96,150
Total	246,076	244,613
Operating Expenses		
Employee services	62,980	61,966
Employee benefits and retirements	21,103	20,407
Materials and supplies		400
Repairs and maintenance	4,739	2,841
Utilities	18,068	19,842
Depreciation	61,137	61,033
Contractual services	23,400	23,400
Other charges	22,720	22,961
Total	214,147	212,850
Operating Income	31,929	31,763
Nonoperating Revenues (Expenses)		
Miscellaneous income	350	189
Net Income Before Transfers	32,279	31,952
Transfers out	(75,000)	(200,000)
Change in Net Position	(42,721)	(168,048)
NET POSITION - Beginning of Year, as originally stated	1,519,641	
RESTATEMENT (Note 12)	(49,033)	
NET POSITION - Beginning of Year	1,470,608	1,687,689
NET POSITION - End of Year	\$ 1,427,887	\$ 1,519,641

**CITY OF WANAMINGO, MINNESOTA
SANITATION FUND
Balance Sheet
December 31, 2015 and 2014**

	2015	2014
<hr/>		
ASSETS		
Current Assets		
Cash and investments	\$ 44,837	\$ 36,482
Accounts receivable	6,776	6,401
	<hr/>	<hr/>
TOTAL ASSETS	\$ 51,613	\$ 42,883
	<hr/> <hr/>	<hr/> <hr/>
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 16,626	\$ 11,805
	<hr/>	<hr/>
Net Position		
Unrestricted	\$ 34,987	\$ 31,078
	<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, 2015 and 2014**

	2015	2014
Operating Revenues		
Sales	\$ 62,193	\$ 59,852
Operating Expenses		
Contracted services	58,284	51,510
Net Income	3,909	8,342
NET POSITION - Beginning of Year	31,078	22,736
NET POSITION - End of Year	\$ 34,987	\$ 31,078

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Balance Sheet
December 31, 2015 and 2014**

	2015	2014
ASSETS		
Noncurrent Assets		
Capital assets		
Depreciable	\$ 619,586	\$ 619,586
Less: Accumulated depreciation	205,239	189,749
Total Capital Assets	414,347	429,837
TOTAL ASSETS	\$ 414,347	\$ 429,837
 LIABILITIES		
Current Liabilities		
Accounts payable	\$ 167	\$ 6
Due to other funds	2,887	6,324
Total Current Liabilities	3,054	6,330
Noncurrent Liabilities		
Bonds payable, net of current maturities	486,000	505,000
Total Liabilities	489,054	511,330
Net Position		
Net investment in capital assets	(71,653)	(75,163)
Unrestricted	(3,054)	(6,330)
Total Net Position	\$ (74,707)	\$ (81,493)

**CITY OF WANAMINGO, MINNESOTA
MEDICAL CENTER
Statement of Revenues, Expenses
and Changes in Net Position
For the Years Ended December 31, 2015 and 2014**

	2015	2014
Operating Revenues		
Facility rent	\$ 47,440	\$ 48,860
Operating Expenses		
Repairs and maintenance	1,325	3,280
Utilities	6,071	7,154
Depreciation	15,490	15,490
Other charges	4,853	6,243
Total Operating Expenses	<u>27,739</u>	<u>32,167</u>
Operating Income	<u>19,701</u>	<u>16,693</u>
Other Revenues (Expenses)		
Tax increment	8,648	8,414
Interest expense	<u>(21,563)</u>	<u>(22,328)</u>
Total Other Revenues (Expenses)	<u>(12,915)</u>	<u>(13,914)</u>
Net Income	6,786	2,779
NET POSITION - Beginning of Year	<u>(81,493)</u>	<u>(84,272)</u>
NET POSITION - End of Year	<u>\$ (74,707)</u>	<u>\$ (81,493)</u>

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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, 2015, 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 28, 2016.

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 2015-001 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 28, 2016

**CITY OF WANAMINGO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2015**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

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.

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, 2015**

FINDINGS – FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCIES

2011-001

2012-001

2013-001

2014-001

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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the City of Wanamingo, Minnesota as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated March 28, 2016.

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 28, 2016