CITY OF WADENA
WADENA, MINNESOTA

Comprehensive Annual
Financial Report
Year Ended December 31, 2011

Prepared By
Office of City Administrator

Lloyd Lanz
Finance Officer

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INTRODUCTORY SECTION

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CITY OF WADENA
OFFICE OF THE CITY ADMINISTRATOR
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June 7, 2012

The Honorable Mayor, Members
of the City Council, and the Citizens
of the City of Wadena, Minnesota:

The comprehensive annual financial report of the City of Wadena for the year ended December 31, 2011, is submitted herewith. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner that presents fairly the financial position and results of operations of the various funds and component units of the City. All disclosures necessary to enable the reader to gain an understanding of the City's activities have been included.

The Management of the City has implemented policies to insure maximum internal controls, such as segregation of duties and when necessary two parties are required to carry out a transaction or duty. Our biggest problem is having a small number of staff to accomplish the segregation of duties, but the two party rules helps to offset this.

The financial data has been audited by a private auditing firm, engaged by the City of Wadena, as evidenced in their Independent Auditor's Report.

Management's discussion and analysis (MD&A) immediately follows the Independent Auditors Report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

THE CITY AND ITS SERVICES

The City of Wadena was incorporated in 1874. The City, located at the crossroads of U.S. Highways 10 & 71 and State Highway 29, serves as the center of finance, industry, trade and transportation for Wadena County. The City of Wadena is 150 miles northwest of Minneapolis, and 100 miles southeast of Moorhead.

There are over 200 businesses in Wadena, from commercial, to retail and industrial, everything anyone would ever need. The City of Wadena is the County Seat for Wadena County in Central Minnesota.

Wadena is home to 4,088 people according to the 2010 Census data, a decrease from the 2000 census data population count of 4,300. Wadena is 5.25 square miles and 3,364 acres, of which over 200 acres are public parks.

The City is a 4th Class Statutory City governed by a Mayor-Council form of government. The Mayor is elected for a term of 2 years and four council members are elected for terms of 4 years, without any limit on the amount of years they may serve.

The City is organized into departments, which are managed by department heads (see City of Wadena Organizational Chart).

The City provides a full range of municipal services. These include public safety (police and fire), streets, economic development, culture-recreation, public improvements, planning and zoning, municipal airport and general administrative services. The City also operates a municipal liquor store, a golf course, and public electric, water, and sewer utilities. A portion of net revenue produced in excess of working capital requirements by the public utilities and liquor store operations have been available to provide financing for current general fund expenditures.

MAJOR INITIATIVES

The City is in an infrastructure revitalization program, and has replaced and updated two of the four major sections of the City, which involves water mains and services, sanitary and storm sewer mains and services, and electrical services. Within the next three years the City is planning to complete the southeast section of town in this process.

The City has vacant industrial and residential lots available and platted un-developed lots for future expansion.

The City has hired a lobbyist to try and get federal funding for the completion of the final section of four lanes for US Highway 10.

The City is working on getting approval to extend our airport runway and the development of a grass crosswind runway.

The City is in the process of a $4.2 million renovation of our wastewater treatment facility, that should be completed by the end of 2012.

REPORTING ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the year ended December 31, 2010. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. The City has received this award for the last 19 years.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA.

ACKNOWLEDGEMENTS

We would like to thank the firm of Brady, Martz and Associates, P.C., for their professional assistance and expertise. We would also like to thank the mayor and members of the city council for their continued interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Bradley A. Swenson
City Administrator

Lloyd J. Lanz
Finance Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Wadena Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

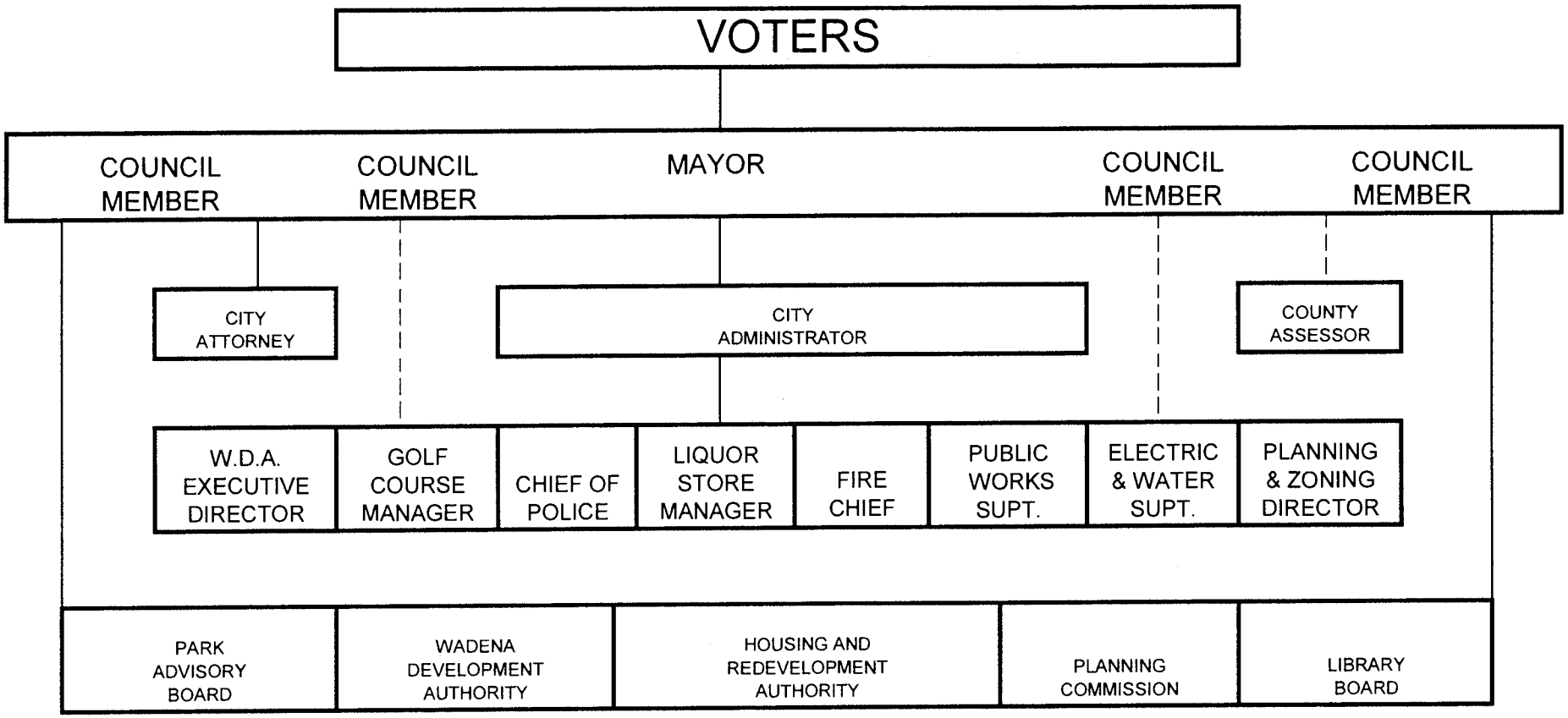
ELECTED OFFICIALS

Name	Position	Expires
Wayne Wolden	Mayor	12-31-12
Jeanette Baymler	Council Member	12-31-14
Toby Pierce	Council Member	12-31-14
Kay Browne	Council Member	12-31-12
Donald Niles	Council Member	12-31-12

APPOINTED OFFICIALS

City Administrator	Bradley Swenson
City Attorney	Jeff Pederson
Police Chief	Bruce Uselman
Fire Chief	Dean Uselman
Planning & Zoning	Dean Uselman
Public Works Superintendent	Ronald Bucholz
Liquor Store Manager	Tim Booth
Community Developer	Dean Uselman

CITY OF WADENA, MINNESOTA
ORGANIZATIONAL CHART
December 31, 2011



Dotted Line represents mandatory communication network between Council and all Department heads and Board Chairs.

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FINANCIAL SECTION

- Independent Auditor's Report
- Management's Discussion and Analysis
- Basic Financial Statements
- Notes to the Basic Financial Statements
- Combining and Individual Fund Statements and Schedules

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BRADY MARTZ

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor
and Members of the City Council
City of Wadena
Wadena, Minnesota

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 Wadena, Minnesota, as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our 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 Wadena, Minnesota as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable, 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.

As discussed in Note 1 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*, and Governmental Accounting Standards Board Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, as of and for the year ended December 31, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 7, 2012, on our consideration of the City's internal controls over financial reporting, and 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 controls 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 9 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

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accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wadena, Minnesota's financial statements as a whole. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have 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 it.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

June 7, 2012

As management of the City of Wadena, we offer readers of the City of Wadena's financial statements this narrative overview and analysis of the financial activities of the City of Wadena for the fiscal year ended December 31, 2011. We encourage readers to consider this information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages I – II of this report. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $30,151,381 (net position), compared to $28,561,481 for 2010, an increase of 6%.
- At the end of the current fiscal year, unrestricted fund balance for the general fund was $1,842,685, or 48% of the total general fund expenditures.
- The City's total long term bonded debt decreased from $5,959,000 in 2010 to $5,153,000 in 2011.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the City'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 is improving or deteriorating.

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 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 unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City 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 include general government, public safety, public works, culture and recreation, economic development, and airport. The business-type activities of the City include, liquor, sewer, water, electric, and golf course.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 used in evaluating a government's near-term financing 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 maintains twelve 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 fund, debt service fund, capital project fund, and MIF revolving loan fund, all of which are considered major funds. Data from the other eight individual 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 adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds. The City maintains five different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its liquor operations, sewer, water, electric and golf course operations.

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 liquor operations, sewer, water, electric and golf course operations.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The agency fund is custodial in nature and does not present results of operations or have a measurement focus. The agency fund is accounted for using the accrual basis of accounting.

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 combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes.

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, assets exceeded liabilities by $30,151,381 at the close of the most recent fiscal year.

Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and Other Assets	$ 5,549,517	$ 6,066,863	$ 6,383,416	$ 6,524,492	$ 11,932,933	$ 12,591,355
Capital Assets	9,322,939	8,468,701	15,233,288	14,829,587	24,556,227	23,298,288
Total Assets	14,872,456	14,535,564	21,616,704	21,354,079	36,489,160	35,889,643
Long-term Liabilities	3,632,162	4,314,378	1,736,188	1,877,537	5,368,350	6,191,915
Other Liabilities	211,728	522,276	757,701	613,971	969,429	1,136,247
Total Liabilities	3,843,890	4,836,654	2,493,889	2,491,508	6,337,779	7,328,162
Net Position						
Net Investment in Capital Assets	5,813,413	4,282,176	13,583,361	13,034,843	19,396,774	17,317,019
Restricted	3,050,739	3,737,474			3,050,739	3,737,474
Unrestricted	2,164,414	1,679,260	5,539,454	5,827,728	7,703,868	7,506,988
Total Net Position	$ 11,028,566	$ 9,698,910	$ 19,122,815	$ 18,862,571	$ 30,151,381	$ 28,561,481

The largest portion of the City's net assets (64%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, machinery and equipment, general plant and system, furniture and fixtures), less any related debt used to acquire assets that are still outstanding. The City has elected not to retroactively report infrastructure, so general infrastructure assets acquired prior to January 1, 2005, are not reported in the basic financial statements. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investments in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for Services	$ 249,867	$ 275,427	$ 8,170,929	$ 8,026,182	$ 8,420,796	$ 8,301,609
Operating Grants and Contributions	545,477	1,027,848			545,477	1,027,848
Capital Grants and Contributions	959,232	122,614	32,900		992,132	122,614
General Revenues						
Taxes	775,589	888,131			775,589	888,131
Unrestricted State Aid	1,252,560	1,209,116			1,252,560	1,209,116
Unrestricted Investment Earnings	100,338	128,338	100,908	133,698	201,246	262,036
Other General Revenue	135,426	654,118			135,426	654,118
Gain on Disposal of Capital Asset	7,900				7,900	
Total Revenues	4,026,389	4,305,592	8,304,737	8,159,880	12,331,126	12,465,472
Expenses						
General Government	892,427	1,453,126			892,427	1,453,126
Public Safety	918,679	878,169			918,679	878,169
Public Works	556,661	807,007			556,661	807,007
Culture and Recreation	336,439	289,133			336,439	289,133
Economic Development	310,929	127,926			310,929	127,926
Airport	240,768	163,058			240,768	163,058
Interest on Long-term Debt	150,943	172,566			150,943	172,566
Municipal Liquor			1,511,492	1,454,775	1,511,492	1,454,775
Sewer Utility			558,711	522,354	558,711	522,354
Water Utility			455,041	457,029	455,041	457,029
Electric Utility			4,421,853	4,380,771	4,421,853	4,380,771
Golf Course			387,283	435,054	387,283	435,054
Total Expenses	3,406,846	3,890,985	7,334,380	7,249,983	10,741,226	11,140,968
Change in Net Position Before Transfers	619,543	414,607	970,357	909,897	1,589,900	1,324,504
Transfers	710,113	376,468	(710,113)	(376,468)		
Change in Net Position	1,329,656	791,075	260,244	533,429	1,589,900	1,324,504
Net Position - January 1,	9,698,910	8,907,835	18,862,571	18,329,142	28,561,481	27,236,977
Net Position - December 31	$ 11,028,566	$ 9,698,910	$ 19,122,815	$ 18,862,571	$ 30,151,381	$ 28,561,481

Governmental activities. Governmental activities increased the City's net position by $619,543 before transfers from the business-type activities, thereby, accounting for 39% of the total growth in the City's net position. Key elements of the increase are as follows:

- Capital assets were purchased with federal and state grant dollars.
- Street overlay expenses were less than the amount budgeted.

- Scheduled maintenance and repairs were not completed, because of the time spent in cleanup efforts.

Business-type activities. Business-type activities increased the City's net assets by $970,357 before transfers to the governmental activities, thereby, accounting for 61% of the total growth in the City's net position. Key elements of this increase are as follows:

- The City has set utility rates at a level to be able to set aside reserves for future replacement of those utility assets and infrastructure.
- The electric utility fund was reimbursed for overcharged wholesale power costs.
- Total gross profit on sale for the municipal liquor store increased from 2010 by $31,330, an increase of .82%.

Financial Analysis of the Government's Funds

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

Governmental Funds – The focus of the City'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's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Major Funds

	Fund Balance / Net Position		Increase	Percentage Increase
	12/31/2011	12/31/2010	(Decrease)	(Decrease)
Governmental Funds				
General	$ 1,842,685	$ 1,352,509	$ 490,176	36%
MIF Revolving Loan	187,949	157,279	30,670	20%
Debt Service	1,312,098	1,677,709	(365,611)	-22%
Capital Projects	(82,498)	(81,989)	(509)	1%
Proprietary Funds				
Municipal Liquor	369,499	371,879	(2,380)	-1%
Sewer Utility	5,150,386	5,154,616	(4,230)	0%
Water Utility	2,068,662	2,043,247	25,415	1%
Electric Utility	10,542,845	10,356,287	186,558	2%

The general fund's fund balance increased due to City Council forgiving an interfund loan from the electric utility fund. The increase in the MIF revolving loan fund's balance was due to increased interest earnings on loans. The debt service fund's balance decreased due to the City decreasing the debt levy.

General Fund Budgetary Highlights

- Actual revenues for 2011 were $3,633,607, compared to budgeted revenues of $2,840,565. The largest overage was federal revenue of $777,115 which was budgeted for $475,000 in 2011.
- Actual expenditures for 2011 were $3,820,747, compared to budgeted expenditures of $3,353,993.

Capital Assets and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2011, amounts to $24,556,227 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings, improvements other than buildings, machinery and equipment, general plant and system, and furniture and fixtures.

Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	$ 1,938,215	$ 1,938,215	$ 631,619	$ 631,619	$ 2,569,834	$ 2,569,834
Construction in Progress	731,100	47,850	721,665	71,036	1,452,765	118,886
Buildings	2,268,382	2,317,260	5,081,399	5,243,261	7,349,781	7,560,521
Improvements Other Than Buildings	1,758,158	1,744,806			1,758,158	1,744,806
Machinery & Equipment	1,155,756	1,156,800	913,032	961,049	2,068,788	2,117,849
Infrastructure	1,471,328	1,263,770	7,885,573	7,922,622	9,356,901	9,186,392
Total	$ 9,322,939	$ 8,468,701	$ 15,233,288	$ 14,829,587	$ 24,556,227	$ 23,298,288

Major capital assets events during the current fiscal year included the following:

- Construction on the future wastewater treatment plant for $650,629.
- Leaf River Trail rebuild for $225,137.
- New mower for $53,618.

Additional information on the City's capital assets can be found in the note 5 of this report.

Long-term Debt. At the end of the current fiscal year, the City had $5,378,828 in bonds and other long-term obligations.

Outstanding Debt

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	$ 3,520,000	$ 4,200,000	$ 1,633,000	$ 1,759,000	$ 5,153,000	$ 5,959,000
Lease Payable			16,927	35,745	16,927	35,745
Compensated Absences	122,639	127,855	86,261	82,792	208,900	210,647
Total	$ 3,642,639	$ 4,327,855	$ 1,736,188	$ 1,877,537	$ 5,378,827	$ 6,205,392

Additional information on the City's long-term debt can be found in note 8 of this report.

Economic Factors

- The development of the old City airport property into residential and commercial lots has been platted for 33 lots and awaiting finances to install the infrastructure.

- The City's industrial park, and adjacent land platted for use as industrial park lots, has 8 lots available for the sale.

- The completion of the four lanes on US Highway 10, currently scheduled for 2027, could spur significant growth along the four lanes, and generate more traffic running through the City. The City continues to seek ways to speed this project to completion. The City has hired a lobbyist to try to get Federal Funding for this project. MNDOT is presently doing a transportation study in Wadena to look at several issues related to Highway 10.

- The City is planning an infrastructure project for the southeast section of town. This project, if funding is found, should happen in the next 2 – 3 years. The current estimate for the project is $8,169,000, which would be funded with G.O. Debt, possible grants, and special assessments.

- The City has completed an environmental assessment for our airport, looking at a runway extension and a grass crosswind runway. This would be funded with a 95% FAA grant and 5% local share. The project continues to be negotiated with the FAA. In 2009 the City extended our taxiway, making it run along the entire runway, which was funded at the same rate.

- A major challenge for the City is the reduction or unallotment of State Aid which continues to have a negative effect to our cash reserves, will likely increase local property taxes, and diminish essential services and maintenance of the City's infrastructure.

- Electric & Water rates are set to stay ahead of inflation for the next few years.

- The City will be starting a $4.2 million renovation of our wastewater treatment facility in 2011 and 2012, which will result in bonding and increased debt payments for the sewer fund. Sewer rates have been adjusted to be able to pay back the debt.

- Trends affecting budgets include rising health insurance costs, increasing fuel costs, rising labor costs, increases in the employer share of Public Employee Retirement contributions and fluctuations in the cost of building, liability, and workers compensation insurances, which we seem to have limited control over.

- Local businesses seem to be staying above water and continuing to thrive in the present economy. The City lost some businesses in the last year, but there seems to be new interest and hope for the future.

- In June of 2010 an EF4 tornado touched down in a swath of destruction through the City. Residential, commercial and governmental property was destroyed or damaged. With insurance proceeds, grants, city reserves and FEMA funding City property and infrastructure should be replaced in the near future. Much progress has been made and projects will continue until completed. Most of the affected residential and commercial properties will be replaced or redone also, improving the look of our City.

Requests for Information

This financial report is designed to provide a general overview of the City'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 financial information should be addressed to the City's Finance Officer, City of Wadena, 222 Second Street S.E., P.O. Box 30, Wadena, Minnesota 56482.

CITY OF WADENA, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2011

Exhibit A-1

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 421,591	$ 583,433	$ 1,005,024
Investments	2,169,983	4,386,209	6,556,192
Receivables			
Accounts (Net of Allowance)	87,080	840,447	927,527
Interest	2,926	5,784	8,710
Property Taxes	25,920		25,920
Allowance for Delinquent Taxes	(25,776)		(25,776)
Special Assessments	835,581		835,581
Loans (Net of Allowance)	895,674		895,674
Due from Other Governments	1,126,538		1,126,538
Prepaid Items		65,180	65,180
Inventory		502,363	502,363
Restricted Assets			
Permanently Restricted: Investments	10,000		10,000
Capital Assets, Not Being Depreciated			
Land	1,938,215	631,619	2,569,834
Construction in Progress	731,100	721,665	1,452,765
Capital Assets, Net of Accumulated Depreciation			
Buildings	2,268,382	5,081,399	7,349,781
Improvements Other than Buildings	1,758,158		1,758,158
Machinery and Equipment	1,155,756	913,032	2,068,788
Infrastructure	1,471,328	7,885,573	9,356,901
TOTAL ASSETS	14,872,456	21,616,704	36,489,160
LIABILITIES			
Accounts Payable	132,914	595,498	728,412
Accrued Payroll Liabilities	43,570	40,848	84,418
Consumer Deposits		105,247	105,247
Accrued Interest	35,244	16,108	51,352
Noncurrent Liabilities			
Due Within One Year	817,000	221,927	1,038,927
Due in More than One Year	2,815,162	1,514,261	4,329,423
TOTAL LIABILITIES	3,843,890	2,493,889	6,337,779
NET POSITION			
Net Investment in Capital Assets	5,813,413	13,583,361	19,396,774
Restricted for:			
Debt Service	2,043,919		2,043,919
Commercial Loans	936,415		936,415
Residential Loans	59,589		59,589
TIF	816		816
Park	10,000		10,000
Unrestricted	2,164,414	5,539,454	7,703,868
TOTAL NET POSITION	$ 11,028,566	$ 19,122,815	$ 30,151,381

The notes to the basic financial statements are an integral part of this statement.

CITY OF WADENA, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

Exhibit A-2

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities:							
General Government	$ 892,427	$ 28,839	$ 430,438	$ 701,628	$ 268,478	$	$ 268,478
Public Safety	918,679	86,508	78,979		(753,192)		(753,192)
Public Works	556,661	11,211			(545,450)		(545,450)
Culture and Recreation	336,439	32,865	14,796	176,503	(112,275)		(112,275)
Economic Development	310,929	51,902			(259,027)		(259,027)
Airport	240,768	38,542	21,264	81,101	(99,861)		(99,861)
Interest on Long-term Debt	150,943				(150,943)		(150,943)
Total Governmental Activities	3,406,846	249,867	545,477	959,232	(1,652,270)		(1,652,270)
Business-type Activities:							
Municipal Liquor	1,511,492	1,685,569				174,077	174,077
Sewer Utility	558,711	532,779				(25,932)	(25,932)
Water Utility	455,041	477,079				22,038	22,038
Electric Utility	4,421,853	5,147,641				725,788	725,788
Golf Course	387,283	327,861		32,900		(26,522)	(26,522)
Total Business-type Activities	7,334,380	8,170,929		32,900		869,449	869,449
Total	$ 10,741,226	$ 8,420,796	$ 545,477	$ 992,132	(1,652,270)	869,449	(782,821)
General Revenues:							
Taxes							
Property Taxes					653,397		653,397
Hotel/Motel Tax					32,751		32,751
Franchise Tax					89,441		89,441
Unrestricted State Aid					1,252,560		1,252,560
Unrestricted Investment Earnings					100,338	100,908	201,246
Other General Revenue					135,426		135,426
Gain on Disposal of Capital Asset					7,900		7,900
Transfers					710,113	(710,113)	
Total General Revenues and Transfers					2,981,926	(609,205)	2,372,721
Change in Net Position					1,329,656	260,244	1,589,900
Net Position - January 1					9,698,910	18,862,571	28,561,481
Net Position - December 31					$ 11,028,566	$ 19,122,815	$ 30,151,381

The notes to the basic financial statements are an integral part of this statement.

CITY OF WADENA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

Exhibit A-3

	General	MIF Revolving Loan	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Cash Equivalents	$ 130,886	$ 107,843	$	$	$ 182,862	$ 421,591
Investments	601,548	80,000	1,298,880		189,555	2,169,983
Permanently Restricted Investments					10,000	10,000
Receivables						
Accounts	87,080					87,080
Interest	708	106	1,775		337	2,926
Property Taxes	13,159		12,755		6	25,920
Allowance for Delinquent Taxes	(13,015)		(12,755)		(6)	(25,776)
Special Assessments	68,516		767,065			835,581
Loans		654,440			288,234	942,674
Due from Other Funds	25,379					25,379
Due from Other Governments	1,115,095		11,443			1,126,538
TOTAL ASSETS	$ 2,029,356	$ 842,389	$ 2,079,163	$	$ 670,988	$ 5,621,896
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts Payable	$ 74,585	$	$	$ 57,769	$ 560	$ 132,914
Accrued Payroll Liabilities	43,570					43,570
Due to Other Funds				24,729	650	25,379
Deferred Revenue	68,516	654,440	767,065		288,309	1,778,330
Total Liabilities	186,671	654,440	767,065	82,498	289,519	1,980,193
FUND BALANCES						
Restricted for:						
Debt Service			1,312,098			1,312,098
Commercial Loans		187,949			28,429	216,378
Residential Loans					26,942	26,942
Tax Increment District					816	816
Permanent Fund - Park					10,000	10,000
Committed for:						
Economic Development					296,265	296,265
Assigned for:						
Equipment	517,985					517,985
Library					19,555	19,555
Permanent Fund					112	112
Unassigned	1,324,700			(82,498)	(650)	1,241,552
Total Fund Balances	1,842,685	187,949	1,312,098	(82,498)	381,469	3,641,703
TOTAL LIABILITIES AND FUND BALANCES	$ 2,029,356	$ 842,389	$ 2,079,163	$	$ 670,988	$ 5,621,896

The notes to the basic financial statements are an integral part of this statement.

CITY OF WADENA, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION **Exhibit A-4**
DECEMBER 31, 2011

Total fund balances - governmental funds	$ 3,641,703
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	
Cost of capital assets	12,952,994
Less: accumulated depreciation	(3,630,055)
Long-term liabilities used in governmental activities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	
General Obligation Bonds	(3,520,000)
Less: Issuance Discount (to be amortized as interest expense)	10,477
Interest payable is not due and payable in the current period and, therefore, is not reported as a liability in the debt service fund.	(35,244)
Provision for uncollectible notes receivable in the statement of activities.	(47,000)
Compensated absence payable is not due and payable in the current period and, therefore, is not reported as a liability in the funds.	(122,639)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,778,330
Net position - governmental activities	$ 11,028,566

The notes to the basic financial statements are an integral part of this statement.

CITY OF WADENA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011

Exhibit A-5

	General	MIF Revolving Loan	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	$ 498,307	$	$ 268,165	$	$ 8,408	$ 774,880
Special Assessments	33,449		167,651			201,100
Licenses and Permits	27,847					27,847
Intergovernmental	2,704,825		32,607			2,737,432
Charges for Services	176,663				709	177,372
Fines and Forfeitures	21,386					21,386
Miscellaneous						
Loan Repayments		81,268			57,457	138,725
Investment Earnings	36,056	25,160	1,061	5,000	23,061	90,338
Rents	18,012				3,600	21,612
Contributions	15,396					15,396
Reimbursements	66,075					66,075
Other Receipts	35,591					35,591
Total Revenues	3,633,607	106,428	469,484	5,000	93,235	4,307,754
EXPENDITURES						
Current						
General Government	831,433					831,433
Public Safety	830,241					830,241
Public Works	446,199					446,199
Culture and Recreation	257,601				21	257,622
Economic Development		75,758			210,215	285,973
Airport	124,461					124,461
Miscellaneous	86,472					86,472
Debt Service						
Principal			680,000			680,000
Interest and Fees			155,095	283		155,378
Capital Outlay						
General Government	795,350					795,350
Public Safety	40,725					40,725
Public Works	50,446			38,023		88,469
Culture and Recreation	329,109					329,109
Airport	28,710					28,710
Total Expenditures	3,820,747	75,758	835,095	38,306	210,236	4,980,142
REVENUES OVER (UNDER) EXPENDITURES	(187,140)	30,670	(365,611)	(33,306)	(117,001)	(672,388)
OTHER FINANCING SOURCES (USES)						
Transfers In	710,113			32,797		742,910
Transfers Out	(32,797)					(32,797)
Total Other Financing Sources (Uses)	677,316			32,797		710,113
NET CHANGE IN FUND BALANCES	490,176	30,670	(365,611)	(509)	(117,001)	37,725
FUND BALANCE, JANUARY 1	1,352,509	157,279	1,677,709	(81,989)	498,470	3,603,978
FUND BALANCE, DECEMBER 31	$ 1,842,685	$ 187,949	$ 1,312,098	$ (82,498)	$ 381,469	$ 3,641,703

The notes to the basic financial statements are an integral part of this statement.

CITY OF WADENA, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2011

Exhibit A-6

Total net change in fund balances - governmental funds	$	37,725
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.		
Capital outlays		1,192,498
Depreciation expense		(316,101)
The net effect of disposal transactions involving capital assets is to decrease net assets.		(22,159)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		680,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. Also, governmental funds report the effect of issuance costs and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		4,435
Decrease in a provision for uncollectible increases revenue in the statement of activities, and the decrease in the provision has no effect on the governmental funds because the revenue is deferred.		5,000
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		(256,958)
In the statement of activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid.)		5,216
Change in net position - governmental activities	$	1,329,656

The notes to the basic financial statements are an integral part of this statement.

CITY OF WADENA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND **Exhibit A-7**
YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for 2010)

	2011				2010
	Budget			Variance with	Actual
	Original	Final	Actual	Final Budget	Amounts
REVENUES					
Property Taxes	$ 584,374	$ 584,374	$ 498,307	$ (86,067)	$ 261,890
Special Assessments	20,512	20,512	33,449	12,937	28,212
Licenses and Permits	24,690	24,690	27,847	3,157	30,937
Intergovernmental	1,895,296	1,895,296	2,704,825	809,529	2,310,758
Charges for Services	194,750	194,750	176,663	(18,087)	165,322
Fines and Forfeitures	46,500	46,500	21,386	(25,114)	20,968
Miscellaneous	74,443	74,443	171,130	96,687	641,078
Total Revenues	2,840,565	2,840,565	3,633,607	793,042	3,459,165
EXPENDITURES					
Current					
General Government	457,753	458,753	831,433	(372,680)	1,107,239
Public Safety	828,908	828,908	830,241	(1,333)	803,136
Public Works	568,372	568,372	446,199	122,173	434,276
Culture and Recreation	307,246	311,926	257,601	54,325	236,484
Airport	347,478	347,478	124,461	223,017	90,665
Miscellaneous	104,556	104,556	86,472	18,084	76,672
Capital Outlay					
General Government	290,000	290,000	795,350	(505,350)	331,225
Public Safety	49,500	49,500	40,725	8,775	
Public Works	56,000	56,000	50,446	5,554	
Culture and Recreation	138,500	138,500	329,109	(190,609)	
Airport	200,000	200,000	28,710	171,290	107,061
Total Expenditures	3,348,313	3,353,993	3,820,747	(466,754)	3,186,758
REVENUES OVER (UNDER) EXPENDITURES	(507,748)	(513,428)	(187,140)	326,288	272,407
OTHER FINANCING SOURCES (USES)					
Transfers In	630,513	630,513	710,113	79,600	382,265
Transfers Out			(32,797)	(32,797)	(10,000)
Total Other Financing Sources (Uses)	630,513	630,513	677,316	46,803	372,265
NET CHANGE IN FUND BALANCES	122,765	117,085	490,176	373,091	644,672
FUND BALANCE, JANUARY 1	1,352,509	1,352,509	1,352,509		707,837
FUND BALANCE, DECEMBER 31	$ 1,475,274	$ 1,469,594	$ 1,842,685	$ 373,091	$ 1,352,509

The notes to the basic financial statements are an integral part of this statement.

CITY OF WADENA, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2011

Exhibit A-8

	Major Funds				Nonmajor Fund	
	Municipal Liquor	Sewer Utility	Water Utility	Electric Utility	Golf Course	Total
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	$ 26,197	$ 229,891	$ 162,814	$ 164,531	$	$ 583,433
Investments	117,039	772,949		3,496,221		4,386,209
Accounts Receivable - Net	28,612			811,259	576	840,447
Interest Receivable	154	1,020		4,610		5,784
Due from Other Funds		25,956	17,714			43,670
Prepaid Items	4,796	10,490	8,944	22,858	18,092	65,180
Inventories	157,663		21,157	303,332	20,211	502,363
Total Current Assets	334,461	1,040,306	210,629	4,802,811	38,879	6,427,086
CAPITAL ASSETS						
Land		4,600	2,850	44,993	579,176	631,619
Construction In Progress		721,665				721,665
Buildings	189,399	4,089,998	2,540,841	746,564	423,598	7,990,400
Equipment	67,758	385,574	766,778	950,538	591,695	2,762,343
General Plant and System		2,117,933	2,081,088	9,436,757		13,635,778
Less: Accumulated Depreciation	(167,839)	(2,995,864)	(1,864,015)	(4,880,671)	(600,128)	(10,508,517)
Total Capital Assets, Net of Accumulated Depreciation	89,318	4,323,906	3,527,542	6,298,181	994,341	15,233,288
Total Assets	423,779	5,364,212	3,738,171	11,100,992	1,033,220	21,660,374
LIABILITIES						
CURRENT LIABILITIES						
Accounts Payable	43,019	198,065	7,054	346,166	1,194	595,498
Due to Other Funds				43,670		43,670
Accrued Interest			16,108			16,108
Accrued Payroll Liabilities	5,935	6,066	3,561	20,849	4,437	40,848
Consumer Deposits				105,247		105,247
Current Maturities of Long-Term Debt	3,000	9,000	139,000	38,000	32,927	221,927
Total Current Liabilities	51,954	213,131	165,723	553,932	38,558	1,023,298
LONG-TERM LIABILITIES						
Accrued Compensated Absences	2,326	695	786	4,215	3,239	11,261
Bonds Payable			1,503,000			1,503,000
Total Long-Term Liabilities	2,326	695	1,503,786	4,215	3,239	1,514,261
Total Liabilities	54,280	213,826	1,669,509	558,147	41,797	2,537,559
NET POSITION						
Net Investment in Capital Assets	89,318	4,323,906	1,894,542	6,298,181	977,414	13,583,361
Unrestricted	280,181	826,480	174,120	4,244,664	14,009	5,539,454
Total Net Position	$ 369,499	$ 5,150,386	$ 2,068,662	$ 10,542,845	$ 991,423	$ 19,122,815

The notes to the basic financial statements are an integral part of this statement.

CITY OF WADENA, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2011

Exhibit A-9

	Major Funds				Nonmajor Fund	
	Municipal Liquor	Sewer Utility	Water Utility	Electric Utility	Golf Course	Total
OPERATING REVENUES						
Sales	$ 1,685,223	$	$	$	$ 117,281	$ 1,802,504
Cost of Sales	1,266,987				67,325	1,334,312
Gross Profit	418,236				49,956	468,192
Charges for Services		532,185	477,079	5,147,641	210,580	6,367,485
Miscellaneous	346	594				940
Total Operating Revenues	418,582	532,779	477,079	5,147,641	260,536	6,836,617
OPERATING EXPENSES						
Administration	135,520	36,882	68,740	268,367	175,593	685,102
Purchased Power				3,318,022		3,318,022
Operating and Maintenance	96,086	367,291	135,613	298,781	113,096	1,010,867
Equipment Maintenance		5,301	15,709	53,037		74,047
Customer Account Expense			60,884	188,993		249,877
Depreciation	12,899	148,945	128,358	294,368	26,860	611,430
Total Operating Expenses	244,505	558,419	409,304	4,421,568	315,549	5,949,345
Operating Income (Loss)	174,077	(25,640)	67,775	726,073	(55,013)	887,272
NONOPERATING REVENUE (EXPENSE)						
Contributions					32,900	32,900
Investment Earnings	4,946	21,702	3,377	70,883		100,908
Interest Expense		(292)	(45,737)	(285)	(4,409)	(50,723)
Total Nonoperating Revenue (Expense)	4,946	21,410	(42,360)	70,598	28,491	83,085
Net Income (Loss) Before Contributions and Transfers	179,023	(4,230)	25,415	796,671	(26,522)	970,357
TRANSFERS IN					81,403	81,403
TRANSFERS OUT	(181,403)			(610,113)		(791,516)
Change in Net Position	(2,380)	(4,230)	25,415	186,558	54,881	260,244
TOTAL NET POSITION, JANUARY 1	371,879	5,154,616	2,043,247	10,356,287	936,542	18,862,571
TOTAL NET POSITION, DECEMBER 31	$ 369,499	$ 5,150,386	$ 2,068,662	$ 10,542,845	$ 991,423	$ 19,122,815

The notes to the basic financial statements are an integral part of this statement.

CITY OF WADENA, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2011

Exhibit A-10

	Major Funds				Nonmajor Fund	
	Municipal Liquor	Sewer Utility	Water Utility	Electric Utility	Golf Course	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Customers and Users	$ 1,656,974	$ 530,493	$ 473,102	$ 5,129,487	$ 327,977	$ 8,118,033
Receipts from Interfund Services Provided		2,286	3,977	94,703		100,966
Payments to Suppliers	(1,328,861)	(205,284)	(107,416)	(3,614,311)	(176,833)	(5,432,705)
Payments for Interfund Services Used	(6,073)	(19,791)	(37,041)			(62,905)
Payments to Employees	(176,896)	(206,670)	(151,537)	(533,442)	(177,753)	(1,246,298)
Net Cash Provided by Operating Activities	145,144	101,034	181,085	1,076,437	(26,609)	1,477,091
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Due from Other Funds		(3,293)	(702)	350,000		346,005
Due to Other Funds				3,995	(31,567)	(27,572)
Transfers to Other Funds	(181,403)			(610,113)	81,403	(710,113)
Net Cash Provided (Used) by Noncapital Financing Activities	(181,403)	(3,293)	(702)	(256,118)	49,836	(391,680)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of Capital Assets		(473,170)	(10,291)	(321,312)		(804,773)
Principal Paid on Debt			(126,000)		(18,818)	(144,818)
Interest Paid on Debt		(292)	(46,981)	(285)	(4,409)	(51,967)
Net Cash Used by Capital and Related Financing Activities		(473,462)	(183,272)	(321,597)	(23,227)	(1,001,558)
CASH FLOWS FROM INVESTING ACTIVITIES						
Sale of Investments	55,000	540,000	200,000	518,477		1,313,477
Purchase of Investments	(40,000)		(68,477)	(1,003,500)		(1,111,977)
Investment Earnings	5,033	23,075	3,618	71,760		103,486
Net Cash Provided (Used) by Investing Activities	20,033	563,075	135,141	(413,263)		304,986
INCREASE IN CASH AND CASH EQUIVALENTS	(16,226)	187,354	132,252	85,459		388,839
CASH AND CASH EQUIVALENTS, JANUARY 1	42,423	42,537	30,562	79,072		194,594
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 26,197	$ 229,891	$ 162,814	$ 164,531	$	$ 583,433
CASH FLOWS FROM OPERATING ACTIVITIES						
Operating Income (Loss)	$ 174,077	$ (25,640)	$ 67,775	$ 726,073	$ (55,013)	$ 887,272
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities						
Depreciation	12,899	148,945	128,358	294,368	26,860	611,430
Bad Debt Expense				(3,980)		(3,980)
Change in Assets and Liabilities						
Accounts Receivable	(28,595)			62,134	116	33,655
Prepaid Items	(183)	(4,292)	(2,242)	(2,017)	(1,272)	(10,006)
Inventories	(21,203)		1,301	5,514	2,125	(12,263)
Accounts Payable	5,887	(17,595)	(12,862)	(27,000)	(255)	(51,825)
Accrued Payroll Liability	198	(693)	190	1,202	47	944
Consumer Deposits				18,395		18,395
Accrued Compensated Absences	2,064	309	(1,435)	1,748	783	3,469
Total Adjustments	(28,933)	126,674	113,310	350,364	28,404	589,819
Net Cash Provided by Operating Activities	$ 145,144	$ 101,034	$ 181,085	$ 1,076,437	$ (26,609)	$ 1,477,091
NONCASH CAPITAL ACTIVITIES						
Increase in Fair Value of Investments	$ 92	$ 609	$	$ 2,755	$	$ 3,456
Acquisition of Capital Assets from Contribution					32,900	32,900
Capital Assets Aquired through Payables		177,459				177,459

The notes to the basic financial statements are an integral part of this statement.

CITY OF WADENA, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND - AGENCY FUND
DECEMBER 31, 2011

Exhibit A-11

ASSETS	
Cash and Investments	$ 591,662
Total Assets	591,662
LIABILITIES	
Due to Other Governments	591,662
Total Liabilities	591,662
NET POSITION	$

The notes to the basic financial statements are an integral part of this statement.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Wadena was incorporated June 1, 1874, and is a fourth class statutory city under Minnesota Statutes with a Council-Mayor form of government.

The basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards* (GASB Codification). The City's significant accounting policies are described below.

A. Financial Reporting Entity

The City's financial statements include all funds for which the City is financially accountable.

The City is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Additionally, the City is not included in any other governmental reporting entity.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and is either:

1. able to impose its will on that organization or

2. there is potential for the organization to provide specific financial benefits to, or impose financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City.

Based on these criteria, there are no organizations considered component units of the City.

B. Government-wide and Fund Financial Statements

The goal of government-wide financial statements is to present a broad overview of the government's finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this rule are charges from the City's electric, water and sewer utilities, and other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported from the various functions concerned. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 which 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. 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 and fiduciary 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 government 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, sales taxes, franchise tax, licenses, 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 government.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *MIF revolving loan fund* accounts for monies loaned at low interest rates to individuals or businesses, specifically for the purpose of economic development.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on all general obligation bonds of governmental funds.

The *capital project fund* accounts for financial resources to be used for acquisition or construction for major capital facilities.

The government reports the following major proprietary funds:

The *municipal liquor store fund* is used to account for revenues and expenses to operate the municipal liquor store.

The *sewer utility fund* is used to account for revenues and expenses to operate the municipal sewer utility.

The *water utility fund* is used to account for revenues and expenses to operate the municipal water utility.

The *electric utility fund* is used to account for revenues and expenses to operate the municipal electric utility.

Additionally, the government reports the following fund type:

The *fiduciary fund* is used to account for resources held for the Volunteer Fire Relief Association, a party outside the government. The fiduciary fund is not reflected in the government-wide financial statements because resources of those funds are not available to support the City's own programs. The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting.

The government also has a nonmajor proprietary fund. The *golf course fund* is used to account for revenues and expenses to operate the municipal golf course.

Private-sector standards of the accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option*

of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on 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 government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

The City is required by state statutes to adopt an annual budget for its general fund. There is no legal restriction on expenditures in excess of appropriations.

An annual budget is adopted for the general fund. Formal budgetary policies are not employed for debt service funds and capital projects funds because effective budgetary control is alternatively achieved by bond requirements or by council approval of individual projects and expenditures. All budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Appropriations are authorized by the city council at the function and activity level within an individual fund, which are the legal levels of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets. The city administrator may transfer budgeted amounts between line items. All unexpended appropriations lapse at year-end. Encumbrances outstanding at year-end expire and are not reported in the financial statements. Any changes in the total budget of each fund must be approved by a majority vote of the city council.

E. Cash and Cash Equivalents

Cash balances from all funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

The City considers cash equivalents to be certificates of deposits, money market funds, and other highly liquid investments with original maturities of three months or less. They are carried at cost.

F. Investments

Investments are stated at fair value as of the balance sheet date. Amortization of premiums and accretion of discounts on investment purchases are not recorded over the term of the investment. The effect of this policy on the financial statements of various funds is not significant.

G. Accounts Receivable

Receivables are carried at invoice amount less an estimate made for uncollectible accounts. Management determines the allowance for uncollectible accounts by using historical experience and review of individual customer accounts. The allowance for uncollectible accounts receivable is $9,110 in the electric utility fund in the enterprise fund. Receivables are written off when deemed uncollectible. Recoveries of receivables previously written off are recorded when received.

A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 15 days. Interest is charged on receivables that are outstanding for more than 15 days, and the interest rate is 5%.

H. Property Taxes

Property tax levies are set by the city council in December each year and are certified to the county for collection the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads the levies over all taxable property in the city. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Revenues are accrued in the year collectible, net of delinquencies.

Property taxes are payable in two equal installments on May 15 and October 15. The county provides tax settlements to cities and other local governments three times a year, in April, July and December.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable and the portion not available within 60 days is fully offset by unearned revenue because it is not available to finance current expenditures.

I. Special Assessments Receivable

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with Minnesota Statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue.

Collection of annual installments (including interest) is handled by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

Special assessments receivable includes the following components:

Delinquent - amounts billed to property owners but not paid.
Deferred - assessment installments that will be billed to property owners in future years.

Special assessments receivables not expected to be collected within one year are $655,000.

J. Short-term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

K. Inventories

The costs of inventory items are recognized as expenditures in governmental funds when purchased and as expenses in proprietary funds when used. Proprietary fund inventories for electric, water, and sewer are presented on an average cost basis, while golf course and municipal liquor fund inventories are presented at lower of cost or market.

L. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2011, are recorded as prepaid items in both government-wide and fund financial statements.

M. 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 in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual

cost of more than $5,000 and $500, respectively. Infrastructure capital assets are defined by the City as assets with an initial, individual cost of more than $50,000. Such assets are recorded at historical cost or estimated historical cost. 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 lives are not capitalized.

Property, plant and equipment is depreciated using the straight line method over the following estimated useful lives:

Buildings	50 years
Improvements other than Buildings	40 years
Machinery and Equipment	5-15 years
General Plant and System	25-50 years
Infrastructure	25 years

N. Compensated Absences

The City compensates all employees for all unused vacation pay upon termination of employment for union employees and nonunion employees. Effective January 1, 1996, employees receive 80 hours of vacation each year for the first year through the fifth year of employment, years six through ten they receive 120 hours, after ten years of service they receive an additional 8 hours each year to a maximum of 180 hours.

O. 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 statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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 uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

P. Fund Balance

For the year ended December 31, 2011, the City implemented GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints and the purposes for which resources can be used:

Nonspendable - consists of amounts that are not in spendable form (such as inventory and prepaid items) or are required to be maintained intact.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - consists of amounts constrained to specific purposes by the government itself, using its highest level of decision making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned - consists of amounts a government intends to use for a specific purpose. These constraints are established by the Council and/or management. The Council delegates the power to assign fund balances to the City Administrator and Finance Officer, jointly.

Unassigned – consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned and 3) unassigned.

The City will strive to maintain a minimum general fund balance of six months of operating expenses.

Q. Net Position

For the year ended December 31, 2011, the City implemented GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.* This statement provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in accordance with Concepts Statement No. 4, Elements of Financial Statements.

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital asset, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

R. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates

NOTE 2. COMPLIANCE

A. Excess of Actual Expenditures Over Budget

For the year ended December 31, 2011, expenditures exceeded appropriation in the general fund by $466,754. This over expenditure was funded by greater than anticipated revenue.

B. Deficit Fund Balance

The capital project fund and DTED small cities grant fund has a deficit fund balance of $82,498 and $650, respectively at December 31, 2011. The deficit is expected to be eliminated through future revenue or a transfer from the general fund.

NOTE 3. DEPOSITS AND INVESTMENTS

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, bankers' acceptances, certain repurchase agreements and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. As of December 31, 2011, the City had the following investments and maturities:

		Investment Maturities (in Years)			
Investment Type	Fair Value	Not Applicable	< 1	1 - 5	> 5 - 10
Government Bonds	$ 622,872	$	$	$	$ 622,872
Mutual Fund - U.S. Government Securities	362,859	362,859			
Money Market Funds	29,554	29,554			
External Investments Pool 4M Fund	1,050,907	1,050,907			
Total Investments	$ 2,066,192	$ 1,443,320	$	$	$ 622,872

The 4-M Fund is regulated under the guidelines of Minnesota State Statutes Section 118A and investments are managed in accordance with SEC regulation 2A7. The fair value of the position in the 4-M Fund is the same as the value of the pool shares.

The City classifies nonnegotiable certificates of deposit as an investment in the statement of net assets / balance sheet. As of December 31, 2011, the City had $4,500,000 nonnegotiable certificates of deposit.

Interest Rate Risk - The City's investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. After the liquidity needs, and scheduled maturity needs are satisfied, the balance of the funds available for investment are placed with institutions that offer the greatest safety and highest rate of return consistent with the maturities as determined by the City.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Beyond what is stated in state statutes, the City does not have a formal policy to further limit its exposure to credit risk. As of December 31, 2011, the City's investments in government bonds were rated AAA by Moody's. The City's investments in the U.S. government securities, mutual funds, money market funds, external investment pool are not rated.

Concentration of Credit Risk - The City places no limit on the amount the City may invest in any one issuer. More than 5 percent of the City's investments are in government bonds, the investment is 30% of the City's total investments.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. In accordance with Minnesota Statutes, the City maintains deposits at those depository banks authorized by the City's city council, all of which are members of the Federal Reserve System. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. During the year the City was exposed to custodial credit risk. As of December 31, 2011, the City was not exposed to custodial credit risk.

Custodial Credit Risk - Investments - The investment in the 4-M Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40.

NOTE 4. LOANS RECEIVABLE

At December 31, 2011, the loans receivable consisted of loans from individuals and organizations and totaled $942,674. The loans have maturity dates between 2012 through 2019 and interest rates range from 3 to 7%. The provision for uncollectible was $47,000.

NOTE 5. CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 1,938,215	$	$	$ 1,938,215
Construction in Progress	47,850	683,250		731,100
Total Capital Assets, Not Being Depreciated	1,986,065	683,250		2,669,315
Capital Assets, Being Depreciated:				
Buildings	3,243,416	45,225	41,222	3,247,419
Improvements Other Than Buildings	2,573,549	76,689		2,650,238
Machinery and Equipment	2,807,341	160,040	149,076	2,818,305
Infrastructure	1,332,523	235,194		1,567,717
Total Capital Assets, Being Depreciated	9,956,829	517,148	190,298	10,283,679
Less Accumulated Depreciation For:				
Buildings	926,156	64,044	11,163	979,037
Improvements Other Than Buildings	828,743	63,337		892,080
Machinery and Equipment	1,650,541	161,084	149,076	1,662,549
Infrastructure	68,753	27,636		96,389
Total Accumulated Depreciation	3,474,193	316,101	160,239	3,630,055
Total Capital Assets, Being Depreciated, Net	6,482,636	201,047	30,059	6,653,624
Governmental Activities Capital Assets, Net	$ 8,468,701	$ 884,297	$ 30,059	$ 9,322,939
Business-type Activities				
Capital Assets, Not Being Depreciated:				
Land	$ 631,619	$	$	$ 631,619
Construction in Progress	71,036	650,629		721,665
Total Capital Assets, Not Being Depreciated	702,655	650,629		1,353,284
Capital Assets, Being Depreciated:				
Buildings	7,983,405	6,995		7,990,400
Machinery and Equipment	2,700,179	62,164		2,762,343
General Plant and System	13,340,435	295,343		13,635,778
Total Capital Assets, Being Depreciated	24,024,019	364,502		24,388,521
Less Accumulated Depreciation For:				
Buildings	2,740,144	168,857		2,909,001
Machinery and Equipment	1,739,130	110,181		1,849,311
General Plant and System	5,417,813	332,392		5,750,205
Total Accumulated Depreciation	9,897,087	611,430		10,508,517
Total Capital Assets, Being Depreciated, Net	14,126,932	(246,928)		13,880,004
Business-type Activities Capital Assets, Net	$ 14,829,587	$ 403,701	$	$ 15,233,288

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General Government	$ 5,183
Public Safety	79,709
Public Works	73,640
Culture and Recreation	38,062
Economic Development	3,200
Airport	116,307
Total Depreciation Expense - Governmental Activities	$ 316,101
Business-type Activities	
Municipal Liquor	$ 12,899
Sewer Utility	148,945
Water Utility	128,358
Electric Utility	294,368
Golf Course	26,860
Total Depreciation Expense - Business-type Activities	$ 611,430

NOTE 6. SHORT-TERM DEBT

The short-term debt obligations outstanding at year-end and changes in short-term debt are summarized as follows:

	Beginning Balance	Increase	Decreases	Ending Balance
LMCIT - Coverage Agreement	$ 250,000	$	$ 250,000	$

NOTE 7. LEASES

A. Operating Lease

During 1994, the City sold an auditorium to the Wadena School District. The District subsequently issued building bonds in the amount of $900,000 for the purpose of remodeling the auditorium. The City and the District entered into a lease and use agreement through 2034, which requires the City to pay the District approximately 29% of the annual debt service of the bonds for use of the facilities. Lease expense for 2011 was $21,708.

B. Capital Lease

The City has entered into a lease agreement as lessee for financing the acquisition for golf carts. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The golf carts acquired through the capital lease are for the Golf Course Fund and the cost is $85,172 and accumulated depreciation is $42,585.

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2011, were as follows:

Year Ending December 31,	Business-type Activities
2012	$ 18,819
Total minimum lease payments	18,819
Less: amount representing interest	(1,892)
Present value of minimum lease payments	$ 16,927

NOTE 8. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2011:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General Obligation Bonds	$ 4,200,000	$	$ 680,000	$ 3,520,000	$ 740,000
Less: Deferred Amounts on Refunding	(13,477)		(3,000)	(10,477)	(3,000)
Compensated Absences	127,855	105,642	110,858	122,639	80,000
Governmental Activity Long-term Liabilities	$ 4,314,378	$ 105,642	$ 787,858	$ 3,632,162	$ 817,000
Business-type Activities					
Bonds Payable					
General Obligation Bonds	$ 1,759,000	$	$ 126,000	$ 1,633,000	$ 130,000
Lease Payable	35,745		18,818	16,927	16,927
Compensated Absences	82,792	82,509	79,040	86,261	75,000
Business-type Activity Long-term Liabilities	$ 1,877,537	$ 82,509	$ 223,858	$ 1,736,188	$ 221,927

Long-term obligations currently outstanding are as follows:

	Interest Rate	Final Year of Maturity	Authorized and Issued	Outstanding
Governmental Activities				
General Obligation Bonds				
2002 Improvement Bonds	3.8%	2013	$ 400,000	$ 95,000
2004 Crossover Refunding Bonds	3.5- 3.9%	2015	2,885,000	1,340,000
2006 Improvement Bonds	4%	2016	1,465,000	875,000
2007 Improvement Bonds	4.0 - 4.1%	2017	675,000	440,000
2009 Taxable Improvement Bonds	2.2 - 5%	2020	800,000	770,000
Total Governmental Activities				$ 3,520,000
Business-type Activities				
General Obligation Bonds				
2002 Water Revenue Note	2.67%	2022	$ 2,615,975	$ 1,633,000
Total Business-type Activities				$ 1,633,000

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for the governmental activities. The original amount of general obligation bonds issued in prior years was $6,225,000.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. The general obligations issued for the general government are payable from the debt service funds primarily through special assessments and property taxes levied and collected.

B. General Obligation Revenue Bonds

The City also issues bonds where the City pledges income derived from the constructed assets to pay debt service. The original amount of general obligation bonds issued in prior years was $2,615,975.

The annual requirements to amortize all long-term obligations of the City outstanding as of December 31, 2011 are as follows:

Year Ending	Governmental Activities		Business-type Activities	
December 31	Principal	Interest	Principal	Interest
2012	$ 740,000	$ 126,850	$ 130,000	$ 43,603
2013	770,000	99,841	133,000	40,131
2014	590,000	74,650	137,000	36,579
2015	610,000	51,797	140,000	32,921
2016	355,000	33,160	144,000	29,182
2017-2021	455,000	40,025	780,000	86,104
2022			169,000	4,512
	$ 3,520,000	$ 426,323	$ 1,633,000	$ 273,032

For the governmental activities, compensated absences are generally liquidated by the general fund.

NOTE 9. CONDUIT DEBT (NO COMMITMENT DEBT)

The City has issued a Municipal Industrial Development Bond (Health Care Facilities Revenue Note, Series 2005) to provide financial assistance to a nonprofit corporation for the construction of a new facility deemed to be in the public interest. This Bond is secured by an assignment of the Loan Agreement, a Guaranty Agreement and a Mortgage, Security Agreement and Fixture Financing Statement. Accordingly, the Bond is not reported as a liability in the accompanying financial statements.

NOTE 10. DEFINED BENEFIT PENSION PLANS - STATEWIDE

City of Wadena

A. Plan Description

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for 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 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity

accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and for GERF members hired prior to July 1, 1989, whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

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

B. Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.25%, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.6% of their annual covered salary in 2011. The City of Wadena is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan members, 7.25% for Coordinated Plan members, and 14.4% for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2011, 2010, and 2009 were $102,801, $102,182, and $98,754, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2011, 2010, and 2009 were $59,238, $59,266, and $58,024, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Volunteer Fire Relief Association

A. Plan Description

The City remits a state aid payment to the Wadena Fire Relief Association (association), a single-employer public retirement system that acts as an administrator for volunteer firefighters. All volunteer firefighters of the City are members of the Wadena Fire Department Relief Association. Retiring individuals receive a lump sum distribution in an amount equal to $1,970 per year of service. The minimum retirement age is 50 and members are fully vested after 20 years.

These benefit provisions and all other requirements are consistent with enabling state statutes.

B. Funding Policy

The City passes through state aids allocated to the plan in accordance with state statutes. The on-behalf payments of fringe benefits and salaries for the government's employees were recognized as revenues and expenditures during the period. The state aid for years ending December 31, 2011, 2010 and 2009 were $18,347, $19,436, and $22,335, respectively.

C. Ten-Year Historical Trend Information

Ten-year historical trend information is available in the association's financial reports.

D. Related-Party Investments

As of December 31, 2011, and for the fiscal year then ended, the association held no securities issued by the City or other related parties.

NOTE 11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of December 31, 2011, is as follows:

Due from / to other funds:

Receivable Fund	Payable Fund		Amount
Sewer Utility	Electric Utility	$	25,956
Water Utility	Electric Utility		17,714
General	Capital Projects		24,729
General	Nonmajor Governmental		650
		$	69,049

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund services are provided, and 2) cover deficit cash balances.

Interfund Transfers:

Transfer In	Transfer Out		Amount
General	Electric Utility	$	610,113
General	Municipal Liquor		100,000
Capital Project	General		32,797
Nonmajor Proprietary	Municipal Liquor		81,403
		$	824,313

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due and 2) move unrestricted revenues to finance various programs that the government must account for in other funds.

NOTE 12. CLAIMS AND JUDGMENTS

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2011, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

The City is involved in legal action. Although the outcome cannot be determined, the City believes any potential liability would not have a material impact on the financial condition of the City.

NOTE 13. COMMITTED CONTRACTS

As of December 31, 2011, the City had the following commitments for uncompleted construction contracts:

Fund Name / Project	
Sewer / Wastewater treatment plant	$3,592,000
General / Leaf River Trail	19,380

NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and disasters. The City participates in a group workers' compensation plan with the League of Minnesota Cities Insurance Trust (LMCIT), which is a public entity risk pool currently operating as a common risk management and insurance program for member Minnesota cities. The plan is administered by Berkley Administrators.

The workers' compensation plan is self-sustaining based on the premiums charged, so that total contributions plus compounded earnings on these contributions will equal the amount needed to satisfy claim liabilities and other expenses. The City has entered into a regular premium adjustment after annual actual salaries are determined. All charges are distributed to each City department based upon salary and workers' compensation class code. LMCIT is responsible for Workers' Compensation Reinsurance Association premiums and for the general administrative and claim expenses.

The City continues to carry commercial insurance for employee health, standard liability, property, and automotive insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in the past years. There has been no substantial change in coverage from the prior year.

NOTE 15. NEW PRONOUNCEMENTS

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus* will be effective for financial statement periods beginning after June 15, 2012 with earlier application encouraged. The statement will improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity,* and the requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments,* were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* will be effective for financial statement periods beginning after December 15, 2011 with early application encouraged. The Statement brings the authoritative accounting and financial reporting literature together in one place, with the guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial users. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, resulting in a more consistent application of applicable guidance in financial statements of state and local governments.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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COMBINING FINANCIAL STATEMENTS
NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

WDA Revolving Loan I Fund and WDA Revolving Loan II Fund - These funds are used to account for monies loaned at low interest rates to individuals or businesses, specifically for the purpose of economic development.

SCDG Commercial Loan Fund and SCDG Residential Loan Fund - These funds are used to account for monies loaned at low interest rates to individuals or businesses, specifically for the purpose of economic development.

Small Cities Grant Fund - This fund is used to account for several small revitalization Grants.

Library Endowment Fund - This fund is used by the Library for long-term projects of the library.

Capital Projects Funds

Tax Increment Fund - This fund is used to account for improvements and related tax increment funds.

Permanent Fund

Merickel Sunnybrook Fund - This fund is used to account for $10,000 held in trust by the City for the purpose of purchasing fish for Sunnybrook Park. The money is invested in short-term certificates of deposit and the interest is used to purchase the fish.

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CITY OF WADENA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2011

Exhibit B-1

	Special Revenue Funds Exhibit B-3	Capital Project Fund Tax Increment	Permanent Fund	Total Nonmajor Governmental Funds Exhibit A-3
ASSETS				
Cash and Cash Equivalents	$ 182,046	$ 816	$	$ 182,862
Investments	189,555			189,555
Permanently Restricted Investments			10,000	10,000
Interest Receivable	225		112	337
Property Tax Receivable	6			6
Allowance for Delinquent Taxes Receivable	(6)			(6)
Loans Receivable	288,234			288,234
Total Assets	$ 660,060	$ 816	$ 10,112	$ 670,988
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	$ 560	$	$	$ 560
Due to Other Funds	650			650
Deferred Revenue	288,309			288,309
Total Liabilities	289,519			289,519
Fund Balance				
Restricted for:				
Commercial Loans	28,429			28,429
Residential Loans	26,942			26,942
Tax Increment District		816		816
Permanent Fund			10,000	10,000
Committed for:				
Economic Development	296,265			296,265
Assigned for:				
Library	19,555			19,555
Permanent Fund			112	112
Unassigned	(650)			(650)
Total Fund Balance	370,541	816	10,112	381,469
TOTAL LIABILITIES AND FUND BALANCE	$ 660,060	$ 816	$ 10,112	$ 670,988

CITY OF WADENA, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2011

Exhibit B-2

	Special Revenue Funds Exhibit B-4	Capital Project Fund Tax Increment	Permanent Fund	Total Nonmajor Governmental Funds Exhibit A-5
REVENUES				
Property Taxes	$	$ 8,408	$	$ 8,408
Charges For Services	709			709
Miscellaneous				
Investment Earnings	22,252	809		23,061
Loan Repayments	57,457			57,457
Rents	3,600			3,600
Total Revenues	84,018	9,217		93,235
EXPENDITURES				
Current				
Culture and Recreation			21	21
Economic Development	21,847	188,368		210,215
Total Expenditures	21,847	188,368	21	210,236
NET CHANGE IN FUND BALANCES	62,171	(179,151)	(21)	(117,001)
FUND BALANCE, JANUARY 1	308,370	179,967	10,133	498,470
FUND BALANCE, DECEMBER 31	$ 370,541	$ 816	$ 10,112	$ 381,469

CITY OF WADENA, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2011

Exhibit B-3

	WDA Revolving Loan I Fund	WDA Revolving Loan II Fund	SCDG Commercial Loan Fund	SCDG Residential Loan Fund	Library Endowment Fund	DTED Small Cities Grant	Total Nonmajor Special Revenue Funds Exhibit B-1
ASSETS							
Cash and Cash Equivalents	$ 123,796	$ 2,879	$ 28,429	$ 26,942	$	$	$ 182,046
Investments	140,000	30,000			19,555		189,555
Interest Receivable	185	40					225
Property Tax Receivable	6						6
Allowance for Delinquent Taxes Receivable	(6)						(6)
Loans Receivable	150,490		103,397	34,347			288,234
Total Assets	$ 414,471	$ 32,919	$ 131,826	$ 61,289	$ 19,555		$ 660,060
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts Payable	$ 560	$	$	$	$		$ 560
Due to Other Funds						650	650
Deferred Revenue	150,565		103,397	34,347			288,309
Total Liabilities	151,125		103,397	34,347		650	289,519
Fund Balance							
Restricted for:							
Commercial Loans			28,429				28,429
Residential Loans				26,942			26,942
Committed for:							
Economic Development	263,346	32,919					296,265
Assigned for Library					19,555		19,555
Unassigned						(650)	(650)
Total Fund Balance	263,346	32,919	28,429	26,942	19,555	(650)	370,541
TOTAL LIABILITIES AND FUND BALANCE	$ 414,471	$ 32,919	$ 131,826	$ 61,289	$ 19,555	$	$ 660,060

CITY OF WADENA, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
YEAR ENDED DECEMBER 31, 2011

Exhibit B-4

	WDA Revolving Loan I Fund	WDA Revolving Loan II Fund	SCDG Commercial Loan Fund	SCDG Residential Loan Fund	Library Endowment Fund	DTED Small Citites Grant	Total Nonmajor Special Revenue Funds Exhibit B-2
REVENUES							
Property Taxes	$ 709	$	$	$	$	$	$ 709
Miscellaneous							
Investment Earnings	15,836	614	3,881	1,672	249		22,252
Loan Repayments	36,313		15,239	5,905			57,457
Rents	3,600						3,600
Total Revenues	56,458	614	19,120	7,577	249		84,018
EXPENDITURES							
Current							
Economic Development	13,197		8,000			650	21,847
Total Expenditures	13,197		8,000			650	21,847
NET CHANGE IN FUND BALANCES	43,261	614	11,120	7,577	249	(650)	62,171
FUND BALANCE, JANUARY 1	220,085	32,305	17,309	19,365	19,306		308,370
FUND BALANCE, DECEMBER 31	$ 263,346	$ 32,919	$ 28,429	$ 26,942	$ 19,555	$ (650)	$ 370,541

SUPPLEMENTARY STATEMENTS AND SCHEDULES

These supplementary statements and schedules are included to provide management additional information for financial analysis.

CITY OF WADENA
COMPARATIVE BALANCE SHEETS
GENERAL FUND
DECEMBER 31, 2011 AND 2010

Exhibit C-1

	2011	2010
ASSETS		
Cash and Cash Equivalents	$ 130,886	$ 1,129,992
Investments	601,548	803,260
Accounts Receivable	87,080	35,411
Interest Receivable	708	1,433
Property Taxes Receivable	13,159	6,874
Allowance for Delinquent Taxes Receivable	(13,015)	(6,874)
Special Assessments Receivable	68,516	97,259
Due from Other Funds	25,379	104,578
Due from Other Governments	1,115,095	49,669
TOTAL ASSETS	$ 2,029,356	$ 2,221,602
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	$ 74,585	$ 67,396
Accrued Payroll Liabilities	43,570	47,438
Due to Other Funds		350,000
Short Term Debt		250,000
Deferred Revenue	68,516	154,259
Total Liabilities	186,671	869,093
FUND BALANCE		
Assigned for Equipment	517,985	665,030
Unassigned	1,324,700	687,479
Total Fund Balance	1,842,685	1,352,509
TOTAL LIABILITIES AND FUND BALANCE	$ 2,029,356	$ 2,221,602

CITY OF WADENA, MINNESOTA
SCHEDULE OF REVENUES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for 2010)

Exhibit C-2

	2011				2010
	Budget		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Property Taxes					
Ad Valorem Taxes	$ 460,374	$ 460,374	$ 376,115	$ (84,259)	$ 139,186
Hotel/Motel Tax	29,000	29,000	32,751	3,751	32,567
Franchise Tax	95,000	95,000	89,441	(5,559)	90,137
	584,374	584,374	498,307	(86,067)	261,890
Special Assessments	20,512	20,512	33,449	12,937	28,212
Licenses and Permits					
Business Licenses and Permits	18,090	18,090	18,315	225	17,730
Nonbusiness Licenses and Permits	6,600	6,600	9,532	2,932	13,207
	24,690	24,690	27,847	3,157	30,937
Intergovernmental					
Federal	475,000	475,000	777,115	302,115	685,627
State					
Local Governmental Aid	1,307,177	1,307,177	1,191,075	(116,102)	1,191,075
Tax Credits	13,861	13,861	7,406	(6,455)	2,592
Local Option Disaster Abatement					31,953
Police Aid	53,000	53,000	53,217	217	52,947
Firefighting Aid	19,000	19,000	18,347	(653)	19,436
PERA Rate Increase Aid	6,069	6,069	6,069		6,069
Airport Maintenance	21,189	21,189	21,189		21,189
Other Aid			630,407	630,407	299,870
	1,895,296	1,895,296	2,704,825	809,529	2,310,758
Charges for Services					
General Government	13,300	13,300	8,913	(4,387)	9,495
Police Department	35,330	35,330	29,646	(5,684)	19,977
Fire Department	60,000	60,000	56,191	(3,809)	56,128
Highways and Streets	18,000	18,000	11,211	(6,789)	16,140
Parks and Recreation	37,860	37,860	32,085	(5,775)	35,209
Airport	30,260	30,260	38,617	8,357	28,373
	194,750	194,750	176,663	(18,087)	165,322
Fines and Forfeitures	46,500	46,500	21,386	(25,114)	20,968
Miscellaneous					
Investment Earnings	9,065	9,065	36,056	26,991	21,174
Rents	20,000	20,000	18,012	(1,988)	19,629
Contributions	1,800	1,800	15,396	13,596	5,225
Reimbursements	28,578	28,578	66,075	37,497	554,666
Other	15,000	15,000	35,591	20,591	40,384
	74,443	74,443	171,130	96,687	641,078
TOTAL REVENUES	$ 2,840,565	$ 2,840,565	$ 3,633,607	$ 793,042	$ 3,459,165

CITY OF WADENA, MINNESOTA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for 2010)

Exhibit C-3

	2011				2010
	Budget		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES					
General Government					
Legislative	$ 172,584	$ 172,584	$ 415,363	$ (242,779)	$ 195,472
Mayor and Council	29,763	29,763	31,541	(1,778)	29,847
City Administrator	44,015	44,015	46,732	(2,717)	44,023
Elections	350	350	290	60	5,717
Accounting	105,553	105,553	105,982	(429)	99,404
Planning and Zoning	85,426	86,426	53,044	33,382	79,347
City Hall Maintenance	20,062	20,062	16,789	3,273	24,207
Tornado Recovery			161,692	(161,692)	629,222
Capital Outlay	290,000	290,000	795,350	(505,350)	331,225
	747,753	748,753	1,626,783	(878,030)	1,438,464
Public Safety					
Police Department					
Current	725,118	725,118	729,162	(4,044)	697,853
Capital Outlay	41,500	41,500	32,467	9,033	
Fire Department					
Current	103,790	103,790	101,079	2,711	105,283
Capital Outlay	8,000	8,000	8,258	(258)	
	878,408	878,408	870,966	7,442	803,136
Public Works					
Roadway Maintenance	348,980	348,980	246,032	102,948	266,295
Snow and Ice Removal	89,620	89,620	104,307	(14,687)	99,076
Street Signs and Markings	12,276	12,276	10,776	1,500	7,398
Parking Lots	6,200	6,200	6,170	30	5,275
Storm Sewers	49,997	49,997	25,010	24,987	17,058
Street Cleaning	35,445	35,445	23,844	11,601	22,456
Waste Collection	12,224	12,224	10,374	1,850	9,846
Shade Tree Program	10,451	10,451	16,742	(6,291)	5,294
Weed Control	3,179	3,179	2,944	235	1,578
Capital Outlay	56,000	56,000	50,446	5,554	
	624,372	624,372	496,645	127,727	434,276
Culture and Recreation					
Skating Rinks	12,440	12,440	6,595	5,845	8,642
Playgrounds	20,960	20,960	18,773	2,187	22,371
Pool	19,082	19,082	4,509	14,573	
Campground	17,366	17,366	19,010	(1,644)	22,102
Parks	162,597	162,597	126,910	35,687	104,647
Libraries	74,801	79,481	81,804	(2,323)	78,722
Capital Outlay	138,500	138,500	329,109	(190,609)	
	445,746	450,426	586,710	(136,284)	236,484

cont.

CITY OF WADENA, MINNESOTA
SCHEDULE OF EXPENDITURES - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2011
(With Comparative Totals for 2010)

Exhibit C-3, Continued

	2011				2010
	Budget		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Airport					
Current	347,478	347,478	124,461	223,017	90,665
Capital Outlay	200,000	200,000	28,710	171,290	107,061
	547,478	547,478	153,171	394,307	197,726
Miscellaneous					
Unallocated Expenditures	31,000	31,000	17,391	13,609	10,088
Wadena Development Authority	73,556	73,556	69,081	4,475	68,534
Health Insurance					(1,950)
	104,556	104,556	86,472	18,084	76,672
TOTAL EXPENDITURES	$ 3,348,313	$ 3,353,993	$ 3,820,747	$ (466,754)	$ 3,186,758

CITY OF WADENA, MINNESOTA
COMPARATIVE STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2011 AND 2010

Exhibit C-4

	Municipal Liquor		Sewer Utility		Water Utility		Electric Utility		Golf Course		Totals	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
ASSETS												
CURRENT ASSETS												
Cash and Cash Equivalents	$ 26,197	$ 42,423	$ 229,891	$ 42,537	$ 162,814	$ 30,562	$ 164,531	$ 79,072	$	$	$ 583,433	$ 194,594
Investments	117,039	132,039	772,949	1,312,949		131,523	3,496,221	3,011,198			4,386,209	4,587,709
Accounts Receivable - Net	28,612	17					811,259	869,413	576	692	840,447	870,122
Interest Receivable	154	241	1,020	2,393		240	4,610	5,486			5,784	8,360
Due from Other Funds			25,956	22,663	17,714	17,012		350,000			43,670	389,675
Prepaid Items	4,796	4,613	10,490	6,198	8,944	6,702	22,858	20,841	18,092	16,820	65,180	55,174
Inventories	157,663	136,460			21,157	22,458	303,332	308,846	20,211	22,336	502,363	490,100
Total Current Assets	334,461	315,793	1,040,306	1,386,740	210,629	208,497	4,802,811	4,644,856	38,879	39,848	6,427,086	6,595,734
CAPITAL ASSETS												
Land			4,600	4,600	2,850	2,850	44,993	44,993	579,176	579,176	631,619	631,619
Construction In Progress			721,665	71,036							721,665	71,036
Buildings	189,399	189,399	4,089,998	4,089,998	2,540,841	2,540,841	746,564	739,569	423,598	423,598	7,990,400	7,983,405
Equipment	67,758	67,758	385,574	385,574	766,778	766,778	950,538	921,274	591,695	558,795	2,762,343	2,700,179
General Plant and System			2,117,933	2,117,933	2,081,088	2,070,797	9,436,757	9,151,705			13,635,778	13,340,435
Less: Accumulated Depreciation	(167,839)	(154,940)	(2,995,864)	(2,846,919)	(1,864,015)	(1,735,657)	(4,880,671)	(4,586,303)	(600,128)	(573,268)	(10,508,517)	(9,897,087)
Total Capital Assets, Net of Accumulated Depreciation	89,318	102,217	4,323,906	3,822,222	3,527,542	3,645,609	6,298,181	6,271,238	994,341	988,301	15,233,288	14,829,587
Total Assets	423,779	418,010	5,364,212	5,208,962	3,738,171	3,854,106	11,100,992	10,916,094	1,033,220	1,028,149	21,660,374	21,425,321
LIABILITIES												
CURRENT LIABILITIES												
Accounts Payable	43,019	37,132	198,065	38,201	7,054	19,916	346,166	373,166	1,194	1,449	595,498	469,864
Due to Other Funds							43,670	39,675		31,567	43,670	71,242
Accrued Interest					16,108	17,351					16,108	17,351
Accrued Payroll Liabilities	5,935	5,737	6,066	6,759	3,561	3,371	20,849	19,647	4,437	4,390	40,848	39,904
Consumer Deposits							105,247	86,852			105,247	86,852
Current Maturities of Long Term Debt	3,000	3,000	9,000	9,000	139,000	135,000	38,000	38,000	32,927	33,470	221,927	218,470
Total Current Liabilities	51,954	45,869	213,131	53,960	165,723	175,638	553,932	557,340	38,558	70,876	1,023,298	903,683
LONG-TERM LIABILITIES												
Accrued Compensated Absences	2,326	262	695	386	786	2,221	4,215	2,467	3,239	2,456	11,261	7,792
Lease Payable										18,275		18,275
Bonds Payable					1,503,000	1,633,000					1,503,000	1,633,000
Total Long Term Liabilities	2,326	262	695	386	1,503,786	1,635,221	4,215	2,467	3,239	20,731	1,514,261	1,659,067
Total Liabilities	54,280	46,131	213,826	54,346	1,669,509	1,810,859	558,147	559,807	41,797	91,607	2,537,559	2,562,750
NET POSITION												
Net Investment in Capital Assets	89,318	102,217	4,323,906	3,822,222	1,894,542	1,886,609	6,298,181	6,271,238	977,414	952,557	13,583,361	13,034,843
Unrestricted	280,181	269,662	826,480	1,332,394	174,120	156,638	4,244,664	4,085,049	14,009	(16,015)	5,539,454	5,827,728
Total Net Position	$ 369,499	$ 371,879	$ 5,150,386	$ 5,154,616	$ 2,068,662	$ 2,043,247	$ 10,542,845	$ 10,356,287	$ 991,423	$ 936,542	$ 19,122,815	18,862,571

CITY OF WADENA, MINNESOTA
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEARS ENDED DECEMBER 31, 2011 AND 2010

Exhibit C-5

	Municipal Liquor		Sewer Utility		Water Utility		Electric Utility		Golf Course		Totals	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
OPERATING REVENUES												
Sales	$ 1,685,223	$ 1,612,290	$	$	$	$	$	$	$ 117,281	$ 130,126	$ 1,802,504	$ 1,742,416
Cost of Sales	1,266,987	1,225,384							67,325	71,908	1,334,312	1,297,292
Gross Profit	418,236	386,906							49,956	58,218	468,192	445,124
Charges for Services			532,185	510,966	477,079	472,699	5,147,641	5,038,992	210,580	260,789	6,367,485	6,283,446
Miscellaneous	346	188	594	132							940	320
Total Operating Revenues	418,582	387,094	532,779	511,098	477,079	472,699	5,147,641	5,038,992	260,536	319,007	6,836,617	6,728,890
OPERATING EXPENSES												
Administration	135,520	124,764	36,882	35,134	68,740	70,900	268,367	299,644	175,593	176,436	685,102	706,878
Purchased Power							3,318,022	3,404,329			3,318,022	3,404,329
Operating and Maintenance	96,086	94,719	367,291	308,720	135,613	144,482	298,781	170,071	113,096	133,139	1,010,867	851,131
Equipment Maintenance			5,301	11,215	15,709	11,800	53,037	40,815			74,047	63,830
Customer Account Expense					60,884	52,613	188,993	172,094			249,877	224,707
Depreciation	12,899	9,908	148,945	146,385	128,358	128,198	294,368	289,595	26,860	43,196	611,430	617,282
Uncollectible Accounts								3,980				3,980
Total Operating Expenses	244,505	229,391	558,419	501,454	409,304	407,993	4,421,568	4,380,528	315,549	352,771	5,949,345	5,872,137
Operating Income (Loss)	174,077	157,703	(25,640)	9,644	67,775	64,706	726,073	658,464	(55,013)	(33,764)	887,272	856,753
NONOPERATING REVENUE (EXPENSE)												
Loss on Sale of Asset				(20,900)						(2,288)		(23,188)
Contributions									32,900		32,900	
Investment Earnings	4,946	5,443	21,702	37,836	3,377	5,308	70,883	85,111			100,908	133,698
Interest Expense			(292)		(45,737)	(49,036)	(285)	(243)	(4,409)	(8,087)	(50,723)	(57,366)
Total Nonoperating Revenue (Expense)	4,946	5,443	21,410	16,936	(42,360)	(43,728)	70,598	84,868	28,491	(10,375)	83,085	53,144
Net Income (Loss) Before Transfers	179,023	163,146	(4,230)	26,580	25,415	20,978	796,671	743,332	(26,522)	(44,139)	970,357	909,897
TRANSFERS IN									81,403		81,403	
TRANSFERS OUT	(181,403)	(100,000)					(610,113)	(276,468)			(791,516)	(376,468)
Change in Net Position	(2,380)	63,146	(4,230)	26,580	25,415	20,978	186,558	466,864	54,881	(44,139)	260,244	533,429
TOTAL NET POSITION, JANUARY 1	371,879	308,733	5,154,616	5,128,036	2,043,247	2,022,269	10,356,287	9,889,423	936,542	980,681	18,862,571	18,329,142
TOTAL NET POSITION, DECEMBER 31	$ 369,499	$ 371,879	$ 5,150,386	$ 5,154,616	$ 2,068,662	$ 2,043,247	$ 10,542,845	$ 10,356,287	$ 991,423	$ 936,542	$ 19,122,815	$ 18,862,571

CITY OF WADENA, MINNESOTA
COMPARATIVE STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
YEARS ENDED DECEMBER 31, 2011 AND 2010

Exhibit C-6

	Municipal Liquor		Sewer Utility		Water Utility		Electric Utility		Golf Course		Totals	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES												
Receipts from Customers and Users	$ 1,656,974	$ 1,612,523	$ 530,493	$ 531,660	$ 473,102	$ 486,569	$ 5,129,487	$ 4,863,078	$ 327,977	$ 390,799	$ 8,118,033	$ 7,884,629
Receipts from Interfund Services Provided			2,286	4,379	3,977	4,960	94,703	96,083			100,966	105,422
Payments to Suppliers	(1,328,861)	(1,274,716)	(205,284)	(80,805)	(107,416)	(104,052)	(3,614,311)	(3,551,614)	(176,833)	(200,315)	(5,432,705)	(5,211,502)
Payments for Interfund Services Used	(6,073)	(6,158)	(19,791)	(32,306)	(37,041)	(18,636)					(62,905)	(57,100)
Payments to Employees	(176,896)	(170,548)	(206,670)	(206,996)	(151,537)	(147,181)	(533,442)	(482,764)	(177,753)	(181,799)	(1,246,298)	(1,189,288)
Net Cash Provided by Operating Activities	145,144	161,101	101,034	215,932	181,085	221,660	1,076,437	924,783	(26,609)	8,685	1,477,091	1,532,161
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES												
Due from Other Funds			(3,293)	(22,663)	(702)	(17,012)	350,000				346,005	(39,675)
Due to Other Funds							3,995	39,675	(31,567)	17,326	(27,572)	57,001
Transfers from (to) Other Funds	(181,403)	(100,000)					(610,113)	(276,468)	81,403		(710,113)	(376,468)
Net Cash Provided (Used) by Noncapital Financing Activities	(181,403)	(100,000)	(3,293)	(22,663)	(702)	(17,012)	(256,118)	(236,793)	49,836	17,326	(391,680)	(359,142)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES												
Purchase of Capital Assets		(33,966)	(473,170)	(101,806)	(10,291)	(11,570)	(321,312)	(205,292)		(6,291)	(804,773)	(358,925)
Principal Paid on Debt					(126,000)	(123,000)			(18,818)	(16,697)	(144,818)	(139,697)
Interest Paid on Debt			(292)		(46,981)	(50,249)	(285)	(243)	(4,409)	(3,023)	(51,967)	(53,515)
Net Cash Used by Capital and Related Financing Activities		(33,966)	(473,462)	(101,806)	(183,272)	(184,819)	(321,597)	(205,535)	(23,227)	(26,011)	(1,001,558)	(552,137)
CASH FLOWS FROM INVESTING ACTIVITIES												
Sale of Investments	55,000	25,000	540,000		200,000	45,000	518,477	300,000			1,313,477	370,000
Purchase of Investments	(40,000)	(40,000)		(120,000)	(68,477)	(60,000)	(1,003,500)	(805,000)			(1,111,977)	(1,025,000)
Investment Earnings	5,033	5,495	23,075	38,430	3,618	5,297	71,760	85,401			103,486	134,623
Net Cash Provided (Used) by Investing Activities	20,033	(9,505)	563,075	(81,570)	135,141	(9,703)	(413,263)	(419,599)			304,986	(520,377)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(16,226)	17,630	187,354	9,893	132,252	10,126	85,459	62,856			388,839	100,505
CASH AND CASH EQUIVALENTS, JANUARY 1	42,423	24,793	42,537	32,644	30,562	20,436	79,072	16,216			194,594	94,089
CASH AND CASH EQUIVALENTS, DECEMBER 31	$ 26,197	$ 42,423	$ 229,891	$ 42,537	$ 162,814	$ 30,562	$ 164,531	$ 79,072	$	$	$ 583,433	$ 194,594

cont.

CITY OF WADENA, MINNESOTA
COMPARATIVE STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
YEARS ENDED DECEMBER 31, 2011 AND 2010

Exhibit C-6, Continued

	Municipal Liquor		Sewer Utility		Water Utility		Electric Utility		Golf Course		Totals	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES												
Operating Income (Loss)	$ 174,077	$ 157,703	$ (25,640)	$ 9,644	$ 67,775	$ 64,706	$ 726,073	$ 658,464	$ (55,013)	$ (33,764)	$ 887,272	$ 856,753
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities												
Depreciation	12,899	9,908	148,945	146,385	128,358	128,199	294,368	289,595	26,860	43,196	611,430	617,283
Bad Debt Expense							(3,980)	(2,020)			(3,980)	(2,020)
Change in Assets and Liabilities												
Accounts Receivable	(28,595)	45		24,941		18,830	62,134	(80,939)	116	(116)	33,655	(37,239)
Prepaid Items	(183)	243	(4,292)	424	(2,242)		(2,017)	3,299	(1,272)	(329)	(10,006)	3,637
Inventories	(21,203)	9,293			1,301	(4,269)	5,514	34,504	2,125	(1,770)	(12,263)	37,758
Accounts Payable	5,887	(17,075)	(17,595)	33,258	(12,862)	13,210	(27,000)	12,418	(255)	295	(51,825)	42,106
Accrued Payroll Liability	198	845	(693)	1,107	190	(3)	1,202	4,049	47	507	944	6,505
Consumer Deposits							18,395	7,108			18,395	7,108
Accrued Compensated Absences	2,064	139	309	173	(1,435)	987	1,748	(1,695)	783	666	3,469	270
Total Adjustments	(28,933)	3,398	126,674	206,288	113,310	156,954	350,364	266,319	28,404	42,449	589,819	675,408
Net Cash Provided by Operating Activities	$ 145,144	$ 161,101	$ 101,034	$ 215,932	$ 181,085	$ 221,660	$ 1,076,437	$ 924,783	$ (26,609)	$ 8,685	$ 1,477,091	$ 1,532,161
NONCASH CAPITAL ACTIVITIES												
Disposal Capital Assets	$	$	$	$ 54,490	$	$	$	$	$	$ 48,363	$	$ 102,853
Increase (Decrease) in Fair Value of Investments	92	335	609	3,328		333	2,755	7,634			3,456	11,630
Acquisition of Capital Asset from Contribution									32,900		32,900	
Capital Assets Aquired through Payables			177,459								177,459	

CITY OF WADENA, MINNESOTA
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED DECEMBER 31, 2011

Exhibit C-7

	Balance 01/01/11	Additions	Deductions	Balance 12/31/11
WADENA FIREMEN'S RELIEF				
ASSETS				
Cash and Investments	$ 581,458	$ 15,054	$ 4,850	$ 591,662
LIABILITIES				
Due to Other Governments	$ 581,458	$ 15,054	$ 4,850	$ 591,662

CITY OF WADENA, MINNESOTA
SCHEDULE OF INDEBTEDNESS
YEAR ENDED DECEMBER 31, 2011

Exhibit C-8

	Interest Rate	Date of Issue	Maturity Dates	Amount of Issue	Balance 01-01-2011	Issued 2011	Retired 2011	Balance 12-31-2011	Principal Due In 2012	Interest Due In 2012
Governmental Activities										
General Obligation Bonds										
Improvement Bonds of 2002A	3.80%	2002	2012/13	$ 400,000	$ 140,000	$	$ 45,000	$ 95,000	$ 45,000	$ 2,756
Crossover Refunding Bonds, 2004	3.5 - 3.9%	2004	2012/15	2,885,000	1,725,000		385,000	1,340,000	395,000	42,589
Improvement Bonds of 2006	4.00%	2006	2012/16	1,465,000	1,030,000		155,000	875,000	160,000	35,000
Improvement Bonds of 2007A	4.0 - 4.1%	2007	2012/17	675,000	505,000		65,000	440,000	65,000	17,832
G.O. Taxable Improvement Bonds, 2009A	2.2 - 5%	2009	2012/20	800,000	800,000		30,000	770,000	75,000	28,673
Total General Obligation Bonds					4,200,000		680,000	3,520,000	740,000	126,850
Less: Deferred Amounts on Refunding					13,477		3,000	10,477	3,000	
Total General Obligation Bonds					4,186,523		677,000	3,509,523	737,000	126,850
Compensated Absences Payable					127,855	105,642	110,858	122,639	80,000	
Total Governmental Activities					4,314,378	105,642	787,858	3,632,162	817,000	126,850
Business-type Activities										
General Obligation Bonds										
Water Revenue Note 2002	2.67%	2002	2012/22	2,615,975	1,759,000		126,000	1,633,000	130,000	43,603
Lease Payable	4.76%	2008	2012	85,172	35,745		18,818	16,927	16,927	1,892
Compensated Absences Payable					82,792	82,509	79,040	86,261	75,000	
Total Business-type Activities					1,877,537	82,509	223,858	1,736,188	221,927	45,495
Total Indebtedness					$ 6,191,915	$ 188,151	$ 1,011,716	$ 5,368,350	$ 1,038,927	$ 172,345

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STATISTICAL SECTION
(Unaudited)

This part of the City of Wadena's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, not disclosures, and required supplementary information indicate about the City's overall financial health.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance has changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its individual income and sales.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.*

CITY OF WADENA, MINNESOTA
COMPONENTS OF NET POSITION
LAST EIGHT FISCAL YEARS (1)
(Accrual Basis of Accounting)

Table 1

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities								
Net Investment in Capital Assets	$ 2,107,164	$ 2,824,090	$ 3,565,027	$ 5,541,365	$ 3,478,112	$ 3,997,653	$ 4,282,176	$ 5,813,413
Restricted	1,060,571	1,184,971	1,798,480	10,000	10,000	217,215	3,737,474	3,050,739
Unrestricted	2,476,574	2,104,684	1,409,565	1,885,459	4,631,891	4,692,967	1,679,260	2,164,414
Total Governmental Activities Net Position	$ 5,644,309	$ 6,113,745	$ 6,773,072	$ 7,436,824	$ 8,120,003	$ 8,907,835	$ 9,698,910	$ 11,028,566
Business-type Activities								
Net Investment in Capital Assets	$ 11,070,360	$ 11,059,620	$ 12,613,977	$ 12,713,697	$ 13,463,221	$ 13,181,756	$ 13,034,843	$ 13,583,361
Unrestricted	4,107,039	4,327,547	3,822,301	4,447,130	4,251,765	5,147,386	5,827,728	5,539,454
Total Business-type Activities Net Position	$ 15,177,399	$ 15,387,167	$ 16,436,278	$ 17,160,827	$ 17,714,986	$ 18,329,142	$ 18,862,571	$ 19,122,815
Primary Government								
Net Investment in Capital Assets	$ 13,177,524	$ 13,883,710	$ 16,179,004	$ 18,255,062	$ 16,941,333	$ 17,179,409	$ 17,317,019	$ 19,396,774
Restricted	1,060,571	1,184,971	1,798,480	10,000	10,000	217,215	3,737,474	3,050,739
Unrestricted	6,583,613	6,432,231	5,231,866	6,332,589	8,883,656	9,840,353	7,506,988	7,703,868
Total Primary Government Net Position	$ 20,821,708	$ 21,500,912	$ 23,209,350	$ 24,597,651	$ 25,834,989	$ 27,236,977	$ 28,561,481	$ 30,151,381

(1) The City is presenting only the last eight fiscal years as GASB Statement No. 34 was implemented in 2004.

CITY OF WADENA, MINNESOTA
CHANGES IN NET POSITION
LAST EIGHT FISCAL YEARS (1)
(Accrual Basis of Accounting)

Table 2

	Fiscal year							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental Activities								
General Government	$ 318,441	$ 401,411	$ 631,041	$ 653,427	$ 854,266	$ 509,565	$ 1,453,126	$ 892,427
Public Safety	684,544	718,515	762,525	806,060	818,199	931,703	878,169	918,679
Public Works	580,038	591,429	1,289,662	685,074	748,166	1,677,511	807,007	556,661
Culture and Recreation	350,244	324,898	378,361	387,420	420,348	392,406	289,133	336,439
Economic Development	463,129	248,906	200,262	603,296	1,038,870	203,637	127,926	310,929
Airport	140,835	151,837	111,867	74,914	131,921	83,661	163,058	240,768
Interest in Debt	267,900	299,356	250,159	196,860	168,907	213,743	172,566	150,943
Total Governmental Activities Expenses	2,805,131	2,736,352	3,623,877	3,407,051	4,180,677	4,012,226	3,890,985	3,406,846
Business-type Activities								
Municipal Liquor	1,075,146	1,140,928	1,228,790	1,322,845	1,423,997	1,429,366	1,454,775	1,511,492
Sewer Utility	476,802	459,559	537,493	504,152	571,102	543,610	522,354	558,711
Water Utility	456,110	458,904	454,359	486,544	477,957	475,245	457,029	455,041
Electric Utility	2,920,199	3,136,380	3,292,099	3,819,490	4,056,933	4,399,212	4,380,771	4,421,853
Golf Course	424,812	429,001	450,840	420,250	420,438	383,163	435,054	387,283
Total Business-type Activities Expenses	5,353,069	5,624,772	5,963,581	6,553,281	6,950,427	7,230,596	7,249,983	7,334,380
Total Primary Government Expenses	$ 8,158,200	$ 8,361,124	$ 9,587,458	$ 9,960,332	$ 11,131,104	$ 11,242,822	$ 11,140,968	$ 10,741,226

Cont.

(1) The City is presenting only the last eight fiscal years as GASB Statement No. 34 was implemented in 2004.

CITY OF WADENA, MINNESOTA
CHANGES IN NET POSITION
LAST EIGHT FISCAL YEARS (1)
(Accrual Basis of Accounting)

Table 2, continued

	Fiscal year							
	2004	2005	2006	2007	2008	2009	2010	2011
Program Revenues								
Governmental Activities								
Charges for Services								
General Government	$ 11,684	$ 41,262	$ 73,880	$ 59,185	$ 67,455	$ 29,308	$ 30,945	$ 28,839
Public Safety	72,198	70,030	18,963	10,601	12,965	121,338	81,245	86,508
Public Works	33,628	60	152,381	117,691	32,354	21,619	16,140	11,211
Culture and Recreation	48,678	45,493	26,406	51,716	28,259	67,859	40,968	32,865
Economic Development	41,985	27,112	28,820	18,000	18,800	72,961	77,850	51,902
Airport	25,282	19,841	27,710	28,472	27,744	28,847	28,279	38,542
Operating Grants and Contributions	127,310	144,209	212,095	268,810	148,137	473,071	1,027,848	545,477
Capital Grants and Contributions	213,999	182,519	829,974	582,716	1,137,843	1,098,196	122,614	959,232
Total Governmental Activities Program Revenues	574,764	530,526	1,370,229	1,137,191	1,473,557	1,913,199	1,425,889	1,754,576
Business-Type Activities								
Capital Grants and Contributions				4,000				32,900
Charges for Services	5,711,064	6,095,850	6,768,969	7,517,353	7,790,625	8,101,415	8,026,182	8,170,929
Total Business-Type Activities Program Revenues	5,711,064	6,095,850	6,768,969	7,521,353	7,790,625	8,101,415	8,026,182	8,203,829
Total Primary Government Program Revenues	$ 6,285,828	$ 6,626,376	$ 8,139,198	$ 8,658,544	$ 9,264,182	$ 10,014,614	$ 9,452,071	$ 9,958,405
Net (Expenses) Revenue								
Governmental Activities	$ (2,230,367)	$ (2,205,826)	$ (2,253,648)	$ (2,269,860)	$ (2,707,120)	$ (2,099,027)	$ (2,465,096)	$ (1,652,270)
Business-Type Activities	357,995	471,078	805,388	968,072	840,198	870,819	776,199	869,449
Total Primary Government Net Expense	$ (1,872,372)	$ (1,734,748)	$ (1,448,260)	$ (1,301,788)	$ (1,866,922)	$ (1,228,208)	$ (1,688,897)	$ (782,821)

Cont.

(1) The City is presenting only the last eight fiscal years as GASB Statement No. 34 was implemented in 2004.

CITY OF WADENA, MINNESOTA
CHANGES IN NET POSITION
LAST EIGHT FISCAL YEARS (1)
(Accrual Basis of Accounting)

Table 2, continued

	Fiscal year							
	2004	2005	2006	2007	2008	2009	2010	2011
General Revenues and Other Changes in Net Assets								
Governmental Activities								
Property Taxes	$ 847,190	$ 888,010	$ 923,650	$ 976,207	$ 934,483	$ 914,694	$ 888,131	$ 775,589
Unrestricted State Aid	1,012,773	1,082,281	1,247,457	1,315,791	1,820,843	1,322,100	1,209,116	1,252,560
Unrestricted Investment Earnings	165,341	242,021	158,825	191,959	134,437	161,115	128,338	100,338
Miscellaneous	49,836	69,907	185,000	37,114	75,334	106,786	654,118	135,426
Gain on Disposal of Capital Asset								7,900
Transfers	357,438	393,043	398,043	411,741	425,202	382,164	376,468	710,113
Total Governmental Activities	2,432,578	2,675,262	2,912,975	2,932,812	3,390,299	2,886,859	3,256,171	2,981,926
Business-type Activities								
Unrestricted Investment Earnings	112,919	120,007	149,409	168,218	139,163	125,501	133,698	100,908
Miscellaneous	29,000	11,726	492,357					
Transfers	(357,438)	(393,043)	(398,043)	(411,741)	(425,202)	(382,164)	(376,468)	(710,113)
Total Business-type Activities	(215,519)	(261,310)	243,723	(243,523)	(286,039)	(256,663)	(242,770)	(609,205)
Total Primary Government General Revenue and Transfers	$ 2,217,059	$ 2,413,952	$ 3,156,698	$ 2,689,289	$ 3,104,260	$ 2,630,196	$ 3,013,401	$ 2,372,721
Change in Net Position								
Governmental Activities	$ 202,211	$ 469,436	$ 659,327	$ 663,752	$ 683,179	$ 787,832	$ 791,075	$ 1,329,656
Business-type Activities	142,476	209,768	1,049,111	724,549	554,159	614,156	533,429	260,244
Total Primary Government	$ 344,687	$ 679,204	$ 1,708,438	$ 1,388,301	$ 1,237,338	$ 1,401,988	$ 1,324,504	$ 1,589,900

(1) The City is presenting only the last eight fiscal years as GASB Statement No. 34 was implemented in 2004.

CITY OF WADENA, MINNESOTA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

Table 3

	Fiscal year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Assigned										$ 517,985
Unassigned										1,324,700
Total General Fund										$ 1,842,685
All Other Governmental Funds										
Restricted										$ 1,566,234
Committed										296,265
Assigned										19,667
Unassigned										(83,148)
Total All Other Governmental Funds										$ 1,799,018
General Fund										
Reserved	$ 35,318	$ 39,032	$ 40,798	$ 45,986	$	$ 54,205	$	$	$	
Unreserved	804,305	652,252	739,907	742,930	670,873	643,475	636,305	707,837	1,352,509	
Total General Fund	$ 839,623	$ 691,284	$ 780,705	$ 788,916	$ 670,873	$ 697,680	$ 636,305	$ 707,837	1,352,509	
All Other Government Funds										
Reserved	$ 13,161	$ 12,325	$ 2,722,098	$ 2,720,718	$ 1,800,705	$ 11,874	$ 11,388	$ 11,701	10,000	
Unreserved, Reported In:										
Debt Service Funds	908,336	1,032,616	1,243,300	1,238,345	1,489,350	1,748,141	1,774,954	1,694,260	1,677,709	
Special Revenue Funds	419,620	360,771	355,699	142,570	159,028	376,378	361,130	322,205	465,649	
Capital Project Funds	134,110	284,022	92,811	(21,551)	271,993	294,694	(28,366)	303,982	97,978	
Permanent Fund								215	133	
Total All Other Governmental Funds	$ 1,475,227	$ 1,689,734	$ 4,413,908	$ 4,080,082	$ 3,721,076	$ 2,431,087	$ 2,119,106	$ 2,332,363	$ 2,251,469	

For the year ended December 31, 2011, the City implemented GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions.

CITY OF WADENA, MINNESOTA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

Table 4

	Fiscal year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	$ 829,905	$ 836,822	$ 847,189	$ 888,010	$ 923,094	$ 975,164	$ 933,633	$ 913,797	$ 886,074	$ 774,880
Special Assessments	177,049	277,531	214,368	340,847	282,967	318,075	258,122	239,946	255,130	201,100
Licenses and Permits	23,135	20,194	11,285	40,977	29,068	23,023	22,879	25,688	30,937	27,847
Intergovernmental	1,665,236	2,535,985	1,303,122	1,191,924	1,318,353	1,776,267	2,208,270	2,731,405	2,343,477	2,737,432
Charges for Services	82,296	108,979	114,145	90,365	147,639	137,393	140,551	209,044	170,180	177,372
Fines and Forfeitures	29,926	28,312	31,040	22,890	46,517	37,889	47,376	44,939	20,968	21,386
Investment Earnings	80,941	65,517	66,856	143,173	161,047	193,001	135,521	147,726	107,796	90,338
Other Revenues	417,094	358,084	208,185	222,709	376,000	427,181	280,768	249,829	832,567	277,399
Total Revenues	3,305,582	4,231,424	2,796,190	2,940,895	3,284,685	3,887,993	4,027,120	4,562,374	4,647,129	4,307,754
Expenditures										
General Government	281,322	271,276	268,183	269,554	427,541	439,765	480,600	439,452	1,405,973	831,433
Public Safety	617,230	584,375	629,524	655,127	715,290	791,060	770,277	852,084	803,136	830,241
Public Works	363,194	317,459	409,053	448,765	443,396	507,099	507,902	455,881	434,276	446,199
Culture and Recreation	410,453	319,236	323,744	296,167	358,641	369,304	401,156	351,241	252,604	257,622
Economic Development	762,633	696,073	385,281	281,847	275,935	672,281	1,218,326	547,576	124,456	285,973
Airport	72,763	132,637	40,891	47,706	41,515	40,568	97,576	57,289	42,751	124,461
Miscellaneous	124,157	105,953	116,415	179,202	25,544	87,803	21,450	113,692	76,672	86,472
Capital Outlay	692,176	2,036,702	386,491	647,538	1,730,897	835,084	446,476	1,792,631	498,651	1,282,363
Debt Service										
Principal	340,000	340,000	418,626	428,626	443,626	463,626	677,126	680,627	655,000	680,000
Interest, Fees and Abatements	248,674	233,876	253,749	307,256	254,386	252,996	205,111	169,276	166,300	155,378
Total Expenditures	3,912,602	5,037,587	3,231,957	3,561,788	4,716,771	4,459,586	4,826,000	5,459,749	4,459,819	4,980,142

Cont.

CITY OF WADENA, MINNESOTA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

Table 4, continued

	Fiscal year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues Over (Under) Expenditures	(607,020)	(806,163)	(435,767)	(620,893)	(1,432,086)	(571,593)	(798,880)	(897,375)	187,310	(672,388)
Other Financing Sources (Uses)										
Transfers In	767,207	1,202,219	515,368	528,245	553,784	767,846	447,290	495,449	405,401	742,910
Transfers Out	(442,736)	(330,858)	(157,930)	(135,202)	(155,741)	(356,105)	(22,088)	(113,285)	(28,933)	(32,797)
Payment to Refund Bond Agent				(100,000)	(910,000)	(1,785,000)				
Bonds Issued (Net)	395,272		2,852,023		1,465,000	675,000		800,000		
Sale of Capital Assets	883	2,379	23,755	2,235	1,994	6,670	322			
Total Other Financing Sources (Uses)	720,626	873,740	3,233,216	295,278	955,037	(691,589)	425,524	1,182,164	376,468	710,113
Net Change in Fund Balances	$ 113,606	$ 67,577	$ 2,797,449	$ (325,615)	$ (477,049)	$ (1,263,182)	$ (373,356)	$ 284,789	$ 563,778	$ 37,725
Debt Service as a Percentage of Noncapital Expenditures	18.3%	19.1%	23.6%	25.3%	23.4%	19.8%	20.1%	17.7%	20.7%	22.1%

CITY OF WADENA, MINNESOTA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

Table 5

Fiscal Year	Property Tax	Hotel/Motel Tax	Franchise Tax	Total
2002	$ 765,530	$ 27,865	$ 36,510	$ 829,905
2003	767,152	30,704	38,966	836,822
2004	775,704	28,916	42,569	847,189
2005	813,069	32,644	42,297	888,010
2006	831,972	33,141	57,981	923,094
2007	853,795	30,236	91,133	975,164
2008	823,521	33,491	76,621	933,633
2009	783,491	29,758	100,548	913,797
2010	763,370	32,567	90,137	886,074
2011	652,688	32,751	89,441	774,880

CITY OF WADENA, MINNESOTA
TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1)
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 6

		Real Property		Ratio of Tax Capacity to Total Estimated Market Value
Levy Year	Collection Year	Net Tax Capacity	Estimated Market Value (2)	
2001	2002	$ 1,379,852	$ 112,020,590	1.23 %
2002	2003	1,433,410	118,566,000	1.21
2003	2004	1,434,822	118,609,200	1.21
2004	2005	1,553,742	130,617,900	1.19
2005	2006	1,823,267	153,439,900	1.19
2006	2007	2,081,212	176,794,900	1.18
2007	2008	2,123,551	180,064,000	1.18
2008	2009	2,091,276	177,275,200	1.18
2009	2010	2,105,538	177,595,200	1.19
2010	2011	1,985,203	166,324,700	1.19

(1) Source - Wadena County

(2) Without the adjustment for JOBZ Properties

CITY OF WADENA, MINNESOTA
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS (1)
LAST TEN FISCAL YEARS
(Unaudited)

Table 7

Levy Year	Collection Year	City of Wadena Tax Capacity Rate			Overlapping Rates Tax Capacity Rate		Total Direct & Overlapping Rates
		Operating	Debt Service	Total City	Total County	Total School	
2001	2002	15.20	30.26	45.46	84.94	60.10	190.50
2002	2003	19.84	31.43	51.27	100.03	20.72	172.02
2003	2004	16.81	32.91	49.72	91.60	25.66	166.98
2004	2005	14.66	28.04	42.70	84.28	21.85	148.83
2005	2006	14.87	27.46	42.33	81.86	26.82	151.01
2006	2007	14.64	26.26	40.90	80.90	28.24	150.04
2007	2008	7.18	29.88	37.06	77.59	25.24	139.89
2008	2009	5.60	29.85	35.45	78.44	23.93	137.82
2009	2010	8.14	30.00	38.14	72.29	23.51	133.94
2010	2011	21.22	13.29	34.51	79.30	19.75	133.56

(1) Source - Wadena County

CITY OF WADENA, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO (1)
(UNAUDITED)

Table 8

		2011			2002		
Taxpayer	Type of Property	Tax Capacity Value	Rank	Percent of Total Tax Capacity Value	Tax Capacity Value	Rank	Percent of Total Tax Capacity Value
Bullinger Enterprises LLLP	Furniture Manufacture	$ 96,550	1	5.66 %	$		%
Wal-Mart Stores, Inc.	Retail Store	65,588	2	3.84			
Mason Brothers Co.	Wholesale Grocers	50,844	3	2.98	28,478	2	2.09
Burlington Northern Railroad	Railroad	30,732	4	1.80	25,877	3	1.90
LN Real Estate LLC	Property Management	19,418	5	1.14			
Russ Davis Wholesale Inc.	Wholesale Grocers	19,036	6	1.12	16,528	6	1.21
Wadena Medical Center	Medical Facilities	18,300	7	1.07	10,282	10	0.76
MN Energy Resources	Natural Gas Supplier	16,958	8	0.99			
Daniel K. Kellogg	Hotel Owner	16,722	9	0.98	13,347	7	0.98
Leaf River Ag Services	Agriculture Cooperative	15,812	10	0.93			
Total		$ 349,960		20.51 %	$ 94,512		6.94 %

(1) Source - Wadena County Auditor

CITY OF WADENA, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 9

Levy Year	Collection Year	Total Tax Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount (1)	Percentage of Levy		Amount	Percentage of Levy
2001	2002	$ 650,583	$ 632,786	97.3	$ 17,612	$ 650,398	100.0 %
2002	2003	656,943	640,132	97.4	16,570	656,702	100.0
2003	2004	637,094	630,000	98.9	7,094	637,094	100.0
2004	2005	656,566	644,875	98.2	11,166	656,041	99.9
2005	2006	673,065	613,126	91.1	59,223	672,349	99.9
2006	2007	703,065	593,454	84.4	108,595	702,049	99.9
2007	2008	764,927	668,819	87.4	94,792	763,611	99.8
2008	2009	742,023	634,387	85.5	100,225	734,612	99.0
2009	2010	790,230	786,613 (2)	99.5	3,617	790,230	100.0
2010	2011	682,793	668,143 (2)	97.9		668,143	97.9

(1) Includes Market Value Homestead Credit

(2) Includes Disaster Credit

CITY OF WADENA, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Unaudited)

Table 10

	Governmental Activities		Business-Type Activities				
Year	Special Assessment Bonds	Other	General Obligation Bonds	Revenue Bonds	Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
2002	$ 5,095,000	$ 215,885	$ 1,956,819	$ 965,783	$ 8,233,487	12.64 %	$ 1,915
2003	4,755,000	182,259	2,557,000	855,442	8,349,701	12.84	1,945
2004	7,255,000	148,632	2,452,000	555,000	10,410,632	16.12	2,441
2005	6,760,000	115,006	2,344,000	455,000	9,674,006	15.04	2,277
2006	6,905,000	81,380	2,233,000	350,000	9,569,380	14.87	2,253
2007	5,365,000	47,754	2,119,000	240,000	7,771,754	12.08	1,830
2008	4,720,000	15,628	2,002,000		6,737,628	10.26	1,586
2009	4,855,000		1,882,000		6,737,000	10.26	1,586
2010	4,200,000		1,759,000		5,959,000	9.43	1,457
2011	3,520,000		1,633,000		5,153,000	6.52	1,261

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See Schedule of Demographic and Economic Statistics at Table 15.

CITY OF WADENA, MINNESOTA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Unaudited)

Table 11

Year	General Obligation Bonds	Less: Amounts Available in Debt Service Funds	Total	Percentage of Estimated Actual Taxable Value of Property (1)	Per Capita (2)
2002	$ 5,095,000	$ 908,336	$ 4,186,664	3.74 %	$ 974
2003	4,755,000	1,033,720	3,721,280	3.14	867
2004	7,255,000	1,049,630	6,205,370	5.23	1,455
2005	6,760,000	3,947,031	2,812,969	2.15	662
2006	6,905,000	3,277,830	3,627,170	2.36	854
2007	5,365,000	1,748,141	3,616,859	2.05	851
2008	4,720,000	1,774,954	2,945,046	1.64	693
2009	4,855,000	1,694,260	3,160,740	1.78	744
2010	4,200,000	1,677,709	2,522,291	1.42	617
2011	5,153,000	1,312,098	3,840,902	2.31	939

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Assessed Value of Estimated Actual Value of Taxable Property at Table 6 for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics at Table 15.

In 2011, the City is including both governmental and business-type general obigation bonds.

CITY OF WADENA, MINNESOTA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2011
(UNAUDITED)

Table 12

Jurisdiction	Total Bonded Debt Outstanding	Percentage Applicable to City (1)	Direct and Overlapping Debt (3)
City of Wadena	$ 3,520,000	100 %	$ 3,520,000
Total Direct Governmental Debt	3,520,000		3,520,000
I.S.D. No. 2155 (2)	4,312,920	66	2,846,527
Wadena HRA	2,935,000	100	2,935,000
Total Overlapping Governmental Debt	7,247,920		5,781,527
Total	$ 10,767,920		$ 9,301,527

(1) Based on percentage of tax capacity

(2) Source - Wadena County Auditor

(3) Computed by multiplying the bonded debt by the applicable city portion

CITY OF WADENA, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(Unaudited)

Table 13

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Debt Limit	$ 2,307,878	$ 2,372,184	$ 2,372,184	$ 2,612,358	$ 2,836,304	$ 3,068,798	$ 3,601,280	$ 3,545,504	$ 3,551,904	$ 3,326,494
Total Net Debt Applicable to Limit										
Legal Debt Margi	$ 2,307,878	$ 2,372,184	$ 2,372,184	$ 2,612,358	$ 2,836,304	$ 3,068,798	$ 3,601,280	$ 3,545,504	$ 3,551,904	$ 3,326,494
Total Net Debt Applicable to the limit as a Percentage of Debt Limit	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

Legal Debt Margin Calculation for 2011

Estimated Market Value (1)			$ 166,324,700
Debt Limit - 2% of Estimated Market Value (2)			3,326,494
Debt Applicable to Limit:			
Total Bonded Debt		$ 5,153,000	
Less:			
Improvement Bonds of 2002	95,000		
G.O. Water Revenue Note of 2002	1,633,000		
Refunding Bonds of 2004	1,340,000		
Improvement Bonds of 2006	875,000		
G.O. Capital Improvement Bonds of 2007	440,000		
G.O. Taxable Improvement Bonds of 2009	770,000	5,153,000	
Total Net Debt Applicable to Limit			
Legal Debt Margin			$ 3,326,494

(1) Source - Wadena County Auditor
(2) Minnesota Statues - 475.53 LIMIT ON NEW DEBT. Subdivision 1. Generally, except as otherwise provided in Section 475.51 to 475.75, no municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of two percent of the estimated market value.

CITY OF WADENA, MINNESOTA
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 14

		Utility Bonds						
					Debt Service			
Year		Utility Charges and Other	Less: Operating Expenses (1)	Net Available Revenue	Principal	Interest	Total	Coverage
2002	(2)	$ 3,600,824	$ 2,712,519	$ 888,305	$ 90,000	$ 40,336	$ 130,336	6.82
2003	(2)	3,594,309	2,760,102	834,207	155,891	101,766	257,657	3.24
2004	(3)	3,638,883	2,960,689	678,194	200,000	100,005	300,005	2.26
2005	(3)	3,946,100	3,183,179	762,921	208,000	93,079	301,079	2.53
2006	(3)	4,542,231	3,334,820	1,207,411	216,000	85,423	301,423	4.01
2007	(3)	5,189,569	3,862,363	1,327,206	224,000	77,286	301,286	4.41
2008	(3)	5,397,000	4,091,453	1,305,547	357,000	65,042	422,042	3.09
2009	(4)	459,225	294,533	164,692	120,000	52,270	172,270	0.96
2010	(4)	472,699	279,794	192,905	120,000	52,270	172,270	1.12
2011	(4)	477,079	280,946	196,133	126,000	45,737	171,737	1.14

Cont.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Not including depreciation expense.

(2) Includes both Sewer and Electric revenues and expenses.

(3) Includes both Electric and Water revenues and expenses.

(4) Includes only Water revenues and expenses.

CITY OF WADENA, MINNESOTA
PLEDGED REVENUE COVERAGE
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 14, continued

	Special Assessment Bonds				
		Debt Service			
Year	Special Assessment Collections	Principal	Interest	Total	Coverage
2002	$ 177,049	$ 340,000	$ 248,674	$ 588,674	0.30
2003	277,531	340,000	233,876	573,876	0.48
2004	214,368	385,000	246,536	631,536	0.34
2005	340,847	395,000	307,256	702,256	0.49
2006	282,967	410,000	252,991	662,991	0.43
2007	318,075	430,000	244,469	674,469	0.47
2008	258,122	645,000	199,460	844,460	0.31
2009	166,677	665,000	169,276	834,276	0.20
2010	222,735	655,000	166,300	821,300	0.27
2011	167,651	680,000	155,095	835,095	0.20

CITY OF WADENA, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
(UNAUDITED)

Table 15

Year	Population (1)	Personal Income	County Per Capita Income (2)	Public School Enrollment (3)	County Unemployment Rate (4)
2002	4,300	$ 65,127,800	$ 15,146	1,321	8.0 %
2003	4,293	65,021,778	15,146	1,300	6.5
2004	4,265	64,597,690	15,146	1,237	6.3
2005	4,248	64,340,208	15,146	1,194	6.6
2006	4,248	64,340,208	15,146	1,129	6.8
2007	4,248	64,340,208	15,146	1,152	6.8
2008	4,248	65,640,096	15,452	1,048	13.5
2009	4,248	65,640,096	15,452	1,006	13.5
2010	4,088	63,167,776	15,452	1,000	10.8
2011	4,088	79,078,272	19,344	933	10.5

(1) Source - Minnesota State Demographer - Annual Average Rate.

(2) Source - Bureau of Economic Analysis - Minnesota State Demographer Office.

(3) Source - Wadena Deer Creek Public Schools.

(4) Source - Minnesota Department of Jobs & Training.

CITY OF WADENA, MINNESOTA
PRINCIPAL EMPLOYERS (1)
PREVIOUS YEAR
(UNAUDITED)

Table 16

	2010		
Employer	Employees	Rank	Percentage of Total County Employment
Tri-County Hospital	410	1	6.93 %
Mason Brothers Company	190	2	3.21
Ind. School District 2155	165	3	2.79
Wal-Mart	150	4	2.54
Russ Davis Wholesale	125	5	2.11
Fair Oaks Lodge	118	6	1.99
Homecrest Outdoor Living	88	7	1.49
County of Wadena, MN	85	8	1.44
Polman Trucking Company	84	9	1.42
Wadena Super One	70	10	1.18
Wadena Timer Roots	70	11	1.18
MN State Community & Technical College	62	12	1.05
City of Wadena	44	13	0.74
Total	1,661		28.07

(1) Source - MN DEED/MN Pro. City is required to show the current year and nine years ago; the data for the current year is not availaible, so the City has presented the prior year data; the data from nine years ago is unavailable.

CITY OF WADENA, MINNESOTA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST EIGHT FISCAL YEARS (1)
(Unaudited)

Table 17

	Full-Time Equivalent Employees as of December 31							
Function	2004	2005	2006	2007	2008	2009	2010	2011
General Government	6.0	6.0	6.5	6.5	6.5	6.5	6.5	6.5
Public Safety								
Police								
Officers	7.5	7.5	8.5	8.5	8.5	8.5	8.5	9.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fire								
Firefighters and Officers*	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Highways and Streets								
Maintenance	6.5	6.5	6.5	6.5	6.5	5.5	5.5	5.5
Sanitation	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Culture and Recreation	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Water	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Sewer	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Electric	9.5	9.5	9.5	7.5	7.5	9.5	9.5	9.5
Liquor Store	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Total	47.0	47.0	48.5	46.5	46.5	47.5	47.5	48.0

Source: City of Wadena Office

(1) The City is presenting only the last eight fiscal years as GASB Statement No. 34 was implemented in 2004.

* The City employs 20 permanent part-time volunteer firefighters and 6 of those are elected officers

CITY OF WADENA, MINNESOTA
OPERATING INDICATORS BY FUNCTION
LAST EIGHT FISCAL YEARS (1)
(Unaudited)

Table 18

Function	Fiscal Year 2004	2005	2006	2007	2008	2009	2010	2011
Police								
Physical Arrests	634	514	334	421	557	698	540	349
Parking Violations	11	21	32	17	51	30	16	17
Traffic Violations	96	108	51	102	252	195	245	141
Fire								
Number of Calls Answered	21	38	32	27	40	37	43	30
Highways and Streets								
Street Resurfacing (Miles)	0.5	0.4	0.6	2.4	0.3	0.0	0.5	0.2
Tons of Asphalt Used to Repair Potholes	70	85	90	46	58	74	135	215
Water								
New Connections			4	7	3	3	2	3
Water Main Breaks	1			1	3	5	2	3
Average Daily Consumption (in Thousands of Gallons)	461,878	444,067	473,138	452,106	413,886	403,962	373,089	372,777
Wastewater								
Average Daily Sewage Treatment (in Gallons)	370,000	434,000	433,000	432,000	432,000	462,000	606,450	608,083

Source: Various City departments.

(1) The City is presenting only the last eight fiscal years as GASB Statement No. 34 was implemented in 2004.

Note: Indicators are not available for the general government function.

CITY OF WADENA, MINNESOTA
CAPITAL ASSETS STATISTICS BY FUNCTION
LAST EIGHT FISCAL YEARS (1)
(Unaudited)

Table 19

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Function								
Public Safety								
Police								
Stations	1	1	1	1	1	1	1	1
Patrol Units	2	2	2	2	2	2	2	2
Fire Stations	2	2	2	2	2	2	2	2
Sanitation								
Collection Trucks	1	1	1	1	1	1	1	1
Highways and Streets								
Streets (miles)	40.0	40.8	41.3	41.3	41.3	42.5	42.5	42.5
Streetlights	705	705	705	705	705	705	690	690
Traffic Signals	4	4	4	4	4	4	4	4
Culture and Recreation								
Parks Acreage	464	464	463	463	463	463	463	463
Parks	12	12	11	11	11	11	11	11
Swimming Pools	1	1	1	1	1	1	1	1
Tennis Courts	5	5	5	5	5	5	2	2
Community Centers	1	1	1	1	1	1	1	
Water								
Water Mains (miles)	32.0	32.0	33.0	33.0	33.0	33.0	33.0	33.0
Fire Hydrants	294	294	306	306	306	306	311	308
Maximum Daily Capacity (Thousands of Gallons)	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
Sewer								
Sanitary Sewer (miles)	28.5	28.5	26.0	26.0	26.0	26.0	30.0	30.0
Storm Sewers (miles)	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Maximum Daily Treatment Capacity (Thousands of Gallons)	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Electric								
Number of Distribution Stations	5	5	6	6	6	6	6	6
Miles of Service Lines	56.0	56.0	56.0	56.0	56.0	56.0	56.5	56.5

Source: Various City departments.

(1) The City is presenting only the last eight fiscal years as GASB Statement No. 34 was implemented in 2004.

Note: No capital asset indicators are available for the general government function.

OTHER REPORT SECTION

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BRADY MARTZ

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON LEGAL COMPLIANCE

To the Honorable Mayor and
Members of the City Council
City of Wadena
Wadena, Minnesota

We have audited the basic financial statements of the City of Wadena as of and for the year ended December 31, 2011 and have issued our report thereon dated June 7, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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

The results of our tests indicate that for the items tested, City of Wadena complied with the material terms and conditions of applicable legal provisions, except as described in the schedule of findings and questioned costs as item 11-2.

This report is intended solely for the information and use of the management, others within the City, city council, and state agencies, and is not intended to be, and should not be used by anyone other than these specified parties.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

June 7, 2012

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BRADY MARTZ

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

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

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Wadena as of and for the year ended December 31, 2011, which collectively comprise the City of Wadena's financial statements and have issued our report thereon dated June 7, 2012. 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.

Internal Control Over Financial Reporting

Management of the City of Wadena is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 11-1 that we consider to be a significant deficiency in internal control over financial reporting. A *Significant deficiency* is a deficiency, or 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of 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*.

We also noted certain additional matters that we reported to management of the City of Wadena in a separate letter dated June 7, 2012.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, city council, others within the City, state agencies, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

June 7, 2012

BRADY MARTZ

CERTIFIED PUBLIC ACCOUNTANTS
AND CONSULTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and
Members of the City Council
City of Wadena
Wadena, Minnesota

Compliance

We have audited the City of Wadena's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, City of Wadena, Minnesota complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

Internal Control Over Compliance

Management of the City of Wadena, Minnesota is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, city council, others within the City, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Brady, Martz

BRADY, MARTZ & ASSOCIATES, P.C.

June 7, 2012

CITY OF WADENA, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2011

Federal Grantor/ Pass-Through Grantor/ Program Title	Pass-Through Number	Federal CFDA Number	Amount
U.S. Department of Transportation			
Passed Through Minnesota Department of Transportation			
Conduct EA for Future X-Wind Runway	8001-21	20.106	$ 29,548
Pavement Rehabilitation and SRE Purchase	8001-22	20.106	54,370
Total U.S. Department of Transportation			83,918
U.S. Department of Homeland Security			
Passed Through the Department of Public Saftey			
Disaster Recovery Grants	DR-1921	97.036	693,197
Total U.S. Department of Homeland Security			693,197
TOTAL FEDERAL AWARDS			$ 777,115

Reconciliation of the Schedule of Expenditures of Federal Awards to the Schedule of Intergovernmental Revenue.

Schedule of Expenditures of Federal Awards - Total Federal Awards	$ 777,115
Build America Bond - Interest Refunded	10,439
	$ 787,554

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Wadena and is presented on the accrual basis of account. The information in the schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

NOTE 2. SUBRECIPENTS

During 2011, the City did not pass any federal money to subrecipients.

Section I-Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	___ yes _x_ no
Significant deficiency(ies) identified?	_x_ yes ___ no
Noncompliance material to financial statements noted?	___ yes _x_ no

Federal Awards

Internal Control over major programs:	
Material weakness(es) identified?	___ yes _x_ no
Significant deficiency(ies) identified?	___ yes _x_ no
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of OMB Circular A-133?	___ yes _x_ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
97.036	Disaster Recovery Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	___ yes _x_ no

Section II-Financial Statement Findings

11-1 FINDING

Criteria
The City does not have the internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements in conformity with the generally accepted accounting principles (GAAP).

Condition
The City's personnel prepare periodic financial information for internal use that meets the needs of management and the city council. For the year ended December 31, 2011, the City's personnel assisted in the preparation of the year-end journal entries and reviewed a disclosure checklist. However, the City does not have internal resources to identify all journal entries required to maintain a general ledger and prepare full-disclosure financial statements for external reporting. The city council is aware of this significant deficiency and addresses it by obtaining our assistance in the preparation of the City's annual financial statements.

Cause
The City does not have the internal expertise needed to handle all aspects of the external financial reporting.

Effect
The city council is aware of the deficiency and addresses it by reviewing and approving the adjusting journal entries and the completed statements prior to distribution to the end users.

Recommendation
For entities of the City's size, it generally is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.

Corrective Action Plan Prepared by the City

Correcting Plan:	Management recognizes the significant deficiency and believes it is not practical to obtain the internal expertise needed to handle all aspects of the external financial reporting.
Explanation of Disagreement:	There is essentially no disagreement with the finding.
Official Responsible:	The finance officer is responsible for carrying out the corrective action plan.
Completion Date:	The City will review on an annual basis.
Monitor Plan:	The city administrator will monitor completion of the corrective action plan.

Section III-Federal Award Findings and Questioned Costs

There are no findings which are required to be reported under this section.

Section IV – Minnesota Legal Compliance Findings

11-2 FINDING

Criteria
Minnesota Statute 118A.03, requires the City to obtain a bond or collateral which, when computed at its market value, shall be at least ten percent more than the amount of the excess deposit.

Condition
The City had deposits which were in excess of deposit insurance and the City did not have sufficient collateral to cover the deposits.

Cause
Oversight by the City's staff.

Effect
The City had uninsured and uncollateralized deposits during the year.

Recommendation
The City should consistently monitor the depository balances. We would recommend the balances be monitored on a monthly basis and more often if the City may have deposits in excess of the deposit insurance and the collateral.

Corrective Action Plan Prepared by the City

Correcting Plan:	The City will monitor the balances in banks.
Explanation of Disagreement:	There is essentially no disagreement with the finding.
Official Responsible:	The finance officer is responsible for carrying out the corrective action plan.
Completion Date:	The City will review on a regular basis.
Monitor Plan:	The city administrator will monitor completion of the corrective action plan.

There are no findings which are required to be reported under this section.