



Comprehensive Annual Financial Report
Year Ended December 31, 2015

City of Wadena, Minnesota

Prepared by Office of City Administration
Lloyd Lanz, Finance Officer

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Introductory Section
Year Ended December 31, 2015
City of Wadena, Minnesota

June 27, 2016

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, 2015, 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 development and funding of old airport property into 33 residential lots.

The sale of vacant industrial lots and development of undeveloped lots for future expansion.

The completion of the final section of four lanes for US Highway 10, by finding Federal and State funding for this project.

The infrastructure revitalization program for the southeast section of town, which involves water mains and services, sanitary and storm sewer mains and services, and electrical services.

The completion of a grass crosswind runway, and a new deer fence around property at the City Airport.

The remodeling and possible addition to the City Library to meet current needs.

The building and relocation of the electric and water plant facility.

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, 2014. 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 20 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 Eide Bailly, LLP, 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



Government Finance Officers Association

**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, 2014

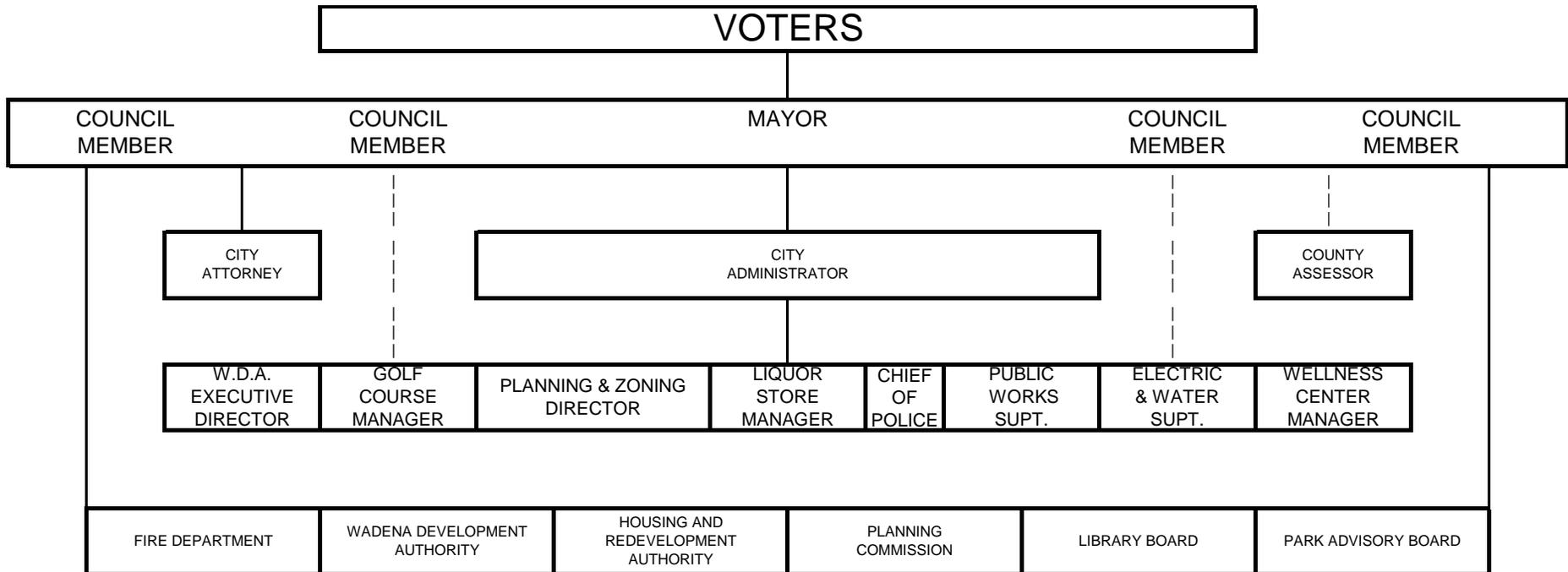
Executive Director/CEO

Elected Officials

Name	Position	Term Expires
George Deiss	Mayor	12/31/16
Deb Wiese	Council Member	12/31/18
Bruce Uselman	Council Member	12/31/18
Gillette Kempf	Council Member	12/31/16
Don Niles	Council Member	12/31/16

Appointed Officials

Bradley Swenson	City Administrator
Jeff Pederson	City Attorney
Naomi Plautz	Police Chief
Dean Uselman	Fire Chief
Dean Uselman	Planning and Zoning/WDA Director
Daniel Kovar	Public Works Superintendent
David Evans	Electric & Water Superintendent
Tim Booth	Liquor Store Manager
Kevin Ross	Golf Course Manager
Eric Robb	Wellness Center Manager





Financial Section
Year Ended December 31, 2015
City of Wadena, Minnesota

- 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



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wadena, Minnesota (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on the Liquor Fund

During our observation of the physical inventory of the liquor store we had several differences from the quantities observed compared to what was recorded on the inventory listing. In addition, we were unable to obtain quantifiable explanations to support the change in cost of sales and gross profit compared to prior years. We were unable to obtain sufficient appropriate audit evidence about inventory quantities and cost of sales amounts by other auditing procedures.

Qualified Opinion on the Liquor Fund

In our opinion, except for the effects of the matter as described in the “Basis for Qualified Opinion on the Liquor Fund” paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Liquor Fund of the City as of December 31, 2015, and the respective changes in financial position for the year then ended in accordance accounting principles generally accepted in the United States of America.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the government activities, the business-type activities, each major fund, the aggregate remaining fund information, and the general fund budget to actual schedule of the City as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in notes 1 and 13 to the financial statements, the City has adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which has resulted in a restatement of the net position as of January 1, 2015. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The introductory section, listing of elected and appointed officials, combining and individual nonmajor fund schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, budgetary comparison 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. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory section, listing of elected and appointed officials, and statistical section 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 27, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
June 27, 2016

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, 2015. 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 2-4 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$44,041,297 (net position), compared to \$41,757,437 for 2014, an increase of 5.47%.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,869,555, or 66.80% of the total general fund expenditures.
- The City's total long term bonded debt increased from \$5,993,010 in 2014 to \$9,638,294 in 2015.

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 deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference 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 municipal liquor, sewer utility, water utility, electric utility, golf course, and wellness center.

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 14 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, and capital projects fund which are considered major funds. Data from the other 11 individual governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major 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 six 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 municipal liquor, sewer utility, water utility, electric utility, golf course operations, and wellness center 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, golf course operations, and wellness center operations.

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 non-major governmental funds are presented immediately following the notes.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$44,041,297 at the close of the most recent fiscal year.

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Assets						
Cash and investments	\$ 1,683,750	\$ 1,760,345	\$ 2,372,819	\$ 2,703,009	\$ 4,056,569	\$ 4,463,354
Other assets	2,432,789	1,896,694	2,076,226	2,392,369	4,509,015	4,289,063
Capital assets	11,829,168	20,690,214	36,790,574	21,853,476	48,619,742	42,543,690
Total assets	<u>15,945,707</u>	<u>24,347,253</u>	<u>41,239,619</u>	<u>26,948,854</u>	<u>57,185,326</u>	<u>51,296,107</u>
Deferred Outflows of Resources						
Pension plans	276,120	-	250,364	-	526,484	-
Liabilities						
Other liabilities	162,279	424,820	955,914	808,158	1,118,193	1,232,978
Long-term outstanding	3,534,863	1,576,663	8,417,171	4,715,022	11,952,034	6,291,685
Total liabilities	<u>3,697,142</u>	<u>2,001,483</u>	<u>9,373,085</u>	<u>5,523,180</u>	<u>13,070,227</u>	<u>7,524,663</u>
Deferred Inflows of Resources						
Pension plans	295,524	-	304,762	-	600,286	-
Net position						
Net investment in capital assets	9,472,543	19,295,214	29,456,401	17,211,445	38,928,944	36,506,659
Restricted	516,885	646,430	-	-	516,885	646,430
Unrestricted	2,239,733	2,404,126	2,355,735	4,214,229	4,595,468	6,618,355
Total net position	<u>\$ 12,229,161</u>	<u>\$ 22,345,770</u>	<u>\$ 31,812,136</u>	<u>\$ 21,425,674</u>	<u>\$ 44,041,297</u>	<u>\$ 43,771,444</u>

*As a result of the City's implementation of GASB 68 in the current year, some figures may not be comparable to prior year information.

The largest portion of the City's net assets (83%) reflects its investment in capital assets (e.g., land, construction in progress, 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	
	2015	2014	2015	2014	2015	2014
Revenues						
Program revenues						
Charges for services	\$ 1,964,232	\$ 1,387,646	\$ 7,938,193	\$ 7,543,197	\$ 9,902,425	\$ 8,930,843
Operating grants and contributions	135,884	190,960	-	-	135,884	190,960
Capital grants and contributions	670,685	891,641	-	-	670,685	891,641
General revenues						
Property taxes	760,091	746,037	-	-	760,091	746,037
Unrestricted state aid	1,838,085	6,219,492	-	-	1,838,085	6,219,492
Unrestricted investment earnings	27,018	79,677	35,564	99,650	62,582	179,327
Miscellaneous	185,895	133,651	-	-	185,895	133,651
Total revenues	5,581,890	9,649,104	7,973,757	7,642,847	13,555,647	17,291,951
Expenses						
General government	705,085	559,984	-	-	705,085	559,984
Public safety	1,003,708	1,011,661	-	-	1,003,708	1,011,661
Public works	549,433	601,322	-	-	549,433	601,322
Culture and recreation	375,991	193,261	-	-	375,991	193,261
Economic development	229,254	483,343	-	-	229,254	483,343
Airport	232,618	561,211	-	-	232,618	561,211
Interest on debt	38,102	56,788	-	-	38,102	56,788
Municipal liquor	-	-	290,401	276,973	290,401	276,973
Sewer utility	-	-	904,024	869,002	904,024	869,002
Water utility	-	-	477,113	511,743	477,113	511,743
Electric utility	-	-	5,212,324	4,859,187	5,212,324	4,859,187
Golf course	-	-	356,441	347,294	356,441	347,294
Wellness Center	-	-	906,556	131,954	906,556	131,954
Total expenses	3,134,191	3,467,570	8,146,859	6,996,153	11,281,050	10,463,723
Excess before transfers	2,447,699	6,181,534	(173,102)	646,694	2,274,597	6,828,228
Other financing sources	(11,589,774)	483,428	11,599,037	(483,428)	9,263	-
Change in net position	(9,142,075)	6,664,962	11,425,935	163,266	2,283,860	6,828,228
Beginning net position, as restated for 2015	21,371,236	15,680,808	20,386,201	21,262,408	41,757,437	36,943,216
Ending net position	<u>\$ 12,229,161</u>	<u>\$ 22,345,770</u>	<u>\$ 31,812,136</u>	<u>\$ 21,425,674</u>	<u>\$ 44,041,297</u>	<u>\$ 43,771,444</u>

*As a result of the City's implementation of GASB 68 in the current year, some figures may not be comparable to prior year information.

Governmental Activities

Governmental activities increased the City's net position by \$2,447,699 before transfers to the business-type activities. Key elements of the increase are as follows:

- FEMA and MNDOT Aviation projects funds expensed in a prior year, but reimbursed in 2015.
- Repayments from Wellness Center capital project fund loan in the amount of \$631,575.
- Several projects were budgeted, such as a railroad quiet zone report for \$90,000, FD turnout gear for \$40,000, street overlay projects for \$35,000, but the projects have not happened yet. This resulted in expenditures being less than budgeted.

Business-type Activities

Business-type activities decreased the City's net position by \$163,839 before transfers. Key elements of this decrease 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 and reviews these rates periodically so as to foresee any necessary changes.
- Unexpectedly, all new meters needed to be purchased for utility billing for the new AMI system, in the amount of \$881,115
- Liquor sales were 4.5% more than budgeted, \$87,327.

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 (Decrease)	Percentage Increase (Decrease)
	12/31/15	12/31/14		
Governmental Funds:				
General	\$ 2,605,315	\$ 2,497,389	\$ 107,926	4.3%
Debt service	286,416	494,085	(207,669)	-42.0%
Capital projects	(2,020,607)	(1,906,107)	(114,500)	6.0%
Proprietary Funds:				
Sewer utility	4,791,493	4,972,615	(181,122)	-3.6%
Water utility	2,117,693	2,093,154	24,539	1.2%
Electric utility	12,260,593	12,322,010	(61,417)	-0.5%
Municipal liquor	259,156	244,940	14,216	5.8%
Wellness center	11,535,464	(128,693)	11,664,157	-9063.6%
Golf course	847,737	882,175	(34,438)	-3.9%

General Fund Budgetary Highlights

- Actual revenues for 2015 were \$2,651,726, compared to budgeted revenues of \$2,444,009. Largest overage was for intergovernmental revenues of \$198,010, for FEMA and MNDOT Aviation projects funds expensed in a prior year, but reimbursed in 2015, and that was not budgeted for. Miscellaneous revenues were \$81,642, compared to budgeted revenues of \$101,200. Causes include no TIF districts being started, so there were no TIF fees collected. Investment earnings were also lower than budgeted, by \$5,600.
- Actual expenditures for 2015 were \$2,799,489, compared to budgeted expenditures of \$3,008,312. The largest under budgeted areas were as follows: Railroad Quiet Zone study in the amount of \$90,000 was budgeted but not completed; FD turnout gear for \$40,000 was budgeted, but not purchased; street overlay projects were \$35,000 less than budget; and snow removal, which was \$44,209 less than budgeted.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$48,619,742 (net of accumulated depreciation). This investment in capital assets includes land, construction in process, buildings, improvements other than buildings, infrastructure, machinery and equipment, general plant and system, and furniture and fixtures. See Note 6 for more detailed information on capital asset activity.

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Capital assets (net of accumulated depreciation where applicable)						
Land	\$ 2,110,215	\$ 2,068,215	\$ 888,238	\$ 631,619	\$ 2,998,453	\$ 2,699,834
Construction in progress	3,158,641	12,025,345	3,181,664	1,542,994	6,340,305	13,568,339
Buildings	2,131,451	2,171,058	18,409,550	7,556,365	20,541,001	9,727,423
Improvements other than buildings	1,655,544	1,687,138	-	-	1,655,544	1,687,138
Machinery and equipment	1,298,031	1,246,996	2,906,491	2,838,294	4,204,522	4,085,290
General plant and system	-	-	11,404,631	9,284,204	11,404,631	9,284,204
Infrastructure	1,475,286	1,491,464	-	-	1,475,286	1,491,464
Total capital assets	\$ 11,829,168	\$ 20,690,216	\$ 36,790,574	\$ 21,853,476	\$ 48,619,742	\$ 42,543,692

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

- Purchase of land to expand a parking lot in the amount of \$18,914.
- Purchase of a 2016 Ford Explorer police vehicle in the amount of \$30,436.
- Purchase of a new street sweeper in the amount of \$203,833.
- Purchase of a 2016 Ford F250 for public works in the amount of \$34,337.
- Electric underground improvements in the amount of \$1,692,144.
- Electric, Water and Sewer Meters upgraded in the amount of \$881,115
- SE Infrastructure project 1st phase in the amount of \$5,775,758.

Long-term Debt

At the end of the current fiscal year, the City had \$9,985,438 in long-term debt.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 2,356,625	\$ 1,395,000	\$ 7,281,669	\$ 4,598,010	\$ 9,638,294	\$ 5,993,010
OPEB obligation	95,104	71,931	-	-	95,104	71,931
Compensated absences	114,968	109,732	137,072	117,012	252,040	226,744
Total long-term debt	<u>\$ 2,566,697</u>	<u>\$ 1,576,663</u>	<u>\$ 7,418,741</u>	<u>\$ 4,715,022</u>	<u>\$ 9,985,438</u>	<u>\$ 6,291,685</u>

Additional information on the City's long-term debt can be found in Note 7 of this report.

The City has \$1,966,596 in net pension liability at December 31, 2015 due to the implementation of GASB Statement No. 68 in the current year. See Note 11 for further information.

Economic Factors

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

The City's industrial park, and adjacent land platted for use as industrial park lots, has 3 lots available for the sale. The City is in the process of developing a business park next to the current industrial park. This park has 14 lots available for future development. The lots are available for sale, but without infrastructure. The City is looking for funding to complete the business park infrastructure.

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 hopes to obtain Federal or State funding to accomplish this project. MNDOT has recently completed a transportation study in Wadena and is planning a rebuild of 6/10ths of a mile, of the through town portion, of Highway 10 in the summer of 2018.

- The City is finishing an infrastructure project for the southeast section of town. This project will be under construction and finished in the spring of 2017. The current estimate for the project is \$12,500,000.00, which is funded with G.O. Debt, grants, an increase in water and sewer rates, and special assessments.
- The City has completed an environmental assessment for our airport, looking at a grass crosswind runway. This would be funded with a 95% FAA grant and 5% local share. 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. In 2014 the City replaced the existing blacktop surfaces in the non-runway and taxiway portions of the airport and installed a new entrance gate. In 2016 new PAPPi lights will be installed and a new deer fence around the airport will be installed.
- Electric & Water rates are set to stay ahead of inflation for the next few years. The City conducted a rate study in 2015 and rates were increased.
- 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 staying above water and continuing to thrive in the present economy. Lost some businesses in the last year, but there seems to be new interest and hope for the future. There is a general increase in growth and construction in the areas of housing, retail and manufacturing, and all but one of the top 10 employers added employees in the past year, with the one remaining at the same number as the previous year.

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 or the City Administrator, City of Wadena, 222 Second Street S.E., P.O. Box 30, Wadena, MN 56482.

City of Wadena, Minnesota
Statement of Net Position
December 31, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 485,777	\$ 295,938	\$ 781,715
Receivables			
Accounts (net of allowance)	61,961	880,934	942,895
Interest	1,715	2,405	4,120
Property taxes (net of allowance)	144	-	144
Loans	921,995	-	921,995
Special assessments	1,291,292	-	1,291,292
Due from other governmental units	779,193	-	779,193
Internal balances	(624,656)	624,656	-
Prepaid items	1,145	64,960	66,105
Inventories	-	503,271	503,271
Investments	1,160,961	2,076,881	3,237,842
Restricted assets			
Permanently restricted: investments	37,012	-	37,012
Capital assets, net of accumulated depreciation where applicable			
Land	2,110,215	888,238	2,998,453
Construction in progress	3,158,641	3,181,664	6,340,305
Buildings	2,131,451	18,409,550	20,541,001
Improvements other than buildings	1,655,544	-	1,655,544
Machinery and equipment	1,298,031	2,906,491	4,204,522
Infrastructure	1,475,286	11,404,631	12,879,917
Total assets	<u>15,945,707</u>	<u>41,239,619</u>	<u>57,185,326</u>
Deferred Outflows of Resources			
Pension plans	<u>276,120</u>	<u>250,364</u>	<u>526,484</u>
Liabilities			
Current			
Accounts payable	126,596	477,904	604,500
Other accrued liabilities	26,834	26,763	53,597
Consumer deposits	-	152,741	152,741
Unearned revenue	-	269,705	269,705
Accrued interest payable	8,849	28,801	37,650
Noncurrent			
Due within one year - bonds, compensated absences, and OPEB obligations	452,723	379,630	832,353
Due in more than one year - bonds, compensated absences, and OPEB obligations	2,113,974	7,039,111	9,153,085
Due in more than one year - net pension liability	968,166	998,430	1,966,596
Total liabilities	<u>3,697,142</u>	<u>9,373,085</u>	<u>13,070,227</u>
Deferred Inflows of Resources			
Pension plans	<u>295,524</u>	<u>304,762</u>	<u>600,286</u>
Net Position			
Net investment in capital assets	9,472,543	29,456,401	38,928,944
Restricted for:			
Debt service	286,416	-	286,416
Commercial loans	83,987	-	83,987
Residential loans	103,725	-	103,725
Tax increment district	5,745	-	5,745
Merickel park	37,012	-	37,012
Unrestricted	2,239,733	2,355,735	4,595,468
Total net position	<u>\$ 12,229,161</u>	<u>\$ 31,812,136</u>	<u>\$ 44,041,297</u>
Total liabilities and net position	<u>\$ 16,221,827</u>	<u>\$ 41,489,983</u>	<u>\$ 57,711,810</u>

City of Wadena, Minnesota
Statement of Activities
Year Ended December 31, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities							
General government	\$ 705,085	\$ 162,950	\$ 48,049	\$ 17,583	\$ (476,503)	\$ -	\$ (476,503)
Public safety	1,003,708	29,084	55,278	-	(919,346)	-	(919,346)
Public works	549,433	1,663,996	-	634,751	1,749,314	-	1,749,314
Culture and recreation	375,991	42,603	6,068	-	(327,320)	-	(327,320)
Economic development	229,254	17,545	12,030	18,351	(181,328)	-	(181,328)
Airport	232,618	48,054	14,459	-	(170,105)	-	(170,105)
Interest on long-term debt	38,102	-	-	-	(38,102)	-	(38,102)
Total governmental activities	<u>3,134,191</u>	<u>1,964,232</u>	<u>135,884</u>	<u>670,685</u>	<u>(363,390)</u>	<u>-</u>	<u>(363,390)</u>
Business-type activities							
Municipal liquor	290,401	449,668	-	-	-	159,267	159,267
Sewer utility	904,024	734,480	-	-	-	(169,544)	(169,544)
Water utility	477,113	521,388	-	-	-	44,275	44,275
Electric utility	5,212,324	5,407,333	-	-	-	195,009	195,009
Golf course	356,441	274,393	-	-	-	(82,048)	(82,048)
Wellness center	906,556	550,931	-	-	-	(355,625)	(355,625)
Total business-type activities	<u>8,146,859</u>	<u>7,938,193</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(208,666)</u>	<u>(208,666)</u>
Total primary government	<u>\$ 11,281,050</u>	<u>\$ 9,902,425</u>	<u>\$ 135,884</u>	<u>\$ 670,685</u>	<u>(363,390)</u>	<u>(208,666)</u>	<u>(572,056)</u>
General revenues							
Property taxes					760,091	-	760,091
Unrestricted state aid					1,838,085	-	1,838,085
Unrestricted investment earnings (loss)					27,018	35,564	62,582
Miscellaneous					185,895	-	185,895
Donated asset					-	9,263	9,263
Transfers					(11,589,774)	11,589,774	-
Total general revenue and transfers					<u>(8,778,685)</u>	<u>11,634,601</u>	<u>2,855,916</u>
Change in net position					(9,142,075)	11,425,935	2,283,860
Net position - beginning, as restated (see Note 13)					21,371,236	20,386,201	41,757,437
Net position - ending					<u>\$ 12,229,161</u>	<u>\$ 31,812,136</u>	<u>\$ 44,041,297</u>

The Notes to Financial Statements are an integral part of this statement.

City of Wadena, Minnesota
Balance Sheet - Governmental Funds
December 31, 2015

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 485,777	\$ 485,777
Permanently restricted investments	-	-	-	37,012	37,012
Receivables					
Accounts	61,961	-	-	-	61,961
Interest	1,006	358	-	351	1,715
Property taxes	18,524	10,745	-	-	29,269
Allowance for delinquent taxes	(18,380)	(10,745)	-	-	(29,125)
Loans	-	-	-	921,995	921,995
Special assessments	28,044	1,263,248	-	-	1,291,292
Prepaid items	1,145	-	-	-	1,145
Investments	464,439	340,964	-	355,558	1,160,961
Due from other funds	1,356,679	-	-	-	1,356,679
Due from other governmental units	777,731	1,462	-	-	779,193
	<u>\$ 2,691,149</u>	<u>\$ 1,606,032</u>	<u>\$ -</u>	<u>\$ 1,800,693</u>	<u>\$ 6,097,874</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance					
Liabilities					
Accounts payable	\$ 30,956	\$ -	\$ 95,640	\$ -	\$ 126,596
Other liabilities	26,834	-	-	921,992	948,826
Due to other funds	-	56,368	1,924,967	-	1,981,335
Total liabilities	<u>57,790</u>	<u>56,368</u>	<u>2,020,607</u>	<u>921,992</u>	<u>3,056,757</u>
Deferred Inflows of Resources					
Unavailable revenue-special assessments	<u>28,044</u>	<u>1,263,248</u>	<u>-</u>	<u>-</u>	<u>1,291,292</u>
Fund Balances					
Nonspendable					
Prepaid items	1,145	-	-	-	1,145
Restricted					
Debt service	-	286,416	-	-	286,416
Commercial loans	-	-	-	83,987	83,987
Residential loans	-	-	-	103,725	103,725
Tax increment district	-	-	-	5,745	5,745
Merickel park	-	-	-	37,012	37,012
Committed					
Economic development	-	-	-	627,674	627,674
Assigned					
Equipment	734,615	-	-	-	734,615
Library	-	-	-	20,558	20,558
Unassigned	1,869,555	-	(2,020,607)	-	(151,052)
Total fund balances	<u>2,605,315</u>	<u>286,416</u>	<u>(2,020,607)</u>	<u>878,701</u>	<u>1,749,825</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,691,149</u>	<u>\$ 1,606,032</u>	<u>\$ -</u>	<u>\$ 1,800,693</u>	<u>\$ 6,097,874</u>

City of Wadena, Minnesota
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 December 31, 2015

Total Fund Balances - Governmental Funds		\$ 1,749,825
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		11,829,168
Other assets are not available to pay for current-period expenditures and, therefore, are either not recognized as a receivable or are unearned in the funds.		2,213,284
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		(19,404)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. In the current period these amounts are		
General obligation bonds	\$ (2,356,625)	
OPEB obligations	(95,104)	
Compensated absences	(114,968)	
Accrued interest	(8,849)	
Net pension liability	(968,166)	
	(3,543,712)	(3,543,712)
Net Position of Governmental Activities		\$ 12,229,161

City of Wadena, Minnesota
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2015

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 476,161	\$ 374,055	\$ -	\$ 24,661	\$ 874,877
Special assessments	10,848	-	146,717	-	157,565
Licenses and permits	19,975	52,318	-	-	72,293
Intergovernmental	1,848,690	6,437	487,501	-	2,342,628
Charges for service	183,117	-	-	-	183,117
Fines and forfeitures	31,293	-	-	-	31,293
Investment earnings	16,117	4,293	(4,078)	10,865	27,197
Rents	32,069	-	-	-	32,069
Contributions	5,700	-	-	-	5,700
Reimbursements	19,699	-	-	-	19,699
Loan repayments	-	-	-	348,041	348,041
Donations	-	-	652,559	-	652,559
Miscellaneous	8,057	-	-	193,462	201,519
Total revenues	<u>2,651,726</u>	<u>437,103</u>	<u>1,282,699</u>	<u>577,029</u>	<u>4,948,557</u>
Expenditures					
Current					
General government	498,253	-	-	-	498,253
Public safety	917,810	-	-	-	917,810
Public works	472,835	-	-	-	472,835
Culture and recreation	327,108	-	-	-	327,108
Economic development	-	-	-	119,623	119,623
Airport	62,945	-	-	-	62,945
Miscellaneous	102,461	-	-	59,022	161,483
Debt service					
Principal	-	645,000	-	-	645,000
Interest, fees and abatements	21	36,774	9,586	-	46,381
Capital outlay					
General government	14,769	-	-	-	14,769
Public safety	37,575	-	-	-	37,575
Public works	293,400	-	2,635,536	-	2,928,936
Wellness center	-	-	358,702	-	358,702
Culture and recreation	41,327	-	-	-	41,327
Economic development	-	-	-	101,908	101,908
Airport	30,985	-	-	-	30,985
Total expenditures	<u>2,799,489</u>	<u>681,774</u>	<u>3,003,824</u>	<u>280,553</u>	<u>6,765,640</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(147,763)	(244,671)	(1,721,125)	296,476	(1,817,083)
Other Financing Sources (Uses)					
Transfers in	383,668	37,002	-	1,291	421,961
Transfers out	(128,655)	-	-	-	(128,655)
Issuance of debt	-	-	1,606,625	-	1,606,625
Sale of capital assets	676	-	-	-	676
Total other financing sources (uses)	<u>255,689</u>	<u>37,002</u>	<u>1,606,625</u>	<u>1,291</u>	<u>1,900,607</u>
Net Change in Fund Balances	107,926	(207,669)	(114,500)	297,767	83,524
Fund Balances, Beginning of Year	<u>2,497,389</u>	<u>494,085</u>	<u>(1,906,107)</u>	<u>580,934</u>	<u>1,666,301</u>
Fund Balances, End of Year	<u>\$ 2,605,315</u>	<u>\$ 286,416</u>	<u>\$ (2,020,607)</u>	<u>\$ 878,701</u>	<u>\$ 1,749,825</u>

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, 2015

Net Change in Fund Balances - Total Governmental Funds	\$	83,524
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense, net disposals, and contributions of capital assets exceeded capital outlays in the current period.</p>		(8,861,048)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		632,659
<p>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.</p>		(5,236)
<p>In the statement of activities OPEB obligations 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.</p>		(23,173)
<p>In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.</p>		(13,036)
<p>The issuance of long-term debt provided current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		(955,765)
<p>Change in Net Position of Governmental Activities</p>	\$	(9,142,075)

City of Wadena, Minnesota
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund
Year Ended December 31, 2015

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues			
Property taxes	\$ 469,820	\$ 476,161	\$ 6,341
Special assessments	7,569	10,848	3,279
Licenses and permits	27,740	19,975	(7,765)
Intergovernmental	1,650,680	1,848,690	198,010
Charges for services	162,100	183,117	21,017
Fines and forfeitures	24,900	31,293	6,393
Miscellaneous	101,200	81,642	(19,558)
Total revenues	<u>2,444,009</u>	<u>2,651,726</u>	<u>207,717</u>
Expenditures			
Current			
General government	608,660	498,253	110,407
Public safety	935,516	917,810	17,706
Public works	583,094	472,835	110,259
Culture and recreation	341,902	327,108	14,794
Airport	62,616	62,945	(329)
Miscellaneous	80,774	102,461	(21,687)
Debt service	2,000	21	1,979
Capital outlay			
General government	33,750	14,769	18,981
Public safety	50,000	37,575	12,425
Public works	285,000	293,400	(8,400)
Culture and recreation	25,000	41,327	(16,327)
Airport	-	30,985	(30,985)
Total expenditures	<u>3,008,312</u>	<u>2,799,489</u>	<u>208,823</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(564,303)	(147,763)	416,540
Other Financing Sources (Uses)			
Transfers in	561,103	383,668	(177,435)
Transfers out	-	(128,655)	(128,655)
Sale of capital assets	5,000	676	(4,324)
Total other financing sources (uses)	<u>566,103</u>	<u>255,689</u>	<u>(310,414)</u>
Net Change in Fund Balances	<u>\$ 1,800</u>	107,926	<u>\$ 106,126</u>
Fund Balances, Beginning of Year		<u>2,497,389</u>	
Fund Balances, End of Year		<u>\$ 2,605,315</u>	

City of Wadena, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2015

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor
Assets				
Current Assets				
Cash and cash equivalents	\$ -	\$ 6,543	\$ -	\$ 26,163
Accounts receivable - net	36,444	21,126	798,347	23,450
Interest receivable	278	-	2,004	123
Due from other funds	-	97,755	841,250	-
Prepaid expenses	17,319	5,817	19,869	6,242
Inventories	-	31,429	269,259	183,069
Investments	265,000	-	1,694,842	117,039
Total current assets	<u>319,041</u>	<u>162,670</u>	<u>3,625,571</u>	<u>356,086</u>
Noncurrent Assets				
Capital assets				
Land	4,600	2,850	44,993	-
Construction in progress	1,961,389	1,220,275	-	-
Buildings	7,055,660	2,540,841	786,551	188,862
Equipment	2,317,207	807,935	960,612	92,077
General plant and system	2,192,933	2,382,791	13,677,925	-
Less accumulated depreciation	(3,807,608)	(2,393,175)	(5,646,599)	(207,677)
Total noncurrent assets	<u>9,724,181</u>	<u>4,561,517</u>	<u>9,823,482</u>	<u>73,262</u>
Total assets	<u>10,043,222</u>	<u>4,724,187</u>	<u>13,449,053</u>	<u>429,348</u>
Deferred Outflows of Resources				
Pension plans	<u>32,804</u>	<u>14,118</u>	<u>130,705</u>	<u>23,397</u>
Liabilities				
Current Liabilities				
Accounts payable	4,078	4,471	398,599	62,598
Due to other funds	314,349	-	-	-
Accrued interest	18,020	10,781	-	-
Other accrued liabilities	2,692	1,700	10,786	2,774
Consumer deposits	-	-	152,741	-
Unearned revenue	-	-	-	-
Current portion of long-term debt	182,898	150,948	30,823	2,584
Total current liabilities	<u>522,037</u>	<u>167,900</u>	<u>592,949</u>	<u>67,956</u>
Noncurrent Liabilities				
Accrued compensated absences	5,427	8,420	45,872	3,847
Bonds payable (net of current portion)	4,586,320	2,370,807	-	-
Net pension liability	130,818	56,299	521,240	93,305
Total noncurrent liabilities	<u>4,722,565</u>	<u>2,435,526</u>	<u>567,112</u>	<u>97,152</u>
Total liabilities	<u>5,244,602</u>	<u>2,603,426</u>	<u>1,160,061</u>	<u>165,108</u>
Deferred Inflows of Resources				
Pension plans	<u>39,931</u>	<u>17,186</u>	<u>159,104</u>	<u>28,481</u>
Net Position				
Net investment in capital assets	4,954,963	2,039,762	9,792,659	73,262
Unrestricted	(163,470)	77,931	2,467,934	185,894
Total net position	<u>\$ 4,791,493</u>	<u>\$ 2,117,693</u>	<u>\$ 12,260,593</u>	<u>\$ 259,156</u>

City of Wadena, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2015

	Wellness Center	Golf Course	Total
Assets			
Current Assets			
Cash and cash equivalents	\$ 263,232	\$ -	\$ 295,938
Accounts receivable - net	1,567	-	880,934
Interest receivable	-	-	2,405
Due from other funds	-	-	939,005
Prepaid expenses	8,529	7,184	64,960
Inventories	1,741	17,773	503,271
Investments	-	-	2,076,881
Total current assets	<u>275,069</u>	<u>24,957</u>	<u>4,763,394</u>
Noncurrent Assets			
Capital assets			
Land	256,619	579,176	888,238
Construction in progress	-	-	3,181,664
Buildings	11,280,780	423,598	22,276,292
Equipment	354,944	693,104	5,225,879
General plant and system	-	-	18,253,649
Less accumulated depreciation	(256,035)	(724,054)	(13,035,148)
Total capital assets	<u>11,636,308</u>	<u>971,824</u>	<u>36,790,574</u>
Total assets	<u>11,911,377</u>	<u>996,781</u>	<u>41,553,968</u>
Deferred Outflows of Resources			
Pension plan	<u>20,174</u>	<u>29,166</u>	<u>250,364</u>
Liabilities			
Current Liabilities			
Accounts payable	7,816	342	477,904
Due to other funds	-	-	314,349
Accrued interest	-	-	28,801
Other accrued liabilities	6,644	2,167	26,763
Consumer deposits	-	-	152,741
Unearned revenue	269,705	-	269,705
Current portion of long-term debt	2,777	9,600	379,630
Total current liabilities	<u>286,942</u>	<u>12,109</u>	<u>1,649,893</u>
Noncurrent Liabilities			
Accrued compensated absences	4,132	14,286	81,984
Bonds payable (net of current portion)	-	-	6,957,127
Net pension liability	80,456	116,312	998,430
Total noncurrent liabilities	<u>84,588</u>	<u>130,598</u>	<u>8,037,541</u>
Total liabilities	<u>371,530</u>	<u>142,707</u>	<u>9,687,434</u>
Deferred Inflows of Resources			
Pension plan	<u>24,557</u>	<u>35,503</u>	<u>304,762</u>
Net Position			
Net investment in capital assets	11,633,531	962,224	29,456,401
Unrestricted	<u>(98,067)</u>	<u>(114,487)</u>	<u>2,355,735</u>
Total net position	<u>\$ 11,535,464</u>	<u>\$ 847,737</u>	<u>\$ 31,812,136</u>

City of Wadena, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2015

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor
Operating Revenues				
Sales	\$ -	\$ -	\$ -	\$ 1,985,775
Cost of sales	-	-	-	(1,536,107)
Gross profit	-	-	-	449,668
Charges for services	722,628	519,728	5,291,036	-
Miscellaneous	11,852	1,660	116,297	-
Total operating revenues	<u>734,480</u>	<u>521,388</u>	<u>5,407,333</u>	<u>449,668</u>
Operating Expenses				
Administration	32,880	75,506	335,009	154,291
Purchased power	-	-	3,760,515	-
Operating and maintenance	389,130	186,530	360,514	126,254
Equipment maintenance	52,953	5,273	173,037	-
Customer account expense	-	40,969	181,546	-
Depreciation	378,598	137,296	401,703	9,856
Total operating expenses	<u>853,561</u>	<u>445,574</u>	<u>5,212,324</u>	<u>290,401</u>
Operating Income (Loss)	(119,081)	75,814	195,009	159,267
Other Income (Expense)				
Investment earnings	5,363	325	27,242	2,514
Interest expense	(50,463)	(31,539)	-	-
Total other income (expense)	<u>(45,100)</u>	<u>(31,214)</u>	<u>27,242</u>	<u>2,514</u>
Net Income (Loss) Before Transfers	(164,181)	44,600	222,251	161,781
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	(16,941)	(20,061)	(283,668)	(147,565)
Donated asset	-	-	-	-
Contribution of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(16,941)</u>	<u>(20,061)</u>	<u>(283,668)</u>	<u>(147,565)</u>
Change in Net Position	(181,122)	24,539	(61,417)	14,216
Total Net Position, Beginning of year, as restated (see Note 13)	<u>4,972,615</u>	<u>2,093,154</u>	<u>12,322,010</u>	<u>244,940</u>
Total Net Position, End of Year	<u>\$ 4,791,493</u>	<u>\$ 2,117,693</u>	<u>\$ 12,260,593</u>	<u>\$ 259,156</u>

City of Wadena, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2015

	Wellness Center	Golf Course	Total
Operating Revenues			
Sales	\$ -	\$ 120,459	\$ 2,106,234
Cost of sales	-	(71,776)	(1,607,883)
Gross profit	-	48,683	498,351
Charges for services	462,589	218,712	7,214,693
Miscellaneous	88,342	6,998	225,149
Total operating revenues	<u>550,931</u>	<u>274,393</u>	<u>7,938,193</u>
Operating Expenses			
Administration	321,671	172,309	1,091,666
Purchased power	-	-	3,760,515
Operating and maintenance	310,120	138,549	1,511,097
Equipment maintenance	17,728	13,157	262,148
Customer account expense	-	-	222,515
Depreciation	256,035	32,426	1,215,914
Total operating expenses	<u>905,554</u>	<u>356,441</u>	<u>8,063,855</u>
Operating Income (Loss)	(354,623)	(82,048)	(125,662)
Other Income (Expense)			
Investment earnings	75	45	35,564
Interest expense	(1,002)	-	(83,004)
Total other income (expense)	<u>(927)</u>	<u>45</u>	<u>(47,440)</u>
Net Income (Loss) Before Transfers	(355,550)	(82,003)	(173,102)
Other Financing Sources (Uses)			
Transfers in	127,364	47,565	174,929
Transfers out	-	-	(468,235)
Donated asset	9,263	-	9,263
Contribution of capital assets	11,883,080	-	11,883,080
Total other financing sources (uses)	<u>12,019,707</u>	<u>47,565</u>	<u>11,599,037</u>
Change in Net Position	11,664,157	(34,438)	11,425,935
Total Net Position, Beginning of year, as restated (see Note 13)	<u>(128,693)</u>	<u>882,175</u>	<u>20,386,201</u>
Total Net Position, End of Year	<u>\$ 11,535,464</u>	<u>\$ 847,737</u>	<u>\$ 31,812,136</u>

City of Wadena, Minnesota
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2015

	Sewer Utility	Water Utility	Electric Utility	Municipal Liquor
Operating Activities				
Receipts from customers and users	\$ 738,851	\$ 523,112	\$ 5,522,954	\$ 1,982,265
Payments to suppliers	(449,810)	(246,644)	(4,517,132)	(1,673,423)
Payments to employee costs	(31,675)	(72,068)	(322,645)	(155,338)
Net Cash From (Used for) Operating Activities	<u>257,366</u>	<u>204,400</u>	<u>683,177</u>	<u>153,504</u>
Noncapital Financing Activities				
Net payments (proceeds) on due from other funds	401,452	(97,755)	(16,311)	(48,557)
Transfer from other funds	-	-	-	-
Transfer to other funds	(16,941)	(20,061)	(283,668)	(147,565)
Net Cash From (Used For) Noncapital Financing Activities	<u>384,511</u>	<u>(117,816)</u>	<u>(299,979)</u>	<u>(196,122)</u>
Capital and Related Financing Activities				
Property and equipment additions	(2,050,360)	(1,444,494)	(904,409)	(9,981)
Net proceeds from disposal of capital assets	-	-	148,575	-
Proceeds from long-term debt	1,575,572	1,423,097	-	-
Payments on long-term debt				
Principal	(175,010)	(140,000)	-	-
Interest	(50,463)	(31,539)	-	-
Net pension liability and related deferred inflows and outflows of resources	1,750	753	6,972	1,248
Net Cash From (Used for) Capital and Related Financing Activities	<u>(698,511)</u>	<u>(192,183)</u>	<u>(748,862)</u>	<u>(8,733)</u>
Investing Activities				
Sale of investments	-	75,000	280,001	75,000
Interest and dividends from investments	5,363	325	27,242	2,514
Net Cash From Investing Activities	<u>5,363</u>	<u>75,325</u>	<u>307,243</u>	<u>77,514</u>
Change in Cash and Cash Equivalents	(51,271)	(30,274)	(58,421)	26,163
Cash and Cash Equivalents, Beginning of Year	51,271	36,817	58,421	-
Cash and Cash Equivalents, End of Year	<u>\$ -</u>	<u>\$ 6,543</u>	<u>\$ -</u>	<u>\$ 26,163</u>
Reconciliation of Operating Income (Loss) to Net Cash From (Used for) Operating Activities				
Operating income (loss)	\$ (119,081)	\$ 75,814	\$ 195,009	\$ 159,267
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities				
Depreciation	378,598	137,296	401,703	9,856
Changes in assets and liabilities				
Accounts receivable	4,371	1,724	115,621	(3,510)
Prepaid items	(353)	(435)	(1,291)	(152)
Inventories	-	(12,029)	(7,581)	(16,495)
Accounts payable	(964)	3,141	(3,376)	15,190
Other current liabilities	(6,410)	(4,549)	(29,272)	(9,605)
Accrued compensated absences	1,205	3,438	12,364	(1,047)
Net Cash From (Used for) Operating Activities	<u>\$ 257,366</u>	<u>\$ 204,400</u>	<u>\$ 683,177</u>	<u>\$ 153,504</u>

City of Wadena, Minnesota
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2015

	Wellness Center	Golf Course	Total
Operating Activities			
Receipts from customers and users	\$ 752,987	\$ 346,169	\$ 9,866,338
Payments to suppliers	(347,099)	(225,242)	(7,459,350)
Payments to employee costs	(319,788)	(170,093)	(1,071,607)
Net Cash From (Used for) Operating Activities	<u>86,100</u>	<u>(49,166)</u>	<u>1,335,381</u>
Noncapital Financing Activities			
Net payments (proceeds) on due from other funds	-	-	238,829
Transfer from other funds	127,364	47,565	174,929
Transfer to other funds	-	-	(468,235)
Net Cash From (Used For) Noncapital Financing Activities	<u>127,364</u>	<u>47,565</u>	<u>(54,477)</u>
Capital and Related Financing Activities			
Property and equipment additions	-	-	(4,409,244)
Net proceeds from disposal of capital assets	-	-	148,575
Proceeds from long-term debt	-	-	2,998,669
Payments on long-term debt			
Principal	-	-	(315,010)
Interest	(1,002)	-	(83,004)
Net pension liability and related deferred inflows and outflows of resources	1,076	1,556	13,355
Net Cash From (Used for) Capital and Related Financing Activities	<u>74</u>	<u>1,556</u>	<u>(1,646,659)</u>
Investing Activities			
Sale of investments	-	-	430,001
Interest and dividends from investments	75	45	35,564
Net Cash From Investing Activities	<u>75</u>	<u>45</u>	<u>465,565</u>
Change in Cash and Cash Equivalents	213,613	-	99,810
Cash and Cash Equivalents, Beginning of Year	49,619	-	196,128
Cash and Cash Equivalents, End of Year	<u>\$ 263,232</u>	<u>\$ -</u>	<u>\$ 295,938</u>
Reconciliation of Operating Income (Loss) to Net Cash From (Used for) Operating Activities			
Operating income (loss)	\$ (354,623)	\$ (82,048)	\$ (125,662)
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities			
Depreciation	256,035	32,426	1,215,914
Changes in assets and liabilities			
Accounts receivable	(1,567)	-	116,639
Prepaid items	(1,841)	(149)	(4,221)
Inventories	(1,741)	2,742	(35,104)
Accounts payable	(4,843)	(1,728)	7,420
Other current liabilities	192,797	(2,625)	140,336
Accrued compensated absences	1,883	2,216	20,059
Net Cash From (Used for) Operating Activities	<u>\$ 86,100</u>	<u>\$ (49,166)</u>	<u>\$ 1,335,381</u>
Supplemental Schedule of Noncash Investing and Financing Activities			
Acquisition of capital assets through contributed capital from the City	<u>\$ 11,883,080</u>	<u>\$ -</u>	<u>\$ 11,883,080</u>

Note 1 - Significant Accounting Policies

The City of Wadena was incorporated June 1, 1874, and is a fourth class statutory city under Minnesota statutes with Council-Mayor form of government. The accounting policies of the City, as reflected in the accompanying financial statements, confirm to accounting principles generally accepted in the United States of America for local government units as prescribed by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

The following is a summary of the significant accounting policies:

Reporting Entity

The City is a primary government because it is a special-purpose government that has a separate 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.

The accompanying financial statements present the governmental, business-type, and fiduciary funds of the City.

Blended component units are entities which are legally separate from the City but which are so intertwined with the City that they are, in substance, the same as the City. Discretely presented component units are entities for which the City is considered to be financially accountable or for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The city has determined that there are no entities that would fall under the heading of component unit.

Government-Wide and Fund Financial Statements

The goal of government-wide financial statements is to present a broad overview of 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 non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. 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 reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are prepared for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, special assessments, intergovernmental revenue, permits, charges for services and investment income associated with the current fiscal period are the major revenues that are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are collected in 60 days. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

- General Fund – The general fund is the general operating fund of the City. All financial resources of the general government that are not required to be reported in another fund are accounted for in the general fund.
- Debt Service – The debt service fund accounts for the resources and accumulated payments made for debt service of governmental funds.
- Capital Projects – The capital projects fund accounts for the resources accumulated and payments made for capital projects of governmental funds.

The City reports the following major proprietary funds:

- Sewer Utility – This fund accounts for the provision of sanitary sewer service to the residents of the City.
- Water Utility – This fund accounts for the provision of water utility service to the residents of the City.
- Electric Utility – This fund accounts for the provision of electric service to the residents of the City.
- Municipal Liquor – This fund accounts for the provision of liquor store activity.
- Wellness Center – This fund accounts for the provision of wellness center activity.
- Golf Course – This fund accounts for the provision of golf course activity.

Amounts reported as program revenues include the following: amounts received from those who purchase, use or directly benefit from a program; amounts received from parties outside the City that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues, including all taxes.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs 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.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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 City's policy to use restricted resources first, and then use unrestricted resources as they are needed.

Other Significant Accounting Policies

Budgets and Budgetary Accounting

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

An annual budget is adopted for the General Fund. Budget appropriations lapse at the end of each year. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

Any transfers of budgeted amounts between departments of the general fund, transfers between other funds, and any revisions that alter the total expenditures of any department or fund must be approved by the City Council.

The legal level of control is at the department level within each fund. Management is not allowed to change the budget without council approval.

Formal budgetary integration is employed as a management control device during the year for the general fund. Formal budgetary integration is not employed for other governmental funds.

Cash and Investments

The City maintains a cash pool. Interest earned from pooled cash accounts is allocated to each of the funds based on the fund's average balance, while funds that incur a negative balance in pooled cash accounts during the year are charged for interest. Funds with a negative balance as of year-end show such amounts as due to other funds.

For purposes of the statement of cash flows, the City considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Receivables and Credit Policy

Receivables are carried at invoice amounts 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 \$2,980 in the electric utility fund.

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 at an interest rate of 5%.

Notes receivable represent amounts for loans made to various individuals and organizations from the City.

Inventories

Inventories of the proprietary funds are presented on an average cost basis. Inventories of governmental funds are recorded as expenditures when purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items in both government-wide and fund financial statements.

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 column in the government-wide financial statements. Capital assets, other than infrastructure, are defined by the City as assets with an initial, individual cost of more than \$5,000. Infrastructure capital assets are defined by the City as assets with an 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 of the primary government are 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

Compensated Absences

The liability for compensated absences is based on the provisions of Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

The City compensates employees for all unused vacation pay upon termination of employment for union 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. During the sixth through tenth year of employment employees receive 120 hours. After ten years of service employees receive an additional eight hours per year up to a maximum of 160 hours. After twenty years of service employees receive an additional eight hours per year, up to a total of 180 hours.

Long-Term Liabilities

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are expensed in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

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 sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deletions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA.

For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Implementation of GASB Statement No. 68 and GASB Statement No. 71

As of December 31, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 13 and the additional disclosures required by these standards are included in Note 11.

Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expenses/expenditure) until then. The City has two items that qualify for reporting in this category. They are in the contributions made to pension plans after the measurement date and prior to the fiscal year-end and changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. The City reports unavailable revenues from property taxes on the government-wide statement of net position and the governmental funds balance sheet. These amounts are deferred and recognized as an outflow of resources in the period that the amounts became available. The other item is changes in the net position liability not included in pension expense reported in the government-wide statement of net position.

Fund Balance

The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e., City Council). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same highest level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Council or by an official or body to which the City Council delegates the authority.

- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

City Council establishes fund balance commitments by passage of a resolution. This is typically done through adoption and amendment of the budget. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, committed second, assigned third, and unassigned fourth.

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

Net Position

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 assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital 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.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Legal Compliance

As of December 31, 2015, the Capital Projects Fund had a deficit fund balance of \$2,020,607. To address this deficit, there will be bonds issued in the future once the street project is completed.

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 Corporate or P-1 by Moody's Commercial Paper Record.

The following table presents the maturities of the City's deposit and investment balances at December 31, 2015:

Deposit or Investment Type	Fair Value	Maturities (in Years)			
		Not Applicable	< 1	1 - 5	> 5 - 10
Cash	\$ 784,290	\$ 784,290	\$ -	\$ -	\$ -
Certificates of Deposit	1,956,128	-	736,949	1,219,179	-
Investments					
U.S. Government Securities	771,070	101,599	-	-	669,471
Money Market Funds	537,608	-	-	198,702	338,906
External Investment Pool - 4M Fund	7,473	7,473	-	-	-
	<u>1,316,151</u>	<u>109,072</u>	<u>-</u>	<u>198,702</u>	<u>1,008,377</u>
Total deposits and investments	<u>\$ 4,056,569</u>	<u>\$ 893,362</u>	<u>\$ 736,949</u>	<u>\$ 1,417,881</u>	<u>\$ 1,008,377</u>

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 the City. State statutes require that insurance, surety bonds or collateral protect all city deposits. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged). At December 31, 2015, the City's deposits were properly collateralized by securities held by the City's agent in the City's name.

Custodial Credit Risk – Investments

The investment in the 4M Fund is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

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, 2015, 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.

Note 4 - Property Taxes and Special Assessments

Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to Wadena County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads all levies over the assessable property. 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 may be paid by taxpayers 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, on or before January 25, July 21 and November 30. 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 deferred revenue because it is not available to finance current expenditures.

Special Assessments

Special assessments are levies against the benefited properties for the assessable costs of special assessment improvement projects in accordance with state 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 plus accrued interest without prepayment penalties.

Note 5 - Loans Receivable

As of December 31, 2015, loans receivable consisted of loans from individuals and organizations and had a total balance of \$921,995. The loans have maturity dates between 2015 and 2024 and interest rates ranging from 0% to 7.5%.

Note 6 - Capital Assets

Governmental fund capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 2,068,215	\$ 42,000	\$ -	\$ 2,110,215
Construction in Progress	12,025,345	3,016,376	11,883,080	3,158,641
Total capital assets, not being depreciated	<u>14,093,560</u>	<u>3,058,376</u>	<u>11,883,080</u>	<u>5,268,856</u>
Capital assets, being depreciated				
Buildings	3,337,010	23,666	-	3,360,676
Improvements other than buildings	2,635,713	37,635	-	2,673,348
Machinery and equipment	3,118,463	298,081	166,199	3,250,345
Infrastructure	1,685,923	17,659	-	1,703,582
Total capital assets, being depreciated	<u>10,777,109</u>	<u>377,041</u>	<u>166,199</u>	<u>10,987,951</u>
Less accumulated depreciation for				
Buildings	1,165,952	63,273	-	1,229,225
Improvements other than buildings	948,575	69,229	-	1,017,804
Machinery and equipment	1,871,467	252,046	171,199	1,952,314
Infrastructure	194,459	33,837	-	228,296
Total accumulated depreciation	<u>4,180,453</u>	<u>418,385</u>	<u>171,199</u>	<u>4,427,639</u>
Total capital assets, being depreciated, net	<u>6,596,656</u>	<u>(41,344)</u>	<u>(5,000)</u>	<u>6,560,312</u>
Governmental activities capital assets, net	<u>\$ 20,690,216</u>	<u>\$ 3,017,032</u>	<u>\$ 11,878,080</u>	<u>\$ 11,829,168</u>

Construction in progress balance as of December 31, 2015 relates to a street reconstruction project and a rail spur project that are both in process. The remaining commitment for the street reconstruction project is \$2,188,855 as of December 31, 2015 and the remaining commitment for the rail spur project is \$3,122 as of December 31, 2015.

Business-type fund capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 631,619	\$ 256,619	\$ -	\$ 888,238
Construction in Progress	1,542,994	3,181,664	1,542,994	3,181,664
Total capital assets, not being depreciated	<u>2,174,613</u>	<u>3,438,283</u>	<u>1,542,994</u>	<u>4,069,902</u>
Capital assets, being depreciated				
Buildings	10,986,591	11,294,750	5,049	22,276,292
Machinery and equipment	5,106,112	402,671	282,904	5,225,879
General plant and system	16,126,801	2,708,877	582,029	18,253,649
Total capital assets, being depreciated	<u>32,219,504</u>	<u>14,406,298</u>	<u>869,982</u>	<u>45,755,820</u>
Less accumulated depreciation for				
Buildings	3,430,226	441,564	5,048	3,866,742
Machinery and equipment	2,267,818	334,473	282,903	2,319,388
General plant and system	6,842,597	439,877	433,456	6,849,018
Total accumulated depreciation	<u>12,540,641</u>	<u>1,215,914</u>	<u>721,407</u>	<u>13,035,148</u>
Total capital assets, being depreciated, net	<u>19,678,863</u>	<u>13,190,384</u>	<u>148,575</u>	<u>32,720,672</u>
Business-type activities capital assets, net	<u>\$ 21,853,476</u>	<u>\$ 16,628,667</u>	<u>\$ 1,691,569</u>	<u>\$ 36,790,574</u>

Construction in progress balance as of December 31, 2015 relates to work to a street reconstruction project. This project is anticipated to be completed during 2016. The remaining commitment on the street reconstruction project is \$3,149,816 as of December 31, 2015.

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

Governmental activities	
General government	\$ 13,887
Public safety	83,758
Public works	101,683
Culture and recreation	48,883
Infrastructure	33,837
Airport	136,337
Total depreciation expense - governmental activities	<u>\$ 418,385</u>
Business-type activities	
Municipal liquor	\$ 9,856
Sewer utility	378,598
Water utility	137,296
Electric utility	401,703
Golf course	32,426
Wellness center	256,035
Total depreciation expense - business-type activities	<u>\$ 1,215,914</u>

Note 7 - Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2015:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities					
General obligation bonds	\$ 1,395,000	\$ 1,606,625	\$ 645,000	\$ 2,356,625	\$ 413,432
OPEB Obligation	71,931	23,173	-	95,104	-
Compensated absences	109,732	64,926	59,690	114,968	39,291
	<u>\$ 1,576,663</u>	<u>\$ 1,694,724</u>	<u>\$ 704,690</u>	<u>\$ 2,566,697</u>	<u>\$ 452,723</u>
Business-type activities					
General obligation bonds	\$ 4,598,010	\$ 2,998,669	\$ 315,010	\$ 7,281,669	\$ 324,542
Compensated absences	117,012	82,417	62,357	137,072	55,088
	<u>\$ 4,715,022</u>	<u>\$ 3,081,086</u>	<u>\$ 377,367</u>	<u>\$ 7,418,741</u>	<u>\$ 379,630</u>

Bonds Payable

	<u>Interest Rate</u>	<u>Final Year of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
Governmental activities				
General Obligation Bonds				
2009 Taxable Improvement Bonds	2.2 - 5	2020	\$ 800,000	\$ 460,000
2012A Refunding Bonds	1.0	2016	1,045,000	290,000
PFA Storm Sewer Note	1.0	2025	4,418,242	1,606,625
				<u>\$ 2,356,625</u>
Business-type activities				
General Obligation Bonds				
2002 Water Revenue Note	2.6	2022	\$ 2,615,975	\$ 3,190,000
2012 Sewer Revenue Note	1.5	2025	3,130,411	1,093,000
PFA Sewer Improvement Note	1.0	2025	4,102,252	1,423,097
PFA Water Improvement Note	1.0	2025	3,718,290	1,575,572
				<u>\$ 7,281,669</u>

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.

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.

The City issued three Minnesota Public Facilities Authority (PFA) bonds in August of 2015. The PFA Storm Sewer Note, the PFA Sewer Improvement Note, and the PFA Water Improvement Note issuances in 2015 were for \$1,606,625, \$1,575,572, and \$1,423,097, respectively. The agreements require annual principal and lease payments beginning in 2016 and continuing to maturity in 2030, at an interest rate of 1.00%. The projects are ongoing and additional draws will be made during 2016.

General Obligation Revenue Bonds

The City also issues bonds where the City pledge income derived from the constructed assets to pay debt service.

The annual requirements to amortize all bonded debt outstanding as of December 31, 2015, are as follows:

Years Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 413,432	\$ 40,090	\$ 324,542	\$ 108,542
2017	447,513	61,513	851,000	149,572
2018	442,773	54,773	863,000	137,638
2019	443,743	47,743	876,000	125,502
2020	378,145	40,220	888,000	113,152
2021-2025	231,019	179,570	3,479,127	539,883
	<u>\$ 2,356,625</u>	<u>\$ 423,909</u>	<u>\$ 7,281,669</u>	<u>\$ 1,174,289</u>

Legal Debt Margin

Minnesota statutes limit the net bonded indebtedness of the City to 2% of the market value. The legal debt limit as of December 31, 2015, is \$2,640,402.

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 2015 was \$22,707. The lease payments were for the debt service payments, which were paid off in 2015. The lease continues until 2034 with no cost except for possible future capital improvements, which would be shared equally with the school.

Compensated Absences

Compensated absences for governmental funds are recorded as a liability in the governmental activities in the government-wide statement. For the proprietary funds, compensated absences are recorded as a liability. This liability matures only upon qualified retirements or terminations. Compensated absences in the governmental fund are liquidated by the General Fund, and in the proprietary funds each respective fund is responsible to liquidate for employees paid from those funds.

OPEB Obligations

As of January 1, 2009, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. It was determined the only obligation the City has to record is the implied subsidy portion as described in the standard.

Plan Description

All employees are allowed upon meeting the eligibility requirements under Minn. Stat. 471.61 subd, 2b, to participate in the City’s health insurance plan after retirement. This plan covers active and retired employees. Benefit provisions are established through negotiations between the City and the union representing City employees and are renegotiated at the end of each contract period. The retiree health plan does not issue a publicly available financial report.

Funding Policy

The City has elected to fund the plan on a pay-as-you-go method.

Annual OPEB Cost and Net OPEB Obligation

The City’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period of thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation:

Normal cost	\$ 10,822
Amortization of UAAL over 30 years	11,460
Interest on OPEB Obligation	891
	23,173
Total year-end ARC	23,173
Increase in OPEB Obligation	71,931
Net OPEB Obligation, Beginning of Year	95,104
Net OPEB Obligation, End of Year	95,104

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2015, 2014, and 2013 was as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	OPEB Obligation
12/31/15	\$ 23,173	0%	\$ 95,104
12/31/14	23,173	0%	71,931
12/31/13	23,173	0%	48,758

Funded Status and Funding Progress

As of December 31, 2013, the most recent valuation date, the plan was unfunded. The accrued liability for benefits was \$206,116, and the value of assets was \$0, resulting in an unfunded accrued liability (UAAL) of \$206,116. The covered payroll (annual payroll of active employees covered by the plan) was \$2,020,705, and the ratio of the UAAL to the covered payroll was 10.20 percent.

Valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in accrued liabilities and the value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2013 valuation, the projected unit credit cost method was used. The assumptions included a 1.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 7 percent. The assumptions also included a health care inflation factor of 1.519% based on age differences. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years.

Note 8 - Conduit 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 9 - Interfund Receivables, Payables, and Transfers

Interfund receivables/payables are used to record accrued obligations between funds. A summary of the City's interfund balances at December 31, 2015, are as follows:

	Receivable	Payable
General fund	\$ 1,356,679	\$ -
Debt service fund	-	56,368
Capital projects fund	-	1,924,967
Electric utility fund	841,250	-
Water utility fund	97,755	-
Sewer utility fund	-	314,349
	\$ 2,295,684	\$ 2,295,684

A summary of the government's interfund transfers is as follows:

	Transfer out					Total
	General Fund	Sewer Utility	Water Utility	Electric Utility	Nonmajor Proprietary	
Transfer in						
General	\$ -	\$ -	\$ -	\$ 283,668	\$ 100,000	\$ 383,668
Debt Service	-	16,941	20,061	-	-	37,002
Nonmajor Governmental	1,291	-	-	-	-	1,291
Wellness Center	127,364	-	-	-	-	127,364
Golf Course	-	-	-	-	47,565	47,565
Total	\$ 128,655	\$ 16,941	\$ 20,061	\$ 283,668	\$ 147,565	\$ 596,890

Transfers are made for funding various projects, meeting debt service requirements, distributing interest earnings between funds, and for capital infrastructure.

Note 10 - Litigation

The City generally follows the practice of recording liabilities resulting from claims and legal actions only when they become fixed or determinable in amount. There were no significant legal actions outstanding as of December 31, 2015.

Note 11 - Defined Benefit Pension Plans

A. Plan Descriptions

The City participates in the following defined benefit pension plans administered by PERA. PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Fund (GERF)

PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

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

2. Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

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

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

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

1. GERF Benefits

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

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equals at least 90.

C. Contributions

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

1. GERF Contributions

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in calendar year 2015. Coordinated Plan members contributed 6.5% of pay in 2015. In calendar year 2015, the City was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015, employer rates increased to 7.5% in the Coordinated Plan. The City's contributions to the GERF for the year ended December 31, 2015, were \$125,655. The City's contributions were equal to the required contributions for each year as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the year ended December 31, 2015, were \$63,957. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. GERF Pension Costs

At December 31, 2015, the City reported a liability of \$1,466,653 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through December 31, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.0283%, which was a decrease of 0.0008% from the prior year.

For the year ended December 31, 2015, the City recognized pension expense of \$186,106 for its proportionate share of GERF's pension expense.

At December 31, 2015, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 13,602	\$ 73,944
Changes in actuarial assumptions	91,338	-
Difference between projected and actual investment earnings	138,841	269,401
City's contributions to GERF subsequent to the measurement date	66,693	-
Total	\$ 310,474	\$ 343,345

\$66,693 reported as deferred outflows of resources related to pensions resulting from City contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2016	\$ (27,268)
2017	(27,268)
2018	(79,738)
2019	34,710
2020	-

2. PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$499,943 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through December 31, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.044%, which was an increase of 0.004%.

For the year ended December 31, 2015, the City recognized pension expense of \$93,352 for its proportionate share of PEPFF's pension expense.

At December 31, 2015, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 532	\$ 81,074
Changes in actuarial assumptions	95,024	-
Difference between projected and actual investment earnings	87,108	175,867
City's contributions to PEPFF subsequent to the measurement date	33,346	-
Total	\$ 216,010	\$ 256,941

\$33,346 reported as deferred outflows of resources related to pensions resulting from City contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2015. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

Years Ended June 30,	Pension Expense Amount
2016	\$ (29,172)
2017	(29,172)
2018	(29,171)
2019	29,450
2020	(16,212)

E. Actuarial Assumptions

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

Assumptions	GERF & PEPFF
Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabled persons were based on RP-2000 tables for males or females, as appropriate, with slight adjustments.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2004, to June 30, 2008, and a limited scope experience study dated August 29, 2014. The limited scope experience study addressed only inflation and long-term rate of return for the GASB 67 valuation.

The following changes in actuarial assumptions for GERF and PEPFF occurred in 2015:

- As of July 1, 2014, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2046. As of July 1, 2015, the postretirement benefit increase rate was assumed to increase from 1.0% to 2.5% on January 1, 2031.

The long-term expected rate of return on pension plan investments is 7.9% for both GERF and PEPFF. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocations	Long-Term Expected Real Rate of Return
Domestic Stocks	45.00%	5.50%
International Stocks	15.00%	6.00%
Bonds	18.00%	1.45%
Alternative Assets	20.00%	6.40%
Cash	2.00%	0.50%

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9% for both GERF and PEPFF. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF discount rate	6.90%	7.90%	8.90%
City's proportionate share of the GERF net pension liability	\$ 2,306,100	\$ 1,466,653	\$ 773,399
PEPFF discount rate	6.90%	7.90%	8.90%
City's proportionate share of the PEPFF net pension liability	974,394	499,943	107,964

H. Pension Plan Fiduciary Net Position

Detailed information about GERF and PEPFF's fiduciary net positions is available in a separately issued PERA financial report. Those reports may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Note 12 - Risk Management

The City is exposed to various risks of loss related to torts; theft of damage, and 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 claims liabilities and other expenses. The City has entered into a regular premium plan with LMCIT. The City pays its premium annually based on current year budgeted salaries with 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. Settlements have not exceeded coverage for each of the three fiscal years. There has been no substantial change in coverage from the prior year.

Note 13 - Adoption of New Standard

As of January 1, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The implementation of these standards requires governments calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net pension liability, deferred outflows of resources, and deferred inflows of resources related to contributions made after the measurement date.

The adjustments to the beginning balance of net position is as follows:

Governmental Activities:

Net Position - December 31, 2014, as previously reported	\$ 22,345,770
Net pension liability at December 31, 2014	(885,652)
Deferred outflows of resources related to contributions made during the year ended December 31, 2014	197,900
Deferred inflows of resources at December 31, 2014	<u>(286,782)</u>
Net Position - January 1, 2015, as restated	<u>\$ 21,371,236</u>

Business-Type Activities:

Net Position - December 31, 2014, as previously reported	\$ 21,425,674
Net pension liability at December 31, 2014	(913,336)
Deferred outflows of resources related to contributions made during the year ended December 31, 2014	169,609
Deferred inflows of resources at December 31, 2014	<u>(295,746)</u>
Net Position - January 1, 2015, as restated	<u>\$ 20,386,201</u>

Proprietary Funds:

	<u>Sewer</u>	<u>Water</u>	<u>Electric</u>
Net Position - December 31, 2014, as previously reported	\$ 5,108,810	\$ 2,151,768	\$ 12,864,677
Net pension liability at December 31, 2014	(119,668)	(51,501)	(476,816)
Deferred outflows of resources related to contributions made during the year ended December 31, 2014	22,223	9,564	88,546
Deferred inflows of resources at December 31, 2014	<u>(38,750)</u>	<u>(16,677)</u>	<u>(154,397)</u>
Net Position - January 1, 2015, as restated	<u>\$ 4,972,615</u>	<u>\$ 2,093,154</u>	<u>\$ 12,322,010</u>

Proprietary Funds:

	<u>Liquor</u>	<u>Wellness Center</u>	<u>Golf</u>
Net Position - December 31, 2014, as previously reported	\$ 342,081	\$ (44,930)	\$ 1,003,268
Net pension liability at December 31, 2014	(85,353)	(73,599)	(106,399)
Deferred outflows of resources related to contributions made during the year ended December 31, 2014	15,850	13,667	19,759
Deferred inflows of resources at December 31, 2014	<u>(27,638)</u>	<u>(23,831)</u>	<u>(34,453)</u>
Net Position - January 1, 2015, as restated	<u>\$ 244,940</u>	<u>\$ (128,693)</u>	<u>\$ 882,175</u>

Note 14 - Issued But Non-Effective Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several statements not yet implemented by the City. The first statement issued but not yet implemented that will significantly affect the City is statement No. 72, *Fair Value Measurement and Application*. This statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This statement will be implemented at the City in the year ended December 31, 2016.

The second statement issued but not yet implemented that will significantly affect the City is statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The requirements of this Statement will improve financial reporting by establishing a single framework for the presentation of information about pensions, which will enhance the comparability of pension-related information reported by employers and nonemployer contributing entities. This statement will be implemented at the City in the year ended December 31, 2016.

The third statement issued but not yet implemented that will significantly affect the City is statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. This statement will be implemented at the City in the year ended December 31, 2017.

The fourth statement issued but not yet implemented that will significantly affect the City is statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this Statement will improve the decision-usefulness of information in employer and governmental nonemployer contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire OPEB liability and a more comprehensive measure of OPEB expense. This statement will be implemented at the City in the year ended December 31, 2018.

The fifth statement issued but not yet implemented that will significantly affect the City is statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Disclosure of information about the nature and magnitude of tax abatements will make these transactions more transparent to financial statement users. This statement will be implemented at the City in the year ended December 31, 2016.

The sixth statement issued but not yet implemented that will significantly affect the City is statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement amends the scope and applicability of Statement 68 to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures, and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. This statement will be implemented at the City in the year ended December 31, 2016.

The seventh statement issued but not yet implemented that will significantly affect the City is statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. This statement will be implemented at the City in the year ended December 31, 2016.

The final statement issued but not yet implemented that will significantly affect the City is statement No. 80, *Blending Requirements for Certain Component Units—an Amendment of GASB Statement No. 14*. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this Statement enhance the comparability of financial statements among governments. This statement will be implemented at the City in the year ended December 31, 2017.

Management has not yet determined the effect these pronouncements will have on the City's financial statements.



Required Supplementary Information
December 31, 2015

City of Wadena, Minnesota

City of Wadena, Minnesota
 Schedule of Funding Progress
 December 31, 2015

Valuation Date	Value of Assets	Accrued Liability (AAL) Simplified Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/13	-	206,116	206,116	0%	2,020,705	10.20%
12/31/12	-	212,214	212,214	0%	1,795,364	11.82%

Note to the Schedule of Funding Progress

The standard requires a schedule of funding progress for the three most recent valuations and accompanying notes to describe factors that significantly affect the trends in the amounts reported. The City implemented the standard as of December 31, 2009. When calculated, the amounts prior to 2012 were determined to be immaterial; however, when calculated in 2012 this amount was considered material and was recorded as a liability.

Since the last actuarial valuation as of December 31, 2012, the following actuarial assumption has changed:

- The turnover & discount factor and healthcare trend factor were updated to better reflect the age difference of the population.

Since the last actuarial valuation as of December 31, 2012, no plan provisions have changed.

**Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years***

Pension Plan	Measurement Date	Employer's Proportion (Percentage) of the Net Pension Liability	Employer's Proportionate Share (Amount) of the Net Pension Liability (a)	Proportionate Share (Amount) of the Net Pension Liability Associated With City (b)	Total (c) (a+b)	Employer's Covered-Employee Payroll (d)	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll (a/d)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
GERF	6/30/2015	0.0283%	\$ 1,466,653	N/A	\$ 1,466,653	\$ 1,570,439	93.4%	78.2%
PEPFF	6/30/2015	0.0440%	499,943	N/A	499,943	371,833	134.5%	86.6%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend in compiled, the City will present information for those years for which information is available.

**Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years***

Pension Plan	Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
GERF	12/31/2015	\$ 234,556	\$ 234,556	\$ -	\$ 1,808,846	13.0%
PEPFF	12/31/2015	106,594	106,594	-	427,752	24.9%

*GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend in compiled, the City will present information for those years for which information is available.



Combining and Individual Fund Schedules
December 31, 2015

City of Wadena, Minnesota

City of Wadena, Minnesota
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2015

	Special Revenue Funds	Tax Increment	Permanent Funds	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 480,032	\$ 5,745	\$ -	\$ 485,777
Permanently restricted investments	-	-	37,012	37,012
Receivables				
Interest	351	-	-	351
Loans	921,995	-	-	921,995
Investments	355,558	-	-	355,558
Total assets	\$ 1,757,936	\$ 5,745	\$ 37,012	\$ 1,800,693
Liabilities and Fund Balances				
Liabilities				
Unearned revenues	\$ 921,992	\$ -	\$ -	921,992
Fund Balances				
Restricted				
Commercial loans	83,987	-	-	83,987
Residential loans	103,725	-	-	103,725
Tax increment district	-	5,745	-	5,745
Merickel park	-	-	37,012	37,012
Committed				
Economic development	627,674	-	-	627,674
Assigned				
Library	20,558	-	-	20,558
Total fund balances	835,944	5,745	37,012	878,701
Total liabilities and fund balances	\$ 1,757,936	\$ 5,745	\$ 37,012	\$ 1,800,693

City of Wadena, Minnesota
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2015

	Special Revenue Funds	Tax Increment	Permanent Funds	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ -	\$ 24,661	\$ -	\$ 24,661
Investment earnings	10,865	-	-	10,865
Loan repayments	348,041	-	-	348,041
Miscellaneous	166,450	-	27,012	193,462
Total revenues	<u>525,356</u>	<u>24,661</u>	<u>27,012</u>	<u>577,029</u>
Expenditures				
Current				
Economic development	93,092	26,531	-	119,623
Other	59,022	-	-	59,022
Capital outlay				
Economic development	101,908	-	-	101,908
Total expenditures	<u>254,022</u>	<u>26,531</u>	<u>-</u>	<u>280,553</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	271,334	(1,870)	27,012	296,476
Other Financing Sources				
Transfers in	<u>1,291</u>	<u>-</u>	<u>-</u>	<u>1,291</u>
Net Change in Fund Balances	272,625	(1,870)	27,012	297,767
Fund Balances, Beginning of Year	<u>563,319</u>	<u>7,615</u>	<u>10,000</u>	<u>580,934</u>
Fund Balances, End of Year	<u>\$ 835,944</u>	<u>\$ 5,745</u>	<u>\$ 37,012</u>	<u>\$ 878,701</u>

City of Wadena, Minnesota
Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2015

	MIF Revolving Loan Fund #2	WDA Revolving Loan I Fund	WDA Revolving Loan II Fund	MIF Revolving Loan Fund	SCDG Commercial Loan Fund	SCDG Residential Loan Fund	Library Endowment Fund	Innovative MIF Revolving Loan Fund	Kern MIF Loan	Total Nonmajor Special Revenue Funds
Assets										
Cash and cash equivalents	\$ 120,556	\$ 188,356	\$ 5,558	\$ 41,622	\$ 63,966	\$ 23,606	\$ -	\$ 17,894	\$ 18,474	\$ 480,032
Receivables										
Interest	94	178	16	21	21	-	-	21	-	351
Loans	413,881	209,565	-	2,042	49,940	24,818	-	107,676	114,073	921,995
Investments	90,000	170,000	15,000	20,000	20,000	-	20,558	20,000	-	355,558
Total assets	<u>\$ 624,531</u>	<u>\$ 568,099</u>	<u>\$ 20,574</u>	<u>\$ 63,685</u>	<u>\$ 133,927</u>	<u>\$ 48,424</u>	<u>\$ 20,558</u>	<u>\$ 145,591</u>	<u>\$ 132,547</u>	<u>\$ 1,757,936</u>
Liabilities and Fund Balances										
Liabilities										
Unearned revenues	\$ 413,880	\$ 209,565	\$ -	\$ 2,042	\$ 49,940	\$ 24,816	\$ -	\$ 107,676	\$ 114,073	\$ 921,992
Fund Balances										
Restricted										
Commercial loans	-	-	-	-	83,987	-	-	-	-	83,987
Residential loans	-	-	-	61,643	-	23,608	-	-	18,474	103,725
Committed										
Economic development	210,651	358,534	20,574	-	-	-	-	37,915	-	627,674
Assigned for library	-	-	-	-	-	-	20,558	-	-	20,558
Total fund balances	<u>210,651</u>	<u>358,534</u>	<u>20,574</u>	<u>61,643</u>	<u>83,987</u>	<u>23,608</u>	<u>20,558</u>	<u>37,915</u>	<u>18,474</u>	<u>835,944</u>
Total liabilities and fund balances	<u>\$ 624,531</u>	<u>\$ 568,099</u>	<u>\$ 20,574</u>	<u>\$ 63,685</u>	<u>\$ 133,927</u>	<u>\$ 48,424</u>	<u>\$ 20,558</u>	<u>\$ 145,591</u>	<u>\$ 132,547</u>	<u>\$ 1,757,936</u>

City of Wadena, Minnesota
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Nonmajor Special Revenue Funds
Year Ended December 31, 2015

	MIF Revolving Loan Fund #2	WDA Revolving Loan I Fund	WDA Revolving Loan II Fund	MIF Revolving Loan Fund	SCDG Commercial Loan Fund	SCDG Residential Loan Fund	Library Endowment Fund	Innovative MIF Revolving Loan Fund	Kern MIF Loan	Total Nonmajor Special Revenue Funds
Revenues										
Investment earnings	\$ 2,595	\$ 4,535	\$ 272	\$ 929	\$ 1,201	\$ 298	\$ 232	\$ 565	\$ 238	\$ 10,865
Loan repayments	139,305	80,284	12,621	4,715	24,380	12,958	-	31,731	42,047	348,041
Other	-	166,596	-	-	-	(146)	-	-	-	166,450
Total revenues	<u>141,900</u>	<u>251,415</u>	<u>12,893</u>	<u>5,644</u>	<u>25,581</u>	<u>13,110</u>	<u>232</u>	<u>32,296</u>	<u>42,285</u>	<u>525,356</u>
Expenditures										
Current										
Economic development	-	80,471	12,621	-	-	-	-	-	-	93,092
Other	-	-	-	-	-	-	-	25,384	33,638	59,022
Capital outlay										
Economic development	-	101,908	-	-	-	-	-	-	-	101,908
Total expenditures	<u>-</u>	<u>182,379</u>	<u>12,621</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,384</u>	<u>33,638</u>	<u>254,022</u>
Excess of Revenues Over Expenditures	141,900	69,036	272	5,644	25,581	13,110	232	6,912	8,647	271,334
Other Financing Sources										
Transfers in	-	1,291	-	-	-	-	-	-	-	1,291
Net Change in Fund Balances	141,900	70,327	272	5,644	25,581	13,110	232	6,912	8,647	272,625
Fund Balance, Beginning of Year	<u>68,751</u>	<u>288,207</u>	<u>20,302</u>	<u>55,999</u>	<u>58,406</u>	<u>10,498</u>	<u>20,326</u>	<u>31,003</u>	<u>9,827</u>	<u>563,319</u>
Fund Balances, End of Year	<u>\$ 210,651</u>	<u>\$ 358,534</u>	<u>\$ 20,574</u>	<u>\$ 61,643</u>	<u>\$ 83,987</u>	<u>\$ 23,608</u>	<u>\$ 20,558</u>	<u>\$ 37,915</u>	<u>\$ 18,474</u>	<u>\$ 835,944</u>

City of Wadena, Minnesota
Schedule of Revenues – Budget and Actual
General Fund
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	Original and Final Budget	2015 Actual Amounts	Variance With Final Budget	2014 Actual Amounts
Revenues				
Property taxes				
Ad valorem	\$ 331,820	\$ 324,349	\$ (7,471)	\$ 326,248
Hotel/motel	30,000	37,007	7,007	33,960
Franchise	108,000	114,805	6,805	112,854
	<u>469,820</u>	<u>476,161</u>	<u>6,341</u>	<u>473,062</u>
Special assessments	7,569	10,848	3,279	9,856
Licenses and permits				
Business	17,540	13,514	(4,026)	21,614
Nonbusiness	10,200	6,461	(3,739)	7,817
	<u>27,740</u>	<u>19,975</u>	<u>(7,765)</u>	<u>29,431</u>
Intergovernmental revenue				
Federal	-	55,017	55,017	498,930
State				
Local government aid	1,545,422	1,545,422	-	1,506,184
Tax credits	-	256	256	75
Police aid	52,000	56,228	4,228	52,677
Fire aid	26,000	28,218	2,218	26,878
PERA rate increase aid	6,069	6,069	-	6,144
Airport maintenance	21,189	14,459	(6,730)	22,997
Other aid	-	143,021	143,021	600
	<u>1,650,680</u>	<u>1,848,690</u>	<u>198,010</u>	<u>2,114,485</u>
Charges for services				
General government	2,900	2,286	(614)	2,388
Police department	14,200	10,807	(3,393)	14,311
Fire department	52,000	65,105	13,105	52,715
Highway and streets	20,000	15,954	(4,046)	20,036
Parks and recreation	32,000	40,911	8,911	34,805
Airport	41,000	48,054	7,054	41,447
	<u>162,100</u>	<u>183,117</u>	<u>21,017</u>	<u>165,702</u>
Fines and forfeitures	24,900	31,293	6,393	36,813
Miscellaneous				
Investment earnings	20,600	16,117	(4,483)	34,324
Rents	26,000	32,069	6,069	31,360
Contributions	4,600	5,700	1,100	26,311
Reimbursements	14,000	19,699	5,699	29,892
Other	36,000	8,057	(27,943)	37,672
	<u>101,200</u>	<u>81,642</u>	<u>(19,558)</u>	<u>159,559</u>
Total revenues	\$ 2,444,009	\$ 2,651,726	\$ 207,717	\$ 2,988,908

City of Wadena, Minnesota
Schedule of Expenditures – Budget and Actual
General Fund
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	2015		Variance With Final Budget	2014
	Original and Final Budget	Actual Amounts		Actual Amounts
General government				
Legislative	\$ 301,936	\$ 185,010	\$ 116,926	\$ 174,442
Mayor and council	47,027	43,902	3,125	31,302
City administrator	49,170	45,154	4,016	47,341
Elections	-	-	-	6,342
Accounting	109,385	128,207	(18,822)	110,428
Planning and zoning	72,191	67,331	4,860	69,184
City hall maintenance	28,951	28,033	918	25,618
Tornado Recovery	-	616	(616)	61,216
Capital outlay	33,750	14,769	18,981	96,135
	<u>642,410</u>	<u>513,022</u>	<u>129,388</u>	<u>622,008</u>
Public safety				
Police department				
Current	780,907	789,151	(8,244)	746,109
Capital outlay	35,000	30,435	4,565	8,584
Fire department				
Current	119,609	128,659	(9,050)	121,426
Capital outlay	50,000	7,140	42,860	12,650
	<u>985,516</u>	<u>955,385</u>	<u>30,131</u>	<u>888,769</u>
Public works				
Roadway maintenance	370,305	305,598	64,707	345,561
Snow and ice removal	107,830	63,620	44,210	105,607
Street signs and markings	16,946	10,116	6,830	17,409
Parking lots	5,328	3,043	2,285	1,171
Storm sewers	25,470	24,108	1,362	24,168
Street cleaning	30,631	34,483	(3,852)	26,007
Waste collection	10,688	11,943	(1,255)	9,230
Shade tree program	11,560	16,409	(4,849)	12,426
Weed control	4,336	3,515	821	4,301
Capital outlay	285,000	293,400	(8,400)	67,750
	<u>868,094</u>	<u>766,235</u>	<u>101,859</u>	<u>613,630</u>
Culture and recreation				
Skating rink	11,573	10,126	1,447	8,958
Playgrounds	19,053	16,750	2,303	9,007
Pool	5,177	3,783	1,394	5,415
Campground	20,964	19,661	1,303	15,899
Parks	188,722	184,063	4,659	61,370
Libraries	96,413	92,725	3,688	91,985
Capital outlay	25,000	41,327	(16,327)	116,800
	<u>366,902</u>	<u>368,435</u>	<u>(1,533)</u>	<u>309,434</u>

City of Wadena, Minnesota
Schedule of Expenditures – Budget and Actual
General Fund
Year Ended December 31, 2015
(With Comparative Totals for 2014)

	Original and Final Budget	2015 Actual Amounts	Variance With Final Budget	2014 Actual Amounts
Airport				
Current	62,616	62,945	(329)	396,691
Capital outlay	-	30,985	(30,985)	95,695
Debt service				
Interest, fees, and abatements	2,000	21	1,979	1,270
	64,616	93,951	(29,335)	493,656
Miscellaneous				
Unallocated expenditures	6,500	23,354	(16,854)	1,867
Wadena Development Authority	74,274	80,401	(6,127)	73,268
Health insurance	-	(1,294)	1,294	(182)
	80,774	102,461	(21,687)	74,953
Total expenditures	\$ 3,008,312	\$ 2,799,489	\$ 208,823	\$ 3,002,450



Statistical Section
Year Ended December 31, 2015
City of Wadena, Minnesota

Statistical Section

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, note disclosures, and required supplementary information says 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 tax 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 Ten Fiscal Years
 (Accrual Basis of Accounting)
 Table 1

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	\$ 3,565,027	\$ 5,541,365	\$ 3,478,112	\$ 3,997,653	\$ 4,282,176	\$ 5,813,413	\$ 6,179,466	\$ 8,559,949	\$ 19,295,214	\$ 9,472,543
Restricted	1,798,480	10,000	10,000	-	3,737,474	3,050,739	1,312,273	624,417	646,430	516,885
Unrestricted	1,409,565	1,885,459	4,631,891	4,692,967	1,679,260	2,164,414	4,545,469	3,988,810	2,404,126	2,239,733
Total governmental activities net position	\$ 6,773,072	\$ 7,436,824	\$ 8,120,003	\$ 8,690,620	\$ 9,698,910	\$ 11,028,566	\$ 12,037,208	\$ 13,173,176	\$ 22,345,770	\$ 12,229,161
Business-type activities										
Net investment in capital assets	\$ 12,613,977	\$ 12,713,697	\$ 13,463,221	\$ 13,181,756	\$ 13,034,843	\$ 13,583,361	\$ 16,227,542	\$ 16,769,240	\$ 17,211,445	\$ 29,456,401
Unrestricted	3,822,301	4,447,130	4,251,765	5,147,386	5,827,728	5,539,454	4,467,291	4,766,460	4,214,229	2,355,735
Total business-type activities net position	\$ 16,436,278	\$ 17,160,827	\$ 17,714,986	\$ 18,329,142	\$ 18,862,571	\$ 19,122,815	\$ 20,694,833	\$ 21,535,700	\$ 21,425,674	\$ 31,812,136
Primary government										
Net investment in capital assets	\$ 16,179,004	\$ 18,255,062	\$ 16,941,333	\$ 17,179,409	\$ 17,317,019	\$ 19,396,774	\$ 22,407,008	\$ 25,329,189	\$ 36,506,659	\$ 38,928,944
Restricted	1,798,480	10,000	10,000	-	3,737,474	3,050,739	1,312,273	624,417	646,430	516,885
Unrestricted	5,231,866	6,332,589	8,883,656	9,840,353	7,506,988	7,703,868	9,012,760	8,755,270	6,618,355	4,595,468
Total primary government net position	\$ 23,209,350	\$ 24,597,651	\$ 25,834,989	\$ 27,019,762	\$ 28,561,481	\$ 30,151,381	\$ 32,732,041	\$ 34,708,876	\$ 43,771,444	\$ 44,041,297

City of Wadena, Minnesota
 Changes in Net Position
 Last Ten Fiscal Years
 (Accrual Basis of Accounting)
 Table 2

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 631,041	\$ 653,427	\$ 854,266	\$ 509,565	\$ 1,453,126	\$ 892,427	\$ 834,901	\$ 602,499	\$ 559,984	\$ 705,085
Public safety	762,525	806,060	818,199	931,703	878,169	918,679	659,777	955,348	1,011,661	1,003,708
Public works	1,289,662	685,074	748,166	1,677,511	807,007	556,661	365,526	654,610	601,322	549,433
Culture and recreation	378,361	387,420	420,348	392,406	289,133	336,439	277,531	229,374	193,261	375,991
Economic development	200,262	603,296	1,038,870	203,637	127,926	310,929	459,799	1,144,374	483,343	229,254
Airport	111,867	74,914	131,921	83,661	163,058	240,768	631,415	359,270	561,211	232,618
Interest in debt	250,159	196,860	168,907	213,743	172,566	150,943	165,883	83,514	56,788	38,102
Total governmental activities expenses	<u>3,623,877</u>	<u>3,407,051</u>	<u>4,180,677</u>	<u>4,012,226</u>	<u>3,890,985</u>	<u>3,406,846</u>	<u>3,394,832</u>	<u>4,028,989</u>	<u>3,467,570</u>	<u>3,134,191</u>
Business-type activities:										
Municipal liquor	1,228,790	1,322,845	1,423,997	1,429,366	1,454,775	1,511,492	1,643,842	1,711,625	276,973	290,401
Sewer utility	537,493	504,152	571,102	543,610	522,354	558,711	562,294	587,591	869,002	904,024
Water utility	454,359	486,544	477,957	475,245	457,029	455,041	462,403	449,126	511,743	477,113
Electric utility	3,292,099	3,819,490	4,056,933	4,399,212	4,380,771	4,421,853	4,520,279	4,777,042	4,859,187	5,212,324
Golf course	450,840	420,250	420,438	383,163	435,054	387,283	407,704	408,830	347,294	356,441
Wellness Center	-	-	-	-	-	-	-	-	131,954	906,556
Total business-type activities expenses	<u>5,963,581</u>	<u>6,553,281</u>	<u>6,950,427</u>	<u>7,230,596</u>	<u>7,249,983</u>	<u>7,334,380</u>	<u>7,596,522</u>	<u>7,934,214</u>	<u>6,996,153</u>	<u>8,146,859</u>
Total primary government expenses	<u>\$ 9,587,458</u>	<u>\$ 9,960,332</u>	<u>\$ 11,131,104</u>	<u>\$ 11,242,822</u>	<u>\$ 11,140,968</u>	<u>\$ 10,741,226</u>	<u>\$ 10,991,354</u>	<u>\$ 11,963,203</u>	<u>\$ 10,463,723</u>	<u>\$ 11,281,050</u>

City of Wadena, Minnesota
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
Table 2, Continued

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues										
Governmental activities										
Charges for services										
General government	\$ 73,880	\$ 59,185	\$ 67,455	\$ 29,308	\$ 30,945	\$ 28,839	\$ 50,388	\$ 246,113	\$ 177,962	\$ 162,950
Public safety	18,963	10,601	12,965	121,338	81,245	86,508	79,547	35,863	23,852	29,084
Public works	152,381	117,691	32,354	21,619	16,140	11,211	391,025	231,453	1,080,683	1,663,996
Culture and recreation	26,406	51,716	28,259	67,859	40,968	32,865	32,145	34,269	35,099	42,603
Economic development	28,820	18,800	18,800	72,961	77,850	51,902	11,550	28,875	28,603	17,545
Airport	27,710	28,472	27,744	28,847	28,279	38,542	45,706	47,779	41,447	48,054
Operating grants and contributions	212,095	268,810	148,137	473,071	1,027,848	545,477	175,959	177,007	190,960	135,884
Capital grants and contributions	829,974	582,716	1,137,843	1,098,196	122,614	959,232	234,222	3,352,135	891,641	670,685
Total governmental activities program revenues	<u>1,370,229</u>	<u>1,137,991</u>	<u>1,473,557</u>	<u>1,913,199</u>	<u>1,425,889</u>	<u>1,754,576</u>	<u>1,020,542</u>	<u>4,153,494</u>	<u>2,470,247</u>	<u>2,770,801</u>
Business-type activities										
Capital grants and contributions	-	4,000	-	-	-	32,900	-	-	-	-
Charges for services	6,768,969	7,517,353	7,790,625	8,101,415	8,026,182	8,170,929	8,738,985	8,762,975	7,543,197	7,938,193
Total business-type activities program revenues	<u>6,768,969</u>	<u>7,521,353</u>	<u>7,790,625</u>	<u>8,101,415</u>	<u>8,026,182</u>	<u>8,203,829</u>	<u>8,738,985</u>	<u>8,762,975</u>	<u>7,543,197</u>	<u>7,938,193</u>
Total primary government program revenues	<u>\$ 8,139,198</u>	<u>\$ 8,659,344</u>	<u>\$ 9,264,182</u>	<u>\$ 10,014,614</u>	<u>\$ 9,452,071</u>	<u>\$ 9,958,405</u>	<u>\$ 9,759,527</u>	<u>\$ 12,916,469</u>	<u>\$ 10,013,444</u>	<u>\$ 10,708,994</u>
Net Revenue (Expense)										
Governmental activities	\$ (2,253,648)	\$ (2,269,060)	\$ (2,707,120)	\$ (2,099,027)	\$ (2,465,096)	\$ (1,652,270)	\$ (2,374,290)	\$ 124,505	\$ (997,323)	\$ (363,390)
Business-type activities	805,388	968,072	840,198	870,819	776,199	869,449	1,142,463	828,761	547,044	(208,666)
Total primary government net expense	<u>\$ (1,448,260)</u>	<u>\$ (1,300,988)</u>	<u>\$ (1,866,922)</u>	<u>\$ (1,228,208)</u>	<u>\$ (1,688,897)</u>	<u>\$ (782,821)</u>	<u>\$ (1,231,827)</u>	<u>\$ 953,266</u>	<u>\$ (450,279)</u>	<u>\$ (572,056)</u>

City of Wadena, Minnesota
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)
Table 2, Continued

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 923,650	\$ 976,207	\$ 934,483	\$ 914,694	\$ 888,131	\$ 775,589	\$ 807,527	\$ 908,925	\$ 746,037	\$ 760,091
Unrestricted state aid	1,247,457	1,315,791	1,820,843	1,322,100	1,209,116	1,252,560	2,682,438	2,377,619	6,219,492	1,838,085
Unrestricted investment earnings	158,825	191,959	134,437	161,115	128,338	100,338	56,049	(40,996)	79,677	27,018
Miscellaneous	185,000	37,114	75,334	106,786	654,118	135,426	131,030	87,523	133,651	185,895
Gain on disposal of capital asset	-	-	-	-	-	7,900	-	-	-	-
Transfers	398,043	411,741	425,202	382,164	376,468	710,113	(294,112)	186,024	483,428	(11,589,774)
Total governmental activities	2,912,975	2,932,812	3,390,299	2,886,859	3,256,171	2,981,926	3,382,932	3,519,095	7,662,285	(8,778,685)
Business-type activities:										
Unrestricted investment earnings	149,409	168,218	139,163	125,501	133,698	100,908	87,011	(26,730)	99,650	35,564
Miscellaneous	492,357	-	-	-	-	-	48,432	224,860	-	-
Transfers	(398,043)	(411,741)	(425,202)	(382,164)	(376,468)	(710,113)	294,112	(186,024)	(483,428)	11,589,774
Total business-type activities	243,723	(243,523)	(286,039)	(256,663)	(242,770)	(609,205)	429,555	12,106	(383,778)	11,625,338
Total primary government	\$ 3,156,698	\$ 2,689,289	\$ 3,104,260	\$ 2,630,196	\$ 3,013,401	\$ 2,372,721	\$ 3,812,487	\$ 3,531,201	\$ 7,278,507	\$ 2,846,653
Change in Net Position										
Governmental activities	\$ 659,327	\$ 663,752	\$ 683,179	\$ 787,832	\$ 791,075	\$ 1,329,656	\$ 1,008,642	\$ 3,643,600	\$ 6,664,962	\$ (9,142,075)
Business-type activities	1,049,111	724,549	554,159	614,156	533,429	260,244	1,572,018	840,867	163,266	11,416,672
Total primary government change in net position	\$ 1,708,438	\$ 1,388,301	\$ 1,237,338	\$ 1,401,988	\$ 1,324,504	\$ 1,589,900	\$ 2,580,660	\$ 4,484,467	\$ 6,828,228	\$ 2,274,597

City of Wadena, Minnesota
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
Table 3

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Nonspendable						\$ -	\$ 1,436	\$ 8,483	\$ 2,308	\$ 1,145
Assigned						517,985	528,749	228,793	262,532	734,615
Unassigned						<u>1,324,700</u>	<u>2,439,075</u>	<u>1,887,305</u>	<u>2,232,549</u>	<u>1,869,555</u>
Total general fund						<u>\$ 1,842,685</u>	<u>\$ 2,969,260</u>	<u>\$ 2,124,581</u>	<u>\$ 2,497,389</u>	<u>\$ 2,605,315</u>
All Other Governmental Funds										
Restricted						\$ 1,566,234	\$ 1,312,273	\$ 3,132,049	\$ 646,430	\$ 230,469
Committed						296,265	495,750	370,974	408,263	627,674
Assigned						19,667	19,902	20,150	20,326	20,558
Unassigned						<u>(83,148)</u>	<u>123,600</u>	<u>-</u>	<u>(1,906,107)</u>	<u>(2,020,607)</u>
Total all other governmental funds						<u>\$ 1,799,018</u>	<u>\$ 1,951,525</u>	<u>\$ 3,523,173</u>	<u>\$ (831,088)</u>	<u>\$ (1,141,906)</u>
General Fund										
Reserved	\$ -	\$ 54,205	\$ -	\$ -	\$ -					
Unreserved	<u>670,783</u>	<u>643,475</u>	<u>636,305</u>	<u>707,837</u>	<u>1,352,509</u>					
Total general fund	<u>\$ 670,783</u>	<u>\$ 697,680</u>	<u>\$ 636,305</u>	<u>\$ 707,837</u>	<u>\$ 1,352,509</u>					
All Other Governmental Funds										
Reserved	\$ 1,800,705	\$ 11,874	\$ 11,388	\$ 11,701	\$ 10,000					
Unreserved, reported in:										
Debt service funds	1,489,350	1,748,141	1,774,954	1,694,260	1,677,709					
Special revenue funds	159,028	376,378	361,130	322,205	465,649					
Capital projects funds	271,993	294,694	(28,366)	303,982	97,978					
Permanent funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>215</u>	<u>133</u>					
Total all other governmental funds	<u>\$ 3,721,076</u>	<u>\$ 2,431,087</u>	<u>\$ 2,119,106</u>	<u>\$ 2,332,363</u>	<u>\$ 2,251,469</u>					

For the year ended December 31, 2011, the City implemented GASB Statement No. 54, Fund Balance Reporting and Government 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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
General property taxes	\$ 923,094	\$ 975,164	\$ 933,633	\$ 913,797	\$ 886,074	\$ 774,880	\$ 759,975	\$ 908,329	\$ 858,891	\$ 874,877
Special assessments	282,967	318,075	258,122	239,946	255,130	201,100	238,951	145,930	153,576	157,565
Licenses and permits	29,068	23,023	22,879	25,688	30,937	27,847	26,298	27,190	29,431	72,293
Intergovernmental	1,318,353	1,776,267	2,208,270	2,731,405	2,343,477	2,737,432	2,958,453	2,603,891	7,077,891	2,342,628
Charges for services	147,639	137,393	140,551	209,044	170,180	177,372	171,776	204,608	165,702	183,117
Fines and forfeitures	46,517	37,889	47,376	44,939	20,968	21,386	25,315	24,884	36,813	31,293
Investment earnings	161,047	193,001	135,521	147,726	107,796	90,338	54,254	1,265	80,526	27,197
Other revenues	376,000	427,181	280,768	249,829	832,567	277,399	665,146	3,446,250	1,306,657	1,259,587
Total revenues	3,284,685	3,887,993	4,027,120	4,562,374	4,647,129	4,307,754	4,900,168	7,362,347	9,709,487	4,948,557
Expenditures										
General government	427,541	439,765	480,600	439,452	1,405,973	831,433	601,280	748,809	525,873	498,253
Public safety	715,290	791,060	770,277	852,084	803,136	830,241	851,565	872,867	867,535	917,810
Public works	443,396	507,099	507,902	455,881	434,276	446,199	479,160	549,705	545,880	472,835
Culture and recreation	358,641	369,304	401,156	351,241	252,604	257,622	337,596	334,901	225,837	327,108
Economic development	275,935	672,281	1,218,326	547,576	124,456	285,973	47,293	306,887	251,807	119,623
Airport	41,515	40,568	97,576	57,289	42,751	124,461	299,495	96,725	396,691	62,945
Miscellaneous	25,544	87,803	21,450	113,692	76,672	86,472	146,246	565,134	139,192	161,483
Capital outlay	1,730,897	835,084	446,476	1,792,631	498,651	1,282,363	674,636	2,144,990	10,533,298	3,514,202
Debt service										
Principal	443,626	463,626	677,126	680,627	655,000	680,000	1,455,000	1,085,000	630,000	645,000
Interest, fees and abatements	254,386	252,996	205,111	169,276	166,300	155,378	189,354	118,529	65,005	46,381
Total expenditures	4,716,771	4,459,586	4,826,000	5,459,749	4,459,819	4,980,142	5,081,625	6,823,547	14,181,118	6,765,640

City of Wadena, Minnesota
 Changes in Fund Balances of Governmental Funds
 Last Ten Fiscal Years
 (Modified Accrual Basis of Accounting)
 Table 4, Continued

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	(1,432,086)	(571,593)	(798,880)	(897,375)	187,310	(672,388)	(181,457)	538,800	(4,471,631)	(1,817,083)
Other Financing Sources (Uses)										
Transfers from other funds	553,784	767,846	447,290	495,449	405,401	742,910	415,044	1,305,107	547,488	421,961
Transfers to other funds	(155,741)	(356,105)	(22,088)	(113,285)	(28,933)	(32,797)	(54,616)	(1,119,083)	(64,060)	(128,655)
Payment to refunding bond age	(910,000)	(1,785,000)	-	-	-	-	-	-	-	-
Bonds issued (net of discounts)	1,465,000	675,000	-	800,000	-	-	1,045,000	-	-	1,606,625
Sale of capital assets	1,994	6,670	322	-	-	-	55,111	2,145	6,750	676
Total other financing sources (uses)	<u>955,037</u>	<u>(691,589)</u>	<u>425,524</u>	<u>1,182,164</u>	<u>376,468</u>	<u>710,113</u>	<u>1,460,539</u>	<u>188,169</u>	<u>490,178</u>	<u>1,900,607</u>
Net Change in Fund Balances	<u>\$ (477,049)</u>	<u>\$ (1,263,182)</u>	<u>\$ (373,356)</u>	<u>\$ 284,789</u>	<u>\$ 563,778</u>	<u>\$ 37,725</u>	<u>\$ 1,279,082</u>	<u>\$ 726,969</u>	<u>\$ (3,981,453)</u>	<u>\$ 83,524</u>
Debt service as a percentage of noncapital expenditures	23.4%	19.8%	20.1%	23.2%	20.7%	22.6%	37.3%	25.7%	19.1%	21.3%

City of Wadena, Minnesota
 General Government 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
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
2012	642,892	34,897	82,186	759,975
2013	767,868	31,493	108,968	908,329
2014	712,077	33,960	112,854	858,891
2015	723,065	37,007	114,805	874,877

City of Wadena, Minnesota
Tax Capacity and Estimated Actual Value of Taxable Property (1)
Last Ten Fiscal Years
(Unaudited)
Table 6

Levy Year	Collection Year	Real Property		Ratio of Tax Capacity to Total Estimated Market Value	Total Direct Rate
		Net Tax Capacity	Estimated Market Value (2)		
2005	2006	\$ 1,731,969	\$ 153,439,900	1.13%	81.80
2006	2007	1,866,710	176,794,900	1.06%	74.13
2007	2008	2,108,985	180,064,000	1.17%	70.90
2008	2009	2,091,276	177,275,200	1.18%	76.28
2009	2010	2,151,389	176,144,900	1.22%	69.02
2010	2011	2,032,639	166,324,700	1.22%	71.98
2011	2012	1,747,488	134,837,900	1.30%	91.95
2012	2013	1,629,458	124,385,800	1.31%	81.54
2013	2014	1,694,281	128,462,700	1.32%	79.71
2014	2015	1,728,961	132,020,100	1.31%	86.71

(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			Overlapping Rates		Total Direct and Overlapping Rates
		Operating Tax Capacity Rate	Debt Service Tax Capacity Rate	Total City Tax Capacity Rate	Total County Tax Capacity Rate	Total School Tax Capacity Rate	
2006	2007	14.64	26.26	40.90	80.90	28.24	150.04
2007	2008	7.18	29.88	37.08	77.59	25.24	139.90
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
2011	2012	19.20	16.79	35.99	88.61	23.29	147.89
2012	2013	19.39	26.59	45.98	95.84	23.18	165.00
2013	2014	18.64	22.13	40.77	90.14	22.79	153.70
2014	2015	18.18	21.68	39.85	89.67	19.94	149.46
2015	2016	17.87	25.49	43.36	88.19	21.13	152.67

(1) Source - Wadena County

City of Wadena, Minnesota
Principal Property Taxpayers
Current Year and Ten Years Ago (1)
(Unaudited)
Table 8

Taxpayer	Type of Property	2015			2006		
		Tax Capacity Value	Rank	Percent of Total Tax Capacity Value	Tax Capacity Value	Rank	Percent of Total Tax Capacity Value
Bullinger Enterprises LLLP	Furniture Manufacturer	\$ 99,176	1	5.74%	\$ -		0.00%
Wal-Mart Stores, Inc.	Retail Store	73,092	2	4.23%	-		0.00%
Mason Brothers Co	Wholesale Grocers	54,562	3	3.16%	52,950	2	3.06%
Burlington Northern Railroad	Railroad	39,080	4	2.26%	14,641	9	0.85%
Wadena Medical Center	Medical Facilities	28,610	5	1.65%	15,700	7	0.91%
Merickel, James R & Jane M	Property Management	26,752	7	1.55%	16,772	5	0.97%
Russ Davis Wholesale Inc.	Wholesale Grocers	26,630	6	1.54%	20,552	3	1.19%
Leaf River Ag Service	Agriculture Cooperative	22,012	8	1.27%	-		0.00%
Merickel Lumber Mills	Lumber/Hardware	20,604	9	1.19%	-		0.00%
Minnesota Energy Resources	Natural Gas Utility	18,938	10	1.10%	-		0.00%
Total		<u>\$ 409,456</u>		<u>23.68%</u>	<u>\$ 120,615</u>		<u>6.96%</u>

(1) Source - Wadena County Auditor

City of Wadena, Minnesota
Property Tax Levies and Collections (1)
Last Ten Fiscal Years
(Unaudited)
Table 9

<u>Levy Year</u>	<u>Collection Year</u>	<u>Total Tax Levy</u>	<u>Collected Within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
			<u>Amount (1)</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2005	2006	\$ 673,065	\$ 613,126	91.1	\$ 59,939	\$ 673,065	100.0
2006	2007	703,065	593,454	84.4	109,611	703,065	100.0
2007	2008	764,927	668,819	87.4	83,639	752,458	98.4
2008	2009	742,023	634,387	85.5	103,045	737,432	99.4
2009	2010	790,230	786,613 (2)	99.5	3,617	790,230	100.0
2010	2011	682,793	668,143 (2)	97.9	9,368	677,511	99.2
2011	2012	604,193	587,124	97.2	17,069	604,193	100.0
2012	2013	724,182	707,020	97.6	17,162	724,182	100.0
2013	2014	666,182	652,590	98.0	-	652,590	98.0
2014	2015	666,182	649,207	97.5	-	649,207	97.5

(1) Includes Market Value Homestead Credit for levy years 2012 and prior

(2) Includes Disaster Credits

City of Wadena, Minnesota
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)
Table 10

Year	Governmental Activities		Business-Type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Special Assessment Bonds	Other	General Obligation Bonds	Revenue Bonds			
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%	1,458
2011	3,520,000	-	1,633,000	-	5,153,000	6.52%	1,261
2012	3,110,000	-	4,370,322	-	7,480,322	9.24%	1,830
2013	2,025,000	-	4,314,411	-	6,339,411	7.69%	1,551
2014	1,395,000	-	4,598,010	-	5,993,010	7.27%	1,466
2015	2,356,625	-	7,281,669	-	9,638,294	12.01%	2,358

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

(1) Population data can be found in the 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)
2006	\$ 6,905,000	\$ 3,277,830	\$ 3,627,170	209.42%	\$ 854
2007	5,365,000	1,748,141	3,616,859	193.76%	851
2008	4,720,000	1,774,954	2,945,046	139.64%	693
2009	4,855,000	1,694,260	3,160,740	151.14%	744
2010	4,200,000	1,677,709	2,522,291	117.24%	617
2011	5,153,000	1,312,098	3,840,902	188.96%	940
2012	7,480,322	1,202,418	6,277,904	359.25%	1,536
2013	6,339,411	496,465	5,842,946	358.58%	1,429
2014	5,993,010	494,085	5,498,925	324.56%	1,345
2015	9,638,294	286,416	9,351,878	540.90%	2,288

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 and 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.

Beginning in 2011, the City is including both governmental and business-type general obligation bonds.

City of Wadena, Minnesota
 Computation of Direct and Overlapping Debt
 December 31, 2015
 (Unaudited)
 Table 12

<u>Jurisdiction</u>	<u>Total Bonded Debt Outstanding</u>	<u>Percentage Applicable to City (1)</u>	<u>Total Direct Debt</u>	<u>Total Overlapping Debt</u>	<u>Total Direct and Overlapping Debt</u>
City of Wadena	\$ 9,638,293	100%	\$ 9,638,293	\$ -	\$ 9,638,293
I.S.D. No. 2155 (2)	2,160,000	61%	-	1,317,600	1,317,600
Wadena HRA	<u>2,135,000</u>	100%	<u>2,135,000</u>	<u>-</u>	<u>2,135,000</u>
Total	<u>\$ 13,933,293</u>		<u>\$ 11,773,293</u>	<u>\$ 1,317,600</u>	<u>\$ 13,090,893</u>

(1) Based on percentage of tax capacity to total.

(2) Source - Wadena County Auditor.

City of Wadena, Minnesota
 Legal Debt Margin Information
 Last Ten Fiscal Years
 (Unaudited)
 Table 13

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Debt limit	\$ 2,836,304	\$ 3,068,798	\$ 3,601,280	\$ 3,545,504	\$ 3,551,904	\$ 3,326,494	\$ 2,696,758	\$ 2,487,716	\$ 2,569,254	\$ 2,640,402
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 2,836,304</u>	<u>\$ 3,068,798</u>	<u>\$ 3,601,280</u>	<u>\$ 3,545,504</u>	<u>\$ 3,551,904</u>	<u>\$ 3,326,494</u>	<u>\$ 2,696,758</u>	<u>\$ 2,487,716</u>	<u>\$ 2,569,254</u>	<u>\$ 2,640,402</u>
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Legal Debt Margin Calculation for 2012

Estimated market value (1)	<u>\$ 132,020,100</u>
Debt limit - 2% of estimated market value (2)	\$ 2,640,402
Debt applicable to limit:	
Total Bonded Debt	\$ 9,638,294
Less:	
G.O. Water revenue note of 2002	\$ 1,093,000
Refunding bonds of 2004	-
G.O. Taxable Improvement Bonds of 2009	460,000
G.O. Refunding Bonds of 2012	290,000
G.O. Sewer Revenue note of 2012	3,190,000
PFA Revenue Note of 2015 - DW	1,423,097
PFA Revenue Note of 2015 - CW	1,575,572
PFA Revenue Note of 2015 - CW03	1,606,625
	<u>9,638,294</u>
Total net debt applicable to limit	-
Legal debt margin	<u>\$ 2,640,402</u>

(1) Source - Wadena County Auditor

(2) Minnesota Statutes - 475.53 LIMIT ON NET 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

Year	Utility Bonds							Coverage
	Utility Charges and Other	Less: Operating Expenses (1)	Net Available Revenue	Debt Service		Total		
				Principal	Interest			
2006 (2)	\$ 4,542,231	\$ 3,334,820	\$ 1,207,411	216,000	85,423	\$ 301,423	4.01	
2007 (2)	5,189,569	3,862,363	1,327,206	224,000	77,286	301,286	4.41	
2008 (2)	5,397,000	4,091,453	1,305,547	357,000	65,042	422,042	3.09	
2009 (2)	459,225	294,533	164,692	120,000	52,270	172,270	0.96	
2010 (2)	472,699	279,794	192,905	120,000	52,270	172,270	1.12	
2011 (3)	477,079	280,946	196,133	126,000	45,737	171,737	1.14	
2012 (3)	1,156,290	702,217	454,073	217,926	62,398	280,324	1.62	
2013 (3)	1,170,101	690,432	479,669	319,000	82,200	401,200	1.20	
2014 (4)	1,276,795	790,304	486,491	326,000	85,790	411,790	1.18	
2015 (4)	1,255,868	783,241	472,627	315,010	82,002	397,012	1.19	

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 Electric and Water revenues and expenses.
- (3) Includes only Water revenues and expenses.
- (4) Includes both Sewer and Water revenues and expenses.

City of Wadena, Minnesota
Pledged Revenue Coverage
Last Ten Fiscal Years
(Unaudited)
Table 14, Continued

Year	Special Assessment Bonds					Coverage
	Special Assessment Collections	Debt Service			Total	
		Principal	Interest	Total		
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	239,946	665,000	169,276	834,276	0.29	
2010	255,130	655,000	166,300	821,300	0.31	
2011	166,677	680,000	155,095	835,095	0.20	
2012	222,735	410,000	183,614	593,614	0.38	
2013	167,651	710,000	98,787	808,787	0.21	
2014	153,576	630,000	55,169	685,169	0.22	
2015	157,565	645,000	36,774	681,774	0.23	

City of Wadena, Minnesota
Demographic and Economic Statistics
Last Ten Fiscal Years
(Unaudited)
Table 15

<u>Year</u>	<u>Population (1)</u>	<u>Personal Income</u>	<u>County per Capita Income (2)</u>	<u>Public School Enrollment (3)</u>	<u>County Unemployment Rate (4)</u>
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%
2012	4,088	80,991,456	19,812	982	10.2%
2013	4,088	82,430,432	20,164	1,003	6.6%
2014	4,088	82,430,432	20,164	1,001	6.6%
2015	4,088	80,284,232	19,639	936	6.6%

(1) Source - Minnesota State Demographer/Community Facts

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

(3) Source - Wadena-Deer Creek Public Schools.

(4) Source - Minnesota Department of Employment and Economic Development.

City of Wadena, Minnesota
Principal Employers (1)
Previous Year
(Unaudited)
Table 16

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Tri-County Hospital	450	1	7.61%
Mason Brothers Company	285	2	4.82%
Ind. School District 2155	195	3	3.30%
County of Wadena, MN	181	4	3.06%
Wal-Mart	160	5	2.70%
Russ Davis Wholesale	120	6	2.03%
Homecrest Outdoor Living	110	7	1.86%
Fair Oaks Lodge	110	8	1.86%
Polman Trucking Company	93	9	1.57%
MN State Community & Technical College	71	10	1.20%
Total	<u>1,775</u>		<u>30.00%</u>

(1) Source - City is required to show the current year and nine years ago; the data for nine years ago is not available. Information was obtained, by the City of Wadena, from each of the entities listed.

City of Wadena, Minnesota
 Full-Time Equivalent City Government Employees by Function
 Last Three Fiscal Years
 (Unaudited)
 Table 17

Function	<u>Full-time Equivalent Employees as of December 31</u>		
	<u>2013</u>	<u>2014</u>	<u>2015</u>
General government	6.5	6.5	6.5
Public safety			
Police			
Officers	9.0	9.0	9.0
Civilians	1.0	1.0	1.0
Fire			
Firefighters and officers*	1.0	1.0	1.0
Highways and streets			
Engineering			
Maintenance	5.5	5.5	6.5
Sanitation	1.0	1.0	1.0
Culture and recreation	7.0	10.0	10.0
Water	1.5	1.5	1.5
Sewer	2.5	2.5	2.5
Electric	9.5	9.5	10.5
Liquor Store	3.5	3.5	3.5
Total	<u>48.0</u>	<u>51.0</u>	<u>53.0</u>

*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 Six Fiscal Years (1)
 (Unaudited)
 Table 18

Function	Fiscal Year					
	2010	2011	2012	2013	2014	2015
Police						
Physical arrests	540	349	409	382	151	165
Parking violations	16	17	14	0	64	15
Traffic violations	245	141	149	165	239	343
Fire						
Number of calls answered	43	30	30	47	56	56
Highways and streets						
Street resurfacing (miles)	0.5	0.2	0.5	0.6	0.6	0.8
Tons of Asphalt used to Repair Potholes	135	215	190	74	40	60
Water						
New connections	2	3	8	7	4	4
Water main breaks	2	3	2	3	3	4
Average daily consumption (in gallons) (thousands of gallons)	373,089	372,777	438,895	503,085	572,375	514,515
Wastewater						
Average daily sewage treatment (in gallons)	606,450	608,083	460,323	463,674	828,219	510,493

(1) Source - various City departments.

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

City of Wadena, Minnesota
 Capital Assets Statistics by Function
 Last Six Fiscal Years (1)
 (Unaudited)
 Table 19

Function	Fiscal Year					
	2010	2011	2012	2013	2014	2015
Public safety						
Police:						
Stations	1	1	1	1	1	1
Patrol units	2	2	3	3	3	3
Fire stations	2	2	2	2	2	2
Sanitation						
Collection trucks	1	1	1	1	1	1
Highways and streets						
Streets (miles)	42.5	42.5	42.5	42.5	42.5	42.5
Streetlights	690	690	690	690	690	690
Traffic signals	4	4	4	4	4	4
Culture and recreation						
Parks acreage	463	463	463	463	463	463
Parks	11	11	11	11	11	11
Swimming pools	1	1	1	1	1	1
Tennis courts	2	2	2	2	2	3
Water						
Water mains (miles)	33.0	33.0	33.2	33.0	33.0	33.0
Fire hydrants	311	308	314	308	308	310
Maximum daily capacity (thousands of gallons)	1,900	1,900	1,900	1,900	1,900	1,900
Sewer						
Sanitary sewers (miles)	30.0	30.0	30.0	30.0	30.0	30.0
Storm sewers (miles)	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
Electric						
Number of distribution stations	6	6	6	6	6	6
Miles of service lines	56.5	56.5	58.0	58.0	58.0	58.7

(1) Source - various City departments.

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



Other Reports
December 31, 2015

City of Wadena, Minnesota



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, City Council and Clerk-Treasurer
City of Wadena, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the 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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2016. In our report we issued a qualified opinion on the Liquor Fund because during our observation of the physical inventory we had several differences from the quantities observed compared to what was recorded on the inventory listing. In addition, we were unable to obtain quantifiable explanations to support the changes in cost of sales and gross profit compared to previous years.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies 2015-A, 2015-B, 2015-C, and 2015-D described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

City's Response to Findings

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota
June 27, 2016



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance Required by the Uniform Guidance

To the Honorable Mayor, City Council and Clerk-Treasurer
City of Wadena, Minnesota

Report on Compliance for the Major Federal Programs

We have audited City of Wadena's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal programs for the year ended December 31, 2015. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on the compliance for the City of Wadena's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 on compliance for the major federal programs. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Programs

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major Federal programs identified above for the year ended December 31, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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.

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 compliance requirement will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
June 27, 2016



Report on *Minnesota Legal Compliance*

To the Honorable Mayor, City Council and Clerk-Treasurer
City of Wadena, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wadena, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2016. In our report we issued a qualified opinion on the Liquor Fund because during our observation of the physical inventory we had several differences from the quantities observed compared to what was recorded on the inventory listing. In addition, we were unable to obtain quantifiable explanations to support the change in cost of sales and gross profit compared to previous years.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. §6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions. Our audit considered all of the listed categories.

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

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

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
June 27, 2016

Schedule of Expenditures of Federal Awards and Notes to Schedule of Expenditures of Federal Awards
Year Ended December 31, 2015

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Pass Through Entity Identifying Number	Federal CFDA Number	Expenditures
Environmental Protection Agency <i>Passed through the State of Minnesota</i>			
Clean Water Revolving Fund	MPFA-11-0118-R-FY16	66.458	\$ 1,959,657
Clean Water Revolving Fund w/ Principal Forgiveness	MPFA/MPFG-15-0051-R-FY16	66.458	<u>2,591,805</u>
Total CFDA 66.458			\$ 4,551,462
Drinking Water Revolving Fund	MPFA-15-0009-R-FY16	66.468	<u>1,770,013</u>
Total Environmental Protection Agency			<u>\$ 6,321,475</u>
Total Federal Financial Assistance			<u>\$ 6,321,475</u>

Notes to Schedule of Expenditures of Federal Awards

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. The City received federal awards indirectly through pass-through entities.

Note B – Significant Accounting Policies

Governmental and proprietary fund types account for the City’s federal grant activity. Expenditures in the schedule of expenditures of federal awards are recognized on the modified accrual basis – when they become a demand on current available financial resources. The City’s summary of significant accounting policies is presented in Note 1 in the City’s basic financial statements.

The City has elected to use the 10% de minimis cost rate.

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued:	Unmodified	Governmental activities Business-type activities General Debt Service Capital Projects Aggregate remaining Sewer Utility Water Utility Electric Utility Wellness Center Golf Course
	Qualified:	Municipal Liquor
Internal control over financial reporting: Material weaknesses identified		Yes
Significant deficiencies identified not considered to be material weaknesses		None reported
Noncompliance material to financial statements noted?		No

FEDERAL AWARDS

Internal control over major program: Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Clean Water Revolving Fund	66.458
Drinking Water Revolving Fund	66.468
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

**2015-A Material Journal Entries
 Material Weakness**

Criteria: A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition: During the course of our engagement, we proposed numerous material audit adjustments, including prior period adjustments, which would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Cause: The City does not have an internal control system designed to identify all necessary adjustments.

Effect: This control deficiency could result in a material misstatement to the financial statements that would not be prevented or detected.

Recommendation: A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisory levels.

View of Responsible Officials: Management of the City is in agreement with the finding.

**2015-B Preparation of Financial Statements
 Material Weakness**

Criteria: A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements, and the ability to internally prepare their financial statements.

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the City's financial statements and accompanying notes to the financial statements.

Cause: The City does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Effect: The financial disclosures in the financial statements could be incomplete.

Recommendation: This circumstance is not unusual in a City of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of Responsible Officials: Management of the City is in agreement with the finding.

**2015-C Preparation of the Schedule of Expenditures of Federal Awards
Material Weakness**

Criteria: As described in the Uniform Guidance, auditees must complete the Schedule of Expenditures of Federal Awards and include Catalog of Federal Domestic Assistance (CFDA) title and numbers provided in Federal awards/subawards and associated expenditures.

Condition: During the course of our engagement, we assisted with the preparation of the Schedule of Expenditures of Federal Awards as the City did not properly include all federal expenditures, CFDA numbers, and additional pass through agency federal expenditures.

Cause: The lack of proper communication between management and pass-through agencies regarding the federal funding identification.

Effect: There were additional federal expenditures that were not properly identified in the Schedule of Expenditures of Federal Awards. This control deficiency could result in a misstatement to the Schedule of Expenditures of Federal Awards that would not be prevented or detected.

Recommendation: Develop a system in identifying and tracking the following information for each control: pass-through agency, Catalog of Federal Domestic Assistance (CFDA) title and number, award number and year, and name of the federal agency.

View of Responsible Officials: Management of the City is in agreement with the finding.

**2015-D Liquor Store Inventory, Sales, and Cost of Sales
Material Weakness**

Criteria: A good system of internal accounting control contemplates adequate policies and procedures for inventory, sales, and cost of sales.

Condition: During the course of our engagement we noted several issues with the operations of the liquor store, specifically regarding inventory management, sales and cost of sales, as follows:

- During the year-end inventory observation we noted quantities on the inventory listing did not agree to what was physically located in the store.
- While performing audit procedures on cost of sales, sales, and gross profit we were unable to obtain adequate quantifiable explanations to support the change in sales, cost of sales, and gross profit compared to previous years.

Cause: The City did not have adequate internal control procedures and policies in place.

Effect: This control deficiency could result in inventory balances, sales, and cost of sales to not be properly recorded.

Recommendation: The City should develop procedures to enhance controls to provide reasonable assurance that inventory is physically accounted for, transactions are recorded properly, and inventory balances are periodically reconciled. To prepare for an inventory observation, a physical inventory count should be performed and reconciled with the inventory balances.

View of Responsible Officials: Management of the City is in agreement with the finding.

Section III – Federal Award Findings and Questioned Costs

No findings reported in the current year

Section IV – Minnesota Legal Compliance Findings

No findings reported in the current year

**2014-A Material Journal Entries including Prior Period Adjustments
Material Weakness**

Initial Fiscal Year Finding Occurred: 2011

Finding Summary: During the course of our engagement, we proposed material audit adjustments including prior period adjustments that would not have been identified as a result of the City's existing internal controls, and therefore could have resulted in a material misstatement of the City's financial statements.

Status: Partially corrected. No prior period adjustments were made in the current year however material journal entries were proposed. See finding 2015-A.

**2014-B Preparation of Financial Statements
Material Weakness**

Initial Fiscal Year Finding Occurred: 2006

Finding Summary: The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the City's financial statements and accompanying notes to the financial statements.

Status: Not corrected due to cost constraints. See finding 2015-B.

**2014-C Preparation of the Schedule of Expenditures of Federal Awards
Material Weakness**

Initial Fiscal Year Finding Occurred: 2012

Finding Summary: The auditor assisted with the preparation of the Schedule of Expenditures of Federal Awards as the City did not properly include all federal expenditures, CFDA numbers, and additional pass through agency federal expenditures.

Status: Not corrected. See finding 2015-C.