



Comprehensive Annual Financial Report
Year Ended December 31, 2012
City of Wadena, Minnesota

Prepared by Office of City Administration
Lloyd Lanz, Finance Officer

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Introductory Section

June 11, 2013

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, 2012, 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, at the City Airport.

The completion of a \$4.2 million renovation of our wastewater treatment facility.

The Construction of a \$11,260,000.00 wellness center that includes an indoor pool, gymnasium and fitness center.

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, 2011. 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.

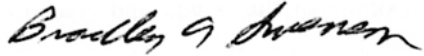
In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The CAFR must satisfy both generally accepted accounting principles and applicable legal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

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, 2011

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



Christopher P. Morill

President

Jeffrey R. Egan

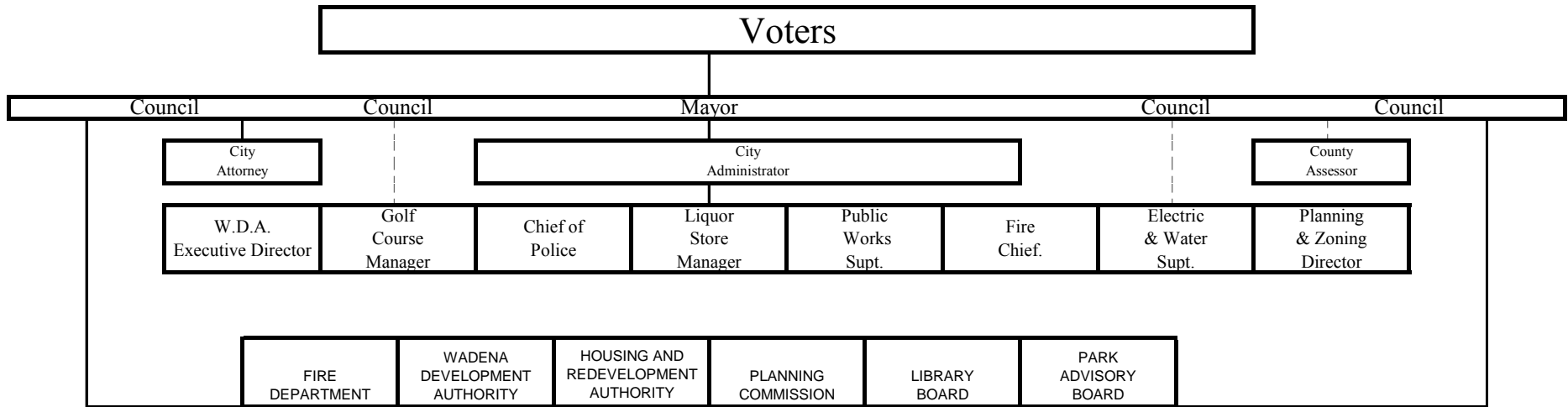
Executive Director

Elected Officials

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

Appointed Officials

Bradley Swenson	City Administrator
Jeff Pederson	City Attorney
Bruce Uselman	Police Chief
Dean Uselman	Fire Chief
Dean Uselman	Planning and Zoning/WDA Director
Ronald Bucholz	Public Works Superintendent
Tim Booth	Liquor Store Manager



Dotted line represents mandatory communication network between Council and all department heads and Board Chairs.

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Financial Section

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

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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, 2012, 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 Audit Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the 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, 2012, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis and schedule of funding progress 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 by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organization*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements 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 5, 2013 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.

Eide Bailly LLP

Fargo, North Dakota
June 5, 2013

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, 2012. 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 net position of the City exceeded its liabilities at the close of the most recent fiscal year by \$32,732,041 (net assets), compared to \$30,151,381 for 2011, an increase of 8.6%.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,439,075, or 83% of the total general fund expenditures.
- The City's total long term bonded debt increased from \$5,153,000 in 2011 to \$7,480,000 in 2012.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development, and airport. The business-type activities of the City include municipal liquor, sewer utility, water utility, electric utility, and golf course.

Fund Financial Statements

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

Governmental Funds

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

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

The City maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and MIF revolving loan fund #2, all of which are considered major funds. Data from the other three 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 five different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its municipal liquor, sewer utility, water utility, electric utility and golf course operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the liquor operations, sewer, water, electric and golf course operations.

Fiduciary Funds

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

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The combining statements referred to earlier in connection with 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 exceeded liabilities by \$32,732,041 at the close of the most recent fiscal year.

Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Cash and investments	\$ 3,422,797	\$ 2,601,574	\$ 4,200,255	\$ 5,969,642	\$ 7,623,052	\$ 8,571,216
Other assets	3,146,208	2,947,943	1,017,299	413,774	4,163,507	3,361,717
Capital assets	8,906,989	9,322,939	20,640,870	15,233,288	29,547,859	24,556,227
Total assets	\$ 15,475,994	\$ 14,872,456	\$ 25,858,424	\$ 21,616,704	\$ 41,334,418	\$ 36,489,160
Liabilities and Net Position						
Liabilities						
Other liabilities	\$ 196,618	\$ 211,728	\$ 700,074	\$ 757,701	\$ 896,692	\$ 969,429
Long-term outstanding	3,242,168	3,632,162	4,463,517	1,736,188	7,705,685	5,368,350
Total liabilities	3,438,786	3,843,890	5,163,591	2,493,889	8,602,377	6,337,779
Net position						
Net investment						
in capital assets	6,179,466	5,813,413	16,227,542	13,583,361	22,407,008	19,396,774
Restricted	1,312,273	3,050,739	-	-	1,312,273	3,050,739
Unrestricted	4,545,469	2,164,414	4,467,291	5,539,454	9,012,760	7,703,868
Total net position	12,037,208	11,028,566	20,694,833	19,122,815	32,732,041	30,151,381
Total liabilities and net position	\$ 15,475,994	\$ 14,872,456	\$ 25,858,424	\$ 21,616,704	\$ 41,334,418	\$ 36,489,160

The largest portion of the City's net assets (68%) 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	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues						
Charges for services	\$ 610,361	\$ 249,867	\$ 8,738,985	\$ 8,170,929	\$ 9,349,346	\$ 8,420,796
Operating grants and contributions	175,959	545,477	-	-	175,959	545,477
Capital grants and contributions	234,222	959,232	-	32,900	234,222	992,132
General revenues						
Property taxes	807,527	775,589	-	-	807,527	775,589
Unrestricted state aid	2,682,438	1,252,560	-	-	2,682,438	1,252,560
Unrestricted investment earnings	56,049	100,338	87,011	100,908	143,060	201,246
Miscellaneous	131,030	135,426	48,432	-	179,462	135,426
Gain on disposal of capital assets	-	7,900	-	-	-	7,900
Total revenues	4,697,586	4,026,389	8,874,428	8,304,737	13,572,014	12,331,126
Expenses						
General government	834,901	892,427	-	-	834,901	892,427
Public safety	659,777	918,679	-	-	659,777	918,679
Public works	365,526	556,661	-	-	365,526	556,661
Culture and recreation	277,531	336,439	-	-	277,531	336,439
Economic development	459,799	310,929	-	-	459,799	310,929
Airport	631,415	240,768	-	-	631,415	240,768
Interest on debt	165,883	150,943	-	-	165,883	150,943
Municipal liquor	-	-	1,643,842	1,511,492	1,643,842	1,511,492
Sewer utility	-	-	562,294	558,711	562,294	558,711
Water utility	-	-	462,403	455,041	462,403	455,041
Electric utility	-	-	4,520,279	4,421,853	4,520,279	4,421,853
Golf course	-	-	407,704	387,283	407,704	387,283
Total expenses	3,394,832	3,406,846	7,596,522	7,334,380	10,991,354	10,741,226
Excess before transfers	1,302,754	619,543	1,277,906	970,357	2,580,660	1,589,900
Transfers	(294,112)	710,113	294,112	(710,113)	-	-
Change in net position	1,008,642	1,329,656	1,572,018	260,244	2,580,660	1,589,900
Beginning net position	11,028,566	9,698,910	19,122,815	18,862,571	30,151,381	28,561,481
Ending net position	<u>\$ 12,037,208</u>	<u>\$ 11,028,566</u>	<u>\$ 20,694,833</u>	<u>\$ 19,122,815</u>	<u>\$ 32,732,041</u>	<u>\$ 30,151,381</u>

Governmental Activities

Governmental activities increased the City's net position by \$1,302,754 before transfers from the business-type activities and bond proceeds. Key elements of the increase are as follows:

- The partial repayment by FEMA of expenses incurred in prior years, by the 2010 tornado, \$1,125,000.
- The repayment of MN DNR grant money, for re-paving the Leaf River Recreation Trail, while the expense was in 2011, \$192,303.

Business-type Activities

Business-type activities increased the City's net position by \$1,277,906 before transfers. Key elements of this increase are as follows:

- The City has set utility rates at a level to be able to set aside reserves for future replacement of those utility assets and infrastructure.
- Construction work in progress in the electric fund, for underground lines, to be reimbursed by FEMA, \$1,597,532.
- Unbudgeted reimbursement for cost of equipment usage, from FEMA, for tornado repair, \$110,269
- Liquor sales were 14% more than budgeted, \$229,866

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)
	12/31/12	12/31/11		
Governmental Funds:				
General	\$ 2,969,260	\$ 1,842,685	\$ 1,126,575	61.1%
Debt service	1,202,418	1,312,098	(109,680)	-8.4%
MIF revolving loan fund #2	223,703	143,300	80,403	56.1%
Proprietary Funds:				
Municipal Liquor	475,175	369,499	105,676	28.6%
Sewer Utility	5,259,772	5,150,386	109,386	2.1%
Water Utility	2,151,435	2,068,662	82,773	4.0%
Electric Utility	11,859,686	10,542,845	1,316,841	12.5%
Golf Course	948,765	991,423	(42,658)	-4.3%

General Fund Budgetary Highlights

- Actual revenues for 2012 were \$3,695,929, compared to budgeted revenues of \$2,695,800. Largest overage was for intergovernmental revenues of \$871,980, for FEMA funds reimbursed for prior years expenditures. Miscellaneous revenues were \$179,594, compared to budgeted revenues of \$68,460. This is the result of receiving private grants for the Wellness Center in the amount of \$65,000, and selling a used loader and snow blower for a total of \$55,000.
- Actual expenditures for 2012 were 2,930,875, compared to budgeted expenditures of \$2,935,599. The largest overages were as follows: following items or departments were over budget or under budget, as noted: Wellness Center Planning \$79,220 and Airport grant expenses \$57,176. The largest shortages were as follows: Public Works Department \$98,756 and Police Department \$16,829

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2012, amounts to \$29,547,859 (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 footnote 6 for more detailed information on capital asset activity.

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Capital assets (net of accumulated depreciation where applicable)						
Land	\$ 2,068,215	\$ 1,938,215	\$ 631,619	\$ 631,619	\$ 2,699,834	\$ 2,569,834
Construction in progress	40,017	731,100	5,806,292	721,665	5,846,309	1,452,765
Buildings	2,203,433	2,268,382	4,943,459	5,081,399	7,146,892	7,349,781
Improvements other than buildings	1,703,883	1,758,158	-	-	1,703,883	1,758,158
Machinery and equipment	1,404,577	1,155,756	964,670	913,032	2,369,247	2,068,788
General plant and system	-	-	8,294,830	7,885,573	8,294,830	7,885,573
Infrastructure	1,486,864	1,471,328	-	-	1,486,864	1,471,328
Total capital assets	\$ 8,906,989	\$ 9,322,939	\$ 20,640,870	\$ 15,233,288	\$ 29,547,859	\$ 24,556,227

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

- FEMA projects set up as CWIP, in the General fund for 2011, and capitalized in the electric fund for 2012, in the amount of \$691,083.
- Purchase of land for future business park, in the amount of \$130,000.
- Purchase of Vacuum Excavator for \$41,838 and Cable Puller for \$63,000 for the electric department.
- Purchase of Jaws of Life equipment for the fire department in the amount of \$29,059.
- Purchase of JD Tractor and Loader for airport in the amount of \$77,484.
- Increase in CWIP for the Wastewater Treatment Plant in the amount of \$3,487,095.

Long-term Debt

At the end of the current fiscal year, the City had \$7,705,685 in long-term debt.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 3,102,523	\$ 3,509,523	\$ 4,370,322	\$ 1,633,000	\$ 7,472,845	\$ 5,142,523
Revenue bonds	-	-	-	16,927	-	16,927
OPEB obligation	25,585	-	-	-	25,585	-
Compensated absences	114,060	122,639	93,195	86,261	207,255	208,900
Total long-term debt	\$ 3,242,168	\$ 3,632,162	\$ 4,463,517	\$ 1,736,188	\$ 7,705,685	\$ 5,368,350

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

Economic Factors

- The development of the old City airport property into residential and commercial lots has been platted for 33 lots and awaiting funding to install the infrastructure.
- The City's industrial park, and adjacent land platted for use as industrial park lots, has 8 lots available for the sale. The City is looking for funding to complete the adjacent land 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 is presently doing a transportation study in Wadena to look at several issues related to Highway 10.
- The City is planning an infrastructure project for the southeast section of town. This project, if funding is found, should happen in the next 2 – 3 years. The current estimate for the project is \$9,486,000.00, which would be funded with G.O. Debt, possible grants, and special assessments.

- The City has completed an environmental assessment for our airport, looking at a 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.
- A major challenge for the City is the reduction or unallotment of State Aid which has had a negative effect to our cash reserves, will likely increase local property taxes, and diminish essential services and maintenance of the City's infrastructure.
- Electric & Water rates are set to stay ahead of inflation for the next few years.
- The City is completing a \$4.2 million renovation of our wastewater treatment facility in 2013, which will result in bonding and increased debt payments for the sewer fund, sewer rates have been adjusted to be able to pay back the debt.
- Trends affecting budgets include rising health insurance costs, increasing fuel costs, rising labor costs, increases in the employer share of Public Employee Retirement contributions and fluctuations in the cost of building, liability, and workers compensation insurances, which we seem to have limited control over.
- Local businesses seem to 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.
- In June of 2010 an EF4 tornado touched down in a swath of destruction through the City. Residential, commercial and governmental property was destroyed or damaged. With Insurance proceeds, grants, city reserves and FEMA funding City property and infrastructure should be replaced in the near future. Much progress has been made with projects to continue until completed. Most of the affected residential and commercial properties will be replaced or redone also, improving the looks of our City.
- The City has obtained State funding in the amount of \$4,950,000.00, plus the City has raised additional funding locally, to build a \$11,260,000.00 wellness center, to include an indoor pool, therapeutic pool, gymnasium, fitness area, meeting rooms, racquet ball courts, and offices. Construction will start in September 2013 and should be completed in the fall of 2014.

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, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,223,077	\$ 362,575	\$ 1,585,652
Cash with fiscal agent	307,887	-	307,887
Investments	1,881,833	3,837,680	5,719,513
Receivables			
Accounts (net of allowance)	62,819	996,384	1,059,203
Interest	5,047	10,350	15,397
Property taxes (net of allowance)	144	-	144
Loans	811,615	-	811,615
Special assessments	671,874	-	671,874
Due from other governmental units	1,014,077	48,432	1,062,509
Internal balances	579,196	(579,196)	-
Prepaid items	1,436	69,788	71,224
Inventories	-	471,541	471,541
Restricted assets			
Permanently restricted: investments	10,000	-	10,000
Capital assets, net of accumulated depreciation where applicable			
Land	2,068,215	631,619	2,699,834
Construction in progress	40,017	5,806,292	5,846,309
Buildings	2,203,433	4,943,459	7,146,892
Improvements other than buildings	1,703,883	-	1,703,883
Machinery and equipment	1,404,577	964,670	2,369,247
Infrastructure	1,486,864	8,294,830	9,781,694
Total assets	<u>\$ 15,475,994</u>	<u>\$ 25,858,424</u>	<u>\$ 41,334,418</u>
Liabilities and Net Position			
Liabilities			
Accounts payable	\$ 116,278	\$ 495,899	\$ 612,177
Other accrued liabilities	48,453	46,168	94,621
Consumer deposits	-	129,789	129,789
Accrued interest payable	31,887	28,218	60,105
Noncurrent liabilities			
Due within one year	829,596	362,006	1,191,602
Due in more than one year	2,412,572	4,101,511	6,514,083
Total liabilities	<u>3,438,786</u>	<u>5,163,591</u>	<u>8,602,377</u>
Net Position			
Net investment in capital assets	6,179,466	16,227,542	22,407,008
Restricted	1,312,273	-	1,312,273
Unrestricted	4,545,469	4,467,291	9,012,760
Total net position	<u>12,037,208</u>	<u>20,694,833</u>	<u>32,732,041</u>
Total liabilities and net position	<u>\$ 15,475,994</u>	<u>\$ 25,858,424</u>	<u>\$ 41,334,418</u>

City of Wadena, Minnesota
Statement of Changes in Net Position
Year Ended December 31, 2012

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		Total
					Governmental Activities	Business-Type Activities	
Primary government							
Governmental activities							
General government	\$ 834,901	\$ 50,388	\$ 81,451	\$ 189,376	\$ (513,686)	\$ -	\$ (513,686)
Public safety	659,777	79,547	67,684	-	(512,546)	-	(512,546)
Public works	365,526	391,025	-	26,345	51,844	-	51,844
Culture and recreation	277,531	32,145	4,010	-	(241,376)	-	(241,376)
Economic development	459,799	11,550	8,641	18,501	(421,107)	-	(421,107)
Airport	631,415	45,706	14,173	-	(571,536)	-	(571,536)
Interest on long-term debt	165,883	-	-	-	(165,883)	-	(165,883)
Total governmental activities	<u>3,394,832</u>	<u>610,361</u>	<u>175,959</u>	<u>234,222</u>	<u>(2,374,290)</u>	<u>-</u>	<u>(2,374,290)</u>
Business-type activities							
Municipal liquor	1,643,842	1,842,615	-	-	-	198,773	198,773
Sewer utility	562,294	616,314	-	-	-	54,020	54,020
Water utility	462,403	539,976	-	-	-	77,573	77,573
Electric utility	4,520,279	5,376,162	-	-	-	855,883	855,883
Golf course	407,704	363,918	-	-	-	(43,786)	(43,786)
Total business-type activities	<u>7,596,522</u>	<u>8,738,985</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,142,463</u>	<u>1,142,463</u>
Total primary government	<u>\$ 10,991,354</u>	<u>\$ 9,349,346</u>	<u>\$ 175,959</u>	<u>\$ 234,222</u>	<u>(2,374,290)</u>	<u>1,142,463</u>	<u>(1,231,827)</u>
General revenues							
Property taxes					725,341	-	725,341
Franchise fees					82,186	-	82,186
Unrestricted state aid					2,682,438	-	2,682,438
Unrestricted investment earnings					56,049	87,011	143,060
Miscellaneous					131,030	48,432	179,462
Transfers					(294,112)	294,112	-
Total general revenue and transfers					<u>3,382,932</u>	<u>429,555</u>	<u>3,812,487</u>
Change in net position					1,008,642	1,572,018	2,580,660
Net position - beginning					11,028,566	19,122,815	30,151,381
Net position - ending					<u>\$ 12,037,208</u>	<u>\$ 20,694,833</u>	<u>\$ 32,732,041</u>

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

City of Wadena, Minnesota
Balance Sheet - Governmental Funds
December 31, 2012

	General	Debt Service	MIF Revolving Loan Fund #2	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 782,154	\$ -	\$ 102,992	\$ 337,931	\$ 1,223,077
Cash with fiscal agent	-	307,887	-	-	307,887
Investments	662,124	898,843	120,386	200,480	1,881,833
Permanently restricted investments	-	-	-	10,000	10,000
Receivables					
Accounts	62,819	-	-	-	62,819
Interest	1,811	2,424	325	487	5,047
Property taxes	13,439	13,527	-	-	26,966
Allowance for delinquent taxes	(13,295)	(13,527)	-	-	(26,822)
Loans	-	-	352,404	459,211	811,615
Special assessments	37,178	634,696	-	-	671,874
Prepaid items	1,436	-	-	-	1,436
Due from other funds	590,093	212	-	-	590,305
Due from other governmental units	963,801	4,161	-	46,115	1,014,077
	<u>\$ 3,101,560</u>	<u>\$ 1,848,223</u>	<u>\$ 576,107</u>	<u>\$ 1,054,224</u>	<u>\$ 6,580,114</u>
Liabilities and Fund Balance					
Liabilities					
Accounts payable	\$ 46,669	\$ -	\$ -	\$ 69,609	\$ 116,278
Other liabilities	48,453	-	-	-	48,453
Due to other funds	-	11,109	-	-	11,109
Deferred revenue	37,178	634,696	352,404	459,211	1,483,489
Total liabilities	<u>132,300</u>	<u>645,805</u>	<u>352,404</u>	<u>528,820</u>	<u>1,659,329</u>
Fund Balances					
Nonspendable					
Prepaid items	1,436	-	-	-	1,436
Restricted					
Debt service	-	1,202,418	-	-	1,202,418
Commercial loans	-	-	-	55,085	55,085
Residential loans	-	-	-	53,043	53,043
Tax increment district	-	-	-	1,727	1,727
Committed					
Economic development	-	-	223,703	272,047	495,750
Assigned					
Equipment	528,749	-	-	-	528,749
Library	-	-	-	19,902	19,902
Unassigned	2,439,075	-	-	123,600	2,562,675
Total fund balances	<u>2,969,260</u>	<u>1,202,418</u>	<u>223,703</u>	<u>525,404</u>	<u>4,920,785</u>
Total liabilities and fund balances	<u>\$ 3,101,560</u>	<u>\$ 1,848,223</u>	<u>\$ 576,107</u>	<u>\$ 1,054,224</u>	<u>\$ 6,580,114</u>

City of Wadena, Minnesota
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 December 31, 2012

Total Fund Balances - Governmental Funds		\$ 4,920,785
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.		8,906,989
Other assets are not available to pay for current-period expenditures and, therefore, are either not recognized as a receivable or are deferred in the funds.		1,483,489
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	\$ (3,110,000)	
Less: Issuance discount	7,477	
OPEB obligations	(25,585)	
Compensated absences	(114,060)	
Accrued interest	(31,887)	
	(3,274,055)	(3,274,055)
Net Position of Governmental Activities		\$ 12,037,208

City of Wadena, Minnesota
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2012

	General	Debt Service	MIF Revolving Loan Fund #2	Other Governmental Funds	Total Governmental Funds
Revenues					
Property taxes	\$ 459,580	\$ 291,277	\$ -	\$ 9,118	\$ 759,975
Special assessments	71,883	167,068	-	-	238,951
Licenses and permits	26,298	-	-	-	26,298
Intergovernmental	2,761,483	10,035	-	186,935	2,958,453
Charges for service	171,776	-	-	-	171,776
Fines and forfeitures	25,315	-	-	-	25,315
Investment earnings	14,582	19,856	5,685	14,131	54,254
Rents	26,658	-	-	-	26,658
Contributions	7,856	-	-	-	7,856
Reimbursements	31,676	-	-	-	31,676
Loan repayments	-	-	74,784	160,999	235,783
Donations	-	-	-	250,000	250,000
Miscellaneous	98,822	-	-	14,351	113,173
Total revenues	<u>3,695,929</u>	<u>488,236</u>	<u>80,469</u>	<u>635,534</u>	<u>4,900,168</u>
Expenditures					
Current					
General government	601,280	-	-	-	601,280
Public safety	851,565	-	-	-	851,565
Public works	479,160	-	-	-	479,160
Culture and recreation	305,927	-	-	31,669	337,596
Economic development	-	-	66	47,227	47,293
Airport	299,495	-	-	-	299,495
Miscellaneous	95,939	4,302	-	46,005	146,246
Debt service					
Principal	-	1,455,000	-	-	1,455,000
Interest, fees and abatements	5,740	183,614	-	-	189,354
Capital outlay					
General government	5,488	-	-	-	5,488
Public safety	54,759	-	-	-	54,759
Public works	22,274	-	-	51,593	73,867
Culture and recreation	45,039	-	-	-	45,039
Economic development	-	-	-	331,274	331,274
Airport	164,209	-	-	-	164,209
Total expenditures	<u>2,930,875</u>	<u>1,642,916</u>	<u>66</u>	<u>507,768</u>	<u>5,081,625</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	765,054	(1,154,680)	80,403	127,766	(181,457)
Other Financing Sources (Uses)					
Transfers in	360,727	-	-	54,317	415,044
Transfers out	(54,317)	-	-	(299)	(54,616)
Bond proceeds	-	1,045,000	-	-	1,045,000
Sale of capital assets	55,111	-	-	-	55,111
Total other financing sources (uses)	<u>361,521</u>	<u>1,045,000</u>	<u>-</u>	<u>54,018</u>	<u>1,460,539</u>
Net Change in Fund Balances	1,126,575	(109,680)	80,403	181,784	1,279,082
Fund Balances, Beginning of Year	<u>1,842,685</u>	<u>1,312,098</u>	<u>143,300</u>	<u>343,620</u>	<u>3,641,703</u>
Fund Balances, End of Year	<u>\$ 2,969,260</u>	<u>\$ 1,202,418</u>	<u>\$ 223,703</u>	<u>\$ 525,404</u>	<u>\$ 4,920,785</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, 2012

Net Change in Fund Balances - Total Governmental Funds		\$ 1,279,082
Amounts reported for governmental activities in the statement of activities are different because:		
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. In the current period these amounts are:		
Capital outlay		596,607
Contribution of capital assets to proprietary fund		(654,540)
Depreciation expense		(346,075)
The net effect of the disposal of capital assets is to decrease net position		(11,943)
Revenues in the statement of activities that do not provide current financial resources are deferred and not reported as revenues in the funds.		
Current period balance	\$ 1,483,489	
Prior period balance	(1,778,329)	
Current year effect		(294,840)
The provision for uncollectible loans is reported in the government wide statements of net position but is not recorded in the governmental funds.		
Current period balance	-	
Prior period balance	47,000	
Current year effect		47,000
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.		
Current period balance	(114,060)	
Prior period balance	122,639	
Current year effect		8,579
Interest payable is reported in the government wide statement of net position but is not recorded in the governmental funds.		
Current period balance	(31,887)	
Prior period balance	35,244	
Current year effect		3,357
In the statement of activities OPEB obligations are measured by the amounts earned during the year. In the governmental funds, however, however, expenditures for these items are measured by the amount of financial resources used.		
Current period balance	(25,585)	
Prior period balance	-	
Current year effect		(25,585)
The repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. However, the transaction has no effect on the net position. In the current period these amounts are:		
Bond proceeds		(1,045,000)
Bond issuance costs		(3,000)
Bond principal retirement		1,455,000
Change in Net Position of Governmental Activities		<u>\$ 1,008,642</u>

City of Wadena, Minnesota
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual
General Fund
Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues			
Property taxes	\$ 481,840	\$ 459,580	\$ (22,260)
Special assessments	32,407	71,883	39,476
Licenses and permits	23,190	26,298	3,108
Intergovernmental	1,889,503	2,761,483	871,980
Charges for services	161,900	171,776	9,876
Fines and forfeitures	38,500	25,315	(13,185)
Miscellaneous	68,460	179,594	111,134
Total revenues	<u>2,695,800</u>	<u>3,695,929</u>	<u>1,000,129</u>
Expenditures			
Current			
General government	458,181	601,280	(143,099)
Public safety	849,074	851,565	(2,491)
Public works	573,302	479,160	94,142
Culture and recreation	315,115	305,927	9,188
Airport	414,185	299,495	114,690
Miscellaneous	77,867	95,939	(18,072)
Debt service	3,000	5,740	(2,740)
Capital outlay			
General government	-	5,488	(5,488)
Public safety	59,375	54,759	4,616
Public works	20,500	22,274	(1,774)
Culture and recreation	65,000	45,039	19,961
Airport	100,000	164,209	(64,209)
Total expenditures	<u>2,935,599</u>	<u>2,930,875</u>	<u>4,724</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(239,799)	765,054	1,004,853
Other Financing Sources (Uses)			
Transfers in	360,628	360,727	99
Transfers out	-	(54,317)	(54,317)
Sale of capital assets	5,000	55,111	50,111
Total other financing sources (uses)	<u>365,628</u>	<u>361,521</u>	<u>(4,107)</u>
Net Change in Fund Balances	<u>\$ 125,829</u>	1,126,575	<u>\$ 1,000,746</u>
Fund Balances, Beginning of Year		<u>1,842,685</u>	
Fund Balances, End of Year		<u>\$ 2,969,260</u>	

City of Wadena, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2012

	Municipal Liquor	Sewer Utility	Water Utility	Electric Utility	Golf Course	Total
Assets						
Current Assets						
Cash and cash equivalents	\$ 68,754	\$ 193,983	\$ 99,838	\$ -	\$ -	\$ 362,575
Investments	192,656	200,643	50,161	3,394,220	-	3,837,680
Accounts receivable - net	30,699	32,590	20,689	911,830	576	996,384
Interest receivable	520	541	135	9,154	-	10,350
Due from other funds	-	-	33,577	-	-	33,577
Due from other governments	-	48,432	-	-	-	48,432
Prepaid expenses	5,203	12,704	8,275	24,973	18,633	69,788
Inventories	153,644	-	19,710	282,416	15,771	471,541
Total current assets	<u>451,476</u>	<u>488,893</u>	<u>232,385</u>	<u>4,622,593</u>	<u>34,980</u>	<u>5,830,327</u>
Noncurrent Assets						
Capital assets						
Land	-	4,600	2,850	44,993	579,176	631,619
Construction in progress	-	4,137,724	-	1,597,532	-	5,735,256
Buildings	189,399	4,161,034	2,540,841	762,629	423,598	8,077,501
Equipment	67,758	392,254	781,493	1,081,696	600,495	2,923,696
General plant and system	-	2,117,933	2,125,966	10,141,278	-	14,385,177
Less accumulated depreciation	(179,144)	(3,127,799)	(1,992,163)	(5,182,916)	(630,357)	(11,112,379)
Total capital assets	<u>78,013</u>	<u>7,685,746</u>	<u>3,458,987</u>	<u>8,445,212</u>	<u>972,912</u>	<u>20,640,870</u>
Total assets	<u>\$ 529,489</u>	<u>\$ 8,174,639</u>	<u>\$ 3,691,372</u>	<u>\$ 13,067,805</u>	<u>\$ 1,007,892</u>	<u>\$ 26,471,197</u>
Liabilities and Net Position						
Current Liabilities						
Accounts payable	\$ 41,735	\$ 15,603	\$ 7,245	\$ 430,891	\$ 425	\$ 495,899
Due to other funds	-	-	-	579,196	33,577	612,773
Accrued interest	-	13,392	14,826	-	-	28,218
Other accrued liabilities	6,741	6,747	3,990	23,573	5,117	46,168
Consumer deposits	-	-	-	129,789	-	129,789
Current portion of long-term debt	2,693	5,447	324,019	20,614	9,233	362,006
Total current liabilities	<u>51,169</u>	<u>41,189</u>	<u>350,080</u>	<u>1,184,063</u>	<u>48,352</u>	<u>1,674,853</u>
Noncurrent Liabilities						
Accrued compensated absences	3,145	6,356	5,857	24,056	10,775	50,189
Bonds payable (net of current portion)	-	2,867,322	1,184,000	-	-	4,051,322
Total noncurrent liabilities	<u>3,145</u>	<u>2,873,678</u>	<u>1,189,857</u>	<u>24,056</u>	<u>10,775</u>	<u>4,101,511</u>
Total liabilities	<u>54,314</u>	<u>2,914,867</u>	<u>1,539,937</u>	<u>1,208,119</u>	<u>59,127</u>	<u>5,776,364</u>
Net Position						
Net investment in capital assets	75,320	4,812,977	1,950,968	8,424,598	963,679	16,227,542
Unrestricted	399,855	446,795	200,467	3,435,088	(14,914)	4,467,291
Total net position	<u>475,175</u>	<u>5,259,772</u>	<u>2,151,435</u>	<u>11,859,686</u>	<u>948,765</u>	<u>20,694,833</u>
Total liabilities and net position	<u>\$ 529,489</u>	<u>\$ 8,174,639</u>	<u>\$ 3,691,372</u>	<u>\$ 13,067,805</u>	<u>\$ 1,007,892</u>	<u>\$ 26,471,197</u>

City of Wadena, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended December 31, 2012

	Municipal Liquor	Sewer Utility	Water Utility	Electric Utility	Golf Course	Total
Operating Revenues						
Sales	\$ 1,842,615	\$ -	\$ -	\$ -	\$ 128,307	\$ 1,970,922
Cost of sales	(1,393,648)	-	-	-	(73,229)	(1,466,877)
Gross profit	448,967	-	-	-	55,078	504,045
Charges for services	-	609,088	537,998	5,238,324	223,382	6,608,792
Miscellaneous	-	7,226	1,978	137,838	12,229	159,271
Total operating revenues	448,967	616,314	539,976	5,376,162	290,689	7,272,108
Operating Expenses						
Administration	135,057	37,152	78,545	345,132	168,206	764,092
Purchased power	-	-	-	3,341,919	-	3,341,919
Operating and maintenance	103,832	320,859	172,927	309,135	125,246	1,031,999
Equipment maintenance	-	52,269	5,893	37,852	10,794	106,808
Customer account expense	-	-	34,572	183,995	-	218,567
Depreciation	11,305	131,935	128,147	302,246	30,229	603,862
Total operating expenses	250,194	542,215	420,084	4,520,279	334,475	6,067,247
Operating Income (Loss)	198,773	74,099	119,892	855,883	(43,786)	1,204,861
Other Income (Expense)						
Investment earnings	6,903	6,934	5,200	66,846	1,128	87,011
Interest expense	-	(20,079)	(42,319)	-	-	(62,398)
Intergovernmental	-	48,432	-	-	-	48,432
Total other income (expense)	6,903	35,287	(37,119)	66,846	1,128	73,045
Net Income (Loss) Before Transfers and Capital Contributions	205,676	109,386	82,773	922,729	(42,658)	1,277,906
Transfers Out	(100,000)	-	-	(260,428)	-	(360,428)
Contribution of capital assets	-	-	-	654,540	-	654,540
Change in Net Position	105,676	109,386	82,773	1,316,841	(42,658)	1,572,018
Total Net Position, Beginning of Year	369,499	5,150,386	2,068,662	10,542,845	991,423	19,122,815
Total Net Position, End of Year	\$ 475,175	\$ 5,259,772	\$ 2,151,435	\$ 11,859,686	\$ 948,765	\$ 20,694,833

City of Wadena, Minnesota
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2012

	Municipal Liquor	Sewer Utility	Water Utility	Electric Utility	Golf Course	Total
Operating Activities						
Receipts from customers and users	\$ 1,840,162	\$ 584,203	\$ 536,866	\$ 5,271,046	\$ 363,918	\$ 8,596,195
Payments to suppliers	(1,494,346)	(543,731)	(211,938)	(3,785,602)	(205,459)	(6,241,076)
Payments to employee costs	(134,238)	(40,491)	(82,474)	(325,291)	(176,670)	(759,164)
Net Cash From Operating Activities	<u>211,578</u>	<u>(19)</u>	<u>242,454</u>	<u>1,160,153</u>	<u>(18,211)</u>	<u>1,595,955</u>
Noncapital Financing Activities						
Net proceeds on due from other funds	-	25,956	(33,577)	579,019	33,577	604,975
Transfer to other funds	(100,000)	-	-	(260,428)	-	(360,428)
Net Cash Used For Noncapital Financing Activities	<u>(100,000)</u>	<u>25,956</u>	<u>(33,577)</u>	<u>318,591</u>	<u>33,577</u>	<u>244,547</u>
Capital and Related Financing Activities						
Property and equipment additions	-	(3,493,775)	(59,593)	(1,794,736)	(8,800)	(5,356,904)
Proceeds from long-term debt	-	2,938,321	-	-	-	2,938,321
Payments on long-term debt						
Principal	(307)	(65,552)	(124,981)	(17,386)	(7,694)	(215,920)
Interest	-	(20,079)	(42,319)	-	-	(62,398)
Net Cash Used For Capital and Related Financing Activities	<u>(307)</u>	<u>(641,085)</u>	<u>(226,893)</u>	<u>(1,812,122)</u>	<u>(16,494)</u>	<u>(2,696,901)</u>
Investing Activities						
Sale (purchase) of investments	(75,617)	572,306	(50,161)	102,001	-	548,529
Interest and dividends from investments	6,903	6,934	5,201	66,846	1,128	87,012
Net Cash From (Used For) Investing Activities	<u>(68,714)</u>	<u>579,240</u>	<u>(44,960)</u>	<u>168,847</u>	<u>1,128</u>	<u>635,541</u>
Change in Cash and Cash Equivalents	42,557	(35,908)	(62,976)	(164,531)	-	(220,858)
Cash and Cash Equivalents, Beginning of Year	26,197	229,891	162,814	164,531	-	583,433
Cash and Cash Equivalents, End of Year	<u>\$ 68,754</u>	<u>\$ 193,983</u>	<u>\$ 99,838</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 362,575</u>
Reconciliation of Operating Income (Loss) to Net Cash From (Used For) Operating Activities						
Operating income (loss)	\$ 198,773	\$ 74,099	\$ 119,892	\$ 855,883	\$ (43,786)	\$ 1,204,861
Adjustments to reconcile operating income (loss) to net cash from operating activities						
Depreciation	11,305	131,935	128,147	302,246	30,229	603,862
Changes in assets and liabilities						
Accounts receivable	(2,453)	(32,111)	(3,110)	(105,115)	-	(142,789)
Prepaid items	(407)	(2,214)	669	(2,115)	(541)	(4,608)
Inventories	4,019	-	1,447	20,916	4,440	30,822
Outstanding checks in excess of cash	-	-	-	-	-	-
Accounts payable	(1,284)	(182,462)	191	41,232	(769)	(143,092)
Other current liabilities	806	14,073	(853)	27,266	680	41,972
Accrued compensated absences	819	(3,339)	(3,929)	19,840	(8,464)	4,927
Net Cash From Operating Activities	<u>\$ 211,578</u>	<u>\$ (19)</u>	<u>\$ 242,454</u>	<u>\$ 1,160,153</u>	<u>\$ (18,211)</u>	<u>\$ 1,595,955</u>
Supplemental Schedule of Noncash Investing and Financing Activities						
Acquisition of capital assets through contributed capital from the City	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 654,540</u>	<u>\$ -</u>	<u>\$ 654,540</u>

City of Wadena, Minnesota
Statement of Fiduciary Net Assets
Agency Funds
December 31, 2012

Assets	
Cash and cash equivalents	<u>\$ 650,383</u>
Liabilities	
Due to other governmental units	<u>\$ 650,383</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, conform 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 has defined its reporting entity in accordance with Governmental Accounting Standards Board Statement 14, *Defining the Governmental Reporting Entity*. This statement provides guidance for determining which governmental activities, organization and functions should be included in the reporting entity and how information about them should be presented.

The City's financial statements include all funds, departments, agencies, boards, commissions and other organizations over which city officials exercise financial accountability.

Financial accountability includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by the City's full faith and credit or revenues, accountability of funding deficits and others.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and included in part of the primary government. Based on the criteria as established by the Government Accounting Standards Board Statement No. 14 – *The Financial Reporting Entity*, for determining blended component unit, the City has determined that there are no entities which would fall under this heading.

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 accumulated and payments made for principal and interest on all general obligation bonds of governmental funds.

MIF Revolving Loan Fund #2

The MIF Revolving Loan Fund #2 accounts for monies loaned at low interest rates to individuals or businesses, specifically for the purpose of economic development.

The City reports the following major proprietary funds:

- Municipal Liquor – This fund accounts for revenues and expenses to operate the municipal liquor store.
- 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.
- Golf Course – This fund accounts for revenues and expenses to operate the golf course.

With respect to proprietary activities, the City has adopted GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*.

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.

The City reports the following agency funds:

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board. The City has the option of following subsequent private-sector guidance for their business-type and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

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

Cash with Fiscal Agent

The cash held with fiscal agent is the proceeds from the General Obligation Refunding Bonds of 2012A which will be used to refund the General Obligation Capital Improvement Plan Bonds of 2007 on the December 1, 2013 call date.

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 \$5,787 in the electric utility fund. Receivables are written off when determined uncollectible. Recoveries of receivables previously written off are recorded when received.

A receivable is considered to be past due if any portion of the receivable balance is outstanding for more than 15 days. Interest is charged on receivables that are outstanding for more than 15 days 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, 2012, 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, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

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 an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. 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 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

Deficit Fund Balance

As of December 31, 2012, the DTED Small Cities Grant fund had a negative ending fund balance of \$650. This deficit will be addressed in future planning.

Note 3 - Deposits and Investments

Deposits consisted of the following at December 31, 2012:

	Cash	Certificates of Deposit	Investments	Total
Primary government	\$ 2,165,950	\$ 2,634,364	\$ 3,084,822	\$ 7,885,136
Agency funds	650,383	-	-	650,383
	\$ 2,816,333	\$ 2,634,364	\$ 3,084,822	\$ 8,535,519

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, 2012:

Deposit or Investment Type	Fair Value	Maturities (in Years)			
		Not Applicable	< 1	1 - 5	> 5 - 10
Cash	\$ 2,165,950	\$ 2,165,950	\$ -	\$ -	\$ -
U.S. Government Securities	1,045,290	465,686	-	-	579,604
Mutual Funds	986,843	986,843	-	-	-
Money Market Funds	1,306	-	-	-	1,306
External Investment Pool - 4M Fund	1,051,383	1,051,383	-	-	-
Certificates of Deposit	2,634,364	-	1,200,000	998,961	435,403
Total deposits and investments	\$ 7,885,136	\$ 4,669,862	\$ 1,200,000	\$ 998,961	\$ 1,016,313

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, 2012, the City's deposits were not properly collateralized by securities held by the City's agent in the City's name. The City's deposits were under collateralized by approximately \$38,700 at December 31, 2012.

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, 2012, 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, 2012, loans receivable consisted of loans from individuals and organizations and had a total balance of \$811,615. The loans have maturity dates between 2013 and 2019 and interest rates ranging from 0% to 7.5%.

Note 6 - Capital Assets

Governmental fund capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 1,938,215	\$ 130,000	\$ -	\$ 2,068,215
Construction in Progress	731,100	40,017	731,100	40,017
Total capital assets, not being depreciated	<u>2,669,315</u>	<u>170,017</u>	<u>731,100</u>	<u>2,108,232</u>
Capital assets, being depreciated				
Buildings	3,247,419	-	-	3,247,419
Improvements other than buildings	2,650,238	14,726	63,000	2,601,964
Machinery and equipment	2,818,305	440,573	211,950	3,046,928
Infrastructure	1,567,717	47,850	-	1,615,569
Total capital assets, being depreciated	<u>10,283,679</u>	<u>503,149</u>	<u>274,950</u>	<u>10,511,880</u>
Less accumulated depreciation for				
Buildings	979,037	64,949	-	1,043,986
Improvements other than buildings	892,080	66,036	60,035	898,081
Machinery and equipment	1,662,549	182,774	202,972	1,642,351
Infrastructure	96,389	32,316	-	128,705
Total accumulated depreciation	<u>3,630,055</u>	<u>346,075</u>	<u>263,007</u>	<u>3,713,123</u>
Total capital assets, being depreciated, net	<u>6,653,624</u>	<u>157,074</u>	<u>11,943</u>	<u>6,798,757</u>
Governmental activities capital assets, net	<u>\$ 9,322,939</u>	<u>\$ 327,091</u>	<u>\$ 743,043</u>	<u>\$ 8,906,989</u>

Subsequent to year-end, the City purchased land for the new Wellness Center in the amount of \$250,000.

Business-type fund capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 631,619	\$ -	\$ -	\$ 631,619
Construction in Progress	721,665	5,084,627	-	5,806,292
Total capital assets, not being depreciated	<u>1,353,284</u>	<u>5,084,627</u>	<u>-</u>	<u>6,437,911</u>
Capital assets, being depreciated				
Buildings	7,990,400	16,065	-	8,006,465
Machinery and equipment	2,762,343	161,353	-	2,923,696
General plant and system	13,635,778	749,399	-	14,385,177
Total capital assets, being depreciated	<u>24,388,521</u>	<u>926,817</u>	<u>-</u>	<u>25,315,338</u>
Less accumulated depreciation for				
Buildings	2,909,001	154,005	-	3,063,006
Machinery and equipment	1,849,311	109,715	-	1,959,026
General plant and system	5,750,205	340,142	-	6,090,347
Total accumulated depreciation	<u>10,508,517</u>	<u>603,862</u>	<u>-</u>	<u>11,112,379</u>
Total capital assets, being depreciated, net	<u>13,880,004</u>	<u>322,955</u>	<u>-</u>	<u>14,202,959</u>
Business-type activities capital assets, net	<u>\$ 15,233,288</u>	<u>\$ 5,407,582</u>	<u>\$ -</u>	<u>\$ 20,640,870</u>

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

Airport	<u>56,946</u>
Total depreciation expense - governmental activities	<u>\$ 346,075</u>
Business-type activities	
Municipal liquor	\$ 11,305
Sewer utility	131,935
Water utility	128,147
Electric utility	302,246
Golf course	<u>30,229</u>
Total depreciation expense - business-type activities	<u>\$ 603,862</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, 2012:

	<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	\$ 3,520,000	\$ 1,045,000	\$ 1,455,000	\$ 3,110,000	\$ 780,000
Less: Deferred amounts on refunding	(10,477)	-	(3,000)	(7,477)	(3,000)
OPEB Obligation	-	25,585	-	25,585	-
Compensated absences	122,639	89,024	97,603	114,060	52,596
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Governmental activity Long-term debt	<u>\$ 3,632,162</u>	<u>\$ 1,159,609</u>	<u>\$ 1,549,603</u>	<u>\$ 3,242,168</u>	<u>\$ 829,596</u>
Business-type activities					
General obligation bonds	\$ 1,633,000	\$ 2,938,321	\$ 200,999	\$ 4,370,322	\$ 319,000
Lease payable	16,927	-	16,927	-	-
Compensated absences	86,261	86,791	79,857	93,195	43,006
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Business-type activity Long-term debt	<u>\$ 1,736,188</u>	<u>\$ 3,025,112</u>	<u>\$ 297,783</u>	<u>\$ 4,463,517</u>	<u>\$ 362,006</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				
2002 Improvement Bonds	3.80	2013	\$ 400,000	\$ 50,000
2004 Crossover Refunding Bonds	3.5 - 3.9	2015	2,885,000	945,000
2007 Improvement Bonds	3.9 - 4.1	2017	675,000	375,000
2009 Taxable Improvement Bonds	2.2 - 5	2020	800,000	695,000
2012A Refunding Bonds	1.0	2016	1,045,000	1,045,000
				<u> </u>
				<u>\$ 3,110,000</u>
Business-type activities				
General Obligation Bonds				
2002 Water Revenue Note	2.6	2022	2,615,975	\$ 1,503,000
2012 Sewer Revenue Note	1.5	2027	2,938,321	2,867,322
				<u> </u>
				<u>\$ 4,370,322</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.

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, 2012, are as follows:

Years Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2013	\$ 780,000	\$ 90,928	\$ 319,000	\$ 102,345
2014	700,000	67,775	326,000	95,950
2015	720,000	49,540	332,000	89,402
2016	455,000	30,118	339,000	82,729
2017	170,000	20,623	346,000	75,902
2018-2022	285,000	28,075	1,836,000	269,773
2023-2027	-	-	872,322	121,433
Total	<u>\$ 3,110,000</u>	<u>\$ 287,059</u>	<u>\$ 4,370,322</u>	<u>\$ 837,534</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, 2012, is \$2,696,758.

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 2012 was \$22,427. There are three years remaining on the lease. Future payments are: 2013 - \$23,076; 2014 - \$23,653; and 2015 - \$22,707.

Compensated Absences

Compensated absences for governmental funds is recorded as a liability in the governmental activities in the government-wide statement. This liability matures in the governmental funds only upon qualified retirements or terminations. Compensated absences have the liability liquidated from the general fund.

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. When calculated, the amounts in the previous three years were determined to be immaterial; however, when calculated in 2012 this amount was considered material and was recorded as a liability. 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	\$ 12,802
Amortization of UAAL over 30 years	11,799
Interest on OPEB Obligation	984
 Total year-end ARC	 25,585
Contributions made	-
 Increase in OPEB Obligation	 25,585
Net OPEB Obligation, Beginning of Year	-
 Net OPEB Obligation, End of Year	 \$ 25,585

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 was as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
12/31/12	\$ 25,585	0%	\$ 25,585

Funded Status and Funding Progress

As of December 31, 2012, the most recent valuation date, the plan was unfunded. The accrued liability for benefits was \$212,214, and the value of assets was \$0, resulting in an unfunded accrued liability (UAAL) of \$212,214. The covered payroll (annual payroll of active employees covered by the plan) was \$1,795,364, and the ratio of the UAAL to the covered payroll was 11.82 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, 2012 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 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, 2012, are as follows:

	Receivable	Payable
General Fund	\$ 590,093	\$ -
Debt service fund	212	11,109
Electric utility fund	-	579,196
Water utility fund	33,577	-
Golf Course Fund	-	33,577
	\$ 623,882	\$ 623,882

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

	Transfer out				
	General Fund	Nonmajor Governmental	Municipal Liquor	Electric Utility	
Transfer in					
General	\$ -	\$ 299	\$ 100,000	\$ 260,428	\$ 360,727
Nonmajor Governmental	54,317	-	-	-	54,317
Total	\$ 54,317	\$ 299	\$ 100,000	\$ 260,428	\$ 415,044

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, 2012.

Note 11 - Defined Benefit Pension Plans – Statewide

City of Wadena

Plan Description

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

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

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

Two methods are used to compute benefits for PERF's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. The annuity accrual rate is 1.9 percent for each year of service for PECF members. For all PEPFF members, PECF members, and PERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF and PECF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for PERF, PEPFF, and PECF. That report may be obtained on the web at 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.

Funding Policy

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. PERF Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.25%, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.6% of their annual covered salary in 2012. The City is required to contribute the following percentages of annual covered payroll: 11.78% for Basic Plan PERF members, 7.25% for Coordinated Plan PERF members, 14.4% for PEPFF members, and 8.75% for PECF members. The City's contributions for the years ended December 31, 2012, 2011 and 2010 were \$106,717, \$102,801, and \$102,182, respectively. The City's contributions to the Public Employees Police and Fire Fund for the years ending December 31, 2012, 2011 and 2010 were \$54,135, \$59,238, and \$59,266, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

Volunteer Fire Relief Association

Plan Description

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

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

Funding policy

The City passes through state aids allocated to the plan in accordance with state statutes. The on-behalf payments of fringe benefits and salaries for the government's employees were recognized as revenues and expenditures during the period. The state aid for years ending December 31, 2012, 2011 and 2010 were \$18,813, \$18,347, and \$19,436, respectively.

Note 12 - Commitments

The City has active construction projects as of December 31, 2012. The projects relate to various capital improvements. At year-end, the City's commitments on these projects amounted to \$413,649.

Note 13 - 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 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 implemented that will significantly affect the City is statement No. 61, *The Financial Reporting Entity: Omnibus*. This statement will improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, *The Financial Reporting Entity*, and the requirements of Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. This statement will be implemented at the City in the year ending December 31, 2013.

The second statement issued but not implemented that will significantly affect the City is statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. This statement will be implemented at the City in the year ending December 31, 2013.



Required Supplementary Information
December 31, 2012

City of Wadena, Minnesota

City of Wadena, Minnesota
 Schedule of Funding Progress
 December 31, 2012

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
12/31/12	\$ -	\$ 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 and there have been no assumption changes made. When calculated, the amounts in the previous three years were determined to be immaterial; however, when calculated in 2012 this amount was considered material and was recorded as a liability.



Combining and Individual Fund Schedules
December 31, 2012

City of Wadena, Minnesota

City of Wadena, Minnesota
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 152,345	\$ 185,586	\$ -	\$ 337,931
Investments	200,480	-	-	200,480
Permanently restricted investments	-	-	10,000	10,000
Receivables				
Interest	487	-	-	487
Loans	459,211	-	-	459,211
Due from other governmental units	46,115	-	-	46,115
	<u>\$ 858,638</u>	<u>\$ 185,586</u>	<u>\$ 10,000</u>	<u>\$ 1,054,224</u>
Liabilities and Fund Balance				
Outstanding checks in excess of cash	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	69,609	-	69,609
Deferred revenue	459,211	-	-	459,211
Total liabilities	<u>459,211</u>	<u>69,609</u>	<u>-</u>	<u>528,820</u>
Fund balances				
Restricted				
Commercial loans	55,085	-	-	55,085
Residential loans	53,043	-	-	53,043
Tax increment district	-	1,727	-	1,727
Committed				
Economic development	272,047	-	-	272,047
Assigned				
Library	19,902	-	-	19,902
Unassigned	(650)	114,250	10,000	123,600
Total fund balances	<u>399,427</u>	<u>115,977</u>	<u>10,000</u>	<u>525,404</u>
	<u>\$ 858,638</u>	<u>\$ 185,586</u>	<u>\$ 10,000</u>	<u>\$ 1,054,224</u>
Total liabilities and fund balances				

City of Wadena, Minnesota
Combining Schedules of Revenues, Expenditures, and Changes in Fund Balances -
Nonmajor Governmental Funds
Year Ended December 31, 2012

	Special Revenue Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ -	\$ 9,118	\$ -	\$ 9,118
Intergovernmental	186,935	-	-	186,935
Investment earnings	13,944	-	187	14,131
Loan repayments	160,999	-	-	160,999
Donations	-	250,000	-	250,000
Miscellaneous	14,351	-	-	14,351
Total revenues	<u>376,229</u>	<u>259,118</u>	<u>187</u>	<u>635,534</u>
Expenditures				
Current				
Culture and recreation	31,669	-	-	31,669
Economic development	37,361	9,866	-	47,227
Other	46,005	-	-	46,005
Debt service				
Interest, fees and abatements	-	-	-	-
Capital outlay				
Public works	-	51,593	-	51,593
Economic development	331,274	-	-	331,274
Total expenditures	<u>446,309</u>	<u>61,459</u>	<u>-</u>	<u>507,768</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(70,080)	197,659	187	127,766
Other Financing Sources (Uses)				
Transfers in	54,317	-	-	54,317
Transfers out	-	-	(299)	(299)
Total other financing sources (uses)	<u>54,317</u>	<u>-</u>	<u>(299)</u>	<u>54,018</u>
Net Change in Fund Balances	(15,763)	197,659	(112)	181,784
Fund Balances, Beginning of Year	<u>415,190</u>	<u>(81,682)</u>	<u>10,112</u>	<u>343,620</u>
Fund Balances, End of Year	<u>\$ 399,427</u>	<u>\$ 115,977</u>	<u>\$ 10,000</u>	<u>\$ 525,404</u>

City of Wadena, Minnesota
Combining Balance Sheet -
Nonmajor Special Revenue Funds
December 31, 2012

	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	DTED Small Cities Grant	Total Nonmajor Special Revenue Funds
Assets									
Cash and cash equivalents	\$ 79,983	\$ 3,347	\$ 34,906	\$ 55,086	\$ 8,078	\$ -	\$ 17,710	\$ (46,765)	\$ 152,345
Investments	140,450	30,096	10,032	-	-	19,902	-	-	200,480
Receivables									
Due from other governments	-	-	-	-	-	-	-	46,115	46,115
Interest	379	81	27	-	-	-	-	-	487
Loans	113,886	-	14,582	92,725	48,672	-	189,346	-	459,211
Total assets	<u>\$ 334,698</u>	<u>\$ 33,524</u>	<u>\$ 59,547</u>	<u>\$ 147,811</u>	<u>\$ 56,750</u>	<u>\$ 19,902</u>	<u>\$ 207,056</u>	<u>\$ (650)</u>	<u>\$ 858,638</u>
Liabilities and Fund Balances									
Deferred revenue	\$ 113,885	\$ -	\$ 14,582	\$ 92,726	\$ 48,672	\$ -	\$ 189,346	\$ -	\$ 459,211
Total liabilities	<u>113,885</u>	<u>-</u>	<u>14,582</u>	<u>92,726</u>	<u>48,672</u>	<u>-</u>	<u>189,346</u>	<u>-</u>	<u>459,211</u>
Fund balances									
Restricted									
Commercial loans	\$ -	\$ -	\$ -	\$ 55,085	\$ -	\$ -	\$ -	\$ -	\$ 55,085
Residential loans	-	-	44,965	-	8,078	-	-	-	53,043
Committed									
Economic development	220,813	33,524	-	-	-	-	17,710	-	272,047
Assigned for library	-	-	-	-	-	19,902	-	-	19,902
Unassigned	-	-	-	-	-	-	-	(650)	(650)
Total fund balances	<u>220,813</u>	<u>33,524</u>	<u>44,965</u>	<u>55,085</u>	<u>8,078</u>	<u>19,902</u>	<u>17,710</u>	<u>(650)</u>	<u>399,427</u>
Total liabilities and fund balances	<u>\$ 334,698</u>	<u>\$ 33,524</u>	<u>\$ 59,547</u>	<u>\$ 147,811</u>	<u>\$ 56,750</u>	<u>\$ 19,902</u>	<u>\$ 207,056</u>	<u>\$ (650)</u>	<u>\$ 858,638</u>

City of Wadena, Minnesota
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position -
Nonmajor Special Revenue Funds
Year Ended December 31, 2012

	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	DTED Small Cities Grant	Total Nonmajor Special Revenue Funds
Revenues									
Intergovernmental revenue	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 186,935	\$ 186,935
Investment earnings	7,615	605	1,699	1,890	1,042	347	746	-	13,944
Loan repayments	83,535	-	9,627	34,995	1,111	-	31,731	-	160,999
Other	14,320	-	-	-	31	-	-	-	14,351
Total revenues	<u>105,470</u>	<u>605</u>	<u>11,326</u>	<u>36,885</u>	<u>2,184</u>	<u>347</u>	<u>32,477</u>	<u>186,935</u>	<u>376,229</u>
Expenditures									
Current									
Culture and recreation	-	-	392	10,229	21,048	-	-	-	31,669
Economic development	37,361	-	-	-	-	-	-	-	37,361
Other	-	-	-	-	-	-	25,385	20,620	46,005
Capital outlay									
Economic development	164,959	-	-	-	-	-	-	166,315	331,274
Total expenditures	<u>202,320</u>	<u>-</u>	<u>392</u>	<u>10,229</u>	<u>21,048</u>	<u>-</u>	<u>25,385</u>	<u>186,935</u>	<u>446,309</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(96,850)	605	10,934	26,656	(18,864)	347	7,092	-	(70,080)
Other Financing Sources									
Transfers in	54,317	-	-	-	-	-	-	-	54,317
Net Change in Fund Balances	(42,533)	605	10,934	26,656	(18,864)	347	7,092	-	(15,763)
Fund Balance (Deficit), Beginning of Year	263,346	32,919	34,031	28,429	26,942	19,555	10,618	(650)	415,190
Fund Balances, End of Year	<u>\$ 220,813</u>	<u>\$ 33,524</u>	<u>\$ 44,965</u>	<u>\$ 55,085</u>	<u>\$ 8,078</u>	<u>\$ 19,902</u>	<u>\$ 17,710</u>	<u>\$ (650)</u>	<u>\$ 399,427</u>

City of Wadena, Minnesota
Comparative Balance Sheets
General Fund
December 31, 2012 and 2011

	2012	2011
Assets		
Cash and cash equivalents	\$ 782,154	\$ 130,886
Investments	662,124	601,548
Receivables		
Accounts	62,819	87,080
Interest	1,811	708
Property taxes	13,439	13,159
Allowance for delinquent taxes	(13,295)	(13,015)
Special assessments	37,178	68,516
Prepaid items	1,436	-
Due from other funds	590,093	25,379
Due from other governmental units	963,801	1,115,095
	\$ 3,101,560	\$ 2,029,356
Total assets		
Liabilities and Fund Balances		
Liabilities		
Accounts payable	\$ 46,669	\$ 74,585
Other liabilities	48,453	43,570
Deferred revenue	37,178	68,516
Total liabilities	132,300	186,671
Fund Balances		
Nonspendable	1,436	-
Assigned for equipment	528,749	517,985
Unassigned	2,439,075	1,324,700
Total fund balance	2,969,260	1,842,685
	\$ 3,101,560	\$ 2,029,356
Total liabilities and fund balance		

City of Wadena, Minnesota
Schedule of Revenues – Budget and Actual
General Fund
Year Ended December 31, 2012
(With Comparative Totals for 2011)

	Original and Final Budget	2012 Actual Amounts	Variance With Final Budget	2011 Actual Amounts
Revenues				
Property taxes				
Ad valorem	\$ 357,840	\$ 342,497	\$ (15,343)	\$ 376,115
Hotel/motel	30,000	34,897	4,897	32,751
Franchise	94,000	82,186	(11,814)	89,441
	<u>481,840</u>	<u>459,580</u>	<u>(22,260)</u>	<u>498,307</u>
Special assessments	32,407	71,883	39,476	33,449
Licenses and permits				
Business	17,590	14,268	(3,322)	18,315
Nonbusiness	5,600	12,030	6,430	9,532
	<u>23,190</u>	<u>26,298</u>	<u>3,108</u>	<u>27,847</u>
Intergovernmental revenue				
Federal	532,500	1,302,558	770,058	777,115
State				
Local government aid	1,191,075	1,191,164	89	1,191,075
Tax credits	-	94	94	7,406
Police aid	53,000	51,241	(1,759)	53,217
Fire aid	19,000	18,813	(187)	18,347
PERA rate increase aid	6,069	6,069	-	6,069
Airport maintenance	21,189	14,173	(7,016)	21,189
Other aid	66,670	177,371	110,701	630,407
	<u>1,889,503</u>	<u>2,761,483</u>	<u>871,980</u>	<u>2,704,825</u>
Charges for services				
General government	2,300	2,765	465	8,913
Police department	18,600	26,563	7,963	29,646
Fire department	52,000	50,793	(1,207)	56,191
Highway and streets	17,000	14,929	(2,071)	11,211
Parks and recreation	31,000	31,060	60	32,085
Airport	41,000	45,666	4,666	38,617
	<u>161,900</u>	<u>171,776</u>	<u>9,876</u>	<u>176,663</u>
Fines and forfeitures	38,500	25,315	(13,185)	21,386
Miscellaneous				
Investment earnings	10,000	14,582	4,582	36,056
Rents	18,000	26,658	8,658	18,012
Contributions	3,950	7,856	3,906	15,396
Reimbursements	13,500	31,676	18,176	66,075
Other	23,010	98,822	75,812	35,591
	<u>68,460</u>	<u>179,594</u>	<u>111,134</u>	<u>171,130</u>
Total revenues	<u>\$ 2,695,800</u>	<u>\$ 3,695,929</u>	<u>\$ 1,000,129</u>	<u>\$ 3,633,607</u>

City of Wadena, Minnesota
Schedule of Expenditures – Budget and Actual
General Fund
Year Ended December 31, 2012
(With Comparative Totals for 2011)

	2012		Variance With Final Budget	2011	
	Original and Final Budget	Actual Amounts		Actual Amounts	Actual Amounts
General government					
Legislative	\$ 190,380	\$ 262,557	\$ (72,177)	\$ 415,363	
Mayor and council	30,163	30,746	(583)	31,541	
City administrator	46,861	46,571	290	46,732	
Elections	6,420	6,099	321	290	
Accounting	106,371	106,032	339	105,982	
Planning and zoning	58,891	46,771	12,120	53,044	
City hall maintenance	19,095	21,635	(2,540)	16,789	
Tornado Recovery	-	80,869	(80,869)	161,692	
Capital outlay	-	5,488	(5,488)	795,350	
	<u>458,181</u>	<u>606,768</u>	<u>(148,587)</u>	<u>1,626,783</u>	
Public safety					
Police department					
Current	741,981	728,089	13,892	729,162	
Capital outlay	-	-	-	32,467	
Fire department					
Current	107,093	123,476	(16,383)	101,079	
Capital outlay	59,375	54,759	4,616	8,258	
	<u>908,449</u>	<u>906,324</u>	<u>2,125</u>	<u>870,966</u>	
Public works					
Roadway maintenance	341,579	305,805	35,774	246,032	
Snow and ice removal	98,312	69,478	28,834	104,307	
Street signs and markings	13,579	8,170	5,409	10,776	
Parking lots	23,770	21,561	2,209	6,170	
Storm sewers	30,761	17,420	13,341	25,010	
Street cleaning	37,572	26,419	11,153	23,844	
Waste collection	12,002	10,713	1,289	10,374	
Shade tree program	10,276	16,636	(6,360)	16,742	
Weed control	5,451	2,958	2,493	2,944	
Capital outlay	20,500	22,274	(1,774)	50,446	
	<u>593,802</u>	<u>501,434</u>	<u>92,368</u>	<u>496,645</u>	
Culture and recreation					
Skating rink	7,232	7,192	40	6,595	
Playgrounds	23,724	18,326	5,398	18,773	
Pool	7,418	5,590	1,828	4,509	
Campground	20,674	20,165	509	19,010	
Parks	169,549	158,556	10,993	126,910	
Libraries	86,518	96,098	(9,580)	81,804	
Capital outlay	65,000	45,039	19,961	329,109	
	<u>380,115</u>	<u>350,966</u>	<u>29,149</u>	<u>586,710</u>	

City of Wadena, Minnesota
Schedule of Expenditures – Budget and Actual
General Fund
Year Ended December 31, 2012
(With Comparative Totals for 2011)

	Original and Final Budget	2012 Actual Amounts	Variance With Final Budget	2011 Actual Amounts
Airport				
Current	414,185	299,495	114,690	124,461
Capital outlay	100,000	164,209	(64,209)	28,710
Debt service				
Interest, fees, and abatements	3,000	5,740	(2,740)	-
	517,185	469,444	47,741	153,171
Miscellaneous				
Unallocated expenditures	6,000	28,538	(22,538)	17,391
Wadena Development Authority	71,867	67,401	4,466	69,081
Health insurance	-	-	-	-
	77,867	95,939	(18,072)	86,472
Total expenditures	\$ 2,935,599	\$ 2,930,875	\$ 4,724	\$ 3,820,747

City of Wadena, Minnesota
 Comparative Statements of Net Position
 Proprietary Funds
 December 31, 2012 and 2011

	Municipal Liquor		Sewer Utility		Water Utility		Electric Utility		Golf Course		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Assets												
Current Assets												
Cash and cash equivalents	\$ 68,754	\$ 26,197	\$ 193,983	\$ 229,891	\$ 99,838	\$ 162,814	\$ -	\$ 164,531	\$ -	\$ -	\$ 362,575	\$ 583,433
Investments	192,656	117,039	200,643	772,949	50,161	-	3,394,220	3,496,221	-	-	3,837,680	4,386,209
Accounts receivable - net	30,699	28,612	32,590	-	20,689	17,714	911,830	811,259	576	576	996,384	858,161
Interest receivable	520	154	541	1,020	135	-	9,154	4,610	-	-	10,350	5,784
Due from other funds	-	-	-	25,956	33,577	-	-	-	-	-	33,577	25,956
Due from other governments	-	-	48,432	-	-	-	-	-	-	-	48,432	-
Prepaid items	5,203	4,796	12,704	10,490	8,275	8,944	24,973	22,858	18,633	18,092	69,788	65,180
Inventories	153,644	157,663	-	-	19,710	21,157	282,416	303,332	15,771	20,211	471,541	502,363
Total current assets	<u>451,476</u>	<u>334,461</u>	<u>488,893</u>	<u>1,040,306</u>	<u>232,385</u>	<u>210,629</u>	<u>4,622,593</u>	<u>4,802,811</u>	<u>34,980</u>	<u>38,879</u>	<u>5,830,327</u>	<u>6,427,086</u>
Capital Assets												
Land	-	-	4,600	4,600	2,850	2,850	44,993	44,993	579,176	579,176	631,619	631,619
Construction in Progress	-	-	4,137,724	650,629	-	-	1,597,532	-	-	-	5,735,256	650,629
Buildings	189,399	189,399	4,161,034	4,161,034	2,540,841	2,540,841	762,629	746,564	423,598	423,598	8,077,501	8,061,436
Equipment	67,758	67,758	392,254	385,574	781,493	766,778	1,081,696	950,538	600,495	591,695	2,923,696	2,762,343
General plant and system	-	-	2,117,933	2,117,933	2,125,966	2,081,088	10,141,278	9,436,757	-	-	14,385,177	13,635,778
Less accumulated depreciation	(179,144)	(167,839)	(3,127,799)	(2,995,864)	(1,992,163)	(1,864,015)	(5,182,916)	(4,880,671)	(630,357)	(600,128)	(11,112,379)	(10,508,517)
Total capital assets	<u>78,013</u>	<u>89,318</u>	<u>7,685,746</u>	<u>4,323,906</u>	<u>3,458,987</u>	<u>3,527,542</u>	<u>8,445,212</u>	<u>6,298,181</u>	<u>972,912</u>	<u>994,341</u>	<u>20,640,870</u>	<u>15,233,288</u>
Total assets	<u>\$ 529,489</u>	<u>\$ 423,779</u>	<u>\$ 8,174,639</u>	<u>\$ 5,364,212</u>	<u>\$ 3,691,372</u>	<u>\$ 3,738,171</u>	<u>\$ 13,067,805</u>	<u>\$ 11,100,992</u>	<u>\$ 1,007,892</u>	<u>\$ 1,033,220</u>	<u>\$ 26,471,197</u>	<u>\$ 21,660,374</u>
Liabilities and Net Position												
Current Liabilities												
Accounts payable	\$ 41,735	\$ 43,019	\$ 15,603	\$ 198,065	\$ 7,245	\$ 7,054	\$ 430,891	\$ 389,659	\$ 425	\$ 1,194	\$ 495,899	\$ 638,991
Due to other funds	-	-	-	-	-	-	579,196	177	33,577	-	612,773	177
Accrued interest	-	-	13,392	-	14,826	16,108	-	-	-	-	28,218	16,108
Other accrued liabilities	6,741	5,935	6,747	6,066	3,990	3,561	23,573	20,849	5,117	4,437	46,168	40,848
Consumer deposits	-	-	-	-	-	-	129,789	105,247	-	-	129,789	105,247
Current maturities of long-term debt	2,693	3,000	5,447	-	324,019	130,000	20,614	38,000	9,233	16,927	362,006	187,927
Total current liabilities	<u>51,169</u>	<u>51,954</u>	<u>41,189</u>	<u>204,131</u>	<u>350,080</u>	<u>156,723</u>	<u>1,184,063</u>	<u>553,932</u>	<u>48,352</u>	<u>22,558</u>	<u>1,674,853</u>	<u>989,298</u>
Long-Term Liabilities												
Accrued compensated absences	3,145	2,326	6,356	9,695	5,857	9,786	24,056	4,215	10,775	19,239	50,189	45,261
Lease Payable	-	-	-	-	-	-	-	-	-	-	-	-
Bonds payable (net of current portion)	-	-	2,867,322	-	1,184,000	1,503,000	-	-	-	-	4,051,322	1,503,000
Total long-term liabilities	<u>3,145</u>	<u>2,326</u>	<u>2,873,678</u>	<u>9,695</u>	<u>1,189,857</u>	<u>1,512,786</u>	<u>24,056</u>	<u>4,215</u>	<u>10,775</u>	<u>19,239</u>	<u>4,101,511</u>	<u>1,548,261</u>
Total liabilities	<u>54,314</u>	<u>54,280</u>	<u>2,914,867</u>	<u>213,826</u>	<u>1,539,937</u>	<u>1,669,509</u>	<u>1,208,119</u>	<u>558,147</u>	<u>59,127</u>	<u>41,797</u>	<u>5,776,364</u>	<u>2,537,559</u>
Net Position												
Net investment in capital assets	75,320	89,318	4,812,977	4,323,906	1,950,968	1,894,542	8,424,598	6,298,181	963,679	977,414	16,227,542	13,583,361
Unrestricted	399,855	280,181	446,795	826,480	200,467	174,120	3,435,088	4,244,664	(14,914)	14,009	4,467,291	5,539,454
Total net position	<u>475,175</u>	<u>369,499</u>	<u>5,259,772</u>	<u>5,150,386</u>	<u>2,151,435</u>	<u>2,068,662</u>	<u>11,859,686</u>	<u>10,542,845</u>	<u>948,765</u>	<u>991,423</u>	<u>20,694,833</u>	<u>19,122,815</u>
Total liabilities and net position	<u>\$ 529,489</u>	<u>\$ 423,779</u>	<u>\$ 8,174,639</u>	<u>\$ 5,364,212</u>	<u>\$ 3,691,372</u>	<u>\$ 3,738,171</u>	<u>\$ 13,067,805</u>	<u>\$ 11,100,992</u>	<u>\$ 1,007,892</u>	<u>\$ 1,033,220</u>	<u>\$ 26,471,197</u>	<u>\$ 21,660,374</u>

City of Wadena, Minnesota
 Comparative Statements Revenues, Expenses, and Changes in Net Position
 Proprietary Funds
 Years Ended December 31, 2012 and 2011

	Municipal Liquor		Sewer Utility		Water Utility		Electric Utility		Golf Course		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Operating Revenues												
Sales	\$ 1,842,615	\$ 1,685,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 128,307	\$ 117,282	\$ 1,970,922	\$ 1,802,851
Cost of sales	(1,393,648)	(1,266,987)	-	-	-	-	-	-	(73,229)	(72,752)	(1,466,877)	(1,339,739)
Gross profit	448,967	418,582	-	-	-	-	-	-	55,078	44,530	504,045	463,112
Charges for services	-	-	609,088	532,185	537,998	475,234	5,238,324	5,113,388	223,382	206,751	6,608,792	6,327,558
Miscellaneous	-	-	7,226	594	1,978	1,845	137,838	34,250	12,229	36,729	159,271	73,418
Total operating revenues	448,967	418,582	616,314	532,779	539,976	477,079	5,376,162	5,147,638	290,689	288,010	7,272,108	6,864,088
Operating Expenses												
Administration	135,057	135,520	37,152	36,882	78,545	68,740	345,132	268,545	168,206	174,575	764,092	684,262
Purchased power	-	-	-	-	-	-	3,341,919	3,318,022	-	-	3,341,919	3,318,022
Operating and maintenance	103,832	96,086	320,859	292,768	172,927	173,658	309,135	321,978	125,246	107,969	1,031,999	992,459
Equipment maintenance	-	-	52,269	79,824	5,893	6,540	37,852	29,944	10,794	5,128	106,808	121,436
Customer account expense	-	-	-	-	34,572	32,009	183,995	188,993	-	-	218,567	221,002
Depreciation	11,305	12,899	131,935	148,945	128,147	128,357	302,246	294,368	30,229	26,860	603,862	611,429
Total operating expenses	250,194	244,505	542,215	558,419	420,084	409,304	4,520,279	4,421,850	334,475	314,532	6,067,247	5,948,610
Operating Income (Loss)	198,773	174,077	74,099	(25,640)	119,892	67,775	855,883	725,788	(43,786)	(26,522)	1,204,861	915,478
Other Income (Expenses)												
Investment earnings	6,903	4,946	6,934	21,702	5,200	3,377	66,846	70,883	1,128	-	87,011	100,908
Interest expense	-	-	(20,079)	(292)	(42,319)	(45,737)	-	-	-	-	(62,398)	(46,029)
Intergovernmental	-	-	48,432	-	-	-	-	-	-	-	48,432	-
Total other income (expenses)	6,903	4,946	35,287	21,410	(37,119)	(42,360)	66,846	70,883	1,128	-	73,045	54,879
Net Income (Loss) Before Transfers and Capital Contributions	205,676	179,023	109,386	(4,230)	82,773	25,415	922,729	796,671	(42,658)	(26,522)	1,277,906	970,357
Transfers In (Out)	(100,000)	(181,403)	-	-	-	-	(260,428)	(610,113)	-	81,403	(360,428)	(710,113)
Contribution of Capital Assets	-	-	-	-	-	-	654,540	-	-	-	654,540	-
Change in Net Position	105,676	(2,380)	109,386	(4,230)	82,773	25,415	1,316,841	186,558	(42,658)	54,881	1,572,018	260,244
Total Net Position, Beginning of Year	369,499	371,879	5,150,386	5,154,616	2,068,662	2,043,247	10,542,845	10,356,287	991,423	936,542	19,122,815	18,862,571
Total Net Position, End of Year	\$ 475,175	\$ 369,499	\$ 5,259,772	\$ 5,150,386	\$ 2,151,435	\$ 2,068,662	\$ 11,859,686	\$ 10,542,845	\$ 948,765	\$ 991,423	\$ 20,694,833	\$ 19,122,815

City of Wadena, Minnesota
Comparative Statements of Cash Flows
Proprietary Funds
Years Ended December 31, 2012 and 2011

	Municipal Liquor		Sewer Utility		Water Utility		Electric Utility		Golf Course		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Operating Activities												
Receipts from customers and users	\$ 1,840,162	\$ 1,656,974	\$ 584,203	\$ 530,493	\$ 536,866	\$ 473,103	\$ 5,271,046	\$ 5,129,487	\$ 363,918	\$ 327,977	\$ 8,596,195	\$ 8,118,034
Receipts from interfund services provided	-	-	-	2,286	-	3,977	-	94,703	-	-	-	100,966
Payments to suppliers	(1,494,346)	(1,372,301)	(543,731)	(375,381)	(211,938)	(188,779)	(3,785,602)	(3,614,311)	(205,459)	(176,833)	(6,241,076)	(5,727,605)
Payments for interfund services used	-	(6,073)	-	(19,791)	-	(37,041)	-	-	-	-	-	(62,905)
Payments to employee costs	(134,238)	(133,456)	(40,491)	(36,573)	(82,474)	(70,175)	(325,291)	(533,442)	(176,670)	(177,753)	(759,164)	(951,399)
Net Cash From (Used For) Operating Activities	211,578	145,144	(19)	101,034	242,454	181,085	1,160,153	1,076,437	(18,211)	(26,609)	1,595,955	1,477,091
Non-Capital Financing Activities												
Net proceeds (payments) on due from (due to) other funds	-	-	25,956	(3,293)	(33,577)	(702)	579,019	353,994	33,577	(31,567)	604,975	318,432
Transfer to other funds	(100,000)	(181,403)	-	-	-	-	(260,428)	(610,113)	-	81,403	(360,428)	(710,113)
Net Cash From (Used For) Non-Capital Financing Activities	(100,000)	(181,403)	25,956	(3,293)	(33,577)	(702)	318,591	(256,119)	33,577	49,836	244,547	(391,681)
Capital and Related Financing Activities												
Property and equipment additions	-	-	(3,493,775)	(473,170)	(59,593)	(10,291)	(1,794,736)	(321,312)	(8,800)	-	(5,356,904)	(804,773)
Proceeds from long-term debt	-	-	2,938,321	-	-	-	-	-	-	-	2,938,321	-
Payments on long-term debt												
Principal	(307)	-	(65,552)	-	(124,981)	(126,000)	(17,386)	-	(7,694)	(18,818)	(215,920)	(144,818)
Interest	-	-	(20,079)	(292)	(42,319)	(46,981)	-	(285)	-	(4,409)	(62,398)	(51,967)
Net Cash Used For Capital and Related Financing Activities	(307)	-	(641,085)	(473,462)	(226,893)	(183,272)	(1,812,122)	(321,597)	(16,494)	(23,227)	(2,696,901)	(1,001,558)
Investing Activities												
Sale (purchase) of investments	(75,617)	15,000	572,306	540,000	(50,161)	131,523	102,001	(485,023)	-	-	548,529	201,500
Interest and dividends from investments	6,903	5,033	6,934	23,075	5,201	3,618	66,846	71,760	1,128	-	87,012	103,486
Net Cash From (Used For) Investing Activities	(68,714)	20,033	579,240	563,075	(44,960)	135,141	168,847	(413,263)	1,128	-	635,541	304,986
Change in Cash and Cash Equivalents	42,557	(16,226)	(35,908)	187,354	(62,976)	132,252	(164,531)	85,458	-	-	(220,858)	388,838
Cash and Cash Equivalents, Beginning of Year	26,197	42,423	229,891	42,537	162,814	30,562	164,531	79,073	-	-	583,433	194,595
Cash and Cash Equivalents, End of Year	\$ 68,754	\$ 26,197	\$ 193,983	\$ 229,891	\$ 99,838	\$ 162,814	\$ -	\$ 164,531	\$ -	\$ -	\$ 362,575	\$ 583,433

City of Wadena, Minnesota
Comparative Statements of Cash Flows
Proprietary Funds
Years Ended December 31, 2012 and 2011

	Municipal Liquor		Sewer Utility		Water Utility		Electric Utility		Golf Course		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Reconciliation of Operating Income (Loss) to												
Net Cash From (Used For) Operating Activities												
Operating income (loss)	\$ 198,773	\$ 174,077	\$ 74,099	\$ (25,640)	\$ 119,892	\$ 67,775	\$ 855,883	\$ 726,073	\$ (43,786)	\$ (55,013)	\$ 1,204,861	\$ 887,272
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities												
Depreciation	11,305	12,899	131,935	148,945	128,147	128,358	302,246	294,368	30,229	26,860	603,862	611,430
Bad debts	-	-	-	-	-	-	-	(3,980)	-	-	-	(3,980)
Changes in assets and liabilities												
Accounts receivable	(2,453)	(28,595)	(32,111)	-	(3,110)	-	(105,115)	62,134	-	116	(142,789)	33,655
Prepaid items	(407)	(183)	(2,214)	(4,292)	669	(2,242)	(2,115)	(2,017)	(541)	(1,272)	(4,608)	(10,006)
Inventories	4,019	(21,203)	-	-	1,447	1,301	20,916	5,514	4,440	2,125	30,822	(12,263)
Outstanding checks in excess of cash	-	-	-	-	-	-	-	-	-	(255)	-	(255)
Accounts payable	(1,284)	5,887	(182,462)	(17,595)	191	(12,862)	41,232	(27,000)	(769)	47	(143,092)	(51,523)
Other current liabilities	806	198	14,073	(693)	(853)	190	27,266	19,597	680	-	41,972	19,292
Accrued compensated absences	819	2,064	(3,339)	309	(3,929)	(1,435)	19,840	1,748	(8,464)	783	4,927	3,469
Net Cash From (Used For) Operating Activities	<u>\$ 211,578</u>	<u>\$ 145,144</u>	<u>\$ (19)</u>	<u>\$ 101,034</u>	<u>\$ 242,454</u>	<u>\$ 181,085</u>	<u>\$ 1,160,153</u>	<u>\$ 1,076,437</u>	<u>\$ (18,211)</u>	<u>\$ (26,609)</u>	<u>\$ 1,595,955</u>	<u>\$ 1,477,091</u>
Supplemental Schedule of Noncash Investing and Financing Activities												
Acquisition of capital assets through contributed capital from the City	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 654,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 654,540</u>	<u>\$ -</u>
Acquisition of capital assets through payables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,459</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 177,459</u>

City of Wadena, Minnesota
Combining Schedule of Changes in Assets and Liabilities
Agency Funds
Year Ended December 31, 2012

	<u>Balance 1/1/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/12</u>
Assets				
Cash and cash equivalents	<u>\$ 591,662</u>	<u>\$ 105,952</u>	<u>\$ 47,231</u>	<u>\$ 650,383</u>
Liabilities				
Due to other governmental units	<u>\$ 591,662</u>	<u>\$ 105,952</u>	<u>\$ 47,231</u>	<u>\$ 650,383</u>



Other Reports
December 31, 2012

City of Wadena, Minnesota

City of Wadena, Minnesota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2012

Federal Grantor/Pass Through Grantor Program Title	Agency or Pass Through Number	Federal CFDA Number	Expenditures
United States Department of Agriculture <i>Passed through the State of Minnesota</i> Cooperative Forestry Assistance	32723	10.664	\$ 3,000
Department of Housing and Urban Development <i>Passed through the State of Minnesota</i> Community Development Block Grant	CDAP-10-0064-O	14.228	186,935
Department of Transportation <i>Passed through the State of Minnesota</i> Crack & Sealcoat Repair at Airport	8001-21	20.106	\$ 8,252
Snowblower	8001-21	20.106	105,250
Front End Loader	8001-21	20.106	167,888
CFDA Subtotal			<u>281,390</u>
Environmental Protection Agency <i>Passed through the State of Minnesota</i> Clean Water Revolving Fund	MPFA-11-0016-R	66.458	2,986,753
Department of Homeland Security <i>Passed through the State of Minnesota</i> Disaster Recovery Grant	DR-1921	97.036	<u>768,687</u>
Total Expenditures of Federal Awards			<u><u>\$ 4,226,765</u></u>

Note 1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards to the City of Wadena. The reporting entity is defined in Note 1 of the City's basic financial statements. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

Note 2 - Basis for Accounting

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the City's basic financial statements.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and the Minnesota Legal Compliance Audit Guide

The Honorable Mayor and Members of the City Council
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 *Governmental 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, 2012, 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 5, 2013.

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 preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 (as discussed below), 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 12-1 and 12-2, as described in the accompanying schedule of findings and questioned costs to be material weaknesses.

A *significant efficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider deficiency 12-3, as described in the accompanying schedule of findings and questioned costs to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of the City's 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*.

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the Minnesota Legal Compliance Audit Guide for Local Government, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Minnesota Legal Compliance Audit Guide for Local Government contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and Tax Increment Financing. Our study included all of the listed categories. Except as reported as finding 12-4 in the accompanying schedule of findings and questioned costs, the results of our tests indicate that, for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

The City's Response to Finding

The City's response to the finding identified in our audit is 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 black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota
June 5, 2013



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by OMB Circular A-133

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

Report on Compliance for Each Major Federal Program

We have audited the City of Wadena's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on City's major federal programs for the year ended December 31, 2012. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a direct and material effect on a major federal programs 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 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 of its major federal programs identified above for the year ended December 31, 2012.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Wadena'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Fargo, North Dakota
June 5, 2013

There were no findings in the prior year in relation to the major federal award programs audit.

A. Summary of Audit Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	<u> X </u> yes <u> </u> no
Significant deficiency(ies) identified?	<u> X </u> yes <u> </u> none reported
Noncompliance material to financial statements noted?	<u> </u> yes <u> X </u> no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u> </u> yes <u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes <u> X </u> 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 Section 510(a) of OMB Circular A-133?	<u> </u> yes <u> X </u> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.036	Disaster Recovery Grant
66.458	Clean Water Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs:	\$ 300,000
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no

B. Findings – Financial Statement Audit

Material Weakness

12-1 Significant Journal Entries

Condition – During the course of our engagement, we proposed numerous material audit 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.

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

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

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

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.

Management’s Response – The City will make an effort to review and reconcile all accounts in future years.

Corrective Action Plan (CAP)

1. **Action Planned in Response to the Finding** – Management will make an effort to review and reconcile all accounts in future years.
2. **Explanation of Disagreement** – There is no disagreement with the audit finding.
3. **Official Responsible for Ensuring Corrective Action** – Brad Swenson, City Administrator, is responsible for ensuring corrective action plan of the material weakness.
4. **Planned Completion Date for the Corrective Action** – December 31, 2013.
5. **Plan to Monitor Completion of Corrective Action** – The City Council will monitor the accounting function.

Material Weakness

12-2 Preparation of 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.

Criteria or Specific Requirement – 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.

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

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

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.

Management’s Response – Due to cost constraints, the City will continue to have the auditors draft the financial statements and accompanying notes to the financial statements.

Corrective Action Plan (CAP)

1. **Actions Planned in Response to the Finding** – No action is planned on the finding. The City feels that the additional costs to the City would not be significantly beneficial. The City does mitigate this situation through the review of the draft financial statements and accompanying notes to the financial statements by management.
2. **Explanation of Disagreement** – There is no disagreement with the audit finding.
3. **Official Responsible for Ensuring Corrective Action** – None. See #1 above.
4. **Planned Completion Date for the Corrective Action** – None. See #1 above.
5. **Plan to Monitor Completion of Corrective Action** – None. See #1 above.

Significant Deficiency

12-3 Preparation of the Schedule of Expenditures of Federal Awards

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

Criteria or Specific Requirement – As described in § ____ .310(b)(3) of OMB Circular A-133, 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.

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.

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

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.

Management's Response – The City will review the Schedule of Expenditures of Federal Awards and determine the necessary training to ensure completeness of the schedule going forward.

Corrective Action Plan (CAP)

1. **Action Planned in Response to the Finding** – Management will make an effort to review the federal expenditures to ensure proper reporting.
2. **Explanation of Disagreement** – There is no disagreement with the audit finding.
3. **Official Responsible for Ensuring Corrective Action** – Brad Swenson, City Administrator, is responsible for ensuring corrective action plan of the material weakness.
4. **Planned Completion Date for the Corrective Action** – December 31, 2013.
5. **Plan to Monitor Completion of Corrective Action** – The City Council will monitor the review of federal expenditures.

C. Minnesota Legal Compliance Findings

12-4 Pledged Collateral

Condition – Minnesota statutes required that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by federal deposit insurance or corporate security bonds. The City’s pledged collateral did not meet this requirement at December 31, 2012 for Wadena State Bank. The City’s deposits were under collateralized at Wadena State Bank by approximately \$38,700 at December 31, 2012.

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

Effect – The City was not in compliance with Minnesota statutes. Additionally, the noncompliance increases the custodial risk of the City.

Cause – Oversight by the City staff.

Recommendation – The City needs to consistently monitor the depository balances.

Management’s Response – The City will ensure pledged collateral exceeds 110% of deposits not covered by insurance or bonds during the year.

Corrective Action Plan (CAP)

1. **Action Planned in Response to the Finding** – Management will make an effort to review the pledged collateral consistently.
2. **Explanation of Disagreement** – There is no disagreement with the audit finding.
3. **Official Responsible for Ensuring Corrective Action** – Brad Swenson, City Administrator, is responsible for ensuring corrective action plan of the noncompliance.
4. **Planned Completion Date for the Corrective Action** – December 31, 2013.
5. **Plan to Monitor Completion of Corrective Action** – The City Council will monitor the completion of the corrective action plan.

D. Major Federal Award Programs Audit – None



Statistical Section

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 Nine Fiscal Years (1)
 (Accrual Basis of Accounting)
 Table 1

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental activities									
Net investment in capital assets	\$ 2,107,164	\$ 2,824,090	\$ 3,565,027	\$ 5,541,365	\$ 3,478,112	\$ 3,997,653	\$ 4,282,176	\$ 5,813,413	\$ 6,179,466
Restricted	1,060,571	1,184,971	1,798,480	10,000	10,000		3,737,474	3,050,739	1,312,273
Unrestricted	2,476,574	2,104,684	1,409,565	1,885,459	4,631,891	4,692,967	1,679,260	2,164,414	4,545,469
Total governmental activities net position	<u>\$ 5,644,309</u>	<u>\$ 6,113,745</u>	<u>\$ 6,773,072</u>	<u>\$ 7,436,824</u>	<u>\$ 8,120,003</u>	<u>\$ 8,690,620</u>	<u>\$ 9,698,910</u>	<u>\$ 11,028,566</u>	<u>\$ 12,037,208</u>
Business-type activities									
Net investment in capital assets	\$ 11,070,360	\$ 11,059,620	\$ 12,613,977	\$ 12,713,697	\$ 13,463,221	\$ 13,181,756	\$ 13,034,843	\$ 13,583,361	\$ 16,227,542
Unrestricted	4,107,039	4,327,547	3,822,301	4,447,130	4,251,765	5,147,386	5,827,728	5,539,454	4,467,291
Total business-type activities net position	<u>\$ 15,177,399</u>	<u>\$ 15,387,167</u>	<u>\$ 16,436,278</u>	<u>\$ 17,160,827</u>	<u>\$ 17,714,986</u>	<u>\$ 18,329,142</u>	<u>\$ 18,862,571</u>	<u>\$ 19,122,815</u>	<u>\$ 20,694,833</u>
Primary government									
Net investment in capital assets	\$ 13,177,524	\$ 13,883,710	\$ 16,179,004	\$ 18,255,062	\$ 16,941,333	\$ 17,179,409	\$ 17,317,019	\$ 19,396,774	\$ 22,407,008
Restricted	1,060,571	1,184,971	1,798,480	10,000	10,000		3,737,474	3,050,739	1,312,273
Unrestricted	6,583,613	6,432,231	5,231,866	6,332,589	8,883,656	9,840,353	7,506,988	7,703,868	9,012,760
Total primary government net position	<u>\$ 20,821,708</u>	<u>\$ 21,500,912</u>	<u>\$ 23,209,350</u>	<u>\$ 24,597,651</u>	<u>\$ 25,834,989</u>	<u>\$ 27,019,762</u>	<u>\$ 28,561,481</u>	<u>\$ 30,151,381</u>	<u>\$ 32,732,041</u>

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

City of Wadena, Minnesota
Changes in Net Position
Last Nine Fiscal Years (1)
(Accrual Basis of Accounting)
Table 2

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses									
Governmental activities:									
General government	\$ 318,441	\$ 401,411	\$ 631,041	\$ 653,427	\$ 854,266	\$ 509,565	\$ 1,453,126	\$ 892,427	\$ 834,901
Public safety	684,544	718,515	762,525	806,060	818,199	931,703	878,169	918,679	659,777
Public works	580,038	591,429	1,289,662	685,074	748,166	1,677,511	807,007	556,661	365,526
Culture and recreation	350,244	324,898	378,361	387,420	420,348	392,406	289,133	336,439	277,531
Economic development	463,129	248,906	200,262	603,296	1,038,870	203,637	127,926	310,929	459,799
Airport	140,835	151,837	111,867	74,914	131,921	83,661	163,058	240,768	631,415
Interest in debt	267,900	299,356	250,159	196,860	168,907	213,743	172,566	150,943	165,883
Total governmental activities expenses	<u>2,805,131</u>	<u>2,736,352</u>	<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>
Business-type activities:									
Municipal liquor	1,075,146	1,140,928	1,228,790	1,322,845	1,423,997	1,429,366	1,454,775	1,511,492	1,643,842
Sewer utility	476,802	459,559	537,493	504,152	571,102	543,610	522,354	558,711	562,294
Water utility	456,110	458,904	454,359	486,544	477,957	475,245	457,029	455,041	462,403
Electric utility	2,920,199	3,136,380	3,292,099	3,819,490	4,056,933	4,399,212	4,380,771	4,421,853	4,520,279
Golf course	424,812	429,001	450,840	420,250	420,438	383,163	435,054	387,283	407,704
Total business-type activities expenses	<u>5,353,069</u>	<u>5,624,772</u>	<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>
Total primary government expenses	<u>\$ 8,158,200</u>	<u>\$ 8,361,124</u>	<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>

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

City of Wadena, Minnesota
Changes in Net Position
Last Nine Fiscal Years (1)
(Accrual Basis of Accounting)
Table 2, Continued

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues									
Governmental activities									
Charges for services									
General government	\$ 11,684	\$ 41,262	\$ 73,880	\$ 59,185	\$ 67,455	\$ 29,308	\$ 30,945	\$ 28,839	\$ 50,388
Public safety	72,198	70,030	18,963	10,601	12,965	121,338	81,245	86,508	79,547
Public works	33,628	60	152,381	117,691	32,354	21,619	16,140	11,211	391,025
Culture and recreation	48,678	45,493	26,406	51,716	28,259	67,859	40,968	32,865	32,145
Economic development	41,985	27,112	28,820	18,800	18,800	72,961	77,850	51,902	11,550
Airport	25,282	19,841	27,710	28,472	27,744	28,847	28,279	38,542	45,706
Operating grants and contributions	127,310	144,209	212,095	268,810	148,137	473,071	1,027,848	545,477	175,959
Capital grants and contributions	213,999	182,519	829,974	582,716	1,137,843	1,098,196	122,614	959,232	234,222
Total governmental activities program revenues	<u>574,764</u>	<u>530,526</u>	<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>
Business-type activities									
Capital grants and contributions	-	-	-	4,000	-	-	-	32,900	-
Charges for services	5,711,064	6,095,850	6,768,969	7,517,353	7,790,625	8,101,415	8,026,182	8,170,929	8,738,985
Total business-type activities program revenues	<u>5,711,064</u>	<u>6,095,850</u>	<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>
Total primary government program revenues	<u>\$ 6,285,828</u>	<u>\$ 6,626,376</u>	<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>
Net Revenue (Expense)									
Governmental activities	\$ (2,230,367)	\$ (2,205,826)	\$ (2,253,648)	\$ (2,269,060)	\$ (2,707,120)	\$ (2,099,027)	\$ (2,465,096)	\$ (1,652,270)	\$ (2,374,290)
Business-type activities	357,995	471,078	805,388	968,072	840,198	870,819	776,199	869,449	1,142,463
Total primary government net expense	<u>\$ (1,872,372)</u>	<u>\$ (1,734,748)</u>	<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>

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

City of Wadena, Minnesota
Changes in Net Position
Last Nine Fiscal Years (1)
(Accrual Basis of Accounting)
Table 2, Continued

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Revenues and Other Changes in Net Position									
Governmental activities:									
Property taxes	\$ 847,190	\$ 888,010	\$ 923,650	\$ 976,207	\$ 934,483	\$ 914,694	\$ 888,131	\$ 775,589	\$ 807,527
Unrestricted state aid	1,012,773	1,082,281	1,247,457	1,315,791	1,820,843	1,322,100	1,209,116	1,252,560	2,682,438
Unrestricted investment earnings	165,341	242,021	158,825	191,959	134,437	161,115	128,338	100,338	56,049
Miscellaneous	49,836	69,907	185,000	37,114	75,334	106,786	654,118	135,426	131,030
Gain on disposal of capital asset	-	-	-	-	-	-	-	7,900	-
Transfers	357,438	393,043	398,043	411,741	425,202	382,164	376,468	710,113	(294,112)
Total governmental activities	<u>2,432,578</u>	<u>2,675,262</u>	<u>2,912,975</u>	<u>2,932,812</u>	<u>3,390,299</u>	<u>2,886,859</u>	<u>3,256,171</u>	<u>2,981,926</u>	<u>3,382,932</u>
Business-type activities:									
Unrestricted investment earnings	112,919	120,007	149,409	168,218	139,163	125,501	133,698	100,908	87,011
Miscellaneous	29,000	11,726	492,357	-	-	-	-	-	48,432
Transfers	(357,438)	(393,043)	(398,043)	(411,741)	(425,202)	(382,164)	(376,468)	(710,113)	294,112
Total business-type activities	<u>(215,519)</u>	<u>(261,310)</u>	<u>243,723</u>	<u>(243,523)</u>	<u>(286,039)</u>	<u>(256,663)</u>	<u>(242,770)</u>	<u>(609,205)</u>	<u>429,555</u>
Total primary government	<u>\$ 2,217,059</u>	<u>\$ 2,413,952</u>	<u>\$ 3,156,698</u>	<u>\$ 2,689,289</u>	<u>\$ 3,104,260</u>	<u>\$ 2,630,196</u>	<u>\$ 3,013,401</u>	<u>\$ 2,372,721</u>	<u>\$ 3,812,487</u>
Change in Net Position									
Governmental activities	\$ 202,211	\$ 469,436	\$ 659,327	\$ 663,752	\$ 683,179	\$ 787,832	\$ 791,075	\$ 1,329,656	\$ 1,008,642
Business-type activities	<u>142,476</u>	<u>209,768</u>	<u>1,049,111</u>	<u>724,549</u>	<u>554,159</u>	<u>614,156</u>	<u>533,429</u>	<u>260,244</u>	<u>1,572,018</u>
Total primary government change in net position	<u>\$ 344,687</u>	<u>\$ 679,204</u>	<u>\$ 1,708,438</u>	<u>\$ 1,388,301</u>	<u>\$ 1,237,338</u>	<u>\$ 1,401,988</u>	<u>\$ 1,324,504</u>	<u>\$ 1,589,900</u>	<u>\$ 2,580,660</u>

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

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Nonspendable									\$ -	\$ 1,436
Assigned									517,985	528,749
Unassigned									<u>1,324,700</u>	<u>2,439,075</u>
Total general fund									<u>\$ 1,842,685</u>	<u>\$ 2,969,260</u>
All Other Governmental Funds										
Restricted									1,566,234	1,312,273
Committed									296,265	495,750
Assigned									19,667	19,902
Unassigned									<u>(83,148)</u>	<u>123,600</u>
Total all other governmental funds									<u>\$ 1,799,018</u>	<u>\$ 1,951,525</u>
General Fund										
Reserved	\$ 39,032	\$ 40,798	\$ 45,986	\$ -	\$ 54,205	\$ -	\$ -	\$ -		
Unreserved	<u>652,252</u>	<u>739,907</u>	<u>742,930</u>	<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>\$ 691,284</u>	<u>\$ 780,705</u>	<u>\$ 788,916</u>	<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	\$ 12,325	\$ 2,722,098	\$ 2,720,718	\$ 1,800,705	\$ 11,874	\$ 11,388	\$ 11,701	\$ 10,000		
Unreserved, reported in:										
Debt service funds	1,032,616	1,243,300	1,238,345	1,489,350	1,748,141	1,774,954	1,694,260	1,677,709		
Special revenue funds	360,771	355,699	142,570	159,028	376,378	361,130	322,205	465,649		
Capital projects funds	284,022	92,811	(21,551)	271,993	294,694	(28,366)	303,982	97,978		
Permanent funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>215</u>	<u>133</u>		
Total all other governmental funds	<u>\$ 1,689,734</u>	<u>\$ 4,413,908</u>	<u>\$ 4,080,082</u>	<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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
General property taxes	\$ 836,822	\$ 847,189	\$ 888,010	\$ 923,094	\$ 975,164	\$ 933,633	\$ 913,797	\$ 886,074	\$ 774,880	\$ 759,975
Special assessments	277,531	214,368	340,847	282,967	318,075	258,122	239,946	255,130	201,100	238,951
Licenses and permits	20,194	11,285	40,977	29,068	23,023	22,879	25,688	30,937	27,847	26,298
Intergovernmental	2,535,985	1,303,122	1,191,924	1,318,353	1,776,267	2,208,270	2,731,405	2,343,477	2,737,432	2,958,453
Charges for services	108,979	114,145	90,365	147,639	137,393	140,551	209,044	170,180	177,372	171,776
Fines and forfeitures	28,312	31,040	22,890	46,517	37,889	47,376	44,939	20,968	21,386	25,315
Investment earnings	65,517	66,856	143,173	161,047	193,001	135,521	147,726	107,796	90,338	54,254
Other revenues	358,084	208,185	222,709	376,000	427,181	280,768	249,829	832,567	277,399	665,146
Total revenues	4,231,424	2,796,190	2,940,895	3,284,685	3,887,993	4,027,120	4,562,374	4,647,129	4,307,754	4,900,168
Expenditures										
General government	271,276	268,183	269,554	427,541	439,765	480,600	439,452	1,405,973	831,433	601,280
Public safety	584,375	629,524	655,127	715,290	791,060	770,277	852,084	803,136	830,241	851,565
Public works	317,459	409,053	448,765	443,396	507,099	507,902	455,881	434,276	446,199	479,160
Culture and recreation	319,236	323,744	296,167	358,641	369,304	401,156	351,241	252,604	257,622	337,596
Economic development	696,073	385,281	281,847	275,935	672,281	1,218,326	547,576	124,456	285,973	47,293
Airport	132,637	40,891	47,706	41,515	40,568	97,576	57,289	42,751	124,461	299,495
Miscellaneous	105,953	116,415	179,202	25,544	87,803	21,450	113,692	76,672	86,472	146,246
Capital outlay	2,036,702	386,491	647,538	1,730,897	835,084	446,476	1,792,631	498,651	1,282,363	674,636
Debt service										
Principal	340,000	418,626	428,626	443,626	463,626	677,126	680,627	655,000	680,000	1,455,000
Interest, fees and abatements	233,876	253,749	307,256	254,386	252,996	205,111	169,276	166,300	155,378	189,354
Total expenditures	5,037,587	3,231,957	3,561,788	4,716,771	4,459,586	4,826,000	5,459,749	4,459,819	4,980,142	5,081,625

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Excess (Deficiency) of Revenues over (Under) Expenditures	(806,163)	(435,767)	(620,893)	(1,432,086)	(571,593)	(798,880)	(897,375)	187,310	(672,388)	(181,457)
Other Financing Sources (Uses)										
Transfers from other funds	1,202,219	515,368	528,245	553,784	767,846	447,290	495,449	405,401	742,910	415,044
Transfers to other funds	(330,858)	(157,930)	(135,202)	(155,741)	(356,105)	(22,088)	(113,285)	(28,933)	(32,797)	(54,616)
Payment to refunding bond age	-	-	(100,000)	(910,000)	(1,785,000)	-	-	-	-	-
Bonds issued (net of discounts)	-	2,852,023	-	1,465,000	675,000	-	800,000	-	-	1,045,000
Sale of capital assets	2,379	23,755	2,235	1,994	6,670	322	-	-	-	55,111
Total other financing sources (uses)	<u>873,740</u>	<u>3,233,216</u>	<u>295,278</u>	<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>
Net Change in Fund Balances	<u>\$ 67,577</u>	<u>\$ 2,797,449</u>	<u>\$ (325,615)</u>	<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>
Debt service as a percentage of noncapital expenditures	19.1%	23.6%	25.3%	23.4%	19.8%	20.1%	17.7%	20.7%	22.1%	36.7%

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
2003	\$ 767,152	\$ 30,704	\$ 38,966	\$ 836,822
2004	775,704	28,916	42,569	847,189
2005	813,069	32,644	42,297	888,010
2006	831,972	33,141	57,981	923,094
2007	853,795	30,236	91,133	975,164
2008	823,521	33,491	76,621	933,633
2009	783,491	29,758	100,548	913,797
2010	763,370	32,567	90,137	886,074
2011	652,688	32,751	89,441	774,880
2012	642,892	34,897	82,186	759,975

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
		Net Tax Capacity	Estimated Market Value (2)	
2002	2003	\$ 1,433,410	\$ 118,566,000	1.21%
2003	2004	1,434,822	118,609,200	1.21%
2004	2005	1,553,742	130,617,900	1.19%
2005	2006	1,823,267	153,439,900	1.19%
2006	2007	2,081,212	176,794,900	1.18%
2007	2008	2,123,551	180,064,000	1.18%
2008	2009	2,091,276	177,275,200	1.18%
2009	2010	2,105,538	177,595,200	1.19%
2010	2011	1,985,203	166,324,700	1.19%
2011	2012	1,747,488	134,837,900	1.30%

(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	
2002	2003	19.84	31.43	51.27	100.03	20.72	172.02
2003	2004	16.81	32.91	49.72	91.60	25.66	166.98
2004	2005	14.66	28.04	42.70	84.28	21.85	148.83
2005	2006	14.87	27.46	42.33	81.86	26.82	151.01
2006	2007	14.64	26.26	40.90	80.90	28.24	150.04
2007	2008	7.18	29.88	37.06	77.59	25.24	139.89
2008	2009	5.60	29.85	35.45	78.44	23.93	137.82
2009	2010	8.14	30.00	38.14	72.29	23.51	133.94
2010	2011	21.22	13.29	34.51	79.30	19.75	133.56
2011	2012	19.39	26.59	45.98	95.84	23.18	165.00

(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	2012			2003		
		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	\$ 97,194	1	5.70%	\$ -		
Wal-Mart Stores, Inc.	Retail Store	63,682	2	3.73%			
Mason Brothers Co	Wholesale Grocers	49,068	3	2.88%	45,218	2	3.20%
Burlington Northern Railroad	Railroad	34,583	4	2.03%	16,852	3	1.19%
Russ Davis Wholesale Inc.	Wholesale Grocers	23,228	5	1.36%	18,252	6	1.29%
Leaf River Ag Service	Agriculture Cooperative	19,598	6	1.15%			
Wadena Medical Center	Medical Facilities	17,756	7	1.04%	11,782	10	0.84%
LN Real Estate LLC	Property Management	17,294	8	1.01%			
Merickel, James R & Jane M	Natural Gas Supplier	17,132	9	1.00%			
MN Energy Resources	Natural Gas Supplier	16,732	10	0.98%			
Total		<u>\$ 356,267</u>		<u>20.9%</u>	<u>\$ 92,104</u>		<u>6.5%</u>

(1) Source - Wadena County Auditor

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

Levy Year	Collection Year	Total Tax Levy	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount (1)	Percentage of Levy		Amount	Percentage of Levy
2002	2003	\$ 656,943	\$ 640,132	97.4	\$ 16,570	\$ 656,702	100.0
2003	2004	637,094	630,000	98.9	6,856	636,856	100.0
2004	2005	656,566	644,875	98.2	11,691	656,566	100.0
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	83,601	752,420	98.4
2008	2009	742,023	634,387	85.5	102,803	737,190	99.3
2009	2010	790,230	786,613 (2)	99.5	3,617	790,230	100.0
2010	2011	682,793	668,143 (2)	97.9	8,204	676,347	99.1
2011	2012	604,193	587,124	97.2	-	587,124	97.2

(1) Includes Market Value Homestead Credit

(2) Includes Disaster Credit

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

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			
2003	\$ 4,755,000	\$ 182,259	\$ 2,557,000	\$ 855,442	\$ 8,349,701	12.84%	\$ 1,945
2004	7,255,000	148,632	2,452,000	555,000	10,410,632	16.12%	2,441
2005	6,760,000	115,006	2,344,000	455,000	9,674,006	15.04%	2,277
2006	6,905,000	81,380	2,233,000	350,000	9,569,380	14.87%	2,253
2007	5,365,000	47,754	2,119,000	240,000	7,771,754	12.08%	1,830
2008	4,720,000	15,628	2,002,000	-	6,737,628	10.26%	1,586
2009	4,855,000	-	1,882,000	-	6,737,000	10.26%	1,586
2010	4,200,000	-	1,759,000	-	5,959,000	9.43%	1,458
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

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)
2003	\$ 4,755,000	\$ 1,033,720	\$ 3,721,280	259.61%	\$ 867
2004	7,255,000	1,049,630	6,205,370	432.48%	1,455
2005	6,760,000	3,947,031	2,812,969	181.04%	662
2006	6,905,000	3,277,830	3,627,170	198.94%	854
2007	5,365,000	1,748,141	3,616,859	173.79%	851
2008	4,720,000	1,774,954	2,945,046	138.68%	693
2009	4,855,000	1,694,260	3,160,740	151.14%	744
2010	4,200,000	1,677,709	2,522,291	119.79%	617
2011	5,153,000	1,312,098	3,840,902	193.48%	940
2012	7,480,322	1,202,418	6,277,904	359.25%	1,536

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, 2012
 (Unaudited)
 Table 12

<u>Jurisdiction</u>	<u>Total Bonded Debt Outstanding</u>	<u>Percentage Applicable to City (1)</u>	<u>Total Direct and Overlapping Debt (3)</u>
City of Wadena	\$ 7,480,322	100%	\$ 7,480,322
I.S.D. No. 2155 (2)	3,650,000	66%	2,409,000
Wadena HRA	<u>2,755,000</u>	100%	<u>2,755,000</u>
Total	<u><u>\$ 13,885,322</u></u>		<u><u>\$ 12,644,322</u></u>

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

(2) Source - Wadena County Auditor.

(3) Computed by multiplying the bonded debt by the applicable City portion.

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 2,372,184	\$ 2,372,184	\$ 2,612,358	\$ 2,836,304	\$ 3,068,798	\$ 3,601,280	\$ 3,545,504	\$ 3,551,904	\$ 3,326,494	\$ 2,696,758
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	-
Legal debt margin	<u>\$ 2,372,184</u>	<u>\$ 2,372,184</u>	<u>\$ 2,612,358</u>	<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>
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>\$ 134,837,900</u>
Debt limit - 2% of estimated market value (2)	2,696,758
Debt applicable to limit:	
Total Bonded Debt	\$ 7,480,322
Less:	
Improvement bonds of 2002	\$ 50,000
G.O. Water revenue note of 2002	1,503,000
Refunding bonds of 2004	945,000
G.O. Capital Improvement Bonds of 2007	375,000
G.O. Taxible Improvement Bonds of 2009	695,000
G.O. Refunding Bonds of 2012	1,045,000
G.O. Sewer Revenue note of 2012	2,867,322
Total net debt applicable to limit	<u>-</u>
Legal debt margin	<u>\$ 2,696,758</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

Utility Bonds									
Year		Utility Charges and Other	Less: Operating Expenses (1)	Net Available Revenue	Debt Service			Coverage	Year
					Principal	Interest	Total		
2003	(2)	\$ 3,594,309	\$ 2,760,102	\$ 834,207	\$ 155,891	\$ 101,766	\$ 257,657	3.24	2003
2004	(3)	3,638,883	2,960,689	678,194	200,000	100,005	300,005	2.26	2004
2005	(3)	3,946,100	3,183,179	762,921	208,000	93,079	301,079	2.53	2005
2006	(3)	4,542,231	3,334,820	1,207,411	216,000	85,423	301,423	4.01	2006
2007	(3)	5,189,569	3,862,363	1,327,206	224,000	77,286	301,286	4.41	2007
2008	(3)	5,397,000	4,091,453	1,305,547	357,000	65,042	422,042	3.09	2008
2009	(4)	459,225	294,533	164,692	120,000	52,270	172,270	0.96	2009
2010	(4)	472,699	279,794	192,905	120,000	52,270	172,270	1.12	2010
2011	(4)	477,079	280,946	196,133	126,000	45,737	171,737	1.14	2011
2012	(5)	1,156,290	702,217	454,073	217,926	62,398	280,324	1.62	2012

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

- (1) Not including depreciation expense.
- (2) Includes both Sewer and Electric revenues and expenses.
- (3) Includes both Electric and Water revenues and expenses.
- (4) Includes only Water revenues and expenses.
- (5) 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		
2003	\$ 277,531	\$ 340,000	\$ 233,876	\$ 573,876	0.48	
2004	214,368	385,000	246,536	631,536	0.34	
2005	340,847	395,000	307,256	702,256	0.49	
2006	282,967	410,000	252,991	662,991	0.43	
2007	318,075	430,000	244,469	674,469	0.47	
2008	258,122	645,000	199,460	844,460	0.31	
2009	166,677	665,000	169,276	834,276	0.20	
2010	222,735	655,000	166,300	821,300	0.27	
2011	167,651	680,000	155,095	835,095	0.20	
2012	238,951	410,000	183,614	593,614	0.40	

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>
2003	4,293	\$ 65,021,778	\$ 15,146	1,300	6.5%
2004	4,265	64,597,690	15,146	1,237	6.3%
2005	4,248	64,340,208	15,146	1,194	6.6%
2006	4,248	64,340,208	15,146	1,129	6.8%
2007	4,248	64,340,208	15,146	1,152	6.8%
2008	4,248	65,640,096	15,452	1,048	13.5%
2009	4,248	65,640,096	15,452	1,006	13.5%
2010	4,088	63,167,776	15,452	1,000	10.8%
2011	4,088	79,078,272	19,344	933	10.5%
2012	4,088	80,991,456	19,812	982	10.2%

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

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

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

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

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

<u>Employer</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total County Employment</u>
Tri-County Hospital	417	1	7.05%
Mason Brothers Company	190	2	3.21%
Ind. School District 2155	165	3	2.79%
Wal-Mart	150	4	2.54%
Homecrest Outdoor Living	130	5	2.20%
Russ Davis Wholesale	125	6	2.11%
Fair Oaks Lodge	118	7	1.99%
County of Wadena, MN	85	8	1.44%
Polman Trucking Company	84	9	1.42%
Wensman Seed	75	10	1.27%
Wadena Super One	70	11	1.18%
Wadena Timber Roots	70	12	1.18%
MN State Community & Technical College	62	13	1.05%
City of Wadena	44	14	0.74%
Total	<u>1,785</u>		<u>30.17%</u>

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

City of Wadena, Minnesota
 Full-Time Equivalent City Government Employees by Function
 Last Nine Fiscal Years (1)
 (Unaudited)
 Table 17

Function	Full-time Equivalent Employees as of December 31								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	6.0	6.0	6.5	6.5	6.5	6.5	6.5	6.5	6.5
Public safety									
Police									
Officers	7.5	7.5	8.5	8.5	8.5	8.5	8.5	9.0	9.0
Civilians	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Fire									
Firefighters and officers*	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Highways and streets									
Engineering									
Maintenance	6.5	6.5	6.5	6.5	6.5	5.5	5.5	5.5	5.5
Sanitation	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Culture and recreation	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Water	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Sewer	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Electric	9.5	9.5	9.5	7.5	7.5	9.5	9.5	9.5	9.5
Liquor Store	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
Total	47.0	47.0	48.5	46.5	46.5	47.5	47.5	48.0	48.0

(1) The City is required to present the information for the last ten fiscal years, however, the information is only available for the last nine fiscal years.

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

Function	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police									
Physical arrests	634	514	334	421	557	698	540	349	409
Parking violations	11	21	32	17	51	30	16	17	14
Traffic violations	96	108	51	102	252	195	245	141	149
Fire									
Number of calls answered	21	38	32	27	40	37	43	30	30
Highways and streets									
Street resurfacing (miles)	0.5	0.4	0.6	2.4	0.3	0.0	0.5	0.2	0.5
Tons of Asphalt used to Repair Potholes	70	85	90	46	58	74	135	215	190
Water									
New connections	0	0	4	7	3	3	2	3	8
Water main breaks	1	0	0	1	3	5	2	3	2
Average daily consumption (in gallons) (thousands of gallons)	461,878	444,067	473,138	452,106	413,886	406,962	373,089	372,777	438,895
Wastewater									
Average daily sewage treatment (in gallons)	370,000	434,000	433,000	432,000	432,000	462,000	606,450	608,083	460,323

(1) Source - various City departments. The City is required to present the information for the last ten fiscal years, however, the information is only available for the last nine fiscal years.

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

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

Function	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety									
Police:									
Stations	1	1	1	1	1	1	1	1	1
Patrol units	2	2	2	2	2	2	2	2	2
Fire stations	2	2	2	2	2	2	2	2	2
Sanitation									
Collection trucks	1	1	1	1	1	1	1	1	1
Highways and streets									
Streets (miles)	40.0	40.8	41.3	41.3	41.3	42.5	42.5	42.5	42.5
Streetlights	705	705	705	705	705	705	690	690	690
Traffic signals	4	4	4	4	4	4	4	4	4
Culture and recreation									
Parks acreage	464	464	463	463	463	464	463	463	463
Parks	12	12	11	11	11	11	11	11	11
Swimming pools	1	1	1	1	1	1	1	1	1
Tennis courts	5	5	5	5	5	5	2	2	2
Community centers	1	1	1	1	1	1	1	0	0
Water									
Water mains (miles)	32.0	32.0	33.0	33.0	33.0	33.0	33.0	33.0	33.0
Fire hydrants	294	294	306	306	306	306	311	#	306
Maximum daily capacity (thousands of gallons)	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900	1,900
Sewer									
Sanitary sewers (miles)	28.5	28.5	26.0	26.0	26.0	26.0	30.0	30.0	30.0
Storm sewers (miles)	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0	11.0
Maximum daily treatment capacity (thousands of gallons)	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000	750,000
Electric									
Number of distribution stations	5	5	6	6	6	6	6	6	6
Miles of service lines	56.0	56.0	56.0	56.0	56.0	56.0	56.5	56.5	57.5

(1) Source - various City departments. The City is required to present the information for the last ten fiscal years, however, the information is only available for the last nine fiscal years.

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